



Biopharma Market Update

May 5, 2025

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2024 Biotech Outlook



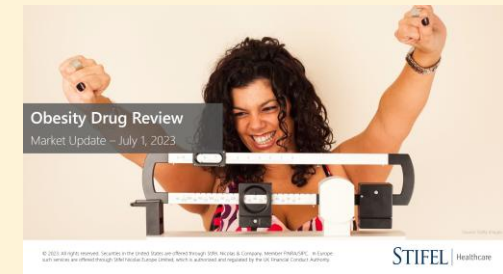
[Jan 8, 2024](#)

Why Invest in Biotech?



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Biotech Progress



A Week of Progress

Depending on who you spoke to last week the narrative in biotech was either “green shoots” or “cautiously optimistic”. This was an immense improvement over the dreadful loop of doom we were seeing four weeks ago.

While it would be premature to say that the tariff tiger has been declawed, we were hearing signs of progress on China tariffs by the end of last week, a surprisingly strong jobs report and less mischief, in general, out of the Trump Administration. At least new mischief. Recent electoral [events](#) in Australia and Canada rhyme with Trump’s rapidly declining poll numbers in America.

As we noted last week, the conversation is quickly turning towards the U.S. Capitol. Trump requires the Congress to pass tax cuts, and it is becoming ever clearer just how difficult this is going to be.

The issue is a simple one. There just isn’t that much to cut out of places like the CDC budget to make room for \$1.5 trillion in tax cuts.

There is talk of having the tax cuts and budget through the U.S. House of Representatives by Memorial Day. That’s three weeks away.

We’d call that brave talk. It’s sounding like the budget conversations are going to be extremely challenging and that’s because the only place to go really to cut taxes is Medicaid. And the problem is that, while Medicaid recipients tend not to be Republican, enough of them vote as to be a real threat in the upcoming congressional election. More broadly, Medicaid cuts would energize both Democrats and centrists in the upcoming election cycle.



Biotech Looking Up

The biotech market did not disappoint last week.

To paraphrase Elizabeth Barrett Browning's sonnet, let us count the ways that we love thee, oh biotech:

1. We saw the second listed biotech takeout in a week with the Novartis acquisition of Regulus along with its farabursen, an investigational microRNA inhibitor to treat ADPKD. This was for a premium over 250%.
2. We saw continuing evidence that biotech can launch products and do really well with strong commercial results reported by Blueprint, BridgeBio and Madrigal.
3. We saw a [story](#) indicating that non-specialist investors are coming into biotech – specifically, sovereign wealth funds are increasingly allocating to the sector.
4. We saw FDA approvals of two products including Abeona's ZEVASKYN® and J&J's Nipocalimab.
5. We saw signs of life in the financing market.
6. Quite a few hedge funds that we speak with have indicated that they are back in the market with a willingness to participate in privates, debt deals, PIPEs and the like.

The XBI cooperated as well, rising by 4%. In total, the XBI is up 25% since bottoming out on the afternoon of April 8th.

*How do I love thee?
Let me count the ways.*

I love thee to the depth and breadth and height
My soul can reach, when feeling out
of sight For the ends of being and ideal grace.

I love thee to the level of every day's
Most quiet need, by sun and candle-light.

I love thee freely, as men strive for right.
I love thee purely, as they turn from praise.

I love thee with the passion put to use
In my old griefs, and with my childhood's faith.

I love thee with a love I seemed to lose
With my lost saints,—I love thee with the breath,
Smiles, tears, of all my life;—and, if God choose,
I shall but love thee better after death.

*Elizabeth Barrett Browning
Sonnets from the Portuguese*

FDA Remains Top of Mind

The stance of the FDA towards drug approvals remains top of mind across the biopharmaceutical industry.

Some continue to note the outflow of staffers from the agency. *Endpoints News*, for example, published two stories on the topic last week, one highlighting [outflow](#) of drug office staff and another highlighting [administrative](#) staff shortages.

We are huge fans of *Endpoints* but believe that the underlying narrative is much more positive than one might gather from these stories. Our conversations with recently departed FDA officials indicate that (1) the situation inside the agency has very much stabilized after Makary's arrival and (2) the agency is very likely to surprise us with an increased rate of approvals using a novel pathway for drugs that have demonstrated very strong evidence of efficacy in niche indications.

Naomi Lowy, until recently deputy head of CDER's department of new drugs has [emphasized](#) that the FDA staff are in place to achieve accelerated approvals of drugs for rare diseases: "As for the Rare Disease Innovation Hub, while those who launched the Hub (previous CDER and CBER Directors, Patrizia Cavazzoni and Peter Marks, along with CBER Deputy Julie Tierney) have departed the Agency, the key person hired to operationalize the Hub, Amy Comstock Rick, the Director of Strategic Coalitions, remains. Other key rare disease functions like the CDER Rare Disease Team (led by Kerry Jo Lee) and the CBER Rare Disease Liaison, Julie Vaillancourt, are still boots on the ground too."

FDA

STAFF SHORTAGES



Market Has Not Fully Priced FDA Shift

We would also note that Marty Makary spoke last week to Jeremy Faust and [indicated](#): “When people ask me “what’s my agenda,” I tell them I’m focused on cures and meaningful treatments, healthier food for children, facilitating innovation, and promoting public safety. There is literally nothing political about any of these priorities.”

Makary was asked about FDA delays because of cuts and said: “I’m trying to do an assessment of what people need to do their job well. I am trying to do an assessment and fix any unforeseen consequences of cuts. I am taking a detailed inventory. If my center heads say they are running thin here or there, we take care of it.”

Looking at the stock prices of some of the relevant companies that are likely to be impacted by new policies to accelerate approvals, it is quite clear to us that the market has yet to fully apprehend the scope and scale of what is to come from the FDA.

This, combined with the recent uptick in M&A, give two important reasons why the current rise in biotech shares still has quite a long way to go.

To comment a little further on M&A, we see an abundance of bargains in the market. There are a few biotechs that are trading at rich prices, but in general, data-rich high-quality biotech companies abound in today’s market.



M&A Seems Highly Likely to Pick Up

Meanwhile, deal valuations are being carefully weighed against rising interest rates, political uncertainties and fluctuating capital markets. Pharma buyers are focusing on assets with near-term revenue potential or those with clear paths to regulatory approval. Even in smaller deals, diligence around reimbursement potential, manufacturing scalability, and competitive market positioning has intensified compared to pre-pandemic years.

Despite recent tariff and environmental challenges, we believe that biotech M&A will gain momentum in 2025. Large pharmaceutical companies face steep patent cliffs over the next five years and need to backfill their pipelines to offset revenue losses. As a result, we expect a steady stream of small-to-mid-sized acquisitions targeting phase 2, phase 3 and commercial assets that can generate revenue within the next 3–5 years, rather than early-stage platform technologies and emerging drug candidates.

We would note that pharma M&A in 2025 is largely characterized in today's market by strategic precision rather than scale. Deals are being shaped by regulatory caution, therapeutic needs, manufacturing priorities and the urgent need for commercial-ready assets, all within a volatile political and economic backdrop. While the megadeals of the past decade are less likely in the near term, a steady cadence of targeted acquisitions such as last week's Regulus deal is positioning big pharma to weather industry challenges and prepare for future growth.

Key Features of Pharmaceutical M&A in 2025

Political and economic uncertainties
are driving caution

Bolt-on acquisitions are targeted
to avoid antitrust hurdles

Manufacturing capacity is
being expanded

Patent cliffs are prompting
pipeline backfilling

Strategic precision, rather than
scale, is characterizing deals

Go Alone Launch Strategies Taking Off

Another important cause for optimism in the biotech sector lays in increasing success of go alone “launch” strategies.

Emerging biopharmaceutical companies are demonstrating their ability to excel with drug launches, as evidenced by data out last week in earnings calls from Madrigal Pharmaceuticals, Blueprint and BridgeBio Pharma.

Madrigal’s Rezdiffra, approved as the first treatment for metabolic dysfunction-associated steatohepatitis, has surpassed commercial expectations.

In the first quarter of 2025, Rezdiffra achieved net sales of \$137.3 million, bringing the total number of patients on the medication to over 17,000 as of March 31, 2025 . This marks the fourth consecutive quarter that Rezdiffra has exceeded analyst projections.

Similarly, BridgeBio Pharma's Attruby, approved in 2024 for transthyretin amyloid cardiomyopathy, has demonstrated a robust market entry. In its first full quarter on the U.S. market, Attruby generated \$36.7 million in sales, significantly outperforming analyst expectations.

Last week saw Blueprint achieve \$149 in AYVAKIT sales and raise guidance to \$700mm to \$720mm for the year. Impressive!

These successes underscore a broader trend of emerging biopharma companies effectively bringing novel therapies to market by going alone, typically addressing areas of high unmet medical need.



Proposed Cuts to the NIH



Major NIH Cuts on the Docket

While the fundamental positives of buying and owning biotech stocks are improving, there is an increasingly discomfiting attack on universities, the NIH and the CDC. This is all happening as cases of measles are rising fast in the United States. Last week saw 900 cases reported.

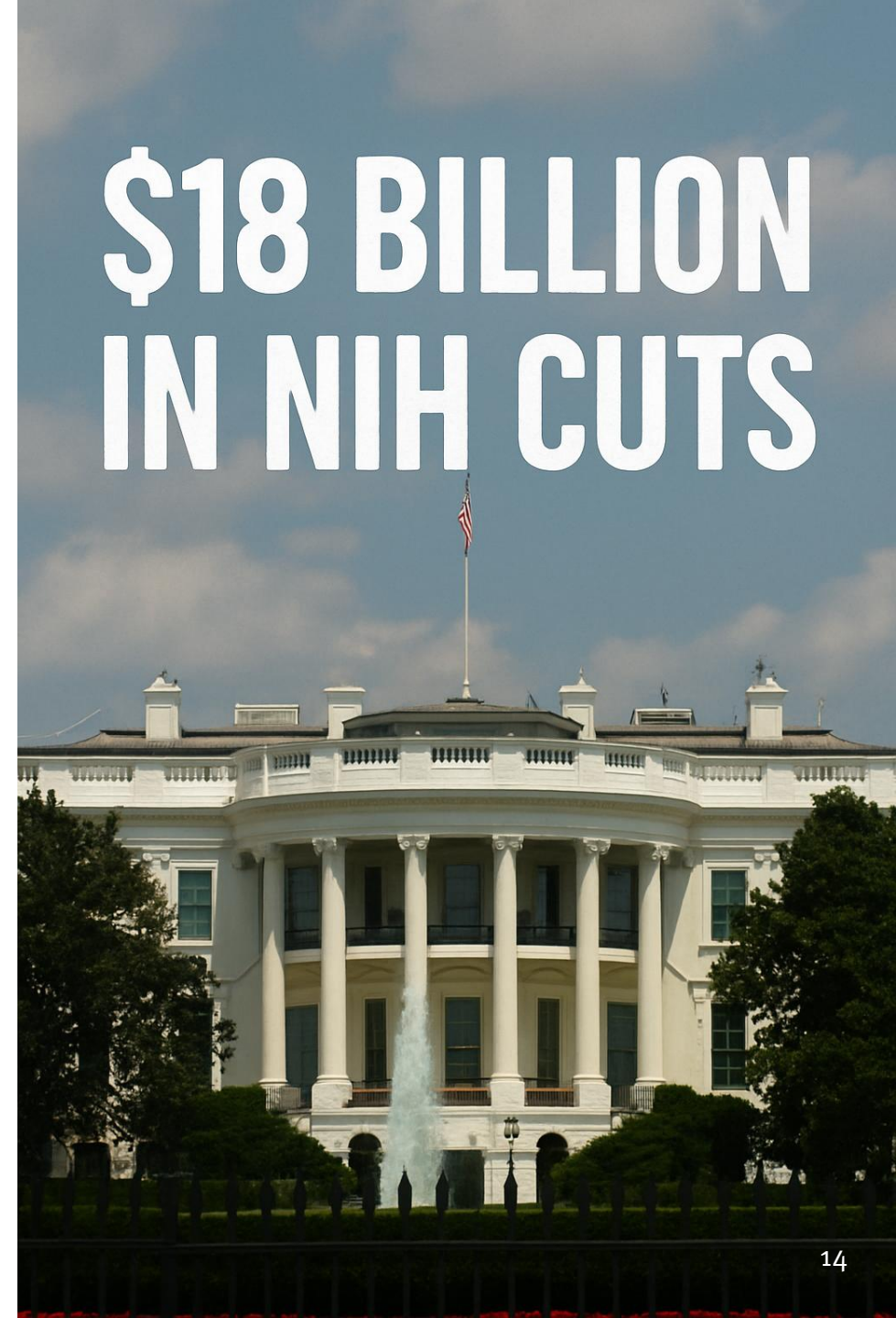
Putting aside the question of whether federal support for healthcare institutions is itself a good idea (some in the current Administration clearly don't think so), the issue is that the case for owning biotech in the long run is linked to the availability of government funding for research.

More deeply, our society's expanding life expectancy is very much linked to the control of infectious disease (an important mission of the CDC and NIH) and the development of novel insights into the causes of chronic disease and mortality.

There has been long-term bipartisan support for both institutions and conversations with members of Congress on both sides of the aisle. This shows a legislative body that is at variance with the current Administration.

There is no sugar coating what the Trump Administration is saying. In last week's Trump Administration [proposal](#) to cut the NIH budget by \$18 billion (39%), it was said that: "NIH has broken the trust of the American people with wasteful spending, misleading information, risky research, and the promotion of dangerous ideologies that undermine public health. The NIH has ... promoted radical gender ideology to the detriment of America's youth."

