EURAZEO

CONVICTION PAPER: HEALTHCARE

Identifying value drivers across the healthcare sector from therapeutic innovation to treatment and prevention

INVESTING IN HEALTHCARE & LIFE SCIENCES: CONVICTIONS BUILT ON COLLABORATION

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Healthcare is a non-cyclical sector in which we have a strong track record and where we continue to identify exciting growth prospects.

Healthcare expenditure already represents c.10% of global GDP and is set to keep outpacing GDP growth to 2030[1] as a result of structural trends including ageing populations, an increasing incidence of chronic diseases, greater disposable income and improved healthcare access in emerging markets. Significant opportunities from breakthrough innovation offer additional upside while the sector's resilience limits the downside, making it particularly attractive in an uncertain macro environment.

As for all our key investment verticals, the Eurazeo "investment flywheel" plays a central role in accelerating and enhancing our sourcing, due diligence and value creation activities. In Healthcare, the flywheel benefits from expertise across the whole lifecycle – from early-stage biotech expertise from Kurma Partners to established Pharma and Medtech groups in mid-large buyout.

OUR FIRST CONVICTION

While outcome and patient-centric healthcare is not a new concept, it is fast becoming a realistic prospect which will determine the healthcare leaders of the future.

Our sourcing is focused on companies leveraging the tech and data-led trends driving the shift to a more outcome-focused and patient-centric ecosystem. These three primary enablers include:

- **More data**; Generate and share more patient related data to support prevention, virtual care, personalised treatment, improved R&D efficiency and to drive market access and therapy adherence
- **Better analytics**; Help navigating, aggregating and analysing data to make better decisions, with outcome at the core
- **Faster innovation**; From breakthrough therapies increasing patients' quality of life to redesigning the nature of primary care. Innovation is the core growth engine for the ecosystem.

OUR SECOND CONVICTION

We believe that the structural drivers supporting the rise in pharma outsourcing services remain strong, with Medtech representing the new frontier of outsourcing activity.

The long-term shift within the traditional Pharma business model, prompted by ROI pressure in the face of increasing failure rates and molecular complexity, has accelerated further with technological advances and the need for greater specialisation. Heightened regulatory complexity, especially around quality and patient safety, also makes Pharma increasingly reliant on outsourced services which drive value across the supply chain.

Medtech is now poised for a similar growth in outsourcing penetration resulting from the shift towards more complex devices and diagnostics, regulatory pathways and commercialisation schemes.

We identify exciting investment and consolidation opportunities across the fast growing, high margin and limited risk outsourced services market.

1 OECD | With respect to deal sourcing, robust information barriers between potentially conflicting strategies are effective. The sharing of deal flow information across strategies occurs in dedicated forums for the purpose of sharing valuable deal market intelligence/trends and optimizing deal redirecting capabilities, in the best interests of all Eurazeo clients. There can be no assurance that any expected trends or developments will continue or that Eurazeo will be able to implement its investment strategy or achieve its investment objectives.

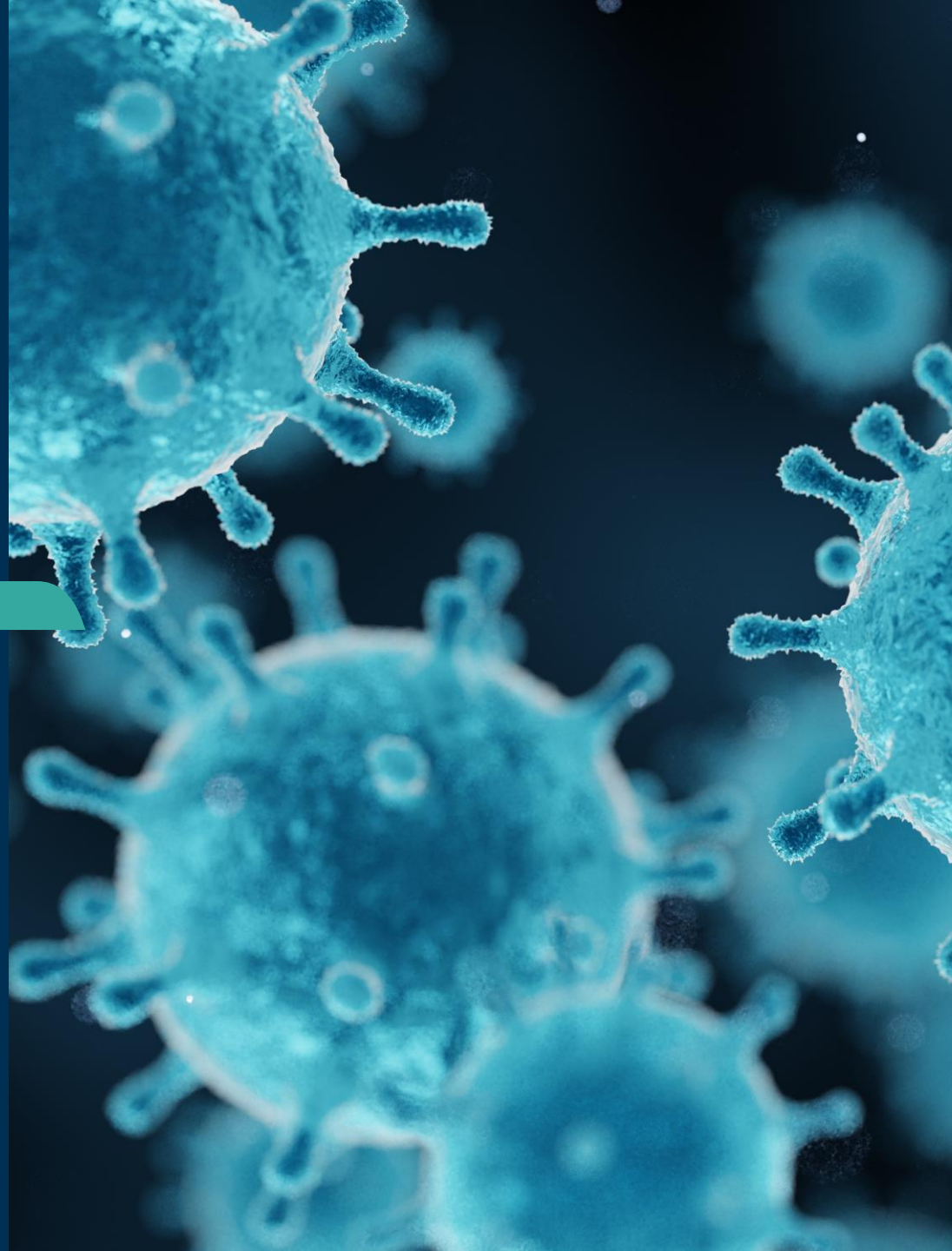
TABLE OF CONTENTS

EURAZEO

SECTOR SPECIALISATION

Healthcare in the spotlight

A vibrant investment sector with low volatility, strong returns and supportive trends driving further growth



A VAST, NON-CYCLICAL SECTOR WITH FURTHER GROWTH OPPORTUNITIES AHEAD

Investments in healthcare offer access to strong growth drivers, low volatility throughout economic cycles and exciting opportunities from technological progress and data explosion.

STRONG STRUCTURAL GROWTH DRIVERS

Healthcare expenditure is predicted to outpace GDP growth over the next 15 years in almost every OECD country[1]. Global healthcare expenditure as a percentage of GDP has steadily increased from 8.6% in 2000 to 9.8% as of 2019[2].

The increase is driven by structural trends including ageing populations, an increasing incidence of chronic diseases and greater disposable income and healthcare access in emerging markets.

NON-CYCLICAL, LOW VOLATILE NATURE

Healthcare demand transcends macroeconomic climates. Healthcare stocks have consistently provided downside risk reduction in weak markets, outperforming in every year global equities have lost ground since 2000[4].

Healthcare private equity returns outperformed other sectors during periods of both recession and recovery, especially in the US which outperformed by 50% over 2006 to 2008 and by 14% over 2009 to 2015[5].

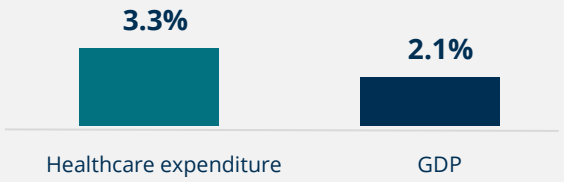
FURTHER OPPORTUNITY FROM INNOVATION

Further growth is coming from innovation and digitisation which redefines patient interaction with care, the use of data and artificial intelligence and available drug therapies.

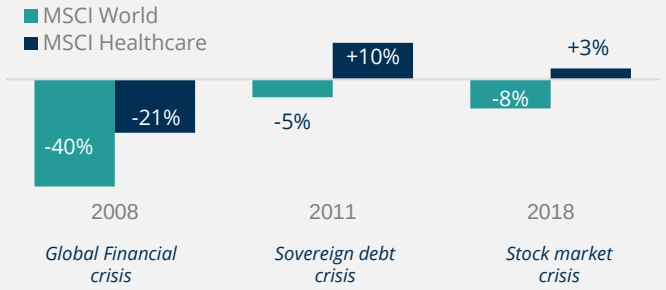
Innovation has accelerated during the pandemic with significant growth projected across the health tech markets. Innovation is further boosted by governments stimulus such as the €5bn EU4Health programme in Europe.

