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About SEA

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SEA is pleased to provide our Life Science Outsource Advisor – dedicated to keeping our readers up-to-date on key developments in the world of mergers and acquisitions for outsourcing providers to the Life Sciences industry.

Executive Summary: *The Life Science industry has a huge Marketing problem in the US...*

The Life Sciences Industry has developed some of the most trusted consumer brands in the world, has a core mission of saving and improving the quality of human life, and spends more than \$30 billion a year on marketing. Given all of that, you would think the Pharmaceutical Industry would be beloved and trusted by the public. Then, why is it one of the most hated industries in the country? (Source: Gallup, 2019)

Many of the wounds that the industry has experienced have been self-inflicted. The industry's role in the opioid crisis has caused immeasurable damage to its reputation. High-profile stories of abusive pricing practices, including Daraprim, Mylan, and Valeant Pharmaceuticals made



for great headlines and have led to a loss of faith in the integrity of the industry. All of that negative PR, coupled with the general public's fundamental lack of understanding of the economics involved in the development, approval, manufacturing, and distribution of pharmaceuticals, makes the industry an easy target for politicians, the media, and others looking to blame someone for the rising costs of healthcare. It is very easy to cry "foul" when comparing the list price of a new drug to its manufactured cost. What is forgotten is the cost that goes into the development and approval of the drug, R&D costs for products that never make it to market, the costs of distribution, marketing and profits that others in the supply chain make along the way., Additionally, as one of the only major healthcare systems in the world that is not nationalized, the US is one of the only free markets where the industry is able to maximize its profits. Whether we like it or not, what we pay for drugs in the US helps to support lower prices in other global markets.

Marketing professionals in the pharmaceutical industry are incredibly adept at distilling extremely technical science down into easier-to-comprehend communications. The industry spends incredible amounts of money on marketing and advertising and employs some of the smartest, most creative people in the world. Why is it then, has the industry done such a poor job of explaining itself to the American public? It is time that it started taking control of its own messaging.

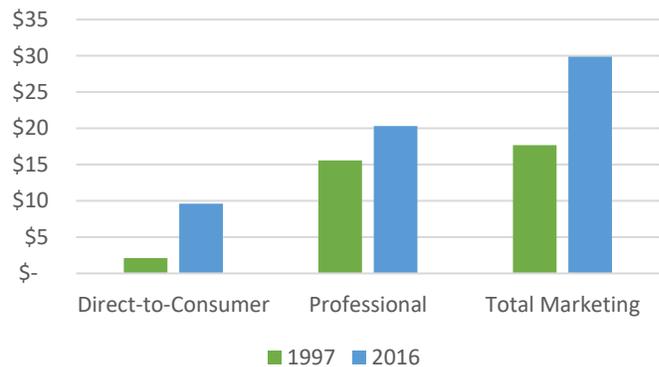


Spotlight on Life Science Marketing

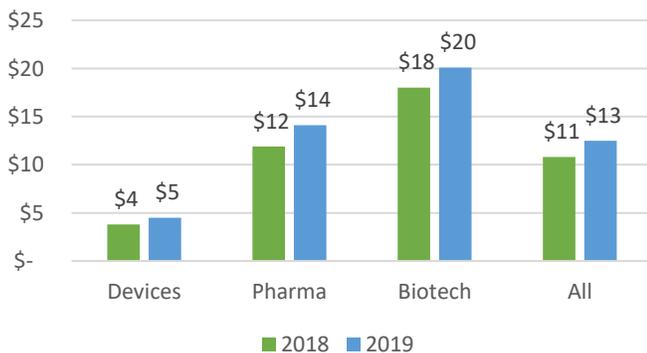
Market Conditions

The last 2+ decades has seen a dramatic increase in marketing spend in the Life Sciences industry. Based on a study published by the American Medical Association (AMA) in 2019, the industry's marketing spend increased from \$17.7 billion to \$29.8 billion. During that timeframe, direct-to-consumer (DTC) spending grew from \$2.1 billion to \$9.6 billion (32.1% of 2016 spending) while marketing to medical professionals increased from \$15.6 billion to \$20.3 billion in 2016. The AMA's study broke the spending down between the marketing of prescription drugs, disease awareness campaigns, health services, and laboratory testing, with the marketing of prescription drugs representing the majority (90%) of the total marketing spend in 2016. (Source: American Medical Assoc, 2019)

Medical Marketing by Target Audience (\$US billions)



Average Annual Marketing Budgets (\$US million)



