

# Quarterly Industry Update

As of March 31, 2014

Industry: Medical Device

## Industry Summary

Cogent Valuation identified publicly traded companies, IPOs, and recent M&A transactions within the Medical Device industry, which provides a basis for market and transaction pricing that can be used by your firm in estimating market sentiment and its impact on your firm's value. Since March 31, 2013, the median 52-week share price return of the Medical Device industry has increased by 46.8%. In the last quarter, the median price-to-earnings multiple increased from 21.9x to 25.6x.

## Comparable Public Company Key Statistics

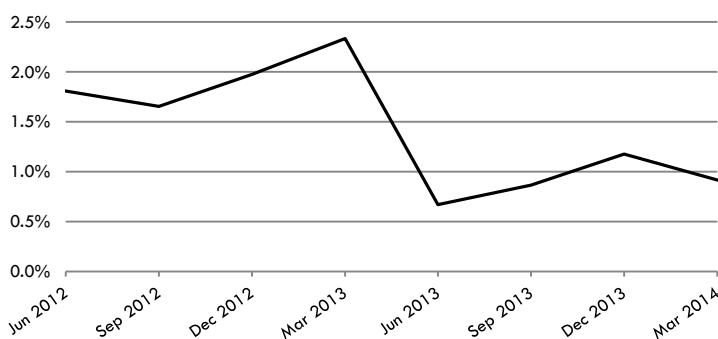
Median 52-Week Return	50.3%	Median EV/Revenue Multiple	3.6x	Median Price/Earnings Multiple	25.6x
Median 3-Year CAGR Return	16.9%	Median EV/EBITDA Multiple	12.9x	Median EV/Gross CF Multiple	21.5x

## Comparable Public Company Market Price Returns (As of March 31, 2014)

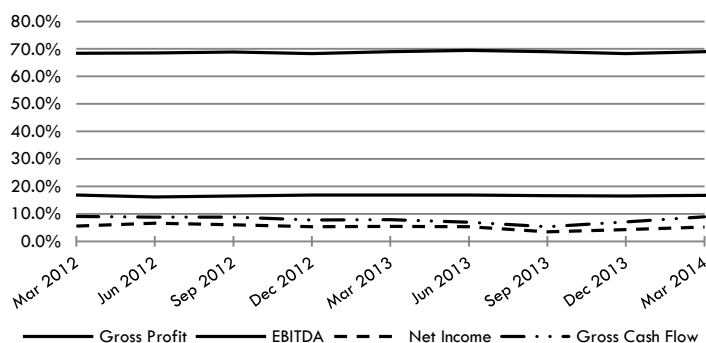
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2012	2011	2010	2009	2008
Medtronic plc	50.0%	7.2%	31.0%	25.3%	16.1%	15.9%	7.2%	3.1%	-15.7%	40.0%	-37.5%
Boston Scientific Corporation	136.0%	12.5%	73.1%	50.4%	23.4%	11.2%	7.3%	-29.5%	-15.9%	16.3%	-33.4%
St. Jude Medical Inc.	80.9%	5.6%	61.7%	21.5%	8.5%	12.5%	5.4%	-19.8%	16.2%	11.6%	-18.9%
CR Bard Inc.	51.4%	10.5%	46.8%	22.4%	14.2%	13.2%	14.3%	-6.8%	17.8%	-7.5%	-11.1%
Edwards Lifesciences Corp.	-17.7%	12.8%	-9.7%	1.0%	-5.2%	19.6%	27.5%	-12.5%	86.2%	58.1%	19.5%
CONMED Corporation	55.5%	2.2%	27.6%	20.6%	18.2%	24.7%	8.9%	-2.9%	15.9%	-4.8%	3.6%
Greatbatch, Inc.	97.6%	3.8%	53.7%	36.8%	20.2%	18.9%	5.2%	-8.5%	25.6%	-27.3%	32.4%
Thoratec Corp.	-4.6%	-2.2%	-4.5%	3.1%	11.4%	6.9%	11.8%	18.5%	5.2%	-17.1%	78.6%
CryoLife Inc.	59.9%	-10.2%	65.7%	37.5%	17.8%	14.0%	29.8%	-11.4%	-15.6%	-33.9%	22.1%
ABIOMED, Inc.	93.8%	-2.6%	39.5%	8.3%	21.5%	39.7%	-27.2%	92.2%	10.1%	-46.8%	5.7%
Cardiovascular Systems Inc.	153.3%	-7.3%	55.2%	85.4%	43.2%	35.0%	27.4%	-15.5%	154.0%	N/A	N/A
Heartware International Inc.	11.7%	-0.1%	6.1%	19.5%	3.1%	30.3%	21.7%	-21.2%	146.9%	N/A	N/A
AtriCure, Inc.	172.6%	0.7%	137.5%	37.5%	18.2%	71.2%	-37.8%	8.1%	70.0%	172.1%	-83.1%
<b>Median of Industry Public Companies</b>	<b>59.9%</b>	<b>2.2%</b>	<b>46.8%</b>	<b>22.4%</b>	<b>17.8%</b>	<b>18.9%</b>	<b>8.9%</b>	<b>-8.5%</b>	<b>16.2%</b>	<b>-4.8%</b>	<b>3.6%</b>

(Multiple year periods are calculated as the average annual return.)

