

FOUNDERS ADVISORS

Pharma Services M&A
and Valuations

Q2 2024



From Michael and Courtney



Michael White



Courtney Jones

Greetings,

On behalf of Founders Advisors' healthcare team, we are pleased to present our inaugural *Pharma Services M&A and Valuations* quarterly report.

Most lower middle market "healthcare" banks are provider services shops, having garnered capabilities and experiences that mirror PE funds' interest in particular physician specialties. We have certainly advised on our share of provider services transactions, but we're fortunate that our teeth were cut in other sectors, including pharmaceutical services, clinical research, contract manufacturing, and tech, among others. We learned there first, migrating to provider services, as opportunities allowed.

Thus, we're uniquely positioned to have a healthcare practice in its truest sense, covering all major sectors.

Though we should have initiated this report years ago, our current timing couldn't be better. Biotech / biopharma funding is bouncing back, we expect headline / regulatory risk to drive rotation from provider services into pharma services, and numerous transient and secular tailwinds are blowing through the pharma services sector. Bottom line – we're bullish on this sector and able to add value for clients. Please reach out if you can benefit from our counsel.

Until Next Quarter,

Michael White
Managing Director

Courtney Jones
Associate

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Considered / Included Public Companies



I. Trends & Insights: Macro Trends

Key Trend

Commentary

1

Strong Outsourcing Fundamentals

- The growing complexity, timeline, and costs of the drug development process are leading pharmaceutical companies to increasingly outsource key stages of their research, development, and manufacturing processes
- Pharma companies recognize the need to efficiently move through the development process in order to quickly monetize their products

2

Robust Investor Interest in Companies with a Range of Value-Added Capabilities

- Partners that are able to provide a “one stop shop” present the most value to pharma companies; within the research bucket, for example, those with capabilities across trial phases, therapeutic areas, and geographies present significant value to the pharma industry
- There is increased complexity in managing multiple outsourced vendors, so pharma companies are often preferring the most streamlined process to outsource critical parts of the research, development, and commercialization phases

3

Increasing Technology, Data Analytics, and AI Adoption

- Along similar lines to the strong outsourcing fundamentals, given the need to shorten research and development timelines, cut costs, and reduce failure rates, pharma companies are often turning to technology solutions, including AI adoption, to more efficiently and cost-effectively move through the research and development process

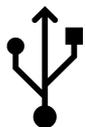
4

Positive Market Sentiment Evidenced by M&A Momentum

- Pharma tech and services companies continue to appeal to investors and fetch premium valuations in the market due to many of the trends referenced above and overall market tailwinds, including rising drug development costs and pharma companies’ strong appetite to outsource
- Traditionally provider-focused PE firms, wary of headline and regulatory risk, are turning towards pharma services investments and creating strong competition in the market for high quality assets

I. Trends & Insights: Trends by Subsector

Pharma Tech



Technology that aids in the research, development, and delivery of pharmaceutical products and services

Select Market Participants



Key Trends

- With the increase in remote work, many stakeholders throughout the research, development, and delivery process now utilize digital engagements, reporting, and monitoring
- The rise in value-based contracts with payors requires pharma companies to track outcomes through data capabilities, leading to an increase demand in technology solutions
- With the rise in R&D costs, pharma companies are turning to tech solutions to decrease costs and increase profitability

CROs



Outsourced research services to pharmaceutical companies during the drug discovery, pre-clinical, and clinical trial stages

Select Market Participants



Key Trends

- Pharma customers tend to have a sticky relationship with their CRO partners, with the largest pharma manufacturers often using only a limited number of CRO partners
- Capabilities across trial phases and geographies is a large differentiator
- Pharma companies of all sizes often find outsourcing beneficial due to the complexity, timeline, and costs of the research process

CDMOs



Outsourced development and manufacturing services to pharmaceutical companies during the clinical and commercial stages

Select Market Participants



Key Trends

- Similar to CRO outsourcing, large and small cap pharma companies utilize outsourcing, due to the high fixed costs of manufacturing and development and need to enter the market efficiently
- Those with end-to-end capabilities, such as discovery and commercialization, in addition to development and manufacturing, often attract large cap pharma companies, while those with higher touch services and offerings typically cater to smaller pharma customers

Commercialization



Solutions that involve commercializing products during the late clinical and post-approval phase

Select Market Participants



Key Trends

- Brand managers are increasingly turning towards outsourced commercialization, in order to efficiently move drugs out of the clinical trial phase and into the monetization phase
- Firms that have the data required to demonstrate return on investment are better able to differentiate themselves and retain and attract clients
- Demand for commercialization services continues to grow, as manufacturers are turning to specialized therapeutics with smaller patient populations

I. Trends & Insights: Voices from the Field

Company

Earnings Call Excerpts

Catalent

“Key factors underpinning our confidence include continued high demand for our gene therapy services—expanded exposure to GLP-1 demand as we bring up more lines. And a very strong rate of new approvals that we’ve seen in the pharma and consumer health segment...Our pipeline for gene therapy is healthy including several programs in late-stage, one of which we recently signed. As a reminder, the late-stage programs are generally insulated from softness in the biotech funding environment.”

