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EMEA Private Equity Market Snapshot

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- EMEA Deal-Making Revival in Q2 2021
- European venture capital and growth investment set for a record year
- Healthcare M&A activity rebounds in Q2'21 as pharma companies scan for deals



Editor's Note

Welcome to the 29th issue of **the EMEA Private Equity Market Snapshot** (PEMS), a quarterly publication focusing on the Private Equity (PE) market in Europe, the Middle East and Africa (EMEA) from S&P Global Market Intelligence.

Deal-making accelerated in Q2 2021, with General Partners (GPs) deploying significantly greater investments in EMEA companies. Although the number of deals increased by only 22%, the size of deals overall saw a massive increase, as investors continued to focus on Information Technology (IT), Healthcare, Industrials, and Consumer Products.

The venture capital (VC) segment is on track for a record year. In the first six months of 2021, European VC activity hit an all-time high, raising €41.8bn and outpacing 2020's cumulative total of €32.6bn. U.S. VC investors are increasingly interested in the European market; their investments have dominated funding in 2021 compared with last year. Europe's unicorn list has also expanded at an accelerated rate.

Finally, healthcare M&A activity has rebounded significantly from the same period last year, bolstered mostly by COVID-19. The sector has seen increased aggregate deal values as companies look to deploy their 2020 windfalls into acquisitions of healthtech and life sciences companies.

We look forward to receiving feedback and suggestions on regions or sectors of interest for future analysis. To subscribe or comment on the complimentary EMEA PEMS, please email market.intelligence@spglobal.com.

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EMEA Deal-Making Revival in Q2 2021

Global General Partners' (GPs') capital deployed into EMEA targets accelerated 137% year-over-year, from €18.2 in Q2 2020 to a total of €43.1bn in Q2 2021. On the other hand, the number of completed deals increased by only 22% year-over-year, from 1,361 in Q2 2020 to 1,666 in Q2 2021, indicating an increase in more sizeable deals. The revival of large deals (those valued at €1.0bn or more) in the second quarter of 2021 saw five companies changing ownership; by comparison, there were only three during the same quarter last year, mainly due to COVID-19.

All but two regions, Africa and Southern Europe, recorded an increase in deal activity, as well as mid to high double- or even triple-digit growth in deal values. Nordic-based targets were once again absolute leaders, reporting growth in deal value amounts and

receiving €4.9bn across 185 completed deals, compared with €578m across 126 completed deals in Q2 2020 and 132 completed deals receiving €2.6bn in Q4 2020 respectively. Similarly, aggregate deal value in the U.K. jumped 254% to €14.9bn across 410 completed deals in Q2 2021, compared with a soft €4.2bn across 301

completed deals in the same quarter last year. The Middle East PE entries recorded a fantastic quarter, with 154 completed deals in Q2 2021, versus 132 in Q2 2020, and a 216% increase in deal value, totalling €3.9bn.

In terms of industry sector, IT once again led the way, with 627 closed deals and an aggregated €11.3bn of capital deployed, representing an increase of €7.3bn compared with the same quarter last year. However, the Industrials, Healthcare and Consumer Staples sectors also experienced a noticeable increase in deals, with 30, 88 and 51 more closed deals, respectively, and a total of €18bn of additional capital deployed, compared with Q2 2020.

Divestment activity in EMEA saw a 42% increase in GP exit deals (187 to 265 deals), while aggregate capital realized remained unchanged during the second quarter of 2021, sitting comfortably at €31bn. Three notable €1.0bn+ exit deals involved Nordic targets: the trade sales of Nets A/S to Nexi S.p.A. and Itiviti AB to Broadridge Financial Solutions, Inc., respectively (see Table 1) and the IPO of Oatly Group AB.



Table 1: Completed exit deals in EMEA valued at €1.0bn or more in Q2 2021

Target Name	Target Region	Primary Industry	Buyer	Seller	Deal Value (€bn)
Nets A/S	Denmark	Data Processing and Outsourced Services	Nexi S.p.A.	Investor Group	€7.5
GW Pharmaceuticals plc	U.K.	Pharmaceuticals	Jazz Pharmaceuticals plc	Mentor Capital, Inc.	€6.0
Itiviti AB	Sweden	Application Software	Broadridge Financial Solutions, Inc.	Nordic Capital	€2.1
Tele Columbus AG	Germany	Cable Satellite and	Morgan Stanley Infrastructure Inc.	Investor Group	€2.0
Grupo T-Solar Global, S.A.	Spain	Renewable Electricity	Cubico Sustainable Investments	1 Squared Capital Advisors, LLC	€1.5
The Capital Markets Company (UK) Ltd.	U.K.	Research and Consulting Services	Wipro Limited	Clayton, Dubilier & Rice, LLC	€1.2

Source: S&P Global Market Intelligence. For illustrative purposes only.

