

OUTSOURCED PHARMACEUTICAL SERVICES SECTOR CASE STUDY

PPD Initial Public Offering

M&A Advisory | Growth Capital | Recapitalizations | Board Advisory | Strategic Evaluations



May 2020

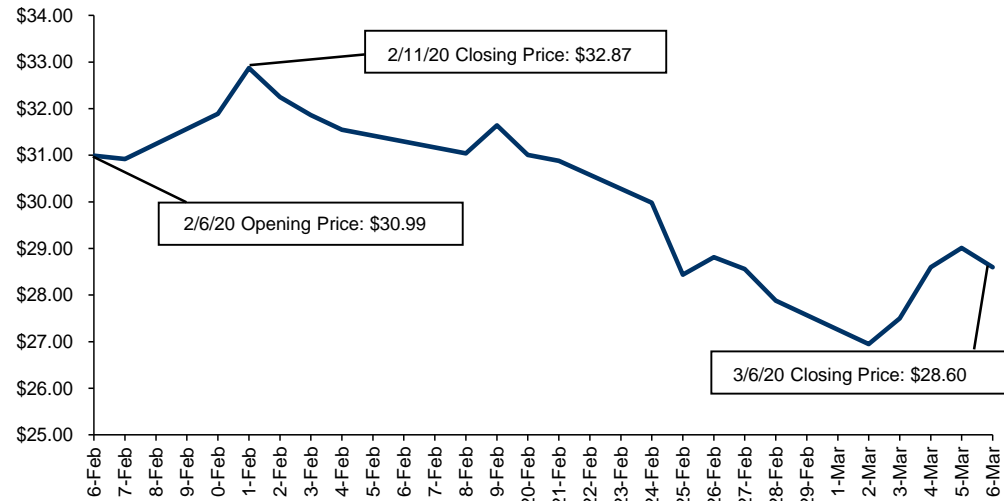
Transaction Overview



On February 5, 2020, Pharmaceutical Product Development (PPD) announced it raised \$1.86 billion in its initial public offering (IPO)

- The company announced it priced 60 million primary shares of its common stock at the top end of its targeted range or \$27.00 per share
 - The underwriters simultaneously exercised the greenshoe option, offering an additional 9 million primary shares of PPD’s common stock at the IPO price, resulting in total IPO shares and gross proceeds of 69 million and \$1.86 billion, respectively
 - Implied Enterprise Value of \$13.1 billion
 - Implied Enterprise Value / LTM Adjusted EBITDA multiple of 16.9x
- PPD used the net proceeds from the offering to redeem a portion of its senior notes that were due to retire in 2022 and will use any remaining proceeds for general corporate purposes
- On February 6th, shares of PPD’s common stock began trading on the NASDAQ exchange under the symbol (“PPD”)
 - Opening Price of \$30.99 (14.8% premium to IPO price); \$14.5 billion enterprise value, 18.7x EV / LTM Adjusted EBITDA
 - During the first full week of trading, the stock price rose to \$32.87 (21.7% premium to IPO price); \$15.2 billion enterprise value, 19.5x EV / LTM Adjusted EBITDA
 - PPD’s stock traded down in the second half of the month, along with global market indices, due to concerns associated with the impact of Coronavirus
- PPD had been owned by The Carlyle Group and Hellman & Friedman (H&F) since 2011 after the two private equity firms took the company private in a \$3.9 billion leveraged buyout
- The two firms will retain significant ownership in the company, with H&F retaining a 57% ownership stake, and Carlyle owning nearly 24% of all outstanding shares (pre-greenshoe)
- Prior to being taken private, PPD traded on the public markets from 1996-2011

