



## HEALTHCARE & LIFESCIENCES (HLS) Webinar Series APAC Edition

July 7, 2021

Private and Confidential

**KROLL**

# AGENDA

## 01

### Deal Trends and Investment Opportunities

- Use of M&A to 'scale up' and their growth strategy
- Key long-term investment trends
- Key sub-sectors where we expect to see M&A activity

## 02

### Valuation Multiples & APAC HLS Landscape

- Valuation multiples and deal trends in the APAC HLS space
- APAC HLS landscape since COVID-19 outbreak

## 03

### Risks in Life Sciences

- Supply chain vulnerabilities
- Risk landscape changing as supply chain ecosystem grows or entering a new market
- Supply chain challenges in the COVID-19 times for life sciences companies in the APAC region



# **VARUN GUPTA**

Varun Gupta is the country managing director for India. He set up the firm's operations in India and is responsible for its overall growth and strategic direction. Additionally, he is the Asia Pacific regional leader for the Valuation Advisory Services business of the firm.

Varun has over 25 years of experience in valuation and financial advisory services. He has advised clients across a wide range of industries including IT/ ITES, energy, pharma and life sciences, infrastructure, internet and eCommerce, telecom, media and entertainment, etc. He has provided valuation opinions for purposes as diverse as financial reporting, strategic decision making, tax planning, restructuring, collateralization, transfer pricing, litigation and dispute resolution. Besides valuation of businesses in general, he specializes in valuation of early stage companies, intangible assets (e.g., brands, intellectual property, IPR&D, etc.) complex financial instruments, contingent consideration and ESOPs. He is a member of the Valuation Advisory Committee set up by the Ministry of Corporate Affairs, Government of India and an Invitee Expert on the Committee of Experts ("CoE") instituted by the Government of India to advise on the Institutional Framework for the Valuation Profession.



## ***KEDAR UPADHYE***

Kedar Upadhye, President at Cipla, has been the Global Chief Financial Officer of Cipla since August 2016, heading its Global Finance and Information Technology functions. Prior to joining Cipla, Kedar was Vice President, Finance, and Head of Investor Relations at Dr. Reddy's Laboratories. He has previously worked with Pepsi India and the Thermax Group. Kedar is a qualified Cost Accountant and Company Secretary, and an alumnus of the Indian Institute of Management, Bangalore.

Kedar is a dynamic people leader with strong domain expertise and thorough understanding of the global pharmaceutical industry. At Cipla, Kedar provides leadership and strategic oversight to multi-locational finance teams operating throughout the globe. He has spearheaded several high-impact organisation-wide projects and practices to enable strategic business partnering, drive efficiencies, cost improvements, analytics, automation, and best practice in governance. Kedar has played a key role in the improvement in the operating margin and profitability of the company in the last four years.





# ***TARUN BHATIA***

Tarun Bhatia is a managing director and head of South Asia in the Forensic Intelligence and Investigations practice of Kroll, based in the Mumbai office. Tarun has extensive experience in evaluating, measuring, and monitoring risks across corporate India over the past 20 years and is a well-regarded industry expert for corporate finance, financial services and structured finance. Tarun advises clients on investments, partnerships, mergers, and acquisitions, and also helps them manage their litigation and dispute resolution process by providing investigative services. He has analyzed and evaluated over 1,000 listed and private companies in India, and his diverse client roster includes large conglomerates, banks, financial institutions, and corporations across power, oil and gas, aviation, steel, cement, auto, FMCG, health & pharmaceutical, and real estate sectors.

Tarun has published a number of articles on the Indian banking industry and capital markets which have been featured in Indian and international journals. He is an invitee member to the CII CFO Forum.



