

Dispatch from Colombia

June 2015



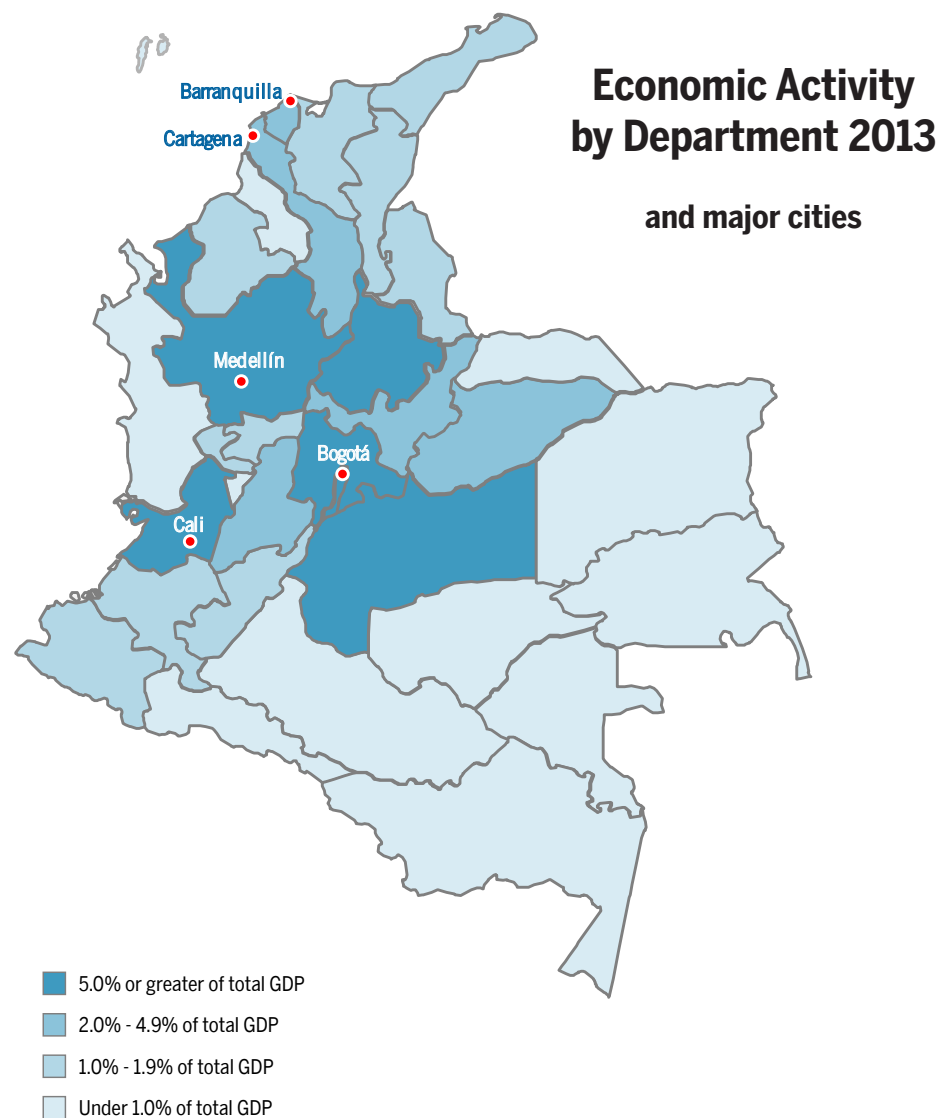
Dear Friends,

Standing on Monserrate recently, the mountain that overlooks Bogotá in the valley below, this city of nearly seven million inhabitants looks immense. And while the traffic snarls during rush hour, the gleaming buildings in the Financial District and the fancy bars and restaurants of Parque de la 93 give the city a palpable sense of opportunity. Colombia, with its troubled past in the 1980s and 1990s, has become a vibrant market, and one of the largest economies of Latin America.

Colombia is arguably Latin-America's third largest economy and is the second oldest democracy in the western hemisphere. It is expected to grow at a rate of 3.8%, making it one of the fastest growing economies in the Latin American region. It has also had extremely stable economic growth: since 1960 it has only experienced one year of recession (in 1999).

Despite intermittent conflicts with the FARC rebels over the years, the Colombian government has had strong, stable democratic institutions, with fair elections and regular transfers of power between parties. This is reflected in Colombia's growing economy, stable inflation rates and its high ease of doing business rankings.

Much of the economic activity of this large country is concentrated in the major metropolitan areas. The five largest Colombian departments represent 65% of the country's economic activity. Bogotá D.C. alone represents 25% of the national economy.



