HOULIHAN CAPITAL

*Value. Added.*

Valuation & Financial Advisory | Investment Banking

# INDUSTRY UPDATE
# HEALTHCARE
# Q2 2026

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## 1 Executive Summary

*Key Takeaways*

### Key Trends

- **AI & Digital Health Acceleration:** AI adoption shifted from experimentation toward scaled deployment in Q2 2026, with health systems leading uptake across clinical AI, revenue cycle automation, care navigation, and drug discovery. Buyers increasingly prioritized measurable ROI, workflow integration, clinician validation, and governance.
- **Workforce & Cost Pressures:** Labor shortages, staffing costs, and administrative complexity continued to pressure provider margins. Operators responded through workforce redesign, automation, revenue cycle improvements, and migration toward outpatient, home-based, and other lower-cost care settings.

### *Market Overview*

- **Hospital & Health System M&A Activity:** Healthcare deal count continued to decline in Q2 and remained below prior-year levels, as buyers maintained a selective approach focused on scale, rationalization, and strategic diversification.
- **Digital Health Venture Funding:** U.S. digital health startups raised $3.2 billion in Q2, with capital concentrated in larger financings for clinical AI, mental health, weight management, and revenue cycle platforms.

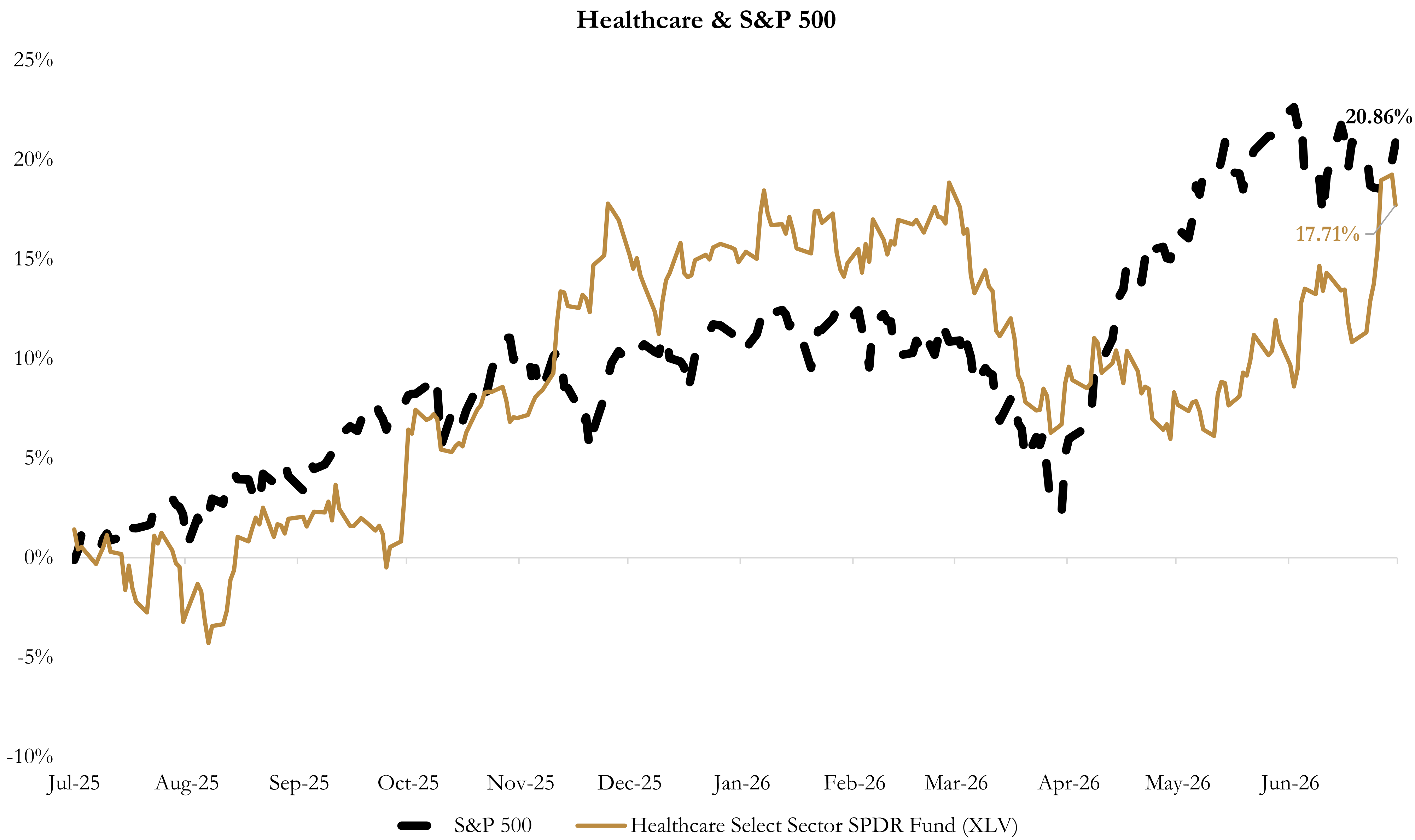
### *External Drivers*

- **Coverage & Reimbursement Pressure:** Medicaid, ACA, and reimbursement uncertainty persisted, while denials, uncompensated care, and delayed collections increased focus on revenue cycle performance.
- **Consumer & Chronic Care Demand:** Aging, chronic disease, behavioral health, GLP-1 demand, and consumer preferences for convenient care supported specialty, home-based, and digital delivery models.

