

M&A Industry Quarterly

Chemicals | Pharma | MedTech | Health Care



Edition Focus

European MedTech M&A



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Circular Economy in Chemicals –
Time to invest?

M&A metrics at a glance



Chemicals



Pharma



MedTech



Health Care

Total number of deals

Q2/22 vs. Q2/21

49

↓ -30.0%

15

↓ -37.5%

49

↓ -16.9%

178

↓ -22.9%

Total value of deals (b€)

Q2/22 vs. Q2/21

27.1

↑ +505.4%

0.6

↓ -72.5%

1.0

↑ +7.7%

8.0

↑ +52.4%

Mega deals¹ (2022)

Q2/22

4

0

0

2

Total number of PE deals (2021)

Q2/22 vs. Q2/21

8

↓ -50.0%

6

↓ -50.0%

11

↓ -47.6%

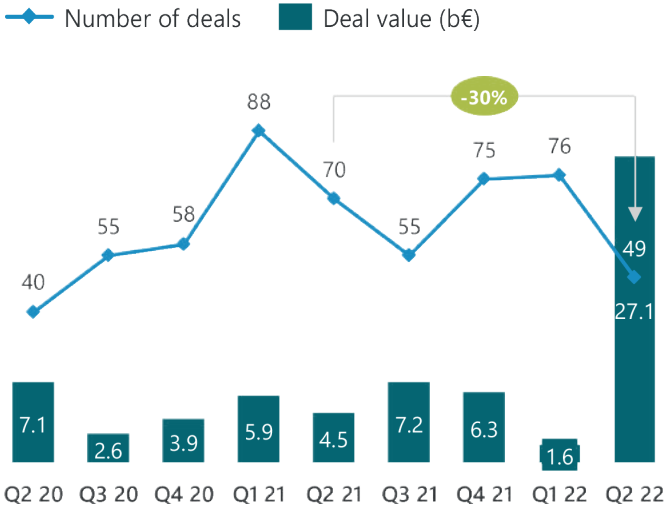
45

↓ -21.1%

Note: 1) Mega Deals >1 b€

European Chemicals: Mega deals have boomed in Q2/22 despite massive geopolitical and economic uncertainty

Value & number of deals – Chemicals Europe



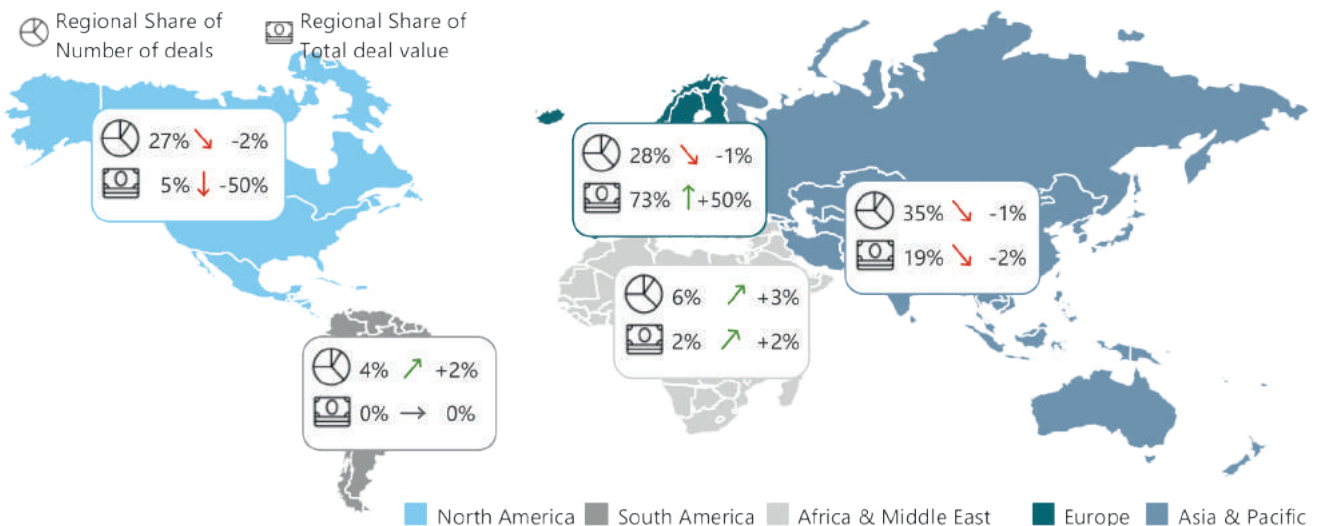
Comments

- › Q2/22 was quite eventful for the European chemicals industry with 4 key mega deals announced namely Firmenich/DSM (19 b€), DSM/Advent (3.9 b€), Perstorp/Petronas (2.3 b€), DSM/Avient (1.4 b€).
- › Risk of a potential global recession, high oil and energy prices and the overall tightening of energy supply in Europe together with heavily elevated raw material prices have created high levels of uncertainty in the market.
- › However, effects on the M&A market dynamics strongly depend on the respective subsegment.