Source: DANE

The healthcare industry in particular is well-positioned for growth. Total health spending has increased rapidly in the last ten years, at an annual compound growth rate of 15%. However, currently total healthcare spending is still around \$500 per capita, ranking it seventh in Latin America. This indicates much untapped potential for growth.

Although Colombia has achieved widespread access to healthcare coverage since the establishment of the Mandatory Health Plan (Plan Obligatorio de Salud) in 1993, the quality of public healthcare in Colombia is poor. According to World Bank data, Colombia saw a 10% decrease in public health-related expenditure from 2003-2009, though this level has stayed roughly stable since.

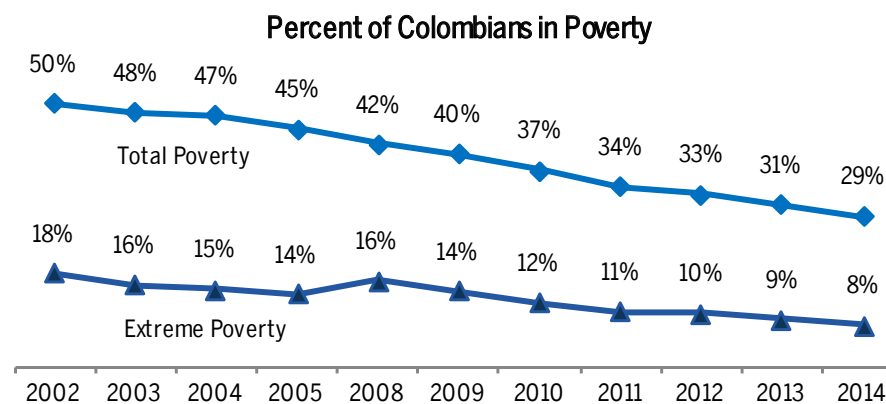
While as with most emerging economies, income inequality is still a concern, Colombia's rising income has reduced the country's extreme poverty rate and total poverty rate by 88% and 62% respectively over the last decade.

As more people escape from poverty and disposable incomes rise, the healthcare industry will continue to grow. Another effect of the rising wealth in Colombia is that people are shifting to private healthcare packages to avoid the public healthcare system.



Colombia has one of the fastest growing economies in Latin America.

Source: International Monetary Fund, World Economic Outlook Database, January 2015



Poverty rates in Colombia have declined rapidly since 2000,

Source: National Administrative Department of Statistics, DANE.

Inflation for the year 2015 is targeted to be around 3.0%, which is much lower than the regional average and is beneficial to the domestic economy. The Banco de la Republica, the Colombian Central Bank, has kept interest rates low to encourage investment spending and invite foreign institutional investment.

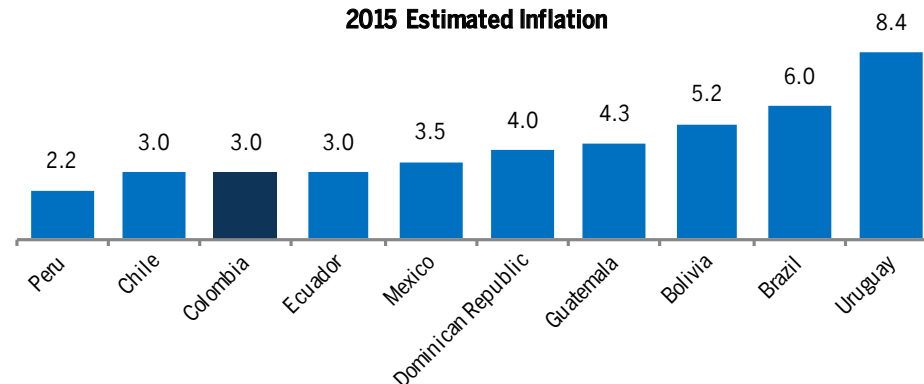
This is supported by the country's conducive business atmosphere and taxation incentives. The World Bank ranks Colombia as the 34th most business-friendly economy in the world. The annual ease of doing business rankings showed Colombia was up by 9 spots within one fiscal year due to the government's sustained efforts to attract investment.

Brocair has been working with business leaders and healthcare investors in Latin America for several years, and understands the complexities of M&A in the major regional markets. We have recently formed a new affiliate relationship in Colombia and are working closely with them to help multinational healthcare companies with their strategic acquisition programs in Colombia and to identify and evaluate appropriate Colombian partners. Please give me a call if you would like to discuss how we can help you in your acquisition efforts in this dynamic market.

