

LIFE SCIENCES M&A Report

M&A Deal Summary Half-year 2023

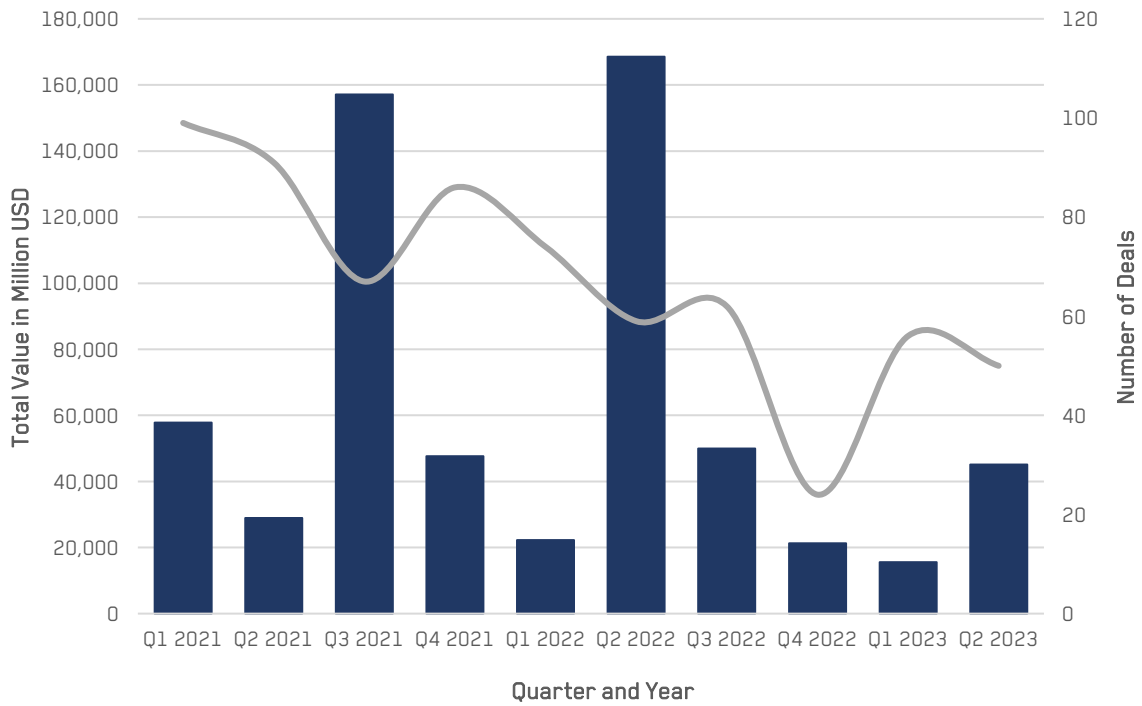
In the first half of 2023, the slowdown in terms of global life sciences M&A deal-making experienced in the second half of 2022 has continued to show its effects. While Q1 2023 saw a noteworthy uptick in M&A deal volume, with a 133% increase compared to the previous quarter of 2022 (Q4 2022: 24 deals vs. Q1 2023: 56 deals), the M&A deal value decreased by 27%. In a year-on-year analysis, the first half of 2023 performed significantly worse and failed to even reach one-third of the M&A financing value recorded at mid-year 2022. The combined deal volume of Q1 and Q2 2023 amounted to USD 60.7bn, with 106 deals successfully closed. Deals announced in the first half of 2023 but not yet completed are not included in the statistics for this report.

Anticipated as a year of recovery, 2023 was expected to leverage M&A as a means to adapt to rapidly changing market conditions. However, while it remains to be seen how the full year will unfold, the challenging economic landscape with rising interest rates and high inflation has so far resulted in continued subdued deal activity. The number of deals has declined moderately, whereas notably fewer mega-sized transactions were completed.

Overall, M&A are still considered a popular choice for the life sciences industry to bridge pipeline gaps and drive company growth. Looking towards the future, it is expected that the pharmaceutical industry will seek to fill potential gaps resulting from the expiring patents of numerous high-selling therapeutics in 2030. Concurrently, the lack of opportunities in the IPO market is driving small- and mid-sized biotechs to seek potential buyers, indicating that divestitures are likely to play a more prominent role in the future and M&A deal activity will rebound.



