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Spotlight On: Contract Research Organizations

Contract research organizations are poised for continued growth, fueled by increased drug development spending and favorable outsourcing trends.

The BGL Healthcare Insider is published by Brown Gibbons Lang & Company, a leading independent investment bank serving middle market companies and their owners throughout the U.S. and internationally.

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- The CRO industry continues to grow at a brisk pace. The global market is projected to reach \$24 billion by 2010, up from \$14 billion in 2006, equating to growth in excess of 14 percent per year over the period. Several positive trends continue to drive growth, including increased Pharma and Biotech R&D spending for drug development, which has been growing at an estimated 8-9 percent annually for the past decade. Global pharmaceutical R&D spending was estimated at \$60-65 billion in 2006, of which CROs accounted for over 20 percent. Industry sources expect CRO growth will continue to outpace growth in drug development expenditures as the rate of outsourcing has been increasing significantly due to cost and speed to market considerations. A substantial increase in venture capital funding for the biotech industry also points to future growth for CROs; increased Biotech funding will translate into attractive revenue opportunities as Biotech has been growing at a faster pace than Pharma and tends to outsource a greater portion of development work.
- Current estimates put the count of CROs worldwide at over 1,000, while the top five claim only 45 percent of the global market. This level of fragmentation suggests that consolidation plays will continue as CROs look to broaden service offerings and expand their geographic footprints to serve an increasingly global marketplace. Attractive valuations also are fueling M&A activity. Since January 2006, over 50 acquisitions were announced involving CROs across the globe with a median revenue multiple of 2.1x and EBITDA multiple of 10.5x.
- Robust growth is driving attractive valuations in the sector. Public CROs in our peer composite consistently have outperformed the broader market over the past two years, with stocks up 31 percent year to date. The median EBITDA multiple of 14.2x (Page 11) has increased from 12.1x at year-end.
- Recent private equity interest also suggests a bullish outlook on future growth opportunities in the industry. The pending acquisition of PRA International, Inc. by Genstar Capital, LLC marks the largest acquisition in the sector since 2004. Cetero Research, a leading early-phase CRO and portfolio company of private equity firms KRG Capital Partners L.L.C. ("KRG"), Summit Partners ("Summit"), and The Weinberg & Bell Group, has been active on the acquisition front, primarily targeting Phase I CROs. KRG (PRACS Institute, Ltd. and Gateway Medical Research) and Summit (Ba Research International) merged platform investments in October 2006 to form Cetero Research. On Page 2, we spotlight our exclusive interview with Cetero.





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Interview with Cetero Research

Dr. Jerry Merritt CEO, Cetero Research
Chris Bock Managing Director, KRG



Contract Research Organization specializing in early-phase clinical and bioanalytical research

In Brief

Chief Executive Officer:

Dr. Jerry Merritt

Facility Locations:

U.S. and Canada

Minnesota, East Grand Forks
Missouri, St. Charles
North Dakota, Fargo
Florida, Miami Gardens
Texas, Houston
Ontario, Mississauga
Ontario, Scarborough

Employees:

750

Private Equity Investors:

**KRG Capital Partners L.L.C.
Summit Partners
The Weinberg & Bell Group**

Acquisition History

1/06 PRACS Institute, Ltd.

7/06 Gateway Medical Research

10/06 Ba Research International

3/07 Allied Research International



What is your primary focus and what differentiates you from other CROs? *Dr. Merritt:* We're not trying to be everything to everybody. We're a bit unique in that we primarily focus on early-phase human testing (Phase I studies) with a bioanalytical component and the scientific interpretation (roughly 50 - 55 percent of revenue). In late stage, we do Phase II studies (15 - 20 percent) in a selected group of patients, but predominantly those for which the majority of drugs are being developed. For example, diabetes, which is one of the bigger areas of research, is one of our areas of specialization. In Phase III studies (25 percent), we work in allergy and asthma predominantly, and are able to do large scale studies with multiple investigator sites around the country. We also do very specialized work in environmental exposure chambers (EECs). We are probably the biggest player in that area.

A major point of differentiation from other early-phase CROs is our large capacity. We have approximately 1,600 beds in North America for conducting the clinical portion of the business. That is the largest number of beds in North America, and I'm pretty certain the largest in the world. We have three bioanalytical laboratories, and we have in excess of 45-46 LC/MS's (liquid chromatographs/mass spectrometers) to do the analysis.

How has your customer base evolved over time? *Dr. Merritt:* I break the industry down into two major customer groups - the generic companies and the Pharma companies (Big Pharma, Biotech or emerging Biotech). We're a bit more heavily weighted towards generic work. We do a lot of bioequivalency work, and I can say with a fair degree of certainty we probably do more of that than anyone. Within the Pharma industry, we've got our foot in both of the major areas — we have both Biotech as well as Big Pharma experience.

Our customer base is growing. We are seeing more innovator work, and that is part of our strategy. If you look at it on the basis of the overall industry, as a percentage growth factor, the Biotechs have been growing at a much higher rate than the Big Pharma companies. We see that in our business as well.

What have been the major drivers of your historical and projected growth? *Chris Bock:* The company is growing very quickly. It's fair to say that organic growth over the time we've owned the company has been greater than 20 percent annually. Acquisition growth has also been very significant. Every one of the acquisitions we've completed has grown at a faster rate than market. I think that speaks to the synergies of the companies that we've brought together as well as having a good company in a good market. Without publishing numbers, we've more than quintupled the company's revenues over about 20 months.

Dr. Merritt: We think we're well positioned to continue to grow equal to or above the market rate for the next five years. There are no constraints on us right now in terms of physical capacity. Having the 1,600 beds, we track bed utilization rates so we know we're in a position to grow. Our clinic in Miami — Allied International — is a relatively new operation so it hasn't come anywhere close to filling out its full capacity.

What impact have foreign entrants had on the U.S. market and what potential impact do you see going forward? *Dr. Merritt:* In terms of foreign CROs penetrating the U.S. market, I don't necessarily see that as a big factor right now. Most of the CRO market in North America is dominated by U.S. and Canadian-based operations. In the U.S., most of the growth that we have seen has been organic growth from the existing businesses. Canada has a pretty vibrant CRO market, and there have been some start ups. I am only aware of maybe one or two Indian companies that have established a presence in North America, and I believe both of those were in Canada. The European CRO market is pretty weak right now because of the impact of the 2004 European Union Common Directive. It pretty much decimated that business, and so they are not very strong. I know there are large CROs in Europe that have an interest in being in the states. I am sure they are looking at opportunities to get in here, but most foreign companies are not comfortable enough doing it on their own; they want to partner with someone.





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What phases of development are seeing the most growth from the outsourcing trend? *Dr. Merritt:* A year ago my answer to that question would have been early phase to the exclusion of late stage, and I would include in early stage both the preclinical toxicology testing as well as the human testing. The early phase has not shown any drop off. Late stage is starting to pick up a bit more; that area which had been weak for a period of at least 12-18 months has shown some really good gains as compounds are moving out of early phase into the more clinical testing that is done with patients. There clearly were some constraints in preclinical toxicology due to a limited number of animal facilities to conduct studies. That has pretty much abated as new facilities and expanded facilities have come online. So right now, it is robust across preclinical and early phase as well as late stage testing. I couldn't differentiate between them right now.

How have changes in the sponsor base impacted your business and the industry as whole? *Dr. Merritt:* You have to answer that question taking into perspective that Pharma has always been exponentially bigger than Biotech. But on a percentage growth basis, the Biotech industry continues to grow at a much faster pace than Pharma. The Pharma industry knows that there are a lot of bright ideas and innovative compounds coming out of Biotech, which is why you see a lot more partnering and early arrangements being made between the Big Pharma companies and the Biotechs.

The most robust area of drug development still rests in the Biotech industry. The whole concept of innovation is easier to gain traction in the smaller biotech companies. They don't have the history of failed drugs, for the most part, so their enthusiasm is high. There appears to be an adequate amount of venture capital and other funding sources, and the compounds are getting a bit more sophisticated. Biotechs have become more efficient moving compounds through animal testing into human testing. Also, I think CROs are more supportive of biotech now.

What are some of the major trends impacting CROs?

Globalization: *Dr. Merritt:* Globalization has a big impact on the large CROs that are doing late stage work. There is less of an impact in early phase because the sponsors tend to do those studies closer to home. We are seeing a lot more foreign generic pharmaceutical companies coming into the U.S. marketplace. Clearly, many Indian-based companies are penetrating the U.S. market. Then, of course, there is the Israeli-based company Teva — the U.S. is probably their biggest market. The U.S. is a big market for Actavis as well.

What are some of the major trends impacting CROs? (cont.):

Globalization (cont.): *Dr. Merritt:* We are seeing a lot more Japanese pharmaceutical companies coming into the states and doing early-phase clinical studies now than we did ten years ago. They did them ten years ago, but they partnered with other U.S.-based pharmaceutical companies. Now, you see a lot more that are opening U.S. offices and starting these processes on their own without partnering.

Regulatory. *Dr. Merritt:* I expect the regulatory environment to get more rigid and more complicated in the coming years. This has always been the most heavily-regulated industry, certainly in the U.S. and probably in the world. There is no reason to think that is going to change when you have drugs being withdrawn from the market, black box warnings coming in, and Congress wary of the how the FDA is doing its job. Certainly, if you look to the Office of Inspector General Health and Human Services Report from three weeks ago that was hugely critical of the FDA's oversight of clinical trials, you know ultimately those things lead to further regulations.

Electronic data capture (EDC): *Dr. Merritt:* We use it; we're adopting more of it. We are aggressively expanding our EDC system into our clinics in St. Louis, Miami, and Toronto. I think it's growing into a much bigger factor now than it was five years ago. I think you'll see more and more pharmaceutical companies absolutely requiring EDC. The pharmaceutical industry surprised me with how slow they were at adopting EDC. Particularly in late stage, they are still trying to do it themselves even though it's not a core strength. I think they are finally coming to the realization that there are plenty of software vendors out there that have EDC and they're more willing to use them.

