

OBJECTIVE

Investment Banking & Valuation

Industry Report

Business Services

Contract Research Organization

Key Takeaways

CRO M&A Volume Returns In Q3 While The Broad Healthcare Market Valuation Drops Brining Down The CRO Sector Along With It

- In Q3 2023 we saw 19 transactions close in the Contract Research Organization (“CRO”) sector, an increase of 36% compared to the previous quarter (see Chart I)
- EBITDA multiples for the CRO sector have traded down over the past month (see Chart II) with the current average EBITDA multiple standing at 14.9x (see Table I), a 7% decrease month over month but a flat 1% increase over the past 6 months
- This compares to the broader healthcare market which has had a 4% EBITDA multiple decrease (S&P 500 Healthcare index) while the specialty pharmaceutical and life sciences market has had a 5% decrease (S&P Pharma Biotech & Life Sciences index) (see Chart II)
- The increase in volume can be a result of two main factors: 1) Opportunistic buyers have entered the M&A market at low valuations; 2) As interest rates have now been held steady, investors have been more encouraged to deploy capital that has been sitting on the sidelines since the end of 2022

Chart I | Total M&A Volume⁽¹⁾

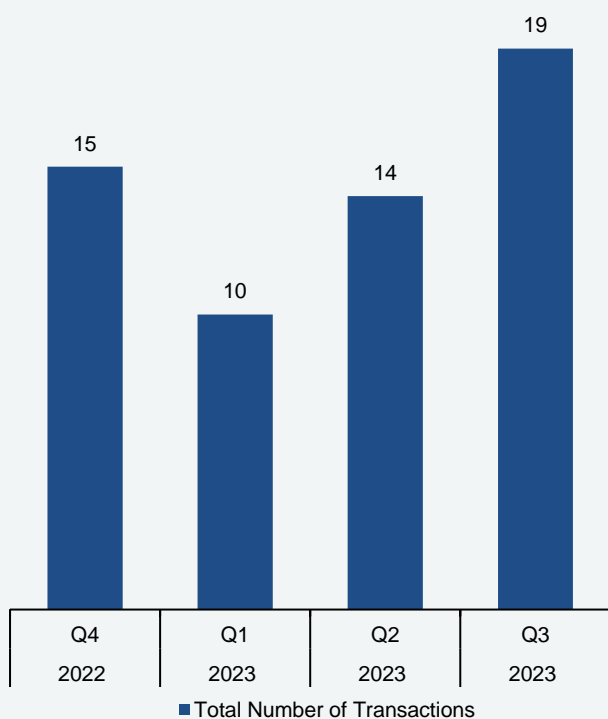
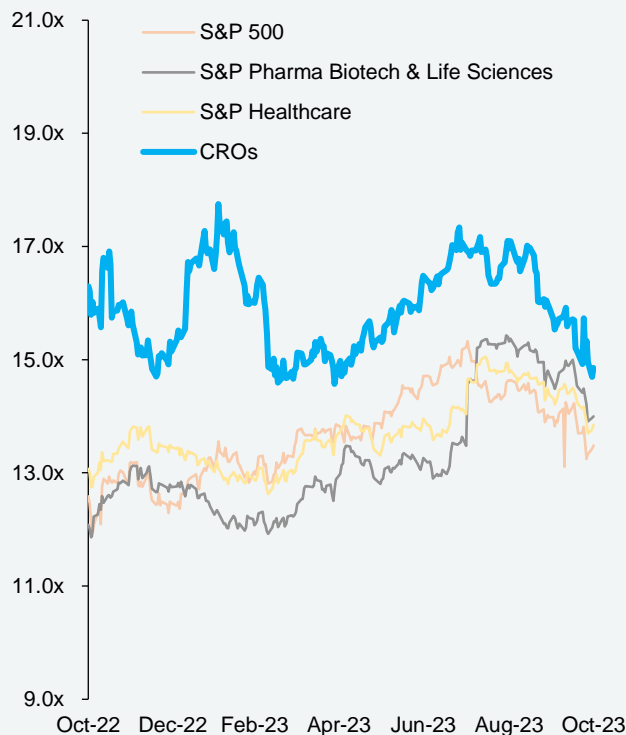


Chart II | TEV / EBITDA⁽²⁾



Source: S&P Capital IQ

(1) Total USA and Canadian corporate and asset majority control transactions in the CRO sector

(2) Table I for CRO comparables

USA & Canada Listed Companies (>\$20M Market Cap.)

