

# THE SHAW REPORT:

## *Healthcare & Life Sciences*

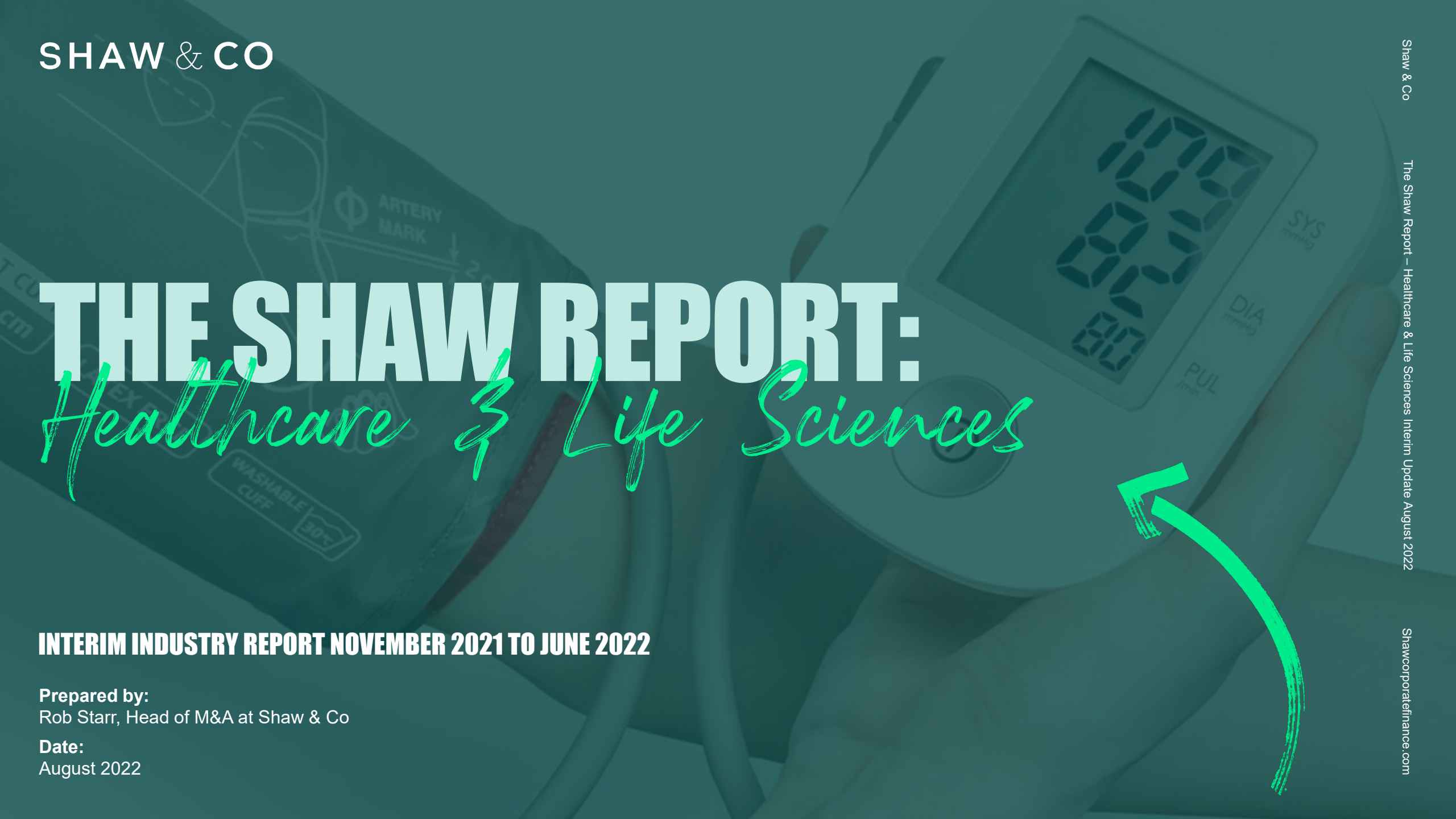
**INTERIM INDUSTRY REPORT NOVEMBER 2021 TO JUNE 2022**

**Prepared by:**

Rob Starr, Head of M&A at Shaw & Co

**Date:**

August 2022



# FOREWORD.

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Welcome to our interim ‘Shaw Report’ into the Healthcare & Life Sciences (H&LS) industry which provides SME business leaders with a powerful benchmarking tool to aid their decision making.

