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Medical Reprocessing Market Analysis

Medical reprocessing market sees renewed growth as healthcare providers face pressures to manage costs and increase sustainability

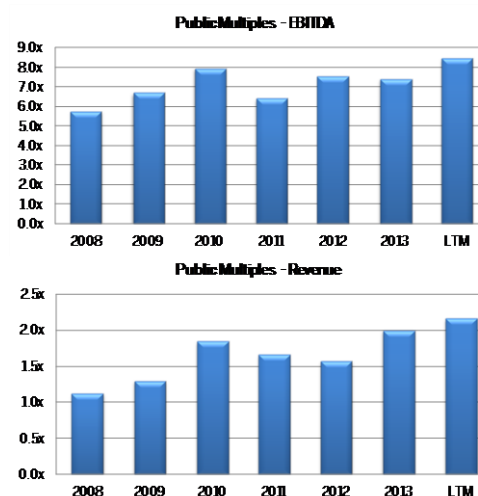
Overview

The global medical sterilization, repair, and refurbishment industry is expected to reach roughly \$13 billion by 2017.¹

Since early 2014, the medical reprocessing index has seen renewed growth and has performed above the S&P 500.

Revenue multiples in the public markets are currently tracking at a median of 2.2x, while EBITDA multiples have a median of 8.4x. Since 2013, these have seen moderated growth rates of 10% and 14%, respectively. In 2013, revenue multiples increased from 1.6x in 2012 to reach a five-year high of 2.0x, while EBITDA multiples have remained largely flat compared to 2012.

Transaction multiples are tracking in a similar range, with median revenue multiples of 1.5x and median EBITDA multiples of 8.4x over the past two years. These numbers remain consistent with 2013 results.



Trends

The fragmented market has been consolidating in recent years as large players continue to seek growth through acquisitions.

In March 2014, Sterigenics made back to back acquisitions of Nordion Inc. and Food Technology Services Inc (FSTI) as it continues to build its global sterilization platform. Nordion is a leading provider of medical isotopes and sterilization technologies while FSTI owns and operates an irradiation facility in Florida that uses gamma radiation to provide sterilization to the medical device, packaging and food industries.

After Steris made its entrance into medical instrument refurbishing through two acquisitions in 4Q 2012, it has continued to grow its special services business. In May 2014, Steris acquired Integrated Medical System, an endoscope repair, surgical instrument management and sterile-processing consulting company

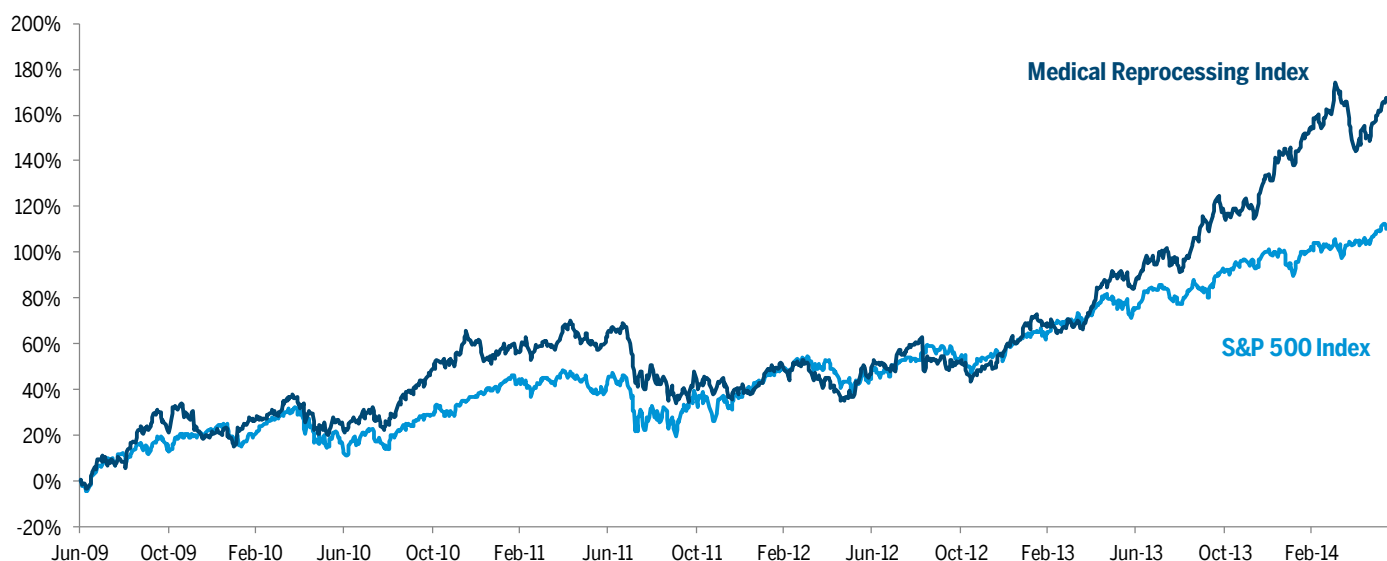
Synergy Health has also been very active in their M&A activities. Synergy, a sterilization services company, mostly recently completed its acquisition of Bioster in May 2014. Bioster bolsters Synergy's offerings in Europe in its core technologies of ethylene oxide and electron beam sterilization. BC Technical, a manufacturer and refurbisher of molecular imaging systems made four acquisitions in 2013, but has not made additional acquisitions in 2014.

