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Private Equity Investment Committee Proposal – Medpace LBO Returns

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Abstract

Medpace is a CRO company focused on providing scientifically-driven outsourced clinical development services to the biotechnology, pharma and medical-device industries. Its strong positioning in a niche market, the high projected industry growth, its strong and stable FCFs, and experienced management team make it an ideal target, which would be further improved by our developed business plan that will enhance its operations, expand internationally, and capitalize on M&A trends. The business plan is expected to deliver high returns, translating into a money multiple of 3.28x and an IRR of 26.84%, which are further analysed in the individual part of this paper.

Keywords: Contract Research Organization (CRO); Research & Development (R&D); Mergers & Acquisitions (M&A); Biopharma; Leverage Buyout; Money Multiple (MM); Internal Rate of Return (IRR); Private Equity (PE)

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Market Overview

Contract Research Organizations (CROs) provide **Research and Development (R&D) services** to companies in the **biotechnology, pharmaceutical and medical device** industries, which outsource R&D activities to access capabilities not found in-house, manage R&D costs, and improve **efficiencies**. Overall, CROs help pharma/biopharma companies manage the **drug development process**, and given CROs' **global scale** and **therapeutic expertise**, they are often able to do so more **cost effectively** and with a **shorter time-to-market**, than in-house R&D departments.

In **2021** the **Global CRO market** was **valued at \$56.91 bn**. The market is estimated to reach \$62.56bn in 2022 and is projected to grow at a compound annual growth rate (**CAGR**) of **10.1% from 2021 to 2030**, when it would be worth **\$135.26bn**.

In recent years, due to **rising cost pressures**, pharmaceutical companies have steered towards **outsourcing** much of their pharmaceutical research, development, and manufacturing activities to CROs or Contract Development and Manufacturing Organizations (CDMOs). As such, this trend, as well as the greater number of drugs in development, has contributed **to rising penetration of outsourcing partners** in the global clinical trials market. Looking forward, by 2023, **CROs are projected to penetrate almost half of the total clinical trial market at 49%**, representing a 12% increase in penetration rate over a 5-year period. Apart from cost pressures, this growth is also being **fuelled by the need for biotech's to have access to external infrastructure**, as well as the complexity of the regulatory, drug approvals and reimbursement process, together with the therapeutic expertise required on a global scale.

From the Biopharma Value Chain (see Appendix 1), **CROs** provide services across four main stages of drug development: **Research (Lab), Discovery, Preclinical and Clinical**. Medpace positions itself as a **Clinical CRO**, covering all four phases of this stage.

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Apart from service type, CROs are also segmented based on their **main customers** (small/mid-sized pharma for Medpace), the **therapeutic areas** offered and their **geographical reach/cover**. Each of these segments has its **own dynamics** which are important to understand, with a **focus on Medpace's positioning**.

By service type – Clinical Trials

The **clinical CRO market** is expected **to thrive over the next few years**, as pharma and biotech trial sponsors increasingly outsource stages of clinical drug development to speed up the overall process. From the entire CRO market, around **65% of revenues (\$32bn in 2020)** are generated by the **Clinical segment**, where Medpace is positioned and offers a full-service model, covering every phase.

By end-use – Small and mid-size pharma

As **Clinical CRO** revenues increase globally, **small/mid-sized** pharma companies are expected to generate most of this growth, due to a forecasted **superior CAGR (11%)** (see Appendix 2). This growth will be largely driven by **growing product pipelines in biopharma**, coupled with increased **venture funding for biopharma start-ups**, which has more than doubled in the past 5 years, with funding growing from **\$12.9Bn, in 2017, to \$22.5Bn, in 2021**.

Since **Medpace's client base** almost entirely consists of small/mid-sized **biopharma** companies, we believe the industry-wide 10.1% CAGR presented previously doesn't accurately reflect the market growth relevant for Medpace, as it doesn't consider this **distinction in end-market growth**. Therefore, we assumed that the **11% CAGR** would be a more **accurate and relevant estimation**, given the company's context.

By therapeutic area – Oncology

Across the multiple therapeutic areas invested in by pharma companies, **Oncology** is set to be the largest one, by spend in 2026, with a market size of **\$306Bn**, followed by **Immunology (\$178Bn)**, **Antidiabetics (\$173Bn)**, **Neurology (\$151Bn)** and **Cardiovascular (\$87Bn)**.

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The most **active and consistently growing therapeutic area for CROs is Oncology**, which represents the single largest focus in clinical development today and also, Medpace's **main source of revenues**. Over the next **5 years**, R&D spending in this segment is expected to **increase 45%** and add \$106 billion in spending (see Appendix 3).

By geographical area – North America

Geographically, the **North America** CRO market is the largest one, globally, estimated to be worth **\$31.97 billion** in 2021. **Medpace** is already heavily present in this region, with **97% of its revenues** being **generated in the US**.

North America is followed by Europe, while the Asia Pacific region, which currently **accounts for 19% of the market**, is growing the fastest and is **projected to account for 30% of the market** in 5 years.

Key Trends and Drivers

M&A activity is a major trend in the market. Over the last 2 years there has been an **increasing amount of M&As among CROs**, with buyers seeking to **integrate horizontally** across the value chain. The focus has been on **becoming a single strategic partner**, with M&A activity allowing CROs to **expand** or **improve their offering** across different therapeutic areas. M&A between CROs also allows **buyers** to achieve **cost efficiencies**, improve **productivity**, and **accelerate timelines** (in an industry where time has a strong correlation with overall economic success).

Furthermore, the emergence of **Decentralized clinical trials (DCT)** has been accelerated by the pandemic. These are designed to fit better into patients' lives, by reducing the need to travel to designated sites, **improving the patient experience and retention** (reducing costs).

Other trends in the industry are also major CRO market growth drivers, such as the **addressable market increase** (due to increasing R&D expenditure worldwide), the **market penetration**

increase (increase in outsourcing due to pharma cost pressures), and the constant **technological advancements**.

The main challenges of the industry include strict **government rules**, the lack of **skilled professionals, intellectual property** issues, low **customer diversity** (due to increased pharma M&A activity) and difficulties in **differentiation** among the largest players.

Competitive Landscape

While being a **top 10 CRO** in terms of revenues, **Medpace** is still classified as a **mid-tier CRO**, since it doesn't yet have the size of the biggest players in the market. Although the **bigger players** on the CRO market mostly cater to **big-pharma** companies as their customer base, they have been **increasingly aware** of the **faster-growing small/mid-biopharma** segment, meaning **they also compete directly with Medpace** (see Appendix 4).

Medpace's **EBITDA margin** is **strong** within the industry, having constantly been around 20%. This margin still has some room for improvement, especially since Medpace's target customers pay for **higher margin** services than big pharma companies. The highest **EBITDA Margin** belongs to Charles River, which provides research models and outsourced preclinical services. Medpace has had **no leverage** over the past few years, which can be explained by both its **strong cash reserves** and **lack of recent M&A activity**. Competitors hold reasonable levels of debt, as it is a cheaper source of financing, but want to avoid excessive risk.

Finally, Medpace has the **biggest EV/EBITDA multiple** from the selected competitors, probably due to a combination of factors already highlighted (faster growing customer base, low risk/debt, strong performance, etc.).

