Syneos Health®
Insights Hub

2024 Dealmakers' Intentions Survey

14th report in the Annual Dealmakers' Intentions Series

2024 Featured Trends

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Executive summary

Cautious optimism is likely to pervade biopharma dealmaking in 2024, according to the annual Syneos Health Dealmakers Intention Survey. Industry sentiment has been lifted by forward-looking Federal Reserve guidance on the stability of interest rates and large pharma companies' desire to fill revenue and pipeline gaps. Through acquisitions of late-stage, de-risked assets, major players will seek to fill anticipated revenue gaps caused by impending patent cliffs—though larger transactions may face headwinds from an energized Federal Trade Commission. A strong appetite for novel Phase I oncology programs will continue in 2024, along with interest in marketed pain products. In addition, dealmakers will continue to look at antibody-drug conjugates (ADCs), microbiome advances, bispecific antibodies, cancer vaccines and machine-learning-enabled products as "hot" acquisition targets, with sustained interest in cancer vaccines and gene therapies. On the supply side, given the recent challenging capital markets environment, more biopharma companies are expected to consider strategic and non-dilutive transactions to continue developing their assets.

Introduction: Rays of optimism

Hindsight is a brilliant arbiter. Three years ago, some experts thought biotech was on solid ground as IPOs and financing deals hit record heights. Others ran for shelter. Today, everyone agrees it was a sugar high.

In the long months that followed peak financing, dealmaking was pounded by bad breaks: war, high interest rates, antitrust actions, the specter of government price negotiations and talk of US government "march-in rights" to seize drug patents earned with federal backing. But in the fall, an improved market environment including upticks in closely-watched biotech indexes significantly brightened the picture. Spirits were further buoyed by a string of ADC-related oncology deals culminating in Abbvie's $10.1 billion purchase of ImmunoGen, as well as Amgen's long-delayed $27.8 billion purchase of Horizon Therapeutics and Pfizer's $43 billion Seagen acquisition.

In 2024, worldwide fascination with weight loss products that work across multiple therapeutic areas—starting with mega-brands Wegovy and Ozempic—will continue to fan industry optimism. Likewise, interest in all things AI will continue, perhaps driving health tech transactions if companies can build compelling narratives around generative AI. The same principle may operate in the cell and gene therapy (C&GT) space as regulators approve more treatments involving current and next-generation CRISPR gene-editing tools following much-hailed success in sickle cell disease.

The confluence of exciting AI milestones, weight loss advances and gene-editing breakthroughs still seem unlikely to push dealmaking to its 2020-2021 heights. Nevertheless, if macroeconomic conditions hold steady, the darker days may be behind us.

Dealmakers intentions

Our 2024 Dealmakers' Intentions Survey—the 14th in an annual, forward-looking series—reports on the expectations of pharmaceutical executives regarding licensing and acquisition deals in the coming year*. Mergers and acquisitions (M&A) and global IPO markets remained muted in 2023, but as we turned the corner from an unfavorable fiscal environment, anticipation for a soft-landing steered survey respondents to a moderately-bullish stance.

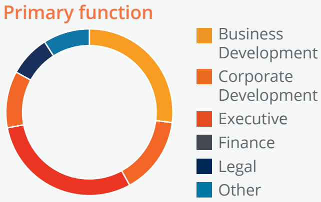
1. The relative demand for assets across phases of development will continue to favor later-stage products, namely Phase III+, as they represent lower-risk opportunities that will allow respondents to fill near-term revenue gaps amidst a shortage of their own pipeline therapeutics.
2. As rates remained elevated throughout 2023, global M&A, IPO, and funding markets saw limited activity, but that may change. A few more prominent acquisitions and IPOs could propel year on year increases for both acquisition amounts and IPO proceeds.
3. In 2023, deal conversion rates jumped nearly 20%, to 33%, continuing the trend over the past few years. In 2024, if multifaceted capital constraints persist, dealmakers may remain selective in choosing and pursuing targets.

*This report and any statements about the future reflect our expectations and analysis as of January 8, 2024.

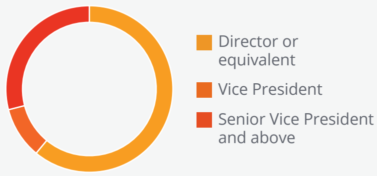
Survey methodology and scope

To gauge dealmaking sentiment in toward 2024, Syneos Health Consulting surveyed 169 members of the biopharmaceutical community who participate on one or both sides of the deal (buying vs. selling). Most of them have executive-level influence on decision making. Respondents represented companies ranging in size from under $100 million to $15 billion, of which just under half are headquartered in the US.

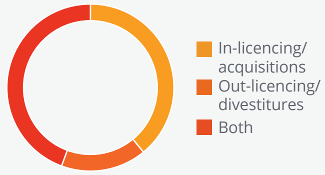
Primary function



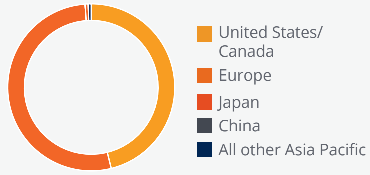
Corporate level



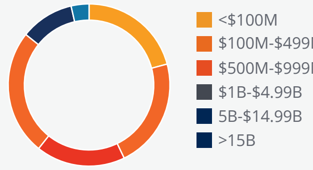
Primary activity type



Company headquarters



Company size

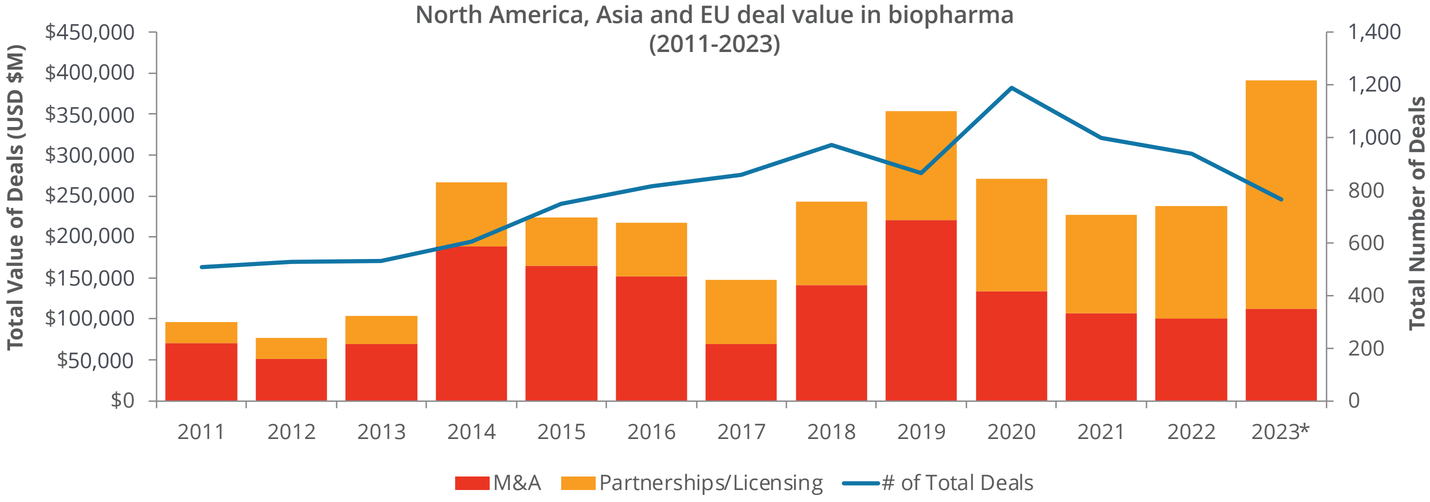


Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024 N = 169

Historical value and volume global dealmaking

While the total number of deals continued to decline year on year (blue line), 2023 saw a significant uptick in partnership deal value. M&A deal volumes were mostly flat year on year. However, Pfizer's acquisition of Seagen for $43 billion and a handful of smaller deals at year-end are driving projections for growth in deal value in 2024.

