

KPMG

Biopharma's moment to act

Growth, innovation, and the cost of waiting

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Executive summary

The pharmaceutical industry's dealmaking environment strengthened materially in 2026. Through the first half of the year, 2026 was the most active for deals since 2021. We have identified the five most important drivers for the industry's heightened deal activity, some of the risks going into 2027, and the actions of those we expect to be successful through the end of 2027.

The five most important drivers are:

01 Continuing pressure to reignite growth, particularly for players that still have not overcome patent expiries

02 Balance sheets enabling action

03 Move to larger deals, especially a notable shift to "medium" ($5B to $14B) deals

04 China's emergence as a global innovation hub and ready deal partner

05 A pressure to act before growing macroeconomic anxiety blooms to a more difficult pricing and trade environment.

Success in the midterm for both large and midsize players will require balancing their strategic needs with midterm environmental expectations. It's unclear how long the current macroenvironment and asset prices will hold. We believe building quantified confidence in your ability to deliver on inorganic innovation can be helpful in making your near-term choices.

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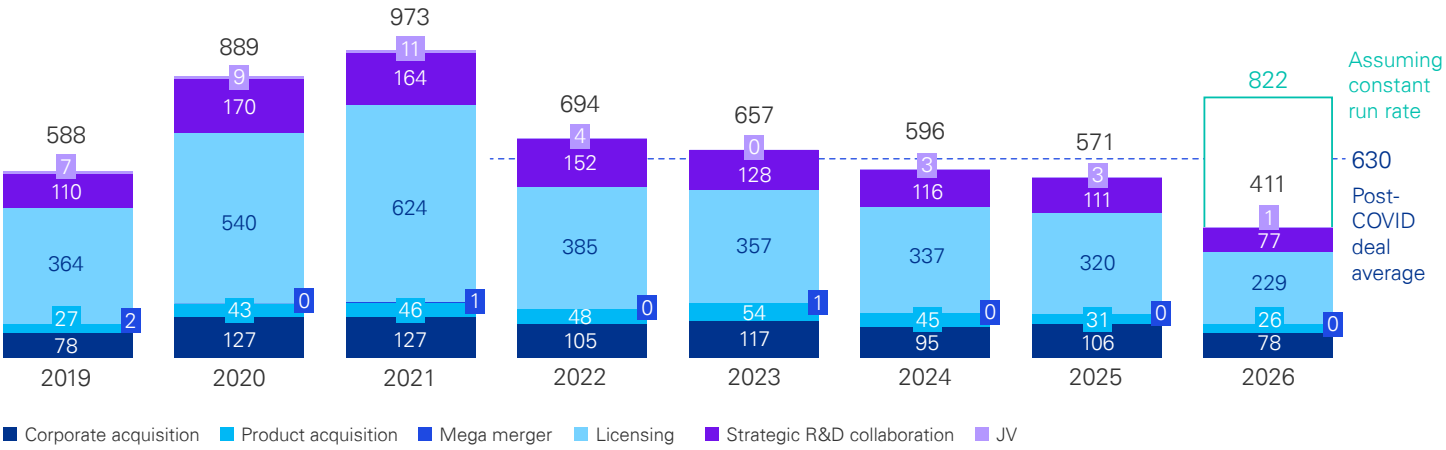


Pharma dealmaking booming in 2026

The pharmaceutical industry will be going through a significant portfolio transformation over the next five years. The news of a wide loss of product exclusivities (LOEs) is not new, nor the total impact of somewhere above $200B–300B[1,2] of total industry revenue greater than $800B per annum. We also predicted in prior publications that as the industry gained more transparency to its existing pipeline portfolios, the external biotech portfolio would become more attractive. Given the fixed timeline of patent life, this can not only shift buyers to external innovation but also closer to commercialization. We predicted there would be more frequent and larger deals[3] because either key pipeline assets didn't succeed or, if they earned approval, some new commercial assets would not achieve revenue expectations. We focus much of our analysis on the 23 largest global biopharmaceutical companies, whose dealmaking activity often sets the direction for broader industry trends. While the first big acquisition of 2026 waited until after this January's JPMorgan Healthcare Conference in San Francisco, deal data suggests this could be the biggest year since before COVID-19 for biopharma acquisitions (Figure 1).

Figure 1: Year-over-year deal volume by deal strategy type

Annual volume of biopharma deals by deal strategy for all biopharma companies[(a)(b)(c)]
(Data covering January to December to compare 2019-1H'26)



Notes: (a) Deal count only includes deals where one pharmaceutical company executes a deal with another pharmaceutical company. Equity investor deals and debt financing deals have been excluded; (b) Mega-mergers are defined as acquisitions >$20B; (c) Deals with undisclosed deals values and below $100M are included

Sources: Informa Deal Dataset; accessed in August 2026

[1] "KPMG 2025 Healthcare & Life Sciences Investment Outlook," KPMG, January 2026.

[2] "Biopharma Deal Strategy Outlook," KPMG, October 2024.

[3] "KPMG 2025 Healthcare & Life Sciences Investment Outlook," KPMG, January 2026.

