The Case for Optimism

Biopharma Market Outlook

January 2026

STIFEL | Healthcare

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Bullish on Biotech

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It’s easy to be mindlessly positive about the markets. It’s a little harder to be optimistic going into 2026 given how far the biotech market rose in the second half of 2025.

In this report we review the fundamental reasons to like this market.

Still.

We at Stifel believe that the upside in the biotech sector is just getting started.

Historically Speaking, What Are the Odds that 2026 Will be an Up Year in Biotech?

Here is a question to start with: how many investment banks ever come out and say the market is going to go down?

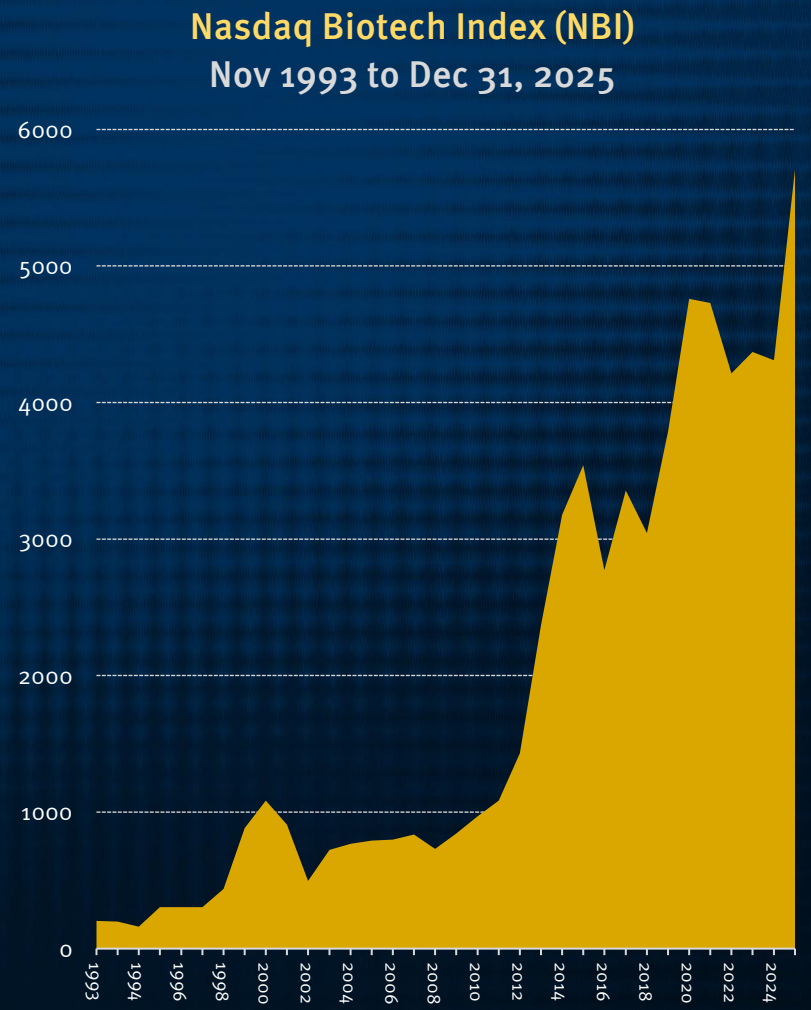
Stifel is one. Our Barry Bannister was bearish on the overall stock market in 2025 and was correct. In case you are worried, he sees the market going up around 10% in 2026. And we have occasionally gone bearish on biotech as well.

Our own prognostications on the biotech market have been largely on point. We said the XBI would break 120 in 2025 (that was correct), although on other occasions we have gotten it wrong. We thought the market would recover sooner than it did. And, on the rare occasions we have been bearish we have been right.

So, looking at the chart at right, arguing that 2026 is going to be an up year might cause a little natural **skepticism** – even concern. The NBI is at an all time high.

Statistically speaking, the question is whether there is mean reversion in biotech. If the market is down one year, are the odds higher than normal it will be up the next? Or vice-versa?

We looked at 34 years of NBI data and can say a few things: (1) if the biotech market was up one year the odds that it is up again the next year are 62% and (2) if the market was up after a down year, then the odds that it is up again the next year historically are 66%.



Our Bullish Thesis for 2026 is Based on Two Underlying Fundamental Arguments

The data would suggest that the odds of an up year are little better than getting heads on a coin flip.

So why the deeply held optimism now?

What history makes clear is that the biotech market is not random. The market tends to have multi-year positive runs interspersed with long flat periods (up/down from year to year). The up periods are associated with changes in the underlying market dynamics that are not fully understood at the time. For example, the big run from 2009 to 2015 was associated with the shift from mass market to specialty pricing as companies like AbbVie redefined what markets could look like. The run in the late 1990s was associated with the unexpected emergence of blockbusters from once obscure biotechs like Idec and Centocor.

Our core argument in this report is that we are again in a period where the market is shifting in a positive direction for the industry that the market does not fully apprehend. Specifically, we see two major positive shifts impacting the biopharma market today. The first is that the ongoing transition to the "big drugs for big markets" theme is remaking the pharmaceutical industry, and the trend is just getting started. The obesity market has taught us that you can charge a "medium price" in a giant market – which implies that other markets with breakthrough drugs (think COPD or depression) could get much larger than they have ever been before. Trump's recent "deal" with the pharma industry on obesity drugs has specifically locked in federal reimbursement for mass market drugs at higher pricing than we have seen before.

Second, the ability of biopharma innovation to scale – creating more good new drugs at lower cost has improved materially since the Pandemic. One way to see this is to look at how many biotechs have good datasets today versus three or four years ago. What's interesting to us is that while big pharma R&D productivity has struggled, we are not seeing the same thing in biotech. And we think that productivity continues to get better over time.

Why Biotech Remains Attractive in 2026

We see no reason, in principle, why the XBI can't cross 150 in 2026. The following six factors are at play:

1 Innovation

The ability of biopharma innovation to scale the industry is higher than generally appreciated

2 Macroeconomy

Both interest rates and inflation are down – good conditions for a bull market

3 Valuations

Despite a rapid run up in the last four months, biotech still offers good relative value

4 Bigger Markets

The "big drugs for big markets" theme is just getting started and is not fully understood by the market.

5 M&A

Large pharma thirst for M&A is going in one direction. And it's not down.

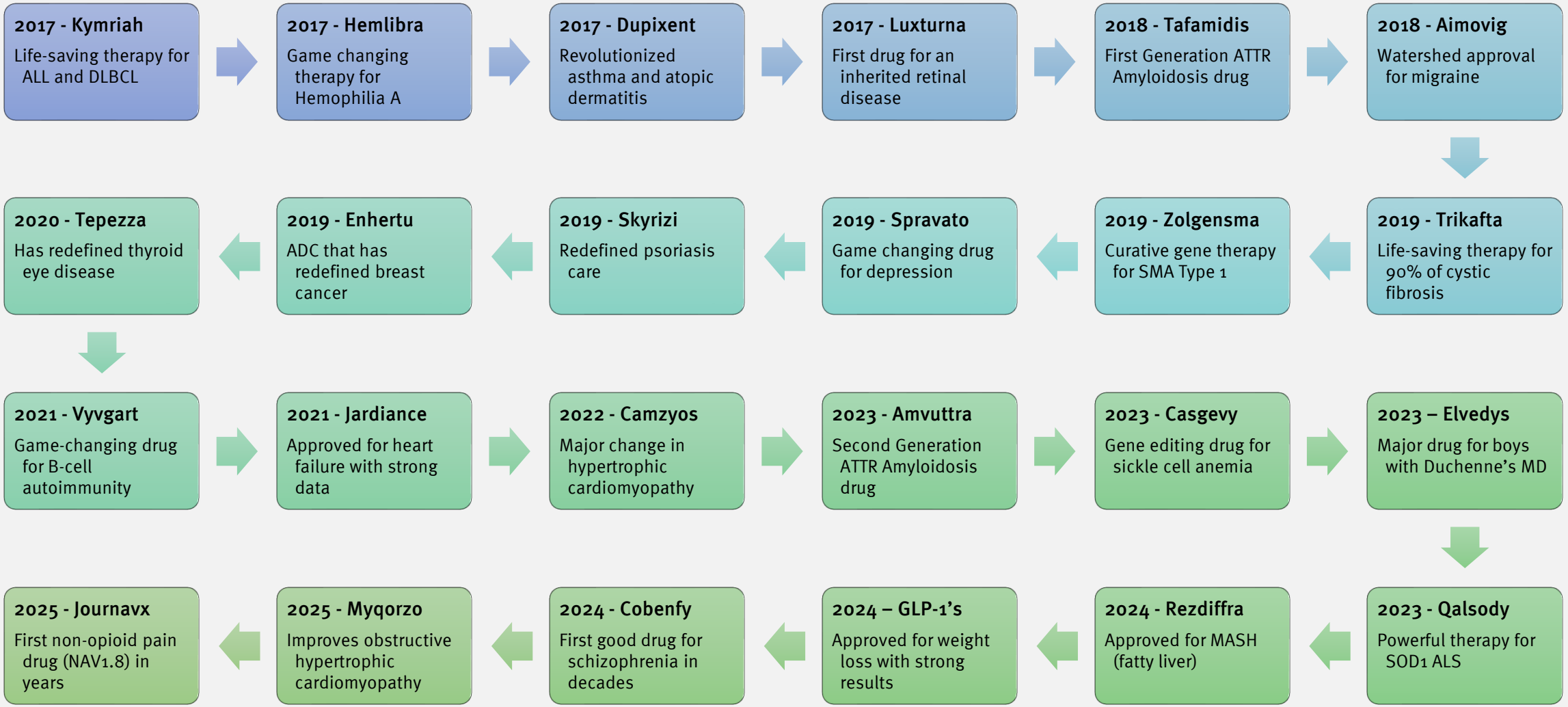
6 Policy

Despite a volatile federal government and FDA missteps, policy is accommodative

2. Innovation is Scaling

Biopharma Innovation: Delivering Big in the Last Decade

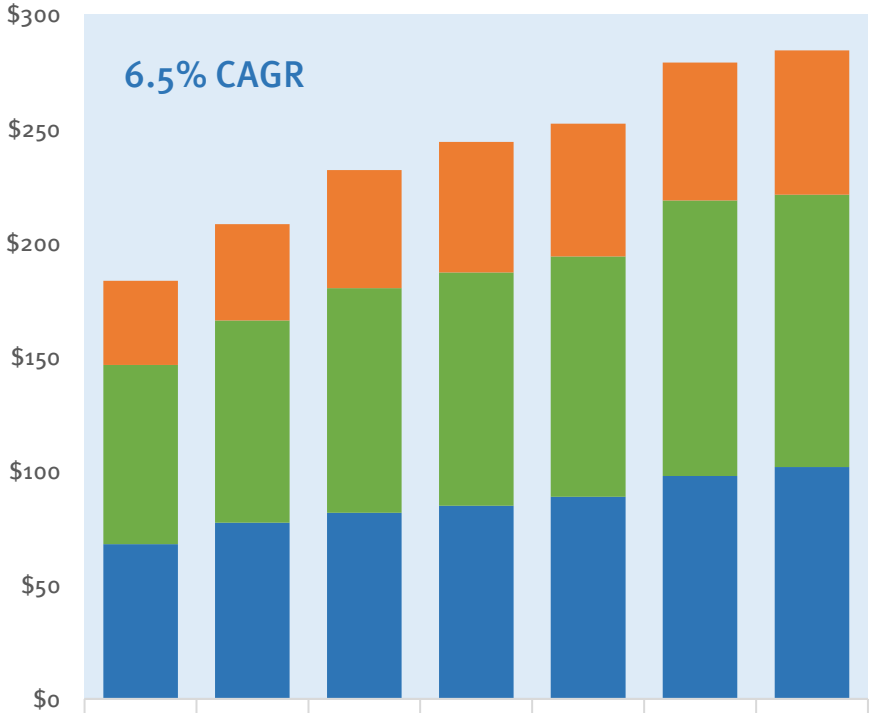
This is an illustrative list of medical breakthroughs that the biopharma industry has delivered for patients since 2017.



Innovation Substrate: Dollars for R&D and Researcher Count is Rising at a Rate Well Above GDP Growth

Total R&D Spend, Public Life Sciences Sector

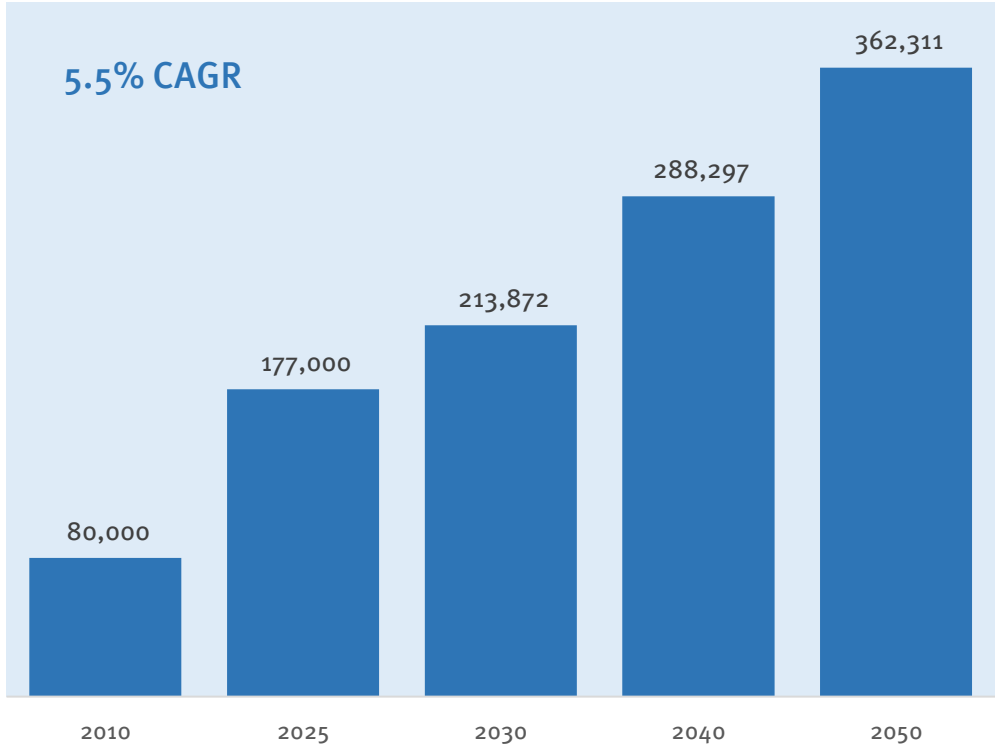
$ Billions, 2019 to 2025



	2019	2020	2021	2022	2023	2024	2025
Life Sciences	$37	$42	$52	$57	$58	$60	$63
Other Public Biopharma	$79	$89	$98	$102	$105	$121	$119
Top Ten Pharma	$68	$77	$81	$85	$89	$98	$102

Number of Life Sciences Ph.D.'s in the U.S.

