

Market Update

Pharma Services Post-3Q24 Update

November 2024

Table of Contents

Section One — Pharma Services Update

- i. Pharma Services Market Update & Outlook 5
- ii. Macro Environment 6
- iii. Sub-Sector Spotlight 7

Section Two — Transactions & Public Comps

- i. Relevant Transactions 9
- ii. Bourne Public Comps 10
- iii. Bourne Pharma Services Indices 13

Section Three — Bourne Partners

- i. Thought Leadership 15
- ii. Bourne Partners Overview 16
- iii. Investment Bank Overview 17



Don Hooker
Director of Research
dhooker@bourne-partners.com
+1 980-414-0945



Jeremy Johnson
Senior Managing Director, Head of IB
jjohnson@bourne-partners.com
+1 704-201-2323



Todd Bokus
Director
tbokus@bourne-partners.com
+1 704-807-7501



Jake Curtis
Vice President
jcurtis@bourne-partners.com
+1 919-675-4266



Nick Triantafyllides
Associate
nickt@bourne-partners.com
+1 704-779-6992



Bourne's Pharma Services Expertise

Pharma Services Sector Expertise



Clinical & Drug Discovery Services

Full-Service & Specialty CROs

Site Networks / SMOs

Patient Recruitment

Patient Engagement & Retention

Patient Logistics & Payments

Clinical Data Services

Lab Services



Commercialization Services

Medical Communications

Healthcare Marketing / Advertising

Commercial Patient Engagement

Market Access / Consulting



Supply Chain Services

CMO / CDMO

Biostorage

Packaging / Distribution / Logistics



Pharma
Services



Pharmacy
Services



Consumer
Healthcare

Recent Pharma Services Transaction Activity

Clincierge
has been acquired by
 greenphire[®]
a portfolio company of
 THOMABRAVO
Sell-Side M&A

SUMMIT
BIOSCIENCES INC.
has been acquired by
 Kindeva
DRUG DELIVERY
a portfolio company of
ALTARIS
Sell-Side M&A

MEDIVANT
HEALTHCARE
has received
growth financing
from
1315
CAPITAL
HEALTHCARE FOR LIFE
Capital Raise

spencer
health solutions
has raised Series D
financing from
 RCT
Aphelion Capital
Capital Raise

American
Injectables
has received
growth
financing from
 BOURNE
STRATEGIC
CAPITAL
NEW RHEIN
HEALTHCARE INVESTORS
Capital Raise

Affon Scientific
has sold a majority
stake to
A C P
Sell-Side M&A



Section One

Pharma Services Update

i. Pharma Services Market Update & Outlook

ii. Macro Environment

iii. Sub-Sector Spotlight

Pharma Services Sector Update

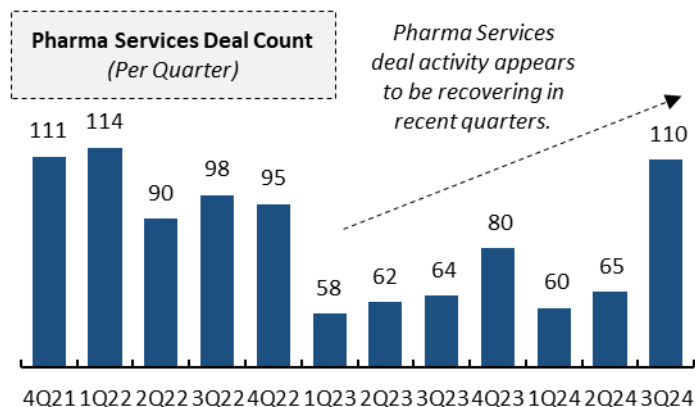
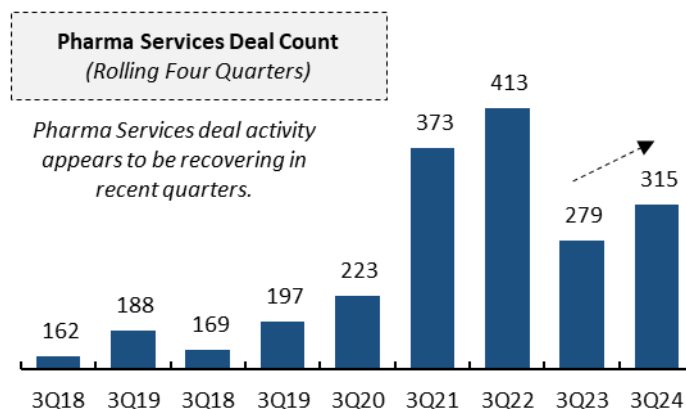
We continue to be optimistic on the fundamentals of pharma services companies over the next decade. However, over the past six months, we have seen an elevated volume of study delays and cancellations by small/mid-sized biopharma sponsors, and this is having various negative downstream financial effects on companies in the space. We are also hearing more anecdotes of larger pharma sponsors re-prioritizing their product development strategies in response to the prescription drug price cuts associated with the ongoing rollout of the *Inflation Reduction Act (IRA)* of 2022.