Figure 1. Deal value and volume



*2023 numbers include deals that were announced and not necessarily closed
Excluded any cancelled or terminated deals; Included deals based on asset type (pharmaceutical products, company, and business or facility acquisitions)

Source: BCIQ DealMakers Database, Accessed: November 15, 2023

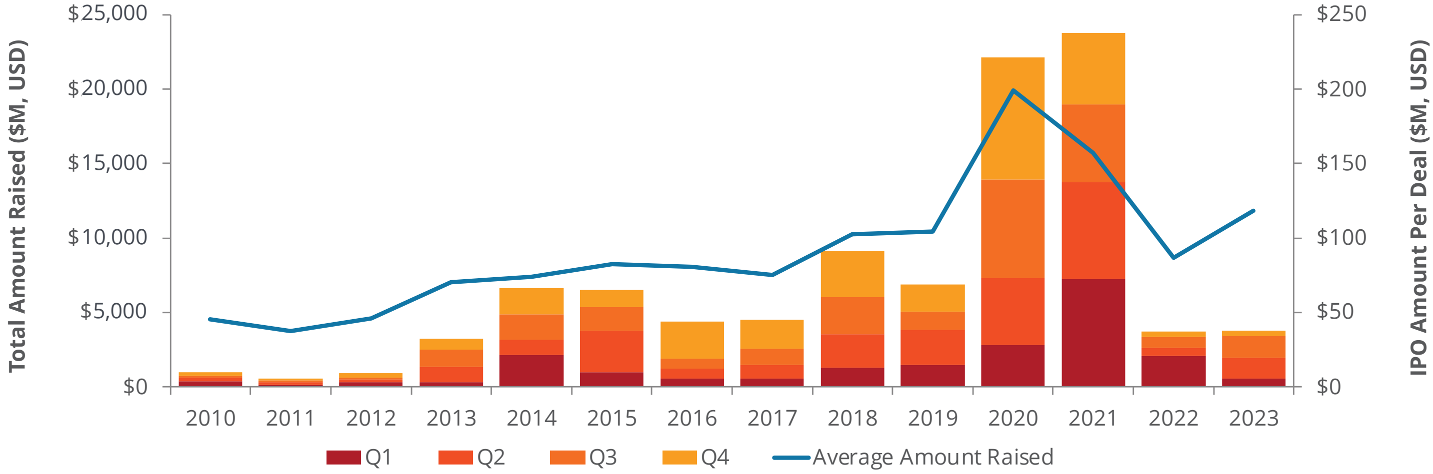
IPOs and global venture financing

Around the world, IPO volumes through the final quarter of 2023 remained subdued in comparison with 2020-2021 peaks. However, the proceeds raised in these deals increased materially in 2023, driven by the Acelyrin, RayzeBio, and Apogee Therapeutics in the US, and Chongqing Genrix Biopharmaceutical Co. in APAC.

Over the same 11 months, biopharma financing decreased significantly compared with 2022 as rates remained high and access to capital was constrained. Seed stage funding fell by half year on year, while the two largest funding rounds, Series A and B, also declined by 29% and 26% respectively, YTD. All of this raises questions about the role Blackstone, Carlyle and other private equity giants with proven interest in life sciences may play if the cash crunch continues in 2024.

Figure 2. IPOs and Financing

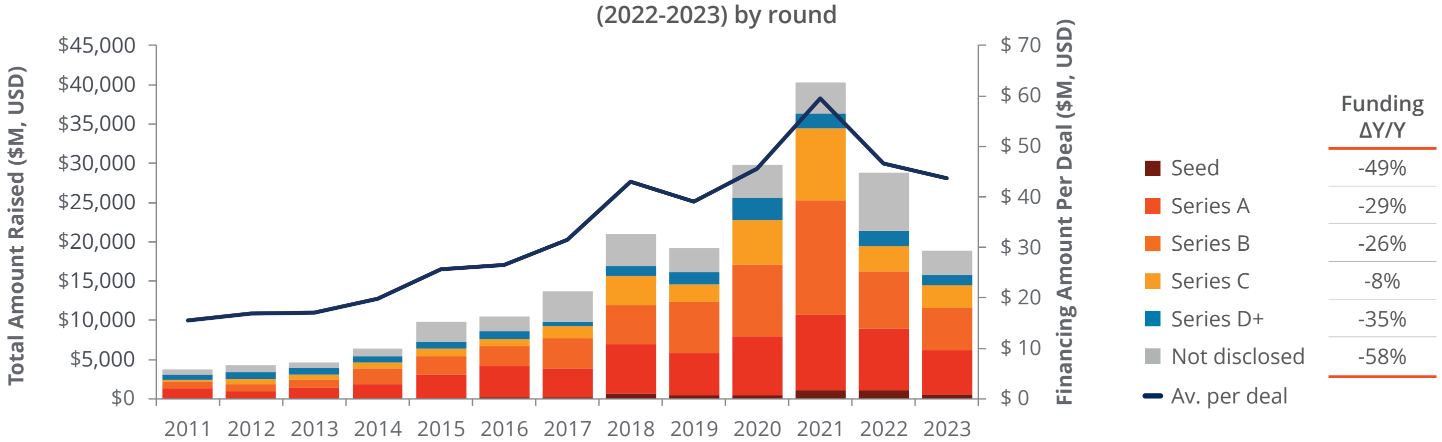
Global IPOs in biopharma (2010-2023) by quarter



*Data for Q4 2023 shown only as of 11/15/2023
Excluded IPOs based on supply/ services, genomics, high throughput screening and diagnostics

Source: BCIQ DealMakers Database, Accessed: November 15, 2023

North America, Asia, and EU financings in biopharma (2022-2023) by round



*Data for Q4 2023 shown only as of 11/15/2023
Excluded tools, services and diagnostics

Source: BCIQ DealMakers Database, Accessed: November 15, 2023

2024 Dealmakers' sentiment

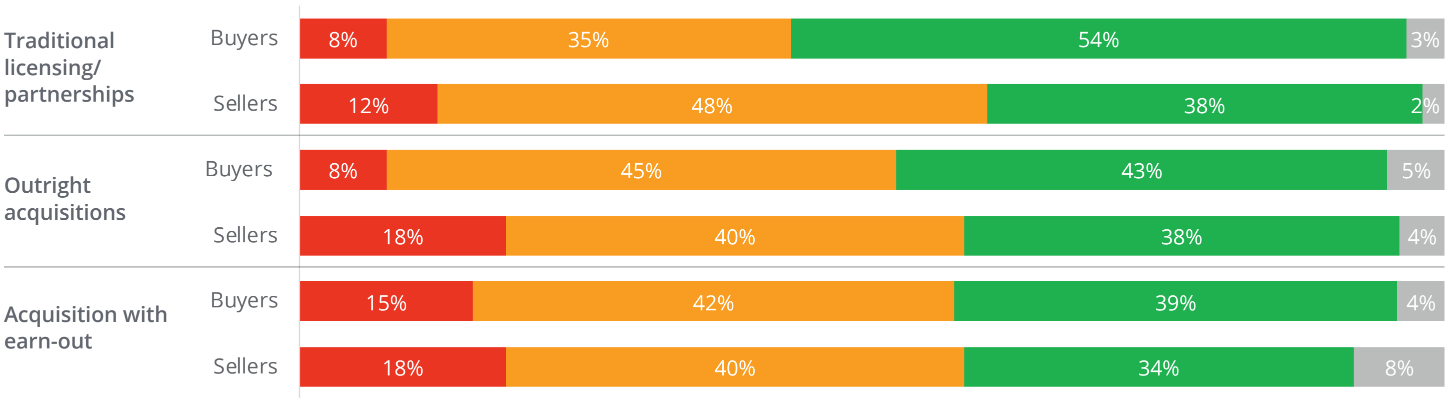
Licensing and partnership deals appeal to buyers

Both buyers and sellers expect similar to slightly higher levels of deal flow in 2024, compared with the past year. The deal type with the highest variance between buyers and sellers in our survey was traditional licensing/partnerships, where buyers are more bullish, likely anticipating sellers will seek out partners given tight capital markets and financing. In this space, sellers with the right molecule may spot attractive opportunities to partner with larger, integrated service providers offering flexible and scalable capability to help cope with evolving needs.

