

# Dealmaking in 2020: navigating a new landscape

After a slow start to the year, dealmaking for the rest of 2020 is likely to be profoundly affected by the COVID-19 pandemic.

Credit: Guy Edwardes Photography/Alamy Stock Photo

## BioPharma Dealmakers

While many companies are facing exceptional challenges in finding partners and bringing deals to completion owing to the current coronavirus crisis, it has also triggered a wave of partnering as organizations rapidly sign deals to accelerate the development of vaccines, treatments and diagnostics to control the pandemic. In this feature, we explore mergers and acquisitions (M&A) and licensing activity in 2020 so far, based on data provided by Evaluate Ltd.

### M&A trends

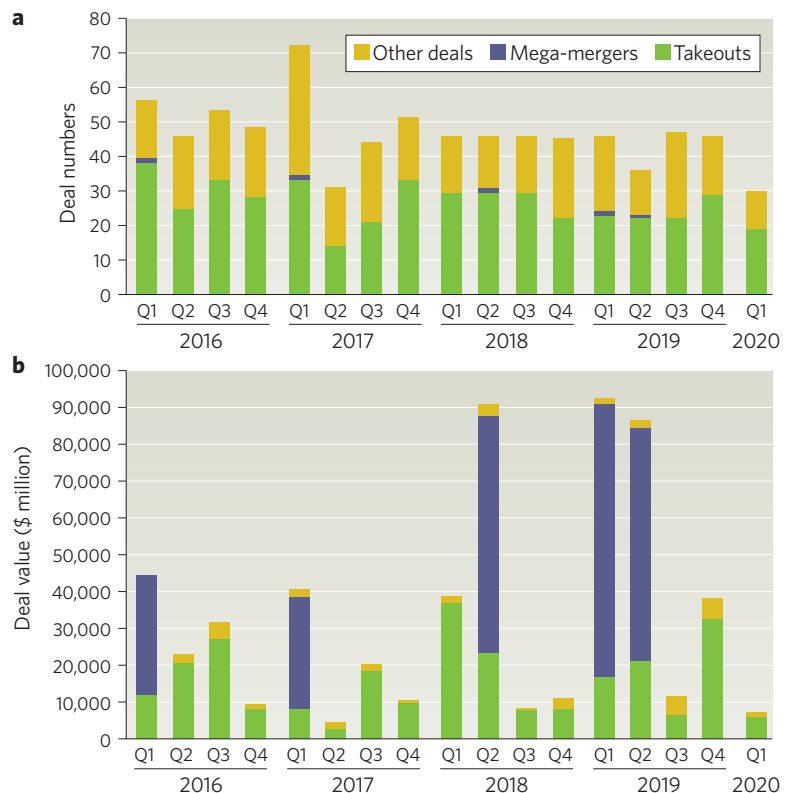
Before the COVID-19 pandemic took hold, M&A activity was already down compared with last year. There were 19 acquisitions announced in the first quarter of 2020 (Fig. 1a)—a few less in terms of numbers compared with the first quarter in 2019, but with less than half the total value, at just \$6.2 billion compared with \$16.5 billion. Indeed, Q1 has typically been the quarter with the highest-value deals of the corresponding year in the past 5 years (Fig. 1b), but the only two major M&As announced in this period in 2020 were Eli Lilly's \$1.1 billion deal for the dermatology company Dermira in January and Gilead's \$4.9 billion acquisition of the cancer immunotherapy biotech Forty Seven in early March. There have been two major M&As so far in the second quarter of the year, Menarini's \$677 million acquisition of Stemline Therapeutics followed by Alexion Pharmaceuticals purchase of Portola Pharmaceuticals for \$1.4 billion, but pending deals could be at risk of delayed closure, renegotiation or termination owing to COVID-19. M&A numbers and values could therefore drop substantially compared with recent years.

