BOURNE PARTNERS

Capital Markets Update

Bourne Research

2024 Outlook

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Jeremy Johnson
Senior Managing Director, Head of IB
jjohnson@bourne-partners.com
+1 704-714-8351

F. Alexander (Xan) Smith
Managing Director, BD & Private Equity Coverage
xsmith@bourne-partners.com
+1 910-585-1793

Robert Stanley
Director, Pharma Coverage
rstanley@bourne-partners.com
+1 704-714-8354

Todd Bokus
Director, Pharma Services Coverage
tbokus@bourne-partners.com
+1 704-807-7501

Brett Martin
Senior Analyst
bmartin@bourne-partners.com
+1 843-601-3877

Sam Nangali
Analyst
snangali@bourne-partners.com
+1 919.434.8014

Wilson Salisbury
Research Analyst
wsalisbury@bourne-partners.com
+1 704-995-2076

Jennifer Buchanan
Manager, BD & Private Equity Coverage
jbuchanan@bourne-partners.com
+1 704.578.5348

550 South Caldwell Street, Suite 900
Charlotte, NC 28202
+1 704.552.8407

Executive Summary

Macro Developments

There is a lot to be hopeful about as inflation inches down to the Fed's target of 2% and the market prices in six rate cuts in 2024, beginning in Q2. As consumer sentiment continues to positively grow, low unemployment and strong consumer spending have bolstered the economy. US onshoring continues to be a theme, riding on the coattails of domestic investment, while geopolitical and regulatory scrutiny threaten to hamper market conditions and the dealmaking environment.

Deal Activity Recap

In 2023, PE deal activity declined significantly, marking it the worst year since 2017 due to costly debt markets stalling LBOs. However, dry powder grew to top $955B, which sits ready for deployment. Valuations slowly reset as bid-ask spreads narrowed, particularly in growth equity deals.

Deal Activity Outlook

In 2024, we anticipate an increase in deal activity as PE firms respond to selling pressure from LPs. PE exit activity will likely skew later in the year as the economy stabilizes. Companies with refined profitability engines, decreasing borrowing costs, and ample PE dry powder are set to drive the next wave of deals.

Healthcare M&A

Though not immune to the overall decline in deal activity, PE Healthcare specialist fundraising is on track to record their best year ever in terms of cumulative dollars closed, raising $17.6B through Q3 2023. The sector has seen significant benefits from an increasing number of specialized funds and investor interest, which has in turn expanded our sponsor coverage to over 200 firms.

Healthcare Operating Environment

Despite the overall decline in healthcare deal values in 2023, biopharma M&A remained resilient. However, 2024 is likely to see a shift towards prioritizing internal R&D, with big pharma alone projected to invest $91B. While the funding environment for biopharma has improved, it favors later-stage pipelines. This trend is favorable for clinical service providers. However, pharma service providers that are heavily reliant on phase 1 and biotechs are expected to face sustained headwinds.

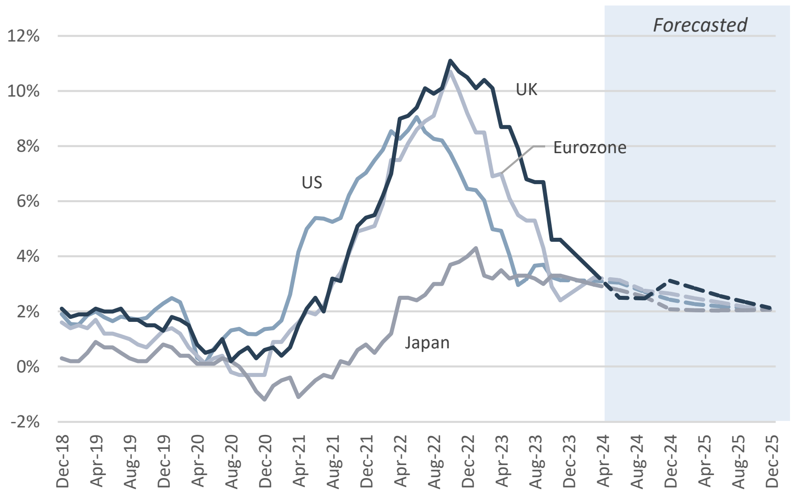
i. Economic Developments

Inflation, Rates & Business Outlook

Macro Developments

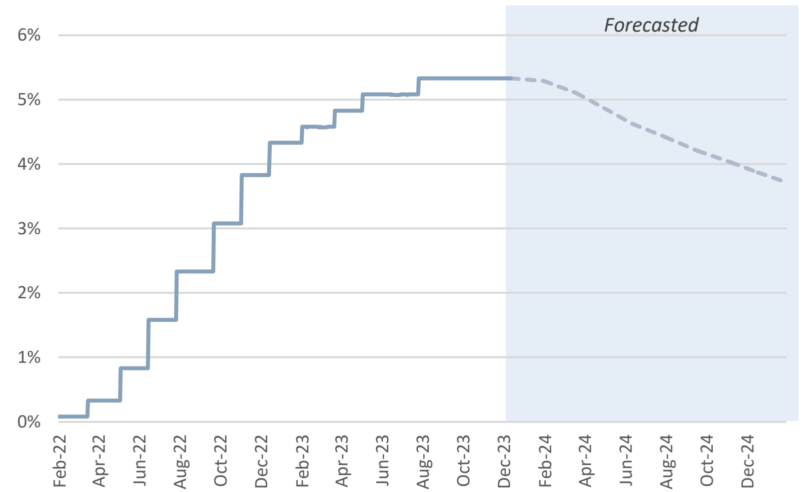
Slowing inflation has ended the Fed's hiking cycle – but rates are likely to remain elevated

Global Inflation Rates (YoY % change)



SOURCE: OECD, IMF, & Bloomberg data, Accessed 12.15.2023

US Federal Funds Rate



SOURCE: Bourne Analysis of Bloomberg, Accessed 12.15.2023

The year 2023 was characterized by a recession that either never materialized, unfolded in phases, or is still impending. The market appears to have embraced the first scenario, with equities ending 2023 on a high note due to anticipated rate cuts in the face of a more dovish Federal Reserve and subsiding inflation. Inflation has continued a downward trend and is likely to near the Federal Reserve's target of 2%, and the market is pricing in six cuts, the first starting in Q2.

The market's outlook for 2024 is largely positive, predicated on the assumption that the economy has achieved a soft landing and that brighter days lie ahead. This perspective seems to discount the possibility of a recession and assumes that the Federal Reserve will proactively cut rates. However, this scenario represents the most favorable outcome in our outlook. While it's not unlikely that the US economy will come out unscathed, there are numerous - albeit low-probability - events that could occur, and the prevailing optimism has raised the stakes.

Despite these potential hurdles, though more cautious than the consensus - we hold a prevailing sense of optimism that consumers will continue to propel the economy forward, alongside an improved operating environment, even as interest rates stay elevated for a prolonged period. This is partly attributed to wages and home values maintaining their levels above pre-pandemic figures, which has bolstered consumer spending. Federal spending has also provided a cushion to the economy, the counterpoint of which has been a ballooning deficit now nearing 8%.

