



The Life Sciences industry is changing
Mergers and Acquisitions

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CELERANT LIFE SCIENCES

The Life Sciences industry is changing. It has a new way of working, which offers exciting opportunities. For the first time, the industry is speaking as one, uniting the pharmaceutical, medical biotechnology, and medical technology sectors, making mergers and integration within this area more frequent, cost effective and allowing for vast profitability potential. But the industry still faces many challenges. Pressures on pipeline and productivity in research and development, erosion in time spent on regulatory obligations, clinical trials, counterfeit products and patent expiration all have to be factored in.

When engaging in a transaction within the Life Sciences arena there are two risks that stand supreme, the selection of the target and the integration of a newly acquired company. The target selection process in most industries allows the purchaser to identify the target profile based on hard and soft criteria and to selectively make approaches based on the most attractive fit. The Life Sciences industry has the added complication of the impending patient cliff that makes the target profile much more narrow and focused on hard IP based criteria. The complication with this is that many of the risks in target selection need to be accepted by the acquirer in order to gain access to the IP.

By compromising on the target selection the integration risk is compounded. The need to get the integration right is critical to the over all success of the transaction. For those companies in the Life Sciences industry looking to fill the drug pipeline through acquisitions the skill of integrating is pivotal in making this strategy successful.

Buying and Selling (Numbers of Transactions from 2001-2008)



Our research indicates that there are 6 critical focus areas of integrations that perform well.

FORWARD PLANNING

Forward planning helps to quantify the benefits early and engages all parties in a common objective. It is also a well-known fact that there is a high correlation between the speed of integration and the success of integrating. Forward planning is the most important step in enabling a rapid implementation of the integration and also facilitates a clear communication plan.

ALIGN THE INTEGRATION WITH THE STRATEGY

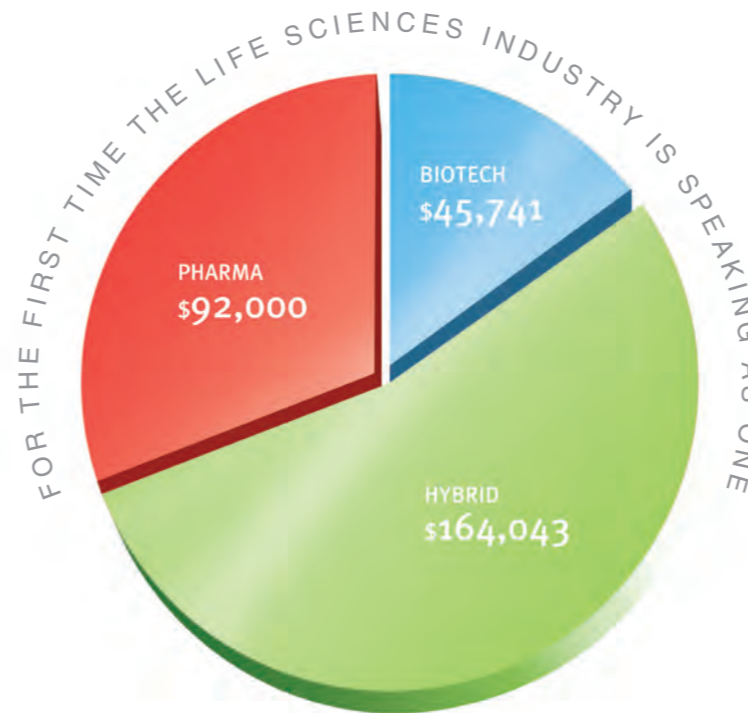
Integration is not the end goal. The greater strategy for producing free cash flow is the main objective. Companies that maintain this focus create robust decision criteria for the prioritisation of work during the integration.

CREATION OF A DEDICATED INTEGRATION TEAM

The integration team is built to suit the size and needs of the project. The creation of these teams allows the existing management to maintain a focus on the customer and the commercial relationships. This will limit the risk of management becoming fixated on internal change and neglecting the commercial component of the business.

FOCUS ON THE PEOPLE

Change is alarming for all involved. Individuals may feel stressed and concerned at all levels within the organisation. This should be acknowledged and proactively managed. Often management is not accustomed to managing changing cultures in a fast paced manner. Successful companies establish simple and effective cultural mapping techniques that allow the cultural change process to be reported and managed. Culture is manifest in the decision of the individual between competing



TOTAL ACQUISITION
From 2001-2008: \$301,784 in millions

elements, therefore certain practices can be implemented to reward decisions that demonstrate the right culture.

FOCUS ON THE CUSTOMER

Focus on the customer, the customer experience and the output of the internal process and procedures. It is critical that this level of granular change management be implemented rapidly to allow the customer to receive a premium service. Nearly all integrations make the mistake of making this the last priority.

MONITORING AND MEASURING

Integrations have a tendency to be over monitored due to the lack of experience in running these types of processes. The risk of failure is also sometimes

so large that management over engineer a solution, thus stifling the decision making process and dis-empowering the organisation.

A governance structure should be set up rapidly that empowers and controls. This allows only the most critical decisions to reach the top level, empowering the lower levels to make rapid implementation decisions. The ability to do this is directly tied to the forward planning process. Due to the unique macro environment of the Life Sciences industry these skills are exponentially more important to ensure acquisitions, where the target selection is compromised, have the best possible chance of success.

Celerant's Life Sciences consultancy specialise in delivering bottom line performance improvement through behavioural change within the Life Sciences, healthcare and biotech market. We concentrate on understanding both your market and your company's need to support you with post merger operational alignment. We work hand in hand with your Company at the shop floor to aid understanding of cultures and behaviours.

This understanding is vital to maintain lucidity during any merger to ensure a seamless and successful transition. If a company gets this wrong they will face many obstacles that will slow the process down and could ultimately end in a disastrous union.

Celerant Life Sciences clients:



Celerant's unique post merger operational performance harmonisation process means that we gain a deeper insight into your merger process, finding and correcting any faults that have arisen and identifying any potential weaknesses.

Celerant Consulting addresses business issues in a holistic manner deploying the right tools and techniques to drive results within a strong programme management framework. We implement significant behavioural change within our client's organisations to deliver sustainable financial and operational results.

We individually tailor our approach to fit our clients needs and the scale of our change projects range from Global continuous improvement programmes to discrete targeted projects.

We have strong capabilities in Process Excellence, Asset Management, Integrated Supply Chain, Operational Effectiveness, Innovation, Revenue Growth and Business Performance Management.



We have over 20 years experience of delivering successful, sustainable change for the world's leading companies and last year we realised over \$1 Billion in savings for our clients. Why did those clients choose us?

Results Certainty

We make a significant proportion of our fees contingent on the delivery of financial and operational results

Speed of Action

We quickly identify the most significant opportunities and implement improvements

Global Reach

We deploy our experts to any location and have a proven track record of delivering change across regions

With over 600 employees and offices in 11 countries, Celerant are the largest independent player in the operations sector of the global consultancy market.

If you'd like to find out how we can help your business, please visit www.celerantconsulting.com

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