Company Overview

Medpace provides a **Full-Service Outsourcing**, offering a suite of sixteen main services, **from Phase I to Phase IV drug development**, that guide customers through both the approval and post-approval process, meaning they support their customers to **plan and conduct clinical trials** and take over **R&D tasks**. The company leverages its **strong reputation** within its target segment to drive growth and focuses on a more **custom-made** and **close approach** to each client to **gain an edge** over bigger CROs. **It has a worldwide presence** for trials, which is essential to allow their customers to sell drugs across different markets, although **97%** of the company's **revenue** is generated by **US-based** pharma.

Competitive Positioning

Medpace's **track record at serving small to mid-sized biopharmaceutical companies** distinguishes it from its competitors, whose core markets tend to be larger pharmaceutical companies. This is further supplemented by its **full-service outsourcing model, which is preferred by pharmaceutical companies outside the top 20 pharma**, as these companies **lack the expertise and infrastructure** in-house. It is in serving these customers that **Medpace is a leading player** with a market share of 7% in 2020, providing a **more catered service** than bigger CROs and **superior scale and reputation** over smaller CROs, positioning itself as an ideal solution for the target client base. Also, this target base allows the company to have very **little customer concentration**, reducing the risk of being overly dependent on a specific client, as the **top 10** only represent **25%** of revenues.

Furthermore, **Medpace has demonstrated success across all major therapeutic areas**. This was driven by its **therapeutic expertise** in some of the largest, most complex, and fastest growing pharmaceutical developments. The company's personalized approach teamed with its **broad track record of guiding customers in key therapeutic areas and**, more importantly,

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the regulatory challenges faced, gives it the reputation that fuels its growth, and **attracts customers**.

Finally, with its global **coverage across six continents**, Medpace can provide medical, operational and regulatory expertise **allowing customers to scale their approval process**, not only to other developed markets outside of the US, like **Europe, but also to Pharmemerging markets like China, India and Brazil**, making it **one of the few tiers two** players offering this opportunity.

Management Team

The highly skilled and qualified management team enhances Medpace's offering. They have a **proven track record** of success, achieving above-market historical growth while implementing a **lower cost-base, a strong training program** and a **premium product**.

Historic Financials

When analysing Medpace's Income Statement since 2018, one can notice that its total **revenues** have **increased by 62.1%**, at a CAGR of 17.5%. This value is also quite **distorted** by the year of **2020**, where the Covid-19 pandemic temporarily harmed revenues, resulting in a **below-par growth** of just 7.5% from 2019. The therapeutic area that generates the **most revenues** for Medpace is **Oncology**, which can be justified by it being the **biggest market and target of R&D spending** for pharma companies. Nevertheless, despite its already leading share of revenues, Oncology has also managed to record the most **consistent and sustainable growth** over the last 4 years, growing by 92% in this period. The **Central Nervous System** area was the one that had the biggest percentage growth (**125.5%**), but much like the other areas, this growth has been quite **volatile**, as it is dependent on project timings, despite Medpace's diverse and extensive customer base to fight this risk.

Medpace's **COGS** has increased in line with the growth of revenues, but it also reflects the company's **continuous investment in highly qualified personnel** to differentiate itself from the market, while also including other costs like rent, utilities and lab supplies to address the growing demand. These costs yield relatively **low Gross Margins between 28% and 31%**, which are likely to be difficult to considerably improve while remaining competitive in the market. Margins also **slightly fluctuate** due to the constantly changing project requirements and different project timings faced by the company, in the form of reimbursable expenses to clients, for instance.

Similarly, to Gross Profit, Medpace's **EBITDA** has also been growing relatively in line with revenues, increasing by **56.3%** since 2018, at a **CAGR of 16%**. The current value of Medpace's EBITDA margin (19.2% in 2021) is much more **positive** compared to the gross margin, since the company's **Operating Expenses** aren't significant.

The **EBIT margin** has been **improving** and is now quite **similar** to the EBITDA margin, given that this is an **asset-light business** with relatively **little depreciation**.

Due to all of this, Medpace's **Net Income** has been growing at an **extremely positive** pace, with a 4-year growth of **146%** (see Appendix 5a).

Moving to the Balance Sheet and Cash Flow Statement analysis, Medpace's **large amount of cash reserves** are noteworthy, which is maintained to be ready for any potential M&A opportunities that the company may find. Medpace has had **no recorded debt** from 2019 to 2021, after repaying the \$79.7 million it had in 2018. Hence, the combination of the company's cash reserves with its lack of debt results in **negative Net Debt**. Inversely, **Shareholders Equity** increased significantly over the past 4 years, by **61.6%**, meaning that the company has prioritised this form of financing over Debt, which shows a very **conservative financial structure**.

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After excluding cash, the company's Net Working Capital has always been **negative**, reflecting the **asset-light** nature of this industry and the considerable amount of **advanced billings** (due to project timings). This results in constant **negative changes in NWC**, caused by revenue growth (hence more advanced billings), which contribute **positively** for FCF generation.

The **Net CapEx has grown** over the past 4 years from \$17 million to \$31.4 million in 2021, to facilitate revenue growth, but overall has very reduced historical values, once again highlighting the **asset-light business** model.

Finally, Medpace has generated a **stable and consistently growing** level of Free Cash Flows, with a 4-year increase of **65.4%**, as a result of its very strong cash conversion cycle combined with the double-digit revenue growth (see **Appendix 5b**).

Investment Thesis

Deal Rationale

Strong Positioning in Niche Market - Full-service model for small/mid-pharma and biotech, tailoring their offering specifically to this segment; coverage of every major therapeutic area and global scale; strong reputation of quality and close relationships with clients (which bigger CRO players don't provide); highly diversified customer base.

Projected High Growth in Industry Markets - All core markets have been constantly growing and are expected to keep this trend; near/above double-digit growth projections for the biotech and small/mid-size pharma, over a 5-year horizon.

Favourable Financials - Strong and stable FCF, which is promising for a potential leveraged acquisition; one of the highest EBITDA margins within the industry; low maintenance CAPEX requirements, given the asset-light nature of the business with only minor assets positions.

Highly Skilled & Qualified Management Team - Experienced CEO with extensive knowledge in the business – strong recruitment and training processes allowed lower cost-base

and lower-cost labour, comparing to its competitors, leading to a premium product; proven leadership & extensive industry knowledge.

Value Creation

In order to capitalize on market trends and expected industry growth, the strategy to create value will include three main dimensions:

Strategic Internationalization - Establish **Sales Force** in the **Chinese** market since it is growing at a considerable pace. Medpace is **well-positioned** to generate demand, since the company already has a **clinical presence** there, and their **global reach** is ideal for Chinese companies who seek to sell their drugs on a global scale.

Current mega trends in the APAC offer significant **growth opportunities** for Medpace, so the company may take advantage of the under-served APAC market and increase its revenues.

The goal is to **diversify operations** to benefit from countries with **superior growth prospects** in end markets, by improving sales presence in China, leveraging global presence and strong reputation with small and mid-pharma, winning relevant contracts and continuing to build strong customer relationships.

Buy & Build - Capitalize on **strong M&A trend** in the industry, which has been a significant **growth driver** for current **market leaders**. Select target that can **improve the company's offering** and potentially **generate synergies**, besides inorganically growing revenues.

Medpace is one of the few listed mid-tiers CRO providers globally and is **well positioned to consolidate in a fragmented industry**. Its potential to grow by M&A allows the firm to **fill unserved market gaps** and enjoy **favourable trends in the market**.

