

## TM Capital Observations from the J.P. Morgan Healthcare Conference

We always enjoy meeting with friends of TM Capital at the annual J.P. Morgan Healthcare Conference in San Francisco. While running between almost 50 meetings last week, we were relieved to avoid the more typical torrential downpours.

We wanted to share with you some of the key themes that reverberated among our discussions with clients, with many of the largest global companies across the healthcare spectrum, and with healthcare-focused sponsors:

- **2019 healthcare outlook** – the perspective of most healthcare CEO's, business owners and sponsors is bullish for 2019 given the background of a more supportive FDA, a manageable reimbursement environment, and exciting technology developments.
- **Strong sector performance** – companies on the right side of the healthcare cost curve are generating outstanding performance, with healthy growth and expanding margins. Acquisition moves have proven particularly beneficial for these companies.
- **Practice consolidation blues** – while many acquirers continue to consider practice management roll-ups, many others view sector multiples as exorbitant and perceive the considerable consolidation challenges and reimbursement risks as reasons to shop elsewhere.
- **The strategic / sponsor war** – some of the largest strategic acquirers expressed frustration at repeatedly losing targeted acquisitions to financial sponsors, including sponsors without competing portfolio companies. Sponsors have proven more nimble in a competitive market, and strategic buyers will need to consider adjusting their acquisition timelines and processes to be competitive.
- **Medical technology at the forefront** – major medical technology companies recognize that the most innovative technology developments are led by smaller companies that are entrepreneurial and visionary. These major acquirers are carefully monitoring new entrants and are poised to acquire these companies upon commercialization in order to maintain market leadership.
- **Outsourcing acceleration** – from contract manufacturing to contract research and key services, leading pharmaceutical, device, and other healthcare companies are accelerating the outsourcing of functions that were once central to their operations. This is creating enormous opportunities for outsourced service firms, which are growing much more rapidly than the underlying markets they serve.

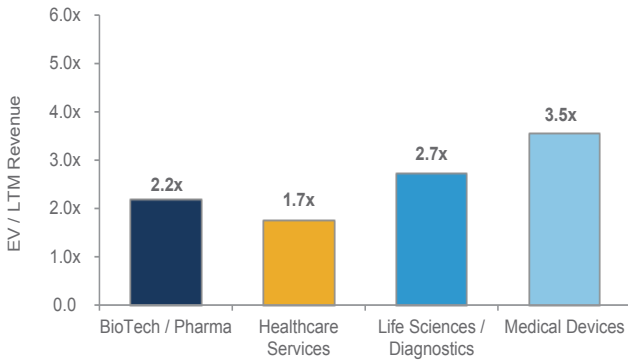
Please feel free to reach out to the TM Capital team with any questions or comments. We look forward to working with you in 2019.

