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IMAP JUNE 2017



# Medical Devices

IMAP M&A SECTOR REPORT

# Medtech opportunities in numbers

There are strong underlying fundamentals and high valuations making this segment attractive



150%

PROJECTED INCREASE  
IN OVER 60s

## INCREASING DEMAND

- Growing, ageing populations, forecasted that 20% of the world's population will be aged over 60 and living longer, driving demand for devices.

## STRONG GROWTH

- Global medical equipment market has a strong growth path ahead, with robotics segments projected to reach 20% CAGR.

6.4%

MEDICALEQUIPMENTMARKET  
PROJECTED CAGR  
2016 – 2020



~250

AVERAGE ANNUAL  
GLOBAL TRANSACTIONS

## M&A ACTIVITY UP

- Labor, manufacturing and regulation are increasing costs. Buyers seeking economies of scale driving activity.

## HIGH VALUATIONS

- High valuation levels due to the exceptionally strong market outlook. U.S. targets received higher valuations.

9.26x

AVERAGE EBITDA  
TRANSACTION MULTIPLE



# Medical devices

IMAP M&A SECTOR REPORT

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IMAP

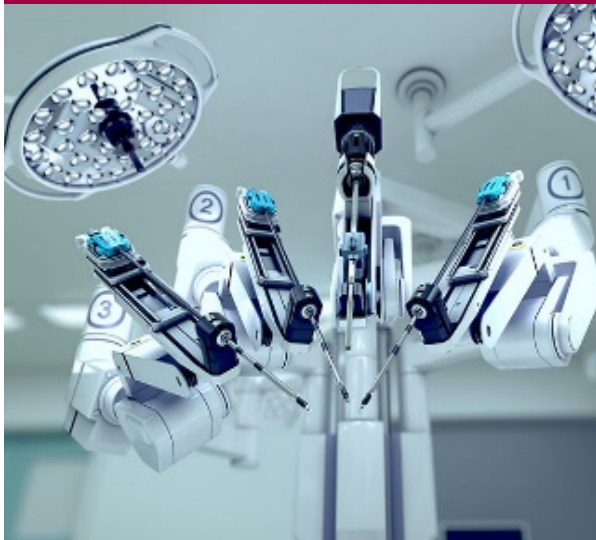


# Market outlook and summary

The medical devices industry is one of the largest in the healthcare industry. The World Health Organization's (WHO) definition is as follows:

*"An article, instrument, apparatus or machine that is used in the prevention, diagnosis or treatment of illness or disease, or for detecting, measuring, restoring, correcting or modifying the structure or function of the body for some health purpose."*

The resulting products range from a pair of contact lenses to the most sophisticated diagnostic apparatus.



## Strong M&A activity on a growing market

- The global medtech market for has performed strongly since 2011 as the improving economy encouraged more consumers to seek medical care, with ageing population and technological advancements increasing the market.
- Rising costs and regulation are placing downward pressure on profitability, motivating mergers and globalization.
- The sector has a strong growth path ahead. The International Trade Administration of the United States predicts the global medical equipment market to grow at compound annual growth rate (CAGR) of 6.4% between 2016 and 2020.
- Certain segments, such as robotics, are expected to outperform overall dynamics and reach CAGR of above 20%.
- M&A activity has been strong in the last five years with around 230 - 270 transactions each year globally.
- Europe has been very active in Q1 2017 with 17 transactions compared to 7 in Q1 2016.
- Orthopedic, prosthetic and surgical appliances and supplies represented the largest number of transactions in Q1 2016 – 2017 with 30% of total deals in Europe.

# Industry trends

## Four trends drive the future of the medical device market



### Aging population

The group of people aged 65 and older is growing considerably in developed countries due to medical advancements, improved nutrition and safety standards.

Cardiovascular, neurologic and arthritis diseases are more common in this age group which will drive the demand for such devices.



### Regulation

Tightening regulation in the U.S. and new taxes introduced by The Patient Protection and Affordable Care Act have increased price pressure since 2013 (with only temporary reprieve till 2018).

Final version of the European Medical Device and IVD Regulations was published on 22 February 2017. Among others, this covered Unique Device Identification (UDI), an already effective system in the U.S.



### Cost and price pressures

Price pressure drove consolidation and globalization efforts as companies realized they have better negotiating power if part of a larger organization or can supply a wider, diversified range of products.

Increasing labor cost and availability of skilled workforce also gives a great challenge to manufacturers.



