

DIGITAL HEALTH

M&A and Capital Markets Insights | SPRING 2023



DIAMOND CAPITAL ADVISORS
1875 Century Park East, Suite 1220
Los Angeles, CA 90067

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FINANCING & STRATEGIC ADVISORY
WWW.DIAMONDCAPADVISORS.COM

DIGITAL HEALTH M&A and CAPITAL MARKETS INSIGHTS | SPRING 2023



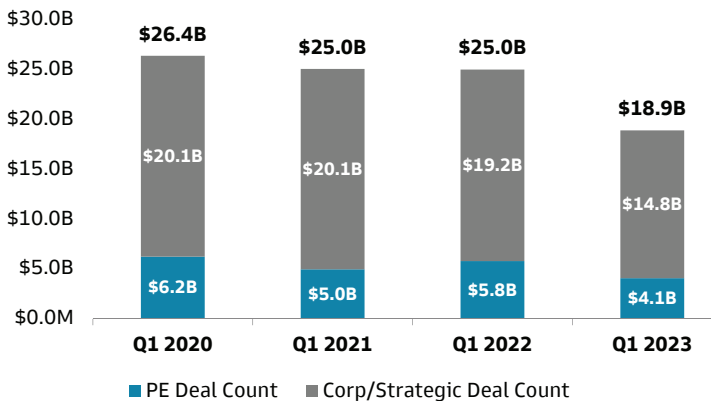
Diamond Capital's Health & Wellness Investment Banking Team is pleased to share its Spring 2023 edition of M&A and Capital Markets Insights for Digital Health companies. In this report, you will find an overview of lower middle-market (LMM) M&A activity; recent key U.S. economic indicators; and an overview of select Digital Health M&A and capital raising deals in Q1 2023.

LOWER MIDDLE-MARKET M&A OVERVIEW

In Q1 2023, U.S. LMM M&A deal activity slowed significantly, continuing with the downtrend that we saw in the second-half of 2022. Reasons include geopolitical issues, inflation, rising interest rates, supply chain instability and other factors. Additionally, many sellers remain hesitant to bring deals to market because of the economic uncertainty caused by these concerns.

Q1 2020-Q1 2023 LMM M&A Deal Value

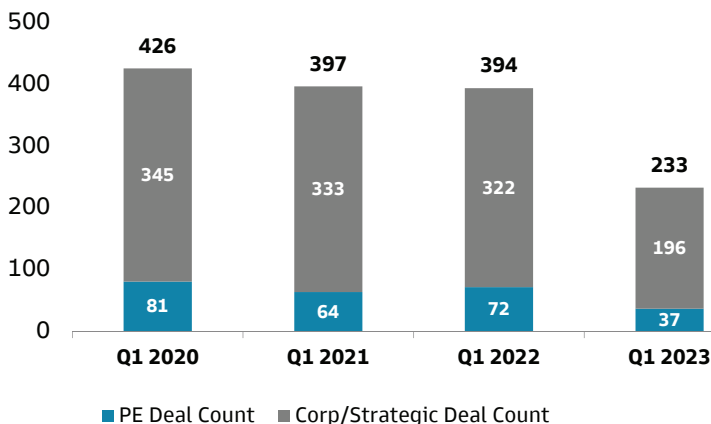
LMM M&A aggregate transaction value declined 24% in Q1 2023 versus Q1 2022. This represents the most significant Q1 decline in aggregate transaction value over the past 3 years.



Source: PitchBook

Q1 2020-Q1 2023 LMM M&A Deal Count

Consistent with the decline in LMM M&A aggregate transaction value, LMM M&A transaction volume decreased significantly as well in Q1 2023, down 41% from Q1 2022.



Source: PitchBook

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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 markets.