Macro Developments

Key trends we're watching…

Bullish

- Lower borrowing costs and lighter debt servicing costs are on the horizon. The businesses that have managed the past year have strong balance sheets
- Supply chains are now relinked and are continuing to be more efficient, a deflationary trend
- The labor market has eased prior tightness and wage inflation pressures has eased as a result
- The economic outlook is stronger, and consumer sentiment has seen the biggest improvement over the last two months in more than three decades, but still sits below pre-pandemic levels
- US manufacturing tailwinds continue to swell with increased emphasis in onshoring and domestic investments
- Rapid advancements in generative AI and derived efficiencies continue to expand into almost every industry, a deflationary trend
- Strong unemployment data has bolstered consumers and consumer spending is expected to remain strong

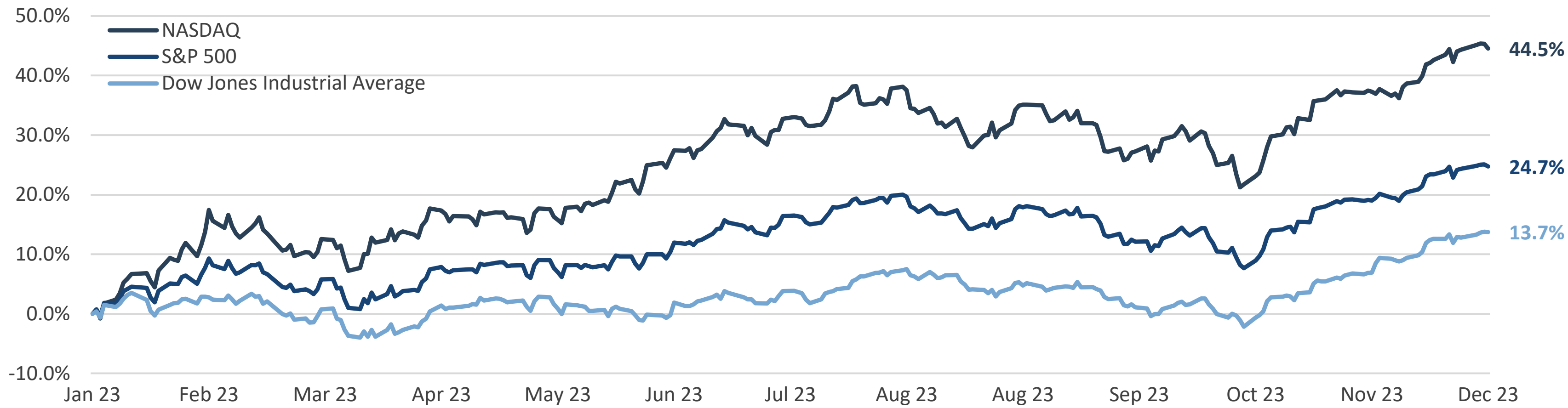
Bearish

- Household balance sheets remain relatively healthy, even though COVID stimulus measures, such as childcare and the student loans moratorium, have fully ended and savings have dwindled to pre-pandemic levels
- Geopolitical turmoil is expected due to a contentious 2024 elections, wider military conflicts such as in Ukraine and the Middle East, and foreign relations complications involving China
- Regulatory scrutiny from the FTC is expected to continue, and more potential pharma and healthcare related regulation may be on the horizon
- Concerns about whether rising government debt levels will lead to lower economic growth rates continue to accumulate
- The possibility of inflation rebounding after the FED cuts rates, as seen in the 1970s, would introduce new issues to the already tense and intricate relationship between consumer and business spending and sentiment, and inflationary pressures

ii. Market & Deal Activity

Valuations, Leverage & Dealmaking

Market Dashboard



SOURCE: (Top) S&P CapIQ, Accessed 1.18.2024

SOURCE: (Bottom) Bourne Analysis of Pitchbook Data, Accessed 1.18.2024

Deal value ($B)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023*
Buyout	$95.3	$57.7	$127.7	$185.2	$123.6	$115.8	$65.8	$104.1	$159.5	$62.1	$80.7	$62.4	$32.5
PE growth	$17.0	$23.2	$13.0	$23.5	$22.1	$25.2	$10.6	$14.5	$9.9	$12.2	$8.5	$12.8	$1.8
Leveraged loans	$95.2	$228.0	$195.9	$203.7	$172.5	$167.4	$134.3	$78.1	$67.1	$71.9	$79.5	$103.7	$40.9
PE exits via IPOs	$38.0	$45.0	$86.4	$76.7	$25.8	$4.3	$2.2	$0.0	$0.0	$0.9	$3.5	$0.0	$0.0
PE exits via M&A	$40.5	$63.1	$38.6	$83.8	$89.8	$41.4	$31.9	$33.4	$22.1	$39.8	$12.7	$21.7	$18.1
Early-stage VC	$13.6	$16.5	$21.2	$21.0	$28.4	$23.8	$20.1	$15.0	$11.3	$10.1	$11.3	$9.3	$4.5
Late-stage VC	$17.3	$34.4	$36.5	$40.7	$40.9	$34.0	$29.3	$17.0	$14.1	$23.3	$15.7	$20.9	$10.1
VC exits via IPOs	$104.4	$92.5	$213.9	$99.8	$127.1	$3.6	$0.7	$0.6	$1.8	$1.1	$3.4	$19.2	$0.5
VC exits via M&A	$37.4	$15.1	$25.3	$34.6	$28.4	$11.8	$12.0	$11.1	$4.8	$7.6	$3.6	$7.8	$1.5
Total	**$458.7**	**$575.5**	**$758.5**	**$769.0**	**$658.6**	**$427.3**	**$306.9**	**$273.8**	**$290.6**	**$229.0**	**$218.9**	**$257.8**	**$109.9**

Private Equity (PE) Deal Activity

2024 Outlook

We expect a near-breakout year for PE deals in 2024, as numerous PE firms look to exit in response to selling pressure from Limited Partners (LPs). However, PE exit activity is likely to be skewed towards the latter part of the year as the economy becomes more confident in achieving a soft landing.

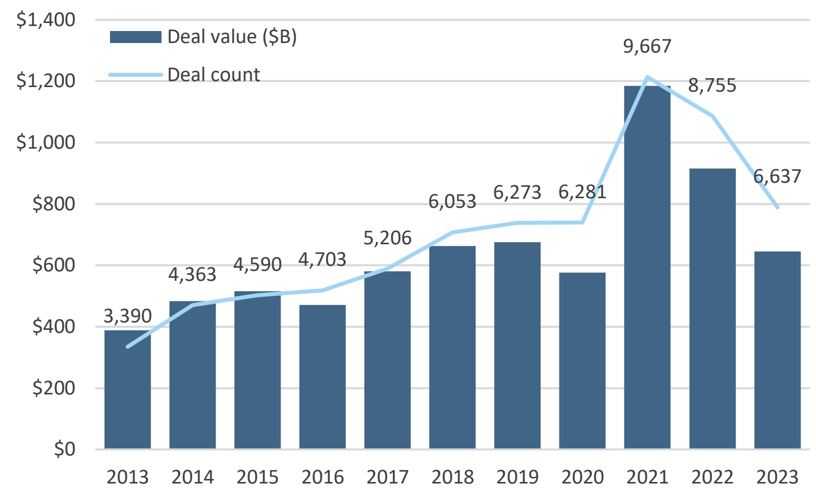
This trend was evident to our team at the recent JPM Healthcare conference. Despite high demand and enthusiasm for deals in 2024, market activity was subdued as sellers cautiously entered the market. This enthusiasm is fueled by companies that have refined their profitability engines over the past year, have decreasing borrowing costs, and are backed by readily available PE dry powder, poised to drive the next wave of deals.

2023 Recap: Valuations Slowly Reset

The year 2023 was marked by a significant decline in PE deal activity, making it the worst year since 2017. Sell-side activity fell to its lowest level in a decade and buy-side activity was roughly half of 2021's peak. PE transaction value fell 21% in Q4 and was down 29% from 2022, and 46% from the peak in 2021. This decline in 2023 PE deal value coincided with less severely declining PE deal volumes, indicating smaller transactions and lower valuations. However, the pause on the part of sellers resulted in a scarcity of good assets, leading to fierce buyer competition for quality assets, keeping select valuations high and prolonging a reset.

