



**OBJECTIVE**

Investment Banking & Valuation

# Industry Report

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## Business Services

Diagnostics & Testing

## Key Takeaways

### Diagnostic & Testing M&A Market Maintains Volume As Broader Market Valuations Drop Bringing Down Diagnostics & Testing Sector Along With It

- In Q3 2023 we saw 18 transactions close in the diagnostics and testing (“Diagnostics & Testing”) sector, the same number of deals as compared to the previous quarter (see Chart I)
- EBITDA multiples for Diagnostics & Testing sector have traded down over the past month (see Chart II) with the current average EBITDA multiple standing at 13.7x (see Table I), a 7% decrease month over month but a 7% increase over the past 12 months
- This compares to the broader healthcare market which has had a 4% EBITDA multiple decrease (S&P 500 Healthcare index) while the specialty pharmaceutical and life sciences market has had a 5% decrease (S&P Pharma Biotech & Life Sciences index) (see Chart II)
- The sell off in the Diagnostics & Testing and healthcare market is from a broader market concern around further interest rate hikes and increased geopolitical uncertainty, which we expect to unfold muted throughout 2023 and position a rebound in H1 2024 for new M&A opportunities

Chart I | Total M&A Volume<sup>(1)</sup>

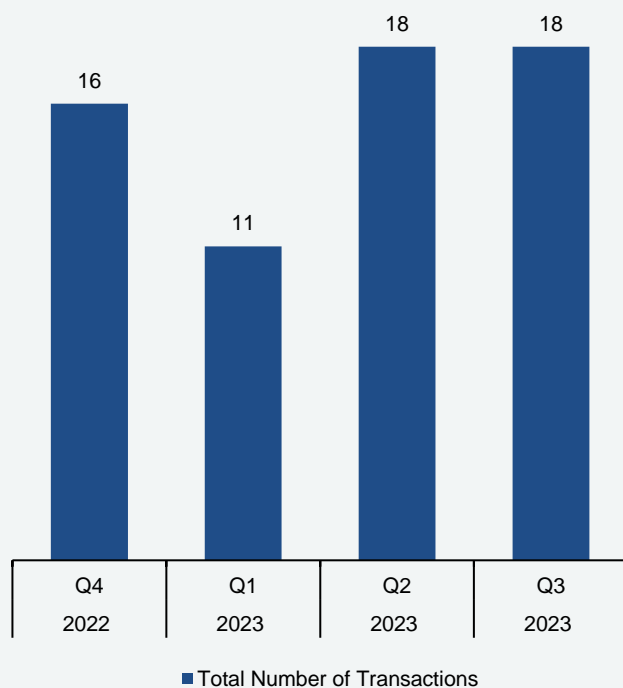
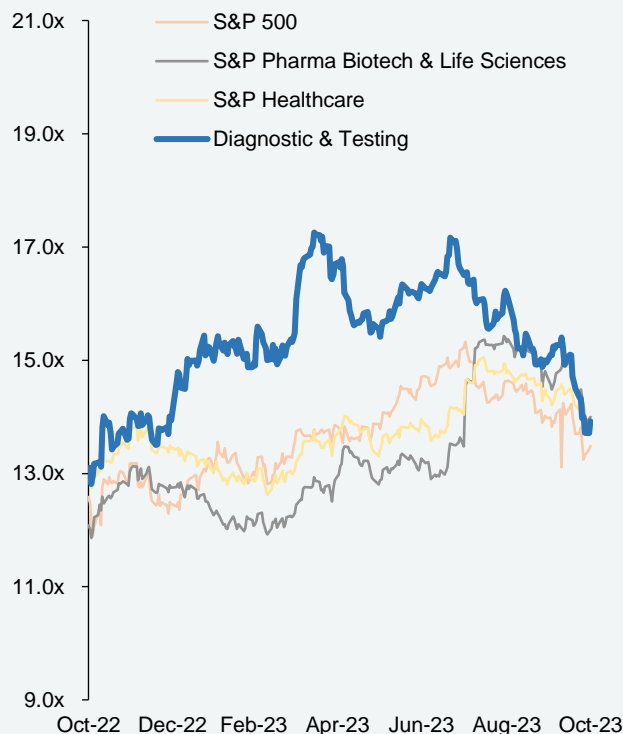


