

# OUTSOURCED PHARMACEUTICAL SERVICES SECTOR CASE STUDY

## *ICON Plc Announced Acquisition of PRA Health Sciences*

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

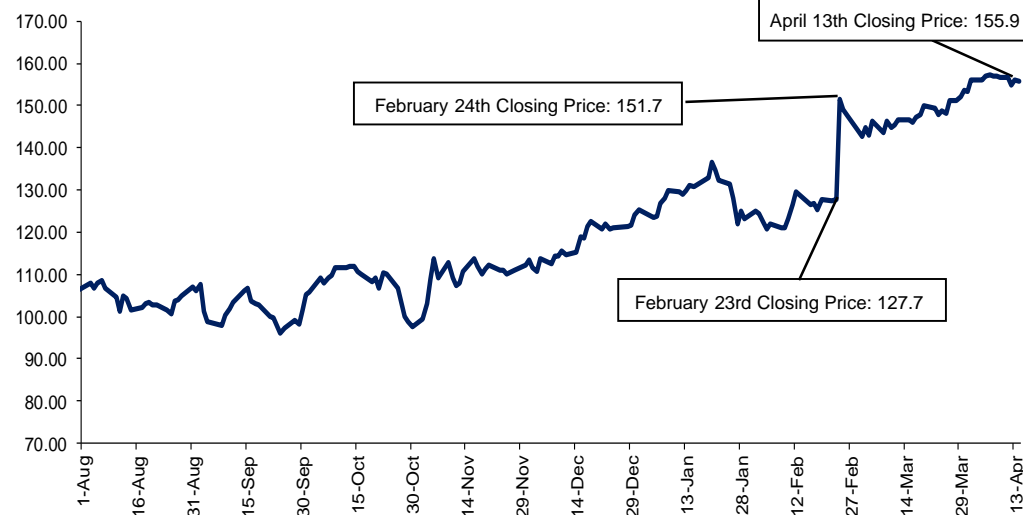


**April 2021**

## Transaction Overview

- Announced: February 24, 2021
- Status: Pending
- Acquiror: ICON plc (“ICON”)
- Enterprise Value: \$12.0 billion
  - The transaction is structured as 48% cash and 52% stock whereby PRA Health Sciences (“PRA” or “PRA Health”) shareholders will receive \$80 per share in cash and 0.4125 shares of ICON stock
  - The cash-stock deal values PRA at approximately \$166.06 per share
  - 30.0% premium <sup>(1)</sup>
  - 24.4x FY 2020 Adjusted EBITDA of \$492.0 million <sup>(2)</sup>
  - The pro forma equity ownership of the Company will be comprised of approximately 66% ICON shareholders and 34% PRA shareholders
- **The board of directors of ICON unanimously recommended shareholders to vote in favor of the acquisition**
- **The transaction is expected to close during Q3 2021, subject to regulatory approvals**
- **The combined company will be headquartered in Dublin, Ireland where Steve Cutler, CEO of ICON, and Brendan Brennan, CFO of ICON, will retain their positions. Colin Shannon, CEO of PRA, will continue hold a position on the Board of Directors**

## PRA YTD Stock Price Performance



## Overview of PRA Health Sciences

- PRA is a leading global contract research organization providing outsourced clinical development and data solution services to the biotechnology and pharmaceutical industries
- The company provides integrated drug development services, bioanalytical laboratory services, and clinical trial insights and analytics services to its biopharmaceutical and pharmaceutical clients sponsoring early to late-stage clinical trials
- PRA is headquartered in Raleigh, North Carolina and has an office network throughout North America, Europe, Asia, Latin America, and Middle East / Africa
- The company serves more than 300 biotechnology and pharmaceutical clients globally, as well as a wide range of small to mid-sized pharmaceutical companies
- PRA delivers its services through approximately 19,000 employees