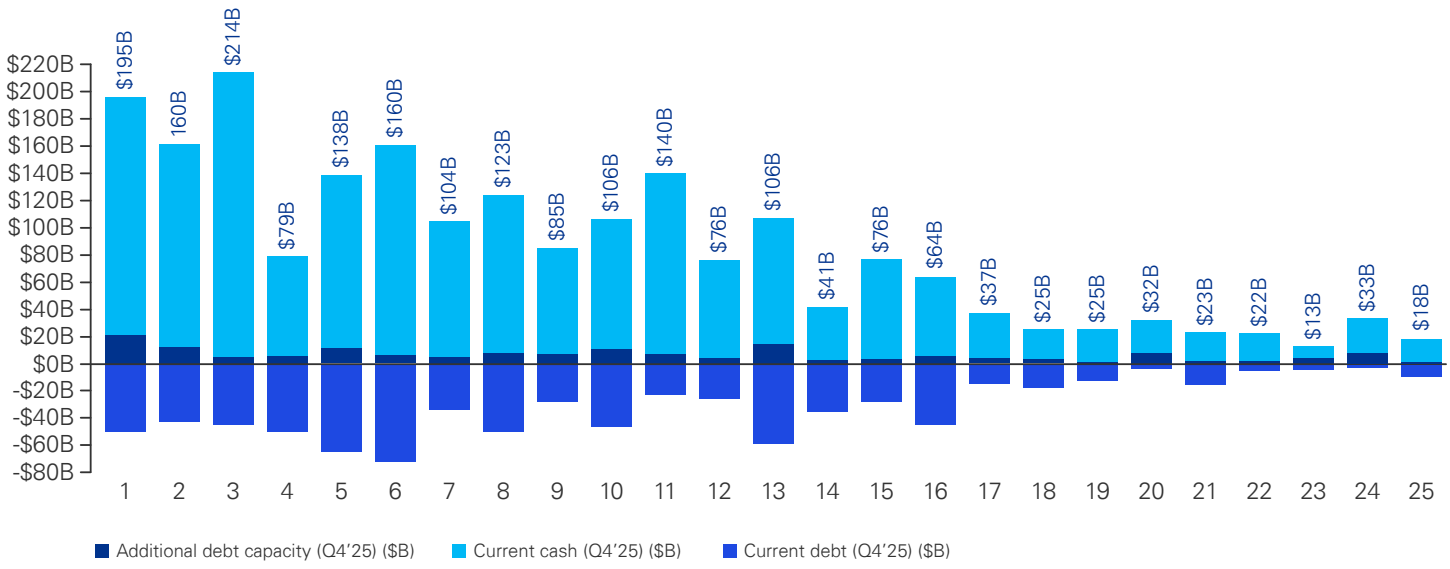
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Even if the run-rate is less than flat, the first half of 2026 has seen deal counts that are already close to the full count of the last full year. The pharmaceutical industry is already two-thirds of the way to the average deal volume of the recent post-COVID-19 years. Will the industry reach 800 deals in 2026? Historically, the fourth quarter is the most active period for deals, and we are confident 2026 will end with a higher count than the last few years.

More important than any historical momentum, we see several factors driving this uptick. First, the pressure to replace LOE revenue, and the general pressure to at least keep pace with the industry's 6 percent growth rate, remains intense, even after the activity over the last 18 months.

Second, top pharmaceutical companies have maintained the capability to act. They have maintained strong balance sheet positions (Figure 2) through to today. Indeed, the top 10 companies each have more than $100B of total capacity to conduct deals sustainably. While maybe not sufficient to easily subsume the largest peers, these healthy positions are allowing these companies to act, while still remaining active and continuing to add external assets. This well-funded, motivated demand also creates pricing competition among rich bidders that rarely appears in the news.

Figure 2: Deal firepower of the top 25 global pharma companies (using additional debt capacity)



Notes: Additional debt capacity calculated as: (TTM EBITDA x5); Current cash is calculated as total cash and short-term investments that include cash and equivalents, short-term investments and trading asset securities; Total debt has been sourced directly from Capital IQ and includes short-term borrowings, current portion of long-term debt, current portion of leases, long-term debt, long term leases, finance div. debt current, finance div. debt non-current; Sources: Capital IQ, as of August 4, 2026.

This readiness to deploy firepower is the key enabler for the other trend we predicted in previous reports. In our "KPMG 2025 Healthcare & Life Sciences Investment Outlook" and our 2024 "Biopharma Deal Strategy Outlook," we said we believed that the industry would eventually deploy larger amounts of capital to acquire more mid- to late-stage and commercial targets. The data from 2025 and 2026 now supports this growing trend (Figure 3).

