

VALUE FOCUS

Medical Device Industry



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Pfizer Acquires Medivation

Allocating Purchase Price for a Biopharma Transaction

This article first appeared on [The Financial Reporting Blog](#) in [September 2016](#).

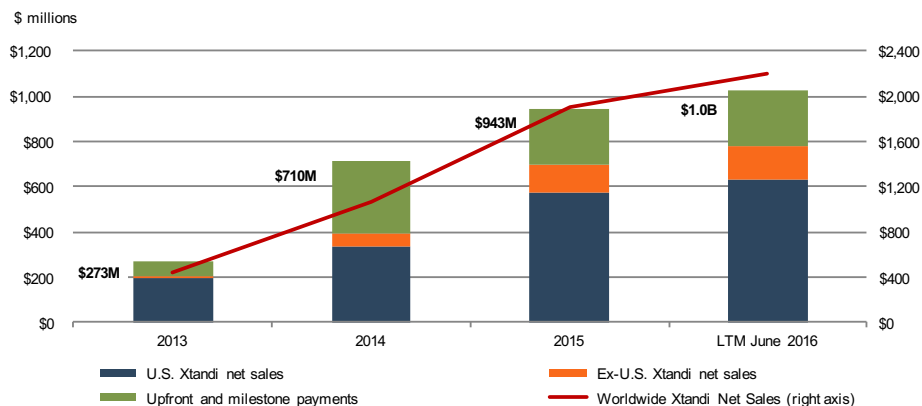
In August 2016, Pfizer (“PFE”) **announced it would acquire** the biopharmaceutical company Medivation (“MDVN”) for \$81.50 per share, or a total enterprise value of approximately \$14 billion, in an all cash deal.¹ The transaction made headlines for how the size of the deal escalated over a period of approximately six months prior to the PFE announcement, as well as the potential implications regarding the attractiveness of (relatively) smaller biopharmaceutical targets in an environment where larger deals face an inordinate amount of regulatory scrutiny. This article will present a broad outline of the transaction and explore the outlines of a potential purchase price allocation.

What Did PFE Buy?²

MDVN has one commercial product – Xtandi (enzalutamide) – which received FDA approval in 2012 for the treatment of an advanced form of prostate cancer (metastatic castration-resistant prostate cancer, or “mCRPC”). Xtandi is also approved in Europe and Japan for the treatment of mCRPC and CRPC, respectively. In addition, MDVN is engaged in several Phase 2 and Phase 3 clinical trials to evaluate extending enzalutamide use for other (earlier) forms of prostate and breast cancer. MDVN obtained an exclusive license for the intellectual property rights underlying Xtandi from the University of California (“UCLA”) in 2005. The patents covering Xtandi are slated to expire in 2027 in the U.S. and 2026 in Europe. The agreement with UCLA required MDVN to pay an annual maintenance fee, certain milestone payments (all of which were paid by December 31, 2015), 10% of sublicensing income, and a 4% royalty on global Xtandi sales.

In turn, MDVN entered into a collaboration agreement to develop and commercialize Xtandi with Japan-based Astellas Pharma, Inc. in 2009. Under the terms of the collaboration agreement, MDVN (now, PFE) splits U.S. revenues with Astellas, and receives royalties (ranging from the low teens to the low twenties percentage) on Xtandi sales outside the U.S. In addition, MDVN received an upfront payment and several milestone payments, and the two companies also share certain development costs. During 2015, worldwide Xtandi sales totaled \$1.9 billion, while MDVN recorded total sales of \$0.9 billion, including approximately \$248 million in upfront and milestone payments.

Medivation Revenue



Source: Company filings, Mercer Capital analysis

How much room is there for Xtandi sales to increase? MDVN filings indicate that since 2010, four new agents in addition to Xtandi have been approved by the FDA for the treatment of mCPRC, while other are currently being studied. Since receiving approval in 2012, Xtandi has **treated 64,000 patients in the U.S.** That figure compares to an estimated 221,000 total new prostate cancer diagnoses in the U.S. in 2015. (The number of new diagnoses in 2015 was **580,000 including figures from Europe and Japan.**) Since advanced mCPRC cases are a fraction (estimated to be **73,000 cases in 2012**, per MDVN) of the total patient population diagnosed with prostate cancer, the current application of Xtandi appears to have already achieved significant market share.

However, once (if) the newer applications of enzalutamide become viable, the potential size of the addressable market would expand to include patients with earlier-stage diagnoses. Indeed, MDVN appeared to have been preparing for just such a scenario when it initiated an expansion of the Xtandi U.S. sales force to create separate urology and oncology teams. Urologists are generally involved in treating patients with earlier-stage diagnoses than oncologists. Incremental success in treating breast cancer cases would also expand the total addressable market for enzalutamide. Bringing

all this together, MDVN management projects annual revenue could increase to **\$2.5 billion by 2020** (consensus estimates are closer to \$1.8 billion).

In addition to Xtandi (enzalutamide), the MDVN pipeline includes two more assets:

- » Rights to talazoparib were acquired from BioMarin Pharmaceuticals in the fourth quarter of 2015 for an upfront payment of \$410 million, estimated milestone payments of \$160 million, and potential royalty payments. Phase 3 clinical trials for breast cancer is underway. MDVN recorded an In-Process Research & Development ("IPR&D") intangible asset of \$573 million for Talazoparib, or approximately 98.5% of total purchase consideration, at the time of the acquisition from BioMarin. During the first quarter of 2016, MDVN reported an expense related to changes in fair value of contingent consideration to BioMarin of \$683 million, citing changes in estimated probabilities of success regarding the related development programs. The change suggests a talazoparib product is closer to completion and upon commercial launch would increase MDVN revenue (and diversify the revenue base).
- » Rights to pidilizumab were acquired from CureTech in the fourth quarter of 2014 for an upfront cash payment of \$5 million, contingent and milestone payments of up to \$330 million, and potential royalty payments. Phase 2 clinical trials for large B-cell lymphoma is underway.

*MDVN management projects
[Xtandi] annual revenue could
increase to \$2.5 billion by 2020*

Deal Timeline

Significant events prior to the PFE announcement:

- » On April 28, 2016, Sanofi made an unsolicited offer of \$52.50 a share, or an enterprise value of \$9.3 billion, which it claimed represented a **50% premium over MDVN share price for two months prior** to takeover speculation. Using Sanofi's logic, the pre-acquisition price would be approximately \$35.00 per share, or an enterprise value of \$6.2 billion. After bottoming at \$27.32 a share in early

February 2016, MDVN shares had climbed to \$52.05 by April 27, 2016. In rejecting the bid, MDVN stated the Sanofi bid undervalued the company.

- » On May 25, 2016, Sanofi called **a vote to replace the entire board** in an effort to engage MDVN in negotiations.
- » On July 5, 2016 MDVN signed **confidentiality agreements with a number of potential acquirers**, reportedly including Celgene, Gilead, and Pfizer. MDVN also received a sweetened bid from Sanofi of \$58.00 per share (enterprise value of \$10.3 billion) and additional contingent consideration of up to \$3.00 a share.
- » The August 22, 2016 PFE offer of \$81.50 per share all-cash offer represented a premium of more than 20% over the closing price of \$67.16 on August 19, 2016.

Relative Pricing and Transaction Premium

Based on the results for the June 2016 quarter, the (annual) run rate of MDVN revenue attributable to Xtandi at the time of the PFE acquisition announcement was approximately \$782 million, compared to \$203 million for the fiscal year 2013. EBITDA for the twelve months prior to June 2016, excluding one-time items like milestone payments and the change in fair value of contingent consideration, was approximately \$232 million (about a 30% margin). MDVN turned EBITDA-positive during fiscal 2015. Xtandi revenue and profitability have grown impressively since its approval by the FDA, which no doubt made it an attractive target for many potential suitors. Based on these metrics, the winning bid by PFE represents a 17.9x multiple of (adjusted Xtandi) revenue, which suggests the competitive process resulted in a full price for MDVN.³

The implied transaction premium provides another perspective on the attractiveness of the PFE price. As discussed in the prior section, the PFE bid represented a premium of more than 20% over the immediately-preceding market price of MDVN. However, that figure does not capture the changes in MDVN price in the run-up to the August PFE announcement. Sanofi argued that the pre-acquisition was (should be?) \$35.00 per share. Let us set this claim

aside for a moment – even as the April bid by Sanofi did not include much of a premium over the then-existing market price, MDVN share price increased a further 30% prior to the PFE acquisition announcement reflecting the heightened expectation of a transaction (at a more favorable price).

