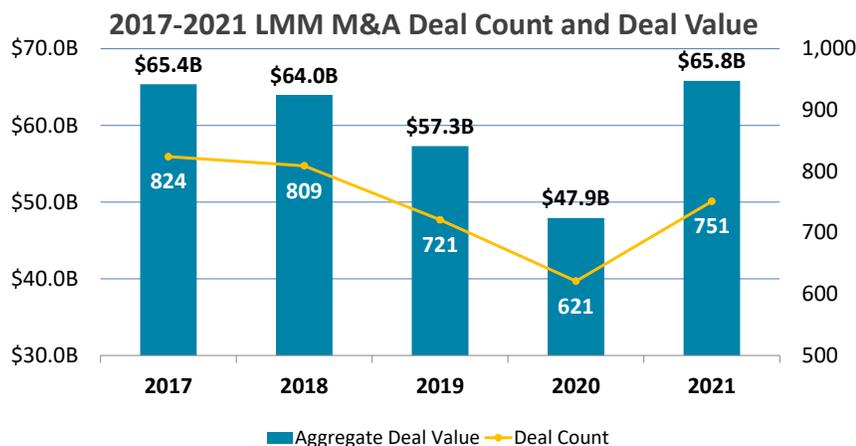


Welcome to our Winter 2022 edition of M&A and Capital Markets Insights for health and wellness technology (“HW Tech”) companies. Included in this report are an overview of lower middle-market M&A activity; recent key U.S. economic indicators; the outlook for LMM M&A in 2022; recent HW Tech sector trends; and notable HW Tech M&A and financing deals.

### Lower Middle-Market (LMM) M&A Overview

Transaction volume and value across the LMM rebounded significantly in 2021 as deals that were delayed during the pandemic spilled over into 2021. In addition, the perceived tax increases in 2021 incentivized many business owners to expedite their exit timelines in order to maximize the after-tax proceeds of an liquidity event.

As we look to 2022, deal volume is expected to remain robust as transactions that did not close in 2021 spill into the new year and new sellers go to market to capitalize on the dynamic environment. Abundant levels of private equity dry powder, cheap debt, and strong corporate cash holdings are helping to drive competitive deal processes for attractive businesses.



Source: PitchBook  
LMM defined as transaction value between \$5M and \$250M

### Contents

- LMM M&A Overview | 1
- Diamond Capital HW Tech Team | 2
- Outlook for LMM M&A 2022 | 4
- U.S. Economic Overview | 5
- HW Tech Deal Highlights | 6
- Sector Overview & Deal Activity | 7

### Firm Overview

Diamond Capital Advisors is an independent investment banking firm that provides M&A, capital raising, corporate valuations and related strategic advisory services to lower middle-market companies in North America.

Our transaction experience covers a broad range of industries, end markets and business models. We have domain expertise in working with companies serving the Fitness, Health and Wellness industries.

**DIAMOND CAPITAL ADVISORS**  
1875 Century Park East, Suite 1220  
Los Angeles, CA 90067  
www.diamondcapadvisors.com

## Diamond Capital Advisors' Health & Wellness Tech Team



### Kahlil Reid

Managing Director

kahlil@diamondcapadvisors.com | 323.632.0427

Kahlil has over 20 years of corporate transactional experience. He is currently the Managing Partner of Numa Wayne Capital Advisors, a fitness, health, and wellness-focused investment banking firm. He was formerly a Senior Vice President and Head of the West Coast office for an international middle-market investment bank with offices in North America, Europe, Asia, and Africa.

Kahlil began his career as an M&A and corporate finance attorney for Fried, Frank, Harris, Shriver & Jacobson in New York prior to transitioning into investment banking with Citigroup's media, telecom, and technology investment banking group.

Kahlil graduated with a B.S. from Cornell University, where he was a member of the Cornell Big Red football team. He also holds a J.D. from Georgetown University Law Center, where he served as a staff editor for The Tax Lawyer. Kahlil is a member of FINRA, holding Series 7, 79, 24, and 63 securities licenses. He is also a member of the New York Bar (inactive).



