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Bourne Partners



Specialty Pharmaceutical Industry Update

May 2011

Outline

- I. Overview of Specialty Pharmaceuticals
- II. Current Market Dynamics
- III. Trading and Transaction Comps
- IV. Activity in Specialty Pharmaceuticals
- V. Bourne Partners Company Overview



Specialty Pharma Market Overview

Specialty Pharmaceuticals Market Overview

- There are three main categories of specialty pharma companies:
 - Branded original manufacturers
 - Branded generics companies
 - Drug delivery and reformulation companies

- Specialty pharma companies market products within a defined therapeutic area with a small, focused sales force

- In order to avoid direct competition with big pharma, specialty pharma companies typically target areas of limited competitive activity

- Reformulation and subsequent brand development are key strategies utilized by specialty pharma



Specialty Pharma Market Overview

- Many specialty pharma companies target niche and orphan indications which have historically been too small for big pharma
- Specialty pharma companies avoid products which require considerable primary care detailing and focus on products prescribed primarily by specialists such as:
 - Cardiologists
 - Neurologists/Psychiatrists
 - Gastroenterologists
 - OB/GYN
 - Dermatologists
 - Ophthalmologists
- Dermatology and neurology have been two of the most active therapeutic areas of interest for acquirers



Current Market Dynamics

Specialty Pharma Growth Drivers

Licensing

It is estimated that the majority of currently successful drugs are the result of in-licensing activities rather than arising from internal pipelines. Pharmaceutical companies are therefore recognizing the importance of complementing their internal R&D by licensing external opportunities. Partnering activities have become top priority for all pharmaceutical companies, as reflected in an increase in budgets and capacities allocated to this strategic activity. This new paradigm is likely to become a major driver for future pharmaceutical growth.

Key factors for successful deal making:

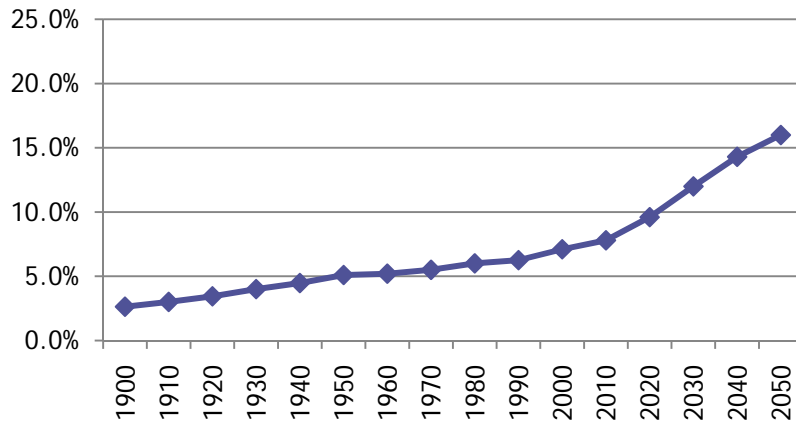
- Align search criteria with strategic business needs
- Make the right investment, for the right reason, at the right time
- Be receptive and flexible to changing circumstances
- Make resources available to fully assess the opportunity value
- Keep the decision-makers informed and involved from the beginning

Specialty Pharma Growth Drivers

Aging World Population¹

- Over 500 million, or roughly 8% of people worldwide, are over the age of 65
- This age group is expected to grow to over 1 billion by 2030, accounting for 13% of the population
- Most rapid increases in elderly occurring in developing countries

Percent of World Population over 65



Source: United Nations Department of Economic and Social Affairs

Source:

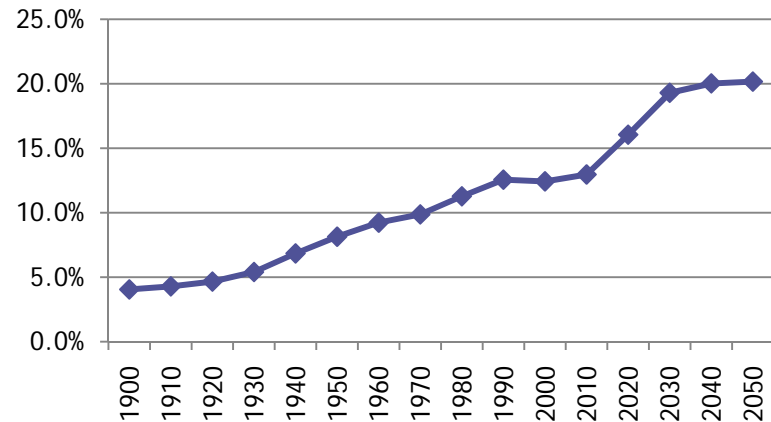
(1) U.S. State Department

(2) Federal Interagency Forum on Aging-Related Statistics

Aging U.S. Population²

- 37.1 million, or 12% of people nationwide, are over the age of 65
- Expected to grow to 71.5 million by 2030
- Over-85 population predicted to grow from 5.3 million in 2006 to 21.0 million in 2050
- Americans over 65 take an average of 2-7 medicines each day

Percent of U.S. Population over 65

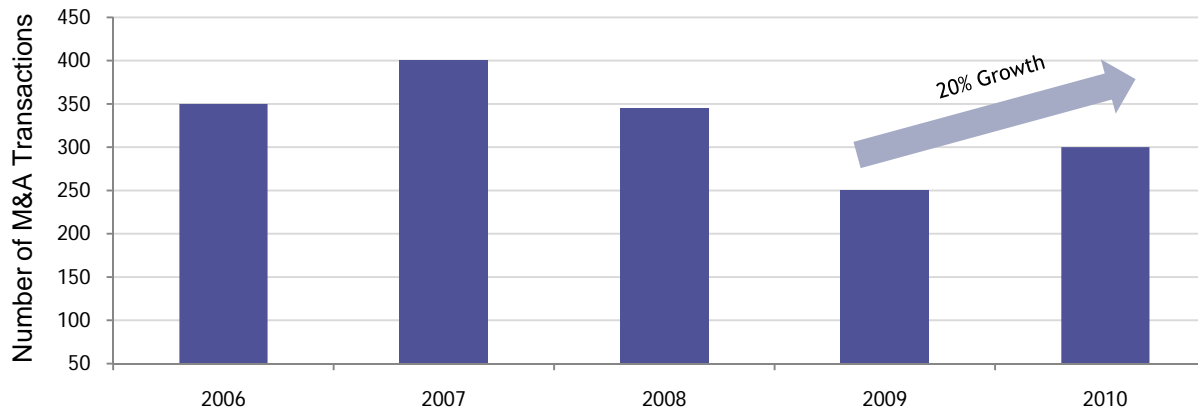


Source: Department of Health & Human Services Administration on Aging



Specialty Pharma Growth Potential

- Following decreased M&A activity in specialty pharma in 2009, the sector rebounded last year and is expected to continue into 2011 as market conditions and economic factors continue to improve
- M&A transactions in 2009 were down due to lack of debt financing and companies holding on to cash; However, debt markets have re-opened and companies are now looking to put their cash to work
- It is estimated that spending on specialty pharma will climb to more than 40 percent of total drug spend by 2030



