

OUTSOURCED PHARMACEUTICAL SERVICES SECTOR CASE STUDY

Thermo Fisher Scientific Announced Acquisition of Pharmaceutical Product Development (PPD)

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

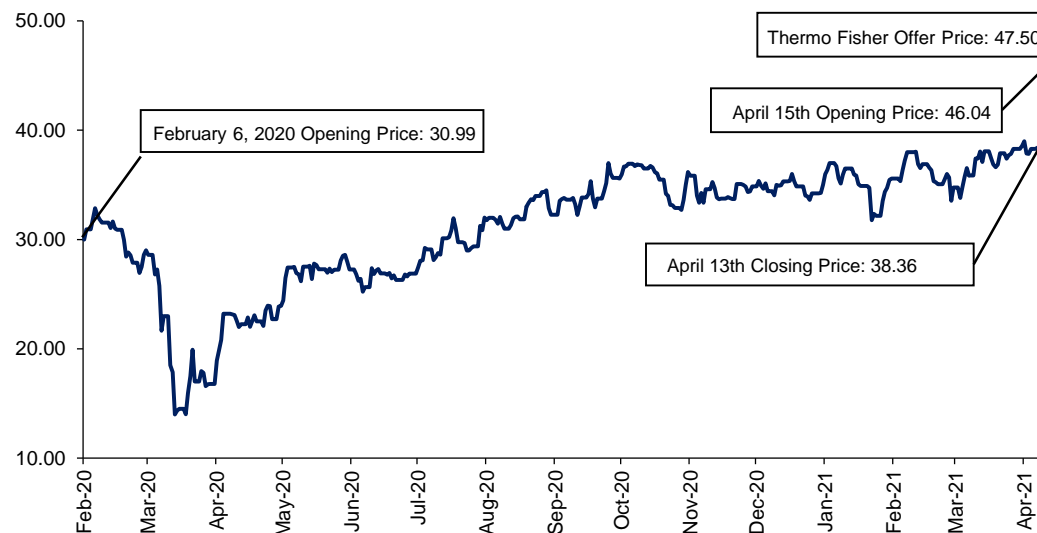


April 2021

Transaction Overview

- Announced: April 15, 2021
- Status: Pending
- Acquiror: Thermo Fisher Scientific (“Thermo Fisher”)
- Enterprise Value: \$17.4 billion
 - All cash transaction whereby PPD shareholders will receive \$47.50 per share, and Thermo Fisher will assume approximately \$3.5 billion of net debt
 - 23.8% premium ⁽¹⁾
 - 19.9x FY 2020 Adjusted EBITDA of \$875.7 million ⁽²⁾
 - Thermo Fisher has obtained committed bridge financing for a portion of the purchase price (up to 3x 2020 Adjusted EBITDA), and the remainder of purchase price will be paid with cash on hand
- **Prior to the announcement, holders of approximately 60% of PPD’s shares delivered approval by written consent. No further action by other PPD shareholders is required to approve the transaction**
- **The transaction is expected to close by the end of 2021, subject to regulatory approvals**
- **Following closing, PPD will become part of Thermo Fisher’s Laboratory Products and Services segment**
- **Thermo Fisher said it plans to have a number of executives of PPD join the company post-close, however no formal decisions have been made**
- **According to PE Hub, private equity firm Hellman & Friedman will produce a ~5.5x blended multiple on its original investment of \$1.7 billion in PPD, (nearly \$8 billion profit), and Carlyle will receive more than a 3.0x return on its nearly \$2 billion investment**

PPD Historical 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 26,000 people across 93 offices in 46 countries
- PPD was founded in 1985 by entrepreneur and philanthropist Fred Eshelman who took the firm public in 1996
- During the past five years, PPD has supported over 400 drug approvals globally, conducted clinical trials in over 100 countries, and contributed to all Phase III COVID-19 vaccine trials with funding from the U.S. government

