



INDUSTRY UPDATE

QUARTER 4
YEAR 2024

Life Sciences

From 2022 to 2023, the UK Life Sciences industry experienced notable growth. Investment in the sector surged, with M&A activity reaching £43.3 billion in 2023, up from £35.4 billion in 2022.

Our latest industry update offers a comprehensive review of the UK Life Sciences landscape, spotlighting recent M&A activity, as well as prevailing trends and an outlook for the future.





Industry Overview

The Life Sciences industry encompasses a variety of industries including medical technologies, biopharmaceuticals, biomedical devices, and biomedical technologies¹. As a dynamic and rapidly evolving field, it is characterised by cutting-edge innovation, fuelled by frequent M&A activity and significant investment.

From 2022 to 2023, the UK Life Sciences industry experienced notable growth. Investment in the sector surged, with M&A activity reaching £43.3 billion in 2023, up from £35.4 billion in 2022². In 2024, this trend has continued, with a significant number of M&A deals already completed, reflecting strong market confidence and a robust pipeline of opportunities.

Market Trends and Dynamics

Global Leader

The UK Life Sciences industry has an impressive international standing with the UK government maintaining the second highest budget allocation for health research and development as a percentage of GDP amongst comparator countries³. The growing importance of Life Sciences was also reflected in the Autumn Statement 2023 confirming that £520m of government expenditure will be allocated to funding in the Life Sciences manufacturing over the next five years. This new wave of funding stems from the COVID-19 pandemic, with the Chancellor's Statement indicating that the investment aims 'to build resilience for future health emergencies and capitalise on the UK's R&D strengths.'

Compliance Environment

The Life Sciences industry, employing 1 in 121 people³, benefits from evolving regulations. Initiatives like the Early Access to Medicines Scheme and the Innovative Licensing and Access Pathway (ILAP) enhance coordination between regulators and manufacturers, speeding up development and patient access⁴. Additionally, NICE, the UK's HTA agency, is restructuring to improve access to new medicines.

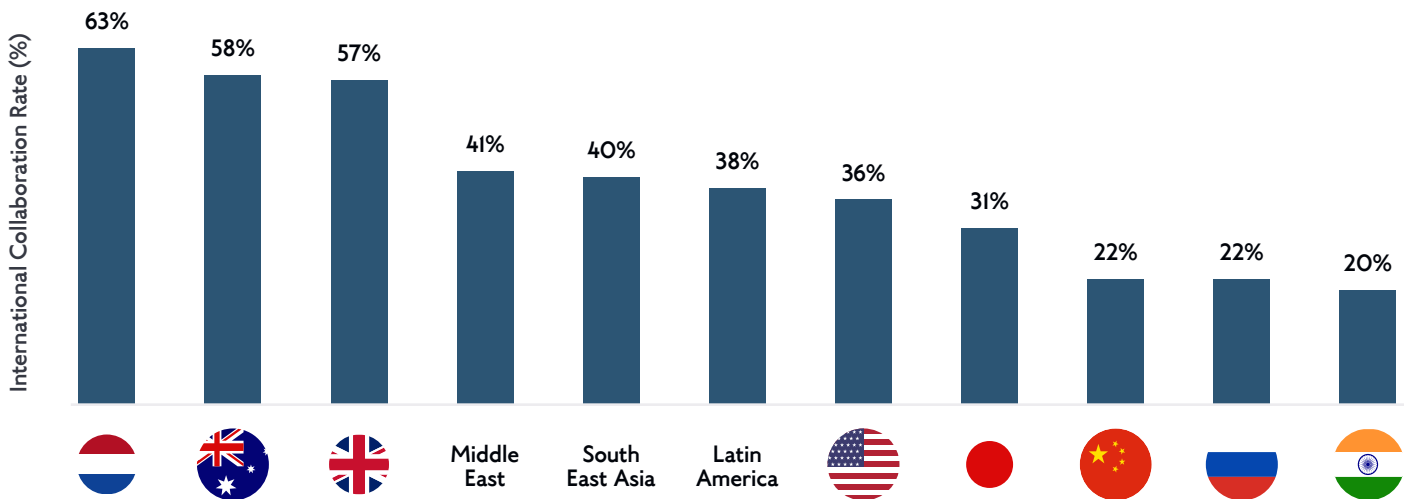
Post-Brexit, companies will need approval from the UK's Medicines and Healthcare Products Regulatory Agency (MHRA) to sell medicines in the UK starting in 2024³. UK companies exporting to Europe must also obtain separate approval from the European Medicines Agency. With approximately half of UK medical exports going to the EU, the Life Sciences industry faces increased challenges in maintaining market access and competitiveness.

