



# PHARMA

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## SECTOR SNAPSHOT

1H22 Recap + 2H22 Outlook

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**BOURNE PARTNERS**

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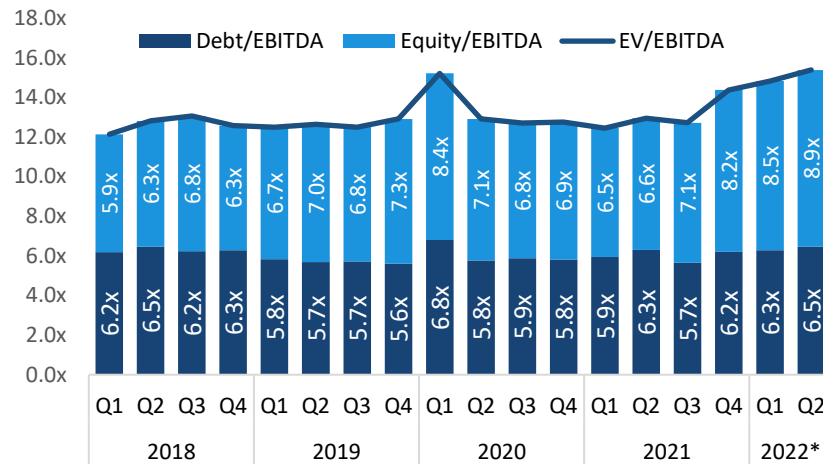
# MARKET TRENDS

PERSPECTIVES AND VALUATIONS

# M&A MARKET COMMENTARY

- Despite the recent downturn and volatility in the public markets, the private markets have continued to hold near all time highs from an EV / EBITDA perspective
- The credit markets have once again been thrust into the spotlight as the Federal Reserve continues to rapidly raise rates to combat inflationary pressure
- The 4-month rolling median for US PE buyout multiples reached the highest level seen in the last decade, this time with an increased proportion of transactions being financed with equity relative to the previous record set in Q1 of 2020
- Despite global challenges, the private market remains healthy from an M&A standpoint for a number of reasons:
  - Record number of buyers in the market
  - Continued (albeit more modest) lending activity with borrowers anticipating higher rates
  - A belief that private markets will outperform public ones and soft monetary policy throughout 2020 and 2021 has led to record amounts of capital chasing yield
- As we move into the second half of 2022, Bourne Partners expects to see sustained M&A interest from US Private equity buyers (and potentially less activity from strategic buyers) as owners of quality assets continue to seek monetization events and investors continue to attempt to deploy capital into strong, privately held businesses

## US Buyout Multiples Remain Elevated



## Historical US High Yield Debt Effective Yield<sup>2</sup>



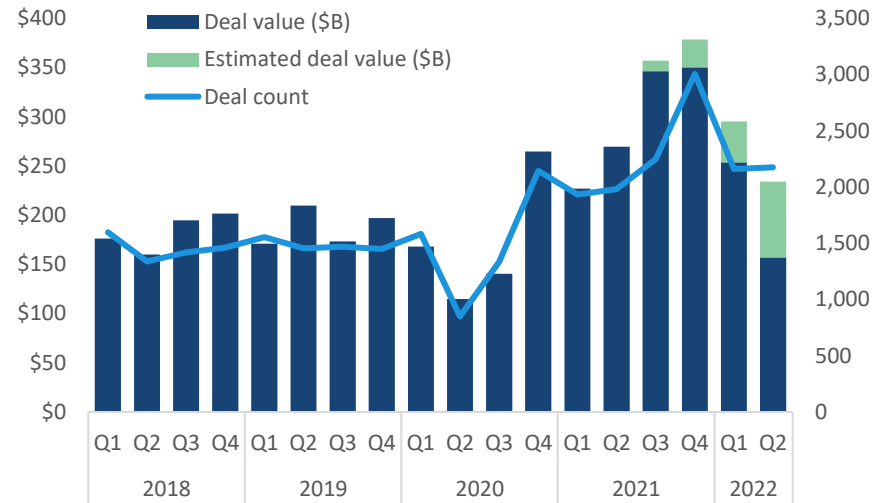
1) PitchBook, Q2 2022 (4 quarter rolling median)

2) Ice Data Indices, LLC, ICE BofA US High Yield Index Effective Yield [BAMLH0A0HYM2EY] Federal Reserve Bank of St. Louis