Preferred vendor relationships: *Dr. Merritt:* We have some very nice relationships and contractual agreements with companies, and we see more and more of those companies asking for them. This will be a continuing trend.

Staffing: *Dr. Merritt:* Regionally, staffing is not a major issue in the U.S. It clearly is in India. That CRO industry and the outsourcing of projects to India have been impacted by the lack of trained staff over there.

We haven't seen staffing as an issue in our phase. I think you'd find the late stage CROs telling you that staffing is one of their biggest challenges. The biggest demand in late stage is to have clinical research associate (CRA) monitors. As studies get bigger and they are — they've gone up three-fold in terms of size for late-stage studies — the demands for monitors go up. I think ultimately, the shortage of CRAs in late stage will drive up costs. It could impact our business, but hasn't yet.





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What do you see as major challenges for CROs in the coming months? *Dr. Merritt:* I expect to see more application of electronic data which requires validation and monitoring. Whenever you have a period of robust growth, one of the things you always have to pay very close attention to is the quality of the work that you're doing. When you conduct clinical studies, probably most important is your ability to analyze the data and produce a report for clients. As we start doing more and more studies, what is foremost in our minds is our responsibility to ensure the accuracy of the data. That goes back to having enough scientific staff and having the systems that allow you to move the data along. EDC and installation of systems should not be taken lightly because you're dealing with an enormous amount of data. At the end of the day, some companies will find that a challenge as they start to expand. There could be a choke point in terms of being able to manage the data and get the reports out in a timely fashion.

Another major change - I think most companies now recognize that the object of Phase I is to kill the drug and kill it as quickly as you can so that you can move on to another compound that has more probability of coming to market. So that means early decisions in Phase I, which means having accurate data and interpretation of the data. That's not an easy thing to do — to get the data and organize it in a manner that allows a decision to be made. Clearly, there is a great demand to be able to make those decisions quickly.

What do you see as major opportunities for CROs in the coming months? *Dr. Merritt:* Primary opportunities are going to be in doing early safety testing of compounds. We see continued growth in cardiac safety studies — virtually a non-existent early-phase business five years ago. The FDA has now mandated that there be studies conducted in early phase to determine if a drug has any deleterious effects on the heart. We are seeing a lot of these coming in from biotech companies because they need to know early on whether their drug has that effect, because if it does, they are not going to spend the \$10 - \$20 million to get into early human testing when they know they have no market. There will be continued need to conduct these studies and conduct them with a high degree of accuracy because they require a technological aptitude to do the studies.

I am very positive about the generic industry retaining its robust growth over the next five years as well, despite analysts' views that the majority of blockbuster drugs coming off patent have reached the end of their cycle. We are not seeing any downturn in generic bioequivalency work. Quite to the contrary, drugs that quite frankly are easy to demonstrate bioequivalency on have been done.

To our benefit, the generic industry is focusing on the more challenging drugs — the drugs that take a larger number of study subjects to be able to demonstrate bioequivalency. Now we are seeing 100-subject bioequivalency studies versus the 40-subject studies that were considered big 2-3 years ago. That is a reflection of drugs that have a higher degree of variability in their absorption from patient to patient. Generic companies have a lot of money to invest in doing these larger studies now.

Can you comment on the growth outlook for the sector? *Dr. Merritt:* I see the growth of the industry continuing. I don't think you'll find any of the major CROs having any weakness in this year, and I don't think there will be any weakness in the coming year.

I don't think there is any question that we're in full agreement with all the analysts that are looking at the R&D outsourcing across all the phases over the next five years. There is absolutely no reason to think that growth will not continue at a very aggressive rate — north of 14-15 percent per year. We expect outsourcing to be greater than just drug development growth. Everybody recognizes that the pharmaceutical industries are outsourcing more and more of their work. You don't find many pharmaceutical companies that actually support their early-phase clinics any longer. You do have Pfizer and a few others that still keep clinics, but most of them realize it is a very expensive way of doing their work.

Please comment on recent M&A activity in your industry. *Dr. Merritt:* We're in a stage of development that is pretty typical for industries that are relatively young. This is an industry that can really only track back to the early 1980s. There was a phase of mergers that occurred back in the mid-1990s. Now we're at another phase where many of the smaller players are looking to be acquired, or there are private equity firms putting together companies, which I think are trends that are going to continue. Smaller players that lack the capital resources to modernize their businesses or to acquire the equipment necessary to do the cardiac safety testing, for example, or the EDC, may see their only real avenue for growth is through a merger with a company that does have the technology or resources available to them. I don't see any let down in that. The favorable valuations of late are also driving the consolidation.

How do you see consolidation shaping the industry going forward? *Dr. Merritt:* I don't really see any big consolidation plays in the CRO industry. I don't see PPD and Kendle getting together, for example. I think you could see some mergers of mid-tier companies. I am not anticipating any major consolidations driving changes in our industry, although I can always be surprised.





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What have been the primary drivers behind the success in your consolidation strategy? *Dr. Merritt:* I have to give a lot of credit to KRG and Summit for recognizing these synergistic companies were out there that could be put together. The synergies to a large extent have been the primary reason we have been so successful over the past 18 months. Clients prefer to place their work with CROs that have both the clinical and bioanalytical ability and the scientific affairs staff to support their studies. Bringing together PRACS, Gateway, Ba, and Allied was the right mix of companies at the right time with just the right proportion of talent in each one. The staff has been very good during the integration process and there has been a lot of enthusiasm. I think we've done a really good job of integrating the companies. We have a ways to go, but we are probably more than 80 percent of the way there. We've achieved all of the very evident synergies that were part of the deal making to begin with.

Chris Bock: To add to that, I do think we need to give BGL some credit because you were instrumental in bringing us the first platform — PRACS — that we acquired in January 2006. We'd been looking around the CRO space for quite a while but hadn't found the right opportunity at the right price. Once we had PRACS under our belt, I think the success, as it does in most of our platforms, hinged upon having the vision of what we wanted to do within the space and then going out and aggressively seeking acquisitions that fit that vision — to build the best early-clinical CRO in the business that is vertically integrated between the clinical and the bioanalytical side. We're fortunate in that we were able to accomplish a lot in a short period of time. We did all of the acquisitions within 14 months of the initial platform. Also critical to our success was being fortunate enough to find Jerry as the leader of the platform. We knew at the outset that we needed to hire an experienced CEO who had the right personality and skill set to be able to both manage and understand the various segments of the business as well as manage the personalities that come with them. He has done a masterful job in doing that and deserves a lot of credit for bringing out the value of all the synergies and developing the growth engine.

Did you structure the buyouts so that management retained an equity stake in the new company? *Chris Bock:* Yes, Jerry and his management team as well as the entrepreneurs that sold their companies rolled equity in, which represents a fairly significant ownership stake. This is fairly typical for us. We really like to partner and do management recaps as opposed to buying 100% of the company.

What are your future acquisition interests? *Chris Bock:* We are looking at a couple deals now — a little more innovator-oriented. I wouldn't say there is any aspect of the business that we look around and say "we have to have that," but we'll look opportunistically at various specialties. I'd characterize the type of deals we'll look at more as tuck-ins to our existing platform. We'll continue to be active opportunistically, but probably on the smaller deal size.

Given the company's growth story, are you considering an IPO as a possible exit strategy? *Chris Bock:* We're open to any exit including a sale of the business to a strategic buyer, an IPO, or sale to another private equity firm. Timing to a great extent is dependent on market and other factors. There is nothing driving us to sell at this point, but it is something we will continually evaluate. Obviously, we have come a long way in a short period of time and built a great asset that has generated a lot of interest, so we'll continue to monitor the markets to determine which of those avenues will lead the company to the best position as well as generate shareholder value.

How has the recent credit crisis impacted your business? *Chris Bock:* Fortunately, there has been no impact. We're underleveraged at this point by even today's standards and have plenty of cash flow and significant cushion in our covenants. Even if we were to do add-on acquisitions, again that's not going to impact us in terms of being able to finance additional add-ons.





Third quarter deal activity strong, sealing 2007 as record year in Healthcare M&A

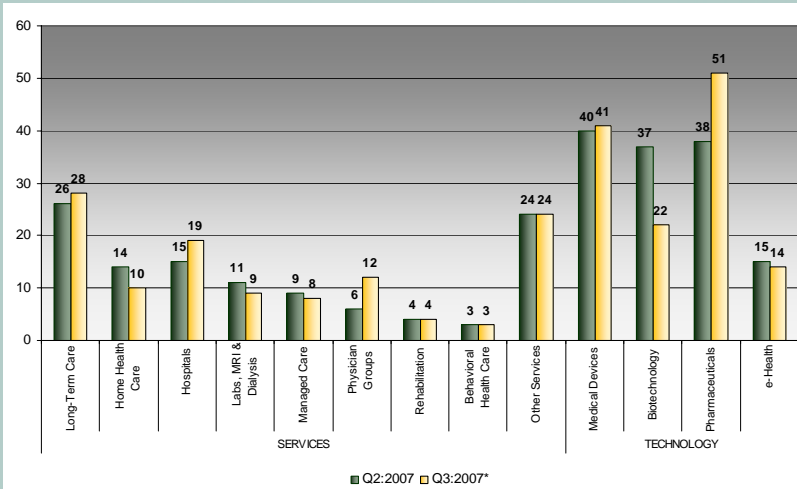
In the third quarter of 2007, M&A activity continued at a steady pace, with deal volume (245 transactions) comparable to 2006 levels (242 transactions). M&A funds committed of \$173 billion (722 announced transactions) through the third quarter already marks 2007 as the second-largest period for Healthcare M&A based on dollar volume.

Third quarter stats show that the Technology category accounted for 52 percent of deal activity, up from 40 percent in 2006. Pharmaceuticals led the Technology category with 40 percent (51 transactions), a notable increase from 29 percent (38 transactions) the prior quarter and same period last year (26 percent; 27 transactions). Long-Term Care again was the most active sub-sector of the Services category, accounting for 24 percent of deals announced.

