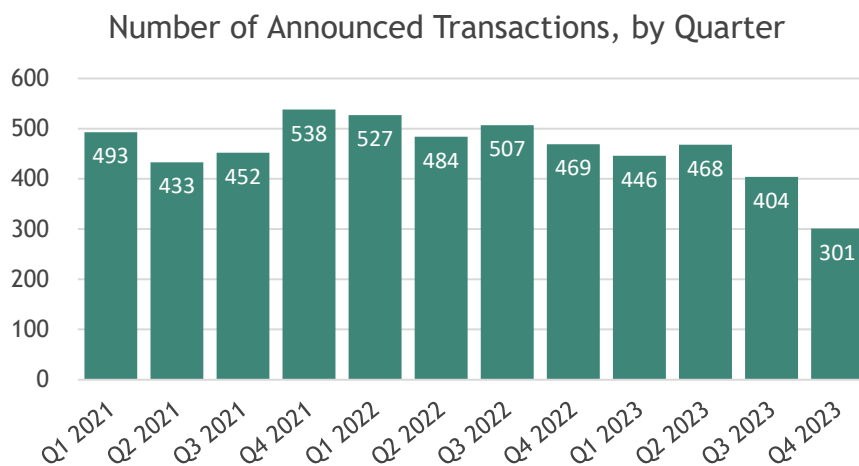


INSIGHTS

Quarterly Healthcare Transactions Review: Unveiling the Latest Industry Mergers and Acquisitions

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Ankura is pleased to present an overview of healthcare transactions announced or closed during Q4 2023 in the United States. Total transactions decreased by 25.5 percent in the fourth quarter of 2023 after decreasing by 13.7 percent in the third quarter. Excluding the Life Sciences and Medical Office Buildings sectors, the total number of transactions in the United States decreased by 20.8 percent.



Source: LevinPro HC database, published by Irving Levin Associates LLC

Notable Transactions Announced or Closed in Q4:

- Bristol-Myers Squibb Company** entered into a definitive merger agreement to acquire Karuna Therapeutics, Inc. for \$12.6 billion on December 22, 2023. Under the terms of the merger agreement, Bristol Myers Squibb will acquire all outstanding shares of Karuna common stock for \$330.00 per share in cash, for a total equity value of \$14.0 billion, or \$12.7 billion net of estimated cash acquired. Karuna Therapeutics is a clinical-stage biopharmaceutical company with a focus on medicines for psychiatric and neurological conditions.
- AbbVie Inc.** entered into a definitive agreement to acquire ImmunoGen, Inc. from Redmile Group, LLC, RA Capital Management, L.P., BlackRock, Inc., State Street Corporation, The Vanguard Group, Inc. and others for \$8.8 billion on November 30, 2023, implying a **31.0x trailing revenue multiple** and a **17.1x forward revenue multiple**. ImmunoGen, Inc. is a commercial-stage biotechnology company, focusing on developing and commercializing the antibody-drug conjugates for cancer patients.
- Bristol-Myers Squibb Company** entered into a definitive agreement to acquire Mirati Therapeutics, Inc. from Boxer Capital LLC, MVA Investors, LLC and others for \$4.2 billion on October 8, 2023. Mirati Therapeutics, Inc. is a commercial-stage oncology company that develops novel therapeutics to address the genetic and immunological promoters of cancer.