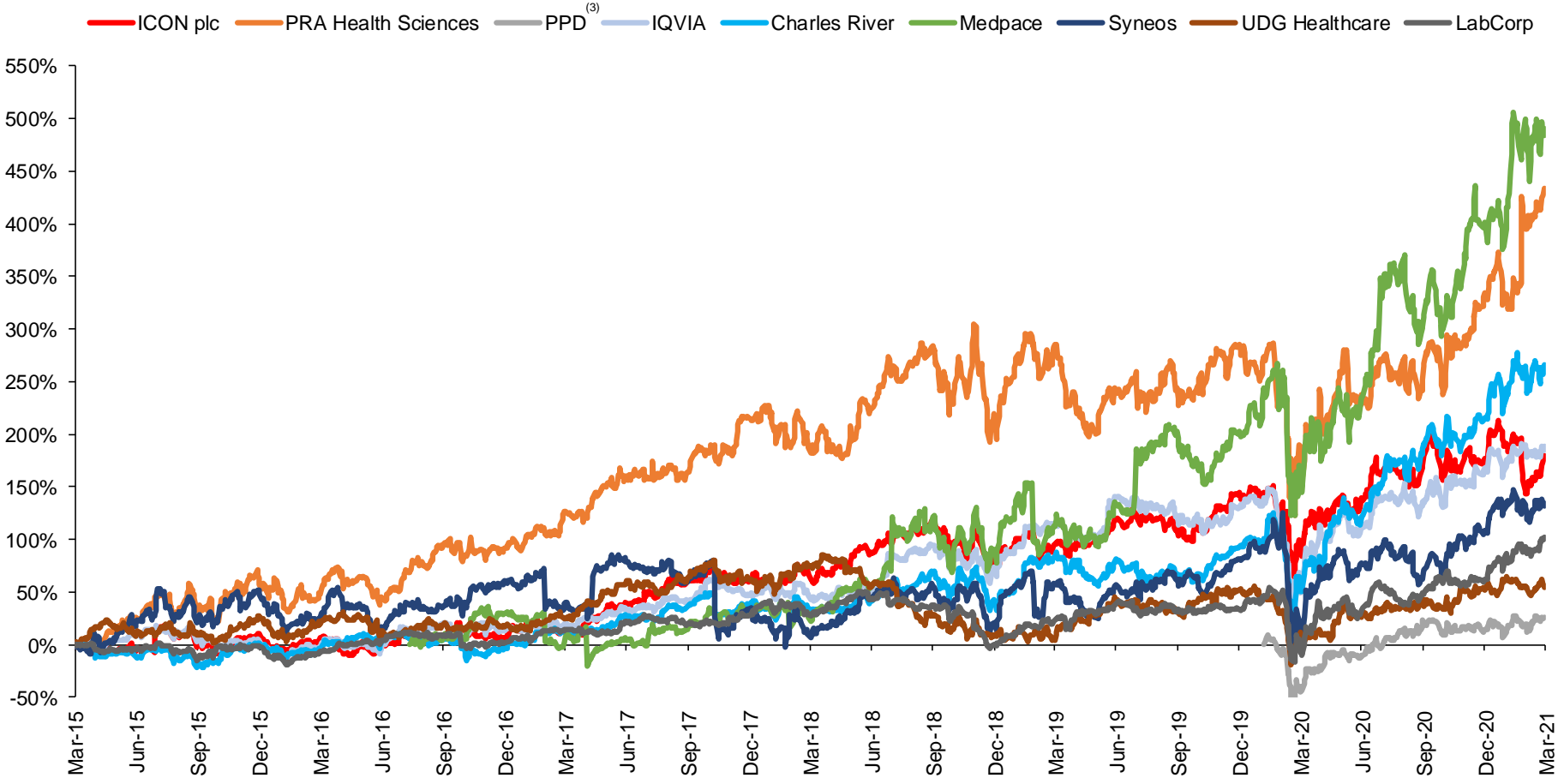
Source: Company press releases, investor presentations, public filings, and PitchBook

(1) Premium over closing price on February 23, 2021, the last date before ICON's offer to purchase the company

(2) Sourced from ICON plc Form F-4 filing dated March 31, 2021

# ICON PLC ANNOUNCED ACQUISITION OF PRA HEALTH SCIENCES

## ICON and PRA vs. Other DSP Outsourced Pharma Services Companies (5 Year Stock Price Performance) <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>



