

Pharmaceutical and Life Sciences Deals Insights Quarterly

Q1 2016

May 2016

*A publication from
PwC's Deals Practice*

At a glance

The pharmaceutical and life sciences (PLS) industry saw a significant decline in deal activity and volume in the first quarter of 2016 when compared to the fourth quarter of 2015.

Closed deal volume decreased from the prior quarter from 75 to 39 transactions, with deal value decreasing from \$59.4 billion to \$31.6 billion.

Foreword

Expectations for 2016 evaluated against actual Q1 2016 M&A for pharmaceuticals and life sciences

Entering 2016, the expectation from our Q4 2015 report was that pharmaceutical and life science deals would continue to grab headlines with the current year continuing to be ripe for deal making. However, the first quarter of 2016 experienced a steep drop in both the volume and value of deals from the prior quarter as well as the comparable period in 2015. The question becomes – is this temporary or will it continue, and if it continues, for how long?

Starting with what has changed, we have seen increased government intervention in deals across sectors. On April 4, 2016, the Treasury took measures to curtail the use of inversions. And while not as prominent, a growing number of deals have terminated as a result of anti-trust and related concerns raised by the government, which has resulted in as many withdrawn multi-billion dollar deals in the first 4 months of 2016 as in any year over the past decade.

Looking more closely at deals for the pharmaceutical and life science sector and the interplay with financial markets more generally, we note a few things that are absent this quarter. For one, specialty pharmaceutical companies. The share price gain on deal announcement for the acquirer (not just the target) is also gone. And so too appears to be investor sentiment for this group of companies, a trend that began in the second half of 2015. The price of high yield debt, which is used by some companies in their deal making, has risen to levels from 3 years ago, further dampening the prospects for deals by certain specialty pharmaceutical companies.

However, the fundamentals for the life sciences industry remain the same as before. Even in a lull for life science IPOs, venture capitalists continue to invest heavily into early stage research. FDA approvals are at levels we have not seen in over a decade. Longstanding industry players and new entrants are looking to the broader healthcare

market for growth. In recent years, M&A has been a quick way to take cost out of the system and reduce or at least manage risk, in the research, development and commercialization of prized assets. Within the industry, assets continue to have shortened life spans, pressuring owners to buy versus build out the capabilities and related infrastructure necessary to optimize value. With change afoot in healthcare as consumers take more ownership for their health and payors drive the emphasis on outcomes, we should continue to see deals as the means by which companies will separate themselves from the pack.

Dimitri Drone
Partner, Global Pharmaceutical
and Life Sciences Deals Leader

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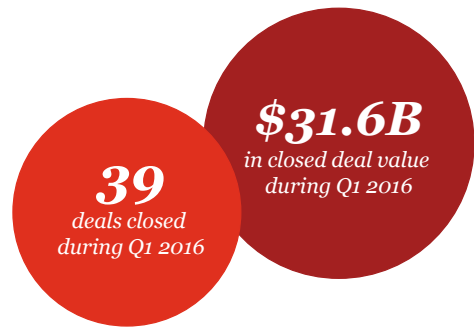
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Market update

The PLS industry saw a significant decline in deal activity and volume in the first quarter of 2016 when compared to the fourth quarter of calendar year 2015. Closed deal volume decreased from the prior quarter from 75 transactions to 39, with deal value decreasing from \$59.4 billion to \$31.6 billion. Announced and pending transactions continued to decline, with \$30.9 billion in deal value and 80 transactions.



Introduction

Welcome to PwC's Pharmaceutical and Life Sciences Deals Insights Quarterly.

This issue brings you PwC's perspective on deal activity in the industry worldwide. Each quarterly publication features two sections that highlight deal activity and insights from a global perspective:

1. Market update:

A summary of M&A deals and trends for the quarter. This issue covers Q1 2016.

2. Strategy corner:

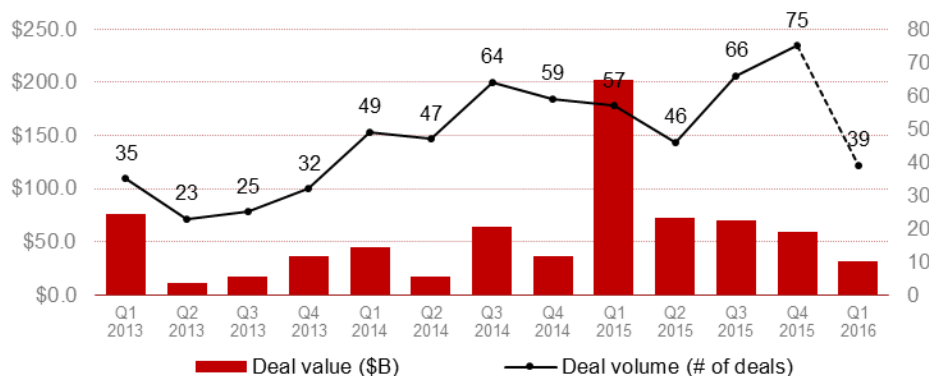
A feature offering insights into various aspects of deal making. This quarter focuses on shareholder activism and the secrets of an activist manager.

Refer also to our previous publications for insights into doing deals in various geographic markets and aspects of successful transactions. Our quarterly deals publications are available at www.pwc.com/us/pharmadeals.

