

Deals from PwC

Drive your growth. Secure your future.

Global Pharma & Life Sciences Deals Insights Q1 2019

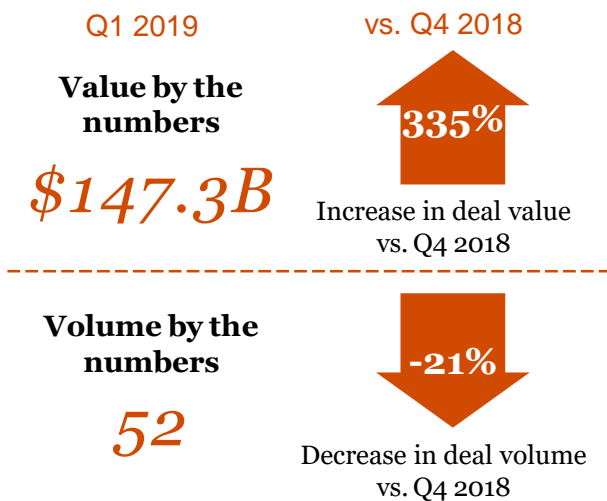
Executive summary

Robust PLS deal activity during Q1 2019 set the stage for an expected busy market throughout the remainder of the year. While the quarter included three megadeals that pushed deal value significantly higher, including BMS' announced acquisition of Celgene early in January, deal volume also increased relative to Q1 2018. Q1 2019's deal activity highlighted both the need for scale to compete long term as well as the recent theme of focusing on innovation and the ability to leverage big data for sustained success within the sector.



"As we expected, 2019 will be a strong year for PLS M&A, and Q1 2019 is leading the charge with almost \$150B of announced deals. With leadership changes at most large companies behind us, the normalization of the capital markets, and significant buying power, companies are acting on their inorganic growth agendas. All sub-sectors had solid activity last quarter, and we anticipate that the remainder of 2019 will likely be strong for both acquisitions and divestitures (including spins).

— Glenn Hunzinger, US PLS Deals Leader, PwC



Sub-sectors		
	Recent Trends	Outlook
Pharmaceutical	↓	↗
Biotechnology	↑	↑
Medical Devices	↘	↗
Other/Services	↗	→

High level trends and highlights Q1 2019* (vs. previous quarter Q4 2018)

- **Pharma** was down in terms of both deal value and deal volume in Q1 2019. However, the sub-sector had the highest volume within the PLS sector, which we believe signals the potential for greater deal values and volumes over the next several quarters.
- **Biotech** experienced a resurgence during Q1 2019, highlighted by BMS' acquisition of Celgene. Yet even excluding this deal, the sub-sector experienced 160% growth relative to Q4 2018.
- **Medical Devices** continued the downward trend experienced through much of 2018, resulting in the lowest deal value and volume of the last several years. However, as many of the large players integrate acquired businesses from prior transformative deals, we expect a rebound in activity driven by smaller, tuck-in acquisitions.
- **Other/Services** sub-sector had its highest quarterly deal value since Q2 2017. This was driven by three of the ten largest deals of the quarter, including Danaher's \$21.4B acquisition of GE's BioPharma business.

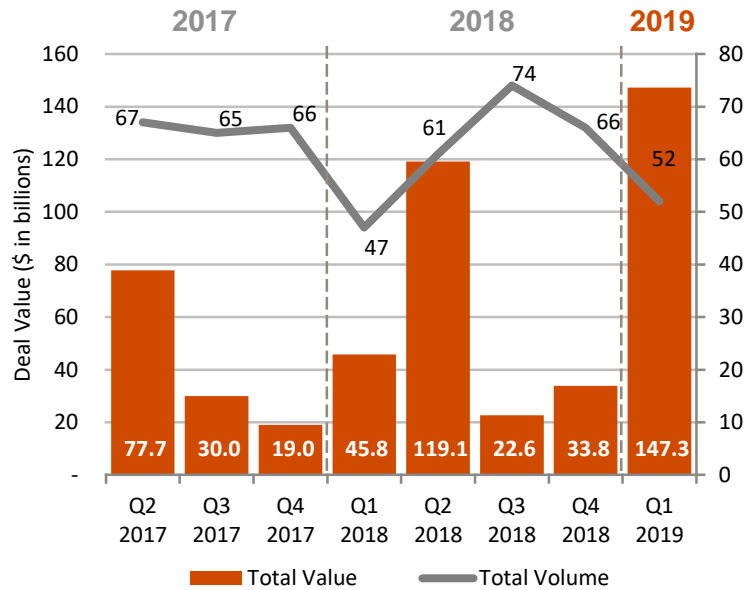
*Data provided by Capital IQ, as of March 31, 2019. Includes Transactions (excludes JV)



