



September 2023

2023 Life Sciences M&A Study

Deal terms, milestone achievements, and other data in private-target Life Sciences M&A transactions that closed between 2008–2023

Please direct inquiries to: lifescistudy@srsacquiom.com

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Loan Agency

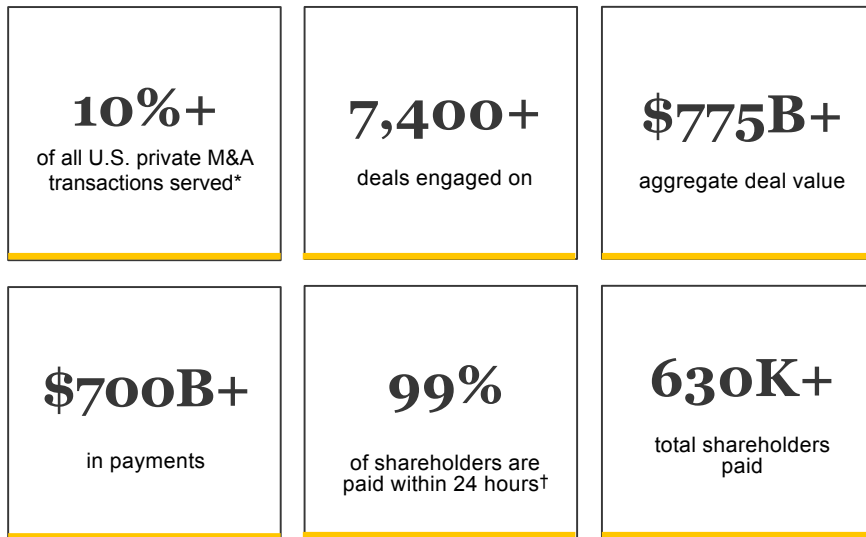
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SRS Acquiom delivers the smartest way to run deals, with solutions that reduce the administrative burden throughout

We pair tailored, expert service with game-changing data and technology, making complex deals as efficient as possible.



**Statistics contained herein are derived from publicly available sources.*

†Consideration given to those that have completed a Letter of Transmittal (LoT).

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About the Study and the Data

SRS Acquiom has provided professional and financial services as a post-closing shareholder representative for sellers on **383** M&A transactions since 2008 involving private-target Life Sciences companies in **three sectors**.

- **Biotech/Pharmaceuticals (“Bio/Pharma”)**
- **Medical Devices (“Devices”)**
- **Diagnostics and Research Technologies (“Dx/Research”)**

Study Development Parameters:

The general term “earnout” is used in this study for sales-based payments and for milestone-based payments that are common in Life Science deals. Percentages may not add up to 100% due to rounding. Earnout potential calculations generally exclude variable or formula-driven payments having no defined dollar amount or cap, such as royalties. SRS Acquiom has updated our databases from inception, and presentation parameters in this study, to provide the most comprehensive and accurate data possible. The 2023 study data may differ slightly from data reported in earlier studies.

Very few of the agreements for the deals included in this study are available publicly, nor is information on post-closing outcomes. This study analyzes the following topics:

- Deal terms from 383 deals, including 272 deals with an earnout (aggregate \$70.6B up-front plus \$74.1B earnout potential).
- Milestone achievement data from 211 deals that have at least one milestone due by mid-2023.* The milestones due by mid-2023 represent total earnout potential of \$35.0B.
- Data analyzed by industry sector, closing date, up-front value, lead product stage at closing, buyer diligence standard, milestone phase, and dispute or renegotiation status.

**This reflects the SRS Acquiom estimate of whether the milestone would have been expected at closing to be hit or missed by mid-2023, rather than still pending.*

Recent Life Sciences Deals

 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 
 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 
 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 

Representative Buyers*

Biotech/Pharmaceuticals



Medical Devices



Diagnostics and Research Technologies



* Data presented in this study may not include all companies shown above and does include other companies not shown here. Data are from our work as shareholder representative for sellers on deals with these and other buyers. SRS Acquiom may provide other professional services to buyers, but no data from such work are reflected in this study.

Deal Terms

- The number of Dx/Research Technologies deals in our set surged in 2021 and 2022. ([Slide 11 ►](#) and [Slide 22 ►](#))
- Representations and warranties insurance was rarely utilized in life sciences M&A deals until it jumped to 30% of deals since 2021, with related impacts in those deals on deal terms regarding survival of representations and warranties, liability caps and indemnification escrow size. ([Slide 13 ►](#), [Slide 14 ►](#), [Slide 16 ►](#), and [Slide 17 ►](#))
- Commercial milestones comprise more than 40% of total earnout potential in Bio/Pharma deals, which is over \$25B. Most of this earnout potential (\$15.3B) is to be paid upon annual product sales of \$1B or more. Note, however, such milestones appear in only 26% of Bio/Pharma deals, concentrated in certain time periods prior to 2021. ([Slide 24 ►](#))

Escrow Claims

- Escrow claims in life sciences deals are slightly less frequent but more likely to be large, exceeding \$10 million in 11% of claims versus 2% for all industries. ([Slide 28 ►](#))

Earnout Achievement

- Since the 2021 SRSA Life Sciences M&A Study was published, we have distributed \$1.8B in life science milestone payments to selling shareholders, increasing the cumulative total since 2008 by almost 40% to \$6.5B. ([Slide 31 ►](#))
- However, our reported earnout achievement rates have declined significantly for life sciences, almost entirely due to the Bio/Pharma sector and not the Device and Dx/Research sectors. ([Slide 32 ►](#))

NEW DATA POINT



< “New Data Point” buttons appear on all slides featuring new data points throughout the study.

KEY FINDING



< Click on the “Key Finding” button throughout the study to return to the Key Findings on pages 8 and 9.

Earnout Achievement *(continued)*

- We now report cumulative Bio/Pharma milestone achievement rates of only 22% by events and 16% of earnout potential, down from 34% for both in 2021 as many late-stage milestones from older deals are now deemed due without being achieved. ([Slide 32 ➤](#), [Slide 36 ➤](#), and [Slide 38 ➤](#))
 - Commercial milestones worth \$7.5 billion are now deemed due, but well under \$1 billion has been paid. ([Slide 45 ➤](#))
 - More milestones based on phase 3 or phase 2 clinical trials have been achieved but not enough to keep pace with the fast-increasing number coming due. ([Slide 45 ➤](#))
 - On the other hand, more than 40% of phase 1 and preclinical milestone events have been achieved, paying 32% and 61% of their earnout potential, respectively. ([Slide 45 ➤](#))
- By contrast, in Devices and Dx/Research, milestones continue to be achieved at consistent rates of more than 20% or 30%, usually within a few years of closing. ([Slide 32 ➤](#), [Slide 37 ➤](#), and [Slide 41 ➤](#)) This applies to older and more recent deals and to both development and commercial milestones. ([Slide 39 ➤](#) and [Slide 46 ➤](#))
- Our data do not show a significant correlation between different types of buyer diligence requirements and milestone achievement rates. ([Slide 47 ➤](#))

Disputes and Renegotiations

- Since our 2021 study, payments on disputed milestones have grown by only about \$0.1B, while the aggregate unpaid potential under dispute has grown by more than 50% from \$3.5B to \$5.4B. ([Slide 49 ➤](#))

Deal Terms

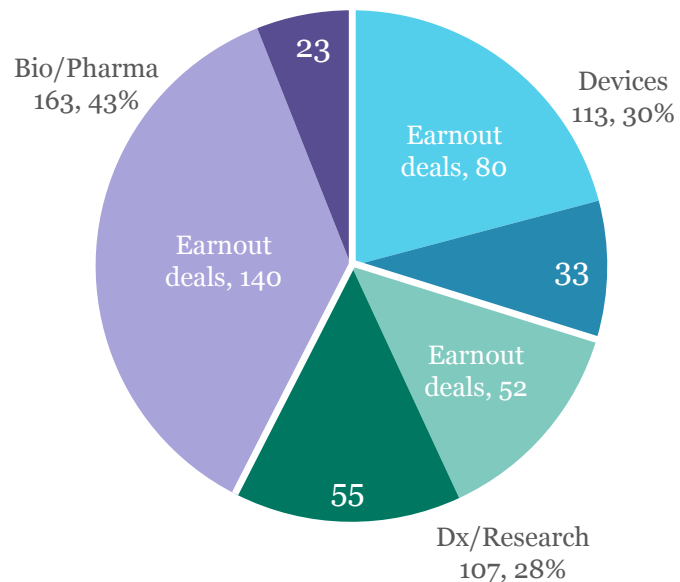
Deal Set Overview

KEY FINDING

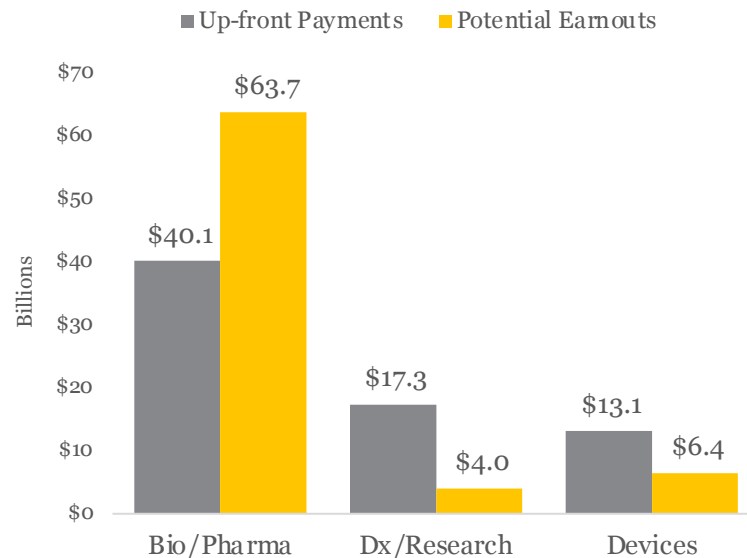


Deal counts

383 total deals:
272 earnout deals; 111 deals without earnouts

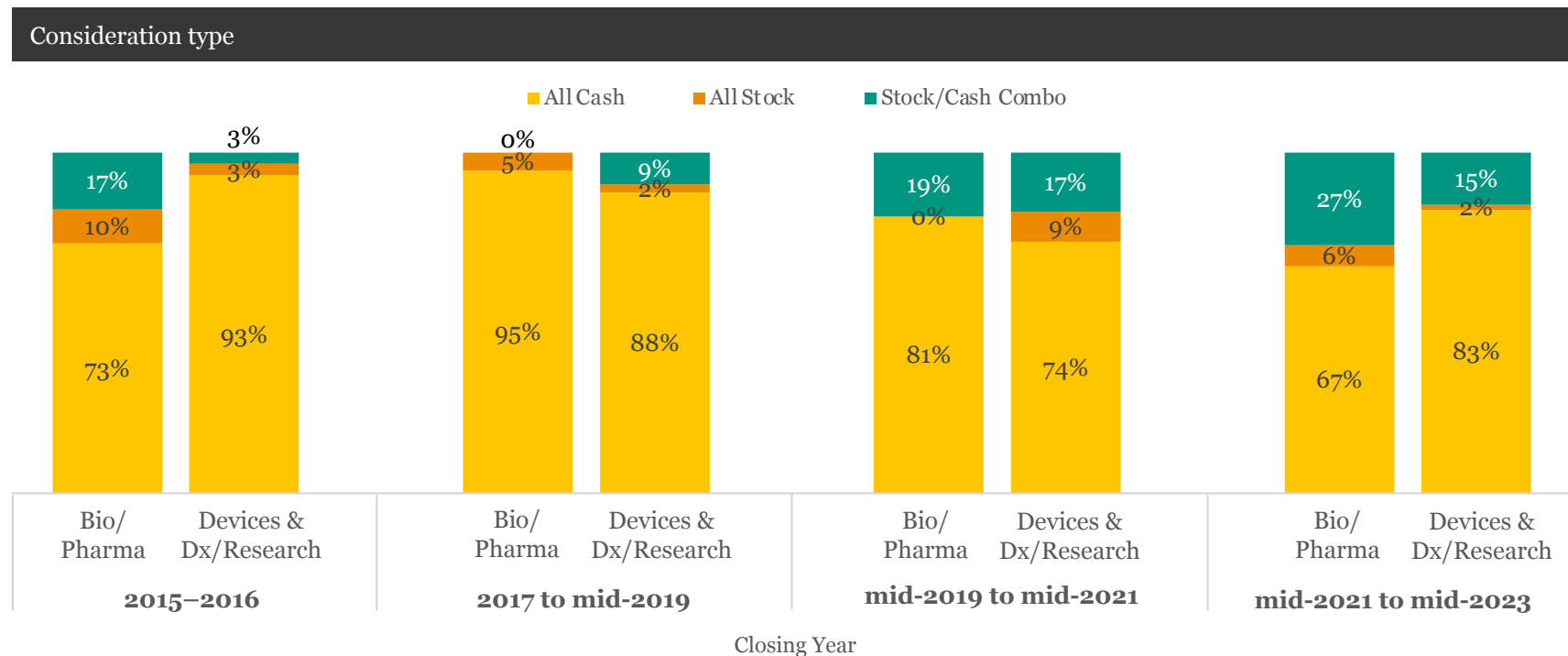


Aggregate value



* Aggregate up-front values include both deals with and without an earnout.

