

OUTSOURCED PHARMACEUTICAL SERVICES SECTOR CASE STUDY

Huntsworth plc Taken Private by Clayton, Dubilier & Rice

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



June 2020

HUNTSWORTH PLC AGREES TO BE TAKEN PRIVATE BY CLAYTON, DUBILIER & RICE

Transaction Overview

- Announced: March 3, 2020
- Closed: May 1, 2020
- Acquirer: Clayton, Dubilier & Rice (CD&R)
- Enterprise Value: £575.0 million (Approximately \$719.0 million)
 - CD&R agreed to pay 108 pence per share (approximately \$1.38 per share)
 - 50.0% premium ⁽¹⁾
 - 11.9x FY 2019 EBITDA of £48.4 million (Approximately \$60.5 million)

Huntsworth plc Stock Price Performance

Currency in GBp

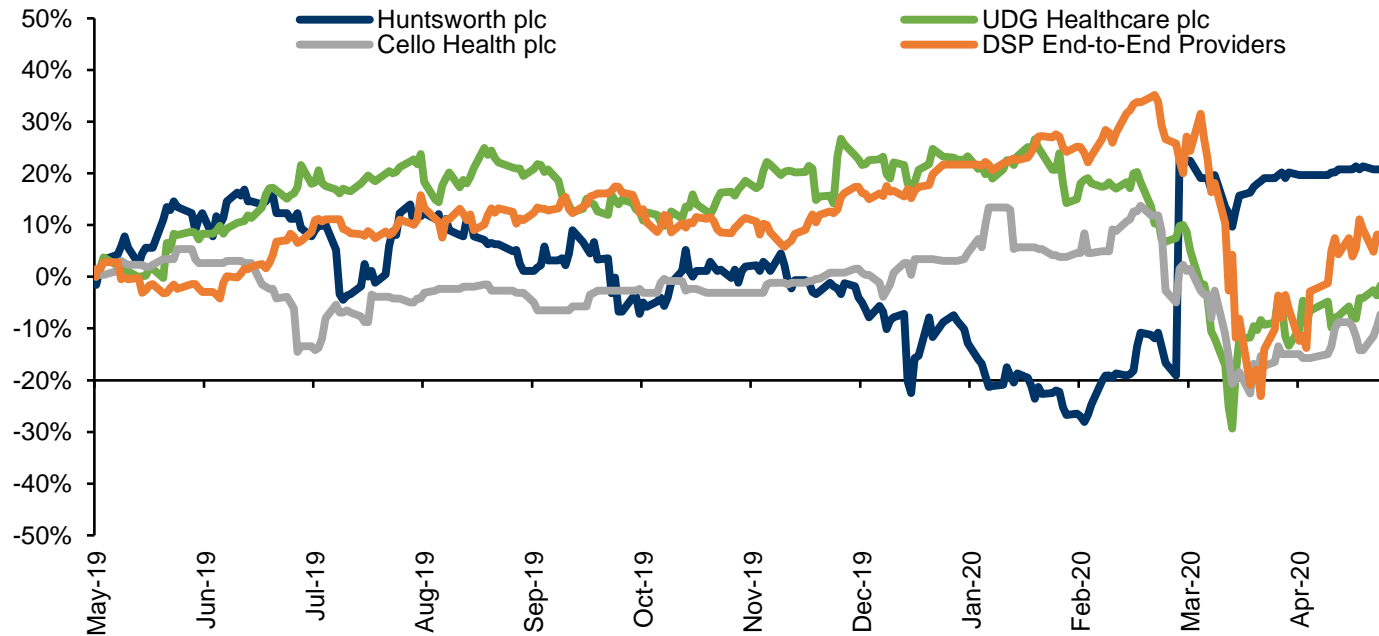


Source: Company press releases, investor presentations, public filings, and PitchBook.

(1) Premium over closing price on March 2, 2020, the last date before CD&R's offer to purchase the company.

HUNTSWORTH PLC AGREES TO BE TAKEN PRIVATE BY CLAYTON, DUBILIER & RICE

Huntsworth vs. DSP Outsourced Pharma Services Commercialization Companies (1 Year Stock Price Performance) ⁽¹⁾ ⁽²⁾

