A&M | CORPORATE TRANSACTIONS GROUP

2026 GLOBAL BIOPHARMACEUTICAL M&A AND VC INSIGHTS

ALVAREZ & MARSAL

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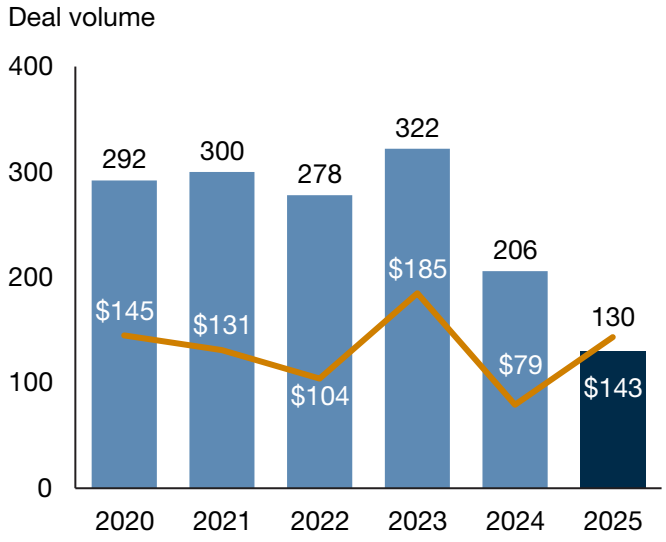
TABLE OF CONTENTS

01 | BIOPHARMA M&A IN 2025: A REBOUND FROM 2024

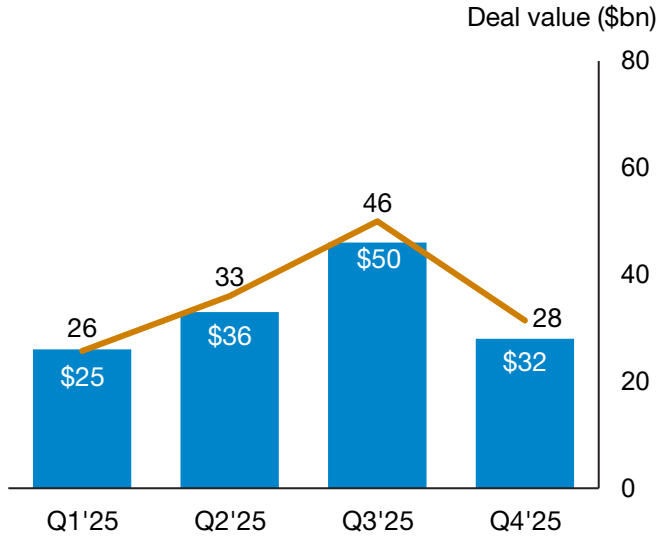
Dealmaking accelerated in 2025, marking a rebound from 2024 and following a prolonged sentiment of dealmaking uncertainty[1]. Total 2025 year-to-date deal value has already eclipsed **$143.4 billion year-to-date**, surpassing the **$79.1 billion total for 2024**. Furthermore, **average deal size in 2025 reached $1.1 billion**, exceeding previous highs in the past five years (the last peak being **$966 million in 2023**).

Figure 1: Biopharma M&A Deal Value and Volume (through Q4 2025)

