

# Outsourced Pharma Services

M&A Report | 2023

THE PURSUIT OF SPEED,  
QUALITY, AND COST  
EFFECTIVENESS IN  
PHARMACEUTICALS

# SUMMARY

Outsourcing has become increasingly popular in the pharmaceutical industry due to its ability to reduce costs. Various large outsourcing services now cover the entire value chain, from discovery to sales, with a focus on research, development, manufacturing, packaging, and sales. Technology and service providers are now essential to pharmaceutical companies as they help speed up research and development, optimize time-to-market, and maximize commercial success. The outsourced pharma sector thrived during the COVID-19 pandemic and has shown resilience against harsh economic conditions.

Strategic buyers are driving merger and acquisition (M&A) activity in the outsourced pharmaceutical market, which is consolidating as participants acquire the necessary scale and capabilities to become more relevant to their biopharma customers. Financial buyers and strategic investors are showing increased interest in outsourced pharma service providers due to their attractive margins, and potential for expanding their product range and market share. These service providers boast healthy margins and trade at high multiples. The desire of pharma companies to deal with fewer and larger CDMOs and CPOs accelerates consolidation in the outsourced services sector.

## KEY TAKEAWAYS

### TRENDS



As pharmaceutical companies seek to speed up research and development, optimize timing to market, as well as maximize commercial success, they increasingly rely on technology and service vendors.

### M&A ACTIVITY



Transactions in the outsourced pharma sector thrived under COVID-19 and show to be resilient against harsh economic conditions. M&A activity is dispersed over the globe. Healthy margins and low systemic risk make CDMOs attractive for private equity investors.

### BUYER CHARACTERISTICS



While PE-backed investors follow buy-and-built strategies, most transactions are performed by strategic buyers who expand their global and services reach, accelerating consolidation.

