

Dispatch from Brazil

September 2013

Dear Friends,

It's hard to believe that the city of Rio de Janeiro, with its infamous traffic and lack of public transport infrastructure, will soon be hosting millions of spectators as the 2014 World Cup and 2016 Summer Olympics lie just around the corner. Brazil certainly has a lot to prove, and the rest of the world is watching it closely.

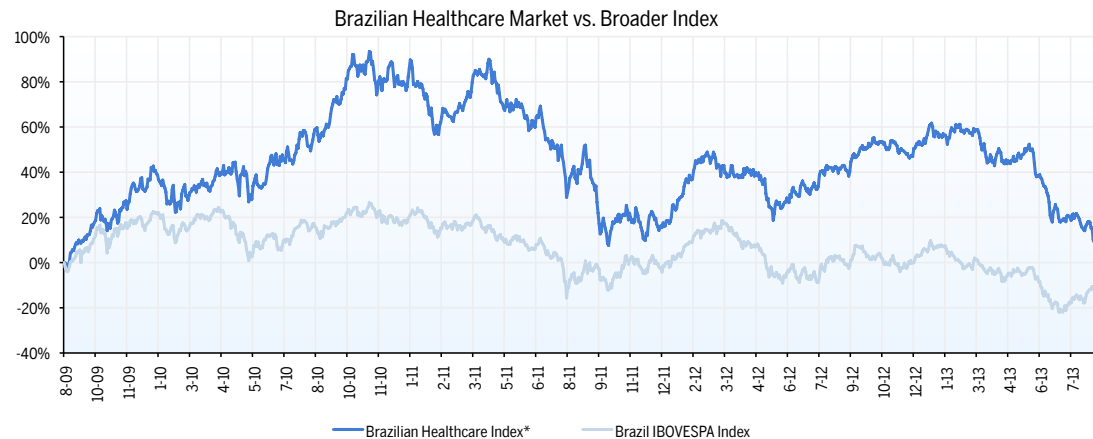
Among its own citizens, there has been widespread public dissatisfaction with the state of affairs in Brazil, as evidenced by the public protests that flared up in June and the subsequent rapid reversal of President Dilma Rousseff's approval rating. Criticisms include rising prices and lack of investment in education and healthcare.

The country's economic growth rates have slowed down while inflation has risen. In a continued attempt to curb inflation, Brazil's central bank has been raising interest rates. Brazil's currency has also weakened, with the real now at its lowest point against the dollar since 2009.

While Rousseff has promoted economic policies to help boost growth, including a number of new tax incentives, these policies can often be difficult to navigate. Earlier this year, the World Bank rated Brazil's tax code as the world's most complicated.

Brazilian business owners have long bemoaned these legal complexities, but they can be an even greater challenge for foreign companies seeking to establish a foothold in the country. As a result, the grievances local business owners have had with federal policies are the very reason foreign companies are now knocking on their doors. Instead of attempting to enter the Brazilian market on their own, multinationals are increasingly seeking to partner with local players who understand the dynamics of doing business in Brazil.

Despite short-term market fluctuations, the macroeconomic drivers that propelled growth over the last ten years remain firmly in place. In particular, as Brazil's middle class has swollen by an estimated 40 million in the last decade, it has become a more potent force in Brazilian society, playing a large part in the protests earlier this year. The middle class' increasing spending power along with the government's anticipated investments in infrastructure are expected to play a part in driving slowing growth rates up once again.



For foreign investors with long-term interests in Brazil, the weakening real presents a compelling opportunity to make strategic investments while asset values have normalized. The Brazilian healthcare market remains strong and continues to attract foreign investment, as demonstrated by recent transactions in the space, many of which have been acquisitions of national distributors (such as IDEXX's acquisition of Madasa do Brasil and Bunzl's acquisition of Labor Import) or companies that manufacture domestically in Brazil (such as Sorin's acquisition of Alcard, a leading player in Brazil's cardiac surgery market). About 25% of Brazilians have private health insurance today, a number that can be expected to increase as the middle class continues to grow.

In May I attended the Hospitalar trade fair in São Paulo, and going from booth to booth talking with owners and salespeople, optimism about the Brazilian healthcare market was palpable. Over 1,000 healthcare companies from all over the world, including many from Brazil, exhibited their products during the four-day event that is the largest healthcare trade show in Latin America.



Attending the 2013 Hospitalar Conference in Sao Paolo

Brocair has spent a considerable amount of time understanding the intricacies of the healthcare market in Brazil, and has strong relationships in the region. Over the past year, we have been advising a number of multinational healthcare companies on their strategic acquisition programs in Brazil, working with them to identify and evaluate appropriate Brazilian partners.