Highlights of Q1 2019 deal activity

Deal value and volume overview

- Deal value in Q1 2019 was the highest the sector has seen in the past eight quarters, while the number of deals was the second lowest the sector has seen over the same period.
- Deal volume decreased in Q1 2019 for the second consecutive quarter, while staying within the range experienced over the last two years.
- The sector saw three megadeals this quarter, totaling approximately \$129B in value, compared to Q4 2018 which only saw two megadeals with a combined total of \$11B in value.
- The large spikes in deal value during Q2 2017, Q2 2018, and Q1 2019 were all driven by significant megadeal activity.



Largest transaction

The largest announced transaction of the quarter was Bristol Myers Squibb's acquisition of Celgene. The American pharma giant agreed to purchase Celgene for almost \$100B, which is the largest deal seen in several years.

\$99.6B



Megadeals (\$5B and over)

Q1 2019 saw three megadeals over the quarter which had a combined value of \$129B, driving the highest deal value seen in the sector over the past two years.

3 mega deals



Q1 2019 PLS megadeals

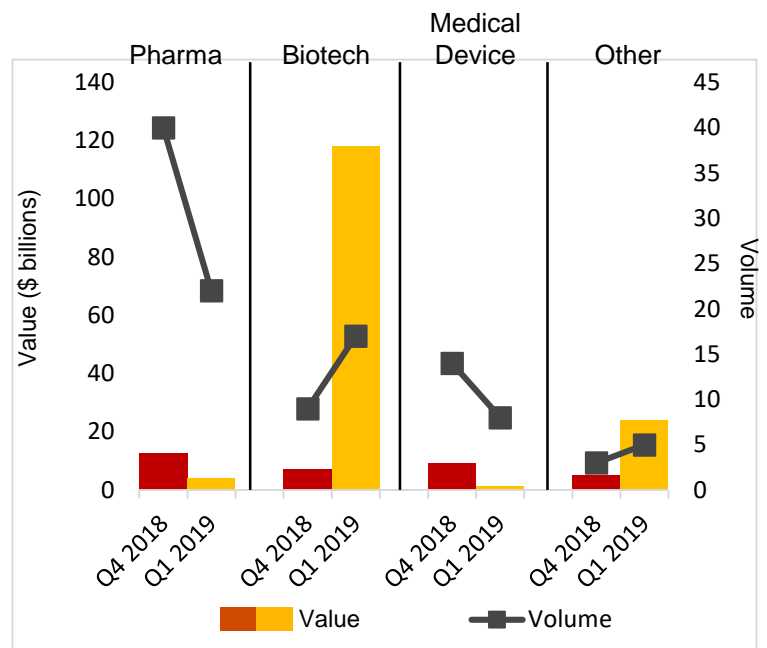
Announced	Target name	Target nation	Acquirer name	Acquirer nation	Value (\$MM)	Segment
1/3/2019	Celgene Corporation	United States	Bristol-Myers Squibb Company	United States	99,554	Biotech
2/25/2019	BioPharma Business of General Electric Company	United States	Danaher Corporation	United States	21,400	Other
1/7/2019	Loxo Oncology, Inc.	United States	Eli Lilly and Company	United States	8,013	Biotech

Sub-sector deal trends for Q1 2019

Announced deal volume and value by sub-sector

- Pharma experienced a substantial decline in deal volume in Q1 2019 as compared to Q4 2018. Deal value also declined for the sub-sector this quarter.
- Biotech saw a significant increase in deal value due to two megadeals in the sub-sector. Further, the sub-sector saw a notable increase in deal volume as well.
- The Medical Device sub-sector experienced a decline in both deal value and volume, with only \$1.2B in deal value for the quarter.
- The Other/Services sub-sector experienced an increase in deal volume and value, with \$21B in value being driven by Danaher's acquisition of GE's BioPharma business.