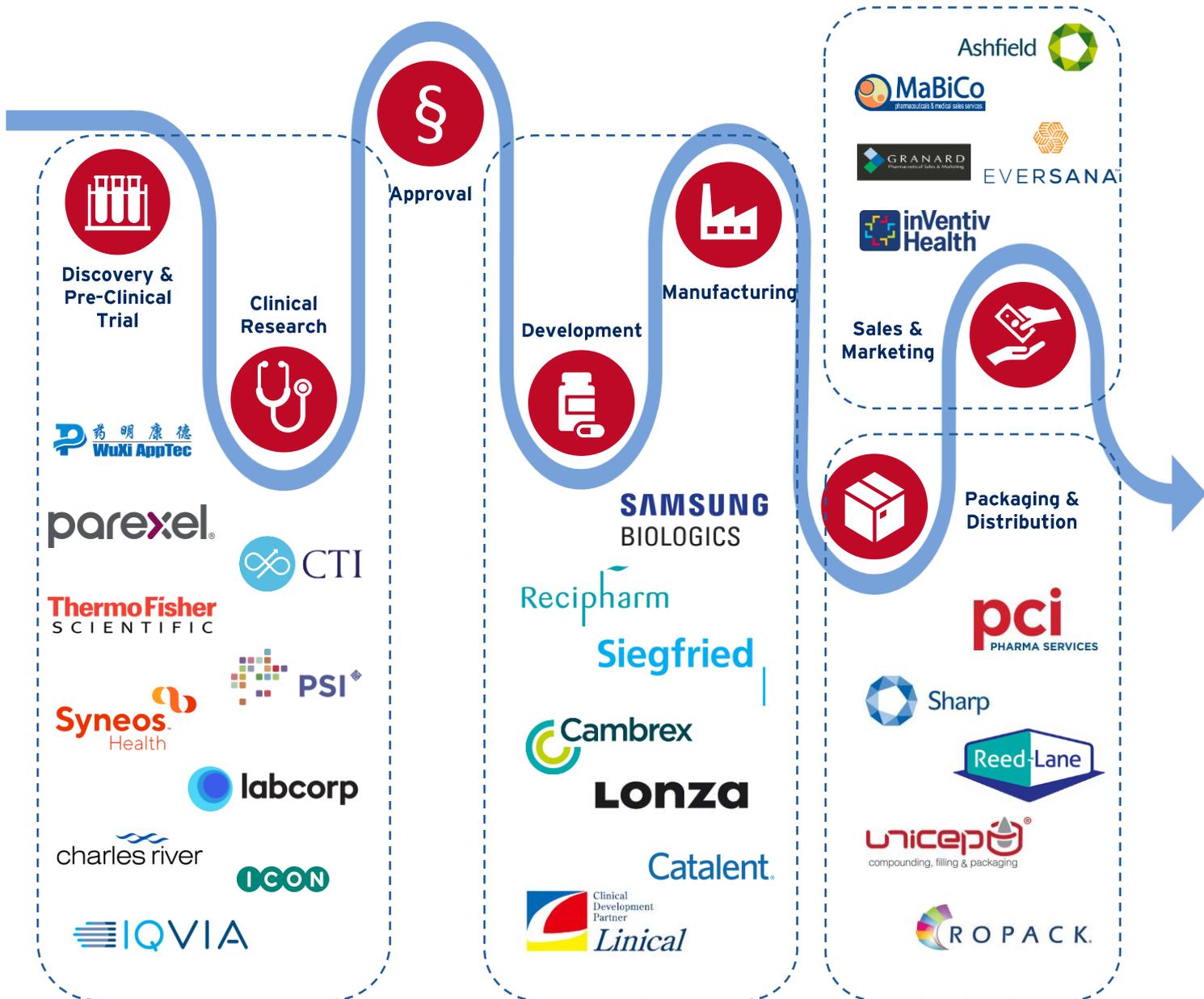
### VALUATION



Over the past years, transaction multiples in the outsourced pharmaceutical industry have steadily increased. Listed providers trade at 15x EBITDA and above, reflecting higher valuations than the overall market, reflecting a strong interest in the industry's potential for growth.

# OUTSOURCING PLAYERS ALONG THE VALUE CHAIN

OUTSOURCING SERVICES ASSIST PHARMACEUTICAL COMPANIES ALONG THE WHOLE VALUE CHAIN FROM DISCOVERY TO SALES.



**CROs** (Contract Research Organizations) conduct clinical trials and research for pharmaceutical companies, reducing costs, increasing speed, and providing expertise in specialized areas.

**CDMOs** (Contract Development and Manufacturing Organizations) provide drug development and manufacturing services, streamlining production and offering scalability while reducing overhead expenses.

**CPOs** (Contract Packaging Organizations) handle pharmaceutical packaging and labeling, while **CSOs** (Contract Sales Organizations) offer sales and marketing support.

# MARKET TRENDS

AS PHARMACEUTICAL COMPANIES SEEK TO SPEED UP RESEARCH AND DEVELOPMENT, OPTIMIZE TIME-TO-MARKET, AS WELL AS MAXIMIZE COMMERCIAL SUCCESS, THEY INCREASINGLY RELY ON TECHNOLOGY AND SERVICE PROVIDERS.



## DISCOVERY PRE-CLINICAL DEVELOPMENT

- Integrated drug discovery and optimization models are reducing time and cost-to-clinic as providers aim to offer end-to-end services
- With the increasingly sophisticated discovery and preclinical development models novel drug candidates enter the clinical landscape with greater certainty, reducing risk and overall development costs
- Biopharmaceutical companies increasingly rely on CROs to accelerate research and development and time-to-market as well as optimize the commercial success of therapies.



## FORMULATION DEVELOPMENT

- In recent years development pace in the pharmaceutical industry has accelerated, with the number of approvals and newly launched treatments exceeding previous years
- A CDMO can provide expertise in formulation development, helping pharmaceutical companies to design and test different formulations of their drug
- By working with a CDMO, companies can benefit from their expertise and experience in formulation development, helping to speed up the drug development process and increase the chances of success.



## CLINICAL TRIALS

- The COVID-19 pandemic has driven an already-existing trend toward decentralized clinical trials. Recent digital advances have enabled the collection of data from patients without bearing the inconvenience of on-site trial participation
- Breakthroughs in information technology that allow easy access to patient data as well as government incentives boost orphan drug development.
- Discovery and development partners are becoming increasingly integral to successful, efficient, and timely pharmaceutical research and development
- CROs provide flexibility, with faster turn-around and specialized services



## DRUG MANUFACTURING

- Pharmaceutical companies are shifting towards continuous manufacturing due to its advantages in faster drug development, cost reduction, and improved product quality, as they prioritize research and development. CDMOs can help in the transition process.
- Companies seek CDMOs to manage capacity become asset-light and improve time-to-market
- The EU introduced a pharmaceutical legislation reform that aims to address drug shortages and unequal access. CDMOs may benefit from increased demand for their services, as the reform encourages new drug development and streamlines market access.



