


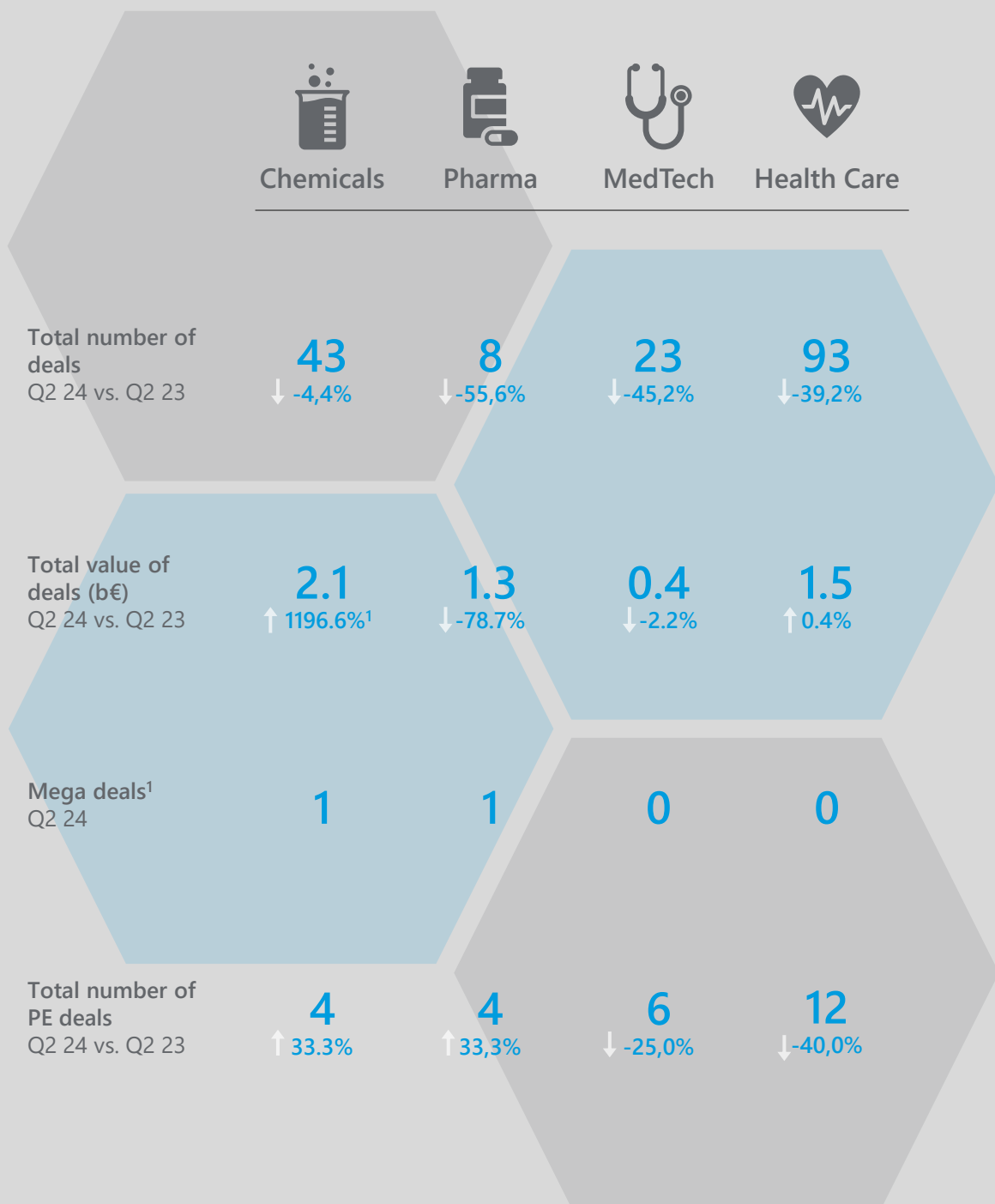
M&A Industry Quarterly

Chemicals | Pharma | MedTech | Health Care



Edition Focus
Outsourcing in
Pharma: CRO,
CMO and CDMO

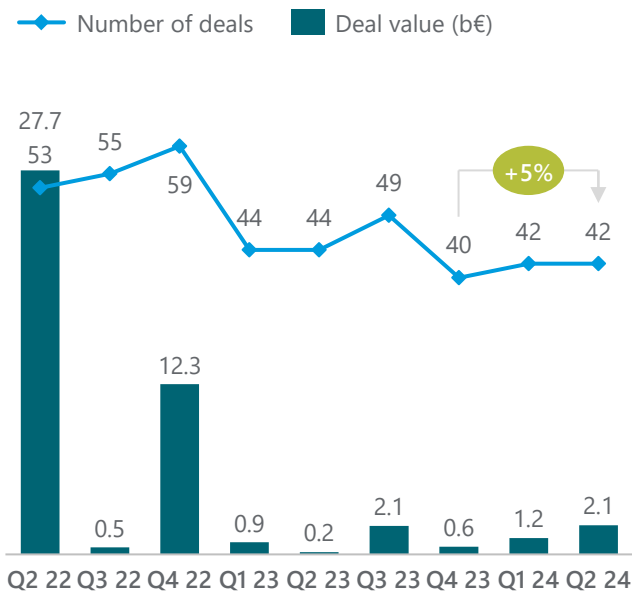
M&A metrics at a glance



Note: 1) Mega Deals > 1 b€

European Chemicals: Both deal activity and values towards steady recovery

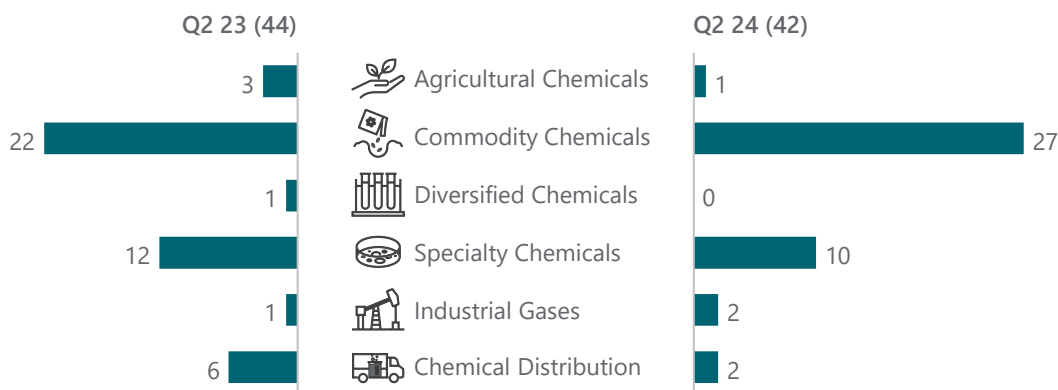
Value & number of deals – Chemicals Europe¹