Closing Consideration Trends (Life Sciences Deals)

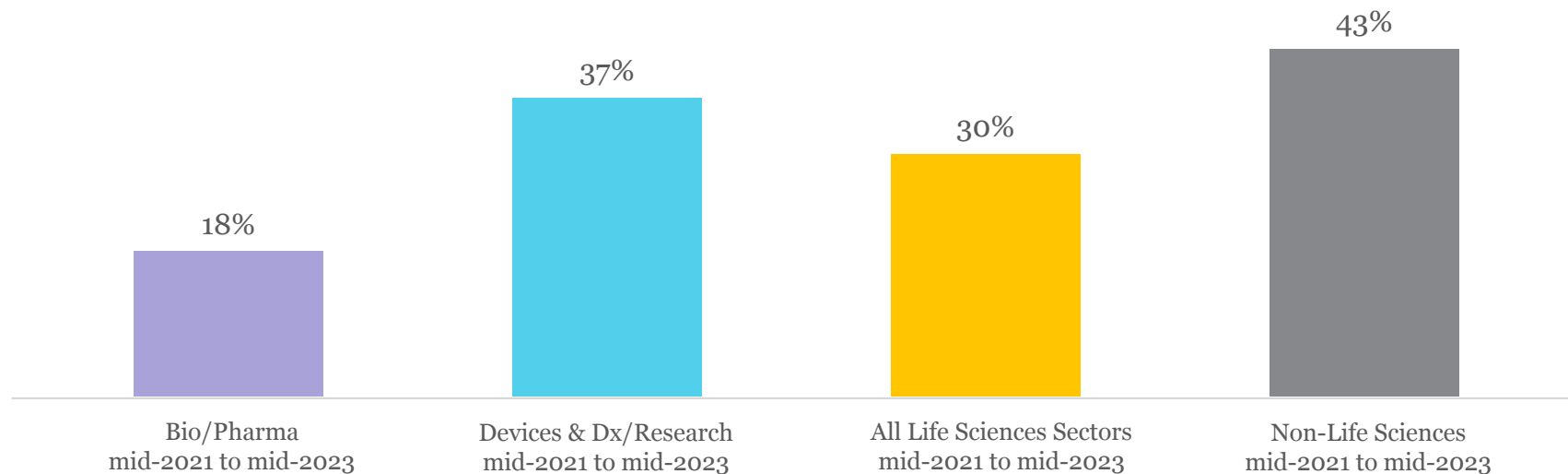


Representations and Warranties Insurance: Frequency

NEW DATA POINT

KEY FINDING

Detail, mid-2021 to mid-2023



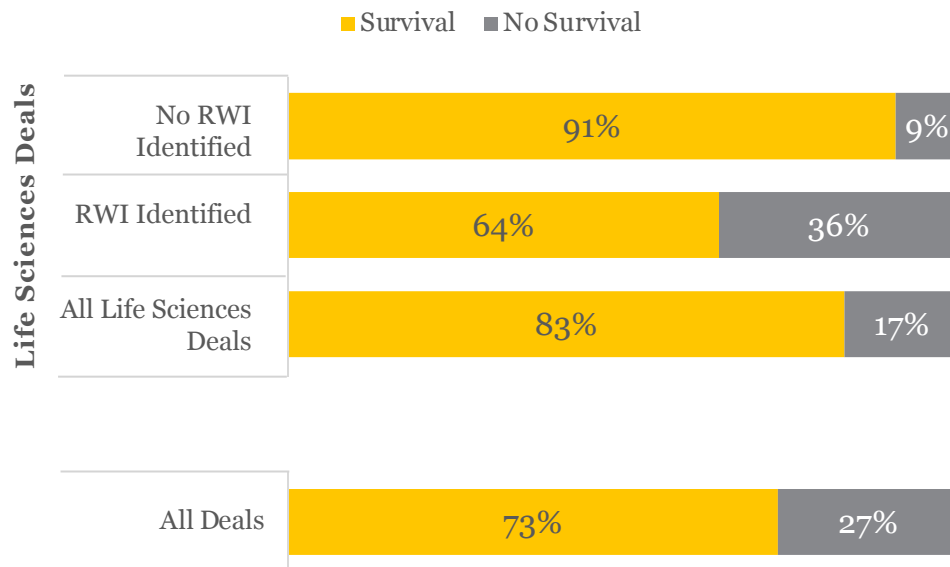
Prior to mid-2019, Life Sciences deals rarely included RWI (3% or less of deals).

General Survival (or Not) of Sellers' Representations and Warranties

NEW DATA POINT

KEY FINDING

Influence of representations and warranties insurance (mid-2021 to mid-2023)

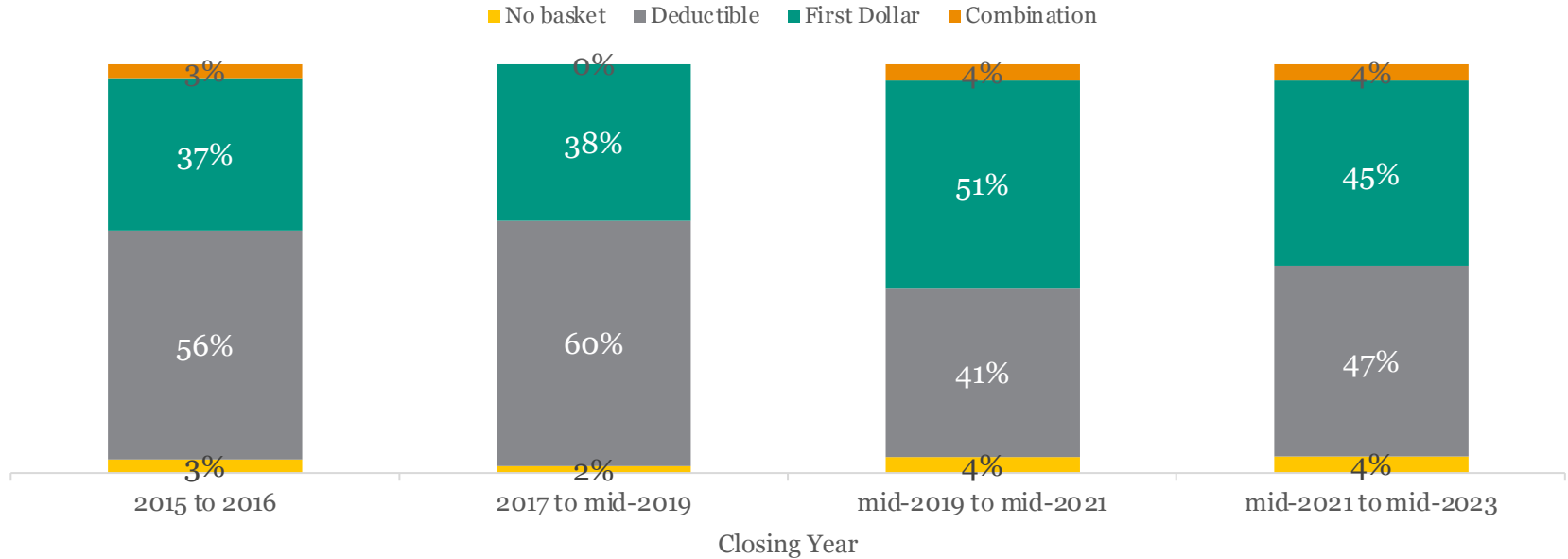


Survival periods (in months)

	Average	Median
mid-2021 to mid-2023	16	15
mid-2019 to mid-2021	15	15
2017 to mid-2019	17	18
2015 to 2016	17	15

Baskets: Definitions

Basket frequency

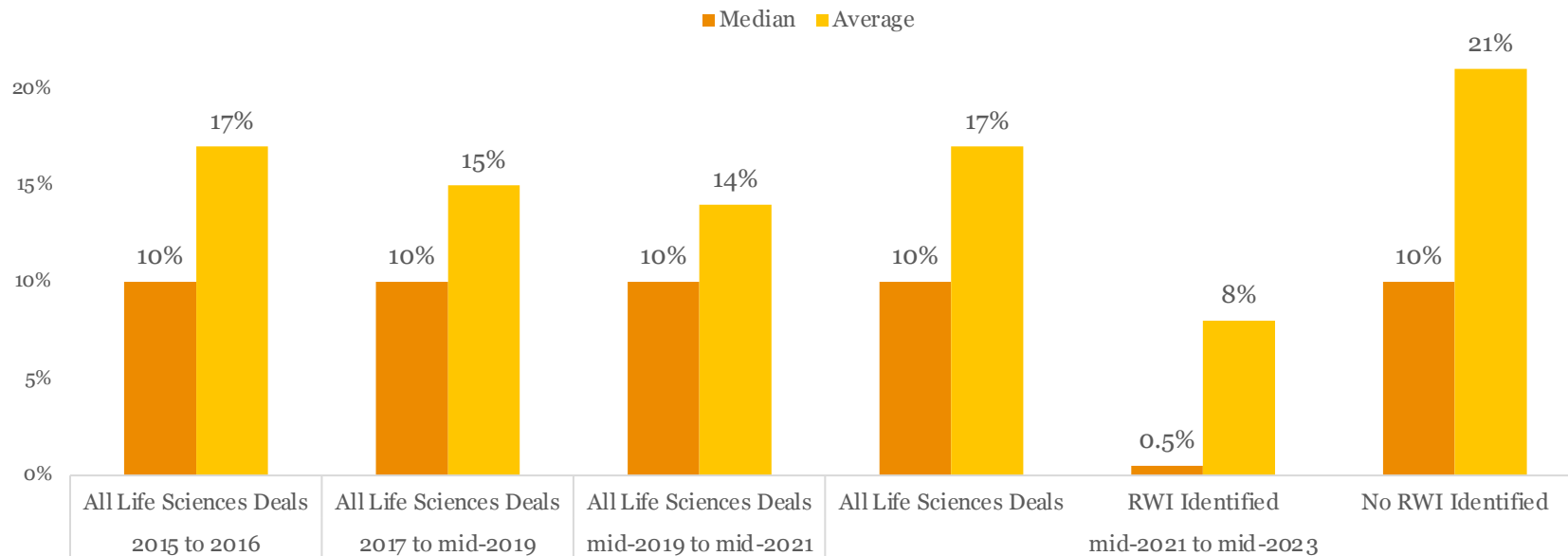


Caps as a Percentage of Transaction Value*

KEY FINDING



General liability cap details, 2015 to mid-2023

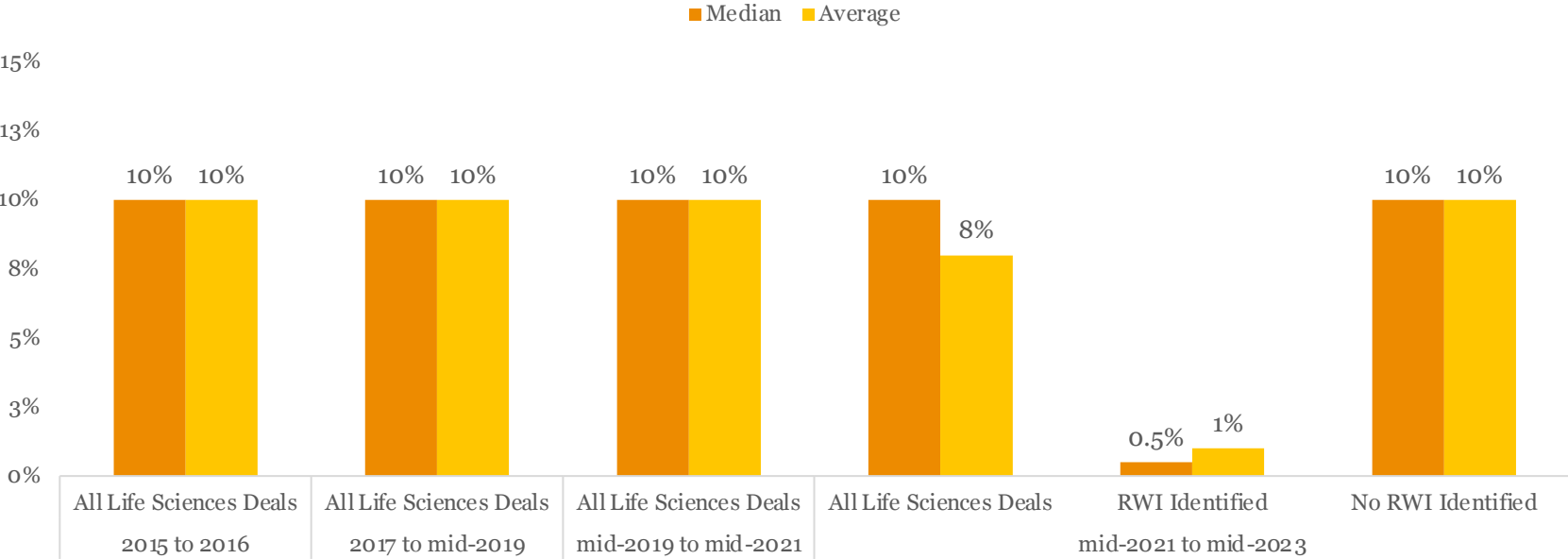


* In mid-2021 to mid-2023 Life Sciences deals with escrows/holdbacks, 58% of caps equaled the escrowed amount.

