HOULIHAN CAPITAL

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Valuation & Financial Advisory | Investment Banking

INDUSTRY UPDATE
HEALTHCARE
Q1 2026

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1 Executive Summary

Key Takeaways

Key Trends

- **AI & Digital Health Acceleration:** AI adoption in healthcare continued to outpace the broader economy in Q1 2026, with health systems leading uptake and nearly half of healthcare venture investment flowing to AI-enabled platforms. Use cases expanded across drug discovery, clinical documentation, revenue cycle automation, and ambient listening tools.
- **Workforce & Cost Pressures:** Labor shortages, wage inflation, and elevated utilization continued to compress provider margins. Operators leaned on flexible staffing models, automation, and care-setting migration to lower-cost outpatient and home-based settings to protect profitability.

Market Overview

- Healthcare M&A volumes **continued to cool** in Q1 2026 amid policy and rate uncertainty, though buyers remained active in scalable, high-growth segments such as healthcare technology, specialty care, and outsourced services.
- Healthtech venture funding climbed to **$4.6B in Q1 2026, up ~25% YoY**, with deal counts up even faster as AI-led platforms drove the bulk of capital deployment and pushed valuations to record levels.

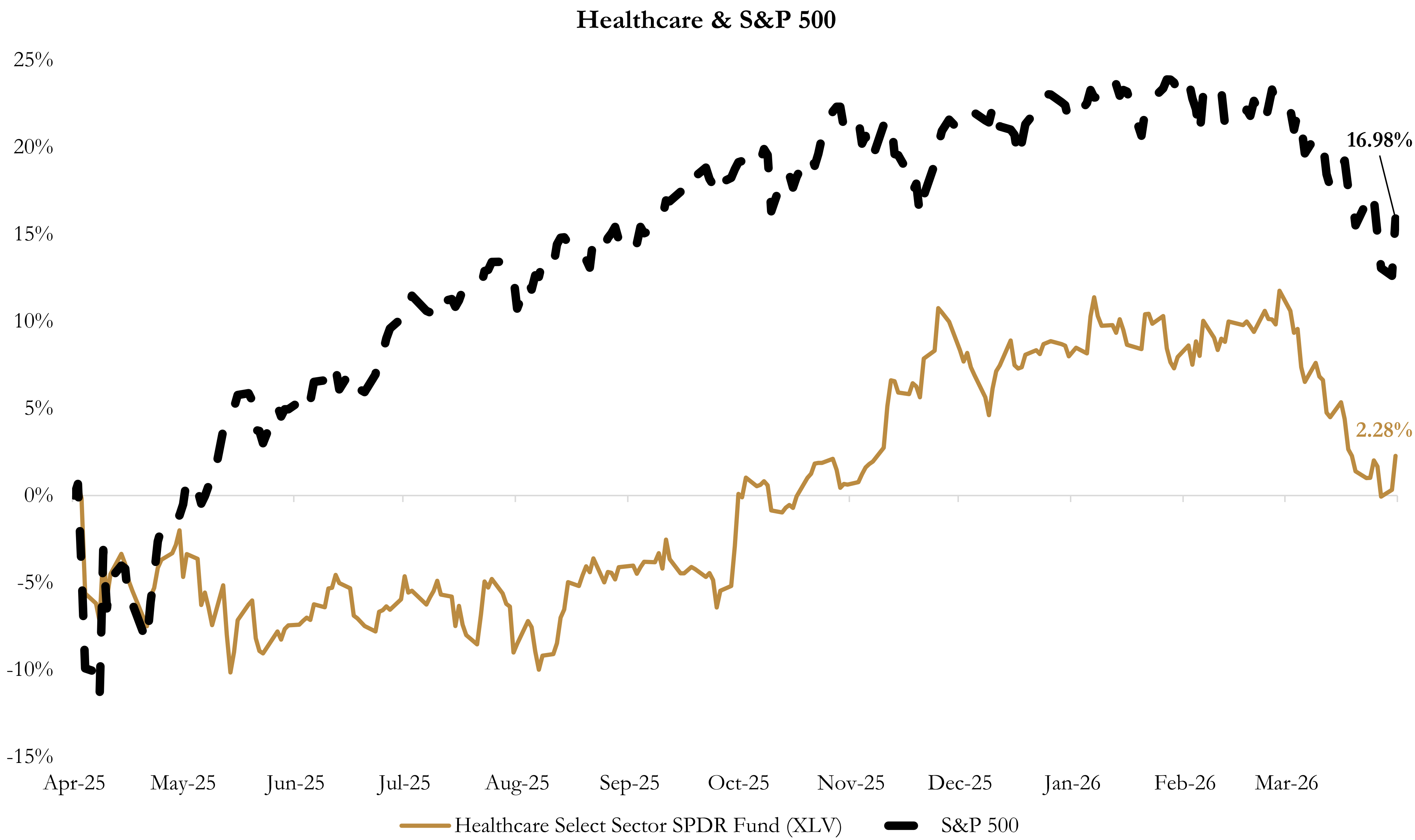
External Drivers

- The sector faced growing uncertainty as **federal health coverage programs pulled back**, insurance reimbursements came under pressure, and payers made it more difficult for providers to get paid.
- Aging demographics and rising chronic disease prevalence continue to **drive demand** for specialty care, GLP-1 therapies, and consumer-centric, digitally enabled care delivery.