# 01

HLS Trends and  
Investment  
Opportunities

Discussion by  
Kedar Upadhye  
Global CFO and  
President, Cipla

# 02

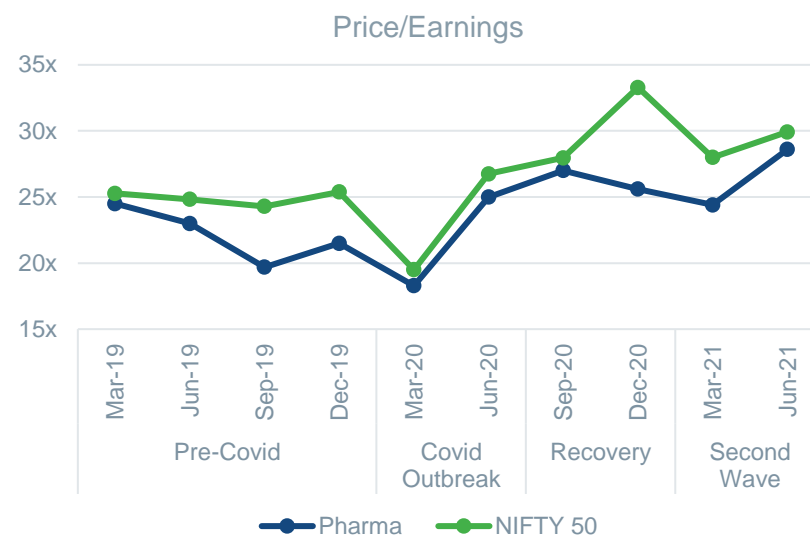
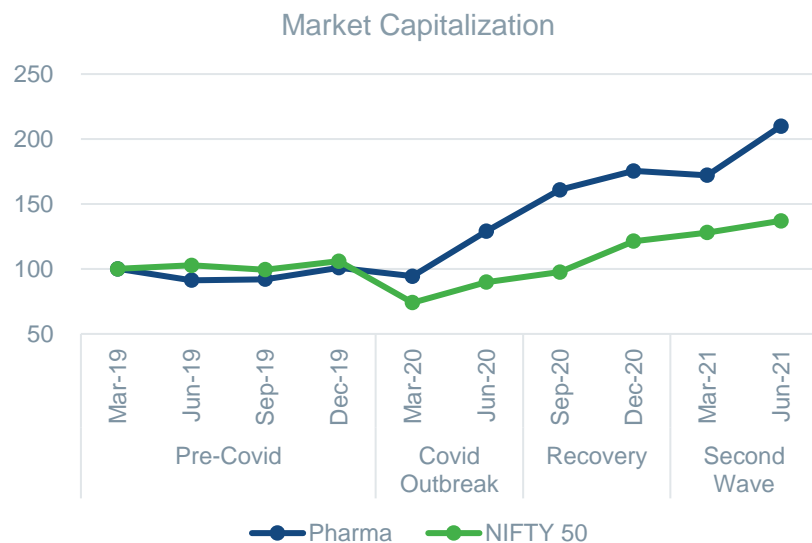
## Valuation Multiples & HLS Landscape

Varun Gupta  
Managing Director and  
APAC VAS Leader  
Duff & Phelps, A Kroll  
Business



# INDIA

## Valuation multiples and market capitalization during Covid-19



Multiples	Pre-COVID				COVID Outbreak		Recovery		Second Wave	
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
EV / Sales	3.9x	2.8x	3.2x	3.0x	2.7x	3.3x	3.7x	3.6x	3.2x	3.9x



# INDIA

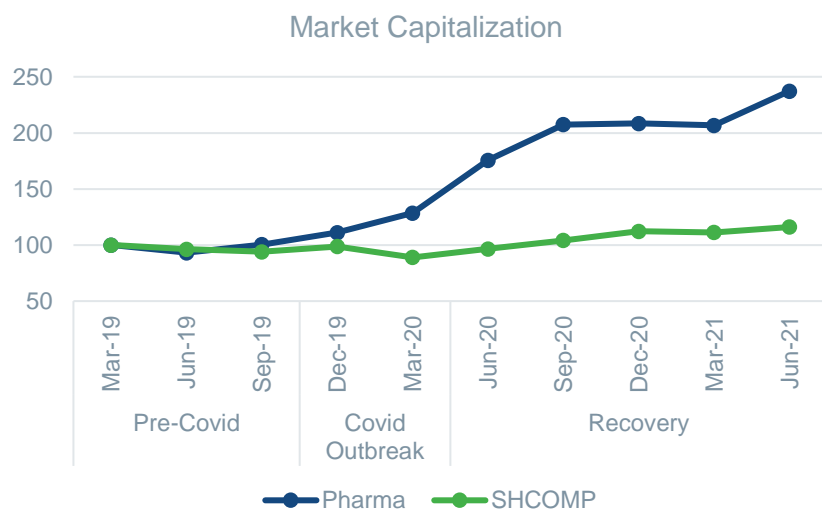
## Top deals in the HLS space by deal size

