

VALUE FOCUS

Medical Device Industry



Third Quarter, 2014

Value Focus

Medical Device Industry

2014 Third Quarter

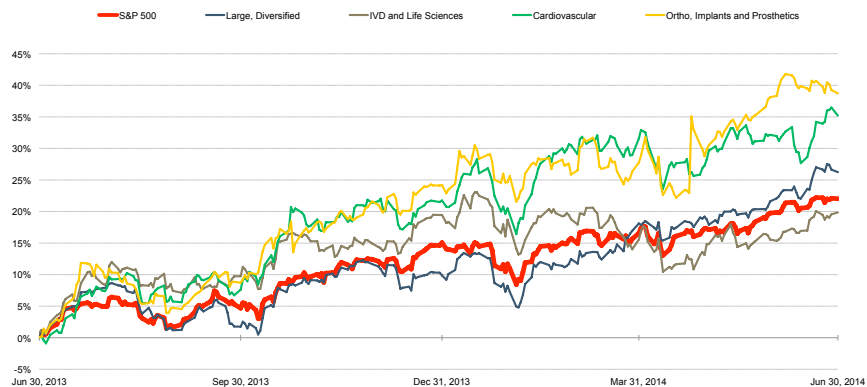
Stock Market Performance

Investor returns within major medical device sectors were mixed relative to the broader market during the second quarter of 2014. As a group, diversified larger firms and orthopedic companies outperformed the S&P 500, while the other segments trailed the index. With the exception of the IVD group, valuation multiples expanded across all groups compared to the same quarter of the prior year. However, multiple expansion stalled during the second quarter compared to the first quarter of 2014.

- » Within the IVD and Life Sciences group, Illumina registered a stock price increase of 139% over the year ended June 30, 2014, recovering the momentum that it appeared to have lost towards the end of the first quarter. Illumina manufactures integrated systems for the analysis of genetic variation using sequencing and array based techniques. Excluding Illumina, the IVD companies turned in a relatively subdued performance with the group gaining 20% over the prior year.
- » Cardiovascular companies gained a collective 35% during the year to 2Q14. Significant gainers in this groups included St. Jude Medical (64%), Greatbatch (50%), and Cardiovascular Systems (47%). These companies expect to achieve earnings growth over the foreseeable future through top-line growth by introducing new products that have achieved regulatory approval and increasing market penetration of existing devices.¹ Gross margin is expected to compress modestly, in part, due to the excise taxes imposed by the ACA.
- » Orthopedic, implants and prosthetics companies gained 39% in the year ended 2Q14. Notable gainers included NuVasive (44%), Globus Medical (42%), and Zimmer (40%). The companies with significant stock price gains expected to increase revenue by growing market share on the strength of their attractive product portfolios, and the opportunities to expand internationally. In addition, the companies also expect to improve profitability based on increased vertical integration and the scale of international sales. While comprising a relatively small portion of overall revenue, major orthopedic companies also reported stronger than expected growth in the sales of biologics products.
- » The larger diversified companies were collectively up 26% over the year prior to 2Q14.

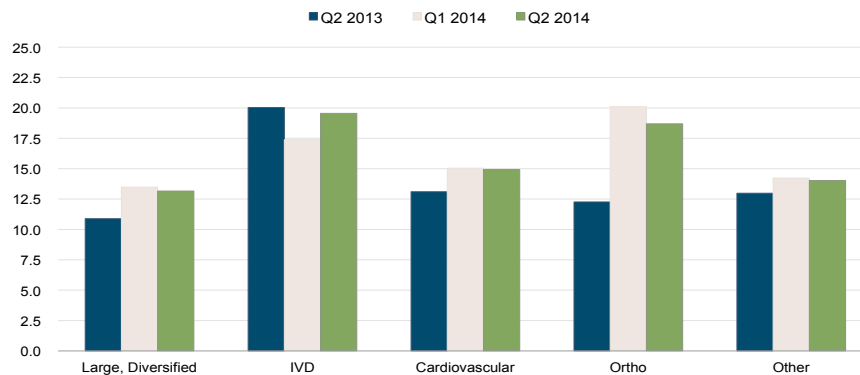
¹ For an example of new product introduction, see the discussion of St. Jude's acquisition of CardioMEMS in a subsequent section.

Recent Stock Prices



Represents market capitalization weighted index for each group. IVD group presented exclusive of ILMN. Data source: Bloomberg

EV/EBITDA Multiples



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

Venture Capital Funding & Exit

Venture capital investments in the medical devices industry totaled \$649 million during 2Q14, an increase of 23% compared to the same quarter in 2013.²

- » The increase in total funding marks two consecutive quarters of increasing VC investment in the industry. The number of deals declined to 73 in 2Q14 from 77 in the same quarter in 2013.
- » The share of total VC investments allocated to the medical devices industry declined to 5.0%, continuing the long-term downward trend. Medical device industry share of total venture capital investments peaked in Q1 2007 at 15.3%. Quarterly venture capital investments also peaked in Q1 2007 at \$1.1 billion.
- » 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. In addition to non-healthcare technology ventures with shorter gestation periods, the industry faces competition for VC investment dollars from related areas such as biotechnology and healthcare IT. Some investors hope that the relatively smaller size of the segment could result in more investable opportunities with reasonable valuations.³
- » VC investors in recent years have been increasingly attracted to treatments for diseases causing blindness, hearing loss and other ailments affecting an aging population at the expense of traditional sectors like cardiovascular and orthopedic devices.⁴
- » Technological advances and potentially smarter regulation could make wearable appliances 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 devices industry for VC investments in the near to medium term.⁵
- » Total VC funding for the year ended 2Q14 was \$2.3 billion, up 1.1% from the prior year, the first such increase since the year ended Q2 2011.
- » The impact of the longer-term decline in the venture capital investment share of medical device companies is tempered somewhat by investment interest from larger, more established companies seeking engagement earlier

² Data compiled in the MoneyTree™ report, as available at <https://www.pwcmoneytree.com/>.

