

## Rare disease and neurology takeouts tick higher



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### **Biopharma's growing appetite for higher-risk areas prompts a shift in dealmaking strategies, our latest deep dive into M&A data finds.**

The biopharma buyout scene was dominated by [smaller, bolt-on moves](#) last year, at a volume that disappointed investors. And as always, certain therapy areas were in higher demand than others, a closer look at M&A activity reveals.

No prizes for guessing that cancer is still the sector's hottest ticket, by some margin, and there are few signs of this changing: the number of oncology-focused takeouts hit a five year high in 2021, according to *Evaluate Pharma*. Developers working in rare diseases also remain popular, and this space now represents the third largest therapy area when it comes to M&A.

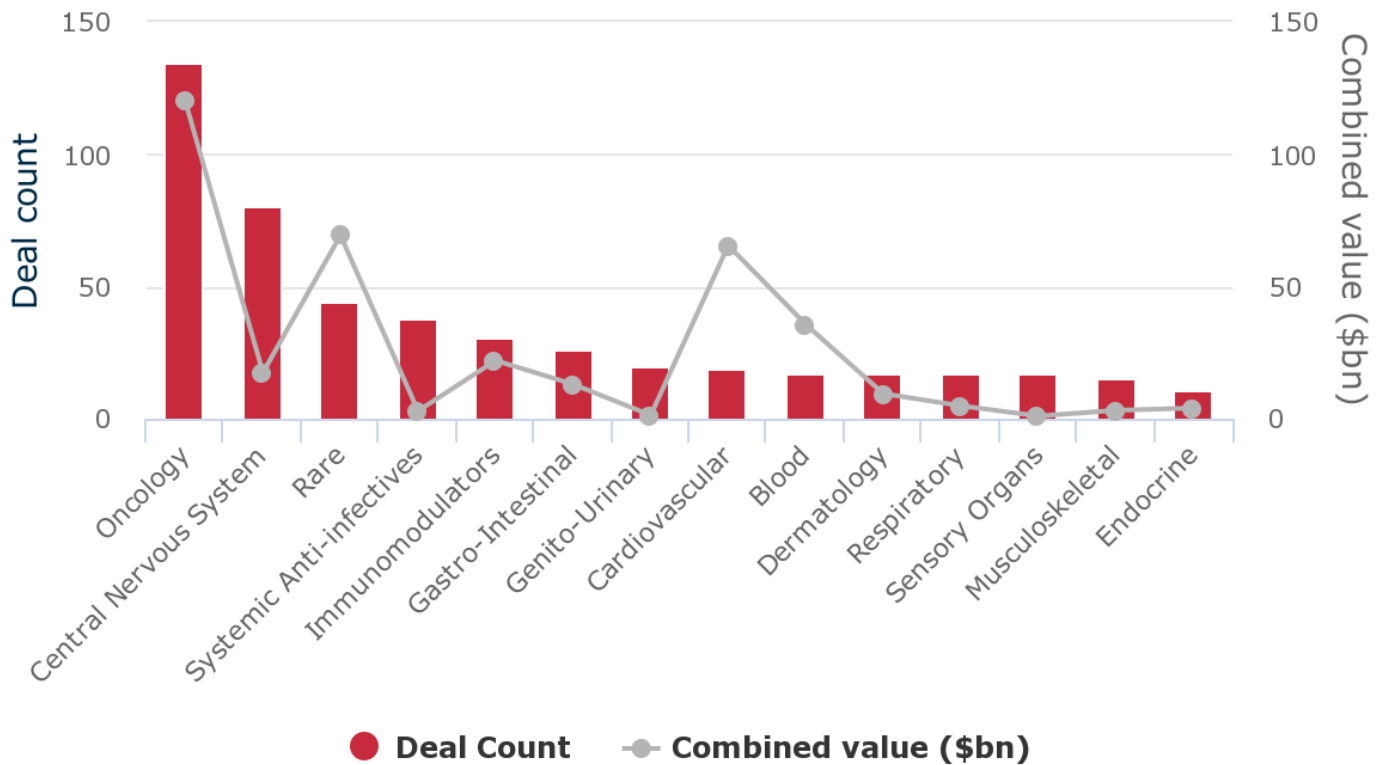
Meanwhile, growing appetite for neuroscience targets is driving more risk-sharing in deal structures, as Abbvie's acquisition of Syndesi this week demonstrates.

The chart below shows five years of company buyouts, grouped by the main therapy area focus of the deal target. Three mega-mergers - the Abbvie/Allergan merger, Takeda's acquisition of Shire and the Bristol Myers Squibb's move on Celgene - were excluded since they spanned multiple settings.

Even small companies can be very hard to pigeonhole, however, which speaks to a major caveat of this analysis: many developers work in multiple disease areas. But for this analysis targets were only excluded if no clear, dominant focus could be identified; this cut out most acquisitions of platform companies, for example.

