

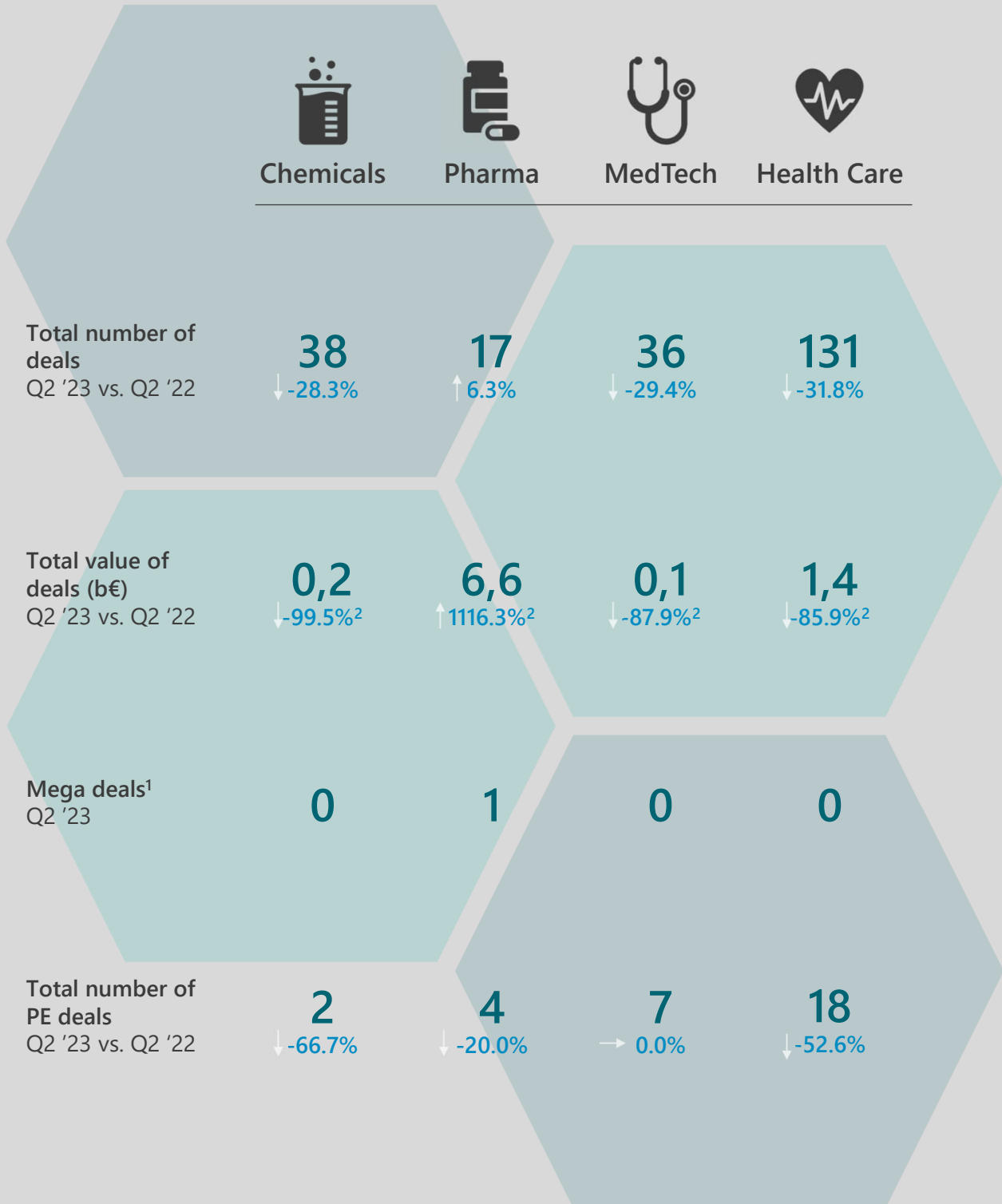
M&A Industry Quarterly

Chemicals | Pharma | MedTech | Health Care



Edition Focus
Contract Research
Organizations (CRO)

M&A metrics at a glance



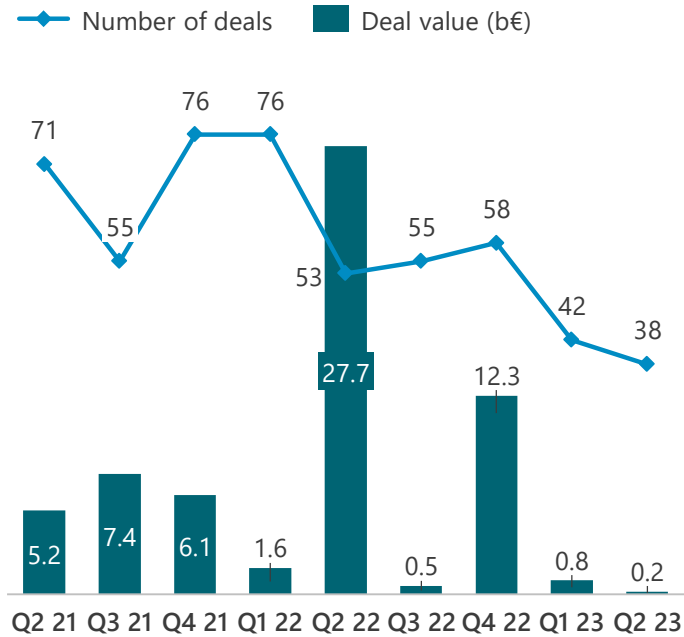
Note: 1) Mega Deals > 1 b€; 2) high difference is due to low number of disclosed deal values in Q2 '22 / Q2'23 respectively

Source: ES MC Research, Capital IQ

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European Chemicals: Subdued market sentiment pushes M&A deal activity further downwards