³ "Medical device investing drops, though some VCs welcome 'weeding out' process" from the Venture Capital Dispatch blog at the Wall Street Journal, <http://blogs.wsj.com/venturecapital/2014/02/07/medical-device-investing-drops-though-some-vcs-welcome-weeding-out-process/>.

⁴ "Where (in the human body) venture capital is going" at <http://online.wsj.com/articles/where-in-the-human-body-venture-capital-is-going-1410724817>.

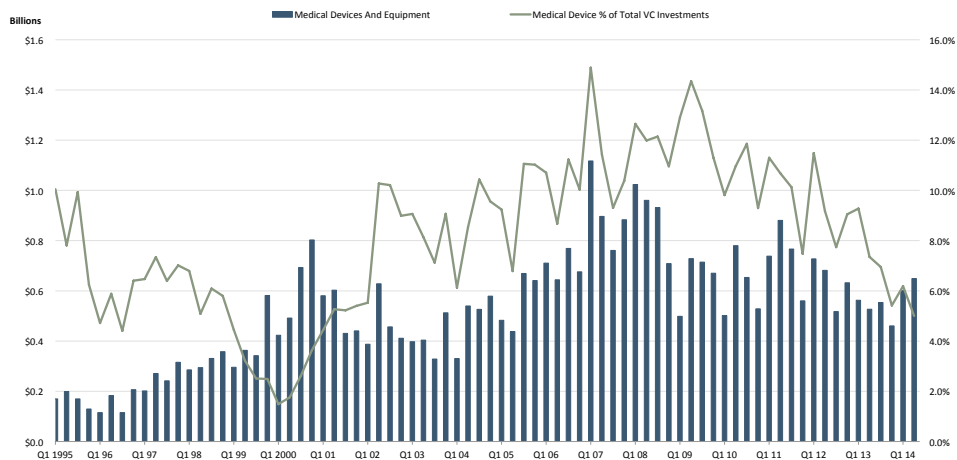
⁵ "Wearable tech regulated as medical devices can revolutionize healthcare" at <http://www.mddionline.com/article/wearable-tech-regulated-medical-devices-can-revolutionize-health-care-6-18-2014>.

in the development cycle. During the first nine months of 2013, (strategic) corporate investments represented 10.7% of all venture capital investments in medical device companies.⁶ In addition, in part as a response to provisions contained in the ACA, insurance companies have also increasingly shown an interest in plowing VC dollars into various health care startups.⁷

Exit activity for venture-backed companies included IPOs and M&A deals.⁸

- » During 2Q14, four IPOs of venture-backed medical device and healthcare companies raised \$367 million.
- » Four venture-backed medical device and healthcare companies entered into strategic M&A transactions during 2Q14. Aggregate transaction value for the three deals with disclosed values totaled \$476 million.

Venture Capital Investments in Medical Devices



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

⁶ "Corporate VC stats thru Q3 2014" at http://www.nvca.org/index.php?option=com_docman&task=cat_view&gid=99&Itemid=317.

⁷ "Why big health insurance is pouring money into startups" at <http://fortune.com/2014/09/24/health-insurance-invest-startups/>.

⁸ Venture-backed Exits at http://www.nvca.org/index.php?option=com_docman&task=cat_view&gid=58&Itemid=317.

Select Venture Funding Deals

Company	Recent Financing		Founded	Notes
	Amount (\$M)	Round		
Holaira Inc	\$42	Early Stage	2008	Devices to treat obstructive lung disease.
BenVenue Medical Inc	\$40	Later Stage	2004	Medical solutions and biomaterials for spine repair.
Inspire Medical Systems Inc	\$40	Expansion	2007	Implantable pulse generator for the treatment of obstructive sleep apnea.
Spinal Kinetics Inc	\$34	Later Stage	2003	Motion preservation systems for the treatment of degenerative spine diseases.
Integrated Diagnostics Inc	\$32	Expansion	2009	Diagnose complex diseases with a non-invasive blood test.
Endogastric Solutions Inc	\$31	Later Stage	2002	Incisionless transoral procedures to treat gastroesophageal reflux disease.
Oraya Therapeutics Inc	\$25	Early Stage	2007	Non-invasive robotically-controlled therapy for inflammatory and neovascular diseases of the eye.
Valeritas Inc	\$25	Later Stage	2006	V-GO, a disposable insulin pump, and a micro needle patch for the treatment of Type 2 diabetes.
Sotera Wireless Inc	\$21	Later Stage	2004	Wireless vital signs monitoring devices.
Senseonics Inc	\$20	Later Stage	na	na
Cardiac Dimensions Inc	\$20	Later Stage	2001	Tools for the treatment of heart failure and related conditions.
Ceterix Orthopaedics Inc	\$18	Early Stage	2010	Surgical tools for arthroscopic procedures.
iRhythm Technologies Inc	\$17	Expansion	2006	Diagnostic monitoring solutions that facilitate early diagnosis and treatment of cardiac arrhythmia.
DC Devices Inc	\$17	Early Stage	2009	Equipment for the treatment of heart failure.
Orthopaedic Synergy Inc	\$15	Expansion	2008	Devices for the orthopedic industry.
Inova Labs Inc	\$15	Later Stage	2002	Direct patient care products.
ForSight VISION5 Inc	\$15	Early Stage	na	Clinical development-stage company.
Dune Medical Devices Ltd	\$14	Later Stage	2002	Intra-operative, real time cancer detection devices.
Chrono Therapeutics Inc	\$13	Later Stage	2004	Specialty pharmaceutical company.
Sebacia Inc	\$11	Early Stage	2010	Treatment of acne and ulcers.
Solace Therapeutics Inc	\$11	Later Stage	na	Non-surgical office-based treatments for common bladder disorders.
Sonitus Medical Inc	\$10	Later Stage	2006	Non-surgical and removable hearing devices based on the bone conduction method.
ALung Technologies Inc	\$10	Later Stage	1997	Intra and extracorporeal gas exchange devices for the treatment of acute and chronic respiratory disorders.
Grand River Aseptic Mfg Inc	\$10	Expansion	na	Parenteral contract manufacturing company.

