EightAdvisory

Market Insights and Key Value Levers to maximise CDMO performance

April 2025

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Summary

European sector overview

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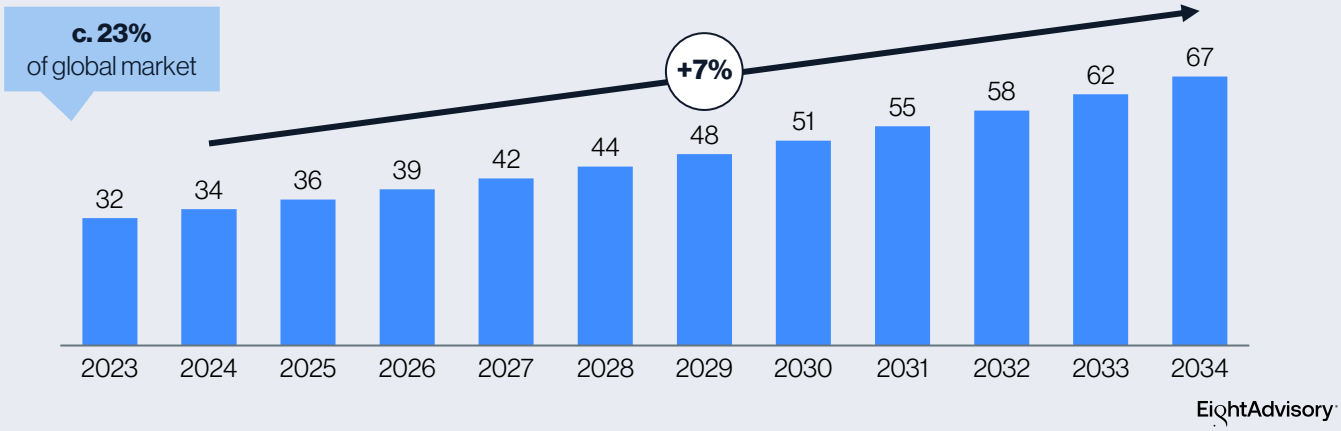
European sector overview

The pharmaceutical contract development and manufacturing (CDMO) sector is undergoing rapid transformation, driven by increasing demand for specialised services across drug development, production, and packaging. This shift is fuelled by the rise of innovative therapies and the growing complexity of pharmaceutical pipelines. To stay competitive, CDMOs must continuously invest in expertise, infrastructure, and cutting-edge technologies to meet evolving industry needs.

The European CDMO market is on a strong growth trajectory. **Valued at €36 billion in 2025**, it is projected to expand at a **7.0% CAGR from 2024-2034**, reaching €67 billion by 2034. Europe accounted for approximately 23% of global pharmaceutical sales in 2023, reflecting its advanced infrastructure, robust regulatory framework, and high demand for treatments targeting chronic diseases.

Figure 1: European CDMO market size. €m



The European CDMO sector is increasingly adopting a full-service model, offering end-to-end solutions from Active Pharmaceutical Ingredient (API) synthesis to final packaging. AI and machine learning are playing an important role in reducing errors, predicting compliance risks and enhancing supply chain efficiency. Meanwhile, the rising prevalence of chronic diseases is accelerating demand for next-generation therapies, including cell and gene treatments, which require specialised manufacturing expertise and high-quality, scalable production capabilities.

- **APIs** remain a cornerstone of the European CDMO sector, with sustained demand for both small-molecule and high-potency compounds. Manufacturers are investing in advanced process technologies to improve efficiency, ensure regulatory compliance, and meet growing quality expectations
- **Sterile manufacturing and advanced biologics** capabilities are becoming key differentiators. With over 40% of new drug approvals requiring sterile injectables, CDMOs with expertise in relevant regulatory compliance (e.g., Annex 1[1] EU GMP), containment (i.e., to prevent contamination of sterile products), and processing are capturing a larger share of the market
- **Capacity expansion and technological innovation** is shaping the competitive landscape. European CDMOs are increasing investments in automation, continuous manufacturing, and novel modalities (e.g., viral vectors, RNA-based therapeutics) to stay ahead. These innovations enable European CDMOs to maintain a competitive edge over lower-cost global players and cater to the increasing demand for complex treatments

Note: Exchange rate USD; EUR (0.9548) from European Commission as at 17.02.2025
Source: Horizon Grand View Research, Towards Healthcare
[1]Annex 1 of the EU Good Manufacturing Practice (GMP) guidelines pertains to the manufacture of sterile medicinal products

European CDMO facility distribution

Europe's pharmaceutical outsourcing sector is supported by **337 CDMOs and 552 Finished Dosage Form (FDF) facilities in 2025**, demonstrating the region's strength in both API development and final drug manufacturing. This broad infrastructure enables CDMOs to provide end-to-end solutions, from raw material synthesis to commercial-scale production and packaging.

