

M&A Industry Quarterly

Chemicals | Pharma | MedTech | Health Care



Edition Focus

Review 2021 &
Initiation of
Industry coverage

M&A metrics at a glance



Chemicals



Pharma



MedTech



Health Care

Total number of deals

2021 vs. 2020

275

↑ 31.0 %

108

↑ 13.7 %

179

↑ 14.7 %

796

↑ 13.4 %

Total value of deals (b€)

2021 vs. 2020

23.7

↑ 11.3 %

33.0

↑ 406.2 %²

5.4

↑ 262.0 %³

15.1

↑ 40.2 %

Mega deals¹ (2021)

6

9

1

4

Total number of PE deals (2021)

66

52

58

204

Note: 1) >1 b€, 2) includes one mega deal Coloplast/Atos (2.2 b€), 3) includes two mega deals CSL/Vifor (11.3 b€) & Jazz/GW (6.0 b€)

Our industry M&A team monitors ongoing trends & impact within Chemicals, Pharma, MedTech and Health Care

Selected key trends



- › In light of challenges like **disrupted supply chains**, rising prices of **crude oil**, shortage of **labor** and an increasing **regulatory** pressure due to environmental concerns, the industry transforms itself and manages to continue its growth path.
 - › Today, the chemicals sector in Europe is at the forefront of **sustainability, circular economy** and **recycling**.
 - › M&A continues to be a strategic lever being employed by large chemical corporates to **optimize** their portfolio and **gain access** to new technologies and product portfolios
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- › Within its main sub-segments of Gx/Rx, OTC, BioTech and Services (CDMO/CMO/CRO) the Pharma industry is confronted with several challenges and opportunities making Pharma an attractive sector for investors.
 - › The pandemic provided proof that the **Biopharma** industry serves as a **critical enabler** for fighting life threatening conditions and has thus fueled a new era of **innovative** and **new drug discovery** routes. The pharma industry is poised to gain positive from this momentum.
 - › Continued trend to outsource development and production drives concentration and growth in Pharma services carve-outs
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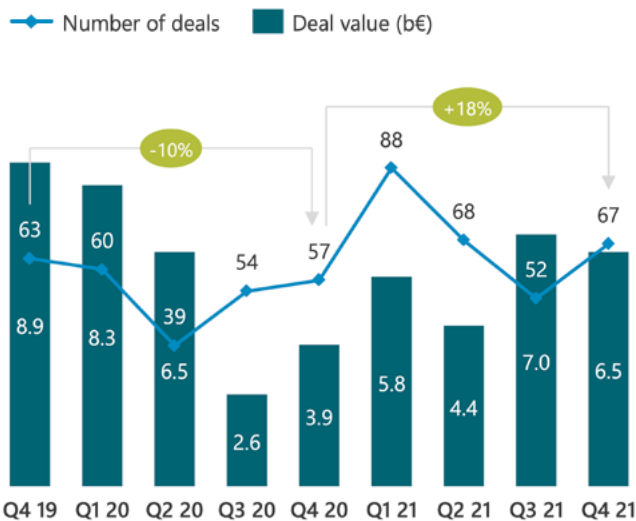
- › The MedTech industry deal making was **severely subdued** during the Pandemic with investors carefully watching **along the sidelines**.
 - › However, early 2021, has witnessed healthy deal making especially in **diagnostics** and **medical devices** in Europe backed by high interest from **Private Equity** players.
 - › We estimate this trend to continue especially in the mid-market segment and we expect further PE investors to put extra focus on this industry.
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- › Next to **Health Care Facilities** (owners, operators of hospitals, nursing homes, rehab centers etc.) and **Health Care Services** (providers of services like pharmacy management, dialysis centers, lab testing etc.) also **Health Care IT** and **Dis-tributors/Wholesalers** are monitored as distinct subsegments of Healthcare
- › European Health Care deal environment has always been strong and will continue to witness **steady growth** with **reimbursement** pressure, rising **patient costs** and **shortage** of health care staff as impending problems

European Chemicals: Transaction activity clearly back to pre-pandemic levels both in value and number of deals

