

Q2-2022 Laboratory & Diagnostic Services Update

Market Update

Deal volume remains steady in the laboratory and diagnostics services sector. There is an increasing demand for high-quality diagnostic testing assets that provide diverse or novel testing solutions for healthcare providers. Clinical laboratories are continuing to garner significant interest from strategic consolidators as COVID-19 testing volume has remained critical to support the return-to-work movement. Despite a prevailing movement of insourcing testing and diagnostic capabilities, private equity is continuing to invest in independent laboratories. Evidence of this is GTCR's acquisition of PathGroup. GTCR made the strategic investment with the hope of expanding PathGroup's customer base to serve a wider array of physicians and further develop the groups' presence in the Texas market.

Looking ahead, Provident anticipates that deal volume will remain high as large healthcare systems continue to acquire laboratory and diagnostic-specific companies to strengthen their testing capabilities. Smaller companies will continue to benefit from increased capital to fuel organic growth.

Select Transactions

Lab and Dx Services Public Trading Multiples

| Company | Ticker | EV | Revenue | EBITDA | EV/REV | EV/EBITDA |
|----------------|--------|-------|---------|----------|--------|-----------|
| LabCorp | LH | 27.4B | 15.9B | 3.9B | 1.73x | 7.09x |
| Quest | DGX | 19.7B | 10.9B | 2.8B | 1.85x | 7.19x |
| Eurofins | ERFSF | 17.2B | 7.9B | 2.2B | 2.17x | 7.71x |
| Hologic | HOLX | 18.3B | 5.4B | 2.5B | 3.40x | 7.30x |
| Exact Sciences | EXAS | 9.3B | 1.9B | - 494.8M | 5.06x | n/a |

* All metrics are TTM basis as of July 7, 2022, Pitchbook.com

| Month | Acquirer | Target | Deal Description |
|-------|---|---|--|
| June |  |  | Hassman Research, a provider of clinical research services focused on the central nervous system, was acquired by CenExel Clinical Research, via its financial sponsor BlackRock Management Group and Webster Equity Partners. |
| June |  |  | Bio-Test Laboratory provides radiology services in addition to other support services like house calls and specimen collection. The acquisition bolsters Switch Health's laboratory processing facilities. |
| May |  |  | Peninsula Research Associates, a provider of clinical research services for the pharmaceutical industry, was acquired by Headlands research, via its financial sponsor KKR. The acquisition improves Headlands' research capabilities in the allergy and asthma areas. |
| May |  |  | AtlantiCare is the largest Atlantic County healthcare system designed to offer a broad array of patient services. The Diagnostic Clinical Laboratory Services of AtlantiCare were acquired by Laboratory Corporation of America. The acquisition helps LabCorp expand services to patients and providers in southern New Jersey. |
| May |  |  | GTCR, a leading private equity firm, has made a majority investment in PathGroup Holdings LLC. PathGroup is one of the largest independent laboratories in the US, providing anatomic pathology and clinical testing services across the Southeast and Midwest. GTCR's investment will support the PathGroup management team as the company continues to grow. |
| April |  |  | Tennessee Blood Services collects whole blood and blood products for diagnostic use by manufacturers and research facilities. The company was acquired by BioIVT, a leading provider of biospecimens. |

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Dx Services Whitepaper

[Provident Perspectives: Investment & Consolidation in the Clinical Diagnostics Industry](#)

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