



**Overview of 2012 - 2013
Laboratory Industry Transactions**

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Overview

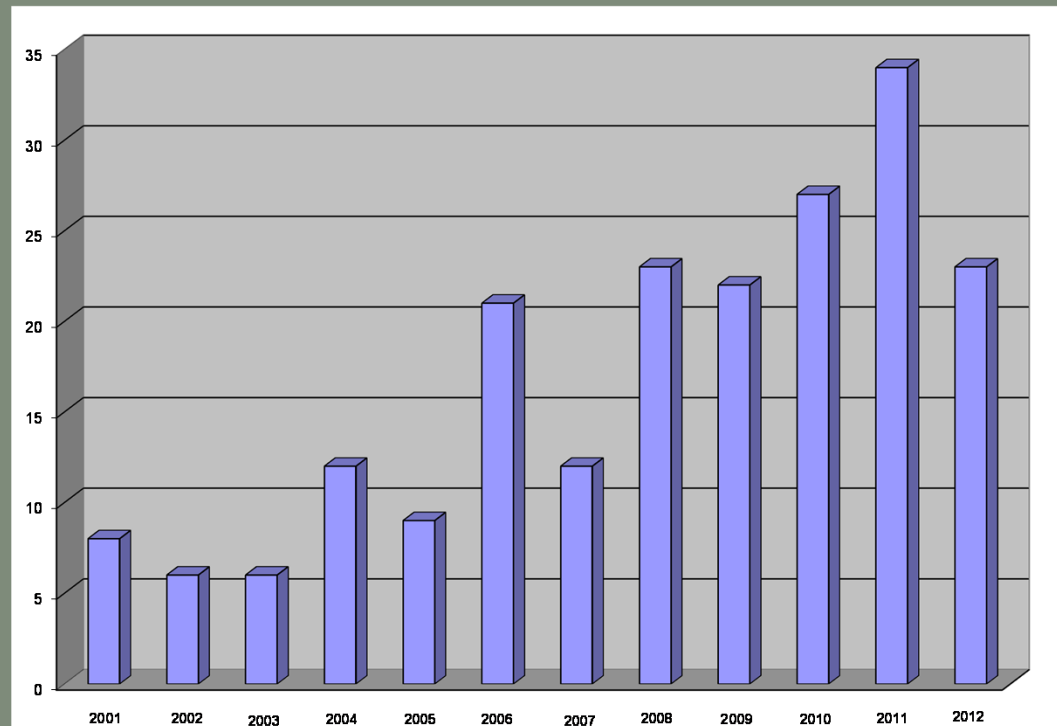
- Aggregate statistics for laboratory industry transaction activity
- Laboratory valuation trends
- Factors driving lab industry transactions
- Haverford's forecast on lab M&A trends
- Recap of completed lab transactions 2012 - 2013
- Overview of the largest lab deals of 2012- 2013
- Most active acquirers of 2012 - 2013
- Most significant lab industry M&A trends of 2012 - 2013

Deal Activity Declines in 2012

- Following 2011's record-setting year, lab industry deal activity declined to only 23 transactions for 2012 – levels last seen in the 2008-2009 time frame.