The following observed trends may continue to influence and shape the deal landscape:

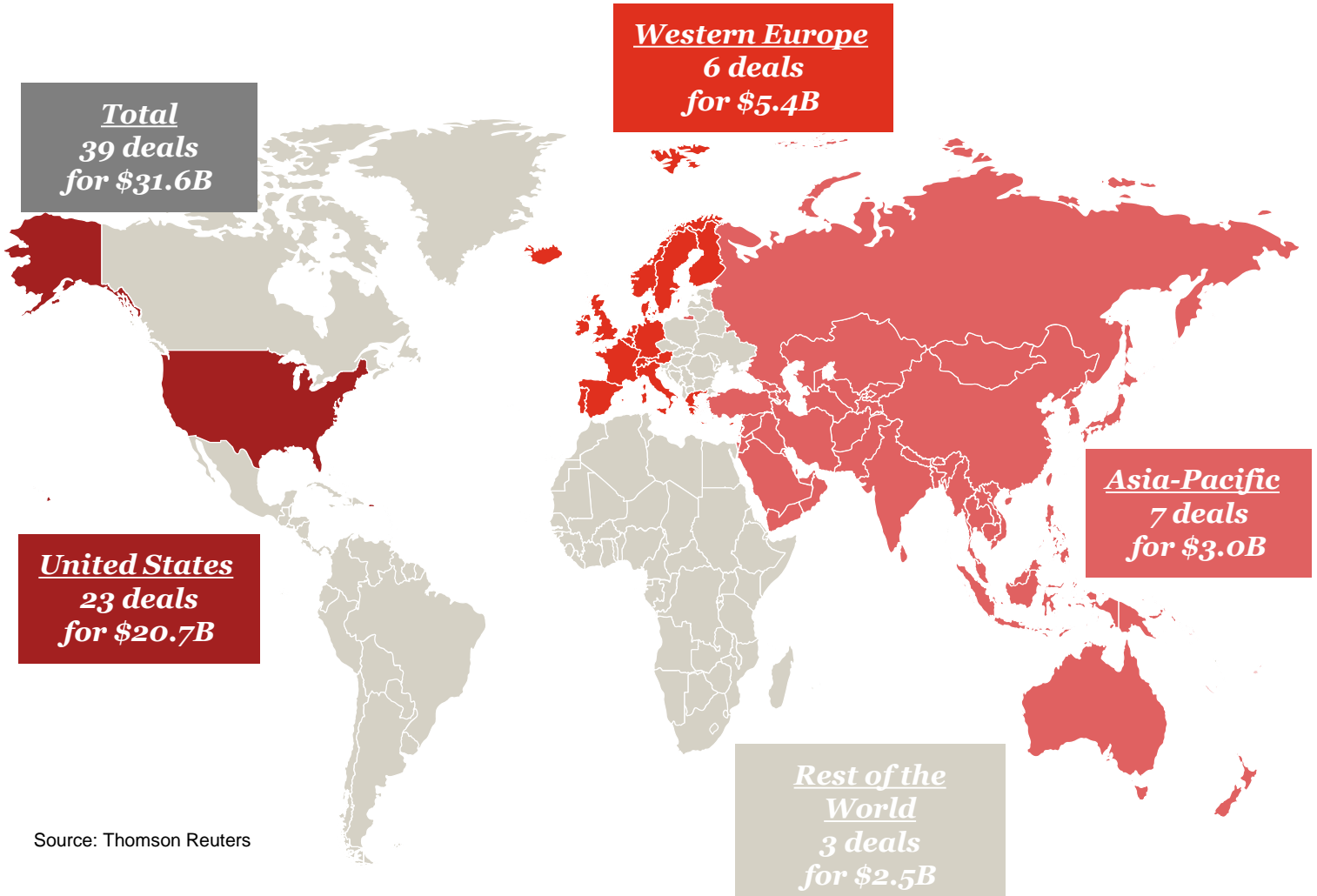
- **Shareholder Activism** - Increased shareholder activism is creating pressure for companies to heighten their focus on value creation across all industries. In the PLS sector, this may spur further deal activity as companies look to drive improved performance through acquisitions or divestitures.
- **Drug Pricing** - Many pharmaceutical companies have come under intense scrutiny for high drug prices and large price increases for existing drugs. The criticisms of expensive medicines are likely to continue, given the election year posturing over drug prices has become a focal point of campaigns, requiring companies to reconsider their drug pricing strategy in deals. Further, public officials continue to exert pressure on companies to publicly disclose their pricing strategies and rising drug prices have sparked public outrage from patients and physicians, further affecting deal strategies to focus on creating value through means other than price increases.
- **Focus on Outcomes** - The trend towards medicines that drive better outcomes continues its momentum. Insurers have balked at paying for certain expensive treatments, demanding that manufacturers demonstrate cost savings or clear benefits. As a result, biotech and pharmaceutical companies are invested in research related to pursuing targeted and specialized therapies. New treatments are addressing specific types of diseases affecting targeted populations through the use of genomics and big data. Increasingly, life science companies are utilizing third parties to aggregate data and facilitate rapid analytics to drive better outcomes. Consequently, even in this lackluster deal environment, companies may continue to make substantial investments to acquire high-performing assets that are expected to drive better outcomes.