France, Italy, and Germany lead in CDMO facility numbers (84, 78, and 75 sites, respectively), while Southern and Eastern Europe have fewer.

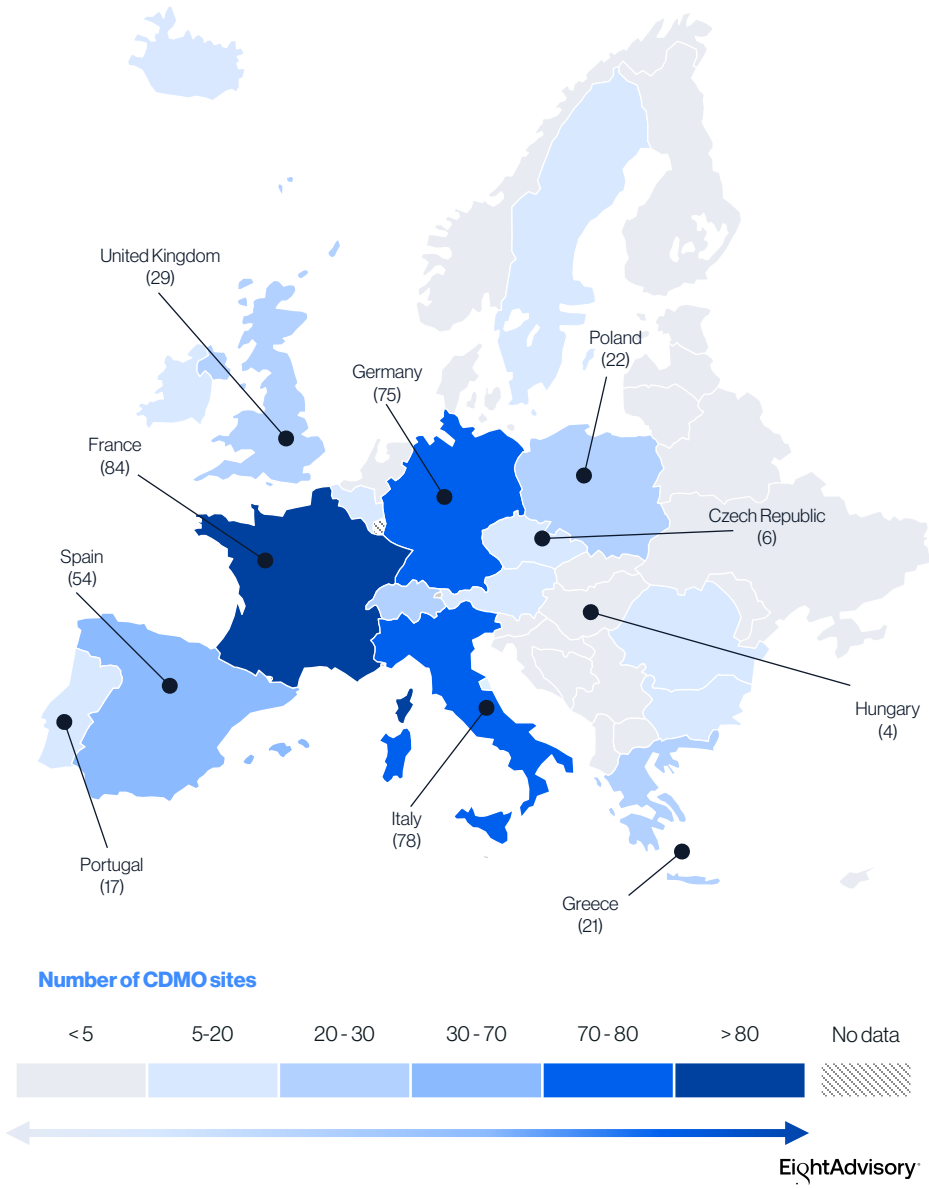
Although these locations are higher cost, they benefit from a skilled workforce, strong regulation, government support, infrastructure, and proximity to clients, making them appealing for leading CDMOs.

France, the fastest-growing pharma hub, benefits from government incentives and rising biotherapeutics demand (€36bn exports, 7th globally).

Germany strengthens API and FDF leadership through its Pharma Strategy[1] and major capability investments.

Italy's strong CDMO sector benefits from a long history of expertise, substantial ongoing investments, a strong focus on exports, and close ties with major pharmaceutical companies. For example, BSP Pharmaceuticals is investing €530m (2024 – 2028) to expand its Italian facility for cytotoxic and non-cytotoxic innovative drug substances and products.

