



Pharma & Healthcare

Italy | M&A Trends | 2018

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Methodology

Reported deals have been sourced from the Mergermarket website based on the date of announcement. Revenues and EBITDA have been sourced from the latest financial statements available on public databases (AIDA, Orbis, Cerved) and have been taken from the individual accounts (unconsolidated) of the target entity, except where otherwise stated. Revenues and EBITDA are available for 79% and 74% of deals respectively. Deal value is not indicated since in most cases it is not publicly available.



Glossary

Domestic deals are those with both an Italian acquirer and target. Add-ons of Private Equity Italian portfolio companies are always considered domestic deals. **Inbound deals** involve a foreign acquirer and an Italian target. **Outbound deals** involve an Italian acquirer and a foreign target.

Deals announced by **financial investors** include Private Equity, SPAC (listed Special Purpose Acquisition Company), family offices, financial holdings and acquisitions made by Private Equity portfolio companies. Deals announced by **strategic investors** include corporates and individuals.

Executive Summary

61 deals (including 2 IPOs) were announced in Pharma & Healthcare in 2018, with a positive outlook for 2019

After a quiet year in 2017 for mergers and acquisitions (M&A) in the Pharmaceutical and Healthcare sector, 2018 showed a significant upturn.

M&A in the Italian Life Science sector is lively with a wide range of transactions spanning from large pharmaceutical companies, that buy mature product portfolios, to venture capitalists that invest into early stage biotech projects, and financial investors deals.

The most relevant transaction in the Pharma and Healthcare industry was the acquisition of a controlling 51.8% stake in Italian drugmaker **Recordati** by CVC, followed by the acquisition of **Neopharmed Gentili** (Mediolanum Farmaceutici) by Ardian and two acquisitions made by Investindustrial (**Lifebrain** - laboratory analysis chain - and **HTL Strefa** - medical devices manufacturer).

Overall, the deals announced by Private Equity investors represented 34% of the total in terms of number and 64% in terms of target revenues (40% excluding Recordati acquisition, significantly above average).

Generally speaking, both strategic and financial investors were more active in **Healthcare** (with 35 deals announced out of 61), although the two biggest transactions (both involving international Private Equity houses) were in the **Pharma** sector.

The M&A market in 2018 was driven by domestic transactions (31 out of 61 in terms of number); however inbound deals totalled 18, confirming the strong appeal of Italian targets for foreign investors (top 3 acquisitions in terms of deal value were inbound).

M&A activities in early 2019 confirm the positive trend of 2018, with 3 deals already announced in January and February (and several transactions in the pipeline).

This report aims to outline the main trends arising from transactions announced in the Pharma & Healthcare sector in 2018 involving one or more Italian party (as target and/or acquirer). We aim to give more details on 2019 transactions and trends in the next issue.

We hope you find the report to be a useful and enjoyable read.



