



Welcome & Introduction:

State of Our Global Platform



Banks Bourne
Chief Executive Officer
Bourne Partners

Summit Goals



Gain insight from leading executives and our own perspectives



Share information amongst industry leaders



Network with friends, new and old



Thank our advisory and investment partners



Have Fun!

Our Attendees and Speakers

- ❖ Broadly our attendees are: our advisory clients, investment partners, CEOs, other executives running pharma / pharma services / consumer health companies from across the globe
- ❖ Our Speakers are:
 - ❖ Strategic Capital Update: Minor Hinson, (Chief Investment Officer, Bourne Partners Strategic Capital)
 - ❖ Market Update: Jeremy Johnson, (Managing Director, Bourne Partners)
 - ❖ PAI – Challenge and Transformation: Minor Hinson, Paul Campanelli (Senior Advisor, Bourne Partners & Board Member, PAI), and Kurt Orlofski (Chief Executive Officer, PAI)
 - ❖ Supply Chain Disruption: Steve Scalia (President, Tanner Pharma UK)
 - ❖ Private Equity Investing Today: Brett Ingersoll (Senior Managing Director, Cerberus Capital Management)
 - ❖ Current CDMO Landscape: Pat Walsh (Chairman & Chief Executive Officer, Alkami Corporation)
 - ❖ Transforming a Company: Nikhil Lalwani (Chief Executive Officer, ANI Pharmaceuticals)
 - ❖ Dominating a Niche to Maximize Value: Manny Soman (Chief Executive Officer, Verista)



Bourne Partners Overview

Investment Banking and Strategic Capital



Bourne Partners Overview

AREAS OF EXPERTISE



Pharmaceuticals



Pharma Services



Consumer Healthcare

About Bourne

Bourne Partners is comprised of experienced investment professionals, healthcare executives, and operating partners with over 170 years of combined experience conducting business in more than 35 countries.

OUR SERVICE OFFERING

■ Investment Banking Advisory

- Mergers and Acquisitions
- Capital Raising
- Business Development Support
- Strategic Initiatives and Consulting

■ Strategic Capital Investment

- Partnership-Based Private Equity Investment
- Variety of Investment Capabilities

■ Investment Capabilities

- Middle Market
- Complex Situations
- Creative Structures
- Flexible Investment Sizes

+\$10 Billion

Pharma Transactions Since 2015



Geographic Coverage

Dots represent the countries where the Bourne Partners team has transaction experience

Investment Banking

Overview

Bourne Partners Investment Banking division provides investment banking services within the healthcare and life sciences sector for external clients as well as our portfolio companies.



VALUE PROPOSITION

- Total Perspective
 - Experience advising, investing in, building, operating, buying, and selling companies
 - Unmatched 360° perspective for every project
- Uncompromised Service
 - Direct involvement of senior management throughout process
 - High level of attention regardless of transaction value
- Global Reach
 - Experience working with companies around the globe
 - Extensive network of potential international buyers

AREAS OF FOCUS

- Buy and Sell Side M&A
- Equity & Debt Capital
- Licensing / Partnering
- Strategic Consulting

Select Tombstones



Other Select Clients & Counterparties



Partners, Sponsors, and Lenders

THE CARLYLE GROUP

COLBECK

cerberus

Cinven

Advent
Venture Partners

Ampersand



Strategic Capital

Overview

Bourne Partners Strategic Capital (“BPSC”) partners with/invests in pharma, pharma services, and consumer health opportunities where we can:

- 1) *invest a significant amount of our own capital*
- 2) *add value*
- 3) *align incentives/partner with management*



CRITERIA

- Proven and experienced management teams
- Highly flexible companies - *equity checks up to and > \$1B*
- Cash flow positive, commercial stage transactions
- Companies where BPSC’s value-add can create a significant return on our personal capital

TRACK RECORD

- 15 direct or co-investment platforms
- Investment in > 15 PE funds since inception
- Executed \$20+ billion in transactions
- >11x realized MOIC (average)

Current Portfolio Companies



Private Equity Partners & Co-Investors



Exited Portfolio Companies (Active Role)



Partners, Clients, and Counterparties



Project Vulcan



Teligent





Bourne Partners Insights

Trends, Commentary, and Select Case Studies



20 Year Valuation Trends - Big Pharma

Historical Total Enterprise Value / EBITDA (LTM) Multiples

Throughout our firm's history, our industry has undergone numerous shifts and changes creating cyclical opportunities to both buy and sell

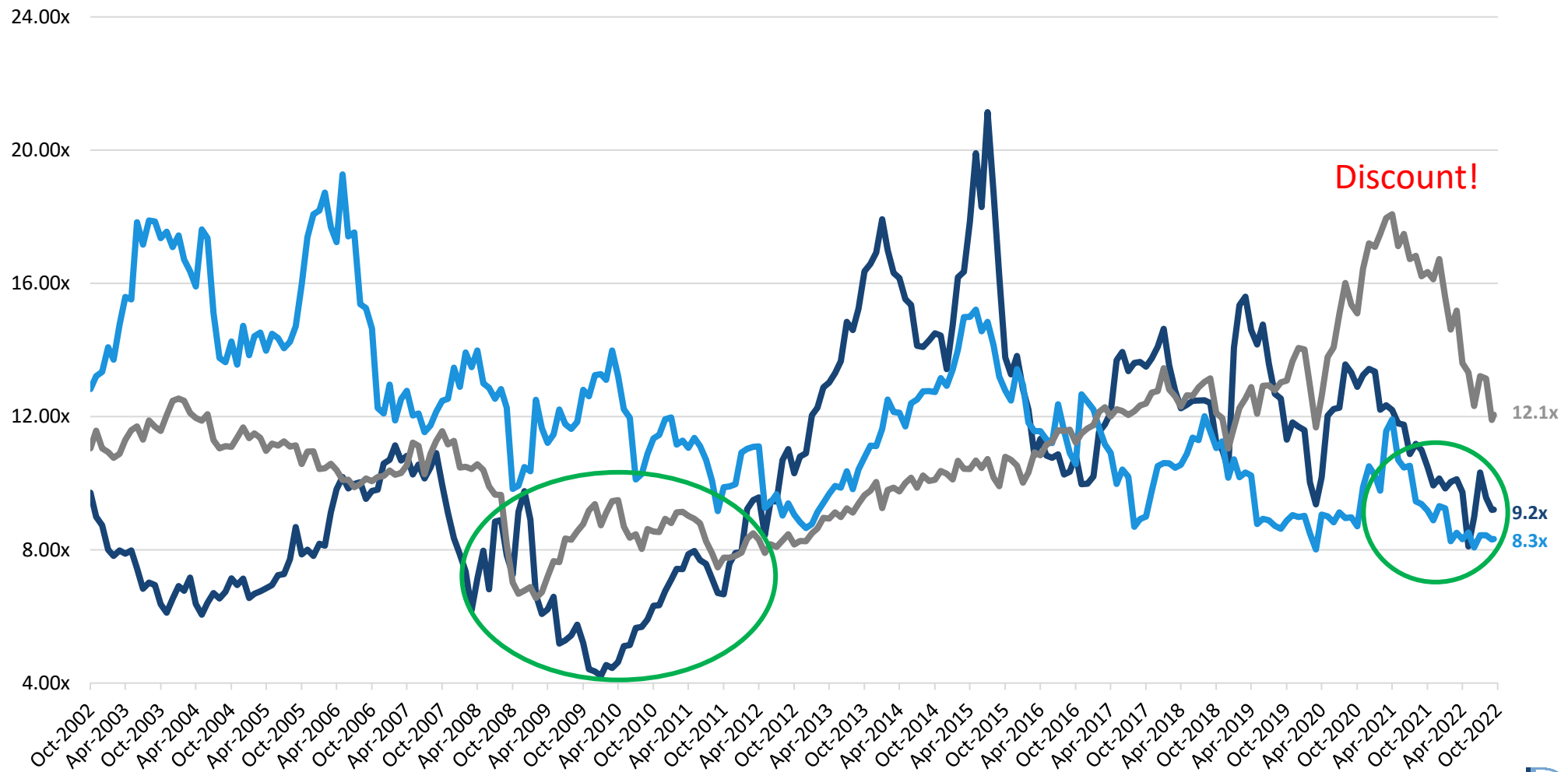


20 Year Valuation Trends

Historical Total Enterprise Value / EBITDA (LTM) Multiples

Throughout our firm's history, our industry has undergone numerous shifts and changes creating cyclical opportunities to both buy and sell

— Branded — Generics — S&P 500

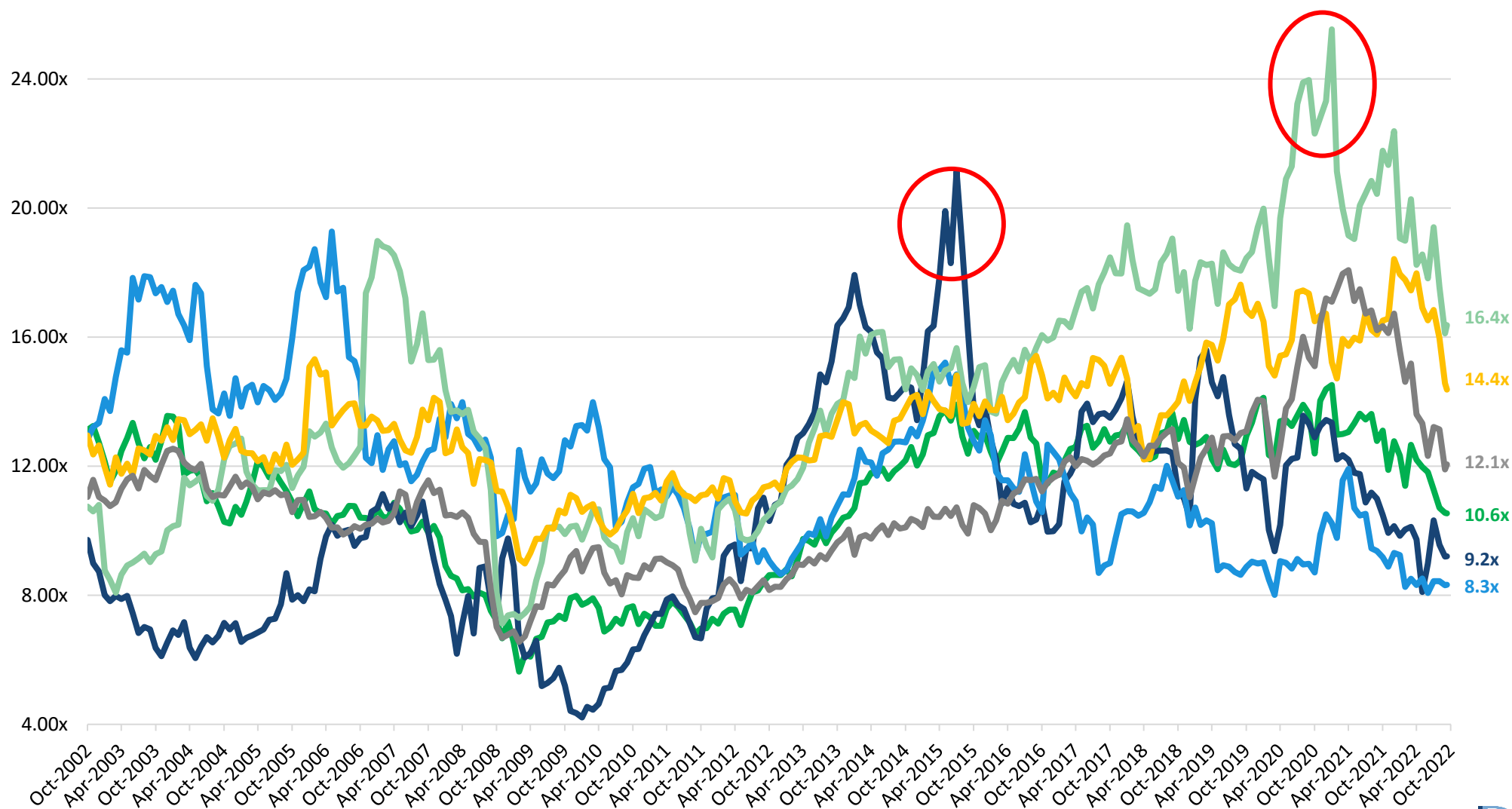


20 Year Valuation Trends

Historical Total Enterprise Value / EBITDA (LTM) Multiples

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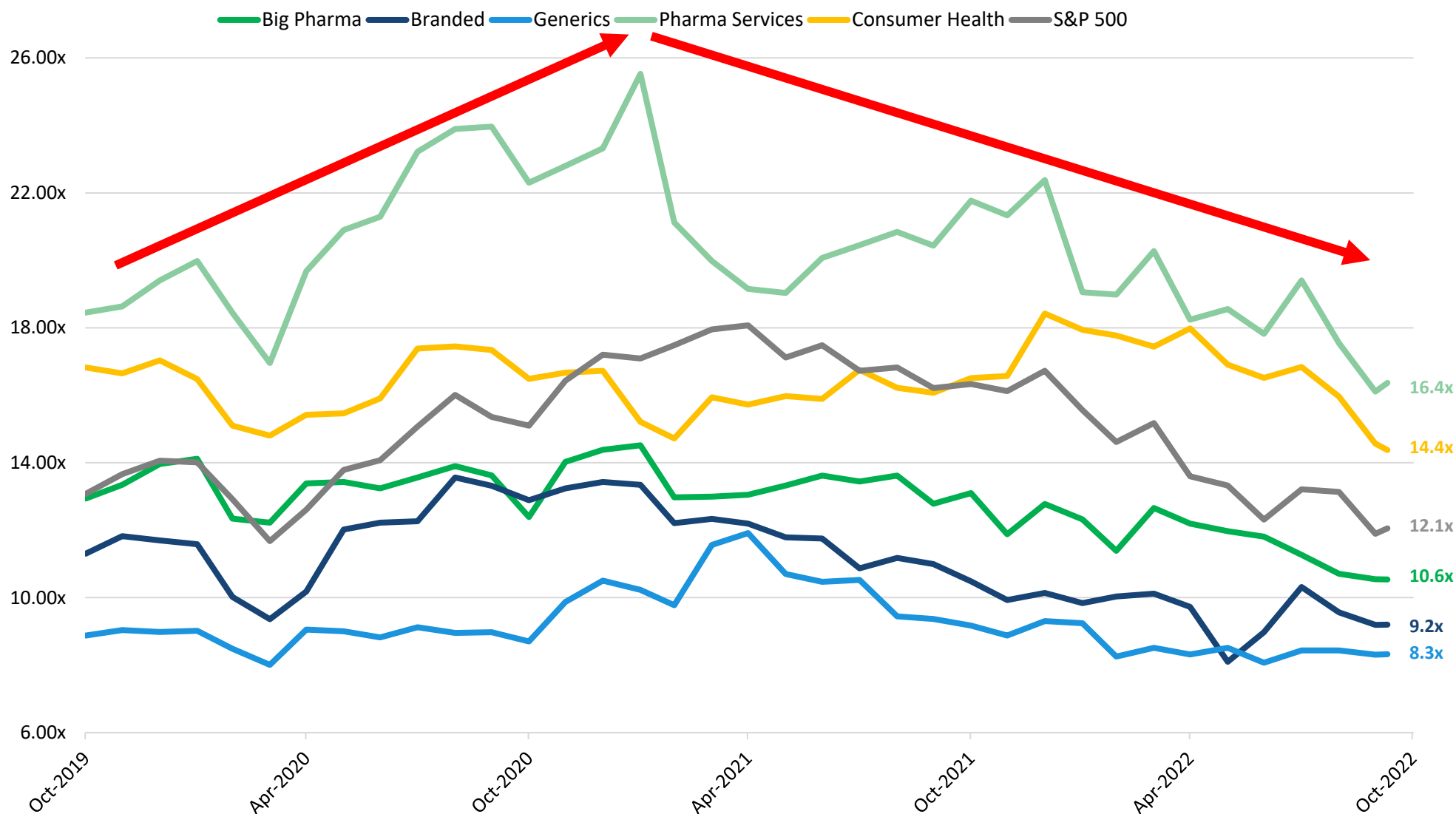
Big Pharma Branded Generics Pharma Services Consumer Health S&P 500



Valuation Trends - Since Our Last Summit

Historical Total Enterprise Value / EBITDA (LTM) Multiples

The Pharma Services sector EV/EBITDA multiple continue to trade at significant premiums to the S&P 500 (~36%), despite shaving nearly 10 turns off its peak of almost 26x



100% Invested, 100% of the Time

Equities

Public

- Common
- Preferred

Private

- Buyout
- Growth
- Secondaries
- Venture
- Etc.



Fixed Income

Public

- Corporate
- Treasuries
- Municipal
- Etc.

Private

- Direct
- Asset Backed
- Distressed
- Etc.



Cash

Cash

- CDs
- Money Market Fund
- Mattress Money
- Etc.



Real Estate

Commercial

- Multifamily
- Retail
- Office
- Storage

Residential

- Single Family
- Townhomes
- Condos
- Vacation



Other

Alternatives

- Derivatives
- Royalties
- Art
- Cars
- Wine
- Airplanes?



So...Where do you put your money?

- ❖ Covid-19
- ❖ Labor Shortages
- ❖ Supply Chain Catastrophe
- ❖ Inflation
- ❖ War in Ukraine
- ❖ Spiking Energy Prices
- ❖ Rising Interest Rates
- ❖ Currency Crisis
- ❖ Specter of Global Recession
- ❖ Sovereign Debt Crisis??
- ❖ More Inflation
- ❖ Cratering Growth in China

Source: Wall Street Journal



Worrisome Recent Headlines

FedEx Stock Hit By Profit Warning; Rivals Also Drop Amid Recession Fears

By Alex FrangosHannah Miao September 16, 2022 04:37 pm ET

Putin Orders Draft of Reservists for War in Ukraine, Threatens Nuclear Response

September 21, 2022 04:53 am ET

War, Inflation Knock World Economy Off Balance

September 23, 2022 10:15 am ET

U.K.'s Sweeping Tax Cuts Send Pound Tumbling, Yields Higher

The British government unveiled the sweeping cuts in a bold bet to jolt the U.K.'s inflation stricken economy into growth, prompting a slide in the pound and a jump in government bond yields.

By Max Colchester, Anna Hirtenstein and David Luhnow

September 23, 2022 01:14 pm ET

“We worry that investor confidence in the U.K.’s external sustainability is being eroded fast,” said George Saravelos, global head of foreign exchange at Deutsche Bank.