U.S. Lab Industry Deal Activity 2001 - 2012

of Closed
Laboratory
Transactions

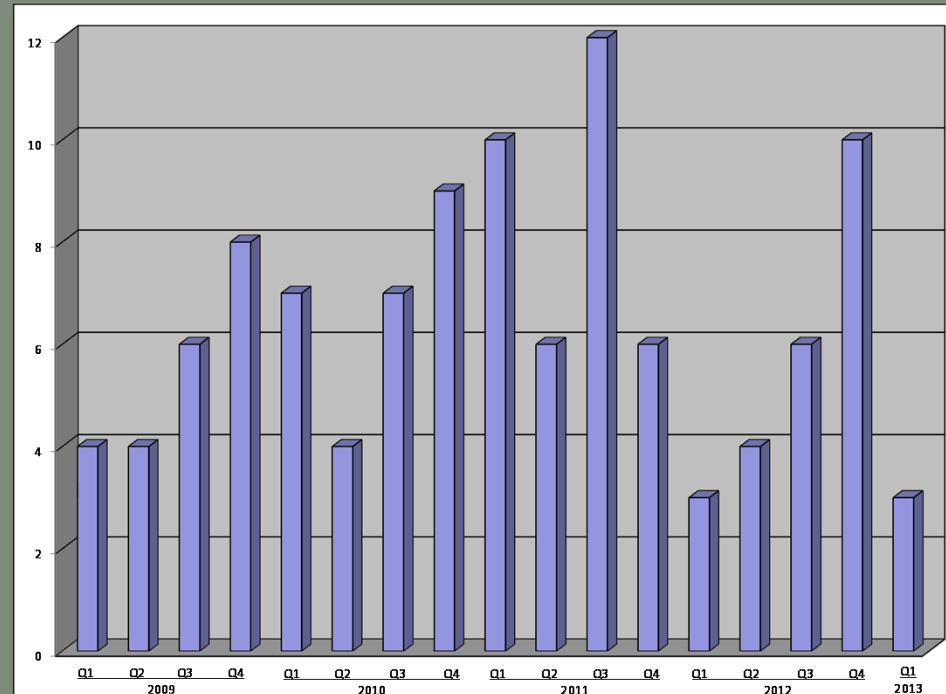


Deal Activity Declines in 2012

- This quarterly summary illustrates 2012's slow start and strong finish. Q4's activity was fueled by sellers' drive to complete deals in 2012 prior to increasing capital gains tax rates.

U.S. Lab Industry Deal Activity Q1 2009 – Q1 2013

of Closed
Laboratory
Transactions

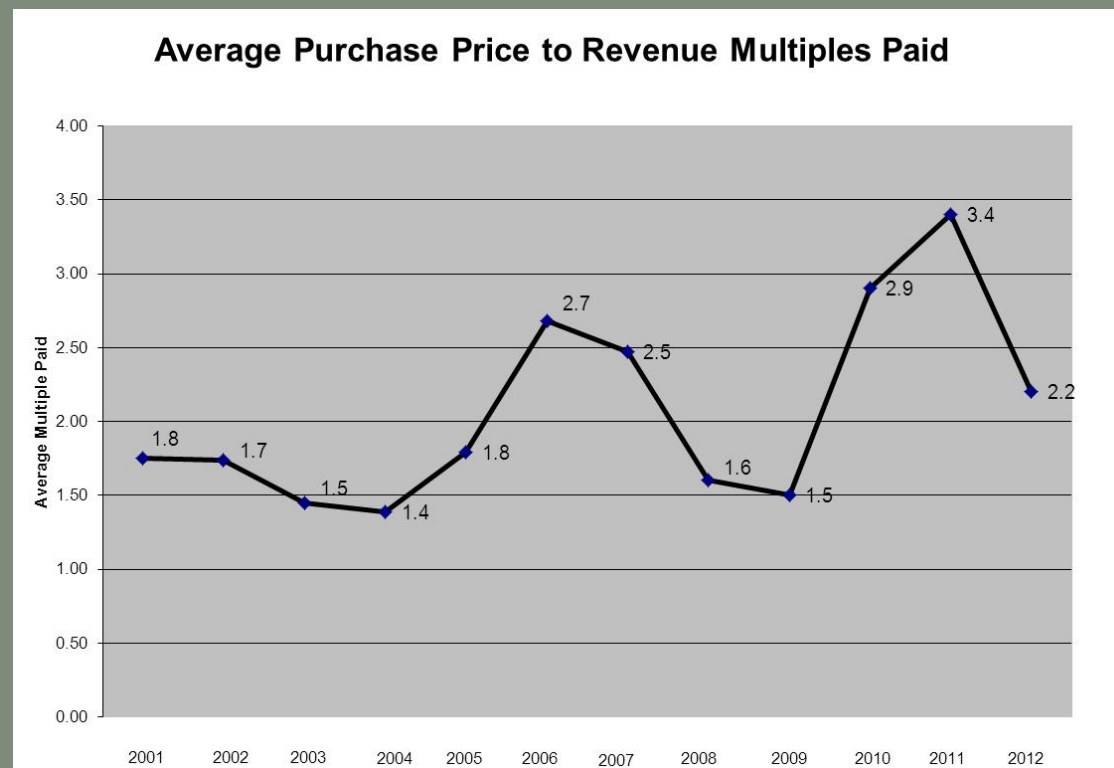


Deal Activity Declines in 2012

- Lab valuations also declined on the heels of 2011's record-breaking performance.