Source: FiercePharma, The Braff Group, Specialty PharmaOutlook, PharmaDeals Review



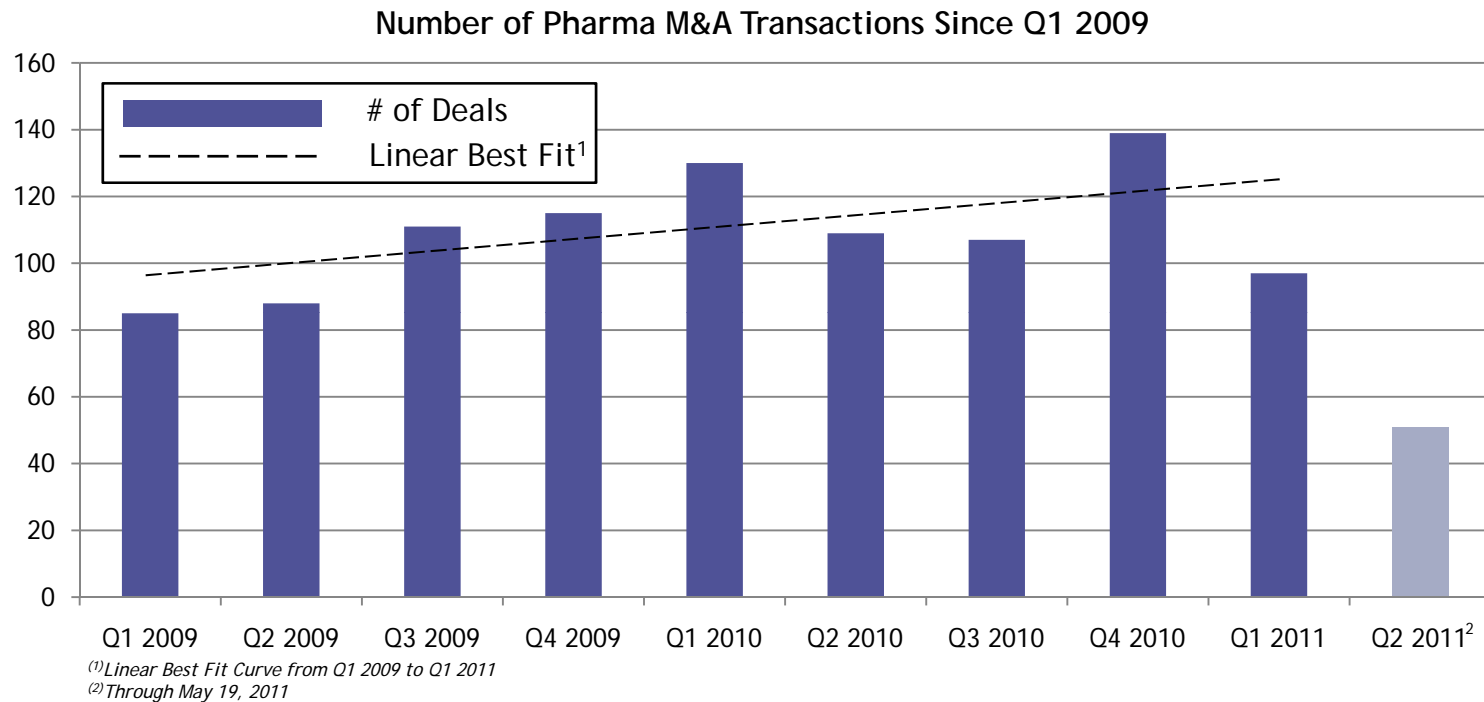
Specialty Pharma Growth Potential

- M&A has become both a viable and very popular exit strategy for capital or resource constrained private companies
- Many cash rich but "product poor" companies seeking enhanced growth prospects
- Of late, a growing number of acquisitions have been forecast to be nearly immediately accretive, leading to rising share prices not only for the acquiree but also for the acquirer
- On a geographic basis there appears to be an increasing focus on emerging markets by U.S./European specialty pharma companies and on U.S. specialty pharma companies by Japanese and European buyers

Source: Deutsche Bank



Pharma M&A Multiples by Quarter

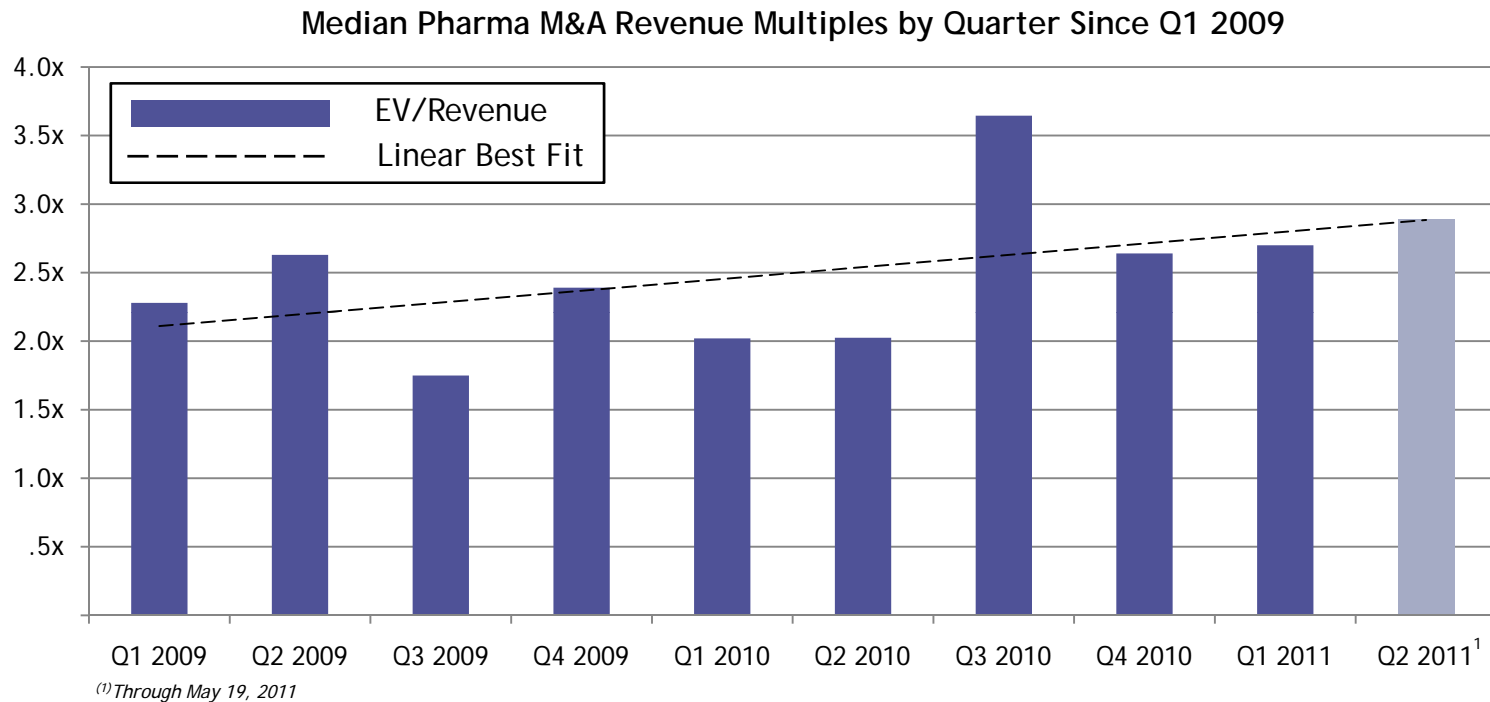


- Pharmaceutical M&A transaction activity has been on the rise over the past two years
- This trend should continue as medium and large pharma remain well capitalized and seek to expand their portfolio/pipeline or geographic reach

