

Healthcare Services

Quarterly Update | Q1 2023



North American Mid-Market Healthcare M&A Activity (Transaction Count)



Source: Capital IQ. Data as of March 31, 2023.

Above noted mid-market M&A activity includes disclosed transactions not exceeding a total transaction value of \$500 million.

Canadian Transactions
24

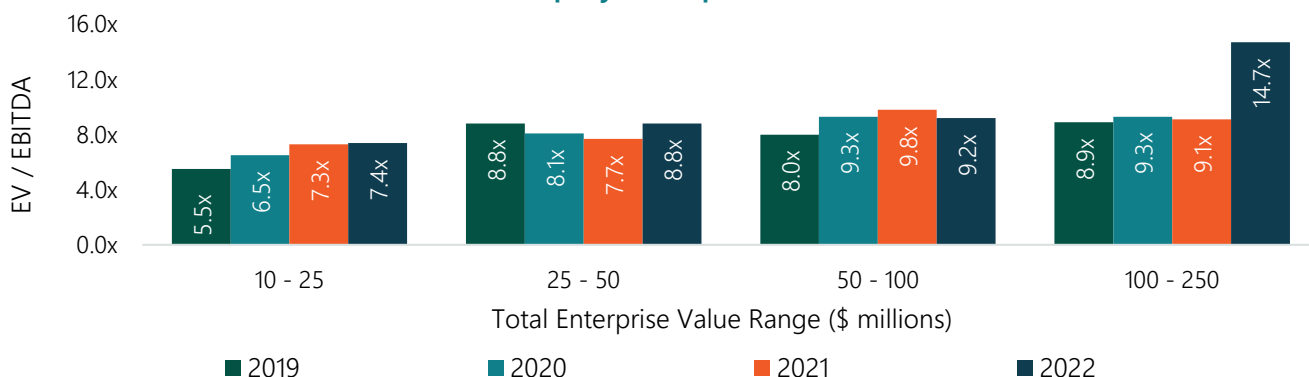
Canadian Transaction Value
\$0.2 billion
(-25.5% vs. Q4 2022)

US Transaction Value
\$3.7 billion
(-36.5% vs. Q4 2022)

US Transactions
289

Healthcare merger and acquisition activity in Q1 2023 exceeded \$3.9 billion in disclosed transaction value across 313 deals in Canada and the U.S. The average deal size among disclosed transactions was \$60.7 million, a decrease from \$65.5 million in Q4 2022. In Canada, the top healthcare sub-sectors for deal activity in the quarter were healthcare services (33%), healthcare facilities (17%), pharmaceuticals (17%) and healthcare technology (13%). Together, these sub-sectors accounted for 80% of the total Canadian healthcare deal volume.

Private Equity Multiples - Healthcare Services



During 2022, EV/EBITDA multiples for the healthcare services industry averaged 8.4x across all transactions. For lower mid-market transaction values (\$10-25 million range), the EV/EBITDA multiple averaged 7.4x.

Market Update

Select Recent M&A Transactions



has raised

\$100 million of financing from an undisclosed investor

| | |
|-------------------|------------------|
| Closed | January 24, 2023 |
| Transaction Value | \$100 million |
| TEV/EBITDA | Not disclosed |
| Location (Vendor) | Vancouver, BC |

- **VetCare Canada Holdings Inc.** is a Vancouver-based veterinary practice consolidator. The company owns and operates over 25 practices across four provinces in Canada.
- This additional financing will fuel the company's steady growth and support their active acquisition program.



has acquired



| | |
|-------------------|------------------|
| Announced | January 17, 2023 |
| Transaction Value | \$147 million |
| TEV/EBITDA | Not disclosed |
| Location (Vendor) | Richmond, BC |

- **Shockwave Medical Inc. (NASDAQ: SWAV)** develops and commercializes products utilizing proprietary shockwave technology for the treatment of cardiovascular disease. The company has locations in Santa Clara, CA, and Kleve, Germany.
- **Neovasc Inc. (TSX, NASDAQ: NVCN)** develops, manufactures, and markets cardiovascular treatment devices. The company has headquarters in both Richmond, BC and New Brighton, MN.

Articles

Digital Pet Health is Ripe for M&A¹

- **February 28, 2023:** A new sub-sector of pet care, digital pet health, is quickly emerging as an area of interest for operators in the pet space.
- Matt Hulett, CEO of PetMed Express Inc. (NASDAQ: PETS), explains virtual consults could translate to high-yield visits, increasing efficiency for vet clinics and convenience for pet owners. In 2022, PetMed invested in Vetster, a veterinarian telemedicine company, and believes there will be further consolidation in this space in the future.

