

### Overview

M&A activity in the global Medical Equipment and Supply industry declined during Q4 2016 to a total of 99 transactions, from 115 total transactions during the third quarter. Despite the decline in activity, this segment of the Healthcare Industry still remains the most active accounting for 20% of the 506 total Q4 2016 transactions (up from 19% in Q3 2016 and 17% in Q4 2015).

Quarterly Medical Equipment transactions have seen a decline from a peak of 200 transactions in Q4 2012 to the current level of 99 transactions in Q4 2016. This long-term trend is partly attributable to the 2.3% excise tax on manufactured and imported medical devices that was enacted in December of 2012. Transaction activity in the Medical Equipment sector saw a brief pick-up that coincided with the announcement of a two year suspension of the excise tax in late 2015.

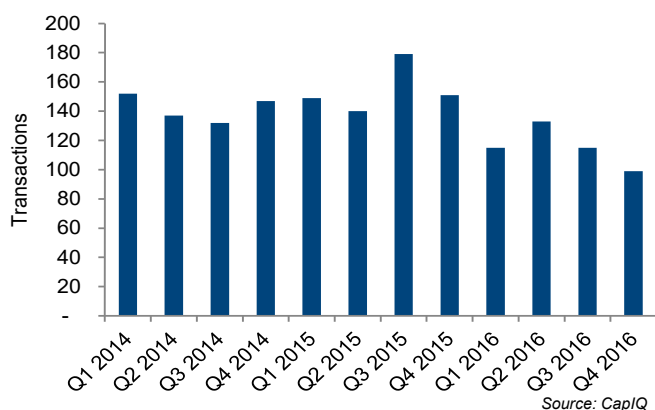
The second half of 2016 saw further hesitation and a decrease in quarter-over-quarter Medical Equipment transaction volume as acquirers turned a cautious eye towards the outcome of the U.S. presidential election. Growing speculation of a Republican President and Congress led to questions surrounding the Affordable

Care Act, proposed changes, and potential implications to the broad Healthcare industry. Of the 99 transactions completed, 40 included North American based target companies. While M&A volume has slowed during the quarter, market dynamics remain strong, as leading industry participants turn to consolidation to broaden their product offerings, access technology, and expand their markets in order to maintain their competitive advantage.

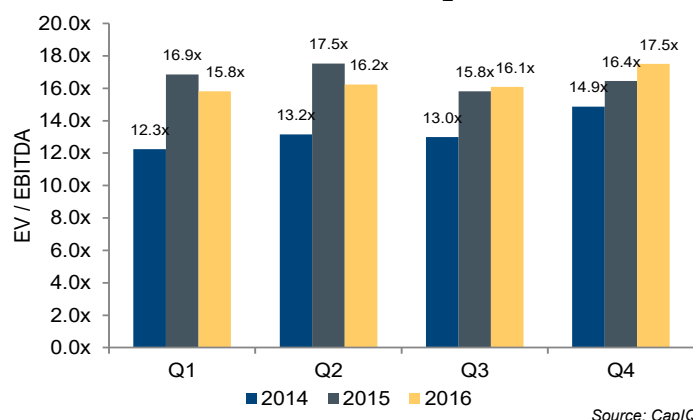
Despite the decline in total transaction activity over the past 18 months, Medical Equipment valuations during Q4 2016 (17.5X EBITDA) increased from levels seen during Q3 2016 and Q4 2015 (16.1X and 16.4X, respectively). The increase in transaction multiples highlights the favorable underpinnings of the Medical Equipment Industry.

Favorable macroeconomic trends include aging populations and increasingly high obesity rates in developed countries, as well as a lower level of uninsured United States citizens. These attributes, combined with the low level of fragmentation amongst device manufacturers, led to premium multiples being paid for high quality Medical Equipment companies.

### Transactions by Quarter



### Valuation Metrics by Quarter



## Reported M&A Activity

Four sub-sectors of the Medical Equipment industry accounted for approximately 70% of total M&A activity during Q4 2016. These sub-sectors include Cardiovascular Devices (28% of volume), Irradiation Devices (20% of volume), Neuromodulation & Spinal Devices (12% of volume), and Diabetes Devices (6% of volume).