Markets Are Right to Be Shocked by Britain’s Version of Reaganomics:

The second is Britain’s shaky position as a global borrower. At the start of Thatcherism and Reaganomics, both the U.K. and the U.S. ran small current account surpluses, and the U.K. had debt of only about 40% of GDP. There was plenty of scope to borrow from abroad by turning it into a deficit, as foreigners helped finance a run-up in domestic borrowing, consumption and investment.

At the start of what’s being called “Trussonomics,” Britain has a record current account deficit and debt above 100% of GDP, both to worsen due to the extra borrowing for the tax cuts and for a massive energy subsidy package.

Success Doesn't Move in a Straight Line



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Market Update



Jeremy Johnson
Managing Director
Bourne Partners



Capital Markets Update

Jeremy Johnson: Managing Director, Head of M&A

Welcome Back!

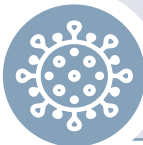
It's been 3 years since we last gathered here for the Bourne Partners Executive Summit...

Welcome Back!

It's been 3 years since we last gathered here for the Bourne Partners Executive Summit...

....And a lot has happened since the last time we met....

For starters, let's take a look at some of key issue of late...



COVID-19 Pandemic

- The world went into lockdown, sparking massive supply chain issues, unprecedented fiscal stimulus, and forever disrupted the way we conduct business
- While the bulk of the 'curve' has seemingly passed, we're stuck in the midst of the aftermath, and the virus is expected to be here to stay as we transition into a new, post-pandemic world



The Fed & Gov't

- To avoid a 'recession', the Fed & Gov't acted with a short-term mindset and implemented policies which at the time seemed to help, but now we're left with a much larger problem on our plates
- Now, the world is watching the Fed's actions closely as they seek to steer the ship back in the right direction through historically tight monetary policy



War in Ukraine

- Just when the world seemed like it couldn't get more chaotic, Putin sent Russian troops to invade Ukraine marking a major escalation in the Russo-Ukrainian War, which began in 2014
- The War has persisted much longer than expected and is currently triggering a global energy crisis as other countries rely heavily on Russian oil and natural gas



Inflation

- Closely related to the prior two topics, inflation has seemingly become a daily talking point throughout households, offices, and social groups around the world
- At the highest level in 4 decades, inflation concerns are a key driver of equity and credit markets, and even though there are signs of cooling, we still have a long way to go



Recession?

- The culmination of these issues has raised much concern about whether or not we're headed for a recession, while the GDP-based definition indicates we are in one now
- Notable themes to keep an eye on moving forward as it relates to recessions include the Fed's upcoming rate hikes, quarterly GDP, corporate earnings, and the debt markets

A brief COVID-19 recap



Global Lockdowns



Macroeconomic Challenges



Easy Money (Fiscal & Monetary)



Supply Chain Disruptions



“A New Normal”

Federal Government: Dumps \$5 Trillion in Stimulus Into the Economy

To support families, businesses, and the broader economy, the Federal Government injected \$5 trillion worth of stimulus into the U.S. economy...

***CARES Act & American
Rescue Plan Act***

Stimulus Checks

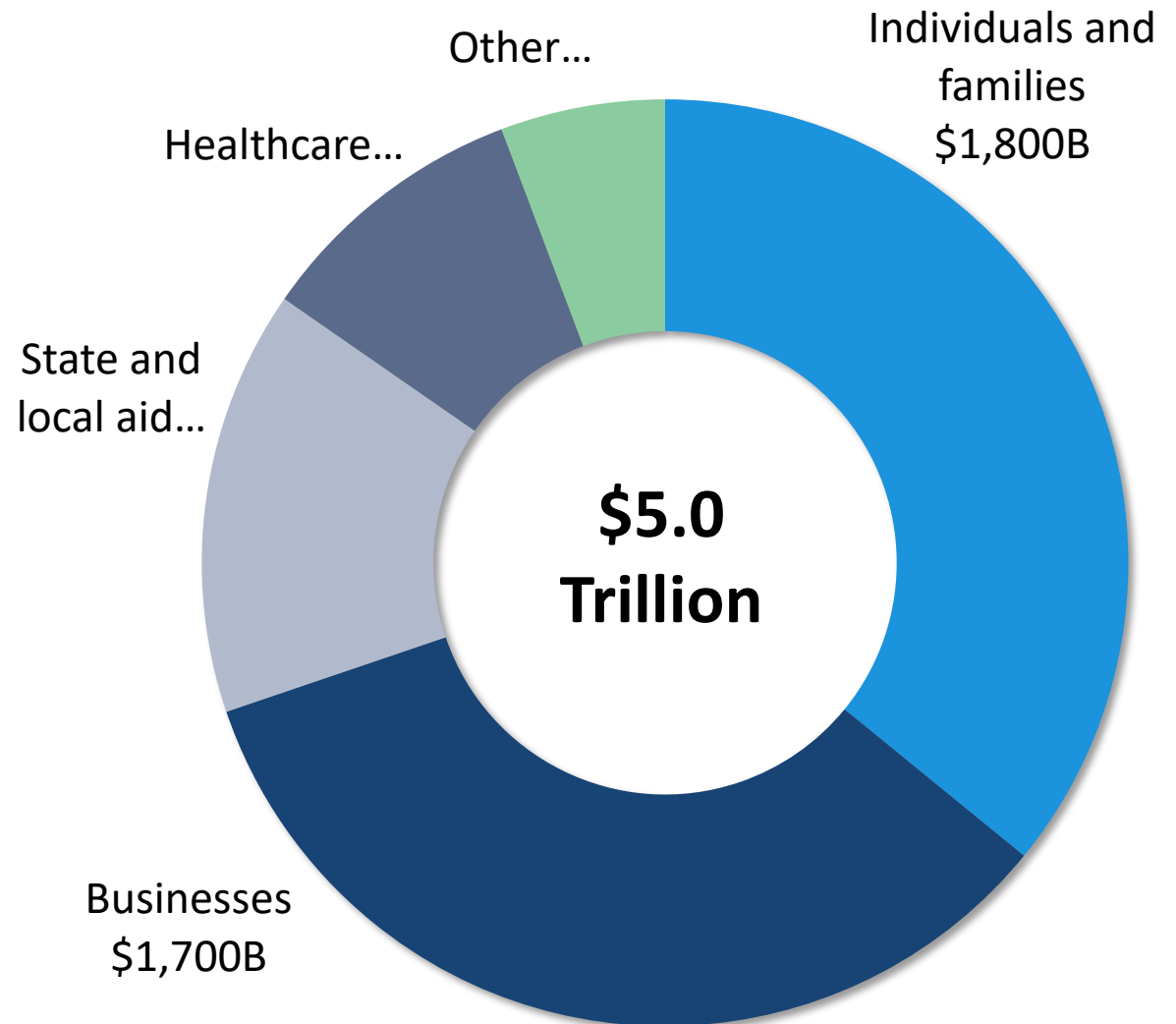
PPP Loans

***Additional \$600/Week
Unemployment***

Eviction Moratorium

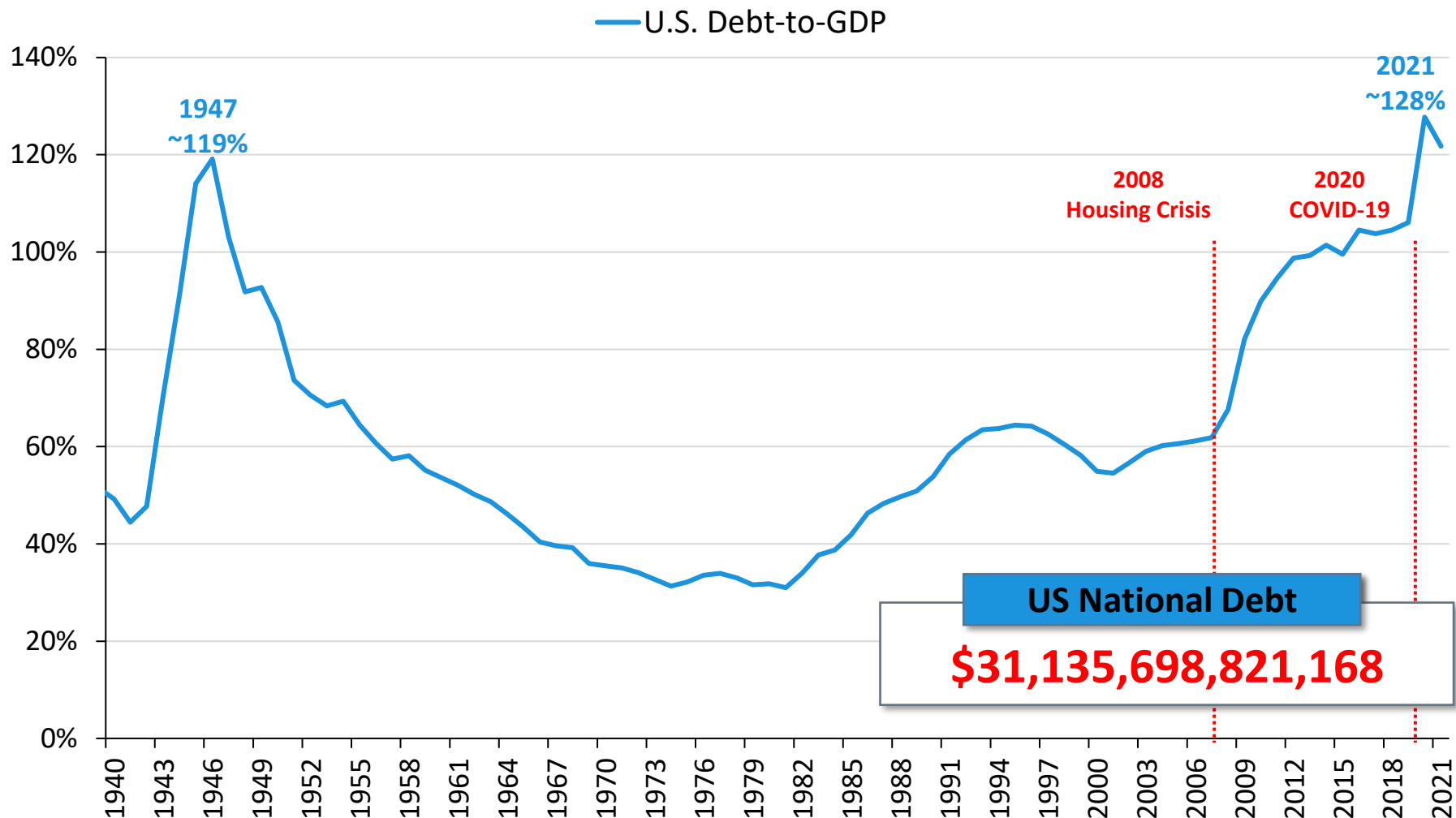
***Suspended Student
Loan Payments***

Other Stimulus



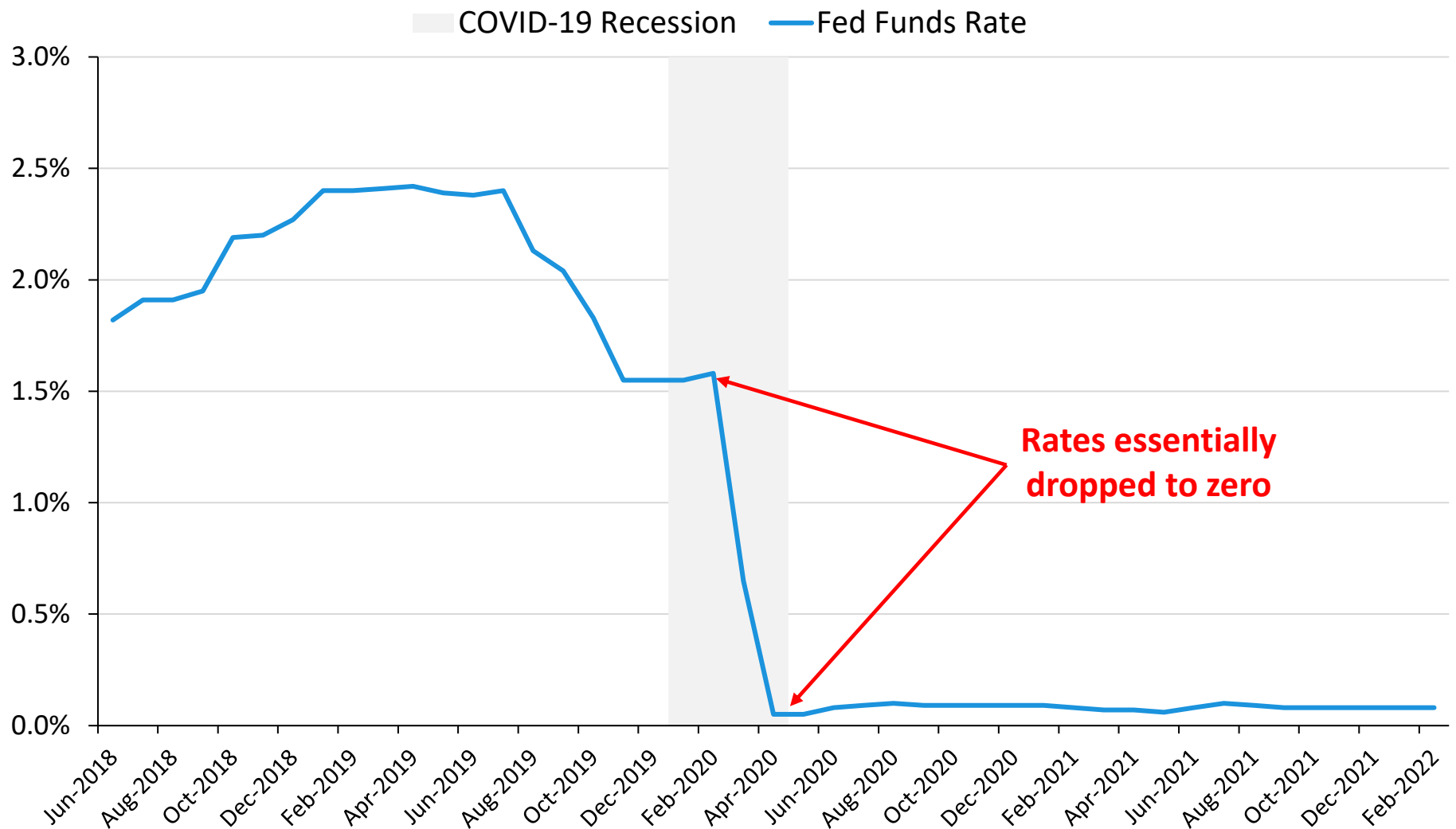
...Pushing U.S. Debt-to-GDP to a new high of ~128%

U.S. Debt-to-GDP reached an all-time high of ~128%, surpassing levels not seen since World War II...



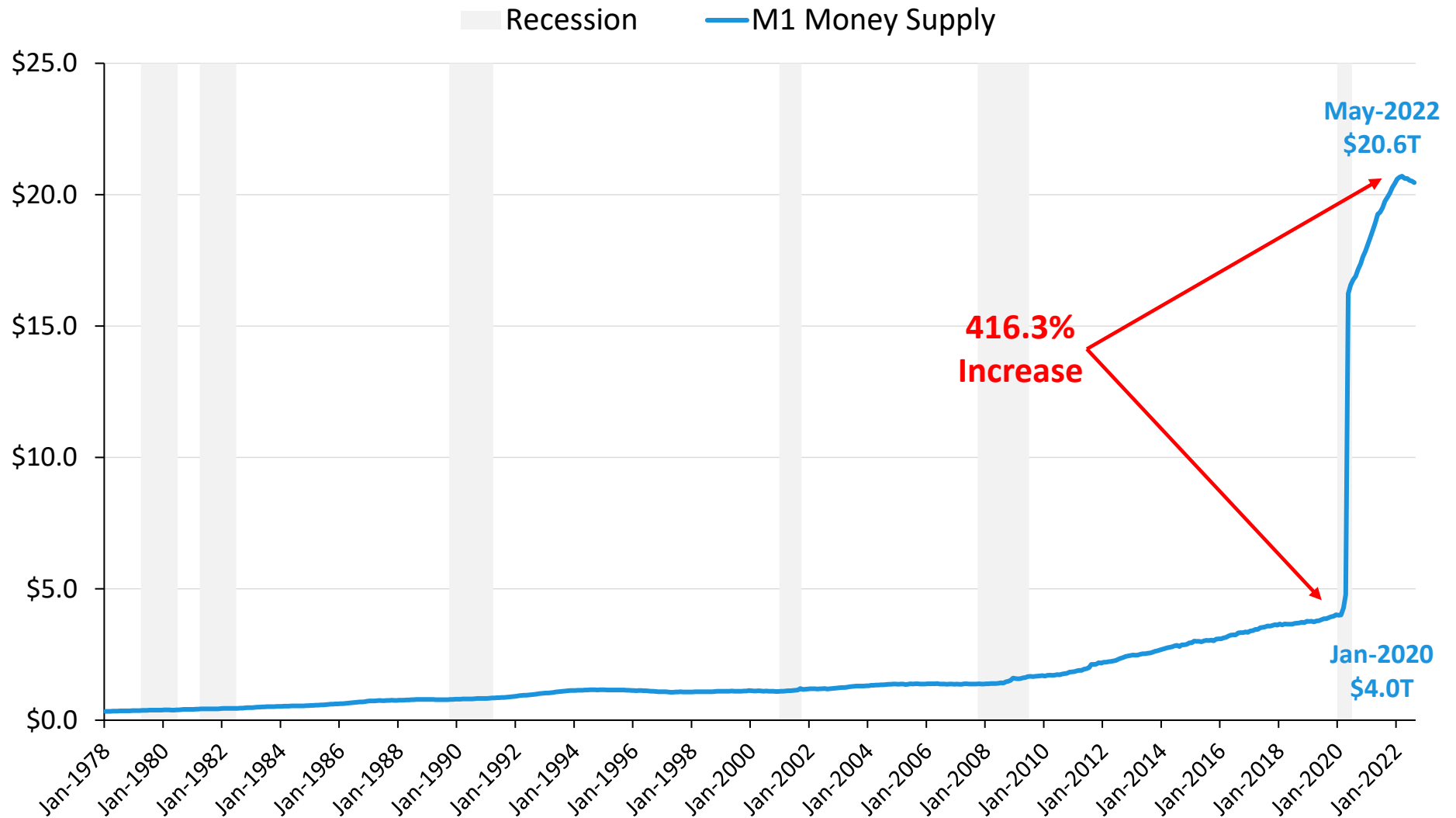
The Fed's Response: Lowering Interest Rates

In response to global economic shutdowns and impending “recession”, the Fed took unprecedented monetary actions, including cutting interest rates to near-zero...



