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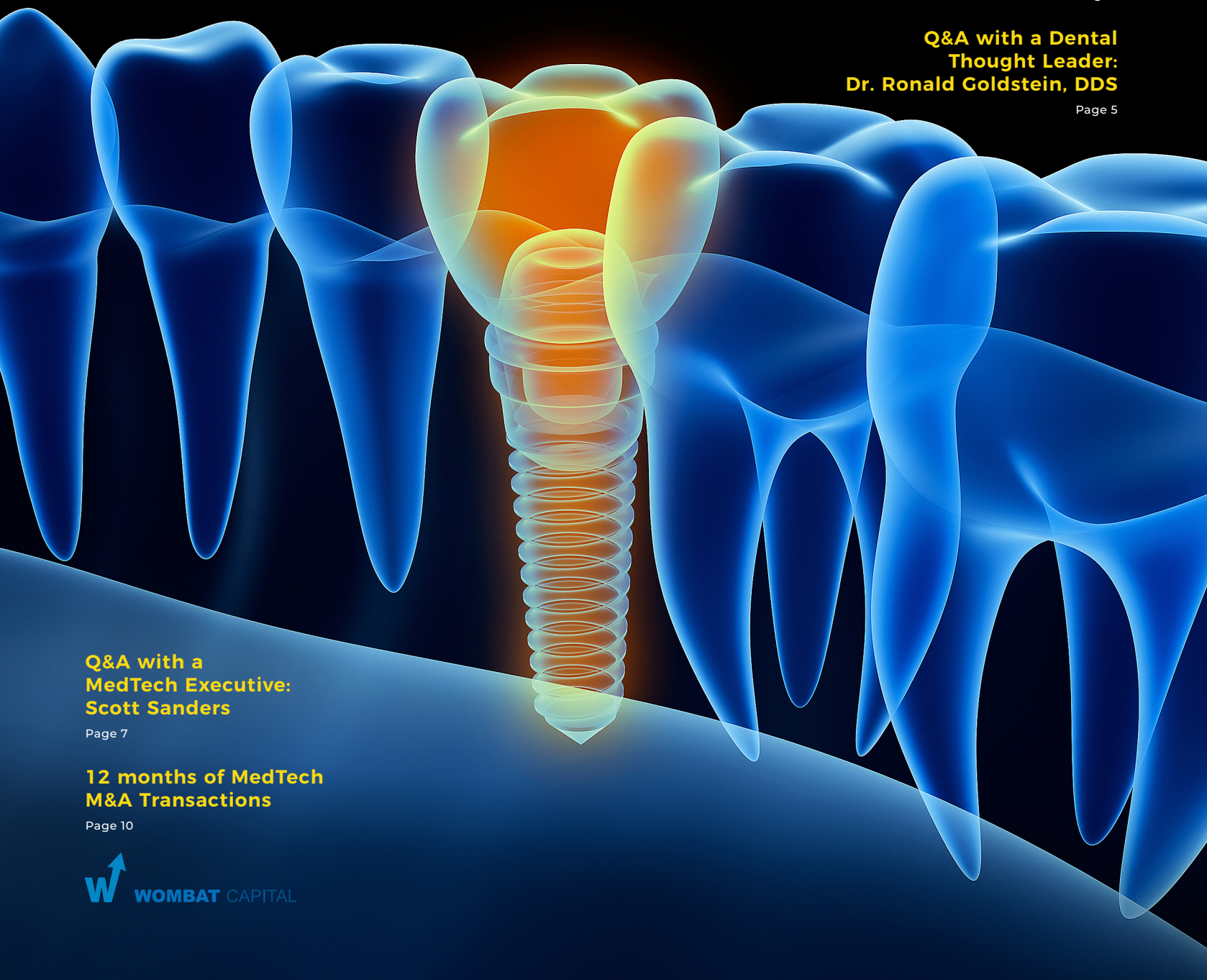


WOMBAT CAPITAL

OBTAINING A HIGHER TAX BASIS A POST TAX REFORM REVIEW

BY JOSHUA MILGRIM

WHEN A BUSINESS is acquired, a buyer may structure the acquisition in a manner that results in an increase in the tax basis of that business's assets. In some cases, a seller will attempt to extract a higher price or a buyer will offer a higher price, based on the purported value of this tax basis to a buyer. This article will describe some of the basic requirements related to obtaining this increase in tax basis, and then focus on how the value of this benefit can be analyzed, including certain factors that may unexpectedly impact that analysis.

The Strategy and the Trap – Why Pay for Tax Basis?

An increase, or "step-up," in tax basis in connection with a sale can only occur if (1) the current value exceeds the current tax basis of those assets, and (2) the transaction is treated, for tax purposes, as an acquisition of assets. The requirements and methods of a basis-step up are described in more detail later in this article. Tax basis can often be depreciated or amortized - therefore, more tax basis should mean more deductions. A deduction can reduce net taxable income, and therefore more deductions should mean less tax to pay. But does it always mean that?

