

VALUE FOCUS

# Medical Device Industry



## Second Quarter 2015

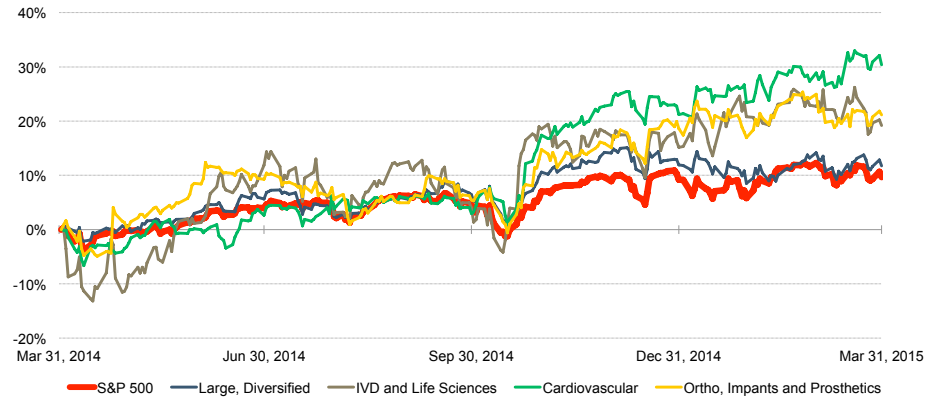
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## Stock Market Performance

Total investor returns across major medical device sectors exceeded S&P 500 performance in the year ended 1Q2015. As a group, cardiovascular companies beat the other segments over the period. With the exception of the orthopedic, implants and prosthetics group, multiples expanded across all sectors compared to the same quarter last year.

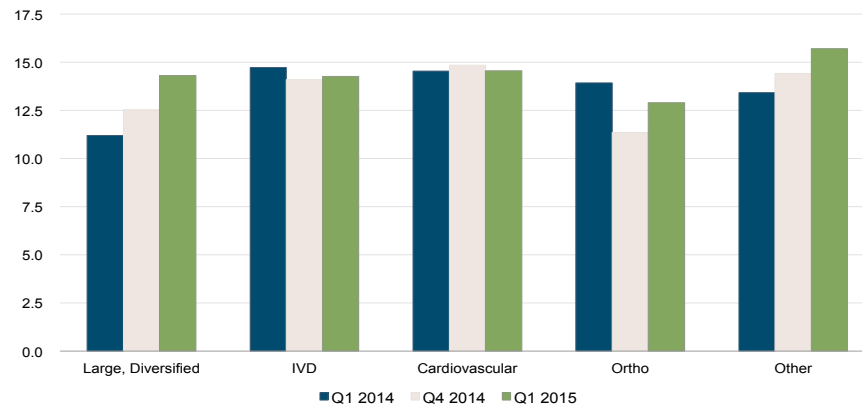
- » Within the IVD and Life Sciences group, Affymetrix registered a stock price increase of 70% over the year ended March 31, 2015. Following much larger gains in the prior period, Illumina stock gained a relatively modest 19% during the period. The company manufactures integrated systems for the analysis of genetic variation using sequencing and array-based techniques. Collectively, the IVD companies advanced 19% over the year to 1Q 2015.
- » Cardiovascular companies returned a collective 29% during the year to 1Q15. Significant stock price gainers within the group included Edward Lifesciences Corporation (92%), Merit Medical Systems (31%), and Abiomed (173%).
- » Orthopedic, implants and prosthetics companies collectively returned 21% in the year ended 1Q15. Companies with significant total returns (including dividends) included Integra LifeSciences (34%), Zimmer (24.3%), and RTI Surgical (24%). In reviewing its 1Q15 performance, IART management noted strong organic revenue growth for two sequential quarters, as well as year-over-year improvement in first quarter EBITDA margins despite currency headwinds. The company spun off its spine business (including orthobiologics and fusion hardware product portfolios) into a separate entity called SeaSpine Holdings (SPNE) that began trading publicly on June 17, 2015.
- » The larger diversified companies collectively returned 12% over the year prior to 1Q15.

**Total Shareholder Returns**



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

**EV/EBITDA Multiples**



Median EBITDA multiples from each MCM group. Data Source: Bloomberg, Mercer Capital analysis

# Venture Capital Funding & Exit Activity

Venture Capital funding in the medical device industry during 1Q15 totaled \$469 million, down 21% compared to 1Q14.<sup>1</sup>

- » The number of deals in 1Q15 (69) was relatively flat compared to 1Q14 (67).
- » VC investments in medical device companies accounted for 3.5% of all VC investments during 1Q15, down from 4.5% in 4Q14 and 5.6% during 1Q14. This is the second consecutive quarter of declining share and the lowest since the third quarter of 2000.
- » Total VC funding for the year ended 1Q15 was \$2.4 billion, up 13% compared to the prior year. This is the first year-over-year increase in medical device funding for comparable periods since the year ended first quarter of 2012.
- » Medical device VC investments are generally perceived to be riskier due to the need to obtain both regulatory approval and payor coverage (reimbursement) in order to enable commercial success of the products. Consequently, later stage companies have tended to command a higher proportion of VC funding and deals. This trend shifted at the end of 2014 as early stage companies saw an increase in investments of 103% (to \$196 million) compared to 4Q13, while later-stage funding increased 47% (to \$553 million) compared to 4Q13.<sup>2</sup>
- » The impact of the longer-term decline in the VC investment share of medical device companies is tempered somewhat by investment interest from larger, more established companies seeking engagement earlier in the development cycle. During 1Q15, (strategic) corporate investments represented 5.4% of all VC investments in medical device companies.<sup>3</sup>
- » Over the past year, VC investors became more attracted to companies focused on cutting-edge products, such as minimally invasive surgical devices and image guided devices, because of their potential for higher ROI.<sup>4</sup>
- » In January 2015, the FDA outlined basic regulation for wearable medical devices, and stated that it would not regulate general wellness products.<sup>5</sup> This relaxed FDA regulation, along with technological advances, could make wearables and the related software ecosystem (that collect health and well-being data to improve patient outcomes regarding both treatment and prevention of disease) an attractive segment within the medical device industry for VC investments in the near to medium term.

