



SORTINO
M&A GROUP

Syneos Health's \$7.1Bn Buyout by Private Investors

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VERITAS
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PATIENT
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CAPITAL



TABLE OF CONTENTS

Deal Overview	1
Acquirer Overview	2
Target Overview	4
Value Creation Plan	6
ESG Practices	9
Valuation Analysis	10
Glossary	13



Deal Introduction

DETAILS ABOUT THE DEAL

Syneos Health, a prominent player in the healthcare and pharmaceutical services sector, has announced its acquisition by a private consortium for an estimated sum of \$7.1 billion. Reflecting the growing interest and investment in healthcare infrastructure and services, the move represents a significant development in the healthcare industry. Syneos Health has been instrumental in assisting pharmaceutical and biotechnology companies globally, owing to its extensive portfolio of contract research (CRO) and commercialization (CCO) services.

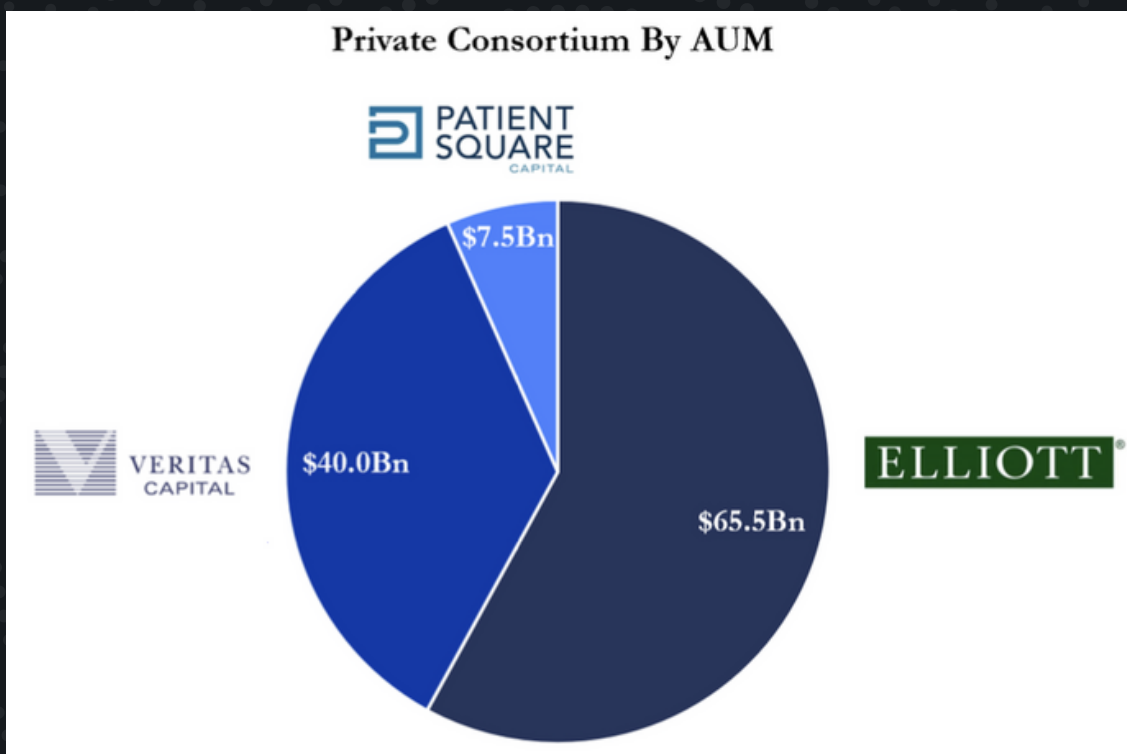
The private consortium's acquisition of Syneos Health highlights the company's worth and potential in navigating the rapidly changing healthcare industry, which is being fueled by advancements in technology, modifications to regulations, and patent-centric approaches. It also draws attention to the strategic consolidation that is taking place in the healthcare industry as businesses look to improve their capacities and increase their market share.

Prominent synergies are anticipated between Syneos Health and the private consortium as a result of the acquisition, which will propel innovation and address unmet global medical needs. The integration, according to stakeholders, will increase Syneos Health's influence on patient care, clinical research, and commercialization, ultimately changing the way healthcare is delivered in the future.



