

Digging into biopharma's big buyout areas



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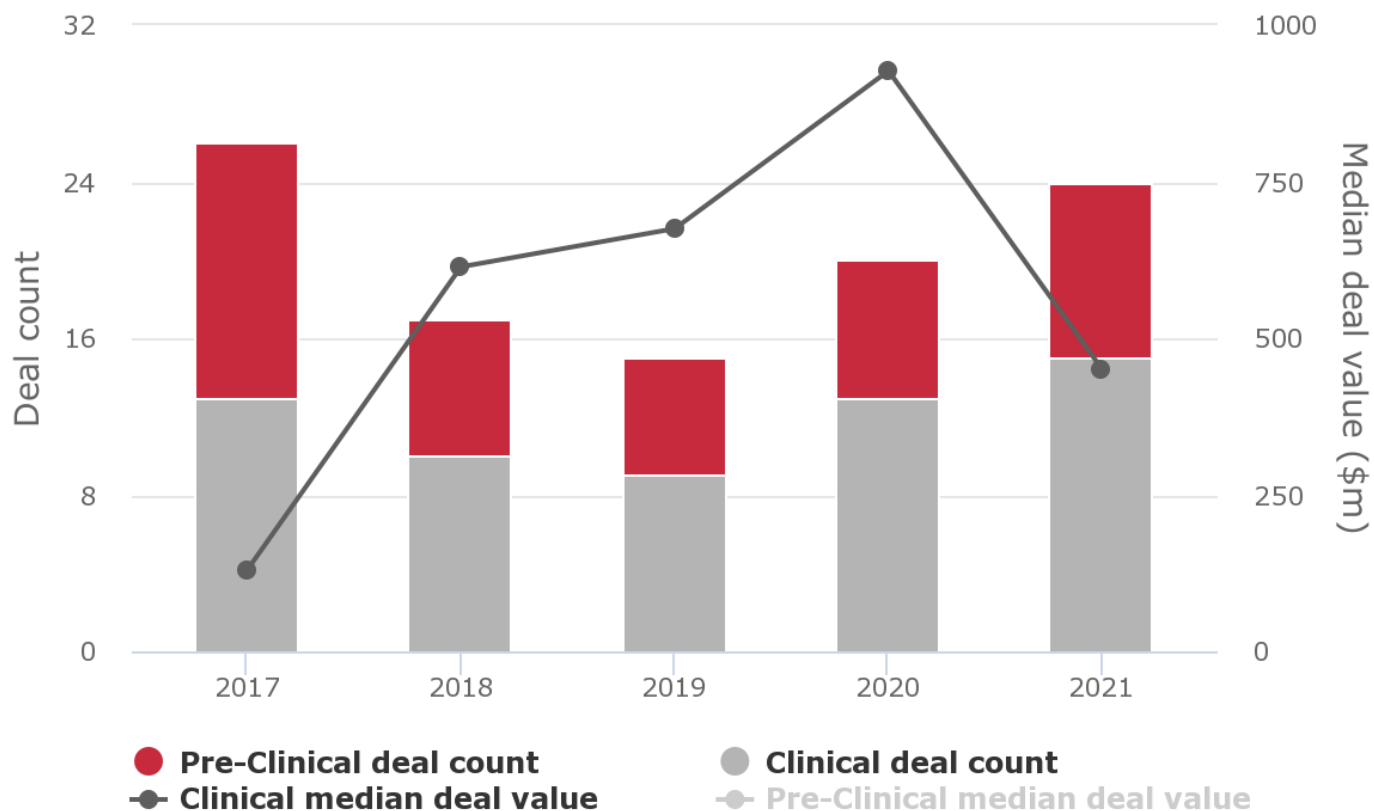
Cancer, rare diseases and neurology targets account for a big chunk of biopharma's buyouts, with interest showing no sign of waning.

Developers working in oncology, conditions of the CNS and rare diseases have been the target of more than half of the biopharma sector's buyouts in the last five years, and half the sums spent.

Beyond these therapy areas the volume of deals happening each year makes spotting more trends harder, but a closer look at cancer and rare diseases throws up some interesting insights.

For this deep dive into *Evaluate Pharma's* M&A data, *Evaluate Vantage* grouped the last five years of buyout targets by their main therapy area focus of the deal target. Companies can be very hard to pigeonhole, however, which speaks to a major caveat of this analysis: many developers work in multiple disease areas. Targets were only excluded if no clear, dominant focus could be identified.

Oncology - deal count and median deal values



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Oncology represents by far the largest area of deal-making for biopharma, accounting for more than a quarter of the transactions and sums spent, over the past five years. As the chart above shows, there was an uptick in acquisitions last year, after a quieter period.

