

# The Strategic Healthcare M&A Report

A Review of Merger, Acquisition and Strategic Transactions  
in the Healthcare Industry

2nd Quarter 2009

## Highlights

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**To review The Walden Group's new Dynamic Healthcare M&A Database online, see [www.waldenmed.com/quarterly/ma\\_db\\_quarters.htm](http://www.waldenmed.com/quarterly/ma_db_quarters.htm)**

The Strategic Healthcare M&A Report analyzes important merger, acquisition and strategic transactions taking place in the healthcare industry. A complementary copy of the Report can be obtained on a regular basis by subscribing at <http://www.waldenmed.com/mailform.asp> or by contacting The Walden Group at 914.332.9700 or by email -- [office@waldenmed.com](mailto:office@waldenmed.com). Please feel free to e-mail suggestions for future content to the address listed above.

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## 1. **Quarterly M&A Overview – a high elevation overview of Q2 09's deal activity**

M&A activity for the quarter picked up a bit, as the world did not seem to be coming to an end and "green shoots" in the worldwide economy became visible. Credit remains tight, but there is slight thawing in the middle market. For sure, deals must muster higher hurdles in terms of predictable performance, risk and "value add" and be capitalized more conservatively. Difficulties in predicting the details of government healthcare reform also chilled M&A activity. See Section 2 below.

From both the acquirer and target sides, there is still a significant focus on operations, increasing efficiencies and a cautious approach to new projects. Well capitalized firms continue to shore up their businesses with strategic deals and virtually all acquisitions tend to be tailored toward a particular niche. Private equity firms are more voracious in terms of going after quality deals. However, the supply of good deals is significantly lagging behind the demand from financial sponsors. This trend paralleled the increase in Q1 02 in venture capital investing, as money sources open up their wallets. Yet, venture investing, like M&A, was significantly off last years' levels<sup>1</sup>.

As of the date of this publication, there was some positive news on the earnings front. Boston Scientific reported a 61% jump in Q2 09 earnings on higher sales. The company predicted that 2009 would be its first profitable year since 2005. In Q2 09 Boston sold \$484m of heart stents, up 10% from the prior year. Sales of implantable defibrillators, where the company has a 50% market share, rose 8%. Edwards Lifesciences also reported gains in sales and profits, beating street expectations. Heart valve products rose 12%.

Some of the more notable deals of the year are highlighted below by sector.

### **BioPharmaceuticals**

Big pharma continues to pursue biotech and diversification strategies to bolster pipelines -- particularly addressing cancer therapies -- as patent expirations near on major drugs. **J&J** is buying **Cougar Biotechnology** for Phase III compounds addressing several cancers (\$1.0b) and **Sanofi-Aventis** is buying **BiPar Sciences** for its technology in preventing cancer cells from repairing its own DNA. **GlaxoSmithKline** is buying **Stiefel Labs** to expand into OTC dermatology products (\$2.9b), and on the generics front, **Watson** is expanding its reach with the acquisition of rival **The Arrow Group** for \$1.75b.

### **Data Management**

Data management deals announced during the quarter were very tapered to incrementally enhance acquirors' offerings, as opposed to manifesting a broad, market entry strategy. **Microsoft** is buying **Rosetta Biosoftware** to deepen its involvement in drug discovery and development

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<sup>1</sup> According to VentureSource, a research unit of VentureWire publisher Dow Jones & Co, firms invested \$766 million, in 79 medical device financing rounds, last quarter, up 41% from the \$545 million deployed over 43 financings in the first quarter. Biopharmaceutical investing climbed 72% to \$1.22 billion last quarter from \$709 million in the first quarter. Medical software companies raised \$90 million through 19 rounds in the second quarter, up from \$63 million in 15 rounds in the first quarter.

software products; **McKesson** is buying **LMS Medical Systems**, an obstetrical information system and **Philips** is buying **Traxtal**, for its image guided software systems.

