



MedDevNews

Q2 2023

Featuring:

- Quarterly Overview
- Market Trends
- Relevant Transaction Activity

Q2 2023 Market At A Glance

MedDevNews provides an exclusive quarterly summary into market trends, recent private finance and merger and acquisition activity, as well as major news stories within the Medical Device sector.

OEM M&A



58
Transactions

- 30.1%
Change YoY



\$3.2 billion
Transaction Value

- 8.3%
Change YoY

CMO M&A



15
Transactions

+ 150.0%
Change YoY

N/A
Transaction Value

N/A
Change YoY

Private Financings



348
Transactions

- 32.2%
Change YoY



\$2.7 billion
Transaction Value

- 24.7%
Change YoY

Public Companies

4.6x
Median
EV/Revenue

19.0x
Median
EV/EBITDA



+12.2%
Median Revenue
Growth YoY

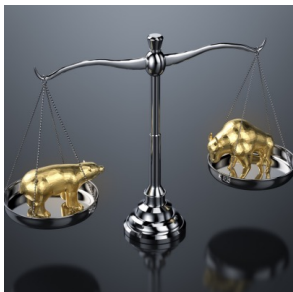
64.4%
Median
GM

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Source(s): CapIQ, Med Device Online

Q2 2023 Quarterly Overview

Mixed market activity and impacts



Market indicators in Q2 trended lower, except for activity in the contract manufacturing market. The number of CMO transactions increased to a level almost as high as the record in Q4 2022.

Continued inflation and economic uncertainty drove the downward trajectory of OEM activity, and while possibly counterintuitive, we believe that it also helped fuel OEMs continued interest in outsourcing a higher portion of their manufacturing to strategic CMO partners. As a whole, the CMO vertical maintained a high level of activity.

Additionally, there have been several corporate divestitures this quarter that indicate companies have been reorganizing and shoring up their business during this quasi-recession. Examples include BD and Olympus.

Public market returns were mostly positive, with several verticals outperforming the S&P 500 index. Organ & Tissue Transplant, CMO, and Neuro were clear winners with almost 90% stock return for the past 12 months.

Specialty orthopedics with humanitarian significance raises \$33.5 million



Compared to other companies in orthopedics, Onkos Surgical has a focused strategy specific to the surgical oncology and complex procedure markets. Their products help patients to replace a portion or joint of a limb lost to bone cancer and other diseases to regain function. Their impactful portfolio and commercial success have been validated by their latest \$33.5 million raise in May, which includes leading investors such as 3D Systems, 1315 Capital, Canaan Partners, SV Health Investors, and 3D Ventures. This new infusion of capital will be used to accelerate its R&D pipeline, expand its commercial footprint, and enhance its manufacturing capabilities.

Onkos remains a unique gem in the orthopedics market focused on serving patients who are concurrently experiencing other major health issues.

Source(s): Pitchbook

Recent Activity



Extremity Medical receives debt financing

Extremity Medical is one of the largest privately held U.S.-based companies remaining in the orthopedic foot & ankle market, with a number of product lines. Extremity develops and markets innovative and cutting-edge solutions for extremity surgeons. They have an extensive IP portfolio, significant clinical experience and are run by a team of industry veterans who have founded and led other successful companies.

Due to increased demand and some lingering supply chain issues, Extremity was experiencing a shortage of inventory and needed an infusion of short-term capital to support existing and new customers.

England Securities served as the exclusive placement agent for Extremity on this transaction.



SEAL to be acquired by Enovis

SEAL specializes in orthopedic foot and ankle external fixation ("ex-fix") for the treatment of deformities, fractures, and fusions with best-in-class products rivaling those from the largest companies. They are the largest privately-held ex-fix company. SEAL enjoys higher gross margins than most other orthopedic companies and is profitable. SEAL is funded primarily from cash flows.

SEAL's owner hired England & Company to explore strategic alternatives, ultimately leading to an executed agreement with Enovis, the fastest growing challenger in the Foot & Ankle market and orthopedics generally.