Sources: Capital IQ, PitchBook, EY, McKinsey

2 Public Market Performance

Sector ETF vs. S&P 500



Source: Capital IQ

2 Public Market Performance

Key Financial and Valuation Metrics for Large Industry Operators

(USD in millions, except per share data)

		Valuation Metrics					Financial Metrics			
Company Name	**Ticker**	**TEV**	**Price at 03/31/26**	**% of 52 Week High**	**TEV / LTM Revenue**	**TEV / LTM EBITDA**	**LTM Revenue**	**LTM EBITDA**	**Revenue Growth**	**EBITDA Margin**
Biopharmaceutical & Biotechnology										
Eli Lilly and Company	LLY	$860,932	$919.77	81.1%	13.2x	27.2x	$65,179	$31,693	44.7%	48.6%
Johnson & Johnson	JNJ	$573,818	$244.44	97.1%	6.0x	16.8x	$96,362	$34,105	7.9%	35.4%
AbbVie Inc.	ABBV	$417,822	$217.49	88.8%	6.8x	14.3x	$61,160	$29,254	8.6%	47.8%
Merck & Co., Inc.	MRK	$314,850	$120.29	96.1%	4.8x	10.8x	$65,011	$29,105	1.3%	44.8%
Amgen Inc.	AMGN	$232,994	$351.85	89.9%	6.3x	14.0x	$36,751	$16,617	10.0%	45.2%
Pfizer Inc.	PFE	$206,798	$28.08	99.2%	3.3x	8.0x	$62,579	$25,718	-1.6%	41.1%
Gilead Sciences, Inc.	GILD	$177,828	$139.37	88.6%	6.0x	12.2x	$29,443	$14,577	2.4%	49.5%
Bristol-Myers Squibb Company	BMY	$156,205	$60.65	96.4%	3.2x	8.2x	$48,194	$19,116	-0.2%	39.7%
Vertex Pharmaceuticals Incorporated	VRTX	$101,041	$446.54	87.4%	8.4x	20.8x	$12,001	$4,866	8.9%	40.5%
Regeneron Pharmaceuticals, Inc.	REGN	$60,721	$772.64	94.1%	4.2x	14.3x	$14,343	$4,246	1.0%	29.6%
Healthcare Providers, Services, & Payers										
UnitedHealth Group Incorporated	UNH	$387,299	$270.59	44.6%	0.9x	17.9x	$447,567	$21,625	11.8%	4.8%
CVS Health Corporation	CVS	$167,473	$71.82	84.3%	0.4x	11.5x	$399,834	$14,625	7.9%	3.7%
HCA Healthcare, Inc.	HCA	$156,187	$473.24	85.0%	2.1x	10.1x	$75,600	$15,488	7.1%	20.5%
McKesson Corporation	MCK	$108,545	$865.36	86.6%	0.3x	18.3x	$397,958	$5,928	15.5%	1.5%
The Cigna Group	CI	$95,320	$266.75	76.2%	0.3x	7.9x	$274,900	$12,047	11.2%	4.4%
Elevance Health, Inc.	ELV	$93,598	$292.75	63.8%	0.5x	11.0x	$200,416	$8,541	9.4%	4.3%
Cencora, Inc.	COR	$68,314	$314.14	83.2%	0.2x	13.8x	$325,778	$4,962	7.4%	1.5%
Cardinal Health, Inc.	CAH	$53,627	$211.31	90.5%	0.2x	14.0x	$244,673	$3,823	10.1%	1.6%
Humana Inc.	HUM	$35,250	$173.39	55.0%	0.3x	9.9x	$129,664	$3,569	10.1%	2.8%
Centene Corporation	CNC	$19,522	$32.74	49.6%	0.1x	7.6x	$176,151	$2,561	19.7%	1.5%

Source: Capital IQ

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(USD in millions, except per share data)

