CASE STUDY

Orthotic Holdings, Inc

The Orthotic Group

Company Profile

HEADQUARTERS:
Markham, ON (Canada)

INDUSTRY:
Specialized Light Manufacturing

TRANSACTION TYPE:
Buyout

INVESTMENT DATE:
September 2008

EXIT DATE:
April 2013

FUND:
II

This portfolio company case study offers summary information, is provided as an example that clarifies and typifies Incline's investment approach, and may not be representative of Incline's investments. Past results are no guarantee of future results and no representation is made that an investor or portfolio company will or is likely to achieve results that are similar to those of the company described. This investment was not chosen for its returns on investment.

Overview

Orthotic Holdings, Inc. ("OHI"), is a leading manufacturer, marketer and distributor of high quality, predominantly custom and branded medical products that treat foot, ankle and leg related conditions and diseases. The company is recognized as a North American market leader with entrenched relationships in each of its core healthcare provider sales channels through the development and deployment of its innovative foot scanning technology solution.

Transaction Dynamics

A partnership with management to recapitalize the company. The CEO reinvested his entire proceeds into the transaction.

Investment Thesis

- 2nd largest company in North American custom orthotics micro-market; dominant company in Canadian chiropractic market
- Diverse customer base across multiple healthcare channels
- Platform for continued industry consolidation
- Significant organic growth opportunity in U.S. with GaitScan technology
- Long history of revenue growth and strong margins
- Solid underlying demand drivers

Incline Value Enhancement

- Expanded product portfolio with three add-on acquisitions: Langer Biomechanics in 2008, River Biomechanics in 2010, and Arizona AFO in 2011
- Retained operational improvement consultant to assess and map manufacturing plan
- Enhanced existing scanning technology while adding new solutions to promote recurring revenue
- Doubled earnings over the investment period
- Improved EBITDA margins from 15.5% in 2009 to 24.6% in 2012