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Spotlight On: Outpatient Rehabilitation Services

An attractive growth profile, fragmentation, and recent private equity backed transactions point toward continued consolidation in the outpatient rehabilitation services sector.

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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And Then There Were Three

The outpatient rehab sector saw significant M&A activity in the first half of 2007, as the market was reduced from five to three national players. In May 2007, HealthSouth completed the divestiture of its approximately 600-clinic outpatient rehab division, selling to **Select Medical**. Select Medical is now the country's largest market participant with approximately 1,100 clinics nationwide. The HealthSouth transaction is the largest acquisition for Select Medical's rehab services segment since private equity investors Welsh, Carson, Anderson & Stowe and Thoma Cressey Bravo (fka Thoma Cressey Equity Partners) took the company private in February 2005.

Physiotherapy Associates, Water Street Healthcare Partners' rehab platform, was acquired from Stryker Corporation in June 2007. Physiotherapy Associates also announced in June that it will merge with Benchmark Medical, a portfolio company of private equity group Wind Point Partners. Benchmark Medical completed 22 acquisitions of outpatient rehab providers since its founding in 1999, closing its first major acquisition in September 2000 (Keystone Rehabilitation Systems with 80 clinics) and expanding its reach to more than 360 points of service in 22 states over the eight-year period. The combined company, operating under the Physiotherapy Associates name, will be the second-largest player in the industry with over 800 outpatient clinics across the country. Chicago private equity firms Water Street Healthcare Partners and Wind Point Partners are co-investors in the combined entity.

US Physical Therapy ("USPH"), the third-largest outpatient rehab services provider, has relied largely on organic growth, with over 90% of its clinics established through de novo development. Look for USPH to be more acquisitive in the future. On its June earnings call, the company announced it will more actively pursue acquisitions in order to bolster growth, stating that it is currently reviewing all deals in the market. USPH expects to remain disciplined in its acquisition approach, setting an EBITDA multiple ceiling for acquisitions. The company's transaction structures typically involve sellers rolling over a sizable equity interest, in the range of 20 to 30 percent. On current pricing, USPH has observed that while typical properties are selling in the 5x to 7x EBITDA range, a larger regional provider with highly-attractive growth prospects can garner a multiple above that range.

National Outpatient Rehab Providers

Company	Clinics	States	Revenue (\$mm)	Ownership
Select Medical	1,106	37	\$797	(1) Welsh, Carson, Anderson & Stowe; Thoma Cressey Bravo
Physiotherapy Associates	825	32	\$420	Water Street Healthcare Partners; Wind Point Partners
US Physical Therapy	298	41	\$137	Public

SOURCE: Capital IQ and BGL Research

1) Pro forma combined revenues for the twelve months ended December 31, 2006.



Spotlight On: Outpatient Rehabilitation Services

Platform for growth

Rehab industry fundamentals and recent private equity interest in the sector suggest that consolidation is likely to continue. The outpatient rehab market has exhibited **steady growth**, with a CAGR in gross revenue of over 10 percent since 2000, driven entirely by increasing volume due to positive trends in underlying demand drivers.

The sector should continue to benefit from **favorable demographic trends**, most notably an increasingly older population. The Census Bureau projects that the number of people over age 45 will increase by more than 20% over the next 20 years. An aging population and declining lengths of stay in hospitals are resulting in a growing number of individuals with disabilities or limited function that will require rehabilitation services. Further, increased focus on health and wellness and use of rehabilitation services as a preventative measure will spur growth.

The outpatient rehab market is **highly fragmented** with more than 16,000 clinics nationwide. Over 70% of the market is comprised of local clinics operating as standalone facilities and no company currently has more than 7% market share. This competitive landscape presents significant opportunity to increase scale and expand geographic reach through acquisition.

Additionally, once the primary constraint to organic growth, pressures in the therapist labor market are reportedly abating.

SOURCE: Census Bureau and BGL Research

Key Challenges

Changes in **payor reimbursement** continue to pose challenges to rehab service providers. Effective January 1, 2007, the reimbursement rate by Medicare for outpatient rehabilitation was reduced by approximately 5 percent. Recent legislative developments concerning Medicare reimbursement are being closely watched. On a positive note, in August 2007, the House passed the SCHIP Bill (The Children's Health and Medicare Protection Act - CHAMP), which contains several encouraging provisions for physical therapists with respect to Medicare payments. The legislation includes provisions for a two-year extension of the Medicare therapy cap exceptions process (through 2009) and one-half percent updates in payments under the Medicare physician fee schedule in both 2008 and 2009, which would prevent a scheduled 9.9% cut in January 2008. The bill also provides for increases in SCHIP funding by \$50 billion over five years.