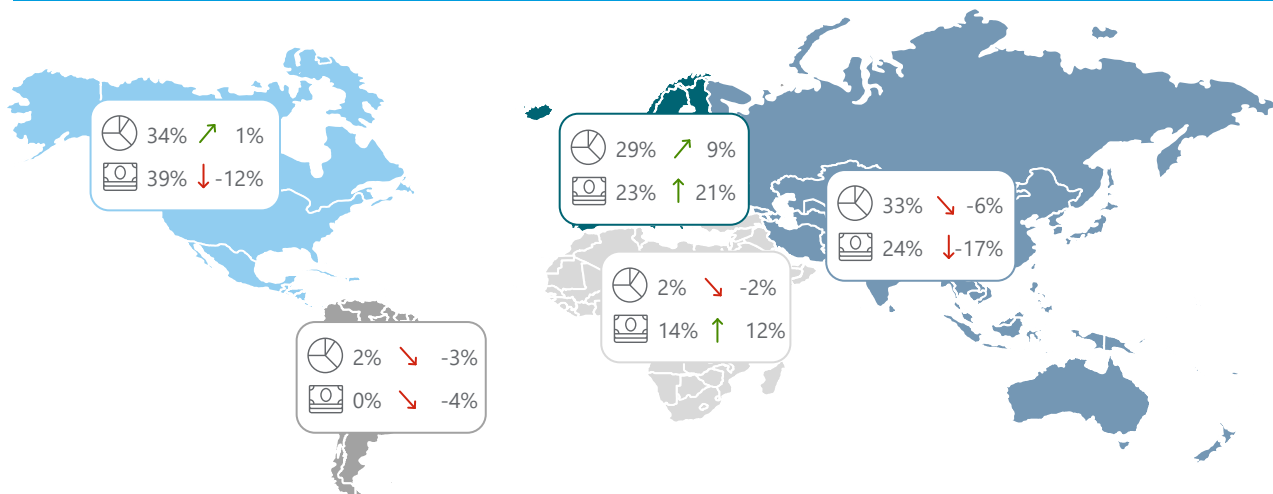
Comments

- After the low point in Q4 '23, deal activity in Chemicals is slowly, but continuously recovering with a total of 42 deals in Q1 '24 and 43 deals in Q2 '24
- PE activity in the chemicals industry remains below average compared to the past two years, which can mostly be attributed to macroeconomic uncertainties such as a potential trade conflicts and continued trends to produce bulk material outside of Europe
- Only within the commodity chemicals subsegment, activity is growing, which includes one mega deal, namely the acquisition of CP Kelco ApS by Tate & Lyle (~1.7 b€)

Number of European Chemicals deals as per subsegment



Geographic overview of global Chemicals deals activity YTD (Q2/24 versus Q2/23)

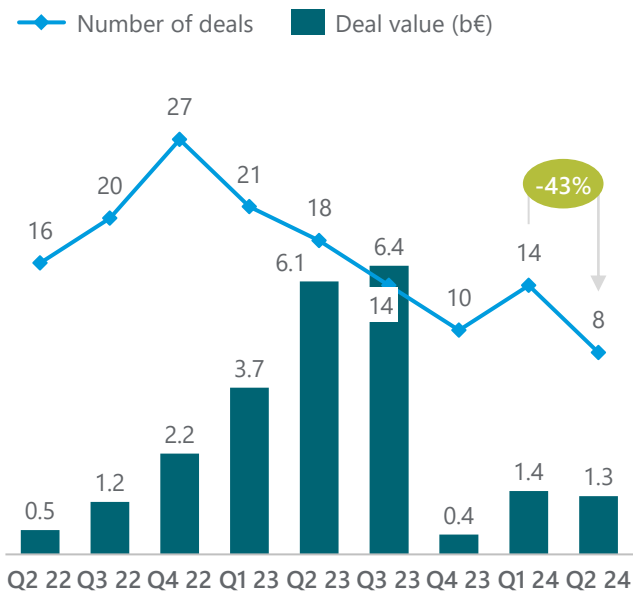


■ North America
 ■ South America
 ■ Africa & Middle East
 ■ Europe
 ■ Asia & Pacific
⊙ Share of Number of deals
 ⊙ Share of Total Deal Value

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: Deal activity reaches a new low as the hoped-for recovery has not materialized

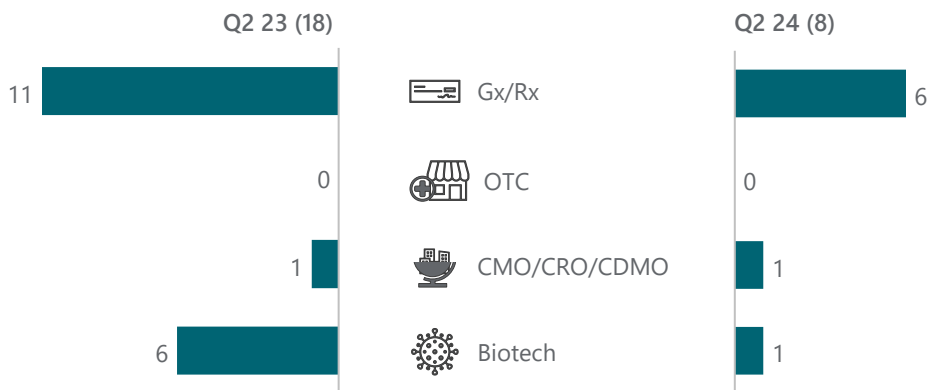
Value & number of deals – Pharma Europe¹



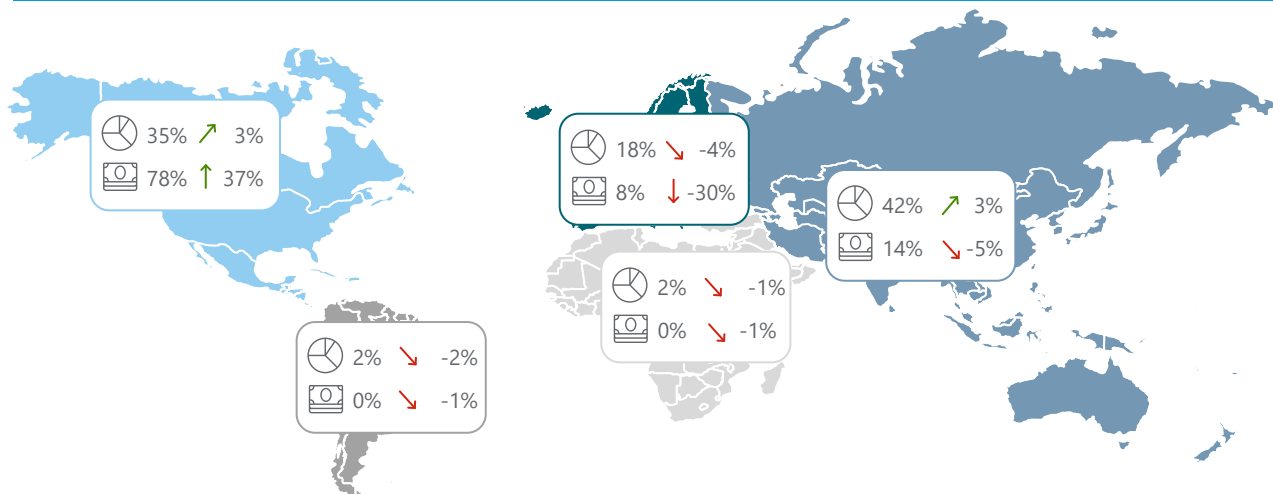
Comments

- › The anticipated and hoped-for recovery within the European Pharma industry, expected from an increased deal amount in Q1 '24, did not materialize yet
- › Instead, Q2 '24 marks a new low regarding number of deals compared to the last two years with only 8 deals completed in the quarter
- › The only highlight of the quarter is the reappearance of a mega deal after the absence of any for the last two quarters: Asahi Kasei Corporation acquired Calliditas Therapeutics AB for 1.1 b€ to realize economies of scale and access new markets
- › Given ongoing market rumors and news releases Q3 might see a certain recovery again

Number of European Pharma deals as per subsegment



Geographic overview of global Pharma deals activity YTD (Q2/24 versus Q2/23)