While expectations are aligned for acquisitions with earn-out, sellers are slightly more bearish on outright acquisitions. As for financing, respondents overall foresee a slight uptick in 2024, potentially hinting that improvements to the current capital market conditions will result in increased activity. Debt financing expectations are slightly less bullish, although respondents did seem mildly optimistic.

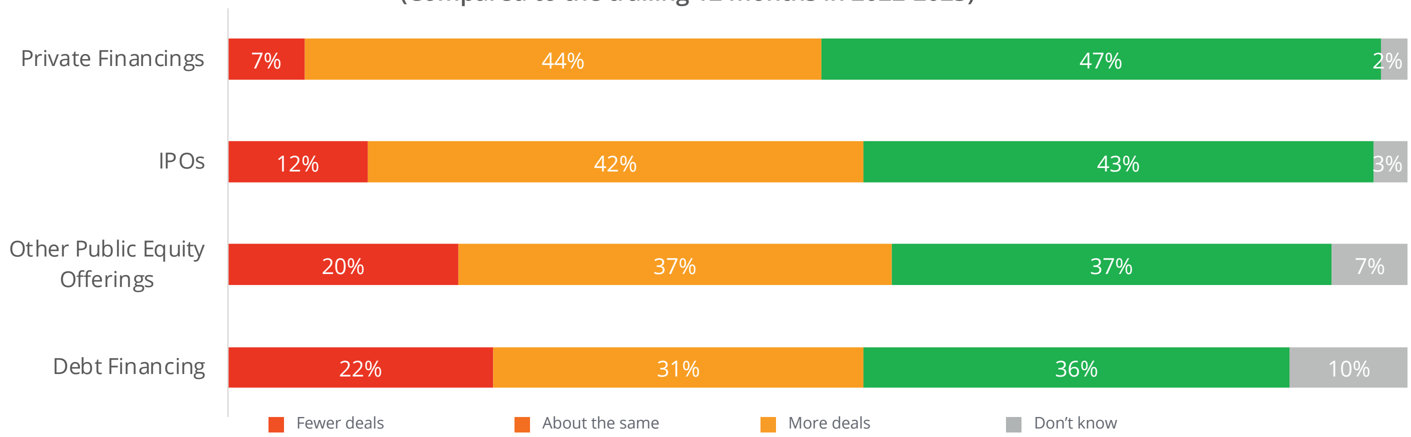
Figure 3. Expectations by deal and financing types

**Expectation by Deal Type (Compared to the trailing 12 months in 2022-2023*)
"buyers" vs. "sellers"**



Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

**Expectation by Financing Type
(Compared to the trailing 12 months in 2022-2023)**



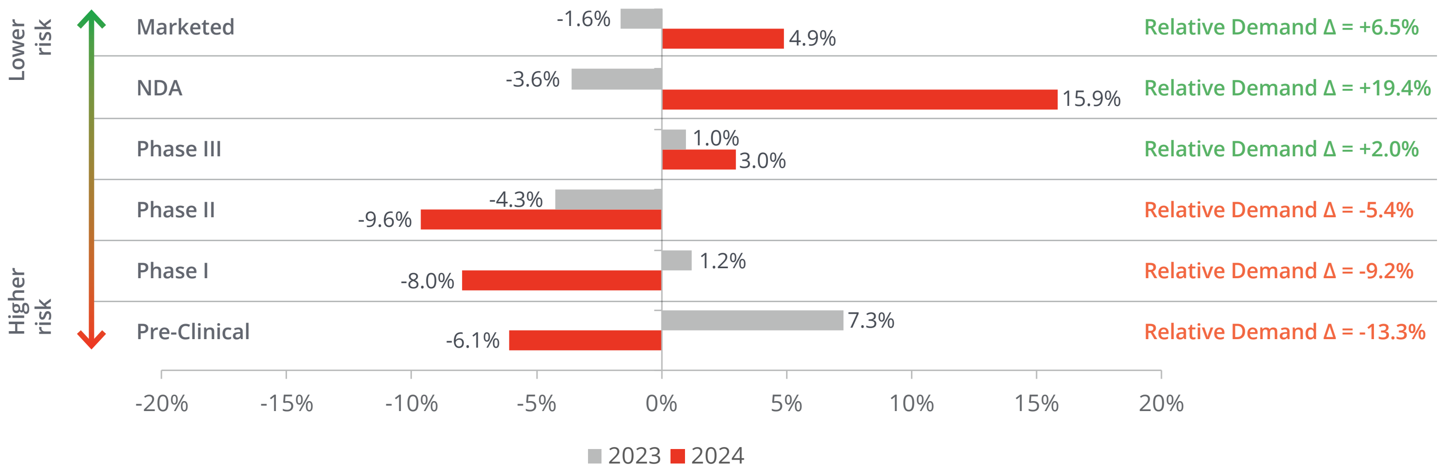
Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

Healthy appetite for approved products

The relative demand for assets across stages of development continues to favor lower-risk opportunities including marketed, NDA-level and Phase III assets. In addition to weaker appetite for risk associated with early-stage assets, pharma and biotech companies are seeking out products to fill their near-term revenue gaps amidst patent expirations and pipeline disappointments. Despite this trend favoring later stage assets, we observed strong demand for Phase I oncology treatments (see Figure 8).

Figure 4: Assets across different stages of development

Relative demand for assets



Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

Favorable tax code and robust approvals

A favorable US tax code and the number of FDA approvals are key factors that respondents believe will drive dealmaking in 2024. Meanwhile, a daunting capital markets environment might continue to limit the number of deals respondents expect to complete.

Figure 5: Factors affecting dealmaking

Attributes and their effects on dealmaking

Negative

- Near-term patent cliff for commercialized products
- Unfavorable capital market environment
- Increased interest rates

Mixed

- Options for companies to self-commercialize in specific markets
- Geopolitical events
- COVID-19 economic effects
- Recessionary environment
- Environment, social and governance (ESG) priorities or mandates
- Inflation Reduction Act