Figure 2: European CDMO Facility Distribution (2025)[1]



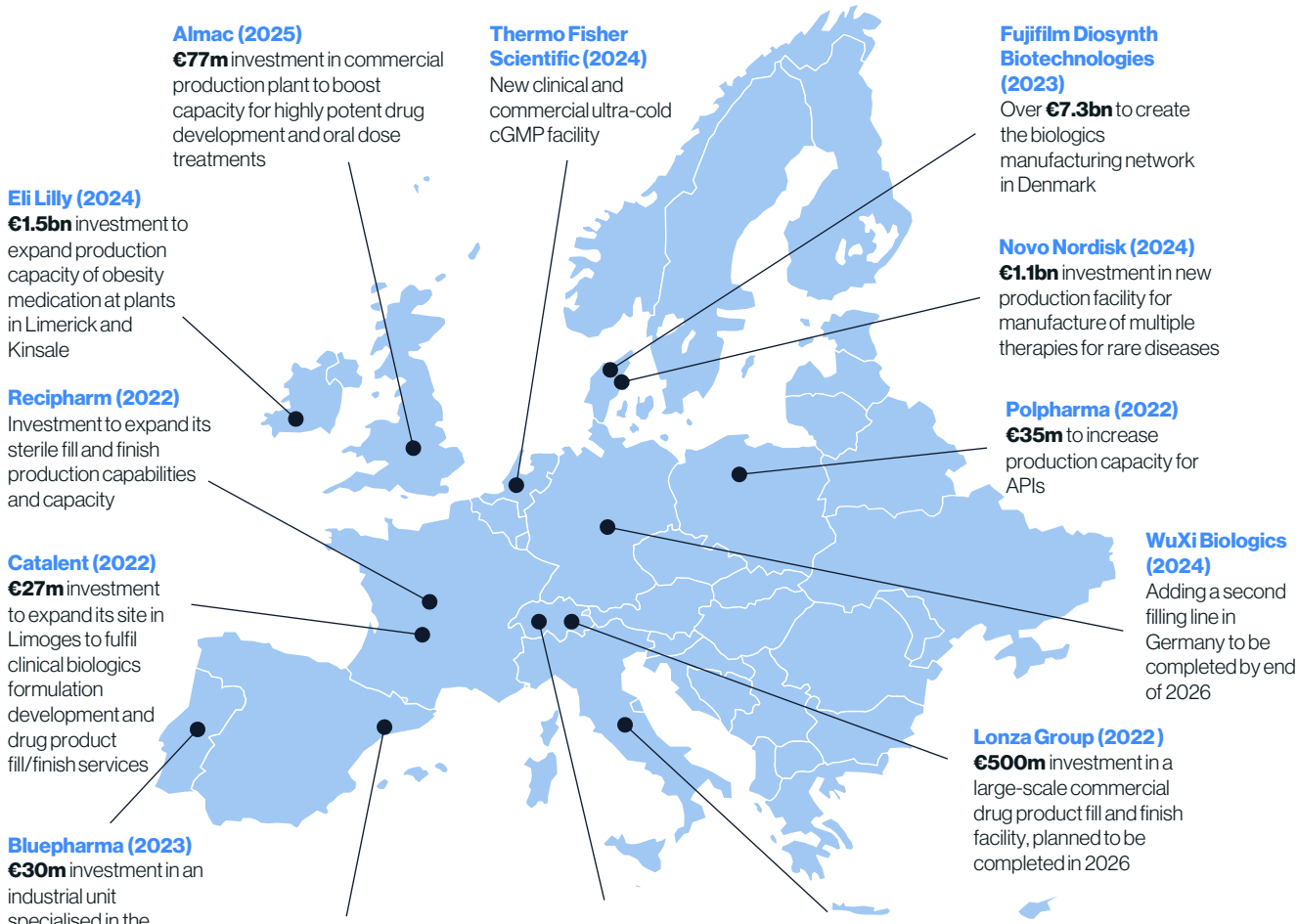
Europe's Leadership in pharmaceutical manufacturing is driven by high density of production facilities in key markets, coupled with increasing demand for specialised manufacturing capabilities which drives investment across the region's CDMO hubs.

1. Germany's Pharma Strategy includes a range of measures to strengthen Pharma research and production and to improve market access
Source: PharmaSource, Fuliginous Management Consulting, Desktop research

European CDMO capacity expansion

CDMOs are making significant investments in expanding their footprint across Europe, acquiring and building new facilities to enhance their capabilities and increase their capacity for new high-growth therapy areas such as biologics, sterile injectables, and personalised medicines. Major players in the sector are focusing on site expansion to scale their operations and meet growing demand. This trend is expected to continue as CDMOs strengthen their infrastructure to support an expanding pipeline of complex therapies.

