



Investment
Banking

Canaccord Genuity

Contract Research Organisation (CRO) M&A and Sector Update

March 2025

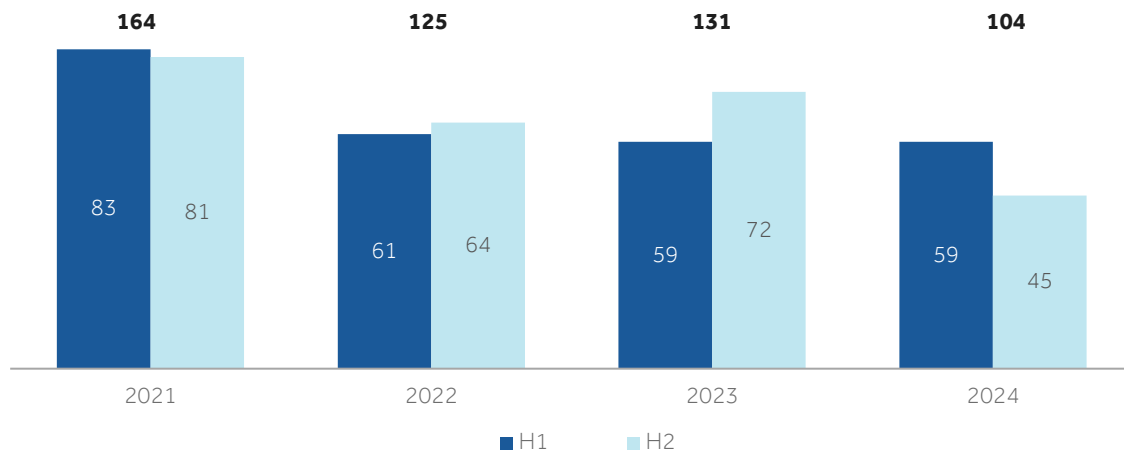


M&A activity and trends



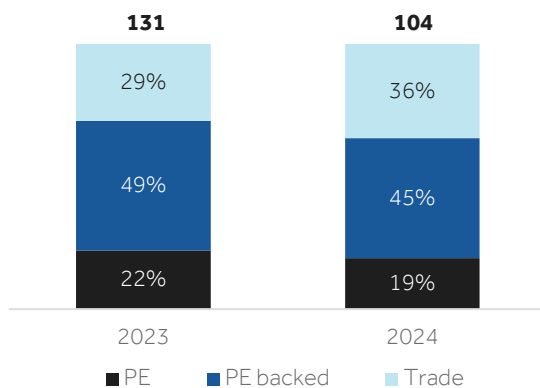
Market activity has declined due to several headwind factors

