

Market Update

Pharma Post-3Q 2024 Update

November 2024

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Bourne's Pharmaceutical Expertise

Pharma Sector Expertise



Industry Segments

- Big Pharma
- Commercial-Stage Biopharma
- 505(b)(2) Development
- Generic Pharmaceuticals
- Established Brands
- Royalty Monetization
- Priority Review Voucher (PRV) Market



Transaction Structures

- Sell-Side M&A
- Buy-Side M&A
- Product Divestiture
- Licensing & Partnership Deals
- Alternative Financing Solutions



Pharma



Pharma Services



Healthcare Services



Consumer Healthcare

Select Pharma Transaction Activity

ani
Pharmaceuticals, Inc.

has acquired

novitium

Buy-Side M&A

nicox
Pharmaceuticals

entered royalty monetization transaction with

SOLEUS CAPITAL

Sell-Side M&A

LEGACY
PHARMA

has acquired a portfolio of products from

SEBELA
PHARMACEUTICALS

Buy-Side M&A

W WOODWARD PHARMA

has acquired assets from

GSK **Eisai**

Buy-Side M&A

Apollo
Pharmaceuticals, Inc.

has been acquired by

PROVEPHARM

Sell-Side M&A

endo

has sold assets to

Lannett

Sell-Side M&A

NIVAGEN

has licensed injectable 505(b)(2) asset to

FRESENIUS KABI

Sell-Side M&A



Section One

Pharmaceuticals

i. Pharma Market Update

ii. Macro Trends / Environment

iii. Sub-Sector Spotlight





Pharmaceutical Market Update

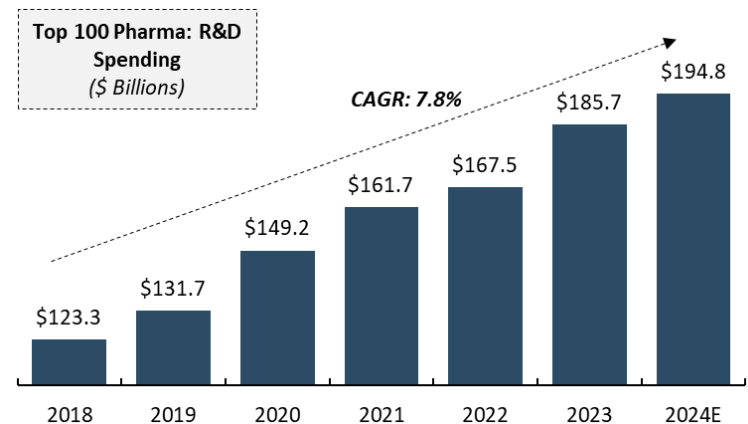
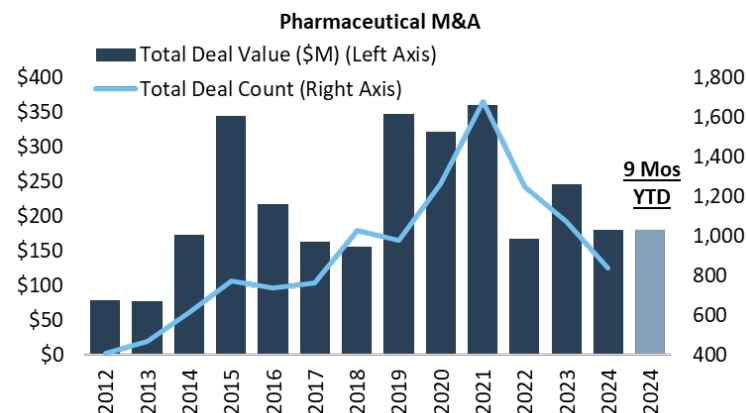
In our view, the pharma industry needs to ‘double-down’ on organic and inorganic innovation to navigate a challenging marketplace in the coming years. First is a looming “patent cliff” with the top 20 biopharma companies collectively facing as much as \$180B of potential revenue headwind through 2028. Also, with the election of President Donald Trump, we see an ongoing effort to put downward pressure on drug pricing using legislation and/or regulation. In our view, any pressure on Medicare (and Medicaid) pricing could have a ‘ripple’ effect into commercial pricing.

President-elect Donald Trump announced the nomination of Robert F. Kennedy Jr. (RFK) as his Secretary of the Department of Health and Human Services. RFK is perhaps best known for his criticism of what he considers to be lax regulatory oversight of vaccines. RFK has also supported measures to cap drug prices. To us, RFK’s past commentary on drug pricing seems consistent with Trump’s attempt to implement a “Most Favored Nation” policy late in his first administration.

Also, **the U.S. House of Representatives passed the BIOSECURE Act by a wide bipartisan margin.** This bill now awaits a vote in the Senate and signature by the President (Biden or Trump). In our view, passage of the BIOSECURE Act coupled with potential tariffs on imports could be very disruptive to the global pharma supply chain and it could require many pharma companies to significantly revamp their sourcing strategies.