Within this context, there is some room for debate and interpretation – arguably, the pre-acquisition price could be \$35.00, \$52.50, or \$67.16 per share, and the corresponding transaction premium would be 130%, 55%, or 20%, respectively. That ambiguity notwithstanding, the PFE bid clearly included a healthy transaction premium over the prevailing stock market pricing of MDVN.

The PFE bid clearly included a healthy transaction premium over the prevailing stock market pricing of MDVN

Allocations for Similar Transactions

In thinking about the allocation of the purchase price for the PFE MDVN transaction, a brief review of three recent transactions is useful. In February 2015, **PFE announced the acquisition of Hospira Inc. for \$16 billion** in cash (an estimated 39% premium over pre-announcement Hospira share price). Hospira manufactured and sold generic acute-care and oncology injectables, biosimilars, and integrated infusion therapy and medication management systems. The **transaction closed** in September 2015. Notably, the erstwhile Hospira operations are part of PFE's Established Products segment, which includes products that have exhausted (or are imminently expected to lose) patent protection including branded generics, generic sterile injectable products, biosimilars, and some contract manufacturing. Assets acquired as part of the MDVN transaction would, in contrast, be housed under PFE's Innovative Products business, which includes patent protected products. Innovative Products also engages in significant research and development efforts to produce an array of new assets including pharmaceutical, vaccine, and oncology products. Accordingly, expected unit pricing, gross margins, and pre tax profitability for the MDVN products should be different from those of Hospira, suggesting likely variance on the relative allocation of intangible assets between the two transactions.

In March 2015, **AbbVie announced the acquisition of Pharmacyclics, Inc. for \$20.8 billion** in a cash (\$12.4 billion) and equity (\$8.4 billion) deal. Pharmacyclics sold, and was developing additional extensions of, one product – Imbruvica

(ibrutinib). The **transaction closed** in May 2015. Imbruvica received FDA approval and EC marketing authorization for patients with Waldenstrom's macroglobulinemia (a rare form of **blood cancer**) in January 2015 and July 2015, respectively. Subsequent to the transaction, the FDA granted Imbruvica orphan drug designation for the treatment of extranodal marginal zone lymphoma. Pharmacyclics had entered into a collaboration and license agreement with Janssen (a subsidiary of Johnson & Johnson) in December 2011 that provided for the sharing of pre-tax profits and losses between the two companies. Pursuant to the agreement, Janssen has an exclusive license to commercialize Imbruvica outside the U.S. and co-exclusive rights (with AbbVie) for the U.S. market, shares development costs, and is liable for milestone payments of up to \$200 million.

In May 2015, **Alexion Pharmaceuticals announced the acquisition of Synageva BioPharma for \$8.4 billion** in a cash and equity deal (an estimated 124% premium over Synageva average share price for the week prior to the announcement). At the time, Synageva did not have a commercial product, but was in late stage development of Kanuma, an enzyme replacement therapy for patients suffering from lysosomal acid lipase deficiency (LAL-D), a rare, life-threatening, genetic disease. By the **close of the transaction** in June 2015, total consideration equaled \$9.5 billion including \$4.9 billion in equity and \$4.6 billion in cash. Subsequent to the transaction, Kanuma received **European approval** for LAL-D in September 2015.

Identifiable Intangible Assets

As discussed already, the primary assets acquired by PFE in the MDVN deal include:

- » Xtandi, a developed product being commercialized. Extensions of the product could expand the total addressable market.
- » Talazoparib, a developmental product with Phase 3 clinical trials underway. MDVN recently increased the estimate of expected contingent consideration payments related to the asset.
- » Pidilizumab, a developmental product with Phase 2 clinical trials underway.

Based on the nature of assets acquired, the primary identifiable intangible assets for the PFE-MDVN transaction should be definite-lived developed technology, and indefinite-lived in-process research and development assets.

Based on the nature of assets acquired, the primary identifiable intangible assets for the PFE-MDVN transaction should be definite-lived developed technology, and indefinite-lived in-process research and development assets. The three similar transactions provide some additional perspectives regarding the identifiable intangible assets for the PFE-MDVN transaction. PFE was the common acquirer in both the MDVN and Hospira transactions. At the time of both the Hospira and MDVN transactions, PFE was considering splitting the company along its two primary business lines – Established Products and Innovative Products.⁴ Both transactions could have appealed to PFE management's pursuit of growing each of the two businesses to a significant enough size and reach to make stand alone operations viable and valuable. To this end, while prior to the MDVN transaction management indicated a greater desire to add to the Innovation Products business, the deal appears to have **sated (at least for now) the need for an acquisition stance** biased towards patented (or patentable) products. Accordingly, PFE could have been especially motivated to acquire both MDVN and Hospira, which would likely be reflected in a similar relative (implied) allocation to goodwill. There are differences between the two transactions, however. Broadly, the Hospira transaction is likely to have included a greater proportion of tangible assets relative to the MDVN transaction. For reference, almost a quarter of the acquired Hospira assets were tangible, while the reported balance of MDVN tangibles assets at June 30, 2016 represent 7% of the proposed deal value.⁵

The AbbVie acquisition of Pharmacyclics is similar to the PFE acquisition of MDVN's Xtandi assets (as shown on the following page). At the time of the transaction, both Imbruvica and Xtandi had a newly approved product (application) with a long patent life, as well as advanced development of additional extensions for more indications. Given its prior experience with selling to urologists, PFE management appears to view favorably the potential to expand the addressable market once (if) Xtandi is approved for earlier-stage prostate cancer indications. In addition, both Imbruvica and Xtandi are subject to collaboration agreements, with the risks associated with developing and commercializing the products and the eventual economic rewards being shared with an outside entity. While the finer details of the two collaboration agreements differ, PFE will likely record developed technology – including both product rights and license agreements components – assets as part of the acquisition accounting exercise. PFE will likely also record an IPR&D intangible asset for the extension cases of Xtandi. Notably, owing to the accounting treatment of R&D, no corresponding asset appears in the pre-acquisition MDVN balance sheet.⁶

	PFE acquisition of Hospira	AbbVie acquisition of Pharmacyclics	Alexion acquisition of Synageva
Allocations of Similar Transactions (\$ millions)			
Working capital	\$2,198	\$1,486	\$650
Property, plant and equipment	2,410	-	-
Other noncurrent assets	408	212	-
Identifiable intangible assets			
Developed technology (definite-lived)	7,720	11,370	-
In-process research and development	995	7,180	4,236
Other intangible assets	550	-	-
Goodwill	7,284	7,610	4,794
Total assets	21,565	27,858	9,680
Liabilities acquired	(5,478)	(7,088)	(197)
Total consideration / Net assets acquired	\$16,087	\$20,770	\$9,483
Relative Allocations			
Working capital	10.2%	5.3%	6.7%
Property, plant and equipment	11.2%	0.0%	0.0%
Other noncurrent assets	1.9%	0.8%	0.0%
Identifiable intangible assets			
Developed technology (definite-lived)	35.8%	40.8%	0.0%
In-process research and development	4.6%	25.8%	43.8%
Other intangible assets	2.6%	0.0%	0.0%
Goodwill	33.8%	27.3%	49.5%
Total assets	100.0%	100.0%	100.0%

Sources:

2015 10-K filed by PFE. Allocation shown for the Hospira transaction is provisional.

2015 10-K filed by AbbVie. Allocation shown for the Pharmacyclics transaction is preliminary.

Developed technology includes developed product rights (\$4.6 billion) and licence agreements (\$6.8 billion).

2015 10-K filed by Alexion. Allocation shown for the Synageva transaction is preliminary.

Mercer Capital analysis.

There are differences between the Pharmacyclics and MDVN transactions, however. Unlike the Pharmacyclics deal, the MDVN acquisition involves more than one (developed) product. The talazoparib and pidilizumab assets do not currently produce revenue and are in the developmental stage. MDVN has reported progress with clinical trials and data collection, but regulatory approval is not yet certain for applications of either asset. In this regard, PFE's acquisition of the two developmental assets is similar to the Alexion acquisition of Synageva. Excluding a small balance of working capital assets (including cash), the purchase price in the Synageva acquisition was allocated entirely to IPR&D and goodwill. The portion of MDVN purchase consideration that is related to the two developmental assets should also represent the same two assets, IPR&D and goodwill.

