

# M&A Activity Rebounds at the End of 2023

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Mergers and acquisitions (M&A) in the biopharmaceutical sector experienced a notable resurgence in the fourth quarter of 2023, with an increase in both the overall deal value and volume of these transactions. Despite facing challenges such as macroeconomic factors and regulatory obstacles, biopharmaceutical companies actively pursued substantial M&A endeavors towards the end of 2023 with around 70% of these transactions carried out by big pharma companies and driven by novel, innovative therapies and technologies.

### M&A volume and values on the rise

In the fourth quarter of 2023, the life science industry experienced a surge in M&A deals including several significant announcements from big pharma, reflecting the dynamic changes in the dealmaking landscape after a slow start in 2023. The primary objectives behind these transactions were to introduce innovative therapeutics to portfolios to tackle emerging medical challenges as well as address imminent expiration of patents for key products.

The total number of biopharma M&A deals in Q4 2023 was up compared to previous quarters. According to the Pharma Deals database, there were 19% more transactions during this period as compared to Q3 2023. The aggregate total deal value for biopharma M&A deals signed in Q4 2023 reached an impressive \$69.08 billion, up by 157% compared to the previous quarter. The average value of biopharma M&A deals in Q4 2023 was \$706.2 million, a substantial increase from the previous quarters, underscoring the strategic importance attached to these transactions. Deals were focused on a diverse range of therapeutic areas and primarily targeted de-risked entities, emphasizing



assets in Phase III or those already on the market. Oncology and immunology remained prominent as the key therapeutic areas. Notably, there was a significant presence of acquisitions focused on neuroscience, indicating a resurgence of interest in central nervous system (CNS) innovation.

Biopharma-focused M&A deals with deal values of \$1.0 billion or greater are presented in Table 1. Deals which are related to devices, diagnostics and the biopharma services sector are not discussed here. The largest M&A deal by total deal value was Bristol Myers Squibbs' acquisition of Karuna Therapeutics for \$14 billion. The deal was driven by Karuna's lead asset, KarXT (xanomeline-trospium), an antipsychotic with a first-in-class M1/M4 muscarinic receptor agonist, with differentiated efficacy and safety to treat schizophrenia in adults. The transaction strengthens BMS' neuroscience portfolio as KarXT has displayed positive effects on several neurological conditions, including Alzheimer's disease and bipolar disorder.

**Table 1: Biopharma M&A deals of Q4 2023, ranked by total deal value\***

TOTAL DEAL VALUE	DATE ANNOUNCED	ACQUIRER	TARGET COMPANY	DEAL DRIVER
\$14 billion	22nd Dec 2023	Bristol Myers Squibb	Karuna Therapeutics	KarXT (xanomeline-trospium), a first-in-class M1/M4 muscarinic receptor agonist, for the treatment of schizophrenia in adults
\$10.1 billion	30th Nov 2023	AbbVie	ImmunoGen	Elahere® (mirvetuximab soravtansine-gynx), a marketed first-in-class antibody-drug conjugate for platinum-resistant ovarian cancer
\$8.7 billion	6th Dec 2023	AbbVie	Cerevel Therapeutics	Phase II asset emraclidine, a potential next generation antipsychotic, useful for treating schizophrenia patients
\$7.25 billion	23rd Oct 2023	Roche	Telavant Holdings	RVT-310, a TL1A-directed antibody, for the treatment of inflammatory bowel disease, including ulcerative colitis and Crohn's disease
\$5.8 billion	8th Oct 2023	Bristol Myers Squibb	Mirati Therapeutics	Krazati (adagrasib), a KRAS-G12C inhibitor approved by the US FDA for the treatment of second line advanced non-small cell lung cancer
\$4.1 billion	26th Dec 2023	Bristol Myers Squibb	RayzeBio	Actinium based radiopharmaceutical therapeutics such as RYZ101 for small cell lung cancer, RYZ801 for hepatocellular carcinoma
\$3.1 billion	4th Dec 2023	Roche	Carmot Therapeutics	Lead candidate CT-388, a dual GLP-1/GIP receptor agonist for the treatment of obesity in patients with and without type 2 diabetes
\$1.4 billion	3rd Oct 2023	Eli Lilly	POINT Biopharma	PNT20021, a prostate-specific membrane antigen targeted radioligand therapy for patients with metastatic castration-resistant prostate cancer
\$1.2 billion	26th Dec 2023	AstraZeneca	Gracell Biotechnologies	Phase Ib/II candidate, GC012F, a BCMA and CD19 dual-targeting autologous CAR-T in multiple myeloma and refractory systemic lupus erythematosus
\$1.1 billion	11th Dec 2023	AstraZeneca	Icosavax	Phase III vaccine candidate, IVX-A12, in respiratory syncytial virus prevention

Source: IQVIA Pharma Deals.