HEALTHCARE EXPENDITURE FORECAST TO EXCEED GDP GROWTH

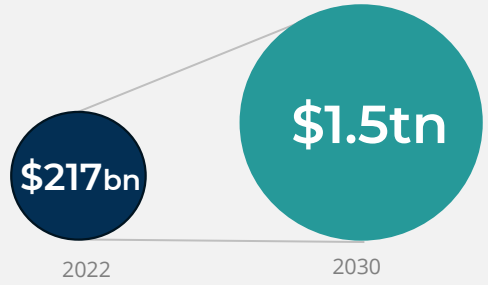
Expected annual increase across OECD 2015-2030[3]



HEALTHCARE STOCKS CONSISTENTLY OUTPERFORMING IN DOWN MARKETS[4]



GLOBAL DIGITAL HEALTH MARKET TO EXPAND 7x BY 2030[6]



1 Health at a Glance 2019: OECD Indicators | 2 World Health Organization Global Health Expenditure database | 3 OECD| 4 MSCI data | 5 DealEdge Sector Study Healthcare Private Equity, 2022 | 6 Grand View Research 2022

HIGH CAPITAL INFLOW AND COMPETITION FAVOURING VALUE-ADD INVESTORS

STRONG CAPITAL INFLOW FUELLED BY SUPERIOR RETURNS

Rapid innovation, low return volatility and a heightened profile during the pandemic led to an increase in private capital investment in healthcare in 2021, with total deal value more than doubling to $151bn.

This sector offers a consistent track record of strong returns – from 2010 to 2021, healthcare PE deals outperformed the broader market with an IRR of 27% vs. 21% all-industry average.

HEALTHCARE M&A ACTIVITY ACCELERATING WITH LARGEST UPLIFT IN EUROPE

Total healthcare M&A deal value rose by 44% in 2021, with activity focused on gaining scale, expanding product portfolios, acquiring adjacent business activities and closing operational and digital gaps highlighted by the pandemic.

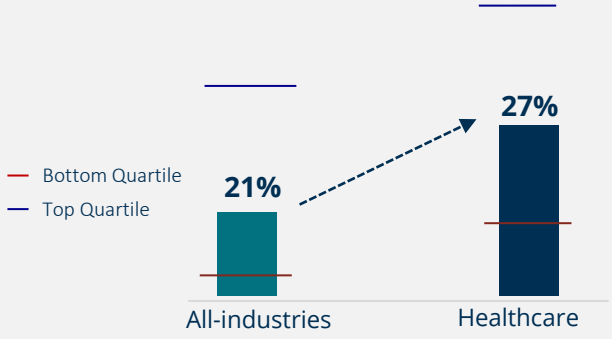
While US M&A was most active, European deal value more than doubled to c.$80bn (18% of global value), driven by six biopharma megadeals. Europe saw more biopharma deal value than any other area, buoyed by its solid scientific base.

CONVICTION-LED EXPERTISE PARAMOUNT TO REALISING OUTSIZED RETURNS

While competition for quality assets means healthcare valuations have remained high, which is evidenced by a median EV / EBITDA multiple of 20x in 2021, conviction-led expertise means investors are able to drive further returns through geographic and product expansion and diversification, new technologies, operational capabilities, and consolidation driving both topline growth and profitability which in turn drive multiple expansion. Hence, specialisation is becoming increasingly key for private equity players.

HEALTHCARE DEALS OUTPERFORMING BROADER PE MARKET

Median IRR for PE deals 2010 to 2021[2]



44%

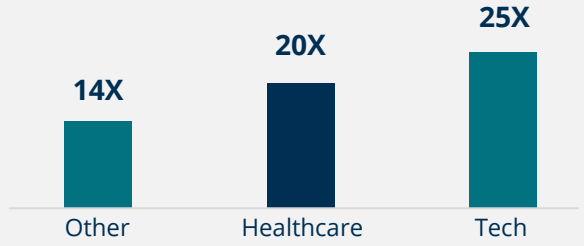
increase in 2021 corporate healthcare M&A deal value (from $305bn to $438bn)[1]

224%

increase in value of corporate healthcare acquisitions of European targets in 2021[1]

VALUATIONS IN HEALTHCARE ABOVE AVERAGE YET BELOW TECH

Median Enterprise value/EBITDA multiples in 2021 across M&A deals globally[1]



1 Bain & Company Global M&A report 2022, Bain & Company Global Healthcare Private Equity and M&A Report 2022 | 2 DealEdge sector study, Healthcare Private Equity 2022

INVESTABLE LANDSCAPE: FOUR MAIN OPPORTUNITY SEGMENTS

The healthcare investment landscape can be categorised into four segments, each offering different business models, risk profiles and opportunities powered by technology and data proliferation.

PHARMA
and related software & services

$44 billion
2021 disclosed deal value

Discover, develop, produce, and commercialize drugs or pharmaceutical drugs

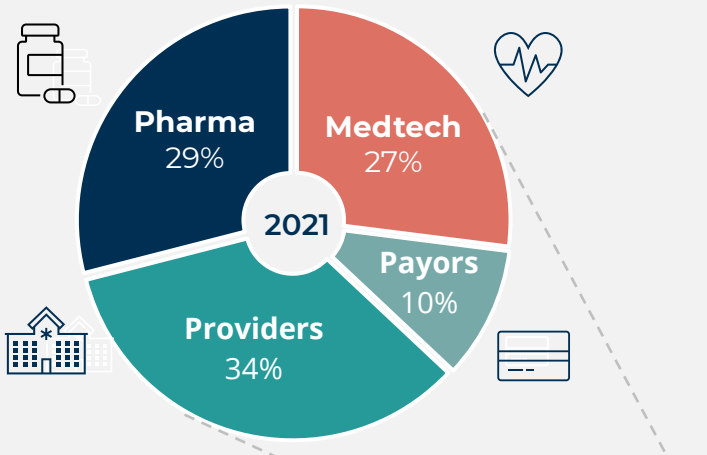
☆ Pharma Cos, biotech, contract services etc

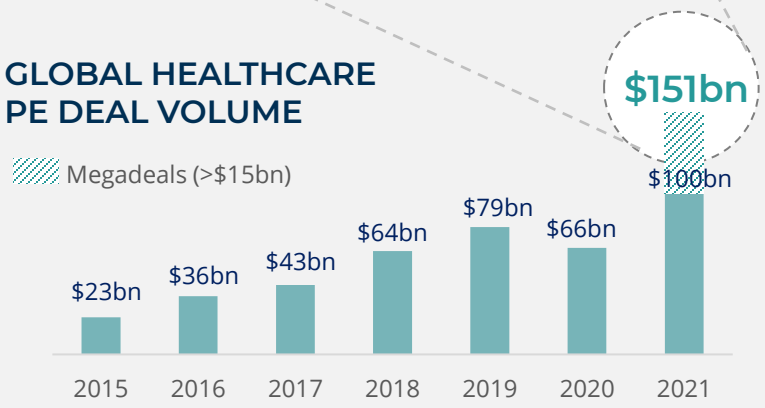
PROVIDERS
and related software & services

$51 billion
2021 disclosed deal value

Health professional or facility organization licensed to provide health care diagnosis and treatment services.

☆ Physicians, clinics, hospitals etc





MEDTECH
and related software & services

$41 billion
2021 disclosed deal value

Product, service, or solution using technology to improve health

☆ OEMs (Original Equipment Manufacturers), Medtech devices, contract services, life science tools & diagnostics etc

PAYORS
and related software & services

$15 billion
2021 disclosed deal value

Set drugs and treatments pricing, collect payments, process claims, and pay provider claims.

☆ Insurers, governments, Medicaid (US) etc

Sources: Bain & Company Global Healthcare Private Equity and M&A Report 2022

SUSTAINABLE HEALTHCARE

An industry with high-stakes in the ESG agenda

Sophie Flak
Member of Executive Board, Managing Partner, ESG and Digital Director

The healthcare industry accounts for over 4%[1] of the global CO_2 emissions yet only 1 in 5 healthcare companies has emission-reduction targets

Due to its critical nature, healthcare is an industry where environmental regulation is often less stringent, e.g. for plastic utilisation and recycling. Nevertheless, healthcare companies need to transform to protect their license to operate and business longevity against environmental issues such as water scarcity, reduced access to raw materials and loss of biodiversity exacerbated by deforestation, killing species critical to make medicines.

Transformation also creates opportunities for innovation and business successes. Novair, one of our portfolio companies, enables hospitals around the world to produce their own medical oxygen, hence suppressing emissions from transportation across borders.

By nature, delivering high-quality healthcare falls broadly within the UN's Sustainable Development Goal 3 of good health and wellbeing yet universal access remains a challenge.

Whether by funding the development of new gene therapies to target severe, rare diseases, leveraging data analytics to optimise the design of clinical trials or improving primary care; investments in healthcare naturally contribute to us living longer, healthier lives. We are very proud to say that through Kurma Partners 200 patents have been registered, 94 severe pathologies are being addressed and 21 products to treat severe diseases have been commercialised.