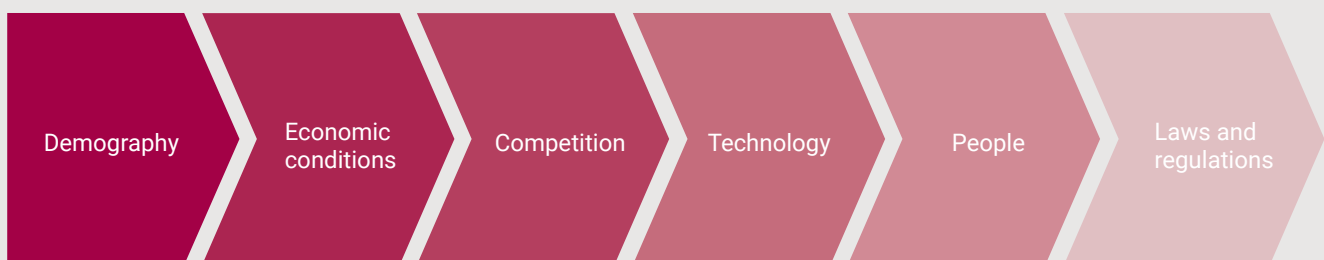
### Technology

Affordable technologies boosted demand and reshaped the industry in many ways.

Innovations that reduce hospital stays are gaining importance such as remote treatment and monitoring, point-of-care testing, minimally-invasive treatments.

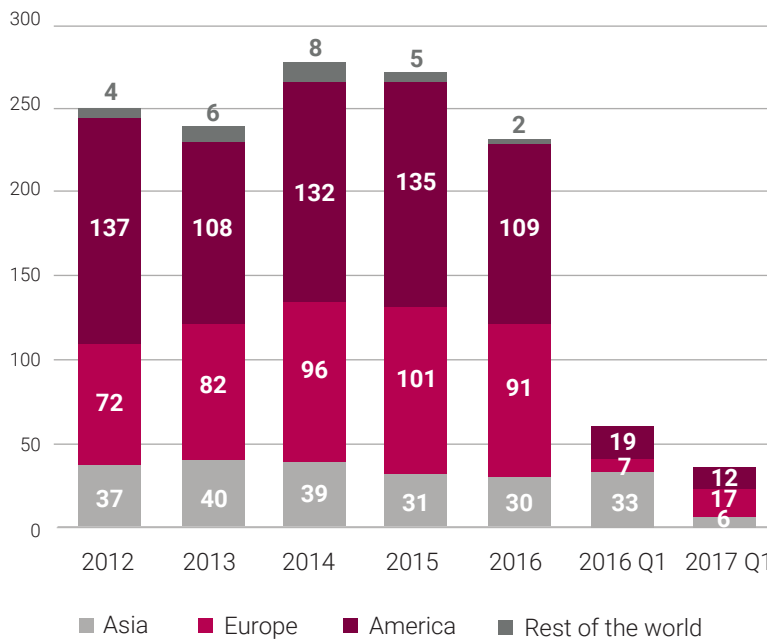
Artificial intelligence is expected to play a key role in this segment as well, while cyber security is a growing concern as flaws in medical devices could put patients at high risk.

## High valuation multiples due to good market outlook



# Global M&A transactions in the medical device sector

Number of global transactions 2012 – 2017 Q1\*



\* Only includes majority transactions, ie. where acquired stake was above 50%  
Source: Zephyr / IMAP

## Summary

- M&A activity has been strong in the last five years with around 230-270 transactions each year.
- Players are keen to reach dominance and therefore acquire, and divest where they are in a trailing role; reaching economies of scale is the ultimate goal.
- The main buyers are medical devices manufacturers, followed by conglomerates.
- Private Equity Firms and Funds are changing focus within healthcare and shifting attention to higher growth potential -still buying- but a growing number of exits.
- European and American targets are in focus: their share have been minimum. 80% of all deals.