Sources: Capital IQ, PitchBook, Deloitte, Cain Brothers, Rock Health

# 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 06/30/26** | **% 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 | $1,067,575 | $1,199.43 | 96.9% | 14.8x | 29.5x | $72,249 | $36,215 | 47.4% | 50.1% |
| Johnson & Johnson | JNJ | $644,778 | $253.97 | 97.7% | 6.6x | 18.5x | $97,929 | $34,872 | 8.1% | 35.6% |
| AbbVie Inc. | ABBV | $518,355 | $251.64 | 98.3% | 8.1x | 16.8x | $64,386 | $30,796 | 10.4% | 47.8% |
| Merck & Co., Inc. | MRK | $364,027 | $128.50 | 98.6% | 5.5x | 12.3x | $65,768 | $29,517 | 2.9% | 44.9% |
| Amgen Inc. | AMGN | $254,498 | $362.12 | 92.5% | 6.8x | 15.0x | $37,220 | $16,918 | 9.1% | 45.5% |
| Pfizer Inc. | PFE | $193,926 | $24.08 | 83.8% | 3.1x | 7.6x | $63,315 | $25,460 | 1.4% | 40.2% |
| Gilead Sciences, Inc. | GILD | $174,283 | $126.34 | 80.3% | 5.9x | 11.8x | $29,736 | $14,738 | 3.5% | 49.6% |
| Bristol-Myers Squibb Company | BMY | $166,079 | $57.62 | 91.6% | 3.4x | 8.8x | $49,186 | $18,930 | 3.1% | 38.5% |
| Vertex Pharmaceuticals Incorporated | VRTX | $111,248 | $496.73 | 97.8% | 9.1x | 22.3x | $12,218 | $4,981 | 10.1% | 40.8% |
| Regeneron Pharmaceuticals, Inc. | REGN | $58,611 | $623.54 | 75.9% | 3.8x | 12.5x | $15,535 | $4,702 | 9.3% | 30.3% |
| **Healthcare Providers, Services, & Payers** | | | | | | | | | | |
| UnitedHealth Group Incorporated | UNH | $428,935 | $415.63 | 97.1% | 1.0x | 17.7x | $450,129 | $24,261 | 6.5% | 5.4% |
| CVS Health Corporation | CVS | $200,977 | $103.45 | 97.5% | 0.5x | 13.0x | $405,618 | $15,412 | 7.7% | 3.8% |
| HCA Healthcare, Inc. | HCA | $139,544 | $389.89 | 70.1% | 1.8x | 8.9x | $78,013 | $15,747 | 7.3% | 20.2% |
| McKesson Corporation | MCK | $107,481 | $755.60 | 75.6% | 0.3x | 15.6x | $403,430 | $6,884 | 12.4% | 1.7% |
| Elevance Health, Inc. | ELV | $102,581 | $386.73 | 90.6% | 0.5x | 12.3x | $201,114 | $8,324 | 6.3% | 4.1% |
| The Cigna Group | CI | $100,922 | $275.68 | 81.3% | 0.4x | 7.9x | $282,382 | $12,753 | 7.8% | 4.5% |
| Cencora, Inc. | COR | $73,851 | $282.98 | 75.0% | 0.2x | 13.9x | $328,680 | $5,300 | 5.9% | 1.6% |
| Cardinal Health, Inc. | CAH | $58,320 | $237.56 | 98.6% | 0.2x | 14.6x | $250,735 | $3,994 | 12.8% | 1.6% |
| Humana Inc. | HUM | $51,944 | $397.22 | 99.6% | 0.4x | 14.4x | $145,679 | $3,596 | 18.3% | 2.5% |
| Centene Corporation | CNC | $22,104 | $64.19 | 96.5% | 0.1x | 4.8x | $180,304 | $4,606 | 12.9% | 2.6% |

