



Healthcare Industry Highlights

October 16th, 2020



FOCUS ON HEALTHCARE DEAL ACTIVITY

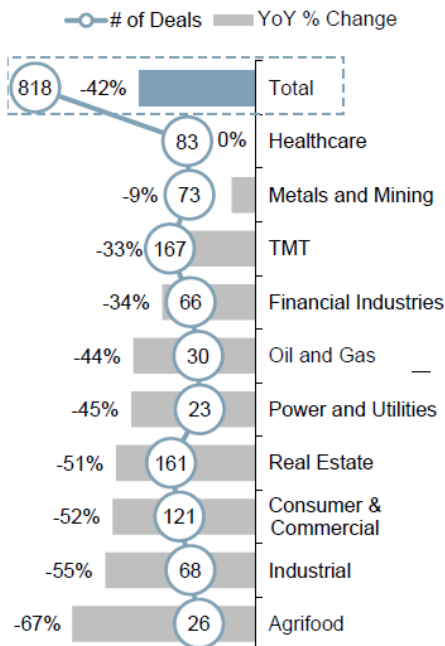
While aggregate Canadian M&A volume in Q3 2020 remained sluggish, Healthcare was the brightest light across sectors, leading the rest in deal activity. **Origin Principal, Cathy Steiner**, shares observations and insights drawn from her active healthcare-focused practice:



Cathy's Observations

- We are seeing lots of deal activity in the healthcare space, fueled by COVID-19 tailwinds and huge liquidity in the capital markets. There are a few healthcare segments in particular that are driving this activity including PPE and COVID-19 treatments as direct beneficiaries of COVID-19, as well as Healthcare Services, Digital Healthcare, and Psychedelics.

Deals by Industry Q3 2020 YTD



- The shut-down in mid-March drove an enormous amount of demand for Digital Healthcare tools that enable remote patient care. Virtual health and wellness tools, mental health consultations and primary care visits are not just being utilized but they are welcomed by healthcare practitioners and their patients. As a result, digital health companies have experienced organic and inorganic growth over these last seven months that would normally take years. Lifespeak, a leading digital mental health and wellness education platform, for which we recently completed an equity financing, exemplifies this.
- Healthcare Services continues to be an essential part of just keeping people well. It took a little bit of time for clinics and other practitioners to adjust to the challenges of providing in-person care in a socially distant way, but with some plexiglass and PPE along with added time between appointments to sanitize, the problem was solved, and it was back to business. In our Origin Rx universe we've seen WELL Health and CRH Medical in the news with at least one new transaction every month.



COVID-19 DEVELOPMENTS

News Scan

- There are currently 59 COVID-19 drugs, including vaccines, being investigated in clinical trials authorized by Health Canada
- In the US there are some 45 vaccine candidates in human clinical trials, with three in Phase 3 and two paused for investigation of adverse events. There are more than 90 additional vaccine candidates in active preclinical investigation
- For additional information on the pharmaceutical industry response to COVID-19, please refer to the COVID-19 DEW Report, powered by **Reformulary®** (<https://reformulary.com/covid19>)
- On October 13th, the **United Nations World Food Program (“WFP”)** announced it will need to raise US\$6.8 billion over the next six months to avert famine amid the COVID-19 crisis. David Beasley, Executive Director of the WFP, announced that seven million people had died from hunger this year. After declining for several decades, world hunger has been on the rise again since 2016, driven by conflict, climate change, and now the pandemic
- On October 13th, the **European Union (“EU”)** announced that it has reached an agreement with **Gilead Sciences (“Gilead”)** to pay more than US\$1.2 billion for a six-month supply of its antiviral drug remdesivir. The EU signed the contract last week with the U.S. based company, which will allow its 27 member states and 10 partner countries, including Britain to order up to 500,000 remdesivir courses over the next six months
- On October 13th, **Mercom Capital Group**, a global communications and research firm, announced that global venture capital funding for digital health companies in the nine months of 2020 broke all previous nine-month funding records. The period brought in US\$10.3 billion, with funding activity up 43% in 9M 2020, compared to US\$7.2 billion in 9M 2019
- On October 12th, **Johnson & Johnson (“J&J”)** announced it has paused the advanced clinical trial of its experimental coronavirus vaccine because of an unexplained illness in one of the volunteers. J&J’s Janssen vaccine arm is developing the shot, the only single dose vaccine in Phase 3, with potentially the largest trial of the vaccine, at about 60,000 people
- On October 9th, the **Globe and Mail** reported that a surge of COVID-19 infections in Canada’s most populous province is spreading to residents of nursing homes, with the number of facilities declaring an outbreak tripled in the past month. Most of these homes are in Toronto, Ottawa, and Peel Region. Although most of the people testing positive are under the age of 40, the virus is starting to spill over into older people – who are at higher risk of dying – and into congregate settings such as long-term care
- On October 6th, **Health Canada** approved the 1st rapid antigen COVID-19 test to receive the necessary approvals for use in the country. Anita Anand, Public Services and Procurement Minister, announced that the federal government has agreed to buy more than 20.5 million of these tests in the coming weeks.