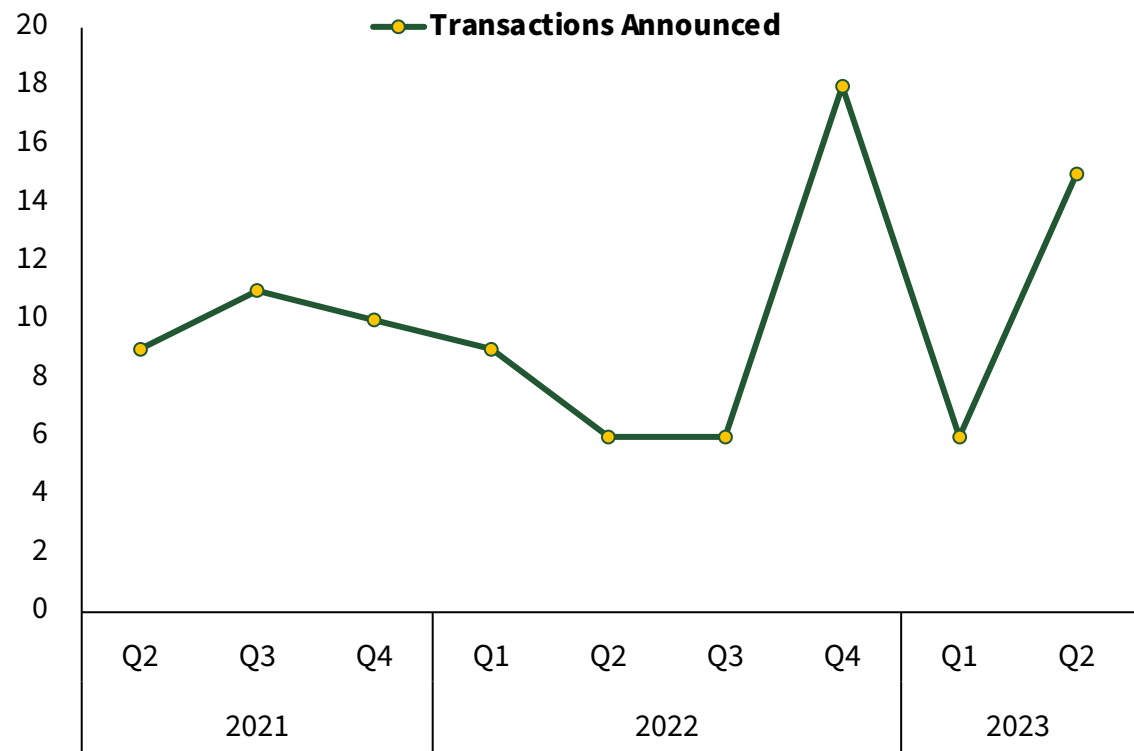
As of the end of the quarter, activities were underway to complete confirmatory due diligence and negotiate transaction documentation.

CMO Merger & Acquisition Activity

CMO M&A activity increased in Q2 2023 and reached a level closer to the historic high of Q4 2022.

CMOs, particularly the larger ones, have been investing heavily in additive 3D printing machines and the skilled staff that is needed to support this shift away from traditional subtractive manufacturing. Certain product categories, including large joints, knees, and spinal implants, are at the forefront of this shift.

In some cases, these CMOs are creating 3D manufacturing centers of excellence to showcase their capabilities to their existing and future customers.