The **goal** is to accelerate growth, improve competitive position and market share, and meet the market consolidation trends, by focusing on sustaining high margins through mid-sized, well-

established players, and working for a fast integration process to quickly benefit from any cost synergies which may be achieved by consolidation of functions and facilities.

Operational Enhancement - Grow and improve operations by investing in **Human Capital** and **Technological Innovation**, as two **key growth drivers** and essential **sources of differentiation** in the industry.

The **goal** is to generate further growth, improve competitive positioning, and to increase quality of services provided, by progressively invest in specialized human capital, increasing sales force proportionally, aligning investment in APAC with Human Capital Growth, and focusing investment in specific therapeutic areas. Relatively to the Technological Innovations, the **goal** is for Medpace to further integrate itself in Decentralized Clinical Trials, by taking a partnership with a pioneer of DCT services for CROs, achieving operational cost savings while also increasing trial quality, being better positioned for the future.

Business Plan

Base Revenues were forecasted by segment, in line with pharma industry expenditure expectations, while also considering the last four years CAGR (2022 values taken from company's Q3 full-year projection range). A conservative approach was taken for every segment, with growth rates inferior to historical values, except for AVAI. Overall, the **Base Revenues** (excluding any M&A or international expansion activity) were forecasted to grow at a **15.8% CAGR**. This value was estimated conservatively to be **considerably inferior** to the past four years CAGR (**19.6%**) but is still **above the relevant CRO market** estimated CAGR of **11%** (until 2030) (see Appendix 6a).

The overperformance of Medpace relative to the market can be explained by several factors. Firstly, Medpace is **well-positioned** to capture a considerable share of the growth in this segment, since they are the **biggest player addressing this market** as a main focus. The

company differentiates itself from the **smaller players** due to its **global reach** and **reputation** which is difficult to replicate. Furthermore, while other **bigger players** are also **increasingly turning** to the small/mid biopharma segment, Medpace still has a **natural advantage** over these, as smaller clients **prefer the closer approach** the company is able to provide and feel more "important", compared to using the services of a massive CRO with big pharma clients. Finally, Medpace's **full-service model** is a much **better fit** for this customer base, instead of the functional approach of most competitors.

This set of sustained competitive advantages translates into a **premium product** for Medpace and positions it favorably to **capture superior growth over the market**. All-in-all, and also considering the historic performance of Medpace, a **15.8% CAGR seems reasonable**.

On top of this, to diversify the geographical sources of revenue, the company would generate further growth by **expanding into the fast-growing Chinese market**, capitalizing on the market trends and the infrastructure the company already has in place (in terms of central labs in the country and globally) that would allow it to make the **process simpler and reduce risk**. By establishing a Sales Force in China, it is assumed that demand would take a year to be generated, to capture the first clients and focus on regulations specific to the region, and would then grow progressively, adding **5%** to the "base revenues" by 2027. Furthermore, the **acquisition of Ergomed** would generate a new source of inorganic growth, while retaining the strong margins that Medpace already has. This company is projected to grow at a slightly slower pace (14% CAGR), but it allows Medpace to gain exposure to the European market, further diversifying its geographical sales mix.

Most of the growth is still generated by the base activity and evolution of the company, driven by an increase in addressable market and market penetration, and supported by investment in Human Capital. However, the proposed M&A activity and internationalisation of the company would help accelerate this growth even further, increasing the CAGR from **15.8% to 19.2%**.

In terms of **base COGS**, these are expected to **increase** (as % of sales) in the first year, specifically through direct services costs, to reflect the **stronger investment in specialized personnel** which may not generate revenues with the same efficiency, initially. However, until 2027, these costs are expected to **stabilize and even improve** when compared to 2022, yielding a **gross margin of 32,5%**, as added revenues from the human capital investment are realized and more efficiencies are achieved in operations, arising from the further integrations of **Decentralized Clinical Trials**. SG&A costs, including Sales personnel, also slightly increase in the first year, reflecting the **strong initial investment to generate demand** for new specialized personnel. This yields a decrease in base EBITDA margin for 2023 (19%), but as investments start to yield results and more efficiency is achieved, margins are forecasted to **increase to 22,5%** by 2027. Overall, **margin improvements were conservative** to reflect the difficulty in combining these with strong revenue growth simultaneously.

The acquisition of Ergomed would provide an inorganic source of added EBITDA for Medpace, which would drive accelerated growth, while still improving the company's overall margins, since Ergomed has outstanding efficiency for its size. The China Expansion would require reduced initial costs (mostly marketing and Sales Team compensation) due to already existing lab infrastructure. Overall, Medpace's EBITDA was forecasted to increase at a **20,9% CAGR**, supported by favourable technological advancement industry trends and the strong focus by the company on these (investing in DCT, for instance).

Finally, **Unlevered Free Cash Flows** are constantly growing, with the exception of the entry year due to the Ergomed acquisition (which will be addressed through a Capex Facility), yielding a **CAGR of 19.2%**. Free Cash Flow conversion levels are consistently around 100%, highlighting strong cash generation, which should allow the company to remain comfortable in terms of liquidity throughout the holding period (see Appendix 6b).

Valuation, Capital Structure and Returns

To estimate an **entry multiple**, several methods were used to increase confidence in the valuation. **Trading Comparable** methods provide a closer estimation given Medpace's context, therefore considered with a higher weight - up to 75%. To capture **market/firm specific information** that trading comparables may not be able to include, two types of DCF valuations were conducted: DCF EMM was attributed with 20% and only 5% to DCF GGM, as we consider the resulted multiple an outlier. This yielded an entry EV/EBITDA multiple of **16.40x**, and an **Enterprise Value of \$4 951M**.

To fund this transaction, **Total Debt** (excluding Acquisition Capex Facility) is expected to be **4.5x EBITDA** (2x for an amortizing tranche A and 2.5x for non-amortizing tranches B/C, with interest rates between 8 and 9%, and 0x for Mezzanine Debt due to its excessive cost and risk, with an 8% spread in cash plus a 4% PIK element). This debt level requires strong Fund investment upon entry, with a Shareholder Loan of 11.4x EBITDA (yielding 16% PIK) plus ordinary shares (1.2x). The Management team is also substantially invested, to strongly align interests, by contributing with 5% of their initial sale proceeds (\$47.1M) towards the institutional strip, while also receiving 7.5% Sweet Equity on top (with a value equivalent to their 2-year compensation), which rewards them with strong returns (see Appendix 7). Additionally, an **Acquisition Credit Facility** will be used to partially finance the projected M&A acquisition, with drawdown values based on bank case leverage covenants.

At these leverage levels, given the company's strong cash generation, **covenants are not expected to be a problem**, with Cash cover and Interest cover metrics having minimum values of 1.72x and 2.51x, respectively (both in the first year). A more **conservative case** was also developed, mainly with Base Revenue growth estimated more in line with market projections, at a 11.9% CAGR, while no margin improvements were assumed. Even in this case, the

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investment would still yield reasonable returns, at a 2.47x fund money multiple, and be able to **meet all covenants** comfortably (see Appendix 8).

