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Brocair Partners, founded in 2004, provides financial advice to businesses serving the healthcare, wellness, and pharmaceutical industries. We provide mergers & acquisitions, corporate finance, and strategic advisory services to companies worldwide.

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Pharma Business Services Industry Perspective

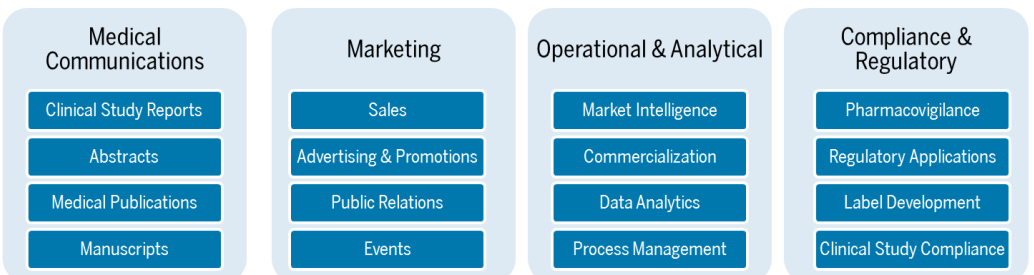
Changing dynamics in the pharmaceutical industry are driving a growing demand for outsourced services.

Research and Markets valued the global healthcare business process outsourcing (BPO) market at \$92 billion in 2013. The market is expected to reach \$188 billion by 2018, growing at a CAGR of 10.8%. The industry for outsourced business services includes payer, provider, and pharmaceutical outsourcing segments. Of these, pharmaceutical outsourcing represents the largest segment. Within the pharmaceutical outsourcing segment there are clinical research organizations (CROs), contract manufacturing organizations (CMOs), and companies that provide non-clinical, business support services.

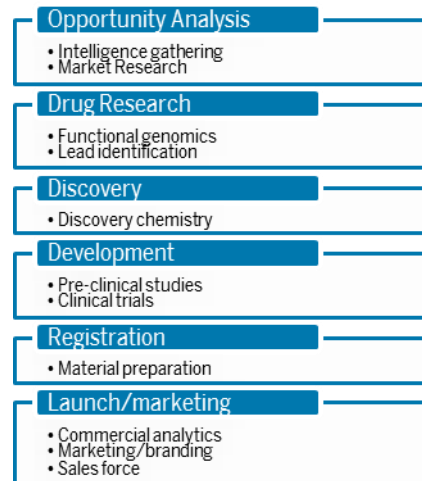
Industry Overview

Pharmaceutical business process outsourcing groups provide non-clinical services such as medical communications, marketing, operational and analytical support, and compliance and regulatory services. When it comes to drug development, the process from initial analysis of the opportunity to bringing the drug to market involves several steps. There are opportunities to outsource elements of each one and many pharma services companies are well equipped to take on several of them.

Industry Segments



Pharmaceutical R&D Outsourcing



Source: KPMG, "Outsourcing in the pharmaceutical industry: 2011 and beyond"

According to KPMG, the most highly outsourced steps within the drug development process are discovery, development, and launch/marketing. Regulatory support is also a key across each one of the above steps, and is increasingly being outsourced as well.

Areas expected to experience the most growth in the near future include marketing, sales analytics, drug development support and compliance and regulatory

services. These represent areas that are less functional in nature, and more strategically important.

Industry Participants

While some pharma outsourcing firms specialize in specific parts of the value chain, others provide comprehensive services across all stages of the product life cycle. For example, industry participants within the medical communications and marketing sectors range from large advertising and marketing conglomerates like Publicis, The Interpublic Group, and WPP that provide services across a range of industries, to healthcare focused firms such as Ceuta Healthcare, HealthSTAR Communication, and IMS Health. Companies like CMIC, ICON, and PAREXEL provide such non-clinical solutions only to complement their core contract research businesses.

Drivers of Growth

Changing dynamics in the pharmaceutical industry have led to an increased demand for outsourced services.

On the one hand, the industry has experienced growth driven by the increase in global healthcare spending. This has been spurred by changing demographics across the globe and greater healthcare coverage. There has also been continued demand for new drugs to cover unmet clinical needs.

At the same time, pharmaceutical profits are decreasing due to growing threats from generics and rising product development and approval costs. The days of lucrative blockbuster drugs seem to be a thing of the past, and companies must invest wisely in new drugs to replace expiring patents. At an average cost of \$800 million to \$1 billion in R&D and a 10 to 15 year timeline to bring a successful drug to market, such investment decisions must be made carefully. In addition, companies that have grown through acquisitions must deal with costly back office inefficiencies. The industry faces great pressure to change its operating model to reduce costs and reduce drug prices, while improving capabilities to bring new drugs to market.

In addition to cost pressures, recent changes to pharmaceutical business models have created a greater need for strong medical communication and marketing programs related to new product launches. Instead of focusing on the next mega-hit drug, pharmaceutical companies are shifting gears toward specialty drugs that require more complex medical communications. Pharmaceutical companies are also reducing the size of their sales forces, further increasing the need for strong medical communications and promotional programs to get the word out about new products.

Further, there is a move to provide more targeted communication toward all healthcare stakeholders, including patients, payers, and providers. As payers begin to concern themselves more with drug pricing and necessity, patients start to take a more active role in their healthcare, and nurses and physician assistants become more actively involved in the delivery of care, the physician is no longer the sole target for pharmaceutical firms.