U.S. Lab Industry Valuation Multiples

Purchase Price
To Net Revenue
Multiples



Deal Activity Declines in 2012

Chief factors contributing to the decline of lab industry M&A activity in 2012:

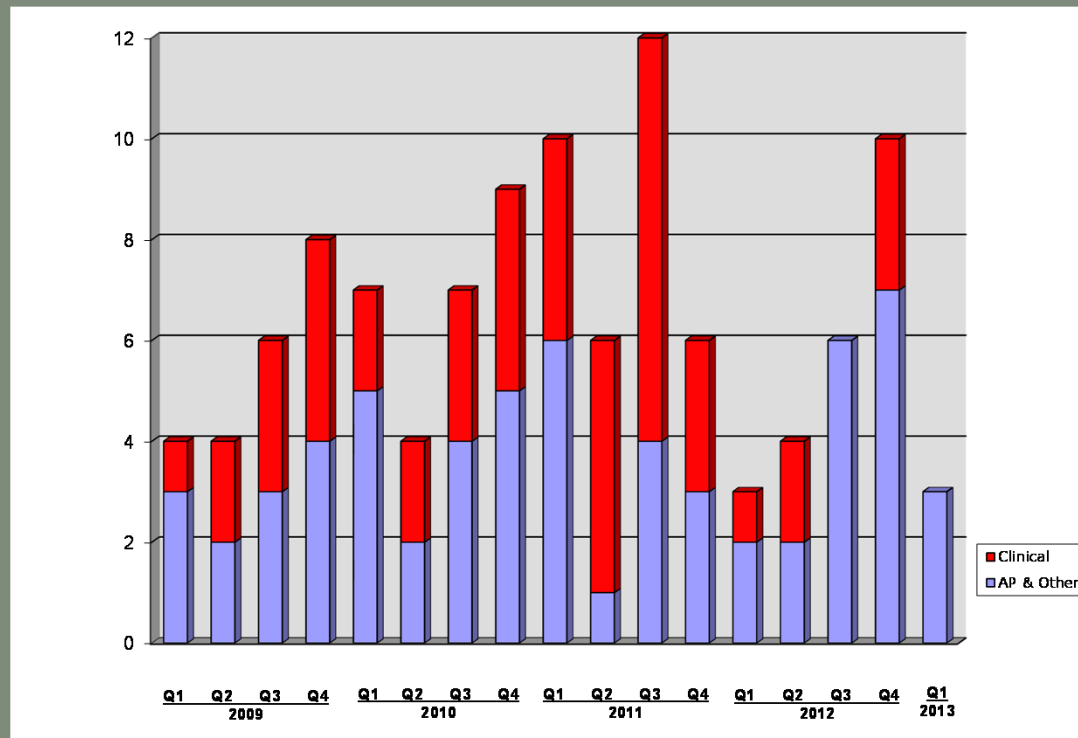
- General political and economic uncertainty (presidential election, fiscal cliff, etc.)
- Drastic cuts in lab test reimbursement from the federal Centers for Medicare & Medicaid Services (CMS).
- Uncertainty over how healthcare delivery would change under the Affordable Care Act.
- The development of accountable care organizations (ACOs) and a lack of certainty as to how ACOs would pay labs for testing services.
- More aggressive moves by state Medicaid programs to contract with fewer labs and reduce what they pay for laboratory services.
- The dislocation of testing volume resulting from health system acquisitions of large physician practices.
- Actions by the large, national health plans and payers to narrow their networks of labs.

Deal Activity Declines in 2012

- Anatomic Pathology and Specialty Lab deals outnumbered Clinical Lab deals 17 to 6 over the four quarters of 2012. All three deals in Q1-2013 were AP & Other.

U.S. Lab Industry Deal Activity Q1 2009 – Q1 2013

of Closed Laboratory Transactions



Deal Activity Declines in 2012

Despite 2012's declines, other factors that will continue to support high levels of M&A activity and high valuations for lab companies in the future include:

- Lab industry fundamentals remain very strong.
- Lab testing is a valuable service that represents only 2-3% of health care expenditures but influences 70-80% of physician decisions.
- Early detection can reduce downstream health care costs.
- Despite years of consolidation, the lab industry remains highly fragmented.