\$18 BILLION IN NIH CUTS



What NIH Cuts Could Mean

The proposed cuts to the NIH and CDC could have profound ramifications for public health, scientific research, and national preparedness. A reduction of \$18 billion to the NIH would significantly curtail biomedical research, leading to fewer grants awarded and delaying or halting promising studies in areas such as cancer, infectious diseases, Alzheimer's and rare diseases.

Such cuts risk stalling the development of new treatments, vaccines, and medical technologies, while jeopardizing the careers of thousands of early-career scientists who rely on NIH funding.

Beyond research, the CDC's capacity to protect public health could also be undermined. Budget cuts could reduce disease surveillance, limit outbreak detection and response, and weaken immunization efforts, leaving the nation more vulnerable to emerging infectious threats like COVID-19 variants, influenza, and antimicrobial resistance.

While the budget request indicates that the CDC's disease monitoring role will remain fully funded, budget cuts could, nonetheless, reduce the U.S.'s ability to lead global health efforts, weakening partnerships with international agencies and increasing the risk of pandemics reaching U.S. shores.

Moreover, experts warn that proposed cuts could prove economically shortsighted. NIH-funded research has historically driven innovation, patents, biotech startups and job creation.



A Deeper Agenda at Play

There is, of course, a far deeper agenda at play that transcends any one politician or nation. One should not take it for granted that the U.S. will always be the world's leader in science and medicine – something that only took place after Vannevar Bush's post-war [vision](#) for state support of the scientific enterprise in the United States. This happened in the aftermath of the Manhattan Project – at a time when U.S. leaders believed that technical innovation was a foundation of its power base.

Indeed, the historical success of nation states is very much tied to their support of science and educational institutions. To illustrate, the Medici in Renaissance Florence aggressively supported scientists as did adjoining states. Universities in Bologna, Florence and Padua received generous support and generated insights that, even today, have forever shaped medicine and mathematics. The result was that Italy became the world's center in science and the “place to be” from roughly 1480 to 1620. This all changed with decreased support for universities and science in the mid-1600's as Italian states weakened. Italy has never again been close to #1.

The same story can be told over millennia. China was the world's leader in mathematics and medicine 2700 years ago. This then switched to India, followed variously by the Greeks, the Romans and Persia. The British held the crown as the world's center of work in biology and science up until WWII when the U.S. took over. It now appears that China is making a run for it once again, investing heavily at just the moment when the U.S. appears to be losing its nerve. We are not aware of historic cases where nations exercised economic leadership but ceded scientific leadership. These tend to go hand in hand. In many ways, for example, the Nazi culture war on universities and systemic antisemitism led to their undoing as scientific talent flowed to the U.S. and the UK, preventing them from countering the Manhattan Project and the Enigma machine.

RISE AND FALL OF NATIONS IN SCIENCE



INDIA
Ancient

**Medicine
and Math**



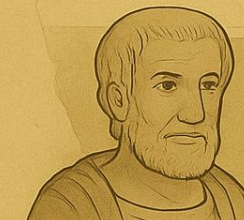
Avicenna

PERSIA

Islamic Golden Age



CHINA
Song Dynasty



Aristotle

ITALY

Renaissance



ENGLAND
Scientific Revolution



Trump's Budget Calls for Deep Cuts to Public Health Programs and Research

Sheryl Gay Stolberg, *New York Times*, May 2, 2025 (excerpt)

President Trump used his budget blueprint on Friday to forge ahead with his assault on the nation's public health and biomedical research enterprise, proposing draconian cuts to the National Institutes of Health and the Centers for Disease Control and Prevention that experts warned would upend decades of progress in advancing human health, well-being and longevity.

In hard numbers and biting words, the budget wipes out a string of programs, including one that helps low-income people living in cold climates pay heating bills. It eliminates C.D.C. programs devoted to preventing chronic disease and injuries, including gun violence injuries, dismissing those programs as “duplicative” and “unnecessary.”

It calls the N.I.H., the world's premier biomedical research agency, “too big and unfocused.” The document argues that the institutes have “broken the trust of the American people,” while effectively accusing the agency of funding research that led to the coronavirus pandemic. It says the Centers for Medicare and Medicaid Services, the federal agency that provides health care to more than 160 million Americans, has carried out “wasteful and woke activities.”

In some respects, the plan is not surprising; Health Secretary Robert F. Kennedy Jr. has already announced that he is shrinking the federal Department of Health and Human Services, which oversees the N.I.H. and the C.D.C., by 20,000 people. The blueprint proposes \$500 million for Mr. Kennedy's Make America Healthy Again initiative.

The budget blueprint does not talk about the Food and Drug Administration. Dr. David A. Kessler, who ran the F.D.A. under both Republican and Democratic administrations, has argued that deep cuts to biomedical research funding will put the United States at a competitive disadvantage with China. At a recent hearing on Capitol Hill, he reminded lawmakers of the Cold War era, when the federal government ramped up its investment in research after the Soviet Union became the first nation to launch a space satellite. “Whatever needs to be fixed, let's fix it, but we need to make a marked increase in our investment,” Dr. Kessler said. “This is Sputnik 2.0, but with China.

Contribution of NIH Funding to New Drug Approvals 2010-2016

Galkina Cleary E, Beierlein JM, Khanuja NS, McNamee LM, Ledley FD. *Proc Natl Acad Sci U S A*. 2018 Mar 6;115(10):2329-2334.

This work examines the contribution of NIH funding to published research associated with 210 new molecular entities (NMEs) approved by the Food and Drug Administration from 2010-2016. We identified >2 million publications in PubMed related to the 210 NMEs (n = 131,092) or their 151 known biological targets (n = 1,966,281). Of these, >600,000 (29%) were associated with NIH-funded projects in RePORTER.

This funding included >200,000 fiscal years of NIH project support (1985-2016) and project costs >\$100 billion (2000-2016), representing ~20% of the NIH budget over this period. NIH funding contributed to every one of the NMEs approved from 2010-2016 and was focused primarily on the drug targets rather than on the NMEs themselves.

There were 84 first-in-class products approved in this interval, associated with >\$64 billion of NIH-funded projects.

The percentage of fiscal years of project funding identified through target searches, but not drug searches, was greater for NMEs discovered through targeted screening than through phenotypic methods (95% versus 82%). For targeted NMEs, funding related to targets preceded funding related to the NMEs, consistent with the expectation that basic research provides validated targets for targeted screening.

This analysis, which captures basic research on biological targets as well as applied research on NMEs, suggests that the NIH contribution to research associated with new drug approvals is greater than previously appreciated and highlights the risk of reducing federal funding for basic biomedical research.

NIH Accounts for Close to Half of R&D Spend on New Drug Research

Galkina Cleary E, Jackson MJ, Zhou EW, Ledley FD. Comparison of Research Spending on New Drug Approvals by the National Institutes of Health vs the Pharmaceutical Industry, 2010-2019. JAMA Health Forum. 2023 Apr 7;4(4):e230511.

Government and the pharmaceutical industry make substantive contributions to pharmaceutical innovation. This study compared the investments by the National Institutes of Health (NIH) and industry and estimated the cost basis for assessing the balance of social and private returns.

Funding from the NIH was contributed to 354 of 356 drugs (99.4%) approved from 2010 to 2019 totaling \$187 billion, with a mean (SD) \$1344.6 (\$1433.1) million per target for basic research on drug targets and \$51.8 (\$96.8) million per drug for applied research on products. Including costs for failed clinical candidates, mean (SD) NIH costs were \$1441.5 (\$1372.0) million per approval or \$1730.3 (\$1657.6) million per approval, estimated with a 3% discount rate. The mean (SD) NIH spending was \$2956.0 (\$3106.3) million per approval with a 10.5% cost of capital, which estimates the cost savings to industry from NIH spending. Spending and approval by NIH for 81 first-to-target drugs was greater than reported industry spending on 63 drugs approved from 2010 to 2019 (difference, -\$1998.4 million; 95% CI, -\$3302.1 million to -\$694.6 million; $P = .003$). Spending from the NIH was not less than industry spending considering clinical failures, a 3% discount rate for NIH spending, and a 10.5% cost of capital for the industry (difference, -\$1435.3 million; 95% CI, -\$3114.6 million to \$244.0 million; $P = .09$) or when industry spending included prehuman research (difference, -\$1394.8 million; 95% CI, -\$3774.8 million to \$985.2 million; $P = .25$). Accounting for spillovers of NIH-funded basic research on drug targets to multiple products, NIH costs were \$711.3 million with a 3% discount rate, which was less than the range of reported industry costs with 10.5% cost of capital.

The results of this cross-sectional study found that NIH investment in drugs approved from 2010 to 2019 was not less than investment by the pharmaceutical industry...

No One Can Replace NIH

Michael Peel and Hannah Kuchler, FT, Apr 23, 2025

For critics, the cuts threaten to undermine the innovation that has powered US economic success — as well as encourage wilful ignorance about important threats facing humanity.

Since the second world war, the publicly funded science base in the US has been an engine of discovery and global economic growth. The turmoil in research is a huge risk for powerful industries such as pharmaceuticals, whose products are often built on publicly funded research.

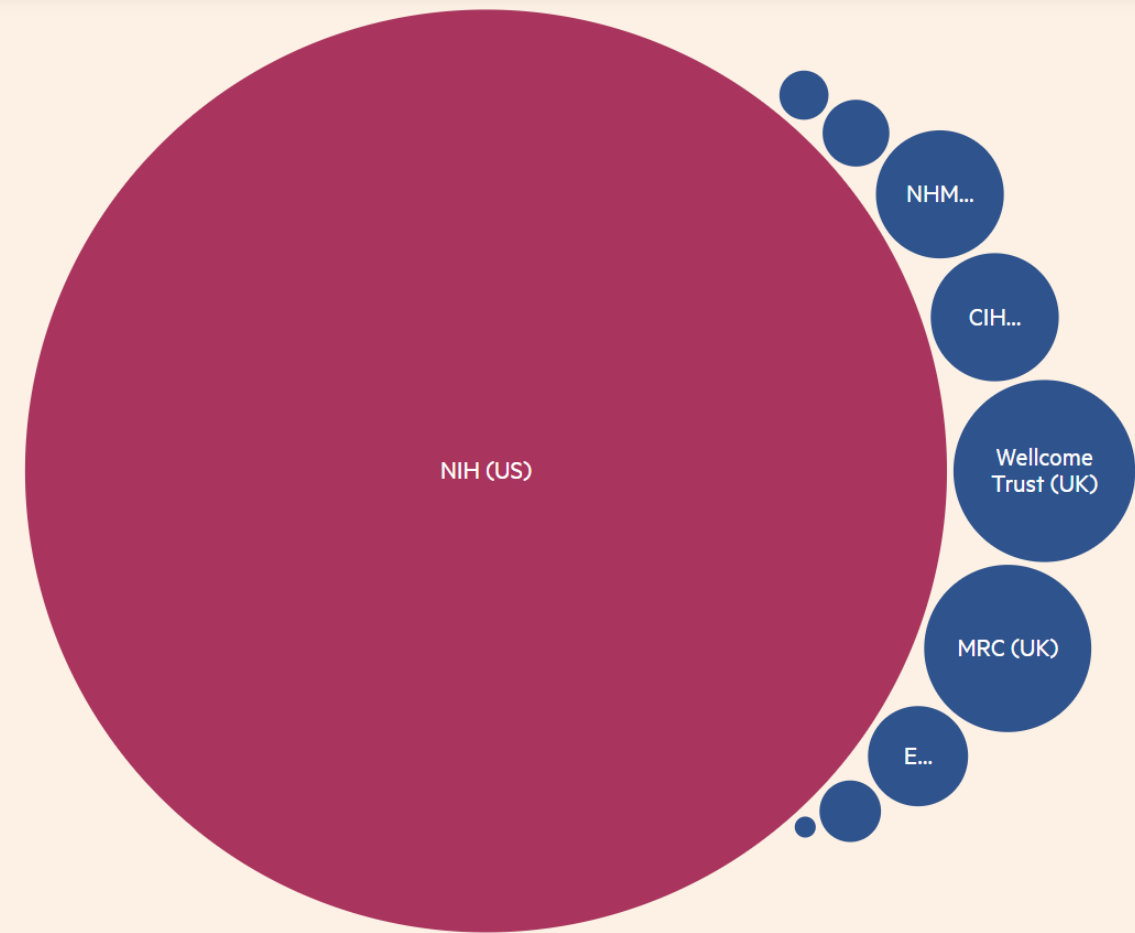
“This dampening of scientific inquiry is profound,” says Simmons. “It is going to have a huge ripple effect that’s going to last at least a generation.” Even if these policies are softened or reversed, the effects are likely to be lasting. The administration’s actions have shaken the decades-old assumption that the US is a solid, well-funded and intellectually open environment for research. After a slow start, resistance is gathering.

Jeremy Levin, a biotech chief executive who sits on the board of the US industry group Biotechnology Innovation Organization (Bio), says the cuts risk driving away talented practitioners to more attractive places overseas and, ultimately, ceding scientific leadership to China.

“As America steps back, cuts its basic research,” he says, “China has the opportunity to step forward and to become the leader in the world of science and medicine.”