Number of European Chemicals deals as per subsegment



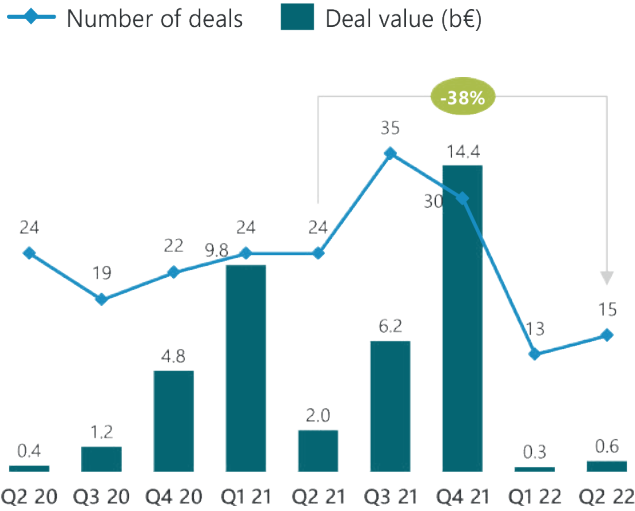
Geographic overview of global chemicals deals activity (Q2/22 versus Q2/21)



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

European Pharma: Deal making continues to remain cautious amidst growing uncertainty and ongoing pandemic

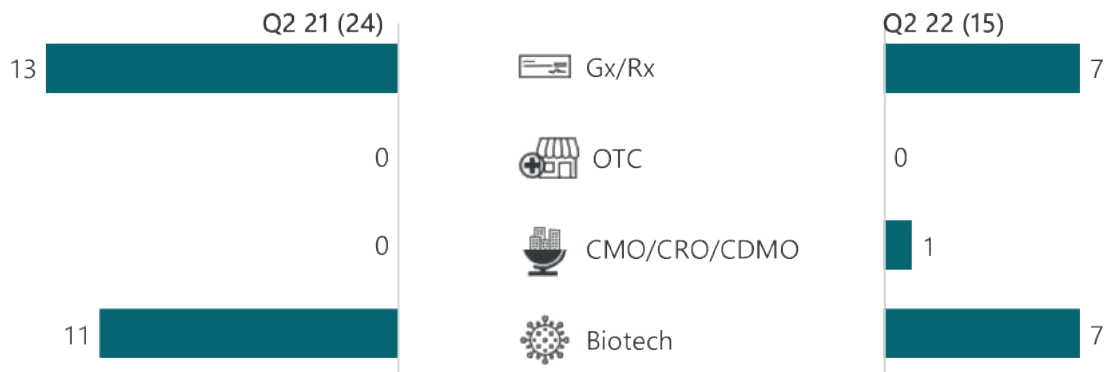
Value & number of deals – Pharma Europe



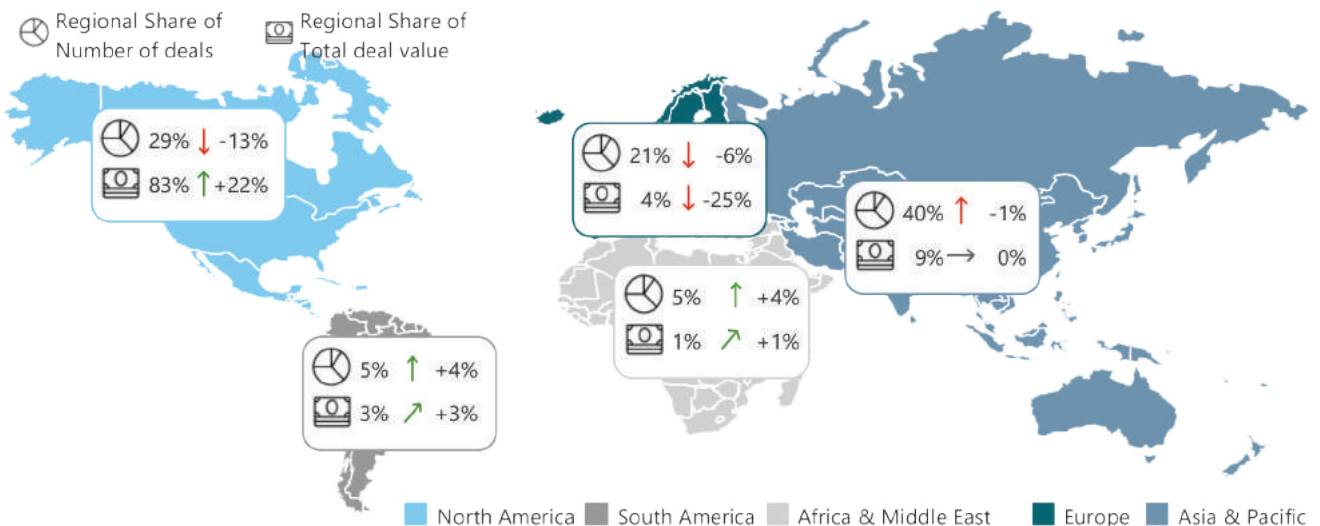
Comments

- › 15 deals were announced in Q2/22 within European Pharma which is a slight increase when compared to Q1/22.
- › Compared to 2021 the first half of the year 2022 saw steep decline both in number as well as in value of deals.
- › Historically, M&A activity usually picks up in Q3 and Q4. Sector bankers expect this trend to uphold in 2022 which will mean that the industry will witness some interesting deal activity within the next months.

Number of European Pharma deals as per subsegment



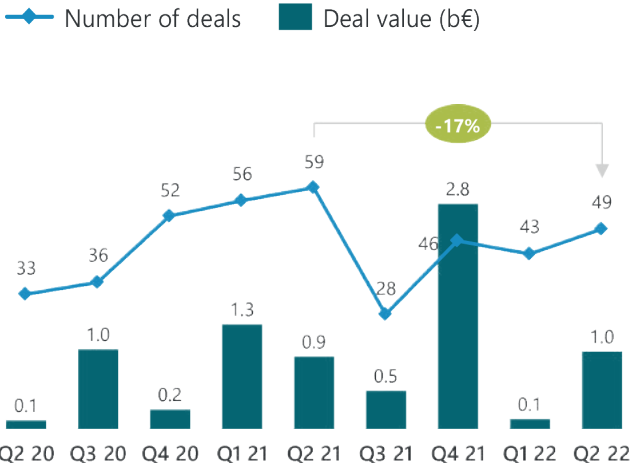
Geographic overview of global Pharma deals activity development (Q2/22 versus Q2/21)