## Healthcare Headline Transactions

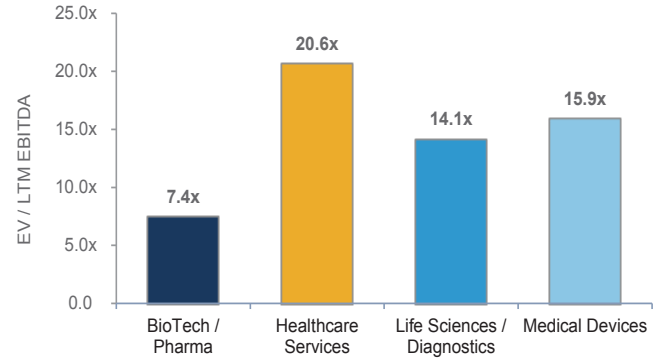
	Target	Acquirer	Acquisition Synopsis
Medical Devices			<ul style="list-style-type: none"> <li>• TM Capital served as exclusive financial advisor to MetriGraphics, LLC in its sale to Cirtec Medical Corporation, a portfolio company of 3i Group plc (LSE:III)</li> <li>• MetriGraphics, LLC is a leading manufacturer of ultra-high precision, custom micron-scale circuits and components for medical devices and other critical applications</li> <li>• Cirtec Medical Corporation is a strategic outsourcing partner for complex medical devices including active implantables and minimally invasive therapeutic devices</li> <li>• 3i Group is an international private equity firm</li> </ul>
BioTech / Pharma			<ul style="list-style-type: none"> <li>• GlaxoSmithKline plc (LSE:GSK) entered into a definitive agreement to acquire Tesaro, Inc. (NasdaqGS:TSRO) from Leon O. Moulder, Mary Lynne Hedley, New Enterprise Associates, Kleiner Perkins and others for \$5.1 billion, a 61.7% premium</li> <li>• Tesaro, Inc. develops cancer therapeutics and oncology supportive care products</li> <li>• GlaxoSmithKline plc develops health products worldwide</li> <li>• Implied Enterprise Value Multiple: 22.7x Revenue</li> </ul>
Healthcare Services			<ul style="list-style-type: none"> <li>• Funds advised by Centerbridge Partners LP entered into a definitive merger agreement to acquire Civitas Solutions Inc. (NYSE:CIVI) from Vestar Capital Partners V, L.P., managed by Vestar Capital Partners, Inc., and other shareholders for approximately \$1.4 billion, a 18.6% premium</li> <li>• Civitas Solutions, Inc. provides home and community-based health services</li> <li>• Centerbridge Partners, L.P. is a leading private equity firm</li> <li>• Implied Enterprise Value Multiples: 0.9x Revenue, 8.3x EBITDA</li> </ul>
BioTech / Pharma			<ul style="list-style-type: none"> <li>• Australian Pharmaceutical Industries Limited (ASX:API) offered to acquire the remaining 94.56% stake in Sigma Healthcare Limited (ASX:SIG) for approximately \$551 million, a 69.3% premium</li> <li>• Sigma Healthcare Limited engages in the wholesale and distribution of pharmaceutical products primarily in Australia</li> <li>• Australian Pharmaceutical Industries Limited engages in the wholesale distribution of pharmaceutical, medical, health, beauty and lifestyle products to pharmacies</li> <li>• Implied Enterprise Value Multiples: 0.2x Revenue, 10.8x EBITDA</li> </ul>

Note: All premium data calculated is based on the closing market value one day prior to announcement

