

Cautious Momentum:

Biopharma Review *and* Outlook

Fresh off 2025, where the sectors delivered strong stock gains and selective financing momentum despite volatile markets, companies navigate policy headwinds, patent cliffs, and shifting global innovation dynamics, factors that favor strategically driven growth pursuits ahead.

ALTHOUGH THE PACE OF innovation has been strong for both pharmaceutical and biotechnology companies, the financing, M&A, and stock market developments in 2025 for organizations in both sectors have broken from past trends in certain categories, both positively and negatively. Many of these trends may not seem to make sense on the surface, but they are logical if you carefully examine the underlying drivers.

In this article, we will look at the major stock market, financing, and M&A trends for pharma and biotech for full-year 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 disruption of government research funding in the US, the slower pace of U.S. and European drug approvals, the unusually large volume of patent expirations facing pharma companies, the trajectory and nature of the Trump administration's actions across multiple parts of the drug industry ecosystem, and the emergence of Chinese companies and research organizations as a source of innovative drugs and treatments, especially in cancer research.



about the author

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PHARMA STOCK MARKET AND FINANCING

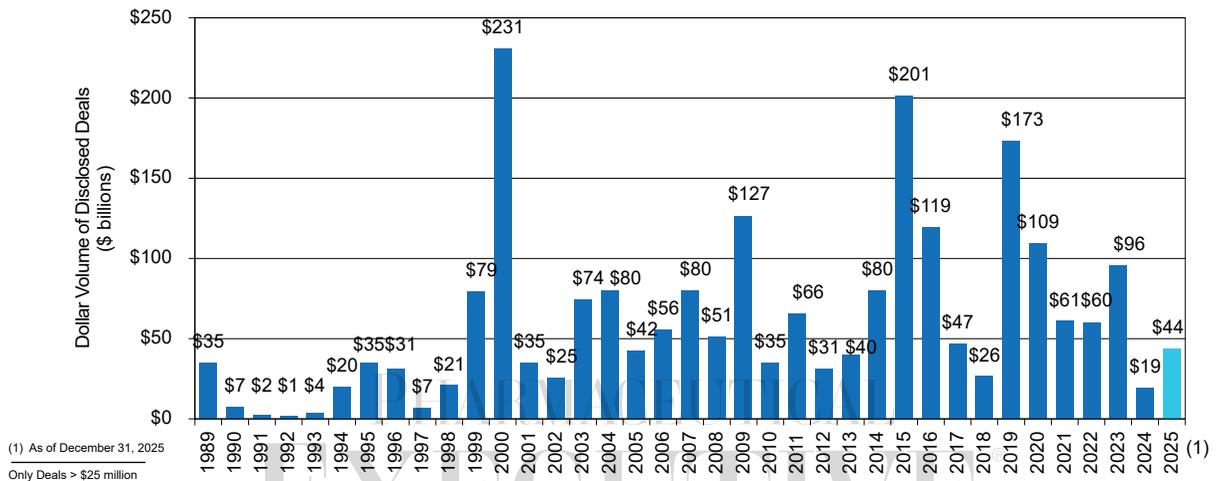
By the end of 2025, the S&P 500 had increased by 16.6% and the S&P Europe 350 rose by 32.5%. This was a significant and positive change but came with a great deal of the volatility driven by economic uncertainty and tariffs.

The overall picture for the pharma industry in 2025 was strong.

FIGURE 1 Global M&A dollar volume improved in 2025 off of a very low number in 2024, driven by the Johnson & Johnson acquisition of Intra-Cellular Therapies and Sanofi’s purchase of Blueprint Medicines.

Source: Young & Partners

Dollar Value of Worldwide Pharma Acquisitions – 2025



The Y&P U.S. BioPharma improved, increasing by 28.2%, outperforming the market. The Y&P European BioPharma index jumped by 19.2%, and the Y&P Generic Pharma spiked up 19.1%.

In 2025, nonbank debt issuance was \$89.8 billion compared with \$119.4 billion for all of 2024. The pace was respectable, attributed to Big Pharmas such as Eli Lilly, Bausch Health, Novartis, and Johnson & Johnson financing large acquisitions.

