

### Acquisition of Decision Resources (USA)

### Presentation to Analysts

17 May, 2012

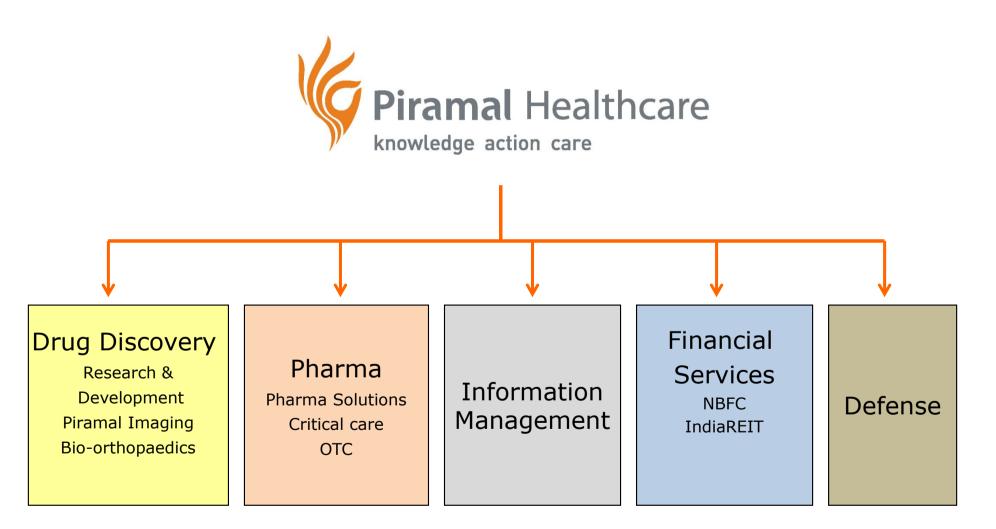
# DRG is a part of our strategic repositioning



- Creating new business portfolio
  - High long-term growth driven by increasing market demand
  - High long-term margin potential due to IP or other proprietary advantages
  - Global value chain where India can play a significant role
  - Fit with our organizational culture and M&A
  - In spaces we know, where we can add value

# Piramal Healthcare will focus on growing in these segments going forward





#### **Transaction Overview**



- Signed agreement to acquire Decision Resources Group ("DRG"), for approximately \$ 635 million (~Rs. 3,400 crores)
- DRG is expected to have sales of \$ 160 million in 2012
- Foundation of Piramal's entry into the \$ 5.7 billion healthcare information management Business
- DRG to continue to operate on stand-alone basis with existing management
- Transaction to be completed by end of Q1FY2013, bridge financing for 18 months for the full amount (finance cost 5.5%)
- To be funded by mix of debt and equity in ratio of 1:1 eventually



### **Entry in Information Management Industry**

### Information Management Industry - Overview



## **Business Description**

- Collect data, generally on a "vertical-specific" basis
- Organize data into useful information
- Sell to consumers in industries where information arbitrage is important and decision risks are high

### Major Players

- Forrester Research
- Gartner Group
- IHS

- Reed Elsevier
- Thomson Reuters
- · Wolters Kluwer

#### **Key attributes**

- Low Beta, Highly-Attractive Cash Flows
- Growth rates in excess of GDP (the "information economy")
- Market Leaders grow at the expense of others
- Customers are more sensitive to quality and reputation than price

### **Market Comps**

Trading multiples for publicly listed companies in this space are 3x –
 5x revenues and 10x – 18x EBITDA



### Decision Resources Group

### Decision Resources Group - An Overview



- Subscription-based global decision support market leader and premium brand in the healthcare information services market (~\$5.7 billion ¹)
  - ~\$2.4 billion segment is addressable by the Company today
- Provides web-enabled insights and predictive analytics via proprietary databases, high-value analytical reports and tools
  - Enables customers to make fully-informed key investment and cost containment decisions in each phase of the life sciences lifecycle
- Proprietary content and data streams created in-house through a rigorous, highly-analytical, knowledge-driven process
  - Staff of approximately 290 analysts, including 100+ highly-credentialed PhDs, MDs,
     MPHs, Pharmacists, MBAs and key industry experts
- Global scale and reach with offices in Belgium, Canada, England, Japan and various locations across the U.S. (~500 full-time employees)