Deal value and volume by sub-sector



Sub-sector highlights and outlook

Pharma maintained its leadership position among the sub-sectors with the highest deal volume during Q1 2019. However, deal value was down as only one Pharma deal made the top ten (Harvest's acquisition of Verano Holdings for \$0.9B). The most active area within the Pharma sub-sector was in the cannabis space, with several Canadian acquirers and targets driving a majority of the activity. Foreign and cross-border activity within the Pharma sub-sector continued the upward trend noted in Q4 2018 as only four of the 22 Pharma deals were domestic.

The high deal volume suggests continued activity throughout the year as companies look to add capabilities and scale. However, continued uncertainty around drug pricing and other regulatory factors could limit potential acquirer's willingness to commit significant capital for large, transformational deals until clarity is gained on these topics.

After several quarters of declines as high equity market valuations limited M&A opportunities for potential acquirers, the **Biotech** sub-sector experienced strong volumes and values in Q1 2019. The sub-sector had six of the top ten deals of the quarter, which included two megadeals as detailed on the prior page. We expect the sub-sector to remain active as potential acquirers with access to significant capital review a wide variety of potential targets to enhance their portfolios and digital capabilities.

The **Medical Devices** sub-sector experienced its lowest quarterly deal value and volume in the last three years, with eight deals generating a total deal value of \$1.2B. While several of the largest competitors in the industry have been focused on integration, others have remained active with bolt-on and tuck-in acquisitions. We expect future deal activity to follow this trend.

After several uneventful quarters, the **Other/Services** sub-sector (CRO, CDMO, etc.) experienced a spike in deal value, largely driven by Danaher's \$21.4B acquisition of GE's BioPharma business. GE's divestiture, along with PHC Holding's \$1.1B acquisition of Thermo Fisher's Anatomical Pathology business, signals a key trend within the sub-sector as companies continue to rebalance their portfolios.

While **Animal Health** did not see any significant deal activity during Q1 2019, there continues to be interest in the sub-sector from Private Equity. The companion animal space remains attractive, with strong margins and growth potential, but consumer preference for natural and organic products may have created enough uncertainty to keep potential acquirers from executing large deals within the space.

