



Outcome Capital Life Sciences Market Pulse

February 2023

Reach the Right Outcome



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OUTCOME CAPITAL | LIFE SCIENCES MARKET PULSE

Strategic Transactional Insights & Market Trends



Outcome Capital At A Glance...

A highly-specialized life sciences and healthcare advisory & investment banking firm providing middle-market transactional expertise underpinned by a value-added, market-aligned approach to strategy execution. Our industry-dedicated specialists leverage significant operational, strategic & scientific knowledge in sharing their insights on industry-defining transactions.

Life Sciences Verticals:

- › MedTech
- › Pharma
- › Biotech
- › Diagnostics
- › Life Sciences Services
- › Digital Health

Transaction Focus:

- › M&A
- › Management Buyouts & Roll-Ups
- › Partnering
- › Equity Financings



Outcome Capital Pulse: Monthly Insights of Life Sciences Deal Action & Drivers

Outcome Index Tracker

- › Custom medtech, biotech/pharma, diagnostics, services & healthtech indices benchmarked to the S&P500

Transaction Lineup

- › Snapshot of noteworthy life sciences deals highlighting industry-defining activity

Highlighted Transactions

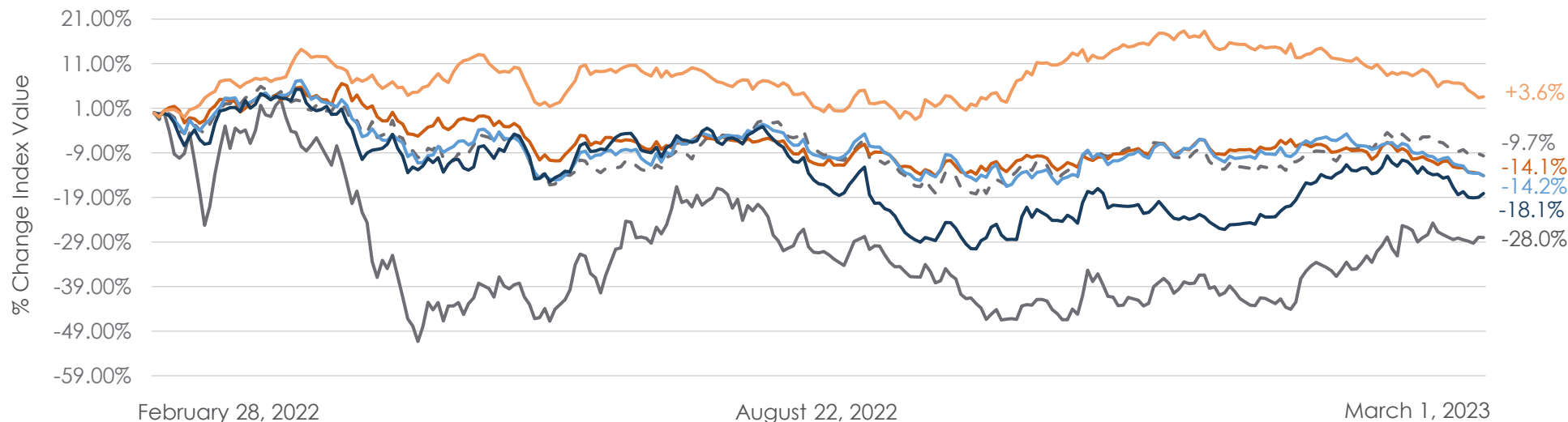
- › Strategic analysis from Outcome Capital's life sciences-dedicated deal team



Outcome Index Tracker

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Outcome Capital Index Tracker (LTM)



Legend	-- S&P500	— Outcome Capital MedTech Index	— Outcome Capital Biotech/Pharma Index	— Outcome Capital HealthTech Index	— Outcome Capital Dx Index	— Outcome Capital Services Index
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Highlighted Transactions

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Cardiovascular MedTech Market Continues Ongoing Consolidation