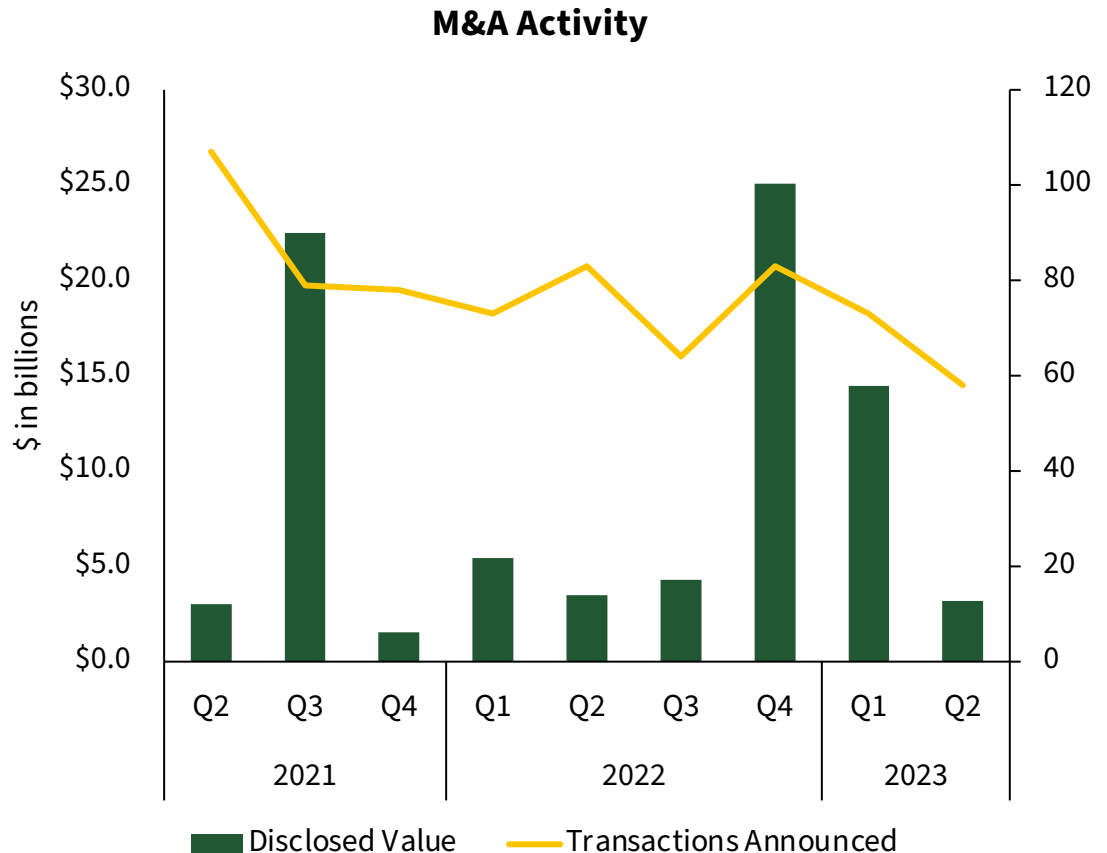
Source(s): CapIQ

OEM Merger & Acquisition Activity

M&A activity fell to 58 transactions from 73 in Q1 2023. Total transaction value also dropped to just around \$3.2 billion from nearly \$15 billion in the previous quarter.

Despite the drop in activity, the decrease in dollar value wasn't dramatically different than most other quarters, given that the three outliers were attributed to a few larger deals at well above \$1 billion, while the largest transaction of Q2 2023 was \$696 million.

It is also worth noting that fewer transaction values were disclosed in Q2 2023 with respect to the previous two quarters.



