



Deal Making in Global Life Sciences

AACC

KPMG Deal Advisory and Strategy | Life Sciences

July 24, 2023

Contact Information:

Jessica Lin

Partner, Life Sciences Strategy

+1 212 954 5627

JessicaLin4@kpmg.com

Topics Covered Today



**Overview of
M&A Volume**



**Highlights of
Key Deals**



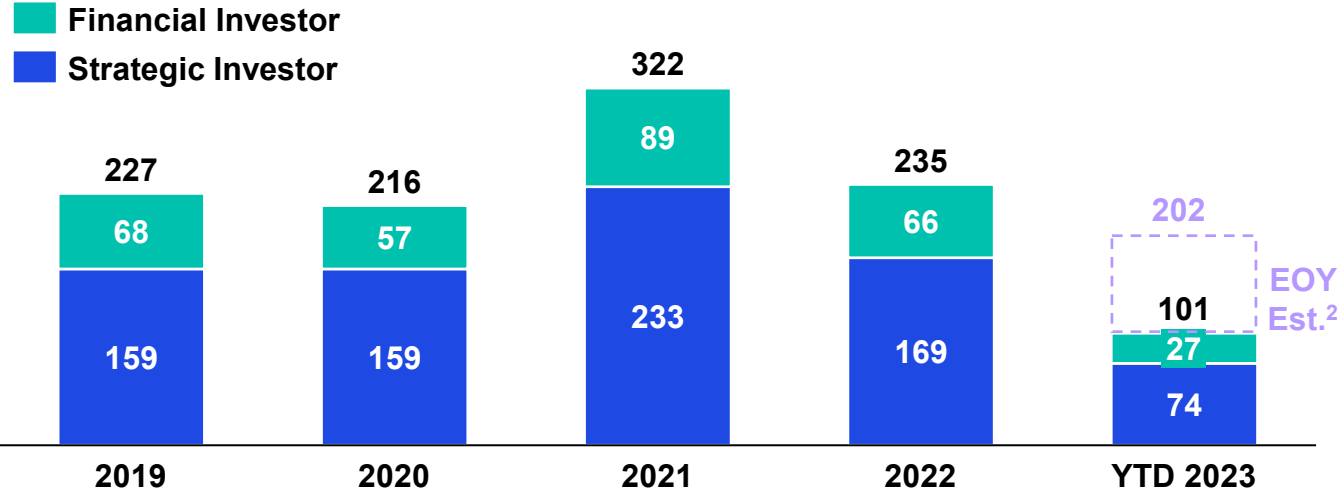
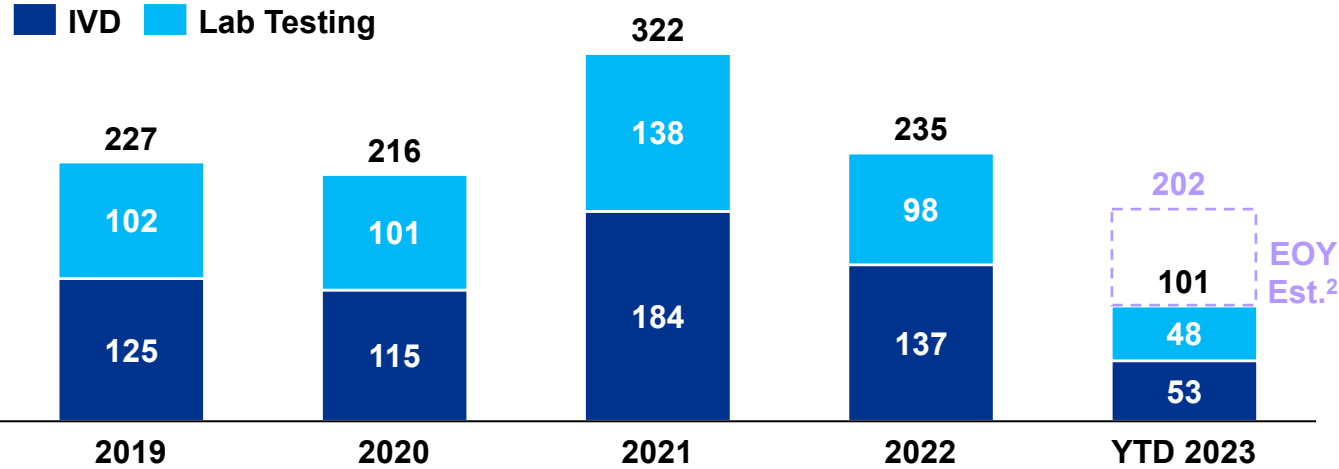
**2023 Deal
Trends**