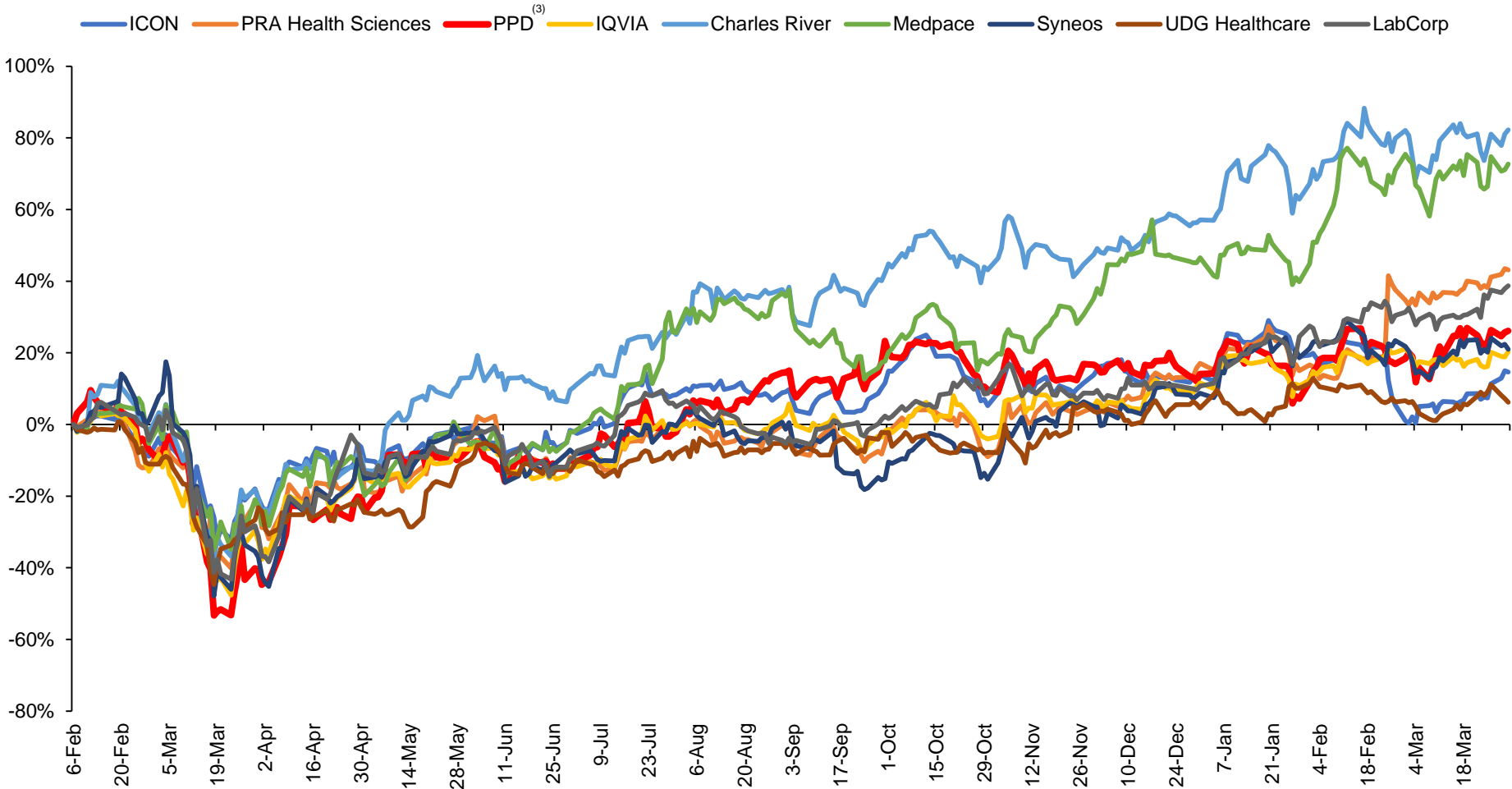
Source: Company press releases, investor presentations, public filings, and PitchBook

(1) Premium over closing price on April 13, 2021, the last date before news of the deal was first reported.

