



SOUTHERN NEW ENGLAND ENTREPRENEURS FORUM

FDA/MEDICAL DEVICES UPDATE

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July 27, 2011

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Medical Device Industry Trends

- Growth slowed and valuations lowered by:
 - Regulatory scrutiny: changes to the 510(k) process pending
 - Patient Protection and Affordable Care Act: implements a 2.3% excise tax on medical devices, may have further implications on reimbursement
 - Tight hospital budgets: hospital capital expenditure declined from 7.7% of revenue in 2006 to 5.9% in 2008¹
 - Slow overall economic growth
- The majority of investors today are focused on CE Mark strategies for early stage companies, or are investing after approval has been granted²

1. Andrews et al. "Medical Device and Equipment Industry Overview." Stout Risius Ross, 2010.

2. Norris, Jonathan. "Private Life Science M&A Analysis: More Structured Deals and Quicker Exits in Biotech." SVB Capital, May 2011.

Exit Strategies – Medical Device M&A

- **Consolidation:**
 - Cost savings
 - Diversity of product holdings
 - Downward pricing pressure
 - Declining procedure volumes in some areas¹
- Device M&A **deal value is increasing** for
 - All-in deals
 - Upfront/milestone payment deals²
- **Later stage deals** are dominant (FDA or CE approval)
- **For every IPO and large M&A exit** between 2005-2010, **10 new device companies received Series A financing**

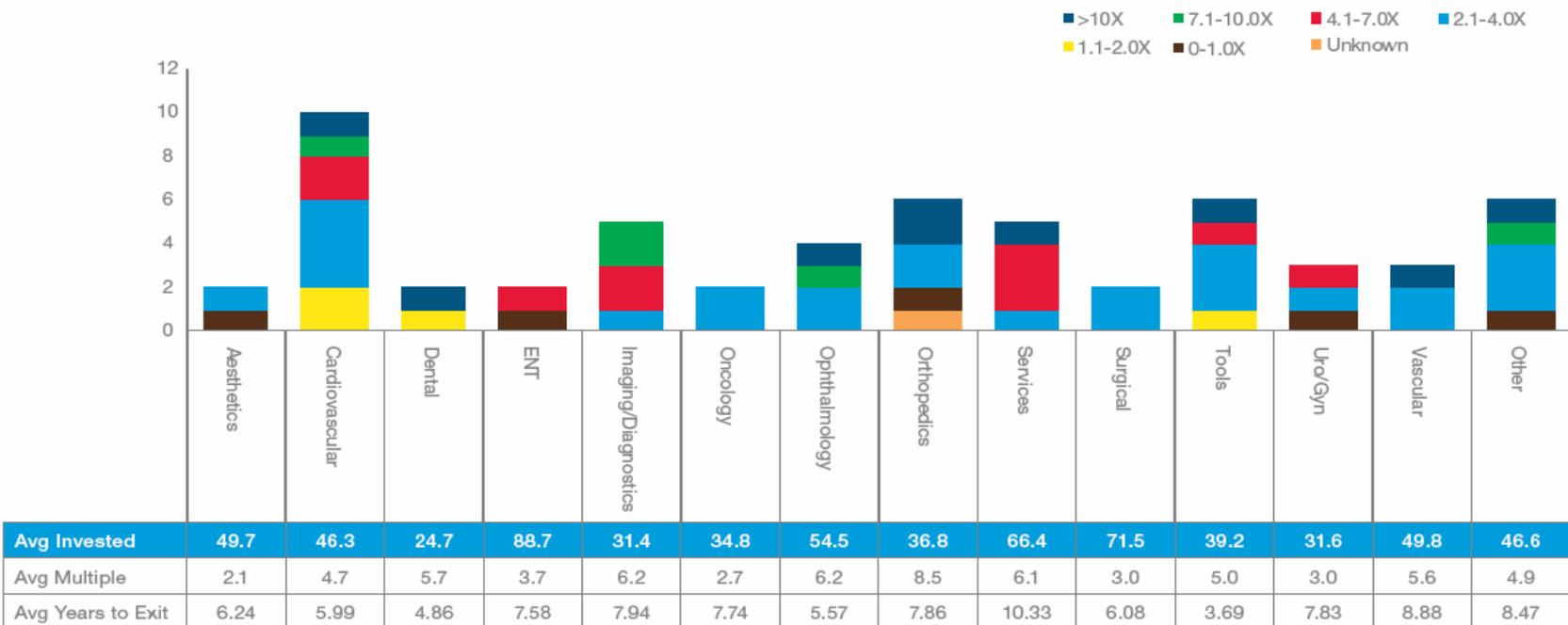
1. “PwC US Mid-Year M&A Outlook 2011.” PricewaterhouseCoopers, June 8, 2011.

2. Norris, Jonathan. “Private Life Science M&A Analysis: More Structured Deals and Quicker Exits in Biotech.” SVB Capital, May 2011.

