

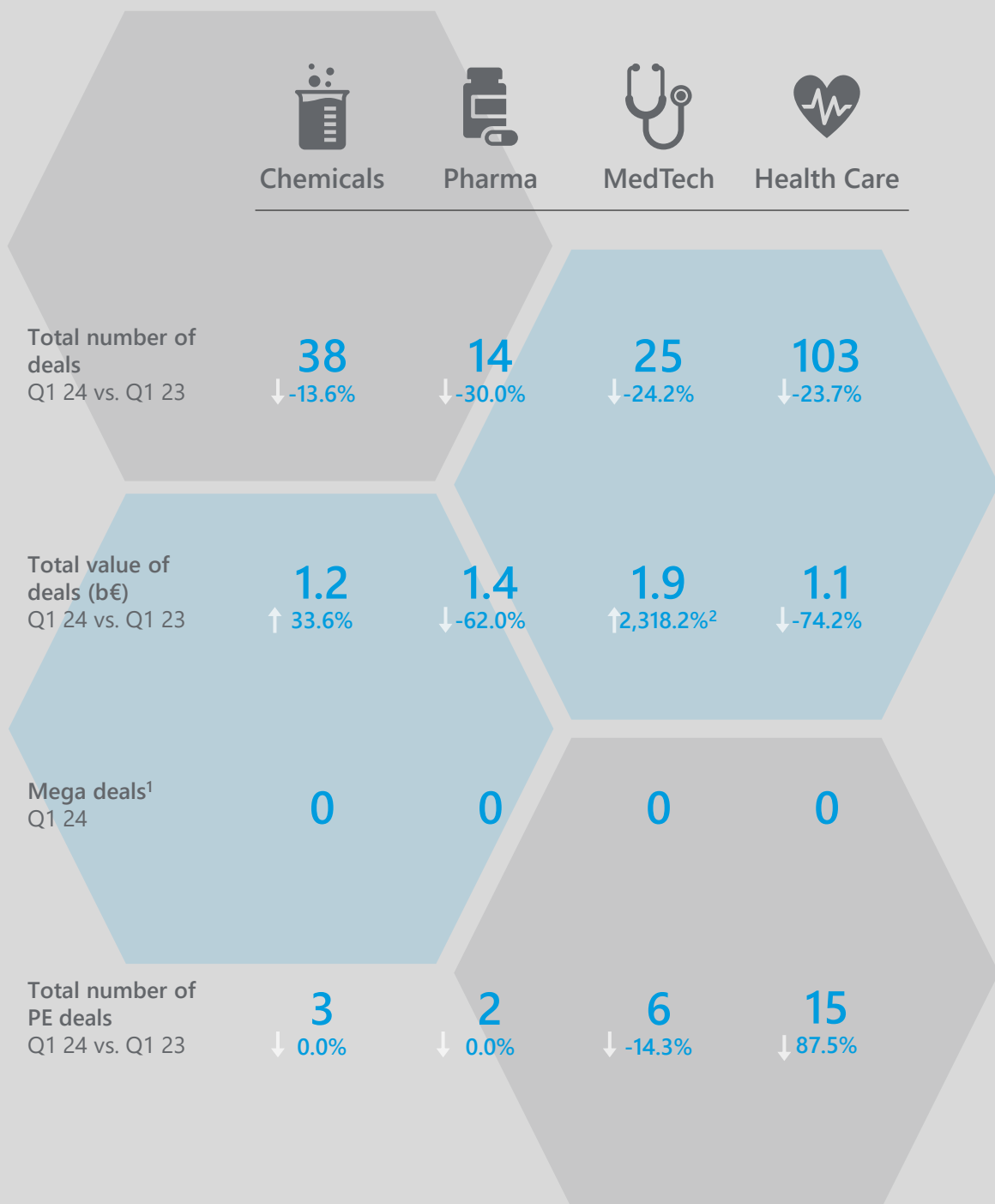
M&A Industry Quarterly

Chemicals | Pharma | MedTech | Health Care



Edition Focus
German
MedTech
Industry: Hidden
Champions

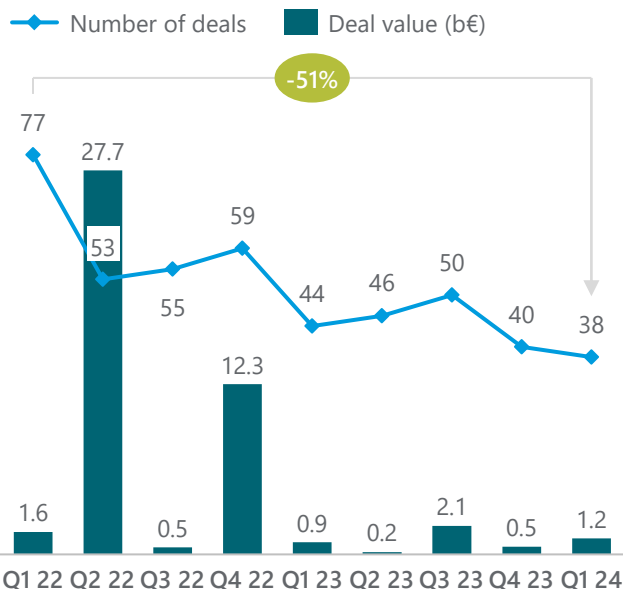
M&A metrics at a glance



Note: 1) Mega Deals > 1 b€; 2) high difference is due to low number of disclosed deal values in Q1 23 (0.08 m€ in total)

European chemicals: Deal activity on downward slope

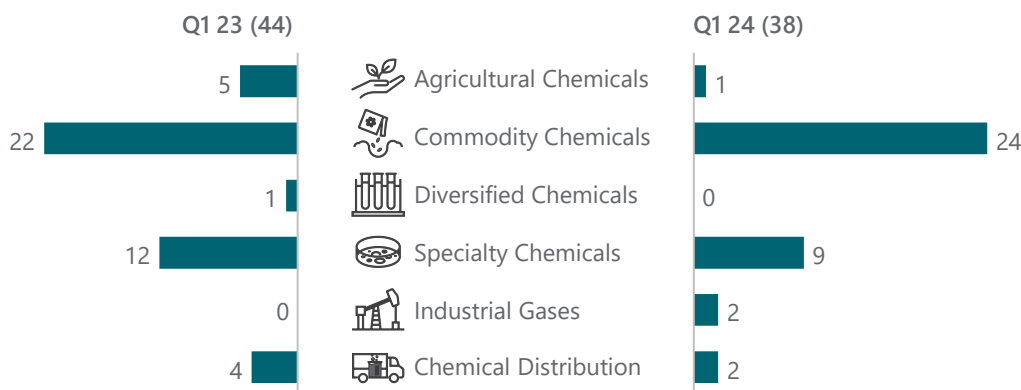
Value & number of deals – Chemicals Europe¹



