



Healthcare Industry Highlights

September 23, 2021



CUMBERLAND INSIGHTS

Post-Election 2021: The Healthcare Edition



Cumberland Strategies



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Cumberland Insights: Post-Election 2021: The Healthcare Edition

Prime Minister Trudeau faced significant scrutiny for calling an election that many viewed as unnecessary during a global pandemic. Despite this sentiment, voters have re-elected him and given him a fresh mandate to continue with his current agenda. Given the realities of the ongoing pandemic, healthcare policy was top of mind throughout the election, and all three parties rolled out plans with a strong focus on improving healthcare in Canada.

Big spending commitments

The pandemic exposed numerous problems in Canada's healthcare sector - from underfunded long-term care homes and chronic staff shortages to limited ICU capacity and growing queues for diagnostic services - and the newly elected Liberals have committed to addressing some of these with substantial investments. From an emergency preparedness perspective, the pandemic also exposed Canada's inability to source domestic supplies of PPE, vaccines and other critical point of care equipment.



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In short, Prime Minister Trudeau's re-election means there will be billions of dollars injected into Canada's healthcare system over the coming years if campaign commitments are honoured. While provincial and territorial governments are responsible for the management, organization and delivery of healthcare services for their residents, the federal government is responsible for setting policies around national standards for the healthcare system and providing funding to support provincial and territorial health care services. The federal government also has the power to put conditions on the funding they provide to the provinces, which is always a source of conflict in federal-provincial relations. At this early stage, It is unclear what conditions may be imposed.

Four key pillars

In light of the pending investments by the Trudeau government, it is worth reviewing what was promised. The Liberal's healthcare platform and proposed spending includes 4 key pillars: mandatory vaccines, investments to reduce wait times for surgeries, procedures and diagnostics, significant investments in the long-term care sector and a new Canada Mental Health Transfer.

- **Vaccine credentials**

The Trudeau government has committed to a federal vaccine passport for domestic and international travel. They have also committed to launching a \$1 billion COVID-19 Proof of Vaccination Fund to support provinces and territories who implement a requirement for proof of vaccine credentials in their jurisdiction for non-essential businesses and public spaces.

For businesses and organizations that choose to mandate vaccines, Prime Minister Trudeau has promised to table legislation ensuring that every business and organization that decides to require proof of vaccination from employees and customers can do so without fear of a legal challenge.

- **Addressing waitlists**

Canadians face significant wait times and waitlists, a problem exacerbated by pandemic-related delays of most non-essential procedures. The Liberal health care platform committed to investing \$6 billion to support the elimination of waitlists across Canada, and the federal government has promised to work closely with the provinces and territories to make sure they can deliver the care outcomes that Canadians need. It is unclear at this stage what conditions, if any, the feds will put on this funding.



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- **Long-term care**

The area of the healthcare system that was hit the hardest by the COVID-19 pandemic was the long-term care sector. The pandemic exposed numerous flaws in the system that led to countless tragic deaths and forced governments to face the fact that new investment in the long-term care sector is essential. The Liberals have committed \$9 billion over 5 years to support safer conditions for seniors and improved wages and working conditions for personal support workers. They will develop a Safe Long-Term Care Act to prevent situations like this from happening again, raise wages for personal support workers, including a guaranteed minimum wage of at least \$25 per hour and train up to 50,000 new personal support workers. These are steps intended to improve the quality and availability of long-term care homes and beds in Canada. They have yet to outline how this funding will be deployed, but we will be watching closely for details.

- **Canada Mental Health Transfer**

Finally, Trudeau will establish a new federal transfer to provinces and territories: the Canada Mental Health Transfer. The Canada Mental Health Transfer will assist jurisdictions to expand the delivery of high quality, accessible, and free mental health services. The initial investment will be \$4.5 billion over 5 years. Including Canada's existing bilateral agreement on mental health services that was signed in 2017, federal support for mental health services will reach \$2.5 billion per year by 2025-26.

Our takeaway...

