

Healthcare & Life Sciences Perspectives

September 2024



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H&LS Deal Highlights

4% increase in YOY deal volume
23% increase in YOY deal value
21% Private equity involvement

Notable Quotes & Trends:

"The average person eats 800 calories less per day while on a GLP-1 weight loss drug" – David Ricks, Eli Lilly CEO

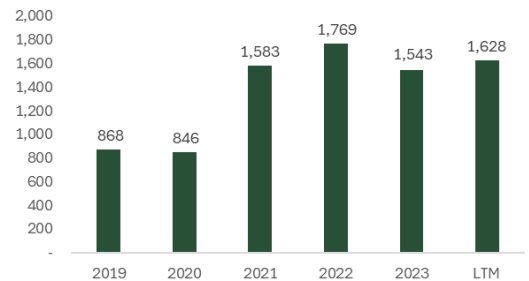
California is progressing toward passing a bill that will expand its control of healthcare transactions involving private equity groups or hedge funds. The bill, which would cover transactions entered into, on, or after January 1, 2025, would require the state's Attorney General to preapprove certain transactions and would prohibit private equity group or hedge fund control over physician practices.

One in eight, or about 13%, of American adults have used a GLP-1 agonist, and approximately 7% of adults are using one regularly. By 2030, it is expected that over 30 million people in the US will use a GLP-1 agonist.

PROGNOSIS FOR HEALTHCARE & LIFE SCIENCES M&A ACTIVITY IS MIXED

M&A volumes in the Healthcare & Life Sciences industry have varied by subsector and this will likely continue through the balance of 2024. Biopharma and drug discovery deal-making has nearly doubled in 2024 over the same period in 2023 as large pharma companies grapple with expiring patents and shrinking organic portfolios. The slow to recover IPO market is also driving increased M&A activity as the go-public option for VCs and PE firms seeking an exit has diminished. On the flip side, increased regulation has stagnated deal-making in certain subsectors such as physician practice management where state and federal regulators are insisting on more scrutiny in the form of pre-closing notification, and in some instances, approval of private equity investment in the industry. Perhaps a bigger regulatory concern is the impact of the Inflation Reduction Act on prices, given the sweeping authority the bill gives governmental authorities to impose price controls and caps. If implemented poorly, many believe the legislation has the real potential to stymie competitiveness and innovation while dampening valuations and investor interest. Unfortunately, it will take several years before the real effects of the legislation are fully understood.

Healthcare & Life Sciences M&A Activity



PRIVATE EQUITY RECOVERY

Private equity deal flow in the industry has finally seen a reversal in the downward trend that persisted for most of 2023 into early 2024. The perfect storm of economic uncertainty, elevated interest rates, labor challenges, and contracting reimbursement rates has somewhat subsided, but challenges remain in these areas for LBO deal-making to accelerate in earnest. The abundance of dry powder and improved capital markets will likely entice seasoned investors to opportunistically pursue attractive acquisition opportunities in the less regulatory-sensitive subsectors in the coming months.

ELECTION YEAR IMPACT

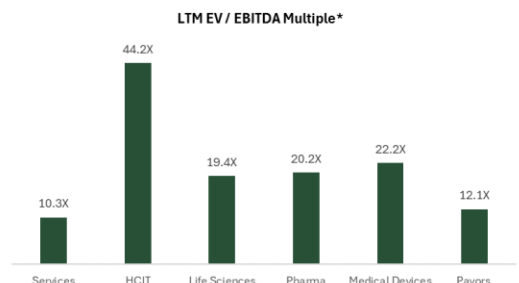
M&A activity may slow the remainder of the year as polls have tightened and all eyes are now focused on the upcoming election as a new President and a change in the balance of Congress could result in either minor refinements or major policy shifts regarding healthcare legislation and pricing. The current uncertainty regarding the outcome of the election could cause both private equity and corporate buyers to pause acquisition ambitions for the time being and adopt more of a "wait and see" approach to deal-making. The exception may be cash rich strategic buyers that can't put off the need to protect and grow market share while enhancing innovation via M&A.

DEAL & VALUATION TRACKER

Recent H&LS Headline Deals

Acquirer	Target	Value (billions)
Johnson & Johnson	SHOCKWAVE MEDICAL	\$13.1
KKR	COT YIFI	\$5.6
VIRTIX	ALPINE THERAPEUTICS	\$4.9
GILEAD	CORGEN	\$4.3
BD	Edwards	\$4.2

Public H&LS Multiples



*As of 8/30/24

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