



GLOBAL TRANSACTION ADVISORY GROUP

A CLOSER LOOK AT THE LIFE SCIENCES INDUSTRY



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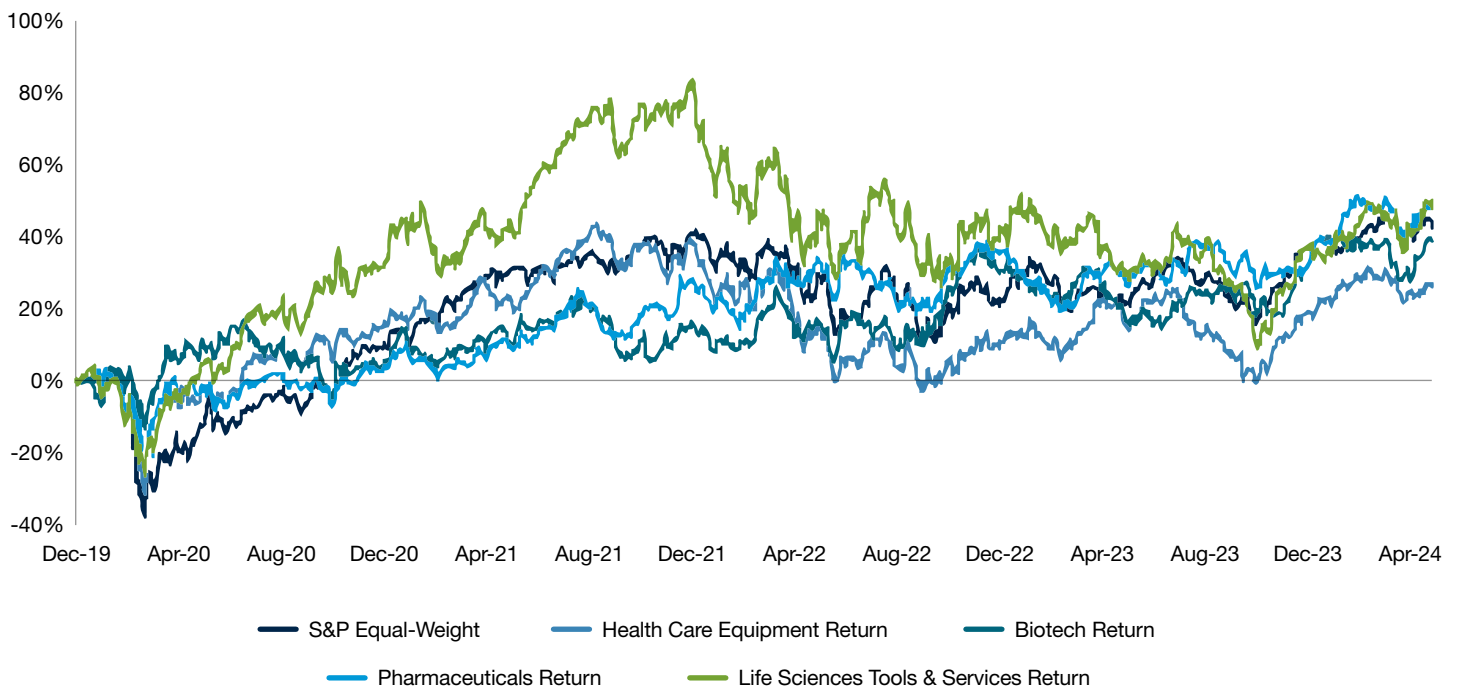
Health of the life sciences industry

The life sciences sector, which includes biotechnology, pharmaceuticals, medical tech, tools & diagnostics, has been one of the most resilient and innovative industries in the face of the global pandemic and continued economic uncertainty. In this document, we will examine the health of the sector from four perspectives: equity market performance, financial performance, mergers and acquisitions (M&A) activities, and deal sentiments in the board rooms.

During the earlier months of the COVID pandemic all sub-indexes of the Life Sciences sector, comprised of 500+ public global companies, outperformed the broader market (**Figure 1**)

During that period, the sector benefited both from increased demand and capital investments. Once the pandemic shifted to an endemic, and COVID was officially declared no longer a public health emergency in May 2023 by the World Health Organization, the sector underperformed relative to the S&P500. The Health Care Equipment index primarily comprised of medical devices companies such as Medtronic, Abbott, Becton Dickinson, performed relatively better during 2023 as these companies benefited from the loosening of COVID medical protocols allowing for increased elective surgery volumes. Pharmaceuticals and Biotech indexes have been flat to slightly down over the same period, as well as Life Sciences Tools and Services after experiencing a significant pull-back in September/October 2023 as year-on-year revenue growth across the sub-sector came in at a modest 1%.

