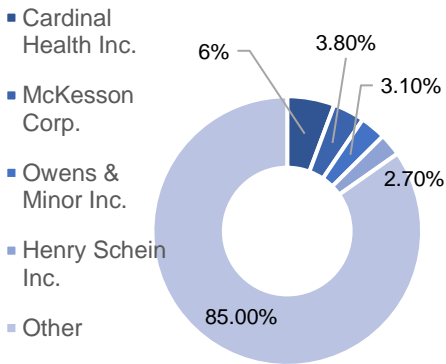


Healthcare Products Wholesale Industry Snapshot December 2021

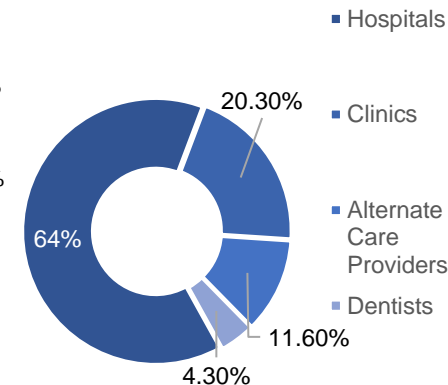
Executive Summary

The Medical Supplies Wholesaling industry distributes dental and medical supplies and equipment intended to improve or maintain health. Demand for wholesale activities associated with these products is highly correlated with demand for the products themselves. Over the five years to 2021, the median age of the population rose, which pushed up the number of age-related, nonelective procedures performed in the United States. Rising product prices have also supported industry growth. Over the five years to 2021, industry revenue has increased at an annualized rate of 2.5% to a total of \$268.7 billion.

Market Share



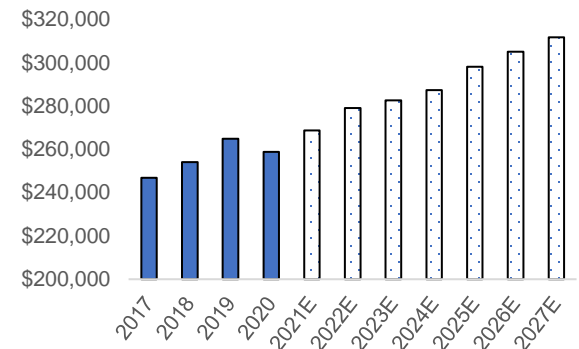
Major Market Segmentation



Sector Spotlight

- \$268B Advertising revenue in 2020
- 2.6% Projected CAGR until 2026
- 5.0% Industry Profit Margin
- 11,684 HCP Wholesaling Businesses
- 255k HCP Wholesaling Employees

Revenue Growth (\$ in millions)



Demand and revenue for medical supplies declined overall in 2020, as many cities and states placed restrictions on non-essential healthcare services. However, as these restrictions are lifted, people who have put off non-essential care will start to receive these treatments. As a result, in 2021, industry revenue is expected to grow by 3.8%.

Segment Breakdown

Surgical, Medical and Hospital Instruments and Equipment

This segment includes anesthesia apparatuses, arthroscopic instruments, cardiac and urological catheters, drug-eluting stents, forceps, hypodermic needles, heart valves, intravenous and blood administration equipment, surgical scalpels, surgical clamps, and syringes. The products are expected to account for 53.4% of industry revenue in 2021. Sales of electromedical equipment for diagnosis and treatment of cardiovascular disease have grown faster over the five years to 2021 than sales of any other product segment.

Surgical, Medical and Hospital Supplies

This segment consists of supplies used in surgical procedures, medical care, and hospital environments: gauze, tapes, tongue depressors, gowns and other largely disposable supplies. The segment's products are relatively more affordable than other industry segment products, rendering demand for supplies less susceptible to macroeconomic shifts. Similarly, this segment's share of total industry revenue has remained steady in recent years. In 2021, this segment is expected to make up 24.1% of industry revenue.

Orthopedic and Prosthetic Appliances and Supplies

The segment includes crutches, orthopedic implants, prosthetic appliances, surgical dressings and gloves, and sutures. This segment's share of total industry revenue has grown over the five years to 2021, particularly as companies have begun to develop generic implants, which increase demand due to their lower price points. As orthopedic procedures become less expensive, demand for these devices will likely rise. In 2021, these products are expected to make up 10.4% of industry revenue.