Healthcare valuations remain strong. For the third quarter of 2007, the median EBITDA multiple for announced healthcare transactions was 16.4x⁽¹⁾. This figure compares to median EBITDA multiples of 14.6⁽¹⁾ and 10.7⁽¹⁾ for the prior quarter and the third quarter of 2006, respectively.

(1) Figure based on transactions with disclosed values.

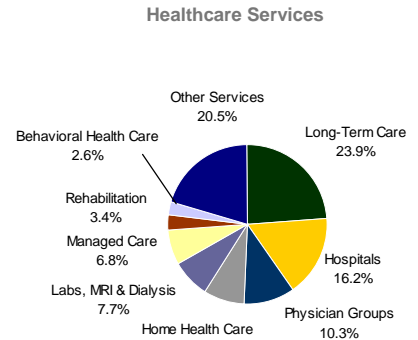
Healthcare M&A – Announced 3Q 2007



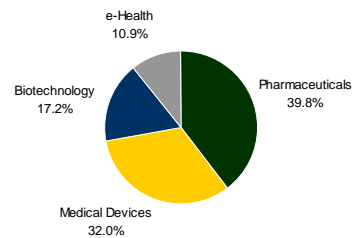
*Preliminary figures

Source: Irving Levin

Healthcare M&A – Deal Stratification Announced 3Q07



Technology



Source: Irving Levin





Mergers & Acquisitions News

Summary of Selected Healthcare M&A Transactions – 3Q07

Sector	Target	Target Country	Acquirer	Date	Enterprise Value (\$ mm)	Enterprise Value Multiple Revenue	Enterprise Value Multiple EBITDA
HEALTHCARE SERVICES ⁽¹⁾							
Long-Term Care	Manor Care Inc.	United States	The Carlyle Group	Pending	\$5,898.9	1.6x	13.0x
Hospitals	Hirslanden Holding	Switzerland	Medi-Clinic Corp. Ltd.	Pending	\$2,984.3	4.0x	17.5x
Distribution	PolyMedica Corp.	United States	MedcoHealth Solutions Inc.	10/31/2007	\$1,530.5	2.2x	15.5x
Hospitals	United Surgical Partners Europe, S.L.	Spain	Cinven Limited	Pending	\$1,314.0		26.1x
Infusion Therapy	Option Care Inc.	United States	Walgreen Co.	8/20/2007	\$779.1	1.0x	15.7x
Managed Care	Vista Healthplan, Inc.	United States	Coventry Health Care Inc.	9/10/2007	\$885.0	0.6x	n/d
Behavioral Health	Care Principles Limited	United Kingdom	Three Delta LLP	Pending	\$548.0	n/d	n/d
Laboratory / Diagnostics	CientificaLab Produtos Laboratoriais e Sistemas	Brazil	Diagnosticos da America	7/20/2007	\$464.6	n/d	n/d
Managed Care	Leon Medical Centers Health Plans, Inc.	United States	HealthSpring Inc.	10/1/2007	\$401.4	n/d	n/d
Hospitals	Capio Healthcare UK Ltd.	United Kingdom	Ramsay Health Care Ltd.	Pending	\$391.0	0.8x	9.6x
Other Services	MedAssist, Incorporated	United States	Firstsource Solutions Limited	9/28/2007	\$330.0	3.3x	n/d
Laboratory / Diagnostics	Bioscientia Institut fuer Medizinische Diagnostik GmbH	Germany	Sonic Healthcare Ltd.	9/17/2007	\$259.0	1.5x	n/d
Hospitals	Ark Holdings, Inc.	United States	Behrman Capital	8/1/2007	\$250.0	1.3x	n/d
Disease Management	Berkeley HeartLab, Inc.	United States	Celera Group	10/15/2007	\$195.0	n/d	n/d
Laboratory / Diagnostics	Sunrise Medical Laboratories, Inc.	United States	Sonic Healthcare Ltd.	8/1/2007	\$168.0	2.2x	n/d
Hospitals	Alta Healthcare System, Inc.	United States	Prospect Medical Holdings Inc.	8/9/2007	\$144.0	1.4x	n/d
Assisted Living	Phönix	Germany	Korian SA	9/1/2007	\$115.9	n/d	n/d
Distribution	Kobashou, Co., Ltd.	Japan	Mediceo Paltac Holdings Co., Ltd.	Pending	\$102.6	0.1x	n/d
Behavioral Health	Mental Healthcare	United Kingdom	Castlebeck Care Holdings Ltd.	8/9/2007	\$101.4	n/d	n/d
Hospitals	Three Acute Care Facilities (Hospital Partners of America)	United States	Medical Properties Trust Inc.	8/9/2007	\$100.0	n/d	n/d
Dental Management Services	Metro Dentalcare	United States	American Dental Partners, Inc.	9/25/2007	\$95.0	1.4x	n/d
Hospitals	Rowan Regional Medical Center, Incorp.	United States	Novant Health	Pending	\$93.0	n/d	n/d
Hospitals	Rockdale Medical Center, Inc.	United States	Signature Hospital Corporation	Pending	\$90.0	n/d	n/d
Managed Care	Alliance For Community Health, LLC	United States	Molina Healthcare Inc.	11/1/2007	\$79.0	0.5x	4.3x
Infusion Therapy	HomeChoice Partners, Inc.	United States	DaVita Inc.	9/10/2007	\$76.5	2.1x	n/d
TECHNOLOGY							
Tools / Diagnostics	Dade Behring Holdings Inc.	United States	Siemens Medical Solutions USA, Inc.	10/31/2007	\$7,120.2	3.9x	16.6x
Medical Devices	Kyphon Inc.	United States	Medtronic Inc.	11/2/2007	\$3,952.8	8.1x	41.0x
Medical Supplies	Arrow International Inc.	United States	TFX Medical OEM	10/1/2007	\$2,010.2	4.0x	16.2x
Medical Supplies	DJO Incorporated	United States	ReAble Therapeutics, Inc.	Pending	\$1,541.6	3.4x	16.6x
Specialty Pharmaceuticals	MedPointe, Inc.	United States	Meda AB	8/22/2007	\$792.9	3.2x	n/d
CRO	PRA International, Inc.	United States	Genstar Capital, LLC	Pending	\$754.8	2.0x	16.8x
Medical Devices	Foxhollow Technologies Inc.	United States	ev3, Inc.	10/4/2007	\$598.6	3.0x	n/d
Biotechnology	Adnexus Therapeutics Inc.	United States	Bristol-Myers Squibb Co.	10/19/2007	\$531.0	180.0x	NM
Pharmaceuticals	Hermal Kurt Herrmann GmbH & Co.	Germany	Laboratorios Almirall SA	9/3/2007	\$518.9	3.7x	n/d
e-Health	Isoft Group plc	United Kingdom	CompuGroup Holding AG	10/30/2007	\$416.6	4.8x	17.6x
e-Health	Sunquest Information Systems Inc.	United States	Vista Equity Partners	10/11/2007	\$381.5	1.4x	n/d
Specialty Pharmaceuticals	Esprit Pharma, Inc.	United States	Allergan Inc.	10/16/2007	\$368.5	n/d	n/d
Pharmaceuticals	NovaCardia, Inc.	United States	Merck & Co. Inc.	9/11/2007	\$310.2	n/d	n/d
e-Health	American Imaging Management, Inc.	United States	WellPoint Inc.	8/1/2007	\$300.0	1.5x	n/d
Medical Supplies	Microtek Medical Holdings Inc.	United States	Ecolab Inc.	Pending	\$271.3	1.8x	17.7x
Biotechnology	ViaCell Inc.	United States	PerkinElmer Inc.	11/8/2007	\$256.6	4.3x	NM
Medical Equipment	HemoSense, Inc.	United States	Inverness Medical Innovations Inc.	11/7/2007	\$234.0	8.3x	n/d
Pharmaceuticals	Orphan Europe SARL	France	Recordati SpA	Pending	\$192.1	3.4x	n/d
Pharmaceuticals	ZAO Makiz Pharma	Russia	OAO Nizhpharm	8/31/2007	\$186.0	2.6x	n/d
Biotechnology	Biologics Business Unit (Nabi Biopharmaceuticals)	United States	Biotech AG	Pending	\$185.0	n/d	n/d
Specialty Pharmaceuticals	JDS Pharmaceuticals, LLC	United States	Noven Pharmaceuticals Inc.	8/14/2007	\$135.0	n/d	n/d
Tools / Diagnostics	Cozart plc	United Kingdom	Concateno PLC	10/1/2007	\$132.7	3.9x	31.3x
Medical Supplies	Attends Healthcare Group Ltd.	United Kingdom	Rutland Partners LLP	7/11/2007	\$128.7	n/d	n/d
Pharma Services	Lipa Pharmaceuticals Ltd.	Australia	CK Life Sciences International Holdings Inc.	11/7/2007	\$106.1	1.3x	9.6x
Tools / Diagnostics	New Brunswick Scientific Co. Inc.	United States	Eppendorf AG	9/24/2007	\$103.4	1.4x	15.6x

(1) Enterprise Value and EBITDA reduced to account for minority interest.

