

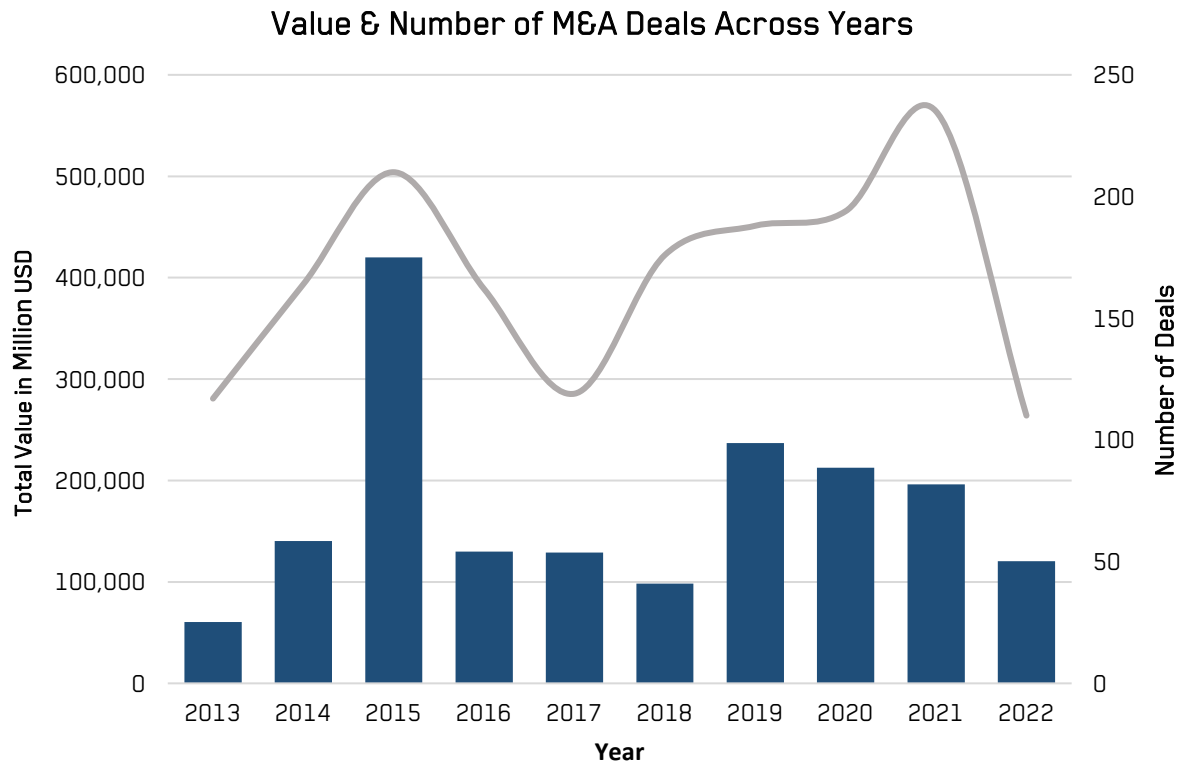
LIFE SCIENCES M&A Report

M&A Deal Summary 2022

The global M&A activity in the life sciences industry experienced a slowdown in 2022, with a significant decline in both the number and value of deals compared to the previous year. In 2022, the life sciences industry recorded a total of 110 M&A deals worth USD 120.7bn, marking the lowest dealmaking year by value since 2018. The decline in deal value was 39%, and the drop in deal number was 51% compared to 2021. The average deal size in 2022 reached a level of USD 1,385m, which is slightly higher compared to the year before (2021: 1,149m).

In summary, the decline in dealmaking activity in the life sciences industry is in line with the broader negative trend seen in the overall M&A investment worldwide. This trend can be attributed to various disruptive uncertainties, ongoing geopolitical conflicts, and macroeconomic volatility.