# Transactions in Europe – geographic overview

94

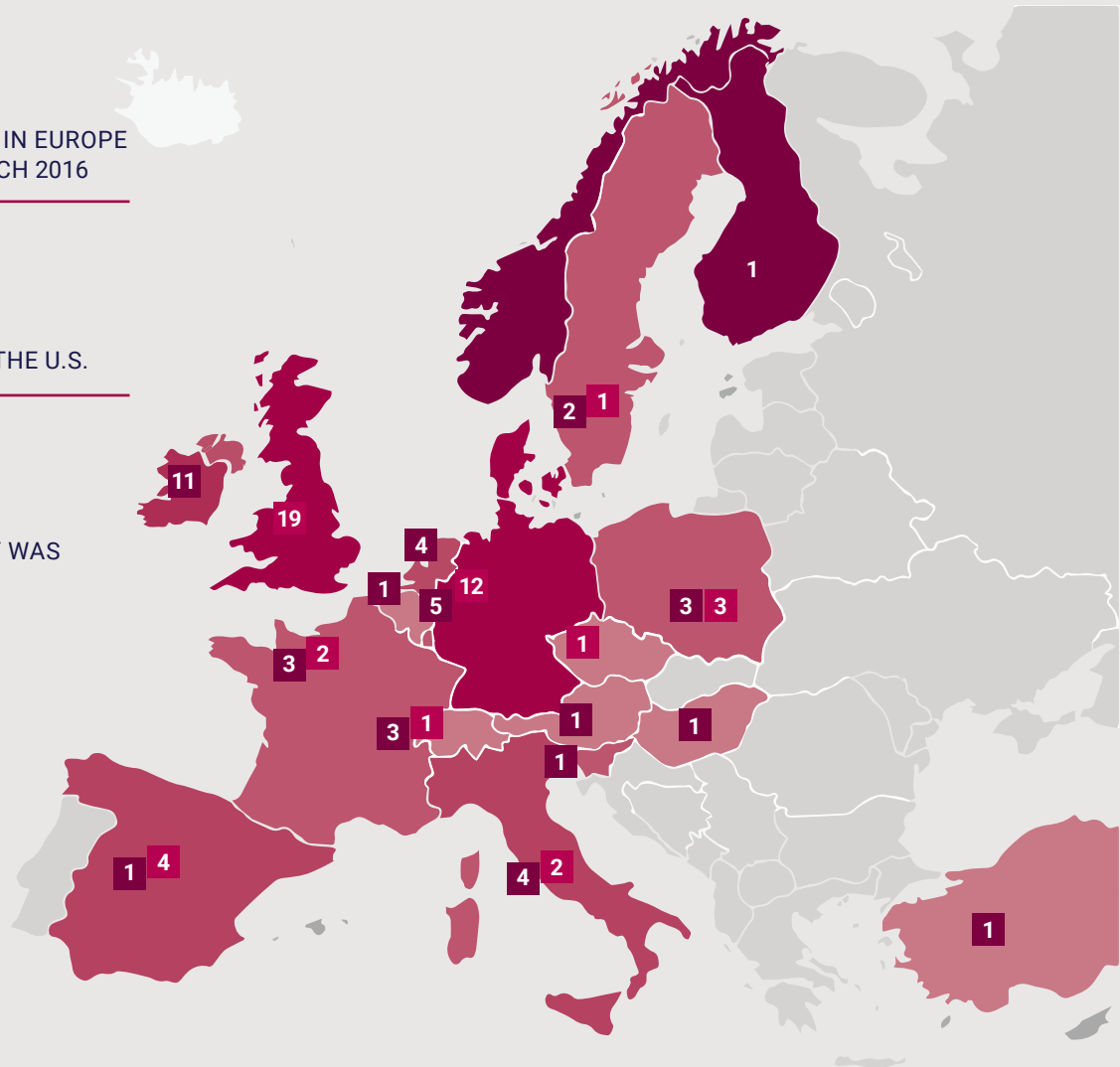
TRANSACTIONS IN EUROPE  
JANUARY - MARCH 2016

40%

MOSTLY FROM THE U.S.

30%

PRIVATE EQUITY WAS  
THE BUYER



■ No. of cross-border transactions  
(local target - foreign buyer)

■ No. of domestic transactions  
(local target – local buyer)

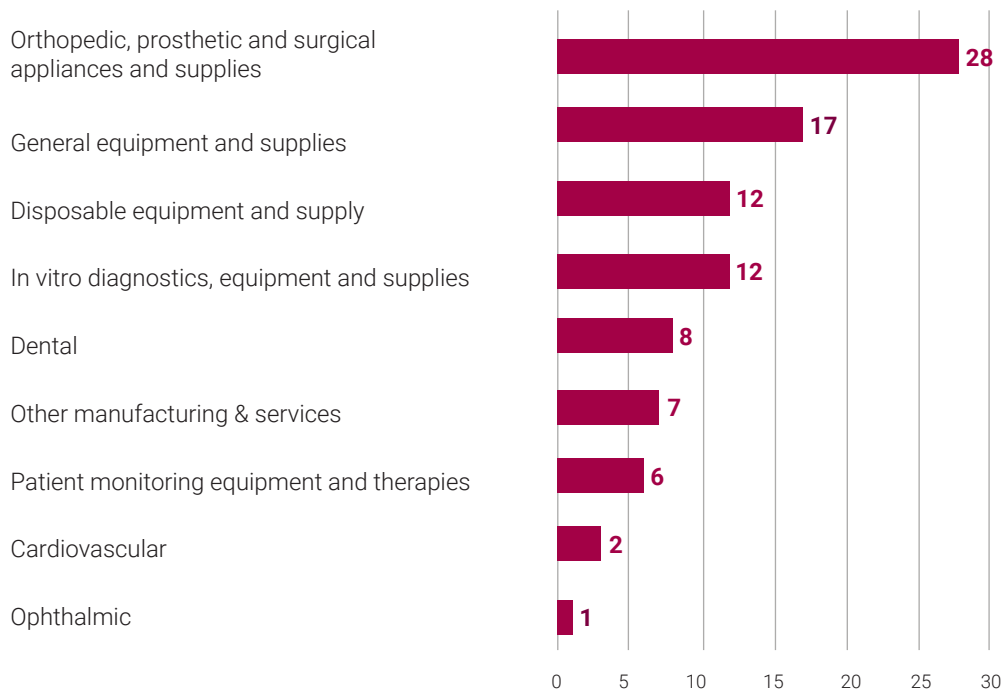
Source: Zephyr / IMAP

## Summary

- We have seen 94 transactions in Europe in the period from January 2016 - March 2017, counting only those where at least a 51% stake in the target company was acquired.
- Half of the deals are considered cross-border, ie. non-domestic acquirer.
- About 40% of the cross-border transactions involved overseas companies, mostly from the U.S., with a growing number from China.
- Private equity was the buyer in 30% of the cases.