Sabrina Di Bartolomeo

PwC Associate Partner
Pharma & Healthcare Deals
Leader



At a glance – The Italian Market

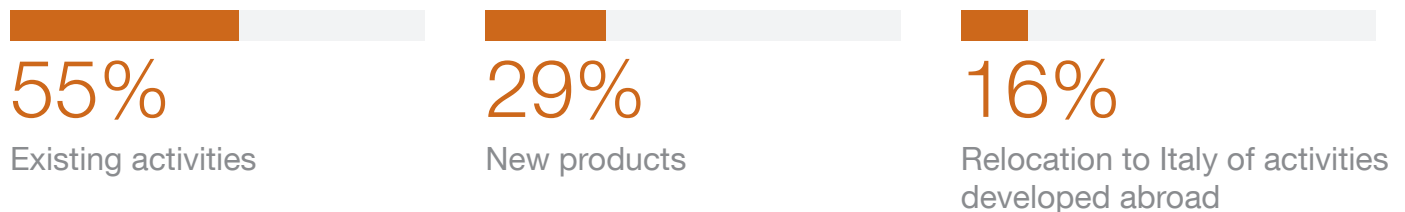
Pharmaceutical production in EU



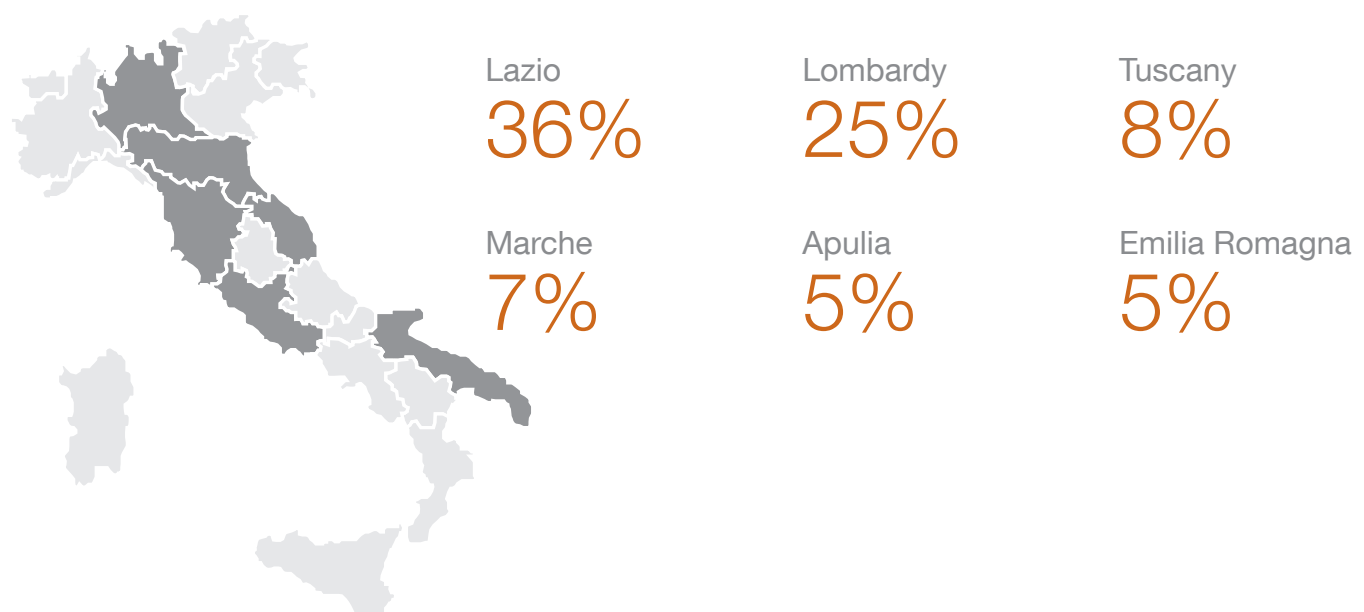
Key driver: **Pharma export** (Cumulative % export growth in the last 10 years)



Composition of the growth in production (last 5 years)



Pharma export by Top Regions (over total export)

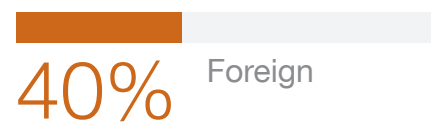


Number of small-sized firms



Features of Italian Pharma & Healthcare companies

Stakeholders



Invested in R&D

€ 1.5 bn

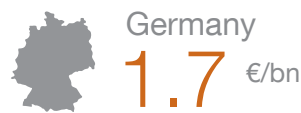
Revenues generated abroad

70%

Largest Pharma market in the world

6th

CDMO* production

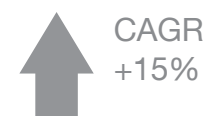
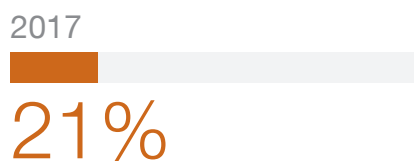
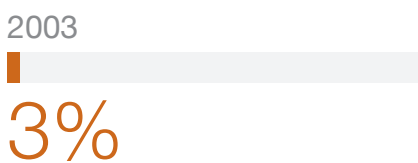


