Life Sciences & Health Care

Life Sciences & Health Care deal value and volume
(in billions of US dollars)

Source: Based on Deloitte's analysis of M&A data generated via the Refinitiv database on January 12, 2024.

Observations

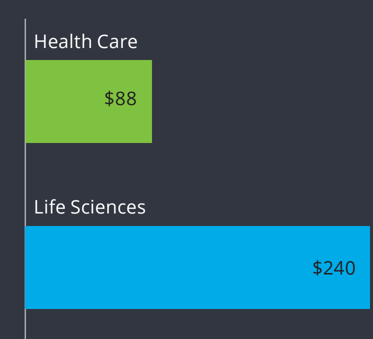
After a heavy decline the prior year, Life Sciences & Health Care (LSHC) recorded a 9% YoY increase in deal value to $327B in 2023. The growth was primarily driven by the 36% YoY increase in the large deals segment (≥$1B to $10B) to a total $148B.

North America was the most active region, and deals worth $224B were announced in 2023. Europe came in a distant second with $54B worth of deals.

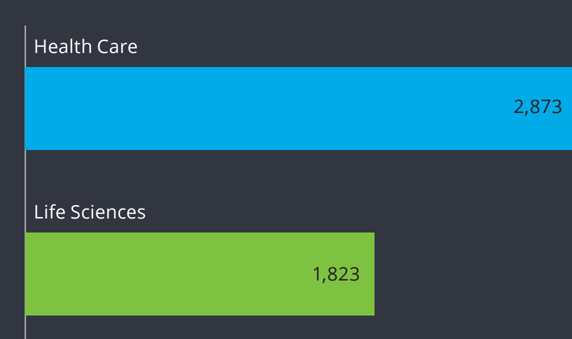
Among the subsectors, Life Sciences saw the highest YoY increase in M&A value and volume. Deal values went up by 38% to $240B, and deal volume also increased by 2% to 1,823 transactions. Life Sciences M&A was driven by large and megadeals as pharma giants sought to fill gaps from expiring patents.

In Health Care, deal values declined heavily, by 31%. However, lower valuations might lead to increased divestiture activity and interest from PE buyers in the future.

Deal value by sector (2023)
(in billions of US dollars)



Deal volume by sector (2023)



Life Sciences & Health Care

Forces shaping 'new normal' conditions

Digitization of health care

- The potential for new variants, speed of vaccination, and changing government approaches all contribute to pandemic uncertainties.
- Consumers got used to alternative service delivery methods during the pandemic, and there could be an increased demand for virtual care and automated medication management.

AI will fundamentally affect business models

- AI and big data create the opportunity to further tailor care to specific patients and treat diseases earlier in their life cycle.
- The rise of virtual and lower-cost sites of care means that some providers may be stranded with more physical assets than needed.

Mental health will continue to be a priority

- Demand for mental health treatments is growing due to reduced stigma, pandemic effects, and other behaviors.
- Models of care that incorporate mental health into existing treatment centers will increase.

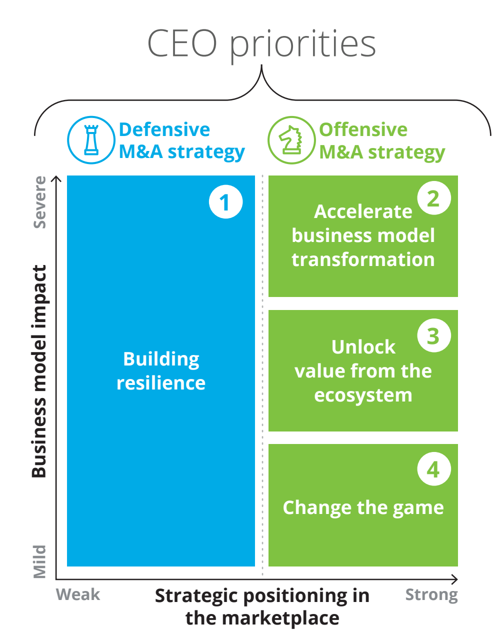
Industry economics may shift

- A focus on value-based and outcome-based care may change the way companies generate revenue.
- New business models would focus on early detection and preventive care.

Short-term responses

1 Mitigating uncertainties
Companies need to potentially divest noncore assets and invest in capabilities such as supply chain, alternative service delivery, and next-gen therapeutics.

2 Technology-led business model transformation
Investments in digitalization and remote service capabilities will reduce delivery costs, increase patient access, and augment inpatient services. LSHC companies are likely to invest in R&D enabling technologies such as AI-driven drug discovery.



Medium-term responses

3 Integrating patient-care value chain
Integrating with insurers, providers, and retailers would improve patient care and provide cost efficiencies; data sharing and trust will prove to be critical in delivering value from such ecosystem partnerships.

4 Technology-enabled preventive care
The convergence between technology and health is enabling new business opportunities in areas such as health monitoring, preventive, and predictive care. LSHC companies should have an active investment strategy for such emergent spaces.