HOULIHAN CAPITAL

Valuation & Financial Advisory | Investment Banking



INDUSTRY UPDATE
HEALTHCARE
Q3 2026

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01 EXECUTIVE SUMMARY

Key Takeaways

KEY TRENDS

- **AI & Digital Health:** Health systems moved from AI pilots to enterprise platforms built into the EHR, with AI now running scheduling, billing, and prior authorization at scale.
- **Cost Pressures:** Hospital expenses rose 6% year-to-date, holding median operating margins to 1.4% and pushing care toward lower-cost outpatient and home settings.

MARKET OVERVIEW

- **M&A Activity:** Deal count dipped to 16 in Q3 from 18 in Q2, but two mega mergers, including Erlanger and Prisma Health, lifted transacted revenue to $8.2B.
- **Digital Health Funding:** Startups raised $3.7B in Q3 and $11.1B year-to-date, with capital flowing into fewer, larger deals.

External Drivers

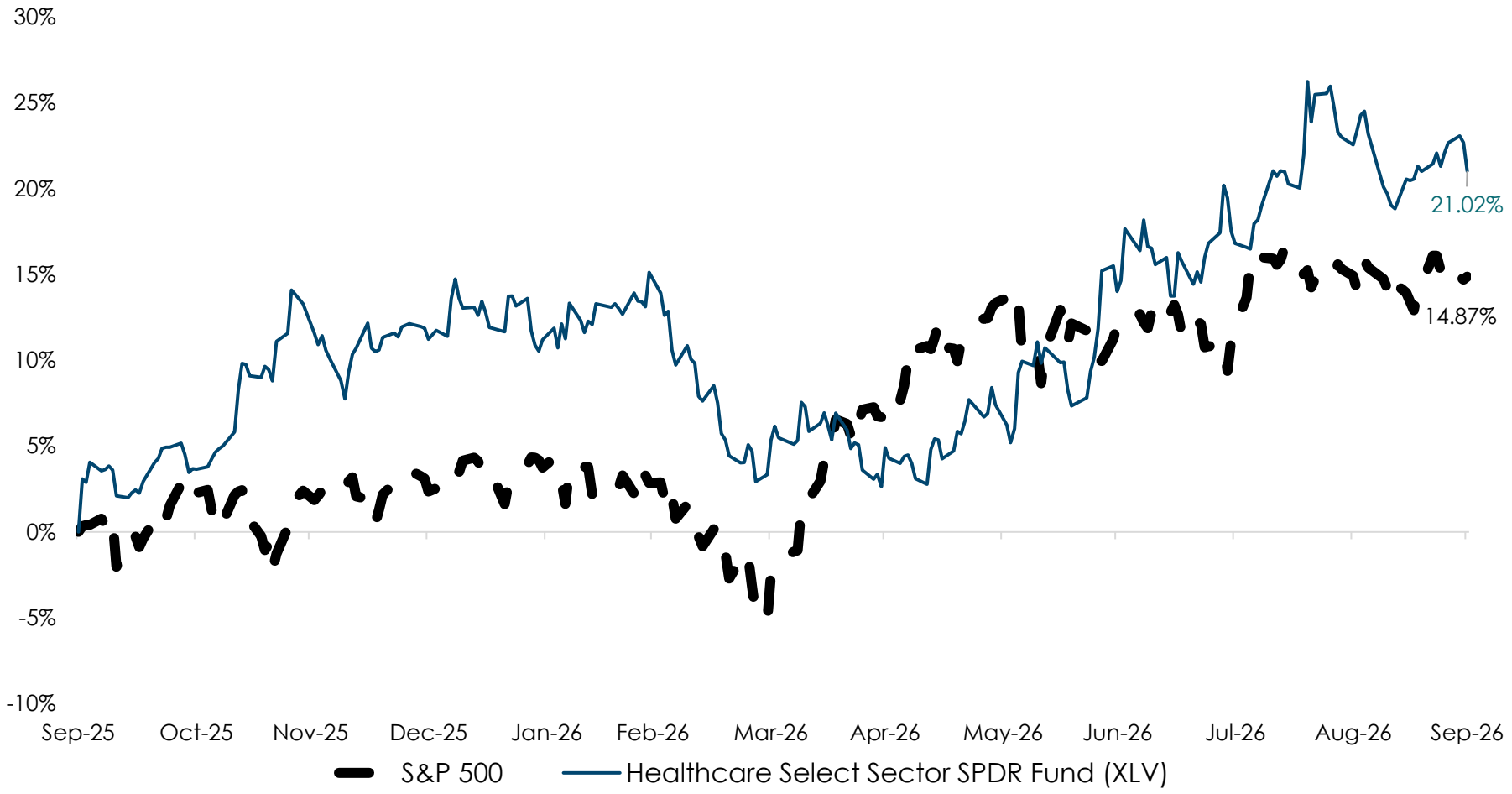
- **Coverage Losses:** ACA and Medicaid enrollment losses, including about 750,000 ACA cancellations in September, are raising uncompensated care risk.
- **Patient Demand:** GLP-1 use rose to 18% of U.S. adults from 14% in 2025, while aging and chronic disease keep demand strong for specialty, home, and digital care.

