MIRUS CAPITAL ADVISORS

Q1 26

Healthcare Sector

Mirus Pharma Services REPORT

In This Issue:

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Pharma Services Industry

Market Overview

Serving the complex landscape of drug development and launch, the pharma services sector spans pre-clinical research and development, clinical trial management, contract manufacturing, regulatory and reimbursement experts and commercial strategists. With well-capitalized clients, high-value projects, differentiated offerings, and steady cash flows, the pharma services segment is primarily driven by private markets investors. From minority growth investors to mega-fund private equity firms, substantial transaction activity drives continued growth.

Segments	Pre-Clinical Contract Research Organizations	Clinical Contract Research Organizations	Contract Development & Manufacturing	Commercialization Services
Key Services	Drug Discovery	Clinical Site Management	Formulation Development & QA/QC	Regulatory Affairs
	Biomarker Identification	Patient Recruitment	Clinical & Commercial Manufacturing	Reimbursement & Market Access
	Pharmacokinetics & Pharmacodynamics	Monitoring & Sample Analysis	Bioprocessing	Real-World Evidence
	Toxicology & Safety Studies	Study Design & Biostatistics	Packaging / Cold-Chain	Sales Dashboards & Market Analytics

Q1 Market Update

Q1 2026 sent mixed signals across pharma services. Earnings were uneven, with most companies posting in-line to slightly soft prints, yet forward guidance held firm and demand fundamentals stayed healthy, supported by steady order books at the leading CROs and CDMOs. The dominant macro theme was trade policy: the prospect of steep Section 232 tariffs on branded pharmaceutical imports, threatened through the quarter and finalized shortly after it closed, has accelerated a wave of U.S. onshoring backed by hundreds of billions of dollars in domestic capacity pledges.

AI remained the other defining force. The number of AI-originated programs in clinical development has climbed sharply, and AI is compressing timelines while lifting early-stage success rates. Firms are racing to bring differentiated candidates forward fastest, with the GLP-1 and broader metabolic field drawing intense attention. That urgency is fueling consolidation, as strategics and well-capitalized sponsors increasingly acquire AI platforms rather than build from scratch.

> “Q1 marked another quarter of resilience for the sector, with earnings coming in soft but the anticipation of growth remained supported by ongoing customer orders from research and biopharma clients. Within the private markets, pharma services remains squarely in focus for investors seeking to capitalize on the favorable tailwinds. Tariffs continue to push for increased domestic manufacturing capacity, and AI looks to shift development timelines and processes across the entire value chain. The companies that are able to stay at the cutting edge are poised to benefit as we move through the rest of the year.”

Nick Frame, PhD
Director, Healthcare & Life Sciences Investment Banking

Healthcare CDMO deals set for 2026 rebound as exits and specialization accelerate

ION Analytics Dealspeak (Mergermarket) Full Article

Healthcare CDMO deal activity is expected to rebound in 2026 after several years of weaker M&A volume. The primary drivers behind this recovery are improving financing conditions, a growing backlog of delayed private equity exits, and increasing demand for specialized manufacturing capabilities. Rather than pursuing broad platform acquisitions, buyers are placing a greater emphasis on niche areas such as sterile injectables, radiopharmaceuticals, and advanced biologics. Additional tailwinds include supply chain regionalization, onshoring initiatives, and ongoing portfolio optimization efforts among larger strategic players, all of which are expected to support increased transaction activity moving forward.

Mirus Insights: After a disappointing 2025, the pharmaceutical services sector is set for a major rebound in 2026, entering the year with 2x the early 2025 deal volume and activity. A mix of both macroeconomic and industry-specific factors are behind this trend. On the broader side, lower interest rates, higher yields, and loosening debt markets hope to support larger amounts of LBO financing. Regionalization and specialization within the industry further support this dynamic, as we push towards domestic and narrower drug production.

US biotech rounds of funding drop to lowest in 5 years

S&P Global Market Intelligence Full Article

Biotech funding rounds fell 25.2% YoY in the start of 2026. Transaction value within the industry also declined over 8%. Factors like federal policies, consolidation of capital, drug pricing, regulatory restructuring, and high interest rates support this. Firms are investing more selectively, largely in products that are towards the end of their development.