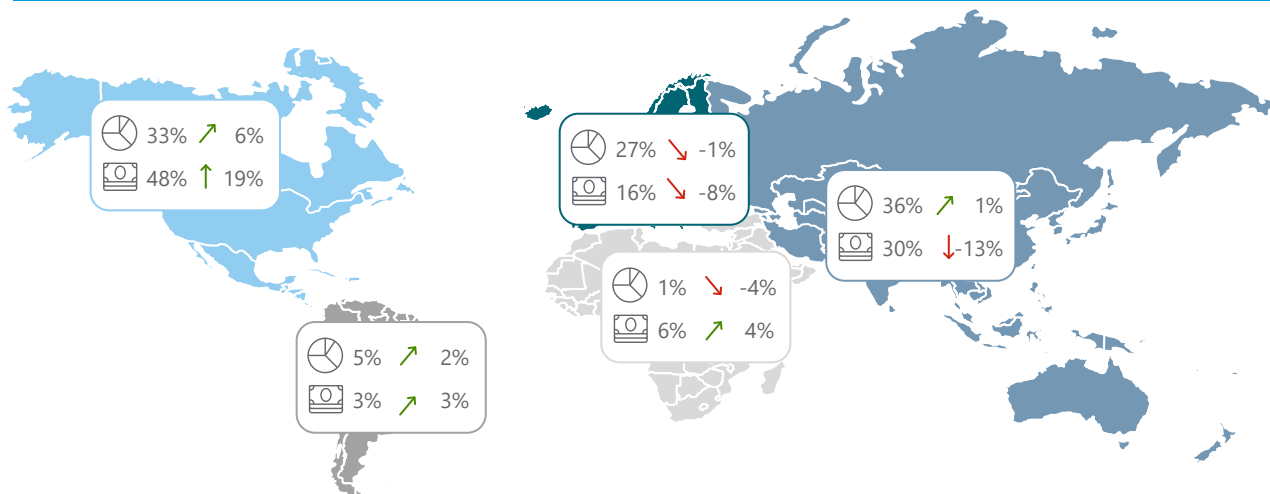
Comments

- After an already substantial decline in deals activity in Q4 23, the number of deals announced in Q1 24 decreased further by another 5%, which is a >50% decline in comparison to Q1 22
- Q1 saw no single transaction with over 1 b€ of deal value
- The industry's largest deal in Q1 24 very aptly highlights the pressures currently faced by the European chemicals market. In a hostile takeover, Bondalti Ibérica SL acquired 75% of Ercros, S.A. – Bondalti capitalized with this 450 m€ deal on a sharp decline in Ercros stock market price, owing to rising raw material prices and an ongoing supply/demand crunch

Number of European Chemicals deals as per subsegment



Geographic overview of global Chemicals deals activity YTD (Q1/24 versus Q1/23)



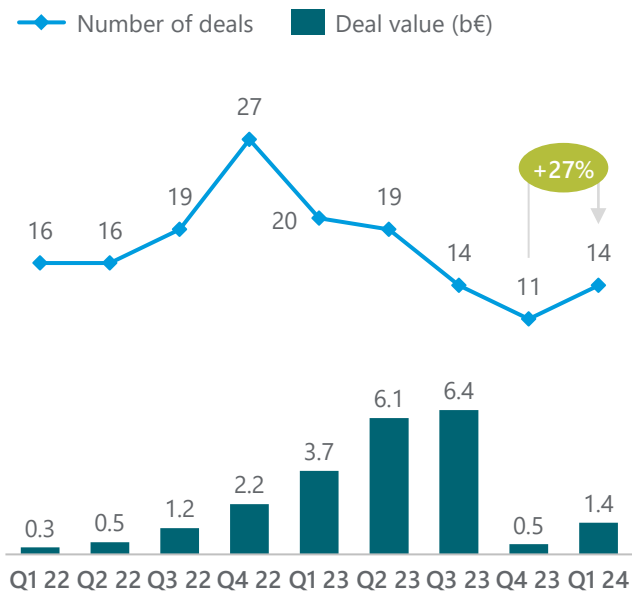
North America South America Africa & Middle East Europe Asia & Pacific

Share of Number of deals Share of Total Deal Value

Source: RSM ES MC Research, Capital IQ; 1) Includes transactions where due to small size no details (deal value / multiples) are available
RSM Ebner Stolz Management Consultants GmbH

European Pharma: First signs of recovery in Q1 24 with number of announced deals up by 27% versus Q4 23

Value & number of deals – Pharma Europe¹



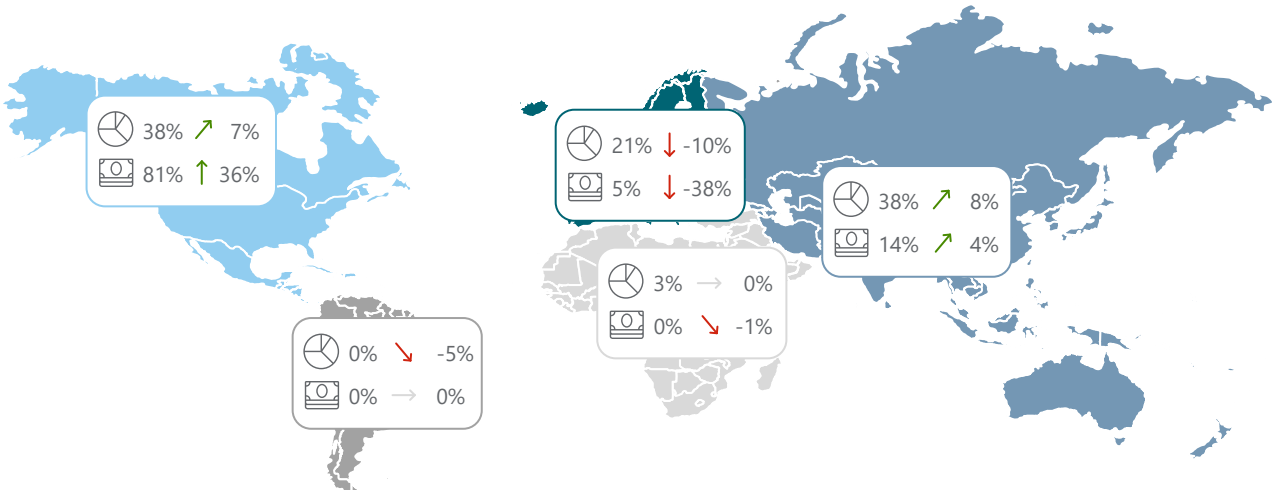
Comments

- Q4 23 marked the lowest quarter in terms of number of deals throughout 2022 and 2023 but European Pharma in Q1 24 witnessed early recovery signs with 14 deals announced in the quarter, which is +27% versus Q4 23
- Not only number of deals but the overall deal value for Q1 24 has shown a substantial uptake
- The increase in deal value is hereby mainly driven by some sizeable transactions by Big Pharma, namely the acquisition of Amolyt Pharma SAS by AstraZeneca (~964 m€) and the sale of Calypso Biotech B.V. to Novartis (~387 m€)