In this report we summarise the M&A deals that have occurred since the inaugural report we published in December 2021. It will provide you with valuable insight regarding your relative attractiveness from a M&A point of view.

I hope you find this a useful tool. If there are any emerging themes that resonate with you, please feel free to get in touch.

**Rob Starr**

Head of M&A, Shaw & Co



# AT A GLANCE.

## Data Sources

- Companies House.
- Mark-to-Market.

## Data Points

- 1 November 2021 to 30 June 2022

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### 44 M&A DEALS

More deals (44) executed in the eight-month period from Nov 2021 to Jun 2022 than in the 12 month period to Nov 2021 (13).



### 75% OF BUYERS FROM UK

Three-quarters of buyers are based in the UK or have a significant presence in the country. However, there are still foreign acquirors looking to invest in UK companies.



### 39% OF DEALS IN THE SOUTH EAST

The South East proved popular for deal activity as it is a major R&D hub for the Life Sciences and Healthcare industry. The 'Golden Triangle' of London, Cambridge and Oxford hosting many fast-growth companies and research centres.



### SUCCESSFUL SUB-SECTORS

Sustained high level in M&A activity in the CRO and CMO/CDMO sector as lead service providers look to build end-to-end service models. This can bring opportunities to diversify revenue streams by broadening capabilities.

# M&A ACTIVITY - ARE BUSINESSES LIKE MINE IN DEMAND?



# HOW MANY M&A DEALS HAVE COMPLETED IN MY INDUSTRY?

## How attractive is my industry to buyers?

There has been a much higher level of M&A activity within the Healthcare and Life Sciences (H&LS) industry in the eight-month period from November 2021 to June 2022, compared to the 12 months to Nov 2021. Following a strong emergence from the pandemic, long-term commercial rationale for deals is continuing as acquirors look to scale up and green operations. Buyers appear to be eager on broadening their strategic capabilities and are taking advantage of the trading efficiencies associated with a major transaction.

H&LS is a strong industry in the UK economy and once a business reaches sufficient scale to make a difference to the bigger players in this space, it is likely to come onto the radar as a potential acquisition target.

## How does this compare to other industries?

M&A activity in general has been less buoyant with lower levels of deals to those seen across the other industries we are tracking. For the same period, the Manufacturing and Engineering industry saw a total of 178 deals.

## What should I be thinking?

Although the market is currently buoyant, headwinds are already manifesting themselves with the return of inflation and significant geopolitical uncertainty. If an exit is on your agenda and your business is trading well, now might be a good time to seize the initiative and begin the preparations to take your business to market.

Alternatively, if you want to build a competitive position for your business in this new environment, planning an acquisition will enable you to fulfil your strategic aims.

# 44

## M&A DEALS

# WHEN ARE THE M&A DEALS HAPPENING?

## What is the data showing?

The data shows that, between Nov-21 and Jan-22, there was a strong rebound in the number of deals since the end of the pandemic. However, the instability and uncertainty caused by the geopolitical tensions in Ukraine have bucked this trend, leading to a significant drop in deals from May '22 onwards.