Total closed deal value and volume by quarter



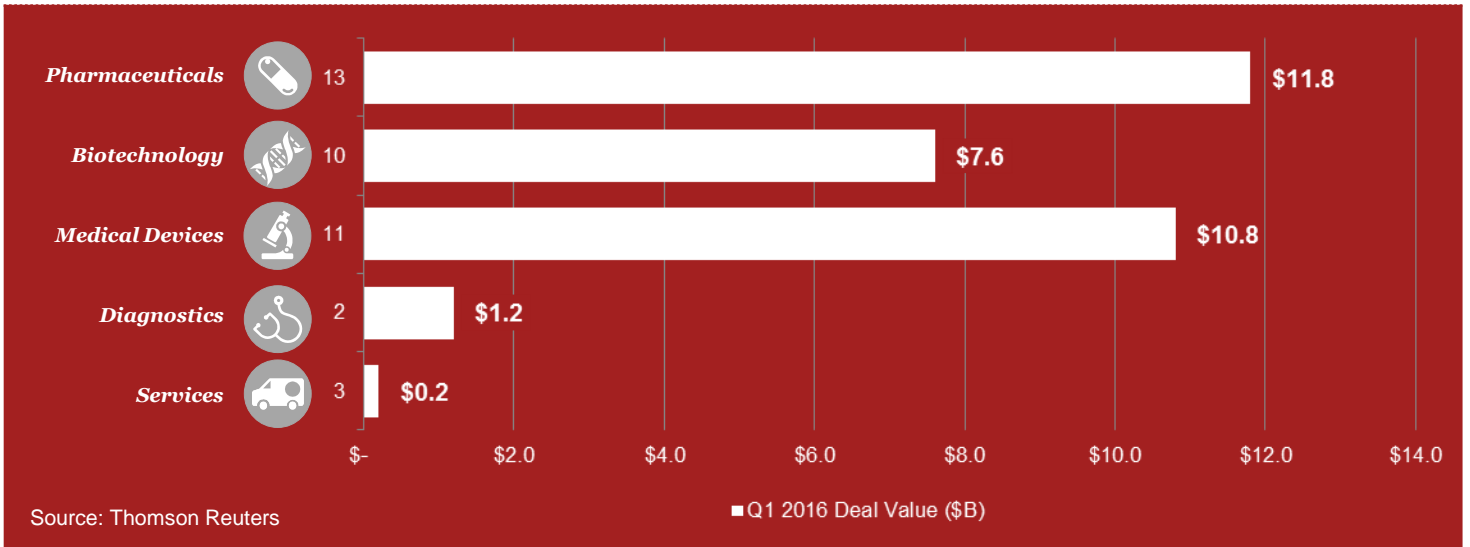
Market update

Total closed deal value and closed deal volume by region (Q1 2016)



Source: Thomson Reuters

Total closed deal value and closed deal volume by industry segment (Q1 2016)

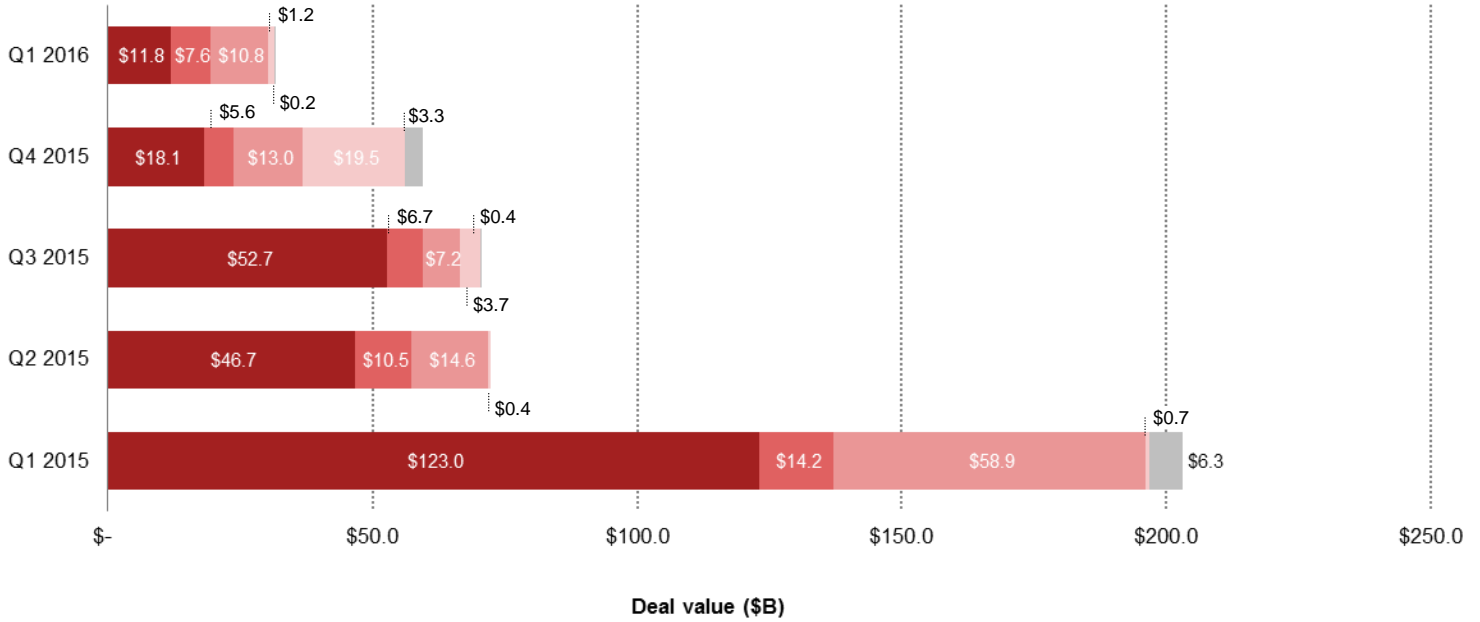


Source: Thomson Reuters

■ Q1 2016 Deal Value (\$B)