Value & number of deals – Chemicals Europe¹



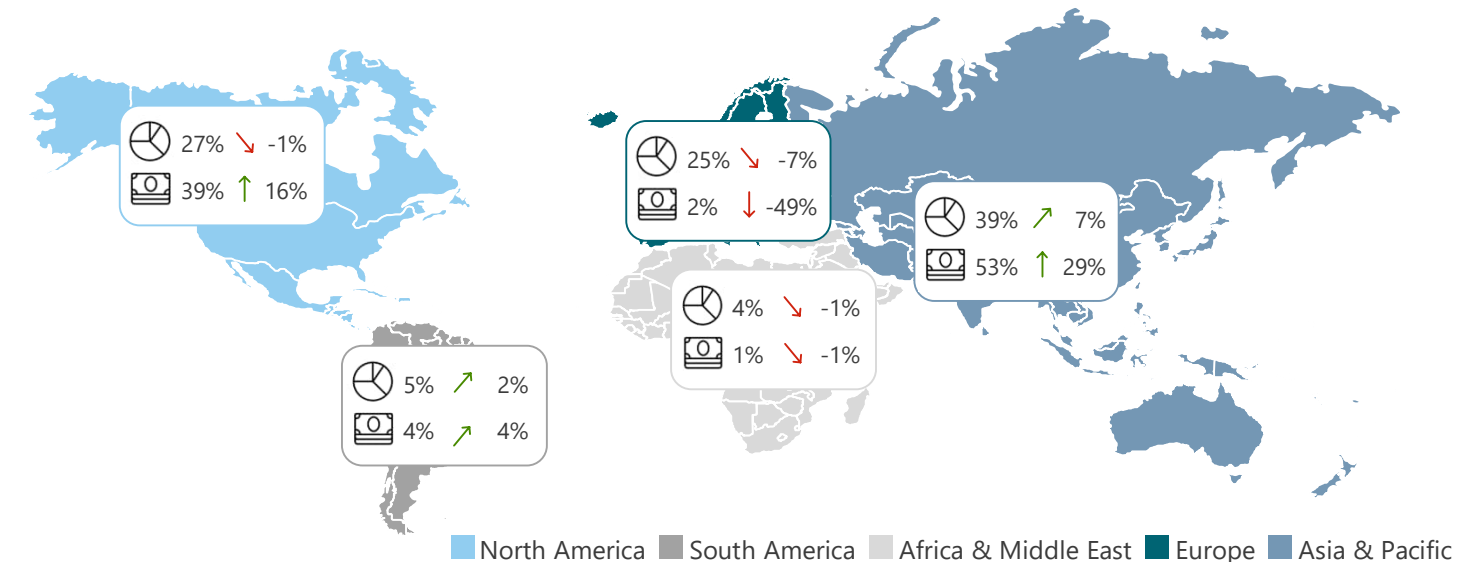
Comments

- Only 38 deals were announced in the Chemicals industry in Europe which is the lowest quarterly volume in the last 9 quarters
- In comparison with global M&A activity in Chemicals, where especially Petrochemicals companies find continued interest, the European chemicals market appears to be more permanently shaken by persistent challenges like ongoing geopolitical turmoil resulting in feedstock shortages and low demand
- In comparison to Q2 21 and Q2 22, private equity activity in the industry continues to decline as well, with only 3 deals completed in the last quarter
- The largest transaction was the acquisition of Beardow Adams, a U.K.- based family-owned business, by H.B Fuller Co. with a deal volume of 91 m€

Number of European Chemicals deals as per subsegment



Geographic overview of global Chemicals deals activity (Q2/23 versus Q2/22)

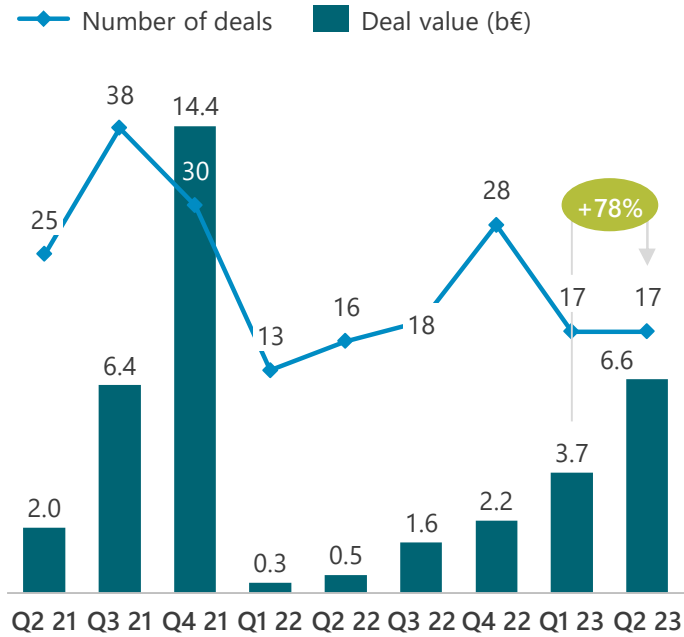


📊 Share of Number of deals 📊 Share of Total Deal Value

Source: ES MC Research, Capital IQ; 1) Includes transactions where due to the small size no details like deal value / multiples are available
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European Pharma: Mega deals continue to fuel deal value with deal activity on the same level as in Q1 23

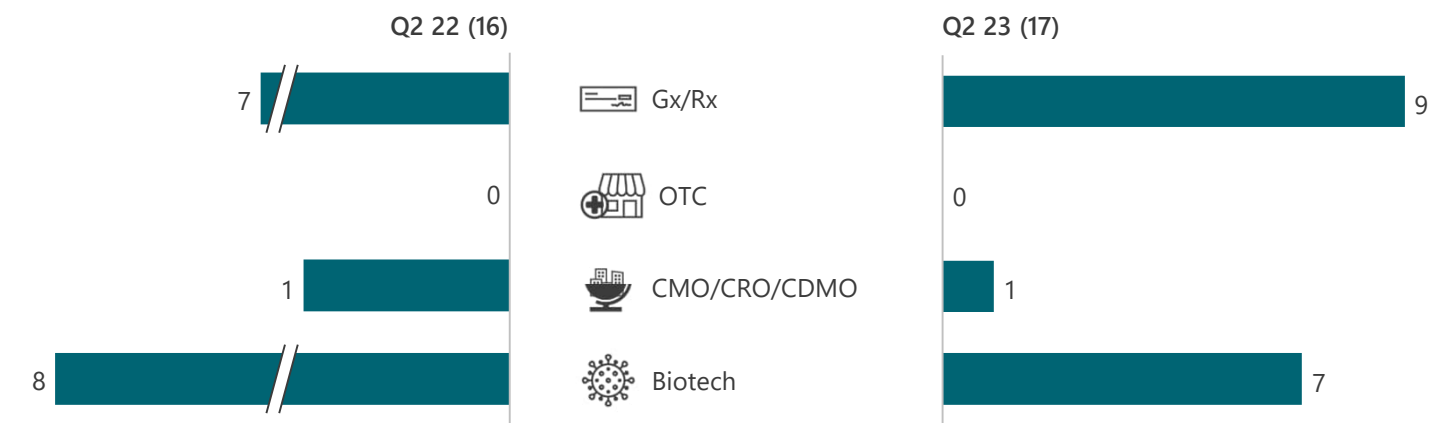
Value & number of deals – Pharma Europe¹



