

MedDevNews

Q4 2023

Featuring:

- Quarterly Overview
- Market Trends
- Relevant Transaction Activity

Q4 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**



51
Transactions

- 38.6%
Change YoY



\$4.3 billion
Transaction Value

- 82.8%
Change YoY

**CMO
M&A**



6
Transactions

- 66.7%
Change YoY

N / A
Transaction Value

N / A
Change YoY

**Private
Financings**



374
Transactions

- 11.9%
Change YoY



\$2.8 billion
Transaction Value

- 7.3%
Change YoY

**Public
Companies**

4.2x
Median
EV/Revenue

18.7x
Median
EV/EBITDA



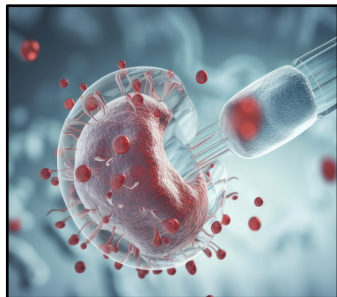
+9.4%
Median Revenue
Growth YoY

64.9%
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: CapIQ, Med Device Online

Q4 2023 Quarterly Overview



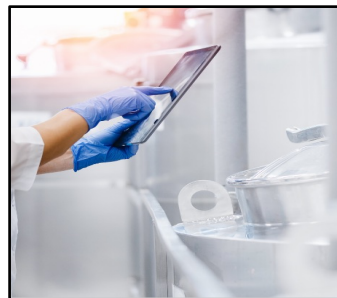
Life Sciences Leaders See Advanced Tech and AI as Having Transformational Impact

FTI Consulting recently completed a survey of ~250 leaders in the healthcare and life sciences industry, seeking their perspectives on the market going into 2024. While their level of positivity was more moderate than in 2023, a majority of those surveyed still feel optimistic about the industry going forward. Those surveyed believe that new technologies and artificial intelligence can potentially transform many areas, including faster drug development, more diverse clinical studies, improved patient engagement, and more efficient life sciences business operations.



Henry Schein Makes Major Move into Orthopedics

Henry Schein, a leading global distributor and provider of medical products and solutions historically focused primarily on dental and physician offices, is making a strategic entry into the extremities markets through a majority interest in TriMed and a strategic partnership with Extremity Medical. TriMed and Extremity are both known for their extremities portfolios, and their products complement each other well – TriMed’s primary focus is on upper extremities, while Extremity’s revenues have been in foot & ankle. *England & Company acted as exclusive financial advisor to Extremity Medical.*



Decrease in Hiring Activity for Quality Control Positions

The medical device industry saw a 6% global decline in quality control job postings compared to the previous quarter. Five companies, Laboratory Corp of America Holdings, Thermo Fisher Scientific, Intelrad Medical Systems, Baxter International, and Quest Diagnostics, drove 37% of the hiring activity, with the U.S. accounting for 72% of new job postings (followed by the U.K. at 4.5% and Germany at 4%).

Source: Pitchbook, Medical Device Network, FTI Consulting – BioPharma in 2024: At a Crossroads

Recent Activity

In December, England & Company announced the closing of several strategic and financial transactions for Extremity Medical, LLC in 2023. Extremity Medical is an orthopedic medical device company specializing in extremity implants known for improved outcomes, particularly in patients with poor bone quality or other challenges. Based in Parsippany, NJ, the Company develops and markets proprietary, next-generation products to address fixation, fusion, and motion preservation in procedures in the lower and upper extremities, including the foot & ankle, hand, and wrist. It is one of the largest privately held independent companies in the U.S. serving the foot & ankle market.

Extremity Medical's innovative product portfolio includes advanced implant systems for addressing Charcot neuropathy in diabetic patients and less-invasive surgical implants to correct common foot deformities and address trauma and arthritis. Extremity Medical also offers a revolutionary total wrist replacement to restore more natural wrist motion in arthritic patients.

Extremity Medical entered into a strategic relationship with Henry Schein, Inc. (NASDAQ: HSIC), a leading FORTUNE 500 global healthcare products and solutions company and a significant new entrant in the orthopedic extremities market. The relationship is part of Henry Schein's expansion in orthopedics and complementary to Schein's pending acquisition of TriMed, Inc., one of the largest privately held upper extremity players.

In addition, England also closed a total of \$21 million in convertible note and working capital financings for Extremity Medical between June and November of 2023. Extremity Medical is using the new capital provided by its latest financings to invest in the growth of its business and refinance existing debt.