Sources: Capital IQ, PitchBook, Deloitte, Rock Health, Kaufman Hall, CMS, FTI Consulting



02 PUBLIC MARKET PERFORMANCE

Sector ETF vs. S&P 500



Source: Capital IQ



02 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 09/30/26**	**% 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	$1,084,939	$1,157.08	89.5%	13.6x	26.0x	$79,666	$41,707	49.6%	52.4%
Johnson & Johnson	JNJ	$627,403	$264.74	94.2%	6.3x	18.4x	$99,335	$34,150	7.8%	34.4%
AbbVie Inc.	ABBV	$549,189	$261.59	97.1%	8.5x	17.9x	$64,386	$30,763	10.4%	47.8%
Merck & Co., Inc.	MRK	$397,110	$145.31	92.6%	6.0x	13.8x	$66,569	$28,871	4.6%	43.4%
Amgen Inc.	AMGN	$266,510	$421.51	94.3%	7.0x	15.4x	$38,095	$17,268	9.1%	45.3%
Pfizer Inc.	PFE	$213,778	$28.52	97.6%	3.4x	8.4x	$63,696	$25,383	-0.2%	39.9%
Gilead Sciences, Inc.	GILD	$204,694	$149.05	94.8%	6.7x	14.0x	$30,457	$14,601	5.5%	47.9%
Bristol-Myers Squibb Company	BMY	$149,350	$62.40	90.9%	3.0x	7.9x	$49,186	$18,930	3.1%	38.5%
Vertex Pharmaceuticals Incorporated	VRTX	$111,320	$522.81	93.3%	8.8x	21.8x	$12,587	$5,101	10.2%	40.5%
Regeneron Pharmaceuticals, Inc.	REGN	$60,086	$758.27	88.2%	3.9x	12.8x	$15,535	$4,702	9.3%	30.3%
Healthcare Providers, Services, & Payers										
UnitedHealth Group Incorporated	UNH	$388,977	$367.08	79.5%	0.9x	13.5x	$450,059	$28,903	3.4%	6.4%
CVS Health Corporation	CVS	$174,519	$85.69	77.4%	0.4x	10.5x	$412,645	$16,680	7.4%	4.0%
HCA Healthcare, Inc.	HCA	$153,608	$426.74	76.7%	2.0x	9.8x	$78,013	$15,747	7.3%	20.2%
McKesson Corporation	MCK	$121,717	$853.81	85.5%	0.3x	17.2x	$410,983	$7,071	8.8%	1.7%
Elevance Health, Inc.	ELV	$113,179	$388.82	89.1%	0.6x	13.6x	$201,114	$8,324	6.3%	4.1%
The Cigna Group	CI	$99,567	$271.83	86.2%	0.4x	7.8x	$282,382	$12,758	7.8%	4.5%
Cencora, Inc.	COR	$74,830	$300.25	79.5%	0.2x	13.5x	$332,771	$5,546	5.1%	1.7%
Cardinal Health, Inc.	CAH	$60,810	$222.50	86.1%	0.2x	14.3x	$254,248	$4,244	14.2%	1.7%
Humana Inc.	HUM	$58,394	$381.57	89.0%	0.4x	16.2x	$145,679	$3,596	18.3%	2.5%
Centene Corporation	CNC	$26,065	$62.12	89.2%	0.1x	5.7x	$180,304	$4,606	12.9%	2.6%

