



## Healthcare Industry Highlights

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May 19<sup>th</sup>, 2020



## SNAPSHOT SERIES: IMPACT OF COVID-19 ON THE HEALTHCARE SECTOR

ADRIANNA CZORNYJ, PARTNER, PERSISTENCE CAPITAL PARTNERS

PCP

Persistence Capital Partners

*Persistence Capital Partners is Canada's only private equity fund exclusively focused on high growth opportunities in Canadian healthcare.*

- *Origin Merchant Partners: How has your portfolio been impacted by the COVID-19 shutdown?*
  - **Adrianna Czornyj:** Across the portfolio, it is a mixed bag. Some companies are doing well through the shutdown, like our Rx Drug Mart pharmacies and our recently acquired Summit Veterinary Pharmacy, and some are not. Clinical business like dental practices have been hit a bit harder in the short term.
  - But the healthcare sector is resilient. While some businesses may be temporarily closed in this environment, patients will eventually need to be seen. So the shutdown is just creating a backlog, which means that once we are able to reopen, we'll be able to ramp up quite quickly. For example, for safety we were amongst the earliest to close our national dermatology and medical spa business, Medspa Partners. However, the work of the team during the shutdown has resulted in significant sales of packages and bookings upon re-opening. This really differentiates health care from other industries.
- *OMP: Have there been any positive developments through the shutdown that will stick for the long-term?*
  - **AC:** Virtual health is the most predominant; the pandemic forced change of epic proportions that would otherwise have taken years. This shift to virtual care has been so needed in the healthcare space from both a cost management and patient access perspective. Its accelerated adoption is beyond a silver lining because of the massive positive benefit for patients.
- *OMP: Do any specific examples come to mind?*
  - **AC:** One of our companies, Anova, a fertility care provider, is a great example. Proper fertility care is very difficult to get outside major city centres. Introducing virtual care allows us to go into more rural or isolated areas, places where they don't have access to that type of care without significant travel. Now we're able to provide patients with virtual access to a fertility specialist, so that treatment protocols can be managed virtually by the fertility specialist, and supported locally by the patient's existing physician. There will still be one trip if the patient requires IVF, but that represents a significant reduction in travel, and facilitates fertility care for those that couldn't afford to access it previously. This is just one example of many, but provides a clear illustration of how virtual care increases patient access and reduces costs.



## SNAPSHOT SERIES: IMPACT OF COVID-19 ON THE HEALTHCARE SECTOR (CONT'D)

DEBRA DOBSON, PARTNER, PELOTON CAPITAL MANAGEMENT



*Peloton Capital Management is a private equity firm that uses a long-term investment philosophy and sector-focused strategy in building a portfolio of mid-market North American companies.*

- *Origin Merchant Partners: What has Peloton's experience been through the two months of shutdown?*
  - **Debra Dobson:** We're a new fund, with two investments - one dental platform and the other a veterinary platform - and plenty of dry powder. We have had different experiences with each portfolio company.
  - There has been limited disruption in our vet business, as our clinics have remained open for urgent pet services. In contrast, our dental business has effectively been shut down, with limited emergency services. However, we were able to realize some benefit from the shutdown: pre-COVID, the dental clinic business was growing at a tremendous rate through acquisition. We've been using the pause to digest the acquisitions, and are working very closely with the management and clinic teams on value creation initiatives. The forced pause has allowed us to focus on our key processes to integrate our acquisitions more smoothly and quickly, and plan for future growth. And we're expecting the business to rebound quickly because of the essential nature of dental care.
- *OMP: How does the reopening look for you at Peloton?*
  - **DD:** The reopening poses challenges. We are looking globally - at what South Korea and other countries are doing - and learning what will work best to keep staff and patients safe. Dental clinics are currently reopening in Manitoba, Saskatchewan and Quebec, and BC is up next. In all of the reopened clinics, we've implemented protocols that include social distancing, increased use of PPE, expanded client communication, and a shift to manual cleaning methods to minimize aerosol spray.
  - Also, we see a need to educate patients about what protocols and procedures have been and will be in place to address infection prevention and control, so that they are comfortable to return to their doctor, dentist, or other health practitioner.
- *OMP: We hear a lot about investors hitting pause on new deals. What is Peloton's position?*
  - **DD:** We are looking at new opportunities and are absolutely willing to pull the trigger on a deal. Beyond the abrupt disruption, the fundamentals of healthcare and healthcare services haven't changed. If anything, it's more interesting, as we anticipate a demand for more services to move outside of hospitals to mitigate the virus and capacity risks.