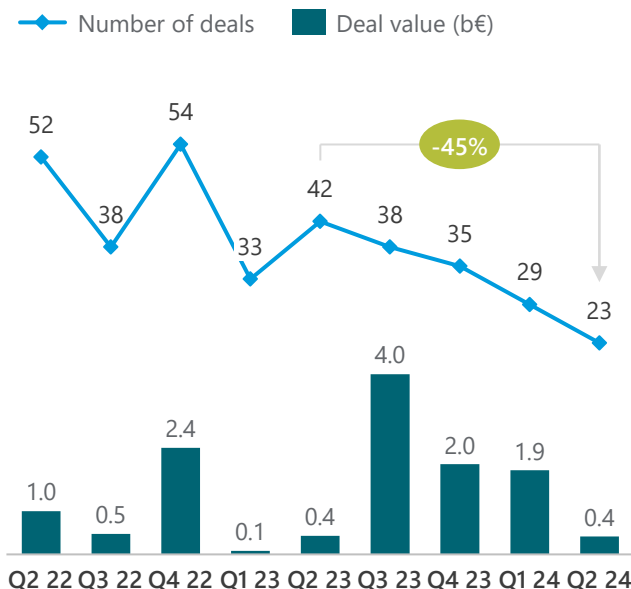


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European MedTech: The downward trend continues both with respect to the number of deals and total deal values

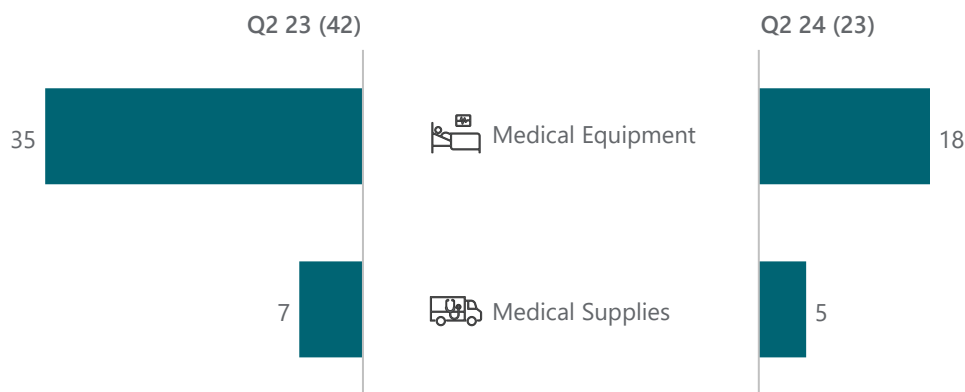
Value & number of deals – MedTech Europe¹



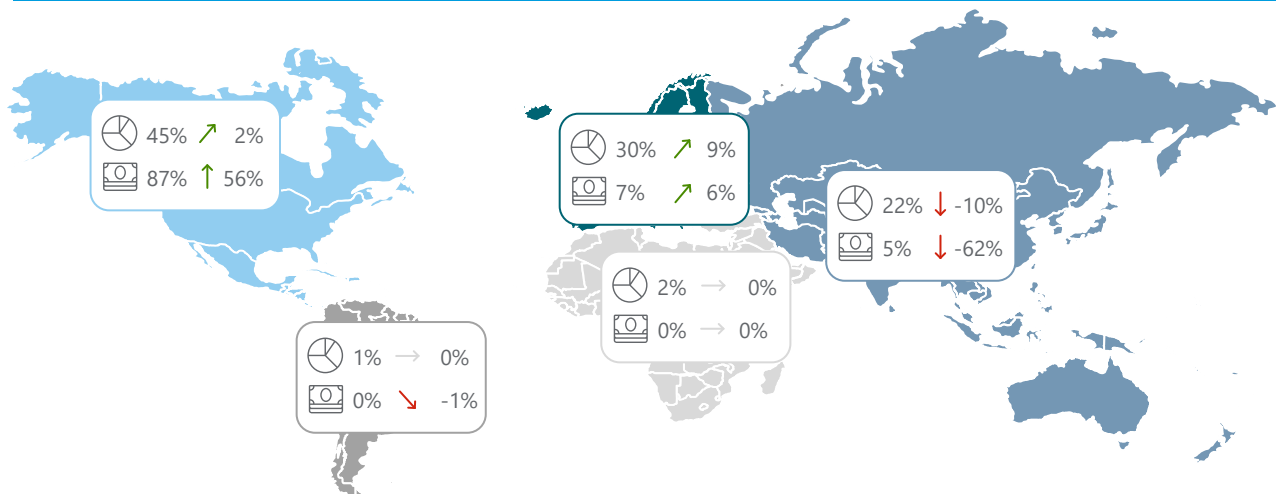
Comments

- › Both deal values and number of deals are further declining, reaching a new low in deal numbers in the observation period
- › Regulatory changes such as the EU-MDR affect the current development as investors hold back on transactions until the regulatory environment and general market conditions have stabilized
- › The future growth potential of European MedTech companies is seen by foreign investors as inhibited due to the MDR, as any product innovation is accompanied by a need for complex certifications, which puts direct competitors from other regions (especially North America) in a favorable position
- › Impacts of this geo-regulatory trend are visible especially in the geographical split of transaction values

Number of European MedTech deals as per subsegment



Geographic overview of global MedTech deals activity YTD (Q2/24 versus Q2/23)

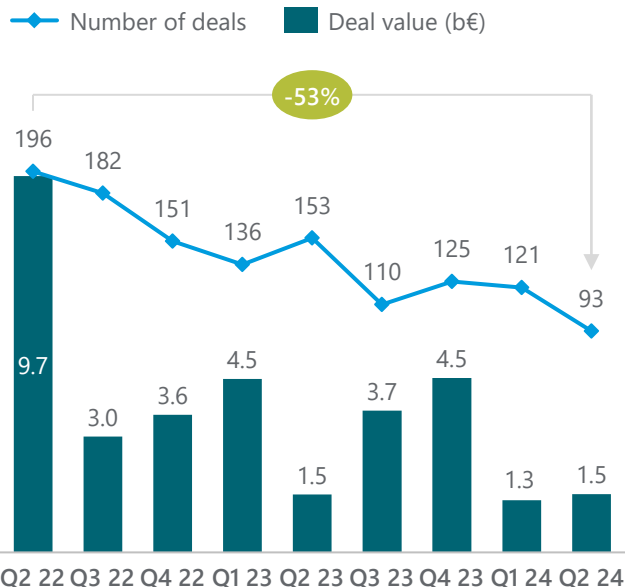


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📊 Share of Number of deals
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 RSM Ebner Stolz Management Consultants GmbH

European Health Care: For the first time, number of announced deals per quarter falls below the 100 mark

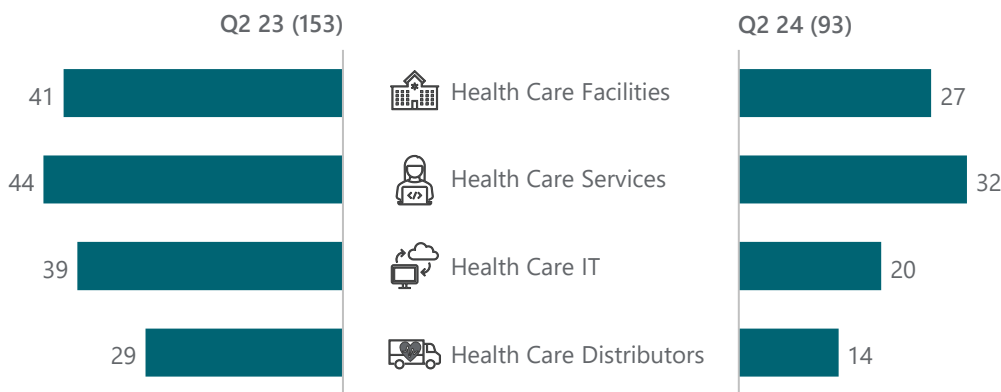
Value & number of deals – Health Care Europe¹