Source(s): CapIQ

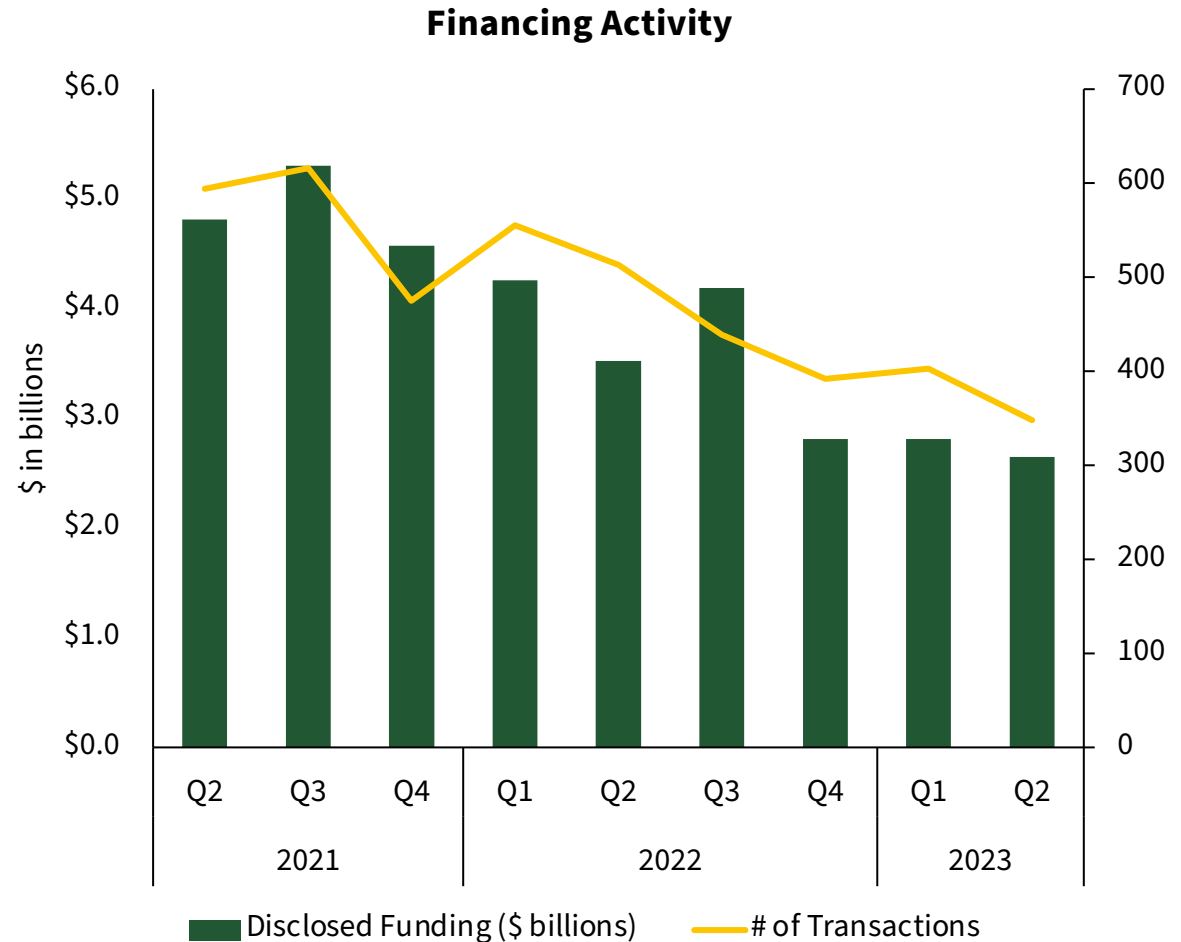
Private Financing Activity

The total number of private financings dropped relative to Q1 2023. The amount of disclosed funding also decreased, but not as significantly.

Despite the downward trend in deals, it appears that the total dollar volume could be stabilizing.