### Diagnostics

**Laboratory Corporation of America** is paying \$107m for **Monogram's** companion diagnostics capabilities (helping to identify types of patients who would likely benefit from certain infectious disease drugs). **Thermo Fisher** is further penetrating Australia and the south pacific with its \$120m purchase of **Biolab**.

### Medical Devices

Incrementalism was the order of the day in terms of medical device M&A during Q2. **Covidien** is buying **VNUS Medical** for its RF closure system to address varicose veins (\$101m), **ev3** is purchasing **Chestnut** medical for its neurovascular technologies, Kinetic concepts is fortifying its negative pressure wound therapy franchise with the purchase of certain patents, Baxter is acquiring the hemofiltration unit of **Edwards LifeSciences** (\$56m), and **Medtronic** is buying a glucose monitoring business to further develop a closed loop monitoring and insulin pump system.

## 2. *The Walden Group's Take on Healthcare Reform*

President Obama has made two goals key to reform -- broadening coverage to the uninsured and lowering healthcare costs, all while not increasing federal or state budgets. Like many, we are deeply disappointed by the President's setting artificial deadlines, ceding control over the agenda to Congress, cutting porous deals with special interests and failing to control costs. There seems to be a rush to pass legislation in the name of reform even though the unintended consequences could be disastrous.

The objective should not be increasing coverage and then finding the means for paying for that coverage, whether by higher taxes on the wealthy or otherwise. The objective should be to control costs by addressing the core issue -- changing the conduct of patients and providers by building in the right financial incentives. As long as patients receive healthcare without meaningfully contributing to the cost of it and to their own wellness, they will not be accountable and have little incentive to comply with a healthier lifestyle and make more judicious medical decisions. Likewise, providers should be paid with some regard to the outcome of the care provided, not just on the number of procedures and tests prescribed.

This is all very complicated, with a whirlpool of competing interests and many exceptions to be carved out. Yet, the President needs to take the reins and demonstrate the leadership qualities he campaigned on, especially in regard to his own party.

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**3. Top Deals of Q2 09 >\$100m in Transaction Value (announced or closed)**

Sector	Deal Value (millions)	Acquiring Party	Target
<b>Biopharmaceuticals</b>	\$2,900	GlaxoSmithKline PLC	Stiefel Laboratories Inc.
	\$1,750	Watson Pharmaceuticals	The Arrow Group
	\$1,200	Novartis AG	The specialty generic injectables business of Ebewe Pharma
	\$1,000	Johnson & Johnson	Cougar Biotechnology, Inc.
	\$230	Biovail Corporation	The tetrabenazine product line of Cambridge Laboratories Ltd.
<b>Diagnostics</b>	\$155	Laboratory Corporation of America® Holdings	Monogram Biosciences, Inc.
	\$120	Thermo Fisher Scientific Inc.	Biolab
<b>Medical Devices</b>	\$440	Coviden Ltd.	VNUS Medical Technologies, Inc.
	\$200	Altor Equity	The Denmark-based Medtech components business of Technitrol Inc.
<b>Medical Services</b>	\$4,700	Express Scripts, Inc	The NextRx PBM subsidiaries of Well-Point, Inc.
	\$185	Stericycle, Inc.	MedServe, Inc.
	\$110	Magellan Health Services, Inc.	First Health Services Corporation

#### 4. M&A Deal-by-Deal Review -- Q2 '09

The information contained in the table below was derived from publicly available and other sources. Transaction and rationale information is inferential and not intended to be relied upon as pronouncements by the transaction participants or for any other reason. Transactions are pending or closed.

