



MedDevNews

Q3 2023

Featuring:

- Quarterly Overview
- Market Trends
- Relevant Transaction Activity

Q3 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



52
Transactions

- 18.8%
Change YoY



\$6.6 billion
Transaction Value

+ 52.5%
Change YoY

CMO M&A



8
Transactions

+ 33.3%
Change YoY



\$185.8 million
Transaction Value

- 80.5%
Change YoY

Private Financings



254
Transactions

- 42.3%
Change YoY



\$2.6 billion
Transaction Value

- 37.9%
Change YoY

Public Companies

4.2x
Median
EV/Revenue

18.6x
Median
EV/EBITDA



+10.9%
Median Revenue
Growth YoY

64.5%
Median
GM

England & Company is an independent investment bank that provides financial advice on mergers, acquisitions, restructurings, and capital-raising to owners, executives, and boards of directors of public and private companies. Our clients include leading companies in the Energy & Sustainability, Healthcare, Industrial & Infrastructure, and Technology & Media markets.

Source(s): CapIQ, Med Device Online

Q3 2023 Quarterly Overview

Mostly Lower Market Activity and Impacts



Market indicators in Q3 trended lower compared to the previous quarter, except for transaction dollar volume in the OEM market which was primarily driven by a few larger transactions. The number of CMO acquisitions decreased relative to Q2 2023 but continued an overall positive trend from the same time last year.

Public market returns were mostly positive with several verticals outperforming the S&P 500 index. Robotics and CMO-focused companies were the strongest performers over the last twelve months with 53.3% and 51.8% stock returns, respectively.

Enovis Continues Rolling Up Orthopedics



Enovis is back on a rollup rampage, making or announcing four more acquisitions so far this year. In addition to SEAL and Novastep in foot and ankle, the Company announced plans to add yet another platform to its expanding overall orthopedic implant portfolio.

It will acquire Lima Corporate for approximately \$860 million, with an expected close date of early 2024. This continues its transformation to a leader in orthopedic implants and positions Enovis to be a more dominant player in the global hip, knee, and shoulder arthroplasty markets.

When Enovis' predecessor, DJO Global, was acquired by Colfax in 2018, the orthopedic-focused Company had \$1.2 billion in revenues, of which the vast majority was external bracing while surgical implants were at or below \$200 million (<20%). We now estimate that the current run rate of the surgical business is at or approaching \$850 million out of about \$2 billion (>42.5%). We also notice that Enovis appears to be focusing mainly on companies with red and black logos.

Source(s): Pitchbook

Recent Activity



Overview of the Transaction

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 of the largest companies. They are the largest privately held ex-fix company in the U.S. and achieved this success by creating and commercializing the most innovative, user-friendly, and highest quality products in the industry, and building a network of specialty distributors. By leveraging strong negotiating skills and a lean organizational structure, SEAL has maintained gross margins at the high-end of the range for most orthopedic companies and is profitable, which is relatively uncommon for small, privately held companies in the industry.

D.N.E., LLC, the Company that owns SEAL, was funded primarily from cash flows and operated in a highly capital efficient manner by the owner. The Company hired England & Company to explore strategic alternatives, which ultimately led to the sale of the Company to Enovis, the fastest growing challenger in the foot and ankle market and orthopedics generally.