Source: Capital IQ

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# Public Market Performance

## *Key Financial and Valuation Metrics for Large Industry Operators*

*(USD in millions, except per share data)*

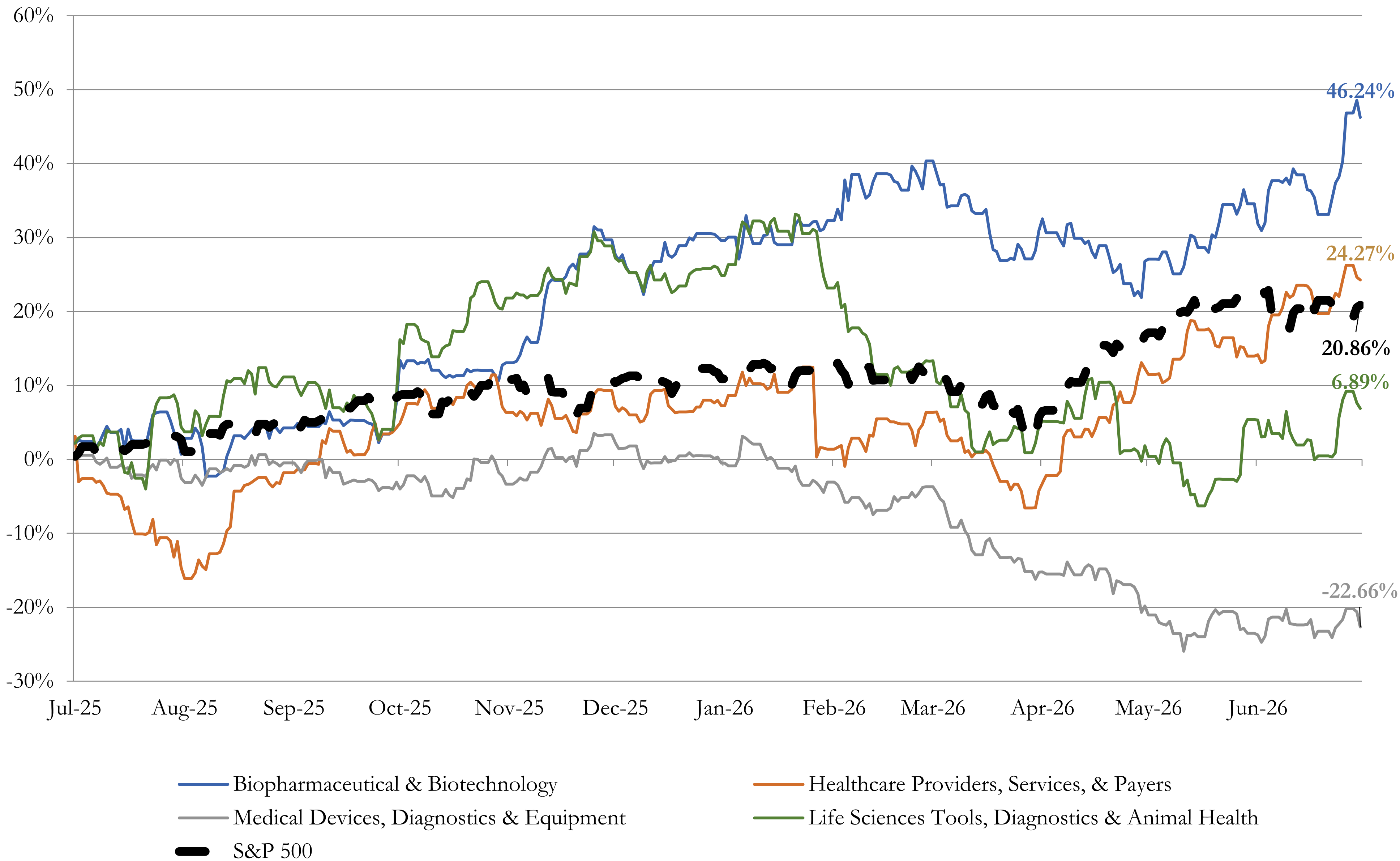
| Company Name | Ticker | Valuation Metrics | | | | | Financial Metrics | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | TEV | Price at 06/30/26 | % of 52 Week High | TEV / LTM Revenue | TEV / LTM EBITDA | LTM Revenue | LTM EBITDA | Revenue Growth | EBITDA Margin |
| **Medical Device, Diagnostics & Equipment** | | | | | | | | | | |
| Abbott Laboratories | ABT | $220,309 | $90.74 | 66.0% | 4.7x | 18.9x | $46,585 | $11,681 | 8.1% | 25.1% |
| Stryker Corporation | SYK | $142,803 | $314.84 | 77.8% | 5.5x | 19.4x | $25,837 | $7,376 | 8.5% | 28.5% |
| Intuitive Surgical, Inc. | ISRG | $136,673 | $397.68 | 65.9% | 12.4x | 32.7x | $11,034 | $4,181 | 20.7% | 37.9% |
| Medtronic plc | MDT | $136,354 | $78.23 | 73.6% | 3.7x | 13.5x | $36,364 | $10,103 | 8.4% | 27.8% |
| Boston Scientific Corporation | BSX | $87,238 | $42.68 | 39.0% | 4.2x | 15.3x | $20,996 | $5,711 | 13.5% | 27.2% |
| Becton, Dickinson and Company | BDX | $65,665 | $151.33 | 71.0% | 2.9x | 10.7x | $22,484 | $6,121 | 18.5% | 27.2% |
| Edwards Lifesciences Corporation | EW | $49,881 | $90.46 | 97.4% | 7.7x | 25.0x | $6,512 | $1,997 | 14.6% | 30.7% |
| GE HealthCare Technologies Inc. | GEHC | $42,035 | $64.01 | 71.3% | 2.0x | 11.7x | $21,266 | $3,593 | 6.5% | 16.9% |
| DexCom, Inc. | DXCM | $33,972 | $67.35 | 74.8% | 6.8x | 24.2x | $4,969 | $1,403 | 15.5% | 28.2% |
| ResMed Inc. | RMD | $32,064 | $194.88 | 66.3% | 5.7x | 15.1x | $5,653 | $2,121 | 9.9% | 37.5% |
| STERIS plc | STE | $24,594 | $210.57 | 78.2% | 4.1x | 15.0x | $6,038 | $1,641 | 8.4% | 27.2% |
| Insulet Corporation | PODD | $10,570 | $152.25 | 42.9% | 3.5x | 17.2x | $3,053 | $615 | 29.4% | 20.1% |

| Company Name | Ticker | TEV | Price at 06/30/26 | % of 52 Week High | TEV / LTM Revenue | TEV / LTM EBITDA | LTM Revenue | LTM EBITDA | Revenue Growth | EBITDA Margin |
|---|---|---|---|---|---|---|---|---|---|---|
| **Life Sciences Tools, Diagnostics & Animal Health** | | | | | | | | | | |
| Thermo Fisher Scientific Inc. | TMO | $258,942 | $501.36 | 77.9% | 5.6x | 22.1x | $46,336 | $11,739 | 7.2% | 25.3% |
| Danaher Corporation | DHR | $166,853 | $190.48 | 78.5% | 6.6x | 20.8x | $25,107 | $8,028 | 4.6% | 32.0% |
| IQVIA Holdings Inc. | MRK | $54,059 | $193.22 | 78.2% | 3.2x | 17.7x | $16,983 | $3,048 | 4.6% | 43.4% |
| Waters Corporation | WAT | $45,565 | $375.04 | 90.6% | 12.1x | 40.1x | $3,770 | $1,135 | 52.5% | 31.3% |
| IDEXX Laboratories, Inc. | IDXX | $45,563 | $526.44 | 68.4% | 10.0x | 28.1x | $4,553 | $1,622 | 12.8% | 35.6% |
| Agilent Technologies, Inc. | A | $43,899 | $132.83 | 82.9% | 6.1x | 21.8x | $7,232 | $2,015 | 9.1% | 27.9% |
| Zoetis Inc. | ZTS | $38,918 | $71.86 | 44.4% | 4.1x | 9.6x | $9,525 | $4,066 | 1.6% | 42.7% |
| Mettler-Toledo International Inc. | MTD | $30,754 | $1,277.51 | 83.8% | 7.4x | 24.1x | $4,134 | $1,276 | 6.9% | 30.9% |

