

Biopharma needs a biggie to avoid a down deal year



[Edwin Elmhirst](#)



M&A picked up in the third quarter but overall 2021 has been quiet on the takeover front.

Biopharma experienced a welcome buzz of buyout activity in the third quarter, topped by the biggest deal of the year in Merck & Co's \$11.5bn move on Acceleron. But on the current run rate 2021 is shaping up to be a quiet 12 months for takeovers.

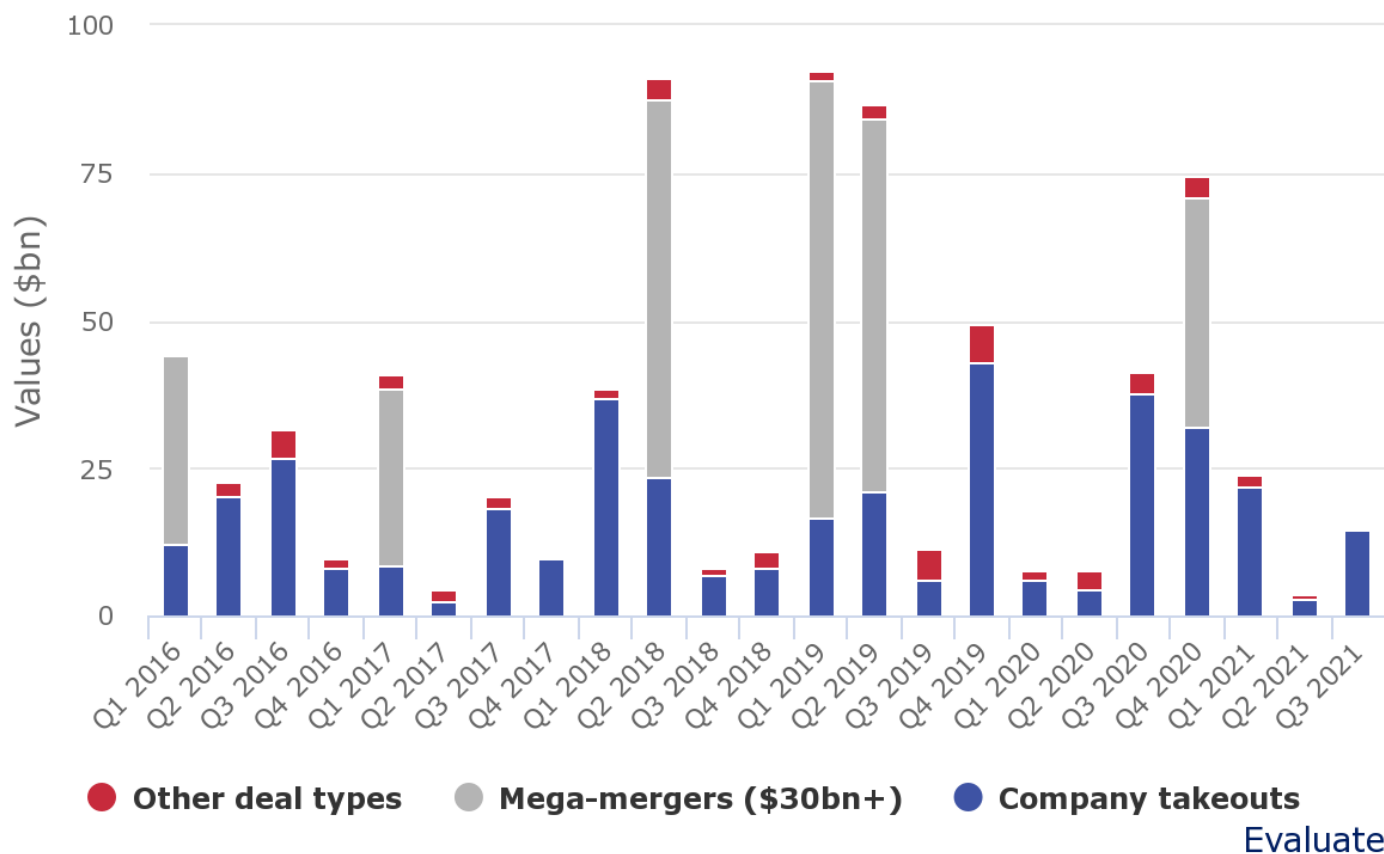
Global drug makers put \$52.3bn towards M&A in the nine months to September; this year is on track to be the slowest for these types of transactions since at least 2016, *Evaluate Pharma* data show. The previous trough of activity was 2017, when \$75.4bn was spent across the whole year.

As such, investors and deal bankers will be hoping that the recent flurry continues, and there are reasons for optimism. Biopharma's ride on the [stock market has certainly got rougher in recent months](#), which could help buyers at the negotiating table.

Licensing deals continue to be pursued enthusiastically, but this article does not concern that type of transaction. This analysis looks at acquisitions made by pure-play drug developers only – sectors like medtech and digital health are excluded.

The deals are divided into three buckets: full company takeouts; deals worth more than \$30bn, also known as megamergers; and other types of M&A transaction. This last group includes acquisitions of business units, majority/minority stake purchases and option deals.

Combined M&A deal values



It is too early to completely write 2021 off, of course. The chart above shows that in each of the last five full years, at least one \$30bn plus deal has been struck. And there is no shortage of large developers in urgent need of new revenue streams.