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 Q2 2014.

Transactions

While orthopedic companies dominated M&A within the medical device industry during the first four months of 2014 (see *Mercer Capital's 2014 Second Quarter Medical Device Industry Newsletter*), a number of large transactions during the second quarter of 2014 eclipsed first quarter deal volume (and dollars). Transactions in 2014 reveal strategic acquirers were actively involved, which appears to have largely crowded out financial buyers from participating in the deals within the industry. Notable transactions during 2Q14 included:

- » **Medtronic** announced the acquisition of **Covidien** in a cash and stock deal valued at \$43 billion in June. The companies touted strategic benefits including a comprehensive product portfolio, a diversified growth profile and broad geographic reach.⁹ However, much of the press coverage of the deal focused on the tax inversion feature of the deal – Medtronic is expected to change its tax domicile to Ireland subsequent to the acquisition. Future tax benefits are expected to be available to the combined firm after the transaction due to the lower corporate tax rate in Ireland.¹⁰
- » **Zimmer** announced the acquisition of **Biomet** in a deal valued at \$13.4 billion (\$10.4 billion in cash and \$3.0 billion in Zimmer stock) in April. A private equity consortium including Blackstone Group, KKR & Co., TPG and Goldman Sachs Group had acquired Biomet for approximately \$11.3 billion in 2007.¹¹
- » On May 28, **CardioMEMS** received FDA approval for its HF system, which measures and monitors pulmonary artery pressure and heart rate in certain heart failure patients.¹² Subsequently, CardioMEMS was acquired by St. Jude, which paid \$344 million for the 81% of the company it did not already own.¹³ The HF system is expected to help reduce hospital readmission rates of heart failure patients. St. Jude expects the technology will be relevant to US hospitals because of the Medicare Hospital Readmissions Reduction program, which penalizes hospitals with above average readmission rates within 30 days after certain cardiac treatments and procedures.¹⁴

⁹ [http://newsroom.medtronic.com/phoenix.zhtml?c=251324&p=irol-newsArticle&ID=1939883&highlight=.](http://newsroom.medtronic.com/phoenix.zhtml?c=251324&p=irol-newsArticle&ID=1939883&highlight=)

¹⁰ See related: [http://mercercapital.com/financialreportingblog/green-is-the-color/.](http://mercercapital.com/financialreportingblog/green-is-the-color/)

¹¹ [http://online.wsj.com/news/articles/SB10001424052702303834304579521273613231670.](http://online.wsj.com/news/articles/SB10001424052702303834304579521273613231670)

¹² [http://www.fda.gov/medicaldevices/productsandmedicalprocedures/deviceapprovalsandclearances/recently-approveddevices/ucm400550.htm.](http://www.fda.gov/medicaldevices/productsandmedicalprocedures/deviceapprovalsandclearances/recently-approveddevices/ucm400550.htm)

¹³ [http://media.sjm.com/newsroom/news-releases/news-releases-details/2014/St-Jude-Medical-Completes-Acquisition-of-CardioMEMS/default.aspx.](http://media.sjm.com/newsroom/news-releases/news-releases-details/2014/St-Jude-Medical-Completes-Acquisition-of-CardioMEMS/default.aspx)

¹⁴ 2Q14 earnings call, transcript available at [http://seekingalpha.com/article/2318095-st-jude-medicals-stj-ceo-dan-starks-on-q2-2014-results-earnings-call-transcript.](http://seekingalpha.com/article/2318095-st-jude-medicals-stj-ceo-dan-starks-on-q2-2014-results-earnings-call-transcript)

Medical Devices Select Transactions Summary

(\$Millions)

Acquirer	Target	Date	Est. Deal Size (EV)	Sales Est.	EBITDA Est.	EV / Sales	EV / EBITDA	Segment
Stryker Corp	Small Bone Innovations Inc (certain products)	6/30/14	\$375.0	\$48.0	na	7.81	nm	Orthopedic
Merz North America	Ulthera, Inc.	6/26/14	\$600.0	\$100.0	na	6.00	nm	Dental
Owens & Minor Inc	Medical Action Industries Inc	6/25/14	\$208.0	\$287.8	\$15.2	0.72	13.7	Disposable medical products
Techne Corp	ProteinSimple	6/17/14	\$304.4	\$51.1	\$5.3	5.96	57.5	Diagnostics
Medtronic Inc	Covidien PLC	6/15/14	\$42,900.0	\$10,235.0	\$2,879.0	4.19	14.9	Medical devices
Cantel Medical Corp	Puricore International Ltd	6/4/14	\$26.9	\$23.3	\$3.0	1.15	9.0	Equipment
St Jude Medical Inc	CardioMEMS Inc	5/28/14	\$424.7	\$3.4	(\$20.9)	124.43	nm	Patient monitoring equipment
Spectranetics Corp/The	AngioScore Inc	5/27/14	\$230.0	\$58.3	na	3.95	nm	Cardiovascular
Volcano Corp	AtheroMed Inc	5/27/14	\$115.0	na	na	nm	nm	Cardiovascular
Boston Scientific Corp	Interventional Division Of Bayer AG	5/15/14	\$415.0	na	na	nm	nm	Cardiovascular
Boston Scientific Corp	IoGyn Inc	5/6/14	\$90.0	na	na	nm	nm	Medical devices
Zimmer Holdings Inc	Biomet	4/24/14	\$13,350.0	\$3,052.9	\$898.3	4.37	14.9	Orthopedic
Cardinal Health Inc.	AccessClosure, Inc.	4/2/14	\$320.0	na	na	nm	nm	Cardiovascular
GTCR Golder Rauner LLC	Nordion Inc	3/28/14	\$826.0	\$232.8	\$40.1	3.55	20.6	Medical products
Covidien PLC	New Wave Surgical Corp	3/26/14	\$113.0	na	na	nm	nm	Medical devices
BioTelemetry Inc	Biomedical Systems Inc (certain businesses)	3/20/14	\$8.7	na	na	nm	nm	Cardiac patient services

Only deals with available deal size information shown. | Data Source: Bloomberg, The Healthcare M&A Report (Irving Levin Associates), and Mercer Capital's analysis of company filings and media releases.

