

- 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 (AAOS) in March with surgeons, investors, and potential partners further solidified our excitement for the many opportunities offered by our sector.
- Finally, the M&A environment in the sector remain highly attractive, and we provide a brief update both on long-term multiples for high-growth targets and recent Q1 trends

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

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

Our Fund III company, OrthoSpace, was acquired by Stryker, for up to \$220 million based on milestones.

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 a great outcome for our LPs and a further validation of our focus and strategy.

ORTHOSPACE

was acquired by

stryker

\$220 M

March 2019

John Chopack, Jr. Re-Joins HealthpointCapital

We also 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 the most successful deals in our history, including Blue Belt Technologies, BioHorizons and Nexa.

John's track record and expertise will further advance our investment strategy.



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 the orthopedics industry
- Growth driven by 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 for strategic acquirers
- Strategics have limited and/or aging Foot & Ankle portfolios and are very acquisitive
- Drive premium exit valuation by growth and commercial expansion

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
- Promising pipeline of additional minimally invasive products

DynaFORCE
ACTIVE STABILIZATION



EcoSMART
Instrument Recovery Program

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 underwrite growth and continued innovation
- Majority of capital deployed over time, enabling favorable LP returns
- Five months of in-depth due diligence and negotiation

Financial Profile

- \$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 an exit
- Several identified potential bolt-on acquisitions
- Expected exit at 7-9x revenue multiple, in line with strategic acquisitions of high-growth medtech assets (see next page)
- Expected returns 4-5x cash-on-cash and 70-75% IRR

YTD Musculoskeletal Sector M&A: Focus on Digital Technologies

- The pace of M&A in musculoskeletal continued unabated in 2019 YTD, particularly around AAOS in mid-March
- Tuck-in acquisitions continue to be the strategics' preferred way of deploying M&A capital
- The sector's notable transactions are heavily centered on the extremities segment, as well as 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)	Revenue Multiple (x)
05/10/19	Medtronic	Titan Spine	<i>Spine</i>	na	na
05/09/19	Boston Scientific	Vertiflex	<i>Spine - Pain Management</i>	465	15.5X
04/04/19	Acumed	Bluefish Orthopedics	<i>Extremities - Total Elbow</i>	na	na
03/14/19	Stryker	OrthoSpace	<i>Sports Medicine - Shoulder</i>	220	na
03/12/19	Straumann	Anthogyr (remaining 70% stake)	<i>Dental - Value-based Implants</i>	na	na
03/12/19	Smith & Nephew	Brainlab - Joint Recon Business	<i>Joint Recon Software</i>	na	na
03/12/19	Exactech (TPG)	XpandOrtho	<i>Joint Recon - Soft Tissue Balancing</i>	na	na
03/07/19	Corin (Permira)	OMNI Lifesciences	<i>Robotics - Total Joint Recon</i>	na	na
02/07/19	Trice Medical	S.E.G-Way Ortho	<i>MIS - Extremities</i>	na	na
01/22/19	Nordic Capital	Orchid Orthopaedic Solutions	<i>Contract Manufacturing</i>	na	na
01/16/19	Kyocera	Renovis Surgical	<i>Joint Recon / Spine assets</i>	na	na