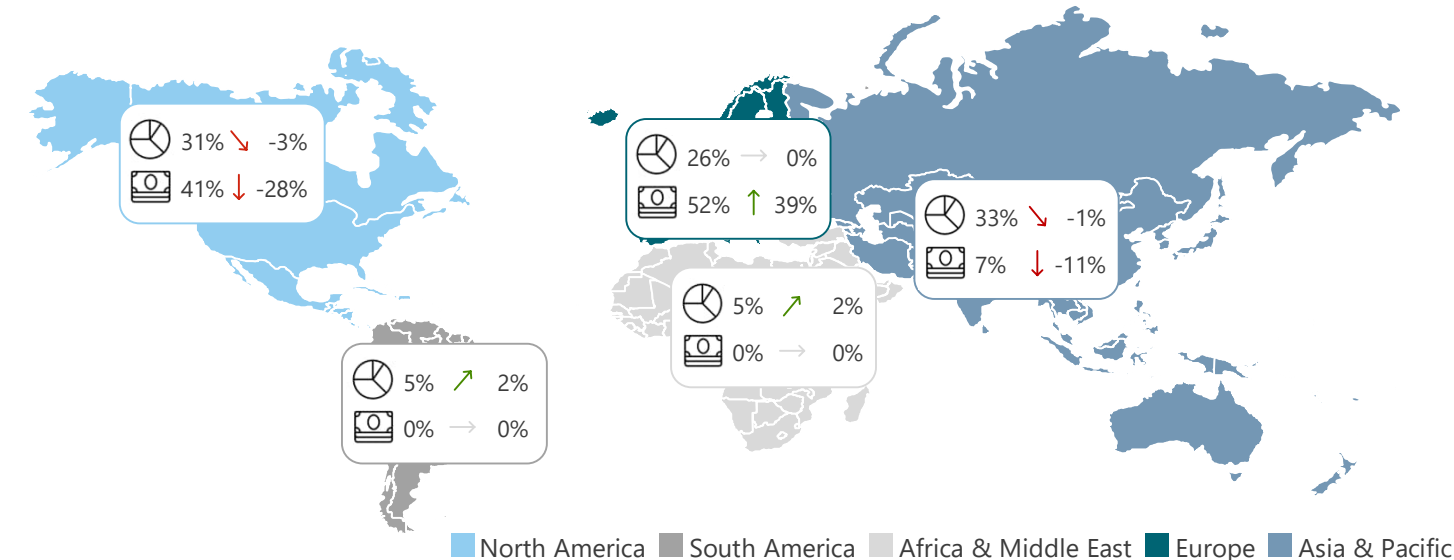
Comments

- Deal activity in Q2 23 remained constant compared to the previous quarter whereas the deal volume almost doubled in the same period
- Since Q1 22, total deal value continues to rise with a CAGR of 85% with Q2 23 displaying the highest percentual increase per quarter (+78%) since Q3 22
- The comparably high deal value was mainly driven by one mega deal with EQT Partners and Luxinva SA acquiring Dechra Pharmaceuticals for 5.7 b€ as an add-on to their buy-and-build strategy
- The second largest acquisition was Symrise's, acquisition of Swedencare AB for 521 m€ with the objective to expand their animal health and nutrition division

Number of European Pharma deals as per subsegment



Geographic overview of global Pharma deals activity (Q2/23 versus Q2/22)

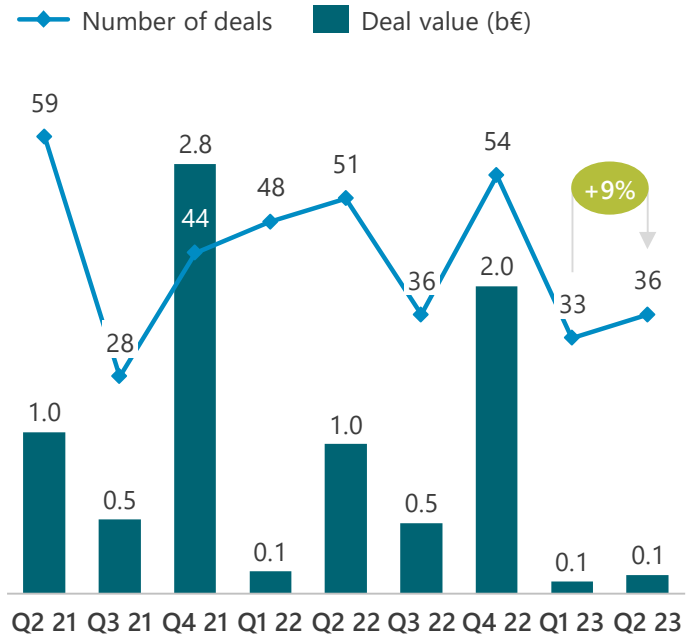


📊 Share of Number of deals 📊 Share of Total Deal Value

Source: ES MC Research, Capital IQ; 1) Includes transactions where due to the small size no details like deal value / multiples are available
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European MedTech: Healthy deal activity where small and mid-cap transactions continue to dominate

Value & number of deals – MedTech Europe¹



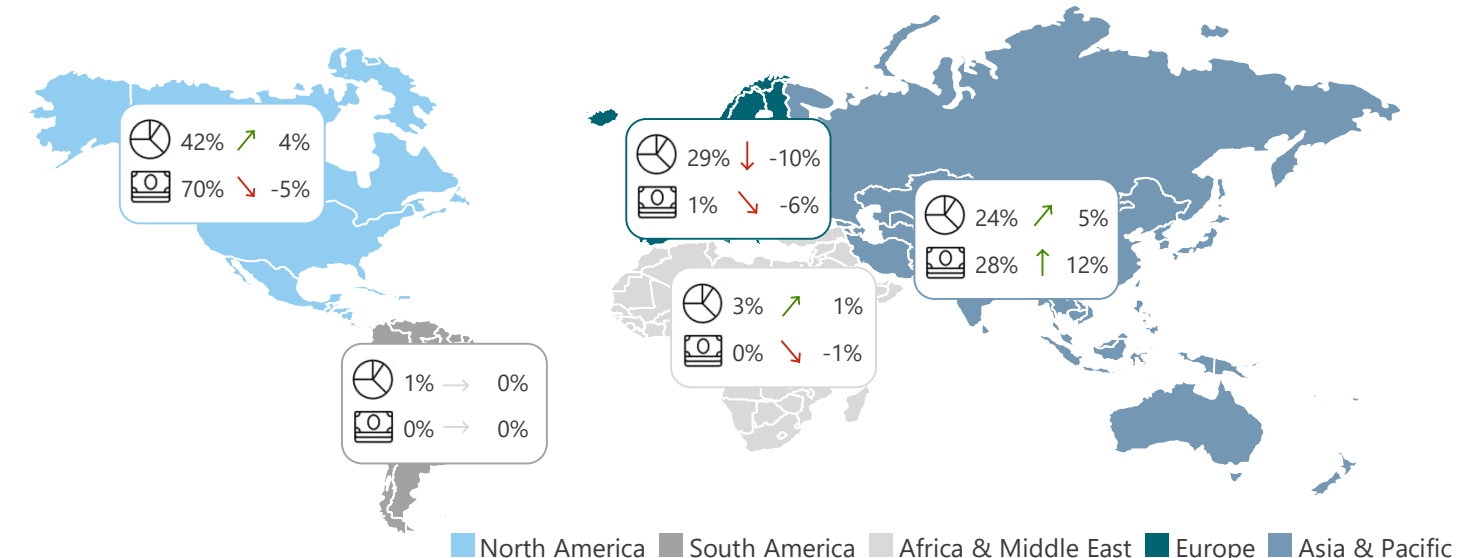
Comments

- > After strong deal activity towards the end of 2022, Q1 23 was off to a slow start which has slightly improved in Q2 23 with 36 deals announced in the sector across Europe
- > Announced total deal value in Q2 23 is still quite low, which is partly due to the fact that many transaction values have not been disclosed because the European MedTech M&A environment is characterized by small and mid-cap transactions
- > Key transactions announced in Q2 23 include Novo Nordisk's acquisition of 64.4% of Biocorp Production for a purchase price of 105 m€