Figure 3: Recent CDMO investment across Europe

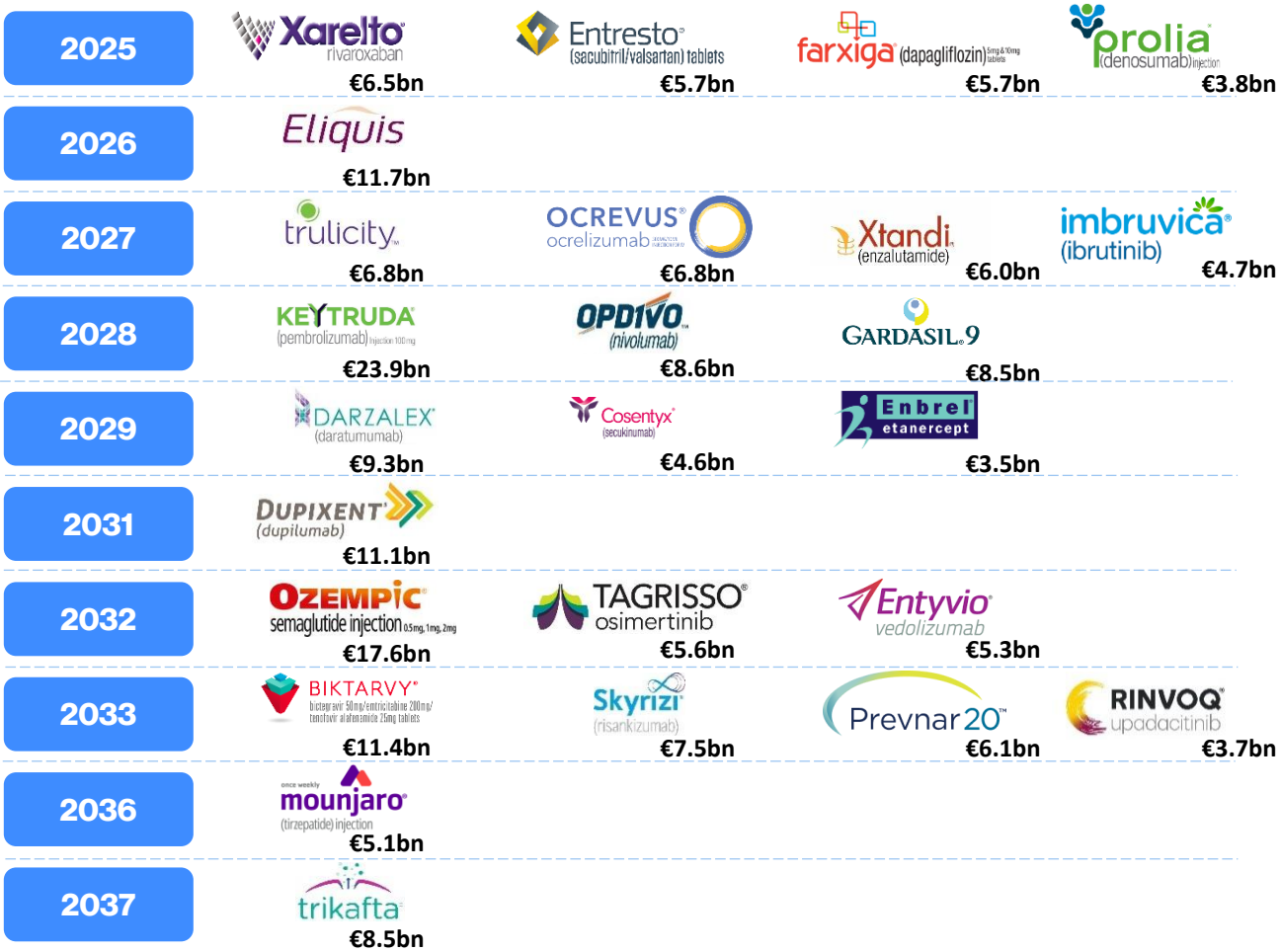


As the demand for specialised therapies increases, CDMOs are actively investing in infrastructure throughout Europe, enhancing their capabilities by acquiring and developing new sites.

Source: Company websites, News articles

CDMO pipeline driven by major patent expiration

Patent expirations are a major event in the pharmaceutical industry, driving increased competition from generics and biosimilars. In Europe, this trend is particularly significant due to regulatory frameworks, pricing pressures, and the region's push for affordable healthcare. From 2025 to 2037, a wave of blockbuster drug expirations—including Keytruda and several high-revenue biologics—will reshape the competitive landscape.



This "patent cliff" presents both challenges and opportunities. Large pharmaceutical companies face revenue losses, while mid-sized European biopharma firms can capitalise by developing and commercialising biosimilars. However, unlike traditional small-molecule generics, the transition to biosimilars is more complex and costly due to stringent European regulatory requirements and advanced manufacturing needs.

CDMOs in Europe are well-positioned to support biosimilar development, offering expertise in biologics manufacturing, regulatory compliance, and scalable production. This shift underscores the growing importance of specialised CDMOs in sustaining European biopharma competitiveness in a post-patent world.

Source: Company Annual Reports, Eight Advisory Analysis

Market Insights and Key Value Levers
to maximise CDMO performance

CDMO sector M&A and valuations

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European CDMO M&A activity

European CDMO total deal volume saw a significant peak in 2021, likely benefiting from increased demand related to the COVID-19 pandemic. However, subsequent years (2022 – 2024) experienced volatility linked to broader economic conditions, though deal volume did not decline as drastically as might have been anticipated post-pandemic. This resilience suggests continued strategic interest and investment within the CDMO sector despite economic headwinds.