YoY 2020 – Q4 2025



Last Four Quarters Through Q4 2025

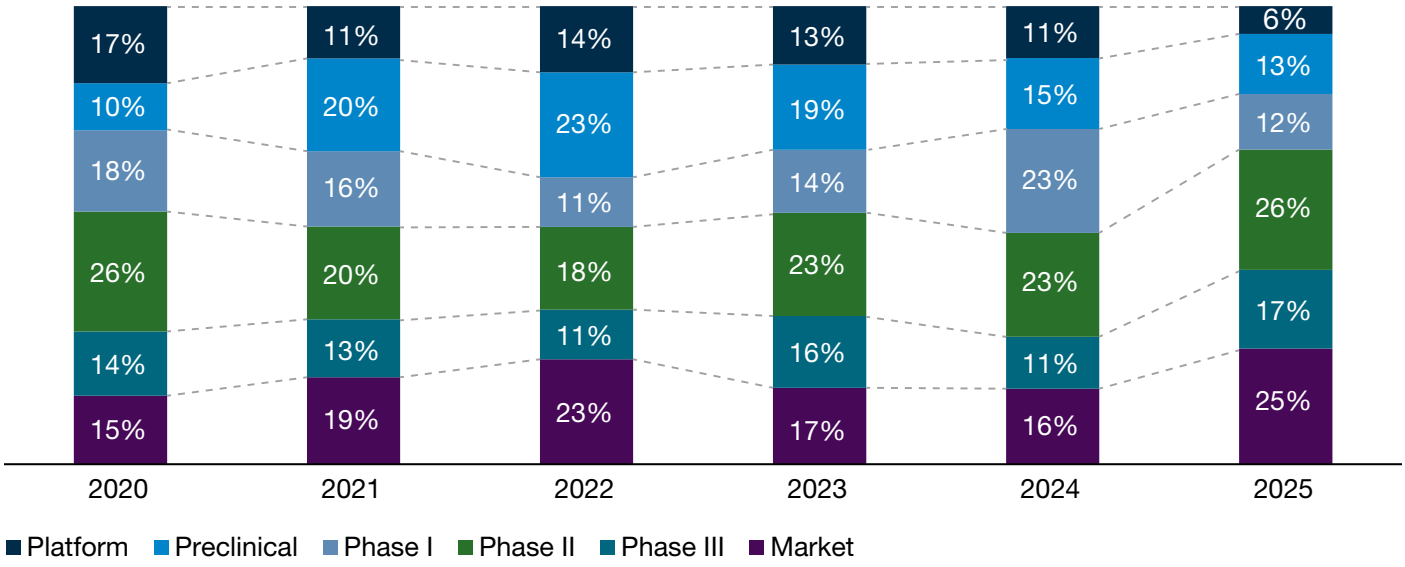


Source(s): DealForma Database, A&M Analysis

The renewed pace has been driven primarily by large-cap pharmaceutical and biotechnology companies aiming to secure clinical-stage assets and innovative platforms at still-depressed valuations. With a continued trend of steadily declining interest rates, life sciences companies have acted more assertively in 2025 to refresh pipelines and strengthen future revenue prospects to offset patent expirations[2].

Declining interest rates have eased financing conditions following capital control and dealmaking restraint characteristic of prior year tendencies. Industry leaders have now reached a tipping point, where pressure to drive and achieve value in the short term has exceeded earlier behaviors of tempering M&A activity in light of macroeconomic and regulatory risk[3].

Figure 2: M&A Deal Distribution by Target Company Stage



Source(s): DealForma Database, A&M Analysis

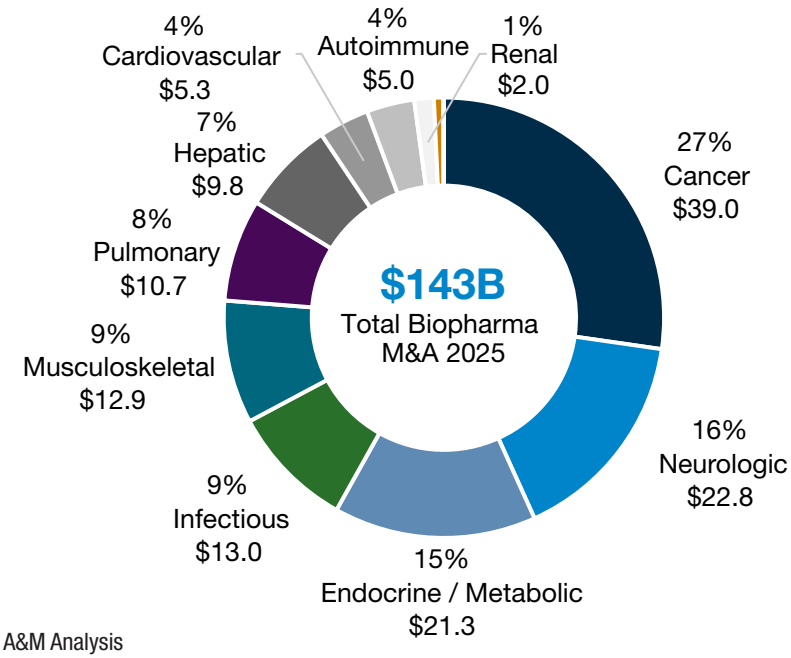
In a deviation from prior years, dealmakers have now shifted focus further into the development cycle, with a closer eye on **later stage companies or assets** rather than **pre-clinical** stage targets. This indicates how dealmakers are prioritizing quicker and more predictable pathways towards revenue and cash flow – gauging tangible addition to top and bottom line to drive deal value.

Life Sciences companies continued to target therapeutic areas historically attractive for investment, including Oncology ($39 billion in deal value), Neurology ($22.8 billion), and Infectious Disease ($13 billion) in 20251. These sectors have consistently served as focal points for pipeline expansion and innovation. Notably, while Endocrine/Metabolic ranked as only the fifth most attractive market by number of deals (7), it captured the third highest aggregate deal value at $21.3 billion. Pfizer's $10 billion acquisition of Metsera served as a hallmark example of continued substantial investment by big pharma into the expansive Obesity market.

Figure 3: 2025 Biopharma Company M&A Deal Value by Therapy Area Focus ($B)

Under $2M < 1%

- Inflammation
- Dermatologic
- Ophthalmic
- Gastrointestinal
- Genitourinary
- Hematologic
- Other TAs



Source(s): DealForma Database, A&M Analysis

Big Pharma Priorities

01

Clinical-Stage Acquisitions for Increased Confidence in Portfolio Return

Through November 2025, **68% of total M&A transactions** have targeted assets in **Phase II or later**, reflecting a deliberate focus on clearer clinical validation and path to market. Large pharmaceutical companies are now shifting focus to financially stable, stronger-positioned biotechs and SMIDs that can accelerate portfolio innovation and transformation with reduced risk relative to pre-clinical assets with higher uncertainty on future launch prospects and potential.

