

## Young & Partners Forum

### Reflections on 2024 and the Outlook – Senior Management Approach to M&A

#### **How will senior management approach M&A in this environment?**

Pharma senior management will be heavily focused on acquisitions where there are compelling strategic rationales and where the same results cannot be obtained internally or through licensing and strategic partnerships. However, it will continue to be challenging to determine what the right valuations are for each deal. With the collapse of the public market values for Biotech companies and the downward repricing of private Biotech companies in down rounds, matching buyer and seller expectations will continue to be a challenge.

The use of earn-outs and contingent payment structures continues to be a third or more of the market, which reflects the challenge of bridging buyer and seller valuation expectations.

For Biotech executives, private or public, those that have assets that appeal to pharma companies should consider selling now given the M&A valuations and the high demand for deals.

#### **Are there any geographic considerations to note with regard to the M&A market?**

As you would expect, the largest volume of M&A deals in Biotech was in the United States with 51 of the 73 deals in 2024. Given that the United States has the largest number of Biotech companies, one would expect this profile. 12 of the remaining 22 deals were done in Europe, the second largest Biotech industry concentration.

The picture has been similar in Pharma, with 7 deals completed in Europe and 14 in the United States out of the 32 in total.

#### **What does all of this mean 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.

Barring major disruptions, Pharma companies will continue to enjoy relatively attractive stock market valuations and access to the financing markets, which will continue to be a stabilizing force on the industry. Although Biotech stock market valuations are down and are taking some time to recover, existing public Biotech companies are able to sell equity and there are small signs that the IPO market for Biotech companies will begin a slow recovery.

This overall picture is positive for the Pharma companies because there is a large supply of Biotech companies available for M&A transactions, licensing and strategic partnerships at valuations that are lower than two years ago.

For Biotechs, the key will be the quality and the maturity of your drug candidate pipeline and your cash needs. If you are in a therapeutic area that is the subject of high strategic interest and/or you are at a viable financing point, the outlook will be positive. The rest will have to forge a path that is sized properly relative to how long of a runway you will need to get to a viable financing or M&A point.

For many Biotech companies, it will be a matter of survival.

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#### Young & Partners

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