Market update

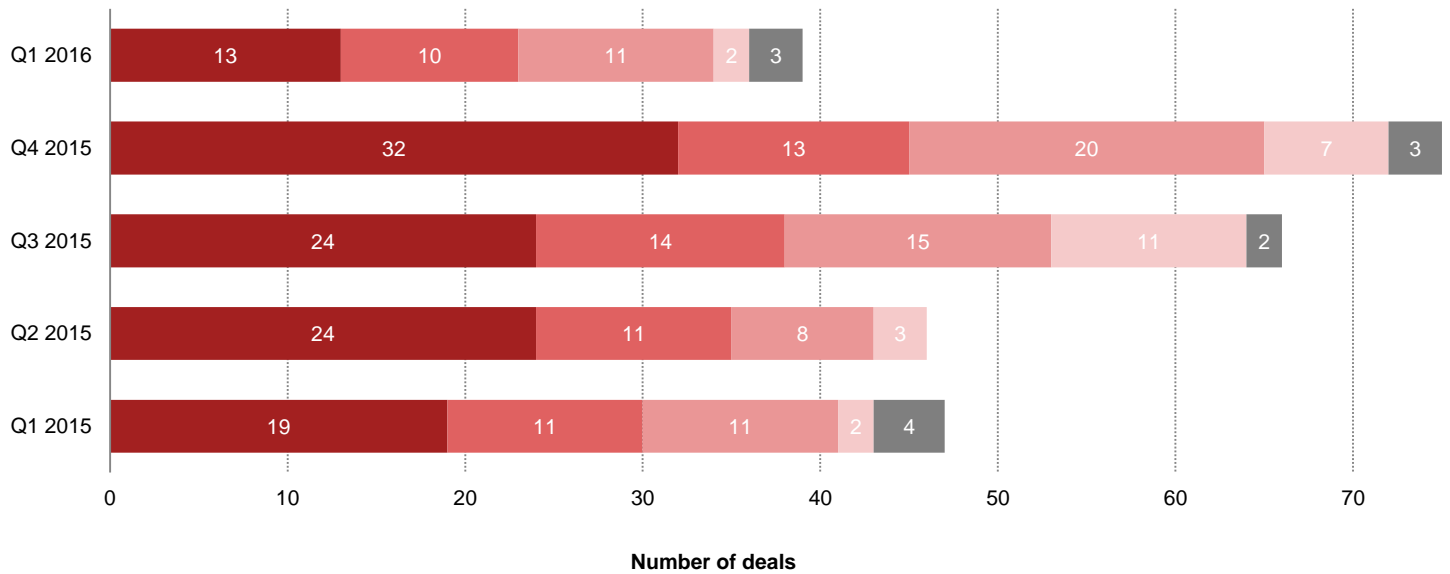
Total closed deal value by industry sector (Q1 2015 – Q1 2016)



Source: Thomson Reuters
 Numbers may not equal to exact total due to rounding.

■ Pharmaceuticals ■ Biotechnology ■ Medical devices ■ Diagnostics ■ Services

Total closed deal volume by industry sector (Q1 2015 – Q1 2016)



Source: Thomson Reuters ■ Pharmaceuticals ■ Biotechnology ■ Medical devices ■ Diagnostics ■ Services

Market update

Key announced transactions during the quarter

- On February 1, Abbott Laboratories entered into a definitive agreement to acquire Alere, Inc., a global diagnostic device and service provider, for \$4.9 billion in cash.
- On February 1, Stryker Corp. entered into an agreement to acquire Sage Products LLC, a Cary, Illinois-based manufacturer and wholesaler of medical instruments, from Madison Dearborn Partners LLC and other shareholders, for approximately \$2.8 billion in cash. This deal is expected to add a group of complementary surgical items to Stryker's product mix.
- On February 16, Stryker Corp. entered into a definitive agreement to acquire Physio-Control International, Inc. from Bain Capital Private Equity for \$1.3 billion in cash to expand its business in the emergency medical services space.
- On March 17, Canon, Inc. announced that it had agreed to acquire Toshiba Medical Systems Corp., a unit of Toshiba Corp. based in Otawara-Shi, Tochigi, for an estimated \$5.9 billion in cash.

Key announced transactions that closed during the quarter

- On March 31, Thermo Fisher Scientific, Inc. announced that it had completed the acquisition of Affymetrix, Inc., for total consideration of \$1.1 billion. Affymetrix is expected to be integrated into Thermo Fisher's Life Sciences Solutions segment to strengthen its biosciences and genetic analysis business.

Previously announced transactions that closed during the quarter

- On January 5, Panasonic Healthcare Holdings Co., announced the completed acquisition of Bayer AG's Diabetes Care business for \$1.2 billion. Panasonic Healthcare is a joint venture of Panasonic Corp. and US private-equity firm KKR & Co. LP.
- On January 22, Shire Pharmaceuticals International announced the completed acquisition of Dyax Corp., a

biopharmaceutical company focusing on rare diseases, for \$6.6 billion.

- On February 2, AstraZeneca announced that it had completed the acquisition of a 55% stake in Acerta Pharma, a privately owned biopharmaceutical company based in the Netherlands and the US, for \$2.5 billion upfront. A further unconditional payment of \$1.5 billion will be made at the earlier date of either receipt of the first regulatory approval for acalabrutinib (ACP-196), an inhibitor being developed for the treatment of B-cell blood cancers, or at the end of 2018. The agreement also provides Acerta the option to sell, and AstraZeneca to buy, the remaining 45% of shares in Acerta.
- On February 29, Hikma Pharmaceuticals announced the completed acquisition of Roxane Laboratories, Inc., a US specialty generics company, from Boehringer Ingelheim. At closing, Hikma paid gross consideration of \$1.2 billion in cash and issued 40 million new Hikma shares to Boehringer, for an aggregate deal value of approximately \$2.6 billion. Hikma has also agreed to make contingent cash payments of up to \$125 million, subject to the achievement of certain performance milestones.
- On February 29, DENTSPLY International, Inc. and Sirona Dental Systems, Inc. announced that they had completed the merger of equals agreement, representing a deal value of approximately \$5.5 billion.
- On March 3, Mindray Medical International announced that an investor group comprising the company's co-CEOs Li Xiting and Cheng Minghe and Chairman Xu Hang completed the acquisition of the remaining stake of approximately 73% interest in Mindray Medical International, Ltd., for a price of approximately CNY 16 billion (\$2.5 billion) in an unsolicited offer.
- On March 3, Teva Pharmaceutical Industries, Ltd. announced the completed acquisition of Representaciones e Investigaciones Médicas, S.A. de C.V. (Rimsa) for \$2.3 billion, which will increase Teva's presence in Mexico.