Source: Capital IQ



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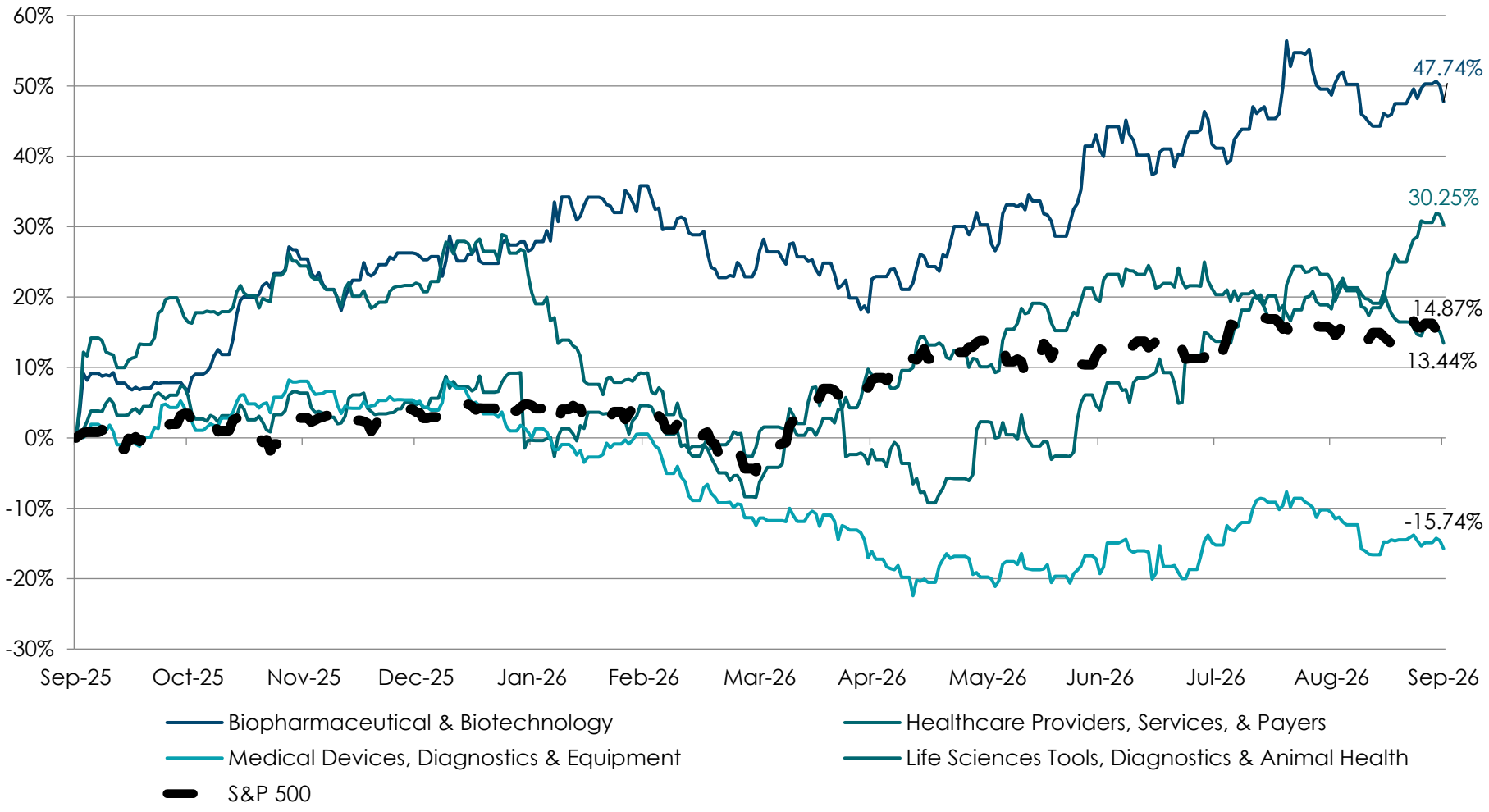
Medical Device, Diagnostics & Equipment										
Abbott Laboratories	ABT	$205,324	$98.83	73.0%	4.4x	17.6x	$46,585	$11,681	8.1%	25.1%
Intuitive Surgical, Inc.	ISRG	$144,018	$406.63	67.3%	13.1x	34.4x	$11,034	$4,181	20.7%	37.9%
Medtronic plc	MDT	$138,765	$86.29	81.2%	3.7x	13.3x	$37,542	$10,408	9.8%	27.7%
Stryker Corporation	SYK	$120,349	$275.39	70.2%	4.7x	16.3x	$25,837	$7,376	8.5%	28.5%
Boston Scientific Corporation	BSX	$75,093	$43.65	41.3%	3.6x	13.1x	$20,996	$5,711	13.5%	27.2%
Becton, Dickinson and Company	BDX	$67,136	$179.00	84.0%	3.0x	11.0x	$22,484	$6,121	18.5%	27.2%
Edwards Lifesciences Corporation	EW	$45,679	$86.32	89.6%	7.0x	22.9x	$6,512	$1,997	14.6%	30.7%
GE HealthCare Technologies Inc.	GEHC	$39,776	$65.37	72.8%	1.9x	11.1x	$21,266	$3,593	6.5%	16.9%
ResMed Inc.	RMD	$32,413	$221.10	77.6%	5.7x	15.5x	$5,653	$2,096	9.9%	37.1%
DexCom, Inc.	DXCM	$31,550	$86.29	93.2%	6.3x	22.5x	$4,969	$1,403	15.5%	28.2%
STERIS plc	STE	$22,809	$210.01	77.9%	3.8x	13.9x	$6,038	$1,641	8.4%	27.2%
Insulet Corporation	PODD	$9,993	$130.47	36.8%	3.3x	16.3x	$3,053	$615	29.4%	20.1%
Life Sciences Tools, Diagnostics & Animal Health										
Thermo Fisher Scientific Inc.	TMO	$283,770	$675.05	98.7%	6.1x	24.2x	$46,336	$11,739	7.2%	25.3%
Danaher Corporation	DHR	$180,174	$221.55	91.2%	7.2x	22.4x	$25,107	$8,028	4.6%	32.0%
IQVIA Holdings Inc.	MRK	$57,213	$268.85	96.9%	3.4x	18.8x	$16,983	$3,048	4.6%	43.4%
Agilent Technologies, Inc.	A	$50,769	$172.31	97.3%	6.9x	24.4x	$7,372	$2,080	8.6%	28.2%
Waters Corporation	WAT	$47,103	$439.39	98.0%	10.1x	32.4x	$4,644	$1,452	52.5%	31.3%
IDEXX Laboratories, Inc.	IDXX	$41,890	$522.19	67.8%	9.2x	25.8x	$4,553	$1,622	12.8%	35.6%
Zoetis Inc.	ZTS	$38,282	$69.83	46.9%	4.0x	9.4x	$9,525	$4,066	1.6%	42.7%
Mettler-Toledo International Inc.	MTD	$34,105	$1,510.95	97.2%	8.3x	26.7x	$4,134	$1,276	6.9%	30.9%