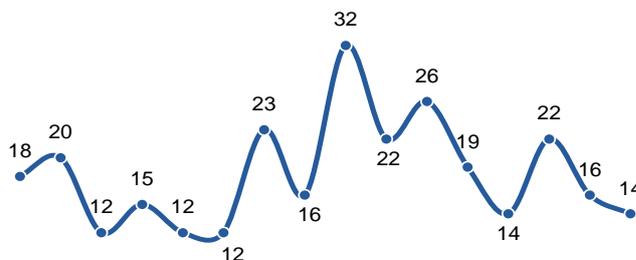
# M&A ACTIVITY

TRANSACTIONS IN THE OUTSOURCED PHARMA SECTOR THRIVED UNDER COVID-19 AND SHOW TO BE RESILIENT AGAINST HARSH ECONOMIC CONDITIONS.

M&A activity in the outsourced pharmaceutical market has been boosted by the Corona-pandemic and continues to be stable despite global supply chain issues and economic pressures due to inflation. During periods of economic uncertainty, especially CDMOs, due to their low systemic risk and healthy margins, make for favorable investments for private equity investors.

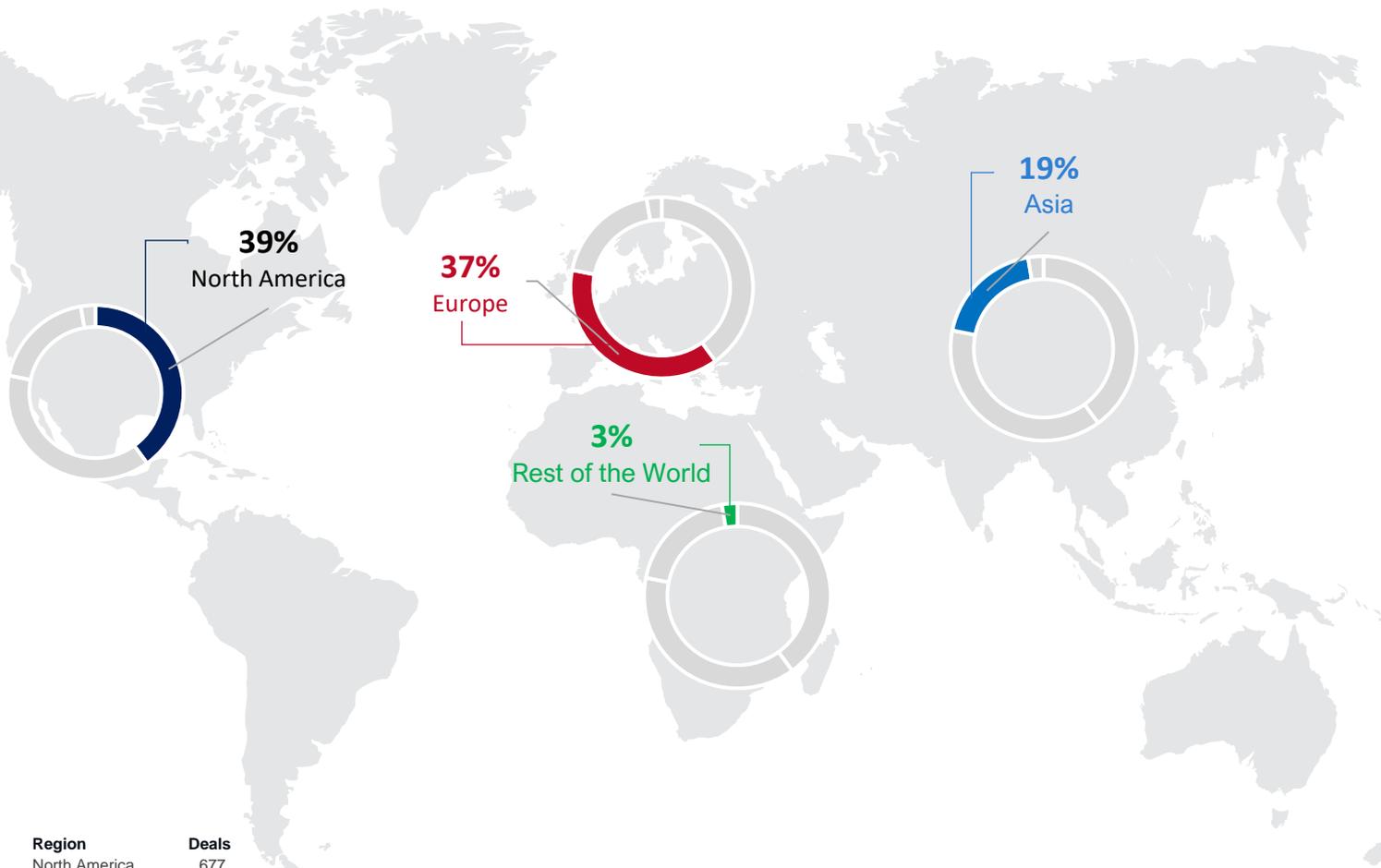
In comparison to traditional industries, outsourced pharmaceutical services experience fewer but larger transactions, many of which are international. M&A targets are dispersed over the Globe, with North America and Europe accounting for close to equally large shares. Also, the biggest buyers are distributed equally between Europe and North America with three out of six of the largest buyers coming from each of the two continents.