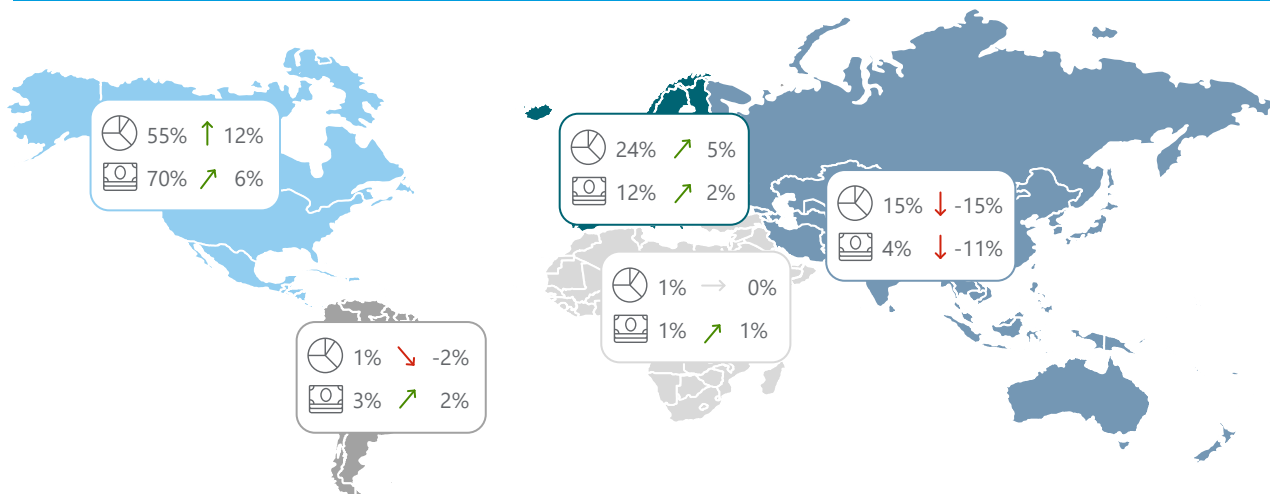
Comments

- › M&A activity continues to be on a low level in the European health care sector with the number of deals reaching below 100 for the first time in the observation period and more than halving since Q2 '22
- › The total deal value is the third lowest in the observation period and predominantly driven by three deals, contributing ~65% of the total transaction value in Q2 2024
- › The acquisition of Groupe ProductLife SAS at 500 m€ is thereby the largest transaction in Q2 2024, purchased by two financial investors (21 Invest France and Oakley Capital Invest. Ltd.), which aim to strategically reorganize the French company in order to achieve ambitious growth prospects

Number of European Health Care deals as per subsegment



Geographic overview of global Health Care deals activity YTD (Q2/24 versus Q2/23)



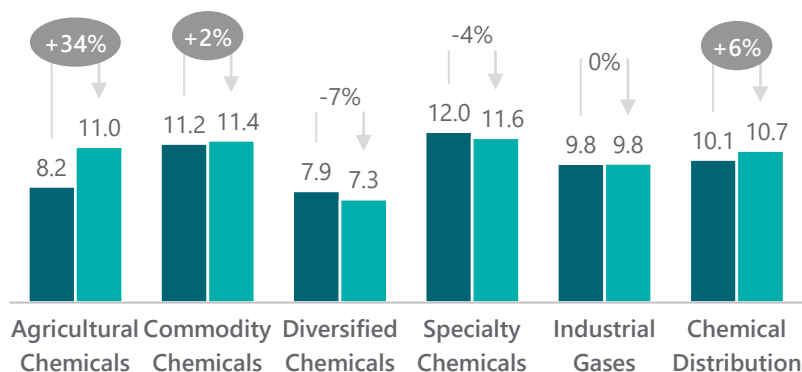
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 RSM Ebner Stolz Management Consultants GmbH

Valuation levels stable across subsegments in Chemicals and Pharma ...

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

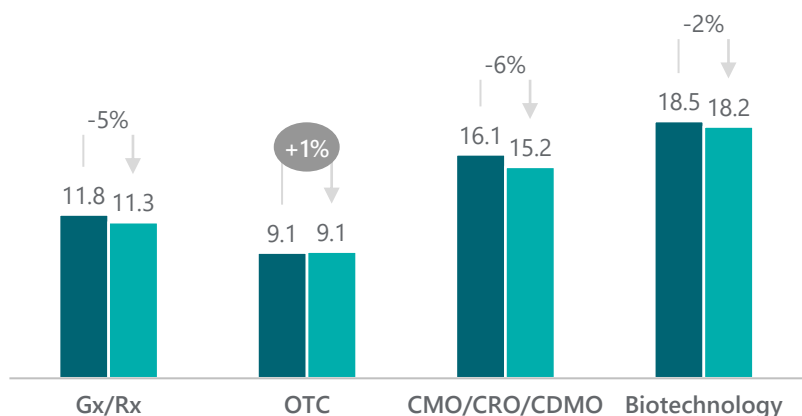
2023 EV/LTM EBITDA 2024 EV/LTM EBITDA



- > Although the M&A activity in the chemical industry might be recovering, there is no consistent trend identifiable in the multiples development
- > The only segment experiencing increased multiples is agricultural chemicals (+34%) and chemical distribution (+6%), while the valuation of the other sub-industries remains rather constant or decreased slightly

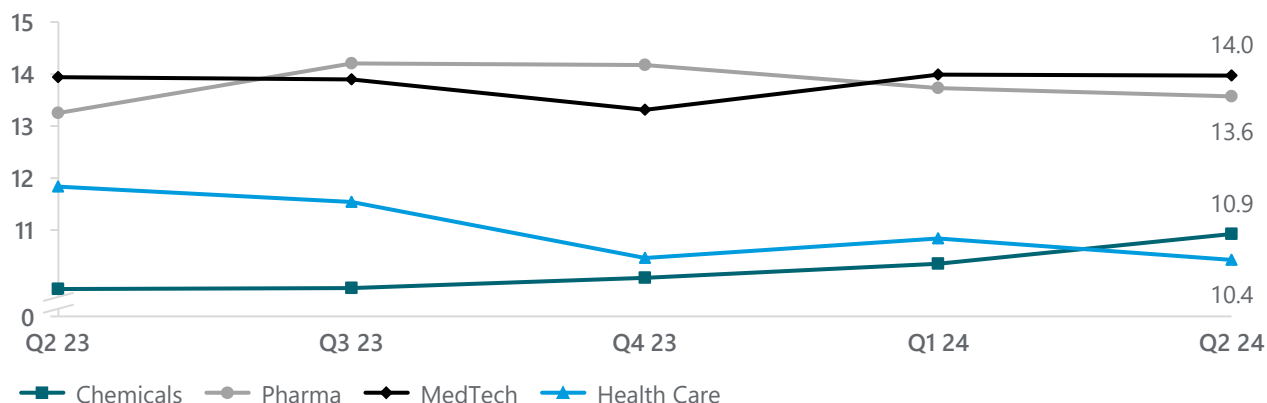
Pharma multiples (x) per subsegment (publicly traded companies)