Per-capita expense for nutraceuticals**



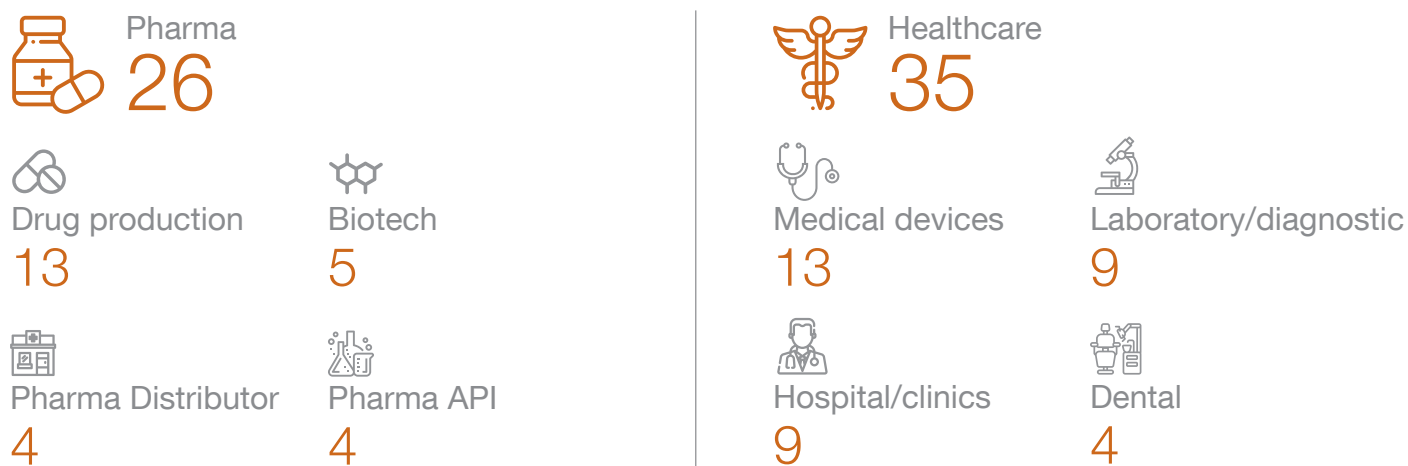
+7.4% wrt 2014

% usage of generics over total Pharma market ***



At a glance – Number of deals

Number of deals by segment



International features



Number of deals where target revenue is...

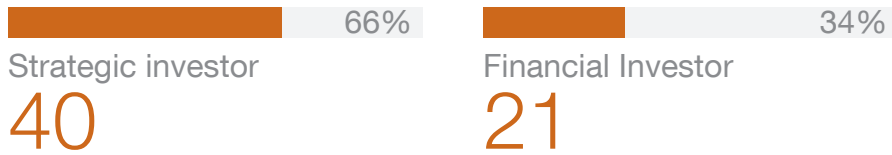
	Number of deals
<10m	22
€10-100m	19
>100m	5
>500m	2
not public	13

Of which advised by PwC

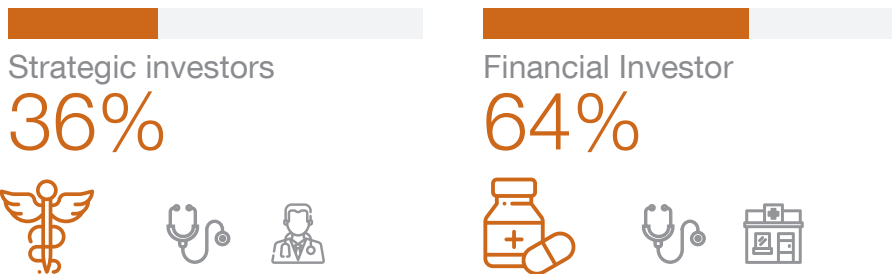
	Number of deals
<10m	2
€10-100m	1
>100m	3
>500m	0