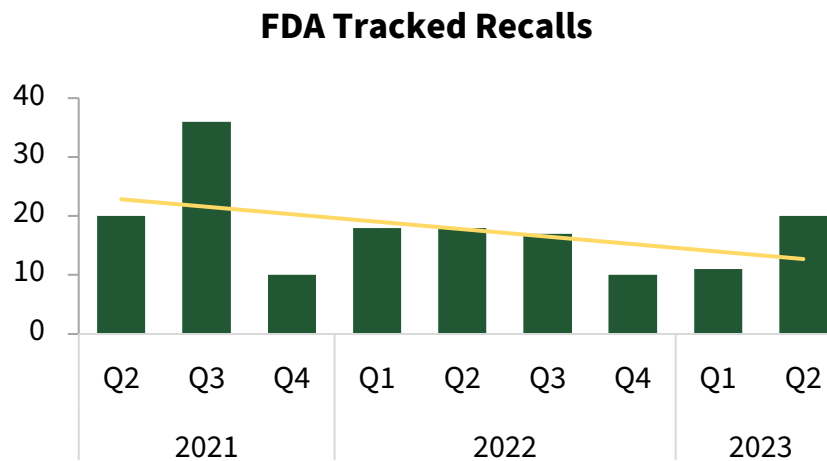
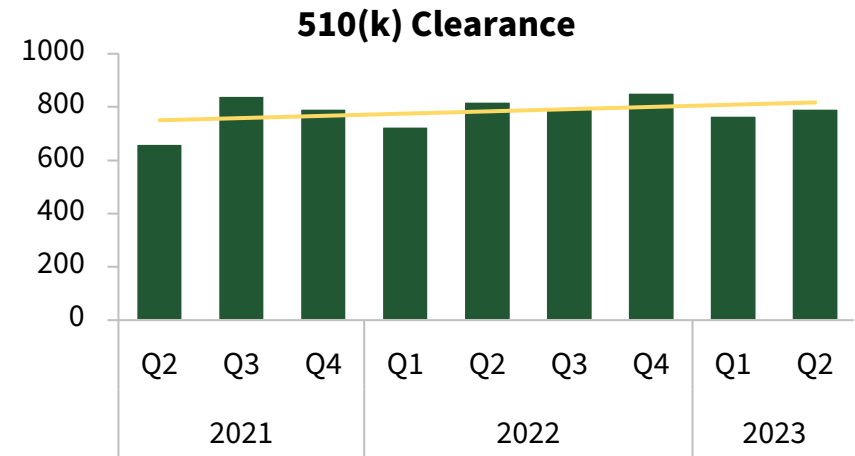
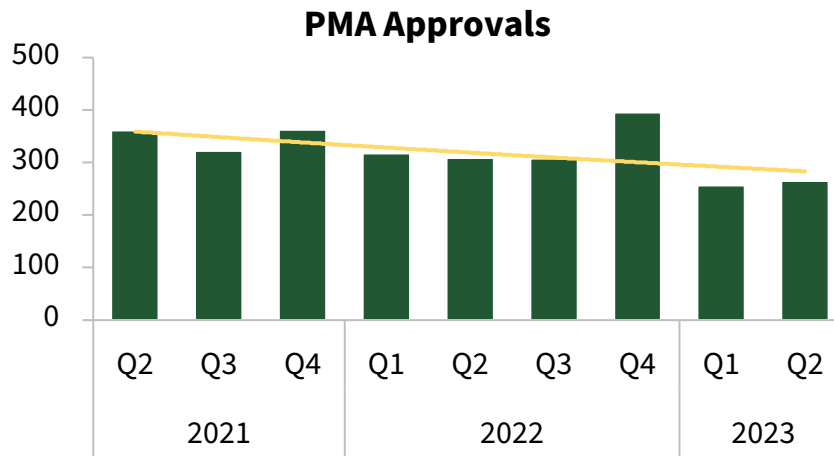
In Q2 2023, 348 financings were completed:

- \$2.7 billion of total capital was invested, a 24.7% decrease from \$3.5 billion in Q2 2022
- Average raise size increased 11.0% to \$7.6 million from \$6.9 million in Q2 2022 and increased 9.2% from \$7.0 million in Q1 2023



Source(s): Pitchbook












Regulatory Trends



In Q2 2023, PMA approvals and 510(k) clearances increased slightly, showing an improving trend in products completing the regulatory process. FDA recalls increased significantly compared to the prior two quarters, going back to levels more in line with the first three quarters of 2022.