(1) Source: PitchBook

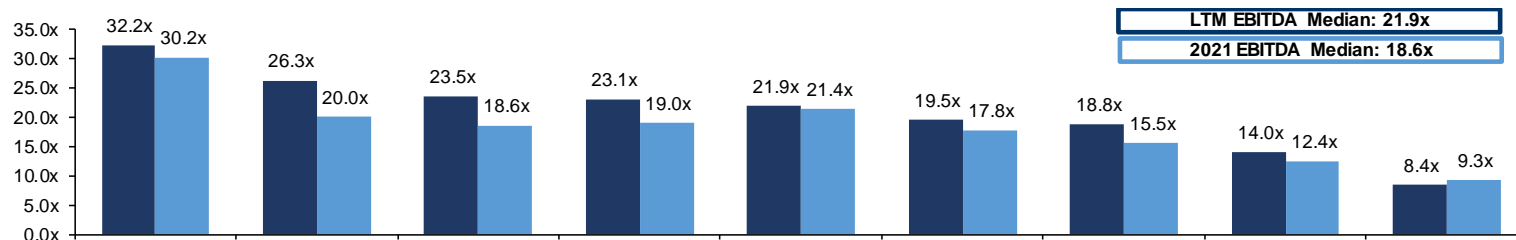
(2) Other DSP Outsourced Pharma Services Companies include: PPD, IQVIA, Charles River Laboratories, Medpace, Syneos, UDG Healthcare, and LabCorp

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

# ICON PLC ANNOUNCED ACQUISITION OF PRA HEALTH SCIENCES

## EV / LTM EBITDA - CURRENT TRADING PERFORMANCE

(\$ in millions)



	Medpace	PPD	IQVIA	PRA Health Sciences	Charles River Laboratories	Icon	Syneos Health	UDG Healthcare plc	Laboratory Corporation of America
<b>Enterprise Value</b>	\$6,498	\$19,768	\$52,344	\$11,410	\$18,045	\$10,424	\$11,884	\$3,050	\$30,785
<b>Revenue</b>	926	4,681	11,359	3,183	2,924	2,797	4,416	1,279	13,979
<b>Three-Year Revenue CAGR</b>	27.8%	15.3%	4.9%	11.6%	15.9%	16.6%	18.2%	2.1%	9.6%
<b>Gross Margin</b>	30.1%	38.4%	34.0%	27.3%	36.7%	29.2%	23.0%	30.9%	35.4%
<b>EBITDA Margin</b>	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  
LABORATORIES

ICON  
A Syneos of Governance

Syneos  
Health

UDG Healthcare plc

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
<b>Group Mean</b>		<b>11.8%</b>	<b>23.4%</b>	<b>\$15,358.3</b>	<b>\$18,245.4</b>	<b>31.7%</b>	<b>19.8%</b>	<b>12.5%</b>	<b>13.6%</b>	<b>4.07x</b>	<b>20.9x</b>	<b>18.3x</b>
<b>Group Median</b>		<b>10.9%</b>	<b>27.4%</b>	<b>10,832.1</b>	<b>11,883.7</b>	<b>30.9%</b>	<b>19.1%</b>	<b>11.3%</b>	<b>15.3%</b>	<b>3.73x</b>	<b>21.9x</b>	<b>18.6x</b>
<b>Group Max</b>		<b>20.3%</b>	<b>33.8%</b>	<b>41,063.1</b>	<b>52,344.1</b>	<b>38.4%</b>	<b>28.2%</b>	<b>16.9%</b>	<b>27.8%</b>	<b>7.02x</b>	<b>32.2x</b>	<b>30.2x</b>
<b>Group Min</b>		<b>8.6%</b>	<b>5.2%</b>	<b>2,914.9</b>	<b>3,049.8</b>	<b>23.0%</b>	<b>14.3%</b>	<b>6.9%</b>	<b>2.1%</b>	<b>2.20x</b>	<b>8.4x</b>	<b>9.3x</b>

