How can life sciences companies move faster on the deals that matter most?

EY Firepower M&A report 2026

Produced by EY Insights

The better the question. The better the answer.
The better the world works.

Shape the future with confidence

Contents

Welcome

Overall industry dealmaking fundamentals remain strong, driven by the loss of exclusivity and availability of Firepower for Biopharma companies. Dealmaking remains essential for growth, and despite headwinds – including regulatory and geopolitical uncertainty, high valuations, and capital-allocation tradeoffs – we anticipate a strong 2026. Market leaders will continue to capture best-in-class innovation, wherever it emerges, and translate it into better patient outcomes.

In 2025, life sciences M&A accelerated, with deal size doubling and overall spend overtaking 2024's total before the end of the third quarter. Industry dealmakers adapted to the new normal of geopolitical and regulatory disruption: new potential tariffs, onshoring pressures and pricing pushbacks did not deter acquirers. Companies competed for market-ready or late-stage assets in hot areas like CNS, Anti-obesity and Oncology, and were willing to pay big premiums for these targets. Meanwhile, alliance "biobucks" broke past records with over one-third going to China, the new hotbed of innovation.

The industry's aggressive pursuit of high-value deals is driven by fundamental structural considerations:

- Industry leaders confront growth gaps of US$370 billion by 2032 – and face skepticism from the Street that they can offset LOEs and hit their revenue projections.
- Dealmaking is demonstrably critical to growth and the industry now holds US$2.1 trillion in Firepower.
- In a constrained financing environment, small companies are looking for partners and exits, with major opportunities across therapeutic areas, geographies and technologies.

These high-opportunity technologies include artificial intelligence. The industry invested record amounts into AI in 2025, seeking to optimize R&D and commercialization. Increasingly AI platforms are now rewriting the rules of dealmaking itself, giving companies the tools to identify and execute deals rapidly and efficiently.

We expect headwinds from heavy premiums, high competition for assets, margin pressures and geopolitical risks in 2026. Dealmaking will continue to be driven not by market variations but by strategic fundamentals. The leading companies will recognize the urgent imperative to capture best-in-class innovation, wherever it emerges – and transform it into much-needed solutions for patients and growth drivers for the life sciences industry.

Subin Baral

EY Global Life Sciences Deals Leader

Why the industry is picking up the dealmaking pace

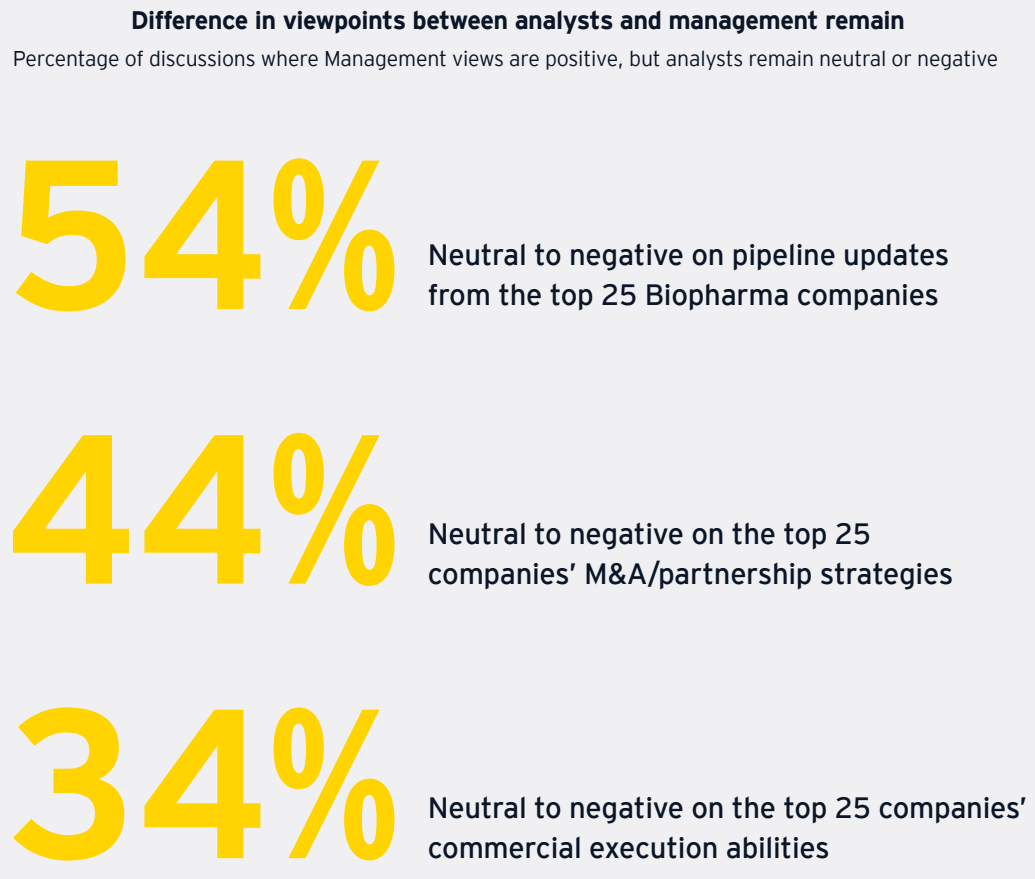
Major growth gaps loom and the Street doubts life sciences leaders' ability to replace the revenues at risk.

The view from the Street: The gap is widening

Life sciences companies are bullish about their own prospects – but the Street does not share their conviction. We see a growing disconnect between the guidance issued to investors by companies' and analysts' consensus on the industry future.

Nowhere is this disconnect more glaring than in the area of dealmaking and business development. For the top 25 pharma companies, over 50% of analysts' forecasts take a neutral to negative view on current pipeline quality. More than 40% of analysts view negatively companies' ability to execute on M&A and partnerships. (See Figure 1.)

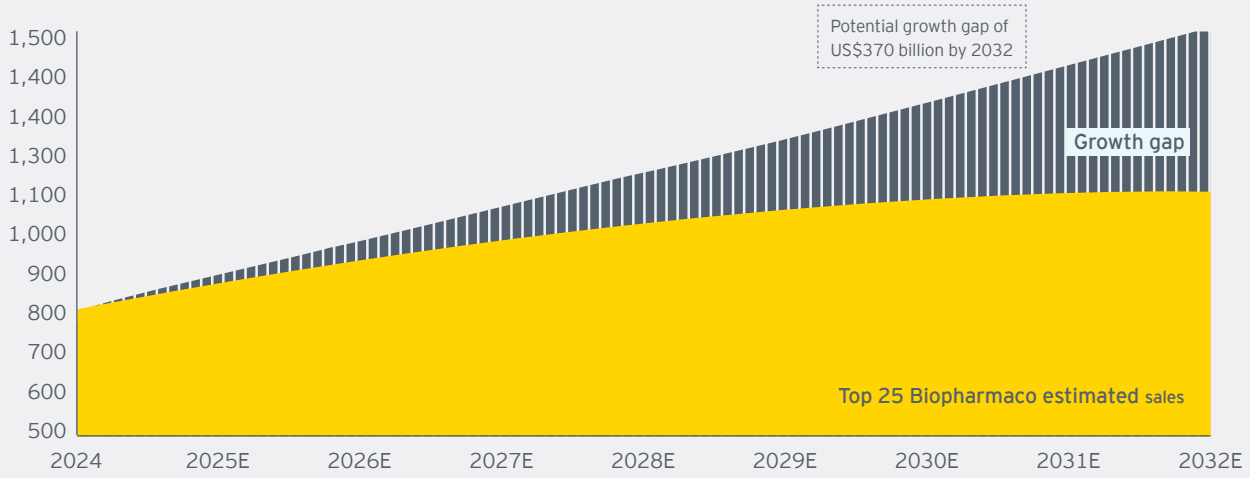
Figure 1. The disconnect between management guidance for the top 25 Biopharma companies and the analyst consensus



Source: Broker reports, CapitalIQ, EY analysis
Note: Sentiment analysis reflects the dominant tone –positive, neutral, or negative –derived from the last three earnings call transcripts and broker commentaries (at least three analysts per quarter), around a specific theme

The analyst skepticism on leading Biopharmas' growth prospects is reflected in our analysis of the widening growth gap this cohort of companies now faces. As key revenue-driving products lose market exclusivity, the industry leaders can expect a growth gap of US$100 billion by 2028, expanding to US$370 billion by 2032 as the industry accelerates over the patent cliff (see Figure 2) and the geopolitical cracks that emerged in the operating environment in 2025 continue to widen.

