

PNC PHARMA & LIFE SCIENCES

Monthly News Brief

December 2023

MedTech M&A Slump Continues but Analysts Predict Uptick in 2024 *(MedTech Dive)*

MedTech M&A deal volume was down for the second straight year, with most companies limiting themselves to sub-\$1 billion tuck-in acquisitions. Companies have closed 22 MedTech acquisitions YTD, up from 20 in 2022 and deal values remain healthy. Analysts see signs that M&A activity could rebound with average cash balances at large MedTech companies standing around ~\$5B (up \$1.5B since 2019) and interest rate increases slowing down

Bristol Myers to Acquire Brain Drug Developer Karuna for \$14B *(BioPharma Dive)*

Bristol Myers to acquire Karuna Therapeutics for \$14B (a 53% premium), betting that the biotechnology company's experimental schizophrenia drug "KarXT" will become a top-selling medicine. There are 1.6MM people treated for schizophrenia in the U.S. many of whom don't respond well or at all to current therapies. The drug is a newer type of medication and it's already succeeded in three mid to late-stage trials. If approved by regulators, it could be launched by the end of 2024

AbbVie to Buy Cerevel in \$8.7B Bet on Brain Drugs *(BioPharma Dive)*

AbbVie to acquire Cerevel Therapeutics for \$8.7B (a 73% premium). Cerevel is developing medicines for schizophrenia, dementia and Parkinson's disease. For AbbVie, acquiring Cerevel would add five clinical-stage drugs to its pipeline that target a diverse group of illnesses. Analysts state the decision to acquire Cerevel now, rather than after the data is a "bold" move, but it avoids the possibility of a bidding war should the data match or exceed expectations

FTC, in Unusual Move, Leads Sanofi to Terminate a Drug Research Deal *(BioPharma Dive)*

Sanofi terminated a licensing deal with biotechnology company Maze therapeutics after the FTC filed a lawsuit alleging that the collaboration was designed to extend Sanofi's monopoly in treating a rare disorder known as Pompe disease. FTC leaders have signaled in recent years that they are expanding their views of how consumers can be harmed by combinations involving drugs in earlier stages of development

FTC, DOJ Finalize Merger Guidelines that Could Impede Healthcare Deals *(BioPharma Dive)*

Federal antitrust agencies finalized stricter guidelines for mergers and acquisitions (M&A) that could make it more difficult for healthcare deals to close. The new guidance is generally more critical of mergers, and could give regulators more ammunition to go after vertical and cross-market deals, but doesn't include a lot of specifics to let companies know what M&A activity is and isn't allowed. As a result, healthcare companies pursuing dealmaking may be more wary about a regulatory challenge

U.S. Hospitals Forecast 9% Capex Growth to Support Elective Procedure Backlog *(MedTech Dive)*

In 2024 U.S. hospitals expect a 9% increase in capital spending on equipment for use in elective procedures delayed by COVID-19, down from 13% in 2023, but still up from pre-COVID spending levels according to a survey of 38 health system. The CFOs surveyed cited procedural tools and endoscopic cameras as a spending priority, while orthopedic and soft tissue surgical robotic systems were less of a priority. The analysts wrote that "hospitals seem to be reserving precious capital dollars for procedural tools that can better drive real-time revenues"

CVS is Switching up How it Pays for Prescriptions. Will it Save You Money? *(USA Today)*

CVS is switching up the way it pays for prescription drugs and moving toward a "more transparent" reimbursement model. Traditionally, the rate pharmacies are paid for filling prescriptions is determined through a complex system that involves middlemen called pharmacy benefit managers, with payments that are not directly based on what pharmacies spend on drugs. Under the new model, CVS's more than 9,000 pharmacies will have a reimbursement rate using a "transparent formula" based on the cost of the drug, a set markup price and a pharmacy services fee

Biden Administration Goes After Drug Patents in Bid to Lower Prices *(BioPharma Dive)*

Federal Agencies have taken steps to pressure pharmaceutical companies to lower the price of drugs developed with federal funding, by enabling the government to sidestep patent protections for those medicines. The new "march-in-rights" framework gives agencies the power to act "if it appears that the price is extreme, unjustified, and exploitative of a health or safety need." The pharma industry criticized the newly released guidance, stating there is no incentive for biopharmaceutical manufacturers to collaborate with the government or universities if the government can take away patent protections at any time

This news brief was prepared for general information purposes only and is not intended as legal, tax or accounting advice and does not constitute the provision of investment or economic advice to any person, or a recommendation to buy or sell security or adopt any investment strategy. Under no circumstances should any information contained in this brief be used or considered as an offer or commitment, or a solicitation of an offer or commitment, to participate in any particular transaction or strategy. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. Any reliance upon any such information is solely and exclusively at your own risk. Please consult your own counsel, accountant or other investment professional to discuss, or tailor a financial plan, to your specific situation. Neither PNC Bank nor any other subsidiary of The PNC Financial Services Group, Inc. will be responsible for any consequences of reliance upon any opinion or statement contained here, or any omission. PNC is a registered mark of The PNC Financial Services Group, Inc. ("PNC"). ©2023 The PNC Financial Services Group, Inc. All rights reserved.