



# Healthcare Industry Highlights

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January 20<sup>th</sup>, 2022



## THE BEST OF TIMES, THE WORST OF TIMES

Year in and year out, the intersection of healthcare and finance is an absolutely amazing place to be. We are inspired by brilliant scientists and entrepreneurs with new and unique ways to solve some health problem and make life better for many. To name a few, consider advancements in the standard of care for cancer and heart disease, minimally invasive (even robotic!) surgery with significantly less trauma, the ability to monitor patients remotely, and the power of artificial intelligence to drive better decision-making. Time will tell if mRNA vaccines will hold up as a major advancement, as the novel technology is being studied for new more specific COVID vaccines and other indications including CMV, flu and RSV vaccines.

In stark contrast, Canadian governments at all levels have chosen two years of panic as a strategy rather than solving for ways to live with COVID. It's certainly not for lack of funding they are throwing at the situation or global innovation in vaccines, treatments, and testing. Rather, the fault lies in an outdated system with infrastructure that was already at capacity and is unable to flex for greater need, as well as an apparent unwillingness to consider ways to fix it. We need to look long and hard at the delivery of healthcare in this country and do better, but let's save that discussion for another day.

There is a silver lining in all this, in the way virtual care strategies have rapidly become a critical part of healthcare delivery as COVID lockdowns persist, but they are becoming table stakes in the continuum of care. Uncertainty regarding provincial governments and where they will land on reimbursement is creating headwinds for some, even as provincial colleges of physicians give their members cover to phone it in, while private pay clinicians such as dentists, vets, physiotherapists and many others have adapted and see patients and clients in person every day.

Throughout 2021, healthcare services, digital health and health tech companies aggressively pursued organic and inorganic growth and continued to add scale, expanded virtual capabilities and diversified. Health & wellness and mental health solutions remained prominent. Notable transactions involving Origin clients included: **CareRx** acquisitions of Remedy's Rx and the long-term care pharmacies of MPGL and Rexall, **LifeSpeak** acquisitions of LIFT Digital, ALAViDA and Torchlight, and Calian acquisition of **Dapasoft**. Strategies for more tools and better tools will drive greater user engagement, ROI and stickier customers which in turn will drive value. Our Omnichannel & Digital Health Index, comprising active consolidators, posted a decrease of 57% for 2021. This is in line with the broader technology sector, as worries about inflation and rising interest rates have driven valuation multiples lower. Our Healthcare Services Index was up 15% for the year, generally reflecting their ability to get on with business.

2021 was one of the busiest years for us and our pipeline of deals remains very full as we start the new year. In addition to M&A, we see lots of interest in growth equity, as founders strive to drive more growth and create more value on the one hand and our network of PE's and companies actively seek out attractive investment/partnership opportunities on the other. No doubt we'll continue to have lots to talk to you about this year!

The Origin healthcare team remains grateful for your ongoing support, and we look forward to continuing to work with you in the year ahead.



## COVID-19 DEVELOPMENTS<sup>1</sup>

### News Scan

- On January 17<sup>th</sup>, **Health Canada** announced that it has approved Pfizer's pill for use in the fight against COVID-19. Paxlovid has been approved for use in adults 18 and older who test positive for COVID-19 and are experiencing mild to moderate illness, or who are at high risk of becoming more seriously ill. The pill, which must be prescribed, is the first COVID-19 treatment approved for at home use in Canada
- Effective January 15<sup>th</sup>, some foreign national travelers who were previously allowed to enter Canada without being fully vaccinated will now be required to be fully vaccinated. There will also be changes to testing and quarantine exemptions for certain travelers, regardless of citizenship, entering Canada
- On January 13<sup>th</sup>, Quebec Premier Francois Legault said that the vaccine passport would become mandatory starting January 24<sup>th</sup> at big-box retailers such as Costco, Walmart and Canadian Tire. The measures will apply to businesses larger than 1,500 square meters, with pharmacies and grocery stores being exempt
- On January 14<sup>th</sup>, **the World Health Organization ("WHO")** recommended two new drugs for COVID-19, providing yet more options for treating the disease. The first drug, Baricitinib, is strongly recommended for patients with severe or critical COVID-19. The WHO has also conditionally recommended the use of a monoclonal antibody drug, Sotrovimab, for treating mild to moderate COVID-19 in patients who are at high risk of hospitalization
- On January 13<sup>th</sup>, the Ontario government announced that it is supporting an investment in excess of \$13 million by **Norgen Biotek** to scale up production of its COVID-19 saliva based-test kit, with \$1 million in support through the Ontario Together fund. Forecast production capacity upon project completion is 100,000 diagnostic kits per day
- As of January 13<sup>th</sup>, provinces and territories have administered over 72 million doses of COVID-19 vaccines. The latest provincial and territorial data indicate that over 83% of the total population has received at least one dose of COVID-19 vaccine and over 77% are now fully vaccinated
- On January 12<sup>th</sup>, **Novavax** stated that it expects demand for its COVID-19 vaccine, Nuvaxoid, to play out globally across all three key areas: primary vaccination, booster doses, and the pediatric market. Nuvaxoid is the first protein-based COVID-19 vaccine and has recently received emergency use listing from the WHO
- On January 11<sup>th</sup>, Ontario Health Minister Christine Elliot said that the province is updating its COVID-19 reporting to distinguish between patients hospitalized due to the virus and incidental admissions, or those who are admitted for other reasons who have tested positive. As of January 11<sup>th</sup>, 46% of people currently in Ontario hospitals with COVID-19 were admitted for reasons other than the virus
- On January 7<sup>th</sup>, a federal judge in Texas ordered the Food and Drug Administration to make public the data it relied on to license Pfizer's COVID-19 vaccine, imposing a dramatically accelerated schedule that should result in the release of all information within about eight months
- As of January 5<sup>th</sup>, Ontario temporarily moved into Step Two of the Roadmap to Reopen with modifications that take into account the province's successful vaccination efforts in response to recent trends that show a rapid increase in COVID-19 hospitalizations. These measures will be in place for at least 21 days (until January 27<sup>th</sup>) subject to trends in our public health and our health system



