



DealReader

“Promise Living”

August 2016

Promise

PRO Products for
M Mobile,
I Independent,
S Supported and
E Engaged
Living

**“Freedom and life are earned by those
alone who conquer them each day anew.”**

- Johann Wolfgang von Goethe

- **#1 global M&A advisor** in medtech and healthcare services transactions in 2015 by number of transactions under \$500 million in enterprise value
- **Advisor on over 50 transactions** historically in the home health & community based healthcare space (manufacturers, distributors and providers)

Lincoln International’s “Promise Living” DealReader features industry and transactional trends and dynamics related to the **manufacturing and distribution of medical equipment and products that assist and support people in their daily activities of life in home and community settings.**

Lincoln International’s Healthcare Group has had longstanding experience and expertise in serving as financial advisor to companies active in a broad arena. Selected closed transactions are featured in the following table:

Lincoln International Healthcare Group’s Relevant Expertise in this Field

| | | | |
|--|--|--|--|
| <p>Granville Baird Capital PARTNERS have sold</p> <p>amoena</p> <p>to</p> <p>HALDER</p> <p></p> | <p>River Associates Investments, LLC</p> <p>has sold</p> <p>ROSCOE MEDICAL</p> <p>to</p> <p>TENEX CAPITAL MANAGEMENT</p> <p></p> | <p>INCLINE EQUITY PARTNERS</p> <p>has sold</p> <p>The Orthotic Group</p> <p>to</p> <p>FRAZIER HEALTHCARE GROWTH EQUITY VENTURE CAPITAL</p> <p></p> | <p>DOLKER</p> <p>has been sold to</p> <p>Hill-Rom</p> <p></p> |
| <p>The Orthotic Group a portfolio company of</p> <p>INCLINE EQUITY PARTNERS</p> <p>has acquired</p> <p>Azato MEDICAL</p> <p></p> | <p>MERIT CAPITAL PARTNERS</p> <p>has sold</p> <p>Bluebird bio</p> <p>to</p> <p>DJO GLOBAL</p> <p>a portfolio company of</p> <p>The Blackstone Group*</p> <p></p> | <p>CHAD therapeutics</p> <p>has sold transferring and conserver assets to</p> <p>RESPIRONICS</p> <p>inovo</p> <p></p> | <p>AIRJEP</p> <p>has sold</p> <p>Medcare DIAGNOSTICS</p> <p>to</p> <p>embla.</p> <p></p> |

*Executed by senior Lincoln International professionals at prior firms

This report profiles medical product segments ranging from complex rehab to home medical equipment to post-surgical rehab and orthopedic arenas. All of these medical products are relevant to customers and patients as they require support in

home and community based settings. The majority of these product types is chronic in nature: in other words, they are utilized by individuals on a daily, recurring basis. Key product segments include:

Product Segments Reviewed in this Report

| | | | | |
|-----------------------------------|---------------------------------|--------------------------------|----------------------------------|---|
| Custom / Adaptive Mobility | Custom Mobility / Complex Rehab | Home Modification | Prosthetics | Wheelchair Accessibility / Adaptive Transport |
| Chronic Care / ADLs | Ambulatory Medical Equipment | Durable Home Medical Equipment | Home Medical Supplies + Wellness | Respiratory |
| Ortho / Rehab | Orthotics | Orthopedic | Rehab | Other Post – Surgical / Chronic Care |

Distribution / Customer Channels Served by Manufacturers / Suppliers

| | |
|--|---|
| <p>Medical Customer Channels</p> <ul style="list-style-type: none"> ▪ RT / HME Dealers ▪ Custom Mobility / Complex Rehab Dealers ▪ Skilled Nursing and Assisted Living ▪ Hospice ▪ O&P Dealers ▪ Podiatrists ▪ Rehab Clinics and Specialists ▪ Chiropractors ▪ Veterans Administration (U.S.) and Government | <p>Retail and Direct-to-Consumer Channels</p> <ul style="list-style-type: none"> ▪ Pharmacy ▪ Retail ▪ Specialty / HME Retailers ▪ Mass Merchandisers ▪ Online Distributors ▪ Direct-to-Patient Mail Order ▪ Internet |
|--|---|















