

# MEDICAL TECHNOLOGY M&A QUARTERLY

2016 YEAR IN REVIEW



# 2016

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# PMCF Transaction Announcements



**Mountainside Medical**  
Contract Manufacturing for Medical Products

has been acquired by

**TECOMET**

a portfolio company of

**GENSTAR**  
CAPITAL

**MEDICAL COMPONENTS**  
Contract Manufacturing  
Company Sale: PE Add-On



*Fremont Plastics*

has been acquired by

**TEQ** Thermoform  
Engineered  
Quality™

a subsidiary of

**ESCO**  
TECHNOLOGIES

**MEDICAL COMPONENTS**  
Packaging and Thermoforming  
Company Sale to Strategic Buyer



**Squadron  
Capital**

has acquired

**FORUM** PLASTICS  
INC

**MEDICAL COMPONENTS**  
Contract Manufacturing  
Strategic Acquisition Advisory

## ABOUT PMCF

P&M Corporate Finance (“PMCF”) is an investment banking firm, focused exclusively on middle market transactions, with professionals in Chicago, Detroit, and across the globe through Corporate Finance International associates in 27 countries. The firm was founded in 1995 and has successfully closed over 300 transactions.

At PMCF, our Medical Technology team brings dedication and market knowledge to every transaction. Our transaction expertise in the medical device, biopharmaceutical, and health care sectors, combined with industry relationships and a proprietary healthcare consulting service offering, afford us a unique perspective in the industry.

PMCF is an affiliate of Plante Moran, one of the nation’s largest professional services firms.

## INVESTMENT BANKING SERVICES:

- Mergers & Acquisitions
- Sales & Divestitures
- Strategic Assessments
- Sale Planning
- Capital Raising

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# Venture Capital Activity Overview

## ACTIVITY OVERVIEW — BROAD ECONOMY

The value of total venture capital investments across all 20 industries as classified by PWC totaled \$58.6 billion in 2016, a -20% decrease compared to 2015. When examining sector specific investment levels, the most active segments in 2016 were technology related industries such as internet and mobile and telecommunication. Internet, which includes e-commerce and other revenue generating websites, received \$22.0 billion, representing 38% of all venture capital dollars invested in 2016. Mobile and telecommunications, which accounted for 23% of venture capital dollars invested in 2016, received \$13.5 billion.

Venture capital investment represents an alternative asset class that is not correlated to market returns, and as such, the total number of investments made is not the best proxy to monitor changes in investor sentiment. Changes in investment dollars, however, provide a clearer picture as to directional trends. In relation to 2015, 2016 saw venture capital dollars invested in later stage companies decrease -35% (\$20.9 billion invested), followed by early stage and expansion stage, with -14% (\$10.0 billion invested) and -13% (\$20.4 billion invested) decreases, respectively. Seed stage investments also showed a decrease in 2016, declining -5% (\$1.9 billion invested).

The median pre-money valuation of different stages of venture development is another useful metric to assess investor sentiment. In 2016, series D+ investments declined from \$306 million in 2015 to \$264 million in 2016, a -14% decrease.

Sectors that enjoyed an uptick in VC investment in 2016 included retail and automotive & transportation, increasing by 51% and 26%, respectively. Conversely, total dollars invested in environmental services & equipment, industrials, and risk & security decreased -65% per sector.

## HEALTHCARE DEVICES & SUPPLIES

According to Pitchbook, venture capital investment in medical device and equipment represented 6% of total venture dollars in 2016. The amount invested in 2016 was \$3.9 billion, compared to \$5.4 billion the previous year. An increase in VCs targeting investments in more transparent end markets such as mobile and software has contributed to a venture capital flight from medical technology companies. Further alienating VC investment in medical technology are an inconsistent and lengthy FDA reimbursement pathway approval process and new engineering talent gravitating towards “flashier” industries.

## OUTLOOK

While there are still a large number of unicorn companies who are choosing to remain private, record high stock prices and valuations following the U.S. presidential election may cause companies to re-evaluate and accelerate IPO strategies. As an example, Snap Inc., creator of the mobile app Snapchat, completed an IPO on March 2nd. The initial offering was priced at \$17 per share, and the company raised approximately \$3 billion.

## STAGE DEFINITIONS

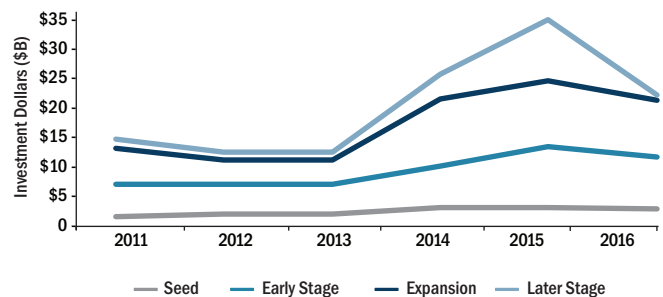
**Start-up/Seed:** The company has a concept or product under development, but is likely not fully operational. Typically in existence less than 18 months.

**Early:** The company has a product or service in testing or pilot production. In some cases, the product may be commercially available. May or may not be generating revenues. Typically in business less than three years.

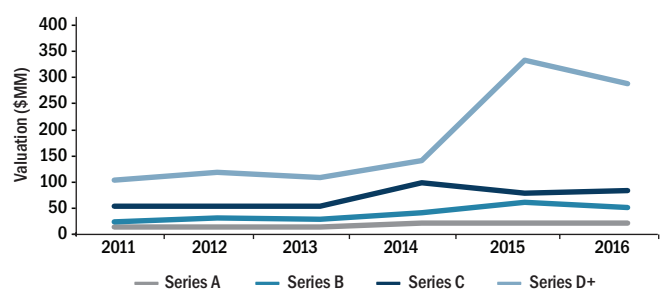
**Expansion:** Product or service is in production and commercially available. The company demonstrates significant revenue growth, but may or may not be showing a profit. Typically in business more than three years.

**Later:** Product or service is widely available. Company is generating ongoing revenue; potentially positive cash flow. More likely to be, but not necessarily, profitable. May include spin-offs of operating divisions of existing public companies and established private companies.