The Senate approved a smaller version of the bill focused only on SCHIP reauthorization, which does not include any Medicare provisions. The "State Children's Insurance Program Amendment Act," HR 976, provides a \$35 billion increase in SCHIP funding. The current authorization for the Children's Health Program will expire September 30 unless Congress passes legislation to extend it. President Bush has threatened to veto both the House and the Senate versions of the bill, meaning much negotiation is left to be done.

Providers are also experiencing pricing pressure due to the trend toward **private payor outsourcing** of physical therapy benefit management (e.g., Humana), and substantial, arbitrary reductions in reimbursement rates by certain large insurers.

SOURCE: American Physical Therapy Association

Valuation Metrics

Recent M&A Transactions

Through our contacts in the outpatient rehab industry, we know of two pending sale transactions involving substantial regional providers. Both processes have attracted significant private equity interest.

Selected M&A Transactions in Outpatient Rehabilitation Services

Date	Transaction (Target/Acquirer)	Purchase Price	Multiple:	
			Revenue	EBITDA
Pending	Benchmark Medical / Physiotherapy Associates	\$300m	0.7x	n/d (1)
Jun-07	Physiotherapy Associates / Water Street Healthcare Partners	\$150m	0.6x	n/d (2)
May-07	HealthSouth Outpatient Rehab Division / Select Medical	\$245m	0.8x	n/d (3)

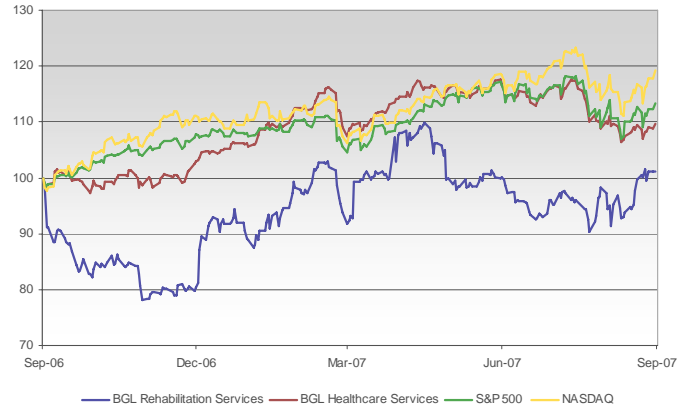
SOURCE: Capital IQ, SEC Filings, and BGL Research

- Based on our research and discussions with industry sources, we estimate the adjusted EBITDA multiple for the merger to be approximately 7-8x (5x total debt).
- Stryker Corp. reported operating income of \$10.7 million in its outpatient physical therapy business for the twelve months ended December 31, 2006, equating to a 14x unadjusted EBIT multiple. Based on this information and discussions with industry sources, we estimate the adjusted EBITDA multiple for the acquisition to be approximately 7-8x (5x total debt).
- Based on our research and discussions with industry sources, we estimate the adjusted EBITDA multiple for the HealthSouth acquisition (excluding corporate overhead) to be approximately 7x (funded entirely with debt from Select Medical's existing credit facility).

Public Peer Group

Company Name	Recent Stock Price (1)	% of 52W High	Market Capitalization (2)	Enterprise Value (EV) (3)	LTM EV / Revenue	LTM EBITDA (4)	LTM Revenue	LTM Gross	LTM Margins EBITDA (4)
Rehabcare Group Inc.	\$16.20	91.4%	\$263.2	\$380.4	0.5x	8.1x	\$730.5	18.2%	6.4%
US Physical Therapy Inc.	\$13.75	87.2%	\$159.5	\$150.7	1.1x	8.1x	\$137.1	27.2%	13.5%
Median		89.3%	\$221.4	\$265.6	0.8x	8.1x	\$433.8	22.7%	10.0%

- As of 9/5/2007.
 - Market Capitalization is the aggregate value of a firm's outstanding common stock.
 - Enterprise Value is the total value of a firm (including all debt and equity).
 - EBITDA reduced to account for minority interest.
- Source: Capital IQ.





Mergers & Acquisitions News

2007 on pace for record year in Healthcare M&A spend

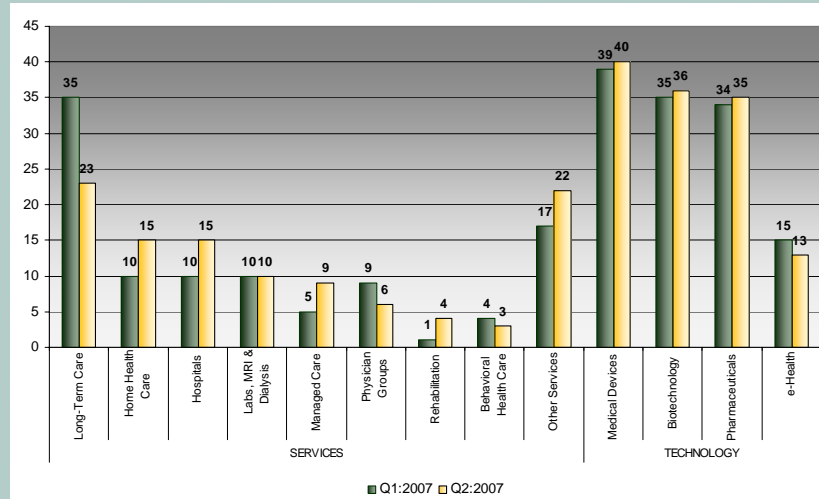
M&A dollars continue to pour into the healthcare industry, with \$59.1 billion committed to finance 231 deals⁽¹⁾ announced in the second quarter of 2007. Deal volume for the first half of 2007 (455 transactions) decreased 12 percent from 2006 levels (517), but dollars spent (\$131.5 billion⁽¹⁾) grew 18 percent, reflecting an increase in average deal size.