Figure 2. The projected growth gap for the 25 leading Biopharma players, 2025-2032



Source: EY Insights, Evaluate Pharma

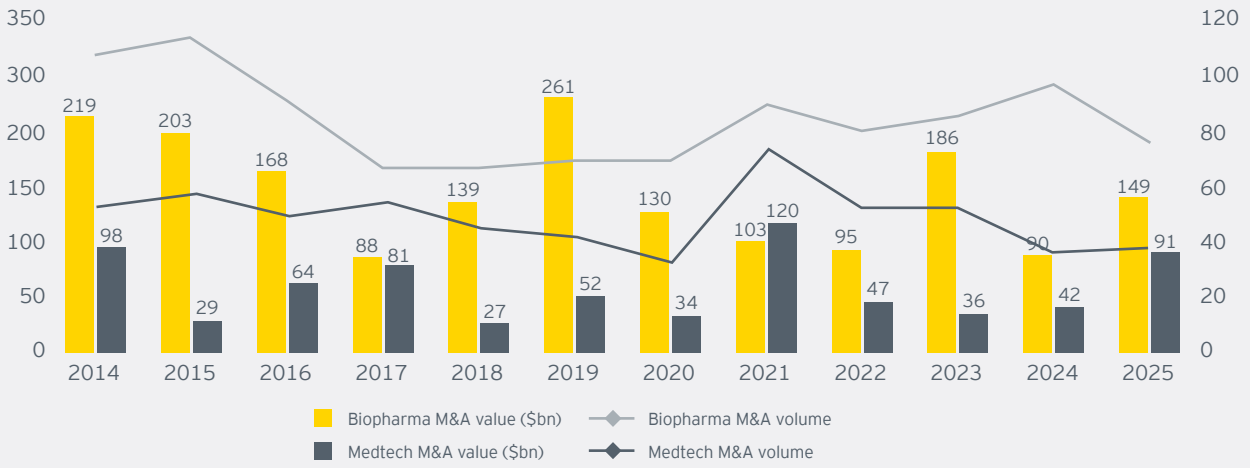
The leading companies need to demonstrate a convincing organic and non-organic growth strategy. The right to play and win in a specific therapeutic area is becoming a harder proposition and analysts believe the risks around pipeline execution and commercial ramp-up are under-represented in management guidance.

Companies' ability to identify and secure growth is much more challenging in a business environment where critical innovations are increasingly widely distributed across diverse technology platforms and geographies. There is a clear need for better market intelligence and more efficient processes through which these innovations are accelerated into revenue generation. These are the key challenges for the industry as we look ahead to 2026.

Accelerating to close the gap: looking back at 2025

In 2025, we saw the life sciences industry hit the accelerator on dealmaking. After the 2024 focus on smaller, smarter acquisitions, 2025 saw the industry invest significantly in M&A and alliances to access critical innovations. The industry closed US$240 billion in acquisitions in 2025 – up 81% on the previous year, with Biopharma dealmaking spend rising 65% and Medtech 116% (see Figure 3).

Figure 3. Life sciences M&A trend, 2014-2025

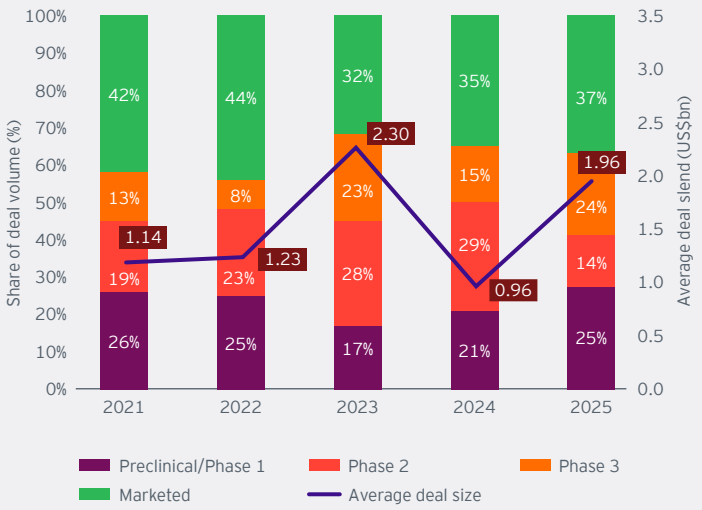


Source: EY Insights, Capital IQ, company reports.

The increased spend did not reflect a rise in deal volume – the number of deals actually fell 12% (Biopharma falling 9%, Medtech rising 6%). The rising M&A spend reflects a surge in the mean per-deal investment, which reached US$2.1 billion – up 107% on the 2024 average deal size.

The average Biopharma deal spend more than doubled, with 70% of the investment coming from Big Pharma, compared to just 36% in 2024 (see Figure 4). This shift toward market-ready assets indicates the industry's increased sense of urgency around the challenge of replacing revenues lost to patent expiry and accelerating the return on investment from M&A spend.

Figure 4. Biopharma M&A by deal phase, with average deal size, 2021-2025



Source: EY Insights, Capital IQ, company reports.

Navigating the new normal of geopolitical disruption

The dealmaking uptick in 2025 played out against a background of geostrategic and policy uncertainty as the incoming US administration rolled out a series of measures and initiatives aimed at reforming global trade and pricing norms. These disruptions have effectively become the new normal for the industry, and have clearly not discouraged companies from continuing to invest in dealmaking.

Nevertheless, geopolitical shifts have clearly increased operational complexity for the industry. For example, the US government's moves to impose trade tariffs on international partners hit industry valuations immediately. These measures raised potential challenges around supply chains and CapEx and OpEx allocation for companies in the life sciences sector (as in multiple others) in April 2025.

The following month's Executive Order aimed at establishing Most Favored Nation (MFN) drug pricing in the US carried potentially even more significant implications for Biopharma companies specifically.

However, markets have been reassured by industry leaders' moves to negotiate pricing arrangements with the US government. In their investor guidance, industry leaders have emphasized that they have already accounted for and absorbed the impact of tariff changes in their growth projections. Despite disruptions, in 2025 the industry demonstrated resilience and agility in overcoming geopolitical challenges. This strong performance fosters confidence that life sciences companies can continue doing the deals that maintain the pace of innovation and enable the industry to keep achieving better outcomes for patients, investors and the wider ecosystem.

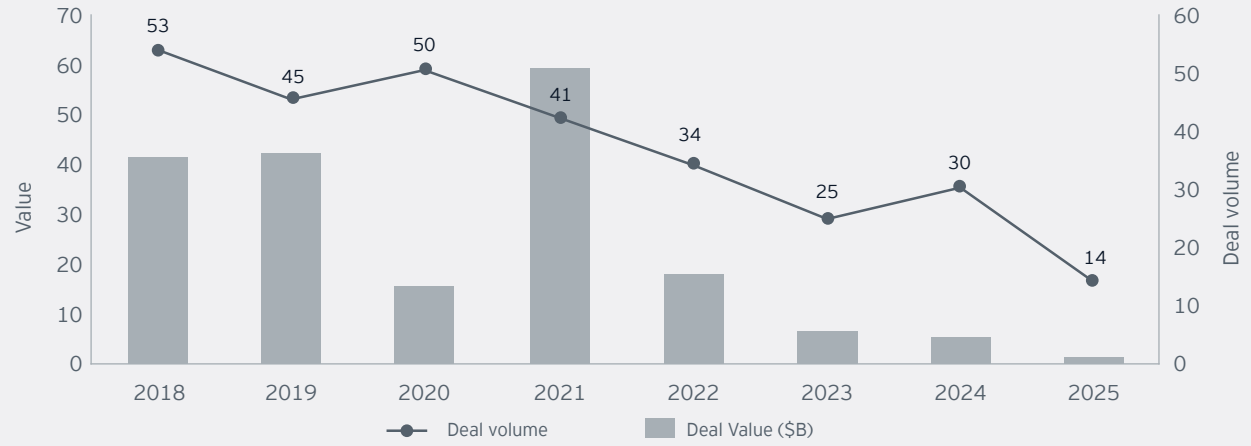
Intensifying competition for assets also pushed up the average deal spend up for Biopharma players in 2025, with analysts noting the "bidding wars" for assets in hotly contested markets such as GLP-1 drugs.[1] Competition has grown fiercer as life sciences companies identify their core value focus areas and double down in these market spaces.

As noted in the EY 2025 *Pulse of the Medtech Industry report*, Medtech companies have focused heavily in recent years on divesting low-growth areas of their portfolios to concentrate on fields with higher potential. This trend toward spinning out or selling areas of the Medtech portfolio continued in 2025[2], driving one of the year's largest deals.[3] Private equity buyers have been key facilitators of this trend toward Medtech divestitures; a private equity investment in Medtech diagnostics represented one of the largest deals overall in 2025.[4]

Biopharma companies have already travelled the path toward portfolio optimization with a spate of spin-outs and divestitures in recent years. The slowing pace of this divestment trend (see Figure 5) suggests that leading Biopharma players have largely refined their portfolio focus and are committed to the competition for growth within the therapeutic areas where they have placed their strategic bets.

[1] *Reuters, "Pfizer wins $10 billion bidding war for Metsera as Novo Nordisk exits" (November 2025)*
[2] *See for example, Financial Times, "Johnson & Johnson to spin off orthopaedics division" (October 2025).*
[3] *Reuters, "Waters to buy Becton unit in a $17.5 billion deal amid tariff pressures" (July 2025)*
[4] *Blackstone, "Hologic to be Acquired by Blackstone and TPG for up to $79 per Share" (October 2025)*

Figure 5. Biopharma divestitures and spin-outs, 2018-2025

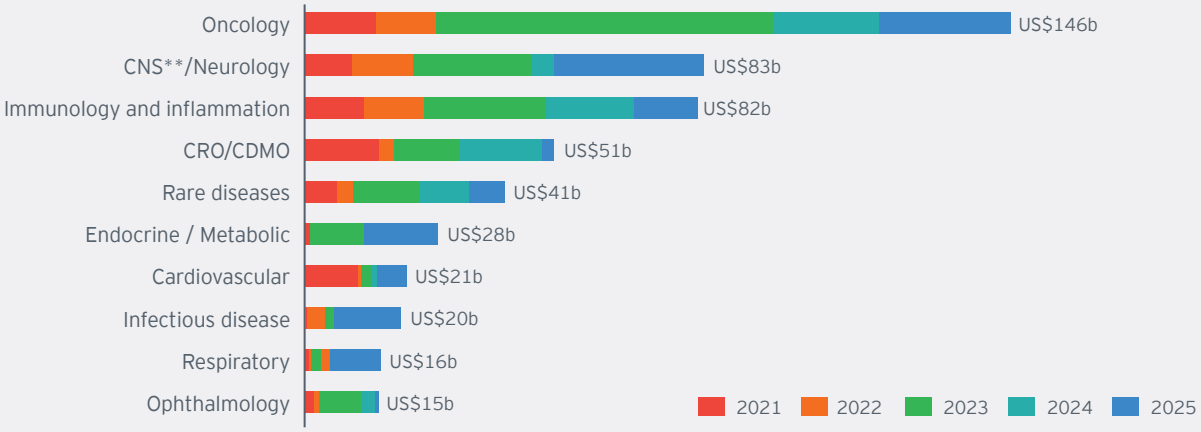


Source: EY Insights, Capital IQ, company reports.