Brief Comments on Measurement Methods

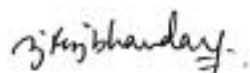
The developed technology PFE would acquire in the MDVN deal includes two cash flow components, i) shared profits from sales within the U.S., and ii) royalties from sales outside the U.S. In our experience, the values of developed technology assets are measured most commonly using the **relief from royalty method**. This method should also be useful in measuring the value of the first component of MDVN's developed technology assets. Primary inputs used in the relief from royalty method include the expected stream of future revenues, an appropriate royalty rate, and an appropriate discount rate. Earlier sections of this article discussed various considerations around the potential future revenues for the currently approved applications of Xtandi including addressable market, implied current market share, and remaining life of the related patent.⁷ A survey of royalty rates for similar products can inform the appropriate rate to use for the relief from royalty method. In MDVN's case, the royalties available from sales outside the U.S. would naturally be an observation to be included in the royalty rate survey.

Methods under the **income approach are most appropriate** in measuring the value of an IPR&D asset. Common methods include multi-period excess earnings method (MPEEM), relief from royalty method, and decision tree analysis. For all three similar transactions discussed in a prior section, the MPEEM was used to measure the value of the IPR&D assets. Applying MPEEM for IPR&D assets requires development of a number of inputs including the likelihood of regulatory success (approval to market product), expected future revenue stream, likely realizable profit margins,

contributory charges for other assets expected to be used in the business, and the applicable discount rate. For perspective, Alexion filings provide one observation on the discount rate – the company assumed a weighted average cost of capital of 10% in measuring the value of IPR&D assets acquired in the Synageva deal.

Conclusion

In summary, after accounting for a modest balance of tangible assets, the PFE-MDVN purchase price will likely be allocated primarily to two identified intangible assets – developed technology (with two potential components) and IPR&D – and the residual asset, goodwill. The sale process was drawn out, involved a number of potential acquirers, and the winning bidder appeared to be very motivated as demonstrated by both i) the implied revenue multiple using the only currently commercialized product (whatever its flaws), and ii) the sizable premium over (any measure of) the pre-acquisition share price. As in the case of the three similar transactions, these observations suggest a healthy allocation of the PFE-MDVN purchase price to goodwill.



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End Notes

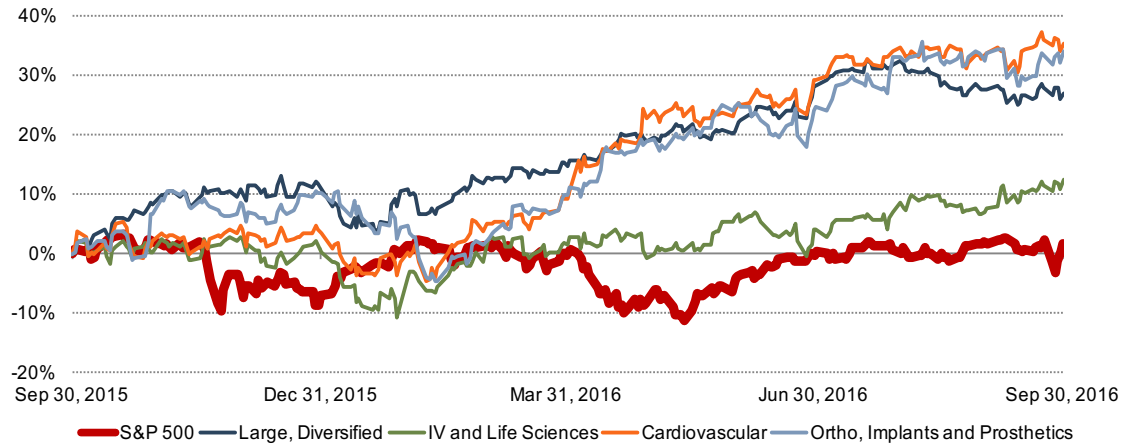
- ¹ Subsequent to the first publication of this article, PFE announced it had **completed the acquisition** in late September 2016.
- ² Sources include multiple MDVN filings including **10-Q** (June 30, 2016), **10-K** (December 31, 2015), and **investor presentation** titled, "Delivering Value Now and Into the Future."
- ³ The revenue base in this multiple calculation is likely understated (the multiple is overstated) since it does not include potential revenue from other MDVN assets.
- ⁴ Subsequent to the first publication of this article, PFE announced it had **decided not to split** into the two business lines. Reportedly, PFE spent \$600 million pondering and preparing for the decision.
- ⁵ Some constituent elements of the tangible asset base are likely to be written up (or down) from their reported values as part of the purchase price allocation process. However, at a reported value of \$70 million, the most likely candidate for a write-up (property and equipment) is a small portion of the MDVN balance sheet (and likely to remain so given the business model of the company).
- ⁶ While IPR&D is an identifiable intangible asset for the purposes of a purchase price allocation, R&D expenditures incurred during the course of operations are expensed and not capitalized pursuant to current accounting rules. Accordingly, the MDVN balance sheet does not include entries, IPR&D or otherwise, related to the Xtandi extension applications.
- ⁷ As technologies age, competitive products or platforms can erode the revenue potential of incumbent solutions (sometimes even when patent protection is available). Accordingly, based on a survey of similar products in the market or in development, it may be appropriate to assume an obsolescence curve to isolate the expected future revenue stream applicable to the currently developed technology.

Stock Market Performance

Stock price movement across major medical device sectors outperformed the S&P 500 index over the twelve months to the end of 3Q16. Cardiovascular and orthopedic medtech companies saw the largest gains over the year, each seeing stock price appreciation north of 30%. Revenue and EBITDA multiples expanded across each medtech sector relative to 3Q15.

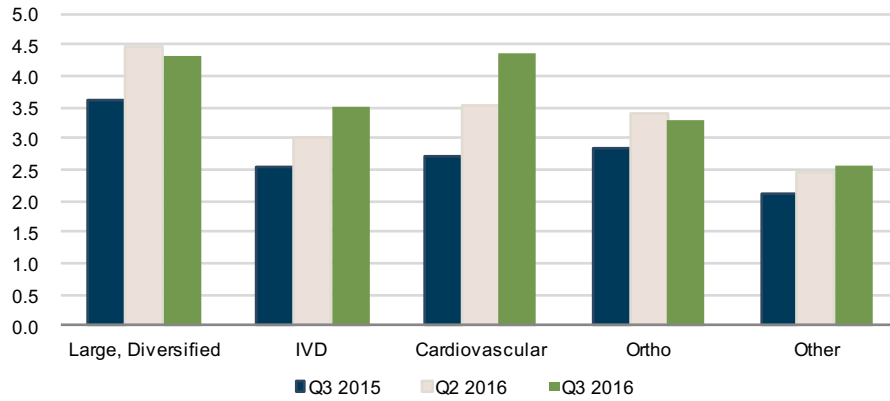
- » IVD companies exhibited the strongest subsector price appreciation over the quarter, rising 8.2% from the end of 2Q16 (compared to 1.9% for the S&P 500). The sector increased 12.4% over the year to 3Q16. Strong stock movers included Bio-Rad Laboratories (22.0%), Bio-Techne (18.4%), and Haemonetics (12.0%).
- » Cardiovascular companies stocks increased a collective 35.1% over the year to 3Q16, though returns over the quarter were less robust (4.6%). Edward Lifesciences, which gained 69.6% over the prior year to 3Q16, received FDA approval for its Sapien 3 transcatheter heart valve in August 2016. Other significant stock movers within the group included Abiomed (38.6%) and CR Bard (20.4%).
- » The orthopedic, implants and prosthetics sector gained 34.0% over the year to the end of 3Q16 and a collective 8.0% increase over the prior quarter. Nevro, which received FDA approval for its Senza spinal cord stimulation system in 1Q15 (utilized for chronic back and leg pain), gained more than 120% over the year to 3Q16. Others significant price movers included Intergra LifeSciences (38.6%) and Zimmer (38.4%).
- » Despite weakness in the third quarter (-0.9%), the group of large, diversified companies gained 27.1% in the year prior to 3Q16. Large movers included Johnson & Johnson (26.5%) and Stryker (23.7%). Abbott saw the strongest 3Q16 price appreciation (7.6%). Abbott announced the acquisition of St. Jude in April 2016, and the deal closed in 4Q16.