Source: Capital IQ



02 PUBLIC MARKET PERFORMANCE

Sub-Industry Performance vs. S&P 500



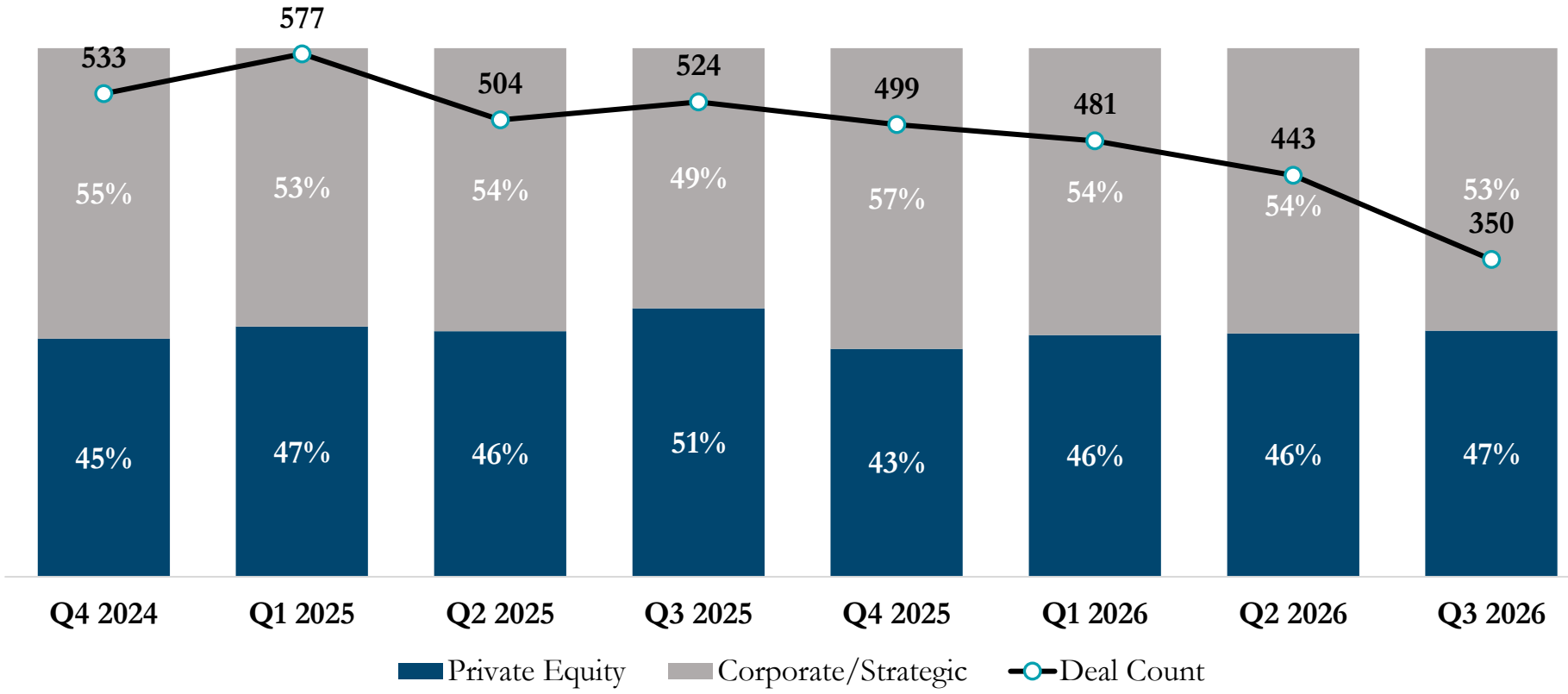
Source: Capital IQ



03 M&A TRENDS

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

Healthcare M&A activity declined sharply in Q3 2026, with total transactions falling to 350, down 21.0% from 443 in Q3 2026 and 33.2% below the 524 deals recorded in Q3 2025. Transaction volume reached its lowest level in the past eight quarters, reflecting continued softness in deal activity. Corporate and strategic buyers maintained a slight majority, accounting for 53% of transactions, down from 54% in the prior quarter, while private equity participation increased modestly to 47% from 46%.



