



Healthcare Industry Highlights

June 17th, 2020



SNAPSHOT SERIES: IMPACT OF COVID-19 ON THE HEALTHCARE SECTOR – THE REOPENING EXPERIENCE



DOMINIC MAZZONE, CEO, MEDSPA PARTNERS



Medspa Partners is a platform for leading Canadian medical aesthetics clinics, currently operating five clinics in BC and one in Toronto. The platform was launched in October 2019, subsequently closing on the acquisition of six clinics in six months, with a current expectation to double in size by the end of 2020.

- *Origin Merchant Partners: How did you and your team navigate the shutdown?*
- **Dominic Mazzone:** We were watching developments very closely prior to shutdown, and had a plan in place, including a virtual consultation offering that we had accelerated in anticipation of the shutdown. When we closed the clinics, we were ready to go. There was a tremendous amount of work to do from an operational standpoint, but in parallel, we had marketing going full force alongside our virtual consults. As a result, we were able to generate significant revenue through service and product sales while we were closed.
- The shutdown also gave us time to complete a number of our ongoing initiatives, including resource planning, and integration of the different clinics from an IT and accounting perspective, so operationally, we're coming out of this with the platform in excellent shape.
- *OMP: Pre-COVID, you were actively growing the business through acquisition. What's been happening since the shutdown?*
- **DM:** M&A has been on fire. We have a fantastic financial partner that understands the opportunity in the marketplace, COVID or no COVID. Over the last few months, I've actually talked to more clinic owners than ever. We signed LOI's during the shutdown, took virtual tours of clinics, and even did a physical tour of one clinic (with the appropriate precautions).
- In terms of seller expectations, we haven't seen a change in valuations. But there has definitely been a shift in structuring, with a view to protecting downside risk for the buyer. The sellers we are speaking to understand this; as an example, we're seeing increased seller willingness to accept earnout provisions, which they might have resisted in the past.
- *OMP: Your clinics in BC have reopened. How did you prepare?*
- **DM:** We started planning for the reopening two weeks into the shutdown, with the understanding that running the business in the same way would not be an option. We studied the existing structures and processes at our different clinics, drew from the best of them, and put together a new model, restructuring all of the clinics from a resourcing and staffing perspective to instil a high degree of patient confidence.



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

DOMINIC MAZZONE, CEO, MEDSPA PARTNERS



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- **OMP:** *How are things going so far?*
- **DM:** In these early weeks of reopening, we've seen great results, actually above last year's levels. In addition to the return of our existing client base, we picked up a significant number of new customers, primarily the result of our marketing efforts and our virtual consult offering. Our rebound isn't representative, however; most of our peers are operating at 50-75% of last year's levels. We attribute our success to two things: our singular push to market during the shutdown; and the restructuring of our clinics, which is proving to be both an efficient way to run the business, and the basis of an excellent customer experience.

DR. WALTER HEIDARY, CO-FOUNDER, DESIRED SMILES



Desired Smiles is a dental clinic providing an extensive range of family dental and cosmetics services.

- **Origin Merchant Partners:** *You've been open for almost 3 weeks. What has the experience been for you and your team?*
- **Walter Heidary:** I have to give a bit of background, so you have context for our experience. Health Canada and the local health departments create the standards for dentistry to open. Then we have our own licensing bodies that take those standards and create a format that works for dental practices:
 1. The Royal College of Dental Surgeons licences dentists and provides them with direction
 2. The ODHA (Ontario Dental Hygiene Association) has the mandate to manage dental hygienists
- Unfortunately, there is currently conflict between the two bodies. The Royal College implemented a set of rules based on Health Canada's standards for the reopening of dental practices, which dentists have followed. However, the ODHA has implemented a different set of rules, and as a result, dental hygienists are significantly restricted in the services they can provide. They are not permitted to perform any service that may create aerosols, such as using a cavitron to clean teeth, or even taking a patient's x-ray. At this point, there is no indication of when this conflict will be resolved



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



DR. WALTER HEIDARY, CO-FOUNDER, DESIRED SMILES

Desired Smiles is a dental clinic providing an extensive range of family dental and cosmetics services.