Our Role

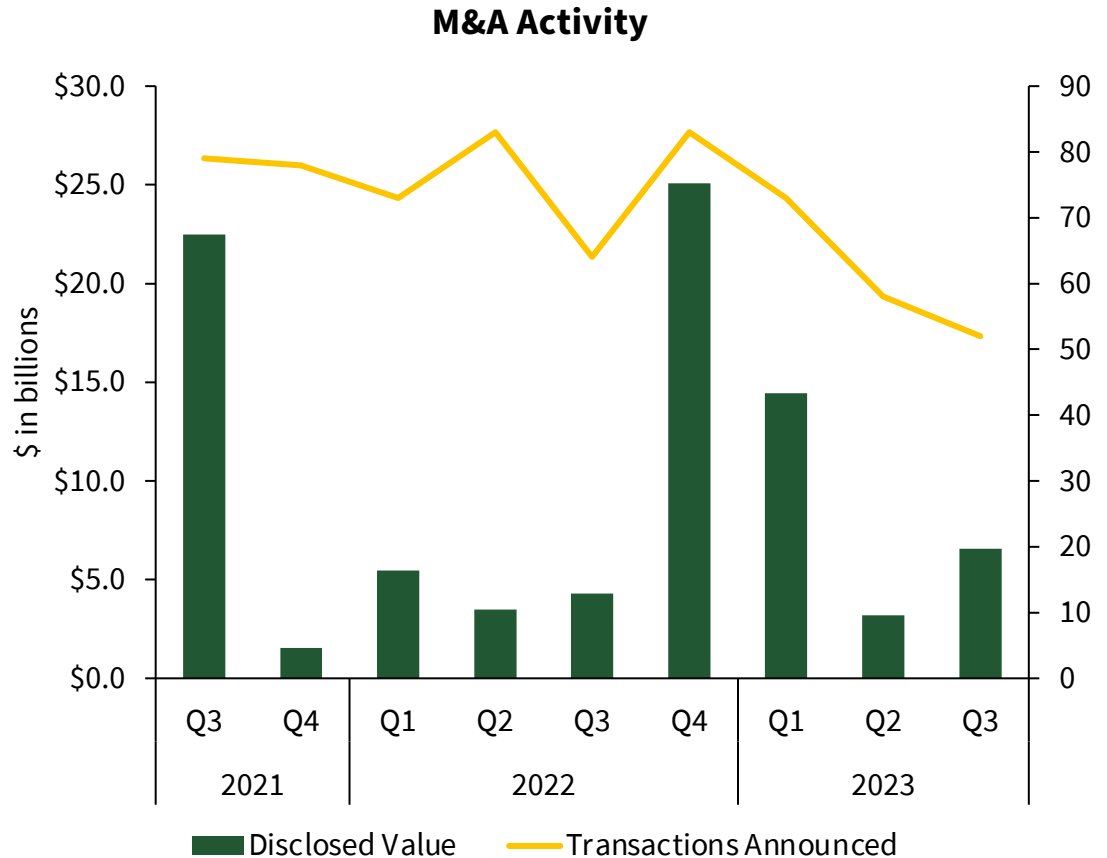
- England & Company was hired to find strategic buyers who were interested in acquiring these products and had a gap in their portfolio.
- The England healthcare team quickly assembled marketing materials and conducted a focused outreach to the appropriate buyers.
- England successfully generated interest from several parties and determined that Enovis was the best home for the portfolio.
- England then led the negotiation process and managed the transaction through completion.
- The transaction was announced in May 2023 and closed that July.

OEM Merger & Acquisition Activity

Transaction volume was lower quarter-over-quarter, with 52 transactions versus 58 in Q2 2023. At the same time, total transaction value rose to around \$6.5 billion from the \$3.2 billion of the previous quarter.

The number of transactions declined for the third consecutive quarter, continuing a negative trend going into the end of the year, given a more challenging M&A market due to the broader economic challenges. For example, in orthopedics, with the exception of Enovis, many of the large orthopedic-focused medical device companies were on the sidelines this quarter. Companies across other sectors in medtech continued to make bolt-on acquisitions, and all of the transactions in Q3 were below \$1 billion in enterprise value.

The increase in transaction value is primarily attributed to one deal, valued at almost \$3 billion, combined with multiple others above \$500 million.