Total Shareholder Returns



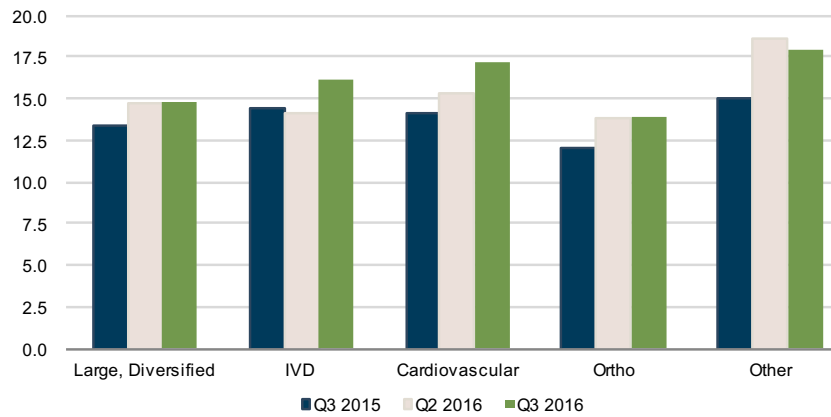
Represents market capitalization weighted index for each group. Source: Bloomberg, Mercer Capital analysis

Revenue Multiples



Median Revenue multiples from each MCM group. Data source: Bloomberg

EBITDA Multiples



Median EBITDA multiples from each MCM group. Data source: Bloomberg

Venture Capital Funding & Exit Activity

Venture Capital funding in the medical device industry rebounded in 3Q16 from the prior quarter. Medical device investment in 3Q16 totaled \$663 million, representing a 20.6% increase from 2Q16. Deal volume continued to improve in the quarter (69 in 3Q16 compared to 64 in 2Q16 and 59 in 1Q16), though this represented levels still below historical average deal totals.¹

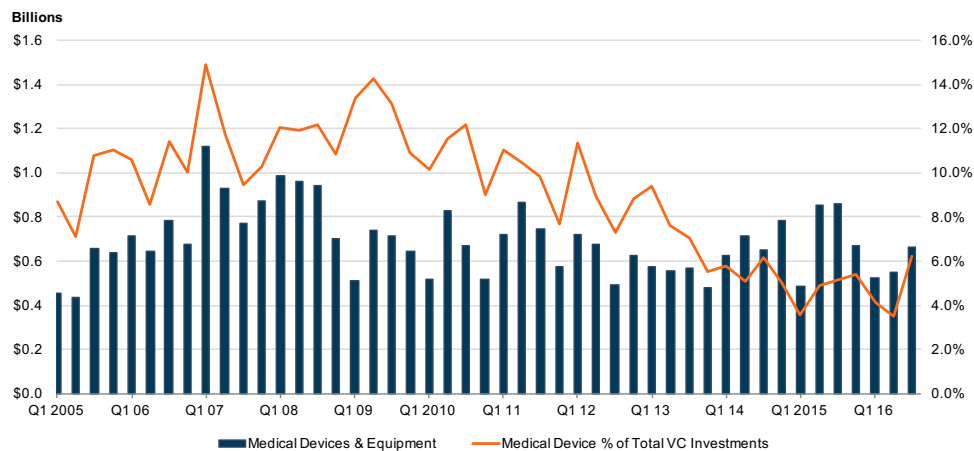
- » VC investments in medical device companies accounted for 6.2% of all VC investments during 3Q16, up from 3.5% in 2Q16. This represented the highest percentage of total VC investments for medical device companies since 3Q14.
- » Total VC funding in all sectors for 3Q16 was \$10.6 billion, down over 30% from the previous quarter. Despite broad VC declines, Life Science investment funding (including biotechnology and medical devices) saw an 8.4% increase, totaling \$2.5 billion in 3Q16.
- » Average deal size for medical device deals was \$9.6 million, up from \$8.6 million in the previous quarter but below 3Q15 average deal size of \$10.1 million.

Venture Capital Funding & Exit Activity (continued)

Total venture-backed exit came in at \$14.6 billion across 162 exits in 3Q16, representing a 12.4% drop in exit volume from the previous quarter. ²

- » Year-to-date through 3Q16 there have been 30 exits in the medical device sector: 28 merger and acquisition deals and two IPOs. This represents the highest level of exit activity over the last four years, despite drops in broader exit activity. ³
- » Pulse Biosciences, who is working on an electric signaling platform with potential oncological applications, went public in 2Q16 at just over \$50 million on a fully-diluted basis. Tactile Systems, who develops therapeutic devices for chronic diseases, went public in 3Q16 at a valuation north of \$160 million. ^{4, 5, 6}

Venture Capital Investments in Medical Devices



Data Source: MoneyTree Report; PwC/NVCA, Thomson Reuters, Mercer Capital analysis

Select Venture Funding Deals

Company	Recent Financing		Founded	Notes
	Amount (\$M)	Round		
CVRx Inc	\$46	Later Stage	2001	Develops implantable technology for the treatment of high blood pressure.
Chrono Therapeutics Inc	\$44	Later Stage	2004	Develops and provides digital drug therapy.
Rox Medical Inc	\$40	Later Stage	2004	Develops vascular therapy for uncontrolled hypertension.
Color Genomics Inc	\$39	Early Stage	2013	Genetic information provider.
SentreHEART Inc	\$35	Later Stage	2005	Develops minimally invasive devices to treat heart disease.
Vytronus Inc	\$30	Later Stage	2006	Manufactures and markets cardiac medical devices.
Reflexion Medical Inc	\$29	Early Stage	2009	Develops biologically guided radiation therapy system.
Torax Medical Inc	\$25	Later Stage	2002	Developing an implantable device for the treatment of gastroesophageal reflux disease.
Veniti Inc	\$25	Early Stage	2010	Develops medical devices for the treatment of chronic venous insufficiency disease.
Element Science Inc	\$25	Early Stage	na	Engages in developing wearable therapeutic devices.
Bardy Diagnostics Inc	\$24	Expansion	2013	Working to improve cardiac arrhythmia monitoring.
Relieva Medsystems Inc	\$22	Later Stage	2004	Develops therapeutic solutions to treat lower back pain.
Enable Injections Inc	\$19	Expansion	2011	Developing painless drug injections.

Data Source: MoneyTree Report, PwC/NVCA, Thomson Reuters; and, CrunchBase [<http://www.crunchbase.com/>] at TechCrunch.com. Medical Devices and Equipment funding rounds over \$10 million during 3Q16.

Select Venture Funding Deals

Company	Recent Financing		Founded	Notes
	Amount (\$M)	Round		
Endotronix Inc	\$19	Later Stage	2007	Develops miniaturized, wireless, and implantable pressure sensors implanted as part of interventional cardiovascular procedures.
GenePeeks Inc	\$16	Expansion	2009	A genetic information company.
Metabolon Inc	\$15	Later Stage	2000	Develops analytical methods and software for biomarker discovery by using metabolomics.
Essential Medical Inc	\$15	Early Stage	2010	Developed femoral artery closure devices.
Solace Therapeutics Inc	\$13	Later Stage	na	Medical supply company specializing in bladder control and incontinence.
TransMedics Inc	\$13	Later Stage	1998	Involved in the design and production of transplant devices.
nVision Medical, Inc.	\$12	Early Stage	2009	Develops medical devices with a focus on females.
CeraPedics Inc	\$11	Later Stage	2000	Developing and commercializing novel osteobiologic products.
Wasatch Microfluidics Inc	\$10	Later Stage	2005	Engages in the advancement of label-free biomolecular interaction analysis.
Securus Medical Group Inc	\$10	Expansion	2011	Develops clinical tools for monitoring core body temperature within body cavities.

Data Source: MoneyTree Report, PwC/NVCA, Thomson Reuters; and, CrunchBase [<http://www.crunchbase.com/>] at TechCrunch.com. Medical Devices and Equipment funding rounds over \$10 million during 3Q16.

