
BOURNE PARTNERS

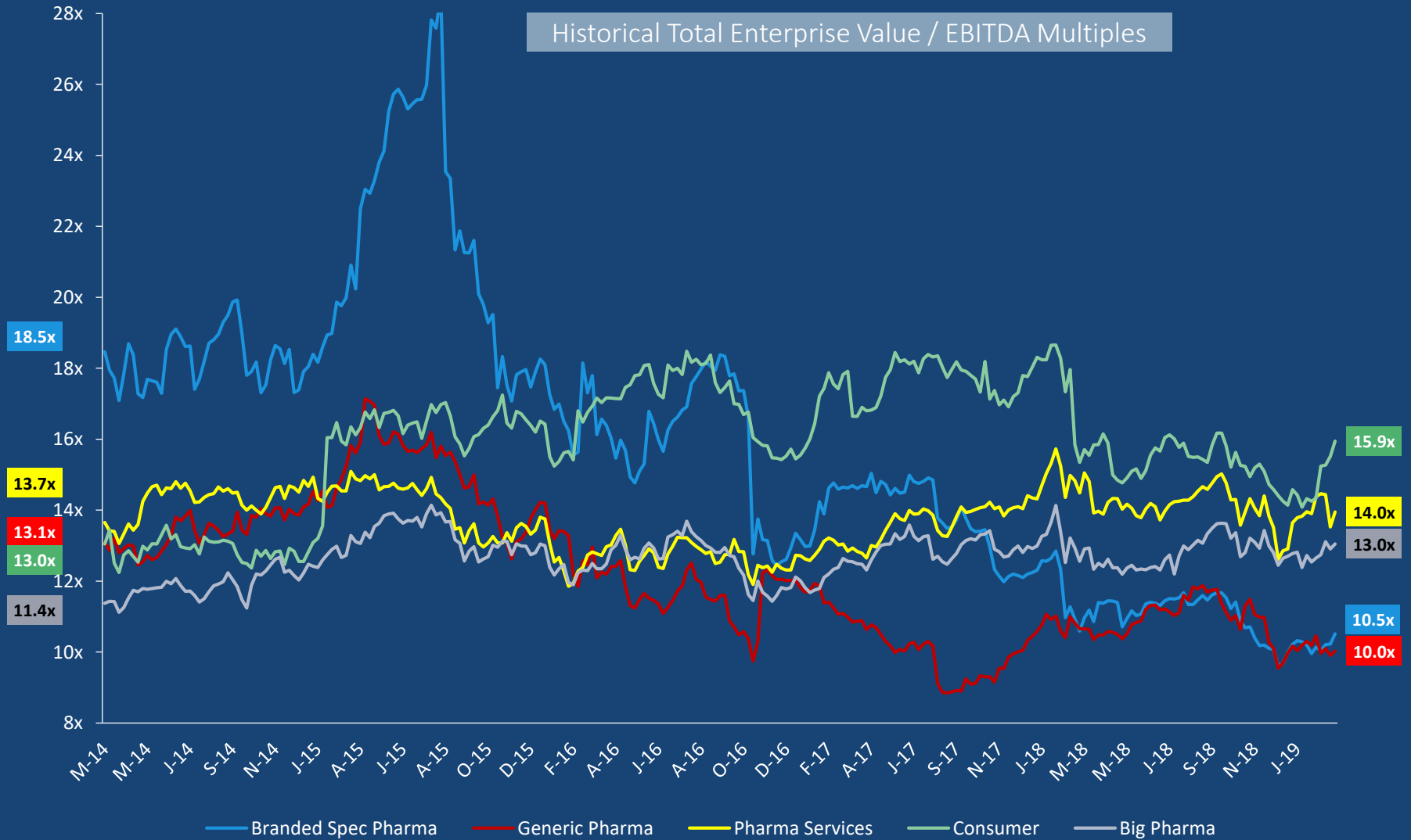
The 505(b)(2) Information Session – DCAT Week 2019