Source(s): CapIQ

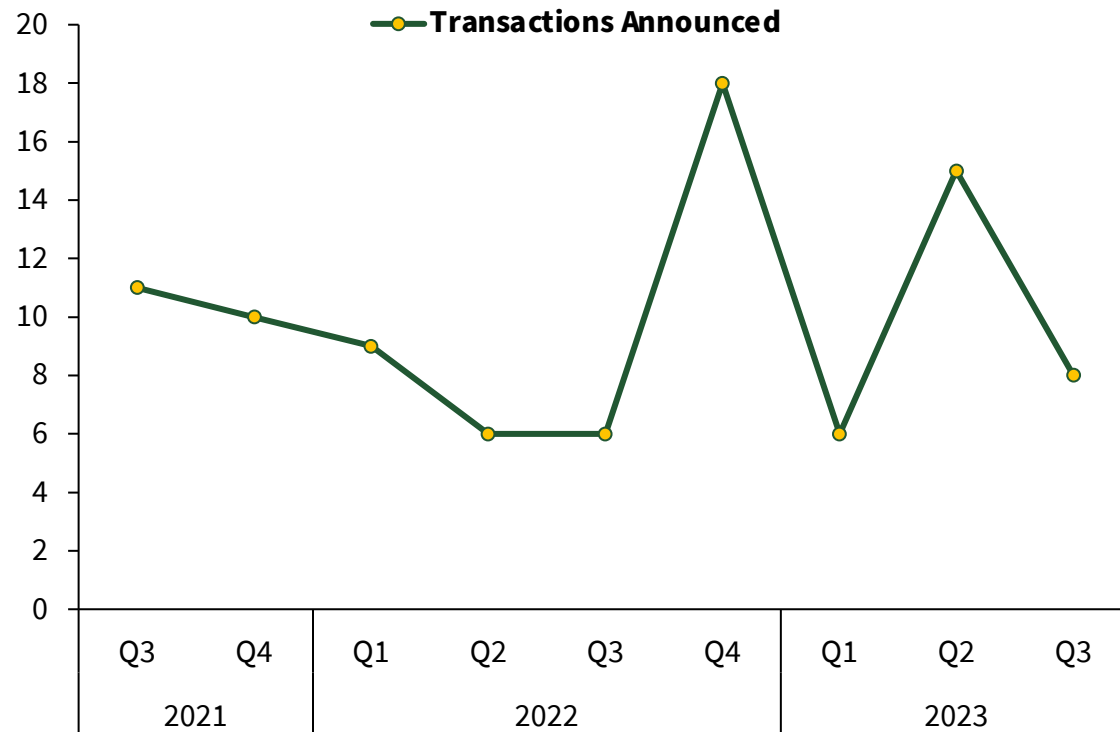
CMO Merger & Acquisition Activity

CMO M&A activity decreased in Q3 2023, realigning with 2021 and 2022 levels.

We believe this deceleration is due to a combination of sellers still recovering from post-Covid supply chain issues, higher current costs of capital (and less debt buyers can put on acquisitions), and continued economic uncertainty. Sellers, who are mostly profitable, are willing and able to monitor this economic cycle and wait for the potential of a larger exit opportunity when the current market challenges abate and valuations increase. In the orthopedic CDMO subsector, there is also the “overhang” of a few large players that have been working to improve their EBITDA in preparation for exits to new PE owners in the expected late 2025 – 2026 timeframe.

We expect to see continued volatility quarter-to-quarter into 2024, with a steady increase in activity starting later in the year.

Even with the deal volume lower, the Medtech CMO market continues to be strong, with continued interest in these assets by PE funds that are not currently active in the market.



Source(s): CapIQ

Private Financing Activity

Number of transactions decreased quarter-over-quarter, from 350 to 254, while the amount of disclosed funding remained stable at approximately \$2.6 billion.