## SNAPSHOT SERIES: IMPACT OF COVID-19 ON THE HEALTHCARE SECTOR (CONT'D)

ALY CHAMPSI, MANAGING DIRECTOR, DW HEALTHCARE PARTNERS



*DW Healthcare Partners is a private equity firm focused exclusively on the healthcare industry. The firm manages over \$1.4 billion in committed capital and invests in leading healthcare companies with proven management teams.*

- *Origin Merchant Partners: How has DWHP fared through the shutdown?*
  - **Aly Champs:** A couple of companies in our portfolio are actually thriving through the shutdown because of their rapid, creative adaptation. For example, we own the second largest provider of autism services in the state of California. In March, they quickly shifted home visits from face-to-face to telehealth, providing a seamless transition for their families. This, in conjunction with the current school shutdown, gives families heightened flexibility in scheduling their appointments.
  - Another portfolio company makes saliva tubes used for DNA tests, using a solution that keeps the DNA active until it gets to the lab. Working with select US labs, the company has adapted its product to provide COVID-19 testing on saliva, a method that can be scaled more easily than nasal swab testing.
- *OMP: How will things look in health care as we move towards the “new normal”?*
  - **AC:** Within the healthcare sector, there are some things that won't change as we reopen:
  - Many businesses in healthcare have been deemed essential services and continue to operate through the shutdown. But they've had to operate differently; for example, in the case of manufacturers, workers wear PPE on the plant floor, and shifts have been modified to facilitate social distancing. Those protocols aren't going away any time soon; they are here to stay until there is a vaccine.
  - I believe we will also see continued, heightened use of telehealth.
- *OMP: Picking up on your last point, where do you see the biggest opportunities for telehealth?*
  - **AC:** I see significant opportunity in the mental health arena. The impact of quarantine has been very tough, and that will help drive increased focus and resources to addressing mental health issues. I expect to see the ramp up of mental health care delivery through telemedicine. This type of care lends itself to virtual delivery as the mental health professional doesn't need to be in physical contact with the patient to build rapport and provide ongoing treatment. That said, I also expect there will be broad, sustained use of virtual healthcare as most patients will want doctors' visits, where possible, by telehealth.



## COVID-19 DEVELOPMENTS

*WE SINCERELY APPRECIATE ALL THE EFFORTS OF THOSE WORKING IN HEALTHCARE TO HELP US GET THROUGH THIS*

### News Scan

Healthcare news is dominated by C19, as enormous resources around the world are being mobilized to develop novel treatments, vaccines and technologies as well as repurposed treatments previously approved, in an attempt to manage and prevent C19 and future infectious disease outbreaks. Here are some highlights from Canada and around the world:

- On May 18<sup>th</sup>, **Moderna, Inc.** announced positive Phase 1 results for its mRNA vaccine to prevent C19 infection. One of a select few vaccine candidates currently being tested in humans, mRNA-1273 was administered to eight healthy volunteers and all developed neutralizing antibodies at levels comparable to that seen in natural infection. The experimental drug is on an expedited timetable, with Phase 2 in final ethics review for dose-ranging testing in hundreds of patients and Phase 3 planned for testing in tens of thousands of patients by July
- On May 12<sup>th</sup>, **Health Canada** authorized the first serological test to detect C19 specific antibodies. Italian **DiaSorin S.p.A** developed the LIASION test, which was also recently approved by the **Food and Drug Administration** (“FDA”). The test will be used in laboratories in an effort to better understand whether those infected with the virus are immune
- On May 3<sup>rd</sup>, **AbCellera Biologics Inc.** (“**AbCellera**”), a Vancouver-based antibody therapeutics company, announced a commitment of up to C\$176 million from the Canadian government’s Strategic Innovation Fund to expand efforts related to the discovery of antibodies to treat C19. AbCellera’s antibody discovery platform is being used to search blood samples of recovered patients to find antibodies to treat and prevent C19
- On May 1<sup>st</sup>, the **FDA** announced emergency use of **Gilead Sciences Inc.** (“**Gilead**”) experimental drug Remdesivir for severely ill C19 patients, following preliminary results from a government-sponsored study that showed that the drug shortened the time to recovery by 31%, or about four days on average, for hospitalized C19 patients
- On April 14<sup>th</sup>, **Sanofi S.A.** (“**Sanofi**”) announced a strategic alliance with **GlaxoSmithKline PLC** (“**GSK**”) to develop a C19 vaccine and enable production on a massive scale. The companies expect to begin clinical trials on their vaccine in the second half of 2020, with successful results leading to a product available by the second half of 2021
- On April 10<sup>th</sup>, **Precision Biomonitoring Inc.** (“**Precision**”), an Ontario-based molecular detection tools provider, announced its partnership with **Shared Value Solutions Inc.** (“**Shared**”), to bring its point-of-need C19 Go-Strips and rapid mobile detection device to Indigenous communities in northern Ontario. Currently, the delivery of C19 test results can take up to seven days in northern communities and even longer in more remote communities