<sup>1</sup> Data compiled in the MoneyTree™ report, as available at <https://www.pwcmoneytree.com>.

<sup>2</sup> Life Sciences Q4 2014 MoneyTree™ Report, as available at <https://www.pwcmoneytree.com>, accessed on June 9, 2015.

<sup>3</sup> Data compiled in NVCA Corporate Venture Investment Report, as available at <http://nvca.org/research/corporate-venture/>, accessed June 4, 2015.

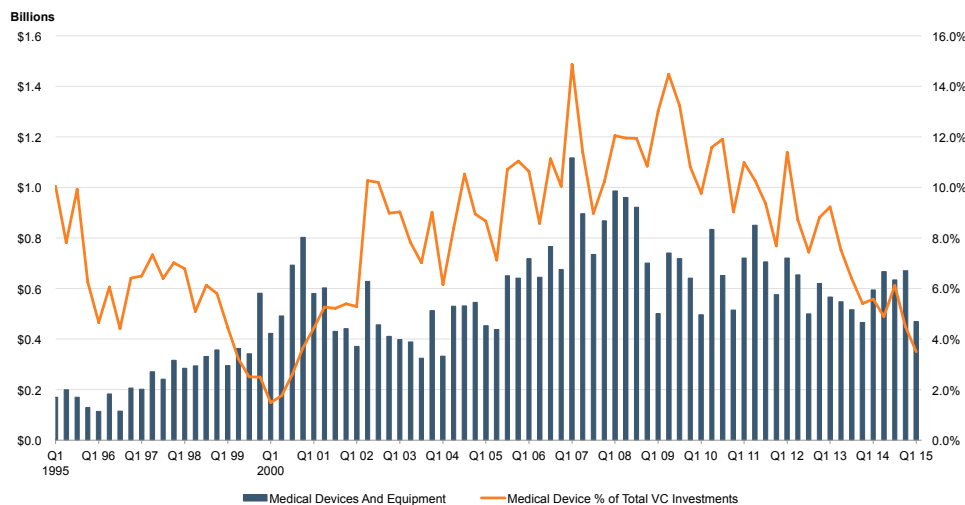
<sup>4</sup> Medtech Venture Capital Funding is Making a Comeback, available online at <http://www.mddionline.com/article/medtech-venture-capital-funding-making-comeback-12-04-2014>, accessed on June 9, 2015.

<sup>5</sup> "FDA to avoid regulating most wearables, seeking to reduce device accessory regulation overall," available online at <http://www.fiercemedicaldevices.com/story/fda-avoid-regulating-most-wearables-seeking-reduce-medical-device-regulatio/2015-01-20>, accessed June 4, 2015.

Exit activity for venture-backed companies included IPOs and M&A deals.

- » During 1Q15, seven IPOs of venture-backed medical device and healthcare companies raised \$384.8 million.<sup>6</sup> The companies going public included Eyegate Pharmaceuticals Inc (EYEG), Check Cap Ltd (CHEKU), Steadymed Ltd (STDY), Zosano Pharma Corp (ZSAN), Avinger Inc (AVGR), Entellus Medical Inc (ENTL), Ascendis Pharma A/S (ASND).
- » Ten venture-backed medical device and healthcare companies entered into strategic M&A transactions during 1Q15. Aggregate transaction value for the five deals with disclosed values totaled \$895 million.<sup>7</sup>

### Venture Capital Investments in Medical Devices



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

<sup>6</sup> Data compiled in NVCA Q1 2015 Venture-Backed IPOs Report, as available online at <http://nvca.org/research/exits/>, accessed June 4, 2015.

<sup>7</sup> "Venture-Backed IPO Exit & Merger Activity Down In First Quarter After Busy 2014," available online at <http://nvca.org/pressreleases/venture-backed-ipo-exit-merger-activity-down-in-first-quarter-after-busy-2014/>, accessed June 4, 2015.

## Select Venture Funding Deals

Company	Recent Financing		Founded	Notes
	Amount (\$M)	Round		
Heartflow	\$36	Later Stage	2007	Non-invasive diagnosis of coronary artery disease
iRhythm Technologies	\$27	Expansion	2006	Diagnostic monitoring solutions that facilitate early diagnosis and treatment of cardiac arrhythmia
Brainsgate	\$26	Later Stage	2000	Therapies for central nervous system diseases
Unchained Labs	\$25	Early Stage	2014	Life sciences tool company
Vaxxas	\$25	Early Stage	2011	Micro needle technology for vaccine delivery
Quantum Biosystems	\$20	Early Stage	2013	Development of single-molecule DNA sequencers
Atlas Genetics	\$20	Expansion	2005	Point-of-care tests for infectious diseases
USGI Medical	\$20	Later Stage	2001	Incisionless surgery technologies
Apama Medical	\$18	Early Stage	2009	Electrophysiology products
Veniti	\$17	Early Stage	2010	Treatment for chronic venous insufficiency disease
Vascular Dynamics	\$17	Later Stage	2008	Implantable stent-like device to treat hypertension
Osprey Medical	\$16	Expansion	2005	Kidney protection during coronary interventions
Vascular Therapies	\$16	Early Stage	2001	Drug-device combination product for perivascular implantation during surgery
LensAR	\$16	Later Stage	2004	Laser and 3D imaging technology for cataract surgery
Cephea Valve Technologies	\$15	Later Stage	2011	Catheter delivered mitral valve regurgitation products
Ablative Solutions	\$15	Later Stage	2011	Alternative hypertension treatment
Daktari Diagnostics	\$15	Expansion	2008	Diagnostic medical products
Accriva Diagnostics	\$15	Later Stage	2010	Point-of-care tests for cardiovascular conditions
Cardiac Dimensions	\$15	Expansion	2001	Treatment for heart failure and mitral valve regurgitation
POCARED Diagnostics	\$15	Expansion	2004	Diagnostics and pre-analytical technology manufacturer
Minimally Invasive Devices	\$12	Expansion	2009	Surgical tools for minimally-invasive surgery
Cerevast Therapeutics	\$11	Expansion	2009	Treatments for acute ischemic stroke and other vascular disorders
Leixir Group	\$10	Expansion	na	Dental lab services and products
Saluda Medical	\$10	Early Stage	2013	Personalized neuromodulation therapy

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 Q1 2015.