Transaction volume

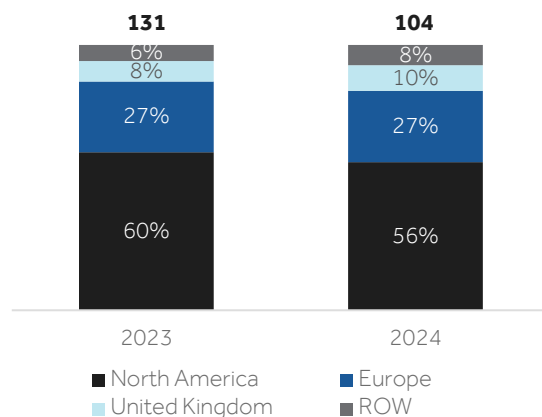


Transaction by type

Acquiror



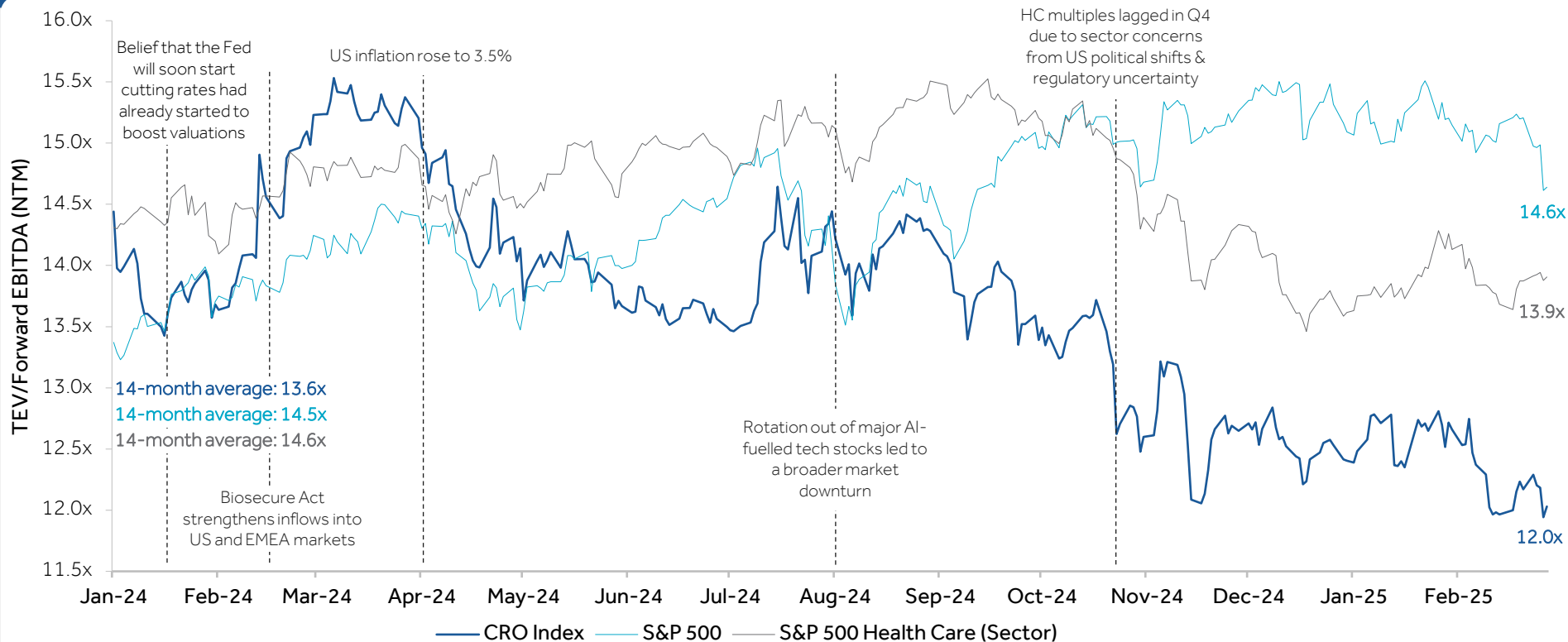
Geography



- Overall deal volume in 2024 was below the levels seen in previous years, with H2 significantly below the same period as 2023
- The sector experienced many headwinds in 2024 and those who specialise in the earlier stage of clinical trials have been significantly impacted by the continued difficult biotech funding environment
- Global economic uncertainty has also played a major role, as this greatly impacts the budgets of pharmaceutical companies, and trials have been delayed as R&D spend comes under pressure
- Private equity interest in the sector continues to dominate activity with their involvement recorded in almost 80% of transactions
- The geographical split of transactions has remained in line with 2023, with North America retaining leadership in CRO deal activity

Sector multiples tapered off in the second half of 2024

Valuation over time



- In 2024, CRO valuations faced multiple headwinds. The first half of the year tracked the broader market and largely outperformed the S&P 500 Health Care Sector Index; however, the second half saw a noticeable decline, initially mirroring the overall market downturn driven by a rotation out of major AI-fuelled tech stocks
- Between October and December 2024, both the S&P 500 Health Care Index and the CRO Index experienced noticeable declines, underperforming the broader market. This downturn reflected shifting investor sentiment towards the healthcare sector, influenced by political developments and sector rotation, which saw investors redirecting focus towards other more resilient industries, reducing investments in healthcare stock
- Despite risks like inflation from tariffs or policy shifts, many equity analysts believe that the CRO/CDMO sector's outlook is strong, with stocks poised to outperform as biotech activity rebounds and pharma uncertainty eases