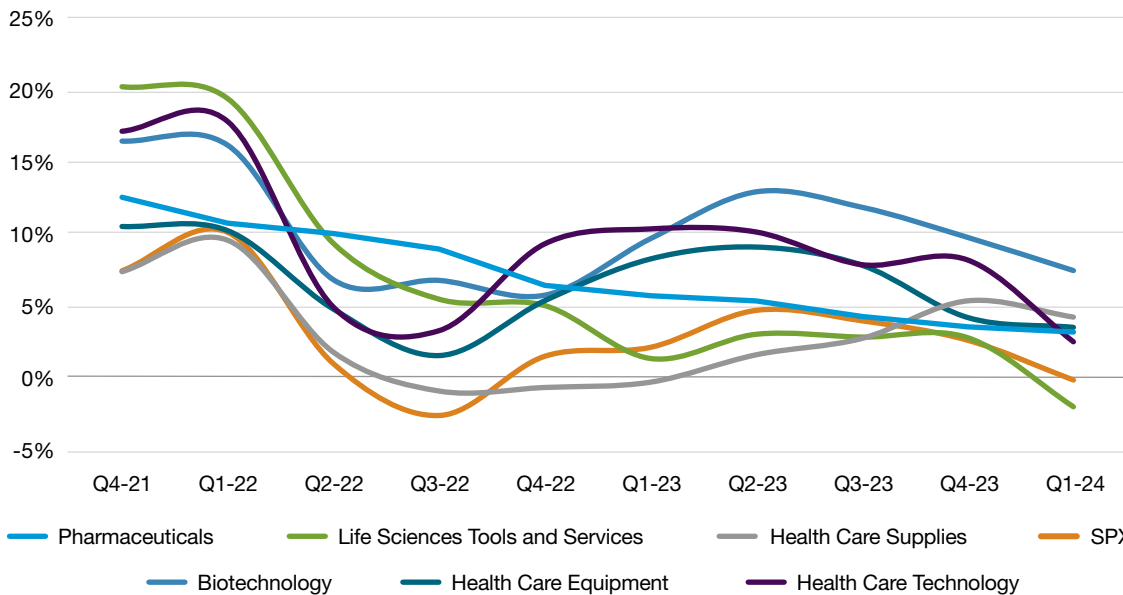
Figure 1



Source: S&P Global Intelligence

From a revenue growth perspective, biotechnology and medical tech companies still experienced above average growth during 2023. On the other hand, those companies captured by the four S&P indices presented in this report, still struggled to offset COVID revenue with new product launches (Figure 2). While all sub-sectors of Life Sciences exhibited above market gross margin (Figure 3), they are certainly not immune to inflationary pressures, and some have experienced declining margins in FY23. A slowdown in revenue growth and margin should subside as Life Companies benefit from better year-on-year comps and a slowdown in inflation in 2024.