2023 EV/LTM EBITDA 2024 EV/LTM EBITDA



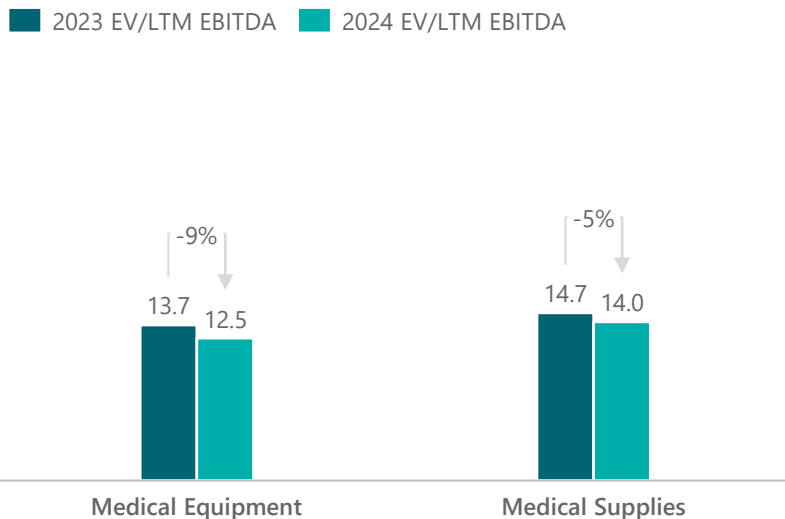
- > The valuation levels in Pharma industry are already at very high levels and this quarter witnesses only minor adjustment to the valuations across the subsegments
- > Pharma outsourcing services (CMO/CRO/CDMO) and Biotechnology high valuation levels confirm the trend in the industry that substitutable activities are being outsourced (i.e., high demand for contract manufacturers) frequently while special capabilities (i.e., Biotech) are likely to be insourced

Development of the EV / EBITDA multiples over time per industry



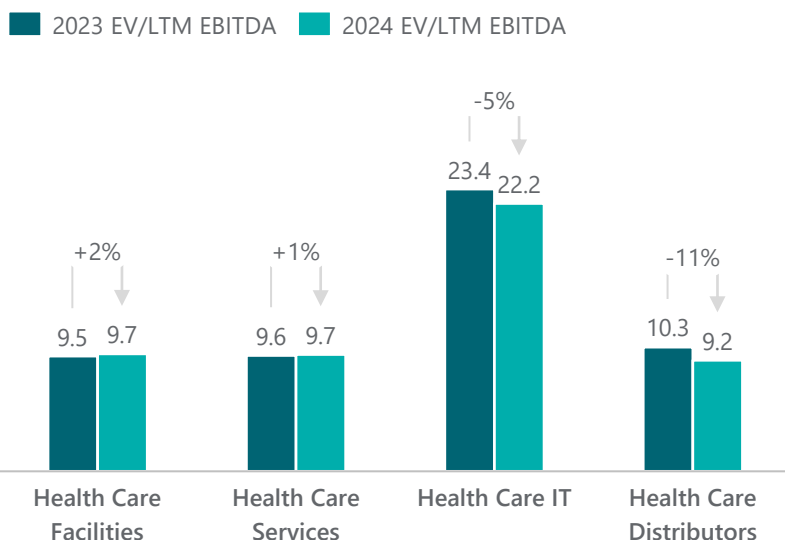
... and the same trend is observed within MedTech and Healthcare industries

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



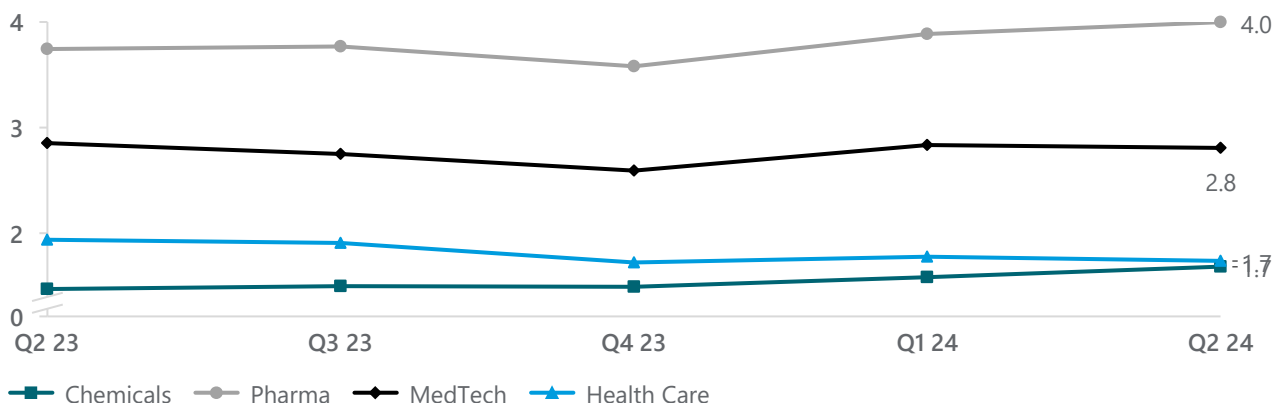
- > MedTech in general remains the highest valued industry (EV/EBITDA) across the industries in our coverage
- > The marginal decline in multiples as compared to 2023-year end multiples are largely due to the regulatory uncertainties in Europe surrounding MDR certification process and upcoming deadlines

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



- > Health care multiples remain at a similar level as 2023 with Health Care distributors experiencing the most significant change with a -11% decrease in multiples
- > Health Care IT is still at a very high level, although the multiples are starting to normalize, as the segment is predominantly driven by extraordinary high valuation levels for three large North American players (>1 b€ revenues) as well as Sectra AB, which share price has doubled since 'Q4 22 due to high growth in the US market

Development of the EV / Revenue multiples over time per industry

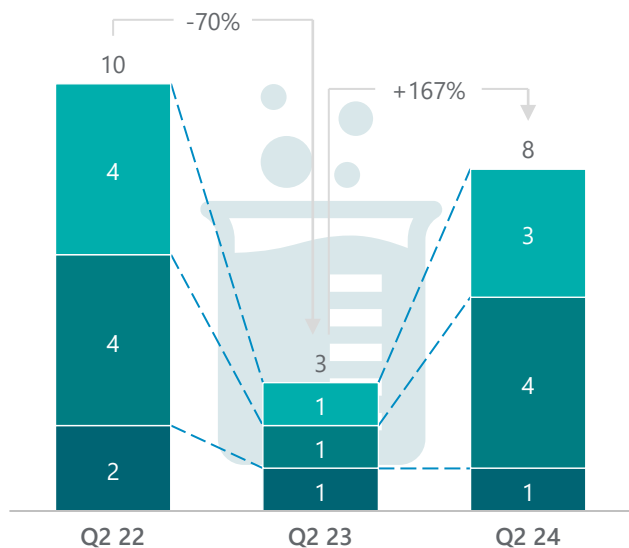


Improvement in PE activity within Chemicals and Pharma whereas PE deals in Healthcare and MedTech still decline