Deals per Quarter



Year	Q1	Q2	Q3	Q4
2019				
2020				
2021				
2022				

Sources: Capital IQ, Capitalmind Research



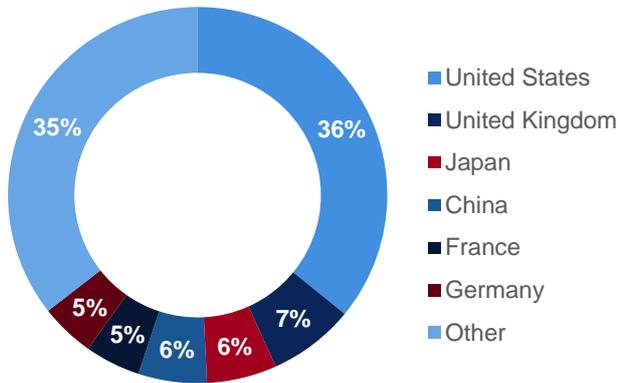
Region	Deals
North America	677
Europe	645
Asia	325
Rest of the World	45

Sources: Capital IQ, Capitalmind Research

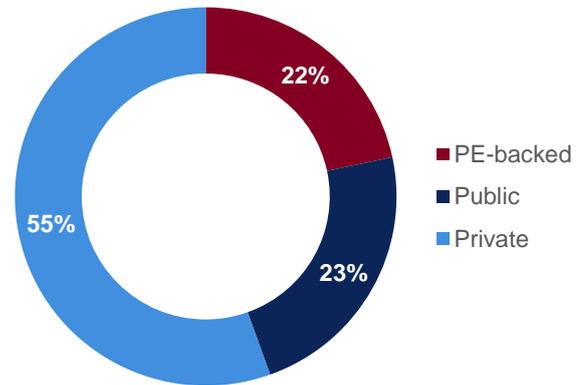
# BUYER CHARACTERISTICS

EUROPEAN TARGETS ARE DOMINANTLY ACQUIRED BY STRATEGIC AND EUROPEAN BUYERS

Proportion of Buyers by Country



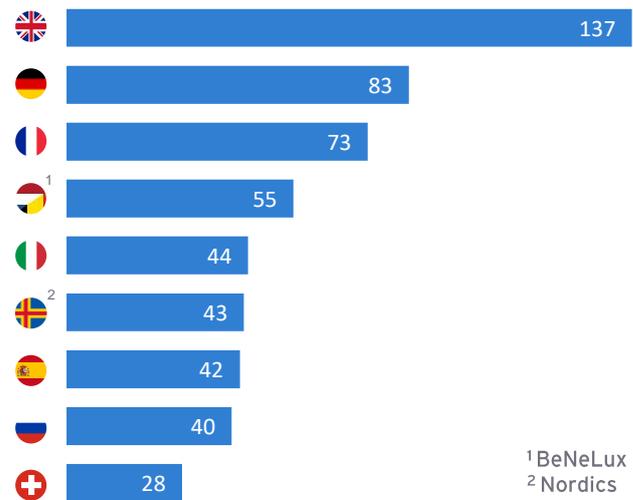
Strategic vs Financial Buyers



Based on 2018-2022 data

- M&A Activity in the outsourced pharmaceutical market is driven by strategic buyers.
- The market is consolidating as market participants continue to acquire the necessary scale and capabilities to become more relevant to their most important biopharma customers
- The trend is accelerated by the desire of pharma companies to deal with fewer and larger CDMOs and CPOs, while expanding their services, geographic reach, and client portfolios
- Although the share of private equity-backed acquisitions makes less than for a quarter of transactions, private equity funds play an increasing role in consolidating the industry by following buy-and-build strategies, as is the case with EQT which consolidates CDMOs under Recipharm

Number of Deals involving European Targets since 2018



<sup>1</sup> BeNeLux  
<sup>2</sup> Nordics

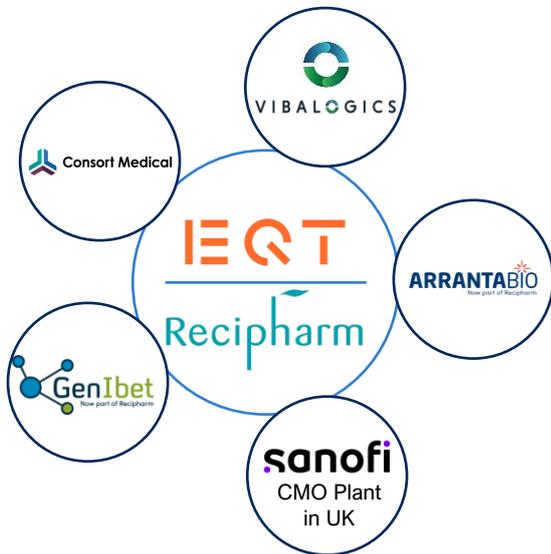
Most active buyers



Sources: Capital IQ, Capitalmind Research, European Pharmaceutical Review

# CONSOLIDATION

Leading CROs and CDMOs are expanding their services and global reach through M&A



EQT who acquired Recipharm in 2021 uses the company as platform for a buy-and-build. Recipharm made five notable acquisitions in the last five years, three of which happened after the take-over by EQT

