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Outlook healthy for life sciences M&A, IPOs

In 2025, life science IPOs and M&As are set to rise, with more mature companies entering the market and a friendlier regulatory environment boosting deal activity, despite new antitrust hurdles.

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Dealmaking in the life science space is likely to be active in 2025 on both the capital markets and M&A fronts, as evidenced by the IPO and M&A activity seen in the first couple of months of 2025.

Over the past five years, the opportunities for raising capital in the public markets and the profile of possible M&A exits have shifted for life science companies. Where early-stage, preclinical companies with a compelling business plan were able to go public in 2020 and 2021, albeit with more modest gross proceeds, issuers coming out of the 2022/2023 overall market chill needed to be more mature, generally in the clinical-stage with data underpinning their business cases.

As we close out the first quarter of 2025, we anticipate increased activity in the life science IPO market, particularly in the back-half of the year. For those life science companies that went public earlier in the decade, we foresee an increased opportunity for M&A activity driven by a friendlier implementation of the antitrust laws under the Trump Administration and the need for big pharmaceutical companies to expand their patent portfolios.

IPO outlook

Life science companies make up a significant portion of the IPOs in the healthcare industry, which itself represents a healthy portion of the total IPO market. For example, in 2024, nearly 22% of IPOs by non-SPAC issuers were in the healthcare space with nearly 84% of those issuers being life science companies. While the first quarter of 2025 is characterized by an uncertain macroeconomic and geopolitical landscape, the number of life science issuers that have priced an initial public offering is comparable to the same period of 2024. Stymied by the lackluster post-IPO trading performance of 2024 life science issuers, IPO candidates who are well-funded with longer cash runways are likely to hold off on their plans to IPO until later in the year or in 2026. Accordingly, we do not anticipate meaningful quarter-over-quarter growth in life science IPOs during the second quarter but expect that real growth in the sector will occur in the second half of 2025. To the extent that market conditions are not favorable, these IPO-ready companies could seek an M&A exit or represent attractive M&A targets from large-pharma.

In general, 2025 life science IPO candidates will continue to be further along in development than their turn-of-the-decade counterparts, with most having assets in Phase 2 clinical trials. Indeed, it is unlikely that preclinical life science companies will see much support for going public anytime soon. Since the life science IPO candidates will be more mature, and typically have established a proof of concept through their Phase 1 clinical trials, we will generally see that they can raise higher gross proceeds than the life science issuers in 2020 and 2021. There are opportunities for companies across the life science sector, though companies focused on therapies in the immunology and inflammation area or the neuroscience space are likely to be particularly popular.

Public M&A outlook

Signs point to a robust M&A landscape in the life science sector during 2025. Similar to the IPO market, it is likely that the second quarter of the year will bring a steady pace of deals followed by a busier second half as buyers have time to absorb the shifting macroeconomic, regulatory and geopolitical landscape brought by the change in presidential administration and to initiate a deal process. Deal types are likely to be varied, comprised of add-ons, spin-offs and take privates, though it is unlikely that we will be overwhelmed with blockbuster deals.

The Biden Administration's more aggressive approach to antitrust enforcement had a chilling effect on M&A over the past few years as parties were unwilling to shoulder the uncertainty of whether a deal, once announced, could surmount the necessary regulatory hurdles to make it to closing. The Trump Administration's deregulatory approach that disfavors government intervention in the market is likely to bring a more conservative application of antitrust doctrine and less antitrust enforcement, providing buyers and sellers with increased deal certainty. However, the Trump Administration allowed significant updates to the Hart-Scott-Rodino Act adopted by the U.S. Federal Trade Commission (FTC) in October 2024 to go into effect on Feb. 10, 2025. These updates dramatically increase the amount of information and number of documents to be produced for an initial HSR filing, which will drive up the associated costs for buyers and sellers and could decrease willingness to make a deal. However, it is likely that the new rules will be scrutinized and potentially scaled-back under the leadership of Andrew Ferguson, the new chairman of the FTC.

As many big pharmaceutical companies stare down a pending patent cliff, they have a voracious appetite to refresh their pipeline and are likely to look to acquire smaller cap public life science companies as a way to bolster future outlook. Recently, this has led to parties negotiating more creative deal structures. For example, an acquisition concurrent with a spin-off can enable big pharma buyers to acquire drugs that have already achieved key U.S. Food and Drug Administration milestones while also allowing management and shareholders the opportunity to participate in the upside of other pipeline assets.

In addition, it is also possible to see increased interest in life science companies from private equity. Traditionally, private equity firms have been less active in the life science space, but with a backlog of dry powder to deploy, it could become attractive to take an undervalued life science company private in the short-term in the hopes of a lucrative sale to big pharma in the long-term.

Conclusion

While the current political climate remains fluid and could have a variable impact on the 2025 IPO and M&A markets, we anticipate that, in the end, 2025 will bring strong momentum for life science companies entering the public markets and doing deals.,

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