

Healthcare M&A activity heats up in H2

By Morton Pierce, Esq., White & Case LLP*

FEBRUARY 11, 2021

M&A value in the healthcare sector (incorporating pharma, medical and biotech) stayed relatively robust in 2020, even without the kind of blockbuster deals the sector had become accustomed to seeing in recent years.

The past few years have been exceptional for healthcare M&A thanks to megadeals such as the Bristol-Myers Squibb/Celgene deal in 2019 (worth US\$87.8 billion) and the AbbVie/Allergan deal in 2018 (worth US\$86.3 billion).

In the absence of such colossal transactions in 2020, M&A in the healthcare sector held up remarkably well. The number of deals held steady compared to 2019, at 716 deals, and value fell by 28 percent to US\$194.9 billion.

RESILIENCE IN THE DOWNTURN

Declines in overall deal figures mask the strong underlying performance of healthcare and pharmaceuticals companies in 2020.

The Dow Jones US Health Care stock market index gained about 20 percent over the last 12 months and the Dow Jones US Pharmaceuticals index rose about 16 percent over the same period.

Moreover, the year-on-year drop in value obscures the fact that dealmaking at the top end of the market picked up significantly in the second half.

The five largest healthcare deals of the year were all announced in H2, and total value in the second half of the year reached US\$162.1 billion, 75 percent above the total in H2 2019. At 373 deals, volume in H2 2020 was slightly above the 344 transactions recorded in the second half of 2019.

The largest of these — and the largest US deal overall — was UK-based AstraZeneca's US\$38.7 billion proposed takeover of Alexion Pharmaceuticals, a developer of treatments for rare diseases.

The deal is illustrative of the increasing attractiveness of the rare disease market, which has grown thanks to the promise of personalized medicine — which itself has expanded due to widely available low-cost gene sequencing.

What's more, the Alexion transaction — which is pending shareholder and regulatory approval — is indicative of the increased firepower of firms boosted by the pandemic.

Declines in overall deal figures mask the strong underlying performance of healthcare and pharmaceuticals companies in 2020.

AstraZeneca, which has developed a COVID vaccine with Oxford University that has received regulatory approval in several countries, has seen its share price rise since the pandemic began.

DIGITAL SHIFT

Incumbent players have also used M&A to keep pace with the rapid changes to healthcare brought about by digitalization and use of data analytics in healthcare provision.

One of the largest deals of the year, Teladoc's US\$14.8 billion acquisition of Livongo Health, typifies this trend, but it was not the only example.

German health imaging and medical devices group Siemens paid US\$16 billion for cancer device and software group Varian Medical Systems, which was the third-largest US transaction in the sector.

Varian is a market leader in cancer care, due in part to its use of artificial intelligence, machine learning and data analytics.

As the sector moves into 2021, consolidation will remain a key theme, as governments and healthcare systems engage manufacturers with scale to deliver large orders of COVID-19 vaccines.

The long-term trends driving industry players to do deals, including building out drug pipelines and enhancing digital capability, will continue to drive activity during the next 12 months as well.

Top healthcare deals 2020

1: AstraZeneca made a **US\$38.7 billion** bid for Alexion

2: Gilead acquired Immunomedics for **US\$19.4 billion**

3: Gilead acquired Immunomedics for **US\$19.4 billion**

This article was published on Westlaw Today on February 11, 2021.

* © 2021 Morton Pierce, Esq., White & Case LLP

ABOUT THE AUTHOR



Morton Pierce, a partner at **White & Case LLP** in New York, has more than 40 years of experience advising clients on mergers and acquisitions and related deals. He has represented acquirers, targets, investment bankers and investors across several industry sectors, including financial services, health care, media, entertainment and telecommunications. He can be reached at mpierce@whitecase.com. This article was originally published Jan. 29, 2021, on the firm's website. Republished with permission.

Thomson Reuters develops and delivers intelligent information and solutions for professionals, connecting and empowering global markets. We enable professionals to make the decisions that matter most, all powered by the world's most trusted news organization.

This publication was created to provide you with accurate and authoritative information concerning the subject matter covered, however it may not necessarily have been prepared by persons licensed to practice law in a particular jurisdiction. The publisher is not engaged in rendering legal or other professional advice, and this publication is not a substitute for the advice of an attorney. If you require legal or other expert advice, you should seek the services of a competent attorney or other professional. For subscription information, please visit legalsolutions.thomsonreuters.com.