

# Healthcare Products Industry Report

*August 2021*

# Table of Contents

|                               |        |
|-------------------------------|--------|
| I. <i>Manufacturing</i> ..... | pg. 3  |
| II. <i>Wholesaling</i> .....  | pg. 19 |



# Healthcare Products Industry Report

## I. Manufacturing

# HEALTHCARE PRODUCTS MANUFACTURING: KEY INDUSTRY TAKEAWAYS

- ❑ **Healthcare Products Manufacturing:** Industry revenue is expected to grow at an annualized rate of 2.9% to \$58.0 billion by 2026. The aging baby boomer population and technological developments will continue to bolster industry growth, while the changing regulatory environment will likely support profitability. Additionally, input prices are expected to rise only slightly, resulting in a marginal increase in average industry profit from 10.7% of revenue in 2021 to 12.3% in 2026.
- ❑ **External Drivers**
  - **Number of physician visits:** Hospitals are one of the major purchasers and users of medical devices. The need to purchase or replace equipment directly correlates with the total number of physician visits in a year; therefore, an increase in physician visits bolsters demand for medical devices.
  - **Number of adults aged 65 and older:** Recent medical advancements and longer life expectancy have boosted the number of adults aged 65 and older. Incidences of disease and disorder rise with age, increasing demand for medical treatment.
  - **Total health expenditure:** Total health expenditure includes private and public spending on activities that promote health and prevent diseases. Increased healthcare funding programs (such as the Patient Protection and Affordable Care Act) result in more available funding for the replacement of medical equipment and supplies.
  - **Federal funding for Medicare and Medicaid:** Health coverage is an important factor for patients and doctors choosing treatment options. Medicare coverage is particularly significant, as it directly affects the number of patients who have to pay for industry products and the amount that manufacturers receive in Medicare payments.
- ❑ **Industry Outlook**
  - **Continued Growth:** Factors that influenced the Medical Device Manufacturing industry from 2016 to 2021 such as healthcare reform, technological advancements, outsourcing, regulation and an aging population, will likely continue to drive industry development from 2021 to 2026. The combined effect of these factors is forecasted to boost revenue growth at an annualized rate of 2.9% to \$58.0 billion in 2026.
  - **Emerging Trends:** The changing demographics of the United States favor the industry. Medical innovations will continue to expand the average lifespan, with high-tech fields such as biotechnology and 3D printing likely enabling the development of new therapeutic and diagnostic product lines.

# INDUSTRY AT A GLANCE

## Key Statistics

**\$50.4bn**  
Revenue



**93,089**  
Employment



**\$5.4bn**  
Profit



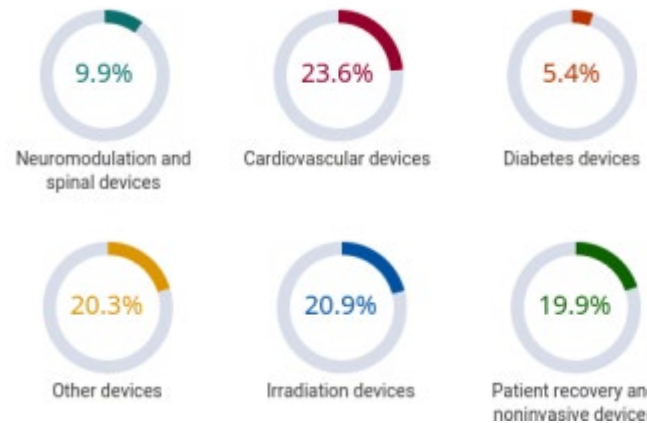
**\$9.8bn**  
Wages



**10.7%**  
Profit Margin



**998**  
Businesses



Medical Device Manufacturing  
Source: IBISWorld

# INDUSTRY AT A GLANCE

## Major Players



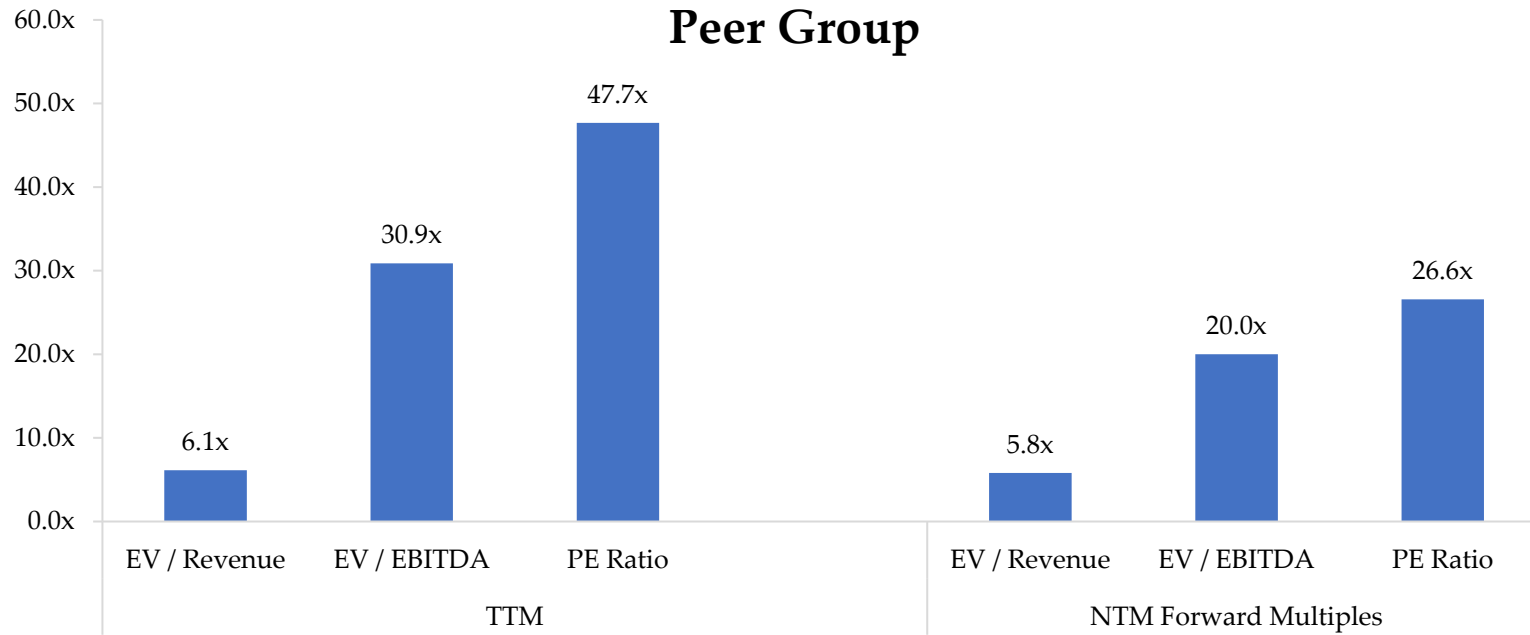
- 28.0% Medtronic
- 10.7% Abbott Laboratories
- 10.3% GE
- 6.4% Danaher
- 44.6% Other

## SWOT

- S Strengths**
  - Growth Life Cycle Stage
  - High Profit vs. Sector Average
  - Low Customer Class Concentration
  - Low Capital Requirements
  - High Revenue per Employee
- W Weaknesses**
  - High Competition
- O Opportunities**
  - High Revenue Growth (2016-2021)
  - High Revenue Growth (2021-2026)
  - High Performance Drivers
  - Trade-Weighted index
- T Threats**
  - Low Revenue Growth (2005-2021)
  - Low Outlier Growth
  - Number of physician visits

Medical Device Manufacturing  
Source: IBISWorld

# PUBLIC COMPARABLES



**Medtronic**

**Boston Scientific**

**Abbott**

**BD**

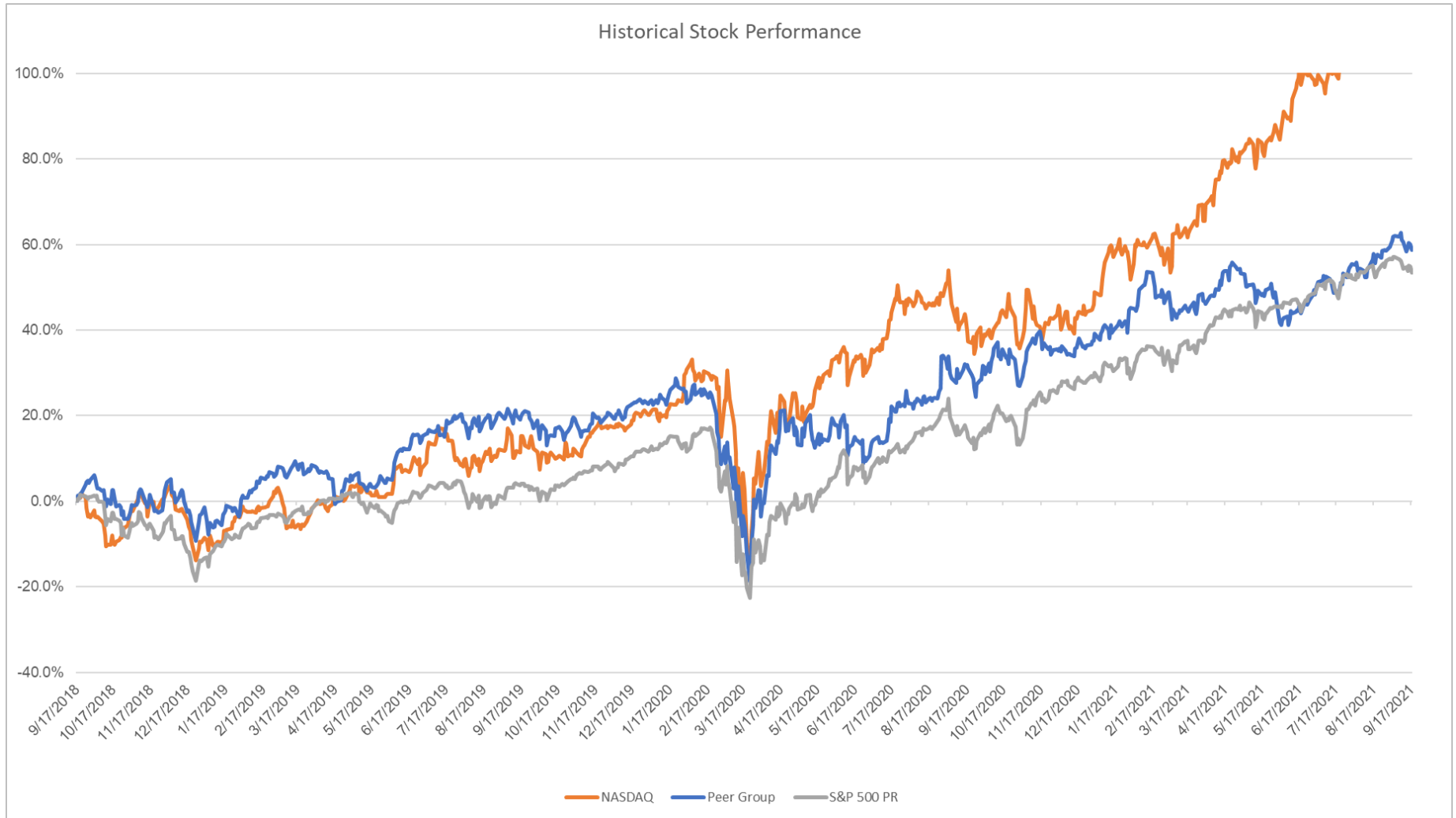
**stryker®**

# PUBLIC COMPARABLES

| \$ in Millions<br>Ticker | Medtronic<br>MDT | Abbott<br>ABT | Boston Scientific<br>BSX | Avanos Medical<br>AVNS | Stryker<br>SYK | Becton, Dickinson<br>and Company<br>BDX |               |
|--------------------------|------------------|---------------|--------------------------|------------------------|----------------|---|---------------|
| Total Revenue            | \$28,913         | \$34,608      | \$9,913                  | \$715                  | \$14,351       | \$17,117                                |               |
| Gross Profit             | 19,489           | 19,605        | 6,403                    | 373                    | 9,057          | 7,577                                   |               |
| EBIT                     | 5,147            | 5,468         | 279                      | -46                    | 1,954          | 1,506                                   |               |
| Net Income               | \$4,789.00       | \$4,495.00    | (\$82.00)                | (\$27.20)              | \$1,599.00     | \$874.00                                |               |
| EBITDA                   | 7,854            | 8,795         | 1,402                    | -3                     | 2,766          | 3,660                                   |               |
| Total Debt               | 24,797           | 19,649        | 9,539                    | 249                    | 13,991         | 17,930                                  |               |
| EV                       | 175,183          | 223,426       | 62,609                   | 2,280                  | 102,395        | 84,749                                  |               |
| Employees                | 90,000           | 109,000       | 38,000                   | 5,380                  | 43,000         | 72,000                                  |               |
| <b>Ratio Analysis</b>    |                  |               |                          |                        |                |   | <b>Median</b> |
| Revenue/Employee         | \$321,256        | \$317,505     | \$260,868                | \$132,862              | \$333,744      | \$237,736                               | \$289,187     |
| EV/Revenue               | 6.27x            | 6.46x         | 6.32x                    | 3.19x                  | 7.14x          | 4.65x                                   | 6.29x         |
| Debt/EBITDA              | 3.25x            | 2.16x         | 7.07x                    |                        | 4.46x          | 5.28x                                   |               |
| EV/EBITDA                | 22.30x           | 25.40x        | 44.66x                   |                        | 37.02x         | 23.15x                                  | 30.70x        |
| Market Cap/EBITDA        | 25.83x           | 23.96x        | 39.09x                   |                        | 33.05x         | 15.85x                                  |               |
| Market Cap \$ in MM's    | 159,329          | 210,706       | 54,804                   | 2,142                  | 91,428         | 70,193                                  |               |
| Close Price              | 118.19           | 118.94        | 38.58                    | 44.58                  | 242.95         | 241.58                                  |               |
| 52 Week Low              | 81.33            | 76.00         | 29.65                    | 22.73                  | 142.00         | 219.50                                  |               |
| 52 Week High             | 120.53           | 128.54        | 42.37                    | 53.61                  | 250.02         | 284.97                                  |               |
| Gross Margin             | 67.4%            | 56.6%         | 64.6%                    | 52.2%                  | 63.1%          | 44.3%                                   | 59.9%         |
| EBIT                     | 17.8%            | 15.8%         | 2.8%                     | -6.4%                  | 13.6%          | 8.8%                                    | 11.2%         |
| EBITDA                   | 27.2%            | 25.4%         | 14.1%                    | -0.4%                  | 19.3%          | 21.4%                                   | 20.3%         |
| Acct. Receivable Days    | 74               | 59            | 59                       | 76                     | 65             | 47                                      | 62            |
| Inventory Days           | 156              | 118           | 157                      | 177                    | 231            | 106                                     | 156           |
| Acct. Payable Days       | 95               | 106           | 71                       | 84                     | 78             | 52                                      | 81            |
| Revenue Growth           | -5.4%            | 8.5%          | -7.7%                    | 2.5%                   | -3.6%          | -1.0%                                   | -2.3%         |