Deal Activity Declines in 2012

Despite 2012's declines, other factors that will continue to support high levels of M&A activity and high valuations for lab companies in the future include(cont.):

- There is no shortage of Private Equity Groups interested in the lab industry. PEGs are attracted by the industry's strong fundamentals and the non-cyclical nature of the lab industry.
- There are more established acquisition-oriented lab industry players than have existed for many years.
- There exists a large supply of clinical lab and pathology practice sellers (including hospital systems) that are currently considering a sale of their lab business.

Deal Activity Declines in 2012

- We anticipate that lab industry deal activity and valuations will increase through 2013 but will likely top-out at 2012's levels.

Recap of Lab Transactions for 2012-2013

Almost every transaction in the following review exemplifies one of the following industry macro trends:

- Large industry participant acquiring routine clinical or specialty labs.
- Private equity-backed consolidator acquiring anatomic pathology labs.
- Large pharmaceutical or technology company entering the industry via the acquisition of a specialized genetic or molecular testing lab.
- Specialty life science company acquiring a specialty molecular or genomic testing laboratory.
- Consolidation of urine drug screen labs serving the pain medicine, addiction medicine, and behavioral health provider market.

Recap of Lab Transactions for 2012-2013

About the Data ...

- We have obtained the information from sources believed to be reliable.
- Includes some estimates made by Haverford Healthcare Advisors and other organizations such as *The Dark Report*, *Laboratory Economics* and *Laboratory Industry Report*.
- In most cases, dates are intended to represent the months that transactions were actually closed, as opposed to announcement dates.
- Each transaction represents a unique set of facts and circumstances; data is most relevant when viewed in the aggregate.

Recap of Lab Transactions for 2012-2013

CLINICAL LABORATORY TRANSACTIONS - 2012							
Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Jan-12	Quest Diagnostics	S.E.D. Labs	NM	NA	\$75,000,000	NA	
2 Feb-12	Sonic Healthcare USA	Bridger Pathology Labs	AL	NA	NA	NA	
3 Mar-12	PathGroup	Atlanta Dermatopathology	GA	NA	\$5,000,000	NA	
4 Apr-12	Laboratory Corporation of America	Millenium Laboratory	NC	NA	\$25,000,000	NA	
5 Apr-12	Waud Capital	Sterling Reference Laboratories	WA	NA	\$10,000,000	NA	
6 Apr-12	Bio-Reference Laboratories, Inc.	InCellDx, Inc. (a)	CA	\$6,000,000	\$1,121,000	NA	
7 Apr-12	US Clinical Labs	Prestige Laboratory	TX	NA	NA	NA	
8 Jul-12	Life Technologies Corporation	Navigenics, Inc.	CA	NA	NA	NA	
9 Jul-12	Genova Diagnostics, Inc.	Metamatrix, Inc.	GA	NA	NA	NA	
10 Aug-12	Laboratory Corporation of America	MEDTOX Scientific, Inc.	MN	\$241,000,000	\$111,600,000	\$14,400,000	2.16
11 Aug-12	Quintiles	Expression Analysis, Inc.	NC	NA	NA	NA	
12 Sep-12	AccelPath, Inc.	DigiPath Solutions, LLC	TX	\$2,400,000	\$1,100,000	\$561,000	2.18
13 Sep-12	Ampersand Capital Partners	Calloway Laboratories	MA	NA	NA	NA	
14 Oct-12	Laboratory Corporation of America	Genetica DNA Laboratories	OH	NA	NA	NA	
15 Dec-12	Pathology Associates Medical Laboratories	CellNetix Pathology and Laboratories (a)	WA	NA	NA	NA	
16 Dec-12	Quest Diagnostics	UMass Memorial Medical Center clinical outreach lab	MA	NA	NA	NA	
17 Dec-12	OPKO Health, Inc.	Prost-Data, Inc., d/b/a/ OURLab	TN	\$40,000,000	NA	NA	
18 Dec-12	Laboratory Corporation of America	Pee Dee Pathology	SC	NA	NA	NA	
19 Dec-12	Bio-Reference Laboratories, Inc.	Florida Clinical Laboratory, Inc.	FL	\$7,000,000	NA	NA	
20 Dec-12	Bio-Reference Laboratories, Inc.	Meridian Clinical Laboratory Corporation	FL	\$1,850,000	NA	NA	
21 Dec-12	Sterling Reference Laboratories	Graham-Massey Analytical Labs, Inc.	CT	NA	NA	NA	
22 Dec-12	Sterling Reference Laboratories	SECON Laboratories	MA	NA	NA	NA	
23 Dec-12	InCyte Pathology	Eastside Pathology	WA	NA	NA	NA	