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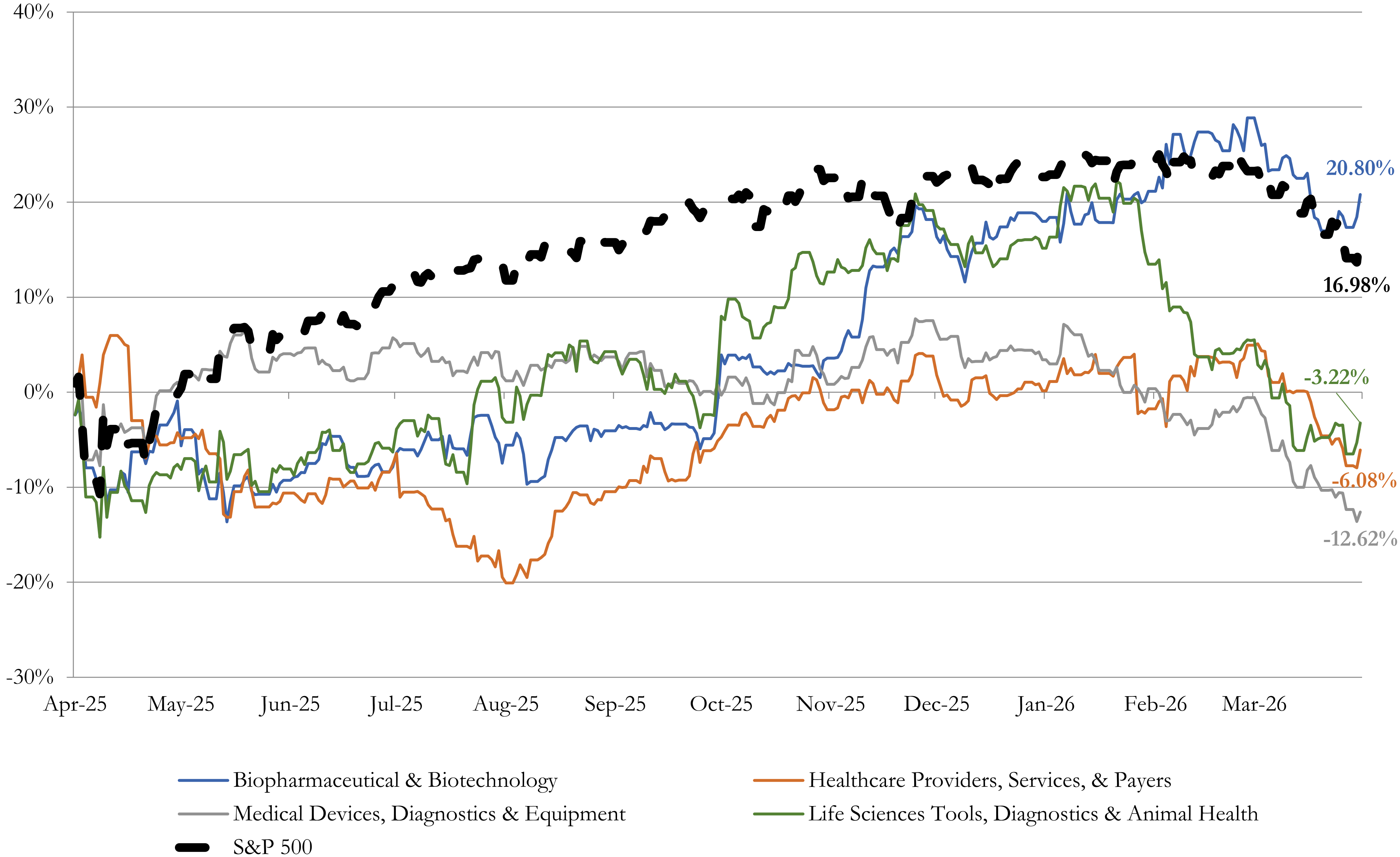
Medical Device, Diagnostics & Equipment										
Abbott Laboratories	ABT	$165,548	$102.67	73.8%	3.7x	13.6x	$45,134	$12,152	6.6%	26.9%
Intuitive Surgical, Inc.	ISRG	$163,788	$460.99	76.3%	15.5x	42.5x	$10,582	$3,853	21.4%	36.4%
Stryker Corporation	SYK	$138,396	$328.59	81.2%	5.5x	19.9x	$25,116	$6,949	11.2%	27.7%
Medtronic plc	MDT	$126,600	$86.65	81.5%	3.6x	13.4x	$35,484	$9,440	6.9%	26.6%
Boston Scientific Corporation	BSX	$106,654	$62.75	57.3%	5.2x	19.7x	$20,614	$5,427	17.4%	26.3%
Becton, Dickinson and Company	BDX	$63,108	$157.23	68.7%	2.9x	10.4x	$21,924	$6,042	6.2%	27.6%
Edwards Lifesciences Corporation	EW	$43,477	$80.08	91.1%	7.2x	24.2x	$6,068	$1,795	11.5%	29.6%
GE HealthCare Technologies Inc.	GEHC	$38,761	$71.18	79.3%	1.9x	10.6x	$20,625	$3,642	4.8%	17.7%
ResMed Inc.	RMD	$31,635	$224.48	76.4%	5.9x	15.6x	$5,398	$2,025	9.6%	37.5%
DexCom, Inc.	DXCM	$23,866	$62.80	69.8%	5.1x	20.5x	$4,662	$1,164	15.6%	25.0%
STERIS plc	STE	$23,568	$221.13	82.1%	4.0x	15.0x	$5,828	$1,575	8.0%	27.0%
Insulet Corporation	PODD	$13,697	$209.84	59.1%	5.1x	24.3x	$2,708	$564	30.7%	20.8%
Life Sciences Tools, Diagnostics & Animal Health										
Thermo Fisher Scientific Inc.	TMO	$222,389	$491.53	76.3%	5.0x	20.0x	$44,556	$11,138	3.9%	25.0%
Danaher Corporation	DHR	$144,249	$189.60	78.1%	5.8x	18.2x	$24,778	$7,935	4.0%	32.0%
Zoetis Inc.	ZTS	$56,420	$118.21	68.6%	6.0x	13.9x	$9,467	$4,066	2.3%	42.9%
IDEXX Laboratories, Inc.	IDXX	$46,732	$561.89	73.0%	10.9x	31.0x	$4,304	$1,505	10.4%	35.0%
IQVIA Holdings Inc.	MRK	$43,703	$170.54	69.0%	2.7x	14.9x	$16,310	$2,938	1.3%	44.8%
Agilent Technologies, Inc.	A	$35,837	$113.98	71.1%	5.1x	18.2x	$7,065	$1,971	8.1%	27.9%
Waters Corporation	WAT	$33,781	$297.80	71.9%	10.7x	30.9x	$3,165	$1,094	7.0%	34.6%
Mettler-Toledo International Inc.	MTD	$28,725	$1,261.20	82.7%	7.1x	23.7x	$4,026	$1,212	4.0%	30.1%