Biomedical behemoth: NIH dominates research and grants

Annual grant amount by leading funding bodies* (\$bn, 2022)



The change of direction at the NIH exemplifies the chaos now engulfing many leading scientific institutions. The agency has grown from its origins in a 19th-century one-room laboratory into a biomedical behemoth that gave research grants totalling \$33bn in 2022. That was more than 25 times the amount given by number two awardee the Wellcome Trust, among 10 leading funders that provided data

Source: <https://www.ft.com/content/67fd40e3-104e-4599-a8b2-3f34cd75c74a>

Collins and Fellow GOP Senators Speak Out in Opposition to Trump's Cuts to Biomedical Research

John Wilkerson, *Stat+*, April 30, 2025 (excerpt)

There was broad bipartisan support at a Senate hearing Wednesday to reverse course on the Trump administration's cuts to federally funded biomedical research.

Sen. Susan Collins (Maine), the Republican chair of the Senate Appropriations Committee, kicked off the hearing with a rebuke of the Trump administration for cutting federal biomedical research funding, cancelling grants, and laying off federal health department employees, and said the changes must be reversed.

"Proposed funding cuts, the firing of essential federal scientists, and policy uncertainties threaten to undermine the foundation for our nation's global leadership," she said Wednesday at the hearing, titled "Biomedical Research: Keeping America's Edge in Innovation."

As chair of the Senate committee that funds the government, Collins is one of the most powerful Republicans to speak out against Trump's cuts.

The hearing included researchers from Collins' state of Maine and from Alabama. Alabama Republican Sen. Katie Britt, who is a member of the committee, has already raised concerns about cuts to university research grants.

Several Republicans struck a tone that was similar to Collins'. Republicans hold a narrow 53-47 majority in the Senate, meaning a small number of lawmakers can influence legislation.

Sen. Jerry Moran (Kan.) said there are few things that Congress does that provide as much hope as NIH funding, and he warned against falling into the trap of thinking that what happens at NIH doesn't matter.

Sen. Lisa Murkowski (Alaska.) said her nephew, a student at Marquette, wants to research a cure for amyotrophic lateral sclerosis (ALS) but is not certain about whether there will be an opportunity for him to follow that career path if the government significantly scales back research funding.

Collins singled out the Trump administration's effort to cap indirect research costs, saying that the plan violates the law.

Source: <https://www.statnews.com/2025/04/30/nih-cuts-threaten-american-research-says-senator-in-call-for-restored-funding/>

Trump Seeks to Squeeze Drugmakers' Revenues to Pay for Tax Cuts

Rachel Cohrs Zhang, *Bloomberg*, May 2, 2025 (excerpt)

President Donald Trump has set his sights on the pharmaceutical industry to shoulder part of the cost of his tax cuts, pressing congressional Republicans to force drugmakers to accept lower prices on prescriptions covered by Medicaid.

Trump asked House Republicans to mandate the government health program for low-income and disabled Americans get the lowest price for drugs that certain foreign countries are charged, the White House confirmed in an email to Bloomberg. The president made the request during ongoing talks over how to cut hundreds of billions of dollars in government spending to fund tax cuts.

The strategy could potentially ease one of the most contentious issues dividing Republicans as they seek to offset some of the cost of the tax cuts: whether to force millions of low-income Americans off Medicaid health coverage.

But it risks antagonizing a powerful Washington lobby. The pharmaceutical industry has fiercely fought efforts to lower the prices federal programs pay for drugs.

It's also unclear how much savings the approach would generate. Medicaid already gets a set discount off the lowest price a drug maker offers in the domestic private market.

"There's every reason to believe Medicaid is getting an incredible price for most drugs," said former Biden administration Centers for Medicare and Medicaid Services official Kristi Martin.

The request is the first public indication that Trump is returning to a theme from his first term — that the US overpays for drugs compared with other countries. However, his earlier plans were focused on the Medicare program, which includes older adults and is the nation's largest payer for medicines.

The proposal to apply an international drug pricing element to Medicaid is a new one, and is a curveball in talks that have largely centered on complex details of how state Medicaid programs are funded and who should be eligible for health coverage. Those proposals would financially hurt state governments, health insurers and hospitals and drive millions of Americans off the insurance program.

Source: <https://www.bloomberg.com/news/articles/2025-05-02/trump-seeks-to-squeeze-drugmakers-revenues-to-pay-for-tax-cuts>

The Tariff War with China and Implications for Biotech



China Tariff Situation

One cannot help watching the proposed cuts to the NIH, the proposed increase in the U.S. defense budget and the recent tariff attack on China and come away with the sense that United States misapprehends the war they are fighting.

Warren Buffet said it well last weekend when he spoke openly about the trade war launched by the Trump Administration. He said that tariffs “can be an act of war” and “trade should not be a weapon.”

He further noted: ““I do think that the more prosperous the rest of the world becomes, it won’t be at our expense, the more prosperous we’ll become, and the safer we’ll feel, and your children will feel someday.”

He shares our sense that the United States may have picked the wrong fight.

In the movie “The Christmas Story” (1983) the school bully Scut Farkus constantly terrorizes younger kids, until Ralphie, pushed too far, snaps and beats him up in a very bad reversal. Scut realizes too late that Ralphie had more fight than he imagined.

The whole trade war with China scenario seems quite anomalous. Improbable even. Trump’s last (and only) visit to China was in 2017. He obviously has not been there lately. We worry he might end up as bruised as Mr. Farkus.



“It’s a big mistake, in my view, when you have seven and a half billion people that don’t like you very well, and you got 300 million that are crowing in some way about how well they’ve done - I don’t think it’s right, and I don’t think it’s wise.

The United States won. I mean, we have become an incredibly important country, starting from nothing 250 years ago. There’s not been anything like it.”

Warren Buffett

Berkshire Hathaway, Annual Meeting
May 3, 2025

Awakening a “Sleeping Giant”

Perhaps one episode in history that shall never be forgotten was the Japanese attack on Pearl Harbor in 1941. In his speech to Congress, Franklin Delano Roosevelt referred to this as “Yesterday, December 7, 1941—a date which will live in infamy...”

The Pearl Harbor Attack was led by Isoroku Yamamoto, Commander in Chief of the Joint Command of the Japanese Navy. He had opposed the Pearl Harbor attack, preferring diplomacy. As repeated in the film *Tora, Tora, Tora*, Admiral Yamamoto is said to have written in his diary after the Pearl Harbor attack: “I fear all we have done is to awaken a sleeping giant and fill him with a terrible resolve.”

We are travelling in India this week and enjoyed a delightful dinner with the Chairman of one large Indian pharma on the evening of May 4th. The wide-ranging conversation dwelled for a while on the U.S. tariff war and what it means for the world at large. This Chairman was concerned less about unilateral U.S. tariffs on India and more about those on China. He repeated Yamamoto’s quote in the current U.S. / China context. He noted that China was not so “asleep” to begin with, but that we have likely energized and unified the country in a manner that the West may come to regret. Situated next to China, this is not a passing concern for India.

Interestingly, there is significant debate about whether Yamamoto ever really wrote the awakening the giant quote, but Napoleon certainly did. In the context of China. He said that “China is a sickly, sleeping giant. But when she awakes the world will tremble.”



Isoroku Yamamoto

Commander in Chief
Japanese Navy, 1939 to 1943

Chinese Competitive Mindset

While China has steadily expanded its military capabilities, many analysts argue that its primary arena of competition with the United States is economic, technological, and geopolitical rather than military.

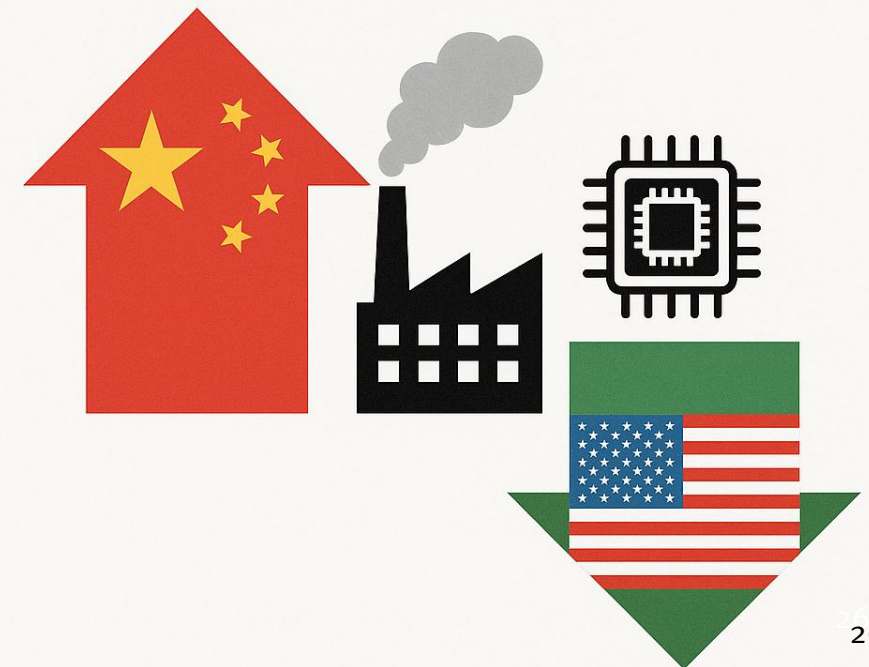
Chinese leadership under Xi Jinping continues a long tradition of prioritizing economic modernization and technological self-reliance as the core path to national strength.

This strategic emphasis is reflected in initiatives like “Made in China 2025,” the Belt and Road Initiative, and aggressive investments in emerging technologies such as semiconductors, biotech, AI, and quantum computing.

Influential writings like [*Unrestricted Warfare*](#) by PLA colonels Qiao Liang and Wang Xiangsui have articulated a view of conflict that extends beyond the battlefield, framing economic, cyber, financial, scientific and informational domains as key theaters of competition. This mindset aligns with China’s strategy of using trade, supply chains, technological standards, and infrastructure diplomacy to challenge U.S. influence without direct military confrontation. Recent U.S. tariffs [energize](#) this strategy by facilitating stronger Chinese relations with traditional U.S. allies.

At the same time, China’s approach reflects strategic patience and a desire to avoid kinetic conflict with the United States, particularly given its economic interdependence with global markets. Instead, the focus is on building “comprehensive national power”—a holistic measure encompassing economic output, industrial capacity, technological leadership, and diplomatic influence.

China Sees Economic, Not Military, War with the U.S.



What China is Saying on U.S. Tariff Negotiations



中华人民共和国商务部

MINISTRY OF COMMERCE OF THE PEOPLE'S REPUBLIC OF CHINA

Press Release, May 2, 2025

A reporter asked: Recently, the US side has repeatedly stated that it is negotiating with China on economic and trade issues and will reach an agreement. Does the Ministry of Commerce have any further news or comments on this?

A: China has noticed that senior US officials have repeatedly stated that they are willing to negotiate with China on tariff issues. At the same time, the US has recently taken the initiative to convey information to China through relevant parties many times, hoping to talk with China. China is currently evaluating this.

China's position is consistent. If we fight, we will fight to the end; if we talk, the door is open. The tariff war and trade war were unilaterally initiated by the US. If the US wants to talk, it should show its sincerity and be prepared to take action on issues such as correcting its wrong practices and canceling unilateral tariffs. We have noticed that the US has been constantly leaking information about adjusting tariff measures recently. What China wants to emphasize is that in any possible dialogue or talks, if the US does not correct its wrong unilateral tariff measures, it means that the US has no sincerity at all and will further damage the mutual trust between the two sides. **Saying one thing and doing another, or even trying to use negotiations as a pretext for coercion and blackmail, will not work in China.**

Source: https://www.mofcom.gov.cn/xwfb/xwfyth/art/2025/art_ecd95ccc65ea4495a308f6fa2dbffd7e.html



Dealing with China

The game theory of the current U.S. conversation with China is fascinating.

The U.S. unilaterally imposed 125% tariffs on China and the Chinese have retaliated with what effectively are [even higher](#) tariffs.

In any game of “Chicken” it comes down to who will swerve first.

For China, loss of U.S. export revenue will create hardship for the country but is unlikely to fundamentally weaken the government in any way as only 15% of Chinese production goes to the U.S. Further, Chinese media is controlled so that the impact of tariffs is unlikely to be broadcast on social media. Thus, the U.S. tariffs are unlikely to cost Premier Xi his job – and could even boost him.

For the U.S., President Trump lives in a democracy, where every news item is subject to amplification, manipulation and mutilation in social media. Social media helped get him elected but, in this case, could also work to his detriment.

The *Economist* [wrote](#) last week: “Some high-frequency indicators suggest a limited impact from the trade war so far. In the week ending April 25th ten container ships, carrying 555,000 tonnes of goods, arrived at the ports of Los Angeles and Long Beach—America’s preferred entry gates for goods from China. That is about the same as a year ago. But sailing between China and America’s west coast takes between two weeks and 40 days. Many cargo ships arriving now set off before the tariffs began. Other readings look scarier. Bookings for new journeys between China and America plummeted by 45% year-on-year in the week beginning April 14th, according to Vizion, a data firm.”



Unwinnable War

According to *the Economist* the U.S. consumer will start to note the absence of Chinese goods in places like Target and Walmart in about two weeks.

When those goods are substituted for U.S. goods, if any be available, the effect on prices will be immediate and tangible.

CNBC [reported](#) recently that “...the first signs of empty shelves would show up where price-sensitive imports dominate the shelf — like toys, games, and budget home goods, in addition to apparel.”

There is a saying from von Clausewitz that one should not start a war that you can't win.

In this situation, we fear a very messy situation will transpire for the United States. The Chinese won't blink. They have made that clear. This means that the U.S. will need to blink, or Trump's poll numbers fall further.