Sector	Acquiring Party	Target	Analysis
Biopharmaceuticals	<b>BioSante Pharmaceuticals, Inc. (NASDAQ:BPAX)</b> , a specialty pharmaceutical company focused on developing products for female sexual health, menopause, contraception and male hypogonadism.	<b>Cell Genesys</b> , a biopharma development company focused on novel biological therapies for cancer.	Allows BioSante to secure additional funding required for the continued Phase III development of LibiGel for the treatment of hypoactive sexual desire disorder (HSDD) in menopausal women. As of June 23, 2009, Cell Genesys' cash was \$36m and BioSante's was only \$6.2m. For Cell Genesys, this ends the challenge of redirecting the company after it scrapped late-stage trials related to a prostate-cancer treatment. Deal value -- \$38m.
Biopharmaceuticals	<b>Biovail Corporation (NYSE: BVF)</b> , a specialty pharmaceutical company.	<b>The tetrabenazine product line of Cambridge Laboratories Ltd.</b> , a pharmaceutical company located in Ireland.	Another step in transforming Biovail to a leading specialty CNS company. The subject line shows strong commercial success in the U.S. in treating chorea associated with Huntington's disease. Deal value-- \$230m, with expected operating cash flow accretion of \$23-26m in 2010.
Biopharmaceuticals	<b>Celldex Therapeutics, Inc. (Nasdaq: CLDX)</b> , an integrated biopharmaceutical company focused on cancer, infectious and inflammatory diseases.	<b>CuraGen Corporation</b> , a biopharmaceutical company.	Adds 11 oncology-focused antibodies, including CR011, to expand Celldex's immunotherapy platform and enhance its antibody-based technology pipeline. Deal value -- \$94.5m.
Biopharmaceuticals	<b>GlaxoSmithKline PLC (NYSE: GSK)</b> , a large European drug manufacturer.	<b>Stiefel Laboratories Inc.</b> , a major OTC pharmaceutical company specializing in dermatology.	Stiefel makes acne treatments and other skin creams, lotions, washes and vitamins. The world's No. 2 drug maker by revenue, Glaxo seeks to diversify here in light of lower sales of older drugs facing generic competition. GSK has said it will lose about \$5b of sales as demand falls for treatments like its diabetes drug Avandia, its antidepressant Wellbutrin and heart medication Coreg. Deal value -- \$2.9b on \$900m of sales (3.2x).
Biopharmaceuticals	<b>Johnson &amp; Johnson (NYSE: JNJ)</b> , a major pharmaceutical and medical device manufacturer.	<b>Cougar Biotechnology, Inc.</b> , a development stage biopharmaceutical company focused on oncology.	Cougar has compounds in development for the treatment of prostate and breast cancer and multiple myeloma. There are 2 Phase III trials for a prostate cancer treatment. Strengthens J&J's (Ortho Biotech) oncology offerings. Deal value -- \$1.0b.