However, there is hope for a more active year in 2023 for life sciences deals. Companies are now operating in an environment of rapidly changing market conditions and improving economic conditions, which may drive an increase in dealmaking activity. As the life sciences industry continues to face challenges such as growing demand for innovation, companies may turn to M&A as a means of adapting to these changing market conditions and staying competitive. Therefore, 2023 is expected to see an uptick in dealmaking activity in the life sciences industry.

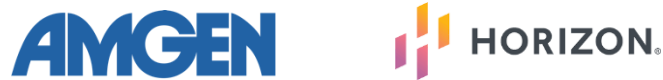


Source: Biotechgate.com

Chart 1. The graph shows the value and number of M&A Deals from the last ten years. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

Top Three Life Sciences M&A Deals in 2022

1. Amgen Inc acquires Horizon Therapeutics plc for USD 27.8bn



The company agreed to a deal that values the Ireland-based maker of rare and inflammatory disease drugs at about USD 27.8 bn. This marks the largest acquisition in Amgen's history, surpassing the purchase of Immunex in 2002 which gave the California-based biotech company the rights to Enbrel, one of its most profitable drugs for many years. Although the acquisition of Horizon Therapeutics is not expected to yield Amgen's next Enbrel, it does provide the company with a range of drugs for rare and immune-related diseases, which are predicted to generate sales with a total of USD 3.6bn in the current year.

[Source / Press release](#)

2. Johnson & Johnson completes acquisition of Abiomed for USD 16.6bn



Johnson & Johnson has completed its acquisition of Abiomed, Inc. Abiomed is now part of Johnson & Johnson and will operate as a standalone business within the acquirer's MedTech segment. The completion of this acquisition allows Johnson & Johnson MedTech to expand their portfolio in the cardiovascular markets, adding solutions for heart recovery to their global market-leading Biosense Webster electrophysiology business.

[Source / Press release](#)

3. CSL Limited buys Vifor Pharma for USD 11.7bn



In a move to diversify its business, Australian biopharma CSL Limited has agreed to acquire Vifor Pharma for USD 11.7bn. The deal would give CSL – heavily dependent on vaccines and blood plasma products – Vifor's attractive kidney disease and iron deficiency franchises. Vifor Pharma will also expand the presence of CSL in the rapidly growing nephrology market, while giving CSL the opportunity to leverage their complementary scientific expertise.

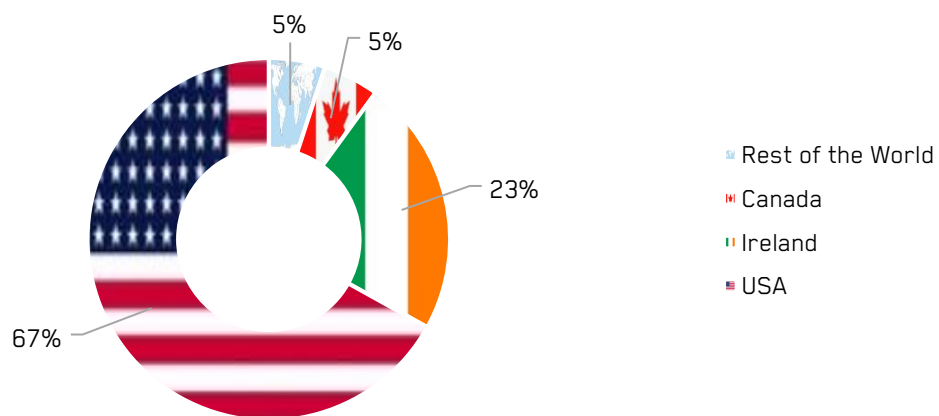
[Source / Press release](#)

M&A Deals by Country

As expected, the largest amount of M&A financing flooded into companies operating in the US (67%). Irish target companies managed to secure second place on the table with a share of 23%. Canada accounted for 5%, whereas the rest of the world reached the same level. American companies dominated the market from the perspective of the acquirers too. Here, the percentage was even higher compared to the target companies (Targets: 67% vs. Acquirers 73%). Next to the US, Australia (10%) and the UK (6%) made it to the top 3 countries of acquiring companies. The rest of the world accounted for the remaining (11%).

