Healthcare Restructuring Trends

ABI Business Reorganization Committee Webinar

September 28, 2023

SheppardMullin

Causes of Financial Distress in Healthcare

- The Covid-19 pandemic catalyzed various financial and operational challenges that the healthcare sector has been facing for decades, which predictably resulted in an increase of restructuring activity by healthcare organizations. Despite being several years past the height of the pandemic, pressures on the healthcare sector have not relented.

- Through the first half of 2023, chapter 11 filings by healthcare organizations with at least $10 million in liabilities are trending at approximately 3 times the level seen in 2021. In addition, there were 13 chapter 11 filings by healthcare organizations with more than $100 million in liabilities through June of 2023, compared to just 15 such cases filed in the prior 2 years combined.

- It is clear that healthcare organizations continue to confront headwinds due to macroeconomic pressures, increased reliance on third-party systems and service providers, receding government stimulus, supply chain disruptions, labor shortages, cost pressures, and an increasingly complex, evolving regulatory environment.

Causes of Financial Distress in Healthcare (cont.)

- **Macroeconomic Pressures**
  - Healthcare providers are struggling to adapt their business models to keep pace with the rate of technological changes and the shift from inpatient to outpatient/community-based delivery of services.
  - Higher interest rates and inflation on non-labor costs continue to have a detrimental impact on borrower cash flow, refinancing ability, and asset valuation.
- **Reimbursement Rates**
  - Government reimbursement rates have failed to track increasing operational costs, which has a disproportionate impact on healthcare providers that are reliant on government payors.
  - The “No Surprises Act” further burdens providers that are reliant on out-of-network billing.
- **Labor Costs**
  - Persistent staffing shortages have required increases in pay and benefits to attract and retain clinical staff, resulting in a higher baseline for labor costs.
  - Standalone providers often cannot compete with larger health systems for talent, forcing reliance on expensive contract and agency-based labor.

Key Legal Issues in Healthcare Restructurings (cont.)

Regulatory Oversight

- Due to current market pressures, financially distressed community health facilities and smaller health systems, which are commonly organized as nonprofit entities, frequently seek bankruptcy protection in order to facilitate a sale of their assets to larger, more financially stable hospital chains and health systems.

- The Bankruptcy Code provides that any use, sale, or lease of a nonprofit debtor's assets must comply with applicable state laws governing such transactions. Most states have laws in place that provide state attorneys general and public health authorities with broad regulatory authority over such sales.

- State regulatory authorities are therefore major players in nonprofit health facility bankruptcy cases, especially those involving substantial asset sales under § 363.

Key Legal Issues in Healthcare Restructurings (cont.)

Setoff vs. Recoupment

- To receive reimbursement for services provided to beneficiaries under federal Medicare and state Medicaid programs, healthcare providers enter into "provider agreements" with CMS and the relevant state public health agencies. Providers submit annual cost reports, which are used to determine whether the provider owes an overpayment or is owed an underpayment.
- In bankruptcy, the agencies often seek to recover overpayments and other debts by withholding reimbursements and other payments owed to the provider.
- Whether the automatic stay prevents such actions largely depends on whether the attempted recovery represents a "setoff," which is subject to the automatic stay, or a "recoupment," which is not.

Key Legal Issues in Healthcare Restructurings

Characterization of Provider Agreements

- Where a health facility debtor sells its assets in bankruptcy, the purchaser will generally need to either take a transfer of the debtor's provider agreements or obtain its own before it can manage operations at the facility.
- Whether provider agreements are characterized as executory contracts (that must be assumed, assigned, and cured under § 365) or statutory entitlements (that may be sold free and clear under § 363) accordingly has a significant impact on the legal ramifications of the purchaser's decision.
- As government claims under provider agreements are often among the largest claims against a health facility debtor's estate, settlements with the relevant state agencies may be necessary to work out the amounts and mechanics of repayment.

Key Legal Issues in Healthcare Restructurings

Labor Issues

- As labor costs are often the most significant expense for a restructuring healthcare provider, layoffs are often necessary in order to facilitate an operational turnaround or a sale transaction.
- In bankruptcy, layoffs can result in substantial administrative expense claims as a result of WARN Act liability and obligations under employee PTO and severance policies.
- It is therefore critical that restructuring providers plan for the possibility of layoffs as early as possible in order to mitigate the impacts of potential administrative claims.

AlixPartners

ABI Healthcare Panel

Pharmaceutical and Biotechnology Discussion Materials

September 28, 2023

Life Science companies continue to experience negative headwinds

Tightened Access to Capital Markets	• Tightened credit conditions and a non-existent IPO market have made it difficult for many life science companies to access capital to fund operations • Increasing rate environment have weakened borrowers' cash flows which has negatively impacted their ability to reinvest in the business
Upcoming Maturity Wall	• Significant maturity wall expected in 2025 leading to potential increase in defaults of highly leveraged, low-quality borrowers • Ability to refinance to lower cost of capital and extend maturities will be difficult as lending standards have tightened
Changing Regulatory Landscape & Pricing Pressure	• Pricing pressure from regulatory changes pose potential risk – Inflation Reduction Act (IRA) – Elimination of Medicaid Rebate Cap (American Rescue Plan Act of 2021) • Impact could be muted through strategic planning but heightened focus on lowering drug prices
Tightening FDA Approval Standards	• Application rejections and Complete Response Letters (CRL) rose while FDA new drug approvals declined in 2022 • Changing pricing and regulatory landscape could impact how companies approach business development opportunities (higher IRR hurdles could result in concentrated product focus)
Patent Expiration	• Branded pharmaceutical companies face pressure to develop new products or focus on acquisitions to supplement drop in cash flows from a products' loss of exclusivity (LOE) – Significant patent expirations expected between 2025 to 2028 resulting in sizable loss of sales; some of which will be lost to generic/biosimilar competition
Challenges in Generics segment	• Generic companies continue to face significant pricing pressure due to increased competition • First to market is critical to give Generic companies pricing power • New market entrants lead to drop in market share and price erosion

~70% of Pharma/Biotech bankruptcies result in asset sales

- Since 2018, a significant number of life sciences companies that filed for bankruptcy have resulted in a sale of the companies' assets through a 363 sales process or liquidation
- Pharmaceutical and biotechnology companies require significant capital to invest into research & development to develop a pipeline of products
  - Product development could take four to six years and requires significant investment
  - Unforeseen quality issues and/or FDA approval issues could delay product launch and adversely impact cash flow generation
- Companies that have not been successful in taking a product through clinical development or require additional capital to support R&D have either had to:
  i. Sale of their assets to a well-capitalized partner, or
  ii. Liquidate the business

Pharma/Biotech Bankruptcies (2018-2023)	2018	2019	2020	2021	2022	2023*	**Total Cases**
Plan Reorganization	2	7	4	1	2	9	25
363 Sale / Liquidation	12	12	7	3	11	12	57
Total	**14**	**19**	**11**	**4**	**13**	**21**	**82**

** 2023 cases through August 31, 2023. See appendix for full case list.*

Date Source: Capital IQ

Key considerations when restructuring a Life Science company

Liquidity Runway	• Need to understand near-term and long-term liquidity levers and impact on long-term value (i.e., deferring or cutting R&D could negatively impact pipeline growth and valuation prospects) • Given uncertainty around product development, regulatory approval, market acceptance of new drug therapies, what is the company bridging to?
Treatment of Rebates & Chargebacks	• Rebate and chargeback obligations due to government payors and third-party distributors could adversely impact liquidity and need to understand how they will be treated in a bankruptcy – Addressed through customer and/or cash collateral motions • Setoff / recoupment considerations for Medicare and Medicaid receivables
Intellectual Property	• Who owns the intellectual property rights (In-license vs. Out-license agreements)? • Are there collaboration agreements in place and what milestone obligations are included (regulatory or financial)?
Contract Assumption / Assignment	• Are contracts assignable and what consent is needed? • What are potential cure costs to assume a contract? • Is there an ability to carve-out separate work orders from Master Service Agreements for clinical studies?
Regulatory Requirements	• When evaluating asset sales, it is important to understand the required regulatory approvals across local jurisdictions • Transfer of marketing authorizations and licenses can take awhile and potentially delay a sale closing
Wind-Down Considerations	• Transferring patients (commercial or clinical) to alternative therapies or drugs could extend the timeline and increase winddown costs • Ability to stop New Patient Starts is a gating item and needs proper planning • Timeline to notify Regulators, Distributors, Specialty Pharmacies, etc. should be considered

Appendix: Pharmaceutical & Biotech Bankruptcy Case List (1 of 2)

Ref	Company	Industry Classification	Filing Date	Year	Filing Type	Case Outcome
1)	Avant Diagnostics, Inc.	Pharma/Biotech	8/29/2023	2023	Chapter 11	Plan Reorganization
2)	RIHH LLC	Pharma/Biotech	8/21/2023	2023	Chapter 11	Plan Reorganization
3)	Nutrition53, Inc.	Pharma/Biotech	8/11/2023	2023	Chapter 11	Plan Reorganization
4)	9 Meters Biopharma, Inc.	Pharma/Biotech	7/17/2023	2023	Chapter 7	Ch. 7 Liquidation
5)	Novan, Inc.	Pharma/Biotech	7/17/2023	2023	Chapter 11	363 Asset Sale
6)	Taiga Biotechnologies, Inc.	Pharma/Biotech	7/12/2023	2023	Chapter 7	Ch. 7 Liquidation
7)	Green Hygienics Holdings Inc.	Pharma/Biotech	7/11/2023	2023	Chapter 11	Plan Reorganization
8)	Nerium Biotechnology, Inc.	Pharma/Biotech	7/9/2023	2023	Chapter 7	Ch. 7 Liquidation
9)	OncoSec Medical Incorporated	Pharma/Biotech	6/14/2023	2023	Chapter 7	Ch. 7 Liquidation
10)	HTG Molecular Diagnostics, Inc.	Pharma/Biotech	6/5/2023	2023	Chapter 11	Plan Reorganization
11)	Athenex, Inc.	Pharma/Biotech	5/14/2023	2023	Chapter 11	363 Asset Sale
12)	Vyera Pharmaceuticals, LLC	Pharma/Biotech	5/9/2023	2023	Chapter 11	Plan Reorganization
13)	MicroGEM International PLC	Pharma/Biotech	5/8/2023	2023	Chapter 11	Plan Reorganization
14)	Lannett Company, Inc.	Pharma/Biotech	5/2/2023	2023	Chapter 11	Plan Reorganization
15)	PLx Pharma Inc.	Pharma/Biotech	4/13/2023	2023	Chapter 11	363 Asset Sale
16)	Wellstat Therapeutics Corporation	Pharma/Biotech	3/31/2023	2023	Chapter 7	Ch. 7 Liquidation
17)	SiO2 Medical Products, Inc.	Pharma/Biotech	3/29/2023	2023	Chapter 11	363 Asset Sale
18)	Codiak BioSciences, Inc.	Pharma/Biotech	3/27/2023	2023	Chapter 11	363 Asset Sale
19)	Akorn Holding Company LLC	Pharma/Biotech	2/23/2023	2023	Chapter 11	363 Asset Sale
20)	Sorrento Therapeutics, Inc.	Pharma/Biotech	2/13/2023	2023	Chapter 11	Plan Reorganization
21)	Tricida, Inc.	Pharma/Biotech	1/11/2023	2023	Chapter 11	363 Asset Sale
22)	Clovis Oncology, Inc.	Pharma/Biotech	12/11/2022	2022	Chapter 11	363 Asset Sale
23)	Monarch PCM, LLC	Pharma/Biotech	11/7/2022	2022	Chapter 11	363 Asset Sale
24)	Cediprof, Inc.	Pharma/Biotech	11/4/2022	2022	Chapter 11	Plan Reorganization
25)	RubrYc Therapeutics Inc.	Pharma/Biotech	10/27/2022	2022	Chapter 11	Plan Reorganization
26)	PhaseBio Pharmaceuticals, Inc.	Pharma/Biotech	10/23/2022	2022	Chapter 11	363 Asset Sale
27)	Clarus Therapeutics Holdings, Inc.	Pharma/Biotech	9/5/2022	2022	Chapter 11	363 Asset Sale
28)	Allena Pharmaceuticals, Inc.	Pharma/Biotech	9/2/2022	2022	Chapter 11	363 Asset Sale
29)	Endo International plc	Pharma/Biotech	8/16/2022	2022	Chapter 11	363 Asset Sale
30)	Genocea Biosciences, Inc.	Pharma/Biotech	7/5/2022	2022	Chapter 11	363 Asset Sale
31)	Medical Technology Associates II, Inc.	Pharma/Biotech	6/14/2022	2022	Chapter 11	363 Asset Sale
32)	Zosano Pharma Corporation	Pharma/Biotech	6/1/2022	2022	Chapter 11	363 Asset Sale
33)	Generex Biotechnology Corporation	Pharma/Biotech	4/23/2022	2022	Chapter 7	Ch. 7 Liquidation
34)	Southern California Research LLC	Pharma/Biotech	1/12/2022	2022	Chapter 11	363 Asset Sale
35)	Teligent, Inc.	Pharma/Biotech	10/14/2021	2021	Chapter 11	363 Asset Sale
36)	Nanobeak Biotech Inc	Pharma/Biotech	9/10/2021	2021	Chapter 7	Ch. 7 Liquidation
37)	Stone Clinical Laboratories, LLC	Pharma/Biotech	7/15/2021	2021	Chapter 11	363 Asset Sale
38)	UTC Laboratories LLC	Pharma/Biotech	5/3/2021	2021	Chapter 11	Plan Reorganization
39)	GL Brands, Inc.	Pharma/Biotech	12/18/2020	2020	Chapter 11	Plan Reorganization
40)	Tamarac 10200, LLC	Pharma/Biotech	12/7/2020	2020	Chapter 11	363 Asset Sale
41)	Mallinckrodt plc	Pharma/Biotech	10/12/2020	2020	Chapter 11	Plan Reorganization
42)	Teewinot Life Sciences Corp.	Pharma/Biotech	8/27/2020	2020	Chapter 11	Plan Reorganization
43)	Paragon Processing LLC	Pharma/Biotech	7/23/2020	2020	Chapter 7	Ch. 7 Liquidation
44)	VIVUS, Inc.	Pharma/Biotech	7/7/2020	2020	Chapter 11	363 Asset Sale
45)	Vitalibis, Inc.	Pharma/Biotech	6/15/2020	2020	Chapter 11	Plan Reorganization
46)	Akorn, Inc.	Pharma/Biotech	5/20/2020	2020	Chapter 7	Ch. 7 Liquidation
47)	Extractech, LLC	Pharma/Biotech	5/12/2020	2020	Chapter 11	363 Asset Sale
48)	BioRestorative Therapies, Inc.	Pharma/Biotech	3/20/2020	2020	Chapter 11	363 Asset Sale
49)	GenCanna Global USA, Inc.	Pharma/Biotech	2/5/2020	2020	Chapter 11	363 Asset Sale

Date Source: Capital IQ, bankruptcy filings from 2018 to 9/1/2023

Appendix: Pharmaceutical & Biotech Bankruptcy Case List (2 of 2)

