

MedDevNews

Q3 2024

 ENGLAND & COMPANY
INVESTMENT BANKING







20 YEARS
OF TRUSTED ADVICE

Featuring:

- Quarterly Overview
- Market Trends
- Relevant Transaction Activity

Q3 2024 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		54 Transactions	+ 3.8% Change YoY		\$8.8 billion Transaction Value	+ 33.8% Change YoY
CMO M&A		8 Transactions	0.0% Change YoY		N / A Transaction Value	N / A Change YoY
Private Financings		322 Transactions	- 16.7% Change YoY		\$3.1 billion Transaction Value	+13.9% Change YoY
Public Companies		3.3x Median EV / Revenue	16.7x Median EV / EBITDA		+7.0% Median Revenue Growth YoY	66.0% 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.

Sources: CapIQ, Med Device Online

Recent Activity

October 2024



COLLAGEN SOLUTIONS

has been acquired by



rti surgical

The undersigned served as exclusive financial advisor to Collagen Solutions in this transaction



ENGLAND & COMPANY

Overview of the Transaction

Collagen Solutions is a global supplier, developer, and manufacturer of medical-grade collagen, tissues, and other biomaterials for use in regenerative medicine. The Company's expertise includes engineered tissue scaffolds and biomaterials-based medical devices. These products are used in a wide array of therapeutic applications, including cardiovascular, dental, orthopedics, neurosurgery, wound healing and biosurgery, and research. RTI Surgical is a leading contract development and manufacturing organization (CDMO) pushing the boundaries of innovation in tissue engineering to meet patient needs in regenerative medicine and serves as an expert partner to OEM customers, working with them to identify clinical problems and develop customized solutions for patients. RTI is owned by Montagu Private Equity, a private equity firm based in the U.S. and France that manages \$12 billion.

RTI's acquisition of Collagen Solutions will broaden RTI's soft tissue portfolio by leveraging Collagen Solutions' proficiency in bovine and porcine collagen materials. This transaction will also facilitate access to rapidly growing therapeutic fields, and it has the potential to expedite the creation of pioneering biomaterials with combination products and improve patient outcomes.

Our Role

- England & Company served as the exclusive financial advisor to Collagen Solutions in the strategic sale to RTI Surgical, a portfolio company of Montagu Private Equity
- England was hired to find ideal strategic buyers who could best leverage Collagen Solutions' expertise in bovine and porcine collagen and tissue materials
- The England healthcare team quickly assembled marketing materials and conducted focused outreach to the appropriate set of buyers and successfully generated interest and multiple bids
- With England's assistance, Collagen Solutions determined RTI Surgical was the best buyer for the Company, and England led the negotiation process and managed the transaction through completion
- The transaction was announced in September 2024 and closed in October

Q3 2024 Quarterly Overview



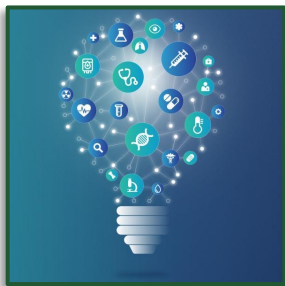
Hot Market - Organ Transplant

The transplant market has witnessed significant expansion in recent years and is anticipated to sustain robust, double-digit growth, projected to exceed \$10 billion by 2034. This growth trajectory is primarily driven by escalating demand and a transition from conventional preservation techniques (such as ice storage) to innovative technological solutions, reflecting an upward trend in the average cost of transplant procedures. In August 2024, Getinge announced that it would be acquiring Paragonix, a leading company in organ transport products and services. The acquisition was valued at \$477 million, or 11.1x 2023 revenue. The organ and transport services space is also hot, with stocks exhibiting double-digit revenue and massive share price growth.



Tempus AI Surges Post-IPO

An early indicator of the thaw in the freeze on medtech IPOs was the public listing of Tempus AI on June 14. The precision medicine firm debuted with a post-money valuation of \$5.7 billion, representing a 9.5x multiple of TTM revenue, and at the end of the quarter, its shares closed at a 53% increase over the \$37 pricing, bringing the company's valuation at that time to \$8.7 billion. This performance starkly contrasts the valuation declines experienced by many startups that went public during the Covid-19 pandemic, especially those that underwent the now-unpopular deSPAC process. Tempus's strong share price performance following its IPO may suggest investor interest in IPOs is returning, a positive sign for the IPO market as we approach 2025.



