

Dispatch from Brazil

Spring 2012

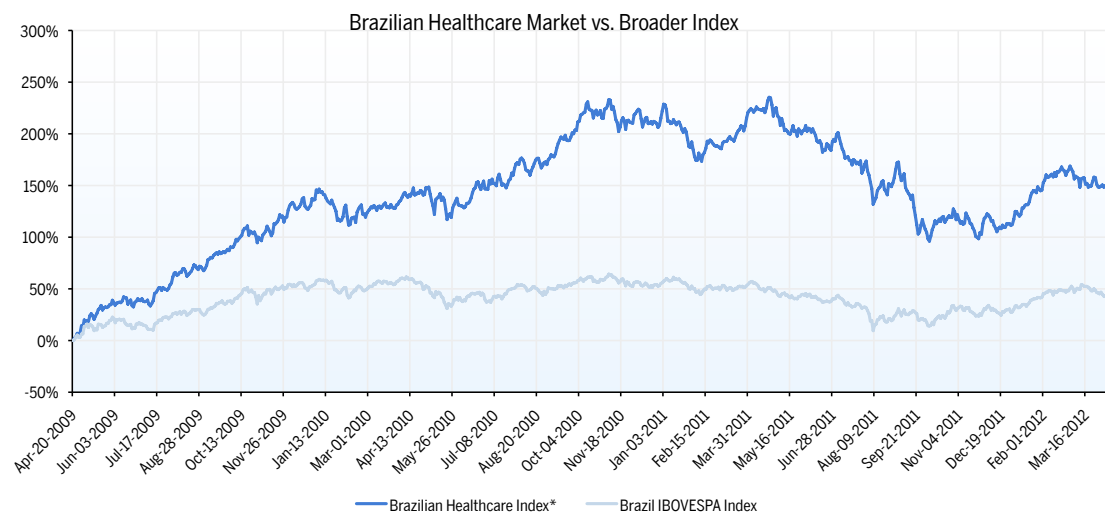


Pão de Açúcar and Botafogo, Rio de Janeiro

Dear Friends,

Autumn has begun, but temperatures are still hot in southeastern Brazil, where I recently spent a week meeting healthcare companies and investors with my colleagues at BroadSpan Capital.

Brazil has seen spectacular growth in recent years, which has lifted millions of Brazilians out of poverty. In 2011 alone, 2.7 million Brazilians joined the 'C' class (Brazil classifies its economic classes from 'A's at the upper end of the scale, to 'E', at the bottom).



This presents an opportunity for companies throughout the healthcare sector, as more people can afford to get preventative care and medical procedures that would have previously been out of reach.

Anecdotally, I heard that business has been particularly good for companies that cater to aesthetic treatments (including both medical and dental), since people are often willing to spend money for cosmetic treatments even before other, more health-oriented, procedures.

With respect to the capital markets, there are few publicly-listed healthcare firms in Brazil. It isn't entirely clear why this is so, but it is likely a legacy of historically poor corporate governance and tax compliance issues, though Brazil is improving rapidly in these areas.

For now, however, Brazilian IPO candidates often have over US \$50 million of EBITDA. This means most companies are still privately owned. Because of the complexities with local regulations, taxes, and the dynamics of family-owned companies, foreign buyers are often well advised to work with reputable local advisors when making an investment in Brazil.

Brocair has a close affiliation with BroadSpan Capital, an independent investment bank focused on Latin America, with primary offices in Rio de Janeiro, São Paulo, Miami, and additional offices in several Brazilian states.

Below are some metrics on the Brazilian healthcare market, and recent transactions. Through our partnership with BroadSpan, Brocair has strong capabilities in Brazil. If there is anything we can do to help with your M&A efforts in Brazil, please give me a call.

Gregg Blake

Managing Partner
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Brocair managing partner Gregg Blake, center, with colleagues from BroadSpan Capital (Derek Gallo and Leonardo Antunes, at right), during a recent meeting in Rio de Janeiro.