EXTREMITY
MEDICAL

has entered into a
strategic partnership with

 HENRY SCHEIN®

Exclusive Financial Advisor

EXTREMITY
MEDICAL

\$18,000,000
Convertible Notes

Exclusive Placement Agent

EXTREMITY
MEDICAL

\$3,000,000
Working Capital
Debt Financings

Exclusive Placement Agent

2023 Activity

England had a record year in 2023, completing 6 transactions, 5 of which were in orthopedic medical devices




has entered into a
strategic partnership with



Exclusive Financial Advisor



has been acquired by



Sell-side Advisor



\$18,000,000
Convertible Notes

Exclusive Placement Agent



Recapitalization by




Exclusive Financial Advisor



\$3,000,000
Working Capital
Debt Financings

Exclusive Placement Agent



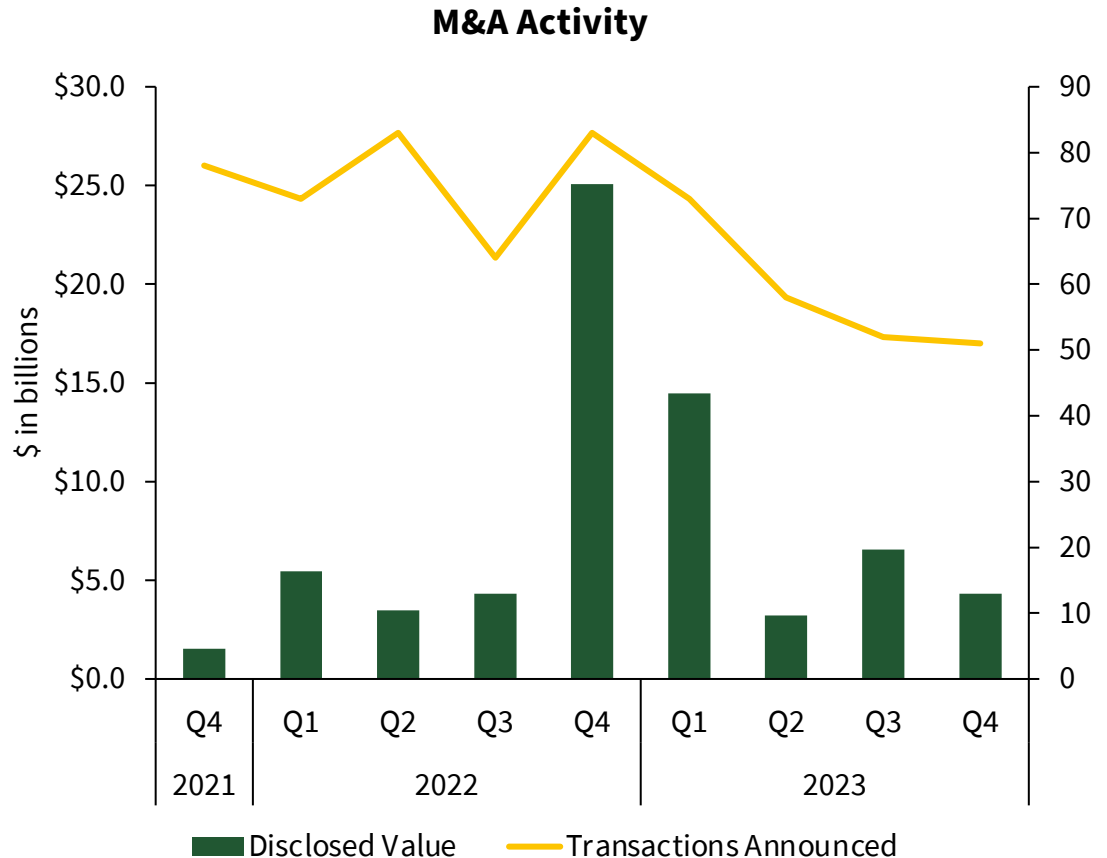
\$38,500,000
Series C Preferred Stock,
Closing of 2nd Tranche

Exclusive Placement Agent

OEM Merger & Acquisition Activity

Transaction volume was lower quarter-over-quarter, with 51 transactions versus 52 in Q3 2023. Additionally, total transaction value dropped to \$4.3 billion from \$6.6 billion in the previous quarter.

