

VALUE FOCUS

MedTech Industry



Year-End 2015

**Unicorn Valuations:
What's Obvious Isn't Real, and
What's Real Isn't Obvious**

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Unicorn Valuations: What's Obvious Isn't Real, and What's Real Isn't Obvious

The number of companies joining the Billion Dollar Startup Club is rising at a rapid pace, and the MedTech industry is no exception. Although the second half of 2015 signaled a slowdown in overall VC investing in the industry, the number of medical technology companies valued at \$1 billion or greater more than doubled in 2015.

With increased availability of patient data and a rise in technology usage in healthcare, investors see high potential in this area. But how many of these companies are really worthy of the title and valuation? Lab testing company Theranos is one of many medical technology startups facing controversy about its ability to live up to such expectations. Despite valuing the company at \$9 billion in 2014, investors are beginning to raise concerns about the company's technology capabilities and ability to generate revenue.

With MedTech valuations continuing to rise, we examine how such unicorn valuations have the potential to overinflate the underlying market value of a company.

In the two short years since Aileen Lee introduced the term "unicorn" into the VC parlance, the number of such companies has steadily increased from the 39 identified by Lee's team at Cowboy Ventures to nearly 150 (and growing weekly) by most current estimates. Pundits and analysts have offered a variety of explanations for the phenomenon, with some identifying unicorns as the sign that the tech bubble of the late 1990s has returned under a different guise, others attributing the existence of such companies to structural changes in how innovation is funded in the economy, and the most intrepid of

the group suggesting that the previously undreamt valuations are fully supported by the underlying fundamentals given the maturity and ubiquity of the internet, smart phones, tablets, and related technologies.

We suspect there is merit to each of these perspectives. As valuation analysts, however, what sets our hearts atwitter is the very definition of "unicorn", which is predicated on valuation. Since companies are christened unicorns upon closing a financing round, one would assume valuation to be self-evident. Alas, that is generally far from the case. Because of the common features of VC investments, the "headline" valuation numbers are not reliable measures of the market value of the underlying enterprises. As a result, the frequent breathless comparisons of the value of startup X to publicly traded stalwart Y are often overblown and potentially misleading.

Consider the following example. The capitalization of a hypothetical freshly-minted unicorn, BlueCo, is summarized in the following table:

Table 1: BlueCo Unicorn Example

| | Proceeds | Price | Shares | Issue Date |
|-----------------------------------|---------------|--------|--------------------|------------|
| Series E | \$175,000,000 | \$5.00 | 35,000,000 | 9/1/15 |
| Series D | \$60,000,000 | \$3.00 | 20,000,000 | 9/1/14 |
| Series C | \$25,000,000 | \$0.63 | 40,000,000 | 9/1/13 |
| Series B | \$7,500,000 | \$0.40 | 18,750,000 | 9/1/12 |
| Series A | \$5,250,000 | \$0.15 | 35,000,000 | 9/1/11 |
| Total Preferred | \$272,750,000 | | 148,750,000 | |
| Common Shares | | | 51,250,000 | 9/1/10 |
| Total Fully-Diluted Shares | | | 200,000,000 | |

With 200 million fully-diluted shares post issuance, the \$5.00 per share Series E offering results in a headline valuation of \$1.0 billion (on a pre-money basis, BlueCo's headline valuation is \$825 million). But is BlueCo really worth \$1 billion? In other words, what does the Series E investment imply about the value of the stakes in BlueCo held by other investors?

The value of the whole is equal to the sum of the individual parts. So, for BlueCo to truly be worth \$1 billion, all 200 million fully-diluted shares must be worth \$5.00 each. But the various share classes are not created equal. At each subsequent funding stage, investors in startup companies negotiate terms to provide downside protection to their investment while preserving the upside potential if the subject company turns out to be a home run. Such provisions commonly include some or all of the following:

- **Liquidation preferences** that put the latest investors at the front of the line for exit proceeds. This is especially advantageous in the event the Company fails to meet expectations (basically LIFO treatment: the last one in is the first one out).
- **Cumulative dividend rights** that cause the liquidation preference to increase over time. When such rights are present, the preferred investors not only stand at the front of the line, but are entitled to a return on their investment if there are sufficient proceeds.
- **Anti-dilution or ratchet provisions** that allow preferred investors to hit the reset button on many of their economic rights in the event the company is forced to raise money in the future at a lower price.
- **Participation rights** that allow the preferred investors to simultaneously benefit

from the payoff to common shares while also recovering their initial investment via liquidation preference.

A New York Times article highlighted additional, more exotic rights and privileges being attached to recent financings.

For the sake of illustration, we will assume that the terms of BlueCo's Series E preferred shares are generally favorable to the other investors: pro rata liquidation preference to other preferred investors, non-cumulative dividends, and no participation rights. Despite these relatively benign terms, owning Class E shares is clearly preferable to owning more junior classes. Consider the waterfall of proceeds under various strategic sale exit scenarios as presented in Table 2.

Even under the relatively disappointing \$400 million exit scenario, the Scenario E shareholders are entitled to return of their investment, or \$5.00 per share, while the proceeds to more subordinate classes range from \$1.14 per share to \$3.00 per share.

Table 2: Waterfall Scenarios

| | \$400 million Exit | | \$800 million Exit | | \$1.2 billion Exit | |
|-----------------|----------------------|-----------|----------------------|-----------|------------------------|-----------|
| | Total Proceeds | Per Share | Total Proceeds | Per Share | Total Proceeds | Per Share |
| Series E | \$175,000,000 | \$5.00 | \$175,000,000 | \$5.00 | \$210,000,000 | \$6.00 |
| Series D | \$60,000,000 | \$3.00 | \$75,757,576 | \$3.79 | \$120,000,000 | \$6.00 |
| Series C | \$45,517,241 | \$1.14 | \$151,515,152 | \$3.79 | \$240,000,000 | \$6.00 |
| Series B | \$21,336,207 | \$1.14 | \$71,022,727 | \$3.79 | \$112,500,000 | \$6.00 |
| Series A | \$39,827,586 | \$1.14 | \$132,575,758 | \$3.79 | \$210,000,000 | \$6.00 |
| Total Preferred | \$341,681,034 | | \$605,871,212 | | \$892,500,000 | |
| Common Shares | \$58,318,966 | \$1.14 | \$194,128,788 | \$3.79 | \$307,500,000 | \$6.00 |
| Total | \$400,000,000 | | \$800,000,000 | | \$1,200,000,000 | |

Chart 1: Proceeds Series E vs. Series A

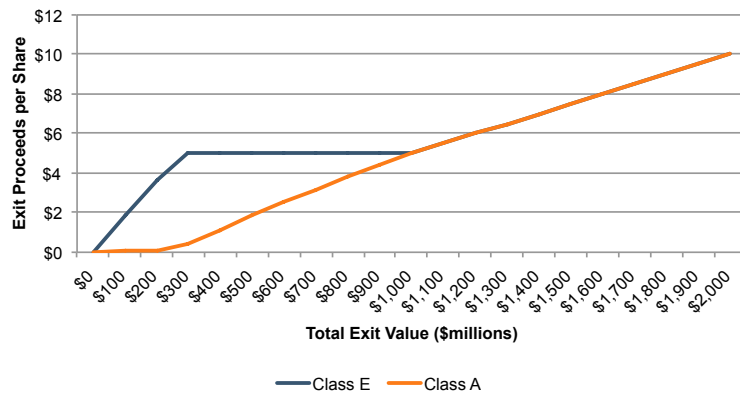


Chart 1 depicts the superiority of the proceeds for Series E preferred shares to Series A shares over enterprise exit values less than \$1.0 billion.

The area between the payoff lines for Class E and Class A preferred shares represents the incremental value available to the more senior Class E shares. Borrowing from the fair value measurement lexicon, if the recent Series E issuance price of \$5.00 per share is consonant with market participant expectations, then that same group of market participants would rationally assign a lower value to the Class A shares. Valuation analysts use two primary techniques for estimating the magnitude of the difference in share value across the various classes. Examining the relative merits of the two techniques (the probability-weighted expected return method, or PWERM, and the option pricing method, or OPM) is beyond the scope of this blog post. Both models are reasonably intuitive but require numerous assumptions for which irrefutable support can prove elusive.

We use the OPM to illustrate the impact of the rights and preferences of the most senior preferred shareholders on the economic value of a nominal unicorn. The two most subjective assumptions in the OPM are the time remaining until exit and the return volatility

Table 3: OPM-Implied Enterprise Values at Series E Issuance

(\$millions)

| Volatility | Estimated Time to Exit | | |
|------------|------------------------|---------|---------|
| | 0.5 Years | 3 Years | 5 Years |
| 100% | \$592 | \$748 | \$822 |

of the underlying business. The sensitivity table depicts the implied total enterprise value of BlueCo (that would reconcile to the \$5.00 per Series E preferred share transaction price) using the OPM under a range of assumptions for exit timing, given assumed volatility of 100% (Table 3).

Over the range of exit timing assumptions noted above, the implied total enterprise value ranges from less than \$600 million to just over \$800 million, meaningful discounts to the \$1 billion headline number. The reliability of the OPM and the assumed inputs can be debated; however the point remains that, since the subordinate classes are necessarily worth less than Series E, the total enterprise value is less than \$1 billion.

So what?