## HEALTHCARE SERVICES

### News Scan

- On May 14<sup>th</sup>, **Centric Health Corp.** (“**Centric**”) announced a bought deal financing for gross proceeds of C\$10 million by a syndicate led by **Beacon Securities Ltd.** Centric has granted the syndicate the option to purchase up to an additional C\$1.5 million of special warrants at any time up to 48 hours prior to the closing date of the offering. Centric intends to use the proceeds for working capital and general corporate purposes
  - On May 13<sup>th</sup>, **Centric** announced its intention to change its name to CareRx Corporation with the proposed trading symbol for its common shares on the TSX changed to “CRRX”. The proposal has been approved by the Board of Directors and will be formally submitted to shareholders for consideration at Centric’s annual shareholder meeting on June 18<sup>th</sup>, 2020
- On May 12<sup>th</sup>, **Encompass Health Corporation** (“**Encompass**”), an Alabama-based provider of integrated healthcare services, announced a public offering of US\$500 million of senior notes, through the re-opening of its 4.50% senior notes due 2028 and its 4.75% senior notes due 2030. Encompass offers facility-based and home-based patient care, and intends to use the proceeds to repay certain borrowings under its revolving credit facility and for other corporate purposes
- On May 5<sup>th</sup>, **WELL Health Technologies** (“**WELL**”) announced a bought deal financing for gross proceeds of C\$12.5 million. WELL intends to use the proceeds to fund M&A activity and general working capital purposes, continuing to leverage its position in the telehealth marketplace to complete accretive transactions
  - On May 4<sup>th</sup>, **WELL** completed the acquisition of **MedBASE Software Inc.** (“**MedBASE**”) for C\$650,000. MedBASE provides Electronic Medical Record (“EMR”) services to 61 medical clinics in Ontario

### Key Indicators

(in USD millions, unless otherwise indicated)	Market Cap	TEV	TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
			2020E	2021E	2020E	2021E	
Akumin Inc.	145.3	604.0	2.5x	2.1x	11.1x	7.6x	76.2%
New Look Vision Group Inc.	300.0	511.2	2.9x	2.2x	18.7x	10.6x	78.9%
WELL Health Technologies Corp.	256.6	259.1	8.7x	6.4x	neg	nmf	56.2%
CRH Medical Corporation	128.5	231.4	2.9x	1.8x	14.6x	6.6x	42.9%
Centric Health Corporation	70.2	113.6	0.9x	0.8x	10.4x	8.2x	75.8%
<b>Average</b>			<b>3.6x</b>	<b>2.7x</b>	<b>13.7x</b>	<b>8.3x</b>	<b>66.0%</b>