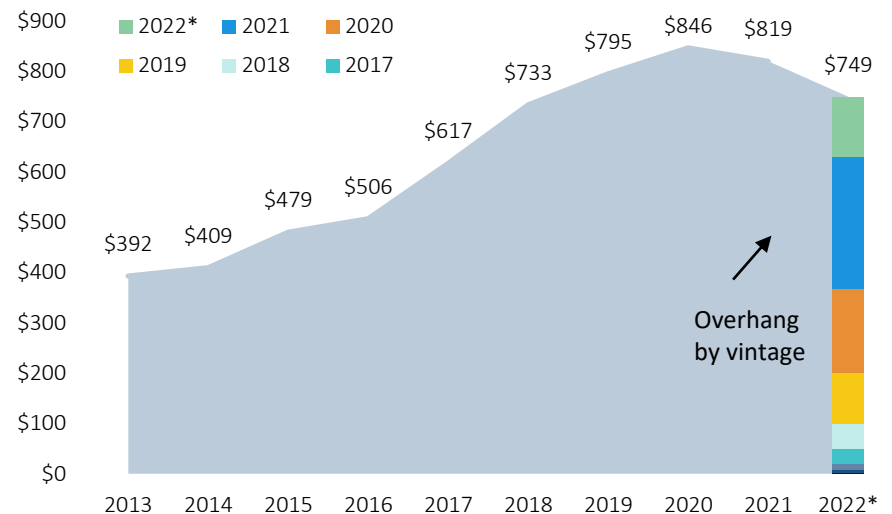
# PRIVATE EQUITY MARKET COMMENTARY

- 2021 saw Private Equity deal volume reach its highest level ever recorded; nearly \$1.3T in actual and estimated deal value
- 2021 was the beneficiary of a large spurt in deal activity as sellers sought to capitalize on attractive valuations and preempt potential adverse tax code changes
- In the second quarter of 2022, total deal value declined by nearly 20% from the first quarter while the number of estimated and actual deals remained essentially flat, indicating that private equity investors were targeting smaller deals
- One major backstop which should prevent further declines in Private Equity backed deals is the sheer volume of dry powder that remains in Private Equity coffers
  - As of June 30th, 2022, US Private Equity had a capital overhang of ~\$749B
  - Dry powder declined significantly from Q4 2021 as Private Equity groups continued to deploy record amounts of capital however, at its current rate, 2022 is on track to set the record for most Private Equity capital raised
  - In 2021, Private Equity firms raised a staggering \$312B led by the largest PE funds (>\$5B) which raised ~46% of all new capital raised in the space
  - In Q1 2022, funds between \$1-5B raised the largest share of capital at ~40% of all new capital raised
  - In Q2 2022, funds >\$5B regained their lead and as of 6/30/2022 account for ~58% of all PE capital raised in 2022

## US Private Equity Deal Value (\$B)<sup>1</sup>



## US Private Equity Dry Powder (\$B)<sup>1</sup>






# PHARMA MARKET UPDATE

We're constantly having conversations with leading professionals within our deep industry network to stay up-to-date on all sector market trends

## Industry and Economic Trends

- Despite the subdued deal activity in 2020 and 2021, the consensus, going forward, is that impending losses of exclusivity in the second half of the decade will soon catalyze a robust M&A environment as large pharmaceutical companies look to preempt major revenue losses from patent / exclusivity losses in the mid- to near-term. Partnerships, bolt-on transactions, and large deals will likely all become more commonplace as companies aim to meaningfully offset these impending revenue losses
- Strong aggregate balance sheet capacity across the pharmaceutical market complements the view that significant capital deployment will continue / ramp up over the next several years
  - This is slated to occur in tandem with expected overall budget growth in drug discovery programs – R&D budget growth decelerated in 2021; however, the 2022 outlook is expected to fully rebound from 2021's impeded totals
- On-shoring remains a guiding focus as companies are increasingly more willing to trade higher costs for increased supply chain reliability. Extended supply chain disruptions have shifted sentiment towards prioritization of reliability and predictability
- With funding largely down, industry-wide cost cutting has reemerged as a response to difficulty raising capital. Companies focused on drug development are seeing pressure to acquire cash flow through M&A and cutting costs

