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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

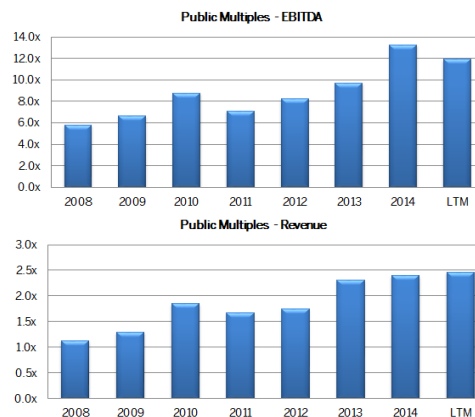
Overview

The global medical sterilization, repair, and refurbishment industry is expected to reach roughly \$13 billion by 2017.¹

In the last 24 months, the medical reprocessing index has seen renewed growth and has outperformed the S&P 500. In the last three years the S&P has increased 23%, while the medical reprocessing index has increased 57%.

Median revenue multiples in the public markets are currently tracking at a median of 2.5x, while EBITDA multiples have a median of 11.9x. Since 2013, these have seen growth rates of 7% and 23%, respectively.

Transaction multiples are tracking in a somewhat lower range, with median revenue multiples of 1.5x and median EBITDA multiples of 8.1x over the past two years. These numbers remain similar to 2013 results.



Source: CapitalIQ

Recent Trends

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

After Steris made its entrance into medical instrument

refurbishing in 2012, it has continued to grow its special services business. In May 2014, Steris acquired Integrated Medical System, an endoscope repair, surgical instrument management and sterile-processing consulting company.

In October 2014, Steris announced the acquisition of Synergy Health for \$2.1 billion. If approved by the Federal Trade Commission (FTC), the combined business will have approximately \$2.6 billion in annual revenues from over 60 countries and approximately 14,000 employees. In May 2015 the FTC challenged the deal on anti-trust basis, stating that the merger would harm competition for contract radiation sterilization services. Steris is contesting the case.

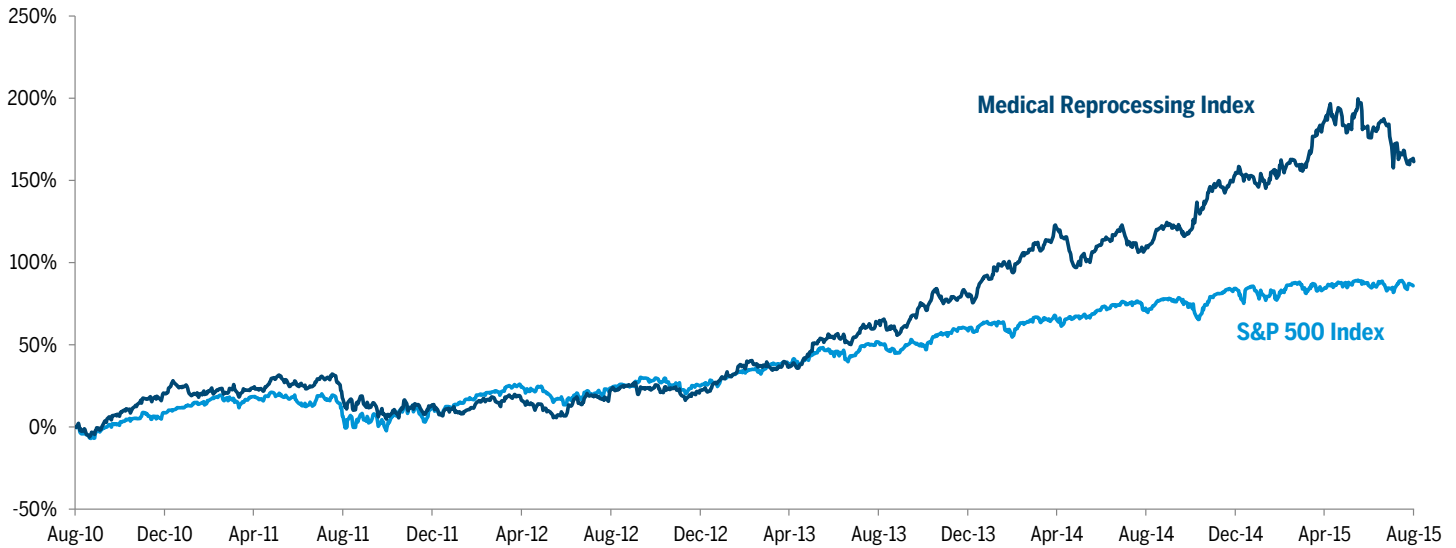
Sterigenics, which changed ownership in May 2015 to private equity firm Warburg Pincus, has also been active in its M&A efforts. In 2014 and 2015, Sterigenics acquired Nordion Inc., Food Technology Services Inc. (FSTI), GAMMARAD Italia, and Companhia Brasileira de Esterilização (CBE) as it continues to build its global sterilization platform. Nordion, the world's largest provider of Cobalt-60, an isotope used in gamma sterilization, was a vertical integration play, while FSTI, GAMMARAD, and CBE expanded its footprint in Florida, Italy, and Brazil respectively. Servizi Italia and BC Technical have also been active with M&A.