Number of European Pharma deals as per subsegment



Geographic overview of global Pharma deals activity YTD (Q1/24 versus Q1/23)

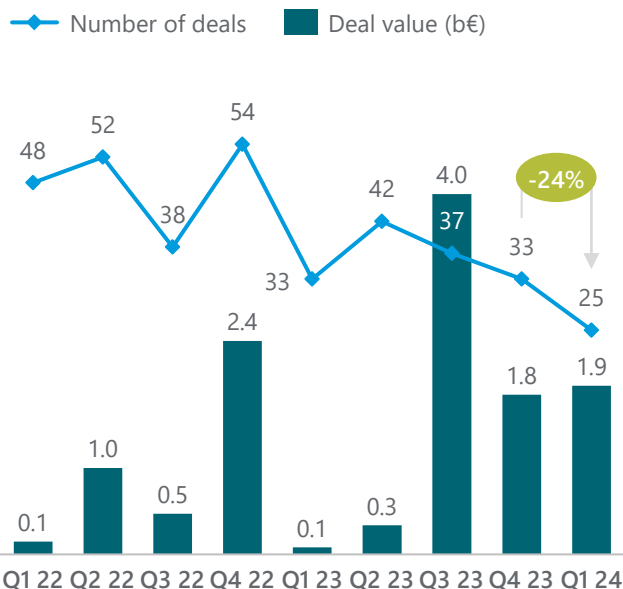


■ North America
 ■ South America
 ■ Africa & Middle East
 ■ Europe
 ■ Asia & Pacific
● Share of Number of deals
 ■ Share of Total Deal Value

Source: RSM ES MC Research, Capital IQ; 1) Includes transactions where due to small size no details (deal value / multiples) are available
 RSM Ebner Stolz Management Consultants GmbH

European MedTech: Further declining number of deals announced but average deal value being on the rise

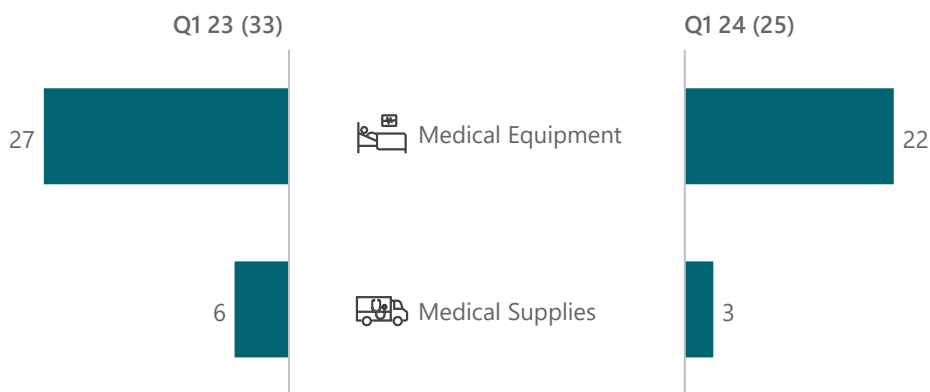
Value & number of deals – MedTech Europe¹



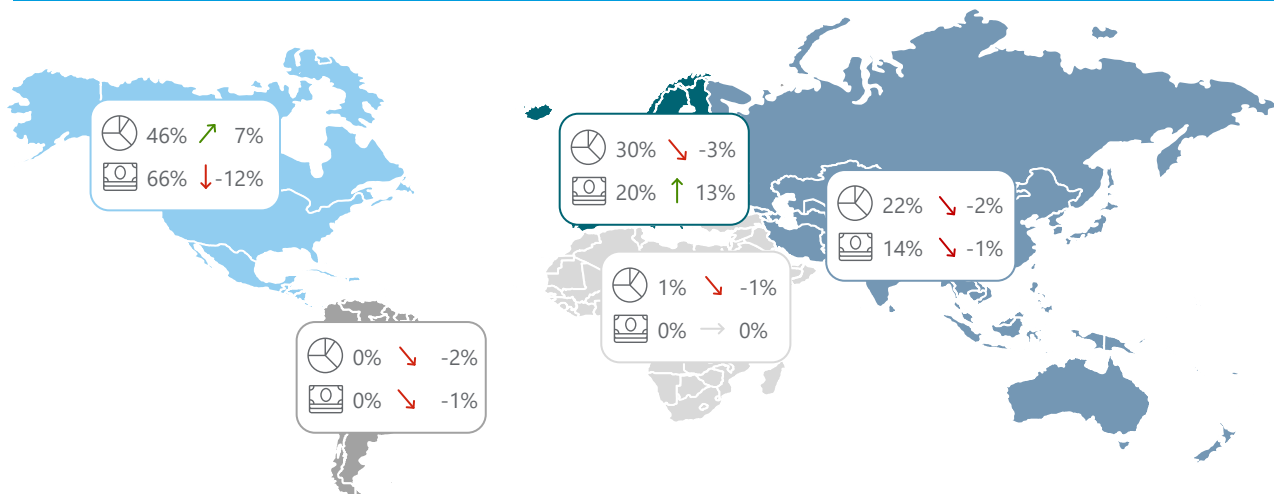
Comments

- Deal activity in MedTech continues to be on the decline with number of announced deals in Q1 24 being the lowest for any quarter since Q1 22
- However, the lack of number of deals is well compensated by larger deals being executed which is evident in the increasing overall deal values.
- Notable deal in Q1 24 is the acquisition of all activities of TecFin S.à r.l. (except for the carved-out clinical chemistry business ELITech) by Bruker Corporation for 870 m€, making up almost 50% of the total deal value in this quarter

Number of European MedTech deals as per subsegment



Geographic overview of global MedTech deals activity YTD (Q1/24 versus Q1/23)

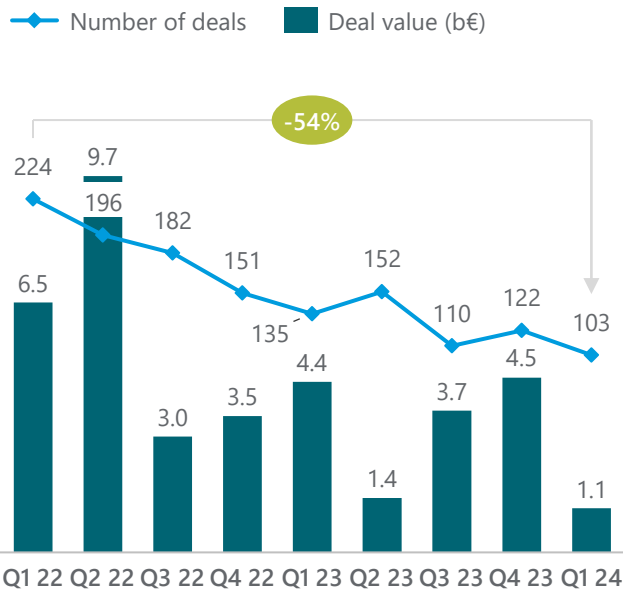


■ North America
 ■ South America
 ■ Africa & Middle East
 ■ Europe
 ■ Asia & Pacific
⊗ Share of Number of deals
 ⊗ Share of Total Deal Value