### Decision Resources Group - An Overview

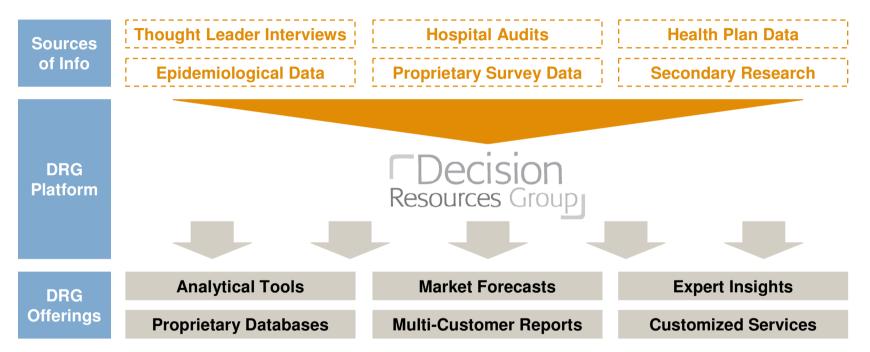


- Long-standing, strategic relationships with the top pharmaceutical, medical technology and managed care companies
  - 95% average customer renewal rate
  - 48 out of top-50 pharma companies are its clients
  - 10+ year relationships with top ten customers
  - Products and services are deeply imbedded in customers' work flow and decision making processes
- Since 2006, revenue has grown at a CAGR of ~20%, with profit growth higher than sales growth
- Best-in-class profitability

### Decision Resources Group - An Overview Highly Differentiated, Valuable Data and Insights



### **Develop Products & Services Through a Highly Analytical Process**



- Products are delivered over the Web and are continually updated based on both specific market events and evolving trends
- Over 90% of the Company's revenue is derived from proprietary developed content



### Why Acquire DRG?

### Strong relationships & sticky revenues



### Stable Revenue base

- Recurring subscription based revenue tied into recurring budgeting cycles
- DRG data gets "embedded into" client work flow

# High value offering

- Proprietary and longitudinal data sets, integrated web-delivered products, current analyses
- High value of insights: (knowledgeable analysts and perspectives of industry participants); the risk far outweighs the price
- Reputation matters; customers cite and value the DRG brand

# Lower price sensitivity

- Secondary research is small portion of overall R&D spend (2-3% of total)
- Quality, accessibility and frequency of data and sources is more important than price

# Business cannot be replicated easily, has attractive financial profile



# High barriers to entry

- 290 analysts, with deep industry knowledge and relationships
- Data collection process, as well as irreplaceable longitudinal data
- Network of 125,000 advisors and data providers

# High operating leverage

- Cost of acquiring and creating specialised products is largely fixed
- Significant operating leverage after break-even, most of new revenues can be expected to fall to bottom line

## Strong free cash flow

- Low Capex
- Negative working capital requirement (prepaid revenue)

### DRG operates in 3 broad areas



#### **BioPharma**

Reports on therapeutic area and drug utilization trends, used by R&D and brand teams

- Decision Resources:
   Therapeutic area assessment
   (e.g. epidemiology forecasts, market share projection physician/payer insight)
- BioTrends: Specialty therapeutic treatment algorithms, disease management patterns, assessment of new product launches
- Manhattan Research:
   Annual studies on eHealth trends and digital media adoption among healthcare professionals and consumers
- AMR: Hospital therapeutic audits and formulary insights

#### **Market Access**

Data services on payer share and drugs coverage by insurers

- Health Leaders: Managed care market intelligence (e.g. data on payer market share within specific geography)
- Fingertip Formulary: Data portal that provides information on formulary status for drugs within a specific geography
- PharmaStrat: Payer focused strategy consulting, market research and market monitoring
- Pinsonault: data and analytic tools, training, research and events targeting "managed markets sales and marketing