Acquirer Overview

The acquisition is being completed by a private consortium, comprised of 3 firms: Elliot Investment Management, Patient Square Capital, and Veritas Capitals



Elliot Investment Management

Headquartered in Florida, Elliot Investment Management employs 570 people and is one of the oldest investment managers of its kind under continuous management. Current Chief Executive is Paul Singer, who founded the firm with \$1million AUM. The firm adopts a multi-strategy approach in several products/ asset classes ranging from distressed securities, commodities, and private equity.



Acquirer Overview

Patient Square Capital

A California based healthcare investment manager that aims to invest in companies whose products and services improve the health of its customers. Some of these products and services include developmental & commercial stage pharmaceuticals, medical devices, life science tools and technology enabled services. Some of their other investments include Apollo Therapeutics, Elevage Medical Technologies, and Resolve Biosciences. Founded in 2020, Patient Square is smallest of the 3 with \$7.5bn AUM.

Veritas Capital

Veritas Capital is a New-York based Private Equity Firm founded in 1992. They invest in a range of areas including healthcare, education, and national security all with same underlying aim: to use technology-enable solutions that leave a positive impact worldwide. The team creates value by transforming the companies they acquire, using their deep expertise and strategic levers that they believe significantly improve their investment performance. Their portfolio includes the likes of Abaco Systems, API Healthcare and Athena Health.



Target Overview



Syneos Health is a leading biopharmaceutical solutions company built to accelerate customer success within two main segment areas: Clinical & Commercial Solutions.

Founded in 1999 under INC Research Holdings, the company changed their name to Syneos Health in 2018 and now operates in over 110 countries. Through their Clinical segment, Syneos offer solutions to clients currently undergoing phases 1 through 5 of the clinical trial process.

This includes providing studies, patient recruitment or data management services. Their other segment, Commercial Solutions, offers mid/large size pharmaceutical companies commercialisation services like advertisement, communication, or public relations solutions.

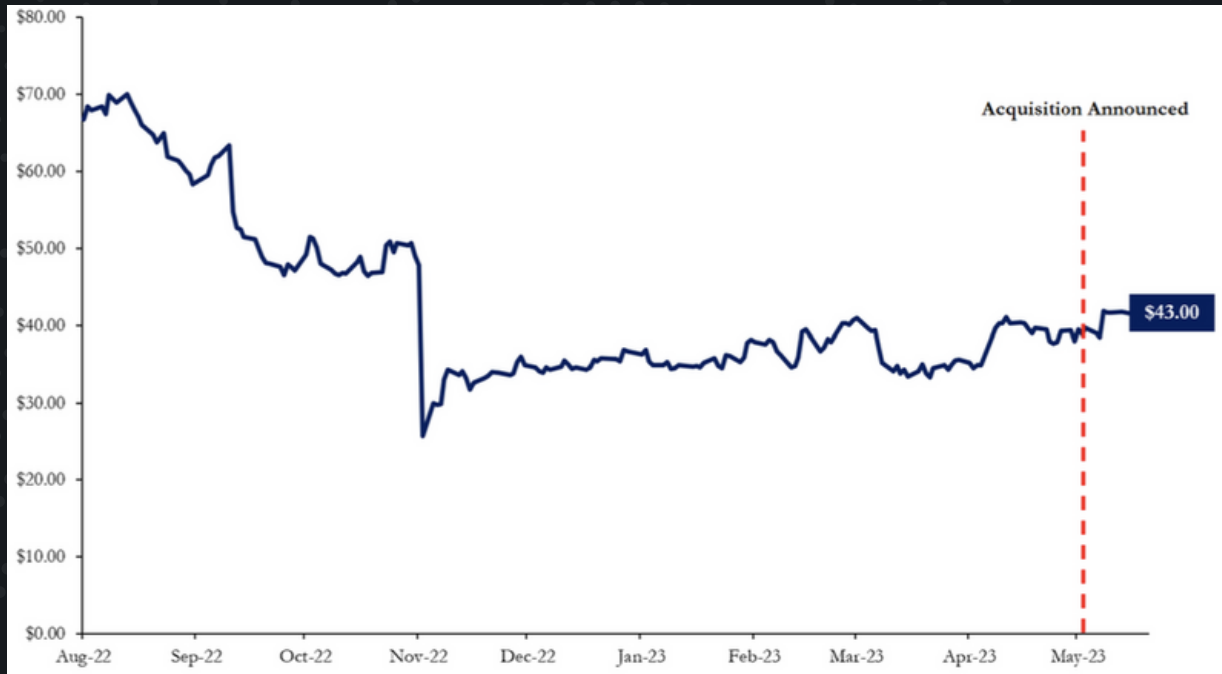
KEY FINANCIALS

Market Cap (as of Sep 27th
2023): \$4.0 Bn
Revenue: \$5.4 Bn
EBIT: \$459 Mn
EBITDA: \$707 Mn
Net Income: \$266 Mn