Source: Bourne Partners Internal Research



Small Pharma M&A Multiples by Quarter



- Enterprise value to revenue multiples have been on the rise
- Acquiring companies are flush with cash and currently willing to pay a premium over recent multiple ranges
- Multiples so far in Q2 2011 have been very strong at roughly 2.9x revenue

Source: Bourne Partners Internal Research



Trading and Transaction Comps

Large Spec Pharma Trading Multiples (Rev. >\$500mm)

USD in millions, except for per-share amounts

Company	Ticker	Share Price	Shares Out	Equity Value	Net Debt (Cash)	Enterprise Value	LTM				CYE		CYE+1 EPS	Book Value	
							Sales	EBITDA	EBIT	EPS	Sales	EBITDA			CYE EPS
Forest Laboratories Inc.	NYSE:FRX	\$35.36	286.1	\$10,116.2	(\$3,734.1)	\$6,382.1	\$4,390.1	\$1,373.0	\$1,308.2	\$2.87	\$4,482.4	\$1,382.0	\$3.74	\$1.24	\$17.9
Shire plc	LSE:SHP	30.92	563.0	17,406.0	388.0	17,794.0	3,627.1	1,169.7	934.0	0.98	3,996.1	1,452.5	1.83	2.07	5.0
Cephalon Inc.	NasdaqGS:CEPH	79.73	76.9	6,133.0	(98.5)	6,034.5	2,959.6	1,080.3	887.8	6.21	3,077.5	1,170.4	8.33	5.44	39.0
Meda AB	OM:MEDA A	11.16	302.2	3,374.5	1,894.5	5,269.0	1,833.7	691.8	399.2	0.61	1,975.4	739.2	0.90	0.99	7.4
UCB SA	ENXTBR:UCB	47.24	180.2	8,512.4	2,047.6	10,560.0	4,315.1	968.2	626.2	1.31	4,193.7	951.8	2.19	2.33	34.2
Medicis Pharmaceutical Corp.	NYSE:MRX	36.68	59.7	2,188.7	(606.2)	1,582.4	699.3	231.6	201.7	2.38	751.8	298.0	2.54	2.71	14.3
Warner Chilcott plc	NasdaqGS:WCRX	25.02	253.9	6,351.9	4,058.7	10,410.6	2,969.7	1,479.8	802.5	1.12	2,784.0	1,363.6	3.78	4.14	(0.2)

Company	Ticker	FYE	Data as of	Margin Analysis			Enterprise Value/				P/E			Price to Book
				Gross Profit	EBITDA	EBIT	Sales	EBITDA	EBIT	Sales CYE	LTM	CYE	CYE+1	
Forest Laboratories Inc.	NYSE:FRX	31-Mar	20-May-11	78.0%	31.3%	29.8%	1.5 x	4.6 x	4.9 x	1.4 x	12.3 x	9.5 x	28.6 x	2.0 x
Shire plc	LSE:SHP	31-Dec	20-May-11	87.4%	32.2%	25.8%	4.9 x	15.2 x	19.1 x	4.5 x	31.5 x	16.9 x	14.9 x	6.2 x
Cephalon Inc.	NasdaqGS:CEPH	31-Dec	20-May-11	79.4%	36.5%	30.0%	2.0 x	5.6 x	6.8 x	2.0 x	12.8 x	9.6 x	14.7 x	2.0 x
Meda AB	OM:MEDA A	31-Dec	20-May-11	64.0%	37.7%	21.8%	2.9 x	7.6 x	13.2 x	2.7 x	18.4 x	12.4 x	11.3 x	1.5 x
UCB SA	ENXTBR:UCB	31-Dec	20-May-11	67.3%	22.4%	14.5%	2.4 x	10.9 x	16.9 x	2.5 x	36.0 x	21.6 x	20.3 x	1.4 x
Medicis Pharmaceutical Corp.	NYSE:MRX	31-Dec	20-May-11	90.1%	33.1%	28.8%	2.3 x	6.8 x	7.8 x	2.1 x	15.4 x	14.5 x	13.5 x	2.6 x
Warner Chilcott plc	NasdaqGS:WCRX	31-Dec	20-May-11	87.5%	49.8%	27.0%	3.5 x	7.0 x	13.0 x	3.7 x	22.3 x	6.6 x	6.0 x	NA

* All estimates from Capital IQ

NA - not available

NM - not meaningful

Median	79.4%	33.1%	27.0%	2.4 x	7.0 x	13.0 x	2.5 x	18.4 x	12.4 x	14.7 x	2.0 x
Mean	79.1%	34.7%	25.4%	2.8 x	8.3 x	11.7 x	2.7 x	21.2 x	13.0 x	15.6 x	2.6 x
Min	64.0%	22.4%	14.5%	1.5 x	4.6 x	4.9 x	1.4 x	12.3 x	6.6 x	6.0 x	1.4 x
Max	90.1%	49.8%	30.0%	4.9 x	15.2 x	19.1 x	4.5 x	36.0 x	21.6 x	28.6 x	6.2 x

- The median specialty pharma trading multiples for companies with revenue greater than \$500 million are approximately 2.4x revenue and 7.0x EBITDA



Small Spec Pharma Trading Multiples (Rev. <\$500mm)

