

Ironbridge

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Investment Report

1. Summary of the Deal

On 10 October 2008, Ironbridge and Horizon Health (“Horizon”) completed the acquisition of Repromed. In addition to the investment by Ironbridge and Horizon, the existing shareholders of Repromed reinvested in the company to become significant shareholders in the enlarged group.

Repromed is an in-vitro fertilization (“IVF”) business providing Assisted Reproductive Technology (“ART”) services to patients in Australia and New Zealand. The investment is the first in a strategy to create a Specialist Diagnostics and Day Surgery Business that has the potential to grow throughout Australia and into Asia.

Ironbridge was particularly attracted by the opportunity to work alongside Horizon. Horizon has been established by Robert Cooke and John Hickey, formerly of Symbion Health and Affinity Health. Ironbridge successfully backed Robert and John in the investment in Affinity Health, where we returned 3x money invested and an IRR of 214%, from an investment in Ironbridge Fund I. We have a very high level of confidence in the team’s capabilities and the transaction represents an attractive opportunity to invest alongside these proven healthcare executives.

Repromed fits well within our strategic goals given it operates from a purpose built Day Surgery in Adelaide and the referral base is largely to the Repromed brand rather than to an individual. We believe this model can be expanded across other regions and clinical disciplines.



“I am delighted to be working with Ironbridge again, and a very strong clinical team from Repromed. This initiative will enable us to fulfill a long held vision to provide the Australian public and medical staff with high quality Day Surgery Facilities.”

- Robert Cooke, Horizon Health CEO

2. Background

Repromed was established in 1997 as the corporate name for the University of Adelaide’s Reproductive Medicine Unit. In 2006, the Repromed business was acquired from the University of Adelaide through a management buy-out. Since the buy-out, the team has transformed the company from a research unit for the University to a profitable healthcare operation. The team has significantly grown volume to become the dominant market player in South Australia, has developed a reputable brand and has opened new clinics elsewhere in Australia.

With certain shareholders retiring and capital required for future growth, the remaining shareholder doctors and management chose to partner with Ironbridge and Horizon Health to accelerate its expansion.

This is Ironbridge’s fourth investment in the healthcare sector and we were asked to participate in a limited auction due to our healthcare credentials. Our proposal to the vendor was differentiated

due to our Specialist Diagnostic and Day Surgery Business Strategy that was presented alongside Robert Cooke and John Hickey.

Ironbridge worked closely with the Horizon team to develop this strategy and to identify growth opportunities currently available in healthcare.

The transaction was signed on 27 August 2008 and completion occurred on 10 October 2008.

3. Deal Structure and Metrics

Repromed has been acquired by Ironbridge and Horizon alongside a significant reinvestment by five of the six original shareholders. The remaining shareholder is retiring from the industry as part of this transaction.

The business has been acquired for an Enterprise Value of A\$118m (which includes a A\$30m earn-out for FY09). The acquisition price, including the earn-out, represents a current year EBITDA multiple of 7.4x. Acquisition debt of A\$40m was secured, representing 4.2x FY08 EBITDA together with a A\$20m committed earn out tranche.

The initial Ironbridge equity investment is A\$45m (inclusive of the earn-out) for a 67% stake. This equates to A\$38m for Ironbridge on day 1 before the earn-out; we expect the growth strategy will require approximately A\$85m of Ironbridge equity over time.

4. The Business



Repromed provides a number of different ART treatments, including IVF, Frozen Embryo Transfer (“FET”), Intrauterine Insemination (“IUI”), Ovulation Induction (“OI”) and Donor Programs.

Adelaide is the major centre for the business, with approximately 90% of treatment cycles performed at the Dulwich clinic. Repromed also operate clinics in Mawson Lakes (Adelaide), Mildura and Darwin. Over the past eighteen months, it has also partnered with local doctors to establish clinics in Auckland and Christchurch. Repromed currently employs over 130 staff in its clinics.

Repromed operates from a purpose built Day Surgery with a permanent brand and utilises a number of ancillary services such as pathology and ultrasound.

5. The Management Team

The broader healthcare strategy will be led by Horizon executives Robert Cooke and John Hickey. Their experience will be complemented by specialist health and facilities management staff to execute the roll-out of a Specialist Diagnostics and Day Surgery Business across a number of clinical disciplines sharing infrastructure, ancillary services, quality controls and administration. Ironbridge believe this will be attractive to medical staff, patients and health funds.

Repromed’s senior clinical and management team have significant experience in the industry, with several members having worked in IVF businesses in Australia and the UK. Repromed’s senior clinicians and scientific personnel are well regarded in the IVF industry and hold senior positions within various industry bodies.

Repromed will continue to be led by Richard Henshaw (Medical Director) who previously worked for Care Group (an IVF company) in the UK and prior to that worked for Monash IVF. Richard led the acquisition from Adelaide University and has demonstrated considerable success in commercialising the business.

“Repromed Managing Director Dr Richard Henshaw and his team have built an outstanding business model, which we believe can be expanded across other clinical disciplines. We look forward to identifying and capturing future growth opportunities with Repromed and Horizon Health.”

- Mike Hill, Director

6. Transaction Rationale

Ironbridge believes Repromed is an attractive investment opportunity:

Proven healthcare investment team in the combination of Robert Cooke and John Hickey;

Experienced senior clinical and management team with several members having worked in IVF companies in Australia and the UK;

Attractive business model that we believe can be expanded across other regions and clinical disciplines;

High barriers to entry in the core IVF market in South Australia combined with strong brand awareness;

Attractive industry dynamics with strong historic growth and a positive long term outlook;

Good exit prospects through a trade sale to a healthcare operator or an IPO; and

A ***compelling growth strategy*** to develop a day surgery business of scale benefiting from ancillary diagnostic revenues within a specialist partnership model.