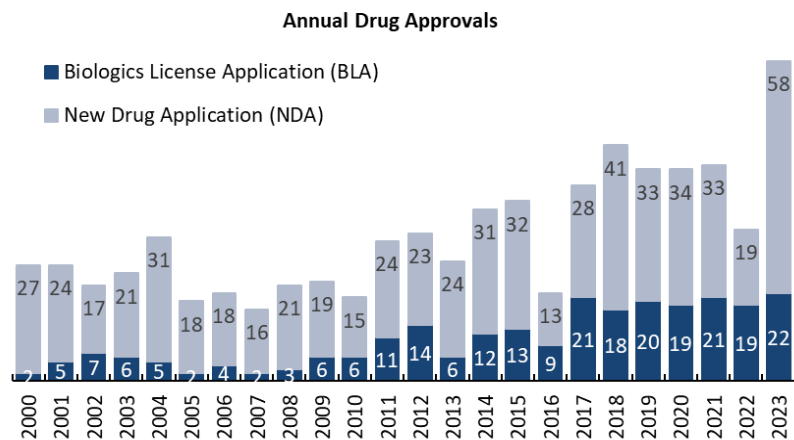
We continue to see broad-based workforce reductions by large pharma and small/mid-sized biotech companies. Workforce cutbacks seem to have accelerated since the “easy” capital markets of late 2020 and 2021. Since the “bubble years” of 2020 and 2021, pharma and biotech companies have had to increasingly rely on creative financing alternatives and cost cutting to sustain their operations.

As an example, **Bourne Partners successfully advised Nicox (XPAR: ALCOX) on a \$16.5M royalty monetization and concurrent equity financing.** We see royalty monetizations and structured financings as important pathways for biopharma companies to raise non-dilutive capital and fund innovation in more restrictive capital markets.

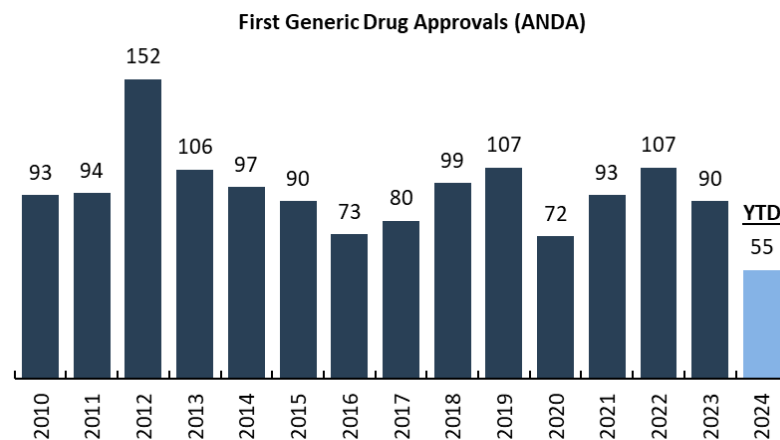




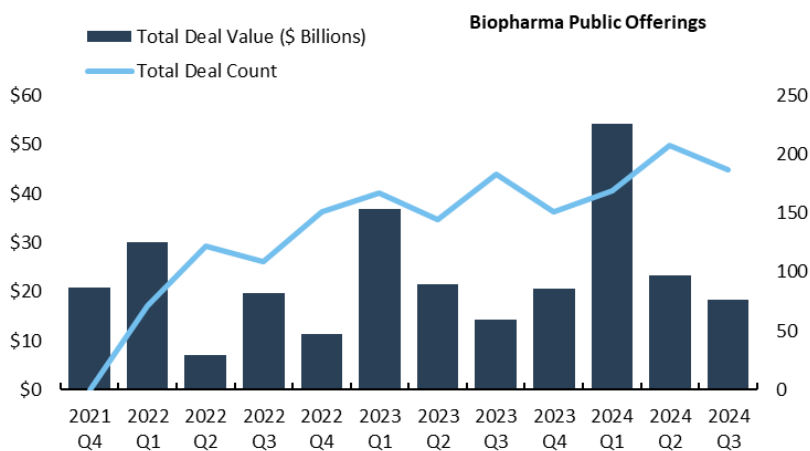
Pharma Macro Trends / Environment



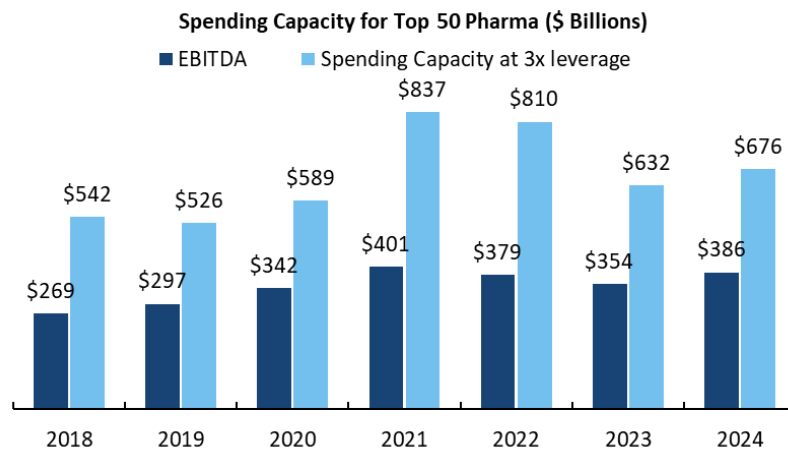
Source: U.S. Food and Drug Administration (FDA) and Bourne Partners



Note: Year-to-date (YTD) data above is as of November 15, 2024
Source: U.S. Food and Drug Administration (FDA)



Source: S&P Global Intelligence (As of September 30, 2024)