Source: Capital IQ

2 Public Market Performance

Sub-Industry Performance vs. S&P 500

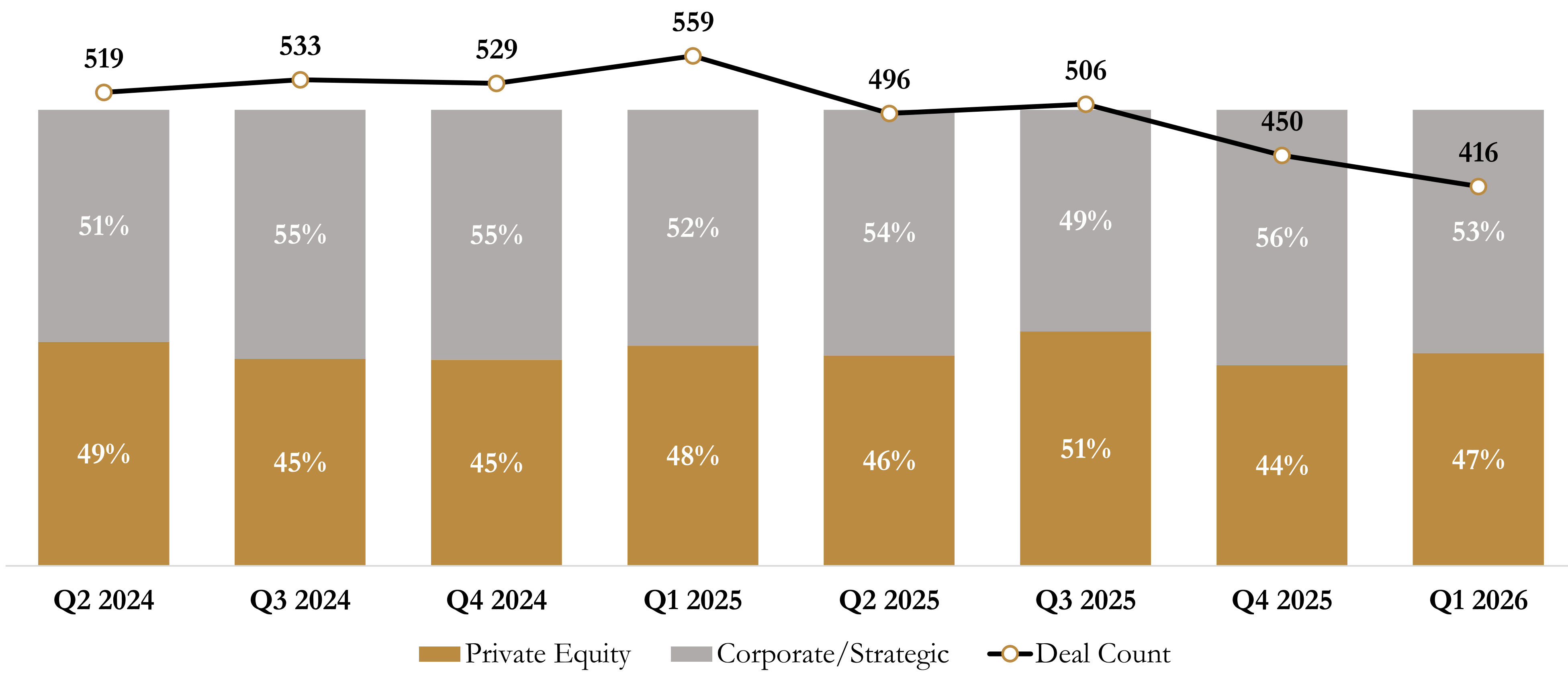


Source: Capital IQ

3 M&A Trends

Quarterly M&A Volume (Strategic vs. Private Equity)

The Healthcare M&A market continued to cool in Q1 2026, with total transactions declining to 416 – the lowest level in the observed period and down 8% from the prior quarter. Corporate/strategic acquirers maintained a slight majority at 53%, while private equity buyers accounted for 47%, reflecting a broadly consistent buyer mix quarter over quarter. Even amid slower activity, buyers are concentrating on high-growth, scalable healthcare segments such as technology, specialty care, and outsourced services, seeking assets that deliver efficiency, recurring revenue, and resilience in a complex regulatory environment.



Source: PitchBook

Note: Transaction data reflects completed U.S. transactions involving Strategic M&A, PE-backed Companies, and Buyout/LBO platform transactions

3 M&A Trends

Recent M&A Transactions

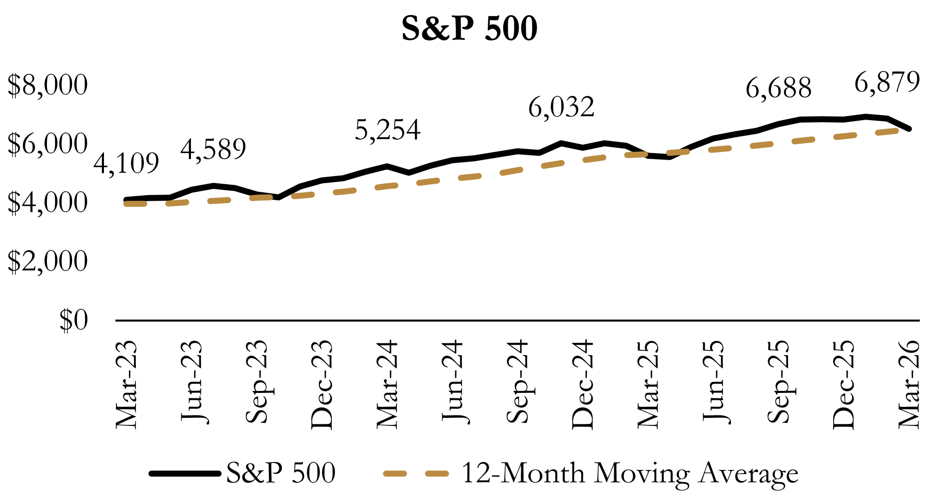
(USD in millions)