Market update

Total closed deal value and closed deal volume by deal size and quarter

| | Q1 2016 | | Q4 2015 | | Q1 2015 | |
|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|
| | Number of deals | Deal value (\$B) | Number of deals | Deal value (\$B) | Number of deals | Deal value (\$B) |
| \$15M to \$50M | 8 | \$0.2 | 16 | \$0.5 | 16 | \$0.4 |
| \$50M to \$100M | 7 | \$0.6 | 8 | \$0.6 | 7 | \$0.4 |
| \$100M to \$250M | 6 | \$0.9 | 21 | \$3.4 | 3 | \$0.6 |
| \$250M to \$500M | 7 | \$2.3 | 7 | \$2.5 | 10 | \$3.5 |
| \$500M to \$1B | 3 | \$1.9 | 6 | \$4.2 | 6 | \$4.3 |
| > \$1B | 8 | \$25.7 | 17 | \$48.2 | 15 | \$193.7 |
| Total | 39 | \$31.6 | 75 | \$59.4 | 57 | \$202.9 |

Source: Thomson Reuters

Previously announced deals that did not close during the quarter

- On January 13, 2015, an investor group agreed to increase its stake to 56% from 34% in Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd., a Guangzhou-based manufacturer and wholesaler of pharmaceutical preparations, for an estimated total consideration of \$1.5 billion.
- On July 27, 2015, Teva Pharmaceutical Industries agreed to buy Allergan plc's generic drug business for \$40.5 billion in cash and shares of Teva. The deal includes cash consideration of \$33.8 billion, with the remaining purchase price in shares, representing a value of \$6.8 billion or an approximate 10% ownership stake in Teva.
- On August 4, 2015, Shire plc confirmed its proposal to Baxalta, Inc. to combine the companies in an all-stock transaction pursuant to which Baxalta shareholders would receive 0.1687 Shire ADRs for each Baxalta share. The proposal implies a value of \$45.23 per Baxalta share, an approximate deal value of \$30.6 billion.
- On December 14, 2015, Xinjiang Tianshan Wool Tex Stock Co., Ltd. agreed to a reverse takeover of Beijing Jialin Pharmaceutical Co., Ltd., a Beijing-based manufacturer and wholesaler of pharmaceuticals, from a group of investors in an asset swap and share issue transaction for total consideration of \$1.6 billion. The deal consists of CNY 798 million (\$123 million) in assets and Xinjiang Tianshan Wool Tex Stock Co., Ltd.'s shares valued at CNY 9.8 billion (\$1.5 billion).
- On December 22, 2015, Furen Pharmaceutical Group Industry Co., Ltd. agreed to acquire Kaifeng Pharmaceutical from an investor group for total consideration of \$1.2 billion in a stock swap transaction.

Market update

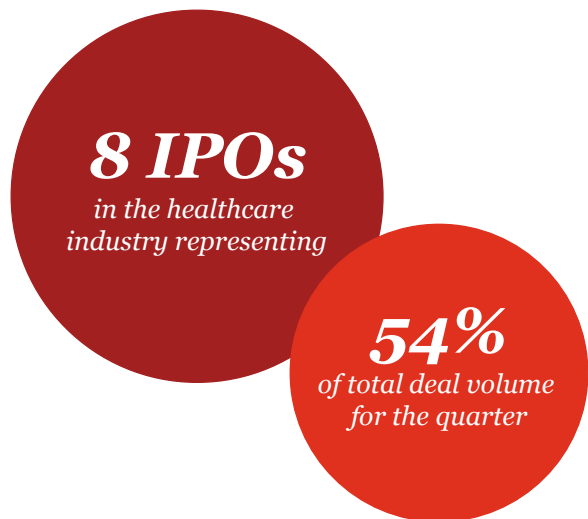
Trends and insights

After an extended period of strong shareholder returns, PLS equities suffered a setback in Q4 2015 and Q1 2016, in part due to concerns about declining oil prices, growth prospects in both emerging and mature markets, and drug pricing. While industry indices began to recover late in Q1 2016, investors seem to be more cautious than in prior periods.

IPO Market

According to *IPO Watch*, a quarterly survey by PwC US, the US IPO market saw no IPOs in January and only 11 IPOs in Q1 of 2016, the slowest start to the year since 2009. The Follow-On (“FO”) market was also down on a year-over-year basis, with sharp declines in both volume and value of 57% and 54%, respectively, compared to Q1 of 2015 (the strongest quarter for FOs in three years), which saw 253 issuances raising \$68.8 billion.

The \$1.2 billion in total proceeds raised in Q1 of 2016 for IPOs represented declines of 83% and 80% compared to Q4 of 2015 (\$7.2 billion) and Q1 of 2015 (\$6.1 billion). Q1 of 2016's IPO activity declined 70% from Q4 2015 (37 IPOs) and 73% year-over-year from Q1 2015 (40 IPOs).



On a sector basis, so far 2016 has only seen healthcare (primarily biotech) and Special Purpose Acquisition Company (SPAC) IPOs, with predominantly biotech IPOs debuting in the first quarter.