A buyer may pay for tax basis where it knows there will be additional tax savings from an increase in deductions. However, sometimes a buyer will not expect to be able to use the additional deductions, or does not expect the use will result in meaningful tax savings. For example, a buyer's projections of the acquired business's performance may not result in any need for additional deductions (this can be for many reasons, such as the

presence of other deductions from compensation, interest payments, or other deductible expenses). Or the business or buyer may have "net operating loss carryforwards" ("NOLs", which are unused losses from prior years that can be carried into, and used in, future years), and so additional deductions may not provide meaningful, incremental value. A less obvious scenario is where the increased deductions reduce income but do not actually result in any tax savings, which is discussed below.

The Basics – What is Required to "Step-Up" the Tax Basis

Acquiring assets (and assuming the liabilities) of a seller can result in a step-up, but there are other simple transaction structures that can have this same result, for tax purposes, that in form are not asset transfers, described briefly below.

1.The acquisition of all or a portion of the equity of a "disregarded entity." Certain types of entities are not regarded as separate entities from their owner unless an affirmative election is made to treat that entity as a corporation for tax purposes (for example, a single member limited liability company). Instead, the owner of the entity is treated for tax purposes as the owner, and so a sale of the entity is treated for federal income tax purposes as a sale of assets and assignment of liabilities.

2.The acquisition of stock of a corporation with a valid Section 338(h)(10) election. Sales of "S corporations," and sales of "C corporations" that meet certain other requirements, may be eligible to make an election under Section 338(h)(10) of the Internal Revenue Code (there are other requirements which go beyond the scope of this article, but should be verified before relying on the availability of this election). If that election is properly made, it has the effect (through a set of "deemed" steps that – for the sake of brevity – are also not described in this article) of treating the transaction in the same manner as an asset sale.

3.The acquisition of all or a portion of the stock of a Q-Sub. A "qualified subchapter S subsidiary" (also referred to for short as a "Q-Sub", which is a wholly-owned corporate subsidiary of an "S corporation" that has made a "Q-Sub" election) is treated as a "disregarded entity" for tax purposes and so an acquisition of its shares is treated in the same manner as #1 above.

4.The acquisition of all or a portion of the equity of a partnership. An acquisition of a partnership (or an entity that is treated as a partnership for tax purposes) is treated (by the buyer) as an acquisition of all of the assets and assumption of all of the liabilities of the partnership. If less than all of the equity of a partnership is acquired, the partnership must have made (or make for the year of the acquisition) an election under Section 754 of the Internal Revenue Code for the buyer to obtain a step up in the assets of the partnership.

The next step is to evaluate the effect of a step-up on the tax basis of the target assets, including the future benefit of that basis step-up. However, the amount of the future benefit and the value of that benefit to a buyer may not be the same.

The Effect of a "Step-Up" in Tax Basis

Allocating consideration among the acquired assets of a business is not the focus of this article, so these rules are summarized in short form as follows. Generally, the consideration (which includes the purchase price paid, the liabilities assumed, and certain other acquisition costs incurred by a buyer) must be allocated pursuant to a "waterfall" approach – meaning that first, all consideration is allocated to a category of assets until the basis of all assets in that category equals their aggregate fair market value, and then the reminder of the consideration is allocated to the next category of assets, and so on until all of the consideration has been allocated among all of the relevant categories. The first category is cash and cash equivalents, and the last category in this waterfall approach is the goodwill of the acquired business.

The tax basis of certain types of assets may be depreciated – which provides deductions – under relevant tax rules. Machinery, equipment, and buildings that are used in a business, for example, are all depreciable over different periods of time and in some cases a portion of those deductions are "accelerated" (i.e., a larger amount is deducted in earlier years, while a smaller amount is deducted in later years). In addition, the tax basis of certain intangible assets may be amortized – generally over a fifteen year period – which also provides deductions. Recent tax legislation (the Tax Cuts and Jobs Act) increased the bonus depreciation percentage from 50% to 100% for "qualified property" acquired

and placed in service after Sept. 27, 2017, and before Jan. 1, 2023. This law change generally applies to depreciable business assets with a recovery period of twenty years or less and certain other property. Machinery, equipment, computers, appliances and furniture generally qualify.

The Value of a "Step-Up" in Tax Basis

So what is the value of additional tax basis to a buyer? This is not easy to calculate – it requires a lot of assumptions...or educated guesswork. While this can be straightforward if the assets are to be held by a C corporation, it will be more complicated for pass-through entities such as partnerships.

A straight-forward approach to valuing a step-up is illustrated in the following simple example, where a buyer acquires a business and there is a $150,000 basis step-up, all of which is allocable to goodwill. Assuming no exception to the general rule applies, that acquired goodwill can be amortized over fifteen years (under Section 197 of the Internal Revenue Code), resulting in a deduction of $10,000 each year for fifteen years. The "value" of this deduction can be estimated using a few additional assumptions. The first assumption is having sufficient net taxable income (of at least $10,000 each year), so all of the deductions would be used each year to offset income and reduce tax. The second assumption is the assumed tax rate (which, in the case of a corporation, currently has a federal income tax rate of 21%), which results in annual savings of $2,100 of federal income tax. Finally, assuming the buyer will actually operate the business for fifteen years so that all of the deductions benefit the buyer, the gross amount of tax saved would be $31,500 (or 21% of $150,000). The potential for 100% bonus depreciation (described above) raises additional considerations, and is not reflected in the examples in this article.