As a result, M1 Money Supply multiplied 5X.....

As a result of easy monetary and fiscal policies, M1 Money Supply increased >400% from the start of 2020 to May 2022...



Outcomes of stimulus and Fed policies...

The culmination of these actions, in addition to COVID effects, led to several unforeseen issues...



Tight Labor Market



Further Supply Shortages



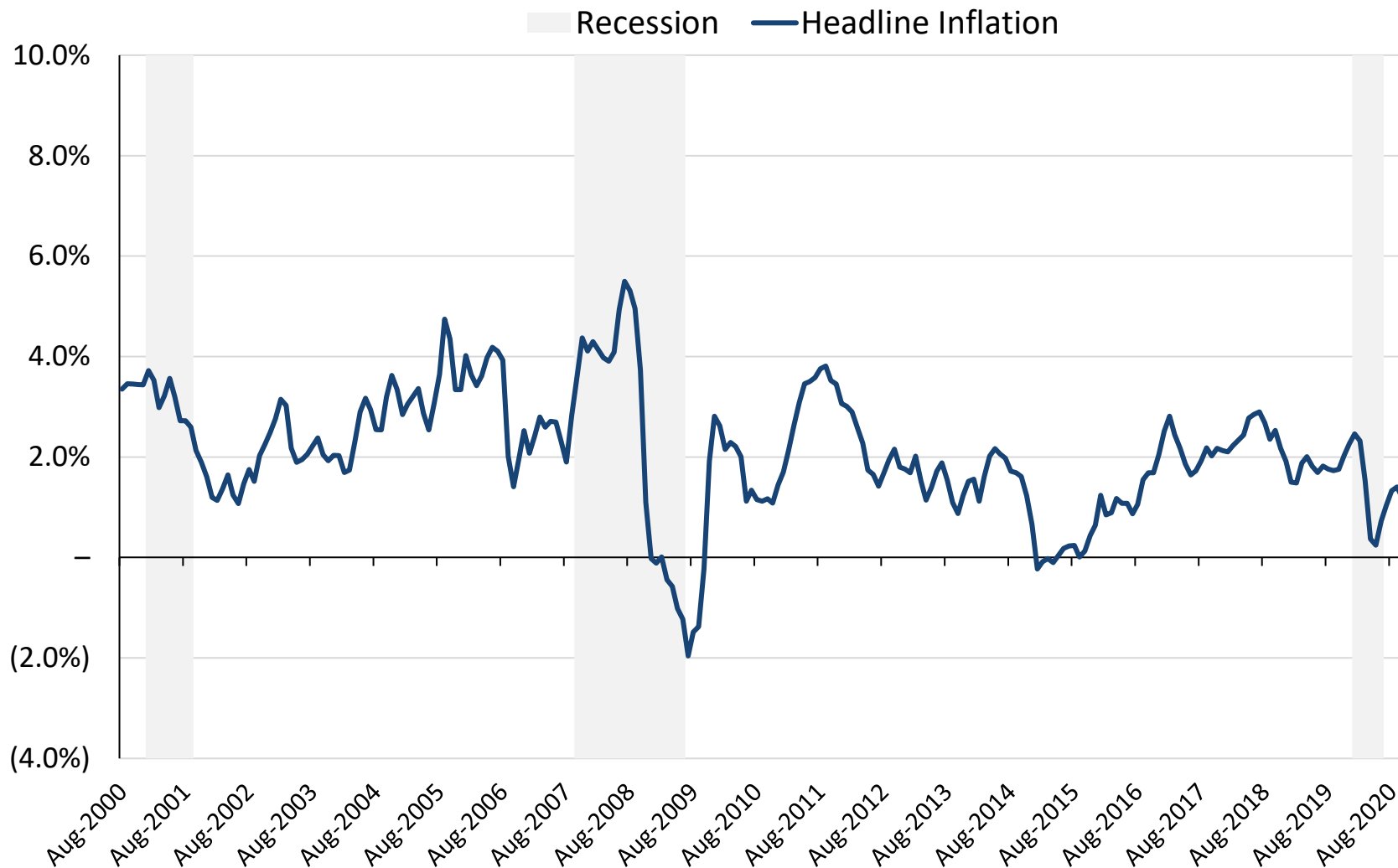
Increased Demand / Buying Power



“Transitory” Inflation?

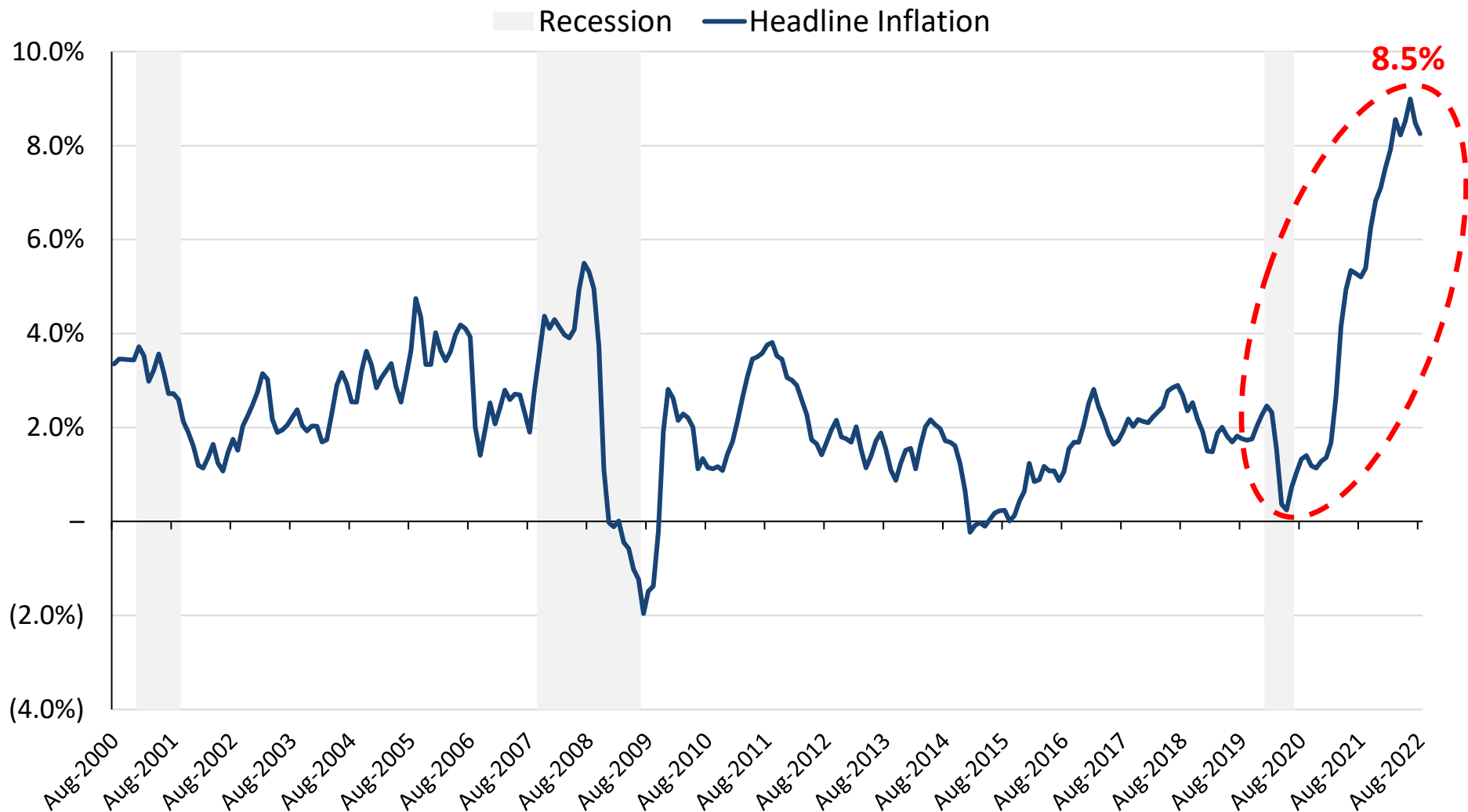
Inflation has not been an issue for most of the last 20 years...

Since August 2000, annual inflation has averaged ~2.4%...



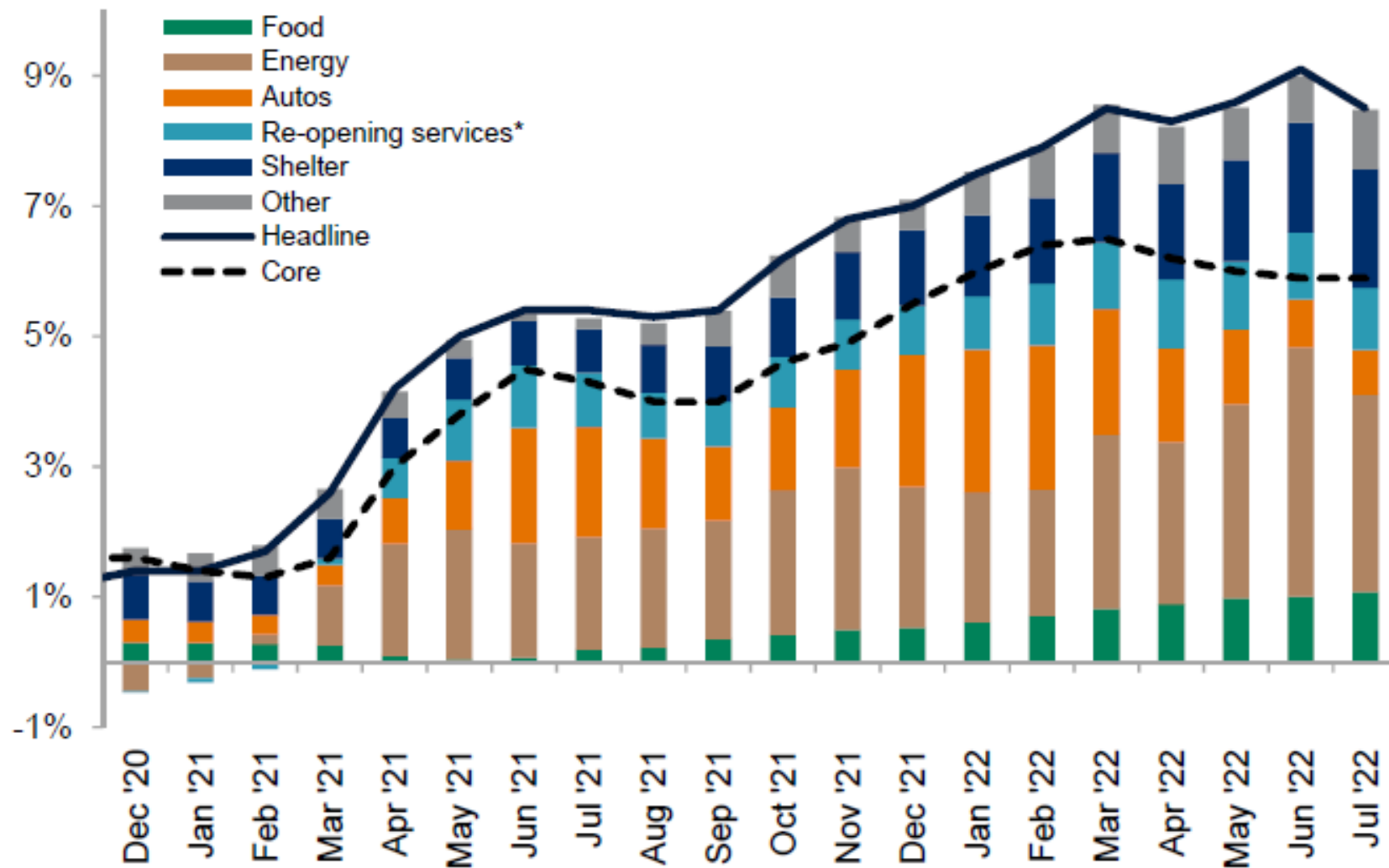
Now, it's a big problem...

Since early 2021, we've seen a surge in U.S. inflation which topped 8.5% in August...



While energy has been a major contributor, the problem is everywhere...

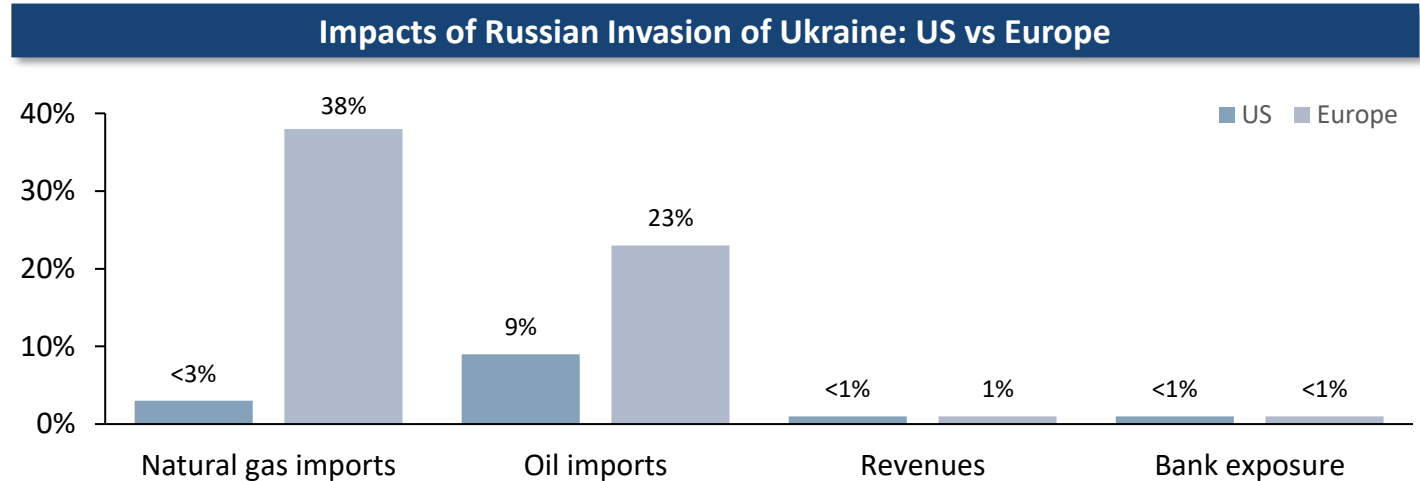
Inflation remains untenably high across segments, but we're starting to see signs of cooling...



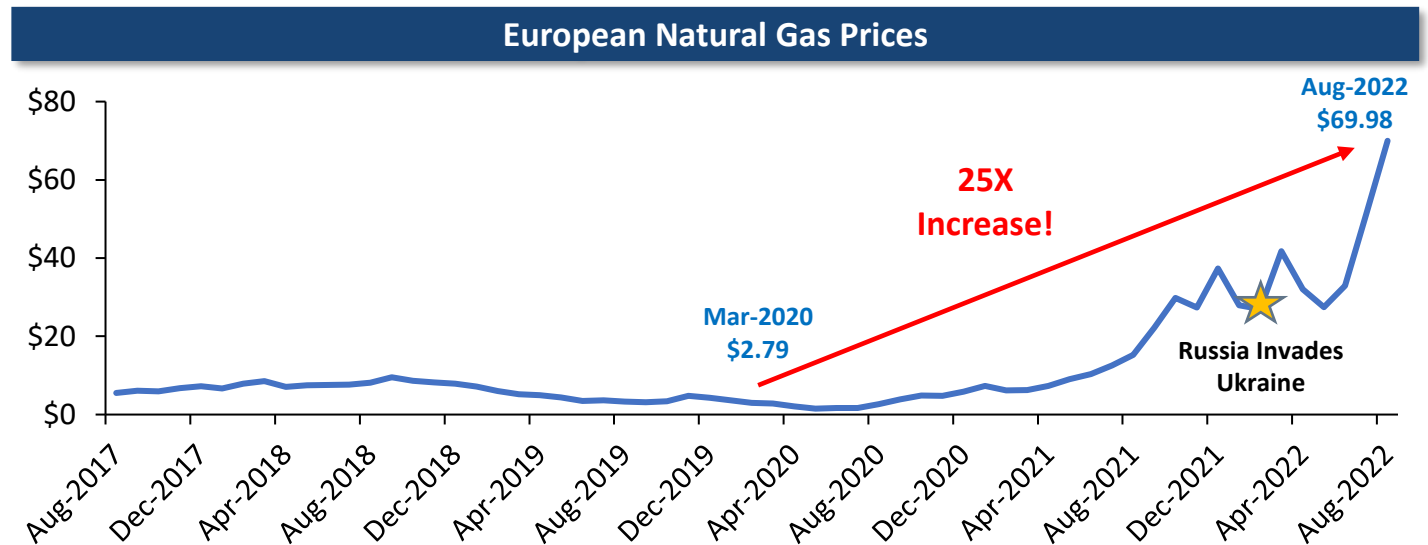
Further exacerbated by Russia's invasion of Ukraine.....

On 24 February 2022, Russia invaded Ukraine in a major escalation of the Russo-Ukrainian War, which began in 2014. Now, Russia has weaponized energy in response to global sanctions...

Resulting in severe impacts to Europe in particular...