2010 to 2050



While China is behind the U.S. in count of life sciences Ph.D.'s, they are adding new persons at a higher rate than the U.S. and will likely exceed the U.S. count by 2050. The ex-US/ex-China count is roughly 60% of the U.S. count based on OECD data.

Sources: R&D spend obtained from S&P CapitalIQ. 2025 figure as of Sep 30, 2025. Ph.D. student count obtained from 2012 count data and growth rate over time as reported by the National Science Foundation.

Why BioInnovation is Getting Better and Faster

Tech investors like to refer to the power of a technology to scale. What they mean is that value can be created rapidly at a relatively low marginal cost – hence companies can go into some nirvana type situation and "eat the world". For biotech this is pure fantasy. Problems in biology are inherently hard and the strategy that works on one problem may not work on the next. Despite this reality, the cost of achieving new bioinnovation is dropping and the productivity of R&D money spent by emerging biotech is rising fairly quickly. The key driver is improvement in humanity's ability to interrogate underlying biological causes of disease while applying an ever-growing toolkit to design solutions for such diseases. This comes from the massive accumulation of knowledge of how biologic systems function accompanied by a growing human capital pool. The most recent generation of biotech breakthroughs, illustrated by many of the drugs on the previous page, was often driven by understanding simple genetics of a disease. But most diseases are not monogenic – but involve more complex biology, implying more complex approaches will be needed. We are increasingly able to design and test translational solutions for such complex problems in a rational and systematic way that will facilitate exponential growth of innovation and value creation for investors over decades.

Specifically, we see five factors at play that will improve the productivity of biotech R&D:

Better at Genetics

- ✓ Can solve multi-gene diseases
- ✓ Can handle somatic mutations
- ✓ Can solve many more problems

Better at Biology

- ✓ Single cell unlocks insights
- ✓ 'Omics unlocks insights
- ✓ Amazing new tools

Better Information

- ✓ Open science movement
- ✓ Low-cost access to quality bioinformatics
- ✓ AI to interpret data

Better Design

- ✓ Ability to target tissue (e.g., ADCs)
- ✓ Ability to control release
- ✓ Can "program" drug behavior

Better Execution

- ✓ Organizational diversity
- ✓ Geographic diversity (ex: China)
- ✓ Outsourcing vastly improved

Innovation Substrate: The Number of Public Biotechs With a Good Chance of an Innovative Commercial Product is Rising Fast

We have been just through a brutal Darwinian process in which biotech companies that lacked assets with great data or a prospect of getting such data were forced out of the market because they were not able to finance themselves.

The table at right is based on our weekly reporting on a comprehensive panel of publicly traded U.S. biotechs in the 2022 to 2025 period.

We rated companies as "very good" if they had a dataset that, if replicated in Phase 3 and approved by the FDA, would lead to a drug that would be clearly superior to the then existing standard of care. There is some judgement involved here, and we do not claim perfection in these ratings.

Today, 29% of all public biotechs have a "very good" dataset and those companies enjoy over 90% of the total market value. The market is clearly betting on the idea that these companies are the ones that are most likely to be bought.

What is perhaps most impressive is that there are over 90 companies at all that have been able to get through a clinical trial and show that an investigational drug could beat the standard of care for a condition of interest.

Month	Count of Public US Domiciled Listed Biotechs	Count That Had a Very Good Dataset	Count of VG Dataset / Total Biotechs	Total Enterprise Value of Those with a VG Dataset vs. Whole Market	Count of Biotechs with a Negative Enterprise Value	Percent of U.S. Biotechs with Negative EV
Jan 2022	494	42	9%	32%	96	19%
Dec 2022	456	45	10%	35%	153	34%
Feb 2023	453	46	10%	49%	137	30%
Dec 2024	381	73	19%	77%	93	24%
Jul 2025	357	74	21%	74%	101	28%
Dec 2025	313	91	29%	91%	46	15%

Source: Stifel investment banking analysis of U.S. biotech population and S&P CapitalIQ.

4 AREAS WHERE WE EXPECT BIOTECH FIREWORKS IN 2026

CELL THERAPY FOR PARKINSON'S

- Curative results could be huge for Parkinson's patients & pharma
- Rumors of M&A are flying in this space

T-CELL ENGAGERS FOR B-CELL DISEASES

- Promising new therapies for treating autoimmunity
- Expect big IPO action in this field

OBESITY MARKET DISRUPTION

- Pfizer, Roche, joining obesity treatment race
- Wave of major new obesity drug competitors in 2026

RNA TO THE SKY

- Novartis, BMS acquisitions spark in vivo & next-gen RNA race
- Explosive growth & more M&A expected

3. Macro Picture is Favorable

Core US CPI Inflation is Down and Has Stayed Down

The rise in inflation following the Pandemic has been an absolute anathema to the biotech sector as the inflation caused interest rates to rise and major flight from owners of biotech stocks. Today, despite tariff threats, we are seeing that inflation is down and is staying down.

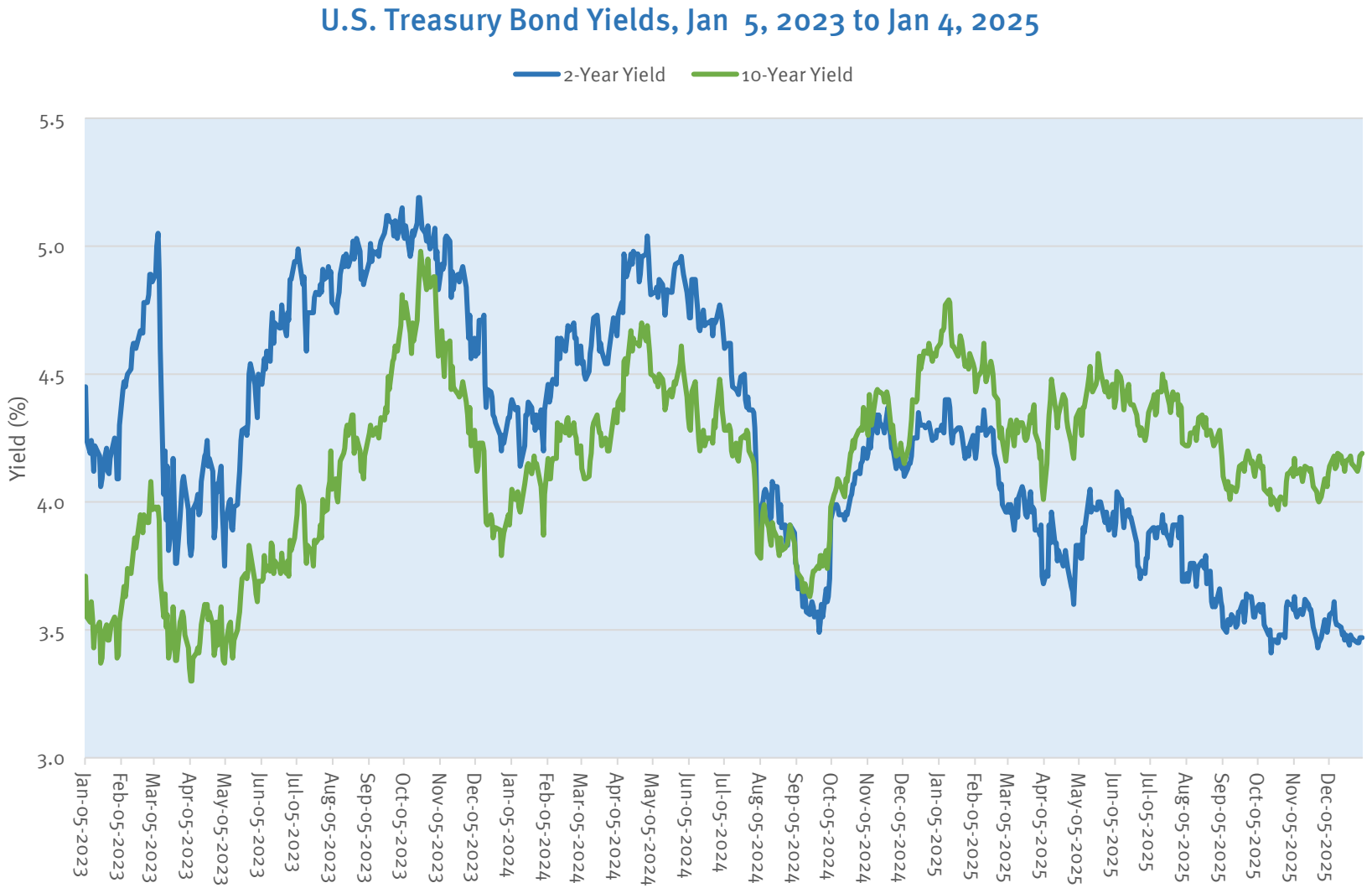
Core CPI

Most well known; some communication advantages

Note: Shaded blue range indicates 25th to 75th percentile of the 1-month growth rates computed over the past 10 full calendar years. Gray bars indicate recession periods.
Source: Bureau of Labor Statistics

Core CPI—defined as the consumer price index excluding food and energy—has enduring value as an inflation signal because it filters out the most volatile components of household spending and thereby provides a clearer view of persistent, policy-relevant price pressures. While food and energy prices are economically important, they are heavily influenced by weather, geopolitics, and global commodity cycles that monetary policy cannot directly control; including them can obscure underlying inflation trends and lead to pro-cyclical policy errors.

Short US Treasury Rates are Down While the Ten-Year Treasury Yield is Steady



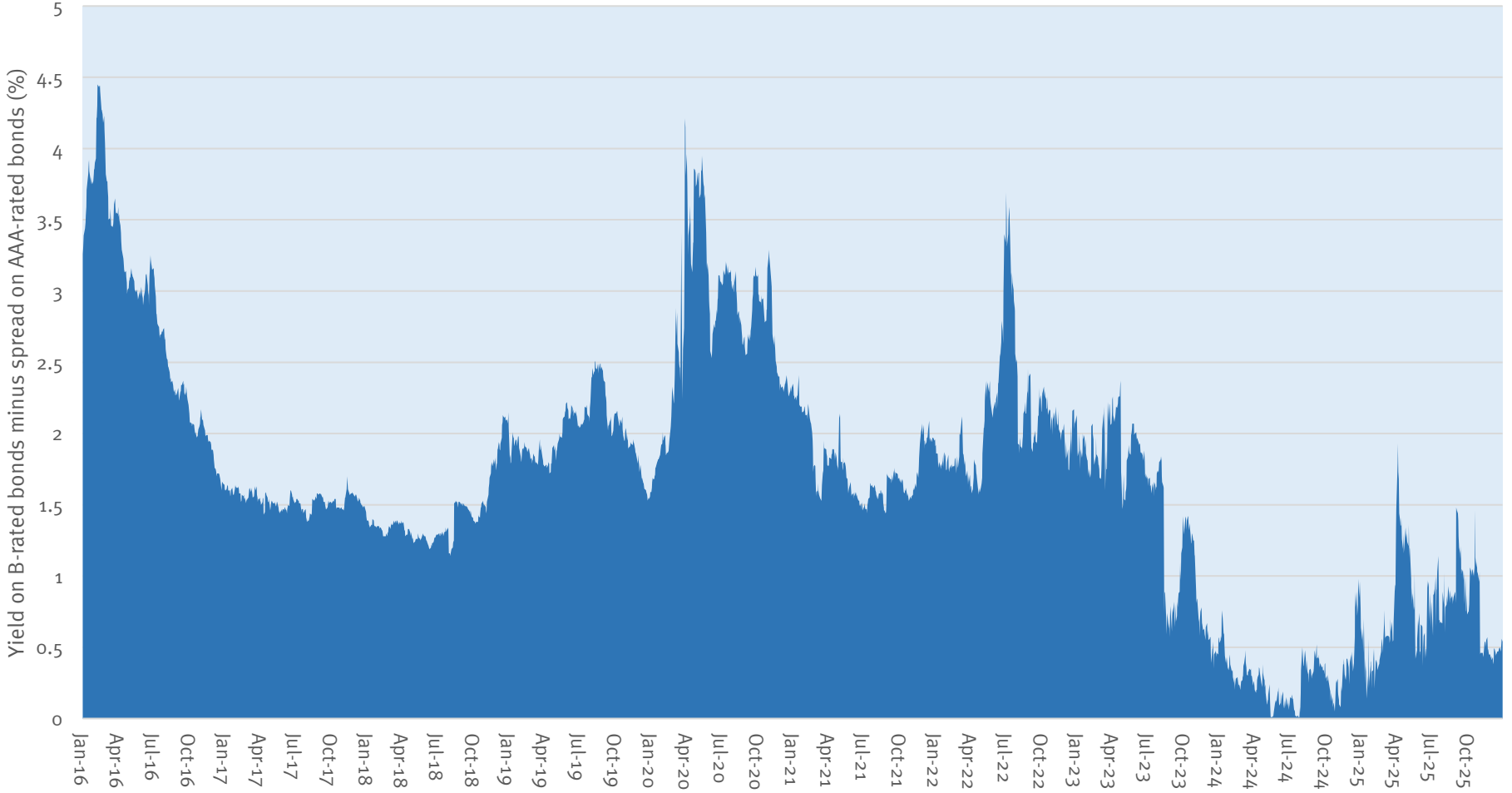
Despite dropping inflation, we are seeing the U.S. 10-Year Treasury bond yield stay at around 4%. This is reasonable by historic standards but the reason that it is holding up despite dropping inflation is obvious: the U.S. government debt / GDP ratio remains at 120% - basically unchanged in five years. Hopes that President Trump would cut the deficit have not materialized so far.

Investors worry that large deficits and debt create long-term pressure on the government to favor inflation. In contrast, shorter term interest rates (think the U.S. two-year Treasury yield) are down nicely. While not as important for biotech, the lower cost of near-term debt is, nonetheless, a meaningful positive for the economy overall.