Industry Outlook

Over the five years to 2026, the Medical Supplies Wholesaling industry's performance is expected to largely resemble the industry's performance during the five-year period 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. Moreover, the industry is anticipated to be operating in a drastically changing healthcare environment where product lines will multiply, costs will persistently rise and broader healthcare coverage could result in a shortage of warehouse capacity. As a result, industry revenue is projected to grow at an annualized rate of 2.6% over the next five years to total \$305.1 billion.

Market Concentration

The Medical Supplies Wholesaling industry has a low level of market share concentration. In 2021, the combined revenue of the top four Medical Supply Wholesaling companies is expected to account for 15.3% of total industry revenue. The dental supply market is highly concentrated, while the medical market is more fragmented, split between large national and smaller regional players. Over the past five years, industry concentration within all segments has been increasing. Consolidation in the overall healthcare market is propelling consolidation within the wholesaling industry. This trend has led to the creation of larger and more sophisticated healthcare providers, which increasingly seek to lower the total cost of delivering healthcare services. These healthcare providers experience a variety of financial challenges, including the cost of purchasing, receiving, storing and tracking medical and surgical supplies. This factor has driven significant consolidation within the Medical Supplies Wholesaling industry due to larger distributors' competitive advantages, including the ability to serve customers with multiple locations, buy inventory in large volumes and develop technology platforms and decision support systems.

Recent Public Transactions

Nov 2018

Jan 2019

Nov 2019

Oct 2020

Sep 2021



Recent Private Transactions

| Sale Date | Target Description | Net Sales | Operating Profit | EBITDA | SDE | EV Price | EV / Sales | EV / Discretionary Earnings | EV / EBITDA |
|-----------|------------------------------------|-------------|------------------|-----------|-----------|-------------|------------|-----------------------------|-------------|
| 6/29/2020 | Durable Medical Equipment | \$803,466 | \$140,088 | \$146,588 | \$198,588 | \$630,000 | 0.78x | 3.2x | 4.3x |
| 10/4/2019 | Wholesaler of Medical Equipment | \$718,599 | \$223,403 | \$217,488 | \$550,000 | \$550,000 | 0.77x | 2.1x | 2.5x |
| 3/22/2019 | Medical Supplies Wholesale | \$218,194 | \$22,206 | \$31,213 | \$89,792 | \$125,000 | 0.57x | 1.4x | 4.0x |
| 1/14/2019 | Wholesaler of Healthcare Equipment | \$875,045 | \$296,622 | \$296,622 | \$376,514 | \$1,160,000 | 1.33x | 3.1x | 3.9x |
| 6/11/2018 | Health Care Medical Equipment | \$1,341,801 | \$141,931 | \$163,329 | \$311,423 | \$950,000 | 0.71x | 3.1x | 5.8x |

Public Comps

| Company Name | Revenue Growth | Gross Margin | EBITDA Margin | FTE | Revenue / FTE | EV / Revenue | EV / EBITDA |
|---------------------------|----------------|--------------|---------------|--------|---------------|--------------|-------------|
| Hill-Rom Holdings | -0.90% | 51.20% | 12.00% | 10,000 | \$2,881 | 3.09x | 17.01x |
| Henry Schein | 1.30% | 27.80% | 6.90% | 19,000 | \$776 | 1.12x | 16.13x |
| Owens & Minor | -7.90% | 15.10% | 3.40% | 18,800 | \$184 | 0.45x | 5.44x |
| Patterson Companies | -1.50% | 21.80% | -8.50% | 7,800 | \$286 | 0.68x | 13.31x |
| McKesson | 7.80% | 5.20% | 1.00% | 80,000 | \$0 | 0.17x | -\$7.99x |
| Becton, Dickinson and Co. | -1.00% | 44.30% | 21.40% | 72,000 | \$73 | 4.95x | 16.7x |
| Median | -1.00% | 24.80% | 5.20% | 18,900 | \$235 | 1.00x | 15.00x |