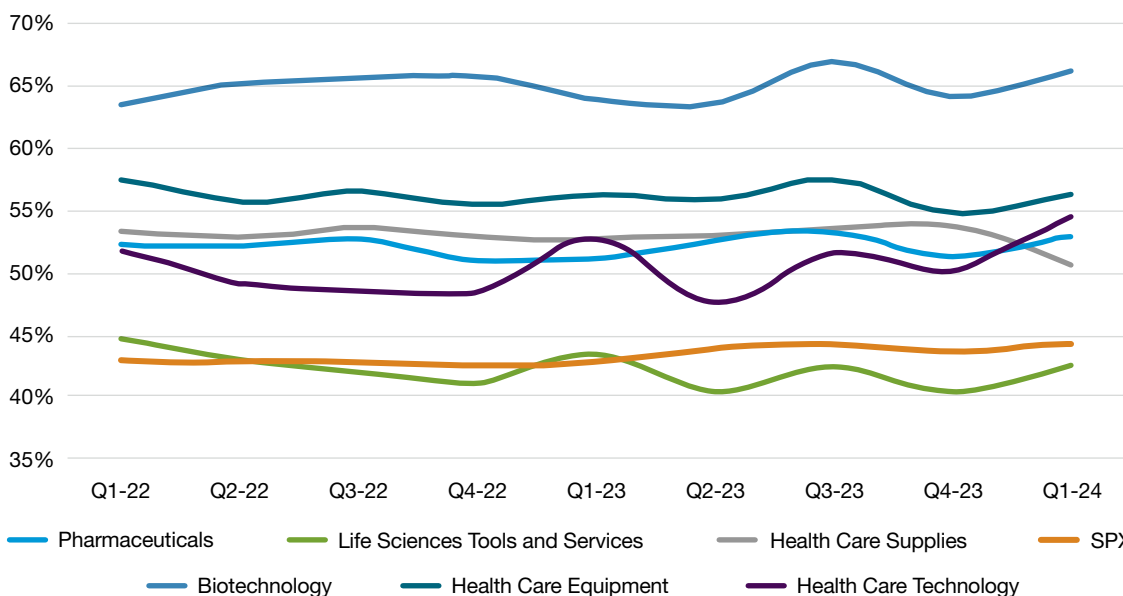
Figure 2 - Median Revenue Growth



Most subsectors are not growing less than 5% ↓

Source: S&P Global Intelligence

Figure 3 - Median Gross Margin

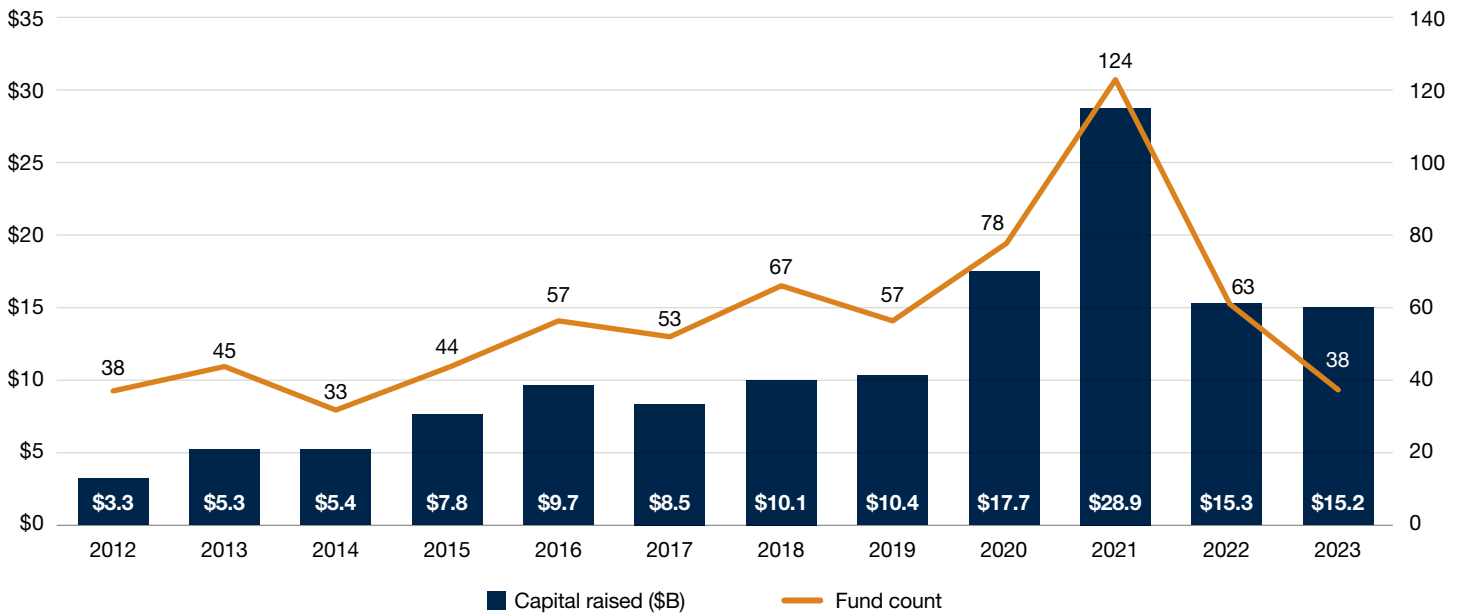


Most subsectors saw an uptick in margin in Q1 ↑

Source: S&P Global Intelligence

Life Sciences venture capital fundraising stabilized in 2023 with approximately \$15bn raised in line with 2022 (Figure 4). This is down from 2020 and 2021 which saw a significant influx of capital and will likely remain as outlier years due to COVID. Overall, venture capital raise is back to, and even better than, pre-COVID years; albeit concentrated around a smaller number of funds. Capital deployment remains slow with lower amounts of deals and capital invested in 2023.