Mars to acquire veterinary diagnostics firm, Heska for \$120 per share²

- **April 3, 2023:** Mars is acquiring Heska, a global provider of veterinary diagnostic products. Total transaction price is reported at \$1.3 billion (USD), a 23% premium on Heska's closing stock price on March 31.
- Mars Petcare is a global pet product and service business and the world's largest owner of veterinary practices with over 2,500 clinics under its control. VCA Animal Hospitals (one of Mars's largest practice brands) is a veterinary consolidator with over 1,000 locations across Canada and the U.S.

Source 1: Mergers & Acquisitions - Digital Pet Health is Ripe for M&A.

Source 2: LabPulse - Mars to acquire veterinary diagnostics firm Heska for \$120 per share.

All figures are in CAD millions unless otherwise stated.

Industry Overview

Pharmacies and Drug Stores in Canada

The pharmacy and drug store industry includes the retailing of prescription and over-the-counter medications, health and beauty items, toiletries, and consumable goods directly to consumers.

Industry Glance

2022 Revenue

\$50.4 billion

Annual Growth 2017 – 2022

0.6%

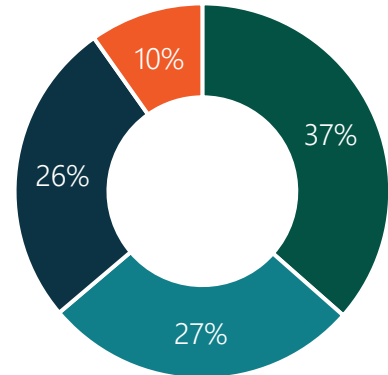
Projected Annual Growth 2022 – 2027

1.4%

Number of Businesses in 2022

7,298

Products and Services Segmentation (2022)



- Prescription pharmaceuticals
- Non-prescription pharmaceuticals
- Personal and beauty products
- Other

Dentistry in Canada

The dental services industry in Canada is comprised of establishments of licensed dentists primarily engaged in the private or group practice of general or specialized dentistry or dental surgery.

Industry Glance

2022 Revenue

\$19.6 billion

Annual Growth 2017 – 2022

2.0%

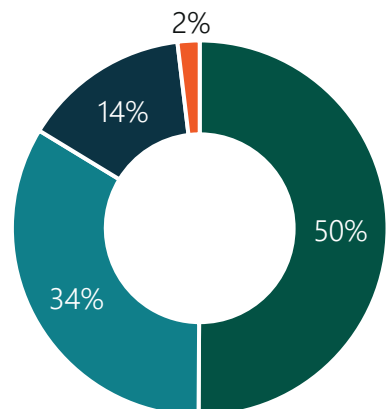
Projected Annual Growth 2022 – 2027

1.2%

Number of Businesses in 2022

28,607

Products and Services Segmentation (2022)



- Non-surgical intervention services
- Visits and consultations
- Oral surgery
- Other

Industry Overview

Veterinarian Services in Canada

The veterinarian services industry in Canada is comprised of veterinarians who provide medical, dental, and surgical treatments for animals. This industry also includes companies that provide laboratory and diagnostic testing for veterinary practitioners.

Industry Glance

2022 Revenue

\$6.5 billion

Annual Growth 2017 – 2022

3.6%

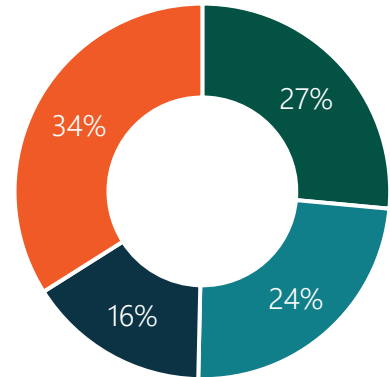
Projected Annual Growth 2022 – 2027

1.0%

Number of Businesses in 2022

5,790

Products and Services Segmentation (2022)



- Non-surgical procedures
- Routine exams
- Laboratory and diagnostic testing
- Other

Optometrists in Canada

The optometrist industry in Canada is comprised of establishments of licensed optometrists primarily engaging in eye examinations and the prescription of eyeglasses, contact lenses, and eye exercises.