The US is the global leader in the M&A life sciences industry, with a highly developed ecosystem. In addition, the US has a favorable regulatory environment that encourages innovation and investment. Furthermore, the US has a well-developed capital market, with a large number of firms that are willing to invest in the life sciences industry. This provides a ready source of funding for companies looking to develop new drugs and therapies or acquire other companies. As a result, many companies are headquartered in the US, and the majority of M&A activity in the industry tends to occur there.

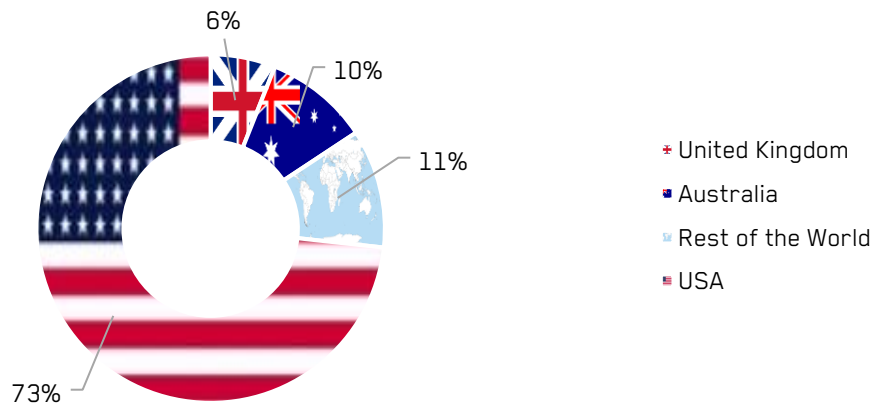
Top 3 Target Company Countries M&A Deal Value



Source: Biotechgate.com

Chart 2. The graph illustrates the top three countries of the target companies involved in M&A deals in 2022 including the rest of the world. The value of the respective deal is allocated to the country where the headquarters of the target company is based. Financing amounts from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

Top 3 Acquiring Company Countries M&A Deal Value



Source: Biotechgate.com

Chart 3. The graph illustrates the top three countries of the acquiring companies involved in M&A deals in 2022 including the rest of the world. The value of the respective deal is allocated to the country where the headquarters of the acquiring company is based. Financing amounts from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

Cross-border M&A Deals

Over the years, cross-border deals have tended to account for a greater proportion of the total M&A deal value compared to domestic deals. In 2022, cross-border transactions represented 58% of the total M&A deal value, marking a 12 percentage points decrease from the previous year. However, this still underscores the growing interest in internationalization and globalization among companies worldwide. Many companies are seeking to expand their operations beyond their domestic borders by acquiring or merging with companies in other countries.