Is the preceding analysis just so much valuation pedantry? Perhaps, but we suggest that these observations reflect one practical peril of high valuations for late stage investors and management teams. The implied enterprise value based on rights and preferences of senior investors is relevant precisely because buyers in the exit markets for start-up companies – strategic sales and IPOs – assess the value of the entire enterprise, not individual interests. The exit markets assign a value for the entire company, exhibiting a serene indifference to how that value is allocated to various investors. This can result in unflattering headlines and unpleasant outcomes for late stage investors.

Let's return to the BlueCo example to illustrate. Assume that the appropriate assumptions for BlueCo from the sensitivity table above are three years to exit, implying an enterprise value of \$748 million. In the year following the Series E investment, BlueCo

Table 4: BlueCo Strategic Sale

| | Implied Enterprise Value | | Implied Enterprise Value | | Realized Return |
|-----------------|--------------------------|------------------------------------|--------------------------|-----------|-----------------|
| | Total Value | Per Share | Total Proceeds | Per Share | |
| Series E | \$175,000,000 | \$5.00 | \$175,000,000 | \$5.00 | 0.0% |
| Series D | \$83,916,440 | \$4.19 | \$96,969,697 | \$4.85 | 15.7% |
| Series C | \$138,185,693 | \$3.45 | \$193,939,394 | \$4.85 | 40.5% |
| Series B | \$63,823,193 | \$3.40 | \$90,909,091 | \$4.85 | 42.6% |
| Series A | \$117,302,036 | \$3.35 | \$169,696,970 | \$4.85 | 44.7% |
| Total Preferred | \$578,227,362 | | \$726,515,152 | | |
| Common Shares | \$170,236,414 | \$3.32 | \$248,484,848 | \$4.85 | 46.0% |
| Total | \$748,463,776 | — 30% increase in enterprise value | \$975,000,000 | | |

Table 5: BlueCo IPO

| | Implied Enterprise Value | | \$975 million IPO | | Realized Return |
|-----------------|--------------------------|------------------------------------|----------------------|-----------|-----------------|
| | Total Value | Per Share | Total Proceeds | Per Share | |
| Series E | \$175,000,000 | \$5.00 | \$170,625,000 | \$4.88 | -2.5% |
| Series D | \$83,916,440 | \$4.19 | \$97,500,000 | \$4.88 | 16.3% |
| Series C | \$138,185,693 | \$3.45 | \$195,000,000 | \$4.88 | 41.3% |
| Series B | \$63,823,193 | \$3.40 | \$91,406,250 | \$4.88 | 43.4% |
| Series A | \$117,302,036 | \$3.35 | \$170,625,000 | \$4.88 | 45.5% |
| Total Preferred | \$578,227,362 | | \$726,515,152 | | |
| Common Shares | \$170,236,414 | \$3.32 | \$249,843,750 | \$4.88 | 46.8% |
| Total | \$748,463,776 | — 30% increase in enterprise value | \$975,000,000 | | |

management executes its strategy successfully (Table 4 on the following page), causing the enterprise value to increase 30% to \$975 million. If BlueCo exits via a strategic sale at that point, none of the incremental enterprise value will accrue to the Series E investors; despite identifying an attractive company, and the strong execution of management, the Series E investors will receive their capital back with no return.

If the exit occurs instead by IPO, things get even more awkward. In contrast to a strategic sale, an IPO is a pro rata exit, meaning that the realized return for the Series E preferred investors will actually be negative, despite the 30% increase in enterprise value. Further, the Company and its management team will likely be subject to some unfavorable press for executing a “downround” IPO, although in reality, it generated a handsome return for the investor group as a whole (Table 5).

So when is a unicorn really a unicorn? We hesitate to draw a bright line; circumstances and assumptions vary. Regardless of size, the lesson for investors and management teams at early-stage companies is to beware the headline valuation number. Appearances can be deceiving.



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Public Market Indicators

The MedTech industry outperformed the overall market in 2H15.

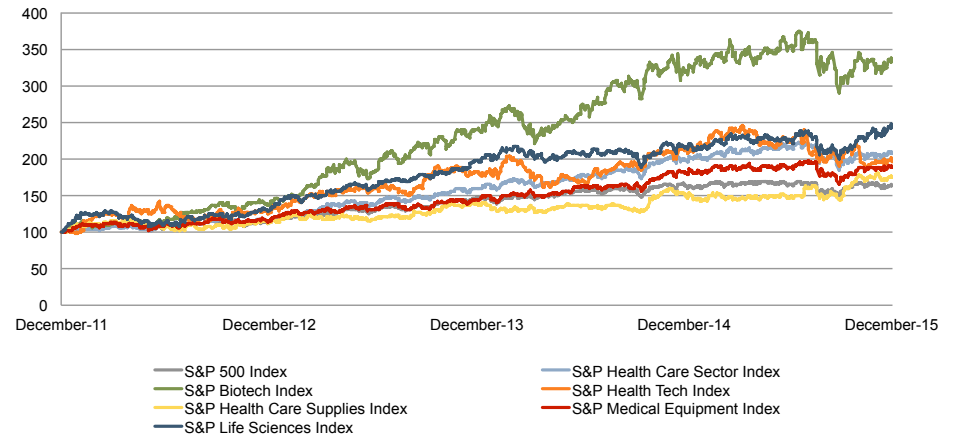
- All segments of the MedTech industry performed better than the S&P 500, with health-care supplies gaining momentum in October.
- The industry forecast is to grow at 5% annually through 2020.

MedTech industry multiples are at a premium to the overall market.

- Forward P/E multiples for all segments exceed 21x. Compared to the overall market with S&P forward P/E of 17.5x (per *Wall Street Journal*).

Source: Medical Device & Diagnostic Industry

Medical Technology Industry Total Returns



Source: S&P Capital IQ

MedTech industry consists of Biotechnology, Healthcare Technology, Healthcare Supplies, Medical Equipment, and Life Science Tools and Services

MedTech Industry Multiples

as of December 31, 2015

| Segment | EV/ Revenue | EV/ EBITDA | EBITDA Margin | LTM P/E | Forward P/E | Revenue Growth (from LTM) | EBITDA Growth (from LTM) | Forward Price to Earnings / Growth* |
|---------------------------------|-------------|-------------|---------------|-------------|-------------|---------------------------|--------------------------|-------------------------------------|
| Biotechnology | 5.7 | 17.4 | 33.0% | 33.6 | 26.5 | 21.7% | 30.3% | 0.4 |
| Health Care Technology | 4.5 | 18.2 | 19.7% | 39.2 | 27.3 | 19.0% | 9.6% | (8.6) |
| Health Care Supplies | 4.2 | 14.4 | 24.4% | 32.4 | 23.2 | 4.6% | 0.0% | 2.4 |
| Medical Equipment | 3.9 | 15.9 | 21.7% | 37.5 | 24.2 | 7.6% | 10.0% | 2.4 |
| Life Science Tools and Services | 3.3 | 16.1 | 20.4% | 31.7 | 21.8 | 3.1% | 5.1% | 1.0 |
| MedTech Industry | 4.1 | 16.4 | 24.4% | 35.1 | 25.2 | 10.6% | 8.9% | 1.5 |

*Price to Earnings to Growth (PEG) multiples calculated using forward P/E ratios and forward EPS growth estimates

Source: S&P Capital IQ

Market Trends & Outlook

Biotechnology

Investor risk aversion and negative market sentiment dried up funding availability.

- Lack of funding sources caused cash flow issues and stalling progress for development-stage companies.
- Estimated \$2.6B cost and 10 year process for average drug development.

Early-stage companies pushed towards acquisition rather than IPO.

Potential for regulatory changes resulting from drug price controversies.

Sources: Bloomberg Intelligence and Wall Street Journal

Healthcare Technology

Continued incorporation of technology in patient care and use of Big Data analytics.

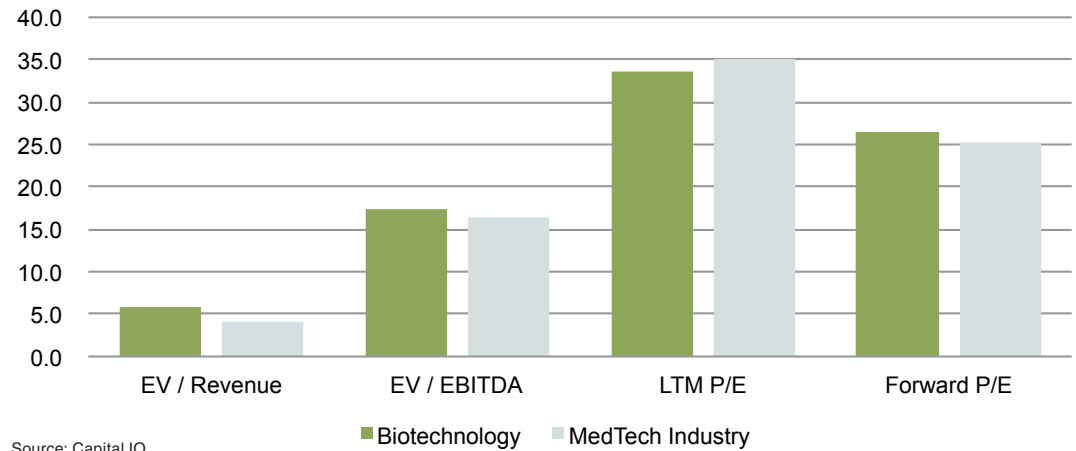
Privacy concerns due to potential for data breaches among healthcare databases and information gathered by personal technology.

Increased implementation of personal technology.