North America captures EMEA GPs' attention

EMEA-based GPs' aggregate capital deployed globally increased by a whopping 102% to a total of €76.7bn in the quarter, compared with €38bn in Q2 2020. The number of



2,231

total entry deals
by EMEA GPs

▲ ▼ 43%

completed entry deals only increased by 43% year-over-year, from 1,562 to 2,231. Eight mega deals (valued at €1.0bn or more) with an aggregate value of €18.6bn were entered by EMEA-based GPs during the second quarter, compared with six deals with an aggregate value of €14.3bn in Q2 2020. Five of the top ten EMEA GP

entry deals involved North America targets, with four of those deals conducted as club deals.

Table 2: EMEA-based GPs' completed entry deals valued at €1.0bn or more in Q2 2022

Target Name	Target Region	Primary Industry	Buyer	Deal Value (€bn)
Pluralsight, Inc.	U.S.	Application Software	Vista Equity Partners Management, LLC; Partners Group Holding AG	€4.0
Birkenstock Productions Rheinland-Pfalz GmbH	Germany	Footwear	L Catterton Partners; Financière Agache Société Anonyme	€4.0
Northvolt AB	Sweden	Electrical Components and Equipment	Investor Group	€2.3
Waymo LLC	U.S.	Application Software	Investor Group	€2.0

ADVANZ PHARMA	United Kingdom	Pharmaceuticals	Nordic Capital	€1.8
Weichai Power Co.	China	Construction Machinery and Heavy Trucks	Investor Group	€1.6
Exeter Property Group, LLC	U.S.	Asset Management and Custody Banks	EQT AB (publ)	€1.5
Beijing Horizon Co.	China	Semiconductors	Investor Group	€1.2

Source: S&P Global Market Intelligence. For illustrative purposes only.

Aggregate capital deployed by EMEA-based GPs to cross-border targets increased 77% year-over-year, from €25.3bn in Q2 2020 to €44.8bn in Q2 2021, with the number of completed deals rising 107% year-over-year, from 336 in Q2 2020 to 695 in Q2 2021.



€44.8bn

EMEA GPs deployed
in cross-border targets

Simultaneously, investments in EMEA-based targets also increased from €12.7bn to €31.9bn in the last quarter, compared with the same quarter last year. The number of completed deals, however, has only risen by 25%, from 1,226 to 1,536. EMEA-based GPs' capital deployed into the IT sector

increased three-fold to total €30bn, as compared with only €9.6bn in the same quarter last year.

EMEA-based GPs' aggregate capital realized from divestments remained stable year-over-year at €23.5bn, compared with €26.3bn in Q2 2020, despite the number of completed exit deals increasing 52% year-over-year, from 191 in Q2 2020 to 291 in Q2 2021. Six large exits deals valued at a total of €13.9bn were completed by EMEA-based GPs during the fourth quarter, including two IPOs.

Table 3: EMEA-based GPs' completed exit deals involving cross-border targets valued at €1.0bn or more in Q2 2021

Target Name	Target Region	Primary Industry	Buyer	Seller	Deal Value (€bn)
Auth0, Inc.	North America	Application Software	Okta, Inc.	Investor Group	€5.4
Itiviti AB	Nordics	Application Software	Broadridge Financial Solutions, Inc.	Nordic Capital	€2.1
DivvyPay, Inc.	North America	Application Software	Bill.com Holdings, Inc.	Investor Group	€2.1
Tele Columbus AG	Germany	Cable and Satellite	Morgan Stanley Infrastructure Inc.	Investor Group	€2.0
Oatly Group AB	Nordics	Packaged Foods and Meats	IPO	-	€1.2
UiPath Inc.	North America	Systems Software	IPO	-	€1.1

Source: S&P Global Market Intelligence. For illustrative purposes only.