\$ in millions, except for per-share amounts

Company	Ticker	Share Price	Shares Out	Equity Value	Net Debt (Cash)	Enterprise Value	LTM				CYE		CYE+1 EPS	Book Value	
							Sales	EBITDA	EBIT	EPS	Sales	EBITDA			
Paladin Labs Inc.	TSX:PLB	\$44.92	20.1	\$903.5	(\$140.1)	\$763.4	\$128.7	\$55.1	\$31.6	\$1.16	\$145.3	\$65.3	\$1.62	\$1.81	\$12.2
Alliance Pharma plc	AIM:APH	0.59	239.1	140.1	34.1	174.2	77.9	30.7	29.2	0.07	72.3	21.4	0.06	0.06	0.2
Cumberland Pharmaceuticals, Inc.	NasdaqGS:CPIX	5.17	20.5	105.9	(59.5)	46.5	46.4	8.1	7.1	0.16	50.8	7.3	0.18	0.36	3.8
IS Pharma plc	AIM:ISPH	1.41	52.0	73.4	12.9	86.3	23.3	7.4	6.6	0.08	22.7	7.0	0.11	0.12	1.6
Medicines Co.	NasdaqGS:MDCO	17.13	53.1	909.4	(265.8)	643.6	447.7	73.9	68.5	0.84	475.6	73.0	1.78	1.62	7.3
Questcor Pharmaceuticals, Inc.	NasdaqGS:QCOR	21.98	61.7	1,355.6	(121.7)	1,233.9	125.7	59.1	58.5	0.55	164.9	72.6	0.77	1.08	2.0
Cornerstone Therapeutics Inc.	NasdaqCM:CRTX	7.19	26.0	186.6	(50.7)	135.9	125.3	23.0	8.2	0.20	120.4	0.0	0.58	0.54	6.8
ISTA Pharmaceuticals Inc.	NasdaqGM:ISTA	9.68	33.8	327.7	(1.7)	326.0	164.9	6.9	5.2	0.04	185.0	17.0	0.28	0.55	(4.8)

Company	Ticker	FYE	Data as of	Margin Analysis			Enterprise Value/				P/E			Price to Book
				Gross Profit	EBITDA	EBIT	Sales	EBITDA	EBIT	Sales CYE	LTM	CYE	CYE+1	
Paladin Labs Inc.	TSX:PLB	31-Dec	20-May-11	73.3%	42.8%	24.6%	5.9 x	13.8 x	24.2 x	5.3 x	38.7 x	27.7 x	24.8 x	3.7 x
Alliance Pharma plc	AIM:APH	31-Dec	20-May-11	60.9%	39.5%	37.5%	2.2 x	5.7 x	6.0 x	2.4 x	8.3 x	10.2 x	9.2 x	2.5 x
Cumberland Pharmaceuticals, Inc.	NasdaqGS:CPIX	31-Dec	20-May-11	92.4%	17.5%	15.3%	1.0 x	5.7 x	6.5 x	0.9 x	31.9 x	29.5 x	14.4 x	1.3 x
IS Pharma plc	AIM:ISPH	31-Mar	20-May-11	63.8%	31.7%	28.2%	3.7 x	11.7 x	13.1 x	3.8 x	17.7 x	12.4 x	12.0 x	0.9 x
Medicines Co.	NasdaqGS:MDCO	31-Dec	20-May-11	69.6%	16.5%	15.3%	1.4 x	8.7 x	9.4 x	1.4 x	20.4 x	9.6 x	10.5 x	2.4 x
Questcor Pharmaceuticals, Inc.	NasdaqGS:QCOR	31-Dec	20-May-11	93.7%	47.0%	46.5%	9.8 x	20.9 x	21.1 x	7.5 x	40.2 x	28.7 x	20.4 x	11.1 x
Cornerstone Therapeutics Inc.	NasdaqCM:CRTX	31-Dec	20-May-11	64.1%	18.4%	6.6%	1.1 x	5.9 x	16.5 x	1.1 x	36.0 x	12.5 x	13.4 x	1.1 x
ISTA Pharmaceuticals Inc.	NasdaqGM:ISTA	31-Dec	20-May-11	76.0%	4.2%	3.2%	2.0 x	NM	NM	1.8 x	233.1 x	35.0 x	17.6 x	NM

Median	71.5%	25.1%	19.9%	2.1 x	8.7 x	13.1 x	2.1 x	33.9 x	20.1 x	13.9 x	2.4 x
Mean	74.2%	27.2%	22.1%	3.4 x	10.3 x	13.8 x	3.0 x	53.3 x	20.7 x	15.3 x	3.3 x
Min	60.9%	4.2%	3.2%	1.0 x	5.7 x	6.0 x	0.9 x	8.3 x	9.6 x	9.2 x	0.9 x
Max	93.7%	47.0%	46.5%	9.8 x	20.9 x	24.2 x	7.5 x	233.1 x	35.0 x	24.8 x	11.1 x

* All estimates from Capital IQ

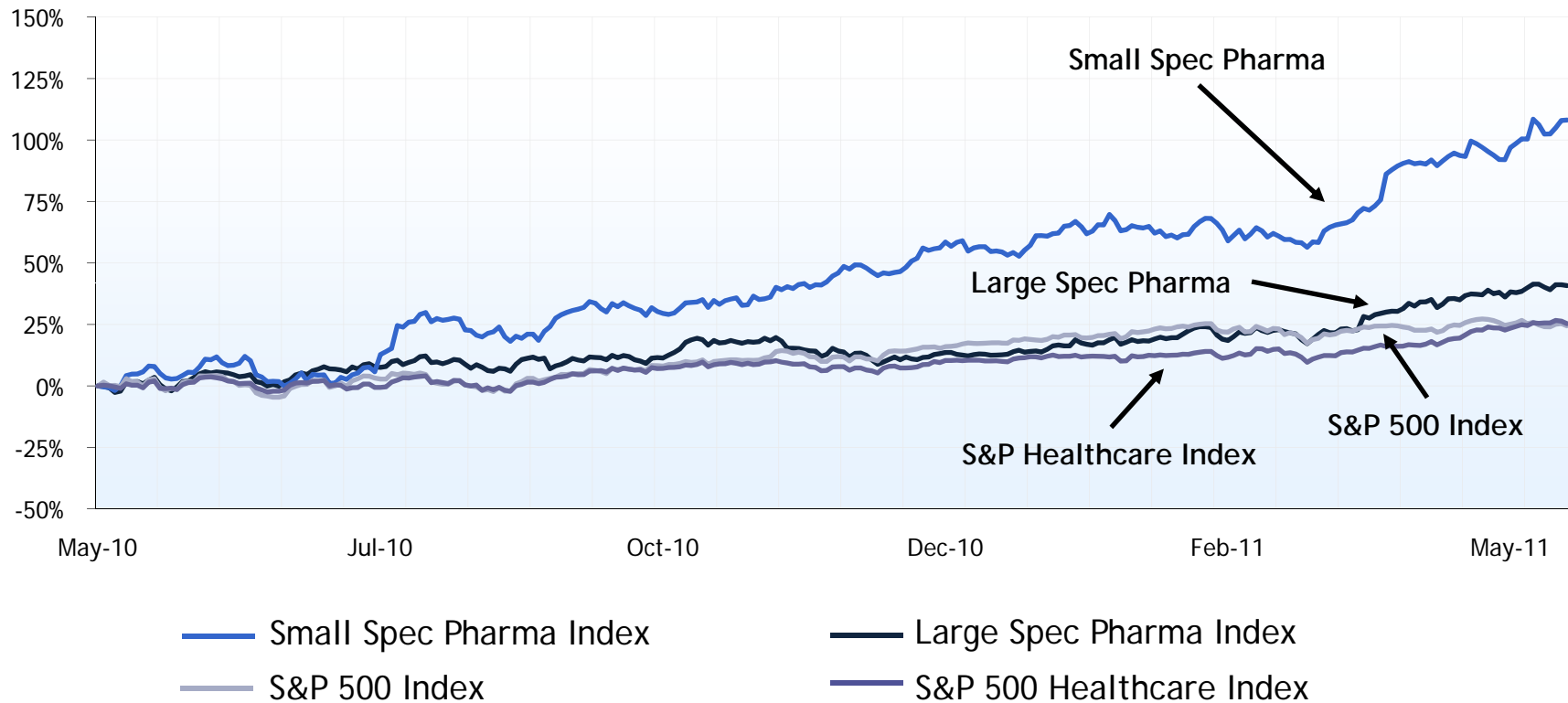
NA - not available

NM - not meaningful

- The median specialty pharma trading multiples for companies with revenue less than \$500 million are approximately 2.1x revenue and 8.7x EBITDA