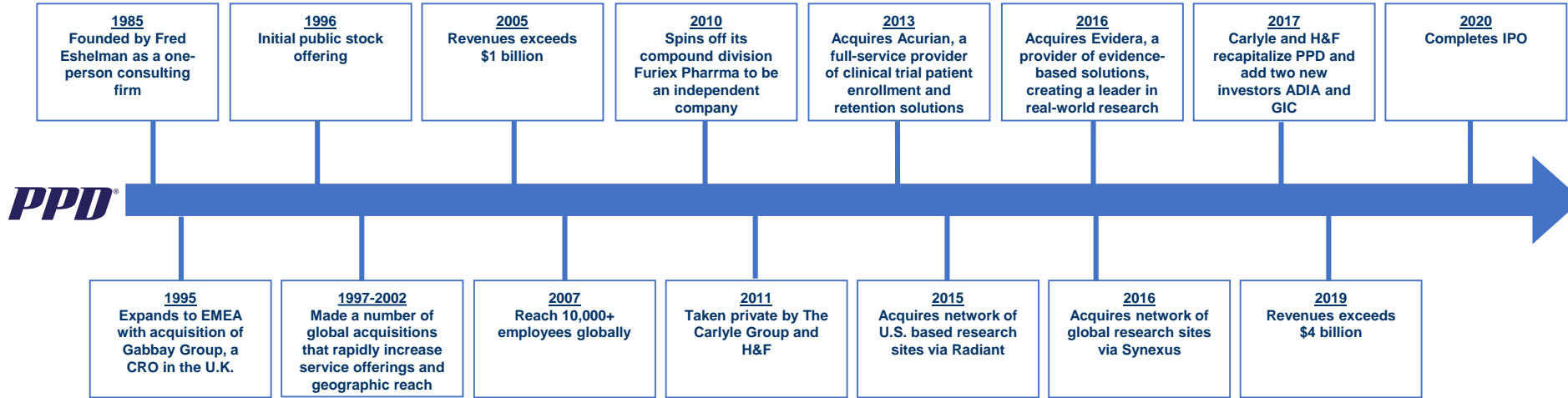
PPD (NASDAQ: PPD) Stock Price Performance



Overview of PPD

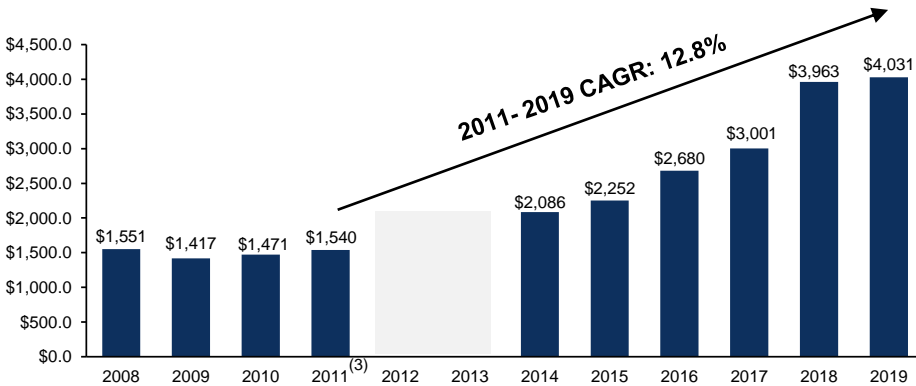
- PPD is a global contract research organization (CRO) that provides clinical trial and laboratory services to pharmaceutical, biotechnology, medical device, and government organizations
- The company is headquartered in Wilmington, North Carolina and employs approximately 23,000 people across 100 offices in 46 countries
- PPD was founded in 1985 by entrepreneur and philanthropist Fred Eshelman who took the firm public in 1996
- In 2018, the company served all of the top 50 biopharmaceutical companies in the world, and was involved in 66 drug approvals
- During the past five years, PPD has conducted more than 2,100 clinical trials, and its laboratory scientists have completed more than 57,000 pharmaceutical development projects and worked with more than 7,600 compounds

Select Company History (1)