According to *IPO Watch*, companies appear to be preparing for the inevitable reopening of the IPO window. If so, it will most likely be driven by profitable companies, as bankers look for more defensive stories and management teams with a realistic view on valuation.

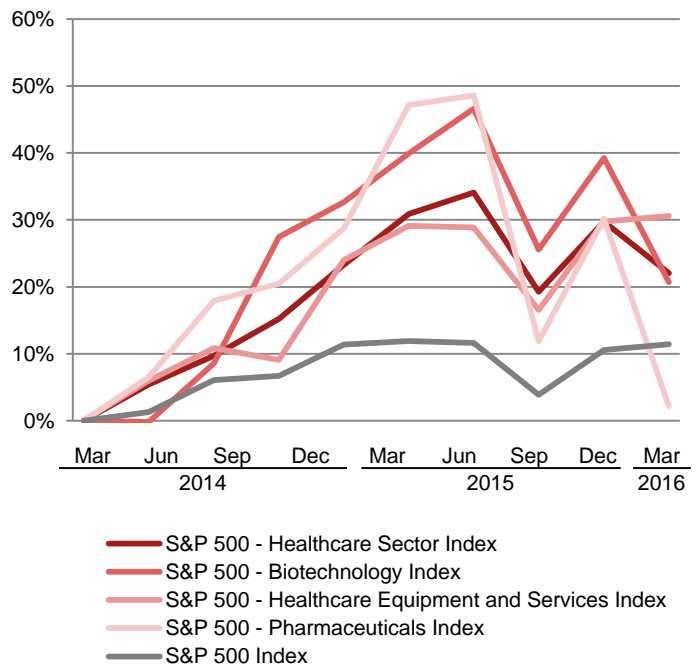
IPO deal value and volume (Q1 2016)

Three months ended Mar 31—
Value and volume of US IPOs by industry (in US \$B)

| | 2016 | | 2015 | |
|--------------------|--------------|-----------|--------------|-----------|
| | Value (\$B) | Volume | Value (\$B) | Volume |
| Healthcare | \$0.7 | 8 | \$1.2 | 17 |
| Financial Services | \$0.6 | 3 | \$1.7 | 13 |
| Technology | - | - | \$1.3 | 5 |
| Energy | - | - | \$1.2 | 2 |
| Industrial | - | - | \$0.6 | 2 |
| Consumer | - | - | \$0.1 | 1 |
| Total | \$1.2 | 11 | \$6.1 | 40 |

Source: PwC IPO Watch
Numbers may not equal to exact total due to rounding

Equity index returns



Source: S&P Capital IQ

Market update

Equity market performance

While the S&P 500 stayed relatively flat during the first quarter of 2016, both the S&P 500 Pharmaceuticals Index and the S&P 500 Biotechnology Index saw significant declines during Q1. After a strong performance over the last few years relative to the S&P 500, PLS investors seem nervous about the outlook for the industry due to the factors discussed in prior sections.

Venture capital financing

Venture capitalists invested \$12.1 billion in 969 deals in the first quarter of 2016, according to the *MoneyTree*TM Report from PricewaterhouseCoopers LLP (PwC) and the National Venture Capital Association (NVCA), based on data provided by Thomson Reuters. Total venture dollars deployed to startup companies for the quarter remained flat, and total deal count was down 5%, compared with the fourth quarter of 2015, when \$12.0 billion was invested in 1,021 deals. Compared with the first quarter of 2015, dollars and deals are both down 11%. This is the ninth consecutive quarter in which more than \$10 billion in venture capital was invested in a single quarter.

The biotechnology industry received the second largest amount of venture capital, with \$1.8 billion going into 118 deals, representing an 11% increase in dollars invested and a 19% increase in number of deals, compared with the fourth quarter of 2015. Investments in the sector declined 1% in dollars invested and 11% in number of deals compared with the first quarter of 2015.

Investments in the life sciences sector (biotechnology and medical devices combined) during the first quarter accounted for \$2.3 billion going into 177 deals—flat in terms of dollars invested and declining 3% in number of deals compared with the fourth quarter of 2015. Investments in life sciences companies accounted for 19% of all venture capital deployed to the startup ecosystem in the first quarter—up from 18% in the previous quarter. Investments in life sciences as a whole increased 1% in dollars invested and declined 15% in number of deals compared with the first quarter of 2015.

Market wrap-up

PLS equities suffered a setback in Q4 2015 and Q1 2016, in part due to concerns about declining oil prices, growth prospects in both emerging and mature markets, and drug pricing. While industry indices began to recover late in Q1 2016, investors seem to be more cautious than in prior periods.

Strategy corner

Secrets of the activist manager

A version of this article appeared in the Spring 2016 issue of *strategy+business* and on strategy-business.com.

In theory, management and shareholder activists have the same goal: maximizing long-term value. A stronger and more valuable company not only benefits its shareholders financially, but lays the economic foundation for the company to serve the interests of other stakeholders, including customers, employees, suppliers, and its community. Many activists — institutions and individuals who take a position in a publicly traded company with the intent of improving its value by changing its strategy, financial structure management, or board — share these long-term objectives. But some, the type often branded as dangerous corporate raiders, take a short-term view. They believe it is possible to push share prices higher (and soon!) by reducing costs, increasing leverage, and selling assets. According to a 2015 PwC report (“[Shareholder Activism: Who, What, When, and How?](#)”), the number of hedge funds pursuing such strategies has increased dramatically since 2005, and they collectively have more than US\$100 billion in assets.