In addition to building a strong presence domestically, top players in the industry are looking to expand their global footprint. In July 2014, Cantel Medical Corp, acquired PuriCore International Ltd as a well-established platform for future growth in the United Kingdom and other areas in Europe. Later that year, Cantel purchased International Medical Service S.r.l. based in Italy.

¹ Markets and Markets Reports
² Steris press release

Medical Reprocessing Index

For the past two years, our medical reprocessing companies have outperformed the S&P 500.



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

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				2013	2014	LTM	2013	2014	LTM
Cantel Medical Corp.	\$ 52.63	\$ 58.04	\$ 33.70	\$ 2,287.9	\$ 66.8	\$ 2,221.1	3.2x	3.6x	4.2x	16.9x	18.7x	21.9x
Mesa Laboratories Inc.	\$ 110.78	\$ 126.05	\$ 54.60	\$ 426.2	\$ 23.0	\$ 403.2	5.3x	4.3x	5.8x	17.1x	14.5x	19.2x
Servizi Italia S.p.A.	\$ 4.62	\$ 6.17	\$ 4.01	\$ 199.6	\$ 82.8	\$ 116.2	0.9x	0.8x	0.8x	3.4x	3.0x	3.3x
Shinva Medical Instrument Co., Ltd.	\$ 5.58	\$ 9.18	\$ 4.79	\$ 16,613.3	\$ 1,502.4	\$ 14,485.1	3.4x	2.3x	2.5x	NA	NA	NA
Steris Corp.	\$ 65.96	\$ 71.39	\$ 52.29	\$ 4,556.8	\$ 490.0	\$ 4,064.8	2.0x	2.4x	2.4x	10.8x	12.9x	12.9x
Synergy Health plc	\$ 25.85	\$ 38.05	\$ 21.51	\$ 1,152.2	\$ 161.7	\$ 987.2	2.3x	3.5x	2.8x	8.6x	13.6x	11.0x
TBS Group S.p.A.	\$ 1.79	\$ 2.08	\$ 1.63	\$ 150.1	\$ 81.4	\$ 66.3	0.6x	0.6x	0.7x	6.0x	6.0x	6.4x

	EV/Sales			EV/EBITDA		
	2013	2014	LTM	2013	2014	LTM
Maximum	5.3x	4.3x	5.8x	17.1x	18.7x	21.9x
Mean	2.5x	2.5x	2.8x	10.5x	11.4x	12.4x
Median	2.3x	2.4x	2.5x	9.7x	13.3x	11.9x
Minimum	0.6x	0.6x	0.7x	3.4x	3.0x	3.3x

*Enterprise Value (EV) = market capitalization + debt + noncontrolling 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 08/20/2015