At a glance – Target and Bidder

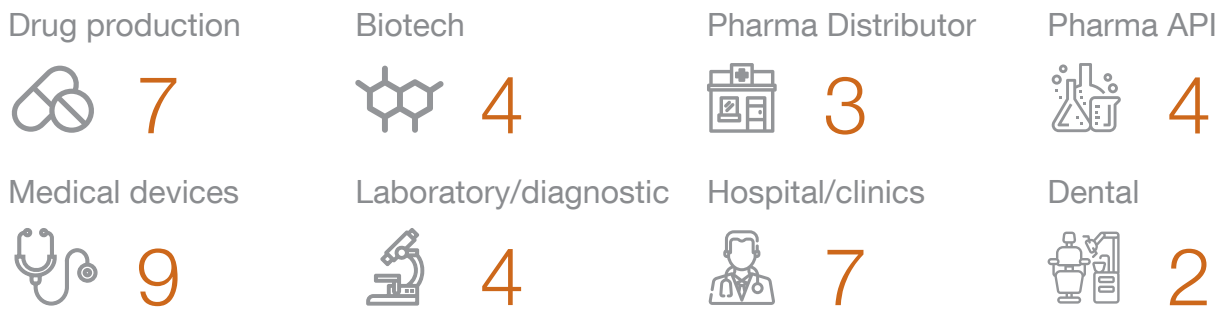
Number of deals by investor type



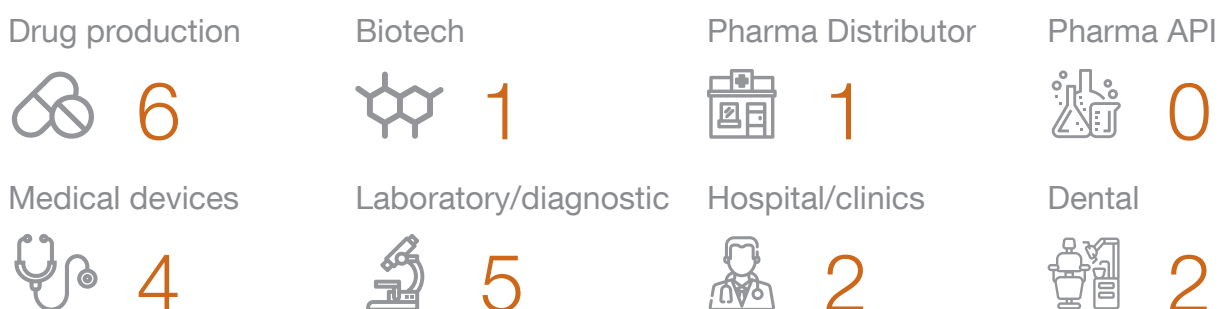
Deals by target revenues and investor type



Deals by segment for strategic investors



Deals by segment for financial investors





Italian Pharma
companies:
Small in size but
with high potential



Pharma

by Sabrina di Bartolomeo and Francesco Tieri

The Pharma industry in Italy is composed of either medium-sized family-owned companies or branches of large multinationals. Italy represents the leading European drug producer, confirming high quality standards recognised worldwide.

The Pharma sector in Italy was one of the most attractive markets for M&A in 2018, with 26 deals announced. The year was marked by 13 domestic deals, although the 2 largest transactions were inbound, both involving international Private Equity investors.

International Private Equity investors progressively increased their interest

Strategic investors' transactions (18) drove the Italian Pharmaceutical M&A environment; however the main transactions in terms of deal value came from Private Equity investors confirming the attractiveness of the sector in our country (6 transactions in total).

Two of the top ten Italian pharmaceutical companies were acquired by international Private Equity funds in 2018: in Jun18, **CVC** acquired a controlling interest in **Recordati** (over €6bn deal value), the 2nd largest Italian drug manufacturer with a worldwide presence (strengthened by an add on made in Dec18 with a deal in France), while in Nov18 **Ardian** acquired **Neopharmed Gentili** (Mediolanum Farmaceutici) (carve out business from former Mediolanum Farmaceutici).

The aim of these acquisitions is to strengthen Targets' positioning in the Italian market and expand internationally, mainly through further acquisitions.

Future expected trends

- Ever-changing drug pricing landscape, with an increase of use of IRP (International Reference Pricing) for centralised healthcare authorities fixing a national price for medicines also based on comparison with other countries;
- Beyond the growth in specialty, one-off therapies are expected to replace chronic treatments, with a need to adapt the underlying pricing models;
- Increase of tech-orientated patient models, chasing the ability to analyse real-time data 24/7 regardless of the location of the patient, providing faster and more efficient care and real-time access to data at our fingertips;
- Big-pharma more and more focused on its core business; diversity is no more a value. Divestments of non-core drugs and businesses are expected.