# HEALTHCARE PRODUCTS - MANUFACTURING INDEX VS. S&P 500



DCA Healthcare Products - Manufacturing Index: MDT, ABT, BSX, AVNX, SYK, BDX

# RECENT PRIVATE TRANSACTIONS

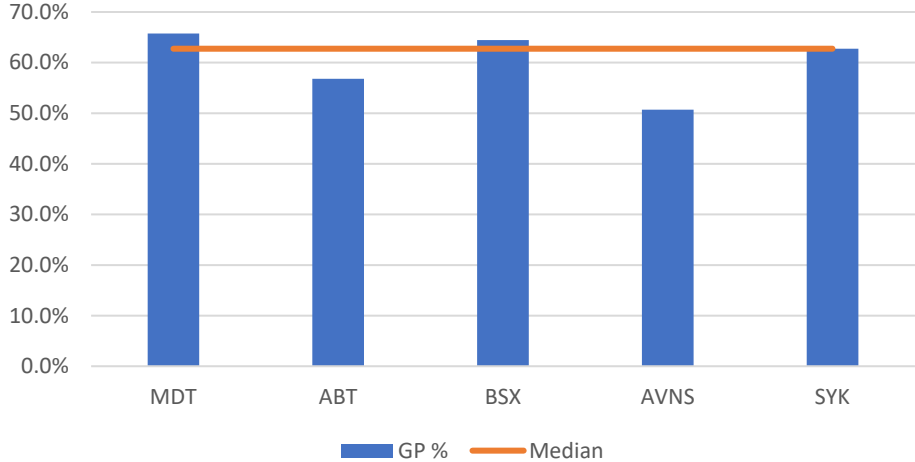
| Date       | Target                    | Acquirer   | Sector                     | Deal Synopsis   |
|------------|---------------------------|--|----------------------------|---|
| 09/07/2021 | Masterflex (Vernon Hills) | Avantor  | Other Devices and Supplies | The company, a subsidiary of Antylia Scientific, reached a definitive agreement to be acquired by Avantor for \$2.9 billion on September 7, 2021.   |
| 08/02/2021 | Cordis                    | Ajax Health  | Therapeutic Devices        | The company was acquired by Hellman & Friedman, Ajax Health and Zeus Health through a \$1 billion LBO on August 2, 2021. The transaction was supported by an undisclosed amount of debt financing in the form of a loan from Deutsche Bank Securities and UBS Group.  |
| 08/02/2021 | Paramit                   | Tecan Group  | Surgical Devices           | The company was acquired by Tecan Group (SWX: TECN) for \$1 billion on August 2 2021.   |
| 6/28/2021  | Teleflex                  | Medline Industries                                   | Therapeutic Devices        | The respiratory business of Teleflex (NYSE: TFX) was acquired by Medline Industries for \$286 million on June 28, 2021. The acquisition expands Medline's existing offerings and allows them to add two manufacturing facilities in North America.  |
| 06/05/2021 | Medline Industries        | Government of Singapore Investment Corporation (GIC) | Medical Supplies           | The company entered into a definitive agreement to be acquired by The Blackstone Group, The Carlyle Group, Hellman & Friedman and GIC through a \$34 billion LBO on June 5, 2021. The funds will be used to expand its product offerings, accelerate international expansion and continue to make new infrastructure investments to strengthen its global supply chain. |
| 6/4/2021   | Propel Orthodontics       | Dentsply Sirona                                      | Surgical Devices           | The company was acquired by Dentsply Sirona (Nasdaq: XRAY) for \$131 million on June 4, 2021. The acquisition will allow Dentsply Sirona to further strengthen its position in the fast-growing clear aligner market.   |
| 6/1/2021   | BioDot                    | ATS Automation Tooling Systems                       | Machinery (B2B)            | The company was acquired by ATS Automation Tooling Systems (TSE: ATA) for \$84 million on June 1, 2021. The addition expands ATS Automation Tooling Systems' life sciences capabilities in precise, low volume fluid dispensing and enhances its position in the point-of-care and clinical diagnostics lab automation end-markets.                                     |
| 5/27/2021  | TheraTears                | Prestige Consumer Healthcare                         | Therapeutic Devices        | Prestige Consumer Healthcare (NYS: PBH) entered into a definitive agreement to acquire the TheraTears brand of Akorn (DUS: FDA) for \$230 million on May 27, 2021. The acquisition is a match with Prestige's criteria that focuses on long-term brand building opportunities, fits with its business model and provides disciplined returns.                           |
| 04/15/2021 | Varian Medical Systems    | Siemens Healthineers                                 | Therapeutic Devices        | The company was acquired by Siemens Healthineers (FRA: SHL), a subsidiary of Siemens (ETR: SIE), for \$16.4 billion on April 15, 2021. The combined company will offer an integrated platform of end-to-end oncology solutions to address the entire continuum of cancer care.  |
| 1/29/2021  | Surgical Specialties      | Corza Health   | Surgical Devices           | The company was acquired by Corza Health, via its financial sponsor GTCR, through an estimated \$800 million LBO on January 29, 2021.   |

# RECENT PUBLIC TRANSACTIONS

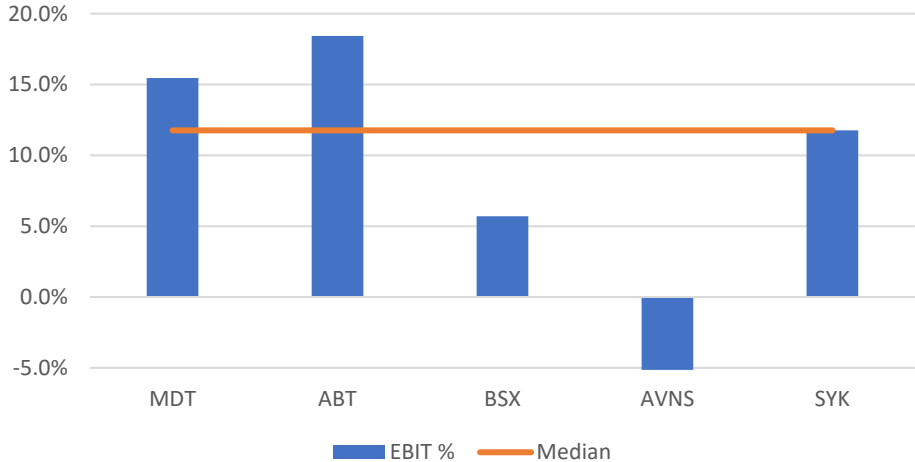
| Date       | Target                          | Acquirer                      | Sector                     | Deal Synopsis  |
|------------|---------------------------------|-------------------------------|----------------------------|--|
| 07/29/2021 | Misonix                         | Bioventus                     | Surgical Devices           | The company (NAS: MSON) reached a definitive agreement to be acquired by Bioventus (NAS: BVS) for approximately \$518 million on July 29, 2021. This acquisition will create a leading, global restorative medicine and orthopedics company with a comprehensive and best-in-class suite of products and procedural solutions that improve patient outcomes and which are well supported and strategically positioned to grow share across their addressable markets.  |
| 05/04/2021 | The Beauty Health Company       | Vesper Healthcare Acquisition | Other Devices and Supplies | The company acquired Vesper Healthcare Acquisition (NASDAQ: VSPR) through a reverse merger on May 4, 2021. The purchase price consists of \$625 million and up to \$75 million payable upon the completion of certain identified acquisitions by the combined company. The company also received \$350 million in a private placement from Fidelity Management & Research Company, LLC, Redmile Group, LLC, Principal Global Investors, LLC, Camber Capital Management and Woodline Partners LP, bringing the total acquisition price to \$975 million. As a result of the transaction, the combined company now known as The Beauty Health Company. |
| 04/03/2021 | Second Sight Medical Products   | Pixium Vision                 | Therapeutic Devices        | The company had reached a definitive agreement to be acquired by Pixium Vision (PAR: ALPIX) for an undisclosed amount on January 6, 2021. Subsequently, the deal was cancelled on April 3, 2021.   |
| 10/09/2020 | Advanced Container Technologies | Medtainer                     | Medical Supplies           | The company acquired Medtainer (PINX: MDTRD) through a reverse merger, resulting in the combined entity trading on the New York Stock Exchange under the ticker symbol ACTX on October 9, 2020.  |