Figure 4



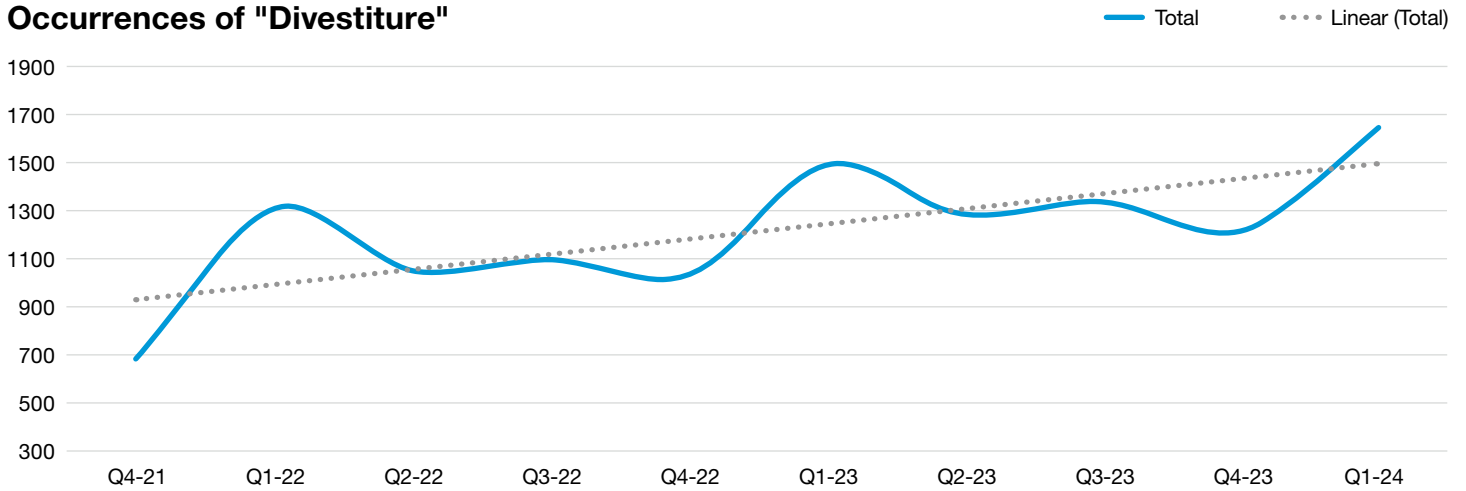
Source: Pitchbook

2023 started the year with a big bang as Pfizer announced its acquisition of Seagen for \$43bn, bringing hope of the return of large cap pharma deals. The rest of the year, however, turned out to be more or less a repeat of 2022 with, fewer and lower-sized deals. These deals were mostly done by strategic acquirers, as financial buyers remained on the sideline. Continued IPO sluggishness favored M&A as an exit route for VC investors. So far this year, the LifeSciences sector is seeing green shoots of activities with increasing volumes and larger deals in certain subsectors. **[See appendix]** JnJ announced acquisitions of Shockwave for \$13bn and Novo Holding acquisition of Catalent for \$17bn are good examples of renewed optimism for a return of mega deals in Life Sciences.