Global Partnerships

A notable trend in the Life Sciences industry is the rise of international collaborations aimed at enhancing research quality and outcomes. In May 2024, Boehringer Ingelheim's c. £1 billion partnership with Oxford-based biotech firm, Ochre Bio, exemplified larger pharmaceutical companies' growing interest in collaborating with R&D-focused enterprises. Additionally, earlier this year, Minister for Science, Research and Innovation announced £42m in UK Research and Innovation (UKRI) funding to support partnerships with international funders in South-East Asia and South Africa, reflecting the increasing importance of global collaboration in shaping the industry's future⁶.

As shown in the graph below, the UK stands as a global leader in the internationalisation of scientific research, significantly exceeding the global average of 20%⁸.

Internationalisation of Scientific Research in Different Countries and Regions



Key Challenges

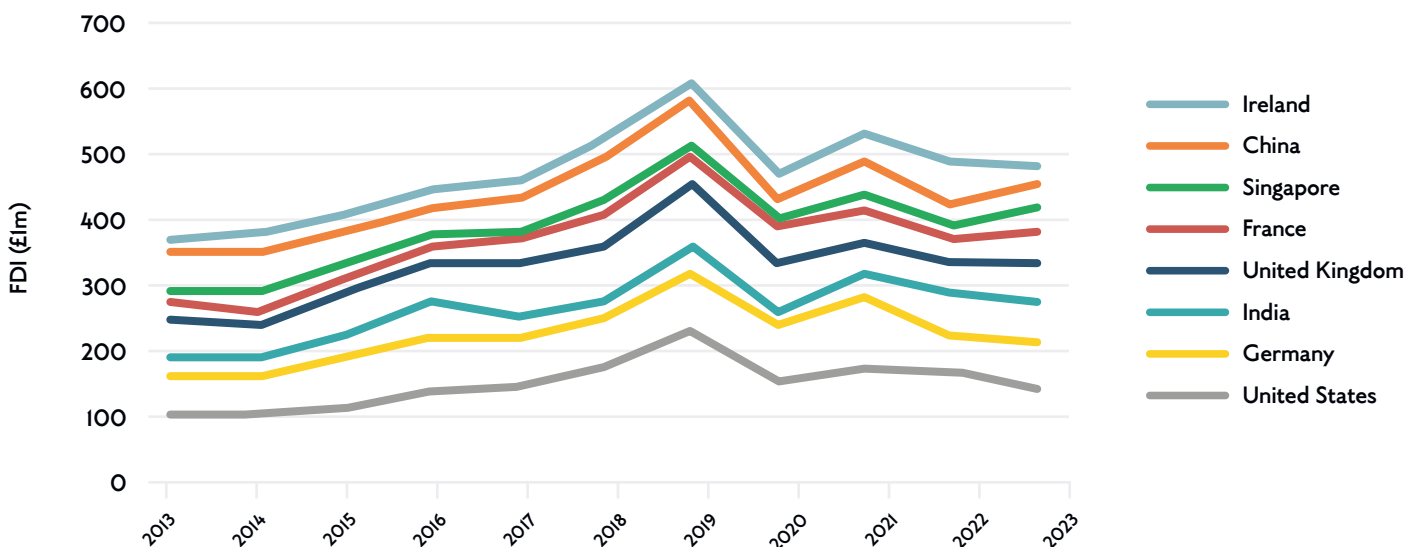
Despite the UK ranking third globally in terms of early-stage R&D output, it lags behind in the later-stage clinical research phases, indicating that late-stage funding and lack of appropriate infrastructure are restraining potential.

This is further illustrated by the Government’s 2024 Life Sciences Competitiveness Indicators Report, which evidences that on a range of economic, health, and

research metrics, the UK is not in a global optimal position in spite of its strong institutional advantages in Life Sciences³.

Another challenge to the UK’s competitive position is the decline in foreign direct investment (FDI) in 2023, marking the second consecutive year of decrease since 2021. Inward investment into the UK in 2023 totalled £0.8 billion, reflecting a 21% decrease compared to 2022². However, this sentiment is echoed globally as illustrated in the graph below³.

Life Sciences Inward Foreign Direct Investment – Estimated Capital Expenditure (£m)



Recent M&A Activity – UK Targets (Last Twelve Months)