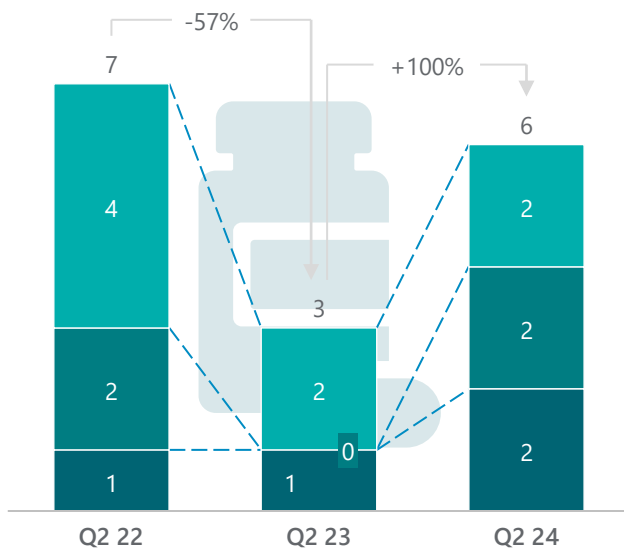
Number of deals driven by PE as buyer / seller

PE Buyer PE Seller PE-to-PE

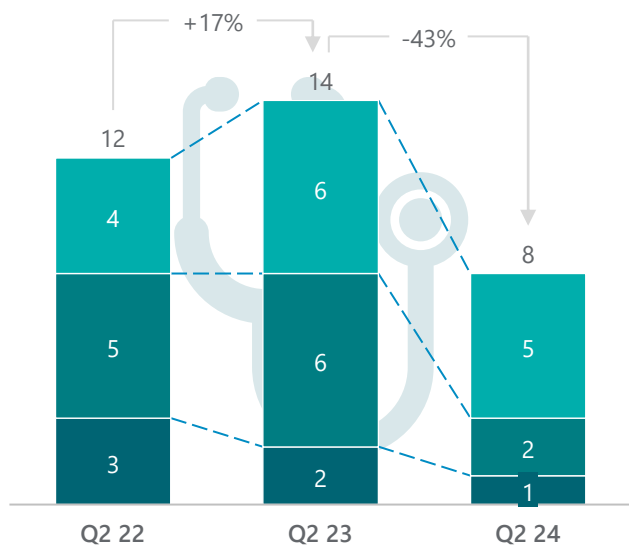
Chemicals



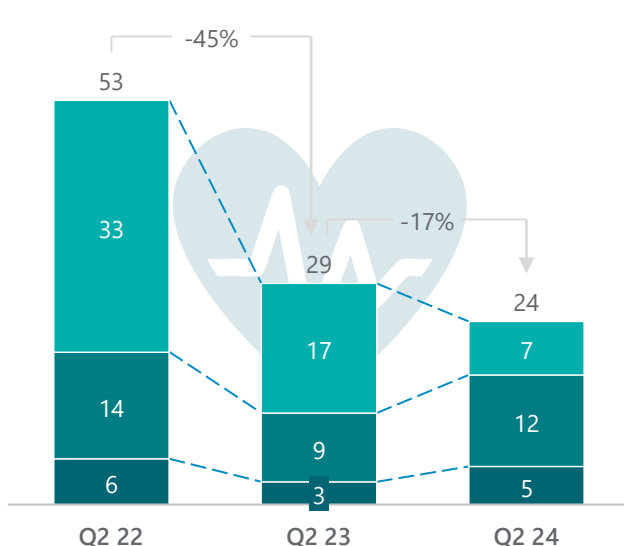
Pharma



MedTech



Health Care

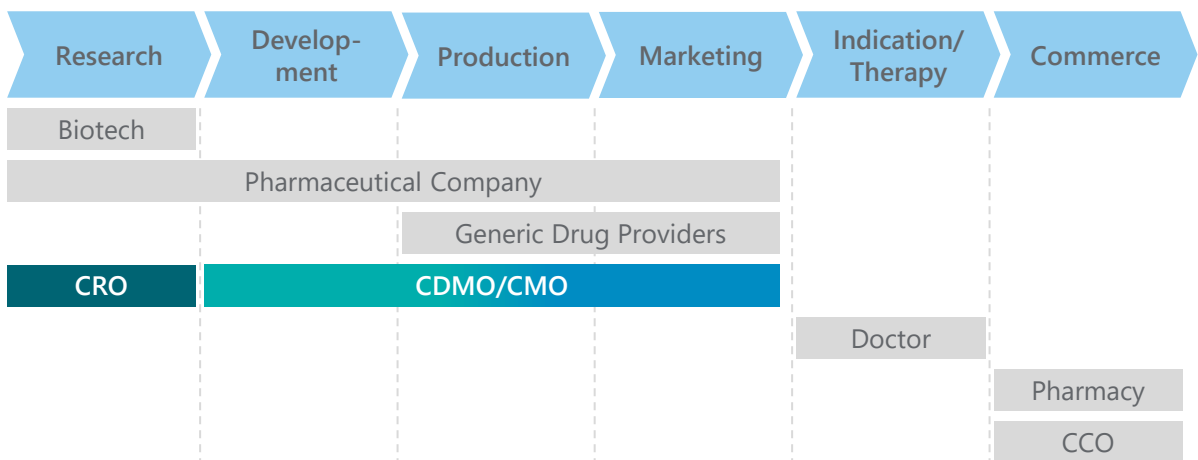


Q2 24

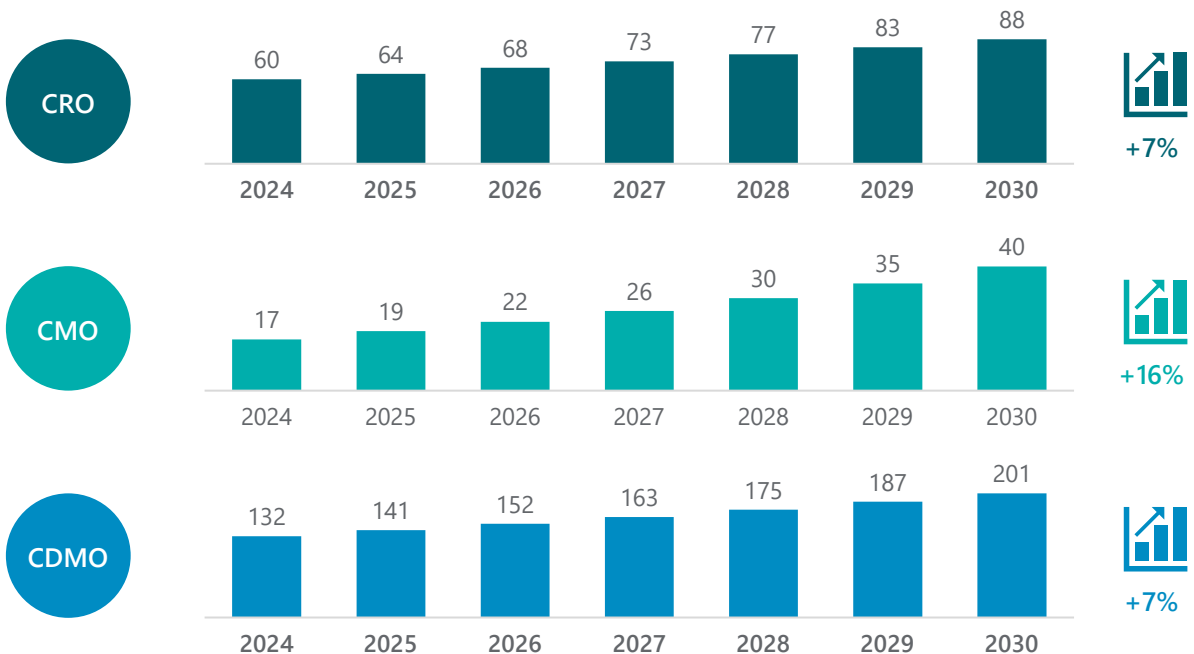
Deals with PE as seller	.....	Σ 20	.....	12,0% of total deals
PE-to-PE deals	.....	Σ 9	.....	5,4% of total deals
Deals with PE as buyer	.....	Σ 17	.....	10,2% of total deals

Focus Outsourcing in Pharma: A catalyst for future deal activity?