Value & number of deals – Chemicals Europe



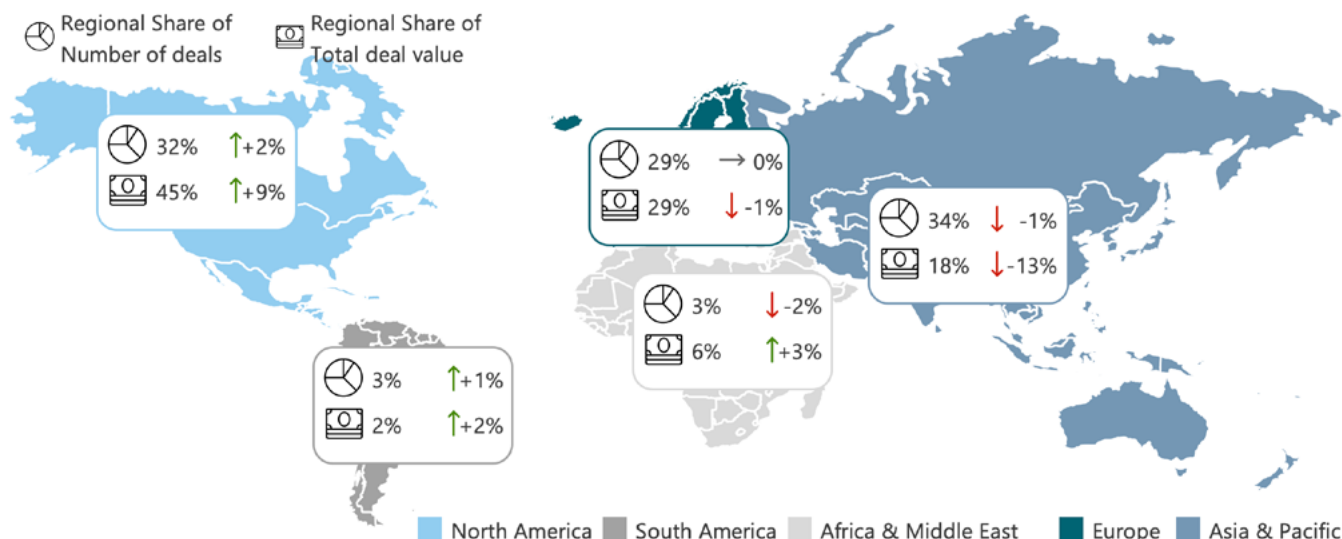
Comments

- › After a heavy drop especially in deal value in 2020 (-56% from Q4/19 to Q4/20) due to the COVID-19 pandemic, transaction activity rose again towards the end of 2021 and is already back to pre-pandemic levels
- › Average deal value in Q4/21 has increased by 65% in comparison to Q4/20
- › The total number of deals in 2021 is 31% higher than in 2020 with a very active quarter Q1 21 where almost 88 deals were announced

Number of European Chemicals deals as per subsegments



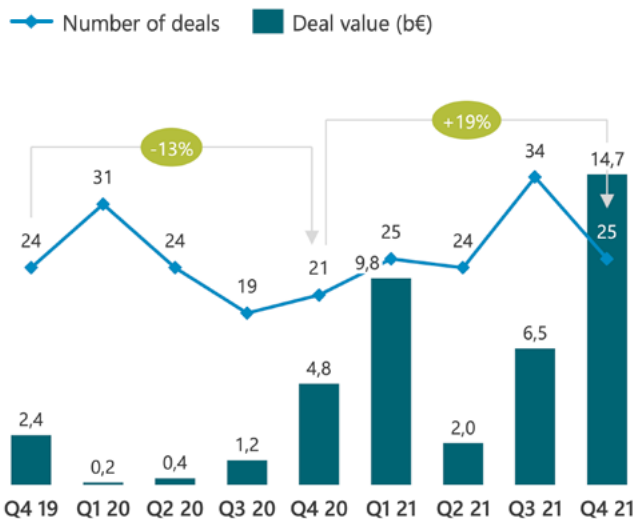
Geographic overview of global chemicals deals activity (2021 versus 2020)



Source: ESMC Research, S&P Capital IQ, January 2022

European Pharma: M&A activity witnesses sharp recovery in Q4/21 backed by two mega deals

