

# M&A Industry Quarterly

Chemicals | Pharma | MedTech | Health Care



**Edition Focus**  
European  
Health Care

## M&A metrics at a glance



Chemicals



Pharma



MedTech



Health Care

**Total number  
of deals**

Q4 '22 vs. Q4 '21

**51**

↓ -32 %

**29**

↓ -3.3 %

**42**

↓ -8.7 %

**132**

↓ -32 %

**Total value  
of deals (b€)**

Q4 '22 vs. Q4 '21

**12.2**

↑ +92.4 %

**2.2**

↓ -84.7 %

**1.2**

↑ -57.3 %

**3.3**

↓ -27.5 %

**Mega deals<sup>1</sup>**

Q4 '22

**1**

**1**

**1**

**1**

**Total number  
of PE deals**

Q4 '22 vs. Q4 '21

**9**

↓ -52.6 %

**6**

↑ +20 %

**9**

↑ +12.5 %

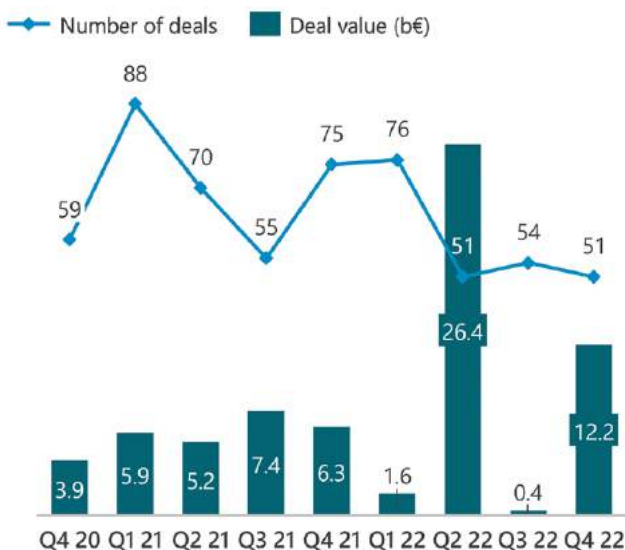
**17**

↓ -56.4 %

Note: 1) Mega Deals >1 b€

# European Chemicals: Industry ends 2022 with stable number of deals and surge in deal value

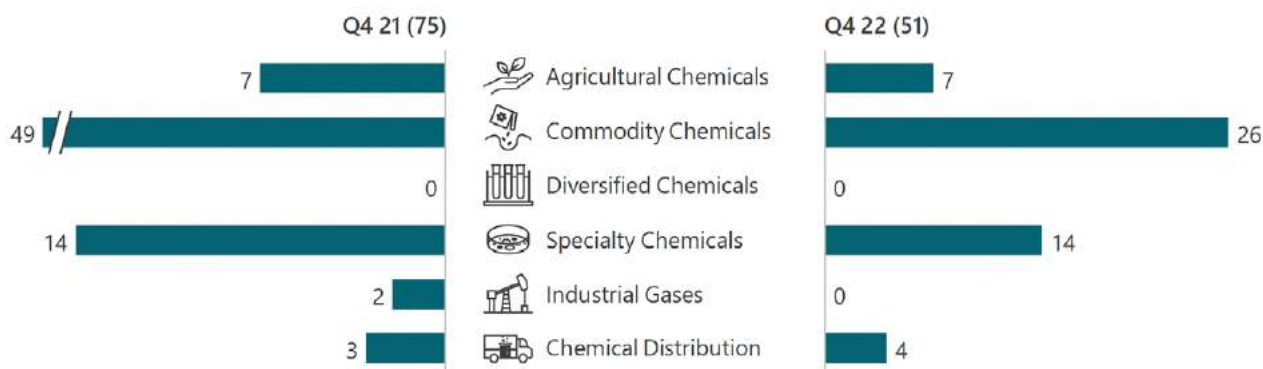
## Value & number of deals – Chemicals Europe