Chart II | TEV / EBITDA<sup>(2)</sup>



Source: S&P Capital IQ

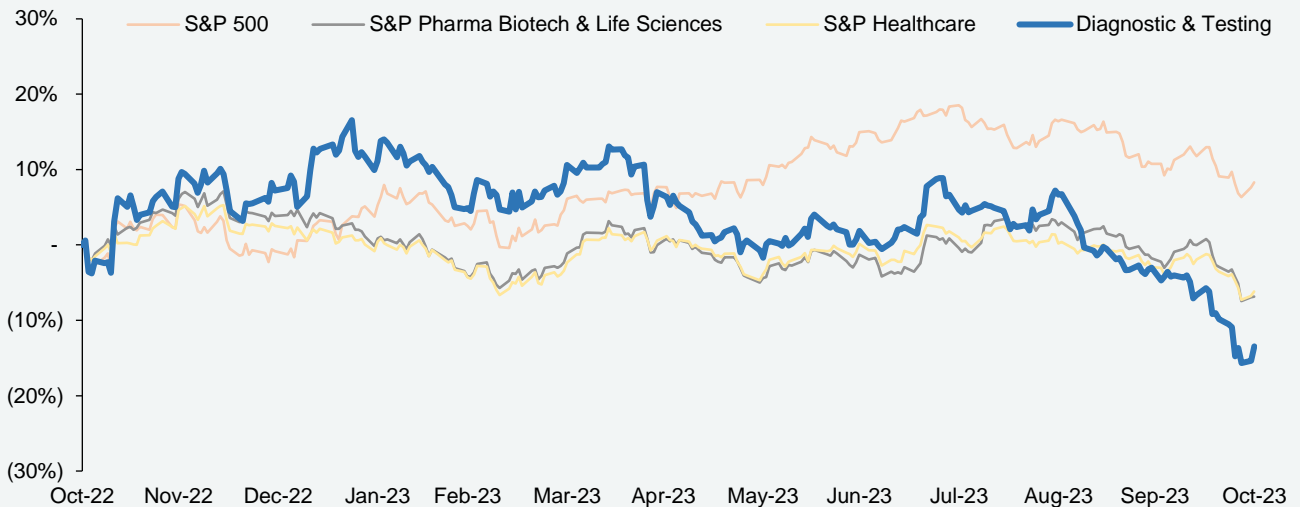
(1) Total USA and Canadian corporate and asset majority control transactions in the Diagnostics & Testing sector

(2) Table I for Diagnostics & Testing comparables

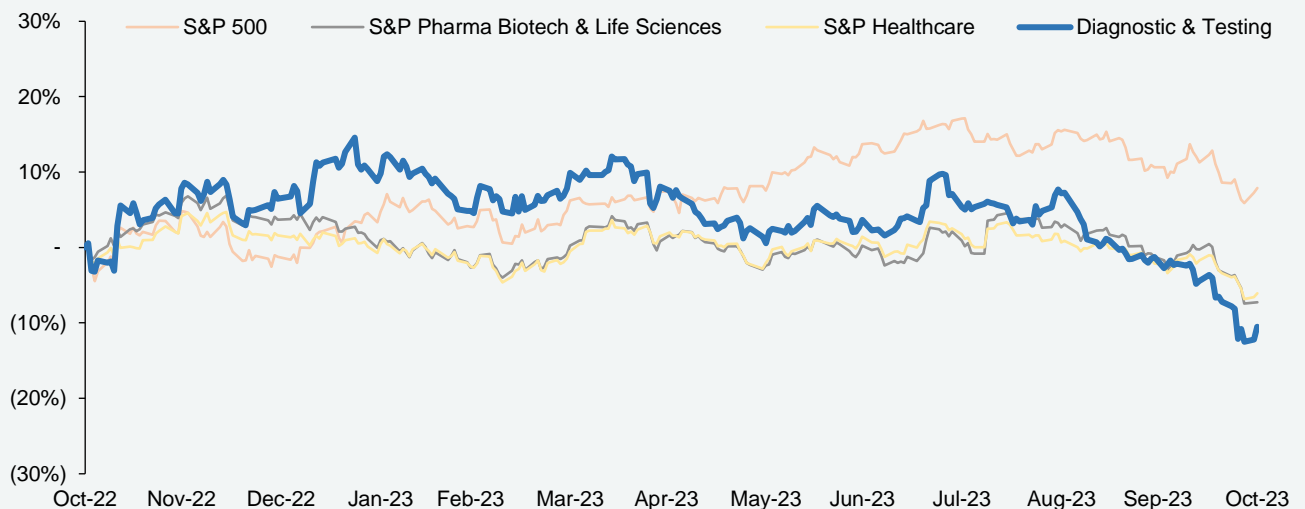
## USA & Canada Listed Companies (>\$20M Market Cap.)