- **OMP:** *What has the impact of this been on dental practices?*
- **WH:** It's actually been the biggest challenge of reopening. Since we've reopened, we've faced high demand for appointments and are working very long hours trying to catch up, with orthodontics, cavities and the like. But because we are missing hygienist services, we are running at under 50% capacity. We'll soon be caught up with the cancellations, and until hygienists return in their pre-COVID capacity, we expect that for most dental practices, there will be a drop off in revenue.
- **OMP:** *Let's focus for a moment on the current high demand for appointments. How have you built patient confidence in your safety protocols, so they're comfortable returning?*
- **WH:** Over the past months, we spent considerable time understanding what we needed to make the environment as safe as possible for our patients. We made significant investments, for example, installing patient vacuums with hepa filters and UV light to clean the air in the treatment rooms. We also prioritized communications to our patients – something that doesn't seem to be the industry norm. Patients can get straightforward explanations of our safety protocols on social media and video, and they have been very appreciative of our approach.
- **OMP:** *How does the future (let's say the next few months) look for dental practices in Canada?*
- **WH:** Assuming hygienists are able to work at their full capacity, the majority of dental practices should be able to recover their historical volume of business by year end. However, as long as we are operating against the backdrop of the virus threat, overheads will be higher. For example, we are required to book 15 minutes between patients to allow aerosols to clear, which extends appointment times, on average, by 15%. This, along with PPE and other incremental costs obviously cut into our bottom line. We've got a difficult stretch ahead, and unfortunately, I expect that a number of smaller dental practices will not survive.

Curious about Dr. Heidary's exemplary communication to patients? Here is [one example](#).



COVID-19 DEVELOPMENTS

WE SINCERELY APPRECIATE ALL THE EFFORTS OF THOSE WORKING IN HEALTHCARE TO HELP US FIND TREATMENTS, VACCINES, AND OTHER SOLUTIONS FOR COVID-19

News Scan

There are currently 39 authorized clinical trials in Canada for the treatment of COVID, including supportive care, vaccines, and treatment of secondary infections. Here are some highlights from Canada and around the world:

- On June 16th, UK researchers reported preliminary data on dexamethasone, a cheap, well understood, and widely used anti-inflammatory steroid. Given at low doses for 10 days, it reduces the risk of death among hospitalized patients on ventilators by one third. Data from 6,400 patients is being compiled; 2,100 received dexamethasone and 4,300 received the usual standard of care at their hospitals
- On June 11th, **BioNTech SE ADR (“BioNTech”)**, a German biopharmaceutical company developing individualized therapies for cancer and other diseases, announced it has raised €100 million in debt financing from the **European Investment Bank (“EIB”)**. BioNTech is currently developing BNT162, the company’s COVID-19 vaccine. While the company’s vaccine is undergoing clinical studies, the company intends to use the proceeds to expand its manufacturing capacity in order to supply the vaccine worldwide in response to the pandemic
- On June 10th, **Cue Health Inc. (“Cue”)**, a San Diego-based developer of a portable lab for on-site care, announced the closing of a US\$100 million Series C funding round that included **Foresite Capital Management LLC., Madrone Capital Partners LLC., Johnson & Johnson Development Corp.**, and others. Cue intends to use the funds to finish the development of its Cue Health Monitoring System and test cartridges. This system includes kits that are designed to diagnose COVID-19, which are currently being reviewed by the **Food and Drug Administration (“FDA”)** for emergency use authorization
- On June 5th, **Novavax Inc. (“Novavax”)**, a Maryland-based vaccine development company, announced it has secured a US\$60 million contract from the **Department of Defense (“DoD”)** to help produce components of its COVID-19 vaccine. Under the contract, Novavax will deliver 10 million doses of the vaccine to the DoD this year. Those doses could be used in mid- and late-stage testing or under an emergency use authorization from the **FDA**
- On May 28th, **Quest Diagnostics Inc. (“Quest”)** announced it has received emergency use authorisation from the **FDA** for its self-collection COVID-19 test kit. The company intends to make more than 500,000 test kits available by end of June, with plans to make additional kits available on an ongoing basis. Quest plans to make the kit available through a broad range of healthcare, state, employer and consumer-initiated channels
- On May 20th, **Apple** and **Google** jointly announced the release of Bluetooth wireless smartphone technology to notify app users automatically if they might have been exposed to another app user who tested positive for the coronavirus. 22 countries and several U.S. states are planning to build voluntary phone apps using their software, while other governments weigh privacy concerns