Medtech Valuations Stabilize

Both the enterprise value (EV)/revenue and EV/EBITDA ratios have slightly increased in the medtech sector, reflecting cautious optimism in a challenging economic environment. In contrast, the consumer health segment has seen a sharper rise in valuation multiples, reaching their highest level since mid-2022, supported by growing venture capital activity in digital health. Brands like Haleon have gained investor interest due to their focus on essential, resilient consumer health products, which provide stable returns and lower volatility in uncertain markets.

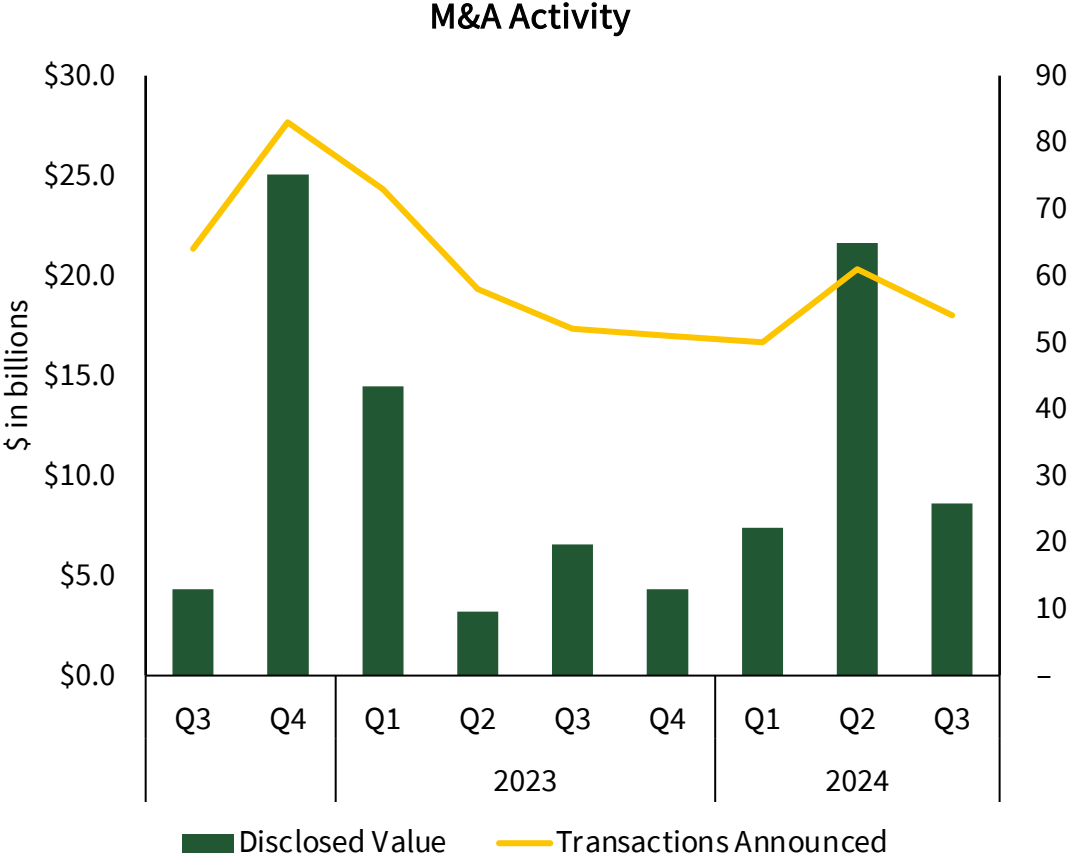
Source: Pitchbook, OrthoSpineNews

OEM Merger & Acquisition Activity

While still lower than in 2022, early 2023, and Q2 2024, transaction volume was up year-over-year, with 54 transactions announced in Q3 2024 versus 52 in Q3 2023.

Additionally, the total transaction value increased to \$8.6 billion in Q3 2024 from \$6.6 billion in the same period the previous year.

In Q3, we witnessed what we believe to be the beginning of a rebound in M&A since Q1 2023. Company earnings are improving, OEMs have finally started overcoming supply chain issues and post-COVID ripple effects, and investor confidence has returned to the overall market. Large players such as Edwards Lifesciences were particularly acquisitive.