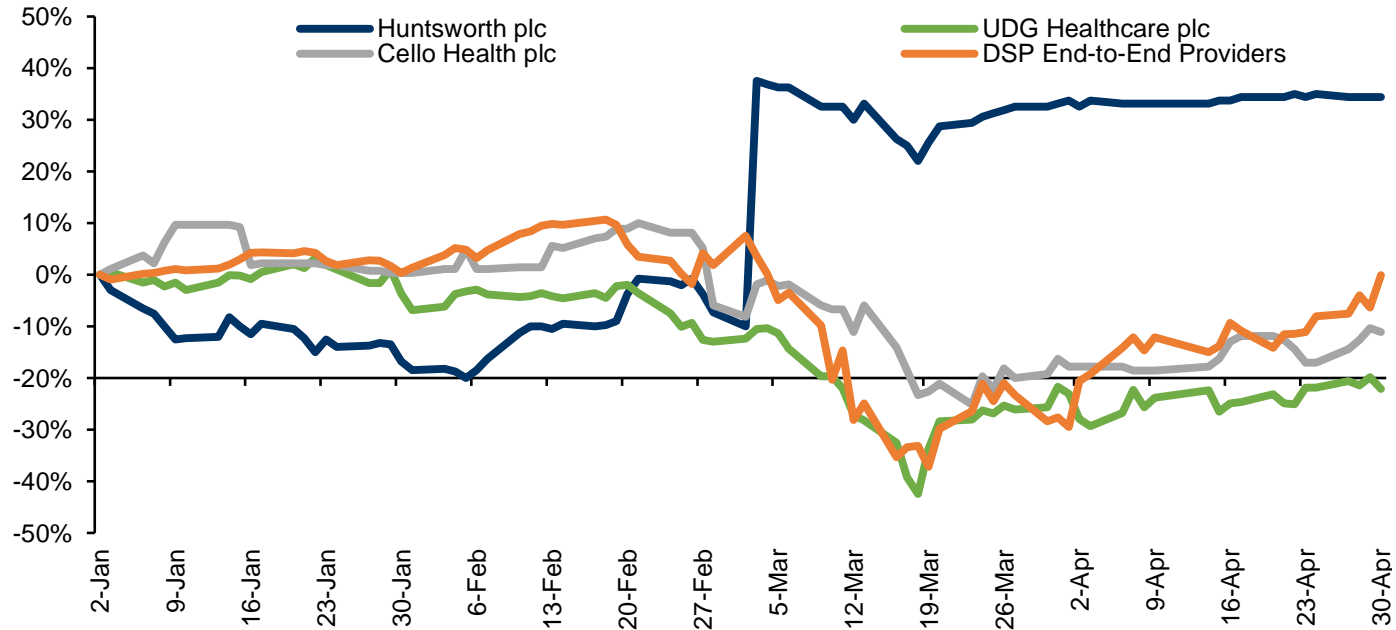


(1) PitchBook

(2) Represents one year stock performance from May 1, 2019 – April 30, 2020 (final day of trading on public markets)

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Huntsworth vs. DSP Outsourced Pharma Services Commercialization Companies (2020 YTD Stock Price Performance) ⁽¹⁾ ⁽²⁾



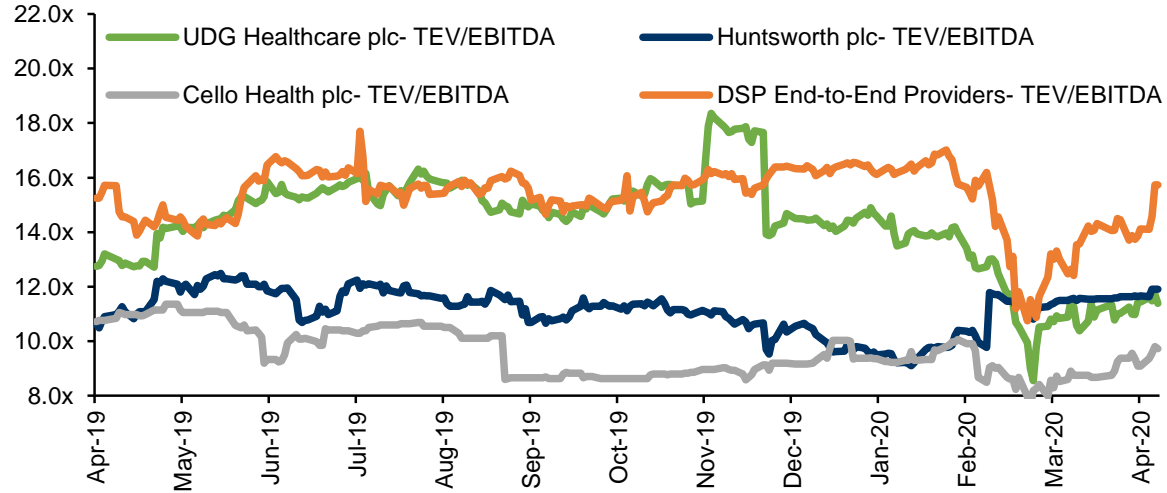
(1) PitchBook
 (2) Represents YTD stock performance from January 1, 2020 – May 1, 2020