Close Date	Target	Acquirer	Implied TEV
Mar-26	Exact Sciences Corporation	Abbott Laboratories	$22,537
Feb-26	Avidity Biosciences, Inc.	Novartis AG	$10,270
Mar-26	Clario	Thermo Fisher Scientific Inc.	$9,400
Nov-25	Metsera, Inc.	Pfizer Inc.	$9,365
Jan-26	Cidara Therapeutics, Inc.	Merck Sharp & Dohme LLC	$8,837
Feb-26	OneOncology, LLC	Cencora, Inc.	$7,400
Dec-25	Akero Therapeutics, Inc.	Novo Nordisk A/S	$4,124
Dec-25	Halda Therapeutics Inc.	Johnson & Johnson	$3,050
Nov-25	Premier, Inc.	Patient Square Capital, LP	$2,703
Oct-25	89bio, Inc.	Roche Holding AG	$2,517
Mar-26	RAPT Therapeutics, Inc.	GlaxoSmithKline LLC	$1,717
Feb-26	Dynavax Technologies Corporation	Sanofi	$1,567
Jan-26	Semler Scientific, Inc.	Strive Asset Management, LLC	$1,531
Feb-26	Arthrosi Therapeutics, Inc.	Swedish Orphan Biovitrum AB (publ)	$1,500
Dec-25	Orbital Therapeutics, Inc.	Bristol-Myers Squibb Company	$1,500
Oct-25	Tourmaline Bio, Inc.	Novartis AG	$1,142
Oct-25	Iodine Software, LLC	Waystar Holding Corp.	$1,090
Mar-26	Ventyx Biosciences, Inc.	Eli Lilly and Company	$909
Nov-25	Halozyme Hypercon, Inc.	Halozyme Therapeutics, Inc.	$900
Dec-25	Acera Surgical, Inc.	Solventum Corporation	$850
Mar-26	Res-Care, Inc.	National Mentor Holdings, Inc.	$835
Jan-26	Bluejay Therapeutics, Inc.	Mirum Pharmaceuticals, Inc.	$806
Feb-26	Tennova Healthcare - Clarksville/Certain ancillary businesses located in	Vanderbilt University Medical Center	$779
Oct-25	ZimVie Inc.	ArchiMed SAS	$743
Jan-26	Medical Manufacturing Technologies, LLC	Perimeter Solutions North America Inc.	$685
Oct-25	Monogram Technologies Inc.	Zimmer Biomet Holdings, Inc.	$678
Oct-25	Performant Healthcare, Inc.	Machinify, Inc.	$667
Nov-25	Surmodics, Inc.	GTCR LLC	$616
Jan-26	Astria Therapeutics, Inc.	BioCryst Pharmaceuticals, Inc.	$577
Oct-25	Summa Health System, Inc.	Health Assurance Transformation LLC	$515