M&A Activity for Medical Equipment and Supply companies during Q4 2016 consisted mostly of transactions executed by strategic acquirers, with three new platform investments established by financial buyers. Notable Q4 2016 transactions include the \$1 billion acquisition of ICU Medical, Inc. by Hospira Inc. (October 2016), the \$250 million acquisition of EndoChoice Holdings, Inc. by Boston Scientific Corporation (November 2016), and the \$160 million acquisition of Comfort Medical, LLC by Coloplast (December 2016).

Financial acquirers remained active in the Medical Equipment industry during Q4 2016 as well. Notable acquisitions closed during Q4 2016 intended to serve as platforms for future growth through acquisition include DW Healthcare Partners and Linden, LLC acquiring Edge Systems, LLC., JLL Partners and Water Street Healthcare Partners acquiring MedPlast, Inc., and Windjammer Capital Investors acquiring Advanced Instruments.

While there continues to be uncertainty regarding potential changes to the Affordable Care Act, EdgePoint believes Medical Equipment transaction volume will trend at or above levels seen during 2016 and transaction multiples will remain at elevated levels as buyers continue to pay a premium for high quality Medical Equipment assets.






## Noteworthy World-Wide Transactions | Q4 2016

M&A Closed Date	Target/Issuer	Buyers/Investors	Price (\$USdmm)	Target Description	Target Country
10/6/2016*	Hospira Inc., Infusion Systems Business	ICU Medical, Inc. (NasdaqGS:ICUI)	\$1,050	Comprises infusion pumps, solutions, and devices	United States
10/31/2016	HealthTech Solutions, Inc.	HealthTronics, Inc.	ND	Supplies and rents laser and surgical equipment	United States
10/31/2016	Healthcare Professional Equipment Services, LP.	U.S. Med-Equip, Inc.	ND	Provides rental, lease, and lease-to-own options for healthcare equipment	United States
11/14/2016	Travis Medical Sales Corporation, Hospice DME Division	Med-Depot, Inc.	ND	Medical equipment distribution business to hospices	United States
11/18/2016	Fitovers Eyewear USA Pty, Limited	The Hilsinger Company Inc.	ND	Manufactures and sells sunglasses that fit over prescription eyeglasses	United States
11/21/2016	EndoChoice Holdings, Inc.	Boston Scientific Corporation (NYSE:BSX)	\$251	Designs and commercializes various products for gastrointestinal caregivers	United States
11/22/2016	Oncovision, Inc., Preclinical Imaging Business	Bruker Corporation (NasdaqGS:BRKR)	ND	Develops PET and SPECT medical imaging devices used for the diagnosis of cancer	United States
12/1/2016	Edge Systems LLC	DW Healthcare Partners; Linden LLC	ND	Designs, develops, manufactures, markets, and sells aesthetic technologies and products	United States
12/7/2016	MedPlast Inc.	JLL Partners; Water Street Healthcare Partners	ND	Provides integrated custom plastic processing solutions for finished medical devices	United States
12/9/2016	First Choice Medical Supply, LLC	Medical Specialties Distributors, LLC	ND	Distributes medical and housekeeping supplies, equipment, and furniture	United States
12/16/2016	SuperNova Diagnostics, Inc.	Jupiter Diagnostics Holding Company	ND	Operates as a development-stage medical and industrial diagnostics company	United States
12/20/2016	Comfort Medical, LLC	Coloplast A/S (CPSE:COLO B)	\$160	Distributes catheter and ostomy supplies	United States

\* Announced date

Source: CapIQ

## Representative EdgePoint Transactions

<b>Sell-Side Advisory</b>  TransMotion Medical <i>has sold to</i> Winco Mfg., LLC	<b>Buy-Side Advisory</b>  Med XS Solutions <i>has acquired</i> Health Quip, LLC	<b>Sell-Side Advisory</b>  Select Assets of Steris AB <i>has sold to</i> An Undisclosed Private Company	<b>Sell-Side Advisory</b>  Providence Home Health Care <i>has sold to</i> HCF Home Health Care, Inc.	<b>Buy-Side Advisory</b>  Med XS Solutions <i>has acquired</i> Gar Division of Neoforma
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