## HEALTHCARE SERVICES

### News Scan

- On January 18<sup>th</sup>, kidney care giant **DaVita Inc. (“DaVita”)** acquired transplant software company **MedSleuth, Inc.** to ease access burdens on kidney and liver transplant candidates. Despite not integrating directly with its primary business, the acquisition will bolster DaVita’s portfolio of efforts in kidney care
- On January 5<sup>th</sup>, **dentalcorp Holdings Ltd.**, Canada’s largest and fastest growing network of dental practices, announced that it has entered into an agreement with CIBC, BMO, and TD, who have agreed to purchase, 6,135,000 subordinate voting shares of the company at a price of \$16.30 per share for gross proceeds to the company of approximately \$100 million. The company intends to use the net proceeds of the offering to support its acquisition program, which accelerated in the latter half of 2021 and is expected to remain strong in 2022
- On January 5<sup>th</sup>, **NorthShore University HealthSystem** and **Edward-Elmhurst Health** wrapped up plans to merge under a nine-hospital parent entity. This merger creates Illinois’ third largest health system, with 25,000 employees, 6,000 physicians and expected revenues of over US\$5 billion. The combined organization offers significant promise for its patients, team members, and communities
- On January 5<sup>th</sup>, advanced primary care provider **Vera Whole Health Inc. (“Vera”)** agreed to merge with healthcare data company **Castlight Health, Inc. (“Castlight”)** in a \$370 million all-cash deal. The transaction entails integrating Castlight’s technology, a digital platform offered to employers and health plans with tools to help patients navigate the healthcare system, into Vera’s network of primary care clinics and providers.
- On January 4<sup>th</sup>, **HCA Healthcare, Inc.** announced that it has acquired **MD Now Urgent Care**, the largest provider of urgent care services in the state of Florida, for an undisclosed sum. The deal brings 59 new urgent care centers to the Nashville-based for-profit provider, furthering its expansion within Florida’s healthcare market

### Key Indicators

<i>In \$CAD millions</i>	Market		TEV / Revenue		TEV / EBITDA		Price % of 52-Week High
	Cap	TEV	2022E	2023E	2022E	2023E	
dentalcorp Holdings Ltd.	2,694.1	3,641.5	2.9x	2.5x	14.8x	12.3x	85.8%
Neighbourly Pharmacy Inc.	1,217.8	1,285.5	2.4x	2.0x	17.1x	13.3x	88.3%
CareRx Corporation	239.5	330.9	0.9x	0.8x	8.0x	7.3x	74.5%
Akumin Inc.	214.9	2,204.3	2.3x	2.2x	11.0x	9.5x	38.8%
<b>Average</b>			<b>2.1x</b>	<b>1.9x</b>	<b>12.7x</b>	<b>10.6x</b>	<b>71.8%</b>



