



INSIGHTS FROM THE BDO
LIFE SCIENCES PRACTICE

Ask These Questions Before Pursuing an M&A Transaction

Your Guide to Making Sure Your
Transaction Decisions Are What's
Best for Your Life Sciences Business



For life sciences companies, M&A and collaborations are a key strategy for growth, building product pipelines and getting products to market as quickly as possible.

According to BDO's Life Sciences CFO Outlook Survey, 33% of CFOs planned to pursue M&A in 2022, up 25% from the 2021 survey. With valuations coming down from record highs and uncertainty around future market trends, it's important that life sciences organizations begin to carefully prepare for a transaction well in advance, whether they're on the buy- or sell-side.

To help you determine if now is the right time for M&A, we've provided a list of questions related to strategy, due diligence, integration and operations for both buy- and sell-side life sciences transactions. While this is not a comprehensive list of all considerations for pursuing M&A, these questions can be used to help build a strong foundation for any pursued deal.

For Life Sciences Companies Looking to Acquire a Company



STRATEGY

What synergistic opportunities does this acquisition present?

What are you looking to achieve from the transaction? Have you clearly defined what success looks like and how you will measure it?

Does your strategy for the transaction align with your overall corporate strategy?

How much risk are you willing to take on?

Have you been realistic about your ability to do the transaction in terms of access to funding or availability of resources?

DUE DILIGENCE

What is the reputation of the company you'd like to acquire?

Have you completed diligence related to:

- ▶ **Synergies** – Deal value drivers
- ▶ **Product** – Plans for commercialization, scaling production
- ▶ **People** – Compensation strategy, culture
- ▶ **Technology** – IT systems, 3rd-party solutions
- ▶ **Finances** – Quality of Earnings (QOE) analyses, forecasted profitability, working capital, capital expenditures, strategic initiatives
- ▶ **Operations** - SG&A, supply chain
- ▶ **Regulatory Compliance**
- ▶ **Go to Market Strategy**

Was enough information provided in order to properly complete due diligence?

Are there any outstanding issues with the company that need to be addressed?

INTEGRATION

Have you defined the integration goals and priorities? Are they aligned with your transaction rationale and deal value drivers?

Have you defined the target operating model for the combined company (e.g., degree of integration)? Are you prepared to provide your integration teams a roadmap to facilitate integration planning?

Have you defined an integration management structure to support the integration and synergy capture planning and execution process?

Do you have a good understanding of the concerns that your stakeholders (e.g., employees, customers, partners, etc.) may have about the transaction? Have you developed a communications and retention strategy to address your stakeholder concerns?

What will it take to integrate the acquisition into your company's culture? Are the cultures aligned, and are they a good fit?

How will employee roles and responsibilities change with the deal? Have you taken steps to ensure the right people will be in the right roles?

Are your technology systems compatible? What support will be needed to integrate the technology systems, and what is the timeline for doing so?

What cyber and data privacy risks will come with the integration process? Do you have a plan to address and mitigate them?



STRATEGY

What are you looking to achieve from the transaction?

Have you clearly defined what success looks like and how you will measure it?

Have you considered other exit strategies before deciding on selling?

Do you have a clear sense of your company's value?

Would you prefer a strategic or PE buyer? Is the potential buyer the right fit?

What is the expected impact on investors, employees and resources?

How will the transaction impact the company's reputation?

When and how will the deal be announced?

DUE DILIGENCE

Is your organization prepared to go through a robust due diligence process that encompasses legal, financial, operational and compliance concerns?

Who can management tap to support the due diligence process?

How resilient are processes and systems throughout your organization? Is any infrastructure single-person-dependent?

Have you completed a sell-side QOE report?

Have you had an independent party do diligence on your company? Have you proactively addressed areas of risk they identified?

OPERATIONS

Has the transaction perimeter or "what's in and what's out" been defined? Which executives, key employees, customers and assets will be part of the transaction?

Do you have any operational imperatives for the buyer (e.g., do you want a soft landing for your employees, how will you maximize customer retention during the transaction, what is the buyer's corporate culture, etc.)?

Are there any strategic, revenue enhancing or cost reduction initiatives that have been identified or are already in-process that could increase the company's valuation at exit? What is the status of those initiatives? Should you continue in-process initiatives?

If you are divesting a business that will need to be carved out, how entangled is the business with the rest of your operations? Have you developed carve-out financials and defined the standalone costs for the business? Have you determined what transition services you are willing to provide the buyer? What will it take to operationally carve-out the business by transaction close?



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