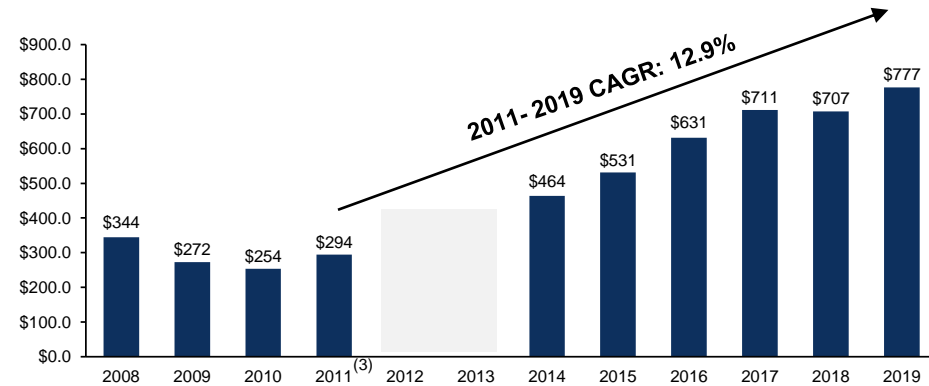
Historical Revenue Growth (2)

(\$ in millions)



Historical Adjusted EBITDA Growth (2)

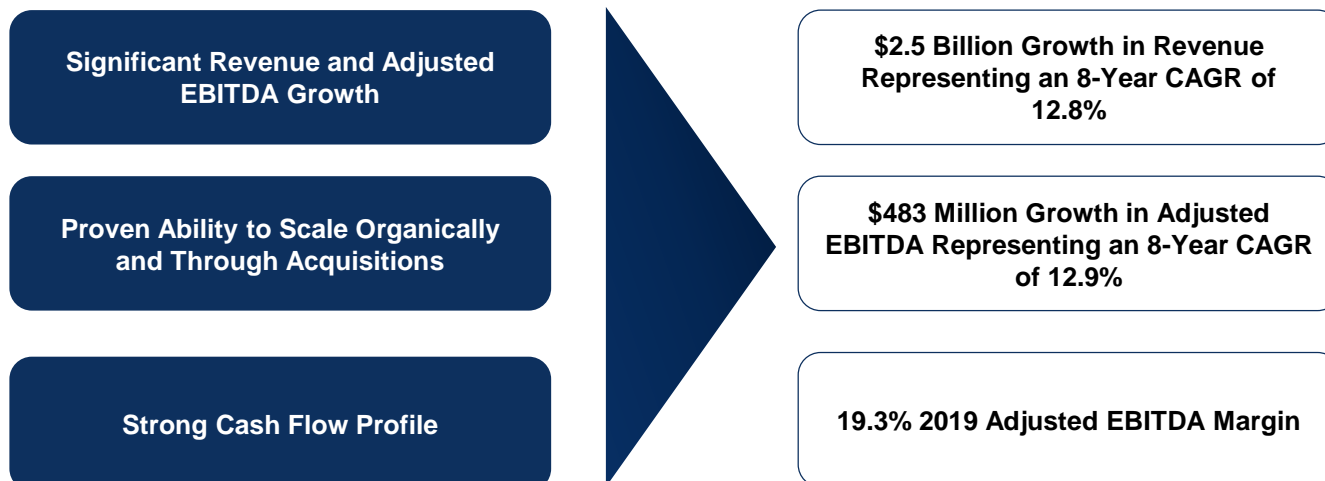
(\$ in millions)



(1) Company press releases, investor presentations, and public filings
 (2) Public financial information is not available from 2012-2013
 (3) LTM as of 10/31/2011