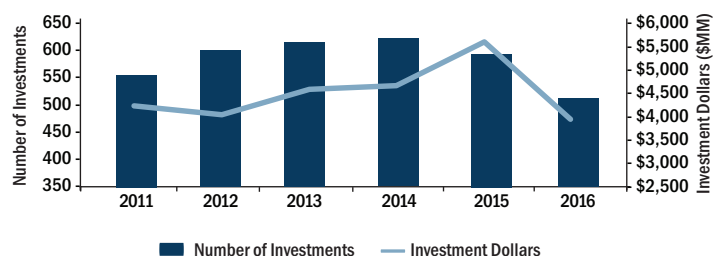
## INVESTMENT DOLLARS BY STAGE OF DEVELOPMENT



## MEDIAN PRE-MONEY VALUATION BY SERIES



## VC INVESTMENT IN HEALTHCARE DEVICES & SUPPLIES



Source: Thomson Reuters, PWC MoneyTree Report, Pitchbook, Cooley Go

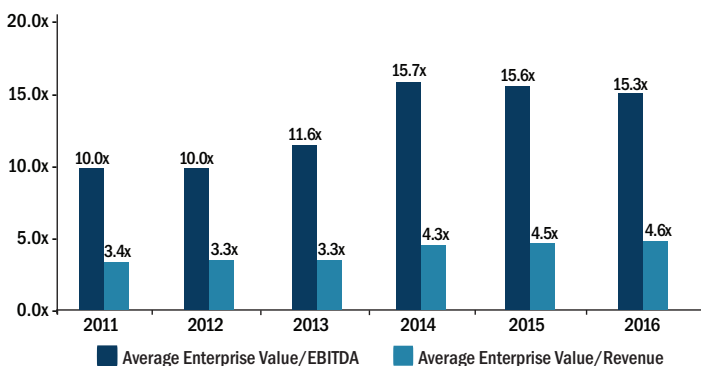
# Medical Device Public Comparables

## DIVERSIFIED MEDICAL DEVICE PUBLIC COMPARABLES SUMMARY

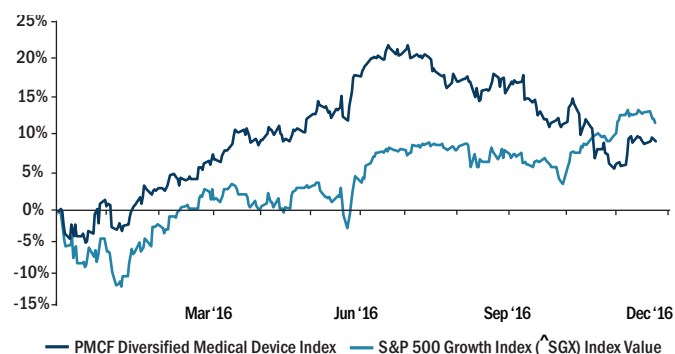
| Company Name                  | LTM as of  | Cash (\$MM) | Debt (\$MM) | Market Cap (\$MM) | TEV (\$MM) | TEV/REV | TEV/EBITDA | P/E   |
|-------------------------------|------------|-------------|-------------|-------------------|------------|---------|------------|-------|
| Abbott Laboratories           | 12/31/2016 | 18,775      | 22,006      | 56,551            | 59,961     | 2.9x    | 13.1x      | 57.9x |
| Boston Scientific Corporation | 12/31/2016 | 196         | 5,484       | 29,453            | 34,741     | 4.3x    | 16.5x      | NM    |
| C. R. Bard, Inc.              | 12/31/2016 | 905         | 1,642       | 16,518            | 17,255     | 4.8x    | 15.6x      | 33.9x |
| Intuitive Surgical, Inc.      | 12/31/2016 | 2,555       | 0           | 24,572            | 22,018     | 8.5x    | 21.9x      | 34.2x |
| Johnson & Johnson             | 1/1/2017   | 41,915      | 27,508      | 313,432           | 299,025    | 4.2x    | 12.6x      | 20.2x |
| Medtronic plc                 | 10/28/2016 | 11,258      | 32,441      | 97,802            | 119,092    | 4.1x    | 13.3x      | 23.7x |
| Smith & Nephew plc            | 12/31/2016 | 100         | 1,650       | 13,169            | 14,719     | 3.4x    | 12.7x      | 40.8x |
| Stryker Corporation           | 12/31/2016 | 3,384       | 6,914       | 44,863            | 48,393     | 4.5x    | 16.4x      | 27.3x |
| High                          |            | 41,915      | 32,441      | 313,432           | 299,025    | 8.5x    | 21.9x      | 57.9x |
| Mean                          |            | 9,886       | 12,206      | 74,545            | 76,901     | 4.6x    | 15.3x      | 34.0x |
| Median                        |            | 2,969       | 6,199       | 37,158            | 41,567     | 4.2x    | 14.5x      | 33.9x |
| Low                           |            | 100         | 0           | 13,169            | 14,719     | 2.9x    | 12.6x      | 20.2x |

As of January 1, 2017

## DIVERSIFIED MEDICAL DEVICE PUBLIC TRADING MULTIPLES



## DIVERSIFIED MEDICAL DEVICE INDEX



EV/EBITDA multiples for the Diversified Medical Device (“DMD”) comparables finished 2016 down slightly from 2015, ending the year at 15.3x compared to 15.6x in the prior year. Average EV/Revenue multiples experienced a slight increase from 2015, finishing 2016 at 4.6x compared to 4.5x from a year ago.

After a general trend of outperformance of the S&P 500 Growth Index throughout 2016, the PMCF DMD Index finished the year up +8.9%, failing to match the performance of the S&P 500 Growth Index, which finished up +11.2%. Tempering the performance of the DMD Index was Medtronic’s announcement during their Q3 earnings call of missed revenue estimates due to slower than expected progress in product introductions within their CVG and Diabetes divisions. This contributed to a drop in share prices of -11.6% from the November 22nd call through December 30th.