Source: Financial information from press releases, SEC filings and other publicly available sources
EBITDA: Earnings before interest, taxes, depreciation and amortization
(a) Acquisition of a minority interest

Recap of Lab Transactions for 2012-2013

CLINICAL LABORATORY TRANSACTIONS - YTD 2013

	Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1	Jan-13	Access Genetics	Oral DNA (sold by Quest)	TN	NA	NA	NA	
2	Jan-13	Management (Selah Genomics)	Lab 21 Ltd.'s So. Carolina clinical lab operations	SC	NA	NA	NA	
3	Jan-13	Ascend Clinical, LLC	PathCentral	CA	NA	NA	NA	
4	Apr-13	Laboratory Corporation of America	Dignity Health's Outreach Clinical Lab Operations	AZ	NA	NA	NA	
5	Apr-13	Quest Diagnostics	Dignity Health's Outreach Clinical Lab Operations	CA, NV	NA	NA	NA	

Source: Financial information from press releases, SEC filings and other publicly available sources

EBITDA: Earnings before interest, taxes, depreciation and amortization

Largest Transaction of 2012-2013

Acquisition Date: August 2012

Acquirer:

Laboratory Corporation of America
Burlington, NC

Target:

MEDTOX Scientific, Inc.
St. Paul, MN

Purchase Price: \$241.0 mil

Target Revenue: \$111.6 mil

Target EBITDA: \$14.4 mil

Price / Revenue Multiple: 2.16X

Price / EBITDA Multiple: 16.74X

Comments: Headquartered in St. Paul, MN, MEDTOX is a provider of high quality specialized toxicology laboratory testing services and on-site/point-of-collection testing (POCT) devices. MEDTOX is a leader in providing esoteric laboratory testing services to hospitals and laboratories nationwide. MEDTOX develops and manufactures diagnostic devices for quick and economical on-site/point-of-collection analysis for drugs-of-abuse and therapeutic drugs, and provides employment drug screening and occupational health testing.

Most Active Acquirers of 2012-2013

- Laboratory Corporation of America [NYSE: LH] completed four transactions in 2012 including the largest lab deal of the year.
- LabCorp was the most active acquirer of lab businesses in 2010 during which it completed six transactions. LH completed three deals in 2011.
- Labcorp also completed the largest lab acquisition of 2010 with its acquisition of Genzyme Genetics for \$925 mil in September, 2010.

LABORATORY CORPORATION OF AMERICA COMPLETED TRANSACTIONS 2012

Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Apr-12	Laboratory Corporation of America	Millenium Laboratory	NC	NA	\$25,000,000	NA	
2 Aug-12	Laboratory Corporation of America	MEDTOX Scientific, Inc.	MN	\$241,000,000	\$111,600,000	\$14,400,000	2.16
3 Oct-12	Laboratory Corporation of America	Genetica DNA Laboratories	OH	NA	NA	NA	
4 Dec-12	Laboratory Corporation of America	Pee Dee Pathology	SC	NA	NA	NA	

Most Active Acquirers of 2012-2013

- Bio-Reference Laboratories, Inc. [NASDAQ: BRLI] completed three small transactions in 2012.
- BRLI is the fourth largest full service laboratory in the United States and the largest independent regional laboratory in the Northeastern market. BRLI is primarily a clinical testing laboratory servicing physician offices with concentrations in the focused markets of esoteric testing, molecular diagnostics, anatomical pathology, women's health, and correctional health care. BRLI operates GenPath, one of the premier hematopathology laboratories in the U.S.

BIO-REFERENCE LABORATORIES, INC. COMPLETED TRANSACTIONS - 2012

Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Apr-12	Bio-Reference Laboratories, Inc.	InCellDx, Inc. (a)	CA	\$6,000,000	\$1,121,000	NA	
2 Dec-12	Bio-Reference Laboratories, Inc.	Florida Clinical Laboratory, Inc.	FL	\$7,000,000	NA	NA	
3 Dec-12	Bio-Reference Laboratories, Inc.	Meridian Clinical Laboratory Corporation	FL	\$1,850,000	NA	NA	

(a) Acquisition of a minority interest

Most Active Acquirers of 2012-2013

- **Sterling Reference Laboratories** is a CLIA and SAMHSA-certified, full-service laboratory that provides both forensic and clinical toxicology services. The company serves customers in end markets across the United States, including criminal justice, substance abuse, employment, and pain management.
- Founded in 1993, Waud Capital Partners is a lower middle-market private equity firm that seeks to invest \$20 to \$100 million in platform companies.