General Indemnification Escrows as a Percentage of Transaction Value

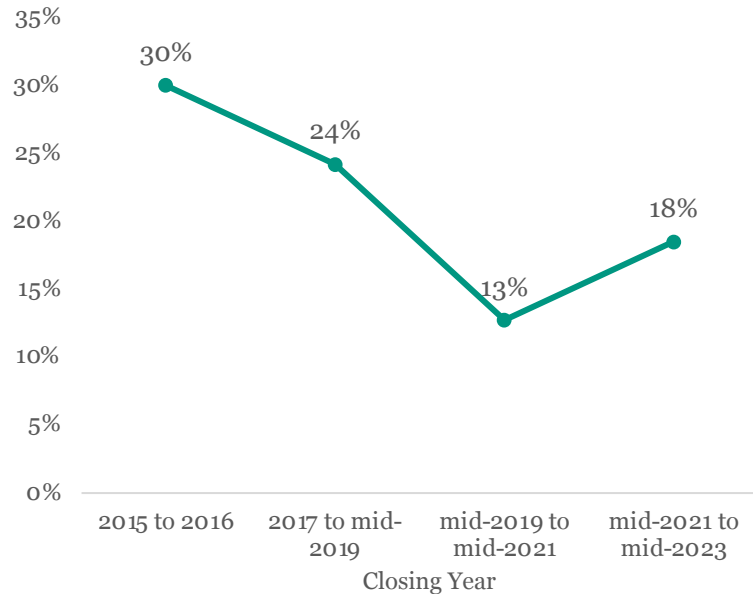
KEY FINDING

General indemnification escrow details, 2015 to mid-2023



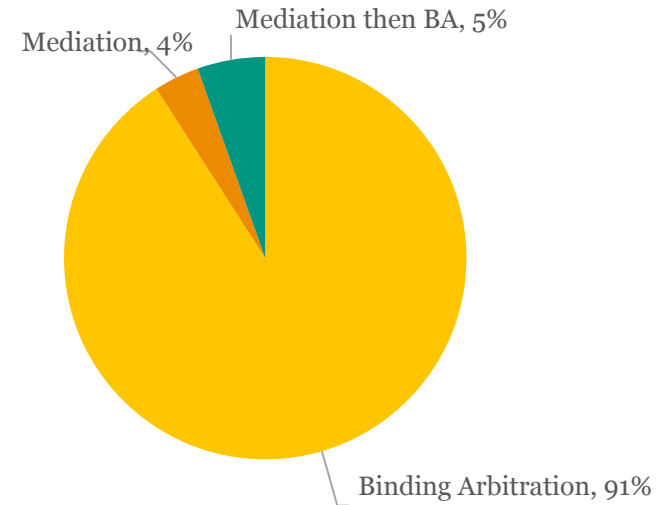
Alternative Dispute Resolution (“ADR”)*

ADR inclusion



Type of ADR

Subset: general ADR included, 2015 to mid-2023 closing dates

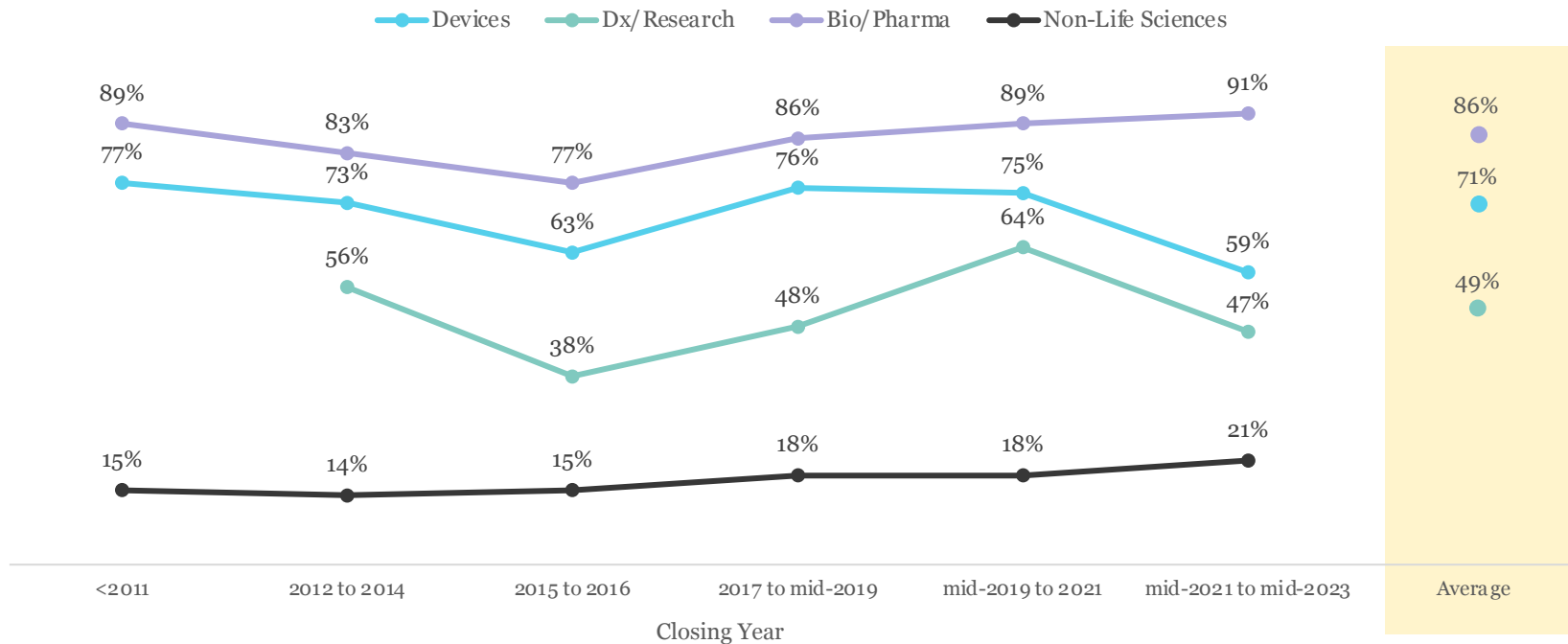


* Sample includes ADR provisions that apply to all disputes arising out of the agreement and does not include ADR provisions limited to particular matters such as purchase price adjustments or earnouts.

Earnout Terms

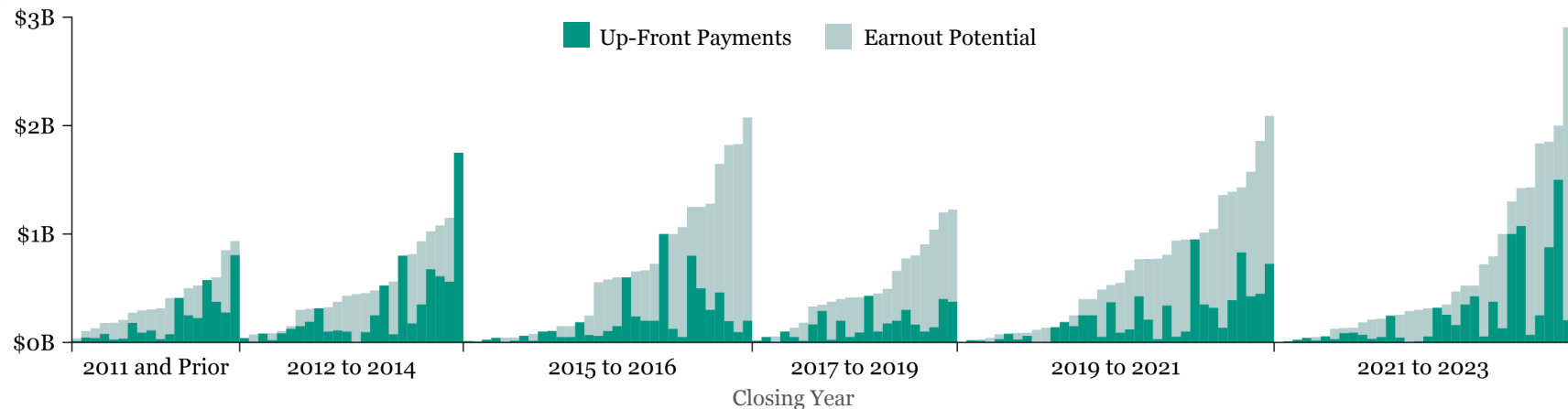
Frequency of Earnouts: By Sector

Percent of deals with an earnout — Life Sciences sectors and other industries



Aggregate Transaction Values: Bio/Pharma

Aggregate transaction values (up-front plus earnout potential) by deal



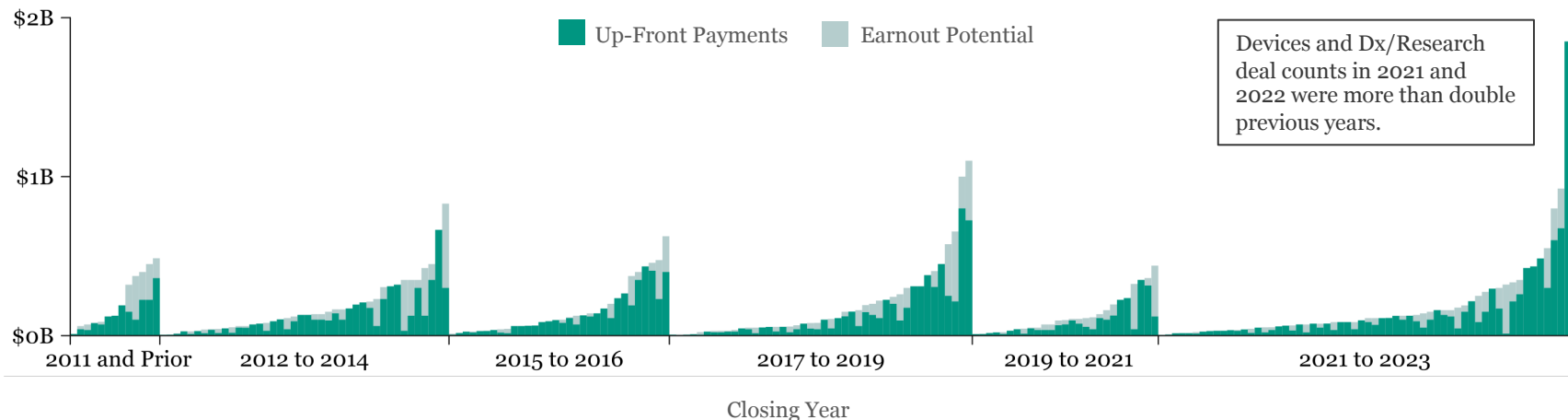
	2011 and prior	2012 to 2014	2015 to 2016	2017 to mid-2019	Mid-2019 to mid-2021	Mid-2021 to mid-2023
# of deals (with earnout)	18 (16)	24 (20)	31 (24)	21 (18)	36 (32)	33 (30)
Mean # of milestone events per deal	6	6.4	8.7	8.6	9.9	7.7
Mean earnout potential per deal	\$200M	\$301M	\$629M	\$409M	\$683M	\$494M
Median earnout potential per deal	\$183M	\$298M	\$470M	\$352M	\$508M	\$286M
Mean up-front values	\$202M	\$300M	\$194M	\$163M	\$272M	\$303M
Median up-front values	\$101M	\$138M	\$105M	\$140M	\$145M	\$85M

Aggregate Transaction Values: Devices and Dx/Research

KEY FINDING



Aggregate transaction values (up-front plus earnout potential) by deal

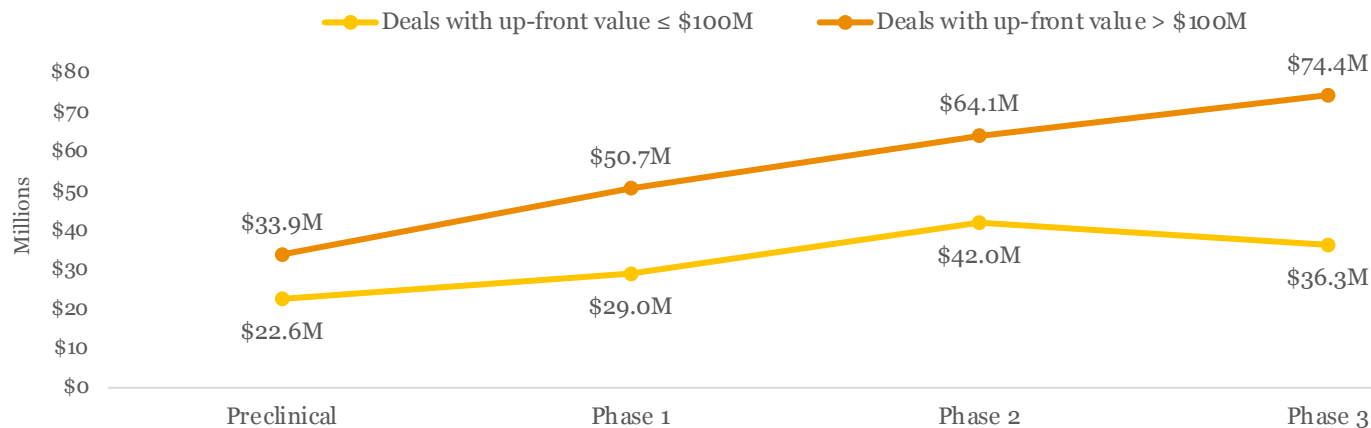


	Closing Year					
	2011 and prior	2012 to 2014	2015 to 2016	2017 to mid-2019	Mid-2019 to mid-2021	Mid-2021 to mid-2023
# of deals (with earnout)	13 (10)	42 (28)	32 (16)	46 (29)	27 (19)	60 (30)
Mean # of milestone events per deal	4.2	5.3	3.7	3.3	4.3	3.4
Mean earnout potential per deal	\$116M	\$86M	\$72M	\$88M	\$65M	\$82M
Median earnout potential per deal	\$125M	\$35M	\$39M	\$38M	\$34M	\$44M
Mean up-front values	\$133M	\$123M	\$130M	\$178M	\$86M	\$149M
Median up-front values	\$120M	\$93M	\$88M	\$58M	\$45M	\$75M

Negotiated Milestone Values by Development Phase: Bio/Pharma

Milestones are categorized to include any payment triggered upon or immediately after achievements in that phase of development. For example, preclinical success may trigger a milestone payment upon IND filing or start of phase 1, categorized here as a preclinical milestone.