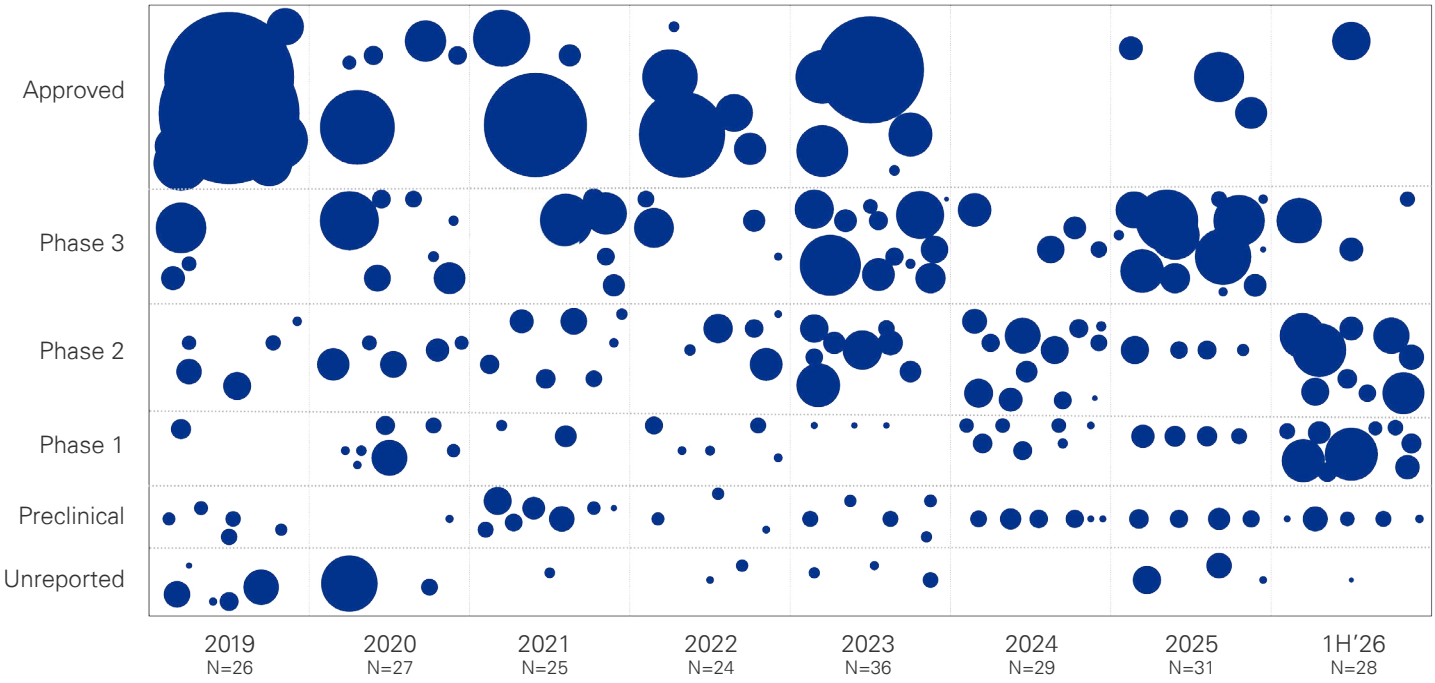
While we certainly acknowledge the dearth of megadeals from 2024 through the first half of 2026, we see a different dramatic change in deal mix for 2025–2026. After a watchful year in 2024 (discussed further below), 2025 saw a relative surge in Phase III deals (Figure 3) compared to the last several years, even with respect to the years before COVID-19. The largest deals of 2025 are concentrated around significantly de-risked Phase III targets.

A quick glance clearly shows the concentrated activity move further down the chart in 2026. This dynamic features many more Phase I and Phase II deals than were recorded over the last seven years. We also see buyers spending more to win them—the Phase I and Phase II circles on the right of Figure 3 are on average larger than the average circle on the left.

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Figure 3: Deals by the top 23 pharmaceutical companies by phase

Deal activity of the top 23 biopharmaceuticals 2019-1H'26 by clinical phase[(a)(b)(c)]



Bubble size corresponds with deal value ($M).

Notes: (a) Includes deal with transaction value more than $100M; (b) The center of the bubble determines the clinical phase; (c) In cases involving transitional stages or multiple assets, the highest stage of development has been considered

Source: Informa Deal Dataset; accessed in August 2026.