Number of European MedTech deals as per subsegment



Geographic overview of global MedTech deals activity (Q2/23 versus Q2/22)

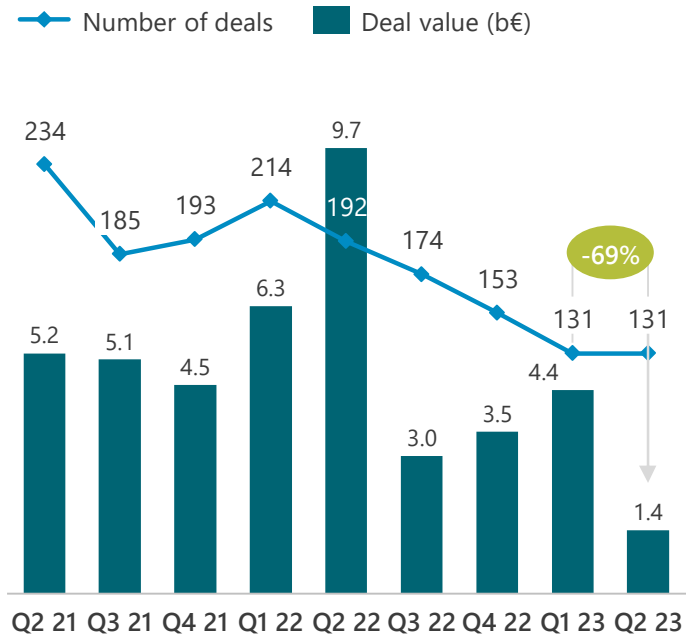


📊 Share of Number of deals 📊 Share of Total Deal Value

Source: ES MC Research, Capital IQ; 1) Includes transactions where due to the small size no details like deal value / multiples are available
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European Health Care: Deal activity stabilizes but deal volume continues to be significantly lower than usual

Value & number of deals – Health Care Europe¹



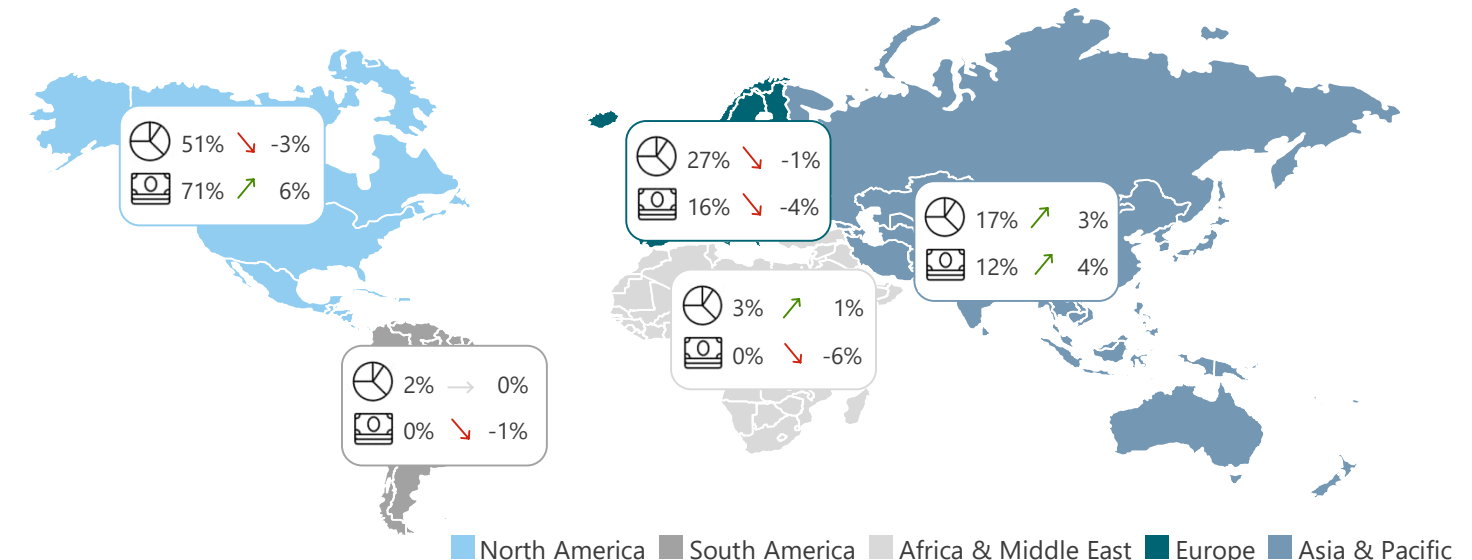
Comments

- For the first time since Q2 2022, the declining level of transaction activity is not witnessed again in Q2 2023, as almost the same number of deals were announced in Q2 2023 as in Q1 2023
- The overall declining trend is partly driven by private equity investors, who halved their activity in this sector compared to levels of Q2 22 as they continue to see barriers to implementing roll-up models
- In Germany, PEs face great uncertainty as the Ministry of Health plans measures against excessive investor activity and the Ministry of Labor increases cost pressure on firms by rewarding fidelity to collective bargaining laws
- However, the largest deal (306 m€) was a PE-secondary transaction namely, IK Partners's acquisition of CBPE Capital's portfolio company Medica Group

Number of European Health Care deals as per subsegment



Geographic overview of global Health Care deals activity (Q2/23 versus Q2/22)