## Transactions

Notable recent medical device company transactions include:

- » **Becton, Dickinson and Co.** completed the acquisition of **CareFusion Corporation** in a cash and stock deal valued at \$12.1 billion in March 2015. BDX expects the merger to improve its position as a global medical technology leader by building scale and depth in medication management and patient safety solutions.<sup>8</sup>
- » **Steris Corp.** announced the acquisition of **Synergy Health PLC** in a deal valued at \$1.9 billion in October 2014. The deal is on hold as the Federal Trade Commission moved in late May 2015 to block the merger citing antitrust concerns primarily regarding Synergy's medical device sterilization unit. The companies have extended the deal deadline to December 2015 in order to contest the FTC's decision.<sup>9</sup>
- » **Cyberonics Inc.** and **Sorin Spa** announced an agreement to merge in a stock deal with a combined equity value of \$2.7 billion. The new, unnamed holding company will be domiciled in the U.K. due to lower corporate tax rates. The companies believe the deal will allow them to bring new medical devices to market more quickly. The merger is expected to close by the end of 2015.<sup>10</sup>
- » **Philips** completed the acquisition of **Volcano Corp** for \$1.2 billion in February 2015. This move reflects Philips's desire to focus on the higher-margin healthcare business. Management believes the deal will strengthen Philips's position in non-invasive surgery, a rapidly growing segment in the medical device industry.<sup>11</sup>

<sup>8</sup> <https://www.bd.com/press-details/18805/Becton-Dickinson-Completes-Acquisition-of-CareFusion>.

<sup>9</sup> <http://www.wsj.com/articles/ftc-sues-to-block-steris-synergy-merger-1432918817>.

<sup>10</sup> <http://www.bloomberg.com/news/articles/2015-02-26/medical-device-makers-sorin-cyberonics-to-merge-in-stock-deal>.

<sup>11</sup> <http://www.reuters.com/article/2014/12/17/us-volcano-m-a-philips-idUSKBN0JV0G120141217>.

**Medical Devices Select Transactions Summary**

(\$Millions)

Acquirer	Target	Date	Est. Deal Size (EV)	Sales Est.	EBITDA Est.	EV / Sales	EV / EBITDA	Segment
Cyberonics Inc	Sorin SpA	2/26/15	\$1,512.2	\$889.5	\$98.1	1.7	15.4	Medical Devices
Globus Medical Inc	Branch Medical Group Inc	2/25/15	\$52.9	\$23.2	\$9.1	2.3	5.8	Musculoskeletal Devices
Cantel Medical Corp	Mrlb International Inc	2/23/15	\$10.0	na	na	nm	nm	Medical Equipment
William Demant Holding A/S	Audika Groupe	2/17/15	\$197.0	\$111.3	\$17.6	1.8	11.2	Hearing Devices
Exactech Inc	BlueOrtho SAS	1/20/15	\$11.6	na	na	nm	nm	Orthopedic Devices
Philips Holding USA	Volcano Corp	12/17/14	\$1,190.7	\$395.1	\$15.7	3.0	75.8	Medical Products
Synergetics USA Inc	Sterimedix Ltd	12/10/14	\$13.5	\$6.4	na	2.1	nm	Surgical Devices
CRH Medical Group	Gastroenterology Anesthesia Associates LLC	12/2/14	\$73.2	\$37.1	\$25.1	2.0	2.9	Medical Products
Cantel Medical Corp	International Medical Service S.r.l.	11/4/14	\$24.6	\$14.9	\$3.7	1.7	6.6	Medical Equipment
Bio-Techne Corp	CyVek Inc	11/4/14	\$106.0	na	na	nm	nm	Medical Products
Tornier NV	Wright Medical Group Inc	10/27/14	\$1,264.4	\$280.0	(\$57.4)	4.5	nm	Medical Devices
STERIS Corp	Synergy Health PLC	10/13/14	\$2,128.1	\$627.2	\$165.9	3.4	12.8	Medical Sterilization Products
Cooper Companies Inc	EndoSee Corp	10/8/14	\$44.0	na	na	nm	nm	Medical Devices

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



**Medical Devices Select Transactions Summary**

(\$Millions)

Acquirer	Target	Date	Est. Deal Size (EV)	Sales Est.	EBITDA Est.	EV / Sales	EV / EBITDA	Segment
Becton Dickinson and Co	CareFusion Corp	10/5/14	\$12,057.7	\$3,934.0	\$885.0	3.1	13.6	Medical Devices
Harvard Bioscience Inc	Triangle Biosystems, Multi Channel Sytems	10/1/14	\$1.6	na	na	nm	nm	Medical Instruments
Tecan Group AG	IBL International Holding BV	7/30/14	\$38.8	\$22.0	na	1.8	nm	Medical Instruments
Medtronic PLC	Visualase Inc	7/28/14	\$105.0	na	na	nm	nm	Medical Devices
Thoratec Corp	Apica Cardiovascular Ltd	7/2/14	\$75.0	na	na	nm	nm	Medical Products
Bio-Techne Corp	Novus Biologicals LLC	7/2/14	\$60.0	na	na	nm	nm	Medical Products
Cooper Companies Inc	Sauflon Pharmaceuticals Ltd	7/1/14	\$1,341.5	na	na	nm	nm	Medical Devices
Medtronic PLC	Corventis Inc	6/20/14	\$131.0	na	na	nm	nm	Medical Devices
Medtronic PLC	Covidien PLC	6/15/14	\$46,878.4	\$10,329.0	\$2,788.0	4.5	16.8	Medical Devices
Novadaq Technologies Inc	Aimago SA	4/24/14	\$12.4	na	na	nm	nm	Medical Imaging Systems
Baxter International Inc	Chatham Therapeutics LLC	4/2/14	\$630.0	na	na	nm	nm	Medical Products
STERIS Corp	Integrated Medical Systems Inc	4/1/14	\$1,654.0	\$117.9	na	14.0	nm	Medical Sterilization Products

