

Ten trends

M&A and partnering
in European healthcare
& life sciences

Overview

These are complex times for stakeholders in the Healthcare & Life Sciences sector across Europe, marked by fluctuating macro-economic conditions, intensifying regulatory requirements, geo-political turbulence, and a recalibration of transaction valuations and mechanisms. These factors have collectively fostered a transition to a “buyers’ market” in M&A and a deceleration of partnering activities globally. Within this intricate landscape, we identify ten trends for Healthcare & Life Sciences M&A and partnering transactions that will be relevant throughout 2025 and beyond.



Small-cap M&A and early stage investments

There has been a noticeable increase in "smaller" M&A deals and bolt-on acquisitions, reflective of a strategic focus on expanding into adjacent sectors which complement existing offerings and reinforce market position. This is particularly pronounced in the therapeutics, diagnostics and healthcare services spaces. Concurrently, there has been a marked increase in the size of earlier stage investments, indicating a robust interest in fostering innovation from the ground up. Dealmakers are taking a recalibrated approach to legal and commercial diligence for these more nuanced deals.



Non-core divestments

Global pharmaceutical companies are increasingly looking to divest non-core assets to consolidate their bottom line and create revenue for further R&D investment or strategic partnerships. Such transactions require careful consideration around FDI rules, intellectual property structuring (e.g. pure assignment of IP, combined assignment and licence of IP for divested assets, transitional brand licensing), transfer of regulatory approvals, transitional arrangements around regulatory compliance (e.g. obligations pending transfer of marketing authorisations) and manufacture and supply agreements.

Spin out

Global biopharmaceutical companies are increasingly looking to consolidate their focus on the development and commercialisation of prescription medicines and spinning out their OTC and consumer health businesses. Extracting one business from another is a huge undertaking and careful consideration should be given to deal perimeter, the division of material shared contracts, employment and pension issues and any shared IP and shared services.



Cash alternatives

Buyers are looking to find alternatives to cash when it comes to consideration. In addition to vendor financing or loan notes, there has also been an increase in shares being offered as consideration. All these scenarios enable buyers to preserve cash, side-step steep borrowing costs and reframe price discussions with sellers towards relative value, all of which are crucial in the recent and ongoing financial climate. This approach can be particularly useful for large corporates who are making increasing numbers of strategic acquisitions.

Earn-out

There has been a marked uptick in the frequency of deal-makers making use of earn-outs (alongside more straightforward deferred consideration) to bridge valuation gaps. This also gives buyers the advantage of being able to set off any claims they may have against any earn-out payable to a seller. Drafting clear earn-out provisions with objective metrics is of key importance as 2024 has seen a material increase in the number of earn-out disputes relating to earn-outs that were negotiated over the past three years.



Royalty disputes

Given the macro-economic climate and the relative slow-down in collaborations in the last 12 months, it's unsurprising that companies are looking to maximise revenues under existing partnering arrangements resulting in an increase in disputes regarding royalty provisions. Recent UK litigation shows the types of disputes that are occurring, with parties testing contractual drafting to secure additional revenue streams. Given the consistent trend for these types of disputes, it seems that this approach is not going anywhere fast and companies should focus carefully on the wording of their royalty provisions and audit rights.

W&I reloaded

A diminution in volume has seen a corresponding decrease in the costs of W&I insurance and greater flexibility about what underwriters will cover on insured M&A deals. At the same time, the cost of W&I is increasingly being shared between the buyer and seller or borne by the seller. There is also an increase in hybrid liability structures where the seller accepts liability for any risks which are specifically excluded from the W&I policy. This is placing renewed focus on specific exclusions from the W&I policy and harmonising the interests of both buyers and sellers to ensure that these are minimised as far as possible.

Reshaping diligence

A decrease in competitive sale processes and a corresponding increase in bilateral processes is allowing buyers to shape the due diligence landscape in a way that has not been possible over the last number of years. Given COVID-19-related challenges around landing on normalised financials, buyers are increasingly engaging in a focused period of financial due diligence (usually for a period of several weeks) before starting their wider due diligence. Such wider due diligence increasingly focuses first on IP and regulatory issues which in turn verifies and feeds into financial due diligence and any valuation.



Red Tape

The introduction of multiple new FDI regimes across Europe means a significant number of deals require FDI approval as these regimes apply, amongst others, to US and UK buyers of businesses in the EU. Changes to European merger control regimes now enable regulators to “call-in” deals below the revenue thresholds. These changes, along with buyers adopting a more conservative approach to third party consents, has resulted in an increase in conditional deals. Consequently, material adverse change provisions (typically focused on regulatory or reputational risks and warranty breaches) are becoming more prevalent.

AI collaborations

Since the launch of ChatGPT, generative AI has firmly been in the spotlight resulting in renewed interest in AI focussed partnering arrangements, which allow life sciences’ companies to leverage the potential benefits of AI without undertaking the risk and challenges of developing the technology itself. With the advent of the EU AI Act, and potentially further AI regulation in other jurisdictions, the preference for licensing AI tools (rather than buying AI businesses) may increase in a bid to mitigate certain legal risks resulting from new AI legislation.



Our recent European healthcare highlights



Cooper Consumer Health SAS on its acquisition of various pharmaceutical assets from Viatrix Inc.



Cloud AI endoscopy company, Odin Vision's, acquisition by Olympus



Aedifica on its acquisition of a €500m portfolio of 20 Irish elderly care homes



Genmab A/S on its \$4billion licensing collaboration with AbbVie



Eisai on the disposal of LOXAPAC® (loxapine) and PARKINANE® (trihexyphenidyl hydrochloride) in France and Algeria to CNX Therapeutics



GSK on the divestment of its shareholding in, and revision of its collaboration arrangements with, Adrestia Therapeutics



Shiseido on its acquisition of skincare business Gallinée



GSK, J&J, Amgen, AZ, Roche, Genentech, MSD and Alnylam on a long-term collaboration with Our Future Health



DIF Capital Partners on its acquisition of Talbot Group, Ireland's largest intellectual disability services provider

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