A Steadying Trajectory: Biopharma Review and Outlook

Improved financing conditions and accelerating M&A are creating new opportunities, but policy uncertainty, patent expirations and persistent funding pressures continue to shape the outlook for pharma and biotech.

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ALTHOUGH THE PACE OF innovation has been strong for both pharmaceutical and biotech companies, the financing, M&A and stock market developments in the first half of 2026 for organizations in both sectors have broken from past trends in certain categories, both positively and negatively. Many of these trends would seem not 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 both pharma and biotech in the first half of 2026, 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 U.S., 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.

With regard to new drug approvals, the FDA has endeavored to speed up its approval process in recent years, but approval rates have declined since 2023. In 2025, the agency cleared 46 new molecular entities, down from 50 in 2024 and 57 in 2023.

In Europe, the European Medicines Agency recommended authorizations for 104 new medicines in 2025, down from 115 in 2024.

PHARMA STOCK MARKET AND FINANCING

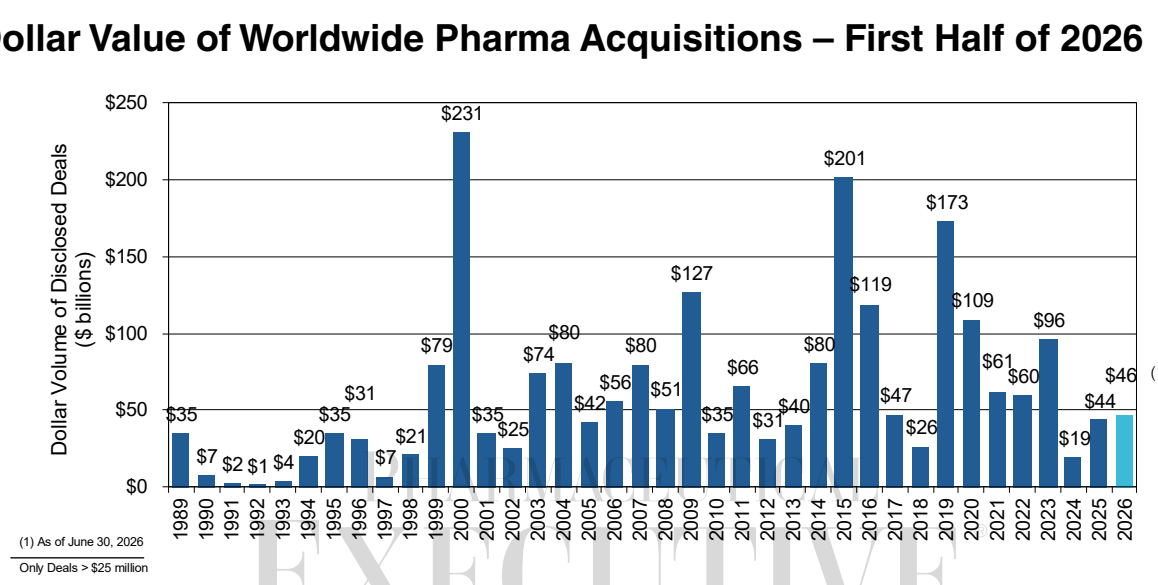
By the end of the first half of this year, the S&P 500 had increased by 9.3% and the S&P Euro 350 had risen by 4.9%. This was a significant change, with much of the



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FIGURE 1. Global M&A dollar volume improved in the first half of 2026 off an improvement in 2025. This was primarily driven by CapVest Partners' acquisition of STADA Group.

Source: Young & Partners



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positive growth in the S&P 500 driven by strong earnings and the artificial intelligence activities of major tech companies, as well as the volatility from economic uncertainty and tariffs actions.

The overall picture for the pharma industry in the first six months of 2026 was mixed. The Y&P U.S. BioPharma index improved, growing by 12.1%, outperforming the market.

The Y&P European BioPharma index, however, decreased by 2.5%, while the Y&P Generic Pharma increased by 12.6%.

At the end of the first half of 2026, non-bank debt issuance was $82.7 billion compared to $89.8 billion for all of 2025, a major increase on an annualized basis. The higher pace was due in part to pharma companies such as Eli Lilly, Bausch Health, Novartis and Johnson & Johnson financing large acquisitions.

Dollar volume of equity issuance in the first half was $9.9 billion versus $16 billion for 2025. This was slightly above 2025 on an annualized basis. The number of offerings was also slightly higher on an annualized basis, with 42 offerings in the first half of 2026 versus 74 such instances in full-year 2025.

BIOTECH STOCK MARKET AND FINANCING

The performance of biotech industry stock market indices was better than that of the larger biopharma companies.

The Nasdaq Biotechnology Index rose by 15%. Biotech companies are usually modest issuers of debt given their negative cash flows. The volume of non-bank debt issuance was only $1.5 billion in the first half of 2026. This was an increase on an annualized basis, but still a continuation of the modest debt fundraising environment in 2025 when only $1.9 billion of debt was issued.

Equity offerings of all types were at a higher annualized pace in the first six months of 2026, with 157 equity offerings completed versus 257 offerings in 2025. This, however, is still below peak volumes in 2021.