It should be noted that St. Jude Medical was removed from the DMD comparables as a result of being acquired by Abbott Laboratories for \$30 billion. The announcement of the deal on April 28th, 2016, closed in January 2017

# Medical Device Public Comparables

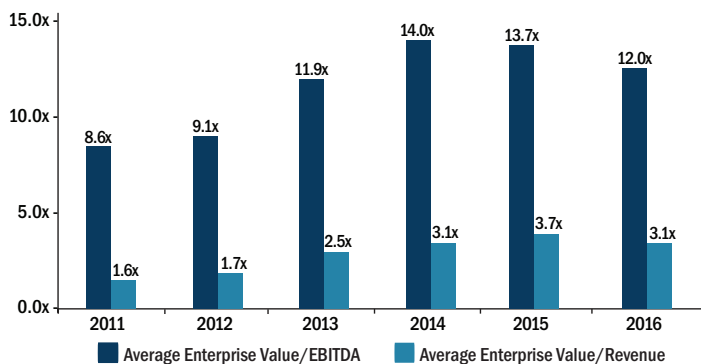
## ORTHOPEDIC MEDICAL DEVICE PUBLIC COMPARABLES SUMMARY

| Company Name                 | LTM as of  | Cash (\$MM) | Debt (\$MM) | Market Cap (\$MM) | TEV (\$MM) | TEV/REV | TEV/EBITDA | P/E   |
|------------------------------|------------|-------------|-------------|-------------------|------------|---------|------------|-------|
| Alphatec Holdings, Inc.      | 9/30/2016  | 26          | 41          | 28                | 67         | 0.4x    | 5.1x       | NM    |
| Exactech, Inc.               | 12/31/2016 | 13          | 20          | 387               | 394        | 1.6x    | 9.4x       | 24.2x |
| Globus Medical, Inc.         | 12/31/2016 | 290         | 0           | 2,377             | 2,087      | 3.8x    | 11.0x      | 20.3x |
| NuVasive, Inc.               | 12/31/2016 | 154         | 626         | 3,391             | 3,870      | 4.3x    | 18.8x      | 85.1x |
| Orthofix International N.V.  | 12/31/2016 | 40          | 0           | 645               | 605        | 1.5x    | 11.7x      | 62.4x |
| Smith & Nephew plc           | 12/31/2016 | 100         | 1,650       | 13,169            | 14,719     | 3.4x    | 12.7x      | 40.8x |
| Stryker Corporation          | 12/31/2016 | 3,384       | 6,914       | 44,863            | 48,393     | 4.5x    | 16.4x      | 27.3x |
| Wright Medical Group N.V.    | 12/25/2016 | 262         | 814         | NM                | 552        | 4.1x    | NM         | NM    |
| Zimmer Biomet Holdings, Inc. | 12/31/2016 | 634         | 11,241      | 20,671            | 31,279     | 4.2x    | 11.0x      | 57.8x |

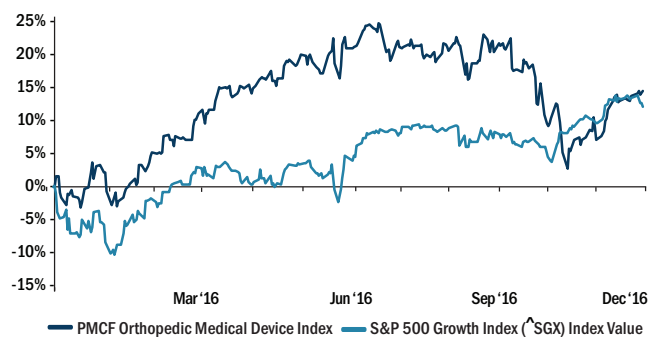
|        |  |       |        |        |        |      |       |       |
|--------|--|-------|--------|--------|--------|------|-------|-------|
| High   |  | 3,384 | 11,241 | 44,863 | 48,393 | 4.5x | 18.8x | 85.1x |
| Mean   |  | 545   | 2,367  | 10,691 | 11,330 | 3.1x | 12.0x | 45.4x |
| Median |  | 154   | 626    | 2,884  | 2,087  | 3.8x | 11.4x | 40.8x |
| Low    |  | 13    | 0      | 28     | 67     | 0.4x | 5.1x  | 20.3x |

As of December 31, 2016

## ORTHOPEDIC MEDICAL DEVICE PUBLIC TRADING MULTIPLES



## ORTHOPEDIC MEDICAL DEVICE INDEX



For the full year 2016, revenue and EBITDA trading multiples for the Orthopedic Medical Device (“OMD”) comparables experienced a decrease from the previous year. Average EV/EBITDA multiples for the OMD comparables finished the year at 12.0x, a decrease from 13.7x in 2015. Average EV/Revenue multiples also experienced a pullback in 2016, finishing at 3.1x vs. 3.7x in 2015.

The PMCF OMD Index slightly outperformed the S&P 500 Growth Index, finishing 2016 up +13.3%, compared to +11.2% for the S&P 500 Growth Index. A contributing factor to the large downturn seen in late October was the announcement by Zimmer Biomet Holdings, Inc. of a downward revision of revenue growth estimates during their Q3 earnings call. Post-announcement, shares tumbled -17.8% from October 31st through December 30th.