## OMNICHANNEL HEALTHCARE & DIGITAL HEALTH

### News Scan

- On January 15<sup>th</sup>, health benefits platform **Accolade Inc. (“Accolade”)** announced that it is buying telehealth startup **2nd.MD** for \$460 million. The deal will consist of \$230 million in cash, \$130 million in Accolade common stock and up to \$100 million of common stock payable upon the achievement of defined revenue milestones following closing. The deal will create the most comprehensive, integrated healthcare navigation experience in the industry
- On January 14<sup>th</sup>, **CloudMD Software & Services Inc. (“CloudMD”)**, a healthcare and technology company transforming the delivery of care, announced the completion of the acquisition of **MindBeacon Holdings Inc. (“MindBeacon”)**, a leading provider of digital mental health care. CloudMD will offer \$1.22 of cash plus 2.285 common shares of CloudMD to former MindBeacon shareholders. This acquisition creates one of the most comprehensive integrated suites of mental health solutions in Canada
- On January 12<sup>th</sup>, **Headspace Inc. (“Headspace”)** acquired **Sayana Inc. (“Sayana”)**, an AI-driven mental health and wellness company, for an undisclosed amount. Sayana will expand Headspace’s ability to provide personalized self-care content to its 100 million users
- On January 12<sup>th</sup>, **Maple Corporation (“Maple”)**, a leading Canadian virtual care platform, announced the acquisition of **Wello**, a provider of virtual primary medical care integrating expertise in executive health and corporate health and wellness. Wello services employees of more than 350 employers ranging from Fortune 100 companies to small businesses. Terms of the acquisition were not disclosed
- On January 6<sup>th</sup>, **Lifespeak Inc. (“LifeSpeak”)**, the mental health and wellbeing platform for employee and customer-focused organizations, announced the latest generation of its platform, LifeSpeak 5.0. The newest version includes the new Learning Hub and Training Hub features, enhanced functionality for discovery, a “bulletin board” option for companywide communications, and a new design for improved user experience and increased ease of use

### Key Indicators

In \$CAD millions	Market		TEV / Revenue		TEV / EBITDA		Price % of
	Cap	TEV	2022E	2023E	2022E	2023E	52-Week High
WELL Health Technologies Corp.	797.1	1,194.5	2.5x	2.3x	11.7x	9.7x	38.9%
Dialogue Health Technologies Inc.	391.4	283.8	2.8x	2.1x	neg	nmf	29.2%
LifeSpeak Inc.	344.9	286.1	5.8x	3.7x	12.0x	6.9x	72.1%
CloudMD Software & Services Inc.	247.3	228.4	1.2x	1.1x	neg	nmf	26.5%
MindBeacon Holdings Inc.	81.1	29.0	1.1x	0.8x	neg	neg	25.7%
MCI Onehealth Technologies Inc.	72.9	78.3	1.3x	1.1x	nmf	11.6x	33.3%
Think Research Corporation	67.0	93.5	1.0x	0.9x	14.9x	7.8x	24.3%
<b>Average</b>			<b>2.2x</b>	<b>1.7x</b>	<b>12.8x</b>	<b>9.0x</b>	<b>35.7%</b>



## PHARMACEUTICALS AND MED-TECH

### News Scan

- On January 10<sup>th</sup>, **Thermo Fisher Scientific Inc.**, an American supplier of scientific instrumentation, reagents and consumables, and software services, completed its \$1.85 billion acquisition of **PeproTech, Inc.**, a provider of bioscience reagents. The acquisition complements its cell culture media products and will help increase its capabilities in the high growth cell and gene therapy market
- On January 10<sup>th</sup>, **Bayer AG (“Bayer”)** and **Mammoth Biosciences, Inc. (“Mammoth”)**, announced a strategic collaboration and option agreement for the use of Mammoth’s systems to develop gene-editing therapies. This partnership will allow Bayer to widen its cell and gene therapy development efforts. Mammoth will initially receive US\$40 million plus potential milestone payments of more than US\$1 billion contingent on scientific and commercial achievements
- On January 10<sup>th</sup>, medical products supplier **Owens & Minor Inc. (“Owens & Minor”)** announced that it will acquire **Apria Inc. (“Apria”)**, a leading provider of integrated home healthcare equipment and related services, for about \$1.45 billion in cash. Owens & Minor will pay \$37.50 per share for Apria to bolster its presence in the fast-growing home healthcare services market
- On January 6<sup>th</sup>, medical device maker **Stryker Corp (“Stryker”)** announced that it has agreed to acquire digital care platform **Vocera Communications Inc. (“Vocera”)** for about \$2.97 billion. Stryker plans to wield Vocera’s portfolio to link up its various data-generating medical devices and reshape its digital patient outreach efforts
- On January 4<sup>th</sup>, **Quipt Home Medical Corp. (“Quipt”)**, a leader in the home medical equipment industry, announced that it acquired **At Home Health Equipment, Inc.**, a leader in the respiratory home care services space. With a new location, covering an entire service area of Indianapolis, the acquisition adds to Quipt’s active patient count by over 15,000, bringing Quipt’s total to approximately 170,000 active patients

