BROCAIR PARTNERS

Intelligent Healthcare Investment Banking

Dispatch from Brazil

Winter 2017

Location: Copacabana, Rio de Janeiro

BROCAIR PARTNERS
Intelligent Healthcare Investment Banking

Dear Friends,

On my recent visit to Rio de Janeiro, locals were bundled up in scarves and winter boots, as the temperatures hovered around 70º Fahrenheit (20º Celsius). The political temperature is also wintery, with the twists and turns of the largest corruption scandal in the country's history producing new headlines almost daily.

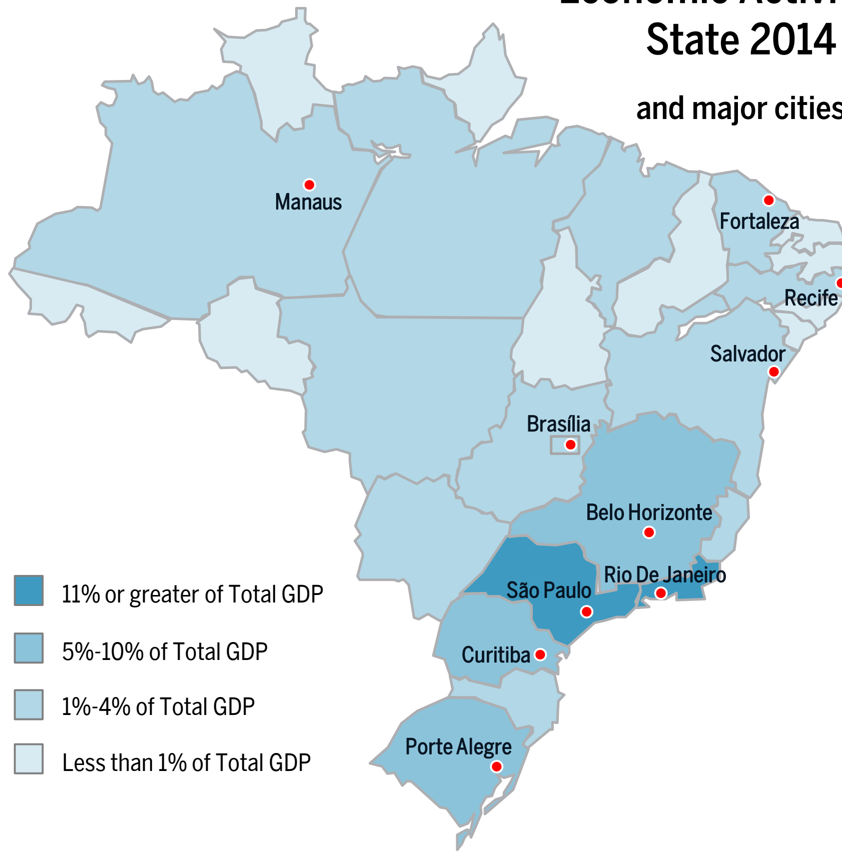
Michel Temer, Brazil's current President, is at the center of the stormy political environment. Coming off the heels of an indictment for corruption in mid-July, a new poll shows President Temer's already abysmal popularity ratings have hit a new low as corruption allegations continue to swirl around him and others in government. Just 5% of respondents in the Instituto Ibope survey released on July 27th approved of Temer's job performance, while 70% gave him either bad or terrible ratings.

Despite this, the economy has begun to rebound from the depths of Brazil's most severe recession in modern history. The austerity policies of Temer's government, who still has allies in Congress, have begun to bring interest rates down and spur economic growth, albeit at the expense of labor dislocation and current high unemployment, which has contributed to his unpopularity.

Much of the economic activity of this vast country is concentrated in the major metropolitan areas in the south-east region. Although over half the nation is covered by the Amazon rainforest, the vast majority of the population lives in sprawling urban areas that are the economic engine of the country. Though burdened with complex tax and labor laws, the country has dramatically improved its poverty levels in recent years, and the healthcare industry has continued to experience rapid growth.