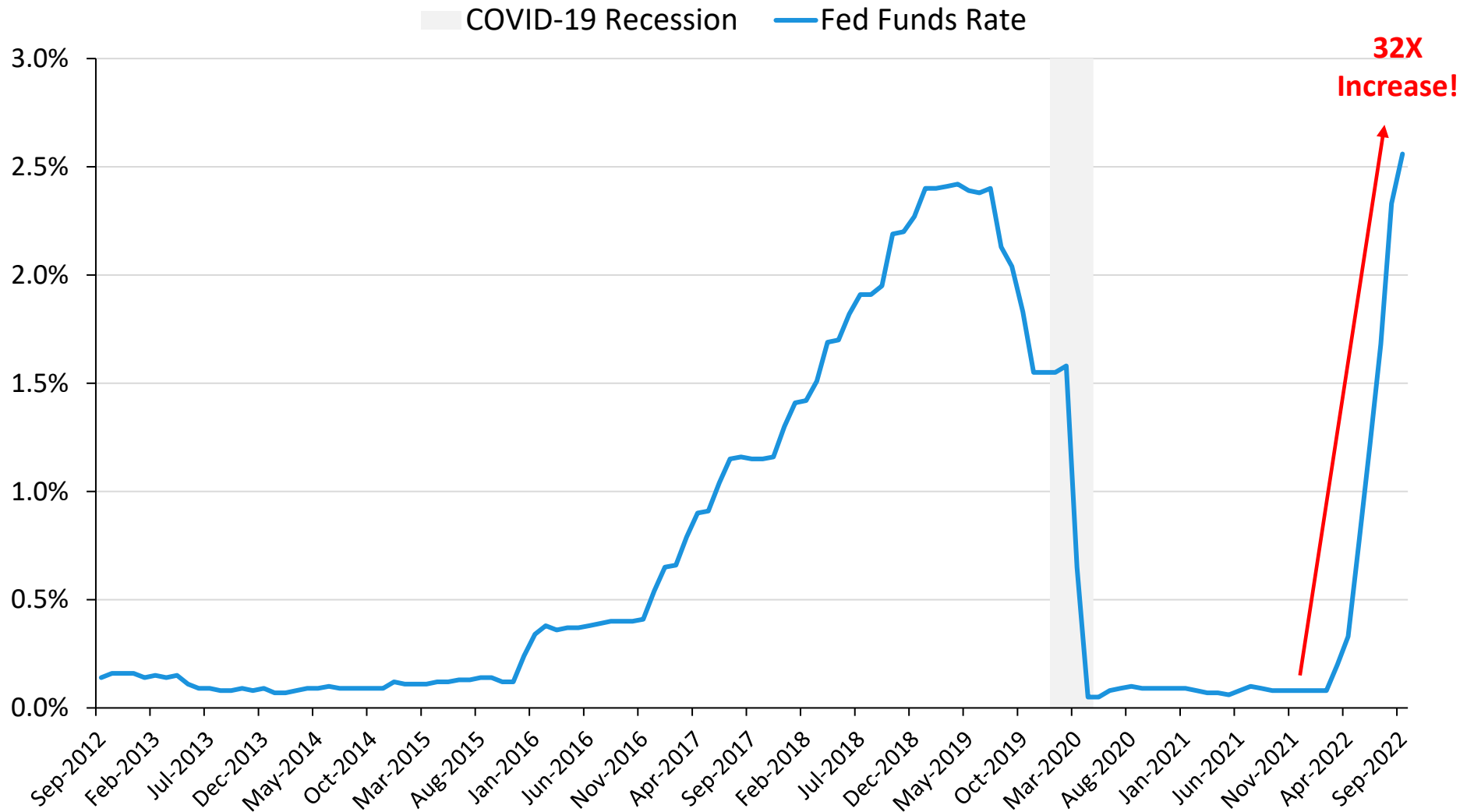


With natural gas prices surging!



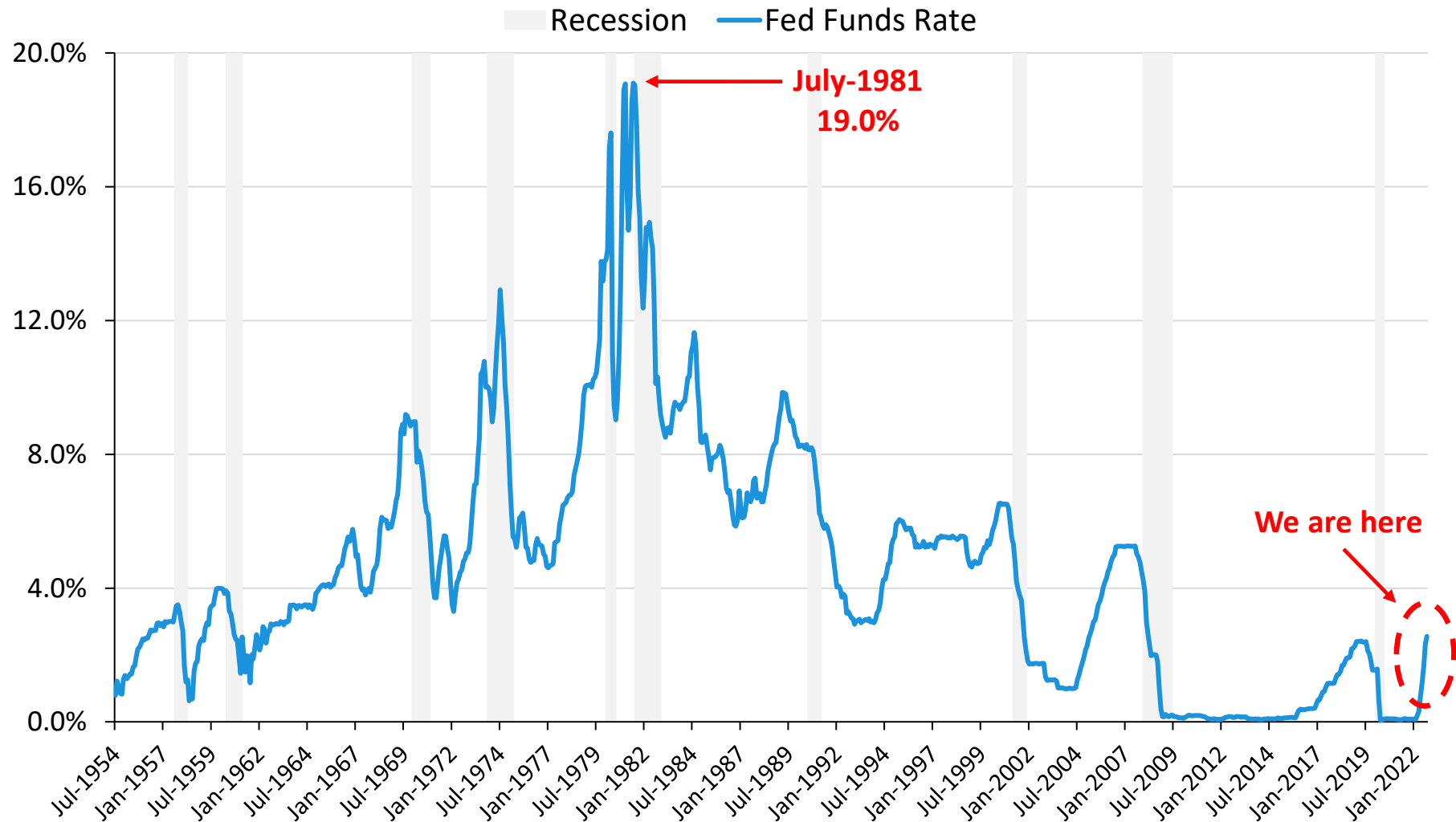
Now the Fed needs to cool down an overheated economy...

The Fed is raising rates at the fastest rate in 40 years with a primary goal of taming inflation, but at risk of pushing the economy into a recession...



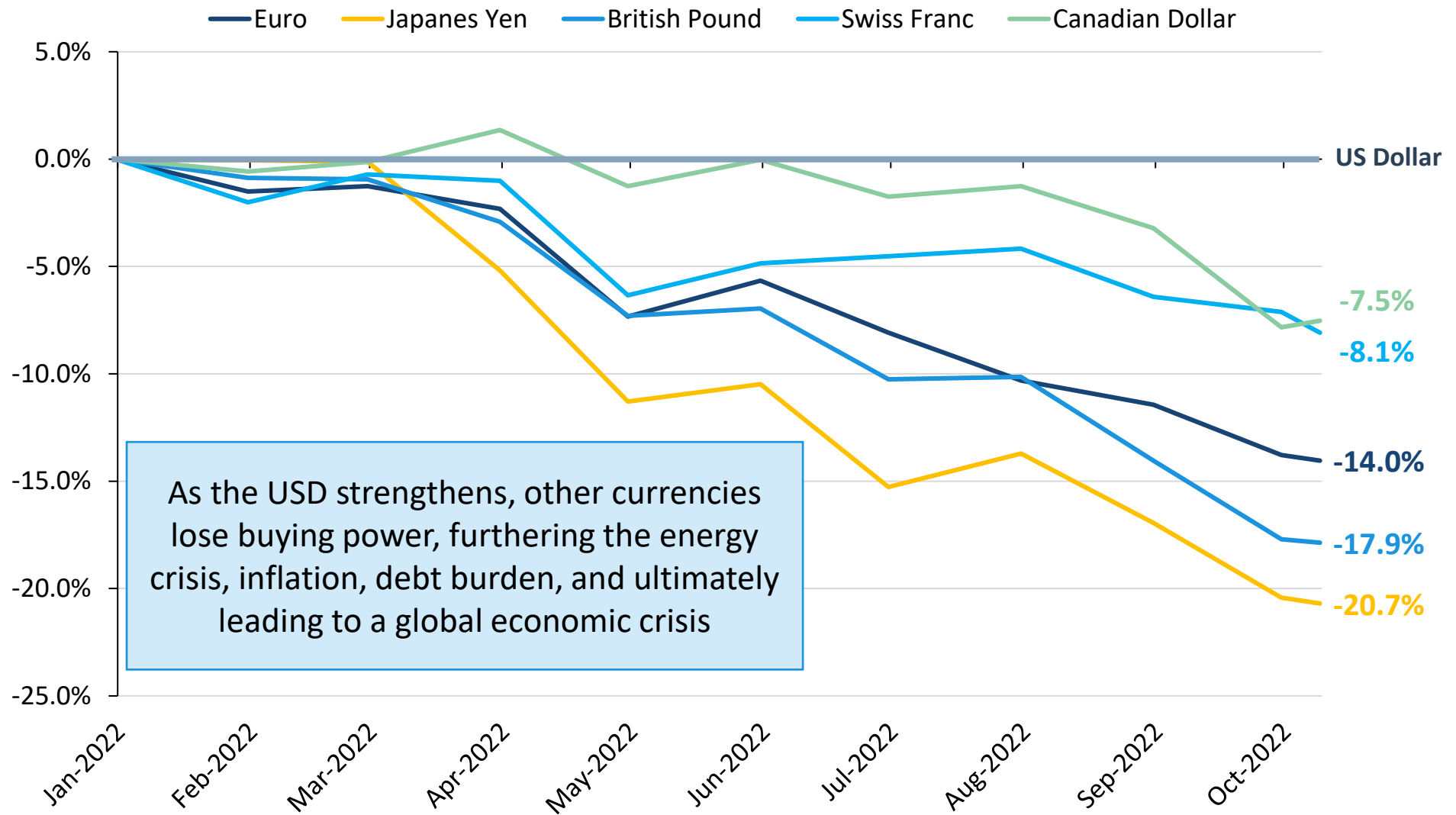
But rates are still low compared to historical...

But when you look at the bigger picture, rates are still meaningfully lower than they once were, especially in the 1980s inflationary era...



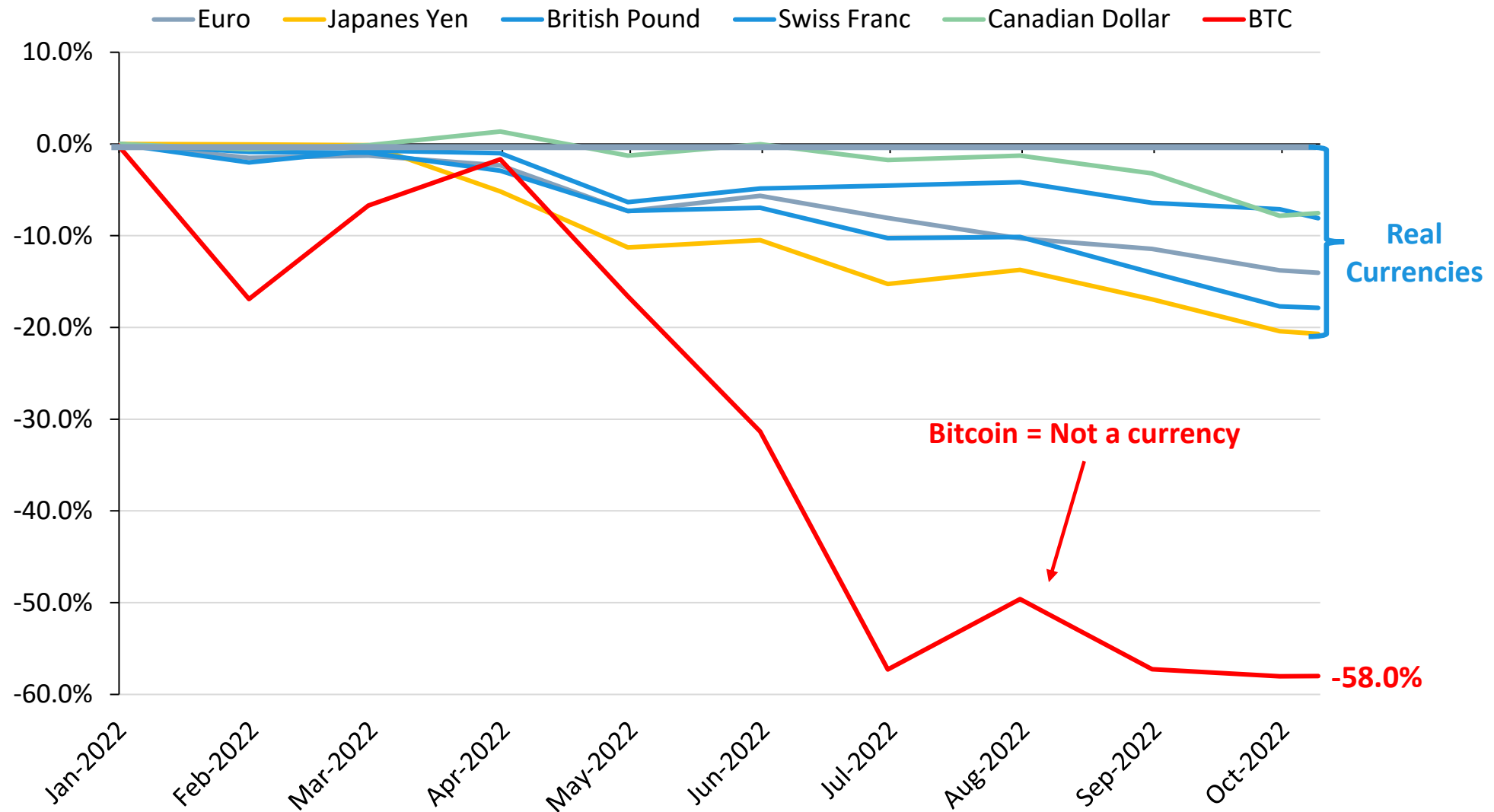
The US Dollar appears strong on the global stage...

As rates rise, US federal debt and currency investments look more attractive, causing the U.S. Dollar to surge in value, increasing concerns over its negative impact on foreign economies...



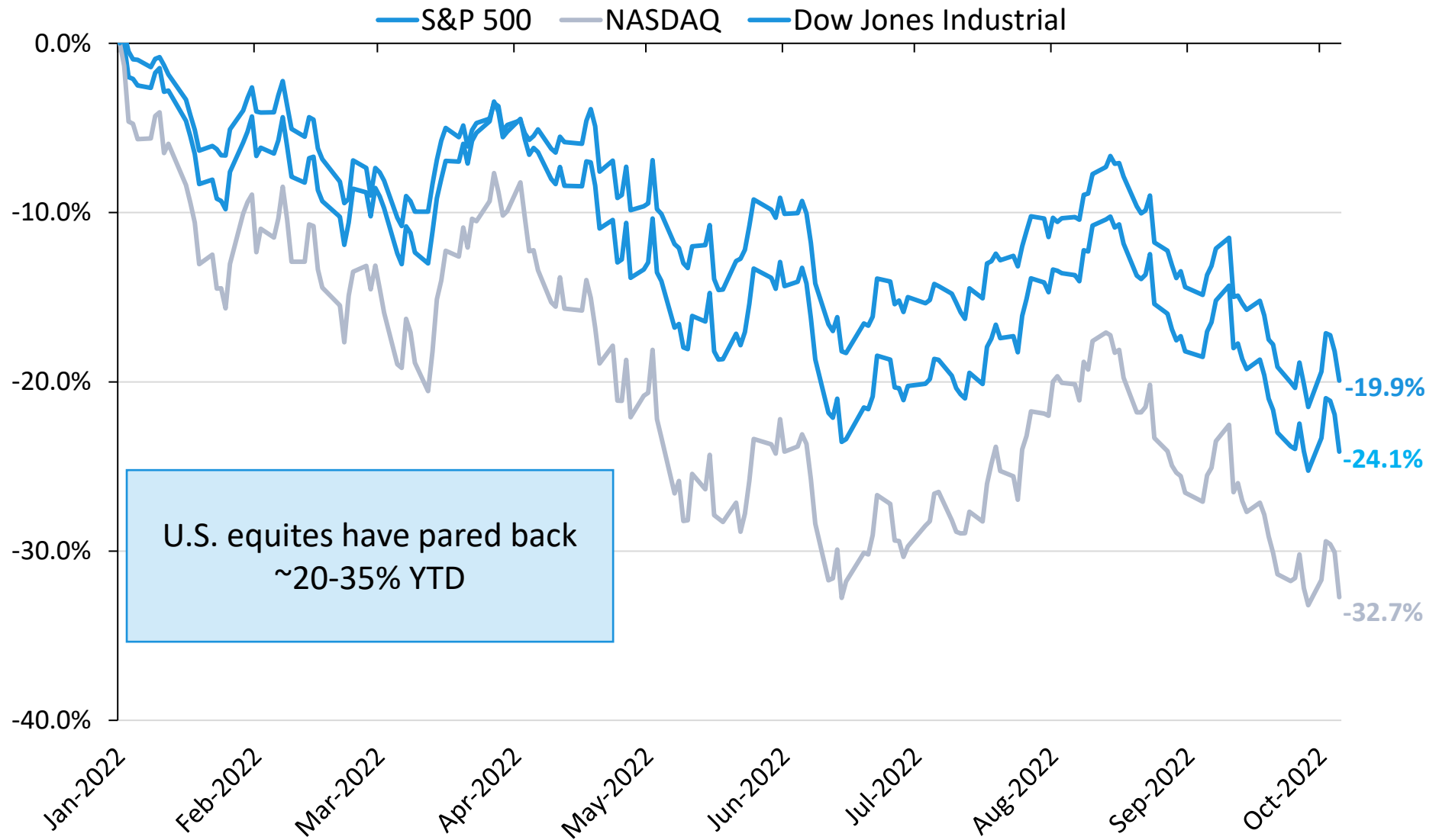
And Bitcoin is still not a real currency...

