

We are pleased to share a series of exciting news:

- a highly successful exit for a Fund III investment
- the return of John Chopack Jr. to the Firm
- our first acquisition in Fund IV

In the midst of all this, a very successful American Academy of Orthopedic Surgeons in March with surgeons, investors, and potential partners further solidified our excitement for the many opportunities offered by our sector.

*John H. Foster   Mike Mogul   Laing Ridders   John Chopack, Jr.   Bill Johnson   Milen Todorov*

## Fund III Exit: Stryker Acquires OrthoSpace Ltd. for \$220 Million

We are thrilled to share that our Fund III company, OrthoSpace, was acquired by Stryker, for up to \$220 million.

The Company's product, InSpace, is a highly differentiated balloon implant for repair of severe rotator cuff tears in the shoulder. It is highly complementary to Stryker's Sports Medicine franchise.



The transaction is an outstanding outcome for our LPs and a further validation of our focus and strategy.

**ORTHO**SPACE

was acquired by

**stryker**

\$220 M

22x+ Rev

March 2019

## John Chopack, Jr. Re-Joins HealthpointCapital

We are also excited to welcome back John Chopack, Jr, one of the founders of HealthpointCapital, who re-joined the Firm in March as Managing Director.

In his prior 16-year tenure with the Firm, John sourced and executed some of the most successful deals in our history, including Blue Belt Technologies, BioHorizons and Nexa.

John's track record and expertise will further advance our ambitious investment strategy in the sector.



## First Acquisition for Fund IV: CrossRoads Extremity Systems LLC

### Fast Growing Market Segment

- Foot & Ankle is \$2+ Billion global market with ~8% annual growth – 2x faster than the orthopedics industry overall
- Growth driven by high unmet needs, complex anatomy, demographics, and innovation
- Unique customer dynamics – 7,500 podiatrists and 2,200 surgeon specialists

### Core Strategy

- Build an attractive, scaled asset that would be a growth-accretive acquisition target for multiple strategic acquirers
- Major orthopedics companies have limited and/or aging Foot & Ankle instrument and implant portfolios and are highly acquisitive in the segment
- Invest in both growth and commercial expansion to drive premium exit valuation

### Highly Differentiated Company with Unique Offerings



- Fast-growing pure-play company with procedure-specific, sterile-packed Foot & Ankle implants and instruments
- Only company offering Active Stabilization technology: combining both compression *and* stability through nitinol clip *within* a plate
- Reusable instrumentation reprocessed through unique EcoSMART program, improving gross margins and inventory management
- Strong and innovative management team, highly respected by surgeons and distributors alike
- Highly promising pipeline of additional minimally invasive solutions





### Optimized Transaction

- Valuation: \$47M (3.4x 2019E Rev)
- HPC IV acquired 53% ownership stake with \$12M cash upfront, \$13M cash payable over 3 years; \$12M to be invested additionally to drive fast growth and continued innovation
- Capital deployed over time to enable favorable returns to LPs
- Five months of in-depth due diligence and negotiation; HPC controls Board

### Financial Profile

- Reached \$10M revenue in 2018, three years after Company was founded
- \$14M and \$20M revenue budget for 2019 and 2020, respectively
- 78% Gross Margin, with additional upside
- Stable product ASP, with increasing revenue per procedure

### Exit Plan

- Well defined plan to grow to ~\$35M by 2022 and pursue a strategic sale exit
- Further growth upside with several identified potential bolt-on acquisitions
- 8x median M&A revenue multiple paid by strategics for high-growth orthopedics assets, with many recent deals above 10x revenue
- Expected returns ~4-5x cash-on-cash and 75%+ IRR

## High-Growth Medtech M&A: Attractive Strategic Exits

- In light of our Fund IV acquisition of CrossRoads Extremity Systems, we wanted to share as reference the below set of strategic buyer acquisitions of high-growth medtech assets
- Meaningful presence of extremities transactions