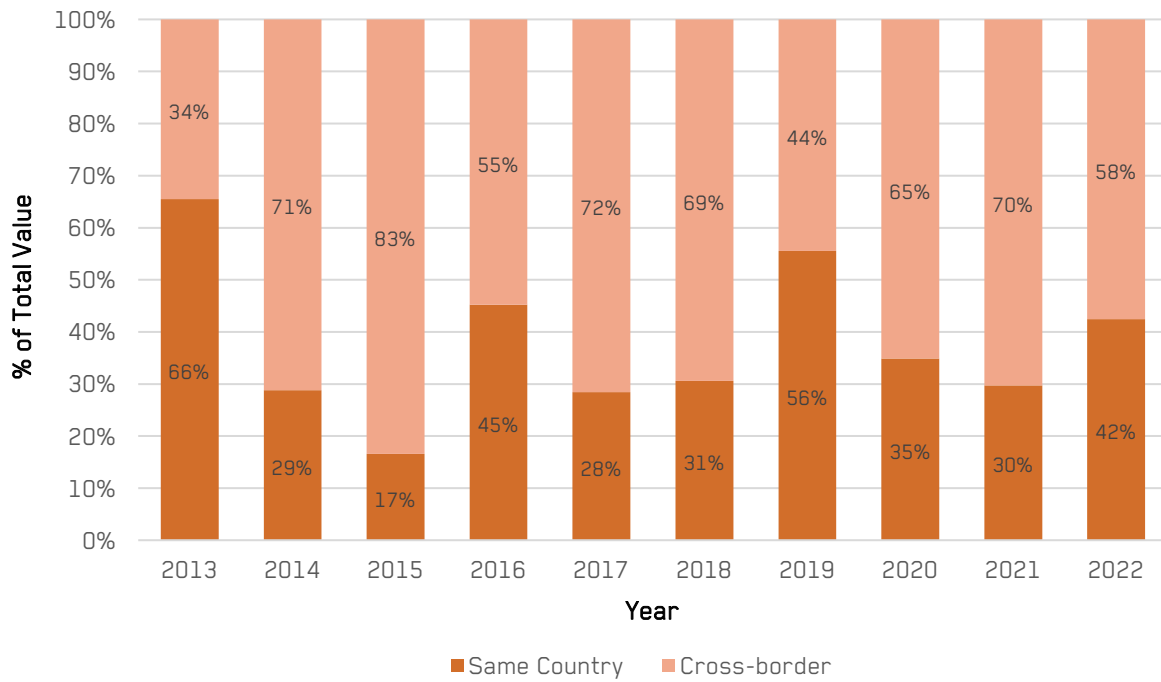
Advancements in technology and communication have made it easier for companies to operate across borders, and many are looking to capitalize on the opportunities presented by global markets.

The benefits of cross-border deals include gaining access to new markets, customers, technologies, and talent, as well as diversifying revenue streams and reducing exposure to economic and political risks in their home countries.

Overall, the trend towards cross-border deals highlights the importance of internationalization and globalization in today's business environment. As companies seek to expand their operations and tap into new markets, cross-border M&A will likely continue to play a crucial role in driving growth and creating value for shareholders.



Proportion Cross-border from Total M&A Deal Value



Source: Biotechgate.com

Chart 4. The graph shows the proportion of cross-border from total M&A deal value from the last ten years. The respective deal is allocated to the country where the headquarters of the company is based. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