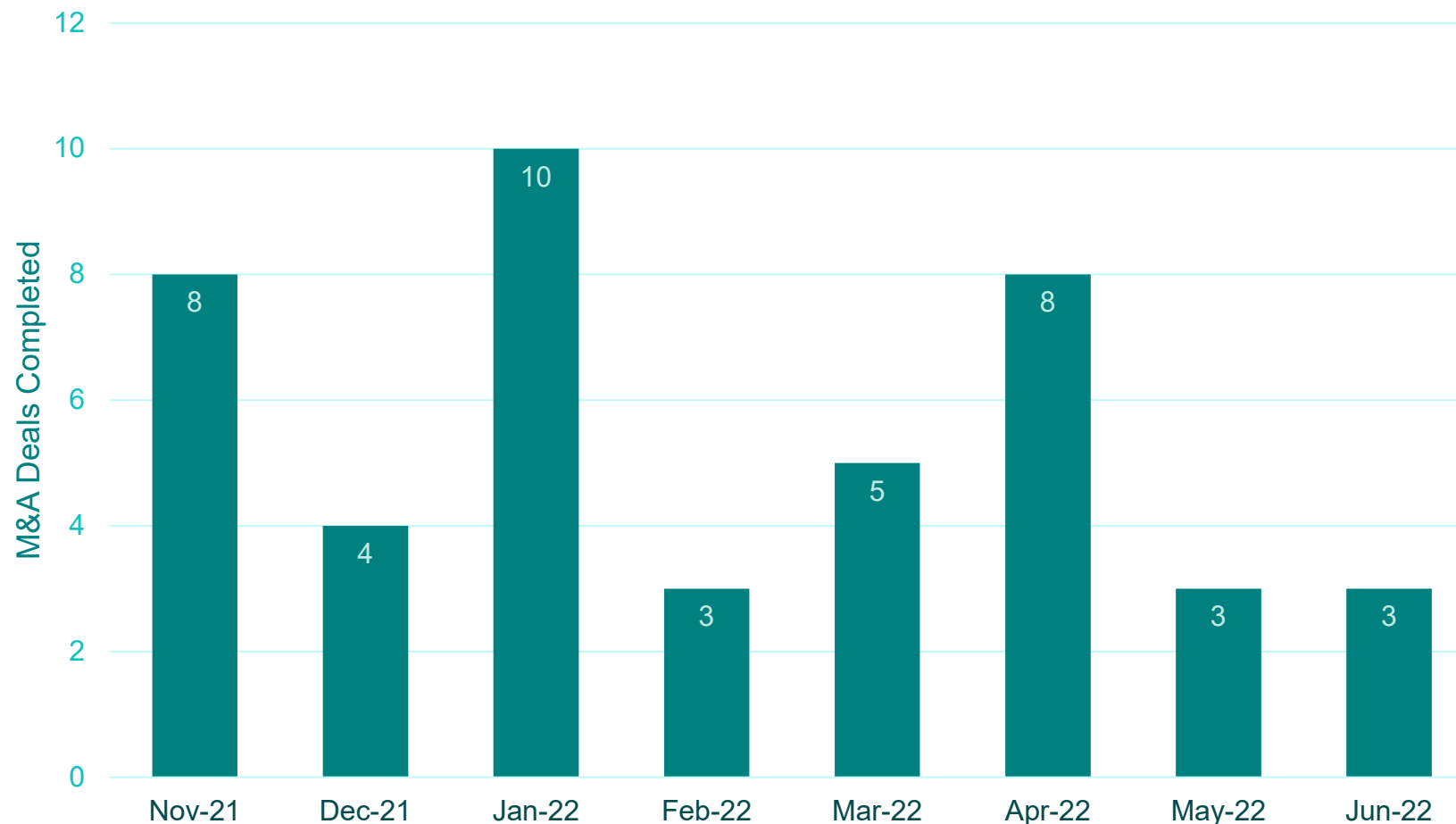
## What does this mean for me?

A sale process can typically be divided into three phases – preparation, marketing and execution. Each phase can take 2-3 months and in planning the process it is important to avoid the execution phase landing in the Christmas holiday period.

## What are my options?

If you are planning to exit, launching the planning process early is key. Starting the preparations for a sale process now will enable a deal to be completed in early 2023.

For the remaining businesses, if you haven't already reviewed your business/growth plan, this cannot wait any longer. The funding markets are currently accommodating to well-structured growth plans, but this benign environment may not persist.



# WHERE ARE THE BUYERS LOCATED?

## What is the data showing?

UK buyers – or at least companies with an existing UK presence – made 75% of the acquisitions of UK companies in this industry. The remaining buyers were well spread amongst the Americas and Europe.