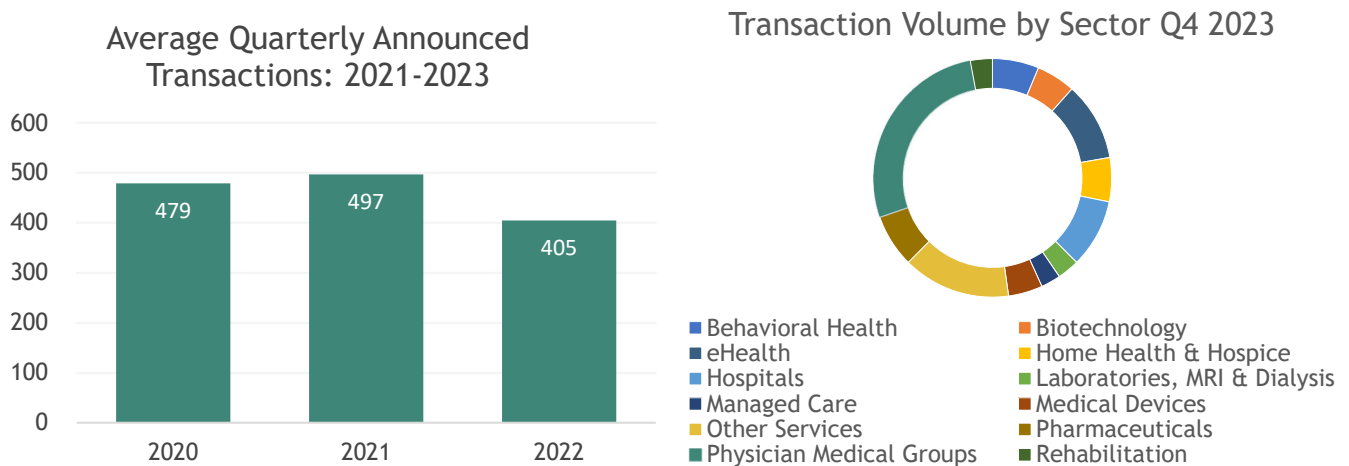
- **Novant Health, Inc.** signed a definitive agreement to acquire Coastal Carolina Hospital, East Cooper Medical Center and Hilton Head Hospital and Certain Related Operations in South Carolina from Tenet Healthcare Corporation and Hilton Head Regional Healthcare, L.L.C. for \$2.4 billion on November 17, 2023, implying a **4.3x trailing revenue multiple** and a **16.0x trailing EBITDA multiple**.

Key Observations:

The healthcare industry saw a notable decrease in acquisition activity in the final quarter of 2023, marking the lowest quarterly transaction count since 2020. The Biotechnology and Pharmaceuticals sectors stood out with the most substantial transactions during this period in terms of deal value.

High interest rates, coupled with an intensified focus on regulatory scrutiny, have exerted downward pressure on healthcare transaction activity. The increased cost of borrowing associated with elevated interest rates has posed significant financial challenges for market participants and likely discouraged some potential investors and businesses from pursuing deals. Simultaneously, the heightened regulatory scrutiny has created a more cautious environment, prompting organizations to reevaluate their strategies and approaches to transactions. This trend also reflects the elevated demand for healthcare acquisitions following the Covid-19 pandemic, which is being normalized throughout 2023.

As shown in the figures below, recent healthcare acquisitions have been dominated by three sectors: Physician Medical Groups, Other Services¹, and eHealth. Despite significant declines in transaction activity in Q4, the Physician Medical Group sector remained the most active sector in terms of total transactions as a result of interest from health system and private equity buyers alike, accounting for 27.2 percent of total deal volume.



