

Biopharma Business Check Financing Review and Outlook

PHARMACEUTICAL
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A look at M&A and stock market activity for full-year 2024—and potential approaches for the future. Pharma leaders will likely focus on deals where there are compelling strategic rationales, while biotechs will mull selling now amid a surge in investment.



about the author

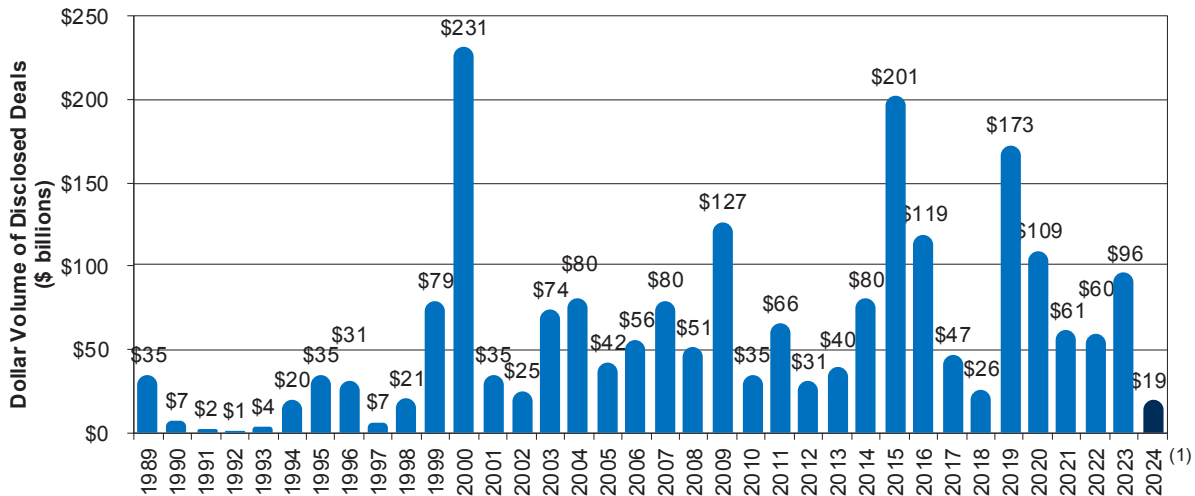
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ALTHOUGH THE PACE OF INNOVATION has been strong for both pharmaceutical and biotech companies and the pace of US and European drug approvals continues to be solid, the financing, M&A, and stock market developments in 2024 for the pharma and biotech sectors have broken from past trends in certain categories—both positively and negatively. Many of these trends would seem not to make sense on the surface, but they are logical if you carefully examine the underlying drivers.

In this article, we will look at the major stock market, financing, and M&A trends for pharma and biotech in 2024, the outlook for 2025, and the implications for industry executives.

The future looks promising, but it is also highly uncertain with the new Trump administration and the high level of geopolitical and economic turmoil globally.

Dollar Value of Worldwide Pharma Acquisitions



(1) As of December 31, 2024

Only Deals > \$25 million

FIGURE 1. Global M&A dollar volume has been strong in recent years. However, the dollar volume declined dramatically in 2024, representing its the lowest value since 1997.

Source: Young & Partners

THE STOCK MARKET AND FUNDING

By the end of 2024, the S&P 500 had increased 24% and the S&P Euro 350 had rose by 0.3%. This was a significant positive development, although much of the increase in the S&P 500 was driven by the largest technology companies.

The overall picture for the pharma industry in 2024 was mixed.

The Young & Partners (Y&P) US BioPharma index increased by 6.9%, underperforming the market. The Y&P European BioPharma index dropped by 10.3%, and the Y&P Generic Pharma index grew by 50.5%. Pharma equity issuance in 2024 was modest, but much higher compared to 2023. Dollar volume of equity issuance last year was \$13.3 billion versus \$6.5 billion in 2023. The number of offerings was also higher, with 69 offerings in 2024 versus 41 such instances the previous year.