—Alessandro Maselli, CEO (11/15/2023)

CERTARA

“We have been encouraged by positive trends in clinical trial activity and biotech funding so far this year. Sentiment around the industry is becoming more optimistic as capital raising has allowed smaller companies to shift their spending back towards R&D initiatives. Conversations around pipeline priorities and project timelines have become more constructive across all three of our customer tiers. Considering recent developments, we are cautiously optimistic that our end markets will continue to recover throughout 2024.”

—William Feehery, CEO (5/8/2024)

charles river

“Biotech funding increased significantly in the first quarter of 2024 to approximately \$23 billion, the fourth highest quarter on record. These trends and the improving market sentiment have led to positive discussions with our clients, including at the Annual Society of Toxicology Conference in mid-March, with clients specifically referencing the improving funding environment and optimism that this would lead to additional spending on the early-stage programs this year.”

—Jim Foster, CEO (5/9/2024)

IQVIA

“We continue to see some favorable signs. For example, our pipeline remains strong. In our conversations with clients, there is more clarity on budgets, and we are starting to see faster decision timing with some clients compared to the second half of 2023. As this is said, the toll overall with our clients remains cautious. And the fact is that the uncertain macro environment persists as everyone can tell from the Fed remarks yesterday.”

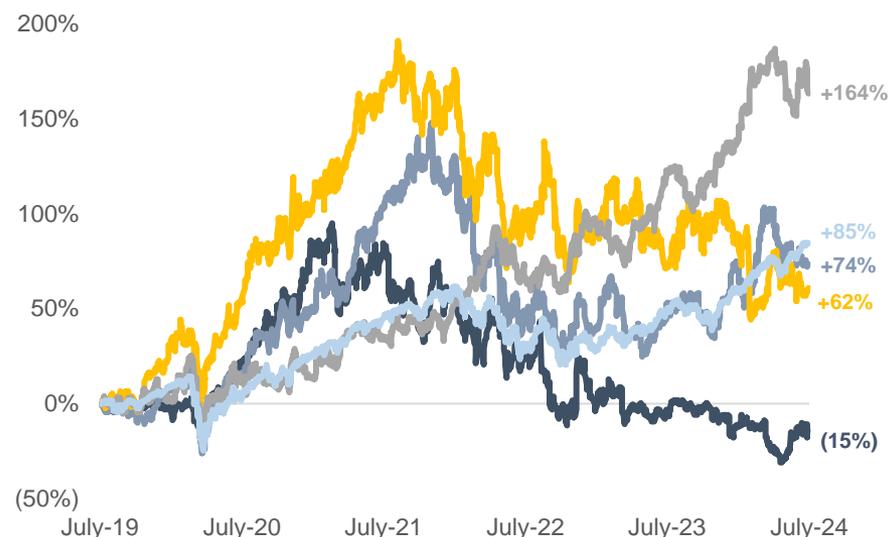
—Ari Bousbib, Chairman & CEO (5/2/2024)

II. Public Market Benchmarks: Stock Performance

Public Company Stock Performance (LTM)



Public Company Stock Performance (5 Years)