(2) Sourced from PPD 2020 Annual Report

THERMO FISHER SCIENTIFIC ANNOUNCED ACQUISITION OF PPD

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



(1) Source: PitchBook

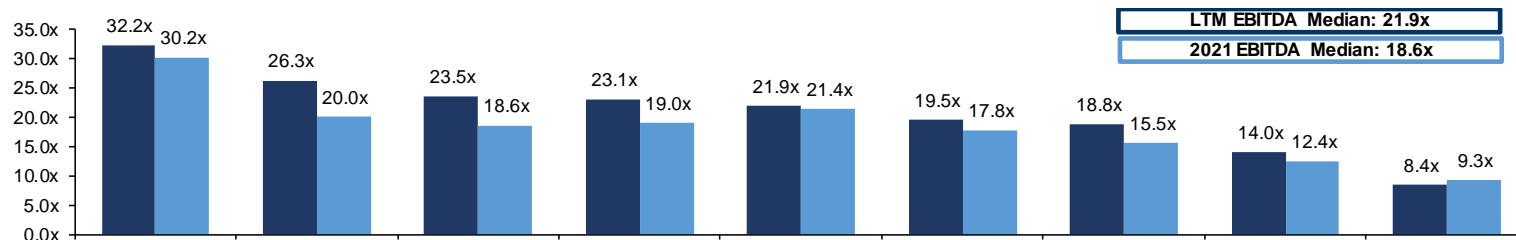
(2) DSP Outsourced Pharma Services Companies include: ICON, PRA Health, PPD, IQVIA, Charles River Laboratories, Medpace, Syneos, UDG Healthcare, and LabCorp

(3) PPD went public on the NYSE on February 5, 2020

THERMO FISHER SCIENTIFIC ANNOUNCED ACQUISITION OF PPD

EV / LTM EBITDA - CURRENT TRADING PERFORMANCE

(\$ in millions)



	Medpace	PPD	IQVIA	PRA Health Sciences	Charles River	Icon	Syneos Health	UDG Healthcare	Labcorp
Enterprise Value	\$6,498	\$19,768	\$52,344	\$11,410	\$18,045	\$10,424	\$11,884	\$3,050	\$30,785
Revenue	926	4,681	11,359	3,183	2,924	2,797	4,416	1,279	13,979
Three-Year Revenue CAGR	27.8%	15.3%	4.9%	11.6%	15.9%	16.6%	18.2%	2.1%	9.6%
Gross Margin	30.1%	38.4%	34.0%	27.3%	36.7%	29.2%	23.0%	30.9%	35.4%
EBITDA Margin	21.8%	16.0%	19.6%	15.5%	28.2%	19.1%	14.3%	17.0%	26.2%

MEDPACE

PPD

IQVIA

PRA Health Sciences

Charles River

ICON

Syneos Health

UDG Healthcare

labcorp

COMPANY

STOCK PERFORMANCE AND COMPANY DATA

MARGINS

GROWTH

VALUATION DATA

Company

4/16/2021

30 Day
% Change

YTD
% Change

Market
Value
(\$mm)

Enterprise
Value
(\$mm)