Medical Devices Select Transactions Summary

(\$Millions)

Acquirer	Target	Date	Est. Deal Size (EV)	Sales Est.	EBITDA Est.	EV / Sales	EV / EBITDA	Segment
Syneron Medical Ltd	New Star Lasers Inc	2/20/14	\$11.0	\$8.9	na	1.24	nm	Cosmetic
PhotoMedex Inc	LCA-Vision Inc	2/13/14	\$106.6	\$92.2	(\$0.3)	1.16	nm	Cosmetic
STERIS Corp	Eschmann Holdings Ltd	2/10/14	\$36.6	\$63.2	na	0.58	nm	Surgical equipment
Smith & Nephew PLC	ArthroCare Corp	2/3/14	\$1,500.0	\$378.0	\$46.5	3.97	32.3	Orthopedic
Wright Medical Group Inc	Orthopro LLC	1/30/14	\$32.5	\$7.2	na	4.51	nm	Orthopedic
Wright Medical Group Inc	Solana Surgical LLC	1/30/14	\$89.4	\$14.2	na	6.31	nm	Orthopedic
Fluidigm Corp	DVS Sciences Inc	1/29/14	\$199.9	na	na	nm	nm	IVD & Life sciences
Intuitive Surgical Inc	Luna Innovations Inc (certain technology)	1/22/14	\$12.0	na	na	nm	nm	Surgical equipment
Globus Medical Inc	Excelsius Surgical LLC	1/8/14	\$16.8	na	na	nm	nm	Surgical equipment
Becton Dickinson and Co	Alverix Inc	1/7/14	\$40.0	na	na	nm	nm	Diagnostics
Medtronic Inc	TyRx Inc	1/6/14	\$160.0	na	na	nm	nm	Surgical products

Only deals with available deal size information shown. | Data Source: Bloomberg, The Healthcare M&A Report (Irving Levin Associates), and Mercer Capital's analysis of company filings and media releases.

Select Operating Metrics

Public Medical Device Companies

Segment	Gross Margin		EBITDA Margin		Operating Margin		R&D / Revenue	
	Q2 2014	Q1 2014	Q2 2014	Q1 2014	Q2 2014	Q1 2014	Q2 2014	Q1 2014
Large, Diversified	62.6%	62.8%	22.1%	22.5%	15.5%	16.0%	7.5%	7.6%
IVD & Life Sciences	56.5%	55.9%	9.9%	9.9%	5.5%	5.3%	9.9%	9.9%
Cardiovascular	67.3%	67.3%	13.1%	13.5%	7.6%	7.8%	13.4%	13.5%
Ortho, Implants & Prosthetics	71.0%	70.5%	3.3%	4.4%	-6.4%	-6.6%	6.6%	6.7%
Other	51.4%	49.9%	4.6%	2.7%	2.5%	-0.5%	7.7%	7.8%
All Companies	57.4%	57.6%	9.9%	9.9%	5.5%	5.8%	8.2%	8.0%

Segment	Historical Rev Growth		LT Fwd Op Earn Growth		Debt / EV		Debt / EBITDA	
	Quarterly	Annual	Q2 2014	Q1 2014	Q2 2014	Q1 2014	Q2 2014	Q1 2014
Large, Diversified	1.2%	5.2%	9.5%	9.7%	14.4%	15.0%	2.2	2.1
IVD & Life Sciences	1.1%	2.7%	15.6%	15.0%	1.5%	1.4%	1.6	1.0
Cardiovascular	2.7%	9.5%	15.0%	15.0%	7.5%	2.3%	1.5	0.1
Ortho, Implants & Prosthetics	1.8%	6.5%	14.5%	14.0%	21.1%	18.9%	1.5	1.1
Other	0.6%	4.7%	15.3%	14.3%	3.9%	2.0%	0.3	0.0
All Companies	1.2%	6.1%	15.0%	13.6%	6.7%	6.0%	0.8	0.7