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1875 Century Park East, Suite 1220
Los Angeles, CA 90067
www.diamondcapadvisors.com

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LOWER MIDDLE MARKET M&A OVERVIEW (CONT'D)

The uncertain economic backdrop that drove LMM M&A decline in the latter half of 2022 persisted into Q1 2023, joined by a near crisis in banking. However, LMM M&A still generated almost \$19 billion in aggregate transaction value in Q1 2023. A decline in company valuations in the LMM helped support this activity with bargain-seeking buyers swooping in to take advantage. According to research by PitchBook, the median enterprise value to revenue multiple for LMM companies dropped to 1.1x based on the last 12 months of deal flow, a 31.3% discount.

Many analysts expect Q2 2023 LMM M&A levels to be flat against Q1 2023 levels. Even though many deals that were paused are now being restarted, these deals will not close until second half of 2023 or early 2024. Many deal makers expect LMM M&A to rebound in the second half of 2023 as inflation is brought under control and Fed rate hikes are halted. The Fed raised rates 25bps in May, but hinted at signs that hikes are nearing an end.

The failure of Silicon Valley Bank and its fallout on the banking industry represents yet another jolt to the macroeconomic environment. Surprisingly, other than forcing distressed sales of a handful of banking institutions, the banking crisis has yet to disrupt the M&A market. However, it did indirectly interrupt the bank-led leveraged loan market which is likely to impact lending for future M&A deals.

An interesting trend in LMM M&A is the shift in seller profiles. According to PitchBook, M&A exits by PE firms declined by 25.2% in 2022. It seems that PE firms are holding back from selling their portfolio companies at lower prices. However, as the macroeconomic outlook becomes less uncertain and valuations stabilize, we expect see more PE backed company exits. Founder-owned businesses, which have historically represented the largest group of LMM sellers in the M&A market, now represent 85.3% of LMM sellers, an all-time high. This is probably due to founder-owned businesses needing to sell for other reasons – such as lack of access to growth capital or lack of a succession plan.

DIAMOND CAPITAL ADVISORS' HEALTH & WELLNESS TEAM



Kahlil Reid

Managing Director

kreid@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)



Shawn Thompson

Managing Director

sthompson@diamondcapadvisors.com | 310.432.8584

Shawn Thompson 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, health-care, 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. in Economics from The Wharton School of Business at the University of Pennsylvania. Shawn holds the Series 79 and 63 FINRA securities licenses.



Michael J. Brunelle

Managing Director

mbrunelle@diamondcapadvisors.com | 310.432.8589

Michael J. Brunelle 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.

DIAMOND CAPITAL'S HEALTH & WELLNESS TRACK RECORD

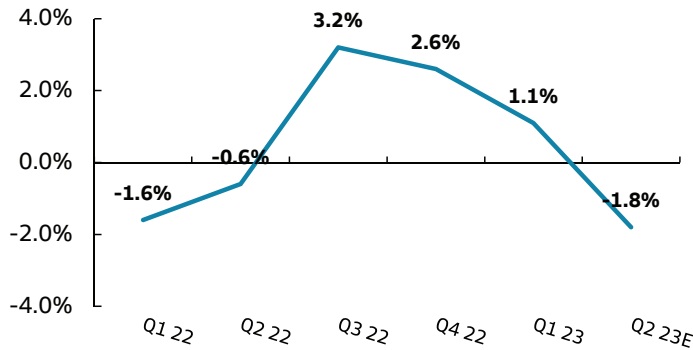
Diamond Capital has represented numerous companies in the fitness, health, and wellness industry verticals. Our advisory work has included multiple industries and involved companies of diverse specialties, many of which sell in both the public- and private-sector markets.

