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Insights into Healthcare M&A: Q2 2024 Trends

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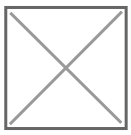
Healthcare M&A activity remained robust in the second quarter of 2024, with 33 transactions vs. 30 in 2023. Biopharma was the most active healthcare subsector, representing 58% of deal volume, with several notable transactions, including Vertex's acquisition of Alpine and Ono's acquisition of Deciphera. MedTech transaction value increased notably, largely driven by Johnson & Johnson's approximately $12 billion acquisition of Shockwave Medical. We expect Biopharma M&A activity to remain robust as large biopharmaceutical companies attempt to fill revenue and pipeline gaps via acquisitions of late- or commercial-stage companies. We expect both private and publicly traded pre-commercial biopharma companies to continue pursue the full range of strategic alternatives, including partnerships, mergers and sale transactions as well as IPOs and fallen angel public company mergers to access public markets.

HEALTHCARE | M&A THEMES

- Healthcare M&A transaction value was $51B in Q2 2024, down 4% from $53B in Q2 2023, whereas deal volume was up 10%, with 33 transactions in Q2 2024 compared to 30 transactions in Q2 2023.
    - There were several multi-billion dollar deals of note, including Vertex's acquisition of Alpine Immune Sciences and Johnson & Johnson's acquisition of Shockwave Medical in the Biopharmaceuticals and Medical Devices sub-sectors, respectively.
- Biopharmaceuticals was the most active sub-sector of Healthcare in terms of deal volume, accounting for 19 of the 33 deals in Q2 2024, up from the 10 deals in Q2 2023; however, Biopharma was a close second to MedTech in deal value, achieving nearly $21B in Q2 2024, down from the $27B in Q2 2023.
    - Inflammation & Immunology was the most active therapeutic area, with 6 transactions totaling $9B in deal value.
    - Oncology was the second most active therapeutic area, with 3 transactions totaling $6B in deal value.
- MedTech transaction value was $21B in Q2 2024, a significant increase compared to Q2 2023 due largely to Johnson & Johnson's acquisition of Shockwave Medical ($12.3B) and Becton Dickinson's acquisition of Edwards Lifesciences' Critical Care Business ($4.2B).
- Healthcare services activity decreased relative to Q2 2023, with 5 transactions totaling $8B in deal value in Q2 2024 vs. 12 transactions totaling $24B in Q2 2023.

HEALTHCARE | M&A ACTIVITY



> Source: Dealogic, Scope Research, SEC filings, Company press releases. Deal inclusion criteria: Equity Value >$100 million as of 06/27/24.

2Q 2024 HEALTHCARE | M&A ACTIVITY

2Q 2024 HEALTHCARE | M&A Activity

$ in millions

Ann. Date	Target	Acquirer	Equity Value	Enterprise Value	Contingent Consideration	Total Deal Value	1-Day Premium
06/27/24	Celsius Therapeutics	AbbVie	$250	$250	-	$250	NA
06/24/24	Alimera Sciences Inc	ANI Pharmaceuticals	308	381	$35	416	75%
06/11/24	Shopko Optical	Fielmann Group AG	290	290	-	290	NA
06/03/24	Edwards Lifesciences Critical Care Business	Becton, Dickinson and Company	4,200	4,200	-	4,200	NA
06/03/24	Stericycle Inc.	Waste Management, Inc.	5,753	7,137	-	7,137	24%(1)
05/31/24	Behavioral Innovations	Tenex Capital Management	300	300	-	300	NA
05/29/24	Surmodics, Inc.	GTCR	613	610	-	610	23%
05/29/24	Eyebiotech	Merck	1,300	1,300	1,700	3,000	NA
05/28/24	Atrion Corporation	Nordson Corporation	810	800	-	800	(1%)
05/28/24	Yellow Jersey	Johnson & Johnson	1,250	1,250	-	1,250	NA
05/28/24	Calliditas Therapeutics	Asahi Kasei	1,124(2)	1,141(2)	-	1,141	83%
05/22/24	Human Immunology Biosciences	Biogen	1,150	1,150	650	1,800	NA
05/16/24	Proteologix	Johnson & Johnson	850	850	-(3)	850(3)	NA
05/02/24	Mariana Oncology	Novartis	1,000	1,000	750	1,750	NA
04/30/24	Ecolab (Surgical Solutions Business)	Medline Industries, Inc.	950	950	-	950	NA
04/29/24	Endomagnetics Ltd	Hologic, Inc.	310	310	-	310	NA
04/29/24	Deciphera Pharmaceuticals	ONO Pharmaceutical	2,471	2,198	-	2,198	75%
04/23/24	Enovation	Legrand	535(4)	535(4)	-(4)	535(4)	NA
04/23/24	Escient Pharmaceuticals	Incyte	750	750	-	750	NA
04/11/24	HuFriedyGroup	Peak Rock Capital	788	788	-	788	NA
04/10/24	Alpine Immune Sciences	Vertex Pharmaceuticals	5,150	4,845	-	4,845	67%
04/08/24	Model N	Vista Equity Partners	1,250	1,197	-	1,197	11%
04/05/24	Shockwave Medical	Johnson & Johnson	12,577	12,281	-	12,281	17%(5)
04/03/24	ProfoundBio	Genmab	1,800	1,800	-	1,800	NA
Median							**24%**