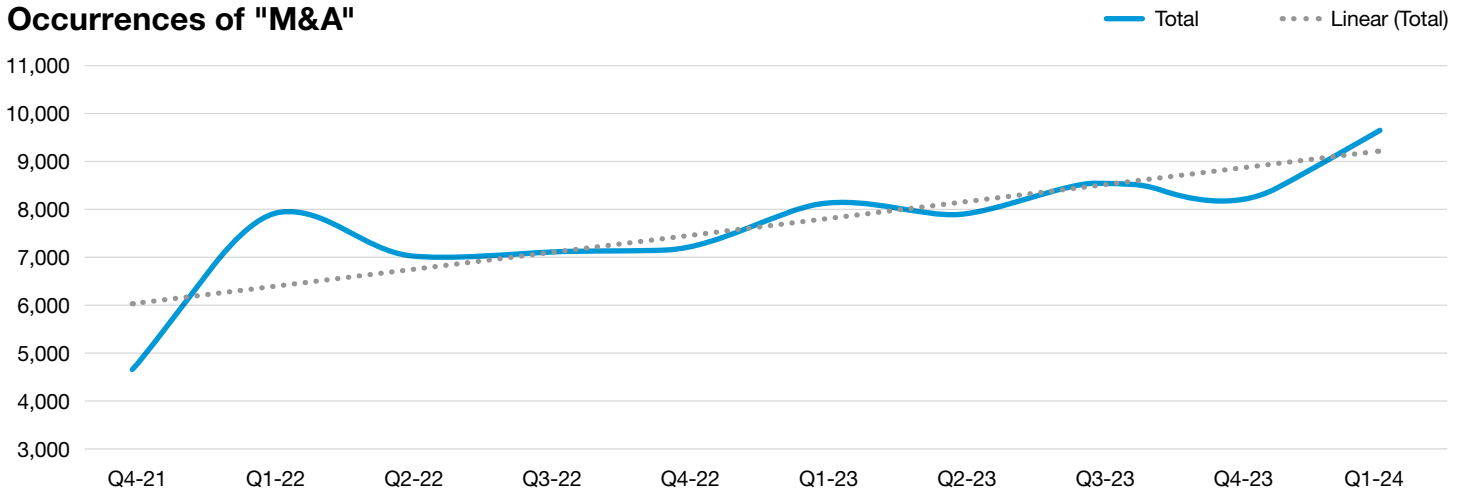
In the realm of M&A, mentions of synergies, integration, portfolio, and strategic reviews are decreasing for 2022-2023. On the flip side, we're seeing an uptick in M&A deals and divestitures in the Life Sciences sector, showing a strong emphasis on capital priorities, with Q1 2024 seeing substantial increases in activity.

Occurrences of "Divestiture"



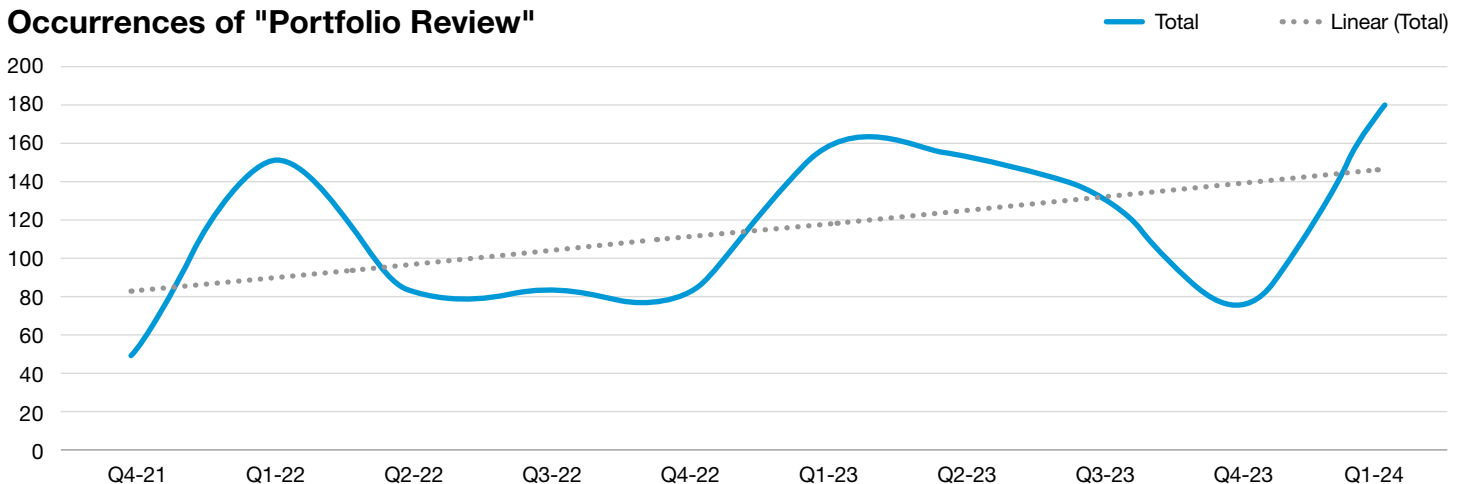
Source: Alphasense

Occurrences of "M&A"