Pharma Tech CROs CDMOs Distributors S&P 500

Pharma Tech

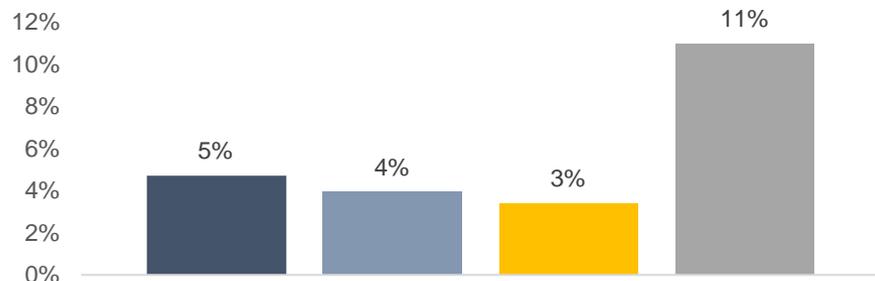
CROs

CDMOs

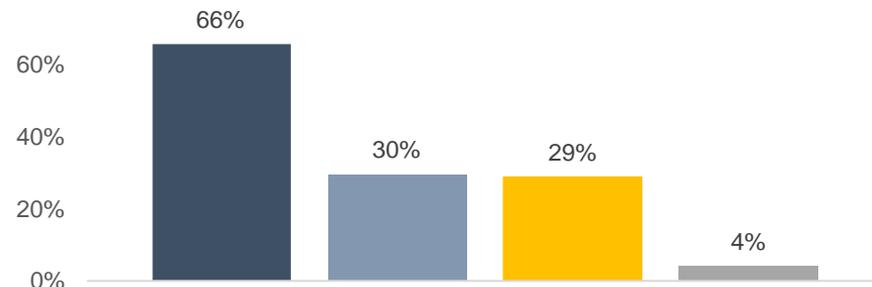
Distributors

II. Public Market Benchmarks: Valuation & KPIs

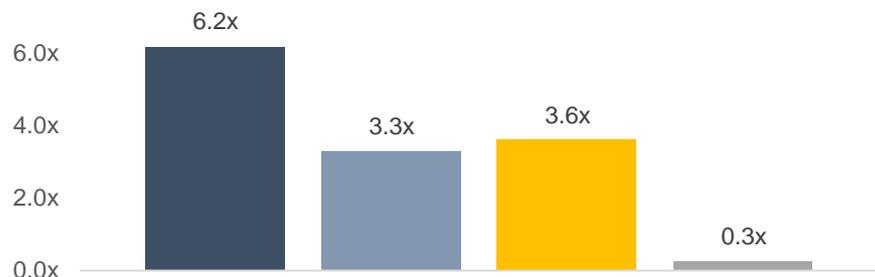
Median LTM Revenue Growth



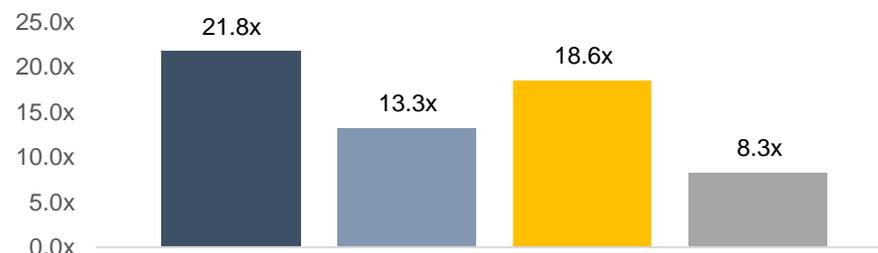
Median LTM EBITDA Margin



Median EV / LTM Revenue



Median EV / LTM EBITDA



Pharma Tech

CROs

CDMOs

Distributors

III. Market & Buyer Landscape: Market Map

Pharma Tech



Clinical Trials / CROs



CDMOs



Commercialization Services



III. Market & Buyer Landscape: Notable PE Investors

Arsenal Capital Partners

Portfolio Companies



FRAZIER HEALTHCARE PARTNERS

Portfolio Companies



LINDEN

Portfolio Companies



novo holdings

Portfolio Companies



WATER STREET

Portfolio Companies



WINDROSE HEALTH INVESTORS

Portfolio Companies



Exited

Source: PitchBook, Companies' Websites, and Founders Analysis

IV. M&A Activity: Transaction Volume



- Similar to overall M&A activity across industries, pharma services deal activity has experienced a slowdown in recent quarters, relative to its peak in 2020 and 2021; this slowdown is primarily due to companies shifting to cost-cutting measures in the face of a high interest rate environment, as well as overall market uncertainty and valuation disconnect among buyers and sellers
- While deal volume has slowed, buyers continue to award premium valuations to companies with above average metrics in areas such as revenue growth, EBITDA margin, cash flow, and customer concentration
- There is optimism as we progress further into 2024 and we have been encouraged by the conversations we have had with the most active strategic and financial buyers, as these investors look to enhance their service offerings through M&A and focus on areas within healthcare, such as pharma services, with strong tailwinds, and continue to build out their platform investments through add-ons