Mean milestone values at each development phase for all Bio/Pharma deals – by up-front value



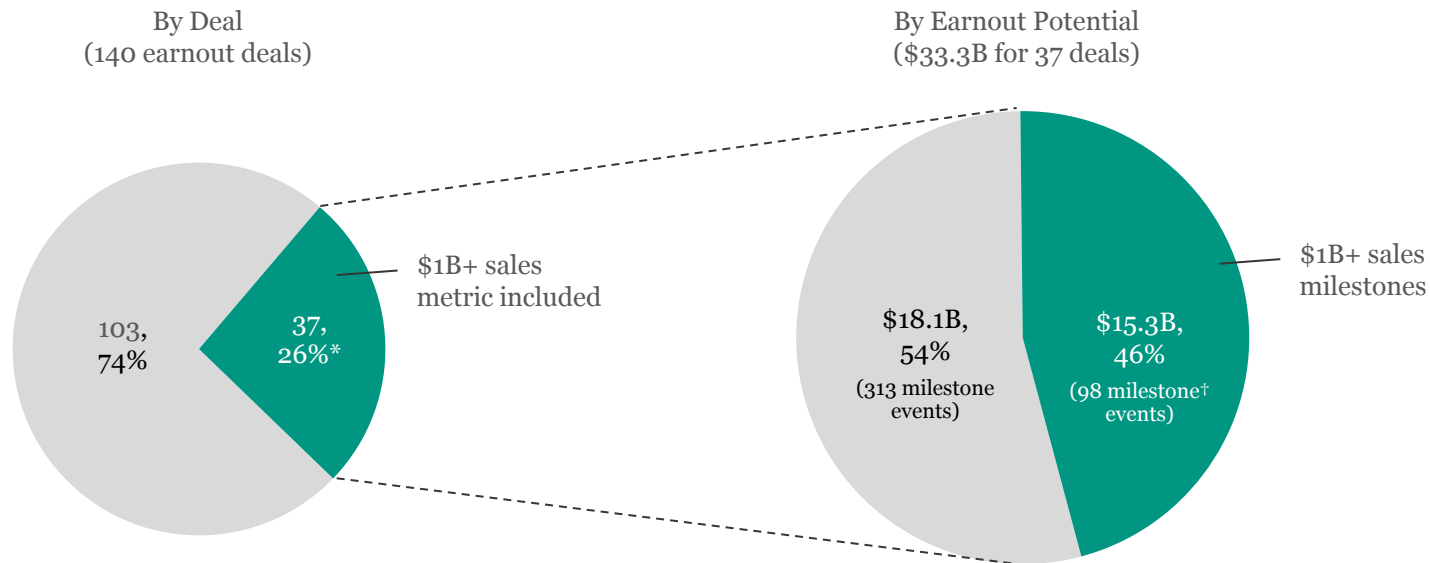
Milestone Values	Preclinical	Phase 1	Phase 2	Phase 3
Mean	\$33.0M	\$36.0M	\$61.8M	\$53.6M
Median	\$21.0M	\$25.0M	\$49.0M	\$32.3M

Billion-Dollar Sales Milestones: Bio/Pharma

NEW DATA POINT

KEY FINDING

Milestone triggered by annual sales of \$1B or more



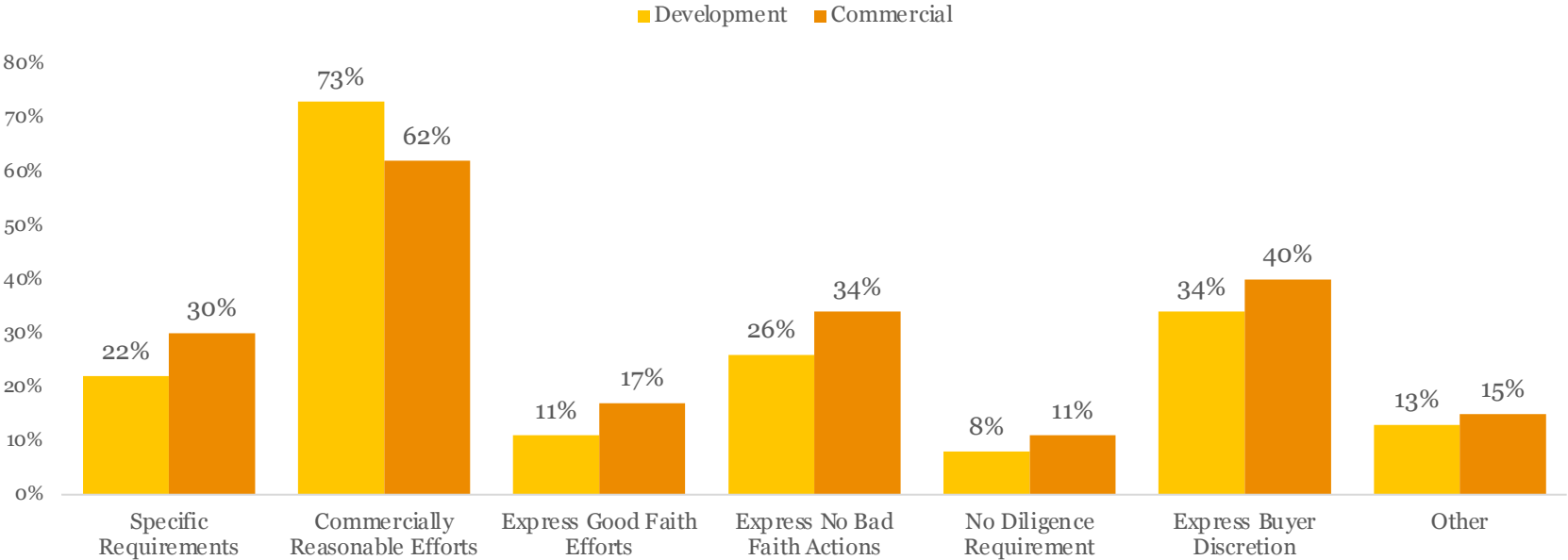
* More than 2/3 of these 37 deals were in the 2015 to 2016 and mid- 2019 to mid-2021 closing periods.

† Note: Insufficient data available on achievement of these milestones to produce meaningful analyses.

Diligence Requirements: All Sectors

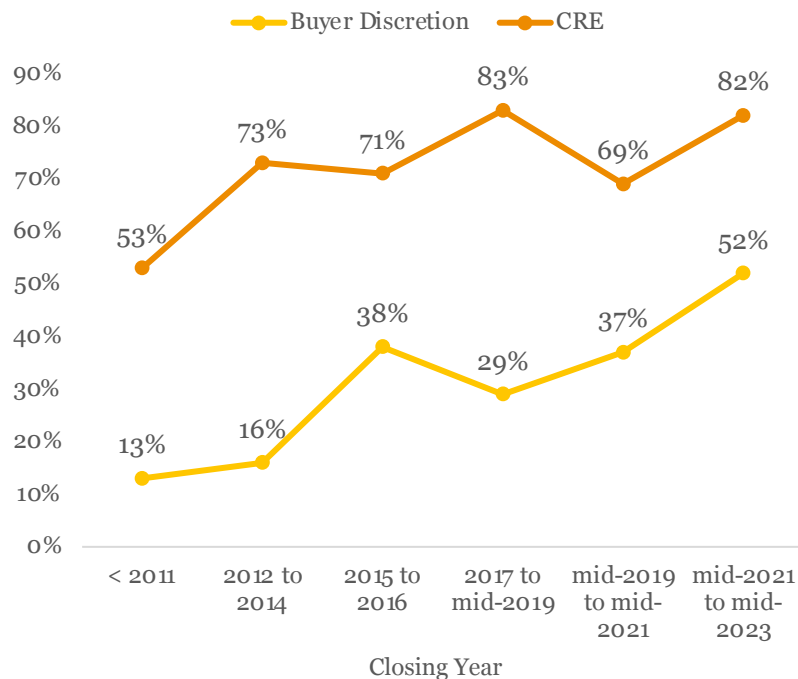
Note: Because milestones are often subject to more than one diligence requirement, totals exceed 100%.

Percent of milestones with each type of diligence requirement



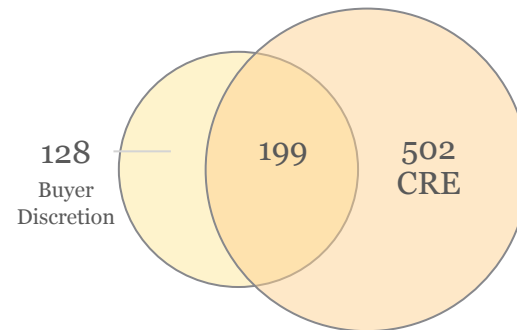
Diligence Requirements: CRE and Buyer Discretion in Bio/Pharma

Percent of development milestones



Number of development milestones

327 total Buyer Discretion; 701 total CRE



- Commercially reasonable efforts (CRE) requirements of some kind are usually included in milestone provisions
- But Buyer Discretion has appeared more frequently since 2015, even in 199 milestone provisions where CRE was also required (e.g., general rule with a proviso, or CRE for a time and Buyer Discretion thereafter).

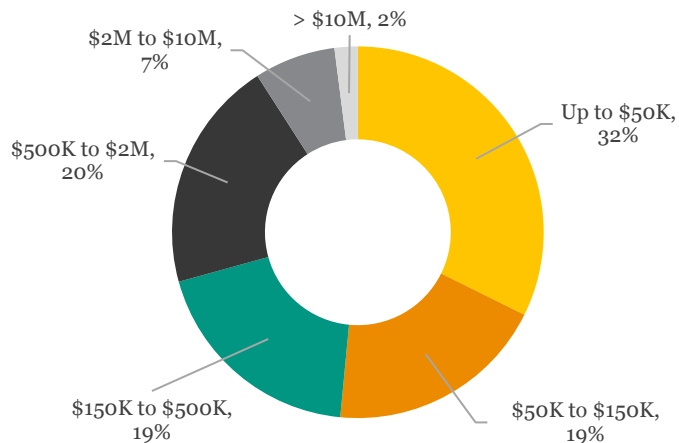
Escrow Claims

Escrow Claims: Frequency and Size

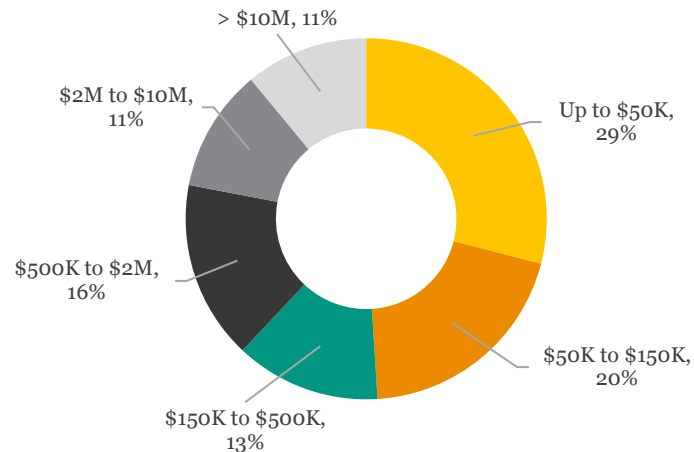
KEY FINDING



Claim sizes – other industries



Claim sizes – Life Sciences

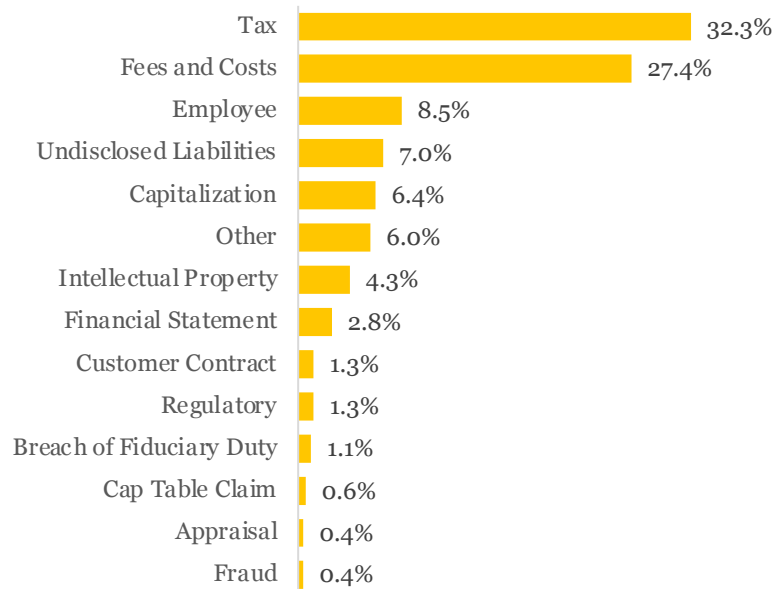


Indemnification Claims*	Other Industries	Life Sciences
Total Deals†	618	90
Deals with a Claim (%)	192 (31%)	23 (26%)
Claims	470	59