Note: Spending Capacity calculated as 3x EBITDA – Net Debt
Source: S&P Global Intelligence and Bourne Partners

Sub Sector Spotlight: Compounding and GLP-1 Drugs

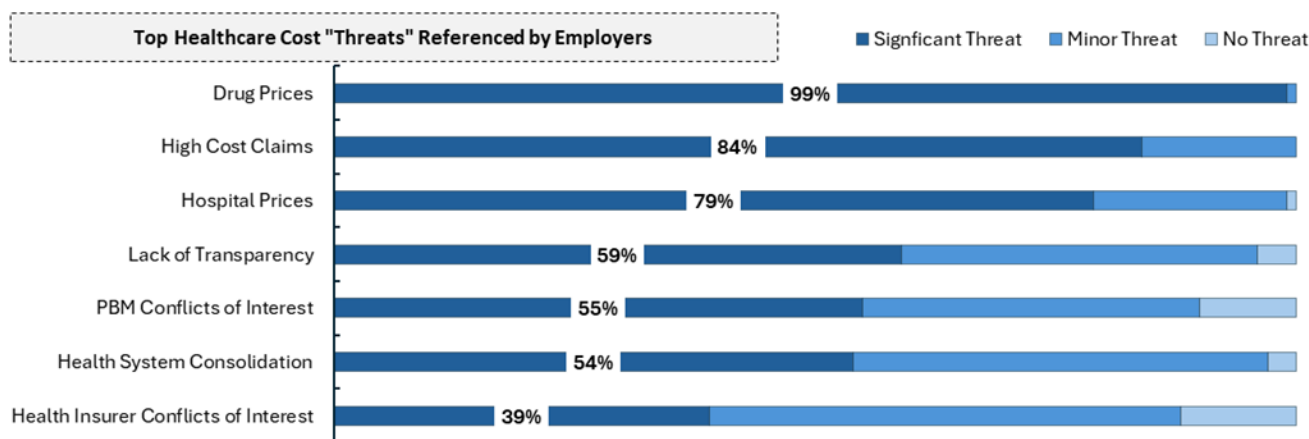
In October, we hosted our *Bourne Partners 12th Annual Global Healthcare CEO Summit in Charlotte, North Carolina*. The use of compounding pharmacies and GLP-1 drugs were key topics in our discussions. In almost every survey, prescription drug prices are, by far, the top concern of employers with ~99% of employers saying that drug prices are a “significant threat” to medical cost trends. Adding to the direct costs of drugs is the indirect cost of poor medication adherence.

Demand for GLP-1 drugs is not showing any sign of slowing. A September 2024 study by the Kaiser Family Foundation concluded that 57.4 million Americans with private health coverage (under the age 65) could be eligible for GLP-1 drugs for either diabetes and/or weight management -- versus 8.2 million Americans who reported that they were currently using a GLP-1 drug. Almost half (~46%) of employers currently cover GLP-1 drugs to some degree with another ~21% contemplating coverage within the next three years.

To control costs, **employers are implementing various eligibility and cost/utilization management measures.** This includes the use of body mass index (BMI) thresholds that must be met to qualify for GLP-1 drugs for weight loss. Other employers are limiting their exposure to excessive GLP-1 weight loss expenses by setting lifetime caps on funds available to covered employees.

















There was significant discussion at the Summit on how compounding pharmacies can be used to lower drug costs and improve medication adherence. Compounded drugs are often much more affordable than branded drugs, sometimes costing as little as a third as much. Also, compounding pharmacies allow physicians to tailor drugs/treatment regimens to specific patients recognizing that “one-size does not fit all.” GLP-1s, for instance, are known to have gastrointestinal side-effects for certain patients at full commercial dose.