M&A Deals by Sector

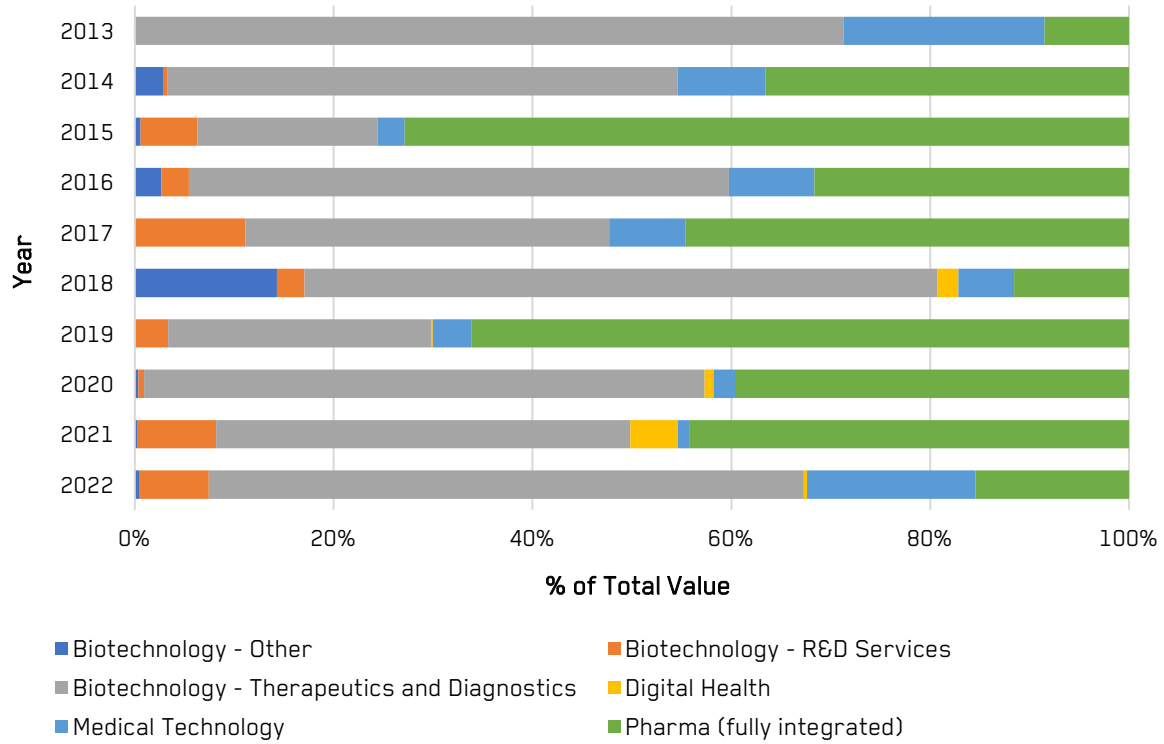
The majority of target companies in the life sciences industry are typically active in the pharma or biotechnology – therapeutics and diagnostics sector. In 2022, M&A investments in the biotechnology – therapeutics and diagnostics sector accounted for the largest share, at approximately 60%, which is 18 percentage points higher than in 2021. Medical technology companies reached 17%, whereas the pharma sector firms registered 15%. Compared to the previous year, medical technology target companies saw a 16 percentage points increase, and biotechnology – therapeutics and diagnostics an 18 percentage points increase. Conversely, pharma target companies decreased from 44% to 15%.

Pharma companies specialize in developing and marketing drugs, while biotechnology – therapeutics and diagnostics companies leverage living organisms, cells, or biological processes to create new products and therapies. Both industries require significant investment in R&D and must overcome numerous regulatory and clinical obstacles before their products can be approved and brought to market.

As drug development entails high costs and risks, many smaller companies in these sectors struggle to secure the necessary funding to bring their products to market. Consequently, they often seek partnerships or acquisitions with larger, established companies that have the financial resources and expertise needed to navigate the complex regulatory landscape.



