



Q3-2009 LABORATORY SERVICES INDUSTRY UPDATE

INDUSTRY OVERVIEW

As the economy moves toward stabilization, healthcare reform has become increasingly important for Washington policymakers. Congressional health committees have been working on the issue for over two years, and the impact on the laboratory industry although unknown, is inevitable. Recently, the proposed \$750 million annual levy on clinical laboratories has been dropped from the health care reform bill which is still under review, offsetting other more unsettling news. A separate provision has been proposed to reduce the Medicare lab fee schedule as well as enact a Consumer Price Index (CPI) based productivity adjustment. There has also been increasing concern over the idea of loosening eligibility requirements for Medicaid reimbursements, which on average tend to be lower and are more at risk for payment delays in a number of states.

Despite all of the turmoil and unrest in the industry, merger and acquisition activity has picked up throughout the past quarter with 8 transactions being completed in the space, amongst a flurry of announced deals as well. The past three months have yielded transaction closings in a variety of areas of testing, indicative of an industry that is continuing to grow and attract strategic interest. Both Sonic Healthcare Ltd. and Quest Diagnostics, Inc. were active in the quarter.

RECENT TRANSACTIONS

| Month | Acquirer | Company Acquired | Details |
|----------------|------------------------------|--|--|
| September 2009 | Correlagen Diagnostics, Inc. | Helicos Biosciences Corporation | Correlagen Diagnostics Inc., a leading provider of genetic testing for disease diagnosis, has acquired a diagnostic testing system from Helicos BioSciences, which is a life science company focused on innovative genetic analysis technologies. The two companies have also announced they have entered into a scientific collaboration. The financial terms of the transaction were not disclosed. |
| September 2009 | Dionex, Inc. | The ESA Life Sciences Tools business from Magellan Biosciences, Inc. | Magellan Biosciences, Inc. has sold its ESA Life Sciences Tools business to Dionex, Inc., a Sunnyvale, California-based company. The sale includes all of ESA's HPLC-related products, HPLC clinical assays and ESA's Laboratory services and assets. The acquisition allows Dionex the opportunity to develop a stronger foothold in the clinical point-of-care setting. Financial terms of the deal were not disclosed. |
| September 2009 | Sonic Healthcare Ltd. | Piedmont Medical Laboratories & Axiom Laboratories | Sonic Healthcare has acquired Piedmont Medical Laboratory of Winchester, Virginia along with Florida-based Axiom Laboratories for a combined purchase price of \$20 million in cash with an earn out of up to \$2.5 million over the next two years. The multiple of the combined transaction is approximately 1.4x revenues. |
| September 2009 | PerkinElmer, Inc. | Surendra Genetic Labs, Ltd. | PerkinElmer has completed the acquisition of the genetic screening business of Surendra Genetic Labs, Ltd., a leading laboratory in India that focuses on fetal, maternal and newborn health. Although the financial terms of the transaction were not disclosed, this acquisition is important as it highlights the growing interest in maternal and child health screening and diagnostic technologies. |
| August 2009 | Quest Diagnostics, Inc. | Caritas Christi Health Care | Quest Diagnostics has acquired the physician-office laboratory business, Caritas Medical Laboratories, from Caritas Christi Health Care. This acquisition will allow Quest an entrance into the six hospital system throughout New England and is indicative of a growing acquisitive interest in hospital outreach laboratories. The deal makes sense for both Caritas and Quest as the hospital system will not only be able to realize some cash from the sale of its assets, but also utilize Quest's IT capabilities and open the door for Quest to continue to grow through tuck-in acquisitions. The financial terms of the transaction were not disclosed. |
| August 2009 | PCAS | Nanosyn, Inc. | PCAS, a leader in commercial scale pharmaceutical synthesis, and Nanosyn, a contract research organization providing integrated drug discovery services, have entered into a joint-venture agreement to operate PCAS-NANOSYN, LLC, a Good Manufacturing Practice. The joint venture operation will provide services out of an FDA inspected facility in Santa Rosa, California, housing six GMP suites. |
| August 2009 | VCA Antech, Inc. | Eklin Medical Systems, Inc. | VCA Antech, Inc., a leading animal healthcare company in the United States, has acquired Eklin Medical Systems, Inc., a leading seller of digital radiology, ultrasound and practice management software systems in the veterinary market. VCA Antech is the leading provider of pet health care services in the country with a nationwide clinical laboratory system and over 475 free-standing animal hospitals. With the acquisition, the combined company will be the largest supplier of diagnostic imaging equipment and other medical technology products to the veterinary market. The financial terms of the transaction were not disclosed. |
| July 2009 | ICON Plc. | Veeda Laboratories Ltd. from Veeda Clinical Research Group | ICON Plc has acquired Veeda Laboratories Ltd., a specialist provider of biomarker laboratory services to global pharmaceutical and biotechnology industries, and formerly a wholly-owned subsidiary of Veeda Clinical Research Group. This acquisition will add Veeda's strong reputation and well-established relationships for biomarker development to ICON's drug discovery resources and will position Veeda to enhance and expand their biomarker, pharmacokinetic and immunogenicity services. The financial terms of the transaction were not disclosed. |