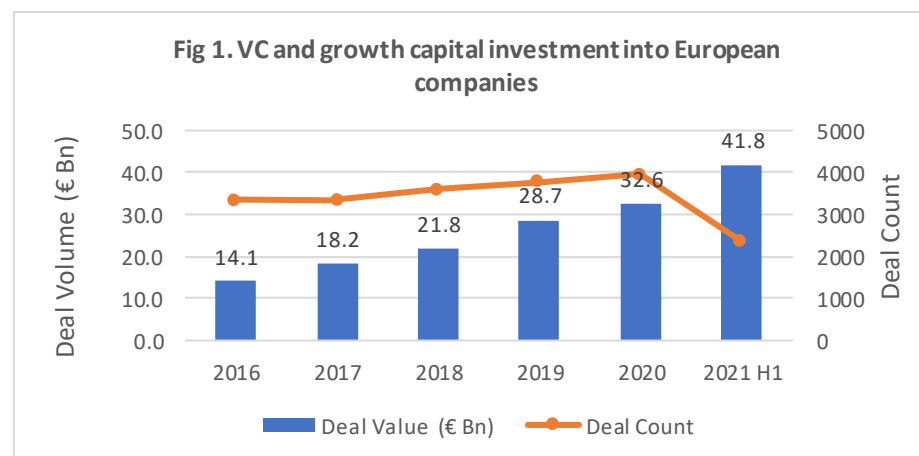
Deal making within the VC segment has been record-breaking. Global VCs deployed €12.2bn of capital in the EMEA region across 1040 deals during the quarter, three times higher than the €3.7bn across 865 deals in Q2 2020 and the highest amount in deals and deal value ever recorded in a single quarter. Financials and Healthcare sectors were the

¹ For this article, the term includes Europe and Turkey.

focus of investments among VC firms, with prime targets predominantly in the U.K., the Nordics, France and Germany.

European VC and Growth Investment Set for a Record Year

European¹ VC and growth capital investment hit an all-time high in the first six months of 2021. A staggering €41.8bn was raised by European companies in the first half of the year, surpassing the record €32.6bn invested in 2020 and up from €13.3bn amassed over the same period last year (Fig 1). That's despite the total number of closed deals being just 20% higher than in the first half of last year.



Source: S&P Global Market Intelligence. For illustrative purposes only.

Later stage funding rounds recorded the fastest growth in terms of both deal count and volume compared with 2020. The total number of later-stage rounds completed so far in 2021 was almost at par with 2020's complete tally, while aggregate value increased twofold, from €8bn to €15.5bn. Almost 16% of this year's capital went to just eight start-ups, each raising more than €500m. To put this figure into perspective, there were only six such rounds last year and just five in 2019. The largest financing round in 2021 was completed by the Swedish battery start-up Northvolt AB, which raised €2.25bn.² Other

² Northvolt AB, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#offering/capitalOfferingProfile?id=3017842>

mega rounds this year included €990m raised by Sitecore Corporation A/S, based in Copenhagen and San Francisco,³ as well as €821m secured by Celonis GmbH, an execution management software provider headquartered in Munich.⁴ Amsterdam-based Mollie B.V closed a €665m funding round at the end of June,⁵ while another German company, Trade Republic Bank GmbH, raised €613m in its Series C round.⁶ From a geographical perspective, U.K. gained the largest share of capital deployed to Europe throughout the first half of the year. Almost €11bn was invested into U.K.- based targets, accounting for 26% of the new money funnelled into the continent, and this figure excludes a recent €680m investment into Revolut Limited, that closed mid-July.⁷ Germany and France came in second and third, representing 17% and 11% of capital, respectively. In fourth place was Sweden, which recorded its largest VC deal ever, increasing the amount of capital deployed into its VC-backed companies to €4.6bn so far this year, compared with €2.5bn total in 2020. The Netherlands rounded out the top five most-invested-in countries. Remarkably, Denmark, Turkey and Spain can also be counted among the regional winners of this year’s record level investment spree; each exceeded the €1bn mark in capital received through June 30, 2021.

On a sectoral basis, IT took the lion’s share of capital invested in the first six months of 2021, accounting for 33% of aggregate deal value and 42% of all completed deals. Healthcare was the second most targeted sector, representing 16.5% of aggregate capital, followed by Financials at 12%. Yet, when it comes to the total number of investments, Healthcare recorded four times as many deals as Financials, making the latter the sector with the highest average deal value across all industries in 2021. This highlights the quality and attractiveness of European fintech companies, showing that investors are happy to write large checks for the right opportunities. Perhaps not surprisingly, every other deal in the Healthcare sector involved either a healthtech or a biotech company.

U.S. VC funds flocking to Europe

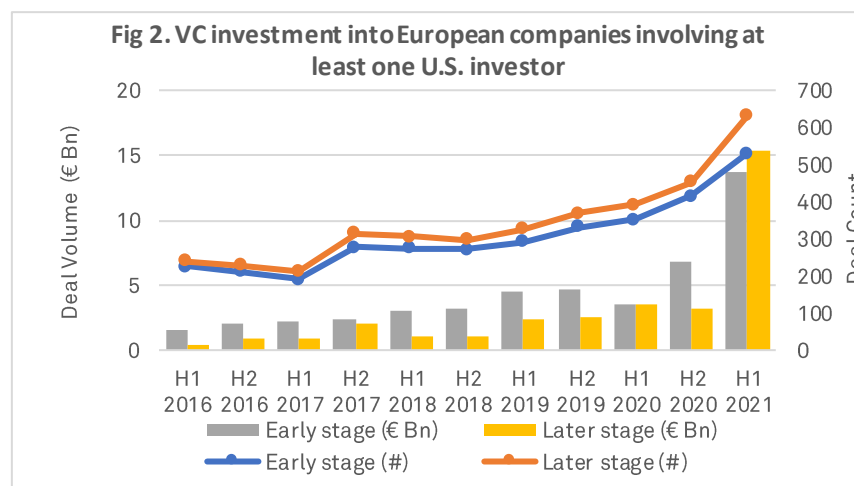
The ever-growing base of deep-pocketed U.S. VC firms investing in European start-ups fuelled the funding bonanza in the first half of 2021. The total number of VC and growth

