Pipeline gaps create M&A opportunities for deal-ready life sciences companies

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A number of pharma companies are hurtling toward a patent cliff that will trigger significant revenue losses once exclusivity expires on their best-selling products. With substantial dry powder on hand, many are leaning on M&A in 2026 to replenish their depleted R&D pipelines and keep revenues steady or rising.

Biotechs and biopharmas that survived the tight funding market and recent FDA shake-ups may now be attractive M&A targets. However, pharma companies are looking for more than just a promising asset. With the fast-approaching patent cliff, many pharma companies are targeting late-stage or de-risked assets that can be quickly integrated into existing development and manufacturing platforms, as well as into their established commercial sales forces.

For life science companies ready for an exit, evidencing their long-term, operational stability and product differentiation will stand out to buyers and leave potential targets well-positioned for an M&A acquisition.

Capital structures with a long-term vision increase buyer confidence

Pharma companies are looking for late-stage assets with signs of good stewardship. Pipeline needs are high and time is running out on exclusivity for many key drugs, meaning buyers want low-risk, high-yield assets. Potential targets with limited runway and high cash burn present greater risk, particularly for buyers that need supplemental revenue streams sooner rather than later.

For potential M&A targets, capital structure should reflect a credible, long-term game plan, not a short-term exit strategy. An often recited saying "act like you will own it forever" leads to a company with realistic development and commercial plans, and can avoid a funding cliff.

Heavy reliance on bridge financing rounds may lead buyers to question whether capital is being managed effectively, as well as increase buyer concerns regarding consent holdouts or dilution. Companies in need of funding should consider non-dilutive financing options and plan ahead for properly sized equity rounds, which will increase buyer confidence and make it easier for a target to be incorporated into existing operations and growth plans.

Strategic IP management may provide greater flexibility and drive value

Since buyers are looking for de-risked transactions, clean chain of title and exclusivity offer buyer-certainty and greater predictability on future revenue outcomes. Absent clear freedom to operate, buyers may insist on unfavorable terms, including repurchase of licensed rights in key markets.

For life science companies ready for an exit, evidencing their long-term, operational stability and product differentiation will stand out to buyers and leave potential targets well-positioned for an M&A acquisition.

Potential targets should be proactive in confirming existing IP ownership, conducting freedom to operate analyses, and securing necessary assignments. They should also have a full understanding of whether there are opportunities to sell or spin out one program of assets, versus the entire business, and take steps to make such assets portable. This may require amending or assigning licenses, ensuring manufacturing and other essential agreements will be tied to the correct assets and can be freely transferred.

Data read outs offer risk and reward to M&A targets

Positive clinical data results will be an essential consideration for buyers, as they are a strong indicator of de-risking of the asset, and good results provide greater certainty regarding product approval and time to commercialization.

For potential M&A targets, deciding whether to pursue an acquisition before or after data read outs is often a

finely balanced decision. Good data readouts will drive competition and increase investor value, but poor data read outs could cause valuations to take a hit and lose acquisition opportunities. Often, the buyers will require the data read out before a deal will be consummated.

Proactive antitrust planning not only protects deal certainty; it can also expand the number of viable buyers and support stronger negotiating leverage on valuation and terms.

Targets that are confident in upcoming clinical data might decide to hold out to increase deal leverage, but others may need to review data and consider alternatives, whether it's an option or staged-deal, milestone purchase terms, or a co-development arrangement that can mitigate buyer risk.

Antitrust considerations may shape deal structure and timing

With the risk of imminent revenue losses, time is of the essence for pharma buyers. Many buyers are looking to close quickly, meaning antitrust laws could become a major gating issue. Therefore, potential targets should plan early for Hart-Scott Rodino (HSR) and other antitrust roadblocks to avoid surprises that might derail buyer interest.

If HSR or other antitrust issues apply, targets should evaluate alternative options, whether it's a single asset sale, spinning-out assets, or entering a co-development arrangement. Targets should also account for timelines when faced with HSR reporting requirements. Proactive antitrust planning not only protects deal certainty; it can also expand the number of viable buyers and support stronger negotiating leverage on valuation and terms. A number of deals over the past year have demonstrated this aspect of transactions and allowed successful transactions to proceed quickly.

Conclusion

Attractive targets in the 2026 life sciences M&A market will be those life sciences companies that pair latestage, de-risked assets with disciplined capital management, clean and portable IP, and well-timed data readouts. Companies that plan ahead on financing, IP, and deal structure will stand out and command better deal terms amid Big Pharma's search for new pipeline assets.

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