So what do you do with this information? How much would you pay for this savings? With a schedule estimating the tax savings, a simple "present value" calculation will calculate a value of this stream of payments. A discount rate must be used for this calculation; this may be the rate at which the buyer could borrow the same funds from a lender today. Uncertainty on some of the assumptions, such as the likelihood of having sufficient taxable income or of holding the investment for the entire fifteen years, may justify a higher discount rate. For example, applying an 8% discount rate to fifteen annual payments of $2,100 has a present value of approximately $18,000. At a 15% discount rate, the present value is lowered to nearly $12,000. Other factors may lead to a buyer using different assumptions, such as lower projected taxable income or a shorter holding period for the assets. There is no one right approach to measuring this value, and each circumstance may dictate a different approach.

So, should the buyer pay an extra $12,000 or $18,000 when an acquisition will result in $150,000 of amortizable goodwill? The analysis is intended to take into account the uncertainty of the timing and of the assumptions, and so when a business is operated or owned by a corporation, the example above reflects a seemingly fair model of valuing a step-up. The corporation will (subject to the reliability of the assumptions) have actual cash savings from the increased deductions. However, what if the buyer does not hold the business in a corporate structure, but instead through a fully flow-through structure?

The Value of a "Step-Up" in Tax Basis – Redux

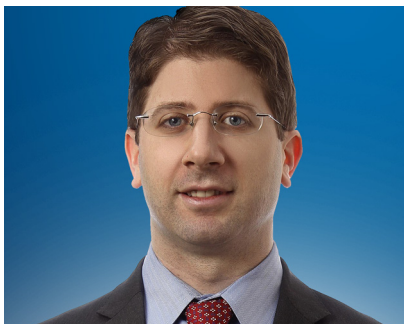
In a fully flow-through structure, entity-level (i.e., corporate) federal income tax is not relevant. Instead, each partner is allocated its share of income or gain, and is responsible for paying their income taxes. Accordingly, the partnership will not bear this tax liability, although often a partnership will make distributions of cash to its partners to help fund the tax liability associated with their ownership in the partnership. Regardless of whether tax distributions are made, a smaller tax liability would appear beneficial to the partners. A partner that is a corporation would pay federal income tax at a rate of 21%, while a partner that is an individual

U.S. citizen would be subject to federal income tax on ordinary income at a top marginal rate of 37% or 20% in the case of capital gains (in each case, ignoring Medicare and other taxes that may apply).

In the case of a partnership, the analysis in the example above must be adjusted using the partners' applicable tax rates. If the example above were repeated, assuming all partners were U.S. individuals subject to tax at the higher 37% rate, then the present value of the tax savings (representing the reduction in taxes of the partners) appears to increase significantly – nearly doubling. If the most important factor for a buyer is measured by pre-tax results (for example, internal rate of return, or IRR, on an investment is often measured using pre-tax results), this cash savings by the partnership would be illustrated by this present value calculation, and due to the higher tax rates for individuals than corporations, this IRR benefit may be higher for a partnership investment than one held by a corporation. However, this apparently "richer" result for a partnership (with individual U.S. partners) does not factor in the after-tax results from these deductions. If a buyer intends to look at value on an after-tax basis, an unsophisticated or under-advised buyer may make the mistake of assuming this present value is the end of the analysis.

The Partnership Conundrum

A partner's tax basis in its ownership interests in a partnership is increased by its share of net income, and reduced by its share of net loss. This is not the case for corporations, where the results of the operations of the corporation will generally have no



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impact on the shareholders' tax basis in their shares.

Accordingly, in the case of our example above, $150,000 in deductions will also result in $150,000 of less tax basis in the partners' partnership interests than if those deductions were not available. The detriment of having less tax basis in the partnership interest cannot be ignored. Assuming the business is eventually sold, the partners' gain will be higher (by $150,000) than if the deductions were not available. In addition, this gain (to the extent associated with the amortized goodwill) will result in ordinary income – not capital gain – due to "recapture" rules which convert capital gain into ordinary income when recognized gain is attributable to prior depreciation or amortization (including goodwill). Accordingly, if all $150,000 is deducted and the company is later sold (whether such sale occurs as a sale of assets or as a sale of the entire partnership) for a price that includes the same (or higher) value attributable to such goodwill, the partners will recognize an additional $150,000 income that will be ordinary income and not capital gain. Thus, depending on the subsequent sale price, there may be a complete reversal of all of the prior savings described in the example. This is not the case for a corporation because the shareholders' tax bases would remain unchanged (but don't let this discreet point have a skewed result on a comparison of the tax benefits of partnerships and corporations, as there are many other benefits offered by a partnership to its partners that are not available to a corporation and its shareholders).

