



SPOT ON TESTING, INSPECTION & CERTIFICATION

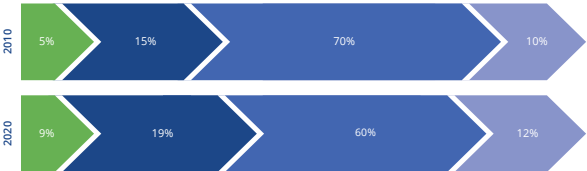
Arjen Kosteljik, Oaklins' Testing, Inspection & Certification (TIC) specialist, is pleased to share some high-level industry intelligence in this edition of Spot On.

“Over the last 15 years, Oaklins has advised on numerous mergers and acquisitions in the TIC sector. Recent examples include the sales of Omegam Laboratoria to Eurofins, Roos+Bijl to SGS and Tem Group to Instrumentation Laboratory. Consolidation is one of the key drivers in the global TIC market, and we expect

this pattern to continue among the major TIC players. Lately, we have seen a lot of M&A activity in the field of clinical diagnostic laboratories, where large players are consolidating the market and where environmental and food labs are acquiring diagnostic labs and vice versa.

“This newsletter provides further insight into the clinical diagnostic laboratory segment, covering the subjects below.”

MARKET TRENDS



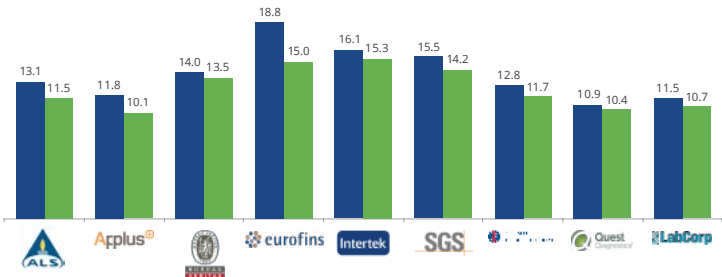
Page 2

SPOTLIGHT



Page 3

VALUATION TRENDS



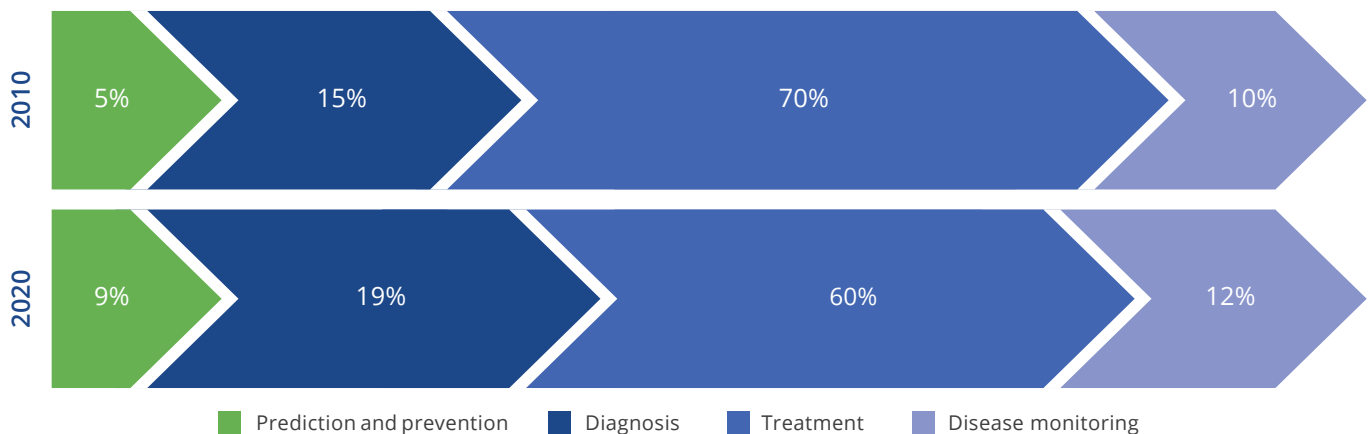
Page 4

Diagnostics will play an ever increasing role in the future

Strong fundamental growth drivers, such as globalization, stricter regulations and an increased focus on safety and quality control, support the global TIC market.