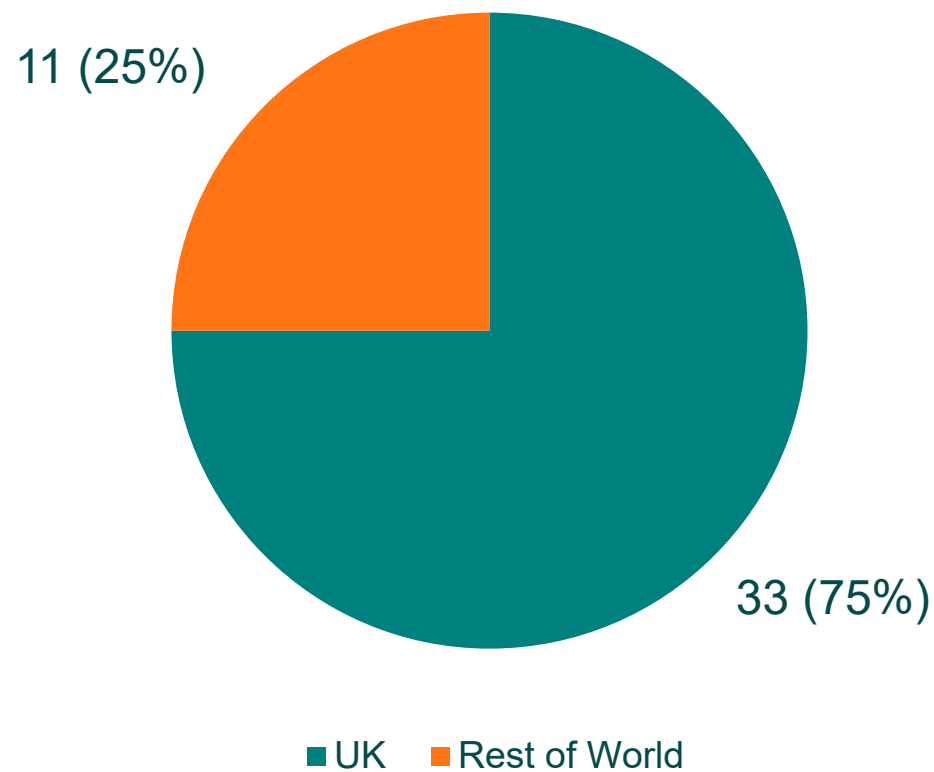
## What does this mean for me?

In many cases you will already know you acquiror as they tend to be existing key players in the UK market, However, there are still a number of foreign buyers seeking to enter the UK market, meaning businesses are able to look further afield for potential acquirors.

## What are my options?

Starting to prepare early and engaging with a corporate finance adviser will allow you to identify potential buyers both in the UK and internationally. If not already on their radar, it is often advisable to direct your PR and marketing efforts to raise your profile with potential buyers.

Location of Buyers



# COMPANIES ACQUIRED BY LOCATION.

## Where are the M&A deals happening?

39% of deals in this industry took place in the South East where there is a real concentration of 17 companies. The concentration of companies in London, Cambridge and Oxford, especially headquarters of large listed companies, drives this trend. The North of England and Midlands ALSO both had significant deal activity.

## What are the M&A trends in my industry?

Deal activity has been strong over the last two years with CDMO/CRO buyers seeking to integrate horizontally across the value chain. The pandemic has provided increasing importance and attention to the life sciences sector fuelled by a robust biopharma funding environment. Despite some initial disruption to clinical trials as a result of Covid, CROs are experiencing strong booking growth which is expected to manifest in top-line growth. A big driver of this is the adoption of decentralised clinical trials changing both the how and the where aspects of their delivery.

Sustained high growth rates in the sector is attracting investors through M&A opportunities. Having enjoyed 9.0% CAGR between 2015-2019, it is expected to maintain growth rates at 8.9% CAGR up to 2024, valued at a total of \$96bn, double the size it was in 2015.

Rising inflation, and the anticipation of higher interest rates have caused concern at potentially higher costs of financing and lowered valuations. Despite this, deals in this sector are typically strategical as a method to vertically integrate supply chains and will therefore be impacted to a lesser extent by the economic headwinds.

## What does this mean for me?

If your firm operates within the Healthcare and Life Sciences industry and has seen a boost in activity, then it is likely to be of interest to bigger players in the space.

Additionally, if your company provides opportunity for another to expand their geographic reach and their areas of clinical research then it could be considered an attractive target.





# EXAMPLES OF M&A DEALS IN THIS INDUSTRY.

## What companies are making the acquisitions?

The majority of the buyers (75%) were UK-based companies. CROs played a major role in the M&A activity aiming to scale horizontally. This suggests larger CROs are more focused on the strategic benefits of a transaction with small and medium clinical, pre-clinical and discovery CROs, getting pharma and biotech companies' attention who want to outsource much of their activity.

