

GIBSON DUNN



Life Sciences Update

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Life Sciences 2025 Outlook

The life sciences industry is entering 2025 with a largely favorable set of catalysts for the coming year, but also with some larger risks that will impact companies differently.

Key developments in 2024 laid the groundwork for the coming year, including the following:

- a modest year-over-year increase in M&A activity in 2024, which should continue and accelerate in 2025 with a more favorable regulatory environment;
- a modest increase in capital markets activity in 2024, including a nearly 55% increase in initial public offerings (off a low base level to start), which is also expected to continue to gain momentum in 2025;
- continued growth in non-dilutive financing through debt, royalty financings and synthetic royalty financings, with a deeper pool of capital on the investor-side and a favorable macro-economic environment, provided that inflation does not return, and interest rates increase;
- continued momentum in licensing activity in 2024, including an increase in out-licensing deals from China, which is expected to continue into 2025 depending on geopolitics; and
- significant strides in artificial intelligence (AI) applications, including the release of AlphaFold3, which predicts not only structures of proteins, but also the interaction of complex proteins, potentially dramatically accelerating drug discovery, as well as the development of AI tools to help design and manage clinical trials, lowering costs and increasing the likelihood of success.

Against this backdrop, we must also take into account the expected impacts of a shifting geopolitical environment and regulatory landscape driven by the incoming Trump administration. The life sciences sector stands to gain from continued innovation and a number of positive tailwinds, but must also navigate risks related to macroeconomic volatility, potential supply chain disruptions, and evolving public policy priorities. This report provides an integrated outlook on the industry's key areas, including mergers and acquisitions (M&A), capital markets, royalty finance, collaborations and licensing, regulatory policies, and AI, identifying trends and uncertainties that will shape the year ahead.

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