### Michael J. Brunelle

Managing Director

mbrunelle@diamondcapadvisors.com | 310.432.8589

Michael specializes in advising health care and biotechnology companies. Michael's entire career has been focused on the health care sector as an investment banker, entrepreneur and mergers and acquisitions specialist for private and publicly traded pharmaceutical and biotechnology companies.

Prior to joining Diamond, Michael held the position of Vice President for Acquisitions and Development for Nantworks and its formerly affiliated companies – Celgene, Abraxis Bioscience, American Bioscience and American Pharmaceutical Partners. At Dillon, Read & Co. Inc., Michael was a Vice President in the health care investment banking group and completed in excess of \$2 billion of transactions for large multi-hospital systems, academic health centers, financially distressed institutions and long-term care facilities.

Michael graduated with a B.A. from the University of California at San Diego and holds a MBA in Finance from The Wharton School of Business at the University of Pennsylvania.



### Shawn Thompson

Managing Director

sthompson@diamondcapadvisors.com | 310.432.8584

Shawn has 25 years of investment banking and corporate finance experience. He provides merger and acquisition, valuation, financial advisory and restructuring services for diverse companies, typically those with enterprise values up to \$200 million. He has executed transactions in a range of industries including consumer products, technology, healthcare, manufacturing, distribution, retail and businesses services.

Prior to Diamond, Shawn worked at JP Morgan, Barrington Associates (now Intrepid), Mosaic Capital and other middle market investment banking firms. He has completed over 50 transactions in sell-side advisory, buy-side advisory, leveraged buy-outs, restructuring and valuations.

Shawn graduated Magna Cum Laude with a B.S. Economics from The Wharton School of Business at the University of Pennsylvania. Shawn is a member of FINRA, holding the Series 79 and 63 securities licenses.

## Diamond Capital’s Health and Wellness Track Record

Diamond Capital’s Fitness, Health, and Wellness practice has represented numerous companies in the health and wellness industry verticals. Our advisory work has included multiple industries and involved companies of diverse specialties, many of which sell in both the public- and private-sector markets.

 Finger Lakes Clinical Research has been acquired by  ERG Evolution Research Group Advisor to Seller	 GILDA F2 MAX FITNESS has been acquired by Best Form Industries Advisor to Seller	 Paradigm Health & Wellness CAPITAL RAISE Advisor to Company	 CLINICAL LABS OF HAWAII has been acquired by Individual Labs Advisor to Seller
Modern Homecare Services and Pharmacy, Inc. has been acquired by  BEVERLY ENTERPRISES Advisor to Seller	 FRONTLINE MEDICAL PRODUCTS VALUATION Advisor to Company	 audacity has been acquired by  H huntsworth health Advisor to Seller	 AXIOM MOBILE IMAGING has been acquired by  Diagnostic Laboratories & Radiology Advisor to Seller
 nexersys FINANCIAL ADVISORY Advisor to Company	 COGNITIVE CLARITY FINANCIAL ADVISORY Advisor to Company	 Gilad&Gilad FINANCIAL ADVISORY Advisor to Company	 smith&nephew has been acquired by Private Investment Group Advisor to Seller
 NEOS SURGERY VALUATION Advisor to Company	The Weekend Exercise Company has been acquired by Private Investment Group Advisor to Seller	 sera+care has been acquired by American Plasma Inc. Advisor to Seller	 VIA CAPITAL RAISE Advisor to Company



## Outlook for LMM M&A in 2022

Middle-market companies and private equity firms foresee an extremely strong year for the M&A market in 2022, with bullish forecasts for both deal volumes and for company valuations, according to a survey conducted by Citizens Financial Group of 400 leaders at U.S. middle market companies and private equity firms. Key takeaways in the survey include:

- **Majority of PE firms expect deal flow to increase from 2021's record levels**
  - Among PE firms, the majority (54%) say deal flow will increase from 2021's record levels, while 33% say it will remain the same and 13% say they expect a decrease.
  - The worries of the prior year (tax implications and political changes) have faded from the priority list, while the ongoing pandemic is still clearly a big factor both for operations and for bringing buyers and sellers to the marketplace.
- **Majority of PE firms and middle-market companies expect stable or higher valuations**
  - In terms of valuations, half of middle-market companies expect stable valuations, while 36% anticipate higher prices. PE firms are even more positive, with 42% saying valuations will remain stable and 40% predicting higher multiples in the year ahead.
  - The pandemic is the new normal and companies, PE firms, and advisors have all adjusted to working under these conditions. Amid these dynamics, low interest rates and strong economic growth continue to support high valuations.
- **COVID-19 burnout among top reasons for selling**
  - The impact of COVID-19 on the 12 million Baby Boomer business owners, whether personal or family health scares, has caused a reassessment of life priorities.
  - Expected selling activity is rebounding with the percentage of companies open to a sale increasing after a COVID-related decrease in the last two years' surveys. The most common reason to sell is for strategic growth opportunities, but the second most common is lack of a succession plan along with pandemic weariness. Pandemic burnout among Baby Boomer business owners could also be the key driver behind the jump in owners looking to sell, which rose to 39% from about 24% the prior year.
- **Buyers prefer working with sellers who use an advisor**
  - Two-thirds of buyers said they prefer to work with a seller who uses an advisor. The primary reason being that buyers believe an advisor helps keep negotiations at a professional level (42%, up from 35% in 2021). In addition, buyers see value in the way that advisors speed up the process and help to assess an opportunity.
- **Headwinds for middle-market companies that may affect the M&A market include:**
  - Possible restrictions on economic activity due to new COVID-19 variants
  - Labor market challenges
  - Increasing commodity prices
  - Supply chain disruptions



## U.S. Economic Overview

2021 was an extraordinary year of economic growth and recovery, even though the U.S. continues to face serious economic challenges amid the ongoing global pandemic. The U.S. saw record job gains and an unprecedented drop in unemployment. In 2021, the economy not only regained all pandemic-related GDP losses – it also surpassed pre-pandemic levels. While the economy is currently facing inflation threats and supply chain disruptions, many economists project that these concerns will gradually ease, facilitating stronger consumption growth in the near-term. As we enter 2022, here are some key economic indicators to consider.

- **The Conference Board forecasts moderating yet still strong GDP growth in 2022** — “The Conference Board forecasts GDP growth for Q1 2022 to slow to a relatively healthy 2.2% percent (annualized),” said Ataman Ozyildirim, senior director of economic research at The Conference Board. “Still, for all of 2022, we forecast the U.S. economy will expand by a robust 3.5% – well above the pre-pandemic trend growth.”
- **All three major U.S. stock indexes posted double digit returns in 2021** — The S&P 500 rose 26.9% in 2021, marking the benchmark’s third straight positive year. The Dow and Nasdaq also notched three-year winning streaks, gaining 18.7% and 21.4% for the year, respectively. Strong corporate earnings bolstered U.S. stocks with the markets supported largely by highly accommodative fiscal and monetary policies.
- **The U.S. unemployment rate dropped to 4.2% in November, the lowest since February 2020** — At the start of 2021, a meager 49,000 jobs were added following the prior month’s loss of 140,000 jobs. The unemployment rate stood at 6.7% and 10.7 million Americans were unemployed. Almost one year later, data from the Labor Department shows that 210,000 jobs were added in November, the unemployment rate fell to 4.2% and 6.9 million people were without employment. Initial claims for unemployment benefits averaged about 199,000 a week in December. That’s a fourfold decrease from levels in January 2021 and lower than pre-pandemic levels in December 2019. Job openings are near record highs and there’s high demand for workers.
- **Consumer Confidence Index ends 2021 on a high note** — The Consumer Confidence Index, as reported by the Conference Board, ended 2021 at 115.8, up from a revised 111.9 reported in November 2021. “Expectations about short-term growth prospects improved, setting the stage for continued growth in early 2022. The proportion of consumers planning to purchase homes, automobiles, major appliances, and vacations over the next six months all increased,” said Lyn Franco, senior director of economic indicators at the Conference Board. Franco added that consumer worries about inflation declined after hitting a 13-year high in November, along with concerns about COVID-19.
- **Survey of business owners shows optimism and confidence in U.S. economy** — The recently released Wilmington Trust’s 2022 Business Owners’ Success Survey found “business owner optimism and confidence in the U.S. economy and their own businesses are almost back to pre-pandemic levels with 77% saying they are very optimistic about their business prospects – approaching the 81% who answered the same just before the pandemic.” “We are optimistic about the economy,” says Luke Tilley, chief economist at Wilmington Trust. “We are optimistic about demand.”