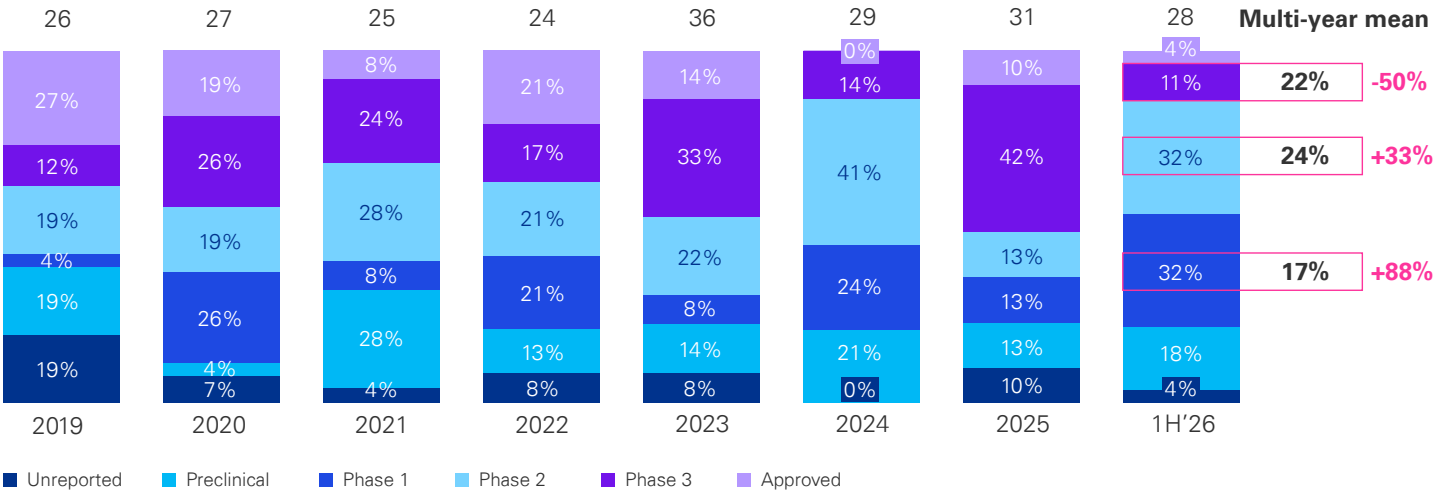
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The industry's increasing willingness to assume development risk becomes even more apparent when examining the 23 largest core biopharmaceutical companies in our analysis below (Figure 4) through deal counts rather than deal values. Figure 4 shows a pronounced increase in the number of Phase I and Phase II transactions, reinforcing the view that the industry's largest players are pursuing earlier-stage innovation more aggressively than in recent years.

And for spending more, 2026 already has 26 deals worth more than $1B (Figure 5), putting 2026 on pace to be the most active year of the last 20 for deals north of $1B. Beyond the count, this pattern is a major shift for the industry–it is not as defined as in 2019–2022 with singular mega-cap global moves by just two to three giants. Today, many more players in the industry are (a) spending on external innovation and (b) spending more than in the past on each deal.

Figure 4: Dramatic shift by the largest 23 biopharmaceuticals toward mid-stage transactions in the past year

Deal count based on Phase (for the top 23 biopharmaceuticals)[(a)(b)(c)]

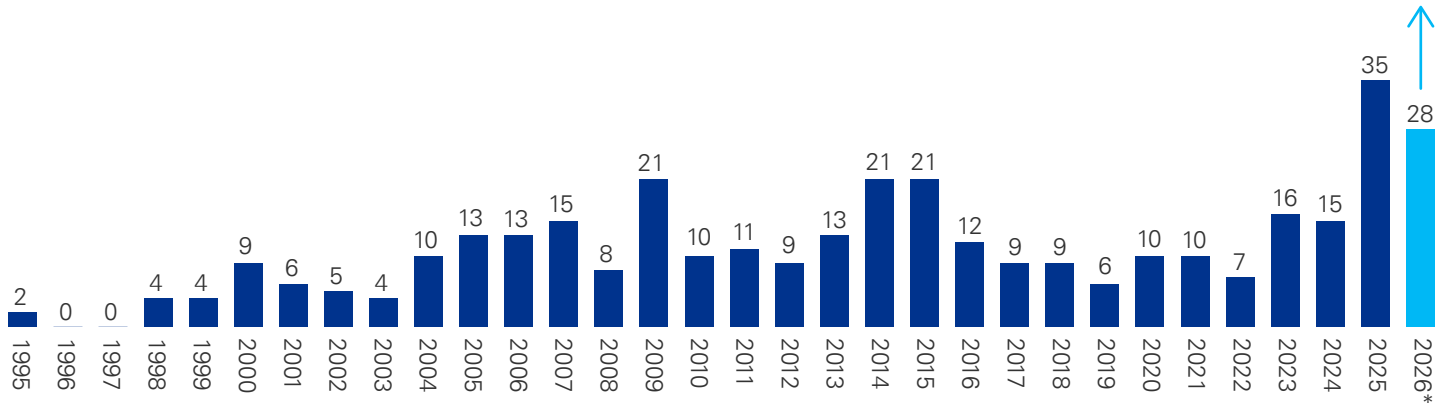


Notes: (a) Includes deal with transaction value more than $100M; (b) Includes NDA/BLA and Pending FDA approval transactions; (c) Includes IND

Source: Informa Deal Dataset; accessed in August 2026

Figure 5: Current pace of >$1B deals could imply breakout year for company takeouts