Target

\$904M

Deal Size



Buyer

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The cardiovascular medical device market dynamics have been relatively consistent with industry leaders such as Boston Scientific, Medtronic, J&J and Abbott owning significant share while innovative middle-market companies such as Edwards and Abiomed have been able to carve a niche investing in specialized, high-growth therapeutic products. These specialized companies have established significant brand equity and market share in their specific segment, which has resulted in the large strategics reacting; Boston Scientific acquired Baylis Medical, J&J acquired Abiomed, Cordis acquired MedAlliance, and Medtronic acquired Acutus Medical's left-heart access portfolio. Following recent consolidation within the segment, Abbott has followed suit, agreeing to acquire Cardiovascular Systems for just under \$1B. Through this acquisition, Abbott will be able to accelerate their R&D pipeline and extend into direct high-growth adjacencies, including drug-coated balloons, mechanical thrombectomy and intravascular lithotripsy. It will be interesting to follow which shoe is next to drop.

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Highly Innovative Discovery Meets Pro-Active Business Development

AQILION

Target

\$1.03B

Deal Size

MERCK

Buyer

“

Aqilion and Merck KGaA have entered an exclusive license and strategic research partnership for the discovery, development and commercialization of the transforming growth factor- β -activated kinase 1 (TAK1) protein-small molecule inhibitors. The deal with Aqilion moves Merck into a space that is yet to become as congested as some areas of the autoimmune pipeline. Merck KGaA is betting 10 million euros (\$10.7 million) that Aqilion has the keys to unlock value from a tough target. They are committing 950 million euros (\$1.02 billion) in milestones, for preclinical inhibitors of TAK1 that have applications in a range of autoimmune and inflammatory diseases. Interest in the transforming growth factor- β -activated kinase 1 (TAK1) protein stems from its status as a critical node in TNF-mediated intracellular signaling. Targeting TNF with antibodies such as Remicade has improved outcomes in many autoimmune diseases, including rheumatoid arthritis, but some patients either don't respond or relapse after initially responding. TAK1 offers a potential alternative route to TNF, but factors such as low bioavailability have held the field back. Aqilion has created selective TAK1 inhibitors with applications in autoimmune and inflammatory diseases. By designing new compounds to cross the blood-brain barrier, Aqilion expanded the program into neurological diseases including multiple sclerosis. In this partnership, Aqilion will handle the design and synthesis of the new small molecule TAK1 inhibitors. Merck will be responsible for leading the preclinical pharmacology and biology trials.

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Destiny Pharma Passes the Baton in a Regional Deal for a Microbiome Asset

Destiny Pharma

Target

\$570M

Deal Size

SEBELA[®]
PHARMACEUTICALS INC.

Buyer

“

In 2020, Destiny Pharma acquired the global rights to NTCD-M3 for the prevention of C. difficile infection recurrence. Fast forward less than three years, and Destiny has flipped it in a regional out-licensing deal with Sebela Pharma worth up to \$570M plus royalties. This is a lot of biobucks, but given the novelty of the therapeutic approach and the lack of a clear market predicate, the transaction structure is more heavily back-ended than typically seen. The license terms include only \$1M upfront and \$19M of development milestones, so in effect, ALL of the value (>96%) is dependent upon successful commercialization of the asset. This structure works for Destiny because Sebela will lead and finance the clinical development and commercialization activities for NTCD-M3 in North America, thus providing a clear path to a large market without the associated financial or execution risk. The development work and external validation provided by the Sebela relationship can also be leveraged by Destiny in territories for which it has retained commercialization rights.

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The Payvider Wars: CVS Health Takes Oak Street Off The Board



Target

\$10.6B

Deal Size



Buyer

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CVS Health's \$10.6 billion acquisition of Oak Street Health decidedly ups the ante in the multi-billion dollar, 'payvider' vertical integration primary care war for Medicare Advantage members and value-based care supremacy. Leveraging Oak Street's newly-forged "Embedded EBITDA" financial metric for per clinic, future potential profitability, CVS is seemingly admitting (again) that 'buy' is easier than 'build', agreeing to pay almost \$60 million for each of Oak Street's 169 primary care clinics. That said, the "clear path" to profitability and the "meaningful synergies" that will drive "double-digit return on invested capital over time" is fraught with potential financial and operational downside and risk: The current and future MA marketplace is exponentially more competitive (and less profitable) than it was during the height of Oak Street's impressive "J-Curve"-based growth model – and its prior, successful execution. But that double-digit ROIC is significantly dependent on CMS not making major changes to its current MA model, and CVS Health's and Oak Street's ability to skillfully execute on the tremendously capital-intensive clinic growth and expansion process. Make no mistake about it, there is substantial, synergistic upside inherent within this deal, and the Signify, Oak Street, Carbon Health footprint, in combination with Aetna, Caremark and the 1,100 MinuteClinics provide a robust care delivery infrastructure. But CVS Health's ability to execute in the face of only stiffer headwinds will determine how and when the Oak Street purchase becomes accretive, or whether the "Embedded EBITDA" metric is just an asymptotic financial mirage.