Source: S&P Capital IQ, Company Reports

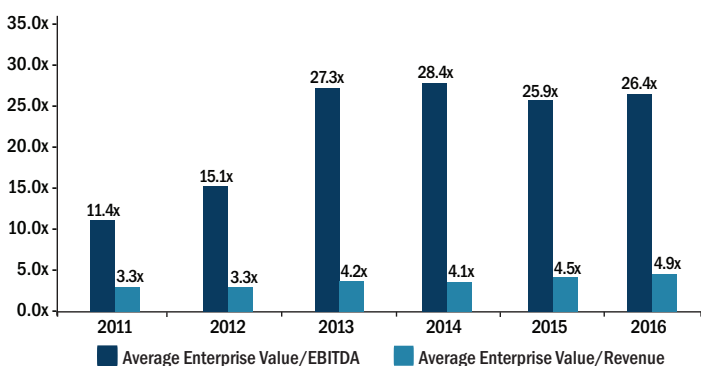
# Medical Device Public Comparables

## CARDIOVASCULAR MEDICAL DEVICE PUBLIC COMPARABLES SUMMARY

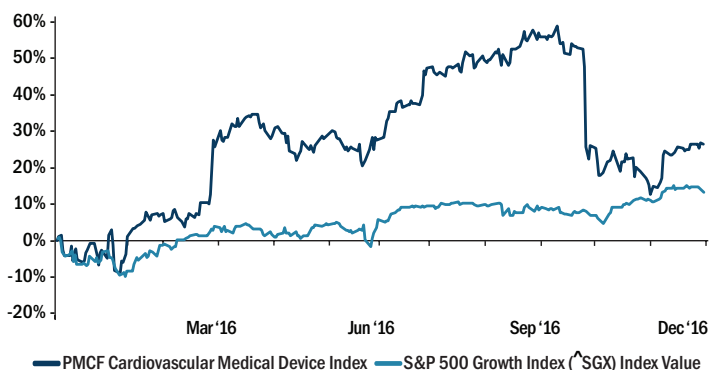
| Company Name                | LTM as of  | Cash (\$MM) | Debt (\$MM) | Market Cap (\$MM) | TEV (\$MM) | TEV/REV | TEV/EBITDA | P/E    |
|-----------------------------|------------|-------------|-------------|-------------------|------------|---------|------------|--------|
| ABIOMED, Inc.               | 12/31/2016 | 241         | 17          | 4,738             | 4,513      | 11.7x   | 57.4x      | 116.2x |
| AngioDynamics Inc.          | 11/30/2016 | 37          | 115         | 618               | 696        | 2.0x    | 15.9x      | NM     |
| Cardiovascular Systems Inc. | 12/31/2016 | 79          | 0           | 800               | 721        | 4.1x    | NM         | NM     |
| CryoLife Inc.               | 12/31/2016 | 57          | 72          | 629               | 644        | 3.7x    | 19.5x      | 58.2x  |
| Edwards Lifesciences Corp.  | 12/31/2016 | 1,271       | 822         | 20,034            | 19,586     | 6.8x    | 22.7x      | 37.0x  |
| Endologix Inc.              | 12/31/2016 | 47          | 177         | 473               | 603        | 3.2x    | NM         | NM     |
| LeMaitre Vascular, Inc.     | 12/31/2016 | 24          | 0           | 471               | 447        | 5.1x    | 22.9x      | 46.1x  |
| Merit Medical Systems, Inc. | 12/31/2016 | 19          | 324         | 1,182             | 1,487      | 2.6x    | 20.3x      | 63.1x  |
| High                        |            | 1,271       | 822         | 20,034            | 19,586     | 11.7x   | 57.4x      | 116.2x |
| Mean                        |            | 222         | 191         | 3,618             | 3,587      | 4.9x    | 26.4x      | 64.1x  |
| Median                      |            | 52          | 93          | 715               | 709        | 3.9x    | 21.5x      | 58.2x  |
| Low                         |            | 19          | 0           | 471               | 447        | 2.0x    | 15.9x      | 37.0x  |

As of December 31, 2016

## CARDIOVASCULAR MEDICAL DEVICE PUBLIC TRADING MULTIPLES



## CARDIOVASCULAR MEDICAL DEVICE INDEX



EV/EBITDA multiples for the Cardiovascular Medical Device (“CVMD”) comparables ended 2016 at 26.4x, increasing +6.9% from 25.9x at the end of 2015. Average EV/Revenue multiples set a new six year high, finishing 2016 at 4.9x. This represents an +8.9% increase over the 4.5x level experienced in 2015.

The PMCF CVMD Index experienced an enormous drop entering Q4 2016, while the S&P 500 Growth Index continued its steady upward climb. Edward Life Sciences Corp. was the main contributor to the decline, missing on their revenue estimates and causing the market to lose confidence in their high valuation. This resulted in shares falling from roughly \$117 to \$83 during the following 6 weeks, before rebounding back to \$93 at the end of the year. Despite this large loss in value, the PMCF CVMD Index more than doubled the performance of the S&P 500 Growth Index, finishing the year +24.0%, compared to +11.2% for the S&P 500 Growth Index.

Vascular Solutions Inc. has been removed from the PMCF CVMD Index following their acquisition by Teleflex Incorporated (NYSE: TFX) on December 2, 2016 for \$1 billion, or 6.2x revenue and 45.8x EBITDA.

Source: S&P Capital IQ, Company Reports

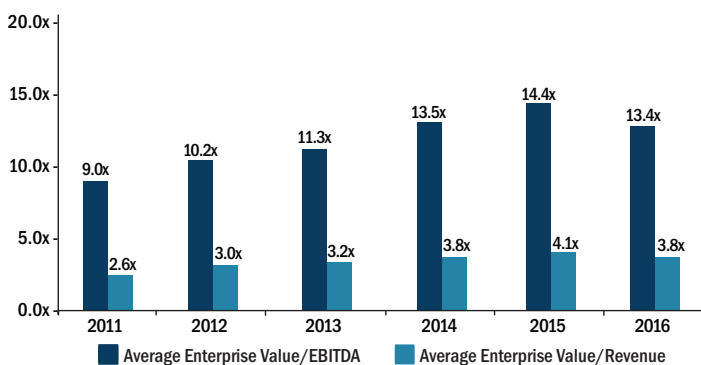
# Medical Device Public Comparables

## DIVERSIFIED DIAGNOSTIC PUBLIC COMPARABLES SUMMARY

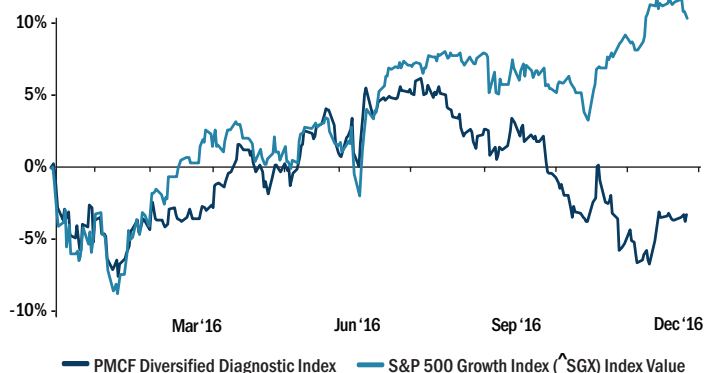
| Company Name                   | LTM as of  | Cash (\$MM)   | Debt (\$MM)   | Market Cap (\$MM) | TEV (\$MM)     | TEV/REV     | TEV/EBITDA   | P/E          |
|--------------------------------|------------|---------------|---------------|-------------------|----------------|-------------|--------------|--------------|
| Abbott Laboratories            | 12/31/2016 | 18,775        | 22,006        | 56,551            | 59,961         | 2.9x        | 13.1x        | 57.9x        |
| Becton, Dickinson and Co.      | 12/31/2016 | 967           | 11,017        | 35,301            | 45,351         | 3.6x        | 14.1x        | 36.9x        |
| Danaher Corp.                  | 12/31/2016 | 964           | 12,269        | 53,842            | 65,221         | 2.7x        | 11.3x        | 19.6x        |
| Hologic Inc.                   | 12/31/2016 | 649           | 3,323         | 11,162            | 13,836         | 4.9x        | 13.6x        | 34.6x        |
| Johnson & Johnson              | 1/1/2017   | 40,793        | 27,298        | 313,432           | 299,937        | 4.2x        | 12.6x        | 20.2x        |
| Laboratory Corp. of America    | 12/31/2016 | 434           | 5,850         | 13,223            | 18,654         | 2.0x        | 10.5x        | 20.4x        |
| Novartis AG                    | 12/31/2016 | 7,546         | 23,802        | 173,290           | 189,605        | 4.0x        | 12.8x        | 27.0x        |
| Orion Oyj                      | 12/31/2016 | 245           | 161           | 6,275             | 6,191          | 5.6x        | 18.1x        | 24.7x        |
| Roche Holding AG               | 12/31/2016 | 8,988         | 22,016        | 195,984           | 211,464        | 4.3x        | 11.2x        | 22.1x        |
| Thermo Fisher Scientific, Inc. | 12/31/2016 | 786           | 16,628        | 55,738            | 71,580         | 4.0x        | 16.6x        | 28.1x        |
| <b>High</b>                    |            | <b>40,793</b> | <b>27,298</b> | <b>313,432</b>    | <b>299,937</b> | <b>5.6x</b> | <b>18.1x</b> | <b>57.9x</b> |
| <b>Mean</b>                    |            | <b>8,015</b>  | <b>14,437</b> | <b>91,480</b>     | <b>98,180</b>  | <b>3.8x</b> | <b>13.4x</b> | <b>29.1x</b> |
| <b>Median</b>                  |            | <b>965</b>    | <b>14,448</b> | <b>54,790</b>     | <b>62,591</b>  | <b>4.0x</b> | <b>12.9x</b> | <b>25.8x</b> |
| <b>Low</b>                     |            | <b>245</b>    | <b>161</b>    | <b>6,275</b>      | <b>6,191</b>   | <b>2.0x</b> | <b>10.5x</b> | <b>19.6x</b> |