*** Please refer to our white paper on consumerism, compounding, and GLP-1 drugs here: [Link](#). ***



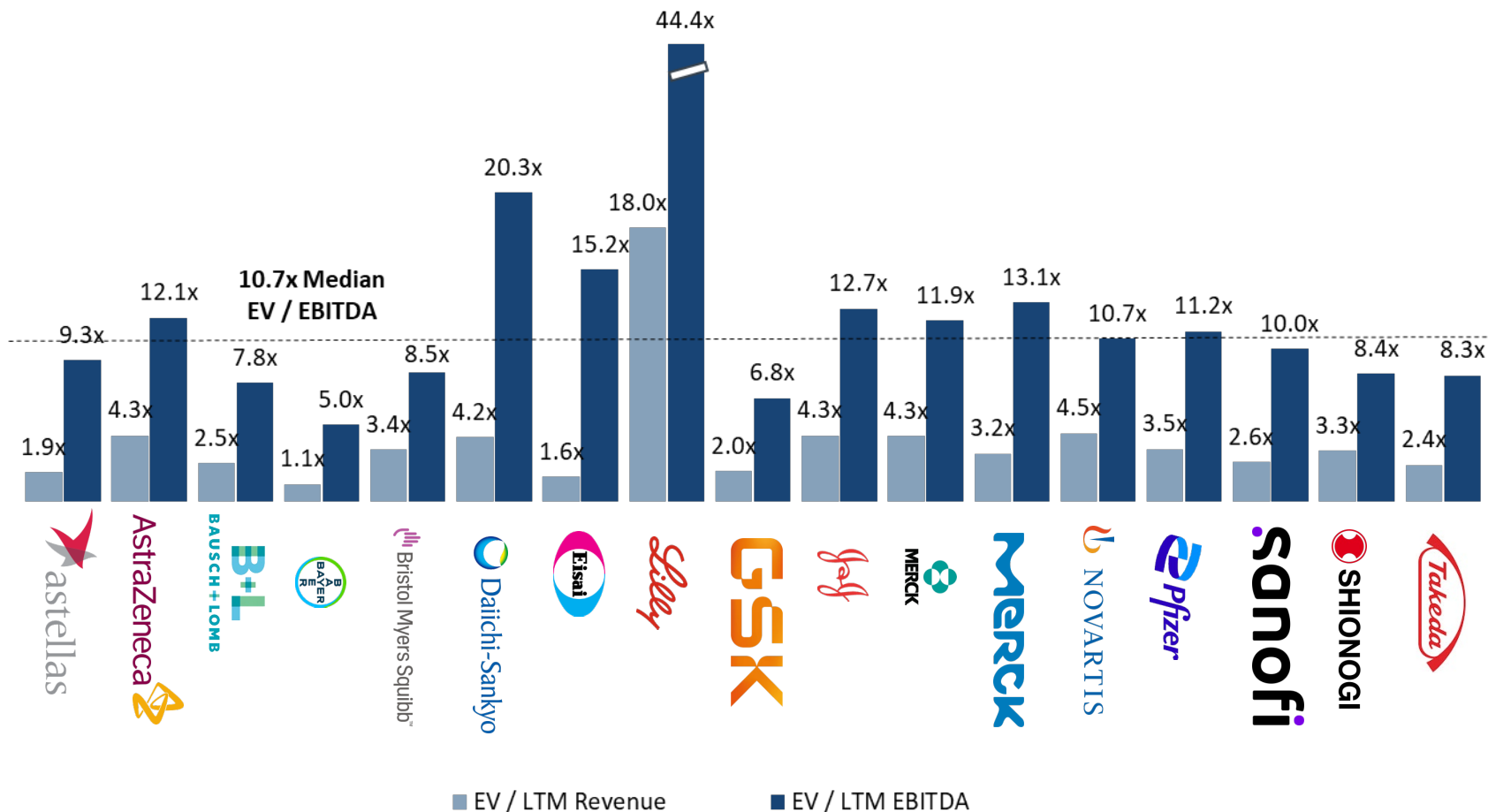
Sources: The National Alliance of Healthcare Purchaser Coalitions (Pulse of the Purchase 2024 Survey Results; October 2024) and Bourne Partners and Bourne Partners

Selected Recent Pharma Transactions

Date	Target	Acquirer	Commentary	Deal Values
Oct-2024			AbbVie will acquire Aliada to access novel assets for central nervous system (CNS) diseases, including for patients living with Alzheimer's disease.	\$1,400M
Oct-2024			Treatment paradigms for cancer patients with a novel class of small molecules that target cancer cells lacking expression of a key DNA repair protein	\$1,330M
Sep-2024			Acquired a portfolio of solutions dedicated to developing and commercializing innovative therapeutics in immuno-dermatology.	\$1,486M
Aug-2024			Aesthetic and therapeutic offerings, including DAXXIFY for injection and the RHA Collection of dermal fillers.	\$1,212M
May-2024			EyeBio's late-phase candidate Restoret™ will enable Merck to enhance its ophthalmology pipeline	\$3,000M
May-2024			Asahi gains biopharma expertise in commercializing a suite of novel treatments in orphan indications	\$1,090M
May-2024			Novartis gains a strong suite of expertise in the R&D of safe, effective, and targeted radiopharmaceuticals	\$1,750M
May-2024			Biogen acquired HI-Bio rare disease pipeline by adding HI-Bio's late-stage lead candidate, felzartamab for patients with severe immune-mediated diseases	\$1,800M