Source: RSM ES MC Research, Capital IQ; 1) Includes transactions where due to small size no details (deal value / multiples) are available
 RSM Ebner Stolz Management Consultants GmbH

European Health Care: With unclear regulatory environment, deal activity continues on the lower end

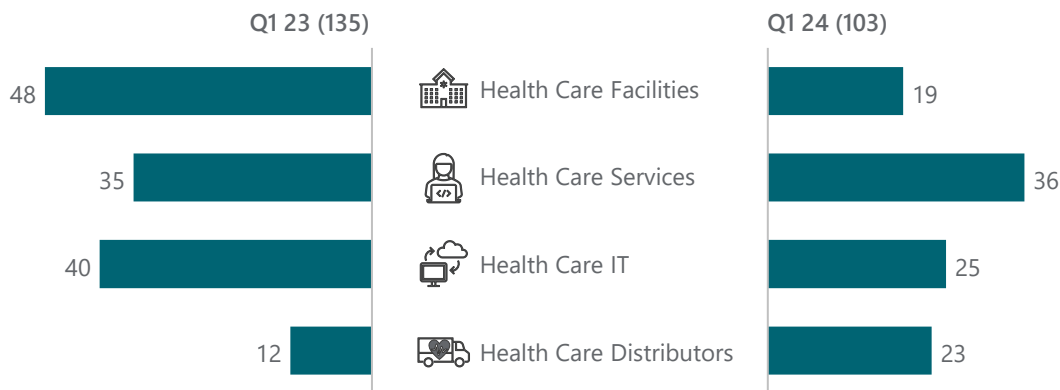
Value & number of deals – Health Care Europe¹



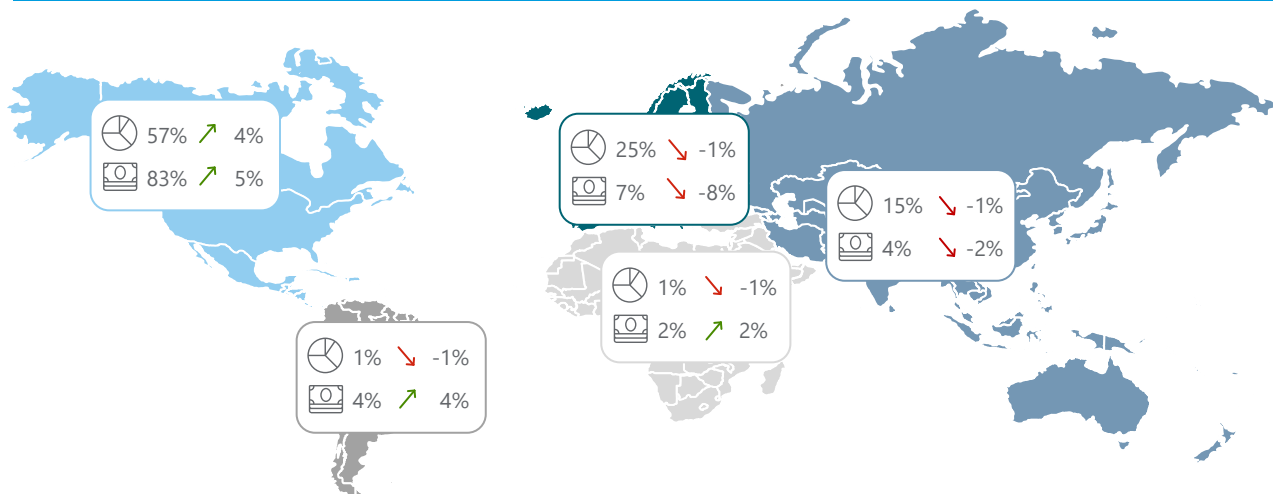
Comments

- › With the exceptions of Q2 and Q4 23 the European health care market is on a continuous downward trend and has now shrunk to over half of the number of deals per quarter compared to Q1 22
- › Even though there was a trend towards larger deals throughout 2023, this trend cannot be confirmed in Q1 24 as the total deal value declines significantly
- › With a quarterly volume of just over 1 b€, the three largest transactions contribute to more than 90% in total with the acquisition of THI Beacon Court (500 m€) being the largest one

Number of European Health Care deals as per subsegment



Geographic overview of global Health Care deals activity YTD (Q1/24 versus Q1/23)

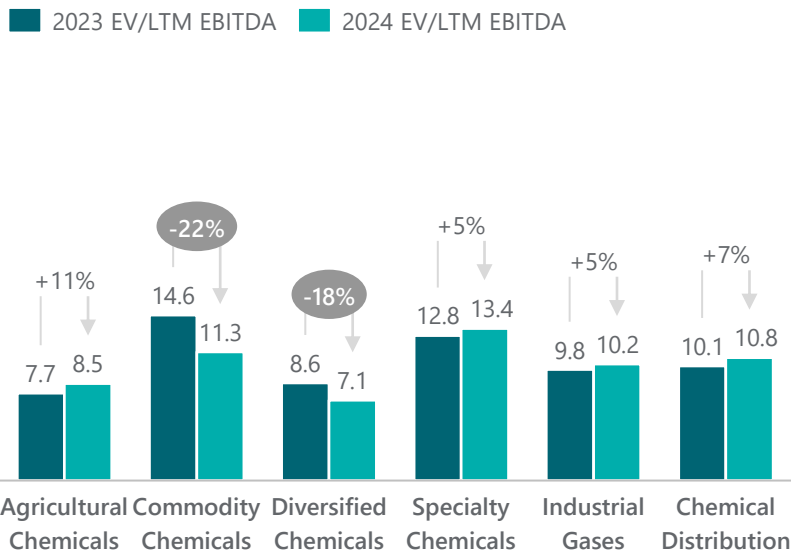


■ North America
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 ■ Africa & Middle East
 ■ Europe
 ■ Asia & Pacific
● Share of Number of deals
 ■ Share of Total Deal Value

Source: RSM ES MC Research, Capital IQ; 1) Includes transactions where due to small size no details (deal value / multiples) are available
 RSM Ebner Stolz Management Consultants GmbH

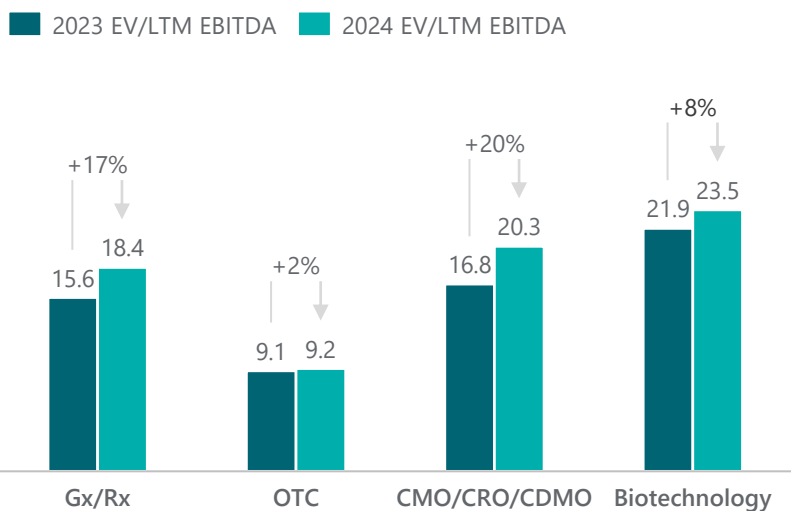
Despite decreasing deals activity, trading multiples within Chemicals and Pharma continue to remain high...