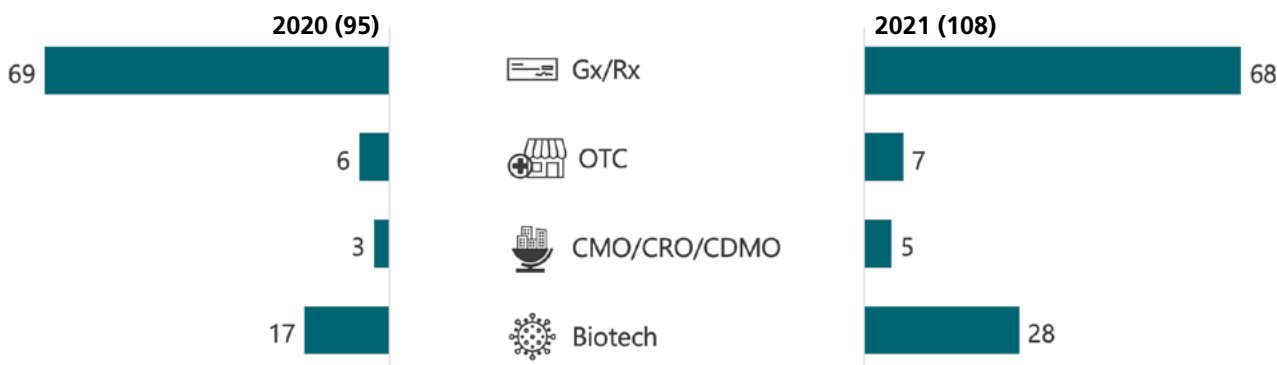
Value & number of deals – Pharma Europe



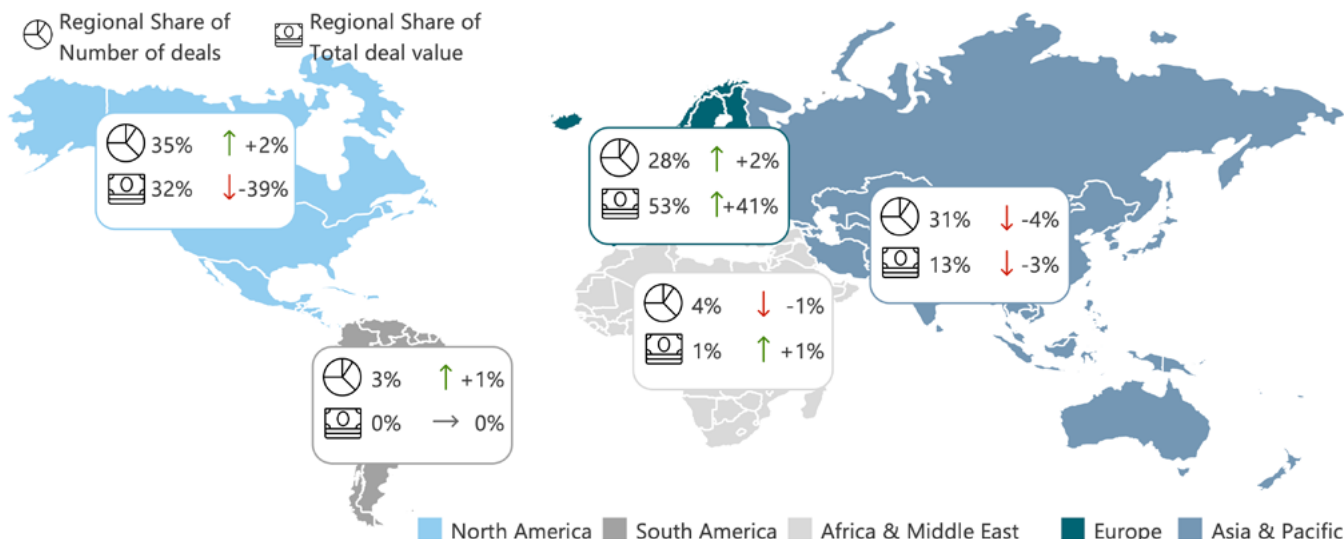
Comments

- › 108 deals were announced in 2021 within European Pharma which was 13% higher than number of deals in 2020
- › Looking at quarterly performance, Q1/21 and Q4/21 was especially active with 25 deals announced in each quarter
- › During 2021, a total of 9 mega deals were announced in Europe with CSL/Vifor (11.3 b€), Jazz/GW (6.0 b€) as the most prominent strategic transactions and Nordic/Advanz (1.8 b€), Carlyle/Vectura (1.1 b€) prominent PE deals