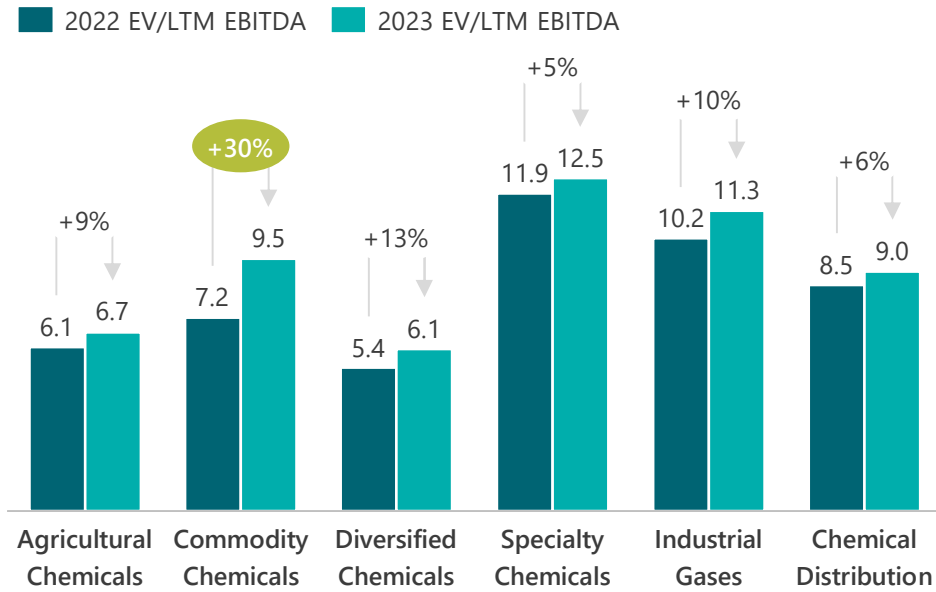


📊 Share of Number of deals 📄 Share of Total Deal Value

Source: ES MC Research, Capital IQ; 1) Includes transactions where due to the small size no details like deal value / multiples are available
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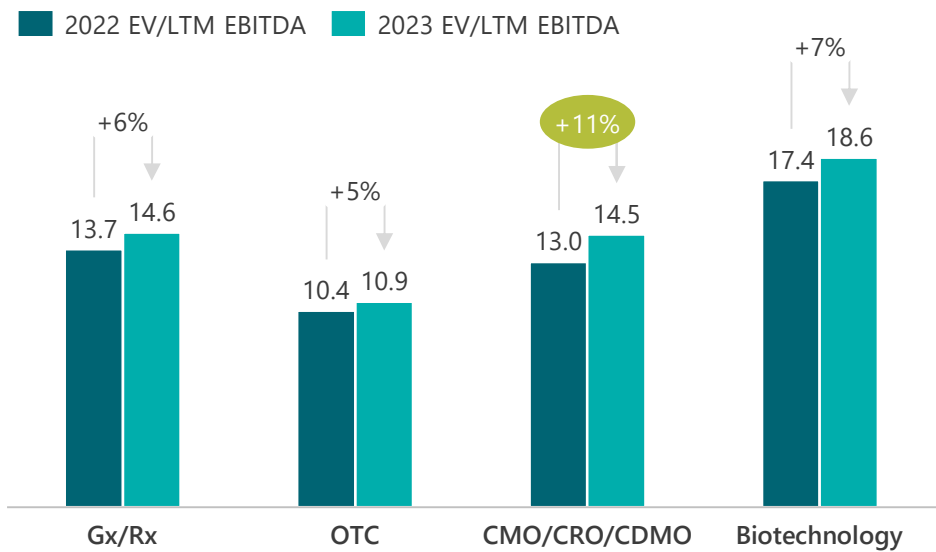
Overall, trading multiples continue to improve quarter by quarter, re-confirming the optimism from earlier this year...

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



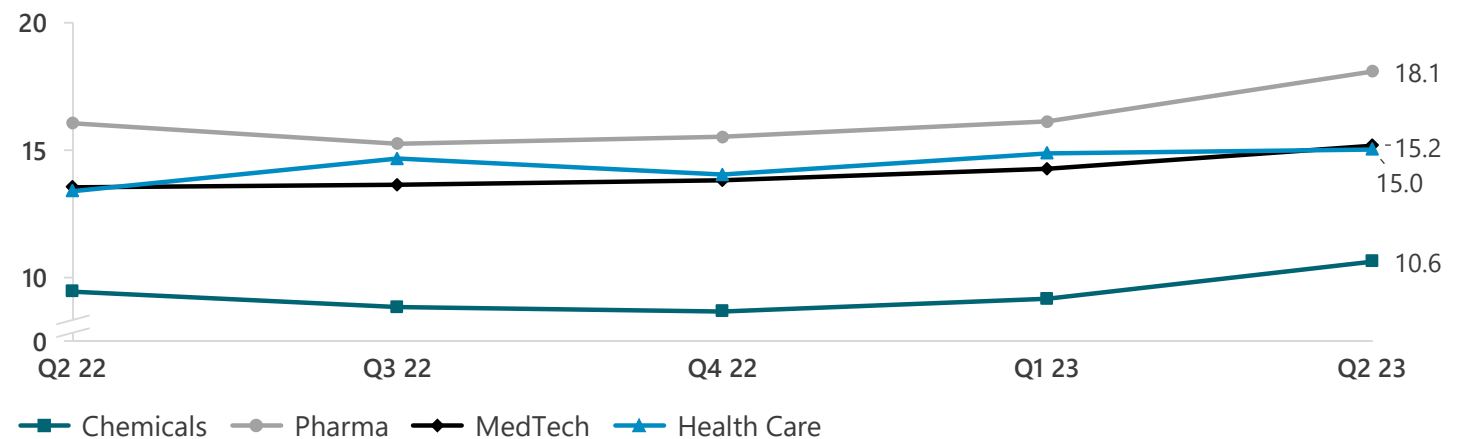
- > In accordance with the trend also observed in Q1 2023, trading EV / EBITDA multiples within Q2 2023 in the sector continue to show an upwards trend when compared to 2022 valuation levels
- > Firms in Commodity Chemicals display strongest improvements in their valuation as their multiples continue to be driven by petrochemical firms that profit from high market prices

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



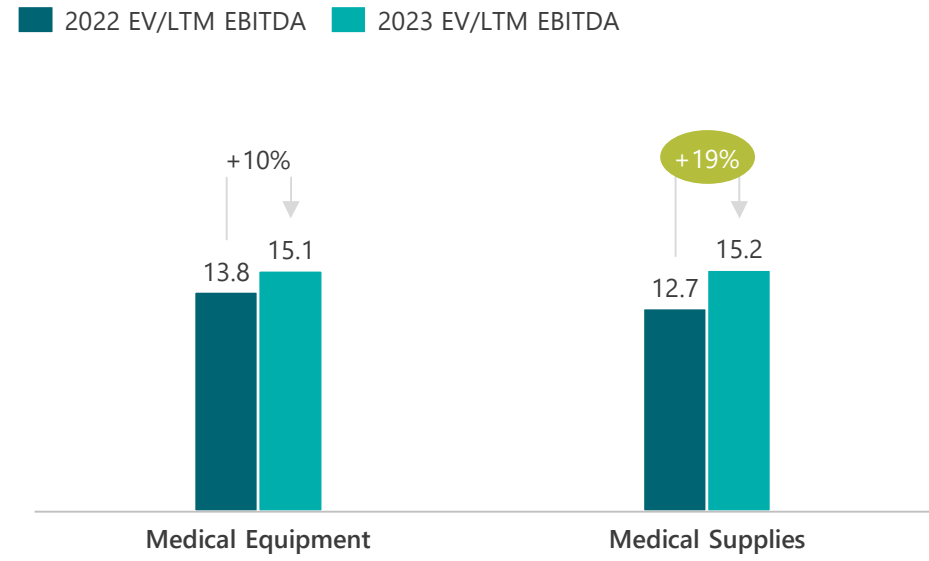
- > Having already seen an improvement in multiples in Pharma in the first quarter of 2023, Q2 confirms and reinforces the trend of recovery from 2022 with even higher valuations across the sub-industries
- > Multiples within the CMO/CRO/CDMO sub-industry continue to be high driven mainly by consolidation interests from large players in a fragmented market

