

CRO, CDMO and CMO's new playground for M&A



Allyum's industry expert, Marc KOBYLINSKI, gives his Q4 2018 insights on the CRO, CMO & CMDO industry



" The fourth quarter of 2018 confirmed the latest trend of decreasing M&A Activity with fewer deals completed in comparison with the previous periods. This trend can partially be explained by the strong consolidation that has occurred in this market in recent years and the rising trading multiples over the same period.

In term of transaction, AltaScience Company Inc. acquired SNBL USA for an undisclosed consideration, following a consolidation strategy over the CRO market. Cambrex Corporation acquired Avista for USD 250M Pharma solutions, in order to reinforce its position in the early stage of the drug life-cycle and to increase its US and European coverage. Clinigen Plc acquired Clinical Supplies Management Inc. for USD 150M, enabling Clinigen to increase its supply and distribution network, with a particular focus in central Europe. Novartis acquired CellForCure for an undisclosed consideration, to pursue its reinforcement strategy in its innovative cell and gene therapies segment.

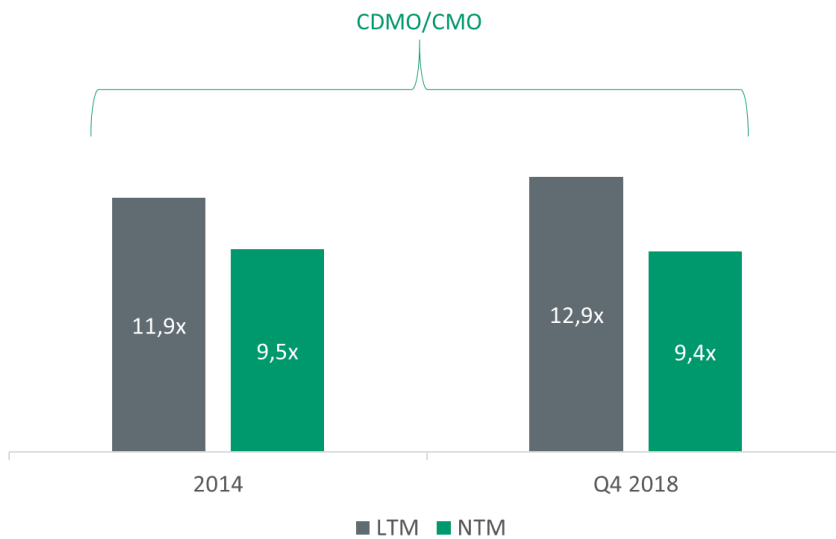
Overall, the drop in M&A volume is driven by a lack of high value acquisitions in 2018 in comparison to 2017. As a result, trading multiples suffered a correction in this last quarter: the current average EV/EBITDA NTM multiples of 9.4x for CDMOs/CMOs and 12.6x for CROs being level with 2014 multiples of 9.5x and 11.5x respectively.

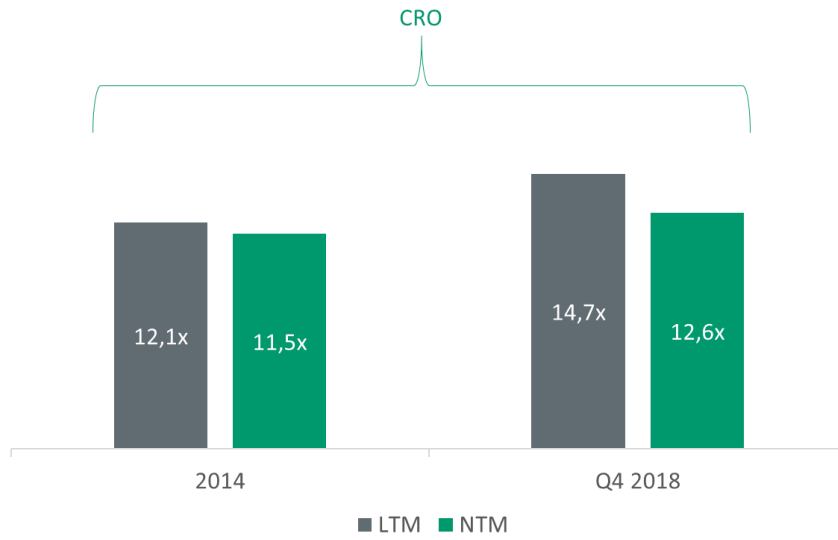
In our view, this decline in the late 2018's trading multiple may generate higher M&A appetite for the outsourcing market in 2019."

Prominent transactions of the last 90 days



EBITDA multiples based on the next twelve months performances from major quoted groups*





**The above multiples come from major quoted groups and don't include any illiquidity/size discounts to be applied when valuing small & mid-cap companies.*

Source: Capital IQ, Allyum (January. 2019)