	TARGET	ACQUIRER	DEAL SIZE (USD Mn)	STAKE (%)	REVENUE MULTIPLE
1	Piramal Pharma	Carlyle, Piramal Structured Finance	498	21%	NA
2	Animal Healthcare Established Markets (Zydus)	CPPIB, Rare Enterprises, Others	397	NA	NA
3	J. B. Chemicals & Pharmaceuticals	KKR	374	65%	2.6x
4	PharmEasy	Prosus Ventures, Kotak PE, B Capital Group	300	9%	NA
5	Wockhardt (Branded Generics and Dom. Formulation Business)	Dr. Reddy's Laboratories	244	100%	3.4x
6	Medlife	PharmEasy	230	100%	1.4x
7	Sequent Scientific	CA Harbor Investments	196	54%	1.9x
8	Privi Speciality Chemicals	Vivira Investments; Moneymart Securities	162	NA	2.3x
9	Biocon Biologics	Goldman Sachs PE	151	NA	NA
10	Hemmo Pharmaceuticals	Piramal Pharma	104	100%	NA
				<b>Mean</b>	<b>2.3x</b>
				<b>Median</b>	<b>2.3x</b>

Source: S&P Capital IQ data base and Private Circle data base

# CHINA

## Valuation multiples and market capitalization during Covid-19



Multiples	Pre-COVID			COVID Outbreak		Recovery				
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
EV / Sales	7.0x	8.5x	9.1x	8.6x	10.3x	13.6x	16.0x	15.4x	13.8x	13.4x

# CHINA

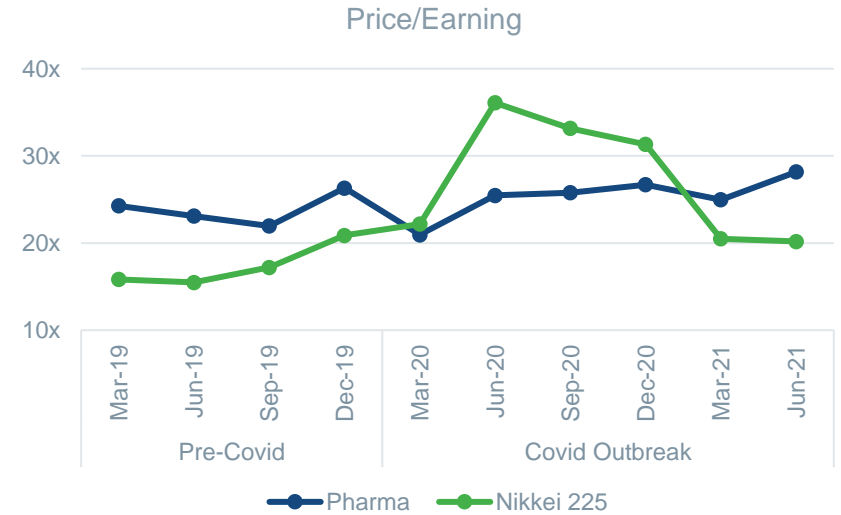
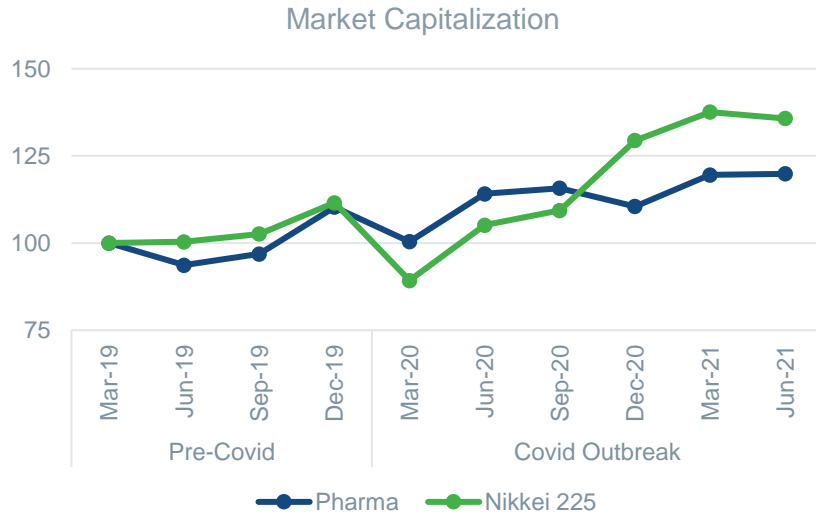
## Top deals in the HLS space by deal size