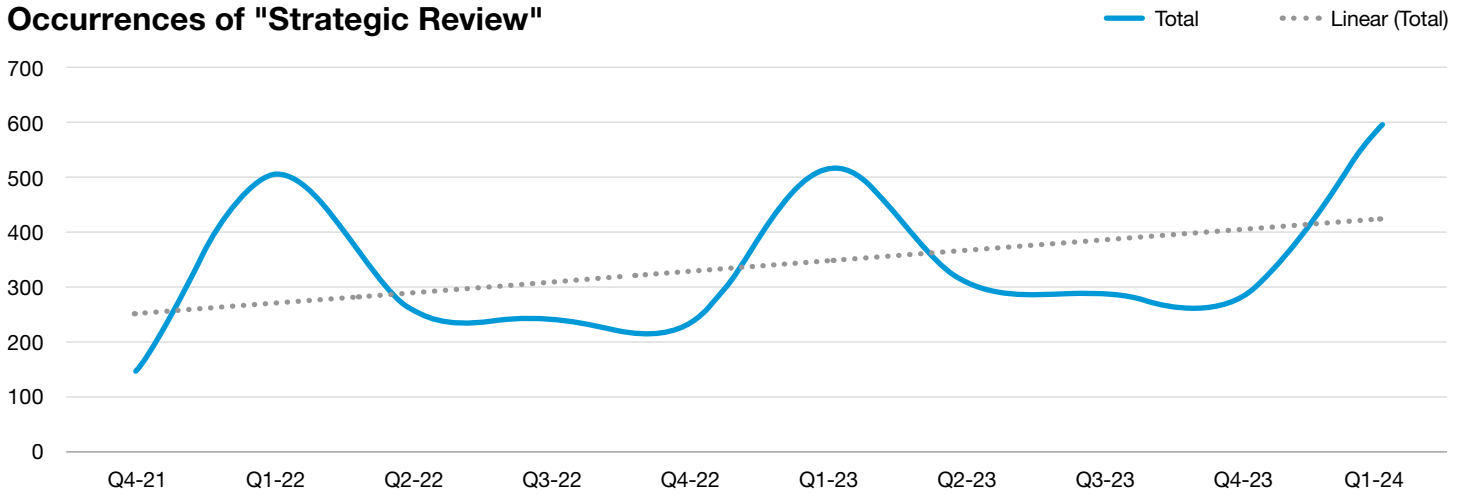
Source: Alphasense

Occurrences of "Portfolio Review"



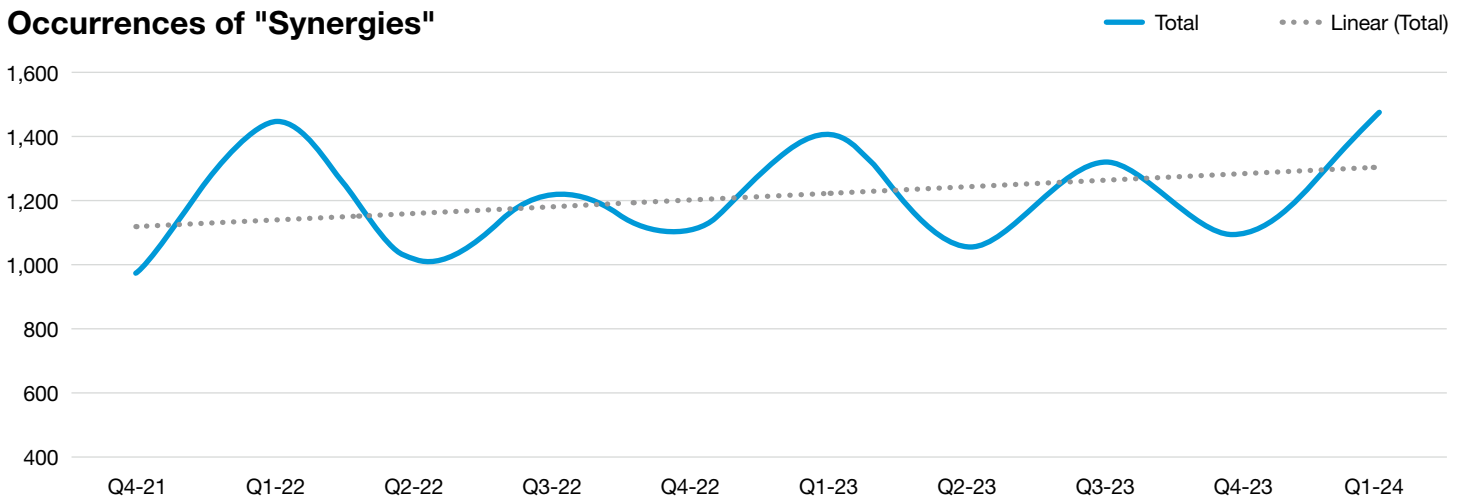
Source: Alphasense

Occurrences of "Strategic Review"