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.

RFK has also spoken out against direct-to-consumer pharma advertising (via television), which he has recommended be banned. However, we have come across a number of surveys/studies suggesting that both doctors and patients find direct-to-consumer advertising more helpful than harmful. So, we expect further debate here.

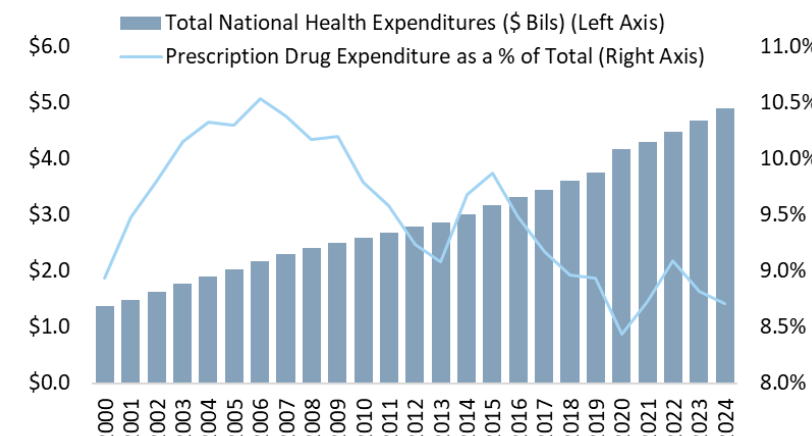
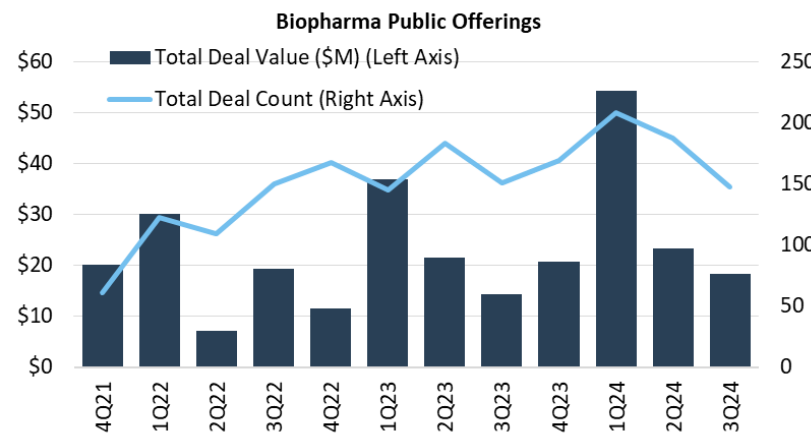
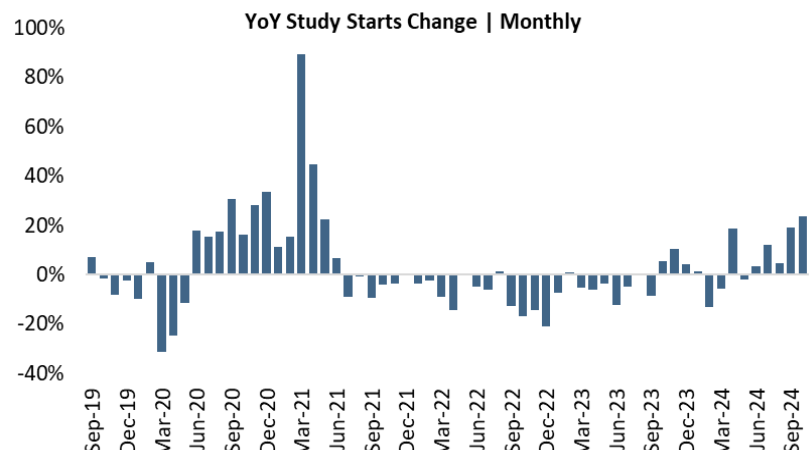
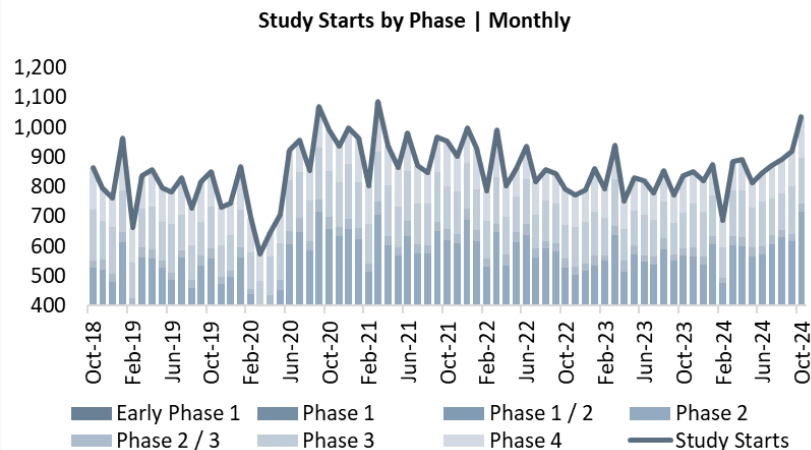
The U.S. House of Representatives passed the BIOSECURE Act by a wide bipartisan margin. This bill now awaits a vote in the Senate and signature by the President (Biden or Trump). In our view, passage of the BIOSECURE Act coupled with potential tariffs on imports could be very disruptive to the global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