Year-to-date, the price of Bitcoin has declined over 58%...



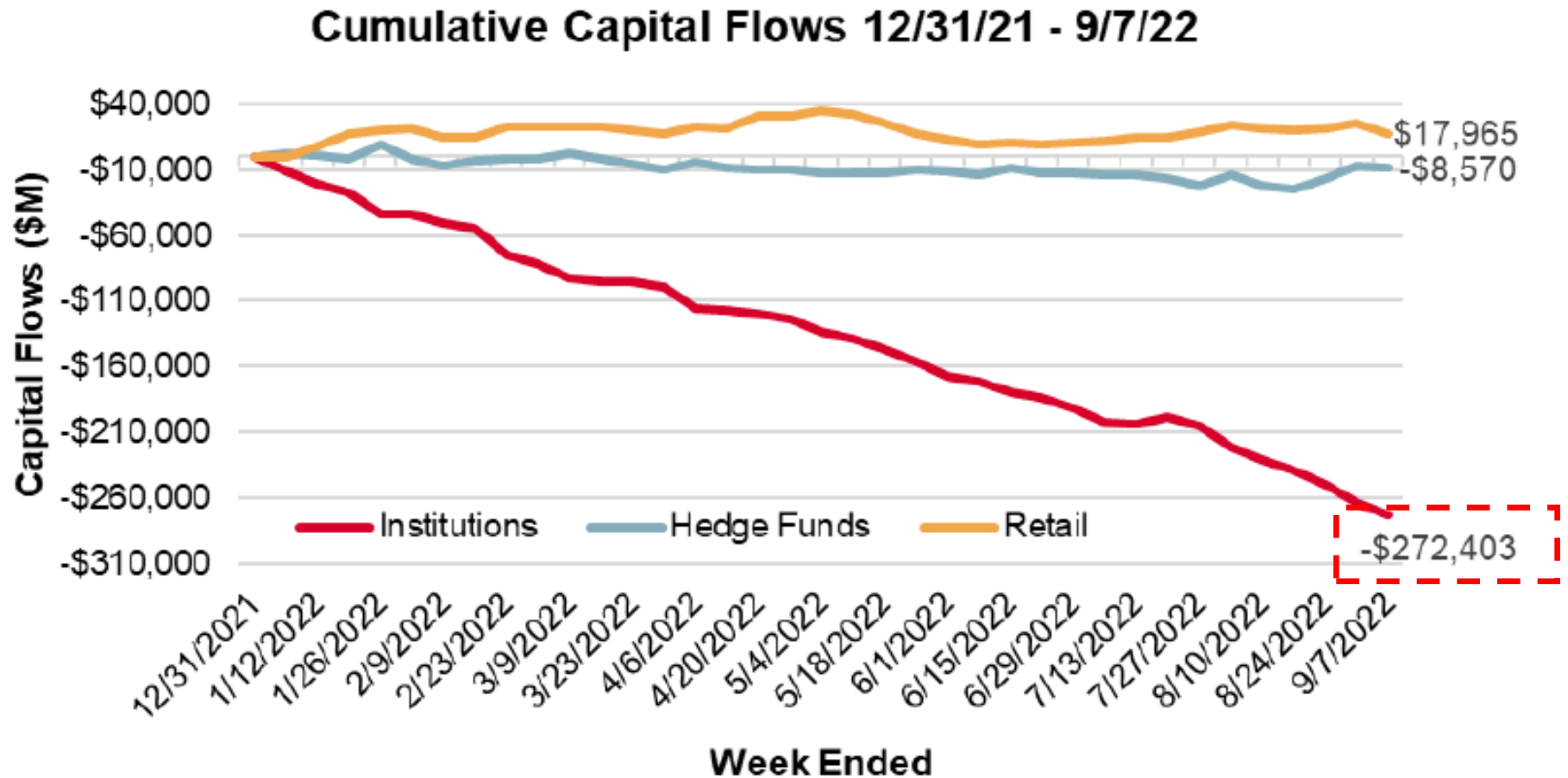
Even though public markets have tanked...

All major indices have posted substantial declines in 2022...



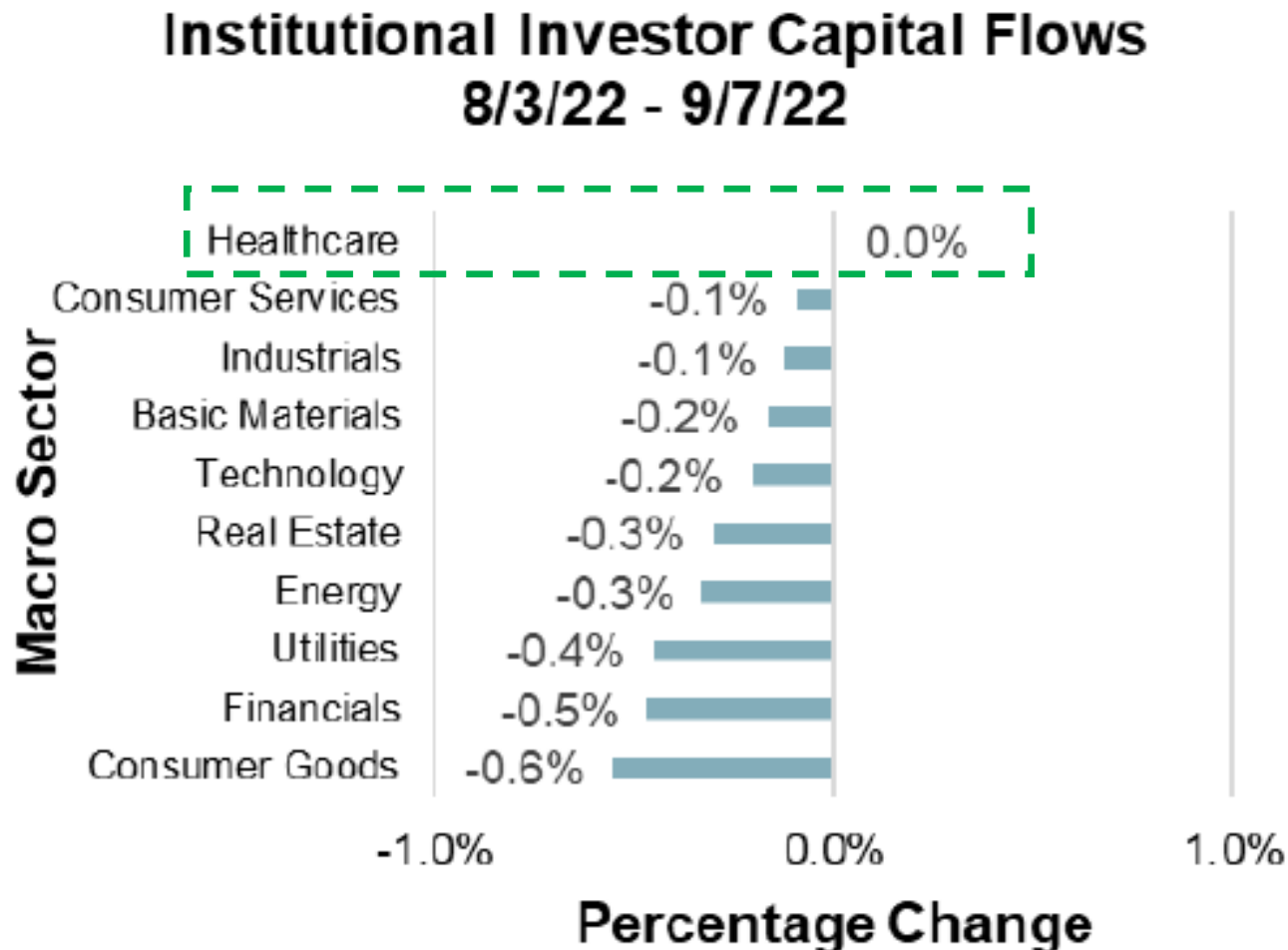
Institutional Investors are driving the selling pressure...

As of September 7, 2022, net cumulative capital flows from Institutions were down ~\$272 billion, while Hedge Funds have been only moderate sellers, and Retail continue to buy the dip...



Healthcare remains favorable amongst Smart Money...

August capital flows for Institutional Investors suggest a pessimistic outlook for all sectors except Healthcare...

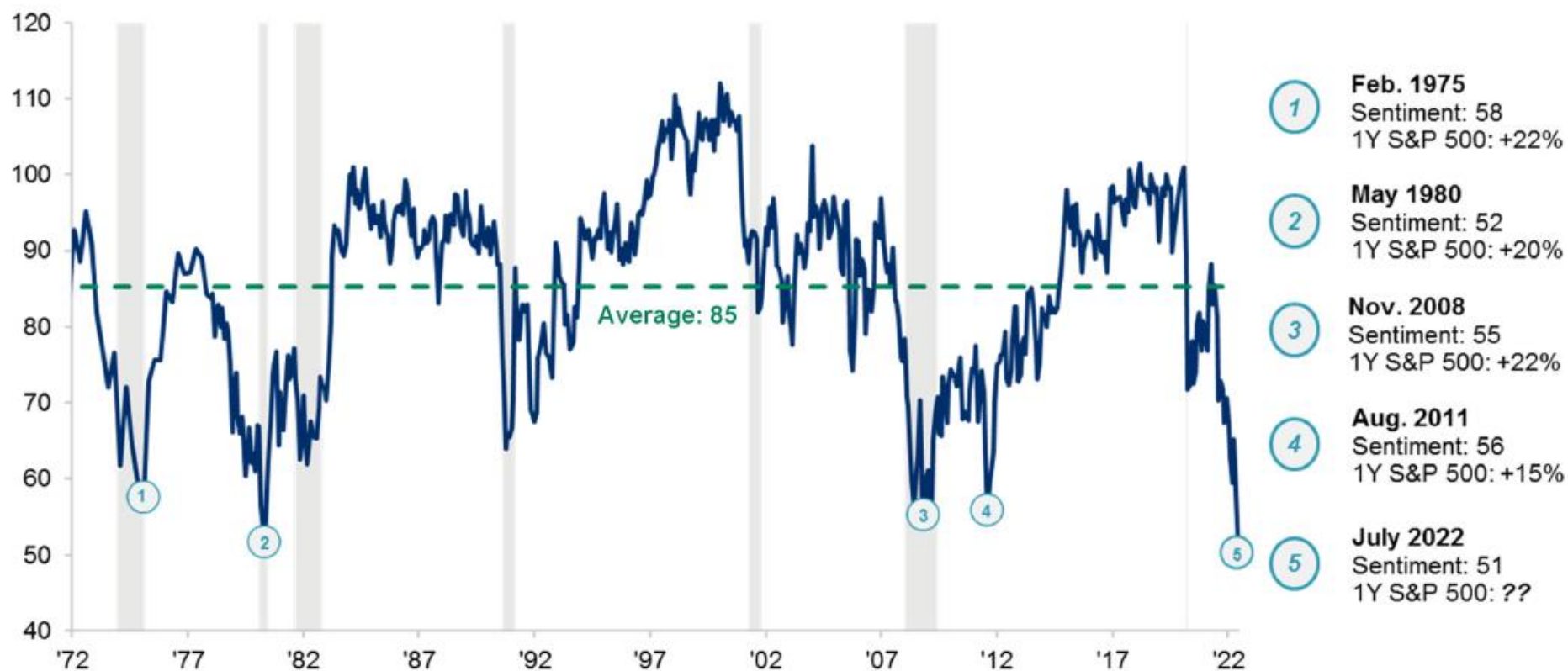


But when things seem gloomy, markets tend to recover with confidence...

Historically, when U.S. consumer sentiment reaches near-record lows, the next twelve months' return of the S&P 500 averages ~20%...

U.S. Consumer Sentiment has Reached Near-Record Lows

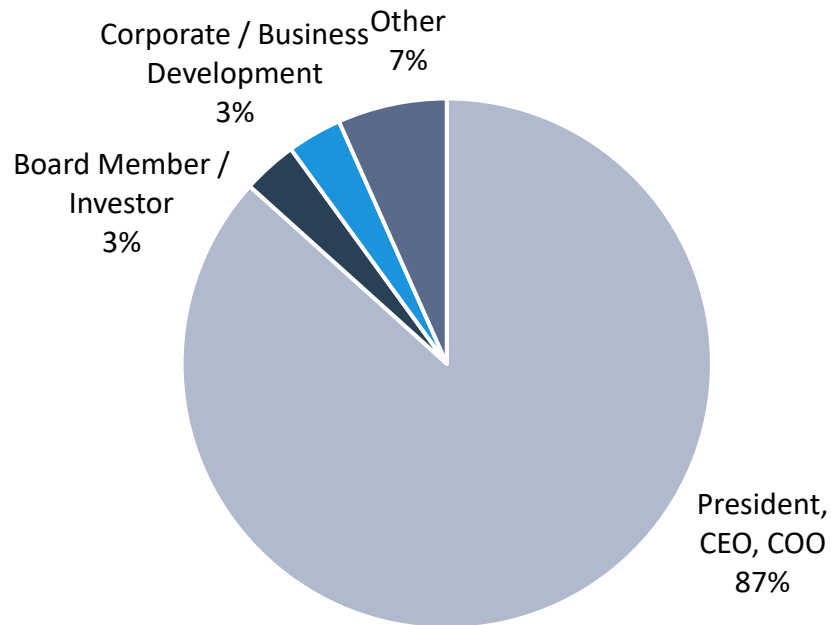
UMich Consumer Sentiment Index



What do our CEOs think?

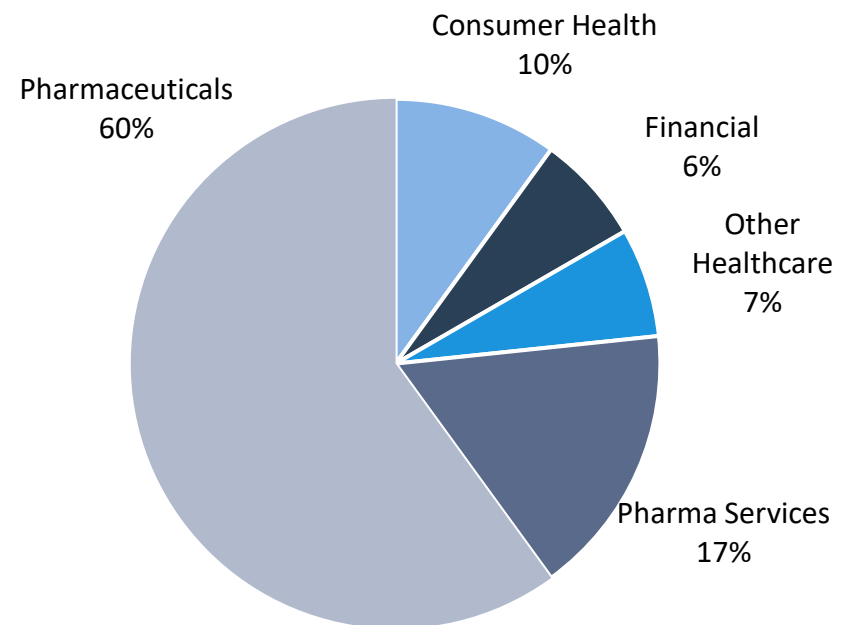
We recently conducted a survey of 30 Summit Invitees...

What is your role within your company?



87% are President, CEO, or COO

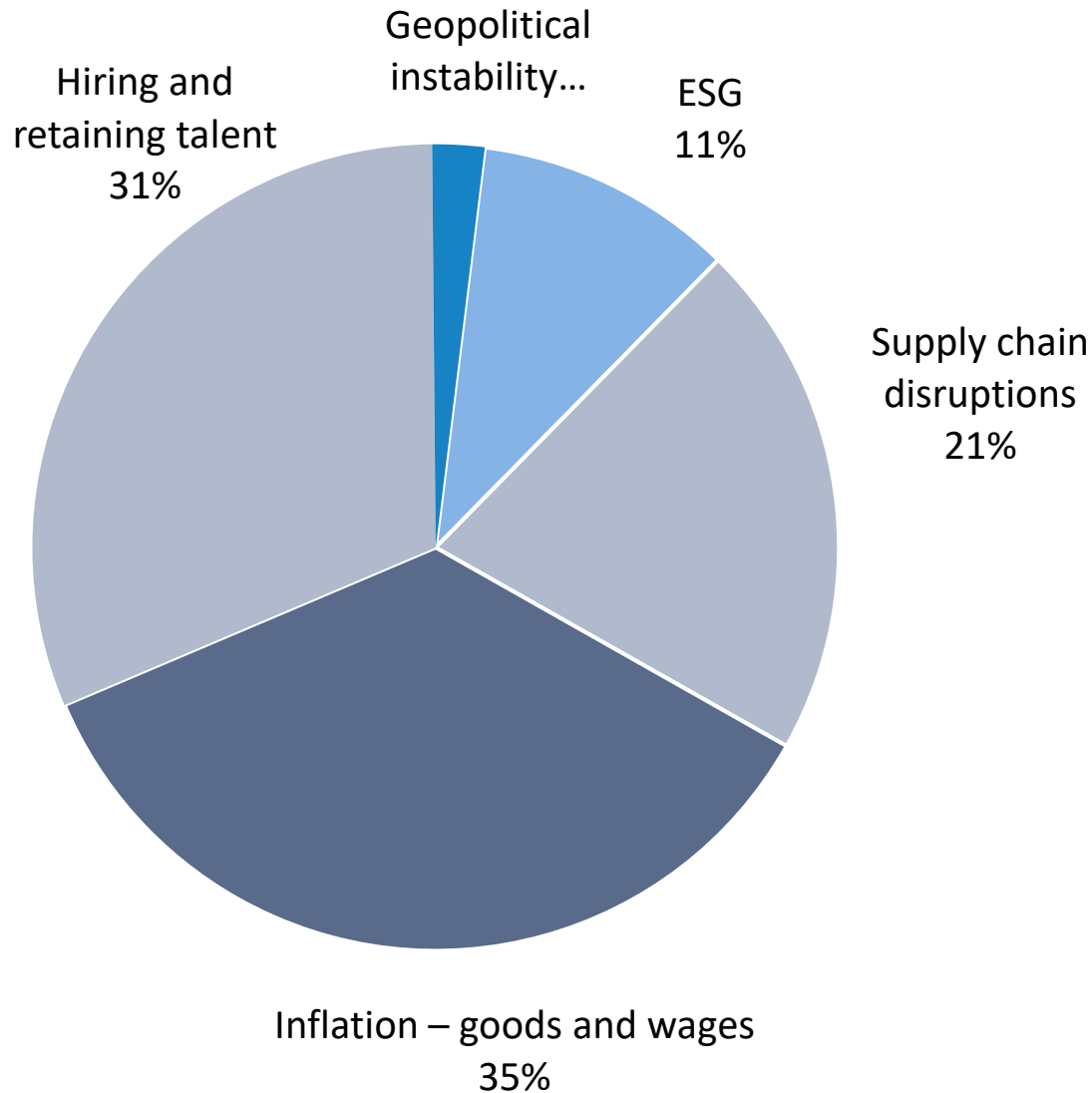
What vertical within healthcare is your company?