Main deals in Pharma – 2018

Target					
Period	Name	Country	Activity	Revenues FY17 (€m)	EBITDA FY17 (€m)
Pharmaceutical					
Mar-18	Sunovion Pharmaceuticals Europe*	United Kingdom	Drug manufacturer	35.0	n.a.
Jun-18	Recordati*	Italy	Drug manufacturer	1,288.1	454.7
Jun-18	AR Fitofarma	Italy	Drug manufacturer	7.1	0.3
Jun-18	Progin Farmaceutici	Italy	Drug manufacturer	4.8	0.9
Jun-18	Teva Pharmaceutical Industries (oncology and pain management division)	Italy	Drug manufacturer	n.a.	n.a.
Nov-18	Neopharmed Gentili	Italy	Drug manufacturer	191.0	52.0
Dec-18	Tonipharm	France	Pharmaceutical	29.6	7.9
Pharmaceutical -API					
Apr-18	Kalexsyn	US	Pharmaceuticals - API	n.a.	n.a.
Jul-18	Farmaceutici Damor	Italy	API and food supplement manufacturer	26.5	4.3
Sep-18	Generics chemical operations API manufacturing facility	India	Pharmaceutical - API	n.a.	n.a.
Nov-18	Gnosis	Italy	Pharmaceuticals - API	16.5	2.3
Food supplements					
Mar-18	Kolinpharma	Italy	Food supplements	4.1	0.6
Mar-18	Marco Antonetto Farmaceutici	Italy	Food supplements	5.4	1.0
May-18	Pharcoterm	Italy	Food supplements	12.6	1.7
Jun-18	Natural Point	Italy	Food supplements	15.0	9.5
Jun-18	Fine Foods & Pharmaceuticals	Italy	Food supplements	119.6	15.2
Sep-18	Laboratories NHCO Nutrition	France	Food supplements	12.0	2.7
Biotech					
Jan-18	Enterome	France	Drug manufacturer	19.4	n.a.
Apr-18	EryDel	Italy	Drug development	0.2	(3.5)
Jun-18	NanoSurfaces	Italy	Drug development	8.0	0.9
Jul-18	Soluciones Bioregenerativas	Spain	Manufacture of medical devices	n.a.	n.a.
Jul-18	Sigea	Italy	Drug development	n.a.	n.a.
Pharma distributor					
May-18	Farmaca - Farmaceutici Cannone	Italy	Pharma distributor	29.4	(0.8)
Sep-18	Qalian Group	Italy, France, Portugal	Pharmaceuticals - Animal care	n.a.	n.a.
Sep-18	Farmacia Nuova, Farmacia del Vivo, Farmacia dell'Ospedale di Lavagnini	Italy	Pharmacy chain	n.a.	n.a.
Oct-18	Gruppo Farmacrimi	Italy	Pharmacy chain	9.0	0.4

* Consolidated financial report

Acquirer		
Name	Country	Type
Pharmaceutical		
Finaf	Italy	Corporate
CVC Capital Partners, Public Sector Pension Investment Board, StepStone Group	United Kingdom	Private Equity
Grupo Uriach	Spain	Corporate
Grupo Uriach	Spain	Corporate
Mediolanum Farmaceutici	Italy	Corporate
Ardian	France	Private Equity
Recordati	Italy	PE-add on
Pharmaceutical -API		
Dipharma Francis	Italy	Corporate
Akademy Pharma	Italy	Corporate
Olon	Italy	Corporate
Lesaffre et Compagnie	France	Corporate (50%)
Food supplements		
Listing (AIM)	Italy	IPO
Chiesi Farmaceutici	Italy	Corporate
Nutrilinea	Italy	Corporate
Recordati	Italy	PE-add on
Innova Italy 1	Italy	Financial investor - SPV
Chiesi Farmaceutici	Italy	Corporate
Biotech		
Bristol-Myers Squibb Company, Lundbeckfond Invest A/S, Omnes Capital, Seventure Partners, Principia SGR, Nestle Health Science	Italy, US, Denmark, Switzerland, France	Corporate/ Venture Capital
Sofinnova Partners, Genextra, Innogest SGR	Italy	Venture Capital
Eurocoating	Italy	Corporate
Fidia farmaceutici	Italy	Corporate
BMG Pharma	Italy	Corporate
Pharma distributor		
La Guacci	Italy	Corporate
Huvepharma AD	Bulgaria	Corporate
Lidea SpA	Italy	Corporate
F2i SGR SpA	Italy	Private Equity



Healthy companies for
a healthy society



Healthcare

by Sabrina di Bartolomeo and Francesco Tieri

The Healthcare sector faced considerable M&A activity in 2018, with 35 deals over the year. Most transactions involved medical devices manufacturers (13) while the most relevant transactions were in laboratory chains (>€400m deal value).