Date	Acquirer	Target	Transaction Value (\$M)	Revenue Multiple (x)	Est. Revenue Growth (%)	Area
2019-03	Stryker	OrthoSpace	220	na	75%	Sports Medicine
2018-11	RTI Surgical	Paradigm Spine	300	7.5x	20%	Spine
2018-09	Boston Scientific	Augmenix	600	12.0x	52%	Radiotherapy
2018-09	Wright Medical	Cartiva	435	12.4x	35%	Extremities
2018-09	Medtronic	Mazor Robotics	1,471	13.5x	75%	Surgical Robotics
2018-03	OrthoFix	Spinal Kinetics	105	7.0x	15%	Spine
2018-01	RTI Surgical	Zyga Technology	35	8.8x	20%	Spine
2017-10	Smith & Nephew	Rotation Medical	210	16.1x	40%	Extremities
2017-12	Stryker	Entellus Medical	657	7.6x	20%	ENT
2017-10	Stryker	Vexim	184	7.7x	30%	Spine
2017-06	Stryker	Novadaq	633	7.6x	24%	Advanced Visualization
2017-03	Boston Scientific	Symetis SA	435	11.2x	51%	Cardio
2016-06	ZimmerBiomet	LDR Holding	1,067	6.2x	15%	Spine
2016-01	Smith & Nephew	Blue Belt Technologies	275	14.5x	70%	Surgical Robotics
2016-01	Nuvasive	Ellipse Technologies	410	8.2x	40%	Spine
2015-11	CONMED	SurgiQuest	265	6.0x	50%	Surgical Tools
2014-10	Stryker	Small Bone Innovations	375	7.8x	15%	Extremities
2013-12	Stryker	Patient Safety Technologies	120	6.0x	26%	Surgical Tools
2013-09	Stryker	MAKO	1,650	14.4x	23%	Surgical Robotics
2013-03	Wright Medical	Biomimetic	380	10.0x	55%	Extremities
<b>Top 10%</b>			<b>1,107</b>	<b>14.4x</b>	<b>71%</b>	
<b>Top 25%</b>			<b>608</b>	<b>12.2x</b>	<b>51%</b>	
<b>Mean</b>			<b>491</b>	<b>9.7x</b>	<b>38%</b>	
<b>Median</b>			<b>378</b>	<b>8.2x</b>	<b>30%</b>	

## Q1 Musculoskeletal Sector M&A: Focus on Digital Technologies

- The pace of M&A in musculoskeletal continued unabated in Q1'19, particularly around AAOS in mid-March
- Tuck-in acquisitions continue to be the strategics' preferred way of deploying M&A capital
- Beyond OrthoSpace, the sector's other notable transactions are heavily centered on complementary, advanced digital solutions enabling musculoskeletal surgery - planning software, soft tissue balancing, navigation and robotics
- These are areas of significant focus for our Fund IV as well

Date Announced	Acquirer	Target	Segment	Enterprise Value (\$M)
04/04/19	Acumed	Bluefish Orthopedics	<i>Extremities - Total Elbow</i>	na
03/14/19	Stryker	OrthoSpace	<i>Sports Medicine - Shoulder</i>	220
03/12/19	Straumann	Anthogyr (remaining 70% stake)	<i>Dental - Value-based Implants</i>	na
03/12/19	Smith & Nephew	Brainlab - Joint Recon Business	<i>Joint Recon Software</i>	na
03/12/19	Exactech (TPG)	XpandOrtho	<i>Joint Recon - Soft Tissue Balancing</i>	na
03/07/19	Corin (Permira)	OMNI Lifesciences	<i>Robotics - Total Joint Recon</i>	na
02/07/19	Trice Medical	S.E.G-Way Ortho	<i>MIS - Extremities</i>	na
01/22/19	Nordic Capital	Orchid Orthopaedic Solutions	<i>Contract Manufacturing</i>	na
01/16/19	Kyocera	Renovis Surgical	<i>Joint Recon / Spine assets</i>	na