HEALTHCARE SERVICES

News Scan

- On June 15th, **New Look Vision Group** (“**New Look**”) announced the finalization of a new credit facility of C\$40 million from the **Fonds de Solidarite FTQ** (“**FTQ**”), building on an initial investment made in 2013
- On June 8th, **CRH Medical Corp** (“**CRH**”) announced the acquisition of 75% of a gastroenterology anesthesia practice, **Lake Lanier Anesthesia Associates** (“**Lake Lanier**”), based in Gainesville, GA. The acquisition is expected to contribute annual revenue of US\$2.7 million, add anesthesia services to two ambulatory surgery services, and is expected to be EBITDA and cash flow accretive
 - Also on June 8th, **CRH** announced a start-up joint venture of an anesthesia centre in Athens, GA. CRH will own 51% of Oconee River Anesthesia Associates, which will service one ambulatory surgery centre with estimated revenue of \$500,000 and EBITDA expected to be cash flow accretive
- On June 1st, **WELL Health Technologies Corp.** (“**WELL**”) announced the acquisition of **Indivica Inc.** (“**Indivica**”), a Toronto-based provider of fully hosted EMR software and services, for C\$6.2 million. Indivica services 390 clinics and serves over 2,000 physicians and medical practitioners in Ontario. The acquisition price represents 3.4x Indivica’s LTM revenue of C\$1.8 million. The acquisition expands Well’s EMR services to approximately 1,900 medical clinics and 10,000 physicians across Canada
 - On May 27th, **WELL** announced a C\$250K investment in **Phelix.ai Inc.** (“**Phelix**”), a Toronto-based digital health company. Phelix is a technology service provider that has developed an AI powered clinical assistant to automate key workflows and administrative tasks for health care clinics. With the investment, Well and Phelix have also entered into a strategic partnership whereby Phelix grants Well rights to use and sublicense Phelix’s clinical assistant automation software in all aspects of its business, including its OSCAR EMR network

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.	161.6	641.8	2.6x	2.2x	13.3x	8.8x	72.9%
New Look Vision Group Inc.	293.1	511.4	2.9x	2.2x	19.0x	10.3x	73.1%
WELL Health Technologies Corp.	262.7	267.5	8.5x	6.3x	neg	nmf	60.9%
CRH Medical Corporation	160.2	263.1	3.3x	2.1x	17.4x	7.8x	51.7%
Centric Health Corporation	68.8	113.7	0.9x	0.8x	10.9x	8.0x	72.6%
Average			3.6x	2.7x	15.1x	8.7x	66.2%