Domestic deals represent the majority of transactions (18), however there are 10 in-bound deals completed by foreign corporates and 2 by foreign Private Equity. The most relevant Private Equity transaction include the majority investment in **Lifebrian** (laboratory chain) by Investindustrial.

'Another very good year': our expected trends

- Ophthalmic clinics/chains are expected to start an aggregation process to achieve economy of scale, as has already happened in other European countries;
- The progressive ageing of the population will increase the need for additional nursing homes/beds for elderly treatments;
- The aggregation process in Dental Care and laboratory analysis chains is expected to continue, the latter expanding also in biological and microbiological analyses in the food/environmental sector;
- Diagnostic centres and private hospitals are expected to continue their growth, as NHS waiting lists and services provided are considered inadequate for patients' standards;
- Pharmacy chains may start an aggregation process, although the regulatory environment is not in line with the expectations of investors that have expressed interest in this sector.

Main deals in Healthcare – 2018

Target					
Period	Name	Country	Activity	Revenues FY17 (€m)	EBITDA FY17 (€m)
Medical devices					
Feb-18	DiaSorin Trivitron Healthcare	India	Medical equipment	n.a.	n.a.
Mar-18	Polymed	Italy	Medical equipment	1.4	0.4
Mar-18	NEX Medical Antiseptics	Italy	Medical equipment	4.5	0.4
Mar-18	Life Care Capital	Italy	Medical devices	n.a.	n.a.
May-18	Bios	Italy	Medical equipment	6.1	0.3
May-18	HTL-Strefa	Poland	Medical equipment	168.2	59.1
Jun-18	Pallmed, Medseven	Poland	Medical equipment	17.0	n.a.
Jul-18	Bioengineering Laboratories	Italy	Medical equipment	2.6	0.4
Jul-18	Gabinetes de Audioprotesis, Electromedicina y Servicios	Spain	Hearing care products	210.0	30.0
Jul-18	3A Health Care	Italy	Medical equipment	13.5	0.7
Oct-18	Gada	Italy	Medical equipment	65.0	10.6
Oct-18	"Johnson & Johnson Medical (Italian Diabetes Care business) "	Italy	Medical equipment	594.3	42.5
Dec-18	Comecer	Italy	Medical equipment	65.0	7.0
Laboratory/ Diagnostic					
Mar-18	Nuova Laboratori	Italy	Laboratory analysis	n.a.	n.a.
Apr-18	Laboratorio Analisi Guidonia (Lifebrain AG)	Italy	Laboratory analysis	109.4	21.9
Jun-18	Laboratorio IRIS	Italy	Laboratory analysis	1.6	0.2
Aug-18	Diagnostica Bevilacqua	Italy	Laboratory analysis	0.5	0.3
Aug-18	Ar.Pa. Radiologia, Fisiokinesiterapia 21, Laboratorio Ostiense, Salus Controlli Medico Diagnostici	Italy	Laboratory analysis	n.a.	n.a.
Sep-18	C.S.G. Palladio	Italy	Laboratory analysis	4.3	1.1
Sep-18	Laboratorio Analisi Chimiche Giusto	Italy	Biological and microbiological analyses	5.0	2.5
Oct-18	Gruppo IMED	Italy	Diagnostic center	14.3	3.5
Nov-18	Microgenomics	Italy	Laboratory analysis	0.6	0.7
Hospital/ Clinics					
Mar-18	Hospital Piccole Figlie - Parma	Italy	Private hospital	14.1	0.3
Jul-18	NPC	Italy	Fertility clinic	2.7	0.4
Jul-18	IVF Italy	Italy	Fertility clinic	1.1	0.5
Jul-18	GynePro	Italy	Fertility clinic	5.5	0.5
Sep-18	Veneta Sanitaria Finanza di Progetto	Italy	Private hospital	60.4	17.6
Oct-18	Casa di Cura Villa Igea	Italy	Nursing home	20.2	1.7
Oct-18	Villa Chiara	Italy	Private hospital	21.1	3.5
Nov-18	Garofalo Health Care*	Italy	Private hospital	136.7	127.5
Dec-18	Villa Gisella	Italy	Nursing home	6.4	0.2
Dental					
Feb-18	Doctor Dentist	Italy	Dentist Chain	10.0	(0.1)
Jun-18	Rhein83	Italy	Dental surgical products	8.1	3.2
Nov-18	Cliniodent	Switzerland	Dentist Chain	n.a.	n.a.
Nov-18	Omnia	Italy	Dental surgical products	12.2	1.9

