



## *FY 2023 – H1 2024 Preclinical CRO Market*

*Highlights, Trends, Opportunities & Outlook*

Reach the *Right Outcome*

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# Pharma Services Spans Discovery Through Commercial-Stage

FY 2023 – H1 2024 Preclinical CRO Market

## Outsourced Pharma Services Overview

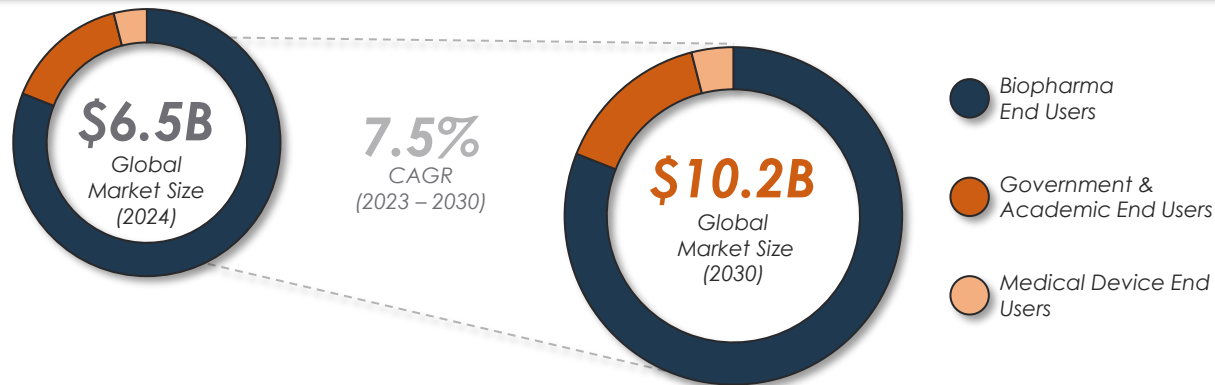


Preclinical CRO Segment Highlights Significance Of High-Quality, Efficient Front-End Research & Development

# Scientific Advancements Support Preclinical CRO Market Growth

## FY 2023 – H1 2024 Preclinical CRO Market

### Global Preclinical CRO Market Overview



### Market Drivers

- CapEx required for uncertain, discovery-stage projects support increased preclinical outsourcing leveraging core competencies of external partner for efficient R&D timelines
- Clinical & regulatory expertise from outsourced partners reduces costs & time-to-market
  - Emerging technologies (i.e., cell/gene therapy, antibody-based therapies, etc.) resulting in greater uncertainty around regulatory approval
  - Opportunity to leverage preclinical development processes to evaluate & vet targets, streamline target identification & expedite downstream clinical processes

### Select Market Leaders



### Key Capabilities

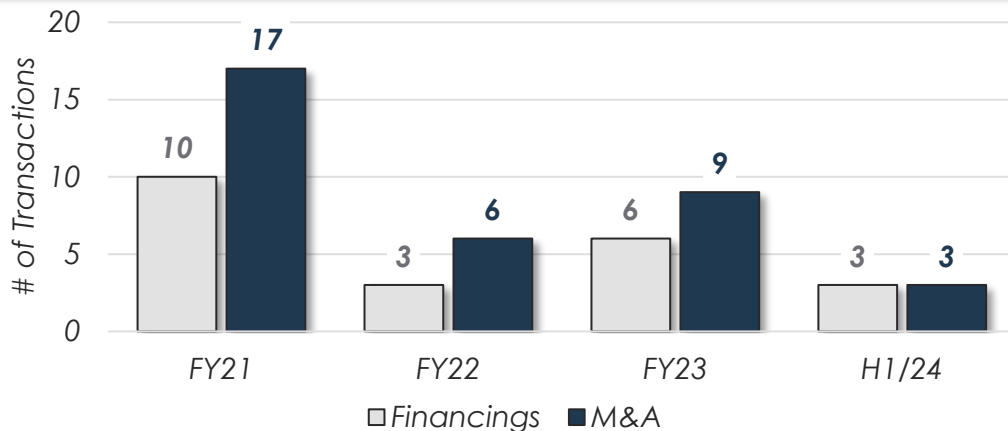
- Drug Screening & Design Control
- Compound Synthesis & Manufacturing
- Toxicology Studies & Reporting
- Potency & Stability Assessments
- Biocompatibility Assessments
- Maximum Dosage Studies
- Species Expertise
- Regulation Compliance

Strategies Opting To Outsource Preclinical Development For Reduced Costs & Time To Approval/Commercialization

# Recent Transactions Highlight Key Trends Within Segment

## FY 2023 – H1 2024 Preclinical CRO Market

Preclinical CRO Transaction Overview (FY21 – H1/24)



### Key Insights

- Significant consolidation of preclinical CROs in FY21 to establish platform companies within the segment
  - Additional tuck-in acquisitions completed to bolster offerings & provide comprehensive, end-to-end services
- Overall decline in transactions demonstrates integration of previous transactions as well as add-ons in adjacent segments
  - Acquirers & investors with previous investments in preclinical CROs seeking to add high-value, high-margin capabilities in related segments (i.e., regulatory affairs, downstream services, etc.) to differentiate offering

### Transaction Drivers



#### AI & Digital Enablement

Leveraging AI technologies & high-quality data sets to expedite drug discovery processes & for earlier target discovery