Selected transactions – Last 9 months (1/3)

Selected transactions (Feb 2025 – Oct 2024)

| Date ¹ | Target | Country | Service | Buyer | Buyer type |
|-------------------|---|---|--------------------------------------|---------------------------------|------------|
| Feb-25 | Diablo Clinical Research |  | Clinical trial facility | Flourish Research | PE-backed |
| | Exploristics |  | Biostats | MMS | PE-backed |
| Jan-25 | Clinical Research Services Management (CRS) |  | Clinical trial facility | hVIVO | PE-backed |
| | Syapse |  | Clinical | N-Power Medicine | Trade |
| | Biofourmis Connect |  | eClinical | ActiGraph | PE-backed |
| | Proteos |  | Pre-clinical | Nanolmaging Services | PE-backed |
| Dec-24 | HUB Organoids |  | Pre-clinical | MilliporeSigma | Trade |
| | Enable Medicine |  | R&D software/ clinical trial IT | General Inception | Trade |
| | Realyze Intelligence |  | R&D software/ clinical trial IT | Carta Healthcare | Trade |
| | BuildClinical |  | R&D software/ clinical trial IT | OpenClinica | PE-backed |
| | Emas Pharma |  | Clinical | Kester Capital | PE |
| | Anima Research |  | Clinical trial facility | BNP Paribas Private Equity | PE |
| Nov-24 | LB Research |  | Clinical | 1MED | PE-backed |
| | Charnwood Molecular |  | Pre-clinical & manufacturing | Concept Life Sciences | PE-backed |
| | Trial Management Associates |  | Clinical trial facility | Headlands Research | PE-backed |
| | Chrestos Concept GmbH & Co KG |  | Clinical | Evidenze Group Europe S.L. | PE-backed |
| | Oy Medfiles |  | Clinical | Eurofins Scientific | Trade |
| | SRL Medisearch Inc (CRO business.) (100% Stake) |  | Clinical | Itochu Corp; A2 Healthcare Corp | Trade |
| Oct-24 | Assentia |  | Clinical trial services (payment) | Ledger Run | Trade |
| | Phenocell |  | Pre-clinical | AXOL Biosciences | Trade |
| | Integrated Clinical Trial Services |  | Clinical trial facility | Eximia Research Network | PE-backed |
| | Anagram ESIC |  | Clinical | Avania | PE-backed |
| | IntiQuan |  | Pre-clinical & clinical (analytical) | ProductLife Group | PE-backed |

Selected transactions – Last 9 months (2/3)

Selected transactions (Oct 2024 – Aug 2024)