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



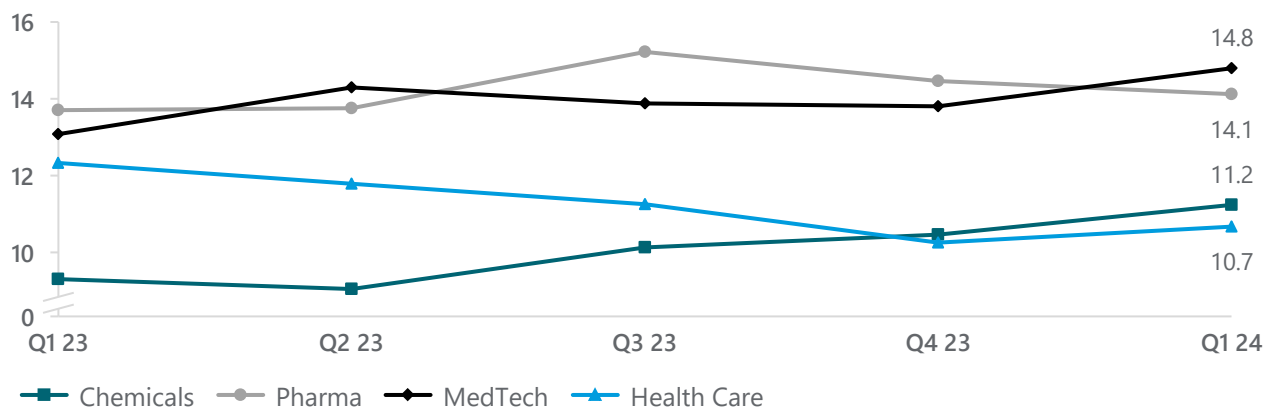
- > Despite the continuous decrease in deals activity and the pressure around raw material prices, supply challenges and risk of potential crisis situations, trading across the sub-industries, with the exception of Diversified Chemicals and Commodity Chemicals, are higher than in the previous quarter
- > Despite 18% and 22% decrease in multiples within Diversified Chemicals and Commodity Chemicals respectively, the trading multiples in both these sub-industries are still overall at healthy levels

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



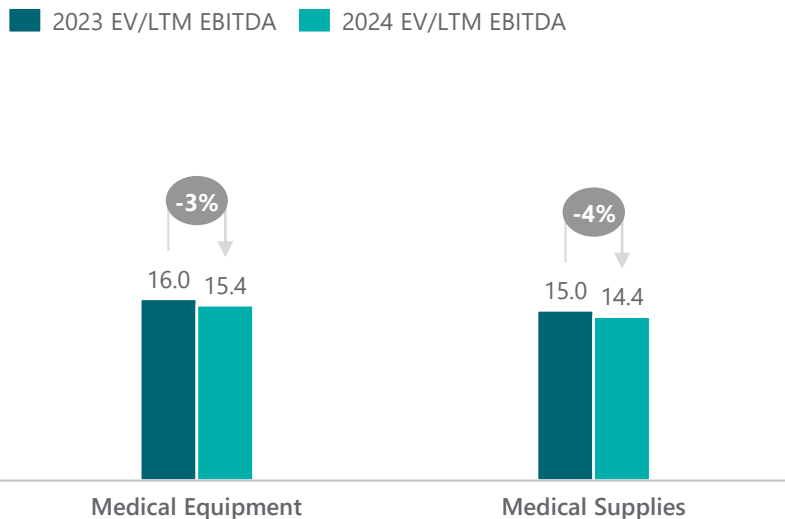
- > Pharma companies across the sub-industries are enjoying strong valuation uplift within the first quarter of 2024
- > With an increase of ~20% over the multiples at end of 2023, companies within CDMO/CRO have benefited highly from the overarching scheme of outsourcing needs within the Pharmaceutical industry. Need for specialized outsourcing services supplemented by urgent need of more flexible supply chains have increased the attractiveness of European CDMO/CRO players

Development of the EV / EBITDA multiples over time per industry



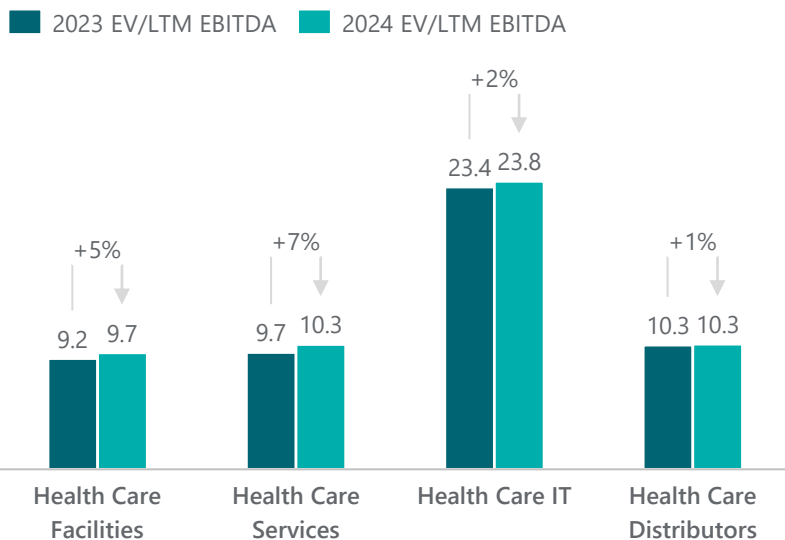
...whereas in MedTech and Health Care, trading multiples have remained at similar levels as in Q4 23