Over the past month, the CRO sector has traded down with an 8% decrease, compared to the broader healthcare market's 3% decrease (S&P 500 Healthcare index), as well as the specialty pharmaceutical and life sciences market's 5% decrease (S&P Pharma Biotech & Life Sciences index) (see Chart III)

Chart III | 1-Year Price Performance⁽¹⁾

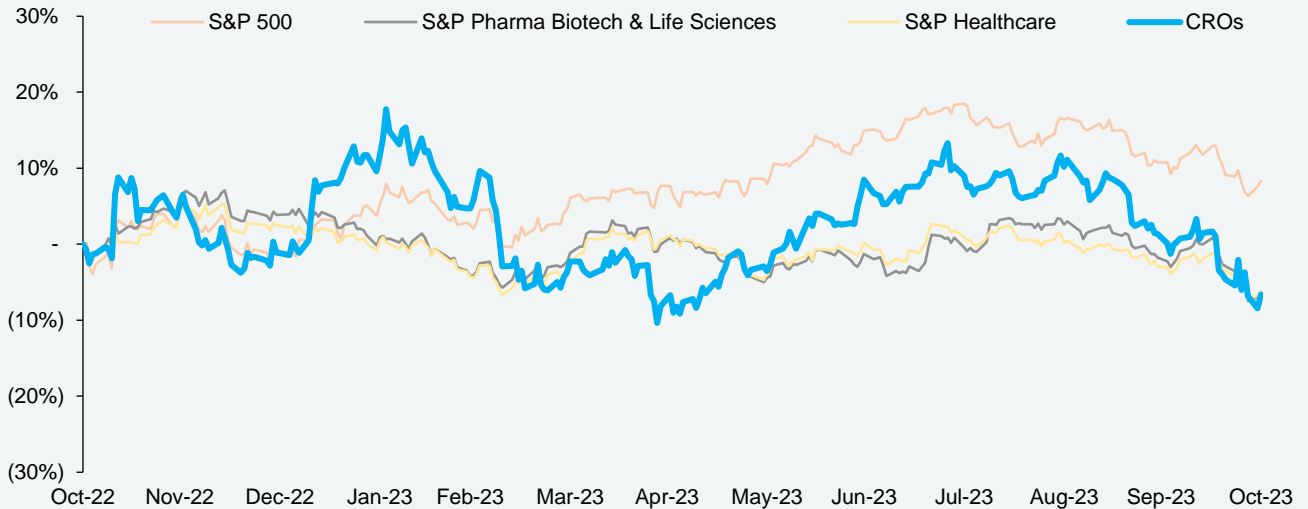
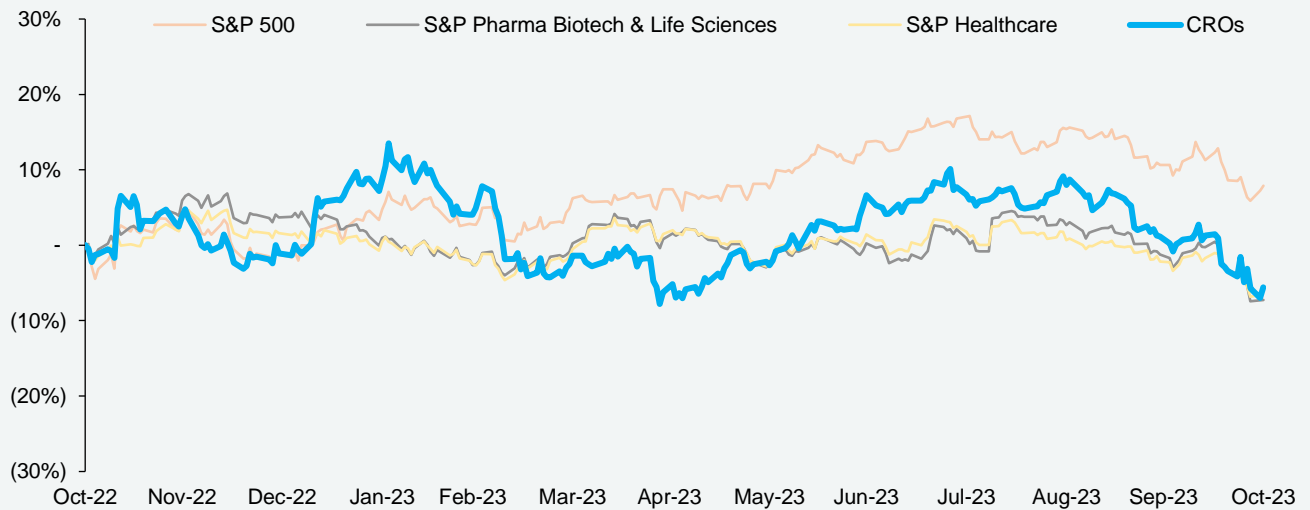