## Comments

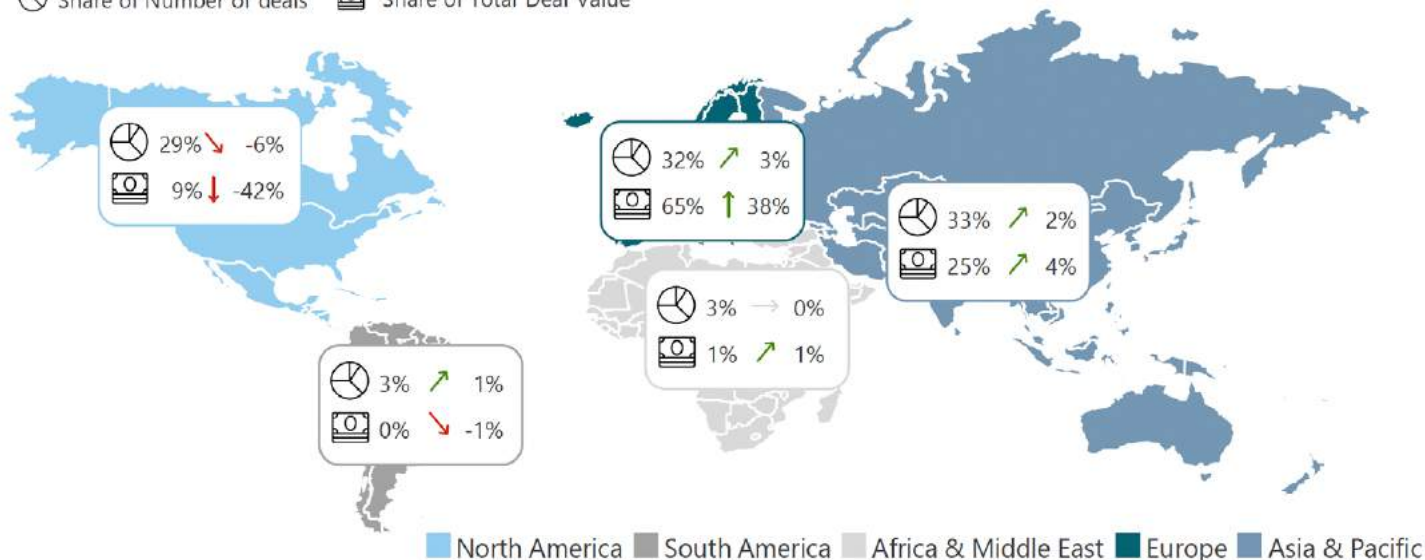
- › In terms of number of deals, Q4 22 witnessed similar deal activity as the past two quarters with ~50 deals per quarter in the European Chemicals industry
- › Backed by one mega deal (Novozymes acquired Danish biochemicals company Chr. Hansen Holding for almost 12 b€), deal volume witnessed a huge jump in Q4 22
- › Overall, the massive influx of economic, geopolitical and structural changes continue to suppress M&A activity in Chemicals. We do not expect a major disruption of deal making in the coming year, but the activity will continue to be subdued when compared to the more robust activity in 2020/2021.

## Number of European Chemicals deals as per subsegment



## Geographic overview of global chemicals deals activity (Q4/22 versus Q4/21)

📊 Share of Number of deals    📊 Share of Total Deal Value



Source: ES MC Research, Capital IQ; 1) Includes transactions where due to the small size no details like deal value / multiples are available

# European Pharma: After a substantial drop in Q1 2022, deal activity has recovered and promises a strong 2023 for M&A

## Value & number of deals – Pharma Europe



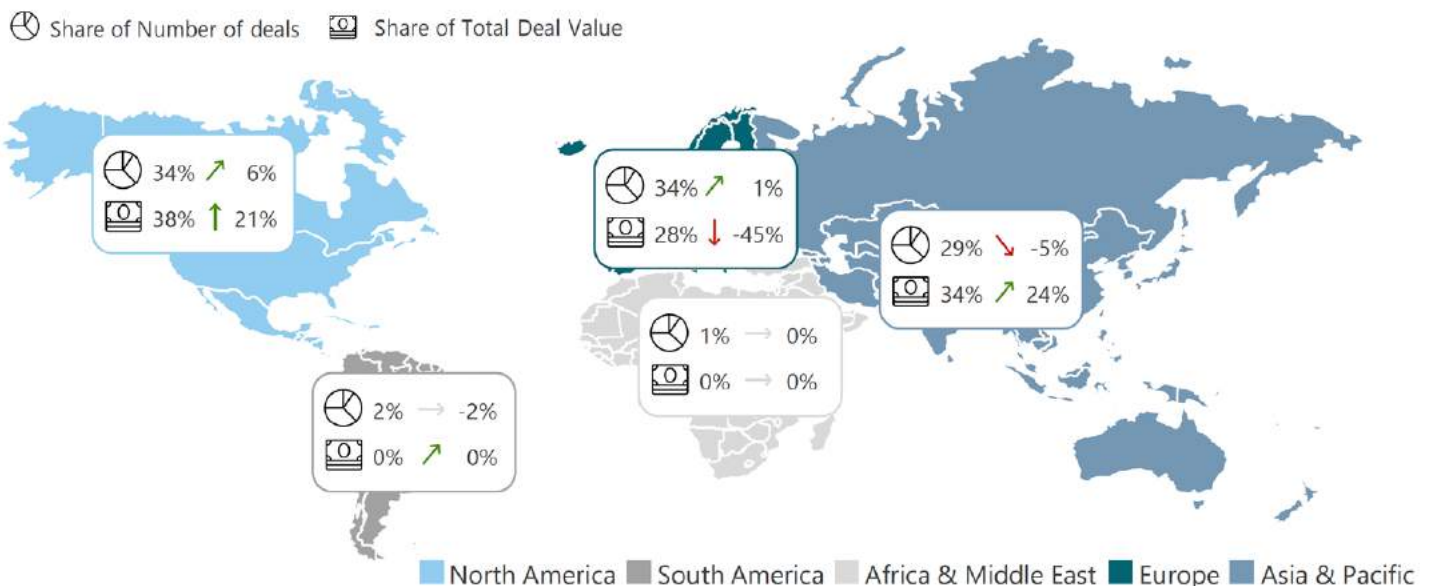
## Comments

- › After a significant drop in deals activity within Q1 22, the number of deals in the Pharma industry is back to comparable levels of 2021 deals activity
- › While the number of deals has recovered quite rapidly, total deal value, on the other hand, has been slow to recover with a drop of almost 85% in Q4 22 compared to Q4 21
- › In Q4, one mega deal (> 1 b€) has been announced, which was the acquisition of French Biotechnology player Unither Pharmaceuticals for 1.6 b€ by a consortium of financial investors (IK Partners, GIC, Keensight Capital, and Parquest Capital)

