

Headlands Research has active M&A pipeline, CEO says
19 November 2019
by Claire Rychlewski in Chicago

Headlands Research, a KKR-backed clinical trial site organization, sees an active acquisition pipeline over the next year as it builds its global “string of pearls” strategy, said CEO Mark Blumling.

San Francisco-based Headlands, which was formed by KKR and Blumling in 2018 and financed through KKR’s growth investment fund, announced three acquisitions this month and has several more buys under letter-of-intent, the executive said.

As the company looks to expand throughout North America and in Europe, it plans to hire an experienced multinational accounting firm by 1Q20, in time for annual filings, Blumling said. **Covington & Burling** provides legal services.

With regard to its acquisition strategy, Headlands currently seeks EBITDA-positive clinical trial site providers throughout North America and across Europe, with plans to enter Asia thereafter, Blumling said.

“We look at areas of high unmet needs, areas where we can access patient populations that have been underserved historically,” he said.

The company operates six sites currently, through the acquisition of three clinical research organizations: Centex Studies, which has three sites in Texas; Clinical Research Atlanta, with two sites in Georgia; and Okanagan Clinical Trials in Vancouver, Canada. Terms of those transactions, announced simultaneously this month, were not disclosed.

Headlands has about 85 employees. The company’s clinical trial sites run trials for drugs designed to treat a myriad of therapeutic issues. When considering future buys, Headlands is particularly interested in clinical trial site companies running studies for central nervous system (CNS) and non-alcoholic steatohepatitis (NASH) treatments, as well as vaccines.

All deals have been proprietary and will likely continue to be, Blumling said.

“These opportunities are too small for bank deals,” he said. Sale multiples are highly dependent on the therapeutic area that clinical research organizations are focused on, Blumling said.

With KKR backing, Headlands is not strapped for cash and could look at larger buys as they’re available, Blumling said. KKR orchestrated one of the largest healthcare services buyouts of 2018 with its USD 9.9bn acquisition of **Envision** and more recently is rumoured to be in talks with **Walgreens** to take the pharmacy chain private.

More relevantly to Headlands, KKR led contract research organization **PRA Health Sciences** to a USD 305m IPO in 2014, after acquiring it from **Genstar Capital** the previous year for a reported USD 1.3bn. KKR began to reduce its ownership of PRA in 2016, selling a USD 416m stake that year followed by a USD 711m stake in 2017. The sponsor fully exited its stake in PRA in September, in a secondary offering worth USD 650m-plus, along with a USD 300m share buyback. PRA is currently trading at USD 105.72 per share for a market cap is USD 6.8bn, with long-term debt of USD 1.5bn.

Given KKR’s history with PRA, Blumling said he sees an IPO as a possible eventual exit route for Headlands as well. As Headlands executes on its M&A strategy worldwide, and begins to internally

Classification:

Regional Head Offices

EMEA: 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

Americas: 1501 Broadway, 8th Floor, New York, NY 10036 USA Tel: +1 212 686 5606

APAC: 16/F, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong Tel: +852 2158 9790

build out its technology capabilities around workflow efficiency, the company could be well-positioned to explore the public markets, Blumling said. Such a strategy is potentially five to seven years out, Blumling said.

“KKR has been supportive of their companies going public,” the CEO said. “PRA is a classic example. [KKR] is very comfortable with the public markets.”

Prior to founding Headlands, Blumling led his former company Genos, a big data healthcare marketplace company, to a sale to NantOmics in 2017, and served as the COO of Hyperion Therapeutics before its 2015 sale to Horizon Pharma for USD 1.1 bn.

Classification:

Regional Head Offices

EMEA: 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

Americas: 330 Hudson Street, 4th Floor, New York, NY 10013 USA Tel: +1 212 686 5606

APAC: Suite 1602-06, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: +852 2158 9790