

# Analyzing Healthcare M&A Trends: Q1 2024 Insights

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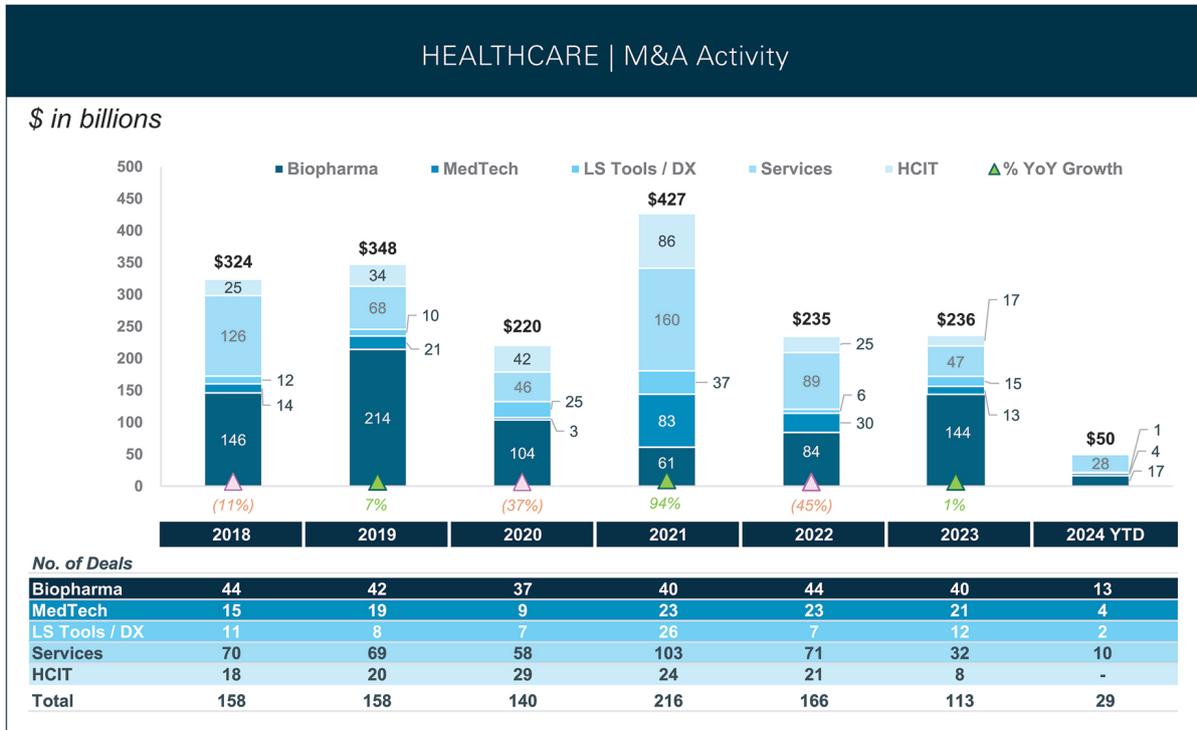
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Healthcare M&A activity remained robust in the first quarter of 2024, with 29 transactions vs. 28 in 2023. Biopharma was the most active healthcare subsector, representing 45% of deal volume, while Services activity remained dampened despite notable transactions such as Novo Holdings' acquisition of Catalent. We expect Biopharma M&A activity to remain robust as large pharmaceutical companies attempt to fill revenue and pipeline gaps via acquisitions of late- or commercial-stage companies. We expect pre-commercial biopharma companies to continue pursue strategic alternatives, including mergers, private company mergers and cash-out transactions as a result of the dynamic capital markets environment.

## HEALTHCARE | M&A THEMES

- Healthcare M&A transaction value was \$50B in Q1 2024, down 34% from \$76B in Q1 2023 due, in large part, to Pfizer's \$44B acquisition of Seagen in Q1 2023. Deal volume was flat YoY with 29 transactions in Q1 2024 and 28 transactions in Q1 2023.
- Biopharmaceuticals remained the most active sub-sector of Healthcare and represented 34% of deal value and 45% of deal volume in Q1 2024 (vs. 63% of deal value and 21% of deal volume in Q1 2023).
  - Oncology was the most active therapeutic area, with 7 transactions totaling \$9B in deal value.
  - Inflammation & Immunology was the second most active therapeutic area, with 2 transactions totaling \$4B in deal value.
- Healthcare services activity increased relative to Q1 2023, with 10 transactions totaling \$28B in deal value in Q1 2024 vs. 10 transactions totaling \$17B in Q1 2023. Life Sciences Tools / Diagnostics activity decreased relative to Q1 2023, with 2 transactions totaling \$1B in deal value in Q1 2024 vs. 5 transactions totaling \$6B in deal value in Q1 2023.

# HEALTHCARE | M&A ACTIVITY



Source: Dealogic, Scope Research, SEC filings, Company press releases. Deal inclusion criteria: Equity Value >\$100 million as of 03/22/23.