Number of European Pharma deals as per subsegments



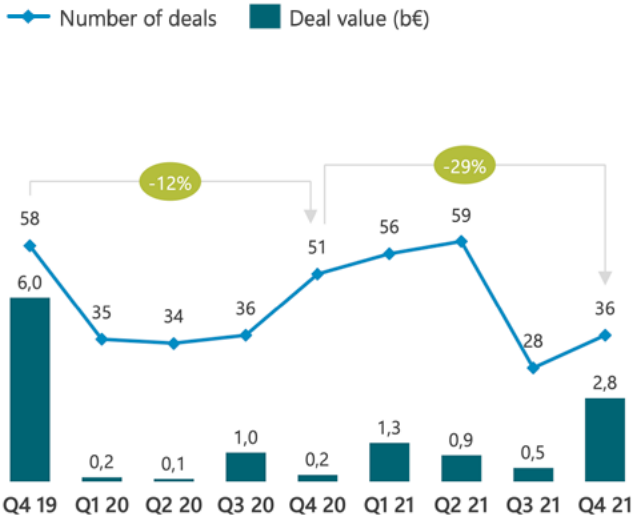
Geographic overview of global Pharma deals activity development (2021 vs. 2020)



Source: ESMC Research, S&P Capital IQ, January 2022

European MedTech: After a slow summer 2020, transaction activity has peaked again around late 2020/early 2021

Value & number of deals – MedTech Europe



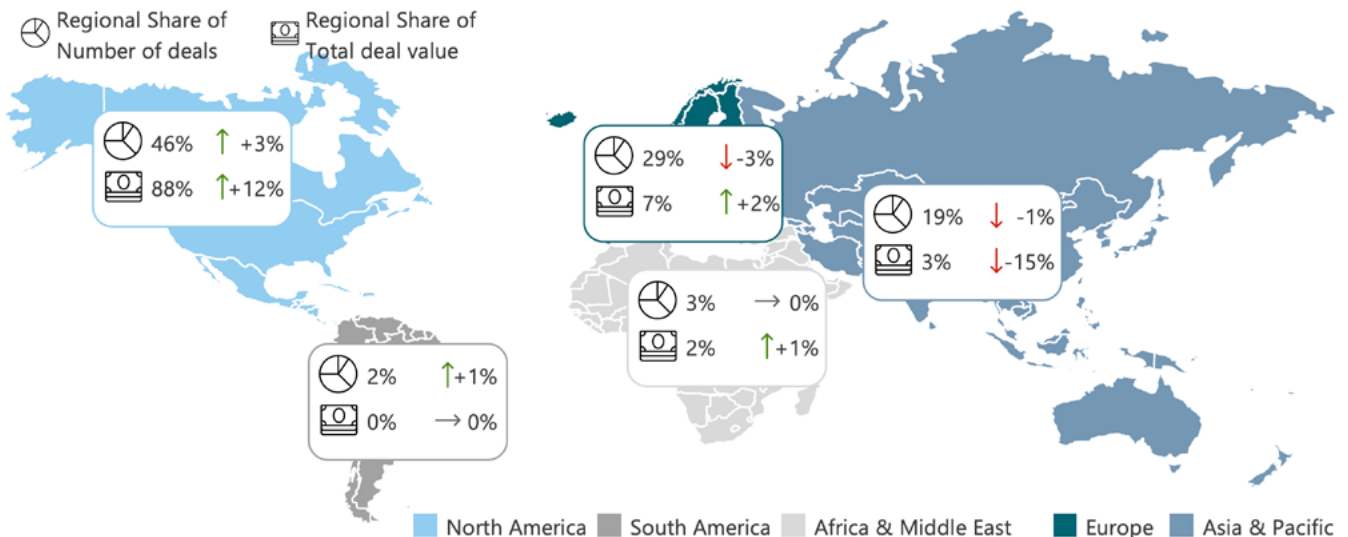
Comments

- › After peaking in Q4/19, the transaction activity within the MedTech industry experienced a significant decrease due to the Covid-19 pandemic in 2020 up until Q3/20
- › Starting Q4/20 the industry experienced healthy deals activity with over 50 deals announced per quarter in Europe. The industry steadily recovered but has not quite reached pre-pandemic terms yet
- › The average deal value decreased by 97 % to just over 100 m€ in 2021 as compared to 2020