Economic Activity by State 2014

and major cities



Source: The Brazilian Institute of Geography and Statistics

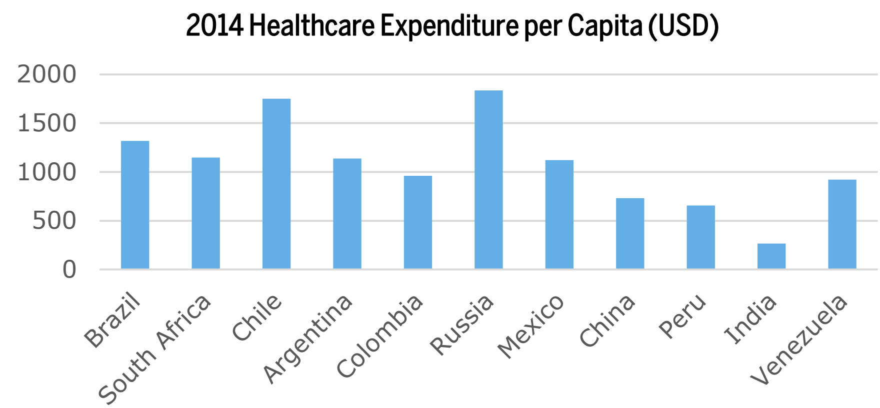
Sao Paulo and Rio de Janeiro, with a combined population of 18 million, produce a total of 44% of the nation's $2.3 trillion GDP while the other 25 states produce the rest.

Although the overall Brazilian economy is undergoing a transition, the healthcare industry is well-positioned for growth. In 2014 healthcare represented 8.3% of Brazil's GDP, growing at an annualized rate of 2.9% over the last decade. This growth has enabled Brazil to have above average healthcare spending as a percentage of GDP compared to BRICS as well as other South American countries.

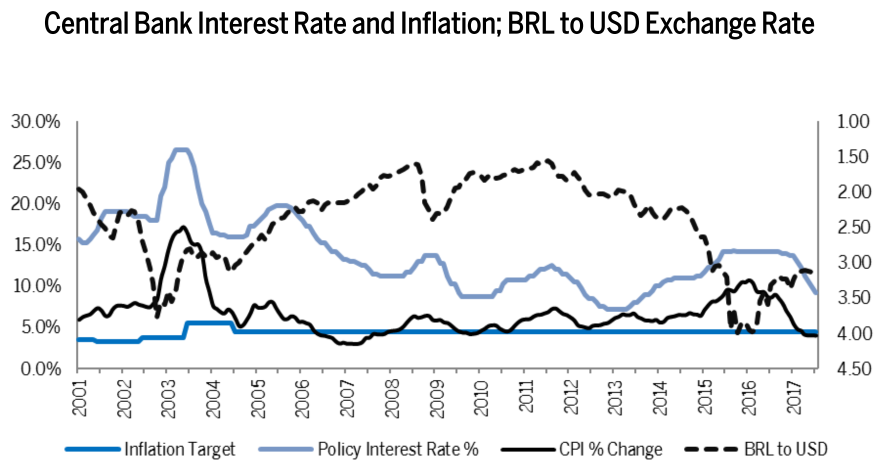
Healthcare spending in the country is anticipated to grow at a compounded average growth rate (CAGR) of around 5.8% from 2016 to 2020 (PRNewswire). The main drivers behind this increase include an aging population and foreign investments. While the population over 60 years of age was 17 million in 2016, the Brazilian government expects it to almost double to 32 million by 2020. Most healthcare spending is directed at the older population so this trend will likely serve as a tailwind in the future. Furthermore, in recent years the law was changed to allow foreign investments in clinical services.

Furthermore, another factor likely to increase healthcare spending is the growth of the middle class. Approximately 113 million people make up Brazil's middle class – up 40% since 2003. People are demanding better infrastructure, improved education and more importantly, a better quality of life. As the Brazilian middle class grows, demand for high quality healthcare is expected to rise.

