

# Pharma and Biotech: M&A Review and Outlook

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## **Introduction**

In this letter, we will look at the major M&A trends for both pharma and biotech in the first half of 2025, the outlook going forward, and the implications for industry executives.

There are also major strategic issues that will impact the future, such as the unusually large volume of patent expirations facing the pharma companies, the trajectory and nature of the Trump administration actions, and the emergence of Chinese companies and research organizations as a source of innovative drugs and treatments, especially in cancer research.

The 21<sup>st</sup> Annual Young & Partners Pharmaceutical Executive Summit will be held on November 12 as a hybrid event (in person and online). For details and to register, please go to <https://youngandpartners-11-12-25.eventbrite.com>.

## **What happened in Pharma M&A in the first half and what is the outlook?**

Pharma acquisitions by pharma companies have traditionally been a regular part of the landscape. Although the big pharma companies have revived their ability to invent new drugs, they have traditionally needed to supplement their own efforts with acquisitions of and collaborations with pharma and biotech companies. With many of the pharma companies facing patent cliffs on their major products, the need to acquire drugs and drug candidates continues to be high.

Only 4 deals worth \$16.2 billion were completed in the first half of 2025 versus 32 deals completed worth \$19.2 billion for all of 2024. This represents a massive decrease in the number of deals and an increase in the dollar volume of deals.

The \$14 billion acquisition of Intra-Cellular Therapeutics by Johnson & Johnson drove the dollar volume up in the first half.

Why have the number of pharma acquisitions declined? The pharma companies in general, with some exceptions, are focusing on strategic small to medium sized pharma acquisitions. They are also focused on biotech companies via acquisitions, strategic

partnerships, and in licensing to achieve pipeline growth. The biotech M&A volume is not reflected in the numbers above.

As of June 30, 2025, the dollar value and number of deals announced but not closed was low at \$15.6 billion (16 deals).

Looking into the future, there may be one or two larger deals, but those deals will not be the strategic focus of the pharma companies. Pharma M&A will continue to be moderately active in terms of the number of deals, with a focus on small to medium sized transactions, but modest dollar volumes. Deals with a strong strategic rationale or a theme around adding new and growing technologies and products will continue to be pursued. Although the Trump administration is threatening to change drug pricing and impose large tariffs on imports of drugs, there is so much uncertainty about what will actually be implemented that deal makers have not adjusted their approach to the market as of yet.

### **What happened in Biotech M&A in the first half of 2025 and what is the outlook?**

In biotech, 12 deals worth \$12.6 billion were completed in the first half of 2025 versus 73 deals worth \$109.0 billion completed in all of 2024. On an annualized basis, this represents a major decline in both the total dollar volume and the number of deals completed. Deals in the U.S. dominated relative to the rest of the world.

The dollar value of the pipeline of deals announced but not closed as of June 30, 2025 was in line with the first half trends at \$15.1 billion (26 deals).

What is driving this trend?

The surge in activity in 2024 was driven by pharma companies aggressively looking to build their pipelines and revenues. This was aided by the collapse of the IPO market, the severe reduction in equity funding, and a dramatic reduction in the share prices of biotech companies which resulted in biotechs more willing to consider a sale of their company. There are also a number of specific therapies and markets that are a high priority for the strategic buyers.

The slowdown in the first half of this year has been driven by the dramatic increase in uncertainty in the U.S. due to the major federal funding cuts at the NIH, university research centers, and the severe cutbacks at the FDA.

What is the outlook for biotech M&A? We expect more of the same in the future driven by the same factors, with a moderate number and dollar volume of biotech deals being completed over the next couple of years, along with partnering, licensing and royalty monetization for funding and for shareholder liquidity.

### **How should senior management approach M&A in this environment?**

Pharma senior management will be heavily focused on acquisitions where there is a compelling strategic rationale and where the same results cannot be obtained internally or through licensing and strategic partnerships. However, it will continue to be challenging to determine what the right valuations are for each deal. With the collapse of the public market values for biotech companies and the downward repricing of private biotech companies in down rounds, matching buyer and seller expectations will continue to be a challenge.

The use of earn-outs and contingent payment structures continues to be a third or more of the market, which reflects the challenge of bridging buyer and seller valuation expectations.

Private biotech companies with assets that appeal to pharma companies should consider selling now given the moribund IPO market, particularly if they are in high demand segments.

### **What does all of this mean for Pharma and Biotech companies?**

The big unknown for the future is the impact that the ongoing Trump administration actions will have on healthcare regulation, drug prices, etc. However, predicting what will actually happen is very difficult at this stage.

Barring major disruptions, pharma companies will continue to enjoy relatively attractive stock market valuations and access to the financing markets, which will continue to be a stabilizing force on the industry. Although biotech stock market valuations are down and are taking some time to recover, existing public biotech companies are able to sell equity and there are small signs that the IPO market for biotech companies will begin a slow recovery.

This overall picture is positive for the pharma companies because there is a large supply of biotech companies available for M&A transactions, licensing and strategic partnerships at valuations that are lower than two years ago.

For biotechs, the key will be the quality and the maturity of their drug candidate pipeline and their cash needs. If a biotech company is in a therapeutic area that is the subject of high strategic interest and/or they are at a viable financing point, the outlook will be positive. The rest will have to forge a path that is sized properly relative to how long of a runway the company will need to reach a viable financing or M&A point.

For many biotech companies, it will be a matter of survival versus success.

### **The Author**

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