The therapeutic area battlefields where leading Biopharmas are competing to win have been dominated in recent years by Oncology indications – and since 2023 by the scramble for GLP-1 and other Anti-obesity products in the Endocrine/Metabolic therapeutic area. However, M&A spend has also surged outside these key therapeutic areas, and this year CNS (central nervous system) acquisitions outstripped Oncology investment (see Figure 6), driven by the year's largest Biopharma deal announcement in January 2025.[5]

This highlights the challenge for the leading players: as they attempt to zero in on the key areas where they seek to compete, they also need to maintain a strategic awareness of the broader waves of innovation now beating on the industry's shores. Innovative breakthroughs are still arriving rapidly in therapeutic areas, clinical modalities and technology platforms. Life sciences leaders should seize these potential opportunities.

Figure 6. Biopharma M&A spend by therapeutic area, 2021-2025

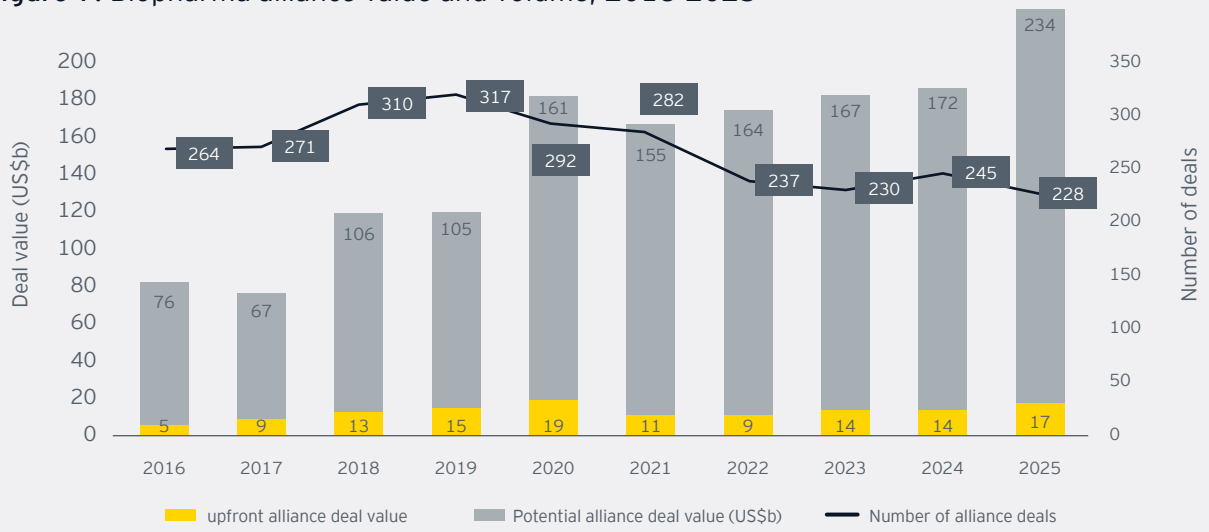


Source: EY Insights, Capital IQ, company reports.

[5] *Johnson & Johnson, "Johnson & Johnson Closes Landmark Intra-Cellular Therapies, Inc. Acquisition to Solidify Neuroscience Leadership" (April 2025)*

Biopharma companies have sustained this balancing act – acquiring assets in their core areas while retaining optionality in other high-potential spaces – by leaning into alliance deals. In 2025, alliance "biobucks" broke all previous records (see Figure 7), with the average alliance size leaping 46%. However, since these deals involve only limited upfront investment (around 7% of the total potential alliance deal value in 2025), they involve relatively less risk and resource commitment for the dealmakers.

Figure 7. Biopharma alliance value and volume, 2016-2025



Source: EY Insights, Capital IQ, company reports.

Biopharmas have signed multi-billion-biobuck alliances in 2025 targeting technologies including bispecific and multispecific antibodies, gene therapies and novel molecular glue degraders, among many other modalities and mechanisms of action with high long-term potential, long-term value. However, the most striking trend of all in the alliance space is the Biopharma industry's ongoing turn to the east: the attempt to accelerate deal value by partnering with companies in the rising biotech hotbed of China.

Interview with Nauman Shah, Johnson & Johnson

> We pursue the opportunities that make strategic sense for us, regardless of what the broader M&A trends show.

Nauman Shah
Global Head, Janssen Business Development, Johnson & Johnson

EY: What is the overall strategy around dealmaking for J&J going into 2026?

Nauman Shah (NS): Sourcing external innovation continues to be of incredible importance for us because we take a source- and modality-agnostic approach. We leverage the totality of the tools – our own R&D efforts, M&A, licensing deals, collaborations, alliances – to ensure we have the best portfolio and pipeline to address the highest unmet patient needs. Our three primary areas are Oncology, Immunology, and Neuroscience and our business development priority is pursuing first- or best-in-class assets with transformational potential to create a brighter, healthier future for patients in these areas of greatest focus for us.

We have executed around 60 deals in the last 18 months, kicking off the year with the acquisition of Intra-Cellular, the largest pure-play neuroscience deal in the history of our industry. Towards the end of the year, we announced our intention to acquire Halda Therapeutics. One of the things that Johnson & Johnson has done exceptionally well is to pursue a wide range of opportunities, at varied stages of development through deals of different sizes. We have the financial strength and capabilities to leverage innovative, unique structures to pursue the right deals at the right time.

We are highly disciplined about capital allocation, ensuring we find the right structure, with the scientific and strategic fit to deliver financial value for both parties. That's part of the reason we are consistently rated as the number one desired partner of choice in the industry.

EY: What are the major headwinds to executing deals effectively? How do you address these challenges?

NS: The biggest headwind is always the challenge of getting to a point where both parties feel a transaction is fair and mutually value-creating. To secure value creation for our shareholders and company, we need to ensure an opportunity can be secured at the right terms and will represent a viable investment given the combination of potential risks and opportunities that lie ahead. Beyond that,

many elements require robust diligence. In addition to the financials, we need to assess data, quality, IP, manufacturing, commercial potential and several other factors to determine our ability to craft a value creating opportunity and determine if our underlying assumptions are well-supported.

In order to address these challenges, we are leveraging artificial intelligence in many areas at Johnson & Johnson, including our R&D efforts and commercial execution. Within business development we are now leveraging AI to monitor the landscape, support our daily work and put more information and capabilities at our team's fingertips. I am fortunate to be surrounded by an incredibly talented group of people within our business development team: hardworking, collaborative individuals representing multiple backgrounds, disciplines and experiences. Our cross-functional teams across R&D, commercial, supply chain, CMC, Finance, and Legal, work closely with us across all stages of deal development.

This collaboration ensures we take a robust approach to analyzing external innovation opportunities, properly evaluating them and acting upon those we want to pursue in an effective and efficient manner.

EY: What are the biggest macro trends you see affecting dealmaking right now, including the changing geographical footprint of innovation?

NS: Deal activity is clearly picking up, with the majority of recent deals under US$5 billion. This deal activity is driven by the fact that many companies have critical needs; most prominently, pending LOEs. Most leading companies also have relatively good levels of firepower, with capital available to deploy.

We are seeing strong innovation occur within the biotech ecosystem and biotech valuations have dramatically increased this year. Four years ago, sky-high valuations made it challenging to land on deals that made financial sense for us. Valuations then fell significantly and created an environment where financially sensible transactions became easier. We are now in a period where valuations are rising again.

The United States continues to represent the bulk of dealmaking activity, but there is increased activity from other areas, particularly China. It is imperative that we continue to pursue policies that drive a highly innovative ecosystem in the United States, as well as supporting the same in other parts of the world.

EY: How much do the changing dynamics in the dealmaking landscape feed into your strategic thinking?

NS: As our chairman and CEO Joaquin Duato has said, Johnson & Johnson is entering a new period of accelerated growth. We are in the fortunate position of having very robust growth ahead of us. However, we will continue actively searching for and securing the best innovation available to complement our existing strong portfolio in our areas of strategic focus to support enhanced growth over the long term.

We are sourcing innovation globally, pursuing the best science and the greatest opportunities for us, regardless of where they originate. We apply the same high standards to any opportunity we examine. While a majority of our deals have been in the United States, we never set a percentage target in terms of where deals should originate.

Though it is necessary to monitor, we focus on the opportunities that make strategic sense for us, regardless of what the trends show. We will continue to actively search for and secure the best innovation in a source-, modality- and geographic-agnostic manner – and from a deal structure standpoint, we will continue to employ creative solutions that are customized to every individual situation.