Source: S&P CapitalIQ

Credit Yield Spreads are Near Historic Lows

Yield Spread Between AAA Bonds and Single A Bonds (U.S. Two-Year Corporates), Jan 2016 to Dec 2025



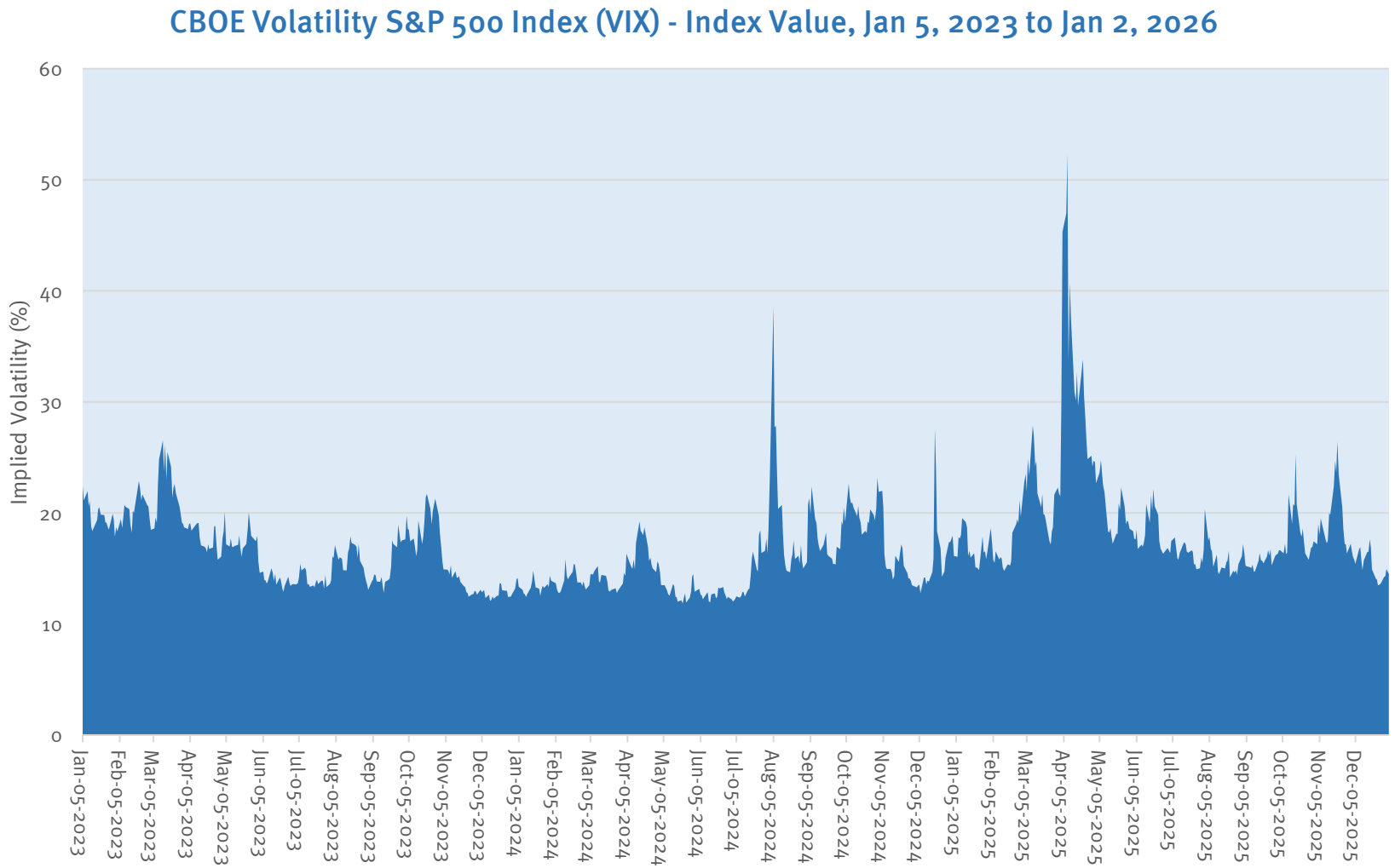
Think of the corporate yield spread as being sort of like the VIX but for bonds. The bond market is larger than the equity market and so the level of fear in this market is very important in terms of overall financial market health.

Today, there is relatively little yield gain from taking on additional credit risk. This is bullish for equities and indicates that systemic fear in the capital markets is relatively low.

Good for biotech.

Source: S&P CapitalIQ

The VIX, a Measure of Market Fear, Has Come Down to 15%



The CBOE Volatility Index (VIX) measures the market's expected volatility for the S&P 500 over the next 30 days, inferred from option prices, and is commonly viewed as a gauge of investor fear or uncertainty. A decline in the VIX to around 15% indicates that investors are pricing in relatively small, orderly market moves, reflecting calmer risk sentiment, reduced demand for downside protection, and greater confidence in the near-term macro and earnings outlook. While such levels are typical of stable, "risk-on" environments, they do not imply the absence of risk—only that markets currently see potential shocks as unlikely or manageable. The low VIX level bodes well for biotech IPO's and capital markets activity in general.

Source: CapitalIQ and Stifel Investment Banking Department Analysis

4. Valuations Supportive of Market Momentum

Anecdotal Empiricism: The Numbers Still Work on Many Deals

We at Stifel are in frequent communication with M&A buyers from around the world in the biopharma sector. Things are quite busy at the moment as one might imagine.

The way it works between a buyer and an investment bank is that the bank will pitch an idea and then the client asks to do more work on the idea if they think it could fit. This typically triggers a rather lengthy business profile that includes assumptions on future revenues, costs and synergies that are then analyzed using a risk-adjusted NPV model. These models include a premium over the current market price to assess if a deal is feasible and could create value.

Our experience in 2025 up to September is that almost everything we looked at worked even with a premium thrown in. What really drives economics is the power of revenue/cost synergies. After September, we found more deals that no longer worked – particularly when sellers got aggressive on price. The hardest deals tend to be high growth commercial-stage stories. Many of these companies were selling for a few billion and are now $5bn plus. The numbers can get a lot harder on these. Nonetheless, we have still been finding plenty of transaction options that are attractive in today's market. Further, most of the earlier stage deals (Phase 1 / 2 2 assets) look attractive – as long as the buyer sees the potential.

So, forgive us for anecdotalism but our own experience is that valuations still largely work for M&A deals in 2026. Now, if the market pops up another 50% from here - then it gets a lot tougher.

Investor Sentiment Regarding 2026

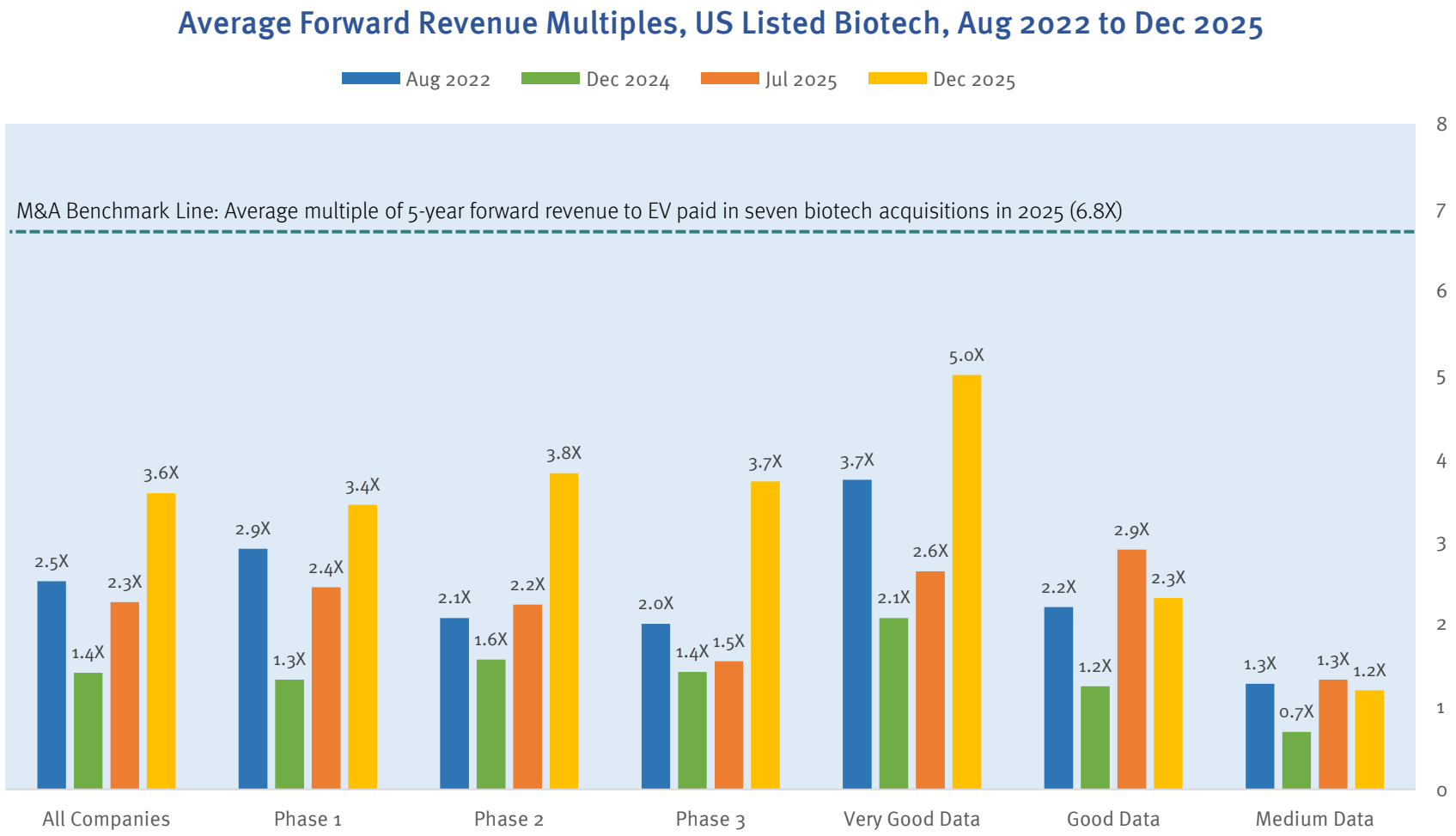
We have had the opportunity to speak with a number of major investors in the biopharma field in the last several weeks of 2025 and the first week of 2026.

We asked each about the markets, how they've done and how they see 2026. We liked the comments of one investor who spoke about valuations and said:

1. LP's are loaded up on tech funds and still underweight on healthcare
2. LP's worry that with the run-up in healthcare that a lot of the alpha has already gone out the window
3. This investor likes to point out how many value situations still exist and how many good opportunities he is finding
4. He likes to point out that healthcare is a defensive sector that performs well in downturns
5. He thinks that interest rates are going to matter greatly in 2026 and sees inflation getting ever more under control
6. He points to the high M&A activity in Q4 2025 and the rumors emerging in 2026 around companies like RevMed. Happy to see the Ventyx deal in Week 1 of the year. Senses M&A is going to be strong this year.
7. He likes to point out that healthcare is a high growth sector that is only going to become more important over time.

Other investors are "cautiously optimistic" on 2026. Believe that if M&A is strong the market will keep rising. Sentiment is good because funds generally did well in 2025 but worry about the politics and macro factors in 2026.

Forward Revenue Multiples on Biotech Are Up – But Well Below M&A Takeout Levels



This chart shows the ratio of average biotech enterprise value to forecast revenue five years out. We break this down by time and by phase of development (and data quality).

The average forward trading multiple at the end of 2025 was 3.6X. This is up quite a bit from prior levels which have been as low as 1.4X (following Trump's "Liberation Day") and as high as 2.5X in August 2022. Nonetheless, while valuations are up they are well below the typical M&A forward multiple of 6.8 X seen in 2025.

Source and notes: CapitalIQ and Stifel Investment Banking Department Research of M&A Proxy Statements for 2025. We used the S&P analyst consensus forecast for revenue five years out as our basis for computing a multiple. We only did this for biotech companies that had an enterprise value of $25 million or more. Further, we excluded companies from this analysis if their forward revenue estimate was not material (less than $50mm)

Question: Are Companies with Strong Datasets the Most Likely to be Bought?

Our Rating of Lead Asset Dataset in August 2022	Company Count in 2022	Market Cap (Aug 19, 2022, $millions)	Proceeds in 40 Months from Buying Portfolio	Market Cap of Remaining Companies (12/31/25, $mm)	Proceeds From M&A ($mm)	Percent of Portfolio that Got Acquired	Percent Gone (Reversed, Bankrupt, Delisted or Liquidated)	Percent of Companies in Portfolio that Survived
Very good	39	$52,181	132%	$97,094	$23,730	15.4%	5%	79.5%
Good	137	$83,811	69%	$79,546	$62,377	17.5%	18%	65.0%
Medium	76	$17,670	160%	$23,037	$22,938	13.2%	29%	57.9%
Poor	47	$3,186	64%	$4,044	$1,169	10.6%	47%	42.8%
None	171	$47,770	161%	$111,708	$12,872	6.4%	38%	55.6%
Grand Total	470	$204,618	114%	$315,428	$123,086	11.5%	21%	67.5%

We went back over the list of 470 public U.S. biotechs in August 2022 (40 months ago) and asked "where are they now?" This is sort of like going to your high school reunion and figuring out what happened to everyone. Fifty-six of the 470 companies were acquired for a total of $123 billion. Not bad given that you could have bought the entire portfolio for $204.6 billion. What is even more interesting is that the remaining portfolio was worth $315 billion by the end of 2025. You would have more than doubled your money by buying the entire biotech market in August 2022.

The highest return would *not* have come from buying the companies with the very best datasets in 2022. Companies with "medium" data are typically not valued very highly but 13.6% of those companies eventually got bought (enough to generate a great return). Companies that got bought but were rated by us as "medium" (some data but not compelling yet) included Akero, Ambrx, Chinook, Cidara and Harpoon. These companies needed to wait for their programs to mature in the clinic and had innovative programs based on good science. At the time, investors did not valuation them particularly highly.

Twenty percent of the total cohort disappeared in the 40 months (liquidations etc). That's a lot of attrition. The attrition was highest for the companies with poor data and lowest for the companies with very good data. Thirty-nine of today's survivors have a market cap today under $20 million. Still hanging on but in trouble.

The puzzling question is why the M&A rate wasn't higher for companies with very good datasets. The answer is twofold. First, these companies tend to have a much better chance at self-determination as commercial stage companies – so they may resist acquisition. Second, they are worth more and, so, buyers are much more hesitant to step up and pay the price required for the M&A takeout. Survivors in this cohort include BridgeBio, Madrigal and Ionis – all worth more than $10bn today. If we have a takeaway, it is (1) investors, on average, appear to focus a bit too much today on what a company's dataset says it is now and not enough on what it could be later and (2) when the market is down, it really is a good time to buy. Those who bought/held biotech in the depths of the downturn should be happy today.

An Obvious Thought (And Prediction)

Water likes to flow downhill. It doesn't like to be bottled up. If a river runs into a rock, it will either go around it or go over it.

Similarly, pharma needs to buy assets to bolster their commercial pipelines. If valuations are too high for a given biotech asset of interest then pharma will go look at other similar assets.