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

European MedTech: Small to mid sized deals continue to dominate the also driven by PE activity sector

Value & number of deals – MedTech Europe



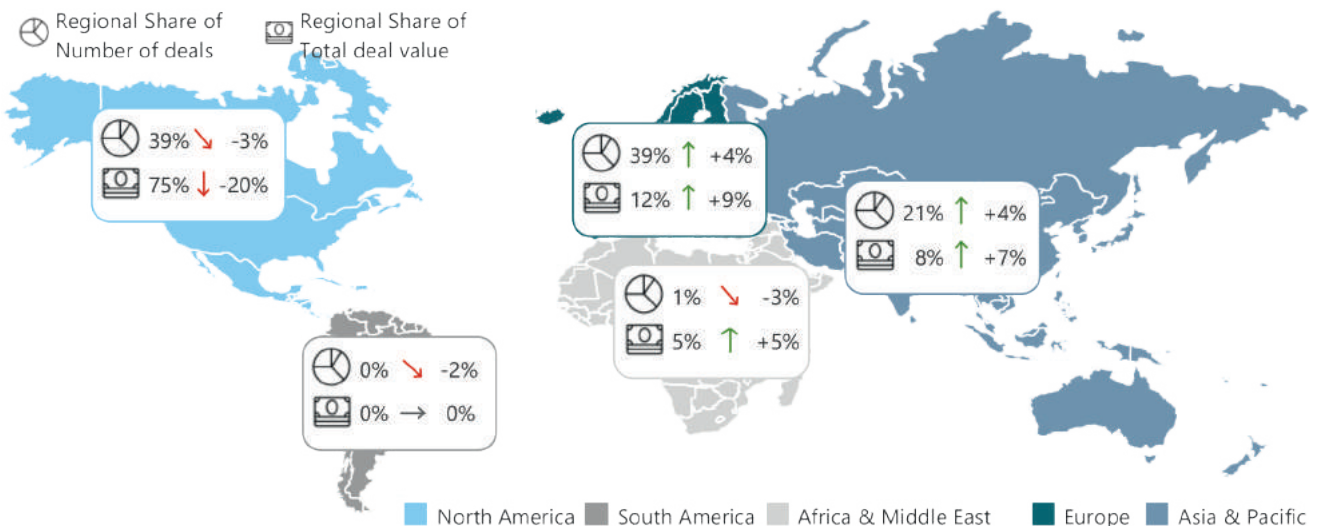
Comments

- › Similar to the Pharma industry, European MedTech sector witnessed slight increase both in deal value and number of deals within Q2/22 as compared to Q1/22.
- › In Q2/22 49 deals were announced in Europe which is the best quarter from a number of deals perspective since Q1/21 when 59 deals were announced.
- › One of the key deals announced within Q2/22 was the sale of Phenox to Wallaby Medical for >500 m€, driven by institutional shareholders on both sides, which represents one of the largest cross border transaction in the sector in recent years.

Number of European MedTech deals as per subsegment



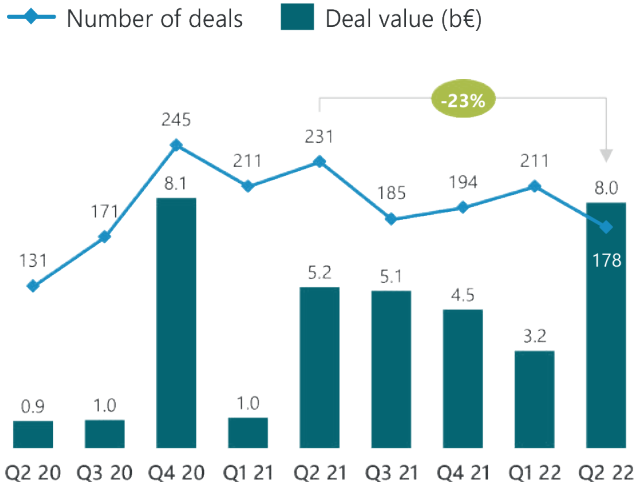
Geographic overview of global MedTech deals activity development (Q2/22 versus Q2/21)



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

European Health Care: Despite drop in total number of deals, Mega deals drive up the aggregate deal value in Q2/22