Value & Number of M&A Deals per Quarter



Source: Biotechgate.com

Chart 1. The graph shows the value and number of M&A Deals from the last three years 2021, 2022, and 2023 per quarter. 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 Closed in Mid-2023

1. Merck & Co. acquire Prometheus Biosciences, Inc. for USD 10.8bn



Merck (known as MSD outside of the United States and Canada) announced the completion of the Prometheus Biosciences, Inc. acquisition. Prometheus is now a wholly-owned subsidiary of Merck and the common stock of Prometheus will no longer be listed or traded on the Nasdaq Global Market. Merck, through a subsidiary, has acquired all outstanding shares of Prometheus for USD 200.00 per share in cash for a total equity value of approximately USD 10.8bn. Merck expects the acquisition to accelerate its presence in immunology and augment its pipeline. Prometheus' leading clinical candidate, PRA-023, a humanized monoclonal antibody (mAb) directed to tumor necrosis factor (TNF)-like ligand 1A (TL1A), will be known as MK-7240.

[Source / Press release](#)

2. Biogen Inc. completes acquisition of Reata Pharmaceuticals, Inc. for USD 7.3bn



Biogen Inc. acquired Reata Pharmaceuticals, Inc. with a deal that reflects an enterprise value of approximately USD 7.3bn. The purchase is expected to be slightly dilutive to Biogen's Non-GAAP diluted Earnings Per Share in 2023, roughly neutral in 2024, and significantly accretive beginning in 2025, inclusive of associated transaction costs. As a result of the transaction, Biogen has now acquired Reata's lead asset SKYCLARYS® (omaveloxolone), which was approved for the treatment of Friedreich's ataxia (FA), a rare neuromuscular disorder, as well as other clinical and preclinical pipeline programs.

[Source / Press release](#)

3. Astellas Pharma Inc. buys IVERIC bio, Inc. for USD 5.9bn



Astellas Pharma Inc. acquired IVERIC bio, Inc. for USD 5.9bn through its indirect wholly-owned subsidiary Berry Merger Sub, Inc. As a result, Iveric Bio has become Astellas' wholly-owned subsidiary and shares of Iveric Bio's common stock were delisted from NASDAQ. The transaction is an important step for Astellas in building its product portfolio in one of its five primary focuses, "Blindness & Regeneration": Astellas now owns Iveric's promising programs including Avacincaptad Pegol, an important program for geographic atrophy secondary to age-related macular degeneration.

[Source / Press release](#)

Outlook: Pending M&A Deals Highlights Announced in Mid-2023¹

1. Pfizer Inc. announces acquisition agreement with Seagen Inc. for USD 7.3bn



Pfizer Inc. and Seagen Inc. have entered into a definitive merger agreement under which Pfizer will acquire Seagen for USD 229 in cash per Seagen share for a total enterprise value of USD 43bn. The proposed combination with Seagen would double Pfizer's early-stage oncology clinical pipeline. Pfizer expects to finance the transaction substantially through USD 31bn of new, long-term debt, and the balance from a combination of short-term financing and existing cash. The companies expect to complete the transaction in late 2023 or early 2024, which is being reviewed by the European Commission.

[Source / Press release](#)

2. Quince Therapeutics, Inc. announced it will acquire EryDel SpA for USD 485m



Quince Therapeutics, Inc. announced that the company has entered into an agreement to acquire EryDel SpA in a stock-for-stock upfront exchange and potential downstream milestone cash payments for USD 485m in total. EryDel will operate as a wholly owned subsidiary of Quince Therapeutics with plans to retain EryDel's corporate and manufacturing presence in Italy. The transaction is subject to certain regulatory approvals and other closing conditions.

[Source / Press release](#)

3. Harmony Biosciences Holdings, Inc. to acquire Zynerba Pharmaceuticals, Inc. for USD 200m



Harmony Biosciences Holdings, Inc. announced a definite agreement to acquire Zynerba Pharmaceuticals, Inc. Harmony will commence a tender offer to acquire all outstanding shares of Zynerba for USD 60m in the aggregate, plus one non-tradeable contingent value right per share, representing the right to receive potential additional payments of up to USD 140m, subject to the achievement of certain clinical, regulatory and sales milestones. The transaction is expected to close by the fourth quarter of 2023, subject to customary closing conditions.