Given the proposed business plan and capital structure, by exiting after **5 years (2027)**, **Fund Returns** are expected to be at a **Money Multiple of 3.28x** and a **26.8% IRR** (for Management, 7.71x MM and 50.4% IRR). In terms of **Equity value generation** until 2027, no multiple arbitrage was assumed, whereas **Cash generation** was responsible for 16% of value. The biggest driver was **EBITDA growth**, mainly due to base revenue growth (59%), while the added EBITDA by M&A activity and the International Expansion generated 13% and 6% of the added equity value. In terms of **sensitivities**, returns are **strong enough** to leave room to face **reduced base market growth**, while also removing from the business plan some activities such as M&A or the China Expansion, for instance. (see Appendix 9)

Exit and Due Diligence

Strategic sale and secondary buyout comprise two attractive exit strategies for Medpace.

Firstly, the rationale behind a strategic sale is that Medpace is positioned in an **attractive industry with high growth prospects**, with the biggest players growing through consolidation, leading to an **increasing competition**. Furthermore, a competitor potential buyer can **further leverage margins and market share** by incorporating Medpace to achieve potential synergies, and be willing to pay a **premium price**, resulting in a **higher exit valuation**. On the other hand, considering that markets are becoming more competitive and mature, with high growth forecasts, **strategic buyers might try to enter sooner**.

Focusing on the secondary buyout, this exit has the potential to create **new buyout strategies** after the holding period, as Medpace still has room for added growth strategies. In addition, Medpace is a **strategically good target** for Private Equity funds, which will have the potential to explore company's expansion and strong cash generation. Therefore, this strategy brings

advantages, namely to financial buyers, who might be able to make profits by achieving **additional operational improvements** and generating cash from asset sales, so the deal may include **high premiums**. Notwithstanding, **the success of the investment thesis & cash generation** are essential for attractiveness for a secondary buyout.

All things considered, the most desirable scenario would be an **exit via strategic sale** to a major CRO competitor, which may **enhance the company's value** since they have greater opportunity for operating synergies and achieve a **premium valuation**. **ICON** is a safe option, as buying Medpace would be very much aligned with the firm's strategy and operating goals.

Alternatively, a **secondary sale could also lead to a high valuation**. In this case, KKR, Bain Capital or EQT are attractive PE funds, since they all invest in **small to mid-sized companies in the healthcare, biotech and medical sector**.

Looking deeper into the **potential buyers** in a strategic sale, both **ICON**, **Labcorp** and **IQVIA** are large and diversified players, offering multiple solutions with great potential to achieve synergies. **Icon** and **Labcorp** present a strong successful M&A record within the industry: the first one, in 2021, acquired **PRA**, **Medpace's** closest competitor; while the second one, in 2017, acquired **Chiltern**, which was a former direct competitor of **Medpace**. On the other side, **IQVIA** has high overlap of end markets, making **Medpace** an attractive add-on, while presenting extended expertise and capabilities in key high growth areas.

Lastly, a **profound due diligence of the key risk areas is imperative for success of investment**. The main points to be analysed would be the current macro-economic framework, the validity and accuracy of the CRO market growth expectations, its subsequent markets and how these may be affected by reduced R&D funding, and the competitive landscape and relevant market dynamics. Other necessary points would include financial reporting, valuation, regulatory overview, intellectual property, among others.

Returns

Given the proposed business plan and capital structure, it is important to analyse how the **Leveraged Buyout (LBO) acquisition of Medpace** is expected to **generate returns** throughout the 5-year investment period.

In this context, it is important to clarify the **three main core value creation drivers in LBOs**:

- **EBITDA Growth** - Growth in Exit Year EBITDA can be achieved, not only from strong **revenue growth**, but also from **operational improvements** that positively affect a company's margins throughout the ownership of an asset.
- **Multiple Arbitrage** – Represents an **improvement in the Exit multiple** applied to the sale of a specific asset, meaning that the financial sponsor, seeks to exit the investment at a higher exit multiple than the purchase multiple. A higher exit multiple can reflect **non-company specific dynamics**, such as improved investor sentiment regarding a particular industry or specific trends, positive macroeconomic conditions, and favorable transaction dynamics.
- **Deleveraging** - The process of deleveraging describes the **incremental reduction in net debt**, meaning the cash generation of the company, over the holding period. As the company's net debt balance declines, the sponsor's equity increases in value.

Return Metrics

In order to assess the attractiveness of a potential LBO, the **Internal Rate of Return (IRR)** is the primarily used metric by Private Equity (PE) firms. Thus, the IRR constitutes a **key measure** when it comes to **analyse returns in LBO's**. The IRR provides a measure of the total return on the sponsor's equity contribution throughout the investment period. Moreover, IRR represents the discount rate that makes the net present value of the investment equal to zero.

PE firms seek to earn superior returns, and usually require an **expected return in excess of 20%-25% IRR** to consider an LBO of a potential target company to be **deemed attractive**. In the context of LBO's, the IRR can be defined as:

$$\left(\frac{\text{Equity value exit}}{\text{Equity value entry}} \right)^{\frac{1}{\text{holding period}}} - 1$$

In addition to IRR, **Money Multiple (MM)** is another measure used to examine the return potential from an LBO. The MM represents the multiple of the PE funds equity contribution and the equity value at exit. In practice, the **Money Multiple is used alongside the IRR**, as it fails to consider the time value of money.

Exit waterfall

The exit is planned for 2027 after an investment period of 5 years, with an exit **EV/EBITDA multiple of 16.4x** (see appendix 11). Furthermore, the **exit EBITDA** is forecasted to be **\$779 million** which translates in an **enterprise value at exit of \$12 766 million**, as depicted in the graph in appendix.

At this point, the total amount of **net debt is negative** since the available **cash in 2027**, valued at **\$1 512 million**, is **higher than the amount of debt** (\$ 1 422 million), still left to be amortized.

Notwithstanding, the **distribution of the debt proceeds** goes along the **seniority of each claim**. Senior debt is the first that gets paid, which include tranches A, B and C, and then the remaining capex facility.

The **Shareholder Loan (SHL)** is worth **\$7 240 million at exit** with the rest of equity valuing a total of **\$5 616 million in Ordinary Shares (Ords)**, both to be distributed to the Fund and

Management team – therefore, **~90% of ordinary shares**, \$5 130 million, are returned to the **fund**, whilst the **management team** will receive \$486 million, for the **remaining ~10%** of ordinary shares.

The **returns for the equity component** of the capital structure generated during the holding period will be **distributed to between the fund and the management team**, depending on **each party’s respective buy-in share**. The **management and fund’s returns** throughout the holding period are presented below, and a more detailed analysis is also realized.

RETURNS							
	2023	2024	2025	2026	2027	2028	2029
Management Entry Value	75	75	75	75	75	75	75
Management Exit Value	58	159	274	430	576	706	849
Management Returns	0,77x	2,12x	3,66x	5,76x	7,71x	9,44x	11,36x
Management IRR	-23%	46%	54%	55%	50,44%	45%	42%
Fund Entry Value	3740	3740	3740	3740	3740	3740	3740
Fund Exit Value	4031	5645	7498	9888	12280	14643	17306
Fund Money Multiple	1,08x	1,51x	2,00x	2,64x	3,28x	3,91x	4,63x
Fund IRR	8%	23%	26%	28%	26,84%	26%	24%

Fund proceeds

Fund’s returns breakdown into SHL, expected to reflect a **\$7 150 million** in 2027, and **ordinary shares**, responsible for **\$5 130 million** of the proceeds.

After the investment period of 5 years, and given the proposed business plan and capital structure, **Fund proceeds** are expected to be at **\$12 280 million**, yielding a robust **IRR of 26,8% in 2027** and an attractive **Money Multiple of 3,28x**, on the **initial investment of \$3 740 million**.