But the reality is that in many instances, although activist investors are successful at improving margins, they struggle to drive growth. We analyzed 55 companies over the past 10 years in which shareholder activists had a significant impact on company governance and strategy, and compared their performance to that of their industry peers. (The aims of activist actions included business focus, board composition, business restructuring, director election, focus on growth, board representation, general cost cutting, operational efficiency, and removal of CEO.) In five industries, we found at least seven instances of what we identified as highly “activated” companies. In four of the five industries, the targets improved EBITDA margins relative to their “non-activated” peers during the three years after being activated. But in all five industries, highly activated companies grew revenues much more slowly than their non-activated peers in the same time frame.

Why is growth so important? When breaking apart an average company’s stock price in the S&P 500, we find that a third of the value of the company is driven by future profitable growth. So short-term activism that focuses only on imminent margin improvement is missing a large part of what drives long-term shareholder returns.

And yet management often has difficulty responding to specific activists. To respond more effectively, and increase the chances of boosting long-term value, management should develop a more effective plan before being approached by an activist. Senior managers can do so by making use of their chief advantage: information.

What does management know that the activists don’t? Plenty. As insiders, senior managers have access to a deep and granular understanding of the company’s operations, customers, markets, and competitors. Because they know how the business works, they can determine which customers, geographies, and business lines are creating value for the company and which are consuming it, and where profit pools exist in the market. They can translate this information advantage into a performance advantage by developing new strategies to capture a greater share of these profit pools and by making better resource allocation decisions.

Accordingly, the activist manager should follow a three-step approach. First, evaluate, systematically and dispassionately, where the opportunities for value creation exist. Second, evaluate and execute options to deliver on those opportunities. And finally, communicate the growth plan to value-oriented investors.

Understanding where value lies

Value is always highly concentrated within a business — by company attribute, segment, product, customer, and geography — often to a degree not evident on the surface. Despite the wealth of disclosures that companies make in regulatory filings, investor presentations, and media releases, outside activists get only snapshots (often fuzzy ones) of what’s going on inside the company. By contrast, management has the ability to see in high resolution and in three dimensions. Understanding where and why value is concentrated enables management to prioritize investment in the highest-potential areas for growth and identify areas where margins need to be improved. Management should use this information to develop a more effective plan than any plan an outsider could create — and do it in advance of being approached by an activist investor.

In most customer and product markets, only a third of customers or products create value for shareholders; another third are value-neutral, and the final third are actually destroying value. Understanding where and why value is concentrated at this granular level allows management to reduce investment in areas where value is being destroyed and to increase investment in areas with the highest potential for profitable growth.

In fact, the further you dig down within a company, the more concentrated value becomes. In one industrial products company, the top 5 to 10 percent of the company’s customers in a single market represented 60 to 70 percent of current profitability and 70 to 90 percent of the potential

Strategy corner

profitable growth for the entire market segment. Before this analysis was done, managers had a hard time justifying investments in new offers, services, pricing, and support. Why? They were attempting to serve the needs of their average customer, including the vast majority that were not producing much value. An outside activist likely would have made the same observation. But once inside managers identified the 5 to 10 percent of customers that were truly creating value, they felt compelled to make investments to capture a greater share of these relationships. Within a year, the territories that employed the new techniques for priority customers were growing 10 times as rapidly as those employing the standard approach.

Management can also best understand which areas of the business are consuming value, and then use that knowledge to improve margins through a combination of improving price, enhancing mix, and reducing costs. Doing so will improve the company's long-term health and enhance its ability to serve all its stakeholders. In these cases, management will take many of the same actions an outside activist would — but the managers' information advantage will enable them to carefully cut with a scalpel, rather than wield an ax.

Plan of action

Once opportunities for improving margins and enhancing profitable growth have been identified, the activist manager will also have a better-informed view than the outside activist of the best course of action. Short-term activists often assume, as a default response, that business segments or groups of customers that are consuming value today should be exited or abandoned. But “firing” customers should be done only as a last resort, because it closes the door on any potential future growth from those customers or segments. In many cases, managers can use their detailed understanding of their customers and operations to fix the underlying issues that have caused these relationships to be unprofitable. In the process, they can unlock hidden value and future growth.

For example, a consumer packaged goods company we worked with was struggling to make one of its European businesses profitable. Management was considering divesting the business. But a thorough review revealed that the business could be profitable if management could successfully provide new and more valuable offers to customers, become more disciplined about pricing, reconfigure the supply chain, and streamline support. Rather than sell, management embarked on an 18-month turnaround that made the business profitable, and generated tens of millions of dollars more in shareholder value than it would have with a quick sale.

Not every strategy will work for every company, since each has a unique history and set of capabilities. For that reason, these strategic options need to be grounded in the set of

distinctive capabilities that enable the company to deliver in its key markets in a way that competitors can't match, and in management's understanding of what additional capabilities need to be developed or acquired to support the growth plan. In the example of the consumer packaged goods client, if the management team had not had the capability and capacity to fix the European business, exiting the business would have been a more preferable choice. This capabilities-driven strategy can create [a cycle of continuous renewal](#) that leads to top-line growth in both existing and adjacent markets.

Once strategies have been agreed upon, they need to be translated into a specific implementation plan that lays out clear roles, responsibilities, actions, resources, key performance indicators, and financial commitments. This detailed plan is essentially the road map for a corporate transformation. Execution of the plan should be a top priority for management, and must encompass the alignment of current resources, budgeting, performance management, and incentives.