Each drug has four phases before it can be approved. Historically, a large portion of funding is given to drugs in phase 1 which require the most support and resources. However, AI is changing the industry in two major ways: The length of phase 1 can be shortened to a fraction of the original time and AI can improve the success rate of trials. Thus, investors favor these proven, reliable products that are in later phases or are almost guaranteed to pass phase 1 compared to unproven products in the early stages. This reduces the investment into early-stage products, while bolstering funding for a certain group.

Mirus Insights: The pharmaceutical industry is changing, and this article highlights an interesting dynamic in the change. At first, this massive drop in funding may appear to be a negative sign for the industry. Upon further reading, this change could be positive as a large portion of the decline in funding is due to an increase in the accuracy of drugs. This selectivity means that more high-quality products will be approved moving forward. AI is truly changing the way we live, and this is a prime example.

What We're Reading

Pharma Services

AI-led selloff in contract research firms may be misjudging disruption risk

Reuters Full Article

Contract research organizations experienced significant valuation declines in early 2026 as investors reacted to concerns that artificial intelligence could reduce demand for outsourced research services. The selloff was driven by fears that pharmaceutical companies may increasingly perform clinical development activities internally as AI improves productivity and lowers costs. However, many industry participants believe these concerns are overstated, as CROs continue to provide critical capabilities that are difficult to replicate, including patient recruitment, trial management, regulatory expertise, and global infrastructure. While AI is expected to automate certain processes and improve efficiency, it is more likely to enhance CRO operations than materially disrupt the industry's long-term growth prospects.

Mirus Insights: According to many industry experts, the selloff in CROs could be a major overreaction. Fears of AI taking over and allowing pharma companies to run their own clinical trials have scared away investors. Most are failing to consider the importance of decades worth of data that CROs have compiled, which is an integral piece of any clinical research. Industry analysts say that AI could be a driver for the CRO industry, as it can reduce timelines and improve efficiency. Most experts view this recent selloff as a panic button, not a real threat.

How AI and CDMO/CRO integration is key to the future of drug development

The Medicine Maker Full Article

Drug development is increasingly shifting toward integrated CDMO and CRO models as biopharma companies look to improve efficiency and reduce development timelines. The primary drivers behind this trend are growing clinical complexity, rising development costs, and the need for greater coordination across the drug development process. Rather than utilizing multiple service providers, companies are increasingly seeking partners that can provide development, clinical, and manufacturing capabilities within a single platform. Artificial intelligence is expected to further support these efforts by automating routine tasks, improving data management, and enhancing decision-making, ultimately accelerating the path from development to commercialization.

Mirus Insights: AI has the power to transform the industry in a way that both improves efficiency for companies and outcomes for patients. Companies can take advantage of this opportunity by learning how to correctly apply and integrate these technologies. AI is particularly useful in analyzing and compiling large amounts of data very quickly. AI cannot replace humans, and establishing a sense of trust is the most important part of integrating AI. Companies need to understand what the AI is being used for and how to improve their process. If successful, this integration will bring an immense amount of positive change to the industry.

Pharma Services

Recent M&A and Capital Markets Activity

At Mirus, we continue to see active M&A across pharma services as platforms expand capabilities and make strategic shifts toward AI. The result is steady consolidation, with firms acquiring AI capabilities rather than building them, alongside transformative capital raises. Firms that innovate and adapt fastest are best positioned to capitalize on an evolving market.

Worldwide Clinical Trials acquired Catalyst Clinical Research

February 2026 – Worldwide Clinical Trials, a Kohlberg-backed CRO, acquired Catalyst Clinical Research. This deal establishes Worldwide as a leader in oncology. They hope to seamlessly integrate, with Catalyst's CEO placed on the leadership team.