Inflation this year is expected to be around 4%, which is half of what it was in 2016. The economic transition has already yielded positive results as GDP is expected to increase by 2.0% and inflation is expected to decline to around 3.0% for the year 2017. The central bank recently cut its benchmark Selic interest rate to 9.25%, the lowest rate in four years.



Source: World Health Organization - 2014



Source: Central Bank of Brazil

The real has also risen, along with the country's economic prospects, and is at 3.13 to the U.S. dollar and 3.70 to the euro, versus 4.09 and 4.51 respectively at its recent low point in January 2016.

However, while just a few years ago there was a labor shortage, today unemployment stands at 13.7%, which is a source of pollical instability that will have to be addressed by the government.

President Temer and his government are trying to reverse the economic problems that developed during the Roussef administration, but this may take some time to resolve. It will require strong political will to enact serious and necessary economic reforms to make Brazil more competitive. But with its vast population and demographics, Brazil will remain the essential economy in Latin America and opportunities abound.

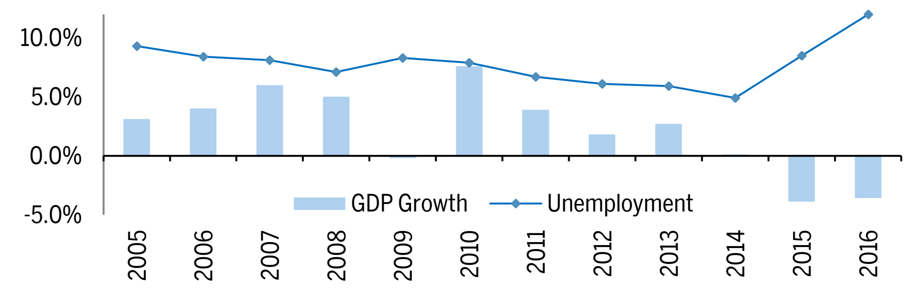
Brocair has spent a considerable amount of time understanding the intricacies of the healthcare market in Brazil, and has strong relationships in the region. Over the past year, we have been advising a number of multinational healthcare companies on their strategic acquisition programs in Brazil, working with them to identify and evaluate appropriate Brazilian partners.

Below are some metrics on the Brazilian healthcare market, including public company trading multiples and recent transactions. If there is anything we can do to help with your M&A efforts in Brazil, please give me a call.

Managing Partner
Brocair Partners, LLC
212-500-5020

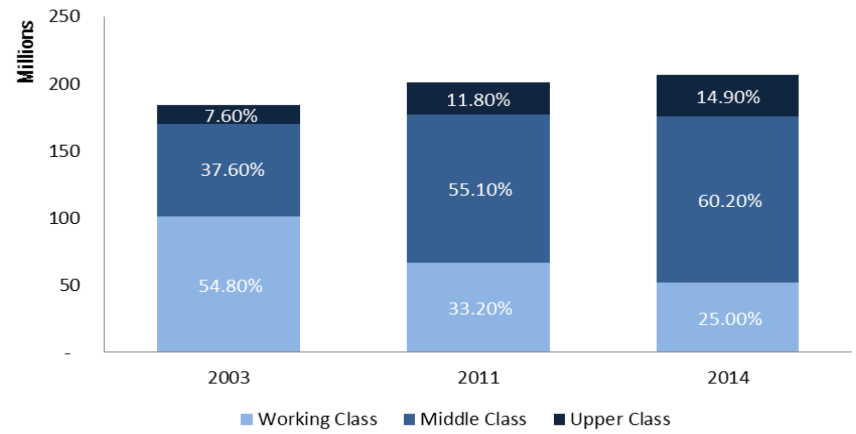
Gregg Blake

GDP Growth vs. Unemployment Rate



Source: The World Bank-2016

Brazil's Rising Middle Class



Monthly Income in 2011 R$: Upper Class >R$ 7,475; Middle Class = R$ 1,734-7,475; Working Class <R$1,734

Sources: Brasil Pack Trends 2020, The World Bank 2015, and IBGE, IPEA, Neri (2011)