HEALTHCARE TECHNOLOGY

News Scan

- On June 1st, **Change Healthcare Inc.** (“**Change**”), a Tennessee-based health IT company, announced the acquisition of **PDX Inc.** (“**PDX**”), a Texas-based integrated retail, specialty and outpatient pharmacy software developer, for US\$208 million. The acquisition is expected to expand the portfolio of network and analytics tools Change offers to its pharmacy clients
- On May 29th, **Hamilton Thorne**, a leading provider of precision instruments, consumables, software and services to the Assisted Reproductive Technologies (ART) market announced a private placement offering of common shares for gross proceeds of C\$7 million. The company intends to use the net proceeds for future acquisitions and general corporate purposes
- On May 28th, **Curatio Networks Inc.** (“**Curatio**”), a Vancouver-based digital health company developing a social health platform to counter loneliness and isolation, announced the closing of a Series A funding round including investors **Rhino Ventures** (“**Rhino**”) and **Conexus Ventures Capital Fund** (“**Conexus**”). Curatio provides health organizations with a way to create their own private social networks for patients using a privacy and regulatory compliant software platform. The company intends to use the proceeds to continue its global expansion
- On May 21st, **OptumHealth Inc.** (“**OptumHealth**”), the healthcare services and delivery business of **UnitedHealth Group Inc.** announced it has acquired **naviHealth Inc.** (“**naviHealth**”), a post-acute care management platform for health plans and providers, for an undisclosed amount. naviHealth will continue to work with its clients and members as a stand-alone entity that is aligned with OptumHealth. OptumHealth will be using naviHealth’s platform to provide personalized, value-based care coordination for patients with complex health conditions
- On May 19th, **Omada Health Inc.** (“**Omada**”), a San Francisco-based digital care provider supporting individuals with type 2 diabetes, announced the acquisition of **Physera Inc.**, a digital provider of remote consultations with physical therapists, for an undisclosed amount, as part of a strategy to become a fully integrated care provider

Key Indicators

	Market Cap	TEV	TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
			2020E	2021E	2020E	2021E	
<i>(in USD millions, unless otherwise indicated)</i>							
Profound Medical Corp.	194.4	150.8	21.9x	6.5x	neg	neg	60.0%
Hamilton Thorne Ltd.	109.6	108.6	2.9x	2.4x	18.5x	11.7x	78.0%
Vitalhub Corp.	31.2	31.5	3.9x	3.1x	40.9x	14.8x	65.8%
Neovasc Inc.	28.0	32.0	13.9x	8.6x	na	na	30.6%
Average			10.7x	5.2x	29.7x	13.3x	58.6%



PHARMACEUTICALS

News Scan

- On June 10th, **Cipla**, an India-based pharmaceutical and biotechnology company that develops medicines to treat respiratory, cardiovascular disease, arthritis, and other medical conditions, announced it will acquire a 22% stake in **GoApptiv**. GoApptiv offers digital solutions for integrated brand sales management, digital marketing and channel engagement for pharmaceutical companies. This investment enables Cipla to strengthen its relationship with GoApptiv and widen the reach of its key brands
- On June 9th, **Supernus Pharmaceuticals Inc. (“Supernus”)**, a pharmaceutical company focused on developing and commercializing products for the treatment of central nervous system (“CNS”) diseases, announced the acquisition of the CNS portfolio of **US WorldMeds**. This acquisition will significantly expand Supernus’ experience in CNS diseases, and its marketing and development efforts into Parkinson’s disease
- On June 1st, **HLS Therapeutics (“HLS”)**, a specialty pharmaceutical company focusing on central nervous system and cardiovascular markets, announced that it has become the exclusive Canadian distributor for the MyCare Insite point-of-care device and its related line of diagnostic tests from **Saladax Biomedical Inc.**
- On May 26th, **Merck**, a global healthcare company focusing on the development of medicines and vaccines for the world’s most challenging diseases, announced it has reached an agreement to acquire **Themis**, a company focused on vaccines and immune-modulation therapies for infectious diseases and cancer. Themis controls a broad pipeline of vaccine candidates developed using its innovative measles virus platform. The acquisition is expected to accelerate development of Themis’ COVID-19 vaccine candidate
- On May 11th, **Bausch Health Companies Inc. (“Bausch”)** announced it has upsized their previously announced offering of senior notes by US\$250 million, for aggregate gross proceeds of US\$1.25 billion expected to fund redemption of notes due in 2022