Source: Capital IQ

# 2 Public Market Performance

*Sub-Industry Performance vs. S&P 500*

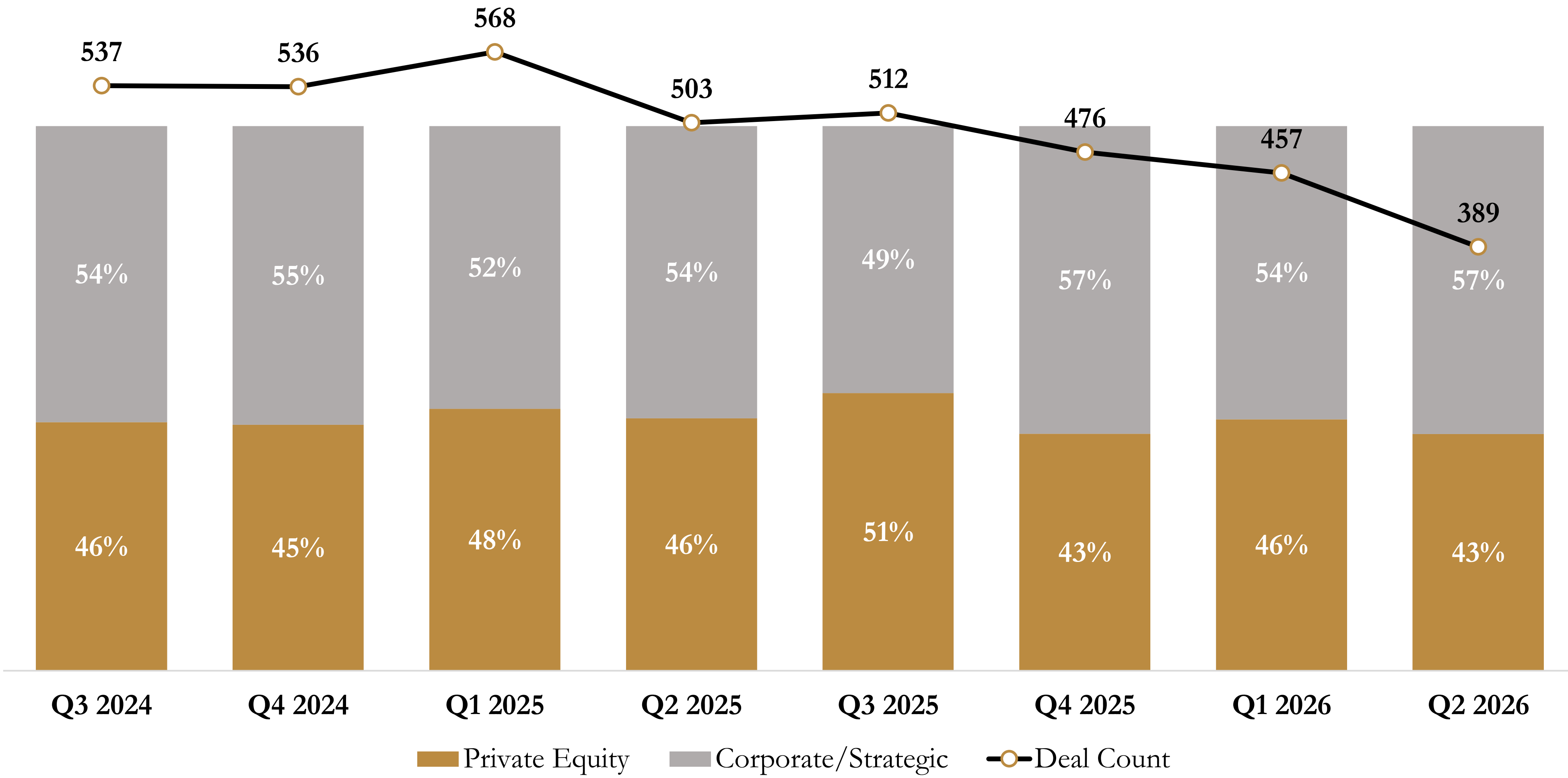



Source: Capital IQ

# 3 M&A Trends

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

The Healthcare M&A market continued to cool in Q2 2026, with total transactions declining to 389 – the lowest level in the observed period and down 15% from the prior quarter. Corporate/strategic acquirers strengthened their majority to 57%, while private equity buyers accounted for 43%, at the low end of the range observed since Q3 2024 as sponsors remained selective.