[Source / Press release](#)

¹ M&A agreements that have been announced but not yet closed at the time of the release of this M&A report, in the first half of 2023 (due to pending review processes or similar) are not included in the statistics of this report. Three pending deal highlights are listed here.

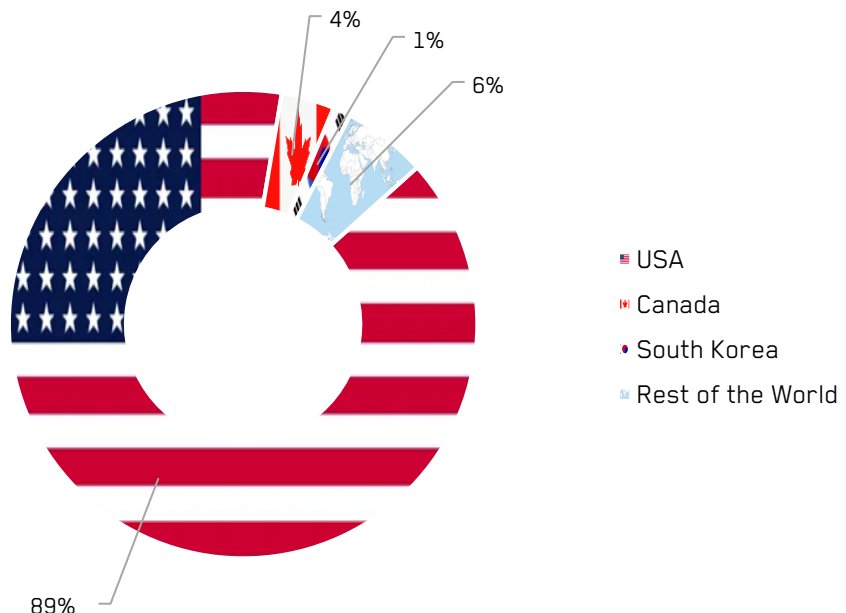
M&A Deals by Country

Unsurprisingly, in the first half of 2023, US companies are again the companies with the largest amount of M&A deal value with a remarkable share of 89%. While the Rest of the World secured 6%, Canada had a 4% share of the financing value, followed by South Korea with 1%.

A different picture emerges from the acquirer's perspective: While the United States remains the leading country in terms of M&A deal value, its share among acquiring companies is considerably smaller when compared to target companies (67%). Next to the US, Japan (10%) and the United Kingdom (7%) are among the top three countries of acquiring companies. The Rest of the World accounts for 15%.

Comparing the figures for the first half of 2023 with those of the previous year, the US is still dominating the M&A life sciences market with the highest activity of all countries, both in terms of acquiring and selling companies. The share of target companies based in the US that are involved in M&A deals has even increased. The high willingness of US-based companies to invest, combined with favorable regulatory conditions, fosters this dominant position. Companies from other countries, on the other hand, gained importance in buying up other companies.

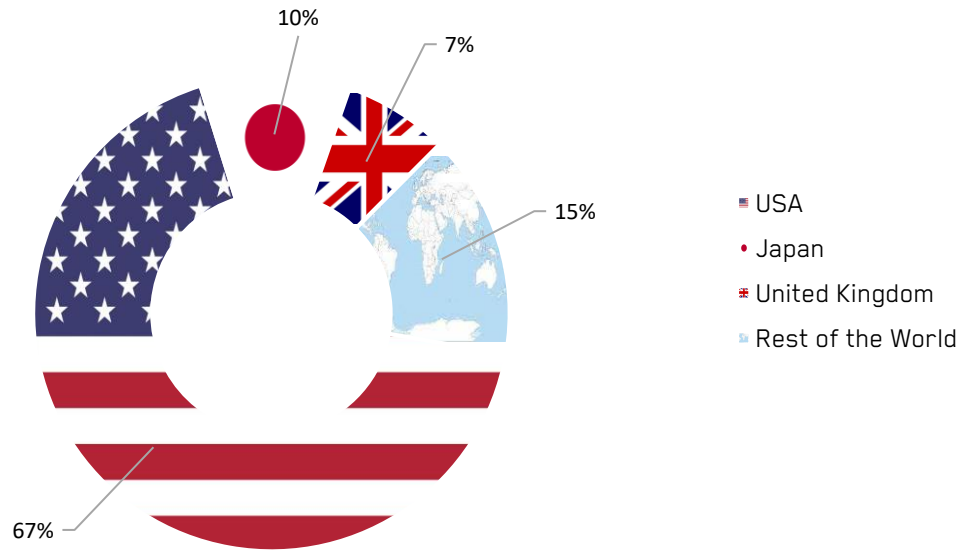
Top 3 Target Company Countries M&A Deal Value



Source: Biotechgate.com

Chart 2. The graph illustrates the top three countries of the target companies involved in M&A deals in Q1-Q2 2023 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 Q1-Q2 2023, 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.