Industry Glance

2023 Revenue

\$2.1 billion

Annual Growth 2018 – 2023

1.4%

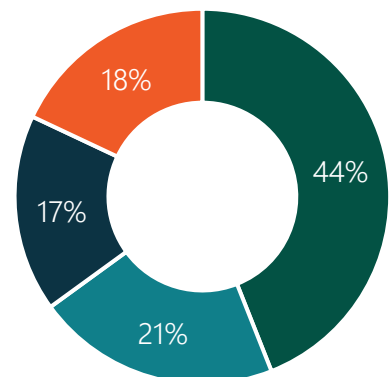
Projected Annual Growth 2023 – 2028

2.2%

Number of Businesses in 2023

6,477

Products and Services Segmentation (2023)



- Prescription eyewear
- Eye exams
- Medical eye care procedures
- Other

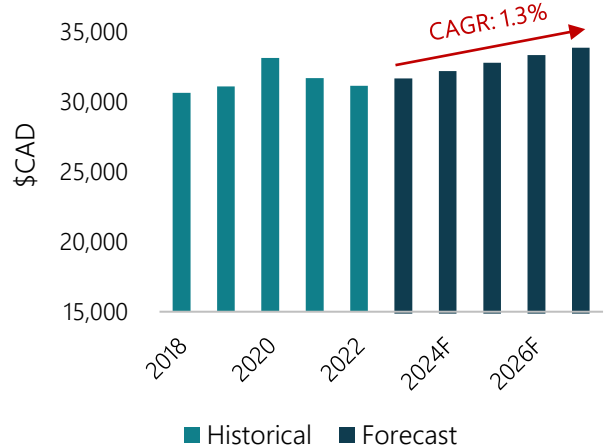
Macroeconomic Indicators

The healthcare industry is affected by a number of key macroeconomic growth drivers. Below, we highlight total public and private healthcare expenditure, per capita disposable income, the aging population in Canada, and national unemployment rates.