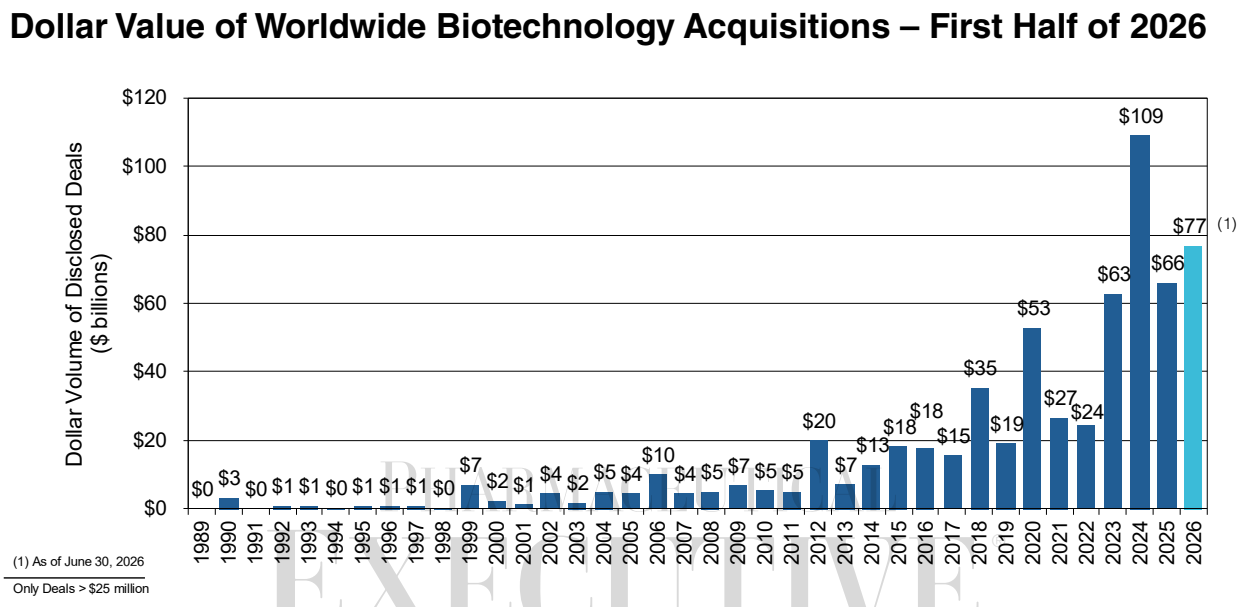
The dollar volume increased significantly, with $32 billion completed in the first half of this year versus $39.8 billion in 2025.

The IPO market volume also picked up. Twenty-three IPOs were completed worth $4.9 billion in the first half of 2026 compared to 21 IPOs worth $2.9 billion in all of 2025.

The improvement in biotech stock market valuations has helped to stabilize private equity funding valuations and availability. Although

FIGURE 2. Dollar volume of transactions completed in the first half of 2026 increased dramatically, above the annualized pace of the record level in 2024.

Source: Young & Partners



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venture capital firms still have to focus part of their funds on defending their existing portfolio companies to make sure they survive, new investing activity is picking up as venture firms take advantage of lower valuations and the positive new drug developments in certain categories.

Nevertheless, some private biotechs are running out of money and we will continue to see downsizing announcements on a regular basis. This down cycle has impacted biotech many times historically, so this is not a new development in the history of the industry.

PHARMA M&A IN THE FIRST HALF OF 2026 AND THE OUTLOOK

Acquisitions by pharma companies have traditionally been a regular part of the landscape. Thirty deals worth $46.4 billion were completed in the first half of 2026 versus 33 deals completed worth $43.6 billion for all of 2025 (see Figure 1 on previous page). On an annualized basis, this represents a major increase in the number and the dollar volume of M&A, but well off previous peak levels. The $10 billion acquisition of STADA Group by CapVest Partners drove the dollar volume up in the first half of 2026.

Although the dollar volume of M&A increased, the totals are still low compared to historical levels. Pharma companies are mainly focusing on strategic small-to-medium-sized acquisitions. They have also focused on acquiring biotech organizations via acquisitions, strategic partnerships and in licensing to achieve pipeline growth.

As of June 30, 2026, the dollar value and number of deals announced but not closed was muted at $14.3 billion (11 deals).

Looking ahead, there may be one or two larger deals, but those deals 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.

BIOTECH M&A IN THE FIRST HALF OF 2026 AND THE OUTLOOK

In the first half of 2026, 39 deals worth $76.8 billion were completed compared with 58 deals worth $65.9 billion in all of 2025 (see Figure 2).

This represents a major increase on an annualized basis in the total dollar volume and a slight increase in the number of transactions completed.

Deals in the U.S. dominated relative to the rest of the world. Compared to the record volume in 2024, the number of deals on an annualized basis is lower, but on a dollar basis it is slightly more. Nevertheless, on both bases, the activity is higher than 2025.

The dollar value of the pipeline of deals announced but not closed as of June 30, 2026, was healthy at $36.8 billion (28 deals).

We were at a record-high level of biotech M&A dollar volume and number of deals at the end of 2024, 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 more organizations willing to consider a sale. There are also a number of specific therapies and markets that are a high priority for the strategic buyers.

The majority of biotech transactions have also included earn-outs, which have bridged the valuation gap between buyers and sellers.

Although the biotech sector was below the record volume in 2024, the volume is still very high, driven by the need for pipeline products in a number of strategic categories, 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.

What is the outlook for biotech M&A? We expect more of the same in the future driven by the same factors, with a relatively solid 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.

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 obtained internally or through licensing and strategic partnerships. However, it will remain challenging to determine what the right valuations are for each deal.

The use of earn-outs and contingent payment structures continues to apply to 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 should consider selling now, given the still-weak IPO market, steady M&A valuations and the high demand for deals in attractive segments.

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IMPLICATIONS FOR PHARMA AND BIOTECH

The big unknown for the future is what the impact of ongoing U.S. federal administration actions will be on health care 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 remain a stabilizing force for the industry. Biotech stock market valuations have partially recovered, existing public biotech companies have been able to sell equity and there has been a partial recovery of the IPO biotech market.

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 the nature 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 is 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 biotechs, it will be a matter of survival versus success. PE