³Sitecore Corporation A/S, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#offering/capitalOfferingProfile?id=2281428>

⁴ Celonis GmbH, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#offering/capitalOfferingProfile?id=3012692>

⁵ Mollie B.V., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#offering/capitalOfferingProfile?id=3026086>

capital deals involving U.S. investors stood at 652 in the first six months of 2021, a 63% increase year-over-year and only 24% less than 2020’s tally of 866 deals (Fig 2). Even more impressive, the aggregate deal value of those deals reached almost €30bn and accounted for 72% of total capital invested into European companies, which is a whopping 313% increase year-over-year. Increasingly, U.S. investors seem to deploy capital into promising start-ups at late-stage rounds, but early-stage funding also attracted strong interest from across the pond. The total number of late-stage deals, with participation of at least one American investor, grew by 530% between H1 2016 and H1 2021, while early-stage investment more than doubled over the same period. What’s driving this interest? It could be the combination of several factors: more attractive valuation of European start-ups relative to their U.S. peers, a well-established VC landscape and an increasing number of success stories.



Source: S&P Global Market Intelligence. For illustrative purposes only.

⁶ Trade Republic Bank GmbH, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#offering/capitalOfferingProfile?id=3001150>

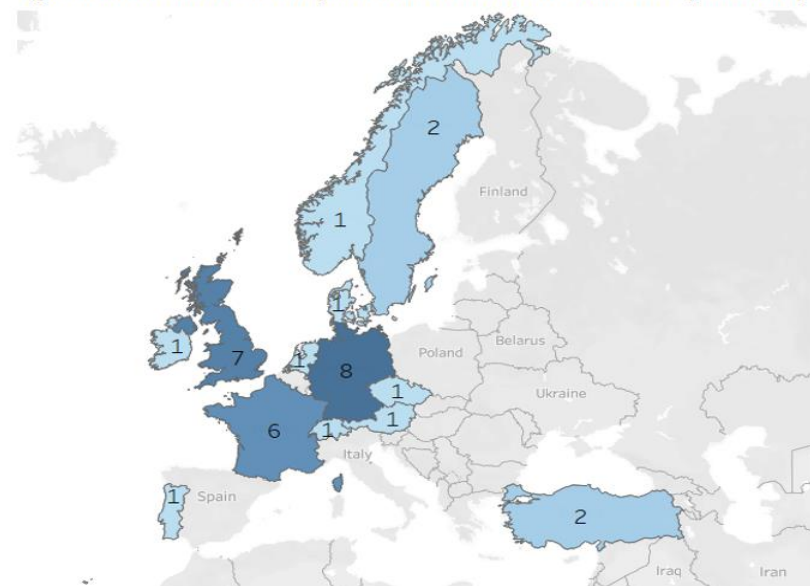
⁷ Revolut Limited, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#offering/capitalOfferingProfile?id=3042823>

Europe's unicorn list expands at an accelerated rate

Following record levels of capital deployment in the first half of 2021, the number of European companies newly crowned as unicorns⁸ more than tripled 2020's total of 10. The 33 European start-ups that joined the unicorn list in the first half of 2021 amassed \$6.9bn in fresh capital over the period, or 16% of all funding for start-ups in Europe and collectively are currently valued at \$65bn. The first firm to join Europe's unicorn list was the German SaaS fintech firm, Mambu GmbH,⁹ which raised \$134m in the latest round in early January 2021, bringing the company's post-money valuation to over \$2bn.