Generic Pharma: State of the Market

March 2019

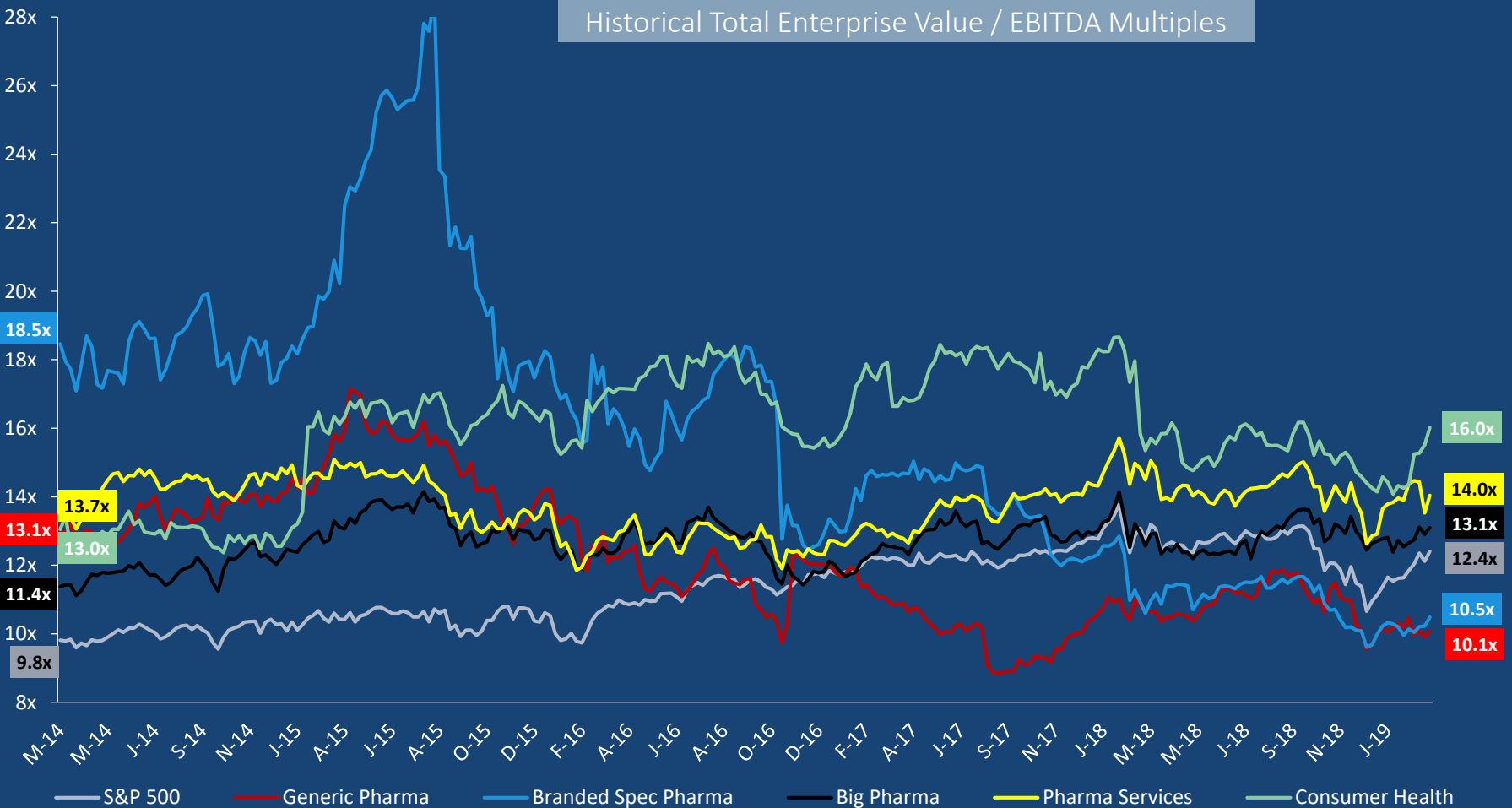
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Bourne Partners Industry Segments – 5 Year Snapshot