EPS: \$2.59
Net Profit Margin: 5.0%
Debt to Equity Ratio: 0.7x
Leverage Finance: 3.4x
Liquidity Ratio: 1.1x
PE Ratio: 61.4x



SHARE PRICE



Syneos Health's share price has plummeted over the past two years, stabilising at a much lower level (c. \$38). The \$43.00 buyout offer from Elliot Investment Management, Patient Square Capital, and Veritas Capital provides a small premium, suggesting they see potential despite the low valuation.

The flat share price before the announcement indicates the market didn't expect a higher offer. This benefits the consortium, giving them room to create value by cutting costs, boosting revenue, and improving efficiency. If they succeed, Syneos Health could become more profitable (see the Bull case), setting the stage for a lucrative exit down the road. But pulling off this turnaround will depend on how well the consortium executes its plan and tackles any hurdles along the way.



VALUE CREATION PLAN

DIVERSIFICATION

BACKGROUND ON ELLIOT INVESTMENT MANAGEMENT (MEMBER OF THE PRIVATE CONSORTIUM):

- Elliot Investment Management (EIM) has invested in healthcare giants including GlaxoSmithKline (GSK) which specialising in respiratory diseases, HIV/AIDS, vaccines, oncology, immuno-inflammation, and rare diseases
- The hedge fund has also invested in the German healthcare giant, Fresenius, which is a conglomerate of several separate divisions, specialising in the following:
 - Fresenius Medical Care: products and services for individuals with renal diseases
 - Fresenius Kabi: production and distribution of clinical nutrition products, infusion therapies, and medical devices.
 - Fresenius Helios: offers services including post-acute care and rehabilitation.
 - Fresenius Vamed: planning, construction, and management of healthcare infrastructure and facilities

TARGET AND PORTFOLIO SYNERGIES:

- **Global Synergies:** Elliot Investment Management's extensive worldwide network and knowledge may help Syneos Health enter new markets and geographical areas – particularly within the United Kingdom and Germany, considering their expertise in navigating these markets with Fresenius and GSK. By doing this, the business will be able to better serve its international clientele and take advantage of new opportunities in the global healthcare market.



VALUE CREATION PLAN (CONTINUED)

TARGET AND PORTFOLIO SYNERGIES:

- **Consultation Services:** In order to assist clients in optimising their product development and commercialisation strategies, Syneos Health offers strategic consulting services. These services include markets, competitive intelligence, and health economics. This caters to a gap in EIM's portfolio, untapped by GSK and Fresenius, and may be a novel path to create synergies.
- **Distressed Debt Investing - Specialisation:** Elliot Investment Management specialises in distressed debt investing, whereby it buys financially distressed companies' debt at a discount with the intention of reorganising or altering the business to maximise returns. Applying this expertise with Syneos, they possess the unique ability to help the healthcare giant rebound from instances such as their expenditure setback of November 2022, whose consequences are still present at the firm.

GROWTH

Several areas of untapped growth between the private consortium and Syneos Health exist. Some potential avenues include:

- **Legal and Regulatory Expertise:** The fund is renowned for its established legal and regulatory approaches. In order to handle complex litigation, corporate governance concerns, and regulatory issues pertaining to its investments in the healthcare sphere, EIM is renowned for its team of legal solicitors and advisors. Thus, this bolsters Syneo Health's specialisation in the realm of clinical trials where regulation concerns often hinder profit-making objectives.



VALUE CREATION PLAN (CONTINUED)

GROWTH

- **Activist Investing:** Elliott Investment Management is well-known for its activist investment approach, which entails buying sizable stakes in businesses before pushing for adjustments to improve shareholder value, particularly with management changes, strategic asset sales, or reforms to corporate governance. By adopting this approach to Syneos, several managerial flaws of the healthcare company will witness anticipated growth and help curb the current shortcomings faced by the governance (which includes poor response strategies to increased competition in the healthcare space)
- **Long-Term Perspective:** EIM in contrast to other activist investors, had adopted a mandate of “long-term roadmapping” when participating in activist campaigns. It frequently works with companies over a protracted period of time to progressively implement strategic changes. The consequences of this on Syneos could be vast, potentially securing growth and profits on a longer time horizon than prior to the acquisition.