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Sector	Acquiring Party	Target	Analysis
Biopharmaceuticals	<b>Novartis AG (NYSE: NVS)</b> , a developer and manufacturer of pharmaceuticals and nutritional products.	<b>The specialty generic injectables business of Ebewe Pharma</b> , an Austria-based drug company.	Adds to Novartis' generic pharmaceuticals division Sandoz, which will form a new global cancer center around this business. Branded injectable oncology medicines with \$9b in annual sales are expected to lose patent protection by 2015. Deal value -- \$1.2b on sales of \$272 and operating income of \$77m.
Biopharmaceuticals	<b>PPD, Inc. (Nasdaq: PPD)</b> , a leading global contract research organization.	<b>Magen BioSciences, Inc.</b> , a biotechnology company focused on dermatologic therapies.	Expands PPD into dermatology, initially in the indications of psoriasis, atopic dermatitis and acne. Deal value -- \$14.5m, on an expected 09 loss of \$15.2m.
Biopharmaceuticals	<b>Sanofi-Aventis SA (NYSE:SNY)</b> , a global pharmaceutical company focused on oncology, metabolic disorders, CNS, internal medicine and vaccines.	<b>BiPar Sciences, Inc.</b> , a biopharma company developing novel tumor-selective approaches for the treatment of different types of cancers.	BiPar is the leading company in the emerging field of DNA (DeoxyriboNucleic Acid) repair using PARP (Poly ADP-Ribose Polymerase) inhibitors. By preventing cancer cells from repairing their own DNA, PARP inhibitors ultimately cause cancer cell death. Valuation dependent on milestones, maxing out at \$500m.
Biopharmaceuticals	<b>Watson Pharmaceuticals</b> , the second-largest U.S. maker of generic drugs.	<b>The Arrow Group</b> , a rival generic drug maker.	Expands Watson's global footprint across many developed and emerging markets. Watson gains the rights to generic Lipitor, more than 100 molecules already marketed in 20 countries including Canada, France, and the U.K., plus a 36% stake in Eden Biodesign, which can provide operational expertise for generic biologics. Combined companies will have \$3b in revenue based on the addition of Arrow's 2008 revenue of \$646m (67% organic CAGR since 01). Deal value -- \$1.750b. The deal follows Daiichi Sanko Co.'s purchase in 08 of a controlling stake in India's Ranbaxy Laboratories Ltd. For \$5b and Pfizer Inc.'s agreements this year to license more than 150 generic treatments from India's Aurobindo Pharma Ltd. And Claris Lifesciences Ltd.
Data Management/ Healthcare IT	<b>Haemonetics Corporation (NYSE: HAE)</b> , a global manufacturer of automated blood processing systems.	<b>Altivation Software</b> , a provider of resource management software for the blood banking industry.	Complements Haemonetics' platforms and adds resources for management of mobile blood drives, a critical part of blood collection. Terms not disclosed.
Data Management/ Healthcare IT	<b>Haemonetics Corporation (NYSE: HAE)</b> , a global manufacturer of automated blood processing systems.	<b>Neoteric Technology Ltd</b> , a medical information management company.	Neoteric markets a suite of products to track, allocate, and dispense hospital blood units, while controlling inventory and recording the disposition of blood. The suite dovetails with Haemonetics' blood management solutions, which currently includes devices, software applications, and consulting services. Terms not disclosed.

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Sector	Acquiring Party	Target	Analysis
Data Management/ Healthcare IT	<b>McKesson Corporation (NYSE:MCK)</b> , a national pharmaceutical distributor and healthcare services company.	<b>LMS Medical Systems</b> , a developer of obstetrics information systems.	LMS' OB surveillance and archival solution has been part of McKesson's Horizon system, which integrates a fetal strip with the mother's electronic health record to enhance patient safety, reduce duplicate charting and leverage information,. The deal secures autonomy over LMS' IP. The integrated system has been live for more than a year at two healthcare facilities representing 4,500 annual births. Terms not disclosed.
Data Management/ Healthcare IT	<b>MEDecision, Inc.</b> , a leading provider of collaborative health care management solutions.	<b>HxTechnologies, Inc.</b> , a developer of health information exchange systems.	Bolsters MEDecision's ability to deliver real-time, actionable information for the formulation of meaningful electronic health records (EHRs), an initiative of the Obama Administration. The deal enables more precise patient identification, treatment plan development, and electronic exchange of imaging test results among care providers.
Data Management/ Healthcare IT	<b>Merge Healthcare (NASDAQ:MRGE)</b> , a healthcare IT solutions provider.	<b>etrial's Worldwide, Inc.</b> , a provider of clinical trial software.	This \$18.3m cash-and-stock bid betters at \$14.5m deal from Bio-Imaging Technologies. Here, Merge diversifies its product line to include clinical trial software to accelerate the process, improve data quality and reduce costs. Merge already markets imaging software solutions to pharmaceutical manufacturers and contract research organizations.
Data Management/ Healthcare IT	<b>Microsoft Corporation (NasdaqGS:MSFT)</b> , a worldwide leader in software, services and solutions.	<b>The Rosetta Biosoftware unit of Merck &amp; Co. Inc.</b> , a leading pharmaceutical manufacturer.	Allows Microsoft to incorporate genetic, genomic, metabolomic and proteomics data management software into its Amalga Life Sciences platform to expedite drug discovery and development. Terms not disclosed.
Data Management/ Healthcare IT	<b>Royal Philips Electronics (NYSE:PHG)</b> , a large international electronics manufacturer based in the Netherlands.	<b>Traxtal Inc.</b> , a Canada-based developer of image guided systems for minimally-invasive surgeries.	Strengthens Philips' image guidance business by combining Traxtal's advanced computer assisted soft tissue navigation technology with Philips' medical imaging technologies. Traxtal's navigation solution functions as a GPS for medical instruments. The deal follows a commercial relationship since 06. Traxtal has 45 employees. Terms not disclosed.
Data Management/ Healthcare IT	<b>WebMD Health Corp. (Nasdaq:WBMD)</b> , a leading provider of health information services.	<b>HLTH Corporation</b> , a holding company which owns a majority of WebMD.	HLTH currently owns 80% of WebMD's equity. The merger eliminates WebMD's existing dual-class stock structure and adds liquidity for the shareholders.
Diagnostics	<b>Beckman Coulter, Inc. (NYSE:BEC)</b> , a major manufacturer of biomedical diagnostic systems.	<b>Clinical Data's Cogenics division Clinical Data, Inc.</b> , a provider of outsourced genomics services.	Complements Beckman Coulter's Agencourt Biosciences' business, which delivers genomic services and nucleic acid purification products. Deal value -- \$17m.