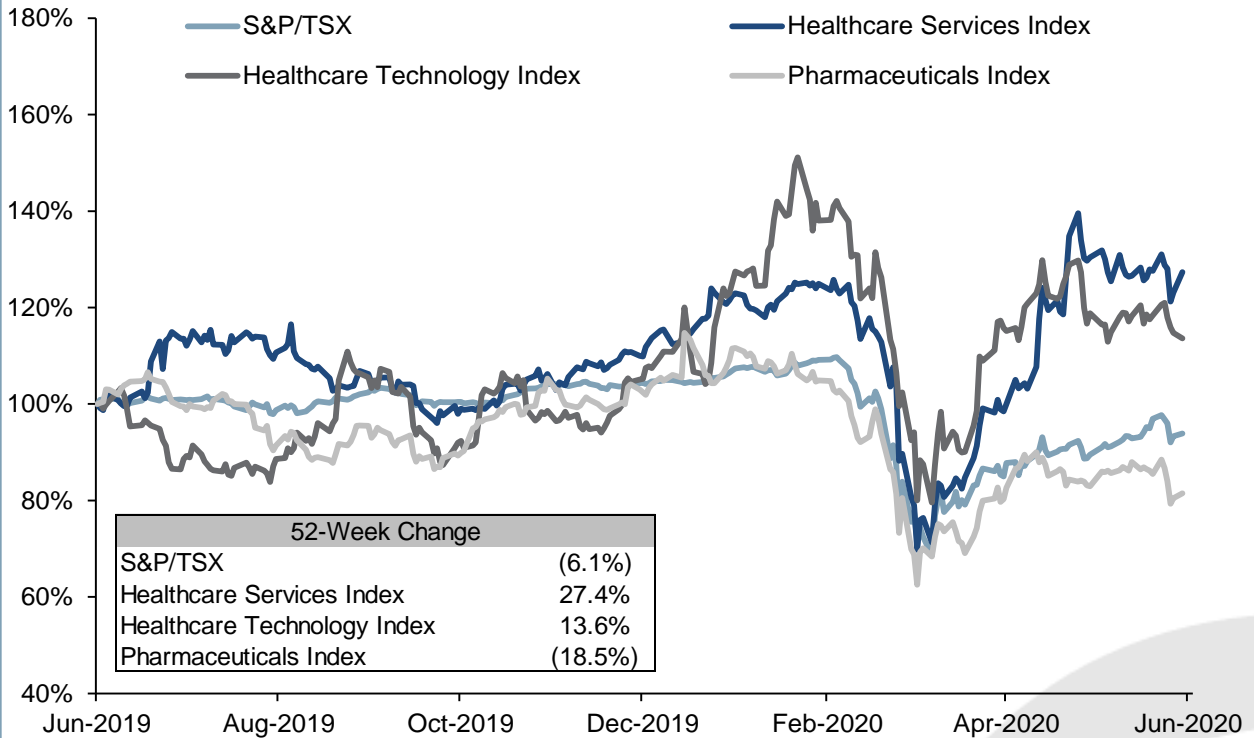
Key Indicators

	Market		TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
	Cap	TEV	2020E	2021E	2020E	2021E	
<i>(in USD millions, unless otherwise indicated)</i>							
Bausch Health Companies Inc.	6,335.4	29,922.4	3.7x	3.5x	9.2x	8.5x	55.9%
Knight Therapeutics Inc.	700.2	518.4	2.9x	2.4x	24.1x	14.8x	79.4%
HLS Therapeutics Inc.	422.6	474.7	7.7x	6.3x	17.9x	15.1x	70.0%
Theratechnologies Inc.	144.6	164.2	2.2x	1.5x	15.9x	4.2x	32.1%
Average			4.1x	3.4x	16.8x	10.6x	59.3%



MARKET PERFORMANCE

Indexed Segment Performance¹



Charting the Course

- The TSX Index has declined 6.1% over the last 12 months, increasing approximately 30% from March 16th lows. Market volatility continues as the positive impact of business re-opening and government stimulus is offset by concerns of a second wave of COVID-19
- Our Healthcare Services Index continues to outperform the TSX over the last year, driven largely by **WELL Health**, posting a return of 74% on its share price from the start of year
- Our Healthcare Tech Index has similarly outperformed the S&P/TSX due largely to the performance of **Profound Medical**, up approximately 26% from the start of the year
- Our Pharma Index has underperformed the TSX over the past 12 months, with **HLS Therapeutics**' share price appreciation of about 17% offsetting the 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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