Median measures for each group. | Data Source: Bloomberg

Public Medical Device Companies

(\$Millions, except per share figures)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q2 2014	Q1 2014	Q2 2013	Qtrly	Annual	Q2 2014	Q2 2014	Q2 2014	FY 2014	FY 2015	Q2 2014	Q2 2014	2014	2015
Large, Diversified														
Abbott Laboratories	\$40.68	\$37.88	\$34.01	7.4%	19.6%	\$61,834.3	\$21,848.0	\$4,259.7	\$5,369.6	\$5,687.0	2.83	14.5	11.5	10.9
Baxter	\$71.79	\$71.83	\$66.85	-0.1%	7.4%	\$46,228.0	\$15,259.0	\$3,517.0	\$4,578.3	\$4,732.4	3.03	13.1	10.1	9.8
Becton, Dickinson and Company	\$117.75	\$114.47	\$96.48	2.9%	22.0%	\$24,190.0	\$8,054.0	\$1,837.3	\$2,255.2	\$2,412.8	3.00	13.2	10.7	10.0
Boston Scientific Corporation	\$12.77	\$13.20	\$9.27	-3.3%	37.8%	\$20,788.6	\$7,143.0	\$1,602.0	\$1,779.8	\$1,973.6	2.91	13.0	11.7	10.5
Covidien PLC	\$89.86	\$71.92	\$55.90	24.9%	60.7%	\$44,567.2	\$10,235.0	\$2,561.0	\$2,950.8	\$3,140.4	4.35	17.4	15.1	14.2
Medtronic, Inc.	\$63.46	\$59.85	\$50.21	6.0%	26.4%	\$62,327.9	\$17,005.0	\$5,867.0	\$6,494.0	\$7,109.0	3.67	10.6	9.6	8.8
Johnson & Johnson	\$103.92	\$96.12	\$82.88	8.1%	25.4%	\$281,478.4	\$71,312.0	\$24,606.0	\$25,079.8	\$26,194.6	3.95	11.4	11.2	10.7
Stryker Corporation	\$84.32	\$80.25	\$63.70	5.1%	32.4%	\$31,087.2	\$9,021.0	\$1,251.0	\$2,706.3	\$2,876.9	3.45	24.8	11.5	10.8
IVD & Life Sciences														
Affymetrix, Inc.	\$8.91	\$6.65	\$4.44	34.0%	100.7%	\$726.6	\$330.4	\$33.7	\$41.9	\$48.1	2.20	21.5	17.3	15.1
Bio-Rad Laboratories, Inc.	\$119.71	\$126.64	\$112.20	-5.5%	6.7%	\$3,258.8	\$2,132.7	\$299.5	\$332.0	\$348.5	1.53	10.9	9.8	9.4
Bruker Corporation	\$24.27	\$22.51	\$16.15	7.8%	50.3%	\$3,977.4	\$1,839.4	\$209.6	\$260.3	\$303.7	2.16	19.0	15.3	13.1
Enzo Biochem, Inc.	\$5.25	\$3.97	\$2.08	32.2%	152.4%	\$218.3	\$93.7	(\$6.5)	(\$8.2)	(\$4.5)	2.33	nm	nm	nm
GenMark Diagnostics, Inc.	\$13.53	\$9.73	\$10.35	39.1%	30.7%	\$473.6	\$27.4	(\$40.1)	(\$42.9)	(\$45.1)	17.28	nm	nm	nm
Haemonetics Corporation	\$35.28	\$32.11	\$41.35	9.9%	-14.7%	\$2,107.3	\$938.5	\$136.2	\$209.0	\$244.3	2.25	15.5	10.1	8.6
Hologic, Inc.	\$25.35	\$21.01	\$19.30	20.7%	31.3%	\$10,642.7	\$2,492.3	\$803.0	\$888.2	\$911.1	4.27	13.3	12.0	11.7
Illumina, Inc.	\$178.54	\$142.02	\$74.84	25.7%	138.6%	\$23,092.4	\$1,421.2	\$418.1	\$550.2	\$676.1	16.25	55.2	42.0	34.2
Luminex Corporation	\$17.15	\$17.84	\$20.61	-3.9%	-16.8%	\$639.6	\$213.4	\$32.7	\$42.4	\$50.9	3.00	19.6	15.1	12.6
MGC Diagnostics Corporation	\$8.30	\$11.02	\$8.35	-24.7%	-0.6%	\$23.9	\$31.6	\$0.6	na	na	0.75	39.1	nm	nm
OraSure Technology	\$8.61	\$7.71	\$3.88	11.7%	121.9%	\$400.5	\$98.9	\$7.3	(\$4.8)	\$6.7	4.05	54.7	nm	59.4
Quidel Corporation	\$22.11	\$27.40	\$25.53	-19.3%	-13.4%	\$743.9	\$175.4	\$8.2	\$24.7	\$46.7	4.24	90.8	30.1	15.9
TECHNE Corporation	\$92.27	\$84.06	\$67.87	9.8%	35.9%	\$3,074.2	\$357.8	\$178.9	\$209.6	\$226.0	8.59	17.2	14.7	13.6
Trinity Biotech	\$23.03	\$22.99	\$16.69	0.2%	38.0%	\$518.2	\$91.2	\$0.0	\$26.2	\$34.0	5.68	nm	19.8	15.2
Vermillion, Inc.	\$2.58	\$3.00	\$2.67	-14.0%	-3.4%	\$71.4	\$2.6	(\$13.6)	na	na	27.81	nm	nm	nm

Data Source: Bloomberg

Public Medical Device Companies (continued)

(\$Millions, except per share figures)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q2 2014	Q1 2014	Q2 2013	Qtrly	Annual				Q2 2014	Q2 2014			FY 2014	FY 2015
Cardiovascular														
ABIOMED, Inc.	\$25.14	\$25.70	\$21.56	-2.2%	16.6%	\$882.8	\$183.6	\$10.6	\$11.0	\$27.3	4.81	83.2	80.2	32.3
CR Bard Inc.	\$142.79	\$145.06	\$107.79	-1.6%	32.5%	\$11,495.0	\$3,049.5	\$824.2	\$980.5	\$1,033.4	3.77	13.9	11.7	11.1
CardioNet Inc.	\$7.17	\$9.83	\$5.90	-27.1%	21.5%	\$194.5	\$129.5	\$6.9	\$17.5	\$23.6	1.50	28.3	11.1	8.3
Cardiovascular Systems, Inc.	\$31.16	\$31.50	\$21.20	-1.1%	47.0%	\$840.0	\$136.6	(\$32.1)	(\$20.0)	(\$10.6)	6.15	nm	nm	nm
CryoLife, Inc.	\$8.92	\$9.57	\$6.16	-6.8%	44.8%	\$220.5	\$140.8	\$17.5	na	na	1.57	12.6	nm	nm
Cyberonics, Inc.	\$62.46	\$62.00	\$51.96	0.7%	20.2%	\$1,534.8	\$282.0	\$94.2	\$113.5	\$125.5	5.44	16.3	13.5	12.2
Edwards Lifesciences Corporation	\$85.84	\$71.16	\$67.20	20.6%	27.7%	\$8,169.5	\$2,045.5	\$505.1	\$530.5	\$592.8	3.99	16.2	15.4	13.8
Greatbatch, Inc.	\$49.06	\$44.83	\$32.79	9.4%	49.6%	\$1,361.9	\$663.9	\$108.6	\$131.0	\$147.0	2.05	12.5	10.4	9.3
HeartWare International, Inc.	\$88.50	\$91.58	\$95.11	-3.4%	-6.9%	\$1,431.4	\$207.9	(\$25.4)	(\$16.9)	(\$12.9)	6.88	nm	nm	nm
LeMaitre Vascular, Inc.	\$8.23	\$7.83	\$6.40	5.1%	28.6%	\$117.6	\$64.5	\$8.0	\$9.8	\$12.3	1.82	14.7	12.0	9.6
Merit Medical Systems, Inc.	\$15.10	\$13.82	\$11.15	9.3%	35.4%	\$887.9	\$449.0	\$67.4	\$69.1	\$78.6	1.98	13.2	12.8	11.3
St. Jude Medical, Inc.	\$69.25	\$64.53	\$44.87	7.3%	54.3%	\$22,364.6	\$5,501.0	\$1,683.0	\$1,781.8	\$1,912.4	4.07	13.3	12.6	11.7
The Spectranetics Corporation	\$22.88	\$28.56	\$18.68	-19.9%	22.5%	\$1,074.3	\$158.8	\$5.6	\$1.0	\$10.3	6.76	190.7	1,063.7	104.8
Thoratec Corp	\$34.86	\$35.15	\$31.31	-0.8%	11.3%	\$1,688.8	\$502.8	\$114.1	\$110.0	\$122.3	3.36	14.8	15.3	13.8
Vascular Solutions, Inc.	\$22.19	\$25.57	\$14.71	-13.2%	50.8%	\$344.0	\$110.5	\$22.8	\$23.9	\$28.7	3.11	15.1	14.4	12.0
Volcano Corporation	\$17.61	\$19.33	\$18.13	-8.9%	-2.9%	\$1,106.8	\$393.7	\$0.1	\$22.4	\$41.6	2.81	7,962.8	49.4	26.6