At the wrong moment: when the tax bill is going through Congress and months before campaigning for the 2026 Congressional elections begin in earnest.

The next few months are going to be “interesting” to say the least. And potentially dangerous.



What Happens Next?

While our prognostications have been right quite a bit lately, we are particularly uncomfortable with predicting outcomes in the current situation because Trump has backed himself into a tough spot and is hard to predict in the best of times.

The only move that makes sense is for the US Administration to reach some trade deals with friendly countries, say South Korea / the UK, and then put out an announcement saying that the trade battle has been won to America's benefit. A declaration of victory of sorts.

This would then be followed by a unilateral reduction or removal of all tariffs – no matter what the country. This “Liberation” type PR of this would be hard to manage on social media vis-à-vis China but this is likely better than the alternative.

We could imagine something like a “free trade zone” with the likes of Korea or whoever those friendly countries turn out to be and more of a back to the “status quo” ex “Liberation Day” set of tariffs for those who do not reach an agreement.

This should lead the stock market to roar northward. And should allow Trump to keep his political standing in the Congress while working through the tax cuts.

We worry about the alternative scenarios here and hope that we are right with the above prognostication.

OK, so what does this all mean for biotech? And what does this mean for competition in developing molecules between the West and China?



Implications for Western Biotech

We would see the above scenario as resulting in the following:

1. Broadly lowered inflation expectations in the U.S.
2. Economic stimulus from tax cuts
3. Some reductions in the NIH budget
4. With concomitant reduced federal support for basic research into biology and health matters

The net result of this would be a big positive for biotech in the short term. Reduced inflation, in particular, and economic stimulus should be a huge impetus for stock price appreciation in biotech and the tech sector – which also has risky, long duration cash flows.

IPO's should flow and we should be in an environment that is more conducive to the type of M&A we are already seeing.

However, the “China Factor” in biotech isn't likely to get any better.

If there will be any lesson for China it is to remove once and for all the U.S. economic threat to their economy.

We would expect China to use part of its expanded wealth to invest in industries that are heavy in intellectual property.

The trends that are already underway – higher innovation from Chinese biotech, a booming market in HK and the like would very likely accelerate.



Biopharma Market Update



The XBI Closed at 80.25 Last Friday (May 2), Up 4% for the Week

The Stifel Global Biotech Value Tracker rose by 9.4% last week, substantially more than the XBI (+4%) and the BBC (up 6.7%). Treasury yields came down but remain high. The XBI is down 7.3% for the year while the Stifel Global Biotech Value Tracker is up for the year but barely.

Biotech Stocks Up Last Week

Return: Apr 25 to May 2, 2025

Nasdaq Biotech Index: +3.3%
Arca XBI ETF: +4.0%
Virtus LifeSci Biotech ETF (BBC): +6.7%
Stifel Global Biotech EV (adjusted): +9.4%*
S&P 500: +2.9%

Return: Dec 31, 2024 to May 2, 2025 (YTD)

Nasdaq Biotech Index: -1.0%
Arca XBI ETF: -7.3%
Virtus LifeSci Biotech ETF (BBC): -18.3%
Stifel Global Biotech EV (adjusted): +1.4%*
S&P 500: -3.3%

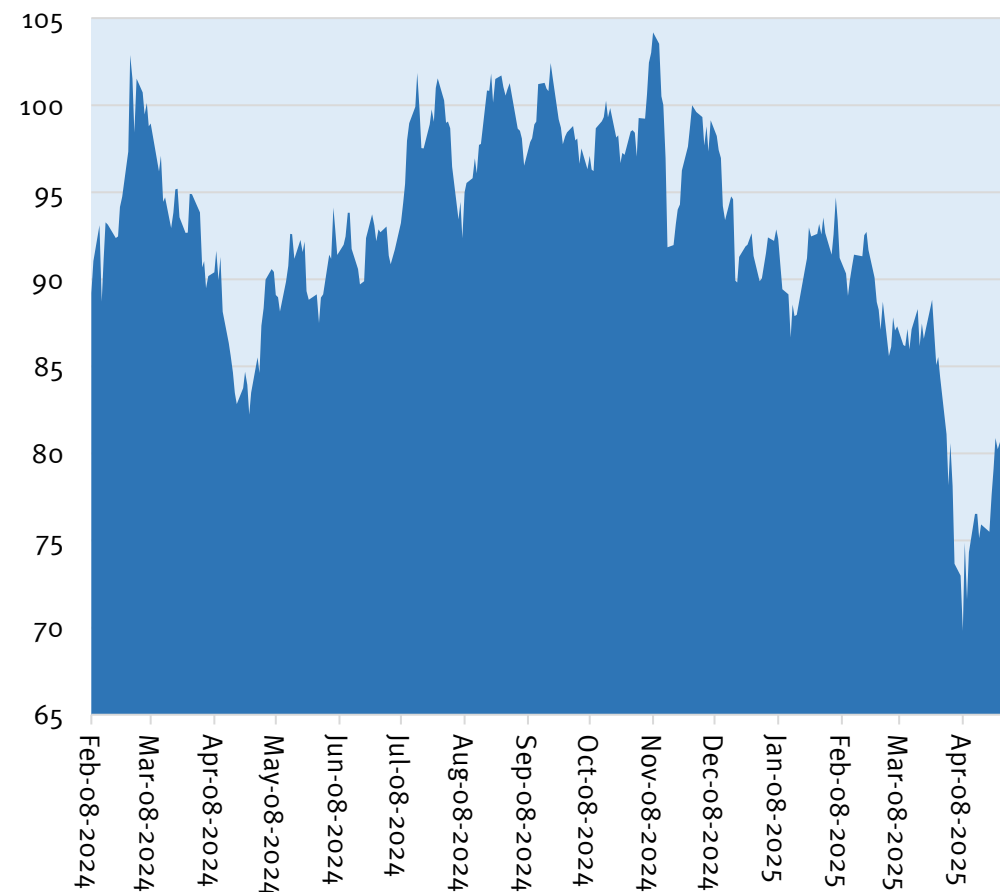
VIX Down

Aug 2, 2024: 23.4%
Dec 13, 2024: 13.8%
Jan 24, 2025: 14.2%
Feb 21, 2025: 18.2%
Mar 28, 2025: 21.7%
Apr 11, 2025: 37.6%
Apr 24, 2025: 24.8%
May 2, 2025: 22.6%

10-Year Treasury Yield Flat

Aug 2, 2024: 3.80%
Dec 13, 2024: 4.4%
Jan 24, 2025: 4.6%
Feb 21, 2025: 4.4%
Mar 28, 2025: 4.27%
Apr 11, 2025: 4.48%
Apr 24, 2025: 4.29%
May 2, 2025: 4.33%

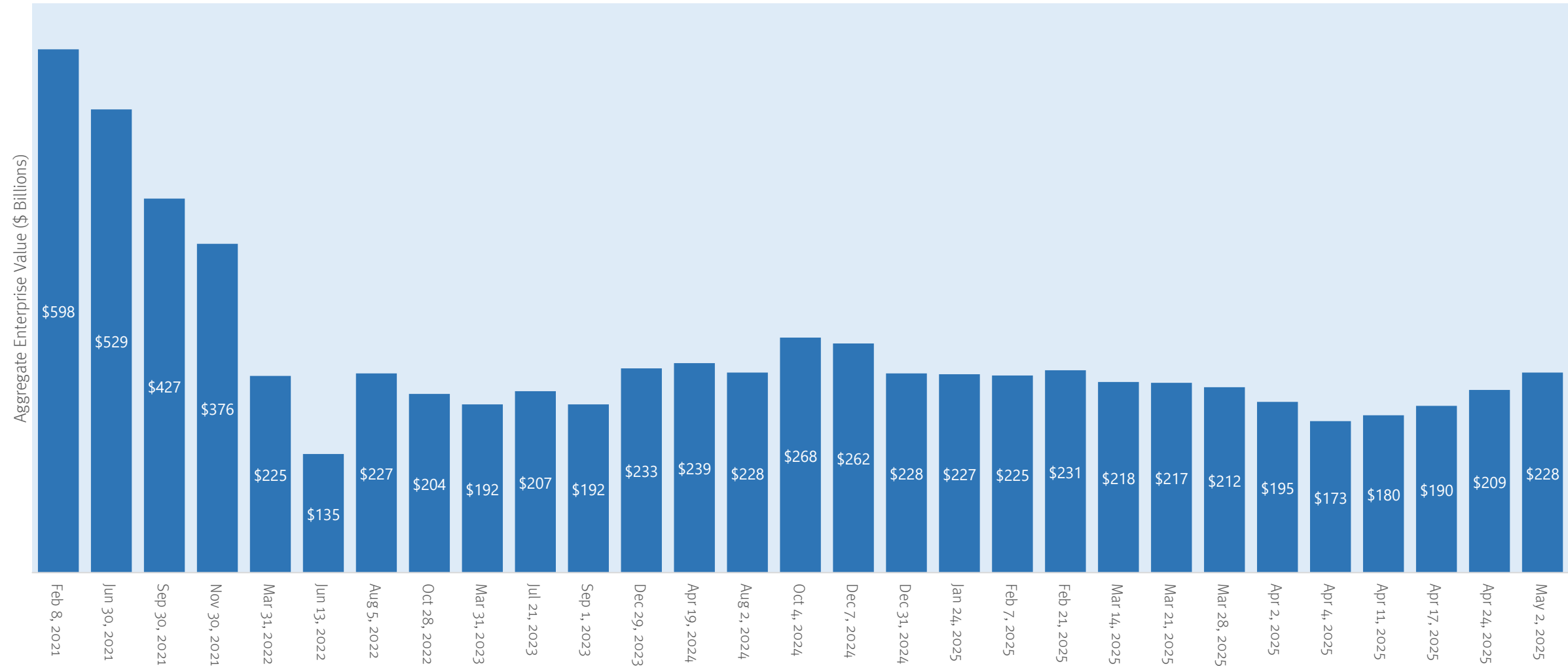
XBI, Feb 8, 2024 to May 2, 2025



Total Global Biotech Sector Rose 9.4% Last Week

Biotech stocks rose 9.4% in the last week, much more than the XBI. Biotech stocks are up 32% since hitting a low point four weeks ago. Importantly, last week saw biotech stocks end *up* for the year, albeit by only 1.4%.

Total Enterprise Value of Publicly Traded Global Biotech, Feb 8, 2021 to May 2, 2025 (\$ Billions)

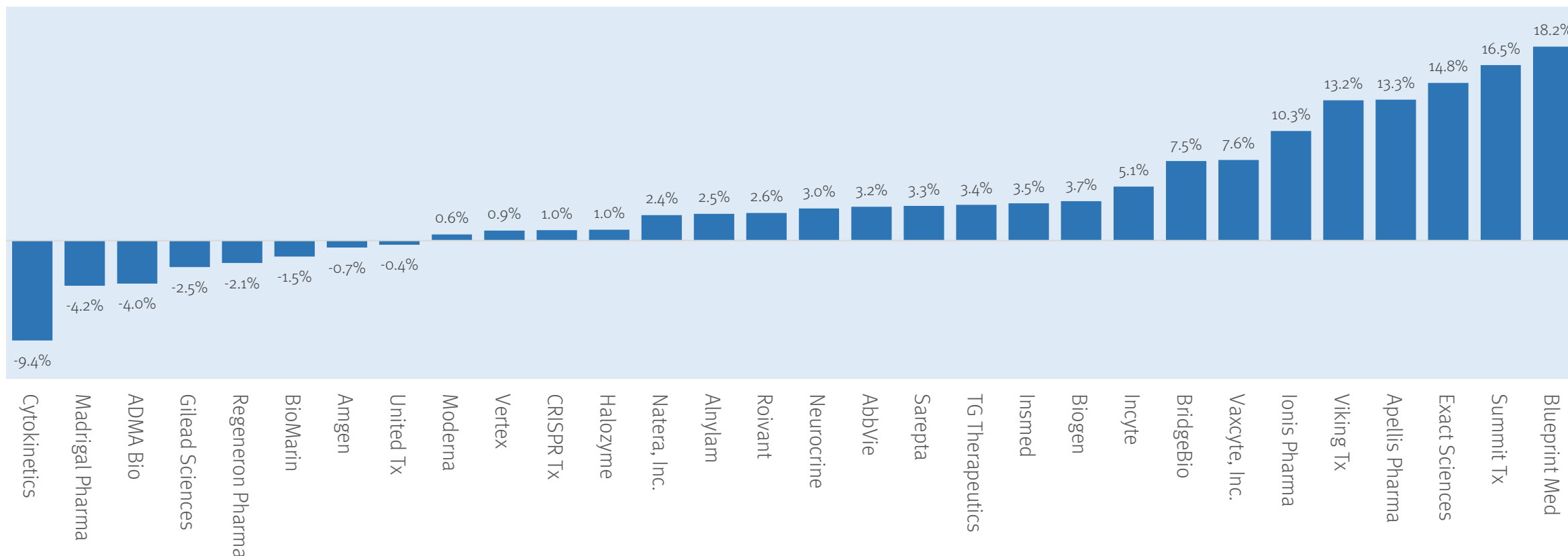


Source: CapitalIQ. Biotechs are defined as any therapeutics company without an approved product on any global stock exchange.