Over the past month, the Diagnostics & Testing sector has traded down 11% while the broader healthcare market decreased 3% (S&P 500 Healthcare index) and the specialty pharmaceutical and life sciences market decreased 5% (S&P Pharma Biotech & Life Sciences index) (see Chart III)

### Chart III | 1-Year Price Performance<sup>(1)</sup>



### Chart IV | 1-Year TEV Performance<sup>(1)</sup>



Source: S&P Capital IQ

(1) Table I for Diagnostics & Testing comparables

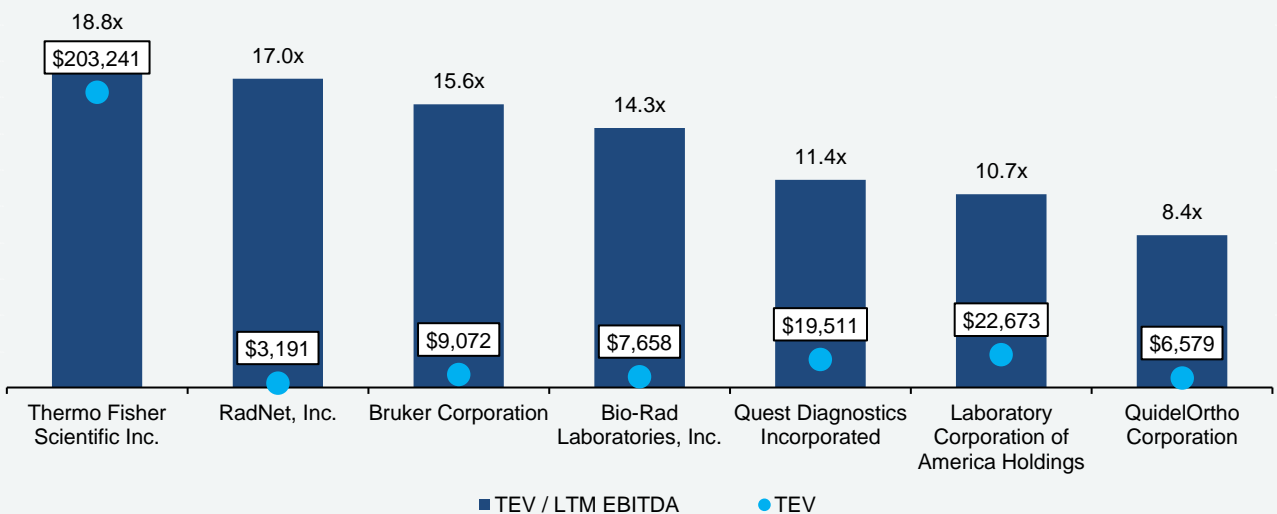
## USA & Canada Listed Companies (>\$20M Market Cap.)

Thermo Fisher Scientific trades at the higher end of the group along with RadNet, Brunker, and Bio-Rad Laboratories which have an average EBITDA margin >20%, showcasing that investors are currently favoring healthier and more profitable companies (see Chart IV)

