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

Allyum's industry expert, Marc KOBYLINSKI, gives his Q1 2019 insights on the CRO, CMO & CMDO industry

"Q1 2019 was marked by a rebound of M&A activity in the CMO/CDMO market with a major acquisition made by Thermo Fisher Scientific. Two sectors were mainly impacted over the last 3 months: Biopharma and Dietary supplement.

In Biopharma, Apceth Biopharma was acquired by Hitachi Chemical for a cash consideration of EUR 74.5m. Hitachi's objectives are to expand its manufacturing capabilities and sales network. Thermos Fisher Scientific acquired Brammer Bio for a cash value of EUR 1.5bn. Thermo Fisher's GMP production expertise along with Brammer Bio's viral vector capabilities will strengthen the position in pharma and biotech.

In dietary supplement, Biovaiton Labs was acquired by Adaptive Health for an undisclosed consideration. The objective of Adaptive Health is to enhance its production effectiveness. Nutra Manufacturing, an American CMO manufacturer of tablets, soft-gels and two-piece hard-shells was acquired by IVC through a Joint Venture with GNC. The total price paid is expected to reach EUR 155M by 2023. The partnership will enable IVC to further develop its production capabilities and expand geographically, while also assisting GNC to improve its product development and pay down debt.

For the CRO market, Laboratory Corporation of America Holdings has acquired MI Bioresearch Inc. for an undisclosed consideration. Science 37 has raised EUR 31M by a large group of investors led by PPD in series D funding reaching a total amount raised of more than EUR 88M to date.

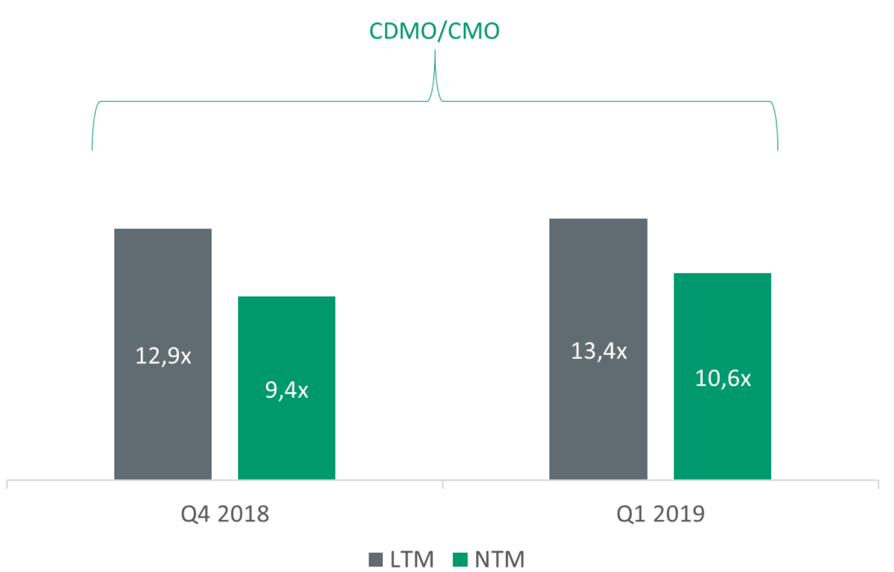
NTM EV/EBITDA multiples for both CMOs/CDMOs and CROs have raised. Currently, the average NTM EV/EBITDA multiples are 10.6x for CMOs/CDMOs and 14.2x for CROs against 2018 multiples of 9.4x and 12.6x, respectively. This recent increase can be explained by the upsurge in M&A activity and the overall desire of companies to consolidate their market positions.

In our view, high trading multiples impede the buy & build strategy and make difficult to acquire quality assets. The consequence might be an acceleration of the exit strategy over the next twelve months for some of the PE funds."

Prominent transactions of the last 90 days

apceth BIOPHARMA	acquired by	Hitachi Chemical
brammer bio Manufacturing Personalized	acquired by	Thermo Fisher SCIENTIFIC
BIOVATION LABS	acquired by	ADAPTIVE HEALTH
NUTRA The Global Leader in Nutrition	acquired by	IVC INTERNATIONAL VITAMIN CORPORATION
Mi Bioresearch Advancing Your Preclinical Oncology	acquired by	LabCorp
Science 37	raised EUR 31M	From a group of investor led by PPD

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



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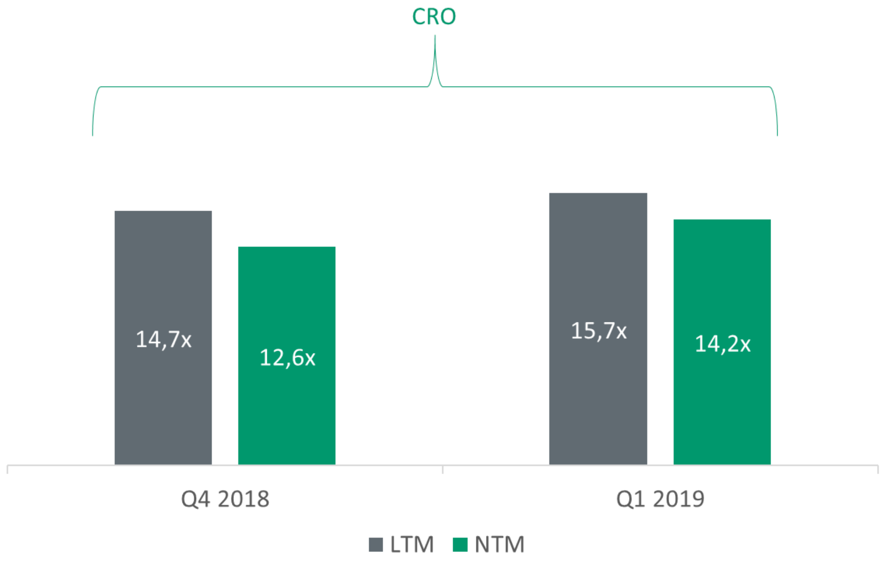

**The above multiples come from major quoted groups and don’t include any illiquidity/size discounts to be applied when valuing small & mid-cap companies.*

Source: Capital IQ, Allyum (June. 2019)