HEALTHCARE SERVICES

News Scan

- On October 12th, **Paladina Health** (“**Paladina**”) announced an agreement to acquire **Healthstat**, a leading provider of on-site, near-site, shared and virtual employer sponsored health centers. This acquisition expands Paladina’s footprint and more than triples its number of clinics across the U.S., adding an additional 230 clinics across 13 states
- On October 8th, **Healthcare Services Acquisition** (“**HSA**”) filed with the SEC to raise up to US\$300 million in an initial public offering. The blank check company targets healthcare services and related industries in the U.S. and is led by David Blair, the Executive Chairman of Accountable Health Solutions and former CEO of Catalyst Health Solutions
- On October 6th, **CRH Medical Corporation** (“**CRH**”) announced a start-up joint venture in North Carolina. CRH will own a 15% in interest in **Western Carolina Anesthesia Associates** (“**WCAA**”), a single ambulatory surgery center that provides services in the Hickory, North Carolina region. The acquisition represents the 10th ambulatory surgery center in North Carolina for CRH, illustrating a continued effort in business development initiatives over the remainder of 2020
- On October 1st, **WELL Health Technologies Corp.** (“**WELL**”) announced an agreement for a C\$70 million bought deal financing, comprising 10.37 million shares at \$6.75 each. The net proceeds of the offering is expected to fund future acquisitions and investments in the field of digital healthcare, including, but not limited to tech-enabled primary and specialty clinics
 - A day earlier, on September 30th, **WELL** announced the closing of a C\$23 million private placement with a group of investors led by Mr. Li Ka-shing. The closing of approximately 4.8 million shares at a price per share of C\$4.77 will be primarily used to fund and support the proposed acquisition of a majority of the issued and outstanding shares of **Circle Medical Technologies** (“**Circle Medical**”), as well as general working capital

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.	235.1	712.7	2.8x	2.4x	10.6x	8.8x	100.2%
WELL Health Technologies Corp.	897.3	894.6	26.2x	16.8x	neg	nmf	86.7%
New Look Vision Group Inc.	356.5	585.6	3.0x	2.4x	17.9x	11.0x	85.3%
CRH Medical Corporation	156.8	262.9	2.6x	1.9x	12.1x	7.2x	48.8%
CareRx Corporation	75.2	123.8	0.9x	0.8x	12.7x	7.7x	64.5%
Average			7.1x	4.9x	13.3x	8.7x	77.1%