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Diagnostics	<b>Laboratory Corporation of America® Holdings (LH)</b> , a \$4.5b leader in diagnostic technologies and genomic testing.	<b>Monogram Biosciences, Inc.</b> , a leading provider of companion diagnostics - molecular diagnostic products that help guide and target appropriate treatments.	Strengthens LabCorp's position in personalized medicine. Monogram has leading infectious disease and HIV tests, companion diagnostics (to determine eligibility for certain drugs) and a technology platform for oncology. LabCorp's national infrastructure will be applied to spur sales. Deal value ~ \$106.7m, on \$61.6m of sales and negative EBITDA.
Diagnostics	<b>PerkinElmer, Inc. (NYSE: PKI)</b> , a leader in producer of diagnostic and photonics products.	<b>Analytica of Branford, Inc.</b> , a leader in mass spectrometry (MS) and ion source technology.	Part of PerkinElmer's strategic commitment to continue to grow its human and environmental health portfolio. Mass spectrometry provides a detailed profile of medically relevant materials in drug discovery and molecular diagnostics. Terms not disclosed.
Diagnostics	<b>Thermo Fisher Scientific Inc. (NYSE:TMO)</b> , a global provider of analytical products and services for life science research and diagnostics.	<b>Biolab</b> , a leading provider of analytical instruments, life science consumables and laboratory equipment in Australia and New Zealand.	Biolab is the premier commercial channel in Australia, New Zealand and the South Pacific with a broad line to support Thermo Fisher's continued growth in the region. Deal value -- \$120m.
Medical Devices	<b>Aircraft Medical</b> , an UK maker of portable video laryngoscopes for emergency medical applications.	<b>Morpheus Medical</b> , a Spain-based manufacturer of patient monitoring devices for the anesthesia and critical care markets.	Morpheus' lead product is designed to measure the level of consciousness during general anaesthesia, helping to avoid the risk of patients remaining conscious through a procedure or conversely of receiving too much anaesthetic, impeding a fast recovery. Provides Aircraft with a new platform to expand its offering in the anaesthesia and critical care markets. Terms not disclosed.
Medical Devices	<b>Altor Equity</b> , a private equity firm with offices in Scandinavia.	<b>The Denmark-based Medtech components business of Technitrol Inc.</b> , a producer of electronic components, assemblies and other precision-engineered parts.	The transferred business includes armature receivers, high-end microphones and electromechanical devices for the hearing aid, high-end audio headset and medical device markets. A new platform for Altor. Deal value -- \$200m on \$110m of sales.
Medical Devices	<b>Avalign Technologies, Inc.</b> , a supplier of instruments, implants, and delivery systems to the OEM medical device industry.	<b>NGInstruments, Inc.</b> , a manufacturer of high quality surgical cutting tools for the medical industry.	Adds new product lines for the reconstruction, trauma, and spine markets. NGInstruments is the fourth Avalign acquisition, following Nemcomed, Instrumed International and Advantis Medical. Avalign is owned by RoundTable Healthcare Partners. Terms not disclosed.

