



Surge, Innovate, Consolidate:
The Pulse of Healthcare & Medtech Into 3Q 2024

HEALTHCARE INDUSTRY UPDATE

Carleton McKenna & Co

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CARLETON MCKENNA HEALTHCARE BANKERS



Paul H. Carleton
Managing Partner
phc@carletonmckenna.com



Nora T. Mahoney
Managing Director
ntm@carletonmckenna.com

Surge, Innovate, Consolidate: *The Pulse of Healthcare & Medtech Into 2Q 2024*

KEY TAKEAWAYS

Carleton McKenna is pleased to share its 2Q24 Healthcare & Medtech Trends report following [4Q23 Medical Device and Distribution](#). In this report, Carleton McKenna explores the strategic marketplace, consolidation trends and noteworthy transactions, as well as what the future deal making landscape may look like for healthcare services and health technology businesses to help sector participants shape their strategies for the near- to medium-term.

1. **Sector Shifts:** The Healthcare and Medtech sectors experienced significant shifts in Q1 2024 characterized by increased venture capital funding, strategic private equity investments, and a surge in mergers and acquisitions.
2. **Medtech Innovations:** Medtech saw a notable increase in funding, predominantly fueled by late-stage deals, with significant activity in whole-body scans, cardiac arrest prevention, and surgical robotics.
3. **M&A Activity:** Despite a robust funding environment, exits through IPOs and acquisitions were limited, but M&A activity showed signs of acceleration, driven by high-value transactions in the pharma and Medtech sectors.
4. **Healthcare Services Investments:** Healthcare services faced regulatory headwinds but offered significant investment potential in segments like cardiovascular and home-based care, with ongoing consolidation driven by financial pressures.
5. **Transformation and Innovation:** Following 2023, an increased emphasis on the industry's navigation through transformation with strategic investments, technological advancements, and integrated value-based care, highlights continued M&A activity and innovation aimed at improving patient outcomes and operational efficiencies.

Carleton McKenna has substantive experience in the Healthcare industry, with a niche interest in the Medical Software and Devices segment. To learn more about Carleton McKenna's wide range of transaction experiences, strategies for growth or exit, and current Healthcare industry trends, please [contact us](#).

The Healthcare and Medtech sectors experienced significant shifts in Q1 2024, characterized by increased venture capital (VC) funding, strategic private equity (PE) investments, and a surge in mergers and acquisitions (M&A). This comprehensive report synthesizes the key trends, investment activities, and emerging opportunities highlighted in recent reports and articles.

Medtech Sector^{1,2,3,4}

VC Funding and M&A Activity

In Q1 2024, Medtech VC funding surged to \$3.3 billion, a notable increase from \$2.8 billion in Q4 2023. This growth was predominantly fueled by late-stage deals, with significant transactions including Freenome’s \$254 million funding and Impulse Dynamics’ \$136 million Series E. Despite the robust funding environment, exits through IPOs and acquisitions were limited. However, M&A activity showed signs of acceleration, exemplified by Johnson & Johnson’s \$13.1 billion acquisition of Shockwave Medical.

Emerging Opportunities

Whole-Body Scans

Technological advancements in MRI hardware and AI algorithms are driving the expansion of whole-body medical imaging for early disease detection. High-profile endorsements and increasing accessibility are further boosting this market. Prenuvo and Ezra are two businesses of note that are ventured-backed and offer full body scans for an array of medical issues.



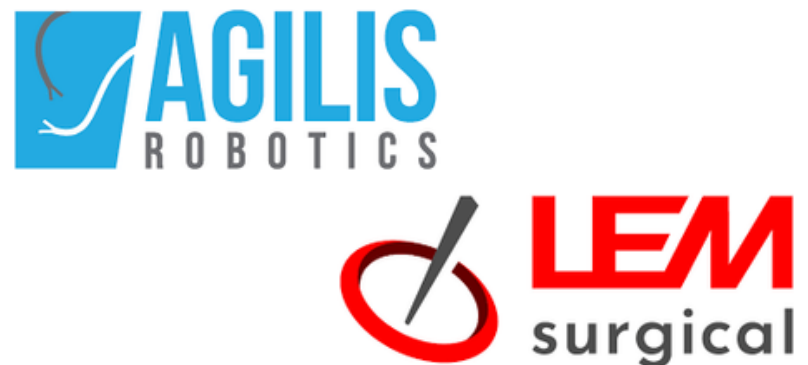
Cardiac Arrest Prevention

Innovations in predictive analytics and resuscitation devices are improving cardiac arrest outcomes. Startups like Resuscitec and Neurescue are at the forefront of this advancement, developing new technologies that promise better survival rates and recovery.