The three leading countries producing unicorns in Europe this year were Germany, with eight firms, the U.K., with seven firms and France, with six firms, with an aggregate post-money valuation of \$15bn, \$14bn and over \$12bn, respectively (Fig. 3). However, there are also a few newcomers that attracted investor attention. Before the pandemic, online retail and delivery was a convenience for a small segment of the population, but in 2020, it quickly became a necessity for most people, which might explain the success behind some of the unicorns. Velcka Pecka,¹⁰ based in Czechia, raised \$118m in series C from its returning investors, bringing its post-money valuation to over \$1bn. Ireland's LetsGetChecked,¹¹ an at-home health testing kit provider of PCR COVID tests, among other products, raised \$150m in its Series D funding round, putting it on the list of companies valued at more than \$1bn. Turkey's grocery delivery service Getir¹² received \$555m in its latest funding round in June, bringing the total funding received to date to over \$1bn and its current post-money valuation to \$7.5bn, making it the highest valued unicorn of H1 2021. German fintech company Trade Republic Bank¹³ and London-based Blockchain Access,¹⁴ each with a total post-money valuation of over \$5bn, follow next (see Table 4).

Fig 3. Number of firms in Europe that became Unicorns in H1 2021 per country



Source: S&P Global Market Intelligence. For illustrative purposes only.

Of the 2021 European unicorns, Gorillas Technologies GmbH,¹⁵ which offers on-demand grocery delivery services was the fastest to reach unicorn status. Founded in 2020, the firm received \$288m, their largest investment to date, from both domestic and non-domestic investors, in their Series B funding round, which pushed their valuation to \$1bn. Turkish mobile gaming company Dream Games¹⁶ was the next fastest to reach the

⁸ Unicorns are defined as companies valued at \$1bn or more.

⁹ Mambu GmbH, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=5214628>

¹⁰ Velka Pecka s.r.o., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=5307807>

¹¹ PrivaPath Diagnostics Limited, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=5308191>

¹² Getir Perakende Lojistik A.Ş., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=13706772>

¹³ Trade Republic Bank GmbH, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=10879397>

¹⁴ Blockchain Access UK Ltd., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=5271400>

¹⁵ Gorillas Technologies GmbH, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=23930666>

¹⁶ DREAM OYUN YAZILIM VE PAZARLAMA ANONİM ŞİRKETİ., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=19489732>

unicorn list. For the rest of 2021's unicorns, it took an average of 7.8 years to make the list.

Table 4: Top 10 valued European companies that secured unicorn status in H1 2021

Company name	Country	Post-Money Valuation (\$ bn)	Total Amount Raised YTD (\$bn)	Year Founded
Getir Perakende Lojistik A.Ş.	Turkey	7.5	1	2015
Trade Republic Bank	Germany	5.3	0.8	2015
Blockchain Access UK	UK	5.2	0.5	2011
JUNG S.A.S.	France	3.2	0.5	2014
Content Square SAS	France	2.8	0.8	2012
Colibri SAS	France	2.6	0.7	2012
Bought By Many Ltd	UK	2.3	0.5	2012
Mambu GmbH	Germany	2	0.2	2010
KRY International AB	Sweden	2	0.6	2014
Starling Bank Limited	UK	1.9	0.9	2014

Source: S&P Global Market Intelligence. For illustrative purposes only.

¹⁷Index Ventures SA, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=4240844>

¹⁸KRY International AB, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.com/CIQDotNet/company.aspx?companyId=380863829>

¹⁹Alan SA, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=7702933>

²⁰Eurazeo SE, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=4145136>

According to S&P Global Market Intelligence data, the most active domestic VC investor in Europe's new unicorns was Index Ventures SA¹⁷ from Switzerland, which invested in six out of 33 unicorns, including Swedish healthcare app KRY,¹⁸ valued at \$2bn, and French digital health insurer Alan SA,¹⁹ valued at over \$1.6bn. The second notable domestic investor with the highest number of recently created unicorns in its portfolio is the French PE/VC firm Eurazeo SA²⁰. Five of their current portfolio companies have become unicorns in 2021.

The growing number of American VC players investing in European companies has been a significant factor in the increase of European unicorns. Almost 34% of the investors in the H1 2021' Unicorns were from the U.S. and this trend is likely to accelerate. One of the most successful U.S. investors in terms of spotting future European unicorns was Accel Partners.²¹ The company invested in five of 2021's unicorns and holds first place in terms of total number of investments in Europe's unicorns.

After a remarkable first half, VC and growth investment into European companies is set for a record year. With elevated levels of funding, bolstered by U.S. investors, it is likely that Europe's unicorn cohort might get bigger at a faster rate, and even more startups from countries not currently dominating the list are likely to become unicorns. For instance, Croatian electric vehicle startup Rimac Automobili²² is showing a lot of promise, with current valuation standing at \$922.5m following the latest funding round in March of 2021, which was led by Porsche Ventures GmbH.²³ Spanish second-hand clothes retailer Wallapop²⁴ is another potential unicorn. Since its inception in 2013, the company has raised more than \$214m in total funding and its current post-money valuation stands at \$837m.