First half stats show that Long-Term Care was the most active sub-sector of the Services category, accounting for 27 percent of deals announced in the 2007 period and 24 percent in the first half of 2006. Medical Devices led the Technology category with 32 percent in both the first half of 2007 and 2006.

Healthcare valuations remain strong. For the first half of 2007, the median EBITDA multiple for announced healthcare transactions was 13.3x⁽¹⁾. This figure compares to median EBITDA multiples of 14.0x⁽¹⁾ and 13.1x⁽¹⁾ for the first and second half of 2006, respectively. We believe valuations may contract slightly due to reduced liquidity in the debt markets; however, we expect volume to remain strong based on the extraordinary amount of private equity capital to be invested and solid overall economic fundamentals.

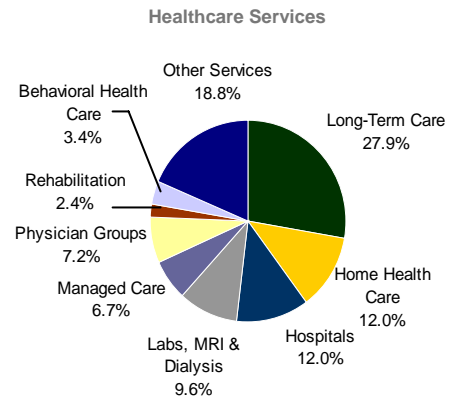
(1) Figure based on transactions with disclosed values.

Healthcare M&A – Announced First Half 2007

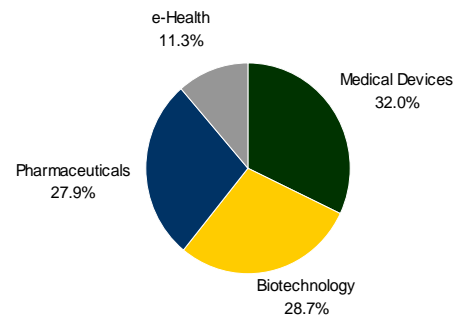


Source: Irving Levin

Healthcare M&A – Deal Stratification Announced First Half 2007



Technology



NOTE: Percentages based on deal count through June 30, 2007. Source: Irving Levin





