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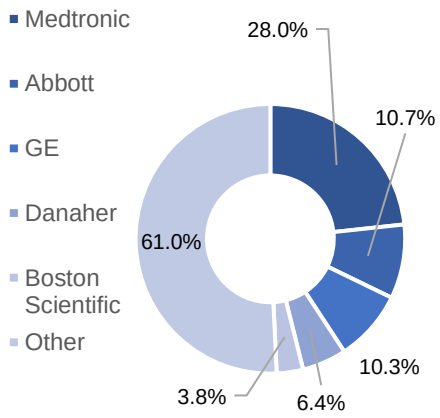
Healthcare Products Manufacturing Industry Snapshot December 2021

Executive Summary

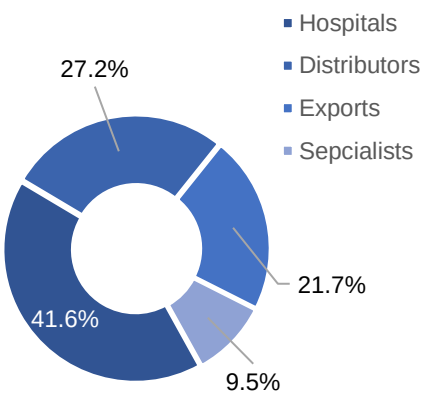
The Healthcare Products Manufacturing Industry includes manufacturers of electromedical, and electrotherapeutic apparatuses, such as magnetic resonance imaging equipment, medical ultrasound equipment, pacemakers, hearing aids, electrocardiographs, and electromedical endoscopic equipment. The industry also manufactures irradiation apparatuses and tubes for medical diagnostic, medical therapeutic, industrial, research, scientific evaluation and other applications.

Over the five years to 2026, the industry is expected to return to growth, with revenue increasing at an annualized rate of 2.9% to $58.0 billion. The aging baby boomer population and technological developments will continue to bolster industry growth, while the changing regulatory environment will likely support profitability.

Market Share



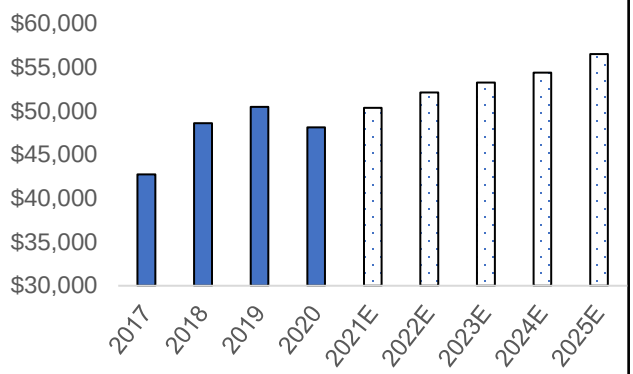
Major Market Segmentation



Sector Spotlight

$50.4B	Industry Revenue in 2020
4.8%	Industry Annual CAGR
10.7%	Industry Profit Margin
998	HCP Manufacturing Businesses
93,089	HCP Manufacturing Employees

Revenue Growth ($ in millions)



As a highly competitive, high-margin industry that produces largely nondiscretionary products, the Medical Device Manufacturing industry has performed well over much of the five years to 2021.

Segment Breakdown

Cardiovascular Devices

The cardiovascular (CV) device segment of the Medical Device Manufacturing industry is highly competitive and has reached market saturation, as many companies produce similar products that limit room for innovation. Over the five years to 2021, this has resulted in low growth rates of therapeutic devices such as pacemakers, defibrillators and drug-eluting stents, as well as diagnostic devices such as electrocardiograph machines.

Irradiation Devices

Irradiation devices use X-rays, beta rays, gamma-rays and other ionizing radiation for medical diagnoses, therapeutic applications and research purposes. Irradiation apparatus include generators, tubes, lamps, CT/CAT scanners and nuclear irradiation equipment and represents one-quarter of industry revenue.\ Irradiation equipment generally represents a significant capital investment for a hospital or clinic.