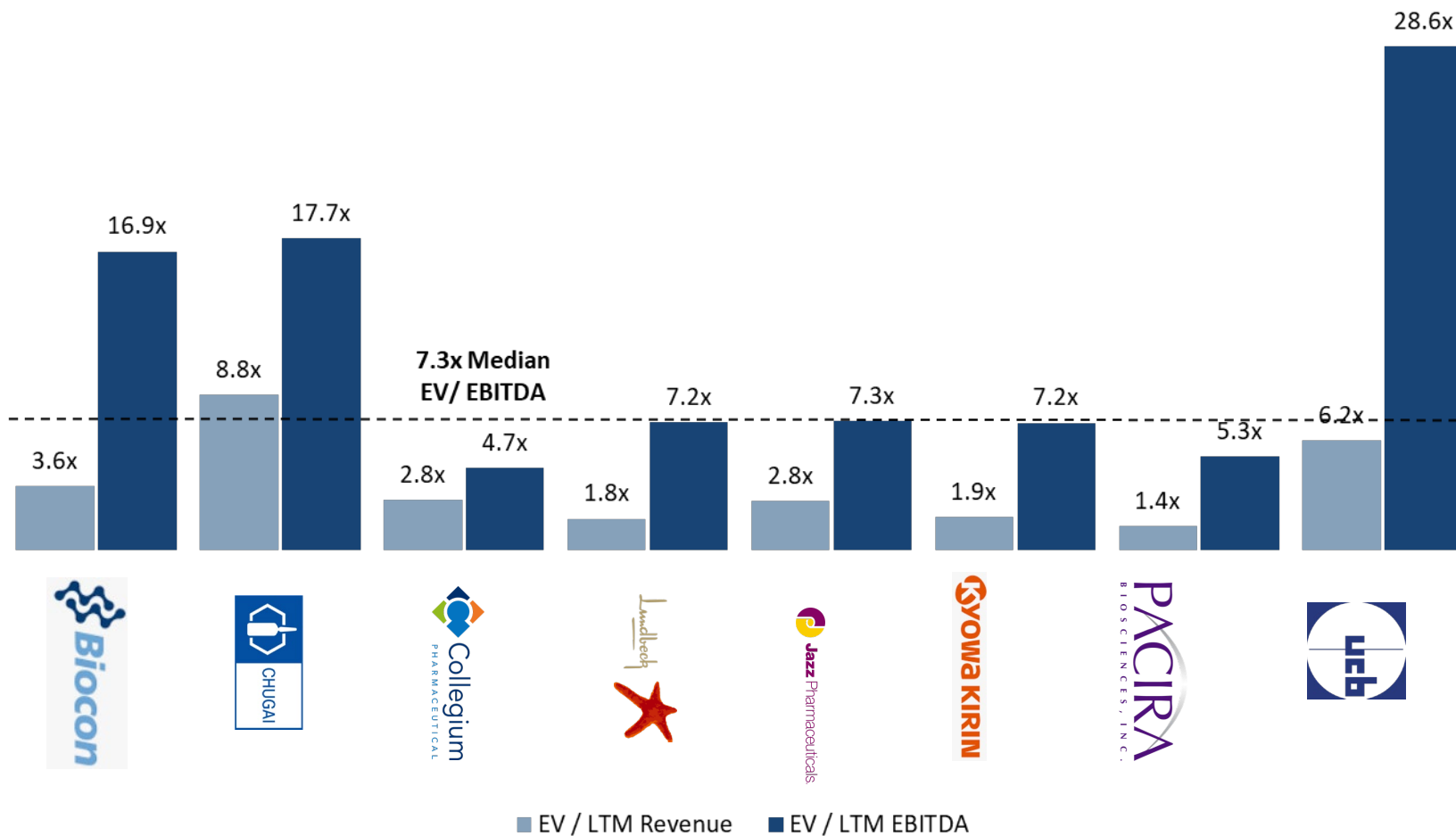
Select Large Cap Pharma Trading Valuations



Note: Market values as of the close of business November 15, 2024.
Source: S&P Global Market Intelligence



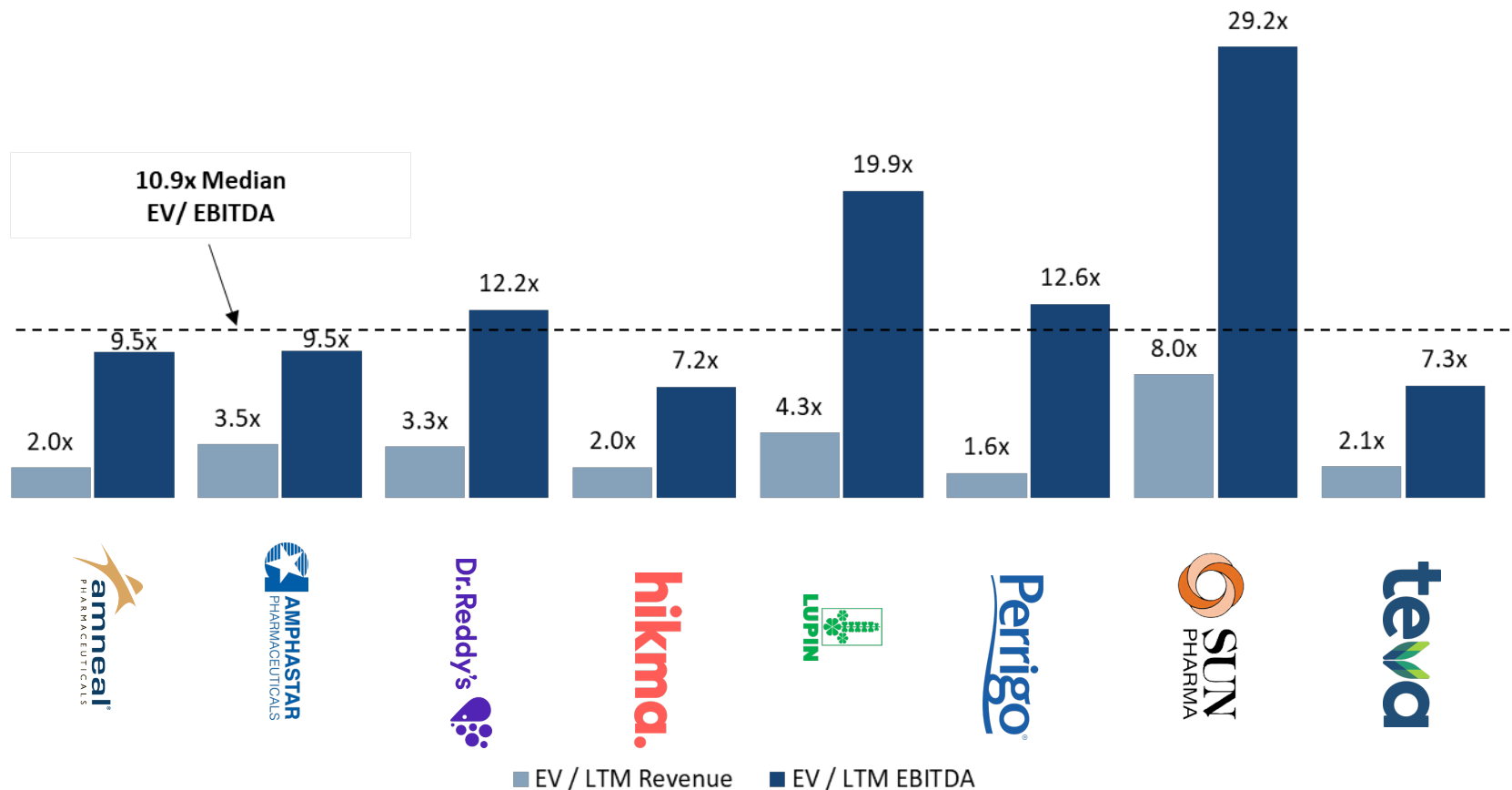
Select Branded Pharma Trading Valuations