Positive

- Favorable US corporate tax code
- Number of FDA product approvals

Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

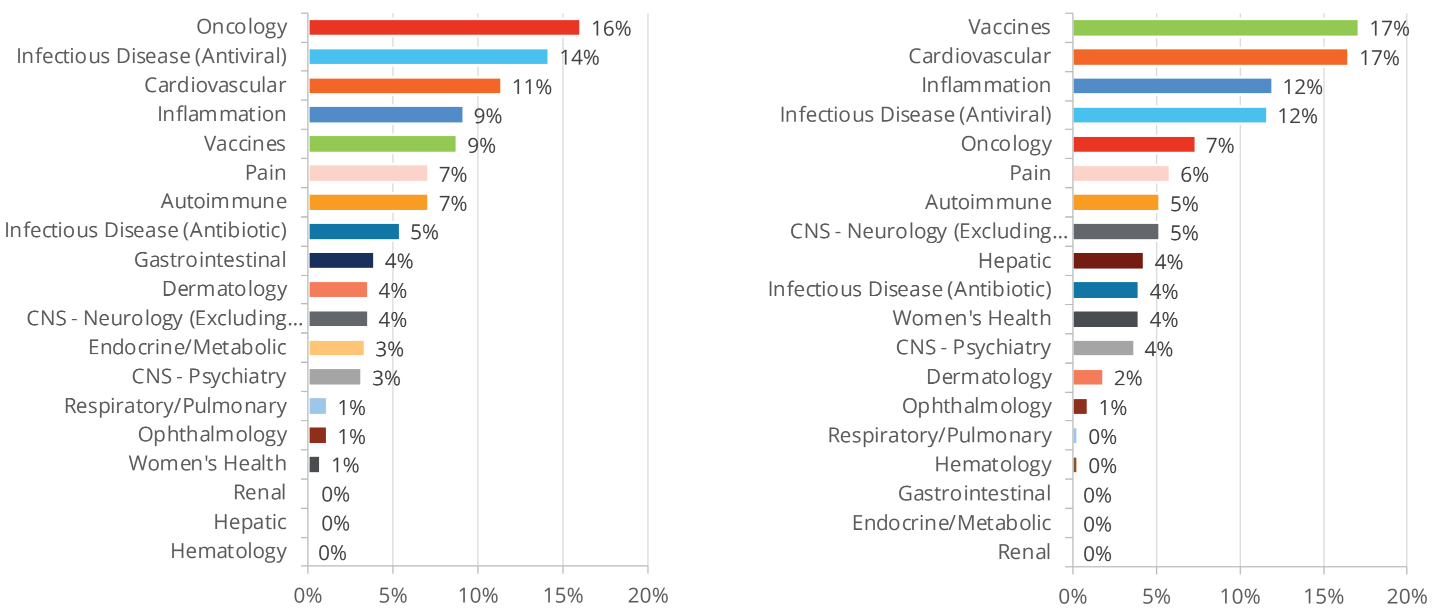
Shifting view of therapeutic classes and platforms

Where the deals are—buyer vs. seller perspectives

Buyers and sellers share strong interest in oncology and antivirals, two of the 'hotter' therapeutic areas emerging from the pandemic. Buyers also displayed a strong interest in cardiovascular diseases, inflammation, and vaccines, while sellers have a supply surplus in vaccines.

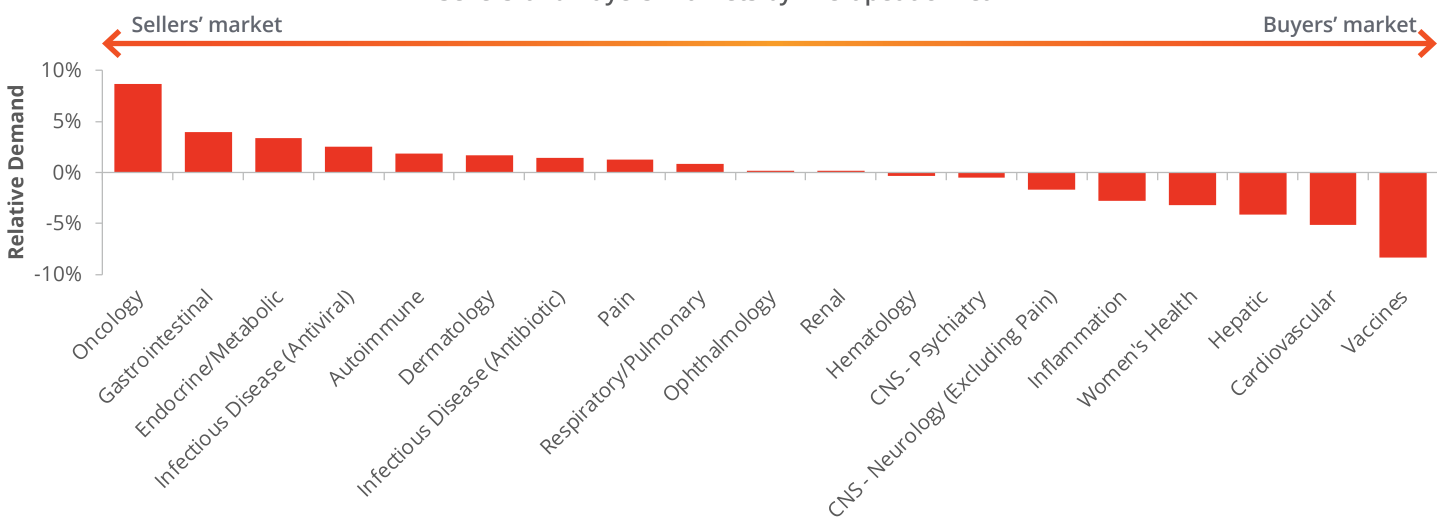
Visualized as buyers' vs. sellers' market in the second part of Figure 6, respondents expect a supply surplus in vaccines and cardiovascular products. The responses show heightened demand primarily for oncology products when comparing therapeutic areas of interest for buyers with the assets available from sellers.