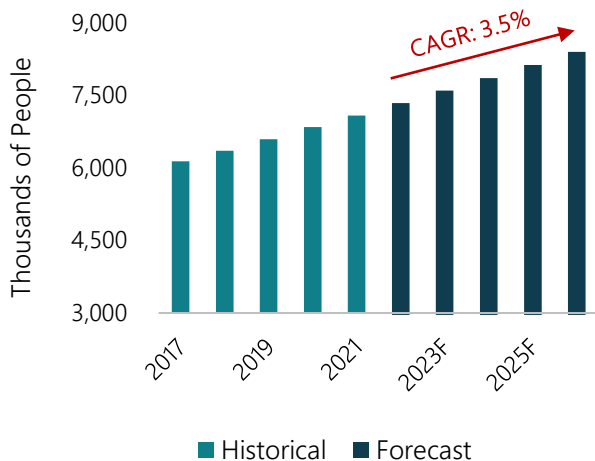
Total Health Expenditure - Canada



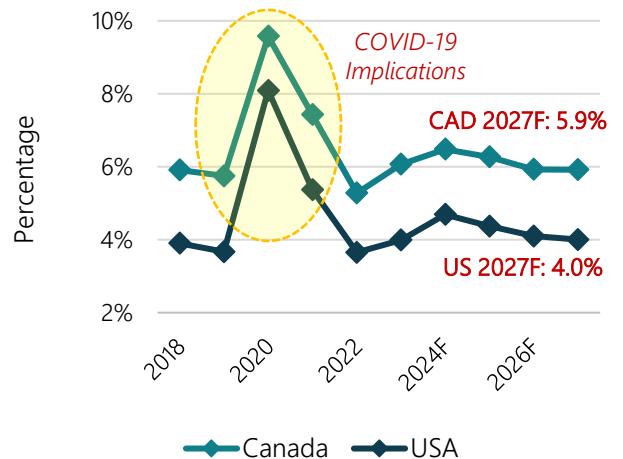
Per Capita Disposable Income - Canada



Population Aged Over 65 - Canada



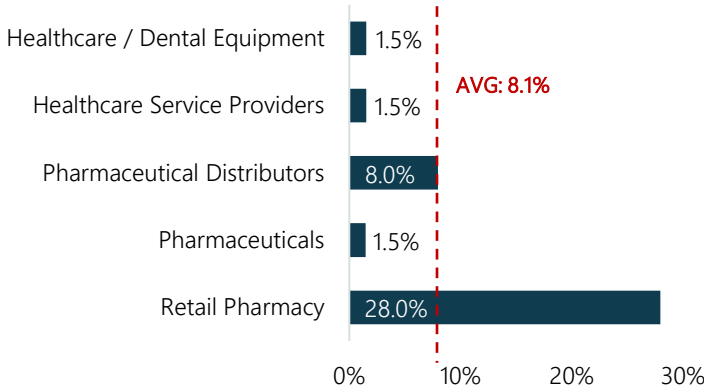
National Unemployment Rate



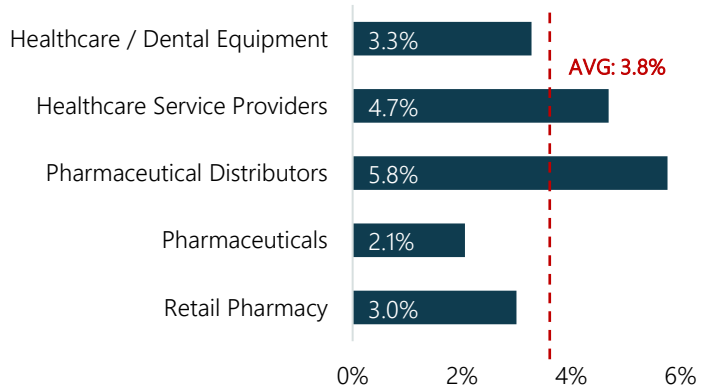
Public Comparable Analysis

Growth, Margins & Multiples

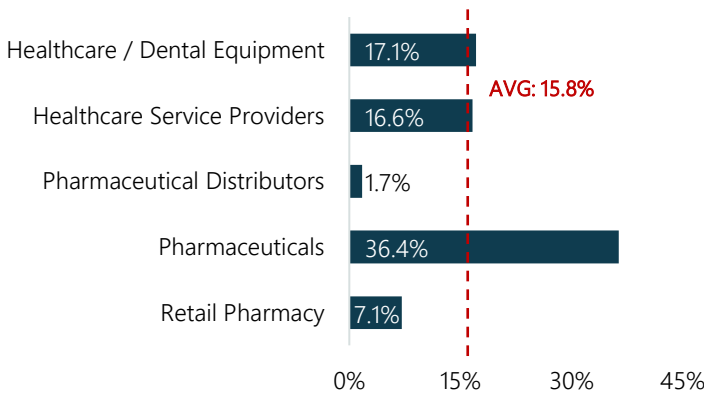
LTM Revenue Growth



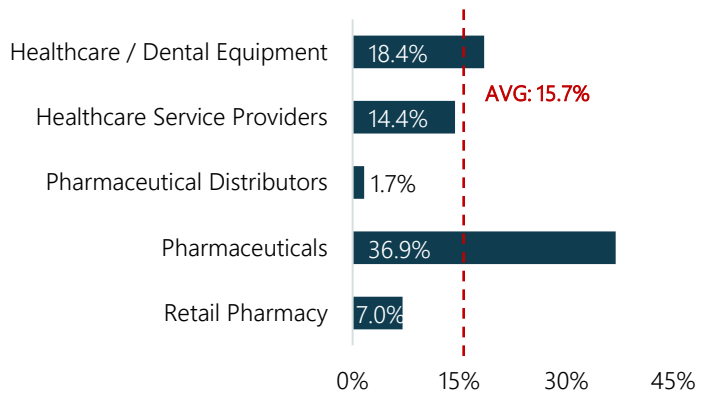
NTM Revenue Growth