Access and affordability remain major challenges, even for 'high-income' countries. The Covid-19 crisis has shed light on the need for relocating healthcare to ensure accessibility. The mandate of Nov Santé is explicitly to support the development and transformation of the French and European healthcare sector.

Strong governance is vital to ensure compliance in the heavily regulated healthcare industry but also to ensure that businesses operate soundly.

Engaging with companies to improve their policies and controls in relation to areas including ethics, corruption and gender balance is at the top of our agenda and, even where we do not have a controlling position in companies, we still promote strong governance practices.

Establishing effective Board committees and ensuring 30% of the Board is independent are key criteria on which we assess portfolio companies.

O+ is Eurazeo's ESG strategy, launched in 2020. Its ambition: contribute to transforming the economy by driving more sustainable and shared growth. Its commitments: reach carbon net neutrality (the O) and foster a more inclusive society (the +). Its deployment: it applies across the Group, but also across the 530 companies in its portfolio.

SCIENCE BASED TARGETS

SBTi **Eurazeo decarbonisation target**
Validated by SBTi

Article 9
Nov Santé
Actions Non Cotées (SFDR)
EURAZEO

1 ARUP: Health care's climate footprint, 2019 | 2 100% of Eurazeo's eligible private equity portfolio by invested capital

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EURAZEO'S FLYWHEEL

Shaping investment convictions

Collaboration at the core to accelerate sourcing and value creation

ACCELERATING SOURCING AND VALUE CREATION THROUGH COLLABORATION

The investment flywheel operates across the entire Eurazeo Group, accelerating and enhancing our sourcing, due diligence and value creation activities.

Marc Frappier
Managing Partner – Mid-large buyout

FLYWHEEL SUPPORTS
>60%
of sourcing & DD activity[1]

FLYWHEEL SUPPORTS
>80%
of portfolio value creation[1]

1 **COLLABORATION AT THE CORE**

Eurazeo's expertise across the full lifecycle in Venture, Growth and Buyout and the collaboration across teams and strategies form the foundations of strong investment convictions, asset sourcing and transformation.

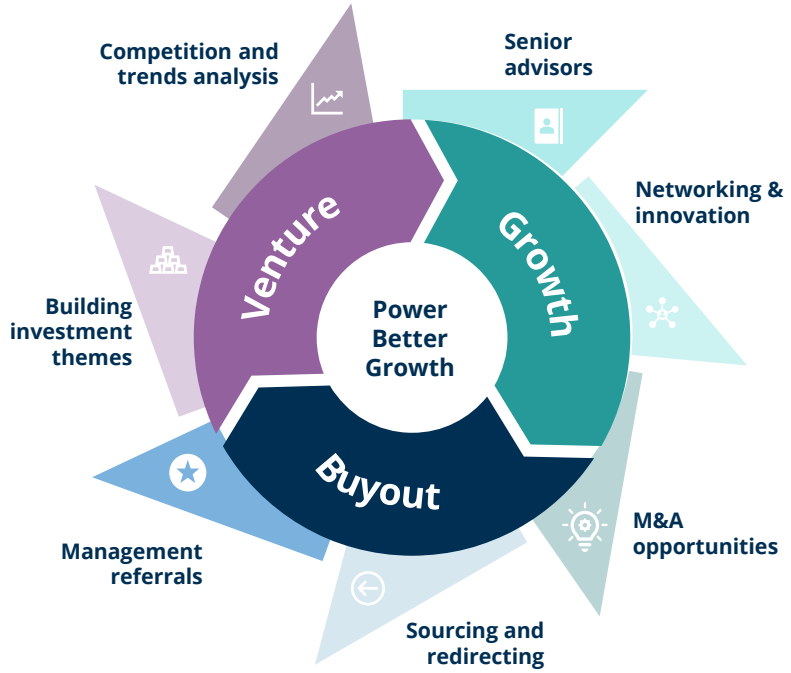
2 **STRENGTH AND BREADTH OF TEAM AND SENIOR ADVISORS**

Strong bench of senior advisors from across the industry, with varied backgrounds and skill sets, provide valuable insights into the market which complement our sourcing, due diligence and value creation strategies.

3 **LEVERAGING THE WIDER PORTFOLIO**

Portfolio companies and CEOs, as critical elements of the flywheel, help challenge and build convictions through real-life feedback and provide access to their expert network.

EURAZEO INVESTMENT FLYWHEEL



1 *Based on Mid-large buyout opportunities across all sectors presented to Investment Committee from January 2020 to the end of April 2022.*

LEVERAGING THE FLYWHEEL IN HEALTHCARE

Healthcare is an emblematic example of the power of the flywheel, leveraging our experts and investments across all our strategies.

Olivier Millet
Member of Executive Board, Managing Partner – Small-mid buyout & Nov Santé

Healthcare is a key sector across all our investment strategies. Our momentum in healthcare investing has increased in the last two years, with an enhanced 70.6% stake in leading biotech and innovation fund Kurma Partners and the formation of a specialist health team to manage the Nov Santé strategy, which was awarded to us on behalf of the French insurance industry and the Caisse des Dépôts.

Our ubiquitous approach gives us a unique perspective into the key trends and themes shaping the healthcare industry.

EURAZEO HEALTHCARE INVESTMENT SPECIALIST

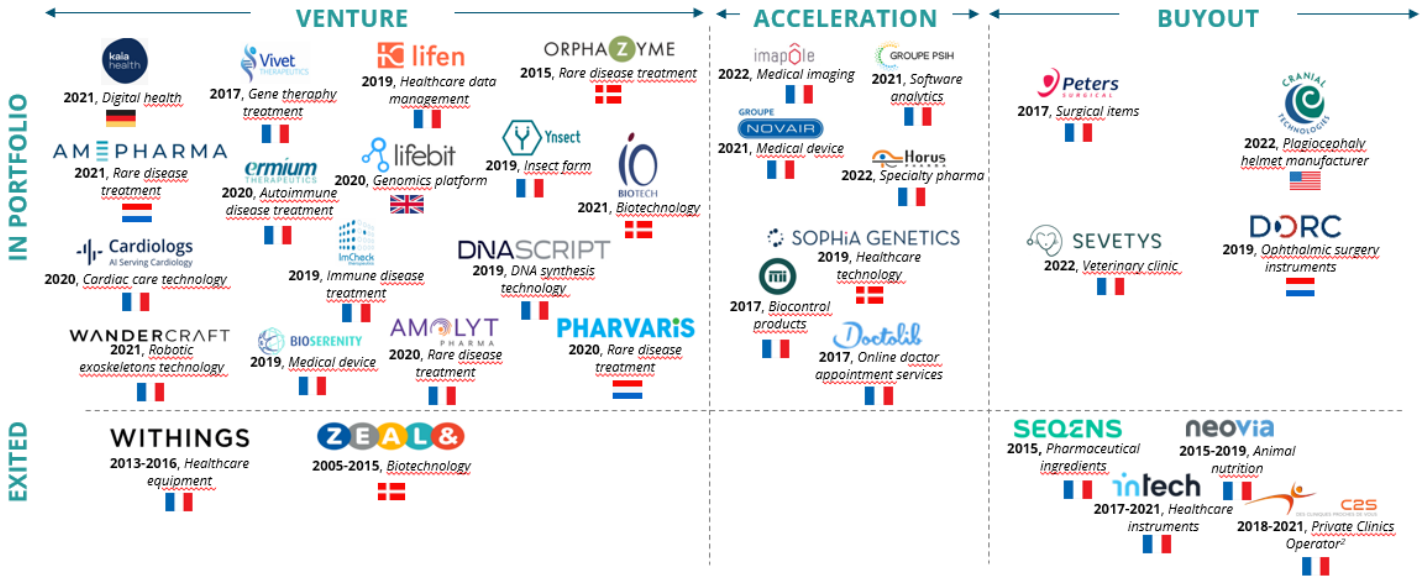
29 SENIOR PROFESSIONALS dedicated to healthcare

2 SPECIALIST healthcare funds

957 COMPANIES BACKED in healthcare[1]

€3.9bn CAPITAL invested[1]

UNIQUE HEALTHCARE TRACK RECORD FROM SEED TO BUYOUT



1 Investments made by Eurazeo Funds across all strategies; 2. Real Assets investments

Philippe Peltier
Partner – Kurma Partners

Francesco Orsi
Managing Director – Mid-large buyout

Antoine Zins
Managing Director – Venture Digital

INVESTMENT FLYWHEEL IN ACTION

Leveraging the breadth and depth of the Eurazeo Group to support portfolio companies across the lifecycle

Q: Can you describe some of the ways in which the investment flywheel brings value across Healthcare?

FO: Our end-to-end investment capabilities and broad network including global senior advisors are vital in helping portfolio companies to reach their potential. The true value of our 'flywheel' was evident during the pandemic period when we organized regular CEO calls, spanning all funds and regions, to offer advice on how to minimise the impact of significant physical and commercial restrictions on their stakeholders and finances. Regular interaction between our internal and portfolio company teams is maintained to this day, with CEOs stressing the importance of Eurazeo's community in enhancing strategic execution and success.