So where is the savings? As is often a too-frequently given answer by a tax advisor, it relates to timing. In the partnership example, the tax savings is reversed when the company is sold (assuming it is sold). So the savings must be given back. However, until that sale occurs, there has been a benefit, in the form of more cash for the partnership or the partners. The availability of this cash is a savings that is actually recognized by the partnership and its partners, as this cash can be used for other purposes or reduce the borrowing needs of the company. However, the present value to the partners is very different than in the example with the corporation, because there is now a potential repayment of the savings in the form of additional taxes at a later date. This repayment requirement will significantly reduce the "value" of the step-up.

So does the basis step have value? Usually it does, but be careful how you measure that value. ■

Please contact Joshua Milgrim at joshua.milgrim@dechert.com if you have any questions regarding this article. This article is intended for discussion purposes only and should not be relied on without obtaining legal counsel.

Q&A WITH **DR. RONALD GOLDSTEIN, DDS**

BY DR. RONALD GOLDSTEIN, DDS

Dr. Ronald E. Goldstein is commonly referred to as the "father of modern cosmetic dentistry". He is a Partner at Goldstein, Garber & Salama. Dr. Goldstein's areas of expertise are in cosmetic and restorative dentistry. He is also a published, renowned author who wrote the first comprehensive textbook on esthetic and cosmetic dentistry in 1976 which has been published worldwide, as well as the bestselling consumer guide to cosmetic dentistry, "Change your Smile".

What do you see as some of the biggest challenges to dental practices today?

One of the significant recent changes in dentistry in the U.S. is the advent of dental service organizations (DSOs), which have consolidated many individual and group dental practices. Heartland Dental, the DSO that acquired Goldstein, Garber & Salama, now comprises over 800 practices and 1,400 dentists in 37 states. While DSOs have largely addressed the challenges of providing liquidity to retiring dentists, younger dentists find themselves in an increasingly challenged position, as DSOs tend to pay professionals based on productivity. While the costs to run a dental practice have doubled in recent years, younger dentists are saddled with ever-increasing amounts of debt related to their education, which leaves a dentist with few choices between joining a DSO and joining a dental clinic as an employee.

What are DSOs doing better that has allowed them to succeed?

DSOs have done a couple of things that have allowed them to do well. First, as I mentioned, they provide an avenue of liquidity for retiring dentists who are looking to sell their practice, where previously the most likely buyer would have been the younger dentist, who typically didn't have the means to acquire the practice. Second, DSOs do a very good job – sometimes too good! – in controlling and managing costs across the business. For example, as an independent practice we held lots of inventory in order to ensure we had the right materials and the right shades on hand when we needed it. The DSO is very focused on controlling stock to increase efficiency of operation, as well as in negotiating the best possible terms with our distributor and manufacturers and managing compliance across the practices with their preferred vendors.

According to recent research, DSOs currently represent about 16% of the market and are growing at 12% or more a year, while solo private dental practices are shrinking at 7% per year. Given the dynamics you describe, how should the

business model change to better accommodate the next generation of dentists?

I think fewer dentists will have the opportunity to be a business owner in the same way that my colleagues and I have. There are certainly opportunities where a younger dentist can partner with a more experienced dentist who may be ten years or so from retirement, but I expect those types of opportunities will be few and far between. The DSOs are likely to represent the future of the industry, but these organizations will have to find ways to pay more to the dentists to better motivate them, and to allow them to flourish and succeed. The main advantage will be for DSOs to be able to retain their dentists for longer terms.

How do DSOs view the opportunity to adopt and implement new technology?

Decision making by DSOs regarding new technology is driven largely by economics. In order to encourage adoption, a new technology has to be able to show how to save money, reduce time, reduce revisions or generate greater revenues for the practice. Of course best clinical practices are important, but the economics of a new technology have to make sense in order to encourage adoption, and doubly so in a practice that is owned by a DSO.

What do you see as the areas that present the greatest opportunity for potential technological innovation in dentistry over the next five years?

DR. RONALD GOLDSTEIN, DDS
DENTAL THOUGHT LEADER

One topic that I have been writing about for the last twenty years that now appears to be coming to fruition is the advent of tele-dentistry. There are two areas where I believe tele-dentistry can be of greatest use to the profession. One area is in the field of virtual consultation – previously, when I referred a patient to a specialist, I lost track of the patient until their next visit. With a virtual consultation, I can share video and real-time communications with a specialist to get their opinion and make a determination as to the appropriate treatment plan for the patient. The other area where we are seeing the potential in tele-dentistry is data collection outside of the practice, where patients can provide information to the dentist between visits. While tele-dentistry is still in its early stages, this could significantly change the way dentistry is practiced. One huge advantage for the patient will be the simultaneous specialist/general dentist consultations occurring in different offices even including the patient when necessary.