Valuations slowly reset in 2023. Any private market that experiences value resets does so slowly, owing to fewer transactions as buyers and sellers both pause. Eventually, there is capitulation, currently on the part of sellers, and markets resume. This exacerbated an already poor exit environment for PE-backed firms, leading to a drop-off in sponsor-led processes. Despite continued pressure to return capital to LPs, General Partners (GPs) are not likely to rush exits when a rosy outlook appears to be just beyond the horizon.

US PE deal activity



SOURCE: Pitchbook's 2024 Annual US PE Breakdown Summary, Accessed 1.15.2024

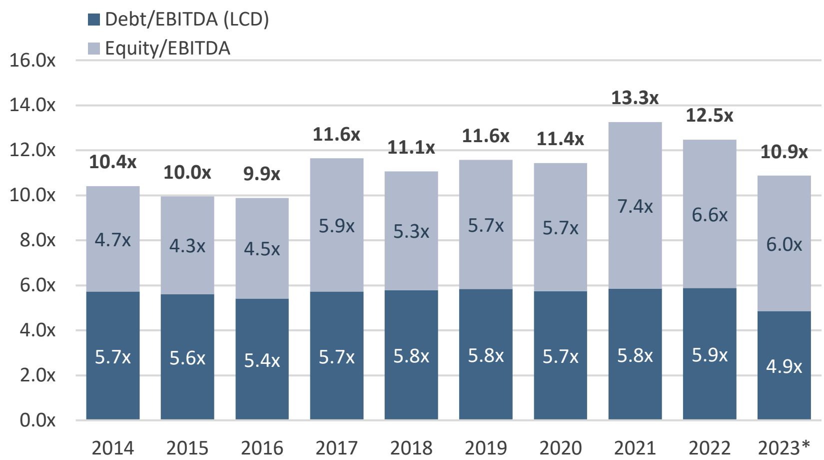
Fundraising, as per Pitchbook data, has seen an upward trend over the past two years. However, it's important to note that this is a lagging metric. Our discussions have indicated a more challenging fundraising environment. LPs are exerting pressure on GPs to deploy more capital. While GPs used to re-enter the market for fundraising around 50% deployed capital, they are now being pushed to be more fully deployed, in the 70-80% range. This shift is likely to have a compounding effect on the market and increase liquidity.

Meanwhile, dry powder continues to accumulate, growing 9% in the past two years, totaling $955.7 billion. This suggests that despite the challenges, there is still substantial capital ready to be deployed in the market.

PE Transaction Multiples

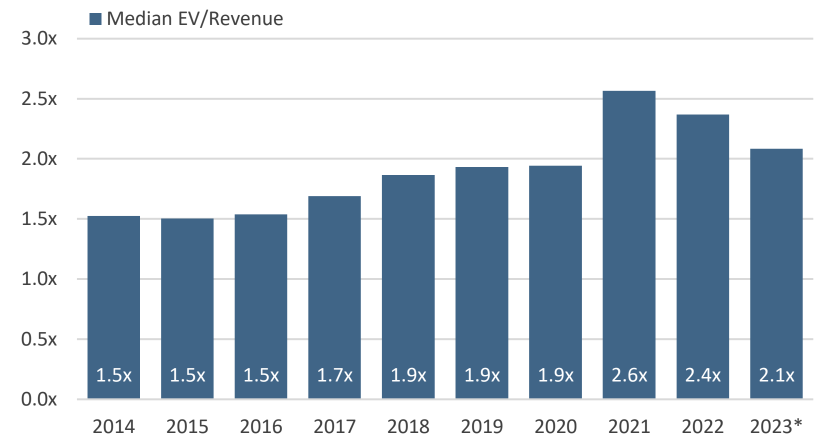
Valuations decline as leverage crimps TEV and bid-ask-spreads narrow

US PE Median EBITDA Multiples



SOURCE: LCD Research, Accessed 1.18.2024

US PE Median Revenue Multiples



SOURCE: Pitchbook's 2024 Annual US PE Breakdown Summary, Accessed 1.15.2024

- 2023 Median PE EV/EBITDA multiples collapsed 12.9% YoY to 10.9x, continuing a 2-year consecutive decline, down from 12.5x in 2022, and 13.3x in 2021. A significant decline, yet roughly inline with pre-pandemic levels, which averaged ('17-'19) 11.4x.
- 2023 Median PE EV/Revenue Multiples show a similar story, declining 12%, to 2.1x vs. 2.4x in 2022. However, these figures bode better than the historical pre-pandemic ('17-'19) average of just 1.8x.
- Debt as a percentage of EV reached a 10-year record low, dipping to just 46%, leaving PE firms to front the rest with Equity. The Debt/Equity mix for LBOs in 2014 was 60/40, compared to 2023 levels of 46/54.

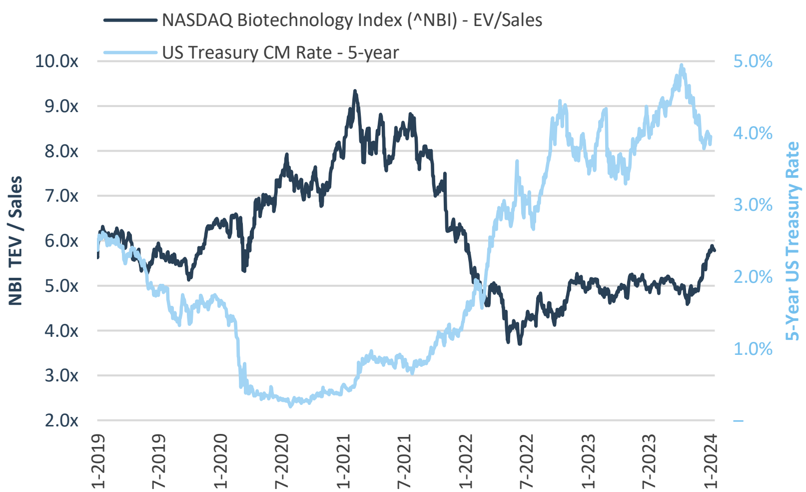
Over the past two years, dealmaking have been hamstrung by the availability of leverage (or lack thereof) and the rise in interest rates. This has made it challenging for investors to rationalize buyouts at the high multiples that sellers have clung to. This wide bid-ask spread caused a stalemate that has only begun to break free, as sellers lower their value expectations, and/or in some cases, PE firms deploy more equity, paying up for scarce assets. Similar to deal volumes, valuations have yet to find a bottom.

Tech and healthcare sectors have managed to maintain their EV/Revenue multiples better than other sectors, with tech valuations averaging 3.8x and healthcare at 2.5x. Despite this, they have not been immune to the overall declining trend, with each sector experiencing a ~20% decline from the highs of 2021.

Public Valuations

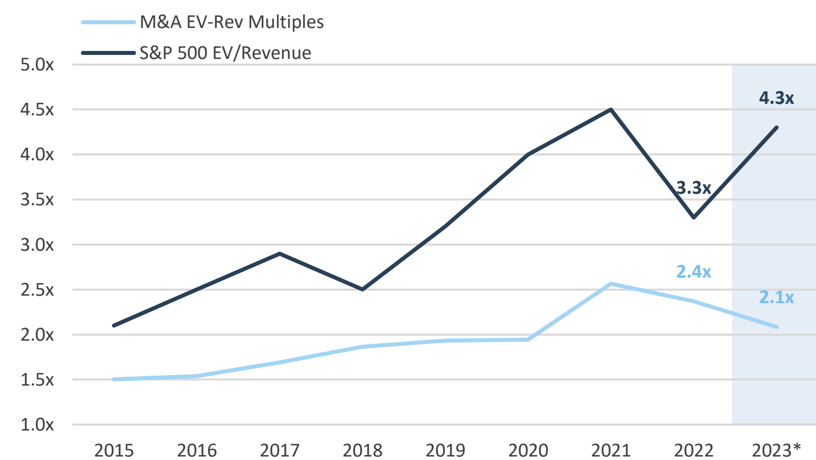
Public market valuations have pulled ahead of M&A transaction comps

Biotech EV / Sales & US Treasury Rate (5-Year)



SOURCE: Bourne Analysis of Pitchbook Data, Accessed 1.18.2024

US PE Median EV / Sales vs. S&P 500 EV / Sales Multiples



SOURCE: Pitchbook's 2024 Annual US PE Breakdown Summary, Accessed 1.15.2024

Market volatility in 2022, triggered by uncertainties surrounding interest rates and inflation, led to a widespread sell-off, resulting in an approximate 20% decline. However, much of this loss was recouped in 2023, leading to a nearly flat two-year return as per the S&P 500. A substantial part of these gains was achieved in the final four months of 2023.