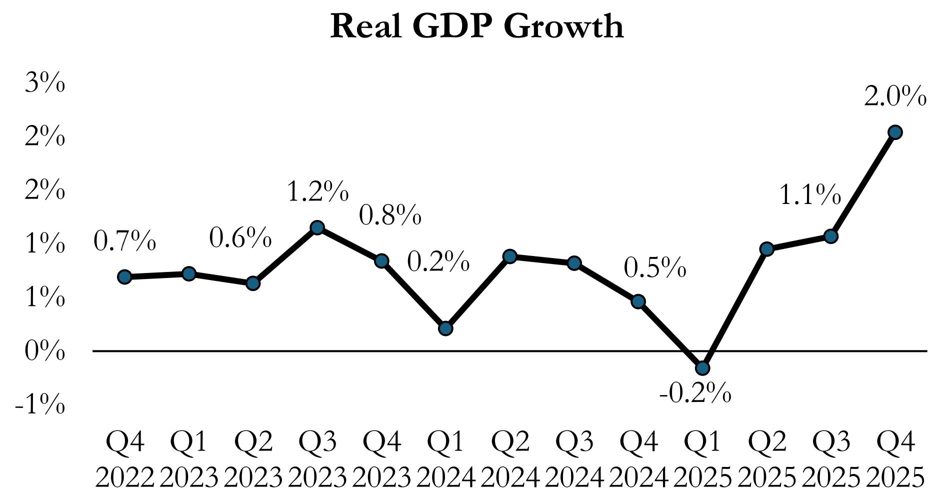
Source: Capital IQ

4 Macroeconomic Environment

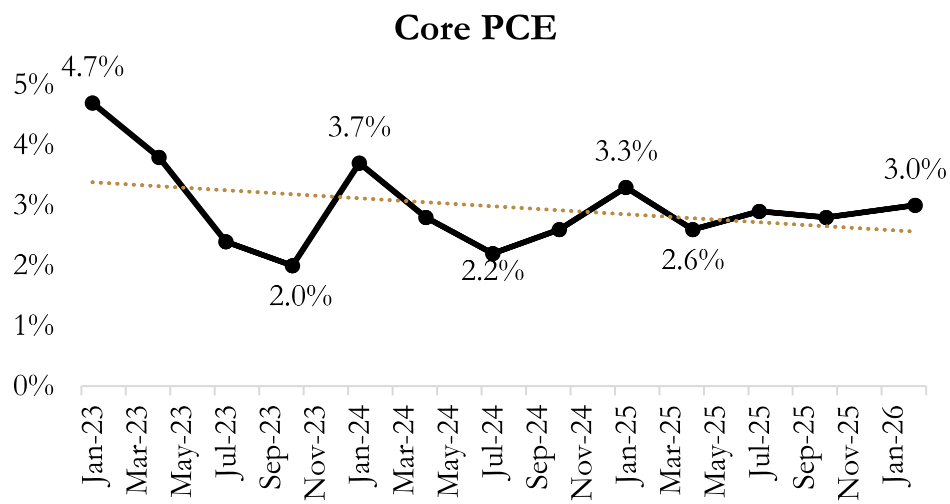
Macroeconomic Indicators



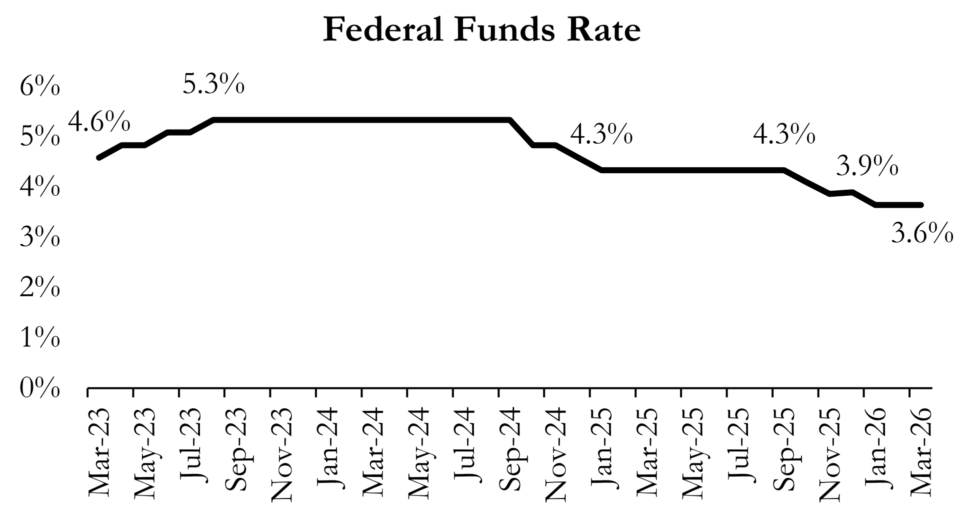
A leading equity index tracking the performance of 500 large U.S. companies.



Tracks inflation-adjusted economic output, typically reported quarterly.



A key inflation gauge that tracks consumer spending, excluding volatile food and energy prices.



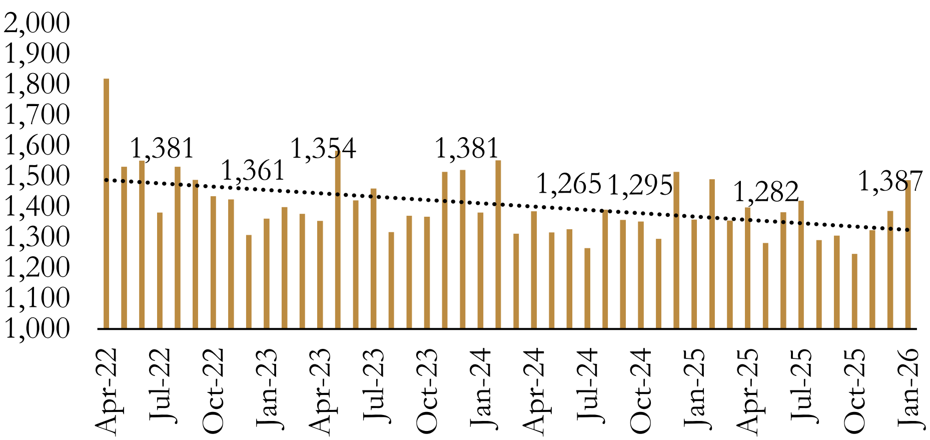
The Fed's benchmark interest rate that influences borrowing costs throughout the economy.

Source: Capital IQ, St. Louis Fed – FRED Economic Data

4 Macroeconomic Environment

Macroeconomic Indicators (Cont.)

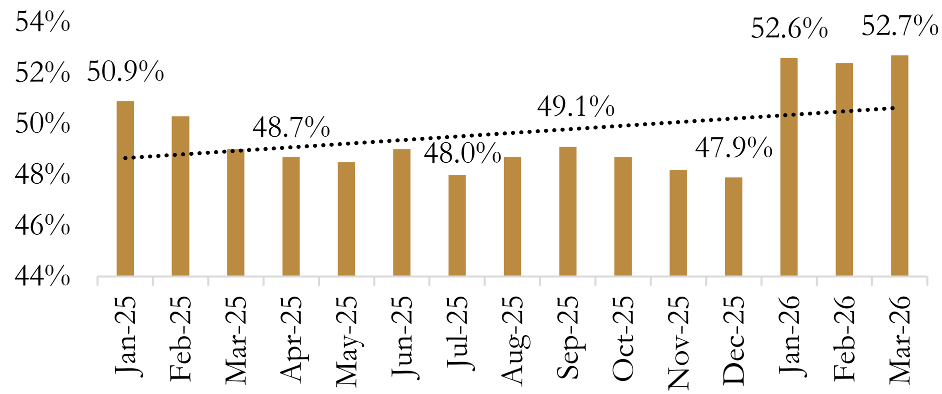
New Privately-Owned Housing Units Started[1]



Measures the number of new residential construction projects begun each month.