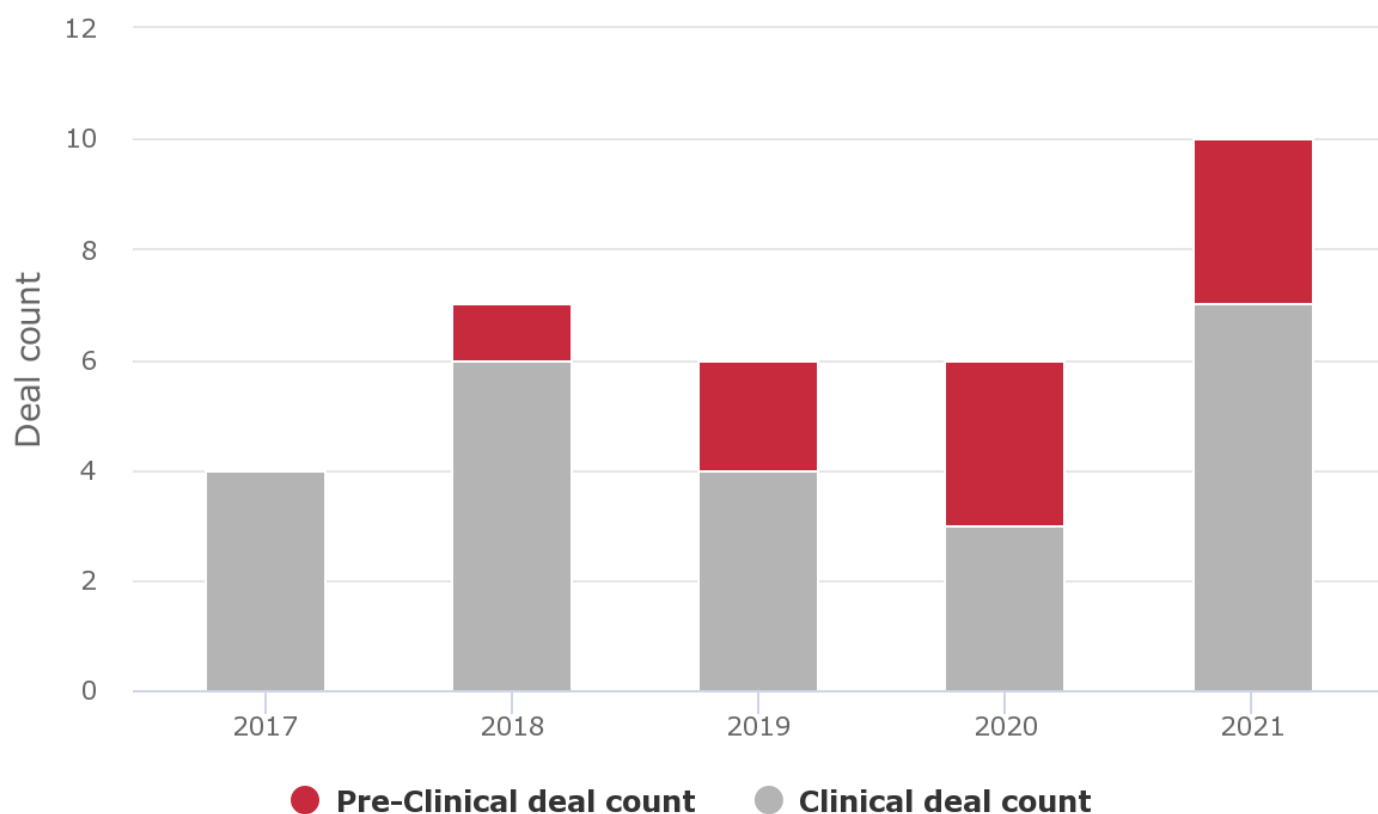
The sums deployed tells a different story, however, namely that these transactions were mostly very small. Only \$11bn was spent on cancer companies in 2021, the lowest amount for five years and a third of the sums deployed in 2021 and 2020.

Lower spending in the cancer field must have been a major factor behind [last year's disappointing M&A stats](#).

Interest in rare diseases shows no signs of waning, meanwhile. And as the chart below suggests, buyers are increasingly prepared to bring in these assets at the preclinical stage. This could well be a result of heightened competition pushing up valuations, forcing those with less firepower to take earlier-stage risks.

The deal count in the two charts includes all transactions, whether terms are disclosed or not, but in reality only half of these deals revealed this data. These figures are required to calculate mean and median acquisition values, but for the rare disease category the volume of buyouts each year falls too low for this sort of analysis to throw out anything meaningful.

