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Healthcare and Life Science Deals Attys Expect In 2025

By **Yeji Jesse Lee**

Law360 (January 1, 2025, 4:10 PM EST) -- As the healthcare industry heads into 2025, deals attorneys are optimistic as they look to falling interest rates and a potentially more business-friendly administration set to enter the White House.

"Everything really is lining up in terms of where interest rates are, what inflation's doing, the backlog that's out there," said Shayne Kennedy, a partner at Latham & Watkins LLP. "So we …have a pretty good storm of things coming together to really have a successful 2025."

Attorneys also pinpointed some key areas that could receive attention from investors and acquirers alike, like mature biotech companies with strong clinical data and diabetes and obesity drugs known as GLP-1s.

Law360 spoke with five attorneys focused on the healthcare and life science industries about the big themes or trends they expected to see this year. Here's what they said:

More Deal Activity and Eyes on Mature Companies

Mike Riella, a partner at Covington & Burling LLP, said both Big Pharma and smaller biotechs would be looking to make deals in 2025.

While bigger pharmaceuticals will be looking to refill and expand pipelines to replace revenue from patent expirations, smaller biotechs will be looking for cash. That's especially true for those that have already taken a drug product or device as far as they can with the capital and infrastructure they have on hand.

"That's where M&A comes in," he said. "You have larger pharma companies, larger biotechs, with the wherewithal to actually move those products into device candidates forward."

While it's hard to pinpoint exactly how much more dealmaking we'll see in 2025 compared to 2024, Riella said it was clear that later-stage companies with mature programs and good data were most likely to become acquisition targets.

"One of the nice things about this industry is in many ways it's very objective. Your data shows you have a promising product, or it doesn't," Riella said.

"I think the companies that have had some funding, [are] mature enough to have moved their products through some number of phases of clinical trials, and have positive data to show as a result are going to be the ones that everyone looks at."

Pointing to lowered interest rates, easing inflation and demand for dealmaking, Kennedy said there was an "overall sense of great optimism for 2025" in the healthcare space.

In the public markets, Kennedy expects to see "high-value-type companies" lead off initial public offerings this year. That includes biotechs with good clinical data backed by known founders, medical technology companies with approved products and established commercialization, and service companies with clear paths to revenue and profitability.

Early-stage companies may have a harder time garnering enough support to wade the public waters.

"Pre-clinical is going to be tough for a while," he said. "Frankly, I think it's just too much of a bet and there's going to be too many other options out there where you don't have to rely on pre-clinical only."

AI Is Here to Stay

Leaders of many companies were hard at work in 2024, trying to navigate how to integrate AI into their organizations and creating protocols around its use. Looking toward 2025, expect those efforts to ramp up, even as a lack of federal regulations continues to make it difficult to know what is and isn't permissible in the highly regulated healthcare space.

Healthcare attorneys previously told Law360 that in the absence of such overarching frameworks, the industry has been in a limbo period of AI integration. Companies are working to keep up with competitors on the technology while at the same time worried about how future regulations will shape the role that AI plays in healthcare.

Despite those challenges, Riella expects to see more deals — a mixture of joint ventures, acquisitions and collaborations — where AI is a key component.

Latham & Watkins' Kennedy is also seeing AI as a primary focus for the industry in 2025, even as companies are still figuring out how it fits into their business.

"I don't think you're going to be able to ignore it," he said. "I think it's a huge piece that we're going to see this year."

State Regulations Targeting Healthcare Transactions

Over the past few years, a handful of states, including California, Oregon, Connecticut and Massachusetts, have implemented new regulations focused on affordability in healthcare.

While they vary in nature, the regulations largely focus on reviewing pending transactions. That can translate into longer wait times before a deal can be sealed, as well as uncertainty and, potentially, additional costs.

Over the next 12 months, Eric Newsom, a partner at Sheppard Mullin Richter & Hampton LLP, expects state regulations to continue to "vex the industry," especially payers and providers looking to consolidate and put together joint ventures.

While state rules won't deter major institutional players from getting deals done, they could potentially affect smaller deals from players like private equity firms, which might think twice before diving into a certain transaction if it means longer wait times and more regulatory hurdles.

"I don't think it's going to stop anything cold," Newsom said. But it might push some players to focus expansion efforts in regions without the same restrictions, like the Southeast.

Dennis Williams, a corporate healthcare partner at Kirkland & Ellis LLP, is also expecting more state legislators whose proposed bills stalled in 2024 to reintroduce them in the near term.

Some states that did not successfully pass a healthcare cost bill last year may also look to try again in 2025.

That trend will require deals attorneys to think even farther ahead.

"It's becoming critical that when folks are looking at healthcare transactions, the evaluation of the applicability of these laws is happening on the front end of transactions," Williams said.

Replenishing Pipelines and the GLP-1 Boom

Derek Stoldt, co-head of the life sciences transactions practice at Arnold & Porter Kaye Scholer LLP, said that while there were some exciting developments happening across sectors like neurology, oncology and rare diseases, he expects the vast majority of deals to proceed because a company needs to expand a specific program or pipeline, not because a therapeutic area is particularly hot.

Still, while the market was relatively cool in 2024, one area that has done well in 2024 has been GLP-1s, Stoldt added.

"I think we'll see continued focus on GLP-1s as companies who are not in that area are trying to get in that area, and companies that are in that area are trying to come up with better mousetraps, a sort of 2.0 if you will," he said.

"Any company that has really interesting GLP-1 technology and is small enough would get a feeding frenzy of buyers," Stoldt said, but the leading companies with that technology today are larger entities that would be very difficult to buy.

Latham's Kennedy said he could see biotech companies with good clinical data focused on "high-target areas" entering the public markets.

"Obviously we see all the craziness with the GLP-1s. I think [antibody-drug conjugates] will be a big area of focus," he said. "Those will be the high-value sort of spots on the biotech side."

He added, though, that because GLP-1s have such a broad expected application, investors could also start flocking to areas not affected by those treatments.

"Finding areas where GLP-1s are not affecting it, I think, will be a strategic place for some folks," he said.

'Wait and See' as New Administration Settles In

With the onset of a new administration in the White House, deals attorneys are taking plenty of client calls about potential policy changes on the horizon, particularly in the first 100 days.

"Healthcare has definitely become an area of focus for certain individuals in the incoming administration," said Kirkland & Ellis' Williams.

Donald Trump has promised to reform major swaths of the federal government and picked vocal critics of the healthcare industry for key roles, including Robert F. Kennedy Jr. as secretary of health and human services.

Williams said that in 2025, investors and consumers across the board will be looking for potential changes under the new leadership.

Bigger deals that may have been less likely to come to fruition under the Biden administration are "more likely to see the light of day" under the new president in 2025, said Sheppard Mullin's Newsom.

"There will be less fear of antitrust speed bumps or roadblocks in the coming administration," he said. That easier pathway, coupled with other macroeconomic factors, will "make 2025 a better year for healthcare M&A."

Arnold & Porter's Stoldt agreed that the industry should see a more pro-deal environment under the Trump administration, which is seen as favoring smaller government and less intrusion. But there are also plenty of questions around "populist issues" that "could be intrusive to particular parts of the healthcare infrastructure."

"The populist issue that has gotten the most attention so far as vaccines, and so it'll be interesting to see how this new regime engages with vaccines," he said. "I think at this point it's wait and see."

–Editing by Karin Roberts.

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