



SOTERA HEALTH'S ACQUISITION OF REGULATORY COMPLIANCE ASSOCIATES

November 22, 2021

DELANCEY STREET
PARTNERS, LLC

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Transaction Summary

- On November 10, 2021, Sotera Health (NAS: SHC) (“Sotera”), a global provider of mission-critical sterilization, lab-testing and advisory services announced its acquisition of Regulatory Compliance Associates (“RCA”)
- Sotera Health operates through three main business segments:
 - Sterigenics: provider of mission-critical and government mandated sterilization services (64.1% of YTD Q3 2021 revenue)
 - Nelson Labs: provider of mission-critical medical device and pharmaceutical lab testing and advisory services (23.1% of YTD Q3 2021 revenue)
 - Nordian: supplier of cobalt-60, the key input for gamma sterilization (12.8% of YTD Q3 2021 revenue)
- Sotera is headquartered in Broadview Heights, Ohio and employees over 3,000 employees across its 64 global facilities. The company also serves 5,800 customers in over 50 countries, including more than 40 of the top 50 medical device companies and 8 of the top 10 global pharmaceutical companies
- The acquisition of RCA expands Sotera’s U.S.-based quality, regulatory, and technical consulting capabilities and RCA’s consulting capabilities will complement and enhance Sotera’s existing strengths in technical consulting and expert advisory services
- On its recent Q3 earnings call on November 11th, CFO of Sotera Scott Leffler said, “The purchase price is a little over \$30 million, however RCA obviously gives us the opportunity to accelerate our initiative around expert advisory services. The acquisition was less about the immediate contribution and more about the longer term impact”
- On the Q3 earnings call, Sotera also formally announced the formation of the Sotera Health Expert Advisory Services Group, which includes thought leaders from both its Sterigenics and Nelson Labs business segments
- For many years, both Sterigenics and Nelson Labs have served critical roles as expert advisors to many of their customers in achieving their regulatory compliance objectives as well as more broadly serving as thought leaders in the regulatory compliance arena. Sotera formed the Health Expert Advisory Services Group in an effort to provide more coordinated access and regulatory compliance expertise to its customers
- “With their deep bench of technical experts, RCA will fit well within our new Expert Advisory Services Group, enhancing our ability to drive downstream testing and sterilization services for both Nelson Labs and Sterigenics”, said CEO Michael Petras on the Q3 earnings call
- RCA is a provider of consulting services for the life sciences industry focused on quality, regulatory, and technical consulting for the pharmaceutical, medical device, and combination device industries
- Headquartered in Pleasant Prairie, Wisconsin, RCA has extensive industry knowledge through a network of in-house and external experts and is known for its best-in-class solutions. Founded in 2000, the company has grown to be nationally recognized for its tailored, solution-driven approach to compliance related issues
- The acquisition of RCA closed on November 4th and formal terms of the deal were not disclosed

Transaction

Executive Commentary



"Our mission is to provide our customers with unsurpassed technical expertise combined with quality service. We have earned a reputation for our customer service and are seen as an essential partner for our customers—and we know we have found the same in Sotera Health. My goal for RCA is to continue our commitment to serve customers supporting their regulatory and compliance needs as they bring critical pharma and medical device products to market. We accomplish this by becoming part of Sotera Health, a global company whose breadth of services and expansive reach provide extraordinary value to the industries we are proud to serve."