HEALTHCARE TECHNOLOGY

News Scan

- On October 15th, **Loblaw Cos. Ltd. (“Loblaw”)** announced the launch of a new PC Health app in partnership with digital health company **League**, into which the Westons, Loblaw controlling shareholders, have invested. The app provides users with the option to chat live with RN’s, dieticians and care navigators who can make referrals to doctors and other clinicians. This is part of a major move by Loblaw, which owns **Shoppers Drug Mart**, to expand beyond the retail pharmacy business and provide more healthcare related services
- On October 9th, **Steris** announced it has entered into an agreement to acquire **Key Surgical (“Key”)** for US\$850 million which, adjusted for the present value of a tax benefit, is expected to be approximately \$810 million. Key’s FY2020B revenue is US\$170 million, with adjusted EBIT of US\$50 million. The company’s disposable product portfolio is a natural extension for Steris’ customers in sterile processing departments, operating rooms and endoscopy
- On October 7th, **Dialogue** announced the acquisition of **Optima Global Health (“Optima”)**, a renowned Canadian workplace health and wellness service provider. The acquisition will aid in Dialogue’s accelerated growth strategy, building on its patented healthcare technology to address the increasing demand to meet healthcare needs for employers across the country
- On October 7th, **Cerebral** announced it has closed its US\$35 million Series A funding round, led by Oak HC/FT with participation from Westcap, Liquid 2 Ventures, Gaingels, and others, to fund expansion in all 50 U.S. states. Cerebral is a digital mental health subscription service that offers telehealth visits with a provider and monthly chats with a care counselor
- On September 24th, **CloudMD** announced an agreement to acquire 100% of **Snapclarity Inc. (“Snapclarity”)**, a provider of mental health disorder assessments via its on-demand digital platform. The platform further provides a personalized plan, access to online resources, a clinical health care team and the ability to match to the right therapists. This acquisition positions CloudMD as one of the only telemedicine companies in North America that can provide digital primary care solutions integrated with digital mental health care plans

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.	329.2	288.4	46.0x	13.9x	neg	neg	81.5%
CloudMD Software & Services Inc.	167.5	161.2	13.9x	5.9x	neg	neg	91.3%
Hamilton Thorne Ltd.	142.2	136.1	3.7x	3.0x	25.9x	15.1x	90.0%
Neovasc Inc.	57.7	59.8	26.1x	4.6x	na	na	29.9%
Average			22.4x	6.9x	25.9x	15.1x	73.2%



PHARMACEUTICALS

News Scan

- On October 15th, **Bausch Health Companies Inc. ("Bausch")** announced an exclusive license for a myopia control contact lens design developed by BHVI, an Australian not-for-profit with an international focus on vision research. Bausch will pair BHVI's novel contact lens design with its leading contact lens technologies to develop potential contact lens treatments designed to slow the progression of myopia in children
- On October 13th, **HitGen** announced it has entered into a definitive agreement with **Ligand Pharmaceuticals ("Ligand")** to acquire **Vernalis (R&D) Limited ("Vernalis")** for US\$25 million in cash. Vernalis is a UK-based world leader in fragment and structure-based drug discovery research. The acquisition is expected to yield strong synergies between HitGen's industry-leading DNA-encoded chemical libraries platform and Vernalis' deep expertise in fragment and structure-based approaches
- On October 5th, **Bristol Myers Squibb Co. ("Bristol Myers")** announced a US\$13 billion cash deal to acquire **MyoKardia Inc. ("MyoKardia")** to bolster their heart disease franchise. They will add lead product mavacamten, a promising clinical stage heart disease therapy for which Bristol Myers will also explore other potential uses, as well as a pipeline of drug candidates
- On September 30th, **HLS Therapeutics ("HLS")**, announced an agreement to acquire a diversified portfolio of royalty interests on global sales of four products for upfront consideration of US\$30.8 million cash plus commercial performance milestone payments of up to US\$18.5 million plus assumption of contingent payments of up to \$10.0 million tied to regulatory milestones. Three of the four products are currently in-market and generated royalties of US\$8.4 million in the trailing twelve months ended June 30, 2020
- On September 28th, **Sanofi** announced the acquisition of **Principia Biopharma Inc. ("Principia")** for US\$100 per share. The acquisition will further strengthen Sanofi's core areas of autoimmune and allergic diseases, giving full control of key drugs like tolebrutinib, and additional BTK inhibitors to further develop and commercialize