# Transactions in Europe – segment overview

## European transactions in the medical device sector 2016 – 2017 Q1



### Summary

- The orthopedic, prosthetic and surgical appliances and supplies segment has shown the largest number of transactions in 2016-2017 Q1 by representing 30% of total deals.
- While we have not seen a great shift in the activity in different segments over time, there has been an increase in the disposable equipment and supply group, and in patient monitoring segments compared to the previous year.
- This reflects the growing demand for disposable medical devices driven by the desire to minimize hospital acquired infection and technological advances.



# Business cases: largest deals in Europe 2016/2017 Q1

## PE on both sides



07/2016

**Atos**

## Add-on



04/2016

**CREGANNA  
MEDICAL**

## Strategic

**NOKIA**

04/2016

**Withings**  
Inspire health

850 M€

DEAL VALUE

DEAL TYPE: INSTITUTIONAL  
BUY-OUT 100%

786 M€

DEAL VALUE

DEAL TYPE: 100% ACQUISITION

170 M€

DEAL VALUE

DEAL TYPE: 100% ACQUISITION

- PAI Europe VI (managed by PAI Partners SAS) acquired Atos Medical, a Sweden-based manufacturer of laryngectomy products from EQT VI and the management.
- "With its industrial approach and global network, EQT has supported us in implementing a focused, expansive value creation strategy and in building a solid foundation for the company's further growth. We look forward to future success together with PAI, and to the continued development of the company."
- TE Connectivity manufacturer acquired Creganna Medical, specialist in MI delivery & access devices.
- Transaction builds on TE's AdvancedCath acquisition and establishes TE as a leading supplier to the high-growth minimally invasive interventional segment.
- "Creganna's products are used in life-saving medical treatments and surgical procedures where the highest levels of quality, reliability and performance are essential. Combining Creganna with TE's existing medical business establishes TE as a leader in the attractive minimally-invasive interventional segment of the medical device market. TE now has the most complete product and capability offering in the industry, and is a fully integrated strategic supplier to major OEMs."
- Nokia of Finland acquired the activity tracking watches & digital-health devices manufacturer of France from the venture capitalist and PE owners.
- Nokia strengthened its position in the world of Internet-of-Things.
- "Withings shares our vision for the future of digital health and their products are smart, well designed and already helping people live healthier lives. Combining their award-winning products and talented people with the world-class expertise and innovation of Nokia Technologies uniquely positions us to lead the next wave of innovation in digital health."

# Most active buyers of European companies, 2012-2017 Q1



■ Indutrade is a Swedish industrial Group that conducts development and sales of high-tech components, systems and services. Indutrade has a long record of experience in company acquisitions (11 in alone 2016): they have more than 5,500 employees spread across more than 200 companies.

■ Medtronic is a global healthcare solutions company, covering: Cardic and vascular, Minimally Invasive and Restorative Therapies and Diabetes Group. Medtronic operates from more than 260 locations in 160 countries at 480+ locations.

■ Lifco's business idea is to acquire and develop market leading, niched companies. Major business areas: Dental, demolition and system solutions. During 2007-2016 Lifco's sales grew annually 10.5% and EBITA increased 14.4%. Operates in 26 countries and owns 132 companies

Sales (2016)	EUR 1,359 mn
EBITA (2016)	EUR 157 mn
Employees	5,500

Sales (2016)*	USD 28.8 bn
EBITA (2016)*	USD 8.5 bn
Employees	88,000

Sales (2016)	EUR 943 mn
EBITA (2016)	EUR 144 mn
Employees	3,627

\*12 months ended in April

## Recent acquisitions in European medical devices:

1/2017	Sunflower Medical Ltd (GB)
1/2015	Adaero Precision Components Ltd (GB)
10/2013	Medexa Diagnostisk Service AB (SE)
6/2013	Conroy Medical AB (SE)