02

Shifting Sentiment within Cell and Gene Therapy Investment

CGT M&A has historically remained attractive to life sciences companies and investors due to blockbuster potential. However, high development costs, complex manufacturing requirements, and persistent regulatory uncertainty have compelled investors to rethink CGT investment strategies for 2025. Companies such as **Galapagos, Takeda, and Novo Nordisk are winding down or actively divesting their CGT units**, resulting in increased opportunities for CGT out-licensing or co-development as investment shifts towards more **established, scalable therapeutic franchises**[4].

03

Continued Focus on In-Vivo Technologies

Amidst the broader mindset shift in CGT, some companies are continuing dealmaking – though in a much more targeted capacity. Namely, next-generation in-vivo technologies have garnered deal activity from several large life sciences companies. 2025 featured **AstraZeneca's $1 billion acquisition of EsoBiotec, AbbVie's $2.1 billion purchase of Capstan Therapeutics, Bristol Myers Squibb's $1.5 billion deal for Orbital Therapeutics, and Kite Pharma's $350 million acquisition of Interius**, which highlight growing confidence in Biotherapeutics and next-generation platforms that will eliminate the traditional manufacturing constraints associated with in-market ex-vivo technologies.

DEAL SPOTLIGHT: SPIN-MERGE AND CVR/LOAN-TO-BUY MODELS

In 2025, biopharma dealmaking signaled a shift away from traditional bespoke asset or share deals towards more creative and strategically timed deals. A notable example is Novartis's $12 billion acquisition of Avidity Biosciences. The deal was structured where the acquisition by Novartis would follow a pre-close spin-out by Avidity of their cardiology business unit into a separately capitalized, publicly traded SpinCo prior to closing. Novartis thereby secured the "crown jewel" neuromuscular assets without inheriting non-core R&D programs, while existing Avidity shareholders retained upside exposure to the spun-out cardiology platform[3]. The "spin-merge" construct provided a novel approach for Novartis to extract deal value otherwise trapped within a complex multi-asset perimeter.

In other noteworthy deals, Roche's acquisition of 89bio employed a sizable contingent value right (CVR) to ring-fence the risk associated with the MASH asset pegozafermin[6]. Similarly, Lilly's acquisition of Adverum relied on a "loan-to-buy" construct that provided development funding ahead of full ownership transfer[7]. Taken together, these transactions illustrate that large pharmaceutical acquirers are no longer prepared to pay a blanket "platform premium" for assets they do not intend to advance. Instead, they are pushing targets to pre-emptively separate non-core programs, shifting the complexity and execution burden of portfolio rationalization from buyer to seller and setting clearer boundaries around what is truly being acquired.

Looking ahead to 2026, life sciences companies may increasingly adopt spin-merge and CVR/Loan-to-buy deal strategies to align with short term value realization priorities. Similar to Avidity, mid-cap biotechs may opt to execute "pre-packaged spins," formally segmenting their pipelines into distinct new companies before even launching a sale process to help appease potential acquirers. Such deal models can additionally help mitigate antitrust and regulatory risk, since asset perimeters are much more clearly defined. In parallel, private equity and specialized investors can step in as dedicated SpinCo partners, supplying capital and operational runway for newly spun, independent entities. Together, these deal models are likely to become a core component of the biopharma dealmaking toolkit.

02 | VENTURE CAPITAL INVESTMENT TRENDS IN 2025

While M&A activity was robust, biopharma venture capital activity in 2025 conveys a more checkered story, reflecting VC confidence within investments in conjunction with tempered expectations from economic headwinds and selectivity among investors. **413 VC rounds were reported for 2025**, constituting a decrease relative to 2024 and 2023 where 461 and 460 rounds respectively were reported. Despite reduced financing rounds, the **average value per VC deal was $60 million in 2025, similar to 2024**.

Figure 4: VC Financing Deal Value and Volume (through Q4 2025)