## ICON Deal Rationale

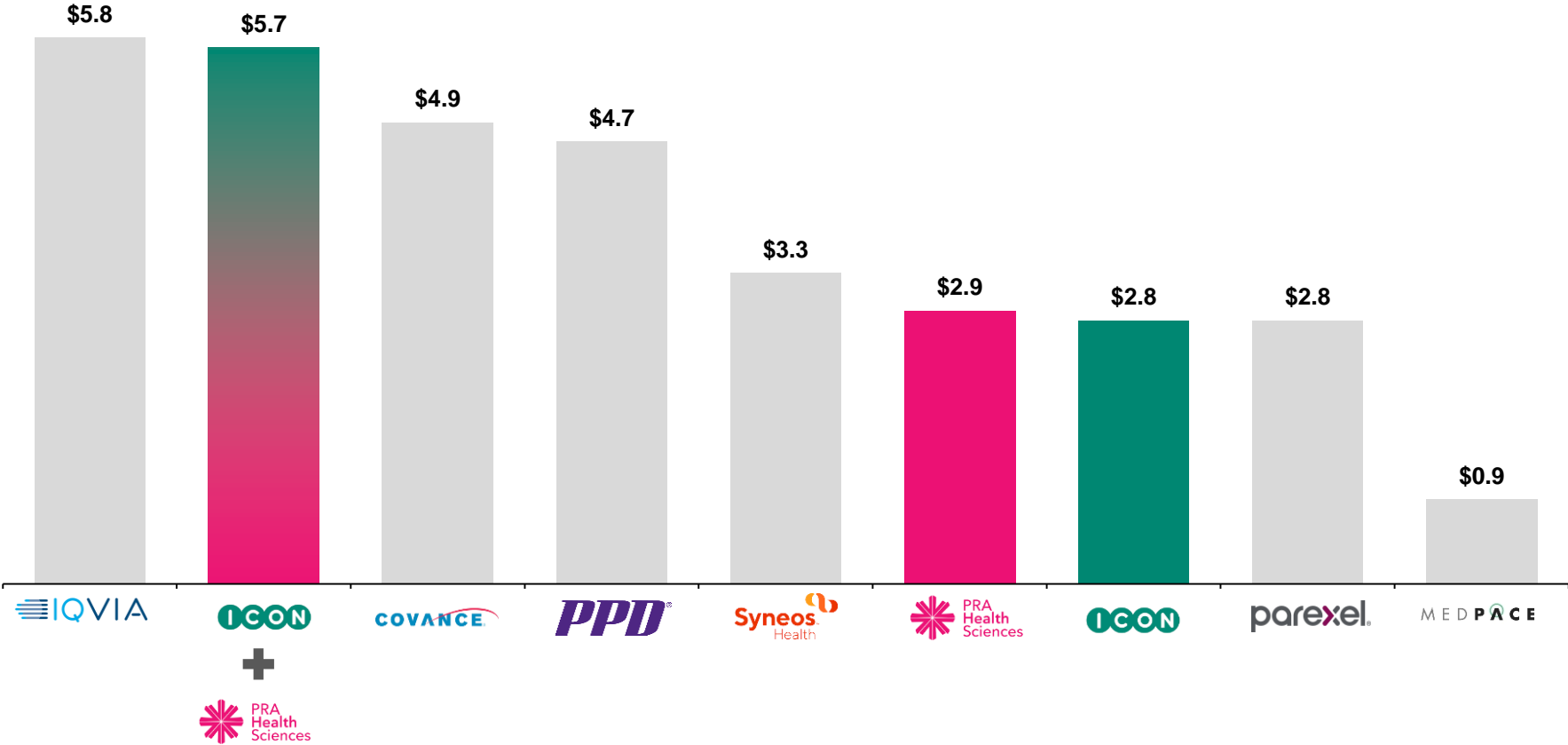
- ICON has experienced above market growth over the past 5 years: <sup>(1)</sup>
  - Revenue growth of 78%
  - Stock increase of 150%
- Having potentially reached its rapid growth ceiling, ICON turned to M&A to continue to fuel growth, and made a strategic decision to acquire its closest-matched sector rival PRA
- The combination of ICON and PRA will transform the fifth and sixth largest CROs, to the second largest, behind only IQVIA, which itself was formed from a \$17+ billion merger between IMS Health and Quintiles back in 2016
- This new market position should allow ICON to aggressively compete for market share and contract wins against the two largest market incumbents IQVIA and LabCorp (Covance)
- The transaction is expected to deliver double-digit accretion in the first full year and growing to over 20% thereafter driven by annual run-rate cost synergies of \$150 million, and the combined effective tax rate declining to 14%, both to be realized in approximately 4 years
- Other notable benefits from the transaction include:
  - Customers will benefit from increased functional, geographic and therapeutic scale as well as expanded technology capabilities
  - Expands ICON's portfolio to leverage PRA's mobile and connected health platforms, which assist in managing decentralized and hybrid trials
  - PRA's mobile and connected health platforms and real world data and information solutions together with ICON's Accellacare site network, home health services and wearables expertise, will be combined to deliver differentiated decentralized and hybrid trial solutions to meet growing customer needs
  - PRA's long-time leader and CEO Colin Shannon will remain with the combined company as a board member, supporting ICON's CEO Dr. Steve Cutler and CFO Brendan Brennan, and creating a highly experienced senior management team