XBI 30 Performance Up Last Week

This chart shows the change in market cap this year for the 30 most influential stocks in the XBI. These 30 stocks comprise 60% of the weight of the XBI (out of 138 stocks total). The mean percentage change in value last week was +3.8%. The median change was +2.8%. Blueprint did well based on great guidance for the year for AYVAKIT. Cytokinetics fell based on an approval delay and news that it submitted for approval without a REMS package.

Top 30 XBI Influencers, Percent Change in Market Cap, Week of Apr 25 to May 2, 2025

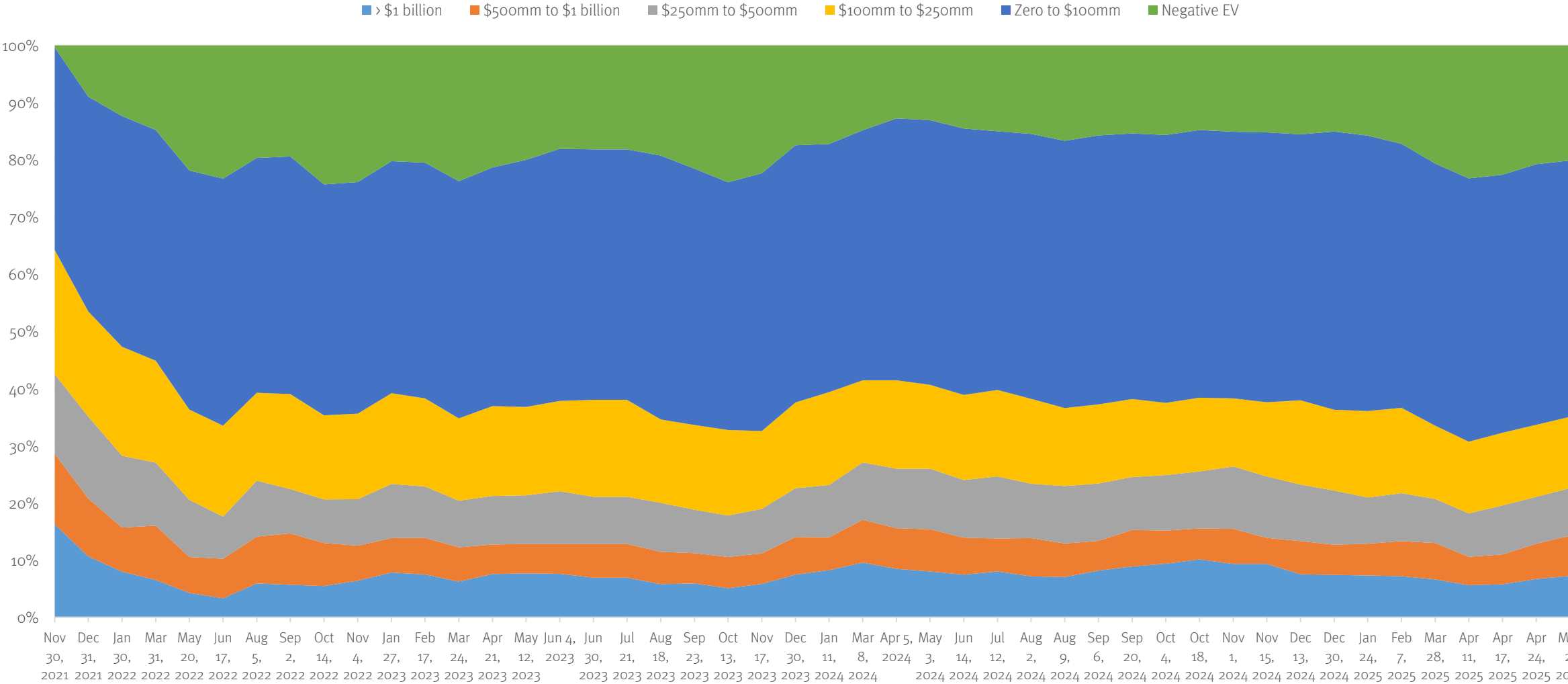


Source: CapitalIQ. Biotechs are defined as any therapeutics company without an approved product on any global stock exchange.

Global Biotech Neighborhood Analysis

We continue to see shrinkage in the negative EV population and growth in the number of biotechs worth \$500mm or more.

Global Biotech Universe by Enterprise Value Category, Nov 30, 2021 to May 2, 2025

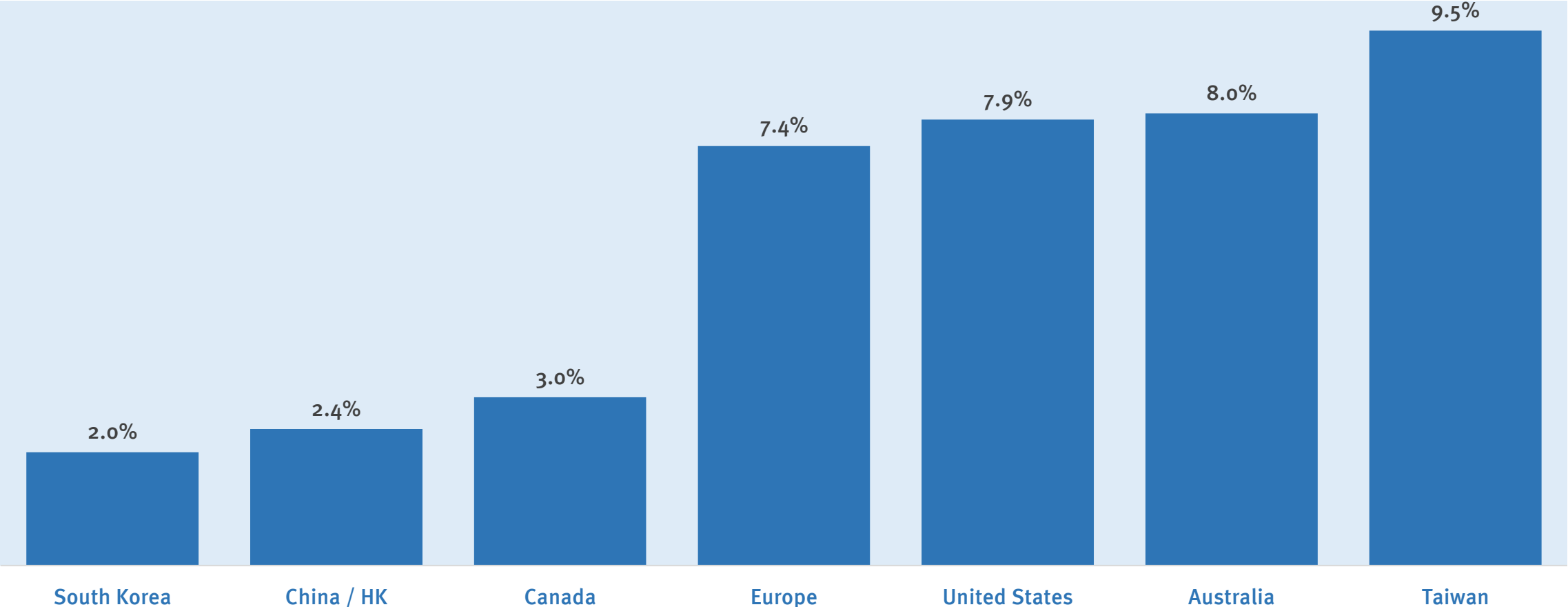


Source: CapitalIQ and Stifel analysis. Biotechs are defined as any therapeutics company without an approved product on any global stock exchange.

Biotech Performance by Region Last Week

Last week saw a strong recovery take place in U.S. biotech (up 7.9%, change in total market cap). Taiwan, Australia and Europe also did well while the China market was up a bit after a strong year. Roughly a quarter of the U.S. market’s performance is related to the ongoing rise in Summit. Summit now has a \$20 billion market cap.

Percent Change in Total Market Cap of Public Biotech by Country/Region, Apr 24, 2024 to May 2, 2025

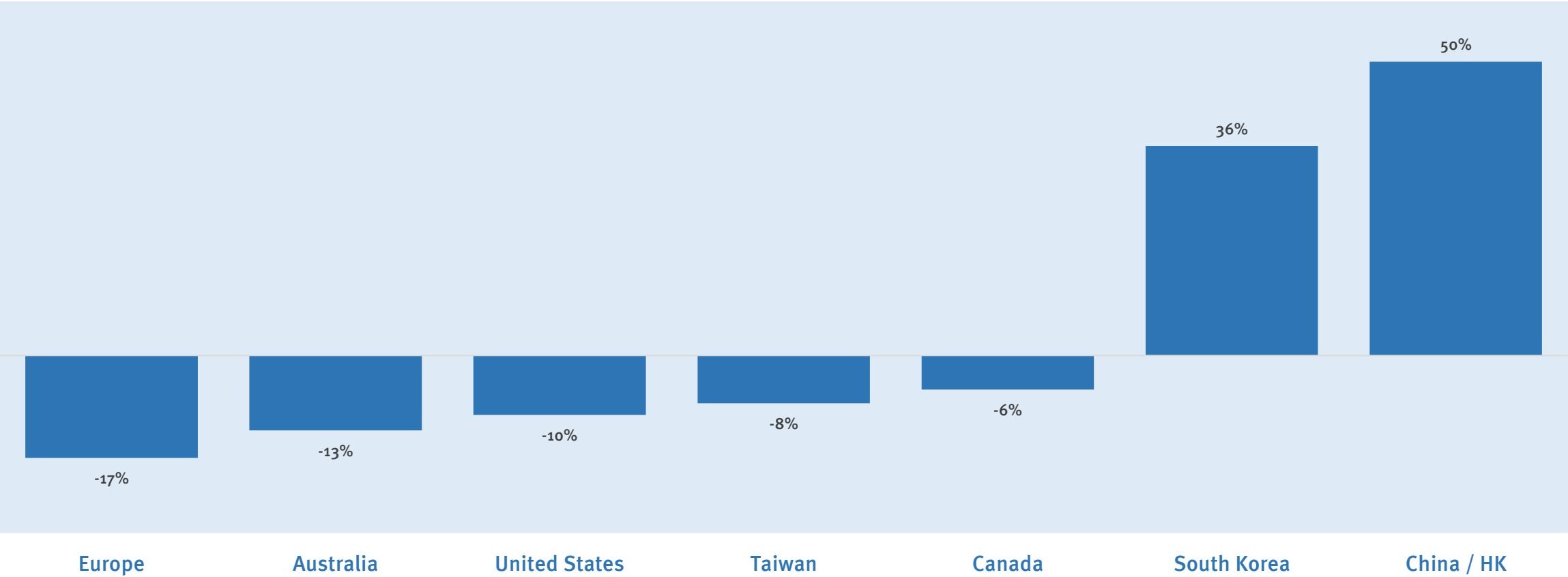


Source: CapitalIQ and Stifel analysis. Biotechs are defined as any therapeutics company without an approved product on any global stock exchange.

Biotech Performance by Region Year to Date

While the total biotech market ended up for the year last week, this is largely a reflection of strong performance of the China market which is now up a whopping 50% for the year. By contrast, the U.S. market is down 10% and Europe biotech is down 17% as of last Friday.

Percent Change in Total Market Cap of Public Biotech by Country/Region, Dec 31, 2024 to May 2, 2025

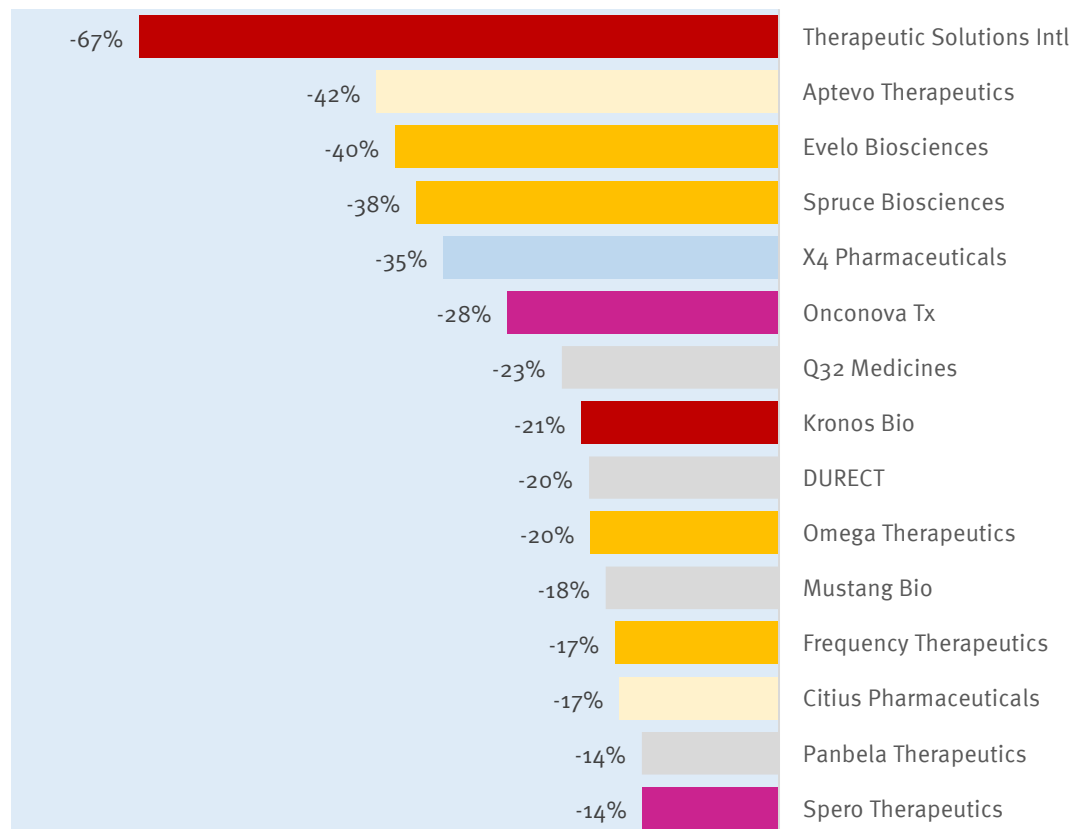


Source: CapitalIQ and Stifel analysis. Biotechs are defined as any therapeutics company without an approved product on any global stock exchange.