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
8/18/2015	Companhia Brasileira de Esterilização	Sterigenics International, Inc.	Sterigenics International acquired Companhia Brasileira de Esterilização (CBE), the largest sterilization company in Brazil. The transaction adds three new processing facilities in Latin America, bringing Sterigenics' total to six locations, with others in Costa Rica and Mexico.	NA	NA	NA	NA
8/3/2015	Ohio Valley Medical Systems	BC Technical, Inc.	The addition of Ohio Valley Medical Systems allows BC Technical to expand its nationwide service offering to include Hitachi MRI. Ohio Valley Medical Systems is one of the largest MRI service providers specializing in Hitachi open MRI systems.	NA	NA	NA	NA
7/27/2015	Crino France SAS	TBS Group S.p.A. (BIT:TBS)	TBS acquired Crino France to expand its biomedical devices maintenance services, in particular those relating to endoscopic and surgical instruments.	6.6	6.6	0.9x	NA
7/27/2015	Ankateks Turizm Insaat Tekstil Temizleme San. Ve Tic. Ltd. Sti (40% stake)	Servizi Italia S.p.A. (BIT:SRI)	Servizi Italia acquired a stake in Ankateks, a laundry service provider serving healthcare facilities in Central Turkey. The purchase widens Servizi's geographic presence to include Turkey.	6.0	15.0	2.1x	NA
7/20/2015	Alpha Bio/Med Services LLC	Sharps Compliance Corp. (Nasdaq:CM:SMED)	Sharps Compliance acquired Alpha Bio/Med Services, a route-based pick-up service located in Pennsylvania. The deal allows Sharps Compliance to service the Pennsylvania, Maryland and Ohio areas with both a route-based pick-up service as well as its traditional line of Sharps Recovery System™ mailback solutions.	NA	NA	NA	NA
7/6/2015	Sterience SA	Ekkio Capital	Ekkio Capital acquired Sterience SA due to the growth potential of the outsourced sterilization market.	NA	NA	NA	NA
7/2/2015	Endoclear Industria E Comercio De Equipamentos Medico-Hospitalares Ltda	Laboratoires Anios S.A.	In order to expand its offering of automatic systems for reprocessing endoscopes to Brazil, Laboratoires Anios S.A. acquired Endoclear Industria E Comercio. Endoclear is a Sao Paulo based company specializing in the design, development, and production of equipment for automatic endoscope reprocessing.	NA	NA	NA	NA
6/29/2015	Ingegneria Biomedica Santa Lucia S.p.A.	Pantheon Holdco Ltd.	Pantheon, Europe's first integrated multi-vendor healthcare service platform managing and maintaining medical equipment within hospitals and clinics, acquired IBSL to expand its presence in the Italian market.	NA	NA	NA	NA
6/22/2015	Sigil SARL	Pantheon Holdco Ltd.	Pantheon acquired Sigil SARL, a French diagnostic imaging service provider. The acquisition of Sigil accelerates the development and adoption of more efficient asset management and medical equipment maintenance service solutions for public and private sector hospitals and imaging centres in France.	NA	NA	NA	NA
6/19/2015	Kosmic Medical, Inc.	BC Technical, Inc.	BC Technical's acquisition of Kosmic Medical solidifies its position as a leader in independent service, systems, and parts provider of CT, MR, NM, PET, and CT. Kosmic Medical, d.b.a. Atlas Medical Technologies, is a refurbisher of used CT scanners and used MRI equipment.	NA	NA	NA	NA
6/15/2015	International Medical Equipment & Service, Inc. (IMES)	Richardson Electronics Ltd.	Richardson Healthcare, a division of Richardson Electronics, acquired South Carolina-based IMES to geographically expand its diagnostic imaging replacement parts and training to hospitals, diagnostic imaging centers, medical institutions, and independent service organizations, leveraging Richardson Electronics' global infrastructure.	11.6	11.6	1.2x	NA
6/1/2015	Johnson & Johnson, Healthcare Antisepsis Solutions	L'Air Liquide SA (ENXTPA:A)	L'Air Liquide acquired Healthcare Antisepsis Solutions (HAS), a skin disinfection and hygiene unit of J&J. The transaction develops L'Air Liquide's business in Asia, allowing it to tap into new geographic markets.	NA	NA	NA	NA
5/18/2015	SteriGenics International, Inc.	Warburg Pincus	Private equity firm Warburg Pincus acquired a majority stake in SteriGenics, a U.S. provider of contract sterilization services, from GTCR. The deal aims to accelerate SteriGenics' growth and expand its international footprint.	NA	NA	NA	NA