Gross
Profit
% Margin

EBITDA
LTM
% Margin

Long-Term
EPS
% Growth

3-Year
Revs
CAGR

EV /
Revs
LTM

EV /
EBITDA
LTM

2021

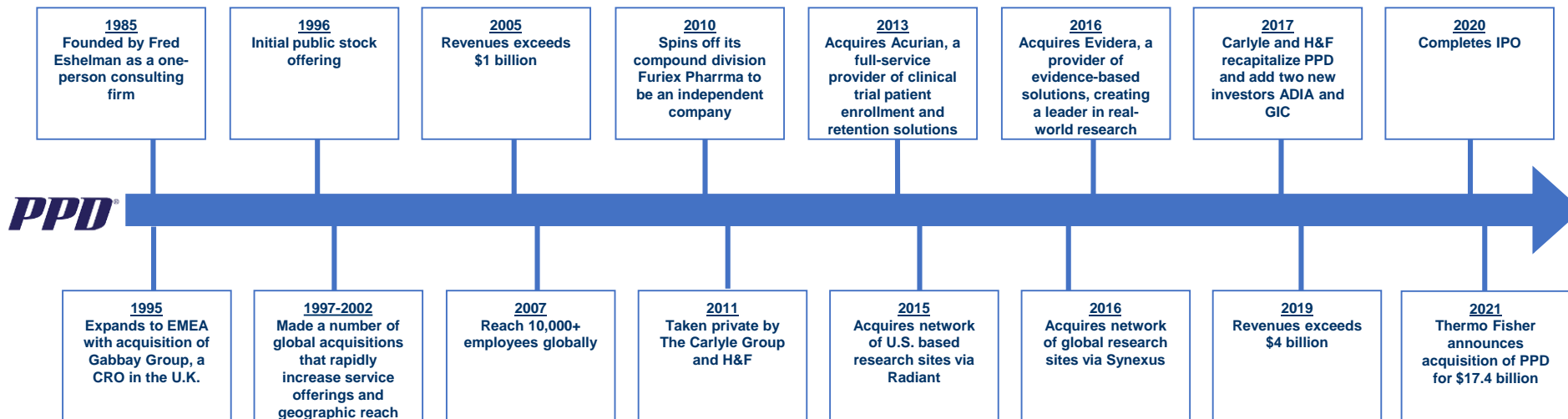
Outsourced Pharma Services

Medpace	185.00	12.2%	32.9%	6,610.8	6,497.7	30.1%	21.8%	N.A.	27.8%	7.0x	32.2x	30.2x
Pharmaceutical Product Development	45.80	20.3%	33.8%	16,049.6	19,768.3	38.4%	16.0%	16.9%	15.3%	4.2x	26.3x	20.0x
IQVIA	214.13	12.9%	19.5%	41,063.1	52,344.1	34.0%	19.6%	16.2%	4.9%	4.6x	23.5x	18.6x
PRA Health Sciences	161.80	10.0%	29.0%	10,443.2	11,410.5	27.3%	15.5%	11.3%	11.6%	3.6x	23.1x	19.0x
Charles River Laboratories	320.37	9.5%	28.2%	16,085.8	18,045.5	36.7%	28.2%	14.0%	15.9%	6.2x	21.9x	21.4x
Icon	205.20	12.7%	5.2%	10,832.1	10,423.7	29.2%	19.1%	11.3%	16.6%	3.7x	19.5x	17.8x
Syneos Health	85.79	10.9%	25.9%	8,895.6	11,883.7	23.0%	14.3%	N.A.	18.2%	2.7x	18.8x	15.5x
UDG Healthcare	11.57	9.3%	8.9%	2,914.9	3,049.8	30.9%	17.0%	6.9%	2.1%	2.4x	14.0x	12.4x
Laboratory Corporation of America	259.41	8.6%	27.4%	25,329.0	30,785.3	35.4%	26.2%	10.8%	9.6%	2.2x	8.4x	9.3x
Group Mean		11.8%	23.4%	\$15,358.3	\$18,245.4	31.7%	19.8%	12.5%	13.6%	4.07x	20.9x	18.3x
Group Median		10.9%	27.4%	10,832.1	11,883.7	30.9%	19.1%	11.3%	15.3%	3.73x	21.9x	18.6x
Group Max		20.3%	33.8%	41,063.1	52,344.1	38.4%	28.2%	16.9%	27.8%	7.02x	32.2x	30.2x
Group Min		8.6%	5.2%	2,914.9	3,049.8	23.0%	14.3%	6.9%	2.1%	2.20x	8.4x	9.3x