(1) Calculated from December 31, 2015 to December 31, 2020

# ICON PLC ANNOUNCED ACQUISITION OF PRA HEALTH SCIENCES

## Estimated 2020 CRO Revenue <sup>(1)</sup>

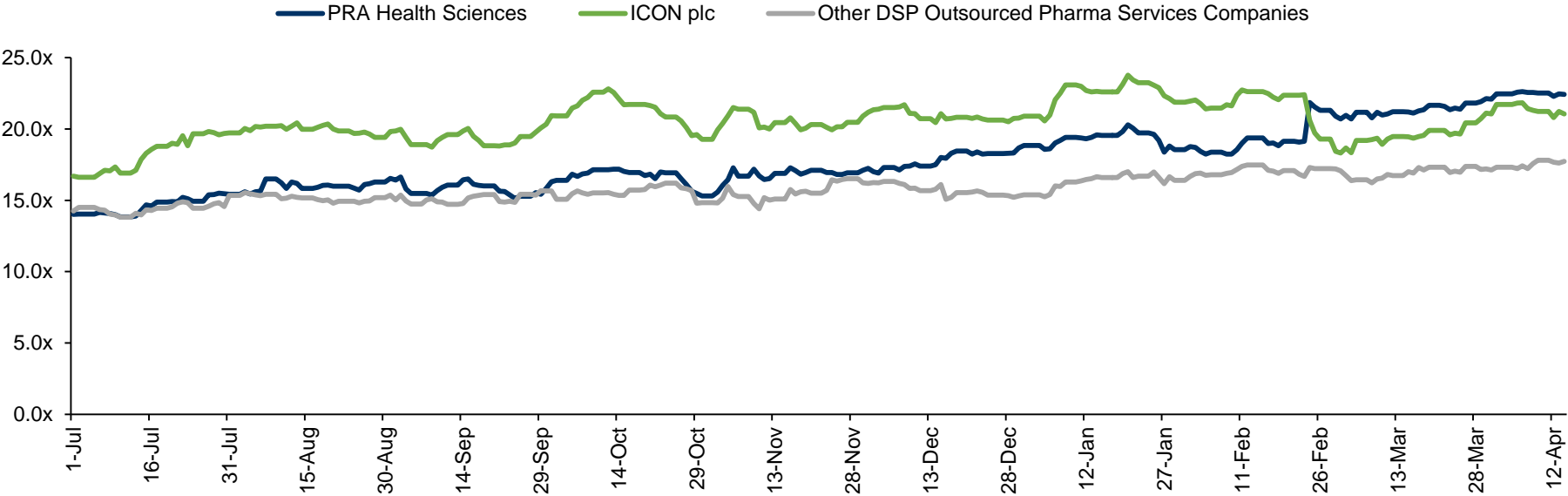
\$ in billions



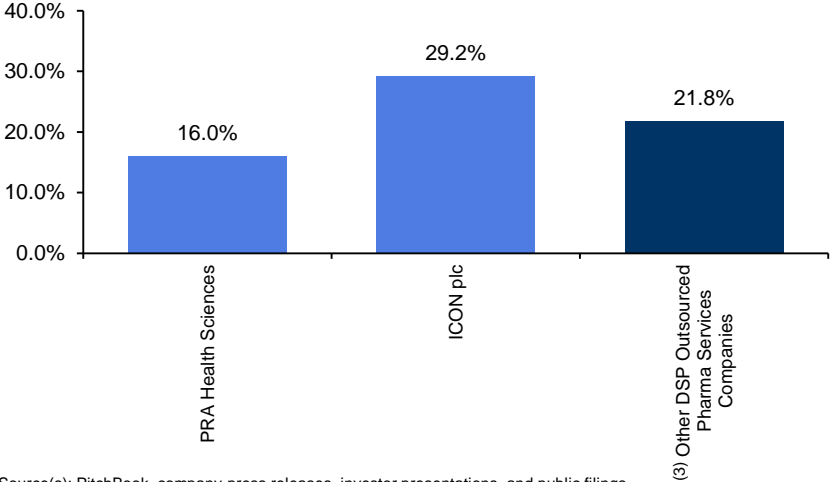
(1) Source(s): Investor presentations, company filings, and management estimates. IQVIA is R&D solutions segment only. Syneos is Clinical segment only. PRA excludes Data Solutions.