Number of European MedTech deals as per subsegments



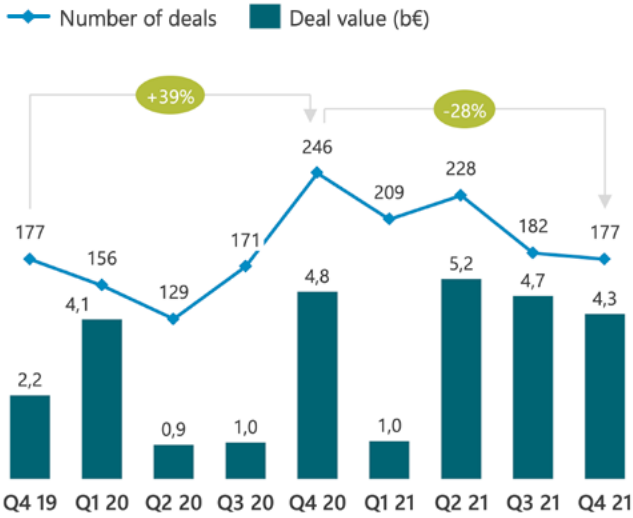
Geographic overview of global MedTech deals activity development (2021 vs. 2020)



Source: ESMC Research, S&P Capital IQ, January 2022

European Health Care: Very stable deal activity combined with high transaction volumes throughout 2021

Value & number of deals – Health Care Europe



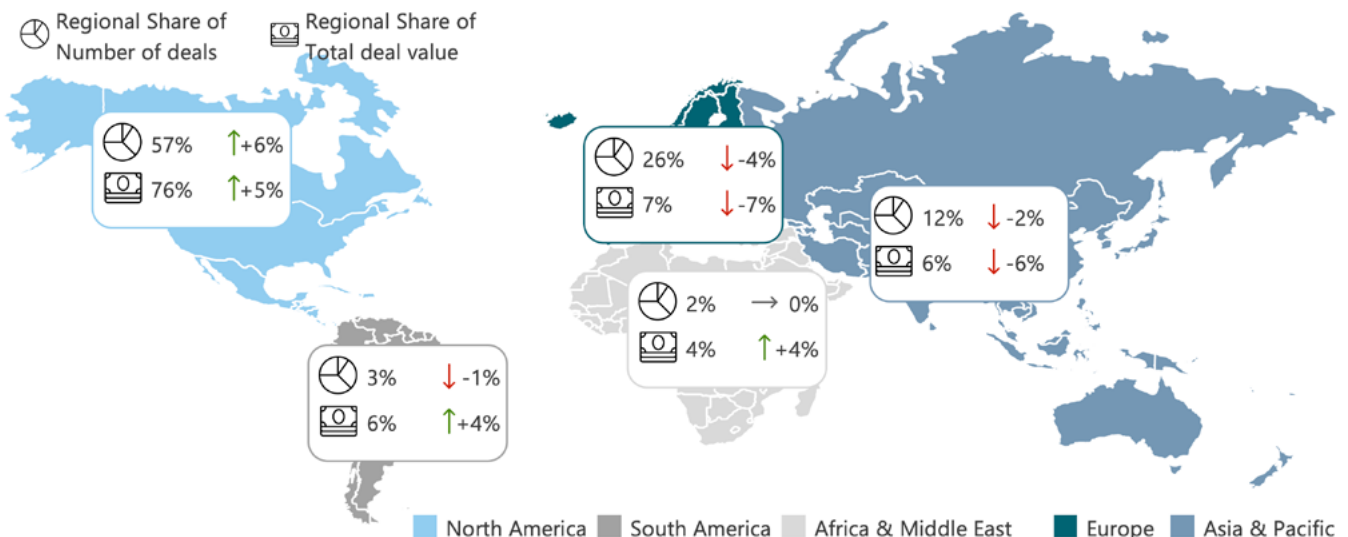
Comments

- › The health care industry experienced slight decrease late 2020; afterwards, the average deal value has already exceeded pre-pandemic terms
- › There is very high transaction activity to observe; deal amount per year exceeds the other industries in focus by far
- › On subsegments level, Health Care Services observed significantly higher deal activity in 2021 as compared to 2020 with deal activity in Health Care facilities decreased in the same period