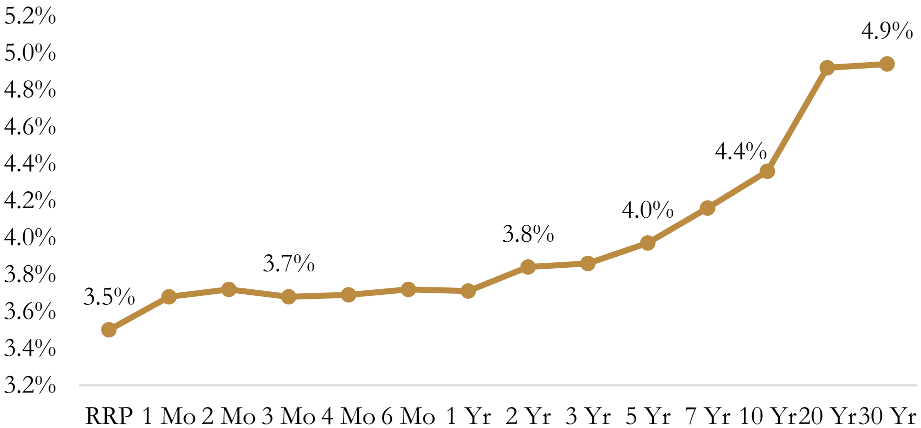
Manufacturing PMI

Purchasing Manager's Index



A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

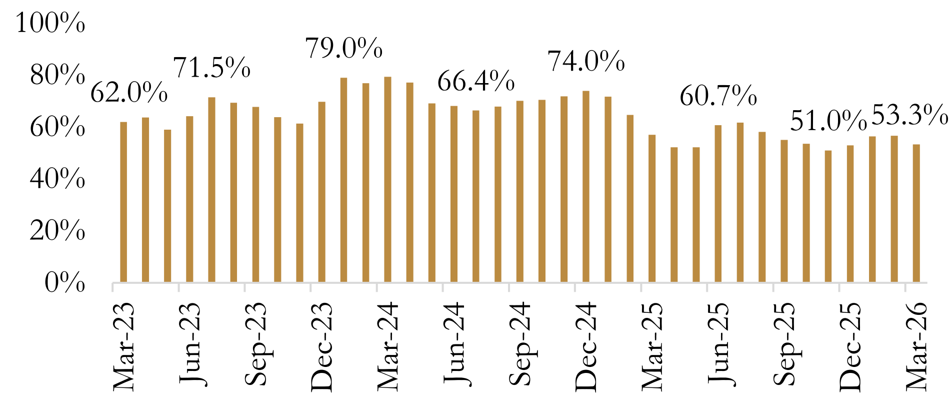
Treasury Par Yield Curve Rates



Displays yields across Treasury maturities, reflecting market expectations for future interest rates.

Consumer Sentiment

From the University of Michigan

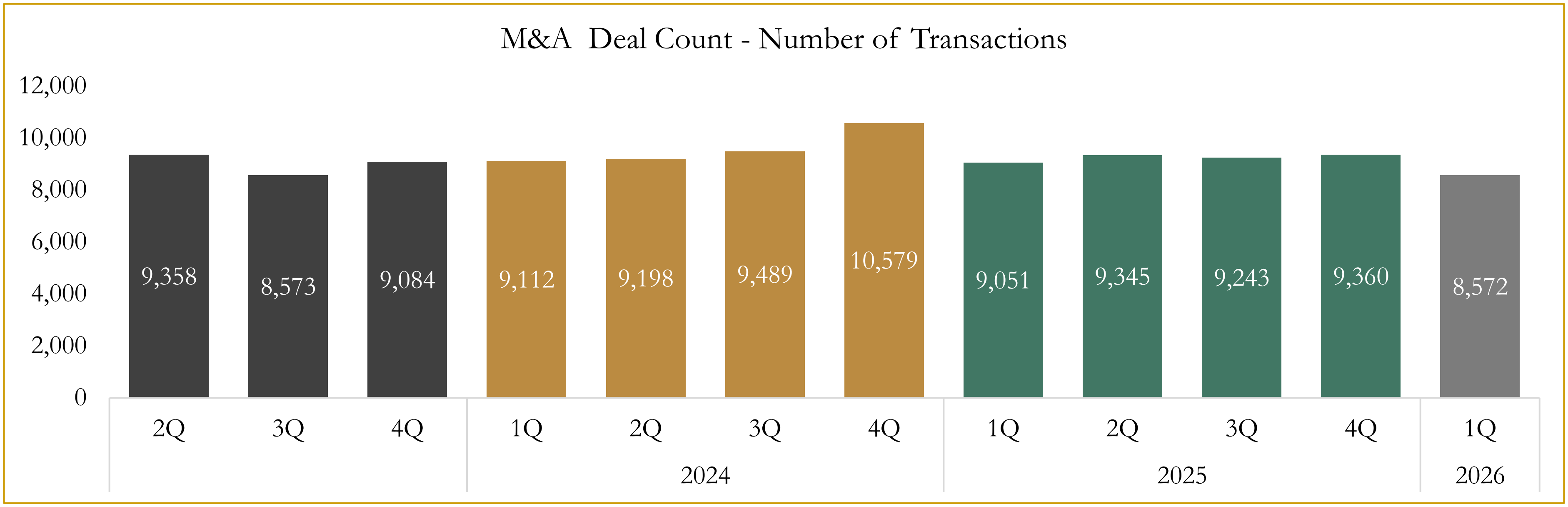


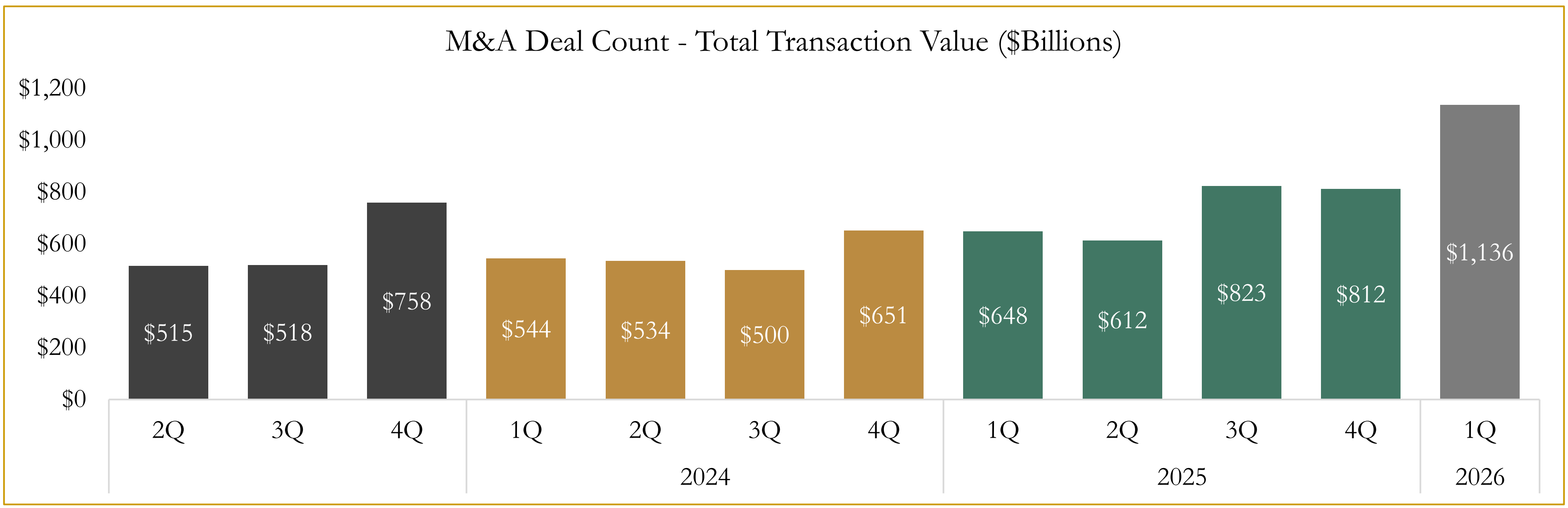
Measures consumer confidence in the economy based on monthly survey data.

