



to provide our customers with unparalleled knowledge and capabilities that will enable them to successfully navigate the complex drug development process.”

In 2008, pharmaceutical and biotechnology companies invested more than \$115 billion in drug research and development globally. They are estimated to have outsourced as much as a quarter of that expense. As requirements and standards for drug approvals continue to intensify and development costs rise, companies are expected to outsource more of their drug development in the future. In fact, analysts project the market for outsourced drug development services will grow at a compound annual rate of more than 10 percent from now through 2015.

“The rising complexity of drug development and the costs related to maintaining those capabilities in-house are leading global pharmaceutical and biotech companies to increasingly turn to outside resources for assistance,” said Al Heller, an operating partner with Water Street who has more than 30 years of pharmaceutical experience including leading operations for G.D. Searle.

“AAIPharma Services goes beyond traditional levels of support to provide customers with unique expertise and capabilities that creatively address challenges that arise during drug development and manufacturing. The company is highly regarded for collaborating with customers to ensure they consistently achieve high-quality results. This is the unique value proposition that we intend to build on.”

AAIPharma Services is Water Street’s second platform investment in 2009 and first investment in the life sciences sector. Tim Dugan, managing partner of Water Street, commented: “We are pleased that Water Street continues to complete investments in sectors of health care that we have identified as attractive for growth. Over the past 30 years, the AAI Pharmaceutical Development business has consistently grown to achieve strong results. As a stand-alone entity, AAIPharma Services is much better positioned to focus on and expand its core business. We will leverage our team’s deep expertise and relationships in the pharmaceutical industry to build on its strong foundation through a combination of organic growth and strategic acquisitions. Ultimately, our goal is to create greater long-term value for customers and the company by establishing AAIPharma Services as the leading provider of drug development services.”

### **About Water Street Healthcare Partners**

Water Street Healthcare Partners is a leading private equity firm focused exclusively on health care. With more than \$1 billion of capital under management, Water Street is one of the most active investors in the health care industry. The firm has a strong record of building market-leading companies across key growth sectors in health care. It has partnered with some of the world’s leading health care companies on its investments including: Johnson & Johnson, Medtronic

and Smith & Nephew. Water Street's team is comprised of industry executives and private equity professionals with decades of experience investing in and operating global health care businesses. The firm is headquartered in Chicago. For more information about Water Street, visit [www.wshp.com](http://www.wshp.com).

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