

# Quarterly Industry Update

As of September 30, 2013

Industry: Neurological Devices



## Industry Summary

Cogent Valuation identified publicly traded companies, IPOs, and recent M&A transactions within the Neurological Devices 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 September 30, 2012, the median 52-week share price return of the Neurological Devices industry has decreased by -6.3%. In the last quarter, the median price-to-earnings multiple increased from 21.5x to 24.7x.

## Comparable Public Company Key Statistics

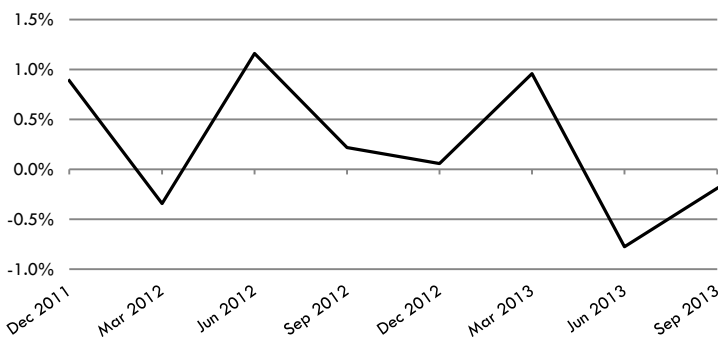
Median 52-Week Return	-6.3%	Median EV/Revenue Multiple	1.8x	Median Price/Earnings Multiple	24.7x
Median 3-Year CAGR Return	-0.5%	Median EV/EBITDA Multiple	11.6x	Median EV/Gross CF Multiple	17.7x

## Comparable Public Company Market Price Returns (As of September 30, 2013)

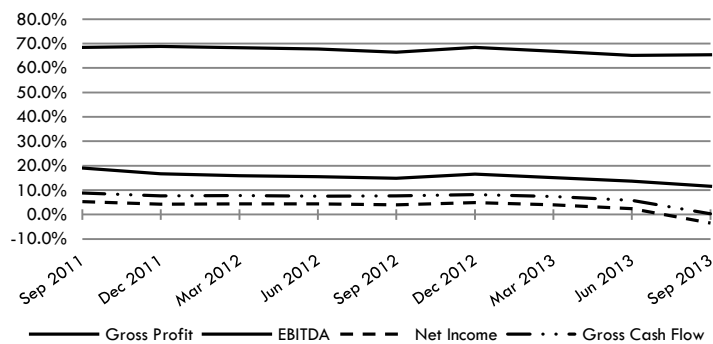
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2012	2011	2010	2009	2008
Bacterin International Holdings, Inc.	-46.4%	48.9%	-56.8%	-42.1%	-55.2%	N/A	-56.3%	-66.4%	N/A	N/A	N/A
Baxano Surgical, Inc.	-44.0%	-42.1%	-47.3%	-31.9%	-17.4%	-32.5%	33.3%	-10.6%	-47.3%	-45.2%	-56.2%
Integra LifeSciences Holdings Corporation	3.3%	9.9%	-2.1%	6.1%	0.7%	-1.8%	26.4%	-34.8%	28.3%	3.7%	-15.2%
Orthofix International N.V.	-47.2%	-22.8%	-53.6%	-22.4%	-12.9%	2.2%	11.6%	21.5%	-6.2%	101.8%	-73.6%
Pro-Dex Inc.	-2.4%	5.3%	16.3%	0.0%	-1.6%	-6.8%	-16.7%	22.4%	32.7%	17.4%	-70.3%
RTI Surgical Inc.	-12.4%	-0.5%	-10.5%	6.6%	12.5%	-16.7%	-3.8%	66.3%	-30.5%	39.1%	-68.2%
Stryker Corporation	23.3%	4.5%	21.4%	19.8%	10.5%	1.6%	10.3%	-7.4%	6.6%	26.1%	-46.5%
Zimmer Holdings, Inc.	23.2%	9.6%	21.5%	23.9%	16.2%	4.9%	24.8%	-0.5%	-9.2%	46.2%	-38.9%
<b>Median of Industry Public Companies</b>	<b>-7.4%</b>	<b>4.9%</b>	<b>-6.3%</b>	<b>3.0%</b>	<b>-0.5%</b>	<b>-1.8%</b>	<b>11.0%</b>	<b>-4.0%</b>	<b>-6.2%</b>	<b>26.1%</b>	<b>-56.2%</b>

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

## Median Quarterly Revenue Growth of All Neurological Devices Companies



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



## Median Public Company Multiples of the Neurological Devices Industry

Date:	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013
EV/Revenues Multiple	1.8x	1.8x	2.3x	2.1x	2.1x	1.9x	1.7x	1.5x	1.8x
EV/EBITDA Multiple	7.0x	7.8x	8.2x	8.6x	8.9x	7.9x	8.7x	10.0x	11.6x
Price/Earnings Multiple	15.1x	14.1x	18.9x	24.8x	27.4x	17.7x	19.7x	21.5x	24.7x
EV/Gross Cash Flows Multiple	11.8x	11.5x	12.0x	12.3x	12.4x	12.6x	13.0x	17.4x	17.7x

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.