Value & number of deals – Health Care Europe



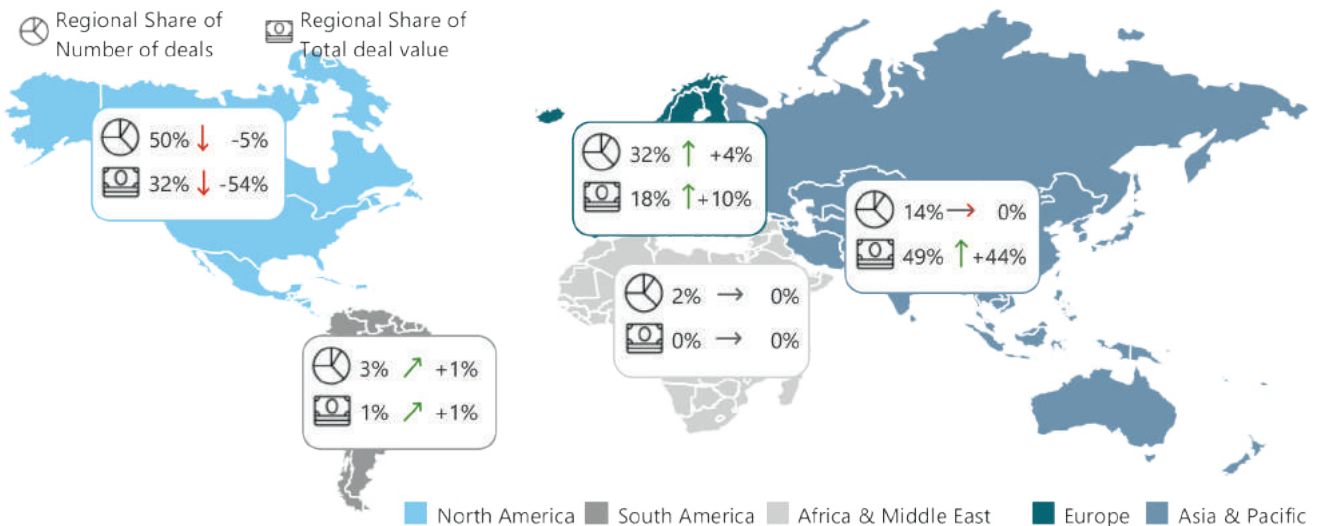
Comments

- › Within Q2/22 only 178 deals were announced within the European health care industry. This is the lowest deal activity since Q3/20 when 171 deals had been announced.
- › However, the decrease in total volume of deals is partially compensated by a remarkable increase in deal value. Total deal value in Q2/22 rose ~2.5x when compared to Q1/22 and marks the highest average over the last 2 years.
- › Two mega deals namely Envirotrainer/EQT (2.8 b€) and EMIS/Optum (1.5 b€) haven driven deal value with the rest of the deals composed of small to mid sized transactions.

Number of European Health Care deals as per subsegment



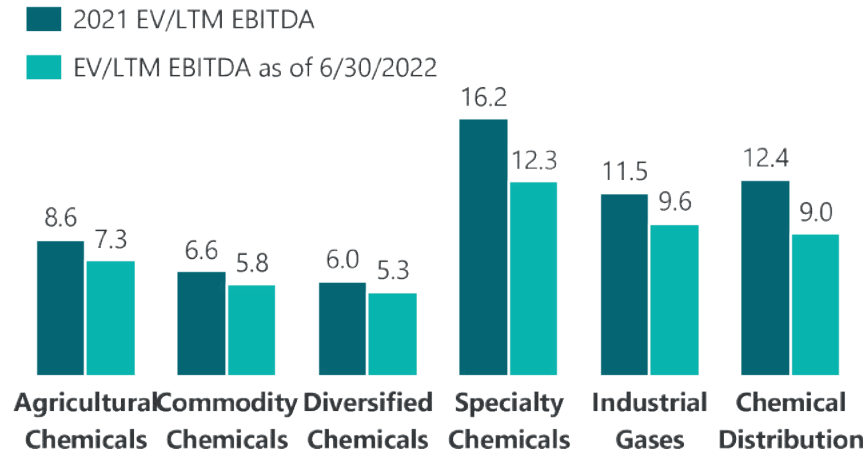
Geographic overview of global MedTech deals activity development (Q2/22 versus Q2/21)



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

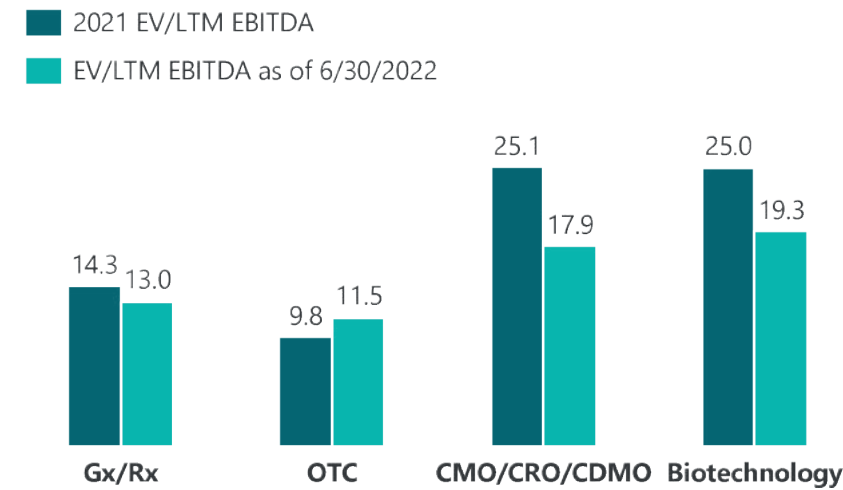
Continued economic and political disruptions without a clear end in sight ...

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



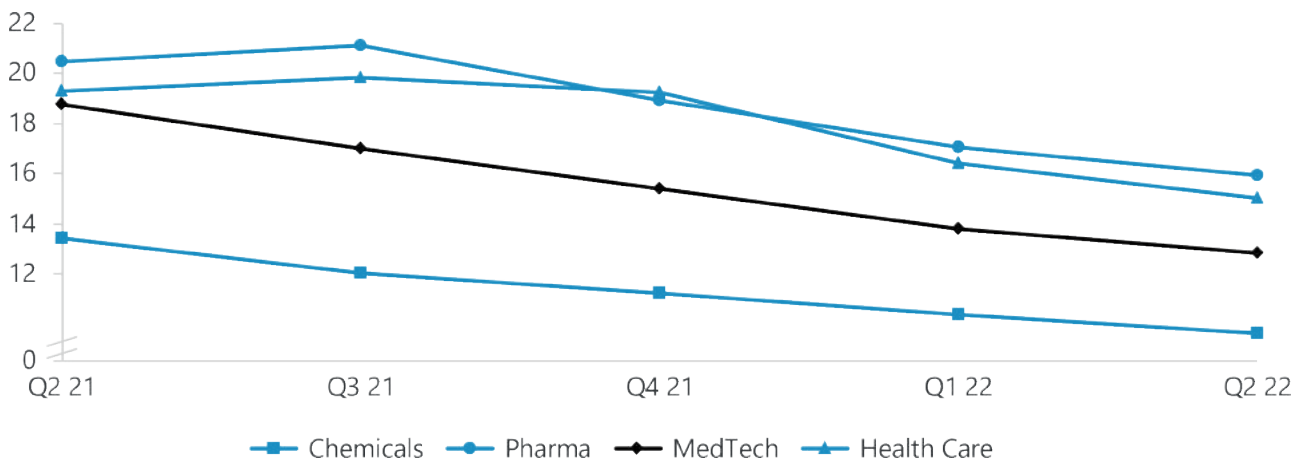
- › Fears of a global recession, increase in interest rates and rising consumer inflation has led to considerable decline in investor confidence which is apparent in the decreasing levels of stock indices globally.
- › EV/EBITDA multiples within the chemicals industry is at its lowest point since 2021 with the curve signaling that the market has not yet reached the bottom.