# OPERATING METRICS

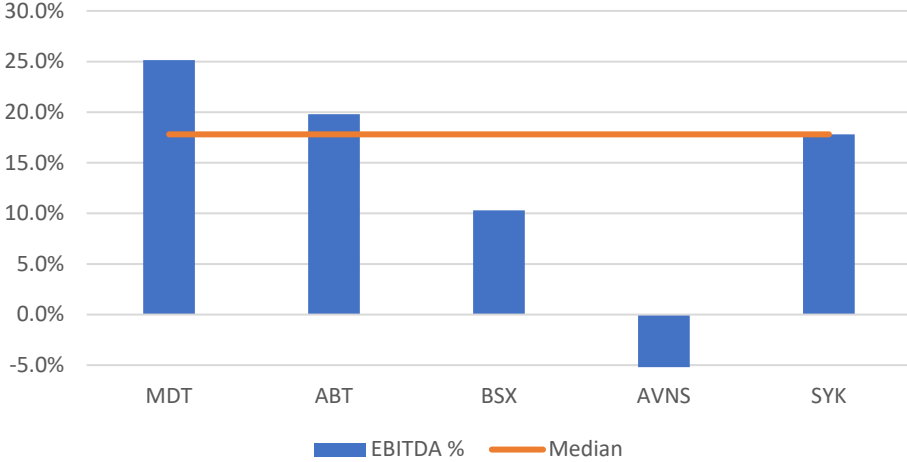
Gross Profit Margin



EBIT Margin

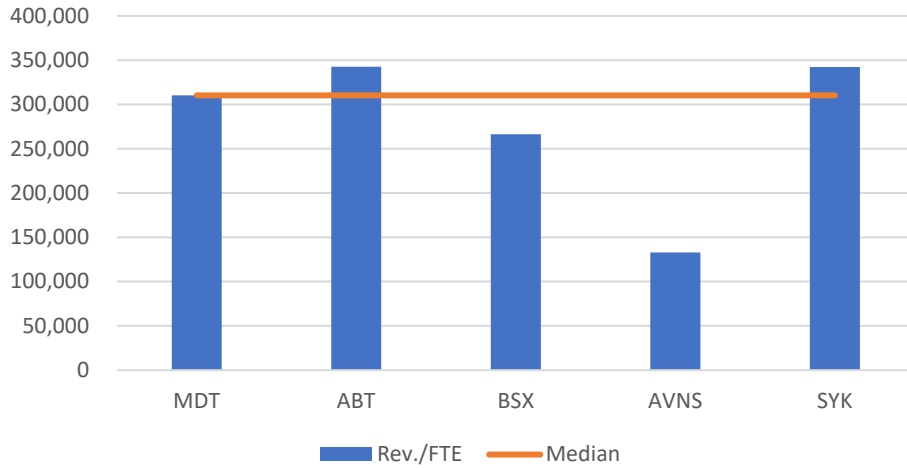


EBITDA Margin

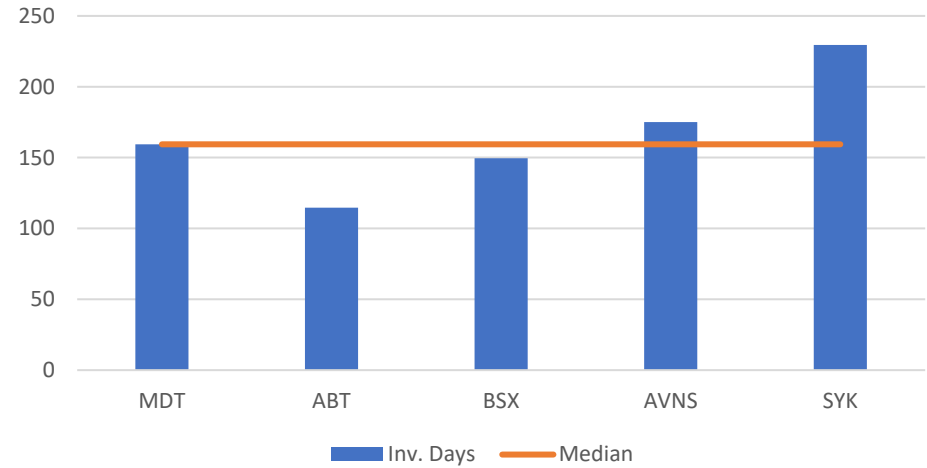


# RATIO ANALYSIS

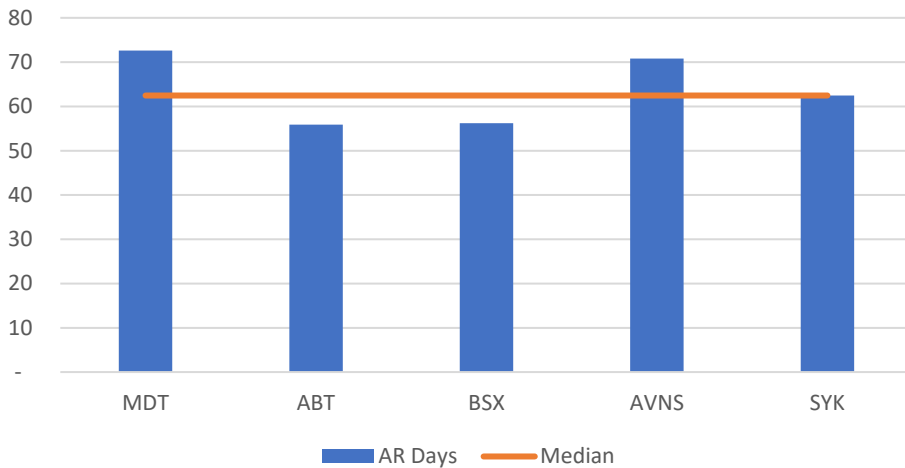
## Revenue per Employee



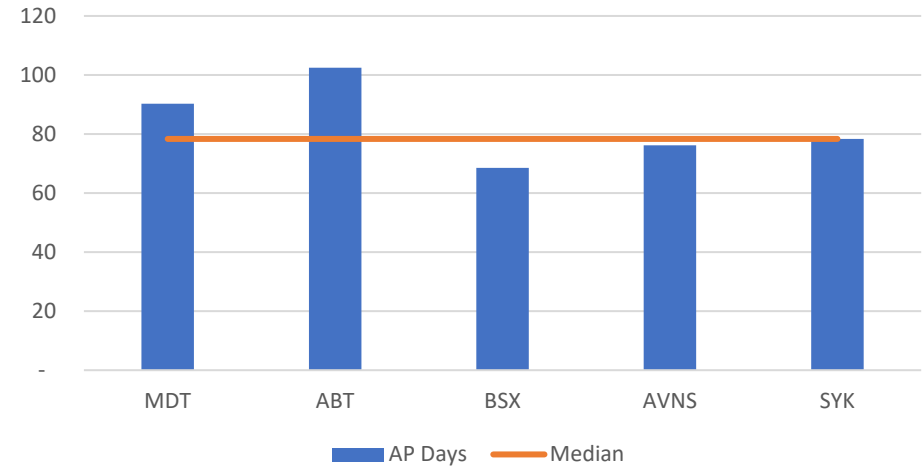
## Inventory Days



## AR Days



## AP Days



# VALUATION TRENDS

| Price Date: 9/20/21 |                   | Fundamentals |            |                  |               |          |               |               |           |                |
|---------------------|-------------------|--------------|------------|------------------|---------------|----------|---------------|---------------|-----------|----------------|
| Dollars in millions |                   | TTM          |            |                  |               |          | NTM Estimates |               |           |                |
| Ticker              | Company           | Close Price  | Market Cap | Enterprise Value | Total Revenue | EBITDA   | Basic EPS     | Total Revenue | EBITDA    | Normalized EPS |
| <b>Peer Group</b>   |                   |              |            |                  |               |          |               |               |           |                |
| MDT                 | Medtronic         | 128.73       | 174,551.55 | 190,098.55       | 31,597.00     | 7,755.00 | 2.88          | 33,407.37     | 11,145.43 | 5.78           |
| ABT                 | Abbott            | 124.87       | 224,775.51 | 234,561.51       | 40,233.00     | 8,211.00 | 3.57          | 39,537.43     | 11,397.00 | 4.54           |
| BSX                 | Boston Scientific | 43.64        | 63,176.34  | 69,965.34        | 11,197.00     | 1,712.00 | 0.33          | 12,502.31     | 3,601.11  | 1.74           |
| SYK                 | Stryker           | 268.33       | 102,958.60 | 113,373.60       | 16,246.00     | 3,418.00 | 5.54          | 17,937.50     | 5,180.25  | 9.88           |

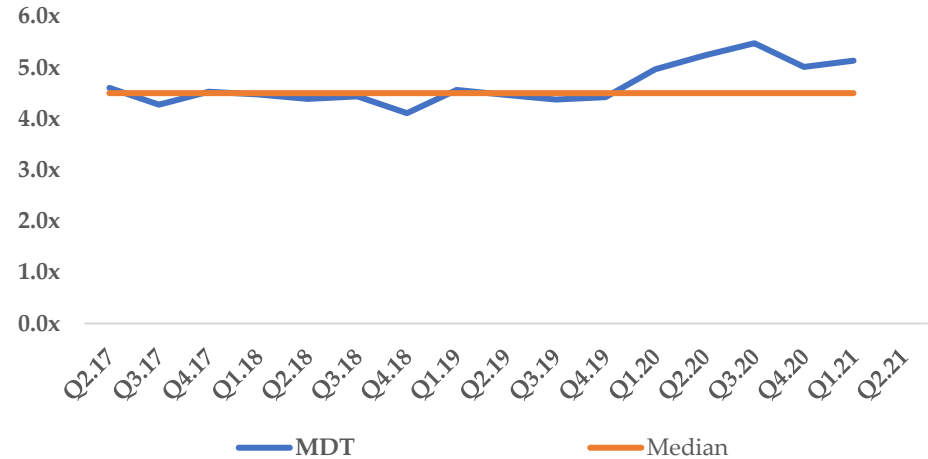
| Price Date: 9/20/21 |                   | Multiples    |             |          |                       |             |          |
|---------------------|-------------------|--------------|-------------|----------|-----------------------|-------------|----------|
| Dollars in millions |                   | TTM          |             |          | NTM Forward Multiples |             |          |
| Ticker              | Company           | EV / Revenue | EV / EBITDA | PE Ratio | EV / Revenue          | EV / EBITDA | PE Ratio |
| <b>Peer Group</b>   |                   |              |             |          |                       |             |          |
| MDT                 | Medtronic         | 6.0x         | 24.5x       | 45.0x    | 5.7x                  | 17.1x       | 22.3x    |
| ABT                 | Abbott            | 5.8x         | 28.6x       | 35.2x    | 5.9x                  | 20.6x       | 27.5x    |
| BSX                 | Boston Scientific | 6.2x         | 40.9x       | 117.9x   | 5.6x                  | 19.4x       | 25.1x    |
| SYK                 | Stryker           | 7.0x         | 33.2x       | 49.1x    | 6.3x                  | 21.9x       | 27.2x    |

# PUBLIC COMP

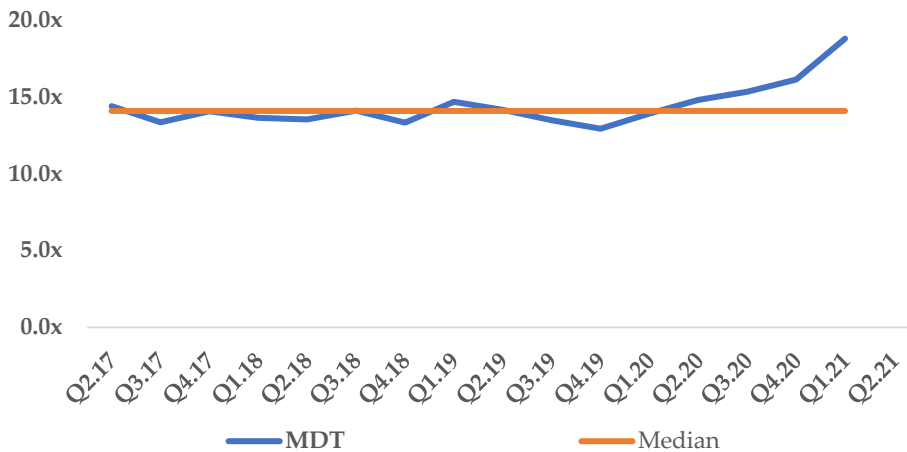
## Medtronic (NYS: MDT)

One of the largest medical device companies, Medtronic develops and manufactures therapeutic medical devices for chronic diseases. Its portfolio includes pacemakers, defibrillators, heart valves, stents, insulin pumps, spinal fixation devices, neurovascular products, advanced energy, and surgical tools. The company markets its products to healthcare institutions and physicians in the United States and overseas. Foreign sales account for almost 50% of the company's total sales.

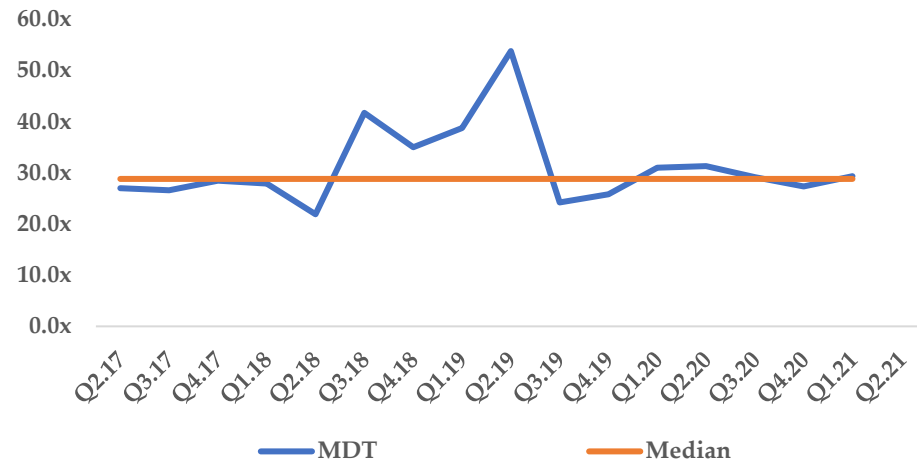
### EV/Revenue Medtronic



### EV/EBITDA Medtronic



### P/E Medtronic

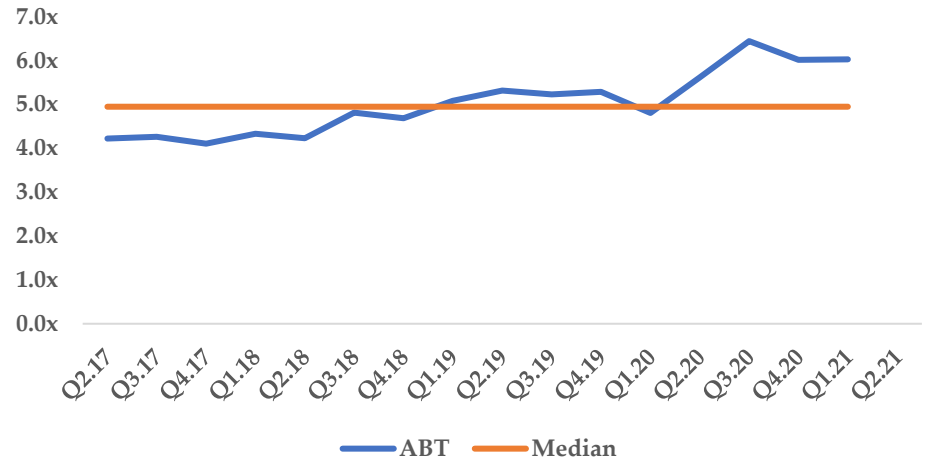


# PUBLIC COMP

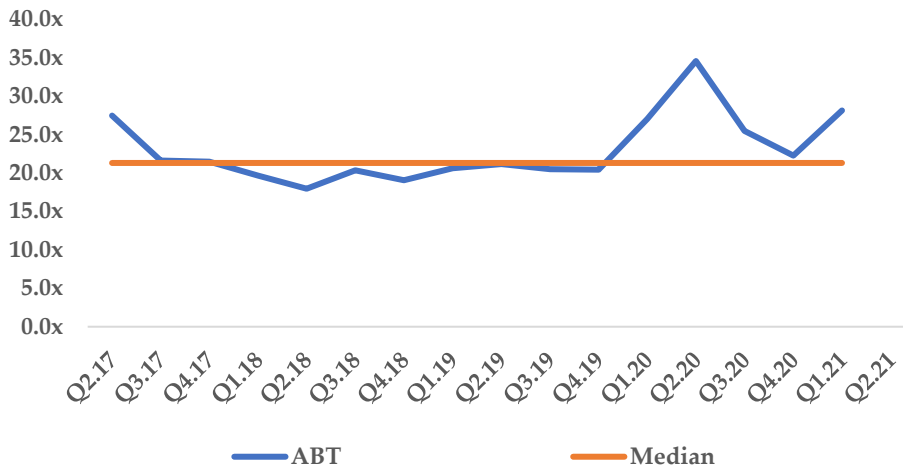
## Abbott (NYS: ABT)

Abbott manufactures and markets medical devices, adult and pediatric nutritional products, diagnostic equipment and testing kits, and branded generic drugs. Products include pacemakers, implantable cardioverter defibrillators, neuromodulation devices, coronary stents, catheters, infant formula, nutritional liquids for adults, and immunoassays and point-of-care diagnostic equipment. Abbott derives approximately 60% of sales outside the United States.