Development of the EV / EBITDA multiples over time per industry



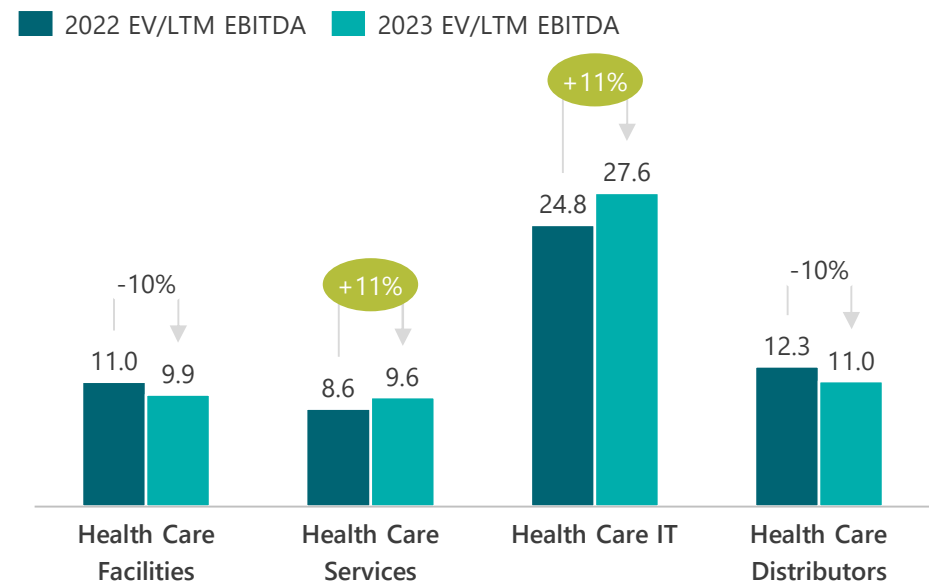
...however, selected subindustries show a minor decline in valuation as well

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



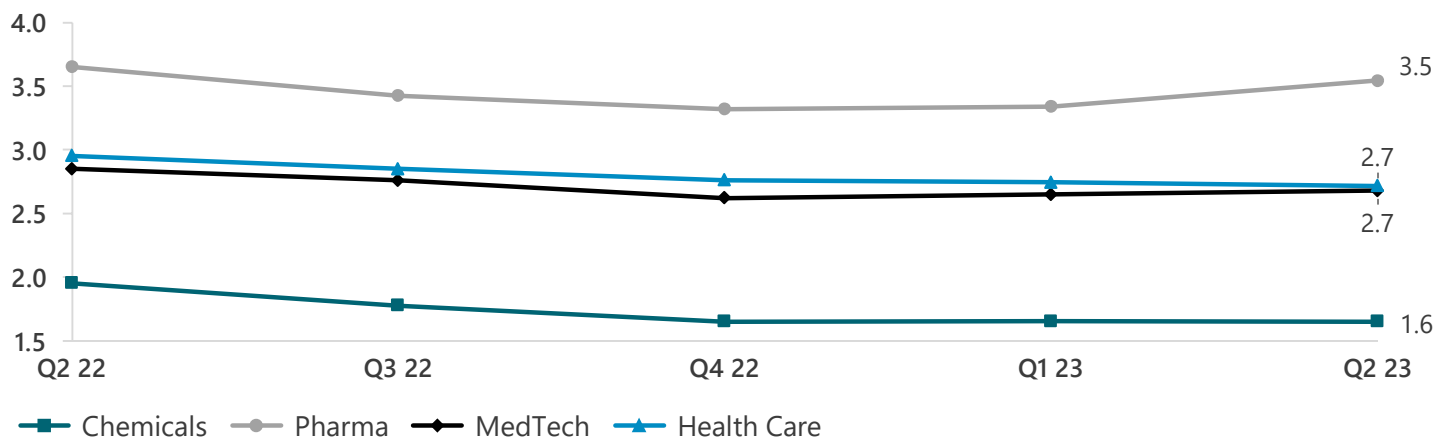
- > After an already net positive development of MedTech trading multiples in the previous quarter, both segments show strong increases in Q2 2023 once again
- > With a strong increase in multiples of +19%, the Medical Supplies market is recovering and is now roughly on a par with multiples in the Medical Equipment sector
- > Although interest in Medical Equipment was expected to be on an even further down-turn after the pandemic peak, the valuation proofs to be sustainable and on the rise again

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



- > Within Health Care the development of multiples draw a mixed picture so far in 2023
- > IT and Health Care Services show strong double-digit growth in trading multiples, whereas all other segments started to indicate decreasing values
- > After promising signs that the decline in multiples may have stopped in Q1 23, Managed Health Care and distributors show again a decline due to the high levels of uncertainty with national health systems and reimbursement schemes

Development of the EV / Revenue multiples over time per industry



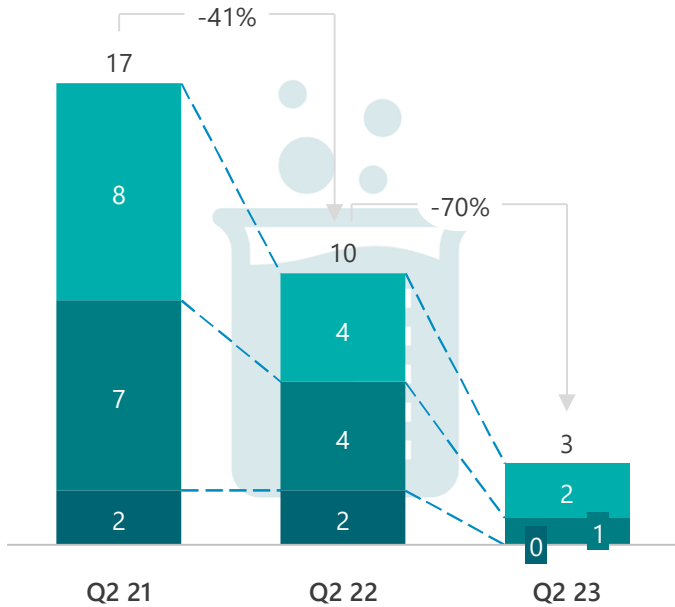
Source: ES MC Research, Capital IQ
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Private equity investors continue to hold back on new platform investments apart from the MedTech sector

