



## Team

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Brocair Partners, founded in 2004, is a financial advisor to businesses serving the healthcare, wellness, and pharmaceutical industries. We provide mergers & acquisitions, corporate finance, and strategic advisory services to companies worldwide.

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## Medical Reprocessing Market Analysis

Medical reprocessing market sees renewed growth as healthcare providers face pressures to manage costs and increase sustainability

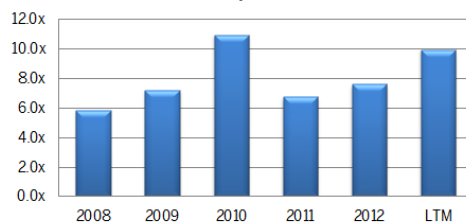
### Overview

The global medical sterilization, repair, and refurbishment industry is expected to reach roughly \$13 billion by 2017.<sup>1</sup>

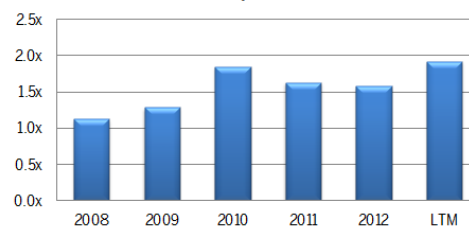
Revenue multiples in the public markets are currently tracking at a median of 2.1x, while EBITDA multiples have a median of 9.5x. Since the end of 2012, these have grown 31% and 48% respectively.

Transaction multiples are tracking in a similar range, with median revenue multiples of 1.6x and median EBITDA multiples of 8.1x over the past two years. The slight dip in multiples in 2011 and 2012 contributed to a lower median. While the market underperformed the S&P index in 2011 and 2012, recent regulatory pressures for hospitals to cut costs have renewed industry growth.

Public Multiples - EBITDA



Public Multiples - Revenue



### Trends

The fragmented market has been consolidating in recent years as large players continue to seek growth through acquisitions.

In October 2012 STERIS Corporation announced the purchase of two leading providers of surgical instrument repair services and instrument care products, Spectrum Surgical Instruments Corp and Total Repair Express. The combined businesses were expected to generate revenue of approximately \$72 million and operating income of approximately \$7 million in 2012. Walt Rosebrough, President and CEO of STERIS Corporation commented, "These bolt-on acquisitions will give STERIS one of the largest surgical instrument repair businesses in the United States."<sup>2</sup>

BC Technical and Synergy Health have also been very active in their M&A activities. So far in 2013, BC Technical, a manufacturer and refurbisher of molecular imaging systems has completed four acquisitions including Medex, Nuclear Cardiology Systems, Genesis Medical Imaging, and C&G Technologies. Similarly, in 2012, Synergy, a sterilization services company, completed three acquisitions.

In addition to building a strong presence domestically, top players in the industry are looking to expand their global footprint. In November 2012, Crosstex, a subsidiary of Cantel Medical Corp, acquired SPSmedical Supply. Gary Steinberg, President and CEO of Crosstex, stated at the time that the acquisition was in line with their efforts to "expand...[Cantel's] global presence as a leader in healthcare infection prevention and control."<sup>3</sup>