Data Source: Bloomberg

Public Medical Device Companies (continued)

(\$Millions, except per share figures)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q2 2014	Q1 2014	Q2 2013	Qtrly	Annual				Q2 2014	Q2 2014			Q2 2014	FY 2014
Ortho, Implants and Prosthetics														
Alphatech Holdings	\$1.63	\$1.50	\$2.05	8.7%	-20.5%	\$240.6	\$204.7	(\$48.8)	\$31.0	\$34.7	1.18	nm	7.8	6.9
Baxano Surgical, Inc.	\$0.57	\$1.02	\$2.40	-44.1%	-76.3%	\$37.8	\$18.6	(\$28.7)	(\$25.6)	(\$23.3)	2.04	nm	nm	nm
Bacterin International Holdings Inc	\$6.75	\$8.70	\$4.50	-22.4%	50.0%	\$52.5	\$33.1	(\$7.5)	na	na	1.59	nm	nm	nm
Exactech, Inc.	\$25.23	\$22.09	\$19.75	14.2%	27.7%	\$358.3	\$237.1	\$43.1	\$45.8	\$49.4	1.51	8.3	7.8	7.3
Globus Medical, Inc.	\$23.92	\$25.80	\$16.86	-7.3%	41.9%	\$1,922.1	\$434.5	\$145.8	\$163.5	\$177.8	4.42	13.2	11.8	10.8
Intergra LifeSciences Holdings	\$47.06	\$45.20	\$36.63	4.1%	28.5%	\$2,026.4	\$836.2	\$108.4	\$185.6	\$210.0	2.42	18.7	10.9	9.6
NuVasive, Inc.	\$35.57	\$37.36	\$24.79	-4.8%	43.5%	\$1,669.2	\$685.2	\$67.7	\$163.8	\$187.0	2.44	24.7	10.2	8.9
Orthofix International N.V.	\$36.25	\$30.29	\$26.90	19.7%	34.8%	\$661.6	\$400.5	\$13.0	\$59.2	\$65.9	1.65	51.0	11.2	10.0
RTI Surgical Inc.	\$4.35	\$3.90	\$3.76	11.5%	15.7%	\$357.0	\$198.0	(\$8.9)	\$28.2	\$39.1	1.80	nm	12.7	9.1
Symmetry Medical Inc.	\$8.86	\$9.63	\$8.42	-8.0%	5.2%	\$487.0	\$400.0	(\$2.0)	\$60.8	\$68.3	1.22	nm	8.0	7.1
Tornier NV	\$23.38	\$20.57	\$17.50	13.7%	33.6%	\$1,172.9	\$311.0	\$17.7	\$28.7	\$39.0	3.77	66.2	40.8	30.0
Wright Medical Group, Inc.	\$31.40	\$30.51	\$26.21	2.9%	19.8%	\$1,532.2	\$242.3	(\$76.0)	(\$20.4)	\$6.3	6.32	nm	nm	245.0
Zimmer Holdings, Inc.	\$103.86	\$93.51	\$74.27	11.1%	39.8%	\$17,421.1	\$4,623.4	\$1,699.0	\$1,826.3	\$1,905.6	3.77	10.3	9.5	9.1

Data Source: Bloomberg

Public Medical Device Companies (continued)

(\$Millions, except per share figures)