We are seeing improving labor market conditions for pharma services (and tech) companies. Over the past several years, pharma services companies have struggled with high employee turnover and difficulties recruiting new staff. In our view, much of this was due to well-capitalized biopharma firms being able to pay-up and poach away talented staff. This competition for labor seems to be dissipating, which should benefit sector margins in 2025 and 2026.





Pharma Services Macro Trends / Environment



Note: Data aggregated as of November 18, 2024. The analysis covers FDA-defined phases from early Phase 1 to Phase 4, excluding uncharacterized trials without FDA-defined phases, such as device or behavioral intervention trials Sources: Clinicaltrials.gov and Bourne Partners.



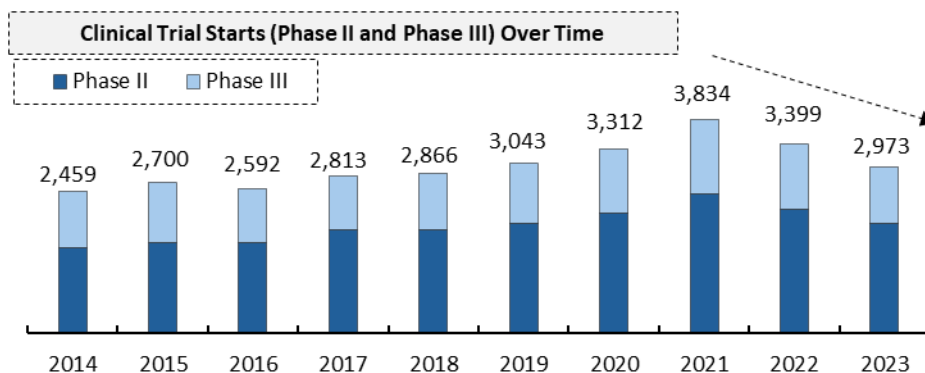
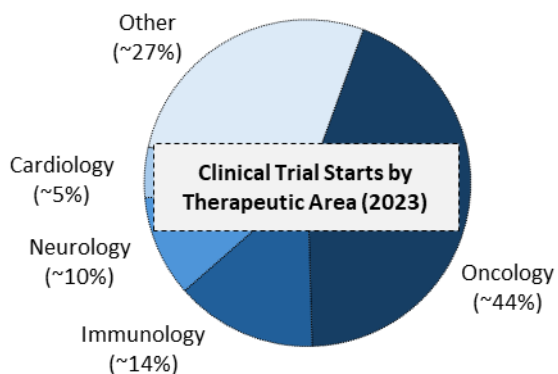
Sub Sector Spotlight: Clinical Trial Sites and Technology

We hosted the *Bourne Partners 12th Annual Global Healthcare CEO Summit in October 2024*, which included a variety of panel discussions on key healthcare topics. One panel discussion, featuring executives from Eximia Research and Scout, focused on the use of software technologies and site networks to accelerate clinical trials and improve patient experience. We see the environment for clinical trials as particularly conducive for disruptive innovation, and we expect to see significant consolidation of services and software companies in the clinical trials space in the coming years.