And the pharma may need to go a little earlier stage or a little out of its comfort zone to find the asset that fits it at a reasonable price.

This is like getting the wine list in an expensive restaurant and finding a great bottle at a reasonable cost. That takes a bit more effort and skill – but the reward can be worth it.

Our prediction is that with biotech prices up, particularly for those assets with great data, we are going to see pharmas stretch and take a bit more risk in their buying activity in 2026. We predict that we will see more buying at the pre-POC level and more risk-taking with M&A than we have seen in 2024 and 2025.

This seems like a natural thing to happen.

However, we are not saying that investors who are loaded up on the more expensive names in the market like Revolution Medicines or Praxis necessarily get stuck holding those assets. Revolution Medicines, for example, has an EV today of nearly $15 billion (and is rumored to be an M&A target).

To illustrate, if the RevMed drug really performs, it has the potential to offer a great solution to 90% of people who get pancreatic cancer. There isn't a ton of time for these patients so going through the usual first-line, second line drug sequencing may not make sense. If their lead drug, daraxonrasib, gets front line status, the price of the company could end up looking quite cheap.

Quick math: 150k+ people get pancreatic cancer in G8 countries a year. 90% of them could get on this drug. With $250k pricing for the drug, the market potential for the drug is $30 billion. We are not forecasting this in sales but simply noting that RevMed could end up looking very cheap if their lead drug comes anywhere near to its commercial potential.

5. Giant Markets

Business Model Innovation Defines Pharma

There are some obvious truths in the pharmaceutical industry.

The first is that pharmaceuticals are a superior good. Our society consumes more of them as a proportion of wealth as it becomes wealthier and older. And the world has been becoming a wealthier and older place – very steadily over decades.

The second is that business model innovation takes place very slowly in waves that can roll for decades.

The third is that norms about promotion and pricing are well established. While any one pharma might try to beat up on another in the market, the relationship between the two companies is likely to be civil. Large pharma companies follow norms and are slow to upset the way that business is done in the industry. This is one reason that commercial innovation is usually slow to happen.

For years, companies like AstraZeneca and Pfizer said that they were committed to large primary care sales forces and that they would never charge the kind of high prices that Genzyme was charging for its rare disease drugs. But then both companies cracked and went for “high prices in narrow markets”. Pfizer bought Bamboo and AZ bought Alexion.

Specialty Drug Marketing and Pricing Drove Share Price Growth in the 2010's

Today, both AZ and Pfizer frequently charge rather high prices for their rare disease drugs but justify doing so based on the narrow markets that are served by those drugs. Insurers and the federal government have accepted all of this and despite fears to the contrary, the feds have gone along with orphan drug pricing for small markets without retaliation.

AZ and Pfizer weren't the only ones. The big business model innovation in the pharma market in the 2010s was AbbVie's Humira. Humira became the largest drug in history even though it served niche markets.

This was because AbbVie was able to convince patients and payors to sign up for a list price of $80,000 or more and to pay a price after rebates of $30,000 to $50,000 per annum. The argument was that Humira was game-changing for patients with psoriasis and RA and so was easily worth it. Insurance companies accepted this as AbbVie skillfully exploited the desire of groups like United Healthcare to drive rebates into their PBM subsidiary Optum.

What was important is that Humira was being used by more than half a million people a year. It's not hard to see how Humira ended up doing more than $20 billion a year in sales.

The PCSK9 Pricing Fiasco and the Advent of GLP-1's

In 2015 Regeneron and Amgen then tried a similar move but with Praluent and Repatha for hypercholesterolemia. The companies launched these PCSK9 inhibitors with a list price of around $14,000 a year. Insurers said "no way".

Health experts and PBMs warned that these drugs could add over $100 billion annually to U.S. healthcare spending if prescribed to the millions of patients with high cholesterol. The eye-popping cost was frequently contrasted with standard statins, which cost roughly $50 per month ($600 per year).

The assumption became that the system just wasn't prepared to sign up for those types of prices in a large market category.

Now, Lilly and Novo Nordisk have changed all of that. They have both received FDA approvals for their GLP-1 drugs for obesity in 2024 and launched the products with a list price of around $12,000 a year.

The federal government said "no way" – we aren't going to pay for this and, by and large, private insurers also did everything they could to avoid reimbursing GLP-1 agonists for obesity treatment.

From Willpower to Wegovy: GLP-1 Mania Hits America

What happened next was surprising. Patients started buying these drugs directly.

Many people would very much like to lose weight but struggle to get there with willpower. What was initially a trickle turned into a torrent as enormous self-pay demand for obesity drugs became the biggest phenomenon to hit the U.S. pharmaceutical market since Viagra. By 2023 you couldn't say the word "pharmaceutical" without someone at a party bringing up Wegovy, Ozempic or Mounjaro – almost always in a positive light. Between the self-pay part of the market and the growth in insurer willingness to cover these drugs (triggered, in part, by an impressive set of outcomes studies) the federal government started to look increasingly out of sync with patients. Who vote too.

Then enter a new president: Donald Trump. Within weeks of his presidency, he made it clear that he felt that the pharmaceutical industry needed to bring more jobs to America and that the difference in pricing between drugs sold in Europe and the U.S. needed to change. He argued, with some justification, that the US was effectively subsidizing the Europeans.

But, underlying all of this, is that U.S. consumers had just declared that they were willing to spend more than 3.5% of their income (the previous benchmark) on pharmaceuticals by jumping into the self-pay market.

A “Win/Win” Negotiation with the Trump Administration

Trump’s pressures led to so-called most favored nation (MFN) “negotiations” in which pharma companies were being pressured to accept lower prices for their drugs with Medicare and Medicaid – while being encouraged to charge higher prices overseas.

On November 6, 2025 the White House issued a press release regarding an “MFN Settlement” with Lilly and Novo that said: “The prices of Ozempic and Wegovy will fall from $1,000 and $1,350 per month, respectively, to $350 when purchased through TrumpRx. The price of Zepbound and Orforglipron, if approved, will fall from $1,086 per month to an average of $346 when purchased through TrumpRx.”

What can be said is this. The “real price” for Zepbound was $6,000 a year prior to the deal. This was readily available to patients on LillyDirect.com. The “real price” for Medicaid dropped down to $4,200 a year – a 30% discount. In exchange, Lilly (and Novo) gained access to tens of millions of new customers.

A huge win for those two companies.

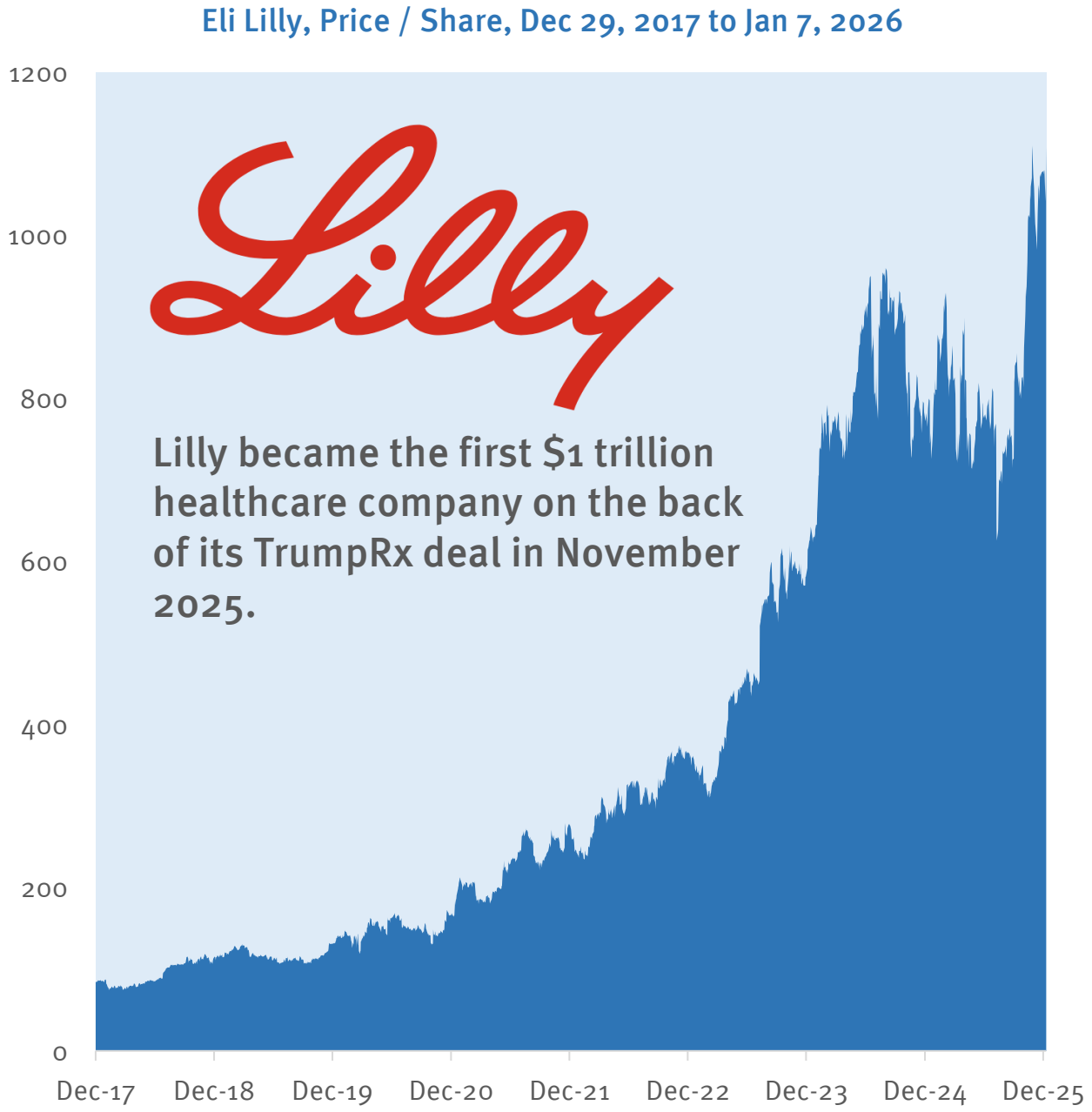
Lilly Market Cap Crosses One Trillion on Obesity Upside

What sounded on the surface like a massive concession from the pharma industry was rapidly followed by a run in Lilly's share price to make it the first pharma company to ever hit a $1 trillion valuation.

There is some reality of a great deal here and some political theatre. For Trump the theatre was well worth it. By agreeing to a modest discount Trump got to provide Americans with a drug that they really want and should have access to. It doesn't hurt that obesity rates are highest in red states, by the way.

And Lilly gets a massive new market to sell into. A third of Medicare beneficiaries have a BMI of 30 or higher and 38% of Medicaid beneficiaries have a BMI of 30 or higher. That turns out to be 51 million people. If just a quarter of them went on a GLP-1 at $4200 a year that would be over $200 billion in sales. Nice.

We wrote about this in our November 24, 2025 market report in an attempt to explain why Lilly's shares had just gone vertical.



Source: S&P CapitalIQ

Lilly and Novo Turn Trump Lemons into Shareholder Lemonade

We also pointed out that the Trump Administration had finally broken the floodgate that Amgen and Regeneron couldn't get through before.

They declared victory by agreeing to pay a "medium price" ($4,000 a year) for a drug that could serve tens of millions of people.

This price is more than *six times* what statins cost.

They also agreed to pay three times what statins cost for access to oral GLP-1's, although not all the details are out there.

The expansion of the obesity market through this latest deal is one of the more interesting "lemons to lemonade" developments to hit the pharmaceutical industry in a long time.

It's not every day that the industry stumbles into an incremental $200 billion sales opportunity.

What is most interesting to us is that this deal opens the door on a new pricing model for mass market drugs.

We call this "medium prices in giant markets".

“Medium Prices in Giant Markets” is a Major Industry Innovation

We think the money is in the system to pay for it. Protests of insurance companies notwithstanding, if pharmaceutical and biotech companies can offer meaningfully improved solutions for large problems as have Novo and Lilly, the market opportunity should be substantially larger than what has emerged before with drugs like Humira and Keytruda.

Those drugs relied more on the price lever than the quantity lever to drive sales. Annual pricing in the $2500 to $7500 range for tens of millions of patients is a new development for pharma.

This “medium price” in a giant market (“MGM” for short) phenomenon is the reason we can expect to see the biopharma sector in general, and biotech specifically, outperform expectations for years to come.

This is like specialty pricing all over again – but bigger.

Some of the VC’s have been earlier to this idea than others.

Bain, Population Health Partners and Versant have all gone big into his theme and others get it and are coming in as well. Big investors in Metsera, a classic MGM type company included ARCH, PHP, F-Prime, GV, Mubadala, Newpath, Softbank, Wellington, Venrock, Fidelity, Viking and Janus.