	Price			Δ Stock Price		EV Q2 2014	TTM Rev Q2 2014	TTM EBITDA Q2 2014	FWD EBITDA		EV / Sales Q2 2014	EV / EBITDA Q2 2014	EV / FWD EBITDA	
	Q2 2014	Q1 2014	Q2 2013	Qtrly	Annual				FY 2014	FY 2015			2014	2015
Cosmetics														
Cutera, Inc.	\$10.39	\$11.05	\$8.80	-6.0%	18.1%	\$65.9	\$74.6	(\$7.5)	(\$5.2)	\$0.7	0.88	nm	nm	98.3
Cynosure, Inc.	\$21.25	\$28.55	\$25.98	-25.6%	-18.2%	\$366.8	\$226.0	\$28.9	\$38.9	\$54.7	1.62	12.7	9.4	6.7
PhotoMedex, Inc.	\$12.25	\$15.47	\$15.94	-20.8%	-23.1%	\$283.0	\$224.7	\$2.3	\$12.2	\$20.4	1.26	124.7	23.3	13.9
Dental														
Align Technology, Inc.	\$56.04	\$50.73	\$37.04	10.5%	51.3%	\$4,072.2	\$660.2	\$202.1	\$207.0	\$236.4	6.17	20.2	19.7	17.2
DENTSPLY International	\$47.35	\$45.43	\$40.73	4.2%	16.2%	\$8,015.4	\$2,950.8	\$577.2	\$623.4	\$663.8	2.72	13.9	12.9	12.1
Sirona Dental Systems, Inc.	\$82.46	\$73.86	\$65.88	11.6%	25.2%	\$4,538.7	\$1,101.5	\$304.3	\$320.3	\$355.4	4.12	14.9	14.2	12.8
Obesity Treatment														
EnteroMedics Inc.	\$1.56	\$1.82	\$1.14	-14.3%	36.8%	\$88.1	\$0.0	(\$26.1)	(\$25.7)	(\$27.7)	nm	nm	nm	nm
ZELTIQ Aesthetics, Inc.	\$15.19	\$18.87	\$6.39	-19.5%	137.7%	\$529.3	\$111.6	(\$10.8)	(\$1.3)	\$11.4	4.74	nm	nm	46.5
Pediatric Medical Devices														
Natus Medical Incorporated	\$25.14	\$24.50	\$13.65	2.6%	84.2%	\$768.5	\$344.1	\$54.4	\$62.0	\$71.3	2.23	14.1	12.4	10.8
Surgery and Life Support Devices														
AtriCure	\$18.38	\$18.10	\$9.50	1.5%	93.5%	\$440.6	\$81.9	(\$14.9)	(\$12.4)	(\$8.7)	5.38	nm	nm	nm
Intuitive Surgical, Inc.	\$411.80	\$434.99	\$506.13	-5.3%	-18.6%	\$14,836.0	\$2,265.1	\$651.3	\$696.5	\$853.0	6.55	22.8	21.3	17.4
Misonix, Inc.	\$6.76	\$6.33	\$5.10	6.8%	32.5%	\$43.7	\$17.1	(\$4.1)	na	na	2.56	nm	nm	nm
NxStage Medical, Inc.	\$14.37	\$12.55	\$14.28	14.5%	0.6%	\$822.0	\$263.4	\$5.5	\$6.1	\$11.3	3.12	149.4	135.9	73.1
Stereotaxis, Inc.	\$3.55	\$4.03	\$1.45	-11.9%	144.1%	\$76.9	\$38.0	(\$7.1)	na	na	2.02	nm	nm	nm
SurModics Inc.	\$21.42	\$22.14	\$20.01	-3.3%	7.0%	\$251.5	\$56.1	\$21.5	\$20.8	\$23.0	4.48	11.7	12.1	10.9
Synergetics USA, Inc.	\$3.10	\$3.07	\$3.94	1.0%	-21.3%	\$65.8	\$62.8	\$7.4	\$5.6	\$6.5	1.05	8.9	11.7	10.2
Teleflex, Inc.	\$105.26	\$104.98	\$76.12	0.3%	38.3%	\$5,198.3	\$1,696.3	\$390.3	\$413.0	\$463.5	3.06	13.3	12.6	11.2

Data Source: Bloomberg

Public Medical Device Companies (continued)

(\$Millions, except per share figures)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q2 2014	Q1 2014	Q2 2013	Qtrly	Annual				Q2 2014	Q2 2014			Q2 2014	FY 2014
General Hospital Devices and Supplies														
BSD Medical Corporation	\$0.99	\$1.27	\$1.32	-22.0%	-25.0%	\$28.7	\$3.7	(\$7.1)	na	na	7.82	nm	nm	nm
CONMED Corporation	\$43.93	\$42.09	\$30.51	4.4%	44.0%	\$1,387.2	\$762.7	\$104.6	\$129.3	\$136.3	1.82	13.3	10.7	10.2
Digirad Corporation	\$3.50	\$3.24	\$2.30	8.2%	52.4%	\$44.5	\$49.4	\$3.6	na	na	0.90	12.4	nm	nm
Dynatronics Corporation	\$3.72	\$2.92	\$2.61	27.4%	42.5%	\$14.6	\$29.5	\$0.3	na	na	0.49	49.5	nm	nm
FONAR Corporation	\$12.20	\$16.89	\$6.56	-27.8%	86.0%	\$101.8	\$68.5	\$17.1	na	na	1.49	6.0	nm	nm
Intuitive Surgical, Inc.	\$411.80	\$434.99	\$506.13	-5.3%	-18.6%	\$14,836.0	\$2,265.1	\$651.3	\$696.5	\$853.0	6.55	22.8	21.3	17.4
Masimo Corporation	\$23.60	\$26.62	\$21.20	-11.3%	11.3%	\$1,317.2	\$547.2	\$93.9	\$103.0	\$116.5	2.41	14.0	12.8	11.3
Medical Action Industries Inc.	\$13.73	\$6.97	\$7.70	97.0%	78.3%	\$207.6	\$287.8	\$16.6	na	na	0.72	12.5	nm	nm
Opko Health, Inc.	\$8.84	\$8.96	\$7.10	-1.3%	24.5%	\$3,639.3	\$96.5	(\$101.3)	(\$125.0)	(\$111.0)	37.70	nm	nm	nm
STERIS Corporation	\$53.26	\$47.01	\$41.93	13.3%	27.0%	\$3,663.4	\$1,622.3	\$300.7	\$369.0	\$393.5	2.26	12.2	9.9	9.3
Varian Medical Systems, Inc.	\$83.14	\$82.49	\$67.45	0.8%	23.3%	\$8,135.4	\$2,942.9	\$659.1	\$673.7	\$735.7	2.76	12.3	12.1	11.1
Vision-Sciences, Inc.	\$1.15	\$1.23	\$1.02	-6.5%	12.7%	\$76.8	\$17.1	(\$6.3)	na	na	4.49	nm	nm	nm
Home Health and Consumer Devices														
Invacare Corporation	\$18.36	\$18.45	\$14.31	-0.5%	28.3%	\$623.8	\$1,352.4	\$11.5	\$12.7	\$42.8	0.46	54.1	49.3	14.6
Mine Safety Appliances Company	\$57.16	\$55.36	\$45.19	3.2%	26.5%	\$2,348.2	\$1,111.9	\$158.4	\$172.8	\$207.5	2.11	14.8	13.6	11.3
ResMed Inc.	\$50.36	\$43.43	\$43.98	15.9%	14.5%	\$6,500.0	\$1,555.0	\$484.9	\$517.4	\$569.4	4.18	13.4	12.6	11.4
Span-America Medical Systems, Inc.	\$21.05	\$21.92	\$19.70	-4.0%	6.9%	\$55.9	\$73.8	\$5.8	na	na	0.76	9.7	nm	nm
Syneron Medical Ltd.	\$10.32	\$12.07	\$8.70	-14.5%	18.6%	\$268.2	\$256.9	\$9.1	\$20.6	\$10.0	1.04	29.5	13.0	26.8