## Number of European Pharma deals as per subsegment



## Geographic overview of global Pharma deals activity development (Q4/22 versus Q4/21)

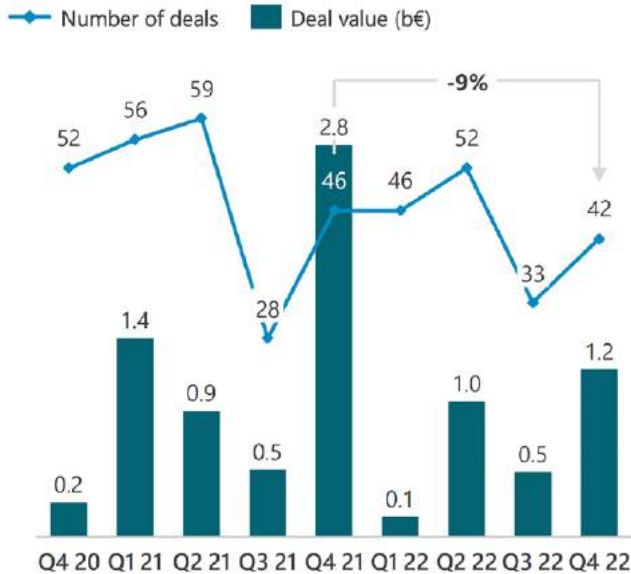


Source: ES MC Research, Capital IQ; 1) Includes transactions where due to the small size no details like deal value / multiples are available



# European MedTech: Small to mid-sized deals continue to dominate the European MedTech M&A landscape

## Value & number of deals – MedTech Europe



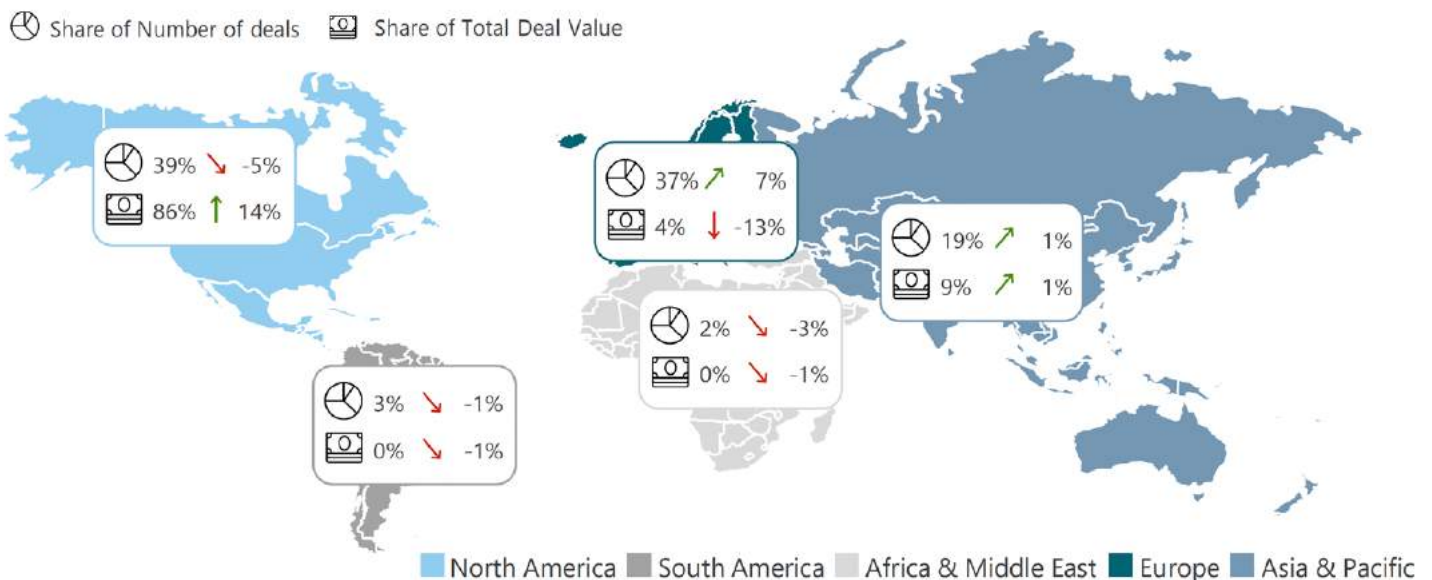
## Comments

- › In the European MedTech industry, deal activity in Q4 22 has gone up both in number of deals as well as in value compared to Q3 22
- › However, compared with Q4 21, both the number of deals and the total deal volume are still subdued
- › During Q4 22, one mega deal was announced (Cordis has acquired Swiss medical technology player Med Alliance for 1.2 b€)
- › It is interesting to note that all remaining deals announced within Q4 22 in the European MedTech industry have no official reported transaction value which indicates that a majority of these deals are small/mid-sized transactions