## Recent acquisitions in European medical devices:

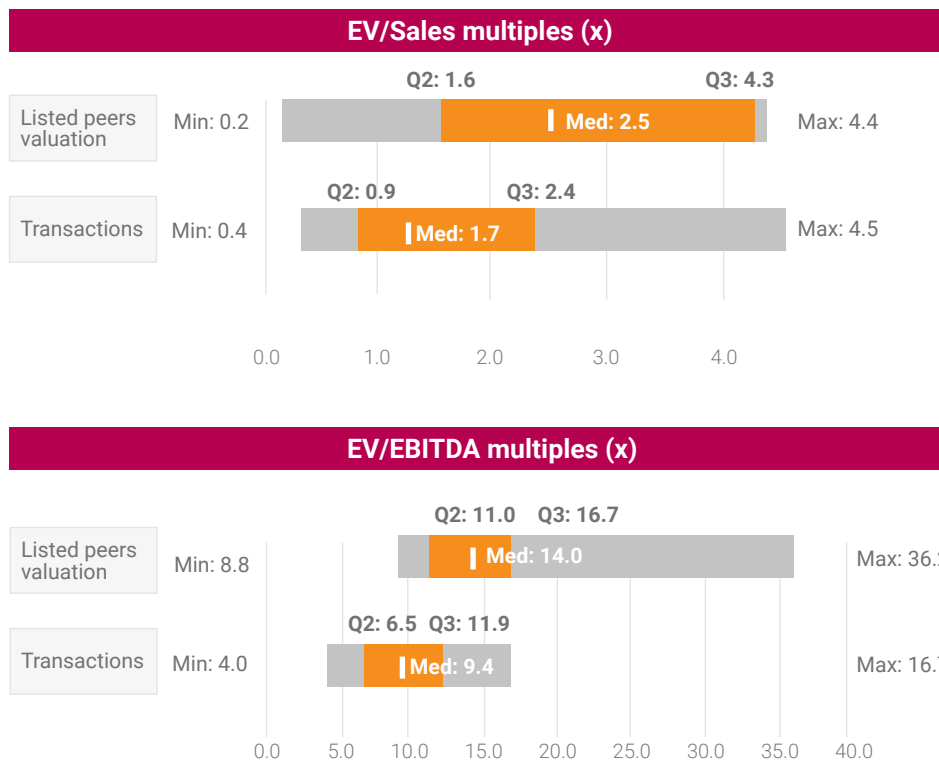
8/2016	Smith & Nephew Plc's Gynaecology Business (GB)
2/2016	Bellco Srl (IT)
11/2015	Aircraft Medical Ltd (GB)

## Recent acquisitions in European medical devices:

11/2016	Design Dental Aps (DK)
3/2015	Topdental (Products) Ltd (GB)
7/2015	J.H. Orsing AB (SE)

# Medical device valuation summary



























## High valuation multiples due to strong market outlook



*Covering transactions worldwide with known multiples, for detail please consult the appendices*

- Medical devices is one of the highest valued sectors.
- High valuation levels are explained by the exceptionally good overall market outlook of the healthcare sector.
- The valuation levels are affected by the range of proprietary products, innovation and size.
- Transactions with known valuation multiples vary in a wide range often exceeding the EV/EBITDA multiple of 10.
- U.S.-based targets received higher valuations, and the multiples show less variability in recent years.
- Considering the smaller size and the higher country risk levels, these multiples should be lower for SMEs in CEE.

# Credentials from across IMAP

<p>Healthcare </p>  <p><b>UNITED KINGDOM</b> Acquired 100% of Company</p>  <p><b>NETHERLANDS</b> <i>Advised on Sale of Company</i></p>	<p>Healthcare </p>  <p><b>UNITED STATES</b> Acquired 100% of the Equity</p>  <p><b>The Pipette Company</b></p> <p><b>AUSTRALIA</b> <i>Advised on Purchase of the Company</i></p>	<p>Healthcare </p>  <p><b>UNITED STATES</b> Acquired 100% of the Equity</p>  <p><b>UNITEDKINGDOM</b> <i>Advised on Purchase of the Company</i></p>
<p>Healthcare </p> <p><b>Undisclosed HNW Individual</b></p> <p><b>FRANCE</b> Acquired 100% of Business Operations of</p>  <p><b>FRANCE</b> <i>Advised on Sale of the Company</i></p>	<p>Healthcare </p>  <p><b>UNITED KINGDOM</b> Acquired a controlling interest in</p>  <p><b>Ingegneria Biomedica Santa Lucia</b></p> <p><b>ITALY</b> <i>Represented the Seller</i></p>	<p>Healthcare </p>  <p><b>SWEDEN</b> Acquired 100% of Business Operations of</p>  <p><b>FINLAND</b> <i>Advised on Purchase of the Company</i></p>
<p>Healthcare </p>  <p><b>FINLAND</b> Reagents and laboratory equipment</p>  <p><b>FINLAND</b> <i>Advised on Sale of the Company</i></p>	<p>Healthcare </p>  <p><b>TURKEY</b> Acquired 100% of Business Operations of</p>  <p><b>TURKEY</b> <i>Represented the Buyer</i></p>	<p>Healthcare </p>  <p><b>UNITED STATES</b> Acquired 100% of the Equity</p>  <p><b>UNITEDKINGDOM</b> <i>Advised on Purchase of the Company</i></p>

# An IMAP cross-border medtech buy-side case study

## The Cooper Companies acquired Research Instruments

### Outcome and impact

- The transaction valued Research Instruments at an EBITDA multiple 11.83. CooperSurgical, advised by one of our IMAP member firms in the U.K., Assay Corporate Finance, enhanced its basket of IVF products and is now positioned in the forefront of the market.