Sources: PitchBook

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



04 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
Sep-26	Apogee Therapeutics, Inc.	AbbVie Inc.	$9,635
Mar-26	Clario	Thermo Fisher Scientific Inc.	$9,400
Jul-26	Nuvalent, Inc.	GlaxoSmithKline LLC	$9,341
Sep-26	Crinetics Pharmaceuticals, Inc.	Vertex Pharmaceuticals Incorporated	$8,866
Apr-26	Arcellx, Inc.	Gilead Sciences, Inc.	$8,003
Jun-26	Kelonia Therapeutics, Inc.	Eli Lilly and Company	$7,000
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
Sep-26	AtaiBeckley Inc.	Eli Lilly and Company	$3,496
Jul-26	Catalyst Pharmaceuticals, Inc.	Angelini Pharma S.p.a.	$3,344
May-26	Pikavation Therapeutics, Inc.	Novartis AG	$3,000
Apr-26	Team Services Group, LLC	General Atlantic Service Company, L.P.	$3,000
Jul-26	Sevasemten and Muscular Dystrophy Business of Edgewise Therapeutics, Inc	Servier Pharmaceuticals LLC	$2,650
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
Jun-26	Orna Therapeutics, Inc.	Eli Lilly and Company	$2,400
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
Jul-26	Vega Therapeutics, Inc.	Incyte Corporation	$2,000
Jun-26	Excellergy Inc.	Novartis International AG	$2,000
Aug-26	Forte Biosciences, Inc.	argenx SE	$1,919

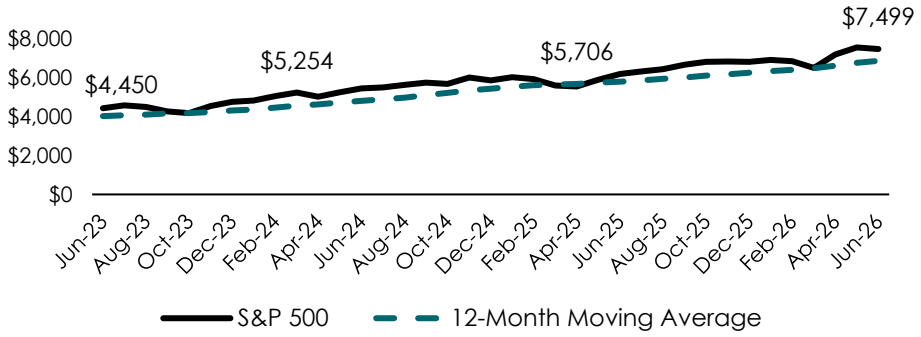
Source: Capital IQ



04 MACROECONOMIC ENVIRONMENT

Macroeconomic Indicators

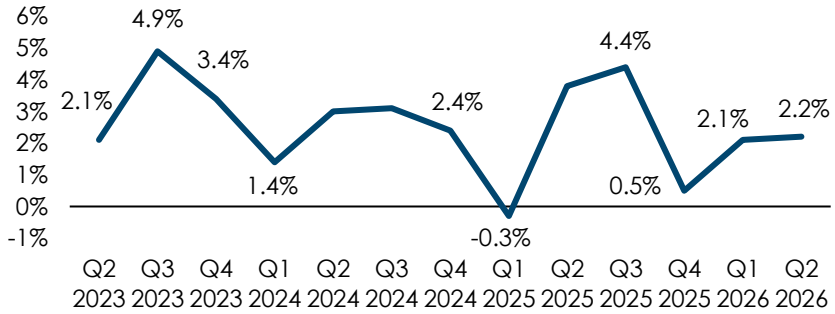
S&P 500



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

Real GDP Growth

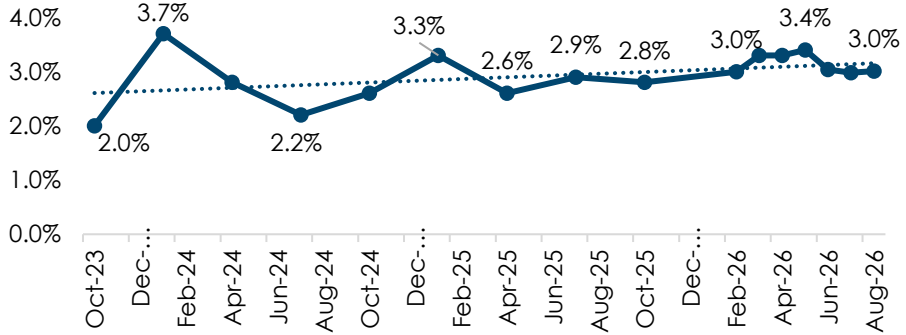
Gross Domestic Product



Tracks inflation-adjusted economic output, typically reported quarterly.