## HEALTHCARE TECHNOLOGY

### News Scan

- On May 11<sup>th</sup>, **Carbon Health Medical Group Inc. (“Carbon”)**, a San Francisco-based tech-enabled care provider, announced the completion of its Series B funding round extension, raising US\$26 million from existing investor **Data Collective Venture Capital LLC (“DCVC”)**. Carbon intends to use the proceeds to offset the financial uncertainty that arises from the expansion of its operations during the COVID-19 pandemic. Currently, Carbon has expanded its virtual care services to ten states and plans to be in all 50 states by summer 2020
- On May 5<sup>th</sup>, **Babylon Health Inc. (“Babylon”)**, a provider of a digital healthcare app for AI-powered diagnosis and video appointments out of the United Kingdom, announced a partnership with **Mount Sinai Health Partners (“MSHP”)** to provide access to digital healthcare service to millions of New York residents. Babylon aims to take pressure off New York emergency rooms, doctors' offices and other medical services at a time when so many in the state are at capacity
- On May 4<sup>th</sup>, **Change Healthcare Inc. (“Change”)**, a provider of innovative enterprise healthcare solutions, announced the acquisition of **eRx Network LLC (“eRx”)**, a Texas-based e-prescribing company, for US\$213 million. eRx helps pharmacies improve operational efficiency and optimize reimbursement. The acquisition price represents 3.2x eRx's LTM revenue of US\$67 million. The transaction supports Change's commitment to focus on and invest in core aspects of its business to fuel long-term growth and advance innovation
- On April 20<sup>th</sup>, **PocketHealth Inc. (“PocketHealth”)**, a Toronto-based platform provider of medical image management services, announced it had raised C\$9.2 million in financing led by **Radical Ventures Investments Inc. (“Radical”)**. PocketHealth intends to use the proceeds to help accelerate its hiring and to meet significant increases in demand for the platform from patients and hospital networks in Canada and the U.S. To date, PocketHealth's platform is used by over 500 hospitals and clinics with over 150,000 patients

### Key Indicators

(in USD millions, unless otherwise indicated)	Market Cap	TEV	TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
			2020E	2021E	2020E	2021E	
Profound Medical Corp.	203.4	161.1	24.2x	7.2x	neg	neg	64.9%
Hamilton Thorne Ltd.	102.4	101.4	2.8x	2.3x	15.6x	11.0x	75.3%
Vitalhub Corp.	32.4	32.8	3.9x	3.2x	26.4x	14.2x	70.8%
Neovasc Inc.	27.6	31.6	15.4x	3.0x	na	na	30.6%
<b>Average</b>			<b>11.6x</b>	<b>3.9x</b>	<b>21.0x</b>	<b>12.6x</b>	<b>60.4%</b>



## PHARMACEUTICALS

### News Scan

- On May 6<sup>th</sup>, US small molecule drug developer **PTC Therapeutics Inc.** (“**PTC**”) announced it has entered into an agreement to acquire **Censa Pharmaceuticals Inc.** (“**Censa**”), developing CNSA-001 (sepiapterin), a clinical-stage therapy for orphan metabolic diseases. PTC intends to take over the late-stage development of CNSA-001, ensuring availability to consumers in the near future
- On May 5<sup>th</sup>, **Alexion Pharmaceuticals** (“**Alexion**”), an American developer of treatments for rare diseases, announced the acquisition of **Portola Pharmaceuticals** (“**Portola**”) for US\$1.2 billion. The acquisition will further diversify Alexion’s neurology, critical care, and hematology portfolio with Andexxa having a high potential of becoming the global standard of care for patients experiencing life-threatening bleeds
- On May 4<sup>th</sup>, **Adare Pharmaceuticals Inc.** (“**Adare**”) announced the acquisition of **Orbis Biosciences Inc.** (“**Orbis**”), a pharmaceutical manufacturing technology company with precision drug delivery services for pharmaceutical, animal health and OTC markets. The acquisition of Orbis is expected to grow Adare’s Pharmaceuticals Technologies business
- On April 20<sup>th</sup>, Montreal-based **Knight Therapeutics Inc.** (“**Knight**”) announced it had taken over commercial activities from **Debiopharm’s** previous partner, **Allergan**, to obtain the exclusive rights to commercialize Trelstar in Canada. Trelstar is an agonist analogue of the natural gonadotropin-releasing hormone
  - Also on April 20<sup>th</sup>, **Knight** announced that **Health Canada** had approved IBSRELA for the treatment of irritable bowel syndrome associated with constipation in adults. The exclusive agreement with **Ardelyx Inc.** will enable Knight to distribute IBSRELA in Canada