4/20/2015	Alpha Source Inc.	Baird Capital Partners	Baird Capital's investment into Alpha Source will provide funds to further grow the company's medical parts, battery, and services business. Alpha Source is a provider of solutions for medical equipment maintenance, medical battery manufacturing, and medical equipment distribution across the world.	NA	NA	NA	NA
4/14/2015	Deren Ilaç San. ve Dis Tic. Ltd. Sti.	Laboratoires Anios S.A.	In order to strengthen its position in the Turkish market and expand its production capacity, Laboratoires Anios acquired Deren Ilaç San. Deren is an Istanbul-based manufacturer of hospital disinfectants.	NA	NA	NA	NA
3/27/2015	Moog Medical Device Rochester Inc. and MMC Sterilization Services Group	Tartan Holdings, LLC	Tartan acquired Moog Medical and MMC Sterilization, two divisions from Moog Inc, to form iuvo BioScience. The newly formed iuvo BioScience will provide ethylene oxide sterilization services and contract laboratory testing.	NA	NA	NA	NA
2/27/2015	Healthtronics Sdn Bhd	UEM Group Berhad	UEM Group Berhad's subsidiary, Faber Medi-Serve Sdn Bhd, acquired Healthtronics to strengthen its biomedical equipment maintenance and management business to hospitals in the ASEAN region. Healthtronics, based in Malaysia, is a provider of bio-medical and electronic engineering maintenance services.	NA	NA	NA	NA
1/27/2015	Xenex Disinfection Services LLC	Brandon Point Industries; Battery Ventures; Incyte Ventures; RK Ventures	Xenex Disinfection's new funding will be used for product development, international expansion, and an increase in U.S. sales force. Xenex Disinfection Services offers pulsed xenon ultraviolet-C room disinfection systems to healthcare facilities in the United States.	25.0	NA	NA	NA
1/21/2015	Virtual Medical Sales, Inc.	BC Technical, Inc.	The acquisition allows BC Technical to add valuable resources and inventory in addition to strengthening its capabilities, specifically within MR and CT modalities. Virtual Medical Sales, Inc. is a turnkey reseller of medical imaging products, accessories, and services.	NA	NA	NA	NA
1/2/2015	Pure Water Solutions, Inc.	Cantel Medical Corp. (NYSE:CMN)	Cantel acquired Pure Water Solutions to strengthen its presence in the Southeastern U.S. market. Pure Water Solutions provides water purification and treatment services for commercial and industrial, laboratory and medical customers.	11.9	11.9	1.5x	6.0x
12/22/2014	Chengdu LaoKen Technology Co., Ltd.	Chengdu Tianxing Instrument and Meter Co. Ltd (SZSE:000710)	Chengdu Tianxing Instrument is a conglomerate engaged in manufacturing automobile parts, industrial machinery and other instruments. Laoken Technology is engaged in developing, manufacturing and selling infection control equipment for hospitals in China.	107.7	107.7	NA	NA
12/22/2014	Financiere Ionisos SAS	Agilitas Private Equity LLP	Agilitas believes Ionisos has the potential to expand beyond France to become a pan-Europe business. Ionisos is the leading provider of cold sterilisation services in France and Spain to the medical devices, pharmaceutical, food and pharma packaging and cosmetics industries.	NA	NA	NA	NA
11/4/2014	International Medical Service S.r.l. (IMS)	Cantel Medical Corp. (NYSE:CMN)	This acquisition will be integrated into the Medivators business unit and will be reported as part of the endoscopy segment. IMS manufactures high-level disinfectant chemistries used in automated endoscope reprocessors (AERs) as well as other infection prevention and control chemistries used in healthcare and dental markets.	24.6	24.6	1.8x	7.3x
10/31/2014	GAMMARAD ITALIA Spa	Sterigenics International, Inc.	The acquisition of GAMMARAD is an important Sterigenics' strategy to continue to expand its global footprint. Gammarad, based in Italy, provides gamma irradiation sterilization services for the biomedical, pharmaceutical, food packaging, and cosmetics industries.	NA	NA	NA	NA
10/30/2014	SI.GI. Servizi Ospedaliari S.r.l.	Servizi Italia S.p.A. (BIT:SRI)	The acquisition of SI.GI. Servizi Ospedaliari S.r.l. is consistent with Servizi Italia's strategy to strengthen its presence in its domestic Italian market. SI.GI. Servizi Ospedaliari S.r.l. provides laundry and other equipment wash-hire services to the healthcare sector.	2.1	4.2	2.1x	NA