Large and Small Spec Pharma Trading Performance



- The Small Spec Pharma index* has significantly outperformed the Large Spec Pharma Index* as well as both the S&P 500 and S&P healthcare indices over the past year

**Large and Small Spec Pharma indices are comprised of the companies in the trading multiple basket from the slides 14 and 15 respectively*

Recent Pharma Transactions >\$150 Million

(\$ in millions)

Filing Date	Target	Buyers	Implied EV	Revenue	EBITDA	EV/Revenue	EV/EBITDA
May-11	Prometheus Laboratories Inc.	Nestlé Health Science S.A.	NA	NA	NA	NA	NA
May-11	Sanitas AB (NSEL:SAN1L)	Valeant Pharmaceuticals International, Inc. (TSX:VRX)	\$581.2	\$142.6	\$47.5	4.1x	12.2x
May-11	Nycomed SICAR S.C.A.	Takeda Pharmaceutical Company Limited (TSE:4502)	13,013.1	4,478.6	1,058.8	2.9x	12.2x
May-11	Cephalon Inc. (NasdaqGS:CEPH)	TEVA Pharmaceuticals USA, Inc.	6,238.3	2,970.6	1,075.6	2.1x	5.8x
Apr-11	Synthes Inc. (SWX:SYST)	Johnson & Johnson (NYSE:JNJ)	19,529.4	3,684.8	1,587.8	5.3x	12.3x
Apr-11	American Medical Systems Holdings Inc. (NasdaqGS:AMMD)	Endo Pharmaceuticals Holdings Inc. (NasdaqGS:ENDP)	2,315.9	542.3	173.9	4.3x	13.3x
Apr-11	Inspire Pharmaceuticals, Inc. (NasdaqGS:ISPH)	Merck & Co. Inc. (NYSE:MRK)	416.4	106.4	(32.9)	3.9x	NM
Mar-11	Cephalon Inc. (NasdaqGS:CEPH)	Valeant Pharmaceuticals International, Inc. (TSX:VRX)	5,528.3	2,811.1	1,053.8	2.0x	5.2x
Feb-11	Clinical Data, Inc. (DB:NV8)	Forest Laboratories Inc. (NYSE:FRX)	931.0	17.1	(77.4)	NM	NM
Feb-11	ProStrakan Group plc (LSE:PSK)	Kyowa Hakko Kirin Co., Ltd. (TSE:4151)	427.1	162.7	18.5	2.6x	23.1x
Jan-11	Paddock Laboratories, Inc.	Ferrigo Co. (NasdaqGS:PRGO)	540.0	2,517.0	527.3	0.2x	1.0x
Dec-10	Mantecorp Industria Quimica e Farmaceutica Ltda	Hypermarcas SA (BOVESPA:HYPE3)	1,472.8	264.8	NA	5.6x	NA
Dec-10	C & O Pharmaceutical Technology (Holdings) Limited	Sumitomo Corporation (TSE:8053)	228.7	84.0	27.0	2.7x	8.5x
Dec-10	Eurand N.V. (NasdaqGM:EURX)	Axcan Pharma Holding B.V	518.8	177.7	10.2	2.9x	NM
Nov-10	Techpool Bio-Pharma Co., Ltd.	Nycomed International Management GmbH	416.8	65.8	NA	6.3x	NA
Oct-10	BMP Sunstone Corporation (NasdaqGM:BJGP)	Sanofi-Aventis (ENXTPA:SAN)	457.6	166.2	16.2	2.8x	NM
Oct-10	King Pharmaceuticals Inc. (NYSE:KG)	Pfizer Inc. (NYSE:PFE)	3,324.7	1,654.2	391.9	2.0x	8.5x
Oct-10	Alaven Pharmaceuticals	Meda AB (OM:MEDA A)	350.0	111.3	58.3	3.1x	6.0x
Aug-10	Ratiopharm International GmbH	Teva Pharmaceutical Industries Limited (NasdaqGS:TEVA)	4,935.7	2,178.5	418.0	2.3x	11.8x
Jul-10	Merck KGaA (MKGAF:PK)	Millipore Corporation	6,903.4	1,654.4	408.2	4.2x	16.9x
Jun-10	OSI Pharmaceuticals Inc. (NasdaqGS:OSIP)	Astellas US Holding, Inc.	3,519.1	441.1	176.0	8.0x	20.0x
Mar-10	JCR Pharmaceuticals Co., Ltd.	GlaxoSmithKline plc	343.2	148.3	28.3	2.3x	12.1x
Mar-10	Aventis Pharma Ltd.	Hoechst GmbH	761.2	227.2	48.0	3.4x	15.9x
Feb-10	Solvay Pharma India Limited	Abbott Capital India Limited	319.8	52.5	13.0	6.1x	24.6x
Feb-10	Remaining interest in SSP Co. Ltd.	Boehringer Ingelheim GmbH	913.0	412.5	NA	2.2x	NA
Feb-10	Mepha AG	Cephalon, Inc.	588.0	377.0	NA	1.6x	NA
Jan-10	BioForm Medical, Inc.	Merz GmbH & Co. KGaA	253.0	69.0	NA	3.7x	NA
Dec-09	Chattem, Inc.	Sanofi-Aventis SA	1,900.0	460.0	158.0	4.1x	12.0x
Dec-09	Neo Quimica	Hypermarcas SA	789.5	219.5	54.9	3.6x	14.4x
Nov-09	Enzon Pharmaceuticals Inc., Specialty Pharmaceuticals Business	Sigma-Tau Pharmaceuticals, Inc.	327.0	135.2	24.1	2.4x	13.6x
Oct-09	Shanghai Industrial Pharmaceutical Investment Co Ltd.	Shanghai Pharmaceutical Co., Ltd.	907.3	502.3	56.5	1.8x	16.1x
Oct-09	Sciele Pharma Inc.	Shionogi & Co. Ltd.	1,262.6	407.8	104.0	3.1x	12.1x

NA - Not Available
NM - Not Meaningful

Median	\$848.4	\$320.9	\$57.4	3.1x	12.2x
Mean	2,823.6	936.9	274.7	3.7x	13.2x
High	19,529.4	4,478.6	1,587.8	13.4x	24.6x
Low	122.1	17.1	-77.4	0.2x	1.0x