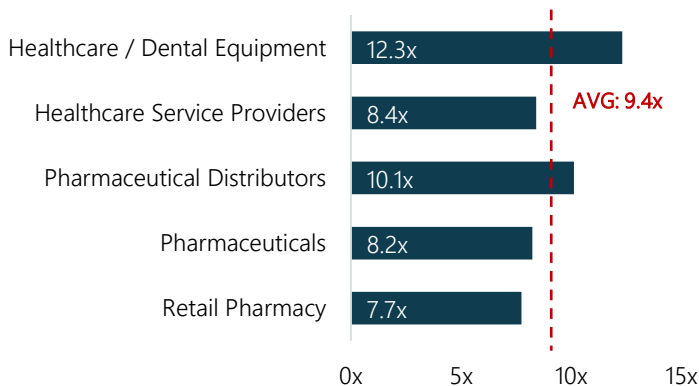
LTM EBITDA Margin



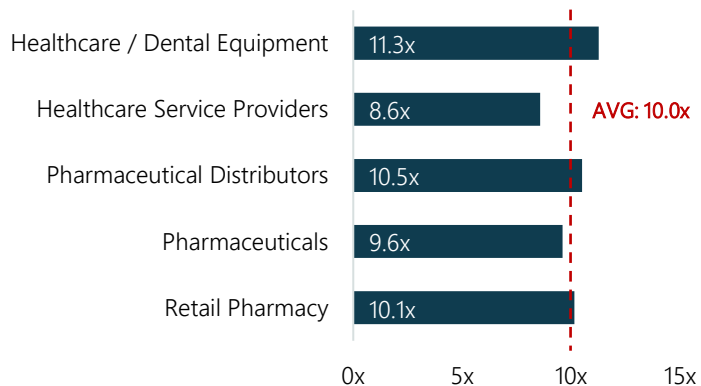
NTM EBITDA Margin



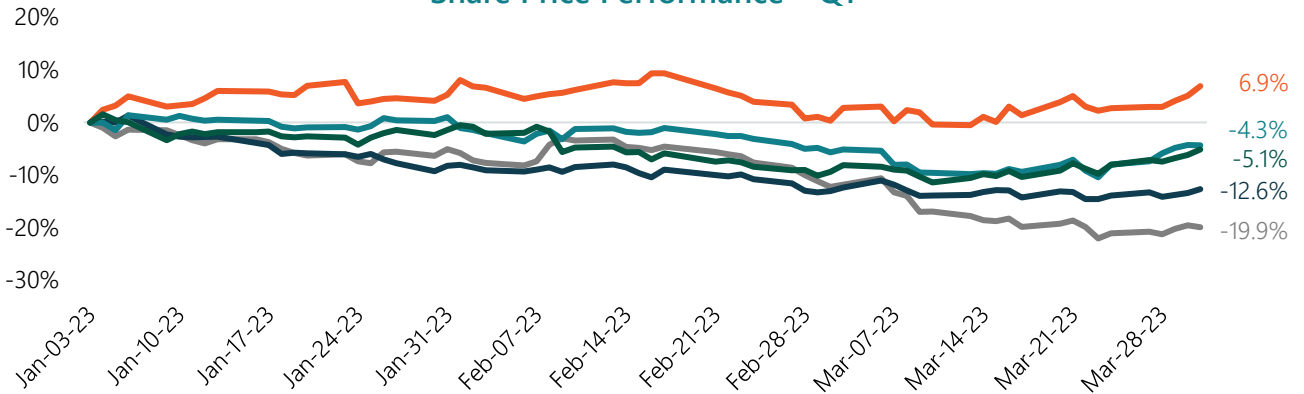
LTM EV/EBITDA



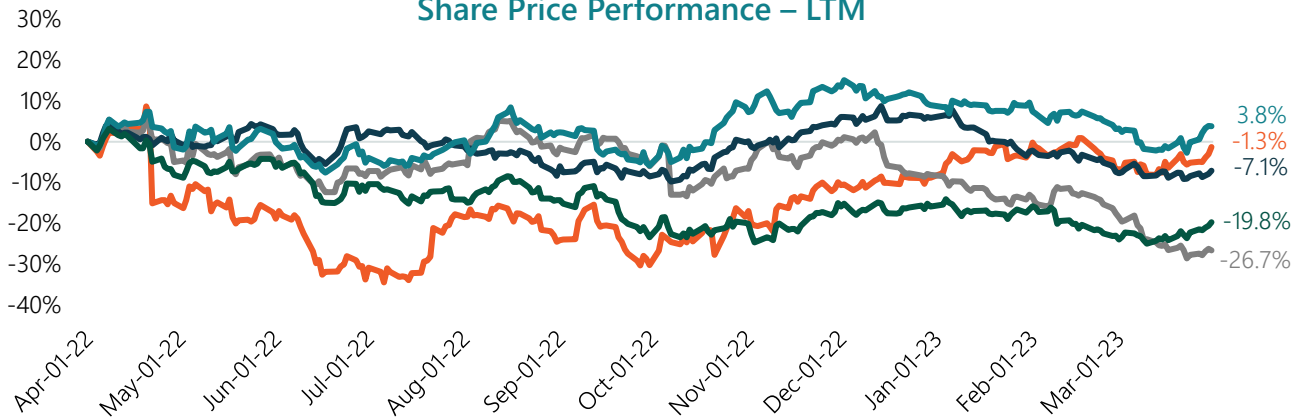
NTM EV/EBITDA



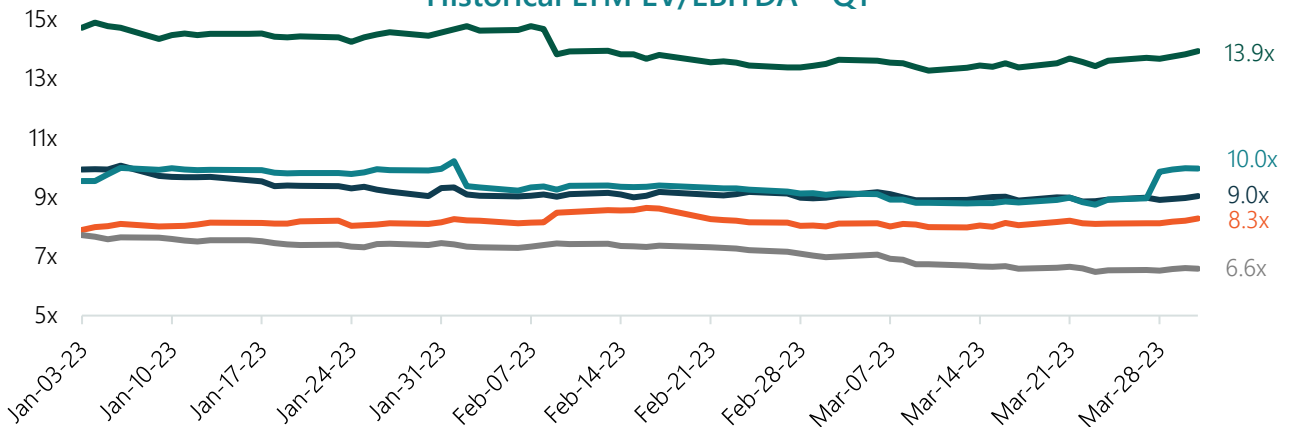
Healthcare Peer Group Share Price Performance – Q1



Share Price Performance – LTM



Historical LTM EV/EBITDA – Q1



- Healthcare Service Providers
- Retail Pharmacy
- Pharmaceuticals
- Pharmaceutical Distributors
- Healthcare/Dental Equipment

Source: Capital IQ. Data as of March 31, 2023.
Further details provided on page 9.
"LTM" refers to last twelve months.

Public Comparable Analysis

Trading Multiples & Operating Statistics

We have selected a group of publicly traded healthcare entities for this high-level analysis. These public companies help act as a proxy for the industry and provide strong industry context.

(Figures in CAD millions, except percentages and ratios)