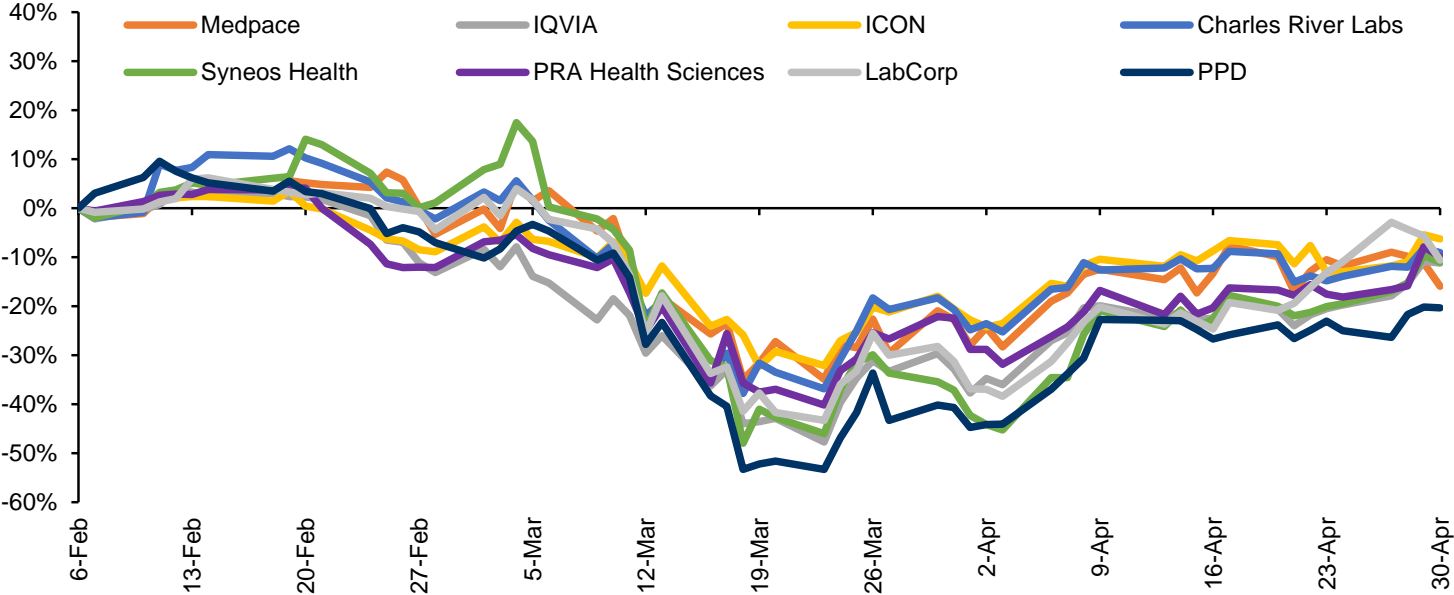
Notable Business Transformation under H&F and The Carlyle Group Ownership ⁽¹⁾

- PPD delivered substantial revenue and EBITDA growth since it was taken private by The Carlyle Group and H&F in December 2011
 - Revenue increased from \$1.5 billion to \$4.0 billion between 2011 and 2019 (CAGR 12.8%) ⁽²⁾
 - Adjusted EBITDA increased from \$294.0 million to \$776.9 million between 2011 and 2019 (CAGR 12.9%) ⁽²⁾
- The company also made a number of meaningful add-on acquisitions that have increased PPD’s service offerings and geographic reach, which included:
 - Acurian (2013)
 - Network of U.S. based research sites from Radiant (2015)
 - Evidera (2016)
 - Network of global research sites from Synexus (2016)
- PPD’s value grew almost 236% since H&F and Carlyle purchased the company for \$3.9 billion in December 2011, with its IPO assigning an initial enterprise value of approximately \$13.1 billion