- The median pharma transaction multiples for deals with an implied enterprise value of greater than \$150 million are approximately 3.1x revenue and 12.2x EBITDA



Recent Pharma Transactions <\$150 Million

(\$ in millions)

Filing Date	Target	Buyers	Implied EV	Revenue	EBITDA	EV/Revenue	EV/EBITDA
Apr-11	Wooridul Pharmaceutical Limited (KOSEA004720)	Digital Ocean (KOSEA051160)	56.26	40.57	3.51	1.4x	16.0x
Apr-11	Hoepharm Holdings Sdn Bhd	Taisho Pharmaceutical Co. Ltd. (TSE4535)	122.05	25.23	6.89	4.8x	17.7x
Feb-11	IS Pharma plc (AIM:ISPH)	Sinclair Pharma plc (LSE:SPH)	57.83	23.72	7.53	2.4x	7.7x
Feb-11	Oxygen Bio Research Pvt. Ltd.	Pramal Healthcare Limited (BSE:500302)	14.78	630.58	630.58	NA	NM
Jan-11	Guilin Dahua Pharmaceutical Co. Ltd.	Sichuan KELUN PHARMACEUTICAL Co., Ltd. (SZSE:002422)	27.34	569.07	123.76	NA	NM
Jan-11	Bio-Engineered Supplements & Nutrition, Inc.	Glanbia plc (ISE:GL9)	144.0	21.8	NA	6.6x	NA
Jan-11	Tianjin Tianan Pharmaceutical Co., Ltd., Amino Acid Bulk Drug Business	Tianjin Tianyao Pharmaceutical Co.,Ltd. (SHSE:600488)	24.92	171.30	28.21	NA	NM
Jan-11	CyDex Pharmaceuticals, Inc.	Ligand Pharmaceuticals Inc. (NasdaqGM:LGND)	88.91	33.58	(6.07)	2.6x	NM
Jan-11	Guizhou Qianyuan Pharmaceutical Co. Ltd.	Guizhou Bailing Group Pharmaceutical Co.,Ltd.	1.21	123.6	28.32	NA	NA
Jan-11	Synosia Therapeutics AG	Biotie Therapies Oyj (HLS:BTH1V)	119.06	5.99	(14.29)	19.9x	NM
Jan-11	GlaxoSmithKline LLC, Two Over-The-Counter Consumer Products in U.S.	Meda AB (OM:MEDA A)	26.79	12.18	NA	2.2x	NA
Jan-11	New Gen Pharm Inc.	Next Code Co., Ltd. (KOSEA035450)	14.29	6.93	(6.88)	2.1x	NM
Jan-11	CPEX Pharmaceuticals, Inc. (NasdaqCM: CPEX)	Footstar Corporation	56.89	22.1	3.2	2.6x	17.8x
Dec-10	Nanjing MeiRui Pharma Co., Ltd.	GlaxoSmithKline plc (LSE:GSK)	70.0	15.9	NA	4.4x	NA
Dec-10	Transave, Inc.	Insmed Incorporated (NasdaqCM:INSM)	94.21	6.2	NA	15.2x	NA
Nov-10	Biolin Scientific AB (publ). (OM:BLIN)	Ratos AB (OM:RATO B)	46.51	21.39	3.06	2.2x	15.2x
Nov-10	Norgine B.V., Three OTC Products	Meda AB (OM:MEDA A)	79.79	28.07	NA	2.8x	NA
Nov-10	Medley S.A. Industria Farmaceutica, Digedrat, Peridal and Lopigrel Prescription Drug Brands	Hypermarcas SA (BOVESPA:HYPE3)	48.87	16.55	NA	3.0x	NA
Oct-10	Baxter Healthcare Corporation, US Generic Injectables Business	West-Ward Pharmaceutical Corp.	112.0	169.7	14.5	0.7x	7.7x
Oct-10	Laboratoire de la Mer	Omega Pharma NV (ENXTB:ROME)	96.43	35.78	NA	2.7x	NA
Aug-10	Solstice Neurosciences, Inc.	US WorldMeds, LLC	35.7	24.1	NA	1.5x	NA
Apr-10	Artu Biologicals Europe B.V.	ALK-Abello A/S (CPSE:ALK B)	26.2	34.9	NA	0.8x	NA
Apr-10	Tongjitang Chinese Medicines Co.	Fosun Industrial Co., Ltd.	96.9	70.3	3.0	1.4x	32.3x
Mar-10	Dragon Pharmaceuticals, Inc.	Chief Respect, Ltd.	58.0	30.4	NA	1.9x	NA
Mar-10	Instituto Terapeutico Delta Ltda	Valeant Pharmaceuticals International Aliso	28.0	19.0	NA	1.5x	NA
Mar-10	Ascent Pharmahealth Ltd.	Strides Arcolab Ltd.	83.4	96.1	14.3	0.9x	5.8x
Mar-10	Everett Laboratories, Inc.	Chemo Iberica, S.A.	40.5	19.0	NA	2.1x	NA
Mar-10	Orexo AB	Novo A/S	114.5	33.1	NA	3.5x	NA
Mar-10	Orion Laboratories Pty. Ltd.	The Perrigo Company	48.0	30.0	NA	1.6x	NA
Jan-10	Shionogi Pharma Inc., Antibiotic CEDAX	Pernix Therapeutics Holdings, Inc.	6.1	6.0	NA	1.0x	NA
Nov-09	Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd.	Novartis AG	147.1	25.0	NA	5.9x	NA
Oct-09	Polish pharma products	Valeant Pharmaceuticals International	18.0	8.0	NA	2.3x	NA

NA - Not Available
NM - Not Meaningful

Median	\$56.6	\$25.0	\$5.2	2.3x	15.6x
Mean	62.6	71.1	58.0	3.6x	15.0x
High	147.1	630.6	630.6	19.9x	32.3x
Low	1.2	6.0	3.0	0.7x	5.8x

- The median pharma transaction multiples for deals with an implied enterprise value of less than \$150 million are approximately 2.3x revenue and 15.6x EBITDA



Activity in Specialty Pharmaceuticals

Spec Pharma M&A Activity

- While average transaction value is down, total number of spec pharma M&A transactions is up so far in 2011 with 12 transactions averaging \$1.2 billion per deal

Year Announced	Number of Transactions	Announced Transaction Value (\$B)	Average Transaction Value (\$B)
2011 YTD ⁽¹⁾	12	\$14.9	\$1.2
2010	29	\$75.3	\$2.6 ⁽²⁾
2009	30	\$19.2	\$0.6
2008	32	\$30.9	\$1.0
2007	21	\$43.2	\$2.1
2006	19	\$25.5	\$1.3
2005	19	\$30.8	\$1.6
2004	11	\$2.3	\$0.2
2003	8	\$5.7	\$1.4
2002	7	\$0.8	\$0.1
2001	4	\$13.6	\$2.7 ⁽³⁾