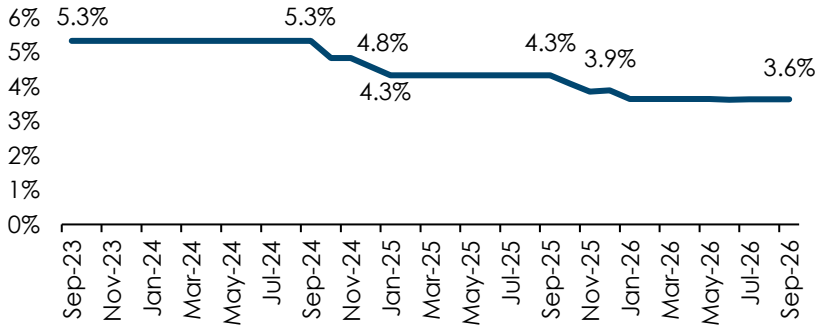
Core PCE

Personal Consumption Expenditures



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

Federal Funds Rate



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

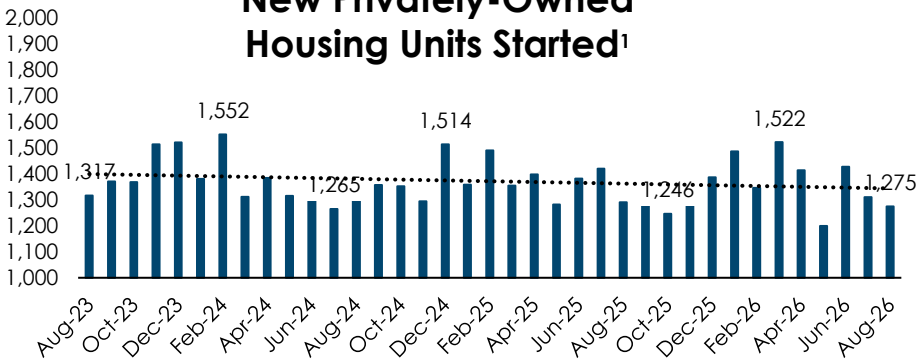
Sources: Capital IQ, St. Louis Fed – FRED Economic Data



04 MACROECONOMIC ENVIRONMENT (cont.)

Macroeconomic Indicators

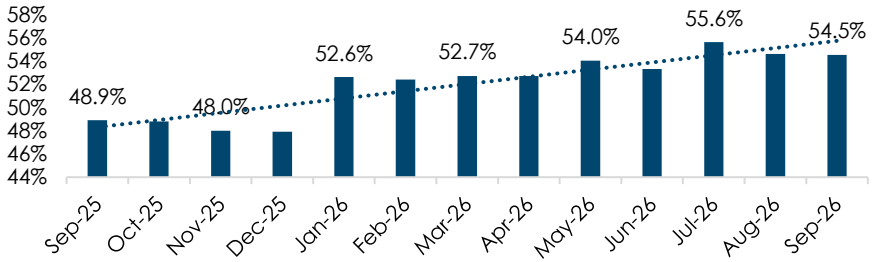
New Privately-Owned Housing Units Started[1]



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

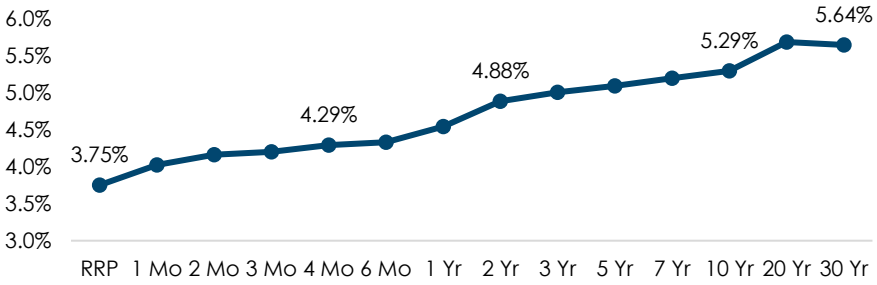
Manufacturing PMI

Purchasing Manager's Index



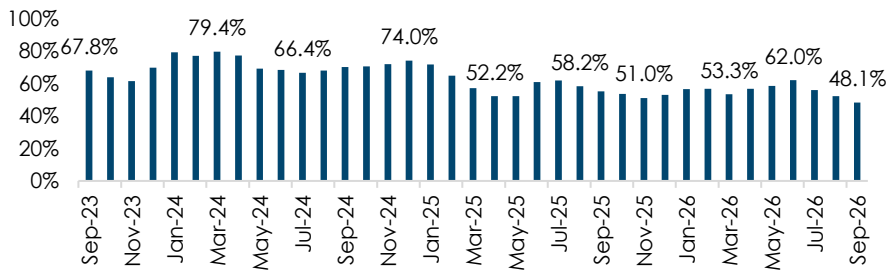
A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