### Licensing trends

Licensing activity in the first quarter of 2020 was also down, with 30 deals—the lowest by number in the past 5 years (Fig. 2a). With combined upfront payments worth \$1.96 billion, it was also the lowest-value first quarter since 2017 (Fig. 2b).

The largest deal of the first quarter by upfront payment was Incyte's licensing of exclusive ex-US rights from MorphoSys to develop and commercialize tafasitamab, a CD19-targeted monoclonal antibody that has been filed for regulatory approval for the treatment of B cell malignancies (Table 1). In addition to a \$750 million upfront payment, Incyte also made a \$150 million equity investment in MorphoSys, and MorphoSys could receive up to \$1.1 billion in milestone payments, plus tiered royalties.

Continuing the trend of recent years, there were also several other major deals in the oncology area at a much earlier development stage, with correspondingly smaller upfront payments (Table 1). Merck & Co.'s potential \$2.55 billion deal with Taiho Pharmaceutical and Astex Pharmaceuticals focuses on the



**Fig. 1 | Trends in mergers and acquisitions by quarter since 2016.** **a**, Mergers and acquisitions (M&A) count by deal announcement date. **b**, Cumulative M&A value by deal announcement date. The analysis includes company takeovers, as well as minority and majority stake purchases, acquisitions of business units, reverse mergers and options, which are aggregated in 'Other deals'. The numbers reflect only deals between dedicated drug makers; diagnostics and medtech transactions are excluded. Source: EvaluatePharma, April 2020.

**Methodology box**

This analysis is based on data extracted from EvaluatePharma in April 2020, and reflects licensing and M&A transactions announced with disclosed deal values. M&A deals data include company takeouts, minority and majority stake purchases, acquisitions of business units, reverse mergers and options. Licensing deals data analyzes in-licensing transactions only. All data reflect deals between dedicated drug makers only—diagnostics and medtech transactions are excluded.

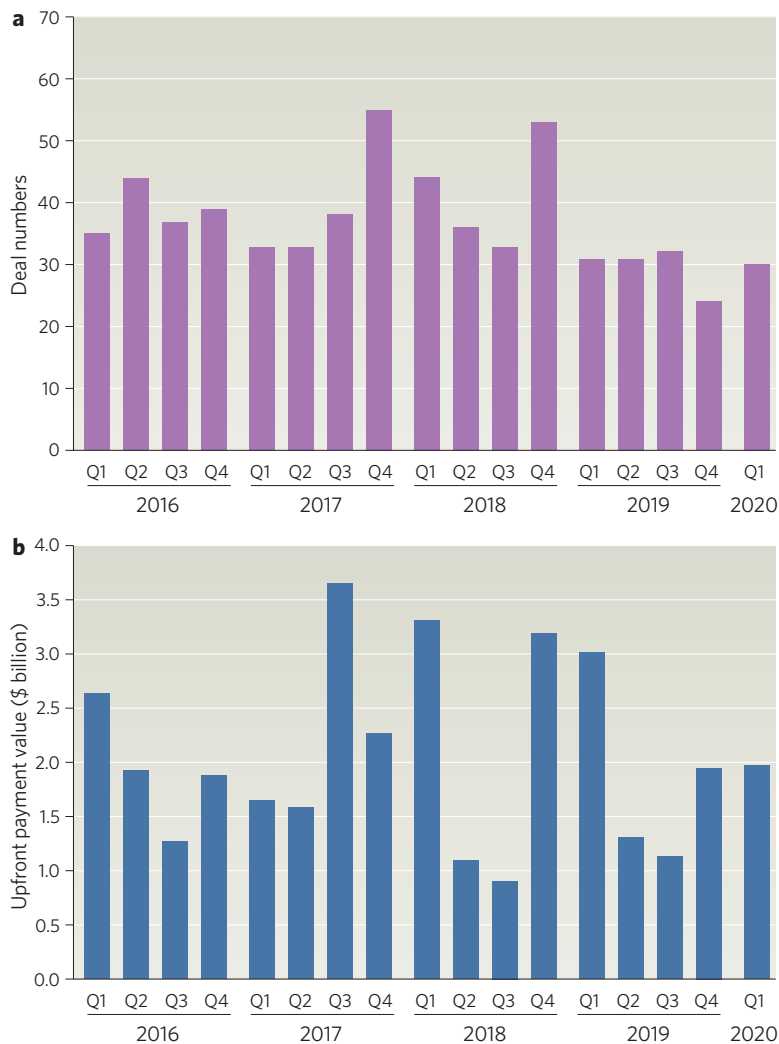
development of small-molecule inhibitors against several drug targets, including the KRAS oncogene, which is currently one of the hottest anticancer targets. Genentech entered into a potential \$1.7 billion collaboration with Bicycle Therapeutics to discover and develop bicyclic drug candidates for immuno-oncology applications. And finally, in the only major deal in the second quarter, Johnson & Johnson's Janssen Biotech announced a potential \$3 billion partnership with Fate Therapeutics to develop cancer immunotherapies derived from induced pluripotent stem cells.

