

## Medical Manufacturing M&A Market Update First Quarter 2008

VOLUME I, ISSUE III

### **Update At A Glance...**

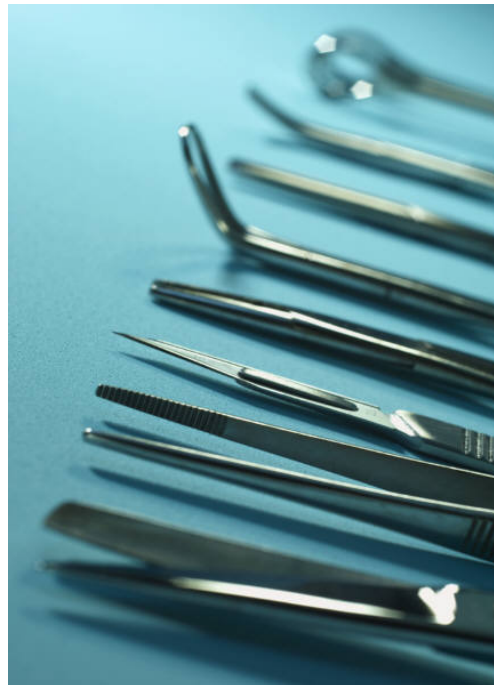
- **Medical manufacturing multiples remain high** compared to the broad M&A market.
- Driven by the industry's recession-resistance, **strong M&A activity will continue** despite the general economic slowdown.
- **Foreign acquirers**, trading on the weak dollar, could be particularly active in **cash deals**.

### RECESSION WON'T HINDER DEAL FLOW THIS YEAR

Overview: Based on stock performance, the medical equipment sector appears recession-resistant: publicly traded sector stocks are up (+.22%) while the overall S&P 500 Index is down significantly (-9.1%). Looking forward, a recessionary environment is not likely to compress sector M&A activity, because acquirers – particularly those with little debt and lots of cash – continue to believe that returns in the sector far outweigh the risks.

#### **What's hot:**

- Small, value-creating deals that add instruments to a bag, manufacturing techniques to a skill-set, or intangible assets to a brand / existing product line
- Perceived high growth areas: orthopedics, spinal, diagnostics, cardiovascular and home care



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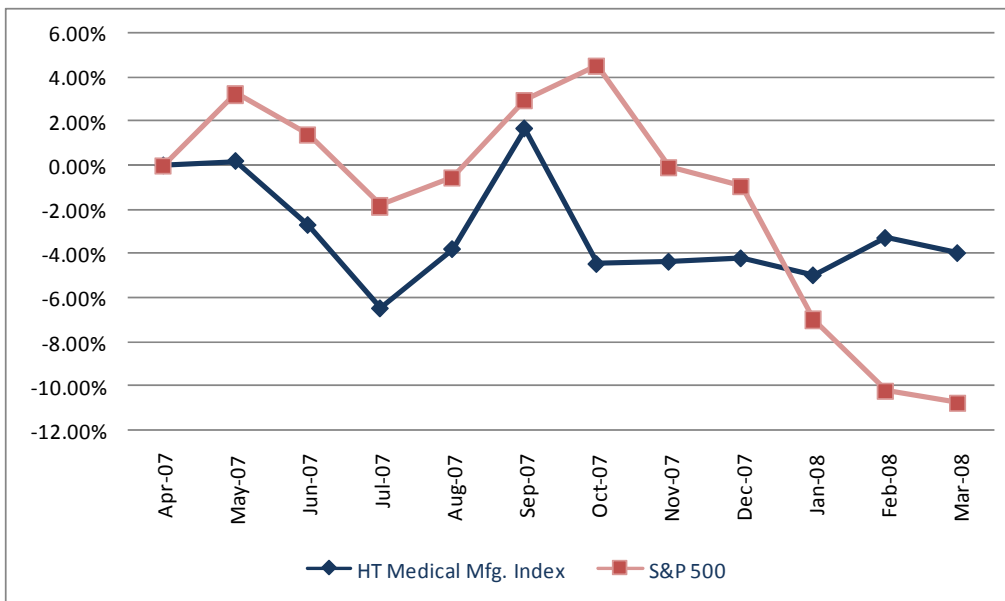
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HT CAPITAL MEDICAL MANUFACTURING WEIGHTED STOCK PRICE PERFORMANCE INDEX RELATIVE TO THE S&P500 <sup>1</sup>