In addition to building a strong presence domestically, top players in the industry are looking to expand their global footprint. In June 2014, Cantel Medical Corp, acquired PuriCore International Ltd. The acquisition demonstrates Cantel's continued efforts to expand its reach and capabilities in international markets with. Cantel representatives said PuriCore will provide a well-established platform for future growth in the United Kingdom and other areas in Europe.

¹ Markets and Markets Reports
² Steris press release

Medical Reprocessing Index

Below is an index of selected medical reprocessing companies compared to the S&P 500 over the past four years.



*Medical Reprocessing Index includes: Cantel Medical Corp., TBS Group S.p.A., Nordion Inc., Servizi Italia S.p.A., Shinva Medical Instrument Co., Ltd., Steris Corp., Synergy Health plc

Source: Capital IQ

Comparable Company Analysis

Below is a snapshot of selected companies in the medical reprocessing market.

Company	Price	52-Week		EV*	Net Debt	Market Cap	EV/Sales			EV/EBITDA		
		High	Low				2012	2013	LTM	2012	2013	LTM
Cantel Medical Corp.	\$ 36.79	\$ 38.04	\$ 22.69	\$ 1,562.4	\$ 40.1	\$ 1,522.3	2.1x	3.2x	3.3x	11.5x	17.0x	17.7x
Nordion Inc.	\$ 12.68	\$ 13.37	\$ 6.83	\$ 490.2	\$ (294.6)	\$ 784.8	1.5x	1.2x	1.8x	7.4x	5.0x	6.7x
Servizi Italia S.p.A.	\$ 6.40	\$ 7.77	\$ 4.40	\$ 274.6	\$ 99.3	\$ 173.0	0.8x	0.9x	0.9x	2.9x	3.3x	3.6x
Shinva Medical Instrument Co., Ltd.	\$ 11.99	\$ 15.16	\$ 6.46	\$ 2,520.5	\$ 65.5	\$ 2,383.0	1.7x	3.4x	3.5x	NA	NA	NA
Steris Corp.	\$ 52.79	\$ 55.36	\$ 39.90	\$ 3,510.3	\$ 340.7	\$ 3,167.1	1.6x	2.0x	2.2x	7.7x	10.8x	11.5x
Synergy Health plc	\$ 23.91	\$ 24.46	\$ 16.87	\$ 1,659.4	\$ 246.9	\$ 1,408.4	2.4x	2.3x	2.6x	8.7x	8.6x	9.9x
TBS Group S.p.A.	\$ 2.30	\$ 2.66	\$ 0.96	\$ 183.3	\$ 84.1	\$ 95.3	0.5x	0.5x	0.6x	4.7x	6.2x	6.9x

	EV/Sales			EV/EBITDA		
	2012	2013	LTM	2012	2013	LTM
Maximum	2.4x	3.4x	3.5x	11.5x	17.0x	17.7x
Mean	1.5x	1.9x	2.1x	7.2x	8.5x	9.4x
Median	1.6x	2.0x	2.2x	7.6x	7.4x	8.4x
Minimum	0.5x	0.5x	0.6x	2.9x	3.3x	3.6x

*Enterprise Value (EV) = market capitalization + debt + minority interest

All currency figures in USD. Price figures in actual dollars; EV, Net Debt, and Market Cap in millions

Market Cap and Enterprise Value as of 06/30/2014

Note: Normalized to exclude certain outliers.

Source: Capital IQ

Comparable Transaction Analysis

Below is a snapshot of selected transactions in the medical reprocessing market.