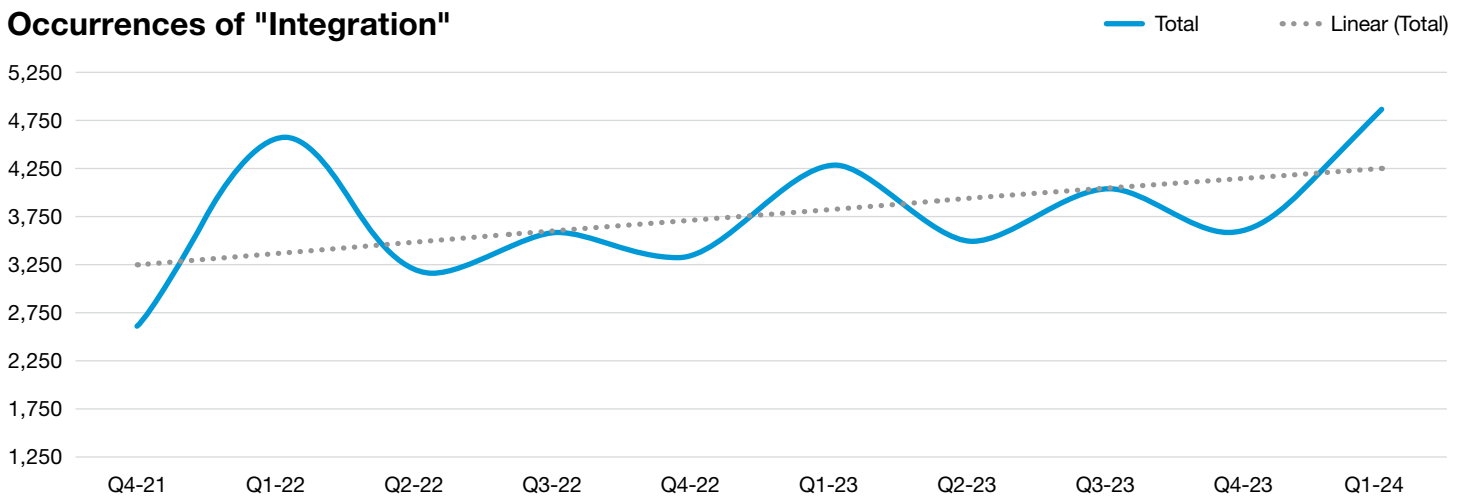
Source: Alphasense

Occurrences of "Synergies"



Source: Alphasense

Occurrences of "Integration"



Source: Alphasense

M&A (Appendix)

Top deals by deal size announced (in the last 12 months) showing target/seller, acquirer, \$, country of target and type of deal (merger, LBO, corporate).

Transaction Types	Buyers/Investors	Target/Issuer	Total Transaction Value (\$USDmm, Historical rate)
Merger/Acquisition	Pfizer Inc. (NYSE:PFE)	Seagen Inc. (NasdaqGS:SGEN)	\$44,551
Merger/Acquisition	Amgen Inc. (NasdaqGS:AMGN)	Horizon Therapeutics Public Limited Company (NasdaqGS:HZNP)	\$30,246
Merger/Acquisition	Novo Holdings A/S	Catalent, Inc. (NYSE:CTLT)	\$16,704
Merger/Acquisition	Bristol-Myers Squibb Company (NYSE:BMJ)	Karuna Therapeutics, Inc.	\$14,026
Merger/Acquisition	Johnson & Johnson (NYSE:JNJ)	Shockwave Medical, Inc.	\$13,948
Merger/Acquisition	Merck & Co., Inc. (NYSE:MRK)	Prometheus Biosciences, Inc.	\$10,877
Merger/Acquisition	AbbVie Inc. (NYSE:ABBV)	ImmunoGen, Inc.	\$9,556
Merger/Acquisition	AbbVie Inc. (NYSE:ABBV)	Cerevel Therapeutics Holdings, Inc. (NasdaqCM:CERE)	\$9,081
Merger/Acquisition	ArisGlobal LLC	Amplexor Life Sciences, LLC	\$8,000
Merger/Acquisition	Biogen Inc. (NasdaqGS:BIIB)	Reata Pharmaceuticals, Inc.	\$7,831
Merger/Acquisition	Eli Lilly and Company (NYSE:LLY)	Morphic Holding, Inc. (NASDAQ:MORF)	\$3,200

Source: S&P Global Intelligence

Alvarez & Marsal M&A Services

We provide comprehensive due diligence, carve-out and value creation services to support the end-to-end transaction lifecycle.