### Table I | Select Diagnostics & Testing

Company	Share Price 10/31/23	Equity Value	TEV	TEV/			
				Revenue		EBITDA	
				LTM	2023E	LTM	2023E
Thermo Fisher Scientific Inc.	\$444.77	\$173,990	\$203,241	4.7x	4.7x	18.8x	18.8x
Laboratory Corporation of America Holdings	\$199.73	\$16,957	\$22,673	1.5x	1.9x	10.7x	10.7x
Quest Diagnostics Incorporated	\$130.10	\$14,628	\$19,511	2.1x	2.1x	11.4x	10.6x
Bio-Rad Laboratories, Inc.	\$275.28	\$8,011	\$7,658	2.8x	2.9x	14.3x	14.6x
Bruker Corporation	\$57.00	\$8,371	\$9,072	3.3x	3.1x	15.6x	15.4x
Natera, Inc.	\$39.47	\$4,681	\$4,389	4.7x	4.2x	na	na
QuidelOrtho Corporation	\$61.08	\$4,080	\$6,579	2.1x	2.2x	8.4x	8.0x
RadNet, Inc.	\$26.96	\$1,827	\$3,191	2.3x	2.0x	17.0x	14.0x
NeoGenomics, Inc.	\$14.02	\$1,788	\$1,989	3.6x	3.5x	na	na
Veracyte, Inc.	\$20.72	\$1,507	\$1,331	4.1x	3.8x	na	na
<b>Median</b>		<b>\$4,681</b>	<b>\$6,579</b>	<b>2.8x</b>	<b>2.9x</b>	<b>12.9x</b>	<b>12.4x</b>
<b>Mean</b>		<b>\$23,584</b>	<b>\$27,963</b>	<b>3.1x</b>	<b>3.0x</b>	<b>13.7x</b>	<b>13.1x</b>

### Chart IV | TEV / EBITDA & TEV



Source: S&P Capital IQ

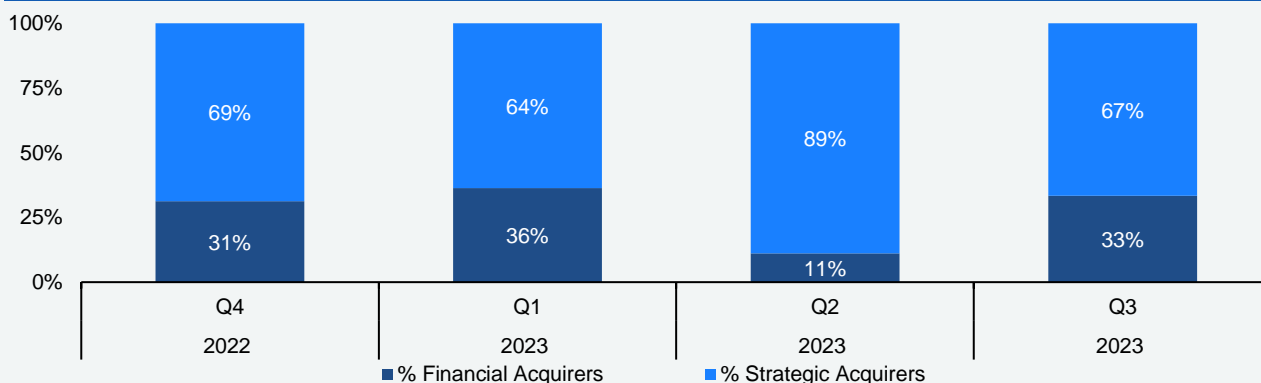
## Majority Control Corporate and Asset Deals in USA & Canada

Financial Acquirers came back in Q3 after taking a pause on investments in the space in Q2. We expect this was due to investors being uncertain of interest rate trajectories, which are now expected to be held constant or decreasing, as this has a direct impact on debt financing for acquisitions (see Chart VI)

### Table II | Select M&A Transactions

(\$ in million)					
Announce Date	Target	Acquiror	TEV	TEV / LTM	
				Revenue	EBITDA
5/10/23	Syneos Health, Inc.	Investment Consortium	\$7,377	1.4x	9.7x
4/18/22	Inform Diagnostics, Inc.	Fulgent Therapeutics LLC	\$170	na	na
4/4/22	AltheaDx, Inc.	Castle Biosciences, Inc.	\$142	na	na
1/18/22	GeneDx, Inc.	Sema4 Holdings Corp.	\$623	5.3x	na
12/23/21	Personal Genome Diagnostics Inc.	Laboratory Corporation of America Holdings	\$580	na	na
8/9/21	CSI Laboratories, Inc.	Fulgent Genetics, Inc.	\$53	na	na
7/1/21	Intrinsic Imaging LLC	WCG Clinical, Inc.	\$92	na	na
6/28/21	Quintara Discovery, Inc.	Frontage Laboratories, Inc.	\$72	4.9x	7.5x
6/7/21	MyHealth Partners Inc.	WELL Health Technologies Corp.	\$200	na	na
5/24/21	Myriad RBM, Inc.	Q2 Solutions LLC	\$198	na	na
4/15/21	Chronix Biomedical, Inc.	OncoCyte Corporation	\$26	na	na
4/11/21	Luminex Corporation	DiaSorin S.p.A.	\$1,866	4.3x	19.8x
3/2/21	Resolution Bioscience, Inc.	Agilent Technologies, Inc.	\$695	19.9x	na
1/5/21	BioTheragnostics, Inc.	Hologic, Inc.	\$223	6.8x	na
<b>Median</b>			<b>\$199</b>	<b>5.1x</b>	<b>9.7x</b>
<b>Mean</b>			<b>\$880</b>	<b>7.1x</b>	<b>12.4x</b>