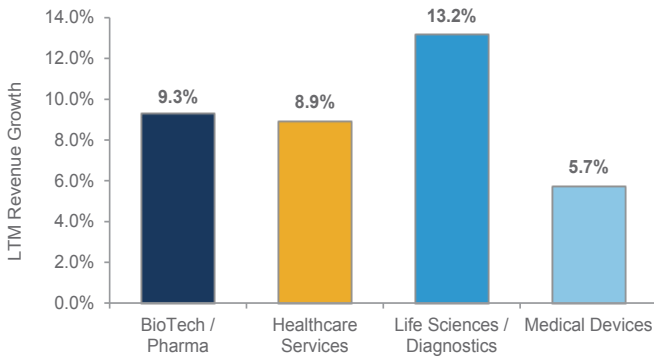
### Enterprise Value / LTM Revenue



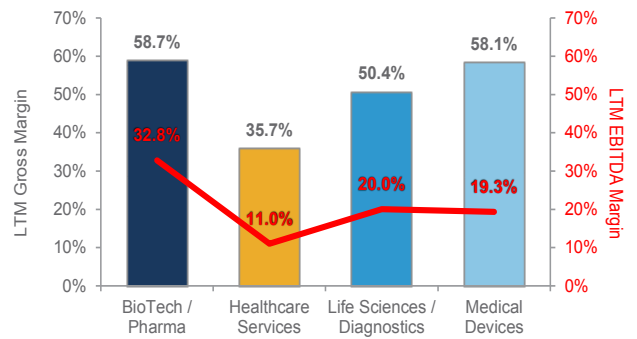
### Enterprise Value / LTM EBITDA



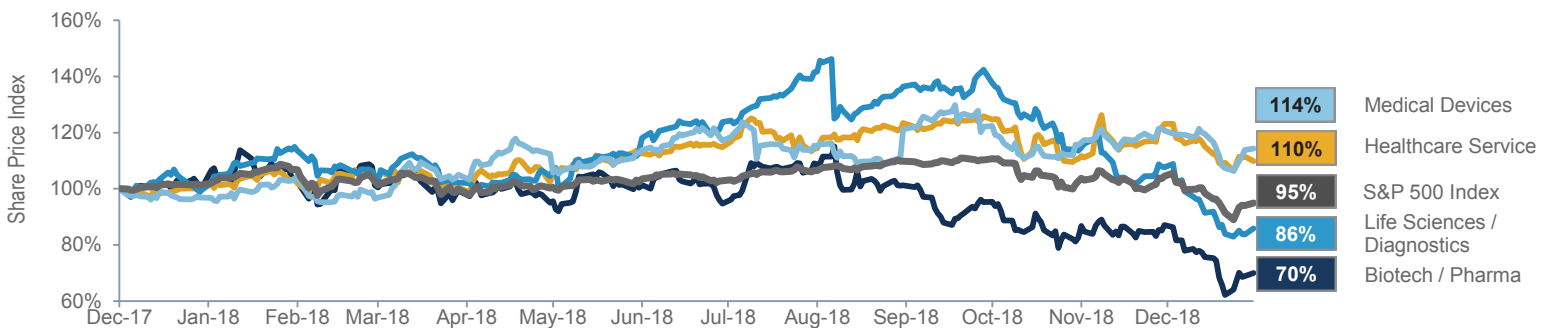
### LTM Revenue Growth



### LTM Gross & EBITDA Margins



### LTM Stock Price Index



## Selected Biotech. / Pharmaceutical Transactions

Target	Acquiror	Target Description
Perosphere Inc.	AMAG Pharmaceuticals, Inc.	Perosphere Inc. develops rescue medications Transaction Value: \$423 million
Potenza Therapeutics, Inc.	Astellas Pharma Inc.	Potenza Therapeutics, Inc. develops immuno-oncology drugs for cancer patients Transaction Value: \$165 million upfront, up to \$240 million in milestones
Substantially All The Assets Of Synergy Pharmaceuticals Inc.	Bausch Health Ireland Limited	Substantially All The Assets Of Synergy Pharmaceuticals Inc. comprises a gastrointestinal diseases treatment therapies development business Transaction Value: \$200 million

## Selected Life Sciences / Diagnostics Transactions

Target	Acquiror	Target Description
Aurora Diagnostics, LLC	Sonic Healthcare Limited	Aurora Diagnostics, LLC provides unsurpassed diagnostic, prognostic, and therapeutic information and services Transaction Value: \$540 million
PhyNexus Inc.	Biotech AB	PhyNexus Inc. designs and develops protein separation products for proteomic sample processing applications Transaction Value: \$21 million Transaction Multiples: 6.9x Revenue
Spatial Transcriptomics AB	10X Genomics, Inc.	Spatial Transcriptomics AB develops technology to analyze tissue samples and gene expression data in two dimensions

Note: All premium data calculated based on the closing market value one day prior to announcement









## Selected Healthcare Services Transactions

Target	Acquiror	Target Description
Biotest US Corporation/Haema AG	Scranton Enterprises BV	Biotest US Corporation/Haema AG owns and operates plasma collection centers Transaction Value: \$537 million
Orbis Education Services, LLC	Grand Canyon Education, Inc.	Orbis Education Services, LLC provides solutions to healthcare workforce shortages Transaction Value: \$362 million
GeBBS Healthcare Solutions, Inc.	ChrysCapital	GeBBS Healthcare Solutions, Inc. provides business process outsourcing services to hospitals and healthcare organizations Transaction Value: \$140 million

## Selected Medical Device Transactions

Target	Acquiror	Target Description
Millipede Inc.	Boston Scientific Corporation	Millipede Inc. develops percutaneous solutions for mitral valve repair Transaction Value: \$325 million upfront, up to \$125 million in milestones
Ceterix Orthopaedics	Smith & Nephew plc	Ceterix Orthopaedics develops surgical tools for arthroscopic procedures Transaction Value: \$105 million
Avalign Technologies, Inc.	Linden LLC	Avalign Technologies, Inc. manufactures and distributes implants, specialty surgical instruments, cutting tools, and cases and trays

## Selected TM Capital Healthcare Experience

 <p>HAS BEEN ACQUIRED BY</p>  <p>A PORTFOLIO COMPANY OF</p> 	 <p>HAS BEEN ACQUIRED BY</p> 	 <p>HAS BEEN ACQUIRED BY</p>  <p>A PORTFOLIO COMPANY OF</p> 
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## TM Capital's Healthcare Contacts



James I. McLaren  
Managing Director  
jmcclaren@tmcapital.com  
(212) 809-1414



Michael S. Goldman  
Managing Director  
mgoldman@tmcapital.com  
(212) 809-1419



Paul R. Smolevitz  
Managing Director  
psmolevitz@tmcapital.com  
(212) 809-1416