| Date ¹ | Target | Country | Service | Buyer | Buyer type |
|-------------------|---|---|---|--------------------------------|------------|
| Oct-24 | Alderly Analytical |  | Pre-clinical | Synexa Life Sciences | PE-backed |
| | Biomapas UAB |  | Clinical | Carbyne Equity Partners GmbH | PE |
| Sep-24 | Jubilee Clinical Research |  | Clinical trial facility | Pinnacle Clinical Research | PE-backed |
| | Virscidian |  | R&D software/ clinical trial IT | Dotmatics | PE-backed |
| | Trials24 |  | Clinical trial services (patient recruitment) | SubjectWell | Trade |
| | Level Ex - Pharma & Life Sciences unit |  | Game development | Relevate Health | Trade |
| | Ecron Acunova |  | Clinical | HIG Capital & Navitas | PE |
| | eClinical Solutions |  | eClinical & biostatistics | GI Partners | PE |
| | ClinOne |  | eClinical | uMotif | PE-backed |
| | Gentronix |  | Pre-clinical | Scantox | PE-backed |
| | Assign DMB |  | Biostatistics | P95 | PE-backed |
| | BTS Research |  | Pre-clinical | PharmaLegacy Laboratories | Trade |
| Aug-24 | Anju Software |  | R&D software/ clinical trial IT | Valsoft | PE |
| | Brookwood Global |  | Training | BioPhorum Operations Group | PE-backed |
| | ZenBio |  | Supplies | BioIVT | PE-backed |
| | Avantor - Clinical Services Business |  | Clinical trial services (biospecimen & logistics) | Audax Private Equity | PE |
| | Jumo Health |  | Clinical trial services (patient recruitment) | Falfurrias Management Partners | PE |
| | Honeybee Trials |  | R&D software/ clinical trial IT | Leapcure | Trade |
| | NovAliX |  | Pre-clinical | Bruker | Trade |
| | Array |  | Clinical trial services (training) | WIRB-Copernicus Group (WCG) | PE-backed |
| | Sanoia |  | Clinical | Astek | Trade |
| | MCRA |  | Clinical | IQVIA | PE-backed |
| Scandinavian CRO |  | Clinical | Labquality Oy | PE-backed | |

Selected transactions – Last 9 months (3/3)

Selected transactions (Jul 2024 – Jun 2024)







| Date ¹ | Target | Country | Service | Buyer | Buyer type |
|---------------------------------|---|---|--|----------------------------|------------|
| Jul-24 | Tidewater Clinical Research |  | Clinical trial facility | Eximia Research Network | PE-backed |
| | EasyPanel |  | R&D software/ clinical trial IT | Dotmatics | PE-backed |
| | Miimansa - Clinical Entity Modelling assets |  | R&D software/ clinical trial IT | Emmes | PE-backed |
| | ChemAxon |  | R&D software/ clinical trial IT | Certara | PE-backed |
| | 4Clinics |  | Biostatistics & consulting | P95 | PE-backed |
| | DeltaMed Solutions |  | Biostatistics | HIRO | Trade |
| | 4Clinics |  | Clinical trial services | P95 | PE-backed |
| Jun-24 | FairJourney Biologics |  | Pre-clinical | Partners Group | PE |
| | ENCORE Research Group |  | Clinical trial facility | Flourish Resaerch | PE-backed |
| | Clintrex Research |  | Clinical | ToxStrategies | PE-backed |
| | Reach Separations |  | Analytical | CatSci | PE-backed |
| | 5 Clinical research facilities |  | Clinical trial facility | Pinnacle Clinical Research | PE-backed |
| | K2 Medical Research |  | Clinical trial facility | TPG Capital | PE |
| | Intage Healthcare - CRO business |  | Clinical | Undisclosed | Trade |
| | BioPharma Services |  | Clinical & analytical | Healwell AI | Trade |
| | CluePoints |  | eClinical | EQT | PE |
| | Pro-ficiency |  | Clinical trial services (training) & commercialisation | SimulationPlus | Trade |
| | Keosys |  | Clinical trial services (imaging) | Banook Group | Trade |
| B.Research |  | eClinical | Banook Group | Trade | |
| North Georgia Clinical Research |  | Clinical trial facility | Alcanza Clinical Research | PE-backed | |

Sector trends



PE activity continues to be dominated by transactions in North America

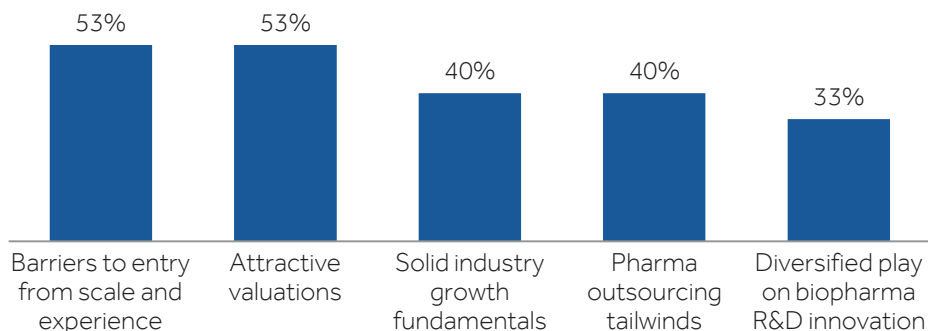
Notable PE platform transactions over the past 10 months