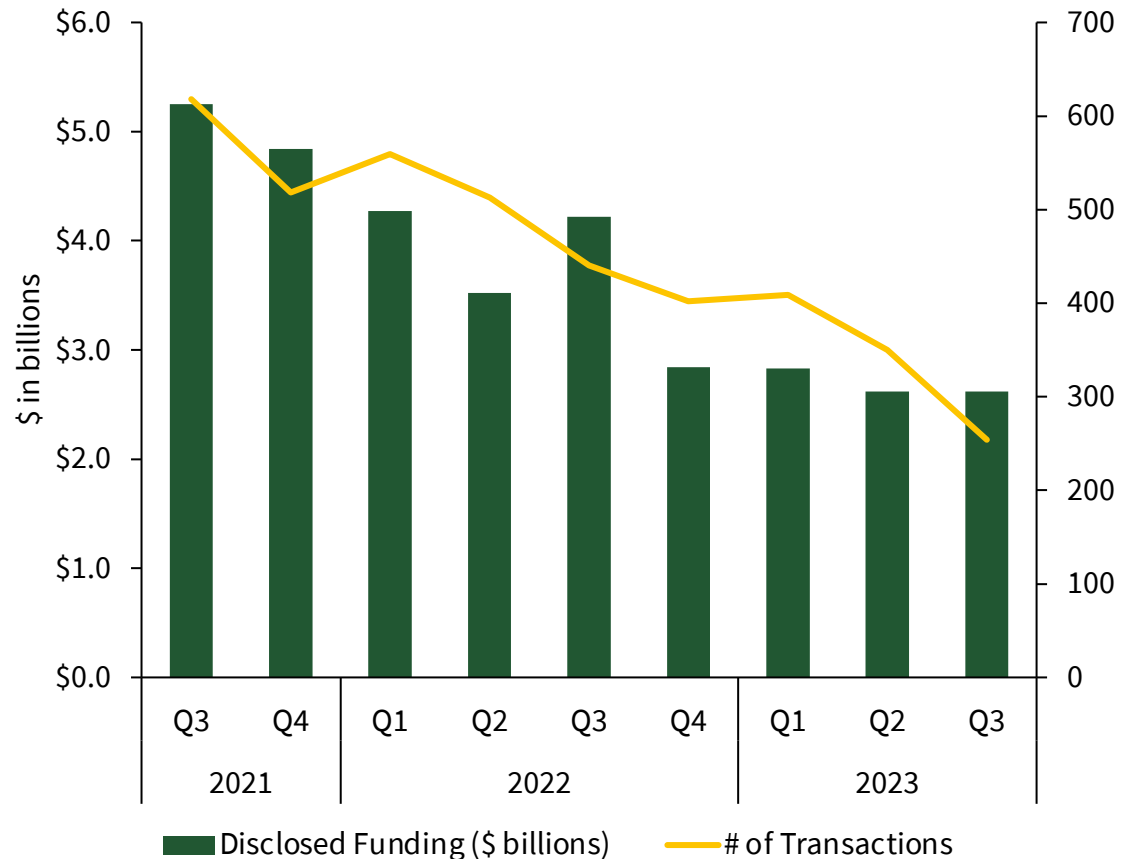
Despite this downward trend in deal volume, it appears that the total amount invested has remained relatively stable over the last four quarters, between \$2.6 and \$2.9 billion.

Our observation is that investors are focusing on later-stage transactions, which frequently involve larger deal sizes. Also, given economic uncertainties, some funds continue to hold dry powder for their existing portfolios.

In Q3 2023, 254 financings were completed:

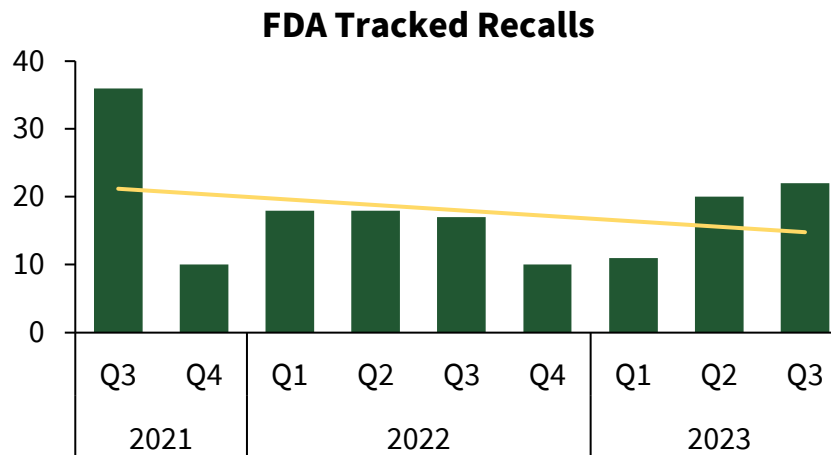
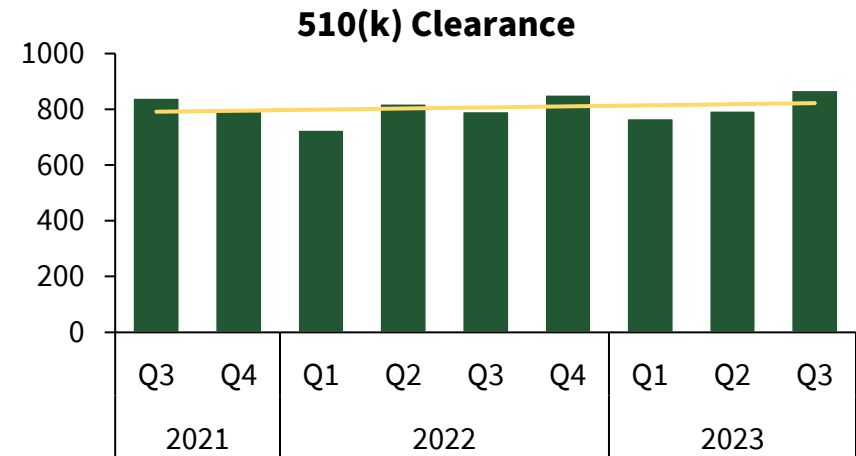
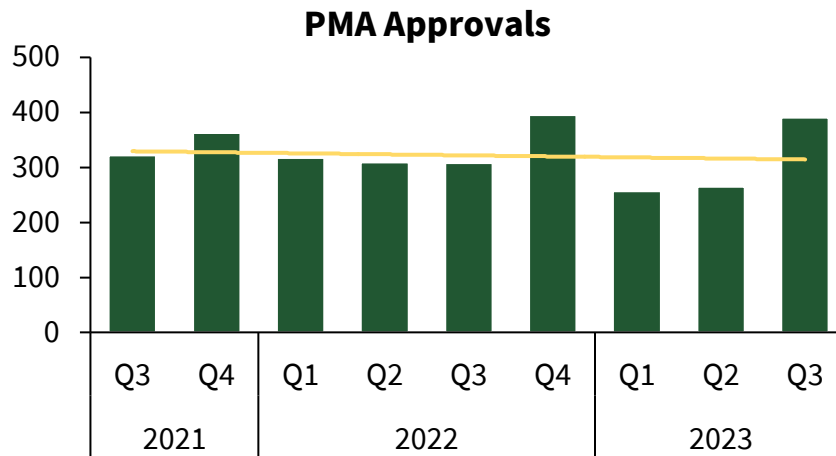
- \$2.6 billion of total capital was invested, a 37.9% decrease from \$4.2 billion in Q3 2022
- Average raise increased 7.5% to \$10.3 million from \$9.6 million in Q3 2022 and increased 37.8% from \$7.5 million in Q2 2023

U.S. Financing Trends



Source(s): Pitchbook

Regulatory Trends



In Q3 2023, PMA approvals and 510(k) clearances increased, showing a positive trend in products completing the regulatory process. For products already on the market, FDA recalls marginally increased compared to the previous quarter and are still at the highest level since Q3 2021.