ESG PRACTICES

Syneos Health's 2022 ESG report demonstrates their dedication to making a positive impact. They're tackling diversity head-on, with women holding 68% of all positions and 57% of leadership roles, and implementing programs to support diverse talent. Syneos is also working to increase diversity in clinical trials, ensuring underrepresented communities have access to potential treatments.

On the sustainability front, Syneos is taking action by signing the SBTi commitment letter, working to reduce emissions, increase green building usage, and collaborating with partners to assess the environmental impact of clinical trials. They're also prioritizing ethics, with 100% of employees trained on their Code of Conduct and holding suppliers to high standards.

Syneos is making a difference in communities worldwide, from supporting education in Argentina to volunteering in Singapore. While there's always room for improvement, Syneos' report shows a company setting ambitious ESG goals, taking concrete steps to achieve them, and transparently reporting on their progress, proving that businesses can be a force for good.



Valuation Analysis

COMPARABLES ANALYSIS

Company	LTM Multiples			FY24 Multiples		
	EV/Revenue	EV/EBITDA	EV/EBIT	EV/Revenue	EV/EBITDA	EV/EBIT
Syneos Health, Inc.	1.2x	11.5x	19.7x	1.2x	10.6x	17.1x
Charles River Laboratories	4.0x	16.9x	25.0x	3.9x	10.5x	18.7x
IQVIA Holdings, Inc.	3.9x	21.6x	28.4x	3.8x	14.8x	18.7x
R&G PharmaStudies Co.	4.0x	20.5x	19.5x	3.0x	9.1x	11.7x
Roche Holdings	3.9x	11.3x	13.3x	3.8x	9.0x	11.4x
Min	3.9x	11.3x	13.3x	3.0x	9.0x	11.4x
Average	3.9x	17.6x	21.5x	3.6x	10.9x	15.1x
Median	3.9x	18.7x	22.2x	3.8x	9.8x	15.2x
Max	4.0x	21.6x	28.4x	3.9x	14.8x	18.7x

	LTM			FY24	
	EV/EBITDA	EV/EBIT		EV/EBITDA	EV/EBIT
Median Multiple	18.7x	22.2x		9.8x	15.2x
Syneos Health					
EBITDA	587,483			636,736	
EBIT		342,808			395,021
Median					
Enterprise Value	10,972,546	7,623,827		6,235,812	5,992,333
Net Debt	2,804,053	2,804,053		2,804,053	2,804,053
Shares Outstanding	102,974	102,974		102,974	102,974
EBITDA-Implied Share Price	\$79.33			\$33.33	
EBIT-Implied Share Price		\$46.81			\$30.96

[Please click on the table to access the full model](#)



SYNEOS HEALTH DISCOUNTED CASH FLOW MODEL (BASE CASE)

Fiscal year	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Fiscal year end date	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027
Revenue	4,415,777	5,212,970	5,393,082	5,188,145	5,291,908	5,477,125	5,586,667	5,670,467
COGS	(3,398,142)	(3,994,484)	(4,138,816)	(4,010,700)	(4,090,914)	(4,234,096)	(4,318,778)	(4,383,559)
Gross Profit	1,017,635	1,218,486	1,254,266	1,177,445	1,200,994	1,243,029	1,267,890	1,286,908
SG&A	(442,484)	(570,765)	(547,254)	(538,128)	(548,891)	(568,102)	(579,464)	(588,156)
Operating Income (EBIT)	575,151	647,721	707,012	639,317	652,103	674,927	688,426	698,752
Tax-Adj EBIT (@ c. 18%)	550,551	496,419	616,585	524,240	534,725	553,440	564,509	572,977
Add: Depreciation & Amortisation	222,352	235,625	247,179	218,531	222,901	230,703	235,317	238,846
Less: CapEx	(50,010)	(56,841)	(93,459)	(95,079)	(96,327)	(97,593)	(98,875)	(100,173)
Less: Change in NWC	(6,649)	(117,357)	(101,376)	131,153	478	854	505	386
Unlevered Free Cash Flow	722,893	675,203	770,305	647,692	661,298	686,550	700,951	711,650