Ref	Company	Industry Classification	Filing Date	Year	Filing Type	Case Outcome
50)	Melinta Therapeutics, Inc.	Pharma/Biotech	12/27/2019	2019	Chapter 11	363 Asset Sale
51)	Sienna Biopharmaceuticals, Inc.	Pharma/Biotech	9/16/2019	2019	Chapter 11	363 Asset Sale
52)	Purdue Pharma L.P.	Pharma/Biotech	9/15/2019	2019	Chapter 11	Plan Reorganization
53)	Smartscience Laboratories, Inc.	Pharma/Biotech	9/5/2019	2019	Chapter 11	Plan Reorganization
54)	uBiome, Inc.	Pharma/Biotech	9/4/2019	2019	Chapter 11	363 Asset Sale
55)	INSYS Therapeutics, Inc.	Pharma/Biotech	6/10/2019	2019	Chapter 11	363 Asset Sale
56)	IKOR, Inc.	Pharma/Biotech	5/30/2019	2019	Chapter 7	Ch. 7 Liquidation
57)	Islet Sciences, Inc.	Pharma/Biotech	5/29/2019	2019	Chapter 11	Plan Reorganization
58)	Aegerion Pharmaceuticals, Inc.	Pharma/Biotech	5/20/2019	2019	Chapter 11	Plan Reorganization
59)	CWNevada, LLC	Pharma/Biotech	4/16/2019	2019	Chapter 11	Plan Reorganization
60)	Achaogen, Inc.	Pharma/Biotech	4/15/2019	2019	Chapter 11	363 Asset Sale
61)	MabVax Therapeutics Holdings, Inc.	Pharma/Biotech	3/21/2019	2019	Chapter 11	363 Asset Sale
62)	Immune Pharmaceuticals, Inc.	Pharma/Biotech	2/26/2019	2019	Chapter 11	363 Asset Sale
63)	Aceto Corporation	Pharma/Biotech	2/19/2019	2019	Chapter 11	363 Asset Sale
64)	Pernix Sleep, Inc.	Pharma/Biotech	2/18/2019	2019	Chapter 11	363 Asset Sale
65)	Immune Pharmaceuticals, Inc.	Pharma/Biotech	2/17/2019	2019	Chapter 11	Plan Reorganization
66)	Aradigm Corporation	Pharma/Biotech	2/15/2019	2019	Chapter 11	363 Asset Sale
67)	Avadel Specialty Pharmaceuticals, LLC	Pharma/Biotech	2/6/2019	2019	Chapter 11	Plan Reorganization
68)	Novum Pharma LLC	Pharma/Biotech	2/3/2019	2019	Chapter 11	363 Asset Sale
69)	Synergy Pharmaceuticals Inc.	Pharma/Biotech	12/12/2018	2018	Chapter 11	363 Asset Sale
70)	Argos Therapeutics, Inc.	Pharma/Biotech	11/30/2018	2018	Chapter 11	363 Asset Sale
71)	Egalet Corporation	Pharma/Biotech	10/30/2018	2018	Chapter 11	Plan Reorganization
72)	Microdermis Corporation	Pharma/Biotech	9/14/2018	2018	Chapter 7	Ch. 7 Liquidation
73)	CardioVascular BioTherapeutics, Inc.	Pharma/Biotech	9/10/2018	2018	Chapter 7	Ch. 7 Liquidation
74)	Product Quest Manufacturing, LLC	Pharma/Biotech	9/7/2018	2018	Chapter 7	Ch. 7 Liquidation
75)	Aralez Pharmaceuticals US Inc.	Pharma/Biotech	8/10/2018	2018	Chapter 11	363 Asset Sale
76)	Inpellis, Inc.	Pharma/Biotech	7/26/2018	2018	Chapter 7	Ch. 7 Liquidation
77)	ABT Molecular Imaging, Inc.	Pharma/Biotech	6/13/2018	2018	Chapter 11	363 Asset Sale
78)	Sancilio Pharmaceuticals Company, Inc.	Pharma/Biotech	6/5/2018	2018	Chapter 11	363 Asset Sale
79)	Rosetta Genomics Inc.	Pharma/Biotech	5/31/2018	2018	Chapter 7	Ch. 7 Liquidation
80)	DemeRx, Inc.	Pharma/Biotech	4/9/2018	2018	Chapter 11	Plan Reorganization
81)	Orexigen Therapeutics, Inc.	Pharma/Biotech	3/12/2018	2018	Chapter 11	363 Asset Sale
82)	Enumeral Biomedical Holdings, Inc.	Pharma/Biotech	1/29/2018	2018	Chapter 11	363 Asset Sale

Date Source: Capital IQ, bankruptcy filings from 2018 to 9/1/2023

AlixPartners

WHEN IT REALLY MATTERS.

Healthcare companies continue to face significant disruption as changes in industry dynamics and regulation put pressure on business performance

Wage Inflation	Nurse / Physician Shortage	Reliance on Agency Staffing	Inflationary Pressure on non-Labor Costs
Pressure on Reimbursement Rates	Difficulty Accessing Capital Markets & Rising Interest Rates	Supply Chain Constraints	Competition from Technological Improvements
Inflation Reduction Act (IRA)	Medicaid Redetermination	No Surprise Act	CMS' Proposed Minimum Staffing Standards

Politico
'Life and death situations': Lawmakers battle Wall Street over health care
Sam Sutton
September 11,2023

A wall of debt is coming due for private equity-owned hospitals and nursing homes that threatens to undermine care for some of the most vulnerable Americans. That's triggering alarms in Washington.

Cheap and flexible financing that helped big Wall Street buyout firms snap up health centers, long-term care facilities and provider networks in recent years has evaporated. Higher borrowing costs are chipping away at margins. And bankruptcies at private equity-owned businesses are on track to reach decade highs, which could result in job cutbacks.

Bipartisan efforts have been underway in Congress to force the often opaque private equity firms to disclose more information about their ownership structures and the debt they're piling onto the health care businesses — setting the stage for a fight between the powerful industry and lawmakers.

"I'm very worried that we're going to see more closures and also that we're going to see worse health outcomes," Rep. Pramila Jayapal (D-Wash.), the head of the 104-member Congressional Progressive Caucus and the sponsor of a recent private equity transparency bill, said in an interview. "We're talking about life and death situations."

The House Energy and Commerce Committee unanimously passed a bill led by Republican Chair Cathy McMorris Rodgers of Washington in the spring that would require certain PE-backed businesses to disclose more information about their operations. That created another front in a long-running battle between the Wall Street firms and Washington policymakers.

The Centers for Medicare & Medicaid Services is working on rules to examine Wall Street's ownership of nursing facilities. And the Securities and Exchange Commission, under hard-charging Chair Gary Gensler, last month finalized the most sweeping investment-transparency rule ever for the industry, forcing firms to give investors more clarity on how their companies perform — as well the fees they charge to boost their own balance sheets.

They're taking on an industry that has ballooned in recent years and now regularly competes with traditional commercial banks. The Blackstone Group this summer became the first firm to cross $1 trillion in assets. The industry now accounts for about $1.7 trillion of U.S. GDP and their businesses employ some 12 million workers, according to its own estimates. Its growing dominance across industries — as well as its role in driving some celebrated companies into bankruptcy — has made it a target for journalists in best-selling classics like "Barbarians at the Gate" and in Hollywood depictions of Wall Street excess.

But it's private equity's emergence as a major investor in health care that's made Congress take notice.

Lawmakers on Energy and Commerce had been angling to include their private equity provisions into health care transparency legislation, in coordination with two other committees, that House leadership has identified as a key priority. That's something the PE industry's powerful lobbying presence and some top Republicans fought, which made its inclusion an uphill battle. ("They don't lose much," one Democratic staffer said in an interview.)

To the chagrin of the committee's Democrats, the pushback ultimately led policymakers to cut the private equity language from the GOP health transparency draft bill that began circulating on Wednesday and was obtained by POLITICO.

Still, Energy and Commerce's unanimous, bipartisan vote was a signal that the industry's grip might not be as strong as it once was. CMS is moving ahead with rules that were identified as a key issue by the Biden administration to force nursing homes to provide details on their financial backers — taking specific aim at private equity firms and real estate investment trusts.

Representatives of the industry say they were unfairly targeted.

The financial challenges facing health care businesses aren't unique to those owned by private equity firms, said Drew Maloney, who heads the American Investment Council, the leading private equity industry group. Maloney argued that the industry's hefty resources have provided a financial bulwark to facilities and physician practices in underserved or rural communities. What's more, while private equity firms have become more active in health care, they still only account for a fraction of the market — estimates cited by CMS peg private equity's share of the nursing home business at 11 percent.

"If Congress or [Health and Human Services] or CMS wants more data, they should ask for data across the board — whether it's an LLC, whether it's a nonprofit or a limited partnership," Maloney said. "It shouldn't single out just a small segment of ownership structures."

The root cause of the challenges facing private equity-linked health care was more than a decade in the making. Historically low interest rates following the global financial crisis allowed the firms to finance acquisitions with cheap floating-rate debt. That didn't matter when the economy was humming and inflation was low, but now higher interest payments have started to put pressure on them.

There's nothing unusual about taking on debt, said Rebecca Springer, who leads health care industry research at the private markets data firm Pitchbook. Still, "no one expected interest rates to increase as quickly as they have," she said. "If you were a bit too aggressive and didn't plan for your downside [risk] as well, then you end up in a difficult position."

About two-thirds of the $1.4 trillion leveraged loan market — which is composed of riskier debt — wasn't hedged to protect against possible losses from higher rates, Oaktree Capital Management's Armen Panossian and Danielle Poli wrote in a recent research note. Those borrowers might need a break from their lenders — or their private equity backers — and that could "further limit the capital available for new deals."

Those challenges have been particularly acute among health care companies, Poli told POLITICO.

Bankruptcies at businesses owned by private equity are soaring, according to S&P Global Market Intelligence data — with losses in health care leading the pack.

A prominent example was Envision Healthcare, a physician staffing and ambulatory surgery business that was acquired by KKR for $5.5 billion in 2018. The company cited declining patient volumes, wage inflation during Covid-19 and battles with insurance providers when it filed for Chapter 11 in May. (KKR holds a significant stake in Axel Springer, POLITICO's parent company.)

Across the industry, “labor costs just shot up and that’s really eaten into profits,” said Poli, whose firm specializes in distressed investments. “There continue to be issues with reimbursement with insurance.”

The effects of a worsening balance sheet are most visible at nursing homes. Higher borrowing costs and sale-leasebacks — a common practice that refers to when health facilities sell their real estate property and then rent it back — eat away at revenue. Within nursing homes, that translates into higher mortality rates as well as staffing and compliance challenges, according to a study cited by CMS.

“It’s not just interest rates,” said Ashvin Gandhi, an assistant professor at the UCLA Anderson School of Management whose research on health outcomes and financing has been cited by both the PE industry and its critics. “Really, any means by which a firm raises capital often has some risks associated with it.”

Those problems aren’t exclusive to private equity, said Maloney. Even with hospitals, nursing homes and provider networks facing headwinds, he doesn’t expect private equity-backed health care companies to “have a bigger default problem than non-private equity-owned health care facilities.”

Still, given PE’s elevated profile, those challenges mean the industry will be under the microscope.

“We need to put in requirements that ensure that the number one result is better health care — particularly if it has federal funding — that should be our only concern,” Jayapal said. “If that makes it unprofitable for private equity companies, in my view, that’s great.”

McKnights
35-facility nursing home chain files for bankruptcy
Kimberly Marselas
September 19,2023

A California company that operates 35 nursing homes in two states has filed for bankruptcy, making more real frequent warnings that financial pressure will soon lead to broad collapses across the sector.

Windsor Terrace Health filed its petition in US Bankruptcy Court for the Central District of California on Aug. 23, but news spread this week as the larger operating company began notifying its clients and the partners that it owes money.

The Chapter 11 initial filing was followed by a motion to combine several cases so that they can be jointly decided by the court. Included in the case are at least 15 nursing homes in California, one assisted living facility in Palm Springs, a home health entity and hospice operations.

Windsor, also known as Windsor Cares and operating some facilities as S&F Market Street Healthcare, operates 32 nursing homes in California and three in Arizona, according to both the company's website and the Centers for Medicare & Medicaid Services.

Calls and emails to Windsor's bankruptcy attorneys were not returned Monday, and the company's main contact number was not operational.

It remained unclear how the legal filing would impact the daily operation of the Windsor facilities named, as well as those unnamed in the initial filings.

But the case will no doubt be closely watched by nursing home operators nationwide, who have faced increasingly difficult operational choices as inflation and wages cut into already-slim margins.

Gibbins Advisors, a healthcare restructuring consultancy, this summer warned that bankruptcy filings jumped in early 2023, compared to a year earlier. Nursing homes and senior living communities made up nearly 30% of the first-quarter bankruptcies.

"For nursing homes, like any business, if you can't cover the cost to operate, you have a viability problem absent a fast path to improvement," Gibbins principal Ronald M. Winters told McKnight's Long-Term Care News at the time.

In addition to still-low occupancy and Medicaid reimbursement rates that lag years behind inflation, nursing home chains' complicated balance sheets also can make it more difficult to negotiate their way out of bad debt without going through the bankruptcy process.

"Owing money to a small number of creditors may enable you to negotiate a solution 'out of court,'" Winters said. "But if you owe money to many creditors, it becomes more difficult to negotiate with many at the same time and a bankruptcy can provide an easier forum … and be hard to avoid."

In Windsor court documents, the company said it had between $1 million and $10 million in assets, as well as $1 million to $10 million in liabilities. Among Windsor's biggest creditors are a national healthcare management group offering dining and housekeeping services and a therapy provider.

A meeting of the creditors is scheduled for Oct. 18.

In Vivo
After All The Layoffs, Is Biopharma's Headcount Still Growing?
Andrew McConaghie
September 5,2023

More than halfway through the biopharma year, there is no question that 2023 has proven very difficult for many early stage biotech companies, due to heavy 'right sizing,' job losses and even company closures.

But despite the constant drip-feed of biotech redundancies and big pharma restructuring, the sector as a whole is thriving, with research suggesting the overall biopharma industry headcount is growing, not shrinking.

Biotech's Cutbacks

More than 100 announcement of job cuts were made in the first seven months of 2023, according to a recent analysis, a huge jump from the previous year.

Cutbacks have been widespread in pre-market biotechs, many of whom are struggling to stay afloat because new funding is hard to come by in the ongoing sector downturn.

A recent example of this is Lava Therapeutics NV, which announced a 36% cut to its employee numbers (from a total of 55 people) on 22 August. That followed a pipeline rethink after it decided to drop its Phase I candidate LAVA-051 for relapsed/refractory chronic lymphocytic leukemia and multiple myeloma, after reviewing the very crowded and competitive therapy area.

Another example is Apellis Pharmaceuticals, Inc., which announced on 29 August that it was cutting a quarter of its workforce – about 225 jobs. Apellis' lead product is Syfovre (pegcetacoplan injection), an FDA-approved drug for geographic atrophy secondary to age-related macular degeneration. The company expects to save up to $300m through the restructuring. (Also see "Radical Honesty Is Part Of The Secret To Apellis's Success" - In Vivo, 18 May, 2023.)

In an early August report, analysts at Stifel estimated that a sample of 19 small cap biotech companies had undergone a 24% headcount reduction since February 2021.

Job cuts have not been restricted to small companies, however, with some big names also wielding the axe. One notable example is Biogen, Inc., which under new CEO Chris Viehbacher announced in June 1,000 job losses, (around 11% of its workforce), reflecting a 'right sizing' after the commercial disappointment of Alzheimer's drug Aduhelm (aducanumab).

Meanwhile Novartis, one of the sector's biggest companies by turnover and headcount, last year set itself a target of cutting 8,000 jobs, or around 7.4% of its total headcount, in a new drive to improve efficiency and profitability. (Also see "Novartis To Cut 8,000 Jobs In Global Restructure" - Scrip, 29 Jun, 2022.)

In contrast, other big companies enjoying a strong run of growth are also taking on lots of new employees. Citeline's analysis shows that AbbVie, Roche, AstraZeneca and Novo Nordisk A/S have added thousands of jobs in the last decade (see Exhibit 1).

Equally, the Stifel research found that in the six months between February and August 2023, the sector added more employees than in any half-year period since it had started tracking the stats in 2021.

Stifel's research tracks a sample of 78 companies, cross-referencing data from LinkedIn with company filings, which it claims produces an accurate picture of changing headcount numbers.

The employee count in its sample of 13 big pharma companies showed an increase of 3% in August 2023 compared to 12 months earlier. That added to an overall 11.6% rise since February 2021,which in total represents 96,000 new jobs created.

Backing up those findings was a 2022 report from US real estate services company CBRE. It found the number of employees in the US life sciences sector increase 5.3% from January 2021 to January 2022, outpacing the national job growth rate of 4.7% in the same period.

Stifel's report listed Pfizer Inc. and Roche Holding AG as the first and second fastest growing companies for the August 2022 to August 2023, estimating growth of more than 7,000 employees each, using its LinkedIn-based counting methods.

However, when contacted by In Vivo, Roche said Stifel's calculation of its growth was inaccurate, and that its full time equivalent headcount had risen around 2.6%, around half the rate implied by the figures. A spokesperson said calculations based on LinkedIn may be distorted by external consultants/contractors listing it as their employer, or simply individuals who have left the company but have failed to update their profiles.

Nevertheless, the company confirmed that it was on the lookout for people across its many functions. These included software developers and data scientists/engineers in IT, scientists, medical doctors and computational biologists in R&D, market access experts in commercial and procurement delivery in group functions.

Big Pharma Gets Bigger Overall

An analysis by Citeline comparing employee numbers in 15 of the sectors biggest companies in 2022 with 10 years earlier shows a 6.5% increase in total headcount – representing a rise of more than 67,000 positions over the period.

This confounds impressions that big pharma has shrunk in recent years by outsourcing much of its drug discovery to biotechs and drug development to contract manufacturing and development organizations, and shows big pharma headcounts still growing, despite this strategy.

That said, some further headcount reductions are coming this year, via the trend for companies to spin-off non-pharma divisions. The sector's biggest employer, Johnson & Johnson, will sheds 22,200 jobs with the separation of its consumer health division, now known as Kenvue, and Novartis AG is to follow suit with generics and biosimilars division Sandoz.

GSK is the company which has shrunk its headcount most over the period, cutting back its workforce by 30%. In contrast AbbVie has grown most, more than doubling over the last 10 years, swelled by its merger with Allergan and Humira's blockbuster success.

Biotech Has Switched Its Priorities

Karl Simpson is founder and CEO of Liftstream, an executive search and leadership advisory company for the life sciences sector. On the impact of the downturn on biotech he confirms: “There have been a lot of organizations that have merged, or been acquired. Many others have disappeared, companies that were in stealth mode but never came out, and small organizations that were just wiped out by the current economic circumstances.”

