

## Second-quarter deals show a sector set on pause



[Edwin Elmhirst](#)



### Uncertainties around US healthcare and tax reforms is being blamed for the drop in dealmaking.

The latest quarterly M&A data confirm that biopharma dealmaking remains very sluggish, as uncertainties around US healthcare and tax reforms keep a lid on big acquisitions.

While activity in the past three months was certainly low, the underlying picture has perhaps not significantly worsened over the last three quarters, *EvaluatePharma* numbers show. Those concerned about the pace of the action should take comfort in the handful of large deals that have happened, as they show that despite the unpropitious timing many large drug makers remain keen buyers (see tables).

Still, if it were not for Johnson & Johnson's takeout of Actelion, the 2017 stats would look very disappointing. As it is, the \$30bn deal helps put 2017 on track to meet last year's combined values – but only if something else of similar scale materialises in the coming months.

Five-year M&A		
Period	Combined deal value (\$bn)	Deal count
1H 2017	49.3	85
2016	104.2	196
2015	188.9	289
2014	219.3	229
2013	79.5	226
2012	48.3	220

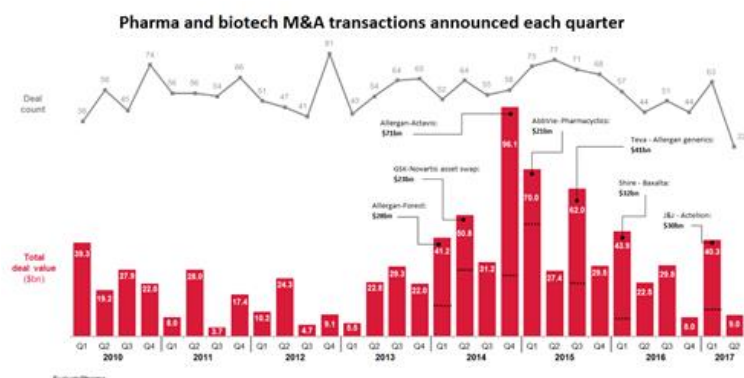
Source: *EvaluatePharma*.

In fact, few expect really big transactions to emerge before the end of 2017, or at least until changes to the Affordable Care Act have been confirmed, or President Trump manages to deliver promised tax reforms. The ongoing political twists and turns in the US do not give hope for improved clarity any time soon.

Combined with valuations that are in many cases still sky high, and weaker investor sentiment towards biotech generally than in recent years, it is not surprising that industry executives are waiting to see what shakes loose.

As a result, the first half of 2017 generated the lowest number of deals and total transaction value since 2013. But it is on a quarterly basis that the falloff in dealmaking can really be seen. The last three quarters have ticked along at around \$8-10bn – excluding Actelion – although the number of transactions being announced has steadily been falling.

This quarter's tally of 22 deals is probably the most worrying signal of these figures. It comes in substantially below the five-year average of 57, and if the trend continues this year could see a dramatic drop in transaction volume, from 2015's peak.



A look at last quarter's biggest acquisitions shows that generic consolidation has been a big contributor this year. Fresenius propped up values with two big deals ([Fresenius shows biotech how to get the deals done, 25 April 2017](#)), and if Stada Arzneimittel had managed to get its shareholders on board, its \$6bn private equity-backed buyout would have been another notable transaction.

There have been biotech buys, of course, with Ariad's \$5.2bn takeover in the first quarter and the True North acquisition this quarter, by the Biogen-spin out Bioverativ.

Investors hope to see more as the year goes by, and if big companies like Gilead and Sanofi are on the M&A trail takeovers will happen. Still, even if biopharma dealmaking is not going away any time soon, 2017 looks unlikely to be a bumper year for deal bankers.

#### Five biggest pharma and biotech M&A deals announced in Q2 2017

Acquirer	Target	Value (\$bn)	Month announced	Deal status
Fresenius	Akorn	4.3	April	Open
Sawai Pharmaceutical	Generic biz of Upsher-Smith	1.1	May	Closed
Astellas Pharma	Ogeda	0.9	April	Closed
Bioverativ	True North Therapeutics	0.8	May	Open
Fresenius	Biosimilars biz of Merck KGaA	0.7	April	Open

Source: EvaluatePharma.

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