| Date | Target | Country | Buyer | Valuation | Description |
|----------|-----------------------------|---|----------------------|---------------|---|
| March-25 | CMIC ¹ |  | Blackstone | Not disclosed | Blackstone agreed to acquire a 60% stake in one of Japan's largest CRO, with the CMIC Holding retaining a 40% position |
| Oct-24 | Avantor's Clinical Services |  | Audax Private Equity | \$650m | Avantor's clinical services business was sold and rebranded to Resonant Clinical Solutions |
| Sep-24 | Flourish Research |  | Genstar Capital | Not disclosed | Flourish is a multi-site clinical trial organisation focused on cardiovascular, neuroscience, and infectious disease therapeutic areas, also providing health and wellness programs |
| Jul-24 | Fair Journey Biologics |  | Partners Group | €900m | Swiss private equity firm acquired a majority stake in Fair Journey Biologics with GHO Capital, the previous owner, retaining a minority |
| Jul-24 | Ora |  | Vistria Group | Not disclosed | Ophthalmic-focused CRO Ora was recapitalised by The Vistria Group, with the investor becoming the major shareholder |
| Mar-24 | Endpoint Clinical (Fortrea) |  | Arsenal Capital | \$345m | Fortrea sold its Enabling Services segment, including Endpoint Clinical and Patient Access, allowing it to streamline its operations |

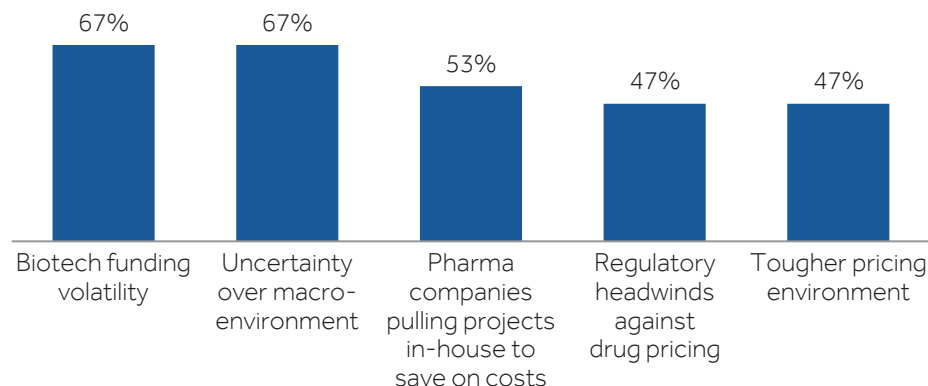
Views on risks and themes of CRO story for financial investors⁽²⁾

Investors are most attracted to the barriers to entry, valuations, solid industry growth fundamentals and tailwinds related to outsourcing aspects of the CRO story

Most attractive aspects



Biggest risks and challenges



Biosecure Act: Key considerations

The Biosecure Act is expected to prompt pharma to diversify their supply chain away from China, creating opportunities for ex-China suppliers

Background

- The Biosecure Act is a legislative measure that seeks to stop the use of federal funds for contracts that involve biotech equipment or services provided by companies associated with foreign adversaries, notably certain Chinese firms
- The act is expected to impact large and small pharma that rely on contract research and manufacturers from China
- Although the bill has not passed yet, its effect is already being felt across the CRO/CDMO sectors

Potentials impacts

Opportunity for ex-Chinese suppliers

- Decline in overseas demand for Chinese suppliers is resulting in ex-China CRO/CDMOs benefiting as pharma seek alternative providers
- Services providers in the US, Europe and India are expected to capture the most value