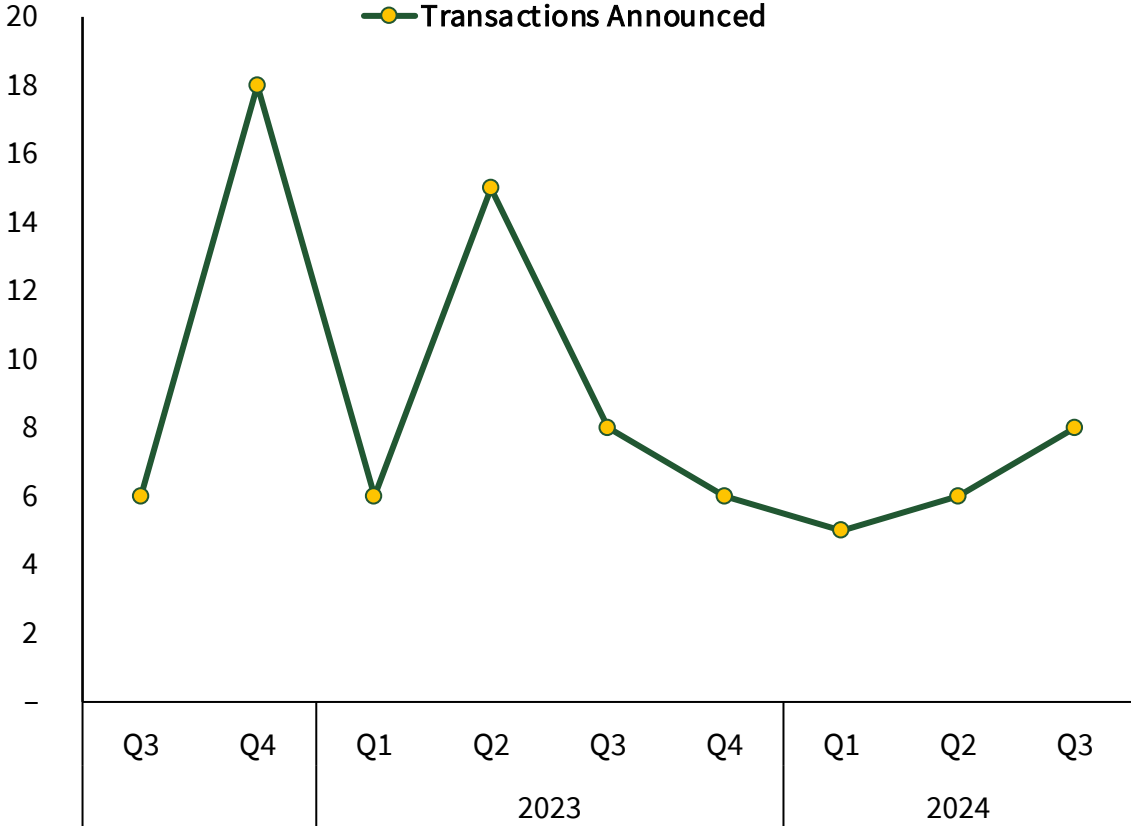
Source: CapIQ

CMO Merger & Acquisition Activity

M&A activity in the CMO sector continued its upward trend, with eight announced transactions in Q3. While still lower than peak levels seen in late 2022, activity is showing signs of steady recovery.

In Q3, CMO M&A activity built on the momentum from the previous quarter, with transactions increasing as the sector works to re-establish pre-pandemic growth trajectories. A key trend driving this activity is the ongoing trend of broadening capabilities, such as expansion into clinical trial services and preclinical research. By integrating services across the value chain, facility investments over the past 24 months have begun to provide returns with increasing liquidation events.

Concerns about supply chain disruptions and overcapacity are diminishing as companies invest strategically in multi-site production capabilities. This proactive approach is designed to ease client concerns over scalability, with larger CMOs enhancing domestic and international infrastructure to boost resilience and meet global demand.