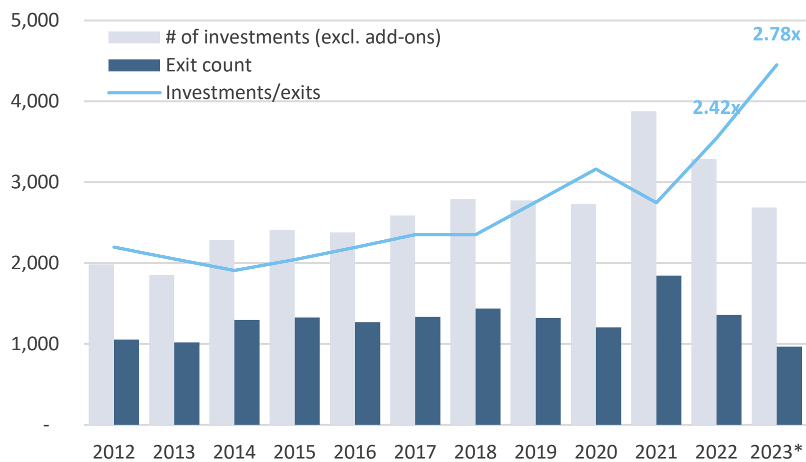
The recovery has transpired as markets responded positively to slowing inflation data. This response from the markets is pricing in potential rate cuts from the Federal Reserve in the forthcoming quarters.

This recent surge has pushed public valuations ahead of private M&A comparables. This is likely to have a negative effect on take-private deals, which saw an increase in 2023 (90), as opportunistic funds capitalized on market dislocations amid a broader sell-off.

Although valuations vary (for now), consensus forecasts predict a robust period for public corporate earnings in the upcoming quarters. Similarly, PE portfolio companies that have prioritized organic growth and operational improvements over the past few years, instead of M&A, are poised to capitalize on more favorable economic environments, driving profitability.

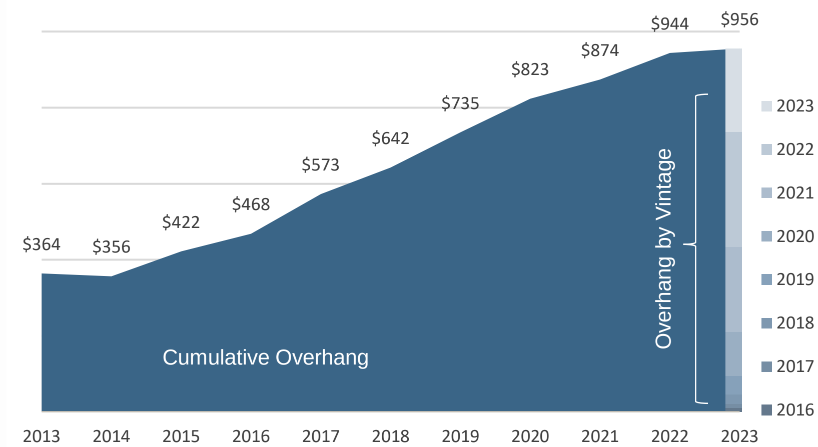
Private Market Deal Activity – One-Sided Dealmaking

US PE Investment/Exit Ratio



SOURCE: Pitchbook's 2023 Annual US PE Breakdown Summary, Accessed 1.15.2024

US PE Cumulative Capital Overhang "Dry Powder" ($B)



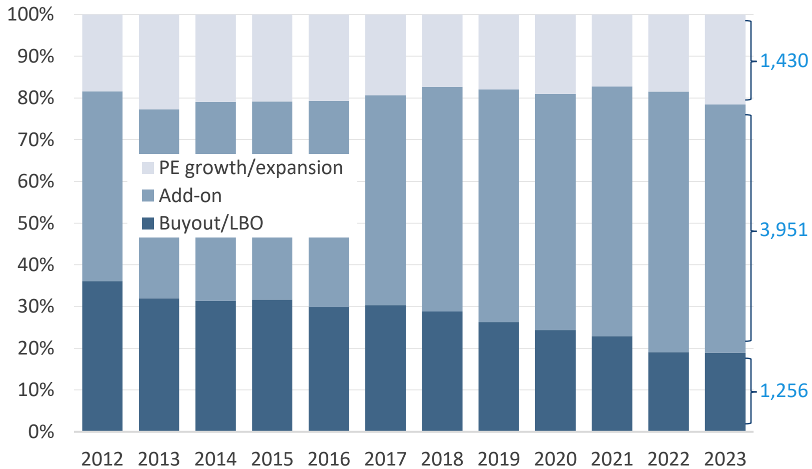
SOURCE: Pitchbook's 2023 Annual US PE Breakdown Summary, Accessed 1.15.2024

One-sided deal making fueled by dry powder

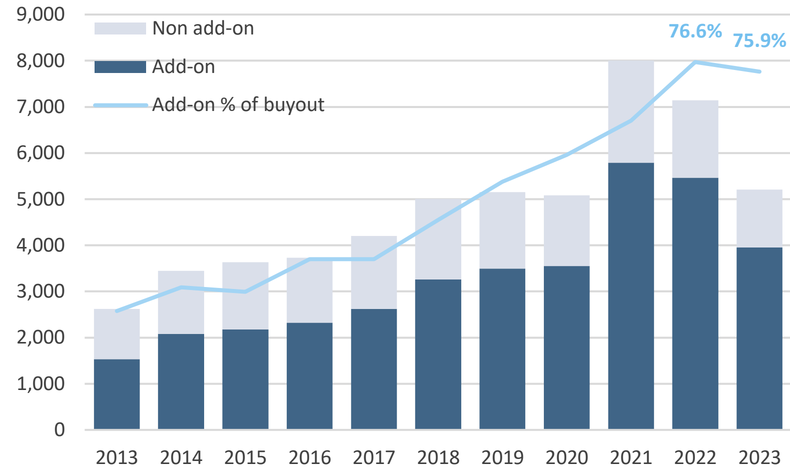
PE Investment-to-Exit ratios topped 2008 levels, rising to 2.78 investments to every 1 exit. This trend is fueled by a challenging exit environment, characterized by falling multiples, while record amounts of dry powder propel dealmaking, mostly in the form of add-ons.

The anticipated persistence of delayed exits over the next few years will result in a significant accumulation of PE assets awaiting exit. Investors are finding it difficult to offload portfolio companies that are due for exit. The recent surge in dealmaking, contrasted with a strained exit market, is set to inflate the backlog of investments. This situation is prompting LPs to exert pressure on GPs for capital returns, particularly while fundraising. Some liquidity has been found through continuation vehicles, a trend expected to continue. However, it is anticipated that GPs will seek exits in 2024, thereby injecting liquidity into the market.