Number of European Health Care deals as per subsegments



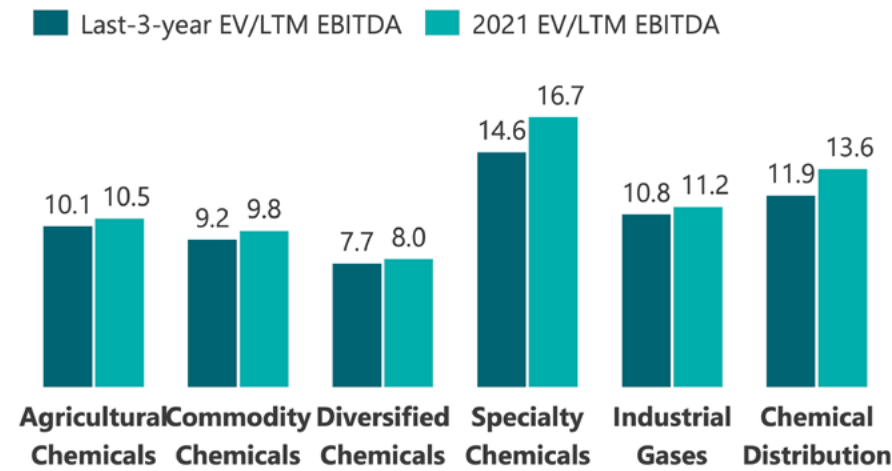
Geographic overview of global Health Care deals activity development (2020 vs. 2021)



Source: ESMC Research, S&P Capital IQ, January 2022

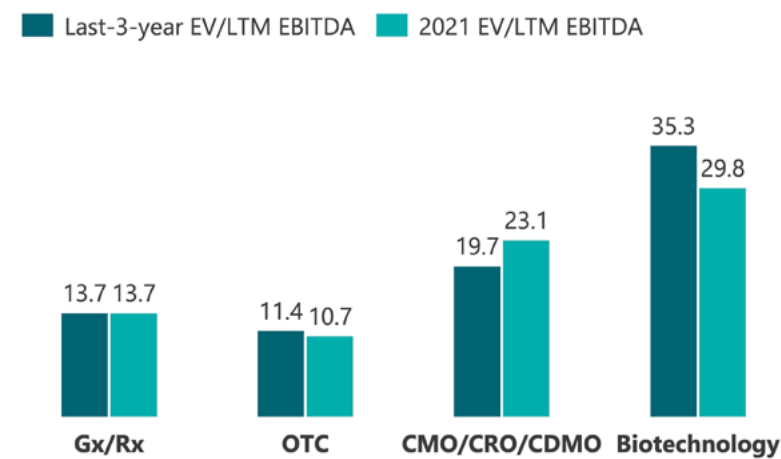
Multiples remain at all time high...

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



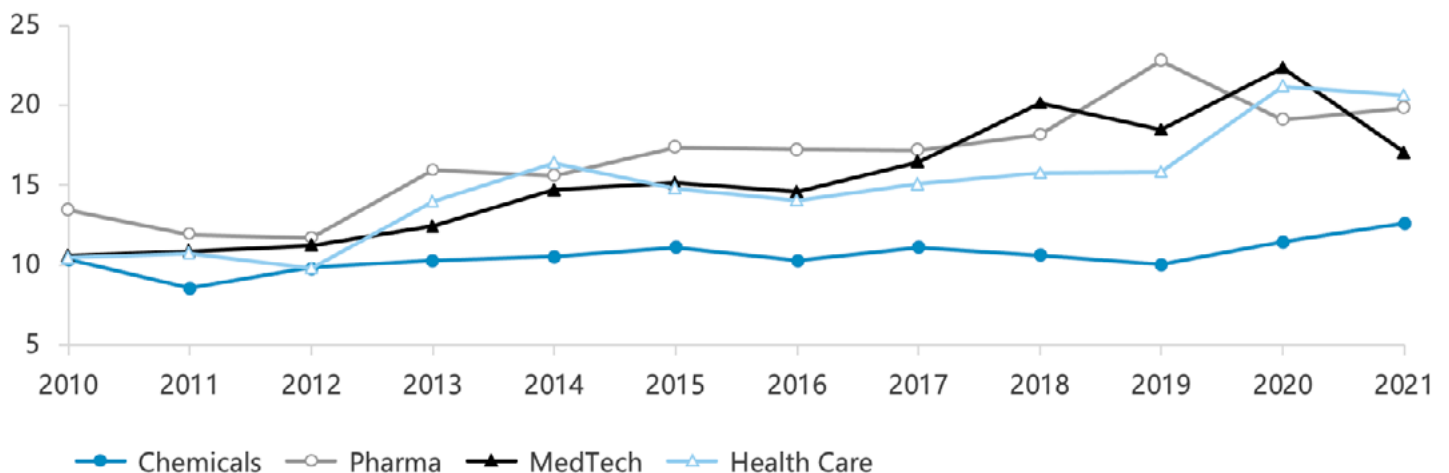
- › Valuation across subsectors have increased as confidence in the Chemicals sector has improved with diminishing concerns about supply chains disruptions, liquidity and revenue decline
- › On subsegment basis, diversified Chemicals multiples remain below industry median whereas Focused Specialties enjoy premium valuations