Biopharma Deals

(1) Represents premium to last trading day before article reported that Stericycle was considering a potential sale.
(2) Uses exchange ratio of 0.0948 USD:SEK as of announce date.
(3) Does not include ND additional potential milestones.
(4) Deal announced to be €500m+, using exchange ratio of 1.066 USD:EUR as of announce date.
(5) Unaffected date of 03/25/24 given deal leak via Wall Street Journal article on 03/26/24, prior speculation in 2023
Source: Dealogic, Scope Research, SEC filings, Company press releases. Deal inclusion criteria: Equity Value >$250 million as of 06/27/24.

BIOPHARMA | M&A THEMES

Biopharma M&A deal volume was up significantly year over year with 19 transactions in Q2 2024, compared to 10 transactions in Q2 2023. Transaction value was down 28% YoY with two deals in

Q2 2023 increasing transaction value in that quarter, including Merck's acquisition of Prometheus ($10.1B).

- For Q2 2024, Immunology & Inflammation surpassed oncology as the therapeutic area attracting the most strategic interest. In particular, biopharma consolidators demonstrated interest in novel autoimmune candidates in relatively niche indications with few or no therapeutic options (e.g., IgAN where Vertex, Biogen, and Asahi were active). We continued to see interest in large established markets (e.g., Asthma and Atopic Dermatitis where JNJ completed two transactions).
    - Alpine / Vertex ($5.2B equity value at 67% unaffected premium)
    - HIB / Biogen ($1.2B equity value)
    - Yellow Jersey / JNJ ($1.3B equity value)
    - Proteologix / JNJ ($0.9B equity value)
- Acquirors continue to demonstrate significant interest in oncology, in particular, those focused on radiopharmaceuticals and ADCs.
    - Deciphera / Ono ($2.5B equity value at 75% unaffected premium)
    - Mariana / Novartis ($1.0B equity value)
    - Profound / Genmab ($1.8B equity value)
- Public companies that experienced clinical setbacks continued to successfully pursue mergers with private companies and execute significant concurrent financings.
    - OnKure's merger with Reneo Pharmaceuticals was announced in Q2 and included a concurrent $65M PIPE.
    - Tectonic's merger with AvroBio closed in Q2. The company raised $131M through a concurrent PIPE.
    - 14 public-private company mergers have closed 2023-2024YTD and are currently trading at an average premium of 16% and 10% to their stock price at transaction announce and close, respectively.
- Following a 13% selloff to begin the quarter, the XBI was up 4% through end of Q2. Despite this, the XBI trails the Nasdaq and S&P 500 by 14% and 11% year-to-date, respectively.
    - Follow-on activity remained elevated following the record level of issuance in Q1, with $9.4 billion raised across 34 registered offerings and 15 PIPEs. Excluding Q1, this is the highest level of quarterly issuance since Q1' 21.
    - Go-public activity slowed with 3 IPOs and 2 reverse mergers closed.

As stated in our Q1 M&A update, we expect biopharma M&A activity to remain elevated through the remainder of 2024. Given recent market volatility, biopharma companies will continue to seek strategic transactions to access capital, accelerate program development, especially ex-U.S., and provide external validation to programs and technologies. Further, as companies continue to test the IPO market, we expect high quality companies to actively evaluate sale transactions in parallel

as an alternative exit for investors, as we saw throughout Q2. We expect distressed publicly traded companies to continue to pursue private company mergers or cash-out transactions with financial buyers. On the demand side, large biopharma continues to face impending revenue gaps due to anticipated patent expiries and will continue targeting commercial stage or clinically de-risked companies targeting large commercial markets. Larger transactions are possible, and despite the Supreme Court's ruling in Loper Bright vs. Raimondo (Chevron) potentially reducing deal scrutiny over time, we believe given FTC uncertainty large biopharma will remain hesitant to pursue mega deals. We expect to see continued robust activity away from the mega deals.

2Q 2024 BIOPHARMA | M&A ACTIVITY

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