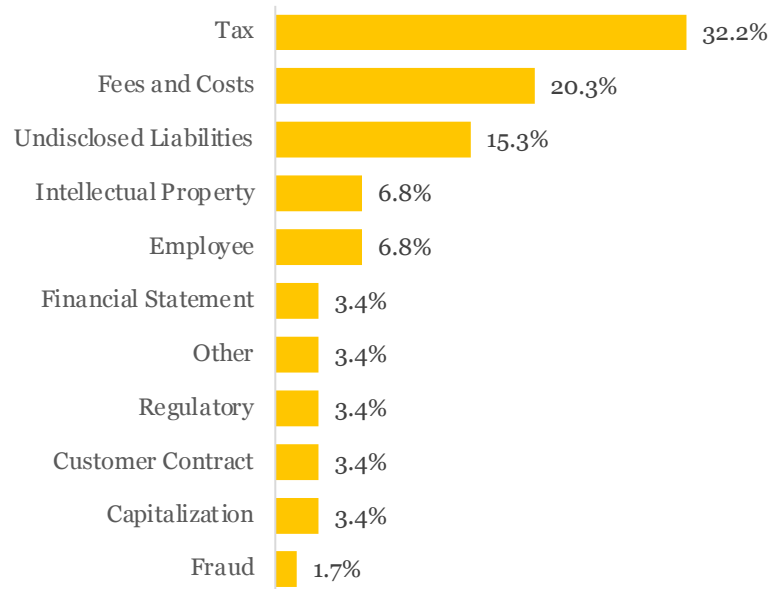
* Excluding purchase price adjustments; † Includes deals that closed from 2010 to 2022 with escrows that were fully released during the period from Q4 2020 through Q2 2022.

Representations and Warranties Claims: Frequency

Other industries (470 claims)



Life Sciences (59 claims)



Earnout Achievement

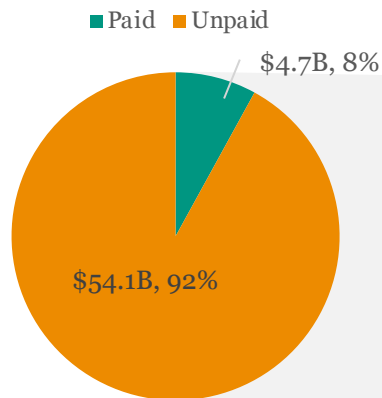
When calculating the earnout achievement data in this section, certain milestone types, such as uncapped milestones, were excluded.

Earnout Potential and Payments: 2021 vs. 2023*

KEY FINDING

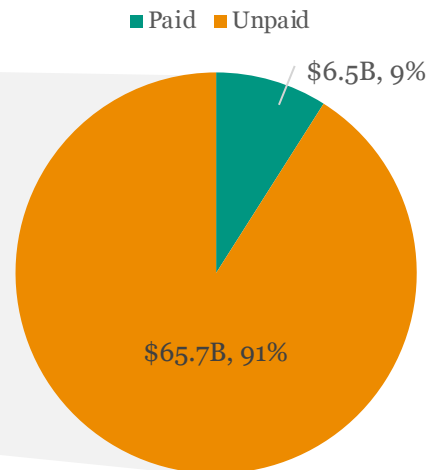


All milestones in earnout deals: 2021



- 212 earnout deals
- \$58.9B earnout potential

All milestones in earnout deals: 2023



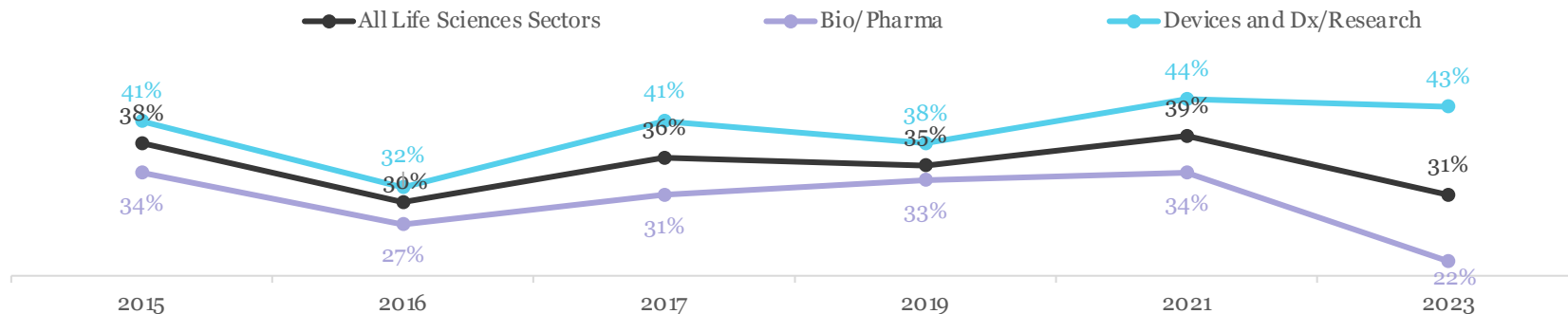
- 252 earnout deals
- \$72.2B earnout potential

* Comparing deal sets from the SRS Acquiom Life Sciences M&A Studies published in 2021 and 2023.

Milestone Achievement Rates: 2015 to 2023

Subset: Milestones deemed due by the respective publication date*

Milestone events paid/due (%)



SRS Acquiom Life Sciences M&A Studies Year of Publication

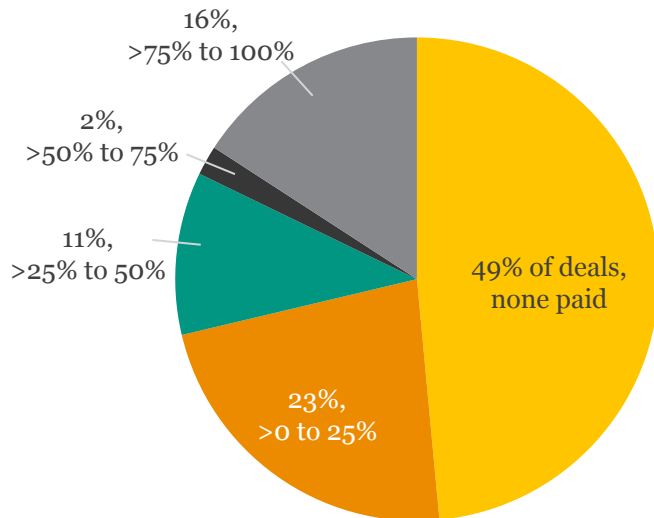
Devices and Dx/Research Milestone Events	2017	2019	2021	2023
Total #	222	267	422	468
Due # (% of Total)	168 (76%)	225 (84%)	292 (69%)	359 (77%)
Paid # (% of Due)	69 (41%)	84 (37%)	127 (43%)	155 (43%)
Bio/Pharma Milestone Events				
Total #	372	473	924	1013
Due # (% of Total)	158 (42%)	214 (45%)	259 (28%)	504 (50%)
Paid # (% of Due)	49 (31%)	71 (33%)	88 (34%)	110 (22%)

* As a result of insufficient information on milestone achievement or other reasons, this study excludes about 10% of the Bio/Pharma milestone events that were included in the 2021 study for deals closed prior to mid-2021. The overall achievement rate for such excluded milestone events is less than 1% (i.e., less than \$100 million total paid for aggregated earnout potential of over \$13 billion).

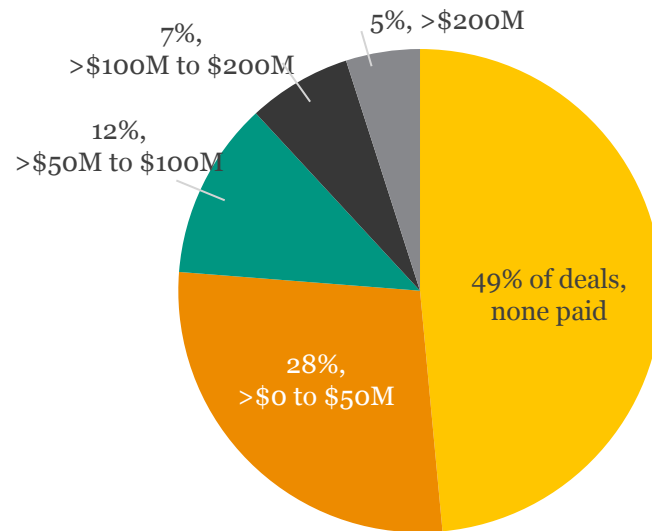
Earnout Achievement by Deal: Bio/Pharma

Subset: deals with at least 1 milestone due by mid-2023*

103 deals by % of earnout potential paid



103 deals by aggregate milestone payments



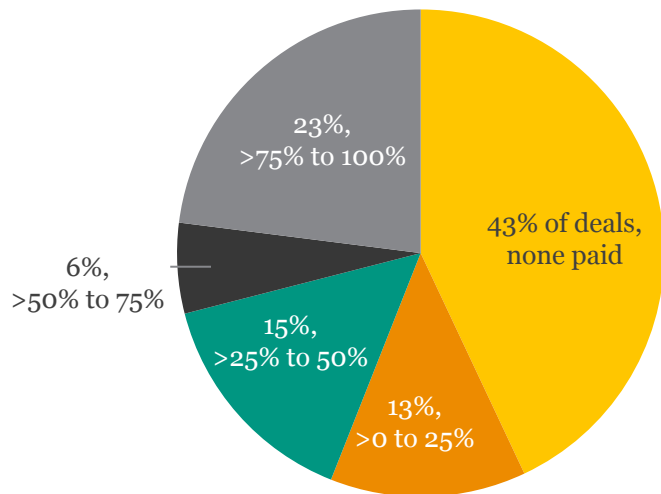
* These 103 deals have total earnout potential of \$49.2B, of which \$27.7B is due by mid-2023 and the remaining \$21.5B is still pending. \$4.9B has been paid, which is 18% of earnout potential due by mid-2023 from all deals or 29% of that from deals that paid more than zero.



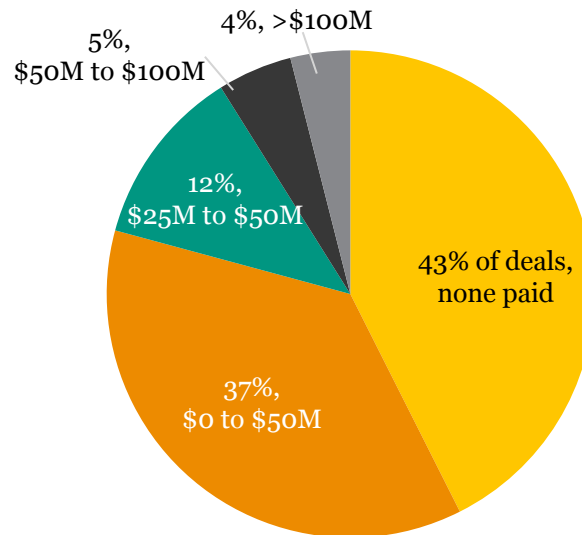
Earnout Achievement by Deal: Devices and Dx/Research

Subset: deals with at least 1 milestone due by mid-2023*

108 deals by % of earnout potential paid



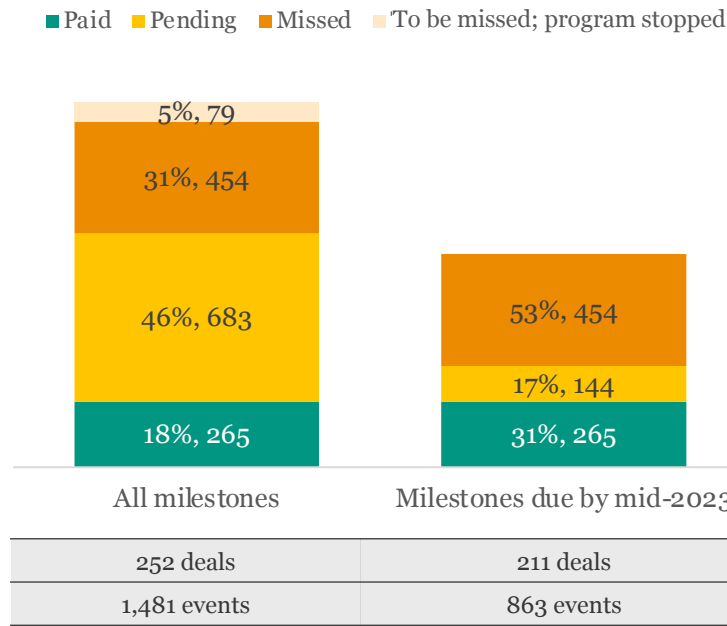
108 deals by aggregate milestone payments