Mergers & Acquisitions News

Summary of Selected Healthcare M&A Transactions – Announced First Half 2007

Sector	Target	Acquirer	Date	Enterprise Value (\$ mm)	Enterprise Value Multiple	
					Revenue	EBITDA
HEALTHCARE SERVICES ⁽¹⁾						
Hospitals	Triad Hospitals Inc.	Community Health Systems, Inc.	7/25/2007	\$6,843.8	1.2x	10.0x
Hospitals	BUPA Hospitals, Ltd.	Cinven Limited	8/21/2007	\$2,853.5	3.8x	n/d
Diversified	Symbion Health Limited	Archer Capital Pty Ltd; Healthscope Ltd.; Ironbridge Capital Pty Ltd	Pending	\$2,736.4	0.8x	14.3x
Managed Care	Sierra Health Services Inc.	Unitedhealth Group, Inc.	Pending	\$2,485.3	1.4x	10.3x
Laboratory / Diagnostics	AmeriPath, Inc.	Quest Diagnostics Inc.	5/31/2007	\$1,855.5	2.4x	15.6x
Long-Term Care	Genesis Healthcare Corp.	Formation Capital, L.L.C.; JER Partners L.L.C.	7/13/2007	\$1,851.5	1.0x	10.7x
Ambulatory Surgery	United Surgical Partners International Inc.	Welsh, Carson, Anderson & Stowe	4/19/2007	\$1,835.2	3.2x	12.6x
Hospitals	Capio Healthcare UK Ltd.	Baugur Group hf.; HBOS plc; Prestbury Holdings plc; West Coast Capital	5/15/2007	\$1,361.0	n/d	n/d
Other Services	Universal Hospital Services Inc.	Bear Stearns Merchant Banking	5/31/2007	\$1,027.8	4.5x	12.6x
Ambulatory Surgery	Surgical Care Affiliates (HealthSouth)	TPG	6/29/2007	\$945.0	1.3x	n/d
Physician Groups	Groupe Médi-Partenaires, SAS	Barclays Private Equity; Intermediate Capital Group plc; LBO France	3/1/2007	\$790.3	n/d	12.0x
Ambulatory Surgery	Symbion Inc.	Crestview Advisors, LLC	8/23/2007	\$633.1	2.0x	12.1x
Managed Care	CompBenefits Corporation	Humana Inc.	Pending	\$628.0	1.8x	17.0x
Physician Groups	Mitera Private Obstetrics & Surgery Clinic SA	Diagnostic & Therapeutic Center of Athens Hygeia S.A.	Pending	\$626.5	n/d	n/d
Managed Care	Schaller Anderson, Incorporated	Aetna Inc.	8/1/2007	\$535.0	n/d	n/d
Long-Term Care	Orchard Care Homes Ltd.	Investor Group	6/18/2007	\$346.7	n/d	n/d
Rehabilitation Services	Benchmark Medical	Physiotherapy Associates	Pending	\$300.0	0.7x	n/d
Assisted Living	Summerville Senior Living, Inc.	Emeritus Corp.	Pending	\$257.1	n/d	n/d
Long-Term Care	Australian Retirement Communities Pty Ltd.	Stockland Corp. Ltd.	2/9/2007	\$255.3	n/d	n/d
Rehabilitation Services	HealthSouth, Outpatient Rehab Division	Select Medical Corp.	5/1/2007	\$245.0	0.8x	n/d
Pharmacy Services	B. J. K., Inc.	Paramount Acquisition Corp.	Pending	\$241.8	0.9x	10.1x
Distribution	Bellico Health Corp.	Amerisourcebergen Corp.	Pending	\$235.0	1.2x	n/d
Dental Management	Oasis Healthcare plc	ADP Dental Co. Ltd.	Pending	\$190.6	1.3x	11.9x
Long-Term Care	Avery Healthcare Ltd.	Southern Cross Healthcare Group plc	6/7/2007	\$191.2	n/d	n/d
Other Services	Constella Group, LLC	SRA International Inc.	8/9/2007	\$185.0	1.1x	n/d
TECHNOLOGY						
Biotechnology	MedImmune Inc.	AstraZeneca plc	6/5/2007	\$14,683.0	10.9x	55.3x
Pharmaceuticals	Organon BioSciences N.V.	Schering-Plough Corp.	Pending	\$14,431.0	4.2x	23.0x
Generic Pharmaceuticals	Merck Generics Holding GmbH	Mylan Laboratories Inc.	Pending	\$6,625.7	2.7x	14.6x
Generic Pharmaceuticals	Actavis Group Hf.	Novator Partners LLP	Pending	\$6,346.3	3.4x	16.1x
Tools / Diagnostics	CYTYC Corp.	Hologic Inc.	Pending	\$5,746.2	9.0x	20.8x
Pharmaceuticals	Mitsubishi Pharma Corp.	Tanabe Seiyaku Co. Ltd.	Pending	\$4,380.3	2.3x	10.6x
Medical Supplies	Bausch & Lomb Inc.	Warburg Pincus LLC	Pending	\$3,988.2	1.7x	14.8x
Medical Supplies	Molnlycke Health Care Group	Investor AB; Morgan Stanley Private Equity	3/28/2007	\$3,803.3	3.9x	12.8x
Pharma Services	Catalent Pharma Solutions, Inc. (Cardinal Health)	The Blackstone Group	4/10/2007	\$3,305.0	1.8x	n/d
Tools / Diagnostics	Ventana Medical Systems Inc.	Roche Holding AG	Pending	\$2,781.8	11.2x	40.9x
Medical Equipment	Carestream Health Inc.	Onex Corporation	4/30/2007	\$2,550.0	1.0x	n/d
Specialty Pharmaceuticals	New River Pharmaceuticals Inc.	Shire plc	4/18/2007	\$2,416.1	70.4x	n/d
Medical Equipment	Viasys Healthcare Inc.	Cardinal Health Inc.	6/28/2007	\$1,533.1	2.4x	15.2x
Tools / Diagnostics	Biosite Incorporated	Inverness Medical Innovations Inc.	6/29/2007	\$1,466.9	4.7x	13.1x
Tools / Diagnostics	Digene Corp.	Qiagen NV	7/30/2007	\$1,323.4	6.9x	n/d
Tools / Diagnostics	Dako A/S	EQT Partners	5/31/2007	\$1,310.0	4.3x	n/d
Pharmaceuticals	Symbion Health Ltd., Pharmacy Services & Consumer Businesses	Carnegie, Wylie & Company Pty. Ltd.; Sigma Pharmaceuticals Ltd.	Pending	\$914.0	n/d	n/d
Medical Devices	PLUS Orthopedics Holdings AG	Smith & Nephew plc	5/31/2007	\$899.0	3.0x	n/d
Pharmaceuticals	INO Therapeutics, Inc.	Ikaria Inc.	3/28/2007	\$807.2	n/d	n/d
Medical Equipment	IntraLase Corp.	Advanced Medical Optics Inc.	4/2/2007	\$735.7	5.6x	34.5x
e-Health	Dendrite International	Cegedim SA	5/9/2007	\$652.5	1.5x	15.1x
Tools / Diagnostics	Molecular Devices Corp.	MDS, Inc.	3/19/2007	\$593.2	3.2x	16.3x
Tools / Diagnostics	BioVeris Corp.	Roche Holding AG	6/26/2007	\$551.7	22.9x	n/d
Tools / Diagnostics	Diamed Ag	Bio-Rad Laboratories Inc.	Pending	\$504.1	n/d	n/d
Generic Pharmaceuticals	Taro Pharmaceutical Industries Ltd.	Sun Pharmaceutical Industries Ltd.	Pending	\$451.1	n/d	n/d
Biotechnology	Ilypsa, Inc.	Amgen Inc.	7/18/2007	\$420.0	n/d	n/d