Source: Capital IQ





Healthcare Insider

Industry Valuations: Healthcare Services

Company Name	Ticker	Recent Stock Price (2)	% of 52W High	Market Capitalization (3)	Enterprise Value (EV) (4)	LTM EV		Total Debt/ EBITDA	LTM Revenue	LTM Margins	
						Revenue	EBITDA (5)			Gross	EBITDA (5)
AMBULATORY SURGERY CENTERS											
AmSurg Corp.	AMSG	\$26.82	99.2%	\$833.5	\$967.8	1.9x	9.9x	1.6x	\$511.5	58.9%	19.1%
NovaMed Inc.	NOVA	\$4.53	57.3%	\$111.0	\$206.8	1.6x	11.0x	5.5x	\$127.0	45.2%	14.8%
Median			78.2%	\$472.3	\$587.3	1.8x	10.4x	3.5x	\$319.2	52.0%	17.0%
ASSISTED LIVING											
Assisted Living Concepts Inc.	ALC	\$6.93	52.6%	\$478.2	\$526.7	2.3x	10.2x	1.7x	\$232.3	27.7%	22.2%
Brookdale Senior Living Inc.	BKD	\$30.66	61.4%	\$3,115.5	\$5,287.9	2.9x	21.1x	8.9x	\$1,802.1	24.2%	13.9%
Capital Senior Living Corp.	CSU	\$9.20	75.3%	\$244.5	\$417.4	2.3x	15.6x	7.3x	\$183.8	26.7%	14.6%
Emeritus Corp.	ESC	\$30.89	78.4%	\$1,204.4	\$2,392.5	5.5x	30.6x	12.2x	\$438.3	27.2%	17.9%
Median			68.3%	\$841.3	\$1,459.6	2.3x	15.6x	7.3x	\$335.3	26.9%	16.2%
Mean			66.9%	\$1,260.7	\$2,156.2	2.5x	15.6x	6.0x	\$664.1	26.4%	17.1%
BEHAVIORAL HEALTH											
PHC Inc.	PHC	\$2.90	76.7%	\$58.1	\$58.7	1.3x	15.6x	1.0x	\$45.1	44.5%	8.3%
Providence Service Corp.	PRSC	\$29.06	86.7%	\$340.7	\$321.8	1.3x	14.6x	0.9x	\$242.4	20.7%	9.1%
Psychiatric Solutions, Inc.	PSYS	\$39.69	92.5%	\$2,181.2	\$3,341.2	2.5x	15.4x	5.4x	\$1,362.5	37.7%	16.0%
Res-Care Inc.	RSCR	\$24.29	97.2%	\$708.4	\$940.4	0.7x	9.0x	1.9x	\$1,403.2	10.4%	7.4%
Median			89.6%	\$524.5	\$631.1	1.3x	15.0x	1.5x	\$802.5	29.2%	8.7%
Mean			88.3%	\$822.1	\$1,165.5	1.4x	13.6x	2.3x	\$763.3	28.4%	10.2%
DENTAL MANAGEMENT SERVICES											
American Dental Partners, Inc.	ADPI	\$20.44	69.3%	\$261.9	\$397.7	1.6x	9.6x	3.5x	\$254.1	31.7%	16.2%
Birner Dental Management Services Inc.	BDMS	\$21.45	79.4%	\$43.5	\$48.3	1.2x	6.9x	0.8x	\$40.4	41.0%	17.3%
Median			74.4%	\$152.7	\$223.0	1.4x	8.3x	2.1x	\$147.2	36.4%	16.8%
DIAGNOSTIC IMAGING											
Alliance Imaging Inc.	AIQ	\$8.96	84.2%	\$456.2	\$923.7	2.1x	6.1x	3.5x	\$443.0	47.3%	34.3%
RadNet, Inc.	RDNT	\$9.00	85.1%	\$312.0	\$696.3	2.1x	12.4x	6.9x	\$325.5	23.8%	17.2%
Median			84.7%	\$384.1	\$810.0	2.1x	6.1x	5.2x	\$384.3	35.6%	25.8%
DIALYSIS											
DaVita Inc.	DVA	\$59.04	87.5%	\$6,299.6	\$9,591.4	1.9x	9.7x	3.8x	\$5,181.9	31.8%	19.1%
Dialysis Corp. of America	DCAI	\$8.71	61.5%	\$83.4	\$88.8	1.2x	10.8x	1.2x	\$72.5	39.7%	11.4%
Fresenius Medical Care AG & Co. KGAA	DB:FME	\$53.04	94.6%	\$15,708.5	\$21,119.8	2.2x	11.6x	3.0x	\$9,503.4	34.5%	19.1%
Median			87.5%	\$6,299.6	\$9,591.4	1.9x	10.8x	3.0x	\$5,181.9	34.5%	19.1%
Mean			81.2%	\$7,363.8	\$10,266.7	1.8x	10.7x	2.7x	\$4,919.2	35.3%	16.5%
DISEASE MANAGEMENT											
Healthways Inc.	HWAY	\$59.23	97.3%	\$2,110.5	\$2,362.2	3.8x	18.1x	2.3x	\$615.6	32.1%	21.2%
Matria Healthcare Inc.	MATR	\$23.56	72.5%	\$504.6	\$789.1	2.2x	10.3x	3.9x	\$352.2	68.8%	21.7%
Median			84.9%	\$1,307.6	\$1,575.6	3.0x	14.2x	3.1x	\$483.9	50.5%	21.4%
DISTRIBUTION											
Amerisourcebergen Corp.	ABC	\$44.60	78.9%	\$8,035.8	\$8,155.9	0.1x	8.9x	1.3x	\$66,074.3	3.5%	1.4%
Cardinal Health Inc.	CAH	\$60.82	79.9%	\$21,990.3	\$24,435.0	0.3x	9.6x	1.5x	\$87,887.9	6.1%	2.9%
Henry Schein Inc.	HSIC	\$58.90	92.8%	\$5,273.8	\$5,502.8	1.0x	13.0x	1.1x	\$5,782.7	28.7%	7.3%
McKesson Corp.	MCK	\$64.53	97.1%	\$18,674.1	\$18,106.1	0.2x	10.6x	1.1x	\$96,254.0	4.8%	1.8%
MWI Veterinary Supply, Inc.	MWIV	\$37.76	87.9%	\$453.7	\$445.4	0.6x	15.3x	0.0x	\$710.1	14.4%	4.1%
Omnicare Inc.	OCR	\$28.03	62.5%	\$3,411.7	\$5,970.5	1.0x	8.8x	4.2x	\$6,262.6	25.3%	10.8%
Owens & Minor Inc.	OMI	\$40.09	90.5%	\$1,637.1	\$1,864.6	0.3x	12.6x	1.6x	\$6,704.2	10.5%	2.2%
Patterson Companies Inc.	PDCO	\$37.91	94.6%	\$5,305.4	\$5,191.3	1.8x	14.1x	0.5x	\$2,844.3	34.6%	12.9%
PSS World Medical Inc.	PSSI	\$19.52	89.4%	\$1,262.9	\$1,428.4	0.8x	12.6x	1.6x	\$1,798.3	29.1%	6.3%
Median			89.4%	\$5,273.8	\$5,502.8	0.6x	12.6x	1.3x	\$6,262.6	14.4%	4.1%
Mean			85.9%	\$7,338.3	\$7,900.0	0.7x	11.7x	1.4x	\$30,479.8	17.5%	5.5%
EYE CARE											
LCA-Vision Inc.	LCAV	\$17.63	34.8%	\$336.1	\$266.5	1.0x	4.7x	0.1x	\$279.0	50.1%	20.3%
TLC Vision Corp.	TLCV	\$2.50	41.0%	\$124.8	\$220.1	0.7x	8.7x	4.4x	\$298.5	31.1%	8.5%
Median			37.9%	\$230.4	\$243.3	0.8x	6.7x	2.3x	\$288.8	40.6%	14.4%
HEALTHCARE IT											
Allscripts Healthcare Solutions Inc.	MDRX	\$18.22	58.1%	\$1,034.6	\$1,059.8	3.9x	21.8x	1.8x	\$272.1	50.9%	17.9%
Corner Corp.	CERN	\$54.58	82.5%	\$4,364.0	\$4,260.6	2.8x	12.3x	0.6x	\$1,506.2	80.1%	23.0%
Computer Programs & Systems Inc.	CPSI	\$21.43	57.0%	\$231.7	\$210.5	1.9x	9.5x	0.0x	\$112.1	42.9%	19.7%
Eclipsys Corp.	ECLP	\$23.02	90.6%	\$1,235.1	\$1,085.7	2.3x	18.7x	0.0x	\$468.8	41.8%	12.4%
HLTH Corporation	HLTH	\$14.44	87.2%	\$2,637.4	\$2,502.9	4.1x	41.5x	10.8x	\$614.7	54.4%	9.8%
HMS Holdings Corp.	HMSY	\$31.33	97.4%	\$762.5	\$781.0	5.6x	21.1x	0.7x	\$138.6	34.0%	26.7%
Omniceil Inc.	OMCL	\$24.60	79.0%	\$848.3	\$672.6	3.4x	33.2x	0.0x	\$198.2	53.7%	10.2%
Quality Systems Inc.	QSII	\$29.65	65.3%	\$811.1	\$738.2	4.3x	12.7x	0.0x	\$170.8	66.7%	34.1%
SXC Health Solutions, Corp.	SXCI	\$12.49	44.1%	\$260.7	\$179.5	2.0x	9.8x	0.0x	\$91.6	58.6%	19.9%
TriZetto Group Inc.	TZIX	\$16.17	73.7%	\$738.1	\$915.5	2.2x	12.0x	5.6x	\$423.7	50.5%	18.0%
Median			76.4%	\$829.7	\$848.2	3.1x	12.5x	0.0x	\$235.1	52.3%	18.8%
Mean			73.5%	\$1,292.4	\$1,240.6	3.2x	14.7x	1.0x	\$399.7	53.4%	19.2%
HOME NURSING											
Almost Family Inc.	AFAM	\$19.59	73.7%	\$106.5	\$119.3	1.0x	9.1x	1.0x	\$123.8	62.1%	10.6%
Amedisys Inc.	AMED	\$43.87	98.2%	\$1,150.5	\$1,107.6	1.7x	10.9x	0.2x	\$648.0	56.1%	15.7%
Gentiva Health Services Inc.	GTIV	\$19.33	85.9%	\$540.8	\$823.9	0.7x	8.4x	3.2x	\$1,209.0	42.5%	8.1%
LHC Group, Inc.	LHCG	\$25.00	75.4%	\$450.3	\$440.9	1.6x	11.3x	0.1x	\$276.6	49.5%	14.1%
National Home Health Care Corp. (1)	NHHC	\$12.49	88.9%	\$70.7	\$48.8	0.4x	5.3x	0.0x	\$110.8	33.2%	8.3%
Median			85.9%	\$450.3	\$440.9	1.0x	9.1x	0.2x	\$276.6	49.5%	10.6%
Mean			84.4%	\$463.7	\$508.1	1.1x	9.0x	0.9x	\$473.6	48.7%	11.4%

NOTE: Boxed figures are excluded from median and mean calculations.