In our view, **the current challenging demand environment will further catalyze consolidation activity among software and service providers in the life sciences space** -- particularly clinical trial site networks. We believe larger site networks with diversified models, geographies, and therapeutic specialization are best positioned to navigate volatile times. Also, larger site networks are often able to bring greater financial budgeting and forecasting discipline. Finally, in our opinion, larger clinical trial site networks (and software and services vendors) are typically better positioned to develop relationships with more established and financially stable sponsors and CROs who, in turn, are better financial partners.

Another area in the life sciences where we expect more consolidation is in software/technology. Feedback from the Summit highlighted a strong preference by pharma companies, CROs, and clinical trial sites for a “one-stop-shop approach” with respect to technology (and service) procurement. Enterprise purchasing simplifies the contracting process and often allows the buyer to benefit from volume-based pricing. The concept of “one-stop-shop” purchasing applies geographically as well. An important differentiator is the ability to offer a global platform that can track patient enrollment and retention across geographies.

*** For more discussion, see our recent deep-dive research on the site network marketplace ([Link](#); September 12) as well as takeaways from our private equity and executive meetings at the recent Society of Clinical Research Sites Summit ([Link](#); September 30). ***



Section Two

A modern conference room with a large wooden table and black chairs, overlooking a city skyline with skyscrapers. The room has large windows and a drop ceiling with recessed lights. The city view includes several high-rise buildings, one of which has the word 'REGIONS' visible on its facade.