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	
	Q1 2015	Q4 2014	Q1 2015	Q4 2014	Q1 2015	Q4 2014	Q1 2015	Q4 2014
Large, Diversified	65.6%	65.8%	26.4%	26.6%	15.6%	16.2%	8.1%	8.5%
IVD & Life Sciences	54.9%	54.2%	16.3%	13.7%	5.1%	4.5%	10.1%	10.1%
Cardiovascular	67.2%	66.9%	15.7%	15.8%	10.9%	10.0%	11.7%	12.0%
Ortho, Implants & Prosthetics	74.3%	73.6%	18.0%	17.7%	7.8%	4.3%	6.4%	6.2%
Other	53.5%	53.2%	4.1%	2.6%	5.5%	6.0%	7.5%	7.5%
<b>All Companies</b>	<b>60.6%</b>	<b>59.2%</b>	<b>15.5%</b>	<b>15.0%</b>	<b>7.4%</b>	<b>7.0%</b>	<b>8.0%</b>	<b>8.1%</b>

Segment	Historical Rev Growth		LT Fwd Op Earn Growth	Debt / EV		Debt / EBITDA	
	Quarterly	Annual	Q1 2015	Q1 2015	Q4 2014	Q1 2015	Q4 2014
Large, Diversified	-0.1%	3.1%	10.1%	15.4%	20.1%	2.5	2.2
IVD & Life Sciences	1.2%	3.4%	13.5%	4.9%	4.9%	2.0	1.9
Cardiovascular	1.7%	8.8%	15.0%	6.1%	6.9%	0.5	1.0
Ortho, Implants & Prosthetics	0.7%	6.9%	13.0%	17.4%	12.0%	2.3	2.1
Other	1.8%	3.7%	15.9%	2.0%	2.6%	0.1	0.0
<b>All Companies</b>	<b>1.3%</b>	<b>4.1%</b>	<b>15.0%</b>	<b>5.7%</b>	<b>6.1%</b>	<b>0.9</b>	<b>0.9</b>