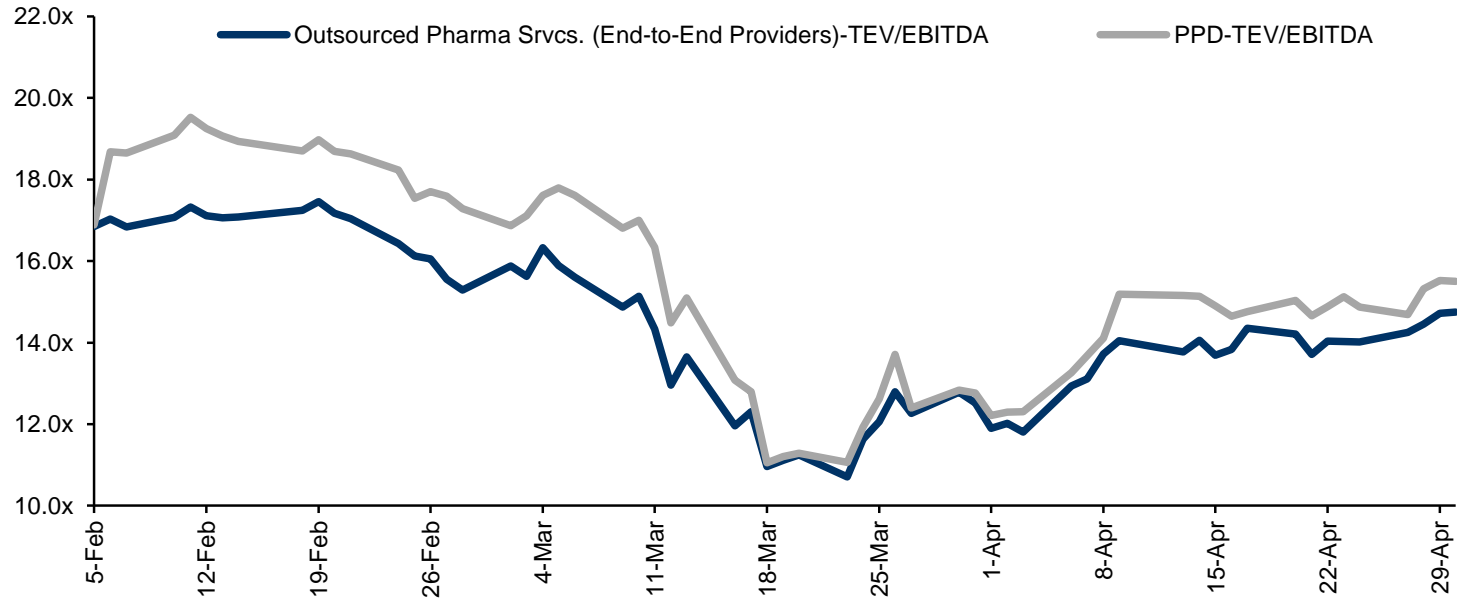
⁽¹⁾ Company press releases, investor presentations, and public filings
⁽²⁾ 2011 financial information reflects LTM as of 10/31/2011

PPD vs. DSP Outsourced Pharma Services Companies (2020 Stock Price Performance) ⁽¹⁾ ⁽²⁾ ⁽³⁾

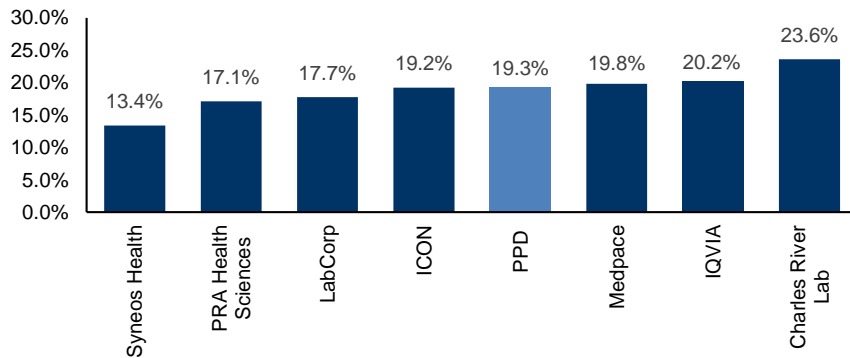


(1) PitchBook
 (2) Represents YTD stock performance from February 6, 2020 – April 30, 2020
 (3) Note: On February 6, 2020, PPD went public and began trading on the NASDAQ exchange

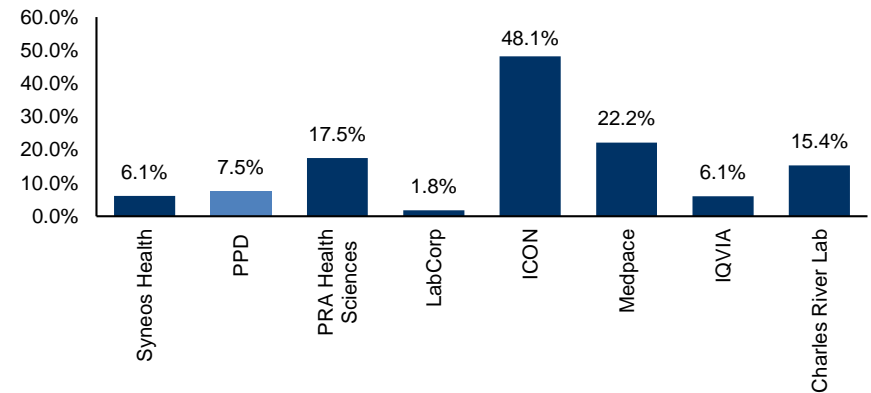
EV / LTM EBITDA Multiple (1) (2)