Transactions and Public Comps

i. Relevant Transactions

ii. Bourne Public Comps

iii. Bourne Pharma Services Indices

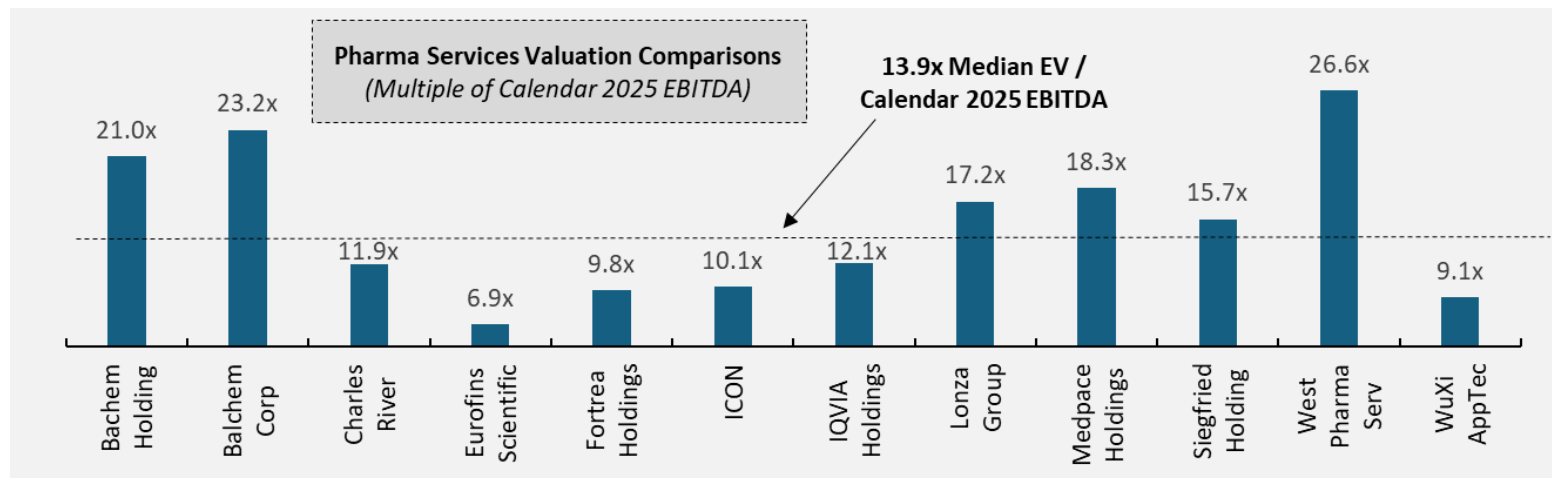
Select Pharma Services Transactions



*Denotes Bourne Transaction

Date	Target	Acquirer	Commentary	Tags	Deal Values
Nov-2024	AVID BIOSERVICES	Ampersand	Avid Bioservices (NASDAQ: CDMO) is a dedicated CDMO focused on development and CGMP manufacturing of biologics.	CDMO	\$1,072M
Sep-2024	BIOVECTRA	Agilent	Biovetra manufactures biologics, highly potent active pharmaceutical ingredients, and other molecules for targeted therapeutics	CDMO	\$925M
Aug-2024	mirus bio	MERCK	Provider of innovative transfection solutions used for the delivery of genetic material into cells based on proprietary, multi-component technology.	CRO	\$600M
Jun-2024	ENCORE Research Group Encouraging Community Research and Education	FLOURISH RESEARCH	Flourish, a national clinical trial site network, acquired ENCORE Research Group, adding 8 clinical trial sites in Florida.	Site Network	Not Disclosed
May-2024	OCT CLINICAL	palleos healthcare	Palleos Healthcare and OCT-Clinical merge under the Palleos brand to form a leading European full-service CRO	CRO	Not Disclosed
May-2024	ADAMS CLINICAL	InTandem CAPITAL PARTNERS	Adams Clinical, a high growth clinical trial site network with locations across the Northeast focused on central nervous system disorders.	Site Network	Not Disclosed
Mar-2024	endpoint Fortrea Patient Access	Arsenal Capital Partners	Provider of randomization and trial supply management services Provider of HUB services and patient access market services	Access Engagement	\$345M
Jan-2024	Afton Scientific	A C P	Sterile injectable drug CDMO	CDMO	Not Disclosed
Jan-2024	SUMMIT BIOSCIENCES INC.	Kindeva DRUG DELIVERY	Drug device CDMO	CDMO	Not Disclosed
Jan-2024	Clinclerge	greenphire	Provider of concierge travel and logistics support for patients participating in clinical trials	Engagement	Not Disclosed