Thermo Fisher Deal Rationale

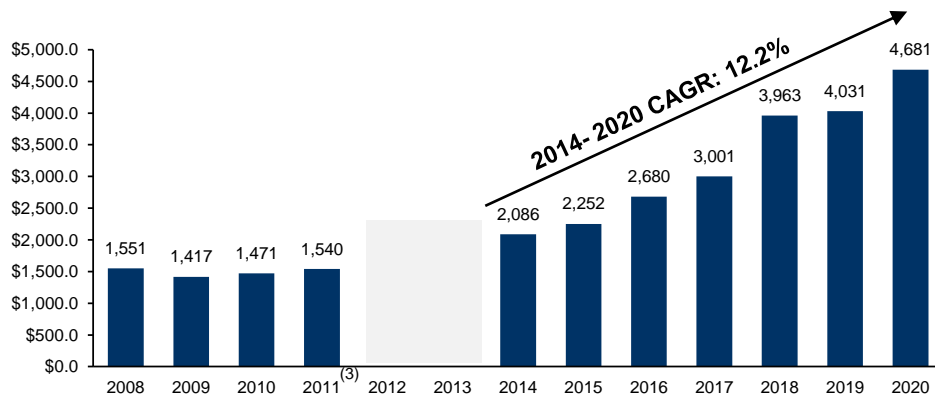
- Thermo Fisher is best known in the industry for its laboratory instruments and tests, however in 2017 the company acquired Patheon in 2017 in an effort to increase its drug manufacturing capabilities and expand into the pharma & biotech sectors
- PPD further enhances Thermo Fisher's offering to its pharma and biotech clients, bringing a proven drug development platform, patient recruitment experience, and laboratory services capabilities
- The combined company's capabilities and knowledge in serving the pharma and biotech industry will enable new solutions for customers that create the potential to reduce the time and cost of the drug development process
- According to Thermo Fisher CEO Marc Casper, the PPD acquisition will allow the company to partner with drug companies from the earliest stages of laboratory research into new drugs through clinical trials and drug manufacturing
- In the short term, Casper said the transaction would help Thermo Fisher gain market share and accelerate growth. Longer term, the merger could help shorten the development time of new drugs by streamlining the process and reducing handoffs between vendors
- According to Johnathan Palmer a healthcare analyst for Bloomberg Intelligence, "PPD is one of the largest contract research organizations, with scale in clinical, preclinical and central lab end-markets. The marriage of PPD with Thermo's Patheon manufacturing unit would create a compelling end-to-end offering for biopharma customers, with compelling financial metrics"
- The transaction is expected to be immediately and significantly accretive to Thermo Fisher's adjusted EPS, adding \$1.40 in the first 12 months after close
- Thermo Fisher also expects to realize total synergies of approximately \$125 million by year three following close, consisting of approximately \$75 million of cost synergies and approximately \$50 million of adjusted operating income benefit from revenue-related synergies

Select Company History (1)



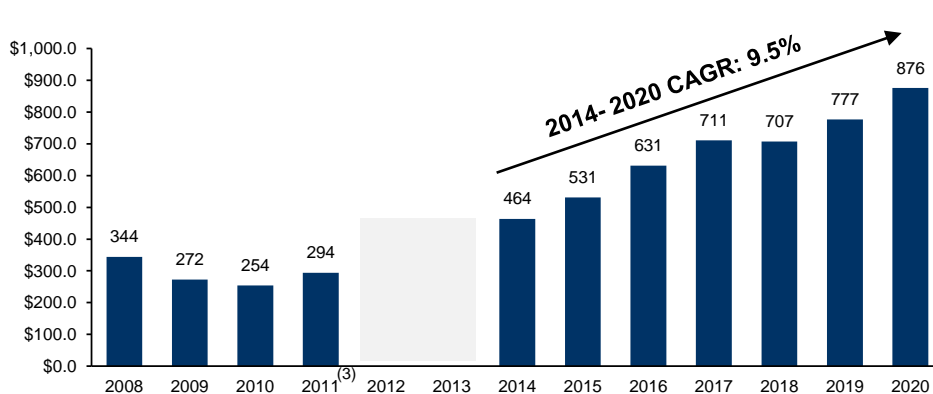
Historical Revenue Growth (2)