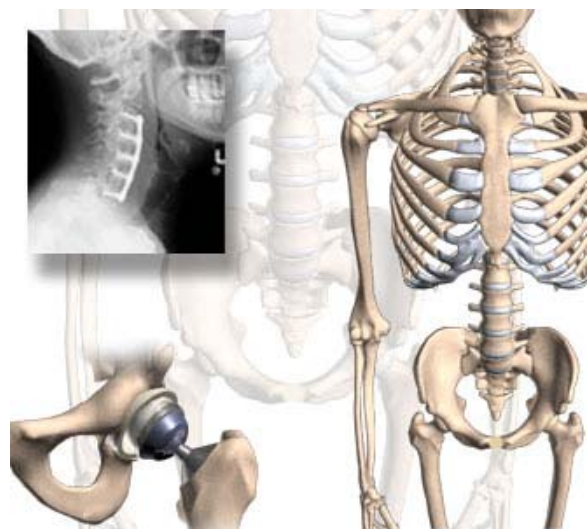
*While the S&P is off sharply, medical device companies have held their ground, showing strength in a recessionary environment.*

DEAL ENVIRONMENT/INDUSTRY TRANSACTIONS

**Recession-Resistant:** Medical device companies have held their ground in 2008 while the S&P 500 is off significantly.

**Foreign Intrigue:** Look for increased cross-border activity this year as the weak dollar draws cash buyers from overseas looking for attractive technology investments and acquisitions.

**Strategic Trumps Financial:** The credit crunch in the leveraged finance markets has put financial buyers at a distinct disadvantage versus strategic buyers, particularly at the upper end of the middle market. Increasingly, financial buyers can't find sources willing to lend money at terms that will yield adequate returns for equity investors. Strategic buyers, many of whom had been priced out of the market, are now becoming much more active and more attractive to sellers.



<sup>1</sup> Source: HT Capital research & Yahoo Finance (Market Weighted Index composed of BDX, BCR, MDT, BSX, SYK, ZMH, SNN)

PUBLIC COMPANY METRICS

Medical Manufacturing  
Selected Comparable Public Companies

(\$ in millions, except per share)

Company	Stock Price <sup>2</sup>			Equity Value	Enterprise Value	Price/EPS <sup>(TTM)</sup>		Enterprise Value as a Multiple of:			
	Date	As a % of High				2007 2008		Revenue <sup>3</sup>		EBITDA <sup>4</sup>	
	4/9/2008	LTM	AT			2007	2008	2007	2008	2007	2008
Becton, Dickinson and Company (BDX)	\$85.71	92%	92%	20,918.0	21,164.2	26.88x	23.30x	3.20x	3.35x	12.0x	12.1x
Boston Scientific Corp. (BSX)	13.46	80%	30%	20,121.1	26,858.1	53.63	72.81	3.63	3.05	13.2	11.9
CR Bard Inc. (BCR)	96.72	96%	96%	9,735.3	9,323.4	29.74	26.90	3.97	4.26	14.2	14.6
Medtronic Inc. (MDT)	49.77	86%	82%	55,893.1	61,560.1	21.64	22.54	5.05	4.54	14.3	13.2
Smith & Nephew plc (SNN)	64.97	94%	94%	11,500.8	12,808.8	29.30	36.66	3.98	3.97	15.2	16.5
Stryker Corp. (SYK)	65.89	86%	86%	27,117.9	24,723.9	31.93	28.45	4.54	4.18	16.7	14.9
Zimmer Holdings Inc. (ZMH)	78.44	83%	83%	18,246.7	17,889.9	23.38	23.14	5.26	4.43	13.3	11.1
<b>MEDIAN</b>		<b>86%</b>	<b>86%</b>			<b>29.30x</b>	<b>26.90x</b>	<b>3.98x</b>	<b>4.18x</b>	<b>14.2x</b>	<b>13.2x</b>
<b>MEAN</b>		<b>88%</b>	<b>80%</b>			<b>30.93x</b>	<b>33.40x</b>	<b>4.23x</b>	<b>3.97x</b>	<b>14.1x</b>	<b>13.5x</b>

DEAL ENVIRONMENT/INDUSTRY TRANSACTIONS (con't.)