Closing Date	Target	Buyer	Transaction Description	Total Trans. Value (\$m)	Enterprise Value (\$m)	EV*/Revenues	EV*/EBITDA
6/4/2014	PuriCore International Ltd.	Cantel Medical Corp. (NYSE:CMN)	The acquisition of PuriCore, a leading provider of automated endoscope reprocessors and comprehensive maintenance and validation services in the UK, will significantly expand Cantel's reach and capabilities in international markets, especially continental Europe.	26.9	26.9	1.2x	9.0x
6/3/2014	Chengdu Yingde Bio-medical Equipment Technology Co., Ltd.	Shinva Medical Instruments Co., Ltd.	The acquisition of 85% of Chengdu Yingde Bio-medical Equipment Technology Co., Ltd., allows Shinva to expand its business scope to the field of bio-pharmaceutical equipment. Yingde manufactures biomedical equipment, pharmaceutical and sterilization equipment in China.	NA	NA	NA	NA
5/16/2014	Bioster S.p.A.	Synergy Health plc (LSE:SYR)	The acquisition of Bioster strengthens Synergy's capacity offering in Europe in two of its core technologies. Bioster operates ethylene oxide and electron beam sterilization facilities for medical device, pharmaceutical and packaging industries as well as hospitals.	39.7	39.7	1.4x	6.2x
5/9/2014	Integrated Medical Systems International, Inc. (IMS)	Steris Corp. (NYSE:STE)	The acquisition of IMS helps Steris expand its specialty-service business. IMS is an endoscope repair, surgical instrument management and sterile-processing consulting company.	165.0	165.0	1.1x	NA
3/28/2014	Nordion Inc.	Sterigenics International, Inc.	The acquisition of Nordion allows Sterigenics to provide security of supply of Cobalt-60 used in gamma sterilization. Nordion is a leading provider of medical isotopes and sterilization technologies.	842.9	510.2	1.9x	7.0x
3/6/2014	Food Technology Service Inc.	Sterigenics International, Inc.	The acquisition of Food Technology Service, Inc. (FSTI) adds to Sterigenics' global sterilization platform. FSTI owns and operates an irradiation facility in Florida that uses gamma radiation to provide sterilization to the medical device, packaging and food industries.	21.0	17.5	4.2x	8.2x
1/8/2014	Sterilator Company, Inc.	Cantel Medical Corp. (NYSE:CMN)	The acquisition of Sterilator helps Crosstex (subsidiary of Cantel) enhance its capabilities in sterility assurance monitoring products for the medical industry. Sterilator is a manufacturer of biological indicators and supplies for sterility assurance products.	NA	NA	NA	NA
11/22/2013	Weiman Products, LLC	Cortec Group	Cortec Group acquired Weiman Products. Weiman is a provider of premium branded specialty cleaning products for the consumer market and specialty cleaning, sterilization and disinfectant products for the healthcare market.	NA	NA	NA	NA
10/31/2013	Wassenburg Medical Devices B.V.	Hoya Corp. (TSE:7741)	The joint venture between Hoya and Wassenburg will provide product synergies, channel synergies and geographic expansion. Wassenburg is an automated endoscope reprocessing market leader in the Netherlands.	NA	NA	NA	NA
10/4/2013	ICOS Impianti Group S.p.A.	STEELCO S.p.A.	The acquisition of ICOS will allow Steelco to complete its product package, providing "turnkey" solutions for both washing and sterilization activities. ICOS specializes in the manufacturing of sterilizers for the pharmaceutical, medical and laboratory fields.	2.7	2.7	NA	NA
9/18/2013	MVS Sp. z o.o.	MESA, Sagl	MVS Sp. z o.o. received an equity round of funding from MESA, Sagl. MVS Sp. z o.o.'s diagnostic imaging products and repair services are complementary to MESA's business.	NA	NA	NA	NA
9/17/2013	Ultra Solutions Acquisition, LLC	Salt Creek Capital, LLC	Salt Creek believes it can continue to grow Ultra, one of the largest providers of pre-owned ultrasound equipment in the industry.	NA	NA	NA	NA
8/30/2013	BioMedical Technology Solutions Holdings, Inc.	MedClean Technologies, Inc.	The acquisition of Biomedical, an environmental technology company engaged in infectious waste treatment systems in the United States, adds to MedClean's portfolio of medical waste processing systems.	NA	NA	NA	NA
8/6/2013	C&G Technologies	BC Technical, Inc.	The acquisition of C&G Technologies, the largest independent provider of CT solutions, follows 6 previous medical imaging acquisitions and positions BC Technical as the only non-OEM in the country that provides nationwide CT and MR service, parts and refurbished systems for all 4 OEM's. The acquisition also adds a 50,000 sq ft facility.	NA	NA	NA	NA
7/12/2013	Platinum Health Services, LLC	Healthcare Services Group Inc. (NasdaqGS:HCSG)	Platinum provides professional housekeeping, laundry and maintenance services to long-term and post-acute care facilities. The acquisition will add substantially to Healthcare Services Group's topline.	30.1	30.1	0.5x	NA
6/8/2013	MEDX, LLC	BC Technical, Inc.	MEDX, Inc. refurbishes and remanufactures molecular imaging equipment. The acquisition strengthens BC Technical's national, multi-OEM strategy in Molecular Imaging.	NA	NA	NA	NA
5/29/2013	Unisyn Medical Technologies, Inc.	General Electric Company (NYSE:GE)	GE Healthcare views this as an opportunity to further their ultrasound and services footprint. The services will rollout in US and Canada and global expansion is expected to start by the end of the year. Unisyn provides ultrasound probe repair solutions to biomedical and clinical engineers.	NA	NA	NA	NA
5/9/2013	Nuclear Cardiology Systems, Inc.	BC Technical, Inc.	Nuclear Cardiology Systems is a leader in nuclear medical service, systems and parts. The acquisition strengthens BC Technical's capabilities in PET/CT and SPECT/CT and expands its nationwide service coverage.	NA	NA	NA	NA
1/15/2013	Genesis Medical Imaging, Inc.	BC Technical, Inc.	The acquisition allows BC Technical to strengthen its capabilities in PET/CT and SPECT/CT, and expands its nationwide service coverage to now include CT and MR. The expansion also positions BC Technical for PET/MR as it becomes more mainstream.	NA	NA	NA	NA
12/20/2012	Clinical Resources For Equipment Support Technology Services, Inc.	Crothall Healthcare, Inc.	The acquisition expands Crothall Healthcare, Inc.'s range of services and geographic presence in the Healthcare sector.	NA	NA	NA	NA
11/2/2012	SPSmedical Supply Corp.	Cantel Medical Corp. (NYSE:CMN)	With SPSmedical Supply Corp., Crosstex International, Inc. (subsidiary of Cantel) acquired a platform from which it can expand its global presence in healthcare infection prevention and control.	36.0	36.0	2.1x	8.4x
10/16/2012	Spectrum Surgical Instruments Corp.	Steris Corp. (NYSE:STE)	Steris Corp. is entering the surgical instrument repair business through the acquisition of Spectrum Surgical Instruments Corp and Total Repair Express, LLC.	75.5	75.5	1.5x	10.0x
10/16/2012	Total Repair Express, LLC	Steris Corp. (NYSE:STE)	Steris Corp. is entering the surgical instrument repair business through the acquisition of Spectrum Surgical Instruments Corp and Total Repair Express, LLC. These bolt-on acquisitions will give Steris Corp. one of the largest surgical instrument repair businesses in the United States.	34.5	34.5	1.5x	10.0x
6/19/2012	Radon Ltda.	Elekta AB (OM:EKTA B)	Through the acquisition, Elekta's customer base has increased with 25% in Brazil. Radon is expected to add revenue to Elekta by approximately \$6 million during 2012/2013.	NA	NA	NA	NA
6/7/2012	SRI Surgical Express Inc.	Synergy Health plc (LSE:SYR)	The acquisition of SRI Surgical Express Inc. provides Synergy Health plc with scale, broad market access and infrastructure through the presence in the US.	38.1	36.9	0.3x	5.0x