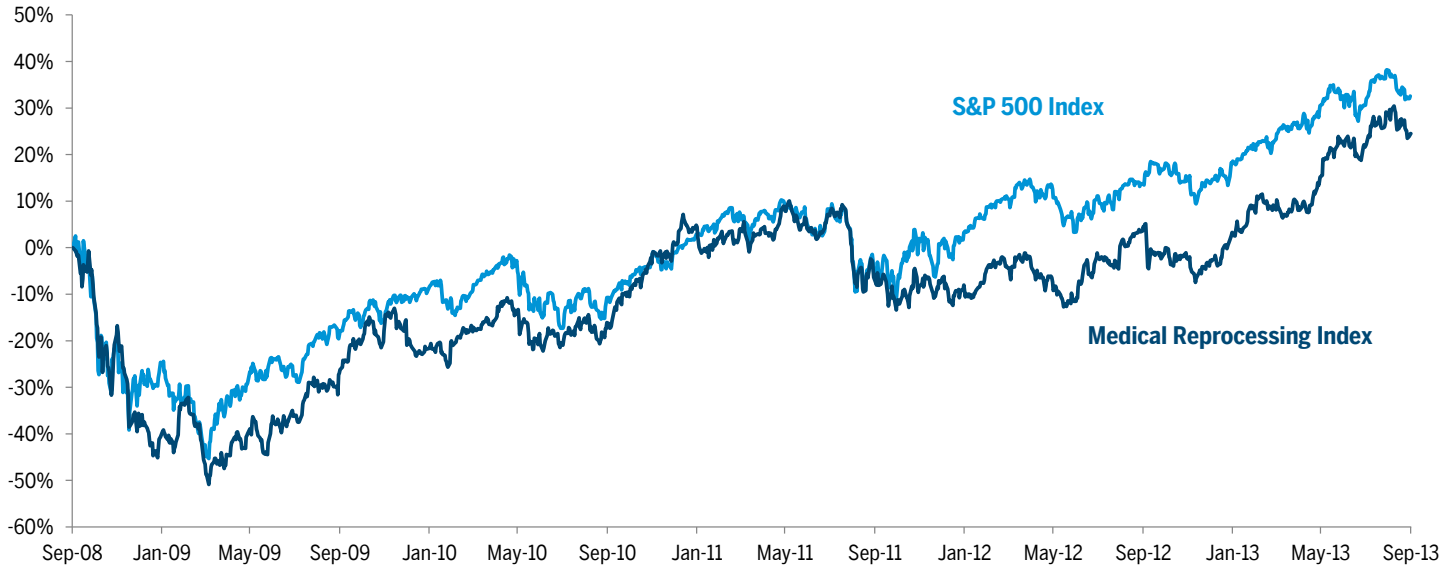
<sup>1</sup> Markets and Markets Reports

<sup>2</sup> Steris press release

<sup>3</sup> Cantel Medical press release

## Medical Reprocessing Index

Below is an index of selected medical reprocessing companies compared to the S&P 500 over the past four years.



\*Medical Reprocessing Index includes: Cantel Medical Corp., TBS Group S.p.A., Nordion Inc., Servizi Italia S.p.A., Shinva Medical Instrument Co., Ltd., Steris Corp., Synergy Health plc

Source: Capital IQ

## Comparable Company Analysis

Below is a snapshot of selected companies in the medical reprocessing market.

Company	Price	52-Week		EV*	Net Debt	Market Cap	EV/Sales			EV/EBITDA		
		High	Low				2010	2011	LTM	2010	2011	LTM
Cantel Medical Corp.	\$ 27.25	\$ 27.79	\$ 16.11	\$ 1,183.9	\$ 74.6	\$ 1,109.3	1.4x	1.6x	2.9x	9.6x	10.5x	16.3x
TBS Group S.p.A.	\$ 1.03	\$ 1.20	\$ 0.87	\$ 135.4	\$ 88.8	\$ 42.9	0.6x	0.5x	0.5x	5.9x	5.3x	5.4x
Nordion Inc.	\$ 7.63	\$ 10.51	\$ 5.21	\$ 431.2	\$ (39.2)	\$ 470.4	2.7x	1.9x	1.7x	12.3x	6.1x	10.1x
Servizi Italia S.p.A.	\$ 4.62	\$ 5.14	\$ 3.61	\$ 206.7	\$ 81.5	\$ 124.5	0.8x	0.7x	0.8x	2.9x	2.7x	2.9x
Shinva Medical Instrument Co., Ltd.	\$ 8.44	\$ 8.92	\$ 4.23	\$ 1,621.2	\$ 5.3	\$ 1,590.7	2.6x	2.0x	3.1x	40.5x	26.6x	35.1x
Steris Corp.	\$ 43.74	\$ 46.59	\$ 32.23	\$ 2,942.6	\$ 347.9	\$ 2,592.7	1.9x	1.3x	2.1x	13.5x	6.7x	10.9x
Synergy Health plc	\$ 18.03	\$ 18.09	\$ 13.69	\$ 1,323.9	\$ 271.3	\$ 1,050.6	2.1x	2.0x	2.4x	8.0x	7.5x	8.9x

