

# Quarterly Industry Update

As of December 31, 2013

Industry: Neurological Equipment

## Industry Summary

Cogent Valuation identified publicly traded companies, IPOs, and recent M&A transactions within the Neurological Equipment 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 December 31, 2012, the median 52-week share price return of the Neurological Equipment industry has increased by 22.4%. In the last quarter, the median price-to-earnings multiple increased from 26.3x to 29.9x.

## Comparable Public Company Key Statistics

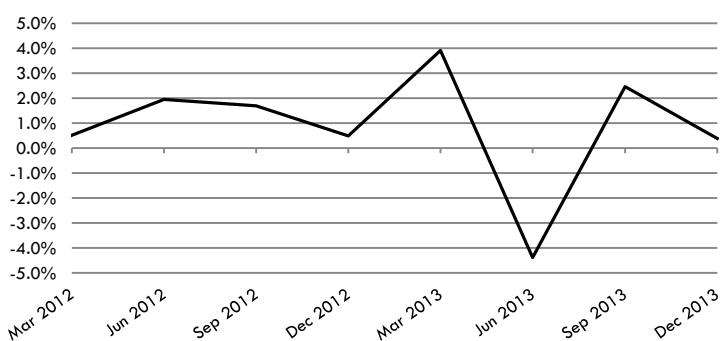
Median 52-Week Return	22.4%	Median EV/Revenue Multiple	3.8x	Median Price/Earnings Multiple	29.9x
Median 3-Year CAGR Return	0.3%	Median EV/EBITDA Multiple	13.4x	Median EV/Gross CF Multiple	28.2x

## Comparable Public Company Market Price Returns (As of December 31, 2013)

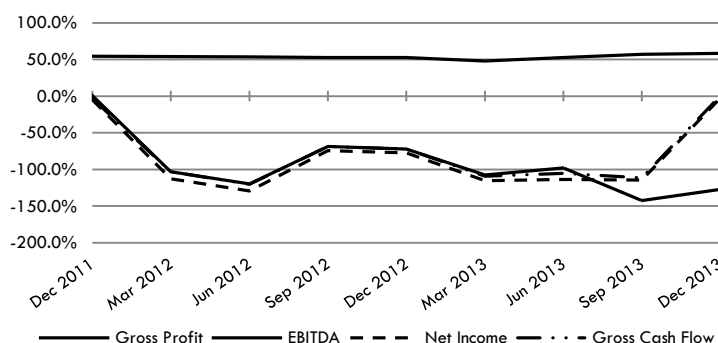
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2012	2011	2010	2009	2008
Integra LifeSciences Holdings Corporation	22.4%	18.5%	22.4%	24.4%	0.3%	6.0%	26.4%	-34.8%	28.3%	3.7%	-15.2%
Cyberonics Inc.	24.5%	28.9%	24.5%	39.7%	28.2%	31.6%	56.8%	8.0%	51.8%	23.4%	25.9%
ABIOMED, Inc.	99.0%	40.3%	99.0%	20.3%	40.7%	10.2%	-27.2%	92.2%	10.1%	-46.8%	5.7%
EnteroMedics Inc.	-27.1%	63.9%	-27.1%	9.5%	-12.8%	-25.3%	64.7%	-44.8%	-8.3%	-61.6%	-81.9%
Anacor Pharmaceuticals, Inc.	222.7%	58.0%	222.7%	64.5%	46.2%	N/A	-16.1%	15.5%	N/A	N/A	N/A
Zogenix, Inc.	158.6%	85.8%	158.6%	24.5%	-15.3%	N/A	-40.1%	-60.8%	N/A	N/A	N/A
AVEO Pharmaceuticals, Inc.	-77.3%	-11.2%	-77.3%	-67.4%	-50.0%	N/A	-53.2%	17.6%	N/A	N/A	N/A
Anthera Pharmaceuticals, Inc.	-38.1%	-23.6%	-38.1%	-75.0%	-57.2%	N/A	-89.9%	25.8%	N/A	N/A	N/A
Ironwood Pharmaceuticals, Inc.	4.8%	-1.9%	4.8%	-1.5%	3.9%	N/A	-7.4%	15.7%	N/A	N/A	N/A
NeuroMetrix Inc.	12.5%	77.0%	12.5%	-37.6%	-50.8%	-37.8%	-65.4%	-69.4%	-72.5%	183.9%	-90.5%
Natus Medical Inc.	101.5%	58.7%	101.5%	54.5%	16.6%	11.7%	18.4%	-33.5%	-4.1%	14.2%	-33.1%
<b>Median of Industry Public Companies</b>	<b>22.4%</b>	<b>40.3%</b>	<b>22.4%</b>	<b>20.3%</b>	<b>0.3%</b>	<b>8.1%</b>	<b>-16.1%</b>	<b>8.0%</b>	<b>3.0%</b>	<b>8.9%</b>	<b>-24.1%</b>