Proportion Target Company M&A Deal Value by Sector



Source: Biotechgate.com

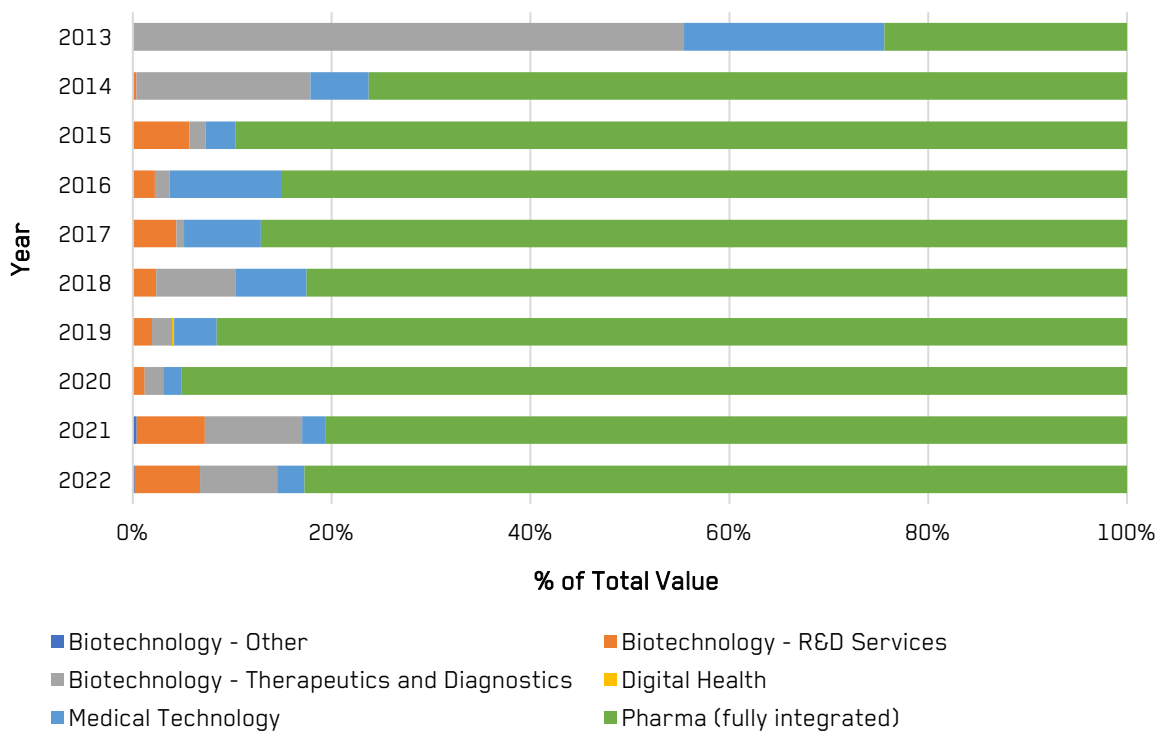
Chart 5. The graph shows the proportion of cross-border target company M&A deal value from the last ten years. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.



Pharma companies continued to dominate the M&A market, accounting for 83% of the activity in 2022.

This sector has a long history of involvement in some of the largest international M&A. It plays a crucial role in the global economy, not only by researching, developing, and introducing new medicines that enhance the health and well-being of people worldwide but also by being a valuable asset itself. It consists of huge corporations that generate billions of dollars in profit each year. The International Federation of Pharmaceutical Manufacturers & Associations predicts that the global pharma market will be a significant business, with projected annual revenues exceeding USD 1.5 trillion in 2023. As a result, it is not surprising that pharma remains the main sector in acquiring other companies in the life sciences industry.

Proportion Acquiring Company M&A Deal Value by Sector



Source: Biotechgate.com

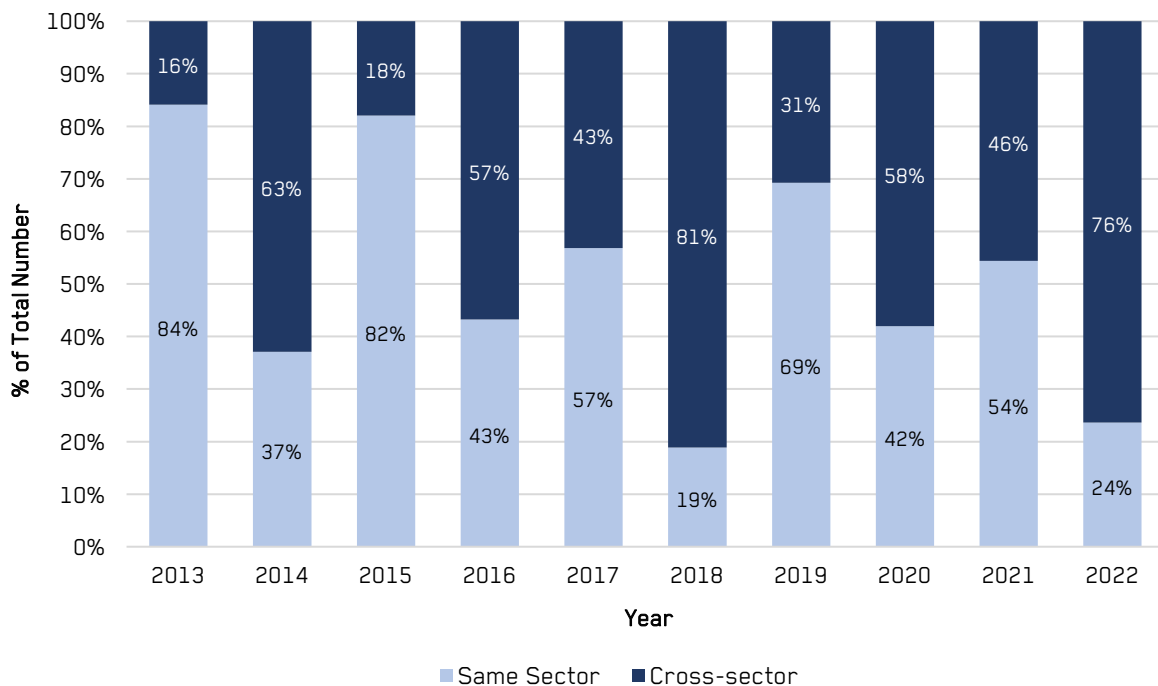
Chart 6. The graph shows the proportion of cross-border acquiring company M&A deal value from the last ten years. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