At the same time, Simpson added that daily media reports of layoffs (especially in smaller companies) builds a negative picture of the overall recruitment market, which is not necessarily accurate.

He reserved judgement on whether the sector overall is growing or not, and points out that obtaining a “transparent view of what is going on from the standpoint of human capital” in individual companies and the sector as a whole remains difficult without clear and consistent corporate reporting of relevant metrics.

Simpson said that even well-funded companies are making headcount reductions, “simply because they don’t know when they can raise funds again.”

That means the focus across the sector is on extending the cash runway and reducing cash burn in order to ensure companies can survive the downturn, especially as no-one can be quite sure when it will lift.

The new environment means the IPO window is closed to most private companies, and their focus has switched to doing in-licensing or M&A deals with big pharma. That has in turn changed recruitment priorities.

“So 24 months ago, pretty much every [pre-market biotech] was in search of a CFO with public markets experience as they prepared for their IPO,” noted Simpson. “That has definitely fallen down the priority list, in preference for perhaps somebody who's got a lot of business development and transaction experience.”

A Silver Lining?

The silver lining, at least from the hiring company perspective, is that the cooling biotech market has made hiring less difficult.

“Prior to this downturn, the market had got incredibly stretched, and companies had to fight very hard to get people through the door to work with them. That pressure will ease off a little bit,” said Simpson.

That long-term ‘war for talent’ has made the sector better at carefully managing workforce levels, and Simpson said companies have been less focused on laying off people, and have instead “held on to their human capital” by offering reduced hours or creative alternatives.”

One notable trend during the biotech boom of 2020 and 2021 was the movement of big pharma execs into senior roles into new well-funded biotech start-ups. So are we now seeing that flow of talent switch, with execs moving back to big pharma?

“We clearly saw that trend [of people leaving for biotech] but I think it's too early to suggest there's a reversal. But clearly in pharma, a number of positions would have lain vacant for some time, or were needing to be filled, and one would expect to see people migrating to the places where that demand continues.”

COVID’s Legacy And Dawn Of AI

Simpson said the greatest legacy of the COVID-19 pandemic is the workforce management challenge, created by the fact that so many employees want to continue working remotely, at least some of the time.

“People are working remotely so much more now, but how do we make that work for a sector like biopharma? Because science is such a collaborative effort, right? Simpson asked. “I think there are lots of divided opinions on exactly how to move that forward, it’s a difficult challenge for a lot of organizations.”

For now, the mid- to long-term trajectory of the sector remains promising, thanks to an aging global population, and the promise of continued scientific breakthroughs to fuel new medicine launches. Even the advent of US price controls via the Inflation Reduction Act look likely to have only a modest impact on the sector.

One technology which could prove to be disruptive to employment is artificial intelligence, which could impact every function of the biopharma sector. Big pharma is now investing heavily in new applications for AI and tech in R&D, manufacturing and marketing, with the hope of boosting efficiency and cutting costs. This will undoubtedly create demand for new skills and new jobs, but just how many existing ones will be made obsolete is yet to be seen

Biotech & Pharma Bankruptcies & Restructurings

C&en
AI may accelerate drug pipelines, but services firms see a slowdown
Rick Mullin
September 13,2023

The organizers of CPhI Worldwide, the big pharmaceutical services exhibition set for October in Barcelona, just published a preview of their annual survey of drug industry executives. The focus is on artificial intelligence; the tenor is upbeat.

Within 10 years, over 50% of drugs that win approval will involve AI in development or manufacture, according to the report. Over 60% of respondents from about 250 drug firms foresee the first fully AI discovered and developed drug winning the US Food and Drug Administration's nod in 5 years; 20% of respondents predict such an approval in 2 years.

The report finds that AI-enabled biotech companies are more attractive to venture capitalists than companies with drug candidates in early- and late-stage development. Overall, the report extols the speed and cost savings afforded by AI in areas such as clinical trial design and in silico modeling.

But at ChemOutsourcing, a smaller meeting of pharmaceutical services firms in New Jersey earlier this month, there was far less focus on AI and a more dour outlook for the business of manufacturing pharmaceutical ingredients for drug companies.

Price pressures, a prolonged dip in biotech stock prices, and general hesitancy on the part of venture capital firms to invest in small and mid-sized drug companies foreshadow a slowdown in contract manufacturing next year, many in attendance said.

"I think 2024 is going to be a bit of a transitional year," predicted Kenneth Drew, vice president of US operations for the Italian services firm Flamma. A downturn would follow a decade of double-digit annual growth for many services companies in a sector that thrived during the pandemic.

With financing tight, biotech firms are now often focused on only their lead drug candidate, a strategy that Drew likened to keeping all eggs in one basket. "If that basket breaks, it can kill a company," he said, a development that would reverberate at Flamma and other companies that serve such firms.

But Stefan Loren, managing director for healthcare investment banking at Oppenheimer, said in a keynote address at ChemOutsourcing that the disappearance of a few small to mid-sized biotech companies may not be a bad thing for the sector. He noted that the number of publicly traded biotechs has risen from 125 in 2012 to 706 in 2023, diluting the availability of investment capital.

"Biotechs have to fold, go bankrupt, or be swallowed up" through mergers and acquisitions, Loren said, noting that generalist investors are not currently investing in small companies. Such culling could combine with a drop in inflation to fuel a biotech recovery going into next year, Loren said.

James Bruno, president of the consulting firm Chemical and Pharmaceutical Solutions, cautioned that a brighter 2024 may not be within reach for services firms. "The financial markets are opening up, but I don't think small pharma actually sees that yet," he said, and that doesn't bode well for services firms.

SFGATE
Bay Area biotech company Kinnate to lay off 70% of workforce
Sam Mauhay-Moore
September 19,2023

San Diego-based cancer drug company Kinnate Biopharma Inc., which also has offices in San Francisco, will lay off 70% of its workers as part of a massive restructuring plan, the company announced Monday. The company said in a news release that the layoffs come as part of a workforce restructuring plan based on a "strategic review of its business." Layoffs are necessary in order to reduce operating expenses, the company said, and will leave Kinnate with 28 remaining full-time employees.
As part of its plan, Kinnate will also separate from the employees at Kinnjiu Biopharma, the company's subsidiary in China. It also plans to stop the standalone clinical development of the drug exarafenib in order to focus on clinical trials of this medication mixed with another cancer medication, binimetinib. Development of another drug, KIN-7136, will also be paused and alternatives for exarafenib monotherapy and the drug KIN-3248 will be explored as part of the restructuring plan, the news release said. Kinnate has offices in San Diego and San Francisco's Presidio.

"Today, we are taking hard but necessary steps to streamline our programs, team and operations in order to advance our research and deliver meaningful benefits to patients and shareholders alike," Kinnate CEO Nima Farzan said in the news release. "These decisions reflect the current financing environment, oncology regulatory landscape and development timelines. We believe that reprioritizing our programs is the most effective approach to unlock the full promise of our innovative therapies."
Kinnate went public in 2020 as a biotech company specializing in clinical-stage cancer medications. The company had $204.3 million in cash, cash equivalents and investments as of June, the news release states, which is expected to last until the second quarter of 2026. The company did not respond to SFGATE's request for comment by publication time.

B | RILEY® Securities

Healthcare Equity Capital Markets Update

September 20th, 2023

Private & Confidential

INVESTMENT BANKING • RESEARCH • INSTITUTIONAL SALES & TRADING

Legal Disclaimers & Disclosures

B. Riley Securities, Inc. is a FINRA registered broker-dealer and wholly owned subsidiary of B. Riley Financial, Inc. (NASDAQ: RILY). B. Riley Financial, through its subsidiaries, provides collaborative financial services and solutions to the capital raising and financial advisory needs of public and private companies and high net worth individuals. In addition to B. Riley Securities, Inc., B. Riley Financial operates through several wholly-owned subsidiaries, including B. Riley Wealth Management, Inc., a FINRA-licensed broker-dealer and SEC Registered Investment Advisor; FocalPoint, a division of B. Riley Securities, Inc., B. Riley Capital Management, LLC, an SEC registered investment advisor; and B. Riley Principal Investments, which makes proprietary investments in other businesses. Certain portions of this presentation may contain references to transactions or services that occurred at B. Riley Securities, Inc. or one of its affiliates. In addition, certain entities owned or controlled by B. Riley Financial may, from time to time, provide advisory and other services to B. Riley Securities, Inc.

Information contained in this report is believed to be accurate as of the date of this presentation, however, no guarantees, either express or implied, are made as to it accuracy, truthfulness or completeness of any of the statements contained herein. B. Riley Securities assumes no responsibility or obligation to update any of the information in this report.

Investing involves risk, including the possible loss of principal and fluctuation of value. Past performance is not an indication of future performance and no representation, express or implied, is made regarding future performance.

Certain information in this report may have been obtained from third parties. B. Riley Securities, Inc., its affiliates and third-party providers make no warranties or representations and disclaim all express, implied and statutory warranties of any kind to the user and any third party, including, but not limited to, any warranties of accuracy, timeliness and completeness. B. Riley Securities, Inc., its affiliates or third-party providers shall not be liable to user or any third party for lost profits or lost opportunity, direct, indirect, special, consequential, incidental or punitive damages whatsoever, even if B. Riley Securities, Inc., its affiliates or third-party providers have been advised of the possibility of such damages. Nothing in this presentation constitutes advice or an offer, solicitation or endorsement with respect to B. Riley Securities, Inc. or for any investment strategy or vehicle.

This Presentation may contain statements that are forward-looking statements. Such forward-looking statements are based upon information provided and/or publicly available information. Actual results may differ from those set forth in the forward-looking statements and are subject to significant risks and uncertainties. These risks and uncertainties could cause the results to differ materially from those set forth in the forward-looking statements.

An Initial Public Offering ("IPO") is the process of offering shares of a private corporation to the public in a new issuance of publicly traded stock. Public share issuance allows the corporation to raise capital from public investors in order to diversify its equity base and potentially fund future transactions such as acquisitions. However, IPOs run the risk that the proposed funding will not be raised. Additionally, publicly traded companies face increased regulatory scrutiny and public disclosure requirements.

A confidentially marketed public offering (CMPO), is a confidential offering that is initially marketed to certain institutional investors. During this initial, confidential phase, there are no public announcements about the offering and no preliminary prospectus or free writing prospectuses are used. Once there is an agreement on terms, the offering is "flipped" to a public offering shortly before pricing so that the underwriter can market the offering more broadly to the market. Selling efforts may be completed during the next trading day but are often completed on an overnight basis with the final pricing and terms announced before the market opens the following day. The securities then settle and close like a traditional firm commitment underwritten public offering Not all CMPOs are successful and there are significant risks investing in any equity transaction. CMPOs are not appropriate for all companies and are dependent on a variety of factors for their success.

A Special Purpose Acquisition Company ("SPAC") is a company formed to raise capital in an initial public offering ("IPO") with the purpose of using the proceeds to acquire one or more unspecified businesses or assets to be identified after the IPO. A SPAC typically has two years to complete an acquisition, otherwise the funds must be returned to the investors. The De-SPAC process occurs when the proposed business combination between the SPAC and the acquisition target is approved by the shareholders, and the financing and other conditions specified in the acquisition agreement are satisfied. The SPAC and the acquisition target will subsequently combine into a publicly traded company and will list on one of the major stock exchanges.

At the Market Offerings ("ATMs") are a type of follow-on offering of common or preferred stock, utilized by publicly traded companies in order to raise capital over time. In an ATM offering, exchange-listed companies incrementally sell newly issued shares into the secondary market through a designated broker-dealer at prevailing market prices. ATMs provide control on the timing and amount of capital raised, allowing companies to raise capital on its own terms, including when and if the ATM is utilized. However, there is a certain degree of uncertainty of how much capital will be raised the due to the "dribble out" nature of the offering.

Pre-Public Private Placements (144A offerings) are unregistered offerings of equity securities issued by a U.S. or foreign company, the equity securities of which are neither listed on a U.S. securities exchange nor quoted on a U.S. automated inter-dealer quotation system. A Rule 144A equity offering is a private placement exempt from registration under the Securities Act, and therefore can only be offered to qualified institutional buyers ("QIBs"). Rule 144A offerings do not offer the liquidity that an initial public offering ("IPO") could offer, but the market often views an equity 144A offering as a stepping-stone to an IPO.

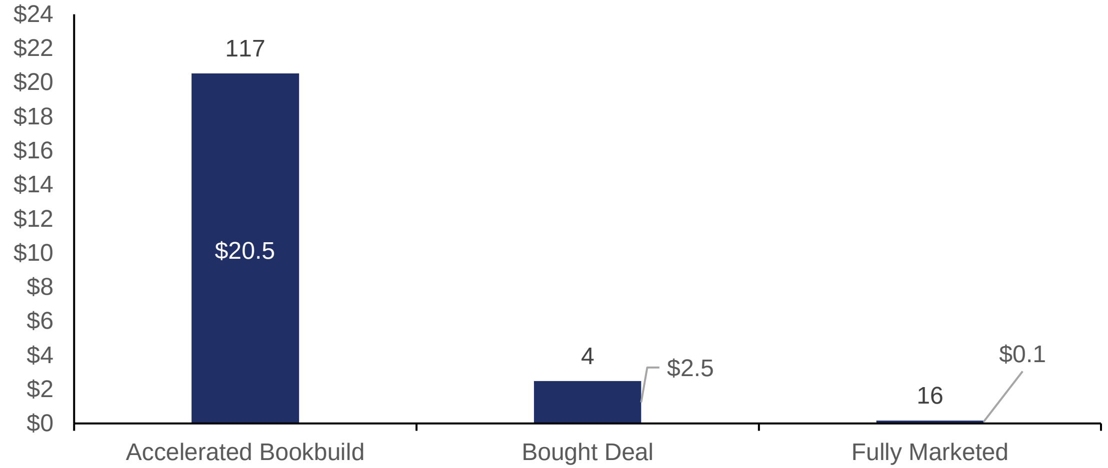
The case studies presented herein are provided for illustrative purposes only and there are no guarantees that any of the strategies or offering types cited in this presentation will be successful. Each offering type cited in this presentation is highly dependent on a variety of factors including, but not limited to: the type of offering; the manner in which the transaction is marketed; the sector into which the underlying company belongs; the depth and breadth the market or market sector, the offering price and general financial conditions.

These examples from B. Riley Securities, inclusive of legacy FocalPoint Partners, are provided for illustrative purposes only and there are no guarantees that any of the strategies or offering types cited will be successful in the future. Each offering type is highly dependent on a variety of factors including, but not limited to: the type of offering; the manner in which the transaction is marketed; the sector into which the underlying company belongs; the depth and breadth the market or market sector, the offering price and general financial conditions. Information provided does not represent a recommendation, solicitation or offer to buy or sell any security.