Figure 6. Deal expectations by therapeutic area



Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

Sellers' and Buyers' Markets by Therapeutic Area

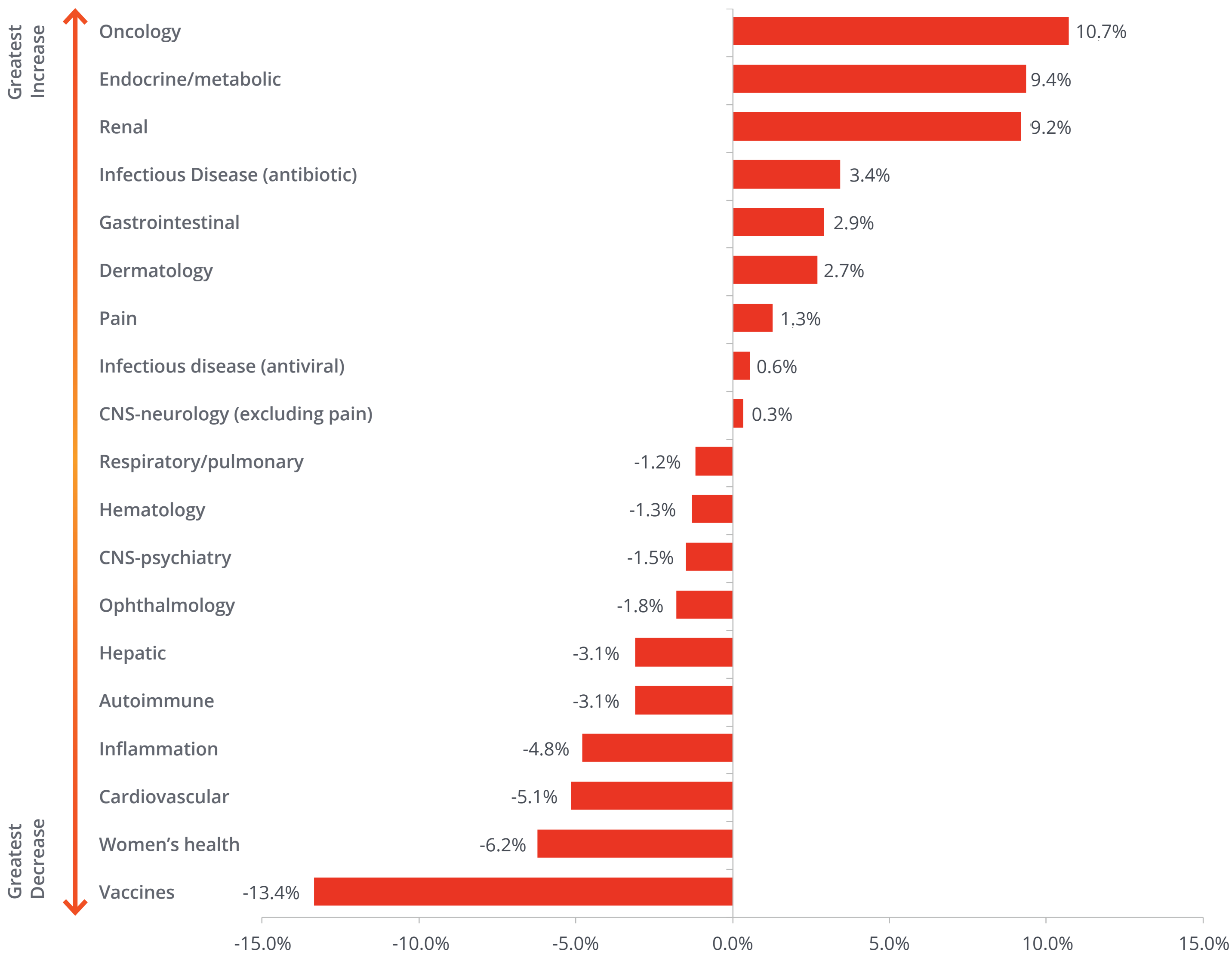


Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

Changing viewpoints on disease classes

The same trends are in high relief looking at year on year changes in supply and demand by therapeutic area. Relative demand for vaccines has decreased by 13.4% as we turn the corner from the COVID-19 pandemic, while demand for oncology products jumped 10.7%, followed closely by endocrine/metabolic (+9.4%), and renal products (+9.2%). Enthusiasm for endocrine/metabolic assets may just be refracted excitement over diabetes drugs that have morphed into weight-loss and CVD products with extremely high brand recognition. While this category is likely to stay in the grip of just a few large pharma companies, standout commercial triumphs of the past year will attract interest from nimble innovators. Any weight-loss related milestones in or out of the GLP-1 space are certain to draw interest from dominant players and other contenders.

Figure 7: Change in relative demand since 2023



Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

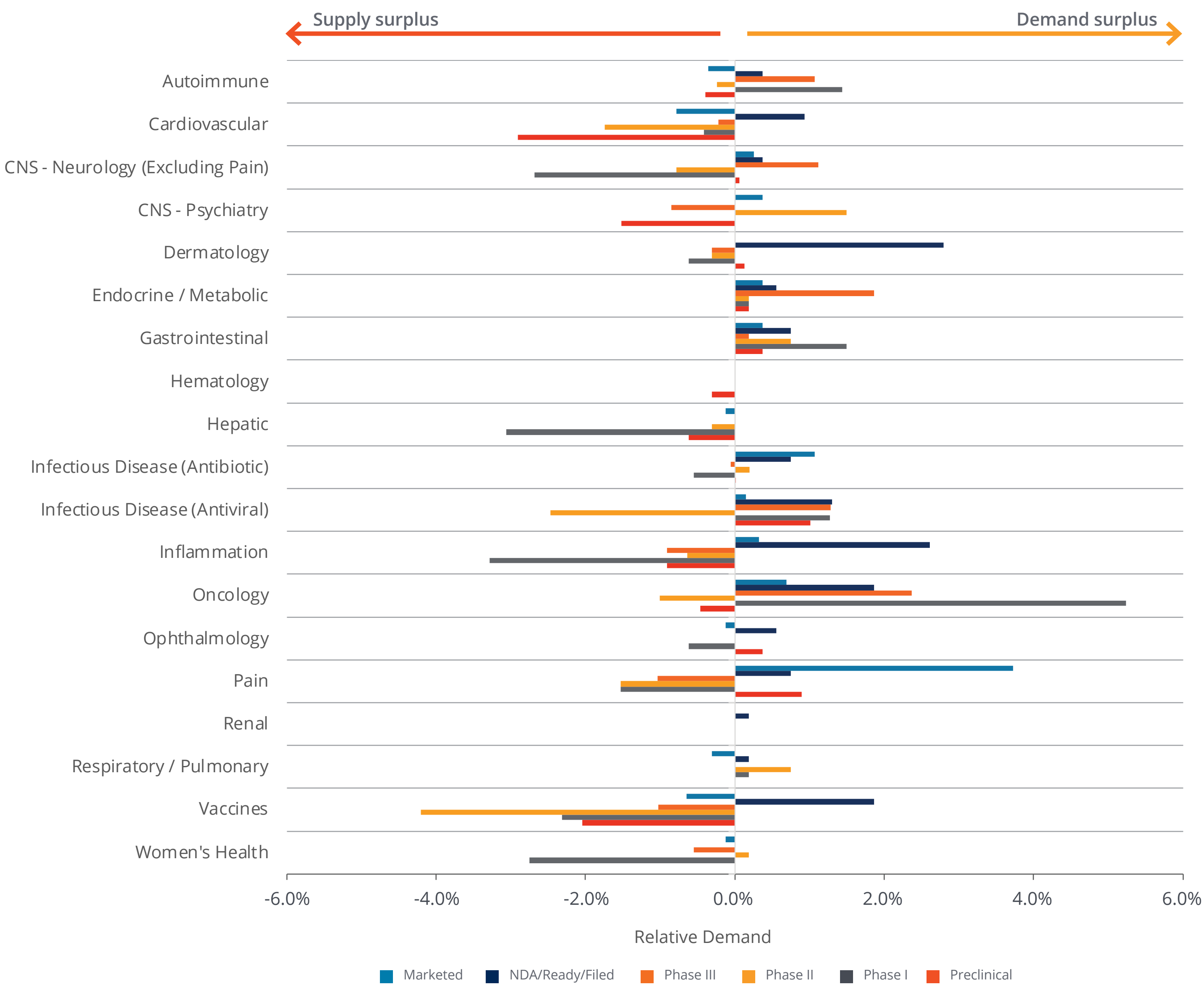
Supply-Demand mismatch

Buyers displayed a significantly higher demand for Phase I oncology products—bucking the trend toward de-risked later-stage assets. Why? Because early success in oncology can translate into multiple indications, there's a good prospect for accelerated review with surrogate endpoints, and these novel, early-stage assets can be desirable in add-on combination trials with marketed products.

Robust demand for marketed pain products is also noteworthy, possibly reflecting more stringent controls on prescription pain medications in the shadow of America's opioid crisis. Meanwhile, sellers had a surplus of Phase II vaccines, and Phase I inflammation, hepatic, and women's health assets.

Figure 8: Biopharma asset demand index

A demand index identifies the areas of the highest mismatch between supply and demand