Comparable Transaction Analysis

Below is a snapshot of selected transactions in the medical reprocessing market.

6/3/2012	Lavsim - Higienização Têxtil Ltda.	Servizi Italia S.p.A. (BIT:SRI)	With the acquisition of a 50% stake in Lavsim Higienização Têxtil S.A. €5.4 million in cash, Servizi Italia S.p.A. laid a foundation for its development in the Brazilian market.	7.0	13.5	2.0x	NA
3/31/2012	Consus Medical Imaging	BC Technical, Inc.	The acquisition of the Florida-based, Consus Medical Imaging helps BC Technical expand its customer based in the Southeast. Consus Medical Imaging specializes in servicing molecular imaging equipment.	NA	NA	NA	NA
3/21/2012	MSI Surgical Solutions, LLC	Synergy Health plc (LSE:SYR)	The acquisition of MSI is an early step in plans to develop a hospital outsourcing service within the U.S. Synergy will leverage MSI's customer base to gain deeper knowledge of the market and develop its own network in 2013.	6.5	6.5	1.6x	6.5x
3/19/2012	Leoni Studer Hard AG	Synergy Health plc (LSE:SYR)	The acquisition of Leoni Studer Hard AG gives Synergy Health access to the Swiss medical device and pharmaceutical sterilization market and enables Synergy to expand its European irradiation sterilization presence. It also gives Synergy Health plc access to the X-ray technology and intellectual property of Leoni Studer Hard AG.	63.1	63.1	5.5x	7.7x

*Enterprise Value (EV) = market capitalization + net debt + minority interest
Source: CapitalIQ, Press releases, other public sources

Maximum	5.5x	10.0x
Mean	1.8x	7.9x
Median	1.5x	8.1x
Minimum	0.3x	5.0x