Surgical Robotics

This subsector continues to attract significant VC investment. Companies such as Agilis Robotics and LEM Surgical are advancing surgical technologies, following the success of Intuitive Surgical’s FDA-approved da Vinci 5 robotic system. The focus is on enhancing precision, reducing invasiveness, and improving patient outcomes.



Company Highlights

Healthy.io

Raised \$50 million for US expansion, focusing on kidney care, wound care, urinary tract infection, and prenatal testing. The company aims to revolutionize in-home diagnostics with user-friendly digital solutions.



Paige AI

Specializes in AI for pathology and oncology, leveraging partnerships with major tech firms like Microsoft to enhance its multi-cancer detection models. The company's innovative approach is set to transform diagnostic accuracy and patient care.



Healthcare Services Sector^{1,2,3}

PE Activity and Regulatory Environment

PE activity in Healthcare Services remained sluggish in Q1 2024, with 158 deals reflecting a downward trend from 2023. Factors such as the bid-ask gap, regulatory scrutiny, and high-interest rates contributed to the slow deal environment. Nevertheless, middle-market deal activity and strategic buyouts showed some improvement. Significant transactions included Elevance Health's \$1 billion acquisition of Paragon Healthcare.

Regulatory Segment Updates

Cardiovascular

Deal volumes stabilized, with major players focusing on integration and value-based care partnerships. The sector is seeing consolidation aimed at enhancing service delivery and operational efficiency.

Home-Based Care

Regulatory and reimbursement challenges persisted, but hospice and palliative care offered investment opportunities due to favorable CMS fee schedules and trends towards value-based care (VBC). Companies are exploring innovative care models to meet the growing demand for home-based services

Emerging Opportunities

Continuous Glucose Monitor (CGM) Distribution

The CGM market is projected to grow significantly due to Medicare coverage expansions and technological advancements. Strategic sales by major players like Advanced Diabetes Supply and CCS Medical reflect market consolidation. The market is expected to reach saturation within the next five years, prompting a shift towards inorganic growth and strategic exits.

Private Duty Home-Based Care

This sector remains attractive due to its flexibility in adjusting rates to labor costs and expanding into new geographies. The Medicaid HCBS 80-20 rule presents compliance challenges but also opportunities in high-reimbursement states. Investors are particularly interested in scalable models that can adapt to varying regulatory landscapes.

M&A Activity in Healthcare²

Surge in M&A Transactions

Despite a decline in overall deal volume in 2023, the value of deals in healthcare and life sciences rose significantly due to high-value transactions in the Pharma and Medtech sectors. Notable mega deals include Pfizer's \$45.7 billion acquisition of Seagen and Merck's \$11 billion purchase of Prometheus. Pharma led with a 73% increase in deal value, driven by end-of-year acquisitions, while Medtech saw a 36% increase in deal value despite fewer transactions.

The first quarter of 2024 saw a significant increase in hospital and health system M&A, with 20 announced transactions marking the most active Q1 since 2020. This surge included four mega mergers involving entities with annual revenues over \$1 billion. Key drivers of this activity included:

Academic Health Systems Expansion

Academic institutions are expanding their networks to integrate care, education, and research. This trend is driven by the need for comprehensive healthcare solutions that combine clinical excellence with cutting-edge research.

Community Health Systems Seeking Partners

Smaller health systems are merging with larger entities to achieve financial stability and access advanced technologies. These partnerships aim to enhance patient care capabilities and expand service offerings.

Portfolio Realignment

Large health systems are divesting non-core assets to focus on high-growth areas. This strategy involves reallocating resources to more profitable and strategically aligned segments.

Innovative Partnership Models

New models aim to transform healthcare delivery through strategic collaborations that leverage the strengths of different healthcare providers. These partnerships focus on improving care quality, expanding access, and driving operational efficiencies.

Financial Pressures

Rising operational costs and reimbursement challenges continue to drive M&A activity. Health systems are seeking economies of scale, enhanced bargaining power, and improved financial performance through strategic mergers and acquisitions. The ongoing financial pressures in the healthcare sector, exacerbated by these factors, are expected to sustain the high levels of M&A activity.