Median measures for each group. | Data Source: Bloomberg

## Public Medical Device Companies

	Price			Δ Stock Price		EV Q1 2015	TTM Rev Q1 2015	TTM EBITDA Q1 2015	FWD EBITDA		EV / Sales Q1 2015	EV / EBITDA Q1 2015	EV / FWD EBITDA	
	Q1 2015	Q4 2014	Q1 2014	Qtrly	Annual				FY 2015	FY 2016			2015	2016
<b>Large, Diversified</b>														
Abbott Laboratories	\$45.87	\$45.00	\$37.11	1.9%	23.6%	\$69,078.9	\$20,414.0	\$4,824.0	\$5,106.6	\$5,606.4	3.38	14.3	13.5	12.3
Baxter	\$36.92	\$39.59	\$38.15	-6.7%	-3.2%	\$44,736.9	\$16,587.0	\$4,082.0	\$1,936.2	\$1,661.8	2.70	11.0	23.1	26.9
Becton, Dickinson and Company	\$142.98	\$138.77	\$113.04	3.0%	26.5%	\$41,880.6	\$8,461.0	\$2,256.0	\$2,694.4	\$3,518.3	4.95	18.6	15.5	11.9
Boston Scientific Corporation	\$17.75	\$13.37	\$13.20	32.8%	34.5%	\$27,796.5	\$7,374.0	\$1,708.0	\$1,987.1	\$2,253.5	3.77	16.3	14.0	12.3
Medtronic, Inc.	\$77.60	\$72.42	\$58.78	7.2%	32.0%	\$127,847.0	\$20,261.0	\$5,990.0	\$9,817.8	\$10,713.3	6.31	21.3	13.0	11.9
Johnson & Johnson	\$99.11	\$103.08	\$93.43	-3.8%	6.1%	\$267,388.3	\$73,590.0	\$24,614.0	\$23,481.5	\$25,385.1	3.63	10.9	11.4	10.5
Stryker Corporation	\$91.92	\$94.86	\$79.08	-3.1%	16.2%	\$34,179.6	\$9,749.0	\$2,573.0	\$2,711.8	\$2,888.3	3.51	13.3	12.6	11.8
<b>IVD &amp; Life Sciences</b>														
Affymetrix, Inc.	\$12.56	\$9.99	\$6.65	25.7%	88.9%	\$992.3	\$354.8	\$49.0	\$60.7	\$66.2	2.80	20.2	16.3	15.0
Alere, Inc.	\$48.90	\$38.19	\$34.15	28.0%	43.2%	\$7,562.7	\$2,749.2	\$530.0	\$575.0	\$618.0	2.75	14.3	13.2	12.2
Bio-Rad Laboratories, Inc.	\$135.18	\$121.96	\$126.64	10.8%	6.7%	\$3,658.3	\$2,138.5	\$348.9	\$294.5	\$317.0	1.71	10.5	12.4	11.5
Bruker Corporation	\$18.47	\$19.92	\$22.51	-7.3%	-17.9%	\$2,981.4	\$1,738.7	\$225.8	\$230.0	\$259.9	1.71	13.2	13.0	11.5
Enzo Biochem, Inc.	\$2.95	\$4.50	\$3.97	-34.4%	-25.7%	\$122.5	\$96.8	\$0.0	(\$9.0)	(\$9.4)	1.27	nm	nm	nm
GenMark Diagnostics, Inc.	\$12.98	\$13.60	\$9.73	-4.6%	33.4%	\$482.2	\$32.8	(\$37.3)	(\$42.3)	(\$44.9)	14.71	nm	nm	nm
Haemonetics Corporation	\$44.92	\$38.58	\$32.11	16.4%	39.9%	\$2,580.2	\$910.4	\$199.1	\$220.5	\$236.0	2.83	13.0	11.7	10.9
Hologic, Inc.	\$33.03	\$26.92	\$21.01	22.7%	57.2%	\$12,514.7	\$2,601.5	\$943.5	\$971.9	\$1,053.6	4.81	13.3	12.9	11.9
Illumina, Inc.	\$185.64	\$186.29	\$142.02	-0.3%	30.7%	\$26,629.7	\$1,979.1	\$665.5	\$800.9	\$964.1	13.46	40.0	33.3	27.6
Luminex Corporation	\$16.00	\$18.78	\$17.84	-14.8%	-10.3%	\$595.3	\$228.2	\$51.2	\$52.7	\$53.3	2.61	11.6	11.3	11.2
OraSure Technology	\$6.54	\$10.17	\$7.71	-35.7%	-15.2%	\$279.5	\$110.0	\$1.2	\$7.9	\$12.9	2.54	232.5	35.6	21.7
Quidel Corporation	\$26.98	\$28.40	\$27.40	-5.0%	-1.5%	\$845.4	\$197.2	\$34.6	\$36.4	\$45.5	4.29	24.4	23.2	18.6
TECHNE Corporation	\$99.66	\$92.49	\$82.95	7.8%	20.2%	\$3,716.3	\$427.1	\$189.5	\$204.7	\$215.5	8.70	19.6	18.2	17.2
Trinity Biotech	\$19.01	\$16.59	\$22.71	14.6%	-16.3%	\$438.1	\$105.1	\$0.0	\$20.7	\$24.5	4.17	nm	21.2	17.9
Vermillion, Inc.	\$1.77	\$1.93	\$3.00	-8.3%	-41.0%	\$59.1	\$3.2	(\$4.2)	na	na	18.65	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	
	Q1 2015	Q4 2014	Q1 2014	Qtrly	Annual	Q1 2015	Q1 2015	Q1 2015	FY 2015	FY 2016	Q1 2015	Q1 2015	2015	2016
<b>Cardiovascular</b>														
ABIOMED, Inc.	\$71.58	\$38.36	\$25.70	86.6%	178.5%	\$2,796.5	\$230.3	\$33.0	\$58.1	\$83.7	12.14	84.6	48.2	33.4
AngioDynamics, Inc.	\$17.79	\$19.13	\$15.46	-7.0%	15.1%	\$764.8	\$360.1	\$54.7	\$52.7	\$57.9	2.12	14.0	14.5	13.2
CR Bard Inc.	\$166.91	\$168.01	\$144.28	-0.7%	15.7%	\$13,066.2	\$3,344.0	\$1,022.5	\$1,020.8	\$1,087.3	3.91	12.8	12.8	12.0
CardioNet Inc.	\$8.85	\$9.94	\$9.83	-11.0%	-10.0%	\$250.8	\$172.9	\$27.5	\$27.2	\$36.3	1.45	9.1	9.2	6.9
Cardiovascular Systems, Inc.	\$39.04	\$29.14	\$31.50	34.0%	23.9%	\$1,140.5	\$172.7	(\$31.8)	(\$10.3)	\$6.3	6.61	nm	nm	181.0
CryoLife, Inc.	\$10.34	\$11.37	\$9.49	-9.0%	9.0%	\$260.1	\$142.7	\$11.3	\$5.3	\$17.7	1.82	23.1	49.1	14.7
Cyberonics, Inc.	\$64.92	\$55.29	\$62.00	17.4%	4.7%	\$1,538.9	\$291.6	\$105.7	\$128.0	\$133.0	5.28	14.6	12.0	11.6
Edwards Lifesciences Corporation	\$142.46	\$129.27	\$71.16	10.2%	100.2%	\$14,549.8	\$2,390.8	\$635.1	\$697.7	\$745.4	6.09	22.9	20.9	19.5
Greatbatch, Inc.	\$57.85	\$49.63	\$44.83	16.6%	29.0%	\$1,584.7	\$674.8	\$119.7	\$137.5	\$157.0	2.35	13.2	11.5	10.1
HeartWare International, Inc.	\$87.77	\$71.61	\$91.58	22.6%	-4.2%	\$1,457.0	\$282.0	(\$3.7)	(\$8.0)	\$1.7	5.17	nm	nm	849.1
LeMaitre Vascular, Inc.	\$8.32	\$7.33	\$7.70	13.5%	8.1%	\$129.7	\$73.3	\$3.1	\$13.1	\$15.0	1.77	41.3	9.9	8.7
Merit Medical Systems, Inc.	\$19.25	\$17.53	\$13.82	9.8%	39.3%	\$1,042.9	\$520.0	\$80.3	\$86.8	\$95.3	2.01	13.0	12.0	10.9
St. Jude Medical, Inc.	\$65.15	\$65.65	\$63.45	-0.8%	2.7%	\$21,168.0	\$5,604.0	\$1,725.0	\$1,690.4	\$1,818.9	3.78	12.3	12.5	11.6
The Spectranetics Corporation	\$34.76	\$34.49	\$28.56	0.8%	21.7%	\$1,652.2	\$222.7	(\$2.8)	(\$26.6)	(\$6.3)	7.42	nm	nm	nm
Thoratec Corp	\$41.89	\$32.83	\$35.15	27.6%	19.2%	\$2,031.8	\$473.2	\$77.5	\$114.0	\$134.8	4.29	26.2	17.8	15.1
Vascular Solutions, Inc.	\$30.32	\$27.35	\$25.57	10.9%	18.6%	\$489.3	\$130.8	\$29.8	\$27.6	\$33.6	3.74	16.4	17.7	14.6

(\$Millions, except per share figures)