Operational disruption to supply chains

- Switching vendors can be difficult, time-consuming, and expensive due to required validation processes and regulatory approvals
- While established biopharmas benefit from stronger supply chains and manufacturing capabilities, biotechs are likely to face greater challenges from potential de-coupling

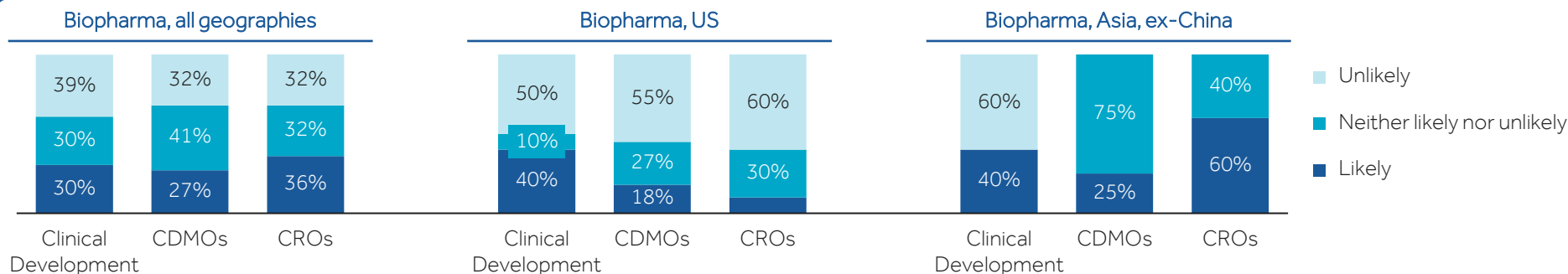
Loss of capacity, leading to price increases

- Likely to create delays and capacity shortages in the short-term, which may lead to cost increases as companies seek to transition to other suppliers
- It may take years for competitors to replace the lost CDMO capacity

Increased transaction activity

- We expect there to be an increase in transaction activity of US and European assets of many Chinese companies, even those not named
- WuXi recently sold its Irish biologic manufacturing facility in Ireland to Merck and there are several other Chinese companies rumoured to be divesting North American sites

Customer perception on partnering with Chinese companies over the next 3 years

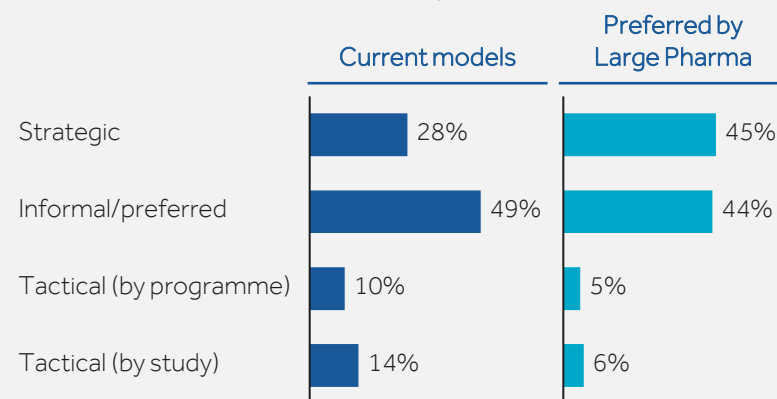


Changing engagement models

Preference for strategic engagement models

- Large pharma are consolidating CRO vendors to streamline operations, reduce costs, and gain expertise
- While this has tightened pricing and competition in the short-term, it can also strengthen long-term partnerships through increased volume and wallet share for CROs
- There is a growing preference among sponsors to adopt strategic models, driven by several factors but notably the ability to leverage therapeutic expertise, enhance operational flexibility, and accelerate drug development timelines through collaboration