Medical Devices Select Transactions Summary

(\$Millions)

Acquirer	Target	Announce Date	Implied EV	Implied Enterprise Value			Sector
				EBIT	EBITDA	Revenue	
Shire plc	Baxalta Incorporated	1/11/16	35,218.9	19.1x	16.7x	5.73x	Biotechnology
Abbott Laboratories	St. Jude Medical, Inc.	4/26/16	29,840.8	24.0x	18.7x	5.29x	Healthcare Equipment
Pfizer Inc.	Medivation, Inc.	8/20/16	14,003.7	31.3x	30.7x	13.63x	Biotechnology
Canon Inc.	Toshiba Medical Systems Corporation	3/17/16	5,981.2	37.6x	NA	2.38x	Healthcare Equipment
Pfizer Inc.	Anacor Pharmaceuticals, Inc.	5/14/16	4,497.8	NM	NM	53.15x	Biotechnology
Chace LLC	Abbott Medical Optics Inc.	9/14/16	4,325.0	NA	NA	3.93x	Healthcare Supplies
Danaher Corporation	Cepheid	9/2/16	4,088.5	NM	NM	7.25x	Biotechnology
Stryker Corporation	Sage Products LLC	1/31/16	2,775.0	NA	NA	6.45x	Healthcare Supplies
Nordic Capital; Novo A/S; Nordic Capital Fund VIII LP	eResearchTechnology, Inc.	3/8/16	1,800.0	NA	NA	6.00x	Life Sciences Tools and Services
Allergan plc	Tobira Therapeutics, Inc.	9/19/16	1,500.3	NM	NM	NM	Biotechnology
Jazz Pharmaceuticals Public Limited Company	Celator Pharmaceuticals, Inc.	5/27/16	1,471.4	NM	NM	NA	Biotechnology
Stryker Corporation	Physio-Control International, Inc.	2/13/16	1,344.0	NA	NA	NA	Healthcare Equipment
Merck & Co., Inc.	Afferent Pharmaceuticals, Inc.	6/9/16	1,250.0	NA	NA	NA	Biotechnology

Only deals with available deal size information shown. | Data Source: Bloomberg and Capital IQ

Medical Devices Select Transactions Summary *(continued)*

(\$Millions)

Acquirer	Target	Announce Date	Implied EV	Implied Enterprise Value			Sector
				EBIT	EBITDA	Revenue	
Gilead Sciences Inc.	Nimbus Apollo, Inc.	4/4/16	1,200.0	NA	NA	NA	Life Sciences Tools and Services
Creat Group Company Limited	Bio Products Laboratory Holding Limited	5/18/16	1,198.9	NA	NA	NA	Biotechnology
Thermo Fisher Scientific Inc.	Affymetrix Inc.	1/8/16	1,112.2	40.9x	25.0x	3.09x	Life Sciences Tools and Services
Medtronic, Inc.	Heartware International Inc.	6/27/16	1,066.4	NM	NM	4.07x	Healthcare Equipment
Zimmer Biomet Holdings, Inc.	LDR Holding Corporation	6/6/16	1,043.3	NM	NM	6.26x	Healthcare Equipment
Tyco Electronics UK Holdings Ltd.	Creganna-Tactx Medical	2/1/16	895.0	NA	NA	3.59x	Healthcare Equipment
Horizon Pharma plc	Raptor Pharmaceuticals Corp.	9/12/16	767.5	NM	NM	6.98x	Biotechnology
McKesson Specialty Health	BioLogics, Inc.	2/25/16	700.0	NA	NA	NA	Life Sciences Tools and Services
Patricia Industries AB	Laborie Medical Technologies, Inc.	8/19/16	659.8	NA	NA	5.64x	Healthcare Equipment
Celgene Corporation	EngMab AG	9/13/16	600.0	NA	NA	NA	Biotechnology
Bristol-Myers Squibb Company	Padlock Therapeutics, Inc.	3/23/16	600.0	NA	NA	NA	Biotechnology
Allergan plc	Vitae Pharmaceuticals, Inc.	9/13/16	528.2	NM	NM	NM	Biotechnology
Bristol-Myers Squibb Company	Cormorant Pharmaceuticals AB	7/5/16	520.0	NA	NA	NA	Biotechnology

Only deals with available deal size information shown. | Data Source: Bloomberg and Capital IQ

Medical Devices Select Transactions Summary *(continued)*

(\$Millions)

Acquirer	Target	Announce Date	Implied EV	Implied Enterprise Value			Sector
				EBIT	EBITDA	Revenue	
Allergan plc	Anterios, Inc.	1/6/16	477.5	NA	NA	NA	Biotechnology
Myriad Genetics, Inc.	Assurex Health, Inc.	8/3/16	410.0	NA	NA	6.83x	Biotechnology
MicroVention, Inc.	Sequent Medical, Inc.	6/12/16	380.0	NA	NA	NA	Healthcare Equipment
Dentsply Israel Ltd.	MIS Implants Technologies Ltd.	6/27/16	375.0	NA	NA	4.69x	Healthcare Supplies
Shandong Sinobioway Biomedicine Co., Ltd. et al	Sinovac Biotech Ltd.	2/3/16	375.0	100.0x	37.5x	5.56x	Biotechnology
Laboratory Corporation of America Holdings	Sequenom Inc.	7/27/16	352.7	NM	NM	3.08x	Life Sciences Tools and Services
Alcon Holdings, Inc.	Transcend Medical, Inc.	2/17/16	352.0	NA	NA	NA	Healthcare Equipment
Allergan plc	Topokine Therapeutics, Inc.	4/21/16	345.0	NA	NA	NA	Biotechnology
Bio-Techne Corporation	Advanced Cell Diagnostics, Inc.	7/6/16	325.0	NA	NA	13.00x	Biotechnology
DiaSorin S.p.A.	Focus Diagnostics, Inc.	3/29/16	300.0	NA	NA	3.75x	Healthcare Equipment
QLT Inc. (nka:Novelion Therapeutics Inc.)	Aegerion Pharmaceuticals, Inc.	6/14/16	260.6	NM	NM	1.21x	Biotechnology
Pharmaceutical Product Development, LLC	Synexus Limited	4/13/16	257.8	NA	16.2x	3.75x	Life Sciences Tools and Services
Acorda Therapeutics, Inc.	Biotie Therapies Corp.	1/19/16	255.5	NM	NM	62.73x	Biotechnology

Only deals with available deal size information shown. | Data Source: Bloomberg and Capital IQ

Medical Devices Select Transactions Summary *(continued)*

(\$Millions)

Acquirer	Target	Announce Date	Implied EV	Implied Enterprise Value			
				EBIT	EBITDA	Revenue	Sector
Santen Pharmaceutical Co., Ltd.	InnFocus, Inc.	7/19/16	225.0	NA	NA	NA	Healthcare Supplies
Grifols Worldwide Operations Limited	Interstate Blood Bank, Inc.	4/8/16	203.3	NA	NA	NA	Biotechnology
Sinocare Inc.	CHEK Diagnostics	5/2/16	200.0	NA	NA	NA	Healthcare Equipment
Richter Gedeon Vegyészeti Gyár Nyilvánosan Működő Rt.	Finox AG	6/30/16	194.8	NA	NA	NA	Biotechnology
Boston Scientific Corporation	EndoChoice Holdings, Inc.	9/27/16	193.8	NM	NM	2.60x	Healthcare Equipment
Nokia Corporation	Withings SAS	4/26/16	192.3	NA	NA	NA	Healthcare Equipment
Halyard Health, Inc.	CORPAK MedSystems, Inc.	4/5/16	174.0	NA	NA	3.22x	Healthcare Supplies
Agilent Technologies, Inc.	LaserGen, Inc.	3/2/16	166.7	NA	NA	NA	Biotechnology
Duke Street LLP; Brederode SA et al	Medi-Globe GmbH	3/1/16	151.9	NA	8.4x	1.17x	Healthcare Equipment
Natus Medical Incorporated	GN Otometrics A/S	9/25/16	145.0	NA	NA	1.32x	Healthcare Equipment
RoundTable Healthcare Management, LLC et al	Symmetry Surgical Inc.	4/26/16	142.2	53.1x	15.6x	1.69x	Healthcare Equipment
Halma plc	CenTrak, Inc.	2/3/16	140.0	NA	NA	3.20x	Healthcare Equipment
Instrumentation Laboratory Company	CA Casyso AG	9/20/16	139.6	NA	NA	4.17x	Healthcare Equipment