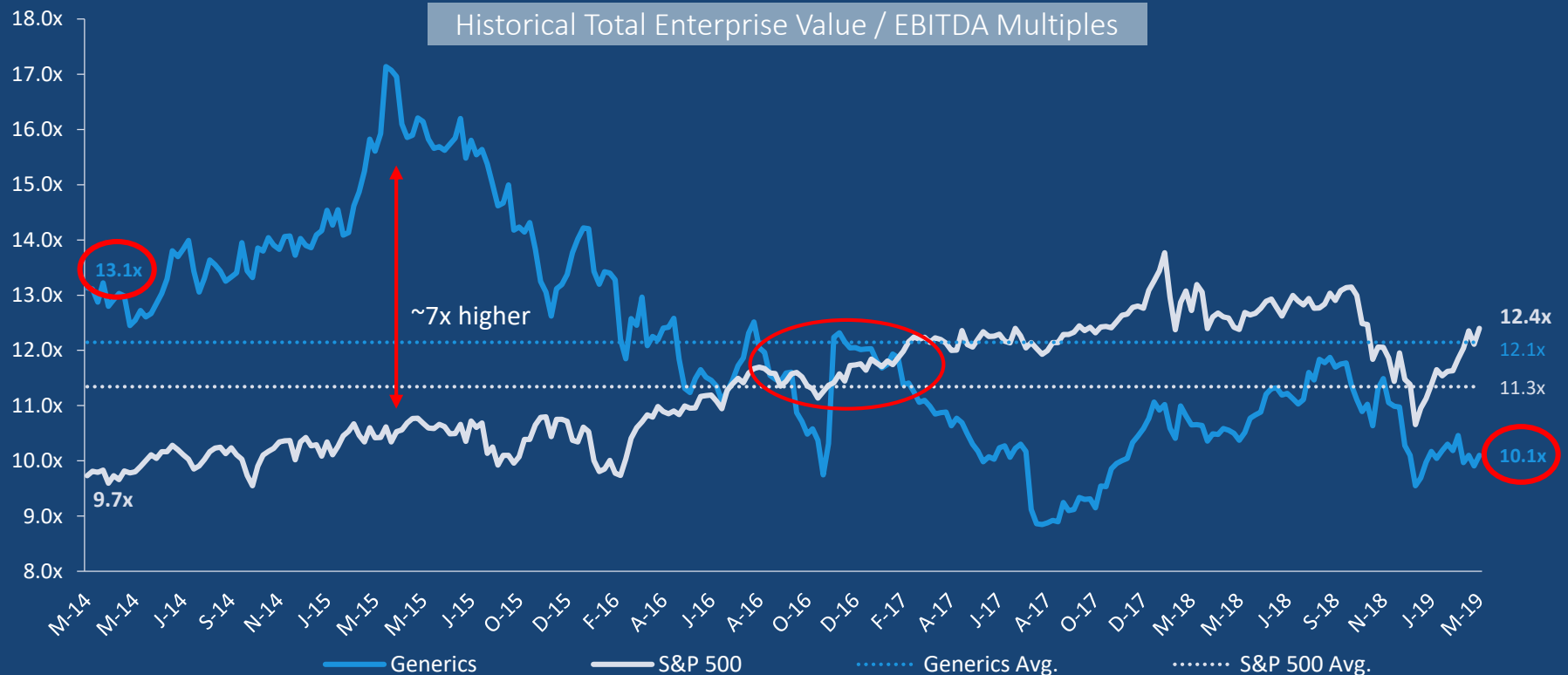
1) Source: CapIQ as of March 15, 2019

Bourne Partners Industry Segments – 5 Year Snapshot



- Since 2014, we have seen consistent monetization opportunity for Pharma Services and Consumer Health companies
- In 2015, the opportunity within Pharmaceuticals was to monetize or raise capital; now we are seeing an investment opportunity zone while valuations sit below the S&P 500 and other Pharma sectors

Generics Pharma - Valuation Trends (Last 5 Years)