Rare diseases - Deal counts



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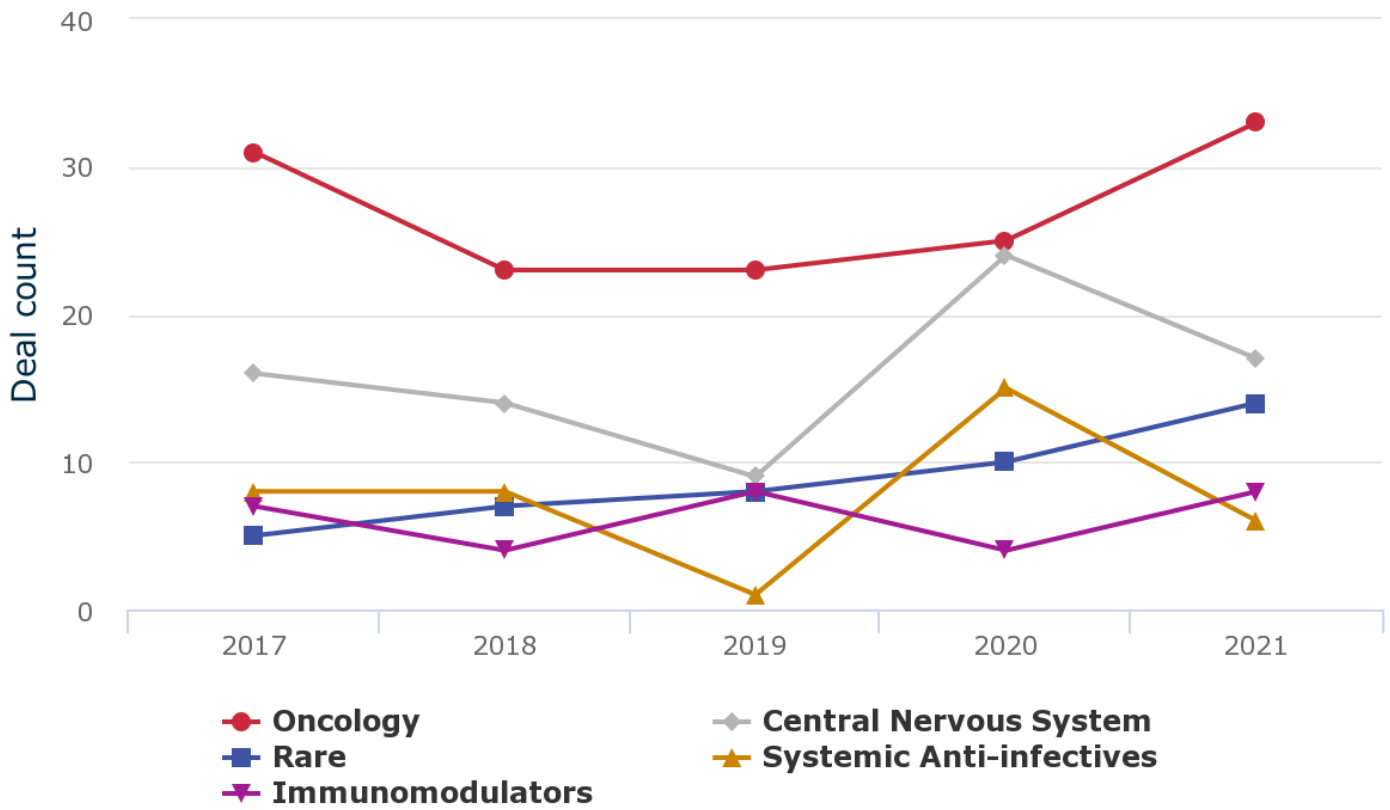
Finally, developers working on CNS-related diseases represent the second biggest area of deal making for biopharma, and here there has been something of a pick-up in activity on both the volume of deals and sums spent. This latter measure reached at least a five year high in 2021, with \$8.5bn spent on CNS-focused buyouts.

This was boosted by Jazz's \$7.2bn acquisition of GW Pharmaceuticals for its epilepsy product Epidiolex, a transaction that strays into the rare disease space and demonstrates the problems encountered when trying to categorise buyouts by therapy area.

It is also worth noting that for this analysis, only the up-front portion of a deal has been considered. The methodology is explained in more detail in a previous article in this series ([Rare disease and neurology takeouts tick higher, March 2, 2022](#))

Outside of these most active therapy areas, it is almost impossible to reliably identify M&A trends because very few buyouts happen each year. What does stand out, however, is the pick-up in anti-infective transactions that coincided with the pandemic. That particular motivation might have expired, but many are hoping that a deployment of Covid-generated cash will trigger the next peak in biopharma M&A.

Annual deal count by therapy area



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