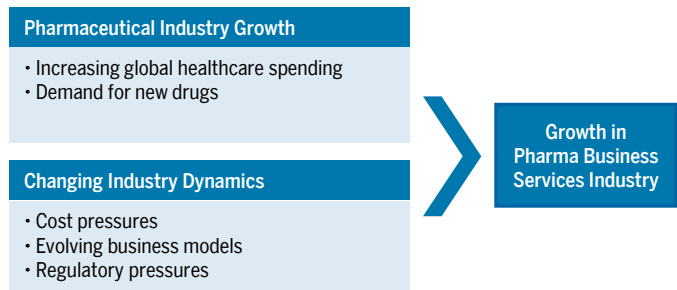
Pharmaceutical companies also continue to face growing regulatory pressures

that must be navigated carefully. The pharmaceutical industry is one of the most highly regulated industries in the world. New regulations call for greater transparency and internal firewalls. Negative press around the adverse effects of new drugs has proven to be highly detrimental, raising the stakes when it comes to pharmacovigilance. Coupled with the threat of litigation, regulatory compliance, including pharmacovigilance, is an area that requires extreme thoroughness and expertise.

Against this backdrop, pharmaceutical companies are expanding their use of outsourced service models, using them to help streamline their businesses while reducing costs, increasing productivity, and reducing their time to market. They are also focusing more than ever on medical communications and marketing, to promote awareness, education, and transparency.

Such models allow companies to employ variable cost structures, paying consulting fees on an as-needed basis, rather than employing full-time employees. Optimizing drug development and approval processes also helps expedite new product launches, reducing development costs and fast-tracking to revenue generation phases.

Pharmaceutical Industry Trends Driving Growth in Pharma Business Services Industry



Future Outlook

The pharmaceutical business model of the future will need to be lean and flexible, focused on responsiveness. Companies should be able to launch new products faster than ever, while also being able to put a swift end to those that are proving unsuccessful.

As cost pressures continue and the outsourcing model becomes more and more prominent, pharmaceutical firms are sure to look deeper into each outsourcing segment, evaluating areas that can be further outsourced so that internal focus can be redirected toward things like drug discovery. A rise in M&A activity in the pharmaceutical industry will only increase these needs.

Not unlike other business process outsourcing firms, pharma business services companies will be looking to add value adding service segments to their offerings, striving to be a one-stop-shop for their pharmaceutical clients. As the pharmaceutical industry continues to evolve, they will need to respond quickly to cater their services to these shifting paradigms.

Competitive Matrix







Below is a matrix of selected pharma business services companies by market segment. Companies in bold are profiled on the next page.

Company	MedComm	Marketing	Operational Support	Analytical Support	Market Research	Regulatory & Compliance
Accenture plc						
Cello Group plc						
Ceuta Healthcare, Ltd.						
China NT Pharma Group						
CMIC Co., Ltd.						
Healthcare Consultancy Group (s/o Omnicom Group)						
HealthSTAR Communication						
ICON plc						
IMS Health						
inVentiv Health, Inc.						
M3, Inc. (M3 USA Corporation)						
Medical Knowledge Group						
Medidata Solutions						
MediMedia USA, Inc.						
Omnicom Systems, Inc.						
PAREXEL International Corp.						
PDI, Inc.						
Pilgrim Quality Solutions, Inc.						
Publicis Groupe SA						
Qol Co. Ltd.						
Semcon AB (publ)						
The Interpublic Group of Companies, Inc.						
Xerox Corporation (TMS Health, LLC)						
UDG Healthcare plc						
WPP plc						

Profiles of Selected Participants

Below are profiles of selected publicly-listed pharma business services companies.

Where the company is a division of a larger company, the financial figures below are those of the parent organization.

Company	Brief Description	LTM* (USD \$M)	
		Sales	EBITDA
	Cello Group plc is a global strategic marketing consultancy group comprised of two businesses: Cello Health and Cello Signal. Cello Health provides marketing services to the pharmaceutical and health sectors. The group offers services that include strategy consulting, marketing, medical education, and market research.	264.5	16.0
	Healthcare Consultancy Group, a subsidiary of Omnicom Group Inc., is a healthcare communications company that operates through nine agencies. With a focus on global pharmaceutical clients and a scientific angle, the firm's services include branding, medical writing and education, publication, and regulatory support.	14,687.8	2,169.3
	M3, Inc. offers web-based healthcare solutions, with a focus on pharmaceutical companies. The company engages in services such as advertising, promotion, medical communication, and market research, all through online channels. It also offers clinical research solutions and healthcare staffing solutions.	358.3	128.0
	Parexel International Corporation provides clinical research services as well as marketing, commercialization, and regulatory/compliance consulting services to the biopharmaceutical and medical device sectors. It also offers an integrated technology suite to aid in product life cycle management.	1,891.9	261.5
	PDI, Inc. provides contract sales, marketing and promotion, product commercialization, clinical education/training, and telemarketing services to pharmaceutical, biotech, medical device, and diagnostic companies.	140.7	(6.7)
	UDG Healthcare plc is a healthcare services company operating through three segments: marketing and sales, packaging, and logistics. Their marketing and sales segment includes contract sales, promotional services, medical communications, market access, and regulatory support for medical device and pharmaceutical companies.	2,834.3	146.4

*Latest Twelve Months as of 7/8/2014