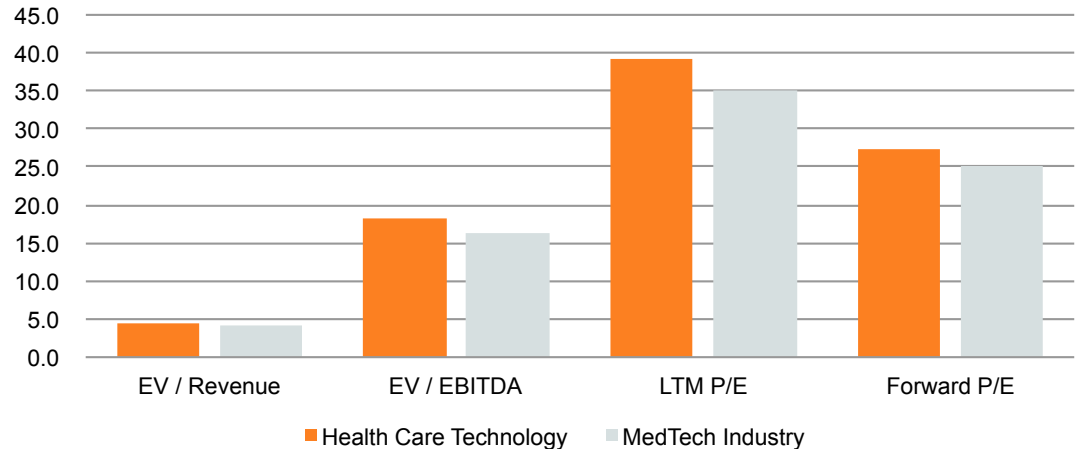
- Allowing individual disease and healthcare management.
- Research potential of broad data collection.

Sources: Bloomberg Intelligence and Wall Street Journal

Median Biotechnology Multiples



Median Healthcare Technology Multiples



Market Trends & Outlook

Healthcare Supplies

Rise in healthcare costs has outpaced inflation for the past decade, except in 2008.

- Price of drugs, medical devices, and hospital care account for 91% of rise in healthcare costs.
- Costly due to increases in regulation and taxation.

Source: *Forbes*

Medical Equipment

M&A deals during 2H15 disrupted established market share.

There is a race to develop new, cutting-edge technology.

- Johnson & Johnson and Medtronic competing on development of a leadless pacemaker.

Emerging market growth is slowing.

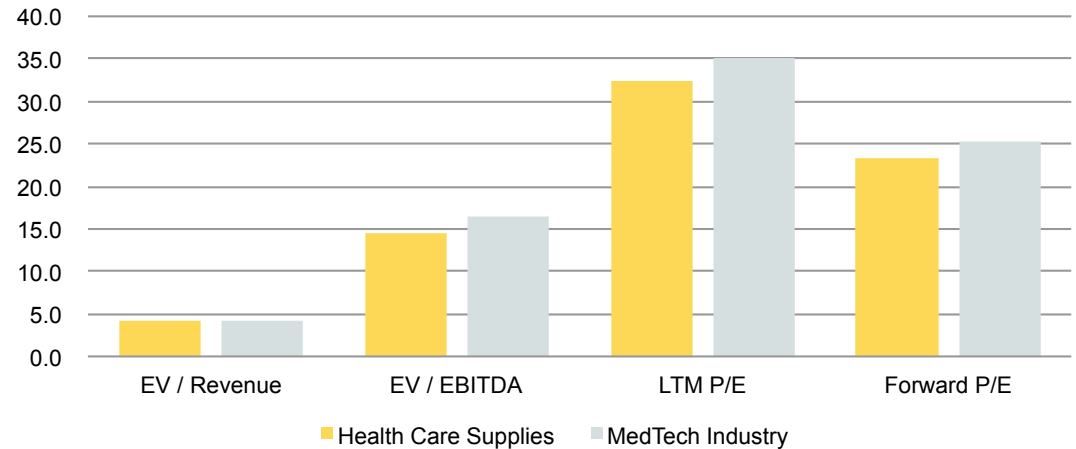
- The emerging market comprises 10-20% of major device companies' sales.

The ACA implemented 2.3% medical device tax on manufacturers and importers.

- Costs will likely be pushed down channel to consumers.

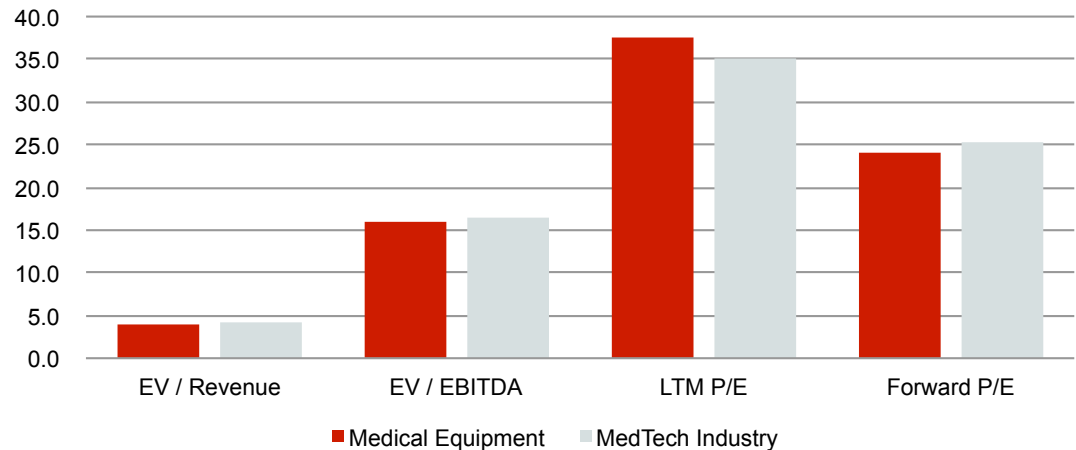
Sources: Bloomberg Intelligence and *Forbes*

Median Healthcare Supplies Multiples



Source: Capital IQ

Median Medical Equipment Multiples



Source: Capital IQ

Market Trends & Outlook

Life Science Tools & Services

A strong dollar lowered U.S. industry growth in 2H15.

There was increasing government focus on health investment.

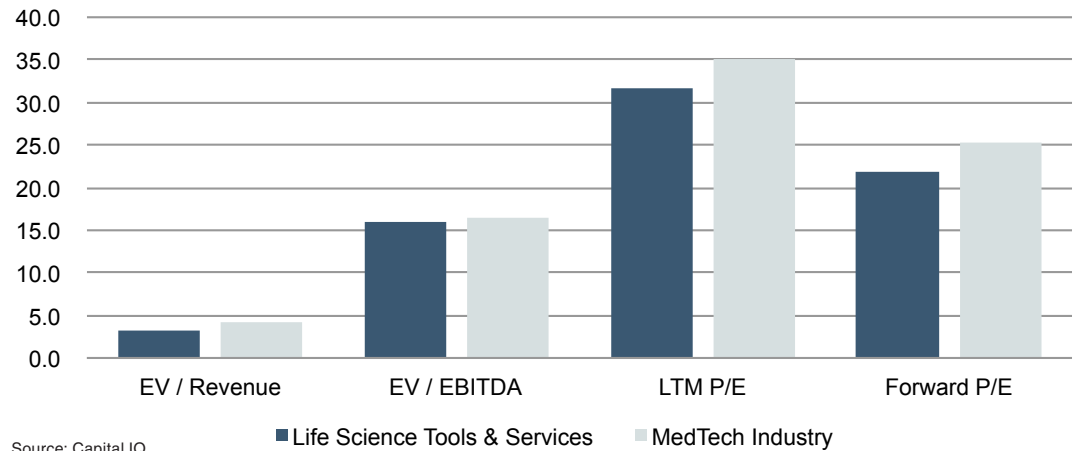
- A budget increase for National Institute of Health proposed in 2017.

There was a rise in genomics research and availability from lower cost of gene sequencing.

- Broad consumer expansion has the potential for targeted therapy and diagnostics.

Source: Bloomberg Intelligence

Median Life Science Multiples



Industry Articles of Note

Genetic Testing May Be Coming to Your Office

Wall Street Journal: Rachel Emma Silverman

<http://mer.cr/1rfe9v6>

Venture Capital Is Trying to Heal The Healthcare System

TechCrunch: Christine Magee

<http://mer.cr/1rx2vMI>

Beyond Fitbit: The Quest to Develop Medical-Grade Wearables

Reuters: Julie Steenhuisen

<http://mer.cr/1Sxx1fA>

Behind Healthcare's M&A Boom

Fortune: Bill Woodson

<http://mer.cr/1YRUQW>

Big Pharma: Dealing with Fewer Biotech Targets

Wall Street Journal: Charley Grant

<http://mer.cr/23Z2hPy>

Data Breaches In Healthcare Totaled Over 112 Million Records In 2015

Forbes: Dan Munro

<http://mer.cr/1T27M4B>

MedTech M&A Trends & Outlook

2H15 vs. 1H15

There was a slight slowdown in transaction volume with a large dip in deal values as 1H15 included several large deals.

- 219 total deals in the second half of 2015, representing a 6% decrease in total deals from 234 in 1H15.
- Total deal value of \$32.1B (decrease from \$240.9B in 1H15).
- Average deal value of \$392M (decrease from \$3.2B in 1H15).
- Majority of deals were less than \$100M in 2H15.
- Medtronic was the most active with 4 transactions.
- Largest deal was Celgene Corporation's acquisition of Receptos, Inc. for \$7.3B.