(1) EBITDA reduced to account for minority interest.

Source: Capital IQ





Mergers & Acquisitions News

Top Private Equity Healthcare Deals – Announced First Half 2007 ⁽¹⁾

Sector	Target / Acquirer	Enterprise Value (\$mm)	Enterprise Value Multiples	
			Revenue	EBITDA
Generic Pharmaceuticals	Actavis Group Hf. / Novator Partners LLP	\$6,346.3	3.4x	16.1x
Medical Supplies	Bausch & Lomb Inc. / Warburg Pincus LLC	\$3,988.2	1.7x	14.8x
Medical Supplies	Molnlycke Health Care Group / Investor AB; Morgan Stanley Private Equity	\$3,803.3	3.9x	12.8x
Pharma Services	Catalent Pharma Solutions, Inc. (Cardinal Health) / The Blackstone Group	\$3,305.0	1.8x	n/d
Hospitals	BUPA Hospitals, Ltd. / Cinven Limited	\$2,853.5	3.8x	n/d
Medical Equipment	Carestream Health Inc. / Onex Corporation	\$2,550.0	1.0x	n/d
Long-Term Care	Genesis Healthcare Corp. / Formation Capital, L.L.C.; JER Partners L.L.C.	\$1,851.5	1.0x	10.7x
Ambulatory Surgery	United Surgical Partners International Inc. / Welsh, Carson, Anderson & Stowe	\$1,835.2	3.2x	12.6x
Tools / Diagnostics	Dako A/S / EQT Partners	\$1,310.0	4.3x	n/d
Other Services	Universal Hospital Services Inc. / Bear Stearns Merchant Banking	\$1,027.8	4.5x	12.6x
Ambulatory Surgery	Surgical Care Affiliates (HealthSouth) / TPG	\$945.0	1.3x	n/d
Physician Groups	Groupe Médi-Partenaires, SAS / Barclays Private Equity; Intermediate Capital Group plc; LBO France	\$790.3	n/d	12.0x
Ambulatory Surgery	Symbion Inc. / Crestview Advisors, LLC	\$633.1	2.0x	12.1x
Medical Supplies	1-800 Contacts Inc. / Fenway Partners	\$358.1	1.4x	21.9x
Long-Term Care	Orchard Care Homes Ltd. / Investor Group	\$346.7	n/d	n/d
Pharmaceuticals	Inyx Inc. / Investor Group	\$277.7	3.3x	n/d
Pharma Services	BioReliance Corporation / Avista Capital Holdings, L.P.	\$210.0	1.9x	n/d
Rehabilitation Services	Benchmark Medical / Water Street Healthcare Partners; Wind Point Partners	\$300.0	0.7x	n/d
Rehabilitation Services	Physiotherapy Associates, Inc. (Stryker Corp.) / Water Street Healthcare Partners	\$150.0	0.6x	n/d
Pharma Services	Penn Pharmaceutical Services Ltd. / LDC Ltd.	\$134.3	4.2x	n/d
Medical Supplies	Coloplast AS, Breast Care Business / Baird Capital Partners Europe Limited	\$136.7	n/d	n/d
e-Health	Clinisys Solution Limited / ECI Partners, LLP	\$126.0	n/d	n/d
Pharma Services	Synerlab SA / AXA Private Equity	\$122.8	1.4x	n/d
Medical Equipment	WOM World of Medicine AG / Aton GmbH	\$90.8	2.2x	11.7x
Long-Term Care	OMNI Health Care Ltd. / Abacus Private Equity	\$85.6	n/d	n/d

(1) Based on transactions with disclosed values.

Source: Capital IQ.