#### Niche Expertise

Specialization in high-growth indications identified as high-value platform add-ons to establish end-to-end service provider



#### Geographic Expansion

Enables expansion of footprint into global geographies; bridges the U.S. with E.U. & A.P.A.C. to accelerate growth



#### Regulatory Expertise

Ensure compliance with highly-variable guidelines throughout drug development process to de-risk technology early-on

### Sample Acquirers & Investors



Considerable Market Desire To Drive Transactions Across Drug Discovery Services

# Geographic & Specialty Expansion Drives Preclinical CRO M&A

## FY 2023 – H1 2024 Preclinical CRO Market

Date	Target	Buyer	Target Description
7/2/2024			CRO providing data management, biostats, scientific writing, regulatory affairs & clinical operations services for clinical & epidemiological studies
3/25/2024			European-based CRO with two distinct entities focused on pre-clinical & clinical development as well as drug discovery services
10/10/2023			Preclinical CRO based in France focused on data analytics & drug discovery across a variety of indications including cardiovascular, CNS, etc.
9/7/2023			Provider of global preclinical & clinical laboratory & bioanalytical services specializing in pharmacokinetic & immunogenicity; based in Canada
7/31/2023			Canada-based provider of CRO services specializing in preclinical drug discovery with focus on <i>in vitro</i> biology, drug metabolism & pharmacokinetics

### Transaction Insights

- Value creation opportunity through merger of proprietary data sets & analytics capabilities
- Emphasis on entry into new geographies for strategics to be positioned as global leaders in the space
- Significant investment made by private equity groups seeking to grow or establish end-to-end pharma services platforms
- Strategics identify targets that expand preclinical capabilities & service additional high-growth indications

Market Expansion & Broad Data Set Application Drive Strategic & PE Transactions

# Global Investment Across Preclinical CRO Capabilities

## FY 2023 – H1 2024 Preclinical CRO Market

Date	Target	Investor(s)	Target Description
3/19/2024		 Chengdu VC 	China-based provider of contract preclinical, clinical & manufacturing, services with specialties in receptor occupancy & pharmacokinetics
1/24/2024		 <b>Molten</b>	UK-based preclinical contract researcher specializing in immuno-oncology, cell therapy, transplantation & autoimmunity
7/5/2023		 Anhong Capital Chunyu Capital	Contract research service provider based in China focused on a variety of drug discovery services
4/18/2023		 方富資本 FOF CAPITAL  	China-based contract provider of research & manufacturing services offering expansive discovery & research services
3/1/2023			Sweden-based contract research organization primarily focused on oncology-related drug discovery services

### Transaction Insights

- Digitally-enabled service providers with high-quality, proprietary data sets garnering increased interest
- Significant capital deployed for accelerating integration of highly-specialized, niche capabilities in preclinical CROs
- Early-stage & growth equity investors leveraging CRO industry consolidation trends to bolster portfolio & position for near-term, accretive exit opportunities
- Anticipating additional capital infusions to strengthen customer base & drive profitability to establish future M&A targets

European & Asian Investors Focused On Preclinical CROs With Unique Capabilities & Data Sets

# Geographic Expansion Through Nuvisan Acquisition

FY 2023 – H1 2024 Preclinical CRO Market

	
Target	Buyer
Date: 3/25/24	\$171M
Type: M&A	Commercial
Deal Value   Deal Stage	
<b>Target Description:</b> European-based CRO with two distinct entities focused on pre-clinical & clinical development as well as drug discovery services	
<b>Transaction Structure &amp; Overview</b>	
<ul style="list-style-type: none"> <li>ALS acquired remaining stake in Nuvisan for full ownership of the company</li> <li>Integration into ALS to enable transformation program for increased revenue &amp; profitability along with cost efficiencies</li> <li>Provides western European footprint for access to the growing global pharmaceutical market to complement ALS' existing pharmaceutical business</li> </ul>	

## Outcome Strategic Insights

“ In 2021, ALS Limited acquired a 49% stake of struggling CRO Nuvisan for ~€145 M, with an option to buy the remaining 51% by 2024. In March, ALS decided to move forward to acquiring the remaining 51% and will write down the existing carrying value (book value estimated at \$258M) to finance the transaction. ALS will restructure the Nuvisan business over the course of the next two years and is targeting an annual savings of ~\$27.4M (~€25M) and improve Nuvisan's profitability.

This transaction is both a geographic extension of ALS capabilities across Europe but also compliments ALS analytical offering with the drug discovery and development that Nuvisan is known for. Combining these services platforms, ALS will capture more of the growing pharmaceutical spend and better leverage their sales teams to expand market share across their businesses.



”

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# Outcome Capital Overview

## FY 2023 – H1 2024 Preclinical CRO Market

Outcome Capital is a **highly-specialized life sciences & healthcare-dedicated** investment banking & strategic advisory firm adopting a unique **market-driven, strategy-led** approach to value enhancement. Our team consists of industry veterans with broad **entrepreneurial, strategic & operational expertise with deep scientific, clinical & financial expertise.**

### Industry Expertise

Pharma	 Life Sciences	Biotech	 Healthcare	Digital Health	HCIT
Diagnostics		MedTech		Services	RPM
Tools		CRO/CDMO		Payers	Telemedicine

### Strategically Focused Transactions



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