Only deals with available deal size information shown. | Data Source: Bloomberg and Capital IQ

Medical Devices Select Transactions Summary *(continued)*

(\$Millions)

Acquirer	Target	Announce Date	Implied EV	Implied Enterprise Value			
				EBIT	EBITDA	Revenue	Sector
Juno Therapeutics, Inc.	AbVitro LLC	1/8/16	124.9	NA	NA	NA	Biotechnology
Zimmer Biomet Holdings, Inc.	MedTech Société Anonyme	7/18/16	124.0	NM	NM	12.08x	Healthcare Equipment
Zimmer Biomet Holdings, Inc.	MedTech Société Anonyme	7/18/16	124.0	NM	NM	12.08x	Healthcare Equipment
Shanghai Kinetic Medical Co., Ltd.	Jiangsu IDEAL Medical Science & Technology Co.,Ltd.	1/8/16	119.5	NA	NA	NA	Healthcare Equipment
Launchpad12 LLC	Gene Techno Science Co., Ltd.	3/28/16	116.1	NM	NA	11.42x	Biotechnology
Shanghai Yi'an Investment Center et al	Essen Technology (Beijing) Co., Ltd.	12/31/15	114.2	NA	NA	NA	Healthcare Equipment
Shanghai Kinetic Medical Co., Ltd.	Essen Technology (Beijing) Co., Ltd.	1/22/16	114.2	NA	NA	NA	Healthcare Equipment
BTG plc	Galil Medical Ltd.	5/6/16	110.0	NA	NA	5.00x	Healthcare Equipment
ResMed Inc.	Inova Labs, Inc.	12/24/15	110.0	NA	NA	NA	Healthcare Equipment
Ningbo Dingliang Yixiang Equity Investment Center (Limited Partnership)	Jiangsu IDEAL Medical Science & Technology Co.,Ltd.	4/30/15	107.2	NA	NA	NA	Healthcare Equipment
Hi-Shear Corporation; Lisi Medical SAS	Alcoa Remmele Medical Operations (nka:LISI MEDICAL Remmele)	3/31/16	102.0	NA	NA	1.46x	Healthcare Equipment
Auris Surgical Robotics, Inc.	Hansen Medical, Inc.	4/19/16	101.2	NM	NM	7.60x	Healthcare Equipment

Only deals with available deal size information shown. | Data Source: Bloomberg and Capital IQ

Select Operating Metrics

Segment	Gross Margin		EBITDA Margin		Operating Margin		R&D / Revenue	
	Q3 2016	Q2 2016	Q3 2016	Q2 2016	Q3 2016	Q2 2016	Q3 2016	Q2 2016
Large, Diversified	66.4%	66.7%	26.9%	26.7%	14.7%	14.0%	7.0%	7.2%
IVD & Life Sciences	55.2%	55.0%	16.0%	15.0%	10.6%	10.3%	9.1%	9.1%
Cardiovascular	66.1%	66.6%	19.9%	19.3%	10.6%	9.8%	10.1%	10.1%
Ortho, Implants & Prosthetics	69.1%	69.5%	17.6%	17.3%	9.1%	8.2%	7.1%	7.0%
Other	53.5%	53.4%	7.4%	6.9%	0.0%	-0.9%	7.9%	8.1%
All Companies	58.5%	58.1%	18.0%	17.2%	9.0%	8.4%	7.7%	7.9%

Segment	Historical Rev Growth		LT Fwd Op Earn Grwth		Debt / EV		Debt / EBITDA	
	Quarterly	Annual	Q3 2016	Q2 2016	Q3 2016	Q2 2016	Q3 2016	Q2 2016
Large, Diversified	1.0%	6.3%	10.1%	11.4%	14.4%	14.8%	2.3	2.6
IVD & Life Sciences	1.9%	3.8%	12.7%	14.0%	8.1%	5.5%	1.6	1.5
Cardiovascular	4.1%	8.2%	17.5%	15.8%	8.4%	8.6%	0.9	1.0
Ortho, Implants & Prosthetics	0.9%	4.8%	13.3%	14.3%	18.8%	20.3%	2.8	2.7
Other	2.5%	7.9%	15.0%	13.1%	3.6%	7.7%	0.5	0.7
All Companies	2.5%	6.3%	14.1%	13.1%	8.4%	9.3%	1.4	1.5

Median measures for each group. | Data Source: Bloomberg, Mercer Capital Analysis

Public Medical Device Companies

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q3 2016	Q2 2016	Q3 2015	Qtrly	Annual	Q3 2016	Q3 2016	Q3 2016	FY 2017	FY 2018	Q3 2016	Q3 2016	2017	2018
Large, Diversified														
Abbott Laboratories	\$42.29	\$38.57	\$39.50	9.6%	7.1%	\$66,289.1	\$20,708.0	\$5,573.0	\$5,532.1	\$5,953.9	3.20	11.9	12.0	11.1
Baxter	\$47.60	\$44.82	\$32.69	6.2%	45.6%	\$26,119.1	\$10,121.0	\$1,858.0	\$2,267.5	\$2,510.3	2.58	14.1	11.5	10.4
Becton, Dickinson and Company	\$179.73	\$168.17	\$130.89	6.9%	37.3%	\$48,252.2	\$12,482.0	\$3,253.0	\$3,891.4	\$4,181.0	3.87	14.8	12.4	11.5
Boston Scientific Corporation	\$23.80	\$23.03	\$16.00	3.3%	48.8%	\$37,573.7	\$8,173.0	\$2,201.0	\$2,576.0	\$2,776.9	4.60	17.1	14.6	13.5
Medtronic, Inc.	\$86.40	\$85.45	\$66.37	1.1%	30.2%	\$140,626.2	\$29,012.0	\$9,010.0	\$10,675.9	\$11,347.9	4.85	15.6	13.2	12.4
Johnson & Johnson	\$118.13	\$119.33	\$93.04	-1.0%	27.0%	\$309,745.1	\$71,595.0	\$24,467.0	\$27,061.7	\$28,129.7	4.33	12.7	11.4	11.0
Stryker Corporation	\$116.41	\$118.81	\$93.23	-2.0%	24.9%	\$47,398.5	\$10,883.0	\$2,973.0	\$3,468.9	\$3,698.0	4.36	15.9	13.7	12.8
IVD & Life Sciences														
Bio-Rad Laboratories, Inc.	\$163.81	\$139.18	\$133.19	17.7%	23.0%	\$4,441.6	\$2,067.3	\$276.5	\$312.0	\$401.0	2.15	16.1	14.2	11.1
Bruker Corporation	\$22.65	\$22.32	\$16.46	1.5%	37.6%	\$3,589.0	\$1,619.2	\$259.7	\$295.5	\$322.6	2.22	13.8	12.1	11.1
Enzo Biochem, Inc.	\$5.09	\$5.82	\$3.12	-12.5%	63.1%	\$170.3	\$103.9	(\$3.9)	nm	nm	1.64	nm	nm	nm
GenMark Diagnostics, Inc.	\$11.80	\$8.67	\$7.51	36.1%	57.1%	\$472.9	\$47.6	(\$41.7)	(\$39.0)	(\$28.2)	9.94	nm	nm	nm
Haemonetics Corporation	\$36.21	\$28.80	\$33.50	25.7%	8.1%	\$2,106.7	\$906.8	\$179.4	\$209.3	\$241.0	2.32	11.7	10.1	8.7
Hologic, Inc.	\$38.83	\$34.06	\$37.86	14.0%	2.6%	\$13,569.3	\$2,832.7	\$1,042.1	\$1,135.3	\$1,200.8	4.79	13.0	12.0	11.3
Illumina, Inc.	\$181.66	\$137.58	\$169.82	32.0%	7.0%	\$26,250.9	\$2,370.6	\$723.4	\$817.6	\$921.8	11.07	36.3	32.1	28.5
Luminex Corporation	\$22.72	\$19.89	\$16.75	14.2%	35.6%	\$905.3	\$258.8	\$53.4	\$56.0	\$61.0	3.50	17.0	16.2	14.8
OraSure Technology	\$7.97	\$7.08	\$4.69	12.6%	69.9%	\$323.8	\$125.1	\$23.0	\$19.0	\$20.3	2.59	14.1	17.1	16.0
Quidel Corporation	\$22.09	\$17.64	\$18.82	25.2%	17.4%	\$709.4	\$191.2	\$16.3	\$49.1	\$61.0	3.71	43.5	14.5	11.6
Bio-Techne Corporation	\$109.50	\$108.98	\$90.83	0.5%	20.6%	\$4,309.8	\$517.2	\$197.6	\$259.5	\$274.3	8.33	21.8	16.6	15.7
Trinity Biotech	\$13.22	\$11.24	\$11.43	17.6%	15.7%	\$327.9	\$100.9	\$0.0	\$19.0	\$22.9	3.25	nm	17.3	14.4
Vermillion, Inc.	\$1.30	\$1.04	\$2.00	25.0%	-35.0%	\$61.7	\$2.2	(\$16.4)	nm	nm	28.07	nm	nm	nm