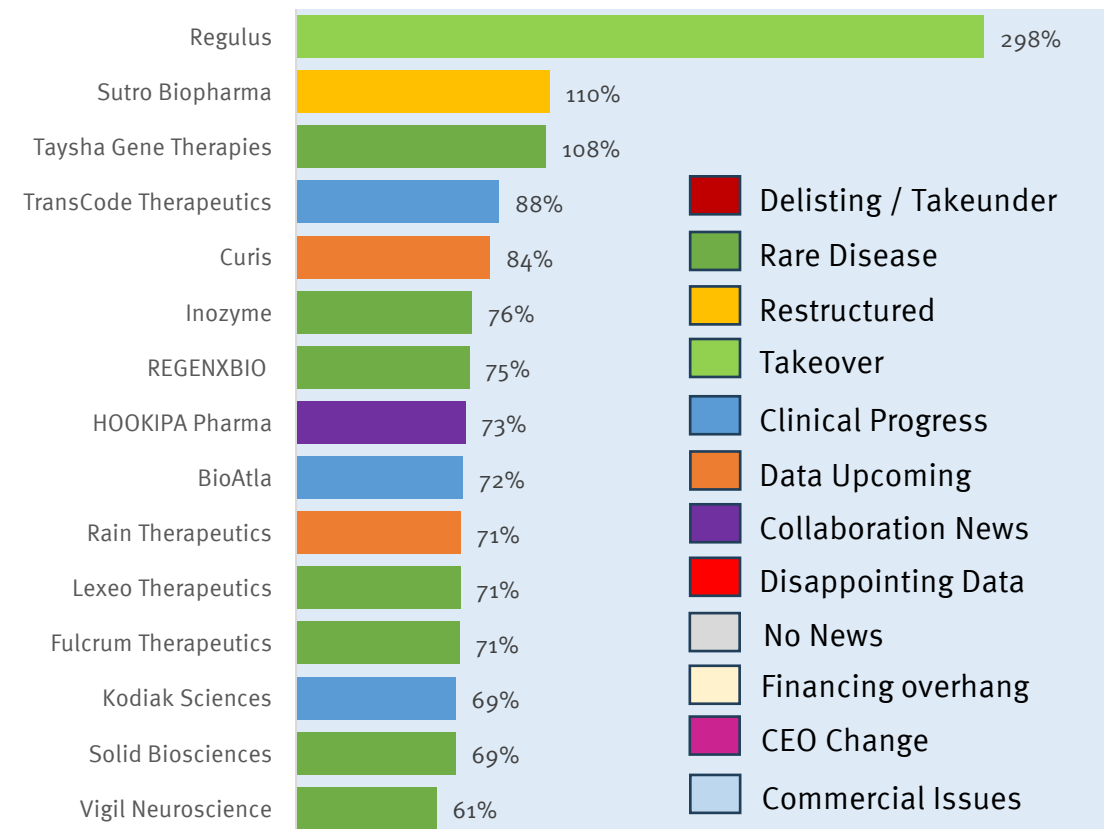
U.S. Biotech Gainers and Decliners Since “Liberation Day”

The charts below show the largest gainers and decliners among the U.S. biotech population in the last 18 trading days. Among stocks that have done well, we are seeing up action on M&A stories, rare disease stories that could benefit from changed FDA policies and upcoming data events. On companies that have underperformed we are seeing delistings, financing pressure and restructurings.

Biggest U.S. Biotech Decliners, Apr 9 to May 2, 2025



Biggest U.S. Biotech Gainers, Apr 9 to May 2, 2025



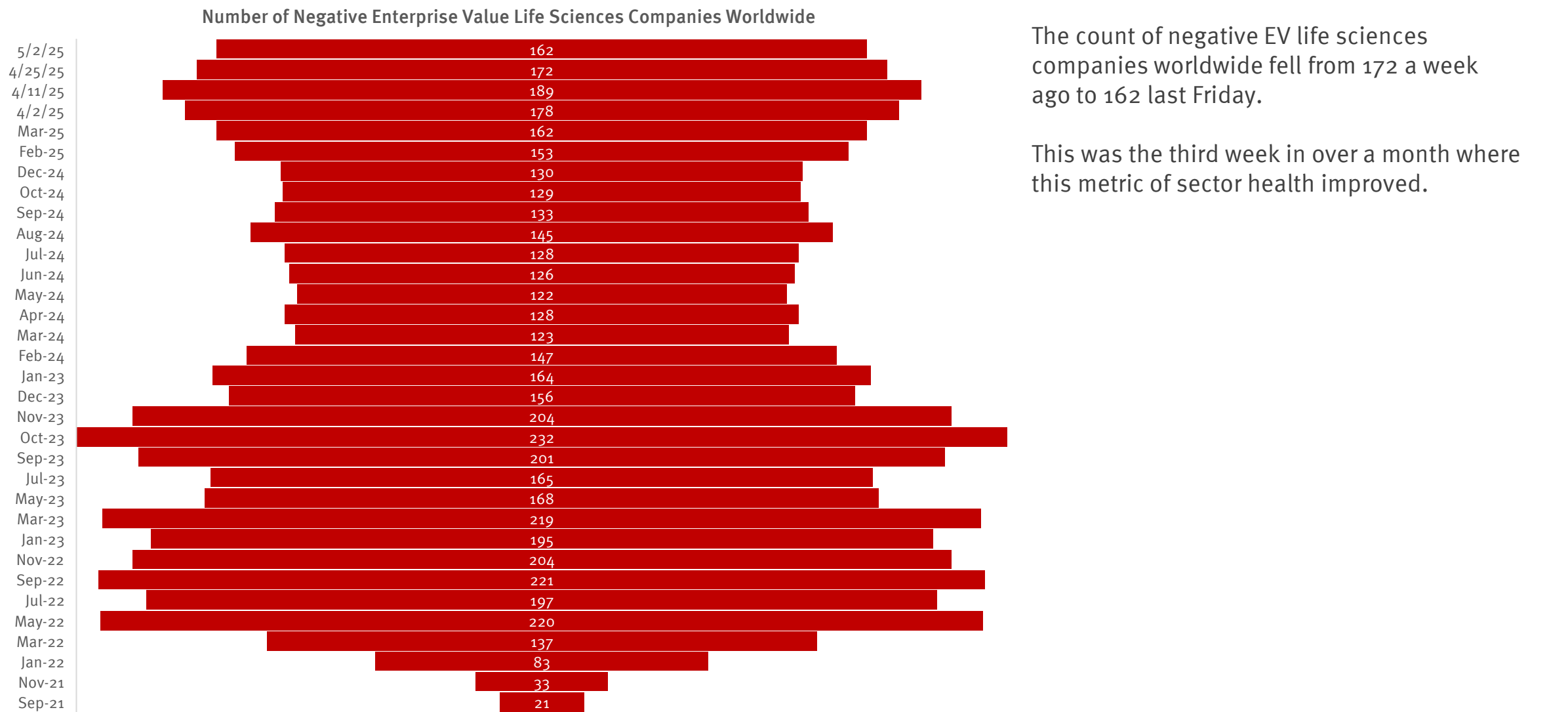
Life Sciences Sector Gained \$170 Billion in Value Last Week (+1.8%)

Last week saw strength across the board in the life sciences sector. In just three weeks we have seen a 7% jump in values of life science companies worldwide.

Sector	Firm Count	Enterprise Value (Apr 25, 2025, \$millions)	Change in Last Week (percent)	Change in Last Month (percent)	Change in Last Year (percent)
API	79	\$88,015	0.3%	1.5%	6.3%
Biotech	727	\$227,846	9.4%	28.2%	-5.1%
CDMO	37	\$153,656	4.7%	8.5%	22.5%
Diagnostics	75	\$258,356	3.7%	13.3%	-4.0%
OTC	29	\$24,546	1.3%	4.5%	-9.1%
Pharma	695	\$6,138,224	1.6%	5.5%	-0.5%
Pharma Services	38	\$147,726	1.3%	-0.2%	-20.4%
LS Tools	50	\$547,820	1.2%	3.9%	-20.9%
Medical Devices	173	\$1,800,943	1.9%	8.3%	9.2%
HCIT	7	\$25,523	8.1%	12.1%	41.7%
Total	1910	\$9,414,656	1.8%	6.5%	-0.6%

Source: CapitalIQ and Stifel analysis

Number of Negative Enterprise Value Life Sciences Companies Fell in Last Week

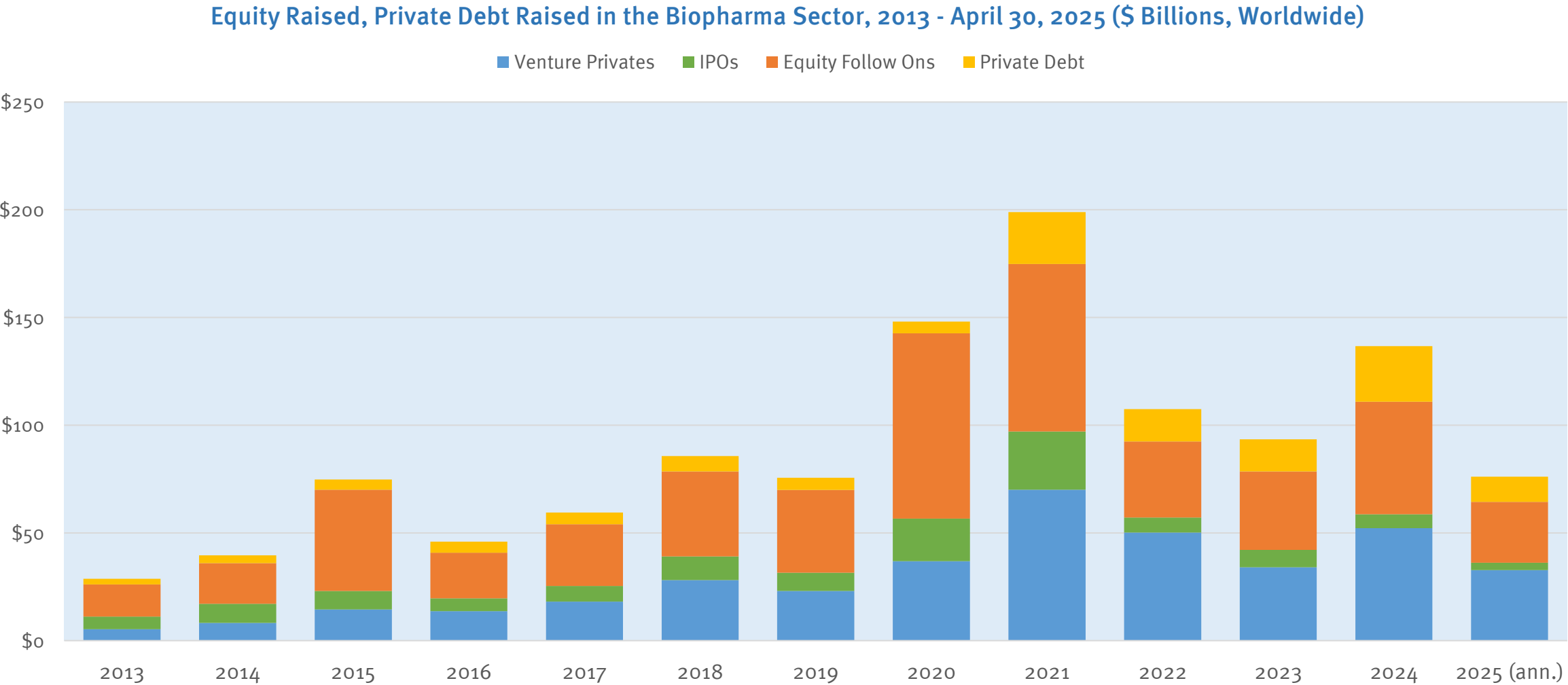


Capital Markets Update



Biopharma Financing Market in 2025 Slowest Since 2017

Biopharma financing has slowed to a near crawl after the U.S. imposed tariffs on many other countries.

