



Cinven sells Phadia to Thermo Fisher for €2.47bn

Phadia

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Phadia investment earns net capital gain of around €1 billion for the fourth Cinven fund

Cinven has agreed to sell Phadia, the global leader in in-vitro allergy diagnostics, to Thermo Fisher Scientific Inc. for an enterprise value of €2.47 billion. The sale will generate a money multiple of 3.5x Cinven's original investment and an IRR of approximately 31% per annum. Adding in gains from Cinven's repurchase of PIK loans, the net capital gain to the fourth Cinven fund will be around €1 billion.

A highly successful investment

The Phadia transaction marks the first complete realisation out of the fourth Cinven fund. Returns to the fund were boosted by Cinven's October 2009 purchase of €28.5m of Phadia PIK loans, made at the bottom of the 'credit crunch' market, that have generated a money multiple of more than 2x and an IRR of approximately 50% per annum. Including the PIK investment, the total gross proceeds due to Cinven amount to €1.4 billion - a net capital gain to the fourth Cinven fund of around €1 billion, representing an overall money multiple of 3.5x and an IRR of 31%. This compares with the 2.0x money multiple at which the investment was valued at 31 December 2010. The price achieved equates to a transaction multiple of approximately 17x 2010 EBITDA.

The sale is subject to a number of legal and regulatory conditions, including anti-trust clearance. Closing is expected during the second half of 2011.

The opportunity

Phadia is the global leader in in-vitro allergy testing. The company, which is based in Uppsala, Sweden, manufactures and sells specialised blood testing systems and associated consumables and services. It is also the European leader in autoimmunity testing, where Phadia has achieved strong growth in Europe, and more recently has had considerable success in the US and Asian markets.

Cinven's Healthcare team identified the diagnostics testing sector as a segment with strong defensive growth characteristics: this led to the acquisition of Phadia in early 2007 for an enterprise value of €1.285 billion. Phadia's position as the market leader in in-vitro allergy testing and European leadership in auto-immune testing presented an opportunity to generate significant value through a focused strategy of investing for growth.

Cinven value-creation

Following the acquisition, Cinven, working together with Phadia's management team, invested heavily to accelerate growth in revenues and EBITDA. This was achieved through a programme of targeted investment into the sales force, new products and geographic expansion into previously under-developed and under-penetrated markets outside Europe. In tandem, Phadia also consolidated its strong position in European markets.

During the period of Cinven's ownership, a number of growth and development initiatives have transformed the company's performance and prospects:

- Phadia's US sales force has been expanded, from 40 outsourced representatives at acquisition, to nearly 200 Phadia-employed representatives today. In combination with focused marketing initiatives to clinicians, this has seen US sales grow at a compound annual growth rate ('CAGR') of 23% since acquisition in 2007.
- Cinven's Portfolio team based in Asia has been working in partnership with Phadia to take advantage of the Asian growth opportunity. The Portfolio team facilitated the acquisition of Phadia's distributor in China, and helped the company to enter the Indian market. Both markets are key to Phadia's future growth.
- Investment in research and development has improved the speed, scale and diagnostic capabilities of Phadia's current product sets, and accelerated the development of its molecular allergology technology, which is widely considered to represent the future of allergy testing.

As a consequence of these initiatives, Phadia increased its revenue growth rate from 6% before Cinven acquired the company, to a CAGR of 12% between 2007 and 2010 – despite the global economic recession. The company reported revenues of €367 million in 2010.

Notwithstanding the significant investment in operating expenses that was needed to drive this growth (including a 50% increase in headcount from 1,000 in 2007 to approximately 1,500 today), Phadia expanded its margins, and has increased EBITDA from €96 million in 2006 - the year before Cinven acquired the company – to €149 million in 2010, a CAGR of 14%. Today, Phadia enjoys market-leading positions globally and in most of the territories in which it operates, with more than 5,000 systems installed in more than 3,000 laboratories worldwide.

A winning strategy backed by investment capital

Stuart McAlpine, a Partner at Cinven, said: "In Phadia, we saw a compelling opportunity to partner with the management team of a market-leading business that could accelerate growth by penetrating new, high-growth markets. Together, we designed a strategic plan to invest significantly in people, products and new geographies. The fact that Phadia was able to deliver double-digit top line growth throughout a global recession is testament to just how strong a business it is."

Supraj Rajagopalan from Cinven added: "The key initiative was the expansion of Phadia's offering in the US, a structurally under-penetrated market in terms of blood testing for allergy. We invested more than €15 million of operating expenses on an in-house sales force in the US alone, which bore fruit further into the investment."