

Q3-2017 CRO Update



Market Overview

The current state of the contract research organization industry continues to be largely shaped by the super mergers of the past. The landscape for mid-sized CRO's has drastically changed as the revenue gap has widened between mega-CRO's and the rest of the industry. With increased competition for contracts from larger CRO's, mid-sized players have had to seek out partnerships with smaller biopharma customers to ensure profitability. While we have seen less consolidation among the smaller and medium sized players, industry giants such as Charles River Labs, ICON, and LabCorp/Covance all made sizable acquisitions this quarter. Although the future of the CRO space remains relatively stable, it will surely include a healthy amount of transaction volume at the continued premium valuations we have seen for the majority of 2017. Provident expects to see this heightened activity continue for the final quarter of the year.

SELECT TRANSACTIONS:

Date	Acquirer	Target	Description
September 2017	Precision for Medicine	Agility Clinical	Precision for Medicine, part of the Precision Medicine Group, acquired Agility Clinical a contract research organization focused specifically on clinical development of rare disease and orphan therapies. The acquisition creates the first comprehensive, fully integrated orphan therapy clinical development services provider. Financial terms of the transaction were not disclosed.
August 2017	Evotec	Aptuit	Germany's Evotec, has acquired US-based Aptuit, a contract research organization specializing in early discovery to mid-phase drug development services to the biotech and pharmaceutical industries. The acquisition will help Evotec expand its role as an integrated outsourced drug discovery and development solutions provider. The acquisition is valued at approximately \$300 million.
August 2017	Avista Healthcare	Envigo International	Avista Healthcare merged with the nonclinical contract research organization Envigo International in a deal designed to speed up growth for Envigo by tapping into publicly traded AHPAC's access to capital markets. The combined company will have an enterprise value of approximately \$924 million, representing a 10.6x Adj. EBITDA.
August 2017	Laboratory Corporation of America Holdings	Chiltern International	LabCorp, a global life sciences company, and Chiltern, a specialty CRO, announced LabCorp will acquire Chiltern. The transaction is pursuant to a definitive agreement with Chiltern's shareholders in an all-cash transaction valued at approximately \$1.2 billion. Once the transaction is complete, Chiltern will become part of LabCorp's Covance segment.
August 2017	Charles River Labs	Brains On-Line	Charles River Labs acquired Brains On-Line, a contract research organization that provides data used to advance therapeutics for the treatment of central nervous system diseases. With operations in San Francisco, the Netherlands, and Germany, Brains On-Line uses in vivo efficacy and pharmacokinetics testing to provide data necessary to advance potential CNS therapies through the development process. The acquisition is valued at approximately \$21 million.
July 2017	ICON	Mapi Group	ICON, a global provider of drug development solutions and services to the pharmaceutical, biotechnology and medical device industries, acquired the Mapi Group, a Patient-Centered Health Outcomes Research and Commercialization company. The acquisition strengthens ICON's existing Commercialization and Outcomes Research business adding significant commercialization presence, analytics, real world evidence generation and strategic regulatory expertise. Financial terms of the transaction were not disclosed.