(\$Millions, except per share figures)

Data Source: Bloomberg

Public Medical Device Companies (continued)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q3 2016	Q2 2016	Q3 2015	Qtrly	Annual	Q3 2016	Q3 2016	Q3 2016	FY 2017	FY 2018	Q3 2016	Q3 2016	2017	2018
Cardiovascular														
ABIOMED, Inc.	\$128.58	\$108.16	\$89.03	18.9%	44.4%	\$5,313.1	\$385.7	\$77.9	\$147.0	\$235.5	13.78	68.2	36.1	22.6
CR Bard Inc.	\$224.28	\$232.35	\$185.40	-3.5%	21.0%	\$17,119.2	\$3,617.7	\$1,127.1	\$1,310.9	\$1,407.1	4.73	15.2	13.1	12.2
CardioNet Inc.	\$18.57	\$16.29	\$11.52	14.0%	61.2%	\$525.6	\$201.1	\$39.5	\$52.9	\$61.1	2.61	13.3	9.9	8.6
Cardiovascular Systems, Inc.	\$23.74	\$18.22	\$15.07	30.3%	57.5%	\$732.7	\$184.1	(\$27.6)	\$16.7	nm	3.98	nm	43.9	nm
CryoLife, Inc.	\$17.57	\$11.72	\$9.83	49.9%	78.7%	\$616.6	\$175.2	\$31.6	\$28.7	\$34.9	3.52	19.5	21.5	17.7
Edwards Lifesciences Corporation	\$120.56	\$96.91	\$137.79	24.4%	-12.5%	\$25,065.0	\$2,867.1	\$853.6	\$1,051.5	\$1,183.2	8.74	29.4	23.8	21.2
Integer Holdings Corporation	\$21.69	\$30.30	\$55.31	-28.4%	-60.8%	\$2,369.2	\$1,344.8	\$247.4	\$307.0	\$320.5	1.76	9.6	7.7	7.4
LeMaitre Vascular, Inc.	\$19.84	\$13.92	\$12.32	42.5%	61.0%	\$331.7	\$86.3	\$18.3	\$25.6	\$29.6	3.84	18.1	13.0	11.2
Merit Medical Systems, Inc.	\$24.29	\$19.48	\$23.98	24.7%	1.3%	\$1,388.8	\$584.5	\$89.7	\$105.3	\$117.0	2.38	15.5	13.2	11.9
St. Jude Medical, Inc.	\$79.76	\$77.56	\$62.94	2.8%	26.7%	\$28,158.5	\$5,956.0	\$1,748.0	\$1,931.1	\$2,049.9	4.73	16.1	14.6	13.7
The Spectranetics Corporation	\$25.09	\$18.32	\$11.55	37.0%	117.2%	\$1,324.7	\$264.1	(\$14.4)	(\$8.8)	\$7.3	5.02	nm	nm	nm
Vascular Solutions, Inc.	\$48.23	\$41.23	\$31.85	17.0%	51.4%	\$806.6	\$160.4	\$33.3	\$47.5	\$58.7	5.03	24.2	17.0	13.7

(\$Millions, except per share figures)

Data Source: Bloomberg

Public Medical Device Companies (continued)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q3 2016	Q2 2016	Q3 2015	Qtrly	Annual	Q3 2016	Q3 2016	Q3 2016	FY 2017	FY 2018	Q3 2016	Q3 2016	2017	2018
Ortho, Implants and Prosthetics														
Alphatech Holdings	\$9.40	\$0.35	\$0.32	2623.8%	2837.5%	\$119.2	\$162.3	\$5.2	nm	nm	0.73	22.8	nm	nm
Exactech, Inc.	\$27.03	\$26.17	\$17.77	3.3%	52.1%	\$389.8	\$254.1	\$44.8	\$47.5	\$50.5	1.53	8.7	8.2	7.7
Globus Medical, Inc.	\$22.57	\$23.83	\$20.98	-5.3%	7.6%	\$1,836.5	\$555.0	\$195.9	\$218.0	\$232.8	3.31	9.4	8.4	7.9
Intergra LifeSciences Holdings	\$82.55	\$78.00	\$59.47	5.8%	38.8%	\$3,664.3	\$977.6	\$223.0	\$261.4	\$291.8	3.75	16.4	14.0	12.6
NuVasive, Inc.	\$66.66	\$59.27	\$46.69	12.5%	42.8%	\$3,830.4	\$906.2	\$200.3	\$282.6	\$319.3	4.23	19.1	13.6	12.0
Orthofix International N.V.	\$42.77	\$42.43	\$32.68	0.8%	30.9%	\$728.4	\$405.9	\$58.7	\$84.2	\$89.3	1.79	12.4	8.7	8.2
RTI Surgical Inc.	\$3.13	\$3.58	\$5.47	-12.6%	-42.8%	\$314.4	\$277.6	\$34.1	\$35.3	nm	1.13	9.2	8.9	nm
Wright Medical Group, Inc.	\$24.53	\$16.50	\$20.34	48.7%	20.6%	\$2,985.2	\$686.0	(\$31.5)	\$76.7	\$124.0	4.35	nm	38.9	24.1
Zimmer Holdings, Inc.	\$130.02	\$119.15	\$93.79	9.1%	38.6%	\$37,099.6	\$7,604.4	\$2,391.2	\$3,197.0	\$3,386.5	4.88	15.5	11.6	11.0

(\$Millions, except per share figures)

Data Source: Bloomberg

Public Medical Device Companies (continued)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q3 2016	Q2 2016	Q3 2015	Qtrly	Annual	Q3 2016	Q3 2016	Q3 2016	FY 2017	FY 2018	Q3 2016	Q3 2016	2017	2018
Cosmetics														
Cutera, Inc.	\$11.92	\$10.99	\$13.07	8.5%	-8.8%	\$109.6	\$110.2	\$2.0	\$10.1	\$10.8	0.99	55.0	10.9	10.2
Cynosure, Inc.	\$50.94	\$47.68	\$30.05	6.8%	69.5%	\$1,012.6	\$413.8	\$62.1	\$79.2	\$103.0	2.45	16.3	12.8	9.8
PhotoMedex, Inc.	\$1.29	\$0.26	\$0.48	396.2%	166.5%	\$4.5	\$47.7	(\$10.5)	nm	nm	0.09	nm	nm	nm
Dental														
Align Technology, Inc.	\$93.75	\$79.85	\$55.91	17.4%	67.7%	\$6,828.6	\$1,016.9	\$261.5	\$341.3	\$419.7	6.71	26.1	20.0	16.3
DENTSPLY International	\$59.43	\$61.46	\$50.52	-3.3%	17.6%	\$15,116.4	\$3,419.9	\$829.6	\$1,068.7	\$1,167.3	4.42	18.2	14.1	12.9
Obesity Treatment														
EnteroMedics Inc.	\$0.14	\$0.28	\$0.24	-52.0%	-44.0%	\$8.2	\$0.8	(\$26.1)	nm	nm	10.38	nm	nm	nm
ZELTIQ Aesthetics, Inc.	\$39.22	\$27.14	\$30.95	44.5%	26.7%	\$1,491.3	\$327.3	\$2.1	\$53.0	\$79.2	4.56	703.8	28.1	18.8
Pediatric Medical Devices														
Natus Medical Incorporated	\$39.29	\$37.27	\$38.24	5.4%	2.7%	\$1,188.1	\$374.1	\$73.6	\$83.7	\$90.4	3.18	16.2	14.2	13.1
Surgery and Life Support Devices														
AtriCure	\$15.82	\$14.39	\$20.65	9.9%	-23.4%	\$522.9	\$149.8	(\$22.9)	(\$6.5)	\$4.5	3.49	nm	nm	117.2
Intuitive Surgical, Inc.	\$724.83	\$657.72	\$455.47	10.2%	59.1%	\$25,685.8	\$2,624.0	\$1,025.3	\$1,179.4	\$1,343.7	9.79	25.1	21.8	19.1
Misonix, Inc.	\$5.35	\$5.02	\$10.95	6.6%	-51.1%	\$33.3	\$23.5	(\$2.5)	nm	nm	1.42	nm	nm	nm
NxStage Medical, Inc.	\$24.99	\$21.34	\$16.44	17.1%	52.0%	\$1,573.7	\$363.2	\$27.0	\$28.9	\$64.0	4.33	58.2	54.4	24.6
Stereotaxis, Inc.	\$0.87	\$0.99	\$1.02	-12.1%	-14.7%	\$15.9	\$34.1	(\$5.1)	nm	nm	0.47	nm	nm	nm
SurModics Inc.	\$30.09	\$23.62	\$21.86	27.4%	37.6%	\$345.6	\$71.4	\$27.4	\$19.1	nm	4.84	12.6	18.1	nm
Teleflex, Inc.	\$168.05	\$173.70	\$123.75	-3.3%	35.8%	\$7,932.7	\$1,838.6	\$489.5	\$581.0	\$638.0	4.31	16.2	13.7	12.4