# Biopharma takeouts by target focus

(2017-2021)



Evaluate

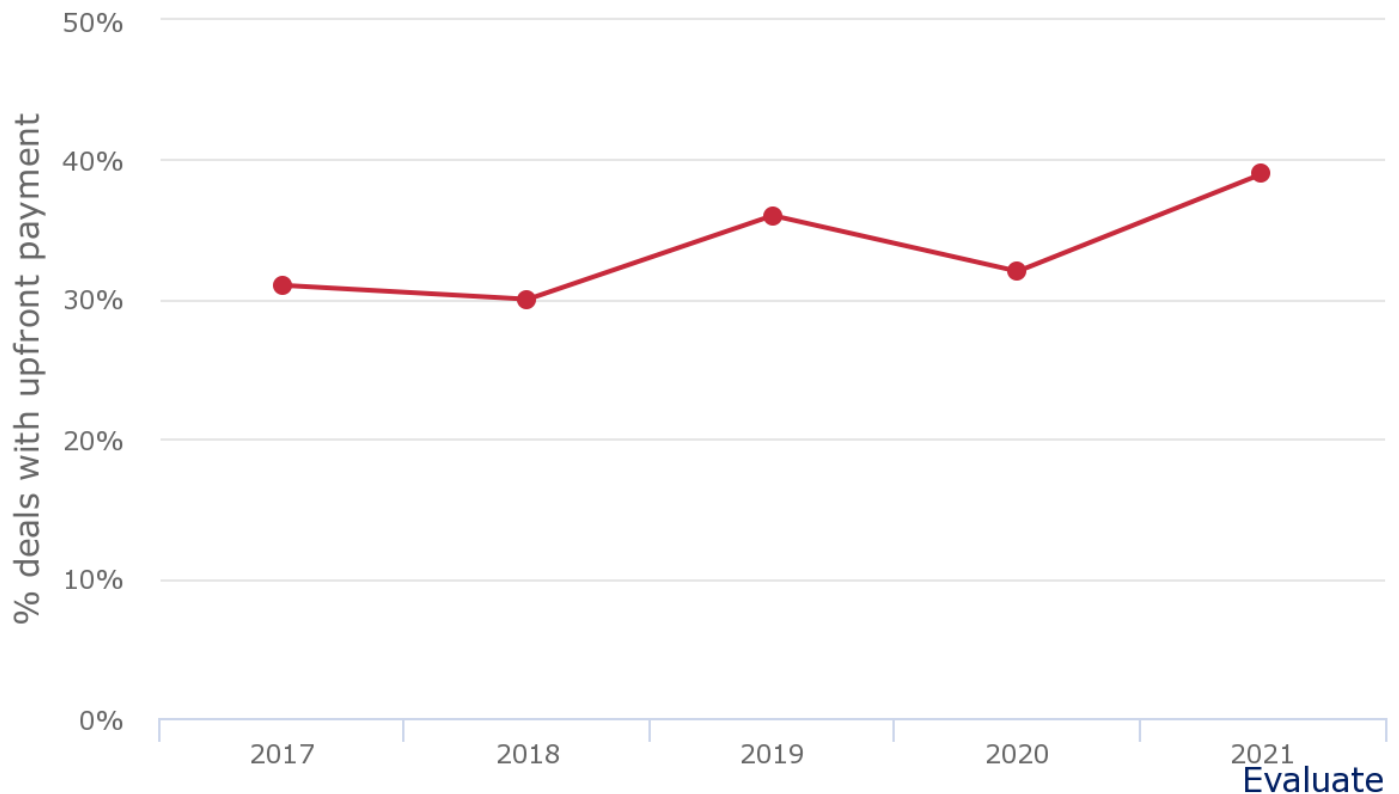
It is worth noting that by discounting deals with no clear therapy focus, the total volume of transactions in this article will not match [Evaluate Vantage's quarterly M&A analyses](#). In a further departure, where buyouts involved downstream or contingent payments, only the initial sum paid was considered.

Including only the up-front portion of M&A deals has a bigger impact on some therapy areas than others. Take CNS-focused groups, which over the last five years attracted the second-highest number of deals but a relatively low dollar amount.

Almost half of these CNS takeouts involved contingent payments, however, which if included would have swelled this therapy area's five-year total deal value by almost \$10bn. There is no guarantee that this promised cash will ever change hands, of course.

Abbvie's Syndesi buyout is a perfect example. The \$1bn deal involves only a \$130m initial commitment, with further payments based on the progress of SDI-118, a phase 1b asset that the developers hope can improve cognitive impairment.

## Proportion of biopharma M&A deals that include an upfront payment



The chart above shows how contingent payments are becoming more common. Last year 39% of deals with disclosed terms involved an up-front fee, the highest in at least five years.

Because these payments can represent a substantial proportion of the deal value as advertised, these mechanisms should not be overlooked when considering the M&A landscape.

Still, these downstream payments are mostly a feature of takeouts of R&D-stage, private groups – Syndesi again fits the bill here. This analysis identified only five acquisitions of listed developers with a split-payment structure.

And because these structures are used to bridge disagreements in valuation and help shelter the buyer from risk, it makes sense to see these tactics deployed in certain therapy areas more than others, the table below shows. Projects addressing neurological diseases are considered particularly high risk, for example.

It is notable that oncology, biopharma's biggest deal making space by a long way, sees relatively few deals with down payments. Maybe high competition in the cancer arena means that buyers either pay up, or go home.

Biopharma's risk-sharing hot and cold spots (2017-2021)		
Therapy area	% of deals with up-front component	Mean up front as a % of total deal value
<b>Highest....</b>		
Immunomodulators	50%	48%
Sensory organs	50%	44%
CNS	47%	34%
<b>Lowest....</b>		
Cardiovascular	27%	32%
Oncology	26%	35%
Blood	21%	43%
<i>Note: Therapy areas with total deals &lt;10 excluded. Source: Evaluate Pharma.</i>		

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