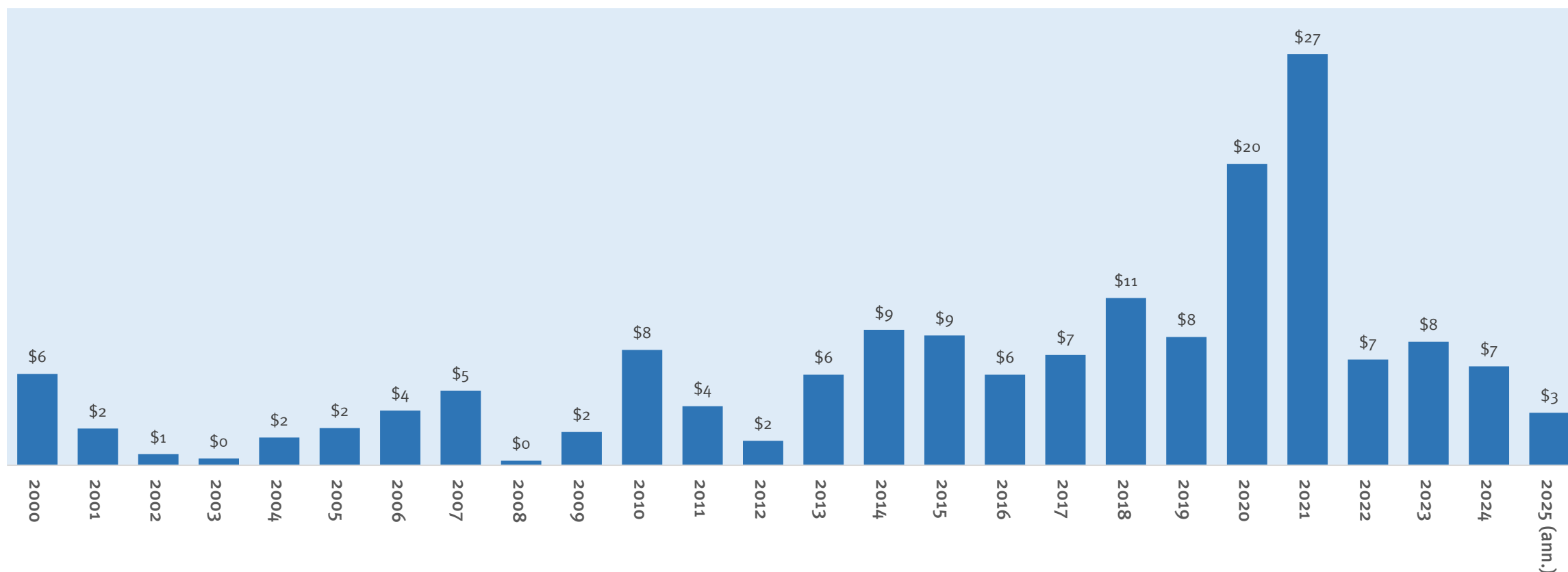


Global IPO Market Highly Selective in 2025

The last company to go public in the biopharma sector was Duality Biologics which went out in Hong Kong in early April. The last time we saw an IPO market as slow as that of 2025 was in 2012 – 13 years ago.

IPO Volume in the Biopharma Sector, 2000 - 2025 (annualized)

(\$ Billions, Worldwide)



Biotech IPOs to Return in 2025

The slowdown in IPOs following tariff-associated turbulence and FDA reorganization will soon pass, say industry investors.

Frankie Fattorini, *Pharmaceutical Technology*, May 1, 2025 (excerpt)

Investors remain optimistic for a return of biotech IPOs in 2025 despite a market downturn following the announcement of US trade tariffs and layoffs at the US Food and Drug Administration (FDA) earlier this year. “We’re all aware that it’s a challenging market ... a lot of uncertainty, whether it’s from the FDA, from the tariffs, or other macro factors,” said Max Klement, partner at investment company Novo Holdings. Klement noted a stark stagnation in IPO hopes for biotech compared to signs of an imminent uptick earlier this year. Nonetheless, panellists insisted the downturn would prove temporary, saying untapped capital and unmet patient needs would encourage investors to support biotech. Developments at the FDA can be expected to resolve in six to nine months, stated Alastair Kilgour, founder of investment management firm Parkwalk Advisors, after which he believes the biotech IPO market could be expected to reopen, incentivised by the looming pharma patent cliff for various drugs.

In the meantime, speakers said biotechs will have to develop more detailed, targeted funding plans to extend their cash runways until IPOs re-emerge as a viable option.

“Fundraising at the moment is a full-time job for all the CEOs,” according to Dirk Kersten, partner at the venture capital firm Forbion.

Source: <https://www.pharmaceutical-technology.com/news/investors-insist-halted-biotech-ipos-will-return-in-2025>

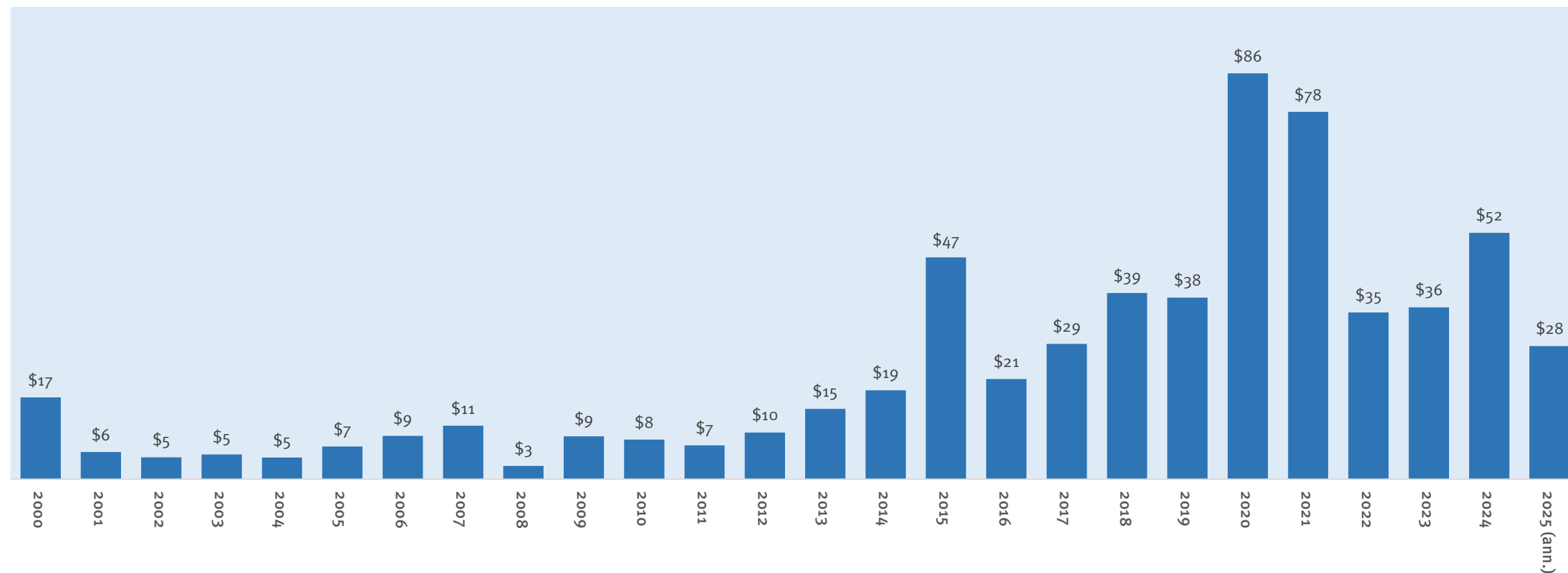


Global Follow-On Market Has Been Slow in 2025

The last month has seen a major slowdown in the follow-on market. With 2025 a third completed we are on pace for a \$35 billion volume year. This is one of the slowest showings in years. The last time the market was slower was in 2017 when there was \$29 billion in volume.

Follow-On Equity Issuance in the Biopharma Sector, 2000 - 2025 (annualized)

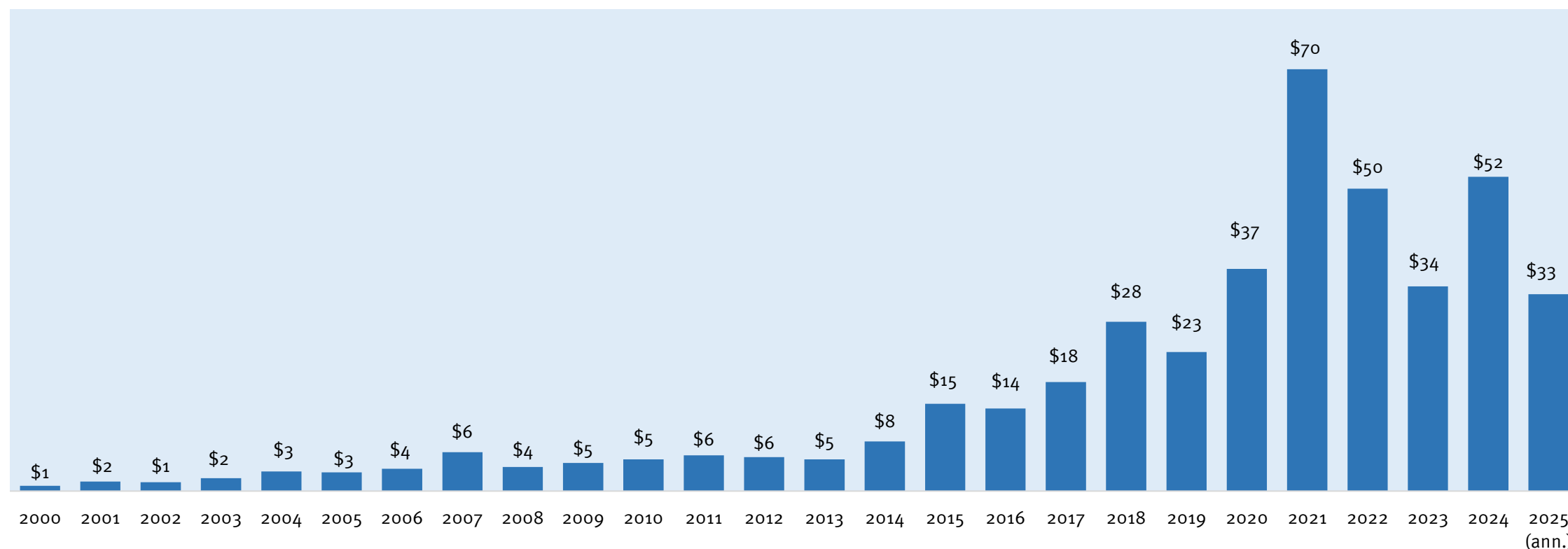
(\$ Billions, Worldwide)



Venture Privates Remained Subdued

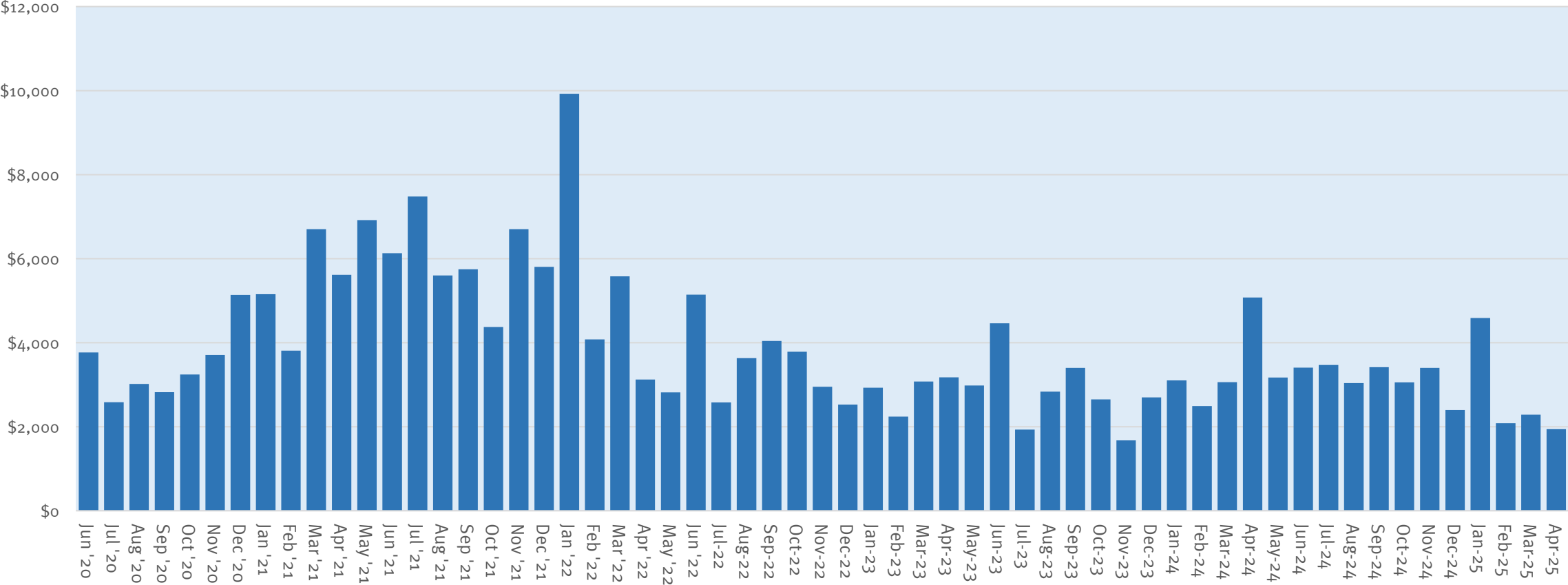
Recent months have seen modest activity in the venture privates market. The market was particularly slow last week with less than \$200mm in deals pricing in the market. For the year, we are on pace to a \$33bn volume year, which would be the slowest since 2019.