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*

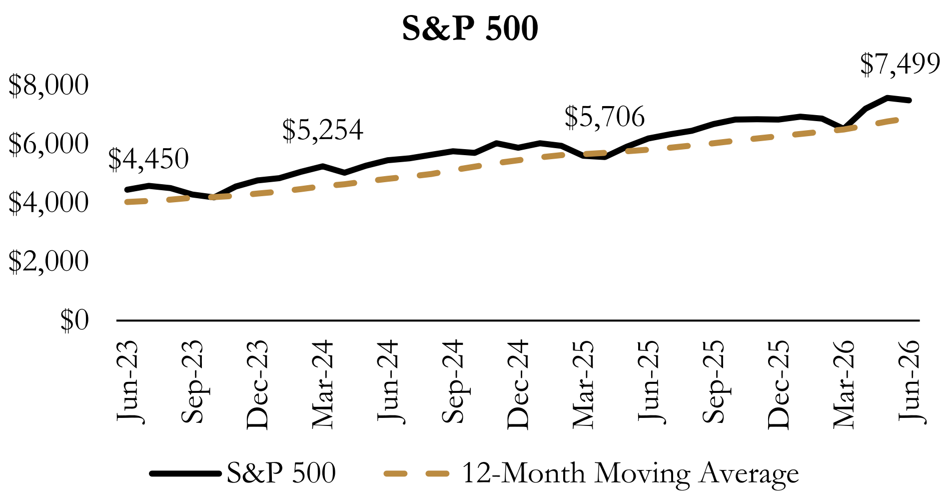
*(USD in millions)*

| Close Date | Target | Acquirer | Implied TEV |
|---|---|---|---|
| Mar-26 | Exact Sciences Corporation | Abbott Laboratories | $22,537 |
| Apr-26 | Hologic, Inc. | Blackstone Inc.; GIC Private Limited; Abu Dhabi Investment Authority; TPG | $18,376 |
| Feb-26 | Avidity Biosciences, Inc. | Novartis AG | $10,270 |
| Jun-26 | Masimo Corporation | Danaher Corporation | $9,982 |
| Mar-26 | Clario | Thermo Fisher Scientific Inc. | $9,400 |
| Jan-26 | Cidara Therapeutics, Inc. | Merck Sharp & Dohme LLC | $8,837 |
| Apr-26 | Arcellx, Inc. | Gilead Sciences, Inc. | $8,003 |
| Feb-26 | OneOncology, LLC | Cencora, Inc. | $7,400 |
| May-26 | Apellis Pharmaceuticals, Inc. | Biogen Inc. | $6,357 |
| May-26 | Terns Pharmaceuticals, Inc. | Merck Sharp & Dohme LLC | $5,846 |
| Jun-26 | Select Medical Holdings Corporation | Welsh, Carson, Anderson & Stowe, L.P.; WCAS XIV, L.P. | $5,227 |
| Apr-26 | Amicus Therapeutics, Inc. | BioMarin Pharmaceutical Inc. | $4,967 |
| Jun-26 | AMSURG Corp. | Ascension Health Alliance | $3,900 |
| Apr-26 | Team Services Group, LLC | General Atlantic Service Company, L.P. | $3,000 |
| Apr-26 | Global rights to RADICAVA ORS and IV RADICAVA from Tanabe Pharma | Shionogi Inc. | $2,500 |
| Jun-26 | Perfuse Therapeutics, Inc. | Bayer Aktiengesellschaft | $2,450 |
| May-26 | Soleno Therapeutics, Inc. | Neurocrine Biosciences, Inc. | $2,392 |
| Jun-26 | Candid Therapeutics, Inc. | UCB SA | $2,200 |
| Jun-26 | Ouro Medicines, Inc. | Gilead Sciences, Inc. | $2,175 |
| Apr-26 | Day One Biopharmaceuticals, Inc. | Servier Pharmaceuticals LLC | $2,069 |
| Mar-26 | RAPT Therapeutics, Inc. | GlaxoSmithKline LLC | $1,717 |
| Feb-26 | Dynavax Technologies Corporation | Sanofi | $1,567 |
| Jun-26 | KalVista Pharmaceuticals, Inc. | Chiesi Farmaceutici S.p.A. | $1,538 |
| Jan-26 | Semler Scientific, Inc. | Strive, Inc. | $1,531 |
| Feb-26 | Arthrosi Therapeutics, Inc. | Swedish Orphan Biovitrum AB (publ) | $1,500 |
| May-26 | Enhabit, Inc. | Kinderhook Industries, LLC | $1,238 |
| Jun-26 | Transcend Therapeutics, Inc. | Otsuka America, Inc. | $1,225 |
| Jun-26 | Neurona Therapeutics, Inc. | UCB SA | $1,150 |
| Jun-26 | Portfolio of over the counter consumer health products of Foundation Consumer | Prestige Brands, Inc. | $1,045 |
| Jun-26 | Biocare Medical, LLC | Agilent Technologies, Inc. | $950 |