## Health & Wellness Tech Transaction Highlights

### Owlet Baby Care (NYSE: OWLT) Goes Public at a \$1.0B Valuation

In July, Owlet Baby Care (“Owlet”) (NYSE: OWLT) went public on the New York Stock Exchange via SPAC merger with Sandbridge Acquisition Company trading at \$10.00 per share for a valuation of over \$1 billion. As part of the transaction, Sandridge and a recent private placement will provide Owlet \$135 million to speed up its product line. Owlet’s technology allows parent to monitor their child’s heart rate and blood oxygen level by slipping a smart sock on a baby’s foot. Owlet reported net revenue of \$49.8 million in 2019 and estimated that 2020’s revenue at \$75.2 million, representing 51% year-over-year growth. The company said that it expects to reach a net revenue of up to \$1.1 billion by 2025. As of the end of 2021, Owlet was trading at \$2.67 per share.



### One Medical (NASDAQ: ONEM) Acquires Iora Health for \$1.4B

In September, One Medical (NASDAQ: ONEM), a leading human-centered and technology-powered primary care organization, completed its acquisition of Iora Health, a human-centric, value-based primary care group with built-for-purpose technology focused on serving Medicare populations in a transaction valued at \$1.4 billion. One Medical positions this as a way to combine two hybrid primary care providers with different focuses. By purchasing Iora Health, One Medical will be tapping into already established relationships with Medicare Advantage Plans, original Medicare and Medicare Direct Contracting programs. The deal will also let One Medical tap into the \$900 billion Medicare spend.

one medical



### LumiraDx (NASDAQ: LMDX) Goes Public at a \$3.0B Valuation

In September, LumiraDx (NASDAQ: LMDX) went public on the NASDAQ via SPAC merger with CA Healthcare Acquisition Corp. at \$9.94 per share at a valuation of \$3.0 billion. “LumiraDx was founded to disrupt current point-of-care diagnostic options by providing rapid and highly accurate results wherever the patient is,” LumiraDx CEO Ron Zwanziger said in a news release. “Our testing technology, which allows us to rapidly scale and offer lab-comparable testing with fast results across health conditions, is impacting healthcare across market segments, including the physician’s office, retail pharmacy, emergency care, and global health. Now, as a publicly traded company, we can accelerate our expansion across geographies and health conditions, impacting global healthcare and testing access and bringing value to our shareholders and customers.” As of the end of 2021, LumiraDx was trading at \$8.91 per share.



### Pear Therapeutics (NASDAQ: PEAR) Goes Public at a \$1.6B Valuation

In December, Pear Therapeutics, Inc. (“Pear”) (NASDAQ: PEAR) went public on the NASDAQ via SPAC merger with Thimble Point Acquisition Corp. at \$9.80 per share at a valuation of approximately \$1.6 billion. The transaction generated proceeds of approximately \$175 million. Pear is the leader in developing and commercializing software-based medicines, called prescription digital therapeutics (PDTs). “As a public company, we aim to accelerate our vision to increase access to PDTs by further commercializing our three FDA-authorized PDTs, expanding public and private payer adoption, and advancing our pipeline of PDTs. Thanks to all of our investors for supporting our successful transition,” said Corey McCann, M.D., Ph.D., Pear’s President and CEO. As of the end of 2021, Pear was trading at \$6.20 per share.



