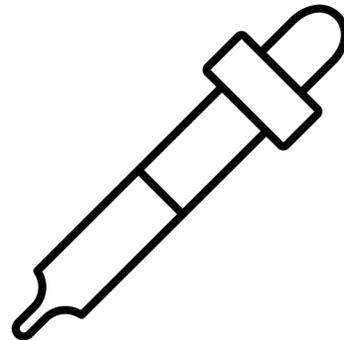
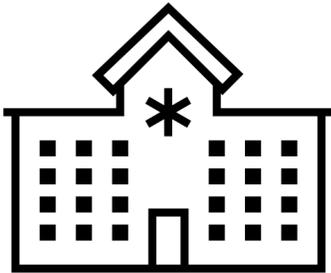


Armentum Partners' 2023 Year-End Update and 2024 Outlook for Healthcare Debt Markets



2023 Recap

- In general, enterprise-value debt markets were open but selective in '23 despite broader equity market volatility
 - Underwriting standards were more stringent than 2022, as lenders increasingly focused on cash runway and making sure companies were fully financed through major inflection points (most often cashflow breakeven)
 - Many lenders were focused on issues in their existing portfolios, and were less willing to look at new deals
 - Refinancings without a significant stimulus (ie accelerating revenue growth, increased profitability, substantial equity round) became more difficult
- The debt market really started to heat up in November/December 2023
 - Last two Armentum processes were very competitive with multiple bids and attractive terms
- New entrants (Symbiotic Capital, Monroe through acquisition of Horizon), existing funds making bigger push in healthcare (Trinity Capital, Ares) and new/expanded funds for existing players continue to increase supply of capital

Subsector Overviews

Tech-enabled Healthcare Services - sector was particularly active as lenders felt comfortable adding leverage to companies that were scaling revenues after demonstrating product market fit; HCIT transactions with scale attracted interest from a wide array of lenders

Biopharmaceuticals - deals were few and far between, with only a handful of premium opportunities coming to market

Medical device, diagnostic and tools - companies that had large existing loans struggled to refinance /upsized without significant equity support

2024 Outlook

- Many lenders under-deployed in 2023, and are aggressively looking to put capital to work in 2024
- Continued push from global asset managers deeper into healthcare (Ares, Oaktree, BlackRock, Blackstone, among others) will further increase supply / competition for larger transactions
- New deals are being well received – Armentum launched over \$500 million of healthcare transactions during the JP Morgan healthcare conference
- Bank market may become more competitive with addition of HSBC to SVB, CIBC, and other existing players – banks likely to be conservative on size but expect them to be aggressive on terms for deals in their strike zones
- Armentum expects market to be quite active, but a state of “haves” and “have-nots” exists
 - High quality opportunities will attract multiple attractive debt options
 - More challenged situations that are unable to raise equity and don’t have accelerating commercial traction will be unable to attract debt capital
- Competition among lenders and declining floating rates will put downward pressure on pricing

2023 Healthcare Activity

17

Deals Closed

\$1.4b

Total Transaction
Volume

~\$80m

Avg. Transaction Size

\$18 – 400m

Deal Ranges