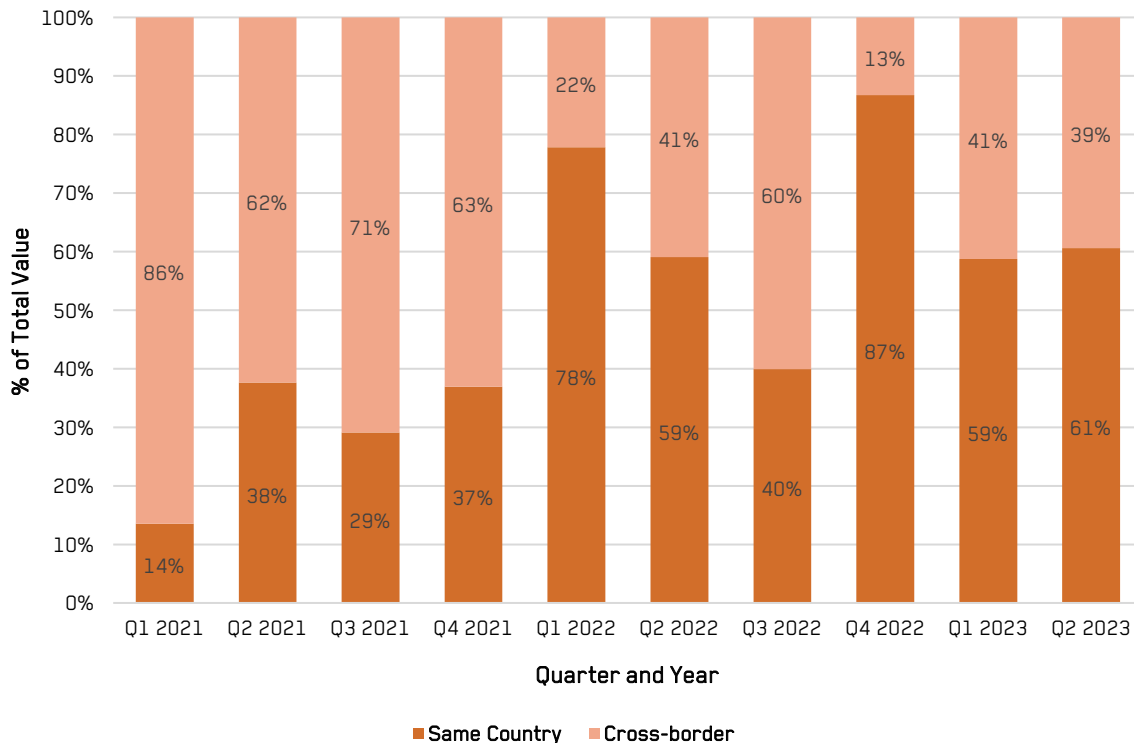
Cross-border M&A Deals

Towards the end of 2022 and so far in 2023, cross-border deals, in relation to domestic deals, reached their lowest levels in a decade when looking at the M&A deal value. In both 2022 and mid-2023, cross-border deals accounted for approximately 40% of total M&A deal value. This marks a decrease of 30 percentage points from 2021. Typically, the share of cross-border M&A transactions slumps when overall deal value is low.

These recent developments run counter to the trend observed in recent years towards greater diversification and internationalization. In line with the uncertainties in the global market, the challenging conditions have reduced companies' confidence in entering new markets and striking deals with companies outside their region, which tend to be subject to higher regulatory requirements.

Part of this decline in the importance of cross-border deals can also be attributed to the dominance of the US in deal-making, where companies are presented with many opportunities to acquire or merge with companies in the same country.