### Key Indicators

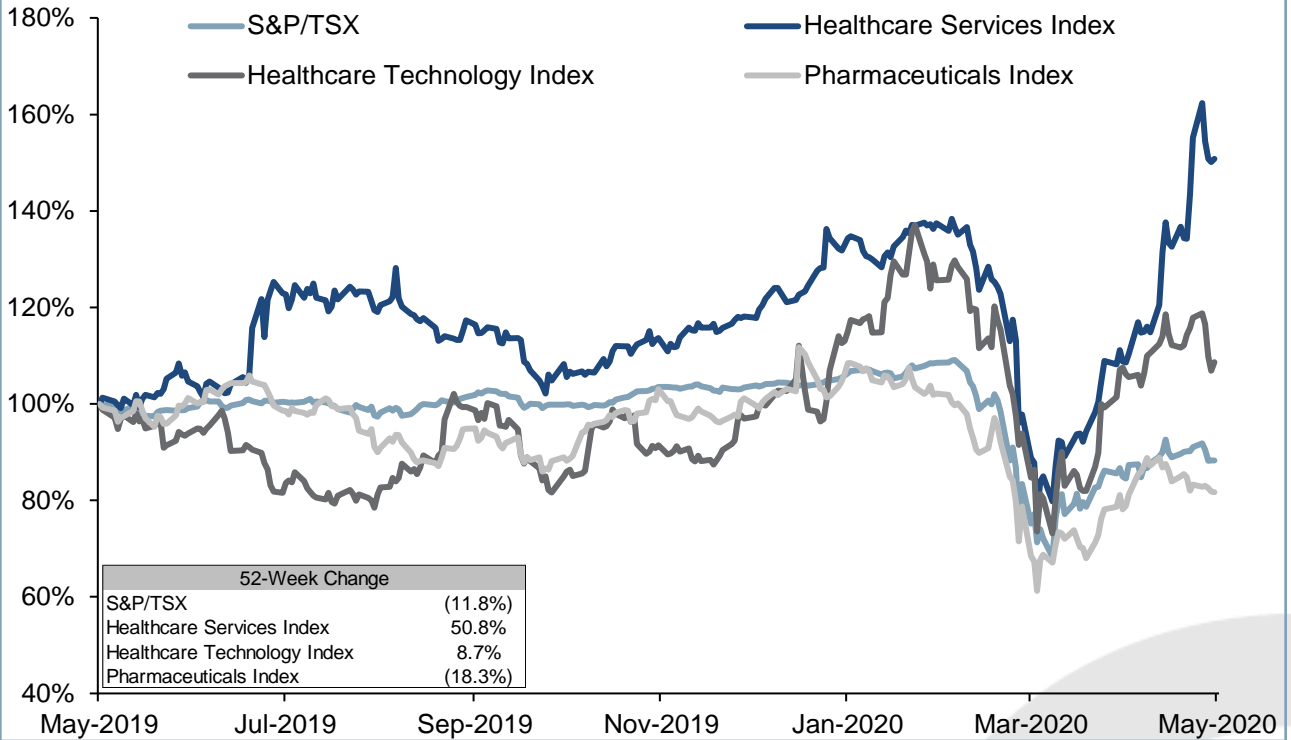
(in USD millions, unless otherwise indicated)	Market Cap	TEV	TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
			2020E	2021E	2020E	2021E	
Bausch Health Companies Inc.	5,583.4	29,170.4	3.6x	3.4x	8.9x	8.2x	49.2%
Knight Therapeutics Inc.	721.5	545.7	3.1x	2.6x	26.2x	16.1x	84.6%
HLS Therapeutics Inc.	427.8	479.8	7.8x	6.4x	18.1x	15.4x	73.3%
Theratechnologies Inc.	156.2	175.9	2.4x	1.6x	17.5x	4.6x	35.8%
<b>Average</b>			<b>4.2x</b>	<b>3.5x</b>	<b>17.7x</b>	<b>11.1x</b>	<b>60.7%</b>





## MARKET PERFORMANCE

### Indexed Segment Performance<sup>1</sup>



### Charting the Course

- The TSX Index has declined 11.8% over the last 12 months, with continuing market volatility as the impact of economic shutdowns in response to COVID-19 and current re-openings are reflected in financial performance
- Our Healthcare Services Index continues to outperform the TSX over the last year, driven largely by **WELL Health**, posting a return of 345% from its share price one year ago
- Our Healthcare Tech Index has similarly outperformed the S&P/TSX due largely to the performance of **Profound Medical**, up approximately 86% over the year
- Our Pharma Index has underperformed the TSX over the past 12 months, with **HLS Therapeutics**' share price appreciation of about 17% offsetting performance of others

1. Index segments are comprised of equally weighted market prices for the companies in each category as noted in the earlier pages of the report



## About Origin Merchant Partners

Origin Merchant Partners is an independent investment bank that provides value added corporate finance, mergers and acquisitions and merchant banking services delivered by senior professionals. Our clients engage us for our dedicated, high level of service and independent advice to address their strategic and financial plans

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