Cross-sector M&A Deals

Cross-sector deals have seen significant fluctuations over the years, with the proportion varying greatly. In 2022, cross-sector deals accounted for 76% of M&A deals, indicating a 30-percentage point increase from the previous year.

Companies engage in cross-sector deals for several reasons. Diversification is a common motive, allowing companies to mitigate industry-specific risks and capitalize on growth opportunities in other sectors. Cross-sector synergies can also create value by leveraging strengths to generate new products or services. Innovation is another driver, as cross-sector deals can bring together different areas of expertise to foster novel ideas and technologies. Additionally, cross-sector deals can provide a competitive edge by acquiring complementary assets or technologies, strengthening their position in the market. Finally, cross-sector deals can grant companies access to new markets and customers.

Proportion Cross-sector from Total M&A Deal Value



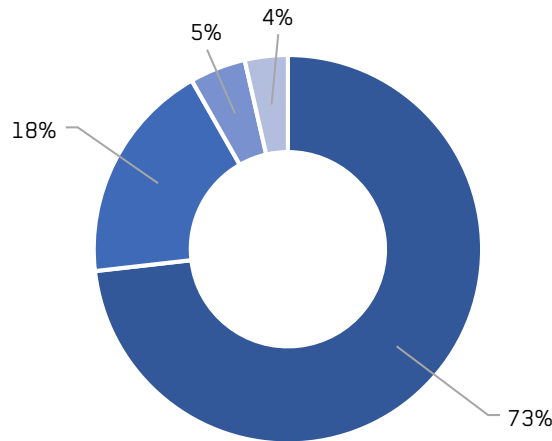
Source: Biotechgate.com

Chart 7. The graph shows the proportion of cross-sector from total M&A deal value from the last ten years. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

In cross-sector M&A deals, 73% of the value came from pharma companies acquiring biotechnology – therapeutics and diagnostics firms, while another 18% came from pharma companies acquiring medical technology companies. Biotechnology – therapeutics and diagnostics companies acquiring pharma companies accounted for 5%, and the remaining 4% comes from companies in other sectors.

The biotechnology – therapeutics and diagnostics sector is highly innovative but costly, leading many smaller companies to seek partnerships or acquisitions with larger pharma companies to commercialize their products. The pharma sector, on the other hand, experiences growing demand for new therapies and increasing importance of R&D for new treatments, driving M&A activity to diversify portfolios, acquire new technology or intellectual property, or gain access to new markets.