Proportion Cross-border from Total M&A Deal Value



Source: Biotechgate.com

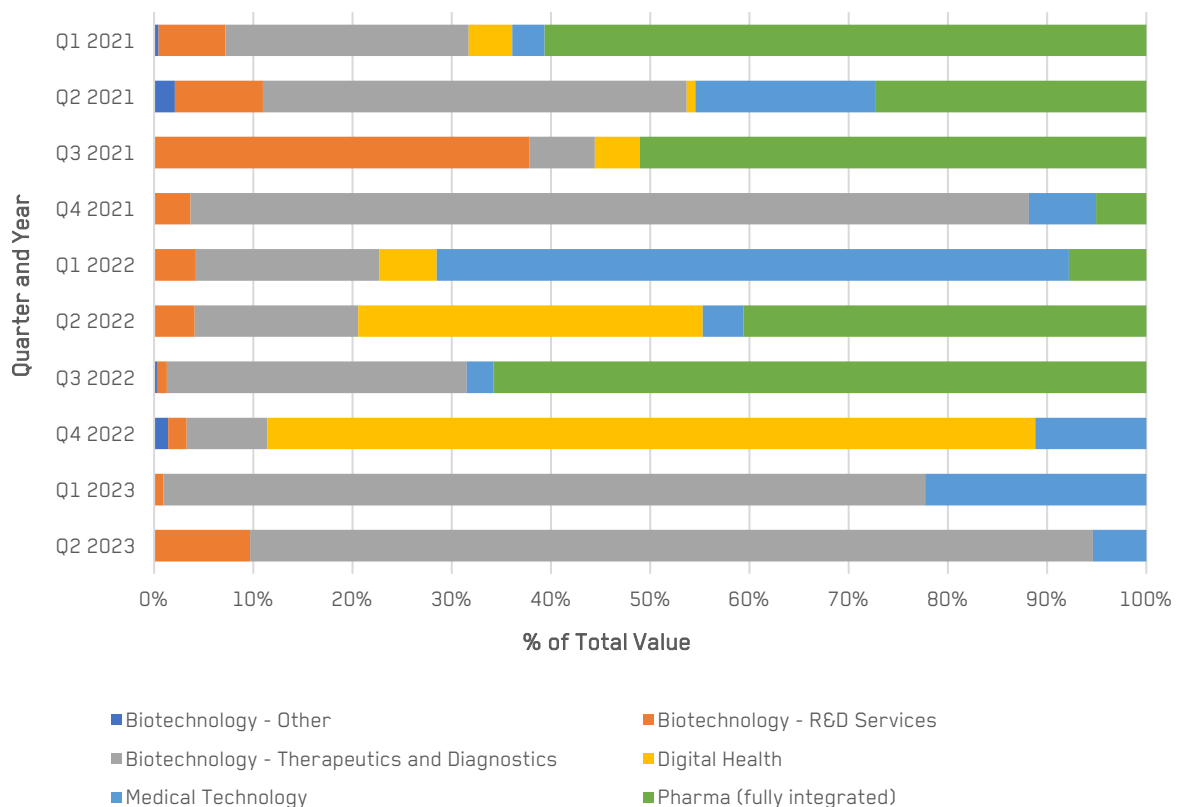
Chart 4. The graph shows the proportion of cross-border from total M&A deal value from 2021, 2022 and mid-year 2023. The respective deal is allocated to the country where the headquarters of the company is based. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

M&A Deals by Sector

In both Q1 and Q2 2023, M&A deals struck with the biotechnology – therapeutics and diagnostics sector as a target represented by far the largest investment share. Approximately 76% and 85% of total M&A transaction value fell into this sector, respectively. This was followed by medical technology (Q1 2023: 22% and Q2 2023: 5.4%) and biotechnology – R&D services firms (Q1 2023: 1% and Q2 2023: 10%). On a year-over-year basis, biotechnology – therapeutics and diagnostics companies saw a considerable increase of 66 percentage points from 2022 to mid-2023.

The development of therapeutics is a lengthy process that involves high costs and risks. As an alternative to venture capital funding, which is often difficult to come by, small and medium-sized biotech companies seek partnerships and acquisitions to increase their resources and bridge the time from the discovery of their drugs through clinical development to commercialization.