<p>has been acquired by</p> <p>Advisor to Seller</p>	<p>has been acquired by</p> <p>Best Form Industries</p> <p>Advisor to Seller</p>	<p>CAPITAL RAISE</p> <p>Advisor to Company</p>	<p>has been acquired by</p> <p>Individual Labs</p> <p>Advisor to Seller</p>
<p>Modern Homecare Services and Pharmacy, Inc.</p> <p>has been acquired by</p> <p>Advisor to Seller</p>	<p>VALUATION</p> <p>Advisor to Company</p>	<p>audacity</p> <p>has been acquired by</p> <p>Advisor to Seller</p>	<p>has been acquired by</p> <p>Advisor to Seller</p>
<p>FINANCIAL ADVISORY</p> <p>Advisor to Company</p>	<p>FINANCIAL ADVISORY</p> <p>Advisor to Company</p>	<p>FINANCIAL ADVISORY</p> <p>Advisor to Company</p>	<p>has been acquired by</p> <p>Private Investment Group</p> <p>Advisor to Seller</p>
<p>VALUATION</p> <p>Advisor to Company</p>	<p>The Weekend Exercise Company</p> <p>has been acquired by</p> <p>Private Investment Group</p> <p>Advisor to Seller</p>	<p>has been acquired by</p> <p>American Plasma Inc.</p> <p>Advisor to Seller</p>	<p>CAPITAL RAISE</p> <p>Advisor to Company</p>