Managing Partner
Brocair Partners, LLC
212-500-5020

Gregg Blake

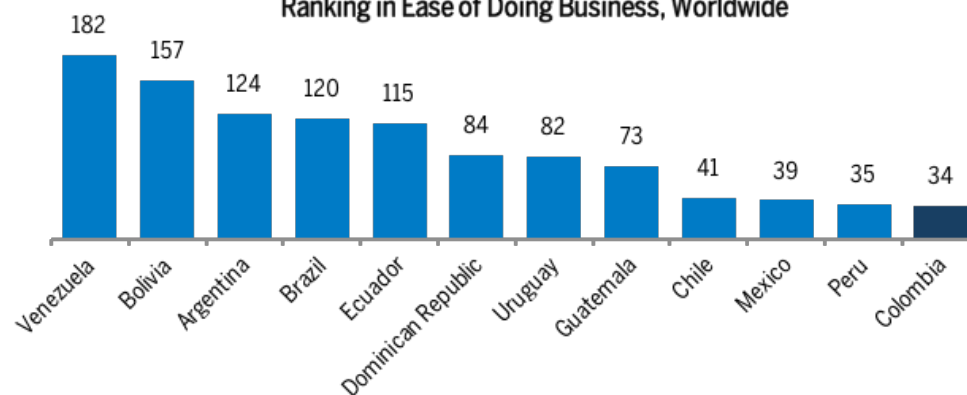
2015 Estimated Inflation



*Excludes Venezuela & Argentina. Venezuela reports a 64.3% inflation increase. Argentina's government reports a 24% increase in 2014, while private estimates place the figure around 40%.

Source: International Monetary Fund, World Economic Outlook Database, OECD Data, 2014; Argentina estimate: Bloomberg Business, "Argentina Economy Can't Take 40 Percent Inflation: Massa," March 2015.

Ranking in Ease of Doing Business, Worldwide



Last year Colombia moved up 9 spots to become the 34th most free economy in the world (out of 189 countries).

Source: Doing Business 2015, World Bank

Representative Colombian Transactions

Date Closed	Target	Acquirer	Transaction Value	Target Financial Information			Multiples	
				Enterprise Value*	Sales	EBITDA	EV/Sales	EV/EBITDA
3/3/2015	Eurociencia Colombia S.A.	Smith & Nephew plc (LES:SN.)	N/A	N/A	N/A	N/A	N/A	N/A
3/4/2014	Organización Sanitas Internacional S.A.	Not Disclosed	N/A	N/A	N/A	N/A	N/A	N/A
11/6/2013	Biogen Laboratorios de Colombia S.A., Product Portfolio of 30 Drugs	Grünenthal Pharma GmbH & Co. KG	N/A	N/A	N/A	N/A	N/A	N/A
6/3/2013	Especialistas en Salud Esensa SAS	DaVita HealthCare Partners Inc. (NYSE:DVA)	N/A	N/A	N/A	N/A	N/A	N/A
2/8/2013	Wasser Chemical S.A.S	Tecnoquimicas S.A.	N/A	N/A	N/A	N/A	N/A	N/A
11/13/2012	Quifarma Ltda., Four Compounding Pharmacies	Fagron Group BV	N/A	N/A	N/A	N/A	N/A	N/A
10/2/2012	Laboratorios Genéricos Farmacéuticos S.A.	Sanofi (ENXTPA:SAN)	N/A	N/A	N/A	N/A	N/A	N/A
8/31/2012	Blau Farmacêutica Colômbia S/A	Blau Farmacêutica S/A	N/A	N/A	N/A	N/A	N/A	N/A
7/31/2012	Laboratorio Franco Colombiano LAFRANCOL S.A.	CFR International SPA	\$562.0	\$562.0	\$200.7	N/A	2.8x	N/A
7/24/2012	Ecoopsos	Asmet Salud EPS-S	N/A	N/A	N/A	N/A	N/A	N/A
6/28/2012	Pharmetique S.A.	Laboratorios La Sante S.A.	N/A	N/A	N/A	N/A	N/A	N/A
4/4/2012	Schering-Plough S.A. (Colombia)	Eurofarma Laboratórios S.A.	N/A	N/A	N/A	N/A	N/A	N/A
4/4/2012	Stellence Pharmscience Limited	CFR Pharmaceuticals S.A.	\$20.8	N/A	N/A	N/A	N/A	N/A

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

Representative transactions only include closed deals with publicly available transaction data

Bolded companies headquartered in Colombia

Source: Capital IQ, public filings, press releases and other public media sources

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.

757 Third Ave, 20th Floor, New York, NY 10017
Phone: +1.212.500.5015 Fax: +1.917.591.3200
www.brocair.com