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Sector	Acquiring Party	Target	Analysis
Medical Devices	<b>Baxter International Inc. (BAX)</b> , a maker products of products for hemophilia, immune disorders, infectious diseases, kidney disease, trauma, and other chronic and acute medical conditions.	<b>The renal hemofiltration line of Edwards Lifesciences Corporation</b> , a global leader in the science of heart valves and hemodynamic monitoring.	Hemofiltration -- or Continuous Renal Replacement Therapy (CRRT) -- mimics the function of the kidneys 24 hours a day for patients with life-threatening kidney injuries or edema (fluid overload). Baxter currently supplies solutions used in CRRT treatment globally, and is the exclusive distributor of Edwards' product in China, Latin America and the United States. The deal extends Baxter's renal line. Value -- \$56m plus up to \$9m for milestone achievements, on \$50m of revenue mostly in Europe.
Medical Devices	<b>Covidien Ltd. (NYSE: COV)</b> , a manufacture of a diverse range of medical products (formerly Tyco Healthcare).	<b>VNUS Medical Technologies, Inc.</b> , a provider of medical devices for the minimally invasive treatment of venous reflux.	Venous reflux disease is an underlying cause of varicose veins that can result in leg pain, swelling, fatigue and skin ulcers. VNUS's closure system employs a disposable radiofrequency catheter that controllably heats and closes diseased veins. The system was proven to be as effective as vein stripping, the traditional open surgical procedure, but with fewer side effects and faster recovery. Expands Covidien's presence in the vascular, market with vascular surgeons and interventional radiologist call points. Deal value -- \$440m, on sales of \$101.5m and EBITDA of \$14.8m.
Medical Devices	<b>ev3 Inc. (Nasdaq:Evvv)</b> , a manufacturer focused on endovascular technologies for the minimally invasive treatment of vascular disorders.	<b>Chestnut Medical Technologies, Inc.</b> , a manufacturer of minimally invasive therapies for interventional neuroradiology.	Broadens ev3's neurovascular product portfolio by adding Chestnut's pipeline embolization device for the treatment of cerebral aneurysms and its alligator retrieval device for foreign body retrieval. Brain aneurysms currently are not well treated with other surgical or endovascular techniques. Deal value -- \$75m plus contingent payments of up to \$75m.
Medical Devices	<b>HealthTronics Inc. (NASDAQ: HTRN)</b> , a provider of lithotripsy and other urology health care services and technology.	<b>Endocare Inc.</b> , a maker of minimally invasive cryoablation (freezing) technologies for the treatment of prostate cancer.	Expands Healthtronics' prostrate business. HealthTronics currently uses Endocare consumables in cryosurgery procedures. This deal ends Endocare's merger agreement with Galil Medical Ltd. Deal value -- \$16m on \$31.6m in sales and negative EBITDA.
Medical Devices	<b>Kinetic Concepts, Inc. (KCI)</b> , a maker of negative pressure advanced wound care and therapeutic support systems.	<b>Patents for Negative Pressure Wound Therapy from Hill-Rom Holdings, Inc.</b> , a leading manufacturer of patient support systems.	Fortifies KCI's NPWT franchise. Terms not disclosed.