## What price is being paid?

Average for the healthcare sector was £235m whilst pharmaceutical average was £233m and ranged from £2.5m to £630m.

## Sub-sector focus

Within the Life Sciences sub-sector, CROs are increasingly attractive to biopharma companies and investors. The Ebitda multiples for CROs in the eight-month period from November 2021 to June 2022 from are in line with the historic two-year average of x19.2.

ACQUIROR	TARGET NAME	BUSINESS	DEAL TYPE	DEAL VALUE £m	TARGET Ebitda £m
Keensight Capital	CatSci Ltd	Contract Research Organisation	Unknown minority stake %	N/A	N/A
Pharmaron Beijing Co. Ltd	Aesica Pharmaceuticals Ltd	Pharmaceuticals contract research and development services	Acquisition 100%	N/A	(5.3)
Primary Health Properties Plc	Clinical Facility in Chertsey, Surrey	Clinical facility services	Acquisition 100%	7	N/A
Pfizer Inc.	Reviral Ltd	Anti-viral Respiratory Syncytial Virus (RSV) drugs research and development services	Acquisition 100%	419	(22)
Eagle Pharmaceuticals Inc.	Acacia Pharma Group Plc	Post-cancer therapies treatment research and development services	Acquisition 100%	81	N/A

(This table provides a hand-picked selection of the deals that took place during the reported period.)

# M&A SUMMARY.

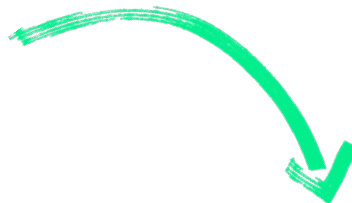
## KEY POINTS & PREDICTIONS

- Deal activity has been buoyant in the Life Sciences & Healthcare industry in the last year as larger companies look to scale their operations to take advantage of the strategic benefits of an acquisition.
- A number of headwinds – rising inflation and the worsening geopolitical situation – mean that the level of M&A activity that has been seen in the last year may not continue. Confidence is key to dealmaking, and uncertain economic conditions can cause buyers to ‘pull the plug’.
- If an exit is desired and your business is performing well, we recommend giving consideration to launching the preparation for a sale process as soon as possible, before current events flow through to the wider economy.
- Alternatively, if you have seen positive trading over this period, you may consider the opportunity to grow by acquiring a competitor or an organisation that complements and strengthens your existing value proposition.



# OUR CREDENTIALS.

# OUR INDUSTRY EXPERTS.



Rob is a mergers and acquisitions specialist and leads our M&A team. He joined Shaw & Co in 2022 having built his corporate finance career in both Plc's and advisory firms including GKN, Care UK, PwC and UHY Hacker Young.

Over the last 20 years he's led and supported over 200 transactions with an enterprise value of up to £200m across various sectors, as well as implementing successful growth strategies for FTSE 100, Mid-Cap, Aim, SMEs and early-stage businesses.

Rob is entrepreneurially focused and at Shaw & Co his corporate finance advisory and transactional support includes business valuations, exit strategies, buying or selling a business, mergers, management buy-in and management buyouts. His clients typically come from a range of sectors including Engineering, Technology, Media, Business Services and Healthcare.

**ROB STARR**  
Director



Harry is a mergers and acquisitions executive in our M&A team. He joined Shaw & Co in June 2022 having trained and qualified as a Chartered Accountant with Blick Rothenberg and most recently at UHY Hacker Young. Harry brings 5-years' experience of advising and auditing SME clients across a range of sectors.

At Shaw & Co Harry's corporate finance support focuses on business valuations, exit planning, buying or selling a business, mergers, MBIs and MBOs. Harry provides wider M&A support through the preparation of investment papers, reviewing and building accompanying financial models and conducting market research to identify buyers, sellers and comparable transactions.

**HARRY COOK**  
Executive



# ACCESSIBLE NATIONAL REACH.

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- **GLASGOW** 9 George Square, Glasgow G2 1QQ **0141 280 0410**
- **LONDON** 33 St James' Square, London SW1Y 4JS **0207 183 5010**
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# CONTACT

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