Treasury Par Yield Curve Rates



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

Consumer Sentiment



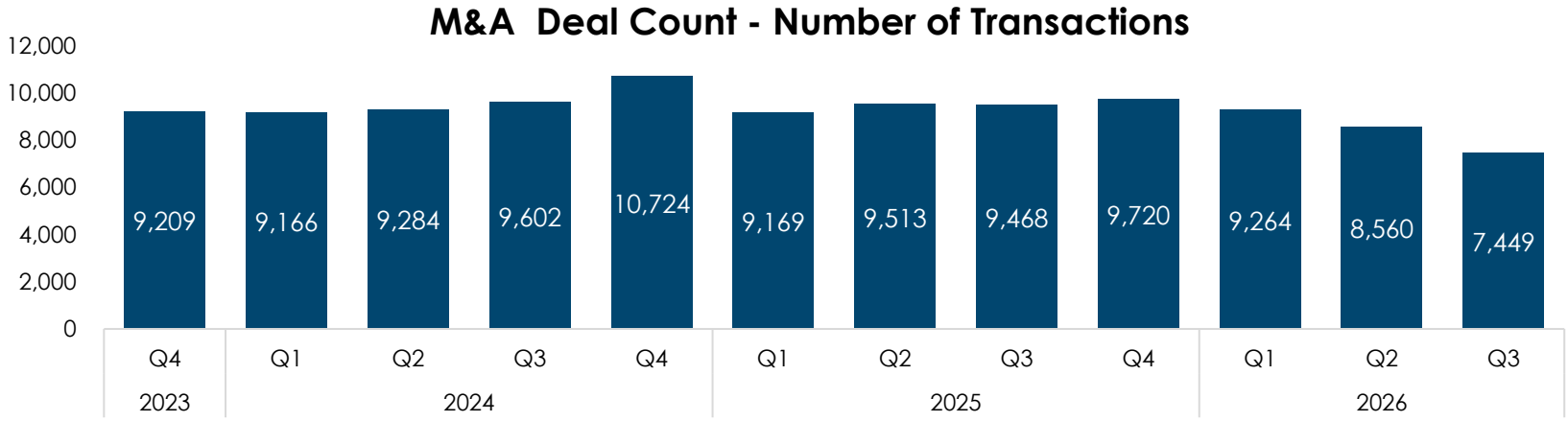
Measures consumer confidence in the economy based on monthly survey data from the University of Michigan.

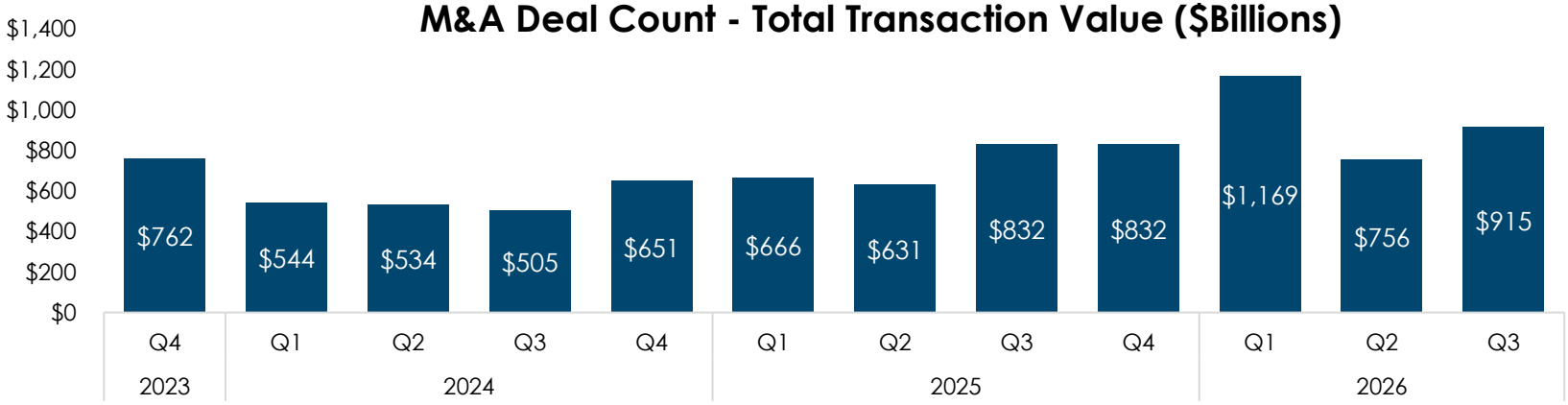
Source: St. Louis Fed – FRED Economic Data, Institute for Supply Management, [1]Figures in Thousands



04 MACROECONOMIC ENVIRONMENT (cont.)

Total M&A Volume (Past 3 years)





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

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ABOUT US

Houlihan Capital is an employee-owned valuation and investment banking firm.