77% are in Pharma or Pharma Services

Our audience today is 40% Pharma and 37% Pharma Services

What is top of mind for your business today? (Please select up to 2)



Most of you are focused on:

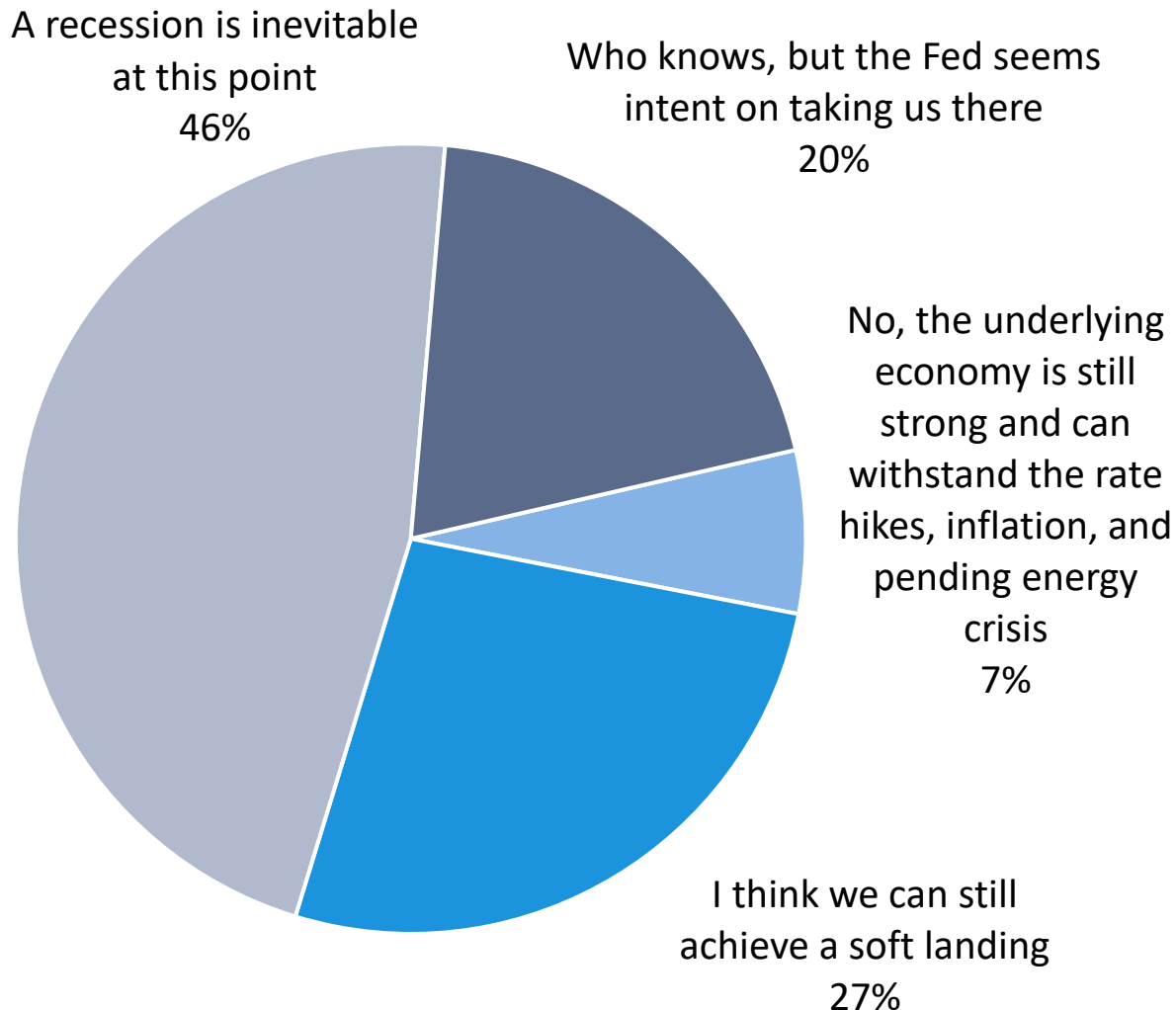
1) “Hiring and retaining talent”

2) “Inflation – goods and wages”

While none of you mentioned the Pandemic as being top of mind...

Most are confident we are heading for a recession...

Do you believe we are headed towards a recession?

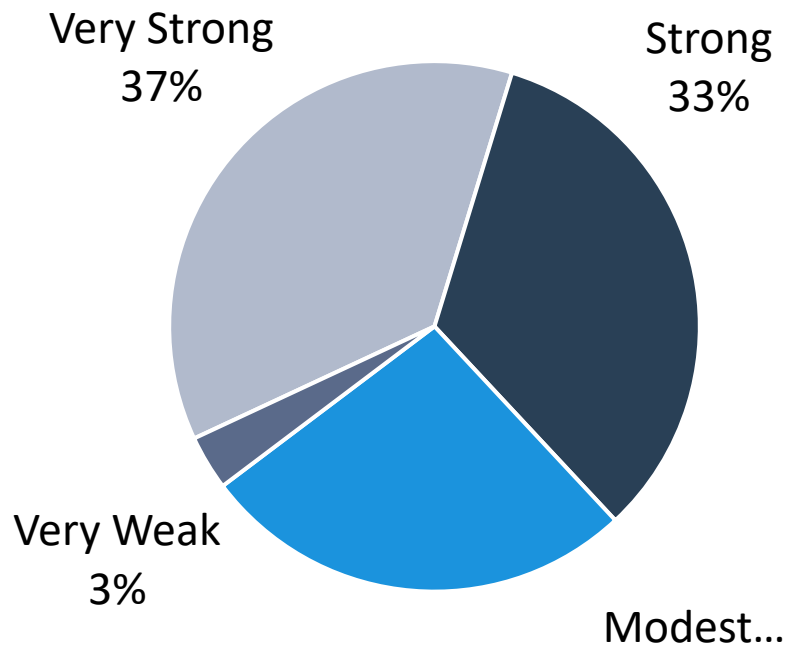


Nearly half think a recession is inevitable...

...And only 7% think the economy can withstand rate hikes, inflation, and pending energy crisis

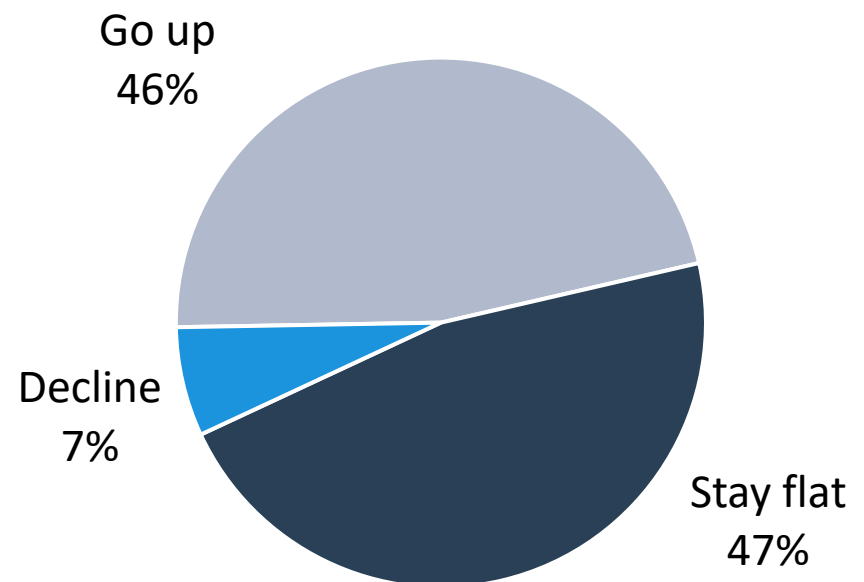
...Yet, there's generally a positive outlook on growth and valuations...

What are your expectations for growth of your business over next 12 months?



70% expect their businesses will see “Strong” or “Very Strong” growth...

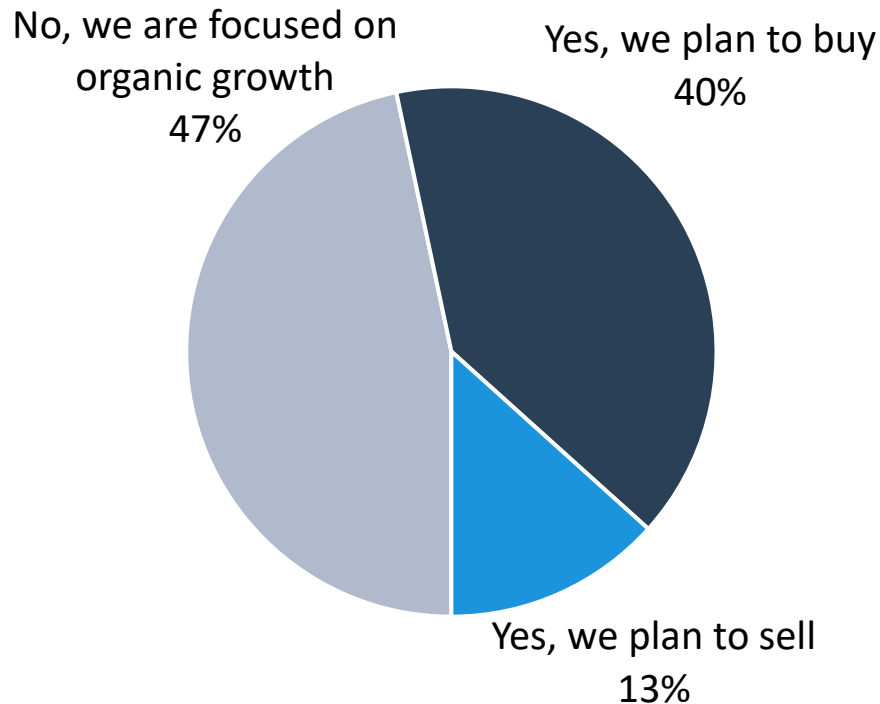
Where do you expect valuations for your business/industry to go over the next 12 months?



...And only 7% expect valuations to decline

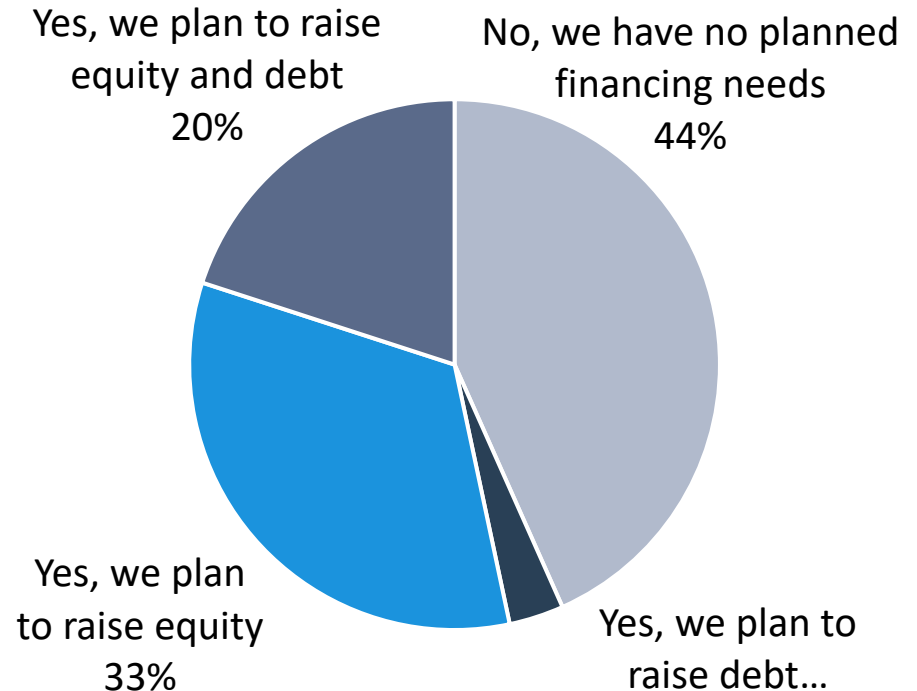
...Because most are focused on growth and/or raising capital...

Will your business explore M&A over the next 12 months?



53% plan to explore M&A...

Will your business explore raising capital over the next 12 months?

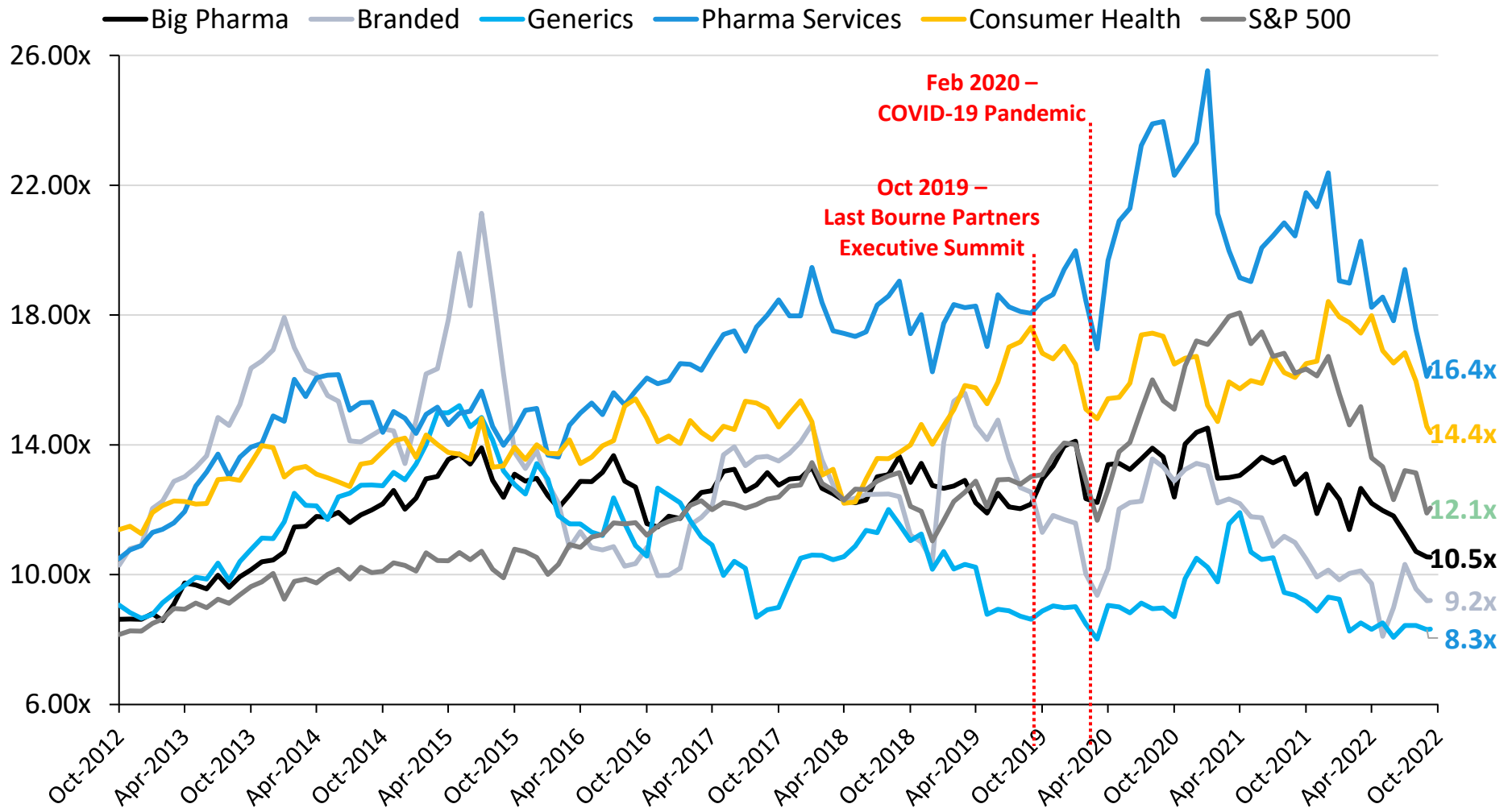


...And 57% expect to raise debt and/or equity capital

Market Commentary

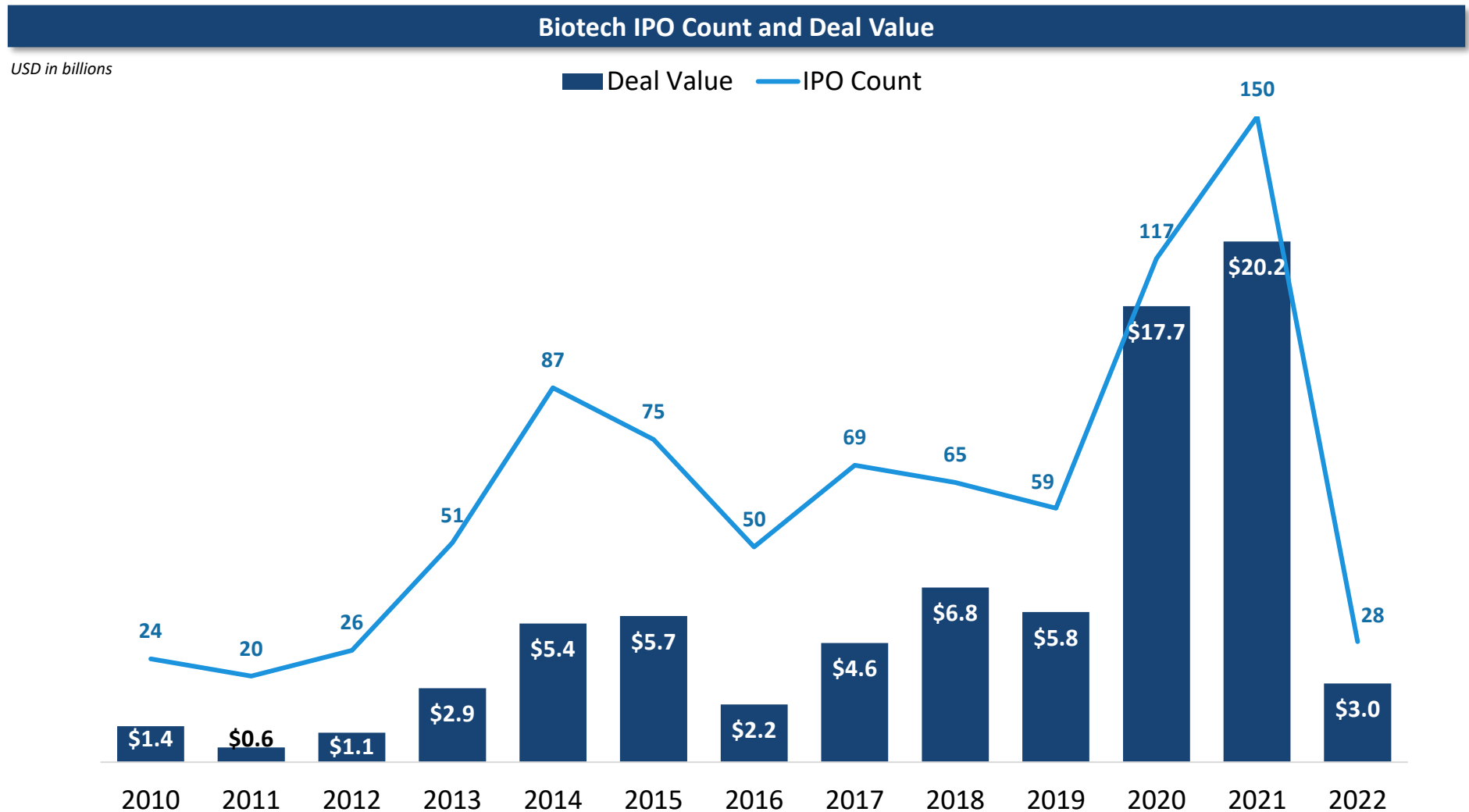
EV/EBITDA Multiples by Index - Last 10 Years (Monthly)