The number of transactions declined for the fourth consecutive quarter, continuing a negative trend that plagued the market in 2023. This slow down has been driven by continued concerns over the global economic and political state of affairs along with the drag of the post-pandemic rising interest rates. These areas are expected to moderate going forward as elections have ended in multiple countries, and the cost of capital for acquirers drops over time. At that point, we believe that M&A will pick up across the industry as companies feel more settled and again look at M&A as a growth engine going forward.

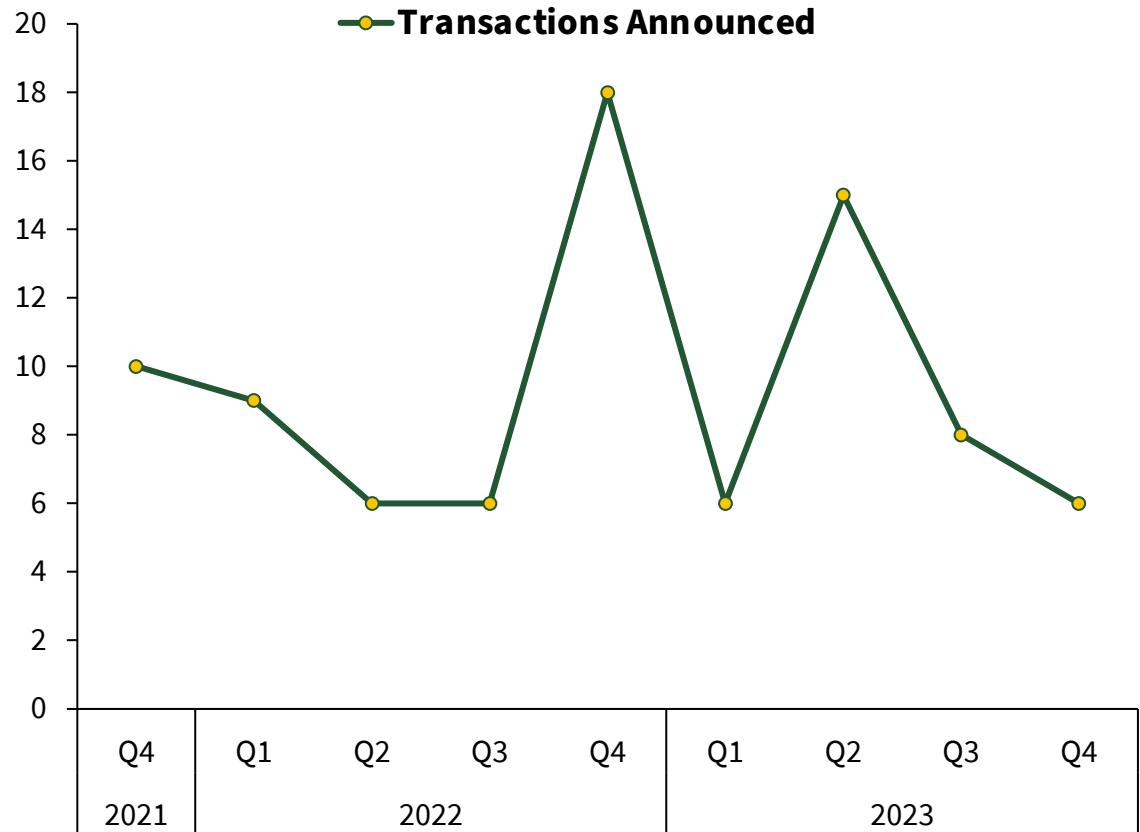


Source: CapIQ

CMO Merger & Acquisition Activity

M&A activity in the CMO sector saw a decline in Q4 2023, returning to the low point seen in mid-2022 and early 2023.

This continued lull is linked to several factors: ongoing recovery from post-Covid supply chain issues, higher capital costs reducing acquisition leverage, and persistent economic uncertainties. Profitable sellers are opting to wait out this economic phase, hoping for better exit opportunities when market conditions improve and valuations rise. In the orthopedic CDMO segment, the anticipation of major players preparing for exits to new PE owners around late 2025 to 2026 also plays a role.



Source: CapIQ

Private Financing Activity

Transaction activity experienced a dip from the previous quarter, dropping from 386 to 374. However, the disclosed funding remained essentially flat.

Despite the fall in the number of deals, the aggregate capital injected has been relatively consistent throughout the past year, averaging \$2.7 billion per quarter.

We observe a concentrated interest in later-stage deals, which are typically larger in scale. Additionally, in the face of economic uncertainties many funds are reserving capital for their current investments.