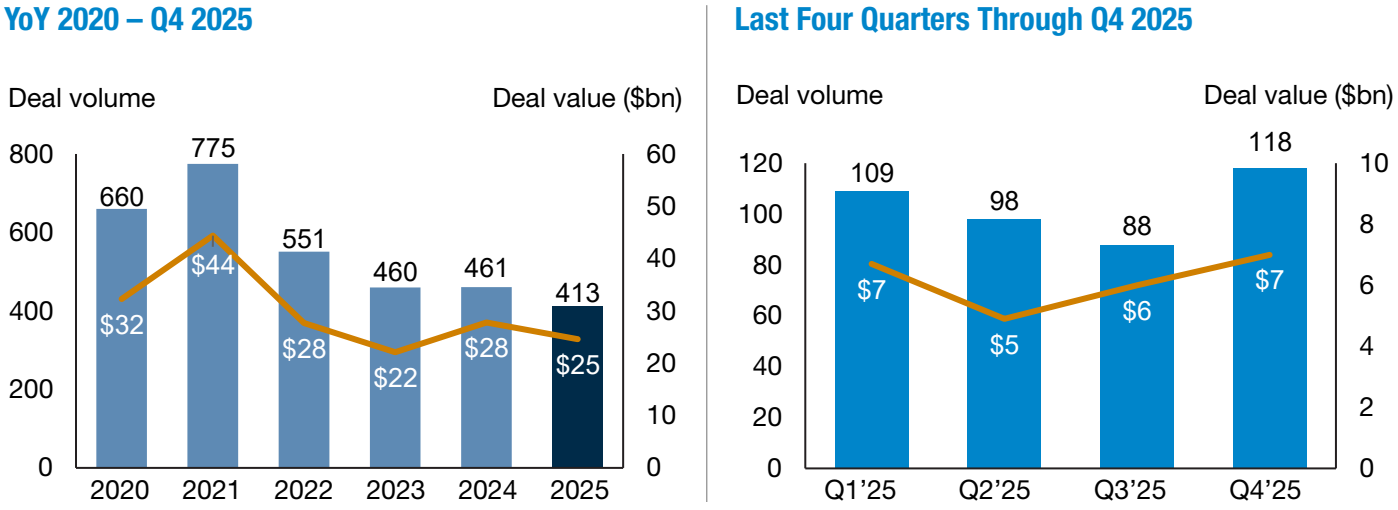
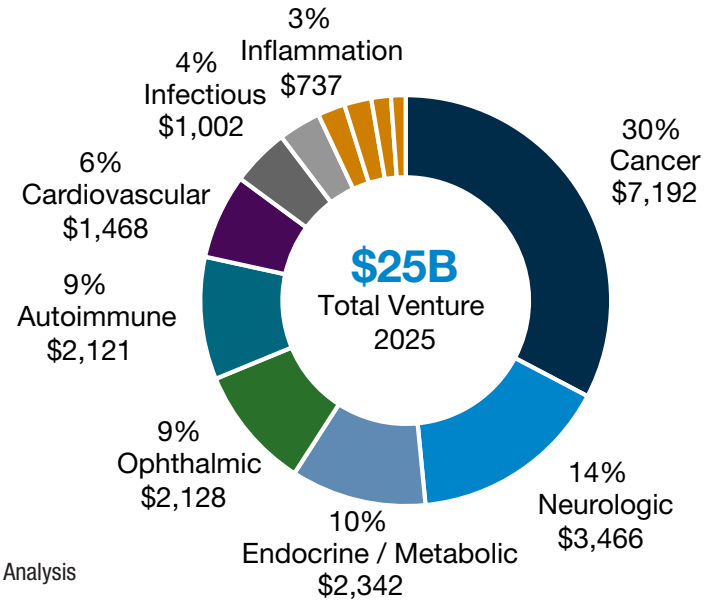


Figure 5: 2025 Biopharma VC Investment Value by Therapy Area Focus ($M)

Under $500M < 2%

- Dermatologic
- Pulmonary
- Hematologic
- Gastrointestinal
- Musculoskeletal
- Hepatic
- Renal
- Genitourinary
- Other TAs



Source(s): DealForma Database, A&M Analysis

2025 maintained continued VC interest in innovation and early-stage companies. This year, **170 early-stage funding rounds were completed, surpassing the 132 rounds for clinical-stage companies. However, venture firms invested an average of $72 million for clinical-stage companies, compared to $52 million for early-stage deals** – suggesting that while VCs continue to support innovation, they are opting to pay premiums for clinical-stage assets with more viable pathways to launch and revenue generation – reflecting similar investment strategies from corporate life sciences deal teams.

In terms of therapeutic areas,

Oncology remains the top targeted at $4.8 billion — **followed by Neurology at $3.1 billion**

Notably, Endocrine/Metabolic climbed to the third spot with $2 billion invested, overtaking Autoimmune and reflecting the sector's accelerating efforts to capture value in the rapidly expanding Obesity market.