Private Market Deal Activity - Smaller Deals



SOURCE: Pitchbook's 2023 Annual US PE Breakdown Summary, Accessed 1.15.2024



SOURCE: Pitchbook's 2023 Annual US PE Breakdown Summary, Accessed 1.15.2024

Growth deals prevail

LBOs saw a continued decline, driven by limited debt availability. This resulted in a 37% drop in platform deal value from 2022, and a 52% drop from 2021. Debt/EBITDA ratios, indicative of leverage ratios, contracted significantly, falling to 4.9x in 2023 from 5.9x in 2022.

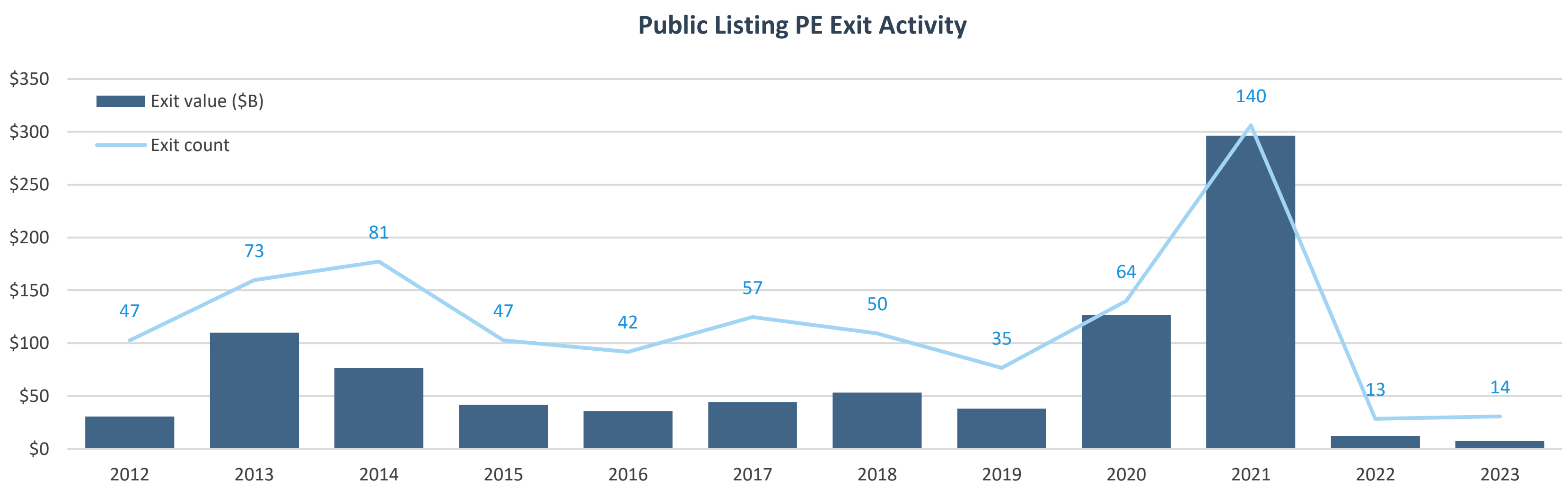
In a historic shift, growth equity deals surpassed LBOs. As buyouts and Add-ons receded in overall deal value, the strategy of acquiring high-growth, profitable businesses with minimal to no leverage proved effective in the current market. Sellers found better value alignment with growth equity buyers, with the prospect of a 'second bite of the apple' helping to narrow the bid-ask spread. The suitability of growth equity was further underscored in a market with expensive DCM.

Add-ons stall

Despite outpacing buyouts almost 8:1 in Q2 2022 and the overall downtrend in deals for the past two years, add-ons finally stagnated in 2023, declining by 38%, but still outnumber buyouts 7.5:1. This is due to the same factors that have affected platform deals: high interest rates and costly Debt Capital Markets inhibiting roll-up strategies.

Their decline was delayed compared to platform deals and LBOs, as many add-ons were financed with existing lines of credit, balance sheet cash, or sponsor equity. However, this is a costly practice when equity contribution averages 50%, an all-time high. This strategy only works temporarily, and without access to debt, a sustained roll-up play is not feasible.

PE Exits via Public Listings



SOURCE: Bourne Analysis of Pitchbook Data, Accessed 1.15.24

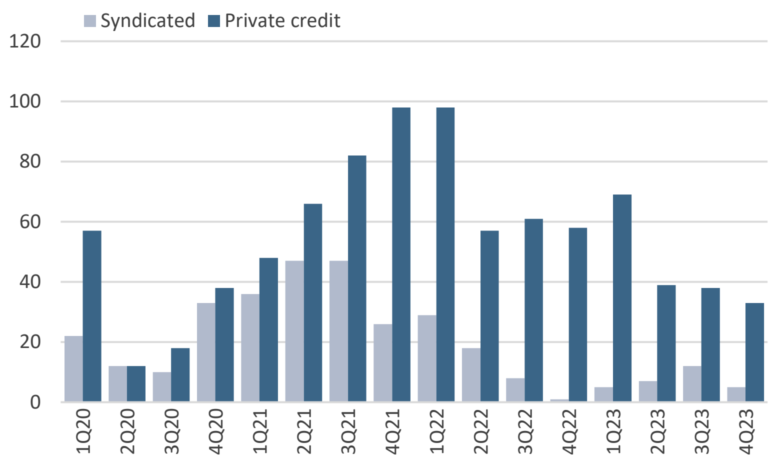
IPO tested, but still shaky at best. Likely to improve in 2024

Public listings remained quiet in 2023, but recent developments point to a possible recovery for IPOs. Cava, Ares's Savers Value Village, and EQT's Kodiak Gas Service tested the waters in 2023. Kodiak fell short of the intended $328M raise, with just $256M. The latter two were well received, both exceeding the prescribed raise amounts, and experienced the IPO pop reminiscent of 2021.

The IPO window was cracked in 2023, but with interest rate and valuation volatility, it proved to be a shaky exit route for PE. However, we expect renewed conviction for IPOs in 2024, aided by rate cuts and favorable public valuations.

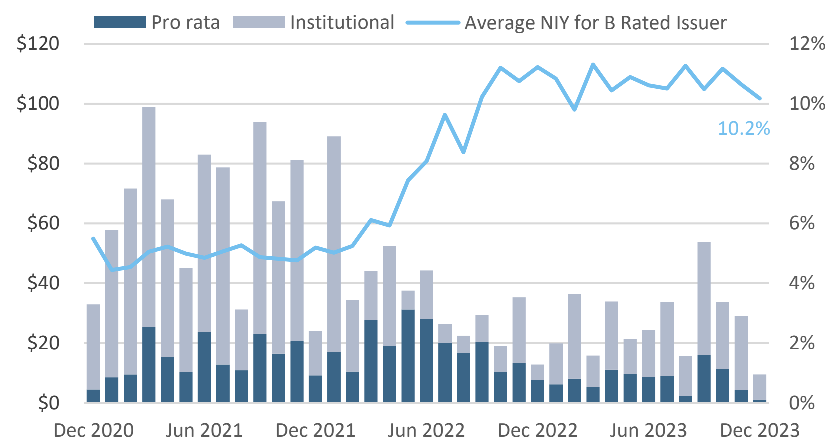
Debt Capital Markets

Count of LBOs financed by BSL* vs private credit markets



SOURCE: LCD US Private Credit & Middle Market Quarterly Wrap, Accessed 1.14.24

US Leverage Loan Value ($B) & Average New Issue Yield (NIY)



SOURCE: LCD Data via Pitchbook, Accessed 1.18.2024

Banks pull back once more in Q4

Debt markets are fully functioning again, albeit at a slower pace, with demand increasing across direct, institutional, and high yield (HY). Lenders have begun lending more freely as the Fed has presumably stopped hikes, and high yields provide attractive returns, increasing demand, ultimately leading to a slight decline in spreads.

