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Volume rises but value falls for M&A deals

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Volume rises but value falls for M&A deals: Frost & Sullivan



The challenges posed by expiring patents, the global economic slowdown, and price premium pressures are forcing the pharmaceutical and biotech industry to restructure and streamline strategies to boost profitability. Mergers and acquisitions (M&As) have become the preferred approach to counter low margins as they give access to new markets while creating more revenue pools and, to some extent, compensating for depletion in the research and development pipeline.

New analysis from Frost & Sullivan's Merger and Acquisition (M&A) Trends in the Global Pharmaceutical and Biotechnology Industry reveals that oncology, one of the largest and fastest-growing therapeutic domains in terms of drug development, is expected to remain the hot pick for buyers looking to strengthen their portfolio. North America will continue to be the most active region in terms of both number and value of deals.

"Big pharma's contribution to M&A deal value has been decreasing, and the trend towards more low-value deals is likely to persist," noted Frost & Sullivan financial analyst Dr. E Saneesh. "However, with a good number of drugs expected to lose patent in the near future, and balance sheets showing more than adequate cash, big pharma will set in motion mega deal activities to replenish its portfolio."

Other sectors in healthcare, like diagnostics and medical technologies, will be particularly attractive since they have higher scope for innovation and fewer regulatory hurdles. Acquiring companies in these segments could help drug manufacturers diversify risks in the primary pharmaceutical sector.

"The presence of financial investors in deal-making also increased in the first three quarters of 2013, indicating improving investor confidence in the industry," explained Saneesh. "This can lead to joint deals with pharmaceutical and biotech companies that too are on the verge of raising funds for deal-making."

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Merger and Acquisition (M&A) Trends in the Global Pharmaceutical and Biotechnology Industry (http://www.financialservices.frost.com) is part of the Business and Financial Services subscription. Frost & Sullivan's related studies include: Mergers and Acquisitions Trends in the Global Property and Casualty Insurance Industry, Mergers and Acquisitions in the Internet Software and Services Industry, Investment Opportunity in Fuel Cells, and Private Equity and Venture Capital Investment Trends in the Global Packaged Food Industry. All studies included in subscriptions provide detailed market opportunities and industry trends that have been evaluated following extensive interviews with market participants.

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