On that note, how has the introduction of consumer-facing dental technology impacted dental practices, and how might it impact dental practices in the future?

With respect to some of the lower-cost, technology-driven introductions, many of the people adopting some of this new consumer technology are not traditionally the best dental customers. The motivation for many of these patients is cheaper cost, but in the end I'm not convinced these options save the patient money in the long run. If orthodontic revisions have to be made, it is likely they would have to be done – and are certainly best when performed – in the dentist's office. There will still be a role for the in-office procedure, but as these technologies improve, remote data capture and virtual consults may become the norm. ■

DSOs are likely to represent the future of the industry, but these organizations will have to find ways to pay more to the dentists to better motivate them, and to allow them to flourish and succeed.

Q&A WITH **SCOTT SANDERS**

BY SCOTT SANDERS

Scott Sanders is Vice President, Corporate Business Development at Henry Schein Inc., the world's largest provider of health care solutions to office-based dental and medical practitioners with annual sales of approximately $10 billion. Scott has been in a business development role with Henry Schein since 2011, having previously served as an investment banker and M&A lawyer.

How did you start your career with Henry Schein?

I had spent about 17 years as an investment banker and M&A lawyer before joining Henry Schein. I loved the work, but always longed to be a "principal". When I met the team at Henry Schein, I realized quickly that it was a special place. It is such a dynamic, entrepreneurial organization with amazing people and a special culture. That, combined with a decades-long track record of successful growth through M&A, made it a perfect match for me both professionally and personally.

It appears as though Henry Schein does a lot of acquisitions each year. Has this always been a big part of your strategy?

Yes, Henry Schein has been doing deals for more than three decades. Over the years, we have had a pretty consistent mix between organic and inorganic growth as a way to execute our growth strategy. Although, interestingly, many of the transactions we do are joint ventures rather than 100% acquisitions. We have had a lot of success working with entrepreneurs, families and private equity to build value for all constituents. This is quite unique for a Fortune 500 company in my experience.

How important is geographic expansion to your strategy?Is this something you see continuing?

As you might expect, we would like to be a leader in all major markets around the world with a sizable or growing population in need of dental and medical care. We are in 32 countries currently, but continuously looking for opportunities, especially in emerging markets like Asia and parts of Latin America. For example, in the last several years, we have entered into partnerships in countries like Brazil, China, Japan and Poland, to name a few.

I noticed that you spun off the animal health business last year. What was the rationale behind this decision?

Last year, we decided to spin off our animal health business and merge it with a private-equity backed company called Vets First Choice. The combined company is now a separate public company called Covetrus. As technology becomes an increasingly important driver of success in all aspects of care, we believed that this was an opportunity to combine software, technology solutions and supply-chain expertise into one platform that would serve the vet industry. This should enable the delivery of innovative solutions that help veterinarians to deliver high quality care for pets and pet owners,

while increasing the efficiency of their practices. The transaction also allowed us to provide enhanced focus to our growing dental and medical businesses.

Where have you been most active as it relates to dental acquisitions?

We are actively exploring many different opportunities across the dental landscape as you might expect, but I would say the two areas where we have been most active recently are dental specialties and technology. With respect to dental specialties, we believe that we are underpenetrated and that there are significant opportunities for growth. As a result, you have seen us make a number of investments in things like dental implants and endodontics over the past couple of years. We have also been very active in dental technology – both practice management software and technology solutions for demand generation, digital marketing and communications.

Speaking of technology, can you talk a little about your recent tech venture, Henry Schein One?

Henry Schein One is a majority-owned joint venture announced last year between Henry Schein and Internet Brands and was a key step in furtherance of our long-term strategy to deliver integrated technology and help our customers run a better business. This joint venture combined the global practice management software platforms and other dental technology assets of Henry Schein with the web-based dental software tools owned by

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Internet Brands that help dentists build awareness for their practice and better communicate with existing patients and generate new patients. For example, Henry Schein One provides services like advanced websites, reputation management tools and improved online marketing solutions, all integrated with practice management software. We plan to enhance and grow this platform in the future, both organically and through acquisition. In fact, earlier this year, Henry Schein One announced the acquisition of Lighthouse 360 which further expanded our presence in these areas.

I know that the majority of Henry Schein's revenue is in dental, but it looks like your medical business has also experienced very nice growth. Will medical acquisitions also be an important part of the future strategy?

In short, yes. We have a $2.7 billion medical business that has been experiencing great growth, with very strong solutions for office-based general practitioners, specialists (such as dermatology, OB/GYN, and ENT), ASCs and others. This will be an important part of our growth strategy going forward as we focus on human health. In fact, we entered into a medical adjacency earlier this year with the acquisition of North American Rescue, a provider of survivability and casualty-care medical products to the defense and public safety markets. We are very interested in continuing to expand our medical business and are constantly looking for new opportunities to do so.

Can you tell us a little more about your typical deal structure? You mentioned that historically you have done many transactions whereby you acquire less than 100% of a company. What drives this?