Source: CapIQ

Private Financing Activity

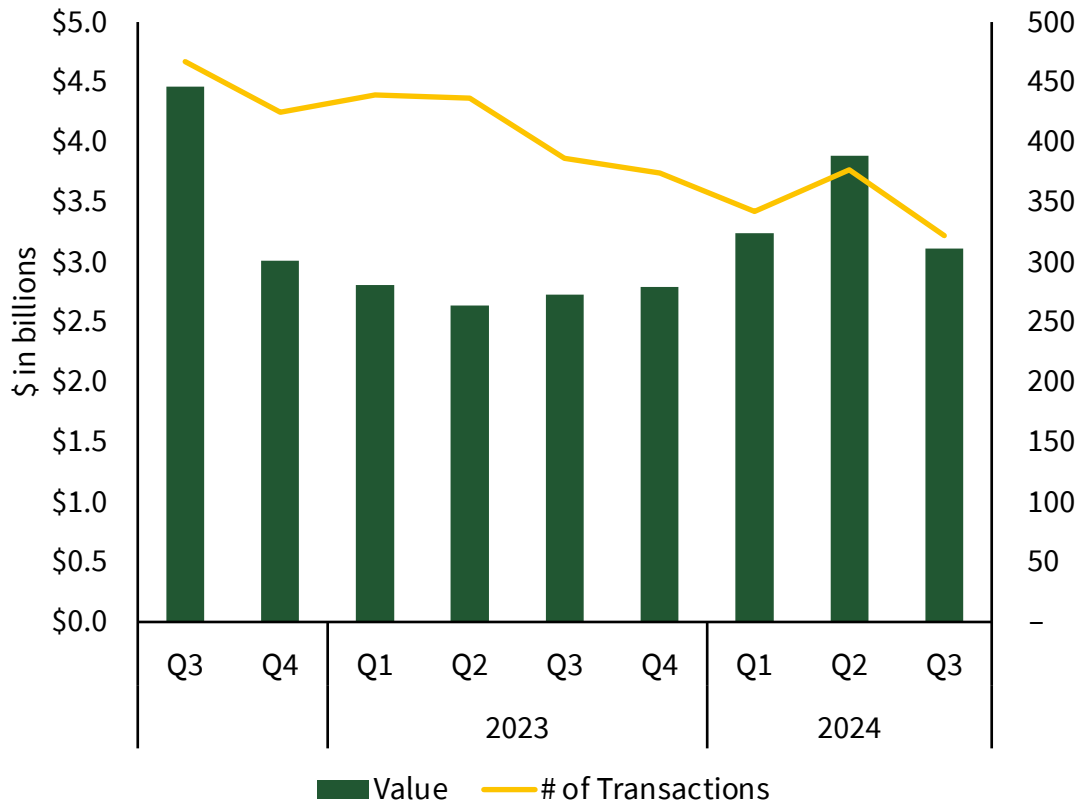
After a brief increase in Q2 2024, transaction activity slightly declined in Q3, with 322 transactions announced, down 17% from Q3 2023.

Despite this reduction in activity, aggregate capital deployment remained robust during the quarter, exceeding \$3.1 billion, representing a 13.9% increase from 2023.

Investment in the sector has been under pressure since 2021. However, the increase in investment during Q2 2024 indicates a potential path toward a more sustained recovery and growth in the sector.

Throughout the quarter, investment and partnership upfront check sizes remained relatively modest. The average deal size was \$9.7 million, reflecting a 36.7% increase from \$7.1 million in Q3 2023 and a slight increase from \$9.5 million in Q1 2024.