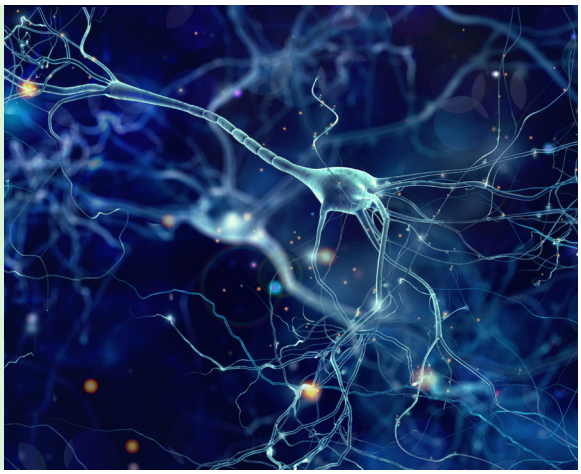
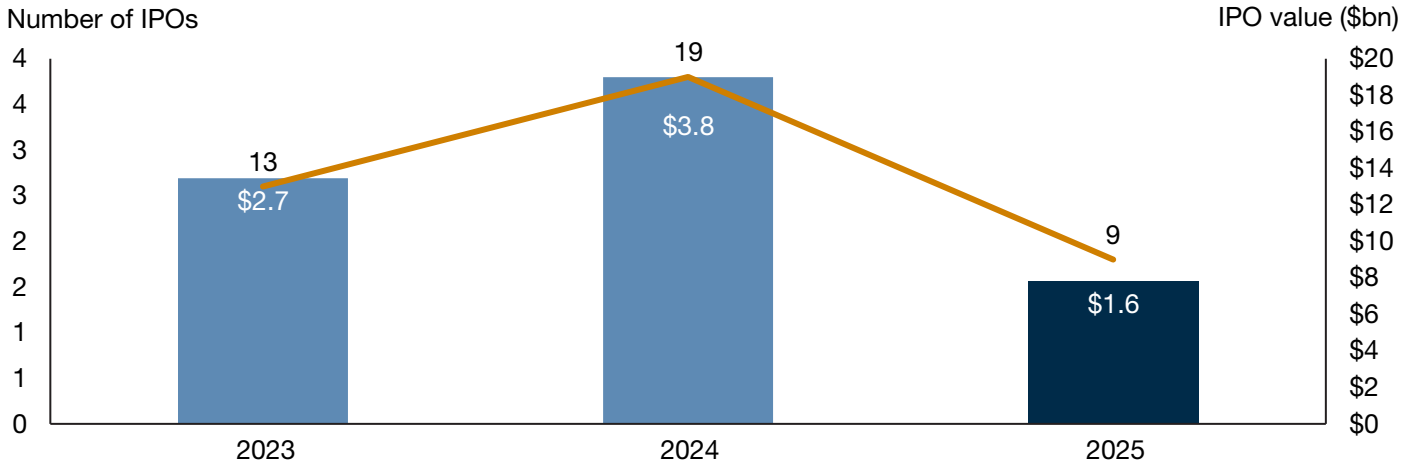


Figure 6: Biopharma IPO Value and Volume 2023 through 2025*



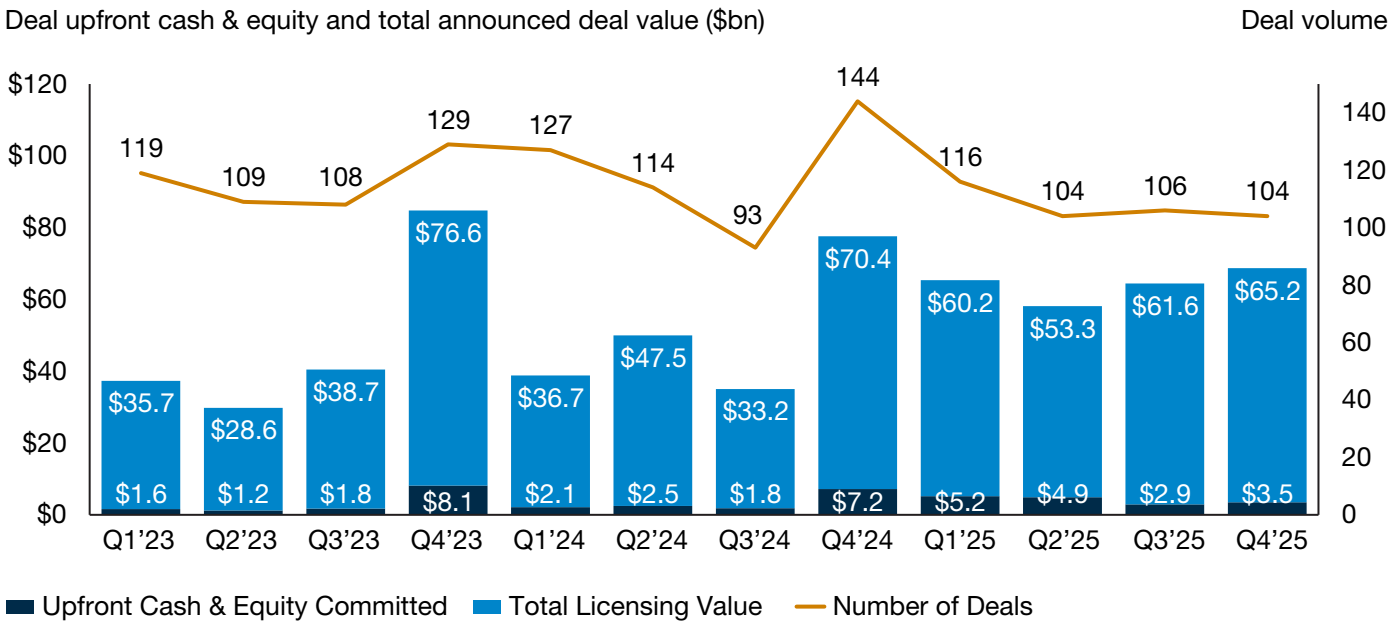
*Based on activity reported within U.S. exchanges only.
Source(s): DealForma Database, A&M Analysis