### Client background and objective

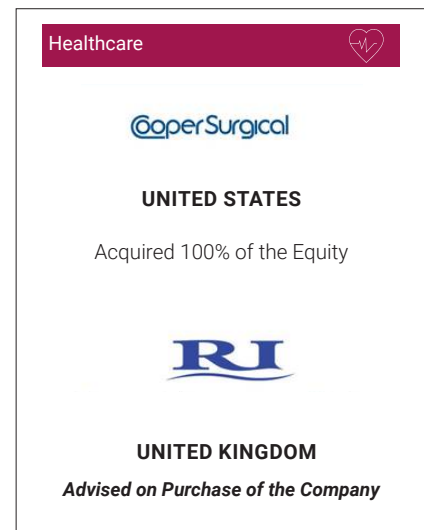
- The Cooper Companies, Inc. is a global medical device company publicly traded on the NYSE, operates through two business units, CooperVision and CooperSurgical. Cooper has approximately 10,000 employees with products sold in over 100 countries.
- CooperSurgical is a medical device and solution provider in the women's health segment, including IVF technologies.
- With the aim of expanding its global presence and consolidate its position as the leading IVF manufacturer, CooperSurgical executed 25 acquisition over the years.

### Deal rationale

- Acquiring Origo in 2012, a Denmark-based Assistive Reproduction Technology provider, was one of the biggest milestones for The Cooper Companies in building up its international presence.
- The mandate was regarded to find a company engaged in the IVF segment and be able to be integrated into Origo. The best fitting company was Research Instruments Limited in Cornwall.
- Research Instruments specializes in leading edge technology, consumables and hardware for the fertility field. A global leader in micromanipulation technology, Research Instruments has direct sales in the U.K. and a global network of distributors selling a comprehensive product portfolio.

### IMAP advantage and approach

- IMAP's track record as consultant on previous acquisitions for The Cooper Companies and the team's expertise in leveraging the IMAP partners to seek a suitable targets was key.



# About IMAP

## IMAP Introduction

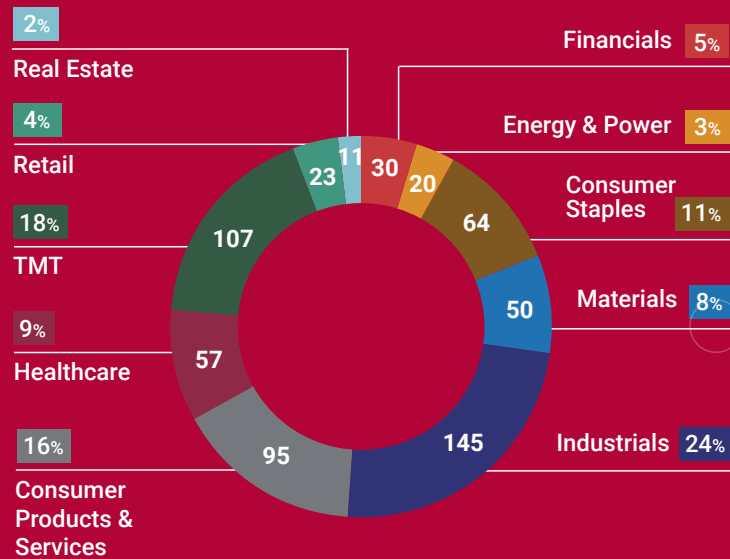
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Founded in 1973, IMAP is one of the first and worldwide leading organizations for Mergers & Acquisitions. IMAP is located in 35 countries with more than 350 M&A advisors organized in international sector teams.

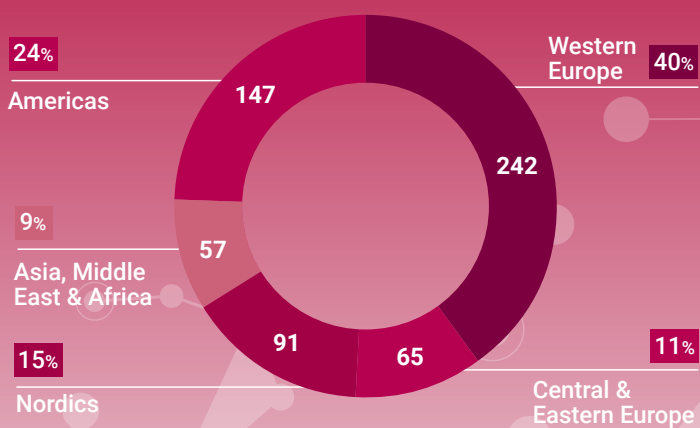
IMAP is specialized on the sale and the acquisition of companies as well as on strategic corporate finance advisory. Our customers are primarily family-owned, mid-sized companies, but also include large international corporations, as well as family offices and financial investors.