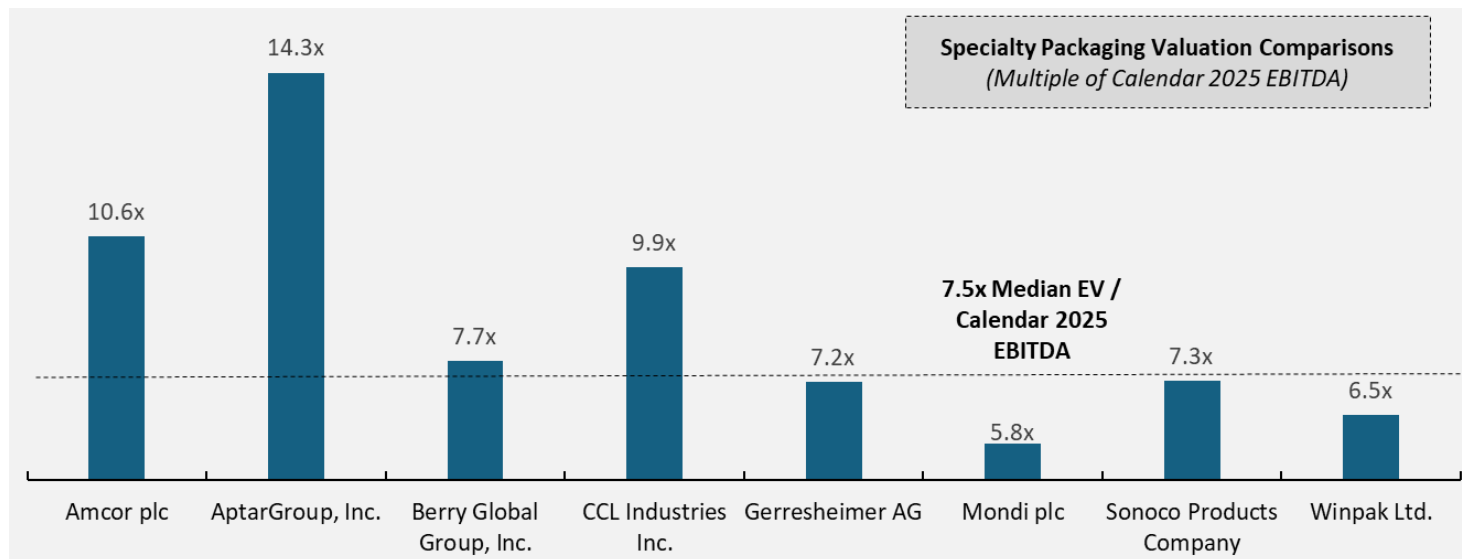
Bourne Comps - Pharma Services



Company Name	Ticker	Equity Value	Net Debt / (Net Cash)	Enterprise Value	Projected CY2025		Projected CY2025			Debt Ratio
					Revenue	Growth	EBITDA	Growth	Multiple	
Pharma Services										
Bachem Holding	BANB	\$5,746	(\$192)	\$5,554	\$881	26.0%	\$264	30.4%	21.0x	-0.7x
Balchem Corp	BCPC	5,792	172	5,964	1,016	6.6%	257	2.9%	23.2x	0.7x
Charles River	CRL	9,478	2,553	12,030	4,105	1.8%	1,011	1.3%	11.9x	2.5x
Eurofins Scientific	ERF	9,099	3,068	12,166	7,913	7.9%	1,761	10.2%	6.9x	1.7x
Fortrea Holdings	FTRE	1,704	1,102	2,806	2,746	1.6%	287	29.3%	9.8x	3.8x
ICON plc	ICLR	15,551	2,921	18,472	8,624	3.8%	1,836	5.9%	10.1x	1.6x
IQVIA Holdings	IQV	35,066	12,240	47,306	16,243	5.6%	3,919	6.1%	12.1x	3.1x
Lonza Group	LONN	41,322	1,979	43,301	8,832	17.3%	2,514	18.4%	17.2x	0.8x
Medpace Holdings	MEDP	9,399	(505)	8,894	2,290	8.6%	485	5.6%	18.3x	-1.0x
Siegfried Holding	SFZN	5,285	406	5,691	1,577	7.2%	362	10.3%	15.7x	1.1x
West Pharma Serv	WST	22,577	(183)	22,394	3,066	6.4%	842	16.9%	26.6x	-0.2x
WuXi AppTec	SHSE:60325	20,675	(992)	19,682	6,003	9.7%	2,155	12.0%	9.1x	-0.5x
Average (Mean)						8.6%		12.0%	14.6x	1.6x
Average (Median)						6.9%		8.2%	13.9x	1.6x