(1) Company is target of announced acquisition.

(2) As of 11/13/2007.

(3) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(4) Enterprise Value is the total value of a firm (including all debt and equity).

(5) Enterprise Value and EBITDA reduced to account for minority interest.

Source: Capital IQ.





Healthcare Insider

Industry Valuations: Healthcare Services

Company Name	Ticker	Recent		Market Capitalization (3)	Enterprise Value (EV) (4)	LTM EV		Total Debt/ EBITDA	LTM Revenue	LTM Margins		
		Stock Price (2)	% of 52W High			Revenue	EBITDA (5)			Gross	EBITDA (5)	
HOSPICE												
Chemed Corp.	CHE	\$55.50	77.8%	\$1,327.9	\$1,546.1	1.4x	10.6x	1.6x	\$1,086.2	30.1%	13.4%	
Odyssey Healthcare Inc.	ODSY	\$10.25	71.2%	\$335.3	\$278.5	0.7x	11.2x	0.0x	\$417.4	39.5%	6.0%	
VistaCare Inc.	VSTA	\$7.08	53.7%	\$119.3	\$90.2	0.4x	NM	0.0x	\$240.4	32.1%	NM	
Median		\$335.3	71.2%	\$335.3	\$278.5	0.7x	10.9x	0.0x	\$417.4	32.1%	9.7%	
Mean		\$76.6	67.6%	\$594.2	\$638.3	0.8x	10.9x	0.5x	\$581.3	33.9%	9.7%	
HOSPITAL MANAGEMENT												
Community Health Systems, Inc.	CYH	\$31.26	70.2%	\$2,988.3	\$12,032.2	2.0x	15.3x	11.6x	\$5,966.0	75.0%	13.2%	
Dynaq Healthcare Inc.	DVII	\$4.63	49.3%	\$73.6	\$76.4	1.8x	20.5x	2.3x	\$42.0	51.2%	8.9%	
Health Management Associates Inc.	HMA	\$6.47	30.0%	\$1,570.1	\$5,237.4	1.2x	11.0x	7.9x	\$4,371.1	44.3%	10.9%	
Lifepoint Hospitals Inc.	LPNT	\$30.13	73.8%	\$1,750.6	\$3,219.6	1.2x	7.0x	3.3x	\$2,643.3	46.9%	17.4%	
Tenet Healthcare Corp.	THC	\$4.37	56.0%	\$2,071.8	\$6,149.8	0.7x	9.1x	7.0x	\$8,965.0	37.5%	7.6%	
Universal Health Services Inc.	UHS	\$51.13	80.6%	\$2,745.5	\$3,635.9	0.8x	7.4x	1.8x	\$4,622.7	41.4%	10.6%	
Median		\$31.26	63.1%	\$1,911.2	\$4,436.6	1.0x	8.2x	3.3x	\$4,496.9	45.6%	10.8%	
Mean		\$28.2	60.0%	\$1,866.6	\$5,058.5	1.0x	8.6x	4.5x	\$4,435.0	49.4%	11.4%	
LABORATORY/DIAGNOSTICS												
Bio-Reference Laboratories Inc.	BRLI	\$32.41	91.6%	\$444.0	\$468.5	2.0x	15.8x	1.2x	\$234.6	52.4%	12.6%	
Laboratory Corp. of America Holdings	LH	\$69.06	83.9%	\$7,955.7	\$9,184.9	2.3x	9.5x	1.3x	\$3,961.0	42.0%	24.3%	
Quest Diagnostics Inc.	DGX	\$54.87	93.6%	\$10,623.1	\$14,222.6	2.2x	11.2x	3.0x	\$6,483.7	40.8%	19.6%	
Median		\$54.87	91.6%	\$7,955.7	\$9,184.9	2.2x	11.2x	1.3x	\$3,961.0	42.0%	19.6%	
Mean		\$54.87	89.7%	\$6,340.9	\$7,958.7	2.2x	12.2x	1.8x	\$3,559.8	45.1%	18.9%	
LONG TERM CARE / NURSING HOME												
Advocacare Inc.	AVCA	\$11.28	62.7%	\$66.3	\$100.9	0.4x	4.9x	1.9x	\$231.2	16.7%	8.8%	
Extendicare REIT	TSX:EXE.LUN	\$12.85	62.7%	\$904.1	\$1,715.2	0.9x	8.7x	4.9x	\$1,810.8	11.4%	10.9%	
Five Star Quality Care Inc.	FVE	\$9.37	75.2%	\$297.1	\$342.3	0.4x	11.4x	4.7x	\$968.4	29.8%	3.1%	
Kindred Healthcare Inc.	KND	\$25.49	51.0%	\$976.1	\$970.8	0.2x	5.5x	1.3x	\$4,419.3	22.2%	4.0%	
Manor Care Inc. (1)	HCR	\$65.37	94.9%	\$4,802.3	\$5,632.0	1.5x	12.2x	2.1x	\$3,818.8	17.9%	12.1%	
National Healthcare Corp.	NHC	\$49.25	83.5%	\$617.5	\$485.8	0.9x	12.3x	0.3x	\$564.2	35.6%	7.0%	
Sun Healthcare Group Inc.	SUNH	\$16.40	95.1%	\$707.1	\$1,344.1	0.9x	13.3x	7.1x	\$1,435.9	40.7%	7.1%	
Median		\$16.40	75.2%	\$707.1	\$970.8	0.9x	11.4x	2.1x	\$1,435.9	22.2%	7.1%	
Mean		\$16.40	75.0%	\$1,195.8	\$1,513.0	0.7x	9.8x	3.2x	\$1,892.6	24.9%	7.6%	
MANAGED CARE												
Aetna Inc.	AET	\$54.34	93.7%	\$27,191.7	\$29,037.5	1.1x	9.1x	0.9x	\$26,814.7	29.4%	11.8%	
AMERIGROUP Corp.	AGP	\$36.41	92.3%	\$1,936.9	\$2,007.4	0.5x	9.1x	1.8x	\$3,678.5	18.9%	6.0%	
Centene Corp.	CNC	\$23.06	85.6%	\$1,003.7	\$930.8	0.3x	7.5x	1.6x	\$2,868.6	21.3%	4.3%	
CIGNA Corp.	CI	\$48.90	84.9%	\$13,651.1	\$14,039.1	0.8x	7.0x	0.9x	\$17,459.0	42.8%	11.5%	
CorVel Corp.	CRVL	\$23.06	46.7%	\$319.7	\$310.4	1.1x	7.1x	0.0x	\$285.3	24.5%	15.4%	
Coverity Health Care Inc.	CVH	\$57.69	97.4%	\$8,935.0	\$8,871.6	1.0x	8.8x	1.7x	\$9,032.6	29.3%	11.1%	
Health Net Inc.	HNT	\$47.31	186.8%	\$5,214.0	\$4,913.2	0.4x	8.5x	0.7x	\$13,733.2	14.4%	4.2%	
HealthSpring Inc.	HS	\$19.23	46.7%	\$1,152.9	\$743.0	0.5x	5.3x	0.0x	\$1,442.0	22.2%	9.7%	
Molina Healthcare Inc.	MOH	\$39.97	31.1%	\$1,133.6	\$706.0	0.3x	6.2x	0.2x	\$2,362.3	16.1%	4.8%	
WellPoint Inc.	WLP	\$81.59	94.6%	\$46,614.7	\$52,493.2	0.9x	8.4x	1.4x	\$60,066.9	25.1%	10.4%	
Median		\$39.97	88.9%	\$3,575.5	\$3,460.3	0.7x	8.0x	0.9x	\$6,356.6	23.4%	10.1%	
Mean		\$86.0	86.0%	\$10,715.3	\$11,405.2	0.7x	7.7x	0.9x	\$13,774.3	24.4%	8.9%	
PHARMACY BENEFIT MANAGEMENT												
Allion Healthcare, Inc.	ALLI	\$6.75	89.1%	\$109.4	\$81.0	0.3x	9.6x	0.0x	\$241.0	14.4%	3.5%	
BioScrip Inc.	BIOS	\$9.09	92.6%	\$342.4	\$378.6	0.3x	39.4x	3.8x	\$1,181.7	11.2%	0.8%	
Express Scripts Inc.	ESRX	\$64.67	98.3%	\$16,299.7	\$18,184.1	1.0x	16.3x	1.8x	\$18,187.6	9.5%	6.1%	
HealthExtras Inc.	HLEX	\$26.67	83.3%	\$1,134.1	\$1,033.5	0.6x	15.7x	0.0x	\$1,722.0	6.4%	3.8%	
MedcoHealth Solutions Inc.	MHS	\$100.16	100.0%	\$26,789.0	\$28,178.1	0.6x	14.0x	1.0x	\$44,058.0	6.5%	4.6%	
National Medical Health Card Systems Inc.	NMHC	\$8.88	50.0%	\$49.1	\$127.8	0.2x	15.8x	0.3x	\$655.3	12.9%	1.2%	
Median		\$8.88	90.8%	\$738.3	\$706.0	0.5x	15.7x	0.7x	\$1,451.8	10.4%	3.7%	
Mean		\$66.6	85.5%	\$7,454.0	\$7,997.2	0.5x	14.3x	1.1x	\$11,007.6	10.2%	3.3%	
REHABILITATION SERVICES												
HealthSouth Corp.	HLS	\$20.60	79.6%	\$1,623.9	\$4,388.2	1.5x	14.7x	8.0x	\$3,024.8	38.8%	9.9%	
Rehabcare Group Inc.	RHB	\$21.79	95.7%	\$382.6	\$469.0	0.7x	10.0x	2.1x	\$720.3	18.3%	6.5%	
US Physical Therapy Inc.	USPH	\$14.49	91.9%	\$171.4	\$175.8	1.2x	9.7x	0.8x	\$141.5	26.8%	12.8%	
Median		\$14.49	91.9%	\$382.6	\$469.0	1.2x	9.9x	1.5x	\$720.3	26.8%	9.9%	
Mean		\$14.49	89.0%	\$726.0	\$1,677.7	1.1x	9.9x	1.5x	\$1,295.5	28.0%	9.7%	
RESPIRATORY THERAPY / DME												
American Homepatient Inc.	AHOM	\$1.20	37.4%	\$21.1	\$255.4	0.8x	5.6x	5.5x	\$320.1	60.0%	14.3%	
Apria Healthcare Group Inc.	AHG	\$22.48	65.4%	\$982.9	\$1,324.1	0.8x	4.6x	1.3x	\$1,570.4	72.8%	18.3%	
Lincare Holdings Inc.	LINC	\$35.93	85.7%	\$2,880.5	\$3,252.5	2.1x	6.7x	0.8x	\$1,551.8	52.8%	31.3%	
Rotech Healthcare Inc.	ROHI	\$0.57	15.3%	\$14.6	\$426.2	0.8x	6.1x	6.8x	\$547.8	70.5%	12.7%	
Median		\$0.57	51.4%	\$502.0	\$875.2	0.8x	5.9x	3.4x	\$1,049.8	65.2%	16.3%	
Mean		\$11.2	51.0%	\$974.8	\$1,314.6	0.8x	5.8x	3.6x	\$997.5	64.0%	19.1%	
STAFFING												
AMN Healthcare Services Inc.	AHS	\$18.02	61.9%	\$609.6	\$760.5	0.7x	8.6x	1.8x	\$1,161.7	26.0%	7.6%	
Allied Healthcare International Inc.	AHCI	\$2.45	65.3%	\$110.1	\$164.6	0.6x	7.6x	2.6x	\$298.5	31.1%	7.2%	
Cross Country Healthcare Inc.	CCRN	\$13.80	59.4%	\$440.4	\$484.5	0.7x	10.1x	0.9x	\$712.3	23.8%	6.8%	
Medical Staffing Network Holdings Inc.	MRN	\$5.59	77.4%	\$169.2	\$298.7	0.7x	18.6x	8.1x	\$438.7	23.8%	3.7%	
On Assignment Inc.	ASGN	\$6.91	50.1%	\$244.8	\$351.7	0.7x	8.6x	3.5x	\$491.7	30.9%	8.3%	
Median		\$6.91	61.9%	\$244.8	\$351.7	0.7x	8.6x	2.2x	\$491.7	26.0%	7.2%	
Mean		\$6.91	62.8%	\$314.8	\$412.0	0.7x	8.7x	2.2x	\$620.6	27.1%	6.7%	
OTHER												
Continuare Corp.	CNU	\$2.62	68.3%	\$176.2	\$162.2	0.7x	12.3x	0.0x	\$242.1	14.8%	5.4%	
Emergency Medical Services Corp.	EMS	\$30.81	67.0%	\$1,280.8	\$1,781.4	0.9x	8.4x	2.5x	\$2,070.7	16.0%	10.3%	
Hanger Orthopedic Group Inc.	HGR	\$11.47	86.2%	\$259.9	\$695.0	1.1x	8.0x	4.7x	\$620.5	50.8%	14.0%	
HearUSA Inc.	EAR	\$1.64	84.1%	\$61.0	\$102.8	1.1x	27.4x	12.0x	\$93.4	71.6%	4.0%	
MedCath Corp.	MDTH	\$26.50	76.6%	\$563.7	\$637.8	0.9x	7.2x	2.4x	\$737.8	41.7%	11.9%	
NightHawk Radiology Holdings, Inc.	NHWK	\$20.60	73.6%	\$621.9	\$663.5	5.0x	23.3x	3.5x	\$133.0	55.4%	21.4%	
Pediatric Medical Group, Inc.	PDX	\$63.29	94.1%	\$3,063.2	\$2,984.5	3.4x	13.5x	0.0x	\$889.5	38.5%	24.8%	
Radiation Therapy Services Inc. (1)	RTSX	\$31.19	89.3%	\$739.0	\$1,025.5	3.0x	11.9x	2.5x	\$345.4	42.7%	24.9%	
Median		\$31.19	80.3%	\$592.8	\$679.2	1.1x	10.1x	2.5x	\$482.9	42.2%	13.0%	
Mean		\$31.19	79.9%	\$845.7	\$1,006.6	1.6x	10.2x	2.2x	\$641.5	41.4%	14.6%	