Over the past few years, we have seen increased activity in the diagnostic laboratory sector. The market specifically benefits from:

- Demographics: an aging population and the rise in associated chronic diseases is causing an uptick in the demand for diagnostic tests
- A shift from treatment to prediction, prevention and diagnosis: spending on these is expected to climb from approximately 20% of healthcare budgets in 2010 to circa 30% by 2020
- Scientific innovations: laboratories are able to perform an increasing number of different tests, such as molecular and genetic testing
- Budget restraints: hospitals are increasingly outsourcing clinical diagnostics to cut costs and achieve economies of scale



Source: www.unilabs.com















Following the above trends, we see an increasing number of transactions starring diagnostic labs. First, following the consolidation of the environmental lab market, we see a strong consolidation amongst diagnostic labs for the following reasons:

- As laboratory research equipment is becoming more sophisticated and expensive, timely investments are needed to keep ahead of the competition in diagnostic technology. By joining forces, laboratories can make significant savings by using large-scale automated testing.
 - The increased regulation of laboratories, along with legal restrictions on physician referrals and lab ownership in certain countries, drive smaller operations to work together
- Secondly, we are also seeing general TIC companies, such as those providing food and environmental testing services, extending their portfolio by acquiring diagnostic labs and vice versa. Various crossover deals have taken place recently, for example SYNLAB's acquisition of ALcontrol in May 2017.

SYNLAB is a listed laboratory service provider based in Germany offering medical diagnostics for patients, practicing doctors, clinics and the pharmaceutical industry. ALcontrol provides food-, water- and environmental-testing services. With this acquisition, SYNLAB is able to expand into the Netherlands, Sweden and Denmark, and can substantially scale up its capacity in environmental testing, offering significantly more to large multinational clients and in cross-border assignments. ALcontrol will add around US\$114 million (€95 million) to SYNLAB Group's revenue. In November 2016, ALcontrol sold its UK operations to ALS Limited.

Unilabs is one of the most active consolidators in the European diagnostics market

A selection of recent transactions

Date	Target	Country	News	Rationale
13-Nov-2017			Unilabs acquires Telemedicine Clinic, the Spain-based provider of teleradiology and telepathology services to public hospitals and private healthcare providers in Europe	Accelerates the development and implementation of digital processes in radiology and pathology
07-Oct-2017			Unilabs acquires the Netherlands-based laboratory Medlon, which offers services in the field of clinical chemistry diagnostics to primary and secondary care providers	Enables Unilabs to enter the Dutch market for medical diagnostics. Enables Medlon to further structure their service offering in a more efficient and effective way.
07-Aug-2017			Unilabs acquires Blufstein Laboratorio Clínico, the Peru-based operator of clinical and hospital laboratories	Allows Unilabs to expand its service portfolio and extend its reach into the Peruvian private healthcare market
27-Jul-2017			Unilabs acquires Scientific Clinical Laboratories, the UAE-based provider of laboratory services	Enables Unilabs to strengthen its portfolio of diagnostic services in the Middle East and gain access to the UAE's local healthcare market
19-Jul-2017			Unilabs acquires Base Holding, the Portugal-based provider of diagnostic services	Expands Unilabs' portfolio and presence in Portugal. Expands Base Holding's capabilities and complements its medical and commercial skills.
20-Jun-2017			Unilabs acquires CGC Centro de Genética Clínica e Patologia, the Portugal-based provider of specialty genetic tests and operator of clinical laboratories	Provides Unilabs with a platform in the clinical testing market in Portugal and reinforces its reference and special testing portfolio
09-Feb-2017			Unilabs acquires Alpha Medical, the Slovakia-based provider of laboratory testing services	Diversifies Unilabs' presence with entry into the Eastern Europe region. Enables Alpha to improve the quality of medical care in the markets it serves.

