



TITAN MEDICAL™

Valuation Summary

June 2016

Methodology

Revenue Forecast

Generated Sales Forecast from Logistic Regression Model

Assumed selling Q2 mid 2018

2237 cumulative units sold in 15 years

Estimated units in operation at each year:
Current Units + Total Units Sold – Replacement Sales

Assumed 3 surgeons trained per machine and 250 surgeries per operational unit per year

Revenue Streams considered

Unit Sales:
Units Sold x \$950K

Maintenance:
Units In Operation x 95K

Surgeon Training
Units Sold x 3 x \$27.5K

Instrument Sales
Units in Operation x 250 x \$1.3K



2% Yearly Growth on Prices

Costs

Estimated Costs Using Intuitive's and Titan's Historical Statements

COGS:
Initial 30% of Sales

SG&A:
Initial 27.5%

R&D Schedule:
Used estimated values from Titan's MD&A. Assumed \$30M total for remaining milestones. Future R&D was in-line with Intuitive 7% of Sales

COGS and SG&A cost margins were reduced in the future to account for economies of scale



Arrived at an EBITDA Margin:
36% During First Years of Selling,
Increases to **40%** by end of 15 years

Taxes and Tax Asset Schedule:
26.5% Corporate Tax Rate

Capex and Amortization Schedule:
4% and 3% of Sales Respectively

Working Capital Schedule:
5.5% of Sales

Discounted Cash Flow

Remaining Free Cash Flows were Discounted to Arrive at Valuation Figure



Expensed Share Based Compensation



Discounted 15-Year Free Cash Flow Projections Using a WACC of 15%



Estimated Terminal Value using 3% Growth Rate



Arrived at Firm Value \$756M by removing Excess Cash



Calculated Diluted Shares Outstanding (173K) using Treasury Stock Method

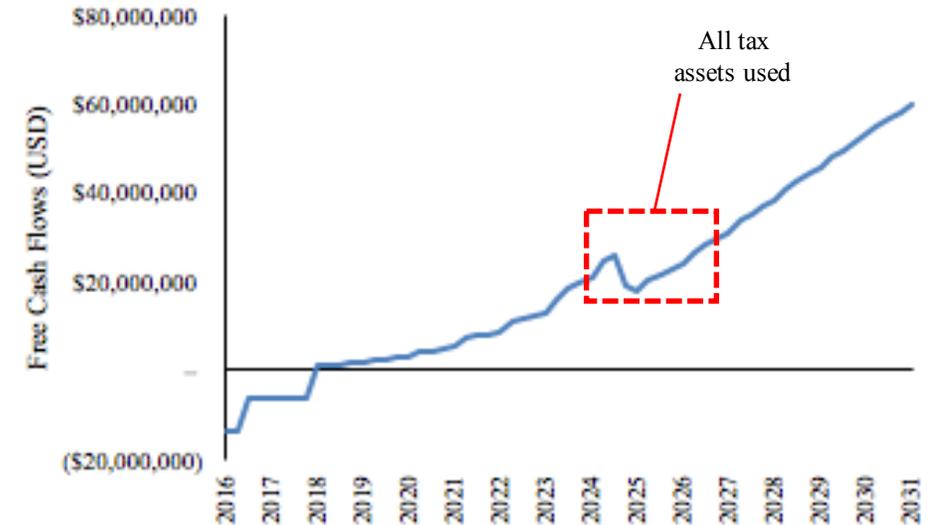
Per Share Value:
\$4.02

Key Points

Notes

- Timing/Amount of Revenues
 - Sales projected to begin 1Q 2018
 - Projected surgeries performed per machine
 - Only projected EUR/US sales to remain conservative
- Similarity of cost structure to Intuitive
 - COGS assumed to be 30% of sales
 - Management R&D schedule used until 1Q 2018
 - R&D assumed to be 7% of sales post approval

Free Cash Flow Results



Titan's per share value ranges from:

<i>Discount Rate</i>	Per Share Price				
	<i>Terminal Growth Rate</i>				
	2.0%	2.5%	3.0%	3.5%	4.0%
17.0%	3.01	3.06	3.10	3.15	3.21
16.0%	3.40	3.46	3.52	3.58	3.66
15.0%	3.87	3.94	4.02	4.11	4.21
14.0%	4.44	4.54	4.65	4.76	4.89
13.0%	5.14	5.28	5.42	5.59	5.77