Below are some metrics on the Brazilian healthcare market, including public company trading multiples and recent transactions. If there is anything we can do to help with your M&A efforts in Brazil, please give me a call.

Gregg Blake

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Publicly Traded Brazilian Healthcare Companies >\$20M Enterprise Value

Company	Ticker	City	Price	52-Week		EV*	Net Debt	Market Cap	EV/Sales			EV/EBITDA			FYE
				High	Low				FY2011	FY2012	LTM	FY2011	FY2012	LTM	
Baumer SA	BOVESPA:BALM4	Mogi Mirim	BRL 95.0	BRL 100.0	BRL 74.0	\$ 45.8	\$ 2.5	\$ 40.0	0.5x	0.9x	1.0x	4.1x	5.8x	5.4x	31-Dec
Biom S.A.	BOVESPA:BIOM3	Belo Horizonte	BRL 9.2	BRL 10.0	BRL 3.1	\$ 84.5	\$ 15.4	\$ 69.2	N/A	N/A	N/A	N/A	N/A	N/A	31-Dec
Brasil Pharma S.A.	BOVESPA:BPHA3	São Paulo	BRL 8.6	BRL 15.7	BRL 8.1	\$ 1,174.5	\$ 218.7	\$ 955.8	1.2x	1.5x	0.9x	23.7x	27.7x	18.7x	31-Dec
Cremer SA	BOVESPA:CREM3	Blumenau	BRL 14.3	BRL 15.3	BRL 12.1	\$ 299.3	\$ 94.6	\$ 204.7	1.4x	1.0x	1.0x	9.2x	10.9x	9.2x	31-Dec
Diagnosticos da America	BOVESPA:DASA3	Barueri	BRL 11.4	BRL 14.9	BRL 10.6	\$ 1,912.8	\$ 384.7	\$ 1,527.9	2.6x	2.2x	1.8x	11.1	13.0x	11.5x	31-Dec
Dimed S.A. Distribuidora de Medicamentos	BOVESPA:PNVL4	Porto Alegre	BRL 178.8	BRL 236.0	BRL 117.0	\$ 540.9	\$ 19.9	\$ 521.0	0.4x	0.8x	0.7x	7.8x	16.1x	14.7x	31-Dec
Fleury S/A	BOVESPA:FLRY3	São Paulo	BRL 18.5	BRL 26.1	BRL 17.9	\$ 1,412.8	\$ 165.6	\$ 1,247.2	3.0x	2.6x	2.0x	17.0x	12.5x	9.9x	31-Dec
Hypermarcas SA	BOVESPA:HYPE3	São Paulo	BRL 17.4	BRL 18.4	BRL 13.3	\$ 5,590.2	\$ 1,272.0	\$ 4,678.2	2.6x	3.4x	3.3x	22.9x	18.4x	16.8x	31-Dec
Natura Cosmeticós SA	BOVESPA:NATU3	Itapecerica de Serra	BRL 49.0	BRL 59.9	BRL 40.8	\$ 9,539.0	\$ 685.3	\$ 8,845.1	2.9x	4.1x	3.2x	11.9x	17.3x	14.0x	31-Dec
Odontoprev S.A.	BOVESPA:ODPV3	Barueri	BRL 9.3	BRL 12.4	BRL 8.5	\$ 2,057.7	\$ (2.2)	\$ 2,059.1	5.3x	5.6x	4.3x	22.2x	25.3x	18.9x	31-Dec
Profarma Distribuidora De Produtos Farmaceuticos S/a.	BOVESPA:PFRM3	Rio de Janeiro	BRL 20.3	BRL 25.1	BRL 12.9	\$ 463.3	\$ 169.9	\$ 289.4	0.2x	0.2x	0.3x	6.6x	7.5x	11.2x	31-Dec
Qualicorp SA	BOVESPA:QUAL3	São Paulo	BRL 20.0	BRL 23.2	BRL 14.7	\$ 2,300.0	\$ 33.8	\$ 2,267.5	6.5x	6.3x	4.8x	30.6x	22.4x	16.4x	31-Dec
Raia Drogasil SA	BOVESPA:RADL3	São Paulo	BRL 18.2	BRL 24.6	BRL 16.1	\$ 2,608.1	\$ 53.8	\$ 2,554.2	1.5x	1.4x	1.0x	27.6x	25.6x	19.8x	31-Dec
Sul America Sa	BOVESPA:SULA11	Rio de Janeiro	BRL 14.9	BRL 17.5	BRL 12.1	\$ 2,329.6	\$ 193.1	\$ 2,116.0	0.4x	0.4x	0.4x	2.7x	3.2x	3.3x	31-Dec
Tempo Participacoes SA	BOVESPA:TEMP3	Barueri	BRL 2.8	BRL 4.0	BRL 2.7	\$ 142.6	\$ (35.0)	\$ 177.6	0.4x	0.4x	0.3x	11.3x	9.8x	7.0x	31-Dec