Deal Rationale

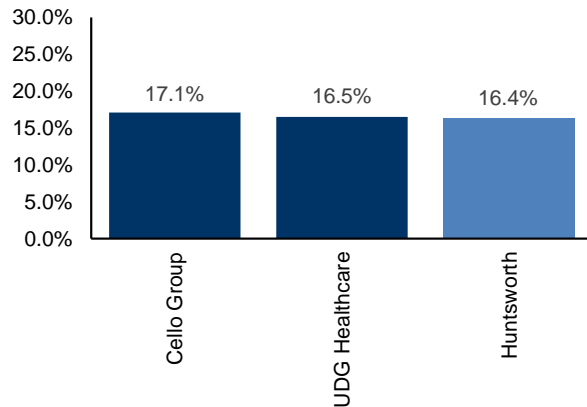
- CD&R has invested in a number of companies in the healthcare sector, and in a statement to Huntsworth shareholder's CD&R said it believes Huntsworth is a well-positioned healthcare / outsourced pharma services platform with the following attributes:
 - The company's underlying markets are attractive and underpinned by long-term, stable pharma-related trends which include:
 - Demographic and economic growth
 - Increased outsourcing from large and small companies
 - Greater volume of new product launches
 - Shift in new products to more specialized drugs (where targeted, thoughtful engagement is key)
 - Increasing complexity and emergence of new marketing channels
 - Huntsworth has the opportunity to pursue targeted strategic acquisitions to grow the platform and CD&R can leverage its ability to access capital to facilitate these transactions
- Huntsworth has enjoyed strong recent growth, reporting a 15% increase in revenue and a 27% jump in pretax profit for 2019, driven primarily by strong performance of its healthcare communications division
- Stock analysts from Peel Hunt reported that 108 pence was an “an excellent price for CD&R”, and had a target price of 120 pence for Huntsworth shares ⁽²⁾
 - These analysts also indicated this “modest valuation” created initial speculation for the possibility of a competing bid which did not occur
 - Prior to CD&R's offer, Huntsworth was trading at approximately 9.8x LTM EBITDA, which was a discount to one of its most direct competitors (UDG Healthcare)
 - In days following the offer, Huntsworth was trading in line with UDG Healthcare at approximately 11.4x LTM EBITDA
 - This trend continued until the closing of the Huntsworth transaction on May 1st when the company finished trading at 11.9x LTM EBITDA

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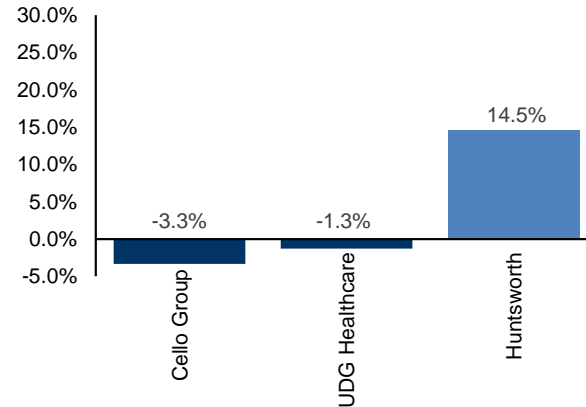
LTM EV / LTM EBITDA Multiple ⁽¹⁾



FY 2019 EBITDA Margin % ⁽¹⁾



FY 2019 Revenue Growth Rate % ⁽¹⁾



⁽¹⁾ Company press releases, investor presentations, and public filings.

Transaction

Executive Commentary

HUNTSWORTH

acquired by



“Huntsworth has transformed over the past few years into a growing and dynamic healthcare and communications group. Our strategic focus has always been on investing to develop a full service, digitally driven offering to support our customers. Whilst we believe that Huntsworth is strongly positioned as an independent listed company, the all-cash offer from CD&R represents a compelling opportunity for shareholders to realize an attractive cash value in respect of their shares. In addition, the board believes CD&R will be an excellent partner for Huntsworth, its employees and customers.”

– *David Lowden, Chairman, Huntsworth*

“We believe Huntsworth represents a strong platform with a highly skilled workforce and a broad and differentiated digitally-driven offering to support its customers' growing demand. Our vision for Huntsworth is shared with management, who have demonstrated an ability to drive organic growth and execute accretive add-on acquisitions.”

– *Liam Fitzgerald, Adviser to CD&R funds and former CEO of UDG Healthcare plc*

- 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 Contract Research Organizations (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
 - 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
- As of closing on March 2, 2020, (the day prior to CD&R's offer), Huntsworth was trading at approximately 9.8x LTM EBITDA, a discount to the End-to-End Providers who were trading between 11.9x and 19.6x, or a median of 15.9x