Chart IV | 1-Year TEV Performance⁽¹⁾



Source: S&P Capital IQ

(1) Table I for CRO comparables

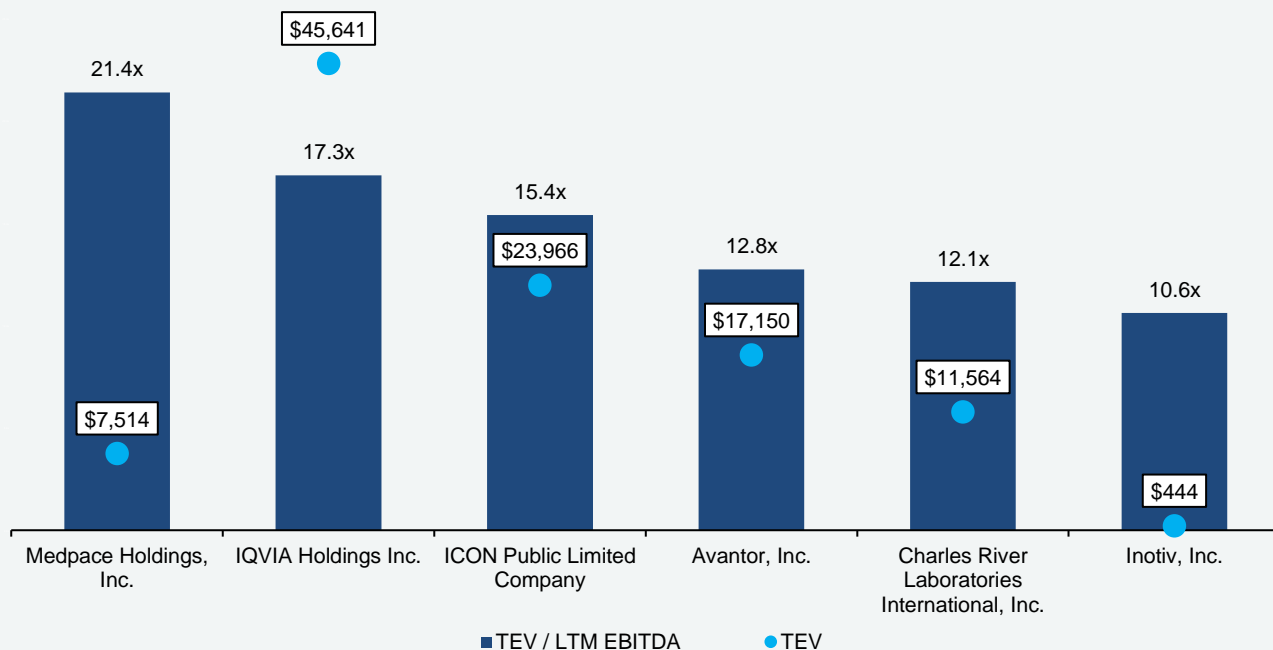
USA & Canada Listed Companies (>\$20M Market Cap.)

The market leading CRO such as Medpace Holdings and IQVIA Holdings trade relatively higher than their counterparts with a 30% EBITDA multiple premium to the comparable groups average EBITDA multiple (see Chart IV)