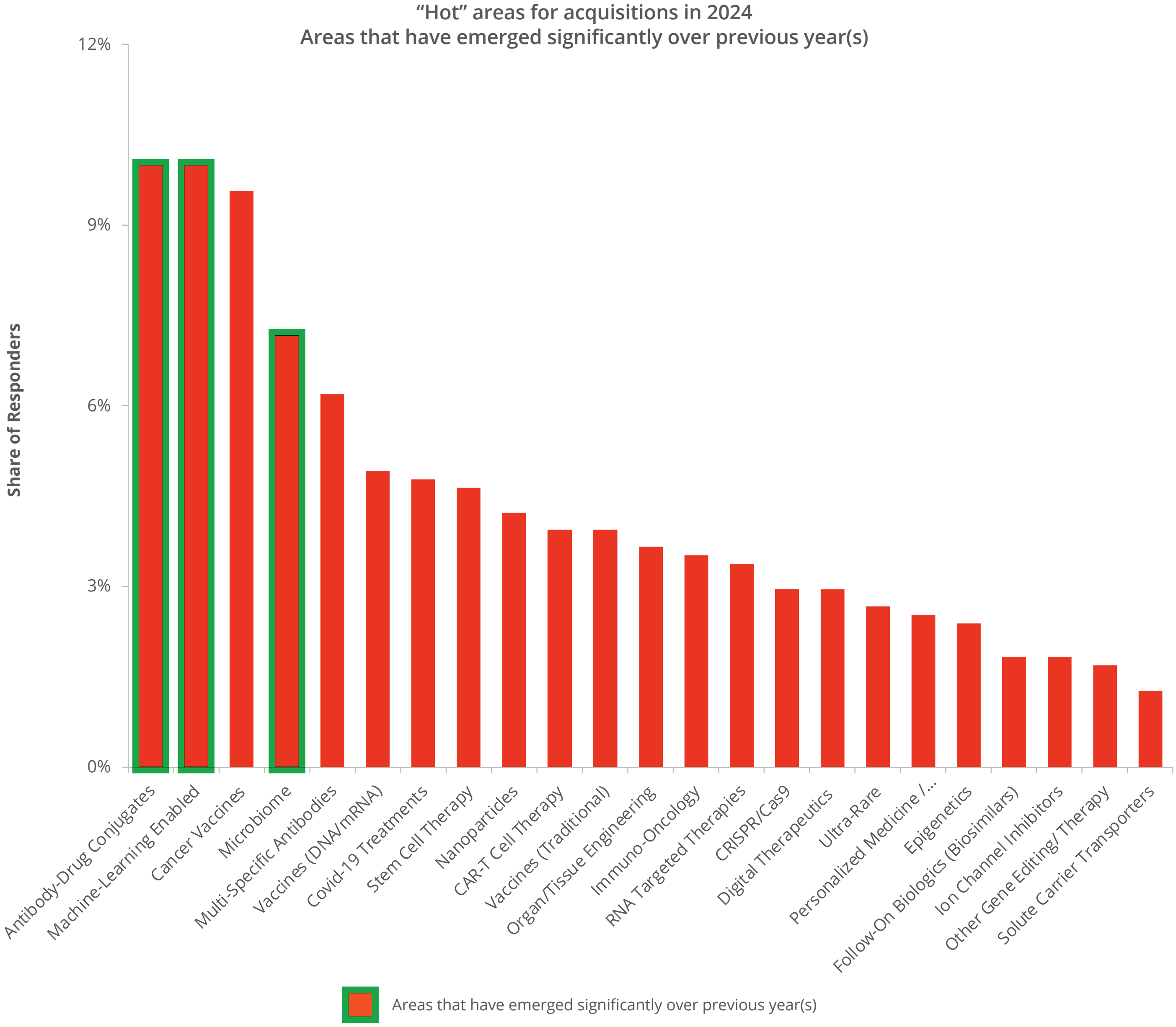
Source: Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for Buyers and N=50 for Sellers. Demand Index is calculated by subtracting the share of respondents with at least one asset to out-license from the share respondents likely or very likely to in-license for at least one therapeutic area for at least one stage of development.

Innovations drawing headlines and (perhaps) buyers

"Hot" acquisition technologies

Buyers and sellers share strong interest in oncology and antivirals, two of the 'hotter' therapeutic areas emerging In the survey, ADCs, machine-learning enabled products—perhaps including generative AI—and microbiome-related technologies were identified as "hot" acquisition targets in 2024. Survey responses also indicated sustained demand for cancer vaccines following the clinical success of personalized vaccine combination regimens from Moderna and Merck. Gene therapy categories were separated out in the survey so the percentages individually seem smaller. However, combining the individual categories suggests a continued high level of interest.

Figure 9. What's on the dealmakers' radars?



Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers. Respondents could select multiple areas.

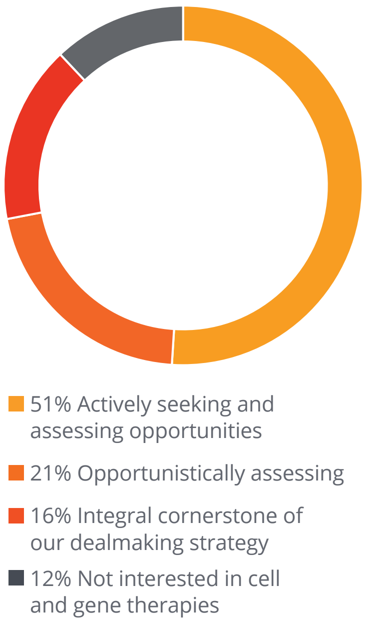
Cell & Gene Therapies

Interest in C&GTs remains strong heading into 2024, with 67% (+2% year on year) of respondents stating they are actively or opportunistically seeking deals in the space. The field is evolving quickly, with milestones like the first-ever market authorizations for a CRISPR/Cas9 gene-edited products, for sickle cell disease. In the US, the Institute for Clinical and Economic Review (ICER) has determined the treatments would be cost effective at >$2 million, an important health-economic milestone for drug pricing in general.

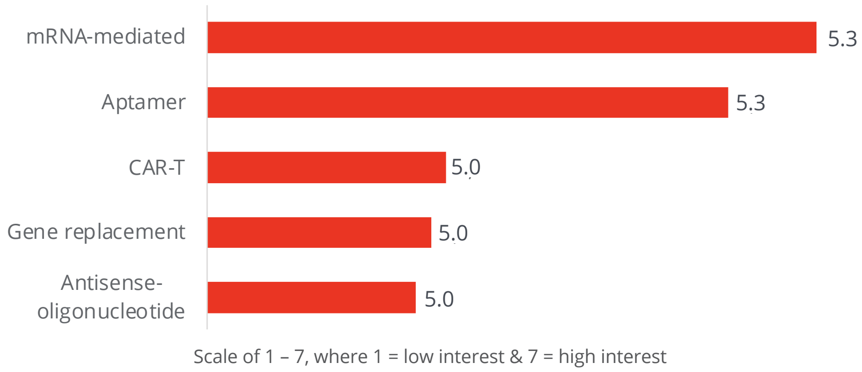
To be sure, many hurdles remain, including a distorted payer incentive model with respect to C&GTs in the US. With the typical insured individual changing plans on a regular basis, insurers have little incentive to pay enormous sums upfront for the long, healthy lives of people no longer on their plan. Lack of longer-term safety data may also curtail uptake of gene therapies. That said, major efforts are underway at the US Food and Drug Administration (FDA) to clear obstacles in the path of CG&Ts. Toward the end of 2023, senior FDA officials spoke of the need for an Operation Warp Speed to expedite approval of C&GTs for rare disease patients.

Figure 10. Dealmaker interest in Cell & Gene Therapies

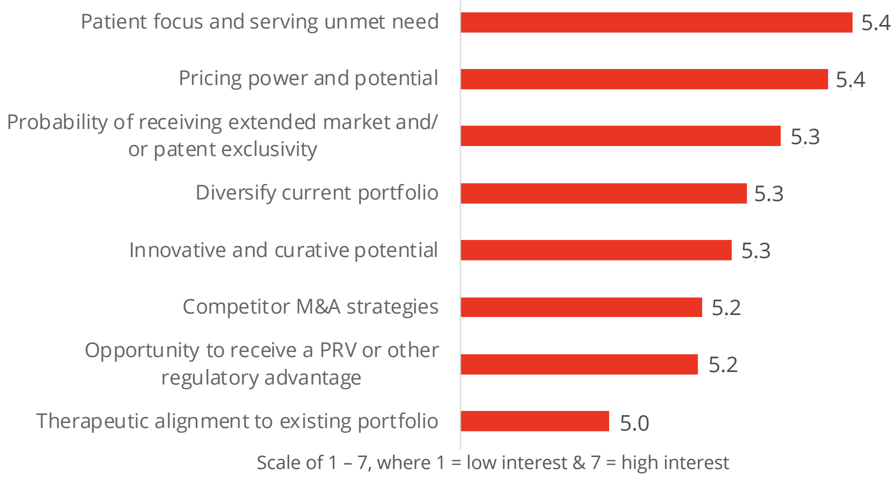
Overall Company Level of Interest inCell & Gene Therapies in 2024