(\$ in millions)



Historical Adjusted EBITDA Growth (2)

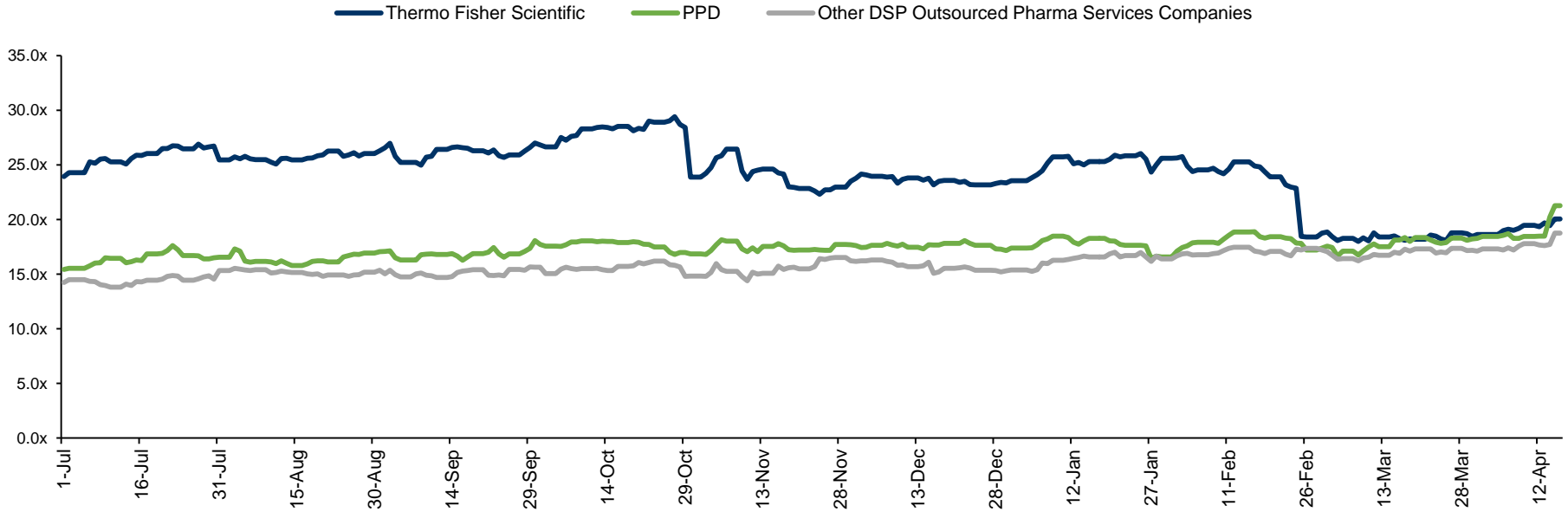
(\$ in millions)



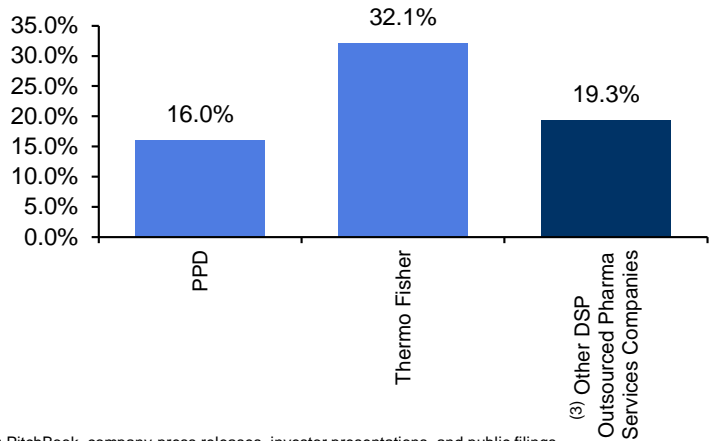
(1) Company press releases, investor presentations, and public filings
 (2) Public financial information is not available from 2012-2013
 (3) LTM as of 10/31/2011