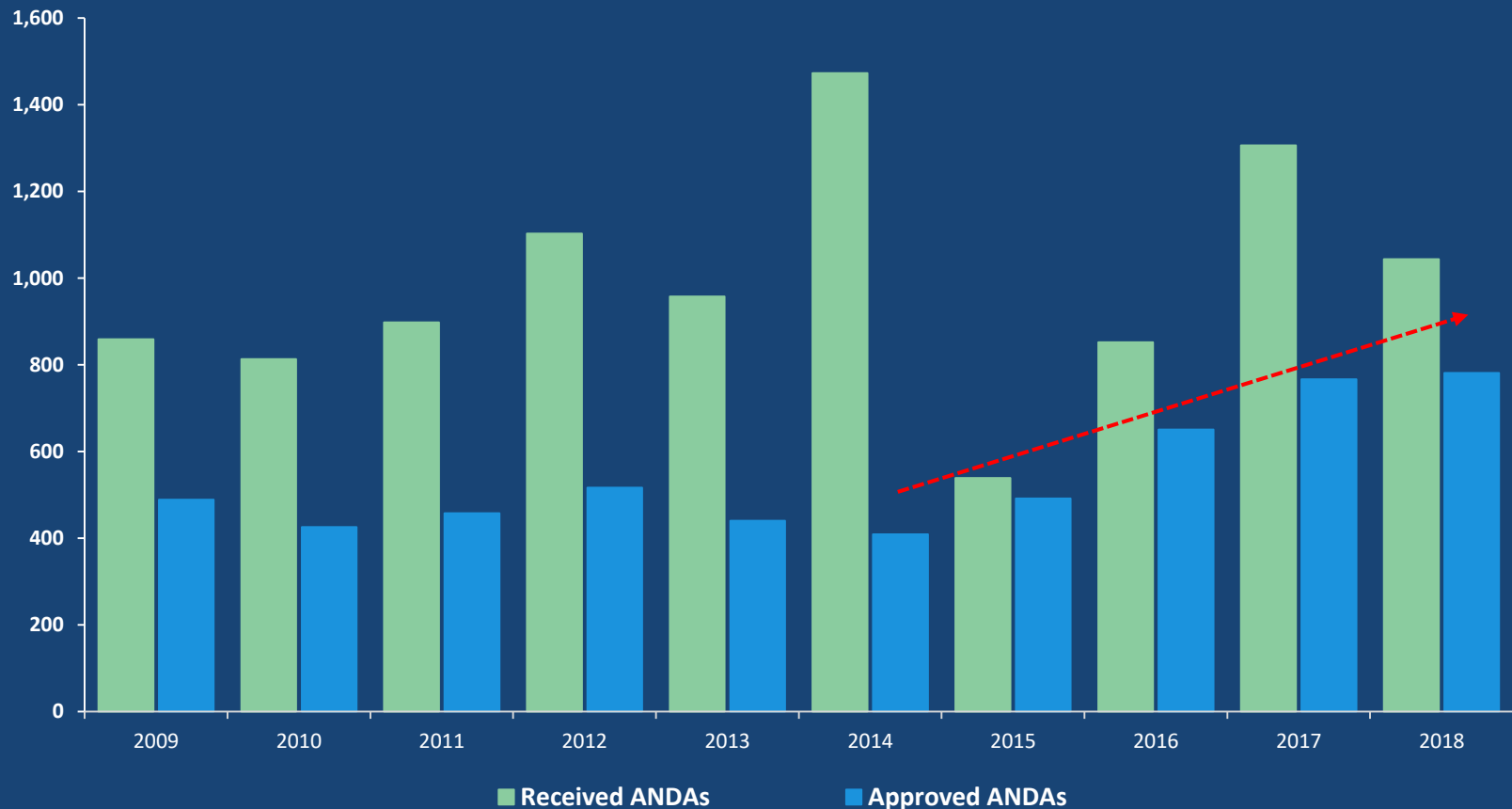
- Over the last four years, Generic sector multiples have been trending opposite those of the market as a whole
- The *current* TEV / EBITDA multiples for the Generic sector and the S&P 500 are 10.0x and 12.3x, respectively
 - S&P 500 EBITDA multiples are 22.6% higher than the Generics index multiple
- The *current* Generics multiple of 10.0x is 17.5% lower than its 5-year *average* of 12.1x
- Generic multiples have dropped 41.6% since their peak in April 2015

1) *Generics basket consists of the following:* Nasdaq:AKRX, Nasdaq:AMPH, LES:HIK, BSE:LCI, Nasdaq:MYL, TSE: 4541, NYSE:PRGO, NSEI:SUNPHARMA, NYSE:TARO, NYSE:TEVA