Commentary

The Q1 2024 reports underscore a dynamic and evolving landscape in both Medtech and healthcare services sectors. Medtech demonstrates strong VC funding and emerging opportunities in whole-body scans, cardiac arrest prevention, and surgical robotics. Healthcare services face regulatory headwinds but offer significant investment potential in segments like cardiovascular and home-based care. The surge in M&A activity highlights the ongoing trend of consolidation, driven by financial pressures and the need for integrated care. Companies such as Healthy.io and Paige AI exemplify innovation and growth, setting new benchmarks in their fields.

Looking forward, we anticipate continued M&A activity driven by substantial cash reserves in the pharma and medtech sectors. Companies are expected to pursue innovative assets in areas like oncology, rare diseases, weight loss, cell and gene therapies, and precision medicine.

In the payer and provider sectors, deal volumes are predicted to remain low, with large payers leveraging M&A for scale and cost-efficient care delivery. The report emphasizes the need for improved M&A capabilities, given the high deal multiples and regulatory scrutiny.

The healthcare industry is navigating through a period of transformation, characterized by strategic investments, technological advancements, and an emphasis on integrated, value-based care. As financial pressures mount and regulatory landscapes evolve, the industry is likely to see continued consolidation and innovation aimed at improving patient outcomes and operational efficiencies.

SELECT INDUSTRY TRANSACTIONS¹



has been acquired by

SAMSUNG MEDISON



Developer of an artificial intelligence-based fetal ultrasound software intended to analyze and diagnose congenital malformations. The company's software combines the patient's medical history, genetic and biological data, and ultrasound semiology to assist physicians on the path to the right diagnosis and assists sonographers during prenatal screening scans, enabling healthcare practitioners to receive crucial support in conducting fetal ultrasound and mothers to take care of themselves and their children.

The company has entered into a definitive agreement to be acquired by Samsung Medison, via its financial sponsor SBI Investment Korea Company, through an estimated \$92.7 million LBO on May 8, 2024. Through the acquisition of the company, Samsung Medison plans to secure excellent AI development personnel in Europe and introduce improved AI functions by adding the company's AI diagnostic assistance function and reporting technology to its medical AI solution in the future.








has been acquired by



Developer of a clinic management software designed to help fertility clinics for managing their operations. The company offers two software products such as eBase which is a comprehensive patient management system to track patient data, schedule appointments and manage billing and eWitness which is a laboratory information management system to track embryology data and ensure the quality of procedures, enabling fertility clinics to improve the quality of their patient care and reduce the risk of errors.

The company was acquired by Vitrolife (STO: VITR) for EUR 17.8 million on May 22, 2024. This acquisition is a key element of the Vitrolife Group's strategy to bring increased standardization and digitalization to IVF clinics around the world.

M&A INDUSTRY ACTIVITY¹

Date	Target	Acquirer	Target Description
May-24			<p>Developer a remote patient data management solution designed to facilitate and scale virtual care programs, care coordination and chronic disease management. The company was acquired by Alpha Omega Health.</p>
May-24			<p>Provider of surface modification and in vitro diagnostic technologies to improve the treatment and detection of disease Surmodics was acquired by GTCR for approx. \$627 million.</p>
May-24			<p>Manufacturer and retailer of female pelvic floor training products intended to maintain women's health. The company was acquired by Medlander for approx. \$192 million.</p>
May-24			<p>Provider of healthcare services to elderly people with functional impairments. The company was acquired by Humana for approx. \$26 million.</p>
May-24			<p>The company discovers and develops highly differentiated multi-specific, multi-functional antibody drugs to break efficacy ceilings and was acquired by Johnson & Johnson for approx. \$850 million.</p>
Apr-24			<p>Developer of a neurotechnology platform designed to record bio-potentials from the central and peripheral nervous system in both chronic and acute applications. The company was purchased by Tether Partners for approx. \$200 million.</p>
Apr-24			<p>Developer of a fluorescence imaging system designed to help surgeons offer real-time visualizations for a wide range of medical procedures. The company was acquired by Samvardhana Motherson International for approx. \$5.6 million.</p>
Apr-24			<p>Provider of hospice care facility based in Florida and Alabama. The company was acquired by VITAS Healthcare, a subsidiary of Chemed for approx. \$85 million.</p>



Paul H. Carleton

Managing Partner

Paul has more than thirty years experience in corporate and investment banking focusing on mergers and acquisitions and capital raising activities for both private and public corporations. Prior to establishing Carleton McKenna, Paul was founder and Senior Managing Director of Carleton, McCreary, Holmes & Company, a position he maintained through the firm's life span and acquisition by KeyCorp in 1996. Paul was previously a Partner, Member of the Board of Directors, Senior Managing Director and Head of Corporate Finance at the regional investment banking firm of McDonald & Company.