As of January 1, 2017

## DIVERSIFIED DIAGNOSTIC PUBLIC TRADING MULTIPLES



## DIVERSIFIED DIAGNOSTIC MEDICAL DEVICE INDEX



The Diversified Diagnostic Medical Device (“DDMD”) comparables experienced a down year in 2016 for both average EV/EBITDA and EV/Revenue multiples. EV/EBITDA multiples finished 2016 at 13.4x, a -6.9% decrease from 2015 levels of 14.4x. EV/Revenue multiples finished 2016 at 3.8x, also a -7.3% decrease from 2015 levels of 4.1x.

The performance gap between the PMCF DDMD Index and the S&P 500 Growth Index widened throughout Q4 2016, with the PMCF DDMD Index finishing the year down -3.4%, compared to a gain of +11.2% for the S&P 500 Growth Index. There was no single company heavily responsible for the poor performance of the PMCF DDMD Index, as eight of the ten constituents experienced down years in stock price performance. The two companies that did not experience a decrease were Hologic Inc., and Orion Oyj, whose stock prices finished the year +6.1% and +36.1%, respectively.

Source: S&P Capital IQ, Company Reports

# M&A Activity Round Up

For the full year 2016, medical device transaction activity experienced a pull-back compared to the prior year, with 506 transactions taking place compared to 596 in 2015, a decrease of -15%. Average transaction value also dropped, regressing -19% from the levels experienced in the previous year. In terms of valuation multiples, average TEV/EBITDA multiples decreased in 2016 to 15.03x compared to 16.06x in 2015. Average TEV/Revenue multiples also saw a decrease to 3.11x in 2016 compared to 4.68x in 2015.

Despite the decline in volume, there was a healthy mix of activity between (68% strategic, 32% financial). Strategic buyers continue to pursue inorganic growth initiatives to increase market share, enter new segments, acquire new customers, and increase operational efficiency by leveraging economies of scale. Medical Technology remained a popular target for financial investors from both a new platform (72) and add-on (89) perspective.

Throughout 2016, M&A activity was spread evenly across product segments with no one segment accounting for more than 20% of overall transaction volume. Contract Manufacturing experienced the most activity, accounting for 20% of transactions, followed by the Equipment and Therapeutic Device segments, with 18% and 17%, respectively. The Distribution segment experienced the biggest increase of 2016 compared to 2015, increasing from 26 to 36 transactions.

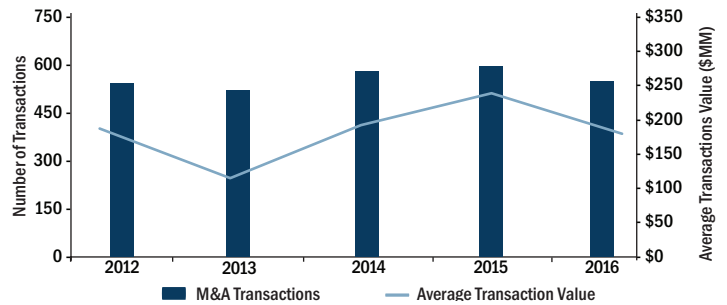
## OUTLOOK FOR MEDICAL DEVICES & EQUIPMENT SEGMENT

Looking back on 2016, global M&A activity in the medical device and equipment industry softened when compared to recent years, however the market has shown that it still has an appetite for mega deals. Look no further than Abbott Laboratories' acquisition of St. Jude Medical and Alere Inc., deals valued at \$30 billion and \$9 billion, respectively.

At the segment level, transaction volume in the Contract Manufacturing (CMO) market has seen strong growth over the last two years. This has been driven by large CMOs and other strategic buyers pursuing acquisitions to gain scale, extend capabilities and geographic footprint, and provide higher value services. Private equity firms harvesting mature CMO holdings and taking advantage of a prolonged favorable lending environment to add on to existing holdings has also contributed to the increase in CMO transaction activity.

In terms of the regulatory environment, President Trump may take several months to address the ACA, and in the interim this will only create further uncertainty for healthcare deal makers. Many observers believe that programs started under ACA will continue to gain "free-market steam" and have a larger positive impact than any potential changes from the repeal/replace process. If this in fact holds true, the uncertainty may end up proving more detrimental to near-term transaction activity than any potential change itself.