STERLING REFERENCE LABORATORIES COMPLETED TRANSACTIONS 2012

Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Apr-12	Waud Capital	Sterling Reference Laboratories	WA	NA	\$10,000,000	NA	
2 Dec-12	Sterling Reference Laboratories	Graham-Massey Analytical Labs, Inc.	CT	NA	NA	NA	
3 Dec-12	Sterling Reference Laboratories	SECON Laboratories	MA	NA	NA	NA	

Most Active Acquirers of 2012-2013

- Quest Diagnostics [NYSE: DGX] completed two transactions in 2012 evidencing its strong interest in penetrating the hospital outreach segment of the lab industry.
- The twelve months ending January 2012 was Quest's most active period for acquisitions in many years. Quest did not complete any acquisitions in 2009 or 2010.

QUEST DIAGNOSTICS COMPLETED TRANSACTIONS 2012

Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Jan-12	Quest Diagnostics	S.E.D. Labs	NM	NA	\$75,000,000	NA	
2 Dec-12	Quest Diagnostics	UMass Memorial Medical Center clinical outreach lab	MA	NA	NA	NA	

Notably Missing from Most Active Acquirers of 2012-2013

- Solstas Lab Partners was the most active acquirer of 2011 but completed no deals in 2012.
- This follows an active 2010 during which Solstas acquired Carilion Labs and Doctors Laboratory, Inc.

SOLSTAS LAB PARTNERS COMPLETED TRANSACTIONS - 2011

Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Jun-11	Solstas Lab Partners	Select Diagnostics	NC	NA	NA	NA	
2 Jul-11	Solstas Lab Partners	NextWave Diagnostic Labs	NC	NA	NA	NA	
3 Jul-11	Solstas Lab Partners	Wilmington Pathology Labs	NC	NA	NA	NA	
4 Aug-11	Solstas Lab Partners	Southern Diagnostics	AL	NA	NA	NA	
5 Aug-11	Solstas Lab Partners	Oracle Diagnostics	FL	NA	NA	NA	
6 Dec-11	Solstas Lab Partners	Hayes Clinical Laboratory	FL	NA	NA	NA	

Notably Missing from Most Active Acquirers of 2012-2013

- Aurora Diagnostics, LLC completed no deals in 2012 but completed four transactions in 2011.
- For 2012, Aurora's net revenue was \$277.9 million and adjusted EBITDA was \$66.0 million.
- Aurora is the largest pure-play pathology laboratory company in the United States.
- Aurora completed two transactions in 2010 and has completed a total of 22 transactions since its formation in 2006.

AURORA DIAGNOSTICS COMPLETED TRANSACTIONS - 2011

	Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1	Jan-11	Aurora Diagnostics, LLC	Austin Pathology Associates	TX	\$44,784,000	NA	NA	
2	Jan-11	Aurora Diagnostics, LLC	Western Pathology Consultants, Ltd.	NV	\$11,000,000	NA	NA	
3	Jun-11	Aurora Diagnostics, LLC	DermPath New England	MA	NA	NA	NA	
4	Aug-11	Aurora Diagnostics, LLC	Global Pathology Laboratory Services	FL	NA	NA	NA	

Significant M&A Trend #1 of 2012-2013

Toxicology Laboratory Acquisitions

- Consolidation of urine drug screen labs serving the pain medicine, addiction medicine, and behavioral health provider market.

TOXICOLOGY LABORATORY TRANSACTIONS - 2012

Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Apr-12	Waud Capital	Sterling Reference Laboratories	WA	NA	\$10,000,000	NA	
2 Aug-12	Laboratory Corporation of America	MEDTOX Scientific, Inc.	MN	\$241,000,000	\$111,600,000	\$14,400,000	2.16
3 Sep-12	Ampersand Capital Partners	Calloway Laboratories	MA	NA	NA	NA	
4 Dec-12	Sterling Reference Laboratories	Graham-Massey Analytical Labs, Inc.	CT	NA	NA	NA	
5 Dec-12	Sterling Reference Laboratories	SECON Laboratories	MA	NA	NA	NA	

Significant M&A Trend #2 of 2012-2013

Pathology Laboratory Acquisitions

- Haverford estimates that nearly \$1.0 billion of private equity capital has been invested in the anatomic pathology segment over the past five to six years.