Note: Market values as of the close of business November 15, 2024.
Source: S&P Global Market Intelligence



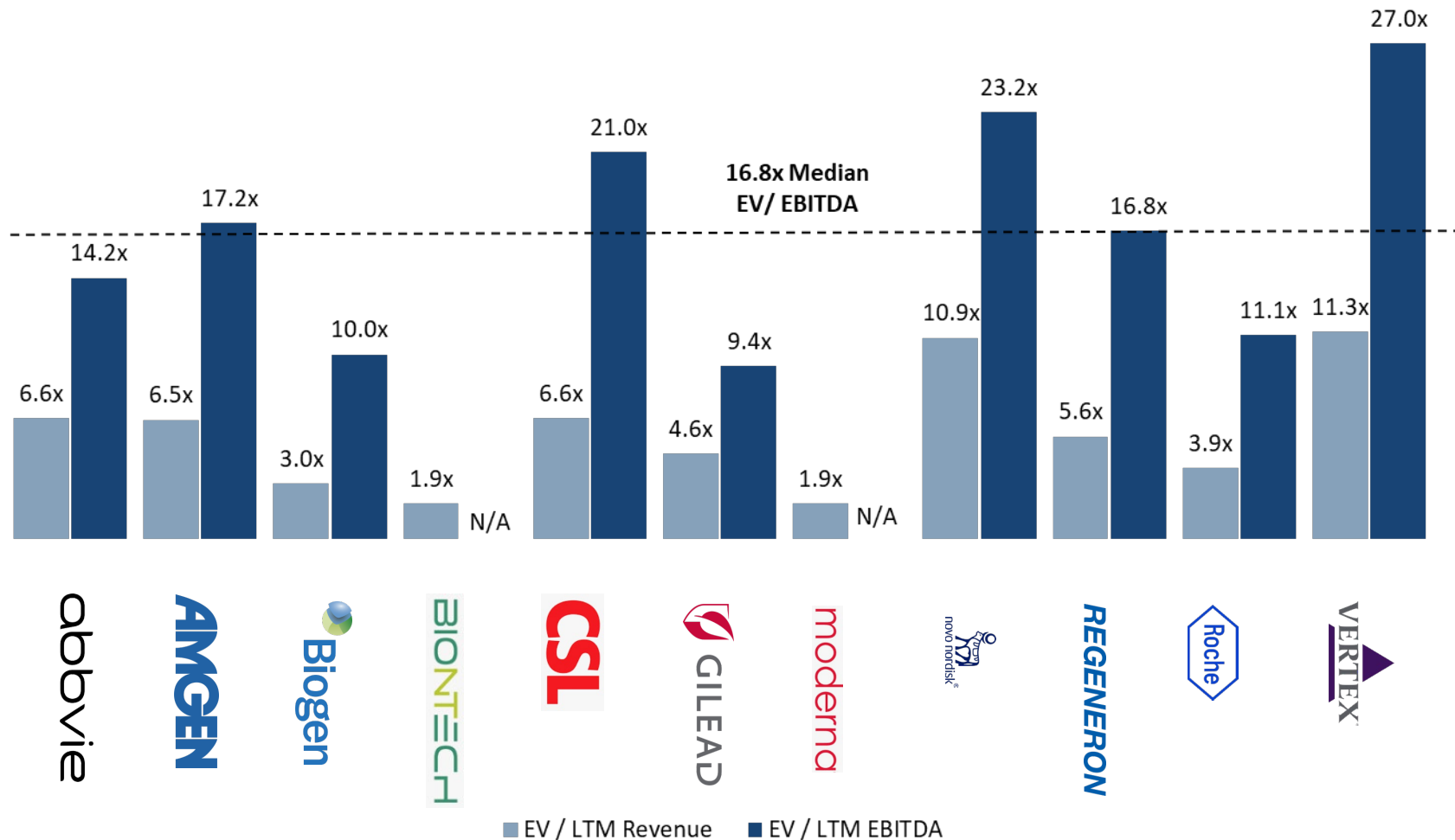
Select Generic Pharma Trading Valuations



Note: Market values as of the close of business November 15, 2024.
Source: S&P Global Market Intelligence