Management proceeds

A **key success factor** in Private Equity transactions, apart from the requirement of the target’s capability to generate enough cash flow, is the **alignment of interests between the Private**

Equity Fund and the management team, translated into the involvement of the managers of the target in the deal.

Therefore, there are several ways to **structure management equity incentive** schemes in an LBO transaction, which depends on the **success of the investment** for the private equity investor. This alignment is achieved through **appropriate remuneration packages** that must be structure to **reflect objectives**, whereby the funds ensure downside protection and the **management cashes in amounts in-line with the Fund's returns**.

By looking at the **management proceeds**, we can see that the management is **highly incentivized**, since it also has **skin in the game**, with a considerable **entry investment of \$75 million** that is rewarded with strong returns, superior to the fund's due to **Sweet Equity contribution**.

This management's investment will yield a total return equal to **7.71x of Money Multiple**, at the estimated exit year, or **\$576 million of capital proceeds**, returning an attractive **IRR of 50.44%**.

In an attempt to **further incentivize the Management Team** to perform to the desired level, we proposed that there would be some **rollover equity** for them, to be invested on the institutional strip alongside the fund.

For that, we firstly need to estimate the **management proceeds from the initial sale** of its equity stake in the firm. With an **estimated Equity of 20.6%**, taxed at a 20% tax rate on capital gains in the US, the **management will achieve a total value of \$943 million** from the **initial sale of its equity stake**, totalling a 33 645 673 number of shares.

In this case, we believed that a **5% (\$47 million) investment from proceeds of the initial sale** would provide a good balance, yielding an **Envy Ratio of 4.74x** and a **Management Money Multiple of 7.71x**. This Envy Ratio represents the **ratio between the price paid by the private equity investor and that paid by the management** for their respective shareholding interest, it can be defined as:

$$\frac{\text{Institutional Investor Equity}}{\text{Institutional Stake}} \bigg/ \frac{\text{Management Investment}}{\text{Management Stake}}$$

Thus, the general rule is that a higher envy ratio indicated a better deal for management as it indicates that outside investors are strongly committed to the deal.

To guarantee an **alignment of interests between management and shareholders**, a **7,5 % Sweet Equity stake** at the firm will be given as an incentive package to the management team. This equity investment of **\$27.6 million** corresponds to two years of management compensation.

The **5% investment of proceeds** adds a total of **\$47.1 million on top of the Sweet Equity** investment, and it is **split in the exact same proportion as the fund** across the Institutional Strip, meaning **91% to the SHL** and **9% to Institutional Ords**.

This **rollover equity** would capture **returns equivalent to the fund's, at 3.28x**, while the **Sweet Equity instrument** would **catapult these values (at 15.26x)** to the **final 7.711x Money Multiple**.

We believe that with this management package, the team has a **healthy balance between risk, with skin in the game, and rewards, with strong returns**, which should **maximize their performance levels and operational results**.

Sensitivity analysis

Beside the assumptions made in our forecast scenarios and the exit multiple, there are other **parameters that impact the potential returns of the LBO**, such as the exit year or the revenue's growth rate. Therefore, **sensitivity analysis (appendix 10)** is an important part when assessing the **returns of a potential LBO**. It enables to test **the impact on the output chosen** (in this case it was used IRR and Money Multiple) from changes in assumptions and **deviations in the key value drivers of the LBO**.

All in all, a sensitivity analysis is a way to **incorporate different performance possibilities** into the final returns, since the **reality is that expectations can and usually do change over time**.

Taking all of these into consideration, firstly, it was conducted a sensitivity analysis considering the impact of changes in the exit multiple and exit year. This analysis was made on the **investment case and on the bank case**, with the latter considering a more **conservative approach of the assumptions**, so that we can **test the robustness of the returns generated**.

At the **year of exit, 2027, the Money Multiple amounts to 3.28x**. Although **exiting later** would yield a higher money multiple, 2027 was chosen since a **higher IRR is achieved**. However, in the case of the fund still considers an **IRR of 25%-26% to be deemed attractive**, it can choose to hold on the company until 2028-2029, when the **returns are lower but still strong enough**.

Furthermore, it is important to note that **in 2026 the IRR achieved is higher** than in the exit year. However, it seemed **reasonable and more coherent with the reality of PE transactions, to exit after 5 years**, since holding the investment for a shorter period of time was not enough to see results and thus it could be the case that the expected **returns were difficult to achieve**

throughout that period.

Overall, **depending on the exit year and exit multiple**, the **fund Money Multiple** can range between **2.56x and 4.02x**.

The sensitivities realized show that the **model is strong enough to relax assumptions to a much more conservative scenario**.

By analyzing the **bank case** it is possible to conclude that even upon greatly reducing growth to much more **conservative values** – considering a **11.9% base revenues CAGR**, and removing margin improvements, the investment would still yield **reasonable returns**, at a **2.47x fund Money Multiple**, and be able to meet all covenants comfortably.

Another important determinant for the outcome of the LBO transaction is the **assumption made concerning revenue growth**. Despite our confidence that a **15.8% CAGR is reasonable and justified**, we recognize that the **Organic base market growth is the main driver of returns of the investment**. Therefore, we decided to **assess the resilience of these returns**, by using **different values for base CAGR** and performing an operational sensitivity, as depicted below:

	Base Revenue CAGR				
	12%	13%	14%	15%	15.8%
With Inv. Thesis	2.78x	2.90x	3.03x	3.17x	3.28x
No M&A	2.59x	2.72x	2.85x	2.99x	3.10x
No Expansion	2.66x	2.78x	2.91x	3.04x	3.15x
No DCT	2.60x	2.72x	2.85x	2.97x	3.08x
W/o Inv. Thesis	2.31x	2.43x	2.54x	2.67x	2.77x

The results presented should give investors **great comfort in the safety of the investment** and help justify the considerable entry value required, as even upon reducing it to just 12%, **fund returns remain strong**, at a **2.78x money multiple**.

To complement this analysis, we also simulated the scenarios **after removing each of our main operating value creation activities proposed**, in case one of them becomes **impossible to achieve or unreasonable**.

This analysis yielded that the **success of the project** is obviously **stronger with these three additions**, but it still **isn't excessively dependent on either of these**, with returns remaining **above the 3.0x Money Multiple mark** (at 15.8% CAGR).

After **removing all of these simultaneously**, returns were also reasonable, at **2.77x Money Multiple**.

Main value drivers for exit

In terms of **Equity value generation** until 2027, **entering the LBO** with an **equity value of \$3 815 million** in 2021, our investment strategy provides **several venues of value growth** over the holding period and **projects equity value to expand to \$12 856 million** (see appendix 12), which translates into an **overall return multiple of 3.28x**.

Overall, **equity increases** during the investment period of 5 years until 2027 by **\$9 041 million**.

The **biggest driver**, with 86% of value creation, was **EBITDA growth with a value added of \$7 815 million**, mainly due to **organic growth (59%)**. Within **EBITDA growth**, it is important to analyse **each driver behind it**. **Organic revenue growth** is the main driver, capitalizing on **market trends and strong positioning for high organic growth**, resulting from market-driven topline growth especially in Medpace's main therapeutics areas Oncology, AVAI and CNS,

which achieve a **revenue CAGR for 2022-2027** of **21.9%, 16.8% and 20.8%**, respectively, **boosting the organic revenue growth** in the future.