In a rather unexpected deviation from 2024, there were significantly fewer biotech IPOs in 2025 - **only 9 IPOs have been reported to date, raising a total of $1.6 billion**, the lowest volume since 2021. Biotechs are now **increasingly favoring M&A as their preferred exit path, with ~50% of all 2025 deal activity being for private company acquisitions** – a stark shift from 2024. This is expected to continue into 2026 as private markets remain increasingly liquid and offer more regulatory flexibility compared to public markets, thereby offering more streamlined exit pathways for investors particularly in the current economic climate.

03 | IN-LICENSING DEALS CONTINUE TO REMAIN PREVALENT

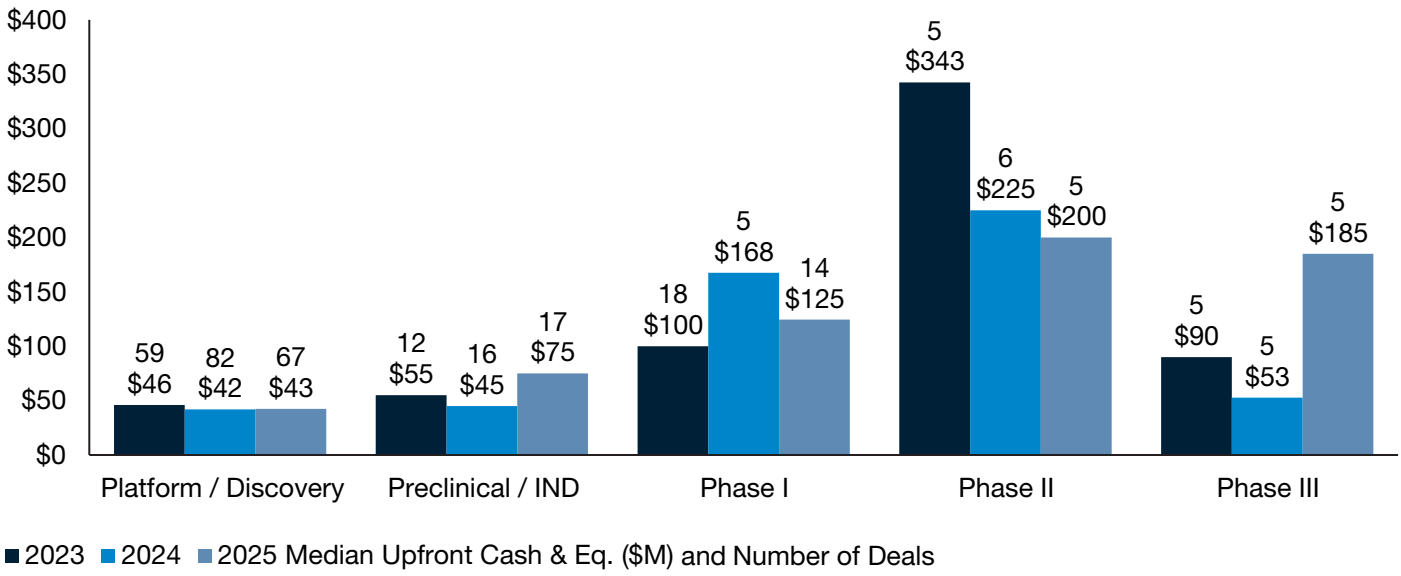
Both upfront payments and total in-licensing deal values in 2025 year-to-date have already surpassed full-year 2024 levels, despite a lower overall deal count. While 2025 deal volume declined approximately 10% from 2024 to 2025 year-to-date, total announced **deal value rose** more than 33% from 2024 levels, and **upfront payments increased** by approximately 27%.

Figure 7: Biopharma R&D Licensing Deal Value and Volume (through Q4 2025)