- In 2022 it acquired Vibalogics, a Germany-based CDMO of biological therapies as well as Arrantabio an American-based CDMO for biologic drugs from Ampersand Capital Partners
- Also in 2022, it acquired GenIbet, a Portuguese manufacturer of biological clinical trial material and novel modalities
- In 2019 it acquired UK-based single-source drug and delivery device CDMO Consort Medical
- In 2018 it bought Sanofi's CMO business in Holmes Chapel, UK

Syneos has made seven notable acquisitions in the last five years, five of which were in the CRO market

- In 2021 it acquired two CROs: US-based Covance Antibody Services from Laboratory Corp of America, and Latvian-based AmberCRO. It also invested in the Series E Funding of the CRO Elligo Health Research, acquired StudyKik, a US-based technology-enabled clinical trial recruitment and retention company, and Japanese CDMO and quality control organization Persol
- In 2020 it made, by acquiring Illingworth Research Group, Adheris, and Synteract one UK and two US CRO investments, respectively.



ICON has made five notable acquisitions in the last five years, three of which were CROs.

- In 2021 it acquired US-Based CRO PRA Health Sciences
- In 2020 it bought MedPass, a French CRO for medical devices
- In 2019 the Irish research organization made a majority investment in the UK CRO Medinova. It also acquired US-Based CDMO Molecular MD and Symphony, a specialized alternate-site and at-home clinical research services provider



○ CRO ○ CDMO ○ Other

# NOTABLE TRANSACTIONS

OUTSOURCED PHARMACEUTICAL SERVICE PROVIDERS HAVE BECOME OF HIGH INTEREST. IN THE CDMO MARKET, FINANCIAL BUYERS WANT TO PROFIT FROM ATTRACTIVE MARGINS AND STRATEGIC INVESTORS AIM TO EXPAND THEIR PRODUCT RANGE AND MARKET SHARE.

