

## CASE STUDY: AVANIA

November 2020

In 2016, Kester Capital, a UK-based private equity firm, acquired Avania (formerly known as Factory CRO) alongside the founders. Through a series of bolt-on acquisitions, the company has developed into a global integrated full service Clinical Research Organisation (“CRO”) for medical devices, novel technology and combination (drug/device) products. In September 2020, Unigestion Direct II invested in Avania by providing liquidity to the original founders.

This case study provides an insight into our direct private equity investment strategy and approach. It illustrates the typical characteristics of companies in which we invest and how we aim to create value.

### About Avania

Founded as Factory CRO in 1988 and rebranded in 2020, Avania is a full service Clinical Research Organisation (“CRO”) for medical devices, novel technology and combination products. Its core service offering spans regulatory and strategy consulting, reimbursement, clinical operations, data management and biostatistics, medical writing, medical services and quality services. The company has over 120 employees and is headquartered in the Netherlands (Bilthoven), with additional offices in the US (Boston and San Diego) and Australia (Melbourne and Sydney).

### Why did Unigestion choose to invest in Avania?

Unigestion targets investments in resilient companies with superior value propositions, strong management teams and attractive financial metrics. A key criteria for evaluating a potential investment in a company is whether it fits one of our investment themes, as detailed in Figure 1. In this case, Avania met the criteria of our “Healthcare System Reengineered” theme. The company is the only pure-play medical device CRO of global scale.

The global medical device clinical research and development market is growing at c11% per year and is expected to reach USD 12.8bn by 2023. Growth is being driven by the trend for medical device manufacturers to outsource complex clinical trial activities and the rise in global regulatory and evidentiary requirements for commercialisation such as the new European Medical Device Regulation due to come into force in May 2021. Indeed, the market is at the same point of expansion that the pharmaceutical clinical research and development market was around 20 years ago.

While growing rapidly, the pure-play medical device outsourced services market remains heavily fragmented, with no player generating more than USD 50m in revenue. However, there has been an increase in M&A activity from Tier 1 pharmaceutical CRO players to acquire medical device expertise (e.g. in 2019, Covance acquired RCRI, and IQVIA acquired GCE Solutions).

Avania considers itself to be the leader in its niche, being the only pure-play medical device CRO with ISO certification, state-of-the-art big data infrastructure and truly global capability, ensuring clients no longer have to sacrifice medtech expertise for global reach.

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**Investment Date**  
September 2020

**Strategy**  
Buy and build /  
Internationalisation

- ▶ Within our direct investments, we look for attractive sub sectors whose growth is underpinned by long-term trends.
- ▶ Avania is set to continue to benefit from strong growth in the global medical device CRO market, driven by growth in outsourcing of clinical trial activity by sponsors and an increasingly onerous regulatory environment.
- ▶ Together with our investment partner, we aim to grow the business through continued organic growth and a focus on bolt-on acquisitions, taking advantage of the company's position as a market leader in a very fragmented market.
- ▶ Avania is the fifth investment of Unigestion Direct II.



Figure 1: Private Equity Themes, Drivers and Impacted Sectors

THEMES	DRIVERS	SECTORS IMPACTED
1 Future of work	Automation, labour substitution, flexible work, ageing workforce	Education and e-learning, re-skilling, increased connectivity
2 Healthcare system reengineered	More participants in the system driven by ageing and increased quality of healthcare	Medtech, biotech, healthcare services
3 Responsible consumption	Policies and penalties, customer demands, resource scarcity, climate change, air quality	Agriculture, farming, waste management, recycling
4 Personal wellbeing	Increased demand for financial services and pension planning, need for personal interaction in the digitalising world	Fintech, new pension financing solutions, leisure & entertainment
5 Urbanisation	Migration towards urban areas driven by economic transformation, shifting lifestyles, reallocation of free time	Infrastructure upgrade and development (physical and IT), smart cities/homes
6 Converging security & safety	Increased pressure to protect systems—both operational technology and information technology to prevent cyber breaches and physical attacks	Transportation, utilities, financial services, IT, healthcare
7 Resource efficiency	Scarce human, natural and capital resources	Industry 4.0, process efficiency, block chain, IoT, big data analytics
8 Localisation of supply	Drawbacks of globalisation, shift towards local production capitalising on global knowledge	Open-source business models, reorganisation of global supply chains, consumption of local products/goods
9 Sustainable, eco-friendly products and technologies	Climate change, scarce natural resources	Clean tech, energy efficiency, technologies enabling more output with less input, waste management

Source: Unigestion, October 2020.

### Did the COVID-19 crisis impact the fundamentals of this transaction?

Our diligence period was undertaken during COVID-19 and we were able to monitor the company closely through the lockdown. The business continued to trade well through the crisis, with strong year-on-year growth in revenue and profitability due to the essential “mission critical” service that the company provides, as well as due to the medium-to-long term nature of its customer contracts. In addition, Avania benefitted to some extent from COVID-19-related business opportunities such as accelerated regulatory approvals for virus testing medical devices.

### How do you plan to create value in this investment?

Avania is run by a highly experienced and committed board of directors and management team with a demonstrable track record in the sector. The company has consistently outperformed its peers and has an attractive financial profile. Furthermore, the customer base is a solid and diverse mix of blue chip medical device manufacturers, pharmaceutical manufacturers, biologics manufacturers and research and development companies, with no single client representing more than 5% of revenue.

We expect the company’s strong organic growth to continue, driven by anticipated market growth. In addition, through bolt-on acquisitions, the company will continue to expand its geographical reach and its service offering in selected areas. Management has already identified a number of targets in various countries.

### Why did Unigestion choose to invest with Kester Capital?

Kester Capital is a UK based manager with whom the Unigestion team has interacted for a number of years. Kester Capital has relevant experience in the CRO and medical devices sector and was seeking an institutional investor with a global footprint and understanding of the sector to continue supporting Avania’s successful global consolidation efforts. With its global team and expert network, Unigestion was able to conduct an efficient and targeted due diligence programme across multiple geographies. Moreover, the close collaboration between Kester Capital and Unigestion throughout this process has resulted in a close and trusting relationship with a strong alignment for the future growth and ultimate success of Avania.

“Over the last few years, the Avania management team has successfully built a global medical device CRO in a market benefiting from significant tailwinds and attractive market dynamics.

We look forward to continuing this success story alongside Kester Capital.”

Ralph Büchel,  
Principal Private Equity

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Document issued October 2020.