Source: St. Louis Fed – FRED Economic Data, Institute for Supply Management, [1]Figures in Thousands

4 Macroeconomic Environment

Total M&A Volume (Past Three (3) Years)





Source: Capital IQ; Data derived from M&A activity over the past three years. Q1 2026 consisted of 22 megadeals valued at over $10 billion each

5 Houlihan Capital

About Us

Company Overview

- Founded in 1996, Houlihan Capital is an employee-owned valuation and investment banking firm
- As a member of FINRA and SIPC, our team of 40+ professionals are committed to the highest levels of quality and professionalism

Divisions & Core Offerings

- **Valuation & Financial Advisory** – Portfolio Valuations and Transaction Advisory (i.e., Fairness Opinions) for Funds, with an industry specialization in cryptocurrency
- **Investment Banking** – M&A Advisory for Founders and Family-Owned businesses in the lower middle market

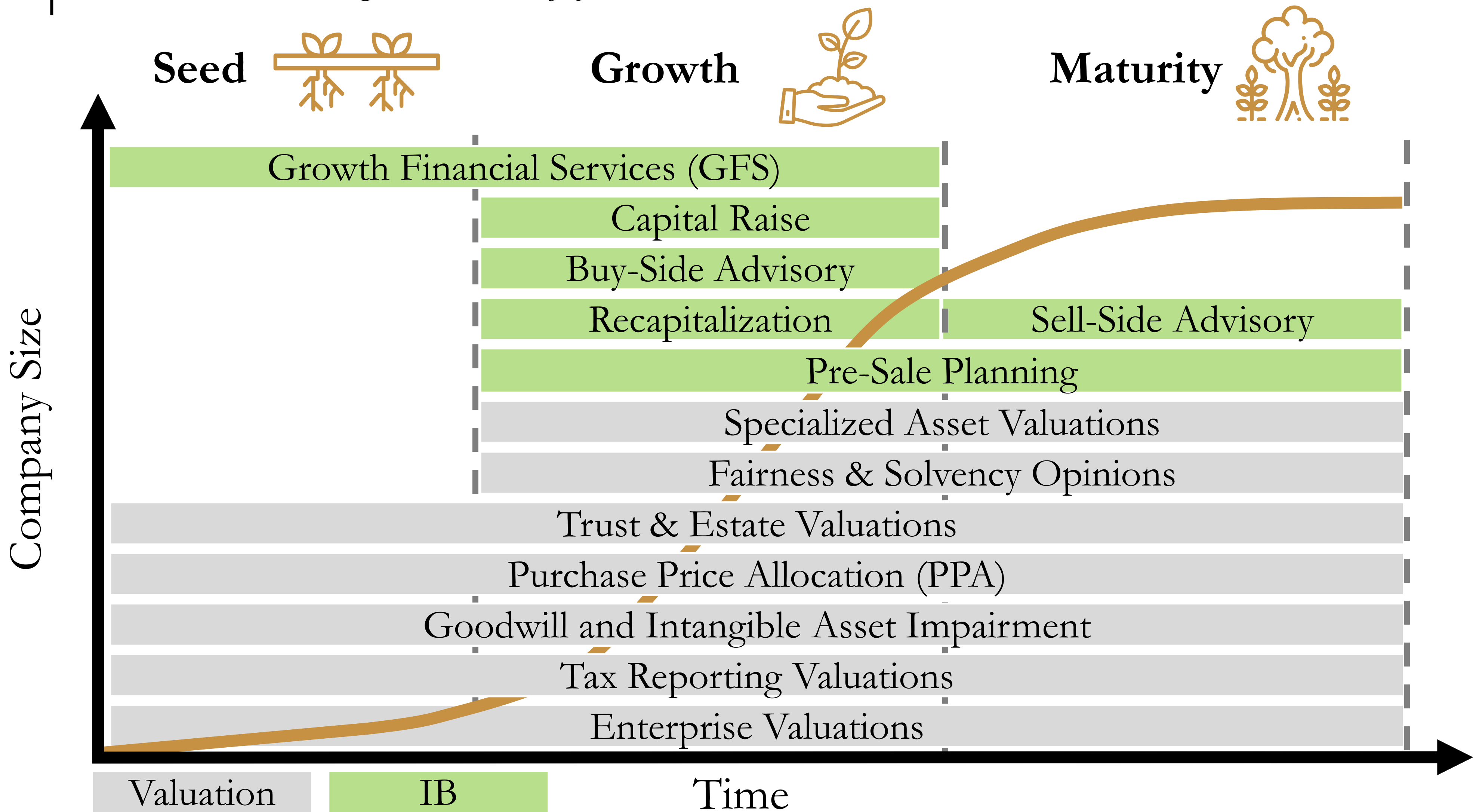
Houlihan Capital Locations

Chicago, IL

Cleveland, OH

Houlihan Capital

Houlihan's Services Along the Business Lifecycle



For questions or inquiries regarding our services, please contact:

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