Spinal Devices

Neuromodulation devices are designed for the treatment of pain, urological and gastroenterological disorders, movement disorders and psychological disorders. This segment has performed notably well over the past five years, driven by neurostimulation's potential to alleviate many debilitating conditions in which neural pathways play a role.

Sources: IBIS World, Morgan Stanley Research, Pitchbook, and publicly available data

Industry Outlook

Factors that influenced the Medical Device Manufacturing industry over the five years to 2021, such as healthcare reform, technological advancements, outsourcing, regulation and an aging population, will likely continue to drive industry development over the five years to 2026. The combined effect of these factors is forecast to boost revenue growth at an annualized rate of 2.9% to $58.0 billion in 2026. The changing demographics of the United States favor the industry. Although the majority of baby boomers are still under the age of 65, a significant portion of the group will cross this age threshold over the five years to 2026, resulting in an expected annualized 3.0% rise in the 65-and-over demographic. 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.

Market Concentration

The Medical Device Manufacturing industry is not defined by one area of technological disruption because new products frequently disrupt the individual product segments within the industry.

Industry companies have found ways to implement interconnected device technology into pace makers and other patient monitoring devices. As interconnected device technology becomes more popular in the healthcare sector, industry companies will need to change their products to meet this trend. Additionally, other technological trends, including 3D printing, wearable devices, and wireless sensors, have changed manufacturing procedures throughout the industry. Overall, these trends have not had a strong impact on industry demand, but they have caused disruptions within the industry's various product segments.

Recent Public Transactions

Dec 2019	Nov 2020	Mar 2021	May 2021
PIXIUM VISION	MEDX TAINER	bioventus	vesper
SECONDSIGHT	ACT ADVANCED CONTAINER TECHNOLOGIES OTC: ACTX	MISONIX BETTER MATTERS	hydrafacial BEAUTYHEALTH

Private Transactions

Sale Date	Target Business Description	Net Sales	Operating Profit	EBITDA	SDE	EV Price	EV/Sales	EV/Discretionary Earnings
05/25/2021	Medical Equipment Manufacturing	$711,995	$274,451	$274,451	$372,357	$1,110,000	1.56x	3.0x
09/28/2020	Manufacturer of Medical Devices	$229,330	($52,511)	($43,011)	$24,221	$128,613	0.56x	5.3x
09/16/2020	Dental Labratory Equipment	$1,865,868	$65,105	$75,732	$108,932	$900,000	0.48x	8.3x
03/23/2020	Eye Wear Manufacturing	$393,413	($14,973)	($14,759)	$40,020	$100,000	0.25x	2.5x
01/31/2020	Dental Laboratory Equipment	$916,001	$194,871	$253,576	$289,703	$465,000	0.51x	1.6x
12/03/2019	Dental Laboratory Equipment	$251,416	($8,700)	($464)	$119,091	$60,000	0.24x	0.5x
	Median	$552,704	$28,203	$37,634	$114,012	$296,807	0.50x	2.74x

Public Comps

Company Name	Revenue Growth	Gross Margin	EBITDA Margin	FTE	Revenue / FTE	EV / Revenue	EV / EBITDA
Medtronic	-5.4%	67.4%	17.8%	90,000	$3,213	6.1x	22.3x
Abbott	8.5%	56.6%	25.4%	109,000	$1,788	6.5x	25.4x
Boston Scientific	-7.7%	64.6%	14.1%	38,000	$1,354	6.3x	7.1x
Avanos Medical	2.5%	52.2%	-0.4%	5,380	$8,901	3.2x	44.7x
Stryker	-3.6%	63.1%	19.3%	43,000	$0	7.1x	-712.4x
Becton, Dickinson and Co	-1.0%	44.3%	21.4%	72,000	$1,091	5.0x	37.0x
Median	-2.3%	59.9%	18.5%	57,500	1,571	6.2x	23.9x

Sources: IBIS World, Morgan Stanley Research, Pitchbook, and publicly available data