

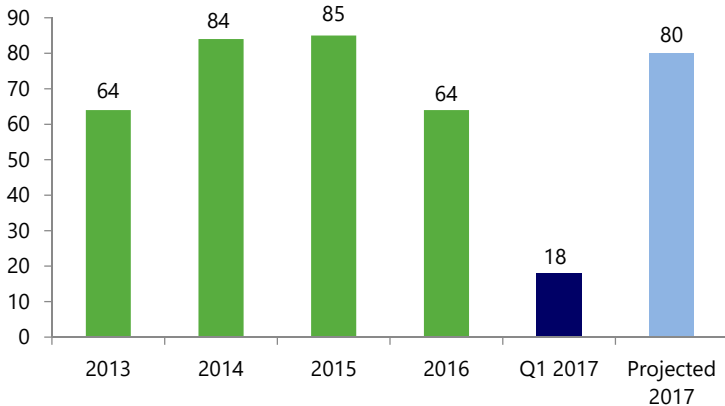


KEY INDUSTRY AND M&A TAKEAWAYS

- ▶ From 2016 to 2021, industry revenue for contract pharma research is projected to increase at an annualized rate of 7.0% to \$13.3 billion according to *IBISWorld*. Pharma companies have intensified research & development endeavors as a number of major blockbuster drugs face patent expiration. Evaluate Pharma forecasts \$215 billion in drug sales will be at risk due to generic competition between 2015 and 2020.
- ▶ UK-based early-phase drug development services provider Quotient Clinical (Quotient) has already made two acquisitions in 2017: clinical research provider SeaView Research (February, terms not disclosed) and contract research and development provider QS Pharma (February, \$75.0 million). The acquisitions are Quotient's first entry into the US and will enable the company to replicate its UK Translational Pharmaceuticals platform in North America.
- ▶ The global pharmaceutical contract packaging market is projected to grow at a compound annual growth rate (CAGR) of 14.5% from 2017 to 2021, according to *Research and Markets*. One market driver is manufacturers' desire to outsource the packaging process to reduce operational costs.

DEAL VOLUME

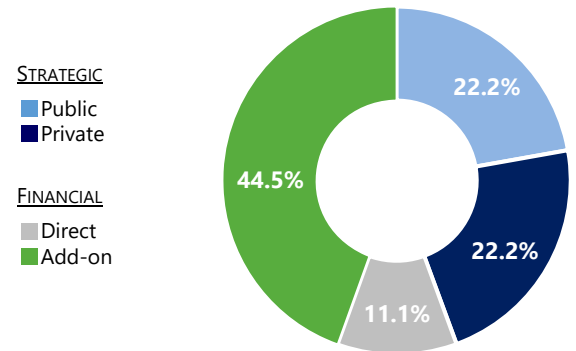
- ▶ In Q1 2017, Capstone identified 18 announced or closed transactions.
- ▶ Research and development companies were the most sought after by buyers, accounting for four of the 18 deals.



Sources: Capital IQ and Capstone Partners LLC Research.

2017 BUYER BREAKDOWN

- ▶ The sector has attracted both financial and strategic suitors in 2017. Through Q1, financial buyers accounted for 55.6% of deal activity while strategic suitors accounted for 44.4%.
- ▶ This breakdown varies slightly from 2016, when 66.2% of buyer were strategic and 33.8% were financial.



Sources: Capital IQ and Capstone Partners LLC Research.

DRIVERS & TRENDS

▶ Regulatory changes heighten demand for outsourced providers –

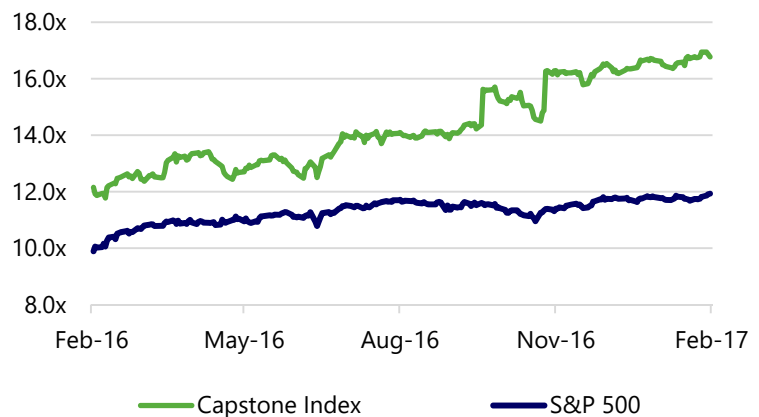
Faced with the challenge of staying ahead of an ever-changing labyrinth of regulations, pharmaceutical companies are utilizing outsourced providers in order to meet their quality assurance needs across the development and manufacturing lifecycles. In particular, analytical testing will see strong growth due to increasingly complex global standards and testing requirements.

▶ Proliferation of biologics –

Biologics are often more intricate and challenging to develop and manufacture than small molecule drugs. At the same time, new medicines are subjected to more rigorous scrutiny from regulators and government organizations. Emerging and midsize biotechnology companies are more likely to rely on outsourced providers due to limited manufacturing infrastructure and development capabilities. Large pharmaceutical players are turning to outsourced providers to access specialized development expertise and state-of-the-art manufacturing technology to develop and manufacture next generation pharmaceutical products. Companies that offer the most advanced and unique technologies will be highly sought after outsourced providers as well as acquisition targets.

PUBLIC COMPANY EBIDTA MULTIPLES

- ▶ Average public company EBIDTA multiples have hovered between 16.2x and 16.9x this year and the value premium (average EBITDA spread) relative to the S&P 500 has increased during the past 12 months.



Index includes: NasdaqGS:AMRI, NYSE:CTLT, NYSE:CRL, BSE:500124, NasdaqGS:ICLR, NSE:LH, NasdaqGS:PRXL, NYSEDGX, NYSE:Q, OM:RECIB.