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



- › Multiples across the Pharma industry have also been impacted by the ongoing turmoil. However, OTC remains largely untouched by the downturn with companies like Johnson & Johnson, Sanofi, Bayer and Merck enjoying stable valuation levels.
- › Subsegments like Biotechnology and CMO/CRO/CMDO experience a strong reduction in multiple levels compared to the high levels in 2021.

Development of the EV / EBITDA multiples over time per industry



... drag multiples downwards across the board but also shows clear distinction between different sub-segments

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

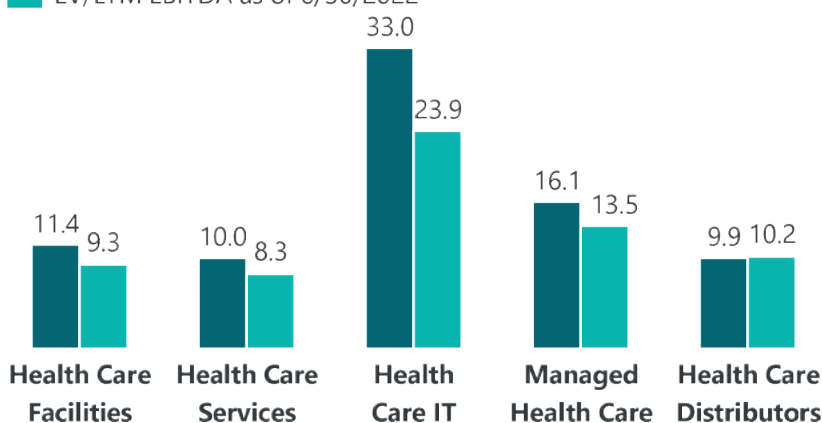
2021 EV/LTM EBITDA
 EV/LTM EBITDA as of 6/30/2022



- › Rising interest rates are a cause of concern especially for the capex intensive Medical equipment sector where valuation levels have decreased by almost 25% when compared to 2021.
- › Multiples in the Medical Supplies segment were less effected due to their commodity type of products.

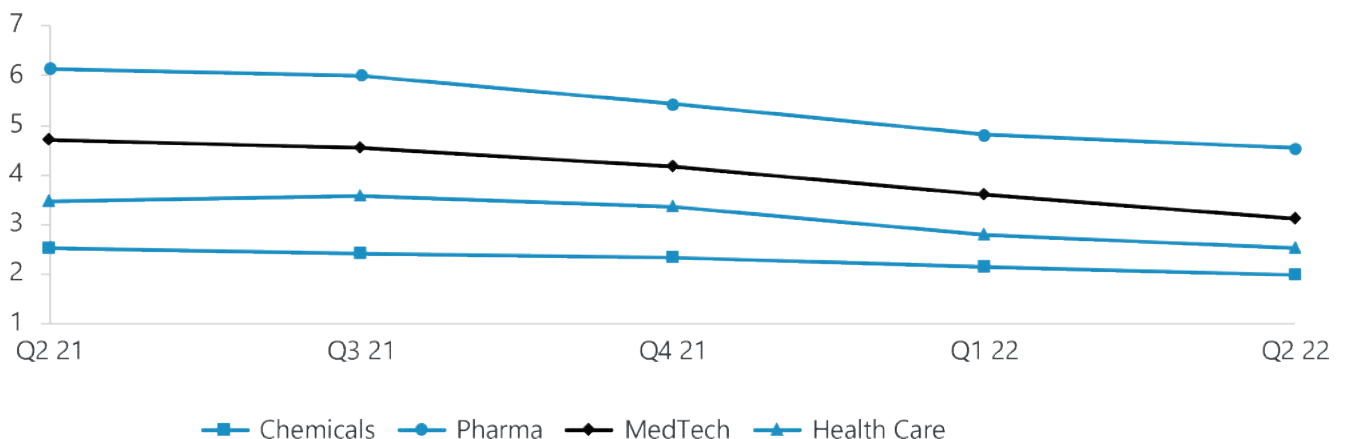
Health Care multiples (x) per subsegment (publicly traded companies)

2021 EV/LTM EBITDA
 EV/LTM EBITDA as of 6/30/2022



- › The Health care sector is not untouched by overall uncertainty.
- › However, the impact is not as severe when compared to other sectors and still enjoys healthy double-digit multiples across key subsectors like IT, managed healthcare and distributors.