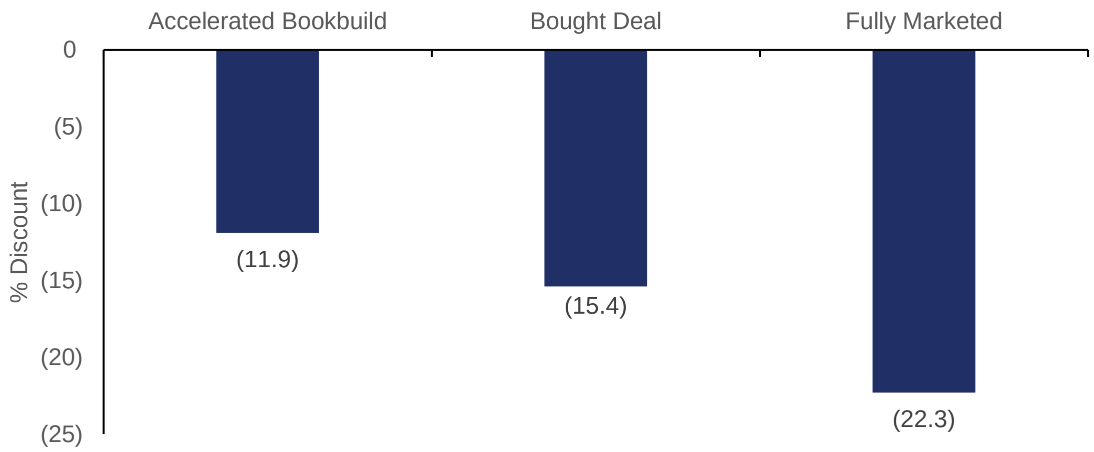
Healthcare Follow-On Offering Trends

Issuance and Execution ($ in Billions)

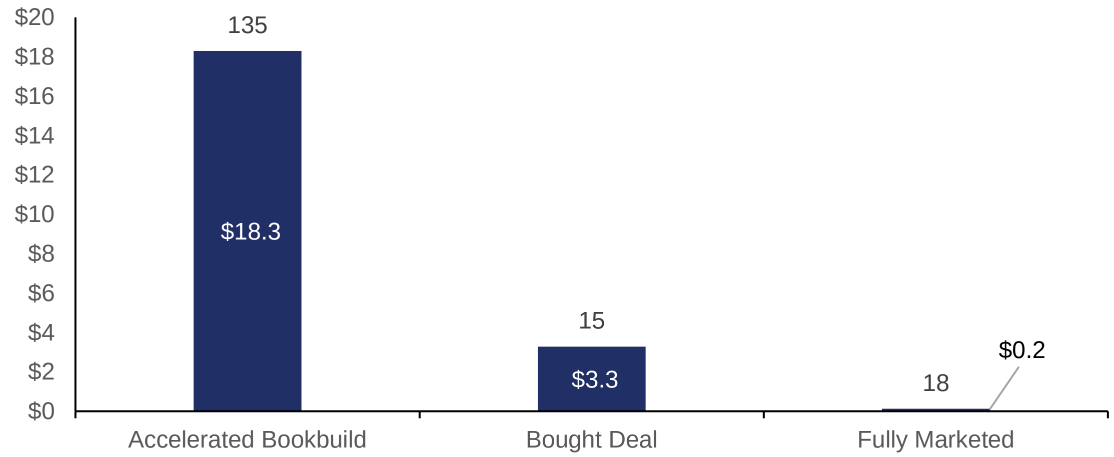
2023 $ Volume of Healthcare Follow-Ons by Execution Type



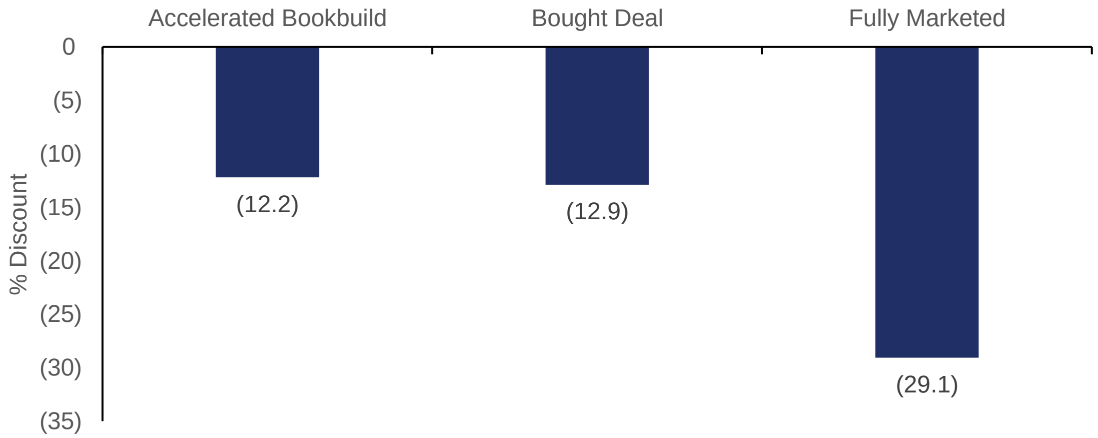
2023 Healthcare Follow-On Discounts by Execution Type



2022 $ Volume of Healthcare Follow-Ons by Execution Type



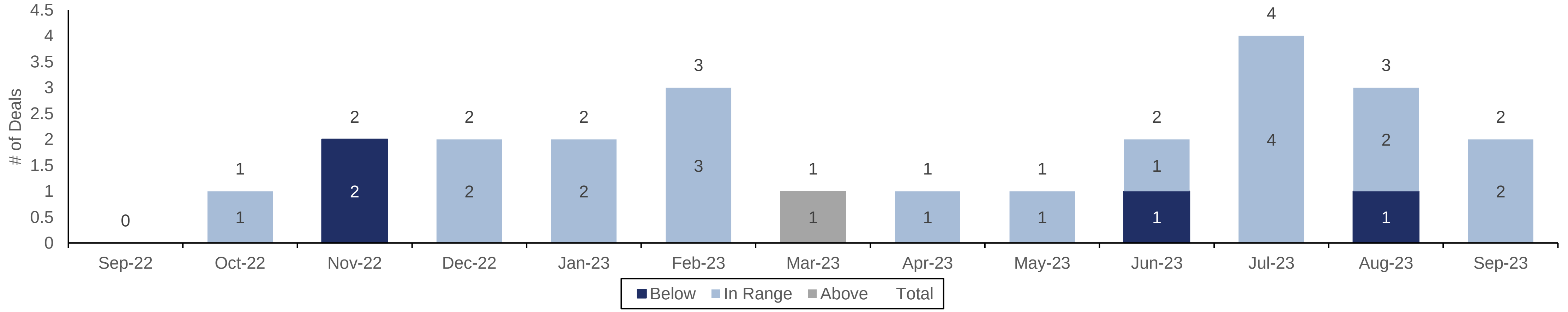
2022 Healthcare Follow-On Discounts by Execution Type



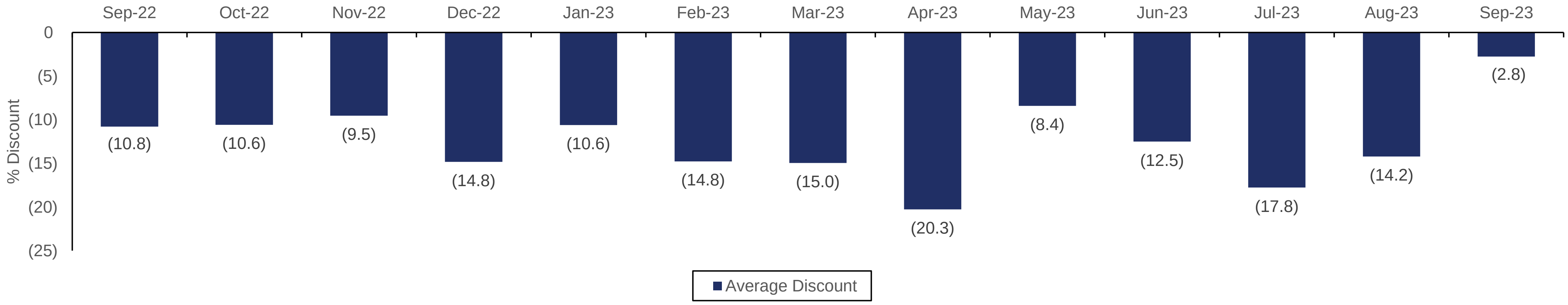
Source: Dealogic, ECM Analytics. Data as of September 20th, 2023

Healthcare Offering Trends

SEC Registered Healthcare IPO Pricing Trends (1 year rolling)



Average Healthcare Follow-On Pricing Discount Trends (1 year rolling)



Source: Dealogic, ECM Analytics. Data as of September 20th, 2023

U.S. TTM Healthcare Transactions Summary[1]

U.S. Healthcare IPOs

Number of Deals: 24

($ in MM of USD, except per share data)

Issuer	Pre IPO Equity	Offering Size	Post-$ Equity	Proceeds as a % of Post-$	Post Offering Performance 1-Day	1-Month	Current
Mean	$350.6	$108.6	$458.4	22.5%	3.2%	(11.2%)	(9.8%)
Median	$106.5	$15.5	$113.5	21.1%	(0.5%)	(10.6%)	(30.8%)
High	$2,333.0	$621.0	$2,583.0	40.4%	73.3%	81.0%	323.0%
Low	$13.0	$5.0	$20.0	4.0%	(33.3%)	(69.4%)	(85.6%)

US Healthcare Follow-On Activity

Number of Deals: 226

($ in MM of USD, except per share data)

Issuer	Pre Offer Market Cap	Offering Size	Post-$ Market Cap	Proceeds as a % of Post-$	Post Offering Performance 1-Day	1-Month	Current
Mean	$1,490.7	$151.7	$1,597.8	20.2%	3.5%	1.8%	(8.6%)
Median	$311.0	$69.5	$403.5	14.8%	1.4%	0.2%	(14.1%)
High	$38,688.0	$2,243.0	$38,688.0	100.0%	75.0%	130.8%	265.7%
Low	$2.0	$1.0	$6.0	0.7%	(60.1%)	(78.8%)	(97.3%)

US Healthcare Registered Directs

Number of Deals: 159

($ in MM of USD, except per share data)

Issuer	Pre Offer Market Cap	Offering Size	Post-$ Market Cap	Proceeds as a % of Post-$	Post Offering Performance 1-Day	1-Month	Current
Mean	$283.1	$33.0	$304.7	9.4%	(2.1%)	(13.7%)	(40.7%)
Median	$42.0	$40.0	$47.0	7.3%	(3.2%)	(20.4%)	(51.0%)
High	$11,058.0	$75.0	$11,424.0	30.0%	138.0%	75.7%	237.9%
Low	$3.0	$2.0	$4.0	2.7%	(50.9%)	(77.5%)	(100.0%)

US Healthcare IPO Backlog

Total Value of IPO Backlog	$405,943,149

US Healthcare Withdrawn IPOs

Total Value of IPO Withdrawn	$500,349,999

(1) For the date range September 20th, 2022 – September 20th, 2023
Source: Dealogic

September 2023 SEC Registered Public Offerings

September Summary

Volume	#	$mm
IPOs:	3	$608
FOs:	4	$1,034

File to Offer	% Change Price	% Change Current
Average	4.7%	2.4%
Median	5.1%	(6.0%)

Type	Trade Date	Ticker	Issuer	Filing Range Low	Filing Range High	Offer Price	Above / In / Below Range	% Change File / Offer Deal Size	% Change File / Offer Price	% Change File / Offer Shares	Mkt Cap ($mm)	% Change to Current	Issue amt ($ mm)	Subsector
Initial Public Offerings														
Open	Sep-15	NMRA	Neumora Therapeutics, Inc.	$16.00	$18.00	$17.00	Midpoint	0.0%	0.0%	0.0%	$2,583	(29.5%)	$250	Biotechnology
Open	Sep-14	RYZB	RayzeBio, Inc.	$16.00	$18.00	$18.00	Top	27.1%	5.9%	20.0%	$1,048	22.3%	$358	Biotechnology
# of Deals - 2							**Average**	**13.5%**	**2.9%**	**10.0%**	**$1,816**	**(3.6%)**	**$304**	
							Median	**13.5%**	**2.9%**	**10.0%**	**$1,816**	**(3.6%)**	**$304**	
Accelerated Bookbuild Follow-On's														
ABB	Sep-13	RCKT	Rocket Pharmaceuticals, Inc.	$15.29	$15.29	$16.00	Above	4.6%	4.6%	0.0%	$1,398	43.6%	$175	Biotechnology
ABB	Sep-12	CRNX	Crinetics Pharmaceuticals, Inc.	$26.08	$26.08	$30.59	Above	17.3%	17.3%	0.0%	$2,023	(3.9%)	$350	Biotechnology
ABB	Sep-11	CBAY	CymaBay Therapeutics, Inc.	$16.24	$16.24	$17.13	Above	5.5%	5.5%	0.0%	$1,906	(10.0%)	$259	Pharmaceuticals
ABB	Sep-07	NTRA	Natera, Inc.	$58.00	$58.00	$55.00	Below	(5.2%)	(5.2%)	0.0%	$6,911	(8.1%)	$250	Biotechnology
# of Deals - 4							**Average**	**5.6%**	**5.6%**	**0.0%**	**$3,060**	**9.9%**	**$259**	
							Median	**5.1%**	**5.1%**	**0.0%**	**$1,965**	**(6.0%)**	**$255**	

Source: Dealogic, ECM Analytics.
Closing prices as of 9/19/2023.
SEC registered, includes foreign issues marketing in the US, excludes SPACs.

August 2023 SEC Registered Public Offerings

(Page 1 of 1)

August Summary

Volume	#	$mm
IPOs:	3	$22
FOs:	11	$2,882

File to Offer	% Change Price	% Change Current
Average	(22.6%)	(0.5%)
Median	(20.2%)	(2.5%)

Type	Trade Date	Ticker	Issuer	Filing Range Low	Filing Range High	Offer Price	Above / In / Below Range	% Change File / Offer Deal Size	% Change File / Offer Price	% Change File / Offer Shares	Mkt Cap ($mm)	% Change to Current	Issue amt ($ mm)	Subsector
Initial Public Offerings														
Open	Aug-29	IVP	Inspire Veterinary Partners, Inc.	$4.00	$6.00	$4.00	Bottom	28.0%	(20.0%)	60.0%	$45	(58.0%)	$6	Health Care Facilities
Fixed	Aug-09	NRXS	NeurAxis, Inc.	$7.00	$9.00	$6.00	Below	(56.1%)	(25.0%)	(41.0%)	$37	(34.7%)	$7	Health Care Equipment
Fixed	Aug-02	MIRA	MIRA Pharmaceuticals, Inc.	$6.00	$8.00	$7.00	Midpoint	27.5%	0.0%	28.0%	$102	(39.7%)	$9	Pharmaceuticals
# of Deals - 3							**Average**	**(0.2%)**	**(15.0%)**	**15.7%**	**$61**	**(44.1%)**	**$7**	
							Median	**27.5%**	**(20.0%)**	**28.0%**	**$45**	**(39.7%)**	**$7**	
Fully Marketed Follow-Ons														
FM	Aug-08	BNTC	Benitec Biopharma Inc.	$4.19	$4.19	$1.93	Below	(95.7%)	(53.9%)	(91.0%)	$33	50.8%	$30	Biotechnology
# of Deals - 1							**Average**	**(95.7%)**	**(53.9%)**	**(91.0%)**	**$33**	**50.8%**	**$30**	
							Median	**(95.7%)**	**(53.9%)**	**(91.0%)**	**$33**	**50.8%**	**$30**	
Accelerated Bookbuild Follow-On's														
ABB	Aug-24	SCTL	Societal CDMO Inc	$0.61	$0.61	$0.40	Below	(34.2%)	(34.2%)	0.0%	$67	37.5%	$8	Pharmaceuticals
ABB	Aug-15	TFFP	TFF Pharmaceuticals Inc	$0.45	$0.45	$0.25	Below	(44.4%)	(44.4%)	0.0%	$25	36.0%	$6	Pharmaceuticals
ABB	Aug-10	SPRC	SciSparc Ltd	$0.50	$0.50	$0.20	Below	(59.6%)	(59.6%)	0.0%	$7	(26.5%)	$1	Biotechnology
ABB	Aug-09	MRTX	Mirati Therapeutics Inc	$27.80	$27.80	$27.80	Midpoint	0.0%	0.0%	0.0%	$1,929	16.4%	$345	Biotechnology
ABB	Aug-09	MRUS	Merus NV	$22.89	$22.89	$22.00	Below	(3.9%)	(3.9%)	0.0%	$1,297	13.5%	$172	Biotechnology
ABB	Aug-02	TARS	Tarsus Pharmaceuticals Inc	$22.01	$22.01	$17.50	Below	(20.5%)	(20.5%)	0.0%	$594	(2.9%)	$106	Pharmaceuticals
ABB	Aug-02	CYBN	Cybin Inc	$0.40	$0.40	$0.34	Below	(15.0%)	(15.0%)	0.0%	$93	29.4%	$8	Pharmaceuticals
ABB	Aug-02	RBOT	Vicarious Surgical Inc	$1.65	$1.65	$1.00	Below	(39.4%)	(39.4%)	0.0%	$284	(21.9%)	$45	Health Care Equipment
ABB	Aug-01	PRCT	PROCEPT BioRobotics Corp	$33.92	$33.92	$33.92	Midpoint	0.0%	0.0%	0.0%	$1,686	(2.2%)	$172	Health Care Equipment
# of Deals - 9							**Average**	**(24.1%)**	**(24.1%)**	**0.0%**	**$665**	**14.8%**	**$96**	
							Median	**(20.5%)**	**(20.5%)**	**0.0%**	**$284**	**13.5%**	**$45**	
Bought Deal Follow-Ons														
BD	Aug-03	COR	Cencora, Inc.	$191.36	$191.36	$189.45	Below	(1.0%)	(1.0%)	0.0%	$38,688	(5.1%)	$1,989	Health Care Distributors
# of Deals - 1							**Average**	**(1.0%)**	**(1.0%)**	**0.0%**	**$38,688**	**(5.1%)**	**$1,989**	
							Median	**(1.0%)**	**(1.0%)**	**0.0%**	**$38,688**	**(5.1%)**	**$1,989**	

Source: Dealogic, ECM Analytics.
Closing prices as of 9/19/2023.
SEC registered, includes foreign issues marketing in the US, excludes SPACs.