Data Source: Bloomberg

## Public Medical Device Companies (continued)

	Price			Δ Stock Price		EV Q1 2015	TTM Rev Q1 2015	TTM EBITDA Q1 2015	FWD EBITDA		EV / Sales Q1 2015	EV / EBITDA Q1 2015	EV / FWD EBITDA	
	Q1 2015	Q4 2014	Q1 2014	Qtrly	Annual				FY 2015	FY 2016			2015	2016
<b>Ortho, Implants and Prosthetics</b>														
Alphatech Holdings	\$1.45	\$1.33	\$1.50	9.0%	-3.3%	\$236.5	\$206.5	\$25.3	\$22.5	\$32.0	1.15	9.4	10.5	7.4
Exactech, Inc.	\$25.63	\$23.44	\$22.09	9.3%	16.0%	\$367.5	\$246.5	\$44.4	\$45.0	\$48.4	1.49	8.3	8.2	7.6
Globus Medical, Inc.	\$25.24	\$24.08	\$25.80	4.8%	-2.2%	\$2,105.6	\$491.8	\$169.6	\$186.4	\$204.1	4.28	12.4	11.3	10.3
Intergra LifeSciences Holdings	\$55.72	\$49.15	\$40.86	13.4%	36.4%	\$2,558.0	\$946.9	\$191.3	\$208.6	\$239.4	2.70	13.4	12.3	10.7
NuVasive, Inc.	\$45.99	\$48.10	\$37.36	-4.4%	23.1%	\$2,270.2	\$777.3	\$156.6	\$201.8	\$219.4	2.92	14.5	11.3	10.3
Orthofix International N.V.	\$35.89	\$30.64	\$30.29	17.1%	18.5%	\$643.3	\$392.0	\$45.6	\$58.9	\$71.1	1.64	14.1	10.9	9.1
RTI Surgical Inc.	\$4.94	\$5.24	\$3.90	-5.7%	26.7%	\$398.8	\$270.1	\$36.0	\$41.3	\$49.7	1.48	11.1	9.7	8.0
Smith & Nephew, plc	\$33.81	\$36.86	\$29.84	-8.3%	13.3%	na	\$4,648.0	\$1,365.0	\$1,396.5	\$1,534.3	nm	nm	nm	nm
Tornier NV	\$26.22	\$25.70	\$20.57	2.0%	27.5%	\$1,343.0	\$344.0	\$27.9	\$36.4	\$38.6	3.90	48.2	36.9	34.8
Wright Medical Group, Inc.	\$25.80	\$27.11	\$30.51	-4.8%	-15.4%	\$1,409.1	\$304.9	\$0.9	(\$25.4)	\$0.3	4.62	1,501.1	nm	4,909.8
Zimmer Holdings, Inc.	\$117.29	\$114.13	\$92.78	2.8%	26.4%	\$19,760.3	\$4,646.2	\$1,848.4	\$2,404.6	\$3,029.9	4.25	10.7	8.2	6.5

(\$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	
	Q1 2015	Q4 2014	Q1 2014	Qtrly	Annual	Q1 2015	Q1 2015	Q1 2015	FY 2015	FY 2016	Q1 2015	Q1 2015	2015	2016
<b>Cosmetics</b>														
Cutera, Inc.	\$12.92	\$9.96	\$11.05	29.7%	16.9%	\$113.7	\$81.0	(\$77)	(\$1.0)	\$2.8	1.40	nm	nm	40.3
Cynosure, Inc.	\$30.67	\$27.87	\$28.55	10.0%	7.4%	\$556.6	\$305.3	\$45.9	\$51.6	\$65.2	1.82	12.1	10.8	8.5
PhotoMedex, Inc.	\$2.01	\$1.57	\$15.47	28.0%	-87.0%	\$79.1	\$172.9	(\$15.0)	(\$11.7)	na	0.46	nm	nm	nm
<b>Dental</b>														
Align Technology, Inc.	\$53.79	\$56.36	\$50.73	-4.6%	6.0%	\$3,728.6	\$779.1	\$218.1	\$203.6	\$256.2	4.79	17.1	18.3	14.6
DENTSPLY International	\$50.82	\$53.19	\$45.18	-4.5%	12.5%	\$8,369.8	\$2,848.8	\$586.5	\$612.9	\$646.9	2.94	14.3	13.7	12.9
Sirona Dental Systems, Inc.	\$89.99	\$88.68	\$73.86	1.5%	21.8%	\$4,897.9	\$1,140.0	\$311.6	\$391.4	\$377.4	4.30	15.7	12.5	13.0
<b>Obesity Treatment</b>														
EnteroMedics Inc.	\$0.92	\$1.38	\$1.82	-33.7%	-49.7%	\$58.1	\$0.0	(\$25.8)	(\$25.7)	(\$23.3)	nm	nm	nm	nm
ZELTIQ Aesthetics, Inc.	\$30.83	\$27.68	\$18.87	11.4%	63.4%	\$1,144.9	\$195.1	\$9.5	\$16.5	\$34.3	5.87	120.2	69.3	33.4
<b>Pediatric Medical Devices</b>														
Natus Medical Incorporated	\$39.47	\$35.73	\$24.50	10.5%	61.1%	\$1,223.7	\$359.6	\$66.6	\$79.8	\$87.1	3.40	18.4	15.3	14.0
<b>Surgery and Life Support Devices</b>														
AtriCure	\$20.49	\$19.21	\$18.10	6.7%	13.2%	\$515.7	\$112.5	(\$15.4)	(\$9.6)	(\$6.8)	4.58	nm	nm	nm
ICU Medical, Inc.	\$93.14	\$83.06	\$59.45	12.1%	56.7%	\$1,102.0	\$317.5	\$71.6	\$98.8	\$110.6	3.47	15.4	11.1	10.0
Intuitive Surgical, Inc.	\$505.03	\$525.91	\$434.99	-4.0%	16.1%	\$17,241.1	\$2,199.1	\$718.4	\$861.6	\$973.3	7.84	24.0	20.0	17.7
Misonix, Inc.	\$13.05	\$12.42	\$6.33	5.1%	106.2%	\$90.7	\$21.0	(\$0.7)	na	na	4.31	nm	nm	nm
NxStage Medical, Inc.	\$17.30	\$18.23	\$12.55	-5.1%	37.8%	\$1,054.7	\$308.8	\$5.8	\$15.5	\$22.6	3.42	181.6	68.2	46.7
Stereotaxis, Inc.	\$2.05	\$1.59	\$4.03	28.9%	-49.1%	\$63.7	\$36.2	(\$3.9)	na	na	1.76	nm	nm	nm
SurModics Inc.	\$26.03	\$22.40	\$22.14	16.2%	17.6%	\$287.7	\$58.6	\$22.5	\$22.7	\$21.3	4.91	12.8	12.7	13.5
Synergetics USA, Inc.	\$5.39	\$4.31	\$3.07	25.1%	75.6%	\$130.0	\$72.2	\$8.7	\$8.6	\$9.9	1.80	14.9	15.1	13.1
Teleflex, Inc.	\$120.19	\$115.28	\$103.82	4.3%	15.8%	\$5,805.6	\$1,830.7	\$422.2	\$498.3	\$568.3	3.17	13.8	11.7	10.2