How China is disrupting the M&A agenda

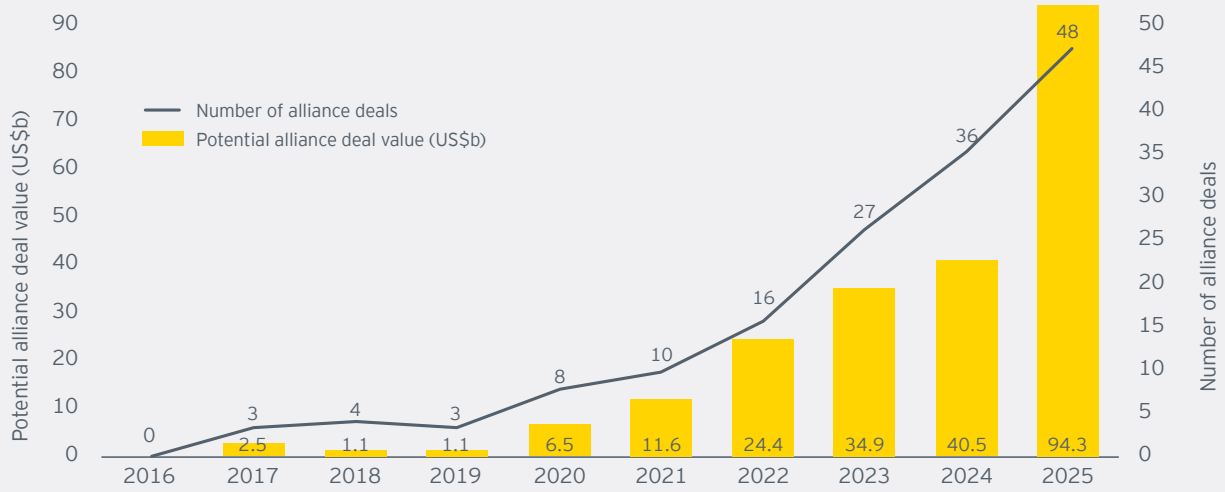
China-based innovation has reached a tipping point in its importance to industry dealmaking strategy.

China at the center: the new opportunities and challenges for the industry

In 2020, Biopharma invested a record US$6.5 billion in potential deal value toward alliances with companies based in China (see Figure 8). At the time, this represented a dramatic six-fold increase on the industry's alliance spend in China the previous year. Yet in absolute terms, the investment was still minimal — only 4% of Biopharma's total biobuck outlay for the year.

Today, the contrast is startling. The total potential value of inbound China alliance investment has increased with a CAGR of 71% over five years (see Figure 8).

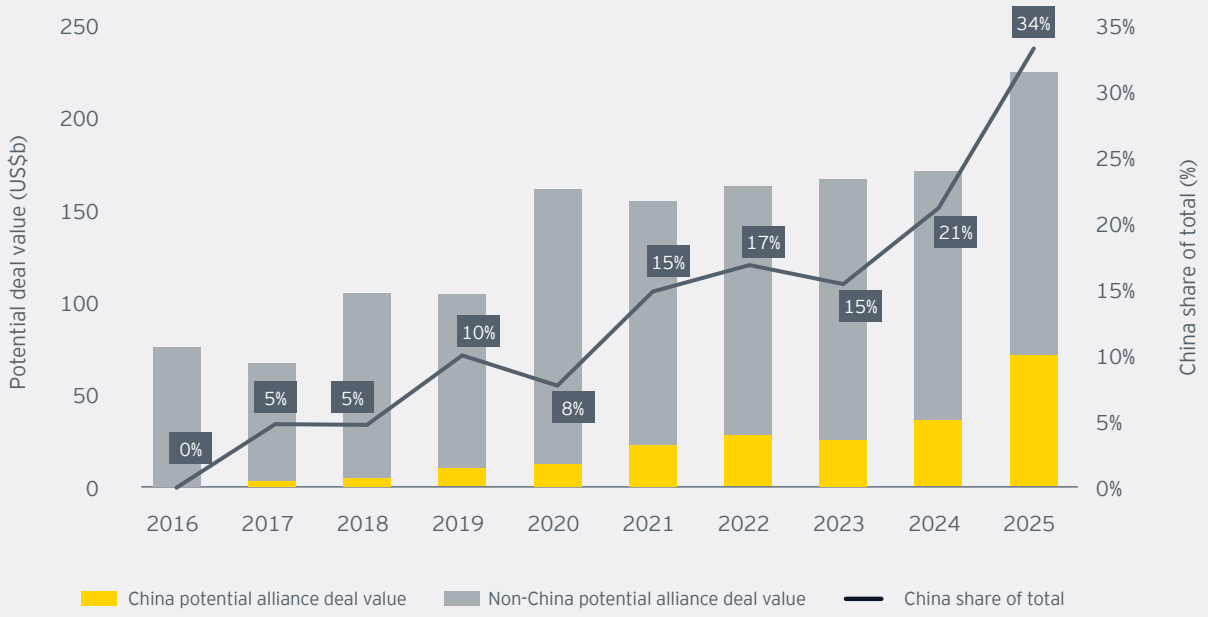
Figure 8. Biopharma alliance value and volume (inbound China investment only), 2016-2025



Source: EY Insights, Capital IQ, company reports. Includes all Biopharma out-licensing deals with China-based targets.

In 2025, China accounted for more than one in every three biobucks the industry spends (see Figure 9). China alliances accounted for five of the 10 highest-value alliance deals of the year.[6]

Figure 9. China Biopharma alliances as a share of all US and European Biopharma alliance deals by potential value, 2016–2025



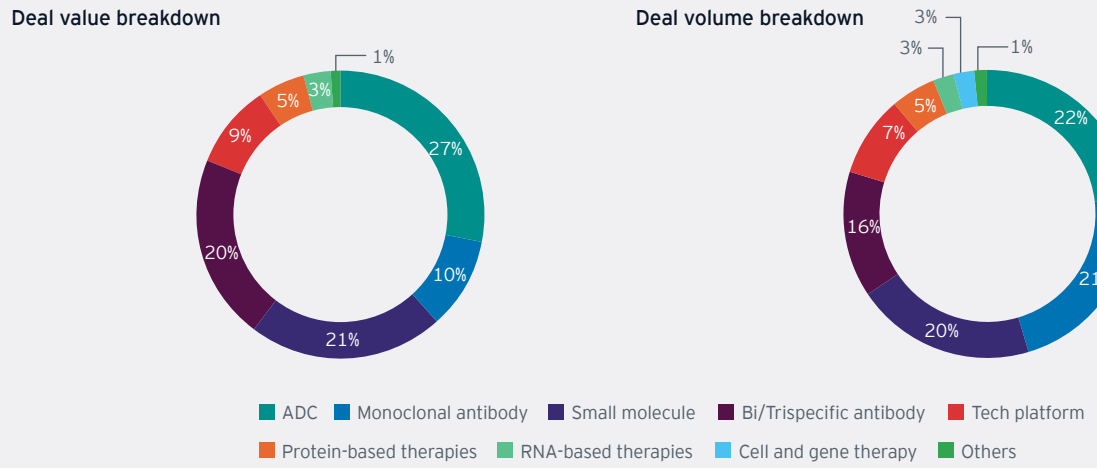
Source: EY Insights, Capital IQ, company reports.

[6] *See, among other notable deals, "GSK and Hengrui Pharma enter agreements to develop up to 12 innovative medicines across Respiratory, Immunology & Inflammation and Oncology" (GSK, July 2025)*

The reasons for China's rise as an R&D power are manifold and include long-term strategic government investment in domestic innovation.[7] From the industry's perspective, the key point is that the China innovation ecosystem offers a potentially faster and lower-cost pathway from R&D to global commercialization.

Nor is China simply offering the opportunity for "good enough," affordable products. Chinese biotechs have already published clinical data indicating that some China-based products may have best-in-class potential, a watershed moment compared in the media to the disruptive impact of the China-originated Deep Seek large language model on the AI field in 2025.[8] Alliance deals signed in China are heavily concentrated on new modalities, from novel antibodies to cell and gene therapeutics and AI engines, with small molecules and "traditional" biologics making up a minority of deal volume and value (see Figure 10).

Figure 10. China-based Biopharma alliances by technology type, 2020-2025



Source: EY Insights, Capital IQ, company reports

Given the scale and speed of innovation in China, it presents the industry with a vast opportunity, reflected in the current alliance trends. However, successfully executing deals in China also carries an unavoidable level of diligence and regulatory complexity, leaving to one side the uncertainties caused by the current geopolitical frictions. Understanding and negotiating these challenges is the focus of our discussion with Qiang Li of DLA Piper.

[7] *See, for example, Nature Reviews Drug Discovery, "The rise of China's pharmaceutical industry from 2015–2024: a decade of innovation" (July 2025)*
[8] *CNN Business, "Akeso: A little-known Chinese company made a drug that beat the world's biggest selling medicine" (February 2025)*

Interview with Qiang Li, DLA Piper

"Life sciences is a great example of why we need to build geopolitics-proof structures today.

Qiang Li
Of Counsel, DLA Piper, former Co-Senior Partner, Asia

EY: What level of maturity has the life sciences ecosystem in China reached today, and where will it go next?
Qiang Li (LQ): China now has significant advantages in speed, talent, data and market access. The Chinese biopharma innovation ecosystem is maturing from "fast follow" to "first-in-class" innovation, driven by the returnee (also known as the "sea-turtle") effect – and by reaching a critical mass of homegrown talent, and government and domestic VC funding. We now have innovation clusters around Shanghai, Suzhou, Shenzhen, Beijing, Hangzhou and beyond. The NMPA[i] is gaining speed and efficiency, aligning with ICH[ii] international standards and creating faster review pathways and more rapid patient enrollment.