Paul has broad experience serving on the boards of both private and public corporations. He currently serves on the boards of Baldwin-Wallace University, University Hospitals Case Medical Center, Playhouse Square Foundation, E&H Family Group (Buehler's Fresh Foods) and Bluecoats. He has also held numerous civic positions including President of Leadership Cleveland Alumni Association and Trustee of Northwestern University Alumni Association.

Paul holds a Bachelor's degree from Baldwin Wallace University and an M.B.A. from Northwestern University.



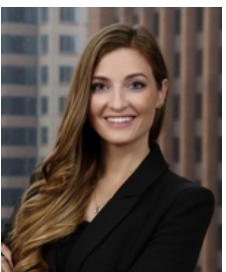
Christopher J. McKenna

Managing Partner

Before joining Carleton McKenna, Chris acquired a Cleveland manufacturing business where he was President and CEO. Previously, Chris was the Director of Financial Analysis with the MacLean-Fogg Company in Chicago where he executed on financial transactions and corporate development and also managed a business unit. Prior to that time, Chris was an Associate with the investment banking firm of Rodman & Renshaw in New York, where he was involved with private and public transactions to raise equity, subordinated and senior debt. He began his career in commercial banking in New York with Manufacturers Hanover Trust and Security Pacific Business Credit.

Chris serves on the boards of numerous private corporations. Currently, he serves on the board of The First Tee of Cleveland, the Leadership Council of University Hospitals Ahuja Medical Center and the CHAMPS Healthcare affiliate of The Center for Health Affairs.

Chris received his B.A. in Economics from Dartmouth College and his M.B.A. with High Distinction from the University of Michigan Business School.



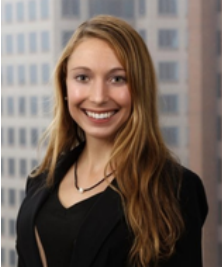
Nora T. Mahoney

Managing Director

Nora has experience with securities regulation, corporate governance, commercial litigation and broker dealer registrations. Nora is primarily responsible for the execution of capital raisings and private placement assignments across a variety of industries, as well as M&A advisory for business owners.

Prior to joining Carleton McKenna, Nora worked for Attorney General Mike DeWine and then practiced Commercial Litigation with a national law firm where she was involved in pre-trial practice for securities litigation.

Nora was awarded her Juris Doctor and Masters from Vermont Law School and serves as a Board Member for First Federal of Lakewood and as an executive Board Member for the Union Club of Cleveland. She formerly served on the Board of Trustees for Baldwin Wallace University, from where she received her Bachelors in Biology and Sustainability. She participates as a Committee-Member for the Association of Corporate Growth's Women in Transactions group, is Chair of Cleveland's Women in Finance, and is a member of several bar associations and the Leadership Cleveland Class of 2023.



Alexis M. Becker

Vice President

Alexis works alongside the Carleton McKenna senior management team and is responsible for developing and reviewing transaction materials for M&A and capital raise opportunities, conducting financial analysis, identifying strategic and financial partners for clients, facilitating due diligence processes, as well as managing the firm's industry research and marketing strategy.

Prior to joining Carleton McKenna, Alexis worked in project management at Akron-based marketing firm, WhiteSpace Creative, where her experience with market research, analytics and strategic planning enabled her to lead a team of graphic designers and copywriters to a gold medal at the 2017 National Addy Awards. At the firm, she was responsible for the planning, execution and analysis of marketing strategies for clients.

Alexis received her M.B.A in Business Administration from Baldwin Wallace University in May 2018. She received her B.S. in Business Administration from the Honors Program at Edinboro University of Pennsylvania.



David T. Jeziorowski

Analyst

David is an Analyst at Carleton McKenna & Company. His current job responsibilities include industry and sell-side flow research, as well as creation of buyers lists, pitches and other transaction documents.

Before joining Carleton McKenna, David worked as a research and investment intern at Praetorian Holdings Group, a Cleveland-based private equity firm. During his internship, David performed extensive research on Industrial and Renewable Energy industries, communicated directly with sell-side M&A advisors and executed business and financial analysis utilized by members of the firm's investment committee.

David graduated from the University of Dayton in May 2022 where he received his B.S. in Business Administration with a concentration in Finance.



Emily A. Kuznik

Marketing Analyst

Emily is a Marketing Analyst at Carleton McKenna & Company. Her primary responsibilities include researching and developing marketing content and industry reports, enacting website development, maintaining a social media strategy and regulating web-based management services.