There is little doubt that the pandemic has exposed serious cracks in our healthcare system; it remains to be seen whether the promises made during the campaign will make a difference should the new Liberal government follow through. What is clear, however, is that there will be billions of new dollars injected into the system over the coming years and there will undoubtedly be a role for the private sector to play.



COVID-19 DEVELOPMENTS¹

News Scan

- On September 22nd, **Ontario's COVID-19 vaccine passport** took effect requiring people to show their PDF vaccination and photo ID when entering restaurants, gyms, and indoor events. This program is intended to encourage vaccination and make both customers and employees feel more comfortable in indoor settings
- On September 21st, a **Moderna, Inc ("Moderna")** COVID-19 vaccine clinical trial started at **The Feinstein Institutes of Medical Research** for individuals with organ transplants, the first trial of its kind in the nation. This trial examined the efficacy of a third dose of the Moderna COVID-19 vaccine in people that have had a liver or kidney transplant
- On September 20th, **Pfizer Inc. ("Pfizer")** said that its COVID-19 vaccine is safe and effective for children ages 5 to 11. Elementary school children were found to develop the coronavirus-fighting antibody levels as strong as teenagers and young adults after being administered a lower dose. Pfizer plans to submit data to regulatory authorities for this age group before the winter season and is seeking U.S. authorization urgently
- On September 17th, a multicenter study from the **U.S. Veterans Affairs** health care system found that the COVID-19 vaccines, particularly **Pfizer's BioNTech** are effective and safe for cancer patients. The study included vaccinated and unvaccinated cancer patients both on and off active therapy to prove efficacy
- On September 16th, **University of Houston M.D. Professor, Navin Varadarajan** and colleagues reported the development of a nasal vaccine that provides durable immunity against inhaled pathogens. After testing, the candidate vaccination was found to be safe, producing rapid responses, and eliciting immunity against SARS-CoV-2
- On September 16th, **Health Canada** announced full approval of **Pfizer/BioNTech** and **Moderna** vaccines and approves COVID-19 vaccine brand name changes by **Brand Institute** to the following three: Comirnaty (Pfizer/BioNTech), Spikevax (Moderna), and Vaxzevria (AstraZeneca)
- On September 15th, a study by **Simon Fraser University** found that older adult recipients of the two doses of the mRNA vaccine to protect against **SARS-CoV-2** had weaker immune responses than young adults. Specifically, the antibodies in older participants were less effective at blocking interaction between the Spike protein and the cellular ACE2 receptor which is the protein that allows for SARS-CoV-2 infection of cells
- On September 14th, a study by Vaccine Safety Datalink discovered that pregnant women who received at least one COVID-19 vaccine dose were not at increased risk for miscarriage than pregnant women who were unvaccinated regardless of type of vaccine or gestational age
- On September 13th, an international group of scientists including some from the World Health Organization and the Food and Drug Administration concluded that vaccine efficacy was so high, even for the delta variant, that booster doses for the general population were not appropriate at the current stage of the pandemic
- On September 9th, **Moderna Inc.** said it was developing a single-dose vaccine that consisted of a booster dose against COVID-19 as well as a booster against the flu. **CEO, Stephanie Bancel** said that it was the company's number one priority to bring a pan-respiratory annual booster vaccine to the market that would be customized and upgraded. **Novavax Inc.** has initiated an early-stage study to test this combined vaccination
- On September 8th, **Eyam Vaccines** and **Immunotherapeutics** announced a clinical trial agreement to create a next generation COVID-19 vaccine specifically focused on SARS-CoV-2. By bringing highly effective next generation vaccine technologies forward, the two companies believe they can end the COVID-19 pandemic by creating unique sterilizing vaccines that stop infection and transmission and are protective against variants