Proportion Target Company M&A Deal Value by Sector

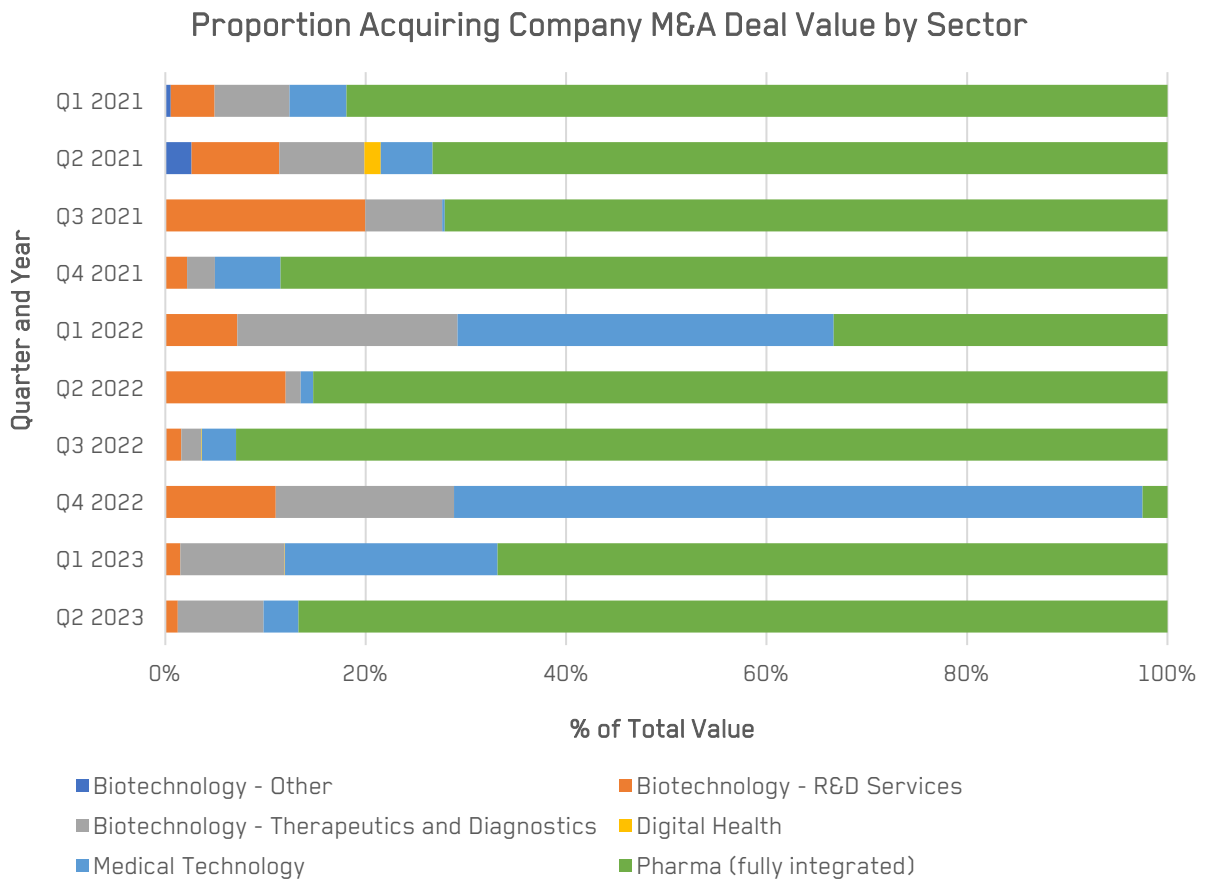


Source: Biotechgate.com

Chart 5. The graph shows the proportion of cross-border target company M&A deal value from the last three years by quarter. 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.

On the buyer side, pharmaceutical companies continue to hold the largest share of the total value of M&A deals, accounting for 67% in Q1 2023 and 87% in Q2 2023. Apart from the last and first quarters of 2022, when large deals took place within the medical technology sector, resulting in a proportional loss of dominance of pharmaceutical companies as buyers, the pharma sector continues to play a decisive role in M&A activity.

The current year is no exception to this trend: 2023 once again saw a number of major pharma players, including Merck, Biogen Inc, Astellas Pharma, Sanofi SA, Eli Lilly and Company, closing the largest deals and buying smaller biotech or even medtech companies.