Other Segment Themes:

- Pediatric Mobility and HME
- Bariatric Equipment
- Electrotherapy
- Medical Consumer
- Medication Management
- Complex Ventilator Management
- Plagiotherapy

Product Examples by Category

The following table “drills into” more specific product categories to profile product examples and a sampling of manufacturers and suppliers active in each segment. Note that there are many other

product categories that could be featured, and the sub-segments noted in the margin on the left call out other interesting product segments and themes:

| Category | Product Examples | Manufacturers/Suppliers |
|--|---|--|
| Custom and Powered Mobility | <ul style="list-style-type: none"> <li style="width: 25%;">▪ Power Wheelchairs, Scooters <li style="width: 25%;">▪ Manual, Lightweight, Sports Wheelchairs <li style="width: 25%;">▪ Stenders <li style="width: 25%;">▪ Seating, Positioning |   |
| Durable Home and Ambulatory Medical Equipment | <ul style="list-style-type: none"> <li style="width: 25%;">▪ Aids for Daily Living (e.g. walkers, crutches, rollers) <li style="width: 25%;">▪ Home Care Beds <li style="width: 25%;">▪ Lift Chairs <li style="width: 25%;">▪ Bathroom Safety |   |
| Home Medical Supplies | <ul style="list-style-type: none"> <li style="width: 25%;">▪ Urological, Incontinence <li style="width: 25%;">▪ Diabetic Testing <li style="width: 25%;">▪ Ostomy <li style="width: 25%;">▪ Wound, Skin Care |   |
| Home Modification | <ul style="list-style-type: none"> <li style="width: 25%;">▪ Stair Lifts <li style="width: 25%;">▪ Elevators, Ramps <li style="width: 25%;">▪ Walk-in Bathtubs <li style="width: 25%;">▪ Bath Safety |   |
| Orthotics and Prosthetics (O&P) | <ul style="list-style-type: none"> <li style="width: 25%;">▪ Foot Orthotics <li style="width: 25%;">▪ AFOs <li style="width: 25%;">▪ Therapeutic Footwear <li style="width: 25%;">▪ Upper & Lower Extremity Prosthetics |   |
| Post-Surgical and Chronic Care | <ul style="list-style-type: none"> <li style="width: 25%;">▪ Wound Care <li style="width: 25%;">▪ Compression <li style="width: 25%;">▪ Diabetes, IV Pumps <li style="width: 25%;">▪ Patient Handling, TSS |   |
| Rehab, Orthopedic and Pain | <ul style="list-style-type: none"> <li style="width: 25%;">▪ CPM <li style="width: 25%;">▪ Splints <li style="width: 25%;">▪ Bracing (spine, knee, etc.) <li style="width: 25%;">▪ TENS, ENS |   |

Respiratory



- Oxygen Therapy
- Sleep Therapy
- Home Ventilation
- Asthma Management















Wheelchair Accessibility / Adaptive Transport



- Retail WAVs
- Commercial WAVs
- Vehicle Lifts and Ramps
- Driving and Handling Modifications

















Recent Private Equity Participants

The following logos represent select private equity groups that have recently been or are currently invested in various areas of the Promise Living supply arena:

Selected Private Equity Participants

| | |
|---|---|
| Custom & Power Wheelchair, Positioning, Wheelchair Accessibility and Home Mods |           |
| Home / Ambulatory Medical Equipment, Home Medical Supplies and Consumer Medical |       |
| Orthotics and Prosthetics |           |
| Rehab, Orthopedic and Pain |       |
| Other Post-Surgical / Chronic Care |           |
| Respiratory |       |

Industry Dynamics

Strong Underlying Industry Fundamentals

- Aging demographics
- Fundamental need to be mobile
- Desire for a more active life style
- People living longer with more chronic diseases
- Numerous legislative and regulatory drivers
- Significant therapy needs after early hospital discharge
- Lower cost of home and community-based care
- Consumer preference for flexible home and community care
- Consumer driven self care
- Technology advances
- Capital inflow given investor interest