⁽¹⁾ As of April 15, 2011 ⁽²⁾ Novartis' acquisition of Alcon was \$51.6B; Avg value ex-Alcon was \$0.8B ⁽³⁾ JNJ's acquisition of Alza was \$12.3B; Avg value ex-Alza was \$0.3B
 Source: Deutsche Bank, Company Information



Transaction Characteristics

	2005	2006	2007	2008	2009	2010	2011 YTD ⁽¹⁾
Public companies acquired/merged	11	10	8	16	12	15	7
Initial public offering (IPOs)	10	14	13	0	2	4	8
Net addition/subtraction	-1	4	5	-16	-10	-11	1

- 2011 is shaping up to be a significant year for specialty pharma based on the number of public companies that have merged or been acquired
- The IPO window also appears to be open with already twice as many deals YTD in 2011 as in all of 2010
- The availability of ultra cheap debt financing has enabled acquisition volumes to increase with 7 public company M&A transactions in 2011 YTD

⁽¹⁾ As of April 15, 2011

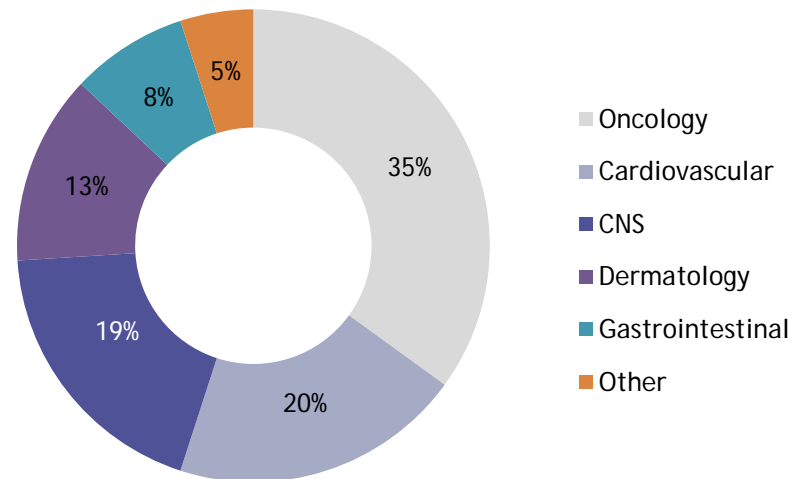
Source: Deutsche Bank, Company Reports, Capital IQ Screening Report



Transaction Characteristics

- Another plus for M&A activity is the lending environment is favoring larger deals
- Specialty pharma companies doing more than \$50 million annually with multiple therapies are particularly attractive acquisition candidates

Global M&A Deals by Therapeutic Area
2009-2010



Source: The Braff Group, GBI Research

Transaction Characteristics

- 59 total transactions involving at least one specialty pharma company from June 2005 to June 2008

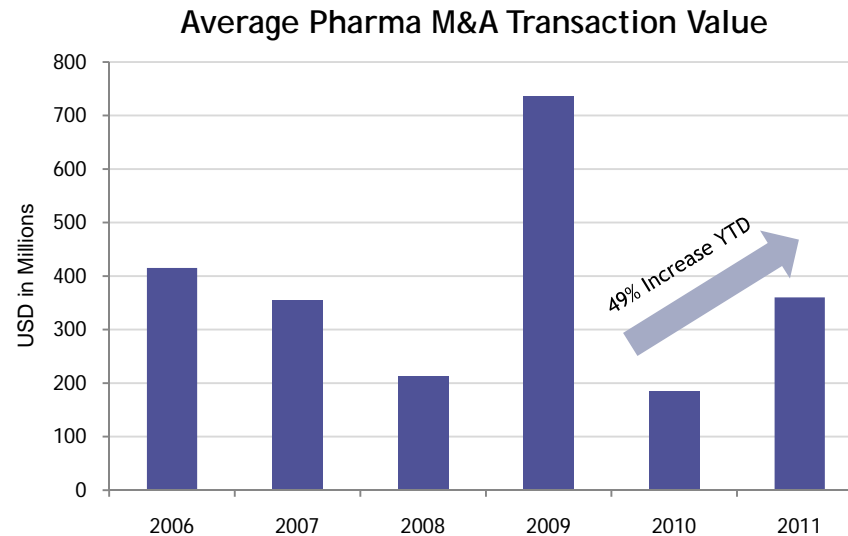
Most common types of targets	Most common types of consolidators
48 specialty pharma companies	32 specialty pharma companies
- 24 branded companies	- 17 branded companies
- 17 generic companies	- 15 generic companies
- 7 drug delivery companies	5 big pharma, med devices
11 biotech/other companies	10 Japan, Euro mid-cap pharma
	5 biotechs
	6 private equity/LBO/MBO
	1 other (consumer products)

Source: Deutsche Bank



Big Pharma Influence

- Big Pharma has been facing major challenges to sustained growth for well-documented reasons including:
 1. Mega-sized revenue bases
 2. Major product patent expiries
 3. A more aggressive and better capitalized generic drug industry
 4. Thin mid- and late-stage pipelines resulting from low R&D productivity
- The acquisitions of Wyeth and Schering-Plough significantly skew 2009 average deal value
- The average total deal value of pharma M&A transactions fell drastically in 2010, yet 2011 YTD values have increased as a result of well capitalized companies paying a premium to historical market multiples

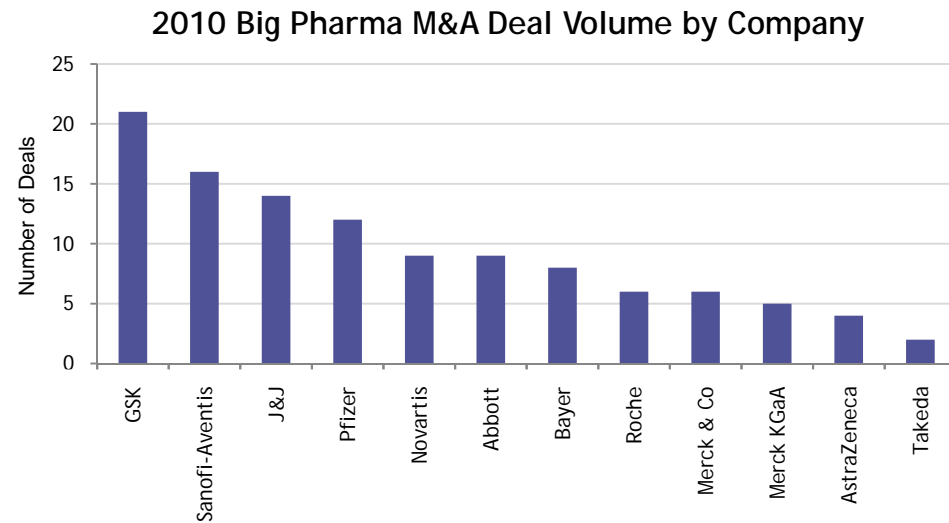


Source: Deutsche Bank, Company Reports, PharmaDeals Review



Big Pharma Influence

- Big Pharma looking more closely to specialty pharma
- Key acquisitions include:
 - Alcon in January 2010 by Novartis
 - Pfizer's \$3.6 billion purchase of pain management focused King Pharmaceuticals in October 2010
 - GSK's \$3.6 billion purchase of privately held dermatology company Stiefel Labs in April 2009
- Big pharma were the most prolific dealmakers of 2010, with Pfizer and Sanofi-Aventis leading the way