(\$Millions, except per share figures)

Data Source: Bloomberg

## Public Medical Device Companies (continued)

	Price			Δ Stock Price		EV Q1 2015	TTM Rev Q1 2015	TTM EBITDA Q1 2015	FWD EBITDA		EV / Sales Q1 2015	EV / EBITDA Q1 2015	EV / FWD EBITDA	
	Q1 2015	Q4 2014	Q1 2014	Qtrly	Annual				FY 2015	FY 2016			2015	2016
<b>General Hospital Devices and Supplies</b>														
CONMED Corporation	\$50.31	\$44.63	\$41.58	12.7%	21.0%	\$1,584.7	\$736.1	\$124.5	\$120.0	\$135.8	2.15	12.7	13.2	11.7
Digirad Corporation	\$4.43	\$4.10	\$3.08	8.1%	43.7%	\$66.4	\$56.5	\$2.2	\$6.5	\$6.7	1.18	30.8	10.3	10.0
Dynatronics Corporation	\$2.95	\$3.75	\$2.92	-21.3%	1.0%	\$13.5	\$28.3	\$0.4	na	na	0.48	36.6	nm	nm
FONAR Corporation	\$13.04	\$9.78	\$16.89	33.3%	-22.8%	\$99.6	\$69.2	\$12.4	na	na	1.44	8.1	nm	nm
Intuitive Surgical, Inc.	\$505.03	\$525.91	\$434.99	-4.0%	16.1%	\$17,241.1	\$2,199.1	\$718.4	\$861.6	\$973.3	7.84	24.0	20.0	17.7
Masimo Corporation	\$32.98	\$26.43	\$26.62	24.8%	23.9%	\$1,725.7	\$601.4	\$111.9	\$101.7	\$114.1	2.87	15.4	17.0	15.1
Opko Health, Inc.	\$14.17	\$9.85	\$8.96	43.9%	58.1%	\$5,857.0	\$98.9	(\$140.8)	(\$45.8)	\$51.2	59.20	nm	nm	114.4
STERIS Corporation	\$69.76	\$65.14	\$46.33	7.1%	50.6%	\$4,650.9	\$1,850.3	\$358.6	\$399.5	\$440.0	2.51	13.0	11.6	10.6
Varian Medical Systems, Inc.	\$94.09	\$88.01	\$82.49	6.9%	14.1%	\$9,000.0	\$3,057.0	\$664.8	\$652.5	\$689.5	2.94	13.5	13.8	13.1
<b>Home Health and Consumer Devices</b>														
Invacare Corporation	\$19.40	\$16.91	\$18.39	14.7%	5.5%	\$625.6	\$1,254.7	\$2.0	\$7.6	\$33.6	0.50	316.9	82.9	18.6
Mine Safety Appliances Company	\$49.20	\$52.77	\$53.96	-6.8%	-8.8%	\$2,062.9	\$1,128.6	\$175.9	\$180.0	\$208.8	1.83	11.7	11.5	9.9
ResMed Inc.	\$71.04	\$55.91	\$42.57	27.1%	66.9%	\$9,683.3	\$1,641.1	\$489.6	\$528.0	\$587.2	5.90	19.8	18.3	16.5
Span-America Medical Systems, Inc.	\$19.03	\$16.71	\$20.14	13.9%	-5.5%	\$52.9	\$57.0	\$4.5	na	na	0.93	11.7	nm	nm
Syneron Medical Ltd.	\$12.38	\$9.31	\$12.07	33.0%	2.6%	\$337.6	\$262.3	\$10.6	\$21.6	\$38.3	1.29	31.7	15.6	8.8

(\$Millions, except per share figures)