1. Sourced from Reformulary Group's COVID-19 DEW Report (reformulary.com/covid19) and other news sources



HEALTHCARE SERVICES

News Scan

- On September 21st, **Boston Scientific (“Boston”)**, a manufacturer of medical devices, announced an agreement to acquire **Devoro Medical**, developer of the WOLF Thrombectomy Platform. With this agreement, Boston will acquire the 84% stake which is not yet owned for an upfront payment of approximately USD\$269 million and up to USD\$67 million if certain regulatory and clinical milestones are achieved
- On September 21st, **CareRx Corporation (“CareRx”)**, Canada’s leading pharmacy services providers to seniors, announced that it has expanded its partnership with **Think Research Corporation (“Think”)**, an integrated digital health software solutions company. With this partnership, Think’s telemedicine software will be made available in Chartwell homes and virtual appointments for medication that can be filled by CareRx
- On September 9th, European veterinary care provider, **IVC Evidensia** announced it is merging with Canadian pet care company, **VetStrategy** for an undisclosed price, in a deal that will create one of the largest animal hospital networks in the world
- On September 2nd, **StageZero Life Sciences, Ltd (“StageZero”)** announced that it has completed its previously announced acquisition of the business of **Health Clinics Limited and Health Clinics USA (“Health Clinics”)**, providing specialist clinical services across Europe and North America. The combined company will provide a complete solution to help patients reduce the risk of developing and slowing the progression of cancer through early interventions. **Origin Merchant Partners** acted as financial advisor to StageZero on this transaction
- On September 1st, **Akumin Inc. (“Akumin”)**, a premier provider of outpatient radiology services in the U.S., announced it has closed its acquisition of leading national provider of radiology and oncology solutions, **Alliance HealthCare Services, Inc.** Following completion of this acquisition, Akumin operates in 46 states, with over 1000 hospital and health system patients, 154 independent outpatient radiology centers and 34 radiation therapy centers, serving more than two million radiology and oncology patients annually

Key Indicators

(in CAD millions, unless otherwise indicated)	Market Cap	TEV	TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
			2021E	2022E	2021E	2022E	
dentalcorp Holdings Ltd.	2,922.0	3,795.5	3.6x	3.0x	19.1x	15.1x	96.4%
Neighbourly Pharmacy Inc.	1,021.0	1,039.5	2.6x	2.0x	20.8x	15.1x	89.1%
Akumin Inc.	350.1	971.3	1.8x	1.0x	8.1x	3.8x	62.0%
CareRx Corporation	253.1	333.1	1.3x	0.9x	14.6x	8.0x	83.6%
Average			2.3x	1.7x	15.7x	10.5x	82.8%



OMNICHANNEL HEALTHCARE & DIGITAL HEALTH

News Scan

- On September 23rd, **WELL Health Technologies Corp. ("WELL")** announced it has reached an agreement to acquire **Aware MD**, the provider of Cerebrum, a clinical software for numerous disease specialties, utilized by healthcare specialists mainly in Ontario, and Canada's largest cardiology specific outpatient EMR. WELL will pay \$4.5 million and a potential earn-out based on overall operating performance of up to \$3.5 million payable in cash
- On September 13th, **Think Research Corporation ("Think")**, a digital health software solutions company, closed its acquisition of **BioPharma Services Inc.**, a leading contract research organization to pharmaceutical companies globally. The \$44.6 million deal is expected to double Think's pro forma 2021 revenue to \$82 million
- On September 8th, **LifeWorks**, a leading provider of digital and in-person total wellbeing solutions, announced the acquisition of **Ascender**, a leading psychological services provider in the field of employee health and wellbeing. The move will allow LifeWorks to continue to expand its total wellbeing solutions to domestic European markets
- On September 8th, medical genetic testing company, **Invitae** announced that it will acquire consumer health technology company, **Citizen** for USD\$325 million. By bringing in Citizen, Invitae will be able to develop a centralized hub for medical data, including consumers' genomic and clinical information, that can help drive research and improve healthcare decision-making
- On September 2nd, **WELL Health Technologies Corp.** announced its proposed acquisition of a majority stake in **WISP**, a rapidly growing leading national provider of telehealth and e-pharmacy solutions specializing in women's health and based in Silicon Valley. The USD\$41 million transaction value includes a future conditional earn-out of up to approximately USD\$7.4 million
- On September 2nd, U.S.-based medical technology company **Baxter International Inc** announced that it has entered a definitive agreement to acquire medical equipment maker **Hill-Rom Holdings Inc** for a total enterprise value of approximately USD\$12.4 billion, including the assumption of debt. The combination is expected to accelerate the companies' expansion into digital and connected care solutions that are increasingly enabling patients with access to hospital-level care at home or in other care settings