# ICON PLC ANNOUNCED ACQUISITION OF PRA HEALTH SCIENCES

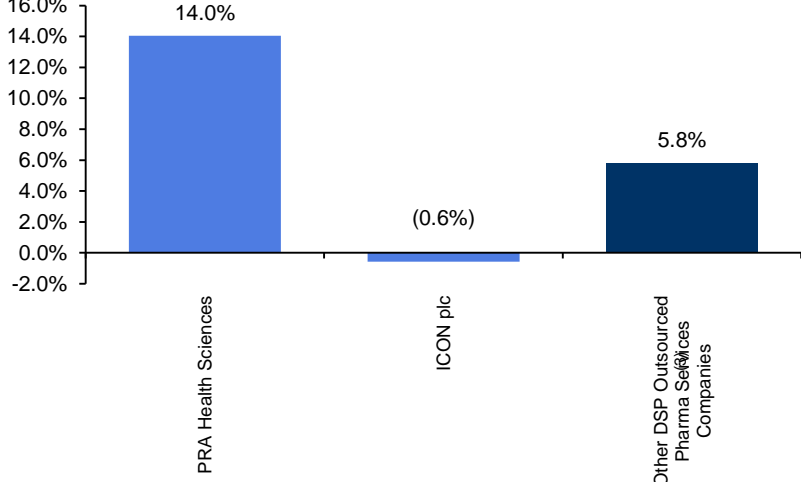
## LTM EV / LTM EBITDA Multiple (1) (2) (3)



## 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 Other DSP Outsourced Pharma Services Companies Index

(3) Other DSP Outsourced Pharma Services Companies include: PPD, IQVIA, Charles River Laboratories, Medpace, Syneos, UDG Healthcare, and LabCorp

## Transaction

## Executive Commentary



"I believe joining forces with ICON at this time presents a unique opportunity to create a stronger organization that is aligned culturally and is united in our missions and passion to deliver life-saving therapies to patients. This transaction better positions both PRA and ICON to not only serve the companies of the market, but to work together to develop and build new patient-centered solutions in the future. PRA has always prided itself on being an innovator, and we believe the investments we have made in areas such as mobile and connected health, real-world evidence, data solutions and wearables will serve the new organization well as we move forward toward a more patient-centered focused industry."

**– Colin Shannon, Chief Executive Officer, PRA Health Sciences**

*acquired by*



"With the addition of PRA, ICON will create a new paradigm for bringing clinical research to patients, offering expanded capabilities to customers, and growth opportunities for employees while delivering significant shareholder value. There are several key strategic reasons why we have decided to proactively unite our organizations at this time. First, by joining together, we will significantly enhance our operational scale, which is essential to meeting current and future customer demands. With broader and deeper service, geographic and therapeutic offerings and extensive data-driven healthcare technology, we can deliver enhanced solutions for all customers, increasing access to patients and reducing development time and cost. The combined businesses will have over 35,000 employees across the globe, pro forma revenue of approximately USD six billion and will be number one or two across all key clinical CRO market segments...and by integrating capabilities, including PRA's mobile and connected health platforms, real-world data and information solutions with ICON's global site network, home health services and wearables expertise, we can deliver truly differentiated, decentralized and hybrid trial solutions. Continuing to build on our patient site and data strategy has been a primary focus at ICON. And with the addition of PRA's technology and expertise, we will innovate and evolve our strategy in this area, which will continue to be at the forefront of our strategic priorities.


**– Dr. Steve Cutler, Chief Executive Officer, ICON plc**

"Both ICON and PRA have a long track record of effective execution, sustainable growth and increasing shareholder value. Using our shared management expertise, best practice operating models, synergies and efficient tax structures, we expect to create significant future shareholder value from full year one. In terms of our longer-term growth outlook, we believe we can grow our revenues in the high single digits, supported by the strong market demand, our expanded relationships with large pharma, growing base of mid-sized customers and leveraging the continued strong biotech environment."

**– Brendan Brennan, Chief Financial Officer, ICON plc**



## 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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