(\$Millions, except per share figures)

Data Source: Bloomberg

Public Medical Device Companies (continued)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q3 2016	Q2 2016	Q3 2015	Qtrly	Annual	Q3 2016	Q3 2016	Q3 2016	FY 2017	FY 2018	Q3 2016	Q3 2016	2017	2018
General Hospital Devices and Supplies														
CONMED Corporation	\$40.06	\$45.91	\$47.09	-12.7%	-14.9%	\$1,587.8	\$750.4	\$125.2	\$142.0	\$149.7	2.12	12.7	11.2	10.6
Digirad Corporation	\$5.10	\$5.18	\$3.65	-1.5%	39.7%	\$118.8	\$109.9	\$13.3	\$18.7	\$19.9	1.08	8.9	6.4	6.0
Dynatronics Corporation	\$2.50	\$2.63	\$3.08	-4.9%	-18.9%	\$14.0	\$31.2	(\$0.4)	nm	nm	0.45	nm	nm	nm
FONAR Corporation	\$20.54	\$19.94	\$12.42	3.0%	65.4%	\$136.9	\$74.5	\$18.8	nm	nm	1.84	7.3	nm	nm
Intuitive Surgical, Inc.	\$724.83	\$657.72	\$455.47	10.2%	59.1%	\$25,685.8	\$2,624.0	\$1,025.3	\$1,179.4	\$1,343.7	9.79	25.1	21.8	19.1
Masimo Corporation	\$59.49	\$51.56	\$37.61	15.4%	58.2%	\$2,962.4	\$678.7	\$144.9	\$152.5	\$199.0	4.36	20.4	19.4	14.9
Opko Health, Inc.	\$10.59	\$9.30	\$8.42	13.9%	25.8%	\$5,813.4	\$1,222.4	\$96.8	\$62.9	\$247.0	4.76	60.0	92.5	23.5
STERIS Corporation	\$73.10	\$67.36	\$64.38	8.5%	13.5%	\$7,558.4	\$2,593.8	\$566.9	\$649.7	\$692.0	2.91	13.3	11.6	10.9
Varian Medical Systems, Inc.	\$99.53	\$80.61	\$73.25	23.5%	35.9%	\$9,036.5	\$3,217.8	\$685.9	\$746.0	\$825.0	2.81	13.2	12.1	11.0
Home Health and Consumer Devices														
Invacare Corporation	\$11.17	\$12.01	\$14.57	-7.0%	-23.3%	\$384.4	\$1,084.0	\$3.4	(\$3.5)	nm	0.35	113.5	nm	nm
Mine Safety Appliances Company	\$58.04	\$50.48	\$38.69	15.0%	50.0%	\$2,549.4	\$1,165.7	\$197.0	\$233.0	\$255.7	2.19	12.9	10.9	10.0
ResMed Inc.	\$64.79	\$62.03	\$50.62	4.4%	28.0%	\$9,519.6	\$1,892.5	\$530.9	\$661.2	\$734.5	5.03	17.9	14.4	13.0
Span-America Medical Systems, Inc.	\$18.39	\$18.15	\$17.25	1.3%	6.6%	\$46.9	\$67.6	\$7.3	nm	nm	0.69	6.5	nm	nm
Syneron Medical Ltd.	\$7.16	\$7.62	\$7.01	-6.0%	2.1%	\$165.6	\$294.1	\$9.8	\$26.8	nm	0.56	16.8	6.2	nm

(\$Millions, except per share figures)

Data Source: Bloomberg

Public Medical Device Companies (continued)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q3 2016	Q2 2016	Q3 2015	Qtrly	Annual				Q3 2016	Q3 2016			Q3 2016	FY 2017
Other Medical Device														
Accuray Incorporated	\$6.37	\$5.14	\$4.98	23.9%	27.9%	\$570.2	\$395.7	\$14.2	\$48.7	nm	1.44	40.1	11.7	nm
Allied Healthcare Products, Inc.	\$0.82	\$0.61	\$1.15	34.3%	-28.8%	\$5.2	\$35.9	(\$0.9)	nm	nm	0.14	nm	nm	nm
Arrhythmia Research Technology, Inc.	\$4.19	\$4.59	nm	-8.7%	nm	\$15.7	\$19.6	\$1.0	nm	nm	0.80	15.5	nm	nm
Escalon Medical Corp.	\$0.67	nm	\$1.15	nm	-41.7%	\$4.9	\$11.1	(\$1.2)	nm	nm	0.44	nm	nm	nm
IRIDEX Corporation	\$14.49	\$14.78	\$7.16	-2.0%	102.4%	\$137.0	\$45.7	(\$0.4)	\$0.1	\$4.2	3.00	nm	1,412.9	32.8
Navidea Biopharmaceuticals, Inc.	\$0.92	\$0.55	\$2.26	66.5%	-59.5%	\$204.5	\$22.9	\$0.8	nm	nm	8.92	247.8	nm	nm
ThermoGenesis Corp.	\$3.92	\$2.93	\$0.58	33.8%	571.2%	\$32.8	\$12.9	(\$7.8)	nm	nm	2.55	nm	nm	nm
Congentix Medical, Inc.	\$1.82	\$1.03	\$1.10	76.7%	65.5%	\$68.2	\$52.3	\$3.2	nm	nm	1.31	21.2	nm	nm
Congentix Medical, Inc.	\$0.96	\$1.05	\$1.68	-8.4%	-42.7%	\$46.4	\$48.8	(\$1.4)	nm	nm	0.95	nm	nm	nm
Other Diversified Cos with Med-Tech Components														
Agilent Technologies, Inc.	\$47.09	\$43.76	\$33.74	7.6%	39.6%	\$14,901.3	\$4,202.0	\$944.0	\$1,130.6	\$1,348.7	3.55	15.8	13.2	11.0
Danaher Corporation	\$78.39	\$100.11	\$83.21	-21.7%	-5.8%	\$61,544.9	\$21,189.1	\$4,936.8	\$4,275.5	\$4,642.9	2.90	12.5	14.4	13.3
General Electric	\$29.62	\$30.55	\$24.57	-3.0%	20.6%	\$343,930.7	\$119,975.0	\$11,259.5	\$21,550.1	\$24,598.6	2.87	30.5	16.0	14.0
PerkinElmer, Inc.	\$56.11	\$51.62	\$45.29	8.7%	23.9%	\$6,958.4	\$2,267.5	\$440.9	\$495.0	\$528.2	3.07	15.8	14.1	13.2
Thermo Fisher Scientific Inc.	\$159.06	\$145.16	\$119.84	9.6%	32.7%	\$79,654.0	\$17,973.4	\$4,431.9	\$5,134.9	\$5,519.3	4.43	18.0	15.5	14.4

(\$Millions, except per share figures)

Data Source: Bloomberg

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