Publically Traded Brazilian Healthcare Companies
>$20M Enterprice Value

Company	Ticker	City	Price*	52-Week High	52-Week Low	EV*	Net Debt	Market Cap	EV/Sales FY2015	EV/Sales FY2016	EV/Sales LTM	EV/EBITDA FY2015	EV/EBITDA FY2016	EV/EBITDA LTM	FYE
Instituto Hermes Pardini S.A.	BOVESPA:PARD3	Belo Horizonte	BRL 28.3	BRL 28.0	BRL 19.0	$ 1,156.7	$ 18.2	$ 1,175.7	NM	NM	3.8x	NM	NM	17.9x	31-Dec
Centro de Imagem Diagnósticos S.A.	BOVESPA:AALR3	Belo Horizonte	BRL 17.1	BRL 19.8	BRL 11.8	$ 805.7	$ 114.0	$ 641.9	NM	2.6x	2.5x	NM	14.9x	15.2x	31-Dec
Baumer S.A.	BOVESPA:BALM4	Mogi Mirim	BRL 8.8	BRL 10.0	BRL 7.9	$ 36.3	$ 5.4	$ 27.2	1.0x	0.9x	1.0x	5.8x	7.7x	9.8x	31-Dec
Biomm S.A.	BOVESPA:BIOM3	Belo Horizonte	BRL 9.4	BRL 12.5	BRL 5.7	$ 144.4	$ 27.6	$ 100.4	NM	NM	NM	NM	NM	NM	31-Dec
Brasil Pharma S.A.	BOVESPA:BPHA3	São Paulo	BRL 5.3	BRL 19.2	BRL 4.4	$ 443.1	$ 174.8	$ 190.1	0.3x	0.5x	1.3x	NM	NM	NM	31-Dec
Cremer S.A.	BOVESPA:CREM3	Blumenau	BRL 9.3	BRL 14.2	BRL 7.0	$ 171.1	$ 74.2	$ 91.4	1.0x	0.7x	0.8x	7.7x	6.0x	6.7x	31-Dec
Diagnósticos da América S.A.	BOVESPA:DASA3	Barueri	BRL 28.0	BRL 29.0	BRL 14.3	$ 3,035.6	$ 212.0	$ 2,774.9	1.5x	2.1x	3.0x	13.4x	13.3x	16.3x	31-Dec
Dimed S.A. Distribuidora de Medicamentos	BOVESPA:PNVL4	Porto Alegre	BRL 265.0	BRL 265.0	BRL 175.3	$ 803.3	$ 20.4	$ 744.0	0.7x	1.4x	1.2x	14.0x	21.8x	31.2x	31-Dec
Fleury S.A.	BOVESPA:FLRY3	São Paulo	BRL 30.0	BRL 30.3	BRL 15.1	$ 3,088.8	$ 130.7	$ 2,984.6	1.6x	2.8x	4.6x	8.7x	12.9x	18.4x	31-Dec
Hypermarcas S.A.	BOVESPA:HYPE3	São Paulo	BRL 27.6	BRL 31.6	BRL 23.7	$ 5,198.9	$ (135.3)	$ 5,540.4	3.5x	5.2x	4.8x	16.1x	15.3x	13.8x	31-Dec
Odontoprev S.A.	BOVESPA:ODPV3	Barueri	BRL 12.5	BRL 14.2	BRL 10.8	$ 2,235.1	$ (6.8)	$ 2,063.6	3.8x	4.6x	4.3x	14.9x	19.6x	19.0x	31-Dec
Ouro Fino Saúde Animal Participações S.A.	BOVESPA:OFSA3	Barueri	BRL 25.9	BRL 42.8	BRL 20.0	$ 526.7	$ 81.3	$ 441.8	3.3x	3.3x	3.8x	17.7x	29.4x	91.2x	1-Jan
Positivo Informatica S.A.	BOVESPA:POSI3	Curitiba	BRL 3.7	BRL 4.5	BRL 1.8	$ 183.3	$ 67.7	$ 102.3	0.2x	0.2x	0.3x	NM	10.6x	4.5x	31-Dec
Profarma Distribuidora de Produtos Farmacêuticos S.A.	BOVESPA:PFRM3	Rio de Janeiro	BRL 7.9	BRL 11.8	BRL 7.0	$ 311.1	$ 123.9	$ 189.7	0.2x	0.2x	0.2x	6.2x	7.5x	12.5x	31-Dec
Qualicorp S.A.	BOVESPA:QUAL3	São Paulo	BRL 31.6	BRL 32.5	BRL 16.8	$ 2,974.2	$ 51.2	$ 2,752.7	2.2x	2.8x	4.3x	5.8x	7.9x	11.7x	31-Dec
Raia Drogasil S.A.	BOVESPA:RADL3	São Paulo	BRL 69.6	BRL 75.7	BRL 56.2	$ 7,572.0	$ 42.2	$ 7,226.3	1.4x	1.9x	2.0x	17.8x	22.0x	24.0x	31-Dec
Sul América S.A.	BOVESPA:SULA11	Rio de Janeiro	BRL 18.0	BRL 19.2	BRL 12.7	$ 2,379.8	$ 143.8	$ 2,208.5	0.4x	0.4x	0.4x	2.7x	2.7x	5.6x	31-Dec