- In FY21, the number of deals surged to 34, driven by the increased demand for biologics, vaccines, and novel modalities, which required rapid scale-up of viral vectors, cell therapies, and lipid-based formulations
- Post-pandemic, deal count declined in FY22 and FY23 to 18 and 19, respectively, reflecting a shift from high-volume transactions to more focused investments aimed at enhancing technical expertise and expanding service offerings
- The drop to 15 deals in FY24 suggests a further shift toward smaller niche investments in innovation, specialisation, and advanced manufacturing technologies, moving away from large-scale industry consolidation

Figure 4: Reported CDMO total European deal volume[1]

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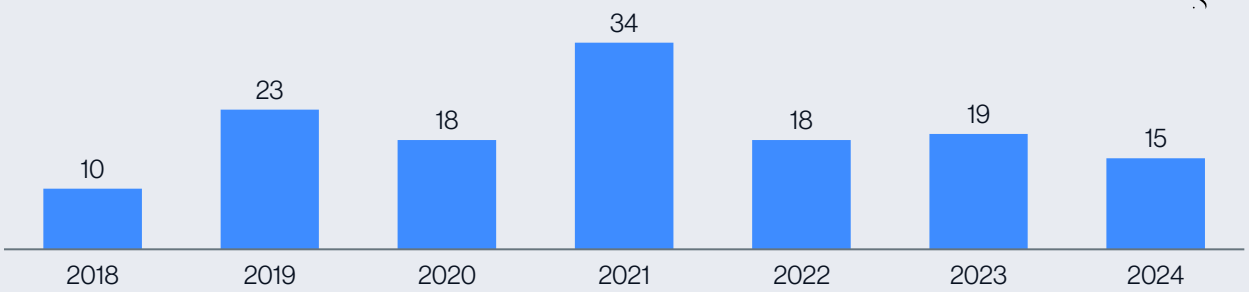

Analysis of deal volume suggests acquisitions are concentrated in key life sciences hubs Germany, France, and Spain. Switzerland, Finland, and Sweden show significant investment, likely due to their strong biotech and advanced manufacturing capabilities. Notable deals in these locations include both strategic and PE buyers, suggesting the attractiveness of investment. This trend highlights the ongoing consolidation within the sector, with larger players seeking to expand their capabilities and geographic reach through targeted acquisitions.

Figure 5: Top European target locations for CDMO deals (by deal count)

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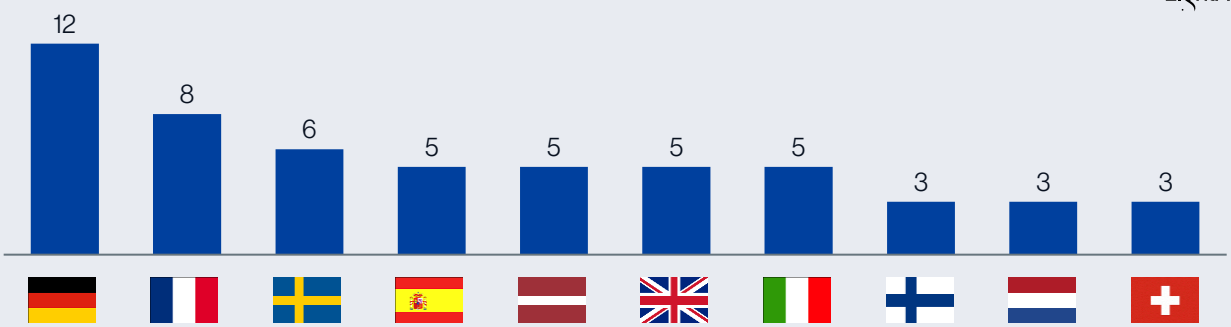

1. The data analysed includes 2018-2024 deals where (i) all buyers, targets and sellers are Europe based, (ii) targets or buyer business description includes "Contract manufacturing" Source: S&P Capital IQ, Eight Advisory Analysis

CDMO sector valuations

CDMOs played an important role during the Covid-19 pandemic, providing development and manufacturing capacity for new vaccines and therapeutics. The scale-up of vaccine production indicated how CDMOs were ideally positioned to innovate and quickly offer crucial manufacturing support. This combined with a reduction in interest rates led to a surge of investment in bio/pharma companies. As a result, the CDMO sector exited 2020 on a wave of momentum which continued into 2021 as new funding entered the market and the pipeline continued to expand, revenues grew and valuations of CDMOs increased.