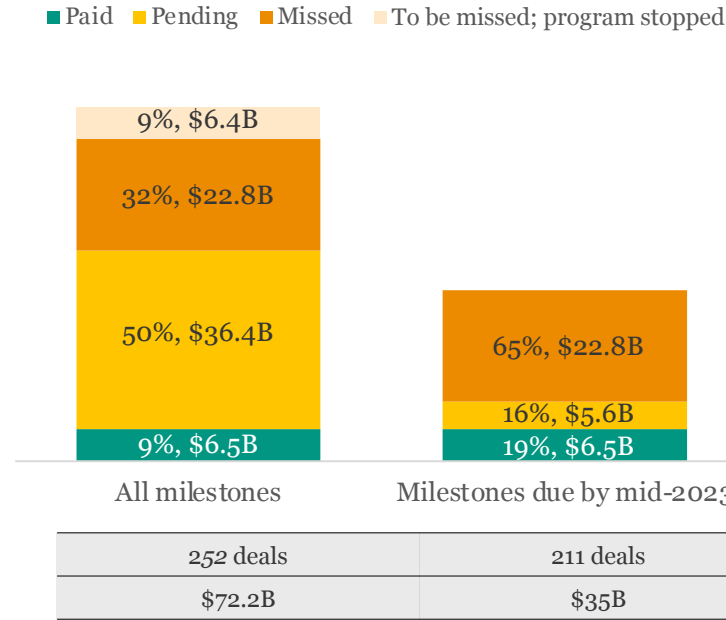
* These 108 deals have total earnout potential of \$8.7B, of which \$7.2B is due by mid-2023 and the remaining \$1.5B is still pending. \$2.6B has been paid, which is 36% of earnout potential due by mid-2023 from all deals or 55% of that from deals that paid more than zero.

Earnout Achievement Overview: All Sectors

Milestone status by event



Milestone status by earnout potential



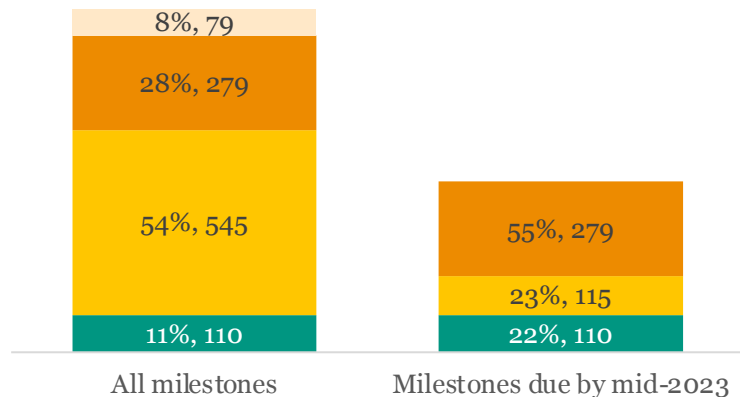
Earnout Achievement Overview: Bio/Pharma

KEY FINDING



Milestone status by event

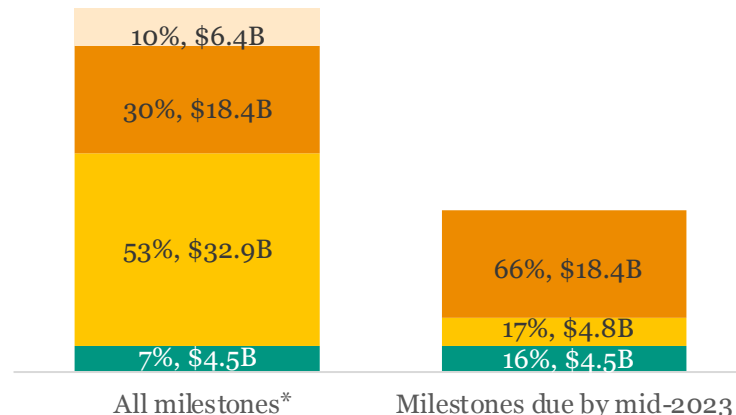
■ Paid ■ Pending ■ Missed ■ To be missed; program stopped



128 deals	103 deals
1,013 events	504 events

Milestone status by earnout potential

■ Paid ■ Pending ■ Missed ■ To be missed; program stopped



128 deals	103 deals
\$62.2B	\$27.7B

* The \$57.3B in earnout potential not paid to date (excludes \$0.4B of missed earnout potential for paid milestone events) includes \$18.9B in milestones after phase 3 (e.g., FDA approval or first commercial sale) and \$25.2B in commercial milestones.

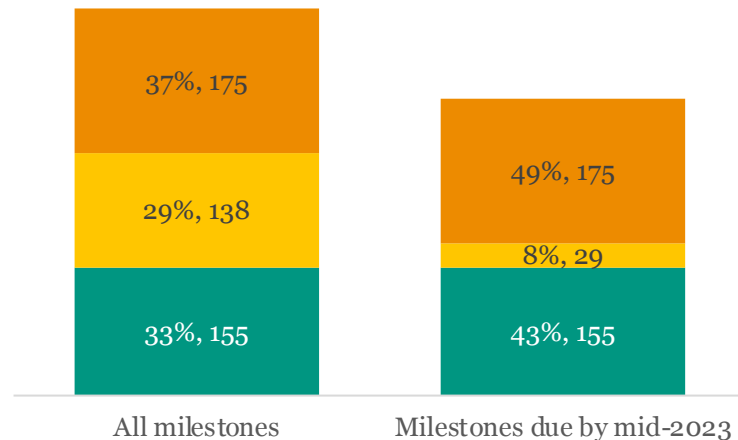
Earnout Achievement Overview: Devices and Dx/Research

KEY FINDING



Milestone status by event

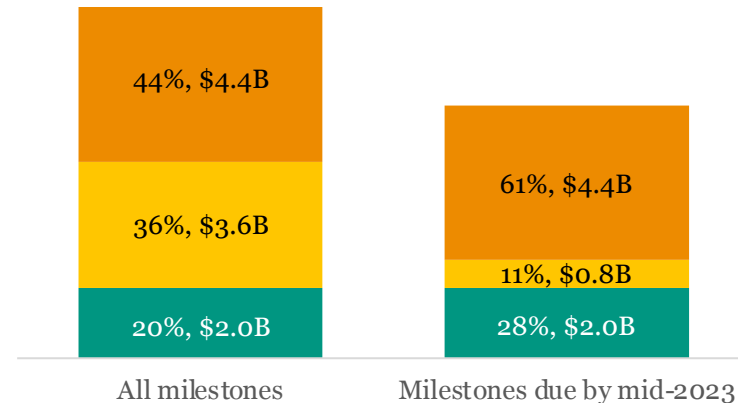
■ Paid ■ Pending ■ Missed



124 deals	108 deals
468 events	359 events

Milestone status by earnout potential

■ Paid ■ Pending ■ Missed



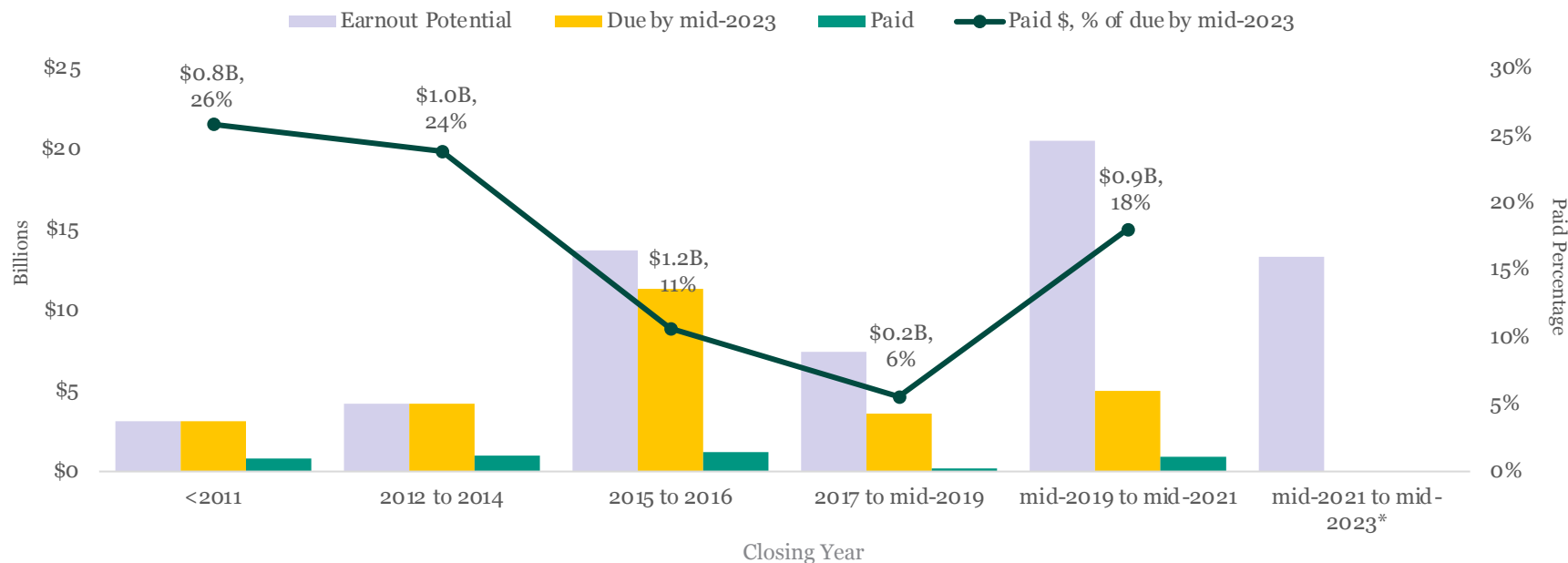
124 deals	108 deals
\$10.0B	\$7.2B

Maturation of Earnouts: Bio/Pharma

KEY FINDING



Milestone status by closing year



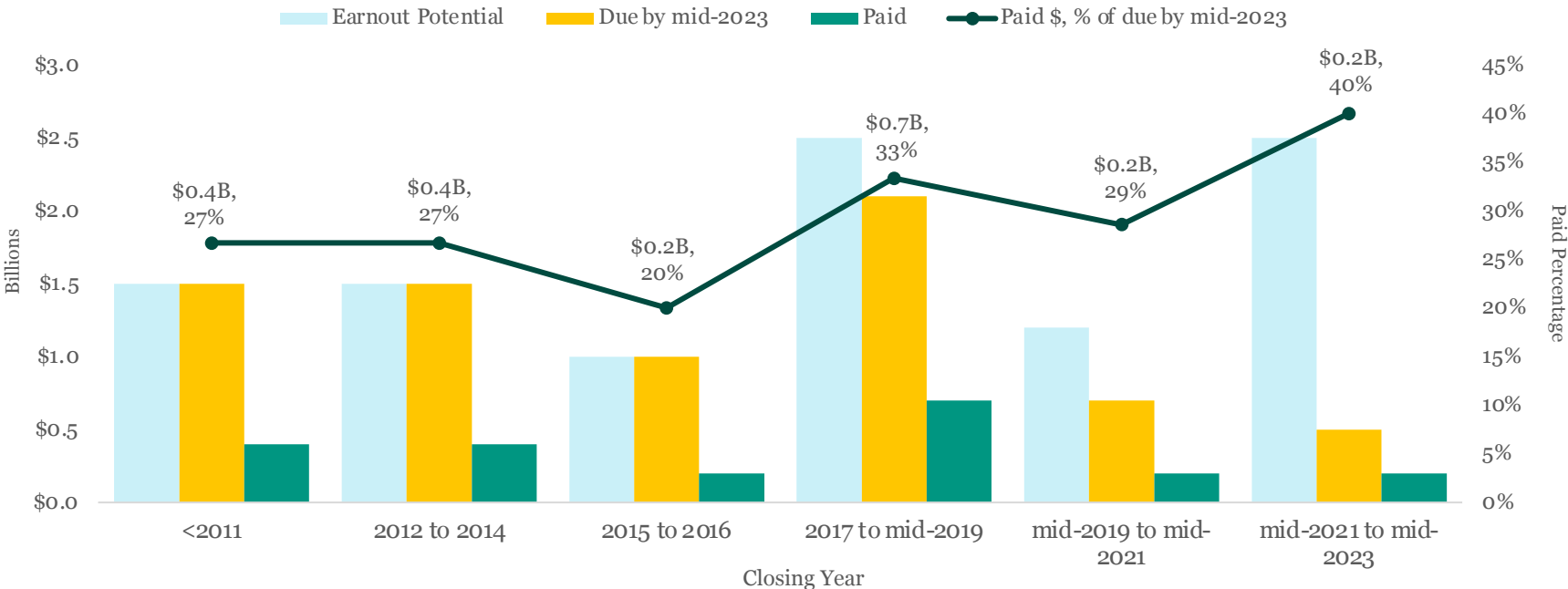
* Insufficient data to report meaningful analyses on milestones due by mid-2023, and milestone payments, for deals closed mid-2021 and later.