PATHOLOGY LABORATORY TRANSACTIONS - 2012

Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Mar-12	PathGroup	Atlanta Dermatopathology	GA	NA	\$5,000,000	NA	
2 Sep-12	AccelPath, Inc.	DigiPath Solutions, LLC	TX	\$2,400,000	\$1,100,000	\$561,000	2.18
3 Dec-12	Laboratory Corporation of America	Pee Dee Pathology	SC	NA	NA	NA	
4 Dec-12	InCyte Pathology	Eastside Pathology	WA	NA	NA	NA	

Significant M&A Trend #3 of 2012-2013

Hospital Laboratory Acquisitions

Typical Reasons hospitals wish to exit the outreach business:

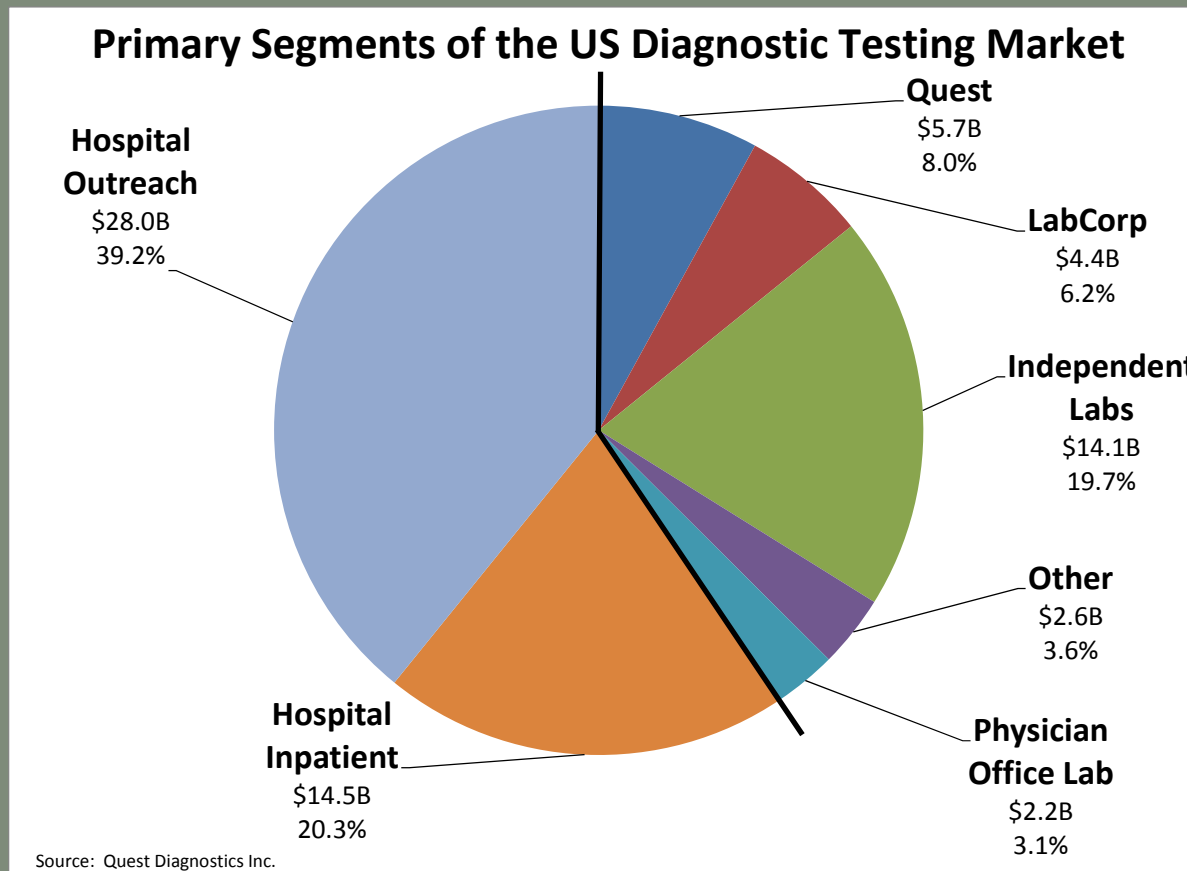
- Space constraints / hospital wants space for other, more core use or ancillary revenue opportunity
- To monetize a non-core asset and utilize the capital for other key investment: physician practice acquisitions, GI suite, etc.
- Inability to be competitive due to use of hospital fee schedule in the outreach market

