



FAEGRE BAKER
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From Fishing Lures to Medical Guidewire Leader: The Sale of Lake Region Medical

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Lake Region Medical: 65 Years of History

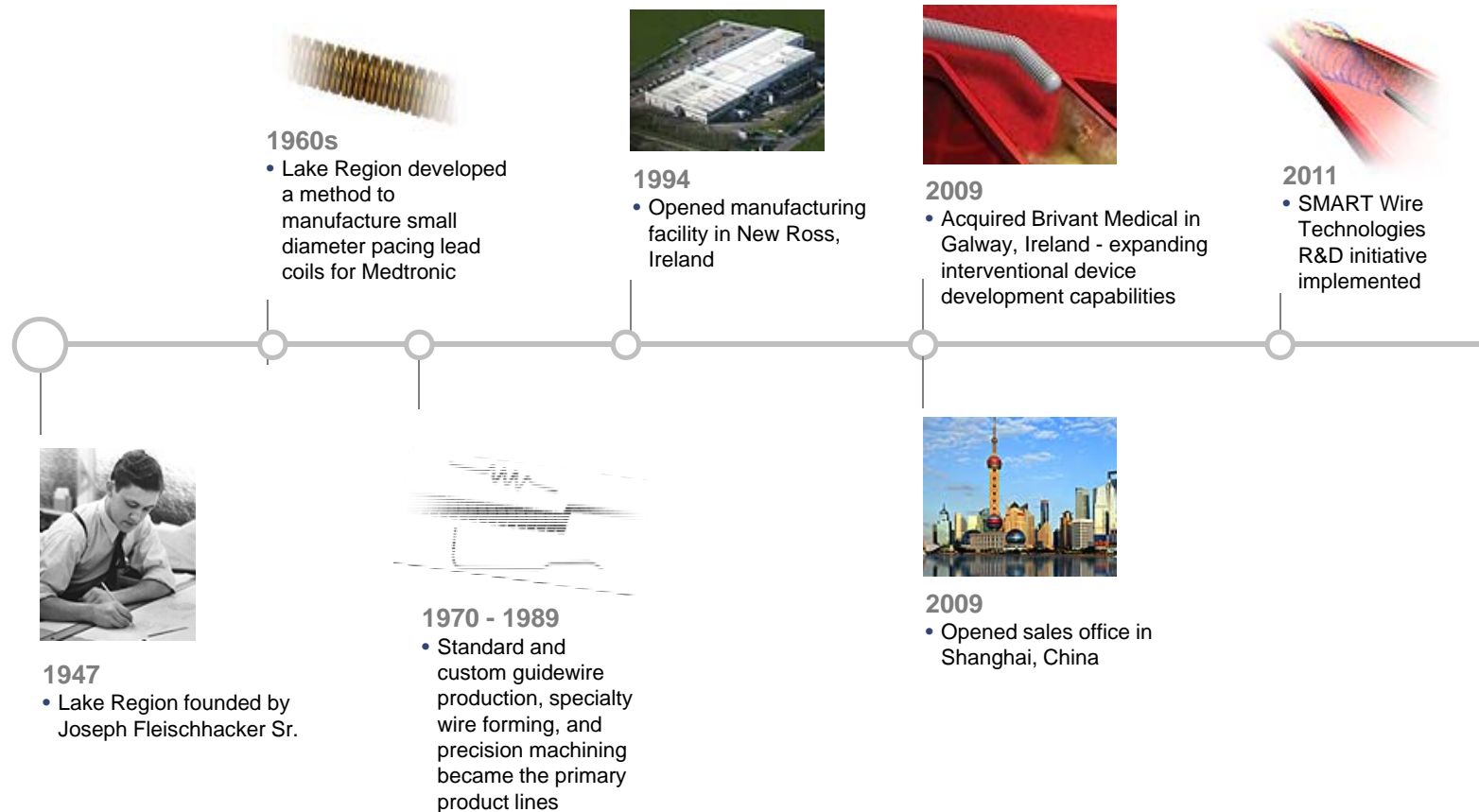
Where It Began...