2019 EBITDA Margin % (3)



2019 Revenue Growth Rate % (3)



(1) PitchBook

(2) Note: On February 6, 2020, PPD went public and began trading on the NASDAQ exchange



(3) Company press releases, investor presentations, and public filings



- DSP analyzes and groups the public Outsourced Pharmaceutical Services companies into two categories (End-to-End Providers and Commercialization) based on their differentiated service offerings and value characteristics
 - End-to-End Providers are larger CROs that are focused on both the clinical development and commercialization sides of the house. The average market cap of End-to-End Providers as of year end 2019 was \$11.3 billion. These include:
 - Medpace
 - IQVIA
 - ICON
 - Charles River Laboratories
 - Syneos Health
 - PRA Health Sciences
 - LabCorp
 - PPD (Added to the group after going public on February 6, 2020)
 - Commercialization companies are smaller than the End-to-End Providers and offer a suite of specialized services focused on bringing pharmaceutical products to market. The average market cap of Commercialization companies as of year end 2019 was \$1.1 billion. These include:
 - UDG Healthcare plc
 - Huntsworth plc
 - Cello Health plc
- End-to-End Providers typically trade at a premium to Commercialization companies due their size, breadth of service offerings, and additional share of pharmaceutical customers wallet they capture
- On February 19, 2020, prior to the Coronavirus sell-off, PPD was trading at approximately 19.0x LTM EBITDA, a premium to the median of the rest of the End-to-End Providers who were trading between 12.5x and 21.2x, or a median of 17.5x

Outsourced Pharmaceutical Services

 ARCUS MEDICA
has been acquired by
 W₂O
a portfolio company of
 NMC
NEW MOUNTAIN CAPITAL LLC
Advisor to Seller

 pyxa
SOLUTIONS
has merged with
 red nucleus
a portfolio company of
 R RENOVUS
CAPITAL
Advisor to Pyxa

 Emmes
has completed a majority
recapitalization with
 BEHRMAN CAPITAL
Advisor to Emmes


 HealthStrategiesGroup
has been acquired by
 WATER STREET
Advisor to Seller

 EXECUPHARM
has been acquired by
 PAREXEL
Advisor to Seller

Healthcare Services



 Onsite Innovations
Smarter Healthcare at Work™
has been acquired by
 PIVOT
PHYSICAL THERAPY
a portfolio company of
 CI CAPITAL
PARTNERS
Advisor to Seller

 ALEGIS
has been acquired by
 MEDNAX
NATIONAL MEDICAL GROUP
Advisor to Seller

 GEO
The GEO Group, Inc.
(NYSE: GEO)
has divested
 GEO
Care
in a
Management Buyout
Advisor to Independent Committee
Fairness Opinion

Life Science Tools

 Biotix
a portfolio company of
 FISHER FRIEDMAN
ACCOUNTING and GROTECH
VENTURES
has been acquired by
 METTLER TOLEDO
Advisor to Seller

 TROEMNER
has been acquired by
 METTLER TOLEDO
Advisor to Seller

DELANCEY STREET PARTNERS, LLC

M&A Advisory

Growth Capital

Recapitalizations

Board Advisory

Strategic
Evaluations

Senior Leadership

Patrick E. Dolan
Managing Director
484.533.6311
pdolan@delanceyllc.com

William J. Filip
Managing Director
484.533.6312
wfilip@delanceyllc.com

Steven D. Higgins
Managing Director
484.533.6308
shiggins@delanceyllc.com

B. Andrew Schmucker
Managing Partner
484.533.6313
aschmucker@delanceyllc.com