## Number of European MedTech deals as per subsegment



## Geographic overview of global MedTech deals activity development (Q4/22 versus Q4/21)



Source: ES MC Research, Capital IQ; 1) Includes transactions where due to the small size no details like deal value / multiples are available

# European Health Care: Deal activity witnessed further decrease but remains at a healthy level

## Value & number of deals – Health Care Europe



## Comments

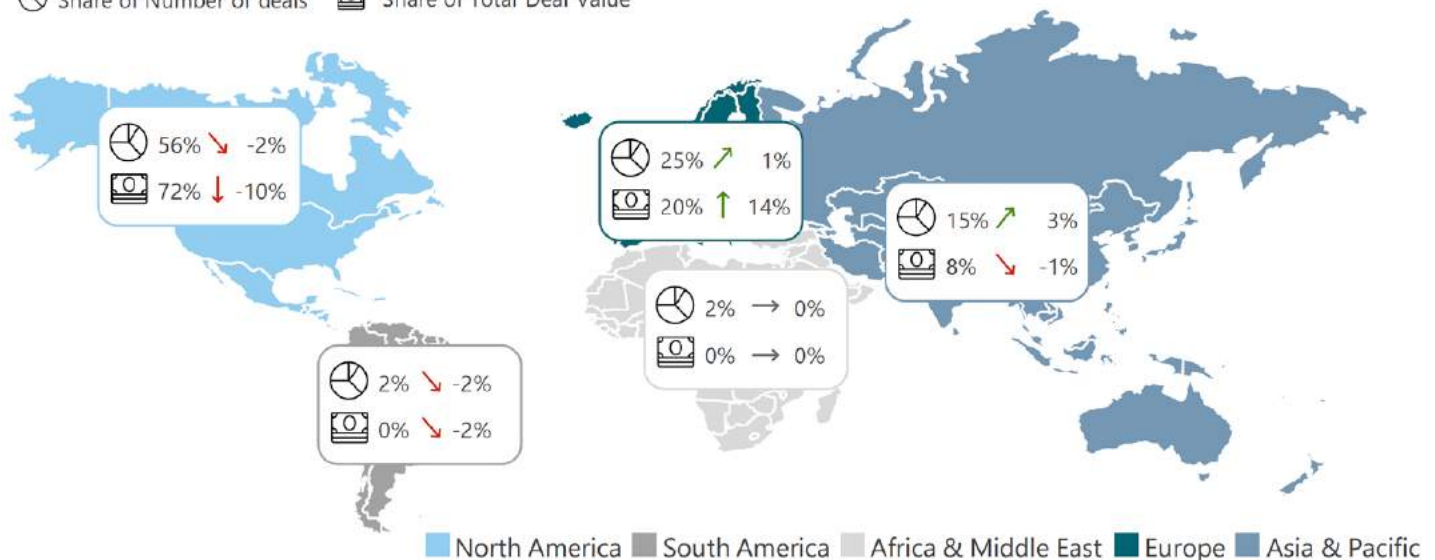
- Deals activity within the European Health Care market is still on a very high level albeit it is continuously decreasing since Q1 22 when considering the number of deals
- After peaking in Q2 22 with almost 10 b€, deal value dropped in Q3 22 by 74% whilst slightly rising again in Q4 22
- In comparison to the other industries, Health Care is by far the most M&A-active industry with the number of deals in Q4 22 exceeding the aggregated number of deals in Chemicals, Pharma and MedTech combined within the same period
- Thermo Fisher acquisition of the Binding Site Group from Nordic Capital and Five Arrows Managers for 2.6 b€ was the sole mega deal announced in Q4 22

## Number of European Health Care deals as per subsegment



## Geographic overview of global Health Care deals activity development (Q4/22 versus Q4/21)

Share of Number of deals (pie chart) | Share of Total Deal Value (bar chart)



Source: ES MC Research, Capital IQ; 1) Includes transactions where due to the small size no details like deal value / multiples are available

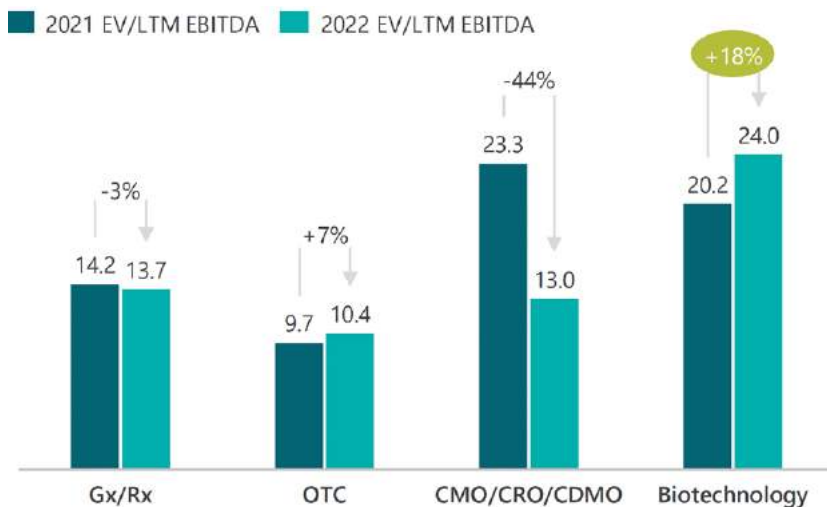
# Innovative and future-oriented sub-industries continue to demand higher valuation ...