Number of acquisitions of biopharma companies for $1B or more, 1995 to H1'26



*First 6 months

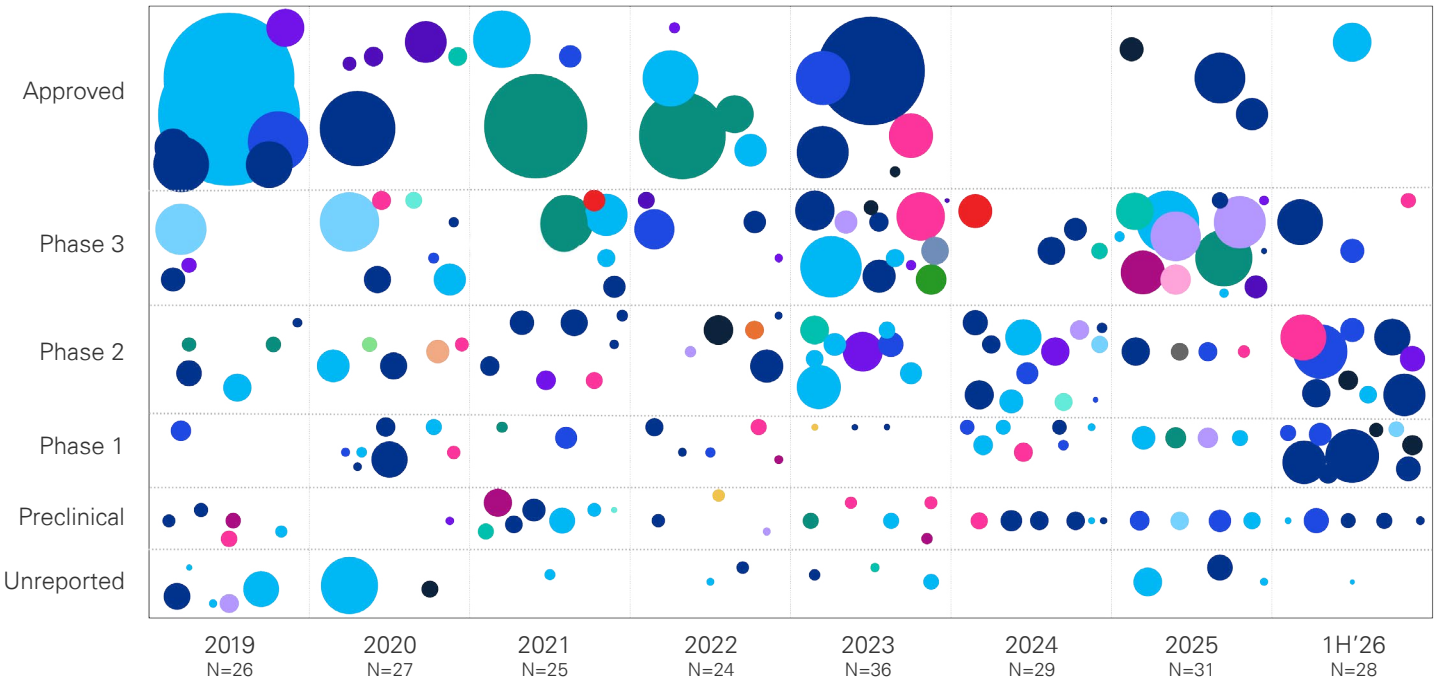
Sources: S&P Capital IQ, Biopharma Dive updated from Stifel Investment Banking Research, April 2026.

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Looking deeper by therapeutic area at our breakout of acquisitions by phase (Figure 6), we also see that those companies willing to invest remain focused in oncology and autoimmune diseases. The lack of therapeutic area diversity in the first half of 2026 is notably different than what we have seen in previous years. Under pressure for growth, companies with large portfolios may be concentrating risk in a way we have not seen in the industry before.



Figure 6: Deals by the top 23 pharmaceutical companies by phase and therapy area (2019-H1'26)[(a)(b)(c)]



Notes: (a) Includes deal with transaction value more than $100M; (b) The center of the bubble determines the clinical phase; (c) In cases involving transitional stages or multiple assets, the highest stage of development has been considered.

Source: Informa Deal Dataset; accessed August 2026.

