Vantage Half-Year Review 2019: Pharma and medtech mega-deals mask drop in M&A activity

The report, published today, analyses stock and market performance, M&A and the financing landscape during the first half of 2019

LONDON, BOSTON, TOKYO (July 31, 2019) – By value alone, Bristol-Myers Squibb’s $74bn pending purchase of Celgene and Abbvie’s $63bn acquisition of Allergan position 2019 as a record year for pharma M&A. Similarly, Verily’s $1bn round of funding was the largest ever for a medtech company. Yet both sectors saw a substantial slowdown in the total number of M&A deals announced, and pharma doubled down on this trend with a drop in licensing activity.

Buoyant stock markets are one reason; with nearly $2bn raised by biotech flotations in Q2, investor enthusiasm continues to attract younger drug developers away from traditional M&A and partnerships. And while only eight medtech companies went public during the first half of the year, collectively they raised $1.3bn.

Venture financing also continued to provide a ready source of cash. While biotech funding dipped below 2018’s record-breaking level, the $3bn raised in Q2 indicates there is capital available. Medtech financing exceeded $2b in Q1 for the third year in a row, although the $1b raised in Q2 is lower than prior years.

“We’re seeing strong interest in biopharma and medtech companies from public and private investors, though certain areas are benefitting more than others,” said report author Amy Brown. “This likely affects the volume of acquisition and licensing deals. Barring a dramatic decline on the financial markets, it’s hard to see this trend shifting, although the potential for new drug pricing policy could make investors more jittery in the coming months.”

Additional Highlights from H1 2019:

- Roche saw a 13% increase in share price – the strongest performance among big pharma – defying expectations about the biosimilars threat; AbbVie and Bristol-Myers Squibb were the lowest performers in this segment.
- FDA approvals for novel drugs may be heading for a slowdown, with only 18 approvals in H1 and a total of 45 projected for 2019 – well below the 62 drugs approved in 2018.
- The Dow Jones U.S. Medical Equipment Index was up 20% at the end of Q2, with other major medtech indices also up by double-digit percentages – a healthy recovery from 2018’s performance.

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