## Chemicals multiples (x) per subsegment (publicly traded companies)



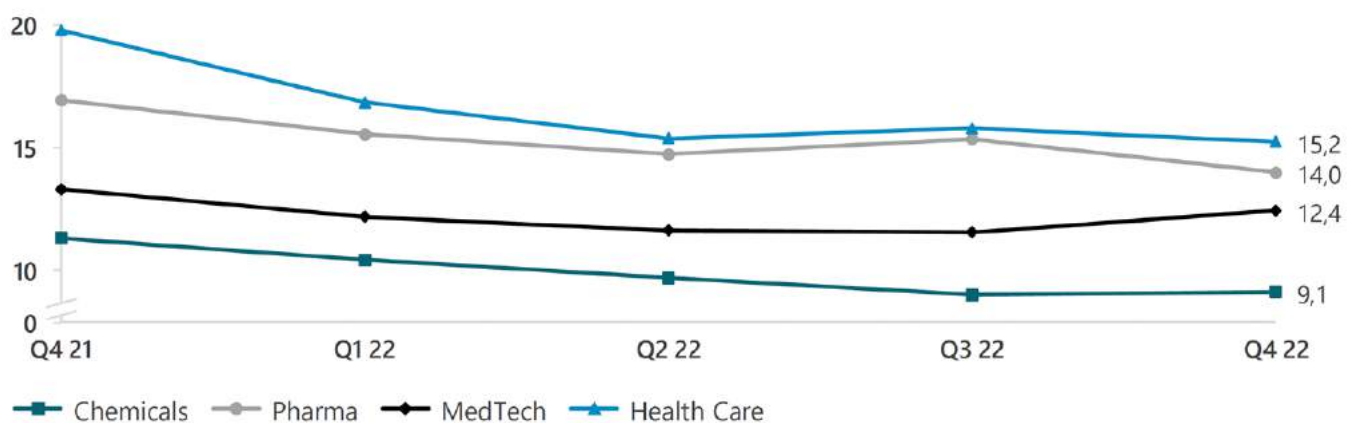
- › In comparison to 2021, trading EV/EBITDA multiples have dropped in all Chemicals subsegments except for commodity chemicals
- › The slow-down in the Chemicals M&A market is mostly due to macroeconomic turmoil due to the Russia/Ukraine war and accompanying rises in inflation, interest rates and disrupted value chains
- › Commodity chemicals companies benefit from a perceived higher price sensitivity and an evident supply crunch owing to disruption of global supply chains

## Pharma multiples (x) per subsegment (publicly traded companies)



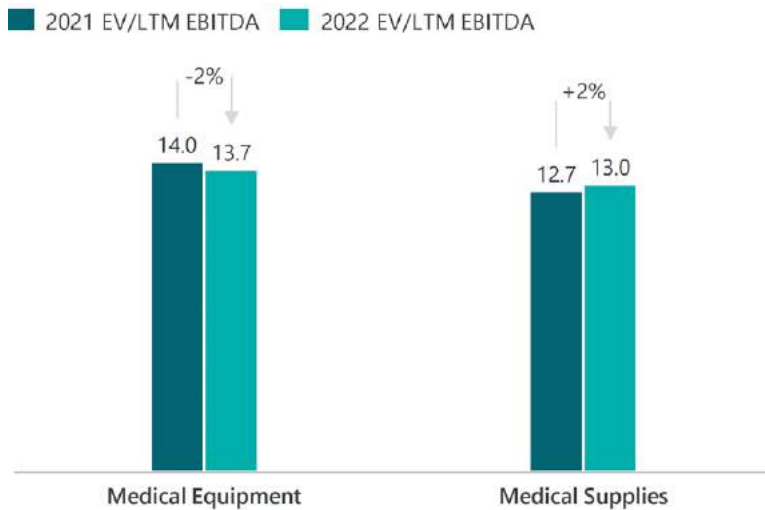
- › In Pharma, macroeconomic factors do also have their negative effects on trading EV/EBITDA multiples but valuation multiples within OTC and Biotechnology continue to rise
- › After a significant rise of multiples in 2020 and 2021, CMO / CRO / CDMO companies faced plummeting valuation in 2022; however, valuation remains at acceptable levels