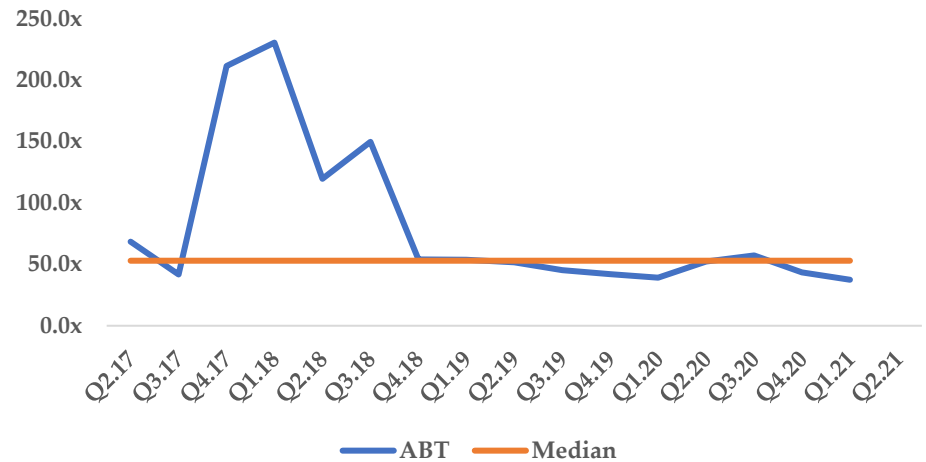
### EV/Revenue Abbott



### EV/EBITDA Abbott



### P/E Abbott



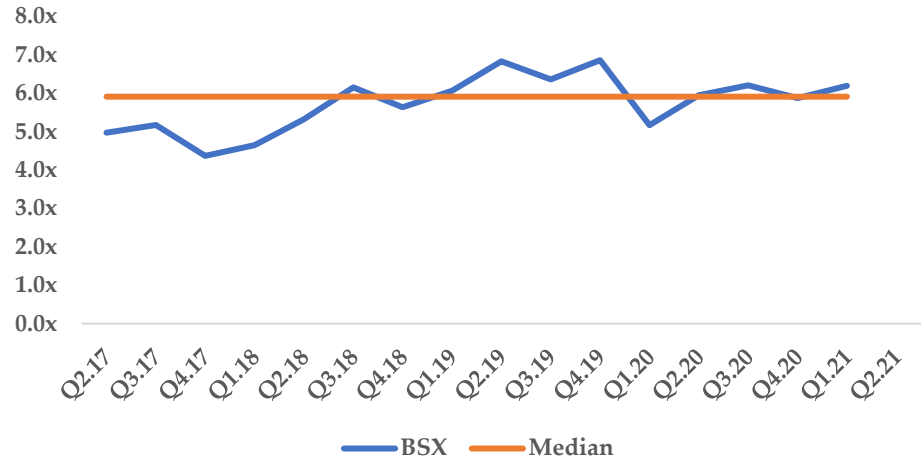


# PUBLIC COMP

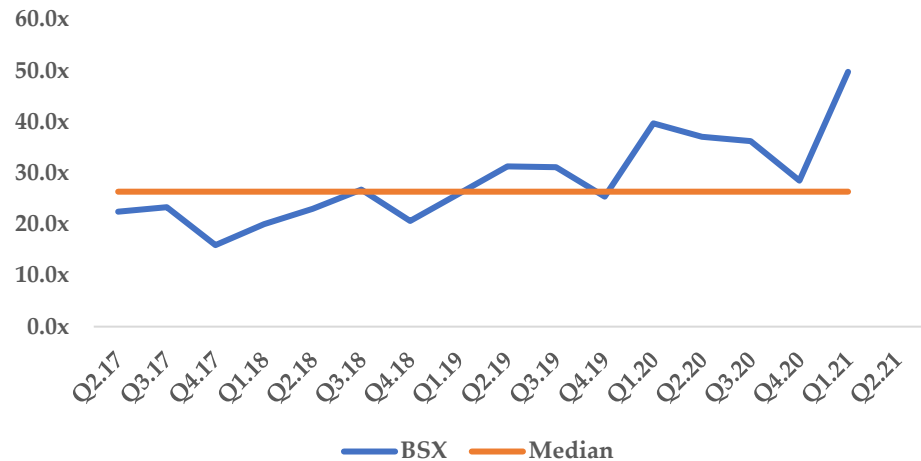
## Boston Scientific (NYS: BSX)

Boston Scientific produces less invasive medical devices that are inserted into the human body through small openings or cuts. It manufactures products for use in angioplasty, blood clot filtration, cardiac rhythm management, catheter-directed ultrasound imaging, structural heart disease, upper gastrointestinal tract diagnostics, interventional oncology, and treatment of incontinence. The firm markets its devices to healthcare professionals and institutions globally. Foreign sales account for nearly half of the firm's total sales.

### EV/Revenue Boston Scientific



### EV/EBITDA Boston Scientific

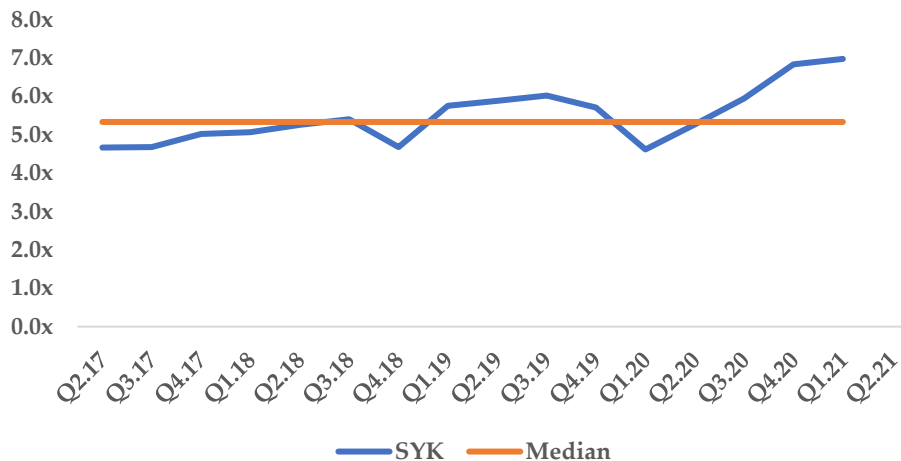


# PUBLIC COMP

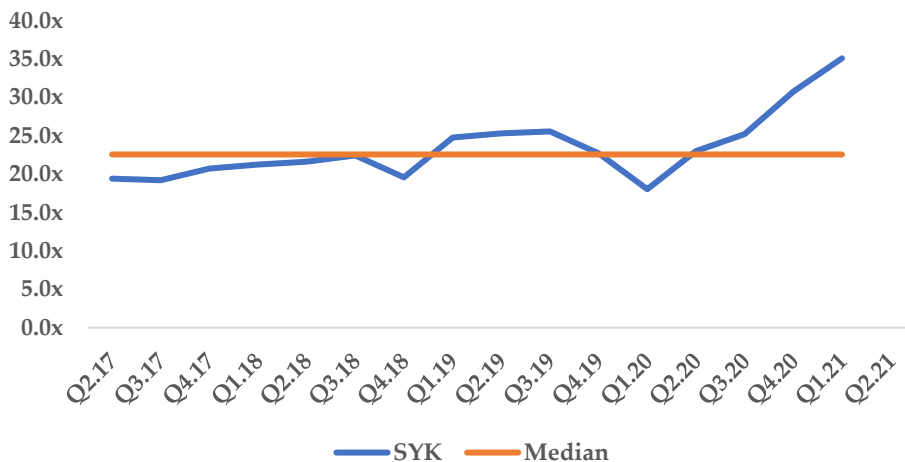
## Stryker Corporation

Stryker Corporation develops, manufactures, and markets specialty surgical and medical products. The Company's products include implants, biologics, surgical, neurologic, ear, nose and throat and interventional pain equipment, endoscopic, surgical navigation, communications and digital imaging systems, as well as patient handling and emergency medical equipment.

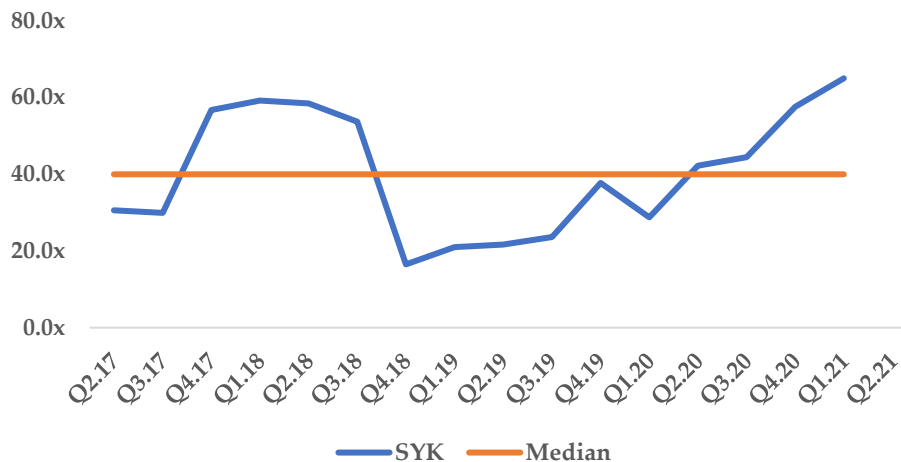
### EV/Revenue Stryker



### EV/EBITDA Stryker



### P/E Stryker



# Healthcare Products Industry Report

## II. Wholesaling

# HEALTHCARE PRODUCTS WHOLESALING: KEY INDUSTRY TAKEAWAYS

- ❑ **Healthcare Products Wholesaling:** Industry revenue is expected to grow at an annualized rate of 2.6% to \$305.1 billion by 2026. Revenue is expected to rise as healthcare providers continue to invest in new equipment to keep up with growing demand for healthcare services. New product development by medical device manufacturers is also expected to contribute to industry growth by offering new solutions to health issues. Mergers and acquisitions among medical device manufacturers will likely cause wholesalers to consolidate to maintain negotiating power and meet demands of newly expanded customers. Consolidation will likely help industry operators reduce costs, leading to a rise in profit margins in the outlook.
- ❑ **External Drivers**
  - **Number of physician visits:** The number of physician visits, which is affected by the general health of the population and patients' ability to pay for health services (out of pocket or through public or private health insurance), influences the frequency of the use of medical supplies. Medical supplies need to be replaced after a certain amount of time or number of uses, so when people visit hospitals, dentists and physicians more frequently, demand for medical supplies to treat patients will increase.
  - **Federal funding for Medicare and Medicaid:** Funding for Medicare and Medicaid determines the degree to which doctors and hospitals will be reimbursed for medical supplies and devices, which influences demand for industry services. Adverse changes in funding or prices will likely cause healthcare participants to reduce their demand for medical supplies.
  - **Research and development expenditure:** The release of new medical supply products developed by medical supplies manufacturers increases demand for wholesalers. Increased investment in research and development by manufacturers positively correlates to product development.
  - **Number of adults aged 65 and older:** As people get older, they generally need more medical care; in fact, the elderly use medical devices more than any other age group. Longer life expectancy also influences demand because people will use more industry products over the course of a longer life.
- ❑ **Industry Outlook**
  - **Continued Growth:** The Medical Supplies Wholesaling industry's growth from 2021 to 2026 is expected to largely resemble the industry's performance during from 2016 to 2021. The higher number of insured Americans will likely contribute to steady demand for medical supplies and services, but increased demand will come at a price. Operators will likely experience increasingly aggressive internal competition caused by the implementation of a competitive bidding program by the Centers for Medicare & Medicaid Services (CMS), a fluctuating network of suppliers, heightened government regulations and a tightened credit market.
  - **Emerging Trends:** Industry operators will continue to consolidate as a result of consolidation trends in the overall healthcare market. Consolidation helps large wholesalers gain competitive advantages that include the expansion of customer base, improvement of distribution system, price negotiation and volume of purchased inventory. The number of companies in the industry is projected to continue grow an annualized rate of 2.0% from 2021 to 2026, resembling growth from 2016 to 2021.