Year	Target Company	Target Description	HQ	Sub Sector	Bidder Company	PE	Strategy
2022	Suven Pharmaceuticals Limited	Company that provides wide range of Drug Discovery and Development Support Services to global Pharma and Biotech companies	IN	CDMO	Advent International Corporation	✓	
2022	Nuvo Pharmaceuticals, Inc	The Company develops and manufactures liquids, gels, and creams for topical pain	CA	CDMO	Searchlight Pharma Inc.		
2022	Horizon Pharma plc	Biopharmaceutical company engaged in development and commercialization of medicines for the treatment of arthritis, pain, and inflammatory diseases	IR	CDMO	Amgen, Inc.		
2022	Grifols SA	Listed healthcare company involved in the production of plasma-derived medicines and a research on alternative therapies that contribute toward scientific and social advancement	ES	CDMO; CRO	Undisclosed bidder		
2022	KPC Pharmaceuticals, Inc.	SHSE-listed company engaged in the manufacture and sale of natural drugs, as well as the wholesaler and retailer of other drugs	CN	CDMO	China Resources Sanju Medical		
2022	Antares Pharma	Pharmaceutical company engaged in development and commercialization of self-injection pharmaceutical products and technologies and topical gel -based products.	US	CDMO	Halozyme Therapeutics, Inc.		
2021	Vifor Pharma AG	Company engaged in researching, developing, and producing deficiency and iron deficiency anaemia therapies	CH	CDMO	CSL Limited		
2021	Halozyme Therapeutics, Inc.	Biopharmaceutical company engaged in developing and commercializing products in the extracellular matrix ("Matrix") for the drug delivery, oncology, and dermatology markets	US	CDMO	Halozyme Therapeutics, Inc.		
2021	Clinigen Group Plc	Specialist pharmaceutical Services and Products company focused on providing ethical access to medicines	UK	CDMO	Triton Partners; StepStone Group Inc.	✓	
2021	SuanFarma, S.A.	Company engaged in the development, manufacture and distribution of raw materials and finished dosage forms for pharmaceutical and veterinary industries	ES	CDMO	Archimed SAS	✓	
2021	Swedish Orphan Biovitrum AB	Biopharmaceutical company focused on providing and developing orphan and niche specialist pharmaceuticals	SW	CDMO	Advent International Corporation	✓	
2021	Dezhan Healthcare Company Limited	SZSE-listed company, engaged in R&D, manufacture and sale of pharmaceutical products	CN	CDMO	Xinjiang Kaidi Investment Co., Ltd.		
2021	Shanghai Pharmaceuticals Holding Co., Ltd.	SHSE and HKEX-listed company headquartered in Shanghai, engaged in the research, development, manufacture, and sale of pharmaceutical and healthcare products.	CN	CDMO; CRO	Yunnan Baiyao Group		
2020	Recipharm AB	Recipharm AB is one of the five largest pharmaceutical contract development and manufacturing organizations in the world	SW	CDMO	Consortium led by EQT	✓	
2020	Alexion Pharmaceuticals, Inc.	Biopharmaceutical company engaged in the discovery, development and delivery of biologic therapeutic products for the treatment of various diseases	US	CDMO	AstraZeneca Plc		
2020	China Biologic Products, Inc.	Pharmaceutical company engaged in the research, development, manufacture and supply of human plasma-based biopharmaceutical products to hospitals and inoculation centers	CN	CRO; CDMO	Consortium for China Biologic Products		
2020	Medical & Biological Laboratories Co., Ltd.	Listed Japan-based company engaged in research, development, manufacturing, and sale of a range of diagnostics and research reagents	JA	CRO	JSR Corporation		
2020	North China Pharmaceutical Co., Ltd.	SHSE-listed company, engaged in development, production and distribution of pharmaceuticals	CN	CDMO	Jizhong Energy Resources Co., Ltd.		
2020	Ceva Sante Animale S.A.	France-based company engaged in the research, development, production, and marketing of pharmaceutical products and vaccines for pets, livestock, swine and poultry	FR	CDMO; CRO	Mitsui & Co., Ltd.; and other		

Key Market Share Geographic Growth Product Range Funding Knowhow Integration Buy & Build