Healthcare Insider

Industry Valuations: Medical Devices, Equipment & Supplies

Company Name	Ticker	Recent		52 Week		% of 52W High	Market Capitalization (3)	Enterprise Value (EV) (4)	LTM EV		Total Debt/ EBITDA	LTM Revenue	LTM Margins	
		Stock Price (2)		High	Low				Revenue	EBITDA			Gross	EBITDA
MEDICAL DEVICES														
Boston Scientific Corp.	BSX	\$13.10	\$18.69	\$12.11		70.1%	\$19,513.1	\$26,903.1	3.3x	11.6x	3.9x	\$8,248.0	70.9%	28.0%
CR Bard Inc.	BCR	\$83.99	\$86.17	\$74.05		97.5%	\$8,681.1	\$8,207.2	3.9x	13.8x	0.3x	\$2,097.0	60.8%	28.3%
Edwards Lifesciences Corp.	EW	\$48.47	\$52.95	\$42.29		91.5%	\$2,776.2	\$2,818.9	2.7x	10.9x	0.8x	\$1,049.7	65.0%	24.7%
Kyphon Inc. (1)	KYPH	\$66.90	\$68.40	\$32.98		97.8%	\$3,077.5	\$3,426.9	7.0x	27.2x	3.2x	\$487.8	87.6%	25.9%
Medtronic Inc.	MDT	\$53.65	\$54.86	\$44.10		97.8%	\$60,845.7	\$64,071.7	5.1x	14.0x	1.3x	\$12,529.0	74.5%	36.6%
Smith & Nephew plc	LSE:SN	\$11.66	\$13.51	\$9.21		86.4%	\$10,635.3	\$11,548.9	3.8x	14.2x	1.3x	\$3,007.0	72.5%	27.0%
St. Jude Medical Inc.	STJ	\$43.58	\$48.10	\$32.40		90.6%	\$14,808.3	\$16,356.9	4.6x	15.1x	1.5x	\$3,519.4	73.0%	30.7%
Strkyer Corp.	SYK	\$66.63	\$70.26	\$47.46		94.8%	\$27,313.4	\$25,556.4	4.4x	16.2x	0.0x	\$5,779.1	66.3%	27.3%
Synthes Inc.	VIRTX:SYST	\$113.56	\$137.48	\$106.73		82.6%	\$13,476.3	\$13,356.2	5.6x	13.9x	0.2x	\$2,391.6	79.0%	40.2%
Zimmer Holdings Inc.	ZMH	\$76.97	\$94.38	\$66.40		81.6%	\$18,178.8	\$17,917.9	4.9x	11.7x	0.1x	\$3,674.2	77.9%	41.6%
Median						91.1%	\$14,142.3	\$14,856.5	4.4x	13.9x	1.1x	\$3,263.2	72.8%	28.1%
Mean						89.1%	\$17,930.6	\$19,015.8	4.3x	13.5x	1.2x	\$4,278.3	72.7%	31.0%
LIFE SCIENCES TOOLS / DIAGNOSTICS														
Applera Corp.-Applied Biosystems Group	ABI	\$31.75	\$39.49	\$27.79		80.4%	\$5,822.5	\$5,328.0	2.5x	12.1x	0.0x	\$2,093.5	55.3%	21.1%
Beckman Coulter Inc.	BEC	\$71.47	\$77.00	\$53.20		92.8%	\$4,477.1	\$5,361.9	2.0x	10.4x	1.8x	\$2,646.5	47.1%	19.6%
Dade Behring Holdings Inc. (1)	DADE	\$75.45	\$75.85	\$38.13		99.5%	\$6,045.0	\$6,593.7	3.6x	15.3x	1.4x	\$1,819.0	54.4%	23.7%
Illumina Inc.	ILMN	\$47.99	\$50.95	\$28.11		94.2%	\$2,589.2	\$2,646.0	9.8x	29.5x	4.5x	\$270.6	67.2%	33.2%
Invitrogen Corp.	IVGN	\$79.66	\$80.56	\$54.70		98.9%	\$3,688.9	\$4,274.4	3.2x	12.4x	3.3x	\$1,328.4	60.2%	26.0%
Millipore Corp.	MIL	\$71.83	\$81.14	\$59.58		88.5%	\$3,909.9	\$5,245.2	3.6x	14.8x	3.9x	\$1,468.3	54.3%	24.1%
PerkinElmer Inc.	PKI	\$27.50	\$28.67	\$18.03		95.9%	\$3,256.7	\$3,342.1	2.0x	13.8x	1.0x	\$1,654.1	40.7%	14.3%
Thermo Fisher Scientific, Inc.	TMO	\$54.84	\$55.25	\$38.57		98.3%	\$23,393.6	\$24,622.2	3.5x	20.3x	1.8x	\$7,117.9	38.9%	17.1%
Veritana Medical Systems Inc. (1)	VMSI	\$82.01	\$88.00	\$36.77		93.2%	\$2,789.7	\$2,729.7	10.4x	39.1x	0.0x	\$261.3	75.5%	26.7%
Waters Corp.	WAT	\$62.55	\$64.50	\$41.83		97.0%	\$6,246.7	\$6,591.9	4.8x	16.4x	2.2x	\$1,371.5	57.6%	29.3%