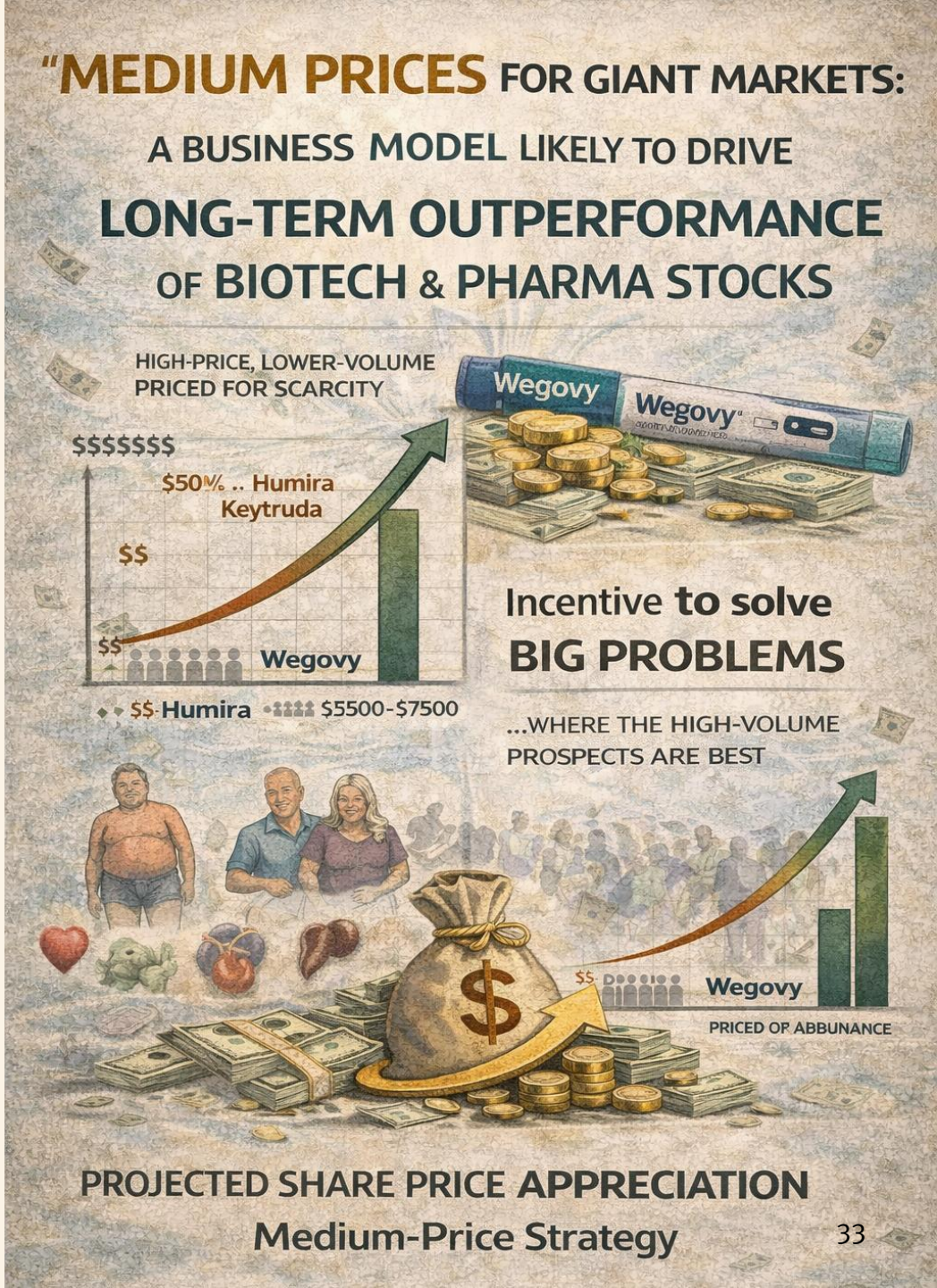
This Business Model Shift is Likely to Drive Prolonged Sector Outperformance

The key to winning in these areas is to be first, to be differentiated and to negotiate price and access well with payors.

There is a bit of a subtheme here in oncology. Some companies like Springworks, DayOne and others have focused on creating highly efficacious drugs for narrow sets of cancer patients. Others have taken a different tack – which is to create drugs that address large groups of cancer patients. Exhibits A and B of biotechs pursuing large markets are Summit and Revolution Medicines.

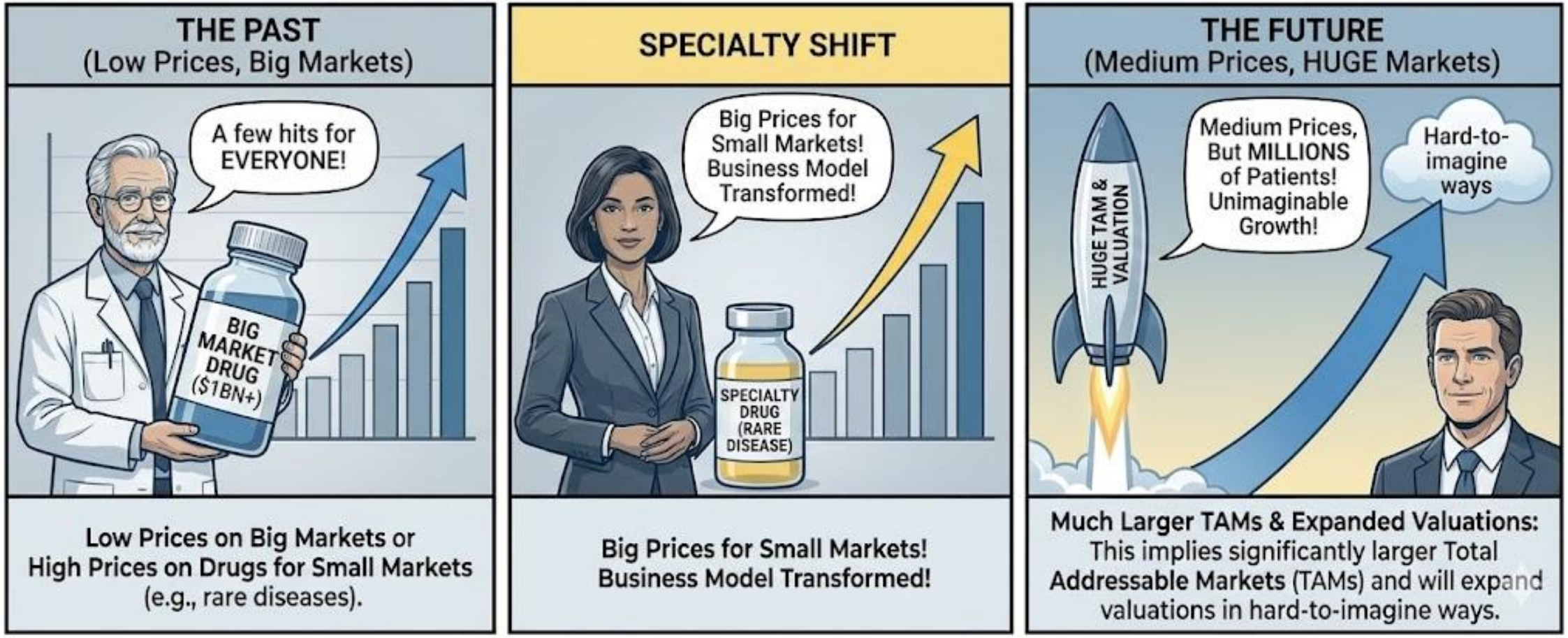
It's fairly obvious that AZ, Merck and Pfizer are eyeing frontline markets for large tumor types as the way to go. While this is not quite the obesity paradigm with tens of millions of patients, the price point is higher, and Merck already showed what could be done with Keytruda using this type of model. The oncology market also offers very large markets

All of this is more fuel that is going to fire the biopharma sector in the years ahead.

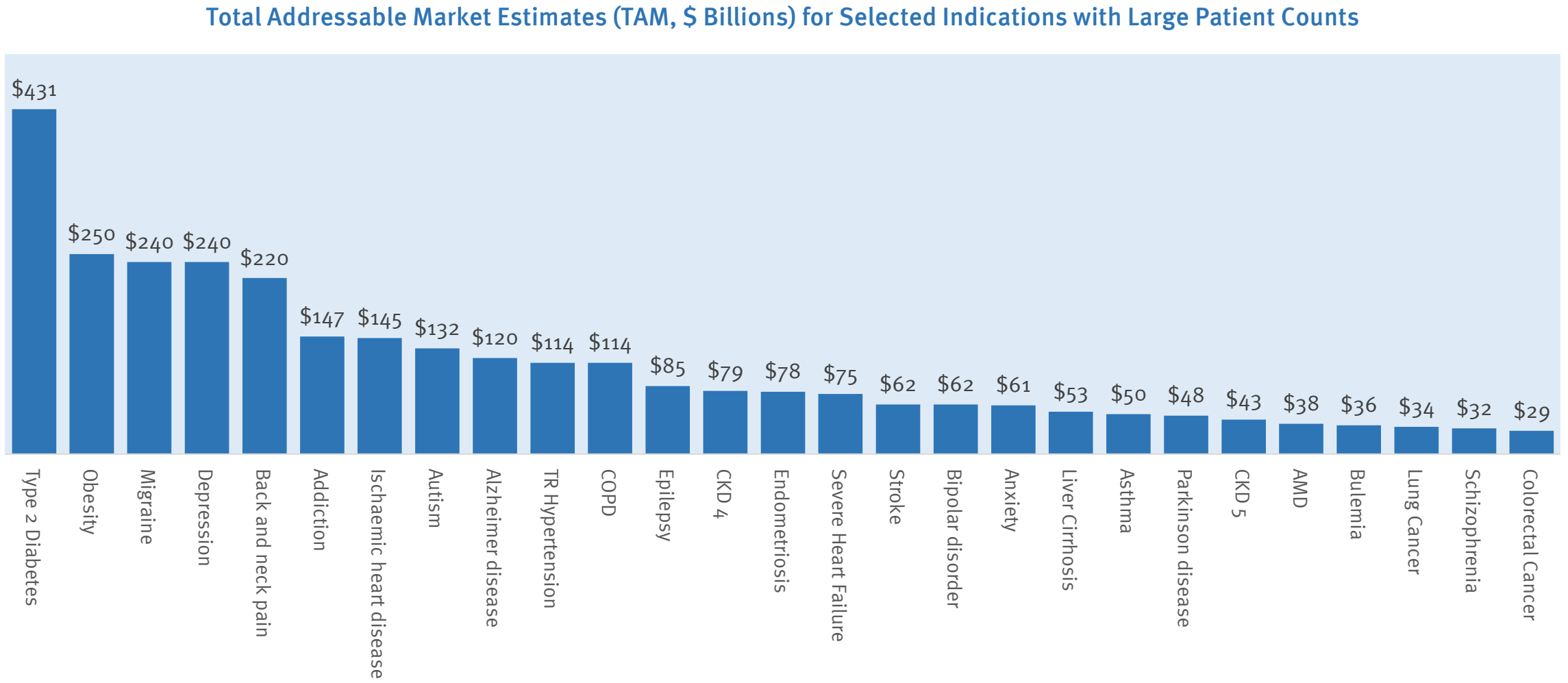


Higher Societal Wealth Opens the Door to More $50 Billion+ Drugs

We are highly bullish on the biopharma sector because larger social budgets for pharmaceuticals open the door for more drugs like tirzepatide that charge medium prices for large markets and achieve exceptional revenue. This is a big change from the specialty business model which has dominated the pharma industry for the last fifteen years. Think going from a blockbuster in the 1990s ($1 billion in sales) to the mega blockbuster in the 2010's ($10 billion plus in sales) to drugs that routinely do over $50 billion in sales a year in the future. These drugs deliver substantial value to patients and payors across very large markets.



Illustrative TAM Math for Large Markets If You Apply "Medium Price Benchmarks"



Source: Stifel Investment Banking Department Analysis based on U.S. prevalence and incidence data versus market pricing tolerance using existing benchmarks in the same or similar disease states.

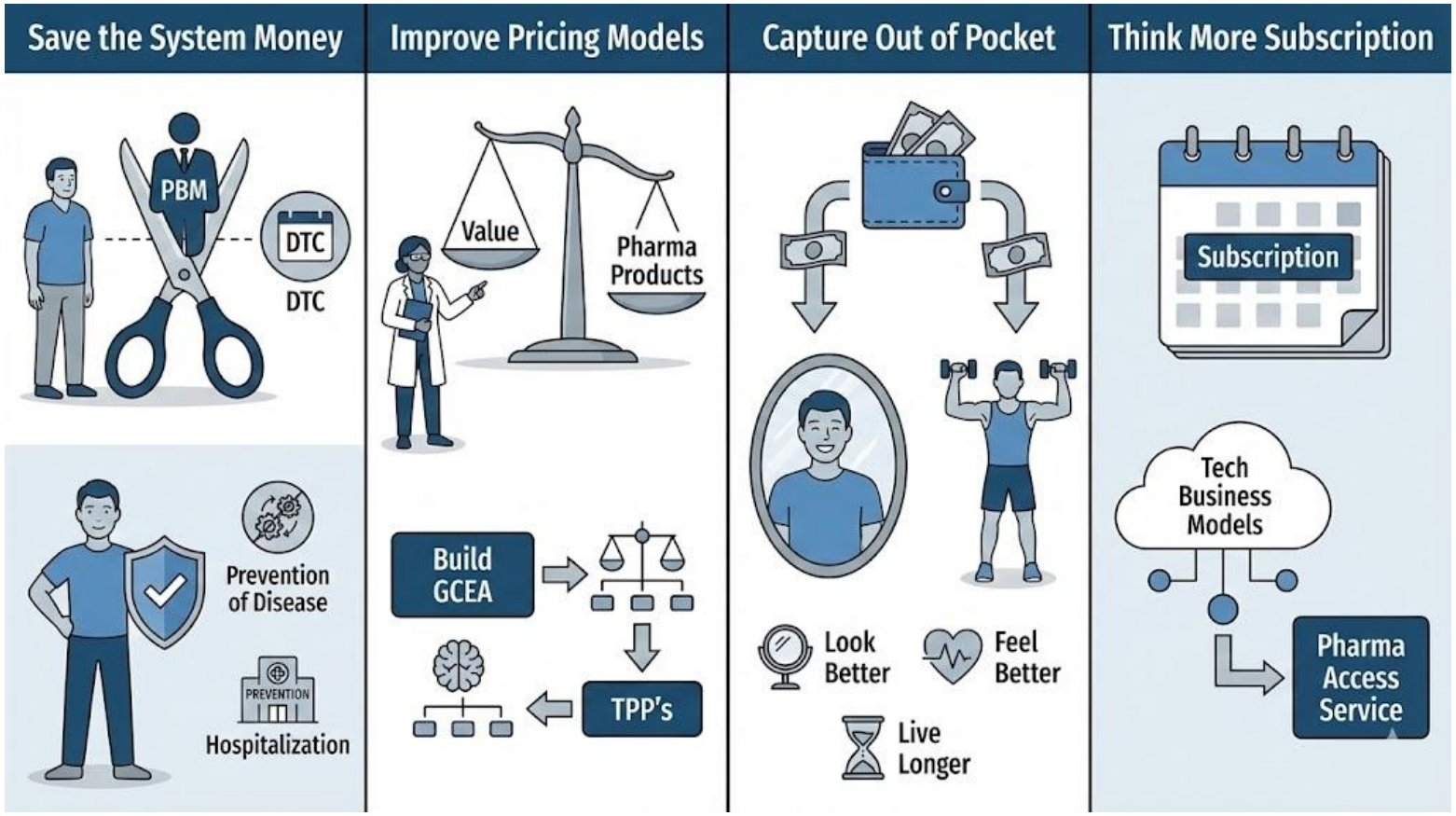
The Road to Higher Spend Per Drug in the Next Few Decades:

Capturing Out of Pocket Dollars and Saving the System Money Can Help Drive Revenue

The U.S. redefined what health spending looks like with growing government reimbursement in the 2000's, taking total spend up to 17% of GDP. Pharmaceuticals got about a sixth of that pie.

The pharma piece has grown quickly in recent decades, mainly because of the specialty drug business model – which has done a good job of tapping into growing insurer and government pharma budgets.

While specialty drugs are not going away anytime soon, we think there are four ways to grow pharma spend beyond the "natural" insurer and government budget constraints. These ideas are illustrated in the chart at right.