²¹Accel Partners, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=4182982>

²²Rimac Automobili d.o.o., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=7644519>

²³Porsche Ventures GmbH, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=13761291>

Healthcare M&A Activity Rebounds in Q2 as Pharma Companies Scan for Deals

Healthcare deal-making surged in the second quarter, boosted by life sciences and health technology companies as drug makers built up their balance sheets and watched valuations.

The number of healthcare deals announced in the quarter almost doubled from the same period a year ago, when the burgeoning pandemic stalled purchases. Aggregate deal value grew more than four-fold to \$81.3bn year-over-year. Although second-quarter deal volume reached its highest level since at least 2016, those transactions were smaller on average than in 2019, when the aggregate deal value was \$142.98 bn.

The largest M&A announcement of the quarter was Thermo Fisher Scientific Inc.'s purchase of life sciences company PPD Inc. for \$21bn,²⁵ which is expected to close by the end of the year. Another life sciences giant, Danaher Corp., agreed to pay \$9.6bn for Aldevron LLC in the second-largest deal.²⁶

“The life science sector has benefitted from a strong COVID-19 related tailwind,” S&P Global Ratings analyst Arthur Wong wrote in a July 29 healthcare sector update.²⁷ “Companies have used the windfall to invest in complementary businesses.”

Beyond the pandemic, the life sciences industry - which produces laboratory equipment, gene sequencers and other equipment for biotech and pharmaceutical companies is likely to benefit from increasing research and development activity, while

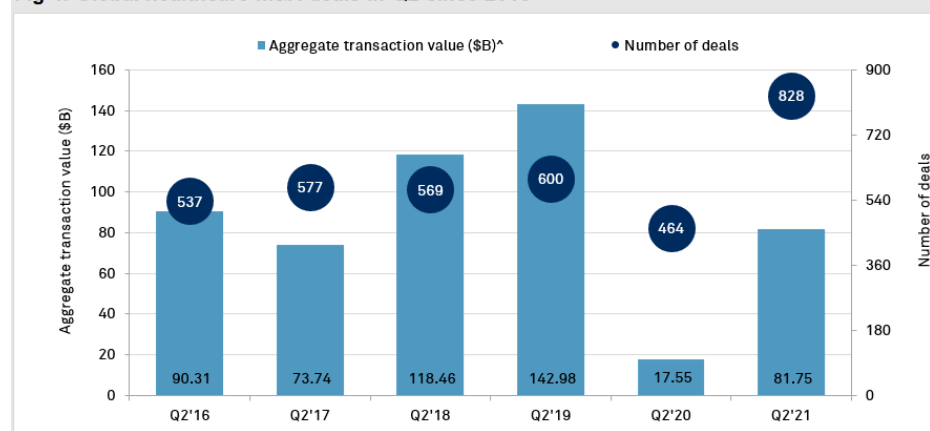
²⁵Thermo Fisher Scientific Inc to acquire PPD, Inc., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client#mna/dealOverview?ID=1874366>

²⁶Danher Corporation to acquire Aldevron, LLC, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client#mna/dealOverview?ID=1887811>

remaining relatively insulated from the pricing pressures in other subsectors of the healthcare industry, Wong noted.

Healthtech notched the third-largest deal of the quarter: Datavant, Inc.,²⁸ a Johnson & Johnson-backed company that uses artificial intelligence to help with clinical trials, agreed to merge with Merck-backed CIOX Health²⁹ which operates a platform that provides health and clinical data. The \$7bn transaction comes as the pharmaceutical sector recognizes the need for AI and data sharing due to the COVID-19 pandemic.

Fig 4. Global healthcare M&A deals in Q2 since 2016



Data compiled July 26, 2021.
 ^ Transaction value is the deal value paid for equity, plus the value of assumed current liabilities, net of current assets. Deal value at Analysis includes global M&A deals where the target company is in the healthcare space announced in the second quarter of each year Source: S&P Global Market Intelligence.

Data as of 26/06/2021. Source: S&P Global Market Intelligence. For illustrative purposes only.

²⁷Industry Top Trends Update: Healthcare North America, S&P Ratings. (As of August 11, 2021). Retrieved from: <https://www.spglobal.com/ratings/en/research/pdf-articles/210715-industry-top-trends-update-healthcare-north-america-100279875>

²⁸Datavant, Inc., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=10596682>

²⁹CIOX Health., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=4217428>

Biopharma ripens for deals

Pharmaceutical acquisitions stood at a relative standstill in the quarter as the largest companies recover from the impact of the pandemic, with only six of the 20 largest deals involving that sector. The largest of those six deals was Clayton Dubilier & Rice LLC's \$3.94bn purchase of UDG Healthcare PLC.³⁰

MorphoSys AG's purchase of Constellation Pharmaceuticals³¹ could be the "tip of the iceberg" for an uptick in pharmaceutical deal activity, driving increasing interest in the space, RBC Capital Markets analyst Brian Abrahams said in an interview.

