

Market Overview

Increasingly complex protocols and regulatory hurdles during drug development have expanded R&D budgets and driven the need for outsourcing. As a result, pharmaceutical groups continue to increase their reliance on outsourced contracts to help temper expanding research budgets. Due to the recent success of publicly traded industry leaders, Patheon is the latest CRO with eyes on the public markets, filing for a \$100 million U.S. IPO. Past industry consolidation has limited the number of investable platforms in the market driving up multiples and valuations. We continue to see groups focus on strategic add on acquisitions to bolster both service offerings as well as their geographic footprint. Quintiles and Parexel's acquisitions of Clio Science and Quantum Solutions India respectively, demonstrate industry players' continued interest in expanding their geographic footprint. Looking to the rest of 2015, we expect the continued attention in the sector from both strategic and financial acquirers will drive a healthy M&A marketplace.

Select Public CRO Trading Multiples

Company	Ticker	Enterprise Value (Millions)	EV / Rev.	EV / EBITDA
Charles River Laboratories	CRL	\$3,950	3.0x	13.66x
ICON	ICLR	\$3,900	2.53x	13.44x
PAREXEL	PRXL	\$3,670	1.83x	12.32x
PRA Health Sciences	PRAH	\$3,050	2.37x	17.84x
Quintiles	Q	\$10,640	2.54x	14.61x
WuXi	WX	\$2,600	3.67x	18.01x

SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
May 2015	Quintiles	Clio Science	Quintiles, a world leader in clinical research, announced it will acquire the Japanese CRO Clio Sciences. This acquisition will expand Quintiles expertise in Oncology and the Central Nervous System. It also demonstrates Quintiles continued investment into the Japanese market. No financial terms of the transaction were disclosed.
May 2015	Pharmaceutical Product Development	CRA Intermediate Holdings	Pharmaceutical Product Development (PPD) announced it had agreed to acquire CRA Intermediate holdings and its suite of contract research services, clinical trial sites, and clinical laboratory testing. The transaction expands PPD's footprint in the contract research space. No financial terms of the transaction were disclosed.
April 2015	Clinipace Worldwide	Accovion	North Carolina-based Clinipace Worldwide completed its acquisition of Accovion. Accovion is a leading full-service CRO headquartered in Germany and doing business in over 20 countries. The transaction will expand Clinipace Worldwide's European presence, giving the company global operations in 39 countries. No financial terms of the transaction were disclosed.
April 2015	Parexel	Quantum Solutions India	Global clinical research organization leader Parexel closed its acquisition of Quantum Solutions India (QSI) in April. QSI, is a leading provider of specialized pharmacovigilance services. Pharmacovigilance refers to the collection, detection, assessment, monitoring, and prevention of adverse effects with pharmaceutical products. The acquisition allows Parexel to expand its presence in outsourced safety management solutions. No financial terms of the transaction were disclosed.