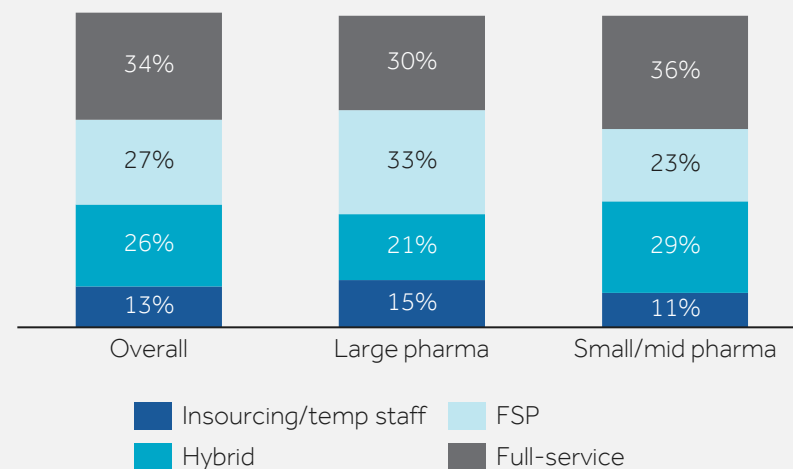
Vendor relationship models



Full-service versus FSP mix

- Pharma have pursued FSP for greater trial control, labour outsourcing, and leveraging functional expertise. However, they are reaching a saturation point where they are expected to seek a balance FSP and full-service models
- Although FSP outsourcing has been growing faster than full-service in recent years, the growth rate of FSP has started to slow according to a survey by PPD
- There is still a strong reliance on full-service in instances where pharma are looking to leverage therapeutics expertise, which they lack in-house
- The full-service model accounts for the greatest share of clinical development work (34%) across all client types, with FSP and hybrid accounting for (53%) collectively
- Participants in large biopharma use FSP more than their counterparts in the small/mid-size segment

Outsourcing models: Share of clinical development work



Outlook: expectations shaping the CRO industry in 2025

Policy and regulatory shifts will drive uncertainty

- Pharma companies are consolidating CRO vendors to streamline operations, reduce costs, and gain expertise. While this has tightened pricing and competition in the short-term, it can also strengthen long-term partnerships through increased volume and wallet share for CROs
- There is a growing preference among sponsors to adopt strategic models, driven by factors such as the ability to leverage therapeutic expertise, enhance operational flexibility, and accelerate drug development timelines through collaboration

Further consolidation of site networks

- The growing interest from sponsors and CROs in network organisations has driven the consolidation of site organisations, with independent sites joining owned networks. According to an LEK survey, 21% of Phase III trials used SMOs in 2023 (up from 15% in 2021), and this trend is expected to continue, fuelling merger and acquisition activity in 2025
- Additionally, the rise of networks will accelerate the development of tailored digital tools and AI, improving interoperability and empowering sites to advocate for the adoption of their own technologies, with broad industry implications

Early-stage drug development is set to continue to be difficult

- CROs operating at the early stages of the drug development pipeline are expected to continue facing challenges in early 2025 due to a lasting industry-wide funding slowdown
- In 2024, biotech valuations nearly reached 2020 levels, but fewer than 300 new biotech companies received venture capital, down from over 500 in 2021. The funding environment is likely to remain difficult in the first half of 2025, with companies like Charles River already announcing revenue outlook declines due to reduced client spending on drug discovery services

Is 2025 the year of practical AI application?