Data Source: Bloomberg

## Public Medical Device Companies (continued)

	Price			Δ Stock Price		EV Q1 2015	TTM Rev Q1 2015	TTM EBITDA Q1 2015	FWD EBITDA		EV / Sales Q1 2015	EV / EBITDA Q1 2015	EV / FWD EBITDA	
	Q1 2015	Q4 2014	Q1 2014	Qtrly	Annual				FY 2015	FY 2016			2015	2016
<b>Other Medical Device</b>														
Accuray Incorporated	\$9.30	\$7.53	\$9.23	23.5%	0.8%	\$781.3	\$380.1	(\$2.5)	\$16.0	\$32.5	2.06	nm	48.8	24.0
Allied Healthcare Products, Inc.	\$1.63	\$1.51	\$2.15	7.9%	-24.2%	\$11.3	\$36.1	(\$0.2)	na	na	0.31	nm	nm	nm
Arrhythmia Research Technology, Inc.	\$7.25	\$7.95	\$5.05	-8.8%	43.6%	\$24.2	\$23.9	\$0.2	na	na	1.01	157.4	nm	nm
Dehaier Medical Systems Limited	\$3.10	\$2.72	\$7.03	14.0%	-55.9%	na	\$13.9	\$0.0	na	na	nm	nm	nm	nm
Escalon Medical Corp.	\$1.35	\$1.46	\$1.69	-7.5%	-20.1%	\$8.9	\$12.8	(\$0.5)	na	na	0.70	nm	nm	nm
Hansen Medical, Inc.	\$0.87	\$0.56	\$2.44	55.4%	-64.3%	\$116.5	\$21.6	(\$39.4)	(\$43.9)	(\$42.6)	5.40	nm	nm	nm
IRIDEX Corporation	\$10.68	\$8.41	\$8.58	27.1%	24.5%	\$92.0	\$43.3	\$0.5	na	na	2.13	175.9	nm	nm
Navidea Biopharmaceuticals, Inc.	\$1.59	\$1.83	\$1.78	-13.1%	-10.7%	\$270.0	\$7.6	(\$24.4)	na	na	35.38	nm	nm	nm
ThermoGenesis Corp.	\$0.90	\$1.04	\$1.74	-13.5%	-48.3%	\$31.5	\$16.2	(\$7.0)	na	na	1.94	nm	nm	nm
Uroplasty, Inc.	\$1.22	\$2.00	\$3.62	-39.0%	-66.3%	\$18.3	\$25.9	(\$5.3)	na	na	0.71	nm	nm	nm
<b>Other Diversified Cos with Med-Tech Components</b>														
Agilent Technologies, Inc.	\$41.45	\$41.06	\$38.55	0.9%	7.5%	\$13,414.9	\$5,560.0	\$1,278.0	\$865.0	\$981.0	2.41	10.5	15.5	13.7
Danaher Corporation	\$84.77	\$85.97	\$73.37	-1.4%	15.5%	\$60,770.3	\$20,124.4	\$4,459.7	\$4,672.8	\$5,208.0	3.02	13.6	13.0	11.7
General Electric	\$24.60	\$25.12	\$24.78	-2.1%	-0.7%	\$261,208.6	\$139,070.0	\$24,000.0	\$28,054.0	\$23,192.5	1.88	10.9	9.3	11.3
PerkinElmer, Inc.	\$51.00	\$43.89	\$44.12	16.2%	15.6%	\$6,629.7	\$2,233.5	\$359.5	\$443.5	\$494.3	2.97	18.4	14.9	13.4
Thermo Fisher Scientific Inc.	\$134.19	\$126.32	\$117.79	6.2%	13.9%	\$67,287.6	\$16,904.9	\$3,928.1	\$4,173.1	\$4,519.9	3.98	17.1	16.1	14.9

(\$Millions, except per share figures)

Data Source: Bloomberg



# Mercer Capital

## Medical Device Industry Services

Mercer Capital provides valuation services to start ups, larger public and private companies, and private equity and venture capital funds.

Mercer Capital's expertise in the medical device industry spans the following segments:

- Cardiovascular
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- Diagnostics Equipment
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Our services include:

- Equity compensation valuation for 409a compliance
- Portfolio valuation for LP reporting
- Purchase price allocations
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Contact a Mercer Capital professional to discuss your needs in confidence.

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# Erickson Partners Merges with Mercer Capital



**Mercer Capital**, a national business valuation and financial advisory firm specializing in Corporate Valuation, Litigation Support, Financial Reporting Valuation, and Transaction Advisory Consulting, and **Erickson Partners, Inc.**, a Texas-based Valuation and Litigation Support firm, announce their merger effective July 1, 2015.

Mercer Capital, with its strong presence throughout the Southeast and Midwest, and Erickson Partners, with its strong presence in Texas and Oklahoma, are a perfect fit.

Both firms maintain the highest standards of quality for financial analysis and client service and believe deeply in hiring and developing the best professionals.

“The culture of both firms is so similar and that was important to us. The professionals of Erickson Partners are well-known in the valuation profession as some of the best and brightest. Their work product and reputation are stellar. This merger not only allows us to broaden our geographic reach but also our industry expertise,” said **Matt Crow**, President of Mercer Capital.

Erickson Partners enhances Mercer Capital’s broad base of industry concentrations with their exceptional history working with and knowledge of professional sports franchises and the energy sector.

“Over our 30 plus year history, Mercer Capital has developed several industry concentrations. By adding the knowledge, insight, and expertise of Don Erickson, Bryce Erickson, and the rest of the professionals of Erickson Partners, we now bring deep experience and insight to a broader range of industries than we could as separate firms,” said **Chris Mercer**, CEO of Mercer Capital.

“Combining with Mercer Capital, we will now be able to offer new or expanded services that complement our existing services, as well as additional industry expertise,” said **Bryce Erickson**, Managing

Director of Erickson Partners. “In addition to our sports franchise and energy industry concentrations, we will be able to offer deep industry concentrations in construction and building materials, agribusiness, manufacturing and financial institutions, which includes depository institutions, insurance companies, fintech companies, asset management firms, and PE firms.”

“The combined firm will have over 40 valuation professionals positioned in five markets throughout the southwest and southeast. Such a deep bench will provide us with a tremendous opportunity to better serve the expanding needs of our clients,” said **Don Erickson**, President of Erickson Partners. “Joining with Mercer Capital gives us national resources that will benefit our clients in Texas and beyond.”

## About Mercer Capital

Mercer Capital is a national business valuation and financial advisory firm offering corporate valuation, litigation support, financial reporting valuation, and transaction advisory consulting services to a national client base. Clients include private and public operating companies, financial institutions, asset holding companies, high-net worth families, and private equity/hedge funds.

## About Erickson Partners, Inc.

Erickson Partners is a professional valuation and advisory firm specializing in business valuation, litigation support, financial investigations and strategic corporate advisory services. Founded by Don & Bryce Erickson, Erickson Partners has served large and small clients by providing complex financial and economic analysis, leading to reasonable valuation opinions that withstand scrutiny.

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