Source(s): FDA.gov, Medtech Dive

Q2 2023 Notable OEM M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
 Surgical Instrumentation platform	 STERIS®	June 2023	\$540	n/a	n/a
 CONFORMIS	restor3d	June 2023	\$45	0.76x	n/m
 SEAL	enovis™	May 2023	\$28	n/a	n/a
 CoreLink The Source for Spine™	 ZAVATION	June 2023	n/a	n/a	n/a
 OSSIS	 ZIMMER BIOMET	May 2023	n/a	n/a	n/a
 Digirad	 TTg Imaging Solutions	May 2023	n/a	n/a	n/a
 novastep® Your foot & ankle company	enovis™	April 2023	n/a	n/a	n/a
			Median	n/m	n/m

Source(s): PitchBook, CapIQ; (1) For relevant transactions, may include earn-out

Q2 2023 Notable CMO M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
		June 2023	n/a	n/a	n/a
		June 2023	n/a	n/a	n/a
		May 2023	n/a	n/a	n/a
		May 2023	n/a	n/a	n/a
		April 2023	n/a	n/a	n/a
		April 2023	n/a	n/a	n/a
Manufacturing operations of Gyrus Medical		April 2023	n/a	n/a	n/a
			Median	n/a	n/a

Source(s): CapIQ; (1) For relevant transactions, may include earn-out

Q2 2023 Developing Trends



Increased Regulations from EPA could affect Medical Device Industry

The EPA has introduced proposals that will impose stricter limits on ethylene oxide emissions and enhance protections for workers in medical device sterilization processes. These measures are part of the EPA's broader efforts to decrease exposure to ethylene oxide, a chemical linked to potential cancer risks over time. Companies will be given 18 months to implement the necessary pollution controls once the final rule is issued. Professional industry associations have expressed concerns that excessively stringent requirements might curtail patients' access to medical devices.