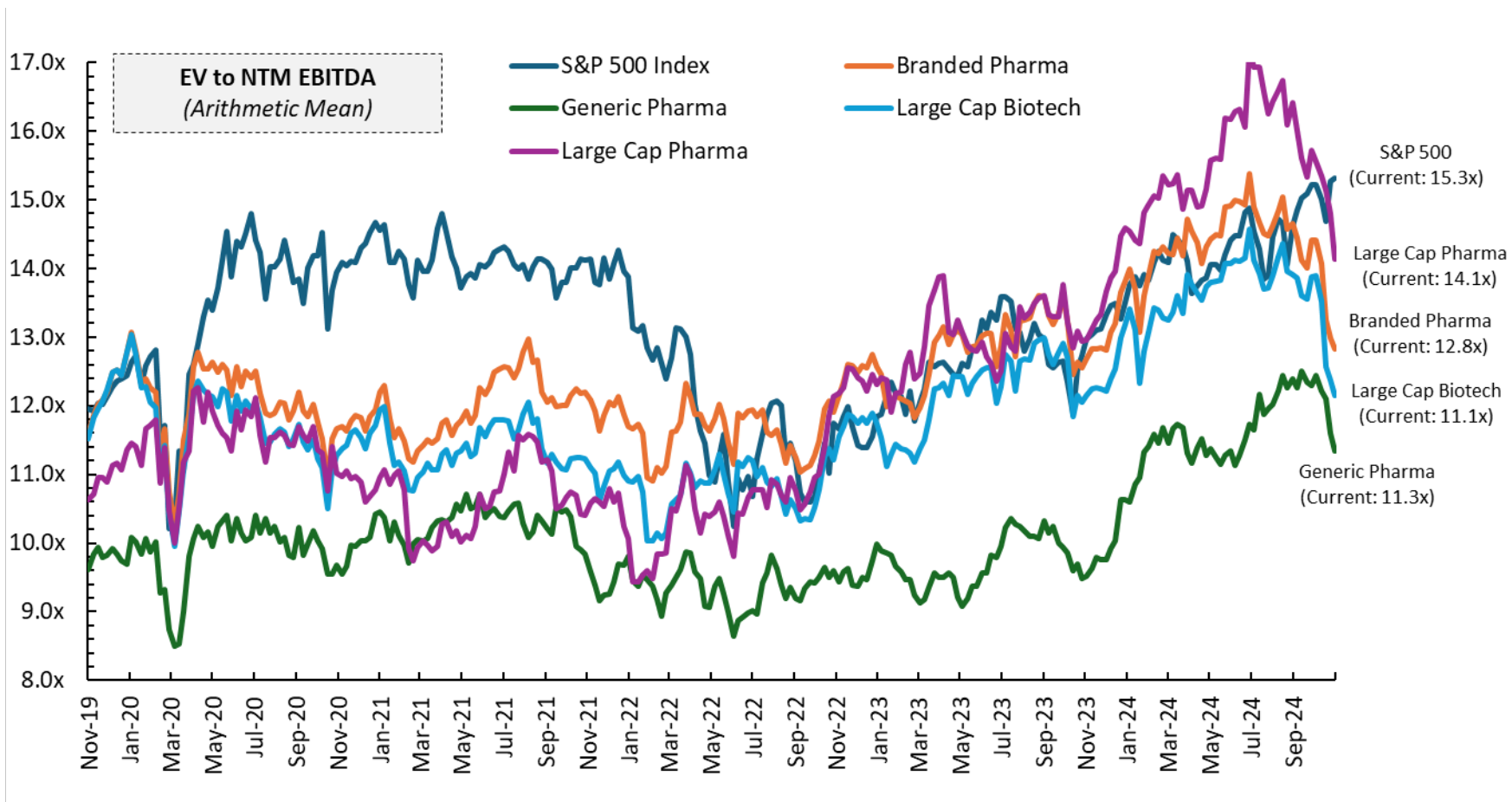
Select Large Cap Biotech Trading Valuations



Note: Market values as of the close of business November 15, 2024.
Source: S&P Global Market Intelligence



Bourne Pharmaceutical Indices (By Sub-Segment)



Note: Market values as of the close of business November 15, 2024. See pages 10-13 for components of the above indices.
 Source: S&P Global Market Intelligence

Section Two

A modern conference room with a large wooden table and black chairs, overlooking a city skyline through large windows. The room is dimly lit, with light coming from the windows and recessed ceiling lights. The city skyline outside features several tall buildings, including one with a prominent glass facade and another with a distinctive triangular top. The overall atmosphere is professional and contemporary.

Bourne Partners

i. Thought Leadership

ii. Bourne Partners Overview

iii. Investment Bank Overview



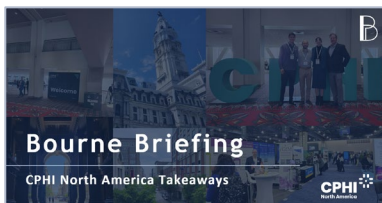
Thought Leadership

Bourne Perspective

After 20+ years of exclusive industry and capital markets coverage, we know the space and we are committed to providing insights to clients. We provide cutting-edge thought leadership on all things Pharma, Pharma Services, Healthcare Services, and Consumer Health.