"There are several reasons why we might see M&A picked up over the rest of this year," Abrahams said. "Biopharma balance sheets are very strong, and many companies face patent cliffs by the end of the decade or are slowing growth as their products mature — and asset prices have come down to potentially more attractive levels, as well." As of July 30, the S&P Biotechnology Select Industry Index, which measures the stock performance of the types of companies' large drug makers typically buy, is down about 28% from February 8, its peak in 2021.

Of larger companies potentially looking to make a deal, Abrahams mentioned Vertex Pharmaceuticals Inc.³² and Gilead Sciences Inc.³³. And among companies seen as possible targets in the biotech space due to valuation and pipeline opportunities are 89bio Inc.³⁴, Karuna Therapeutics Inc.³⁵, Karyopharm Therapeutics Inc.³⁶ and IGM Biosciences Inc.³⁷.

³⁰Clayton Dubilier & Rice LLC acquires UDG Healthcare PLC, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client#mna/dealOverview?ID=1879804>

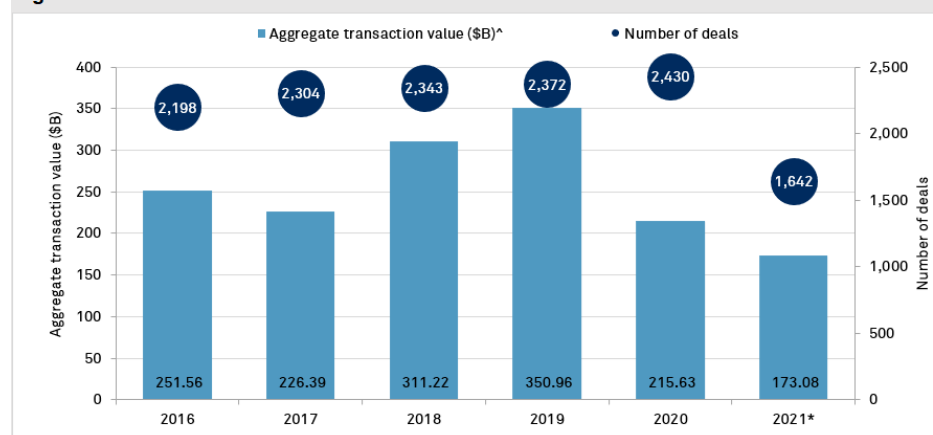
³¹MorphoSys AG acquires Constellation Pharmaceuticals, S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client#mna/dealOverview?ID=1884572>

³²Vertex Pharmaceuticals Inc., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=4159057>

³³Gilead Sciences Inc., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?#company/profile?id=4135343>

³⁴89bio Inc., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from:

Fig 5. Global healthcare M&A deals since 2016



Data compiled July 26, 2021.

* 2021 year-to-date as of June 30.

^ Transaction value is the deal value paid for equity, plus the value of assumed current liabilities, net of current assets. Deal value at Analysis includes global M&A deals where the target company is in the healthcare space announced between Jan. 1, 2016, and June 30, Source: S&P Global Market Intelligence.

Data as of 26/06/2021. Source: S&P Global Market Intelligence. For illustrative purposes only.

The healthcare industry is expected to grow, with aggregate annual EBITDA likely to rise by four to six percent in the next 12-18 months, according to a June report from Moody's Investors Service analyst Michael Levesque.

The industry growth could fuel acquisition activity in 2021 and beyond, especially in key areas like oncology, rare diseases and gene therapy, Levesque said.³⁸

<https://www.capitaliq.spglobal.com/web/client?#company/profile?id=19357914>

³⁵Karuna Therapeutics Inc., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from:

<https://www.capitaliq.spglobal.com/web/client?#company/profile?id=5222200>

³⁶Karyopharm Therapeutics Inc., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from:

<https://www.capitaliq.spglobal.com/web/client?#company/profile?id=4812624>

³⁷IGM Biosciences Inc., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from:

<https://www.capitaliq.spglobal.com/web/client?#company/profile?id=5307819>

³⁸Pharmaceuticals - Global: Solid demand, lift from COVID-19 products continue to drive positive outlook, Michael Levesque, Moody's, June 11, 2021. (As of August 11, 2021). Retrieved from:

Although the timing of a rebound in activity is difficult to predict, the relative dearth of deals as a result of the volatility in the markets is likely to come to an end in 2021's second half, Abrahams noted.