You are correct. We have done many transactions over the years whereby we have acquired less than 100% of the company. It is probably more accurate to call these joint ventures rather than acquisitions. While it may seem unusual for a large company like Henry Schein, it has proven to be a very successful formula as it allows entrepreneurs and management to continue to be owners and vested in the future success of the business. It also enables them to participate in synergies and, overall, it provides good alignment of interest for all parties. While we have entered into this type of transaction with many family-owned businesses, we have also had tremendous success working with private equity in this model. ■

12 MONTHS OF MEDTECH M&A TRANSACTIONS

Date	Seller Name	Seller Country	Buyer Name	Buyer Country	Enterprise Value	LTM Revenue	LTM EBITDA	EV/LTM Revenue	EV/LTM EBITDA
10/10/19	**Aidite (Qinhuang Dao) Technology Co., Ltd.**	**China**	**Schroder Adveq; Legend Capital Management Co., Ltd.**	**Legend Capital Management Co., Ltd. (China); Schroder Adveq (Switzerland)**	**140.5**	**-**	**-**	**n.a.**	**n.a.**
10/9/19	OSG BVBA	Belgium	Micromed S.p.A.	Italy	-	-	-	n.a.	n.a.
10/3/19	Eximo Medical Ltd.	Israel	AngioDynamics, Inc. (NasdaqGS:ANGO)	United States	65.8	-	-	n.a.	n.a.
9/30/19	Sisram Medical Ltd (SEHK:1696)	Israel	Ample Up Limited	Hong Kong	135.6	161.20	33.01	0.8x	4.1x
9/26/19	DIAGMAX Diagnósticos por Imagem Ltda.	Brazil	Fleury S.A. (BOVESPA:FLRY3)	Brazil	27.0	-	-	n.a.	n.a.
9/23/19	NVT AG	Switzerland	Biosensors International Group, Ltd.	Singapore	195.7	4.40	-	44.5x	n.a.

Bolded entries pertain to dental-related transactions

12 MONTHS OF MEDTECH M&A TRANSACTIONS

Date	Seller Name	Seller Country	Buyer Name	Buyer Country	Enterprise Value	LTM Revenue	LTM EBITDA	EV/LTM Revenue	EV/LTM EBITDA
9/10/19	Cheetah Medical, Inc.	United States	Baxter International Inc. (NYSE:BAX)	United States	230.0	-	-	n.a.	n.a.
9/4/19	Mobius Imaging, LLC/GYS Tech, LLC	United States	Stryker Corporation (NYSE:SYK)	United States	500.0	-	-	n.a.	n.a.
9/2/19	**Sineldent S.L.U.**	**Spain**	**Phibo Dental Solutions, S.L.**	**Spain**	**-**	**-**	**-**	**n.a.**	**n.a.**
8/21/19	INEX INNOVATE	Singapore	Nova Satra Dx Pte. Ltd	Singapore	72.0	-	-	n.a.	n.a.
8/12/19	TSO3 Inc. (TSX:-TOS)	Canada	9402-4874 Québec Inc.	Canada	40.0	3.61	-	11.1x	n.a.
8/12/19	SentreHEART, Inc.	United States	AtriCure, Inc. (NasdaqGM:ATRC)	United States	-	4.00	-	n.a.	n.a.
8/8/19	Corindus Vascular Robotics, Inc. (AMEX:CVRS)	United States	Siemens Medical Solutions USA, Inc.	United States	1,086.0	15.24	(33.50)	71.3x	n.m.
8/7/19	New Aera, Inc.	United States	Inogen, Inc. (NasdaqGS:INGN)	United States	101.8	-	-	n.a.	n.a.
8/7/19	Avedro, Inc. (NasdaqGM:AVDR)	United States	Glaukos Corporation (NYSE:GKOS)	United States	533.4	35.29	(24.00)	15.1x	n.m.
8/6/19	NeoMed, Inc.	United States	Avanos Medical, Inc. (NYSE:AVNS)	United States	35.0	36.00	-	1.0x	n.a.
8/5/19	**Cliniclands AB**	**Sweden**	**Henry Schein, Inc. (NasdaqGS:HSIC)**	**United States**	**-**	**9.50**	**-**	**n.a.**	**n.a.**
8/2/19	Breathe Technologies, Inc.	United States	Hill-Rom Holdings, Inc. (NYSE:HRC)	United States	130.0	10.00	-	13.0x	n.a.
7/31/19	Cardiac Surgery Instruments Business of Miami Instruments, LLC	United States	LivaNova PLC (NasdaqGS:LIVN)	United King-dom	16.8	-	-	n.a.	n.a.
7/30/19	**Hu-Friedy Mfg. Co., LLC**	**United States**	**Cantel Medical Corp. (NYSE:CMD)**	**United States**	**775.0**	**214.00**	**47.90**	**3.6x**	**16.2x**
7/29/19	Arkis BioSciences Inc.	United States	Integra LifeSciences Holdings Corporation (NasdaqGS:IART)	United States	-	-	-	n.a.	n.a.
7/24/19	Groupe Moria	France	Naxicap Partners	France	43.0	-	-	n.a.	n.a.
7/22/19	Substantially All of the Assets of Mobilize RRS LLC	United States	ZOLL Medical Corporation	United States	-	-	-	n.a.	n.a.
7/10/19	Aspen Surgical Products, Inc.	United States	Audax Group, Inc.	United States	170.0	-	-	n.a.	n.a.