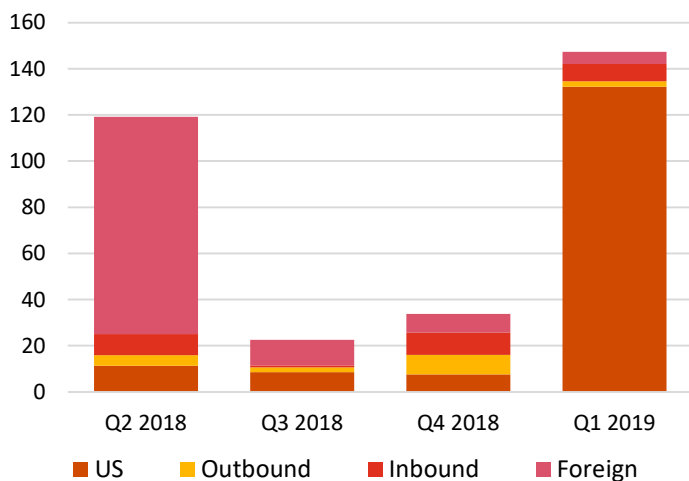
Q1 deal trends in 2019

Top 10 deals for Q1 2019

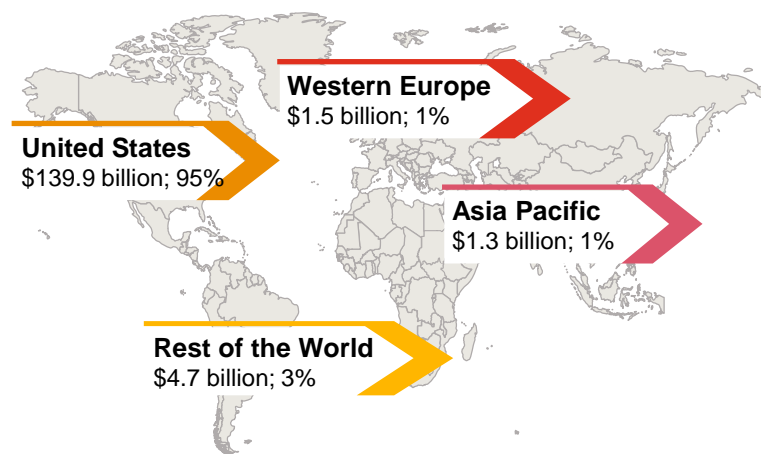
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1/7/2019	Loxo Oncology, Inc.	United States	Eli Lilly and Company	United States	8,013	Biotech
2/25/2019	Spark Therapeutics, Inc.	United States	Roche Holding AG	Switzerland	4,851	Biotech
3/24/2019	Brammer Bio, LLC	United States	Thermo Fisher Scientific Inc.	United States	1,700	Biotech
2/25/2019	Clementia Pharmaceuticals Inc.	Canada	Ipsen S.A.	Canada	1,298	Biotech
1/28/2019	Anatomical Pathology Business of Thermo Fisher Scientific Inc.	Japan	PHC Holdings Corporation	Japan	1,140	Other
3/12/2019	Biogen (Denmark) Manufacturing ApS	Denmark	FUJIFILM Diosynth Biotechnologies Inc.	United States	890	Other
3/4/2019	Nightstar Therapeutics plc	United Kingdom	Biogen Inc.	United States	877	Biotech
3/11/2019	Verano Holdings, LLC	United States	Harvest Health & Recreation Inc.	Canada	850	Pharma

Geographic analysis for past four quarters

Cross border deals by value



Deals by target geography



Cross border insights

- US transactions made up 90% of deal value in Q1 2019. The three largest deals were Bristol-Myers Squibb's acquisition of Celgene for \$99B, Danaher's acquisition of GE's BioPharma business for \$21B, and Eli Lilly's acquisition of Loxo Oncology for \$8.0B, all of which are based in the United States.
- For the previous three quarters, much of the deal value was comprised of transactions that involved non-U.S. companies. However, deal value declined in Q1 2019 for Outbound, Inbound and Foreign deals.

Target geography insights

- The US was the dominant deal value target region for Q1 2019, and also had the highest volume. The US had 25 targets, almost half of the total deals for quarter.
- Targets in the Asia Pacific region saw a decrease from Q4 2018 to Q1 2019, going from 18% of total deal value to 1% of deal value. Additionally, volume for targets in the region decreased from 10 to 6 deals in Q1 2019.
- Western Europe also had targets reflecting only 1% of deal value for the quarter, following Q4 2018 during which it had 25% of total deal value.
- The Rest of the World saw an increase in deal target value to \$4.7B in Q1 2019 from \$2.1B in Q4 2018.

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PwC's Deals professionals help clients understand the risks in transactions so they can be confident that 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 20,000 deals practitioners worldwide, we can deploy seasoned teams that combine deep health services industry skills with local market knowledge 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 Global Pharma & Life Sciences 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 or foreign 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 or foreign seller. We have based our findings on data provided by industry-recognized sources. Specifically, values and volumes used throughout this report are based on announcement date for transactions with a disclosed deal value greater than \$15.0 million, as provided by Capital IQ, as of March 31, 2019, and supplemented by additional independent research.

Information related to previous periods is updated periodically based on new data collected by Capital IQ for deals closed during previous periods but not reflected in previous data sets. Deal information was sourced from Capital IQ and includes deals for which buyers or targets fall into one of the PLS industry sub-sectors: biotechnology, medical devices, pharmaceuticals, or other (such as contract manufacturing 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.