

Dealmaking

The dealmaking environment is less optimistic now than in 2024. More respondents expect deal activity to decrease over the next 12 months (+10pp; **Figure 10**), citing macroeconomic and geopolitical uncertainty and volatility.

Access to capital has declined while the cost of capital has increased, meaning innovators are much more cautious about the deals they make.

Despite this more cautious view of dealmaking, the largest proportion of respondents (43%) still expect deal activity to increase in the coming year.

Businesses still need to consolidate and feed the innovation funnel, irrespective of the macroenvironment. And many respondents say AI is driving activity. AI-based discovery platforms, AI-driven diagnostic tools, digital therapeutics and intelligent care coordination are just some of the areas in which life sciences businesses are seeking deals.

Portfolio optimisation continues, with innovators doubling down on their priority areas and divesting

non-core assets. Immunology and inflammation, precision oncology and neurology are still hot therapeutic areas, and the success of incretin analogues is driving interest in the cardiometabolic space.

Meanwhile, the FDA's new Rare Disease Evidence Principles (RDEP) pathway, launched in September 2025, could spur increased interest in rare disease dealmaking.

In terms of geographic hotspots, China currently dominates licensing deal flow. While cross-border M&A involving China has been constrained by complexity, there's been a surge in licensing deals made with Chinese innovators. And Chinese companies are increasingly partnering with global life sciences innovators.

Figure 10: How do you think life sciences deal activity will change over the next 12 months?



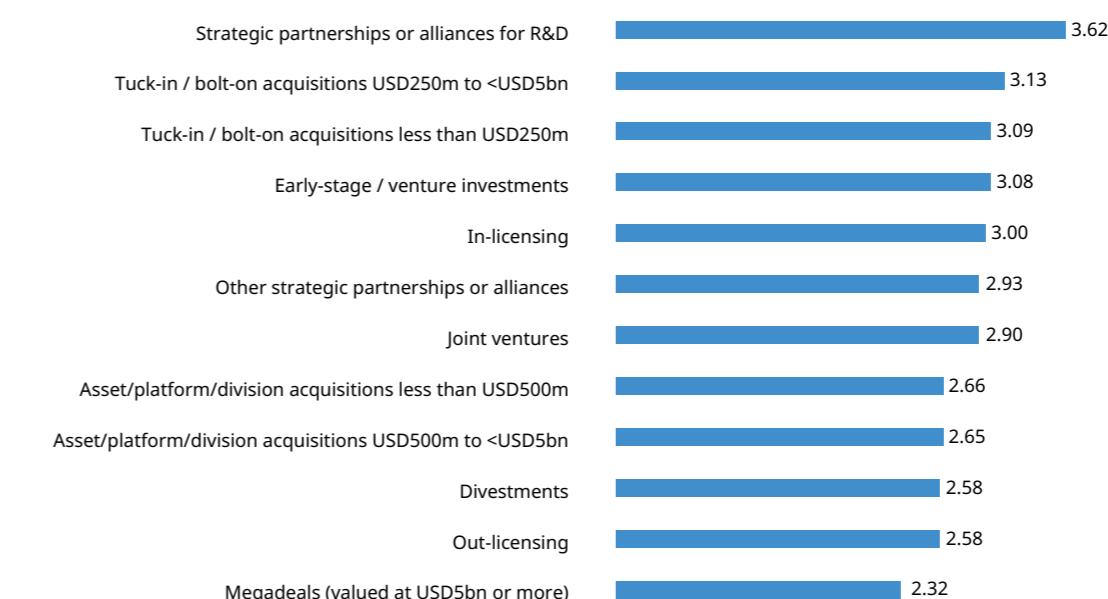
"While the deal market has been challenging, particularly in 2024 and H1 2025, competitive processes in life sciences M&A are becoming more common as the pool of potential acquirers grow, especially with private equity looking to deploy just some of their accumulated dry powder and other alternative funders participating (such as sovereign wealth funds) either as a syndicate or alone," says **Robert Newman**, Corporate Partner in our Life Sciences practice.

"This competitive tension typically drives higher valuations, quicker timetables and reduces the risk of an abort. For bidders who've lost and already invested heavily in the due diligence phase, they'll want to use that knowledge by looking at other assets in the sector, which may or may not already be on the market."

"Consequently – and despite macro-uncertainty – stakeholders across the spectrum are awakening and becoming buoyed by the assets that are being placed on the market. Pricing expectations are aligning and the cost of debt is generally lowering. Optimism is, therefore, running higher than it has been over the last 18 months, with the increasing deal activity in H2 2025 expected to continue into 2026. With public markets also recovering, particularly in the US and Asia, confidence is growing that we are entering into a period of sustained deal activity in life sciences," says Robert Newman.

What types of deals are most important for business growth? Strategic partnerships for R&D are the top priority, thanks to the greater flexibility, lower resource commitment and lower risk they offer in terms of portfolio management versus in-licensing and outright acquisition (**Figure 11**).

Figure 11: How important is each of these deal types for your business' growth?
Average rating on 1 to 5 scale (1 is not being considered, 5 is a strategic priority)



Life sciences companies are turning to early-stage and venture investments to avoid the higher scarcity value associated with market-ready assets, and venture capital offers a rich and agile ecosystem of early-stage, pre-clinical and experimental innovation that biopharma and medtech companies can tap into.

In uncertain times, tuck-ins and bolt-ons provide a clearer, more predictable path to value creation than in-licensing.

This is especially the case now that innovators are more laser-focused on which high-growth areas to invest in, thanks to ongoing efforts to refine and streamline portfolios.

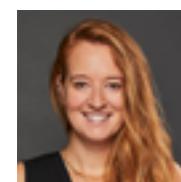
Tuck-ins and bolt-ons are more likely to have the added benefit of talent acquisition and carry less integration risk than acquiring specific assets or platforms and divisions.

Megadeals, like in 2024, are the least important deal type for life sciences innovators. Smaller, more targeted deals align better with how the industry is approaching growth today: agility, value for money and prudent deployment of capital are top of mind.

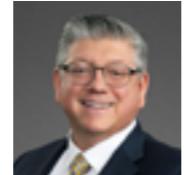
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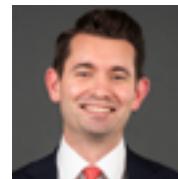
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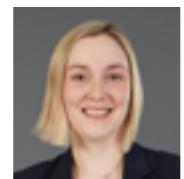
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