Overall Company Level of Interest in Cell & Gene Therapies in 2024



Factors Driving Dealmaking Interest in Cell & Gene Therapies



Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

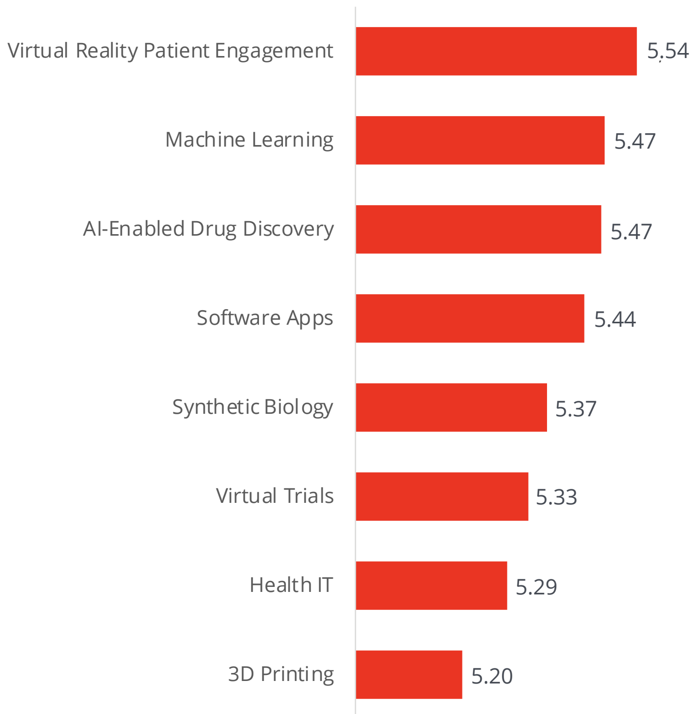
Digital innovation

Respondents cited relatively high levels of interest across digital therapeutics, both organically developing (28%) and seeking external opportunities (57%). The primary areas of interest across digital innovation were in Virtual Reality Patient Engagement, Machine Learning and AI-Enabled Drug Discovery.

The number of molecules discovered and developed through AI can still be counted on one hand, and as of late 2023, no such molecule had moved through regulatory review. Nonetheless, huge enthusiasm for AI tools continues at every stage of the process, from protein analysis and literature review, to signal identification, to patient recruitment in trials and administrative automation across the research life cycle—all the way through to advanced omnichannel marketing. Moreover, AI tools themselves are undergoing rapid evolution. AI-enabled discoveries achieving the right thresholds—as well as companies with biopharma-specific technology innovations—may well attract buyers at premium prices in the next 6-12 months.

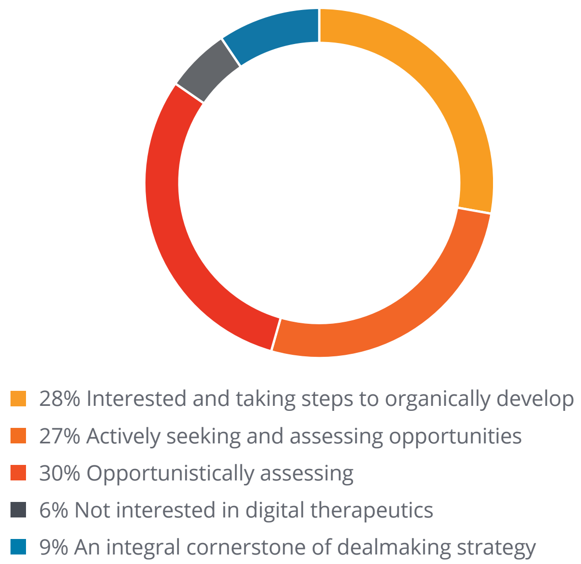
Figure 11. Digital innovation and therapeutics

Interest in Digital Innovation in 2024



Scale of 1 – 7, where 1 = low interest & 7 = high interest

Overall Company Level of Interest in Digital Therapeutic Opportunities in 2024



Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers.

Key considerations for deal success

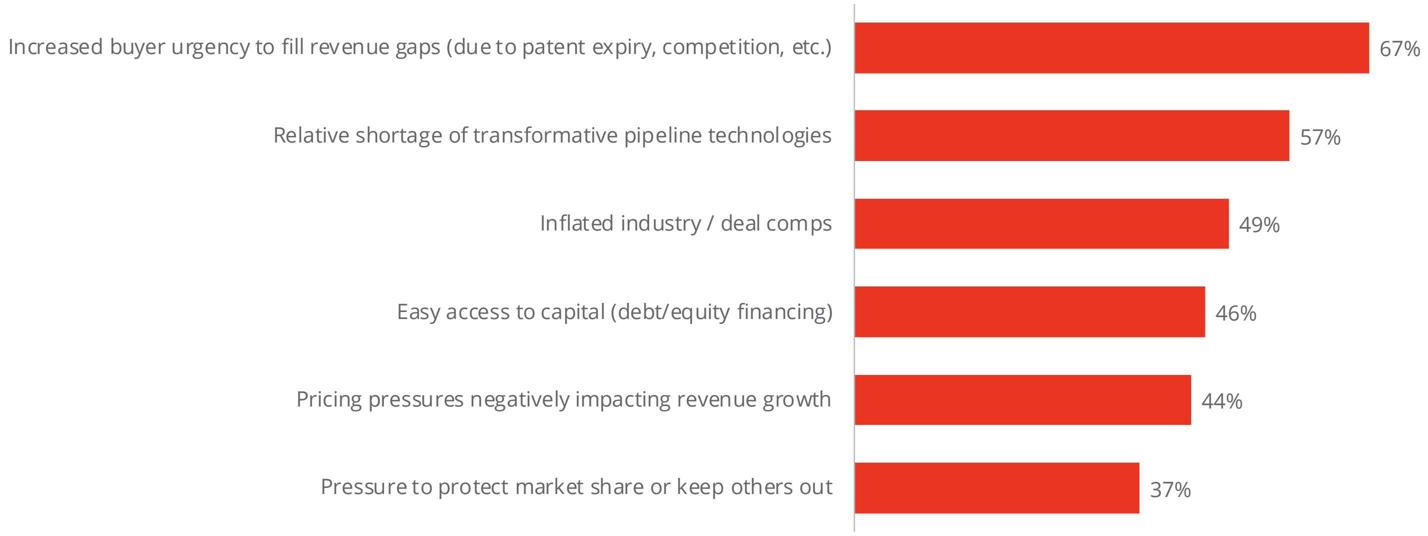
Patent expirations, pipeline woes and heavy competition

As in our 2023 survey, urgency to fill revenue gaps and the shortage of transformative pipeline technologies were cited as the most important drivers for deal premiums.

At the same time, buyers expect discount rates to remain flat year on year, while sellers envision mid-single-digit increases, potentially leading to greater deal-flow in the coming year as the purchasing parties begin to deploy capital.

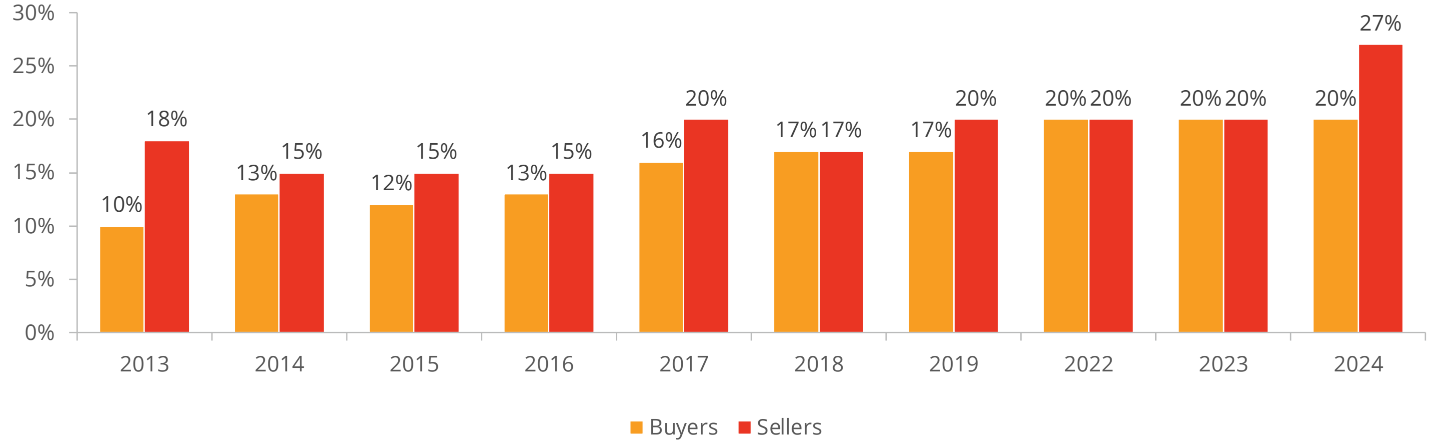
Figure 12. Top drivers for deal premiums in 2024

Top drivers for deal premiums in 2024
% Respondents ranking the driver in Top 3



Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers. Respondents were asked to choose the top 3 drivers for deal premiums.