Development of the EV / Revenue multiples over time per industry

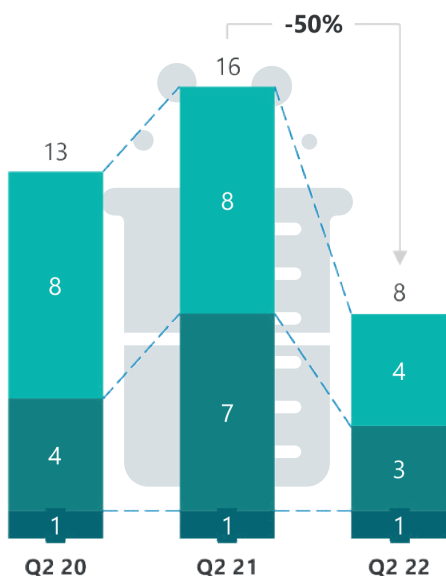


Private equity activity fell sharply within Q2/22 as compared to similar quarters in 2020 and 2021

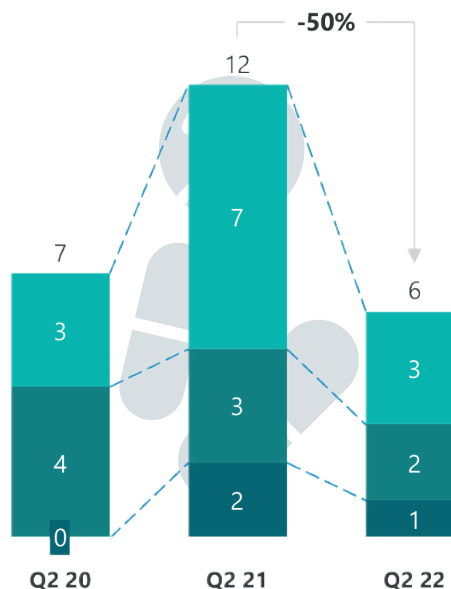
Number of deals driven by PE as buyer/seller