Shore Capital acquiring Bio Behavioral Health via PhaseWell Research

January 2026 – Shore Capital Partner's network of clinical research sites got stronger with the acquisition of Bio Behavioral Health, which focuses on neurologic and psychiatric disorders. Combined with Bio Behavioral Health's existing locations, customers from a broader geographic range have access to a deeper set of services and treatments.

Investindustrial acquired Proveris Scientific

January 2026 – Investindustrial acquired Proveris, a designer and manufacturer of spray and aerosol testing equipment and solutions. Investindustrial hopes to expand Proveris more broadly into the pharmaceutical products industry.

Taconic acquired TransCure bioServices

January 2026 – Taconic strengthened its preclinical research abilities by acquiring TransCure, a company that specializes in humanized immune systems mouse models. Taconic now has increased research capabilities and a broader range of services.

GI Partners to acquire Charles River's CDMO and Cell Solutions Businesses to form Rose BioSolutions

February 2026* – GI Partners, a private investment firm, will acquire Charles River's CDMO and Cell Solutions business to form a new entity, Rose Bio. Rose Bio hopes to leverage GI's resources to grow its services in the cell and gene therapy space.

**closed May 2026*

Ampersand Capital acquired Purna Pharmaceuticals

February 2026 – Ampersand acquired Purna Pharmaceuticals, a developer and manufacturer of liquid and semi-solid pharmaceutical products. Ampersand can utilize Purna's partnership with MedPharm to become a preferred provider for medical products.

Pharma Services

Industry Spotlight: Charles River Laboratories

charles river

Charles River Laboratories provides update on planned divestitures

Charles River Investor Relations [Full Article]

Charles River Laboratories announced a series of divestitures to refine their portfolio to target stronger growth opportunities. This follows a comprehensive strategic review that took place throughout the company. First up, the divestiture of Charles River Labs CDMO and Cell Solutions Business to GI Partners. The CDMO business provides mainly gene-modified cell therapies and gene therapies. They are also divesting European assets within their Discovery Services segment to IQVIA Holdings. These sites mainly target in vitro drug discovery and pharmacology services, focused on oncology, neuroscience, immunology, and advanced cell biology. These divestitures will reduce revenue by over $200 million.

Divesting to: GI PARTNERS

CDMO and Cell Solutions

The CDMO sites that will be sold are located in Tennessee, Maryland, and the United Kingdom. The Cell Solutions site is in California. Together, these locations accounted for $143 million of revenue in 2025. GI Partners is incorporating the sites to form Rose BioSolutions.

Divesting to: IQVIA™

European Discovery Assets

The European Assets within Discovery Services are in the United Kingdom, Germany, Finland, and the Netherlands. Charles will receive approximately $145 million in cash, with additional payments of up to $10 million. These sites contributed $144 million to the company's revenue in 2025.

Rationale and Effects:

Although these transactions will reduce revenue moving forward, they will positively affect the company's EPS and margins. As stated by James Foster, President and CEO, these divestitures aim to shift Charles River's portfolio toward more favorable growth areas. Operating margins are expected to rise at least 1% and EPS is expected to rise $.10 in 2026 following the closing of these divestitures. The company also has repurchased $200 million of common stock in Q1 of 2026, supporting a $1 billion repurchase program that was approved by the board of directors in late 2025. The additional liquidity from the divestitures allows Chales River to repurchase more shares an invest into what they feel are higher-growth areas.

> *"It wasn't a matter of if, but when, biopharma investment came back that we anticipated pharma services similarly becoming more active transactionally. And that's just what's happened: pipelines are starting to come together and both public strategics and PE investors are looking to expand their capabilities, enhance earnings, and grow market share through smart acquisitions."*

Thom Busby
Partner, Co-Head Healthcare & Life Sciences Investment Banking

Key Q1 Earnings Takeaways...