# INDUSTRY AT A GLANCE

## Key Statistics



Surgical, medical and hospital supplies



Surgical, medical and hospital instruments and equipment



Orthopedic and prosthetic appliances and supplies



Dental equipment, instruments and supplies



Pharmaceuticals, cosmetics and toiletries



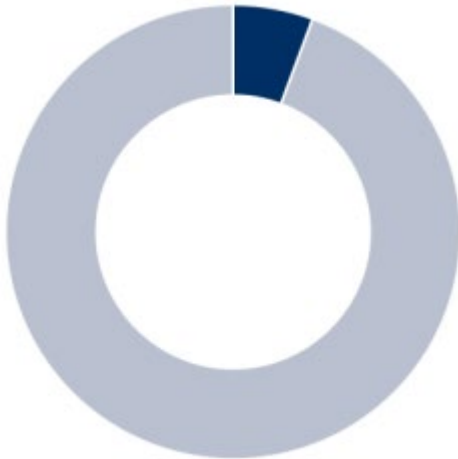
Other



Medical Supplies Wholesaling  
Source: IBISWorld

# INDUSTRY AT A GLANCE

## Major Players



● 5.7% Cardinal Health Inc.  
● 94.3% Other

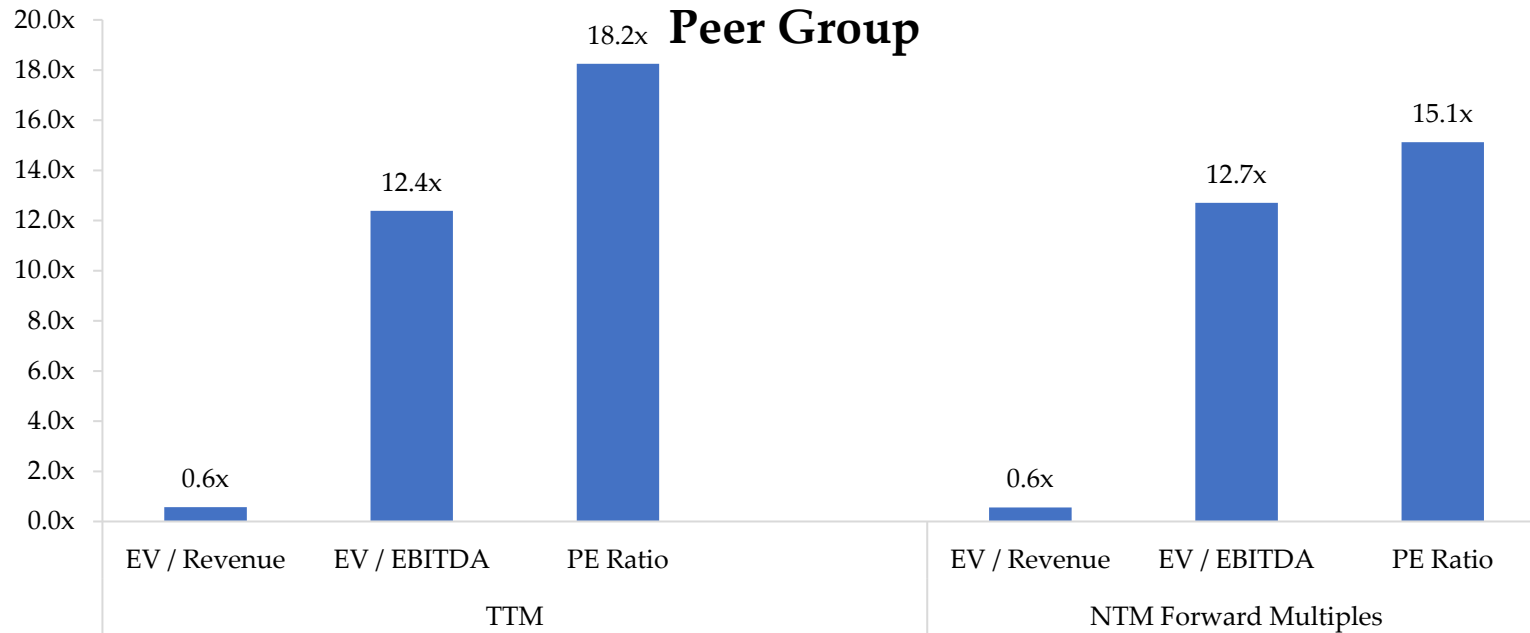
Medical Supplies Wholesaling

Source: IBISWorld

## SWOT

- S Strengths**
  - Growth Life Cycle Stage
  - Low Imports
  - High Profit vs. Sector Average
  - Low Capital Requirements
- W Weaknesses**
  - Low & Steady Level of Assistance
  - High Competition
  - High Customer Class Concentration
  - High Product/Service Concentration
  - Low Revenue per Employee
- O Opportunities**
  - High Revenue Growth (2016-2021)
  - High Revenue Growth (2021-2026)
  - High Performance Drivers
  - Research and development expenditure
- T Threats**
  - Low Revenue Growth (2005-2021)
  - Low Outlier Growth
  - Number of physician visits

# PUBLIC COMPARABLES

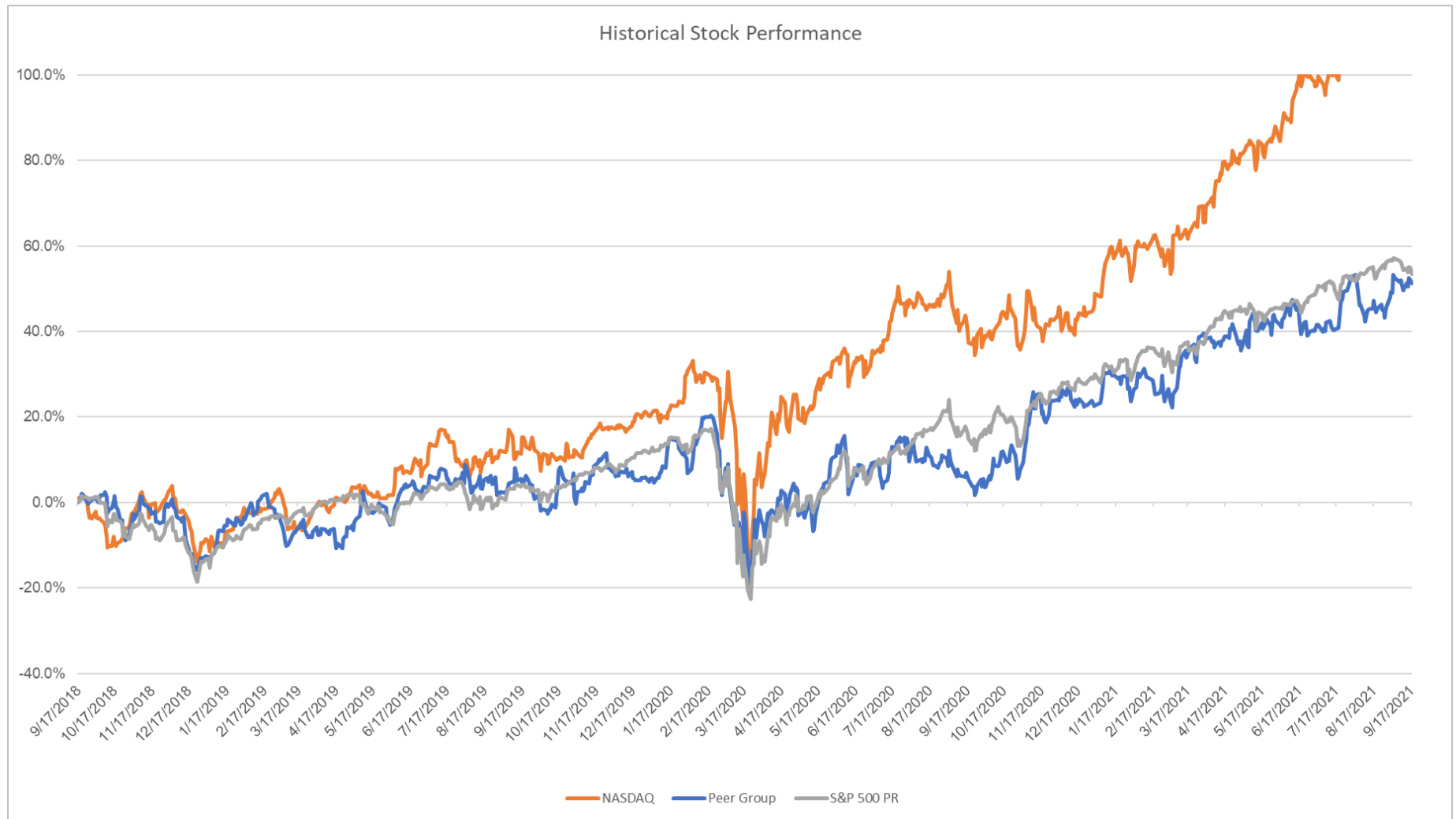


# PUBLIC COMPARABLES

| As of 08/31/21 \$ in Millions | Hill-Rom Holdings<br>HRC | Henry Schein<br>HSIC | Owens & Minor<br>OMI | Patterson Companies<br>PDCO | McKesson<br>MCK | Becton, Dickinson<br>and Company<br>BDX |               |  |
|-------------------------------|--------------------------|----------------------|----------------------|-----------------------------|-----------------|---|---------------|--|
| Total Revenue                 | \$2,881                  | \$10,119             | \$8,480              | \$5,490                     | \$231,051       | \$17,117                                |               |  |
| Gross Profit                  | 1,475                    | 2,814                | 1,281                | 1,197                       | 12,023          | 7,577                                   |               |  |
| EBIT                          | 345                      | 531                  | 193                  | -549                        | 1,344           | 1,506                                   |               |  |
| Net Income                    | \$223.00                 | \$403.79             | \$29.87              | (\$588.45)                  | \$900.00        | \$874.00                                |               |  |
| EBITDA                        | 524                      | 702                  | 287                  | -466                        | 2,290           | 3,660                                   |               |  |
| Total Debt                    | 1,878                    | 1,002                | 1,106                | 668                         | 9,401           | 17,930                                  |               |  |
| EV                            | 11,030                   | 12,749               | 3,924                | 3,559                       | 39,099          | 86,844                                  |               |  |
| Employees                     | 10,000                   | 19,000               | 18,800               | 7,800                       | 80,000          | 72,000                                  |               |  |
| <b>Ratio Analysis</b>         |                          |                      |                      |                             |                 |   | <b>Median</b> |  |
| Revenue/Employee              | \$288,100                | \$532,586            | \$451,073            | \$703,848                   | \$2,888,138     | \$237,736                               | \$491,830     |  |
| EV/Revenue                    | 3.77x                    | 1.07x                | 0.42x                | 0.60x                       | 0.16x           | 4.36x                                   | 0.84x         |  |
| Debt/EBITDA                   | 3.99x                    | 1.81x                | 4.84x                |                             | 4.30x           | 5.28x                                   | 4.30x         |  |
| EV/EBITDA (normalized)        | 16.89x                   | 12.22x               | 8.03x                | 11.64x                      | 8.50x           | 16.47x                                  | 11.93x        |  |
| Market Cap/EBITDA             | 17.67x                   | 10.81x               | 7.35x                |                             |                 | 14.98x                                  | 12.89x        |  |
| Market Cap                    | 9,582                    | 10,559               | 2,813                | 2,979                       | 31,575          | 72,286                                  |               |  |
| Close Price                   | 145.58                   | 75.59                | 37.28                | 30.64                       | 204.14          | 251.70                                  |               |  |
| 52 Week Low                   | 80.31                    | 56.31                | 13.74                | 22.15                       | 141.32          | 219.50                                  |               |  |
| 52 Week High                  | 147.70                   | 83.45                | 49.16                | 37.37                       | 210.00          | 267.37                                  |               |  |
| Gross Margin                  | 51.2%                    | 27.8%                | 15.1%                | 21.8%                       | 5.2%            | 44.3%                                   | 24.8%         |  |
| EBIT                          | 12.0%                    | 5.3%                 | 2.3%                 | -10.0%                      | 0.6%            | 8.8%                                    | 3.8%          |  |
| EBITDA                        | 18.2%                    | 6.9%                 | 3.4%                 | -8.5%                       | 1.0%            | 21.4%                                   | 5.2%          |  |
| Acct. Receivable Days         | 80                       | 46                   | 29                   | 34                          | 28              | 47                                      | 40            |  |
| Inventory Days                | 77                       | 71                   | 57                   | 69                          | 28              | 106                                     | 70            |  |
| Acct. Payable Days            | 56                       | 52                   | 45                   | 63                          | 57              | 52                                      | 54            |  |
| Revenue Growth                | -0.9%                    | 1.3%                 | -7.9%                | -1.5%                       | 7.8%            | -1.0%                                   | -1.0%         |  |



# WHOLESALE HEALTHCARE PRODUCTS INDEX VS. S&P 500



DCA Healthcare Products - Wholesale Index: HRC, HSIC, OMI, PDCO, MCK, BDX

# RECENT PRIVATE TRANSACTIONS

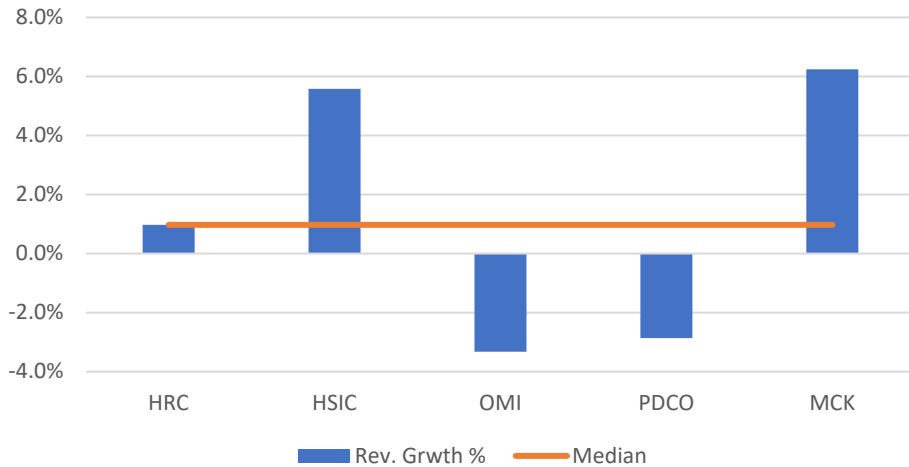
| Date       | Target                           | Acquirer                   | Sector                      | Deal Synopsis   |
|------------|----------------------------------|----------------------------|-----------------------------|---|
| 8/25/2021  | Trustcare Home Medical Equipment | Cinven                     | Distributors/ Wholesale     | The company was acquired by National Seating & Mobility, via its financial sponsor Cinven, through an LBO on August 25, 2021 for an undisclosed sum.  |
| 8/23/2021  | PerSys Medical                   | Combat Medical             | Medical Supplies            | The company was acquired by Combat Medical, via its financial sponsor Water Street Healthcare Partners, through an LBO on August 23, 2021 for an undisclosed sum. With this acquisition, Combat Medical offers the widest choice of dressings and tourniquets available for lifesaving critical care.   |
| 06/12/2021 | Dental Savings                   | Ismile Dental Products     | Distributors/ Wholesale     | The company was acquired by Ismile Dental Products for an undisclosed amount on June 12, 2021. The acquisition complements iSmile's long term strategy to offer customers a growing inventory of quality dental products, at discounted prices with reduced delivery times.   |
| 06/08/2021 | WeShield                         | Optec International        | Medical Supplies            | The company was acquired by Optec International (PINX: OPTI) for \$70 million on June 8, 2021. The acquisition will help Optec in generating additional market strength, profits and shareholder value while simultaneously adding additional strength to the management team.  |
| 06/01/2021 | New Age Medical                  | Aldine Capital Partners    | Distributors/ Wholesale     | The company was acquired by Compass Group Equity Partners, Olympus Ventures, SunGate Capital and Aldine Capital Partners through an LBO on June 1, 2021 for an undisclosed sum.   |
| 5/3/2021   | Summit Express Medical Supply    | New MainStream Capital     | Distributors/ Wholesale     | The company was acquired by Strive Medical, via its financial sponsor New MainStream Capital, through an LBO on May 3, 2021 for an undisclosed sum. With this transaction, Strive Medical will increase its reach to 4,000 active urology patients and further expands its geographic footprint across 45 states and further solidify its status as an independent specialty distributor of urological and wound care supplies. |
| 4/1/2021   | South Bay Home Health Care       | Brookside Capital Partners | Distributors/ Wholesale     | The company was acquired by Brookside Capital Partners, Northcreek Mezzanine and Devonshire Partners through an LBO on April 1, 2021 for an undisclosed sum.  |
| 03/19/2021 | Dash Medical Gloves              |                            | Distributors/ Wholesale     | The company was acquired by undisclosed investors on March 19, 2021.  |
| 02/22/2021 | OxygenWorks                      | AdaptHealth                | Other Consumer Non-Durables | The company was acquired by AdaptHealth (NAS: AHCO) for an undisclosed amount on February 22, 2021.   |
| 12/31/2020 | Top Quality Manufacturing        | Henry Schein               | Distributors/ Wholesale     | The company was acquired by Henry Schein (NAS: HSIC) for an undisclosed amount on December 31, 2020. As a result of the transaction, Henry Schein will hold a 90% stake in the company.   |

