

## GNX9 Transactions – Good Practice Part I

Having advised multiple major pharmaceutical companies on their manufacturing divestment strategy for more than 40 of their manufacturing operations globally, PharmaVentures share good practice guidance in the first of 2 guidance notes covering the main stages of the transactions process: pre-marketing; marketing; dataroom preparation and curation; management presentation and site tour; and negotiation.

Good preparation is key for an efficient and smooth transaction process. It is important to allow sufficient time to prepare in order to avoid delays later in the process. Taking steps to de-risk the divestment is vital, especially when the seller needs to ensure their future production quality and standards remain high in the hands of third parties and future supply is not interrupted.

**Fintan Walton, CEO, Mark Andrews, Managing Director, and Jansen Jacob, Vice President, give their expert insight and experiences on life science M&A to positively transform your next divestment.**

### The Divestment Process

For nearly 30 years, PharmaVentures has assisted companies in their deal making activities. 20 years ago, we began advising major pharmaceutical companies, giving them significant knowledge on how to best position themselves to successfully divest their manufacturing sites.

Whilst transactions vary from business to business, we can break the process down into the main stages of the transactions process: pre-marketing; marketing; dataroom preparation and curation; management presentation and site tour; and negotiation.

#### Pre-Marketing

Good preparation sets the stage for an efficient and smooth transaction process. Understanding the value of your asset in the market helps to ensure your expectations are rooted in reality. An independent, unbiased valuation of your asset would help in this regard. As an important first step of a divestment process, PharmaVentures recommends getting an independent Valuation and Positioning (V&P) assessment. They provide an understanding of the asset value in the marketplace and can bring to light issues, including tax implications, that the client may not have considered, which may impact their evaluation and decision making.

Also consider structural aspects of the deal as early as possible. Having clarity on whether the deal would be structured as an Asset or Share sale early in the process, for example, would save time later.

“Over time, we have seen the complexity of deals change enormously,” says Dr Fintan Walton, CEO at PharmaVentures “The multitude and complexity of terms (and parties) within a deal, all of which will drive an element of value for buyers and sellers, mean it is imperative that you understand the total value of your asset and how that value is distributed in the deal terms so that you can be sure the full value of your investment is realised. Knowledge of the interplay between the various value components is vital.”<sup>1</sup>

#### Marketing

When entering into the marketing phase of the transaction, allowing sufficient time to prepare marketing and diligence documents will avoid delays in the process. There is a good correlation between the amount of information released to buyers and the quality of the offers received, as giving sufficient thought to the level of information shared with potential buyers at the various stages helps to align stakeholder expectations. It is also important to ensure that the data shared at the various stages is consistent. Any mismatch can create doubt in the potential buyer’s mind as to the reliability of the data, which could cause unnecessary delays, or even lead to the would-be buyer pulling out of the process altogether.

Having a strong project manager to oversee the divestment, and a dedicated project coordinator at site level to support the transaction will ensure that the process is run as smoothly as possible without hindrance. Having good communication between all members of the project team and the stakeholders will also safeguard against avoidable delays in the process. “Every delay in a transaction process is a cost that could have been avoided. Process delays also take staff away from their “day job” and may affect the day-to-day running of the business,” says Mark Andrews, MD at PharmaVentures.

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Make it clear to the buyers early on in the process at what stage, if any, exclusivity would be granted. This ensures time is not wasted on matters of principle.

“Avoid running multiple processes with different parties on the same transaction,” says Jansen Jacob, Vice President of PharmaVentures. “This usually results in delays. Having one process to handle the different buyers will ensure all parties are treated equally and that there is no bias in the final selection of the buyer.”

Source: <sup>1</sup> PharmaVentures Termsheet, Issue 6 [https://www.pharmaventures.com/sites/default/files/files/Term%20Sheet%206%20\(06-12\).pdf](https://www.pharmaventures.com/sites/default/files/files/Term%20Sheet%206%20(06-12).pdf)

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PharmaVentures has successfully advised on divestments globally for major clients including Novartis, Sanofi, UCB and Merck. We can also help with the important first step of a divestment process, providing an independent Valuation and Positioning (V&P) assessment using our advanced and robust valuation methodologies built on their considerable experience.

PharmaVentures’ extensive network and years of building relationships with potential buyers world-wide mean the divestment process can be quicker and smoother. Finally, and equally important, is our ability to work seamlessly with our large pharma clients’ management to ensure a successful outcome.

Before your next divestment programme, simply talk to our globally experienced life sciences M&A team.

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