"Anytime that there's been a downtick in M&A activity deal flow or total aggregate due to value in the last five years, it's always been followed by a pickup," Abrahams said.

Dropping hints?

On their second-quarter earnings calls, executives at Johnson & Johnson (J&J) and Biogen Inc. indicated a willingness to seek out deals of all shapes and sizes.

"We're very focused on business development, and it's something that we recognize we need to do to augment the pipeline," Merck CEO Rob Davis said.³⁹

At J&J, the world's biggest healthcare company by market value, innovation is at the heart of every deal, Executive Vice President and Worldwide Chairman of Pharmaceuticals Jennifer Taubert said on the company's July 21 earnings call.⁴⁰

"One of the things that helps us be really successful here is that we're truly agnostic to the source of innovation," Taubert said. "As a result, about 50% of our products come internally, 50% externally." J&J CFO Joseph Wolk said the deals could fall under any of the healthcare giant's core businesses.

"We've just got to find deals that really fit the financial construct in a disciplined way," Wolk said. "So whether it's in med tech, pharmaceuticals or consumer, we look across the board monthly, if not more often, at opportunities that may fit nicely within the Johnson & Johnson business."

<https://www.capitaliq.spglobal.com/web/client?#investmentResearch/preview?id=440569711>
39 Merck & Co., Inc, Q2 2021 Earnings Call, July 29, 2021., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from:

<https://www.capitaliq.spglobal.com/web/client#company/transcriptsDetails?id=4004265&keydevid=31490347>

Fig 6. Largest healthcare deals announced in Q2'21

Ranked by transaction value at announcement		Announcement	
Buyer (ticker-exchange)	Target (ticker-exchange)	Date	Transaction value (\$M) ^A
Thermo Fisher Scientific Inc. (TMO-NYSE)	PPD Inc. (PPD-NASDAQ)	04/15/21	21,046.4
Danaher Corp. (DHR-NYSE)	Aldevron LLC	06/17/21	9,600.0
Datavant Inc.	CIOX Health (HPRT-NASDAQ)	06/09/21	7,000.0
Humana Inc. (HUM-NYSE)	Gentiva Health Services Inc.	04/27/21	5,700.0
Clayton, Dubilier & Rice LLC	UDG Healthcare plc (UDG-LSE)	05/12/21	3,942.4
1Life Healthcare Inc. (ONEM-NASDAQ)	Iora Health Inc.	06/07/21	2,100.0
DiaSorin S.p.A. (DIA-BIT)*	Luminex Corp.	04/11/21	1,866.0
Akumin Corp.	Alliance Healthcare Services Inc. (AI	06/25/21	1,469.9
MAXIMUS Federal Services Inc.*	Veterans Evaluation Services Inc.	04/21/21	1,400.0
The Carlyle Group Inc. (CG-NASDAQ)	Vectura Group plc	05/26/21	1,353.4
MorphoSys AG (MOR-XTRA)*	Constellation Pharmaceuticals Inc.	06/02/21	1,286.6
Steward Health Care System LLC	5 hospitals of Tenet Healthcare Cor	06/16/21	1,100.0
Tecan Group Ltd. (TECN-SWX)	Paramit Corp.	06/23/21	1,000.0
Medical Properties Trust Inc. (MPW-NYSE)	Springstone Inc.	06/15/21	950.0
Hologic Inc. (HOLX-NASDAQ)*	Mobidiag Oy	04/08/21	808.0
Booz Allen Hamilton Inc.*	Liberty IT Solutions LLC	05/04/21	725.0
Shenzhen Mindray Bio-Medical Electronics Co	HyTest Ltd.	05/16/21	661.5
AdventHealth	Redmond Park Hospital LLC	05/13/21	635.0
Docon Technologies Private Ltd.	Thyrocare Technologies Ltd. (53987	06/25/21	598.3
Allergan plc	Soliton Inc. (SOLY-NASDAQ)	05/10/21	554.4

Data compiled July 26, 2021.

* Completed deal.

Analysis includes 20 largest healthcare deals announced between April 1, 2021, and June 30, 2021, worldwide. Excludes cannabis companies as well as minority stake, asset, terminated and deals in the bid/offer stage.

^A Transaction value is the deal value paid for equity, plus the value of assumed current liabilities, net of current assets. Deal value at announcement will be used if transaction value is not available.

Source: S&P Global Market Intelligence.

Data as of 26/06/2021. Source: S&P Global Market Intelligence. For illustrative purposes only.

40 Johnson & Johnson, Q2 2021 Earnings Call, July 21, 2021., S&P Capital IQ Pro. (As of August 11, 2021). Retrieved from:

<https://www.capitaliq.spglobal.com/web/client#company/transcriptsDetails?id=4044333&keydevid=30388544>

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