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

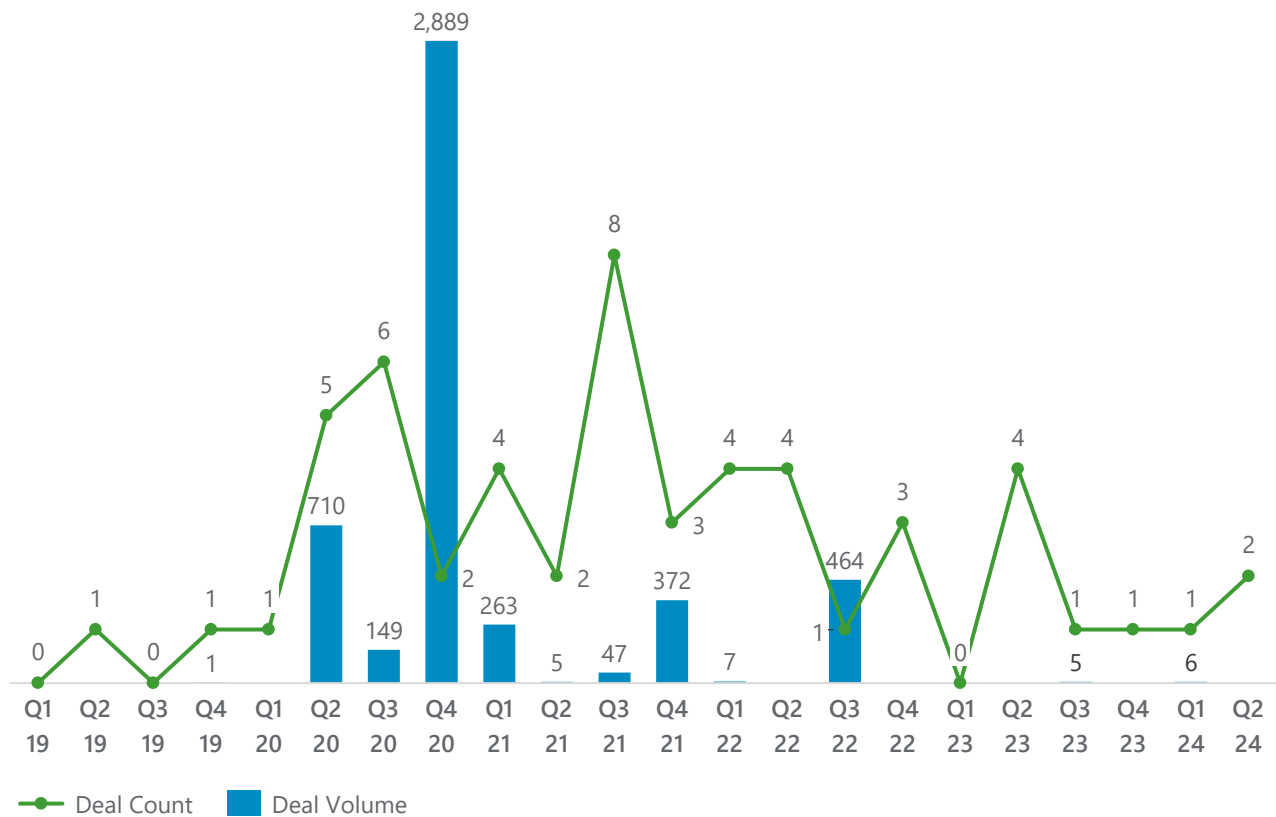


Global market sizes (b€) and CAGR (%) of CDMO, CMO and CRO

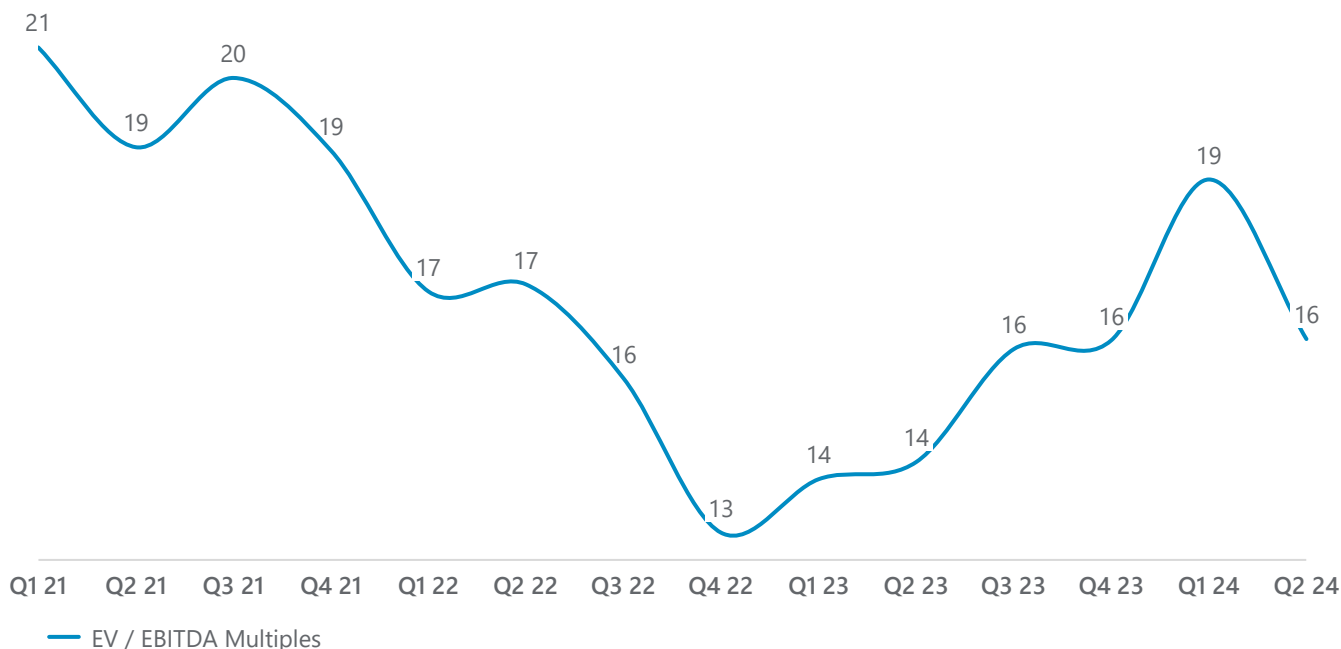


The Pharma Outsourcing market has seen a substantial uptick in deal activity especially at the peak of COVID