Source(s): FDA.gov, Medtech Dive

Q3 2023 Notable OEM M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
 Lima Corporate	 enovis™	September 2023	\$858.8	3.0x	11.0x
 relievant	 Boston Scientific	September 2023	\$850.0	3.0x	23.7x
 OPTILUME	 Laborie ¹ FOR DIGNITY. FOR LIFE.	September 2023	\$569.0	n/a	n/a
 DiaSys	 mindray	July 2023	\$153.3	n/a	n/a
 B BRAUN SHARING EXPERTISE	 Boston Scientific	July 2023	\$47.0	n/a	n/a
 CALON CARDIO	 ASHINGTON INNOVATION PLC	August 2023	\$39.0	n/a	n/a
 ALTER G	 ReWalk™ More Than Walking.	August 2023	\$19.0	1.0x	n/a
 CENTINEL SPINE	 silony MEDICAL	July 2023	n/a	n/a	n/a
			Median	n/m	n/m

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

Q3 2023 Notable CMO M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
		July 2023	\$600.0	n/a	n/a
		August 2023	\$54.0	2.9x	8.2x
		July 2023	n/a	n/a	n/a
		July 2023	n/a	n/a	n/a
		August 2023	n/a	n/a	n/a
		September 2023	n/a	n/a	n/a
		September 2023	n/a	n/a	n/a
		September 2023	n/a	n/a	n/a
			Median	n/m	n/m

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

Q3 2023 Developing Trends



Increased Interest in Investing in Orthopedics

Overall, VC and growth equity investment have declined since the pandemic as investors have become more selective and hold more dry power for existing portfolio companies. Despite this, the number of investments in orthopedics has seen a slight upward trend, with dollar volume increasing appreciably. The past several years have witnessed growing interest in both investing in and acquiring orthopedic companies, particularly in extremities and sports medicine. There have been a few successful IPOs (e.g., Paragon 28 and Treace), a host of acquisitions, and several recent successful private capital raises, some of which are sizable. OSSIO raised \$38 million in 2022, Shoulder Innovations raised over \$80 million this year, and Artelon and Curvafix also recently raised sizable amounts compared to the many failures in the late 90s and early 2000s. Medtech investors that have been particularly active include: MVM, River Cities, Endeavour Vision, Vensana, and Gilde. The strong current interest starkly contrasts the 2000 – 2014 lull that followed several failed companies in the late 1990s and early 2000s, particularly in spine.



Robotic Surgeries See Increase in Spine, Knee Replacements, and Prostatectomies

Robotic assistance in spine has risen from 10% of surgeries to 11% over the last year and is expected to reach 20% in three years, potentially exceeding sales expectations. Robotic-assisted knee reconstruction surgeries and urology robotics surgeries are expected to grow at a CAGR of 8% and 11.5%, respectively, from 2021 to 2030. Robotic surgeries offer shorter recovery times and less post-op pain, resulting in fewer opiate prescriptions, which could help reduce opiate abuse.