Venture Privates in the Biopharma Sector, 2000 – 2025 (annualized)
(\$ Billions, Worldwide)



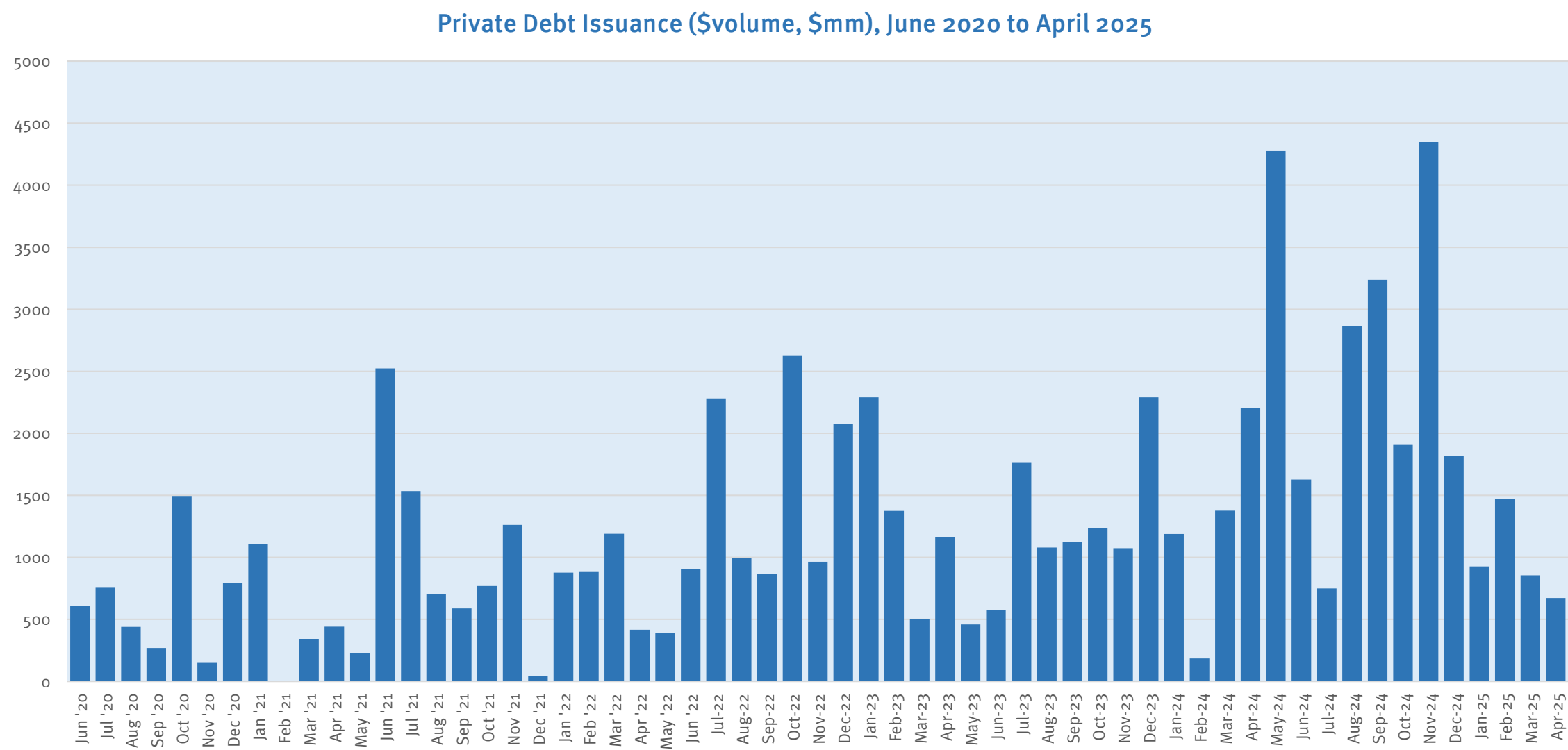
Monthly Volume Data Shows a Slowdown in Privates in April

Monthly Private Equity Placement (\$volume, \$mm), Jun 2020 to April 2025



Source: Data from CapitalIQ, Crunchbase.

Global Biopharma Private Debt Placement Volume Slowed in April



Source: Data from CapitalIQ, Crunchbase.

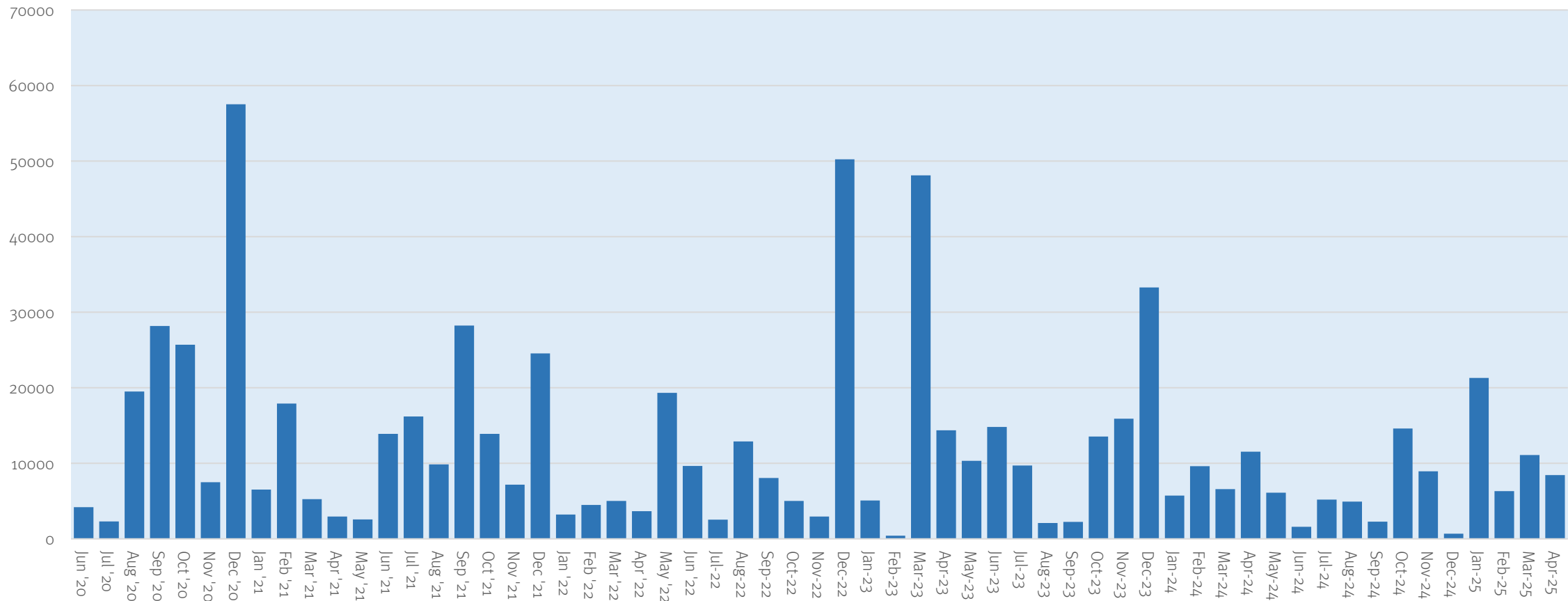
Deals Update



M&A Market Held Up in April 2025

We saw over \$8 billion in M&A volume hit the tape in April 2025. With the high premium paid on Regulus combined with the Springworks M&A, we are seeing signs of life in biopharma M&A in the U.S.

Monthly M&A Activity (\$volume, \$mm), Jun 1, 2020 to April 30 2025



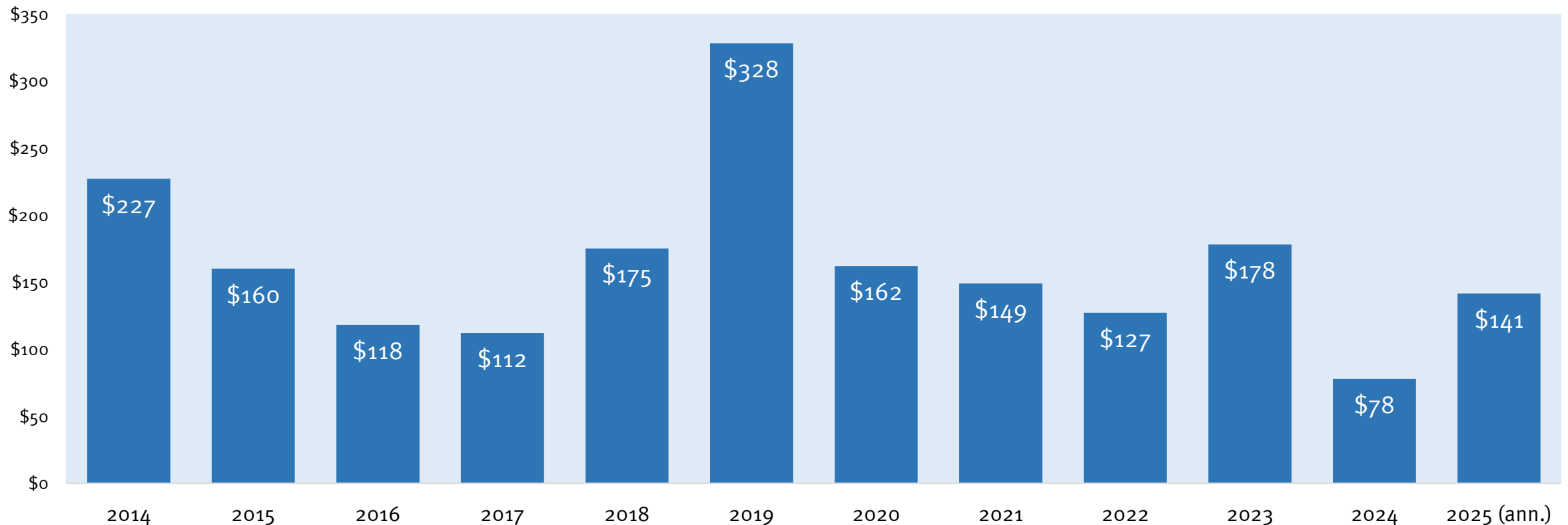
Source: S&P, CapitalIQ

Biopharma M&A Market On Pace for an Average Volume Year

After a strong January we have seen M&A volume in 2025 slow down. This is due to uncertainty associated with pharma tariffs. As this uncertainty is cleared up, we expect to see M&A volume pick up. For now, we are on pace for a \$141 billion M&A year. This is stronger than in 2024 but still below the pace of 2023.

M&A Volume in the Biopharma Sector, 2014 - 2025

(\$ Billions, Worldwide)



Pfizer's Bourla is 'Cautiously Optimistic' on Tariffs, says M&A is on the Table

Anna Bratulic, *FirstWord Pharma*, April 29, 2025 (excerpt)

Although Pfizer reported an 8% drop in sales during its first-quarter earnings report, CEO Albert Bourla's confidence in the face of tariffs — and his enthusiasm for the current buyer's market — seem to have satisfied investors, with the company's shares gaining about 4% Tuesday.

Further cost-cutting measures may also have influenced Pfizer's stock bump. The firm announced plans to generate an additional \$1.2 billion in savings by the end of 2027, mainly through the use of AI tools and automation.

The pharma reported \$13.7 billion in revenues for first quarter, driven down from \$14.9 billion in the year-ago period by mainly falling Paxlovid sales. Still, the company saw growth in several other products, including its Vyndaqel family of heart drugs and its COVID-19 vaccine Comirnaty, despite some pressure from new US Medicare pricing rules.

Vyndaqel family product sales reached \$1.5 billion in the first three months of 2025, up 33% year-over-year, although gains were partially offset by lower net prices in the US, as Pfizer faced higher manufacturer discounts tied to Medicare's Part D redesign under the Inflation Reduction Act.

Comirnaty sales jumped 62% to \$565 million, easily surpassing projections of \$352 million, mainly due to fewer returns and stronger US market share, along with increased deliveries in some international markets.

On the dealmaking front, Pfizer still has \$10 billion to \$15 billion allocated for business development. Bourla hinted that global market turbulence may open some doors.

"What I tell my team constantly is: never let a good crisis go to waste," he said. Quoting Warren Buffett, Bourla added, "Sell when prices are high and buy when prices are low — and, you know, prices are low."

GSK Optimistic About M&A Prospects Despite Trump Tariff Threats

Tristan Manalac, *Biospace*, April 30, 2025 (excerpt)

GSK's dealmaking will be "cautious and disciplined" under the current trade war, but the pharma will focus on looking for "opportunities created" amid these tensions, according to CEO Emma Walmsley. The company also reported a 4% earnings bump for the quarter.

GSK is choosing to look on the bright side of President Donald Trump's trade war, focusing on "opportunities created," even as tariffs escalate already-fraught geopolitical tensions.

"I'm going to be more optimistic," CEO Emma Walmsley said in the company's first quarter earnings call on Wednesday. She noted that even as the Trump administration singles out China as its biggest biotech threat, GSK continues to "look at the opportunities out of China," pointing to "several good deals."

In December 2024, for instance, GSK inked a potential \$1 billion deal with Shanghai-based DualityBio to license a novel antibody-drug conjugate (ADC) against a yet-undisclosed stomach cancer target. A year earlier, in December 2023, the pharma likewise entered into an ADC-focused partnership with Hansoh Pharma, putting \$1.7 billion on the line.

"About half" of GSK's pipeline comes from dealmaking, Walmsley said during the call, while the other half is driven by its internal research efforts. "Since 2018, we've increased our investment in R&D by nearly 90%," she added, "but we want to keep complementing that with [business development]."

"We want to engage, we seek to move agilely, we are always focused on returns—and obviously you have to take a cautious and disciplined view in the current environment, but we still see opportunity here," she added.

Walmsley stands on the optimistic side, particularly as concerns grow around potential dealmaking problems that Trump's trade war could pose. Roche CEO Thomas Schinecker, for instance, said during the pharma's Q1 report last week that "it will be more difficult to make financial sense of any M&A deals" if tariffs get in the way.

Disclosure



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