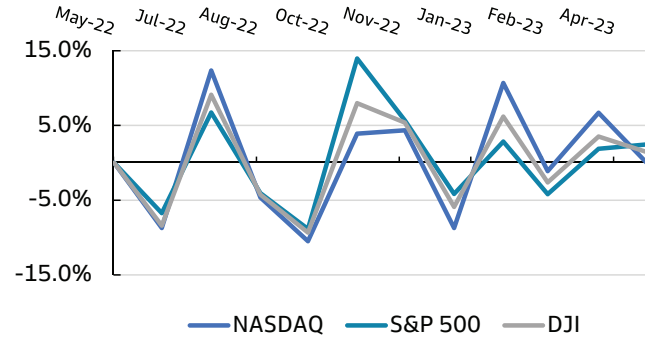


U.S. ECONOMICS STATISTICS

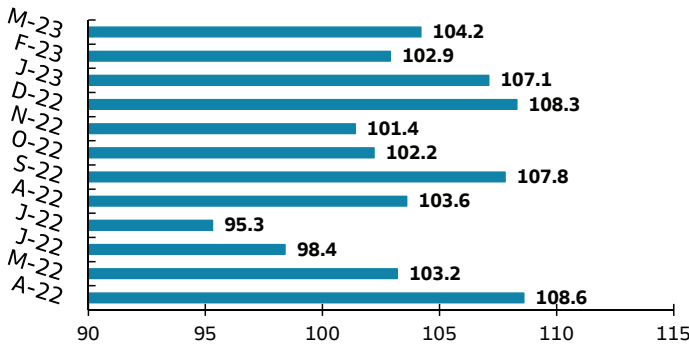
Real GDP Growth



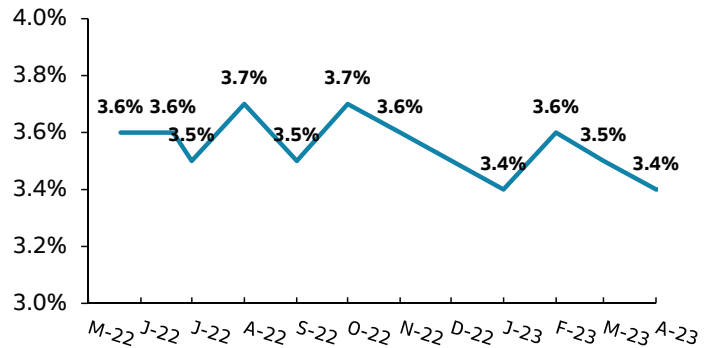
Stock Index Performance



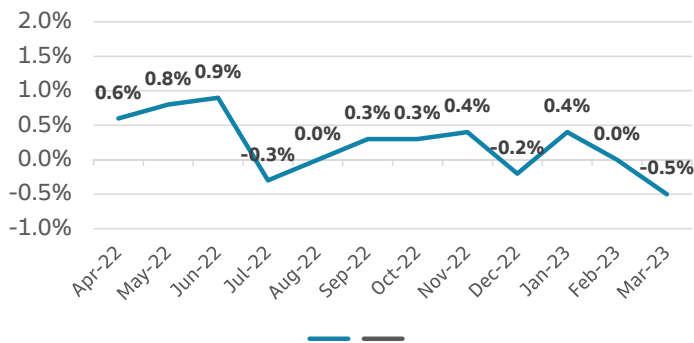
Consumer Confidence Index



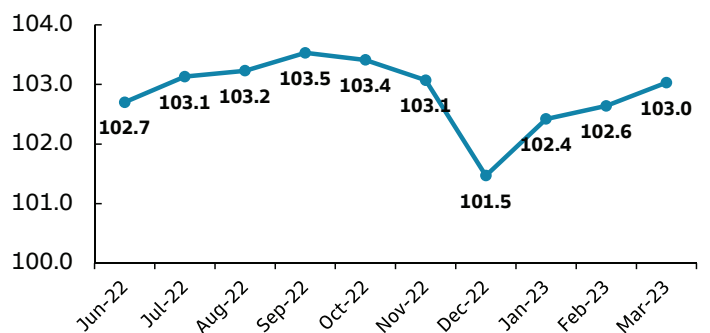
Unemployment Rate



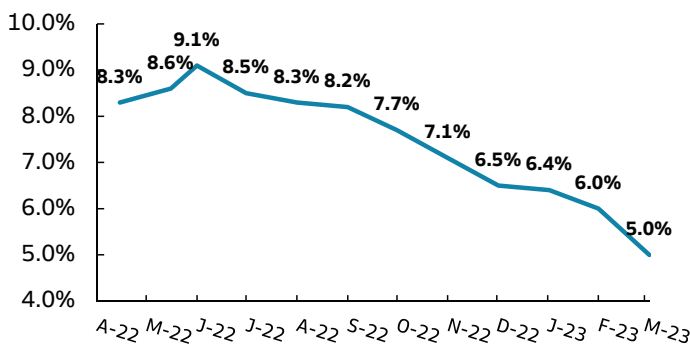
Producer Price Index (1 mo. change)



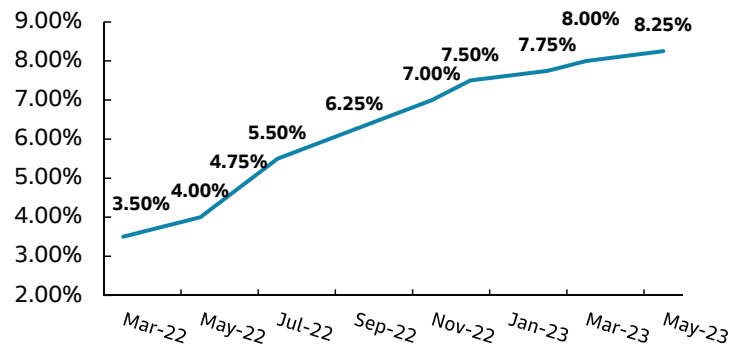
Industrial Production Index



Consumer Price Index



Prime Rate





DIGITAL HEALTH



TELEHEALTH

- General & primary care
- Teletherapy & behavior health
- Specialty telemedicine
- Prescription fulfillment & online clinics
- Home testing & home health
- Digital therapeutics (DTx) and digital therapies



REMOTE MONITORING

- Remote patient monitoring (RPM) & health tracking wearables and smart devices
- EEG & ECG devices
- Chronic care management
- Home care tools and technology