**The Next
Frontier**

Deal volumes are down in 2023 compared to 2021-2022 but on par with pre-COVID deal volumes

M&A Volume by Subsector and Investor Profile (2019 – YTD 2023)¹



Comments



We've experienced a **decline in overall deal volumes** in 2023 compared to 2021 and 2022, but deal volumes are **on-par with pre-COVID deal volumes**



~27% of M&A deals have been attributed to financial (vs. strategic) investors, which is consistent with what we've seen over the past 5 years

For 2023, we've seen five deals greater than \$1B in total value across a range of categories

Buyer	Target	Category	Deal Value	Rev. Multiple
	→ 	Clinical Lab Services	\$3.6B	~1x
	→ 	Specialty Diagnostics	\$2.5B	~10x
	→ 	Pathology Lab Services	\$2.2B	~2x
	→ 	Specialty Diagnostics	\$2.0B	~8x
	→ 	Diagnostics Kits & Reagents Manufacturer	\$1.5B	~5x

In 2023, the biggest deals have involved at least one party based outside of the US









Select Historical and 2023 Deals¹

Last 5 Years

 <p>PerkinElmer For the Better</p> <p>Perkin Elmer's 2021 acquisition of BioLegend</p>	 <p>BioLegend Enabling Legendary Discovery™</p>	 <p>illumina</p>	 <p>GRAIL</p> <p>illumina's 2021 acquisition of GRAIL</p>	 <p>QUIDEL</p>	 <p>Ortho Clinical Diagnostics</p> <p>Quidel's acquisition of Ortho Clinical in May '22</p>
--	---	--	--	--	---

Historically, **the largest deals have been US-focused deals** where both the Target and the acquiror are US-based

2023

 <p>SD BIOSENSOR</p>	 <p>meridian BIOSCIENCE</p> <p>SD Biosensor's completed acquisition of Meridian Bioscience in Feb 2023</p>	 <p>werfen</p>	 <p>IMMUCOR</p> <p>Werfen's completed acquisition of Immucor in Mar '23</p>	 <p>Cinven</p>	 <p>SYNLAB</p> <p>Cinven's completed acquisition of Synlab in Mar '23</p>	 <p>AUSTRALIAN Clinicallabs</p>	 <p>healius</p> <p>Australian Clinical Lab's acquisition announcement of Healius in Mar '23</p>
--	--	--	---	---	---	---	---

However, in 2023, most of the **largest acquisitions have been led by companies based outside of the US**

 <p>ThermoFisher SCIENTIFIC</p>	 <p>Binding Site THE BINDING SITE</p> <p>Thermo Fisher's completed acquisition of The Binding Site in Jan 23</p>
--	---

Additionally, companies based in the US are making **large acquisitions of companies based outside of the US**

We're seeing the same global nature of deals amongst companies that focused on COVID and are now being acquired to leverage the synergies needed to grow after COVID testing plummeted



COVID Tailwinds

COVID Test Volume Plummetts

- Mar '22: **Announced 40%+ YoY revenue growth for FY21**, driven by its largest purchase order ever for its antigen tests

- Feb '23: Announces **it will be acquired by Biosynex for \$17M**

Acquired

- Dec' 20: Received **first EUA approval** for its OTC antigen test and **\$30M funding** from the US government
- Dec' 21: **Secured another \$232M** contract from the US government for at-home COVID tests