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Sector	Acquiring Party	Target	Analysis
Medical Devices	<b>Medtronic, Inc. (NYSE: MDT)</b> , a major manufacturer of cardio-vascular, orthopedic, spinal and other medical devices.	<b>The glucose monitoring assets of PreciSense A/S</b> , a Denmark-based development company focused on glucose monitoring.	Expands Medtronic's continuous glucose monitoring pipeline and becomes a part of a new CGM platform to aid development of a "closed-loop" system, integrating monitoring with a "smart" insulin pump to regulate insulin levels and delivery. Terms not disclosed.
Medical Devices	<b>Merit Medical Systems, Inc. (Nasdaq:MMSI)</b> , a manufacturer of proprietary disposable devices for cardiology and radiology procedures.	<b>The EN Snare® foreign body retrieval device from Hatch Medical, L.L.C.</b> , a medical device incubator and technology brokerage firm.	The device improves the ability of foreign body retrievals especially during complex endovascular procedures in the peripheral vascular system and hollow viscous. Deal value -- \$14m plus up to \$7m in milestones.
Medical Devices	<b>Microline PENTAX</b> , a manufacturer of reposable instruments for minimally invasive surgery.	<b>Starion Instruments Corp.</b> , a developer of surgical technology for sealing and dividing soft tissue.	Complements Microlines' reposable minimally invasive products and enables it to address cardiology and ENT markets. Starion has patented tissue welding technology that uses direct heat and pressure (not electrical energy) to simultaneously seal and divide soft tissue and vessels. Terms not disclosed.
Medical Devices	<b>Misonix Incorporated (MSON)</b> , a maker of therapeutic ultrasonic medical devices.	<b>Three patents from ProRhythm, Inc.</b> , a development company whose investors include L Capital Partners and St. Jude Medical Inc.	The patents cover high intensity focused ultrasound. Terms not disclosed.
Medical Devices	<b>NeuroTherm</b> , a maker of interventional products, including radio frequency generators and related consumables used in the treatment of chronic pain.	<b>Micron Catheter</b> , a maker of epidural catheters.	An add-on acquisition for the Cortec Group, enabling NeuroTherm to offer its interventional pain specialist customer base a means to remove scar tissue typically resulting from back surgery. The scar tissue, surrounding nerves, creates a source of chronic pain. Terms not disclosed.
Medical Devices	<b>NuVasive, Inc. (Nasdaq: NUVA)</b> , a manufacturer of spinal products for minimally disruptive surgical treatments.	<b>Cervitech Inc.</b> , a manufacturer of cervical spine disc replacements.	Accelerates entry into the mechanical cervical disc replacement market. NuVasive expects to file for marketing approval of the Cervitech device in Q1 10 Deal value -- \$47m, plus \$33m upon FDA approval.