## Median Quarterly Revenue Growth of All Medical Device Companies



## Median Gross Profit, EBITDA, Net Income and Gross Cash Flow Margins



## Median Public Company Multiples of the Medical Device Industry

Date:	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014
EV/Revenues Multiple	2.6x	2.4x	2.6x	2.5x	2.7x	3.0x	3.2x	3.5x	3.6x
EV/EBITDA Multiple	8.9x	7.8x	9.6x	8.9x	9.2x	9.3x	10.3x	12.1x	12.9x
Price/Earnings Multiple	22.2x	21.1x	23.8x	20.6x	20.6x	22.0x	23.6x	21.9x	25.6x
EV/Gross Cash Flows Multiple	15.7x	15.8x	18.2x	15.8x	19.2x	19.5x	20.5x	21.3x	21.5x

This industry research is provided at no charge to Cogent Valuation's clients. Research or detailed information not covered in this report can be obtained for a fee. Contact Steven Kam at 415-392-0888 for additional information or questions in connection with this research report.

The disclosures and limitations of this research on page two are an integral part of this report.

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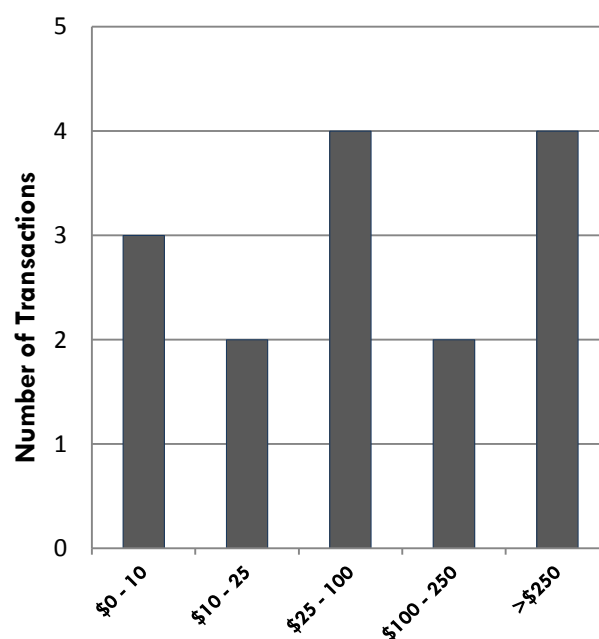
## Industry Initial Public Offerings (dollars in millions, except share prices)

Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
11/17/2011	Sphere Medical Holding PLC	\$1.46	15.1	\$22.1	\$19.4	\$0.0	\$0.0	(\$7.0)	(\$8.1)	(\$6.7)
4/18/2011	InspireMD, Inc.	\$1.50	7.0	\$10.4	\$12.7	\$1.5	\$4.5	(\$3.3)	(\$4.6)	(\$3.2)
10/22/2010	STENTYS Société anonyme	\$16.70	1.9	\$31.6	\$34.7	\$1.7	\$0.3	(\$9.4)	(\$9.8)	(\$9.1)
7/7/2010	Carmat Société Anonyme	\$23.67	0.8	\$19.6	\$8.7	\$0.0	\$4.4	\$0.0	(\$4.3)	\$0.3
12/12/2005	Lombard Medical Technologies Limited	\$2.82	14.4	\$47.0	\$11.8	\$7.4	\$0.1	(\$9.0)	(\$13.0)	(\$8.6)
8/5/2005	AtriCure, Inc.	\$12.00	4.0	\$48.0	\$12.5	\$0.0	\$25.5	(\$5.8)	(\$10.9)	(\$4.7)
1/27/2005	Heartware International Inc.	\$0.39	60.0	\$23.3	N/A	N/A	N/A	N/A	N/A	N/A
8/11/2004	Stereotaxis Inc.	\$8.00	5.0	\$44.0	\$41.1	\$6.0	\$9.9	(\$29.8)	(\$30.5)	(\$29.2)
<b>Median of All IPOs</b>		<b>nm</b>	<b>nm</b>	<b>\$27.4</b>	<b>\$12.7</b>	<b>\$1.5</b>	<b>\$4.4</b>	<b>(\$7.0)</b>	<b>(\$9.8)</b>	<b>(\$6.7)</b>

## Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought
1/8/2014	Grikin Advanced Materials	GRINM Semiconductor	\$33.9	96%
12/31/2013	Endoscopic Technologies, Inc.	AtriCure, Inc.	\$60.7	100%
6/30/2013	Terumo Heart, Inc.	Thoratec Corp.	\$56.5	100%
12/19/2012	Thomas Medical Products	Merit Medical Systems, Inc.	\$167.0	100%
11/30/2012	Defibtech, LLC	Resuscitation Solution, Inc.	\$49.0	100%
11/19/2012	Vessix Vascular, Inc.	Boston Scientific Corporation	\$425.0	100%
10/29/2012	Neovasc Medical Ltd., XenoSure	LeMaitre Vascular, Inc.	\$4.6	100%
10/9/2012	Rhythmia Medical, Inc.	Boston Scientific Corporation	\$265.0	100%
10/4/2012	BridgePoint Medical, Inc.	Boston Scientific Corporation	\$110.0	100%
8/16/2012	St. Jude Medical, Inc.	Vascular Solutions Inc.	\$3.0	100%
6/18/2012	Kensey Nash Corporation	Koninklijke DSM N.V.	\$393.3	100%
5/16/2012	Hemosphere, Inc.	CryoLife Inc.	\$21.7	100%
12/16/2011	Lutonix Inc.	CR Bard Inc.	\$328.0	100%
7/18/2011	Estech, Cannulae Product Line	Sorin SpA	\$5.0	100%
5/17/2011	Cardiogenesis Corporation	CryoLife Inc.	\$21.5	100%
<b>Median of All Transaction Targets</b>			<b>\$56.5</b>	<b>100%</b>

## Size of Merger and Acquisition Transactions (dollars in millions)



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