**Pandemic spurs partnering**

Although dealmaking overall has been subdued in 2020, the coronavirus pandemic has spurred a flurry of collaborations at a record pace, driven by the urgent need for treatments and vaccines. In addition to multiple vaccine partnerships involving major pharma companies, such as Sanofi, GSK, Johnson & Johnson, Pfizer and AstraZeneca (see the feature on pB18), many collaborations have also been established around potential treatment options. Vir Biotechnology has been one of the most prolific dealmakers following its discovery of two antibodies targeting the virus's spike protein, signing deals with WuXi, Alnylam, Xencor, the NIH, Biogen and GSK for various antibodies and RNA interference (RNAi) therapeutics, as well as vaccines. Other notable coronavirus-related business development activities focus on plasma from patients who have recovered from COVID-19, including deals between XBiotech and BioBridge, and Amgen and Adaptive that seek to identify neutralizing antibodies to develop as a treatment. Over the next few months, the pandemic's full effects on dealmaking and the industry as a whole will become clearer.

**Acknowledgements**

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**Fig. 2 | Licensing deals by quarter since 2016.** a, Licensing deal numbers by upfront payments. b, Upfront payment values of licensing deals. The numbers reflect only deals with disclosed values between dedicated drug makers; diagnostics and medtech transactions are excluded. Source: EvaluatePharma, April 2020.

**Table 1 | Highest value partnering deals of the year so far**

Deal focus	Date	Company	Partnering company	Development status	Upfront payment (\$ million)	Deal value (\$ million)
Janssen Biotech (part of Johnson & Johnson) and Fate Therapeutics announce a collaboration to develop T cell cancer immunotherapies based on induced pluripotent stem cells	2 April 2020	Johnson & Johnson	Fate Therapeutics	Research project	-	3,000
Merck signs licensing deal with Taiho Pharmaceutical and Astex Pharmaceuticals (a subsidiary of Otsuka Pharmaceuticals) to develop small-molecule inhibitors of cancer targets, including KRAS	6 January 2020	Merck & Co	Otsuka Holdings	Preclinical	50	2,550
Biogen licenses rights to develop and commercialize gene regulation therapies identified by Sangamo Therapeutics for neurological diseases such as Alzheimer disease and Parkinson disease	27 February 2020	Biogen	Sangamo Therapeutics	Preclinical/research project	350	2,370
Incyte licenses ex-US development and commercialization rights to MorphoSys' tafasitamab, a CD19-targeted monoclonal antibody that has been filed for regulatory approval for the treatment of B cell malignancies	13 January 2020	Incyte	Morphosys	Filed	750	2,000
Genentech (a subsidiary of Roche) partners with Bicycle Therapeutics to develop and commercialize immunotherapies based on bicyclic molecules against a number of targets	25 February 2020	Roche	Bicycle Therapeutics	Research project	30	1,700

The data cut-off date was 30 April 2020. IND, investigational new drug. Source EvaluatePharma, April 2020.