Frost & Sullivan: Volume Rises, Value Falls for Healthcare M&A Deals

Patent expiry, together with an increase in generic competition in the global pharmaceutical and biotechnology industry, is expected to bring a number of deals.

According to newly released analysis from Frost & Sullivan entitled “Merger and Acquisition (M&A) Trends in the Global Pharmaceutical and Biotechnology Industry”, evolving conditions in the marketplace are forcing the pharmaceutical and biotechnology industry to change.

Expiring patents, coupled with the global economic turndown and subsequent price pressures, are putting projects such as restructuring and strategy streamlining firmly on company’s agendas.

In their quest to boost profitability corporations are increasingly choosing mergers and acquisitions (M&As) to counter low margins. This allows them to access new markets, which creates more revenue sources and thus compensates, to a certain degree, the depletion experienced in the research and development segment.

Details from the analysis show that as one of the largest and fastest-growing therapeutic domains with regards to drug development, oncology is tipped to remain a favourite choice for buyers in search of a strong addition to their portfolio.

Both in terms of number and value of deals the region of North America will continue to be the most active.

Frost & Sullivan Financial Analyst Dr. E Saneesh noted that the M&A deal value in big pharma had been declining, making the emerging trend towards an increase in low-value deals more permanent. He added that since there were a significant number of drug patents expiring soon however, big pharma was expected to replenish its portfolio through upcoming major deal activities thanks to its healthy balance sheets and adequate cash resources.

In an additional attempt to expand product range and compensate for decreasing profits, major pharmaceutical companies are also showing new interest in parallel market sectors including over-the-counter products, nutritional supplements and cosmetics.

Companies from the medical technologies and diagnostics healthcare sectors will prove to be of particular attraction with their higher scope for innovation and fewer regulatory hurdles, allowing drug manufacturers to diversify risks in the primary pharmaceutical sector.

Dr. Saneesh explained that the first three quarters of 2013 saw the presence of financial investors in deal-making, which indicated improving investor confidence in the industry. He concluded that this could lead to joint deals with biotech and pharmaceutical companies that are also about to raise funds for deal-making.

Source: Frost & Sullivan

13 May 2014

Published on : Tue, 13 May 2014