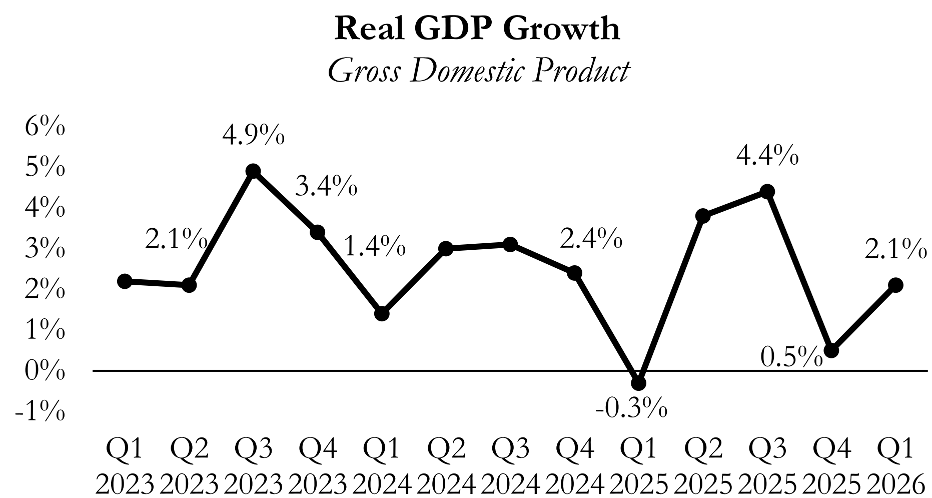
Source: Capital IQ

# 4 Macroeconomic Environment

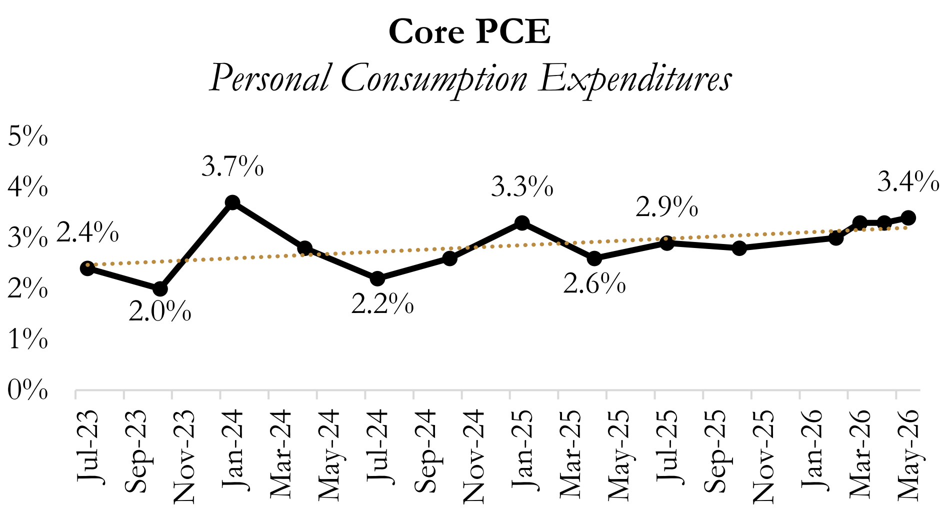
*Macroeconomic Indicators*



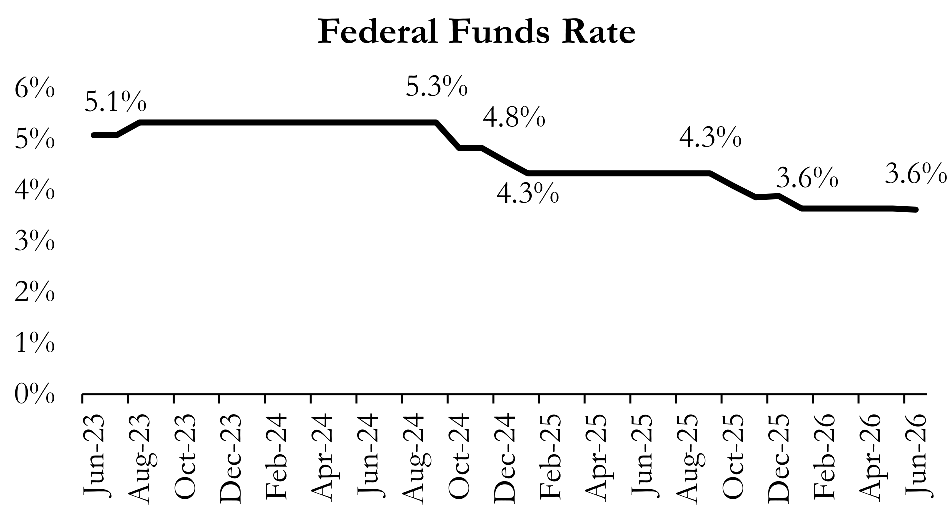

A leading equity index tracking the performance of 500 large U.S. companies.




Tracks inflation-adjusted economic output, typically reported quarterly.




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



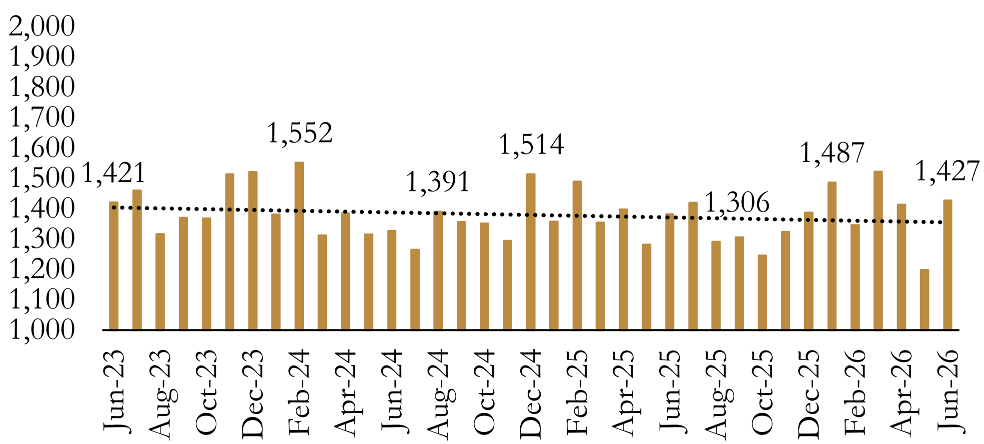

The Fed's benchmark interest rate that influences borrowing costs throughout the economy.

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

# 4 Macroeconomic Environment

*Macroeconomic Indicators (Cont.)*

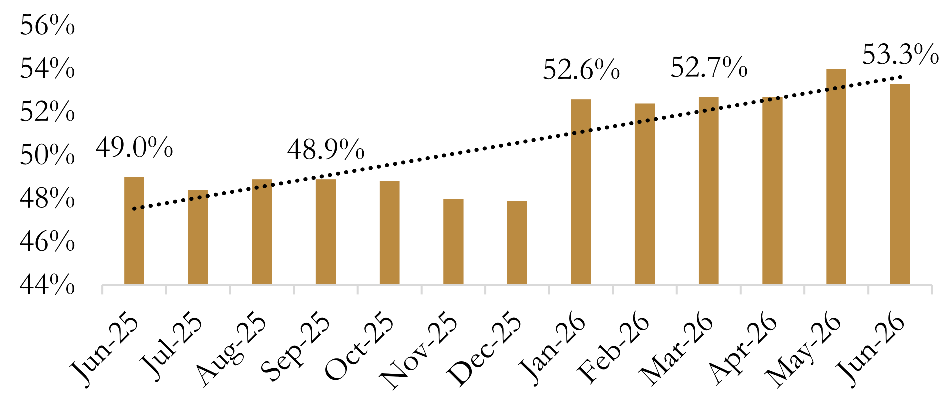
### New Privately-Owned Housing Units Started[1]