Top drivers for deal premiums in 2024
% Respondents ranking the driver in top 3

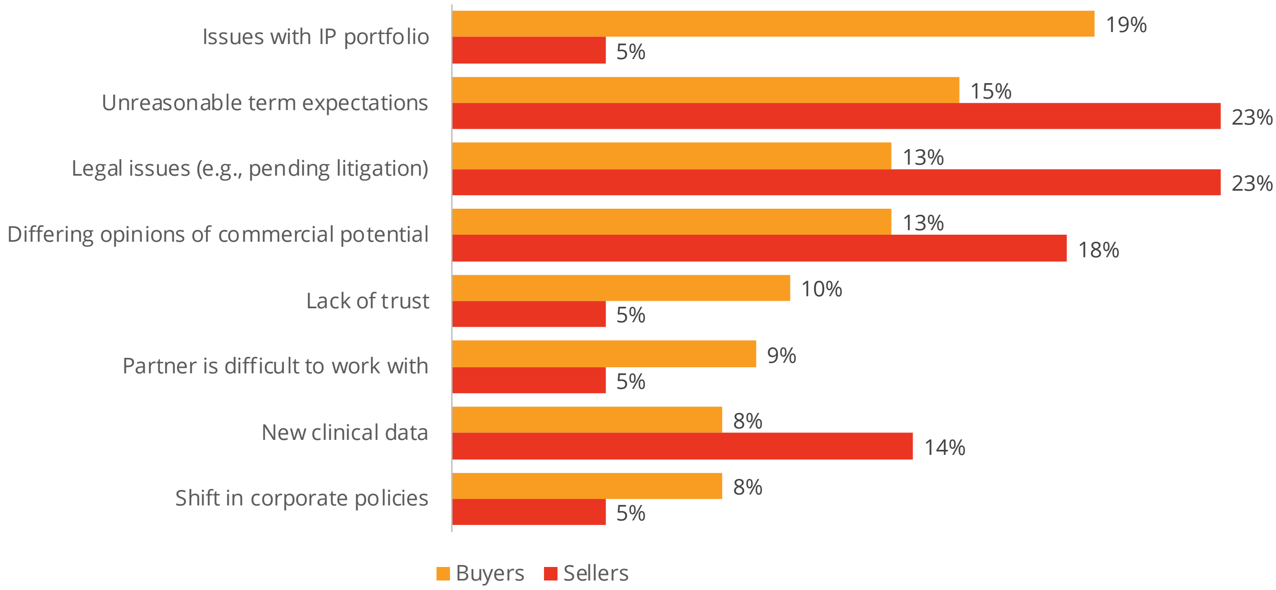


Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=50 for sellers. Respondents were asked to choose the top 3 drivers for deal premiums.

Anatomy of deal failures

In our survey looking to 2024, there was a greater difference between buyers and sellers with respect to reasons why deals fail than in years past. Buyers were more likely to cite issues with IP portfolios, while sellers claimed unreasonable term expectations and legal issues.

Figure 13. Overall reasons for deal failure



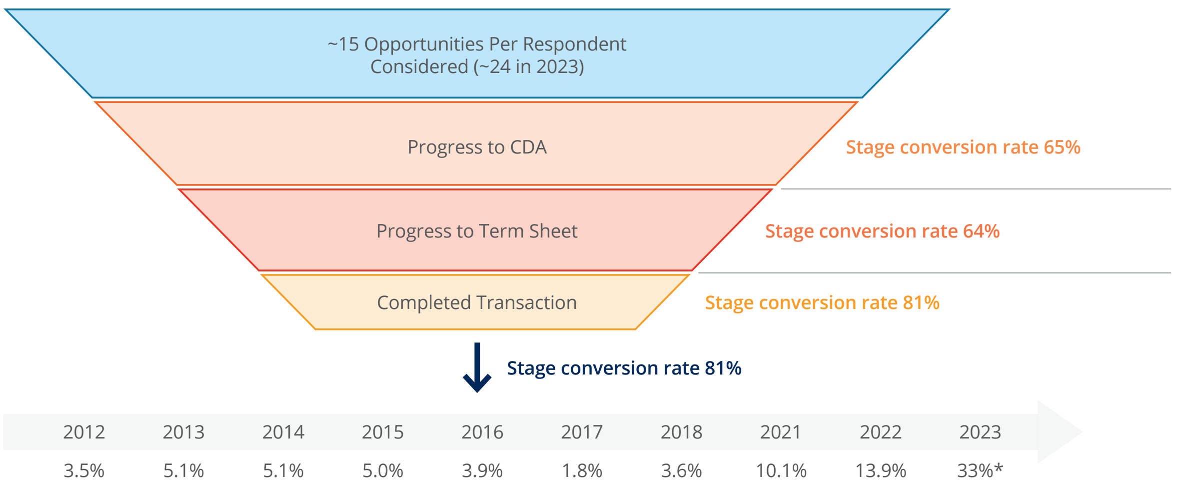
* 5% of buyers & 5% of sellers stated that they "Did Not Know" Why Deals Fail

Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=22 for sellers.

The message in rising conversion rates

2023 saw a significant jump in conversion rates year on year, despite continuing growth from the past 3 years. As the number of opportunities decreased, companies likely faced stricter access to capital and had to be more selective around which opportunities they pursued, likely picking those with higher probabilities of success.

Figure 14. Deal conversion rates



*Data for 2023 shown only as of 11/20/2023

Source: Syneos Health Consulting, Inc. Dealmakers Intentions 2024. N=119 for buyers and N=22 for sellers.

Conclusion

The takeaway from 2023’s low-energy dealmaking environment is pretty clear. Excitement over technical advances and market milestones are no counterweight to negative macroeconomic pressures. In the third quarter, Novo Nordisk sold $4.8 billion worth of semaglutide drugs for weight loss, fueling the company’s most profitable quarter ever. Molecules in the same class of GLP-1 receptor agonists are showing potential efficacy in conditions ranging from heart disease to alcohol dependence to Parkinson’s. Yet, months of excitement over research findings in this space did not translate into significant transactions.

Like the fervor for GLP-1s and other research developments, energetic headlines around regulatory milestones are unreliable harbingers of deal volume. For example, late 2023 saw the first market authorizations for gene therapies to treat sickle cell disease, coming on the heels of FDA approval of new cell and gene therapies for Duchenne’s muscular dystrophy and ALS. Yet, as a category, C&GTs are missing among the top five “hot” acquisition technologies in this year’s Dealmakers Intentions survey.

If developments that can change medical practice around the world don’t necessarily make a dent in dealmaking, what factors will matter to buyers and sellers in 2024? Survey respondents put stable interest rates at the top of the list. Other big motivators will be trends in new drug approvals and US government policies toward M&A.

For these last two factors, there is good news and not-so-good news. In 2023, the FDA approved 55 novel therapeutics, close to 2018’s record of 59 and well beyond the 37 novel drugs approved in 2022. If the trend continues, this uptick should be a positive factor going forward. As for Federal Trade Commission actions, the picture at year end was mixed. Two large, contested deals, from Pfizer and Amgen, crossed the finish line in 2023, but smaller transactions fell apart under FTC scrutiny.

Maintaining 360-degree visibility across all these intersecting inputs will be table stakes for dealmakers over the coming 12 months.

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