In the fourth quarter of 2023, there were 374 financings:

- The total invested capital declined 7.3% from the same quarter of the previous year.
- The average fundraising amount saw a 5.2% increase to \$7.5 million from \$7.1 million YoY and a 5.5% increase from \$7.1 million in the third quarter of 2023.

U.S. Financing Trends



Source: PitchBook and England & Company. (1) For most recent three quarters, number of transactions has been adjusted to reflect historical days in PitchBook data collection. Disclosed funding is not adjusted; note that it is likely understated.

Q4 2023 Notable OEM M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
	 CARL ZEISS MEDITEC	December 2023	\$1,075.0	n/a	n/a
 ZIMMER BIOMET spine		December 2023	\$375.0	n/a	n/a
Certain Companies of 	 Diagnostics	December 2023	\$350.0	n/a	n/a
		November 2023	\$330.0	n/a	n/a
 Assets of		December 2023	\$280.0	3.0x	n/a
		November 2023	\$0.8	n/a	n/a
		December 2023	n/a	n/a	n/a
		December 2023	n/a	n/a	n/a
			Median	n/m	n/m

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

Q4 2023 Notable CMO M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
 Paragon Medical	 AMETEK	October 2023	\$1,900.0	3.7x	15.8x
 Japan Medical Device Technology	 kaneka	November 2023	n/a	n/a	n/a
 KOSCHER & WÜRTZ GMBH CHIRURGISCHE INSTRUMENTE • SURGICAL INSTRUMENTS	 DIENER Chirurgische Instrumente seit 1900	November 2023	n/a	n/a	n/a
 seisa medical	 TEKNIPLEX Healthcare	November 2023	n/a	n/a	n/a
 I-Tek Medical design • develop • manufacture	 VitaTek	November 2023	n/a	n/a	n/a
 ISOMETRIC MICRO MOLDING	 NISSHA MEDICAL TECHNOLOGIES	December 2023	n/a	n/a	n/a
			Median	n/m	n/m

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

Q4 2023 Developing Trends

Rising Trends in Orthopedic M&A: 2023's Dynamic Shift



In 2023, the orthopedic sector experienced a notable resurgence in M&A activity. This surge was the first year-over-year increase in M&A transactions since 2020. Remarkably, orthopedic M&A, representing a mere 14% of the total medtech market, disproportionately accounted for 25% of all medtech M&A. This trend underscores the sector's appeal and growth potential. Q4 was particularly robust as M&A in the ortho market remained strong at year-end.

M&A has seen a preference for companies at commercial stage or possessing highly differentiated technologies with a clear market adoption pathway. Spine, extremities, and regenerative technology companies continue to dominate in orthopedics.

Impact of GLP-1 Weight Loss Medications May Be Stabilizing



In our Q3 2023 MedDevNews, we wrote that weight loss medications like Ozempic and Wegovy fueled the decline in medical device stocks, which we now believe was a knee-jerk reaction based on their potential positive long-term societal impact. Analysts were surprised when, in January 2024, hospital administrators reported that bariatric weight loss surgery volumes increased in Q4 2023. The improvement is predicted to continue over the next year, suggesting that the initial effects of the Ozempic craze may stabilize.

That said, there is anecdotal evidence that both the cost and difficulty of procuring the medicines are keeping some individuals who are otherwise interested from trying the treatments. We believe that these medications are still in their infancy and will only have a major impact on society if they are available and affordable to the majority of the population in need.

Adapting to Innovation: Regulatory Challenges and Advancements in MedTech

The 2024 outlook for medtech regulation is complex, primarily shaped by the rapid integration of advanced technologies such as artificial intelligence (AI) and machine learning in medical devices.

Additionally, there is a significant emphasis on diversifying clinical trial participation, leveraging the advancements in digital health, and dealing with the high volume of submissions, partly a legacy of the Covid-19 pandemic.