Private Equity to Increase Activity in the Medical Device Industry



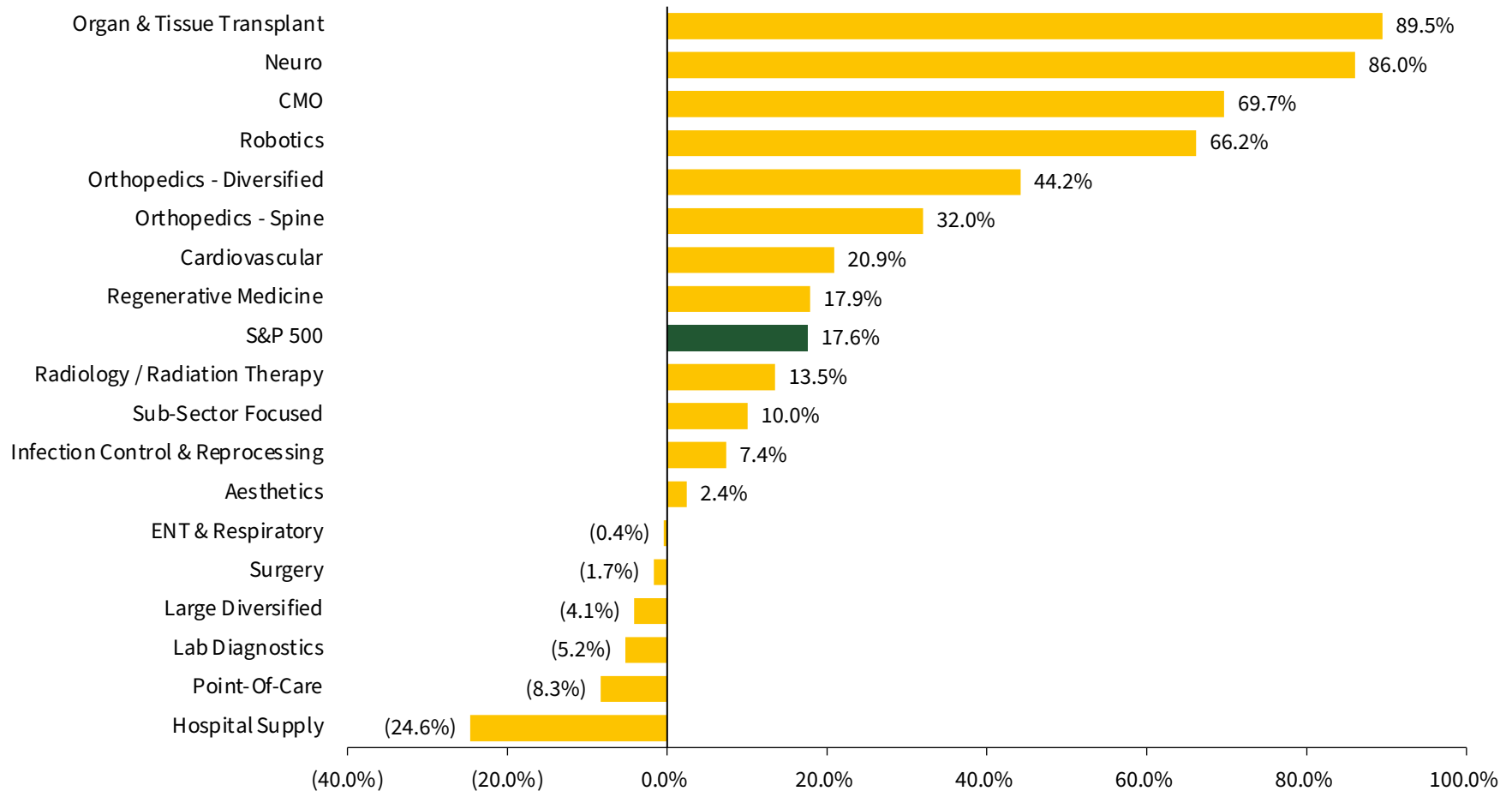
In the fourth quarter of 2022 and first quarter of 2023, there was a resurgence in private equity buyouts of MedTech companies, suggesting potential deal-making trends for the current year. A report from Bain & Company highlighted this rebound. Simultaneously, MedTech firms are divesting assets to reshape their portfolios for growth, opening opportunities for both strategics and private equity firms to acquire businesses and exit existing investments. For example, in Q2, Steris purchased BD's surgical instrumentation platform, Robinwood Investment bought Allegra's orthopedics division, and Olympus sold its Gyrus manufacturing assets to ATL Technology.

Anticipating the second half of 2023, private equity sponsors are poised to capitalize on corporate actions by OEMs. These actions involve refining product offerings, streamlining manufacturing operations, and optimizing outsourcing strategies. This is expected to lead to renewed PE activity in the sector as sponsors leverage their strengths in innovative ways.