A lot has changed since we last met but Pharma Services have withheld their value, especially throughout 2022, currently sitting ~39% above S&P 500



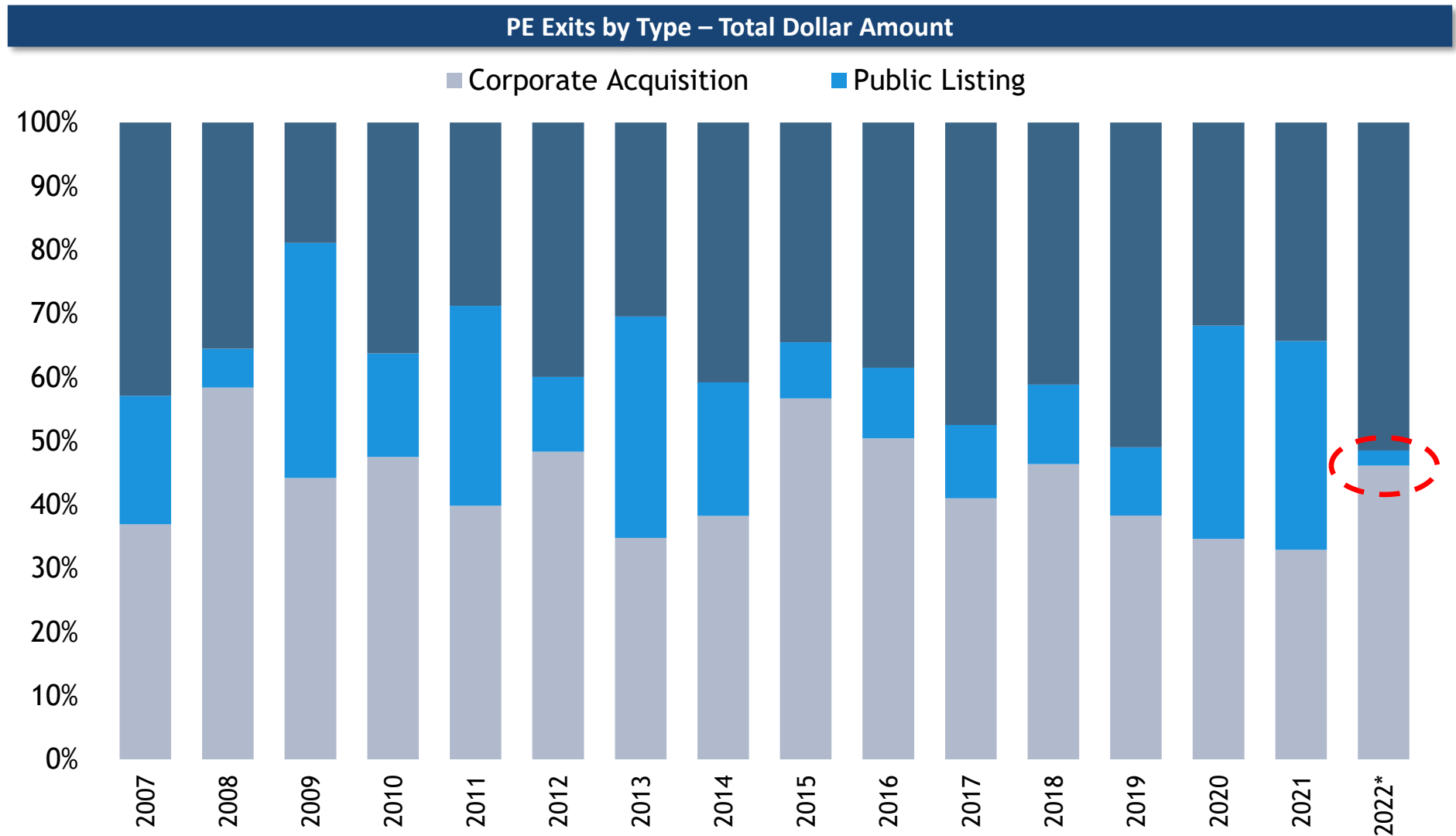
Biotech IPOs back down to normal...

As of October, the Biotech IPO bubble has seemingly come to an end with count and total deal value settling back down to pre-COVID levels...



Private Equity has seemingly ruled out IPO as an exit opp...

In 1H 2022, PE-backed IPOs as a % of PE Exits reached their lowest levels since 2008, while Sponsor-to-Sponsor transactions gained steam, making up over half of the PE Exits...

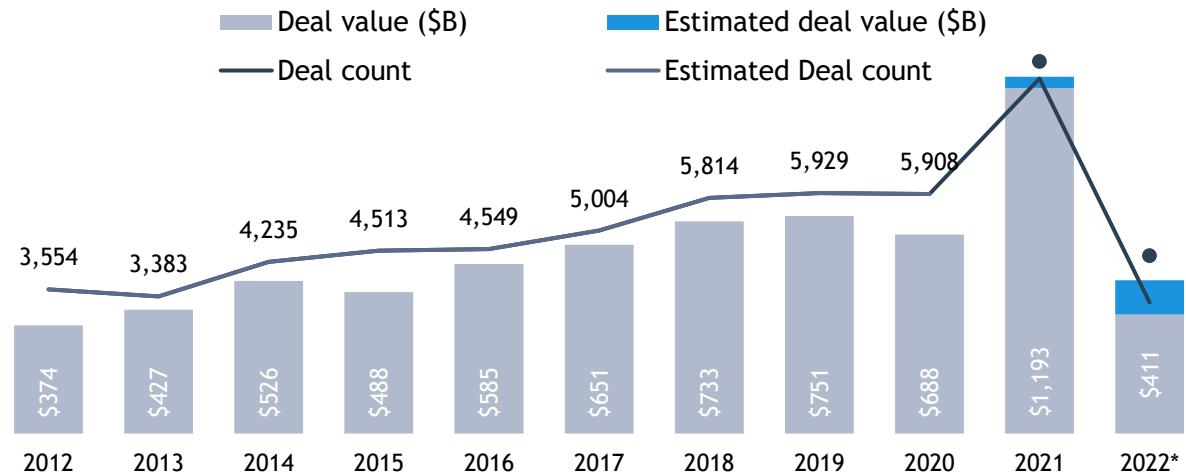


US PE Deal Volumes have pared back but remain historically high...

H1 2022 US PE Deal Volumes on track to decline from 2021...

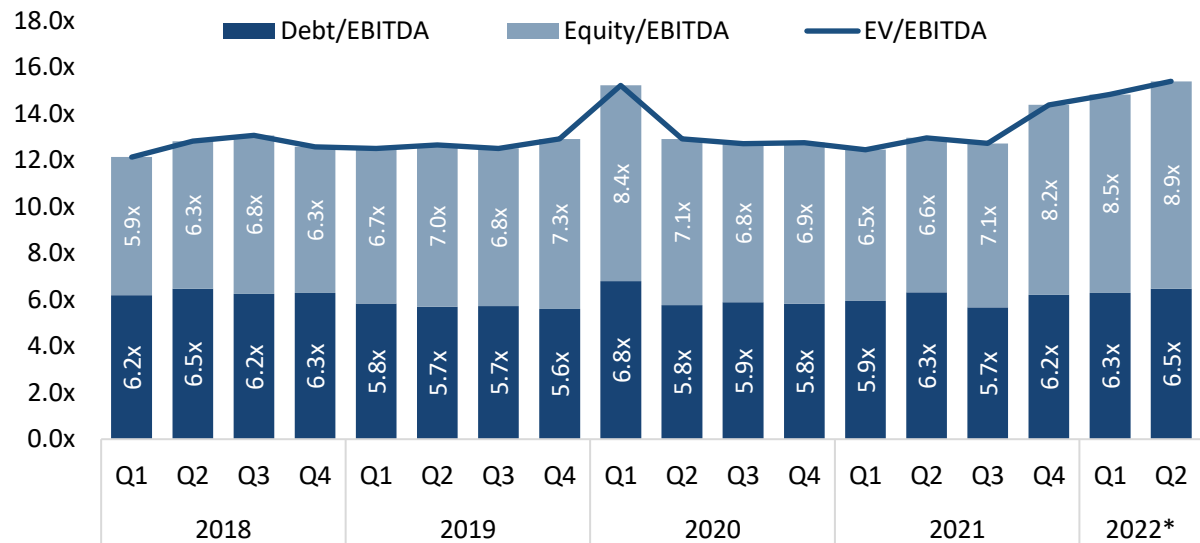
USD in billions

While H1 2022 Deal Volumes are on track to lag 2021's record, annualized data indicate **volumes remain historically high**



...And Median Buyout Multiples remain historically elevated

Even though deal volume has pared back, strong buyout multiples suggest **good deals are still getting done at high valuations**

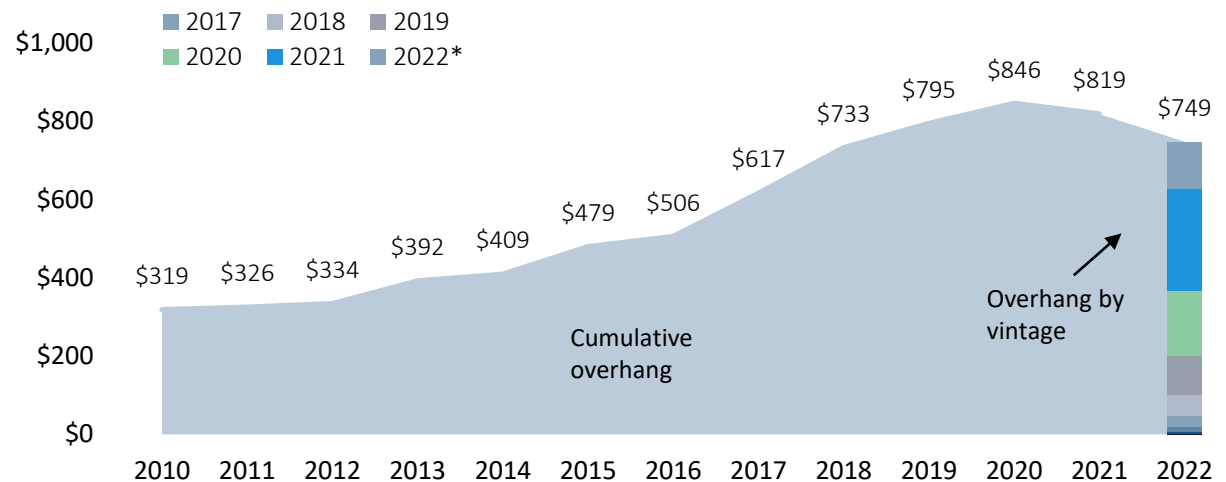


And there's still tons of PE capital chasing even less deals...

Private Equity still has tons of Dry Powder to deploy...

USD in billions

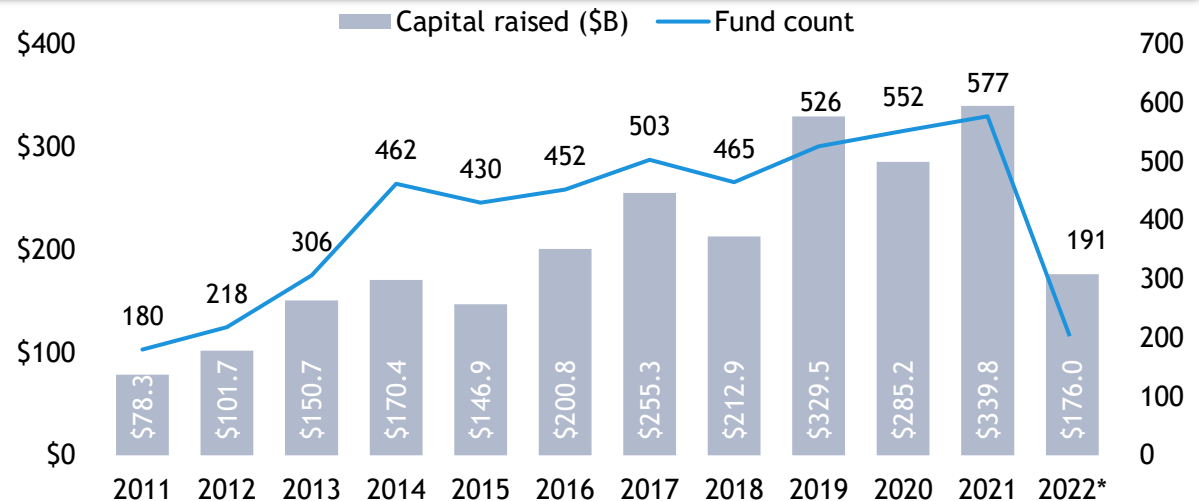
The driving force behind elevated buyout multiples is the **historically high levels of capital** in Private Equity coffers



...And Private Equity fundraising shows no signs of slowing

USD in billions

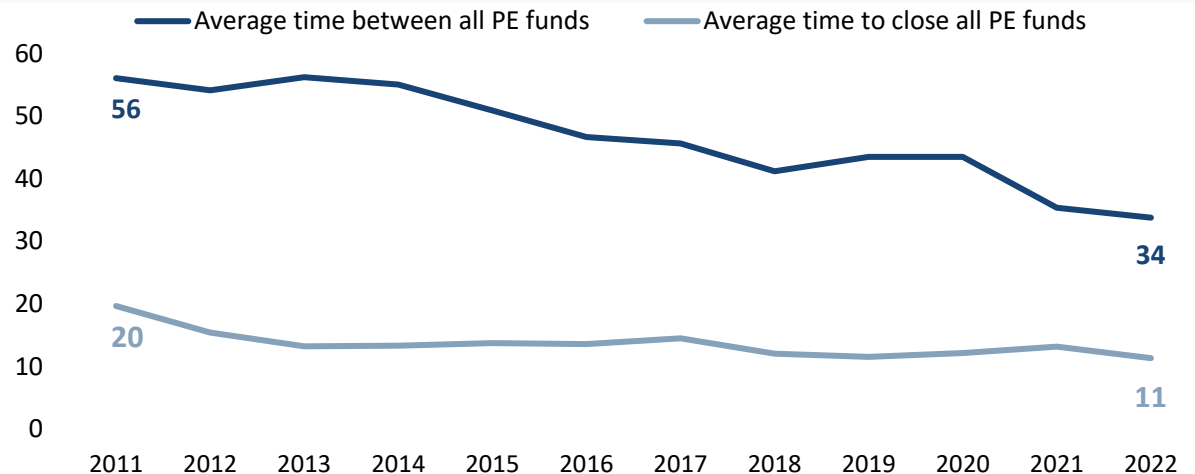
Private Equity fundraising is on track to **surpass last year's high-water mark** and should sustain overhang in 2023



PE is also raising new capital faster than ever...

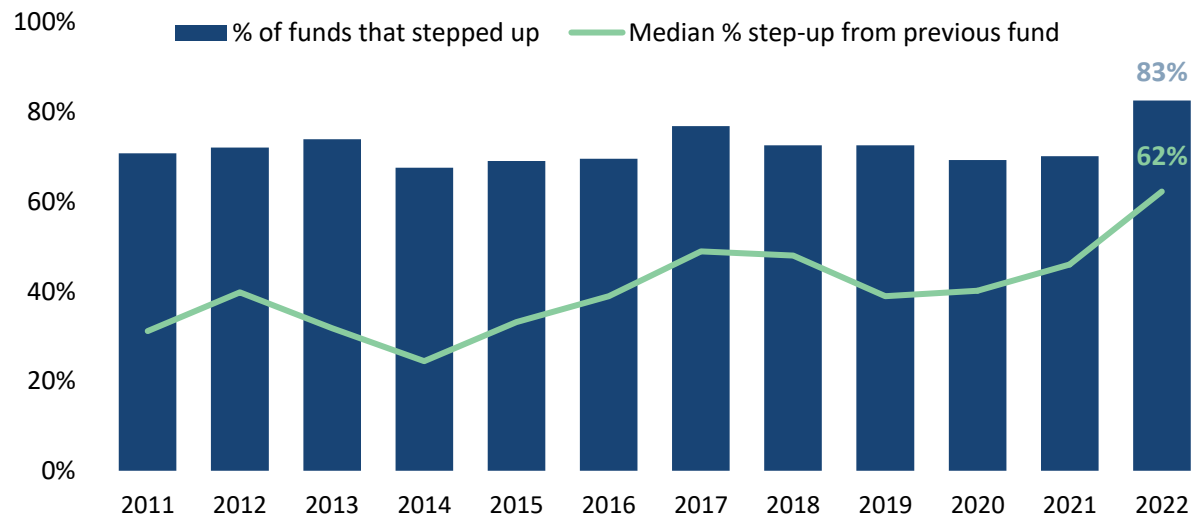
Time to Close (Months) and Time Between Funds (Months) are at historical lows...