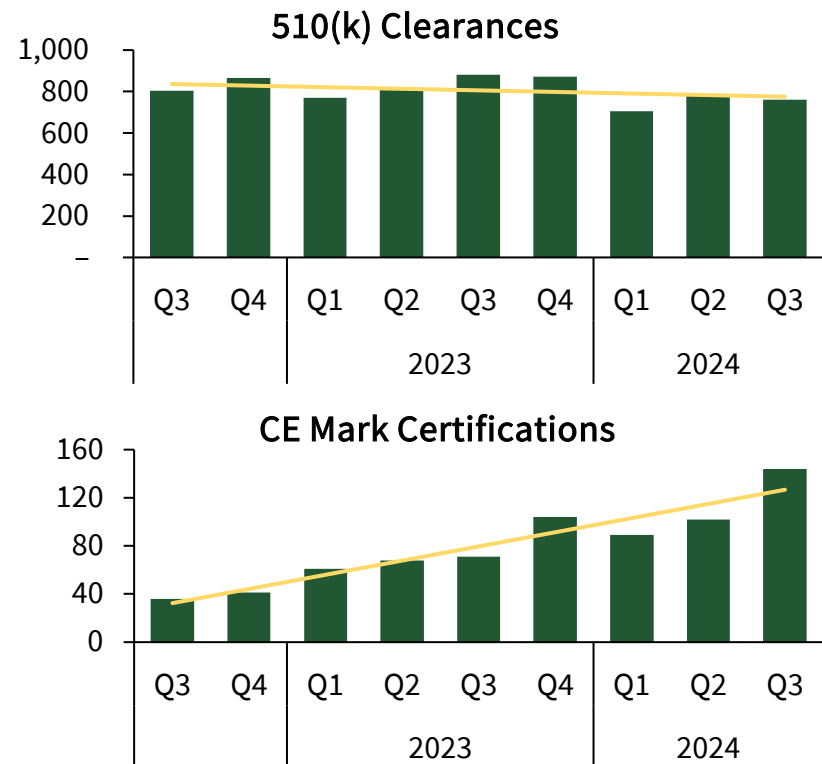
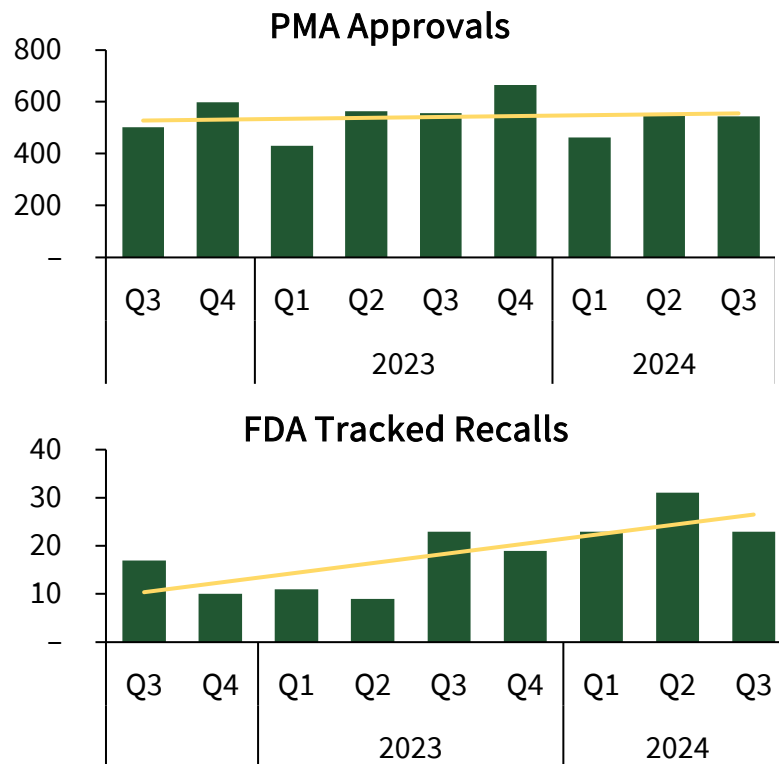
U.S. Financing Trends



Source: PitchBook















Regulatory Trends

In Q3 2024, PMA approvals declined from the previous quarter and were lower than in Q3 2023. 510(k) clearances fell this quarter and were lower than in the same period in 2022 and 2023. Overall, both have exhibited relatively stable patterns over the past few years. Increased regulatory scrutiny has driven a gradual increase in FDA-tracked recalls, a trend that continues in Q3. Anticipated FDA regulations on quality management systems, laboratory-developed tests, and marketing authorization submissions present additional compliance challenges for medical device companies. The CE Mark Certification shown are all under the new MDR regulations that became effective in May 2021, hence the steady rise. The final deadlines to transition to MDR have been extended multiple times and are now at the end of 2027 and 2028.



















Source: FDA.gov

Q3 2024 Notable OEM M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
 Vantive	CARLYLE	August 2024	\$3,830	0.9x	–
 V-WAVE	MDBS <small>Medical Device Business Solutions</small>	August 2024	\$1,700	–	–
 JENAVALVE	 Edwards Lifesciences	July 2024	\$1,357	–	–
 ENDOTRONIX	 Edwards Lifesciences	July 2024	\$945	–	–
PARAGONIX	GETINGE 	August 2024	\$477	11.1x	–
 innovalve <small>heart of stability</small>	 Edwards Lifesciences	July 2024	\$325	–	–
 HAMILTON THORNE	 astorg.  FAX CAPITAL	July 2024	\$287	3.8x	–
 ORTHOGRID	 ZIMMER BIOMET	August 2024	\$180	–	–
			Median	3.8x	–

Source: CapIQ
(1) May include an earn out

Q3 2024 Notable CMO M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
		September 2024	\$120	1.0x	7.8x
		July 2024	\$110	1.5x	6.0x
		September 2024	–	–	–
		September 2024	–	–	–
		September 2024	–	–	–
		September 2024	–	–	–
		August 2024	–	–	–
		July 2024	–	–	–
			Median	1.3x	6.9x