Table I | Select CRO

| Company | Share Price 10/31/23 | Equity Value | TEV | TEV/ | | | |
|--|-------------------------|-----------------|-----------------|-------------|-------------|--------------|--------------|
| | | | | Revenue | | EBITDA | |
| | | | | LTM | 2023E | LTM | 2023E |
| IQVIA Holdings Inc. | \$180.83 | \$33,114 | \$45,641 | 3.1x | 3.1x | 17.3x | 12.8x |
| ICON Public Limited Company | \$243.96 | \$20,084 | \$23,966 | 3.0x | 2.9x | 15.4x | 14.2x |
| Avantor, Inc. | \$17.43 | \$11,789 | \$17,150 | 2.4x | 2.5x | 12.8x | 13.2x |
| Charles River Laboratories International, Inc. | \$168.36 | \$8,632 | \$11,564 | 2.8x | 2.8x | 12.1x | 11.3x |
| Medpace Holdings, Inc. | \$242.67 | \$7,446 | \$7,514 | 4.2x | 4.0x | 21.4x | 21.0x |
| Inotiv, Inc. | \$1.91 | \$49 | \$444 | 0.8x | 0.8x | 10.6x | 5.8x |
| Median | | \$8,632 | \$11,564 | 2.8x | 2.8x | 12.8x | 12.8x |
| Mean | | \$13,519 | \$17,713 | 2.7x | 2.7x | 14.9x | 13.1x |

Chart IV | TEV / EBITDA & TEV



Source: S&P Capital IQ

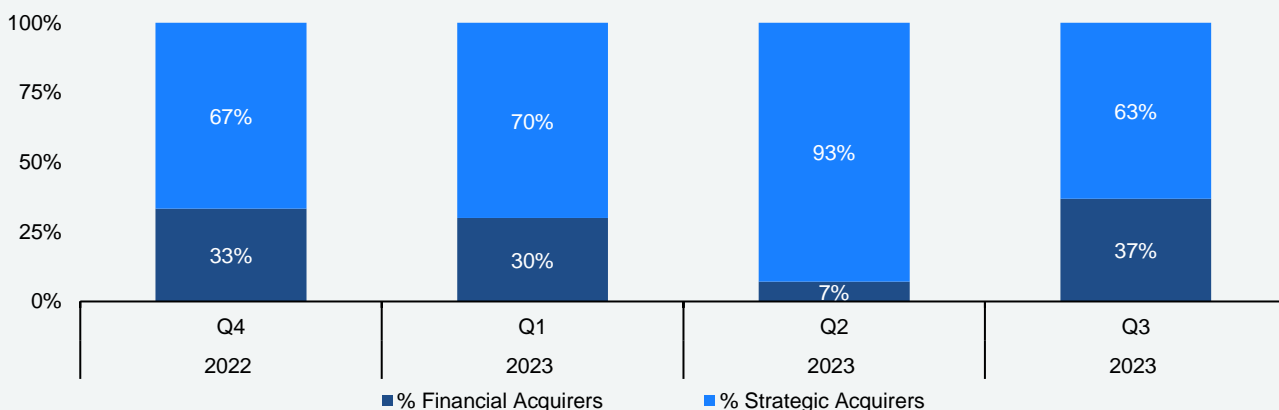
Majority Control Corporate and Asset Deals in USA & Canada

Financial Acquirers came back strong in Q3 after taking a pause on investments in the space in Q2. We expect this was due to investors being uncertain of future interest rate hikes, which are now expected to be held constant or decreasing, as this has a direct effect on cost of debt financing. (see Chart VI)

Table II | Select M&A Transactions

| (\$ in million) | | | | | |
|-----------------|---------------------------|--|----------------|-------------|--------------|
| Announce Date | Target | Acquiror | TEV | TEV / LTM | |
| | | | | Revenue | EBITDA |
| 5/10/23 | Syneos Health, Inc. | Investment Consortium | \$7,377 | 1.4x | 9.7x |
| 12/29/22 | OncoBay Clinical, Inc. | Neuca Clinical Trials Investments Sp Z O O | \$64 | na | na |
| 8/9/22 | Metrics, Inc. | Catalent, Inc. | \$475 | na | na |
| 1/18/22 | Xtal BioStructures, Inc. | Schrödinger, Inc. | \$6 | na | na |
| 7/15/21 | BioPharma Services Inc. | Think Research Corporation | \$41 | na | na |
| 6/16/21 | Quartesian, LLC | Summit Partners, L.P. | \$80 | na | na |
| 5/27/21 | KGK Science Inc. | Myconic Capital Corp. | \$13 | 3.5x | na |
| 4/28/21 | Clinipace, Inc. | dMed Company Limited | \$233 | na | na |
| 4/15/21 | PPD, Inc. | Thermo Fisher Scientific Inc. | \$20,881 | 4.2x | 22.6x |
| 4/1/21 | Q2 Solutions LLC | IQVIA Holdings Inc. | \$1,900 | na | na |
| 2/24/21 | PRA Health Sciences, Inc. | ICON Public Limited Company | \$12,277 | 3.9x | 26.2x |
| 12/14/20 | MedSource Consulting Inc. | Ergomed plc | \$25 | 0.8x | 19.2x |
| 10/28/20 | Synteract, Inc. | Syneos Health, Inc. | \$386 | na | na |
| Median | | | \$233 | 3.5x | 20.9x |
| Mean | | | \$3,366 | 2.7x | 19.4x |