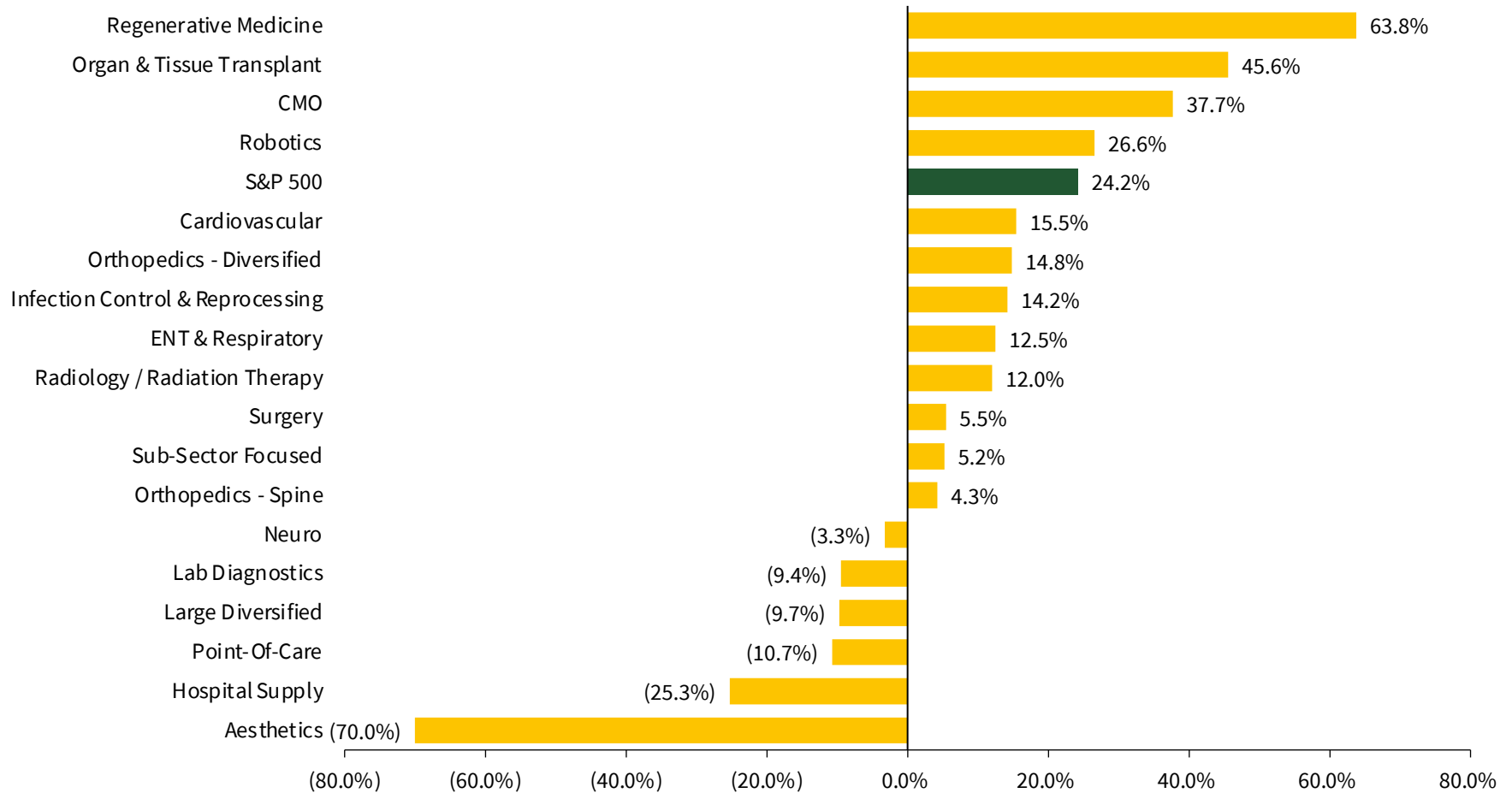
In Europe, discussions about delaying the implementation of MDR reflect the challenges of adapting to new regulatory landscapes. We believe the next couple of years could be telling for the European Commission, which has pushed many medical device companies to drop out of the EU because of onerous MDR requirements in the face of much lower ASPs, while at the same time, some European countries and Australia consider accepting FDA approvals in lieu of EC approvals.