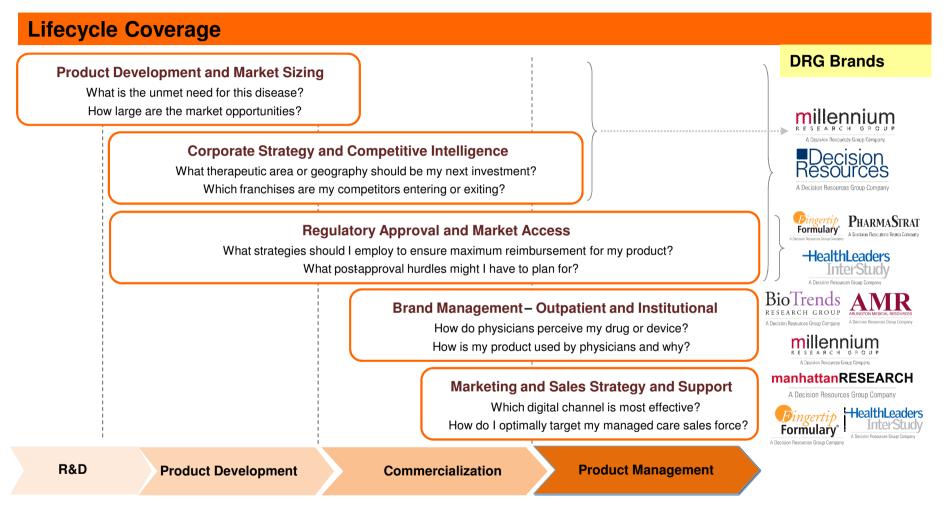
#### **Medical Technology**

Therapeutic reports and sales audits covering major device categories

- Millennium Research:
   Medical technology market
   intelligence, including hospital
   data on product utilization,
   syndicated reports, and
   customer research
- AMR: Syndicated audit of hospital diagnostic imaging procedure volumes and contrast media usage

### DRG works with customers across lifecycle of a drug

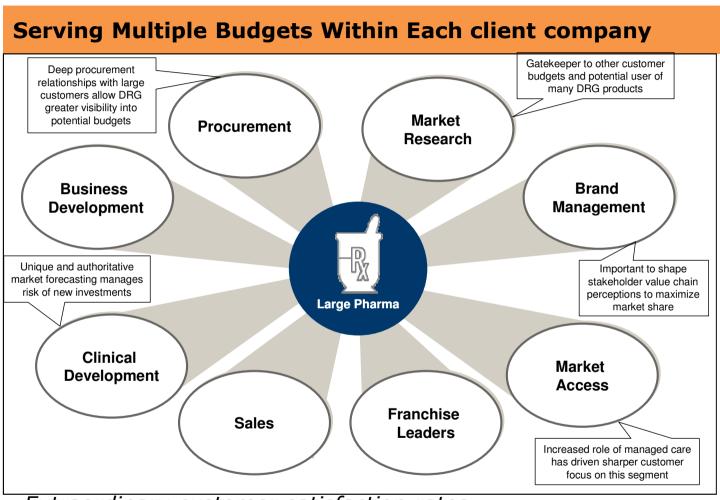




Solutions go beyond products, offering customers current, event-driven analysis and prompt access to analysts

### Strong Relationships across client divisions

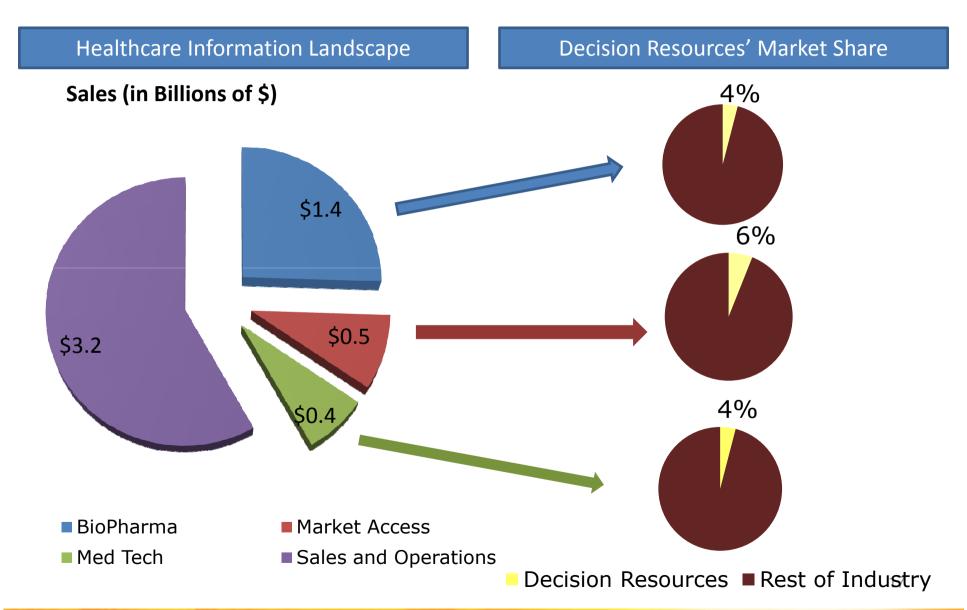




- Extraordinary customer satisfaction rates
- Consistently high customer retention rates
- No single customer represents more than 10% of revenue
- 10+ year relationships with top ten customers

### DRG Competes in a \$2.4bn Slice of a ~\$6 Bn Market







### Decision Resources Group – growth drivers

### DRG well poised to benefit from favorable macro trends



## Growing end markets

- Global pharmaceutical industry revenue was \$837 billion in 2010, expected to grow at 3-5% through 2016
- Global medical device market size is \$350 billion, with expected growth of 5% through 2016