PE Buyer PE Seller PE-to-PE

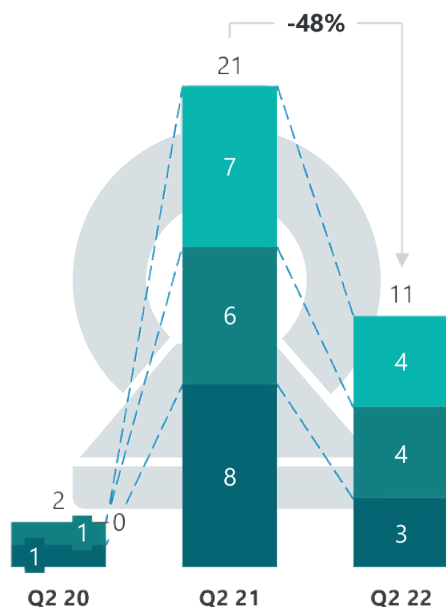
Chemicals



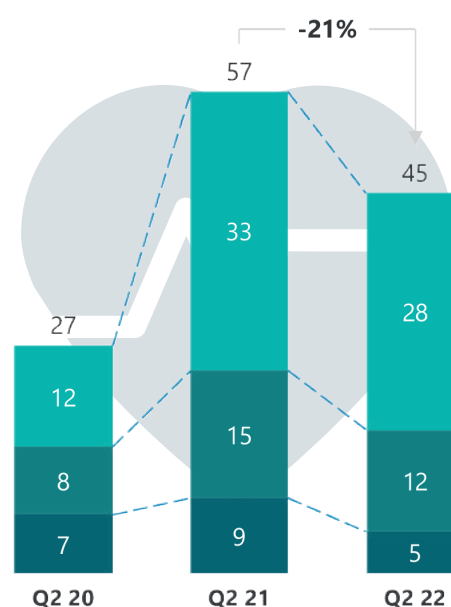
Pharma



MedTech

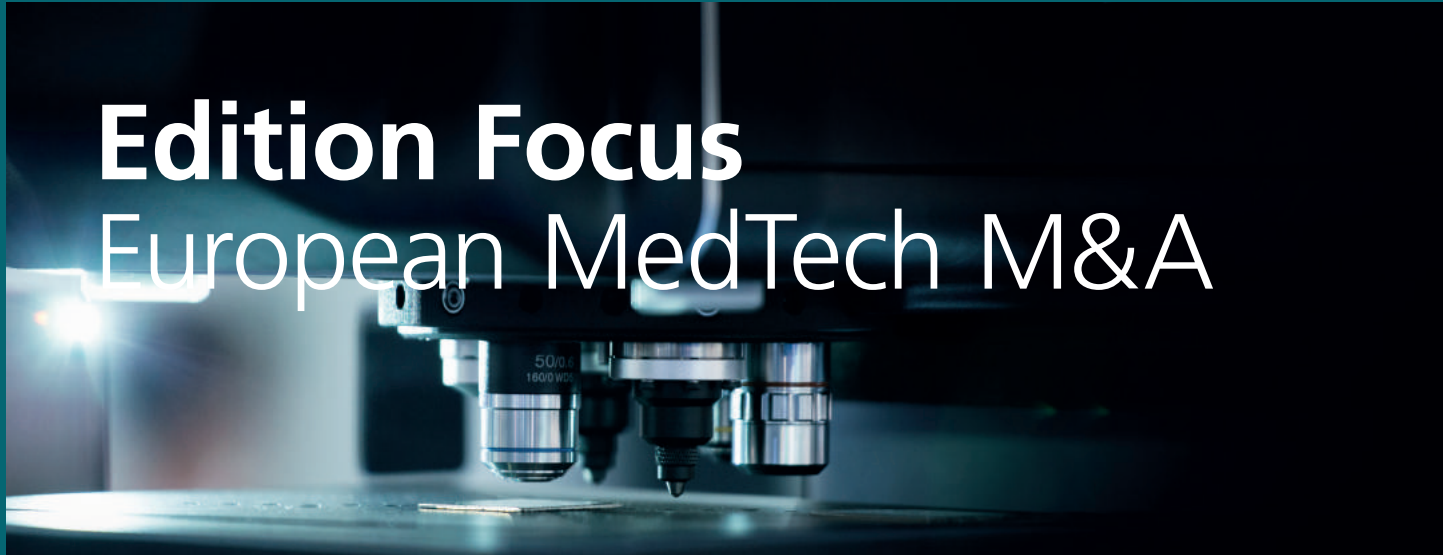


Health Care



Q2/22

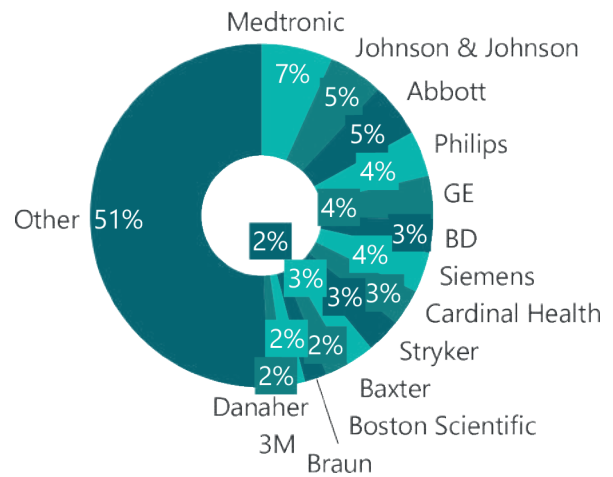
Deals with PE as buyer	.....	Σ 39	.....	13.4 % of Total deals
Deals with PE as seller	.....	Σ 21	.....	7.2 % of Total deals
PE-to-PE deals	.....	Σ 10	.....	3.4 % of Total deals



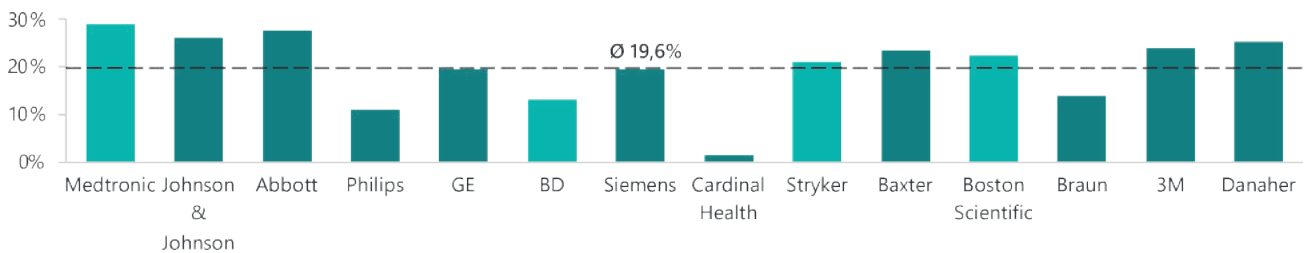
Edition Focus

European MedTech M&A

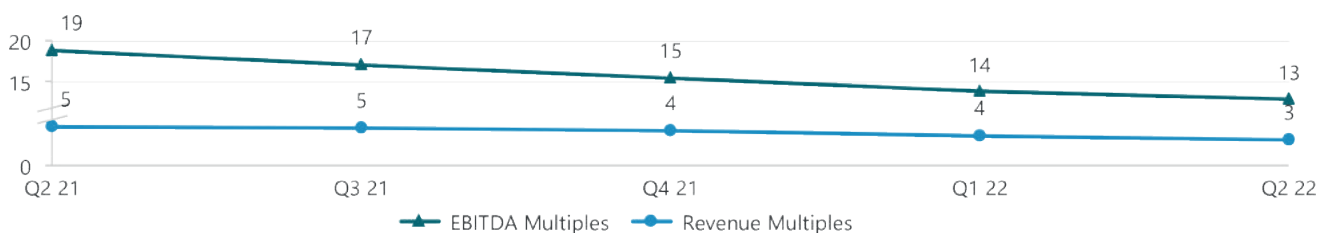
MedTech global market 2021



EBITDA Margin 2021 (in %)

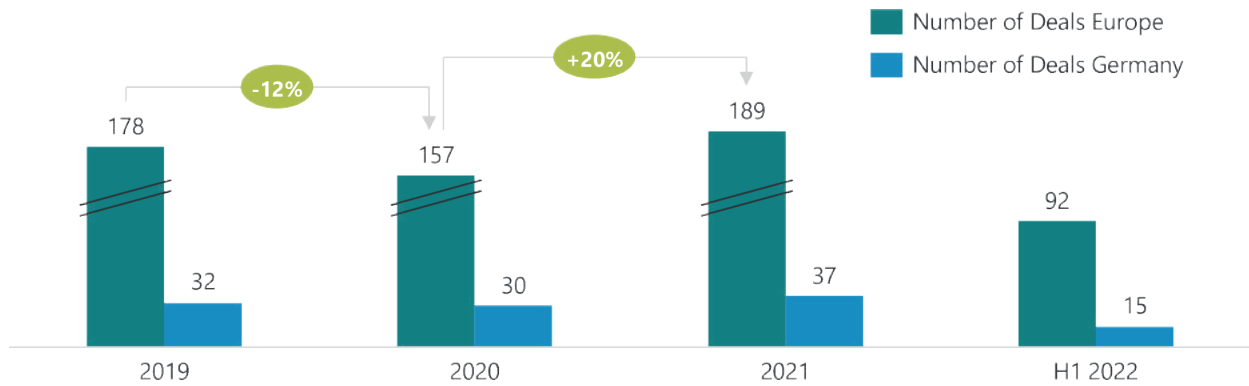


Development of Multiples over time



European MedTech M&A activity off to a strong start in 2022, Germany slightly behind the curve especially in Q1/22

Overview of MedTech M&A activity



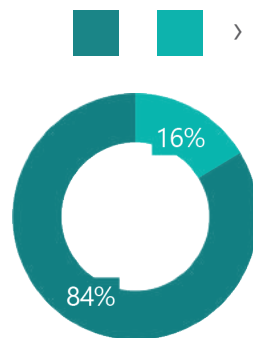
Strategic Investments

- › Throughout Q1 and Q2/22, strategic investments constituted 87% of all transactions, emphasizing that many players aim at creating synergies through inorganic growth.
- › Strategic investments account for largest transactions so far in 2022.