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
10/24/2014	Ing. Burgatti S.p.A.	TBS Group S.p.A. (BIT:TBS)	Eletronica Bio Medica (EBM), a subsidiary of TBS Group, acquired 51% of Ing. Burgatti S.p.A., which provides services to support the installation and testing of DI equipment, the design of diagnostic rooms, training of health personnel and after-sales services in the Emilia Romagna region of Italy, which they planned to expand nationwide.	3.7	7.3	1.4x	NA
10/13/2014 (Announced)	Synergy Health plc (LSE:SYR)	Steris Corp. (NYSE:STE)	The proposed acquisition of Synergy by Steris will combine two of the largest players in the medical sterilization space. Furthermore, Steris intends to move its headquarters to the U.K. and is expected to reduce its taxes.	2,189.8	2,128.1	3.4x	13.0x
10/15/2014	Process Challenge Devices, LLC	Mesa Laboratories Inc. (NasdaqGS:MLAB)	The acquisition will enhance Mesa's line of biological indicators. Process Challenge Devices provides Ethylene Oxide (EO) sterilization process challenge devices.	6.8	6.8	NA	NA
9/12/2014	Sterall Inc.	Red Rock Energy Inc. (TSXV:RRK)	Strategic Environmental & Energy Resources, Inc., a subsidiary of Red Rock Energy that provides a variety of waste solutions, acquired a 15% stake in Sterall to strengthen its services in medical waste management. Sterall Inc. provides medical waste collection, removal, sterilization, and destruction services in Southern Florida.	1.2	7.8	NA	NA
9/12/2014	MVS Sp. z o.o.	Pantheon Holdco Ltd.	The acquisition strengthens the pan-European service delivery infrastructure of MESA, a Pantheon Healthcare Group company, with the addition of Poland-based MVS's state of the art parts, equipment refurbishment, and testing facility.	NA	NA	NA	NA
8/6/2014	Nordion Inc.	Sterigenics International, Inc.	The acquisition of Nordion allows Sterigenics to provide security of supply of Cobalt-60 used in gamma sterilization. Nordion is a leading provider of medical isotopes and sterilization technologies.	842.9	510.2	1.9x	7.0x
8/1/2014	Asteral Ltd. & MESA, Sagl	Pantheon Holdco Ltd.	Pemira acquired Asteral, the U.K.'s leading vendor-independent provider of managed equipment services to the U.K. NHS and Italy-based MESA, Sagl's vendor-neutral healthcare solutions. Pemira believed there were significant synergies to be realised through the consolidation of the two complementary healthcare businesses as Pantheon Healthcare Group.	215.6	215.6	NA	NA
7/14/2014	Microtest Laboratories, Inc.	ATS Labs, Inc. (nka: Accuratus Lab Services)	The acquisition of Microtest, a leader in testing services for the medical device, pharmaceutical and biotechnology industries, is the first step in the strategy of ATS to expand its microbiology and chemistry laboratory services platform.	NA	NA	NA	NA
7/1/2014	PuriCore International Ltd.	Cantel Medical Corp. (NYSE:CMN)	The acquisition of PuriCore, a leading provider of automated endoscope reprocessors and comprehensive maintenance and validation services in the UK, will significantly expand Cantel's reach and capabilities in international markets, especially continental Europe.	26.9	26.9	1.2x	9.0x
6/3/2014	Chengdu Yingde Bio-medical Equipment Technology Co., Ltd.	Shinva Medical Instruments Co., Ltd.	The acquisition of 85% of Chengdu Yingde Bio-medical Equipment Technology Co., Ltd., allows Shinva to expand its business scope to the field of bio-pharmaceutical equipment. Yingde manufactures biomedical equipment, pharmaceutical and sterilization equipment in China.	NA	NA	NA	NA