**Compressed Pricing, But Still Far Better Than The Broad Market:** While transaction pricing in the upper middle market (>\$250 million enterprise value) has dropped from year-ago levels, sector multiples are still far stronger than the broad M&A market. Recent medical equipment sector transactions averaged 2.6x revenue and 20.2x EBITDA, while general M&A transactions averaged half that. (However, note that most industry transactions were negotiated and closed before the market downturn; we expect further compression.)

**Noteworthy recent transactions:**

- C.R. Bard’s acquisitions of Edwards Lifesciences’ stent systems business for \$139.3 million, and SHPI for \$68.4 million
- Getinge AB’s acquisition of Boston Scientific’s cardiac and vascular surgery business’ for \$750 million
- The Riverside Company’s acquisition of Summit Medical for \$71.7 million



*“Medical manufacturing multiples are still materially stronger than the broad M&A market.”*

<sup>2</sup> Source: Yahoo Finance & Google Finance

<sup>3</sup> Enterprise Value (Equity + Funded Debt – Cash) / Trailing Twelve Months Revenue

<sup>4</sup> Enterprise Value / Trailing Twelve Months Earnings Before Interest, Taxes, Depreciation and Amortization

## RECENT DEALS

Medical Manufacturing  
Market Transactions<sup>5</sup>

(\$ in millions)

Date	Target	Acquirer	Deal Size	Multiples of	
				Revenue	EBITDA
04/04/08	Hi-Tech Rubber, Inc.	Parker Hannifin Corporation	-	-	-
03/30/08	Summit Medical Ltd.	The Riverside Company	\$ 71.7	2.3x	-
03/28/08	CMED Catheter and Disposables Technology, Inc.	Tacpro Inc.	\$ 1.2	-	-
03/10/08	Specialized Health Products International Inc.	CR Bard Inc.	\$ 68.4	3.2x	16.6x
03/07/08	INBONE Technologies, Inc.	Wright Medical Group Inc.	\$ 27.7	-	-
03/06/08	StarFire Medical, Inc.	Nfocus Neuromedical, Inc.	-	-	-
03/04/08	Enturia Inc.	Cardinal Health Inc.	\$ 490.0	3.5x	-
02/13/08	Ellman International Inc.	Baird Capital Partners	-	-	-
		Thrivent Financial for Lutherans	-	-	-
12/21/07	Barton Medical Corporation	Human Care HC AB	\$ 20.0	1.5x	-
12/13/07	Spacelabs Healthcare, Inc.	OSI Systems, Inc.	\$ 11.9	0.7x	28.9x
12/07/07	CardioSpectra, Inc.	Volcano Corporation	\$ 63.0	-	-
12/06/07	Edwards Lifesciences Corp., Stent Systems	CR Bard Inc.	\$ 139.3	-	-
11/30/07	Lifecore Biomedical Inc.	Warburg Pincus LLC	\$ 243.6	2.8x	15.2x
11/30/07	Amvex Corporation	Ohio Medical Corporation	-	-	-
11/21/07	Precimed S.A.	Greatbatch, Inc.	\$ 135.0	-	-
11/14/07	Possis Medical Inc.	MEDRAD, Inc.	\$ 360.3	4.3x	-
11/08/07	Scandius BioMedical, Inc.	Covidien, Ltd.	\$ 27.0	-	-
11/05/07	Boston Scientific Corporation's Cardiac Surgery and Vascular Surgery Businesses	Getinge AB	\$ 750.0	2.7x	-
11/05/07	FLA Orthopedics, Inc.	BSN Medical, Inc.	-	-	-
11/01/07	CardioVations	Edwards Lifesciences Corp.	\$ 27.1	-	-
<b>MEDIAN</b>				<b>2.8x</b>	<b>16.6x</b>
<b>MEAN</b>				<b>2.6x</b>	<b>20.2x</b>

With history dating back over a half century, HT Capital stands ready to work with you to arrive at the optimal solutions for you and your company. For more information regarding the current Medical Manufacturing transaction environment, or to discuss how HT Capital might be of service, please contact our practice lead,

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<sup>5</sup> Source: HT Capital Research, company records