Figure 6: Average EV / EBITDA progression (2020-2024)[1]

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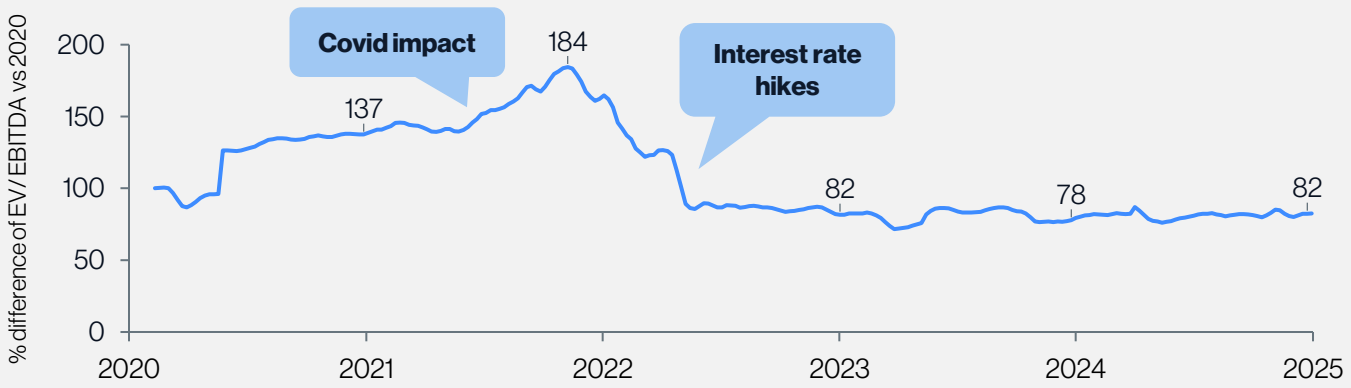

CDMOs have generally seen EV/EBITDA multiples continue to modulate over the past year but appear to be flattening out at levels seen prior to the pandemic which is about 45-50% below the peak experienced in 2021. 2024 shows only marginal changes in public valuations versus 2023.

Recent high-value CDMO transactions highlight the sector's ongoing strategic importance, with both CDMOs acquiring companies and being acquisition targets. These deals underscore continued investor interest despite the recent valuation moderation. The industry's consolidation trend reflects strong market positioning and potential for future growth, even as valuations stabilise.

Date	EV (€m)	Target	Acquirer	Deal Rationale
Mar-20	3,350	Recipharm	EQT	Expands CDMO platform, strengthens global manufacturing, and capitalises on sector growth
Oct-23	467	T3 Pharma	Boehringer Ingelheim	Strengthens Boeringer's oncology portfolio, advancing its immuno-oncology pipeline
Jan-24	192	ABL	Oxford Biomedica	Strengthens Oxford Biomedica's position as a global pure-play cell and gene therapy CDMO
May-23	160	Synaffix	Lonza	Integrates Synaffix's ADC (antibody-drug conjugate) capabilities into Lonza's CDMO services

1. Average EV/EITDA progression of publicly listed European CDMOs
Source: S&P Capital IQ, Eight Advisory Analysis

Value levers for success

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CDMO value levers for success

Figure 7: CDMO Profitability framework

Source: Eight Advisory Analysis

CDMO value levers: Revenue growth

Modern CDMOs are evolving from capacity providers to strategic partners offering integrated services in manufacturing design, process optimisation, and scale-up expertise, particularly for novel molecules in early development.

Beyond Capacity – End-to-End Partners and Manufacturing Innovators

- The role of CDMOs is **evolving beyond simply providing manufacturing capacity**. Increasingly, large pharmaceutical companies are seeking integrated, end-to-end solutions, including manufacturing process design and COGS optimisation, especially for novel molecules.
- For novel molecules transitioning from lab-scale to commercial production, CDMOs **play a critical role in scaling up**, optimising QA/QC procedures, and maximising yields.
- CDMOs allow for **collaborative manufacturing design** and can bridge bench-to-industrial scale, creating robust processes that are transferable.
- This shift highlights **CDMOs' growing value in manufacturing innovation and comprehensive support.**

Strategic CDMO Partnerships in Early Development & Flexible Investment

- **Early CDMO partnerships in clinical trial stages (phase 1 & 2) allow for potential long-term "lock-in" with revenues through the product lifecycle.** While pharma companies often employ dual-sourcing strategies to mitigate supply chain risks, early engagement offers CDMOs a strong advantage, especially for innovative molecules or new drugs **moving from bench to scale.**
- For example, tier 1 CDMOs such as Vetter and Lonza distinguish themselves by offering crucial fill & finish capabilities for early clinical trial stages, enabling them to forge partnerships and secure contracts developing innovative drugs such as peptides, monoclonal antibodies, and newer vaccines. They actively participate in bidding on technology transfer RFPs to bring in early-stage manufacturing and development.
- However, **committing capital expenditure for new manufacturing lines is a risk**. To mitigate this, CDMOs should seek partnership models that allow for risk sharing, potentially through pre-booked sales or demonstrating a clear view of future market opportunities to justify investment in flexible, Annex 1[1] certified lines capable of handling diverse product types. The focus should be on building adaptable capacity to maintain throughput and cater to evolving market demands.