– Erika Porcelli, CEO, RCA

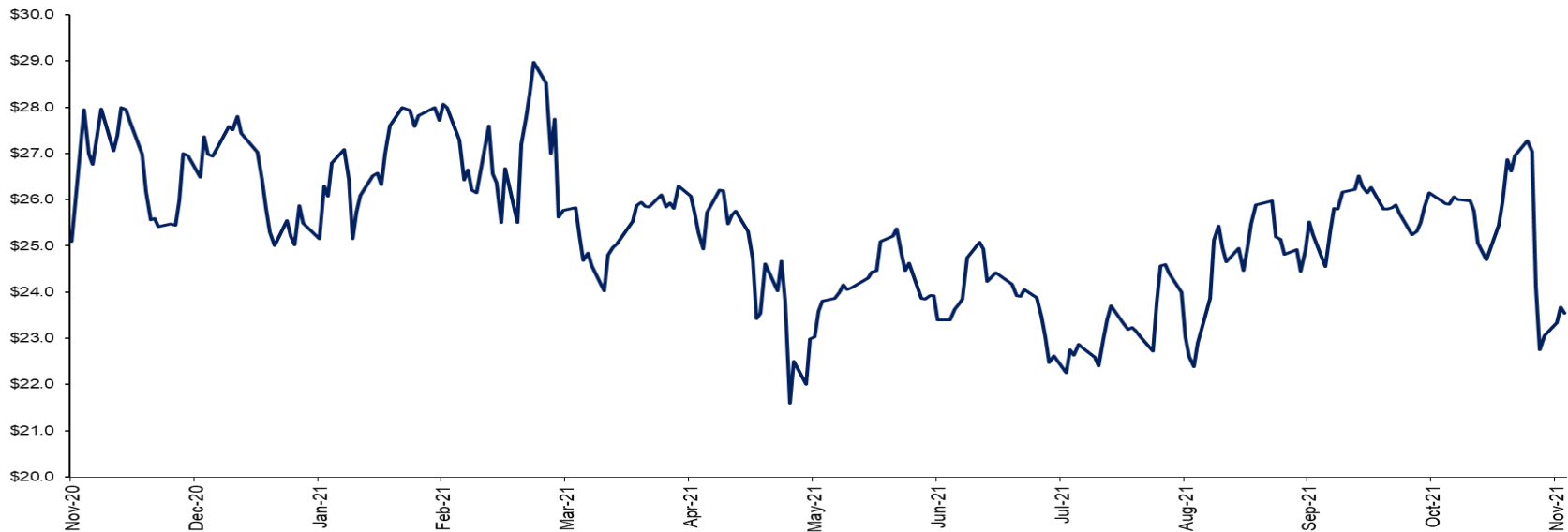
acquired by



"Regulatory Compliance Associates is a premier provider of quality and regulatory services; known for its best-in-class solutions. It is also recognized for its strong relationships with its customers and regulators. This acquisition will expand and further strengthen our technical consulting capabilities. We welcome RCA's strong management and expert staff as they join us in our mission, Safeguarding Global Health®."