Prior to joining Carleton McKenna, Emily worked as a Leadership Development Fellow for Baldwin Wallace University's Carmel Boyer School of Business. As a member of the pilot program, she coordinated a variety of marketing initiatives for both graduate and undergraduate programs including social media and email marketing campaigns, advertising, event planning, and recruiting.

She graduated magna cum laude from Baldwin Wallace University in 2021 where she earned a B.A. in Digital Marketing and again in 2022 with an M.B.A. in Management.

Centura Imaging

has been acquired by

Test Equipment Distributors

The undersigned provided exclusive financial advisory services to Centura Incorporated

Carleton McKenna
INVESTMENT BANKING SERVICES

NEUROS MEDICAL

has successfully closed on the sale of equity financing

The undersigned provided exclusive financial advisory services to Neuros Medical, Inc.

Carleton McKenna
INVESTMENT BANKING SERVICES

Project Immunity

Developer of proprietary cytotoxic T lymphocyte (T-Cell) based vaccines and treatments

The undersigned provided exclusive financial advisory services to Project Immunity

Carleton McKenna
INVESTMENT BANKING SERVICES

TherEX

has been acquired by

Kindred Healthcare
(NYSE: KND)

The undersigned provided exclusive financial advisory services to TherEX, Inc.

Carleton McKenna
INVESTMENT BANKING SERVICES

Project Everest

Producer of powerful and compact pain management device that uses thermoelectric technology to provide heating and cooling therapy

The undersigned provided exclusive financial advisory services to Project Everest

Carleton McKenna
INVESTMENT BANKING SERVICES

skinklinic

has successfully closed on the sale of equity financing

The undersigned provided exclusive financial advisory services to Skinklinic

Carleton McKenna
INVESTMENT BANKING SERVICES

Thermedx

has successfully closed on the sale of equity financing

The undersigned provided exclusive financial advisory services to Thermedx, LLC

Carleton McKenna
INVESTMENT BANKING SERVICES

WHOLE HEALTH

has successfully closed on the sale of equity financing

The undersigned provided exclusive financial advisory services to Whole Health

Carleton McKenna
INVESTMENT BANKING SERVICES

CORNERSTONE INDUSTRIAL GROUP

has acquired

RHOPAC

The undersigned provided exclusive financial advisory services to Cornerstone Industrial Group, LLC

Carleton McKenna
INVESTMENT BANKING SERVICES

RESEARCH ORGANICS
ISO 9001 - 2000 CERTIFIED

has been acquired by

SIGMA-ALDRICH
(NASDAQ: SIAL)

The undersigned provided exclusive financial advisory services to Research Organics, Inc.

Carleton McKenna
INVESTMENT BANKING SERVICES

Project Flight

Provider of international aerial critical care and organ transportation and charter services

The undersigned provided exclusive financial advisory services to Project Flight

Carleton McKenna
INVESTMENT BANKING SERVICES

Formfire

has been acquired by

agencybloc
a portfolio company of

RESURGENS TECHNOLOGY PARTNERS

The undersigned provided exclusive financial advisory services to FormFire

Carleton McKenna
INVESTMENT BANKING SERVICES

COMS Interactive

has successfully closed on the sale of \$6.25 million of equity financing from



SUMMIT PARTNERS

The undersigned provided exclusive financial advisory services to COMS Interactive, LLC

Carleton McKenna
INVESTMENT BANKING SERVICES

TESTOIL
REMARKABLE IN EVERY WAY

has been acquired by

eurofins

The undersigned provided exclusive financial advisory services to Insight Services, Inc. (dba Testoil)

Carleton McKenna
INVESTMENT BANKING SERVICES

Project Premier

National Group Purchasing Organization providing members with account management, sales and contracting services

The undersigned provided exclusive financial advisory services to Project Premier

Carleton McKenna
INVESTMENT BANKING SERVICES

Performance Health
TOTAL HEALTH PLAN SOLUTIONS

has been acquired by

LIBERTY

The undersigned provided exclusive financial advisory services to Performance Health

Carleton McKenna
INVESTMENT BANKING SERVICES

ENDNOTES

1. <https://www.pitchbook.com/>
2. <https://www.medicaleconomics.com/view/first-quarter-of-2024-sees-surge-in-hospital-and-health-system-mergers-and-acquisitions>
3. <https://www.bain.com/insights/healthcare-and-life-sciences-m-and-a-report-2024/>
4. <https://secondopinionmedia.substack.com/p/8-doctors-duke-it-out-on-whole-body>