Median						95.1%	\$4,193.5	\$5,286.6	3.3x	13.8x	1.8x	\$1,561.2	54.8%	23.9%
Mean						94.0%	\$6,221.9	\$6,673.5	3.2x	13.6x	2.0x	\$2,003.1	55.1%	23.5%
MEDICAL EQUIPMENT														
Hillenbrand Industries Inc.	HB	\$56.33	\$69.45	\$54.79		81.1%	\$3,489.0	\$3,698.0	1.8x	8.7x	0.8x	\$2,014.0	44.1%	21.1%
Hologic Inc.	HOLX	\$53.98	\$63.18	\$38.07		85.4%	\$2,912.1	\$2,827.9	4.1x	17.7x	0.1x	\$689.9	47.7%	23.2%
Intuitive Surgical Inc.	ISRG	\$224.05	\$228.92	\$86.20		97.9%	\$8,459.9	\$8,154.0	17.6x	44.1x	0.0x	\$462.9	67.5%	40.0%
Invacare Corp.	IVC	\$23.28	\$25.38	\$17.24		91.7%	\$744.2	\$1,279.3	0.8x	15.3x	6.8x	\$1,532.7	27.6%	5.5%
Kinetic Concepts Inc.	KCI	\$60.79	\$66.77	\$28.80		91.0%	\$4,349.3	\$4,339.6	2.9x	9.6x	0.4x	\$1,487.8	47.6%	30.3%
ResMed Inc.	RMD	\$41.27	\$56.16	\$38.19		73.5%	\$3,197.8	\$3,036.1	4.2x	19.5x	0.7x	\$716.3	53.8%	21.7%
Respironics Inc.	RESP	\$46.38	\$49.39	\$33.04		93.9%	\$3,421.5	\$3,159.4	2.6x	13.2x	0.2x	\$1,195.0	53.5%	20.1%
Sirona Dental Systems Inc.	SIRO	\$29.85	\$44.20	\$28.55		67.5%	\$1,634.5	\$2,111.3	3.4x	16.5x	4.2x	\$617.6	54.1%	20.7%
Steris Corp.	STE	\$27.26	\$31.71	\$23.05		86.0%	\$1,766.9	\$1,819.5	1.5x	8.6x	0.5x	\$1,213.3	42.1%	17.4%
Varian Medical Systems Inc.	VAR	\$40.69	\$56.00	\$39.45		72.7%	\$5,126.1	\$4,982.7	2.9x	12.6x	0.1x	\$1,708.3	41.8%	23.1%
Median						85.7%	\$3,309.6	\$3,097.7	2.9x	14.2x	0.5x	\$1,204.2	47.6%	21.4%
Mean						84.1%	\$3,510.1	\$3,540.8	2.7x	13.5x	1.4x	\$1,163.8	48.0%	22.3%
HEALTHCARE SUPPLIES														
Arrow International Inc. (1)	ARRO	\$45.19	\$45.35	\$30.71		99.6%	\$2,079.1	\$1,970.6	3.9x	15.4x	0.5x	\$508.0	50.5%	25.2%
Bausch & Lomb Inc. (1)	BOL	\$62.77	\$77.00	\$47.36		81.5%	\$3,478.4	\$3,778.2	1.6x	12.6x	2.8x	\$2,403.3	56.9%	12.5%
Becton Dickinson & Co.	BDX	\$76.38	\$81.08	\$67.97		94.2%	\$18,590.1	\$19,172.5	3.1x	10.7x	0.6x	\$6,268.0	52.2%	28.5%
Covidien, Ltd.	COV	\$40.25	\$49.70	\$36.90		81.0%	\$20,004.3	\$23,743.3	2.4x	9.4x	1.8x	\$10,050.0	47.1%	25.1%
DENTSPLY International Inc.	XRAY	\$40.37	\$41.08	\$29.44		98.3%	\$6,137.7	\$6,359.9	3.4x	15.6x	1.0x	\$1,887.3	52.0%	21.5%
DJO Incorporated (1)	DJO	\$48.65	\$53.55	\$31.07		90.8%	\$1,150.2	\$1,448.4	3.2x	14.2x	3.0x	\$459.1	61.5%	22.3%
Haemonetics Corp.	HAE	\$49.71	\$54.60	\$42.64		91.0%	\$1,308.7	\$1,117.8	2.4x	10.2x	0.2x	\$460.9	50.2%	23.7%
ICU Medical Inc.	ICUI	\$37.92	\$48.51	\$31.96		78.2%	\$548.3	\$438.0	2.2x	10.2x	0.0x	\$199.1	39.5%	21.6%
Medical Action Industries Inc.	MDCI	\$23.11	\$25.61	\$16.16		90.2%	\$366.8	\$424.2	1.7x	13.5x	1.8x	\$248.5	24.5%	12.7%
The Cooper Companies Inc.	COO	\$49.50	\$58.94	\$42.75		84.0%	\$2,216.8	\$3,070.6	3.5x	15.0x	4.2x	\$886.8	60.7%	23.1%
Median						90.5%	\$2,147.9	\$2,520.6	2.7x	13.0x	1.4x	\$697.4	51.3%	22.7%
Mean						88.9%	\$5,588.0	\$6,152.3	2.7x	12.7x	1.6x	\$2,337.1	49.5%	21.6%