* Consolidated financial report

Acquirer		
Name	Country	Type
Medical devices		
Diasorin	Italy	Corporate (49%)
HMC Premedical	Italy	Corporate
Professional Disposable International	United Kingdom	Corporate
SPAC - Listing (AIM)	Italy	SPAC
Lumenis	Israel	Corporate
InvestIndustrial	United Kingdom	Private Equity
Sol	Italy	Corporate (70%)
Delta Med	Italy	PE-add on (77%)
Amplifon	Italy	Corporate
Omron Corporation	Japan	Corporate
Principia SGR	Italy	Venture Capital
LifeScan Italia	Italy	Corporate
ATS Automation Tooling Systems	Canada	Corporate
Laboratory/ Diagnostic		
Lifebrain	Italy	Corporate
InvestIndustrial	United Kingdom	Private Equity (96%)
Synlab	Italy	Corporate
Lifebrain	Italy	PE-add on
Synlab	Italy	Corporate
Lifebrain	Italy	PE-add on
Lifebrain	Italy	PE-add on
Alliance Medical	Italy	Corporate
Nextclinics International	Germany	Corporate
Hospital/ Clinics		
Parma Healthcare	Italy	Corporate
Nextclinics International	Germany	Corporate
Nextclinics International	Germany	Corporate
Nextclinics International	Germany	Corporate
Mirova	France	Financial investor (59.4%)
Habilita	Italy	Corporate
IRCCS Policlinico San Donato	Italy	Corporate
Listing (MTA)	Italy	IPO
Gruppo Zaffiro	Italy	Corporate
Dental		
DentalPro	Italy	PE-add on
Lifco	Sweden	Corporate
DentalPro	Italy	PE-add on
Cantel Medical	USA	Corporate

A high-angle, low-key photograph of a person sitting on a light-colored wooden floor in a large, modern building. The person is silhouetted against the bright light coming through a large window. To the left, a curved glass structure, possibly a staircase or a walkway, is visible. The overall atmosphere is dramatic and contemplative.

Maximize returns with Value Creation in Deals approach

#beyondthedeals

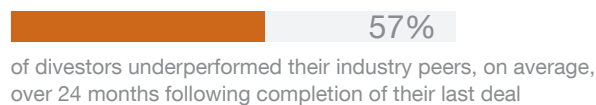
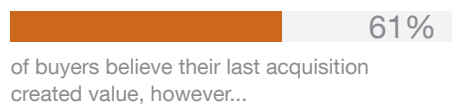
We need to rethink Value Creation in Deals

by Cristiano Valpolini and Raffaele Cestari

Dealmakers are under increasing pressure to deliver more value from each deal they do

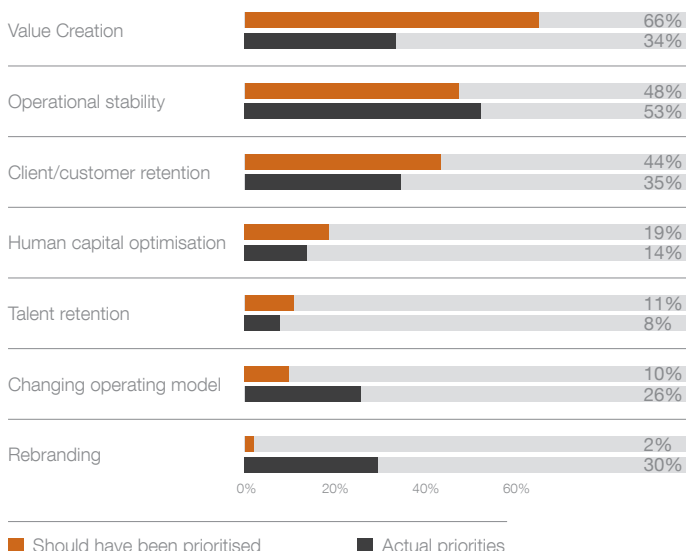
To make the task harder, turbulence in global stock markets is creating uncertainty around valuations, while companies are wrestling with challenges such as keeping up with technological change or moving at speed into new and untested markets.

