



Q2-2014 LABORATORY SERVICES INDUSTRY UPDATE

MARKET OVERVIEW

Despite the continued focus on proper reimbursement controls in the lab space, deal flow in the sector has remained active. Despite being a mature industry in terms of size and scope, the lab industry remains one in which considerable organic growth opportunity remains prevalent, a key factor toward the continued investment in the space. As the healthcare industry as a whole continues to move towards a more integrated patient-centered workflow, life sciences research and development will undoubtedly remain an integral component to more effective and efficient care.

SELECT TRANSACTIONS

Continued Focus on Billing & Reimbursement

As a result of a recent report conducted by the OIG through the Department of Health & Human Services, Medicare part B coverage for clinical laboratory testing will likely remain in the spotlight for quite some time. The report, which can be found through the OIG's Office of Evaluation and Inspections section of their website, examines and highlights significant red flags concerning billing practices nationwide. With Medicare Part B enrollment increasing 10% from 2005-2010 and spending for lab services in that part of the program rising 29% in the same time period, CMS has already agreed with the OIG that further investigation and oversight are needed.

Month	Acquirer	Company Acquired	Details
June 2014	VWR International, LLC	LABRepCo Inc.	VWR International, LLC, a global solutions provider of laboratory supplies, equipment and services acquired LABRepCo Inc., a distributor of laboratory equipment headquartered in Horsham, PA. LABRepCo specializes in laboratory equipment supply and partners with various intermediaries to conduct new lab builds and renovations. When combined with VWR's existing lab furniture services and extensive product portfolio, LABRepCo's product portfolio and technical expertise will enhance VWR's ability to provide a total lab solution meeting new laboratory and laboratory refurbishment needs. Financial terms were not disclosed.
May 2014	Goldman Sachs and Rosemont Seneca Technology Partners	Counsyl	<u>Counsyl</u> , a South San Francisco-based technology company aiming to reinvent the clinical lab, has received a Series D investment of \$28 million from Goldman Sachs and Rosemont Seneca Technology Partners. The investment, combined with the \$93 million Counsyl has raised in total, will be used by Counsyl to further develop their genetic tests which require simple blood or saliva samples.
May 2014	Laboratory Corporation of America Holdings	Flatiron Health	Flatiron Health, a startup focusing on cancer treatment records to offer practitioners a more clear view of patient needs, has received \$130M in Series B funding led by Google Ventures, with participation from existing investors, including Laboratory Corporation of America Holdings (NYSE: LH). Part of the new funding will be used to acquire Altos Solutions, whose products, including its electronic medical record (EMR) system OncoEMR, are used by 1,300 oncology clinicians. The web-based software offers a workflow that helps clinicians document the various aspects of cancer patient care.
May 2014	FutureWorld	MedTest, Inc.	FutureWorld, a U.S. Diversified Holding Company, acquired MedTest, Inc., a Colorado cannabis laboratory and testing technology company and will become a wholly owned subsidiary of HempTech. HempTech, through MedTest, will be developing patentable projects regarding a cannabis testing process and application for an affordable front-line cannabis test targeting growers and dispensers.
May 2014	BelHealth Investment Partners	Precision Toxicology	BelHealth Investment Partners, a NY-based healthcare-focused private equity firm, acquired Precision Toxicology, a San Diego-based clinical laboratory. Precision Toxicology, headquartered in San Diego, California, is a clinical laboratory that provides quantitative drug testing, primarily to help physicians monitor their patients undergoing treatment for pain or substance abuse and improve patient adherence/compliance with their prescription programs. This acquisition creates a leading national toxicology lab and allows BelHealth to enter one of the fastest growing segments of the laboratory industry. Additionally, it provides Precision with the opportunity to leverage synergies and cross-sell opportunities with BelHealth's four other platform companies in pharmaceuticals and genetic testing.
May 2014	Huntington Life Sciences	Harlan Laboratories, Inc.	Huntingdon, UK-based laboratory Huntington Life Sciences has acquired Indiana-based Harlan Laboratories, Inc., a leading provider of essential non-clinical contract research, research models, and services to the pharmaceutical, biotech, medical device, and various research organizations. Harlan Laboratories is a privately held company based in Indianapolis with locations across North America, Europe, Asia, and the Middle East. The acquisition creates a global organization approaching half a billion dollars in annual revenue that offers full service, non-clinical, contract research and research models and services. Huntington has the opportunity to leverage the complementary product and service offerings to become a global leader in broadening support for their current client base as well as expanding into additional channels.
April 2014	Quest Diagnostics	Steward Health Care System's laboratory operations	Quest Diagnostics, a provider of diagnostic information services, announced its acquisition of the remainder of the laboratory service operations of Steward Health Care System, a New England-based accountable care organization - one of the nation's largest. Quest will now be responsible for providing outreach laboratory testing services to physicians, nursing homes and other providers previously serviced by Steward. In 2009, Quest acquired Caritas Medical Laboratories, an affiliate of Caritas Christi Health System. The new transaction is an extension of this previous partnership and includes the outreach laboratory service business associated with hospitals that Steward has acquired since 2010. Financial terms were not disclosed.