Niche M&A Highlights

Healthcare technology was the most active with 77 deals.

Strategic pharmaceutical and device acquisitions were in high demand.

- Expansion of established portfolios with investigative and early-stage development.

Important Deals

Celgene Corporation acquisition of **Receptos, Inc.** \$7.3B (cash and debt)

- Addition of multiple sclerosis drug Olaneripin to pharmaceutical portfolio.

SJM International, Inc. acquisition of **Thoratec Corporation** \$3.7B (cash and debt)

- Strategic deal for advanced heart failure device development.

Hill-Rom Holdings, Inc. acquisition of **Welch Allyn, Inc.** \$2.1B (\$1.625B cash and \$475M in stock)

- Improvement in patient care solutions.

MedTech Deal Activity

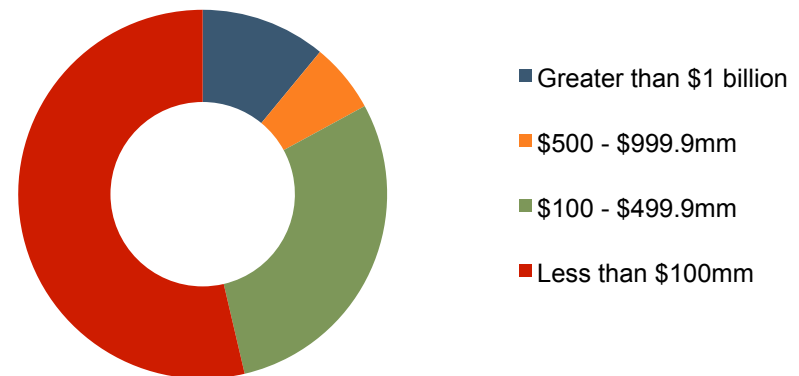
2H15 vs. 1H15

| | 2H15 | 1H15 | % Change |
|------------------------------------------|----------|-----------|----------|
| # of Deals | 219 | 234 | -6% |
| Total Reported Deal Value (\$M) | \$32,148 | \$240,893 | -87% |
| Average Reported Deal Value (\$M) | \$392 | \$3,212 | -88% |

Source: Capital IQ

MedTech Deal Sizes

2H15



Source: Capital IQ

MedTech Deal Activity

2H15

| Buyer | Target | Industry Segment | Date Closed | Total Trans. Value (\$M) | Implied EV/ EBITDA |
|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------|-------------|--------------------------|--------------------|
| Celgene Corporation (NasdaqGS:CELG) | Receptos, Inc. | Biotechnology (Primary) | 8/27/15 | \$7,320.80 | NM |
| SJM International, Inc. | Thoratec Corp. | Healthcare Equipment (Primary) | 10/8/15 | \$3,683.28 | 48.4 |
| Hill-Rom Holdings, Inc. (NYSE:HRC) | Welch Allyn, Inc. | Healthcare Equipment (Primary) | 9/8/15 | \$2,051.04 | NM |
| Cardinal Health, Inc. (NYSE:CAH) | Ethicon, Inc., Certain Assets of Cordis Business | Healthcare Equipment (Primary) | 10/2/15 | \$1,944.00 | NM |
| Greatbatch, Inc. (NYSE:GB) | Accellent Inc. | Healthcare Equipment (Primary) | 10/27/15 | \$1,730.00 | NM |
| Mallinckrodt Enterprises LLC | Therakos, Inc. | Biotechnology (Primary) | 9/25/15 | \$1,325.00 | 19.3 |
| NantPharma, LLC | IgDraSol Inc. | Biotechnology (Primary) | 7/8/15 | \$1,290.05 | NM |
| 3M Company (NYSE:MMM) | Polypore International Inc., Separations Media Segment | Life Sciences Tools and Services (Primary) | 8/26/15 | \$1,037.00 | NM |
| International Business Machines Corporation (NYSE:IBM) | Merge Healthcare Incorporated | Health Care Technology (Primary) | 10/13/15 | \$1,022.72 | 25.4 |
| MediFAX-EDI Holding Company, Inc. | Altegra Health, Inc. | Health Care Technology (Primary) | 8/12/15 | \$910.00 | NM |
| Average | | | | \$2,231.39 | 31.0 |
| Median | | | | \$1,527.50 | 25.4 |

Source: S&P Capital IQ

M&A Case Study

October 13, 2015

IBM's largest health-related transaction since inception of Watson Health platform



“Healthcare will be one of IBM’s biggest growth areas over the next 10 years, which is why we are making a major investment to drive industry transformation.

**– John Kelly
SVP IBM Research and Solutions Portfolio**

“We are looking at how we can take computer technology, which is getting faster and smarter, and applying that to making more rapid diagnoses.”

– Dr. Elliot Siegel
Physician on Watson Project

“It is increasingly important to share these images between providers to deliver high quality, cost-effective care.”

– Brooks O’Neil
Analyst at Dougherty & Co.

M&A Case Study

IBM is a multi-billion dollar information technology company formed in 1911, offering a range of services from hardware and software to global business services, workforce solutions, and support.

Merge Health Incorporated, founded in 1987, offers software solutions to integrate medical images with IT infrastructure. The company is the creator of network management tools that allow access to 7,500 customer images in its repository and a research pool of 30 billion medical images including X-rays, CAT scans, MRI scans.

The acquisition of Merge was announced on August 6, 2015, and the deal closed on October 13, 2015.

Sources: IBM, Merge Healthcare Inc.

Medical Imaging Technology Industry

Forecast growth to \$35.4 billion by 2019 (CAGR of 5.4%).

Driven by rise in long-term diseases, aging population, improvements in technology.

- Minimally invasive, less costly to maintain.
- Rise in use of computer-assisted processing and recognition.

Length of patient stay reduced by one day for every \$385 spent on medical imaging equipment.

- Leading to up to \$3,000 savings per patient.

Sources: Siemens, PR Newswire

Timeline

| Year | Significant Corporate Events |
|------|--------------------------------------------------------------------------------------------------------------------|
| 1911 | CTR, the predecessor to IBM, is founded |
| 1924 | CTR changes its name to IBM |
| 1987 | Merge Healthcare Inc. is founded |
| 1998 | Merge Healthcare Inc. issues an IPO at \$6.00 per share |
| 2002 | Merge acquires medical imaging software company eFilm Medical Inc. |
| 2008 | Chicago-based Merrick Ventures buys a controlling interest in Merge Healthcare |
| 2011 | Watson supercomputer competes on and wins game show <i>Jeopardy!</i> |
| 2015 | Acquisition deal is announced on August 6th MRGE stock rises 31% at announcement Deal closes on October 13th |

Source: Company websites and 10-Ks

M&A Case Study

Benefits from Acquisition

Comparison of medical images against established, analyzed images of medical conditions and diseases.

Focus on radiological diagnostics research, disease detection.

Allow cross-referencing of images and symptoms to compare to image database when integrated with Watson.

Acquisition Details

Merge shareholders received \$7.13 per share (cash).

\$1B deal – Debt \$219M and \$800M equity.

- 4.4x 2015 LTM revenue of \$228M.
- 25.3x 2015 EBITDA of \$39.5M (CapitalIQ).

Company Financials

MRGE stock price rose 31% following announcement (8/6/15).

Sources: *Forbes* and Google Finance

Watson's Role

90% of data in the medical industry is associated with medical images.

Watson is programmed to digest medical data, "learn;" and produce answers to medical questions.

Merge software will assist with Watson's ability to read medical images and produce answers about them.

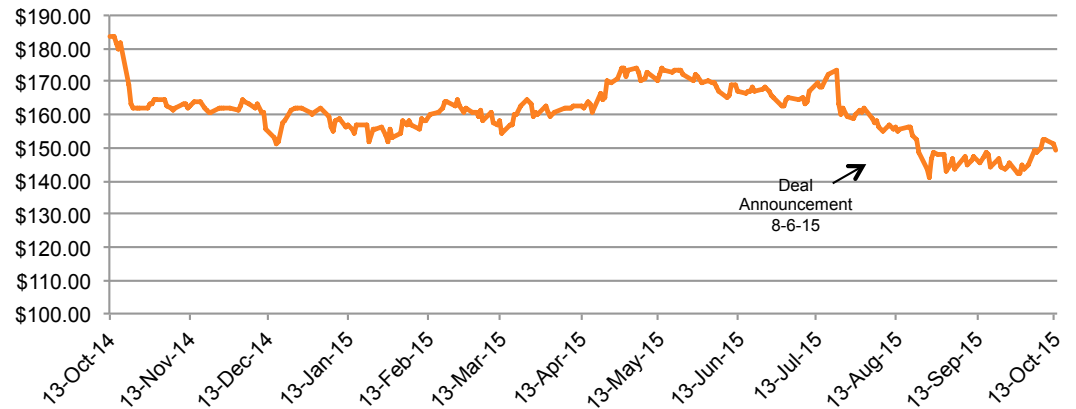
Source: *Forbes*

MRGE Stock Price



Source: Yahoo Finance

IBM Stock Price



Source: Yahoo Finance

MedTech IPOs

9 IPOs in the second half of 2015 vs. 18 in 1H15.

Total gross proceeds of \$884.3M (median \$80.5M) vs. \$1.7B in 1H15.

As of 12/31/2015 **Penumbra, Inc.** (\$1.608B) was the only company that went public with a market cap greater than \$1B.