China is categorized by overheated competition and within the Chinese market some products and services simply become very, very good as a result, and cost effective. China is home to tens of millions of engineers, which is a big advantage in life sciences (and beyond). When it comes to AI and Big Data, China now has a critical mass of tech companies leveraging the abundance of Chinese clinical data drawn from large, genetically diverse populations.

It is a very exciting time. Of course, this is no way equivalent to saying lawyers, accounts or other professionals can make easy money out of the China market dynamic, and there are many challenges. I do believe the life sciences sector will enter a mature and sustainable phase with China playing the role of a globally-integrated hub for life sciences innovation. Before long, Chinese style medical tourism could also be on the horizon!

EY: How have recent geopolitical developments affected the life sciences in China?
LQ: The geopolitical situation has been very challenging and in 2024 we saw US institutional investors pulling back from China while some US MNCs considered reducing their China portfolios. The drying up of US liquidity resulted in lower valuations, down rounds, and a backlog of under-funded startups in the overcrowded early-stage biotech space.

Last year it was generally difficult to find US institutional buyers for China life sciences assets for sale. As Chinese life sciences innovation increases, many US companies may be relieved they didn't sell their China portfolios. There is a lot going on in China with life sciences innovation. Moreover, US

[i] The National Medical Products Administration (NMPA) ,China's regulatory authority responsible for overseeing pharmaceuticals, medical devices, cosmetics, and food safety; formerly known as the Chinese Food and Drug Adminstration.
[ii] International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH)

institutional investors may view life sciences as a calculated exception to their reservations on investing in China, as life sciences possess specific factors insulating them from geopolitics. A novel drug candidate has the same utility in the US, Europe and China; a social media app or a consumer brand, for example, may not. The quality of innovation and the strength of the global business model might, for now, outweigh the overarching country-level risks.

Further, after being included in the National Defense Authorization Act, the US Biosecure Act was passed in December 2025. It is however a much softened version (e.g., replacing explicit company naming with a flexible, administratively maintained list of "biotechnology companies of concern") that significantly lowers immediate transactions risk and stigma, while recognizing the potential practical difficulty of enforcing a hard-line decoupling in biotech.

EY: What role is the Chinese government playing in the investment landscape?

LQ: The government plays a significant role which reflects a very different governance model from that of the US. In addition to the Central Government, each of the 32 provinces is its own "tribe" and don't forget the many ministries with local tentacles; China is indeed run by a lot of people!

In general, fund managers in the state-owned sector tend to have a conservative mindset because the government treats state funding almost as loans. After a down round, fund managers may take the view that "state capital is gone, somebody needs to be responsible". However, the government is beginning to put more state money at risk. One example we are seeing as a result is that Chinese universities are now climbing the global rankings following the injection of state money. US universities have devised a lion's share of the world's foundational technologies. Chinese universities may not quickly reach that level, but they can go a long way.

EY: What strategy do Life Sciences companies need to succeed in this Chinese ecosystem?

LQ: China's ecosystem is different, and companies are well advised to be fully mindful of compliance risks. Companies may consider forming genuine partnerships with strong local partners and the government. To help de-risk geopolitical exposure, a company may consider creating a legally and operationally distinct entity in China, with its own financing, R&D, and manufacturing footprint aimed solely at the Chinese market. By entrenching themselves with an "in China for China" strategy, companies can then build out the "from China for global" model.

Some significant level of decoupling of the US and Chinese systems may be inevitable. However, life sciences are a great example of why building geopolitics-proof structures today may help tackle common problems and address common challenges for humankind. Life sciences should be at the forefront of the philosophical and practical effort to build out the parameters, databases and technologies that can enable collaboration on healthcare solutions across any decoupled architecture, while helping ensure these solutions work for everybody.

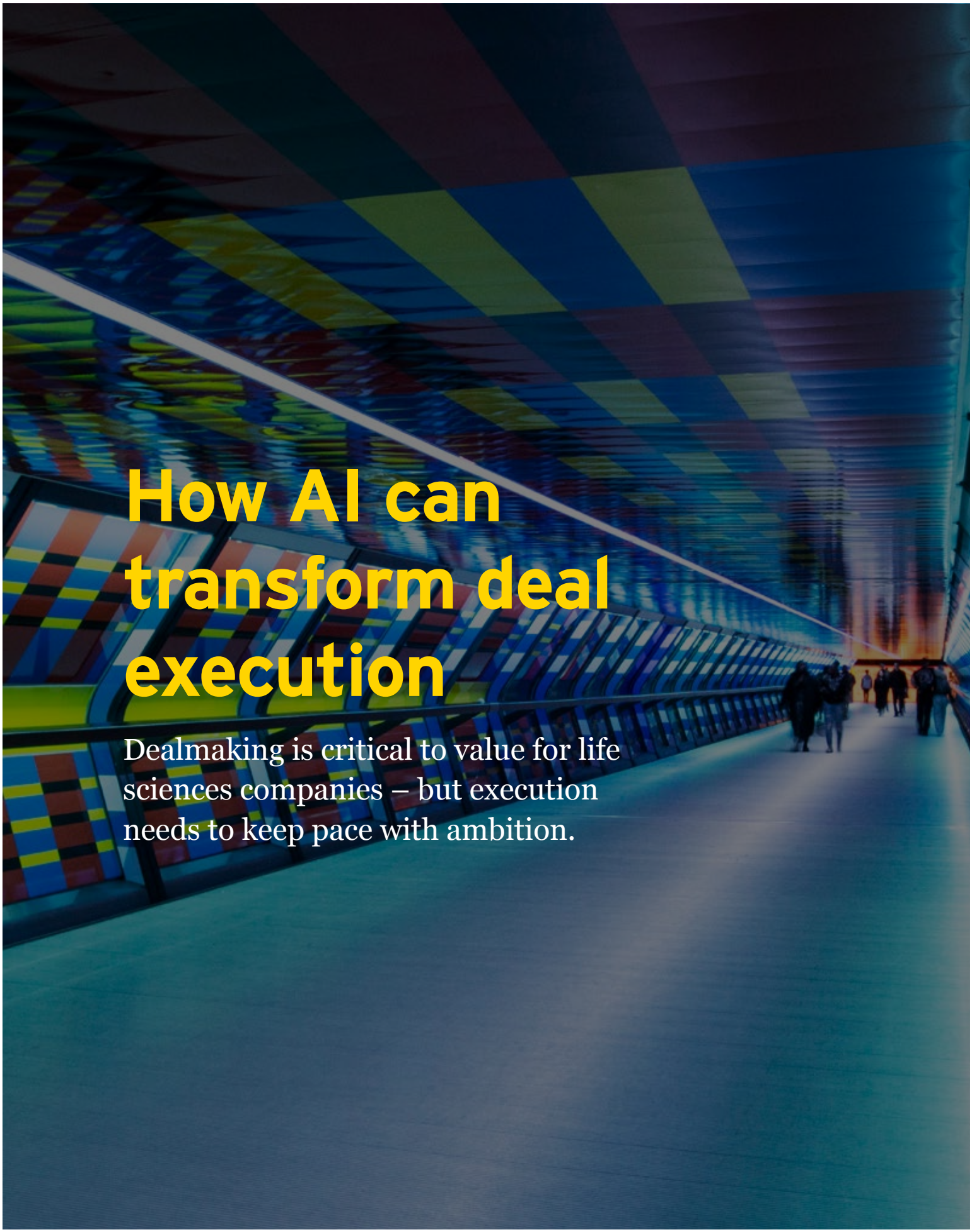
Some Do's and Don'ts

Companies may consider:

- Committing to an "in China, for China" and "from China, for Global" strategy.
- Building deep, substantive and authentic local partnerships with local biotechs, CROs, distributors and local commercial teams.
- Embracing the national reimbursement drug list
- Investing in a "best-in-class" local team
- Proactively managing their IP, government relations, public relations and data strategies.

Meanwhile, companies are well advised to avoid:

- Assuming global playbook will work
- Underestimating the speed and complexity of the Chinese market.
- Treating compliance as an afterthought – there may be high risk in both China and the US.



How AI can transform deal execution

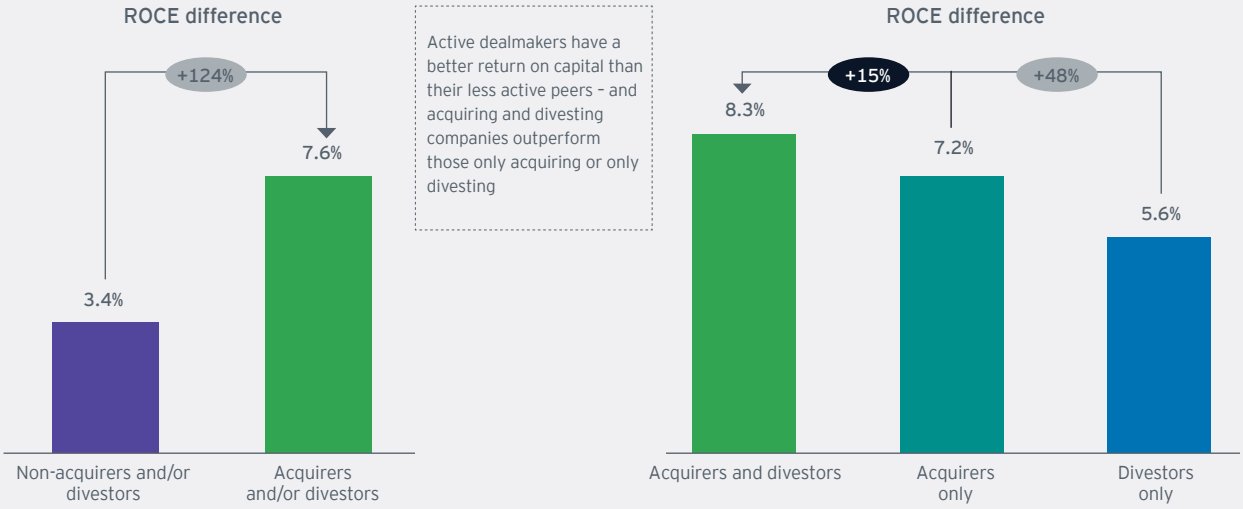
Dealmaking is critical to value for life sciences companies – but execution needs to keep pace with ambition.