THERMO FISHER SCIENTIFIC ANNOUNCED ACQUISITION OF PPD

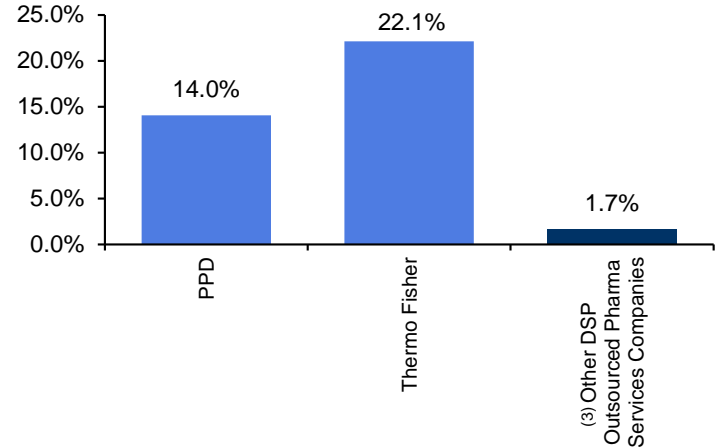
LTM EV / LTM EBITDA Multiple (1) (2) (3)



LTM EBITDA Margin % (1) (2) (3)



FY 2020 Revenue Growth Rate % (1) (2) (3)



(1) Source(s): PitchBook, company press releases, investor presentations, and public filings

(2) Reflects median of the DSP CRO Companies Index

(3) Other DSP Outsourced Pharma Services Companies include: ICON, PRA Health, Medpace, IQVIA, Charles River Laboratories, Syneos Health, and LabCorp

Transaction

Executive Commentary



“This is a very exciting announcement for our shareholders and will provide customers with an even better opportunity to bring meaningful innovation to the market faster and more efficiently. Thermo Fisher is a world-class company with a very similar culture and values and will provide a great foundation for our colleagues to continue to deliver for our customers and to develop their own skills and careers.”

– *Dave Simmons, Chairman & Chief Executive Officer, PPD*


acquired by



“Pharma and Biotech is our largest and fastest growing end market, and our customers value us as a strategic partner and an industry leader. The acquisition of PPD is a natural extension for Thermo Fisher and will enable us to provide these customers with important clinical research services and partner with them in new and exciting ways as they move a scientific idea to an approved medicine quickly, reliably and cost effectively. Longer term, we plan to continue to invest in and connect the capabilities across the combined company to further help our customers accelerate innovation and drive productivity, while driving further value for our shareholders. Both companies have complementary mission-driven cultures, and I can't wait to welcome PPD's colleagues from around the world to Thermo Fisher once the transaction is completed.”

– *Marc N. Casper, Chairman, President, and Chief Executive Officer, Thermo Fisher Scientific*

Outsourced Pharmaceutical Services



has completed a majority recapitalization with

the edgewater funds

Advisor to Deerfield



has completed a senior debt financing with



Advisor to KPS Life



has been acquired by



a portfolio company of



NEW MOUNTAIN CAPITAL LLC

Advisor to Seller



has merged with



a portfolio company of



Advisor to Pyxa



has completed a majority recapitalization with



Advisor to Emmes



has been acquired by

WATER STREET

Advisor to Seller



has agreed to be acquired by

PAREXEL

Advisor to Seller

Healthcare Services



has been acquired by



Advisor to Seller



The GEO Group, Inc.
(NYSE: GEO)

has divested



in a Management Buyout

Advisor to Independent Committee
Fairness Opinion



Smarter Healthcare at Work™

has been acquired by



a portfolio company of



Advisor to Seller

Life Science Tools



a portfolio company of



has been acquired by



Advisor to Seller



has been acquired by



Advisor to Seller

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