Source: Expert Interviews, Eight Advisory Analysis, Company Websites & News Releases
[1]Annex 1 of the EU Good Manufacturing Practice (GMP) guidelines pertains to the manufacture of sterile medicinal products

CDMO value levers: Revenue growth

CDMOs that proactively monitor the drug pipeline and adapt to market trends, such as the rise of GLP-1 agonists, while maintaining flexible production for various treatments, are well-positioned to capitalise on major growth.

Strategic Pipeline and Market Awareness

- **Proactive monitoring of the drug pipeline** by leveraging databases and understanding market trends, especially early-stage molecules, allows CDMOs to forge early, profitable partnerships.
- An **understanding of emerging market trends and potential chokepoints** is also crucial for CDMOs to capitalise on unmet manufacturing needs. For example. the recent acquisition of Catalent by Novo Nordisk, primarily to secure manufacturing capacity for GLP-1 drugs. The demand for weight loss and diabetes control medications, particularly GLP-1 agonists, is **projected to outstrip existing manufacturing capabilities** by 3-5% annually until 2035. This imbalance is particularly acute in Europe, where a surge in demand for weight loss drugs is anticipated within the next 24 – 36 months, coupled with a current lack of sufficient manufacturing infrastructure. This scenario presents an opportunity for agile and proactive CDMOs to capture substantial market share by building the necessary manufacturing capabilities.
- Existing Catalent clients may be concerned about potential contract non-renewal in favor of Novo Nordisk's GLP-1 production. This may prompt a search for new CDMOs and underscores a broader market dynamic where major pharmaceutical acquisitions can create both challenges and opportunities within the CDMO landscape, particularly for **agile CDMOs capable of absorbing displaced clients and offering seamless transitions.**

Production Flexibility

- A core value proposition for CDMOs lies in the **flexibility of their production lines and their ability to service multiple therapy areas**. This is closely linked to pipeline and market trends discussed above.
- For example, the **market for prefilled syringes (PFS) and vials currently represents a significant volume**, with a substantial portion outsourced annually and projected for growth. This growth is fuelled by the increasing preference for PFS in delivering innovative biologics like GLP-1 agonists, driven by accuracy and safety for patient self-administration.
- **Demand for vials also remains strong**, primarily driven by hospitals and some biologics. Vials capacity in specific fields such as lyophilization currently lack capacity and the ability for CDMOs to offer incremental vial capacity to meet specific and complex requirements is a critical value driver.
- Beyond big pharma, biotechnology companies are increasingly at the forefront of pharmaceutical innovation and heavily rely on CDMOs for their manufacturing needs due to a lack of in-house production capabilities; therefore, **CDMO's production flexibility to cater to emerging Biotechnology firms offers valuable alternative revenue streams.**

Source: Expert Interviews, Eight Advisory Analysis

CDMO value levers: Cost optimisation

To maximise value, CDMOs must prioritise efficient capacity utilisation and strategic portfolio management while ensuring a reliable and agile supply chain underpinned by robust quality and regulatory compliance, all critical for meeting stringent pharmaceutical demands

Efficient Capacity Utilisation and Site Portfolio Optimisation

- **Efficient capacity utilisation is paramount for CDMOs to maintain profitability and competitive pricing,** especially given the high costs associated with specialised lines, skilled personnel, and regulatory requirements
- CDMOs should consider the following to successfully drive value through high-capacity and efficient utilisation:

1. Careful planning of large seasonal campaigns (e.g., flu vaccines)
2. Consistently tracking KPIs such as OEE (overall equipment effectiveness), OTIF (on time-in full order fulfilment), rejection rates and others. OEE can be affected by multiple variables including holiday, maintenance, manufacture failure, format / product change, cleaning, and line OEE can be as low as c.45% on average
3. "Part manufacturing" – with a well-managed set of KPIs in place, a CDMO can partially fill or prefill batches to a stage where initial laboratory tests and quality checks can be conducted before pausing production for a new campaign. This allows flexible scheduling and maximises workforce productivity
4. Balancing location decisions depending on energy prices (highly volatile in recent years), labour cost, and product type. For instance, the stringent quality requirements and reputational considerations for specialty drugs often favor Western Europe, while cost pressures may drive generic drug manufacturing towards lower-cost regions

Supply Chain Resilience

- In the pharmaceutical industry, supply chain reliability is paramount, and for CDMOs, it **directly impacts their ability to meet stringent client demands and maintain strong partnerships**. The ability to ensure consistent OTIF delivery is a critical differentiator
- To mitigate risks from unforeseen disruptions, CDMOs should consider the following:

1. Ensure reliability from inbound raw materials all the way through to packaging and outbound product shipment
2. Diversifying their supplier base reduces reliance on single points of failure and specific regions
3. Strategically balance cost-effective global sourcing with the need for a stable and reliable supply chain to consistently meet stringent client demands. Prioritising geographically closer suppliers, for instance, minimises transportation costs and secures more favorable shipping rates, a particularly relevant lesson from pandemic-induced disruptions
4. Meticulous SKU analysis, buffer stock planning and inventory management of all necessary packaging and components – optimising inventory management strikes a balance between supply security and carrying costs

Source: Expert Interviews, Eight Advisory Analysis

CDMO value levers: Other considerations

CDMOs are embracing digital transformation with AI to optimise operations, enhance adaptability, and drive long-term success through innovative solutions.