Q: How does Kurma Partners leverage the flywheel?

PP: At Kurma we work closely with the wider Group to share insights across the scientific and tech landscape. This helps us better analyse investments, shape our companies' commercial strategy and advise entrepreneurs navigating an increasingly complex regulatory backdrop.

The combination of Kurma's deep healthcare knowledge and Venture's tech expertise was crucial in helping **Cardiologs** bring the first FDA approved AI-enabled solution to market. By demonstrating a five-fold productivity increase in ECG analysis, Cardiologs was able to secure demand from cardiac monitoring companies keen to improve their workflow at a time of decreasing reimbursement rates by health insurance companies.

Cardiologs demonstrates how Machine Learning plays a critical role at the intersection of life sciences, medical devices and software, validating Eurazeo's investment thesis of the past five years.

VENTURE AND KURMA COLLABORATION: TRANSFORMING CARDIOLOGY

Cardiologs is democratising cardiac care through medical-grade AI & cloud technology

BRIDGING THE GAP BETWEEN HEALTHCARE AND TECH

DEFINING A COMPELLING BUSINESS MODEL

MACHINE LEARNING DRIVING VALUE

2021
Acquired by Philips

Cardiologs®
A Eurazeo portfolio company
EURAZEO

Eric Sondag
Managing Director – Mid-large buyout

Arnaud Vincent
Managing Director – Nov Santé

Erwann Le Ligné
Managing Director – Small-mid buyout

INVESTMENT FLYWHEEL IN ACTION

AZ: Collaboration with Kurma has also been invaluable to the Venture portfolio, especially as the frontier between digital and Medtech becomes increasingly blurred. Kurma recently helped us assess the value of a pipeline of new molecules for **Aqemia**, a company focused on Deep Physics and AI-powered drug discoveries.

Turning to the wider group, we also benefit from the vast experience of the Real Estate team, who advise us on the management of physical clinics such as those operated by **Avi Medical**.

Q: How has Nov Santé leveraged the wider Eurazeo Group to support companies?

AV: The unique combination of our team's deep expertise, complemented by the wider group's experience and network of healthcare CEOs, has been critical to value creation. Group-wide collaboration is a true growth accelerator.

Novair is an excellent example of where collaboration has already brought considerable benefit. Broader team input has helped us to enhance Novair's company structure, setting up an effective Executive Committee and advising them on crucial areas including financial reporting, risks linked to sales in remote geographies and how to reduce carbon emissions at a company and product level. Our Digital team has also advised on the design and implementation of a robust CRM. We have accelerated external growth, supporting two deals in the US and drawing on the buyout teams' network to trigger two key hires: a PMO to oversee US company integration and a Head of Sales for their Italian subsidiary. Kurma's experience and expertise is also instrumental in recommending and securing R&D partnerships with early-stage ventures.

ES: Our US footprint means we are able to help companies across the Group, such as Novair and DORC, navigate the intricacies of the largest healthcare market in the world with expertise across regulatory, reimbursement and distribution schemes and with the connections to assist with sourcing relevant deals and advisors.

NOVAIR: EMPOWERING HOSPITALS IN OXYGEN SUPPLY

Novair sells solutions for on-site production of medical and industrial gases such as oxygen and nitrogen.

GROUPE NOVAIR
A Eurazeo portfolio company
EURAZEO

CRITICAL SUPPLY

Oxygen is a life-saving essential medicine with no substitution (used to treat respiratory illnesses like C-19 and pneumonia and essential for surgery and trauma).

GREATER AUTONOMY

On-site, on demand oxygen production from ambient air allows hospitals to be autonomous, no longer relying on a supplier

ECO-RESPONSIBLE

Hospitals no longer have recourse to oxygen deliveries, mitigating their carbon footprint. Production capacity is sized to the needs of each hospital

EURAZEO

CONVICTION A

Patient centricity and outcomes focus driving investment returns

More data, better analytics, faster innovation shaping our strategy across the healthcare value chain

OUTCOME & PATIENT-CENTRIC HEALTHCARE: THE NEW PARADIGM

The principle behind outcome and patient-centric healthcare is that healthcare systems should focus on delivering results, as opposed to delivering interventions.

According to the International Consortium for Health Outcomes Measurement: "Outcomes are not 'outputs'; they are not lab results; they are not technical details. They're real-world results, like physical functioning or level of pain."

SHIFTING FOCUS FROM QUANTITY TO QUALITY

Traditional fee-for-service models incentivise the quantity of care e.g. number of tests requested, patient visits or waiting times rather than rewarding the quality of patient outcomes that results from these interventions. It is estimated that c.20% of healthcare spending is currently wasted on ineffective interventions.

An outcome and patient-centric health model instead focuses on the long-term health and wellbeing of the consumer, both in and out of clinical settings.

OUTCOME FOCUSED MODEL FOR A SUSTAINABLE FUTURE

While in its infancy, the shift has already started in the US and in Europe, in Sweden in particular, where several medical verticals are already outcome based. By tying incentives and payment to quality outcomes across the entire healthcare model, beyond medicines, countries can help ensure the long-term sustainability of healthcare systems.

Effective systems will rely on collaboration between payors, clinicians and patients to establish appropriate measures, invoke standardisation and they must reward innovation which makes the assessment and delivery of superior health outcomes possible.

> We are convinced that those companies which truly contribute to improving patient outcomes, or which support the implementation or enablement of such systems, will be the healthcare leaders of tomorrow.

Francesco Orsi
Managing Director, Mid-large buyout

20%

HEALTHCARE SPENDING
currently wasted on ineffective interventions[1]

1 International Consortium for Outcomes Measurement, 2016

OUTCOME & PATIENT-CENTRIC HEALTHCARE: THREE CATALYSTS

Outcome-based healthcare, while not a new concept, has gained recent traction as economies adapt to growing pressures and seize new opportunities.

Benjamin Hara
Managing Director, Small-mid buyout

NON-COMMUNICABLE DISEASES (NCDs) AND AGEING POPULATIONS WEIGHING ON HEALTHCARE BUDGET

In Western Europe, NCDs account for about 90% of all deaths and strain healthcare budgets, with five major NCDs - cardiovascular and endocrine conditions, cancers, respiratory and mental disorders - contributing to over a third of total health spending in high income countries. The rising prevalence of NCDs, driven by societal factors, alongside an ageing population is putting further financial pressure on European healthcare systems.

90%
of deaths caused by NCDs in Europe[1]

TECH INNOVATION AND DATA REVOLUTION MAKING OUTCOME-BASED APPROACH INCREASINGLY VIABLE

Today more than ever, the outcome and patient focused approach is increasingly viable thanks to the growing volume of available health data and our ability to extract meaningful information from it. This incudes determining, measuring and responding to a more holistic set of patient 'outcomes.'

Technological progress, including predictive analytics, digital health and AI has fundamentally changed how health and its value is measured, managed and delivered.

22%CAGR ↑
of big data healthcare market projected from 2021 to 2026 (from $18.3bn to $44.5bn)[2]

OPPORTUNITY TO ALIGN THE INTERESTS OF ALL HEALTHCARE STAKEHOLDERS

An outcome and patient-centric system presents a model which can bring benefits to all stakeholders:

- **PATIENTS**
  Better outcomes and lower costs
- **PROVIDERS**
  Higher patient satisfaction rates & better care efficiencies
- **PAYORS**
  Pay for performance: Increased 'health/spend' ratio
- **SOCIETY**
  More efficient healthcare spending and better overall health, higher clinical benefits compared with existing therapies

1 World Health Organisation, Monitoring noncommunicable disease commitments in Europe 2021 | 2 The Business Research Company

THREE PILLARS DRIVING BETTER PATIENT OUTCOMES

Our investment screening process identifies companies leveraging new therapeutic approaches and the technology and data-led trends driving the shift to an outcome-based healthcare ecosystem.

Rémi Droller
Managing Partner, Kurma Partners

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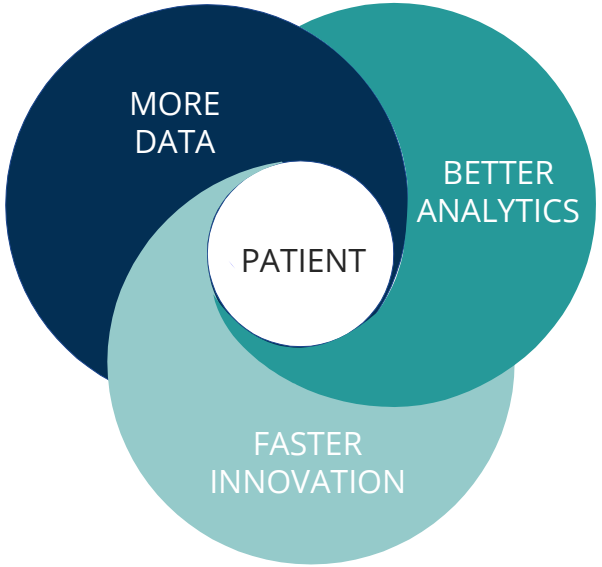
INVESTMENT SCREENING



MORE DATA

Generating more accurate, relevant data across all patient environments and settings to improve our understanding of diseases and enhance diagnostics.

