

# Q4-2021 Laboratory & Diagnostic Services Update



## Market Update

Deal volume within the laboratory and diagnostics services sectors has remained high in the past year. In particular, those groups involved in the COVID-19 response have garnered keen interest from strategic consolidators looking to broaden their testing capabilities. Evidence of this was, Quest Diagnostics, acquisition of Labtech Diagnostics, marking its 28<sup>th</sup> acquisition in the last five years.











The recent surge of COVID-19, resulting from the Omicron variant has once again put extensive pressure on the diagnostic services industry, after a Q2 and Q3 lull. Labs have been stretched thin operationally due to the need for delivery of fast and accurate COVID-19 test results. Work schedules, travel and collaboration broadly, are all becoming increasingly reliant on the availability of COVID-19 testing options. The recent shortage of both PCR and at-home tests has demonstrated the persistent need for increased efficiency within the field. In order to keep up with the demand, as well as competition, Provident anticipates horizontal consolidation centering around acquiring capacity in the short term. With testing volumes remaining high we believe large, full-scale laboratories will look to smaller, regional labs to increase their processing capacity and test throughput.

## Lab and Dx Services Public Trading Multiples

Company	Ticker	EV	Revenue	EBITDA	EV/REV	EV/EBITDA
LabCorp	LH	\$32B	\$16.5B	\$4.8B	1.95x	6.71x
Quest Diagnostics	DGX	\$23B	\$11.1B	\$3.2B	2.11x	7.29x
Eurofins	ERFSF	\$23B	\$7.6B	\$2.6B	3.02x	8.79x
Hologic	HOLX	\$20B	\$5.6B	\$3.0B	3.63x	6.92x
Exact Sciences	EXAS	\$14B	\$1.7B	-\$124.8M	7.95x	n/a

\* All metrics are TTM basis as of January 10, 2022, Pitchbook.com

## Select Transactions

Month	Acquirer	Target	Deal Description
December			Quest Diagnostics, the nation's largest provider of diagnostic services, announced it has acquired Labtech Diagnostics, an independent clinical diagnostic laboratory provider serving physicians and patients primarily in South and North Carolina, Georgia and Florida.
December			Sonic Healthcare Limited, one of the world's leading healthcare providers supplying laboratory medicine/radiology/general practice medicine, acquired ProPath Laboratory, Inc. ProPath is a physician led anatomical and clinical pathology (AP) practice that diagnoses cases from over 40 states.
November			Martis Capital, a private equity firm focused on investing in healthcare businesses, has acquired a majority interest in Lighthouse Lab Services, alongside current investors NaviMed Capital and the Company's management team. Headquartered in Charlotte, North Carolina, Lighthouse is a provider of turnkey lab build-out and management services to clinical labs across the US.
October			Molecular Designs ("MD") is a leading developer, manufacturer, and supplier of multiplex assays for molecular testing research. Excellere's investment in Molecular Designs is a result of the company's novel testing solutions and the tailwinds supporting growth in the near-to-patient (NTP) testing sector.
October			Pace Analytical Services, LLC, preferred provider of in-lab, mobile, and emergency onsite specialty-contaminant and regulatory testing and analysis services, announced that it has acquired BC Laboratories, Inc., a provider of environmental analytical services in the western region of the United States.

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## Dx Services Whitepaper

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