Bolded entries pertain to dental-related transactions

Date	Seller Name	Seller Country	Buyer Name	Buyer Country	Enterprise Value	LTM Revenue	LTM EBITDA	EV/LTM Revenue	EV/LTM EBITDA
7/4/19	Nephtec GmbH	Germany	B. Braun Avitum AG	Germany	-	-	-	n.a.	n.a.
6/27/19	Blue Earth Diagnostics Limited	United Kingdom	Bracco Imaging S.p.A.	Italy	487.0	-	-	n.a.	n.a.
6/26/19	UmanDiagnostics AB	Sweden	Quanterix Corporation (NasdaqGM:QTRX)	United States	22.3	-	-	n.a.	n.a.
6/25/19	**FINANCIERE ACTEON SAS**	**France**	**FFP Société anonyme (ENXTPA:FFP)**	**France**	**-**	**-**	**-**	**n.a.**	**n.a.**
6/20/19	SuperSonic Imagine SA (ENXTPA:SSI)	France	Hologic, Inc. (NasdaqGS:HOLX)	United States	111.0	27.60	(11.13)	4.0x	n.m.
6/18/19	TherOx, Inc.	United States	ZOLL Medical Corporation	United States	-	-	-	n.a.	n.a.
6/17/19	Singular BIO, Inc.	United States	Invitae Corporation (NYSE:NVTA)	United States	48.8	-	-	n.a.	n.a.
6/17/19	BrightWater Medical, Inc.	United States	Merit Medical Systems, Inc. (NasdaqGS:MMSI)	United States	50.0	-	-	n.a.	n.a.
6/10/19	Endocare, Inc./ Scion Medical Limited	United States	Varian Medical Systems, Inc. (NYSE:VAR)	United States	185.0	30.00	-	6.2x	n.a.
5/20/19	Arrotek Medical Ltd.	Ireland	Galt Medical Corp.	United States	-	-	-	n.a.	n.a.
5/20/19	Unique Technologies, Inc./ VPM Surgical, Inc.	United States	Surgical Specialties Corporation	United States	-	-	-	n.a.	n.a.
5/9/19	VertiFlex Inc.	United States	Boston Scientific Corporation (NYSE:BSX)	United States	565.0	-	-	n.a.	n.a.
5/9/19	Titan Spine, Inc.	United States	Medtronic plc (NYSE:MDT)	Ireland	-	-	-	n.a.	n.a.
5/2/19	Acelity, Inc.	United States	3M Company (NYSE:MMM)	United States	6,725.0	1,500.00	441.00	4.5x	15.2x
5/2/19	Solsys Medical, LLC	United States	Misonix, Inc. (NasdaqGM:MSON)	United States	-	17.10	-	n.a.	n.a.
4/30/19	Substantially All of the Assets and Certain Specified Liabilities of GenePOC Inc.	Canada	Meridian Bioscience Canada Inc.	Canada	120.0	-	-	n.a.	n.a.
4/17/19	NAMIC Fluid Management Portfolio of AngioDynamics, Inc.	United States	Medline Industries, Inc.	United States	167.5	-	-	n.a.	n.a.
4/8/19	**Dart Dental Supply, Inc.**	**United States**	**Benco Dental Supply Co., Inc.**	**United States**	**-**	**-**	**-**	**n.a.**	**n.a.**