Unilabs' M&A profile

With US\$957 million (€800 million) in annual revenues (2016), almost 200 laboratories and more than 6,900 employees in 14 countries, Unilabs is a provider of clinical laboratory testing and medical diagnostic imaging services. Headquartered in Switzerland, Unilabs Group serves private and public healthcare providers, local government, pharmaceutical companies and the general public.

Unilabs has been a portfolio company of Apax Partners since 2007. In 2008 the company merged with Capió

Diagnostics, and in 2017 Apax Partners bought the final stake in Unilabs from Nordic Capital and Apax France.

Unilabs has been very active in the diagnostics M&A market, with seven deals in 2017. With acquisitions across different segments (such as genetic testing and clinical chemistry), Unilabs is further strengthening its overall presence in the fragmented European and global diagnostics market.

Valuation trends

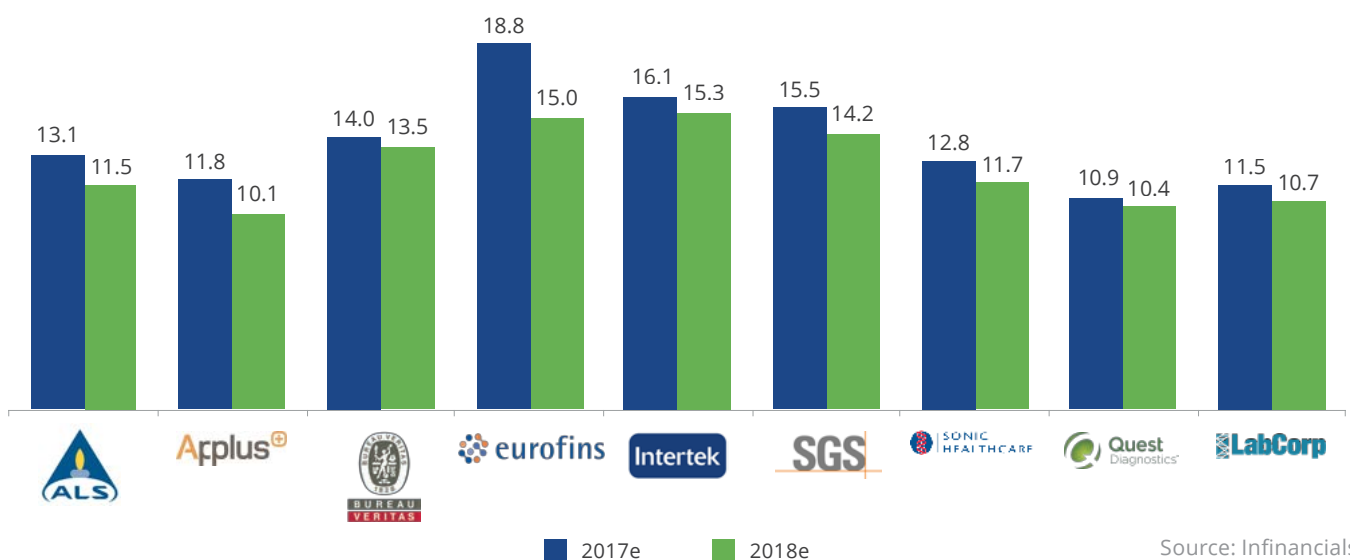
Continued high valuations for TIC companies

There are several listed companies active in the TIC market: a selection is shown in the graph below. It includes general TIC companies offering a broad range of services in a variety of industries plus three specialist diagnostics companies — Sonic Healthcare, Quest Diagnostics and LabCorp.

In 2017, valuations of the selected companies went up by 15.5% (compared to the 4.7% average in the STOXX Global 1800), partially driven by ongoing consolidation in the market and overall favorable market trends.

The EV/EBITDA median for the selected peer group in 2017e and 2018e is 13.1x and 11.7x, respectively.

EV/EBITDA multiples



Arjen Kostelijk, TIC Specialist, Oaklins

"We believe the intention to be a one-stop shop for clients, along with a determination to be more cost efficient and the need to adhere to stricter industry regulations, will continue to be key drivers behind consolidation in the diagnostic laboratory market. As a result, we expect valuations of both general as well as specialized diagnostic labs to rise and we are confident that certain macro-economic trends — including the ample availability of funds and private equity's insatiable need to invest — will ensure continued momentum in the M&A market."