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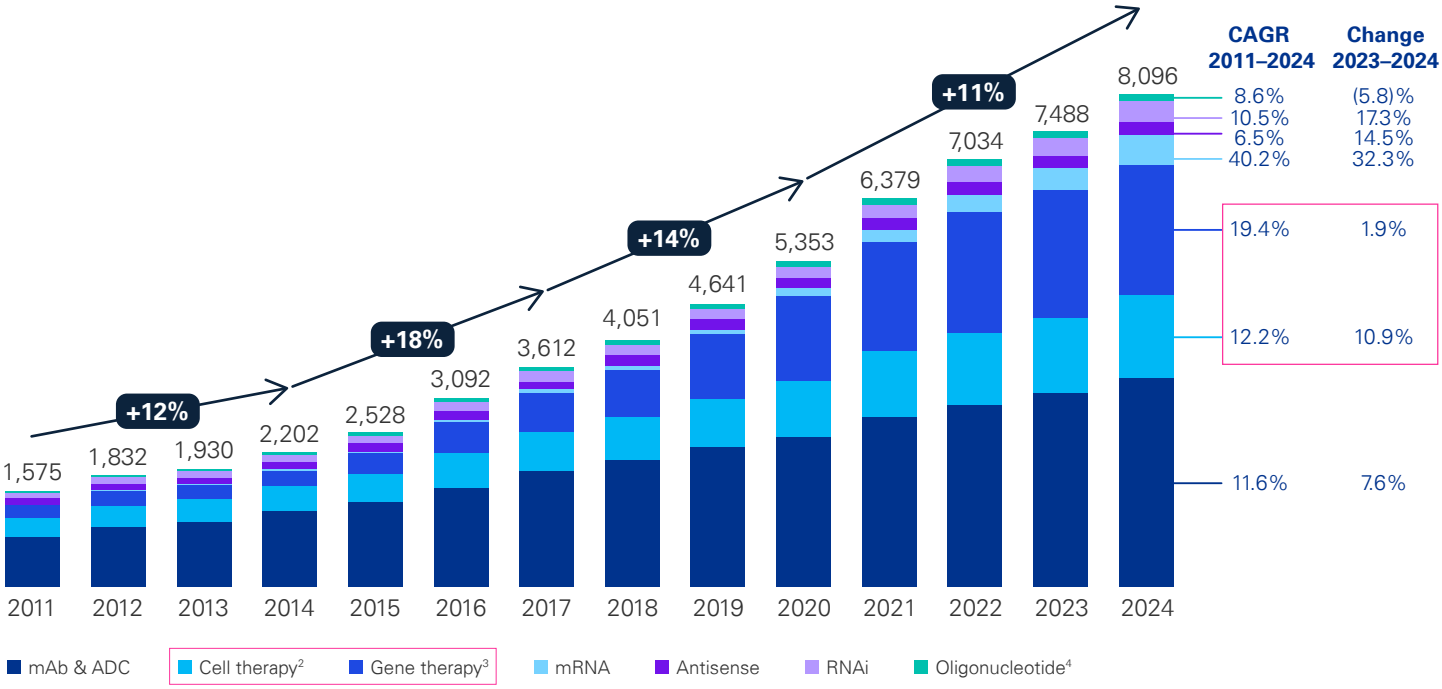


The pace of innovation and the rise of China as a major biotech region

These levels of activity may also be partly fed by access to a new source of innovation. For the last 20 to 30 years, the US has been the global font for emerging pharmaceutical innovation and the young biotechs that are credited with producing it. Entrepreneurial networks, services businesses, and venture funding for early-stage pipelines was the envy of rival scientific centers. However, over the last 5 years, a significant geographic shift has happened. China has become a peer to the US for biotech innovation.

Over the past 20 years, the pharmaceutical industry saw a significant surge in Chinese innovation across a wide range of technology modalities. Assets available to global large pharma have created an incredibly rich external pipeline. For example, we've seen the advanced therapeutics pipeline (cell, gene, RNA, etc.) demonstrate exceptionally strong growth from 2011 to 2023. However, as capital markets became tighter in the US and EU, we have witnessed slower pipeline growth between 2023 and 2025 (Figure 7). In our 2024 paper,[4] we highlighted China's central commitment, its innovative government policies, and the start of a local funding system as key vehicles for their rapid innovation growth.

Figure 7: Worldwide pre-commercialization advanced therapeutics pipeline[1] (2011 – 2024)



Note(s): 1. Includes registered, pre-registration, Phase III, Phase II, Phase I, and Preclinical assets. Numbers are not additive as assets can be categorized into more than one category. 2. Includes CAR-T, stem cell, T cell receptor, tumor-infiltrating lymphocytes, and other cellular therapies; 3. Non-antisense, non-RNAi

Source(s): KPMG analysis; Informa

[4] "Biopharma Deal Strategy Outlook," KPMG, October 2024.