IMAP advisors successfully execute about 200 transactions per annum with a transaction volume of approximately USD 10 billion.

## Deals by Sector 2014-2016



## Deals by Region 2014-2016



## IMAP Global Presence

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**35**  
COUNTRIES

**350**  
ADVISORS





Argentina | Belgium | Bosnia and Herzegovina | Brazil | Canada | Chile | China | Colombia | Croatia | Czechia | Egypt | Finland | France | Germany | Hungary | India | Ireland | Italy | Ivory Coast | Japan | Mexico | Morocco | Netherlands | Norway | Peru | Poland | Russia | Senegal | Serbia | Slovenia | Spain | Sweden | Turkey | United Kingdom | United States

Appendix 1 **Transaction multiples**

## Average 9.2 EBITDA multiples

Date	Target name	Target business description(s)	Acquiror name	Acquired stake (%)	EV (EUR m)	EBITDA margin (%)	EV / Sales	EV / EBITDA
2016	Edevice sa	Mobile telemedicine-related medical equipment manufacturer	Andon Health Co., Ltd	100%	87.1	42%	4.43	10.62
2016	Symmetry Surgical Inc.	Surgical goods manufacturer	Symmetry Surgical Holdings Inc.	100%	118.6	11%	1.56	13.97
2016	Sirona Dental Systems Inc.	Dental equipment manufacturer	Dentsply International Inc.	100%	4588.3	28%	4.3	15.23
2016	Orliman SI	Body medical orthopaedic braces and supports manufacturer	Keyhaven capital partners ltd	40%	65.7	28%	1.14	4.03
2016	Liberator Medical Holdings Inc.	Medical catheter, ostomy and diabetes supplies distributor	Cr Bard Inc.	100%	159.4	11%	0.43	4.03
2016	Nipro Diagnostics Inc.	Blood glucose monitoring systems manufacturer	Sinocare Inc.	100%	225.1	11%	0.47	4.49
2015	Research Instruments Ltd	Fertility and IVF medical instrument manufacturer	Coopersurgical Inc.	100%	44.9	34%	1.52	4.51
2015	Orliman SI	Body medical orthopaedic braces and supports manufacturer	Magnum II	100%	78.3	8%	0.38	4.71
2015	Bio-reference Laboratories Inc.	Detection, diagnosis, evaluation, monitoring, and treatment testing services	Opko Kealth Inc.	100%	1358.2	27%	3.33	12.14
2015	Physiol SA	Intra ocular lens implants manufacturer	Ta Associates Management Lp	49%	69.5	30%	2.13	7.19
2015	Trac Global Ld	Product standards testing services	Element Materials Technology Group Holdings Ltd	100%	57.7	13%	1.96	15.6
2015	Carefusion Corporation	Medical instruments manufacturer	Becton Dickinson and Company	100%	11401.9	26%	1.83	7.05
2014	Symmetry Medical Inc.	Surgical implants and instruments manufacturer	Tecomet Inc.	100%	497.7	24%	2.88	11.83
2014	Pulsion Medical Systems SE	Medical monitoring systems developer	Maquet Medical Systems ag	79%	139.2	16%	1.12	7.22
2013	Ogawa World Bhd	Health care equipment manufacturer	Comfort Enterprise (Hong Kong) co., Ltd	100%	14.6	7%	0.53	7.85
2013	Theragenics Corporation	Prostate cancer surgical treatment device manufacturer	Juniper Investment Company LLC	93%	40.2	8%	0.65	8.11
2013	Spinreact SA	Medical diagnostic test kits and reagents developer	Toyobo Co., Ltd	100%	21.1	12%	1.11	9.14
2013	Bionostics Holdings Ltd	In vitro diagnostic control devices developer	Techne Corporation	100%	97.4	24%	2.31	9.58
2013	Hemocue AB	Point of Care testing medical diagnostic products developer	Radiometer Medical Aps	100%	229.6	6%	0.61	9.78
2012	China Kanghui Holdings	Orthopaedic implant manufacturing holding company	Medtronic Inc.	100%	277.8	19%	1.86	9.82
2012	Synthes Inc.	Surgical instruments, implants and biomaterials developer	Johnson & Johnson	100%	13806.2	9%	0.95	10.1
2012	Bellco Srl	Renal care medical equipment manufacturer	Montezemolo & Partners Sgr Spa	100%	101.9	27%	4.45	16.66
2012	Synovis Life Technologies Inc.	Mechanical and biological medical device developer	Baxter International Inc.	100%	201.8	13%	1.81	13.9
2012	Ekf-Diagnostic GmbH	Diagnostic instrument developer	International Brand Licensing Plc	100%	11.7	53%	2.59	4.9
						<b>Average</b>	<b>1.84 x</b>	<b>9.26x</b>
						<b>Median</b>	<b>1.68x</b>	<b>9.36x</b>