Valuation trends

An overview of selected M&A transactions in the diagnostic lab sector

Date	Target	Buyer	Country	Rationale	EV (US\$m)	EV/ Sales	EV/ EBITDA	EV/ EBIT
13-Nov-2017	 TELEMEDICINECLINIC <small>Enabling Diagnostic Excellence</small>	 Unilabs		Accelerates the development and implementation of digital processes in radiology and pathology, allowing Unilabs to offer more subspecialist reporting from top experts in their field	N/A	N/A	N/A	N/A
10-Oct-2017	 bio-access 34% stake			Allows Eurofins to enter the European clinical diagnostic testing market, within which it can deploy its technical know-how and proprietary technologies	N/A	N/A	N/A	N/A
07-Oct-2017	 MEDLON <small>MEDISCHE DIAGNOSTIEK</small>			Enables Medlon to further structure their service offering in a more efficient and effective way. Enables Unilabs to enter the Dutch market for medical diagnostics.	N/A	N/A	N/A	N/A
31-Jul-2017	 GoodStart Genetics			Allows Invitae to create a platform providing high-quality, affordable genetic information coupled with better clinical expertise	34.0	1.6x	N/A	(2.4x)
31-Jul-2017	 CHILTERN			Enhances LabCorp's customer solutions and expands its functional service provider solutions and oncology expertise	1,345.0	2.8x	22.1x	41.1x
04-Jul-2017	 Analytical services			Enables SYNLAB to expand its customer base and complement its existing services with expertise in clinical trials	N/A	N/A	N/A	N/A
03-Jul-2017	 GENEUS			Expands SYNLAB's repertoire of food and specialist microbiology testing services in the UK and provides further expertise to its European customers	N/A	N/A	N/A	N/A
26-Jun-2017	 GENOMA <small>Genomic Research Laboratories Group</small>			Reinforces Genoma's presence in the specialty diagnostic testing sector. Provides Eurofins with a platform within the clinical testing market in Italy.	N/A	N/A	N/A	N/A
20-Jun-2017	 CGC genetics			Gives Unilabs a platform within the clinical testing market in Portugal and reinforces its reference and special testing portfolio	N/A	N/A	N/A	N/A
20-Jun-2017	 HRL <small>HARRISON RESEARCH LABORATORIES, INC.</small>			Expands SGS's consumer and retail service portfolio into the clinical testing sector for cosmetic and personal care products in the US	N/A	N/A	N/A	N/A
19-May-2017	 Alcontrol Laboratories			Enables SYNLAB to expand into the Netherlands, Sweden and Denmark which complements its present foothold	N/A	N/A	N/A	N/A
30-Sep-2016	 MEGALAB			Allows Eurofins to enter the clinical diagnostic testing market in Spain and expands its clinical diagnostic operation in Europe	40.0	1.0x	13.1x	22.2x
25-Apr-2016	 PerkinElmer (NDT labs)			Strengthens Eurofins' footprint in the genetics segment of the specialty clinical diagnostic testing market and expands its analytical portfolio for genetic disorders	N/A	N/A	N/A	N/A

Source: Mergermarket and annual reports of relevant companies

Selected Oaklins TIC transactions

 <p>has sold a majority stake to</p>  <p>M&A SELL-SIDE Business Support Services/Private Equity</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Construction & Engineering Services</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Healthcare</p>	 <p>has acquired</p>  <p>US\$8m M&A BUY-SIDE Agriculture/Consumer & Retail/Food & Beverage/Healthcare</p>
 <p>has been acquired by</p>  <p>M&A SELL-SIDE Agriculture/Business Support Services</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Private Equity</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Construction & Engineering Services/Logistics/Private Equity</p>
 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Healthcare</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Healthcare/Private Equity</p>	 <p>has acquired the assets of</p>  <p>M&A BUY-SIDE Healthcare</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Healthcare</p>
 <p>has sold a stake to</p>  <p>M&A SELL-SIDE Business Support Services</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Construction & Engineering Services</p>	 <p>has acquired</p> <p>PV Inspection Services Ltd.</p> <p>M&A BUY-SIDE Business Support Services/Construction & Engineering Services</p>	 <p>has acquired</p>  <p>US\$120m M&A BUY-SIDE Business Support Services</p>