2) Source: CapIQ as of March 15, 2019

ANDA Approval Trend

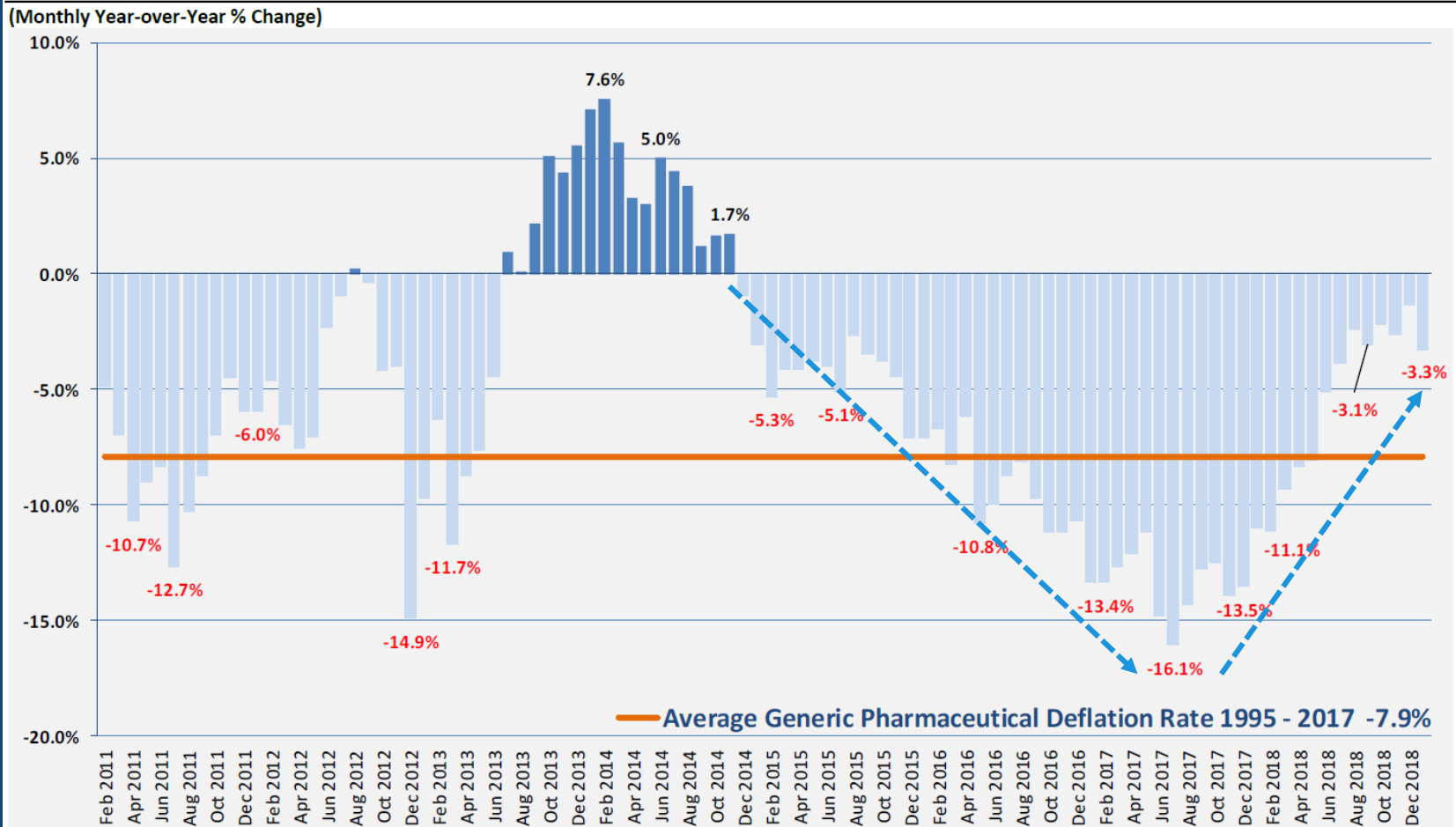
- The number of ANDAs approved has increased steadily since 2014
- **The FDA has made a concerted effort to shorten ANDA approval timelines leading to much higher approval rates**
 - This has led to increased competition and in turn pricing pressure on many products, particularly those that are easier to develop



Generic Price Deflation Trends

- After several years of worsening pricing deflation, we are starting to see a leveling off
- While prices are still deflating some and price inflation levels of several years ago are unlikely, it seems the worst of the pressures are in the past

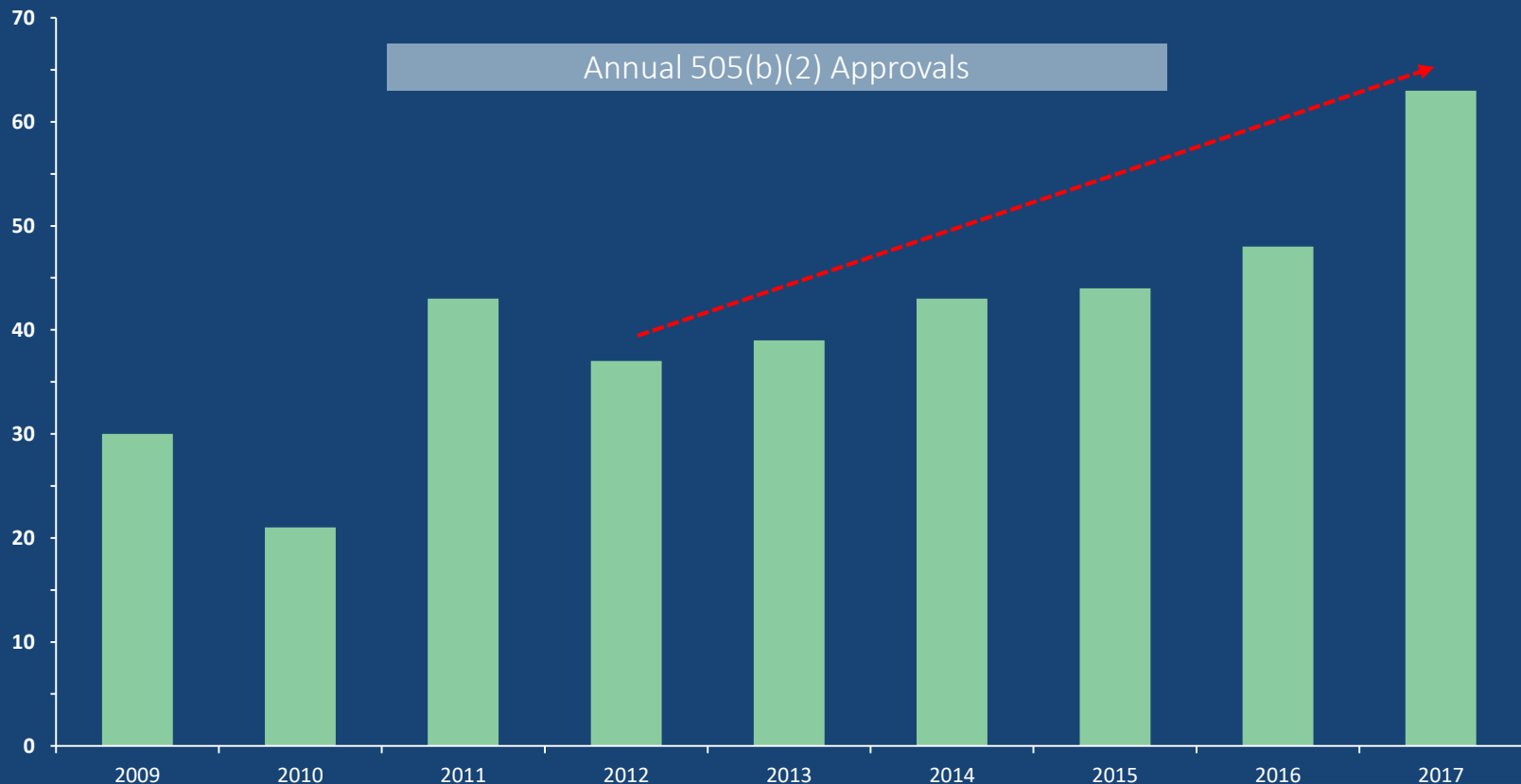
Exhibit 4: Generic Drug Price Inflation (Deflation) February 2011 – January 2019