Broadly Syndicated Loan (BSL) market issuance saw a sharp fall in Q4 after three quarters of growing Leveraged Buyout (LBO) deal issuance. Private Credit, which has kept the LBO lending market alive the past two years, also experienced a decline in Q4 issuance.

Lender demand leads to (slightly) tighter spreads

Private credit continues to outpace BSL for LBOs and refinancings are surpassing M&A volume. However, spreads tightened in the last two quarters of 2023 as competition heated up. Private credit spreads on high-quality middle market buyouts were in the S+675-750 with 3 points of OID range at the start of 2022, but by the end of 2023, a typical spread was closer to S+525-575 with 2 points of OID. First Lien Term Loan (TL) spreads are about 25bps lower, and senior debt yields remain in the 11-12% range.

**Note: Based on available data; (“BSL”) Broadly Syndicated Loans*

iii. Healthcare Spotlight

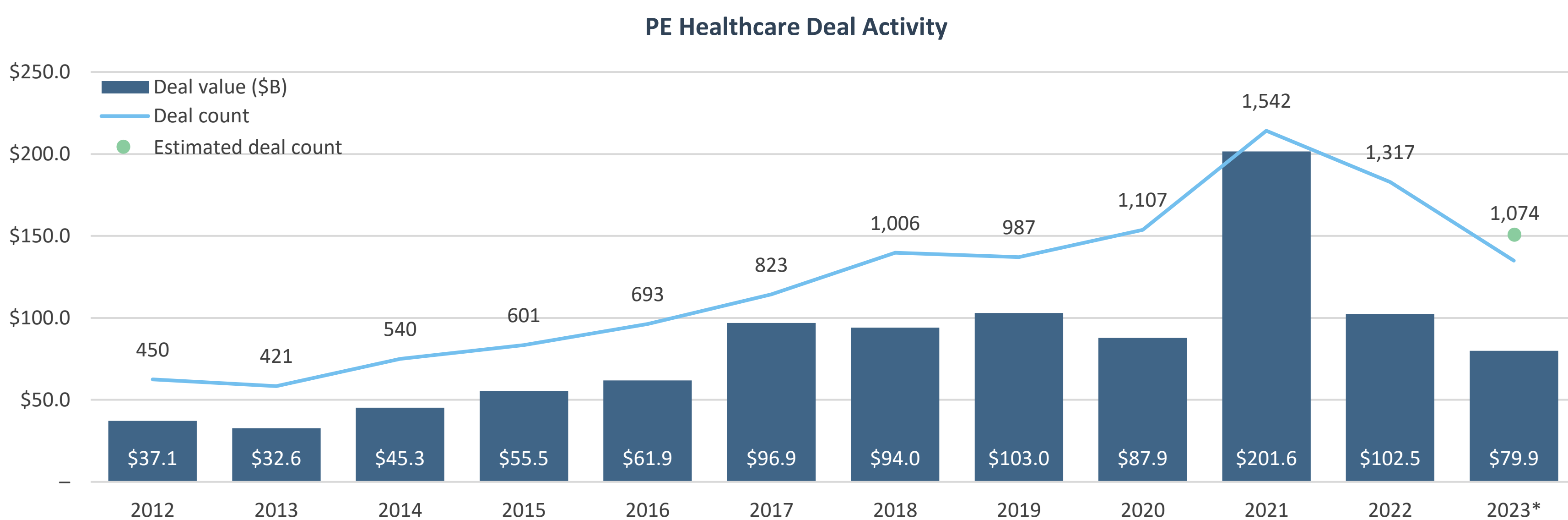
M&A, Market Dynamics & Life Sciences Outlook

Healthcare Deal Activity

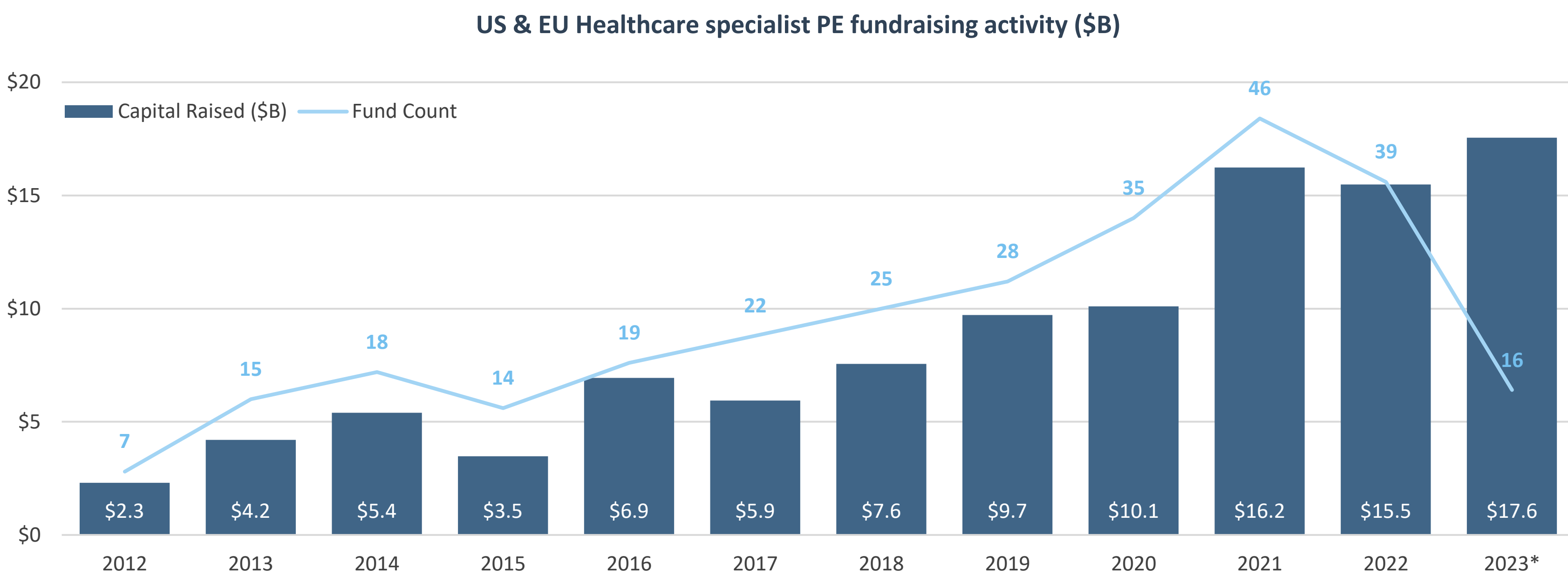
Healthcare Sector Deal Value ($B)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total
Pharma & Biotech	$9.47	$33.51	$15.66	$4.11	**$62.76**
Supplies, Equipment & Services	$24.23	$14.14	$17.37	$4.55	**$60.30**
Facilities & Distributors	$0.94	$0.18	$1.12	$9.24	**$11.47**
Technology & Managed Care	$8.49	$0.26	$2.66	$0.01	**$11.42**
Total	**$43.14**	**$48.10**	**$36.80**	**$17.91**	**$145.95**

SOURCE: (Top) Bourne Analysis of CapIQ Data, Accessed January 2024

SOURCE: (Bottom) Pitchbook's 2023 Annual US PE Breakdown, Accessed 1.15.2024
**Estimated deal values based on announced deals*