A great place to start is to cut out middlemen, as is being done with recent moves to the direct-to-consumer (DTC) platforms by companies like Lilly and Pfizer. There is also a potential win in keeping patients away from expensive hospital procedures with better preventive medicines. Pricing models themselves for drugs can be improved, particularly with GCEA (as discussed by us many times) and by building TPP's that reflect value-based factors. The out-of-pocket market is quite large, as demonstrated by obesity drugs and could be much bigger still. Finally, tech companies have very skillfully exploited subscription-based business models to elevate revenue. This has not been part of the pharma ecosystem except through health insurance plans whose monthly payments can be thought of, in a way, as subscriptions. We think there is substantial room to create "pharmaceuticals as a service" subscription models for employers and individuals.

The Specialty Pricing Model is Far From Finished

The advent of higher pricing for large markets in no way precludes success from the specialty pricing model.

In many ways we are seeing the specialty business model evolve as emerging biopharma companies learn to master this approach.

Broadly speaking, most of the branded pharma industry has adopted a specialty business model at this point. The number of remaining companies with primary care focused sales forces that charge the old statin-type prices is close to nil.

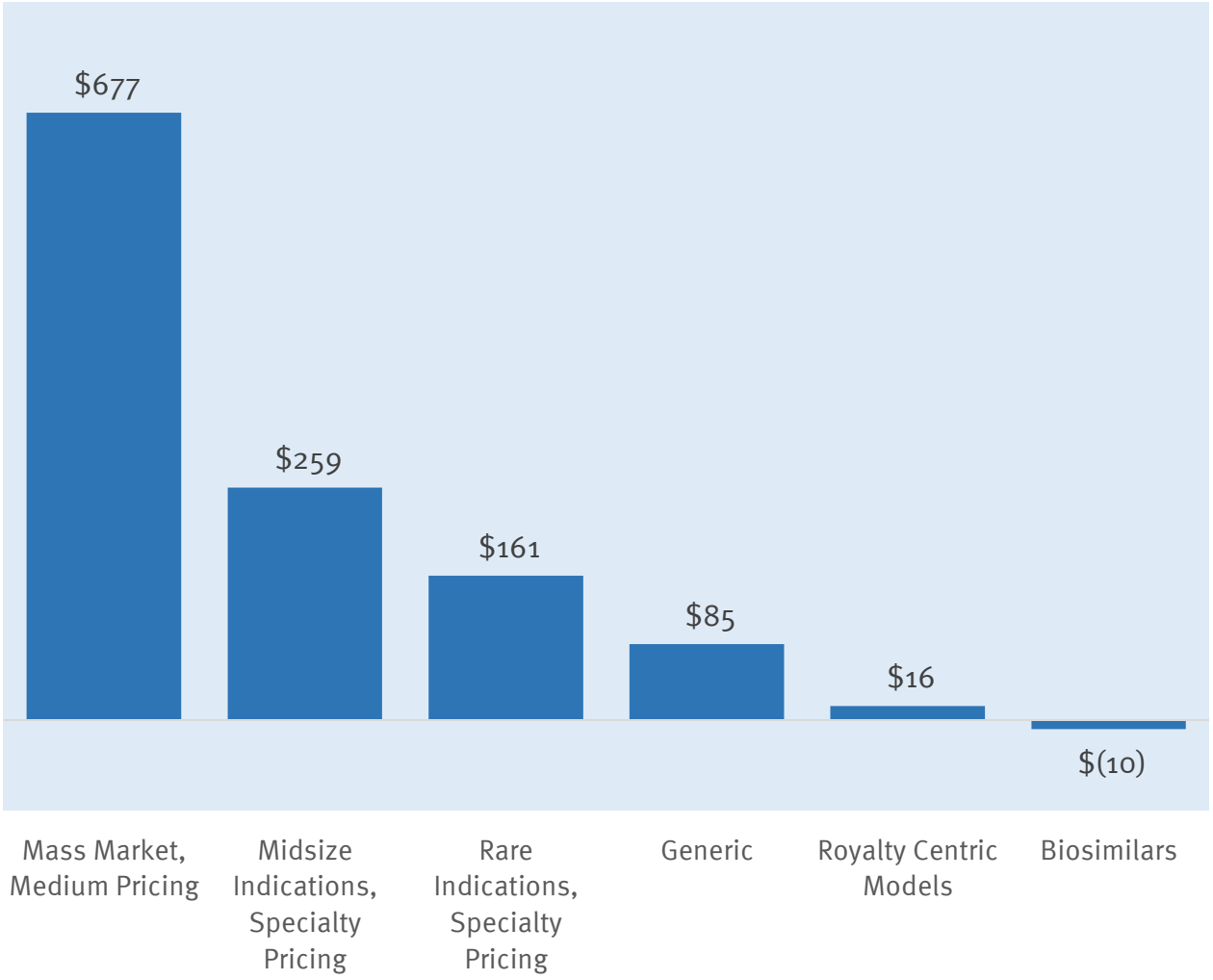
We reviewed the world's top 120 pharma companies by market cap for this report and bucketed those in the specialty field into two groups: (1) rare disease (‹ 25k patients) and (2) mid-sized diseases (25k to 2mm patients). We included the many oncology focused companies in the latter category. The aggregate 4-year change in value by bucket is shown at right.

The second biggest value gains have come from the business of chasing midsized indications with specialty pricing. A story this week in the *Wall Street Journal* also noted the idea that traditional non-obesity type business models are thriving in big pharma.

Companies chasing rare diseases also did quite well in aggregate – it's just that the scale potential here is more limited than what's possible with mass indications.

Total Market Cap Change by Pharma Business Model ($ Bn)

Dec 31, 2021 to Dec 31, 2025, Top 120 Public Companies Worldwide by Marke Cap



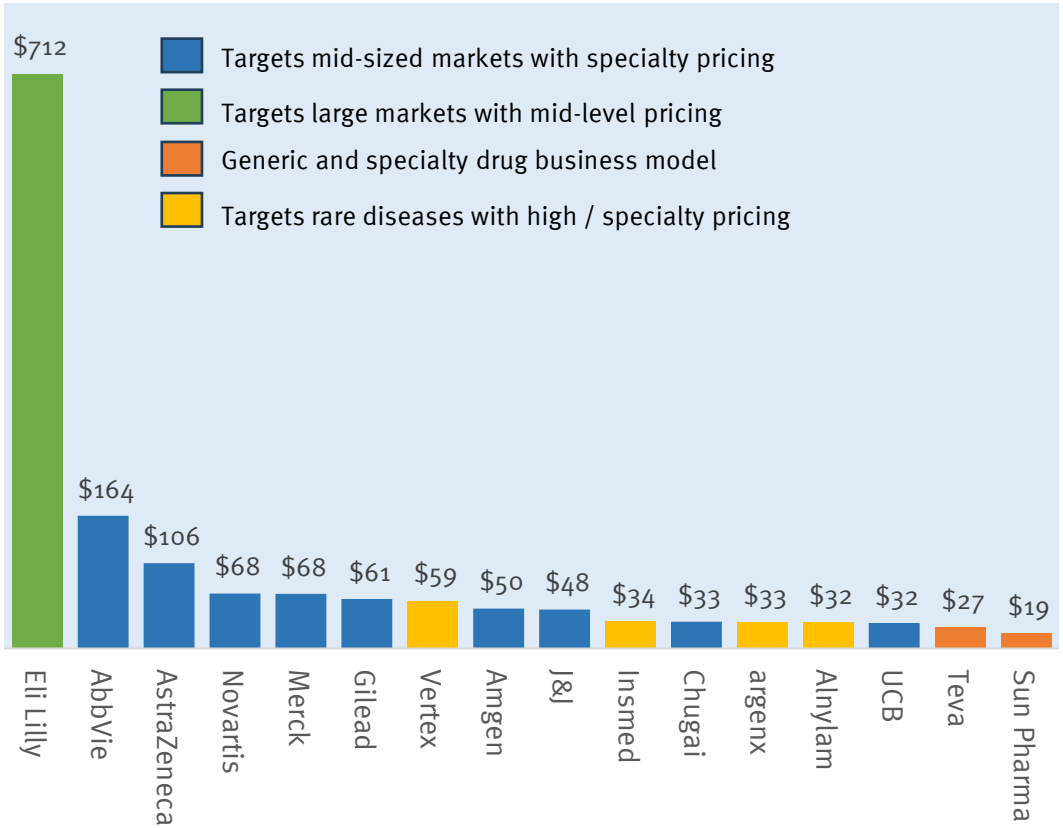
Source: CapitalIQ and Stifel Analysis

Pharma Value Champions – Last Four Years

These are the fifteen companies of the top 120 pharma that added the most value since the start of 2022. In terms of absolute value creation, no one comes close to Lilly's accomplishment with the mid-sized pricing model for large markets. But if one looks at returns, the rare disease market looks good with superb performance over the last four years by four emerging companies: Insmed, argenx, Alnylam and Vertex.

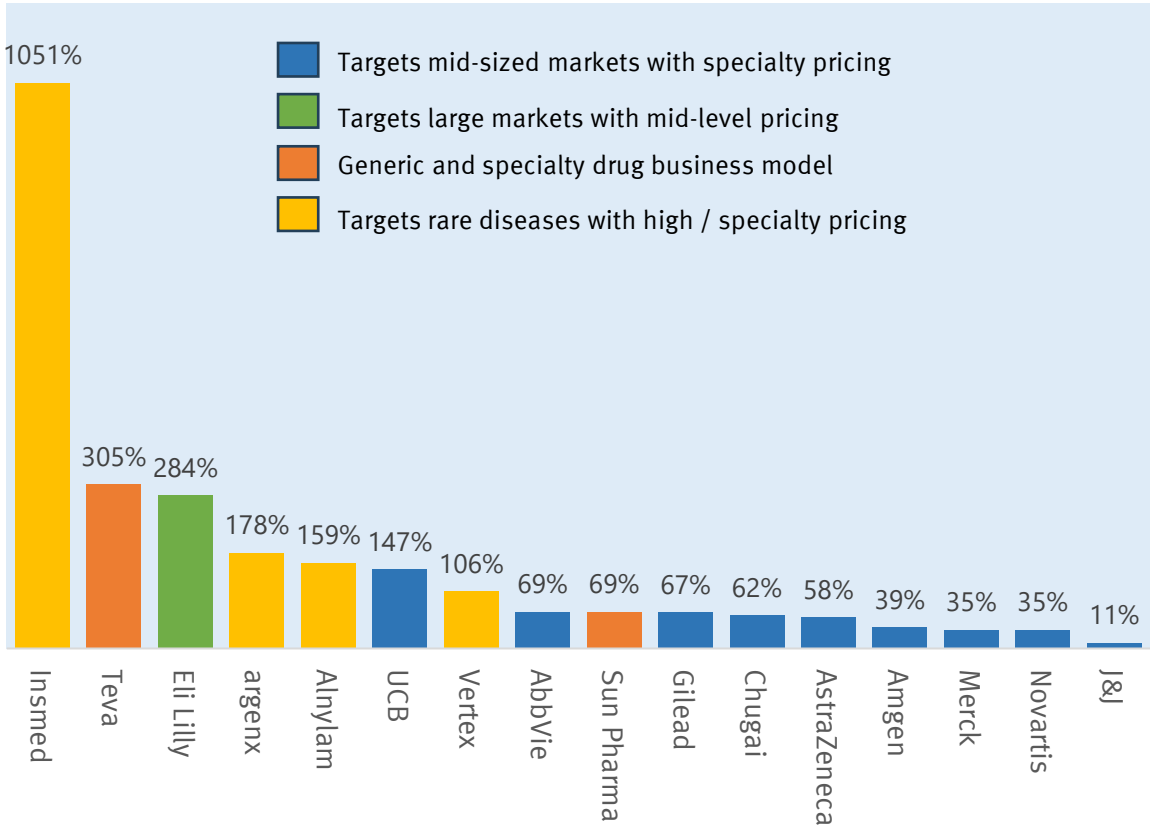
Top 15 Change in Market Cap ($bn)

Dec 31, 2021 to Dec 31, 2025



Top 15 Percent Change in Market Cap

Dec 31, 2021 to Dec 31, 2025



Source: CapitalIQ and Stifel investment bnaking analysis. We analyzed the top 120 companies by market cap in pharma as of Dec 31, 2025 and selected the top 15 companies by the total change in market cap over the prior four years.

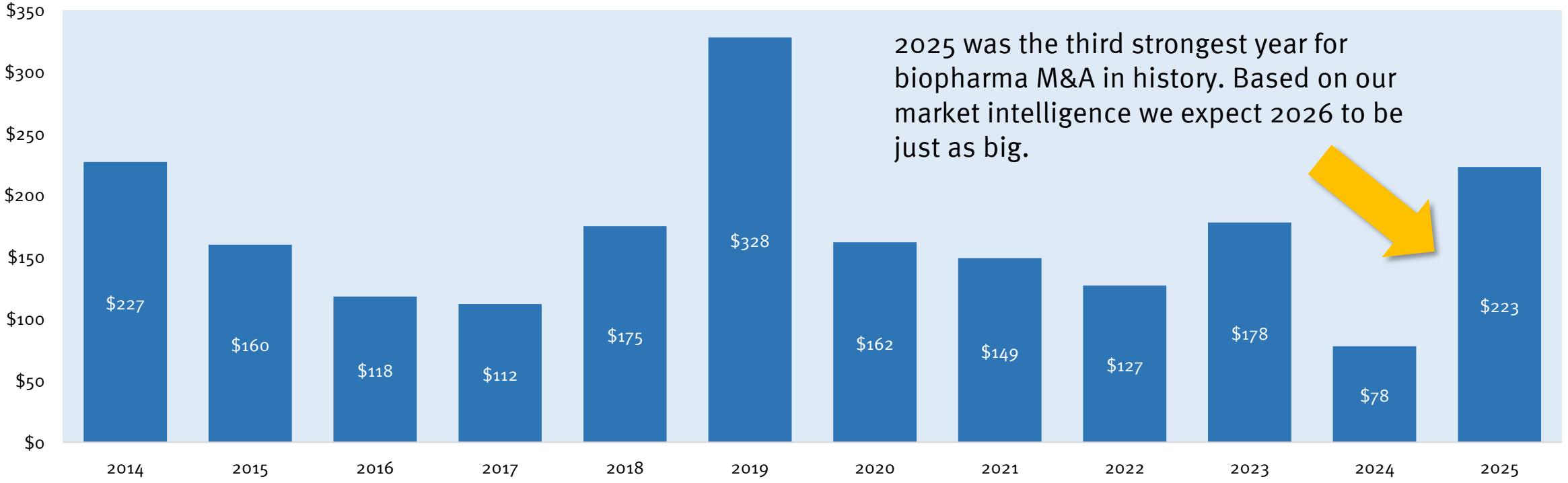
6. M&A Momentum to Continue in 2026

2025: Third Highest M&A Volume in Biopharma History

We saw $223 billion in M&A take place in 2025, making this the third busiest year for biopharma M&A in history. This includes one large deal in the OTC Pharma space (Kenvue). If this deal was left out, 2025 volume would have matched volume in 2023 (4th highest year). The year was unusual insofar as volume was slow until September when it took off. $150 billion of the $223 billion in volume for 2025 took place in the last four months of the year. On an annualized basis that's a $450 billion pace – by far the highest we have seen. What is so remarkable about 2025 is that there were no horizontal mergers between larger pharmas. In total, there were thirty-five transactions for $1 billion or more.