Dollar volume of equity issuance in 2025 was \$16 billion versus \$13.3 billion for 2024. This was much higher, on both an absolute and an annualized basis, compared with 2024 and significantly higher than 2023. The number of offerings was also larger on an annualized basis, with 74 offerings in 2025 versus 69 such instances in 2024.

BIOTECH STOCK MARKET AND FINANCING

The performance of biotech industry indices was also better. The NBI index increased by

31.5% and the Y&P Biotech Mid-Small Cap index skyrocketed by 67.2%.

Biotech companies are usually modest issuers of debt given their negative cash flows. Nonbank debt issuance totaled only \$1.9 billion in 2025. This was a continuation of the modest debt fundraising environment in 2024, when only \$1.6 billion of debt was issued.

Equity offerings of all types pulled back in 2025, with only 257 completed versus 371 in 2024. The dollar volume, however, modestly improved, with \$39.8 billion completed in 2025 versus \$38.1 billion in 2024.

The IPO market volume also weakened. Twenty-one IPOs were completed, worth \$2.9 billion in 2025, compared with 23 IPOs worth \$3.8 billion in all of 2024. Many biotechs that had plans to go public have been facing serious funding problems, since the IPO market has been an important source of very attractive equity funds to extend their research and regulatory runways.

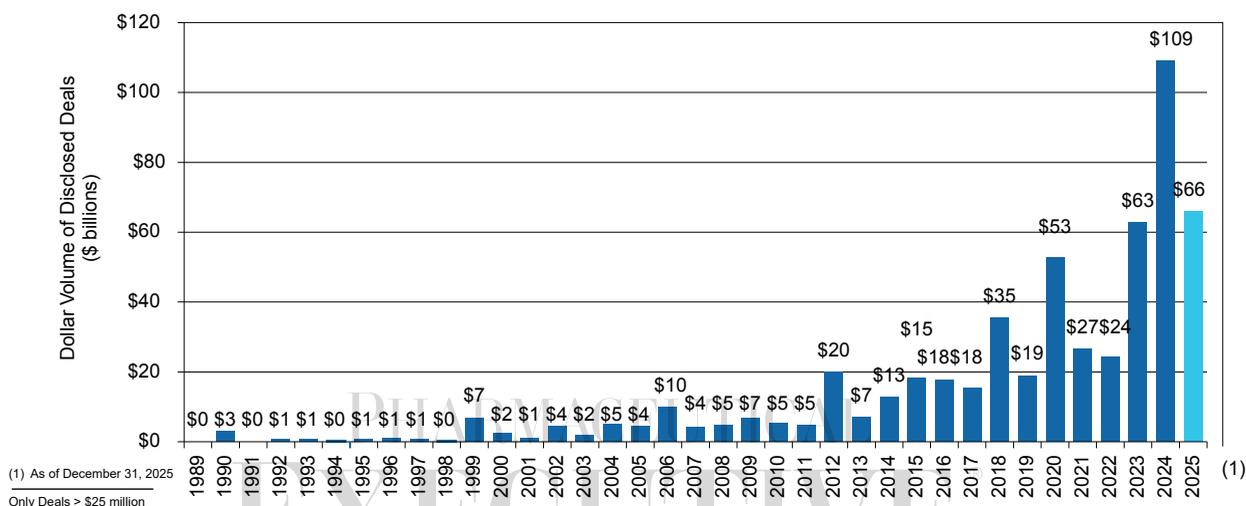
The improvement in biotech stock market valuations has been helpful, slowing the deterioration in private equity funding valuations and availability. Venture capital firms have been focused on defending their existing portfolio companies to make sure they survive. However, there are signs that investing activity is picking up as venture firms take advantage of lower valuations, and they really cannot stop investing entirely.

With many of the private biotechs running out of money, we will continue to see downsizing announcements on a regular basis. Some

FIGURE 2 Dollar volume of transactions completed in 2025 declined dramatically compared to the historic peak in 2024.

Source: Young & Partners

Dollar Value of Worldwide Biotechnology Acquisitions – 2025



biotech companies will not survive and will have to shut down. This down cycle has impacted the biotech sector many times historically, so this is not a new development for the industry.

PHARMA M&A IN 2025 AND THE OUTLOOK

Acquisitions by pharma companies have traditionally been a regular part of the landscape. Thirty-three deals worth \$43.6 billion were completed in 2025 versus 32 deals worth \$19.2 billion for all of 2024. This represents a slight increase in the number of deals and a major spike in the dollar volume of deals, but it is still well off peak levels of the past. The \$14.6 billion acquisition of Intra-Cellular Therapies by Johnson & Johnson, which closed in April 2025, drove the dollar volume up last year.