## RETAIL HW TECH

### Industry Overview

Clinical Health Care	Mobile & Digital Health	Personalized Medicine & Testing	Biometric Wearables & Devices
<ul style="list-style-type: none"> <li>• Telemedicine</li> <li>• Digital therapeutics</li> <li>• Concierge specialty &amp; primary care clinics</li> </ul>	<ul style="list-style-type: none"> <li>• Behavior modification tools</li> <li>• Fitness applications</li> <li>• Personalized health tools &amp; tracking</li> </ul>	<ul style="list-style-type: none"> <li>• Ad-hoc personalized testing</li> <li>• Bioinformatics</li> <li>• Genomic testing</li> </ul>	<ul style="list-style-type: none"> <li>• Biometric monitoring wearables</li> <li>• Remote patient monitoring (RPM) tools</li> </ul>

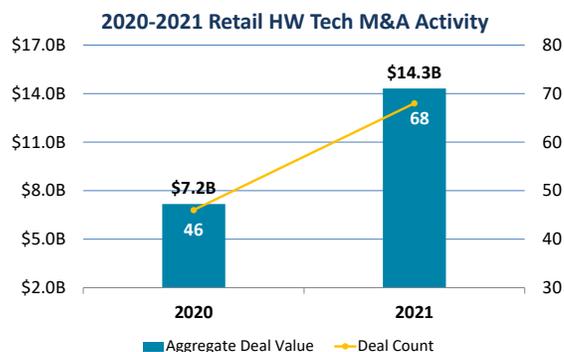
The retail HW Tech vertical focuses primarily on consumer-focused healthcare products and services designed to improve personal health and wellness at a lower cost and higher quality than traditional alternatives. While this burgeoning industry features new methods of obtaining traditional care, such as telehealth and digital therapeutics, it also includes a range of emerging and alternative HW Tech products, such as digital behavioral health tracking tools; fitness-related products including exercise equipment, fitness trackers, and nutrition-related services; digital therapeutics; and direct-to-consumer tests and analyses that enable personalized health recommendations.

### Industry Trends and Growth Drivers

- COVID-19 pandemic
- Doctors focusing more on preventative care and healthy lifestyles
- Increased consumer health awareness and healthy eating
- Consumer wellness startups partnering with corporations and employee benefit platforms
- Growing elderly population and increased life expectancy
- Digital economy opens door to telehealth, personalized solutions, fitness applications
- Population increase coupled with lack of medical providers
- Growth of social media
- Consumer and provider demand for healthcare flexibility
- Growing healthcare-related data base

### M&A and Financing Activity

- Retail HW Tech M&A aggregate transaction value increased dramatically in 2021 over 2020, rising 98% to \$14.3 billion, driven mostly by mega deals such as **Headspace's** \$3.0B acquisition of **Ginger** in October, **Cigna's** (NYSE: CI) \$2.0B acquisition of **MDLive** in April, and **Google's** (NASDAQ: GOOGL) \$2.1B acquisition of **Fitbit** in January. Transaction volume also increased significantly, rising 48%.

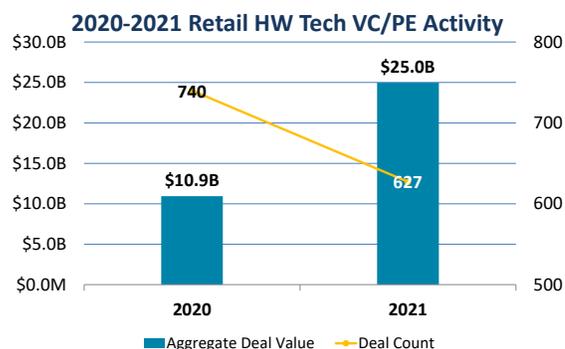


Source: PitchBook

## RETAIL HW TECH (cont'd)

### M&A and Financing Activity (cont'd)

- As consumers seek ways to mitigate the health impact of COVID-19 and future pandemics, VCs made larger investments in retail HW Tech companies in 2021. PE and VC funding in 2021 for companies in retail HW Tech increased 128% in aggregate transaction volume and decreased 15% in deal count. **VillageMD** raised the most capital in 2021 with a \$5.2B transaction in October and a \$1.0B transaction in January.