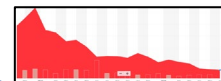
- Dec '22: Hough Consolidated agreed to purchase for \$66M
- June '23: **Sale to Hough fails and declares Chapter 11 Bankruptcy**

Bankruptcy

- Oct '20: Announced \$481M investment** from the US government for its rapid, POC COVID test
- Sept '21: **IPOs** at \$16 a share
- Oct ' 21: Announces **collaboration with Google Cloud** to track down COVID variants using AI

- Jan '23: **Lays off 26% of its workforce** due to a drop in demand for COVID related products
- May '23: **Lays off another 30%** of its workforce and **closes trading less than \$1 per share**

Penny Stock

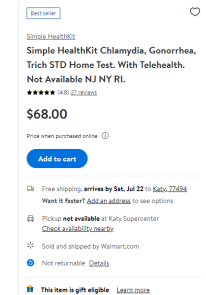


However, the promise of more accurate, inexpensive, convenient, fast, and non-invasive testing for consumers is starting to be realized through creative partnerships and business models



June 2023

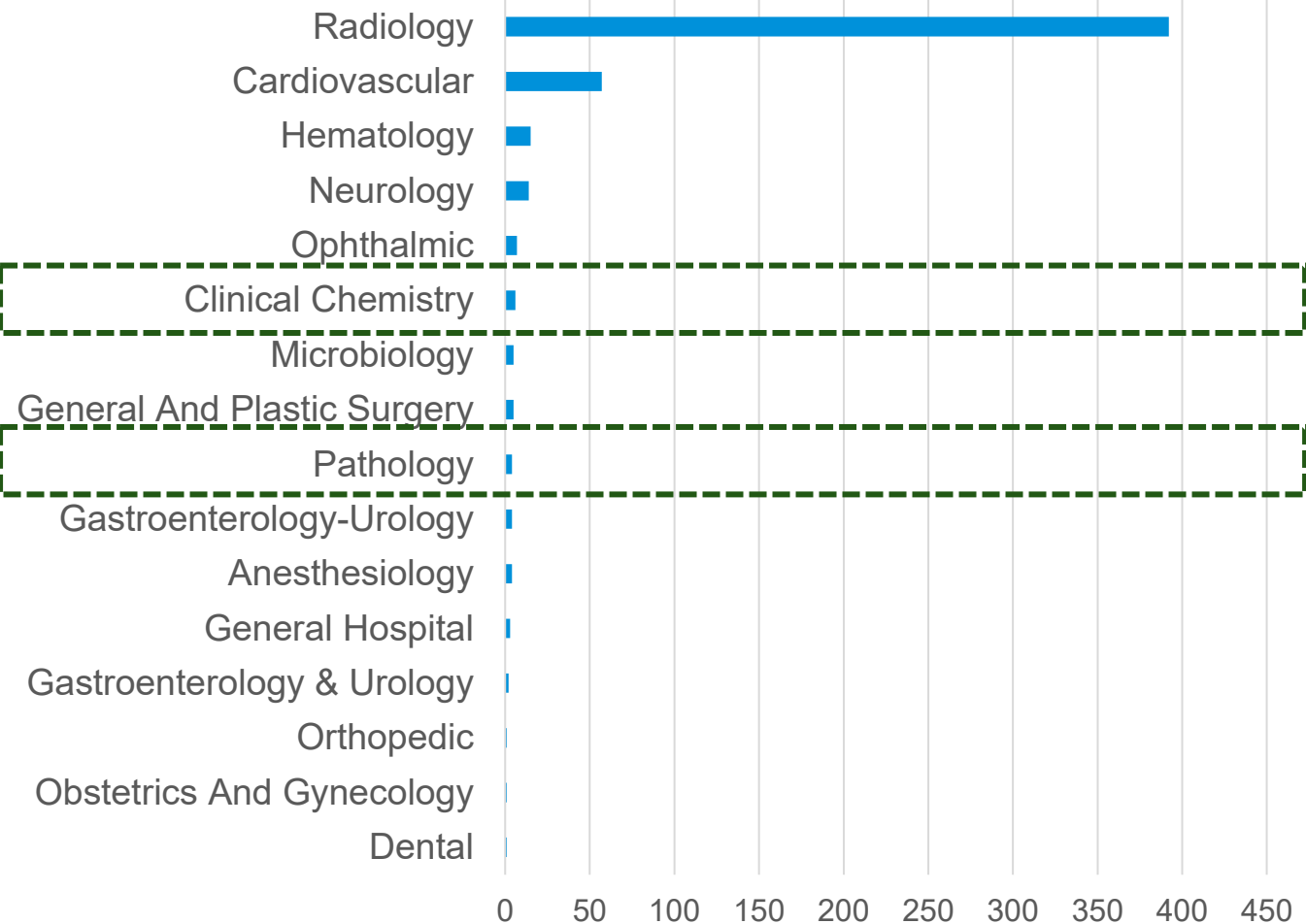
- Simple HealthKit partners with Walmart to offer **accurate, inexpensive, and convenient testing** for diabetes (HbA1c), Flu/RSV, and sexually transmitted disease
- For example, patients can **buy an STD test online, receive the kit at home, and conduct a follow-up telehealth appointment to receive treatment** with providers following a positive test **for \$68**