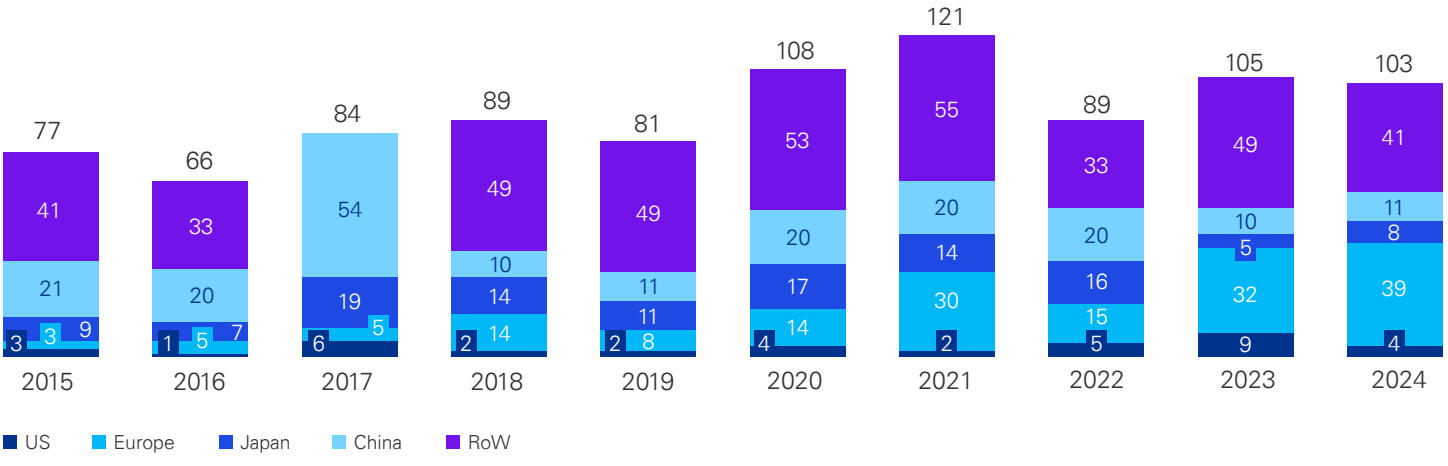
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More impressively, in 2024 China represented 85 percent of new trial starts. And we believe China's future will be even bigger. As the US innovation engine has slowed, and other regions have declined, China has accelerated the quality of assets (Figure 8), expanded the number of assets, and fostered the trial and services infrastructure needed to deliver them. Western pharmaceutical company portfolios are finding significant support from Chinese science. Several have tried acquisitions, and several have signed large, multi-asset portfolio license agreements. These companies, and their trailing peers, are enthusiastic in building stronger business development linkages and China deal experience. We know it's more than setting up a local team. Despite the challenges and anxieties, the slowdowns in science and working barriers elsewhere will continue to push global companies in this direction.





Figure 8: Global drug approvals and their first-in-class regions (2015-2024)



Source: Nextpharma

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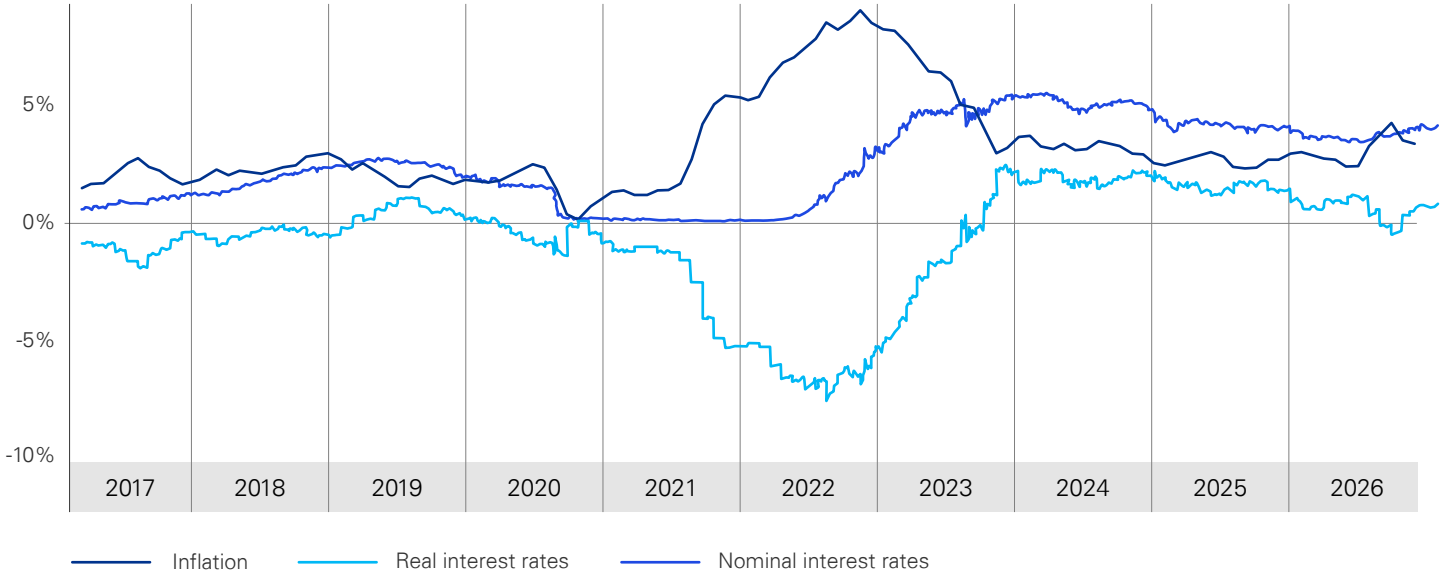
Last positive—and brewing negative?

The last factor pushing the top 20 to 30 pharmaceutical companies higher in 2025–2026 has been our current very specific macroeconomic window. In 2024, there was significant uncertainty. The early signs of trouble were there: material impacts from interest rates, the dramatic slowdown in private support to young biotechs, and the retreat of public-equity options for growing biotechs as well as other continuous, widespread anxieties. We saw national-level questions about cross-border trade, the administration of the Food and Drug Administration, and even the pricing model of the US healthcare system. As a result, 2024 deal counts displayed an observable caution. Since then, these forces have become more understandable and navigable in the short term, although perhaps significantly more threatening in the midterm.