Sources: CapitalIQ, Company Press Releases and Industry News

12 MONTHS OF MEDTECH M&A TRANSACTIONS

Date	Seller Name	Seller Country	Buyer Name	Buyer Country	Enterprise Value	LTM Revenue	LTM EBITDA	EV/LTM Revenue	EV/LTM EBITDA
3/21/19	**Direct Conversion AB (publ)**	**Sweden**	**Varex Imaging Investments B.V.**	**Netherlands**	**87.8**	**22.28**	**3.95**	**3.9x**	**22.2x**
3/18/19	PowerVision, Inc.	United States	Alcon Laboratories, Inc.	United States	418.0	-	-	n.a.	n.a.
3/14/19	OrthoSpace Ltd.	Israel	Stryker Corporation (NYSE:SYK)	United States	220.0	-	-	n.a.	n.a.
3/12/19	Osiris Therapeutics, Inc.	United States	Smith & Nephew plc (LSE:SN.)	United Kingdom	625.8	142.82	10.33	4.4x	60.6x
3/12/19	**Dental Activities of Villa Sistemi Medicali s.p.a.**	**Italy**	**FINANCIERE ACTEON SAS**	**France**	**-**	**-**	**-**	**n.a.**	**n.a.**
3/12/19	Anthogyr SAS	France	Straumann Holding AG (SWX:STMN)	Switzerland	-	56.60	-	n.a.	n.a.
2/28/19	TrueVision Systems, Inc.	United States	Alcon, Inc. (SWX:ALC)	United States	146.0	-	-	n.a.	n.a.
2/25/19	Arrinex, Inc.	United States	Stryker Corporation (NYSE:SYK)	United States	-	-	-	n.a.	n.a.
2/18/19	Innovalens B.V.	Netherlands	Johnson & Johnson (NYSE:JNJ)	United States	-	-	-	n.a.	n.a.
2/15/19	Acacia, Inc.	United States	New Wave Endo-Surgery Inc.	United States	-	-	-	n.a.	n.a.
2/13/19	Auris Health, Inc.	United States	Ethicon US, LLC	United States	5,750.0	-	-	n.a.	n.a.
2/12/19	CAS Medical Systems, Inc.	United States	Edwards Lifesciences Corporation (NYSE:EW)	United States	104.9	21.92	(3.44)	4.8x	n.m.
1/24/19	EPIX Therapeutics, Inc.	United States	Medtronic plc (NYSE:MDT)	Ireland	316.0	-	-	n.a.	n.a.
1/23/19	North American Rescue, LLC	United States	Henry Schein Medical Systems, Inc.	United States	-	184.00	-	n.a.	n.a.
1/16/19	Cephea Valve Technologies, Inc.	United States	Abbott Laboratories (NYSE:ABT)	United States	-	-	-	n.a.	n.a.
1/7/19	Digital PCR Program Assets of Formulatrix, Inc.	United States	QIAGEN N.V. (NYSE:QGEN)	Netherlands	260.0	-	-	n.a.	n.a.
1/4/19	Novosanis NV	Belgium	OraSure Technologies, Inc. (NasdaqGS:OSUR)	United States	-	-	-	n.a.	n.a.
1/3/19	**Paltop Advanced Dental Solutions LTD.**	**Israel**	**Keystone Dental, Inc.**	**United States**	**-**	**-**	**-**	**n.a.**	**n.a.**
12/27/18	Millipede Inc.	United States	Boston Scientific Corporation (NYSE:BSX)	United States	-	-	-	n.a.	n.a.
12/21/18	**Forest Dental Products, Inc.**	**United States**	**DentalEZ, Inc.**	**United States**	**-**	**-**	**-**	**n.a.**	n.a.

Bolded entries pertain to dental-related transactions

Date	Seller Name	Seller Country	Buyer Name	Buyer Country	Enterprise Value	LTM Revenue	LTM EBITDA	EV/LTM Revenue	EV/LTM EBITDA
12/19/18	Tear Film Innovations Inc.	United States	Alcon, Inc. (SWX:ALC)	United States	145.0	-	-	n.a.	n.a.
12/18/18	Ceterix Orthopaedics, Inc.	United States	Smith & Nephew plc (LSE:SN.)	United Kingdom	105.0	-	-	n.a.	n.a.
12/18/18	Surgical Product Line Of Apollo Endosurgery, Inc.	United States	ReShape Lifesciences Inc. (OTCPK:RSLS)	United States	-	-	-	n.a.	n.a.
12/17/18	All Assets of Vascular Insights, LLC	United States	Merit Medical Systems, Inc. (NasdaqGS:MMSI)	United States	60.0	-	-	n.a.	n.a.
12/3/18	Reciprocal Labs Corporation	United States	ResMed Inc. (NYSE:RMD)	United States	225.0	-	-	n.a.	n.a.
11/20/18	BTG International Ltd.	United Kingdom	Boston Scientific Corporation (NYSE:BSX)	United States	3,935.9	862.98	253.73	4.6x	15.5x
11/19/18	DJO Global, Inc.	United States	Colfax Corporation (NYSE:CFX)	United States	3,150.0	1,186.21	187.26	2.7x	16.8x
11/9/18	SuZhou Hybiome Biomedical Engineering Co.Ltd.	China	bioMérieux S.A. (ENXTPA:BIM)	France	212.0	-	-	n.a.	n.a.
11/6/18	**Astek Innovations Ltd.**	**United Kingdom**	**Young Innovations, Inc.**	**United States**	**-**	**-**	**-**	**n.a.**	**n.a.**
11/1/18	Paradigm Spine, LLC	United States	RTI Surgical Holdings, Inc. (NasdaqGS:RTIX)	United States	299.1	40.00	-	7.5x	n.a.

Sources: CapitalIQ, Company Press Releases and Industry News

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Founded in 2009, Wombat Capital is a cross-border investment bank providing Mergers and Acquisitions advisory services to entrepreneurs, boards of directors, financial investors, private and public companies. With offices in New York and Paris, Wombat Capital focuses on the middle market in Life Sciences, with a strong focus on the Medtech and Pharma Outsourcing sectors.

THANK YOU TO OUR PARTNER FOR ITS CONTRIBUTION

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