	EV/Sales			EV/EBITDA		
	2010	2011	LTM	2010	2011	LTM
<b>Maximum</b>	2.7x	2.0x	3.1x	13.5x	10.5x	16.3x
<b>Mean</b>	1.7x	1.4x	1.9x	8.7x	6.5x	9.1x
<b>Median</b>	1.9x	1.6x	2.1x	8.8x	6.4x	9.5x
<b>Minimum</b>	0.6x	0.5x	0.5x	2.9x	2.7x	2.9x

\*Enterprise Value (EV) = market capitalization + debt + minority interest

All currency figures in USD. Price figures in actual dollars; EV, Net Debt, and Market Cap in millions

Market Cap and Enterprise Value as of 09/06/2013

Note: Normalized to exclude certain outliers.

Source: Capital IQ

## Comparable Transaction Analysis

Below is a snapshot of selected transactions in the medical reprocessing market.

Closing Date	Target	Buyer	Transaction Description	Total Trans. Value (\$m)	Enterprise Value (\$m)	EV*/Revenues	EV*/EBITDA
8/6/2013	C&G Technologies	BC Technical, Inc.	The acquisition of C&G Technologies, the largest independent provider of CT solutions, follows 6 previous medical imaging acquisitions and positions BC Technical as the only non-OEM in the country that provides nationwide CT and MR service, parts and refurbished systems for all 4 OEM's	NA	NA	NA	NA
7/12/2013	Platinum Health Services, LLC	Healthcare Services Group Inc.	Platinum provides professional housekeeping, laundry and maintenance services to long-term and post-acute care facilities. The acquisition will add substantially to Healthcare Services Group's topline.	30.1	30.1	0.5x	NA
6/8/2013	MEDX, LLC	BC Technical, Inc.	MEDX, Inc. refurbishes and remanufactures molecular imaging equipment. The acquisition strengthens BC Technical's national, multi-OEM strategy in Molecular Imaging.	NA	NA	NA	NA
5/29/2013	Unisyn Medical Technologies, Inc.	GE Healthcare Inc.	GE views this as a opportunity to further their ultrasound and services footprint. The services will rollout in US and Canada and global expansion is expected to start by the end of the year.	NA	NA	NA	NA
5/9/2013	Nuclear Cardiology Systems, Inc.	BC Technical, Inc.	Nuclear Cardiology Systems is a leader in nuclear medical service, systems and parts. The acquisition strengthens BC Technical's capabilities in PET/CT and SPECT/CT and expands its nationwide service coverage.	NA	NA	NA	NA
1/15/2013	Genesis Medical Imaging, Inc.	BC Technical, Inc.	The acquisition allows BC Technical to strengthen its capabilities in PET/CT and SPECT/CT, and expands its nationwide service coverage to now include CT and MR. The expansion also positions BC Technical for PET/MR as it becomes more mainstream.	NA	NA	NA	NA
12/20/2012	Clinical Resources For Equipment Support Technology Services, Inc.	Crothall Healthcare, Inc.	The acquisition expands Crothall Healthcare, Inc.'s range of services and geographic presence in the Healthcare sector.	NA	NA	NA	NA
11/2/2012	SPSmedical Supply Corp.	Cantel Medical Corp.	With SPSmedical Supply Corp. Crosstex International, Inc. has acquired a strong platform from which it can expand its global presence as 1 eader in healthcare infection prevention and control.	36.0	36.0	2.1x	8.4x
10/16/2012	Spectrum Surgical Instruments Corp.	Steris Corp.	Steris Corp. is entering the surgical instrument repair business through the acquisition of Spectrum Surgical Instruments Corp and Total Repair Express, LLC. Steris Corp. (NYSE:STE) acquired Spectrum Surgical Instruments Corp. for \$75.5 million in cash.	75.5	75.5	1.5x	10.0x
