



Q2-2011 CRO INDUSTRY UPDATE

M&A UPDATE

The second quarter of 2011 witnessed a large shift from the previous quarter in which consolidation slowed significantly. M&A activity was rampant during the last three months throughout the CRO sector, including a few blockbuster deals such as inVentiv's acquisitions of PharmaNet and i3, INC Research's purchase of Kendle International, and CCMP Capital Advisor's recapitalization of Medpace. Multiples have risen in both transaction metrics and the public market, and the reemergence of the sector has been hailed through a swelling of stocks associated with the industry. As the dust settles from the latest round of deals, what can most likely be expected next is a focus from acquirers to look more so at unique ancillary lines for expansion through some add-on deals. A few areas of potential interest would be in core and central laboratories, unique IT platforms, Site Management Organizations, patient recruitment, as well as pure-play CRO acquisitions that provide a new client base or expand upon current offerings. One of the most attractive buyer pools, however, continues to be the private equity community. Similar to the Thomas H Lee and CCMP Capital investments, there is a large group of PEG's aggressively pursuing platform investments in the space, specifically a tier below the size of the aforementioned, particularly in the \$30-250M revenues range. Although of a smaller scale than an INC or Medpace, there remains a largely fragmented pool of providers and ample opportunity for the building of further large-scale competitors.

Ticker	Price	52wk High	EV/Rev	EV/EBITDA Q2	EV/EBITDA Q1	% Change
CRL	\$40.65	\$42.84	2.47x	10.92x	10.96x	-0.36%
CVD	\$59.37	\$63.86	1.63x	11.47x	10.29x	11.47%
ICLR	\$23.56	\$28.90	1.31x	10.32x	8.31x	24.19%
PPDI	\$26.84	\$32.26	1.77x	9.61x	10.42x	-7.77%
PRXL	\$23.56	\$27.91	1.11x	9.11x	9.30x	-2.04%

RECENT TRANSACTIONS

Month	Investor	Target Company	Details
June 2011	inVentiv Health, Inc.	i3 Clinical Development Business from Ingenix	inVentiv Health, Inc. completed its previously announced acquisition of i3's clinical development businesses of Ingenix - i3 Research, i3 Statprobe and i3 Pharma Resourcing. i3 offers health information, technology, and consulting services. Financial terms of the transaction were not disclosed.
June 2011	Spectrum Lab Network	Select Diagnostics	Spectrum Lab Network (Solstas Lab Partners) has acquired Select Diagnostics. Select Diagnostics also does business as Select Laboratories. Select provides clinical laboratory testing and off site patient services in the North and South Carolina areas. Financial terms of the transaction were not disclosed.
May 2011	CCMP Capital Advisors	Medpace, Inc.	CCMP Capital Advisors completed the recapitalization of Medpace, Inc. for an 80% stake in the Company with management expected to have retained the remaining 20%. The deal has been reported to represent a total value of approximately \$500 million and provides the industry with another PE-backed strategic company to compete with rest of the top-tier firms. No further financial details of the transaction were disclosed.
May 2011	inVentiv Health, Inc.	PharmaNet Development Group	inVentiv Health, Inc. has acquired PharmaNet Development Group from JLL Partners. The addition of PharmaNet brings inVentiv's global presence to nearly 40 countries. PharmaNet Development Group is a global drug development services company serving the pharmaceutical, biotechnology, generic drug, and medical device industries. The acquisition serves as yet another addition to Thomas H Lee Partners' platform, inVentiv, and will expand upon the services also acquired in the i3 transaction. Financial terms of the transaction were not disclosed.
May 2011	INC Research	Kendle International	INC Research has signed a merger agreement to acquire Kendle International for approximately \$230 million which represents a \$346 million total enterprise value and transaction multiples of 0.8x revenues and 14.2x EBITDA. Kendle International, a clinical research organization, provides Phase I-IV clinical development services on a contract basis to the biopharmaceutical industry worldwide.
April 2011	Nautic Partners	Omnicare Clinical Research	Nautic Partners has acquired Omnicare Clinical Research, a global, full-service contract research organization, from former parent company, Omnicare, Inc. Omnicare Clinical Research operates as a Phase I-IV contract research organization serving large and small pharmaceutical, biopharmaceutical, and nutraceutical industries, as well as medical device manufacturers. The acquisition further highlights private equity interest in gaining a foothold in the CRO sector. Financial terms of the deal were not disclosed.
April 2011	Forest Laboratories	Clinical Data	Forest Laboratories has completed its acquisition of Clinical Data for \$930 million. Under the agreement, Forest Labs will purchase all of the outstanding shares of Clinical Data common stock for \$30 per share in cash, plus an additional \$6 per share in cash if certain sales contingencies are met. Clinical Data, a biotechnology company, engages in the development and commercialization of therapeutic products.