# RECENT PUBLIC TRANSACTIONS

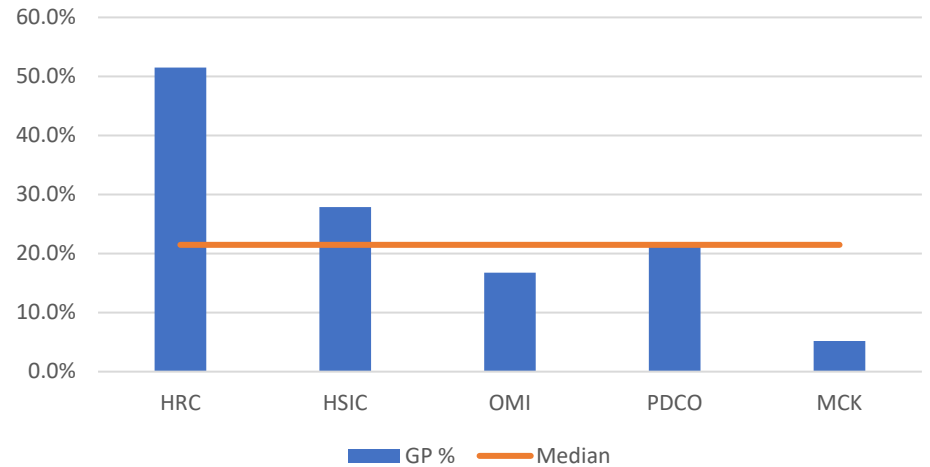
| Date       | Target                          | Acquirer              | Sector                    | Deal Synopsis  |
|------------|---------------------------------|-----------------------|---------------------------|--|
| 09/02/2021 | Hill-Rom Holdings               | Baxter International  | Medical Supplies          | The company reached a definitive agreement to be acquired by Baxter International (NYS: BAX) for \$10.5 billion on September 2, 2021. The acquisition accelerates Baxter's digitally-enabled connected care solutions across the continuum of care.              |
| 11/08/2019 | AdaptHealth                     | DFB Healthcare        | Medical Supplies          | The company acquired DFB Healthcare for \$253 million through a reverse merger, resulting in the combined entity trading on the NASDAQ Stock Exchange under the ticker symbol AHCO on November 8, 2019.  |
| 01/16/2019 | Fuse Medical                    | Generex Biotechnology | Distributors (Healthcare) | The company was acquired by Generex Biotechnology (PINX: GNBT) for \$34 million on January 16, 2019. The acquisition will help to advance the Generex mission to deliver innovative end-to-end solutions to their healthcare partners, physicians, and patients. |
| 11/12/2018 | AdaptHealth                     |                       | Medical Supplies          | Quadrant Management was in talks to sell its stake in the company to an undisclosed investor on November 12, 2018. The deal was subsequently canceled.   |
| 10/09/2020 | Advanced Container Technologies | Medtainer             | Medical Supplies          | The company acquired Medtainer (PINX: MDTRD) through a reverse merger, resulting in the combined entity trading on the New York Stock Exchange under the ticker symbol ACTX on October 9, 2020.  |

# OPERATING METRICS

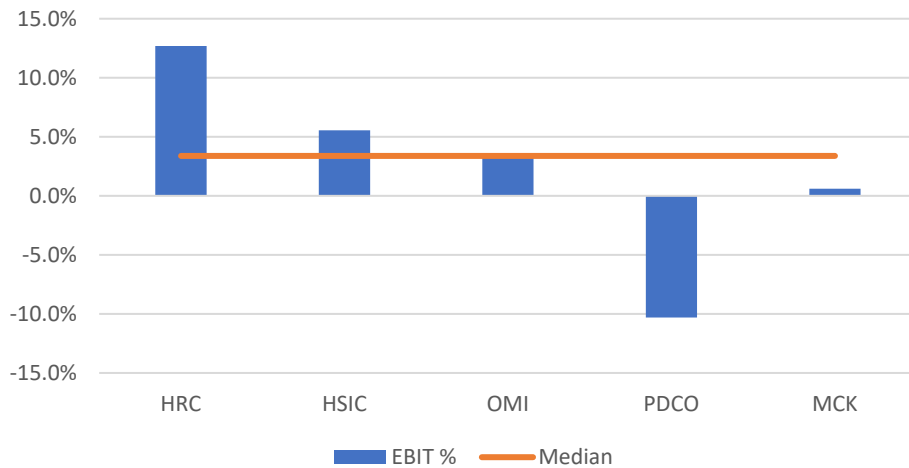
## Revenue Growth



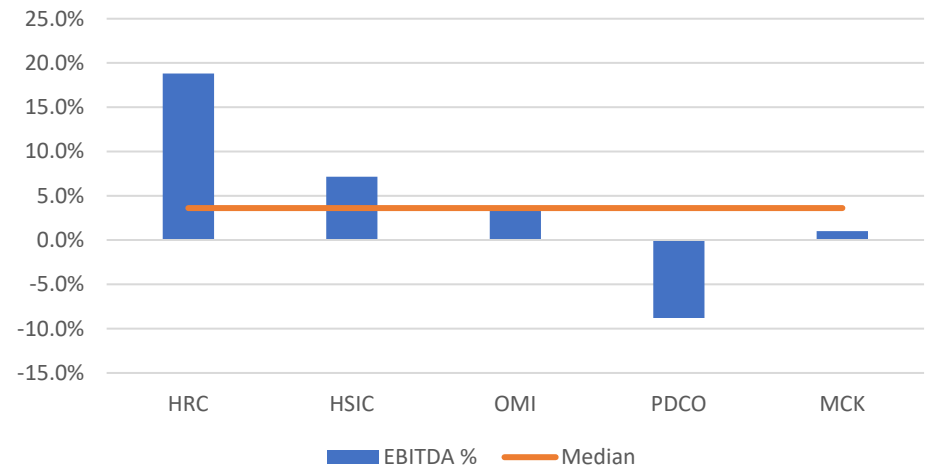
## Gross Profit Margin



## EBIT Margin

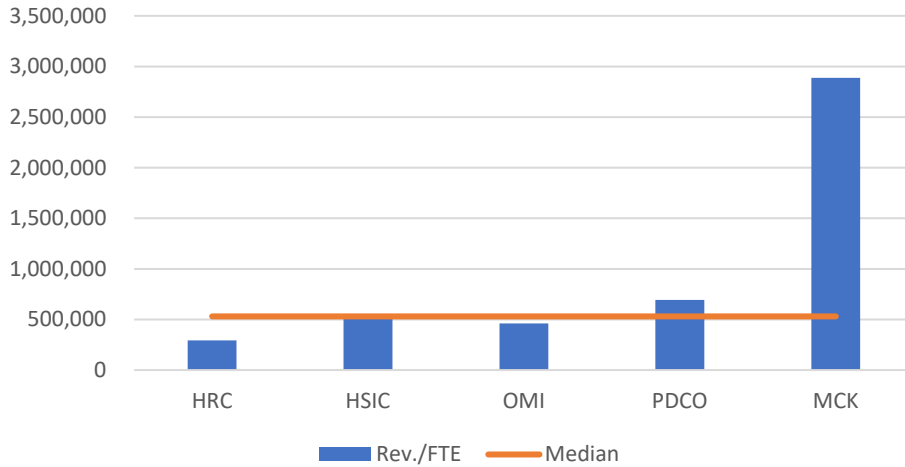


## EBITDA Margin

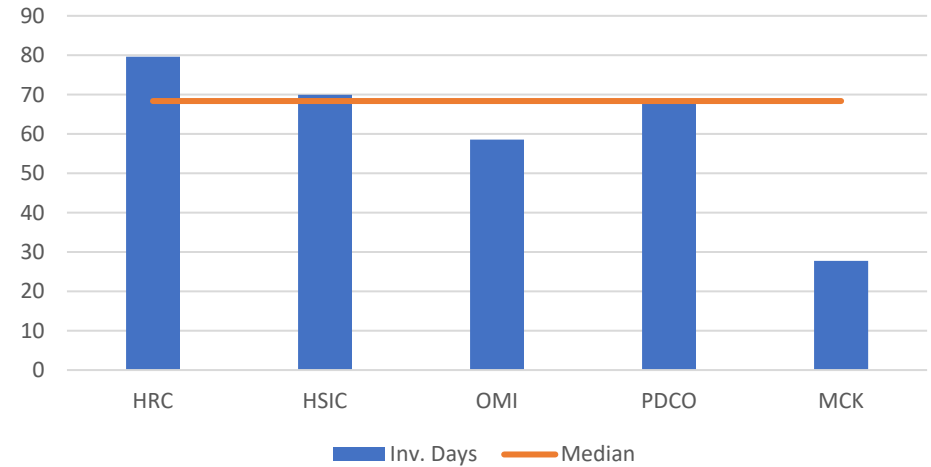


# RATIO ANALYSIS

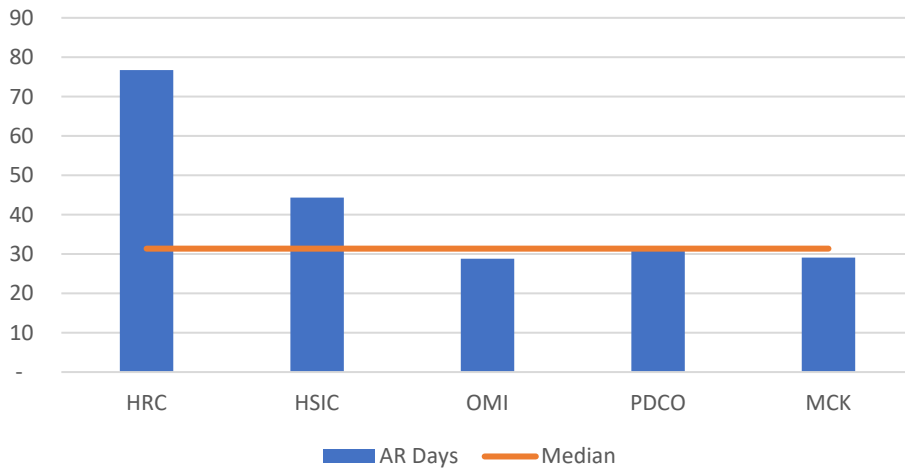
## Revenue per Employee



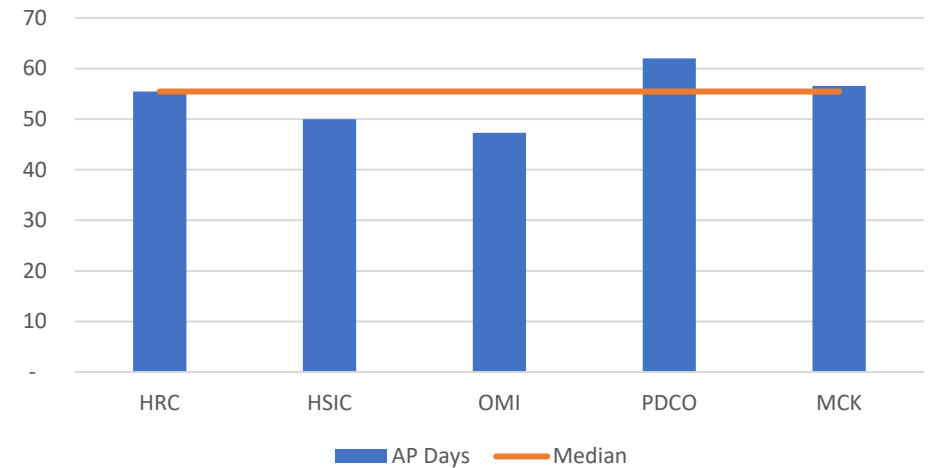
## Inventory Days



## AR Days



## AP Days



# VALUATION TRENDS

| Price Date: 9/20/21<br>Dollars in millions<br>Ticker Company |                     | Fundamentals |            |                  |               |            |           |               |          |                |
|--|---------------------|--------------|------------|------------------|---------------|------------|-----------|---------------|----------|----------------|
|  |                     | TTM          |            |                  |               |            |           | NTM Estimates |          |                |
|  |                     | Close Price  | Market Cap | Enterprise Value | Total Revenue | EBITDA     | Basic EPS | Total Revenue | EBITDA   | Normalized EPS |
| <b>Peer Group</b>  |                     |              |            |                  |               |            |           |               |          |                |
| HRC  | Hill-Rom Holdings   | 150.50       | 9,906.43   | 11,354.53        | 2,926.10      | 542.30     | 3.58      | 3,037.81      | 677.81   | 6.35           |
| HSIC   | Henry Schein        | 77.47        | 10,822.03  | 13,011.97        | 11,898.06     | 977.08     | 4.28      | 11,956.69     | 1,017.80 | 4.41           |
| OMI  | Owens & Minor       | 34.40        | 2,595.91   | 3,706.47         | 9,365.76      | 382.88     | 3.36      | 9,751.96      | 461.00   | 3.56           |
| PDCO   | Patterson Companies | 30.98        | 3,015.04   | 3,591.04         | 6,281.11      | 313.58     | 1.73      | 6,418.84      | 282.64   | 2.05           |
| MCK  | McKesson            | 207.75       | 32,133.64  | 39,657.64        | 245,223.00    | (4,035.00) | (28.17)   | 254,362.33    | 4,763.65 | 20.56          |