A minor effect is attributed to **organic EBITDA margin growth**, which contributes to **8% of total equity value creation** and remains a focus, but more contained than double-digit revenue growth.

Regarding the **strategy planned in our investment thesis**, this will also enhance returns. Added EBITDA by **M&A activity**, which will generate a new source of inorganic growth, **creates a value surplus of 13%** of equity value creation, adding value of \$1 193 million. Finally, **International Expansion**, that diversifies the geographical sources of revenue by **expanding into the fast-growing Chinese Market**, contributes to **6% of equity value creation**, adding value of \$525 million.

Cash generation was also an important driver, being responsible for **16% of total equity value creation** and having a **deleveraging effect of \$ 1 512 million**, due to high profitability and low capex, yielding high free cash flows to pay back debt.

Entry fees are expected to destroy \$223 million of value at the beginning.

All in all, there is a total **Enterprise value generation of \$7 815 million** throughout the 5-year investment period, while the **Equity value generation amounts to \$9 041 million**. As already mentioned, **no multiple arbitrage was considered**, leading to an **entry and exit EBITDA multiple of 16.4x**

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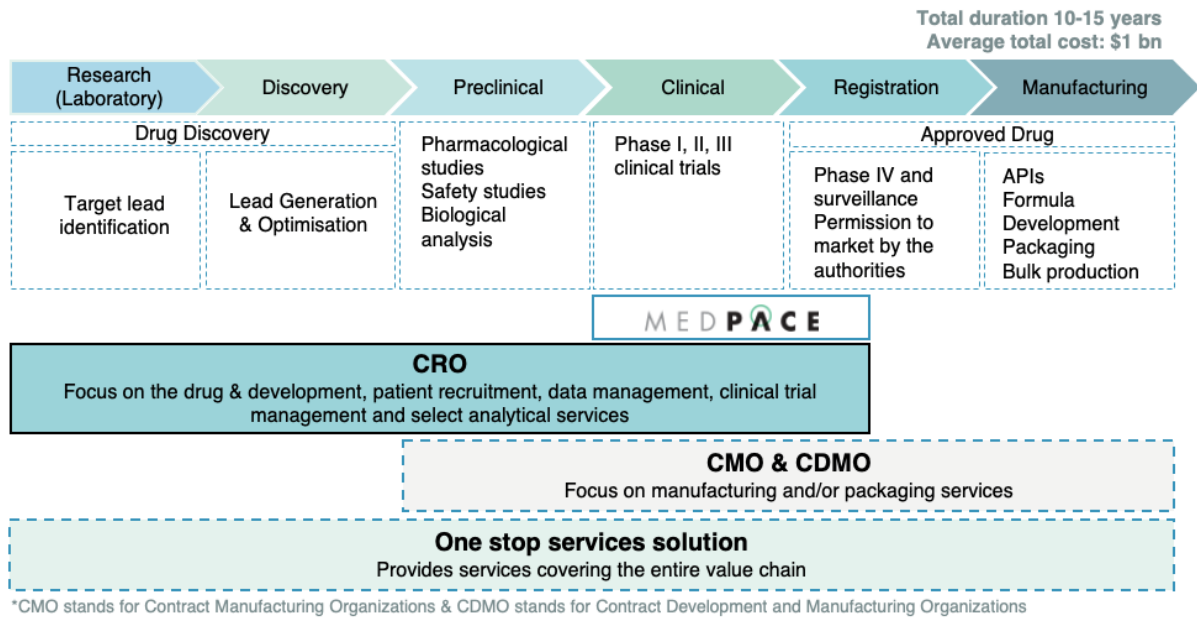
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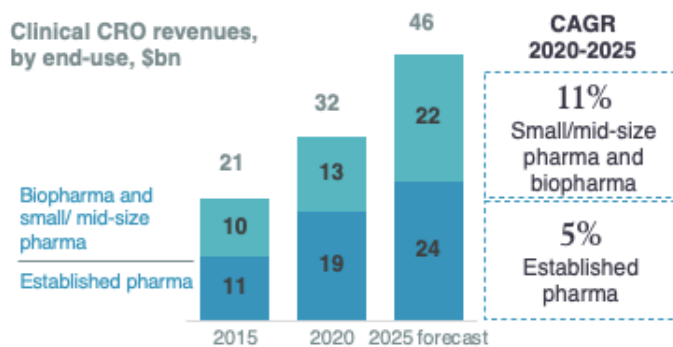
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Appendix

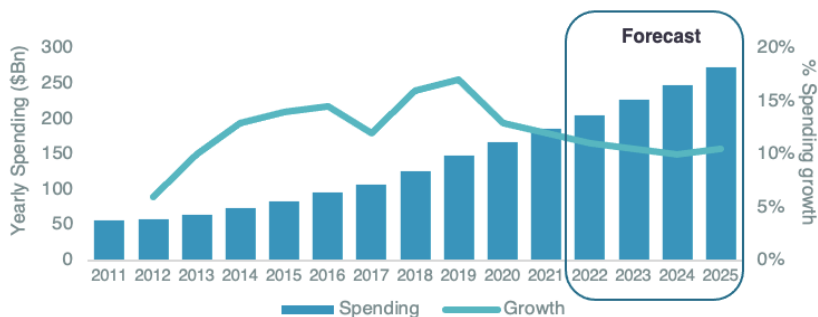
Appendix 1 - Understanding the Biopharma Value Chain









Appendix 2 - Clinical CRO revenues, by end-use, \$bn



Appendix 3 – Global Oncology Spending and Growth



Appendix 4 – Competitive Landscape

Company	Revenue 2021	EBITDA Margin 2021	Net Debt/ EBITDA 2021	Current EV/EBITDA
 labcorp	\$16.1 billion	21.7%	1.1x	8.5x
 IQVIA	\$13.9 billion	20.2%	3.6x	16.9x
 ICON	\$5.5 billion	17.7%	4.8x	15.9x
 Syneos Health	\$5.2 billion	12.5%	3.8x	8.0x
 charles river	\$3.5 billion	25.8%	2.8x	14.9x
 MEDPACE	\$1.1 billion	19.2%	0.0x	18.5x

Appendix 5 – Historic Financials

Appendix 5a – Income Statement

Income Statement (mn \$)	2018	2019	2020	2021	CAGR (18-21)
Oncology	189.0	256.8	297.7	362.8	24.3%
<i>YoY Growth</i>	-	35.8%	15.9%	21.9%	
Metabolic	94.1	138.7	126.1	159.9	19.3%
<i>YoY Growth</i>	-	47.3%	-9.1%	26.8%	
Cardiology	91.8	91.3	95.2	119.7	9.2%
<i>YoY Growth</i>	-	-0.6%	4.3%	25.8%	
Anti Viral & Anti Infective	76.7	86.4	103.3	111.0	13.1%
<i>YoY Growth</i>	-	12.6%	19.5%	7.5%	
Central Nervous System	53.9	91.7	88.4	121.5	31.1%
<i>YoY Growth</i>	-	70.2%	-3.7%	37.5%	
Others	199.0	196.2	215.4	267.4	10.3%
<i>YoY Growth</i>	-	-1.4%	9.8%	24.2%	
Total Revenues	704.6	861.0	925.9	1 142.4	17.5%
<i>YoY Growth</i>		22.2%	7.5%	23.4%	
COGS	-489.1	-615.3	-647.2	-814.2	
Gross Profit	215.5	245.7	278.7	328.2	15.1%
<i>Gross Margin (%)</i>	30.6%	28.5%	30.1%	28.7%	
OpEx	-75.0	-95.2	-92.2	-108.4	
Core EBITDA	140.6	150.5	186.6	219.7	16.0%
<i>EBITDA Margin (%)</i>	20.0%	17.5%	20.1%	19.2%	
Core EBIT	101.8	127.3	167.0	198.6	
<i>EBIT Margin (%)</i>	14.4%	14.8%	18.0%	17.4%	
Net Income	73.2	100.4	145.4	181.8	35.4%