### Chart VI | Total Buyer Mix: Financial vs Strategic<sup>(1)</sup>



Source: S&P Capital IQ

(1) Total USA and Canadian corporate and asset majority control transactions in the Diagnostics & Testing sector

# About Objective

## Investment Banking Practice


### About Us

**Objective, Investment Banking & Valuation** is a leading investment banking and valuation firm serving middle-market companies across five industry practice groups in an effort to maximize our clients' M&A and valuation advisory results. Our team uses a highly engineered, structured process combined with our industry expertise designed to consistently achieve maximum results.


### Industries of Focus

- Business Services
- Consumer
- Healthcare Tech & Services
- Life Sciences Services & Tech
- Manufacturing & Distribution
- Technology

### 500+ M&A Transactions Completed\*



Has been acquired by



Sell-side Advisor to Supreme Optimization



Has been acquired by



a portfolio company of 

Sell-Side Advisor to Bell Canyon Consulting



Has sold assets to



Financial Advisor to MabVax Therapeutics Holdings, Inc.

Undisclosed Healthcare Technology Company

Has been acquired by

Undisclosed San Francisco Based Private Equity Firm

Sell-Side Advisor to the Undisclosed Healthcare Technology Company

Undisclosed Leading Drug Treatments and Diagnostics Company

Strategic Alternatives Advisor to the Undisclosed Company

Undisclosed Leading Contract Research Organization

Sell-Side Advisor to the Undisclosed Contract Research Organization



Has been acquired by



Sell-Side Advisor to StudyKIK



Has sold its clinical research site operations to



Sell-Side Advisor to Rocky Mountain Movement Disorders Center

Award & Recognition	Forum	Year	Type
Best Middle Market Sell-Side M&A Firm – USA	Acquisition International	2023	Winner
Healthcare/Life Sciences Deal of The Year (Between \$50MM - \$100MM)	M&A Advisor 22 <sup>nd</sup> Annual M&A Awards	2023	Finalist
Private Equity Deal of The Year (Between \$75MM - \$100MM)	M&A Advisor 22 <sup>nd</sup> Annual M&A Awards	2023	Finalist
Professional Services Deal of The Year (Between \$50MM - \$100MM)	M&A Advisor 22 <sup>nd</sup> Annual M&A Awards	2023	Finalist
Technology Deal of the Year (Between \$50MM - \$100MM)	M&A Advisor 22 <sup>nd</sup> Annual M&A Awards	2023	Finalist
M&A Deal of the Year (\$75MM - \$100MM)	M&A Advisor 22 <sup>nd</sup> Annual M&A Awards	2023	Finalist

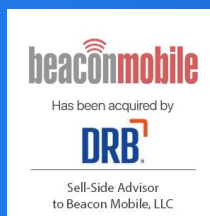
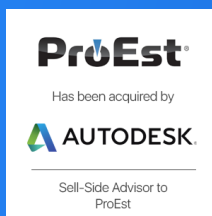
# About Objective

## Business Services Overview

Objective, Investment Banking & Valuation's Business Services practice is widely recognized for its exceptional capabilities in leveraging deep sector expertise and crafting compelling narratives that capture the essence of every company. Our team of highly dedicated and tenacious M&A professionals boasts extensive senior-level relationships with prominent strategic and financial buyers in the professional and technology-related services industries, as well as large public and private enterprises.

With a wealth of experience garnered over many years in both sell-side and buy-side engagements involving business services companies, we provide our clients with invaluable and transparent guidance that empowers them to realize their strategic and financial objectives.

Dedicated  
Industry  
Knowledge &  
Expertise



## Thank you!

We are available to assist with your M&A or Valuation advisory needs when you need us. Feel free to call with M&A questions for your specific engagement, or to receive general market insight.



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