The performance of biotech public shares has been weak. In 2024, the NBI index decreased by 3.3% and

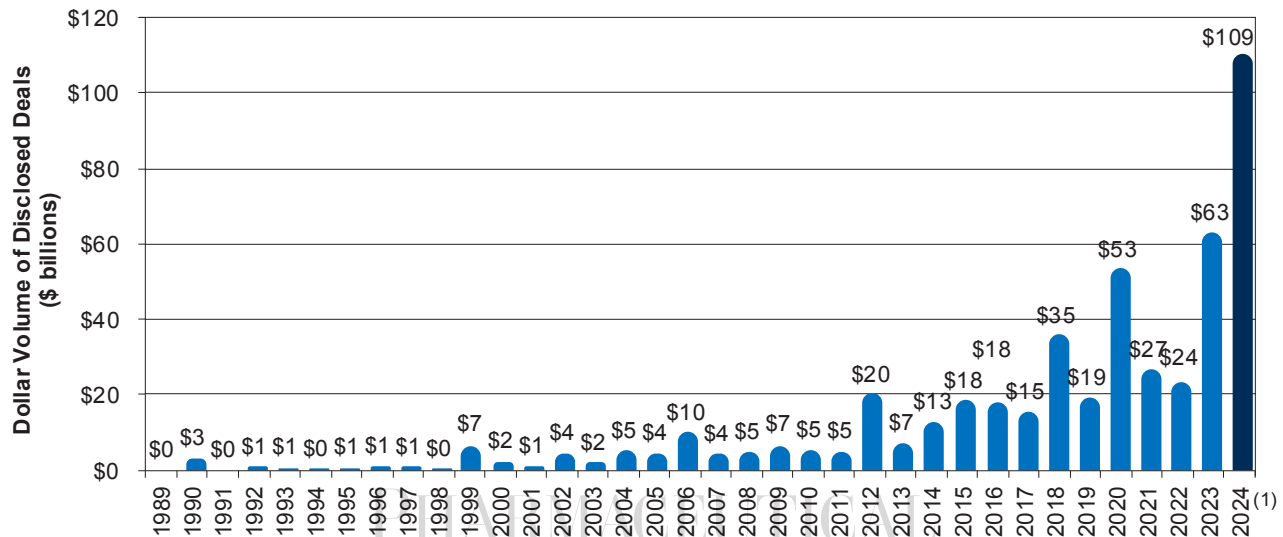
the Y&P Biotech Mid-Small Cap index rose by only 1.2%. This was a continuation of the underperformance of biotech public shares that began in 2022.

Last year saw a continuation of a suppressed number of biotech IPOs, but a robust number of secondary offerings by companies already public. If already public, the ability to issue more equity has been solid, but, sadly, organizations seeking to go public have been given the cold shoulder.

Equity offerings of all types roared back in 2024, with 237 equity offerings completed versus 201 offerings in 2023. The dollar volume was also strong, with \$32 billion completed in 2024 versus \$24.8 billion the previous year.

The IPO market volume, however, only modestly recovered from trough levels. Twenty three IPOs were completed, worth \$3.8 billion, in 2024 compared to 16 IPOs, worth \$3.3 billion, in all of 2023. There are signs of improvement, but it is not clear that there will be a sustained recovery.

Dollar Value of Worldwide Biotechnology Acquisitions



(1) As of December 31, 2024
Only Deals > \$25 million

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FIGURE 2. Dollar volume of transactions completed in 2024 was at a historic high, surpassing 2023 and all years before.

Source: Young & Partners

Many biotechs with plans to go public have been facing serious funding problems, as the IPO market has been an important source of very attractive equity funds to extend these companies’ research and regulatory runways.

The drop in biotech stock market valuations have also pushed down the private equity funding valuations and availability, except for pockets of sectors that are in favor. Venture capital (VC) firms took big paper losses on their existing ownership positions in private and public biotech/biopharma companies and dramatically slowed funding new companies, except in the hot areas of technology. Their focus has been on defending their existing portfolio companies to make sure they survive the funding and IPO drought. However, there are signs that investing activity is picking up as VCs take advantage of lower valuations and because they really cannot stop investing entirely.