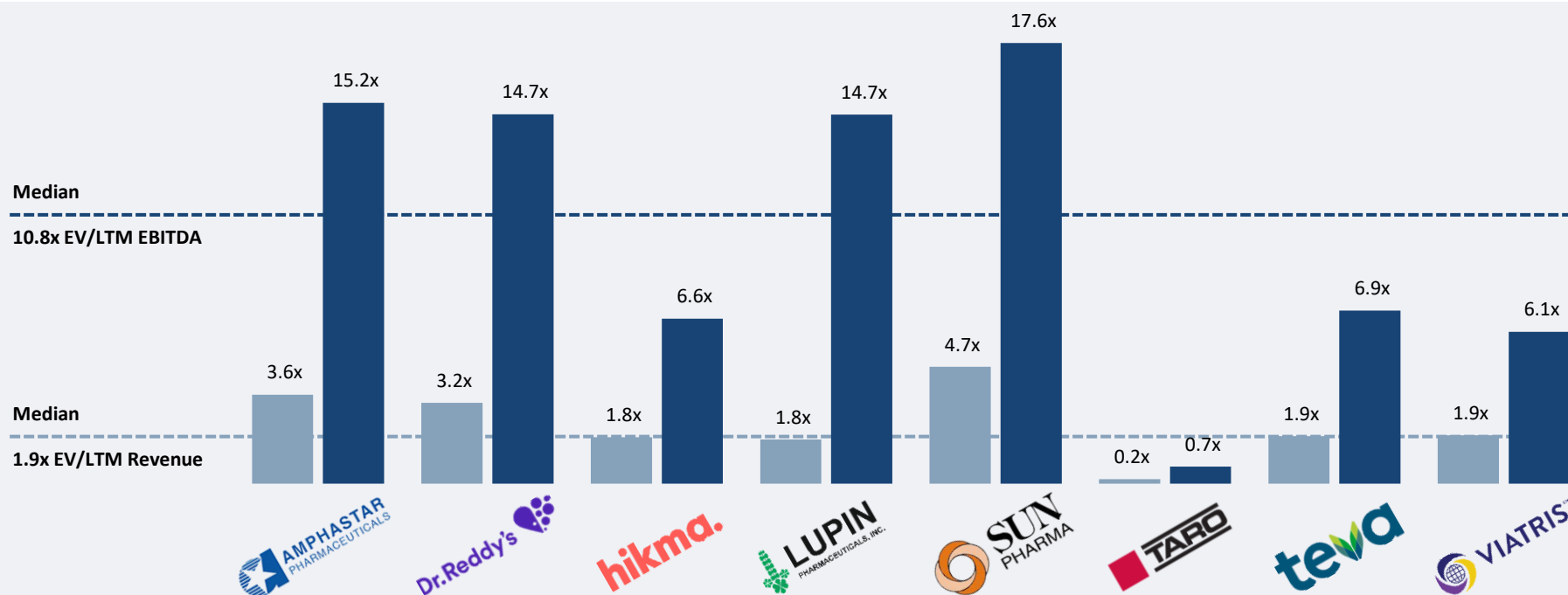
## LOEs<sup>2</sup> as % of 2021 Revenue

 Bristol Myers Squibb	67%
 Biogen	54%
 MERCK	46%
<b>REGENERON</b>	44%
<b>abbvie</b>	37%
<i>Lilly</i>	28%

5 1) UBS Research, 2022 2) Losses of Exclusivity up until 2030 with many key products losing exclusivity prior to 2030

