

HT

CAPITAL ADVISORS, LLC

Medical Manufacturing M&A Market Update

Summer 2007



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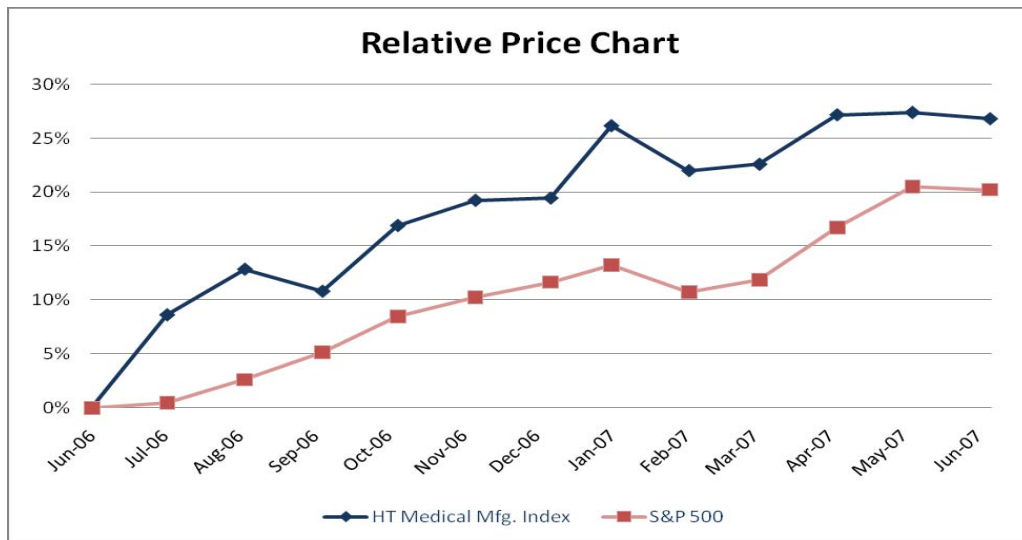
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INDUSTRY SNAPSHOT

- Contract and component manufacturers of medical products benefit from the tremendous growth in the medical device and equipment industry, yet are **not directly faced with the substantial regulatory approval risk** of traditional medical device companies.
- FDA and other regulatory requirements ensure medical OEM products are specified during product development, with a **lower risk of displacement** during commercialization and ramp up.
- Traditional medical device manufacturers are **increasingly relying on outsourcing** to medical OEMs as they concentrate on their core competencies – new product development, sales and marketing.



HT CAPITAL MEDICAL MANUFACTURING INDEX ¹



¹ Source: HT Capital research & Yahoo Finance (Market Weighted Index composed of BDX, BCR, MDT, BSX, SYK, ZMH, SNN)

PUBLIC COMPANY METRICS ²

	Share Price 06/19/07	Price % of 52 week high	Revenue Multiple (EV / TTM Revenue) ³	EBITDA multiple (EV / TTM EBITDA) ⁴
Becton Dickinson (NYSE:BDX)	\$75.34	92.9%	3.1	11.0
C.R. Bard (NYSE:BCR)	\$85.04	98.7%	4.0	15.0
Medtronic (NYSE:MDT)	\$52.63	95.9%	5.1	13.9
Boston Scientific (NYSE:BSX)	\$16.32	87.3%	3.8	12.9
Stryker (NYSE:SYK)	\$66.28	94.3%	4.6	16.9
Zimmer (NYSE:ZMH)	\$87.14	92.3%	5.9	14.3
Smith & Nephew (NYSE:SNN)	\$61.23	95.2%	3.9	14.8

INDUSTRY TRANSACTIONS

- Strategic and financial buyers continue to compete furiously for medical product companies. For strategic buyers, the right vertical or horizontal acquisition can warrant paying several turns of revenue or a double digit EBITDA multiple. For financial buyers, unspent funds, the credit markets, and an industry with much higher than average growth prospects make paying these prices possible.



² Source: Yahoo Finance

³ Enterprise Value (Equity + Funded Debt – Cash) / Trailing Twelve Months Revenue

⁴ Enterprise Value / Trailing Twelve Months Earnings Before Interest, Taxes, Depreciation and Amortization

DEAL ENVIRONMENT

- Sellers are calling the shots these days. Financing availability remains near all time highs for both public and private companies. Buyers can borrow nearly 6x EBITDA, which when added to 2x-4x EBITDA of common equity financing and any available mezzanine funding, can make for a very healthy multiple for sellers to consider. Auction attributes favor sellers as well. Far less restrictive transaction covenants are being demanded by buyers, and buyers typically have fully financed commitments in place when entering into due diligence or cannot back out if they cannot secure financing without compensating the seller. Negotiation attributes such as these, combined with high single digit to double digit EBITDA multiples for a buyer to become qualified to enter an auction's second round, are indicators that we believe point to a top in the market.

RECENT DEALS ⁵

Date	Target	Acquirer	Deal Size (\$ Millions)	Multiples
6/4/07	Medisystems Corp.	NxStage Medical	\$79	1.2x revenue
5/20/07	Cytec Corp.	Hologic	\$5,470	9.0x revenue/24.3x EBITDA
5/18/07	Iomed	ReAble Therapeutics	\$13	1.2x revenue/19.6x EBITDA
5/16/07	Bausch & Lomb	Warburg Pincus	\$3,868	1.7x revenue/15.8x EBITDA
5/11/07	Blue Sky Medical	Smith & Nephew	\$110	10x revenue
5/8/07	Precision Metals Products	HBD Industries	N/A	N/A
4/30/07	Enpath Medical	Greatbatch	\$102	2.8x revenue/22.2x EBITDA
4/23/07	The Hygenic Corp.	Cortec Group	N/A	N/A
4/3/07	TNCO	Symmetry Medical	\$7	0.9x revenue
3/23/07	LXU Healthcare	Integra LifeSciences	\$30	0.6x revenue/11.5x EBITDA
3/19/07	BIOMEC	Greatbatch	\$11	N/A
3/5/07	Darco Intl. Division	Wright Medical	\$17	2.8x revenue
2/9/07	Endius	Zimmer Holdings	N/A	N/A
1/16/07	Vision Sciences ENT Sheaths	Medtronic Xomed	\$34	N/A
1/12/07	ZEVEX Intl.	Moog	\$73	N/A

⁵ Source: HT Capital Research, company records

For more information regarding the current transaction environment, or to discuss your company and how HT Capital might be of service, please contact Steve Tardio in our Chicago office, or Steve Rathbone and Tom Albanese in our New York office.



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