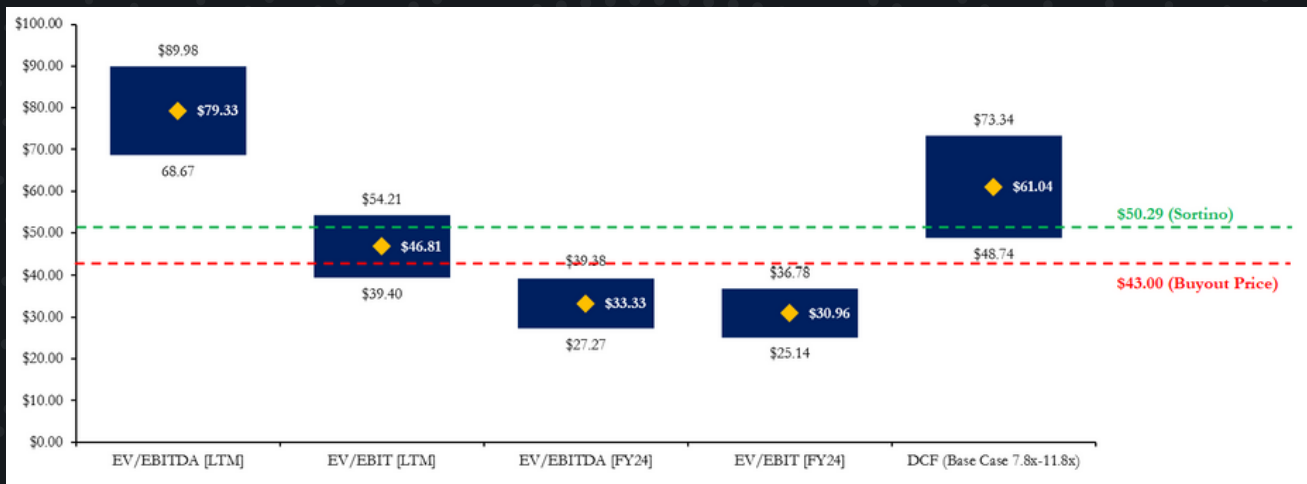
Using our Base case we yield an implied share of \$61.04 (+42%). This is based off a 6.8% WACC and an exit EV/EBITDA multiple of 9.8x (derived from comparables model, FY24 estimates)

Sensitivity Table						
		EV/EBITDA (x)				
		7.8x	8.8x	9.8x	10.8x	11.8x
WACC	4.8%	\$54.50	\$61.39	\$68.28	\$75.17	\$82.05
	5.8%	\$51.53	\$58.03	\$64.54	\$71.05	\$77.55
	6.8%	\$48.74	\$54.89	\$61.04	\$67.19	\$73.34
	7.8%	\$46.14	\$51.95	\$57.77	\$63.58	\$69.39
	8.8%	\$43.69	\$49.20	\$54.70	\$60.20	\$65.70

[Please click on the table to access the full model](#)



SYNEOS HEALTH FOOTBALL FIELD ANALYSIS



We ran multiple scenarios to thoroughly analyse the company's potential performance after its take over (see Value Creation plan for more insight).

By tweaking assumptions for revenue, COGS, and SG&A growth, we explored bear, base, and bull cases. We also looked at how the company stacks up against its competitors using a comparables model. Combining this with our base case DCF results, we landed on an average share price of \$50.29 (a 17.0% premium to the buyout share price).

[Please click on the table to access the full model](#)



GLOSSARY

Consortium: An association or group of organisations, companies, or individuals that come together to work towards a common objective, often by pooling their resources, knowledge, and expertise.

Equity: Equity refers to the ownership portion in firm's capital structure, which includes the share capital (stocks) a company issues as well as the retained earnings.

Goodwill: Premium paid for the intangible resources of a business, such as customer lists or patents.

Leverage: Indebtedness of a firm, which increases as companies issue more debt to fund their investment projects.

Synergies: The realised efficiency after combining two companies, which results in a benefit greater than simply adding the individual impact generated from each company separately.

Take-Private: The process of acquiring a publicly traded company making it a privately held entity. This is typically done by a private equity firm or a consortium of investors who believe the company has untapped potential that can be better realised without the pressures and constraints of being publicly traded.



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