	EV/Sales FY2015	EV/Sales FY2016	EV/Sales LTM	EV/EBITDA FY2015	EV/EBITDA FY2016	EV/EBITDA LTM
Max	3.8x	5.2x	4.8x	17.8x	29.4x	91.2x
Mean	1.5x	2.0x	2.4x	10.9x	13.1x	19.9x
Median	1.2x	1.9x	2.2x	11.0x	12.9x	15.2x
Min	0.2x	0.2x	0.2x	2.7x	2.7x	4.5x

*EV = Market capitalization + net debt + minority interest
Market Cap and Enterprise Value as of 8/2/2017
Source: Capital IQ

BROCAIR PARTNERS
Intelligent Healthcare Investment Banking

Representative Brazilian Transactions (last 36 months)

				Target Financial Information			Multiples	
Date Closed	Target	Acquirer	Transaction Value ($M)	Enterprise Value ($M)*	Sales ($M)	EBITDA ($M)	EV/Sales	EV/EBITDA
7/5/2017	**Semed Servicos Medico**	**Hapvida Sistema de Saúde**	-	-	-	-	-	-
6/13/2017	**Laboratorio Medico Santa**	**Diagnosticos da America S.A. (BOVESPA:DASA3)**	-	-	-	-	-	-
6/8/2017	**Hospitais Integrados Da Gavea**	**Rede D'Or São Luiz S.A.**	-	-	-	-	-	-
6/2/2017	**Santa Casa de Misericordia Nossa Senhora de Fatima e Beneficencia Portuguesa de Araraquara**	**Grupo Sao Francisco**	24.0	-	-	-	-	-
6/1/2017	**Instituto Paulista de Cancerologia Ltda**	**Hospital Leforte**	-	-	-	-	-	-
5/31/2017	**Itacel Farmoquimica Ltda**	**Roquette Freres S.A.**	-	-	-	-	-	-
5/30/2017	**Laboratorio Medico Vital Brasil S/C LTDA**	**Diagnosticos da America S.A. (BOVESPA:DASA3)**	-	-	-	-	-	-
5/23/2017	**Diagpar Holding S.A.**	**Instituto Hermes Pardini S.A. (BOVESPA:PARD3)**	-	-	-	-	-	-
5/16/2017	**Casa da Vaca Produtos Agropecuarios Ltda.**	**Aqua Capital**	-	-	-	-	-	-
5/11/2017	**Medley Comercial e Logistica Ltda**	**NC Participacoes S.A.**	-	-	-	-	-	-
5/10/2017	**Divcom Pharma Produtos Farmaceuticos Nordeste Ltda.**	**Farmoquimica S.A.**	400.0	-	-	-	-	-
5/9/2017	**Instituto Terapeutico Delta Ltda (85% Stake)**	Victoria Capital Partners	-	-	-	-	-	-
5/5/2017	**Cevasa S.A.**	**Farmabase Saude Animal Ltda**	-	-	-	-	-	-
4/25/2017	**J V Farma Ltda**	**Patria Investimentos**	-	-	-	-	-	-
4/19/2017	**In Vitro Brasil S.A. (49% Stake)**	Genus plc (LSE:GNS)	45.0	-	-	-	-	-
4/7/2017	**Leme Laboratorio De Endocrinologia E Metabologia Da Bahia Ltda**	**Diagnosticos da America S.A. (BOVESPA:DASA3)**	-	-	-	-	-	-
4/5/2017	**Laboratorio Lab Hormon**	**Laboratorio Sao Marcos Ltda.**	-	-	-	-	-	-
3/23/2017	**Radiologistas Associados Ltda.**	**Centro de Imagem Diagnosticos S.A. (BOVESPA:AALR3) / Cedic Centro de Diagnosticos por Imagem de Cuiaba Ltda.**	-	-	-	-	-	-

