

McDERMOTT AND EY AT THE 2022 J.P. MORGAN HEALTHCARE CONFERENCE

TOP TAKEAWAYS



LIFE SCIENCES INVESTMENT FORUM

Despite offering one of the lowest total deal values on record, 2021 was an active M&A year. Due to the strong capital markets, a seller's market continued, creating additional urgency for biopharma companies to accelerate their partnership agendas, especially to access new modalities that are likely to be the cornerstone of future growth. The past year also put the MedTech industry in a position of strength. With record levels of firepower, transformational M&A is still a possibility. Yet with soaring valuations in the sector and the ready availability of capital through booming VC, IPO and SPAC markets, MedTechs, too, need a creative approach to dealmaking strategy if they are to secure future growth.

During the Life Sciences Investment Forum, two panels addressed the above topics. First, biopharma leaders discussed the current state of innovation and how companies can use dealmaking to access new products and/or technologies in 2022. Then, M&A leaders from MedTech organizations and private equity firms shared insights and best practices for their 2022 plans.

THE INNOVATION IMPERATIVE

1

The explosion in new therapeutic modalities like mRNA or cell therapy is a reason for excitement. However, these technologies also create challenges for industry leaders who must position themselves to generate value from those innovations. Companies will need balanced core portfolios built on internal R&D with complementary innovations residing outside their four walls.

THE PARTNERING ADVANTAGE

2

Given the current pace of change, M&A can actually impede life sciences innovation, creating new barriers for products if they must transition to bigger pharma owners. Because of the current seller's market dynamics, companies that devise strategic partnerships that more equitably share risk and reward will have an advantage.

M&A TRENDS

3

M&A remains an important mechanism for accessing external innovation, but companies will be most interested in using it to acquire bolt-on products that have been de-risked. Mid-sized biotechs can compete with larger biopharmas for late-stage assets thanks to the current market liquidity. This expansion of the buyer pool makes it even more important for larger biopharmas to accelerate their use of strategic partnerships when accessing innovation.

PROCEDURE VOLATILITY DUE TO COVID-19

4

Under a New York Executive Order signed by Governor Kathy Hochul, any hospital with 10% or less capacity as of December 3, 2021, had to shut down more elective surgeries until January 15, 2022. Massachusetts has also sought to reduce inpatient levels by pausing nonurgent/elective surgeries

PROFIT MARGINS IMPACTED

5

The Biden administration is investing \$1.5 billion through the American Rescue Plan to address workforce shortages, health disparities, frontline burnout, mandatory vaccination and pay concerns. Staffing challenges are especially critical in skilled nursing, senior housing and inpatient behavioral health.

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