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Sector	Acquiring Party	Target	Analysis
Medical Devices	<b>Patterson Medical</b> , a major distributor of dental, veterinarian and rehab products.	<b>The Empi Therapy Solutions Catalog Business of DJO Incorporated.</b> , a global provider of knee braces and other non-invasive orthopedic, musculoskeletal and vascular products.	The sold unit is DJ's rehab equipment and supply catalog business, which generated annual sales of \$32m in 08 and was considered non-core. The unit augments Patterson's existing distributed rehab lines. Terms not disclosed.
Medical Devices	<b>Pulmonx Corporation</b> , a medical device company focused on emphysema.	<b>Emphasys Medical, Inc.</b> , a developer of therapeutic devices for breathing disorders.	Strengthens Pulmonx in treating emphysema patients. The deal provides for a possible solution for endobronchial lung volume reduction (ELVR) that includes an effective assessment tool to optimize patient selection and outcomes. Terms not disclosed.
Medical Devices	<b>SonoSite Inc. (Nasdaq: SONO)</b> , a leading producer of hand-carried ultrasound products.	<b>CardioDynamics</b> , a maker of noninvasive impedance cardiography products and medical device electrodes.	CardioDynamics has a direct sales channel in the U.S. with 38 sales representatives calling on cardiologists, internal medicine and family medicine practitioners. SonoSite believes it can leverage this channel and the new ultrasound line on its existing footprint in point of care markets. Deal value -- \$12.3m on \$24.5m of sales and negative EBITDA.
Medical Devices	<b>St. Jude Medical, Inc. (NYSE:STJ)</b> , a manufacturer of cardiovascular medical devices.	<b>IP from Northstar Neuroscience, Inc.</b> , a medical device company developing cortical stimulation therapies for the treatment of depression, stroke and other neurological disorders.	Northstar developed an investigational device designed to deliver targeted stimulation to the cerebral cortex. The deal adds to St. Jude's neuromodulation business and is part of Northstar's liquidation plan. Deal value -- \$2m.
Medical Devices	<b>Tolmar Holding, Inc.</b> , a pharmaceutical company focused on dental, dermatology, and oncology.	<b>Zila, Inc.</b> , a cancer diagnostic company initially focused on oral cancer.	With Zila edging toward bankruptcy, Tolmar picks up an oral cancer screening system at a discount. Deal value --at a discount \$4m plus the purchase of \$12m in Zila debt. Zila's revenue is \$38.5m.
Medical Services	<b>Express Scripts, Inc (NasdaqGS: ESRX)</b> , a provider of pharmacy benefits management (PBM) services.	<b>The NextRx PBM subsidiaries of WellPoint, Inc.</b> , a major health benefits insurer.	NextRx services roughly 25m in the U.S. and manages more than 265m scripts per year. It will be folded in Express Scripts' network of integrated PBM services, including network-pharmacy claims processing, home delivery services, benefit-design consulting, drug use review, formulary management and medical and drug data analyses. Express Scripts is the third-largest pharmacy benefits manager, and the deal likely would vault it past No. 2 CVS Caremark and push it close to the top stand-alone company, Medco Health Solutions Inc., based on prescrip-

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Sector	Acquiring Party	Target	Analysis
			tions managed. The deal will add to Express Scripts' clout in negotiating lower prices from drug companies. Deal value ~ \$4.7b.
Medical Services	<b>Hanger Orthopedic Group, Inc. (NYSE: HGR)</b> , a leading provider of orthotic and prosthetic patient care services.	<b>Northwest Prosthetic &amp; Orthotic Clinic and Inline Orthotic and Prosthetic Systems</b> , orthotic and prosthetic labs.	Adds patient care centers to existing markets in Washington and California.
Medical Services	<b>Magellan Health Services, Inc. (Nasdaq: MGLN)</b> , a \$2.8b company providing management services for behavioral health, radiology, specialty pharmacy and oncology.	<b>First Health Services Corporation</b> , a subsidiary of Coventry Health Care that provides pharmacy benefits services for state Medicaid programs.	Allows Magellan to expand into a new area, Medicaid pharmacy benefits administration, that is complementary to its existing businesses. The deal also involves service agreements with Coventry to manage radiology and oncology services in five markets. Deal value -- \$110m.
Medical Services	<b>MEDIFACTS INTERNATIONAL, INC.</b> , a global provider of integrated, centralized cardiovascular safety and diagnostic services to the pharmaceutical and biotechnology industries.	<b>The Clinical Trials Services division Spacelabs Healthcare, Inc.</b> , a major manufacturer patient monitoring, anesthesia delivery and ventilation systems.	Creates a broad product offering of cardiac safety and efficacy services for Phase I through IV clinical trials to pharmaceutical, biotech and medical device manufacturers worldwide. Terms not disclosed.
Medical Services	Stericycle, Inc. (NASDAQ:SRCL)	<b>MedServe, Inc.</b> , a provider of the collection, transportation, treatment and disposal of medical waste.	MedServe has been run by Avista Capital Partners, Chrysalis Ventures and Murphree Venture Partners since 2006. MedServe subsequently bought close to 20 businesses. The largest medical waste facilitator in the US, Stericycle can benefit from synergies to MedServe's pharma and hospital waste platforms. Deal value -- \$185m.

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