January 2014

Waterview Advisors

M&A Advisory ◆ Valuations ◆ Capital Sourcing

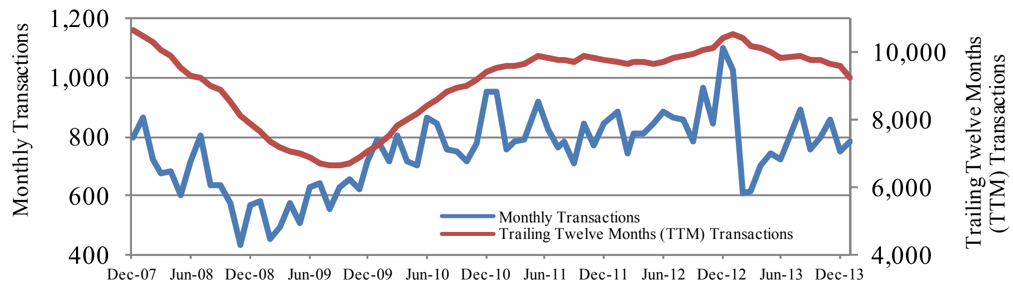
The Market

For Privately Held Companies

Topics Relevant to Middle Market Mergers & Acquisitions

Q4 2013 - Monthly transaction volume, as evidenced by the chart below, has rebounded since the low was reached in November of 2008. Overall transaction volume (including public and private companies of all sizes) for the trailing 12 months ended December 31, 2013 decreased 11.1 percent versus the same period in 2012. Transactions involving strategic buyers also decreased 11.7 percent during this same period. Although volume was down, announced aggregate deal value in 2013 increased 6.6 percent over the $898.6 billion 2012.

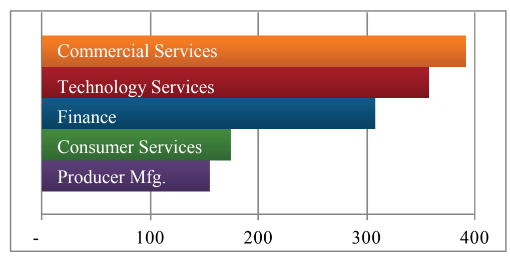
M&A Transaction Volume



Total Announced Transactions, U.S. Buyer or Seller | Source: FactSet Mergerstat

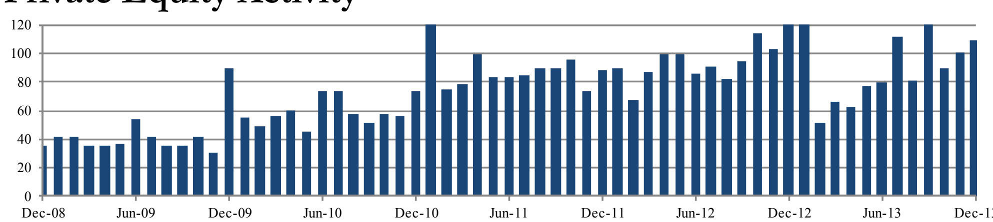
Which Sectors are Most Active?

The chart to the right reveals the five most active sectors in terms of transactions closed for the three months ended December 31, 2013. In addition to those listed in the chart, the following sectors also exhibited high transaction volume: Electronic Technology, Distribution Services, Health Services, Industrial Services, and Health Technology.



Total Announced Transactions, U.S. Buyer or Seller | Source: FactSet Mergerstat

Private Equity Activity



Total Announced Private Equity Transactions, U.S. Buyer or Seller | Source: FactSet Mergerstat

Waterview Advisors is a Financial Advisory Services firm focused on Investment Banking and Valuation Services

- The Investment Banking Division serves client companies with revenue between $5 million and $150 million:
  - Sell Side Representation (marketing to both strategic and financial buyers)
  - Capital Sourcing (senior debt, mezzanine and equity)
- The Valuation Advisory Division provides the following services:
  - Fairness Opinions
  - Business Valuations for Gift and Estate Tax purposes
  - Valuations and Financial Analysis to Support Business and Tax Planning