HOSPITAL LABORATORY TRANSACTIONS - 2012

Date	Acquirer	Target	Target State	Purchase Price	Target Revenue	Target EBITDA	Price to Revenue
1 Jan-12	Quest Diagnostics	S.E.D. Labs	NM	NA	\$75,000,000	NA	
2 Dec-12	Quest Diagnostics	UMass Memorial Medical Center clinical outreach lab	MA	NA	NA	NA	

Significant M&A Trend #3 of 2012-2013

Quest Diagnostics recently estimated the size of the lab industry at \$72 billion.



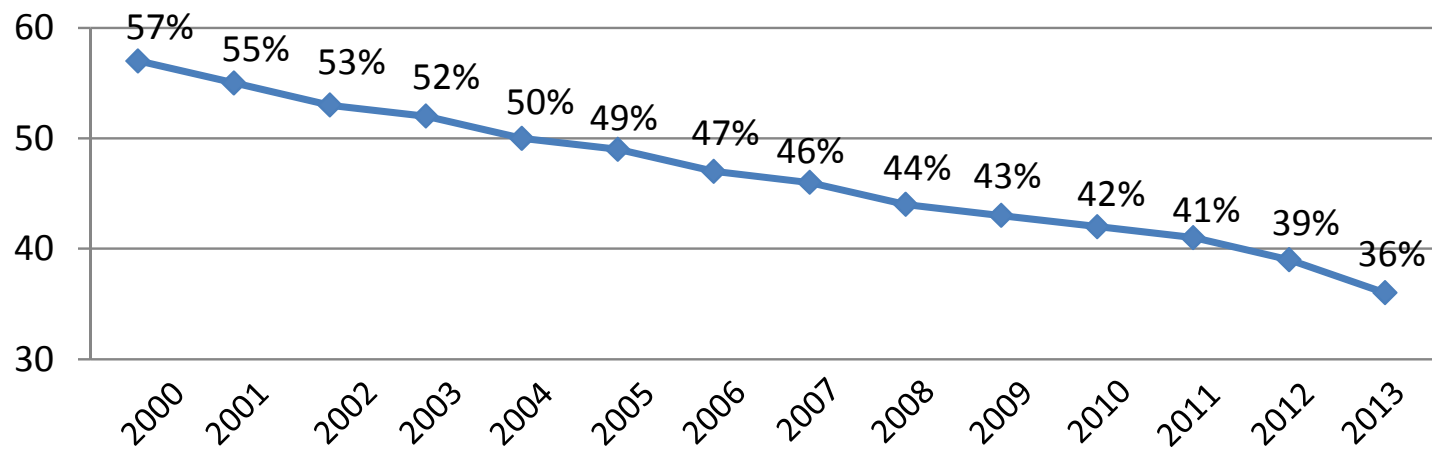
Significant M&A Trend #3 of 2012-2013

Hospitals control approximately 60% of the \$72 billion lab market and are providing stiff competition to the national commercial laboratories.

- The single biggest headwind facing the large commercial labs today is the erosion of their physician client base due to physician practice acquisitions by hospitals.
- Hospitals are benefiting from the higher reimbursement on acquired physicians' lab testing due to the hospital laboratory fee schedule.
- Most industry observers expect that this reimbursement differential that hospitals now enjoy will erode over the medium term.
- In the meantime, however, volume growth at the big commercial labs is suffering. LabCorp just announced 1.1% volume growth for Q1-2013 missing consensus estimates of 2.8%; Quest's volume was down 1.9% for Q1-2013 missing consensus estimates of 0.8%.

Significant M&A Trend #3 of 2012-2013

Percentage of Independent Physicians



Source: "Clinical Transformation: New Business Models for a New Era in Healthcare," Accenture, 10/31/12

Haverford Healthcare Advisors

- Provides business valuation and transaction advisory services to healthcare service companies
- Specific focus on clinical laboratories and pathology practices
- Facilitates the process of selling, merging or partnering, or growing through acquisition
- Provides lab valuation services, typically in connection with a contemplated transaction or with the formation of joint ventures

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