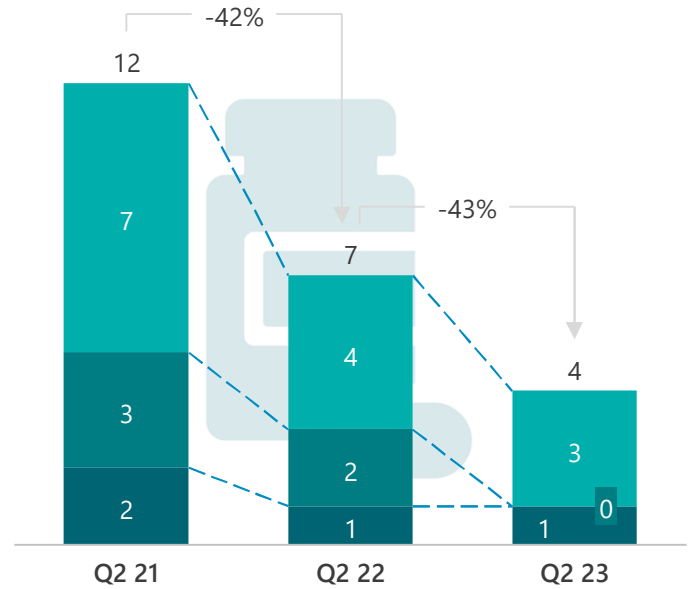
Number of deals driven by PE as buyer / seller

PE Buyer PE Seller PE-to-PE

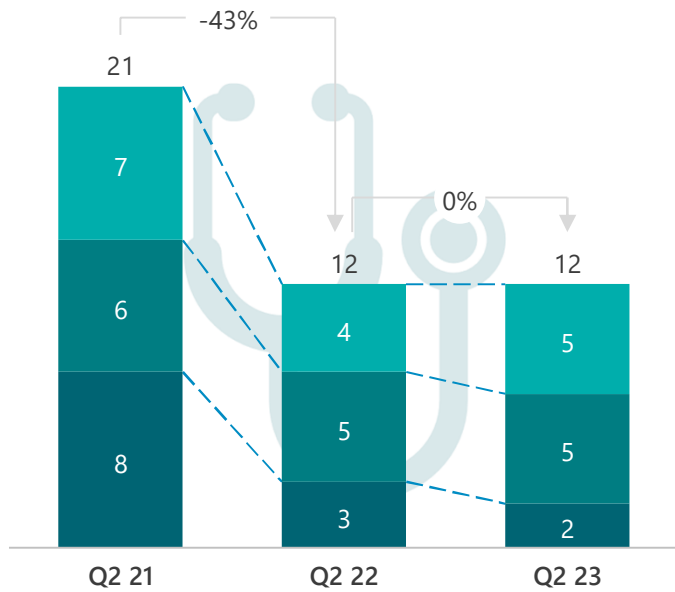
Chemicals



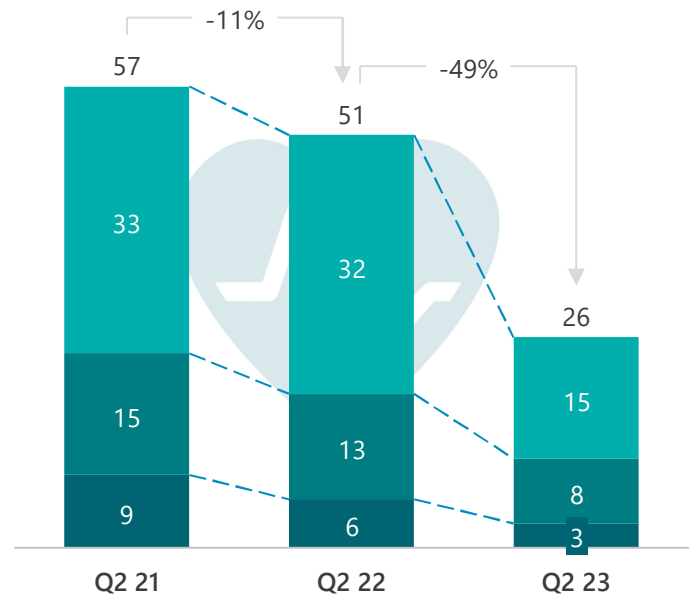
Pharma



MedTech



Health Care



Q2 2023

Deals with PE as buyer	.....	Σ 25	.....	11.3% of total deals
Deals with PE as seller	.....	Σ 14	.....	6.3% of total deals
PE-to-PE deals	.....	Σ 6	.....	2.7% of total deals

Focus piece: CRO – important outsourcing partners along the drug development cycle, reflected in high market potential



Overview of CRO, CDMO, CCO and CMO services across the drug development cycle¹

	Drug discovery 3 – 6 years	Pre-clinical trials 6 – 7 years	Clinical trials Indefinite	
CRO	<ul style="list-style-type: none"> Target discovery and validation Assay development and screening Medical and process chemistry Pharmacology services 	<ul style="list-style-type: none"> Toxicology Pathology Drug metabolism Pharmacokinetics Invitro studies In vivo studies 	<ul style="list-style-type: none"> Patient recruitment Site management Project management Pharmacovigilance Medical writing 	<ul style="list-style-type: none"> Patient and site engagement Post-approval studies Real World Evidence (RWE) Data analytics
CDMO			<ul style="list-style-type: none"> Process development and optimization Clinical batches and commercial batches Drug development, tech transfer, API production 	
CCO			<ul style="list-style-type: none"> Market research Marketing campaign 	<ul style="list-style-type: none"> Promotion PMS
CMO			<ul style="list-style-type: none"> Scale-up 	<ul style="list-style-type: none"> Manufacturing Packaging
	10,000 – 15,000 compounds		5 – 8 compounds	1 compound

CRO global key facts



Market size
56 b\$
market size in 2022



High growth
+11.9% CAGR 22-28
(>123 b\$ volume in '28)