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

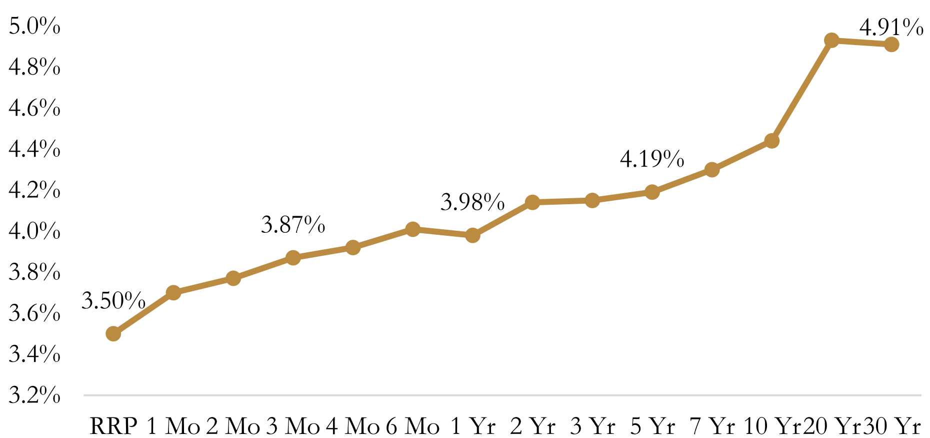
### Manufacturing PMI

*Purchasing Manager's Index*



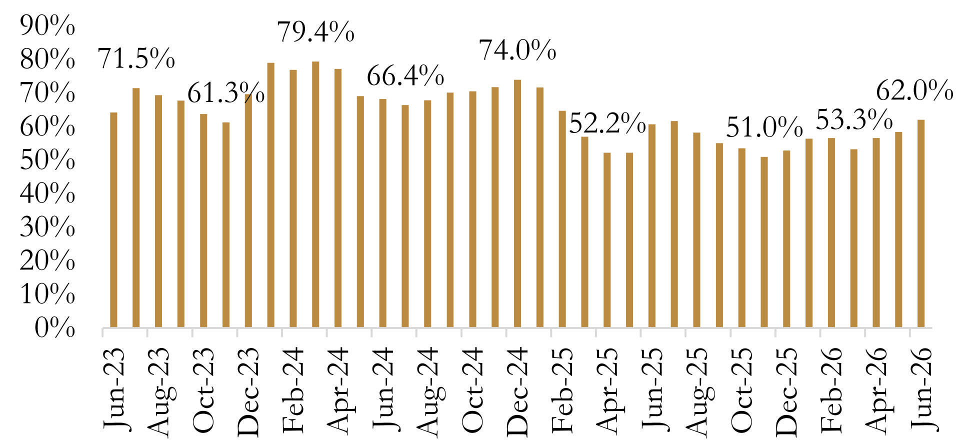

A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

### Treasury Par Yield Curve Rates




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

### Consumer Sentiment

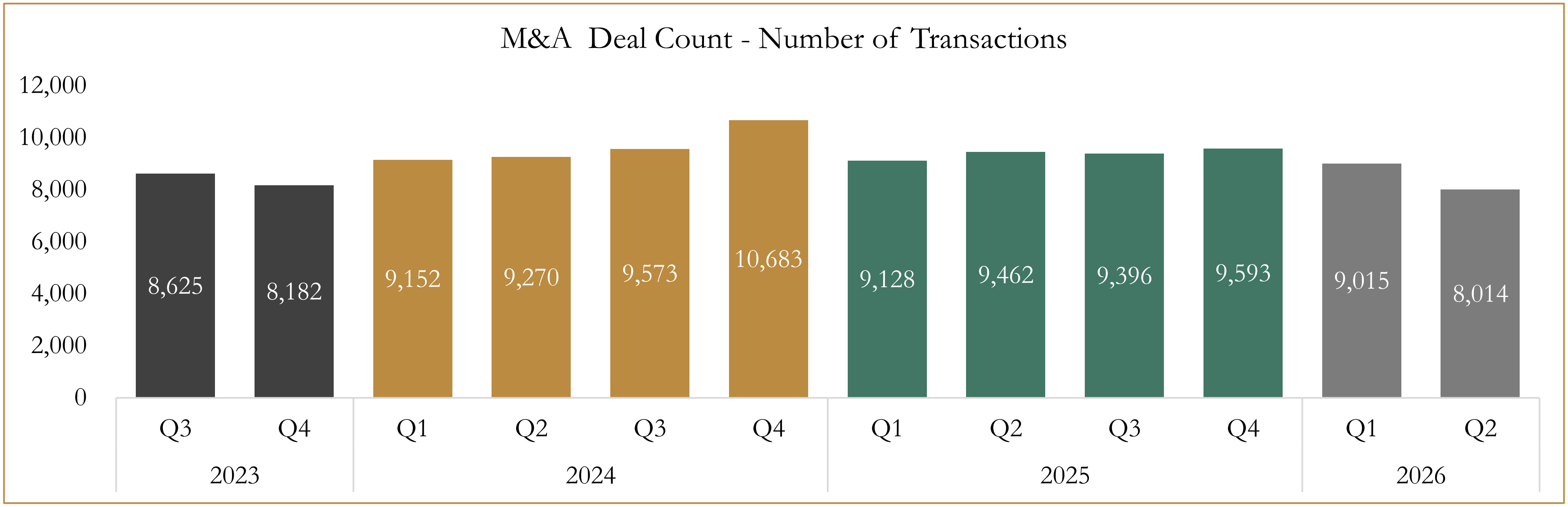


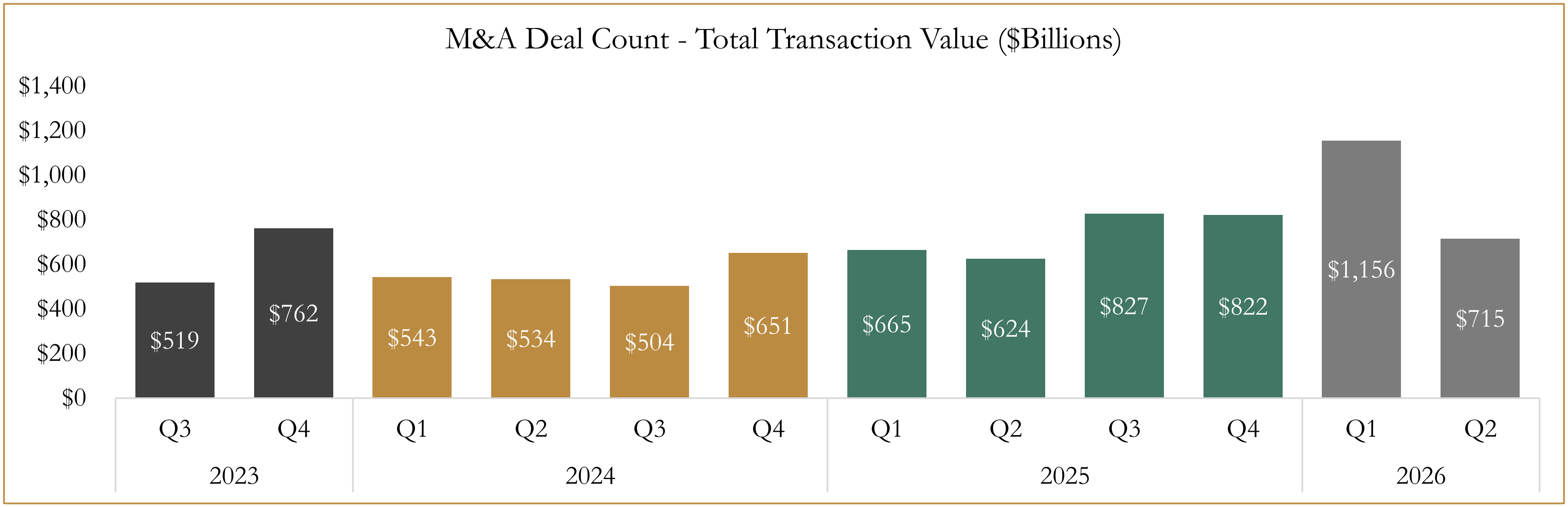

Measures consumer confidence in the economy based on monthly survey data from the University of Michigan.