July 2023 SEC Registered Public Offerings

(Page 1 of 1)

July Summary

Volume	#	$mm
IPOs:	4	$518
FOs:	12	$2,101

File to Offer	% Change Price	% Change Current
Average	(18.7%)	(28.4%)
Median	(14.7%)	(26.8%)

				Filing Range		Offer	Above / In /	% Change File / Offer			Mkt Cap	% Change to	Issue amt	
Type	Trade Date	Ticker	Issuer	Low	High	Price	Below Range	Deal Size	Price	Shares	($mm)	Current	($ mm)	Subsector
Initial Public Offerings														
Open	Jul-21	TSBX	Turnstone Biologics Corp.	$12.00	$14.00	$12.00	Bottom	6.1%	(7.7%)	15.0%	$266	(64.1%)	$80	Biotechnology
Open	Jul-13	APGE	Apogee Therapeutics, Inc.	$15.00	$17.00	$17.00	Top	20.0%	6.3%	13.0%	$809	35.2%	$345	Biotechnology
Open	Jul-13	SGMT	Sagimet Biosciences Inc.	$15.00	$17.00	$16.00	Midpoint	13.3%	0.0%	13.0%	$355	(25.9%)	$85	Biotechnology
Fixed	Jul-12	SXTP	60 Degrees Pharmaceuticals, Inc.	$4.30	$6.30	$5.30	Midpoint	0.0%	0.0%	0.0%	$20	(83.8%)	$8	Pharmaceuticals
# of Deals - 3							**Average**	**9.9%**	**(0.3%)**	**10.3%**	**$363**	**(34.7%)**	**$130**	
							Median	**9.7%**	**0.0%**	**13.0%**	**$311**	**(45.0%)**	**$83**	
Fully Marketed Follow-Ons														
FM	Jul-21	BGLC	BioNexus Gene Lab Corp.	$1.00	$1.00	$4.00	Above	(77.8%)	(66.7%)	(33.0%)	$55	(72.5%)	$5	Biotechnology
FM	Jul-14	GLMD	Galmed Pharmaceuticals Ltd.	$3.18	$3.18	$1.25	Below	(96.8%)	(60.7%)	(92.0%)	$16	(49.6%)	$7	Biotechnology
# of Deals - 2							**Average**	**(87.3%)**	**(63.7%)**	**(62.5%)**	**$36**	**(61.0%)**	**$6**	
							Median	**(87.3%)**	**(63.7%)**	**(62.5%)**	**$36**	**(61.0%)**	**$6**	
Accelerated Bookbuild Follow-On's														
ABB	Jul-28	INZY	Inozyme Pharma, Inc.	$5.17	$5.17	$4.80	Below	(7.1%)	(7.1%)	0.0%	$304	(9.4%)	$69	Pharmaceuticals
ABB	Jul-25	NMTC	NeuroOne Medical Technologies Corporat	$1.59	$1.59	$1.00	Below	(37.1%)	(37.1%)	0.0%	$37	(8.0%)	$5	Pharmaceuticals
ABB	Jul-19	HROW	Harrow Health, Inc.	$18.27	$18.27	$17.75	Below	(2.9%)	(2.9%)	0.0%	$612	(17.6%)	$69	Pharmaceuticals
ABB	Jul-18	ARGX	argenx SE	$484.43	$484.43	$490.00	Above	1.2%	1.2%	0.0%	$29,480	(0.2%)	$1,265	Biotechnology
ABB	Jul-18	ABOS	Acumen Pharmaceuticals Inc	$9.72	$9.72	$7.75	Below	(20.3%)	(20.3%)	0.0%	$462	(34.2%)	$130	Biotechnology
ABB	Jul-17	CVM	CEL-SCI Corporation	$2.86	$2.86	$2.00	Below	(30.1%)	(30.1%)	0.0%	$135	(35.0%)	$5	Biotechnology
ABB	Jul-13	BCYC	Bicycle Therapeutics Inc	$22.00	$22.00	$21.25	Below	(3.4%)	(3.4%)	0.0%	$868	1.3%	$230	Biotechnology
ABB	Jul-13	CRBU	Caribou Biosciences Inc	$8.14	$8.14	$6.50	Below	(20.2%)	(20.2%)	0.0%	$656	(16.2%)	$125	Biotechnology
ABB	Jul-10	IOVA	Iovance Biotherapeutics, Inc.	$8.79	$8.79	$7.50	Below	(14.7%)	(14.7%)	0.0%	$2,149	(27.6%)	$173	Biotechnology
ABB	Jul-06	VBIV	VBI Vaccines Inc	$2.42	$2.42	$1.65	Below	(31.8%)	(31.8%)	0.0%	$47	(46.7%)	$18	Biotechnology
# of Deals - 8							**Average**	**(16.6%)**	**(16.6%)**	**0.0%**	**$3,475.0**	**(19.4%)**	**$208.9**	
							Median	**(17.5%)**	**(17.5%)**	**0.0%**	**$537.0**	**(16.9%)**	**$97.0**	

Source: Dealogic, ECM Analytics.
Closing prices as of 9/19/2023.
SEC registered, includes foreign issues marketing in the US, excludes SPACs.

June 2023 SEC Registered Public Offerings

June Summary

Volume	#	$mm
IPOs:	2	$28
FOs:	26	$4,663

File to Offer	% Change Price	% Change Current
Average	(17.0%)	(18.0%)
Median	(11.4%)	(14.6%)

Type	Trade Date	Ticker	Issuer	Filing Range Low	Filing Range High	Offer Price	Above / In / Below Range	% Change File / Offer Deal Size	% Change File / Offer Price	% Change File / Offer Shares	Mkt Cap ($mm)	% Change to Current	Issue amt ($ mm)	Subsector
Initial Public Offerings														
IPO	Jun-29	INTS	Intensity Therapeutics, Inc.	$9.00	$11.00	$5.00	Below	30.0%	(50.0%)	160.0%	$85	(20.8%)	$20	Biotechnology
IPO	Jun-15	AZTR	Azitra, Inc.	$5.00	$5.00	$5.00	Midpoint	(37.5%)	0.0%	(38.0%)	$60	(63.8%)	$8	Biotechnology
# of Deals - 2							**Average**	**(3.8%)**	**(25.0%)**	**61.0%**	**$73**	**(42.3%)**	**$14**	
							Median	**(3.8%)**	**(25.0%)**	**61.0%**	**$73**	**(42.3%)**	**$14**	
Fully Marketed Follow-Ons														
FM	Jun-14	COEP	Coeptis Therapeutics Holdings, Inc.	$1.48	$1.48	$1.00	Below	(75.7%)	(32.4%)	(64.0%)	$41	(1.0%)	$3	Biotechnology
FM	Jun-14	BBLG	Bone Biologics Corporation	$5.40	$5.40	$1.97	Below	(37.5%)	(63.5%)	71.0%	$12	(64.0%)	$5	Biotechnology
# of Deals - 2							**Average**	**(56.6%)**	**(48.0%)**	**3.5%**	**$27**	**(32.5%)**	**$4**	
							Median	**(56.6%)**	**(48.0%)**	**3.5%**	**$27**	**(32.5%)**	**$4**	

Source: Dealogic, ECM Analytics.
Closing prices as of 9/19/2023.
SEC registered, includes foreign issues marketing in the US, excludes SPACs.

June 2023 SEC Registered Public Offerings

(Page 2 of 2)

June Summary

Volume	#	$mm
IPOs:	2	$28
FOs:	26	$4,663

File to Offer	% Change Price	% Change Current
Average	(17.0%)	(18.0%)
Median	(11.4%)	(14.6%)

				Filing Range		Offer	Above / In /	% Change File / Offer			Mkt Cap	% Change to	Issue amt	
Type	Trade Date	Ticker	Issuer	Low	High	Price	Below Range	Deal Size	Price	Shares	($mm)	Current	($ mm)	Subsector
Accelerated Bookbuild Follow-On's														
ABB	Jun-29	BDTX	Black Diamond Therapeutics, Inc.	$5.73	$5.73	$5.00	Below	(12.7%)	(12.7%)	0.0%	$259	(28.8%)	$75	Biotechnology
ABB	Jun-28	MLTX	MoonLake Immunotherapeutics	$45.95	$45.95	$50.00	Above	8.8%	8.8%	0.0%	$3,114	13.3%	$460	Biotechnology
ABB	Jun-28	AXSM	Axsome Therapeutics, Inc.	$83.37	$83.37	$75.00	Below	(10.0%)	(10.0%)	0.0%	$3,883	(2.7%)	$225	Pharmaceuticals
ABB	Jun-28	CRMD	CorMedix Inc.	$5.07	$5.07	$4.00	Below	(21.1%)	(21.1%)	0.0%	$281	(5.3%)	$40	Pharmaceuticals
ABB	Jun-22	IGMS	IGM Biosciences, Inc.	$8.85	$8.85	$8.00	Below	(9.6%)	(9.6%)	0.0%	$476	(9.4%)	$98	Biotechnology
ABB	Jun-21	ALVR	AlloVir, Inc.	$4.93	$4.93	$3.75	Below	(23.9%)	(23.9%)	0.0%	$560	(40.3%)	$75	Biotechnology
ABB	Jun-16	VSTM	Verastem, Inc.	$10.82	$10.82	$9.75	Below	(9.9%)	(9.9%)	0.0%	$275	(2.6%)	$85	Biotechnology
ABB	Jun-16	CLNN	Clene Inc.	$1.05	$1.05	$0.80	Below	(23.8%)	(23.8%)	0.0%	$135	(39.0%)	$40	Biotechnology
ABB	Jun-15	PRAX	Praxis Precision Medicines, Inc.	$0.91	$0.91	$0.95	Above	5.0%	5.0%	0.0%	$114	55.8%	$68	Biotechnology
ABB	Jun-14	RDNT	RadNet, Inc.	$32.96	$32.86	$29.75	Below	(9.7%)	(9.7%)	0.0%	$2,173	(5.5%)	$259	Health Care Services
ABB	Jun-14	KURA	Kura Oncology, Inc.	$12.72	$12.72	$11.50	Below	(9.6%)	(9.6%)	0.0%	$981	(16.3%)	$100	Biotechnology
ABB	Jun-14	EDIT	Editas Medicine, Inc.	$11.09	$11.09	$10.00	Below	(9.8%)	(9.8%)	0.0%	$904	(20.1%)	$125	Biotechnology
ABB	Jun-13	IRON	Disc Medicine, Inc.	$48.95	$48.95	$49.00	Above	0.3%	0.3%	0.0%	$1,149	3.8%	$158	Biotechnology
ABB	Jun-08	AKYA	Akoya Biosciences, Inc.	$5.56	$5.56	$5.00	Below	(10.1%)	(10.1%)	0.0%	$262	(11.0%)	$44	Life Sciences Tools and Services
ABB	Jun-07	ELEV	Elevation Oncology, Inc.	$2.82	$2.82	$2.25	Below	(20.2%)	(20.2%)	0.0%	$130	(68.9%)	$50	Biotechnology
ABB	Jun-07	GEHC	GE HealthCare Technologies Inc.	$80.49	$80.49	$78.00	Below	(3.1%)	(3.1%)	0.0%	$36,592	(15.2%)	$2,243	Health Care Equipment
ABB	Jun-06	DAWN	Day One Biopharmaceuticals, Inc.	$14.37	$14.37	$13.00	Below	(9.5%)	(9.5%)	0.0%	$1,123	8.2%	$173	Biotechnology
ABB	Jun-06	NAMS	NewAmsterdam Pharma Company N.V.	$13.77	$13.77	$11.50	Below	9.4%	(16.5%)	31.0%	$1,126	(13.9%)	$182	Biotechnology
ABB	Jun-06	COGT	Cogent Biosciences, Inc.	$13.03	$13.03	$12.00	Below	(18.1%)	(18.1%)	0.0%	$118	(10.8%)	$17	Biotechnology
ABB	Jun-05	KPRX	Kiora Pharmaceuticals, Inc.	$2.54	$2.54	$1.10	Below	(63.3%)	(56.7%)	(15.0%)	$6	(50.3%)	$6	Pharmaceuticals
ABB	Jun-05	BTMD	biote Corp.	$5.69	$5.69	$5.35	Below	(6.0%)	(6.0%)	0.0%	$402	(1.3%)	$28	Pharmaceuticals
ABB	Jun-01	LXRX	Lexicon Pharmaceuticals, Inc.	$3.30	$3.30	$2.60	Below	(21.2%)	(21.2%)	0.0%	$705	(53.3%)	$72	Biotechnology
ABB	Jun-01	VNRX	VolitionRx Limited	$1.55	$1.55	$1.27	Below	(18.1%)	(18.1%)	0.0%	$118	(17.3%)	$17	Health Care Supplies
# of Deals - 23							**Average**	**(12.4%)**	**(13.3%)**	**0.7%**	**$2,386**	**(11.0%)**	**$202**	
							Median	**(9.9%)**	**(10.0%)**	**0.0%**	**$476**	**(11.0%)**	**$75**	
Bought Deal Follow-Ons														
BD	Jun-07	VXRT	Vaxart, Inc.	$1.24	$1.24	$0.94	Below	0.0%	(24.2%)	0.0%	$188	(24.5%)	$15	Biotechnology
# of Deals - 1							**Average**	**0.0%**	**(24.2%)**	**0.0%**	**$188**	**(24.5%)**	**$15**	
							Median	**0.0%**	**(24.2%)**	**0.0%**	**$188**	**(24.5%)**	**$15**	

Source: Dealogic, ECM Analytics.
Closing prices as of 9/19/2023.
SEC registered, includes foreign issues marketing in the US, excludes SPACs.

May 2023 SEC Registered Public Offerings

May Summary

Volume	#	$mm
IPOs:	1	$621
FOs:	20	$2,978

File to Offer	% Change Price	% Change Current
Average	(17.9%)	7.6%
Median	(17.7%)	6.3%

Type	Trade Date	Ticker	Issuer	Filing Range Low	Filing Range High	Offer Price	Above / In / Below Range	% Change File / Offer Deal Size	% Change File / Offer Price	% Change File / Offer Shares	Mkt Cap ($mm)	% Change to Current	Issue amt ($ mm)	Subsector
Initial Public Offerings														
Open	May-04	SLRN	Acelyrin, Inc.	$16.00	$18.00	$18.00	Top	54.2%	5.9%	46.0%	$1,669	(43.3%)	$621	Biotechnology
# of Deals - 1							**Average**	**54.2%**	**5.9%**	**46.0%**	**$1,669**	**(43.3%)**	**$621**	
							Median	**54.2%**	**5.9%**	**46.0%**	**$1,669**	**(43.3%)**	**$621**	
Fully Marketed Follow-Ons														
FM	May-24	BIOC	Biocept, Inc.	$10.69	$10.69	$4.25	Below	(73.7%)	(60.2%)	(34.0%)	$8	(64.7%)	$5	Biotechnology
FM	May-16	MODD	Modular Medical, Inc.	$1.07	$1.07	$1.07	Midpoint	131.7%	(43.7%)	108.0%	$19	8.4%	$12	Health Care Equipment
# of Deals - 2							**Average**	**29.0%**	**(52.0%)**	**37.0%**	**$14**	**(28.1%)**	**$9**	
							Median	**29.0%**	**(52.0%)**	**37.0%**	**$14**	**(28.1%)**	**$9**	
Accelerated Bookbuild Follow-On's														
ABB	May-30	BLTE	Belite Bio, Inc	$23.50	$23.50	$15.00	Below	(36.2%)	(36.2%)	0.0%	$632	107.7%	$30	Pharmaceuticals
ABB	May-26	TCRX	TScan Therapeutics, Inc.	$2.43	$2.43	$2.00	Below	(17.7%)	(17.7%)	0.0%	$217	47.0%	$140	Biotechnology
ABB	May-24	USPH	U.S. Physical Therapy, Inc.	$109.38	$109.38	$90.00	Below	(17.7%)	(17.7%)	0.0%	$1,422	6.3%	$173	Health Care Facilities
ABB	May-23	PHAT	Phathom Pharmaceuticals, Inc.	$12.24	$12.24	$9.75	Below	(20.3%)	(20.3%)	0.0%	$58	13.6%	$4	Pharmaceuticals
ABB	May-22	DXR	Daxor Corporation	$1.09	$1.09	$0.75	Below	(31.2%)	(31.2%)	0.0%	$33	58.7%	$5	Health Care Equipment
ABB	May-22	GH	Guardant Health, Inc.	$30.80	$30.80	$28.00	Below	(9.1%)	(9.1%)	0.0%	$350	(1.5%)	$403	Health Care Services
ABB	May-18	PRLD	Prelude Therapeutics Incorporated	$6.30	$6.30	$5.75	Below	(8.7%)	(8.7%)	0.0%	$412	(46.6%)	$100	Biotechnology
ABB	May-17	CABA	Cabaletta Bio, Inc.	$12.13	$12.13	$12.00	Below	(1.1%)	(1.1%)	0.0%	$556	44.7%	$87	Biotechnology
ABB	May-16	CHRS	Coherus BioSciences, Inc.	$4.89	$4.89	$4.25	Below	(13.1%)	(13.1%)	0.0%	$451	8.5%	$57	Biotechnology
ABB	May-12	ANIP	ANI Pharmaceuticals, Inc.	$43.95	$43.95	$39.50	Below	(10.1%)	(10.1%)	0.0%	$873	54.6%	$86	Pharmaceuticals
ABB	May-05	FDMT	4D Molecular Therapeutics, Inc.	$16.08	$16.08	$16.00	Below	(0.5%)	(0.5%)	0.0%	$655	(6.4%)	$138	Biotechnology
ABB	May-05	SIBN	SI-BONE, Inc.	$24.46	$24.46	$22.00	Below	(10.1%)	(10.1%)	0.0%	$946	2.0%	$83	Health Care Equipment
ABB	May-04	IMGN	ImmunoGen, Inc.	$12.26	$12.26	$12.50	Above	2.0%	2.0%	0.0%	$3,347	25.4%	$374	Biotechnology
ABB	May-04	PRVA	Privia Health Group, Inc.	$27.10	$27.10	$22.00	Below	10.3%	(18.8%)	36.0%	$3,134	3.3%	$936	Health Care Services
ABB	May-03	MORF	Morphic Holding, Inc.	$48.49	$48.49	$45.00	Below	(7.2%)	(7.2%)	0.0%	$2,183	16.6%	$276	Biotechnology
ABB	May-03	RPHM	Reneo Pharmaceuticals, Inc.	$9.87	$9.87	$8.00	Below	(19.0%)	(19.0%)	0.0%	$316	(8.4%)	$63	Biotechnology
ABB	May-01	YCBD	cbdMD, Inc.	$3.28	$3.28	$2.10	Below	(36.0%)	(36.0%)	0.0%	$9	(38.6%)	$3	Pharmaceuticals
# of Deals - 17							**Average**	**(13.3%)**	**(15.0%)**	**2.1%**	**$917**	**16.9%**	**$174**	
							Median	**(10.1%)**	**(13.1%)**	**0.0%**	**$556**	**8.5%**	**$87**	
Bought Deal Follow-Ons														
ABB	May-24	OCGN	Ocugen, Inc.	$0.72	$0.72	$0.55	Below	0.0%	(23.5%)	0.0%	$184	(26.9%)	$3	Biotechnology
# of Deals - 1							**Average**	**0.0%**	**(23.5%)**	**0.0%**	**$184**	**(26.9%)**	**$3**	
							Median	**0.0%**	**(23.5%)**	**0.0%**	**$184**	**(26.9%)**	**$3**	

Source: Dealogic, ECM Analytics.
Closing prices as of 9/19/2023.
SEC registered, includes foreign issues marketing in the US, excludes SPACs.