Median return since IPO is 8.1%, consistent with 1H15.

Source: Capital IQ

2H15 MedTech IPOs

| Ticker | Name | IPO Price | IPO Date | Gross Proceeds (\$M) | % Return Since IPO | 12/31/15 Price | 12/31/15 Mkt Cap (\$M) | 12/31/15 Ent Val (\$M) | Rev. (\$M) | LTM | | MedTech Niche | Description |
|--------|---------------------------------|-----------|----------|----------------------|--------------------|----------------|------------------------|------------------------|------------|--------------|------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | | | | | | EBITDA (\$M) | Net Income (\$M) | | |
| AIMT | Aimmune Therapeutics, Inc. | \$16.00 | 8/5/15 | \$160.00 | 7.2% | \$18.45 | 779.50 | 562.90 | \$0.00 | (\$23.40) | (\$23.44) | Pharmaceuticals, Biotechnology and Life Sciences | Aimmune Therapeutics, Inc., a clinical-stage biopharmaceutical company, engages in the development of desensitization treatments for peanut and other food allergies. |
| CTMX | CytomX Therapeutics, Inc. | \$12.00 | 10/7/15 | \$80.00 | 14.5% | \$20.87 | \$751.83 | \$798.01 | \$7.59 | (\$25.24) | (\$28.67) | Pharmaceuticals, Biotechnology and Life Sciences | CytomX Therapeutics, Inc. operates as an oncology-focused biopharmaceutical company in the United States. |
| DMTX | Dimension Therapeutics, Inc. | \$13.00 | 10/21/15 | \$71.50 | 6.7% | \$11.28 | \$281.97 | \$303.09 | \$6.80 | (\$29.96) | (\$30.65) | Pharmaceuticals, Biotechnology and Life Sciences | Dimension Therapeutics, Inc., a gene therapy platform company, focuses on discovering and developing therapeutic products for people living with rare diseases associated with the liver and caused by genetic mutations. |
| EDGE | Edge Therapeutics, Inc. | \$11.00 | 9/30/15 | \$80.47 | 10.3% | \$12.50 | \$360.14 | \$406.42 | \$0.00 | (\$21.60) | (\$23.28) | Pharmaceuticals, Biotechnology and Life Sciences | Edge Therapeutics, Inc., a clinical-stage biotechnology company, discovers, develops, and commercializes hospital-based therapies for acute life-threatening neurological conditions. |
| GBT | Global Blood Therapeutics, Inc. | \$20.00 | 8/11/15 | \$120.00 | 8.1% | \$32.33 | \$984.68 | \$826.18 | \$0.00 | (\$35.33) | (\$36.09) | Pharmaceuticals, Biotechnology and Life Sciences | Global Blood Therapeutics, Inc., a biopharmaceutical company, engages in the discovery, development, and commercialization of novel therapeutics to treat grievous blood-based disorders. |

Source: Capital IQ

2H15 MedTech IPOs (cont.)

| Ticker | Name | IPO Price | IPO Date | Gross Proceeds (\$M) | % Return Since IPO | 12/31/15 Price | 12/31/15 Mkt Cap (\$M) | 12/31/15 Ent Val (\$M) | Rev. (\$M) | LTM | | MedTech Niche | Description |
|---------------|----------------------------|-----------|----------|----------------------|--------------------|----------------|------------------------|------------------------|---------------|------------------|------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | | | | | | EBITDA (\$M) | Net Income (\$M) | | |
| MIRN | Mirna Therapeutics, Inc. | \$7.00 | 9/30/15 | \$43.75 | 12.8% | \$6.25 | \$130.19 | \$195.32 | \$0.00 | (\$20.53) | (\$20.57) | Pharmaceuticals, Biotechnology and Life Sciences | Mirna Therapeutics, Inc., a clinical-stage biopharmaceutical company, develops microRNA-based oncology therapeutics. |
| PEN | Penumbra, Inc. | \$30.00 | 9/17/15 | \$120.00 | 6.0% | \$53.81 | \$1,608.38 | \$1,449.28 | \$167.08 | \$4.14 | \$1.15 | Healthcare Equipment and Services | Penumbra, Inc. designs, develops, manufactures, and markets medical devices in United States, Japan, and internationally. |
| RGNX | Regenxbio Inc. | \$22.00 | 9/16/15 | \$138.60 | 3.4% | \$16.60 | \$436.80 | \$223.45 | \$4.29 | \$0.00 | (\$19.97) | Pharmaceuticals, Biotechnology and Life Sciences | REGENXBIO Inc., a biotechnology company, focuses on the development, commercialization, and licensing of recombinant adeno-associated virus (AAV) gene therapy. |
| VYGR | Voyager Therapeutics, Inc. | \$14.00 | 11/10/15 | \$70.00 | 11.2% | \$21.90 | \$585.81 | \$627.00 | \$12.40 | (\$16.76) | (\$27.08) | Pharmaceuticals, Biotechnology and Life Sciences | Voyager Therapeutics, Inc., a clinical-stage gene therapy company, focuses on the development of treatments for patients suffering from severe diseases of the central nervous system (CNS). |
| Median | | | | \$80.47 | 8.1% | | \$585.81 | \$562.90 | \$4.29 | (\$21.60) | (\$23.44) | | |

Source: Capital IQ

MedTech Venture Capital Activity Overview

MedTech venture capital funding remains robust, although Biotech funding declined in 2H15.

- \$2.85B raised in 2H15 (vs.\$3.90B in 1H15).
- Biotech was the most active segment, accounting for 26% of total investments in 2H15.
- Availability of data and demand for analytics driving funding in other segments.

Sources: Advanced Medical Technologies Blog and TechCrunch

| Company | Amount (\$M) | Company Description |
|-----------------------------------|--------------|---------------------------------------------------------------------------------------------------------|
| NovoCure | 158 | Tumor treating fields, employ low-intensity, alternating fields to treat cancer |
| Humacyte, Inc. | 150 | Tissue engineering in blood vessels, including for acellular vessels use for vascular access in ESRD |
| Auris Surgical Robotics | 150 | Surgical robotics, including microsurgical system for ophthalmic surgery |
| Penumbra, Inc. | 120 | Micro-catheter based multi-modality device for the revascularization of an occluded vessel in the brain |
| Spectranetics Corp. | 110 | Medical lasers |
| ReNeuron, Inc. | 105 | Therapeutic stem cell technologies in stroke, critical limb ischemia, and retinitis pigmentosa |
| CeQur Corp. | 100 | Insulin infusion device for type 2 diabetes |
| LDR Holding | 87 | Cervical discs in spine surgery |
| SurgiQuest | 75 | Technologies to maintain pneumoperitoneum in laparoscopic surgery |
| Ellipse Technologies, Inc. | 75 | Magnetically-adjustable orthopedic implants |

A summary of selected MedTech venture capital financing activity in the second half of 2015. Covers selected financing rounds larger than \$15 million.

Source: Advanced Medical Technologies Blog

MedTech Venture Capital Activity Overview (cont.)

| Company | Amount (\$M) | Company Description |
|----------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------|
| Eclipse Technologies | 75 | Magnetically adjustable spinal bracing system |
| Mevion Medical Systems, Inc. | 59 | Proton radiation therapy for cancer |
| Fractyl Laboratories | 57 | Duodenal resurfacing for treatment of type 2 diabetes |
| Silk Road Medical, Inc. | 57 | Technologies to reduce the risk of stroke in transcarotis artery revascularization |
| Decibel Therapeutics, Inc. | 52 | Technologies to treat hearing loss |
| ViewRay, Inc. | 50 | MRI-guided radiotherapy |
| Kallyope, Inc. | 44 | Undisclosed products, but based on brain-gut pathway; principals with background in diabetes, endocrinology |
| Gynesonics, Inc. | 43 | Minimally invasive treatment for uterine fibroids |
| Ivenix, Inc. | 42 | Infusion technologies |
| Procept BioRobotics Corporation | 42 | Image-guided waterjet tissue ablation and resection |

A summary of selected MedTech venture capital financing activity in the second half of 2015. Covers selected financing rounds larger than \$15 million.

Source: Advanced Medical Technologies Blog

MedTech Venture Capital Activity Overview (cont.)

| Company | Amount (\$M) | Company Description |
|------------------------------|--------------|-----------------------------------------------------------------------------------------------------------------------------|
| NxThera, Inc. | 40 | Water vapor energy used in treatment of endourological conditions, including BPH |
| SI-BONE, Inc. | 39 | Minimally invasive treatment of the sacroiliac |
| ReShape Medical, Inc. | 38 | Dual balloons implanted in stomach endoscopically to create satiety in treatment for obesity |
| BAROnova, Inc. | 37 | Endoscopically implanted "transpyloric shuttle" weight-loss device |
| Suneva Medical, Inc. | 35 | Dermal filler in aesthetics |
| Signostics | 35 | Handheld ultrasound |
| InnFocus, Inc. | 34 | Aqueous drainage implant for treatment of glaucoma |
| Novadip Biosciences | 31 | 3-dimensional tissues based on adipose stem cells for use in bone and soft tissue regeneration |
| SynCardia Systems | 28 | Implantable artificial hearts |
| EIMindA | 28 | Non-invasive device to measure and analyze brain function via algorithms applied multi-channel EEG event-related potentials |

A summary of selected MedTech venture capital financing activity in the second half of 2015. Covers selected financing rounds larger than \$15 million.