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



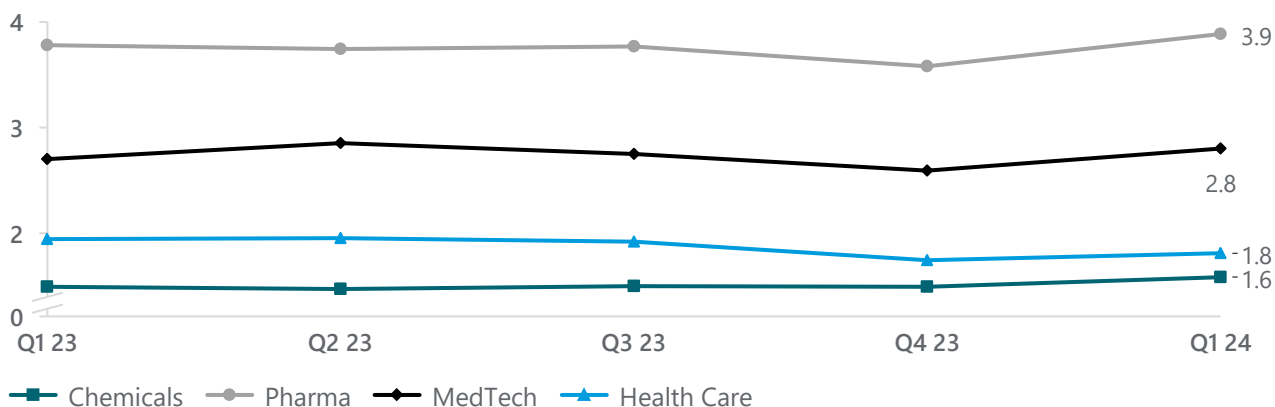
- > Multiples decline marginally in both sub-industries, but are not expected to make a general downward trend
- > On a granular level, companies within Medical Equipment continue to enjoy higher valuation compared to businesses involved with Medical suppliers and distribution

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



- > After a decline in valuation in the previous quarters due to inflation and weak stock market performance within the sector, multiples have stabilized and are slightly returning to higher valuation levels, rivaling again those of other subsegments such as MedTech or Pharma

Development of the EV / Revenue multiples over time per industry

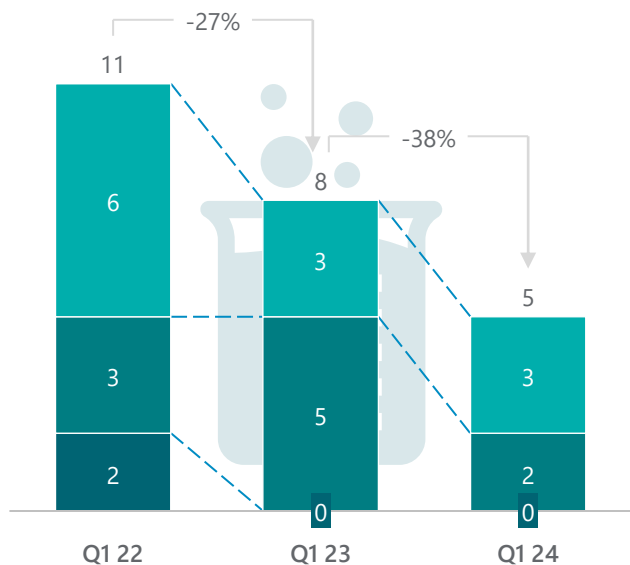


Amid continuous uncertainty in the market, PE activity across all sectors except Health Care slide downwards

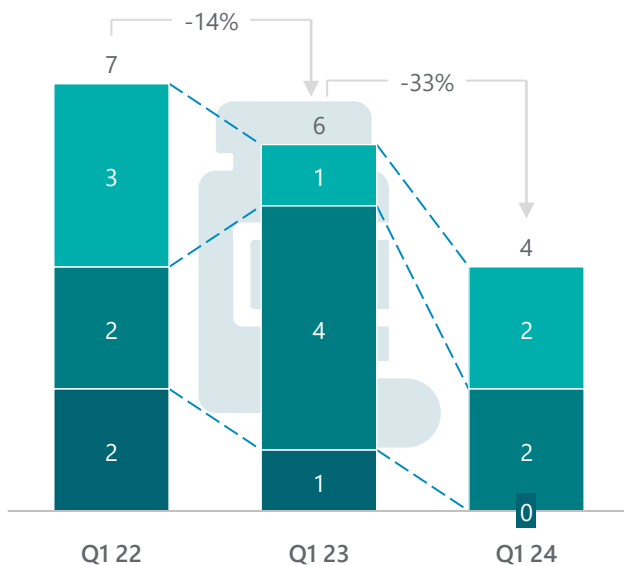
Number of deals driven by PE as buyer / seller

PE Buyer PE Seller PE-to-PE

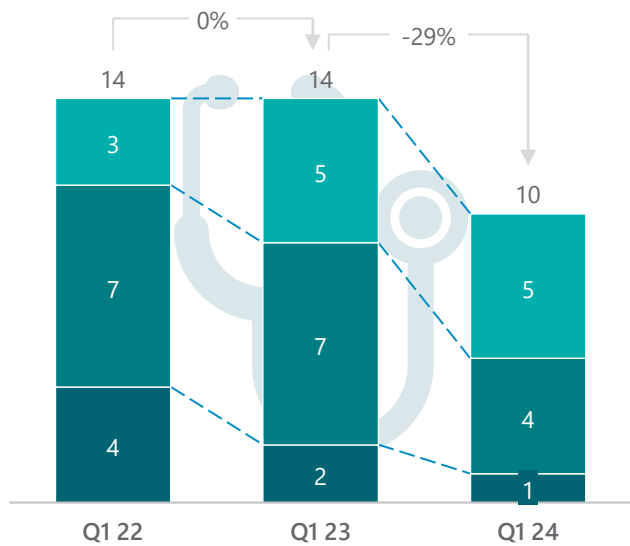
Chemicals



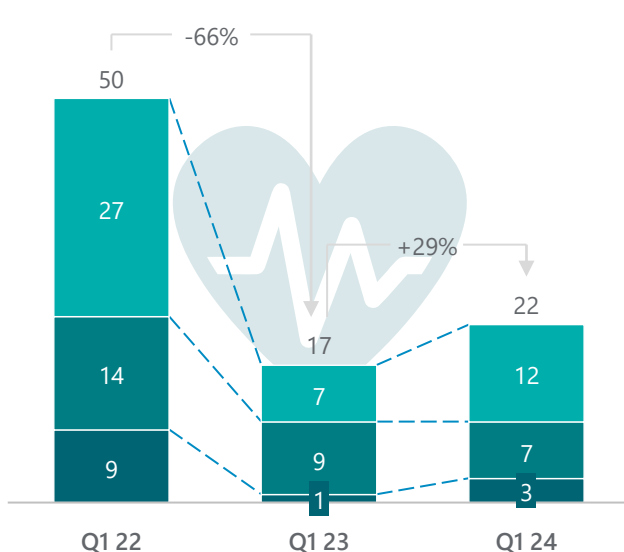
Pharma



MedTech



Health Care



Q1 24


Deals with PE as seller	.....	Σ 22	.....	12.2% of total deals
PE-to-PE deals	.....	Σ 15	.....	8.3% of total deals
Deals with PE as buyer	.....	Σ 4	.....	2.2% of total deals

Focus: Hidden champions as the driving force within Germany's MedTech industry


The European MedTech market with 160 bn€ market size is the 2nd largest after the USA