Pharma Services

MEDPACE

4/22/2026

- Serves mostly small and mid-cap biotechs, so its bookings help gauge R&D activity and biotech funding health
- Revenue grew 26.5% YoY, which is very strong for a CRO
- Even though they massively beat earnings, their book-to-bill ratio, which measures total bookings to total billings is lower than expected, raising concerns about the company's backlog and future earnings

ThermoFisher SCIENTIFIC

4/23/2026

- Spans instruments, diagnostics, manufacturing, and its PPD clinical research arm, so it reads the whole pharma services value chain rather than one niche
- Earnings beat in Q1 combined with the improvements in clinical trials from the Clario acquisition leads to increased guidance for the rest of the year
- Research markets remain weaker due to higher interest rates and geopolitical tension

LabCorp Laboratory Corporation of America

4/30/2026

- Combines clinical diagnostics with biopharma lab services (it spun off its CRO, Fortrea, in 2023), making it a read on lab volumes and testing demand
- Specialty testing, like oncology and neurology, are doing very well
- Biotech demand is slightly struggling, with uncertainty about the future

IQVIA™

5/5/2026

- Owns both the data and the trial (a top CRO paired with the largest healthcare data business), so it signals commercial pharma spend and outsourced clinical development at once
- Q1 growth increased confidence in the demand for clinical research and healthcare data services; the acquisition of Charles River's assets further fueled positive signals
- Although the funding environment has been a bit shaky, development programs are still being funded

charles river

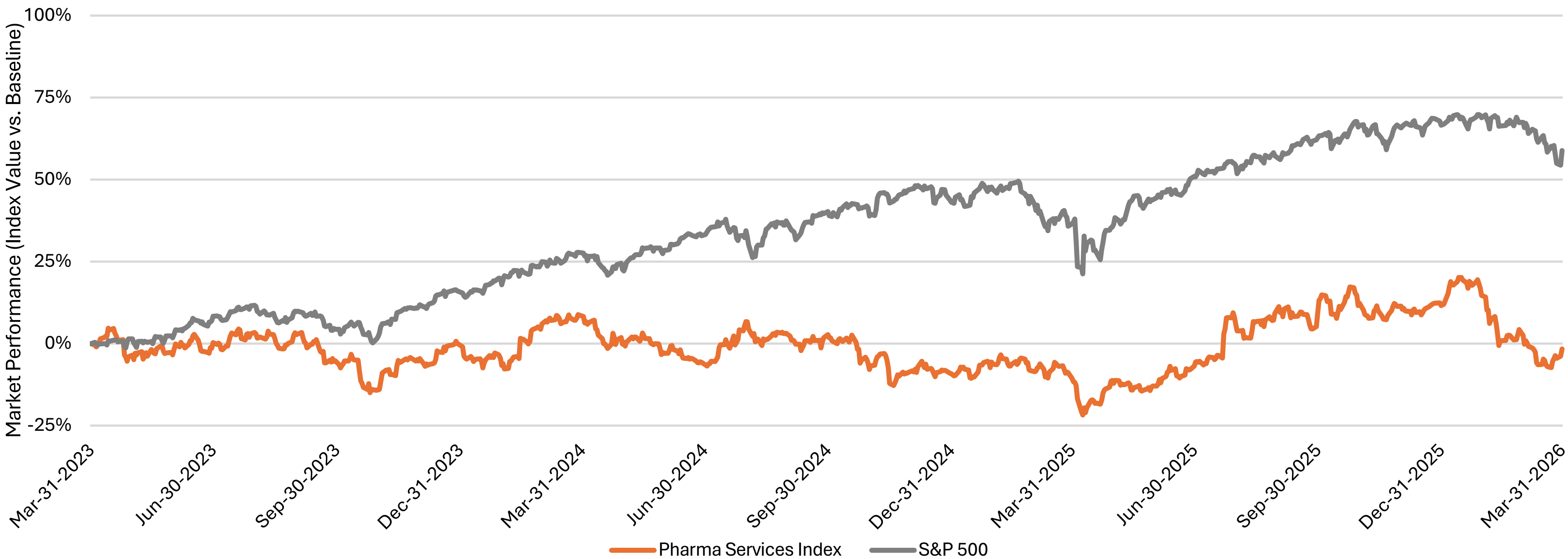
5/7/2026

- Revenue and EPS both beat estimates, while the company undergoes a strategic shift
- Sold its CDMO and Cell Solutions business and some discovery assets to IQVIA, trying to decrease exposure to less desirable business segments
- Acquired Patho Quest to move forward in sequencing and testing fields