IV. M&A Activity: Notable Recent Transactions

Select Pharma Services Transactions			
Date	Target	Acquirer	Commentary
17-Jun-24	 K2 MEDICAL RESEARCH	 TPG GROWTH	K2 Medical Research, an integrated clinical trial site platform specializing in central nervous system (CNS) trials for leading pharma and biotech sponsors, was acquired by TPG Growth.
13-Jun-24	 LYO CONTRACT GmbH	 Great Point	Lyocontract, an Ilsenburg, Germany-based contract development and manufacturing organization, was acquired by Great Point Partners.
12-Jun-24	 CluePoints INTELLIGENT STATISTICAL MONITORING	 EQT	CluePoints, a provider of AI-driven software solutions for clinical data review, was acquired by EQT.
06-Jun-24	 PharmaCord	 PERMIRA	PharmaCord, a provider of commercialization and patient services for life science organizations, was acquired by Permira.
03-Jun-24	 North Georgia Clinical Research	 ALCANZA CLINICAL RESEARCH FOR ALL	North Georgia Clinical Research, a research site network specializing in general medicine studies, has been acquired by Alcanza Clinical Research, a mission-focused investigator site network.
21-May-24	 ADAMS CLINICAL	 InTandem CAPITAL PARTNERS	Adams Clinical, a clinical trial site network with locations across the Northeast and focused on psychiatric and neurologic illnesses, was acquired by InTandem Capital Partners.
16-Apr-24	 CHEORS COMPLETE HEOR SOLUTIONS	 PharmAlliance	Complete Health Economics Outcomes Research Solutions (CHEORS), a provider of health economics and outcomes research (HEOR) and market access services, was acquired by PharmAlliance, a diversified pharmaceutical and life sciences services platform.

V. About Us: Founders Healthcare Team

Deal Execution Team



Michael White
Managing Director



Thomas Dixon
Managing Director



Courtney Jones
Associate



Quinn Strong
Senior Analyst



Braxton Eubanks
Analyst



Wells Watts
Analyst

- **Experience:** 25+ years
- **Background:** Barclays, Bear Stearns, Carbylan Therapeutics
- **Education:** B.S., University of Alabama; M.B.A., University of Chicago

- **Experience:** 20+ years
- **Background:** Solis Mammography, Ideal Image, NAPA, SCA Health, Navigant Consulting
- **Education:** B.B.A., University of Oklahoma; M.B.A., University of Minnesota

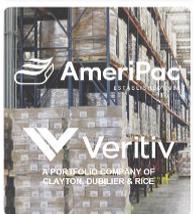
- **Experience:** 3+ years
- **Background:** New Capital Partners, Harris Williams
- **Education:** B.S., Washington and Lee University

- **Experience:** 3+ years
- **Background:** JGS Resources
- **Education:** B.S., Auburn University; M.B.A., Auburn University

- **Experience:** 1+ years
- **Background:** Beacon Cove Partners
- **Education:** B.S., Mississippi State University; M.S., Southern Methodist University

- **Experience:** 1+ years
- **Background:** Oakworth Capital Bank
- **Education:** B.S., Auburn University

Select Founders Healthcare Transactions

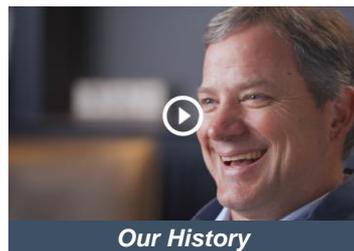


*Denotes Transaction Experience from Managing Director's Prior Firm

V. About Us: Founders Advisors Overview

FIRM OVERVIEW

Founders is a mergers, acquisitions, and strategic advisory services firm that has served middle-market companies since 2003. With a nationwide footprint, we pride ourselves in employing a values based and highly personalized relational approach through our five industry-focused advisory teams. Today, Founders employs over 45 professionals and has offices in Birmingham, AL (headquarters), Dallas, TX, and Nashville, TN.



Our History



Our Culture



The Future of Our Firm

OUR WHEELHOUSE

The majority of our clients are founder-owned and operated companies across five industry groups that collaborate together. We listen to our clients and take the time to truly understand each client's unique situation and desired outcomes. Founders has been a trusted advisor to hundreds of middle market business owners, supporting their growth through tailored financing structures and ownership transition transactions

CAPABILITIES & FIRM HIGHLIGHTS



Sell-Side
Advisory



Strategic
Advisory



Capital
Raises



Targeted
Buyside



Spin-Offs /
Divestitures

\$55B+

Founders Managing
Directors' Transacted
Enterprise Value*

100+

Founders' Completed
Engagements
Since 2013

21%

Average Increase in
Initial Bid to Closing

Industries Covered

Business Services

Technology

Consumer

Healthcare

Industrials

PURPOSE

Be Servant Leaders who
value relationships and
results

FIRM VALUES

ORDER

Maintain focus on doing the right things at the right time

SERVICE

Go the extra mile for our clients, co-workers, & community

GROWTH

Reflect, evaluate, and plan for improvement

EXCELLENCE

All we do, we do well

HEALTH

Be and stay healthy, personally, and as a team

COMMUNITY

Be team-focused; we're better together

FOUNDERS

ADVISORS

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