Source(s): DealForma Database, A&M Analysis

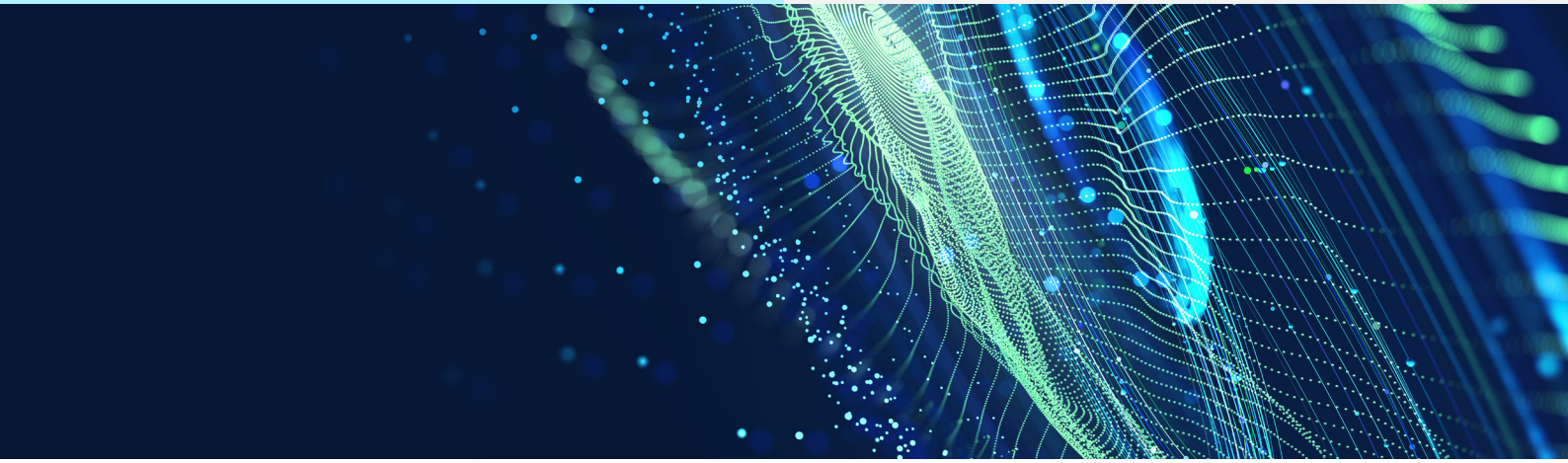
Figure 8: 2025 Big Pharma Median R&D Licensing Upfront Cash / Equity by Stage



Source(s): DealForma Database, A&M Analysis

Pre-clinical and discovery-stage assets continue to command strong interest for in-licensing deals, accounting for 78% of deals in 2025 compared with 86% in 2024. While the majority of in-licensing activity remains centered on these early-stage opportunities, **large-cap companies are paying larger upfronts for clinical-stage assets**, reflecting the higher valuations and reduced risk profile these programs command.

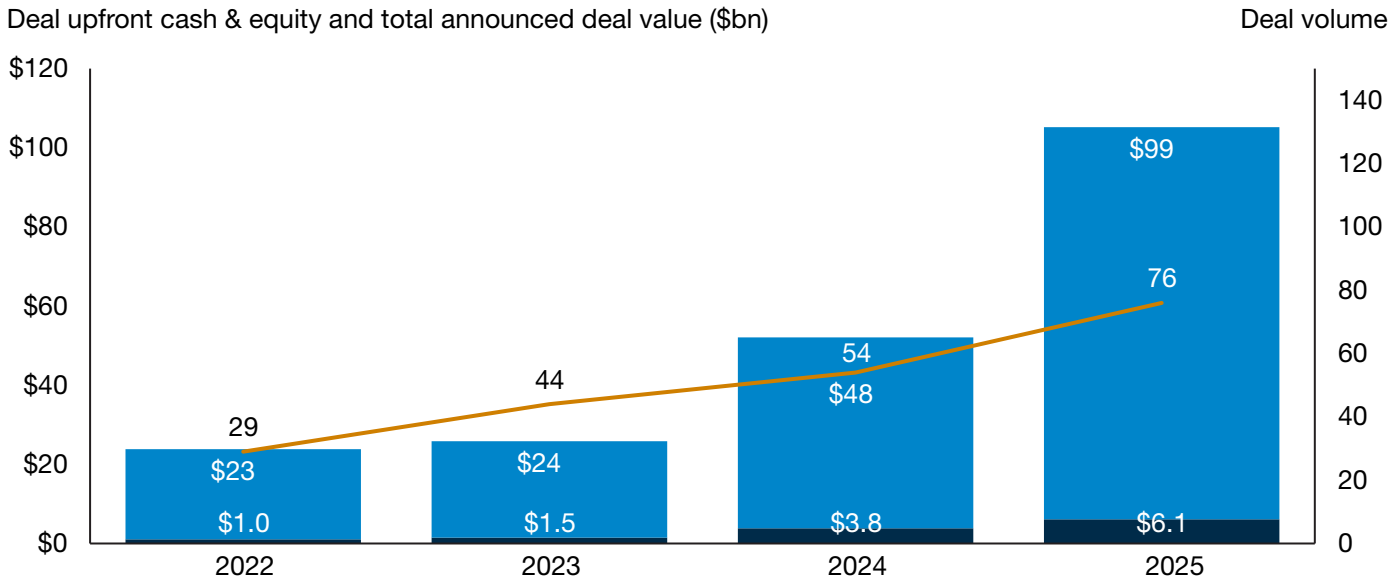
When contextualized alongside M&A objectives, it becomes evident that corporate development teams are relying on a dual-track approach – using both M&A and in-licensing to not only bridge near-term revenue gaps, but also maintain nominal investment in high-potential early-stage targets to drive longer term innovation.