Data Source: Bloomberg

Public Medical Device Companies (continued)

(\$Millions, except per share figures)

	Price			Δ Stock Price		EV	TTM Rev	TTM EBITDA	FWD EBITDA		EV / Sales	EV / EBITDA	EV / FWD EBITDA	
	Q2 2014	Q1 2014	Q2 2013	Qtrly	Annual				Q2 2014	Q2 2014			FY 2014	FY 2015
Other Medical Device														
Accuray Incorporated	\$8.80	\$9.23	\$5.74	-4.7%	53.3%	\$699.2	\$369.4	\$2.4	\$18.9	\$28.4	1.89	288.9	37.0	24.6
Allied Healthcare Products, Inc.	\$2.42	\$2.15	\$2.75	12.6%	-12.0%	\$17.9	\$38.6	(\$1.6)	na	na	0.46	nm	nm	nm
Arrhythmia Research Technology, Inc.	\$6.64	\$5.05	\$2.7	31.5%	150.6%	\$23.0	\$21.3	\$0.9	na	na	1.08	24.9	nm	nm
Dehaier Medical Systems Limited	\$5.55	\$7.03	\$2.10	-21.1%	164.3%	\$9.8	\$16.9	\$6.3	na	na	0.58	1.6	nm	nm
Escalon Medical Corp.	\$1.71	\$1.69	\$1.34	1.2%	27.6%	\$10.5	\$24.4	(\$0.2)	na	na	0.43	nm	nm	nm
Hansen Medical, Inc.	\$1.31	\$2.44	\$1.44	-46.3%	-8.7%	\$153.7	\$17.0	(\$42.3)	(\$43.0)	(\$32.1)	9.05	nm	nm	nm
IRIDEX Corporation	\$8.31	\$8.58	\$5.91	-3.1%	40.6%	\$69.8	\$38.3	\$2.7	na	na	1.82	26.1	nm	nm
Navidea Biopharmaceuticals, Inc.	\$1.48	\$1.78	\$2.67	-16.9%	-44.6%	\$236.8	\$1.1	(\$40.4)	na	na	209.47	nm	nm	nm
ThermoGenesis Corp.	\$1.39	\$1.74	\$1.35	-20.1%	3.0%	\$49.3	\$18.0	(\$7.4)	na	na	2.74	nm	nm	nm
Uroplasty, Inc.	\$2.68	\$3.62	\$2.07	-26.0%	29.5%	\$48.4	\$24.6	(\$5.5)	na	na	1.97	nm	nm	nm
Other Diversified Cos with Med-Tech Components														
Agilent Technologies, Inc.	\$57.44	\$54.43	\$42.36	5.5%	35.6%	\$18,970.5	\$6,782.0	\$1,328.0	\$1,526.5	\$1,684.0	2.80	14.3	12.4	11.3
Danaher Corporation	\$78.73	\$73.78	\$63.09	6.7%	24.8%	\$54,890.5	\$19,118.0	\$4,297.3	\$4,488.8	\$4,814.9	2.87	12.8	12.2	11.4
General Electric	\$26.28	\$25.67	\$22.45	2.4%	17.1%	\$275,694.7	\$142,937.0	\$24,302.0	\$24,164.7	\$26,027.0	1.93	11.3	11.4	10.6
PerkinElmer, Inc.	\$46.77	\$44.39	\$32.22	5.4%	45.2%	\$5,992.0	\$2,166.2	\$410.7	\$432.6	\$473.0	2.77	14.6	13.9	12.7
Thermo Fisher Scientific Inc.	\$117.86	\$118.21	\$84.06	-0.3%	40.2%	\$62,045.9	\$13,090.3	\$3,370.8	\$4,083.8	\$4,555.7	4.74	18.4	15.2	13.6

Data Source: Bloomberg

Mercer Capital

Medical Device Industry Services

Mercer Capital provides medical device manufacturers, related start-up enterprises, and private equity funds with valuation services, including purchase price allocation, 409a compliance, goodwill impairment testing, and other transaction and valuation advisory services.

Mercer Capital provides a broad range of specialized valuation advisory services to the medical device industry, helping clients by providing reliable independent valuation opinions and sound guidance. Our services for companies in the medical device industry include purchase price allocation, impairment testing, equity compensation, portfolio valuation, tax compliance, litigation support, and corporate valuation services.

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- Biologics
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- Diagnostics Equipment
- General Surgery
- Orthopedics
- Spinal

We have assisted medical device companies in all stages of development, including publicly traded medical device companies, start-up companies, closely held private companies, and medical device companies sponsored by private equity.

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

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