	EV/Sales			EV/EBITDA		
	FY2011	FY2012	LTM	FY2011	FY2012	LTM
Max	6.5x	6.3x	4.8x	30.6x	27.7x	19.8x
Mean	2.1x	2.2x	1.8x	14.9x	15.4x	12.6x
Median	1.4x	1.4x	1.0x	11.6x	14.5x	12.7x
Min	0.2x	0.2x	0.3x	2.7x	3.2x	3.3x

*EV = Market capitalization + net debt + minority interest
Market Cap and Enterprise Value as of 09/11/2013
Source: Capital IQ

Representative Brazilian Transactions (last 18 months)

Date Closed	Target	Acquirer	Transaction Value	Target Financial Information			Multiples	
				Enterprise Value*	Sales	EBITDA	EV/Sales	EV/EBITDA
8/21/13	Madasa do Brasil Ltda	IDEXX Laboratories, Inc. (NasdaqGS:IDXX)	N/A	N/A	N/A	N/A	N/A	N/A
8/20/13	Hospital Santa Marina	UnitedHealth Group Incorporated (NYSE:UNH)	\$ 23.0	23.0	N/A	N/A	N/A	N/A
8/6/13	Omnimed Ltda	General Electric Company (NYSE:GE)	N/A	N/A	N/A	N/A	N/A	N/A
7/23/13	Laboratorio Diagnostika Ltda.	Instituto Hermes Pardini Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
7/19/13	Maxlav Lavanderia Especializada Ltda and Vida Lavanderias Especializada Ltda.	Servizi Italia S.p.A. (BIT:SRI)	\$ 10.1	10.1	17.2	2.9	0.6x	3.7x
7/17/13	Padrao Laboratorio Clinico	Instituto Hermes Pardini Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
7/17/13	Biocod Biotecnologia Ltda	Instituto Hermes Pardini Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
7/15/13	VISTATEK Produtos Óticos Ltda.	Abbott Laboratories (NYSE:ABT)	N/A	N/A	N/A	N/A	N/A	N/A
6/6/13	Medgrupo Participações S.A.	Rede D'Or Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
5/10/13	Grupo Delfin Ltda.	Kinea Investimentos, Private Equity Arm	N/A	N/A	N/A	N/A	N/A	N/A
4/20/13	Hospital do Coração do Brasil and Hospital Santa Luzia	Rede D'Or Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
4/18/13	São Luiz Operadora Hospitalar S/A	FMG Empreendimentos Hospitalares Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
4/2/13	Pró Cirurgia Especializada Ltda.	Smith & Nephew plc (LSE:SN.)	N/A	N/A	N/A	N/A	N/A	N/A
3/4/13	Labor Import Ltda.	Bunzl plc (LSE:BNZL)	N/A	N/A	N/A	N/A	N/A	N/A
2/19/13	Alcard Indústria Mecânica Ltda.	Sorin SpA (BIT:SRN)	N/A	N/A	N/A	N/A	N/A	N/A
2/5/13	Hypermarcas S.A, Manufacturing Facility in Bragança Paulista	Avert Laboratórios Ltda.	\$ 8.1	9.1	6.6	1.8	14x	5.0x

Representative Brazilian Transactions (last 18 months) cont'd.