M&A & AI: how artificial intelligence is changing dealmaking

The deals data show two fundamental realities for life sciences dealmaking.

First, the industry is dependent on deals: companies that sign more deals enjoy higher returns on capital than their less active peers. Companies that are active on both sides of the dealmaking equation – both acquiring and divesting – are more successful than companies that are less engaged across the transactions space (see Figure 11).

Figure 11. Average return on capital employed by life sciences companies 2014-2024

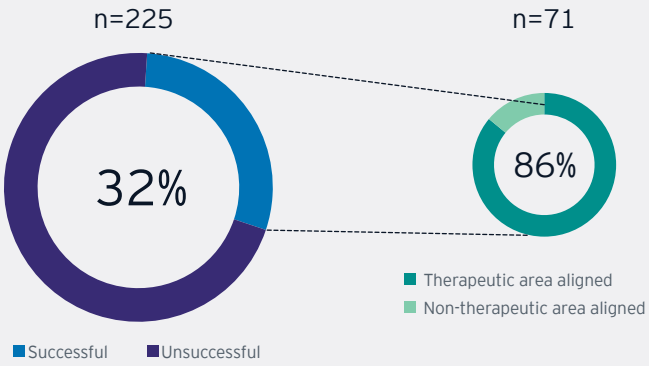


Source: EY Insights, Capital IQ. Based on study of 153 Biopharma companies, 1,860 M&A deals >$100mn between 1 Jan 2014 – 31 Dec 2024.

Second, the majority of life sciences deals fall short of expectations. An EY analysis of 225 deals shows that only 71 (32%) achieved the growth forecast in the deal model. This successful minority of deals overwhelmingly involved acquisitions in therapeutic areas where the acquiring company was already active. Companies acquiring in "new" therapeutic spaces had low chances of success, even if they acquired a clinically de-risked (i.e., already marketed) asset (see Figure 12).

These two conditions mean that life sciences companies are compelled to do deals – but face unfavorable odds on the chances of deal success. To address this challenge of execution, AI is emerging as a potential toolkit for improving deal success.

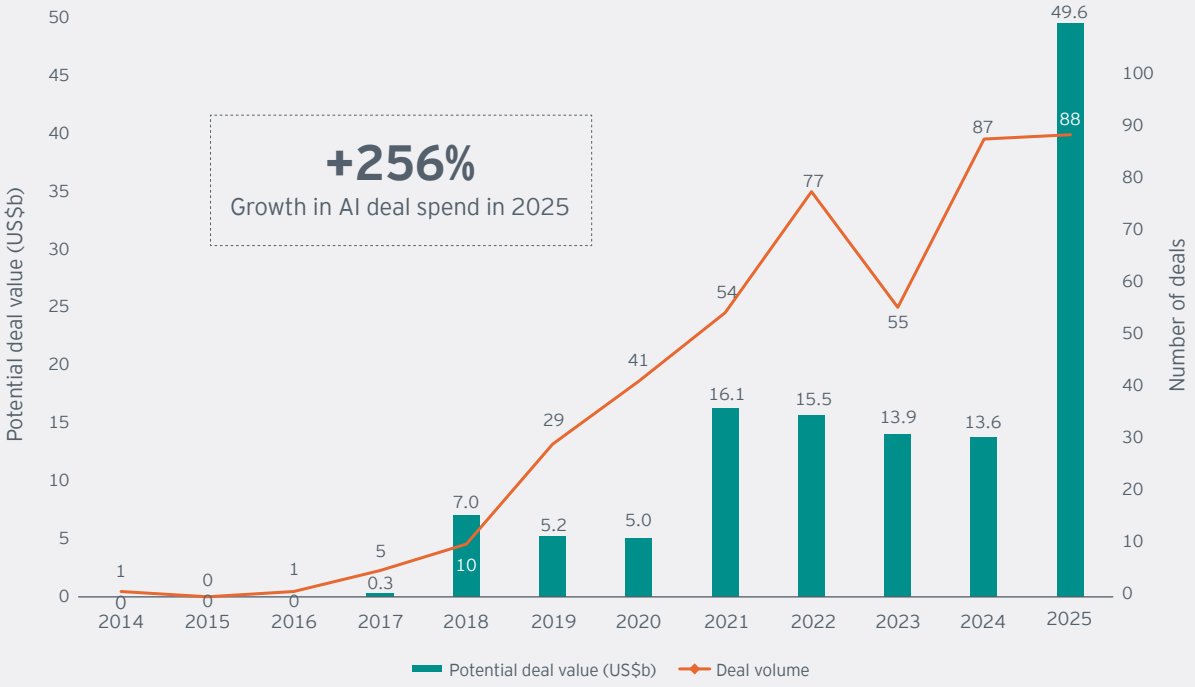
Figure 12. Success rate for life sciences deals, 2010-2024



Source: EY Insights, Capital IQ, company reports. Based on 225 transactions between 1 Jan 2010-31 Dec 2024, with disclosed lead assets and sales estimates. Deals were classified as successful if lead asset achieved revenue equal to or greater than predicted revenue (at the time of acquisition).

AI is already a major factor in life sciences dealmaking, with companies in 2025 sharply increasing their investment in alliance deals to access AI technology platforms (see Figure 13).

Figure 13. Life sciences deals for AI assets, 2014-2025



Source: EY Insights, Capital IQ, company reports.

Predominantly, the Biopharma industry has directed its attention toward the potential for AI to reduce the time and cost of developing new drugs. Yet greater near-term opportunities may lie in the use of AI to improve the dealmaking process itself.

From end to end across the deal cycle, AI is demonstrating its capacity to accelerate and optimize the process of identifying targets, evaluating their desirability and executing on the logistics of the transaction (see Figure 14).

Figure 14. AI processes that can improve M&A efficiency and execution (illustrative)

Potential deal value (US$b)	Deal viability	Deal execution
Market Analysis: Summarize and synthesize market trends and assess the readiness of portfolio companies	**Diligence Analysis:** Analyze and condense extensive due diligence	**Integration Roadmaps:** Create tailored integration plans within feasible timelines
Prospect Generation: Create lists of potential targets based on specified criteria	**Risk Assessment:** Identify risk and separation/ integration challenges	**Communication:** Draft key updates for stakeholders
Initial Assessment: Assess target's financial health, market status, and strategy alignment	**Financial Modelling:** Estimate target value with financial models	**Performance Tracking:** Generate performance reports and dashboards to monitor transaction progress
	Document Drafting: Create and tailor legal documents using transaction-specific templates	**Efficiency Improvements:** Identify redundant processes and recommend optimizations

Value Propositions

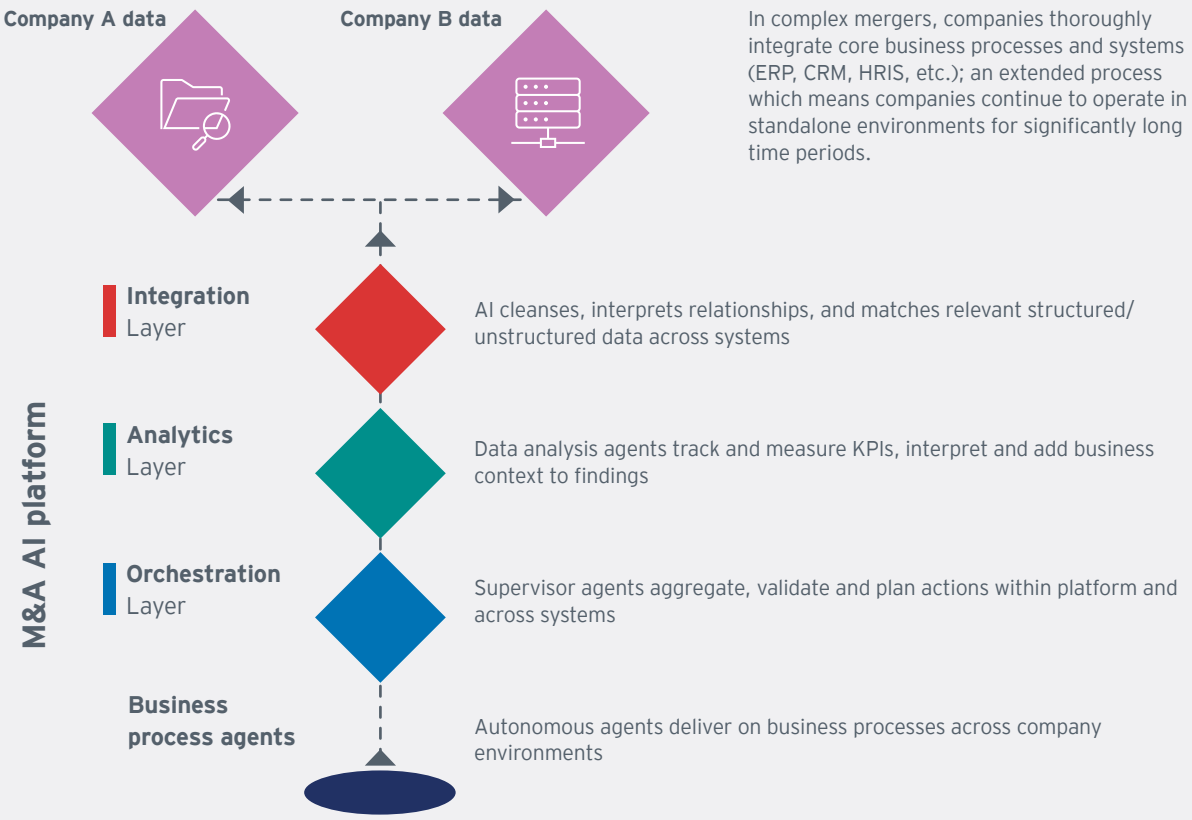
AI enhances decision-making with actionable insights, automated reporting, and optimized target selection for C-suite discussions	AI streamlines processes, reduces manual effort, and boosts value creation, giving businesses a competitive edge	AI drives integration and performance improvement with analytics, automation, and insights, helping businesses achieve operational excellence