Better quality patient-related data underpins a holistic approach to care - supporting prevention, virtual and personalized treatment and improved R&D efficiency

intech
kaia health
NAOX Technologies
WITHINGS

BETTER ANALYTICS

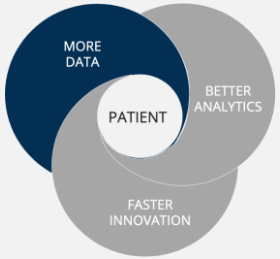
Employing tools such as AI and increasing data standardisation and interoperability to help aggregate and analyse data to make better decisions, with improved patient outcomes at the core

SOPHiA GENETICS
Cardiologs
lifen
GROUPE PSIH

FASTER INNOVATION

From developing ground-breaking therapeutic modalities to better assessment of clinical outcomes, the accelerated pace of innovation increasing patients' life expectancy to improving patient satisfaction

Peters SURGICAL
lifebit
CORVIEVE Therapeutics
CRANIAL TECHNOLOGIES



MORE DATA FOR ENHANCED DECISION-MAKING

REAL-WORLD DATA TO INFORM TREATMENT AND MONITOR OUTCOMES

Data collected by devices for real-time information and remote monitoring: connected medical instruments, wearables and smartphones give access to live data regarding the patient's condition and the instrument's use and status. Data on equipment, instruments and consumables allows for better utilisation rates and ROI.

Data reported by patients for perception and symptoms measurements: insights into the patient's experience, adherence, wellbeing and satisfaction captured through surveys, questionnaires, online portals, mobile apps and social media.

Data reported by caregivers for medical history: patient's health/treatment history, family history captured through electronic medical records, lab results, imaging, molecular profiling (genetic testing) but also administrative reports such as claims, billing, medication/device registries.

INCREASING GLOBAL ADOPTION OF REAL-WORLD DATA

While randomised clinical trials are generally considered as the gold standard for scientific evidence, real-world data is increasingly used in the development and commercialisation of pharmaceutical products.

REAL-WORLD DATA INCREASINGLY PART OF THE REGULATORY FRAMEWORK

Food and Drug Administration (FDA) released initial regulatory RWE frameworks or notices. US is the sole country where RWE is explicitly mentioned in the legislation.

European Medicines Agency (EMA) published 'Operational, Technical, and Methodological' framework for the use of RWE in regulatory decision making. *Regulatory Science to 2025* report (2020) promotes high-quality RWD.

Medicines & Healthcare products Regulatory Agency (MHRA) accepts RWE to complement data from Phase II and III studies with ongoing evidence generation.

The ATU programme (Autorisation temporaire d'Utilisation) authorises manufacturers to use RWE in their submissions.

INTECH MEDICAL: IMPLANT MANUFACTURING FOR THE ORTHOPAEDIC MARKET

Global market leader in the manufacturing and development of orthopaedic surgical instruments.

A Eurazeo portfolio company

INNOVATIVE TRACKING TECHNOLOGY

Turning any medical device into a self-monitoring smart tool through sensors and RFID technology.

ENHANCED LOGISTICS

Real-time Information on number of sterilisations, torque-clicks, surgical use and inadvertent events helps to identify issues and enhance inventory management.

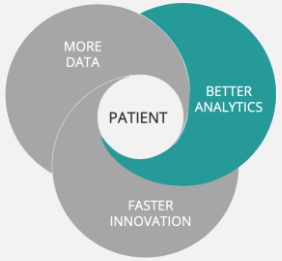
IMPROVED DECISIONS

Expanded data points mean in-house marketing teams can make better informed recommendations to R&D.

> InTech helps all actors in the supply chain to optimise logistics, reduce costs and improve patient outcomes by providing reliable data which drives informed decision-making across the device lifecycle.

Erwann Le Ligné
Managing Director, Small-mid buyout

Source: Science Direct: Real-World Evidence for Regulatory Decision-Making: Guidance From Around the World, March 2022



BETTER ANALYTICS FOR ACTIONABLE INSIGHTS

AI AND MACHINE LEARNING TOOLS TRANSLATE REAL-WORLD DATA (RWD) INTO REAL-WORLD EVIDENCE (RWE)

Advanced analytical tools allow healthcare's large volume of data to be converted into useful, medically actionable insights.

This empowers better decision-making by revealing ways to deliver superior patient experiences, treatments and outcomes. RWD have the potential to generate valid and unbiased RWE with savings in both cost and time, compared to controlled trials, and to enhance the efficiency of medical and health-related research.

Integrating data into the surgical workflow, via robotics and augmented reality, allows physicians to improve treatment in the operating room to post-op care.

RWD ⋙ RWE

REAL-WORLD DATA
collected outside clinical trials

REAL-WORLD EVIDENCE
of therapeutic benefits or risks

GREATER INTEROPERABILITY AND STANDARDISATION OF DATA REQUIRED ACROSS THE ECOSYSTEM

The overwhelming volume of data and fragmented nature of the healthcare market make data very difficult to use.

To be useful, the data generated all across the healthcare system need to be aggregated in order to be analysed and used at scale. Breaking data silos is one of the key challenges faced by the industry and calls for data interoperability platforms that are consolidated, secure, easily accessible and transparent, combined with solid analytics technologies.

It is estimated that 90% of healthcare data is yet to be exploited[1], highlighting the significant opportunity which lies ahead.

30%
OF THE WORLD'S STORED DATA IS HEALTH RELATED[2]
2021

36%
EXPECTED GROWTH IN HEALTHCARE DATA VOLUME[3]
to 2025 (CAGR)

GROUPE PSIH: LEADING BUSINESS INTELLIGENCE AND DATA HOSTING SERVICES FOR HOSPITALS

Groupe PSIH's software aggregates and analyses all of the data generated across hospitals' different services, incorporating financial performance and health information system management.

GROUPE PSIH
EURAZEO
A Eurazeo portfolio company

1,000 healthcare institutions (33% market share)

105 hospital groups

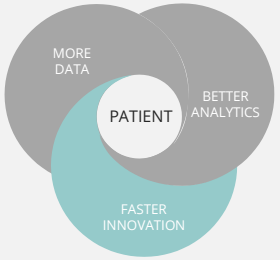
25 academic medical centres

13 cancer centres

"PSIH's extraordinary access to healthcare data offers tremendous opportunities in outcome-based care by aggregating and standardising data from 1,000+ French health institutions. For example, by showing the exact impact a specific drug has on the care consumption, time spent at the hospital etc.

Arnaud Vincent
Managing Director, Nov Santé

1 Black Book | 2 OECD | 3 IDC White Paper The Digitization of the World – From Edge to Core



FASTER INNOVATION FOR IMPROVED OUTCOMES

RESEARCH & DEVELOPMENT TRANSFORMED BY DATA AND ANALYTICS

RWD/E is accelerating the pace of innovation and shortening time to market.

The methodology shift brought by RWD/E accelerated research and discovery in critical fields such as oncology, precision and personalised medicine, cell and gene therapy, epigenetics, resulting in a leaner, faster and more targeted drug and devices pipeline.

By reducing trial failures and accelerating new treatments to market, RWE enable patients to quickly get access to new therapies.

90%

OF NEW DRUG APPROVALS
included RWE as part of submission in US, as of end 2020[1]

PRIMARY CARE DIGITISATION IMPROVING PATIENT – PROVIDER INTERACTIONS

Revolutionising primary care delivery and emphasising the importance of prevention.

Telemedicine and remote monitoring increase patient satisfaction by providing faster or more personalised care, creating greater engagement and adherence while alleviating the burden on healthcare providers.

Insights derived from data analytics and connected devices allow caregivers to detect patterns and risk indicators of developing a specific disease. Treating the patient upfront ultimately leads to fewer consultations, hospital admissions and better health.

73%

OF HEALTHCARE PRACTITIONERS
say remote monitoring improves patient satisfaction[2]

CORLIEVE THERAPEUTICS: TRANSFORMATIONAL THERAPIES FOR NEUROLOGICAL DISEASES

CORLIEVE Therapeutics
A Kurma Partners company, later sold to uniQure

Biotech company founded by Kurma Partners in collaboration with CNRS, INSERM and REGENXBIO in 2019.

Lead gene therapy program employs miRNA silencing technology to treat patients with severe neurological disorders, temporal lobe epilepsy (TLE) in particular.

- 1.3m people affected by TLE in the US and Europe alone
- Refractory TLE leads to increased morbidity, excess mortality and poor life quality
- Preclinical proof of concept data demonstrate clear suppression of chronic spontaneous epileptic seizures

uniQure
Corlieve was acquired by uniQure in June 21.

> We redeveloped Corlieve with the vision of transforming the lives of severely affected epilepsy patients. Corlieve's emerging science backed by technology is a potential game-changer.

Vanessa Malier
Managing Partner, Kurma Partners

1 Deloitte | 2 Rhythm management Group: Rhythm Connectivity report 2022

CRANIAL TECHNOLOGIES BUILDING ON ALL THREE PILLARS

"Smart data generation and analytics have enabled Cranial to scale operations, while creating highly personalised bands which deliver reliable, best-in-class results. Our unique technology and extensive databases and 3D image libraries open the door to even more innovation.