Sector Update: Pharma Services

L3Y Public Market Performance vs. S&P500

Mirus takes a composite view of the pharma services industry when assessing the transaction environment and valuation expectations for clients. To this end, we continue to consider public market performance of representative large cap and mid cap strategics that will often be the ultimate acquirer of growth stage companies. Our representative pools of companies encompass a full spectrum of end markets. Our analysis provides a picture of how the industry moves and enables the emergence of key value drivers.



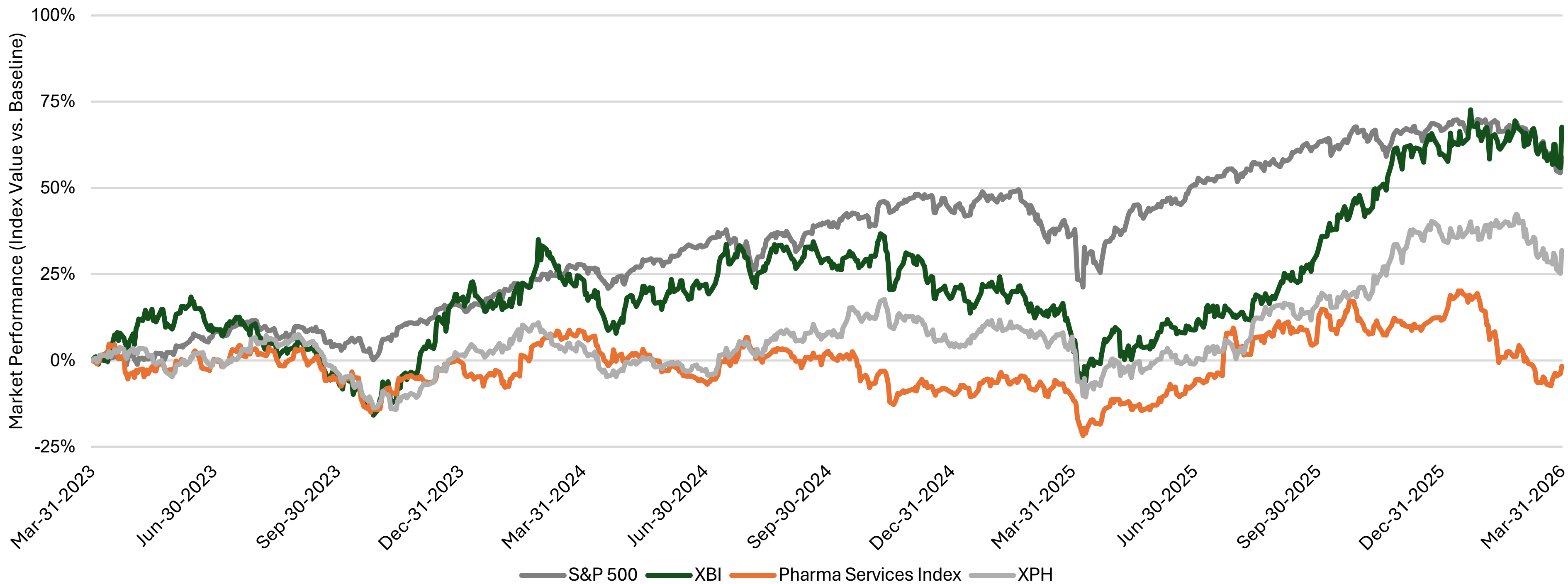
Pharma Services Index

Fortrea	IQVIA	ICON	Lonza
CERTARA	AZENTA LIFE SCIENCES	eurofins	MEDPACE
WuXi AppTec	evotec	intertek	charles river

Sector Update: Pharma Services

L3Y Public Market Performance vs. S&P500 vs. XBI vs. XPH

When analyzing the pharma services segment, it is important to recognize that the underlying pharmaceutical and biotechnology industry dynamics play a major role in how the industry performs. To this end, Mirus looks to understand how the pharma services segment trades in comparison to their customers. Over the last three years, we have observed a tight correlation between the XBI (biotechnology index fund), the XPH (pharmaceutical index fund) and the pharma services segments, as seen by the nearly overlapping traces in the public market performance.