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



- › Despite the lasting threats by regulatory actions to curb companies' pricing power, the industry is still trading on a high level of valuation
- › Only the Biotech sector had to face a decrease in valuation, since key patents of major products from big players will expire and 2019 represented an all-time high landmark

Development of the EV / EBITDA multiples over time per industry



... significantly above the pre-pandemic multiple levels

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

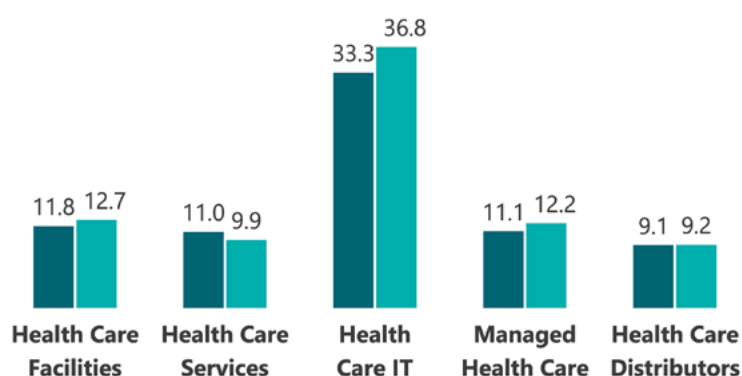
■ Last-3-year EV/LTM EBITDA ■ 2021 EV/LTM EBITDA



- › MedTech Valuations are still running high, due to driving forces like In Vitro Diagnostics and Cardiology
- › However, medical equipment enjoys a large valuation premium, since the medical supplies sector had to face a significant drop due to vulnerable supply chains

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

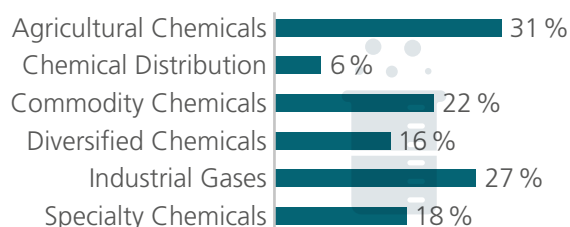
■ Last-3-year EV/LTM EBITDA ■ 2021 EV/LTM EBITDA



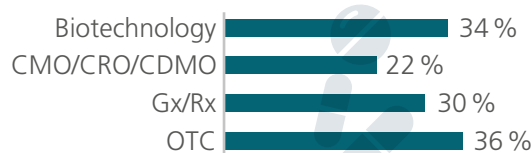
- › While all subsectors trade roughly at similar levels as pre-crisis, Health Care IT enjoys a comparatively strong valuation premium
- › The Health Care IT premium is mainly driven by the unabated demand to digitize governmental health care systems and to fulfill the needs of patients in the private sector

Overview of EBITDA margins (in%) per industry and subsegment (2021)

Chemicals



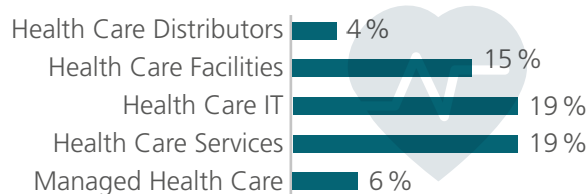
Pharma



Med Tech



Health Care

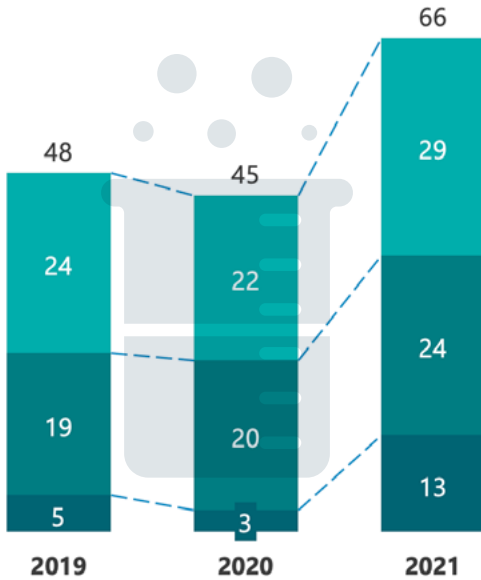


PE investor have established themselves as key player in the Europe M&A landscape both as a buyer and seller