Source: Company filings

Note: Analysis starting in 2018 due to significant change in accounting principles

Appendix 5b – Balance Sheet & CFS

Balance Sheet (In \$m)	2018	2019	2020	2021
Cash & Cash Equivalents	23.3	131.9	277.8	461.3
Total Debt	79.7	0	0	0
Net Debt	56.4	-131.9	-277.8	-461.3
Shareholders Equity	589.7	726.3	805.8	952.9
NWC (excluding cash)	-102.2	-157.9	-244.2	-327.6

Cash Flow Statement (In \$m)	2018	2019	2020	2021
EBITDA	140.6	150.5	186.6	219.7
Income tax expense	-20.8	-24.4	-23.1	-20.0
Other non-cash items	5.0	42.6	27.5	-6.3
Other Non Operating Income	-7.1	-2.4	1.5	3.2
Acc. Receivable	27.0	21.3	5.5	25.0
Prepaid expenses & other	1.2	7.4	3.7	9.1
Acc. Payable	-1.3	-4.7	2.6	-1.9
Accrued expenses	-29.0	-21.8	-24.2	-26.1
Advanced billings	-35.6	-44.6	-63.4	-89.0
Other Liabilities	-1.9	6.9	9.5	16.2
Change in NWC	-39.6	-55.7	-86.3	-83.4
Cash from Operations	157.3	201.9	258.7	263.3
CAPEX	-17.0	-19.1	-32.2	-31.4
Cash from Investing	-17.0	-19.1	-32.2	-31.4
Unlevered FCF	140.3	182.7	226.5	232.0

Appendix 6 – Business Plan
Appendix 6a – Revenues

In \$m	2021	2022*	2023E	2024E	2025E	2026E	2027E	CAGR (18-22)	CAGR (22-27)
Oncology	363	461	544	642	751	871	1 001	24.9%	16.8%
Metabolic	160	230	258	286	315	345	376	16.6%	10.3%
Central Nervous System	122	158	198	242	290	345	407	30.7%	20.8%
Cardiology	120	173	190	209	230	252	275	16.1%	9.7%
AVAI	111	115	144	177	214	258	310	10.5%	21.9%
Other	267	302	355	414	478	550	630	16.5%	15.8%
Base Revenue	1 142	1 440	1 688	1 969	2 278	2 621	2 999	19.6%	15.8%
<i>YoY growth</i>	23.4%	26.1%	17.3%	16.6%	15.7%	15.1%	14.4%		

In \$m	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR (22-27)
Base Revenue	1 142	1 440	1 688	1 969	2 278	2 621	2 999	15.8%
<i>YoY growth</i>	23.4%	26.1%	17.3%	16.6%	15.7%	15.1%	14.4%	
Internationalisation	0	0	0	20	46	105	150	
<i>Add-on % of Base Revenues</i>	0%	0%	0%	1%	2%	4%	5%	
M&A (Ergomed)	0	0	186	214	246	282	323	14%
<i>YoY growth</i>	0%	0%	12%	15%	15%	15%	15%	
Total Revenue	1 142	1 440	1 875	2 204	2 570	3 009	3 472	19.2%
<i>YoY growth</i>	23.4%	26.1%	30.2%	17.5%	16.6%	17.1%	15.4%	

Appendix 6b – EBITDA and FCF

In \$m	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR (22-27)
Direct services costs	441	523	630	716	817	926	1 045	
Reimbursed expenses	373	470	551	643	744	856	979	
Total COGS	814	994	1 182	1 359	1 561	1 783	2 024	
% of Sales	71%	69%	70%	69%	69%	68%	68%	
Gross Product	328	446	507	611	718	839	975	16.9%
Gross Margin	28.7%	31.0%	30.0%	31.0%	31.5%	32.0%	32.5%	
SG&A	108	-144	-186	-217	-240	-263	-301	
% of Sales	9%	10%	11%	11%	11%	10%	10%	
Base EBITDA	220	302	320	393	478	576	674	17.4%
EBITDA Margin	19.2%	21.0%	19.0%	20.0%	21.0%	22.0%	22.5%	
Add-on EBITDA (Ergomed)	0	0	41	49	55	63	73	
EBITDA Margin	0%	0%	22%	23%	22%	22%	23%	
Add-on EBITDA (Expansion)	0	0	-12	-6	2	21	32	
Total EBITDA	220	302	349	437	535	660	779	20.9%
EBITDA Margin	19.2%	21.0%	18.6%	19.8%	20.8%	22.0%	22.4%	

In \$m	2021	2022	2023E	2024E	2025E	2026E	2027E
EBITDA	220	302	349	437	535	660	779
Income tax expense	-20	-44	-21	-32	-47	-68	-88
Other adjustments to cash	-3,1	-	-	-	-	-	-
Acc. Receivable	25	49	41	46	50	56	62
Prepaid expenses & other	9	10	10	9	11	12	13
Acc. Payable	-2	-6	-6	-6	-6	-7	-8
Accrued expenses	-26	-35	-37	-35	-39	-43	-47
Advanced billings	-89	-90	-75	-85	-93	-103	-114
Other Liabilities	16	-6	-6	-6	-7	-8	-8
Core Change NWC	-83	-79	-74	-76	-85	-94	-103
Add-on change NWC			7.7	8.1	8.6	8.3	8.6
Cash from Operations	263	336	393	472	563	678	785
% of revenues	23%	23%	21%	21%	22%	23%	23%
Maintenance Capex	-31	-32	-21	-32	-36	-39	-43
Add-on Capex			-3	-4	-5	-6	-7
Acquisition Capex			-495				
Cash from Investing	-31	-32	-519	-36	-40	-45	-50
Unlevered Free Cash Flow	232	305	-125	436	523	633	734
FCF Conversion (from EBITDA)	106%	101%	-36%	100%	98%	96%	94%

Appendix 7 – Sources and Uses

Sources				Uses				
	\$M	xEBITDA	%		\$M	%		
Debt	Senior Debt			Acquisition	EBITDA 2022	302		
	Term Loan A	604	2.0x		12%	Entry EV/EBITDA	16.40x	
	Term Loan B	453	1.5x		9%			
	Term Loan C	302	1.0x		6%	Enterprise Value	4951	95.5%
	Subordinated Debt					Acquisition Fees (4.5%)	223	4.5%
	Mezzanine	0	0.0x		0%			
Total Debt	1359	4.5x	26%	Total Uses	5174	100%		
Equity	Shareholder Loan (FRI)	3447	11.4x	67%	Nuno Caetano (Invesco) validation			
	Fund	3404	11.3x	99%				
	Management	43	0.1x	1%				
	Ordinary Equity	368	1.2x	7%				
	Institutional	340	1.1x	93%				
	Fund	336	1.1x	99%				
	Management	4	0.0x	1%				
	Sweet Equity	28	0.1x	7.5%				
	Total Equity	3815	12.6x	74%				
	Total Sources	5174	17.1x	100%				