NOTE: Boxed figures are excluded from median and mean calculations.
 (1) Company is target of announced acquisition.
 (2) As of 1/13/2007.
 (3) Market Capitalization is the aggregate value of a firm's outstanding common stock.
 (4) Enterprise Value is the total value of a firm (including all debt and equity).
 (5) Enterprise Value and EBITDA reduced to account for minority interest.
 Source: Capital IQ





Healthcare Insider

Industry Valuations: Medical Devices, Equipment & Supplies

Company Name	Ticker	Recent Stock Price (2)	% of 52W High	Market Capitalization (3)	Enterprise Value (EV) (4)	LTM EV		Total Debt/EBITDA	LTM Revenue	LTM Margins	
						Revenue	EBITDA			Gross	EBITDA
MEDICAL DEVICES											
Boston Scientific Corp.	BSX	\$12.94	69.2%	\$19,290.8	\$26,210.8	3.1x	11.7x	3.7x	\$8,269.0	70.4%	26.9%
CR Bard Inc.	BCR	\$85.92	95.5%	\$8,755.0	\$8,338.4	3.8x	13.3x	0.2x	\$2,144.3	60.7%	28.9%
Edwards Lifesciences Corp.	EW	\$50.01	94.4%	\$2,835.8	\$2,871.3	2.7x	12.5x	0.9x	\$1,063.7	64.8%	21.4%
Medtronic Inc.	MDT	\$46.85	80.8%	\$53,310.0	\$56,536.0	4.5x	12.7x	1.4x	\$12,529.0	74.3%	35.2%
Smith & Nephew plc	LSE:SN	\$12.00	86.8%	\$10,805.0	\$11,957.3	3.8x	14.2x	1.4x	\$3,173.0	72.5%	26.8%
St. Jude Medical Inc.	STJ	\$38.88	80.8%	\$13,310.8	\$14,634.8	3.9x	13.4x	1.3x	\$3,625.0	73.1%	28.9%
Stryker Corp.	SYK	\$70.87	94.9%	\$29,091.0	\$27,035.0	4.4x	16.3x	0.0x	\$6,001.2	66.4%	27.4%
Synthes Inc.	VIRTX:SYST	\$119.39	81.5%	\$14,171.9	\$13,963.7	5.4x	13.3x	0.1x	\$2,556.4	79.7%	40.8%
Zimmer Holdings Inc.	ZMH	\$67.94	72.0%	\$15,947.2	\$15,739.9	4.1x	10.2x	0.1x	\$3,757.6	77.9%	40.2%
Median			81.5%	\$14,171.9	\$14,634.8	3.9x	13.3x	0.9x	\$3,625.0	72.5%	28.9%
Mean			84.0%	\$18,613.0	\$19,698.6	4.0x	13.1x	1.0x	\$4,791.0	71.1%	30.7%
LIFE SCIENCES TOOLS / DIAGNOSTICS											
Applera Corp.-Applied Biosystems Group	ABI	\$34.01	88.8%	\$5,719.9	\$5,717.8	2.7x	12.5x	0.6x	\$2,118.4	55.8%	21.3%
Beckman Coulter Inc.	BEC	\$70.42	91.5%	\$4,417.4	\$5,259.6	1.9x	9.7x	1.7x	\$2,684.3	46.9%	20.0%
Illumina Inc.	ILMN	\$53.06	83.7%	\$2,912.8	\$2,960.0	9.4x	41.2x	5.6x	\$314.6	64.6%	22.8%
Inverness Medical Innovations Inc.	IMA	\$59.75	91.9%	\$3,316.3	\$4,510.4	6.3x	42.4x	11.1x	\$708.6	48.3%	17.2%
Invitrogen Corp.	IVGN	\$88.40	96.1%	\$4,116.4	\$4,623.4	3.4x	14.5x	3.8x	\$1,359.2	60.6%	23.4%
Millipore Corp.	MIL	\$82.43	99.9%	\$4,498.7	\$5,766.3	3.7x	15.7x	3.5x	\$1,509.4	54.5%	24.0%
PerkinElmer Inc.	PKI	\$27.03	90.1%	\$3,204.0	\$3,290.2	1.9x	13.6x	1.0x	\$1,702.8	40.7%	14.1%
Thermo Fisher Scientific, Inc.	TMO	\$57.89	93.3%	\$24,317.6	\$25,672.1	2.9x	15.9x	1.4x	\$8,794.2	39.6%	18.0%
Ventana Medical Systems Inc. (1)	VMSI	\$84.18	93.8%	\$2,917.9	\$2,877.1	10.3x	43.7x	0.0x	\$278.0	75.1%	23.7%
Waters Corp.	WAT	\$74.96	97.0%	\$7,527.9	\$7,811.9	5.4x	20.3x	2.4x	\$1,423.0	57.0%	26.5%
Median			92.6%	\$4,266.9	\$4,941.5	3.1x	14.5x	1.7x	\$1,466.2	55.1%	22.0%
Mean			92.6%	\$6,294.9	\$6,848.9	3.5x	14.6x	2.2x	\$2,089.3	54.3%	21.1%
MEDICAL EQUIPMENT											
Hillenbrand Industries Inc.	HB	\$56.98	82.0%	\$3,529.2	\$3,738.2	1.8x	8.7x	0.8x	\$2,014.0	44.1%	21.1%
Hologic Inc.	HOLX	\$63.45	91.7%	\$7,763.1	\$7,673.9	10.0x	41.3x	0.1x	\$738.4	48.3%	24.2%
Intuitive Surgical Inc.	ISRG	\$275.55	81.1%	\$10,528.5	\$10,159.5	18.7x	54.2x	0.0x	\$523.9	67.6%	34.6%
Invacare Corp.	IVC	\$26.41	95.2%	\$846.3	\$1,352.7	0.9x	16.2x	6.9x	\$1,560.6	27.3%	5.3%
Kinetic Concepts Inc.	KCI	\$60.13	90.1%	\$4,332.4	\$4,256.2	2.7x	9.2x	0.2x	\$1,547.8	48.0%	29.3%
ResMed Inc.	RMD	\$44.90	80.0%	\$3,470.9	\$3,309.0	4.4x	23.4x	0.8x	\$738.5	53.5%	19.0%
Resprionics Inc.	RESP	\$50.00	97.0%	\$3,702.7	\$3,430.3	2.8x	13.9x	0.2x	\$1,240.0	53.6%	19.9%
Sirona Dental Systems Inc.	SIRO	\$32.30	73.1%	\$1,768.6	\$2,245.5	3.6x	17.7x	4.3x	\$617.6	54.0%	20.1%
Steris Corp.	STE	\$27.79	87.6%	\$1,762.4	\$1,826.7	1.5x	8.9x	0.6x	\$1,224.8	42.1%	16.5%
Varian Medical Systems Inc.	VAR	\$49.95	96.1%	\$6,292.7	\$6,119.8	3.5x	17.2x	0.1x	\$1,708.3	41.4%	20.5%
Median			88.8%	\$3,616.0	\$3,584.3	2.7x	13.9x	0.4x	\$1,232.4	48.1%	20.3%
Mean			87.4%	\$4,399.7	\$4,411.2	2.4x	13.1x	1.4x	\$1,191.4	48.0%	21.0%
HEALTHCARE SUPPLIES											
Alcon Inc.	ACL	\$144.07	93.0%	\$42,920.3	\$42,145.3	7.8x	19.4x	0.4x	\$5,354.8	75.7%	40.3%
Becton Dickinson & Co.	BDX	\$83.02	97.8%	\$20,206.2	\$20,788.6	3.2x	11.6x	0.7x	\$6,359.7	51.7%	27.6%
The Cooper Companies Inc.	COO	\$43.41	75.4%	\$1,944.8	\$2,798.0	3.1x	15.4x	4.7x	\$912.8	59.1%	20.0%
Covidien, Ltd.	COV	\$39.24	79.0%	\$19,502.3	\$23,241.3	2.3x	9.4x	1.8x	\$10,050.0	47.1%	24.5%
DENTSPLY International Inc.	XRAY	\$41.99	91.0%	\$6,359.5	\$6,601.7	3.4x	16.6x	1.3x	\$1,939.7	52.0%	20.5%
DJO Incorporated (1)	DJO	\$50.09	93.5%	\$1,185.0	\$1,458.6	3.1x	15.4x	3.0x	\$465.6	61.0%	20.2%
Haemonetics Corp.	HAE	\$55.00	94.5%	\$1,397.7	\$1,267.0	2.7x	12.7x	0.2x	\$473.6	49.9%	20.8%
ICU Medical Inc.	ICUI	\$39.25	87.2%	\$544.9	\$442.3	2.2x	9.8x	0.0x	\$195.4	40.5%	22.0%
Medical Action Industries Inc.	MDCI	\$19.76	77.2%	\$316.6	\$369.4	1.2x	10.4x	1.7x	\$278.7	23.9%	11.9%
Merit Medical Systems Inc.	MMSI	\$13.70	81.6%	\$374.1	\$361.9	1.8x	11.6x	0.0x	\$204.2	37.8%	15.1%
Median			89.1%	\$1,671.2	\$2,128.3	2.7x	11.6x	1.0x	\$693.2	50.8%	20.6%
Mean			87.0%	\$9,475.1	\$9,947.4	2.5x	12.6x	1.4x	\$2,623.4	49.9%	22.3%