– Michael B. Petras Jr., Chairman & CEO, Sotera Health

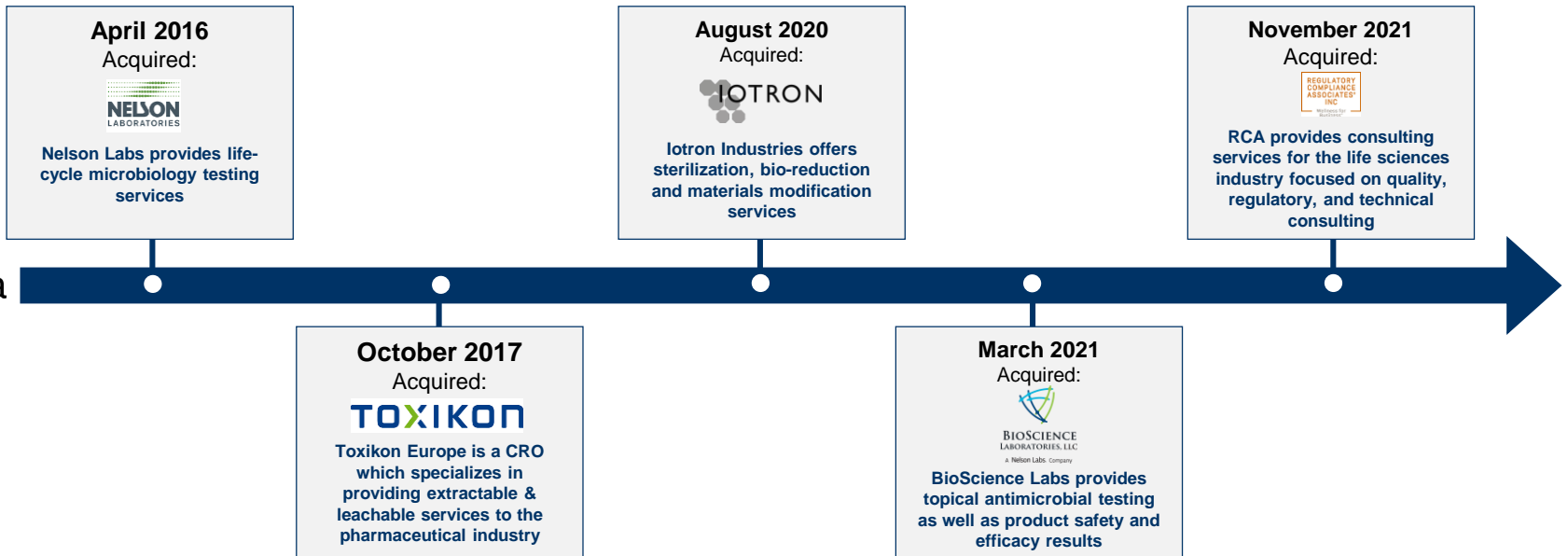
Sotera Health 1 Year Stock Price Chart



- On November 20, 2020 shares of Sotera’s common stock began trading on the NASDAQ exchange under the symbol (“SHC”)
- Sotera previously was owned by private equity firm Warburg Pincus since 2015 and prior to that was owned by private equity firms GTCR and Silverfleet Capital
- YTD Sotera’s stock is down approximately 16.3%, primarily due lower than expected revenue growth and investor uncertainty around the long term impact of COVID-19 on the business. The company’s shares dropped as much as 12.8% mid-day on November 11th after the company announced its third-quarter results
 - Sotera reported revenue in the third quarter of \$226 million, up 13% year over year and higher than the average analysts' estimate of \$221.6 million
 - However, the company lowered the upper end of its full-year revenue guidance range The company previously forecast revenue growth of between 12% and 15% but lowered the upper end of the range to 14%. Sotera now looks for 2021 revenue between \$920 million and \$930 million, below the average analysts' estimate of \$932.9 million
- Overall, Sotera's business continues to perform well despite some COVID-19 headwinds (including a slow recovery in medical device testing) and investors will continue to monitor the longer term impact of COVID-19 on the business

- Prior to the acquisition of RCA, Sotera has historically averaged approximately 1-2 acquisitions a year
- RCA is the company's second acquisition since going public in November 2020, and both were smaller tuck-in acquisitions which complement its existing business segments
- On the company's recent Q3 earnings call, CEO Michael Petras said the following in regards to capital deployment and its M&A strategy:
 - "When we talk about our capital deployment, the first thing is to continue to deploy capital for organic growth. That's our first priority. We'll look at strategic M&A and also deleveraging leveraging opportunities. We have a robust list of pipeline that we continue to track with our teams. I would say it's across all three businesses probably more heavily weighted toward the Nelson side, but not exclusively Nelson. From a size perspective, most of these pipeline opportunities are on the labs side, and many are similar in size to Bioscience as well as RCA. For us, it's making sure that an acquisition strategically fits with what we're trying to do, culturally it aligns and that we have plans on how we're going to leverage and drive synergies across the company. That's really what's important to us, so I would say don't expect us to make a \$2 billion acquisition next quarter. That's not our strategy. But we're being very thoughtful in how we deploy capital around M&A as well as organic growth"

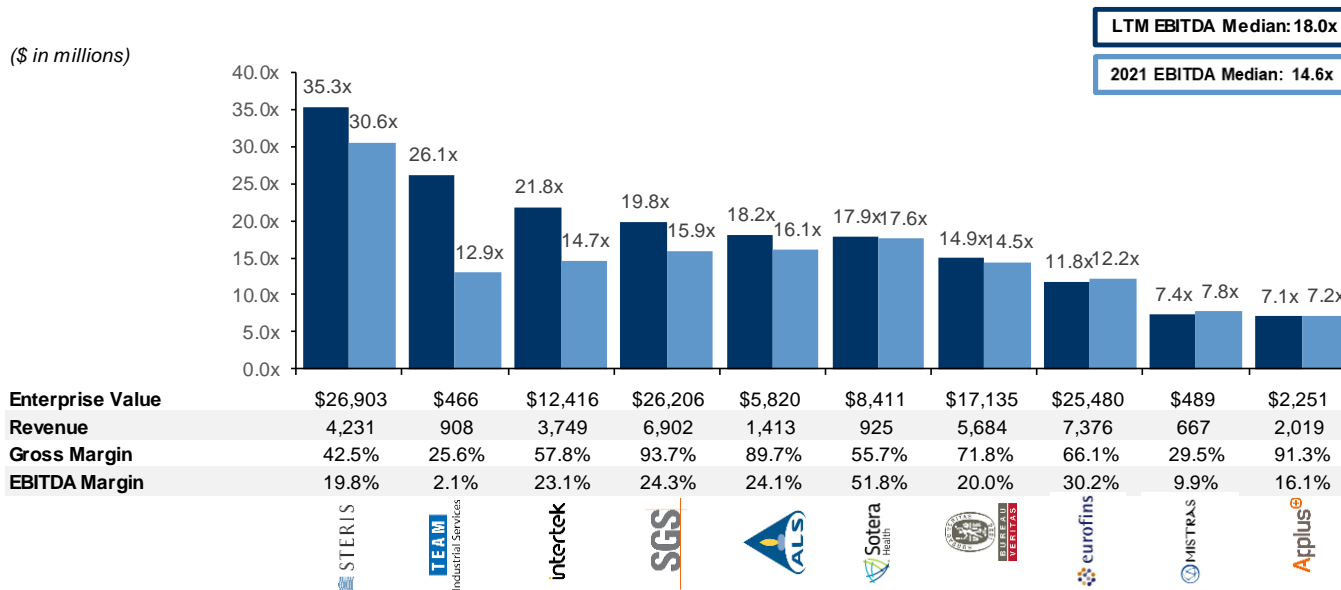
Select Recent Sotera Health Acquisition History