Tim Littlefield
Chief Technology Officer, Cranial Technologies, Inc.

LEADING MANUFACTURER OF CRANIAL HELMETS USED FOR TREATING INFANTS WITH PLAGIOCEPHALY (FLAT HEAD SYNDROME)

EURAZEO
A Eurazeo portfolio company

CRANIAL TECHNOLOGIES®

- **Market leader** with 35% market share in the US
- **300,000+ bands** produced since 1993
- **First cranial orthotic** cleared by FDA in 1998, creating new device category based on Cranial's pioneering work
- **37 total patents, 6 more pending** covering innovative aspects of imaging, design and manufacturing methods (AI/ML, additive manufacturing)
- **73,000 annual consults**

84 clinics
across **22** US states and
3 European countries

7x
PRODUCTION INCREASE
with the introduction of machine-learning

MORE DATA
- State-of-the art proprietary imaging software for customised helmets
- 9 directional measurements and 7 criteria calculated based on 13 landmarks placed on the head
- 5.7m standardised datapoints from 370k+ patients' 3D imaging
- RWE to demonstrate safety and efficacy and ensure FDA clearance

BETTER ANALYTICS
- Algorithm replicating complex human work and expertise
- 5 proprietary programs designed to streamline, automate, standardize and provide scalability

FASTER INNOVATION
- Clinically proven to correct cranial vault and skull base deformities
- Superior patient satisfaction through differentiated product design and family-friendly clinics

DORC: OUTCOME-DRIVEN INNOVATION

Francesco Orsi
Managing Director, Mid-large buyout

Pierre Billardon
CEO, DORC

Fanny Nerinckx
Head, Vitreoretinal Surgery Unit, Ghent University Hospital

DORC

A Eurazeo portfolio company

Medtech company which is #2 worldwide supplier of techniques, instruments and equipment for ophthalmic surgery

FO: DORC has a long history of spearheading ophthalmic innovation, which was one of the main reasons we invested in 2019. Can you tell us more about your latest launch?

PB: In March 2022, we launched Eva Nexus, a device which improves efficiency and control in retina, cataract and combined surgery. Eva Nexus introduces multiple innovations in surgical technology including the first micro-injection system to receive FDA 510k clearance for sub retinal injections. The platform significantly increases efficiency in the operating theatre, allowing surgeons and nursing staff to focus on the patient and procedure.

FN: I have been using Eva Nexus for several months and can confirm that reduces the phaco energy required for cataract surgery. It also ensures better control of intraocular pressure, enabling surgeons to work at lower infusion pressures and delivering superior outcomes visible 1 day post-op.

FO: How does your outcome-driven research model drive value?

PB: Our motto is "Inspired by surgeons, created by DORC". For 40 years, DORC has worked to advance ophthalmic surgery alongside leading surgeons who sit on our advisory boards. In 2010, this type of collaboration sparked the development of 27g surgery using incisions of 0.4mm which reduces the need to suture from 24% to 3% of cases and improves patient recovery[1]. Today DORC is a market leader in instruments for this field of surgery and it is one of the factors securing our presence in seven out of the top 10 US teaching centers.

FO: Where do you see the next frontier in ophthalmic surgery?

FN: The opportunities created by cell and gene therapy are very exciting, especially for the treatment of inherited retinal disorders. The success of gene therapy treatments depends on the delivery system for precise control to the sub retinal space, which DORC's INICIO micro injection technology provides. This has the potential to radically improve the future for patients suffering from these conditions.

PB: More data will certainly add a lot of value, potentially mitigating risks related to eye surgery: for instance, AI applied to blood pressure monitoring could potentially reduce the incidence of vitreous haemorrhages, a major concern for surgeons.

Robotics, an emerging field, increases surgical precision using minimally invasive techniques. To date, robotically assisted surgeries are only available for a handful of procedures and so its inevitable expansion could significantly improve outcomes for millions of patients around the world.

Office-based surgery (OBS) in ophthalmology is another hot topic, with demand for this driven by an ageing population. By 2032, the number of individuals with cataracts in the US is projected to be 38.5m, rising to 45.6m by 2050 and creating a critical shortage of hospital capacity. OBS offers a real solution.

Sustainability will continue to be a key focus area as suppliers such as DORC look to incorporate biodegradable materials into manufacturing and contribute to waste reduction.

1 Source: A Comparative Study of 23-Gauge and 27-Gauge Vitrectomy for Puckers or Floaters, Including Evaluation of the Effect of Combined Phaco-Vitrectomy Surgery on Postoperative Outcome, Peter Stalmans, Feb, 2021 – Ophthalmologica- Base 80 patients

EURAZEO

CONVICTION B:

Strategic outsourcing shaping pockets of value

Pharma still leading the way with Medtech as the new frontier

PHARMA MODEL SHIFT FUELLING SPECIALISATION

The shift within the traditional pharma business model which started 30 years ago was prompted by longstanding profitability pressure and looming patent cliffs. This led to a faster pace of scientific innovation and increased focus on breakthrough therapies targeting smaller populations. All of this has required specialisation and therefore outsourcing, which today is a strategic lever in the value chain.

Rémi Droller
Managing Partner, Kurma Partners

PHARMA COMPANIES FORCED TO FOCUS ON RARE DISEASES

Significant patent cliffs mean pharma companies are under pressure to replenish product pipelines.

Reduced opportunities in 'mass-market' diseases force pharma to focus on rarer diseases with high unmet needs and pricing power.

Government funding further promotes development of innovative 'orphan' drugs.

c.$240bn
OF PATENTS
to expire by 2030[1]

NEXT-GENERATION DRUGS NEED GREATER SPECIALISATION

Improved understanding of genomics and disease profiles enables the development of new therapeutics, adding complexity.

The delivery of precision medicine requires access to big data and the ability to analyse and translate data findings to clinical settings.

Niche nature of new drug development increasingly difficult for pharma to address in-house.

>40%
OF THE ONCOLOGY R&D PIPELINE
is for rare cancers, with wide range of next-generation therapies[2]

1 Penn Center for Innovation 2022 | 2 IQVIA Institute, Global Trends in R&D, 2021

OUTSOURCING HELPS TACKLE COMPLEXITIES OF THE NEW MODEL

Increased operational and regulatory complexity, combined with pricing pressures, contributing to pharma companies' use of contract services.

GREATER OPERATIONAL COMPLEXITY

New therapeutic modalities, technologies and personalised medicine require increasingly specialised structures.

- Smaller target populations - difficulties in recruiting and retaining patients for clinical trials
- Specialist, time consuming processes across the development cycle
- More complicated handling and service points requiring operator training and delivery centres

INCREASING REGULATORY BURDEN

Pharma companies face a growing need for simultaneous global submissions combined with low drug approval rates.

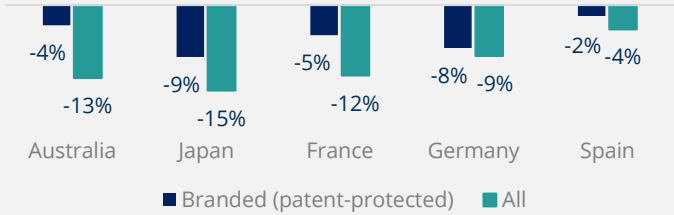
- More stringent standards of evidence from payors moving towards 'value-based' reimbursement models
- Increasing reliance on real-world evidence to weigh the benefits, risks and cost-effectiveness of drugs
- Wide geographic distribution of target populations adds complexity through local compliance obligations

ONGOING PRICING PRESSURE

Pharma is confronting a dilemma whereby they are incentivised to innovate while having to lower their prices.

- Prices of both patent-protected and generic medicines have largely decreased over time in major pharmaceutical markets
- The prospect of sweeping pricing reform in the US increases pressure on the pharma industry
- Patent cliffs have prompted payors to scale back reimbursement or encourage the use of generics

PHARMA PRICE DROPS IN MAJOR MARKETS
2017-21[3]



140%
INCREASE IN COST
of bringing a drug to market in the past 10 years[1]

>2k
NEW OR MODIFIED FDA REGULATIONS
implemented since 1998[2]

>150
COUNTRY LEVEL REGULATORS
across the globe[2]

1 McKInsey, The pursuit of excellence in new-drug development, November 2019| 2 European Pharmaceutical Review, Cutting the financial and time costs of regulatory affairs with automation, 2020 | 3 Global Data, POLI price database as at Jan 2022

PHARMA OUTSOURCING: DRIVING IMPROVEMENTS ACROSS THE VALUE CHAIN

Whilst the pharmaceutical industry continues to face significant financial pressures stemming from escalating drug development costs, increased generics competition and more stringent regulation, contract service providers are becoming increasingly important strategic partners.

Far from mere cost cutting solutions, these providers offer significant value from their technical capabilities, access to advanced innovation, regulatory expertise and global presence.