In March 2020, Medical Marketing and Media published the MM&M/Elevate Healthcare Marketers Trend Report, a survey of director-level-and-up executives in pharma, biotech, and medical device marketing. The results of the survey showed that marketing budgets were on a healthy rise with an average increase of 16% in 2019 spending. The greatest % increases were in pharma and medical (both at 18%) with medical devices showing a 12% increase in the 2019 marketing budgets. Biotech companies, however, still represented the highest average marketing budgets at \$20mm when compared to pharma and device companies at \$14million and \$5 million, respectively. While we can be certain that the COVID-19 pandemic has impacted how Life Science companies are spending their marketing budgets, it is not yet clear what the full impact will be on 2020, 2021, and beyond.

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M&A Landscape (Source: Pitchbook data)

Though 2019 and 2020 have seen a bit of a slowdown in the number of completed deals, the Life Science Marketing M&A Landscape has been robust over the last decade. Several sizeable transactions in the data worth noting include:

- In 2013, Japanese-based Dentsu acquired Aegis Group for \$5B, resulting in the creation of Dentsu Aegis Network.
- 2014 would have been a record year if it were not for the failed merger attempt of Omnicom and Publicis.
- In 2015, Igate was acquired by Capgemini for \$4.5B and taken private.
- 2016 was marked by IBM's acquisition of Truven Health Analytics for \$2.6B and Web.com's acquisition of Yodel for \$341M.
- 2017 witnessed the \$4.7B acquisition of Havas Group by Vivendi. The acquisition consisted of the purchase of Bollore's 60% ownership in the business, followed by a tender offer for the remaining ownership. Also, in 2017 was the \$687M acquisition of Symphony Health by PRA Health Sciences.
- While 2018 and 2019 did not see any of the blockbuster deals seen in the preceding 5 years, it's worth noting Capgemini's \$490M acquisition of LiquidHub in 2018, and the \$682M acquisition of Tarsus Group by Charterhouse Capital Partners, and the \$428M acquisition of Crossix Solutions by Veeva Systems, both in 2019.

Life Science Marketing Deal Activity by Buyer Type (\$M)



Life Science Marketing Deal Activity (\$M)



- The first 9 months of 2020 saw the ~\$700M acquisition of Huntsworth by Clayton and Dubilier & Rice and through a public-to-private LBO in May and the \$230M acquisition of Cello Health by Arsenal Capital Partners, as an add-on to their platform, Pharma Value Demonstrations.

While M&A activity took a strong pause in Q2 2020 due to the pandemic, we are seeing the momentum increasing in the second half of 2020.

* through Sept 30, 2020

Market Movers

The companies profiled below represent some of the most active Strategic Buyers in the Life Science Marketing sector based on acquisition activity:

UDG Healthcare (UDG): UDG's Ashfield Commercial and Medical Services segment provides services related to sales and marketing, communications, event management, and medical and regulatory affairs. UDG's recent acquisitions include Canale Communications, Putnam Associates, and Incisive Health, all in 2019.



Havas SA: Havas is a French advertising and public relations business. The company is divided into two main segments: Havas Creative and Havas Media. In the last 12 months, Havas' acquisitions include Cicero Consulting, Shobiz Experiential Communications, and Gate One.



Health Media Network (HMN): HMN is a provider of education and health content in physician waiting rooms. It provides this service through a platform of 30 specialty health networks. The company was founded in 2007 and is based in Darien, Connecticut. It seeks to expand its portfolio and existing clients through strategic acquisitions. HMN's most recently acquired OFX Media Group in August 2020.



Fishawack Health: Fishawack is a medical communications agency that provides professional services to assist large global pharmaceutical companies in educating the medical sector on pharmaceutical products. Fishawack's most recent transactions include Skysis in 2020 and 2e Creative and Dudnyk, both in 2019.



Omnicom Group: Omnicom is the world's second-largest ad holding company, based on annual revenue. The American firm's services, which include traditional and digital advertising and public relations, are provided worldwide, with over 85% of its revenue coming from more developed regions such as North America and Europe. The company continues to grow by making periodic small acquisitions. Omnicom's most recent acquisitions include Smart Digital, Credera, and Elsevier Japan.



About Strategic Exit Advisors

Strategic Exit Advisors is an investment bank focused on mergers and acquisitions in the Life Sciences and B-to-B Services sectors. We help CEOs with company revenues of \$5 to \$100 million. We offer the same rigorous M&A process that Fortune 500 companies enjoy to firms your size (www.se-adv.com). Let's talk.