# Changing industry dynamics

- New drugs require larger and riskier bets, with extended payback
- Shift toward specialty pharmaceutical and biologic products with an increased focus on more targeted populations
- Regulatory environment makes approvals and reimbursement a challenge

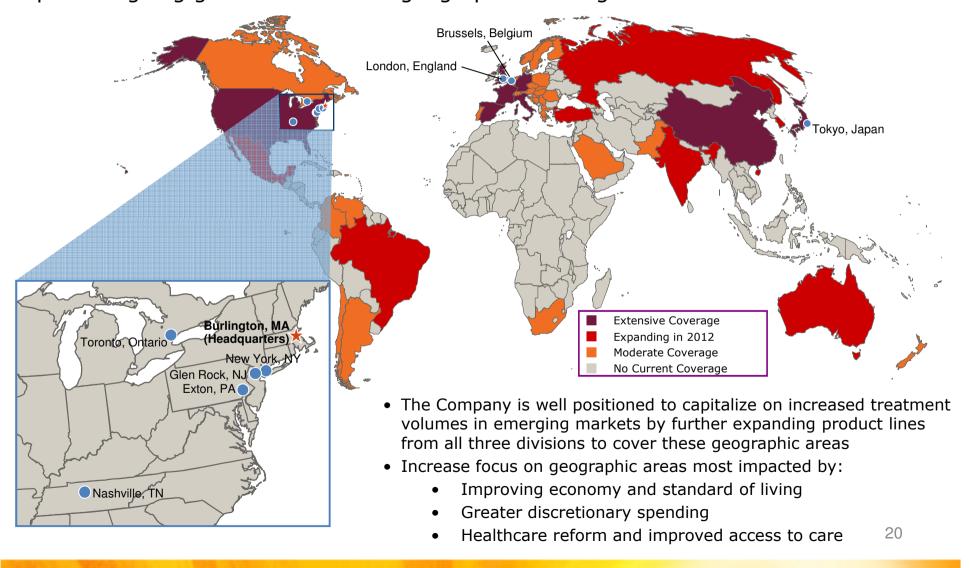
# Encouraging outsourcing trend

- Due to significant pressure on overhead, pharma companies are increasingly turning to outsourced solutions
- High-value analytics and tailored advisory services

### And through increased geographic coverage

Piramal Healthcare

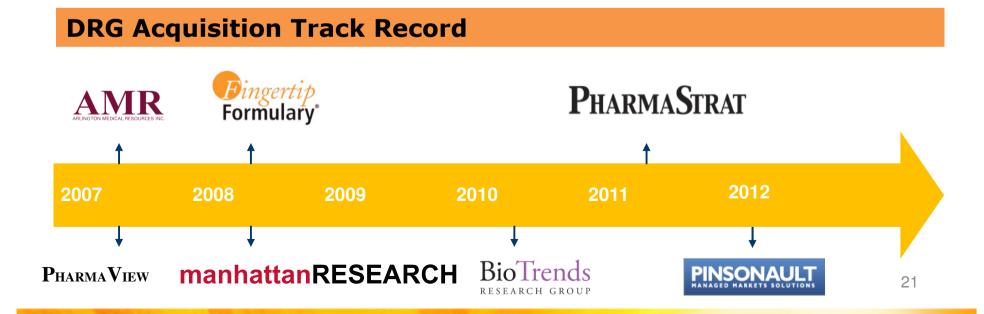
With the expansion of drug and medical device sales internationally, DRG expects ongoing growth from wider geographic coverage



#### And through acquisitions



- DRG has leveraged its fully-developed acquisition platform to continue to build a broad product offering with coverage across healthcare
- The industry is highly fragmented, allowing for a robust pipeline of highgrowth, high quality acquisition targets
- Success in finding and successfully integrating strategic targets via proprietary sources





### Conclusion

### Summary DRG is an Exceptional Company and a Strong Fit for PHL



#### Strong management team with proven ability to:

- Grow even during a recession and expand margins
- Identify, execute and integrate acquisitions

#### **Great customer loyalty**

- 48 of 50 largest global Pharma clients
- 95% average customer renewal rate

#### **Attractive business model:**

- Highly profitable, with expanding defensible margins
- Meaningful barriers to entry
- Low Beta business, with significant growth potential

#### **DRG** to leverage Piramal's:

- Relationship with leading pharma and biotechs companies
- Deep domain knowledge and networks across India and other emerging markets
- Strong Balance Sheet and M&A track record



Thank You