Key Indicators

(in CAD millions, unless otherwise indicated)	Market Cap	TEV	TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
			2021E	2022E	2021E	2022E	
WELL Health Technologies Corp.	1,569.1	1,761.9	6.1x	3.8x	31.5x	17.0x	77.6%
Dialogue Health Technologies Inc.	513.9	400.3	5.7x	3.9x	neg	neg	38.5%
CloudMD Software & Services Inc.	383.5	362.0	3.7x	2.3x	neg	37.5x	48.1%
LifeSpeak Inc.	361.7	385.3	15.1x	7.7x	34.3x	13.4x	76.8%
Think Research Corporation	132.0	140.4	2.7x	1.5x	neg	17.8x	36.0%
MCI Onehealth Technologies Inc.	112.5	105.5	2.1x	1.7x	neg	49.3x	46.5%
MindBeacon Holdings Inc.	88.7	33.1	1.5x	1.0x	neg	neg	24.7%
Average			5.3x	3.1x	32.9x	27.0x	49.7%



PHARMACEUTICALS

News Scan

- On September 21st, **FSD Pharma Inc.**, a life sciences holding company dedicated to building a portfolio of assets and biotech solutions, announced the completion of the previously announced acquisition of 100% of the issued and outstanding shares of **Lucid Psycheceuticals Inc.**, a Canadian-based specialty psychedelic pharmaceutical company focused on the development of therapies to treat critical neurodegenerative diseases, for approximately \$11.3 million
- On September 15th, **Philip Morris International Inc (“PMI”)** announced the closing of its acquisition of **Fertin Pharma A/S (“Fertin Pharma”)**, a leading developer and manufacturer of innovative pharmaceutical and well-being products based on oral and intra-oral delivery systems, for an enterprise value of approximately USD\$820 million. The addition of Fertin Pharma will provide PMI with scale in differentiated and innovative oral delivery products
- On September 14th, **Xeris Pharmaceuticals Inc (“Xeris”)** announced that stockholders have approved the previously announced proposed acquisition of **Strongbridge Biopharma (“Strongbridge”)** by Xeris for shares and contingent value rights. The combined company, an innovative leader in endocrinology and rare diseases, will be held approximately 60% by Xeris shareholders and 40% by Strongbridge shareholders, placing an equity value on Strongbridge of approximately \$267 million
- On September 8th, French drugmaker, **Sanofi**, said it would buy U.S. biopharmaceutical company, **Kadmon Holdings** for USD\$1.9 billion, one month after announcing the purchase of another U.S. biotech, Translate Bio, for USD\$3.2 billion. The acquisition adds an FDA-approved, first-in-class treatment for adult and pediatric patients 12 years and older with chronic graft-versus-host disease after failure of at least two prior lines of systemic therapy
- On September 8th, **Perrigo Company** said it would buy leading consumer self-care company, **HRA Pharma** from investment firms Astorg and Goldman Sachs Asset Management in a deal valued at USD\$2.13 billion to bolster its over-the-counter self-care offerings