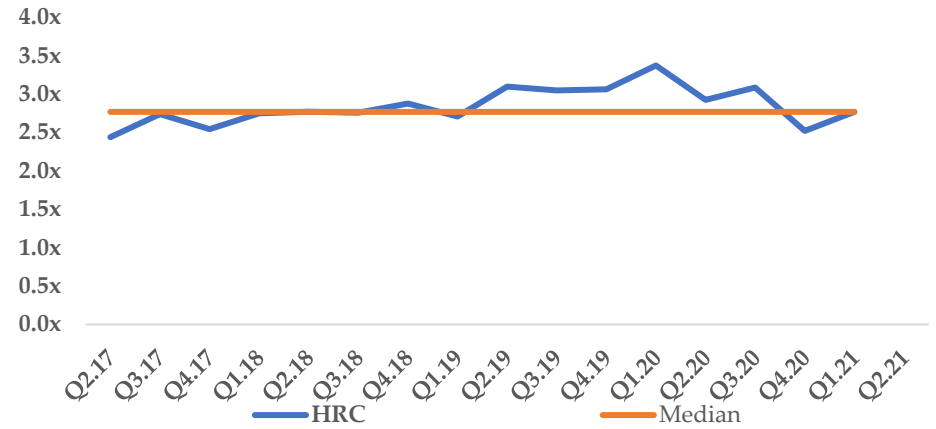
| Price Date: 9/20/21<br>Ticker Company |                     | Multiples    |             |          |                       |             |          |
|---------------------------------------|---------------------|--------------|-------------|----------|-----------------------|-------------|----------|
|                                       |                     | TTM          |             |          | NTM Forward Multiples |             |          |
|                                       |                     | EV / Revenue | EV / EBITDA | PE Ratio | EV / Revenue          | EV / EBITDA | PE Ratio |
| <b>Peer Group</b>                     |                     |              |             |          |                       |             |          |
| HRC                                   | Hill-Rom Holdings   | 3.9x         | 20.9x       | 42.3x    | 3.7x                  | 16.8x       | 23.7x    |
| HSIC                                  | Henry Schein        | 1.1x         | 13.3x       | 18.3x    | 1.1x                  | 12.8x       | 17.6x    |
| OMI                                   | Owens & Minor       | 0.4x         | 9.7x        | 10.5x    | 0.4x                  | 8.0x        | 9.7x     |
| PDCO                                  | Patterson Companies | 0.6x         | 11.5x       | 18.2x    | 0.6x                  | 12.7x       | 15.1x    |
| MCK                                   | McKesson            | 0.2x         |             |          | 0.2x                  | 8.3x        | 10.1x    |

# PUBLIC COMP

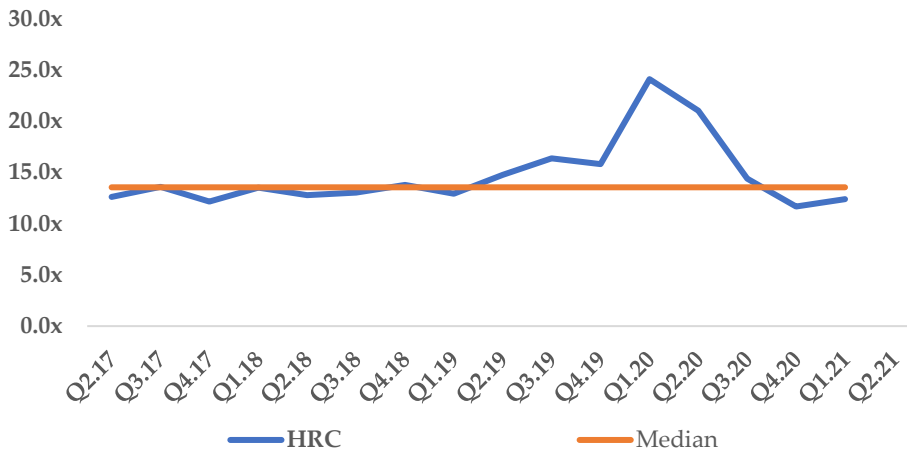
## Hill-Rom Holdings

Hill-Rom Holdings Inc is a global provider of hospital equipment and medical supplies, including hospital beds for high- and low-acuity settings. Hill-Rom reports financial data across three operating segments: patient support systems (50% of fiscal 2018 sales), front-line care (34%), and surgical solutions (16%). The firm has significant operations internationally, with roughly 30% of revenue derived from international sources and the remaining 70% from its U.S. business.

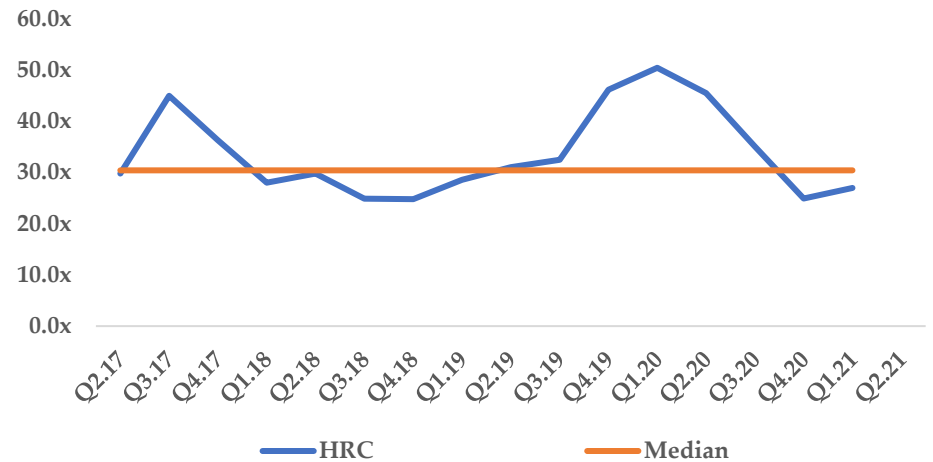
## EV/Revenue Hill-Rom Holdings



## EV/EBITDA Hill-Rom Holdings



## P/E Hill-Rom Holdings

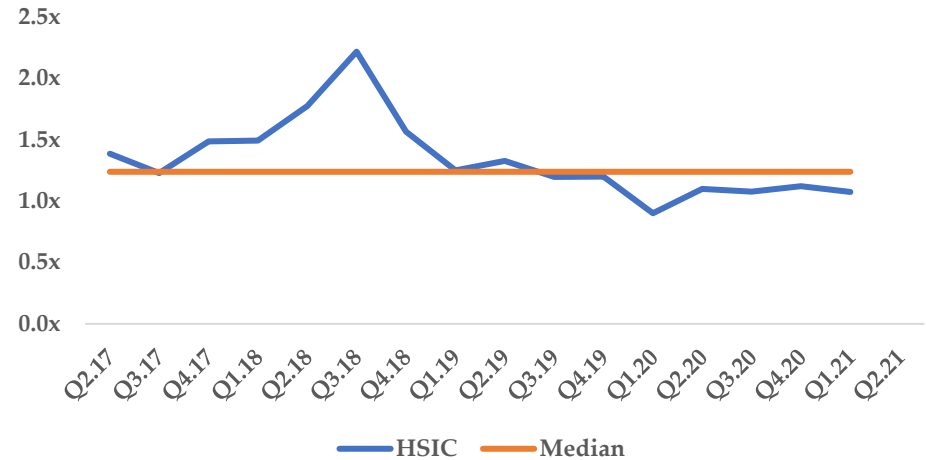


# PUBLIC COMP

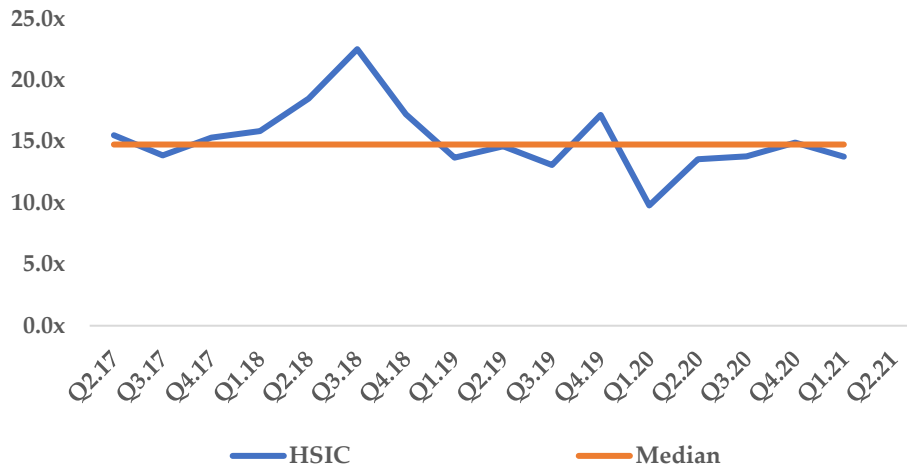
## Henry Schein

Henry Schein is the largest wholesaler of dental and medical products to office-based practitioners. The company has been established for approximately 90 years and operates across nearly 30 distribution centers to offer hundreds of thousands of products to customers globally. Henry Schein also offers practice management products that include software products, technical, financial, and educational services. The company recently spun off its animal health business.

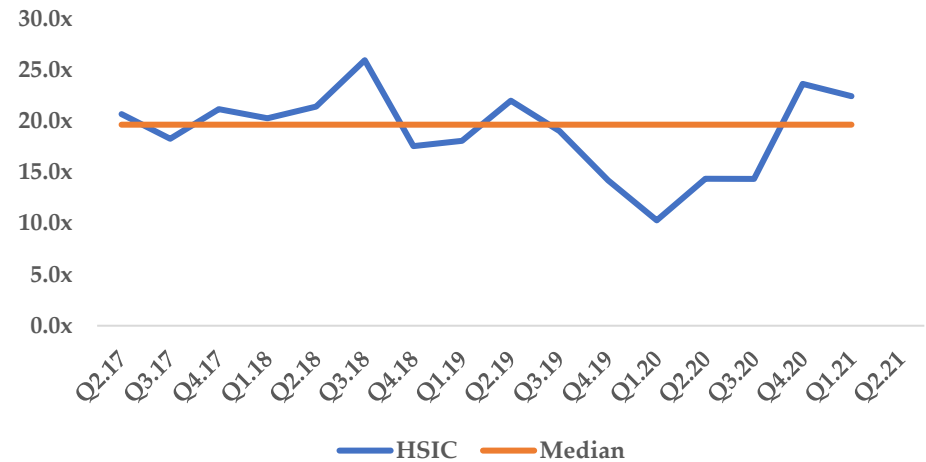
### EV/Revenue Henry Schein



### EV/EBITDA Henry Schein



### P/E Henry Schein



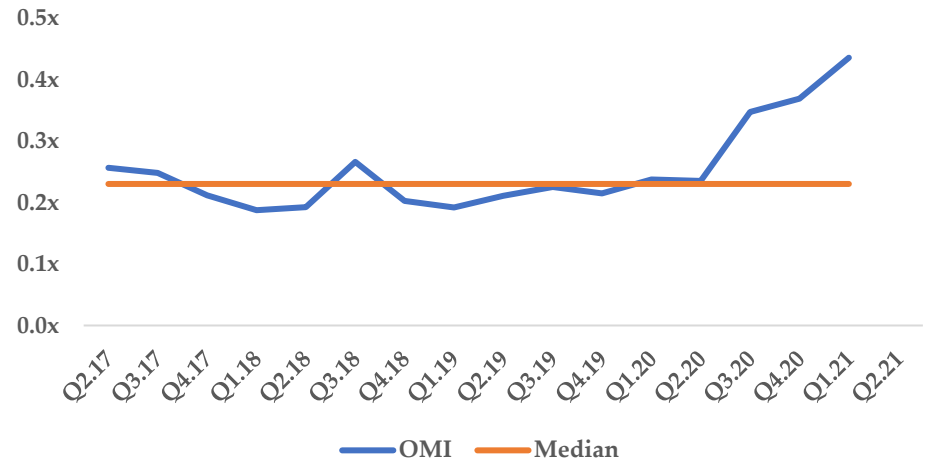


# PUBLIC COMP

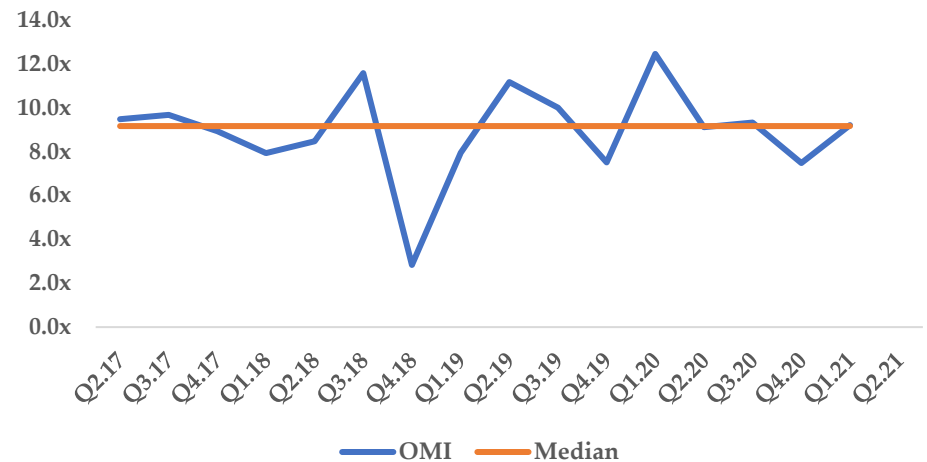
## Owens & Minor

Owens & Minor distributes consumable medical supplies to a variety of providers. The company operates in two segments that are Global products and Global Solutions. The company offers a portfolio of products and services to healthcare providers and manufacturers in the Global solutions segment. In the Global product segment, the company manufactures and sources medical-surgical products through our production and kitting operations. The majority of the revenue is generated from the Global solutions segment. The company operates in Asia, Europe, Latin America, and the United States, while the majority of revenue comes from the United States.