Source: Raymond James research, Symphony Health, Bloomberg, CMS, IQVIA

505(b)(2) Approval Trends

- While the number of 505(b)(2) submissions and approvals is significantly smaller than the number of traditional ANDAs, the 505(b)(2) pathway has slowly gained traction
- The relatively low risk and low development costs combined with potential for exclusivity have made 505(b)(2)'s more and more attractive
- **We've seen a substantial increase in interest in 505(b)(2)'s both in development activities and M&A**
 - A scarcity of assets means higher valuations in the space



Notable 2018 Generic Pharma Transactions

Announced Date	Target	Buyer	Geographic Location	Enterprise Value	LTM Revenue
Nov-18	Navamedic ASA	Ingerø Reiten Investment Company AS	Norway	–	\$20.8
Oct-18	Corium International, Inc.	Gurnet Point Capital Limited	United States	\$492.5	\$36.5
Sep-18	Dermatology and Oral Solids Businesses of Sandoz Inc./Eon Labs, Inc.	Aurobindo Pharma USA, Inc.	United States	\$1,000.0	\$1,200.0
Jun-18	Zentiva Group, a.s.	Advent International Corporation	Czech Republic	\$2,201.9	–
Jul-18	Generic Efudex	Mayne Pharma Group Limited	United States	\$30.0	–
Jul-18	Subsidiaries in the Netherlands, Belgium, Spain, Poland and Czech Republic	Agile Pharma B.V.	Netherlands	\$86.4	\$154.7
Mar-18	Elmed Eisai Co., Ltd.	Nichi-Iko Pharmaceutical Co., Ltd.	Japan	\$160.1	\$263.9
Mar-18	Ten Products Portfolio of LEO Pharma A/S	Karo Pharma AB (publ)	Denmark	\$317.0	\$84.5
Jan-18	ANDA Portfolio of Sandoz Inc.	CASI Pharmaceuticals, Inc.	United States	\$18.0	–

- Notably *absent* from the select transaction list above is the **acquisition of Akorn, by Fresenius** which was canceled due to evidence of misconduct in the target's reporting of drug development data to U.S. health-care regulators
 - The initial agreement represented \$4.8m in Total Enterprise Value and 10.7x LTM EBITDA
 - In the time between announcing the deal and the cancelation, Akorn's financial performance declined significantly