Source: Advanced Medical Technologies Blog

MedTech Venture Capital Activity Overview (cont.)

| Company | Amount (\$M) | Company Description |
|--------------------------------|--------------|-----------------------------------------------------------------------------------------------|
| LifeBond Ltd. | 27 | Bio-surgical medical devices for tissue repair |
| Eargo | 25 | In-hear hearing aid |
| Channel Medsystems, Inc. | 24 | Cryotherapy device for tissue ablation |
| Miromatrix Medical | 23 | Fully biological replacement human organs |
| Ativa Medical Corp. | 23 | Point-of-care diagnostic system |
| Zyga Technology | 20 | Zyga Technology has raised \$20 million in a round of debt funding according to press reports |
| Axogen, Inc. | 17 | Nerve protection and repair |
| Surefire Medical, Inc. | 15 | Infusion systems for interventional radiology and interventional oncology. |
| Mainstay Medical International | 15 | Implantable device for the treatment of chronic low back pain |

A summary of selected MedTech venture capital financing activity in the second half of 2015. Covers selected financing rounds larger than \$15 million.

Source: Advanced Medical Technologies Blog

Publicly Traded Companies

Biotechnology

| Company Name | Ticker | Price at 12/31/15 | Market Cap (millions) 12/31/15 | 5 Year Beta | EV/Rev. | EV/ EBITDA | EBITDA Margin | LTM P/E | Forward P/E | Revenue Growth (from LTM) | EBITDA Growth (from LTM) | Forward Price to Earnings / Growth* |
|-------------------------------------|--------|-------------------|--------------------------------|-------------|------------|-------------|---------------|-------------|-------------|---------------------------|--------------------------|-------------------------------------|
| Acorda Therapeutics, Inc. | ACOR | \$42.78 | \$1,846 | 1.54 | 3.7 | 30.4 | 12.1% | nm | 60.0 | 22.7% | -2.9% | nm |
| Alexion Pharmaceuticals, Inc. | ALXN | 190.75 | 42,981 | 0.78 | 17.3 | 52.4 | 33.1% | 172.2 | 38.2 | 16.6% | -9.8% | 7.5 |
| AMAG Pharmaceuticals, Inc. | AMAG | 30.19 | 1,048 | 0.66 | 3.8 | 7.6 | 50.9% | 6.2 | 8.7 | 236.3% | 1293.6% | nm |
| Amgen Inc. | AMGN | 162.33 | 122,450 | 0.75 | 5.7 | 11.5 | 49.4% | 19.4 | 15.9 | 8.0% | 20.2% | 1.2 |
| Biogen Inc. | BIIB | 306.35 | 68,286 | 0.88 | 6.4 | 12.3 | 52.2% | 20.0 | 17.5 | 10.9% | 21.9% | 0.6 |
| Celgene Corporation | CELG | 119.76 | 94,090 | 1.12 | 11.0 | 33.5 | 32.9% | 60.1 | 22.0 | 20.7% | -0.8% | 1.4 |
| Emergent BioSolutions, Inc. | EBS | 40.01 | 1,558 | 1.11 | 2.9 | 10.8 | 26.5% | 33.6 | 27.3 | 16.1% | 42.5% | (11.7) |
| Gilead Sciences Inc. | GILD | 101.19 | 145,833 | 0.92 | 4.7 | 6.6 | 71.4% | 9.3 | 8.7 | 31.1% | 39.8% | 0.2 |
| INSYS Therapeutics, Inc. | INSY | 28.63 | 2,062 | 1.92 | 5.8 | 17.8 | 32.4% | 42.1 | 25.6 | 48.9% | 60.9% | nm |
| Ligand Pharmaceuticals Incorporated | LGND | 108.42 | 2,160 | 0.96 | 30.3 | 70.3 | 43.0% | 8.9 | 73.0 | 11.4% | 32.4% | nm |
| Medivation, Inc. | MDVN | 48.34 | 7,914 | 0.63 | 8.0 | 17.0 | 46.7% | 29.8 | 31.9 | 32.8% | 53.6% | nm |
| MiMedx Group, Inc. | MDXG | 9.37 | 1,021 | 0.61 | 5.2 | 35.9 | 14.5% | 55.3 | 36.3 | 58.4% | 193.7% | nm |
| Myriad Genetics, Inc. | MYGN | 43.16 | 3,011 | 0.39 | 3.8 | 13.9 | 27.6% | 34.8 | 25.8 | 3.0% | 7.4% | (29.5) |
| Regeneron Pharmaceuticals, Inc. | REGN | 542.87 | 57,564 | 0.94 | 13.9 | 43.0 | 32.3% | 107.2 | 36.9 | 45.5% | 51.4% | nm |
| Repligen Corporation | RGEN | 28.29 | 932 | 1.34 | 10.3 | 38.5 | 26.9% | 108.3 | 67.4 | 31.5% | 27.5% | nm |
| United Therapeutics Corporation | UTHR | 156.61 | 7,146 | 1.59 | 4.3 | 8.5 | 49.9% | 12.3 | 14.0 | 13.8% | 28.2% | 0.3 |
| Average | | \$122.44 | \$34,994 | 1.01 | 8.6 | 25.6 | 37.6% | 48.0 | 31.8 | 38.0% | 116.2% | (3.8) |
| Median | | \$74.77 | \$5,079 | 0.93 | 5.7 | 17.4 | 33.0% | 33.6 | 26.5 | 21.7% | 30.3% | 0.4 |

Pricing as of December 31, 2015

*Price to Earnings to Growth (PEG) multiples calculated using forward P/E ratios and forward EPS growth estimates

Source: S&P Capital IQ

Publicly Traded Companies

Healthcare Technology

| Company Name | Ticker | Price at 12/31/15 | Market Cap (millions) 12/31/15 | 5 Year Beta | EV/Rev. | EV/ EBITDA | EBITDA Margin | LTM P/E | Forward P/E | Revenue Growth (from LTM) | EBITDA Growth (from LTM) | Forward Price to Earnings / Growth* |
|----------------------------------|--------|-------------------|--------------------------------|-------------|------------|-------------|---------------|-------------|-------------|---------------------------|--------------------------|-------------------------------------|
| Cerner Corporation | CERN | \$60.17 | \$20,584 | 0.58 | 5.1 | 18.3 | 27.6% | 40.7 | 26.3 | 29.0% | 34.7% | 1.5 |
| Computer Programs & Systems Inc. | CPSI | 49.75 | 562 | 0.05 | 2.9 | 18.4 | 15.6% | 25.9 | 19.9 | -11.0% | -46.6% | (18.7) |
| HealthEquity, Inc. | HQY | 25.07 | 1,445 | 0.00 | 11.4 | 42.2 | 27.0% | 98.4 | 58.4 | 44.5% | 43.6% | nm |
| Healthstream Inc. | HSTM | 22.00 | 696 | 1.22 | 2.6 | 18.0 | 14.6% | 68.9 | 70.0 | 22.4% | 8.9% | nm |
| IMS Health Holdings, Inc. | IMS | 25.47 | 8,369 | 0.00 | 4.2 | 16.9 | 24.9% | 21.7 | 17.2 | 10.6% | -5.5% | nm |
| Inovalon Holdings, Inc. | INOV | 17.00 | 2,565 | 0.00 | 4.9 | 15.2 | 32.1% | 37.8 | 28.2 | 20.9% | 7.8% | nm |
| Medidata Solutions, Inc. | MDSO | 49.29 | 2,729 | 1.26 | 6.9 | 67.2 | 10.2% | 236.0 | 47.9 | 17.1% | 10.4% | nm |
| Omnicell, Inc. | OMCL | 31.08 | 1,101 | 0.56 | 2.2 | 14.7 | 14.6% | 35.3 | 20.5 | 9.9% | 6.4% | nm |
| Quality Systems Inc. | QSII | 16.12 | 981 | 0.52 | 1.8 | 15.3 | 11.6% | 30.4 | 25.2 | 3.3% | 28.0% | nm |
| Veeva Systems Inc. | VEEV | 28.85 | 3,837 | 1.47 | 9.2 | 38.5 | 23.8% | 82.5 | 55.7 | 32.2% | 44.1% | nm |
| Average | | \$32.48 | \$4,287 | 0.57 | 5.1 | 26.5 | 20.2% | 67.8 | 36.9 | 17.9% | 13.2% | (8.6) |
| Median | | \$27.16 | \$2,005 | 0.54 | 4.5 | 18.2 | 19.7% | 39.2 | 27.3 | 19.0% | 9.6% | (8.6) |

Pricing as of December 31, 2015

*Price to Earnings to Growth (PEG) multiples calculated using forward P/E ratios and forward EPS growth estimates