Other Industry Considerations

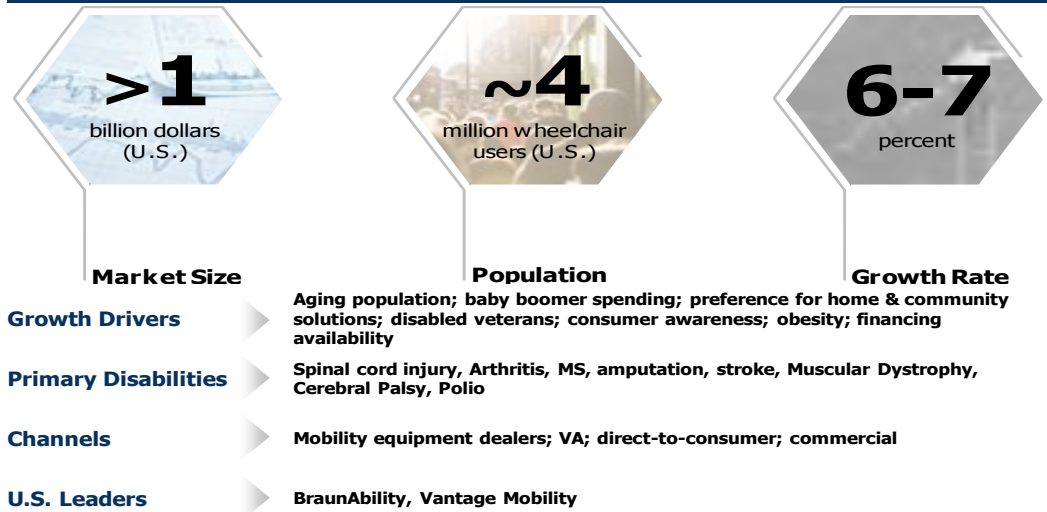
- Narrow vs. broad product offering
- Niche specialty products vs. commoditized products
- Domestic / international
- Outsourcing of manufacturing
- Foreign product sourcing
- Narrow vs. broad channel strategy
- Consolidation opportunities
- Fragmentation of customer channels
- GPOs
- Product innovation / development / IP
- Add-on product and service opportunities

Featured Product Segment

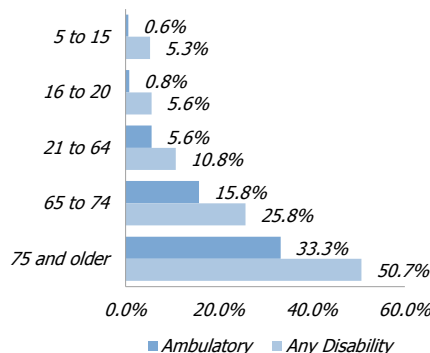
As a specific example of a Promise Living segment, we provide some further detail on the U.S. and global Wheelchair Accessible Vehicle market, along with some related product segments. These products

allow mobility impaired individuals (young and old) to be able to be more active and mobile as it relates to their professional and personal lives with the support of custom, adapted vehicle transport solutions.

Feature Market – U.S. and Global Wheelchair Accessible Vehicle Market

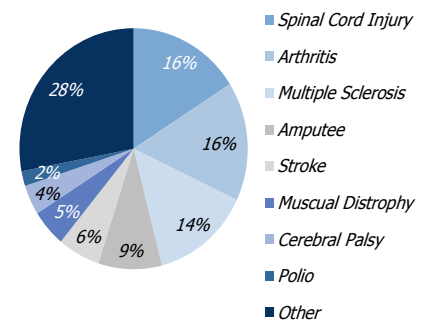


Prevalence of Disability by Age Group



Source: 2013 Disability Status Report United States

Primary Disability of Independent Wheelchair Users



Overview of Selected Global WAV / Adaptive Transport Product Manufacturers

Selected WAV Segment Participants



Selected Adaptive Transport Manufacturers



Valuation Parameters

The following assessment provides a range of M&A EBITDA valuations by product category and notes selected, example transactions across the Promise Living

space. Higher-valued segments tend to include respiratory, orthopedic / rehab and specialty mobility. Somewhat less-valued segments include HME and orthotics.