# GENERIC PHARMA PUBLIC TRADING COMPS

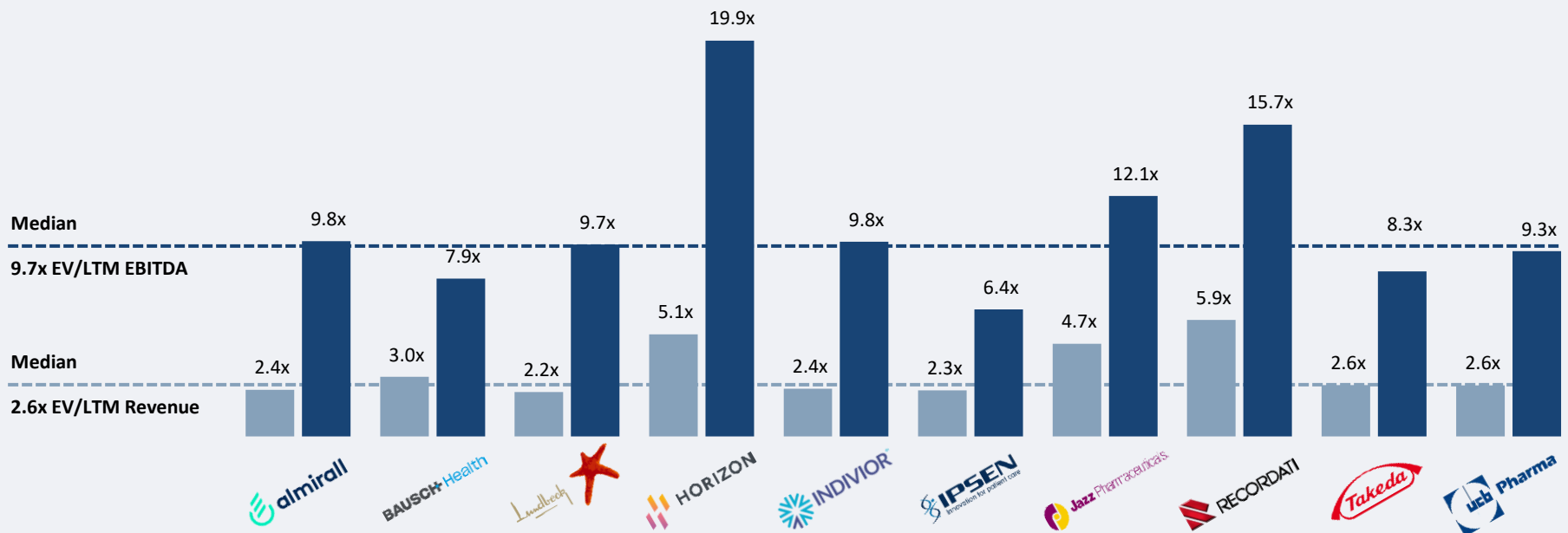
Bourne Partners' Generic Pharma index is currently trading at median **EV / Revenue** and **EV / EBITDA** multiples of **1.9x** and **10.8x**, respectively<sup>1</sup>



- Generic Pharma multiples continue to lag the broader public market (as defined by the S&P 500)
- Within the above Generic Pharma basket, there is notable disparity between the constituents' valuation multiples – likely the result of investor preference for more diversified portfolios / businesses and certain product formats as seen with Amphastar, Dr. Reddy's, Lupin, and Sun Pharma

# BRANDED PHARMA PUBLIC TRADING COMPS

Bourne Partners' Branded Pharma index is currently trading at median **EV / Revenue** and **EV / EBITDA** multiples of **2.6x** and **9.7x**, respectively<sup>1</sup>



- Similarly, Bourne Partners believes that portfolio diversity and pipeline depth can help achieve a premium multiple for Branded Pharma companies – companies like Horizon, which has a diversified portfolio coupled with a loaded pipeline of new products, or Recordati, which has a deep product portfolio and global operations, are trading at relative premiums to other constituents within this Branded Pharma basket

# GENERIC PHARMA M&A ACTIVITY

Available data indicates generic pharma companies generally transacted at healthy multiples in 1H 2022 with financial buyers being particularly active in Q2

Jun  
2022\*



Italy-based  
manufacturer and  
wholesaler of generic  
pharmaceuticals



Private equity firm  
based in Texas

TEV: \$1.7B  
TEV / Revenue: 5.7x  
TEV / EBITDA: 13.5x

Jun  
2022



India-based generic  
pharma company  
specializing in women's  
health and analgesics



Investment company  
based in Mauritius

TEV: \$72.9M  
TEV / Revenue: 2.4x  
TEV / EBITDA: 18.6x

May  
2022



Manufacturer and  
distributor of specialty  
generic pharmaceuticals



Private equity firm  
based in Iceland

TEV: \$475.0M  
TEV / Revenue: NA  
TEV / EBITDA: NA

Apr  
2022



US-based developer of  
complex generic  
injectable products



UK-based generic  
pharmaceutical  
company

TEV: \$425.0M  
TEV / Revenue: 5.3x  
TEV / EBITDA: NA

Jan  
2022



US-based pharma  
company, marketing and  
distributing generic  
products



Vertically-integrated  
specialty pharma  
company in India

TEV: \$18.0M  
TEV / Revenue: NA  
TEV / EBITDA: NA



# BRANDED PHARMA M&A ACTIVITY

Branded pharma transactions in 1H 2022 were largely concentrated in the second quarter following a slow start to the year in Q1