Pharma Services Index

Fortrea, IQVIA, ICON, Lonza, Certara, Azenta Life Sciences, eurofins, Medpace, WuXi AppTec, evotec, intertek, charles river

Sector Update: Pharma Services
Q1 2026 Public Comparable Companies

As of 3/31/2026 Company Name	Price	% of 52 Week High	Enterprise Value	Market Cap	Cash	Operating Statistics Revenue LTM	EBITDA LTM	LTM Gross Margin	LTM EBITDA Margin	Growth Rates Revenue LTM	Valuation Multiples EV / Revenue LTM	EV / EBITDA LTM
	$	*%*	*$M*	*$M*	*$M*	*$M*	*$M*	*%*	*%*	*%*	*x*	*x*
Pharma Services Strategics												
Azenta, Inc.	21.13	50.6%	462	973	234	596	37	44.3%	6.2%	1.8%	0.8x	12.6x
Certara, Inc.	5.70	37.1%	1,025	907	149	420	94	61.6%	22.4%	6.4%	2.4x	10.9x
Charles River Laboratories International, Inc.	172.50	75.4%	10,976	8,511	192	4,027	890	34.5%	22.1%	0.1%	2.7x	12.3x
Eurofins Scientific SE	72.25	84.3%	16,943	12,711	929	8,567	1,709	22.5%	19.9%	19.0%	2.0x	9.9x
Evotec SE	4.95	50.1%	1,162	877	447	859	(19)	10.7%	(2.2%)	0.8%	1.4x	NM
Fortrea Holdings Inc.	9.42	50.5%	1,823	881	148	2,709	70	18.9%	2.6%	0.9%	0.7x	26.1x
ICON Public Limited Company	110.66	52.4%	11,553	8,450	647	8,251	1,395	26.4%	16.9%	0.8%	1.4x	8.3x
Intertek Group plc	48.17	70.8%	9,195	7,394	443	4,619	1,009	56.9%	21.8%	8.7%	2.0x	9.1x
IQVIA Holdings Inc.	170.54	69.0%	42,919	28,628	1,947	16,632	3,001	33.0%	18.0%	7.3%	2.6x	14.3x
Lonza Group AG	629.33	83.4%	48,585	44,197	907	8,236	2,695	36.0%	32.7%	4.9%	5.9x	18.0x
Medpace Holdings, Inc.	480.19	76.4%	13,268	13,628	653	2,678	591	71.9%	22.1%	24.2%	5.0x	22.4x
WuXi AppTec Co., Ltd.	14.22	84.7%	37,987	42,827	5,206	6,698	3,166	50.7%	47.3%	29.8%	5.7x	12.0x
Mean		**65.4%**	**$ 16,325**	**$ 14,165**	**$ 992**	**$ 5,358**	**$ 1,220**	**38.9%**	**19.1%**	**8.7%**	**2.7x**	**13.0x**
Median		**69.9%**	**$ 11,264**	**$ 8,481**	**$ 547**	**$ 4,323**	**$ 949**	**35.2%**	**20.9%**	**5.6%**	**2.2x**	**12.2x**

MIRUS CAPITAL ADVISORS

35 Years. 450 Deals.

About Mirus

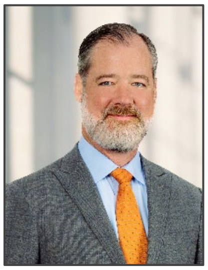
The Mirus team works with the owners of closely-held companies in multiple segments of the $5.7 trillion U.S. healthcare industry to achieve their desired outcome. While global in focus and experience, we benefit from being in one of the most dynamic healthcare ecosystems that includes some of the most active healthcare-focused venture capital and private equity firms, leading research universities, large medical device companies and innovative MedTech and healthcare services firms. The Mirus healthcare team has experience executing a spectrum of engagements with some of the most innovative healthcare companies in the world. We have particular expertise in: medical devices, healthcare equipment, healthcare IT, diagnostics, contract research, healthcare staffing, and related companies.