## MEDICAL DEVICE M&A TRANSACTION STATISTICS



Source: S&P Capital IQ, PMCF

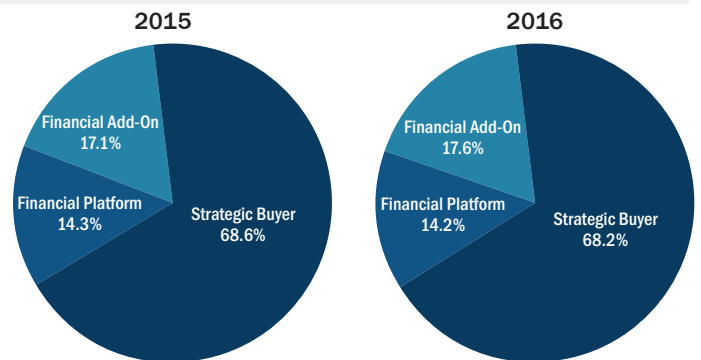
## MEDICAL DEVICE M&A TRANSACTION METRICS

| Period | Mean/Median | Transaction Value (\$MM) | TEV/REV | TEV/EBITDA |
|--------|-------------|--------------------------|---------|------------|
| 2016   | Mean        | \$184.8                  | 3.11x   | 15.03x     |
| 2016   | Median      | \$28.1                   | 2.24x   | 12.70x     |
| 2015   | Mean        | \$229.0                  | 4.68x   | 16.06x     |
| 2015   | Median      | \$27.2                   | 2.20x   | 12.10x     |
| 2014   | Mean        | \$194.2                  | 6.43x   | 16.68x     |
| 2014   | Median      | \$23.0                   | 2.14x   | 12.50x     |
| 2013   | Mean        | \$132.2                  | 6.02x   | 13.15x     |
| 2013   | Median      | \$19.0                   | 2.04x   | 12.20x     |
| 2012   | Mean        | \$190.5                  | 2.63x   | 14.17x     |
| 2012   | Median      | \$21.7                   | 1.88x   | 11.50x     |

Source: S&P Capital IQ, PMCF

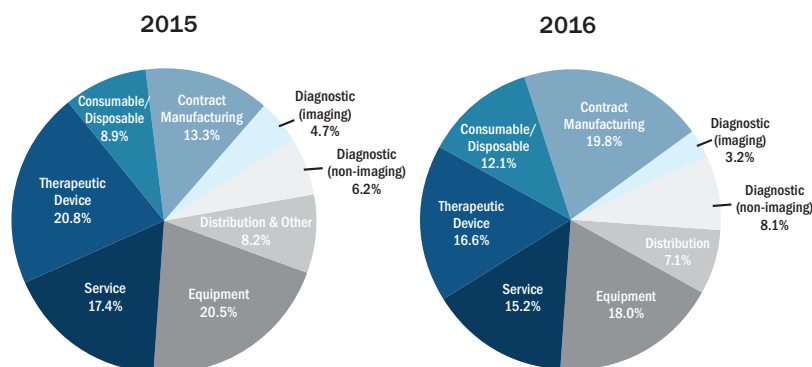
Note: Certain outliers have been removed

## BUYER TYPE



Source: S&P Capital IQ, PMCF

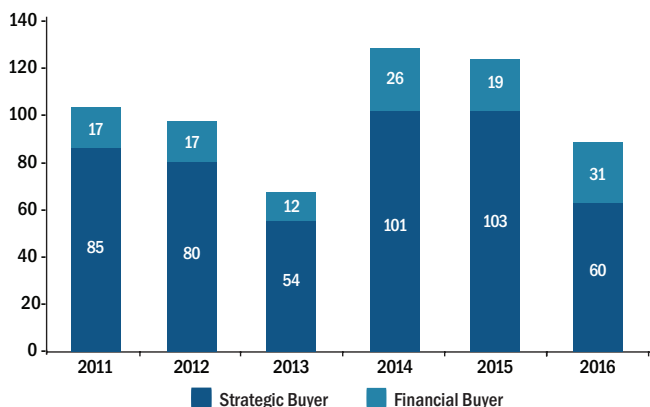
## TRANSACTIONS BY PRODUCT SEGMENT





# Medical Equipment M&A

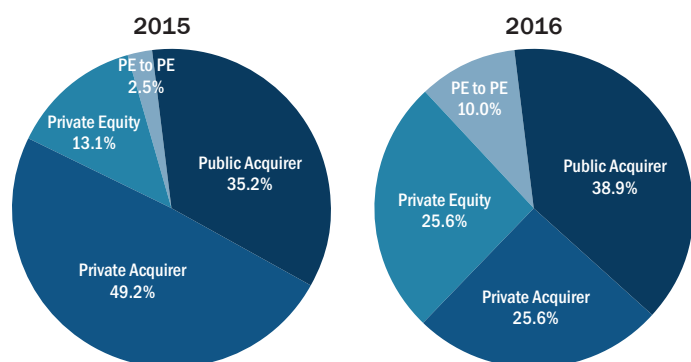
## TRANSACTIONS BY BUYER TYPE



## TRANSACTIONS BY END MARKET

| End Market           | 2013      | 2014       | 2015       | 2016      |
|----------------------|-----------|------------|------------|-----------|
| Acute Care           | 0         | 5          | 4          | 0         |
| Aesthetic            | 2         | 1          | 3          | 4         |
| Furniture/Equipment  | 20        | 24         | 24         | 23        |
| Monitor              | 13        | 17         | 19         | 11        |
| Ophthalmology        | 0         | 5          | 6          | 8         |
| Respiratory          | 2         | 12         | 6          | 3         |
| Safety/Drug Delivery | 4         | 10         | 12         | 4         |
| Surgical             | 11        | 41         | 35         | 15        |
| Wound Care           | 0         | 0          | 0          | 1         |
| Other                | 14        | 12         | 13         | 22        |
| <b>Total</b>         | <b>66</b> | <b>127</b> | <b>122</b> | <b>91</b> |

## BUYER TYPE



## CROSS-BORDER TRANSACTION TRENDS

| Seller-to-Buyer    | 2013      | 2014       | 2015       | 2016      |
|--------------------|-----------|------------|------------|-----------|
| Int'l - to - Int'l | 31        | 45         | 58         | 40        |
| U.S. - to - Int'l  | 5         | 6          | 8          | 9         |
| U.S. - to - U.S.   | 22        | 59         | 39         | 36        |
| Int'l - to - U.S.  | 8         | 17         | 17         | 6         |
| <b>Total</b>       | <b>66</b> | <b>127</b> | <b>122</b> | <b>91</b> |

## TRENDS IN M&A:

- Medical equipment M&A activity in 2016 decreased 26% compared to 2015.
- Strategic buyers remained active in medical equipment, with 60 transactions occurring in 2016. Financial buyer involvement finished with a total of 31 transactions.
- Transaction activity in 2016 was primarily driven by the Furniture/Equipment sector, which had 23 transactions for the year, followed by the Surgical and Monitor sectors with 15 and 11 transactions, respectively.
- Cross-border deal volume decreased compared to 2015, with 15 transactions occurring between international and U.S. companies vs. 25 the previous year.