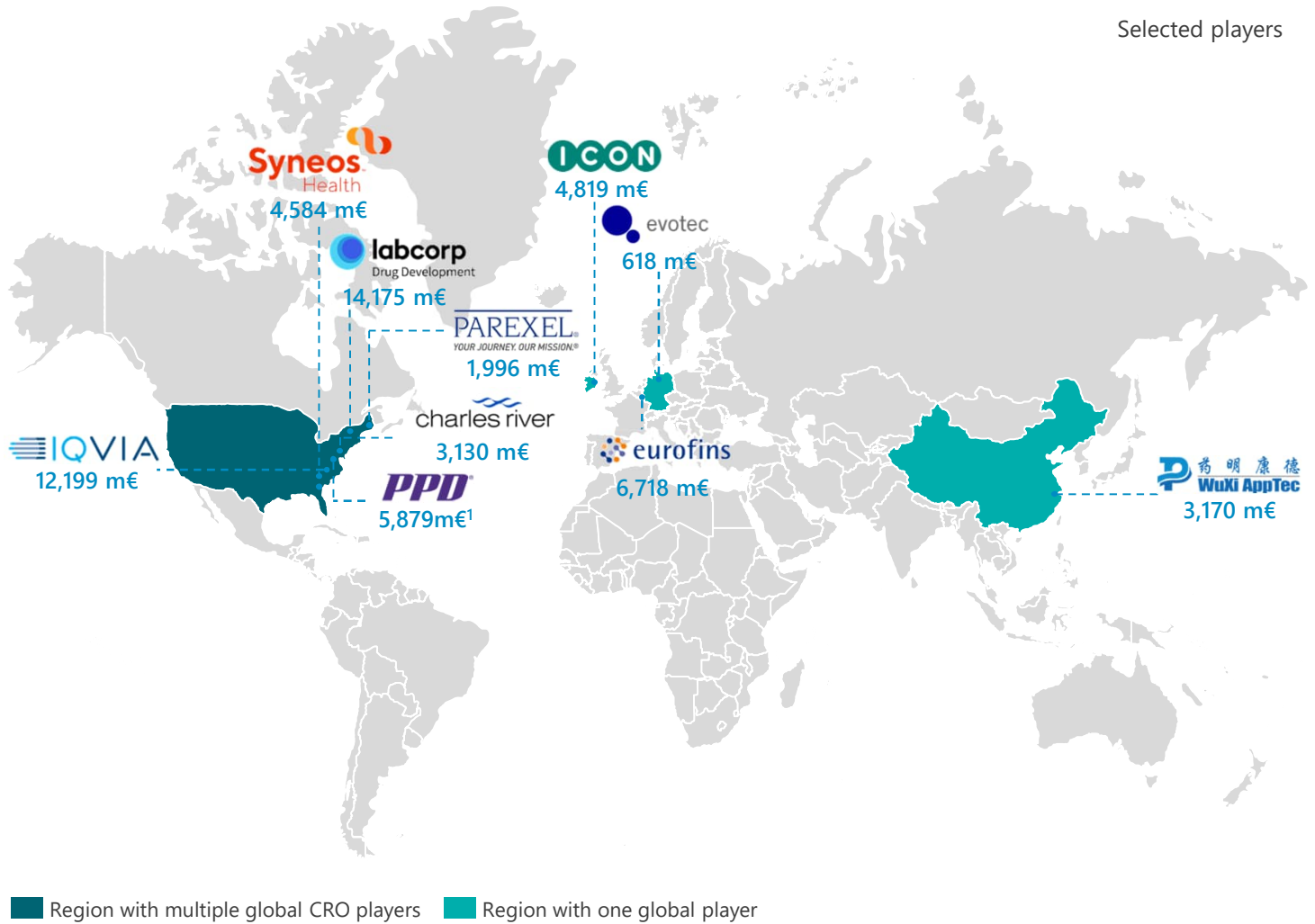


Consolidation
>45% of total sales
generated by Top 10

Source: ES MC Research, Capital IQ; 1. CRO: contract research organization, CDMO: contract development and manufacturing organization, CCO: contract commercialization organization, CMO: contract manufacturing organization
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The largest CRO companies are based in the USA and pursue a clear acquisition and consolidation strategy

Overview leading global CRO player based on revenue (2021)



CRO market trends

- 


Further consolidation

 - > Although large CROs are already responsible for almost 50% of the market, the market still is very fragmented with a lot of small to medium sized businesses
 - > CRO's interestingly diversifying to cover all relevant services for drug discovery and testing under one roof (horizontal integration)
- 

Complex development

 - > Drug development gets more and more complex and bears high cost to develop in-house
 - > Demand for CROs therefore remains strong which focus on specialized, niche services
- 

Hybrid business models

 - > An increasing number of CRO companies are switching to a hybrid business model (CRO / CDMO) to offer a one-stop-shop solution for drug development
 - > Higher interest in targets along the value chain (vertical integration)
- 

Interest in Big Data

 - > Especially in pre-clinical trials, big data helps enrich insights with extensive datasets, increasing the likelihood that the drug will reach the next stage
 - > CROs that incorporate big data have increasingly become transaction targets

Source: ES Research, Results Healthcare (2022), Clearwater International Healthcare (2021), Capital IQ;

1) Q3 '21 LTM numbers as PPD was acquired by Thermo Fisher Scientific in Q3 '21 and got integrated into consolidated financial statement Ebner Stolz Management Consultants GmbH

German CROs in high demand because the native Pharma industry has high focus on research and innovation

Overview leading CRO player in Germany

Selected players



i In total, there are approx. 200 CROs in Germany whereby the majority is to be classified into small- and mid-sized with focus on specialized and customized services

■ Region with at least one CRO player
 Source: ES Research, Germany Trade & Invest (2020)
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Recent transactions reveal three trends, namely horizontal and vertical integration and buy-and-build strategies

Selection of announced CRO / CDMO deals 2020 – 2023

Ann. Date	Buyer	Target	Buyer Country	Target Country	Deal value €m	Strategic [PE-backed / Financial]
Jan 23	Novotech	EastHORN Clinical Services			-	Strategic 
May 22	Novotech	NCGS			-	Strategic 
Sep 21	Inotiv	Envigo			637	Strategic 
Feb 21	Novo Holdings	AltaSciences			-	Strategic
Feb 21	ICON	PRA Health Sciences			9,976	Strategic
Apr 23	Charles River Laboratories	Wheeler Bio			28	Strategic 
May 21	Charles River Laboratories	ViGene Biosciences			420	Strategic 
Feb 21	Charles River Laboratories	Cognate BioServices			721	Strategic 
Jul 23	EQT Partners / ADIA	Dechra Pharmaceuticals			5,744	Financial
Jul 21	EQT Partners	Parexel International			7,176	Financial
Dez 20	EQT Partners	Recipharm			2,559	Financial
Aug 22	Carlyle Group	Theramex			63	Financial
Oct 21	Carlyle Group (consortium)	Medline			27,950	Financial
Jun 21	Carlyle Group	Viyash Life Sciences			1,200	Financial

1
Horizontal integration
(CRO capacity expansion)

2
Vertical integration
(CRO / CDMO platforms)

3
Private Equity Buy & Build
(CRO / CDMO platforms)

Our key takeaways



After a weak start in Q1 2023 with declining deal activity in all sub-industries, there seems to be some plateau building although still on a depressed level



After periods of falling multiples, Q2 23 witnessed slight upward trend with rising EV/EBITDA multiples in all sub-industries



With many transactions not disclosing deal data smaller deals appear to be dominating overall



As the negative trend in deal activity comes to a halt and multiples develop favorably in all subindustries, we expect to see increased overall interest in transactions over H2 2023



Next M&A Quarterly: Q4/2023

Edition Focus: EU - MDR (Medical Device Regulation) Snapshot

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