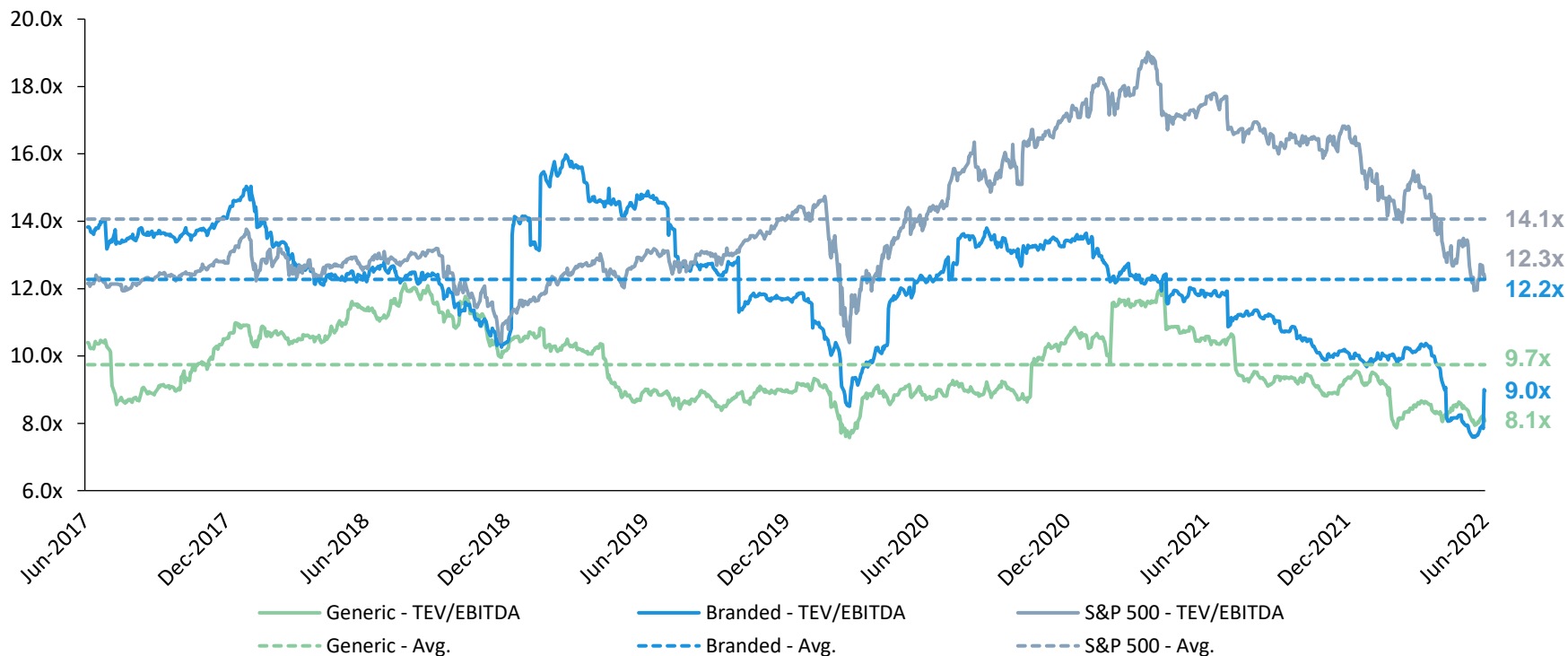
Jul 2022*	 <b>La Jolla</b> Pharmaceutical	US-based developer and marketer of branded pharmaceuticals	 <b>INNOVIVA</b>	US-based branded pharmaceutical company	TEV: \$149.0M TEV / Revenue: 2.9x TEV / EBITDA: 8.6x
Jun 2022	 <b>acacia</b> pharma	Commercial stage pharmaceutical company developing novel branded products	 <b>EAGLE</b> PHARMACEUTICALS	US-based specialty pharmaceutical company	TEV: \$82.4M TEV / Revenue: NM TEV / EBITDA: NM
May 2022	 <b>antares</b> pharma	Developer of branded parenteral pharma products and delivery systems	 <b>Halozyme</b>	Oncology-focused biotech company based in the US	TEV: \$897.8M TEV / Revenue: 4.9x TEV / EBITDA: 14.6x
May 2022*	 <b>biohaven</b> pharmaceuticals	Clinical stage pharmaceutical company targeting neurological diseases	 <b>Pfizer</b>	Global pharma company focused on prescription drugs and vaccines	TEV: \$11.0B TEV / Revenue: 14.9x TEV / EBITDA: NM
Mar 2022	 <b>biodelivery</b> SCIENCES	US-based branded pharmaceutical company focused on pain therapies	 <b>Collegium</b> PHARMACEUTICAL	US-based branded specialty pharma company	TEV: \$489.7M TEV / Revenue: 2.9x TEV / EBITDA: 11.0x