Global pharmaceutical companies face a dilemma: Act now to address strategic priorities, or delay and risk having to pay significantly more for the same assets in 2027 and beyond.

In 2026, inflation is rising again (Figure 9). Despite its new leadership, the US Federal Reserve has already taken a first step in raising interest rates—and expectations are for more increases, even within the calendar year.[5] This would be expected to impact deal activity again, decelerating for a slow 2027. This may be especially true for a few top-25 pharmaceutical companies that may need to consider "traditional" megamergers if they do not act soon. These competitors risk the price of megamergers becoming more costly and more competitive as we head into 2027.

Figure 9: Nominal and real 1-year interest rates versus Inflation (2017 – 2026)



Source: longtermtrends.com

[5] "Diane Swonk of KPMG discusses Fed rate hike," ABC News, September 16, 2026.

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Conclusion: What to do now

Strategic priorities to ensure future growth are at the forefront of the pharmaceutical industry's deal agenda. The landscape of asset innovation has diversified, opening new opportunities for growth through new technologies and especially a wide set of options in China. There are new risks. There are some old risks escalating. Specifically, the cost of capital may be on the rise again, and soon. A few years ago, when portfolios were relatively healthy and major LOEs were further off, reasonable caution allowed a slower deal pace. Now, the cost of not acting may become too expensive.

We see the large- and mid-cap biopharmaceuticals that will be successful in 2027 working through two paths of related questions today:

01 What is the right balance of action and caution? What actions are the most reliable for me? What deal types? What quantified evidence do I have for this confidence? How is the evidence incorporated into diligence and more informed decision-making?

02 What is the right approach to these midsize acquisitions ($5B to $15B) operationally? Are my teams tooled for handling operationalization at this scale? Will my teams strike the right balance between big pharma rigor and efficiency against more entrepreneurial and personal approaches taken at smaller companies? How do I protect and drive value when there is so much more at stake in these "medium" deals?

Successful players are looking around, but they are also looking at themselves. They are evaluating which peers are on the path to success in sourcing external innovation and which competitors have not done enough so far. They are also more carefully examining their own externally sourced portfolios with operational, financial, and economic measures. They are measuring their portfolios' success and de-averaging the insight to see what therapeutic areas and development phases are reliable for them, and which are less so. They will be differentiating the drivers of success within their own portfolios as well as applying those lessons to their own dealmaking. This will require more informed diligence, better decisions, and informed judgment to bid up where buyers are most confident.

The pharmaceutical industry has already made a tremendous impact on global health. It has also made tremendous breakthroughs in cell, gene, and other new areas of science. The opportunity ahead is significant, but so is the need to act with conviction and discipline. Companies that can answer these questions successfully will be best positioned to capitalize on the current window for growth and innovation.

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How KPMG can help

The same questions that will define success for biopharmaceutical dealmakers in 2027 are the questions KPMG US is helping clients address today.

What is the right balance of action and caution?

KPMG helps organizations assess portfolio needs, identify where external innovation can create the most value, and bring greater evidence and analytical rigor to diligence and deal decisions.

How do I handle these midsize acquisitions operationally?

KPMG helps organizations prepare for and execute acquisitions in the $5B to $15B range, where the challenge often falls between traditional megamerger integration approaches and the more personal, less process-oriented models used for smaller tuck-in deals. Our teams bring experience across strategy, transactions, value creation, postmerger operational integration and subject specialization in finance, HR, and IT to help clients capture value while managing complexity.

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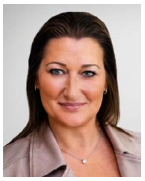
For more information, please contact:



Jeffrey Stoll, Ph.D.
Principal, National Leader for Life Sciences, Strategy,
jeffreystoll@kpmg.com



Dana Hughes
Principal, Life Sciences Transactions Strategy Leader,
danahughes@kpmg.com



Kristin Ciriello Pothier
Americas Sector Leader and Global Deal Advisory and Strategy Leader, Life Sciences,
kpothier@kpmg.com

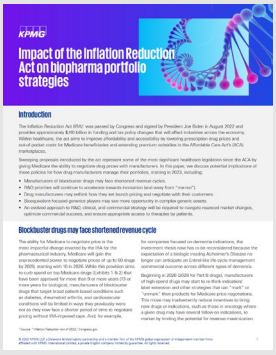
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KPMG Life Sciences Deal Advisory Leadership Team

Kristin Ciriello Pothier
Americas Sector Leader and Global Deal Advisory and Strategy Leader, Life Sciences,
KPMG LLP
kpothier@kpmg.com

Thomas Johnson
Principal, Transaction Strategy Leader,
KPMG LLP
thomasjohnson@kpmg.com

Diana Chen
Managing Director, Life Sciences, Transaction Strategy,
KPMG LLP
dianachen2@kpmg.com

Chris Wienand
Managing Director, Life Sciences, Transaction Strategy,
KPMG LLP
cwienand@kpmg.com

Andrew Stephenson
Partner, Deal Advisory Life Sciences, Financial Due Diligence,
KPMG LLP
astephenson@kpmg.com

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