



# Case Study: MTF

## MTF Inks Agreement With Conmed, Near-Term Value \$147 Million Dollars

### Transaction Details

Musculoskeletal Transplant Foundation (MTF) inks agreement with CONMED, near-term value \$147 million.

On January 3, 2012, The Musculoskeletal Transplant Foundation (MTF), the world's largest tissue bank, sealed a new Joint Development and Distribution Agreement with CONMED Corporation (NASDAQ:CNMD), as well as the sale of related assets, the acquisition of Cascade Medical corporation, and financing of its cartilage regeneration program.

The long term joint relationship established CONMED's subsidiary, CONMED Linvatec, as the exclusive world-wide marketing representative for MTF's full line of small joint and sports medicine allograft tissues. CONMED Linvatec also assumed responsibility for the global distribution of MTF's Cascade Platelet-Rich Plasma (PRP) product, which uses a patient's own blood components to aid in the healing process.

MedCap Advisors' Strategic Role in the MTF Transaction Included:

- developing strategy and transaction parameters
- identifying partners
- overseeing the merger and acquisition process
- negotiating the transaction to closing
- advising the Board of Directors

### Transaction Impact

MedCap Advisors knew that its work with MTF went beyond a simple desire to divest a distribution arm. It was, on the contrary, a complex business initiative that addressed an even more complex issue in the evolution of the orthopedics and sports medicine industries, as well as in the history and strategy of MTF itself. The transaction was therefore shaped to create a more expansive tissue distribution model and to allow MTF to maintain its focus on research into orthobiologics, tissue science, and regenerative medicine. As the industry moves steadily closer to augmenting metal implants with



biologics, the newly structured relationship supports MTF's leadership role for decades to come.

Working closely with MTF's CEO, Bruce Stroeveer, MedCap acted as a strategic consultant to investigate the cultural and bottom line impact of forging a new path. Said Mr. Stroeveer: "MedCap understood that addressing our situation at MTF would have a truly profound impact on our organization. As a nonprofit, this kind of financial investment gives us incredible stability as we help people in need of tissue. MedCap became a critical partner by applying deep knowledge of the industry, exercising patience, and showing dogged determination to find the right partner for us."

### MTF History and Challenge

MTF is a non-profit service organization dedicated to providing quality allograft tissue through a commitment to excellence in education, research, recovery and care for recipients, donors and their families. Since its inception in 1987, the organization has recovered more than 85,000 donors and distributed more than 4 million grafts for transplantation.

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As a national consortium comprised of academic medical institutions, organ procurement organizations, and tissue recovery organizations, mtf has pursued three mission-driven goals for its 25 years of operation:

- make more safe tissue available to patients
- provide the highest quality tissue
- advance the science of tissue transplantation

These guidelines helped MTF grow into the largest tissue bank in the world. The organization's high profile drove increased attention towards its first two mandates, and it was careful to have partners in place to help distribute tissue to their networks of surgeons and medical facilities.

When it came to sports medicine, however, MTF handled distribution internally. As demand climbed, this additional focus jeopardized its ability to help create better solutions through research and technology. Indeed, the split in resources sometimes made MTF appear as two distinct businesses – a serious issue when it came to staying true to the mission.

With these concerns at the forefront, it was time to weigh the benefits that MTF enjoyed by keeping distribution in-house against the value it could gain by engaging with a distribution partner that could manage, control and expand its sales and distribution.



## Mapping the Strategy

MedCap Advisors had an intimate understanding of both the industry and the organization, making the firm a natural fit to engage with MTF. In fact, MedCap's exclusive focus on the medical technology and healthcare sectors allowed the firm to thoroughly assess MTF's situation in the context of the medical marketplace. Working closely with MTF's CEO, Bruce Stroever, MedCap acted as a strategic consultant to investigate the cultural and bottom line impact of forging a new path.

The team left no stone unturned as they spent a full year analyzing the range of available options. MedCap Advisors looked at partners already engaged with MTF, potential directions for the overarching soft tissue industry, and the universe of allies that could offer both economic value and ethical alignment with MTF.

MedCap Advisors developed two scenarios that would advance the nonprofit's goals:

- create a separate sports medicine division to be financed by a Private Equity firm, with tissue supplied by MTF
- seek a strategic partner with existing marketing channels to acquire distribution from MTF

While the private equity option seemed most likely to spur interest, both scenarios attracted significant attention. In a short time frame, an extremely active auction market was in full effect, signaling the value of MTF's reputation, its tissue, and the proposed guidelines of the transaction as established by MedCap.

The team assessed potential suitors rigorously and with the guidelines of nonprofits in mind – that meant MedCap Advisors was in constant communication with outside valuation sources, the MTF management team, and its Board of Directors.

In the end, MedCap's sophisticated analysis and advice generated a slew of partnership offers, which steered the process away from private equity firms. Based on a more promising long term value proposition, MedCap identified CONMED as the most viable partner. The company had well established sports medicine distribution channels, specific surgeon call points, showed strong process synergies, and had developed an excellent cultural fit with MTF's personality and ethical commitment.

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CONMED also saw the value in serving as the world-wide distributor for an additional MTF line, its Platelet-Rich Plasma (PRP) product, which uses a patient's own blood components to aid in the healing process. As part of its work with MedCap, MTF purchased Cascade Medical Enterprises as a dedicated PRP entity, which in turn became an integral part of the CONMED acquisition.

## Result

By spearheading this exhaustive strategic assessment, search, and acquisition construction, MedCap Advisors secured for MTF the highest possible value for both short and long-term goals. The transaction yielded \$63 million upfront – liquid assets that could be driven straight into MTF's research and tissue availability efforts. An additional \$84 million in conditional payments over a four-year period would supply a reliable revenue stream to further support the organization's targeted growth.

Perhaps most importantly, MTF was able to return its operational focus to its mission. With significant shifts on the horizon for regenerative tissue demand, MTF maneuvered to a position of strength for future endeavors.

## About MedCap Advisors

Medical Capital Advisors, LLC provides sophisticated mergers & acquisition guidance and strategic consulting services exclusively to the medical technology and healthcare sectors. Working primarily with both large private and public clients, the firm is committed to improving health and medical technology by focusing its expertise on the intersection at which physicians and patients meet. Since 2006, its leadership team has closed nearly 40 transactions in the medical technology space through services including mergers & acquisitions, licensing agreements, strategic partnerships, and private equity/venture capital financing.



**FOCUS ON ONE THING,  
AND DO IT BETTER THAN  
ANYONE ELSE.**

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**MedCap Advisors**  
97 Winthrop Street, Harvard Square  
Cambridge, MA 02138



OFFICE: 617-945-0299

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[info@medcapadvisors.com](mailto:info@medcapadvisors.com)

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[www.medcapadvisors.com](http://www.medcapadvisors.com)

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