Partnerships and innovative business models are occurring to overcome historical hurdles and tradeoffs for testing

The next frontier: AI in the lab is relatively nascent, with no significant M&A deals in AI in 2023...

Artificial Intelligence and Machine Learning (AI/ML)-Enabled Devices Cleared by the FDA



Comments



AI has seen significantly more progress in other areas of healthcare, such as radiology, rather than in the lab



Very few algorithms cleared by the FDA have been in clinical chemistry, pathology, and other segments of the lab

But there has been significant investment and advances in AI, which will also help us achieve the promise of more accurate, inexpensive, fast, non-invasive, and convenient testing for consumers

May 3, 2023

Healthy.io Secures \$50 Million in Series D Funding

Healthy.io Overview

- The first FDA-cleared smartphone-powered, at-home kidney test, enabling people at risk of chronic kidney disease (i.e., 1 in 3 people) to test at-home
- Although guidelines recommend annual tests for at-risk individuals, only 20% complete the test. When at-risk patients who had not shown up for their tests were invited to test at home, compliance increased to 70%
- Chronic kidney disease (CKD) currently costs \$124 billion a year to Medicare alone, and early diagnosis can significantly reduce those costs and improve patient outcomes



Innovative companies will need not only the right technology and business model, but also the right partnerships to succeed

April 17, 2023

Healthy.io Partners with Secure Exchange Solutions to Deliver Patient Information Directly into the Provider Workflow and Improve Time to Intervention

February 27, 2023

Reset Kidney Health and Healthy.io Partner to Engage Patients with Comprehensive Virtual Kidney Care

What are we discussing with our clients in this environment?

Adapt to the Changing Market

As new technologies and business models emerge and patients become increasingly comfortable with diagnostic testing, **adapt your business to new customer types and customer preferences for accurate, convenient, and affordable testing**

Look to Partners, including Untraditional Partners

Partnerships can facilitate the end-to-end services that close patient care gaps. Additionally, collaborating with nonconventional partners can help in expanding the customer base

Look Globally

The **biggest deals of the year involve ex-US companies** that have significant cash to invest and/or differentiated products and services

Focus on Extracting Value from Acquisitions

Given the high number of acquisitions already completed, high multiples, high interest rates, and many other challenges, companies may want to focus activities on **value creation and integration** of already acquired companies

For more information, please contact:



Jessica Lin, Partner / Principal
Life Sciences Deal Advisory and Strategy
KPMG LLP
Phone: +1 212 954 5627
JessicaLin4@kpmg.com