9%

2021-2027 CAGR

Pharma outsourcing growth projection[1]

OUTSOURCERS ADDING VALUE ACROSS THE ENTIRE DRUG DEVELOPMENT CYCLE

DISCOVERY	PRECLINICAL	CLINICAL TRIALS	MANUFACTURING	COMMERCIAL-ISATION
• Target identification • Lead generation	• Preliminary tests to evaluate efficacy, safety and dosing • Submit application before testing on humans	• Phase 1: monitor safety, interaction with human body • Phase 2: evaluate efficacy and dosing • Phase 3: determine efficacy and verify safety and dosing	• Active pharmaceutical ingredient (API) manufacturing • Drug product (DP) manufacturing (sterile injectables, solids, specialty) • Packaging and delivery systems	• Pre-launch to loss of exclusivity with activities including sales and marketing, PR, medical education, market access, stakeholder management and medical affairs.

CRO — C(D)MO — CSO

Contract Research Organisation (CRO): provides support to the pharmaceutical, biotechnology and medical device industries in the form of research, regulatory and adjacent services outsourced on a contract basis.

IQVIA, PPD, labcorp, MEDPACE

Contract (Development &) Manufacturing Organisation (C(D)MO): provides comprehensive services from the development to the manufacturing of a drug or a device outsourced on a contract basis.

Catalent, Lonza, Recipharm, SEQENS

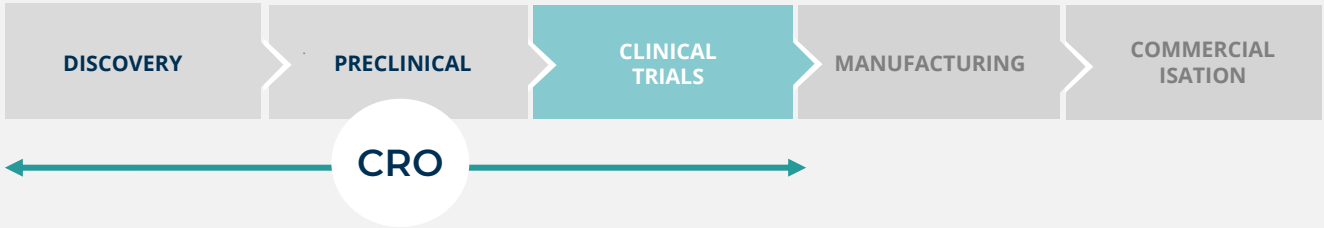
Contract Sales Organisation (CSO): provides services such as launch strategy, market access, sales enablement, medical communications, marketing and PR outsourced on a contract basis.

OPEN HEALTH, indegene, INIZIO, PRECISION value & health

1 *Eurazeo estimates based on industry research*

ZOOM ON STRATEGIC AREAS: CROs OPTIMISING CLINICAL TRIALS

CROs SHORTENING CLINICAL TRIALS AND INCREASING PROBABILITY OF SUCCESS



Small patient populations associated with rarer diseases are inflating the time and cost of trials.

Sponsors have great difficulties in recruiting the right patients in sufficient number and in convincing them to participate in trials.

Increasing amendments to trial protocols are extremely challenging for sponsors with each day of trial delay adding significant costs.

70%
OF PATIENTS
reside more than 2hrs from clinical site[2]

30%
OF TRIAL COSTS
made up of patient recruitment[1]

CROs accelerate development and improve probability of success

CROs bring efficiencies across the clinical trial process with rigorous trial cohort selection, design and execution and help to accelerate development. Growing biotechs are increasingly turning to outsourcers for most elements of the value chain, including:

- Patient and site recruitment
- Patient engagement & retention
- Data management & compliance
- Data & RWE analysis
- Multisite and hybrid trial management
- Clinical trials operation

IMCHECK THERAPEUTICS : USING TARGETED OUTSOURCING TO OPTIMISE RESULTS

Developing a broad pipeline of novel immunotherapeutic (IO) antibodies bridging the innate and adaptive immune responses

- Leveraging a novel family of immune modulators (Butyrophilins), antibody-based drug discovery and translational research
- Developing novel IO therapeutics treating solid tumors and haematologic malignancies and new approaches for autoimmune and infectious diseases
- Extending the benefits of effective immunotherapy to more patients.

ImCheck therapeutics
A Eurazeo portfolio company

EURAZEO
Kurma Partners

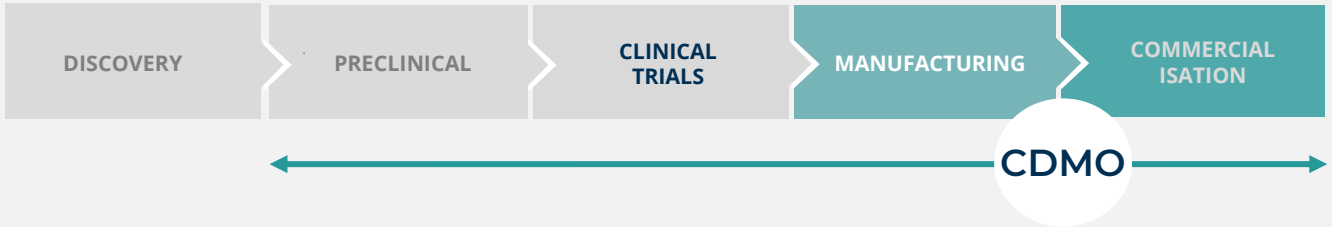
> To accelerate our pathway towards treating patients, we have built effective partnerships with specific CROs that enable us to meet the goals of our innovative clinical trial program.

Pierre d'Epenoux
Chief Executive Officer, Imcheck Therapeutics

1 Harris Williams, Perspectives on Emerging Trends in Clinical Technology, Q3 2022 | 2 Anderson D., Digital R&D: Four ways to maximize patient engagement in clinical trials.2018

ZOOM ON STRATEGIC AREAS: CDMOs DE-RISKING DRUG DEVELOPMENT

CDMOs BRINGING SPECIALIST KNOWLEDGE AND FLEXIBILITY TO PHARMA PLAYERS



The increasing number of drugs and devices force healthcare companies to rethink their manufacturing and commercialisation processes.

The risks and costs involved in building manufacturing facilities, investing in new technology and recruiting specialised staff are, for many companies, prohibitively high.

The process is made more complex by the wide geographic distribution of target markets with local manufacturing requirements and differing market regulations.

Benefits of externalising manufacturing and development functions to CDMOs:

- **'Variabilise' cost base** by turning capex into opex, making them more nimble in pursuing complex innovation
- **Respond quickly** to changes in capacity and production requirements (covering small and large batches)
- **Reduce supply chain vulnerability** by expanding sourcing options
- **Ensure adherence** to complex regulatory frameworks across different markets and modalities

SEQENS: INTEGRATED GLOBAL PLAYER IN PHARMACEUTICAL SOLUTIONS

SEQENS
EURAZEO
A Eurazeo portfolio company

Since 2016, Eurazeo has supported the strategic repositioning of Seqens' CDMO unit as a global leader through a balance of structural external growth, R&D investments, innovative technology advisory and operational improvement.

Leading CDMO specialised in the manufacturing and distribution of pharmaceutical ingredients (API) for complex, niche and small molecule programs.

- 'One-stop shop' concept for API development
- 20,000 gallons of API manufacturing capacity
- Small & large batch manufacturing
- Critical mass to cover global Quality and Regulatory Compliance

MEDTECH: THE NEW FRONTIER

> While Medtech historically limited outsourcing to material procurement and component manufacturing, the industry is poised for significant growth, with the Medtech outsourcing market predicted to mirror the growth seen in the pharma sector, driven by increased R&D spend, regulation and complexity.

Erwann Le Ligné
Managing Director, Small-mid buyout

MEDTECH: CRITICAL THROUGHOUT THE PATIENT JOURNEY

From surgical gloves to pacemakers, Medtech encompasses any device or diagnostic used along the patient pathway. The Medtech market, albeit smaller than Pharma, is projected to expand rapidly in the coming years.

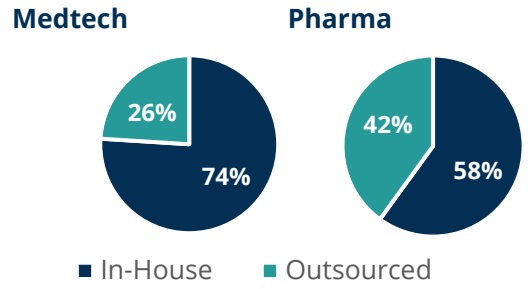
As technology continues to transform therapeutic areas the line between Medtech and Pharma is becoming increasingly blurred. This is particularly evident in the development of connected drug delivery devices e.g. injectables and inhalation devices used to treat a range of conditions. The global market size of such devices was estimated at $4.8 billion in 2022 and is expected to grow at a lucrative CAGR of 23.4% to 2030[2].

The global Medtech market, across all devices, already represents $550bn and is expected to grow with increasing demand and technological advances.