10/16/2012	Total Repair Express, LLC	Steris Corp.	Steris Corp. is entering the surgical instrument repair business through the acquisition of Spectrum Surgical Instruments Corp and Total Repair Express, LLC. These bolt-on acquisitions will give Steris Corp. one of the largest surgical instrument repair businesses in the United States.	34.5	34.5	1.5x	10.0x
6/19/2012	Radon Ltda.	Elekta AB	Through the acquisition, Elekta's customer base has increased with 25% in Brazil. Radon is expected to add revenue to Elekta by approximately \$6 million during 2012/2013.	NA	NA	NA	NA
6/7/2012	SRI Surgical Express Inc.	Synergy Health plc	The acquisition of SRI Surgical Express Inc. provides Synergy Health plc with scale, broad market access and infrastructure through the presence in the US.	38.1	36.9	0.3x	5.0x
6/3/2012	Lavsim - Higienização Têxtil Ltda.	Servizi Italia S.p.A.	With the acquisition of a 50% stake in Lavsim Higienização Têxtil S.A. €5.4 million in cash, Servizi Italia S.p.A. laid a foundation for its development in the Brazilian market.	7.0	13.5	2.0x	NA
3/21/2012	MSI Surgical Solutions, LLC	Synergy Health plc	The acquisition of MSI is an early step in plans to develop a hospital outsourcing service within the U.S. Synergy will leverage MSI's customer base to gain deeper knowledge of the market and develop its own network in 2013.	6.5	6.5	1.6x	6.5x
3/19/2012	Leoni Studer Hard AG	Synergy Health plc	The acquisition of Leoni Studer Hard AG gives Synergy Health access to the Swiss medical device and pharmaceutical sterilization market and enables Synergy to expand its European irradiation sterilization presence. It also gives Synergy Health plc access to the X-ray technology and intellectual property of Leoni Studer Hard AG.	63.1	63.1	5.5x	7.7x
11/4/2011	SterilMed, Inc.	Ethicon Endo-Surgery, Inc.	The acquisition of SterilMed, Inc. enables Ethicon Endo-Surgery, Inc. to expand the product portfolio and opportunities for delivering innovative and cost-effective solutions to healthcare customers.	NA	NA	NA	NA
4/7/2011	BeamOne, LLC	Synergy Health plc	The acquisition of BeamOne is Synergy's first entry into the US sterilisation market. The combined company will be the second largest, global outsourced sterilisation business in the world. The acquisition is consistent with Synergy's strategy to broaden services in current markets and expand geographically into new markets.	55.0	55.0	3.8x	NA
3/28/2011	SteriGenics International, Inc.	GTCR, LLC	The acquisition of SteriGenics International, Inc. helps GTCR, LLC to expand and improve its geographic and technology network to meet supply chain requirements of their customers. The transaction will expand SteriGenics International, Inc.'s global services.	675.0	675.0	NA	NA
3/24/2011	Northfield Medical Incorporated	Prairie Capital, Jackson Partners	Prairie Capital, L.P. and Jackson Hole Partners acquired a majority stake in Northfield Medical. Northfield Medical sells and distributes orthopedic products, O.R. disposables, and surgical instruments. The company also offers repair services for diagnostic and surgical instruments and equipment.	NA	NA	NA	NA
3/28/2011	OnSite Services - CareFusion Corp.	Frazier Health Ventures	Frazier Healthcare Ventures acquired OnSite Services (nka Prezio Health) from CareFusion Corporation. CareFusion's decision to sell OnSite Services, an instrument management and repair business, to Frazier, is part of their strategy of optimizing their portfolio of businesses.	NA	NA	NA	NA

Maximum	5.5x	10.0x
Mean	2.1x	7.9x
Median	1.6x	8.1x
Minimum	0.3x	5.0x

\*Enterprise Value (EV) = market capitalization + net debt + minority interest