Healthcare PE Fundraising

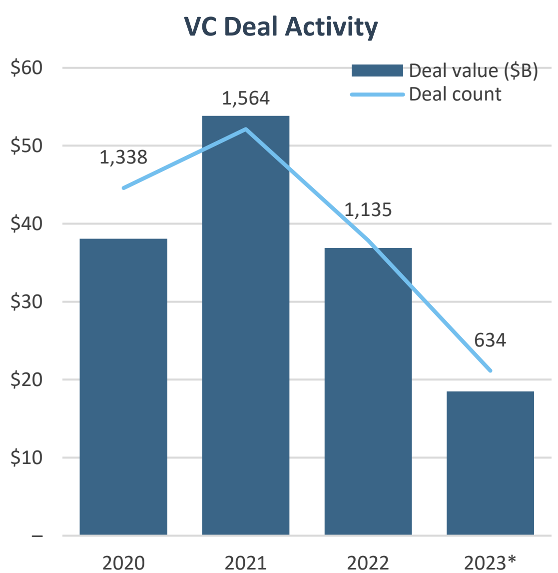


*SOURCE: Pitchbook, Accessed 1.5.24. *Fundraising data as of 9/30/2023*

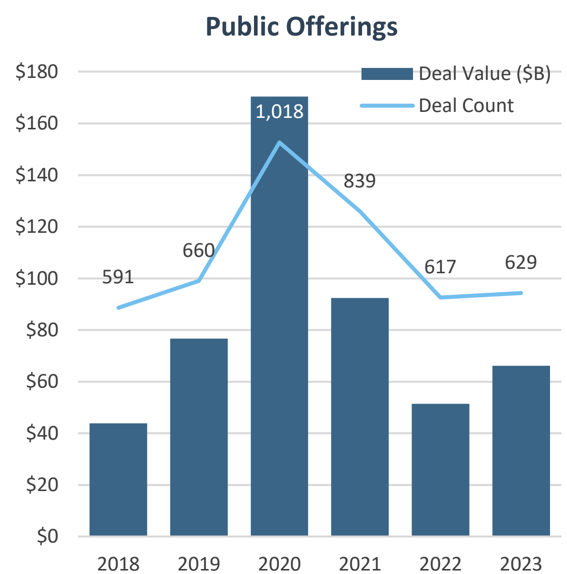
Private Equity Healthcare specialist fundraising post best year yet

Healthcare specialist PE fundraising is on track, to record their best year ever in terms of cumulative dollars closed, raising $17.6B through Q3 2023. The sector has seen significant benefits from an increasing number of specialized funds and investor interest, expanding Bourne's sponsor coverage to over 200 firms.

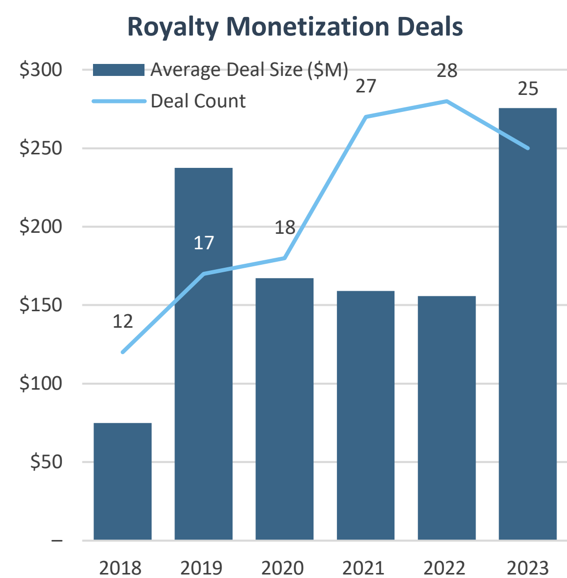
Biopharma Funding & R&D State of Play



Sources: Pitchbook
* As of 9/30/2023



Sources: CapIQ
* As of 1/1/2024



Sources: Bourne Royalty Monetization Transaction Database
* As of 12/1/2023

After enduring two years of dismal funding, the biotech sector is beginning to see brighter prospects on the horizon. Investors are gradually regaining confidence and are providing funding to promising biotechs. This renewed enthusiasm is bolstered by recent advancements in AI, which can significantly enhance the drug discovery process.

The anticipation of future rate cuts is fueling excitement in the biotech sector, as these cuts will positively impact the valuation of biotechs' heavily discounted future cash flows. Despite a significant decline in VC deal value and count YoY since 2021, the most recent three quarters have shown an upward trend in deal value, peaking at $6.5 billion in Q3 2023.

Valuations have also seen an improvement, with median pre-money valuations increasing YoY to surpass the 2021 levels. However, this is largely due to later-stage biotechs receiving the majority of funding, indicating that investors are still risk-averse.

The public markets have become more receptive to biotech offerings in the second half of 2023, a trend further supported by the anticipation of future rate cuts.

For biotech companies unable to secure VC funding or access public markets, alternative financing routes have emerged as a viable path to funding. Financing events such as royalty monetization, revenue interest financing (RIF), and priority review voucher (PRV) monetization can offer non-dilutive financing. These alternatives have grown in popularity amidst pricing capital markets, and Bourne has been active in structuring creative solutions for these companies.

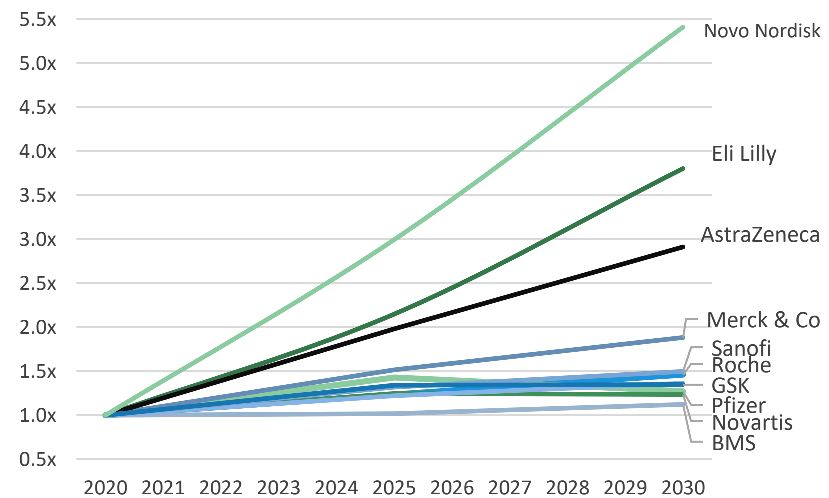
Big Pharma R&D

R&D Estimated Spend Ranking ($M)

	2020		2025		2030
1. Roche	11,977	Roche	14,800	Eli Lilly	22,720
2. Pfizer	9,370	Pfizer	13,391	Roche	17,490
3. BMS	9,237	Eli Lilly	12,841	AstraZeneca	17,095
4. Merck & Co	8,308	Merck & Co	12,607	Merck & Co	15,630
5. Novartis	7,636	AstraZeneca	11,635	Novo Nordisk	13,036
6. Eli Lilly	5,976	Novartis	9,517	Pfizer	11,907
7. AstraZeneca	5,872	BMS	9,386	BMS	10,363
8. AbbVie	5,830	Sanofi	7,482	Novartis	9,427
9. Sanofi	5,676	GSK	7,292	Sanofi	8,506
10. GSK	5,435	Novo Nordisk	7,217	AbbVie	7,949
11. Novo Nordisk	2,410	AbbVie	7,130	GSK	7,319
Total	**$77,727**		**$113,298**		**$141,442**

SOURCE: Sources: Bloomberg, Company Filings, Berenberg Research

Estimated Fold Increase in Annual R&D Spend



SOURCE: Sources: Bloomberg, Company Filings, Berenberg Research

Internal R&D – A 2024 priority for cash-rich Big Pharma

As we enter a year characterized by ongoing macroeconomic uncertainty, the impact of drug price reforms, and an impending election, cash-rich pharmaceutical companies are expected to prioritize internal Research and Development (R&D) investments. The increased R&D investment, driven by the pandemic, hasn't slowed down. In fact, pharmaceutical companies are still allocating a record percentage of sales towards R&D.