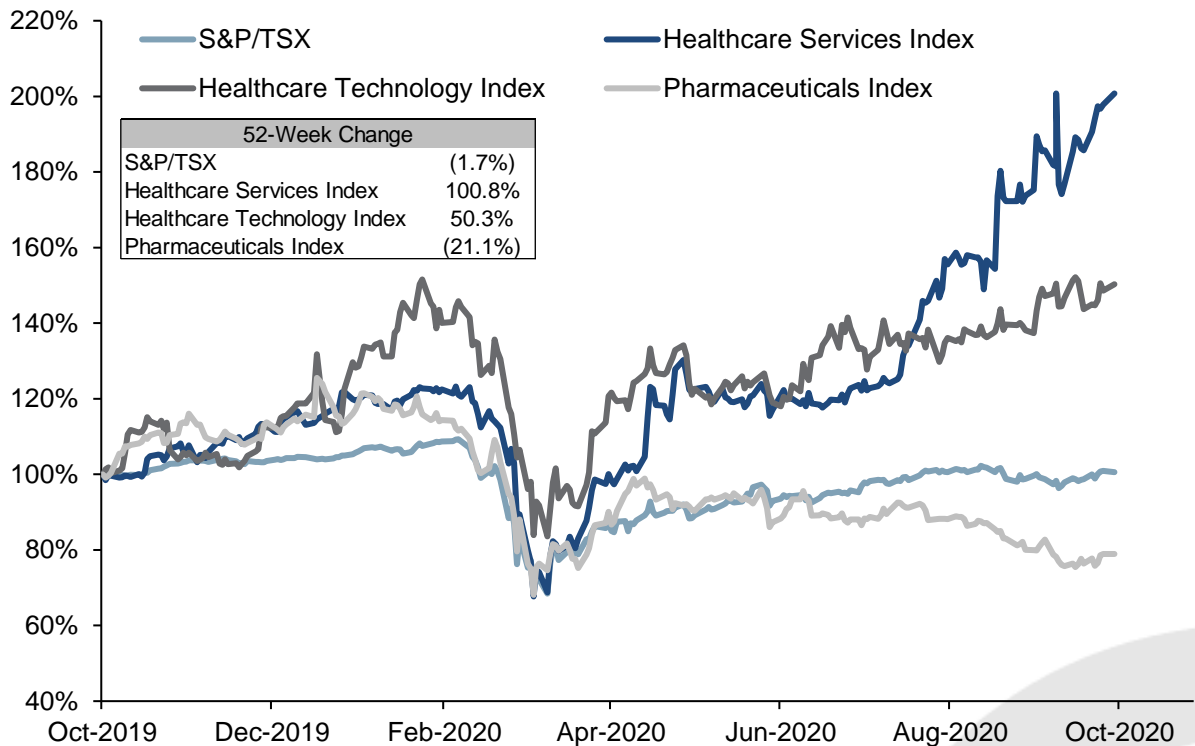
Key Indicators

(in USD millions, unless otherwise indicated)	Market		TEV / Revenue		TEV / EBITDA		Price % of
	Cap	TEV	2020E	2021E	2020E	2021E	52-Week High
Bausch Health Companies Inc.	5,973.5	29,507.5	3.8x	3.5x	9.2x	8.5x	52.6%
Knight Therapeutics Inc.	565.5	262.6	1.6x	1.5x	14.3x	10.6x	64.2%
HLS Therapeutics Inc.	355.4	414.3	7.3x	5.4x	18.2x	12.7x	56.8%
Theratechnologies Inc.	174.1	197.0	2.9x	2.0x	neg	38.4x	54.4%
Average			3.9x	3.1x	13.9x	17.6x	57.0%



MARKET PERFORMANCE

Indexed Segment Performance¹



Charting the Course

- The TSX Index has declined 1.7% over the last 12 months, as optimism around business rebounding after a tough second quarter continue to grow; however, gains have been offset by difficulties in reaching agreement on a fiscal stimulus package prior to the U.S. presidential election as well as concerns about the impact of the second wave of COVID-19 on the economy
- The Healthcare Services Index has demonstrated the strongest performance again this month, buoyed by increases in **Akumin**, a leading provider of diagnostic imaging services in the US and **WELL Health Technologies**, a primary care and digital health company
- Our Healthcare Technology Index has also performed well, increasing 50.3% over the last 12 months, with increased activity in digital health M&A
- Companies in our Pharmaceuticals Index have underperformed, as they continue to rebound to pre-COVID levels and are primarily focused on clinical trials related to COVID solutions

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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