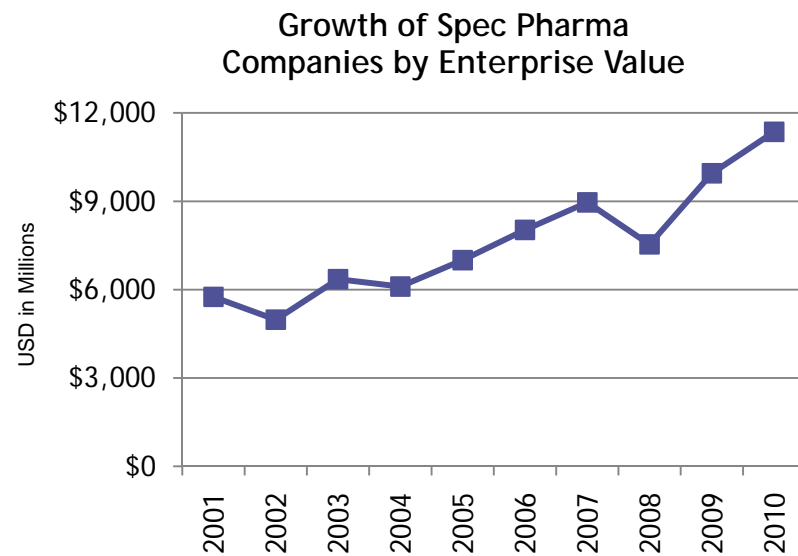
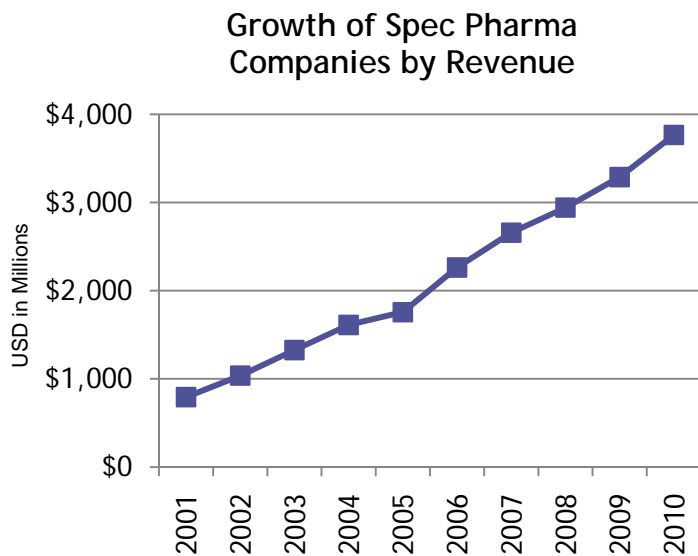


Source: Bourne Partners Internal Research, Capital IQ



Market Attractiveness

- M&A in specialty pharma is attractive to potential buyers because of its high profile, high revenues and high growth
- Specialty pharma companies are becoming increasingly important in the overall pharmaceutical landscape



Spec pharma companies charted above all have 10 years of disclosed revenue and enterprise value: Biogen, Cephalon, CSL, Endo, Forest, Gilead, IS Pharma, Paladin, Questcor, Shire
Source: Bourne Partners Internal Research, Capital IQ



Market Attractiveness

Announced	Completed	Acquirer	Target	Value (\$MM)
2/21/2011	Pending	Kyowa Hakko-Kirin	Prostrakan	\$474
9/3/2009	10/20/2009	Dainippon/Sumitomo	Sepracor	2,600
7/14/2009	8/27/2009	Hisamitsu	Noven	428
5/18/2009	--^^	Shionogi	Victory Pharma	150
9/1/2008	10/9/2008	Shionogi	Sciele Pharma	1,100
6/11/2008	10/20/2008	Daiichi-Sankyo	Ranbaxy	8,500*
12/10/2007	1/28/2008	Eisai	MGI Pharma	3,900
			Total	\$17,152

* \$4.6B Majority stake to be acquired via binding Share Purchase and Share Subscription Agreement (SPSSA)

^^ Deal mutually terminated on 7/10/09 due to occurrence of an unforeseen development

- Significant interest from Japanese Pharma in U.S.-focused specialty pharma companies
- Japanese companies becoming active buyers of U.S.-based Specialty Pharmaceutical companies, due to slowing domestic growth, government initiatives to increase the rate of generic utilization, and a strong yen

Source: Deutsche Bank, Company information



Market Dynamics Summary

In summary:

- Pharmaceutical companies have been accumulating cash on their balance sheets
- Pharma M&A transaction volume is strong and on the rise
- Both trading and transaction multiples for pharmaceutical companies are up over recent historical levels, especially for small cap companies
- Acquiring companies have shown an ability and willingness to pay a premium for good businesses
- The market is primed for sellers to attract premium value for quality assets and businesses



Bourne Partners Company Overview

Bourne Partners Overview

- Investment banking and strategic business development support services
- Healthcare focus
- Client segmentation
 - Specialty Pharmaceuticals
 - OTC/Nutraceutical
 - Medical Device
 - Healthcare services
 - Distribution
 - Biotechnology
- Over \$2.5B in debt and equity capital raised in the healthcare sector
- Over \$5B executed in financial advisory (M&A) assignments in the healthcare sector
- Since 2004, Bourne Partners has advised on deals in over 15 different countries including:
 - U.S., Germany, Canada, Ireland, Sweden, Denmark, Brazil, and Italy

Where Bourne Partners Adds Value

M&A Specialist Group

- *Concentrate on acquisition, sale and going private assignments*
- *Focus on \$25-\$250M transactions or licensing collaborations with product sales expectations of \$20M and above*
- *Strong private equity and venture capital relationships*
- *Focus on serving middle market companies*
- *Company and product M&A*

Depth of Resources and Relationships

- *Significant industry relationships; access to key decision makers*
- *Deal team depth and experience*
- *Extensive international coverage*
- *Bankers and healthcare executives within the firm*

Experienced in Maximizing Value

- *Directly relevant experience*
- *Professionally structured process*
- *Deal team staffing a proper mix of junior and senior resources*
- *Memorandum and material preparation of the highest quality*
- *Sensitive to confidentiality issues*

Healthcare Industry Expertise

- *Healthcare focus*
- *Relationships with over 500 healthcare companies worldwide*
- *Dedicated industry research coverage*
- *Dedicated internal analyst coverage*
- *Significant transaction record*



Professionals to Contact

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- B.A. - Business Management with distinction, MBA - Wake Forest University

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- 10 years of life sciences M&A and licensing experience
- B.S. from Georgetown University