## Development of the EV / EBITDA multiples over time per industry



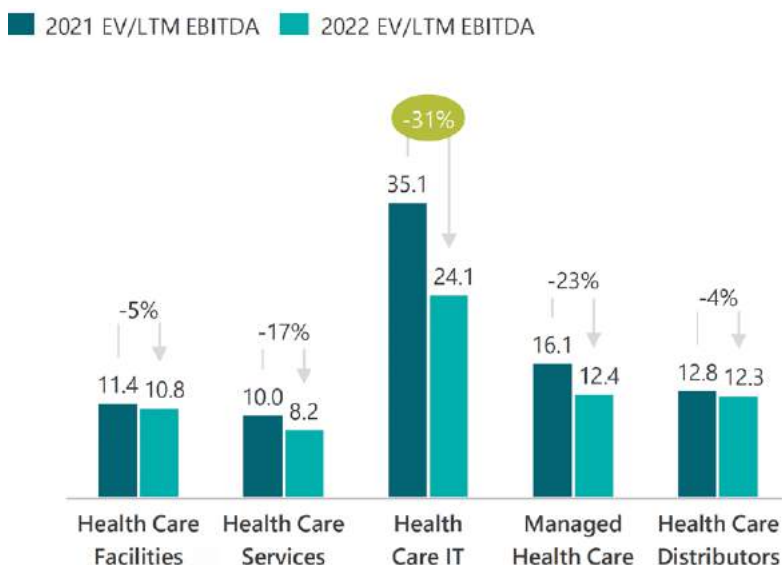
## ... whilst macroeconomic turmoil continues to pull valuation multiples downwards

### MedTech multiples (x) per subsegment (publicly traded companies)



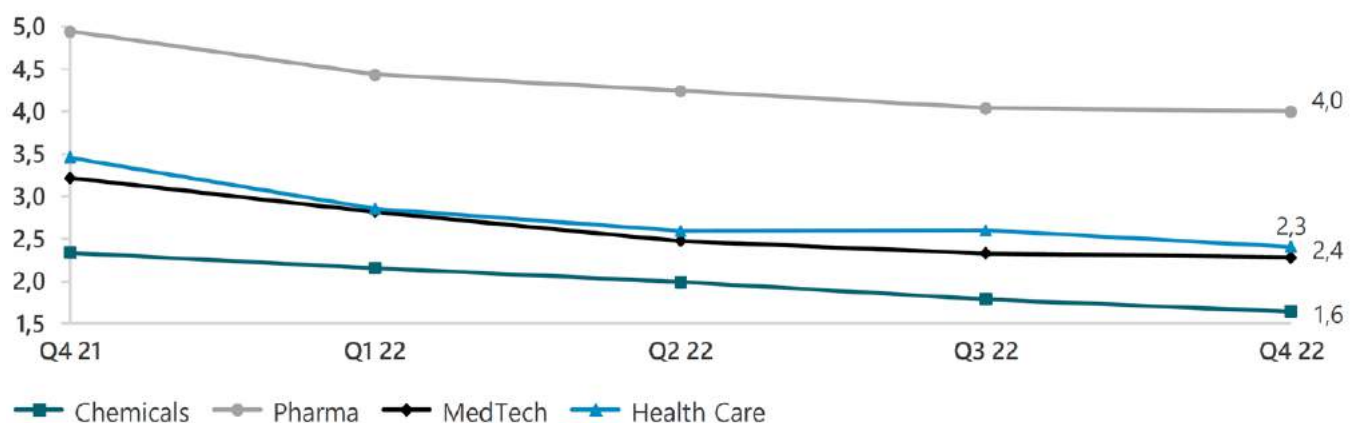
- › MedTech industries seem to be the least affected by macroeconomic factors considering the stable valuation YoY
- › Due to demographic aging and driving forces like In Vitro Diagnostics and Cardiology, MedTech is expected to achieve significantly higher valuations
- › The capital-intensive industry, however, is limited in growth as inflation and interest rates increase

### Health Care multiples (x) per subsegment (publicly traded companies)



- › As the most acute phase of the Covid-19 pandemic seems to be over, the valuation of Health Care companies is slowly getting back to pre-pandemic levels
- › Especially the valuation of the subindustry Health Care IT, which experienced a high founder wave in the beginning of the pandemic, dropped by over 30%. This is also in part influenced by the global slowdown in the technology/IT sector