Source(s): MEDTECH INSIGHT, Avicenne Medical

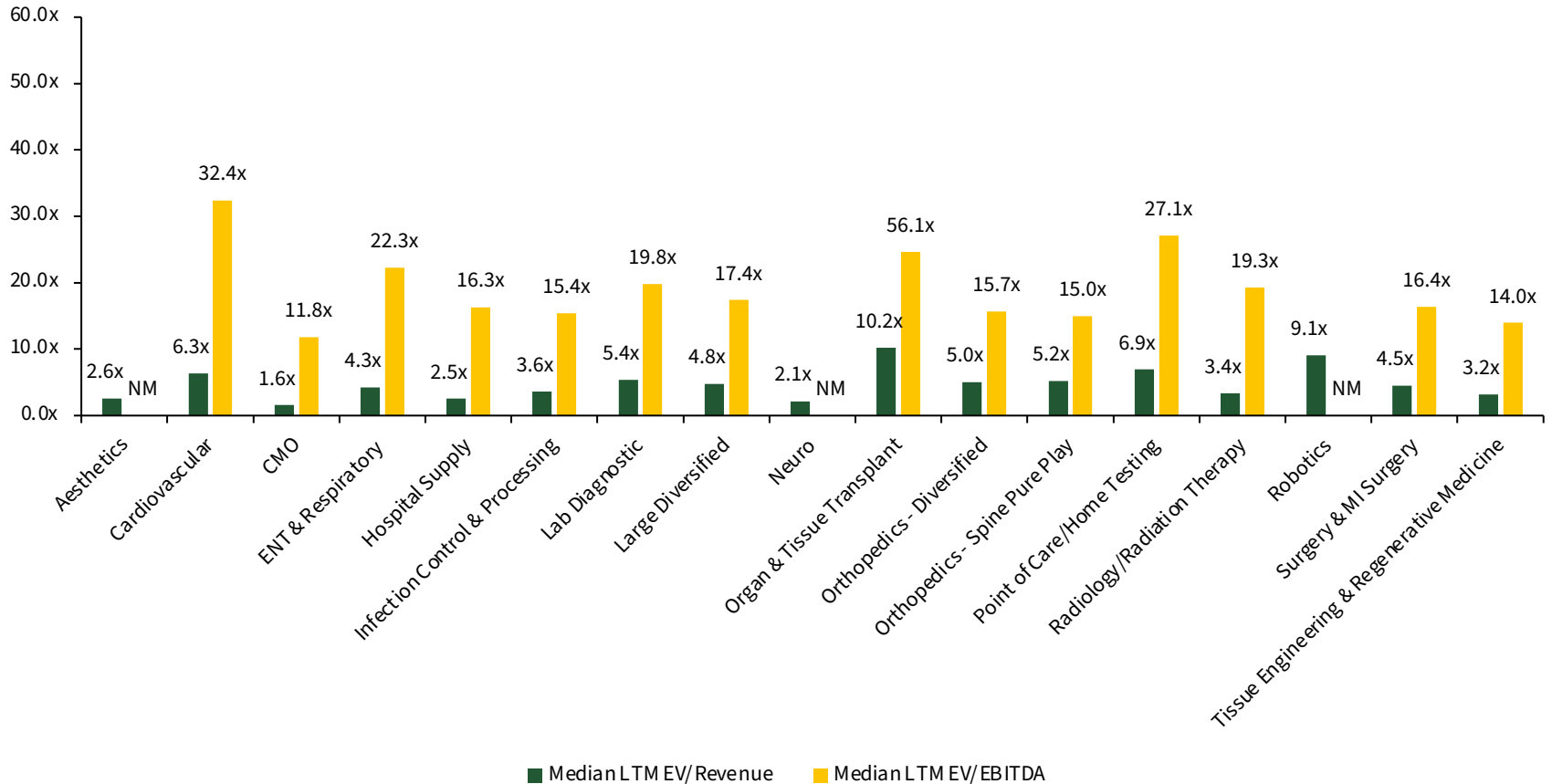
Public Market Performance

12 Month Stock Returns






















Source(s): NASDAQ

Public Company Analysis by Sector



Source(s): NASDAQ

Recent Medical Device Experience

 has been acquired by  Sell-side Advisor	 Debt Financing Exclusive Placement Agent	 \$38,500,000 Series C Preferred Stock Exclusive Placement Agent	 has been acquired by  Sell-Side Advisor	 has been acquired by  A subsidiary of Colfax Sell-Side Advisor
 \$12,700,000 Series C-1 Preferred Stock Exclusive Placement Agent	 has been acquired by  Sell-Side Advisor	 has been acquired by  Rosen's Diversified, Inc. Sell-Side Advisor	 has been acquired by  Sell-Side Advisor	 has been acquired by  Sell-Side Acquirer
 has acquired  Buy-Side Acquirer	 has acquired  Buy-Side Acquirer	 has made a strategic investment in Israeli Medical Device Company Exclusive Placement Agent	 BPH Products has been acquired by  Sell-Side Advisor	 has been acquired by  Sell-Side Advisor

See disclaimer on page 13

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