BROCAIR PARTNERS
Intelligent Healthcare Investment Banking

Representative Brazilian Transactions (last 36 months)

Date Closed	Target	Acquirer	Transaction Value ($M)	Target Financial Information: Enterprise Value ($M)*	Target Financial Information: Sales ($M)	Target Financial Information: EBITDA ($M)	Multiples: EV/Sales	Multiples: EV/EBITDA
3/22/2017	**Vallee S.A. (93% stake)**	Merck & Co. (MRK)	400.0	-	-	-	-	-
3/15/2017	**Gem Assistencia Medica Especializada Ltda.**	**Rede D'Or São Luiz S.A.**	-	-	-	-	-	-
3/3/2017	**Elcordis Centro de Diagnostico**	**Laboratorio Sao Marcos Ltda.**	-	-	-	-	-	-
2/24/2017	**Hospital Sao Bernardo S.A.**	**Intermedica Sistema de Saude S.A.**	-	-	-	-	-	-
2/20/2017	**DRV Tecnologia e Publicidade Ltda**	**Docway Ltda**	-	-	-	-	-	-
1/23/2017	**Tecnew**	Henry Schein Inc. (NasdaqGS:HSIC)	-	-	-	-	-	-
1/19/2017	**Salomao e Zoppi Servicos Medicos e Participacoes S.A.**	**Diagnosticos da America S.A. (BOVESPA:DASA3)**	186.0	-	-	-	-	-
1/11/2017	**Laboratorio Franco do Amaral**	**Sabin De Análises Clínicas Ltda.**	-	-	-	-	-	-
1/6/2017	**Tijuca - Servico de Assistencia Medico - Cirurgica Infantil Ltda**	**Intermedica Sistema de Saude S.A.**	-	-	-	-	-	-
1/3/2017	**Huntington Centro de Medicina Reproductiva S/A**	NMC Health PLC	-	-	-	-	-	-
12/20/2016	**Hospital Ribeirao Pires Ltda**	**Rede D'Or São Luiz S.A.**	-	-	-	-	-	-
4/5/2016	**Hit Tecnologia em Saude Ltda**	**Positivo Informatica S.A. (BOVESPA:POSI3)**	-	-	-	-	-	-
3/28/2016	**Tempo Participacoes S.A.**	**Fundo Brasil de Internacionalizacao**	360.0	-	-	-	-	-
3/18/2016	**Mega Surgical**	NuVasive	-	-	-	-	-	-
3/18/2016	**Insofarma Pharmaceutical Industrial Ltda**	H.I.G. Capital	-	-	-	-	-	-
2/5/2016	**Dental Cremer Produtos Odontológicos S.A. (>50% stake)**	Henry Schein, Inc. (NasdaqGS:HSIC)	-	-	-	-	-	-
2/1/2016	**Panpharma Participacoes S.A. and Onco Prod Distribuidora**	**SC Participacoes Empresariais Ltda**	-	-	-	-	-	-

Representative Brazilian Transactions (last 36 months)