April 2023 SEC Registered Public Offerings

(Page 1 of 1)

April Summary

Volume	#	$mm
IPOs:	1	$10
FOs:	13	$1,110

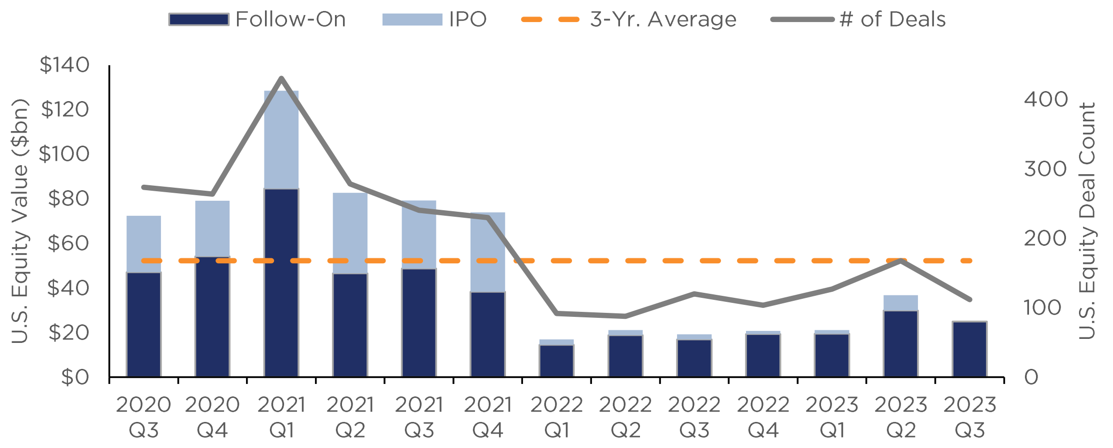
File to Offer	% Change Price	% Change Current
Average	(26.7%)	(19.5%)
Median	(17.5%)	(18.7%)

Type	Trade Date	Ticker	Issuer	Filing Range Low	Filing Range High	Offer Price	Above / In / Below Range	% Change File / Offer Deal Size	% Change File / Offer Price	% Change File / Offer Shares	Mkt Cap ($mm)	% Change to Current	Issue amt ($ mm)	Subsector
Initial Public Offerings														
Open	Apr-13	GDTC	CytoMed Therapeutics Limited	$4.00	$5.00	$4.00	Bottom	(11.1%)	(11.1%)	0.0%	$44	(5.5%)	$10	Biotechnology
# of Deals - 1							**Average**	**(11.1%)**	**(11.1%)**	**0.0%**	**$44**	**(5.5%)**	**$10**	
							Median	**(11.1%)**	**(11.1%)**	**0.0%**	**$44**	**(5.5%)**	**$10**	
Fully Marketed Follow-Ons														
FM	Apr-28	NDRA	ENDRA Life Sciences Inc.	$2.60	$2.60	$1.21	Below	(42.1%)	(53.7%)	25.0%	$9	(4.1%)	$5	Health Care Equipment
FM	Apr-24	MAIA	MAIA Biotechnology, Inc.	$4.73	$4.73	$2.25	Below	(25.4%)	(52.4%)	57.0%	$36	(30.7%)	$6	Biotechnology
FM	Apr-20	WINT	Windtree Therapeutics, Inc.	$7.75	$7.75	$2.93	Below	(28.5%)	(62.2%)	89.0%	$264	(65.2%)	$11	Biotechnology
# of Deals - 3							**Average**	**(32.0%)**	**(56.1%)**	**57.0%**	**$103**	**(33.3%)**	**$7**	
							Median	**(28.5%)**	**(53.7%)**	**57.0%**	**$36**	**(30.7%)**	**$6**	
Accelerated Bookbuild Follow-On's														
ABB	Apr-27	HILS	Hillstream BioPharma, Inc.	$1.09	$1.09	$0.50	Below	(54.1%)	(54.1%)	0.0%	$18	(54.1%)	$3	Biotechnology
ABB	Apr-27	CVM	CEL-SCI Corporation	$1.23	$1.23	$1.70	Below	(20.2%)	(20.2%)	0.0%	$95	(23.5%)	$1	Biotechnology
ABB	Apr-25	IDYA	IDEAYA Biosciences, Inc.	$20.26	$20.26	$18.50	Below	(8.7%)	(8.7%)	0.0%	$1,172	58.3%	$201	Biotechnology
ABB	Apr-24	ESTA	Establishment Labs Holdings Inc.	$73.36	$73.36	$71.50	Below	(2.5%)	(2.5%)	0.0%	$1,872	(29.2%)	$90	Health Care Supplies
ABB	Apr-19	PCVX	Vaxcyte, Inc.	$42.34	$42.34	$41.00	Below	(3.2%)	(3.2%)	0.0%	$4,068	22.5%	$575	Biotechnology
ABB	Apr-19	GMDA	Gamida Cell Ltd.	$1.69	$1.69	$1.30	Below	(23.1%)	(23.1%)	0.0%	$178	(20.8%)	$23	Biotechnology
ABB	Apr-18	TELA	TELA Bio, Inc.	$10.63	$10.63	$9.50	Below	(10.6%)	(10.6%)	0.0%	$255	(12.1%)	$45	Health Care Supplies
ABB	Apr-13	GCTK	GlucoTrack, Inc.	$2.70	$2.70	$1.36	Below	(49.6%)	(49.6%)	0.0%	$62	(79.6%)	$10	Health Care Equipment
ABB	Apr-11	IFRX	InflaRx N.V.	$4.98	$4.98	$4.25	Below	(14.7%)	(14.7%)	0.0%	$269	(16.7%)	$40	Biotechnology
ABB	Apr-04	PTGX	Protagonist Therapeutics, Inc.	$21.55	$21.55	$20.00	Below	(7.2%)	(7.2%)	0.0%	$1,213	(11.6%)	$100	Biotechnology
# of Deals - 10							**Average**	**(19.4%)**	**(19.4%)**	**0.0%**	**$920**	**(16.7%)**	**$109**	
							Median	**(12.7%)**	**(12.7%)**	**0.0%**	**$262**	**(18.7%)**	**$43**	

Source: Dealogic, ECM Analytics.
Closing prices as of 9/19/2023.
SEC registered, includes foreign issues marketing in the US, excludes SPACs.

Equity Capital Markets Overview

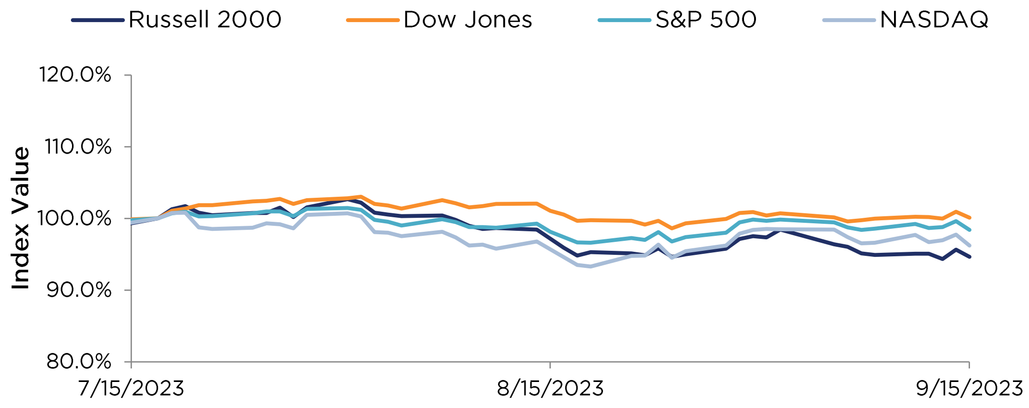
SEC Registered Equity Issuance (IPOs, FOs)



Equity Sector Performance

Russell 2000 Sector	09/15/23	1W % Chg	1M % Chg	1Y % Chg
Health Care	3,605.87	(1.2%)	(5.7%)	(12.6%)
Financials	1,763.48	0.7%	(3.0%)	(10.8%)
Industrials	2,822.24	(0.3%)	(3.2%)	18.0%
Consumer Discretionary	3,488.19	0.1%	(4.4%)	7.9%
Technology	5,229.37	(2.6%)	(3.2%)	8.9%
Real Estate	963.45	(0.2%)	0.4%	(5.6%)
Energy	345.26	0.4%	5.5%	15.3%
Basic Materials	3,073.31	1.9%	0.5%	4.4%
Utilities	1,964.90	2.5%	(0.5%)	(11.4%)
Consumer Staples	3,095.36	2.0%	(1.7%)	1.1%
Telecommunications	1,200.99	(1.2%)	(6.3%)	(10.0%)
Fintech*	139.64	1.0%	2.4%	13.2%
Insurtech*	96.42	(0.5%)	(2.0%)	(0.1%)
Crypto*	102.95	(1.1%)	(3.3%)	18.9%

Domestic Equity Indices, 2M rolling



Weekly Benchmark Snapshot

Benchmark	Sep 15 2023	1-wk change	% Chg since: 1-wk	2-wk	YTD
S&P 500	4,450	(7.2)	(0.2%)	(1.4%)	15.9%
DJ Industrial Average	34,618	41.7	0.1%	(0.6%)	4.4%
NASDAQ	13,708	(53.2)	(0.4%)	(2.3%)	31.0%
Russell 2000	1,847	(4.5)	(0.2%)	(3.8%)	4.9%
CBOE VIX	13.79	(0.05)	(0.4%)	5.3%	(36.4%)
10Y UST Yield	4.33%	0.07%	1.6%	3.59%	11.6%

Source: Dealogic, ECM Analytics, CapIQ. *Custom market-cap weighted indices

2023 Capital Raises by Industry

2023 IPO's – Full Year

			Price change:			
Sector	Count	Amt ($mm)	File / Offer	Offer / 1-day	Offer / 1-mo	Offer / Current
SPAC	22	$2,821		1.4%	2.0%	4.5%
Computers & Electronics	20	$6,778	(4.1%)	(1.5%)	(30.9%)	(42.5%)
Healthcare	19	$2,273	(2.3%)	5.9%	(8.1%)	(5.1%)
Professional Services	6	$85	(5.2%)	(10.3%)	(42.9%)	(57.0%)
Retail	4	$496	(8.7%)	(18.7%)	(29.3%)	11.2%
Consumer Products	4	$4,404	(4.4%)	5.6%	(9.9%)	(22.2%)
Oil & Gas	4	$739	(13.1%)	(5.5%)	(1.5%)	(8.7%)
Leisure & Recreation	4	$40	(2.0%)	(6.9%)	(32.4%)	(53.8%)
Insurance	3	$372	(13.3%)	23.8%	16.5%	11.3%
Auto/Truck	3	$337	(11.4%)	41.8%	(23.6%)	(18.0%)
Transportation	3	$30	(10.4%)	12.3%	107.1%	49.6%
Finance	2	$16	(13.9%)	6.5%	111.4%	(43.1%)
Machinery	2	$27	(10.0%)	121.2%	(24.9%)	(72.4%)
Dining & Lodging	2	$408	15.7%	63.4%	83.3%	32.4%
Food & Beverage	2	$15	(23.8%)	(14.5%)	(29.1%)	(39.0%)
Real Estate/Property	2	$20	(13.6%)	20.3%	(26.9%)	(41.4%)
Forestry & Paper	1	$7	(10.0%)	6.7%		(3.9%)
Holding Companies	1	$39	(12.8%)	(14.6%)	(15.4%)	(67.9%)
Mining	1	$20		(9.6%)	60.0%	(18.5%)
Construction/Building	1	$8	25.0%	(38.0%)	(65.0%)	(82.7%)
Grand Total	**106**	**$18,935**	**(4.4%)**	**4.7%**	**(7.2%)**	**(17.5%)**

2023 Follow-Ons – Full Year

			Price change:			
Sector	Count	Amt ($mm)	File / Offer	Offer / 1-day	Offer / 1-mo	Offer / Current
Healthcare	137	$23,010	(17.1%)	3.9%	0.2%	(8.9%)
Computers & Electronics	53	$10,746	(17.5%)	(1.6%)	(0.2%)	(8.5%)
Utility & Energy	18	$5,983	(6.2%)	1.5%	(2.5%)	(11.5%)
Oil & Gas	17	$6,682	(10.8%)	2.2%	8.1%	12.6%
Finance	16	$5,275	(7.5%)	0.4%	(4.4%)	(4.5%)
Real Estate/Property	14	$4,307	(7.1%)	0.4%	0.7%	(5.2%)
Professional Services	14	$2,774	(23.9%)	1.2%	0.3%	(6.7%)
Mining	10	$346	(14.1%)	(1.1%)	(12.9%)	19.4%
Dining & Lodging	9	$2,236	(5.2%)	5.5%	6.8%	8.9%
Auto/Truck	8	$1,716	(23.0%)	1.6%	(8.9%)	(13.0%)
Consumer Products	7	$620	(4.6%)	(0.1%)	(9.9%)	(25.8%)
Metal & Steel	7	$1,361	(7.5%)	4.5%	4.5%	(2.4%)
Machinery	7	$1,607	(6.8%)	1.1%	2.0%	3.6%
Insurance	6	$4,593	(4.9%)	0.7%	1.5%	3.8%
Food & Beverage	6	$987	(14.0%)	3.5%	11.8%	4.9%
Defense	4	$169	(37.0%)	7.2%	37.6%	(8.4%)
Chemicals	4	$226	(24.4%)	2.7%	(12.6%)	(17.5%)
Agribusiness	3	$61	(36.9%)	(18.6%)	(39.6%)	(69.4%)
Construction/Building	3	$851	(2.3%)	0.0%	0.2%	3.9%
Aerospace	3	$175	(23.7%)	10.5%	(1.2%)	(7.8%)
Leisure & Recreation	3	$339	(20.6%)	(3.5%)	2.6%	(35.6%)
Transportation	3	$217	(5.8%)	(0.2%)	(3.0%)	(14.0%)
Retail	3	$1,257	(9.9%)	2.3%	(17.4%)	(8.3%)
Telecommunications	3	$635	(15.1%)	(2.4%)	4.0%	(21.4%)
Grand Total	**358**	**$76,173**	**(14.9%)**	**1.9%**	**(0.0%)**	**(6.7%)**

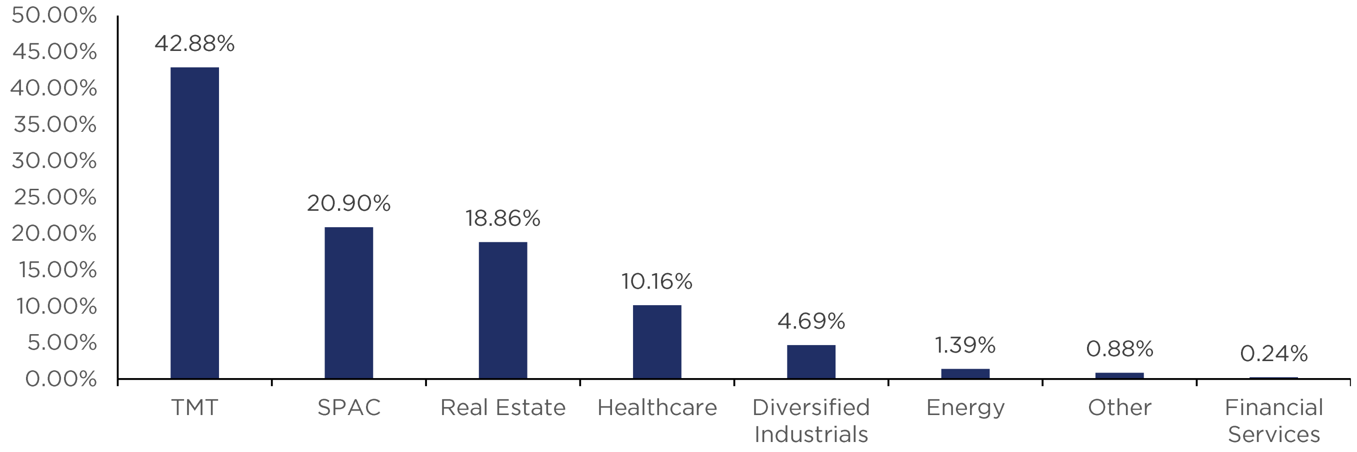
Sources: Dealogic, ECM Analytics.
Closing prices as of 9/15/2023.
SEC Registered, Includes foreign issuers.