4. Value Creation and Optimization

Realize the full potential of your transaction and optimize performance post-deal.

- Deal Value Realization and Business Optimization
- Initial Public Offering (IPO) Readiness
- Interim Management

3. Transaction Planning and Execution

Accelerate integration and separation activities to capture deal value.

- Post-Merger Integration (PMI) and Carve-out Management
- Change Management and Communications
- Operating Model
- Organization Design
- Synergy Analysis and Planning
- Stranded Cost Analysis Elimination Planning
- Transitional Service Agreement (TSA) Development
- Final Purchase Price Allocation (PPA)
- Working Capital Review
- Interim Management

1. Origination and Value Creation

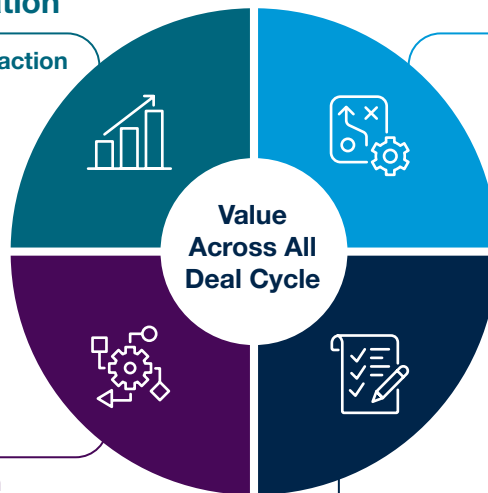
Evaluate the business and define M&A strategy.

- M&A Strategy
- Enterprise Portfolio Optimization
- Outside-in Evaluation
- Managing Shareholder Activism
- Pre-transaction Tax Optimization
- Full Potential/Value Creation Plans and Development

2. Pre-Deal and Due Diligence

Optimize every transaction's value. Avoid post-transaction surprises.

- Financial, Tax and Operational Due Diligence
- Carve-out Financial Statements Preparation
- SEC Requirements
- Deal Modeling
- Solvency and Fairness Opinions
- Sales and Purchase Agreement (SPA) Assistance
- Transaction Analytics
- Tax Deal Structuring
- Integration/Separation Cost Analysis



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ABOUT THE DATA AND ANALYSIS

We have based our analysis and commentary on data provided by S&P Capital IQ, Refinitiv, AlphaSense and our independent research.

Transaction values and volumes referenced in this publication are based on officially announced transactions and publicly available data that is not exhaustive.

Previously published analysis may be restated to incorporate revisions or changes to data.

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A&M's Global Transaction Advisory Group provides investors and lenders the answers needed to get the deal done. We combine our firm's deep operational, industry and functional resources with Big Four-quality financial accounting and tax expertise to assess key deal drivers and focus on the root cause of any critical deal issues. As the largest global transaction advisory practice outside the Big Four, our global integrated teams help private equity, sovereign wealth funds, family offices and hedge funds as well as corporate acquirers unlock value across the investment lifecycle.

The firm's Global Transaction Advisory Group includes over 1000+ professionals and 40 offices worldwide. Our global team has extensive industry knowledge across multiple sectors and is free from audit-based conflicts of interests.

ABOUT ALVAREZ & MARSAL HEALTHCARE & LIFE SCIENCES

A&M has the specialized experience in growth expansion, industry, process improvement, strategic advisory, operational, M&A and private equity to help make your transaction successful. Our experience assisting clients in the industry includes:

-  **Strategy:** assessment of size of market opportunities, designing pricing model, assessing technology, developing operating model to assist with the CGT initiatives, among others.
-  **Operations:** analysis of supply chain processes, evaluation of business' ability to scale up, manufacturing strategies including the management of the build-out of contract networks and manufacturing facilities, and other services to autologous and allogeneic therapy companies alike.
-  **M&A:** includes development of inorganic strategy, market landscape assessment for investment strategy, due diligence, tax implications and structuring and other transaction related services.
-  **Due Diligence:** financial, operational and commercial due diligence is especially critical for life sciences acquisitions and can have a significant impact on strategies for future value creation.
-  **Digital:** operational support to organizations throughout the entire digital journey, including on digital strategy, data analytics, AI and intelligent automation and cloud services.



ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

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