

Market Dynamics Lead to Explosion in Life Science Consulting M&A

Commentary:

- Outsourced life science services providers have attracted enormous interest from private equity and strategic investors in recent years, and this trend is expected to continue. This surge in interest is a result of the ever-increasing complexity surrounding drug discovery and development (e.g., real-world evidence (RWE), genomics, mRNA), combined with a continually changing regulatory environment, which has further highlighted the demand for medical affairs professionals who can add value to the commercialization process. In addition, the COVID-19 global pandemic necessitated an increase in investment in R&D activities, as well as domestic pharmaceutical manufacturing capacity, by life science companies. As a result, outsourced life science consulting companies have experienced a significant increase in demand for services. These market dynamics are driving industry-wide attention from both private equity and strategic investors.
- Key areas of interest include traditional pharmaceutical service providers such as contract research organizations, contract development and manufacturing organizations, companies providing pharmacovigilance, and third-party logistics providers, as well as newer breeds of specialized service providers, including those with a focus on specialty genomic therapeutics.
- The pharmaceutical industry has experienced a shift in focus from traditional drugs intended to impact a broad patient population to specialized and precision medicines for a narrow and diverse target patient population. The development of these specialty drugs is primarily led by small-to-medium-sized life science companies that often require a greater degree of outsourced support from specific vendors.
- M&A activity in the life science consulting industry has continued to remain strong since 2021. Healthy margins and low systemic risk make attractive targets for private equity and strategic investors. Over the past few years, transaction multiples for outsourced life science companies have steadily increased, reaching healthy low-to-mid teens EBITDA multiples, representing higher valuations than the overall market, reflecting strong interest in the industry's potential for growth in the future.
- Going forward, we anticipate continued strong private equity and strategic interest in the space as the growing demand for services across the entire lifecycle, coupled with a highly fragmented industry, provides ample opportunity for continued M&A activity.

Recent Notable Life Science Consulting M&A Activity:



Acquired By

Riverside
PARTNERS



Acquired By

Infosys[®]



Acquired By



Acquired By



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Select Healthcare Services Transactions

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<p>We provided investment banking services for</p> 	 <p>has acquired</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
<p>Community Psychiatry</p> <p>has been acquired by</p> 	 <p>formed an affiliation with</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 

* Represents a transaction executed by principals of Hexagon Capital Alliance at a prior firm