A case in point is the huge sum that Merck was willing to pay for Acceleron, a [biotech whose valuation had long looked stretched](#), as least compared with sellside forecasts. The presence of another motivated potential buyer in Bristol Myers Squibb, which already owned certain rights to Acceleron's products, presumably pushed the price up, but at the end of the day Merck still paid up.

The table below shows that the third quarter contained three of the top five M&A deals struck so far this year, so perhaps some momentum is building.

As an aside, the \$8bn buyout of Swedish Orphan Biovitrum is not included in these numbers because the buyer was a private equity, rather than a drug developer. The PE firms [Advent and Aurora are trying to take the rare disease player private](#), a deal that seems likely to succeed if only because rival offers have not emerged.

Biggest biopharma M&A deals announced in Q3 2021

Acquirer	Target	Status	Total deal value	Ranking over year
Merck & Co	Acceleron	Open	\$11.5bn	1
Sanofi	Translate Bio	Open	\$3.2bn	3
Amgen	Teneobio	Open	\$2.5bn	5
Pfizer	Trillium	Open	\$2.3bn	6
Perrigo	HRA Pharma	Open	\$2.1bn	7

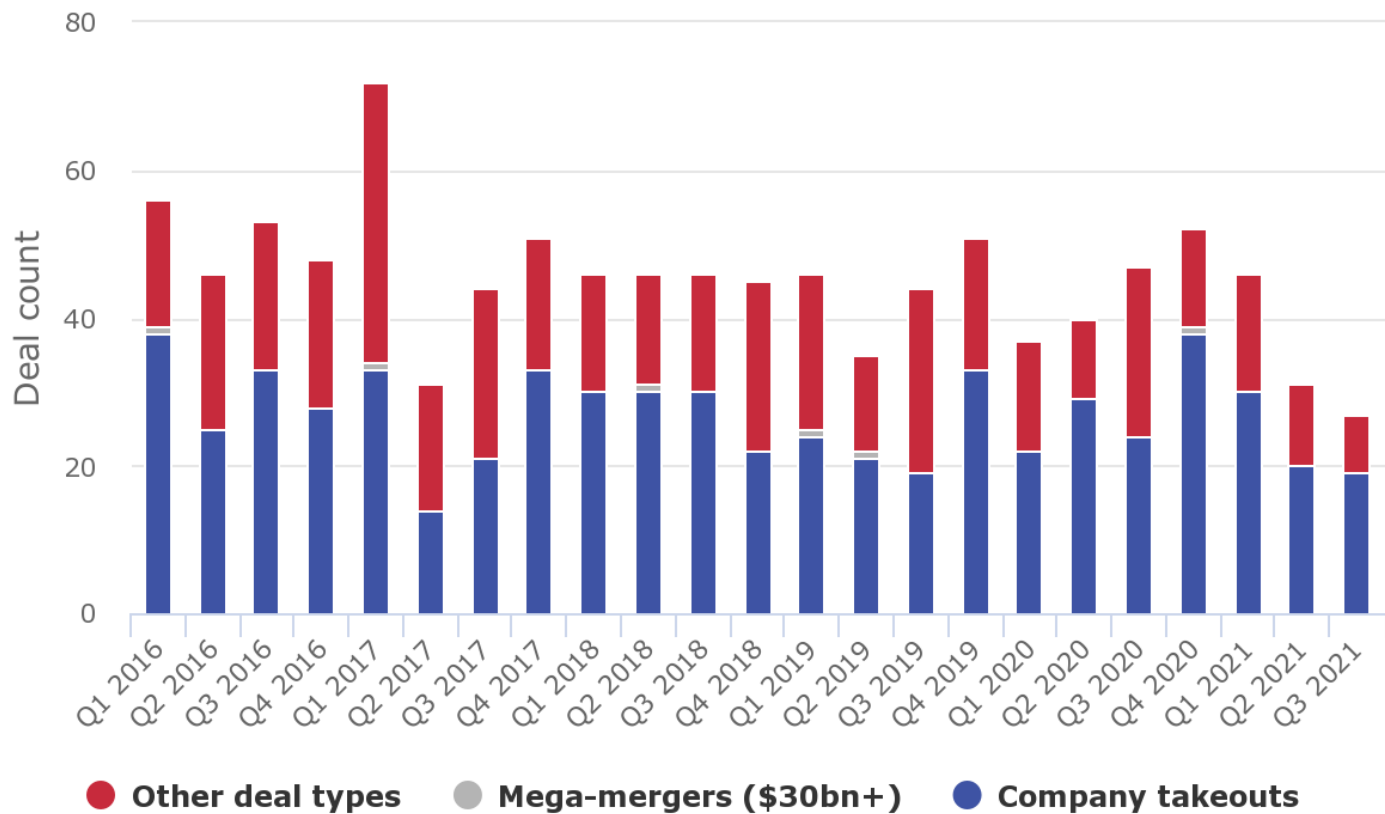
Source: Evaluate Pharma.

Despite the recent uptick in M&A activity, the chart below illustrates just how quiet this year has been. Some comfort can be gleaned from the fact that when deals do get done, big premiums are being paid. A separate *Evaluate Vantage* analysis found recently that the average takeout premium for a research-stage biotech is

tracking at 100% this year ([Trillium buyout keeps premiums keen](#), August 25, 2021).

Possible reasons for the slowdown include talk of antitrust watchdogs sharpening their teeth, making acquirers wary. A strong financing climate has also strengthened the arms, and valuations, of smaller parties. Deal bankers will be hoping that [a weakening IPO market](#) and flagging stock performances will start flushing out the buyers.

Quarterly M&A deal counts



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[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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