Impact of AI

- As demand for specialised therapies grows, leading CDMOs (e.g., Lonza, PCI Pharma, Recipharm) are investing heavily in advanced technologies like Industry 4.0[1] and AI.
- By integrating **AI-driven technologies**, CDMOs can streamline manufacturing by improving precision, increasing production capacity and reducing labour dependency, thereby **lowering operational costs**. It can provide insights to optimise workforce and raw material usage, enhancing productivity and minimise resource wastage.
- Digital tools enable **real-time project tracking**, data sharing, and communication through intuitive dashboards that display key metrics such as synthesis efficiency, batch consistency, and quality control results. Predictive analytics further strengthens operational reliability by identifying potential delays and risks, allowing for proactive intervention.
- **Standardising end-user applications** and technology infrastructure across facilities enhances operational efficiency, reduces redundancies, and accelerates changeovers and packaging, driving improved scalability.

Regulatory requirements & ESG considerations

- Navigating **complex regulatory requirements** is crucial for CDMOs, especially when it comes to drug approval and environmental standards.
- Ensuring compliance with Good Manufacturing Practices (GMP) and securing regulatory approvals (e.g., from FDA and EMA) is essential for market entry and revenue generation. Regulatory delays or rejections can impact timelines, so CDMOs must **balance compliance with speed and efficiency while also managing the upfront investment** in infrastructure (e.g., building Annex 1 compliant sites), training, and testing required to meet regulatory standards, which adds to operational costs.
- Simultaneously, meeting stricter environmental standards and implementing Environmental Health & Safety (EHS) controls is critical. CDMOs are focusing on sustainability by **reducing waste, minimising energy use, and improving resource efficiency.** ESG considerations also influence outsourcing decisions with customers, as pharmaceutical companies prefer suppliers in regions with strong regulations. Regionalising supply chains also reduces carbon footprints, ensures sustainability, and strengthens the CDMO's competitive edge.

[1]Industry 4.0 refers to the digital transformation of manufacturing through automation, data analytics, IoT, AI, and smart technologies to enhance efficiency, quality, and flexibility
Source: Expert Interviews, Eight Advisory Analysis

How we can support you

How we can support you

Transaction Services

Value focused and integrated buy-side transaction services or integrated sell-side services tailored to your target.

Value Creation / Performance Improvement

Identification and implementation of actions to improve commercial, operational and financial value and performance.

Integration & Synergy Capture

Maximise synergy capture through ambitious operating model transformation and robust integration delivery.

Valuations & Financial Modelling

Valuations and modelling services to complete the deal process and provide ongoing support with managing investments.

Eight Advisory is an integrated transaction, transformation and restructuring advisory firm operating globally with over 1000 professionals, including over 100 partners. We support clients in corporates, private equity funds and infrastructure investors, and navigate the complexities of a changing world: identifying, creating and realising value.

Our selected credentials

ARDIAN
UNITHER PHARMACEUTICALS

Vendor due diligence for Ardian on its portfolio company, Unither Pharmaceuticals, a global leader in the development and manufacturing of sterile unit-doses

Ethypharm
INNOVATIVE DRUG DELIVERY

Business plan assistance for Ethypharm, a leading mid-sized international specialty pharmaceutical company

Pierre Fabre

Supported on buy-side due diligence services

MINAFIN GROUP

Supported on buy-side due diligence services for Minafin, a global fine chemicals developer and manufacturer for pharmaceuticals, cosmetics and agriculture industries

ADARE

Vendor due diligence on Adare Pharma Solutions, a global technology-driven CDMO focused on oral dosage forms

M80™
NaturaCARE GROUP
INNOVATION BEGINS WITH TRUST

Vendor financial due diligence for M80 on its portfolio company, Naturacare, in addition to defining the value creation plan.

Our selected credentials

ADM Capital / M2i Life Sciences

Financial due diligence on the acquisition of M2i Life Sciences by ADM Capital

Seqens / CellforCure

Post merger integration on the acquisition of Cellforcure by Seqens

Cooper / Viatris

Post merger integration on the acquisition of Viatris by Cooper

Advanz Pharma / Correvio

Pre and post deal integration support (PMI) on the acquisition of Correvio Pharma by Advanz Pharma

Synerlab Group

Operational due diligence for a UK PE fund seeking to acquire a medium-sized French multi-speciality CDMO group

Content group

Operational due diligence for a UK PE fund looking to acquire a multi-speciality CDMO

Contact our experts and see how we can help you!

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