Generic Pharma Trading Comparables

USD in millions, except for per-share amounts

Company	Ticker	Equity Value	Total Debt	Enterprise Value	LTM		NTM Forecast		NTM YoY Growth	
					Sales	EBITDA	Sales	EBITDA	Sales	EBITDA
Akom, Inc.	NasdaqGS:AKRX	\$465.9	\$820.4	\$1,061.4	\$694.0	(\$45.5)	\$639.0	\$5.8	(7.9%)	(112.7%)
Amphastar Pharmaceuticals, Inc.	NasdaqGS:AMPH	1,093.5	50.2	1,054.5	294.7	7.6	327.5	51.8	11.1%	585.3%
Hikma Pharmaceuticals PLC	LSE:HIK	5,307.3	721.0	5,787.3	2,030.0	498.0	2,121.7	571.0	4.5%	14.7%
Lannett Company, Inc.	NYSE:LCI	321.0	813.5	970.7	694.1	215.0	506.1	174.2	(27.1%)	(19.0%)
Lupin Limited	BSE:500257	5,139.5	1,221.9	5,914.8	2,343.6	412.8	2,643.0	459.2	12.8%	11.3%
Mylan N.V.	NasdaqGS:MYL	14,013.2	13,818.3	27,382.3	11,433.9	3,596.4	11,978.1	3,619.9	4.8%	0.7%
Nichi-Iko Pharmaceutical Co., Ltd.	TSE:4541	853.7	1,111.6	1,735.3	1,353.3	217.8	1,760.3	193.2	30.1%	(11.3%)
Perrigo Company plc	NYSE:PRGO	6,452.6	3,242.4	9,134.5	4,731.7	892.5	4,750.6	966.2	0.4%	8.3%
Sun Pharmaceutical Industries Limited	NSEI:SUNPHARMA	15,779.8	1,540.0	15,165.9	4,138.7	989.0	4,613.0	1,111.9	11.5%	12.4%
Taro Pharmaceutical Industries Ltd.	NYSE:TARO	4,097.8	0.0	3,042.8	665.2	309.9	796.8	0.0	19.8%	(100.0%)
Teva Pharmaceutical Industries Limited	NYSE:TEVA	17,194.1	28,916.0	44,326.1	18,854.0	4,802.0	17,342.5	4,695.0	(8.0%)	(2.2%)

Company	Ticker	Margin Analysis		Enterprise Value/				Debt/		
		Gross Profit	EBITDA	Sales	EBITDA	NTM Sales	NTM EBITDA	EBITDA	Enterprise Value	Interest Coverage
Akom, Inc.	NasdaqGS:AKRX	35.4%	NM	1.5 x	NM	1.7 x	NM	-18.0 x	77.3%	NM
Amphastar Pharmaceuticals, Inc.	NasdaqGS:AMPH	36.3%	2.6%	3.6 x	NM	3.2 x	20.4 x	6.6 x	4.8%	NM
Hikma Pharmaceuticals PLC	LSE:HIK	47.6%	24.5%	2.9 x	11.6 x	2.7 x	10.1 x	1.4 x	12.5%	8.1 x
Lannett Company, Inc.	NYSE:LCI	42.6%	31.0%	1.4 x	4.5 x	1.9 x	5.6 x	3.8 x	83.8%	1.8 x
Lupin Limited	BSE:500257	62.3%	17.6%	2.5 x	14.3 x	2.2 x	12.9 x	3.0 x	20.7%	7.6 x
Mylan N.V.	NasdaqGS:MYL	40.0%	31.5%	2.4 x	7.6 x	2.3 x	7.6 x	3.8 x	50.5%	3.2 x
Nichi-Iko Pharmaceutical Co., Ltd.	TSE:4541	12.7%	16.1%	1.3 x	8.0 x	1.0 x	9.0 x	5.1 x	64.1%	16.3 x
Perrigo Company plc	NYSE:PRGO	38.7%	18.9%	1.9 x	10.2 x	1.9 x	9.5 x	3.6 x	35.5%	3.8 x
Sun Pharmaceutical Industries Limited	NSEI:SUNPHARMA	71.7%	23.9%	3.7 x	15.3 x	3.3 x	13.6 x	1.6 x	10.2%	11.2 x
Taro Pharmaceutical Industries Ltd.	NYSE:TARO	66.9%	46.6%	4.6 x	9.8 x	3.8 x	NM	0.0 x	0.0%	NM
Teva Pharmaceutical Industries Limited	NYSE:TEVA	44.0%	25.5%	2.4 x	9.2 x	2.6 x	9.4 x	6.0 x	65.2%	3.2 x

Median	42.6%	24.2%	2.4 x	9.8 x	2.3 x	9.5 x	3.6 x	35.5%	5.7 x
Mean	45.3%	23.8%	2.6 x	10.1 x	2.4 x	10.9 x	1.5 x	38.6%	6.9 x
Min	12.7%	2.6%	1.3 x	4.5 x	1.0 x	5.6 x	-18.0 x	0.0%	1.8 x
Max	71.7%	46.6%	4.6 x	15.3 x	3.8 x	20.4 x	6.6 x	83.8%	16.3 x