Chart VI | Total Buyer Mix: Financial vs Strategic⁽¹⁾



Source: S&P Capital IQ

(1) Total USA and Canadian corporate and asset majority control transactions in the CRO sector

About Objective

Investment Banking Practice


About Us

Objective, Investment Banking & Valuation is a leading investment banking and valuation firm serving middle-market companies across five industry practice groups in an effort to maximize our clients' M&A and valuation advisory results. Our team uses a highly engineered, structured process combined with our industry expertise designed to consistently achieve maximum results.


Industries of Focus

- Business Services
- Consumer
- Healthcare Tech & Services
- Life Sciences Services & Tech
- Manufacturing & Distribution
- Technology

500+ M&A Transactions Completed*



Has been acquired by



Sell-side Advisor to Supreme Optimization



Has been acquired by



a portfolio company of 

Sell-Side Advisor to Bell Canyon Consulting



Has sold assets to



Financial Advisor to MabVax Therapeutics Holdings, Inc.

Undisclosed Healthcare Technology Company

Has been acquired by

Undisclosed San Francisco Based Private Equity Firm

Sell-Side Advisor to the Undisclosed Healthcare Technology Company

Undisclosed Leading Drug Treatments and Diagnostics Company

Strategic Alternatives Advisor to the Undisclosed Company

Undisclosed Leading Contract Research Organization

Sell-Side Advisor to the Undisclosed Contract Research Organization



Has been acquired by



Sell-Side Advisor to StudyKik



Has sold its clinical research site operations to



Sell-Side Advisor to Rocky Mountain Movement Disorders Center

| Award & Recognition | Forum | Year | Type |
|--|--|------|----------|
| Best Middle Market Sell-Side M&A Firm – USA | Acquisition International | 2023 | Winner |
| Healthcare/Life Sciences Deal of The Year (Between \$50MM - \$100MM) | M&A Advisor 22 nd Annual M&A Awards | 2023 | Finalist |
| Private Equity Deal of The Year (Between \$75MM - \$100MM) | M&A Advisor 22 nd Annual M&A Awards | 2023 | Finalist |
| Professional Services Deal of The Year (Between \$50MM - \$100MM) | M&A Advisor 22 nd Annual M&A Awards | 2023 | Finalist |
| Technology Deal of the Year (Between \$50MM - \$100MM) | M&A Advisor 22 nd Annual M&A Awards | 2023 | Finalist |
| M&A Deal of the Year (\$75MM - \$100MM) | M&A Advisor 22 nd Annual M&A Awards | 2023 | Finalist |

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*Includes transactions completed by team members at previous firms

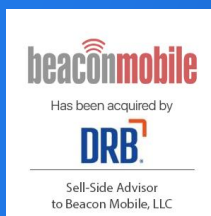
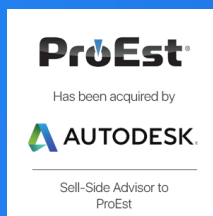
About Objective

Business Services Overview

Objective, Investment Banking & Valuation's Business Services practice is widely recognized for its exceptional capabilities in leveraging deep sector expertise and crafting compelling narratives that capture the essence of every company. Our team of highly dedicated and tenacious M&A professionals boasts extensive senior-level relationships with prominent strategic and financial buyers in the professional and technology-related services industries, as well as large public and private enterprises.

With a wealth of experience garnered over many years in both sell-side and buy-side engagements involving business services companies, we provide our clients with invaluable and transparent guidance that empowers them to realize their strategic and financial objectives.

Dedicated
Industry
Knowledge &
Expertise



Thank you!

We are available to assist with your M&A or Valuation advisory needs when you need us. Feel free to call with M&A questions for your specific engagement, or to receive general market insight.



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