| Company | Market Capitalization | Enterprise Value | LTM Operating Figures | | | | NTM Consensus Estimates | | | Valuation | |
|---|-----------------------|------------------|-----------------------|----------------|-----------------|---------------|-------------------------|---------------|--------------|---------------|-------------|
| | | | Revenue | Revenue Growth | EBITDA | EBITDA Margin | Revenue Growth | EBITDA Margin | EV/EBITDA | LTM EV/EBITDA | LTM EV/REV |
| Retail Pharmacy | | | | | | | | | | | |
| CVS Health Corporation | \$129,107 | \$203,941 | \$435,299 | 10.6% | \$30,884 | 7.1% | 4.5% | 6.0% | 7.4x | 6.6x | 0.5x |
| Rite Aid Corporation | \$166 | \$8,415 | \$32,814 | (1.9%) | \$1,492 | 4.5% | (8.1%) | 1.7% | 14.3x | 5.5x | 0.3x |
| CareRx Corporation | \$134 | \$241 | \$382 | 45.3% | \$27 | 7.1% | 1.5% | 8.0% | 7.7x | 8.9x | 0.6x |
| Neighbourly Pharmacy Inc. | \$995 | \$1,290 | \$671 | 68.4% | \$65 | 9.8% | 36.3% | 11.2% | 12.5x | 19.7x | 1.9x |
| Median | \$580 | \$4,852 | \$16,742 | 28.0% | \$779 | 7.1% | 3.0% | 7.0% | 10.1x | 7.7x | 0.5x |
| Mean | \$32,601 | \$53,472 | \$117,291 | 30.6% | \$8,117 | 7.1% | 8.5% | 6.7% | 10.5x | 10.2x | 0.8x |
| Pharmaceuticals | | | | | | | | | | | |
| Johnson & Johnson | \$548,114 | \$571,711 | \$130,245 | 1.5% | \$45,313 | 34.8% | 3.8% | N/A | 12.4x | 12.8x | 4.5x |
| Merck & Co., Inc. | \$365,422 | \$390,940 | \$78,297 | 7.2% | \$30,752 | 39.3% | 2.1% | 42.5% | 11.9x | 11.7x | 4.9x |
| Pfizer Inc. | \$311,587 | \$334,454 | \$135,789 | 23.4% | \$61,822 | 45.5% | (31.0%) | 37.1% | 9.6x | 5.4x | 2.5x |
| Viartis Inc. | \$15,578 | \$40,189 | \$22,010 | (9.1%) | \$7,839 | 35.6% | (3.1%) | 33.0% | 5.7x | 5.1x | 1.8x |
| Bausch Health Companies Inc. | \$3,968 | \$32,906 | \$10,995 | (3.7%) | \$3,999 | 36.4% | 3.1% | 36.8% | 7.9x | 8.2x | 3.0x |
| Median | \$311,587 | \$334,454 | \$78,297 | 1.5% | \$30,752 | 36.4% | 2.1% | 36.8% | 9.6x | 8.2x | 3.0x |
| Mean | \$248,934 | \$274,040 | \$75,467 | 3.9% | \$29,945 | 38.3% | (5.0%) | 29.9% | 9.5x | 8.7x | 3.3x |
| Pharmaceutical Distributors | | | | | | | | | | | |
| Walgreens Boots Alliance, Inc. | \$40,368 | \$101,420 | \$181,352 | (2.0%) | \$10,248 | 5.7% | 5.3% | 4.7% | 11.3x | 10.0x | 0.6x |
| McKesson Corporation | \$65,969 | \$73,835 | \$370,706 | 6.6% | \$7,170 | 1.9% | 4.1% | 1.8% | 10.7x | 10.3x | 0.2x |
| AmerisourceBergen Corporation | \$43,815 | \$51,194 | \$327,264 | 9.4% | \$4,986 | 1.5% | 6.2% | 1.5% | 10.3x | 10.3x | 0.2x |
| Cardinal Health, Inc. | \$26,318 | \$28,495 | \$261,225 | 12.7% | \$3,258 | 1.2% | 9.0% | 1.2% | 8.2x | 8.7x | 0.1x |
| Median | \$42,091 | \$62,515 | \$294,244 | 8.0% | \$6,078 | 1.7% | 5.8% | 1.7% | 10.5x | 10.1x | 0.2x |
| Mean | \$44,118 | \$63,736 | \$285,137 | 6.7% | \$6,415 | 2.6% | 6.1% | 2.3% | 10.1x | 9.8x | 0.3x |
| Healthcare Service Providers | | | | | | | | | | | |
| HCA Healthcare, Inc. | \$98,914 | \$155,597 | \$82,370 | 1.9% | \$17,951 | 21.8% | 5.9% | 19.6% | 9.4x | 8.8x | 1.9x |
| Universal Health Services, Inc. | \$12,153 | \$19,213 | \$18,366 | 5.0% | \$2,466 | 13.4% | 6.0% | 12.2% | 8.3x | 8.0x | 1.1x |
| Tenet Healthcare Corporation | \$8,222 | \$33,848 | \$26,608 | 1.1% | \$5,278 | 19.8% | 3.4% | 16.4% | 7.6x | 6.3x | 1.3x |
| Community Health Systems, Inc. | \$870 | \$18,328 | \$16,527 | (1.3%) | \$2,029 | 12.3% | 2.2% | 12.3% | 8.9x | 9.0x | 1.1x |
| Median | \$10,188 | \$26,531 | \$22,487 | 1.5% | \$3,872 | 16.6% | 4.7% | 14.4% | 8.6x | 8.4x | 1.2x |
| Mean | \$30,040 | \$56,746 | \$35,968 | 1.7% | \$6,931 | 16.8% | 4.4% | 15.1% | 8.6x | 8.0x | 1.3x |
| Healthcare / Dental Equipment & Supplies | | | | | | | | | | | |
| Becton, Dickinson and Company | \$95,086 | \$116,525 | \$25,360 | 1.1% | \$6,647 | 26.2% | 4.4% | 27.8% | 15.9x | 17.5x | 4.6x |
| Baxter International Inc. | \$27,742 | \$48,791 | \$20,370 | 11.1% | \$4,608 | 22.6% | (100.0%) | N/A | 10.9x | 10.5x | 2.4x |
| dentalcorp Holdings Ltd. | \$1,684 | \$2,944 | \$1,250 | 21.3% | \$195 | 15.6% | 15.5% | 18.6% | 11.0x | 15.1x | 2.4x |
| DENTSPLY SIRONA Inc. | \$11,446 | \$13,859 | \$5,308 | (7.3%) | \$989 | 18.6% | 0.8% | 18.4% | 14.2x | 14.0x | 2.6x |
| Henry Schein, Inc. | \$14,484 | \$18,008 | \$17,117 | 2.0% | \$1,699 | 9.9% | 2.1% | 9.0% | 11.6x | 10.6x | 1.1x |
| Patterson Companies, Inc. | \$3,539 | \$4,351 | \$8,506 | (0.5%) | \$495 | 5.8% | 5.0% | 5.6% | 8.8x | 8.6x | 0.5x |
| Median | \$12,965 | \$15,934 | \$12,811 | 1.5% | \$1,344 | 17.1% | 3.3% | 18.4% | 11.3x | 12.3x | 2.4x |
| Mean | \$25,663 | \$34,080 | \$12,985 | 4.6% | \$2,439 | 16.5% | (12.0%) | 15.9% | 12.0x | 12.7x | 2.3x |

Source: Capital IQ. Data as of March 31, 2023.