HEALTH COACHING & WELLNESS

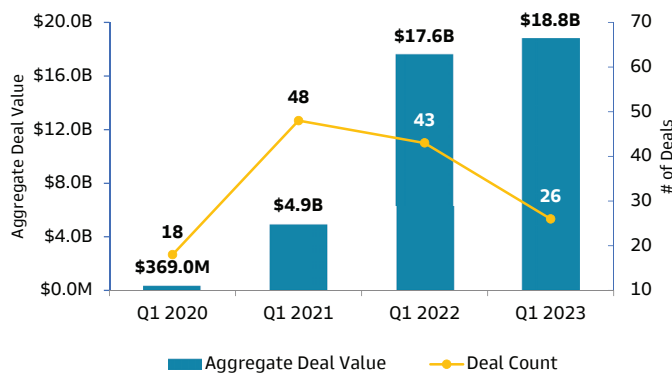
- Alcohol & substance abuse
- Heart health & cardiac rehab
- General wellness
- Nutrition & weight loss
- Pain & PT/MSK



DIGITAL CARE MANAGEMENT

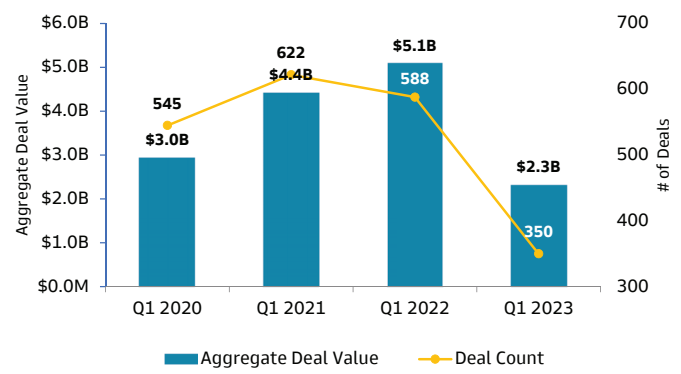
- Care search tools
- Digital pharmacies & pharmacy partners
- AI care-management tech
- Caregiving & aged-care tech
- Community support

Q1 2020-Q1 2023 DIGITAL HEALTH M&A



Source: PitchBook

Q1 2020-Q1 2023 DIGITAL HEALTH PE/VC



Source: PitchBook

M&A Activity

In Q1 2023, there were 26 M&A deals in the Digital Health space with aggregate deal value of \$18.8 billion compared to 43 deals with aggregate deal value of \$17.6 billion in Q1 2022. This represents a 40% decrease in deals and a 7% increase in aggregate deal value. The pullback in PE/VC backed companies coming to market in the midst of valuation declines accounts for much of the decline in deal volume. Mega deals accounted for most of the aggregate deal value in Q1 2022 and Q1 2023. In Q1 2022, there was the \$17 billion acquisition of Athenahealth by Hellman & Friedman and other investors. In Q1 2023, there was the \$3.9 billion acquisition of One Medical by Amazon (NASDAQ: AMZN), the \$8.9 billion acquisition of Summit Medical Group by VillageMD, and the

\$5.4 billion acquisition of LHC Group by Optum, a subsidiary of UnitedHealth Group (NYSE: UNH).

PE/VC Financing Activity

In Q1 2023, there were 350 PE/VC financing deals generating \$2.3 billion in aggregate deal value in the Digital Health space, compared with 588 deals with aggregate value of \$5.1 billion in Q1 2022. This represents a 40% decline in deals and 54% decline in aggregate deal value. The macroeconomic uncertainty caused by inflation, rising interest rates, bank failures, and geopolitical concerns have had a chilling effect on deal activity. In addition, VCs have been showing a reluctance to invest in early stage companies that have yet shown the ability to scale.

DIGITAL HEALTH

Telehealth



Sector Observations

Telehealth, which refers to clinical care delivered virtually, can include primary care, specialty telehealth, home health testing paired with telemedicine, and online clinics with prescription fulfillment. COVID-19 greatly accelerated adoption, with telehealth peaking at over 70% of healthcare claims in April 2020. Telehealth tends to lower healthcare costs because it decreases costly hospital visits and increases patient engagement and accessibility. Many strategics with value-based care (VBC) models are attracted to telehealth for these very reasons.