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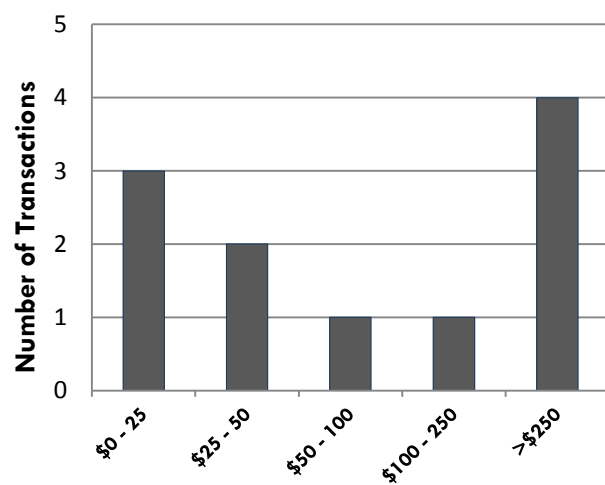
## Industry Initial Public Offerings (dollars in millions, except share prices)

Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
8/2/2012	Globus Medical	\$12.00	8.3	\$100.0	\$367.3	\$0.0	\$363.0	\$127.1	\$67.0	\$145.0
8/10/2010	China Kanghui	\$10.25	6.7	\$68.4	\$89.9	\$0.0	\$28.6	\$14.0	\$11.7	N/A
10/16/2007	Baxano Surgical	\$15.00	5.5	\$82.5	\$17.6	\$0.0	\$13.8	(\$9.0)	(\$8.8)	N/A
6/2/2006	Alphatec Holdings	\$9.00	9.3	\$83.7	\$115.7	\$13.7	\$53.5	(\$7.6)	(\$15.2)	(\$5.9)
5/12/2006	BioMimetic Therapeutics	\$8.00	4.6	\$36.8	\$47.7	\$0.0	\$3.6	(\$14.8)	(\$15.3)	N/A
12/8/2004	Symmetry Medical	\$15.00	8.0	\$120.0	\$287.3	\$138.2	\$190.3	\$43.5	\$13.2	N/A
5/12/2004	NuVasive	\$11.00	6.5	\$71.5	\$20.8	\$6.3	\$25.8	(\$9.5)	(\$11.7)	(\$7.6)
11/14/2001	DJO Opco Holdings	\$17.00	9.0	\$153.0	\$164.9	\$149.4	\$168.8	\$33.1	\$4.9	N/A
8/10/2000	RTI Surgical	\$14.00	5.7	\$79.8	\$56.3	\$8.8	\$44.1	\$5.4	\$4.0	\$6.6
4/4/2000	ORATEC Interventions	\$14.00	4.0	\$56.0	\$24.1	\$10.1	\$38.8	(\$2.5)	(\$6.4)	N/A
<b>Median of All IPOs</b>		<b>nm</b>	<b>nm</b>	<b>\$81.2</b>	<b>\$83.8</b>	<b>\$9.4</b>	<b>\$48.8</b>	<b>\$4.0</b>	<b>(\$1.2)</b>	<b>\$0.3</b>

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

Transaction Date	Target	Acquirer	Transaction Size	% Bought
6/6/2013	Trauson Holdings Company	Stryker	\$763.9	100%
3/1/2013	BioMimetic Therapeutics	Wright Medical Group	\$377.0	100%
11/30/2012	Arkansas Surgical Hospital	Medical Facilities	\$39.0	51%
11/1/2012	China Kanghui	Medtronic	\$814.9	100%
9/11/2012	Hospital Of St. Raphael	Yale-New Haven Hospital	\$160.0	100%
7/18/2012	Christ Hospital	Hudson Hospital Holdco	\$43.5	100%
7/16/2012	Floyd Memorial Hospital	The Sanders Trust	\$13.0	100%
6/14/2012	Synthes	Johnson & Johnson	\$21,534.6	100%
9/30/2011	Louisiana Medical Center	Cardiovascular Care	\$23.0	95%
5/23/2011	SeaSpine	Integra LifeSciences	\$88.7	100%
11/19/2010	BioAssets Development	Cephalon	\$12.5	100%
<b>Median of All Transaction Targets</b>			<b>\$88.7</b>	<b>100%</b>

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



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