

This announcement contains inside information

## **UDG Healthcare acquires STEM Marketing Limited for up to £84m**

### **The leading global provider of commercial, marketing and medical audits to pharmaceutical companies**

21 October 2016: UDG Healthcare plc (the “Group”), a leading international provider of healthcare services, announces that it has acquired STEM Marketing Limited (“STEM”), the leading global provider of commercial, marketing and medical audits to pharmaceutical companies for a total consideration of up to £84m (\$103m).

#### **Transaction highlights:**

- STEM is the leading global provider of commercial, marketing and medical audits to pharmaceutical companies. This unique service uses a proven, evidence based methodology to quantify and benchmark organisational alignment and quality of execution to create practical action plans to accelerate brand performance.
- STEM is a global business offering services across 35 countries including the US, EU, Japan and China and its customers include 18 of the top 20 largest pharmaceutical companies.
- Highly cash generative, high margin business with strong growth in recent years.
- Significantly expands Ashfield’s service offering and capabilities in the commercial and clinical services market and complements Ashfield Healthcare Communications global offering.
- In line with UDG’s strategy to grow both organically and via acquisition with a focus on high growth areas.
- For the year ending 31st December 2015, STEM had gross assets of £13.5m (\$16.5m) which generated EBITDA of £5.5m (\$6.7m).
- Upfront acquisition multiple of 8.1x EBITDA based on the current trading performance of STEM.
- The acquisition will be financed from existing cash facilities and is expected to be immediately accretive to earnings. Additionally, the acquisition is expected to deliver a return on capital employed in excess of the Group’s target of 15% within 3 years.

Commenting on the announcement, Brendan McAtamney, Chief Executive of UDG Healthcare plc said:

“STEM is an excellent strategic fit for UDG and is wholly aligned with our global growth strategy of expanding our market leading positions providing services to the pharmaceutical sector. The acquisition of STEM, a business with an established global footprint and strong growth opportunities, will enable us to provide new services to our clients, which are highly complementary to those already delivered by our Ashfield business.

We place great emphasis on cultural fit when looking at potential acquisition opportunities and STEM comes with an excellent management team, which will become an important part of our client offering and the wider UDG Healthcare Group.”

Commenting on the announcement, Rob Wood, Chief Executive of STEM said:

“We are delighted to begin an exciting new chapter for STEM as part of the UDG Healthcare Group. We wanted a partner who would help us to accelerate our global performance. Our new working relationship with UDG will not only facilitate geographic expansion but will also enable further client offerings and most importantly provide our employees with broader career options and widen our talent pool.”

## **Structure of the Transaction:**

STEM is being acquired for an initial consideration of £55m (\$67.4m) upon completion (comprised of a £50m (\$61.3m) cash payment and £5m (\$6.1m) in UDG Healthcare plc ordinary shares) subject to adjustments for cash and normalised working capital. An additional consideration of up to £29m (\$35.5m) (comprised of a £24m (\$29.4m) cash payment and £5m (\$6.1m) in UDG Healthcare plc ordinary shares) is payable over the next three years.

Contingent on the achievement of pre-defined financial targets, the first instalment (up to £5m (\$6.1m)) will become payable within six months of completion with the remainder (up to £24m (\$29.4m)) payable within three years of completion.

The ordinary shares issued as part of the initial consideration will be subject to customary “lock-up” arrangements. The exact number of ordinary shares in UDG Healthcare plc to be issued as part of the initial and deferred consideration, will be determined based on the average share price of the Group in the 15 days trading post completion.

## **ENDS**

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#### **About UDG Healthcare plc:**

Listed on the London Stock Exchange, UDG Healthcare plc (LON: UDG) is a leading international partner of choice delivering clinical, commercial, communication and packaging services to the healthcare industry, employing over 7,000 employees at operations across 20 countries including the US, UK, Ireland and Germany.

UDG Healthcare plc operates across three divisions: Ashfield Commercial & Medical Services, Sharp Packaging Services and Aquilant Specialist Healthcare Services.

Ashfield Commercial & Medical Services is a global leader in commercialisation services for the pharmaceutical and healthcare industry, operating across two broad areas of activity: commercial and clinical services, and healthcare communications. It focuses on supporting healthcare professionals and patients at all stages of the product life cycle. The division provides sales teams, healthcare communications, telesales, nurse educators, medical information, pharmacovigilance (drug safety), regulatory and event management services to over 300 healthcare companies in 18 countries.

Sharp Packaging Services is a global leader in contract packaging and clinical trial packaging services for the pharmaceutical and biotechnology industries, operating from state of the art facilities across the US and Europe. Sharp is also a world leader in 'Track and Trace' serialisation services, which will require all prescription drugs to have a unique serial code for authentication and traceability.

Aquilant Specialist Healthcare Services is a leading provider of outsourced sales, marketing, distribution and engineering services to the medical and scientific sectors in the UK, Ireland and the Netherlands.

The company is listed on the London Stock Exchange and is a constituent of the FTSE 250.

For more information please go to: [www.udghealthcare.com](http://www.udghealthcare.com)

#### **About STEM:**

Established in 2007, STEM has developed into a global business spanning 35 countries worldwide, working for 18 of the top 20 largest pharmaceutical companies. Offering a unique 'audit' service which can be applied to a pharmaceutical company's marketing, medical, market access or account management functions, STEM has fast become an essential and vital tool enabling operational insight. In 2016 STEM was awarded the Queen's Award for Enterprise in International Trade.

In terms of commercial performance, STEM has grown rapidly since incorporation. During this time, the company's strategy has been four fold; repeat business, geographic penetration, portfolio penetration and service extension.

STEM has built a database which is now regarded as the industry standard globally, made up of more than 30,000 customer facing staff and 150,000 customer interactions which are benchmarked against more than 100 KPIs to drive field teams' performance interactions.

For more information please go to: [www.stemmarketing.com](http://www.stemmarketing.com)