	TARGET	ACQUIRER	DEAL SIZE (USD Mn)	REVENUE MULTIPLE
1	China Biologic Products Holdings	Trustar Capital; Hillhouse Capital Management; V-Sciences Investments; Others	1,587	7.9x
2	Jiangxi Zhengbang Technology Co.	Zhengbang Group; Jiangxi Yonglian Agriculture Holdings; Others	1,150	NA
3	Tianjin Zhong Xin Pharmaceutical Group	Tianjin Pharmaceutical Group	640	1.8x
4	InnoCare Pharma	Jizhong Energy Resources	392	NA
5	North China Pharmaceutical Company	Jizhong Energy Resources	321	2.8x
6	CStone Pharmaceuticals	Pfizer Corporation Hong Kong	200	NA
7	Porton Pharma Solutions	Zhangjiagang Zhuoyuan Investment Partnership	160	9.8x
8	Genscript Biotech	Hillhouse Capital Management	148	10.6x
			<b>Mean</b>	<b>6.6x</b>
			<b>Median</b>	<b>7.9x</b>

Source: S&P Capital IQ data base

# JAPAN

## Valuation multiples and market capitalization during Covid-19



Multiples	Pre-COVID				COVID Outbreak					
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
EV / Sales	2.9x	2.9x	3.1x	3.6x	3.2x	3.3x	3.3x	2.8x	3.4x	3.1x

# JAPAN

## Top deals in the HLS space by deal size

	TARGET	ACQUIRER	DEAL SIZE (USD Mn)	REVENUE MULTIPLE
1	Takeda Consumer Healthcare	Oscar A-Co KK	2,284	4.0x
2	Portfolio of select Non-Core Products in Japan of Takeda Pharmaceutical Company Limited	Teijin Pharma Limited	1,247	4.3x
3	Kawasumi Laboratories	Sumitomo Bakelite Company	244	0.8x
4	Japan Tissue Engineering Co.	Teijin Limited	180	12.8x
5	Shoko Co.	SKT Holdings Ltd	157	0.1x
6	Honshu Chemical Industry	Mitsui & Co., Ltd and Mitsui Chemicals, Inc.	92	0.6x
			<b>Mean</b>	<b>3.8x</b>
			<b>Median</b>	<b>2.4x</b>