\*Announced/In-process

NA = Not Available; NM = Not Meaningful

# SECTOR PERFORMANCE VS S&P 500 - LAST 5 YEARS

Branded and Generic Pharma multiples appear to be trading meaningfully below historical averages and the S&P 500

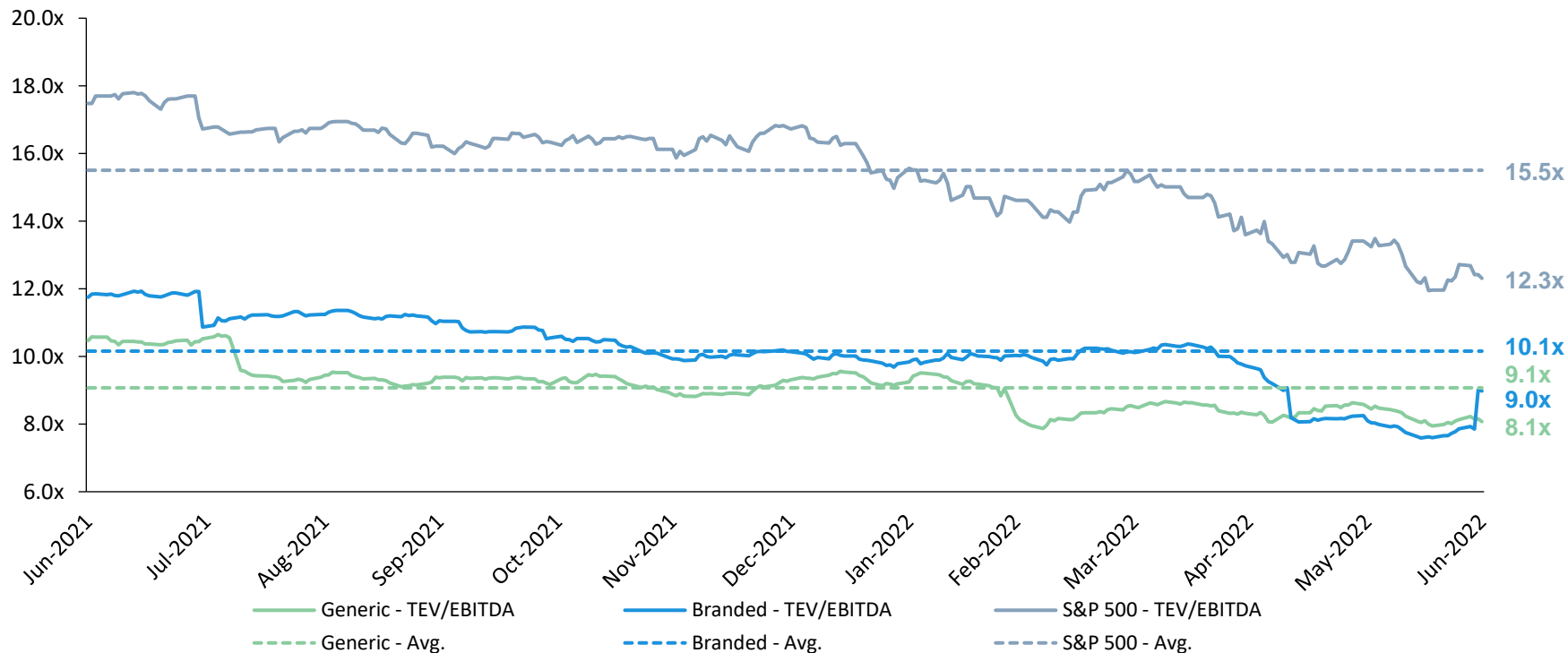


- The last 5 years have been particularly weak for Branded and Generic Pharma multiples as both are trading near their lowest levels of the period, down 36% and 22%, respectively, whereas S&P 500 multiples are 1% higher than they were at the end of June 2017
- Given the relative weakness in multiples, we believe Branded and Generic Pharma serve as economic-resistant value opportunities in an era of rising rates and macroeconomic uncertainty