### Development of the EV / EBITDA multiples over time per industry



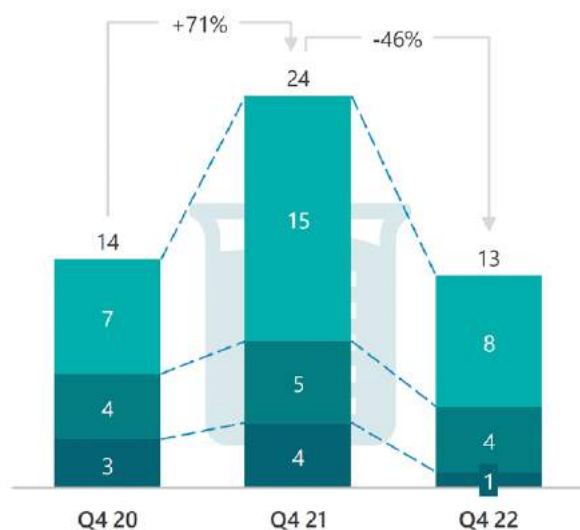


# After an investment-heavy Q4 21, PE activity broadly scales back to Q4 20 levels

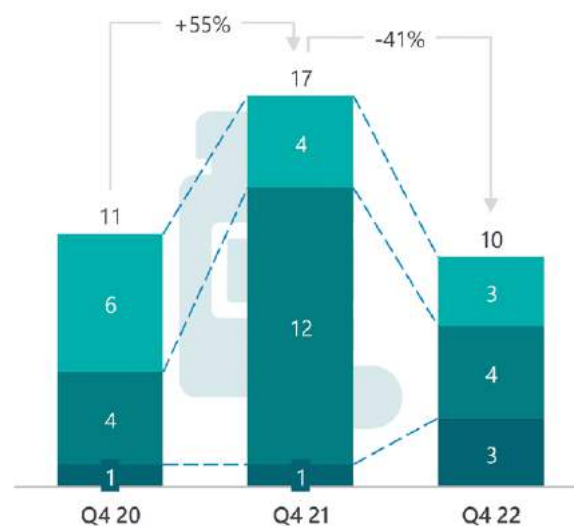
Number of deals driven by PE as buyer/seller

PE Buyer PE Seller PE-to-PE

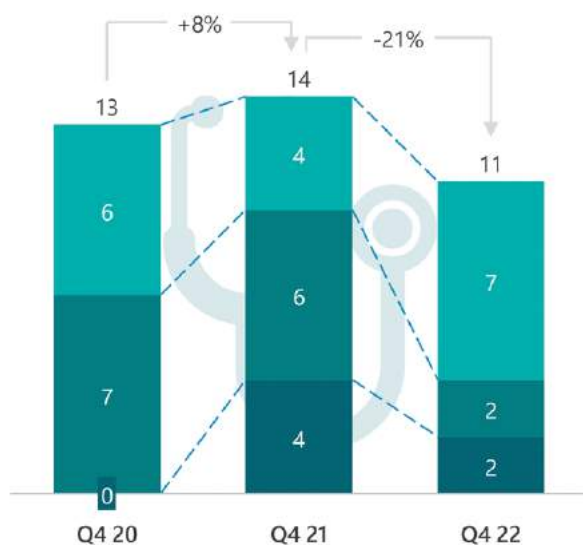
## Chemicals



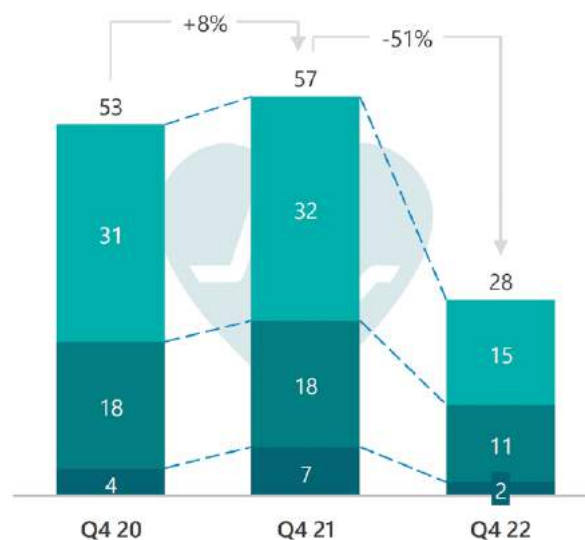
## Pharma



## MedTech



## Health Care



### Q4 2022

Deals with PE as buyer	Σ 33	13.0% of Total deals
Deals with PE as seller	Σ 21	8.3 % of Total deals
PE-to-PE deals	Σ 8	3.1 % of Total deals

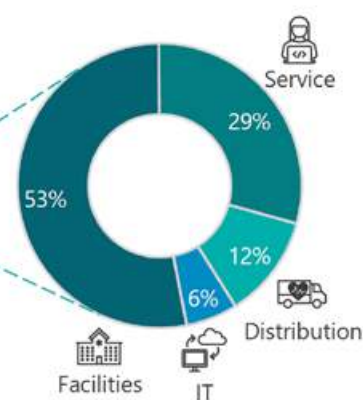
# Edition Focus

## European Health Care

Health Care Europe Number of Deals and Percentage Financial Investors












Subindustries Q4 22



Source: ES MC Research, Capital IQ

# German Healthcare market continues to attract high attention and interest from buyout funds

## German Health Care market PE activity

SECTOR	SELECTED PE INVESTORS	DEGREE OF CONSOLIDATION	CURRENT DEAL ACTIVITY	FUTURE DEAL ACTIVITY
 Dental Care	   			
 Ophthalmology	    			
 Imaging and radiotherapy	    			
 Orthopaedics	 			
 Dermatology / Aesthetics	   			
 Internal medicine (excl. dialysis)	  			

Source: ES MC Research, Capital IQ

Ebner Stolz Management Consultants GmbH



# European Health Care activity is mainly of strategic nature; however, PE funds have continuous interest in the industry

## European Health Care Trends & Outlook



- › Deal activity in the outpatient sector has only been slightly affected by the recent overall market developments. Although valuations still remain at a high level a minor decrease of multiples has been noted recently.