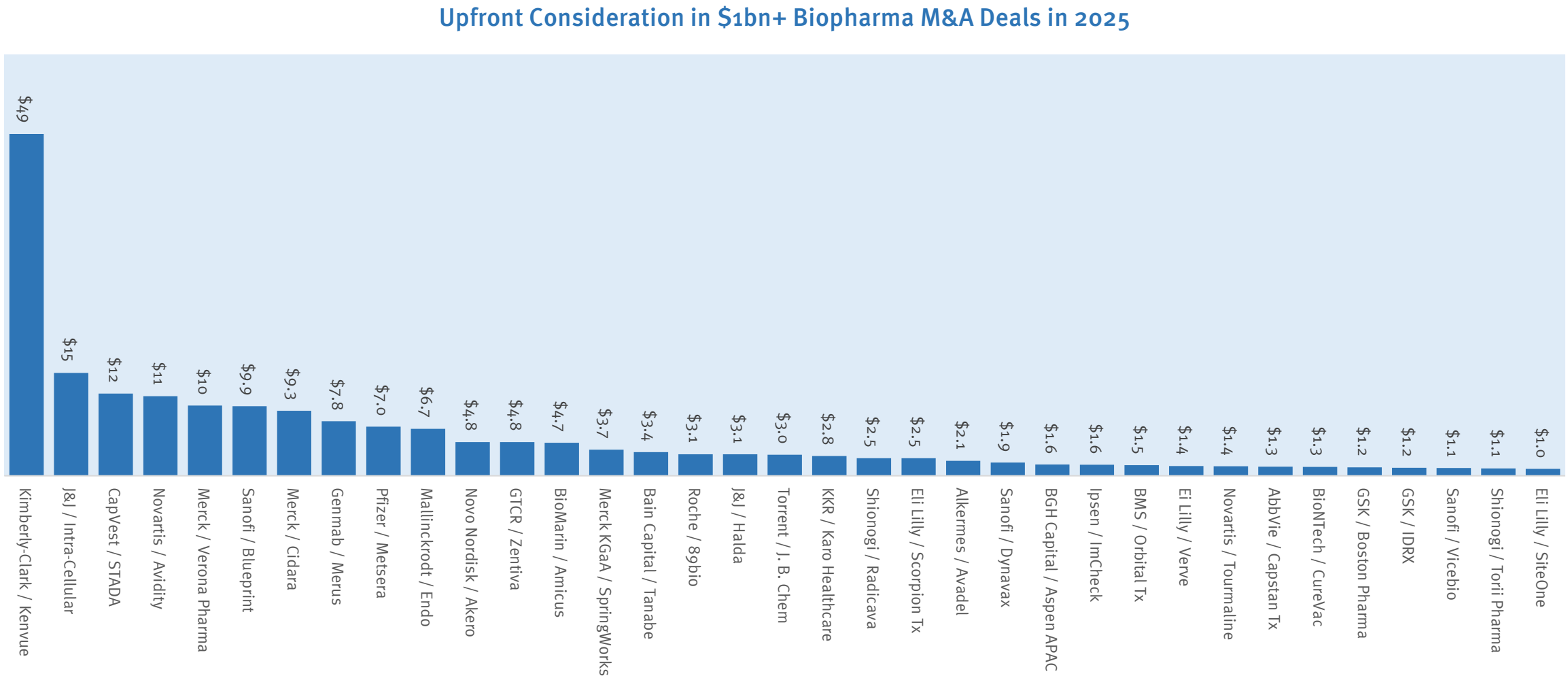
M&A Volume in the Biopharma Sector, 2014 - 2025

($ Billions, Worldwide)



Source: S&P, CapitalIQ and DealForma.

Thirty-Five M&A Transactions in 2025 Over $1 Billion in Upfront Consideration

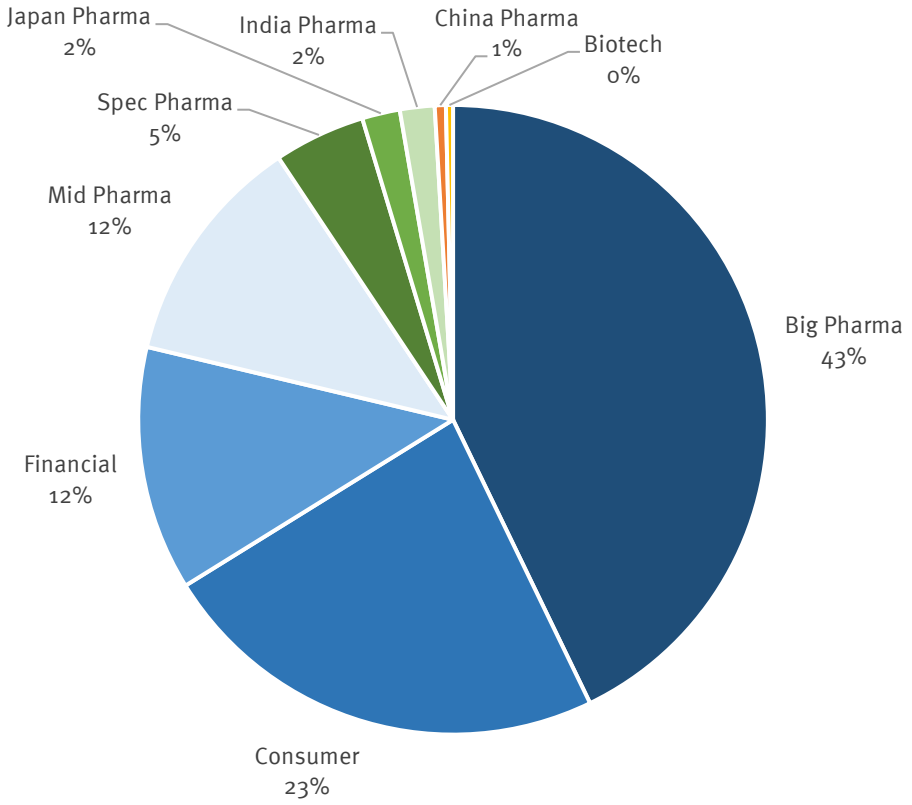


Source: S&P, CapitalIQ and DealForma.

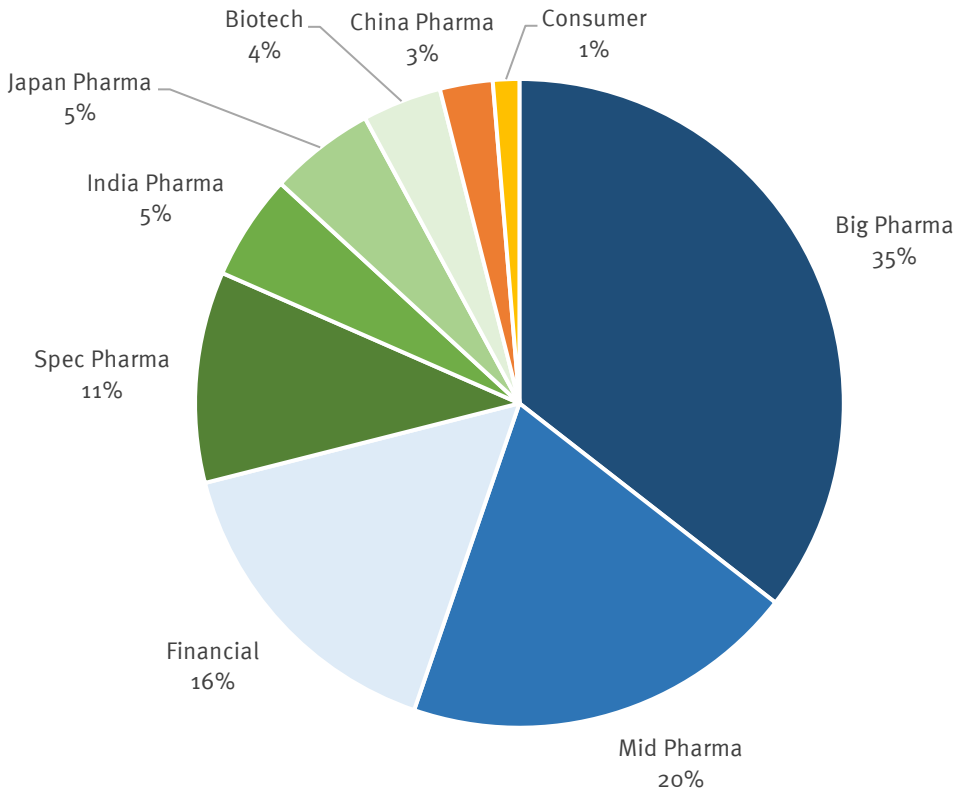
Breakdown in Buyer Types

For this analysis we looked at deals of $100mm or more in size. Big pharma accounted for 27 of 76 transactions for 43% of the money spent last year on M&A. This was followed by consumer health, mid-pharma and financial sponsors.

Buyer Types in 2025 by Transaction Value (N=76)



Buyer Types in 2025 by Transaction Count (N=76)

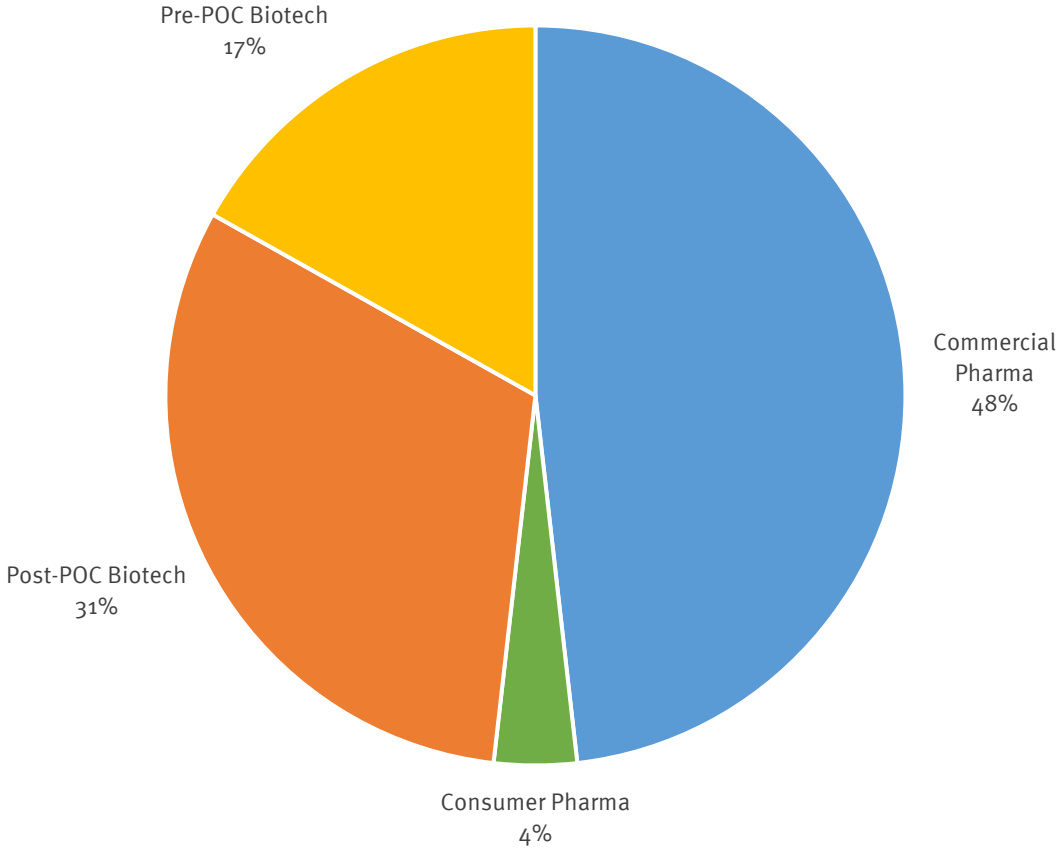


Source: S&P, CapitalIQ and DealForma. Eighty-four transactions for $100mm upfront or more were included in this analysis. Manufacturing transactions and terminated transactions excluded from analysis.

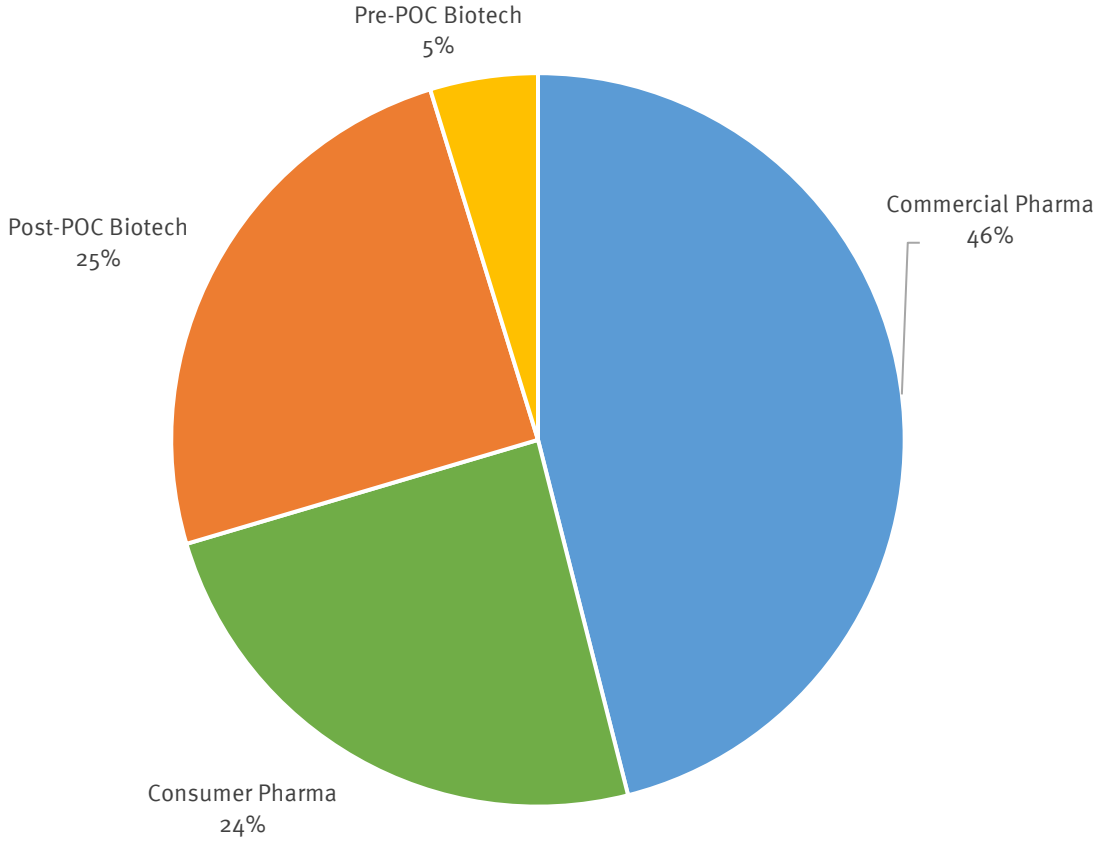
Breakdown in Seller Types

Buyers were most active in acquiring commercial stage assets and post-POC Biotech. If one excludes the Kenvue deal 94% of total value paid out last year went to these type of companies. There were six pre-POC biotech takeouts last year for $400mm or more (J&J / Halda, BMS / Orbital Tx, AbbVie / Capstan Tx, Lilly / SiteOne, Sanofi / Vicebio and Sanofi / Vigil Neuro).