NOTE: Boxed figures are excluded from median and mean calculations.

(1) Company is target of announced acquisition.

(2) As of 11/13/2007.

(3) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(4) Enterprise Value is the total value of a firm (including all debt and equity).

Source: Capital IQ.





Healthcare Insider

Industry Valuations: Pharmaceuticals & Biotechnology

Company Name	Ticker	Recent Stock Price (2)	% of 52W High	Market Capitalization (3)	Enterprise Value (EV) (4)	LTM EV		Total Debt/ EBITDA	LTM Revenue	LTM Margins	
						Revenue	EBITDA			Gross	EBITDA
PHARMACEUTICALS											
Abbott Laboratories	ABT	\$55.11	92.6%	\$85,160.0	\$94,853.4	3.8x	14.3x	2.0x	\$24,910.9	56.1%	24.5%
AstraZeneca plc	LSE:AZN	\$45.43	70.7%	\$66,530.2	\$77,702.9	2.7x	7.4x	1.4x	\$28,543.0	79.7%	36.3%
Eli Lilly & Co.	LLY	\$52.64	86.3%	\$59,710.2	\$61,118.7	3.4x	10.8x	0.9x	\$17,689.2	77.4%	31.7%
GlaxoSmithKline plc	LSE:GSK	\$25.20	61.0%	\$137,743.6	\$146,092.7	3.1x	8.0x	0.8x	\$46,304.9	77.7%	38.0%
Merck & Co. Inc.	MRK	\$57.49	98.5%	\$125,130.8	\$126,023.4	5.1x	11.3x	0.7x	\$23,998.9	76.1%	33.7%
Novartis AG	VIRTX:NOVN	\$52.50	79.2%	\$120,499.5	\$112,943.1	2.8x	9.9x	0.7x	\$40,074.0	71.9%	27.3%
Pfizer Inc.	PFE	\$23.55	84.5%	\$160,841.9	\$147,332.9	3.0x	7.3x	0.4x	\$48,151.0	84.0%	40.9%
Roche Holding AG	VIRTX:ROG	\$173.40	81.6%	\$149,571.1	\$142,816.2	3.4x	9.8x	0.5x	\$38,332.0	75.9%	34.1%
Sanofi-Aventis	ENXTPA:SAN	\$91.62	87.3%	\$123,985.9	\$132,119.0	3.0x	7.7x	0.6x	\$42,083.5	74.4%	36.4%
Wyeth	WYE	\$46.87	75.4%	\$62,765.5	\$61,611.1	2.8x	8.7x	1.7x	\$21,856.5	73.1%	31.8%
Median			83.1%	\$122,242.7	\$119,483.3	3.0x	9.3x	0.8x	\$33,437.5	76.0%	33.9%
Mean			81.7%	\$109,193.9	\$110,261.3	3.3x	9.5x	1.0x	\$33,194.4	74.6%	33.5%
SPECIALTY PHARMACEUTICALS											
Allergan Inc.	AGN	\$65.27	94.4%	\$20,036.0	\$20,242.0	5.6x	20.4x	1.6x	\$3,677.4	82.7%	27.3%
Biovail Corporation	BVF	\$17.15	64.8%	\$2,761.6	\$2,320.5	2.2x	4.2x	0.0x	\$946.6	78.9%	50.3%
Endo Pharmaceuticals Holdings Inc.	ENDP	\$27.40	76.4%	\$3,674.7	\$2,791.8	2.7x	8.0x	0.0x	\$1,040.5	79.9%	33.9%
Forest Laboratories Inc.	FRX	\$37.93	65.4%	\$11,827.8	\$10,254.1	2.8x	8.2x	0.0x	\$3,519.9	78.4%	34.8%
King Pharmaceuticals Inc.	KG	\$10.64	47.8%	\$2,600.8	\$1,921.7	0.9x	2.5x	0.6x	\$2,116.5	74.1%	33.3%
Medicis Pharmaceutical Corp.	MRX	\$27.84	69.7%	\$1,566.4	\$1,253.4	2.9x	10.0x	3.7x	\$433.5	87.6%	28.6%
Merck Group	DB:MRK	\$120.23	75.5%	\$26,138.1	\$34,110.4	2.8x	10.6x	2.8x	\$11,673.1	68.7%	26.3%
Sepracor, Inc.	SEPR	\$27.07	42.8%	\$3,023.8	\$3,036.0	2.4x	15.3x	3.8x	\$1,250.7	90.7%	15.4%
Shire plc	LSE:SHP	\$23.19	85.1%	\$12,756.8	\$13,335.8	5.9x	24.7x	2.1x	\$2,208.8	87.7%	24.0%
Warner Chilcott Limited	WCRX	\$18.01	90.0%	\$4,512.9	\$5,778.7	6.7x	15.8x	3.1x	\$878.2	78.8%	47.2%
Median			72.6%	\$4,093.8	\$4,407.4	2.7x	9.1x	1.9x	\$1,683.6	79.4%	31.0%
Mean			71.2%	\$8,890.0	\$9,504.8	2.4x	9.3x	1.8x	\$2,774.5	80.8%	32.1%
GENERIC PHARMACEUTICALS											
Barr Pharmaceuticals Inc.	BRL	\$52.76	90.4%	\$5,684.9	\$7,389.0	2.8x	9.3x	2.7x	\$2,653.8	59.0%	30.0%
Bentley Pharmaceuticals Inc.	BNT	\$12.25	87.5%	\$273.5	\$250.0	2.1x	13.4x	0.8x	\$117.0	50.1%	16.0%
Caraco Pharmaceutical Laboratories Ltd.	CPD	\$14.47	84.5%	\$431.5	\$467.0	3.3x	10.0x	0.0x	\$140.8	45.8%	32.7%
KV Pharmaceutical Co.	KVA	\$29.93	95.1%	\$1,482.4	\$1,514.8	4.0x	16.8x	2.7x	\$380.5	65.4%	23.9%
Mylan, Inc.	MYL	\$14.35	62.7%	\$3,571.6	\$4,052.8	2.2x	6.2x	2.6x	\$1,912.4	52.0%	35.2%
Par Pharmaceutical Companies Inc.	PRX	\$18.09	59.0%	\$641.8	\$633.1	0.8x	9.9x	3.3x	\$725.2	33.1%	8.7%
Perrigo Co.	PRGO	\$30.58	98.6%	\$2,858.4	\$3,448.7	2.3x	17.3x	3.4x	\$1,490.0	29.0%	13.1%
Taro Pharmaceutical Industries Ltd. (1)	TARO.F	\$7.40	57.1%	\$219.2	\$415.6	1.4x	10.1x	6.7x	\$297.7	56.8%	13.6%
Teva Pharmaceutical Industries Ltd.	TEVA	\$45.24	98.4%	\$36,481.4	\$39,172.4	4.2x	14.0x	1.9x	\$9,109.0	50.9%	30.0%
Watson Pharmaceuticals Inc.	WPI	\$28.37	83.7%	\$2,940.0	\$3,775.8	1.5x	6.8x	1.8x	\$2,490.5	39.2%	22.3%
Median			86.0%	\$2,170.4	\$2,481.8	2.2x	10.1x	2.6x	\$1,107.6	50.5%	23.1%
Mean			81.7%	\$5,458.5	\$6,111.9	2.5x	11.4x	2.1x	\$1,937.7	48.1%	22.5%
BIOTECHNOLOGY											
Amgen Inc.	AMGN	\$54.44	70.7%	\$59,211.2	\$64,574.2	4.3x	10.1x	1.8x	\$14,861.0	84.8%	43.0%
Amylin Pharmaceuticals Inc.	AMLN	\$41.03	77.1%	\$5,531.0	\$5,223.6	7.1x	NM	NM	\$722.3	92.5%	NM
Biogen Idec Inc.	BIIB	\$70.83	83.6%	\$20,779.3	\$21,668.2	10.2x	18.4x	5.7x	\$2,096.7	86.3%	13.0%
Celgene Corporation	CELG	\$63.14	83.7%	\$24,363.2	\$22,233.2	17.3x	59.9x	1.1x	\$1,266.2	90.6%	29.4%
Cephalon Inc.	CEPH	\$77.04	90.8%	\$5,165.7	\$5,676.3	3.1x	11.1x	2.8x	\$1,807.3	85.7%	24.9%
Genentech Inc.	DNA	\$73.78	82.2%	\$77,697.1	\$77,123.1	6.8x	16.4x	0.5x	\$11,470.0	86.4%	41.3%
Genzyme Corp.	GENZ	\$72.16	93.8%	\$19,192.8	\$19,067.1	5.1x	16.5x	0.7x	\$3,631.0	76.5%	30.8%
Gilead Sciences Inc.	GILD	\$43.11	90.5%	\$40,125.6	\$40,820.7	10.0x	18.3x	0.6x	\$4,034.5	82.7%	54.5%
Millennium Pharmaceuticals Inc.	MLNM	\$13.72	97.3%	\$4,429.8	\$3,878.8	7.9x	NM	23.8x	\$486.5	94.6%	2.8%
Vertex Pharmaceuticals Inc.	VRTX	\$26.23	57.8%	\$3,470.2	\$2,987.6	12.2x	NM	NM	\$242.3	94.5%	NM
Median			83.6%	\$19,986.1	\$20,367.6	6.9x	16.4x	1.1x	\$1,952.0	86.3%	30.1%
Mean			82.8%	\$25,996.6	\$26,325.3	6.8x	15.1x	1.9x	\$4,061.8	87.4%	30.0%
CRO / PHARMA SERVICES											
Charles River Laboratories International Inc.	CRL	\$61.16	95.9%	\$4,154.1	\$4,485.4	3.7x	14.5x	1.7x	\$1,184.3	39.0%	25.8%
Covance Inc.	CVD	\$81.00	96.1%	\$5,171.3	\$4,911.5	3.2x	17.3x	0.0x	\$1,554.9	33.0%	18.3%
ICON plc	ICLR	\$56.06	91.5%	\$1,613.6	\$1,587.2	2.9x	20.6x	0.9x	\$579.0	43.5%	14.0%
inVentiv Health, Inc.	VTV	\$30.00	64.5%	\$969.1	\$1,268.3	1.4x	11.7x	3.4x	\$921.1	29.1%	11.6%
Kendle International Inc.	KNDL	\$40.83	88.0%	\$596.5	\$769.1	1.4x	12.6x	3.3x	\$532.3	34.3%	31.1%
MDS, Inc.	TSX:MDS	\$20.97	91.2%	\$2,569.9	\$2,651.8	2.4x	29.8x	4.3x	\$1,119.4	37.1%	8.0%
Parexel International Corp.	PRXL	\$45.54	95.5%	\$1,265.6	\$1,273.2	1.3x	13.0x	0.6x	\$966.6	28.1%	10.1%
Pharmaceutical Product Development Inc.	PPDI	\$41.20	96.6%	\$4,898.7	\$4,454.6	3.2x	15.4x	0.0x	\$1,365.6	45.4%	21.0%
PharmaNet Development Group, Inc.	PDGI	\$35.74	93.7%	\$675.6	\$762.0	1.7x	14.0x	2.7x	\$444.7	32.4%	12.0%
PRA International, Inc. (1)	PRAI	\$30.35	94.2%	\$755.0	\$716.7	1.8x	16.2x	0.0x	\$399.7	40.6%	11.1%
Median			93.9%	\$1,439.6	\$1,430.2	2.1x	14.2x	1.3x	\$943.9	35.7%	12.0%
Mean			90.7%	\$2,267.0	\$2,288.0	2.3x	14.3x	1.7x	\$906.8	36.3%	14.4%
PHARMA IT											
Cegeidm SA	ENXTPA:CGM	\$116.00	83.7%	\$1,077.7	\$2,000.1	2.2x	13.5x	7.0x	\$837.0	22.2%	16.6%
IMS Health Inc.	RX	\$24.42	73.7%	\$5,840.1	\$5,840.1	2.7x	9.7x	2.0x	\$2,130.1	56.5%	28.0%
Phase Forward Inc.	PFWD	\$22.12	89.6%	\$935.5	\$748.6	5.7x	36.7x	0.0x	\$126.7	60.2%	15.5%
Median			83.7%	\$1,077.7	\$2,000.1	2.5x	11.6x	2.0x	\$837.0	56.5%	16.6%
Mean			82.3%	\$2,250.2	\$2,862.9	2.5x	11.6x	3.0x	\$1,031.3	46.3%	20.1%