Source: Biotechgate.com

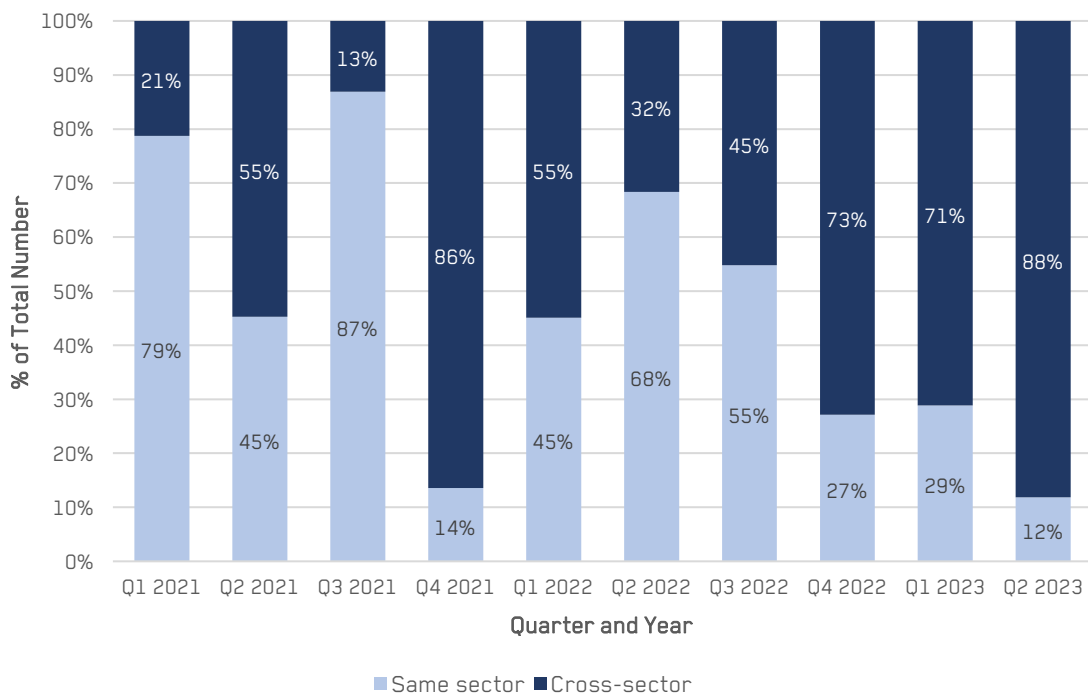
Chart 6. The graph shows the proportion of cross-border acquiring company M&A deal value from the last three years by quarter. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added.

Cross-sector M&A Deals

The proportion of cross-sector deals varied greatly between the quarters of 2021, 2022 and mid-2023. In Q2 2023, cross-sector transactions accounted for 88% of M&A deals, up 17 percentage points from the previous quarter. Overall, the share of cross-sector deal activity is at a new high and has increased considerably since the last quarter of 2022 and the first half of 2023 compared to previous quarters.

This trend towards greater diversification also reflects the need for smaller companies to engage in deals with larger companies in order to mitigate their risks. Access to new markets and the combination of different areas of expertise to promote innovation and the creation of new products also play a key role in why companies tend to enter into agreements with companies from other sectors.

Proportion Cross-sector from Total M&A Deal Value



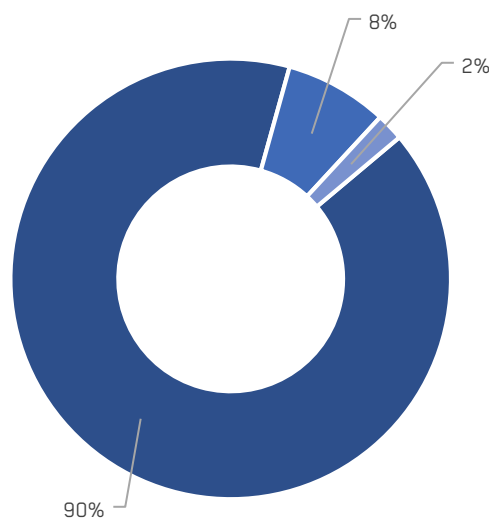
Source: Biotechgate.com

Chart 7. The graph shows the proportion of cross-sector from total M&A deal value from the last three years per quarter. 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 the first half of 2023, deals between biotechnology – therapeutics and diagnostics companies and pharma companies accounted for a substantial share, as much as 90% of the deal value. The remainder of the deal value came from investors acquiring biotechnology – R&D services companies (8%) and biotechnology – R&D services firms buying biotechnology – therapeutics and diagnostics companies (2%).