 850,000+ employees in the MedTech industry

 35,000+ MedTech companies

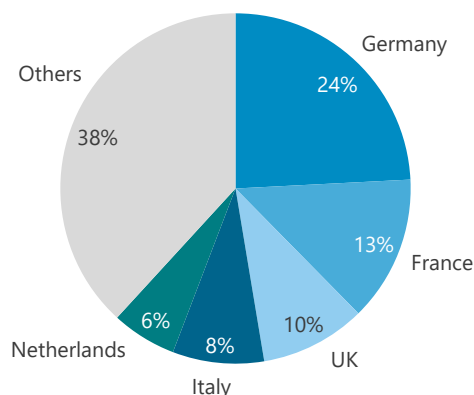
 92% of the MedTech companies are small and medium-sized companies (SMEs)¹

 160 bn€ in size as of 2022

 26% of global market share

 2nd largest MedTech market after the US

European MedTech market by revenue shares in 2022



Within Europe, Germany leads the MedTech industry and ranks 1st across key industry metrics

 250.000+ MedTech employees 

 13.500+ MedTech companies 

 38 bn€ in total revenues 

 1.426 patent applications 

 **\$23bn+** in revenues as of 2022 

SME-driven

93% of German MedTech enterprises have less than 250 employees

Innovative

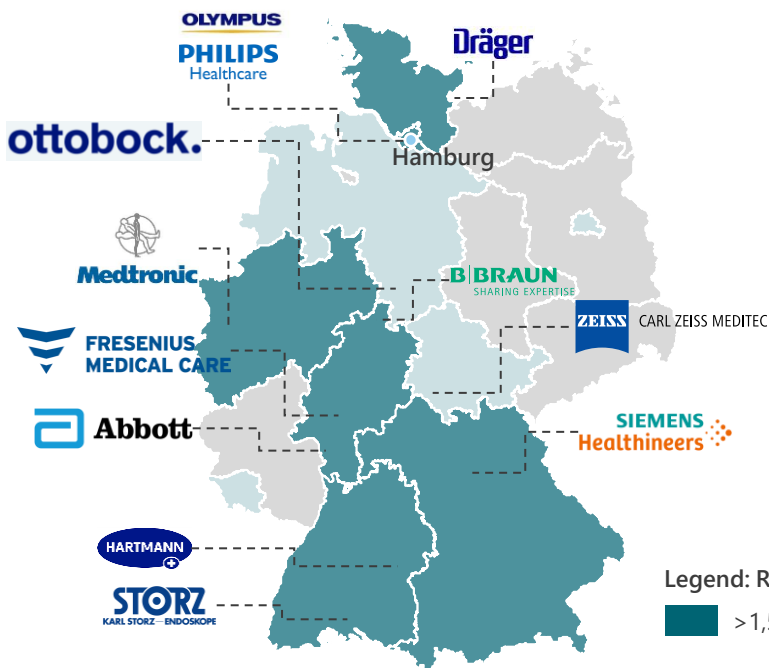
1/3 of the revenues made with products that are less than 3 years old

Export-heavy

26 bn€ in export revenues translate into a 61% export quota in 2022

German MedTech innovation is driven by SME's with regional hubs and high concentration of companies

Largest MedTech companies in Germany by HQ and revenues (2022)



Comments

- > Bavaria and Baden-Württemberg are by far the most important **MedTech hubs** in Germany by revenues
- > When considering all German MedTech enterprises with at least 20 employees, **Bavaria and Baden-Württemberg** are responsible for almost 50% of all employees
- > With major players like Hartmann or Storz, there are over 53,000 employees within the MedTech industry in **Baden-Württemberg**

Legend: Revenues 2022

- >1,5 bn€
- 500m-1,5 bn€
- <500m€

Case studies - Hidden Champions drive SME-led innovation in German MedTech



STORZ & BICKEL



Selected examples

170 employees, size doubled over last 5 years

Founded in Tuttlingen, Germany in 2002

World's market leader for certified vaporizers for combustion-free inhalation of dried herbs

- > Technology leader located in Germany's biggest MedTech hub with certification for medical production
- > Immense Know-How paired with difficulty for competitors to reach medical certification resulting in market leading position

Innovative solution and worldwide market leading position led to strategic interest and acquisition from Canopy Growth (Canada) in 2018

>100 employees across Germany, US and UK

Founded in Munich, Germany in 2006






Developer and manufacturer of innovative medical devices for heart valve diseases

- > Trilogy Heart Valve System stands out in the medical field for its unique approach to treating aortic valve diseases without need for calcification
- > Gives high-risk patients a TAVI treatment option as device can be clipped onto patients' native anatomy

Innovative solution and technology leadership has led to Funding from financial investors such as Bain Capital (2022, 2020) as well as Gimv (2013) and international growth

The industry is facing operative challenges while also having to adapt to new regulatory standards

Operative MedTech trends and challenges

	Digital Transformation	Integration of digital technologies, such as IoT, AI, and data analytics, into medical devices for improved diagnostics, monitoring, and patient care
	Data Protection	Handling sensitive patient data in compliance with privacy regulations and addressing concerns related to data breaches and unauthorized access
	Robotics & Automation	Integration of robotic-assisted surgery and automation to enhance precision, reduce invasiveness, and improve overall patient outcomes
	Skill shortages	Addressing the shortage of skilled professionals in growingly crucial areas such as data science, AI, and cybersecurity for the development and maintenance of advanced medical technologies
	Rising costs	Increased costs for raw materials, logistics and energy paired with sharply rising personnel costs due to inflation lead to about 50% of German MedTech's expecting further deterioration of profits (BVMed, Oct 2023)

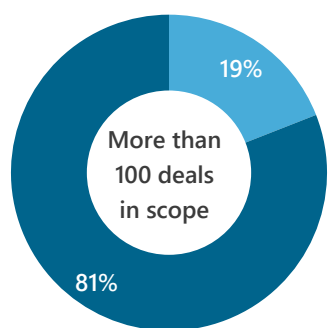
Regulatory frameworks impacting the German MedTech industry

	Overview	Goals	Measures & Issues
MDR Medical Device Regulation – MDR	<ul style="list-style-type: none"> > The MDR is a regulatory framework, replacing previous directives (MDD and AIMDD) > Implementation of higher standards and stricter oversight for manufacturers > This affects all EU producers of medical devices requiring immediate certification for new products with transition periods for legacy products 	<ul style="list-style-type: none"> > Bolstering health protection & fostering investments > Recognizing advancements in health tech and science > Reaching harmonized standards and overcoming inefficiencies and inadequacies of previous regulatory system 	<ul style="list-style-type: none"> > Measures include product scope expansion, more rigorous documentation, traceability with public databases and unique device IDs > Consequential issues include prolonged regulatory approval processes, pressing timelines and delayed processing times > Could potentially lead to shortages in medical devices
IVDR	At the same time as the MDR, the In Vitro Diagnostics Regulation (IVDR 2017/746EU) was also adopted and entered into force on May 26, 2022. The IVDR has similar objectives to the MDR but relates to non-invasive tests.		
ESG	<p>Lieferkettensorgfaltspflichtengesetz – LkSG</p> <ul style="list-style-type: none"> > The law was implemented in 2023 with the goal of enhancing human rights and environmental protection within global supply chains > The BVMed has developed a guideline for the practical implementation of the LkSG in the MedTech sector to especially support SMEs in implementing the new guidelines 		