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THE MARKET

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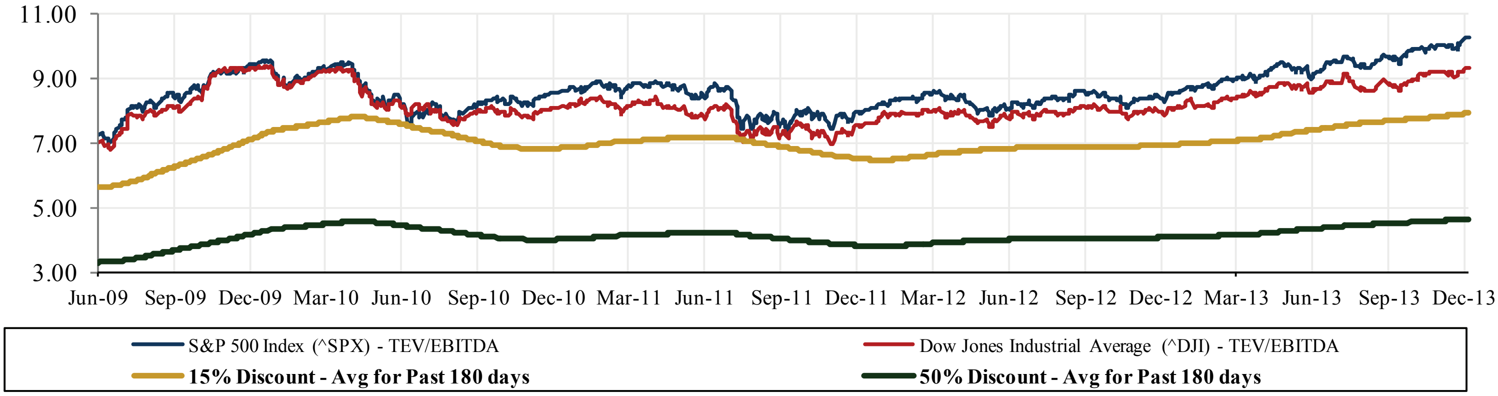
Topics Relevant to Middle Market Mergers & Acquisitions

Estimated Pricing Band for Lower Middle Market M&A
Total Enterprise Value (TEV)/EBITDA Using Public Market Data



Average Multiples Paid - Source: GF Data®

TEV ($ Millions)	2009	2010	2011	2012	1Q13 - 3Q13
10-25	5.5	5.3	5.4	5.7	5.9
25-50	6.0	6.1	6.0	6.2	7.0
50-100	6.5	6.5	7.2	6.8	6.6
100-250	7.2	6.5	7.5	7.4	6.5
Average	**6.0**	**5.9**	**6.2**	**6.2**	**6.4**
N =	**91**	**191**	**193**	**228**	**73**

Total Enterprise Value (TEV)/EBITDA Multiples Paid by Private Equity Buyers
Seller Type: Private
Multiple Range: 3x - 12x
Geography: U.S. or Canadian Buyer

Average Multiples Paid - Source: S&P Capital IQ and Waterview Advisors

TEV ($ Millions)	2009	2010	2011	2012	2013
10-25	5.9	6.3	6.9	7.4	5.2
25-50	6.9	6.8	7.0	7.1	6.9
50-100	6.1	6.8	7.7	7.4	6.5
100-250	7.2	7.8	8.1	7.4	7.8
Average	**6.6**	**7.1**	**7.6**	**7.3**	**6.7**
N =	**71**	**92**	**97**	**106**	**51**

Total Enterprise Value (TEV)/EBITDA Multiples Paid by Private Equity and Strategic Buyers
Seller Type: Private
Multiple Range: 0x - 12x
Geography: U.S. Seller

Industry Hub: Medical Equipment and Supplies Manufacturing

According to First Research, the U.S. medical equipment and supplies manufacturing industry includes about 11,000 companies with combined annual revenue of about $90 billion. The industry is forecast to grow at an annual compounded rate of 4 percent between 2013 and 2017.

Stryker Corporation (NYSE:SYK) had an acquisitive 2013. The company announced six acquisitions in 2013 totaling over $2.5 billion in total enterprise value. Transactions that closed in 2013 include Pipeline Biomedical, MAKO Surgical Corp., Trauson Holdings Company and certain spinal implant assets of VertiFlex.

The tables below shows the average multiple paid for Private Equity transactions involving private sellers of medical equipment businesses.

	Total Enterprise Value Range				
NAICS Code: 3391	10-25	25-50	50-100	100-250	Total
Average TEV ($000s)	16.6	34.1	64.4	158.0	53.1
TEV/EBITDA	5.7x	6.6x	7.4x	7.8x	6.6x
# of Transactions	15	9	8	6	38

Source: GF Data®. Transactions from 2003 to date.