Publicly Traded Brazilian Healthcare Companies >\$20M Enterprise Value

Company	Ticker	City	Price	52-Week		EV*	Net Debt	Market Cap	EV/Sales			EV/EBITDA			FYE
				High	Low				FY2010	FY2011	LTM	FY2010	FY2011	LTM	
Amil Participacoes SA	BOVESPA:AMIL3	Rio de Janeiro	BRL 19.5	BRL 20.7	BRL 15.0	\$ 4,207.7	\$ 358.3	\$ 3,842.7	0.9x	0.7x	0.9x	20.9x	12.7x	15.4x	31-Dec
Baumer SA	BOVESPA:BALM4	Mogi Mirim	BRL 40.5	BRL 43.0	BRL 35.0	\$ 27.0	\$ 1.8	\$ 21.8	0.4x	N/A	0.5x	3.9x	N/A	3.8x	31-Dec
Biommm SA	BOVESPA:BIOM4	Belo Horizonte	BRL 2.7	BRL 3.5	BRL 1.4	\$ 30.7	\$ 5.2	\$ 25.5	N/A	N/A	N/A	N/A	N/A	N/A	31-Dec
Brazil Pharma SA	BOVESPA:BPHA3	São Paulo	BRL 10.0	BRL 11.0	BRL 5.7	\$ 930.0	\$ (106.9)	\$ 1,036.9	N/A	1.1x	1.7x	N/A	22.6x	35.5x	31-Dec
Cremer SA	BOVESPA:CREM3	Blumenau	BRL 18.4	BRL 21.0	BRL 12.7	\$ 430.3	\$ 94.7	\$ 335.7	1.6x	1.4x	1.8x	10.5x	8.3x	10.8x	31-Dec
Diagnosticos da America	BOVESPA:DASA3	Barueri	BRL 14.9	BRL 24.0	BRL 12.8	\$ 2,968.1	\$ 438.9	\$ 2,529.4	3.6x	2.6x	2.5x	13.7x	11.1x	11.0x	31-Dec
Dimed S.A. Distribuidora de Medicamentos	BOVESPA:PNVL4	Porto Alegre	BRL 105.0	BRL 110.0	BRL 75.1	\$ 339.0	\$ (7.8)	\$ 346.8	0.3x	0.4x	0.5x	7.6x	7.9x	10.3x	31-Dec
Fleury S/A	BOVESPA:FLRY3	São Paulo	BRL 24.3	BRL 26.7	BRL 18.0	\$ 2,144.1	\$ 55.3	\$ 2,088.8	3.5x	3.0x	3.5x	14.8x	15.1x	17.7x	31-Dec
Hypermarcas SA	BOVESPA:HYPE3	São Paulo	BRL 12.4	BRL 21.6	BRL 7.4	\$ 5,843.7	\$ 1,473.7	\$ 4,370.1	4.9x	2.6x	3.3x	22.3x	29.2x	37.1x	31-Dec
Natura Cosméticos SA	BOVESPA:NATU3	Itapeverica de Serra	BRL 40.8	BRL 47.2	BRL 30.1	\$ 9,776.7	\$ 360.1	\$ 9,416.6	4.1x	2.9x	3.3x	16.5x	11.9x	13.3x	31-Dec
Odontoprev S.A.	BOVESPA:ODPV3	Barueri	BRL 10.1	BRL 10.7	BRL 7.7	\$ 2,892.8	\$ (4.3)	\$ 2,896.3	5.9x	5.3x	6.0x	28.2x	22.2x	25.5x	31-Dec
Profarma Distribuidora De Produtos Farmaceuticos S/a.	BOVESPA:PFRM3	Rio de Janeiro	BRL 9.1	BRL 16.2	BRL 8.2	\$ 234.5	\$ 64.3	\$ 165.2	0.2x	0.2x	0.2x	8.0x	6.3x	5.8x	31-Dec
Qualicorp SA	BOVESPA:QUAL3	São Paulo	BRL 16.7	BRL 17.6	BRL 11.8	\$ 2,285.1	\$ (0.1)	\$ 2,288.3	N/A	6.5x	6.3x	N/A	30.6x	29.6x	31-Dec
Raia Drogasil SA	BOVESPA:RADL3	São Paulo	BRL 17.7	BRL 18.4	BRL 12.1	\$ 3,154.5	\$ (95.3)	\$ 3,249.9	N/A	1.5x	2.2x	N/A	27.5x	38.6x	31-Dec
Sul America Sa	BOVESPA:SULA11	Rio de Janeiro	BRL 15.5	BRL 20.6	BRL 12.3	\$ 2,618.6	\$ 151.2	\$ 2,467.4	0.6x	0.4x	0.4x	3.4x	2.6x	2.8x	31-Dec
Tempo Participacoes SA	BOVESPA:TEMP3	Barueri	BRL 4.9	BRL 5.2	BRL 2.9	\$ 292.4	\$ (87.5)	\$ 379.9	0.6x	0.4x	0.5x	9.7x	9.5x	11.6x	31-Dec

	EV/Sales			EV/EBITDA		
	FY2010	FY2011	LTM	FY2010	FY2011	LTM
Mean	2.2x	2.1x	2.2x	13.3x	15.5x	17.9x
Median	1.3x	1.4x	1.8x	12.1x	12.3x	13.3x
Max	5.9x	6.5x	6.3x	28.2x	30.6x	38.6x
Min	0.2x	0.2x	0.2x	3.4x	2.6x	2.8x

*EV = Market capitalization + net debt + minority interest

*Pricing as of 4/18/2012

Representative Brazilian Healthcare Transaction (last 24 months)