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Entrada Secures Strategic Collaboration & Licensing Agreement



Target

\$735M

Deal Size



Buyer

“

In February 2023, Entrada Therapeutics, Inc. (Nasdaq: TRDA) and Vertex Pharmaceuticals Inc. (Nasdaq: VRTX) initiated a strategic collaboration and license agreement to develop Endosomal Escape Vehicle-therapeutics (EEV) for the potential treatment of myotonic dystrophy type 1. The agreement includes a four-year global research collaboration whereby Entrada will continue to advance research activities for ENTR-701, an EEV conjugated phosphorodiamidate morpholino oligomer, as well as additional DM1-related research. Vertex will be responsible for global development, manufacturing and commercialization of ENTR-701 and any additional programs stemming from Entrada's DM1 research efforts. Under the terms of the agreement, Entrada will receive an upfront payment of \$224 million, as well as an equity investment of \$26 million at \$16.26 per share. Entrada is eligible to receive up to \$485 million in milestone payments and sales royalties.

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Strategic Acquisition Provides Key Technology to Expand



Undisclosed

Deal Size



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Consolidation in the IVD CMO industry continues as EDX Medical Group acquired Torax Biosciences. This transaction will allow EDX to expand their expertise into the IVD CDMO market. Torax Biosciences' experience in delivering high quality kits and bulk reagents to their IVD customers will be a valuable asset for EDX as they look to diversify their offering from molecular diagnostic laboratory to a complete CDMO for the IVD industry.

”



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Globus Rocks The Spine Market With NuVasive Acquisition



Target

\$3.1 B

Deal Size



Buyer



Projected to become the world's second largest spine franchise behind the market leader, Medtronic, Globus' long-rumored NuVasive takedown has the potential to unlock significant cost-synergies and market share. The key, of course, for a transaction of this size and scope, will be to aggressively meld the two operations towards enhanced profitability at every level. Done right, we can see increased revenues, reduced operating costs, and improved negotiation leverage with supplies. Mismanaged, we are likely to see sales force attrition, bloated operational costs, and reduced free cash flows. Analysts are likely to cast an eye of scrutiny on this deal, but if executed correctly, Globus' shareholders will be rewarded handsomely.



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Next-Gen Neuro Drug Discovery Platform Continues To Have Investor Support



cerevance

Target

\$116M

Deal Size



Investors

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While dry powder remain abundant and new VC funds continue to be raised, attracting new investment has become increasingly difficult for biotech companies as a result of current market conditions. On the whole, investors have had to re-evaluate their existing portfolio and shifted their target criteria for new investments to more advanced assets/companies. Despite the market, one company that continues to have the support of their investor base is Cerevance who raised \$51M in an extension of the Series B financing completed back in 2019. This transaction likely does not represent the step-up in value that was expected at the time of initial Series B investment, but with the significant potential of Cerevance's platform, enabling continued progress will be key for investors to capture ROI in spite of current market conditions. Moreover, Cerevance's existing partnerships with Merck and Takeda were likely key to investors in their decision as there is a defined path to liquidity.