04 | CHINA CONTINUES TO SERVE AS KEY INNOVATION PARTNER

Pharmaceutical companies have additionally explored innovation opportunities outside of Western markets, most notably through pursuing partnerships with Chinese biotechs. In 2025, global pharma entered into a record **76 licensing deals** with Chinese biotechs, totaling **$99 billion** in value. Although deal volume has been steadily rising since 2023, total deal value has more than **doubled** year-over-year from 2024. Pharmaceutical partners are increasingly targeting innovative mid-stage assets and differentiated therapeutic platforms emerging from China's maturing biotech ecosystem.

Figure 9: In-Licensing Deals with Chinese Biopharma as Out-licensors



Source(s): DealForma Database, A&M Analysis

Top 5 Licensing Deals in 2025 by Total Deal Value – Chinese Biotech to Global Pharma

Out-Licensor	In-Licensor	Total Upfront Cash & Equity	Total Milestones	Asset
Hengrui	GSK	$500M	$12.0B	WW ex-China rights to Phase 1 HRS-9821 PDE3/4 inhibitor for COPD, plus exclusive rights to 11 more programs after Phase 1
3SBio	Pfizer	$1.35B	$4.95B	WW ex-China rights to a Phase 3 bispecific asset
Argo	Novartis	$160M	$5.2B	WW ex-China rights to Phase 2 ANGPTL3, 2 novel molecules for severe hypertriglyceridemia and mixed dyslipidemia, and 1 siRNA
CSPC	AstraZeneca	$110M	$5.3B	Option to exclusive WW rights to preclinical small molecule and AI discovery for immunological tx
Harbour BioMed	AstraZeneca	$280M	$4.4B	Option to exclusive WW rights to 2 preclinical immunology antibodies

05 | 2026 OUTLOOK AND PREDICTIONS FOR BIOPHARMA

M&A activity in biopharma is likely to remain strong heading into 2026, with likelihood that deal values and volumes will surpass 2025 levels. Acquirers are expected to prioritize clinical-stage assets to backfill pipelines and offset looming patent cliffs, while remaining flexible on strategies —using both acquisitions (potentially with creative "spin-merge" or CVR/Loan-to-buy models) and in-licensing deals as levers to secure near term value and long term innovation.

Oncology and Neurology expect to remain attractive areas for investment, alongside Endocrine/ Metabolic indications as companies race to capture share in the rapidly expanding Obesity market. Next-generation modalities with platforms that provide both scientific differentiation and clearer paths to scalable manufacturing and commercialization expect to garner investor focus.

As the industry continues to evolve, deal teams can exercise sophistication and employ a carefully-measured approach to achieve strategic goals through the following actions:

01 Prepare for a seller's market in high-quality, clinical-stage assets

02 Pre-structure portfolios to facilitate M&A

03 Consider dual-track M&A and in-licensing strategies to manage patent cliffs

04 Recalibrate CGT exposure toward scalable, in-vivo bets

05 Design VC and public-market readiness as part of the exit strategy

06 Monitor geo-political trends and incorporate deal strategies that account for competitor behaviors

Note: The observations and conclusions in this report reflect our professional expertise and ongoing study of the industry; analysis of reputable third-party publications and data; insights from client engagements; market intelligence and benchmarking; and synthesis of regulatory, academic, and investor perspectives.

06 | HOW A&M CAN HELP

Alvarez & Marsal (A&M) sets the standard for helping clients tackle complex business issues, boost operating performance, and maximize stakeholder value. We help companies across the entire financial performance spectrum.

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11,000+
EMPLOYEES

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- Healthcare and Lifes Sciences Experts

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- Speed-to-Insights
- Fact-Based and Pragmatic Approach
- Free from Audit-Based Conflict

OUR CULTURE

- Bias Towards Action
- Strong Operational Heritage

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A Full-Spectrum of Shareholder Value Creation Capabilities

1. M&A STRATEGY

Early Involvement & Integration Capability

- We begin the M&A strategy process with you at the ground level. We assist with focusing the identification funnel process, understanding your value levers and deal model, and developing integration capabilities early on.
- We focus efforts on the most efficient ways to use resources, minimizing costs while maximizing results.

2. INTEGRATED DUE DILIGENCE

Flexible, Coordinated, High Quality

- Our experienced, flexible, highly coordinated team can support you with determining the business value, upside potential, and transaction risks quickly to meet your unique diligence needs.
- Leveraging our integrated due diligence model, we bring an operational edge to every engagement - setting the gold standard for transaction advisory.

4. VALUE CAPTURE & OPTIMIZATION

Long-Term Synergy & Value Creation

- We take a comprehensive view to ensure sustained synergy capture.
- We focus on over-delivering and accurately reporting shareholder value creation, enhancing your ability to execute on deals successfully today and in the future.

3. TRANSACTION PLANNING & EXECUTION

Integrated, Strategic, Transparent

- We help translate your deal model and diligence findings into realistic plans to achieve the transaction objectives.
- We move fast and help you make challenging decisions to deliver results, ensuring transparency and accountability all throughout.

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