Sources : Capital IQ, Mergermarket, Capitalmind Research

# VALUATION

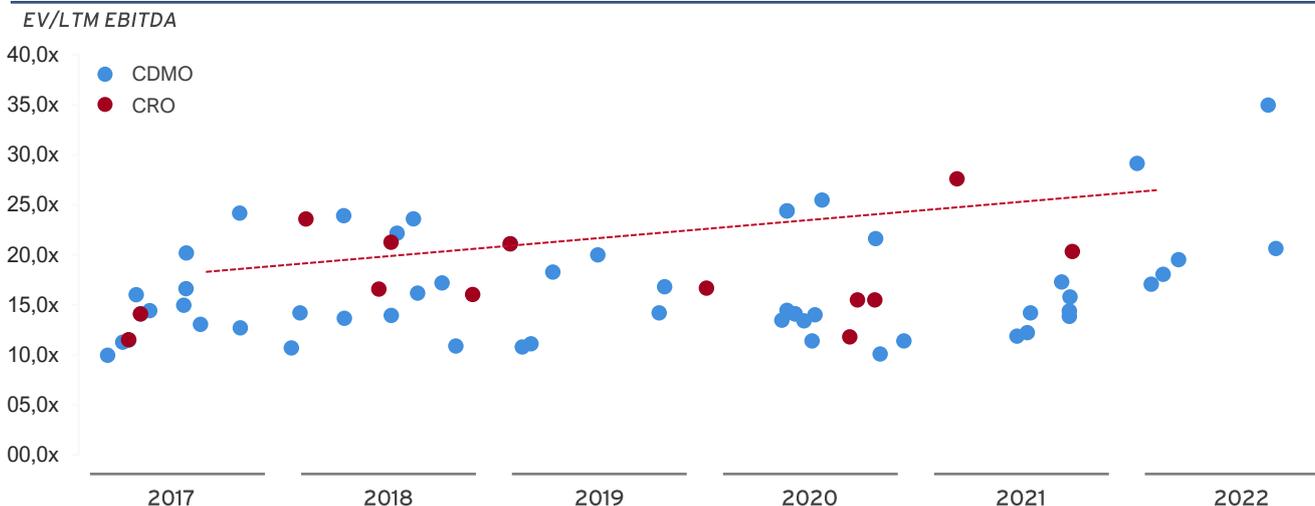
## OUTSOURCED PHARMA SERVICE PROVIDERS SHOW HEALTHY MARGINS AND TRADE AT HIGH MULTIPLES

Listed Pharmaceutical Service Providers are performing well, entailing high valuations of 15x EBITDA and above. Profit margins in the sector are stable at high levels, making it an attractive field for investors.

Company	Market Capitalization	LTM Gross Margin	LTM EBITDA Margin	Enterprise Value/					
				LTM Revenue	NTM Revenue	FY2024 Revenue	LTM EBITDA	NTM EBITDA	FY2024 EBITDA
<b>CRO</b>									
Asymchem Laboratories	6.821,83	47,24	32,33	3,9x	4,5x	3,7x	11,9x	14,0x	11,1x
Dr. Reddy's Laboratories Limited	9.407,50	53,10	21,87	3,1x	3,0x	2,8x	12,9x	11,3x	11,0x
Hikal Limited	428,76	46,33	17,75	2,1x	1,9x	1,8x	18,4x	11,0x	10,0x
Lotus Pharmaceutical Co., Ltd.	2.156,05	53,35	34,81	5,0x	4,4x	3,9x	14,0x	10,7x	8,0x
Neuland Laboratories Limited	297,34	41,84	14,75	2,5x	2,3x	2,2x	13,2x	12,2x	11,8x
Sinopep-Allsino Bio Pharmaceutical Co.,Ltd.	891,22	100,00	31,77	9,2x	7,2x	5,6x	28,8x	27,2x	22,3x
Solara Active Pharma Sciences Limited	148,54	44,19	6,26	1,5x	1,3x	1,3x	21,4x	10,4x	9,3x
Suven Pharmaceuticals Limited	1.447,14	56,51	43,89	8,7x	7,9x	7,6x	20,9x	18,4x	17,7x
<b>Median</b>	<b>1.169,18</b>	<b>50,17</b>	<b>26,82</b>	<b>3,5x</b>	<b>3,7x</b>	<b>3,3x</b>	<b>16,2x</b>	<b>11,7x</b>	<b>11,1x</b>
<b>CDMO</b>									
ANI Pharmaceuticals, Inc.	597,81	56,13	10,72	2,9x	2,5x	2,2x	26,2x	10,6x	7,6x
Catalent, Inc.	10.891,78	33,97	24,32	3,4x	3,4x	3,2x	14,2x	12,6x	12,1x
Cosmo Pharmaceuticals N.V.	931,45	60,34	40,33	8,6x	7,4x	5,4x	20,9x	20,7x	10,6x
Gland Pharma Limited	2.369,18	48,73	34,32	4,5x	3,8x	3,5x	15,1x	12,2x	11,5x
Lonza Group AG	41.008,40	39,18	30,50	6,6x	6,1x	5,4x	21,1x	19,9x	16,5x
Orion Oyj	5.825,65	63,32	35,95	4,3x	4,7x	4,4x	11,7x	18,6x	15,1x
Renata Limited	1.201,92	47,27	23,78	4,7x	4,4x	3,9x	22,0x	20,1x	15,7x
Shilpa Medicare Limited	225,66	62,38	17,27	2,4x	2,6x	2,6x	20,4x	13,2x	12,7x
Siegfried Holding AG	2.876,49	25,94	25,67	2,7x	2,6x	2,4x	10,4x	12,3x	10,8x
Torrent Pharmaceuticals Limited	5.862,21	71,30	28,00	6,0x	5,2x	5,1x	21,0x	17,5x	16,9x
<b>Median</b>	<b>2.622,84</b>	<b>52,43</b>	<b>26,84</b>	<b>4,4x</b>	<b>4,1x</b>	<b>3,7x</b>	<b>20,6x</b>	<b>15,3x</b>	<b>12,4x</b>
<b>Total Comp Set Median</b>	<b>1.896,01</b>	<b>51,30</b>	<b>26,83</b>	<b>3,9x</b>	<b>3,9x</b>	<b>3,5x</b>	<b>18,4x</b>	<b>13,5x</b>	<b>11,7x</b>