Source: PitchBook

### RETAIL HEALTH & WELLNESS TECH: SELECT M&A TRANSACTIONS (WINTER 2021/2022)

Deal Date	Target	Acquirer	Enterprise Value (\$M)	EV/LTM Rev.	EV/LTM EBITDA
01/05/22	<b>higi</b>	<b>babylon</b>	\$10.8	N/A	N/A
12/24/21	<b>PGDx</b> Personal Genome Diagnostics	<b>labcorp</b>	575.0	N/A	N/A
12/21/21	<b>scanwell</b>	<b>BD</b>	N/A	N/A	N/A
11/01/21	<b>ginger</b>	<b>headspace</b>	3,000.0	N/A	N/A
10/14/21	<b>lemonaid</b>	<b>23andMe</b>	400.0	N/A	N/A

### RETAIL HEALTH & WELLNESS TECH: SELECT FINANCING TRANSACTIONS (WINTER 2021/2022)

Deal Date	Company	Investor(s)	Amount (\$M)	Deal Type
01/10/22	<b>ma2e</b>	<b>MATRIX</b> CAPITAL MANAGEMENT	\$190.0	Series C
01/10/22	<b>Medically Home</b>	<b>CardinalHealth</b> <b>KAISER PERMANENTE</b> <b>MAYO CLINIC</b>	110.0	Later Stage VC
12/08/21	<b>Cerebral</b>	<b>SoftBank</b> Investment Advisers	300.0	Series C
10/28/21	<b>Hinge Health</b>	<b>COATUE</b> <b>TIGERGLOBAL</b>	600.0	Series E
10/14/21	<b>VillageMD</b>	<b>Walgreens Boots Alliance</b>	5,200.0	Later Stage VC

## ENTERPRISE HW TECH

### Industry Overview

Operations & Care Management	Clinical Trial Technology	Prescription Technology
<ul style="list-style-type: none"> <li>• Patient management</li> <li>• Healthcare analytics &amp; Big Data</li> <li>• Hospital management</li> </ul>	<ul style="list-style-type: none"> <li>• Patient recruitment &amp; retention</li> <li>• Clinical trial management (CTM) &amp; electronic data capture (EDC) systems</li> <li>• Electronic clinical outcome assessment (eCOA)</li> </ul>	<ul style="list-style-type: none"> <li>• E-pharmacy</li> <li>• Pharmacy automation technology</li> <li>• E-prescription</li> </ul>

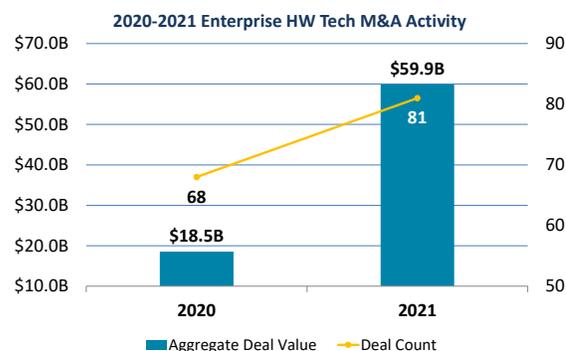
The healthcare industry faces mounting pressure to reduce costs while also improving patient outcomes. According to PitchBook research, health spending accounted for 17.7% of U.S. GDP in 2019, and estimates that enterprise HW Tech represents a roughly \$640 billion industry that will reach \$1.3 trillion by 2025—an approximately 14% CAGR. In recent years, enterprise HW Tech VC and PE deal activity has spiked as healthcare organizations, clinical trial providers, employers, insurance providers, and policymakers are increasingly willing to adopt tech-oriented solutions.