*Branded Pharma basket consists of: BME:ALM, NYSE:BHC, CPSE:HLUN A, NasdaqGS:HZNP, LSE:INDV, ENXTPA:IPN, NasdaqGS:JAZZ, BIT:REC, TSE:4502, ENXTBR:UCB  
 Generic Pharma basket consists of: NasdaqGS:AMPH, BSE:500124, LSE:HIK, BSE:500257, NSEI:SUNPHARMA, NYSE:TARO, NYSE:TEVA, NasdaqGS:VTRS*

# SECTOR PERFORMANCE VS S&P 500 - LAST 12 MONTHS

Branded and Generic Pharma multiples have seen a slower decline than the S&P 500 of the LTM period, but are trading at discounts to the S&P 500 and their LTM averages



- The S&P 500 is currently trading at a 21% discount to its average over the LTM period, while Branded and Generic Pharma multiples are currently discounted 12% and 11%, respectively
- However, both sectors have continued their declines over the last twelve months and remain suppressed from a valuation multiple standpoint when compared to the S&P 500

*Branded Pharma basket consists of: BME:ALM, NYSE:BHC, CPSE: HLUN A, NasdaqGS:HZNP, LSE:INDV, ENXTPA:IPN, NasdaqGS:JAZZ, BIT:REC, TSE:4502, ENXTBR:UCB  
 Generic Pharma basket consists of: NasdaqGS:AMPH, BSE:500124, LSE:HIK, BSE:500257, NSEI:SUNPHARMA, NYSE:TARO, NYSE:TEVA, NasdaqGS:VTRS*

# SELECT TRANSACTION EXPERIENCE

BOURNE PARTNERS RELEVANT CASE STUDIES

# CASE STUDY: WOODWARD ACQUIRES ASSETS FROM GSK & EISAI



has acquired pharmaceutical assets from



**Outcome:**  
**\$125,000,000 of**  
**Transaction Financing**

## COMPANY OVERVIEWS

### WOODWARD PHARMA SERVICES

Woodward Pharma Services is a fast-growing, integrated specialty pharmaceutical company focused on acquiring, licensing, and commercializing prescription drugs. The company has a diverse portfolio of branded and generic products in addition to manufacturing and packaging capabilities. The company was founded in 2015 and is headquartered in Wixom, MI.

### GLAXOSMITHKLINE (“GSK”)

GSK ranks as one of the largest pharmaceutical companies in the world. The company engages in the creation, discovery, development, manufacture, and marketing of pharmaceutical products, vaccines, and other health-related products. GSK has expertise across various therapeutic areas including infections diseases, HIV, oncology, immunology, and more.

### EISAI

Eisai is a global research and development-based pharmaceutical company headquartered in Japan. Established in 1941, Eisai is a leading specialty and generic pharmaceutical company operating globally in terms of R&D, manufacturing, distribution and marketing, with a strong focus on prescription medicines.

## NEGOTIATED FAVORABLE TRANSACTION STRUCTURES WITH MULTIPLE COUNTERPARTIES AND EXECUTED A SWIFT CLOSING

### OBJECTIVE

Woodward Pharma Services, a previously single-digit million EBITDA pharmaceutical company with in-house manufacturing and packaging operations, along with a small portfolio of pharmaceutical products, engaged Bourne Partners to secure 100% debt financing for Woodward’s acquisition of a bundle of pharmaceutical products from GSK.

### PROCESS

Throughout the process, Bourne generated strong interest in the opportunity even with no new equity being contributed to the transaction, maintained competitive dynamics with the interested lender groups, negotiated financial terms with the debt provider and two sellers, and coordinated key financial due diligence items and credit agreement schedules. During the process of securing this non-traditional acquisition financing, an opportunity to acquire a complementary asset from Eisai became available and this new capital need required meaningfully upsizing the debt facility.

### RESULT

As a result, Woodward was able to raise \$125mm – 50% more than their original target – and acquire additional assets from the sellers at a reduced purchase price while maintaining exclusivity in order to close all deals simultaneously. The Woodward team and Bourne Partners executed a simultaneous close of both acquisitions and a credit facility from Colbeck Capital Management on July 2, 2021. This transaction increased the scale of the Woodward business nearly tenfold and repositioned the company with enhanced breadth of its pharmaceutical portfolio.

# CASE STUDY: ANI ACQUIRES NOVITIUM



novitium

has been  
acquired by



ani  
Pharmaceuticals, Inc.