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

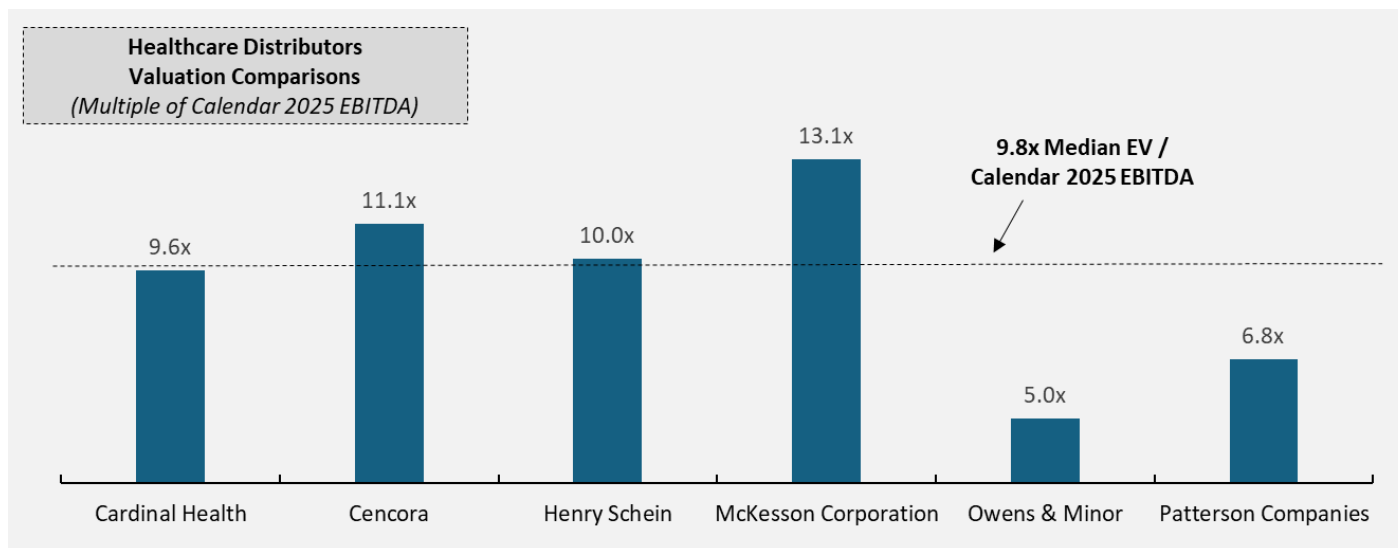
Bourne Comps - Specialty Packaging



Company Name	Ticker	Equity Value	Net Debt / (Net Cash)	Enterprise Value	Projected CY2025		Projected CY2025			Debt Ratio
					Revenue	Growth	EBITDA	Growth	Multiple	
Specialty Packaging (8)										
Amcor plc	NYSE:AMCR	\$14,756	\$7,419	\$22,175	\$14,290	4.7%	\$2,100	5.7%	10.6x	3.5x
AptarGroup, Inc.	NYSE:ATR	11,048	829	11,877	3,792	5.5%	830	7.8%	14.3x	1.0x
Berry Global Group, Inc.	NYSE:BERY	7,650	8,926	16,576	12,553	2.3%	2,151	3.2%	7.7x	4.1x
CCL Industries Inc.	TSX:CCL.B	9,705	1,240	10,946	5,343	4.4%	1,110	4.5%	9.9x	1.1x
Gerresheimer AG	XTRA:GXI	2,645	1,272	3,917	2,459	13.8%	541	22.6%	7.2x	2.3x
Mondi plc	LSE:MNDI	6,527	1,708	8,235	8,552	7.8%	1,411	23.7%	5.8x	1.2x
Sonoco Products Company	NYSE:SON	4,893	3,192	8,086	6,576	0.8%	1,115	7.2%	7.3x	2.9x
Winpak Ltd.	TSX:WPK	2,170	(505)	1,665	1,199	0.5%	257	6.1%	6.5x	-2.0x
Average (Mean)						5.0%		10.1%	8.7x	1.8x
Average (Median)						4.6%		6.7%	7.5x	1.8x