Source: Orthoworld, MEDTECHDIVE

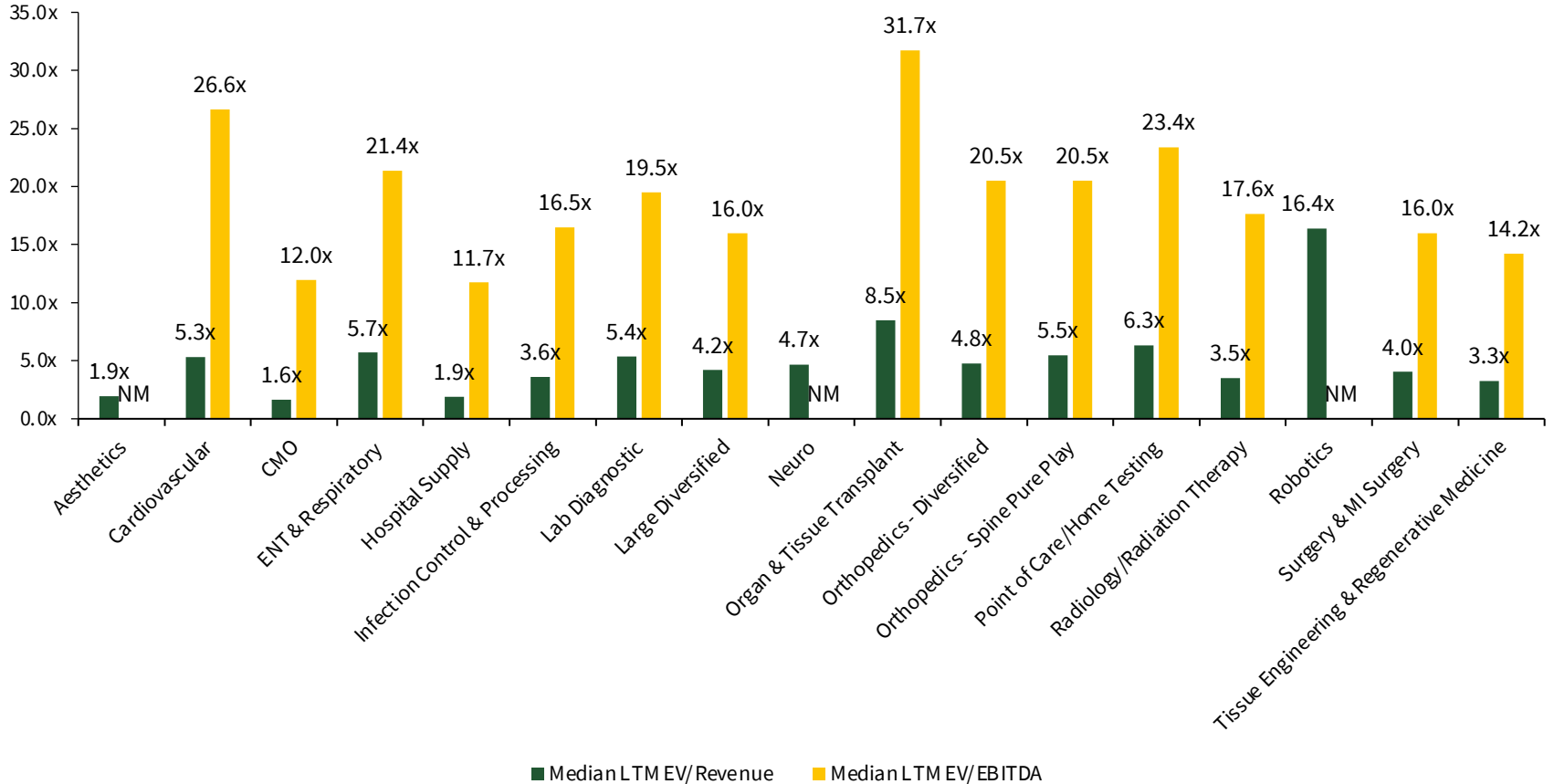
Public Market Performance

12 Month Stock Returns

























Source: NASDAQ

Public Company Analysis by Sector



Source: NASDAQ

Recent Medical Device Experience

 <p>has entered into a strategic relationship with</p>  <p>Exclusive Financial Advisor</p>	 <p>has been acquired by</p>  <p>Sell-side Advisor</p>	 <p>\$18,000,000 Convertible Notes</p> <p>Exclusive Placement Agent</p>	 <p>\$38,500,000 Series C Preferred Stock</p> <p>Exclusive Placement Agent</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>
 <p>has been acquired by</p>  <p>A subsidiary of Colfax</p> <p>Sell-Side Advisor</p>	 <p>\$12,700,000 Series C-1 Preferred Stock</p> <p>Exclusive Placement Agent</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>	 <p>has been acquired by</p>  <p>Rosen's Diversified, Inc.</p> <p>Sell-Side Advisor</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>
 <p>has been acquired by</p>  <p>COMPANIES OF Johnson & Johnson</p> <p>Sell-Side Advisor</p>	 <p>has acquired</p>  <p>Buy-Side Acquirer</p>	 <p>has acquired</p>  <p>Buy-Side Acquirer</p>	 <p>has made a strategic investment in</p> <p>Israeli Medical Device Company</p> <p>Exclusive Placement Agent</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>

See disclaimer on page 14

About England & Company

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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