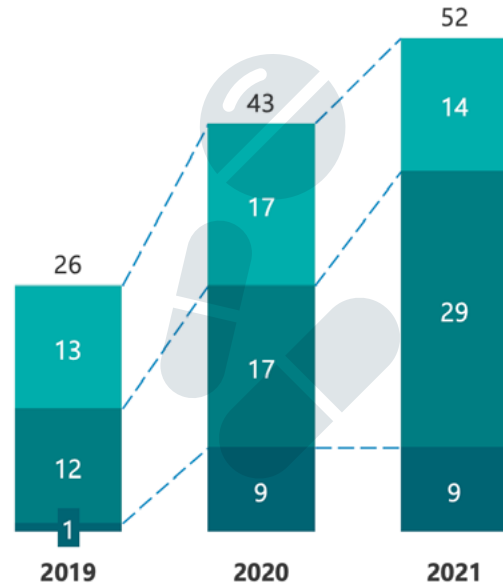
Number of deals driven by PE as buyer/seller

PE Buyer PE Seller PE-to-PE

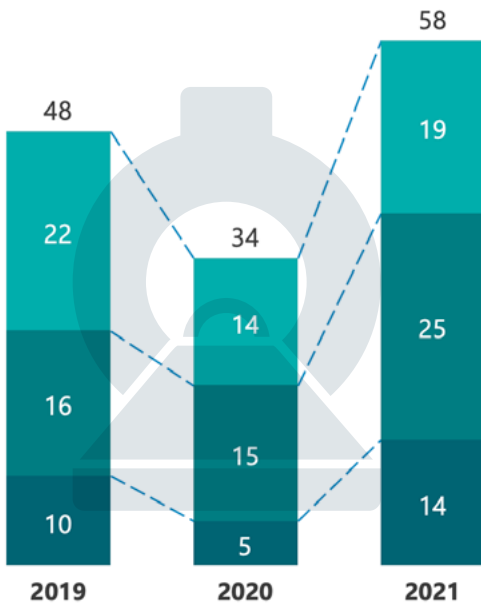
Chemicals



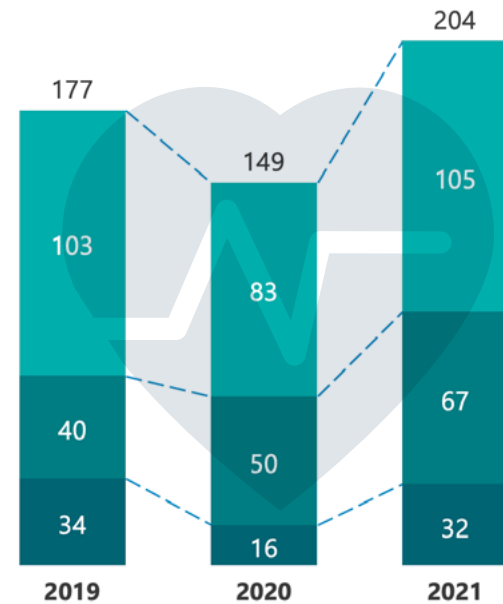
Pharma



MedTech



Health Care



Overall 2021

Deals with PE as buyer	.....	Σ 167	.....	12 % of Total deals
Deals with PE as seller	.....	Σ 145	.....	11 % of Total deals
PE-to-PE deals	.....	Σ 68	.....	5 % of Total deals

Our key takeaways



After two years of Covid-19 impact, cross-sector transaction figures have broadly gotten back to pre-pandemic levels and partially even beyond



Great deal appetite of financial investors, due to dry powder and strong belief in all four sectors



Next Edition: Europe Chemicals M&A (Q2 2022)

Our team



Alexander Wenzel

Partner

+49 160 5361796

alexander.wenzel@ebnerstolz.de



Pranshu Rohatgi

Senior Manager

+49 151 1573 4843

pranshu.rohatgi@ebnerstolz.de



Michael Euchner

Partner

+49 172 73 22 029

michael.euchner@ebnerstolz.de



André Laner

Principal

+49 162 2140764

andre.laner@ebnerstolz.de