## FEATURED SECTOR TRANSACTIONS:

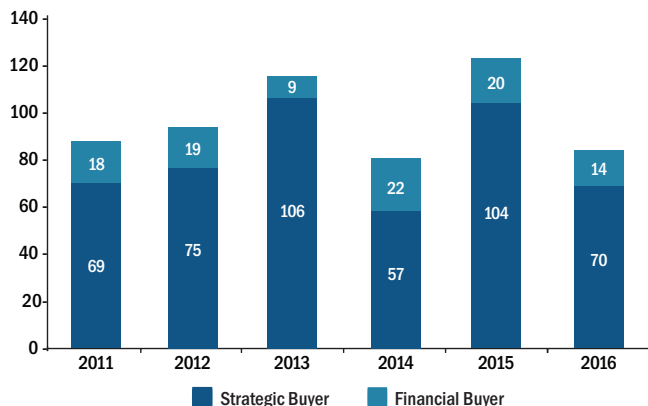
**October 2016** – ICU Medical, Inc. (NasdaqGS:ICUI) entered into a definitive agreement to acquire the Hospira Infusion Systems Business from Pfizer, Inc. (NYSE: PFE) for \$1 billion. The Infusion Systems Business comprises infusion pumps, solutions, and devices and is located in the United States. “The combination of these two businesses is the natural evolution of a productive relationship that began more than 20 years ago when Hospira began integrating ICU Medical’s needlefree technology into their infusion offering globally,” explained Vivek Jain, ICU Medical’s Chief Executive Officer. “By acquiring the Hospira Infusion Systems business, currently our largest single customer, we create a pure-play infusion business with the focus and scale to compete globally, eliminate our single customer concentration issue, and have a significant value creation opportunity as a much larger company. We look forward to serving more customers as we continue to bring clinical and economic value to the marketplace.”

**February 2016** – Stryker Corporation (NYSE:SYK) entered into a definitive agreement to acquire Physio-Control International, Inc. from Bain Capital Private Equity for \$1.3 billion. Physio-Control develops, manufactures and markets monitors/defibrillators, automated external defibrillators (AEDs) and CPR-assist devices along with data management and support services. “Physio-Control has achieved global leadership positions with a strong brand and customer-centered solutions that can predict or intervene in life-threatening emergencies,” stated Kevin A. Lobo, Chairman and Chief Executive Officer. “Physio-Control’s focused strategy and their culture will fit well within the EMS business of our Medical division, further leveraging our existing call pattern. We look forward to welcoming the Physio-Control team to Stryker.”

Source: S&P Capital IQ, PMCF, Press Releases

# Therapeutic Device M&A

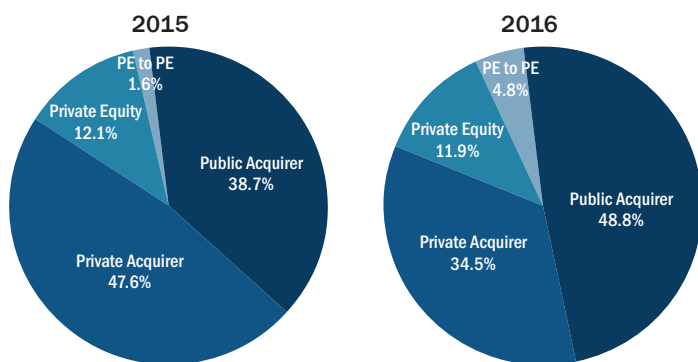
## TRANSACTIONS BY BUYER TYPE



## TRANSACTIONS BY END MARKET

| End Market       | 2013       | 2014      | 2015       | 2016      |
|------------------|------------|-----------|------------|-----------|
| Aesthetic        | 7          | 3         | 8          | 2         |
| Cardiovascular   | 31         | 12        | 13         | 10        |
| ENT              | 3          | 3         | 10         | 7         |
| Gastrointestinal | 3          | 3         | 5          | 3         |
| Neurovascular    | 5          | 8         | 12         | 9         |
| Ophthalmology    | 15         | 10        | 30         | 11        |
| Ortho            | 23         | 12        | 20         | 28        |
| Safety           | 0          | 0         | 0          | 0         |
| Wound Care       | 6          | 9         | 2          | 0         |
| Other            | 22         | 19        | 24         | 14        |
| <b>Total</b>     | <b>115</b> | <b>79</b> | <b>124</b> | <b>84</b> |

## BUYER TYPE



## CROSS-BORDER TRANSACTION TRENDS

| Seller-to-Buyer    | 2013       | 2014      | 2015       | 2016      |
|--------------------|------------|-----------|------------|-----------|
| Int'l - to - Int'l | 41         | 29        | 63         | 34        |
| U.S. - to - Int'l  | 8          | 13        | 15         | 8         |
| U.S. - to - U.S.   | 54         | 27        | 38         | 38        |
| Int'l - to - U.S.  | 12         | 10        | 8          | 4         |
| <b>Total</b>       | <b>115</b> | <b>79</b> | <b>124</b> | <b>84</b> |

## TRENDS IN M&A:

- Therapeutic device M&A activity in 2016 decreased 32% compared to 2015.
- Strategic buyers remained active in therapeutic devices, with 70 transactions occurring in 2016. Financial buyer involvement finished with a total of 14 transactions.
- Transaction activity in 2016 was primarily driven by the Ortho sector, which had 28 transactions for the year, followed by the Ophthalmology and Cardiovascular sectors with 11 and 10 transactions each.
- Cross-border deal volume decreased compared to 2015, with 12 transactions occurring between international and U.S. companies vs. 23 in 2015.

## FEATURED SECTOR TRANSACTIONS:

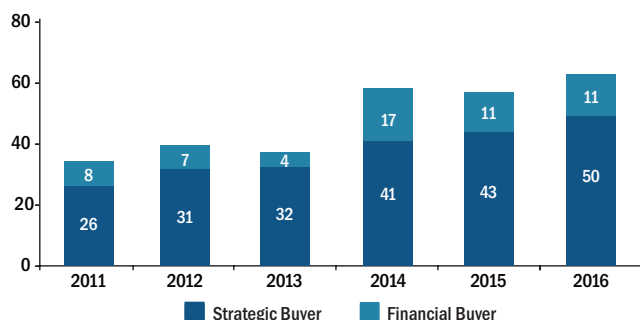
**June 2016** — Medtronic, Inc. (NYSE: MDT) signed a definitive agreement to acquire Heartware International Inc. from a consortium of investors for \$1.1 billion. HeartWare International, Inc. is a leading innovator of less-invasive, miniaturized circulatory support technologies for the treatment of advanced heart failure. The acquisition will increase Medtronic's diagnostic portfolio for patients suffering from heart failure, and is in line with the Company's strategy to provide physicians with inventive products while concentrating on patients and disease states. *"The addition of HeartWare's innovative portfolio adds to our expanding portfolio of diagnostics, therapeutics and services that address heart failure patients,"* said Mike Coyle, executive vice president and president of the Cardiac and Vascular Group at Medtronic.