Maturation of Earnouts: Devices and Dx/Research

KEY FINDING

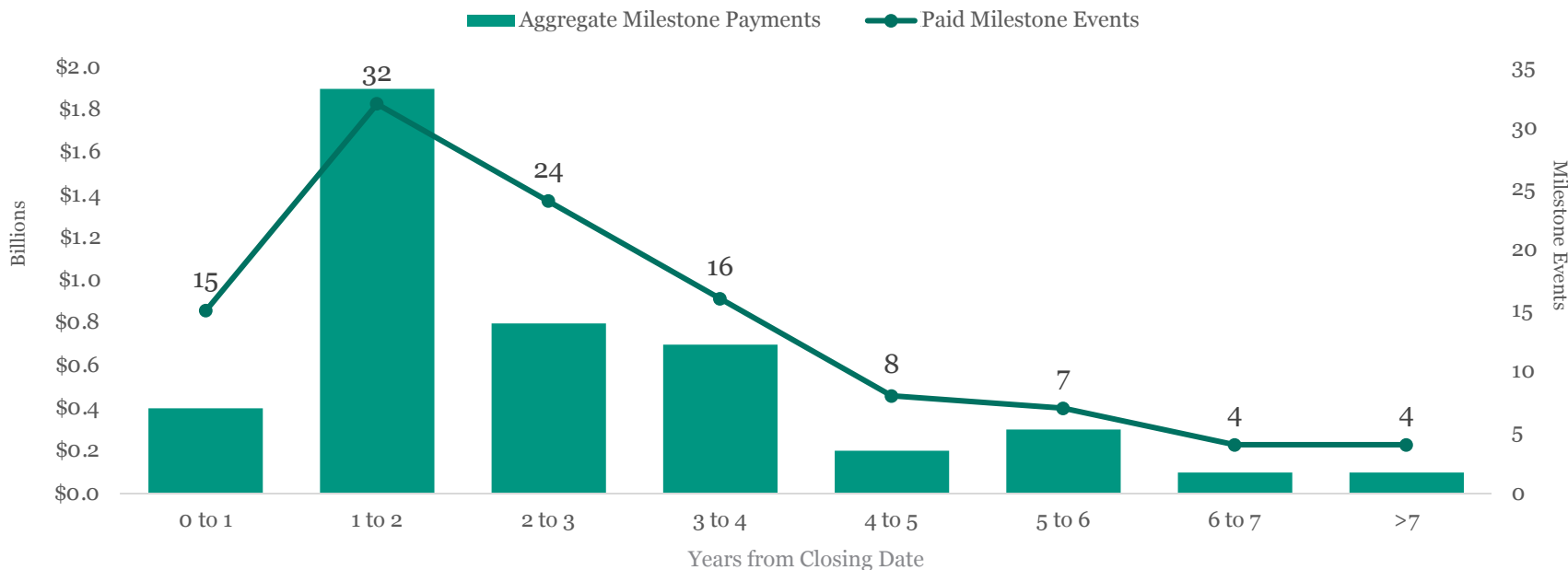


Milestone status by closing year



Timing of Paid Milestones from Closing: Bio/Pharma

Aggregate milestone events achieved, and payments made — by years from deal closing date



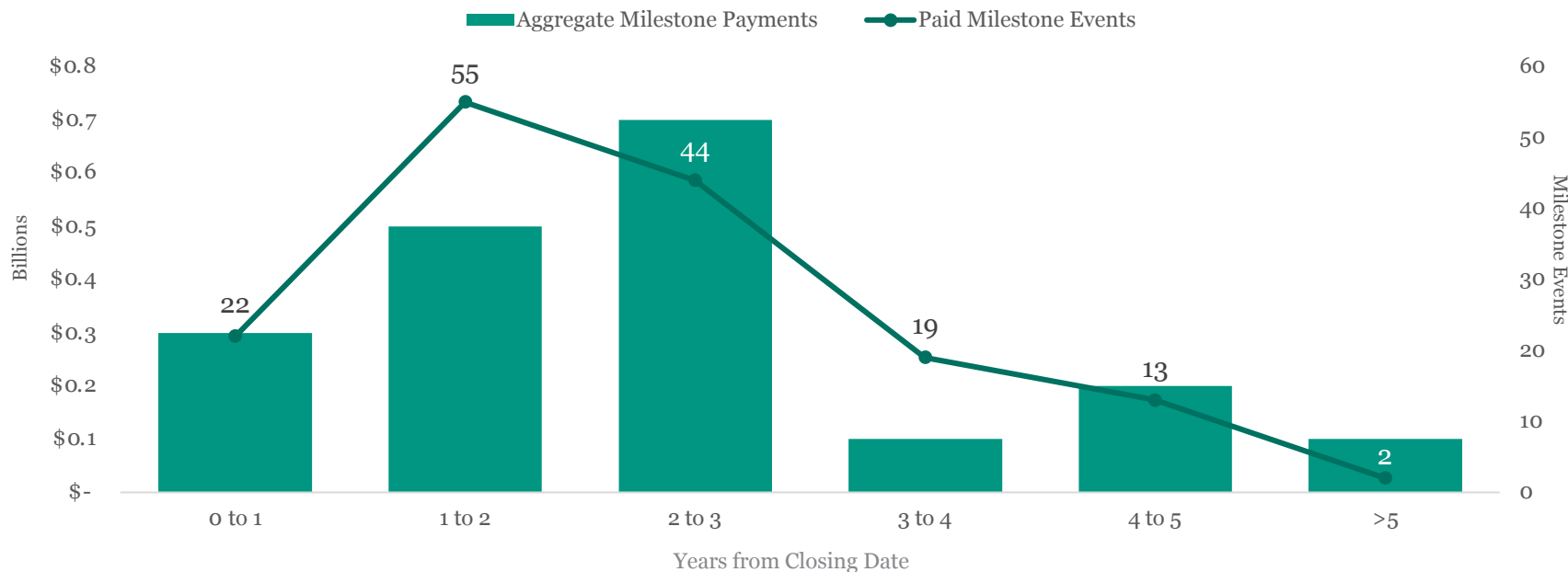
Total paid: 110 milestone events, \$4.5B

Timing of Paid Milestones from Closing: Devices and Dx/Research

KEY FINDING



Aggregate milestone events achieved, and payments made — by years from deal closing date



Total paid: 155 milestone events, \$2.0B

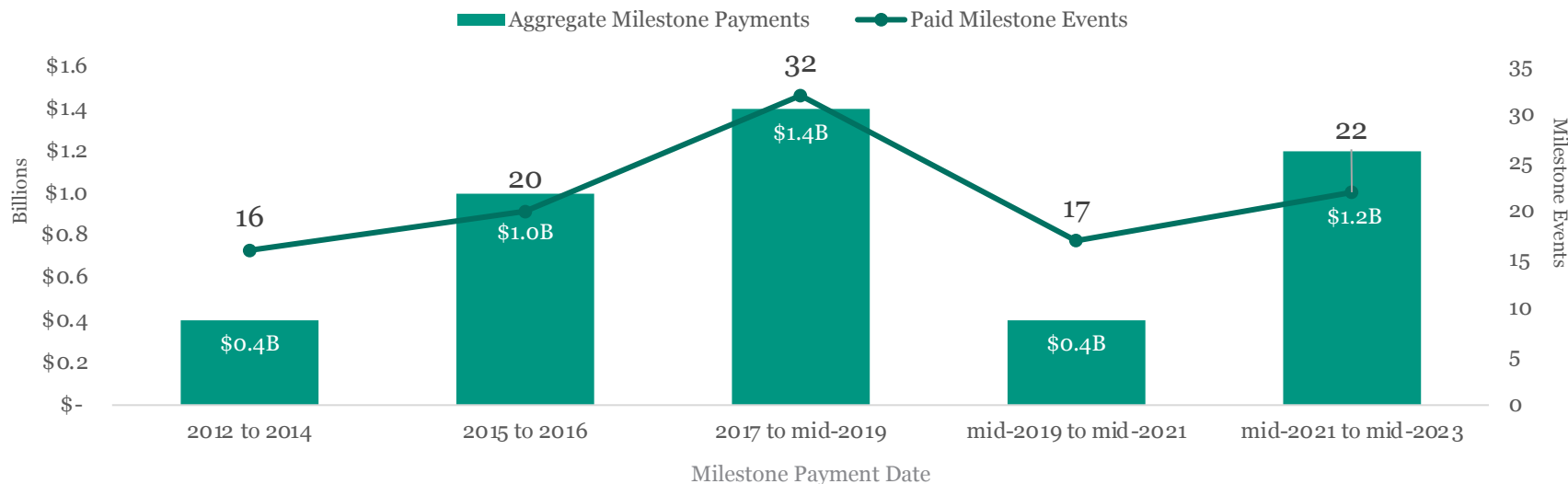
Timing of Paid Milestones by Payment Date: Bio/Pharma

NEW DATA POINT



Only a single Bio/Pharma milestone was achieved in 2020 after the Covid-19 pandemic began. Achievements bounced back in 2021 and have been particularly strong in the first half of 2023.

Aggregate milestone events achieved, and payments made — by date paid



Total paid: 107 milestones events, \$4.3B (excludes payments prior to 2012)

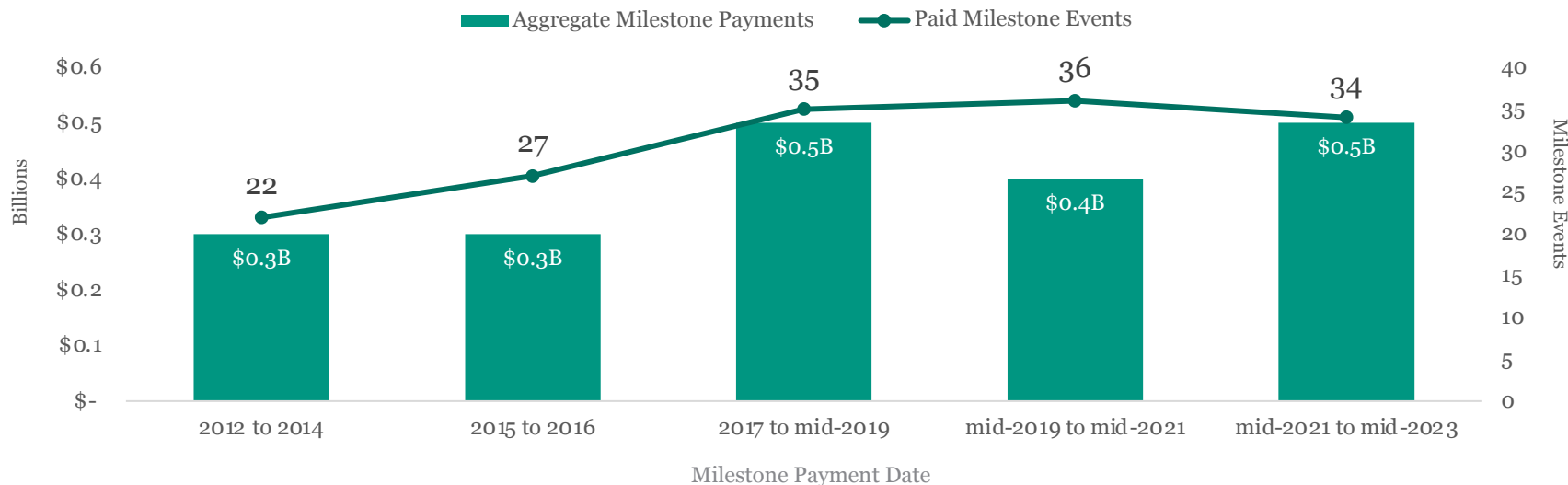
Timing of Paid Milestones by Payment Date: Devices and Dx/Research

NEW DATA POINT



Unlike Bio/Pharma, there was no notable drop off in 2020 of milestone achievements in Devices and Dx/Research sectors.