With many of the private biotechs running out of money, we will continue to see downsizing announcements on a regular basis. Some biotech companies will not survive and will have to shut down.

This down cycle has impacted the biotech sector many times historically, so this is not a new development for the industry.

PHARMA M&A IN 2024 AND THE OUTLOOK

Acquisitions by pharma companies have traditionally been a regular part of the landscape. Although Big Pharma organizations have revived their ability to invent new drugs, they still need to supplement their own efforts with acquisitions of and collaborations with pharma and biotech companies.

In 2024, 32 pharma deals, worth \$19.2 billion, were completed versus 29 deals, worth \$95.8 billion, in 2023. This represents a slight increase in the number of deals on an annualized basis, but a major decrease in the

dollar volume of deals. The largest acquisition was the \$4 billion purchase of Marati Therapeutics by Bristol Myers Squibb (BMS).

The long period of a steady diet of mega-deal acquisitions of large pharma companies has slowed to a crawl and pharma organizations have shifted their focus to small-to-medium-sized acquisitions. This trend is further demonstrated by the record number of biotech acquisitions, primary by Big Pharma.

Why has this been the case? Pharma companies have come to realize that mega deals do not deliver accelerated innovation. So they continue to mainly focus on strategic small-to-medium sized pharma acquisitions. They are also focused on biotech companies via acquisitions, strategic partnerships, and in-licensing to achieve pipeline growth.

As of December 31, 2024, the dollar value and number of deals announced but not closed was quite low at \$7.1 billion (16 deals).

Looking into the future, there may be one or two larger deals, but those deals will not be the strategic focus of pharma organizations. Pharma M&A is expected to continue to be moderately active in terms of the number of deals, with a focus on small-to-medium sized transactions, but modest dollar volumes. Deals with a strong strategic rationale or a theme around adding new and growing technologies and products will continue to be pursued.

BIOTECH M&A IN 2024 AND THE OUTLOOK

In 2024, 73 biotech deals, worth \$109 billion, were completed versus 79 deals, worth \$62.7 billion, finalized the previous year. This represents, on an annualized basis, a surge in the total dollar volume and a continuation of the high number of deals from

2023. We are at a record high level of biotech M&A dollar volume and a near record number of deals. Transactions in the US dominated relative to the rest of the world.

The largest transaction was the \$14.2 billion acquisition of Karuna Therapeutics by BMS. The dollar value of the pipeline of biotech deals announced but not closed as of December 31, 2024 was healthy at \$9.2 billion (26 deals).

What is driving this trend? First of all, most of the acquisitions are being done by pharma companies who are aggressively looking to build their pipelines and revenues. Second, with the collapse of the IPO market, a severe reduction in equity funding, and a dramatic reduction in the share prices of biotech companies, biotechs are more willing to consider a sale at an earlier stage than they were just three years ago.

What is the outlook for biotech M&A? We expect more of the same in the future driven by the same factors, with a relatively robust number and dollar volume of biotech deals being completed over the next couple of years, along with partnering, licensing, and royalty monetization for funding and for shareholder liquidity.

M&A volume in terms of numbers of deals will continue to be strong in 2025 and beyond.

IMPLICATIONS FOR PHARMA AND BIOTECH COMPANIES

The big unknown for the future is the impact that the new Trump administration will have on healthcare regulation, drug prices, etc. The signs are not positive, with the nominated government officials indicating their desire to cut costs, regulations, etc. However, predicting what will actually happen is very difficult at this stage.

This overall picture is positive for pharma companies because there is a large pool of biotech organizations available for M&A transactions, licensing, and strategic partnerships at valuations that are better than two years ago.

For biotech companies, the key will be the quality and the maturity of their respective drug-candidate pipelines and cash needs. If a company is focused in a therapeutic area that is the subject of high strategic interest and/or is at a viable financing point, the outlook will be positive.

The rest of the field will have to forge a path that is sized properly relative to how long of a runway one needs to get to a viable financing or M&A point. For many biotech companies, it will be a matter of survival. [PE](#)