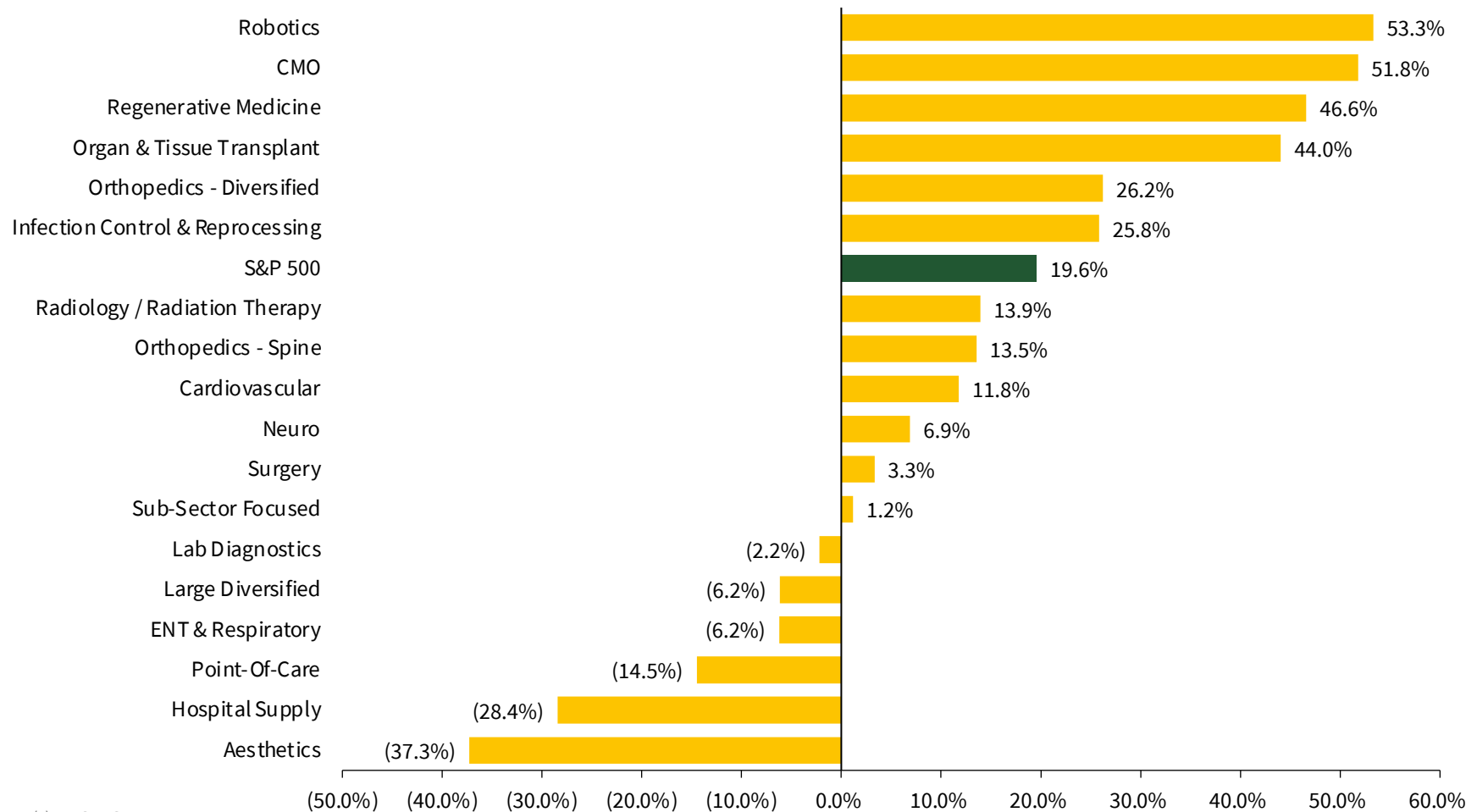
Ozempic and Friends Fuel Decline in Medical Device Stocks

Investors expect reduced demand for insulin-producing medical devices as patients lose weight using new weight management drugs like Ozempic and Wegovy. This has led to a 15% decline in the iShares U.S. Medical Devices ETF. Diabetes-tied device companies like Dexcom Inc. and Insulet Corp. have fallen 30% and 55%, respectively. Ozempic has shown effectiveness for patients with kidney failure, further affecting health stocks and dialysis companies such as Baxter International, Inc. and DaVita, Inc.