- › While investors initially focused their buy-and-build-strategy on sectors with larger assets and high EBITDA-contribution, highly fragmented sectors with smaller assets (e.g. general practitioner and dermatology) have gained significant attention over the last year.



- › Large secondary buyouts of platforms in imaging and radiotherapy as well as ophthalmology have dominated the market in the last 18 months. This trend is expected to continue with more platforms coming to the M&A market in the next 12-18 months.



- › A quick and standardized approach for post-merger integration is critical for the development of the platform but is underestimated by many market participants from our perspective.



- › On the regulatory side, further restrictions of the right to establish MVZs are being discussed. Some demand that hospitals should only be entitled to establish MVZs if they are geographically and professionally related. The Minister of Health has announced a draft law for the first quarter of 2023. In any case, the introduction of increased transparency obligations and the strengthening of the position of the medical director can be expected.



- › Furthermore, the ruling of the Federal Social Court of 26 January 2022 (B 6 KA 2/21 R) has brought with it some structural complications - since the court considers the requirements under SHI-accredited physician law for an employment approval of a Physician (Managing) Shareholder to be fulfilled only if dependent employment is to be assumed. Taking into account the regulatory administrative practice, there are nevertheless possibilities for structuring. But constructions are challenging from a regulatory and tax point of view.



- › The 11th amendment of the German Antitrust Act could also be of particular importance. The requirements for merger control might be lowered via the instrument of the sector enquiry in particularly relevant/problematic markets. With regard to the Bundeskartellamt's statements on SmileEyes/Trilantic in June 2022, it can be assumed that MVZ structures could be targeted in this context.



- › Internationalization will further shape the market development with investors seeking to scale the business model and exploit growth opportunities to diversify their exposure to country-specific reimbursement risks. While this primarily pushes German platforms to neighboring countries, it also brings international platforms into the German market.



- › Digitalization will also drive deal activity through providers building partnerships with specialized health care technology solutions, for example regarding IT-supported workflows and medical decision making.



## Strong deal activity in the European Healthcare industry with Ebner Stolz playing a key role

### Selection of announced Health Care European deals 2022

Ann. Date	Buyer	Target	Target Country	Buyer Country	Target description	Deal value €m	Strategic / Financial
Oct 22	Thermo Fisher Scientific	The Binding Site Group			Diagnostics for blood cancer and immune diseases	2,615	PE-backed
Apr 22	Optum Health Solutions	EMIS Group			Health Care IT provider	1,494	PE-backed
Apr 22	Groupe Bruxelles Lambert	Affidea B.V.			Diagnostics and Outpatient Services	1,000	Financial
Jun 22	ResMed Germany	MediFox Dan GmbH			Software solution for care and therapy	957	PE-backed
May 22	INOVIE group	BioClinic Group			Medical analysis laboratories	500	PE-backed
Jul 22	Capio Group Services AB	GHP Specialty Care AB			Care data collection and processing	288	PE-backed
Jul 22	Vivalto Sante Investissement	Lusíadas, SGPS, S.A.			Technology-based hospitals operator	200	Financial
Jan 22	Marlowe plc	Optima Health Group Limited			Specialist mental health and musculoskeletal services	163	PE-backed
Jul 22	Peinsula Capital	The Red Kiwi			Clinics for esthetic medicine, plastic and reconstructive surgery	140	Financial
Jan 22	Nextmune AB	Bova Holdings Limited			Allergy diagnostics and allergy treatment products for animal care	91	Strategic
Apr 22	Groupe Bruxelles Lambert	Sanoptis			Ophthalmology network with over 240 german facilities	-	PE-backed
Sep 22	All Seas Capital	Zimmer MedizinSysteme			Development, production and distribution of medical devices	-	Financial
Nov 21	Sanoptis	AUREGIO Group			Private and contract ophthalmology and diagnostics	-	Strategic
Jun 22	RAD-x	Radiologie Muenchen-Ost			Oncological imaging and tomography (PET & PET/CT)	-	Strategic

**Ebner Stolz Advisory**

Source: ES MC Research, Capital IQ

Ebner Stolz Management Consultants GmbH

# Our dedicated, highly experienced and versatile Health Care team is regularly supporting on deals within the industry

Ebner Stolz Health Care Transaction Advisory & Legal Services – Service Portfolio & Credentials



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Transaction Advisory Services

## Our key takeaways



Deal activity decreased slightly in 2022 when compared to 2021 but slow recovery and growth is evident across industries



While the overall market environment is still pessimistic, some subsegments (e.g., Biotechnology, OTC, Commodity Chemicals) valuations witnessed recovery and growth already in Q4 22



High cash reserves with the Private Equity investors, distressed M&A and undervalued targets in a rapidly changing and recovering macroeconomic situation will boost deals activity latest in the second half of 2023



Next M&A Quarterly: Q2/2023  
Edition Focus: Additive manufacturing  
(3D-printing) industry

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