* All estimates from Capital IQ
NM - not meaningful

Bourne Partners Investment Banking

Life Sciences Merchant Bank

- Investment Banking Advisory
- Strategic Capital Investment
- Healthcare/Life Sciences Operational and Management Consulting

Segmentation

- Pharmaceuticals and BioPharma
- Pharma, Pharmacy, and Healthcare Services
- Consumer Healthcare / Wellness (OTC)
- Medical Device, Diagnostics, and Med Tech

Advisory Services*

- Mergers & Acquisitions
 - Company and product focus
 - Both sell-side and buy-side assignments
 - \$25 – \$500 million transaction focus
- Capital Raising
 - Debt and equity
 - \$25 – \$500 million raises
- Business Development Support Services
 - In/out-licensing of development stage and approved products
 - United States, European, and Asian companies focused on partnering locally or internationally

Over \$6 billion in M&A transactions since 2015

*Investment Banking services are offered by Bourne Partners Securities, LLC, a registered broker dealer, Member FINRA and SIPC

Geographic Coverage



Recent Clients & Counterparties



Select Private Equity & Financial Clients



Bourne Partners Strategic Capital

Overview

Bourne Partners Strategic Capital partners with and invests in pharmaceutical, pharmaceutical services, consumer healthcare companies and management teams where we can add value.

Criteria

Direct Invest Criteria [Bourne Sourced]

- Proven and experienced management teams
- Companies / platforms where we can add value
- Highly flexible - equity checks up to and > \$1 billion
- Pharma, Pharma Services and Consumer Health focus
- Typically commercial stage [pharma platforms can do late development]

Co-Invest Criteria [Sourced by Private Equity Partners]

- Proven management
- Equity checks up to \$20 million
- Industry agnostic – prefer healthcare
- Trusted sponsor with successful track record

Track Record

Experience

- 10 direct or co-investment platforms
- Investment in 15 funds since inception
- Team has over \$20bn in transaction experience
- Trusted by highly regarded private equity firms

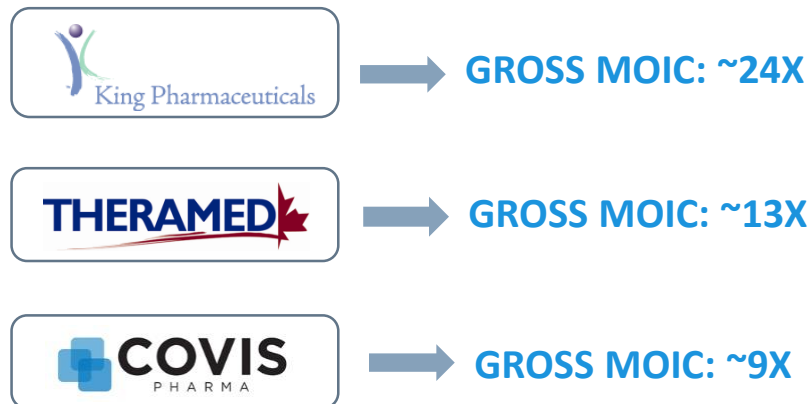
Historic Returns

- >11x MOIC on direct investments on past transactions

Current Portfolio Companies



Select Exited Portfolio Companies (Active Role)



Select Private Equity and Co-Investors

THE CARLYLE GROUP

CERBERUS
CAPITAL MANAGEMENT, L.P.

PEP
PACIFIC EQUITY PARTNERS

GTCR

Bourne Partners Senior Team

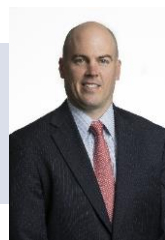
Bourne Partners is Comprised of Experienced Investment Professionals, Healthcare Executives and Operating Partners



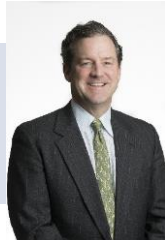
Banks Bourne
Chief Executive Officer



Minor Hinson
Chief Investment Officer



Jeremy Johnson
Managing Director



Xan Smith
Managing Director



Lindsey Stevens
Director of Marketing



Todd Bokus
Vice President



Chris Inklebarger
Chief Operating Officer



Robert Stanley
Vice President

- Over 75 years of combined pharmaceutical, biotechnology, medical device, healthcare and pharma services, and consumer health/OTC experience
- Over 100 years of combined investment banking and private equity transaction experience
- Transactions completed in more than 35 countries
 - Mergers & Acquisitions*
 - Licensing Agreements
 - Product Divestitures*
 - Distribution Agreements
 - Corporate Spin-offs*
 - Capital Raising*
 - Strategy Consulting
 - Fund Management
 - Direct Investing

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