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Hexagon Bio Progressing Synthetic-Biology Powered Drug Discovery Efforts



 **Hexagon Bio**

Target

\$77M

Deal Size

THE
COLUMN
GROUP

8VC

nextech



CPP
INVESTMENT
BOARD



TWO SIGMA
VENTURES

Investors

“

By leveraging advances in computational biology and experimental techniques enabled through synthetic biology, Hexagon Bio has turned toward microbial genomes as a potential therapeutic treasure trove to mine. With much of the recent attention turning toward large transactions in therapeutic delivery technologies (i.e., ADCs), Hexagon's development shines light on the industry's need for new chemical entities to enhance the value of these breakthrough delivery vehicles as well as open up new possibilities for what can be considered druggable targets. The company seeks to combine their ability to identify and exploit naturally occurring microbial metabolites with technology to produce and screen these compounds to validate new therapeutic molecules with novel mechanisms of action to drug the previously undruggable. Hexagon Bio is reinforcing the industry-wide trend of digital insights informing therapeutic potential and shining a spotlight on the importance of synthetic biology approaches that allow researchers to fully take advantage of those insights.

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GE Healthcare Bolsters Digital Offering With Caption Health Platform

Caption Health

Target

Undisclosed

Deal Size



GE HealthCare

Buyer

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Since its official spinout in January, GE HealthCare (NASDAQ: GEHC) has proven its commitment to M&A as a key part of its growth strategy. This past month, GEHC acquired Caption Health, a leading AI imaging company for ultrasound diagnostics, its second deal in as many months. This acquisition plays on a number of trends we have seen across segments. First, digitization of MedTech offerings has been a common theme, as companies traditionally focused on commoditized devices have been investing in digitally-enabled assets to further differentiate and bolster market position. Caption Health's software pairs well with GEHC's ultrasound, specifically handheld, devices. Second, the digital health segment is highly-fragmented with a multitude of point solutions on market. As the segment matures, we expect to see consolidation of point solutions into platforms that position companies as high-value strategic acquisition targets. Caption Health, though focused exclusively on ultrasound, offers as a diagnostic imaging platform spanning cardiac, diabetic, cancer and renal indications, making this an ideal platform acquisition for a MedTech giant like GEHC.

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Disruptive Technology Attracts Investment Despite Market Uncertainties



Target

\$370M

Deal Size

OLYMPUS

Buyer

“

Olympus Corp. (Olympus) has agreed to acquire Taewoong Medical, Co., Ltd, (Taewoong Medical) in an all-cash transaction on February 24th, 2023. Total consideration for the acquisition amounts to approximately \$370M with \$255.5M due at closing and up to \$114.5M to be paid upon the achievement of certain future milestones. Taewoong Medical is a Korea-based medical device manufacturer with a leading portfolio of gastrointestinal (GI) metallic stents and extensive R&D capabilities. The transaction enables Olympus to enhance their EndoTherapy division and supports the company's commitment to providing a fully comprehensive portfolio of innovative solutions aimed at treating patients who suffer from various GI diseases and complications. Olympus' go forward strategy will involve maximizing synergies through effective integration and continued pursuit of inorganic growth through strategic acquisitions. Subject to customary closing conditions, Olympus expects to complete the acquisition of TaeWoong Medical by June 30th, 2023.

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February 2023 | Transaction Lineup

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February 2023 Transaction Lineup



Date	Target	Buyer/ Investor	Target Description	Deal Type	Deal Value (\$M)	Up-Front Payment (\$M)	Vertical
2/6/23	CEREU technologies	LANTHEUS	Developer of informatics, diagnostics, and technology for neurodegenerative disorders	M&A	Undisclosed	Undisclosed	Diagnostics
2/7/23	ALLEVIANT	US VENTURES glimartecapital LONGVIEW VENTURES SHANGHAI CAPITAL TMC VENTURE RIVERVEST VENSANA CAPITAL	Developer of medical devices designed to offer treatment for congestive heart failures	Financing	75	N/A	MedTech
2/8/23	Oak St. Health	CVS Health	Operator of primary care centers for Medicare beneficiaries offering healthcare services to the patients in the United States	M&A	10,600	10,600	Services
2/8/23	CSI CARDIOVASCULAR SYSTEMS, INC.	Abbott	Developer of a catheter-based platform to treat peripheral and coronary artery diseases	M&A	904	904	MedTech
2/9/23	entrada THERAPEUTICS	VERTEX	Developer of endosomal escape vehicle (EEV) therapeutics for the treatment of multiple neuromuscular diseases	Partnership	735	250	Biotech / Pharma
2/9/23	Caption Health	GE Healthcare	Developer of software solutions to acquire and interpret ultrasound exams using artificial intelligence	M&A	Undisclosed	Undisclosed	Diagnostics