- The rapid increase in data volumes over the past 15+ years has led to high expectations for AI's impact on clinical trials in 2025. While generative AI and large language models have generated significant buzz, they remain in the early stages of delivering tangible results
- Nonetheless, 2025 could be the year that AI becomes more practical in clinical trials, driving measurable improvements in research efficiency, quality, and outcomes through targeted applications. One promising area is patient recruitment, where an NIH study found that AI can accelerate matching by 40% while maintaining accuracy, potentially reducing trial timelines and costs

Our transaction experience across pharma services

Research

Financial Advisor on sale of
adsl

A subsidiary company of



Feb-25



exploristics
Designed to make a difference

has been acquired by



Feb-25



AVANIA
ADVANCING YOUR MEDICAL TECHNOLOGY
A KESTER CAPITAL-BACKED COMPANY
has received investment from



Jun-22



**SON
CLINICAL**

has been acquired by



Feb-22



iSAFETY

has been acquired by



Aug-21



charterhouse

has invested in



Jan-21



Manufacturing

JABIL

has acquired



Feb-25



Financial Advisor to
SEQENS
on its acquisition of



from



Nov-23



Noramco

has divested its API site in Rhode Island, USA, to



May-22



MSD

has divested its Mirabel manufacturing site in Riom, France to



Jan-21



GSK

has divested its Mississauga, Ontario manufacturing facility to



Mar-20



has acquired



Feb-20



Commercialisation

**TELEMOS
CAPITAL**

has invested in



A PORTFOLIO COMPANY OF NORTHEDGE

Oct-24



EPG HEALTH

has been acquired by



May-23



calcium
BRAND NOURISHMENT

has received significant investment from



Nov-21



Bioscript

A SOVEREIGN CAPITAL PARTNERS-BACKED COMPANY

has acquired



Aug-21



has been acquired by



May-21



inflexion

has acquired



Oct-19



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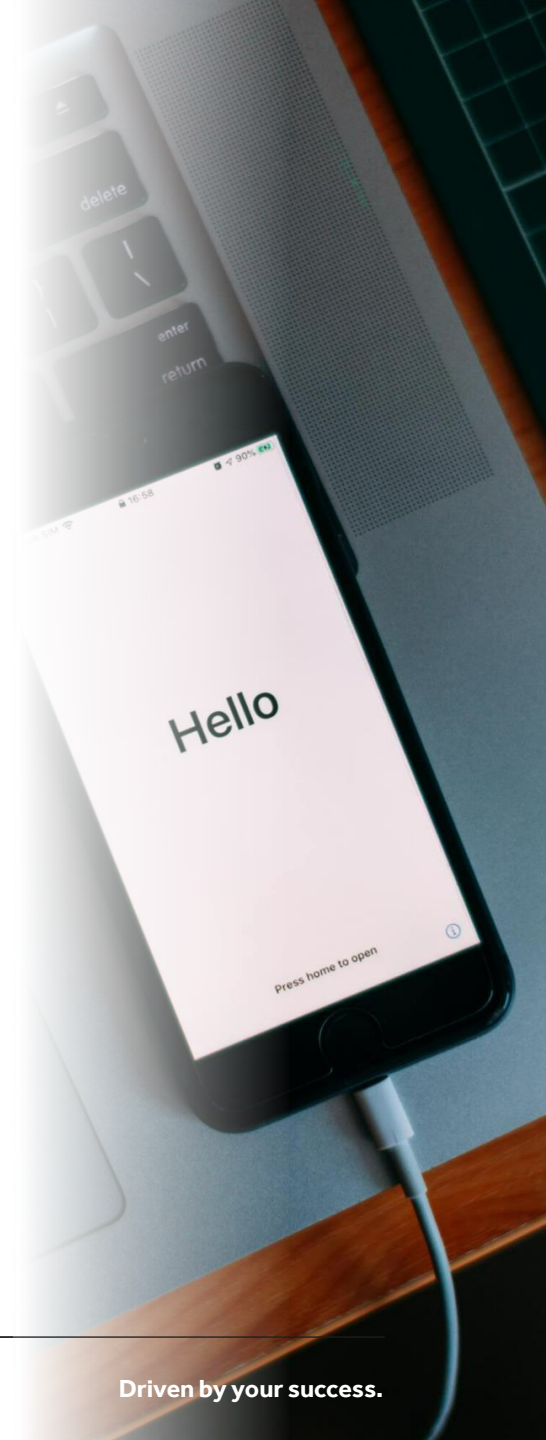
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