The Telehealth M&A mega deals in Q1 2023 focused on expanding access to care and improving patient outcomes. These transactions include Amazon's (NASDAQ: AMZN) \$3.9 billion acquisition of One Medical (omnichannel primary care platform); VillageMD's \$8.9 billion acquisition of Summit Medical Group (omnichannel primary and specialty care); and United Health Group (NYSE: UNH) subsidiary Optum's \$5.4 billion acquisition of LHC Group (home health care).

"The opportunity to transform health care and improve outcomes by combining One Medical's human-centered and technology-powered model and exceptional team with Amazon's customer obsession, history of invention, and willingness to invest in the long-term is so exciting. There is an immense opportunity to make the health care experience more accessible, affordable, and even enjoyable for patients, providers, and payers. We look forward to innovating and expanding access to quality healthcare services, together."

Amir Dan Rubin, CEO, One Medical

"LHC Group's sophisticated care coordination capabilities and its warm, human touch is so important for home care, and will greatly enhance the reach of Optum's value-based capabilities along the full continuum of care, including primary care, home and community care, virtual care, behavioral health and ambulatory surgery."

Dr. Wyatt Decker, CEO, Optum Health

Telehealth PE/VC financing transactions in Q1 2023 include a \$33 million investment in BetterNight (sleep apnea virtual care platform) led by NewSpring Capital; a \$100 million investment in Carbon Health (omnichannel tech-enabled healthcare) led by CVS Health Ventures; and a \$34 million investment in NOCD (OCD treatment telehealth platform) led by Cigna Ventures.

"While healthcare has evolved tremendously over the past few years, there are still many ways in which care delivery and quality have not. We're focusing on everyday touchpoints with an integrated care team to help patients achieve better health outcomes—because healthcare is not just what happens during a visit but also what happens in between."

Erin Bali, CEO & Co-Founder, Carbon Health

DIGITAL HEALTH (cont.)

Remote Patient Monitoring



Sector Observations

Remote patient monitoring (RPM) companies offer devices and solutions that enable care and treatment on the go, at home, and in remote settings. RPM can be used to treat both chronic and acute conditions, enabling clinicians to keep tabs on patients in-between clinic visits or when in-person care is not possible. For chronic care, in particular, RPM devices enable clinicians to observe patients in near real-time, gather necessary data, and make adjustments to improve care outcomes. For acute care, RPM provides continual monitoring of biometrics to support hospital-at-home programs, which include diagnostics like echocardiograms and X-rays, treatments such as oxygen therapy and intravenous fluids, as well as pharmacy and skilled nursing services.

RPM programs employ the use of various types of devices, like weight scales, pulse oximeters, blood glucose meters, blood pressure monitors, heart monitors, and even specialized monitors for dementia and Parkinson's disease. Another category of RPM devices that can be used to track patients' health over the long term are wearables. These can range from more consumer-facing devices like smartwatches to continuous blood glucose monitors.

In Q1 2023, RPM M&A transactions include Medtronic's (NYSE: MDT) \$729 acquisition of EOFLOW (wearable insulin pumps), HealthBeam's (NASDAQ: BEAT) acquisition of LivMor (heart-rate monitoring); and DocGo's acquisition of Cardiac RMS (cardiac monitoring).

We also saw two public exits via reverse merger in the RPM category: the combination of Avertix (NASDAQ: AVRT) (heart-attack detection device) with BioPlus Acquisition and the combination of Nuvo (NASDAQ: NUVO) (pregnancy care wearable device) with LAMF Global Ventures I.

"Our goal is to simplify diabetes management and deliver the well-established benefits of automated insulin delivery to our customers in the ways they want and need. We're excited to introduce a differentiated wearable patch option to provide more patient choice and drive further innovation for those who want to use technology to make living with diabetes easier. We look forward to expanding our offerings to participate in the patch pump market and enabling those customers access to our seamless ecosystem of support."