Date Closed	Target	Acquirer	Transaction Value ($M)	Target Financial Information			Multiples	
				Enterprise Value ($M)*	Sales ($M)	EBITDA ($M)	EV/Sales	EV/EBITDA
1/29/2016	**Condom Business of Hypermarcas S.A. (BOVESPA:HYPE3)**	Reckitt Benckiser Group plc (LSE:RB)	-	-	-	-	-	-
1/8/2016	**Elens Comercio De Artigos De Optica E Cosmeticos Ltda**	Essilor International SA (ENXTPA:EI)	-	-	12.0	-	-	-
12/28/2015	**Genix Indústria Farmacêutica Ltda.**	Qualicaps Co. Ltd.	43.0	-	-	-	-	-
9/4/2015	**Cruzeiro do Sul Medicina Diagnóstica Ltda.**	**Rise do Brasil Participacoes Ltda**	4.2	4.2	-	-	-	-
9/3/2015	**LATINOFARMA Indústrias Farmacêuticas Ltda.**	**Cristalia Produtos Quimicos Farmaceuticos Ltda.**	-	-	-	-	-	-
7/31/2015	**Hospital e Maternidade Dr. Christóvão da Gama S/A**	UnitedHealth Group Incorporated (NYSE:UNH)	-	-	-	-	-	-
7/2/2015	**Sawae Tecnologia Ltda.**	Konica Minolta, Inc. (TSE:4902)	-	-	-	-	-	-
7/2/2015	**Endoclear Industria E Comercio De Equipamentos Medico-Hospitalares Ltda**	Laboratoires Anios S.A.	-	-	-	-	-	-
6/18/2015	**IPAC Medicina Diagnóstica**	**Sabin De Análises Clínicas Ltda.**	-	-	-	-	-	-
6/10/2015	**SevenPDV Comércio E Informática Ltda**	**The InterPlayers Group**	-	-	-	-	-	-
5/21/2015	**Hospital Infantil Luís França**	**Hapvida Sistema de Saúde**	-	-	-	-	-	-
5/19/2015	**Hospital e Maternidade Bartira S.A.**	**Rede D'Or São Luiz S.A.**	-	-	-	-	-	-
5/13/2015	**Rastreabilidade Brasil SA**	**M. Abuhab Participações S.A.**	-	-	-	-	-	-
5/13/2015	**Medquímica Indústria Farmacêutica S.A.**	Lupin Limited (BSE:500257)	-	-	-	-	-	-
5/13/2015	**Clinicas Oncologicas Integradas**	UnitedHealth Group Incorporated (NYSE:UNH)	-	-	-	-	-	-
4/27/2015	**Rede D'Or São Luiz SA (8.3% stake)**	Carlyle Group LP (NasdaqGS:CG)	600.0	7,500.0	-	-	4.0x	23.5x
4/1/2015	**Pro-Echo Cardiodata Serviços Médicos Ltda. and Lafê Serviços Diagnósticos Ltda.**	**Newscan Serviços Médicos Ltda.**	24.6	24.6	-	-	-	-

BROCAIR PARTNERS
Intelligent Healthcare Investment Banking

Representative Brazilian Transactions (last 36 months)