Date	Target	Target Description	Buyer	Buyer HQ	Deal Size (£m)
Jul 24		Operator of an ophthalmology biotechnology company	 MERCK		1,022
Jul 24		Developer of a magnetic sensing technology designed for cancer care	 HOLOGIC®		242
Jun 24	  Mtech Access	Purpose-built pharmaceutical-services platform Health economists and statisticians who provide support to the pharmaceutical industry	 petauri POWERING HEALTH		Undisclosed
May 24		Manufacturer and distributor of research reagents intended to provide materials relevant to the research	 20Scientific the life sciences reagents company with a difference		Undisclosed
Mar 24		Clinical-stage biopharmaceutical company focused on rare pediatric diseases			70
Feb 24		Clinical-stage biopharmaceutical company that specialises in respiratory and inflammatory conditions			896
Jan 24		A commercial-stage, fully-integrated biopharmaceutical company			376
Jan 24		Major drug manufacturing company with a focus on veterinary pharmaceutical products			4,460
Dec 23		A biotechnology company that develops and provides antibodies to Life Science research	 danaher		4,493
Dec 23		Developer of microbiome tests and supplements designed to restore human ecology through ethical bioscience applications	 MICROBA		11
Nov 23		Provision of drug development services to the pharmaceutical industry	 PERMIRA		730
Nov 23		Biotech company focused on treating non-viral liver diseases	 ALFASIGMA		485
Nov 23		Provider of laboratory diagnostic services	 Cinven		1,090
Oct 23		Neuropharmaceutical company developing effective therapeutic treatments for mental health disorders	 Cybin		20



Deal Activity

In 2024, UK Life Sciences M&A activity has improved significantly from 2023, marked by increased deal volume and value. The industry has seen a surge in strategic acquisitions and partnerships, reflecting a heightened interest from both domestic and international investors.

Investment activity is dominated by a mixture of large pharmaceutical companies, biotechnology firms, and research institutions. Key players include global pharma giants like AstraZeneca and GlaxoSmithKline (GSK), alongside leading biotech companies such as Oxford Biomedica.

The global Life Sciences industry has seen a resurgence in major deal-making, with M&A investment reaching \$191 billion in December 2023, up from \$142 billion in 2022⁷. This revival is largely driven by increased M&A activity from pharmaceutical multinationals, which accounted for approximately 70% of M&A investment in 2023, compared to just 38% in 2022.

A notable trend is that oncology and rare disease Life Sciences companies are expected to see continued substantial M&A activity. This trend has become evident over the past five years and is driven by intense competition for these assets, leading companies to pay higher multiples compared to targets in other therapeutic areas⁷.

This trend also extends generally to more specialist areas, with key consolidation trends in companies with specialist capabilities, therapeutic expertise and local knowledge. This is particularly apparent among commercialisation providers seeking to enhance and expand their market access services⁹.



Outlook

Under the new Labour government, the industry is expected to benefit from pledges to a more certain funding environment and increasingly streamlined funding process. During the election campaign, Labour determined the Life Sciences industry to be a critical partner for their plans to deliver positive change and economic growth, indicating robust governmental support over the next few years ⁵.

Artificial Intelligence (AI) is also predicted to drive innovation in the UK Life Sciences industry by accelerating drug discovery, enhancing diagnostics, and optimising healthcare delivery, positioning the UK as a global leader in precision medicine and biotechnology.

Overall, M&A activity is largely optimistic in the UK Life Sciences industry, supported by strong governmental backing, a robust pipeline of innovative technologies, and increased interest from global investors seeking to capitalise on the UK's leading research and development capabilities.

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GERALD EDELMAN CORPORATE FINANCE

Our 20+ Corporate Finance team is sector agnostic, working with businesses across all sectors (e.g. Business Services, Consumer, Healthcare, Technology, etc.). The team focuses on transactions with a target deal size of £5 million to £100 million (small to medium size businesses).

The team is divided into two 'sub-teams': Deal Advisory and Transaction Services.

Deal Advisory

Pre-sale planning

Working with businesses prior to a sale or investment exercise to maximise value and enhance market appeal

M&A advisory (sell-side)

Supporting clients through every stage of the process, including preparing marketing materials, identifying potential buyers, negotiating terms, and overseeing due diligence and legal procedures to a successful completion

M&A advisory (buy-side)

Providing strategic advice and support to clients and management teams wanting to acquire business interests

Capital raising advisory

Working with businesses to help raise funds (equity or debt), whether for specific initiatives or to invest in growth and development

Management Buyouts (MBOs)

Supporting management teams with all aspects of buying a business

Transaction Services

Due diligence

Providing financial and tax due diligence support to buyers

Buy-side support

Assisting buyers during the acquisition process, including transaction structuring, and identifying and delivering tax efficiencies

Vendor support

Assisting vendors during the sale process with services such as vendor due diligence

Valuations

Undertaking valuations of ordinary shares and more complex securities ahead of transactions, as well as management incentive schemes

IPO support

Assisting at every stage of an IPO process including strategic planning, regulatory compliance, and undertaking the role of reporting accountant

Forensic accounting

Performing financial analysis, investigations, or valuations in the context of legal disputes

Clients

- Founders/entrepreneurs/business owners
- Management teams
- Financial investors

Clients

- Corporates
- Search funds
- Private equity firms