**Que Dallara, EVP & President,
Medtronic Diabetes**

RPM PE/VC financing transactions in Q1 2023 include a \$16 million investment in Peerbridge Health (ECG RPM devices) led by Mendota Venture Capital and HealthX Ventures; a \$15 million investment in Aluna (respiratory RPM platform) led by Matrix Partners; and a \$4 million investment in Biointellisense (continuous RPM solutions) led by TLG Capital Management.

"We are excited to partner with Peerbridge Health as they build an innovative remote patient diagnostics platform using advanced AI combined with ECG. Their technology will improve quality of care while also reducing costs, and we are thrilled to support their efforts to bring it to more patients and providers."

**Nick Jackson, Principal, Mendota
Venture Capital**

DIGITAL HEALTH (cont.)

Digital Care Management



Sector Observations

Digital care-management (DCM) companies provide services to help patients find and navigate care, which can include care coordination, medication adherence, digital pharmacies, and caregiving and aged-care support. Care navigators can provide benefits to patients by making it easier to find and access care and provide cost savings to payers.

Despite concerted efforts of healthcare market participants to “bend the cost curve” and improve the patient experience, healthcare has continued to become increasingly complicated, and the penetration of care navigation services remains relatively low (under 10% of covered lives), providing an opportunity for new entrants to grow and gain scale.

In Q1 2023, M&A in the DCM category include Elevance Health’s acquisition of BioPlus Specialty Pharma (specialty pharma services), Florence’s acquisition of Zipnosis (virtual care delivery platform), and Suggestic’s acquisition of Wishroute (human-powered engagement platform), each for undisclosed amounts.

“Zipnosis’ asynchronous telemedicine solution is the best in the industry and perfectly aligns with Florence’s vision to create capacity to care in physical settings. Together, we’ll create exceptional healthcare experiences for patients virtually and in-clinic while freeing up time for clinicians to focus on what they do best, care for patients.”

Aniq Rahman, CEO, Florence

“We welcome Wishroute to the Suggestic family. This acquisition will allow us to accelerate our launch of our new GPT-based Behavioral Engagement platform by leveraging the unique methodology Wishroute developed. Wishroute has driven phenomenal results for health & wellness companies and we’re excited to bring that same impact to our customers at scale.”

Victor Capela, CEO, Suggestic

DCM PE/VC financing deals in Q1 2023 include a \$375 million investment in Monogram Health (AI-based kidney care services) led by Humana, CVS Health and Cigna; a \$100 million investment in Vytalize (care delivery platform) by Enhanced Healthcare Partners and Monroe Capital; and a \$84 million investment in Wellvana (care delivery platform) led by Heritage Group and Valtruis.

“At Monogram Health we actively manage patients’ kidney disease and a wide range of acute and chronic conditions using our proprietary, evidence-based protocols and technology. Everything we do is designed to improve access to health care and health outcomes for polychronic patients by supporting their individual needs in their own homes, transforming the patient experience, especially for those who have been historically underserved.”

Mike Uchrin, CEO & Co-Founder, Monogram Health

DIGITAL HEALTH (cont.)

Health Coaching & Wellness

Sector Observations

Health Coaching & Wellness (HCW) companies provide services that support patients trying to reach health and wellness goals. This segment of digital health includes alcohol and substance use programs delivered virtually, nutrition and weight loss, pain and physical therapy, and general wellness platforms. Digital alternatives can be used in conjunction with in-person coaching to supplement care and can be more cost efficient for patients. Additionally, digital solutions can scale faster than services that primarily rely on in-person care models.

In Q1 2023, investors have shown interest in the following HCW categories: sleep coaching, cardiac rehab, and nutrition and weight management. M&A transactions in the quarter include BetterUp's acquisition of Crecent Health (sleep coaching); Ucardia's acquisition of Phas3 (cardiac rehab); and WW's \$132 million acquisition of Weekend Health (d/b/a Sequence) (weight management).