Through leveraging resources and insights of both Bourne Partners Strategic Capital and Investment Banking divisions, **we provide differentiated perspectives to our clients from our unique vantage point.** Our goal is to deliver heavy-hitting, timely reports in an easy-to-read format tailored specifically for executives within our industry coverage.

Conference Commentary



Industry Update Posts



Weekly Newsletter

INSIGHT

Newsletter
Recent Trends & Transactions

In This Issue

- Upcoming Events
- Bourne Insights
- Trading Comps
- Market Research
- Active Deal Contacts
- Select Transactions

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BOURNE BRIEF

Incremental Insights into Clinical Trial Site Networks

Key Take-Aways from the SCRS Global Site Solutions Summit

The Bourne Partners team attended the Society of Clinical Research Sites (SCRS) 2024 Global Site Solutions Summit in Paris this week to get incremental visibility into the trends impacting the clinical trial site space. We continue to expect ongoing consolidation of clinical trial sites into larger site networks (or site management organizations) in the coming years. In our view, the rise of the networks is bringing much-needed experience of scale to an otherwise fragmented universe of standalone clinical trial sites.

For more discussion, see our recent research report: [Global Trial Site Networks: Market Research Update](#) (September 2024).

Take Away 1:

A Challenging Environment for Standalone Clinical Trial Sites

We see the clinical trial site landscape as overly fragmented, mostly consisting of single standalone sites that lack the economics of scale to absorb rising labor costs, the increasing burdens of information technology adoption, and the administrative challenges of supporting more complex clinical trials. Our thesis was reinforced by our attendance at the Summit this year. Data from the SCRS Annual Site Landscape Survey (released at the Summit) confirmed that standalone sites are indeed struggling financially. A third of the sites in the survey reported lower net-operating profit margins in each revenue band. And, half (50%) of clinical trial sites in the survey reported having less than three months of operating capital (cash on hand) in the bank. Refer to Figure 1.

Figure 1: Many Standalone Clinical Trial Sites Are Operating on "Shore-String" Budgets

Clinical Trial Sites: Healthy Observations

- 55% of sites received a net profit margin of the last 12M
- 55% of sites received a decreasing profit margin (last 12M vs 24M)
- 55% of sites have more than a third of their operating resources reserved for 30 days

Trial Sites: Number of Months of Operating Capital

Also, almost a third (33%) of sites reported lower operating capital over the past year.

Less Than 1 Month	1-3 Months	3-6 Months	6-12 Months	12+ Months
33%	33%	33%	33%	33%

Source: The Society for Clinical Research Sites (SCRS) Annual Site Landscape Survey (September 2024) and Bourne Partners

More specifically, we heard three common challenges at the panel discussions at the Summit that seem to be exacerbating the financial struggles of standalone sites. First, more often than not, sites are not getting fully funded by sponsors for their patient recruitment costs. This has resulted in many sites having to dip into their own cash reserves. We think site networks are better able to pool advertising and marketing resources and extend outreach campaigns across broader geographies. So, we suspect this has been more of a problem for standalone sites. A second area of financial pressure is time-consuming and costly screen fails, e.g., situations when an site goes through the entire screening process for a patient only to find an inconclusive data point that disqualifies the patient. A simple fix here would be to negotiate payments on a "per procedure" basis. Finally, payment schedules continue to be suboptimal. A solid majority of clinical trial sites (72%) prefer monthly payment schedules, but only 38% are able to negotiate them. Adding to this, withholding rates remain high, which is resulting in sites not getting paid for a portion of their work for several years (often after the study is closed). Refer to Figures 2 and 3.

September 30, 2024



Bourne Partners Overview

Bourne Partners is a leading healthcare-focused investment bank headquartered in Charlotte, NC. Since 2001, Bourne has been offering a unique perspective and unmatched expertise while remaining highly focused on fulfilling the needs of established middle market healthcare companies across the globe

Our Passion

*“Working with **great people** and **great companies** to achieve **extraordinary results.**”*

Highly-focused Firm



PHARMA & LIFE SCIENCES



PHARMA SERVICES



PHARMACY SERVICES



HEALTHCARE SERVICES

Comprehensive Healthcare Service Offering

Mergers & Acquisitions		Capital Raising	
Sell-Side Assignments	Buy-Side Assignments	Debt	Equity
Company & Product Focus	\$50M to \$1B+ Enterprise Value	Alternative Options	\$20M to \$1B+ Capital Raises
Business Development Services		Strategic Initiatives & Consulting	
Partnerships in U.S. / Abroad	In and Out-Licensing	Strategy & Management	Sales/Marketing, Operations

Value-add Advisors With A Global Reach

\$15B+ Successful Transactions

6 Continents

20+ Year Track Record





Investment Banking Overview

Bourne Partners Investment Banking provides investment banking services within the healthcare and life sciences sectors for external clients as well as our portfolio companies.

Value Beyond the Deal

Total Perspective

Experience advising, investing in, building, operating, buying, and selling companies
 Unmatched 360° perspective for every project

Uncompromised Service

Direct involvement of senior management through the process
 High level of attention regardless of transaction value

Global Reach

Experience working with companies around the globe
 Extensive network of potential international buyers

Focus Areas



Select Recent Tombstones

 has been acquired by 	 has sold its consumer CDMO operations to 	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been recapitalized by
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Partners, Sponsors, and Lenders



Recent Clients & Counterparties





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