Aggregate milestone events achieved, and payments made — by date paid

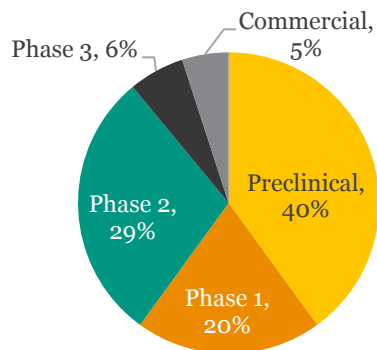


Total paid: 154 milestones events, \$4.5B (excludes payments prior to 2012)

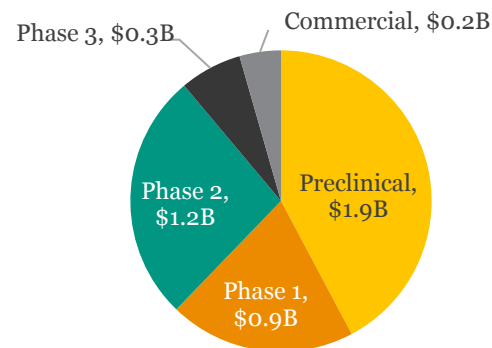
Milestone Achievement by Lead Product Stage at Closing: Bio/Pharma

Subset: 128 deals with an earnout

Percentage of deals by lead product stage at closing



Aggregate milestone payments by lead product stage at closing



Lead Product Stage at Closing	Aggregate Earnout Potential	Percent of Total	% of Earnout Potential Paid*
Preclinical	\$ 23.4B	38%	8%
Phase 1	\$ 12.1B	19%	7%
Phase 2	\$ 24.0B	39%	5%
Phase 3	\$ 2.1B	3%	14%
Commercial	\$ 0.7B	1%	29%

* As of mid-2023 (denominator includes pending milestones not yet deemed due)

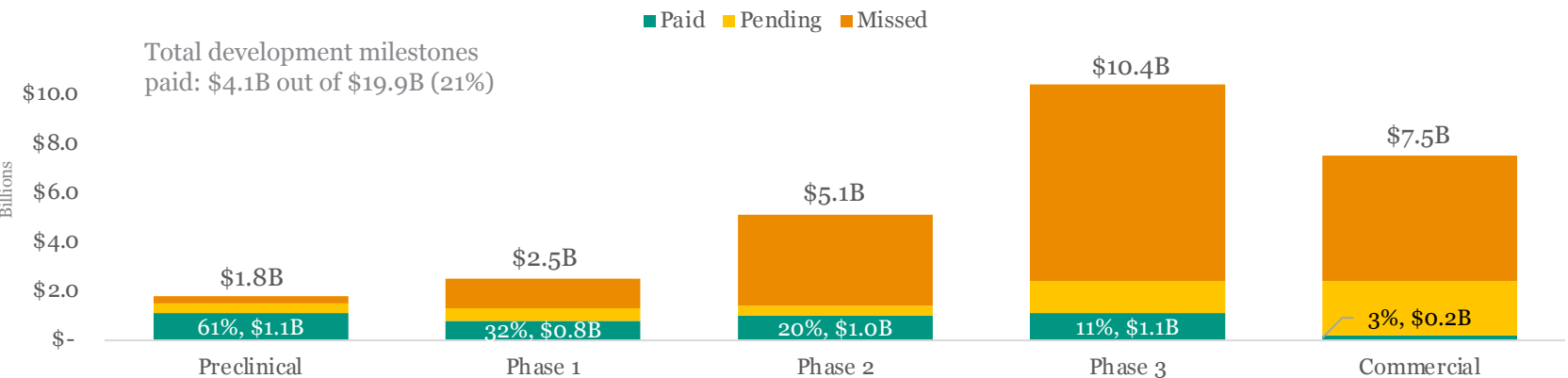
Milestone Achievement by Applicable Phase: Bio/Pharma

Subset: Milestones due by mid-2023



The four leftmost bars in the chart show the aggregate earnout potential and amounts paid to date upon achievement of milestones at the end of a given development phase. The rightmost bar shows the same for commercial milestones. For example, good preclinical data (left bar) has triggered \$1.1 B in payments upon events such as IND filing (start of human clinical trials).

Milestone status by development phase and for all commercial milestones



Achievement by Events	Preclinical	Phase 1	Phase 2	Phase 3	Total Development	Commercial
# Paid Events/# Total Events	24/56	27/64	18/89	27/184	96/393	8/101
% Events Paid/Total	43%	42%	20%	15%	24%	8%

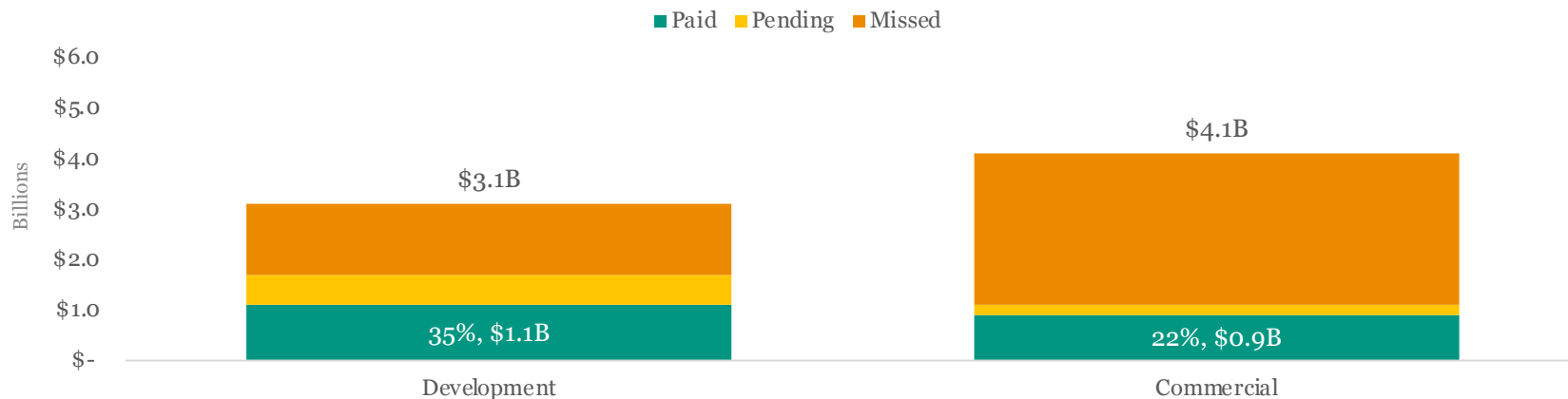
Milestone Achievement by Applicable Phase: Devices and Dx/Research

Subset: Milestones due by mid-2023

KEY FINDING



Milestone status by development phase



Achievement by Events	Development	Commercial	Total
# Paid Events/# Total Events	91/174	64/185	155/359
% Events Paid/Total	52%	35%	43%

* Total earnout potential for commercial milestones includes not only defined dollar payments but also defined dollar caps for variable or formula-driven payments.

Earnout Achievement and Diligence Requirements

NEW DATA POINT

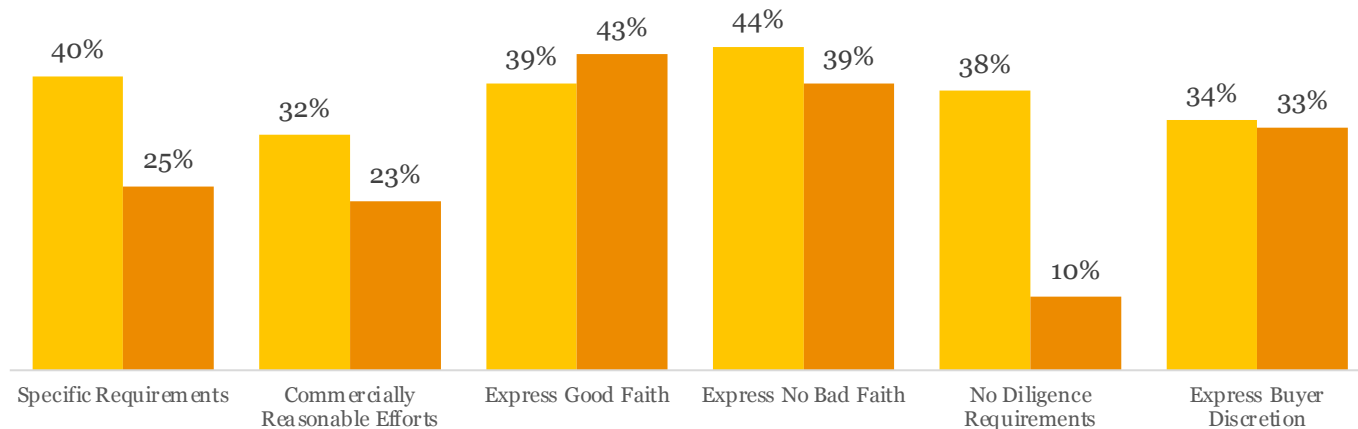
KEY FINDING

Percent of development and commercial milestone events paid, by diligence standard

Subset: Milestones due by mid-2023

■ Development ■ Commercial

- 35% of all development milestones are paid; 52% for Devices/Dx Research and 25% for Bio/Pharma.
- 25% of all commercial milestones are paid; 35% for Devices/Dx Research and 8% for Bio/Pharma.



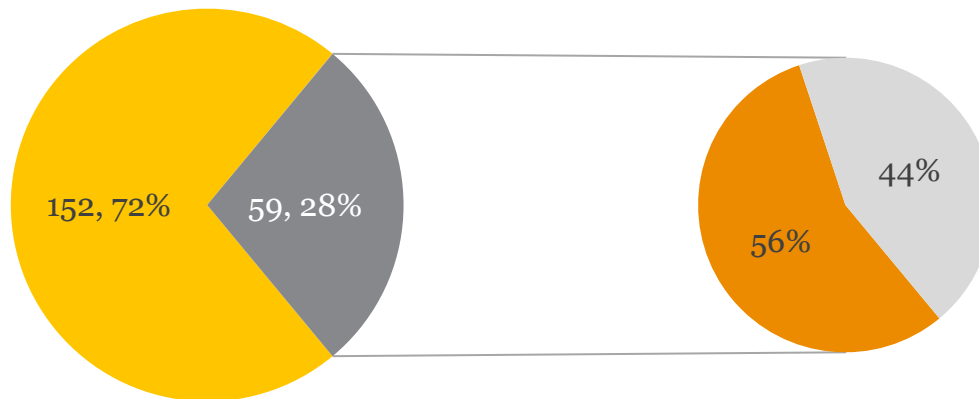
# Development Events	134	409	56	131	50	164
# Paid Development Events	54	130	22	58	19	56
# Commercial Events	77	173	56	101	30	115
# Paid Commercial Events	19	39	24	39	3	38

Earnout Disputes and Renegotiations: By Deal

Subset: 211 earnout deals with at least one milestone due by mid-2023

Deals with a dispute regarding at least one milestone event

■ Not Disputed ■ Disputed* ■ Renegotiated/Settled ■ Not renegotiated/Settled



** Includes informal business disputes as well as formal legal proceedings*

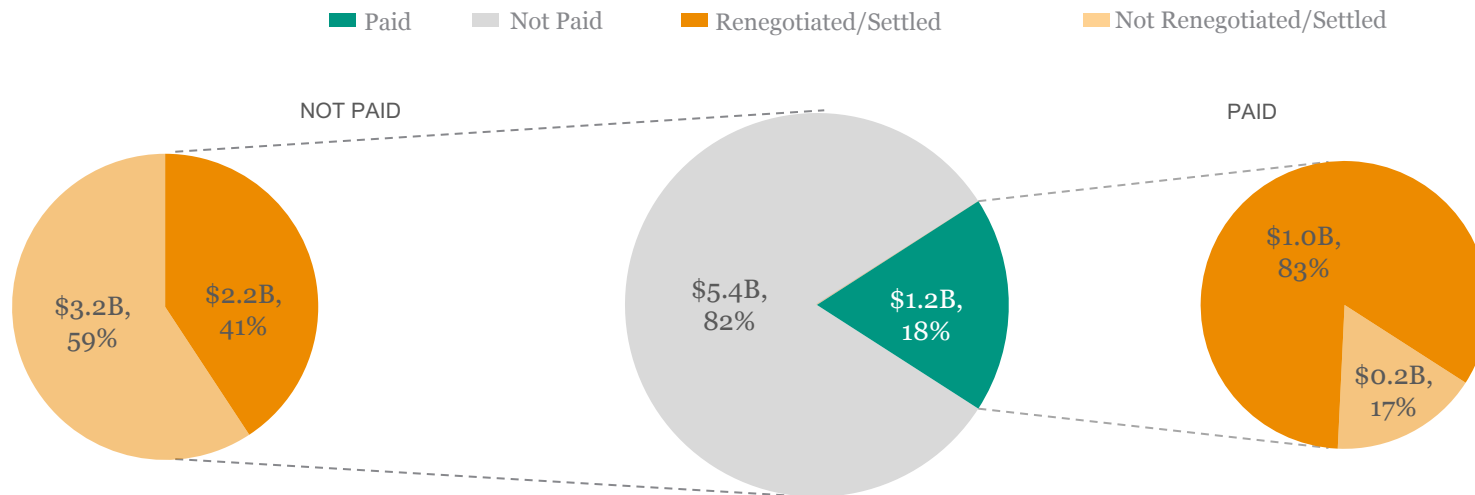
Earnout Disputes and Renegotiations: By Earnout Potential

KEY FINDING



Subset: 211 earnout deals with at least one milestone due by mid-2023

Payment of earnout potential under dispute — by renegotiation status



If paid, disputed milestones were paid one year later, on average, than undisputed milestones (3.2 vs. 2.2 years after the deal-closing date).

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Additional Resources

- 2023 SRS Acquiom M&A Deal Terms Study:
<https://www.srsacquiom.com/resources/deal-terms/>
- 2022 M&A Claims Insights Report:
<https://www.srsacquiom.com/resources/m-a-claims-study/>

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