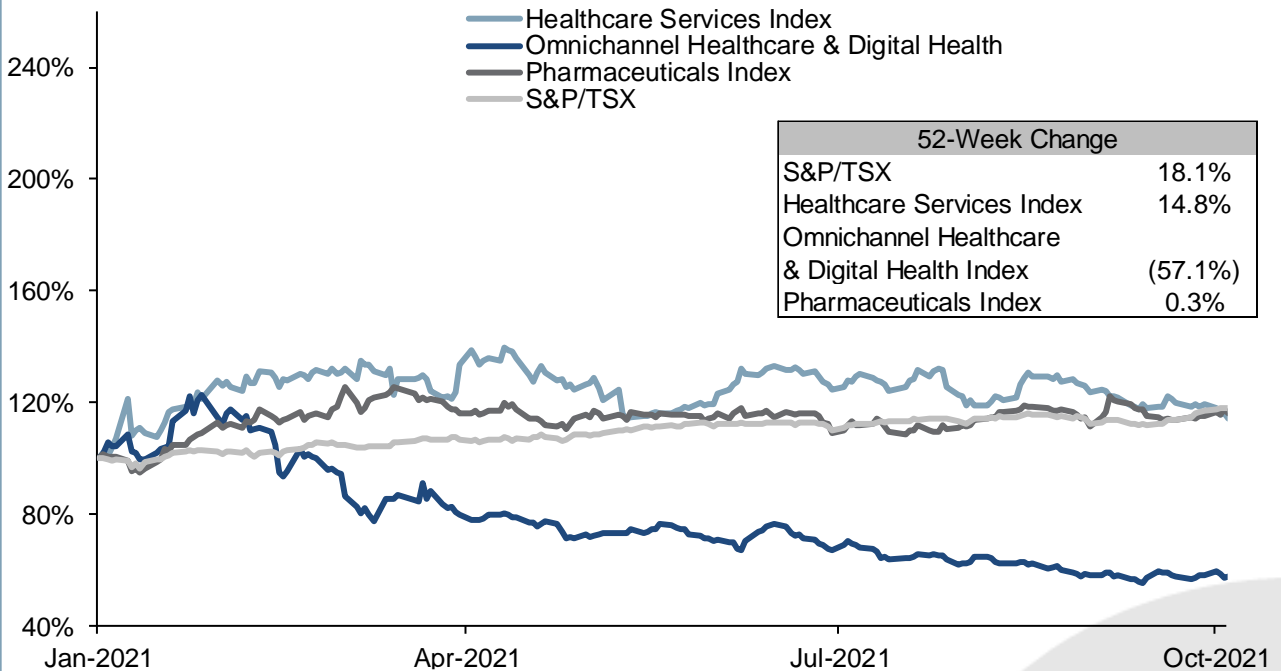
### Key Indicators

In \$CAD millions	Market		TEV / Revenue		TEV / EBITDA		Price % of
	Cap	TEV	2022E	2023E	2022E	2023E	52-Week High
Bausch Health Companies Inc.	11,478.3	33,215.3	3.0x	2.9x	7.4x	7.1x	72.8%
Knight Therapeutics Inc.	634.9	515.8	1.8x	1.7x	9.3x	9.0x	92.0%
HLS Therapeutics Inc.	486.8	565.1	3.9x	2.3x	8.9x	4.6x	68.9%
Theratechnologies Inc.	342.4	347.3	3.1x	2.4x	nmf	nmf	64.2%
<b>Average</b>			<b>2.9x</b>	<b>2.3x</b>	<b>8.5x</b>	<b>6.9x</b>	<b>74.5%</b>



## MARKET PERFORMANCE

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



### Charting the Course

- The TSX index increased 18.1% over the last 12-months, down from last month's 52-week increase of 24.7%. The gain of 22% for the calendar year was the best performance of the index since 2009, supported by massive stimulus, vaccine rollouts across the country and hopes of a global recovery. It has lost steam recently as investor concerns grow surrounding the Omicron variant, inflation and a more hawkish US Federal Reserve
- Growth in our Healthcare Services Index continues, with a 12-month increase of 14.8%, up from last month's 13% reflecting a return to growth at attractive economics
- Our Omnichannel Healthcare & Digital Health Index is continuing to lag recording a decline of 57.1% over the past 12-months, consistent with last month's 43.6% drop
- Our Pharmaceuticals Index increased 0.3% over the last 12-months, down significantly from last month's 16.8% increase, as the existing effects of COVID-19 and the resurgence of new cases continues to provide headwinds in the sector

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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