\*Selected high-value therapeutic deals .

BMS' appetite for M&A continued with its takeover of RayzeBio for \$4.1 billion for the latter's actinium-based radiopharmaceutical therapeutics which include RYZ101 for small cell lung cancer, RYZ801 for hepatocellular carcinoma and several first-in-class preclinical assets to treat solid tumors. BMS also announced that it has agreed to acquire Mirati Therapeutics for up to \$5.8 billion in total. Through this acquisition, BMS primarily gains access to Krazati (adagrasib), a KRAS-G12C inhibitor approved in the US for the treatment of second line advanced non-small cell lung cancer as well as several promising clinical assets that have potential for single agent development and combination strategies.

Joining the antibody drug conjugate (ADC) race, AbbVie agreed to acquire ImmunoGen for \$10.1 billion for the latter's marketed cancer therapy, Elahere® (mirvetuximab soravtansine-gynx), a first-in-class ADC approved in the US for platinum-resistant ovarian cancer (PROC), as well as its pipeline of ADC programs. The acquisition accelerates AbbVie's commercial and clinical presence in the solid tumor space. Additionally, ImmunoGen's follow-on pipeline of promising next-generation ADCs further complements AbbVie's ADC platform and existing programs.

Also looking to expand its neuroscience franchise, AbbVie acquired Cerevel Therapeutics for a total equity value of approximately \$8.7 billion. The acquisition is centered around Cerevel's late-stage Phase II asset, emraclidine, which is a potential next generation antipsychotic for treating schizophrenia patients.

The obesity and metabolic disease space was a hotbed for dealmaking and M&A activity in 2023, with key players strategically investing in this dynamic field. Challenging the dominant players such as Novo Nordisk and Eli Lilly with their obesity drugs, Roche agreed to acquire weight-loss drugmaker Carmot Therapeutics for \$3.1 billion. The acquisition provides Roche with access to CT-388, a Phase II dual GLP-1/GIP receptor agonist for obesity in patients with and without type 2 diabetes, and two other GLP-1 based therapies for obesity. Looking to expand into new therapeutic areas to offset declining oncology sales, Roche also agreed to acquire Telavant Holdings from Roivant Sciences and Pfizer, in a deal worth up to \$7.25 billion, for US and Japan rights to Phase III-ready TL1A-directed antibody, RVT-310, for the treatment of inflammatory bowel disease.

To expand its oncology capabilities into next generation radioligand therapies, Eli Lilly announced the acquisition of POINT Biopharma, a radiopharmaceutical company with a pipeline of clinical and preclinical stage radioligand therapies in development for the treatment of cancer, to leverage its radioligand therapies for a value of \$1.4 billion. Building on its expertise in respiratory syncytial virus (RSV) prevention, AstraZeneca acquired Seattle-based vaccine maker Icosavax for \$1.1 billion. The deal provides AstraZeneca control of the biotech's investigational RSV and human metapneumovirus (hMPV) vaccine, IVX-A12, following positive Phase II data which demonstrated induced robust immune responses in healthy older adults. In the area of cell therapy, AstraZeneca paid \$1.2 billion to acquire Gracell Biotechnologies and its lead candidate GC012F, a BCMA and CD19 dual-targeting autologous CAR-T that is being tested in a Phase Ib/II trial in multiple myeloma and refractory systemic lupus erythematosus.

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## Outlook

With a flurry of M&A deals announced at the end of the year, industry observers are hopeful that the upbeat trend will persist throughout 2024. Although uncertainties in the market remain, key deal drivers, such as fierce competition for high quality assets and the looming threat of patent expiries, will likely push cash-rich companies to seek out deals to replenish pipelines and secure their future growth. Simultaneously, emerging biopharmaceutical companies possessing unpartnered late-stage clinical assets, with substantial debt and financial pressures, will try to reinforce their balance sheets by selling their assets and look to be acquired themselves in order to be positioned more securely within the competitive landscape.

Despite the return of mega-mergers in 2023, bolt-on deals worth up to US\$10 billion will continue to be the preferred route in 2024, with risk-averse companies preferring to acquire more established assets through these deals. Gilead's US\$4.3 billion acquisition of CymaBay Therapeutics and its late-stage liver disease drug, seladelpar, is an early example of this in 2024. Neurology and cardiometabolic indications are expected to solidify their newfound popularity among acquirers, however novel modalities and technologies for the treatment of oncology will continue to dominate the landscape, proven by Johnson & Johnson's recent US\$2 billion acquisition of ADC developer, Ambrx Biopharma and Novartis' US\$2.7 billion takeover of cancer drugmaker, MorphoSys.

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