Source(s): MEDTECH DIVE, Bloomberg

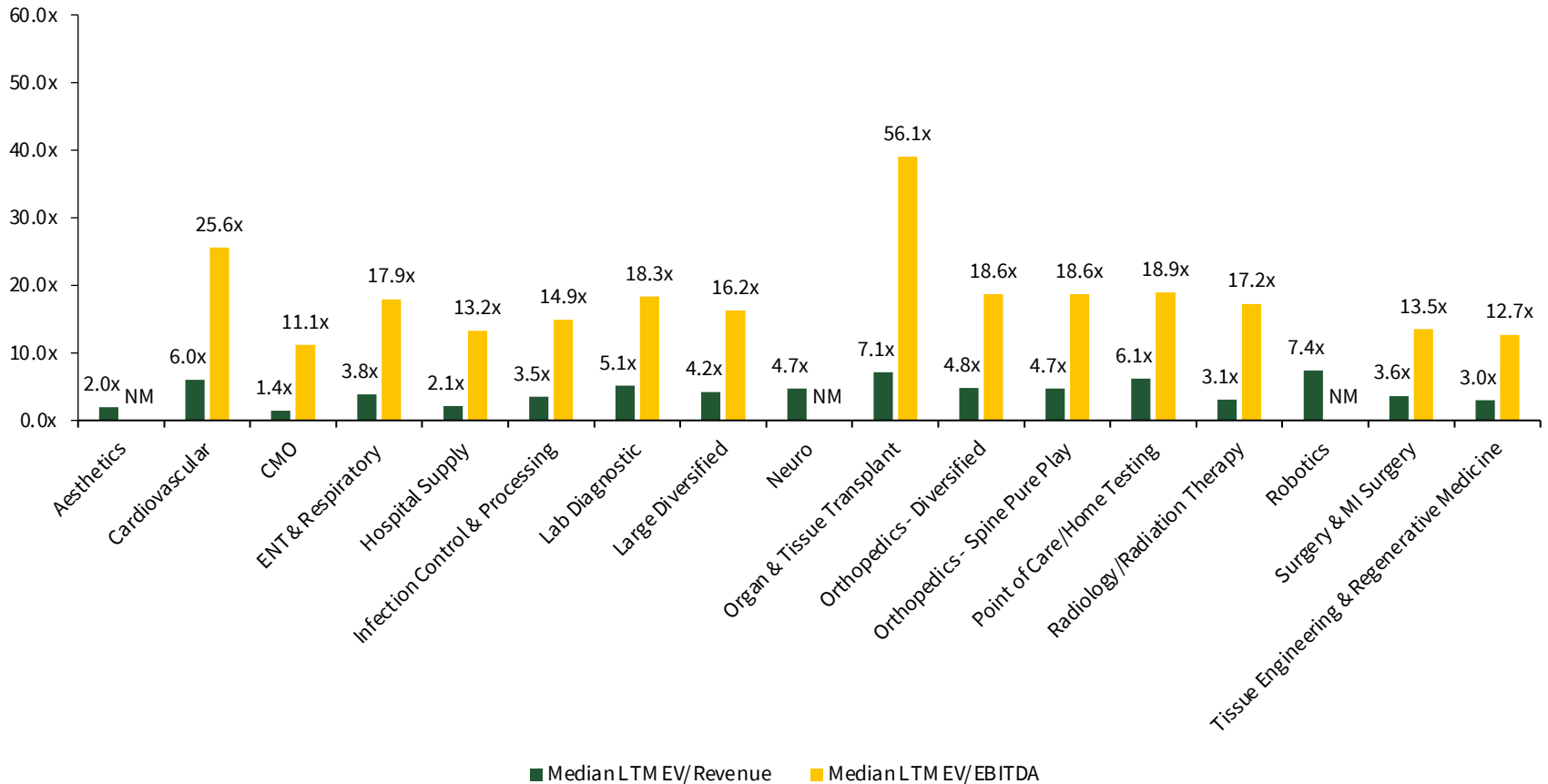
Public Market Performance

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 14

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Founded in 2003, England & Company is an independent investment bank that provides strategic advice on mergers and acquisitions, recapitalizations and restructurings, and capital markets transactions to owners, executives, and boards of directors of domestic and international companies. The firm's clients include leading companies in the Energy & Sustainability, Healthcare, Industrial & Infrastructure, and Technology & Media markets. For further information, please visit: www.Englandco.com.

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