**July 2016** — Zimmer Biomet Holdings, Inc. (NYSE:ZBH) entered into a definitive agreement to acquire LDR Holding Corporation for \$1.1 billion at a 6.3x revenue multiple. LDR Holding Corporation is a global medical device company focused on designing and commercializing novel and proprietary surgical technologies for the treatment of patients suffering from spine disorders. The combination with LDR is a natural expansion of Zimmer Biomet's spine business. LDR's talent, culture and track record of innovation is evidenced by its primary product offerings based on its Mobi-C® cervical disc replacement device and MIVO™ portfolio to support lumbar and cervical fusion procedures, both of which are complementary to Zimmer Biomet's current portfolio. Combined, Zimmer Biomet and LDR create a differentiated and comprehensive spine portfolio, improving Zimmer Biomet's position for sustainable growth. Zimmer expects to capture cross-portfolio selling opportunities to both Zimmer Biomet and LDR customer bases. *"This highly strategic and complementary transaction will enhance Zimmer Biomet's innovation leadership in musculoskeletal healthcare by adding a premier spine platform to our portfolio of solutions,"* said David Dvorak, President and CEO of Zimmer Biomet.

Source: S&P Capital IQ, PMCF, Press Releases

# Consumable and Disposable M&A

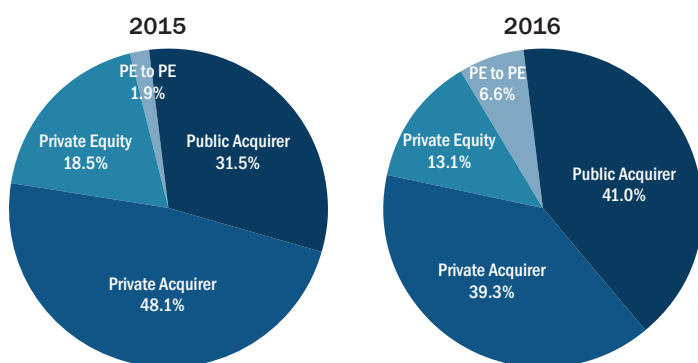
## TRANSACTIONS BY BUYER TYPE



## TRANSACTIONS BY END MARKET

| End Market          | 2013      | 2014      | 2015      | 2016      |
|---------------------|-----------|-----------|-----------|-----------|
| Drug Delivery       | 2         | 4         | 11        | 7         |
| Home Health         | 3         | 5         | 9         | 9         |
| Hospital Care       | 4         | 13        | 9         | 9         |
| IVD                 | 1         | 7         | 2         | 4         |
| Safety/Inf. Control | 7         | 8         | 10        | 8         |
| Surgical            | 6         | 12        | 5         | 9         |
| Wound Care          | 4         | 3         | 2         | 5         |
| Other               | 9         | 6         | 6         | 10        |
| <b>Total</b>        | <b>36</b> | <b>58</b> | <b>54</b> | <b>61</b> |

## BUYER TYPE



## CROSS-BORDER TRANSACTION TRENDS

| Seller-to-Buyer    | 2013      | 2014      | 2015      | 2016      |
|--------------------|-----------|-----------|-----------|-----------|
| Int'l - to - Int'l | 17        | 33        | 24        | 30        |
| U.S. - to - Int'l  | 1         | 1         | 4         | 4         |
| U.S. - to - U.S.   | 16        | 20        | 22        | 20        |
| Int'l - to - U.S.  | 2         | 4         | 4         | 7         |
| <b>Total</b>       | <b>36</b> | <b>58</b> | <b>54</b> | <b>61</b> |

## TRENDS IN M&A:

- Consumable and Disposable M&A activity in 2016 increased 13% compared to 2015.
- Strategic buyers remained active in medical consumables and disposables, with 50 transactions occurring in 2016. Financial buyer involvement finished with a total of 11 transactions.
- Transaction activity in 2016 was primarily driven by the Home Health, Hospital Care, and Surgical sectors, with 9 transactions each.
- Cross-border deal volume increased compared to 2015, with 11 transactions occurring between international and U.S. companies vs. 8 in 2015.

## FEATURED SECTOR TRANSACTIONS:

**February 2016** — Stryker Corporation (NYSE:SYK) entered into definitive agreement to acquire Sage Products, LLC from Madison Dearborn Partners, LLC, American Capital, Ltd. (NasdaqGS:A-CAS) and other shareholders for \$2.8 billion. Sage Products is a leading developer of innovative products and proprietary solutions that are designed to help improve outcomes for patients and clinicians, while maximizing efficiency and profitability for healthcare facilities. Sage's products include solutions for oral care, skin preparation and protection, patient cleaning and hygiene, turning and positioning devices and heel care boots. The company utilizes consumer stores to sell its products. "The company's established leadership team and innovative products that help prevent hospital acquired conditions have driven consistent double-digit sales growth," stated Kevin A. Lobo, Chairman and Chief Executive Officer. "This acquisition aligns with Stryker's focus on offering products and services that support a mindset of prevention, specifically in the area of "Never Events" such as hospital acquired infections."

**April 2016** — Halyard Health, Inc. (NYSE:HYH) announced its agreement to acquire privately held CORPAK MedSystems for a total consideration of \$174 million. Corpak, a portfolio company of Linden Capital Partners, develops, manufactures and markets a broad portfolio of high-quality, branded enteral access devices, including CORFLO nasogastric and gastrostomy feeding tubes, FARRELL gastric pressure relief devices, and enteral feeding safety devices to meet the clinical needs of hospitals, nursing homes, and home care. A number of CORPAK's products hold leading market share positions, including CONTRAK, a device that "tracks" the feeding tube during the bedside placement procedure. Robert Abernathy, Halyard Chairman and Chief Executive Officer, commented, "We are excited to integrate Corpak's innovative products into our market-leading enteral feeding portfolio enabling us to serve our doctors and their patients more broadly. Corpak's business aligns well with our existing Medical Devices segment with slightly higher sales growth and similar gross margins. This first acquisition is an important step in achieving our strategic vision of transforming Halyard into a leading medical devices company, and positioning our business for future growth."

Source: S&P Capital IQ, PMCF, Press Releases



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