Select Platform M&A Transactions and Valuation Benchmarks

| Median EBITDA Multiple Range | Sectors | Sample Historical Transactions | |
|------------------------------|--------------------|---|--|
| 12x+ | Specialty Mobility | Handicare Mobility / Sunrise Medical Permobil / Sunrise Medical BSN Medical / EQT Partners Dr. Comfort / DJO Global FLA Orthopedics / BSN Medical Gaymar / Stryker | |
| | Ortho/Rehab | Home Diagnostics / Nipro Joerns / Quad-C | |
| | Respiratory | Royce Medical / Ossur Advanced Respiratory / Hill-Rom | |
| | Electromedical | Volker / Hill-Rom AirSep / Chart Industries Harmar Mobility / Cortec Group | |
| | HME | Handicare / Nordic Capital Permobil / Investor AB | |
| | HMS | Respironics / Philips Salter Labs / Roundtable | |
| | Orthotics | Attends / Domtar Carex Health / Roscoe Medical Convatec / Nordic Capital | |
| | Prosthetics | Liko / Hill Rom Performance Health / Gridiron Freedom Innovations / Health Evolution Partners TeamOlmed / Ossur Townsend Design / Thuasne | |
| | 7x+ | | |
| | | | |
| | | | |
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| | | | |
| | | | |
| | | | |

There are very few public companies that could be viewed as being "pure-plays" or highly active across a number of Promise Living categories. The following table

presents global manufacturers and suppliers that have meaningful activity in certain areas of HME, rehab, respiratory and orthopedic / orthotic product segments.

Publicly Traded Companies Active in Certain Promise Living Categories

| | Enterprise Value | Revenue | TTM Revenue | EBITDA Multiple | 5-Year Revenue CAGR |
|------------------------------------|------------------|----------------|----------------|-----------------|---------------------|
| HME / Home Medical Supplies | | | | | |
| Invacare | \$377 | \$1,142 | \$1,111 | 27.1x | (7.89%) |
| Kimberly Clark | 55,636 | 18,591 | 18,376 | 13.6x | (1.20%) |
| Paul Hartmann | 1,685 | 2,160 | 2,182 | 8.4x | (0.38%) |
| Average | \$20,366 | \$7,233 | \$7,223 | 16.4x | (3.16%) |
| Median | \$1,685 | \$2,160 | \$2,182 | 13.6x | (1.20%) |
| Respiratory | | | | | |
| Chart Industries | \$764 | \$1,040 | \$989 | 6.5x | 13.38% |
| Fisher & Paykel | 5,691 | 672 | 596 | 23.4x | 5.96% |
| ResMed | 8,189 | 1,700 | 1,773 | 16.4x | 9.26% |
| Average | \$4,881 | \$1,137 | \$1,119 | 15.4x | 9.53% |
| Median | \$5,691 | \$1,040 | \$989 | 16.4x | 9.26% |
| Ortho / Rehab / Specialty | | | | | |
| Getinge AB | \$7,054 | \$3,601 | \$3,535 | 10.8x | 6.24% |
| Hill-Rom | 5,172 | 1,988 | 2,342 | 12.7x | 6.22% |
| Ossur | 1,573 | 483 | 484 | 17.9x | 6.11% |
| Span America | 48 | 64 | 70 | 7.0x | 4.24% |
| Stryker | 43,360 | 9,946 | 10,062 | 16.0x | 6.32% |
| Average | \$11,441 | \$3,216 | \$3,298 | 12.9x | 5.83% |
| Median | \$5,172 | \$1,988 | \$2,342 | 12.7x | 6.22% |

Global Industry Groups

Aerospace & Defense
Automotive & Truck
Building & Infrastructure
Business Services
Chemicals
Consumer
Distribution
Electronics
Energy & Power
Financial Institutions
Food & Beverage
Healthcare
Industrials
Packaging
Technology & Media

Global Locations

Amsterdam
Beijing
Chicago
Frankfurt
London
Los Angeles
Madrid
Milan
Moscow
Mumbai
New York
Paris
São Paulo
Tokyo
Vienna
Zurich

Advisory Services

Mergers & Acquisitions
Debt Advisory
Valuations & Opinions
Special Situations

About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and pension advisory services on a wide range of transaction sizes. With sixteen offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolninternational.com.

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