Source: S&P Capital IQ

Publicly Traded Companies

Medical Supplies

| Company Name | Ticker | Price at 12/31/15 | Market Cap (millions) 12/31/15 | 5 Year Beta | EV/Rev. | EV/ EBITDA | EBITDA Margin | LTM P/E | Forward P/E | Revenue Growth (from LTM) | EBITDA Growth (from LTM) | Forward Price to Earnings / Growth* |
|------------------------------------|--------|-------------------|--------------------------------|-------------|------------|-------------|---------------|-------------|-------------|---------------------------|--------------------------|-------------------------------------|
| Align Technology Inc. | ALGN | \$65.85 | \$5,234 | 2.13 | 5.6 | 23.0 | 24.4% | 39.9 | 31.5 | 11.0% | -2.3% | 2.4 |
| Anika Therapeutics Inc. | ANIK | 38.16 | 559 | 1.87 | 4.6 | 8.3 | 55.8% | 20.9 | 22.2 | -11.9% | -21.6% | 0.5 |
| ATRION Corp. | ATRI | 381.20 | 695 | 0.58 | 4.6 | 13.1 | 35.3% | 25.0 | 0.0 | 3.5% | 3.7% | 0.0 |
| DENTSPLY SIRONA, Inc. | XRAY | 60.85 | 8,521 | 1.46 | 3.5 | 15.9 | 22.2% | 31.3 | 22.1 | -8.5% | 0.0% | (33.1) |
| ICU Medical, Inc. | ICUI | 112.78 | 1,802 | 0.35 | 4.1 | 14.1 | 29.3% | 39.2 | 32.7 | 11.2% | 57.2% | 6.8 |
| Meridian Bioscience, Inc. | VIVO | 20.52 | 863 | 1.19 | 4.2 | 13.1 | 32.3% | 24.1 | 23.2 | 0.9% | 4.5% | 2.7 |
| Merit Medical Systems, Inc. | MMSI | 18.59 | 822 | 0.93 | 1.9 | 13.6 | 13.9% | 31.6 | 21.1 | 7.1% | -5.0% | 2.4 |
| Neogen Corp. | NEOG | 56.52 | 2,116 | 1.38 | 6.6 | 29.6 | 22.4% | 60.1 | 49.7 | 13.6% | 16.7% | 5.0 |
| The Cooper Companies Inc. | COO | 134.20 | 6,478 | 0.18 | 4.4 | 14.4 | 30.3% | 32.4 | 17.3 | 4.6% | 7.4% | 1.5 |
| Vascular Solutions Inc. | VASC | 34.39 | 596 | 0.48 | 3.8 | 28.4 | 13.5% | 47.8 | 31.1 | 16.8% | -21.1% | (2.2) |
| West Pharmaceutical Services, Inc. | WST | 60.22 | 4,341 | 0.87 | 3.1 | 20.2 | 15.5% | 47.0 | 31.1 | -1.5% | -20.1% | 4.8 |
| Average | | \$89.39 | \$2,912 | 1.04 | 4.2 | 17.6 | 26.8% | 36.3 | 25.6 | 4.3% | 1.8% | (0.8) |
| Median | | \$60.22 | \$1,802 | 0.93 | 4.2 | 14.4 | 24.4% | 32.4 | 23.2 | 4.6% | 0.0% | 2.4 |

Pricing as of December 31, 2015

*Price to Earnings to Growth (PEG) multiples calculated using forward P/E ratios and forward EPS growth estimates

Source: S&P Capital IQ

Publicly Traded Companies

Medical Equipment

| Company Name | Ticker | Price at 12/31/15 | Market Cap (millions) 12/31/15 | 5 Year Beta | EV/Rev. | EV/ EBITDA | EBITDA Margin | LTM P/E | Forward P/E | Revenue Growth (from LTM) | EBITDA Growth (from LTM) | Forward Price to Earnings / Growth* |
|-------------------------------|--------|-------------------|--------------------------------|-------------|---------|------------|---------------|---------|-------------|---------------------------|--------------------------|-------------------------------------|
| Abaxis, Inc. | ABAX | \$55.68 | \$1,265 | 0.71 | 5.3 | 23.8 | 22.2% | 51.5 | 39.2 | 17.1% | 8.4% | 2.3 |
| ABIOMED, Inc. | ABMD | 90.28 | 3,829 | 1.11 | 12.1 | 58.0 | 20.8% | 31.2 | 108.3 | 44.0% | 176.3% | 2.5 |
| Analogic Corporation | ALOG | 82.60 | 1,025 | 0.93 | 1.7 | 14.0 | 11.9% | 33.3 | 18.9 | 2.1% | -3.1% | 8.9 |
| Baxter International Inc. | BAX | 38.15 | 20,869 | 0.59 | 2.2 | 14.4 | 15.0% | 11.4 | 28.1 | -7.0% | -8.7% | (4.0) |
| Becton, Dickinson and Company | BDX | 154.09 | 32,693 | 0.97 | 3.9 | 15.3 | 25.6% | 46.0 | 18.3 | 32.5% | 32.5% | 0.6 |
| Cantel Medical Corp. | CMN | 62.14 | 2,592 | 1.59 | 4.7 | 23.5 | 20.0% | 50.9 | 35.1 | 14.7% | 21.2% | 2.4 |
| CONMED Corporation | CNMD | 44.05 | 1,220 | 0.92 | 2.0 | 11.9 | 16.6% | 36.1 | 24.1 | -2.8% | -3.9% | (8.5) |
| CR Bard Inc. | BCR | 189.44 | 13,997 | 0.66 | 4.2 | 13.9 | 30.5% | 107.7 | 21.9 | 2.0% | 5.7% | 11.1 |
| Cynosure, Inc. | CYNO | 44.67 | 1,015 | 1.69 | 2.7 | 20.1 | 13.4% | 31.6 | 46.1 | 16.1% | 12.7% | 2.9 |
| Edwards Lifesciences Corp. | EW | 78.98 | 17,037 | 0.64 | 6.6 | 23.1 | 28.5% | 37.4 | 33.8 | 7.4% | 26.0% | 4.6 |
| Globus Medical, Inc. | GMED | 27.82 | 2,649 | 0.64 | 4.4 | 13.0 | 34.0% | 26.0 | 24.2 | 16.6% | 11.6% | 1.5 |
| Greatbatch, Inc. | GB | 52.50 | 1,604 | 1.14 | 2.6 | 15.0 | 17.5% | 43.8 | 16.5 | -6.1% | -9.1% | (2.7) |
| Hill-Rom Holdings, Inc. | HRC | 48.06 | 3,132 | 1.31 | 2.4 | 14.3 | 16.6% | 58.6 | 15.4 | 24.3% | 28.0% | 0.6 |
| Hologic Inc. | HOLX | 38.69 | 10,946 | 1.07 | 5.2 | 14.3 | 36.2% | 86.0 | 21.2 | 6.9% | 7.8% | 3.1 |
| IDEXX Laboratories, Inc. | IDXX | 72.92 | 6,633 | 0.61 | 4.6 | 19.7 | 23.5% | 39.8 | 34.3 | 7.8% | 14.7% | 4.4 |
| Inogen, Inc. | INGN | 40.09 | 788 | 0.00 | 4.8 | 26.7 | 18.1% | 90.0 | 76.6 | 31.2% | 18.5% | 2.5 |

Pricing as of December 31, 2015

*Price to Earnings to Growth (PEG) multiples calculated using forward P/E ratios and forward EPS growth estimates

Source: S&P Capital IQ

Publicly Traded Companies

Medical Equipment (cont.)

| Company Name | Ticker | Price at 12/31/15 | Market Cap (millions) 12/31/15 | 5 Year Beta | EV/Rev. | EV/ EBITDA | EBITDA Margin | LTM P/E | Forward P/E | Revenue Growth (from LTM) | EBITDA Growth (from LTM) | Forward Price to Earnings / Growth* |
|------------------------------|--------|-------------------|--------------------------------|-------------|------------|-------------|---------------|-------------|-------------|---------------------------|--------------------------|-------------------------------------|
| Intuitive Surgical, Inc. | ISRG | 546.16 | 20,407 | 0.73 | 7.9 | 22.3 | 35.4% | 37.7 | 28.6 | 11.9% | 19.5% | 2.4 |
| Masimo Corporation | MASI | 41.51 | 2,087 | 0.85 | 3.5 | 16.6 | 21.2% | 27.8 | 25.8 | 11.1% | 39.9% | 2.3 |
| Medtronic plc | MDT | 76.92 | 108,161 | 1.05 | 4.9 | 16.4 | 29.9% | 43.9 | 16.5 | 49.6% | 34.5% | 0.3 |
| Natus Medical Inc. | BABY | 48.05 | 1,559 | 0.86 | 3.9 | 19.8 | 19.9% | 39.8 | 26.8 | 5.6% | 18.6% | 4.8 |
| NuVasive, Inc. | NUVA | 54.11 | 2,657 | 0.88 | 3.3 | 16.4 | 20.3% | 44.3 | 40.4 | 6.4% | 31.8% | 6.3 |
| ResMed Inc. | RMD | 53.69 | 7,498 | 0.74 | 4.1 | 14.5 | 28.4% | 21.8 | 19.3 | 7.8% | 1.8% | 2.5 |
| Sirona Dental Systems Inc. | SIRO | 109.57 | 6,129 | 1.36 | 4.9 | 18.0 | 27.0% | 33.2 | 25.2 | 0.6% | 8.4% | 41.3 |
| St. Jude Medical Inc. | STJ | 61.77 | 17,460 | 1.32 | 3.6 | 12.0 | 30.1% | 17.6 | 14.9 | -1.3% | -5.4% | (11.6) |
| Steris Plc | STE | 75.34 | 6,467 | 1.07 | 3.5 | 22.0 | 15.9% | 40.3 | 19.9 | 13.0% | -16.6% | 1.5 |
| Stryker Corporation | SYK | 92.94 | 34,945 | 0.94 | 3.5 | 13.1 | 26.8% | 30.3 | 17.0 | 2.8% | 2.4% | 6.1 |
| Teleflex Incorporated | TFX | 131.45 | 5,469 | 0.92 | 3.5 | 15.1 | 23.0% | 31.8 | 18.7 | -1.5% | 2.1% | (12.4) |
| Varian Medical Systems, Inc. | VAR | 80.80 | 7,756 | 0.81 | 2.4 | 11.7 | 20.5% | 19.8 | 18.1 | 1.6% | -3.7% | 11.2 |
| Average | | \$89.02 | \$12,210 | 0.93 | 4.2 | 18.5 | 23.2% | 41.8 | 29.8 | 11.2% | 16.9% | 3.1 |
| Median | | \$61.96 | \$5,799 | 0.92 | 3.9 | 15.9 | 21.7% | 37.5 | 24.2 | 7.6% | 10.0% | 2.4 |