Equity Issuance Backlog

Number of Backlog Deals within Each Sector

Sector	IPO	FO	Total	% of Backlog
Healthcare	10	11	21	30%
TMT	11	8	19	28%
SPAC	9	0	9	13%
Diversified Industrials	4	1	5	7%
Energy	2	3	5	7%
Financial Services	1	3	4	6%
Other	3	0	3	4%
Real Estate	1	2	3	4%
Grand Total	**41**	**28**	**69**	**100%**

Backlog Dollars in Each Sector as a % of Total Backlog



Sources: Dealogic, ECM Analytics.
SEC registered IPO, FO and Shelves.
*Total backlog based on prior 180-day period as of 1st day of the month.

B | RILEY Securities

For more information, please visit
www.brileysecurities.com

The Wall Street Journal
Hospital Distress Worsens Amid Labor Scarcity and Inflation
Akiko Matsuda
August 31,2023

A growing number of hospital operators across the country are in financial distress or have declared bankruptcy under the pressure of labor shortages and high inflation in the wake of the pandemic.

Small independent hospitals serving rural communities have been hit especially hard. More than 600, or about 30%, of all rural hospitals in the country are at risk of closing, according to the Center for Healthcare Quality and Payment Reform, a national policy center. As of August, 13 rural hospitals had shut their doors, exceeding seven and three in 2022 and 2021, respectively, according to the Cecil G. Sheps Center for Health Services Research, a unit of the University of North Carolina at Chapel Hill.

Rural hospitals number about 1,800 out of roughly 6,100 total in the U.S., according to the American Hospital Association.

As of August, eight hospital operators have filed for chapter 11, the highest number for the eight-month period since at least 2019, according to Gibbins Advisors, a healthcare restructuring advisory firm that keeps track of hospital filings with liabilities of more than $10 million.

The sector's troubles resurfaced after enhanced government funding during the Covid-19 pandemic dried up. Some hospitals are still on the hook to repay some of the pandemic aid, and consistently rising labor costs have been goaded by inflation, outpacing reimbursement increases.

"The largest cost category in a hospital is typically labor. And reimbursement—meaning what Medicare, Medicaid and insurance companies pay—is not increasing enough to cover rising labor and other costs," said Ronald Winters, a co-founder of Gibbins.

Bankruptcy boomlet

Two hospital operators in the latest bankruptcies both cited the rising costs of operating as the major reason for their financial deterioration. Mercy Iowa City, an acute-care provider in the eastern part of

the state, filed for chapter 11 in early August, followed by Grupo Hima San Pablo in Puerto Rico, which had defaulted on a secured debt.

During the pandemic, salaries for nurses soared as demand rocketed. Hospitals turned to staffing agencies to recruit them and other workers, resulting in a 258% increase in contract labor expenses from 2019 to 2022, according to an analysis by the American Hospital Association and data provider Syntellis Performance Solutions. The total number of hours filled by contract labor jumped 139% over the three-year period, while the median wage paid to contract staffing firms shot up 57%.

Grupo Hima San Pablo, which runs four hospitals with more than 1,100 beds, said it faced a shortage of healthcare workers, as many moved to the continental U.S. for better compensation, according to its court papers.

Hospitals in the U.S. territory receive a fixed amount of federal funding to cover Medicaid, and the Puerto Rico government is responsible for the rest. But the island was wrestling through its own fiscal crisis, filing for bankruptcy in 2017 to address its mounting debts; later the same year, the island was hit by two catastrophic hurricanes. Earthquakes struck in 2019 and 2020, followed swiftly by the arrival of Covid-19. These circumstances “had direct bearing” on Grupo Hima’s payment collections and its bottom line, according to court papers.

In the court filings of 194-bed Mercy Iowa City, Chief Restructuring Officer Mark Toney said community hospitals like Mercy were under duress even before the pandemic because of a consumer shift to outpatient centers from hospitals in recent years. The hospital sought bankruptcy protection after its largest bondholder, Preston Hollow Community Capital, withdrew its support for the hospital’s restructuring effort.

Over the past five years and especially recently, Preston Hollow has pressed the managers of the hospital to stem its losses, said John Dinan, general counsel for the lender. But the hospital was “either unwilling or unable” to develop an adequate recovery plan, he added.

Mercy Iowa City said it has worked diligently to improve its operation, especially over the past four months, recruiting doctors and nurses, improving cash collections and stabilizing its IT infrastructure. In a court filing, Toney said Mercy was left with “significantly higher costs” of operation because of an industrywide move by clinical workers to get jobs through staffing agencies—rather than being employed by hospitals—for better pay and schedules.

“We always say [a shortage of] nursing, but it’s everything from housekeeping, cleaning, IT and coding,” said Kevin Holloran, senior director at credit ratings company Fitch Ratings.

“Our unemployment rate is extremely low. There’s been a bidding war for talent out there, and it’s very acute.”

Pandemic dislocations

Higher labor costs were only worsened by rising inflation. Beverly Hospital, a 202-bed healthcare provider near Los Angeles, filed for bankruptcy in April, its finances sapped by steeper costs for labor, medical supplies and medicines, according to court filings. It narrowly avoided being shut down after a bankruptcy judge this month approved its sale to Los Angeles-based Adventist Health White Memorial, part of faith-based nonprofit healthcare provider Adventist Health.

roMedica is a nonprofit healthcare system operating 11 hospitals across Rust Belt communities in Ohio and Michigan. Like many other healthcare providers, it suspended elective surgeries during the pandemic to take care of critically ill patients. That, combined with elevated costs associated with addressing Covid-19 drew its financial difficulties into 2022, said a ProMedica spokeswoman.

In May, Fitch downgraded ProMedica by two notches, citing the “precipitous decline in liquidity” in fiscal 2022 that put pressure on an already weak balance sheet, and lingering concerns related to its money-losing senior care business.

Demand for elective procedures has since returned, including at ProMedica, but the rebound hasn’t been enough to replenish the lost income at some hospitals. Inpatient admissions at Mercy Iowa City, which is in the process of selling itself to the University of Iowa, decreased by 26% in fiscal 2023 from fiscal 2019, and inpatient surgeries declined 51% in the same period, leading to a 19% drop in the number of days patients stayed in the hospital.

Healthcare deserts

In rural areas, hospital closings pose a threat to healthcare in the regions in which they operate, leaving the surrounding populations to scramble for emergency or inpatient care, according to the report by the Center for Healthcare Quality and Payment Reform. Some will close without seeking bankruptcy.

Roughly 160,000 people in mostly rural Madera County in California's geographic center were left without vital healthcare services after its local hospital shut down in January. The 106-bed Madera Community Hospital filed for bankruptcy in March and is in the process of reopening in partnership with Adventist Health.

Also in California, Hazel Hawkins Memorial Hospital, a public hospital operated by the San Benito Health Care District, filed for municipal bankruptcy in May. The 25-bed acute care provider is the only hospital in San Benito County, which has a population of about 65,000. Earlier in August, Martin General Hospital in rural Martin County, N.C., said it had shut its doors ahead of bankruptcy.

Prospect Medical Holdings, a privately held company, owns 16 hospitals, including some that care for people with no insurance. Since last year, it has temporarily closed two in Pennsylvania due to staffing issues. Its landlord, Medical Properties Trust

, has tried to help it stay afloat, announcing a deal in May to receive equity in Prospect's managed-care business in lieu of cash payment for $573 million of loans, unpaid rent and interest and other amounts owed. A California state regulator last month put the deal on hold, which MPT says is a standard part of the approval process.

Healthcare providers, especially rural and smaller community hospitals, will remain under strain for the foreseeable future because to change that, "it would require the government payers to increase reimbursement or provide other subsidies," said Gibbins' Winters.

"But I'm not seeing anything that suggests to me that's happening," he said. "Meanwhile, most costs have increased and are continuing to increase all the time."

Bloomberg
KKR's Latest Bankruptcy Deal Is a Bad Omen for Lenders
Lisa Lee
August 24,2023

As corporate failures surge this year, debt investors are in a fight to salvage as much money as they can from the wreckage. The early skirmishes are going very badly.

The bankruptcy of GenesisCare, a cancer treatment specialist backed by private equity powerhouse KKR & Co. and China Resources Pharmaceutical Group Ltd., is the latest cautionary tale of how much value is being destroyed when companies go bust now.

In previous default cycles, leveraged-loan providers would expect to get 70% to 80% of their cash back from failing companies. Those days are over. Some GenesisCare investors are bracing for a mid-teen percentage, according to people familiar with the matter who aren't authorized to speak publicly — a new blow to a lending market headed for record low recoveries.

It's yet another financial weak spot exposed by the end of the easy-money era, as tighter credit pushes overindebted businesses toward the brink. While some investment banks hope for a softer economic landing than feared, the crash in leveraged-loan recoveries is ominous for lenders.

Like last year's blowup of KKR-backed Envision Healthcare, the GenesisCare situation shows how companies are taking advantage of the looser loan protections that lenders swallowed as they hunted for yield in a low interest-rate world. GenesisCare has snagged a so-called "debtor in possession" financing, including a $200 million pledge to let it keep operating, that disadvantaged existing loan-holders, the people familiar say.

KKR declined to comment, and GenesisCare didn't respond to a request for comment.

"Companies are engaging in financial alchemy because weak documents allow them flexibility," says Fraser Lundie, head of fixed income at Federated Hermes in London. "Even if default levels are far lower than historical highs, if recoveries are looking far worse then perhaps you get to the same place."

GenesisCare joins an expanding list of restructuring deals that have scarred US lenders lately. A first-lien loan to Envision is expected to recover close to zero, according to an August report from Bank of America strategists. Media firm Diamond Sports and air-miles specialist Loyalty Ventures have implied recovery rates running at about 10%, the report says, while tech company Avaya Inc. and energy firm Heritage Power are around 30%.

The strategists estimate recoveries from bankrupt companies are running at 25% on average this year — based on loan prices 30 days after a default — and they predict 50% in the long term.

Europe Too

The fate of GenesisCare, which borrowed in euros and dollars, also suggests the meager recoveries trend will go beyond the US. Europe won't escape.

Investors such as Blackstone Inc., Bain Capital and HPS Investment Partners were able to get out of US GenesisCare loans — albeit some at punitive prices. But many firms have been stopped from selling out of a 500-million euro loan by Europe's "whitelist" restrictions, which limit sales to a select group of buyers, people familiar with the process say.

The European loan is marked currently at a 12 euro cents bid price, according to the same people, and the dollar loan at 13 cents.

"Transfer restrictions can prove challenging and create air pockets with limited liquidity," says Tristram Leach, head of European credit at Apollo Global Management. "With tight whitelist restrictions it's harder for lenders to get out of loans they're cooling on."

Although debt investors can trade more freely in the US, borrowers and buyout firms have been far more cutthroat in restructurings there. Loose loan documents have let companies strip valuable assets from existing creditors or take on new debt that pushes some or all of their lenders down the repayment queue, a tactic known as "uptiering" or "priming."

Envision is the most notorious case. It devised an out-of-court restructuring that took its most promising division away from existing lenders and pledged it as collateral for a new loan, only to file for bankruptcy later.

Markets Magazine: The Debt Deal That Shows How Ugly Things Are Getting

"Private equity firms will, with their backs against the wall, be inclined to use every tool available to preserve their returns," says Derek Gluckman, an analyst at Moody's Investors Service. "And the covenants give them many tools to allow that at investors' expense."

Texas Holdup

The outlook for lender rights isn't bright either. In June a Texas judge upheld a 2020 emergency refinancing by Serta Simmons Bedding, which handed the mattress maker $200 million of new cash to stay afloat but pushed some lenders including Apollo back in the repayment line.

Read More: Mattress Company's Infamous Debt Deal Gets Court Blessing

"What's different this time from previous default cycles is that distressed funds that have raised large pools of capital are sometimes willing to help private equity sponsors alongside their own interests, but to the detriment of other existing lenders," says Trey Parker, chief investment officer at Sycamore Tree Capital Partners.

Many lenders have started to include "Serta blockers" in their loan documents by hardening up the legal wording, according to a recent report from Moody's Investors Services. But about half the leveraged loans it examined still didn't include protective language.

"It's hard to fight back if you've already given up these protections," says Gluckman. "Once the genie's out of the bottle, you can't unthink the idea."

One glimmer of hope is the brightening economic outlook and the knowledge that market prices for loans don't reflect precisely how much lenders will ultimately claw back. The sample size is relatively small still.

Nevertheless, even the most upbeat estimates see recoveries way below previous cycles. Leveraged loans involve a balancing of two risks: the likelihood of a borrower going under, and how much money you get back when they do. Even if default rates are better than feared, the result will be ugly for lenders if recoveries crater.

“Anybody expecting that we’re going to have a 70% recovery on average over the next 12 months is being overly optimistic,” says Roberta Goss, head of bank loans and CLOs at Pretium Partners, a US investment firm. “We expect recoveries in the low 40s.”

Biotech & Pharma Bankruptcies & Restructurings

Bloomberg Law
Mallinckrodt Bankruptcy Reveals $21 Million Paid to Big Law Trio
Brian Baxter
September 15,2023

The drug giant disclosed in a series of Sept. 13 filings in its so-called Chapter 22 case in Delaware that Latham & Watkins, Hogan Lovells, and Wachtell, Lipton, Rosen & Katz collectively billed Mallinckrodt for that sum in the 90 days prior to a prepackaged bankruptcy that began on Aug. 28. Some lawyers from those firms are billing the debtor at more than $2,000 per hour.

Mallinckrodt, based in suburban St. Louis and Dublin, Ireland, is also being represented by lawyers from Irish law firm Arthur Cox and Delaware's Richards, Layton & Finger. A spokeswoman for Mallinckrodt, whose chief legal officer is Mark Tyndall, declined to comment about the company's legal fees.

The company's proposed restructuring plan seeks to slash its funded debt by $1.9 billion and grant a one-time $250 million payment to opioid victims, thereby trimming by $1 billion a deal that Mallinckrodt reached last year to resolve its opioid crisis liabilities with US states, hospitals, and individuals.

Mallinckrodt already paid $450 million into a trust for opioid plaintiffs after emerging last year from a prior bankruptcy proceeding it began in 2020.

Latham, lead bankruptcy counsel to Mallinckrodt, disclosed Wednesday that it received fee advances totaling almost $12.4 million during the 90-day period prior to the company's Chapter 11 filing. Latham is granting Mallinckrodt a 7% discount on some intellectual property matters unrelated to its bankruptcy.

Another filing by Latham noted that partners from the firm are billing between $1,360 to $2,230 per hour for their services, while associates and counsel are clocking in between $705 to $1,690 per hour. Latham, which has represented the company since 2014, took the lead for Mallinckrodt on the deal that smoothed the way for its contentious Chapter 11 exit last year.

Wachtell, special finance and corporate counsel to Mallinckrodt, disclosed payments and retainers from the company totaling nearly $7.4 million in the run-up to its second insolvency. Wachtell partners, of counsel, and counsel are billing between $1,500 to $2,100 per hour, while associates at the firm range from $800 to $975 per hour for Mallinckrodt-related work, according to its filing.

Hogan Lovells received more than $1.9 million in payments and retainers from Mallinckrodt for its work as investigation, litigation, and regulatory counsel to the company. Hogan Lovells partners and counsel are billing between $810 and $1,905 per hour with associates from the firm ranging between $550 to $1,130 per hour, according to its filing in the case.

Richards Layton, which is serving as local bankruptcy counsel to Mallinckrodt, hasn't yet submitted billing statements with the court. The Delaware firm's counsel and partners are billing between $850 and $1,325 per hour and its associates at rates ranging from $495 to $750 per hour, according to its filing.