Big pharma alone is projected to deploy $91 billion on internal R&D in 2024 before increasing leverage positions. This surge is expected to be led by the reinvestment of profits from the success of obesity treatments. Companies like Novo, Lilly, and AstraZeneca are expecting to triple their R&D spending over the next decade as they redeploy their return on R&D investment (ROI).

Given the prevailing macroeconomic uncertainty, Federal Trade Commission (FTC) regulatory pressure, and the high cost of capital, it is likely that pharmaceutical companies will prioritize internal R&D over large transformative acquisitions to backfill pipelines.

Pharma Services Outlook

2024 Outlook

Historically, physician practice management (PPM) deals and roll-up plays have contributed significantly to the headline PE healthcare deal count. However, due to significant labor shortages and wage inflation in 2023, very few PPM deals were executed. Higher interest rates also posed a significant barrier to roll-up strategies, making it unfeasible to accumulate debt to fund capital-intensive inorganic growth.

On the other hand, Pharma services and healthcare IT have experienced an increased influx of investor interest. Bourne, which specializes in this category, has seen growing demand over the past decade. Many companies, particularly middle-market sized firms serving as outsourced service providers to pharma, often have customer concentration exceeding the general investment committee's 20% maximum. This is largely due to the sizable contracts and capacity demands of big pharma. However, the concentration risk is largely offset by sticky customer relationships and high switching costs, a result of stringent regulatory involvement and highly specialized supply chains. Consequently, thesis driven PE funds have shown increasing tolerance for this. We anticipate that Pharma Outsourced services will see increased demand as healthcare specialists turn to less add-on dependent strategies.

CDMOs

On the manufacturing side of pharmaceutical services, U.S. based manufacturing has gained significant attention due to recent drug shortages and supply chain complications, attracting government support. The U.S. government has pledged to back local supply chains with an investment of $1.4 trillion over the forthcoming seven years for capital projects across critical industries. Terms such as "onshoring", "reshoring", and "near-shoring" have become widespread across all sectors, especially in pharma, elevating the importance of a self-reliant pharmaceutical supply chain to a matter of national security. Contract Development and Manufacturing Organizations (CDMOs) are poised to benefit from this trend, and established, high-quality U.S. manufacturing capacity will continue to command a premium.

Clinical Services and CROs

Clinical services and CROs are expected to continue to see demand as Big Pharma alone (a key customer and leading indicator) is projected to spend $91 billion on R&D in 2024. The biopharma funding environment is improving, with 2023 witnessing increased VC funding levels and more receptive public markets. However, these deals have been heavily skewed towards later-stage pipelines or plays on obesity and AI, leaving Phase 2 and earlier candidates still cash-strapped. For this reason, we predict that Phase 1 CROs and other providers primarily servicing Biotechs will continue to face sustained headwinds.

Pharma Services Outlook (cont.)

Healthcare IT

Healthcare IT has faced challenges in commercializing innovative products for their primary customers, health systems, which have been grappling with labor inflation and unfavorable reimbursement. To succeed, HCIT companies must not only clearly identify and provide historical evidence of their value proposition, but also offer a path to and support for integration and ongoing utilization. The HCIT sales cycle has historically been long, posing a challenge for cash-burning start-ups, even during an era of abundant VC funding and low inflation (for health systems).

Current players will need to adapt their go-to-market strategies to secure contracts. According to Mike Moore of the Mullings Group, one innovative strategy is “rolling out the tech for Research Use Only (RUO) prior to FDA approval. This approach makes the proposed spend less daunting, allows for bypassing IT/Legal, and provides an opportunity to work out all the kinks as a “partner” rather than a traditional vendor. By the time FDA approval is achieved, the tech is already entrenched, making the conversion to a commercial vendor much less challenging.”

Commercialization and Sales Channels

Pharma commercialization and sales channels are changing rapidly as manufacturers seek innovative solutions within a highly structured market. Ballooning gross-to-net spreads, discounts, and rebates have compelled manufacturers to seek unconventional sales channels, promoting Direct-to-Consumer (DTC) routes and Specialty Pharmacy networks. Furthermore, the traditional sales rep-to-physician model has become nearly obsolete post-COVID, and increased specialization is leading to smaller patient populations that require highly targeted efforts. Innovative, data-driven commercialization platforms that provide access to "inaccessible patients" are likely to succeed.

Tech-Enabled Services

For tech-enabled services, Real World Data (RWD) & Real World Evidence (RWE) continues to hold value across the spectrum from clinical to commercialization. We also anticipate AI integration and AI-powered tools as the next force that will reshape the industry, particularly through accelerated drug discovery and clinical concepts. We recognize that the industry is highly fragmented and ripe for consolidation as sites and sponsors continue to seek one-stop-shop solutions and combat “portal fatigue.”

iv. Bourne Partners Overview

Thought Leadership

Bourne Perspective

After 20+ years of exclusive industry and capital markets coverage, we know the space and we are committed to providing actionable insights to our clients. We provide cutting-edge thought leadership on all things Pharma, Pharma Services, and Consumer Health.

Through leveraging resources and insights of both Bourne Partners Strategic Capital and Investment Banking divisions, **we provide differentiated perspectives to our clients from our unique vantage point**. Our goal is to deliver heavy-hitting, timely reports in an easy-to-read format tailored specifically for executives within our industry coverage.

Deal Profiles

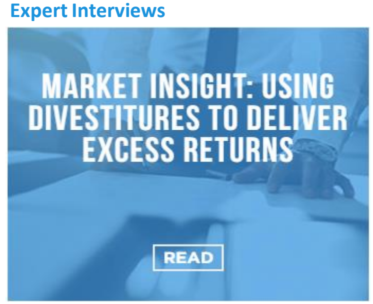
Market Conference Commentary

Industry Update Posts

Weekly Newsletter

Market Reports

Expert Interviews



Sector Updates

Bourne Partners Overview

Our Service Offering

For over twenty years, Bourne Partners has focused exclusively on providing investment banking advisory services and making direct investments in the Pharmaceutical, Pharma Services, Pharmacy Services, and Consumer Health and Wellness industries. Since 2015, we have successfully executed on **over $10B** in transactions, having worked with many leading companies and private equity investors in these core focus areas.

Investment Banking

Mergers and Acquisitions
Sell-side and buy-side assignments
Transaction Experience: $10M - $3.5B

Capital Sourcing
Debt / Equity / Hybrid
$10 - $500 million raises

Business Development Support
Development stage and approved products
Local and international

Strategic Capital

Investment Focus
Direct investments in private companies
Selective approach in vital focus areas

Other Criteria
Cash flow positive opportunities
Complex situations with creative structures
Actionable growth stage or middle market business
Flexible investment targets with established private equity relationships

Geographic Coverage

Sector Expertise

Pharmaceuticals

Pharma Services

Pharmacy Services

Consumer Healthcare

Investment Banking Overview

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

Value Beyond the Deal

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

Focus Areas

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

Select Recent Tombstones

- TAPEMARK has been acquired by LTS
- Clincierge has been acquired by greenphire, a portfolio company of THOMABRAVO
- Afton Scientific has been acquired by ACP
- InnovationsGroup MedQuest Pharmacy has been acquired by Belmar Pharma Solutions
- Summit Biosciences Inc. has been acquired by Kindeva Drug Delivery
- Medivant Healthcare has been recapitalized by 1315 Capital

Partners, Sponsors, and Lenders

Carlyle, Colbeck, Cerberus, Cinven, Advent Venture Partners, Ampersand

Recent Clients & Counterparties

Thoma Bravo, Webster Equity Partners, Ghost Tree Partners, Altaris, 1315 Capital, ME, New Rhein Healthcare Investors, ArchiMed, QHP Capital, ACP, GHO Capital

