

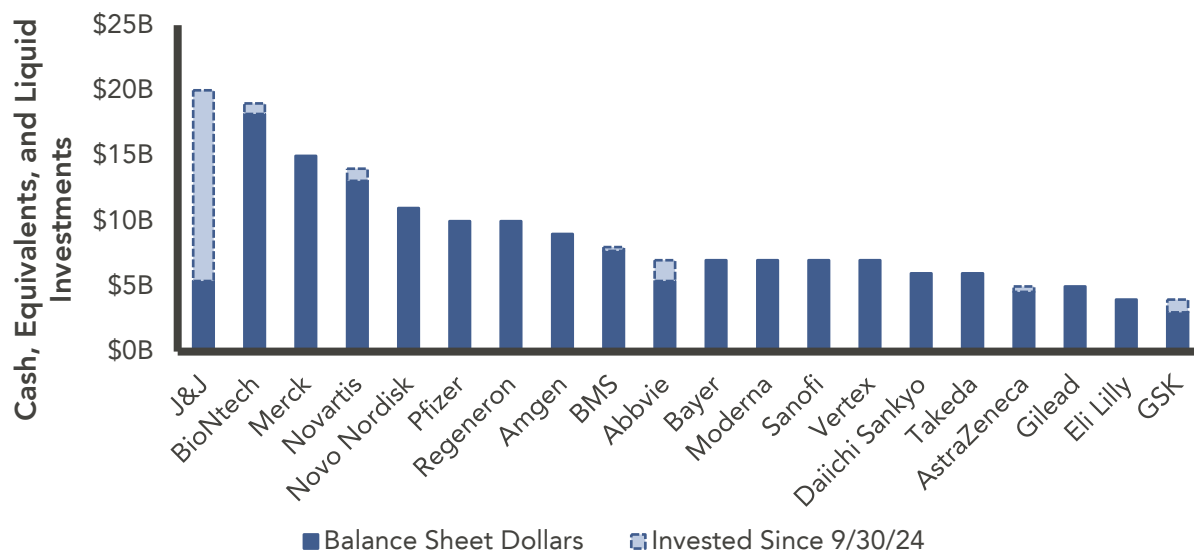
# Chart of the Week

May 7, 2025

## I Want a New Drug

AMY MILLER, SENIOR RESEARCH ANALYST

Strong financials may drive a surge in biopharma merger and acquisition activity starting in 2025



Source: Evaluate, BioPharma Dive. "Balance Sheet Dollars" as of September 30, 2024 and "Invested Since 9/30/24" as of March 31, 2025.

The aging population in the United States has garnered increasing attention over the past two decades, coinciding with the retirement of the Baby Boomer generation and the associated rise in age-related chronic conditions such as arthritis, Alzheimer's disease, and cancer. As of 2023, over 59 million individuals (17.7% of the U.S. population) were aged 65 or older, and this figure is projected to approach 80 million by 2040.<sup>1</sup> A central challenge associated with this demographic shift is ensuring adequate care, particularly through the effective management of chronic illnesses. One critical avenue for addressing this issue is through investment in the development of efficient and innovative pharmaceutical therapies.

Since 2015, pharmaceutical companies have experienced revenue losses totaling approximately \$125 billion due to the expiration of patent exclusivities, with projections indicating nearly double that amount may be lost by 2030. While elevated interest rates and heightened regulatory scrutiny by the Federal Trade Commission contributed to a significant decline in merger and acquisition (M&A) activity in 2022 and 2023, the sector may be well-positioned for a resurgence.<sup>2</sup> Many drug manufacturers currently maintain robust balance sheets and hold over \$180 billion in cash reserves, potentially fueling a new wave of strategic acquisitions.

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Realizing a sustained M&A resurgence in research and development will require targeted investment within the biopharmaceutical sector, particularly in early-stage drug development and in the services and technologies that support these endeavors. These include start-ups advancing compact and automated manufacturing technologies, which help mitigate the impact of rising domestic labor costs and offer a competitive edge.

Beginning in the third quarter of 2024 and continuing through the first quarter of 2025, there has been a notable increase in M&A activity. Key transactions include:

- Johnson & Johnson's \$15 billion acquisition of Intra-Cellular Therapies, focused on central nervous system (CNS) disorders
- GSK's \$1 billion acquisition of IDRx, a developer of precision oncology therapies
- AbbVie's acquisitions of Aliada Therapeutics (\$1.4 billion, CNS therapies) and Nimble Therapeutics (\$200 million, immune-mediated disease therapies)

Following the first quarter of 2025, newly imposed tariffs have intensified the need for U.S.-based investment, as protectionist trade policies heighten the demand for domestic pharmaceutical production capacity and infrastructure. Couple that with the aforementioned demographic trends in the U.S., we have an investment environment poised for growth. ■

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<sup>1</sup> [America's Health Rankings](#), analysis of U.S. Census Bureau, Single-Race Population Estimates via CDC WONDER Online Database, United Health Foundation.

<sup>2</sup> [Evaluate | Company Profiling](#) search database

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