NOTE: Boxed figures are excluded from median and mean calculations.

(1) Company is target of announced acquisition.

(2) As of 11/13/2007.

(3) Market Capitalization is the aggregate value of a firm's outstanding common stock.

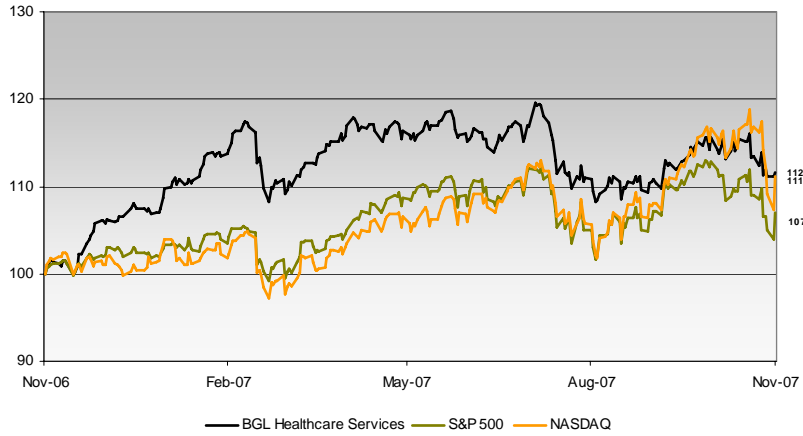
(4) Enterprise Value is the total value of a firm (including all debt and equity).

Source: Capital IQ.

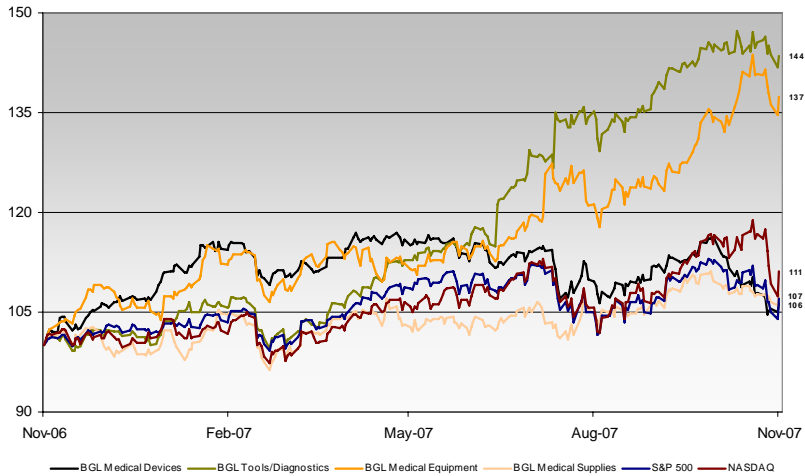


Industry Stock Price Performance

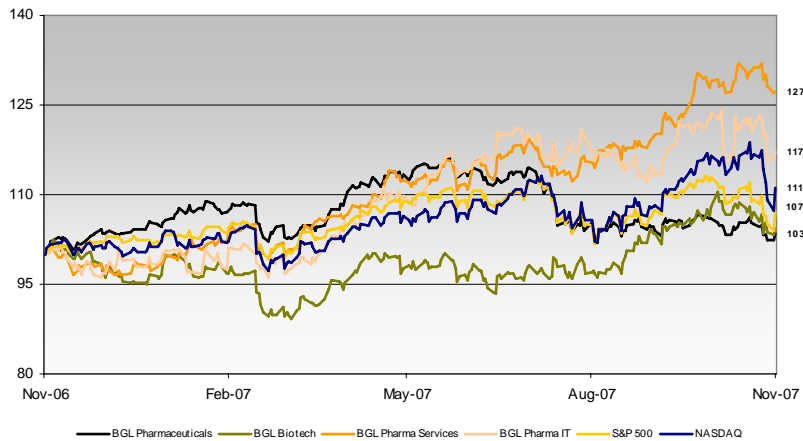
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has been acquired by




has negotiated a bankruptcy plan of reorganization with its unsecured creditors committee

BEN VENUE LABORATORIES, INC.

has been acquired by



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