Gibson, Dunn & Crutcher and Paul, Weiss, Rifkind, Wharton & Garrison are representing first- and second-lien creditors in Mallinckrodt's bankruptcy, while a group of noteholders have turned to Davis Polk & Wardwell for counsel.

Mallinckrodt's most recent proxy statement shows that it paid more than $3.1 million in total compensation to its top lawyer, Tyndall, in 2022. Henriette Nielsen, the company's chief transformation officer and a former general counsel at Actavis Inc., received a pay package of nearly $2.1 million. Nielsen and Tyndall became part of Mallinckrodt's revamped C-suite in August 2022.

Tyndall took over from Mallinckrodt's longtime former legal chief, Mark Casey, who left the company in September 2022. Casey announced last month that he's become the new top lawyer for Bryn Pharma

LLC, a privately held pharmaceutical company co-founded by former private equity lawyer Steven Hartman. Bryn Pharma hired another former Mallinckrodt executive, Sandy Loreaux, earlier this year to serve as its new chief executive officer.

Bloomberg
Nursing Home Staffing Mandates to Further Strain Troubled Sector
Lauren Coleman-Lochner
September 8,2023

(Bloomberg) -- A proposed federal rule that would establish staffing requirements at nursing homes across the US could push the already-troubled sector further into distress, even as the pandemic highlighted their failings.

The Centers for Medicare & Medicaid Services said that “chronic under-staffing remains a concern,” in a Sept. 1 statement outlining the proposed rule, which includes requiring a registered nurse onsite 24 hours a day, seven days a week. About 75% of US facilities would need to make adjustments under the new rule, CMS said. Nursing homes could receive a hardship extension “in limited circumstances.”

Labor shortages and their associated costs still plague nursing homes, which in some cases have eliminated beds because of an absence of caretakers. That’s also created a problem for hospitals, which rely on the homes to take patients who need rehabilitation services when they’re ready for discharge.

“I 100% agree that there should be adequate staffing at nursing homes,” but “this is an added cost on an already-strained sector,” said Lisa Washburn, managing director at Municipal Market Analytics. CMS estimates that the costs over 10 years to meet the mandates will be $40.6 billion.

Read More: Senior Living Defaults Far Outpace the Rest of the Muni Market

Four nursing homes that have borrowed in the municipal market have had payment defaults this year, according to data compiled by Bloomberg Intelligence. For the entire senior-living sector, which includes developments that offer a range of care, from independent living to 24-hour care, the number is 26, most of them payment, not technical defaults.

The sector along with hospitals is also the worst-performing category in the high-yield municipal bond market, with a return of -0.5% this year, according to data compiled by Bloomberg.

“We’re seeing an uptick in bankruptcies and defaults,” said Washburn.

More Closures Ahead

The American Health Care Association has tallied 579 nursing home closures since 2020. Some struggling homes that are still operating were “propped up” by federal pandemic relief funds that have run out, Washburn said. There is “no shortage of new ones that are making their way into trouble,” she said.

The proposed rule will “likely force more closures given the low reimbursement rates that have failed to keep up with rising labor costs,” said Dora Lee, director of research at Belle Haven Investments, which invests in the sector. “Never mind whether operators can afford the increased costs, they are already having a difficult time finding qualified people.”

In Wisconsin, the home state of Larry Lester, a principal in the senior-living consulting practice at Wipfli LLP, thousands of beds were lost in the past decade, he said.

“We’re downsizing at a time when the baby boomers are just outside the window and are going to need services,” said Lester, whose firm forecasts the population of Americans over the age of 85 to double by 2035.

The large number of deaths at nursing homes early in the pandemic highlighted the need for better care and accountability. It prompted action from federal and state legislators, including a 2022 White House proposal for more staffing, enforcement and ownership disclosure in the sector, where about 70% of facilities are privately owned. A congressional report last year examined breakdowns in care at five for-profit chains.

National Consumer Voice for Quality Long-Term Care, a patient-advocacy group, called the proposed rule “dismal,” saying it falls far short of standards needed to ensure adequate care.

The rule, which CMS says would affect more than 1.2 million Americans at Medicare and Medicaid-certified long-term care facilities, now undergoes a 60-day comment period.

Industry groups, including the American Hospital Association, have already expressed their opposition. In a statement, the head of the American Health Care Association said the rule “requires nursing homes to hire tens of thousands of nurses that are simply not there.”

--With assistance from Eric Kazatsky and Karen Altamirano.

Forbes
Rite Aid Reportedly Preparing For Bankruptcy Amid Opioid Lawsuits And $3.3 Billion Debt
William Skipworth
August 25,2023

Rite Aid is reportedly preparing to declare Chapter 11 bankruptcy, the Wall Street Journal reported Friday, citing unnamed sources, a move that would halt lawsuits over allegations that the pharmacy chain oversupplied prescription painkillers during a national opioid addiction crisis and help the company deal with its $3.3 billion debt load.

Rite Aid is facing more than 1,000 federal, as well as a number of state-level lawsuits over allegations that the company contributed to the opioid crisis by oversupplying painkillers, as well as a civil lawsuit from the Department of Justice that accuses the company of violating the False Claims Act and the Controlled Substances Act, according to the Journal.

A bankruptcy filing would allow Rite Aid to halt these lawsuits and potentially resolve them in a single forum.

Additionally, the company's revenue declined 6% last quarter compared to a similar period last year, and its net loss rose to $307 million, nearly triple that of last year, according to a securities filing reviewed by the Journal.

This lack of cash flow has hurt the company's ability to pay off $3.3 billion it owes to lenders and bondholders, a debt it could negotiate in this bankruptcy.

Rite Aid told Forbes, "We do not comment on rumors and speculation."

Key Background

In the early 2000s, fatal overdoses from prescription drugs, particularly opioids, skyrocketed, with popular painkillers like OxyContin at the center of the problem, according to the Food and Drug Administration. This epidemic soon became known as the opioid crisis, and it subsequently became apparent that pharmaceutical companies were aggressively marketing the drugs and lying about their addictive qualities and harmful effects, according to the conclusions of multiple government agencies and courts. In March, the Department of Justice accused Rite Aid and other pharmacies of playing a role in the crisis by oversupplying the highly lucrative drugs. The department alleges that Rite Aid filled hundreds of thousands of prescriptions that did not meet legal requirements and gave away these dangerous drugs to patients "with obvious red flags." Specifically, the department accused the company of deleting internal notes from pharmacists about suspicious prescribers, including notes that said, "cash only pill mill???," "writing excessive dose[s] for oxycodone" and "DO NOT FILL CONTROLS," according to the Guardian. Additionally, there are more than a thousand federal lawsuits related to the opioid crisis against Rite Aid that have been consolidated into a multi-district litigation in federal court in Ohio, in addition to a number of state-level lawsuits. Walgreens and CVS have also faced similar lawsuits.

Tangent

This bankruptcy wouldn't be the first time a company was bankrupted by lawsuits related to their alleged actions in the opioid crisis. Purdue Pharma, Mallinckrodt and Endo International, three drugmakers that sold opioid painkillers during the opioid crisis have all been forced to pay multi-billion-dollar settlements and have subsequently declared bankruptcy

San Diego Union Tribune
San Diego biotech Heron Therapeutics cuts 25% of workers, second corporate restructuring in a year
Natallie Rocha
July 24,2023

Heron Therapeutics, a San Diego biotechnology company that makes cancer and pain-management therapies, is cutting a quarter of its workforce and taking measures to save money.

The goal is to run a lean operation that can achieve profitability in late 2024, according to Monday's announcement. The latest cost-saving measures are projected to save the company approximately $75 million through 2025.

The restructuring is the result of an internal review of the business by its new management team. Heron Therapeutics did not respond to the Union-Tribune's request for comment.

"While making some of these decisions was difficult, I believe they are necessary to better position Heron for a sustainable future," said CEO Craig Collard in the announcement. "The emphasis on efficient operations, combined with a focus on product optimization and innovative commercial strategies that leverage the growth potential of the oncology and acute care portfolios, will position us well to optimize the company's future performance."

Heron Therapeutics plans to do this by reducing research and development spending as well as administrative expenses. Part of this effort involves renegotiating vendor contracts to save about $31 million in cash through 2025.

The company will reduce its headcount by 25 percent. The layoffs will cost the business a one-time expense of $5.9 million.

Heron employed 203 full-time employees as of Dec. 31, 2022, according to its annual financial report. More than half of its workforce, 117 employees, worked in sales and marketing, 63 in research and development and 23 in general administrative roles.

The California Employment Development Department, which tracks layoffs across the state, said Monday it has not received a WARN notice from Heron Therapeutics.

Last year, Heron embarked on a similar cost-cutting endeavor when it cut a little more than one-third of its workforce.

The business restructuring signals a shift for the biotech and follows changes in Heron's leadership in recent months.

The company's chairman and CEO of nearly 10 years, Barry Quart, was replaced in April. The roles of chairman and CEO were separated, and the number of board members was reduced. Other positions in the C-suite were also changed including the chief commercial officer, chief development officer, chief financial officer as well as vice president positions.

The company has four drugs approved by the U.S. Food and Drug Administration, two of which treat nausea and vomiting triggered by chemotherapy. Heron rolled out its product, Zynrelef, a drug that dulls post-surgical pain, in May 2021, following years of back-and-forth with the FDA.

Most recently, Heron rolled out its newest commercial drug Aponvie, which is a novel IV alternative to pills for post-operation nausea relief. The FDA approved Aponvie in September and it became commercially available in March.

While its commercial products have sales, Heron Therapeutics is not yet profitable.

The company reported in its 2022 annual financial filing that it has “incurred significant operating losses and negative cash flows from operations.”

At the end of 2022, Heron had cash, cash equivalents and short-term investments of $84.9 million and noted in its annual filing that it historically funded operations through the sale of stocks and debt financing. In comparison to the previous year, Heron had $157.6 million.

In addition to the corporate restructuring plan, Heron announced that it is selling more than 20 million stocks to private investors with expected gross proceeds of $30 million.

Heron’s shares ended trading Monday up 16 cents at $1.54 on the Nasdaq exchange

Beckers Hospital Review
Why 8 hospitals went bankrupt this year
Nick Thomas
September 19,2023

Becker's has reported on eight hospital bankruptcies so far in 2023, most of them smaller rural facilities. Some of the facilities remain non-operational, having closed before bankruptcy filings, but most have remained open as, in some cases, they look for partnerships to help right the ship.

Exacerbated by the COVID-19 pandemic, growing operational losses have contributed significantly to the need to enter bankruptcy protection as the hospitals battle unsuccessfully with lower reimbursement models and declining volumes. Five of the eight hospitals are located in two states, California and Texas.

Here is a summary of the eight bankrupt hospitals:

St. Margaret's Health, which has been closed since June, filed two petitions of Chapter 11 bankruptcy for its St. Margaret's Spring Valley (Ill.) and St. Margaret's Peru (Ill.) facilities. The filing expedites the purchase of the hospitals by Peoria, Ill.-based OSF Healthcare.

The Hospital at Westlake Medical Center, a physician-owned hospital in Westlake Hills, Texas, is filing for Chapter 11 bankruptcy protection. The hospital, which had significant debt before the COVID-19 pandemic, has been further burdened by labor and supply inflation. The hospital will continue all its operations during the bankruptcy proceedings.

Another Texas hospital, Trinity Regional Hospital Sachse (Texas), entered bankruptcy proceedings just two years after opening. The rural hospital, which is looking for a buyer, has since defaulted on around $70 million of municipal bonds that were issued in 2020.

Martin General Hospital, a 49-bed facility in Williamston, N.C., suspended operations Aug. 3 and plans to file for bankruptcy. The hospital, which lost $13 million in 2022, cited financial challenges related to declining population and utilization trends as reasons for the decision.

Mercy Iowa City filed for Chapter 11 bankruptcy Aug. 7. The filing includes a reference to a letter of intent between Mercy Iowa City and the state of Iowa that outlines a plan to transition the hospital to become part of UI Health Care. However, major bondholders are unhappy with the $20M valuation of the facility and are seeking a more competitive bidding process.

San Benito Health Care District, the board overseeing Hollister, Calif.-based Hazel Hawkins Memorial Hospital, voted May 22 to file for Chapter 9 bankruptcy. Since the filing, Hazel Hawkins has signed an agreement with Modesto, Calif.-based American Advanced Management to operate the hospital.

Madera (Calif.) Community Hospital filed for Chapter 11 bankruptcy March 10. The hospital officially closed at midnight Dec. 30 after Livonia, Mich.-based Trinity Health's plan to buy the hospital fell through.

Montebello, Calif.-based Beverly Hospital filed for Chapter 11 bankruptcy April 19. The hospital secured $13 million in financing to keep operating as it looks for a buyer.

abiLIVE Faculty: Current Topics in Health Care Restructurings

Morris Alhale, CIRA is a director with AlixPartners, LLP in New York and has more than a decade of experience in guiding senior management teams, lending institutions and business owners through complex restructurings. He works with companies and creditors in periods of extremely tight liquidity to help them develop and implement strategic imperatives, recapitalize balance sheets and manage cash flow. Mr. Alhale has extensive advisory experience specializing in liquidity management, business planning, creditor recovery analysis, contingency planning and evaluating strategic alternatives. He has industry experience in health care, retail, media and entertainment, and consumer goods and services. Mr. Alhale co-authored an article in the Journal of Corporate Renewal titled, "Maximizing Value Amid Uncertainty in the Healthcare Industry." He is a member of both the Turnaround Management Association and the Association of Insolvency & Restructuring Advisors. Mr. Alhale is 2022 honoree of ABI's "40 Under 40." He received his B.S.B.A. in finance and accounting cum laude from Boston University's School of Management.

Perry M. Mandarino, CPA is co-head of Restructuring and senior managing director at B. Riley Securities in New York. He has almost 30 years of experience in the retail, health care, media, real estate, energy business services and communications sectors. Mr. Mandarino advises stakeholders, companies, boards of directors, creditors and investors. He has testified and been qualified as an expert in matters related to financial viability, valuation, general reorganization matters and financing in bankruptcy and state courts. Prior to B. Riley, Mr. Mandarino was partner and practice leader of PwC's U.S. Business Recovery Services, and represented stakeholders in hundreds of matters through various out-of-court and chapter 11 proceedings, including Polaroid, Trump Casinos, Disney Stores and Brookstone. Prior to his tenure at PwC, he was a senior managing director of Traxi, LLC and spent 14 years prior to that at a Big-Five firm, where he was a partner in the firm's Global Corporate Finance/Corporate Restructuring Group. He also served as managing director of Restructuring in a boutique investment banking firm. Mr. Mandarino was recognized by The M&A

Advisor as its 2023 Leadership Award Recipient and its 2014 “Turnaround Consultant of the Year,” and he has been named a Top 100 Global Restructuring and Turnaround Professional by Global M&A Network. He received his B.S. from Seton Hall University.

Jennifer L. Nassiri is a partner in the Finance and Bankruptcy Practice Group of Sheppard Mullin’s Century City office in Los Angeles. She counsels secured and unsecured creditors, creditors’ committees, licensors and licensees of intellectual property, landlords and tenants, equityholders and corporate officers, and special committees, among others, in the health care, retail, real estate, manufacturing, automotive and media and entertainment industries, in connection with pre-bankruptcy planning, restructurings and liquidations, both in chapter 11 and out of court. Ms. Nassiri has experience counseling chapter 11 debtors, lenders, special servicers, property owners, asset-purchasers, insiders and chapter 11 trustees, including liquidating trustees in a broad spectrum of complex issues in bankruptcy. Her practice includes chapter 11 plan litigation, § 363 sales, valuation disputes, debtor-in-possession financing, preference and fraudulent transfer litigation, and assignments for the benefit of creditors. She frequently counsels intellectual property licensors and licensees in distressed transactions and bankruptcy. Ms. Nassiri also has experience in the health care space, where she specifically guides clients through the complex world of distressed hospitals and nursing homes in chapter 11. She received her B.A. cum laude from the University of California, Los Angeles in 1996, where she was a member of the Golden Key National Honor Society, and her J.D. from Loyola Law School in 2000, where she made the Dean’s List and was a member of the Phi Delta Phi Honor Society.

Lee Pacchia is a managing director in ICR’s Special Situations practice in New York, where he works on a range of corporate crises matters, with a focus on advising financially distressed businesses exploring strategic alternatives, restructuring or chapter 11 bankruptcy protection. Previously, he was a senior executive at Traxi, a boutique restructuring advisory firm providing financial, operational and communications advisory services to companies in crisis, turnaround, restructuring or bankruptcy. Previously, Mr. Pacchia clerked for the U.S Bankruptcy Court before joining Bloomberg as a journalist covering bankruptcy and the legal industry, where he also established a multimedia group within Bloomberg Law. He is admitted to practice in New York and New Jersey. Mr.

Pacchia received his bachelor's degree from Wesleyan University and his J.D. from New York Law School.