Communicating the plan

The value-maximizing plan must be communicated not only to preempt or respond to an activist, but also to attract shareholders who voice their objectives for long-term value creation. Here, again, management should focus on building an information advantage — this time about investors. Understanding and attracting the right type of investors is like understanding and attracting the right type of customers. Management needs to know the motivations of the company's current shareholder base, and to be able to identify investors who don't hold the stock today who would benefit from holding a position in the future. Senior managers can make their investor relations (IR) function a proactive force rather than an entity that merely responds to investor questions. The IR team should research and understand the motivation of current and potential investors. In particular, companies should identify and target shareholders who are making decisions based on the long-term intrinsic value of the company. Management needs to understand which key variables these investors are using to assess the company, and adjust the company's messages, metrics, and methods to tell the value story most effectively.

Leaders of companies in which activists express interest should start from a position of confidence. They already know what management practices work best for the company. And the secrets of the activist manager are embedded in the informational advantages that management already possesses. By seizing these advantages — unearthing them, understanding them, acting on them — management can reinvigorate their companies and create long-term profitable growth in ways that competitors, upstarts, and activist investors won't be able to match.

About PwC's Deals Practice

Authors

Dimitri Drone

Partner, Global Pharmaceutical and Life Sciences Leader
PwC's Deals Practice
(973) 236 4977
dimitri.b.drone@pwc.com

James Woods

Principal, PwC's Deals Practice
(617) 530 4133
james.woods@pwc.com

Brian Geiger

Director, PwC's Deals Practice
(312) 298 3250
brian.geiger@pwc.com

Strategy Corner

Secrets of the activist manager

Larry Jones

Principal, PwC's Deals Practice
(312) 298-4525
larry.jones@pwc.com

Joseph Duerr

Director, PwC's Deals Practice
(971) 544-4495
joseph.d.duerr@pwc.com

PwC's Deals professionals help clients understand the risks in transactions so they can be confident they are making informed strategic decisions. From deal negotiations to capturing synergies during integration, we help clients gain value and, ultimately, deliver this value to stakeholders. For companies in distressed situations, we advise on crisis avoidance, financial and operational restructuring, and bankruptcy.

PwC's Deals practice can advise pharmaceutical and life sciences companies and PLS-focused private equity firms on a range of M&A decisions, from identifying acquisition or divestiture candidates and performing detailed buy-side diligence, through developing strategies for capturing post-deal profits, to exiting a deal through a sale, carve-out, or IPO. Our seasoned Deals teams combine deep pharmaceutical and life sciences industry skills with local market knowledge. With more than 15,000 Deals professionals in over 120 countries, we can deploy a Deals team virtually anywhere your company operates or executes transactions.

Although each deal is unique, most will benefit from the broad experience we bring to delivering strategic M&A advice, due diligence, transaction structuring, M&A tax, merger integration, valuation, and post-deal services. In short, we offer integrated solutions tailored to your particular deal situation and designed to help you complete and extract peak value within your risk profile, whether your focus is deploying capital through an acquisition or joint venture, raising capital through an IPO or private placement, or harvesting an investment through the divestiture process.

For more information about M&A and related services in the pharmaceutical and life sciences industry, please visit www.pwc.com/us/pharmadeals, www.pwc.com/us/pharma or www.pwc.com/us/medtech.

For our views on the health industries sector, refer to the US Health Services Deals Insights reports on the Deals section of our website.

About the data

We define M&A activity as mergers and acquisitions in which targets are US-based companies acquired by US or foreign buyers, or foreign targets acquired by US pharmaceutical and life sciences companies. We define divestitures as the sale of a portion of a company (not a whole entity) by a US-based seller.

We have based our findings on data provided by industry-recognized sources. Specifically, values and volumes used throughout this report are based on completion-date data for transactions with a disclosed deal value greater than \$15 million, as provided by Thomson Reuters as of March 31, 2016, and supplemented by additional independent research. Information related to previous periods is updated periodically based on new data collected by Thomson Reuters for deals closed during previous periods but not reflected in previous data sets.

Deal information was sourced from Thomson Reuters and includes deals for which buyers or targets fall into one of the PLS industry sectors: biotechnology, medical devices, medical diagnostics, pharmaceuticals, or services (i.e., contract research organizations). Certain adjustments have been made to the information to exclude transactions that are not specific to the PLS industry. Capital market and equity return information is sourced from Capital IQ.

For a deeper discussion on pharmaceutical and life sciences deal considerations, please contact one of our practice leaders or your local Deals partner:

Martyn Curragh
Principal, US Deals Leader,
PwC's Deals Practice
(646) 471 2622
martyn.curragh@pwc.com

Dimitri Drone
Partner, Global Pharmaceutical
and Life Sciences Leader,
PwC's Deals Practice
(973) 236 4977
dimitri.b.drone@pwc.com

East

James Woods
Principal, PwC's Deals Practice
(617) 530 4133
james.woods@pwc.com

Pam Yanakopoulos
Partner, PwC's Deals Practice
(617) 530 5163
pamela.yanakopoulos@pwc.com

Craig Kocak
Partner, PwC's Deals Practice
(267) 330-2777
craig.m.kocak@pwc.com

Central

Manoj Mahenthiran
Principal, PwC's Deals Practice
(312) 298 3162
manoj.c.mahenthiran@pwc.com

New York Metro

Glenn Hunzinger
Partner, PwC's Deals Practice
(646) 471 8764
glenn.hunzinger@pwc.com

Colin Wittmer
Partner, PwC's Deals Practice
(646) 471 3542
colin.e.wittmer@pwc.com

West

Mattias Gunnarsson
Partner, PwC's Deals Practice
(213) 356 6978
mattias.gunnarsson@pwc.com

Capital Markets

Shurjo Sen
Partner, PwC's Deals Practice
(646) 471-5199
shurjo.k.sen@pwc.com

www.pwc.com/us/pharmadeals