PUBLIC COMPARABLES SUMMARY: LABORATORY TESTING / STERILIZATION ADVISORY SERVICES

EV / LTM EBITDA - CURRENT VALUATION LEVELS

(\$ in millions)



Enterprise Value	\$26,903	\$466	\$12,416	\$26,206	\$5,820	\$8,411	\$17,135	\$25,480	\$489	\$2,251
Revenue	4,231	908	3,749	6,902	1,413	925	5,684	7,376	667	2,019
Gross Margin	42.5%	25.6%	57.8%	93.7%	89.7%	55.7%	71.8%	66.1%	29.5%	91.3%
EBITDA Margin	19.8%	2.1%	23.1%	24.3%	24.1%	51.8%	20.0%	30.2%	9.9%	16.1%

Market Valuation: Public Companies

COMPANY	STOCK PERFORMANCE AND COMPANY DATA					MARGINS		GROWTH		VALUATION DATA			
	Company	11/18/2021	30 Day % Change	YTD % Change	Market Value (\$mm)	Enterprise Value (\$mm)	Gross Profit % Margin	EBITDA LTM % Margin	Long-Term EPS % Growth	3-Year Revs CAGR	EV / Revs LTM	EV / EBITDA LTM	EV / EBITDA 2021
Steris	231.55	2.0%	22.2%	23,160.3	26,903.4	42.5%	19.8%	13.2%	15.7%	7.0x	35.3x	30.6x	44.2x
Team Industrial Services	1.56	(42.6%)	(85.7%)	48.3	466.1	25.6%	2.1%	25.0%	(10.0%)	N.M.	26.1x	12.9x	N.M.
Intertek	70.98	2.9%	(7.8%)	11,456.4	12,415.8	57.8%	23.1%	10.4%	0.1%	3.4x	21.8x	14.7x	30.4x
SGS	3,107.13	2.9%	2.9%	23,207.9	26,205.9	93.7%	24.3%	11.2%	0.1%	3.9x	19.8x	15.9x	38.3x
ALS	9.91	(2.1%)	34.2%	4,783.1	5,820.0	89.7%	24.1%	17.3%	8.8%	4.6x	18.2x	16.1x	36.2x
Sotera Health	23.21	(10.4%)	(15.4%)	6,566.5	8,411.4	55.7%	51.8%	18.0%	7.4%	9.3x	17.9x	17.6x	N.A.
Bureau Veritas	33.60	6.4%	25.6%	15,184.2	17,134.9	71.8%	20.0%	23.2%	0.0%	3.0x	14.9x	14.5x	38.3x
Eurofins Scientific	120.33	(6.9%)	42.6%	23,022.8	25,480.0	66.1%	30.2%	3.5%	18.2%	3.3x	11.8x	12.2x	38.7x
MISTRAS Group	9.00	(4.4%)	16.0%	265.1	489.4	29.5%	9.9%	56.0%	(3.5%)	0.7x	7.4x	7.8x	N.M.
Applus+	9.03	(10.3%)	(18.6%)	1,289.5	2,251.4	91.3%	16.1%	11.0%	0.3%	1.1x	7.1x	7.2x	16.6x
Group Mean		(6.2%)	1.6%	10898.4	12,557.8	62.4%	22.1%	18.9%	3.7%	4.05x	18.0x	15.0x	34.7x
Group Median		(3.2%)	9.4%	9,011.5	10,413.6	61.9%	21.5%	15.3%	0.2%	3.38x	18.0x	14.6x	38.3x
Group Max		6.4%	34.2%	23,207.9	26,903.4	93.7%	51.8%	25.0%	15.7%	9.27x	35.3x	30.6x	44.2x
Group Min		(42.6%)	(85.7%)	48.3	466.1	25.6%	2.1%	10.4%	(10.0%)	2.98x	14.9x	12.9x	30.4x