Global M&A activity and deal volume in CMO/CRO/CDMO








Development of EV / EBITDA multiples in CMO/CRO/CDMO



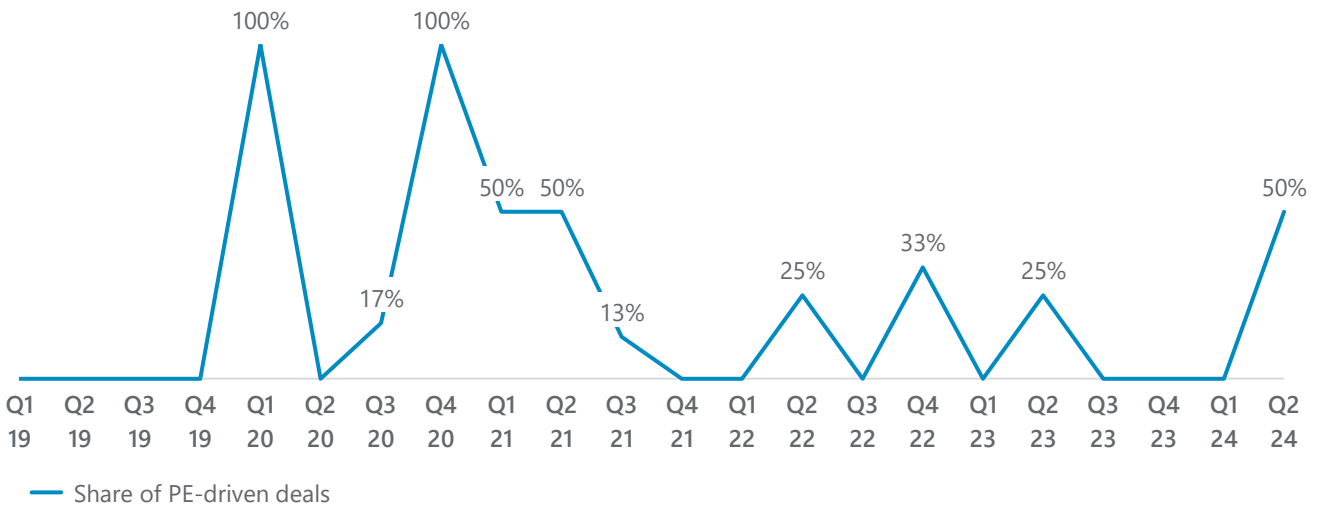
Source: RSM ES MC Research, BV MED 2023, Capital IQ
RSM Ebner Stolz Management Consultants GmbH

With the European market gaining importance over time, current market trends might further accelerate activity

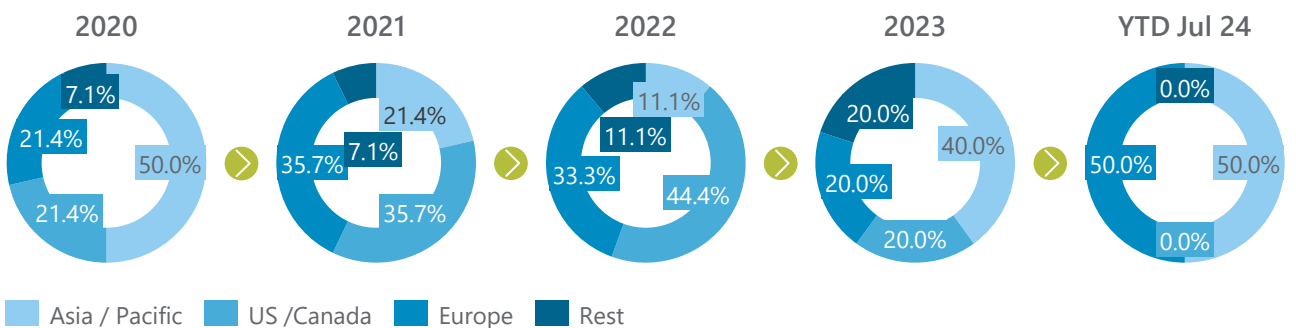
Trends and challenges for Pharma contract organizations

	Outsourcing and divestitures	Pharmaceutical companies will continue to review their production network to divest non-core in-house manufacturing activities to outsource volumes to strategic partners
	Platform expansion to offer one-stop-shop	With ever increasing complexity of production processes, regulatory frameworks and reimbursement structures, pharma companies require more added value services from its outsourcing partners
	Market entry	Companies in related industries (e.g., biotechnology and IT start-ups, fine-chemical companies) strive to enter the contract manufacturing market via acquisitions to leverage the increasing demand
	Acquisition of special capabilities	Acquisition of special manufacturing capabilities – for example in API development incl. biotechnology – for which drug manufacturers are willing to pay high prices
	Private Equity	In a growing and still highly fragmented market with attractive margins especially in complex applications, syntheses and formulations, Pharma outsourcing services remains an interesting field for Private Equity investors

Private Equity engagement in CMO/CRO/CDMO deals (global)



































Geographical split of CMO/CRO/CDMO transactions (target company)



Transaction multiples in European Pharma outsourcing confirm the current trading multiple of ~16x EV/EBITDA

Selection of Deals within CDMO/CMO/CRO/CCO

Year	Area	Target	Buyer	Rationale	Volume [m€]	EV / Revenue	EV / EBITDA	
2024	CDMO	MoBiTec GmbH 	Calibre Scientific 	Strategic	n/a	n/a	n/a	
2024	CDMO	ABJ alive GmbH 	Nord Holding 	Financial	n/a	n/a	n/a	
2024	CCO	Alliance Pharma plc 	DBAY Advisors 	Financial	3	1.75x	9.11x	
2023	CDMO	Horizon Therapeutics 	Amgen Inc. 	Strategic	26,902	7.7x	35x	
2023	CDMO	Labomar Spa 	LBM Next Spa 	Strategic	34	2.21x	12.35x	
2022	CDMO	Pierrel SpA 	Recordati SpA 	Strategic	41	0.68x	1.79x	
2022	CRO	Launch Diagnostic Holdings Ltd 	Avacta Group plc 	Strategic	42	1.13x	3.78x	
2022	CCO	SkyCell AG 	Tybourne Capital Man. 	Financial	116	n/a	n/a	
2022	CDMO	Vifor Pharma AG 	CSL Ltd 	Strategic	11,800	6.18x	20.34x	
2022	CCO	Impolin AB 	Navamedic ASA 	Strategic	6	0.95x	8.95x	
2022	CMO/CCO	Karo Healthcare AB 	EQT Partners 	Financial	212	7.16x	41.32x	
2022	CCO	Cliningen Group plc 	Triton Advisers Ltd 	Sponsor	2,100	3.01x	14.59x	
2021	CDMO	NewCo Pharma GmbH 	Medios AG 	Strategic	140	4.34x	9.94x	
2021	CDMO	Fertin Pharma A/S 	Philip Morris Int. 	Strategic	813	4.64x	15.00x	
2021	CRO	NorthX Biologics 	Flerie Invest AB 	Financial	67	7.7x	n/a	
2021	CMO	Sweden Care AB 	Symrise AG 	Strategic	537	3.85x	19.98x	
					Average	3,058	3.9x	16.0x

Our key takeaways



The slight improvement in deals activity in Q1 '24 did not sustain further in Q2 '24 as all industries, with the exception of Chemicals, recorded another setback in the number of announced deals



Trading multiples are largely at 2023 levels with the exception of Agricultural Chemicals



The occurrence of single mega deals in Chemicals and Pharma is an indication of the willingness of buyers towards deal making despite the still high interest rates and uncertain macroeconomic environment



Overall, Q2 has been a mixed bag: Chemicals and Pharma are giving hope for the rest of the year with mega deals and increasing PE activity whereas MedTech and Healthcare seem to be on a rocky downwards slope



Next M&A Quarterly: Q4/2024
Edition Focus: Private Equity role in MedTech

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