Our conversations with corporate executives, collected through a Survey with 600 senior corporate executives show that many acquisitions and divestments don't maximize value.



Instead companies that genuinely prioritise value creation early on – rather than assume it will happen as a natural consequence of the actions they take as the transaction proceeds – have a better track record of maximising value in a deal.

What were your priorities on Day One and what should they have been?



The approach to the Value creation sits around 3 pillars

Stay true to the strategic intent:

- Broader portfolio strategy rather than opportunistic deals
- Direct correlation between value creation and investments in post deal integration

Be clear on all of the elements of a comprehensive value creation plan:

- Technology plan
- Synergy plan
- Integration plan
- Working capital
- Tax and legal structure

Put culture at the heart of the deal:

- Keeping people and cultural aspects upfront in planning is fundamental.
- Wide engagement and communication of the value creation plan will help retain and build buy-in from key personnel.

Failing to plan for cultural change will significantly undermine the value created.

Value creation in Pharma & Healthcare M&A Market

Deals announced in 2018 in the Italian Pharma & Healthcare offer good examples of how Private Equity and Corporates can take advantage from clear value creation paths:

- Scouting for market specialties and niches is becoming a clear value lever to focus on. An example is the licensing and distribution agreement for the Italian market of the oncology and pain portfolio products of Teva Pharmaceuticals Industries by the Mediolanum Farmaceutici Group;
- The search for higher margins and cash generation is pushing the enlargement of the product portfolio (usually through add on). An example is the strong interest in nutraceutical products (Natural Point, Pharcoterm and NHCO nutrons are some examples of targets), which can also be a strategic portfolio lever;
- The consolidation of the retail channel is seen as a way to protect margins and leverage on scale economies. Several examples can be found in the pharmacy chains (F2i acquired Gruppo Farmacrimi) and in laboratory analysis (LifeBrain backed by Investindustrial).



“

The show must go on...



Our FY18 Pharma & Healthcare credentials

PwC Deals thanks its clients for their continued trust

Acquisition of **Mediolanum Farmaceutici** by **Ardian**

Acquisition of **Life Brain** by **InvestIndustrial**

Acquisition of **HTL Strefa** by **InvestIndustrial**

Acquisition of **IMED** by **Alliance Medical**

Acquisition of **Hospital Piccole Figlie** by a private investor

Acquisition of **CREA** by **CRM**



PwC Deals – Pharma & Healthcare practice

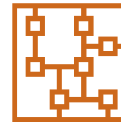
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Dedicated professionals in Italy



2

2 segments: Pharma and Healthcare



Strong relationships with PwC global Pharma & Healthcare network and sector specialists



Multidisciplinary and integrated approach (Financial, Strategy, Operations, Corporate Finance, Crisis, M&A, Tax)



Direct relationships with the main investors and Private Equity houses, both Italian and international



Presence in the most relevant transactions



Contacts



Emanuela Pettenò

**Partner
Markets Leader**

emanuela.petteno@pwc.com
+39 348 8519841



Giovanni Tinuper

**Partner
Transaction Services Leader**

giovanni.tinuper@pwc.com
+39 348 2207050



Pier Paolo Ferrando

**Partner
M&A**

pier.paolo.ferrando@pwc.com
+39 347 1673306



Max Lehmann

**Partner
Value Creation in Deals**

max.lehmann@pwc.com
+39 348 1540411



Sabrina Di Bartolomeo

**Associate Partner
Pharma & Healthcare Deals Leader**

sabrina.di.bartolomeo@pwc.com
+39 328 9877185



Francesco Tieri

**Director
Transaction Services**

francesco.tieri@pwc.com
+39 349 2517501