$550bn
GLOBAL MEDTECH SALES 2021[3]

MEDTECH OUTSOURCING PENETRATION SIGNIFICANTLY BEHIND PHARMA

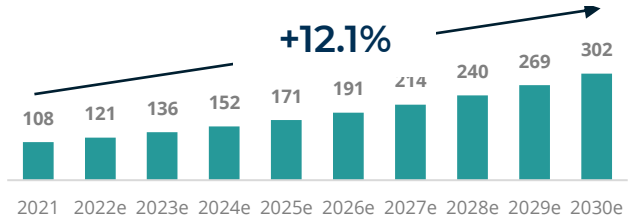
Outsourcing as % of R&D spend 2020[1]



STRONG GROWTH IN GLOBAL MEDTECH OUTSOURCED SERVICES MARKET

Outsourced services growth predicted to be over 2x that of underlying Medtech market

($bn) forecast as of 2018[3]



1 Eurazeo research| 2 Grand View Research: Connected Drug Delivery Devices Market Size Report, 2030 | 3 Precedence Research, Medical Devices Market Size, Growth Report, Trends, 2022-2030

MEDTECH OUTSOURCING GROWTH DRIVERS

Volume growth alongside increasingly stringent regulations, greater product complexity and mounting cost and ESG pressures are fuelling the demand for Medtech outsourcing.

1 TOUGHER REGULATORY ENVIRONMENT

Increasingly stringent global regulation, alongside lower approval rates, has increased the operational challenges and related R&D spend for sponsors – prompting greater use of outsourcing.

The EU's new Medical Devices Regulation (MDR) and In Vitro Diagnostic Medical Devices Regulation (IVDR) require manufacturers to make significant changes in the product development, data reporting and quality assurance of the 500,000 types of devices on the worldwide market. Manufacturers must also have a surveillance system to ensure devices' ongoing efficiency (similar to the FDA's Unique Device Identification system).

In the US, it is notable that while 510(k) premarket submissions[1] to the FDA are increasing - correlated with higher R&D spend - acceptances are declining, further reinforcing the need for the regulatory expertise of CROs.

>85%

of devices previously certified have not yet received a MDR certificate[2]

2 INCREASING DEVICE COMPLEXITY

Echoing Pharma's shift in focus away from small molecules to complex large molecules, or biologics, Medtech is increasingly engaged in the development of highly sophisticated devices which integrate cutting-edge technology.

As the pace of innovation accelerates, Medtech's R&D spend is increasingly centred on fields such as robotics, enabling minimally invasive surgery, AI, augmented reality, connected devices and multiplatform devices, which incorporate drug and digital capabilities. Recent innovation is also transforming the production of class III devices which include complex products such as pacemakers and other implantables[3].

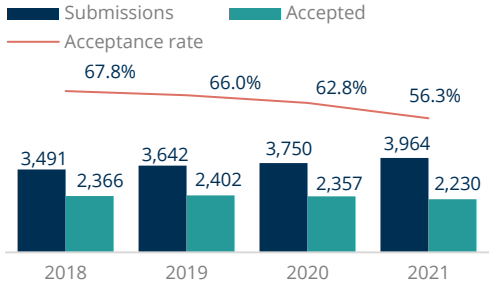
Innovation across all device categories brings complexities beyond OEMs' traditional engineering remit and encourages outsourcing across the value chain.

+14%

2020-2024 Value-added Medtech revenue growth[4]

DECLINING ACCEPTANCE RATES

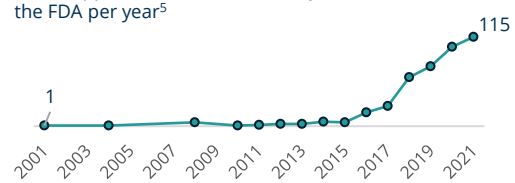
510(k) acceptances by FDA are falling despite higher submissions[5]



SURGE IN AI-ENABLED MEDICAL DEVICES

Advances in sensor technology, imaging and analytics increasing device complexity

No. of approvals and clearances by the FDA per year[5]



1 FDA 510k is a premarket approval made by FDA to signify that the device to be marketed is at least as safe and effective, that is, substantially equivalent, to a lawfully marketed device that is not subject to premarket approval | 2 MedTech Europe Survey Report 2022| 3 Medical Devices are classified according to the device's risk, invasiveness, and impact on the patient's overall health, with Class III devices representing the most complex category | 4 Alira Health analysis | 5 FDA data

MEDTECH OUTSOURCING GROWTH DRIVERS

3 MANUFACTURING COSTS CREATING ROI PRESSURES

Cost of goods sold (COGS) represents a significant proportion of Medtech companies' cost base, especially in comparison with Pharma industry counterparts.

Increased pricing pressure, greater testing requirements, a shift towards just-in-time inventory and an effort to unlock development efficiencies and bring products to market more quickly means that medical device OEMs look to CDMOs with specialist manufacturing capabilities alongside product design and technical expertise.

Outsourcing allows Medtech players to variabilise a large part of their cost base and to be more dynamic in the production of devices.

HIGH MEDTECH COST BASE

Median COGS as proportion of leading public company revenue by end-market[1]

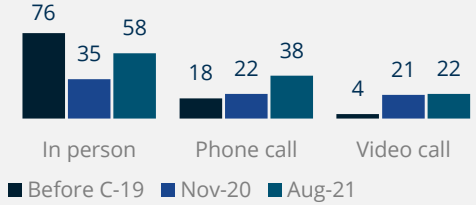
4 ACCELERATED SHIFT IN MEDTECH COMMERCIALISATION MODELS

COVID-19 has also accelerated the shift from in-house sales teams to a model which increasingly leverages outsourced medical communications, sales and marketing providers.

Medtech companies have historically relied on relationship-driven sales founded on healthcare entities' loyalty to their key account managers. The disruption of this during the pandemic, compounded by provider budget pressures and the centralisation of procurement decisions across the EU and US, means that Medtech players are reassessing approaches. Higher returns may be achieved by outsourcing to remote-sales organisations and marketing-centric scientific communications to reach underserved geographies and boost productivity by using digital tools and channels to inform, train and drive clinical adoption.

INCREASING ACCEPTANCE OF REMOTE SALE

Preferred interaction with medical device sales reps (% respondents)[2]



5 ESG CONSIDERATIONS RELATED TO PACKAGING AND PLASTIC

Reliance on single-use devices, disposable packaging and complex global supply chains make Medtech a significant contributor to healthcare's waste stream and carbon footprint.

Medtech is now under pressure to act from regulators and wider stakeholder groups. Key focus areas for sustainability transformation include incorporating biodegradable materials, reducing plastic packaging waste, developing sterilisation technology which allows for reuse and optimising supply chain networks. These challenges are complex to solve in-house therefore Medtech players are turning to outsourcing to help them meet ESG targets while containing associated costs.

50%

potential reduction in hospital device costs by reprocessing single use medical devices[3]

1 Capital IQ and public company filings| 2 McKinsey, The future of medtech sales is hybrid, 2022 | 3 Med Device Online, How Does Pursuing ESG Measures Give My Medtech A Competitive Edge? May 2022

OUTSOURCING CREATING INVESTMENT OPPORTUNITIES

FAST GROWING AND RECURRING REVENUES

The outsourcing market is expected to grow by c.10%[1] a year in the next 5 years, driven by an expanding drug and device pipeline and increasing outsourcing penetration within Medtech. Outsourced service companies also benefit from high revenue visibility as a result of the healthcare industry's typically long clinical and development phases and commercialisation periods.

CUSTOMER STICKINESS SUPPORTING HIGH MARGINS AND FCF CONVERSION

The critical nature of outsourcers' services creates high switching costs which may even require notice to regulatory bodies. In addition, the high stakes involved in drug development mean that outsourced providers can often command strong pricing power and attractive margins.

LIMITED DOWNSIDE WITH DIVERSIFIED CLINICAL RISK

Investing in outsourcing players allows investors to gain exposure to the healthcare market growth while limiting downside risks as outsourcers do not bear the full molecule/device risks which remain with sponsors.

> Outsourcing providers across Pharma and Medtech present an exciting pool of investment opportunities offering exposure to the steady growth of the Pharma and Medtech markets as well as compounding growth drivers and real scope for value-accretive consolidation.

Eric Sondag
Managing Director, Mid-large buyout

COMPELLING CONSOLIDATION OPPORTUNITIES

As outsourcing providers increasingly integrate the full spectrum of services from pre-clinical development to commercialisation, many become long-term, strategic partners to pharma and Medtech sponsors.

The outsourcing provider market offers significant consolidation opportunities, particularly in the less mature Medtech market, where the long tail of outsourcers still represent a large part of the market. In 2022, top 10 CROs represented 70% of the Pharma CRO market whilst it was only 25% for the Medtech market.[2]

Vertical and/or horizontal consolidation will enable platforms to create end-to-end, full-service capabilities with significant growth potential from cross-selling, access to new customers via preferred supplier status and an expanded geographic footprint.

With a proven track record in supporting organic growth, international expansion and strategic build-ups, Eurazeo is the partner of choice for ambitious Pharma and Medtech players looking to capture growth from the outsourcing industry.

1 CAGR based on Visiongain estimates | 2 Eurazeo research

EURAZEO HEALTHCARE FLYWHEEL

EXPERTISE ACROSS THE COMPANY LIFECYCLE

VENTURE

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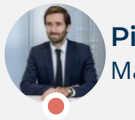
REAL ASSETS



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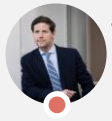

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