Top 3 Sector-Sector Relationships from Total Cross-sector M&A Deal Value



Percentage	Sector Target	Sector Acquirer
73%	Biotech – Therapeutics*	Pharma (fully integrated)
18%	Medical Technology	Pharma (fully integrated)
5%	Pharma (fully integrated)	Biotech – Therapeutics*
4%	Other	Other

Source: Biotechgate.com

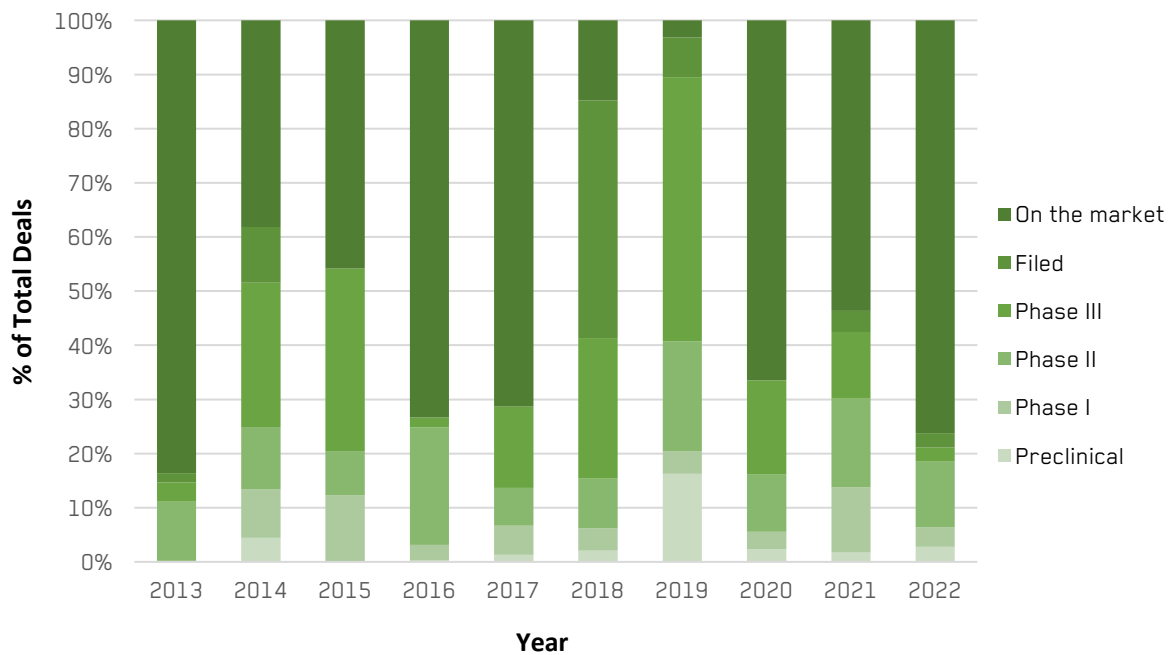
Chart 8. The graph shows the top three sector-sector relationships from total cross-sector M&A deal value in 2022. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added. Biotech – Therapeutics* = Biotechnology – Therapeutics and Diagnostics.

M&A by Lead Asset Phase

According to Chart 9, companies that have products on the market or are in later stages of development typically account for the majority of the M&A deal value. This trend was once again observed in 2022, with target companies that have products on the market comprising the largest share of the total M&A deal value (76%).

As products progress to later stages of development, their probability of success increases, and the associated risk decreases. Consequently, companies with later-stage products are considered more valuable. In particular, companies with products already on the market pose an even lower risk, as their products have already been approved and may already generate revenue. This incoming cash flow is highly valued by acquirers, contributing to the increased deal amount.

Proportion M&A Deal Value by Lead Asset Phase



Source: Biotechgate.com

Chart 9. The graph shows the proportion of M&A deal value by lead asset phase from the last ten years. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

About this summary

The M&A Report is published every six months by Venture Valuation and can be downloaded for free either from our newsletter or from the website www.biotechgate.com/financing

The data used for this summary is taken from Venture Valuation's global life science database Biotechgate, if not explicitly stated otherwise. Biotechgate is a popular source for company and licensing deal information. If you are interested in learning more, please do not hesitate to contact us and apply for a trial.

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