"LTM" refers to last twelve months. "NTM" refers to next twelve months.

About Us

MNP Corporate Finance (MNPCF) has a dedicated team of over 100 M&A, capital markets, and due diligence professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

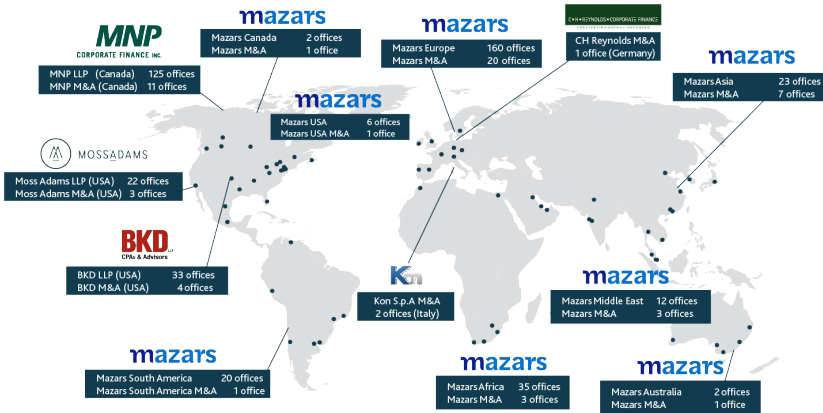
Our typical transactions range in value between \$3 million and \$300 million.

Local and International Reach

MNP is a participating firm within Praxity, a unique global alliance of independent accounting/advisory firms created to answer global business needs. As a member of Praxity, we are able to offer access to corporate finance, accounting and tax advisory services worldwide. We are also affiliated with Corporate Finance Cross Border, which consists of 250+ M&A professionals in more than 30 countries.



CFxBorder - Global reach with local relationships
 Our corporate finance team through CFxBorder consists of 250 plus M&A professionals in more than 30 countries



Recently Closed Deals (National)

MNP Corporate Finance Inc. acted as exclusive financial advisor to Prairie Gold Produce Ltd. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. provided due diligence services to York Analytical Laboratories Inc.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Enviro-Works Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. provided financial and tax due diligence services to Danilee Capital.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Compagnie Motoparts Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Kost Fire Equipment Ltd. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Les Quais Bertrand Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Esteem Medical Esthetics in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Simpson Seeds Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Convertus Group in structuring and negotiating this transaction.

Services

- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services

About Us

Deal Experience

Since our inception, our team has advised on hundreds of transactions, in a wide range of industries with diverse enterprise values. In the past 10 years alone, we have completed over 250 transactions worth over \$4.5 billion (not including due diligence engagements).

Industry Experience

- Food & Beverage
- Retail & Distribution
- Manufacturing
- Agriculture
- Automotive
- Materials
- Health Care
- Pharmaceutical
- Transportation
- Construction
- Software
- Financial Services
- Technology
- Energy
- Oilfield Services
- Real Estate

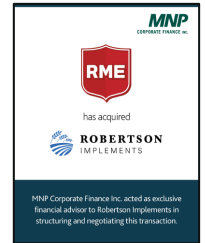

Hands-on Approach

Current M&A transactions require a hands-on approach from start to finish including the active engagement of senior resources. Our senior resources are dedicated to our clients and are available as necessary and appropriate. We keep our clients regularly informed of the engagement status, issues we are encountering, successes and overall progress.

Integrated Service Offering


We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement, and risk management.

Recently Closed Deals (National)



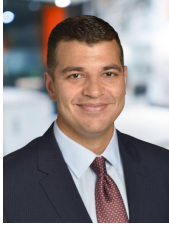





Transaction Leadership



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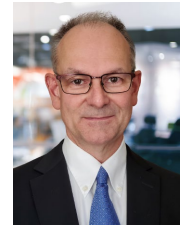
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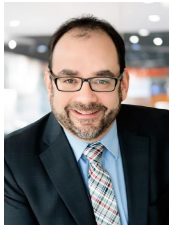
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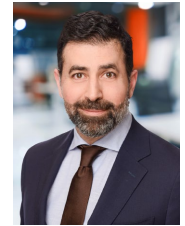
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