

# Life Sciences & Health Care

## Observations

After a high in 2021, Life Sciences & Health Care (LSHC) recorded a 44% YoY decline in deal value to \$301B in 2022. The drop in value was primarily driven by the 51% YoY decline in the large deals segment ( $\geq$ \$1B to \$10B) to a total \$109B in 2022.

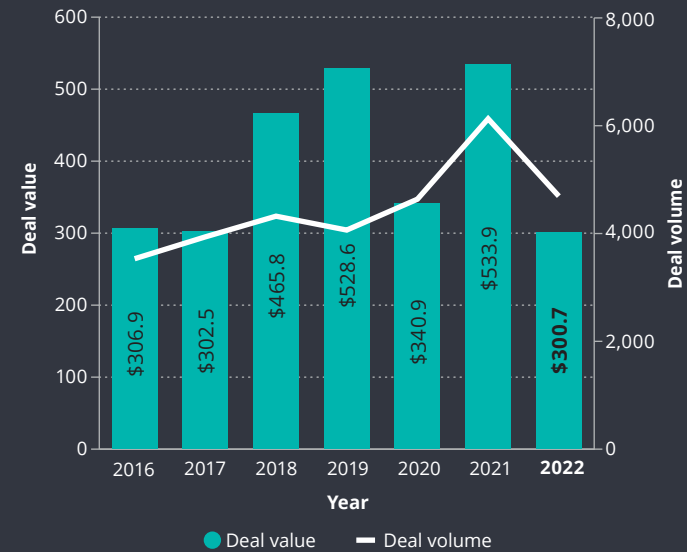
North America was the most active region, and deals worth \$203B were announced in 2022. Europe came a distant second with \$47B worth of deals.

Among the subsectors, Life Sciences saw the highest YoY decline in M&A value and volume. Deal values plunged by 44% to \$229B, and deal volume declined by 30% to 2,781 transactions.

The M&A outlook for the LSHC sector in 2023 is expected to be better than 2022; companies are cash rich and resetting valuations in segments like biotechnology. The adoption of artificial intelligence (AI), machine learning (ML), and newly converged health tech business models are likely to draw fresh M&A investments.

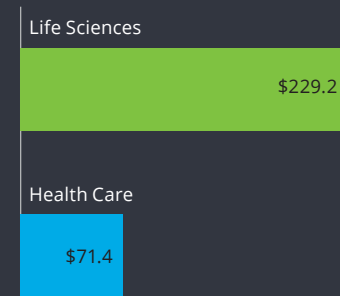
Inflation is continuing to affect the affordability of medical services for consumers. This presents opportunities for the sector to invest in new technologies and supply chains to make its products more accessible and affordable to drive more volume. This could also help companies build trust with their consumers.

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

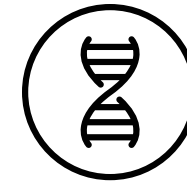
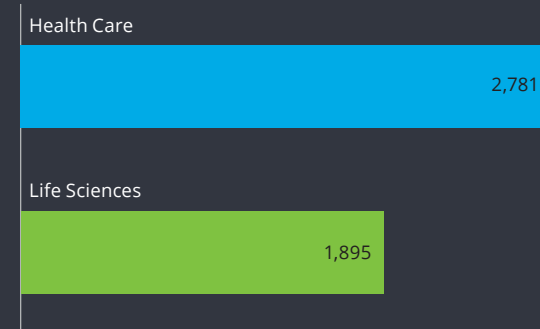


Source: Based on Deloitte's analysis of M&A data generated via the Refinitiv database on January 18, 2023.

Deal value by sector (in billions of US dollars)



Deal volume by sector



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## 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.

### 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

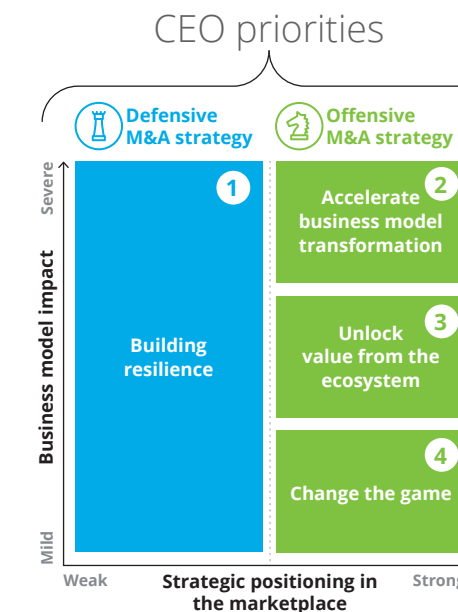
- 1 Mitigating uncertainties**  
Companies need to potentially divest non-core assets and invest in capabilities such as supply chain, alternative service delivery, and next-gen therapeutics.
- 2 Technology-led business model transformation**  
Investments in digitalization and remote service capabilities 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.

### 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.



## 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.