**Outcome:**  
**Up to \$249M in  
Total Proceeds<sup>1</sup>**

## COMPANY OVERVIEWS

### NOVITIUM PHARMA

Novitium Pharma LLC is a privately-owned pharmaceutical company that specializes in development, manufacturing, and distribution of niche generic products, spanning a diverse range of dosage forms and therapeutic categories. The company was incorporated in 2016 and is based in East Windsor, New Jersey.

### ANI PHARMACEUTICALS (NASDAQ: ANIP)

ANI Pharmaceuticals, Inc. is a publicly-traded specialty pharmaceutical company that develops, manufactures, and markets branded and generic prescription pharmaceuticals in the United States and Canada. The company manufactures a variety of dosage forms and also provides contract manufacturing services for other pharmaceutical companies. The company was founded in 2001 and is headquartered in Baudette, Minnesota.

## LEVERAGING INDUSTRY CONNECTIONS TO RUN A STREAMLINED PROCESS

### OBJECTIVE

ANI Pharmaceuticals engaged Bourne Partners to develop and explore a range of growth options for the company.

### PROCESS

Bourne Partners chose to run a streamlined buy-side process on an expedited timeline, leading principal-to-principal discussions, analyzing and addressing competitive conflicts and synergies, helping develop and negotiate a de-risked / structured transaction, facilitating an optimal funding / financing solution, and making the introduction to the buyer of overlap assets required to be divested for the acquisition to close.

### RESULT

Bourne Partners helped negotiate the optimal transaction structure, incorporating both upfront and earnout elements as well as a significant equity component, creating the proper long-term alignment between the companies. Bourne Partners simultaneously helped facilitate a PIPE investment from a leading industry-focused private equity firm.

*“Today marks a major milestone for ANI and the many patients who rely on our high-quality, cost-effective medications. With the completion of this acquisition, we bring on board a world-class R&D engine in the generic and 505 (b)(2) sectors, and a highly-compliant U.S. based manufacturing facility, positioning us well for sustainable long-term growth.”*

**– Nikhil Lalwani, President & CEO, ANI  
Pharmaceuticals, Inc.**

# CASE STUDY: SALE OF APOLLO TO PROVEPHARM



has been  
acquired by



**Outcome:**  
**Transaction Value**  
**Undisclosed**

## COMPANY OVERVIEWS

### APOLLO PHARMACEUTICALS

Apollo Pharmaceuticals is a US pharmaceutical company specializing in the development, manufacturing, and distribution of sterile injectable generic pharmaceutical products. Apollo was a sister company of SteriMax, Inc., a Canadian pharmaceutical company also specializing in sterile injectable products, who divested the asset to prioritize its Canadian operations. Apollo was founded in 2014 and headquartered in Palm Beach Gardens, FL.

### PROVEPHARM LIFE SOLUTIONS

Provepharm Life Solutions is a European biopharmaceutical company specializing in the development and commercialization of branded and generic pharmaceutical and biotechnology products. The company has a global footprint with products distributed in more than 30 countries worldwide. The company's portfolio spans a range of therapeutic categories, including antidotes, coloring agents, injectable vitamins, metabolism, and neuroscience. The company was founded in 1998 and is headquartered in Marseille, France.

## DELIVERING EXCEPTIONAL RESULTS THROUGH CHALLENGING TIMES

### OBJECTIVE

Apollo Pharmaceuticals engaged Bourne Partners to serve as its exclusive advisor in a divestiture of the company and assets so the owners could focus on growing their Canadian business. The company was open to variety of transaction structures and buyer types with the goal of achieving maximum value in an efficient process that was not disruptive to their Canadian operations.

### PROCESS

Through a challenging period in 2020, Bourne Partners leveraged its focused industry experience and deep relationships to lead a competitive transaction process for Apollo Pharmaceuticals. Despite having an acceptable offer on the table, Bourne Partners continued to focus on strategic buyers hoping to gain a foothold in the US market until it found the right buyer.

### RESULT

Bourne Partners identified a French pharmaceutical company looking to build out its international presence through the acquisition of a US platform, with the strategic fit and rationale allowing Apollo Pharmaceuticals to maximize value above other bidders.

***“Provepharm has a clear vision for the US, which includes continuing the growth of the acquired products and seeing the pipeline to fruition. We are proud of what we have built and know that our team members, global partners, and customers will be in good hands under Provepharm’s leadership. This transaction allows us to focus our strategic efforts on Canada, where SteriMax is one of the largest and fastest growing sterile injectable companies.”***

**– Samir Acharya, President, Apollo Pharmaceuticals and SteriMax Inc.**



**BOURNE PARTNERS**