### Industry Trends and Growth Drivers

- Technological innovation and the proliferation of mobile devices and apps, as well as the continued evolution of Internet of Things and artificial intelligence-related technologies
- Proactive measures taken by healthcare organizations, employers, and insurance providers to reduce the cost of care
- Growth in clinical trial research organizations and decentralized clinical trials resulting from the COVID-19 pandemic
- Expanded ability to track and gain access to patient data, thus creating opportunities for analytic and patient management solutions
- Government initiatives to improve healthcare infrastructure, decrease healthcare costs, and improve patient safety and privacy

### M&A and Financing Activity

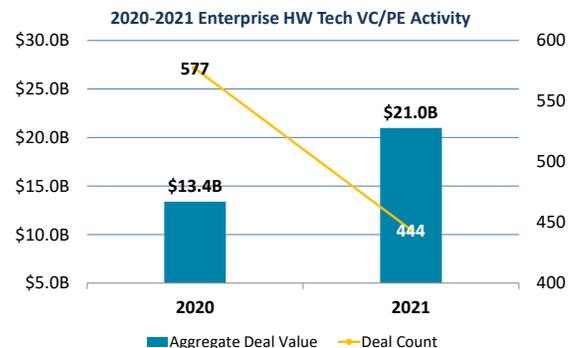
- Enterprise HW Tech M&A aggregate transaction value increased dramatically in 2021 over 2020, rising 223% to \$59.9 billion, driven mostly by mega deals such as **UnitedHealthGroup's** (NYSE: UNH) \$13.0B acquisition of **Change Healthcare** in June and **Microsoft's** (NASDAQ: MSFT) \$19.7B acquisition of **Nuance Communications** in April. Transaction volume also increased, rising 19%.



## ENTERPRISE HW TECH (cont'd)

### M&A and Financing Activity (cont'd)

- PE and VC funding in 2021 for companies in enterprise HW Tech increased 57% in aggregate transaction volume and decreased 23% in deal count as investors put more money into fewer deals. **Devoted Health**, an insurtech startup, raised the largest deal of the year, a \$1.2B Series D. Medicare has been a point of interest among several health insurance startups as the market opportunity increases.



Source: PitchBook

### ENTERPRISE HEALTH & WELLNESS TECH: SELECT M&A TRANSACTIONS (WINTER 2021/2022)

Deal Date	Target	Acquirer	Enterprise Value (\$M)	EV/LTM Rev.	EV/LTM EBITDA
12/27/21	 provation	 FORTIVE	\$1,425.0	N/A	N/A
11/22/21	 athenahealth	 BainCapital Hellman & Friedman	17,000.0	N/A	N/A
11/18/21	 dr chrono	 Evercommerce	N/A	N/A	N/A
11/02/21	 kareo	 PATIENTPOP	N/A	N/A	N/A
09/01/21	 iorahealth	 one medical	1,420.0	4.8x	15.8x

### ENTERPRISE HEALTH & WELLNESS TECH: SELECT FINANCING TRANSACTIONS (WINTER 2021/2022)

Deal Date	Company	Investor(s)	Amount (\$M)	Deal Type
12/07/21	 innovaccer	 DRAGONEER  KAISER PERMANENTE  12	\$150.0	Series E
11/29/21	 HOTSPOT THERAPEUTICS	 P VOTAL BIOVENTURE PARTNERS	100.0	Series c
11/22/21	 lumahealth it's about time.	 FTV CAPITAL	130.0	Series c
10/26/21	 Medable	 TIGERGLOBAL  Blackstone	304.0	Series D
09/23/21	 DevotedHealth	 andreesen horowitz  UPRISING  Green Sands Equity	1,150.0	Series D