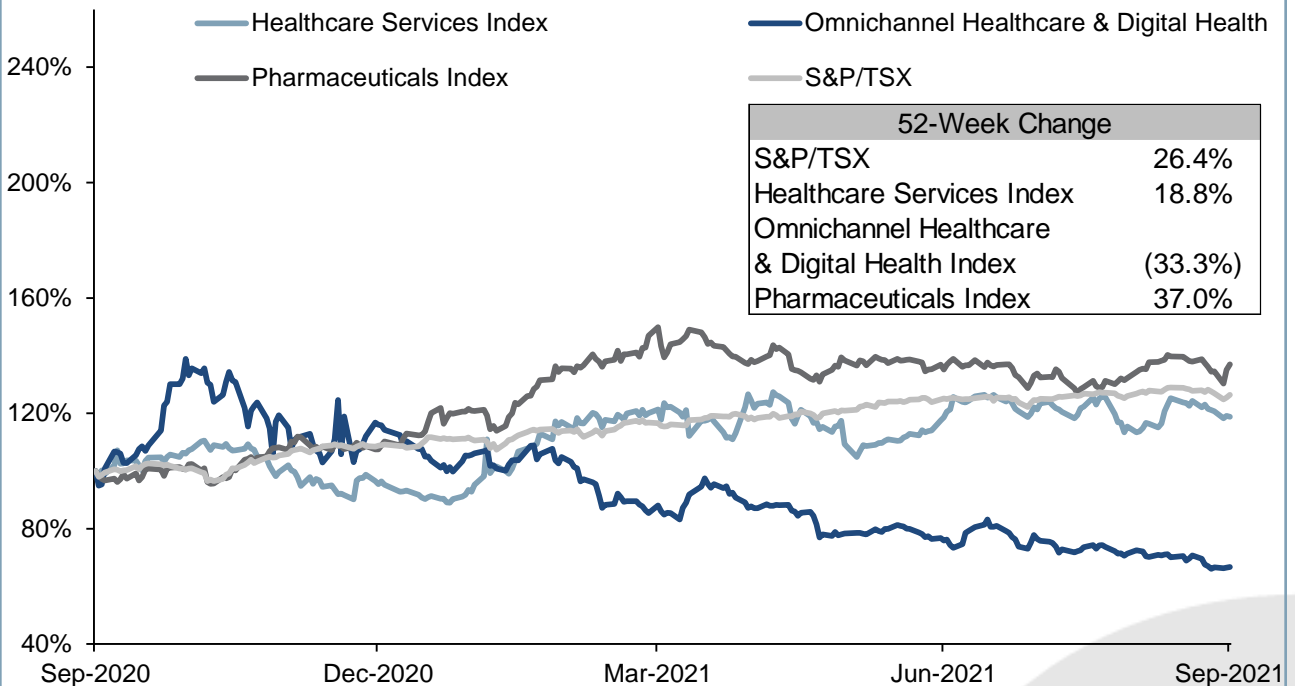
Key Indicators

(in CAD millions, unless otherwise indicated)	Market		TEV / Revenue		TEV / EBITDA		Price % of
	Cap	TEV	2021E	2022E	2021E	2022E	52-Week High
Bausch Health Companies Inc.	13,014.0	35,887.0	3.3x	3.2x	8.2x	7.8x	82.5%
Knight Therapeutics Inc.	638.0	496.9	2.1x	1.7x	13.4x	9.1x	86.0%
HLS Therapeutics Inc.	586.4	667.9	8.1x	4.0x	19.8x	10.1x	83.2%
Theratechnologies Inc.	449.1	448.6	4.7x	3.9x	neg	nmf	88.6%
Average			4.6x	3.2x	13.8x	9.0x	85.1%



MARKET PERFORMANCE

Indexed Segment Performance¹



Charting the Course

- The TSX index increased 26.4% over the last 12-months, up from last month's 52-week increase of 23.9%. Increases in the Energy sector due to a jump in crude prices as well as the release of positive monthly jobs data boosted growth
- Growth in our Healthcare Services Index accelerated over the past month with a 12-month increase of 18.8%, up from last month's 12.7%, reflecting strong financial performance
- Our Omnichannel Healthcare & Digital Health Index lagged previous months, recording a decline of 33.3% over the past 12-months, a further decline from last month's 14.1% drop
- Our Pharmaceuticals Index increased 37% over the last 12 months, up significantly from last month's 21.8%, reflecting investors' positive response to considerable consolidation

1. Index segments are 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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