MEET OAKLINS, THE WORLD'S MOST EXPERIENCED MID-MARKET M&A ADVISOR

700 
professionals

60 
offices

40 
countries

5,000+ 
transactions

15 
sectors

Oaklins offers a comprehensive range of services

- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

Oaklins industry specialists

Testing, inspection & certification is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become the most experienced M&A advisor in the TIC sector, with a large contact network of the most relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for TIC companies.

If mergers, acquisitions or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you. Please find our contact details below.



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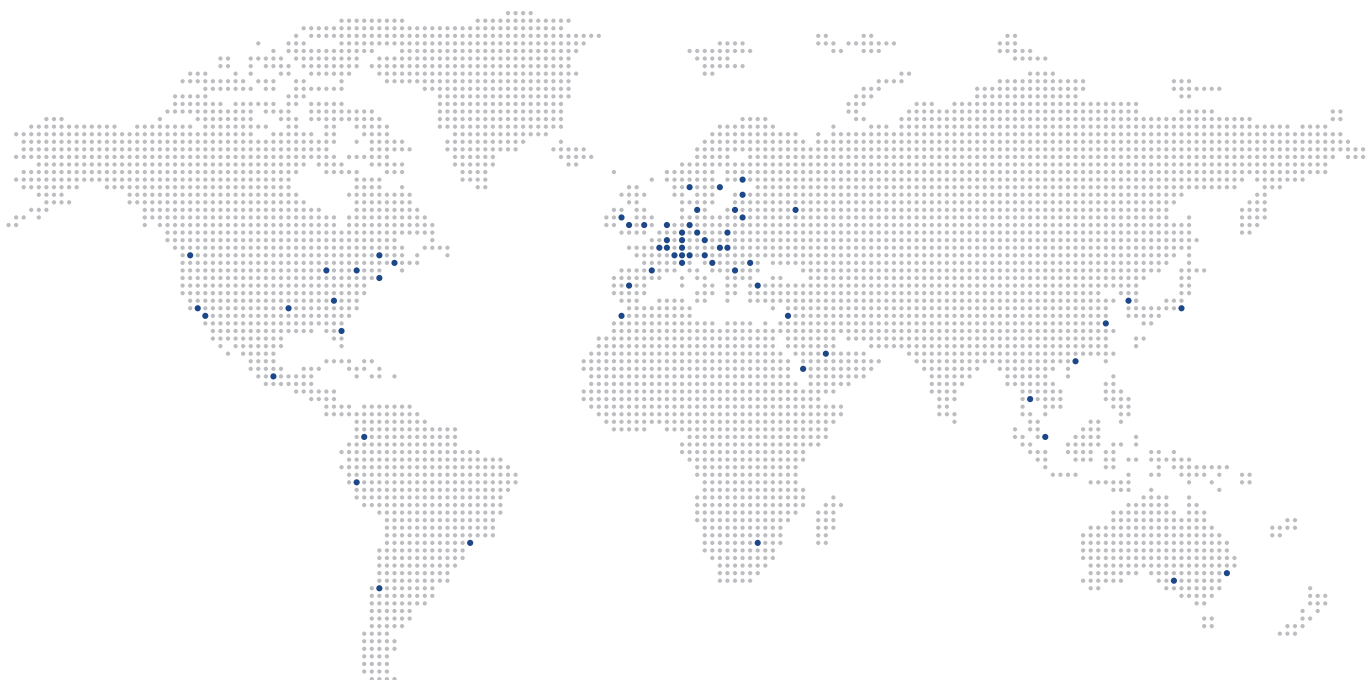


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