Source: CapIQ
(1) May include an earn out

Q3 2024 Developing Trends



Mayo Clinic and Sandbox AQ to study Quantum Sensing AI Medical Device

Mayo Clinic has partnered with startup SandboxAQ to evaluate a novel medical device that integrates quantum sensing technology with advanced AI algorithms for cardiac diagnostics. The device, known as CardiAQ, employs magnetocardiography (MCG) to non-invasively and rapidly assess heart conditions, potentially detecting issues like heart attacks more efficiently than traditional methods. The collaboration includes a clinical study at Mayo involving approximately 150 patients between 2024 and 2025, aiming to compare MCG findings with angiography results. This initiative reflects a broader trend of integrating AI and quantum technologies to enhance cardiology diagnostic accuracy and patient care.



Orthopedic Surgical Robot Evolution

The global orthopedic surgical robot market is expected to grow 27% annually from 2024 to 2028 and reach \$1.5 billion by the end of that period. The increasing adoption of robotic surgical platforms, driven by the limitations of traditional surgeries and a rising trend towards minimally invasive surgery (MIS) procedures in orthopedics, is identified as a key driver for market growth. However, the high costs associated with equipment and maintenance present a notable challenge. The emergence of smart, automated handheld instruments, such as those developed by THINK Surgical, that are significantly less costly than a large full robot is going to pose a competitive challenge to the full robots and are likely to lead the charge in the ASC setting.



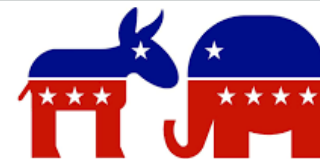
Increased Focus on Women's Health

This September, England attended the Women's Health Innovation Summit, where the consensus was that there was a greater need for funding and better technologies. Companies in every area of women's health attended, and a number of promising new companies presented. Last year, the White House created its Initiative on Women's Health Research to boost investment and conditions that disproportionately impact women. Some have warned that a Trump administration could mean less access and research. Still, others remain hopeful, with legislation such as the Endometriosis CARE Act and the Women and Lung Cancer Research and Preventative Services Act of 2024 receiving bipartisan support. Due to the importance of women's health, England has launched its new Women's Health sector breakout on its public market performance analyses on pages 12 and 13.

Sources: CapIQ, OrthoSpineNews, Technavio, MedTech Dive, Femtech World

Potential Election Impacts

The recent election has resulted in a consolidated GOP leadership, with control of the White House, Senate, and House of Representatives. This shift may drive notable changes in regulatory, tax, trade, research, and other policies that could have sizeable impacts on the sector. Companies should be prepared for potential shifts in the business landscape likely to shape strategic decisions and market outlook. Key anticipated effects include:



Tariffs on Chinese Imports

1 Trump's administration is likely to increase tariffs on imports from China. Medical device manufacturers that import from China would be faced with the decision between paying higher prices to import, relocating production, or potentially paying higher costs for domestic sourcing.

Corporate Tax Environment

2 The GOP is expected to maintain or lower corporate tax rates. This would provide favorable conditions for medical device companies, enhancing profitability and encouraging investments.

Individual Capital Gain Tax Stability

3 With GOP control, the likelihood of capital gains tax hikes diminishes significantly. This stability will reduce the urgency for LLC and S-Corp owners to sell their companies before the end of 2025. This would likely affect capital flow and add longevity to the M&A environment.

FDA Regulatory Changes

4 Impacts remain unclear. Scott Gottlieb, appointed under Trump's first administration, was quite friendly to industry and made favorable changes there. We await news of Trump's selection for the new FDA head. The Department of Governmental Efficiency is expected to streamline operations, potentially meaning quicker FDA approvals, unless cuts to the agency leave it understaffed. The administration has also expressed interest in a stricter FDA as a part of "Make America Healthy Again," spearheaded by Robert Kennedy, Jr. While we understand this to be related mainly to drugs, it is possible there could be ripple effects on the device side.