Source: S&P Capital IQ data base



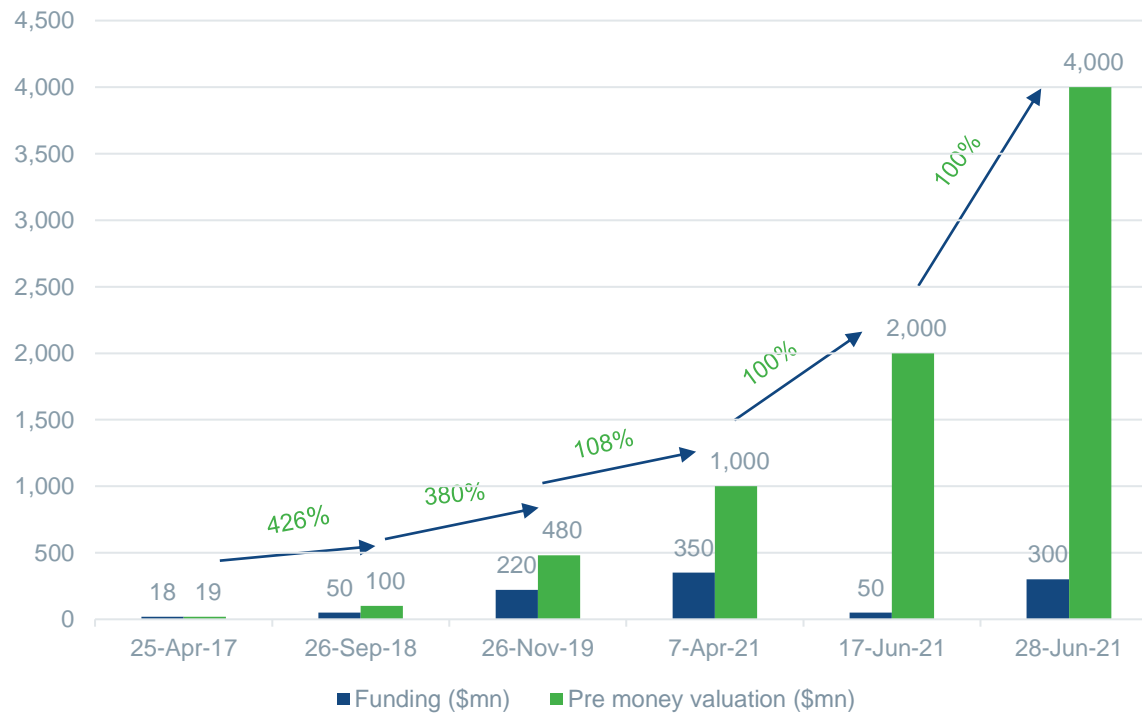
# EMERGING SECTORS

## HealthTech

- Increase in use of telemedicine and other HealthTech services globally due to pandemic
- Indian HealthTech market currently quite small (\$1.9 bn) but growing rapidly (~40 percent per annum)
- Private Equity interest
  - PharmEasy raised USD 300 mn and its value vaulted to USD 4 bn
  - Curefit raised USD 110 Mn
  - Innovacer raised USD 105 Mn to also become a unicorn
- M&A
  - Cure.fit bought fitness aggregator Fitternity
  - PharmEasy acquired Medlife in a USD 230 mn deal
  - Vidal Health (Insurance TPA) acquired competitor Vipul MedCorp

# HEALTH TECH

## PharmEasy: Valuation and Funding Evolution



# 03

Business Risks in HLS  
industry

Tarun Bhatia  
Managing Director  
Forensic Intelligence  
and Investigations  
Kroll



# COVID v/s HLS

## The Risk Reward Dynamics



# CHALLENGES FOR HLS INDUSTRY DUE TO COVID-19



Impact on ongoing trials



Immediate shift to virtual healthcare



Delay in fulfilling critical local regulatory requirements



Price increase of drugs



Disruption in global supply chain and sourcing



Enhanced use of technology



# EMERGING RISKS AMINDST STRONG OPPORTUNITIES



Weak Regulatory Compliance



Theft of Intellectual Property



Counterfeit



Breach of Data Privacy



Third party fraud



Manpower quality



Mis selling

# SUPPLY CHAIN VULNERABILITIES AND MITIGATION

## Direct and indirect impact on Supply Chain



# INTEGRITY AND REPUTATION DUE DILIGENCE IN HLS INDUSTRY

Visible shift in questions investors are asking in 2021

## Integrity Due Diligence (IDD) – Scope of Work

Integrity Due Diligence (IDD) – Scope of Work					
<b>Pre COVID</b>	Business practices	<i>Reputation in the industry</i> <i>Sales practices</i>	<b>Post COVID</b>	Genuineness of operations	<i>Impact of COVID</i> <i>On ground validation of topline and profitability</i>
	Source of capital	<i>Quality of capital</i> <i>End use of funds</i>		Dependence on 3rd parties	<i>Critical 3rd parties</i> <i>domestic v/s global</i> <i>Is there a fourth party</i>
	Focus on R&D	<i>Promoters' involvement in R&amp;D</i> <i>Track record &amp; success</i>		Potential regulatory risks	<i>Process level compromises</i> <i>GMP and GSP</i>
	Decision making and involvement of promoters in business	<i>Holding structures</i> <i>Other business interests</i>		Culture check on the company	<i>Social media activity and philosophy</i> <i>Reality v/s posturing</i>
	Risk of corruption and bribery	<i>Referral schemes</i> <i>FCPA/UK Anti bribery</i>		Understanding comfort with and migration towards technology	<i>Tech migration plan</i> <i>Resource building</i> <i>Quality of manpower</i>
	Political and regulatory linkages	<i>Leveraging political &amp; bureaucratic connects</i> <i>Degree of influence on business</i>		Crisis management capability and PR strength	<i>Board credentials and involvement</i> <i>TAT on crisis response</i>



Thank you for joining today!

For more information, please contact:

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#### **About Kroll**

Kroll is the world's premier provider of services and digital products related to governance, risk and transparency. We work with clients across diverse sectors in the areas of valuation, expert services, investigations, cyber security, corporate finance, restructuring, legal and business solutions, data analytics and regulatory compliance. Our firm has nearly 5,000 professionals in 30 countries and territories around the world. For more information, visit [www.kroll.com](http://www.kroll.com).

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