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

# Macroeconomic Environment

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




Source: Capital IQ; Data derived from M&A activity over the past three years.

# 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

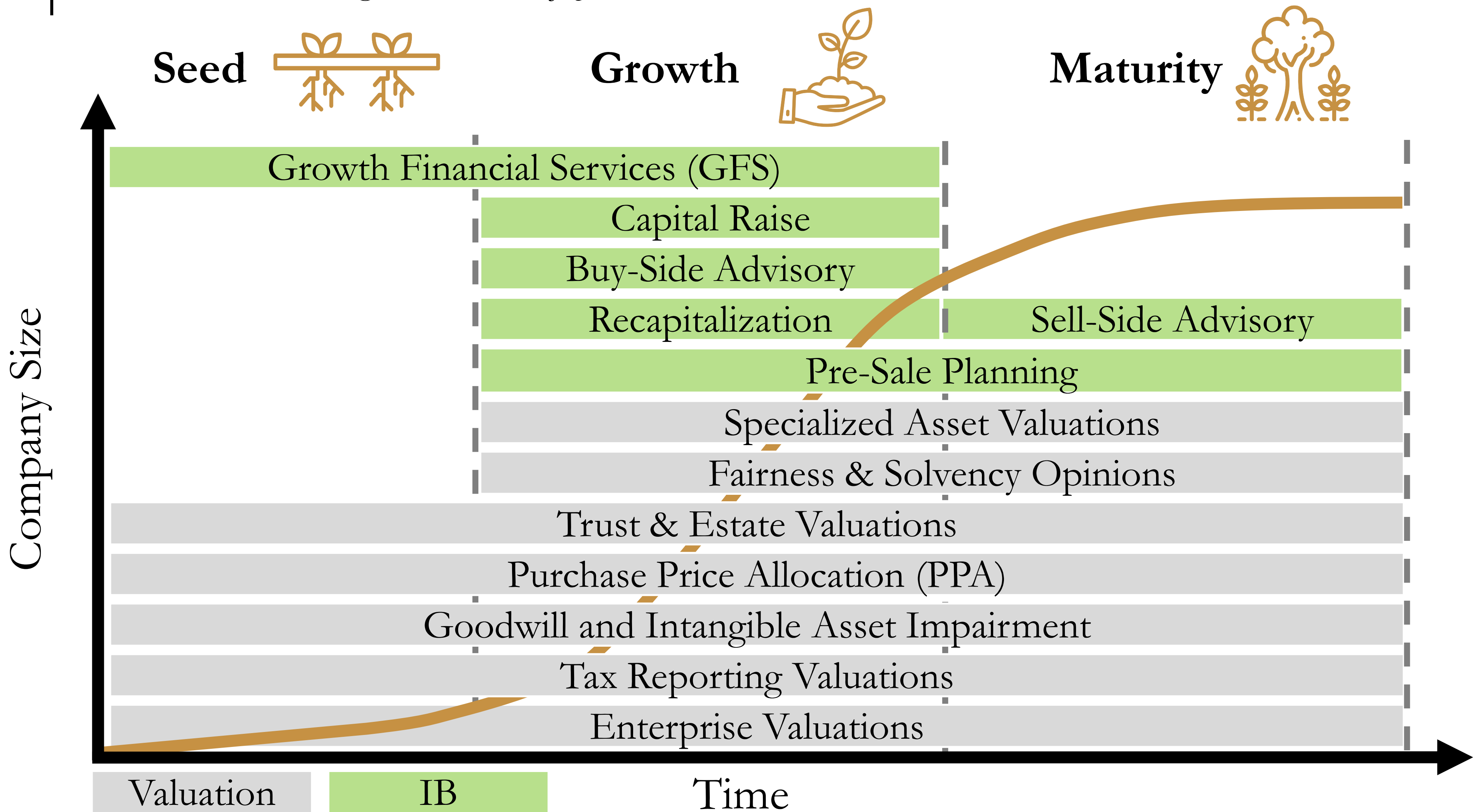
## Houlihan Capital Locations

**Chicago, IL**

**Cleveland, OH**

# 5 Houlihan Capital

*Houlihan's Services Along the Business Lifecycle*




**For questions or inquiries regarding our services, please contact:**

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