Appendix 8 – Credit Metrics

Appendix 8a – Investment Case

	2023	2024	2025	2026	2027
Cash	100	359	707	1053	1512
Cash Flow	100	259	348	346	459
Cash Cover	1.72x	2.53x	3.06x	3.23x	4.20x
Interest Cover	2.51x	2.82x	3.49x	4.71x	6.06x
Net Debt / EBITDA	4.67x	3.10x	1.86x	0.77x	-0.11x

Appendix 8b – Bank Case

	2023	2024	2025	2026	2027
Cash Cover	1.29x	2.08x	2.46x	2.35x	2.95x
Interest Cover	2.20x	2.42x	2.91x	3.82x	4.76x

Appendix 9 – Fund Money Multiple Sensitivities

Base Revenue CAGR					
	12%	13%	14%	15%	15.8%
With Inv. Thesis	2.78x	2.90x	3.03x	3.17x	3.28x
No M&A	2.59x	2.72x	2.85x	2.99x	3.10x
No Expansion	2.66x	2.78x	2.91x	3.04x	3.15x
No DCT	2.60x	2.72x	2.85x	2.97x	3.08x
W/o Inv. Thesis	2.31x	2.43x	2.54x	2.67x	2.77x

Entry Multiple						
		15.40x	15.90x	16.40x	16.90x	17.40x
Exit Multiple	15.40x	3.36x	3.22x	3.09x	2.98x	2.87x
	15.90x	3.46x	3.32x	3.19x	3.07x	2.95x
	16.40x	3.57x	3.42x	3.28x	3.16x	3.04x
	16.90x	3.67x	3.52x	3.38x	3.25x	3.13x
	17.40x	3.77x	3.62x	3.47x	3.34x	3.22x

APPENDIX - RETURNS

Appendix 10 - Sensitivity analysis

Appendix 10a – Sensitivity analysis: Investment Case

		MM Fund Returns				
		Year				
		2025	2026	2027	2028	2029
Exit Multiple	3,28x					
	15,40x	1,87x	2,48x	3,09x	3,70x	4,38x
	15,90x	1,94x	2,56x	3,19x	3,81x	4,50x
	16,40x	2,00x	2,64x	3,28x	3,91x	4,63x
	16,90x	2,07x	2,72x	3,38x	4,02x	4,75x
	17,40x	2,14x	2,80x	3,47x	4,13x	4,87x

		IRR Fund Returns				
		Year				
		2025	2026	2027	2028	2029
Exit Multiple	27%					
	15,40x	23,3%	25,5%	25,3%	24,4%	23,5%
	15,90x	24,7%	26,5%	26,1%	25,0%	24,0%
	16,40x	26,1%	27,5%	26,8%	25,5%	24,5%
	16,90x	27,4%	28,5%	27,6%	26,1%	24,9%
	17,40x	28,8%	29,4%	28,3%	26,7%	25,4%

		MM Fund Returns				
		Entry Multiple				
		15,40x	15,90x	16,40x	16,90x	17,40x
Exit Multiple	3,28x					
	15,40x	3,36x	3,22x	3,09x	2,98x	2,87x
	15,90x	3,46x	3,32x	3,19x	3,07x	2,95x
	16,40x	3,57x	3,42x	3,28x	3,16x	3,04x
	16,90x	3,67x	3,52x	3,38x	3,25x	3,13x
	17,40x	3,77x	3,62x	3,47x	3,34x	3,22x

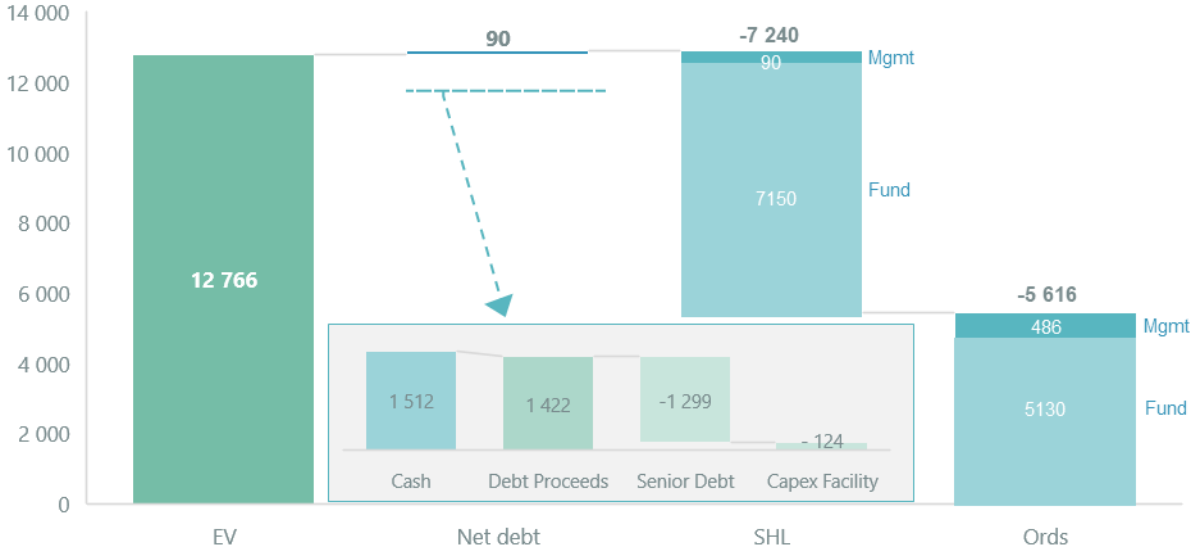
Appendix 10b – Sensitivity analysis: Bank Case

		MM Fund Returns				
		Year				
		2025	2026	2027	2028	2029
Exit Multiple	2,47x					
	15,40x	1,48x	1,91x	2,32x	2,70x	3,11x
	15,90x	1,53x	1,98x	2,40x	2,78x	3,20x
	16,40x	1,58x	2,04x	2,47x	2,86x	3,29x
	16,90x	1,64x	2,11x	2,55x	2,94x	3,38x
	17,40x	1,69x	2,17x	2,62x	3,02x	3,47x

		IRR Fund Returns				
		Year				
		2025	2026	2027	2028	2029
Exit Multiple	20%					
	15,40x	13,8%	17,6%	18,4%	18,0%	17,6%
	15,90x	15,2%	18,6%	19,1%	18,6%	18,1%
	16,40x	16,6%	19,6%	19,8%	19,1%	18,5%
	16,90x	17,9%	20,5%	20,6%	19,7%	19,0%
	17,40x	19,2%	21,4%	21,2%	20,3%	19,4%

		MM Fund Returns				
		Entry Multiple				
		15,40x	15,90x	16,40x	16,90x	17,40x
Exit Multiple	2,47x					
	15,40x	2,52x	2,42x	2,32x	2,24x	2,16x
	15,90x	2,60x	2,49x	2,40x	2,31x	2,22x
	16,40x	2,68x	2,57x	2,47x	2,38x	2,29x
	16,90x	2,76x	2,65x	2,55x	2,45x	2,36x
	17,40x	2,84x	2,73x	2,62x	2,52x	2,43x

Appendix 11 – Exit waterfall



Appendix 12 – Equity Bridge