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

## Median Quarterly Revenue Growth of All Neurological Equipment Companies



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



## Median Public Company Multiples of the Neurological Equipment Industry

Date:	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013
EV/Revenues Multiple	3.9x	4.6x	4.8x	5.4x	2.9x	4.8x	4.9x	4.0x	3.8x
EV/EBITDA Multiple	13.0x	15.6x	17.4x	22.8x	14.7x	13.5x	10.9x	11.6x	13.4x
Price/Earnings Multiple	29.6x	36.1x	34.3x	38.8x	36.6x	43.1x	43.0x	26.3x	29.9x
EV/Gross Cash Flows Multiple	23.6x	27.0x	28.8x	32.8x	27.9x	31.5x	28.7x	24.8x	28.2x

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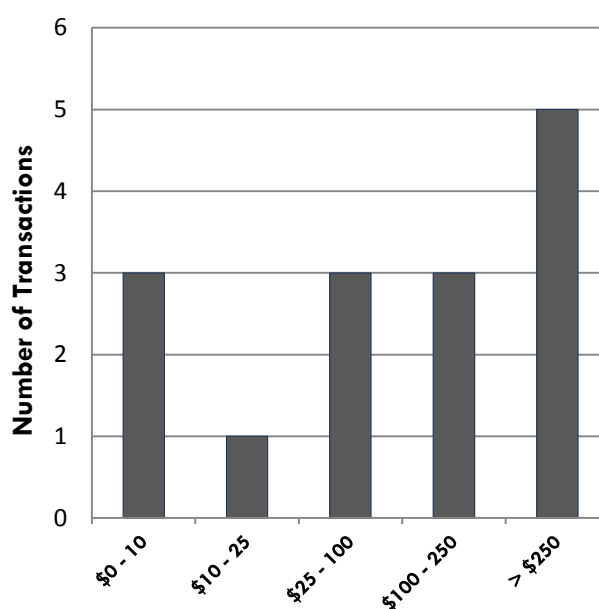
## Industry Initial Public Offerings (dollars in millions, except share prices)

Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
8/2/2012	Globus Medical, Inc.	\$12.00	8.3	\$100.0	\$367.3	\$0.0	\$363.0	\$127.1	\$67.0	\$145.0
6/27/2012	Tesaro, Inc.	\$13.50	6.0	\$81.0	\$93.0	\$0.0	\$0.0	(\$23.2)	(\$23.2)	(\$23.2)
4/30/2012	Supernus Pharmaceuticals, Inc.	\$5.00	3.4	\$50.0	\$43.2	\$29.1	\$1.0	(\$35.5)	\$55.6	(\$34.9)
2/10/2011	Kips Bay Medical, Inc.	\$8.00	2.1	\$16.5	\$6.2	\$0.0	\$0.2	(\$8.6)	(\$10.9)	N/A
2/2/2011	Tornier N.V.	\$19.00	8.8	\$166.3	\$491.2	\$138.1	\$227.4	\$12.4	(\$39.5)	\$28.0
11/23/2010	Anacor Pharmaceuticals, Inc.	\$5.00	12.0	\$60.0	\$20.4	\$9.1	\$31.1	(\$4.3)	(\$6.5)	(\$3.6)
11/22/2010	Zogenix, Inc.	\$4.00	7.1	\$56.0	\$55.0	\$35.9	\$14.6	(\$55.4)	(\$77.6)	(\$54.1)
8/13/2010	Electromed, Inc.	\$4.00	1.7	\$6.8	\$14.1	\$4.2	\$14.3	\$2.1	\$0.9	\$2.4
8/2/2010	Trius Therapeutics, Inc.	\$5.00	10.0	\$50.0	\$15.6	\$20.2	\$6.3	(\$16.1)	(\$17.4)	N/A
3/24/2010	CorMedix, Inc.	\$6.50	1.9	\$12.5	\$2.2	\$13.8	\$0.0	(\$6.0)	(\$8.1)	(\$6.0)
3/11/2010	AVEO Pharmaceuticals, Inc.	\$9.00	9.0	\$81.0	\$59.8	\$19.7	\$20.7	(\$39.9)	(\$44.1)	(\$38.6)
3/1/2010	Anthera Pharmaceuticals, Inc.	\$7.00	6.0	\$42.0	\$5.9	\$13.1	\$0.0	(\$11.8)	(\$12.2)	(\$11.8)
2/2/2010	Ironwood Pharmaceuticals, Inc.	\$11.25	10.1	\$187.5	\$162.5	\$2.0	\$34.3	(\$56.1)	(\$71.2)	(\$51.3)
11/14/2007	EnteroMedics Inc.	\$8.00	5.0	\$40.0	\$60.4	\$9.5	\$0.0	(\$24.6)	(\$25.1)	(\$24.2)
5/8/2007	IS Pharma Limited	\$0.20	80.0	\$15.9	\$4.4	\$0.0	\$5.6	(\$0.1)	(\$0.1)	N/A
<b>Median of All IPOs</b>		<b>nm</b>	<b>nm</b>	<b>\$50.0</b>	<b>\$43.2</b>	<b>\$9.5</b>	<b>\$6.3</b>	<b>(\$11.8)</b>	<b>(\$12.2)</b>	<b>(\$17.5)</b>

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

Transaction Date	Target	Acquirer	Transaction Size	% Bought
4/26/2013	Victhom Human Bionics	Ergoresearch Ltd.	\$3.0	100%
1/28/2013	NeuroLogica Corp.	Samsung Electronics	\$153.7	100%
11/1/2012	Surpass Medical Ltd.	Stryker Corporation	\$135.0	100%
3/9/2012	NeuroDyne Medical, Corp.	Zynex NeuroDiagnostic	\$0.8	100%
2/16/2012	NeuroNexus Technologies	QiG Group, LLC	\$13.5	100%
2/14/2012	Synovis Life Technologies Inc.	Baxter International Inc.	\$312.7	100%
8/31/2011	PEAK Surgical, Inc.	Medtronic, Inc.	\$96.0	81%
8/31/2011	Salient Surgical Technologies	Medtronic, Inc.	\$452.0	91%
6/30/2011	ArthroCare, Parallax	NeuroTherm, Inc.	\$5.5	100%
5/23/2011	SeaSpine, Inc.	Integra LifeSciences	\$88.7	100%
5/20/2011	IS Pharma plc	Sinclair Pharma	\$79.1	100%
11/17/2010	AGA Medical Holdings, Inc.	St. Jude Medical Inc.	\$1,310.9	100%
9/27/2010	Micrus Endovascular Corp.	Codman & Shurtleff, Inc.	\$432.5	100%
8/12/2010	ATS Medical, Inc.	Medtronic, Inc.	\$358.8	100%
<b>Median of All Transaction Targets</b>			<b>\$115.5</b>	<b>100%</b>

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



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