6/2/2014	Curagita	Pantheon Holdco Ltd.	MESA, a Pantheon Healthcare Group company, and Europe's leader in multi-vendor service for diagnostic imaging systems, equipment and parts, merged with German radiology management company Curagita, to offer radiology providers in Germany a cost-effective, single, centralised asset management partner across all OEMs and modalities.	NA	NA	NA	NA
5/16/2014	Bioster S.p.A.	Synergy Health plc (LSE:SYR)	The acquisition of Bioster strengthens Synergy's capacity offering in Europe in two of its core technologies. Bioster operates ethylene oxide and electron beam sterilization facilities for medical device, pharmaceutical and packaging industries as well as hospitals.	39.7	39.7	1.4x	6.2x
5/9/2014	Integrated Medical Systems International, Inc. (IMS)	Steris Corp. (NYSE:STE)	The acquisition of IMS helps Steris expand its specialty-service business. IMS is an endoscope repair, surgical instrument management and sterile-processing consulting company.	165.0	165.0	1.1x	NA
3/6/2014	Food Technology Service Inc.	Sterigenics International, Inc.	The acquisition of Food Technology Service, Inc. (FSTI) adds to Sterigenic's global sterilization platform. FSTI owns and operates an irradiation facility in Florida that uses gamma radiation to provide sterilization to the medical device, packaging and food industries.	21.0	17.5	4.2x	8.2x
2/10/2014	Eschmann Holdings Limited	Steris Corp. (NYSE:STE)	Steris Corp. acquired Eschmann Holdings Limited, a U.K.-based maker of operating tables, electro-surgery units, surgical suction units, bench top autoclaves, and surgical trolleys, from Sisk Healthcare Group, to increase its presence in equipment for the operating theater and infection control.	41.9	41.9	NA	NA
2/4/2014	Atmosfera Gestão & Higienização de Têxteis S.A.	S.A. Elis (ENXTPA:ELIS)	S.A. Elis, the European leader in linen rental and laundry services, sanitary equipment and drinks dispensers, acquired Atmosfera Gestão & Higienização de Têxteis S.A., the leading industrial laundry company in Brazil. S.A. Elis had been looking to expand in Brazil for some time, and this acquisition makes Brazil its second-largest market.	NA	NA	NA	NA
2/4/2014	Life Systems, Inc.	Steris Corp. (NYSE:STE)	Steris Corp. acquired Life Systems, a Missouri-based endoscopy sales and repair company, to expand its Specialty Services business.	24.5	24.5	NA	NA
1/8/2014	Sterilator Company, Inc.	Cantel Medical Corp. (NYSE:CMN)	The acquisition of Sterilator helps Crosstex (subsidiary of Cantel) enhance its capabilities in sterility assurance monitoring products for the medical industry. Sterilator is a manufacturer of biological indicators and supplies for sterility assurance products.	NA	NA	NA	NA
11/22/2013	Weiman Products, LLC	Cortec Group	Cortec Group acquired Weiman Products. Weiman is a provider of premium branded specialty cleaning products for the consumer market and specialty cleaning, sterilization and disinfectant products for the healthcare market.	NA	NA	NA	NA
10/31/2013	Wassenburg Medical Devices B.V.	Hoya Corp. (TSE:7741)	The joint venture between Hoya and Wassenburg will provide product synergies, channel synergies and geographic expansion. Wassenburg is an automated endoscope reprocessingmarket leader in the Netherlands.	NA	NA	NA	NA
10/4/2013	ICOS Impianti Group S.p.A.	STEELCO S.p.A.	The acquisition of ICOS will allow Steelco to complete its product package, providing "turnkey" solutions for both washing and sterilization activities. ICOS specializes in the manufacturing of sterilizers for the pharmaceutical, medical and laboratory fields.	2.7	2.7	NA	NA

Maximum	3.4x	13.0x
Mean	1.7x	8.8x
Median	1.5x	8.1x
Minimum	0.9x	6.0x

*Enterprise Value (EV) = market capitalization + net debt + noncontrolling interest
Source: CapitalIQ, Press releases, other public sources