Date Closed	Target	Acquirer	Transaction Value	Target Financial Information			Multiples	
				Enterprise Value*	Sales	EBITDA	EV/Sales	EV/EBITDA
3/12/2012	Pelenova Biotecnologia S.A.	Valeant Pharmaceuticals International, Inc.	\$ 10.0	50.3	N/A	N/A	N/A	N/A
2/17/2012	Mepha Holding AG, Latin American and Asian Businesses	Acino Pharma AG	\$ 18.0	18.2	N/A	N/A	N/A	N/A
2/1/2012	Probiótica Laboratórios Ltda.	Valeant Pharmaceuticals International, Inc.	\$ 86.3	86.3	46.0	N/A	1.9x	N/A
7/4/2011	Diagnoson Ultra-Sonografia e Densitometria Óssea S/S, Ltda.	Fleury S/A	\$ 39.2	38.3	15.6	4.3	2.5x	8.9x
5/2/2011	Sercon Ltda.	Steris Corp.	\$ 30.0	30.0	N/A	N/A	N/A	N/A
4/18/2011	Dental PLAN Ltda.	Sul América Companhia De Seguro Saúde	\$ 16.7	16.7	N/A	N/A	N/A	N/A
4/8/2011	P. Simon S.A.	Cremer SA	\$ 15.0	15.0	13.2	N/A	1.1x	N/A
4/7/2011	Laboratorio Quimico Farmaceutico Bergamo Ltda	Amgen Inc.	\$ 215.0	215.0	80.0	N/A	2.7x	N/A
4/6/2011	Laboratório Teuto Brasileiro S/A	Pfizer Inc.	\$ 431.9	778.4	167.2	N/A	4.7x	N/A
4/4/2011	Medlink Conectividade em Saúde Ltda.	Qualicorp SA	\$ 8.7	10.1	N/A	N/A	N/A	N/A
3/28/2011	Medley S.A. Industria Farmaceutica, Digedrat, Peridal and Lopigrel Prescription Drug Brands	Hypermarcas SA	\$ 49.3	49.3	16.6	N/A	3.0x	N/A
2/28/2011	Hospital Samaritano Ltda.	Empresa De Serviços Hospitalares Ltda.,	\$ 108.5	108.5	123.2	N/A	0.9x	N/A
1/24/2011	Mantecorp Industria Quimica e Farmaceutica Ltda	Hypermarcas SA	\$ 1,471.6	1,471.6	418.3	N/A	3.5x	N/A
1/19/2011	Hospital Norte D'Or	Unimed-Rio Cooperativa de Trabalho Médico Ltda.	\$ 10.8	35.9	N/A	N/A	N/A	N/A
12/31/2010	DPC Medlab Productos Medico Hospitalares Ltda.	Alere Inc.	\$ 10.2	N/A	N/A	N/A	N/A	N/A
12/31/2010	Santos Administracao e Participacoes S.A.	London Pacific & Partners, Inc.; Incite Financial, LLC	\$ 50.0	50.0	173.0	N/A	0.3x	N/A

Representative transactions only include closed deals with publicly available transaction data

Bolded companies headquartered in Brazil

Source: Capital IQ and public filings

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

Representative Brazilian Healthcare Transaction (last 24 months) cont'd.

Date Closed	Target	Acquirer	Transaction Value	Target Financial Information			Multiples	
				Enterprise Value*	Sales	EBITDA	EV/Sales	EV/EBITDA
11/11/2010	York S/A. Indústria E Comércio	Hypermarcas SA	\$ 54.3	54.8	35.6	N/A	1.5x	N/A
10/29/2010	Vigodent SA Indústria e Comércio	COLTENE Holding AG	\$ 5.9	9.8	11.8	N/A	0.8x	N/A
8/10/2010	Turfal Indústria e Comércio de Produtos Agrônomicos e Biológicos LTDA	Novozymes A/S	\$ 4.0	4.0	2.6	N/A	1.5x	N/A
7/13/2010	FuturaGene plc	Suzano Trading Limited	\$ 68.6	70.1	0.3	N/A	N/A	N/A
5/31/2010	Pro-Cardiaco Pronto Socorro Cardiologico S.A.	Hospital de Clínicas de Niterói Ltda.	\$ 55.9	59.5	79.6	N/A	0.7x	N/A
5/19/2010	Medley Indústria Farmacêutica Ltda.	Sanofi-Aventis Farmaceutica Ltda.	\$ 688.2	688.2	210.1	N/A	3.3x	N/A
5/13/2010	DI Serviços Médicos Ltda. and DI Médicos Associados Ltda.	Fleury Centro de Procedimentos Médicos Avançados	\$ 6.5	6.5	8.4	1.3	0.8x	4.9x
4/20/2010	Bunker Indústria Farmacêutica Ltda.	Valeant Pharmaceuticals International	\$ 55.3	55.3	28.0	N/A	2.0x	N/A
4/20/2010	Luper Indústria Farmacêutica LTDA	Hypermarcas SA	\$ 29.3	29.3	25.0	N/A	1.2x	N/A

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Source: Capital IQ and public filings

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

Mean	1.9x	6.9x
Median	1.5x	6.9x
Max	4.7x	8.9x
Min	0.3x	4.9x

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.

Brocair Partners is an affiliate of Billow Butler & Company, LLC, member FINRA.

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