"We see serving the physician practice segment as a natural extension of the missions of both Phas3 and Ucardia – continuing to make sure every CVD patient has the opportunity to receive critical monitoring and care while in the comfort and convenience of their home. We believe in extending access to every patient who needs this essential care."

Dan Ebeling, COO & Co-Founder, Phas3

HCW PE/VC financing deals in Q1 2023 include a \$23 million investment in Form Health (weight loss platform) led by M13; a \$28 million investment in FirstHand Health (mental health platform) led by ARCH Venture Partners; and

a \$9 million investment in Nourish (nutrition platform) led by Thrive Capital.

"With our science-backed lifestyle program and Sequence's tech platform – which puts complex, slow insurance processes on tech rails – this is an unmatched opportunity for us to create an integrated product offering. We want to ensure we have the best programs and experiences for everyone. Together, we will provide impactful, holistic solutions for people living with overweight or obesity."



















Sima Sistani, CEO, WW

"Nutrition has largely been excluded from the healthcare system, despite its importance and connection to people's health. We love that Nourish is changing that by bringing consumers, Registered Dietitians, and insurance companies together to build a more affordable and complete nutrition program."

Kareem Zaki, General Partner, Thrive Capital

DIGITAL HEALTH (cont.)


























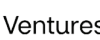
DIGITAL HEALTH: SELECT M&A TRANSACTIONS (YTD 5/2023)

Deal Date	Target	Acquirer	Enterprise Value (\$M)	EV/LTM Rev.	EV/LTM EBITDA
04/19/23	 MedMinder Smart medicine.	 Personal Rx	N/A	N/A	N/A
04/12/23	 SimpleHealth	 twentyeight	N/A	N/A	N/A
04/03/23	 Alertive HEALTHCARE	 COACHCARE	N/A	N/A	N/A
03/14/23	 LIVMOR	 Heart Beam	N/A	N/A	N/A
03/06/23	 98point6	 transcarent	\$100.0	N/A	NM
03/04/23	 weekend health	 WeightWatchers	132.0	5.3x	NM
02/22/23	 one medical	 amazon	3,900.0	4.0x	N/A
02/22/23	 LHC GROUP	 UnitedHealthcare OPTUM	5,400.0	2.4x	41.0x
01/03/23	 Summit Health	 VillageMD	8,900.0	N/A	N/A

Source: Pitchbook

DIGITAL HEALTH (cont.)

DIGITAL HEALTH: SELECT FINANCING TRANSACTIONS (YTD 5/2023)

Deal Date	Company	Lead Investor(s)	Amount (\$M)	Deal Type
05/11/22	 Wellthy	 ELDRIDGE  HEARST	\$26.0	Later Stage VC
05/11/23	 amino	 TRANSFORMATION CAPITAL  OXFORD FINANCE	80.0	Series B
05/04/23	kindbody	 PERCEPTIVE ADVISORS	100.0	Series C
04/18/23	 MEMORA HEALTH	GENERAL  CATALYST	30.0	Series A
03/27/23	 wellvana	 The Heritage Group  VALTRUIS	84.0	Later Stage VC
03/23/23	 OSHI HEALTH™	 KOCH™ DISRUPTIVE TECHNOLOGIES	30.0	Series B
03/21/23	 artera™	 JOHNSON & JOHNSON INNOVATION  COATUE  KOCH™ DISRUPTIVE TECHNOLOGIES	90.0	Early Stage VC
02/24/23	 PEERBRIDGE	 MVC  HEALTHX VENTURES	16.0	Series A
01/09/23	 MI monogram health	 Humana  CVS Health.  Ventures  Cigna VENTURES	375.0	Series C
01/09/23	 Carbon Health	 CVS Health.  Ventures	100.0	Series D

Source: Pitchbook