- Founded in 1947 with an investment of \$400
- Primary focus was to manufacture fishing lures and tackle
- Original manufacturing location was a renovated chicken coop behind the Fleischhacker family home
- 3 employees in 1947



Enterprising a New Era of Opportunity

Lake Region Medical: 67 Years of History



Lake Region Medical: 65 Years of History

- Global company with over 1,700 employees
- Locations in Minnesota, Ireland (2), and China
- Proprietary products & technology platforms
- Supplying key global players in the medical industry





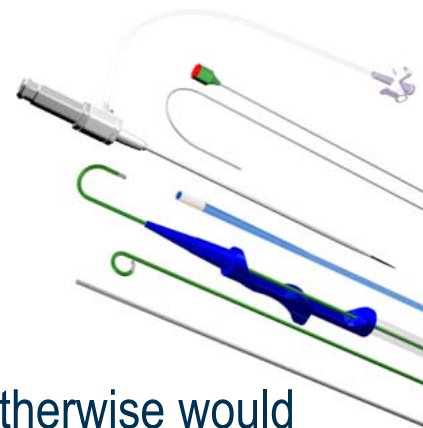
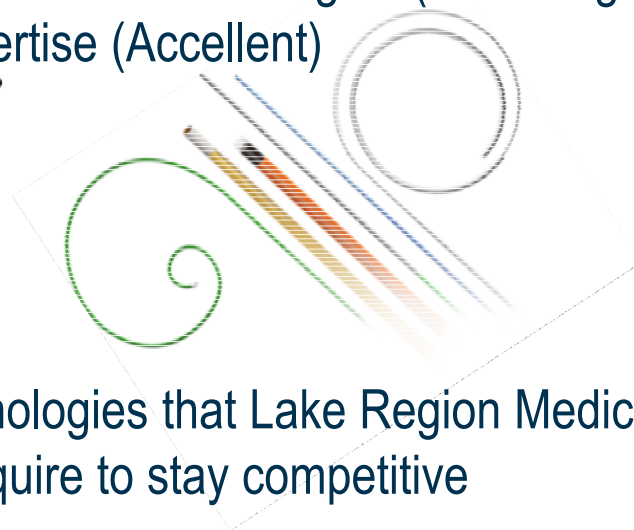
- ▶ Outsourced precision manufacturing and engineering services
- ▶ Target markets: cardiology, orthopedics, and endoscopy
- ▶ Private equity portfolio company with a history of growing through acquisitions

The Decision to Sell

- ▶ Second generation family business with no clear third generation successor
- ▶ Pressure in marketplace as customers try to narrow their vendor ranks and reduce costs
- ▶ Extremely favorable debt markets improve pricing and accelerate timing

Synergies with Accellent

- ▶ Complementary businesses – IP Rights (Lake Region) and Contract Manufacturing Expertise (Accellent)



- ▶ Accellent had technologies that Lake Region Medical otherwise would have needed to acquire to stay competitive
- ▶ Strong brand in Lake Region
- ▶ Customer overlap and favorable market perception
- ▶ Credible and collaborative leaders, good chemistry
- ▶ Financial strength of private equity backers (KKR and Bain Capital)

Overview of Deal Terms

- ▶ Accellent acquired Lake Region Medical in a \$420M merger
 - ▶ \$345M in cash
 - ▶ \$75M (~ 20% of siblings' holdings) in rollover investment
- ▶ Accellent refinanced its existing debt, allowing it to fund the acquisition, reduce interest expense, and terminate its voluntary filer status with the SEC.



Deal Issues: Reverse Due Diligence for Rollover

- ▶ Significant rollover for sibling shareholders
 - ▶ Deal economics
 - ▶ Potential synergies
- ▶ Reverse due diligence into Accellent operations and financial condition
- ▶ Expansive reps and warranties from Accellent



Deal Issues: Antitrust Clearance

- ▶ “Give it to them, we don’t care, we’re not competitive ...”
- ▶ Broad NAICS medical device codes = significant legal, but not practical, overlap
- ▶ Telephone interview between FTC, counsel, CEO, marketing and sales representatives
- ▶ Requested customer names for additional follow-up
- ▶ Ran the full waiting period
- ▶ Ireland filing required due to operations of other KKR portfolio companies

Deal Issues: Repatriation Dividend

Lake Region had
a significant
amount of cash
in Ireland

Accellent had
Irish operations,
but did not need
cash

Forced to repatriate
and take tax hit



Deal Process: Eight Cold Days in January

- ▶ Two days of all-hands in-person due diligence and synergy sessions to kick-off transaction
- ▶ Eight days of in-person negotiations with key decision-makers present
- ▶ The final emotional moments before the deal was signed



Integration: What Accellent Did to Make the Integration Successful

- ▶ Collaboration!
 - ▶ Two in the Box – reps from historical Lake Region and Accellent staff on all initiatives
 - ▶ Relying on experience
 - ▶ Selling systems, not components
 - ▶ Commitment to best practices
- ▶ Delivered on promises

Integration: Customer Reactions

Satisfied customer desire to reduce vendor counts

"Don't screw this up."

"We have a great relationship with both companies. We see two great suppliers coming together. Some issues to deal with, but nothing we see as a problem."

"Can you share your integration strategy with us?"

"Will you be closing any sites?"

"How will we be affected and, if so, how many products will move?
By when?"

And, of course, last but not least ...

"How will this affect price reductions?"