We pride ourselves on delivering exceptional client value and trusted advisory in a dynamic marketplace.

As a FINRA registered broker-dealer, SIPC member, and SOC-compliant firm, we are committed to the highest standards of integrity and professionalism.

OUR HISTORY

Houlihan Capital's origins date back to 1996 when Andrew Smith and Richard Houlihan founded a valuation and investment banking firm to serve small to middle-market companies. Over the years, the firm organically grew to accommodate the needs of an increasingly complex client base.

Today, Houlihan Capital continues that rich tradition through our Valuation & Financial Advisory and Investment Banking groups. We serve some of the largest corporations, hedge funds, private equity funds, venture capital funds and sovereign wealth funds in the world. We pride ourselves on being solutions-driven and delivering superior client value.

SERVICES



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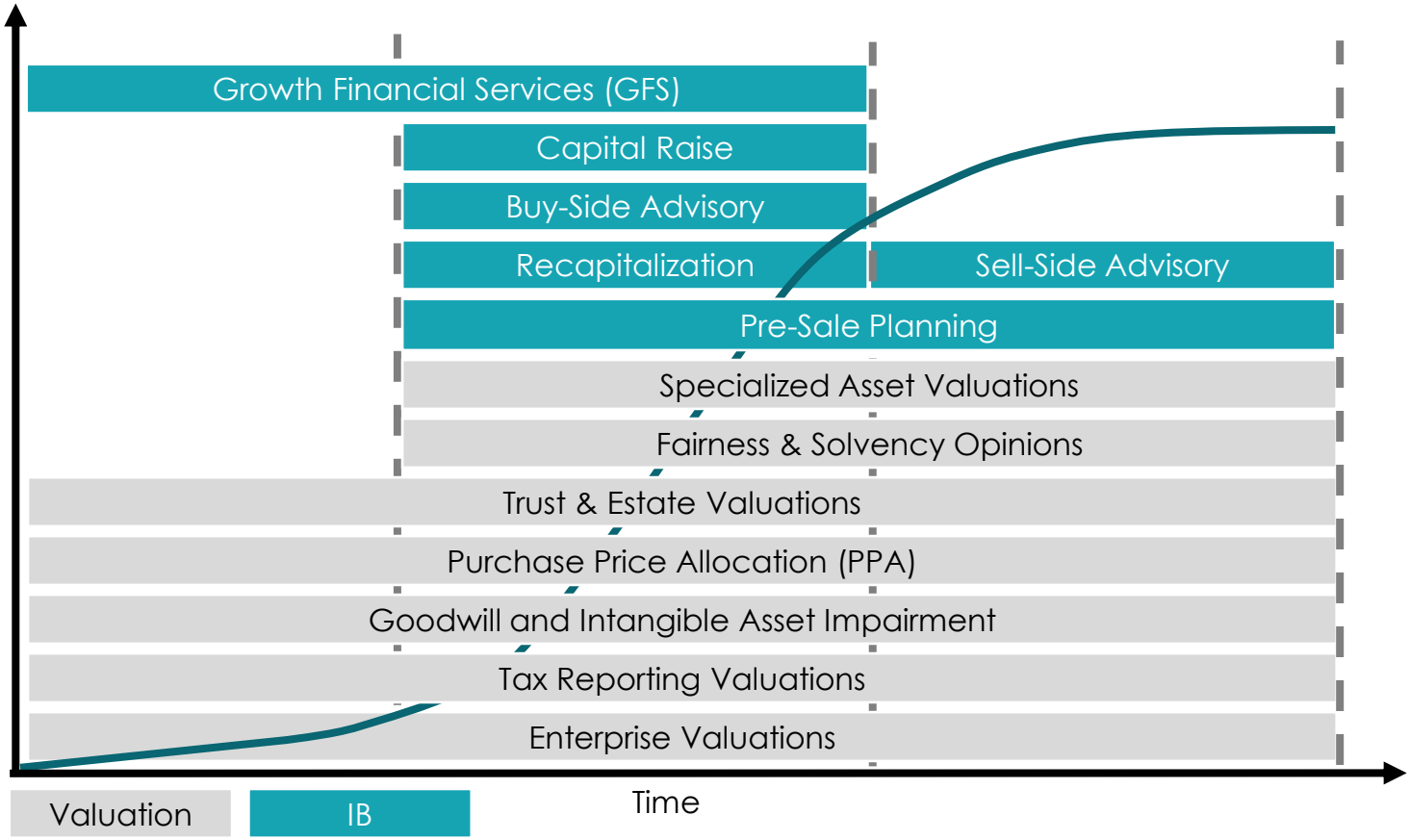
05 HOULIHAN CAPITAL

Houlihan's services along the business lifecycle

SEED

GROWTH

MATURITY



For questions or inquiries regarding our services, please contact: info@houlihancapital.com