New funds are being raised and closed at the **fastest rate since 2007**, and increased demand from LPs has incentivized PEs to continue raising capital



...And Funds are getting larger with each turn...

On top of that, Private Equity groups are closing larger and larger funds, with **83% of funds raised in 2022 seeing a step up in size** from prior vintage

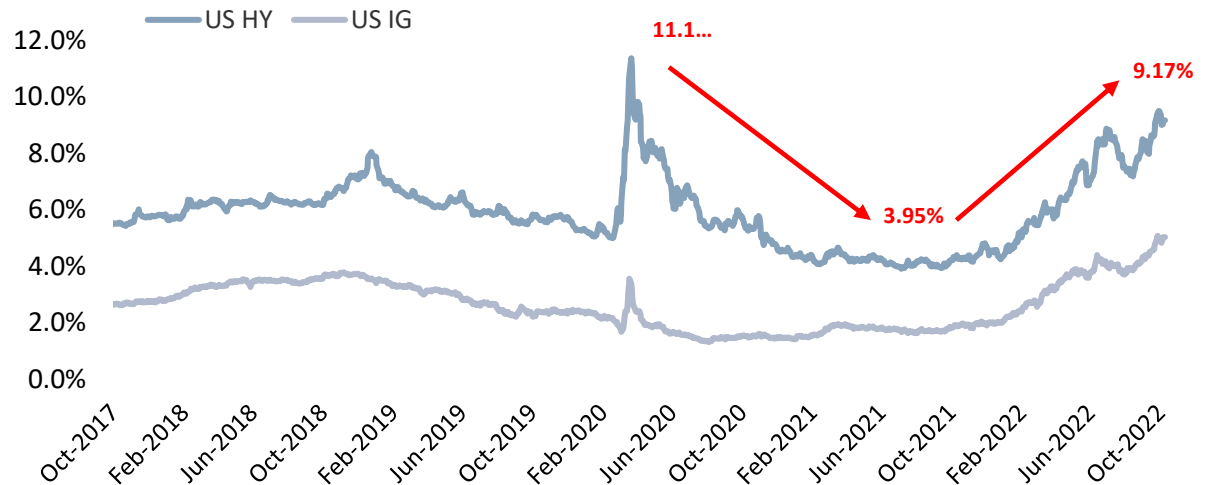


Broader Credit Markets have also seen heightened volatility...

Bond yields have jumped dramatically as investors make sense of global macroeconomics...

USD in billions

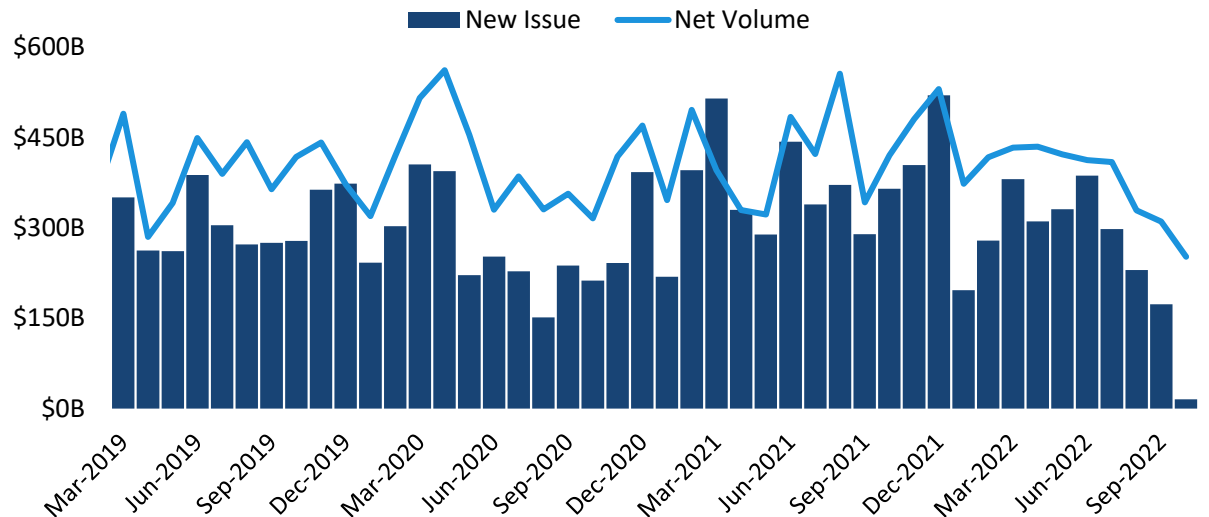
This is evidenced by the **whiplash effect seen in US High Yield** and US Investment Grade Bond indices



...and lenders have slowed New Loan Issuance...

USD in billions

Lenders have been hesitant to issue new loans, leading to **tighter pricing** and OID fees, seen in the overall decline in volumes

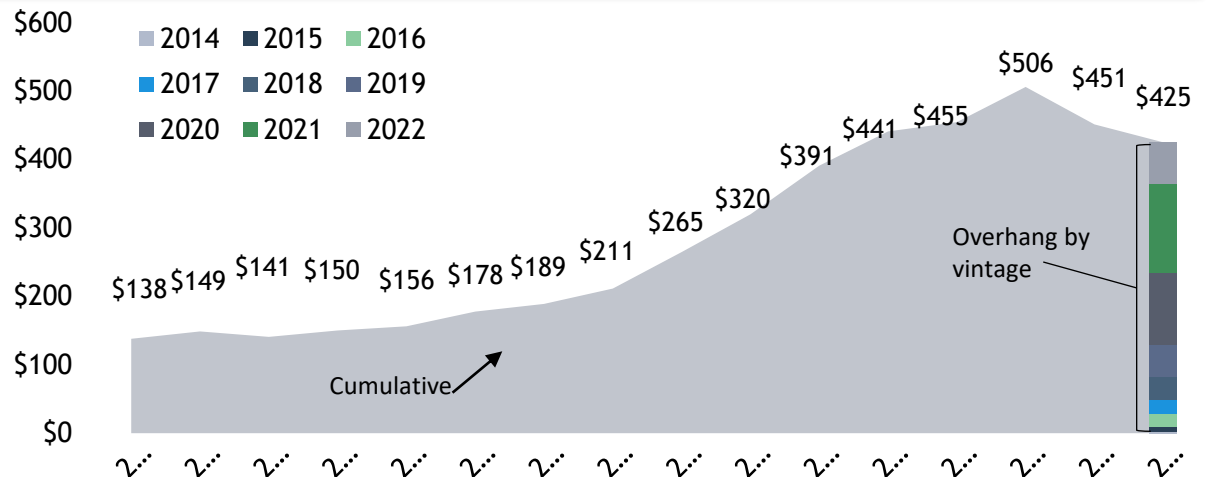


Private Credit markets have stepped up where banks have failed...

With plenty of available Private Credit waiting to be deployed globally...

USD in billions

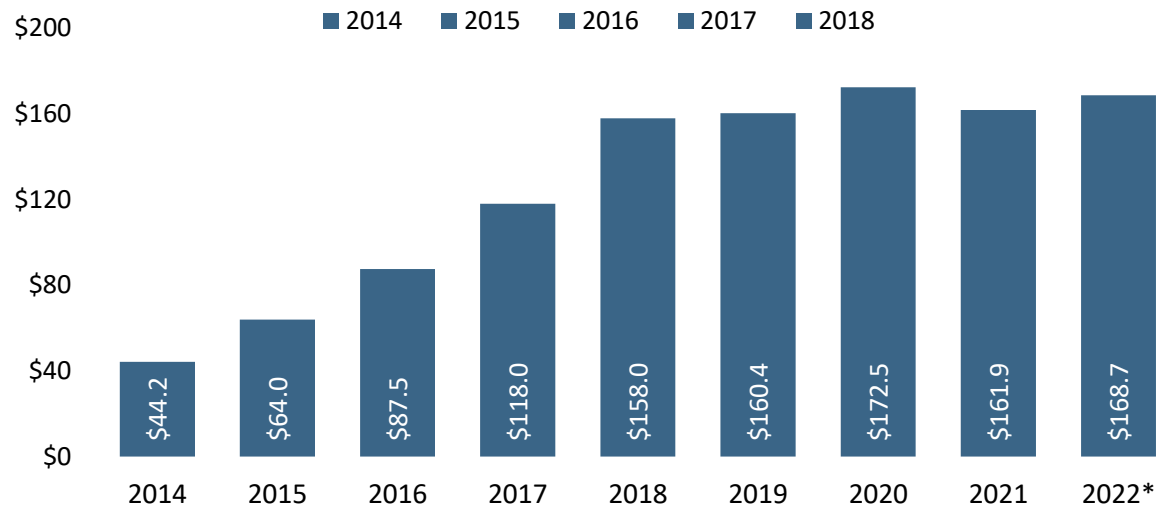
Globally, Private Credit funds have the willingness and capacity to step up and fill the large funding gap left by large institutions



...and an increased likelihood to engage in lending

USD in billions

The direct lending market alone has **nearly \$169B of dry powder**, providing a long runway of liquidity which will continue to enable good deals to get done at good values



Other Topics Worth Mentioning

Inflation Reduction Act: Recap & Outlook

Background:

- In August, President Biden signed into law the Inflation Reduction Act of 2022 (IRA) – a major accomplishment for Democrats who had been struggling to pass Biden’s ambitious social and climate policies previously
- As a slimmed down version of the Build Back Better bill, The IRA is expected to lower costs for families, combat the climate crisis, reduce the deficit, and increase taxes paid by corporations
- However, critics argue that the bill’s name is a misnomer and intentionally misleading as the core focus of the bill’s initiatives center around climate change, taxes, and spending, rather than combating historically high levels of inflation

Policy Merits & Considerations:

- Reduction of federal budget deficit should reduce inflation over time by decreasing aggregate demand, all else equal
- Allowing Medicare to negotiate drug prices should create savings and help moderate healthcare spending in the mid-term
- Expected to speed up clean-energy innovation and adoption, potentially lowering energy prices over time
- Unlikely to tamp down soaring inflation or provide any immediate relief to households
- Higher taxes typically add to costs elsewhere, potentially resulting in higher prices for consumers and offsetting intended benefits
- Penn Wharton Budget Model (PWBM) estimates it will slightly increase inflation through 2024
- PWBM also projects no impact on GDP by 2031 and a slight 0.2% increase in GDP by 2050

Policy	Cost (-)/Savings (2022-2031)
Energy & Climate	-\$368 billion
Clean Electricity Tax Credits	-\$161 billion
Air Pollution, Hazardous Materials, Transportation and Infrastructure	-\$40 billion
Individual Clean Energy Incentives	-\$37 billion
Clean Manufacturing Tax Credits	-\$37 billion
Clean Fuel and Vehicle Tax Credits	-\$36 billion
Conservation, Rural Development, Forestry	-\$35 billion
Building Efficiency, Electrification, Transmission, Industrial, DOE Grants and Loans	-\$27 billion
Other Energy and Climate Spending	-\$14 billion
Health Care	-\$98 billion
Extension of Expanded ACA Subsidies (three years)	-\$64 billion
Part D Re-Design, LIS Subsidies, Vaccine Coverage	-\$34 billion
Total Spending & Tax Breaks	-\$485 billion
Health Savings	\$322 billion
Repeal Trump-Era Drug Rebate Rule	\$122 billion
Drug Price Inflation Cap	\$101 billion
Negotiation of Certain Drug Prices	\$99 billion
Revenue	\$468 billion
15 Percent Corporate Minimum Tax	\$313 billion
IRS Tax Enforcement Funding	\$124 billion
Closure of Carried Interest Loophole	\$13 billion
Methane Fee, Superfund Fee, Other Revenue	\$18 billion
Total Savings & Revenue	\$790 billion
Net Deficit Reduction	\$305 billion

Medicare's Power to Cut & Cap Prescription Drug Prices

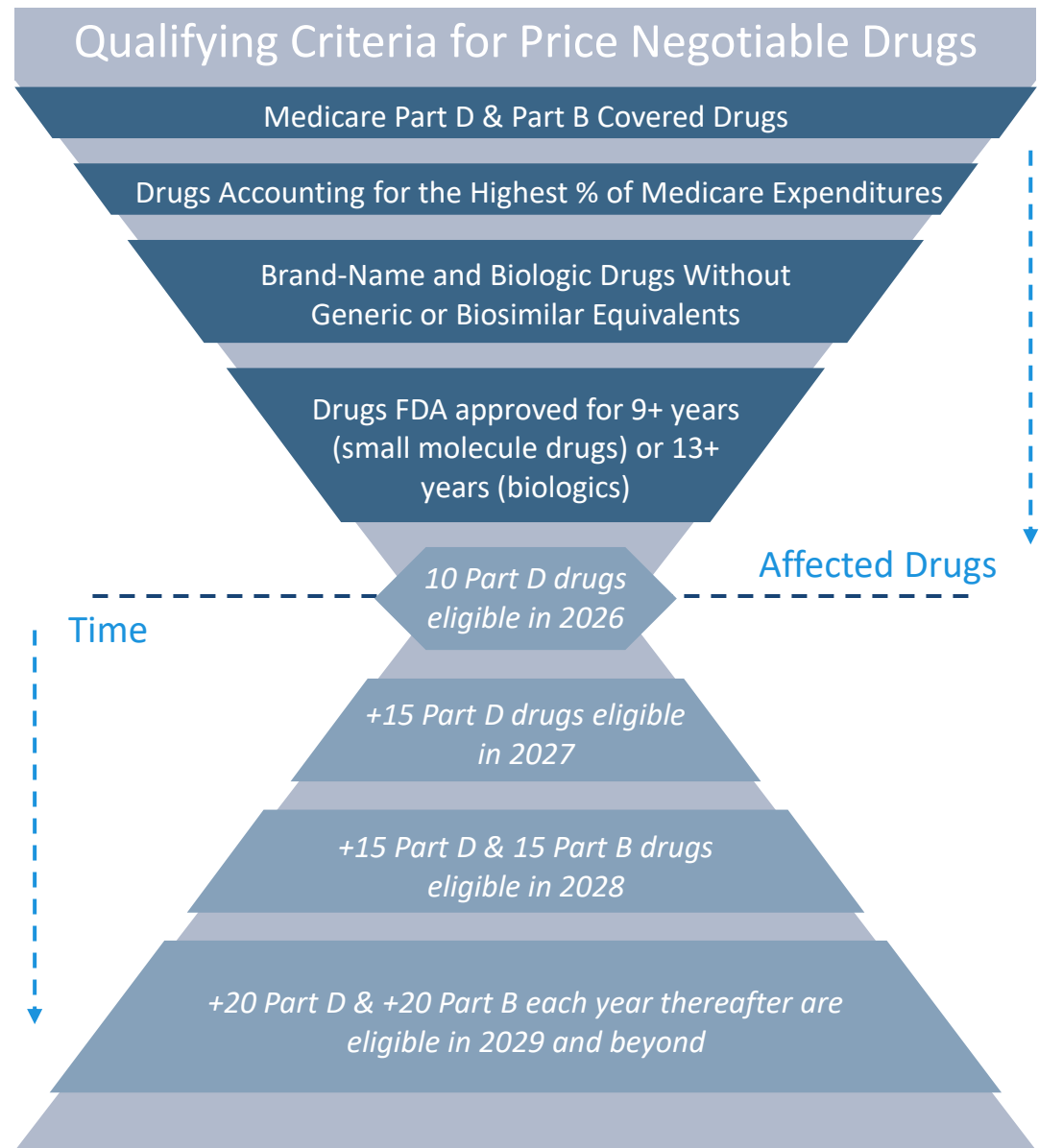
Summary:

The Inflation Reduction Act includes two policies designed to have a direct impact on drug prices:

1. Requires drug manufacturers to pay rebates to Medicare if they increase prices faster than inflation for drugs used by Medicare beneficiaries
2. Requires the federal government to negotiate prices for some high-cost drugs covered by Medicare
 - Medicare Part D and Part B drug spending is highly concentrated among a relatively small share of covered drugs

Manufacturer Implications¹:

Brand name	Manufacturer	2026E Revenue Impact
Xtandi	Astellas	-13%
Eliquis	Bristol-Myers	-9%
Ibrance	Pfizer	-2%
Jardiance	Eli Lilly	-2%
Myrbetriq	Astellas	-2%
Xarelto	J&J	-1%
Symbicort	AstraZeneca	-1%
Breo Ellipta	GSK	-1%
Januvia	Merck	-1%
Victoza	Novo Nordisk	-1%



What Does Bourne Partners Expect

- **Valuations are more likely to continue dropping over next 12-18 months than they are to rise**
- **Healthcare will fare much better and be less impacted than other industries in a recessionary market**
- **Historically high levels of cash on hand at both PE and Strategics will drive continued M&A activity**
- **Specialty Lenders will step in to address the tightening of bank debt for small to middle market deals**
- **Tons of cash chasing a scarcity of "great" companies will hold valuations high and extend the normal lag between public and private multiples**
- **Bourne Partners continues to be very active and remains bullish on our coverage areas for the coming year**

Trends Bourne Is Watching

- **Accelerating integration of technology in all aspects of healthcare**
 - Digital Health to Digital promotion
 - AI and Tech-enabled services
- **Bringing healthcare to the patient**
 - From decentralized trials to telemedicine
 - Amazon, CVS, others
- **Covid plus the physician practice roll-up have killed the traditional pharma rep**
 - Pharmaceutical launch and promotion are being reinvented
- **Growing self-care spend**
 - Increased interest in "natural" and "alternative" treatments
 - FDA pushing for more Rx to OTC switches
- **Continuing Interest and spend to onshore supply chain**
 - For national security and ongoing global supply chain challenges
 - Bipartisan support for onshoring, but no one seems to be willing to pay the required premium
- **Pharma outsourcing still strong and here to stay**
- **Compounding market beginning to mature, but still evolving**
- **Generic Pharma – Still in a trough**
 - Too many companies selling to only a handful of buyers
 - Small number of irrational sellers continue undercutting market to capture market share
 - Not sustainable; all generic players looking for higher value differentiated products; B2s, RTU, brands, etc.