### EV/Revenue Owens & Minor



### EV/EBITDA Owens & Minor

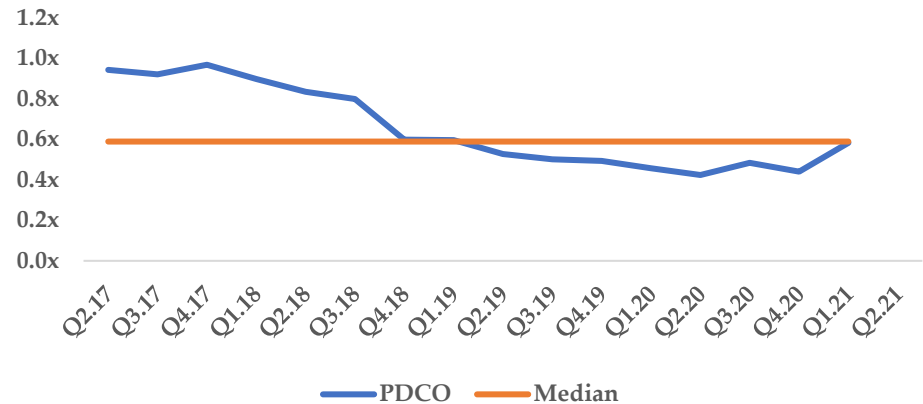


# PUBLIC COMP

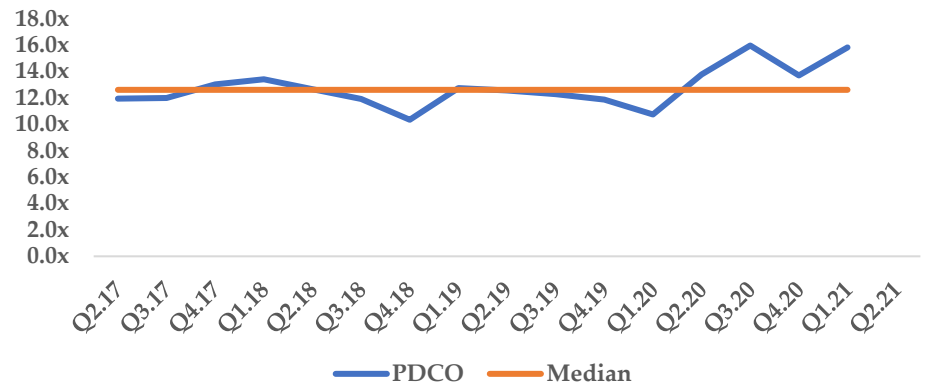
## Patterson Companies

Patterson is a leading dental distributor and wholesaler of consumable products and equipment operating through two business segments, Patterson Dental and Patterson Animal Health. The firm offers dental and veterinary practice management products, including office software products, technical, financial, and educational services, primarily to two highly fragmented market segments throughout the U.S. and Canada. The company began as a dental distributor in 1877 and expanded to become a major supplier of animal health products to vets and production companies through an acquisition of Animal Health International in 2015. Patterson also has a presence in the U.K. animal health market.

### EV/Revenue Patterson Companies



### EV/EBITDA Patterson Companies

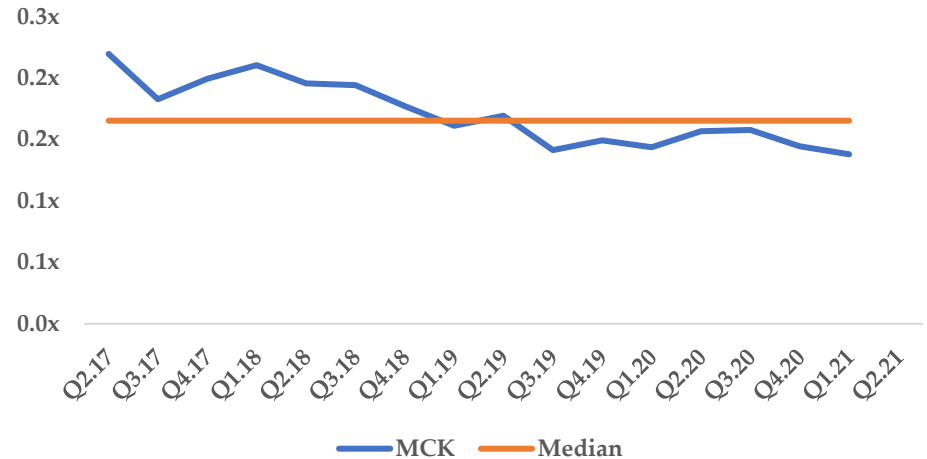


# PUBLIC COMP

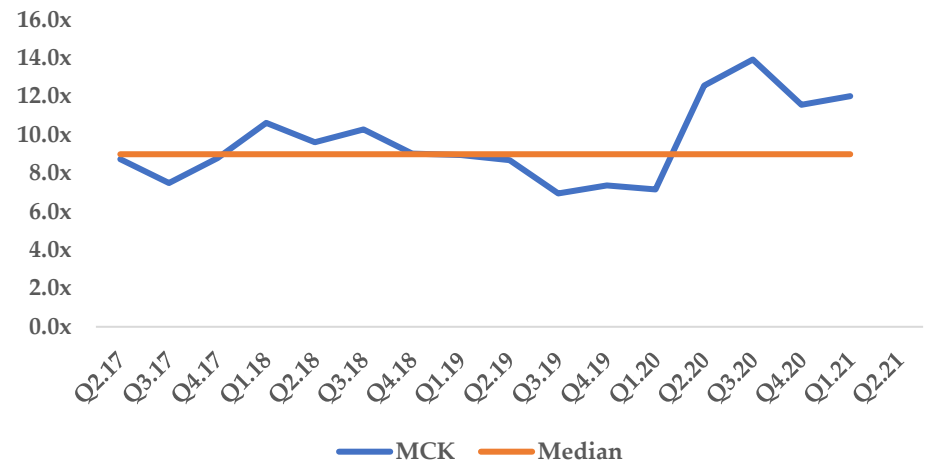
## McKesson

McKesson is a leading wholesaler of branded, generic, and specialty pharmaceutical products to pharmacies (retail chains, independent, and mail order), hospitals networks, and healthcare providers. Along with AmerisourceBergen and Cardinal Health, the three account for well over 90% of the U.S. pharmaceutical wholesale industry. Outside the U.S. market, McKesson engages in pharmaceutical wholesale and distribution in Europe and Canada. Additionally, the company supplies medical-surgical products and equipment to healthcare facilities and provides a variety of technology solutions for pharmacies.

### EV/Revenue McKesson



### EV/EBITDA McKesson

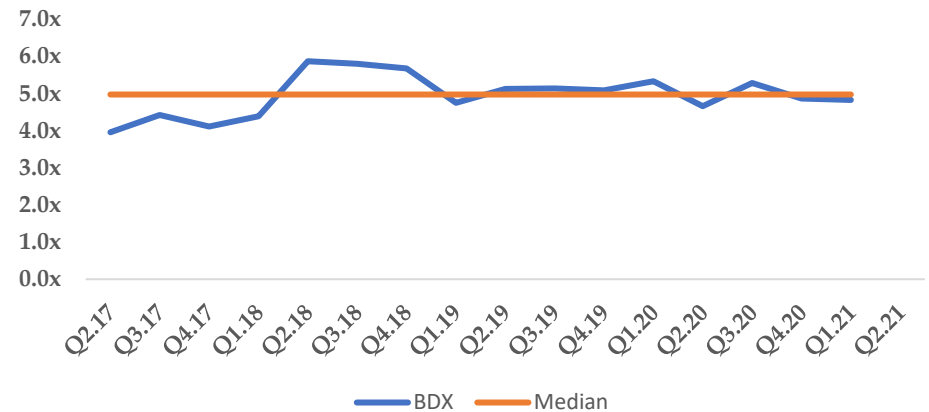


# PUBLIC COMP

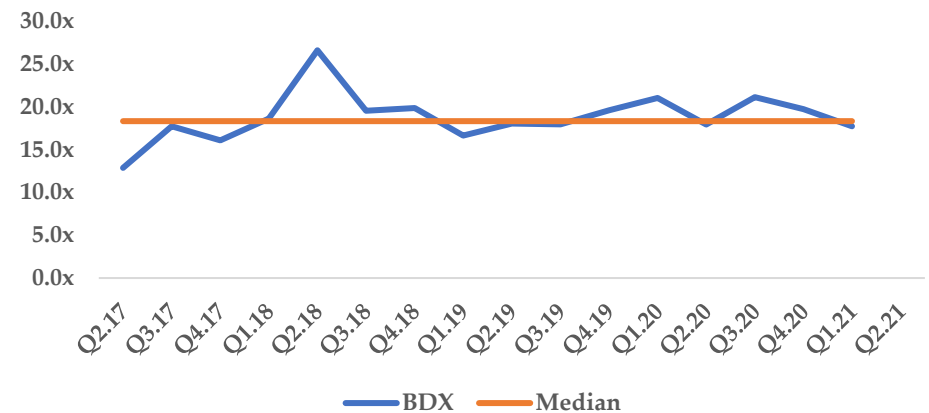
## Becton, Dickinson and Company

Becton, Dickinson is the world's largest manufacturer and distributor of medical surgical products, such as needles, syringes, and sharps-disposal units. The company also manufactures diagnostic instruments and reagents, as well as flow cytometry and cell-imaging systems. BD Interventional (largely the former Bard business) accounts for 23% of revenue. International revenue accounts for 44% of the company's business.

### EV/Revenue Becton, Dickinson and Company



### EV/EBITDA Becton, Dickinson and Company



# DAVIDSON CAPITAL ADVISORS RECENT HEALTHCARE TRANSACTIONS



Healthcare Technology, Payment Services  
[www.acryness.com](http://www.acryness.com)



Health Care, Health Care Facilities  
[www.encompashealth.com](http://www.encompashealth.com)



Retail, Pharmacy and Retail  
[www.fruthpharmacy.com](http://www.fruthpharmacy.com)



Health Care, Health Care Facilities  
[www.ecompasshealth.com](http://www.ecompasshealth.com)



Hospital & Healthcare  
[www.accessonemedcard.com](http://www.accessonemedcard.com)



## Client Acryness

Acryness is an information technology company which provides a full range of billing support and payment processing solutions for large and small B2C billers with a core emphasis serving the healthcare community.

## Client: Radiotherapy Clinics of Georgia

Radiotherapy Clinics of Georgia LLC operates as a provider of medical services specializing in radiation oncology. The Company provides treatments including surgery, chemotherapy, biologic therapy, and radiation therapy. Radiotherapy Clinics diagnoses and treats conditions such as brain, breast, cervical, endometrial, lung, prostate, and skin cancer. Acquired January 2007 by Physician Oncology Services, L.P.

## Client: Fruth Pharmacy

Fruth Pharmacy operates as pharmacy and retail store. The Company provides medication, health and beauty products, groceries, household items, gifts, balloons, and flowers. Fruth Pharmacy serves customers throughout West Virginia and Ohio.

## Client: Health South

Health South changed its name to Encompass Health, based in Birmingham, Alabama, is one of the United States' largest providers of post-acute healthcare services, offering both facility-based and home-based post-acute services in 36 states and Puerto Rico through its network of inpatient rehabilitation hospitals, home health agencies, and hospice agencies.

## Client: Access One

Based in Fort Mill, South Carolina, Access One provides hospitals, health systems and employers with patient financing solutions. They strive to provide an easy user experience and a patient-friendly interface

# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

---

**Robert S. Cashion**  
**Managing Director, Investment Banking and Advisory Services**

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firm's overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



980-237-9474 | Direct  
[robert.cashion@davcapadvisors.com](mailto:robert.cashion@davcapadvisors.com)



# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

---

## **Elizabeth Folger** **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



980-237-9474 | Direct  
[beth.folger@davcapadvisors.com](mailto:beth.folger@davcapadvisors.com)

# DAVIDSON CAPITAL ADVISORS ANALYST TEAM

---

## **Maxwell Purdy**

### **Corporate Finance Coverage**

Prior to joining Davidson Capital Advisors in 2021, Mr. Purdy interned with Graycliff Partners, a private equity located in New York, NY. He graduated from University of North Carolina Chapel Hill in 2021 with a BS in Political Science and a minor in Economics and Entrepreneurship.

Maxwell assists in leading the firm's corporate finance client coverage as well as private equity coverage.

## **Jake Hall**

### **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors, Mr. Hall interned with Churchill Terry, a private equity firm located in Dallas, TX. He graduated from Southern Methodist University in 2021 with an MBA in Finance and Strategy.



# DAVIDSON CAPITAL ADVISORS ANALYST TEAM

---

**Sam Fernandez**  
**Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors in 2021, Mr. Fernandez lead finance and business development for Radio Nueva Vida radio station. He graduated from University of North Carolina in 2021 with a Bachelor of Science in Business Administration.

**Luke Habecker**  
**Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors in 2021, Mr. Habecker headed up business development for Odyssey Specialized Logistics, LLC. He graduated from University of North Carolina in 2019 with a Bachelor of Science in Business Administration.

**Luke Bitler**  
**Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors in 2021, Mr. Generation Estate, a private equity located in London, England. He graduated from University of Virginia in 2021 with a BA in History and Economics.