# 1Q 2024 HEALTHCARE | M&A ACTIVITY

## 1 Q 2024 HEALTHCARE | M&A Activity

*\$ in millions*

Ann. Date	Target	Acquirer	Equity Value	Enterprise Value	Contingent Consideration	Total Deal Value	1-Day Premium
03/19/24	Fusion Pharmaceuticals	AstraZeneca	\$1,990	\$1,791	\$300	\$2,091	97%
03/19/24	IFF Pharma Solutions	Roquette	2,850	2,850	-	2,850	NA
03/14/24	Amolyt Pharma	AstraZeneca	800	800	250	1,050	NA
03/11/24	Fortrea Enabling Services Segment	Arsenal Capital Partners	295	295	50	345	NA
02/29/24	Sierra Vista Regional Medical Center / Twin Cities Community Hospital (Tenet)	Adventist Health	550	550	-	550	NA
02/28/24	ELITechGroup	Bruker Corporation	942	942	-	942	NA
02/12/24	CymaBay Therapeutics	Gilead Sciences	4,380	3,941	-	3,941	27%
02/05/24	MorphoSys	Novartis	2,841	2,758	-	2,758	89%
02/05/24	Catalent	Novo Holdings / Novo Nordisk	12,560	16,500	-	16,500	17%
02/01/24	Pacific Coast Network (Tenet)	UCI Health	975	975	-	975	NA
01/31/24	Cigna's Medicare Business	Health Care Service Corp	3,700	3,700	-	3,300	NA
01/23/24	Inhibrx	Sanofi	1,668	1,531	278	1,809	NM
01/09/24	Aiolos Bio	GSK	1,000	1,000	400	1,400	NA
01/09/24	Elixir (Rite Aid PBM)	MedImpact Healthcare Systems	577	577	-	577	NA
01/08/24	Harpoon Therapeutics	Merck	892	869	35	904	118%
01/08/24	Ambrx Biopharma	Johnson & Johnson	1,928	1,703	-	1,703	105%
01/08/24	Calypso Biotech	Novartis	250	250	175	425	NA
01/08/24	Axonics	Boston Scientific Corporation	3,700	3,400	-	3,400	23%
<b>Median</b>							<b>89%</b>
Biopharma Deals							

Source: Dealogic, Scope Research, SEC filings, Company press releases. Deal inclusion criteria: Equity Value >\$250 million as of 03/22/23.

## BIOPHARMA | M&A THEMES

Biopharma M&A activity increased more than 100% in the first quarter of 2024 with 13 transactions in Q1 2024 compared to 6 transactions in Q1 2023. There were 47 transactions in the LTM period through March 2024 compared to 42 transactions in the LTM period through March 2023.

- Acquirors continue to demonstrate significant interest in oncology. In particular, radiopharmaceutical and ADC companies have attracted strategic interest as large pharmas seek to establish platforms to exploit this emerging modality for cancer treatment.
  - Fusion / AstraZeneca (\$2.0B equity value at 97% unaffected premium)
  - Harpoon / Merck (\$892M equity value at 118% unaffected premium)
  - Gracell / AstraZeneca (\$969M equity value at 62% unaffected premium)
- Public companies that experienced clinical setbacks continued to successfully pursue mergers with private companies and execute significant concurrent financings.
  - Tectonic's merger with AvroBio was announced in Q1 and included a concurrent \$131M PIPE.

- Q32's merger with Homology and LENZ's merger with Graphite closed in Q1, and the companies raised \$42M and \$54M, respectively, through concurrent PIPEs.
- 10 public-private company mergers have closed 2023-2024YTD and are currently trading at a median premium of 32% and 29% to their stock price at transaction announce and close, respectively.
- Despite underperforming the broader market, the XBI finished up 6% in Q1 and we expect continued momentum in the capital markets as biotech investors look to deploy their ample cash reserves.
  - It was the most active quarter for biopharma follow-on issuance in history, including 54 registered offerings and 36 PIPEs raising a total of ~\$17 billion in proceeds.
  - Nine companies made their public market debuts including seven IPOs raising ~\$1.5 billion in proceeds.
  - The sector has the potential for further upside from the reemergence of generalist capital in the space.

We expect biopharma M&A activity to remain elevated through the remainder of 2024. On the supply side, despite the rebound in the XBI and corresponding improvement in access to capital, biopharma companies will continue to seek strategic transactions as a means to access capital, accelerate program development, especially ex-U.S., and provide external validation to programs and technology. Further, as potential IPOs continue to test the market, we expect high quality companies to actively evaluate sale transactions as an alternative exit for investors. We expect distressed publicly traded companies to continue to pursue private company mergers or mergers of equals transactions. Financial buyers will remain active as a source of cash-out transactions for companies trading significantly below cash that also retain significant cash balances. On the demand side, large biopharma continues to face impending revenue gaps due to anticipated patent expiries and will continue the recent trend of targeting commercial stage or clinically de-risked companies in billion-dollar-plus deals. Larger transactions are possible, but we believe they are less likely considering FTC challenges in 2023. We expect to see significant activity away from the mega deals.

## 1Q 2024 BIOPHARMA | M&A ACTIVITY

## 1Q 2024 HEALTHCARE | M&A Activity

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<b>Median</b>							<b>97%</b>

(1) Does not include spinout of non-INBRX-101 assets.

Source: Dealogic, Scope Research, SEC filings, Company press releases. Deal inclusion criteria: Equity Value >\$250 million as of 03/22/23.

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