Date Closed	Target	Acquirer	Transaction Value	Target Financial Information			Multiples	
				Enterprise Value*	Sales	EBITDA	EV/Sales	EV/EBITDA
2/4/13	Axismed Gestão Preventiva da Saúde S.A.	Telefónica Digital Limited	N/A	N/A	N/A	N/A	N/A	N/A
1/31/13	Papaiz Associados Diagnósticos por Imagem S/S Ltda.	Clidec Ltda.; Fleury Centro de Procedimentos Médicos Avançados	\$ 9.1	9.1	6.6	1.8	1.4X	5.0X
1/21/13	GranBio	BNDES Participações S/A - BNDESPAR	N/A	N/A	N/A	N/A	N/A	N/A
12/27/12	Hospital e Maternidade Brasil S/A	NorthWest International Healthcare Properties Real Estate Investment Trust	\$ 120.7	120.7	N/A	N/A	N/A	N/A
12/26/12	Silcon Comércio, Importação E Exportação de Produtos Farmaceuticos e Cosmeticos Ltda.	Opko Health, Inc. (NYSE:OPK)	N/A	N/A	N/A	N/A	N/A	N/A
12/20/12	Laboratórios Progenetica Ltda	Instituto Hermes Pardini Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
12/18/12	Bthek Biotecnologia Ltda.	União Química Farmacêutica Nacional S/A	N/A	N/A	N/A	N/A	N/A	N/A
10/29/12	Amil Participacoes SA	UnitedHealth Group Incorporated (NYSE:UNH)	\$ 1,416.4	5,569.2	4,497.8	161.4	1.1x	35.1x
10/22/12	moksha8 Pharmaceuticals, Inc.	Forest Laboratories Inc. (NYSE:FRX)	\$ 47.0	N/A	N/A	N/A	N/A	N/A
10/21/12	SKL Functional Nutrition Ltda.	Farmoquímica S.A.	N/A	N/A	N/A	N/A	N/A	N/A
9/11/12	Labaclen	Grupo Sabin	N/A	N/A	N/A	N/A	N/A	N/A
9/4/12	Laboratórios Cemaza	Grupo Sabin	N/A	N/A	N/A	N/A	N/A	N/A
7/3/12	Medical Systems Comercial Ltda.	Pixeon Medical Systems	N/A	N/A	N/A	N/A	N/A	N/A
6/30/12	GMK Administração e Representação Ltda.	EUROIMMUN AG	N/A	N/A	N/A	N/A	N/A	N/A
6/22/12	Panpharma Participacoes S.A.	Celesio AG	\$ 344.2	689.8	N/A	N/A	N/A	N/A
6/19/12	Laboratory Sanobiol Ltda.	Cristalia Produtos Quimicos Farmaceuticos Ltda.	\$ 48.3	48.3	37.6	N/A	0.6X	N/A
6/19/12	Radon Ltda.	Elekta AB (OM:EKTA B)	N/A	N/A	N/A	N/A	N/A	N/A
6/11/12	Meizler Biopharma S/A (nka:Meizler UCB Biopharma SA)	UCB SA (ENXTBR:UCB)	\$ 110.0	N/A	N/A	N/A	N/A	N/A
6/5/12	XPRO Sistemas Ltda	General Electric Company (NYSE:GE)	N/A	N/A	N/A	N/A	N/A	N/A
6/4/12	Pharlab Indústria Farmacêutica S.A.	Les Laboratoires Servier SAS	N/A	N/A	N/A	N/A	N/A	N/A

Representative Brazilian Transactions (last 18 months) cont'd.

Date Closed	Target	Acquirer	Transaction Value	Target Financial Information			Multiples	
				Enterprise Value*	Sales	EBITDA	EV/Sales	EV/EBITDA
6/2/12	Lavsim - Higienização Têxtil Ltda.	Servizi Italia S.p.A. (BIT:SRI)	\$ 7.0	13.5	6.8	N/A	2.0X	N/A
5/31/12	Neodent S.A.	Straumann Holding AG (SWX:STMN)	\$ 275.3	561.8	54.7	N/A	6.6X	N/A
5/28/12	Hospital Santa Lúcia	Rede D'Or Ltda.	N/A	N/A	N/A	N/A	N/A	N/A
5/26/12	SRI Empreendimentos e Participações Ltda	Servizi Italia S.p.A. (BIT:SRI)	N/A	N/A	N/A	N/A	N/A	N/A
5/25/12	Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda.	Takeda Pharmaceutical Company Limited (TSE:4502)	\$ 270.5	270.5	75.1	N/A	3.9x	N/A
5/12/12	Pelenova Biotecnologia S.A.	Valeant Pharmaceuticals International, Inc. (TSX:VRX)	\$ 10.0	50.3	N/A	N/A	N/A	N/A
4/16/12	Environ Científica Ltda.	SGS SA (SWX:SGSN)	N/A	N/A	N/A	N/A	N/A	N/A
4/3/12	Optotal Hoya S/A	Hoya Corp. (TSE:7741)	N/A	N/A	N/A	N/A	N/A	N/A

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

Representative transactions only include closed deals with publicly available transaction data

Bolded companies headquartered in Brazil

Source: Capital IQ, public filings, press releases and other public media sources

Max	6.6x	35.1x
Mean	2.3x	14.6x
Median	1.4x	5.0x
Min	0.6x	3.7x

Brocair Partners LLC, based in New York, was formed in 2004 to provide mergers & acquisitions advisory services, equity and debt placement services, and strategic advice to healthcare companies. Brocair Partners has advised a range of public and private companies across healthcare segments that include pharmaceuticals, medical devices, patient care, consumer health and nutrition, healthcare business services and information technology, and pharmaceutical ingredients and intermediates, both in the United States and worldwide. Outside North America, Brocair Partners collaborates on cross-border healthcare transactions with a constellation of key affiliates worldwide.

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