				Target Financial Information			Multiples	
Date Closed	Target	Acquirer	Transaction Value ($M)	Enterprise Value ($M)*	Sales ($M)	EBITDA ($M)	EV/Sales	EV/EBITDA
4/1/2015	**In Vitro Brasil S.A. (51% stake)**	Genus plc (LSE:GNS)	7.0	13.8	3.6	0.7	2.2x	19.7x
3/30/2015	**Biosafe Brasil Distribuidora Ltda.**	Biosafe SA	-	-	-	-	-	-
3/23/2015	**Genix Indústria Farmacêutica Ltda.**	Capsugel S.A.	-	-	42.8	-	-	-
3/16/2015	**Laboratório Renato Arruda Ltda.**	**Sabin De Análises Clínicas Ltda.**	-	-	-	-	-	-
1/30/2015	**Hospital Maternidade Promater Ltda.**	UnitedHealth Group Incorporated (NYSE:UNH)	-	-	-	-	-	-
1/23/2015	**Evoke Eyewear (75% stake)**	**GO Eyewear**	-	-	-	-	-	-
1/19/2015	**FBS Do Brasil Biotecnologia LTDA.**	River City Biologicals, Inc.	-	-	-	-	-	-
1/19/2015	**Anovis Industrial Farmacêutica Ltda.**	**União Química Farmacêutica Nacional S.A.**	-	-	-	-	-	-
1/13/2015	**Consulfarma Servicos De Assessoria Ltda**	**MV Sistemas Ltda.**	-	-	-	-	-	-
1/13/2015	**Gnatus Equipamentos Medico-Odontologicos Ltda.**	**Dabi Atlante Indústrias Médico Odontológicas Ltda.**	-	-	54.6	-	-	-
11/4/2014	**Direito de Ouvir Aparelhos Auditivos S/A (nka:Direito de Ouvir Amplifon Brasil)**	Amplifon S.p.A. (BIT:AMP)	-	-	-	-	-	-
10/21/2014	**Centro de Diagnósticos Brasil**	**Centro de Imagem Diagnosticos S.A. (BOVESPA:AALR3)**	-	-	-	-	-	-
9/30/2014	**NS Indústria de Aparelhos Médicos LTDA.**	OMRON Corporation (TSE:6645)	95.9	95.9	30.6	-	2.2x	-
9/15/2014	**Evidências Credibilidade Cientifica**	WPP plc (LSE:WPP)	-	-	-	-	-	-
9/8/2014	**Mundo Verde Ltda.**	**Grupo Sforza**	-	-	-	-	-	-
9/6/2014	**Odonto Empresa Convênios Dentários Ltda.**	CNP Assurances Société anonyme (ENXTPA:CNP)	56.3	56.3	-	-	-	-
8/27/2014	**Racers Informatica Ltda.**	**MV Informática Nordeste Ltda.**	-	-	-	-	-	-

BROCAIR PARTNERS
Intelligent Healthcare Investment Banking

Representative Brazilian Transactions (last 36 months)

Date Closed	Target	Acquirer	Transaction Value ($M)	Target Financial Information: Enterprise Value ($M)*	Sales ($M)	EBITDA ($M)	Multiples: EV/Sales	EV/EBITDA
8/14/2014	**Connectmed-CRC Consultoria, Administracao e Tecnologia em Saude; Gama Saúde Ltda.**	**Qualicorp S.A. (BOVESPA:QUAL3)**	61.7	61.7	-	-	-	-
8/5/2014	**Onco Prod Distribuidora de Produtos Hospitalares e Oncológicos S.A.**	McKesson Corporation (NYSE:MCK)	17.4	17.4	-	-	-	-
7/3/2014	**Novafarma Indústria Farmacêutica Ltda.**	Fresenius SE & Co KGaA (DB:FRE)	-	-	33.3	-	-	-

*Enterprise Value (EV) = market capitalization + net debt + noncontrolling interest
Representative transactions only include closed deals with publicly available transaction data
Bolded companies headquartered in Brazil
Source: Capital IQ, public filings, press releases and other public media sources

	EV/Sales	EV/EBITDA
Max	4.0x	23.5x
Mean	2.8x	21.6x
Median	2.2x	21.6x
Min	2.2x	19.7x

BROCAIR PARTNERS

Intelligent Healthcare Investment Banking

Brocair Partners LLC, based in New York, was formed in 2004 to provide mergers & acquisitions advisory services, equity and debt placement services, and strategic advice to healthcare companies. Brocair Partners has advised a range of public and private companies across healthcare segments that include pharmaceuticals, medical devices, patient care, consumer health and nutrition, healthcare business services and information technology, and pharmaceutical ingredients and intermediates, both in the United States and worldwide. Outside North America, Brocair Partners collaborates on cross-border healthcare transactions with a constellation of key affiliates worldwide.

1001 Avenue of the Americas, 11th Floor, New York, NY 10018
Phone: +1.212.500.5015 Fax: +1.917.591.3200
www.brocair.com

Location: Londrina, State of Paraná