Appendix 2 **Listed players worldwide**

## High valuation levels for listed players

Name	Country	Description	Mkt cap (EUR m)	Sales (EUR m)	EBITDA (EUR m)	EV/Sales (X)	EV/EBITDA (X)	P/E	
Johnson & Johnson	U.S.	Johnson & Johnson is engaged in the research and development, manufacture and sale of a range of products in the healthcare field. The Medical Devices segment includes a range of products used in the orthopedic, surgery, cardiovascular, diabetes care and vision care fields.	287,201	66,824	21,530	4.3	14.24	19.13	
General Electric Co.	U.S.	The Company's Healthcare segment provides healthcare technologies to medical imaging, software and information technology (IT), patient monitoring and diagnostics, drug discovery, biopharmaceutical manufacturing technologies and performance improvement solutions.	244,061	114,978	15,936	2.51	24.67	29.16	
Novartis AG	SW	The Company specializes in the research, development, manufacturing and marketing of a range of healthcare products led by pharmaceuticals, including eye care products. Its portfolio includes medicines, eye care and generic pharmaceuticals. The Company's segments include Pharmaceuticals, Alcon and Sandoz.	177,435	45,953	13,539	4.19	15.14	26.12	
Siemens AG	DE	The Company's healthineers division is a supplier of technology, including medical imaging and laboratory diagnostics, to the healthcare industry. The division provides medical technology and software solutions as well as clinical consulting services, supported by a set of training and service offerings. Healthineers is organized into six business areas: Diagnostic Imaging, Laboratory Diagnostics, Advanced Therapies, Ultrasound, Point of Care Diagnostics and Services.	101,150	79,872	10,550	1.47	11.15	26.12	
Medtronic Inc.	U.S.	The Company develops, manufactures and markets its medical devices and technologies to hospitals, physicians, clinicians and patients in approximately 160 countries. The Company operates in four segments: Cardiac and Vascular Group, Minimally Invasive Technologies Group, Restorative Therapies Group and Diabetes Group.	96,897	26,968	8,443	4.32	13.81	25.22	
Stryker Corp.	U.S.	Stryker Corporation (Stryker) is a medical technology company. The Company operates through three segments: Orthopaedics, MedSurg, and Neurotechnology and Spine. The Company's products are sold in approximately 100 countries through the Company-owned sales subsidiaries and branches, as well as third-party dealers and distributors.	42,948	10,527	2,830	4.37	17.25	28.36	
Koninklijke Philips NV	NL	The Company operates through three segments: Healthcare, Consumer Lifestyle and Lighting. Its Healthcare segment consists of imaging systems, healthcare informatics, services and solutions, patient care and monitoring solutions, and customer services.	25,484	24,371	2,748	1.24	10.97	66.99	
Baxter International Inc.	U.S.	The Company operates through two segments: Hospital Products and Renal. The Company's products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices and by patients at home under physician supervision. The Company manufactures products in approximately 30 countries and sells them in approximately 120 countries.	24,334	9,447	1,328	2.58	36.16	5.35	
Fresenius Medical Care AG	DE	The Company provides dialysis care and related services to persons suffering from end stage renal disease (ESRD), as well as other healthcare services. The Company develops and manufactures a range of dialysis machines, systems and disposable products.	23,502	16,203	2,909	1.97	10.97	21.61	
Cardinal Health Inc.	U.S.	Cardinal Health, Inc. is a healthcare services and products company. The Company operates through two segments: Pharmaceutical and Medical.	22,147	116,685	690	0.22	8.83	18.05	
						<b>Average</b>	<b>2.7x</b>	<b>16.3x</b>	<b>25.7x</b>
						<b>Median</b>	<b>2.5x</b>	<b>14.0x</b>	<b>23.4x</b>

# IMAP

JUNE 2017

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## IMAP

Phone: +34 936 026 710  
E-mail: [info@imap.com](mailto:info@imap.com)  
[www.imap.com](http://www.imap.com)

## GLOBAL HEALTHCARE TEAM

**Ian Bussey**  
IMAP U.K.  
[ian.bussey@imap.com](mailto:ian.bussey@imap.com)

**Gabor Szendroi**  
IMAP Hungary  
[gabor.szendroi@imap.com](mailto:gabor.szendroi@imap.com)

**Eric Williams**  
IMAP USA, Boston Office  
[eric.williams@imap.com](mailto:eric.williams@imap.com)

**Mitchell Stern**  
IMAP USA, Chicago Office  
[mitchell.stern@imap.com](mailto:mitchell.stern@imap.com)

**Brian Schofield**  
IMAP USA, Chicago Office  
[brian.schofield@imap.com](mailto:brian.schofield@imap.com)