Financial Investments

- › At 13% in 2022, financial investments have a slightly lower share than on average in the European M&A market, potentially hinting at more cautious behavior given the number of global uncertainties.
- › Despite high interest, financial investors play still only a limited role in MedTech deals.



distribution among type of investment (2019 – Q2/22)



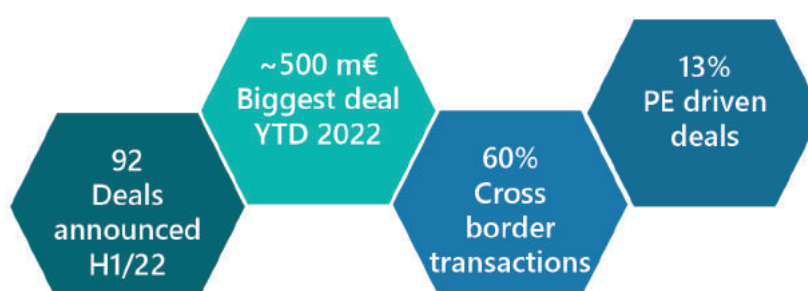
European MedTech M&A Trends & Outlook

- › Along the lines of healthcare but contradictory to pharma M&A activity, the MedTech sector is on track to match the record year 2021 despite poor Q1/22 and improvement in deal activity in Q2/22.
- › The number of deals thereby not necessarily reflects the degree of uncertainty in the broader economy. While other industries like pharma have experienced a stall in deal activity the same can not be said about MedTech challenges caused by geopolitical disputes, supply chain issues and even interest rate changes, affecting financing solutions have so far not led to reduced M&A appetite.
- › In line with previous deal numbers, valuation remains high, underlining investors growth expectations for the industry. Currently, the industry can expect EV/EBITDA multiples of ~13x on an average.

European MedTech M&A deal activity is characterized by small and strategic cross border investments

Selection of announced MedTech deals (H1 2022)

Ann. Date	Buyer	Target	Target Country	Buyer Country	Target description	Deal value € m	Strategic / Financial
Apr-22	Wallaby Medical, LLC.	phenox GmbH			Provider of treatment for neurovascular diseases	500	PE Sell
May-22	Straumann Holding AG	Sunshine Smile GmbH			Teledentistry company producing clear aligners	131	Strategic
Apr-22	Cochlear Limited	Oticon Medical A/S			cochlear implants and bone conduction hearing solutions	114	Strategic
Jun-22	Azenta Germany GmbH	Barkey GmbH & Co. KG			Specialized in patient warming technology to prevent hypothermia	80	Strategic
May-22	Diploma PLC	Accu-Science (Ireland) Limited			Laboratory Equipment & Consumables, Medical Technology	60	Strategic
Apr-22	GPI S.p.A.	Tesi Elettronica E Sistemi Informativi			Primarily providing In Vitro Diagnostic plus other imaging solutions	58	Strategic
Apr-22	Getinge Infection Control AB	Fluoptics			Fluorescence imaging for thyroid surgery	26	Strategic
Jan-22	Observe Medical ASA	Biim Ultrasound AS			Cordless, tablet-connected ultrasound imaging devices	22	Strategic
Mar-22	UFP Technologies, Inc.	Advant Medical Limited			Medical device manufacturing and packaging solutions	19	Strategic
Apr-22	Epopée Gestion	Klap France SAS			Provider of surgical masks and other PPE	16	PE Buy
May-22	Seafire AB (publ)	OPO Scandinavia AB			Developer of specialized glasses	9	PE Sell
Jan-22	Prolight Diagnostics AB	Psyros Diagnostics Ltd.			Specialized in IVD development for point-of-care applications	6	Strategic
Mar-22	Advanced Medical Solutions Group	AFS Medical GmbH			Producer of general and specialized surgery equipment	6	Strategic
Jan-22	Bruker Corporation	Prolab Instruments GmbH			Producer of specialized testing equipment	5	Strategic
Feb-22	ADDvise Group AB	Seebreath AB			Developer of colorimetric CO ₂ indication	4	Strategic



Our key takeaways



Global geopolitical uncertainty, rising oil prices, energy supply concerns, an ongoing pandemic and a looming recession has led to a decrease in the overall deal activity across the industry spectrum.



Valuation levels have entered correction territory falling off from their peak values in Q3/21 but are still overall at healthy levels. Investors expect well-positioned companies to still command attractive valuations.



Next Edition Focus: European Healthcare industry (Q4 2022)

Our team



Alexander Wenzel

Partner

+49 160 5361796

alexander.wenzel@ebnerstolz.de

Chemicals, Pharma,
MedTech M&A



Pranshu Rohatgi

Senior Manager

+49 151 1573 4843

pranshu.rohatgi@ebnerstolz.de

Chemicals, Pharma,
MedTech M&A



Michael Euchner

Partner

+49 172 73 22 029

michael.euchner@ebnerstolz.de