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2/9/23	Giotto	RQM+	Developer of an AI platform to streamline regulatory reports & filings across the product development lifecycle for medical device & in vitro diagnostics manufacturers	M&A	Undisclosed	Undisclosed	Life Science Tools
2/9/23	NUVASIVE	GLOBUS MEDICAL	A medical technology company, developing surgical access instruments & procedural solutions for spine surgery	M&A	3,100	3,100	MedTech
2/13/23	Hexagon Bio	THE COLUMN GROUP TWO SIGMA VENTURES nextech 8VC CPP INVESTMENT BOARD	Developer of synthetic biology platform designed to use data science to search for genomes for small molecule inhibitors of selected target proteins	Financing	77	N/A	Biotech / Pharma
2/13/23	MEGALITH PHARMACEUTICALS Where Science, Quality and Value Meet	CORBUS PHARMACEUTICALS	A leading manufacturer and marketer of Active Pharmaceutical Ingredients (API) & finished pharmaceutical products	Partnership	693	8	Biotech / Pharma
2/13/23	Clearsense	CARON CAPITAL Wildermuth FUND HEALTH CATALYST CAPITAL KMMT HealthQuest CAPITAL UPMC Enterprises	Developer of a data platform-as-a-service technology designed to streamline data collection for healthcare organizations	Financing	50	N/A	HealthTech
2/13/23	HBM HOLDINGS	cullinan ONCOLOGY	A biopharmaceutical company, engaging in the discovery & development of differentiated antibody therapeutics in immunology and oncology disease areas	Partnership	588	25	Biotech / Pharma

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MedTech

Biotech/Pharma

HealthTech

Diagnostics

Life Science Tools

Services

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2/13/23			Developer of novel therapeutics intended to advance new medicines for central nervous system diseases	Financing	116	N/A	Biotech / Pharma
2/14/23			Developer of a device revolutionizing umbilical catheter protection & securement to improve safety for neonates in the intensive care setting	M&A	Undisclosed	Undisclosed	MedTech
2/14/23			A pharmaceutical company, researching, developing & manufacturing medicines for oncology, pain, & autoimmune indications	Partnership	706	11	Biotech / Pharma
2/16/23			Developer of a targeted protein degradation technology intended assist in the treatment of serious diseases	Financing	75	N/A	Biotech / Pharma
2/16/23			A biotech company focusing on innovative treatments for diseases caused by chronic inflammation & autoimmune diseases	Partnership	1,028	11	Biotech / Pharma
2/17/23			Designer, developer, & manufacturer of IVD reagents, immune assays, & diagnostic testing solutions used in clinical laboratories	M&A	Undisclosed	Undisclosed	Diagnostics

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2/22/23	intraSense Reveal the invisible. Save lives.	Guerbet	Developer of a software solution for advanced visualization, analysis, & diagnosis of multimodality medical images	M&A	17	17	Diagnostics
2/23/23	Redx	Jounce	A pharmaceutical company focused on small molecule drug discovery, pre-clinical development, & licensing for anti-cancer and fibrosis targets	M&A	92	92	Biotech / Pharma
2/24/23	Destiny Pharma	SEBELA PHARMACEUTICALS INC.	A biotechnology company focused on the discovery & development of medicines for the treatment of infectious diseases	Partnering	570	1	Biotech / Pharma
2/24/23	TaeWoong Medical	OLYMPUS	Developer of a variety of endoscopic devices for gastrointestinal procedures	M&A	354	256	MedTech
2/27/23	Eluminox Biosciences	HILLHOUSE VENTURES QUAN YUEXU YUEXU HOLDINGS	Developer of ophthalmic therapeutic solutions designed to slow & lessen the effects of age & overuse on eyesight	Financing	40	N/A	Biotech / Pharma
2/27/23	Puzzle Medical Devices	AJAX CEN CATHEXIS VENTURES Desjardins Front Row GRANT PARK LONG HELLMAN & FRIEDMAN	Developer of an implantable therapy device designed to improve treatment methods for people suffering from neurological disorders	Financing	25	N/A	MedTech



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