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

(1) Company is target of announced acquisition.

(2) As of 9/5/2007.

(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.

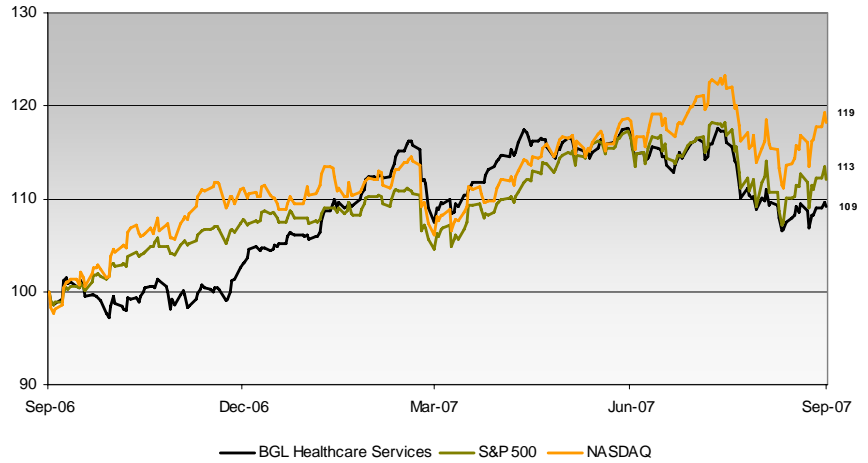




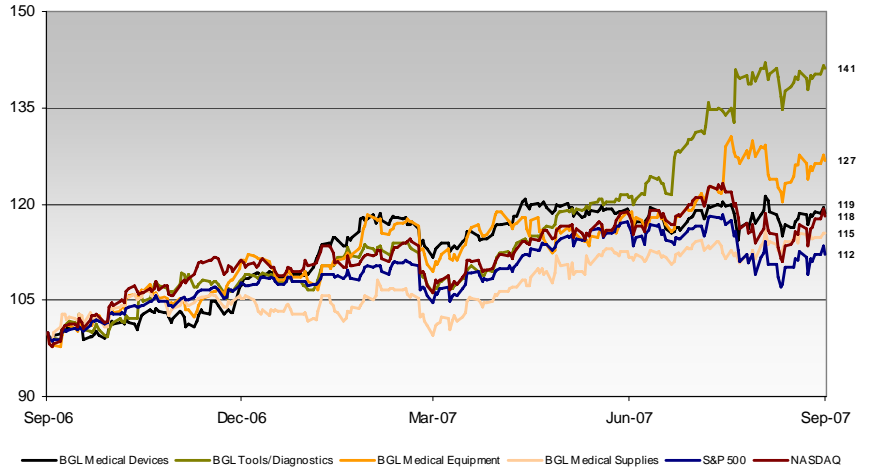
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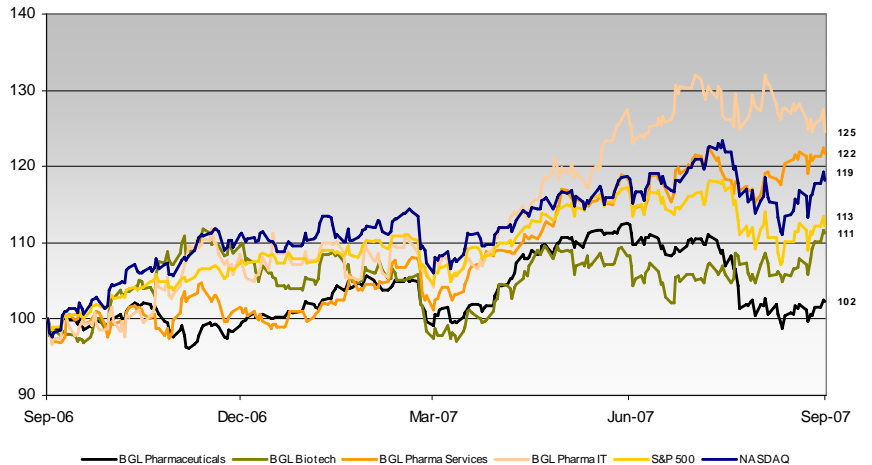
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