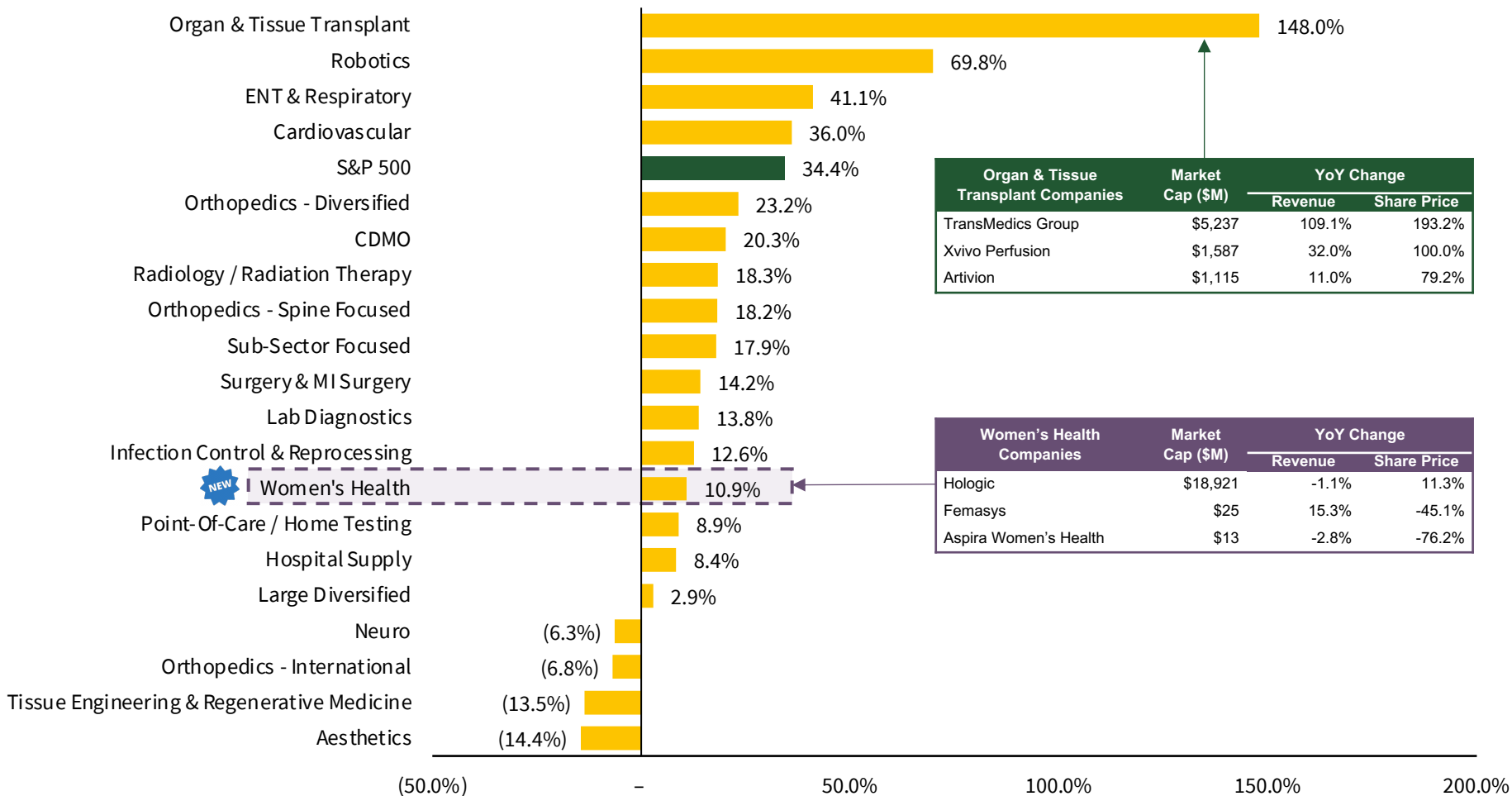
Abortion and Reproductive Rights

5 While women's health advocates are concerned that Trump would impose a national ban, Trump has iterated that he would not push for one, and it would be left up to the states. However, uncertainty remains about what Congress might attempt to do if anything, and how Trump might respond. Any ban or changes to regulations regarding abortion, IVF, or contraction could impact devices, drugs, or other supplies in these spaces.