Work with an investment bank that:

- Delivers sophisticated advice to close deals in your industry
- Is built on a distinguished and independent 35+ year history of transaction execution
- Leverages experience, relationships, and a proven ability to navigate complex deal dynamics
- Garners national recognition for excellence in the middle market
- Provides global reach through its international network
- Focuses on your success, enabling premium outcomes for your business and stakeholders

MIRUS CAPITAL ADVISORS

Team Spotlight



Brendan Kiernan
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kiernan@merger.com

Brendan Kiernan brings over 25 years of investment banking experience providing business valuation, corporate finance advisory, and deal execution services, co-leading sell-side and buy-side M&A mandates across technology, business services, industrial, and distribution sectors. He has completed more than 60 transactions with aggregate value over $3 billion.

Co-head of Mirus' Healthcare & Life Sciences and Business Services teams, Brendan received "Corporate/Strategic Deal of the Year" honors for his work on the sale of Applied BioMath to Certara, Inc. as well as "USA M&A Deal of the Year" honors for his work on the sale of Mikros to Jabil.

Patrick West
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west@merger.com

Patrick West is an accomplished executive, having spent years at Stryker Corporation, entrepreneur, advisor, and director with extensive management and M&A experience in healthcare technology and manufacturing. A member of Mirus' Healthcare and Life Sciences team, Patrick brings the valuable perspective of having sat on both sides of the negotiating table—as both operator/seller and acquirer. This provides a unique insight and informed ability to navigate complex deal processes. He currently is CEO of Bolt Navigation, and continues to hold non-executive board positions.

Thom Busby
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busby@merger.com

Thom Busby has more than a decade of dedicated life science and healthcare investment banking experience, and a twenty-year history of successfully raising capital. Thom is sought-after by clients for his deep industry knowledge and experience in high-innovation segments including medical device, biopharma, diagnostics, instrumentation and digital health/HCIT. Additionally, Thom has extensive experience in life science service verticals such as CROs, CDMOs, consultancies, laboratories, and other outsourced pharma and MedTech providers.

Nick Frame, PhD.
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frame@merger.com

Working closely with companies within the healthcare industry, Nick Frame, PhD., offers his clients a unique combination of transactional and scientific experience. Prior to joining Mirus, Nick was a Senior Vice President at a life sciences dedicated strategic advisory and investment banking firm. In this role, he managed transaction processes for companies in the medical device, pharma, diagnostics and life science services segments. His clients have ranged from family- and founder-owned business to sponsor-backed and public companies.

Trusted advisors to businesses just like yours

Notable healthcare transactions

KEENSIGHT CAPITAL
has acquired a majority stake in
ISTO BIOLOGICS
a portfolio company of
THOMPSON STREET CAPITAL PARTNERS

applied biomath
REVOLUTIONIZING DRUG INVENTION
has been acquired by
CERTARA
(NASDAQ: CERT)

ZIEN Medical Technologies *
has merged with
AVERRA PACKAGING
a portfolio company of
BANNER

OXIPIT
has been acquired by
SECTRA

innara HEALTH *
has partnered with
CardinalHealth™
(NYSE: CAH)

BOSTON HEALTHCARE ASSOCIATES *
has been acquired by
Veranex
Transforming Your MedTech Innovation
a portfolio company of
SUMMIT PARTNERS

Integra Companies
has been acquired by
avantor™

Biomodels
FAST. INNOVATIVE. PREDICTIVE.
has received a strategic investment from
inter medico

Scientific Commercialization
Leveraging Science to Maximize Patient Success
has been acquired by
NAVIMED CAPITAL

Note: Includes transactions completed by Mirus professionals at prior firms (*)

Focus sectors

Technology | Healthcare | Industrials | Business Services | Consumer

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