Source: EY

Business development strategic planning processes risk being overcrowded with dealmaking data that will confuse rather than clarify decision-making – unless companies can leverage AI to cut through the noise and convert the information overload into usable insights.

Longer term, AI is already advancing beyond insight generation to become the engine for automating alignment and enabling acquirers to integrate new assets efficiently and rapidly (see Figure 15). An emerging agentic workforce will assume responsibility for key tasks across the end to end dealmaking workflow. From diligence, through execution to long-term value creation, AI will be pivotal to dealmaking success.

Figure 15. How AI can help rapidly unlock deal value (illustrative)



Source: EY

As the life sciences landscape becomes increasingly complex and fragmented between different types of companies, therapeutic areas and technology platforms, AI will increasingly become less an additive enhancement to dealmaking and more a necessary enabling technology at the center of the process.

Interview with Dr. Caroline Austin, AstraZeneca

> We are modality-agnostic and focused on best-in-class or first-in-class opportunities across all modalities.

Dr. Caroline Austin
Vice President, Head of Transactions, Business Development at AstraZeneca

EY: How would you describe the overall strategy that guides AstraZeneca's dealmaking today?
Caroline Austin (CA): Our guiding principles are therapeutic area-focused, purpose-led growth. We are looking to access assets and platforms that will deliver transformational impact across our prioritised therapeutic areas: oncology, cardiovascular, renal and metabolism, respiratory and immunology, rare disease and vaccines and immune therapies. We are modality-agnostic and focused on best-in-class or first-in-class opportunities across all modalities, including small molecules, biologics, ADCs, radiopharmaceuticals, oligonucleotides, cell, and gene therapies, and more.

We have significant numbers of collaborations, based on the principles of scientific innovation and co-creation. We seek to be a partner of choice so that we can access the best science outside the company, and we aim to bring our deep knowledge in biology, development, manufacturing, and the importance of speed in moving programs forward.

We are global and we aim to pursue global development programmes and think in terms of global access from the very beginning. We target patient benefit and sustainable access. We look carefully at deal structure and value so that we align the economics according to data, evidence and risk, and balance the investment and the reward.

EY: What determines your preferred deal structure? What characteristics make a good alliance opportunity rather than an outright acquisition target, for example?
CA: Our preferred deal structure is determined by how and where post deal value will be created and who is best positioned to create it. We typically consider strategic fit, respective capabilities, speed and risk/valuation. We have done both alliances and a series of acquisitions over the last few years, particularly in the cell therapy space. The most recent was EsoBiotec, pioneering in vivo cell therapy, which we closed in March of this year; prior to that, Fusion, focused on next generation radioconjugates, and Neogene Therapeutics, pioneers of T cell receptor therapies. In all cases what was important for the deal structure was how to combine both companies capabilities and maximise value creation post-deal.

From an integration perspective, especially when acquiring smaller companies it is critical to retain the capabilities that allowed those companies to be innovative and successful. In recent examples, we have been successful in retaining many of the employees to ensure that we capture all those capabilities

In the alliance space, the characteristics driving an alliance structure are often the desire to bring together the innovation and scientific excellence of a particular company with AstraZeneca's global experience and resources to accelerate the development of an asset and potentially broaden indications and/or develop combination therapy.

A good structure should maximise joint value, often via co-development and co-commercialization. In some cases, particularly in the oncology space, we may seek to partner not only to access and co-develop a particular asset but also to unlock combination strategies to use alongside other assets or co-commercialisation opportunities may leverage geographical presence. It is ultimately a question of how you leverage the capabilities of both partners, and it requires flexibility: partnership is a question of what both parties want, and if you can meet both parties' needs from the beginning you are far more likely to achieve success as you move forward.

EY: AstraZeneca is a major player in China. How does China fit into your strategy?

CA: China is embedded across our strategy as a growth market, an innovation engine, and a development hub with global reach. China is our second largest market and a differentiated source of scientific innovation, with strong discovery capabilities, rich real world datasets, and rapid development cycles that can translate into global impact. AstraZeneca has continued to increase its investment in China and in October this year we opened our second strategic R&D centre (and sixth globally), in Beijing, focused on data science and translational research and early-stage drug development.

There is always competition for the best assets in pharma, but the competition now is greater than ever, perhaps because of reduced opportunities in a crowded market space. As a result, achieving speed is very much on the agenda, because speed is directly related to competitiveness and cost. It is not just about "China for China" but also "China for Global": co-developing with leading companies in China opens possibilities to accelerate and build the pathway to global regulatory approval.

We work closely with AstraZeneca colleagues in China and in business development, we are one team, to conduct due diligence and transaction negotiations, enabling us to operate much more effectively. We have a growing network and global capability across legal, finance, tax and other enabling functions which increases our rigour, speed, and expertise when it comes to partnering across geographies.

In short, China is integral to how we grow, source innovation, and accelerate development to deliver medicines to patients worldwide.

EY: To what extent is AI optimizing your strategy for accelerating R&D and dealmaking?

CA: AI is an absolute game changer and a force multiplier for our ambition. Across R&D, we are applying AI from target identification and lead optimization to cycle time reduction, improved trial design, patient stratification, computational biomarkers, and faster patient identification. AI also has the potential to support digital endpoints and even in silico approaches in clinical trials. Beyond R&D, AI is accelerating progress in manufacturing commercial, and care delivery, helping us advance both innovation and productivity. In Business Development, AI is transforming how we search, evaluate, and execute opportunities. I use our internally developed model every day to interrogate deal data and agreements, and its accuracy and utility continue to improve. Ultimately, AI is helping us unlock organisational knowledge, make better decisions, and drive greater efficiency across the enterprise.

EY: What other trends do you see as potentially significant in the dealmaking space, looking ahead?

CA: We are seeing rapid advancements in precision medicine and digital biomarkers/next-generation diagnostic approaches. Across the industry, we observe ever greater concentrations of assets competing over the same biological targets. The ability to precisely match the right medicine to the right patient offers a critical competitive commercial differentiation in these crowded spaces, as well as a critical differentiating factor as a partner during competitive deal processes.

Many emerging technologies have complex manufacturing processes which naturally can lead to globally constrained supply. Supply chain diligence and deal structures to mitigate these long-term capacity risks are becoming an ever more critical factor in the deal-making process. Furthermore, emerging geopolitical risks are calling into question historical supply chain practices, with diversification and multi-source supply within regional networks ever more important.

Finally, payor dynamics represent a critical emerging trend. Traditional expectations of what would be considered "major markets" are being challenged by MFN requirements. Furthermore, the need to account for pre-patent expiry exclusivity impacts, for example IRA, is introducing new dynamics into negotiations and how to apportion value between the parties.

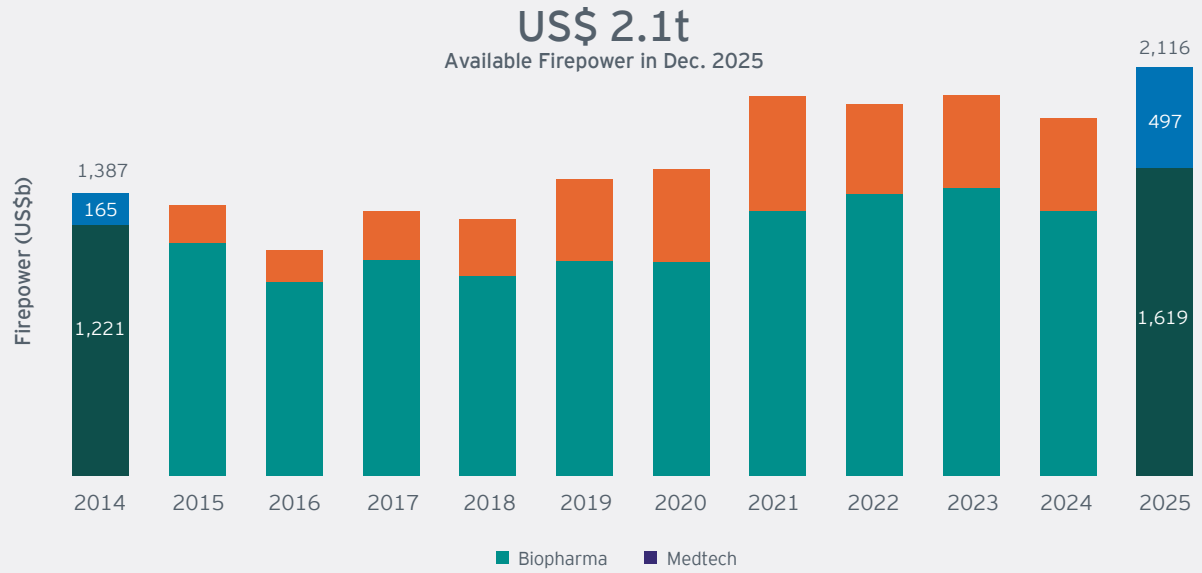
Why the industry should keep accelerating on deals in 2026

Life sciences companies need deals - and the strategic capabilities, including AI, to achieve deal success.