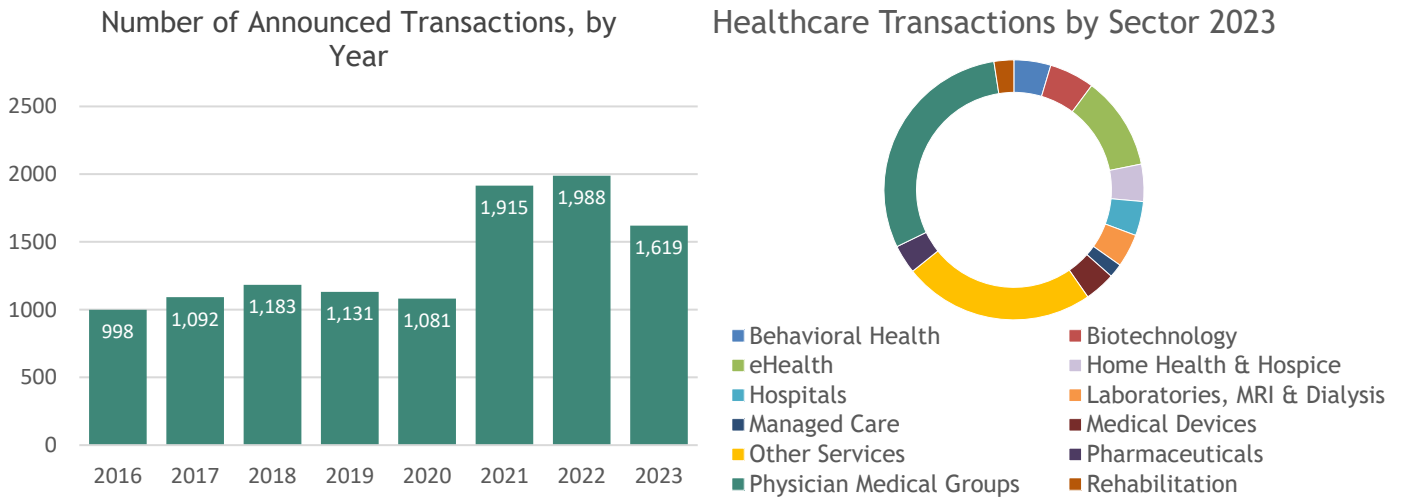
Source: LevinPro HC database, published by Irving Levin Associates LLC

Despite declines across the broader healthcare industry, certain sectors experienced significant growth in transaction activity in the last quarter of the year. Hospital transaction volume doubled over the third quarter, marking the highest quarter since 2020. The Pharmaceuticals sector also increased 69.2 percent during the fourth quarter, which is the highest transaction volume for the sector since 2018.

¹ The category “Other Services” includes real estate, surgery center, urgent care, staffing and occupational health sub-sections.

2023 Healthcare M&A Review:

The healthcare mergers and acquisitions landscape witnessed a significant decline throughout 2023, reaching its lowest transaction count in the past three years. Overall deal volume dropped 18.6 percent across all sectors relative to 2022, underscoring the challenges and shifts experienced within the industry. Particularly noteworthy is the Rehabilitation sector, which faced the most substantial decline, with deal volumes dropping by 40.3 percent relative to the prior year. Additionally, the Home Health and Hospice sector and the Behavioral Health sector declined 27.9 percent and 27.5 percent, respectively, relative to 2022 levels.



In a shift from the preceding two years characterized by near-record-breaking deal volumes, the healthcare transaction landscape found itself in a period of stagnation during 2023. Deal activity over the past year has been marked by a sense of uncertainty emanating from several factors, including elevated interest rates, global geopolitical unrest and heightened regulatory scrutiny. Healthcare providers also faced significant staffing shortages throughout the year, leading to substantial operational challenges for operators.

In light of the challenging capital market conditions, healthcare operators will keep a close eye on the U.S. Federal Reserve going into 2024. While the Federal Reserve is expected to begin cutting rates in the next year, leading to more favorable borrowing costs, the timing and magnitude of the costs are still unknown. With this uncertainty, companies may focus on exploring more strategic transactions, specifically through carve-outs, spin-offs, minority investments and joint ventures. Analysts expect an increase in distressed healthcare transactions in 2024 driven by a tough labor market, tight credit markets and reimbursement rate pressures, which may present opportunities for operators and investors with established platforms and excess cash reserves. Additionally, the healthcare industry continues to experience transformative shifts as a result of relentless growth in technology. Moving ahead, companies may turn to acquisitions to keep pace with and capitalize on the ongoing technological advancement.

Sources:

- LevinPro HC, published by Irving Levin Associates LLC;
- Capital IQ