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

Bourne Comps - Distributors / Wholesalers

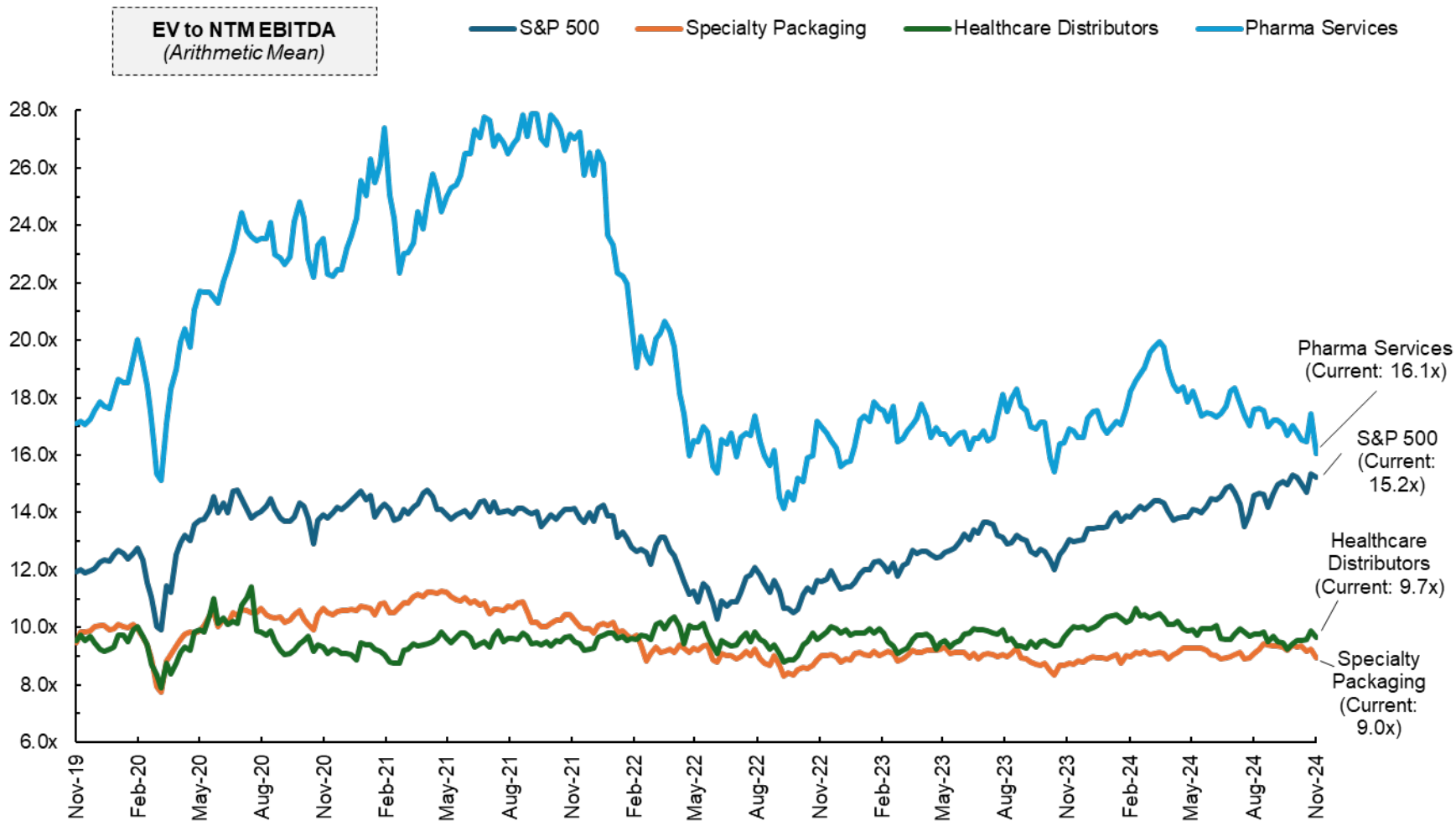


Company Name	Ticker	Equity Value	Net Debt / (Net Cash)	Enterprise Value	Projected CY2025		Projected CY2025			Debt Ratio
					Revenue	Growth	EBITDA	Growth	Multiple	
Healthcare Distributors (6)										
Cardinal Health	CAH	\$28,843	\$2,297	\$31,140	\$229,991	3.9%	\$3,234	10.6%	9.6x	0.7x
Cencora	COR	46,906	1,255	48,161	321,300	7.1%	4,360	6.0%	11.0x	0.3x
Henry Schein	HSIC	8,708	2,866	11,574	13,349	3.8%	1,164	8.5%	9.9x	2.5x
McKesson Corporation	MCK	77,001	4,746	81,747	382,010	10.6%	6,243	9.4%	13.1x	0.8x
Owens & Minor	OMI	949	2,128	3,076	11,133	3.8%	615	12.7%	5.0x	3.5x
Patterson Companies	PDCO	1,764	761	2,525	6,821	3.9%	370	5.8%	6.8x	2.1x
Average (Mean)						5.5%		8.8%	9.3x	1.6x
Average (Median)						3.9%		9.0%	9.8x	1.4x

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



Bourne Pharma Services Indices



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

Section Three

Bourne Partners

i. Thought Leadership

ii. Bourne Partners Overview

iii. Investment Bank Overview



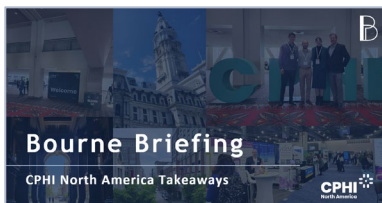
Thought Leadership

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

Contact

Xan Smith
PE Coverage & Origination

Jeremy C. Johnson
Head of Investment Banking

Don Hooker, CFA
Head of Research

About

Research

Marketplace Deep Dive Reports



White Papers

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 site 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 than one-year profit margins, and each revenue. 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 "Shoe 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 (from 2023 to 2024)
- 55% of sites have more than a 30% of their revenue from non-trial sites

Trial Sites: Number of Months of Operating Capital

Less Than 1 Month	1-3 Months	3-6 Months	6-12 Months	12+ Months
15%	35%	25%	15%	10%

Also, almost a third (30%) of sites reported lower operating capital (cash on hand) than they reported last year.

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 advertising 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 sector 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 throughout 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
------------------------------	--	------------------------------	------------------------------	------------------------------	-----------------------------------

Partners, Sponsors, and Lenders



Recent Clients & Counterparties





550 South Caldwell Street, Suite 900
Charlotte, NC 28202
+1 704.552.8407