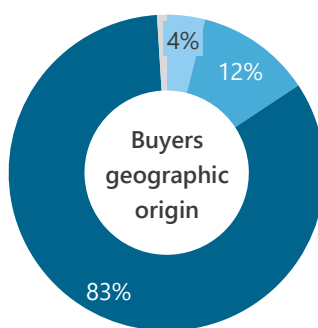
M&A deals within MedTech in Germany are largely driven by strategic rationale and recently rather within Europe

Key buyers within the German MedTech industry

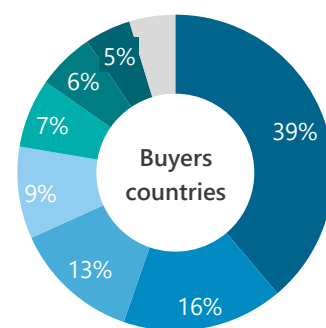
- › Between Q1 21 and Q1 24 more than 100 deals were observed where the target was a German MedTech company – the financial investor deal activity has been steady at approx. 20%
- › The vast majority of MedTech buyers are Europe-based – contradicting the often-discussed sell-off of German business to Asian and US players
- › Within the EU, no acquisition originating from buyers in Eastern-European countries was observed



Financial Investor
Strategic Investor



Asia / Pacific
USA / Canada
Europe



Germany
Benelux
CH
Sweden
UK
Rest
France
Italy


A selection of recent German mid market deals

Year	Target	Buyer	Rational	Volume [m\$]	EV / Revenue	EV / EBITDA
2024	For & Gentz GmbH	Össur hf.	Strategic	120	5.7x	n/a
2024	Fehling instruments GmbH & Co. KG	Stille AB	Strategic	36	2.3x	7.5x
2023	Kirsch Medical GmbH	Hettich Group	Strategic	n/a	n/a	n/a
2023	KLINGEL Medical Metal GmbH	Elos Medtech AB	Strategic	407	n/a	n/a
2023	Medi-Globe Technologies GmbH	DCC Healthcare Ltd.	Strategic	245	0.3x	n/a
2022	Zimmer Medizin-Systeme GmbH	All Seas Capital	Financial	n/a	n/a	n/a
2022	Phenox GmbH	Wallaby Medical	Strategic	500	n/a	n/a
2022	Sunshine Smile GmbH	Straumann Holding AG	Strategic	139	n/a	n/a
2022	Barkey GmbH & Co. Kg	Azenta Germany GmbH	Strategic	80	4.7x	n/a
2021	Vision Ophthalmology	AddLife AB	Strategic	224	2.7x	14.5x

Source: RSM ES MC Research, Capital IQ, Mergermarket
RSM Ebner Stolz Management Consultants GmbH



The German RSM Ebner Stolz M&A team regularly advises on transactions in the German MedTech industry

RSM Ebner Stolz was appointed by Zimmer to conduct a cross-border M&A process to identify the right partner to accompany future growth



ALL SEAS CAPITAL
acquires a minority share of
Zimmer
MedizinSysteme

Advisor to the sell side

Sell Side 2022  

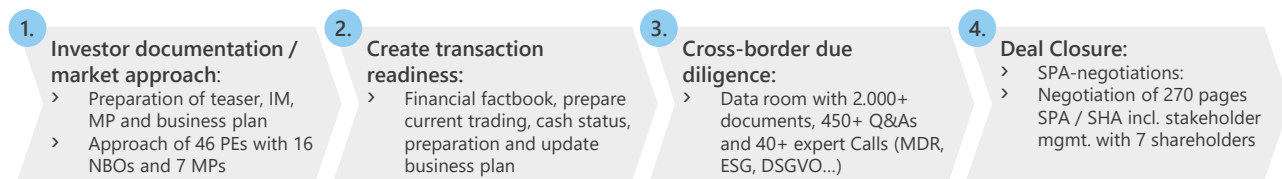
Initial situation

- > Zimmer is a MedTech company engaged in the development, assembly and distribution of high-quality medical devices, as well as providing leasing services
- > The family-owned company was founded in 1969 with headquarters in Neu-Ulm, GER, and is active worldwide with production facilities in GER, the NL and sales offices in 17 countries
- > Zimmer was looking for a financing partner with a strong fit with management

Challenges


- > Expectation of an ambitious post-money valuation
- > Transparency of data in group of companies challenging
- > New investor had to bring the capacity and strategic know-how for future expansion while accepting the position of a minority shareholder
- > Broad market approach and awareness of the transaction in the PE environment

Scope of work RSM Ebner Stolz > Transaction success ensured by "full-service M&A support" from RSM Ebner Stolz




- > Identification of a suitable investor while retaining a majority stake for the shareholders
- > Complex transaction due to transparency, large number of internal subsidiaries and multi-brand strategy

RSM Ebner Stolz was appointed by Kirsch Medical to conduct a cross-border M&A process to find the right strategic partner for further internationalization of the company



Acquisition of 100% shares
Kirsch
Made in Germany. Since 1865.

Advisor to the sell side

Sell Side 2023 

Initial situation

- > Kirsch Medical is a MedTech company specialized in the development, manufacturing and distribution of high-quality medical refrigerators and freezers for the pharmaceutical, laboratory and blood storage market
- > The family-owned company was founded in Offenburg in 1865 and has been manufacturing as a quality-leading expert at its completely new site in Willstätt-Sand since 2017
- > Kirsch was looking for a strategic partner for international sales

Challenges

- > Maintaining complete confidentiality of the transaction process in the market including restricting information inside the client's organization
- > Objective to find a strategic investor as new owner and at the same time wanted to remain active as CEO going forward
- > Combination of international organization and family business sought

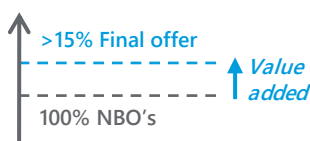


Hidden Champions

Merger of two hidden champions in the medical technology sector to jointly achieve international growth




NBO vs. final deal



Timeline 2023



- > Identification of a suitable growth oriented strategic partner for the company while maintaining a competitive structured M&A process in line with the value and timeline expectations of the client

Our key takeaways



Deal activity in Q1 24 was hindered by persistent macroeconomic hurdles that contributed to a 10% decline across all sectors compared to Q4 23



With the exception of Diversified Chemicals and Biotechnology, all other subsegments of the focus industries recorded an increase in trading multiple valuation



Despite no Mega Deal being observed in this quarters, the total deal value across all sectors is only 25% below the last quarter, pointing once more to a consistent baseline in small to medium-sized deal activity



All sectors appear to hover at a stable baseline in deal activity and volume, where both remain suppressed by the current macroeconomic conditions - as soon as those will stabilize, we anticipate an increase in M&A activity



Next M&A Quarterly: Q3/2024
Edition Focus: Outsourcing in Pharma

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