Outsourced Pharma Services transaction multiples have increased steadily over the past years. CDMO transactions are leading the way in quantity and valuations, with EBITDA multiples reaching into the 20x.

### Recent Outsourced Pharma Transactions



Sources: Capital IQ, Capitalmind Research

# A SELECTION OF OUR DEALS IN THE PHARMA INDUSTRY

Deal card for Forteq+ (Switzerland and Germany). The card features the Forteq+ logo with the tagline "swiss precision global dedication". Below the logo, it states "Carve out of Healthcare Division and sale to" followed by the Liberta Partners logo.

Medical devices

Deal card for Consort Medical (Sweden and United Kingdom). The card features the Consort Medical logo. Below it, it states "sold to" followed by the Recipharm logo.

Drug delivery devices and deployment services

Deal card for ENIM bertin (France). The card features the ENIM bertin logo. Below it, it states "sold the pharmaceutical development activities of" followed by the bertin pharma logo, and "to" followed by the AMATSi GROUP logo.

Pharmaceutical development

Deal card for Novartis (Switzerland and Spain). The card features the Novartis logo. Below it, it states "sold two Spanish manufacturing sites to" followed by the Siegfried logo.

Pharmaceuticals

Deal card for Aldevard (France). The card features the Aldevard logo. Below it, it states "acquired the European equine product range of" followed by the Ceva logo.

Veterinary pharma

Deal card for Sofiproteol (France). The card features the Sofiproteol logo. Below it, it states "together with" followed by the Temasek and euromezzanine logos, "invested in" followed by the Ceva logo, and the SAGARD logo.

Veterinary pharma

Deal card for CT-RS (France). The card features the CT-RS logo. Below it, it states "OBO sponsored by" followed by the Merieux Equity Partners logo.

Rare diseases pharmaceutical laboratory

Deal card for ENIM bertin (France). The card features the ENIM bertin logo. Below it, it states "sold the pre-clinical and clinical studies of" followed by the bertin pharma logo, and "to" followed by the Onco design logo.

Clinical studies

Deal card for Dechra (United Kingdom and France). The card features the Dechra logo. Below it, it states "acquired" followed by the ASTarma logo, and "and" followed by the LeVet logo.

Animal pharmaceuticals



# CONTACT US

Capitalmind Investec has acquired a strong expertise in the Healthcare sector by accompanying large groups, entrepreneurs, and mid-caps in their sales processes, acquisitions, and financings. Together with Investec as a significant minority shareholder, Capitalmind Investec has a global reaching network of M&A professionals.

## Our Business in Numbers



Would you like to gain further insights or discuss opportunities for developing your business? Please feel free to contact us!



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