Looking ahead to 2026

With a record US$2.1 trillion in available Firepower (see Figure 16), the life sciences industry has the capacity to keep accelerating the dealmaking process through 2026 and beyond. The ongoing competition for assets and the associated high premiums present challenges, and companies must also reckon with the impact of geopolitical, trade, pricing, regulatory and other uncertainties amid the ongoing squeeze on operating margins. However, companies looking to succeed in this complex market ultimately have no choice but to pursue an active dealmaking strategy. The only real question is what steps they can take to execute these deals successfully.

Figure 16. Life sciences Firepower reserves, 2014–2025



Source: EY Insights, Capital IQ, company reports. 2025 projections based on most recent company financial reporting as of December 2025.

As discussed at the outset, the industry faces looming growth gaps and investors and analysts question the leading players' ability to address these challenges. The data suggests these industry observers are correct to recognize that life sciences companies both depend on dealmaking as a growth driver – and very frequently struggle to realize the goals set out in their own dealmaking strategies. For the leading companies in the space, portfolio optimization, therapeutic area focus and the prospects opened up by China's R&D breakthroughs offer the chance to close the growth gaps. But to accelerate from holding dealmaking ambitions to delivering actual results, companies will need to put AI at the heart of their M&A strategies.

Looking beyond: the beginning of the Bioweave era

As we have seen, dealmaking has stayed strong throughout 2025. However, in the face of the operating pressures and uncertainties that have become the new normal for the life sciences, the industry will in the longer term need to redesign its partnering strategies more fundamentally. This paradigm shift will reshape not only life sciences business development strategies but the structure of the life sciences enterprise itself. We call this emerging new model the "Bioweave" – a new strategic concept for how the industry can navigate the challenges it confronts.

The growing complexity of the life sciences and the companies working within this space has led, as we have seen in recent editions of this report, to a narrowing business focus, with companies targeting their efforts within increasingly specialized siloes. But ultimately, achieving better outcomes in a more personalized, data-driven healthcare system will involve companies bringing together a wider spectrum of innovations from across the life sciences sector and beyond. Life sciences companies will need to evolve towards fluid, flexible innovation networks, a Bioweave built around integration, collaboration, and orchestration.

The successful life sciences company of the future will emerge as a connector, catalyst, and co-creator, weaving together science, technology, operations, and commercial strategies into a new approach. This approach needs to be both robust enough to withstand the future operating environment and agile enough to allow companies to work more effectively with their peers in the Biopharma, biotech, Medtech, tech and other sectors. Dynamic ecosystems of agile partnerships with multiple players across multiple domains will enable life sciences leaders to expand their reach, enhance their capabilities, and drive better outcomes. The future of life sciences will be defined by those who can effectively BioWeave together resources and capabilities and survive and thrive in an accelerating life sciences landscape.

Figure 17. Dealmaking accelerators and brakes, 2026

Methodology

Dealmaking and financing analyses

Life sciences dealmaking and financing activities were analyzed from January 1, 2014 to December 31, 2025 (unless otherwise stated) using data from Capital IQ, Biomedtracker and PitchBook.

M&A deals with disclosed values greater than US$100 million were categorized according to the target's subsector (e.g., Biopharma or Medtech) and by rationale as follows:

- **Asset swap:** transaction in which the companies participate as both acquirers and sellers, negotiating the exchange of assets with each other
- **Bolt-on:** small-to medium-sized acquisitions that account for less than 25% of the buyer's market capitalization
- **Financial deal:** characterization used when the acquirer is a financial buyer (e.g., private equity) outside the life sciences industry
- **Geographic expansion:** acquisitions by a life sciences company specifically designed to access capabilities in a new geography

This does not include cross-border transactions that are part of larger, transformative transactions.

- **Megamergers:** acquisitions with valuations of roughly US$40 billion (Biopharma) and US$10 billion (Medtech)
- **Transformative deals:** transaction in which the deal value is greater than 50% of the acquirer's market capitalization at the time of purchase

Acquired companies were classified by the stage and therapy area according to their lead asset, as defined by Evaluate Pharma. Unless otherwise noted, these analyses excluded deals for over-the-counter, generics or animal health products.

Firepower analysis

The EY organization defines Firepower as a company's capacity to fund transactions based on its balance sheet. It has multiple inputs, including (1) cash and equivalents; (2) debt capacity, including credit lines; and (3) market capitalizations. The following assumptions underpin the analysis:

- A company will not acquire targets that exceed 50% of its existing market capitalization.
- When a transaction results in a new company, the debt-to-equity ratio of the combined entity cannot exceed 30%.
- Equity is measured on a market value basis.
- The methodology does not calculate the ability to perform M&A via stock-for-stock transactions. However, increases in a company's stock price do increase a company's Firepower because increased equity enables companies to borrow more to finance transactions.

Methodology

Firepower trends are measured across the Biopharma and Medtech subsectors, as well as for individual companies. While some life sciences companies have made acquisitions that extend beyond the upper threshold defined in the Firepower methodology, the goal is to create a uniform approach to measure relative changes in Firepower.

The EY organization defines deployed Firepower as the ratio of capital spent on M&A or alliances by a company or subsector in a given period relative to the available Firepower as determined by the inputs described on the previous page. Unless otherwise noted, November 30, 2025 data was used to calculate annual Firepower results. In instances where transactions by companies in two different subsectors took place, Firepower calculations were performed for the separate entities until the close of the transaction.

The 25 Biopharmas included in the analysis were:

- AbbVie Inc.
- Amgen Inc.
- Astellas Pharma
- AstraZeneca PLC
- Bayer AG
- Biogen Inc.
- Boehringer Ingelheim
- Bristol Myers Squibb Co.
- Daiichi Sankyo Co. Ltd.
- Eisai Co., Ltd.
- Eli Lilly and Company
- Gilead Sciences, Inc.
- GlaxoSmithKline PLC
- Johnson & Johnson
- Merck & Co., Inc.
- Merck KGaA, headquartered in Darmstadt, Germany
- Novartis AG
- Novo Nordisk A/S
- Otsuka Pharmaceutical Co., Ltd.
- Pfizer Inc.
- Regeneron Pharmaceuticals Inc.
- Roche Holding AG
- Sanofi
- Takeda Pharmaceutical Company Ltd.
- UCB S.A.

Authors

Subin Baral
EY Global Life Sciences Deals Leader
subin.baral@ey.com

James Evans
EY Global Life Sciences Lead Analyst
james.evans@uk.ey.com

Key contributors

Daniel Mathews
EY Global Life Sciences Leader
dmathews1@uk.ey.com

Arda Ural, PhD
EY Americas Life Sciences Leader
arda.ural@parthenon.ey.com

Ambar Boodhoo
EY Global Capital Efficiency Leader
ambar.boodhoo@ey.com

Tanushree Jain
EY Global Life Sciences Senior Analyst
tanushree.jain@gds.ey.com

Acknowledgments

The authors would like to thank the following individuals for their contributions to this year's report:

Kritika Verma led the Firepower data collection and analysis throughout 2025. Alongside **Radhika** and **Parmeet Sethi** from the KR&O team, she contributed key data and insights around M&A activity, Firepower levels, divestitures, growth gaps, China and AI investments, deal returns and success rate analysis.

Arpit Jain provided updates and analysis on Biopharma alliance trends and the biotech and Medtech investment landscape.

Abheek Datta alongside **Saurabh Dua** and team provided targeted analysis on the growing disconnect between Biopharma management guidance on growth projections and the consensus external analyst view, which impacts investor perspectives.

Insights into the growing role of AI in dealmaking were provided by: **Tony Qui**, EY-Parthenon Global Strategy and Transactions, Chief Innovation Officer; **Lara Wiggin**, EY-Parthenon Edge Technologies Global Activation Lead and **Matt Bartell**, EY-Parthenon Americas Strategy and Transactions Technology and AI Leader.

To learn more about their work please visit **Edge Platforms: AI-powered Tech for Strategy and M&A**.

Laura Riddle was the publication's copy editor and proofreader, while **Soon Ham** was the designer. Their patience, attention to detail, and editorial and artistic judgment were much appreciated.

Chloe Walford-Smith, **Gigi O'Brien** and **Carol Piering** led the public relations efforts.

Katie Costello drove marketing and promotion and project managed the report end to end.

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EYG no. 000023-26Gbl.
CS no. 2511-10514.
ED None.

ey.com