Source: CapIQ, Wall Street Journal, Femtech World

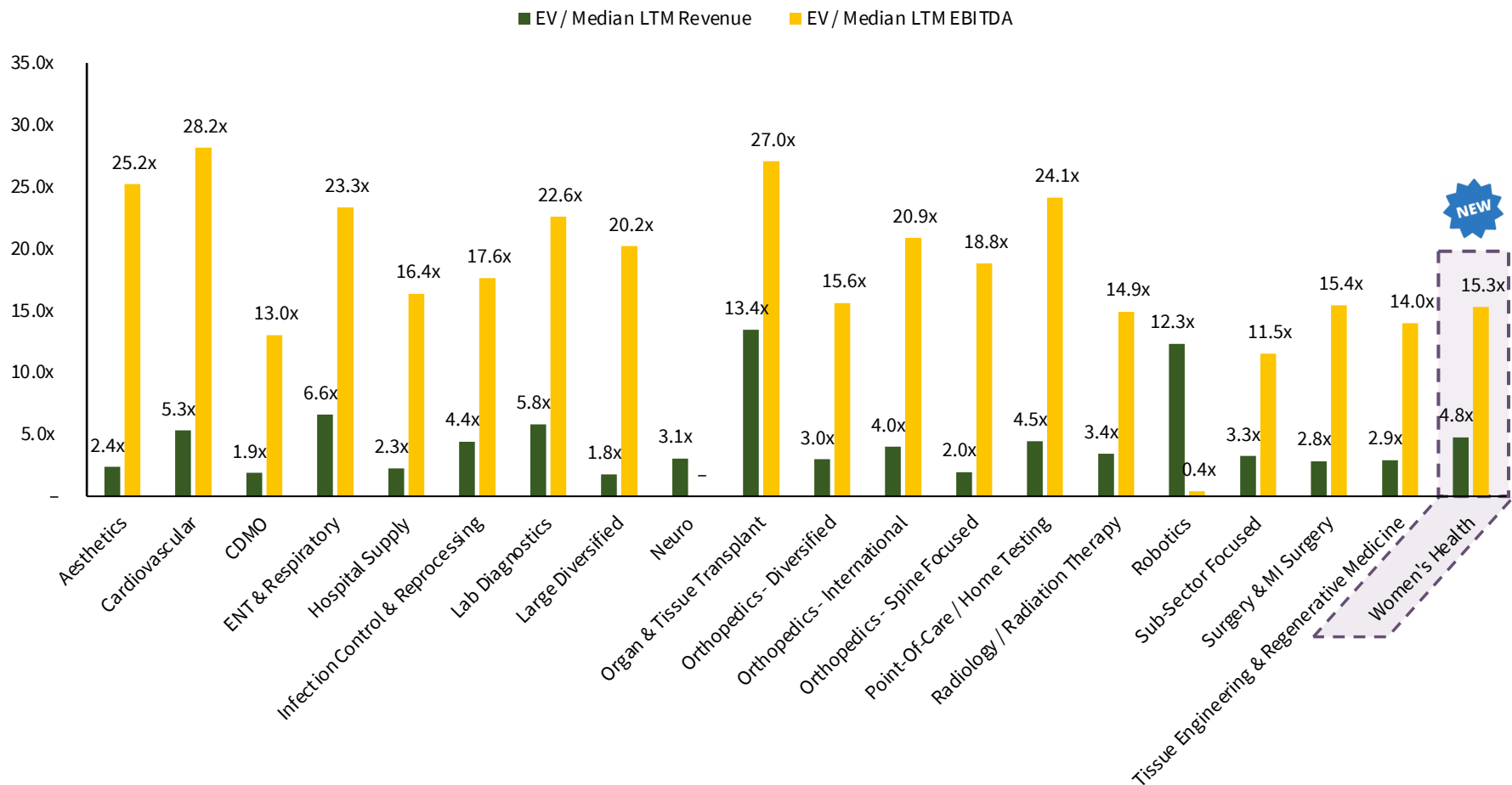
Public Market Performance

12-Month Stock Returns



Source: CapIQ

Public Company Analysis by Sector



Source: CapIQ

Recent Medical Device Experience

 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>	 <p>\$38,500,000 Series C Preferred Stock</p>  <p>Exclusive Placement Agent</p>	 <p>has entered into a strategic relationship with</p>  <p>Exclusive Financial Advisor</p>	 <p>\$18,000,000 Convertible Note</p> <p>Exclusive Placement Agent</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>Sell-Side Advisor</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>	 <p>\$31,000,000 financing by</p>  <p>Financial Advisor</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>
 <p>has received an investment from</p>  <p>Financial Advisor</p>	 <p>has been acquired by</p>  <p>A subsidiary of Colfax</p> <p>Sell-Side Advisor</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>	 <p>has been acquired by</p>  <p>Sell-Side Advisor</p>	 <p>has been acquired by</p>  <p>Buy-Side Advisor</p>

See disclaimer on page 13

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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.englishandco.com.

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