Pricing as of December 31, 2015

*Price to Earnings to Growth (PEG) multiples calculated using forward P/E ratios and forward EPS growth estimates

Source: S&P Capital IQ

Publicly Traded Companies

Life Science Tools & Services

| Company Name | Ticker | Price at 12/31/15 | Market Cap (millions) 12/31/15 | 5 Year Beta | EV/Rev. | EV/ EBITDA | EBITDA Margin | LTM P/E | Forward P/E | Revenue Growth (from LTM) | EBITDA Growth (from LTM) | Forward Price to Earnings / Growth* |
|------------------------------------------------|--------|-------------------|--------------------------------|-------------|------------|-------------|---------------|-------------|-------------|---------------------------|--------------------------|-------------------------------------|
| Affymetrix Inc. | AFFX | \$10.09 | \$807 | 0.51 | 2.2 | 17.9 | 12.4% | 75.5 | 25.2 | 3.1% | 4.4% | nm |
| Agilent Technologies Inc. | A | 41.81 | 13,888 | 1.39 | 3.4 | 17.3 | 19.3% | 31.9 | 22.1 | -0.2% | -10.3% | nm |
| Bio-Rad Laboratories, Inc. | BIO | 138.66 | 4,058 | 1.02 | 1.8 | 12.4 | 14.8% | 39.6 | 34.9 | -7.2% | -2.1% | (3.4) |
| Bio-Techne Corp. | TECH | 90.00 | 3,347 | 0.57 | 7.4 | 18.9 | 39.1% | 31.5 | 26.1 | 13.8% | -5.8% | (11.2) |
| Bruker Corporation | BRKR | 24.27 | 4,074 | 1.00 | 2.4 | 17.3 | 14.0% | 62.2 | 28.5 | -10.2% | 5.0% | 41.8 |
| Cambrex Corporation. | CBM | 47.09 | 1,485 | 1.13 | 3.4 | 11.3 | 29.7% | 22.4 | 20.7 | 15.9% | 57.6% | 0.5 |
| Charles River Laboratories International, Inc. | CRL | 80.39 | 3,748 | 1.29 | 3.3 | 14.5 | 22.9% | 26.3 | 19.7 | 5.1% | 11.2% | nm |
| Illumina Inc. | ILMN | 191.95 | 28,101 | 0.68 | 13.0 | 36.1 | 36.0% | 56.1 | 54.0 | 15.0% | 26.6% | 1.5 |
| Luminex Corporation | LMNX | 21.39 | 921 | 0.18 | 3.3 | 15.5 | 21.5% | 23.0 | 35.0 | 4.7% | 12.5% | 0.7 |
| PAREXEL International Corporation | PRXL | 68.12 | 3,627 | 0.99 | 1.9 | 12.2 | 15.8% | 28.0 | 19.6 | 3.1% | 9.6% | 1.0 |
| PerkinElmer Inc. | PKI | 53.57 | 5,996 | 0.98 | 3.0 | 19.2 | 15.7% | 34.6 | 19.3 | 1.1% | 3.4% | 2.5 |
| PRA Health Sciences, Inc. | PRAH | 45.27 | 2,727 | 0.00 | 2.6 | 14.9 | 17.7% | 89.7 | 21.5 | 8.6% | 58.3% | nm |
| Thermo Fisher Scientific, Inc. | TMO | 141.85 | 56,612 | 0.95 | 4.1 | 16.7 | 24.5% | 28.8 | 17.8 | 0.4% | 4.7% | 1.2 |
| Waters Corporation | WAT | 134.58 | 10,990 | 0.81 | 5.0 | 15.3 | 32.9% | 24.0 | 21.6 | 2.7% | 5.3% | nm |
| Average | | \$77.79 | \$10,027 | 0.82 | 4.1 | 17.1 | 22.6% | 41.0 | 26.1 | 4.0% | 12.9% | 3.8 |
| Median | | \$60.85 | \$3,903 | 0.97 | 3.3 | 16.1 | 20.4% | 31.7 | 21.8 | 3.1% | 5.1% | 1.0 |

Pricing as of December 31, 2015

*Price to Earnings to Growth (PEG) multiples calculated using forward P/E ratios and forward EPS growth estimates

Source: S&P Capital IQ

Publicly Traded Companies

Conglomerate Companies

| Company Name | Ticker | Price at 12/31/15 | Market Cap (millions) 12/31/15 | 5 Year Beta | EV/Rev. | EV/ EBITDA | EBITDA Margin | LTM P/E | Forward P/E | Revenue Growth (from LTM) | EBITDA Growth (from LTM) | Forward Price to Earnings / Growth* |
|-------------------------------|--------|-------------------|--------------------------------|-------------|------------|-------------|---------------|-------------|-------------|---------------------------|--------------------------|-------------------------------------|
| 3M | MMM | \$150.64 | \$92,751 | 1.17 | 3.4 | 12.0 | 28.1% | 19.5 | 19.0 | -4.9% | -0.6% | 3.1 |
| Agilent Technologies | A | 41.81 | 13,888 | 1.39 | 3.4 | 17.3 | 19.3% | 31.9 | 22.1 | -0.2% | -10.3% | (2.9) |
| Abbott Laboratories | ABT | 44.91 | 66,993 | 0.53 | 3.4 | 15.6 | 21.8% | 26.9 | 19.6 | 0.8% | 1.3% | (1.9) |
| Allergan | AGN | 312.50 | 123,193 | 0.70 | 11.2 | 28.4 | 39.4% | nm | 20.1 | 123.6% | 245.8% | nm |
| Baxter International | Bax | 38.15 | 20,869 | 0.59 | 2.2 | 14.4 | 15.0% | 11.4 | 28.1 | -7.0% | -8.7% | (1.3) |
| Becton Dickinson | BDX | 154.09 | 32,693 | 0.97 | 3.9 | 15.3 | 25.6% | 46.0 | 18.3 | 32.5% | 32.5% | (2.2) |
| Boston Scientific Corporation | BSX | 18.44 | 24,805 | 0.95 | 4.1 | 16.4 | 25.0% | nm | 18.0 | 1.2% | 10.1% | nm |
| Danaher | DHR | 92.88 | 63,649 | 1.18 | 3.7 | 16.3 | 22.9% | 25.8 | 19.4 | 7.4% | 7.4% | 2.5 |
| Endo Health Solutions | ENDP | 61.22 | 13,852 | 1.20 | 6.7 | 23.3 | 28.9% | nm | 11.3 | 13.6% | 30.2% | nm |
| General Electric | GE | 31.15 | 273,077 | 1.20 | 4.7 | 35.0 | 13.5% | 60.7 | 20.8 | -11.1% | -28.6% | (0.6) |
| Corning Life Sciences | GLW | 18.28 | 21,625 | 1.52 | 2.5 | 9.2 | 27.3% | 11.9 | 13.2 | -6.2% | -18.0% | (0.9) |
| Hospira | HSP | 2.58 | 82 | 0.39 | 0.2 | 1.8 | 9.7% | 4.0 | 17.1 | -36.1% | -29.9% | (0.8) |
| IDEX | IDXX | 72.92 | 6,633 | 0.61 | 4.6 | 19.7 | 23.5% | 39.8 | 34.3 | 7.8% | 14.7% | 3.0 |
| Johnson & Johnson | JNJ | 102.72 | 284,220 | 0.66 | 3.8 | 12.1 | 31.6% | 19.7 | 16.4 | -5.7% | -11.6% | 5.9 |
| Kimberly-Clark | KMB | 127.30 | 46,209 | 0.34 | 2.9 | 12.9 | 22.2% | 77.0 | 21.0 | -5.7% | -1.2% | (2.3) |
| Medtronic | MDT | 76.92 | 108,161 | 1.05 | 4.9 | 16.4 | 29.9% | 43.9 | 16.5 | 49.6% | 34.5% | (1.7) |
| Pall | PLL | 74.44 | 36,553 | 0.00 | 1.1 | 6.8 | 15.6% | 0.0 | 0.0 | -1.1% | 24.4% | 0.0 |
| Stryker | SYK | 92.94 | 34,945 | 0.94 | 3.5 | 13.1 | 26.8% | 30.3 | 17.0 | 2.8% | 2.4% | 4.9 |
| Average | | \$84.11 | \$70,233 | 0.85 | 3.9 | 15.9 | 23.7% | 29.9 | 18.5 | 9.0% | 16.4% | 0.3 |
| Median | | \$73.68 | \$35,749 | 0.94 | 3.6 | 15.5 | 24.3% | 26.9 | 18.7 | 0.3% | 1.9% | -0.8 |

Pricing as of December 31, 2015

*Price to Earnings to Growth (PEG) multiples calculated using forward P/E ratios and forward EPS growth estimates

Source: S&P Capital IQ

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Contact a Mercer Capital professional to discuss your needs in confidence.

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