Valuation Metrics – Return to Investors at Exit

- Average exit transaction value / invested venture capital multiple for large private medical device transactions from 2005-2010 was 5.3x¹

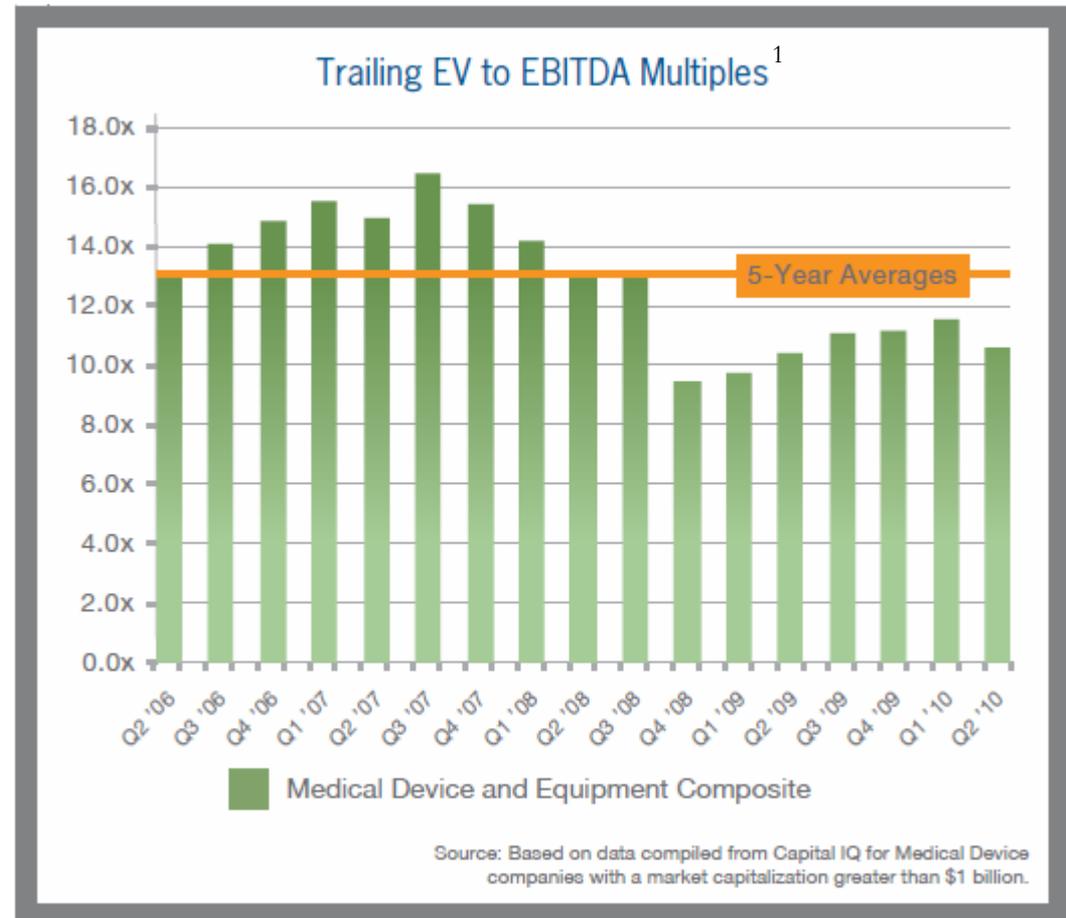
Exhibit 15: Device Multiple, Investment and Years to Exit by Indication ¹



1. Norris, Jonathan. "Private Life Science M&A Analysis: More Structured Deals and Quicker Exits in Biotech." SVB Capital, May 2011.

Valuation Metrics – Public Company Multiples

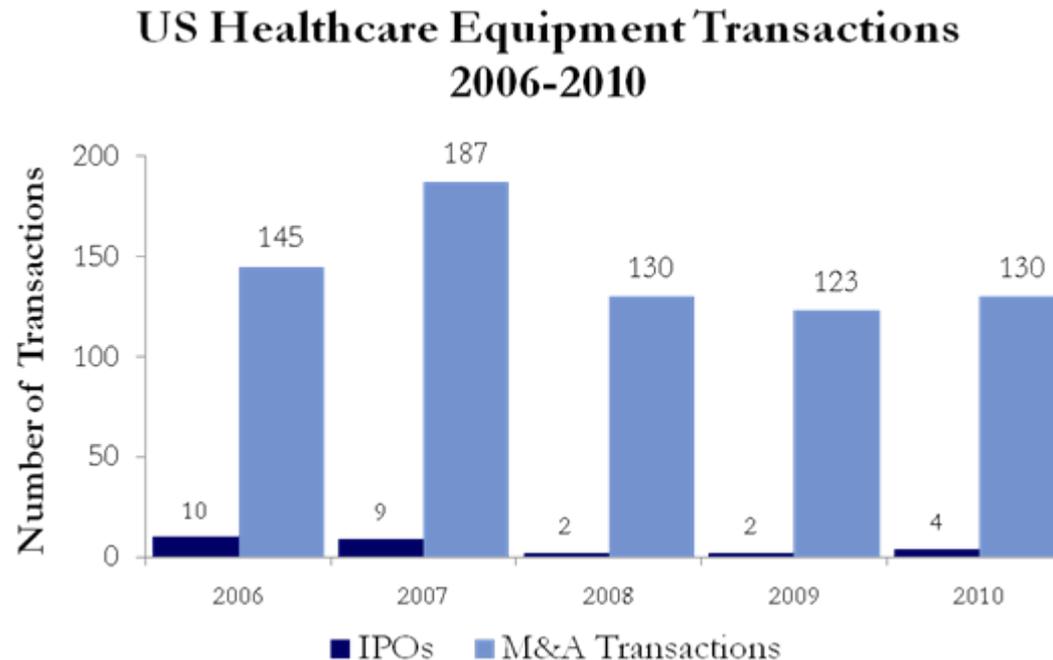
- As of July 24, 2011, average EV/EBITDA for “healthcare equipment” companies 10.8x, up from 10.2x at the end of 2010²
- Average EV/Revenue 2.7x
- Average Price/Book Value 2.8x



1. Andrews et al. “Medical Device and Equipment Industry Overview.” Stout Risius Ross, 2010.
2. Capital IQ database

Industry Transaction Volume

- Transaction volume declined in 2008-2009, stabilized in 2010
- M&A transaction volume increased 20% first half of 2011 over 2010



Source: Capital IQ database

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