Although the dollar volume of M&A increased, the totals in 2025 were still historically low. Pharma companies have mainly focused on strategic small- to medium-sized acquisitions. They have also focused on acquiring biotech organizations through acquisitions, strategic partnerships, and in-licensing to grow their pipeline. The biotech M&A volume is not reflected in the numbers mentioned.

As of Dec. 31, 2025, the dollar value and number of deals announced last year but not closed were low at \$16.7 billion and 14 deals.

Looking ahead, there may be one or two larger deals that material-

ize, but such pursuits will not be the strategic focus of 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.

Deals with a strong strategic rationale or a theme around adding new and growing technologies and products will continue to be pursued, but the uncertainty in the U.S. around government research funding, U.S.-driven policies around pricing, most-favored nation model provisions, and tariffs on imported pharmaceuticals has raised this level, which tends to inhibit M&A transactions.

BIOTECH M&A IN 2025 AND THE OUTLOOK

For full-year 2025, 58 biotech deals worth \$65.9 billion were completed compared with 73 deals worth \$109 billion in all of 2024. This represents a major decline in total dollar volume and the

number of completed deals. Transactions in the U.S. dominated relative to the rest of the world.

The dollar value of the pipeline of biotech deals announced but not closed as of Dec. 31, 2025, was still healthy at \$23.2 billion (22 deals).

We were at record levels of biotech M&A dollar volume and the number of deals at the end of 2024, driven by the combination of Big Pharma's ongoing strategic acquisition interests and the plunge in biotech IPOs, which have reduced options for private biotech companies.

What is continuing to drive this trend today? The initial 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 decline in biotech share prices, which made biotechs more willing to consider a sale of their companies. There are also a number of specific therapies and markets that are a high priority for the strategic buyers.

Why the decline in biotech M&A activity in 2025? A major reason has been the turmoil caused by multiple industry developments, including cuts to funding for NIH, the FDA, and many research organizations, as well as U.S. government proposals on pricing. This uncertainty has frozen many of the M&A decisions as senior executives wait for more clarity about what the future will look like.

However, as mentioned, the need for pipeline products continues to be high, offset by the use of non-M&A methods such as licensing and strategic partnering. In addition, there has been a surge in activity related to Chinese assets, and selective therapeutic areas such as obesity are very active, as evidenced by Pfizer's \$10 billion acquisition of Metsara, completed in November 2025.

What is the outlook for biotech M&A? We expect more of the same in the future, driven

by identical factors, with a moderate number and dollar volume of biotech deals being completed over the next couple of years, along with a steady pace of partnering, licensing, and royalty monetization for funding and for shareholder liquidity.

APPROACHES BY SENIOR MANAGEMENT

Pharma senior management will be heavily focused on acquisitions with a compelling strategic rationale and where the same results cannot be achieved internally or through licensing and strategic partnerships. However, it will remain challenging to determine the right valuations for each deal.

The use of earn-outs and contingent payment structures remains a third or more of the market, reflecting the challenge of bridging buyer and seller valuation expectations.

Private biotech companies with assets that appeal to pharma should consider selling now, given the still weak IPO market, steady M&A valuations, and the high demand for deals in attractive segments.

IMPLICATIONS FOR PHARMA AND BIOTECH

The big unknown for the future is the impact of ongoing US federal administration actions 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 financing markets, which will remain a stabilizing force for the industry. Biotech stock market valuations have begun to recover, existing public biotech companies have been able to sell equity, and there are small signs that the biotech IPO market will begin a slow recovery.

The biggest challenges for large pharma companies are uncertainty around government policies and the patent cliff that many are facing for a stable of their blockbuster drugs. However, the resurgence in innovation, the availability of attractive biotech companies to acquire or enter into licensing arrangements with, and selective pharma M&A opportunities will help the larger manufacturers get through this period.

For biotechs, the key will be the quality and maturity of their drug candidate pipeline and their cash needs. If a biotech company is in a therapeutic area of high strategic interest and/or is at a viable financing stage, 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 biotechs, it will be a matter of survival versus success. [PE](#)