The highly dominant cross-sector relationship comes as no surprise: Pharmaceutical companies, seeking to diversify their portfolios and enter new markets, benefit from acquiring biotech companies, while biotech companies, faced with costly and lengthy processes, often rely on the acquiring pharmaceutical companies to commercialize their products.

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



Percentage	Sector Target	Sector Acquirer
90%	Biotech – Therapeutics*	Pharma (fully integrated)
8%	Biotech – R&D services	Investors
2%	Biotech – Therapeutics*	Biotech – R&D services

Source: Biotechgate.com

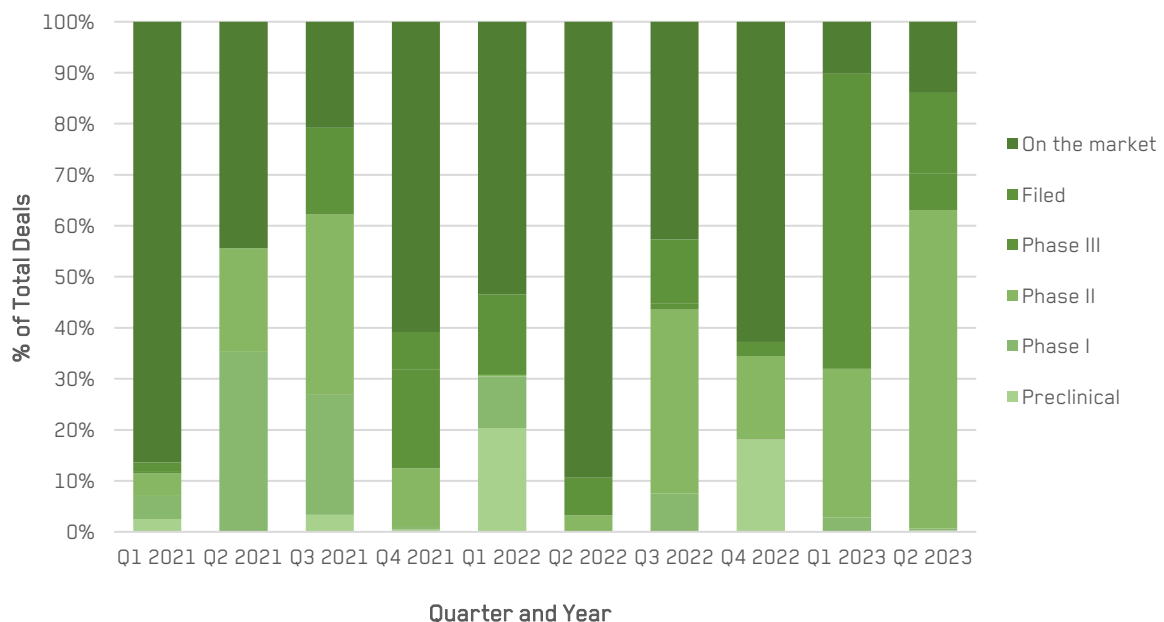
Chart 8. The graph shows the top three sector-sector relationships from total cross-sector M&A deal value in the first half of 2023. Financing amounts and the number of deals from previous reports may alter as new information on M&A deals is received and/or new tranches to existing M&A deals are added. Biotech – Therapeutics* = Biotechnology – Therapeutics and Diagnostics.

M&A by Lead Asset Phase

While in the previous quarters, companies with products on the market typically accounted for the majority of the M&A deal value, this trend cannot be observed for the first half of 2023. In 2023 so far, companies with assets in phase II or phase III represented the largest share of the M&A deal value. In Q2 2023, 62% of the share came from companies with phase II lead assets. In Q1 of the same year, companies with lead assets in phase III dominated the total deal value with 58%.

Nevertheless, marketed products and products in later stages of development play a much larger role from a buyer's perspective than products in early stages of development. This may be related to the lower risk of later-stage therapeutics: companies achieve a better valuation and consequently a higher deal size. In addition, companies with commercialized products may be less inclined to sell because their products are already generating revenue than companies seeking to bridge resource gaps to bring their products to market.

Proportion of 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 three years per quarter. 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

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