Seller Types in 2025 by Transaction Count (N=84)



Seller Types in 2025 by Transaction Value (N=84)



Source: S&P, CapitalIQ and DealForma. Eighty-four transactions for $100mm upfront or more were included in this analysis. Manufacturing transactions and terminated transactions excluded from analysis.

J&J, Merck and Novartis Have Been the Largest Spenders in the M&A Market Since 2024

2024-2025 - By Number of M&A Deals - Big Pharma Buy-Side

Buyer	Number of Deals	Total Deal Value ($B)	Total Upfront Cash and Equity ($B)
Novartis	10	$24.4	$19.3
J&J	8	$36.6	$35.5
Merck & Co.	6	$24.4	$21.2
AbbVie	6	$5.4	$4.1
Sanofi	5	$16.1	$14.6
Eli Lilly	5	$8.0	$7.7
AstraZeneca	4	$4.5	$3.2
Roche	3	$5.2	$3.5
GSK	3	$2.6	$2.1
Novo Nordisk	2	$6.3	$4.7
BMS	2	$1.8	$1.8
Abbott	1	$23.0	$23.0
Pfizer	1	$10.0	$7.6
Vertex	1	$4.9	$4.9
Gilead	1	$4.3	$4.3
Merck KGaA	1	$3.5	$3.5
Regeneron	1	n/d	n/d
Total - These 17	**59**	**$180.9**	**$160.9**

2024-2025 - By Total Deal Value - Big Pharma Buy-Side

Buyer	Number of Deals	Total Deal Value ($B)	Total Upfront Cash and Equity ($B)
J&J	8	$36.6	$35.5
Merck & Co.	6	$24.4	$21.2
Novartis	10	$24.4	$19.3
Abbott	1	$23.0	$23.0
Sanofi	5	$16.1	$14.6
Pfizer	1	$10.0	$7.6
Eli Lilly	5	$8.0	$7.7
Novo Nordisk	2	$6.3	$4.7
AbbVie	6	$5.4	$4.1
Roche	3	$5.2	$3.5
Vertex	1	$4.9	$4.9
AstraZeneca	4	$4.5	$3.2
Gilead	1	$4.3	$4.3
Merck KGaA	1	$3.5	n/d
GSK	3	$2.6	$2.1
BMS	2	$1.8	$1.8
Regeneron	1	n/d	n/d
Total - These 17	**60**	**$180.9**	**$157.4**

Source: DealForma

Novartis and Roche Have Been the Largest Spenders on Upfronts in the Licensing Deal Market Since 2024

2024-2025 - By Number of R&D Stage Licensing Deals

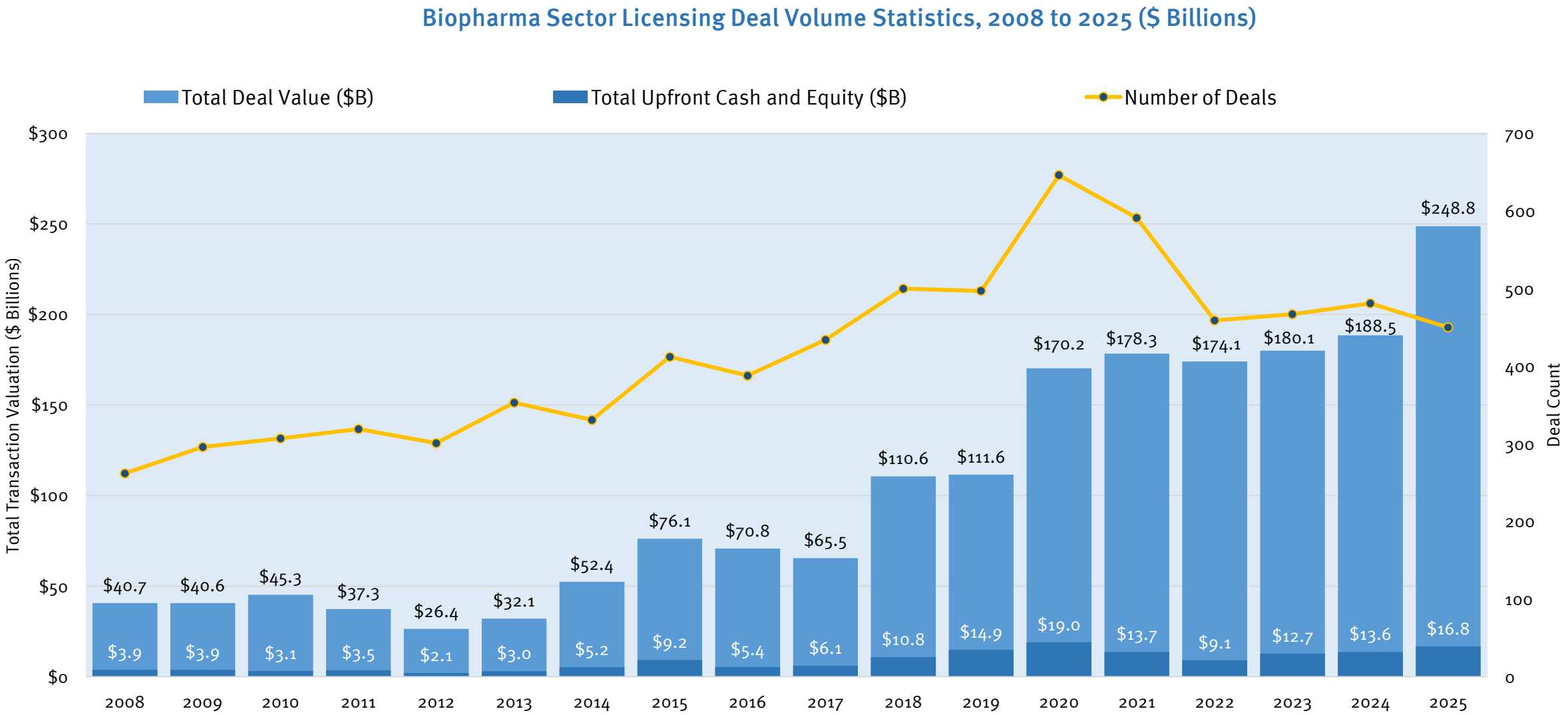
In-Licensee	Number of Deals	Total Deal Value ($M)	Total Upfront Cash and Equity ($M)
Eli Lilly	36	$19,475	$575
Roche	29	$32,235	$2,665
Novartis / NIBR	28	$44,253	$2,908
Novo Nordisk	23	$14,119	$680
GSK	22	$29,515	$1,695
AstraZeneca	21	$20,216	$1,181
Boehringer Ingelheim	21	$11,189	$122
Sanofi	21	$10,182	$1,238
AbbVie	18	$20,251	$1,947
Pfizer	16	$10,836	$1,561
Merck & Co.	12	$11,682	$1,050
J&J	12	$2,030	$55
Ono	12	$1,967	$280
Takeda	10	$20,856	$1,946
Gilead	10	$5,288	$452
BMS	9	$20,109	$1,865
Bayer	9	$2,512	$53
Orion	9	$795	$0
Astellas	8	$4,890	$200
Merck KGaA / EMD Serono	7	$7,578	$61
Total - These 20	**333**	**$289,976**	**$20,531**

2024-2025 - By Total Deal Value of Licensing Deals

In-Licensee	Number of Deals	Total Deal Value ($M)	Total Upfront Cash and Equity ($M)
Novartis	28	$44,253	$2,908
Roche	29	$32,235	$2,665
GSK	22	$29,515	$1,695
Takeda	10	$20,856	$1,946
AbbVie	18	$20,251	$1,947
AstraZeneca	21	$20,216	$1,181
BMS	9	$20,109	$1,865
Eli Lilly	36	$19,475	$575
Novo Nordisk	23	$14,119	$680
Merck & Co.	12	$11,682	$1,050
Sarepta	1	$11,375	$825
Boehringer Ingelheim	21	$11,189	$122
Pfizer	16	$10,836	$1,561
Sanofi	21	$10,182	$1,238
Vertex	4	$8,120	$150
Merck KGaA	7	$7,578	$61
Ipsen	6	$6,599	$75
Kailera	1	$6,035	$100
DoveTree	1	$5,990	$51
Gilead	10	$5,288	$452
Total - These 20	**296**	**$315,902**	**$21,145**

Source: DealForma

Last Year Saw the Count of Licensing Deals Drop. Contingent Payments Were Up While Total Upfronts Paid Were Second Highest Ever at $16.8 Billion



Source: DealForma

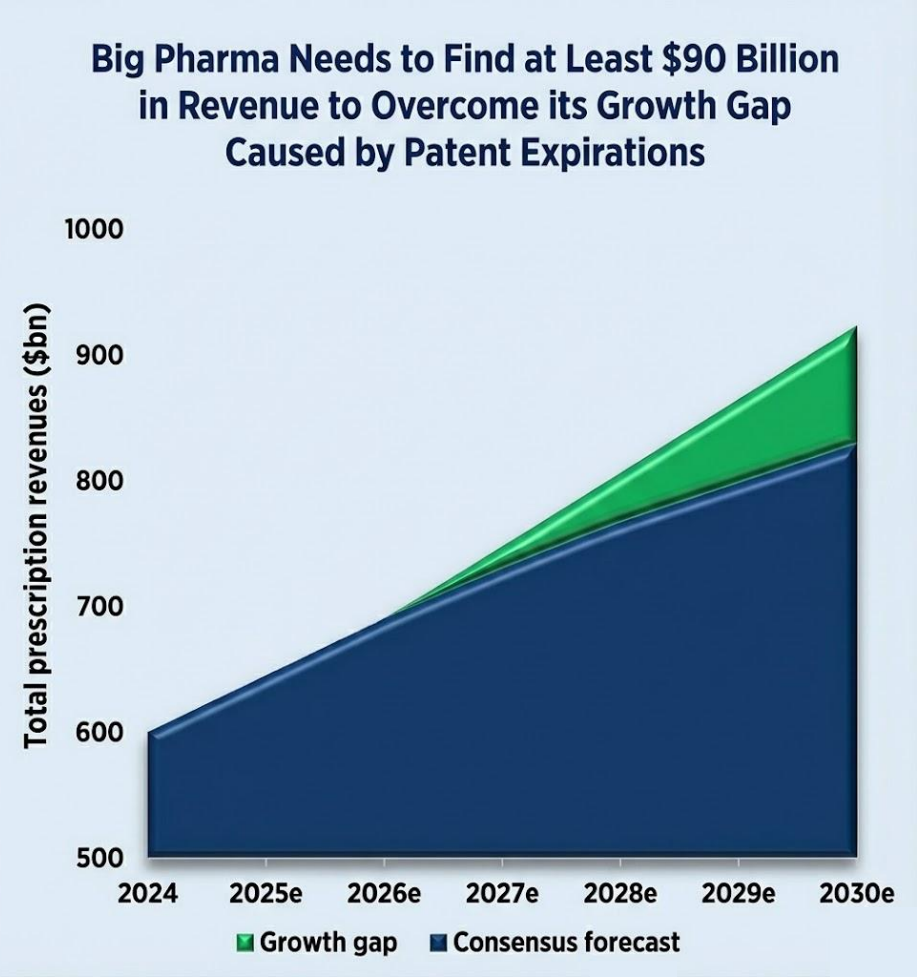
Over 40% of Big Pharma Revenue Faces Patent Expiration in the Next Five Years

The main driver of late-stage demand for M&A is revenue shortfalls created by ongoing exclusivity losses associated with industry patent expiries.

Last year's M&A was a drop in the bucket of the $90bn+ revenue hole.

To illustrate, if M&A happens at 6.8X peak revenue then large pharma's $89bn in spend last you would have created $13 billion in forward peak revenue. That's 14% of the total need.

This is one of the reasons we think M&A volume is likely to *rise* in 2026 and 2027.



Source for chart: Evaluate Pharma. This is in 2023 sales dollars as per Evaluate Pharma.

Big Pharma Race to Snap up Biotech Assets as $170 Billion Patent Cliff Looms

Elsa Cohen, *CNBC*, Jan 7, 2026 (excerpt)

A multitude of factors are coming together to bring a big burst in biotech M&A.

The high-profile bidding war between Pfizer and Novo Nordisk over Metsera and its leading weight loss drug candidate shows just how competitive some pockets of the sector have become, as Big Pharma frantically works to fill the looming revenue hole.

Some of the best-selling drugs in the world are facing a loss of exclusivity in key jurisdictions in what the sector calls "the patent cliff." By 2032, losses of exclusivity for best-selling brands are worth at least $173.9 billion in annual sales, according to CNBC calculations. Estimates vary on the total amount of revenue at risk when factoring in smaller brands, with some analysts putting the number between $200 billion and $350 billion.

That poses a real threat to their makers' top lines — unless they manage to replenish their pipelines with new, revenue-bearing innovations. The need for pharma to top up their pipelines coincides with the broader biotech sector coming back to life after years of depressed valuations following a boom in healthcare investing during the Covid-19 pandemic.

M&A in the sector picked up dramatically in September and October 2025, following a terrible start to the year. The lifting of overhangs from Trump's war on high drug prices for Americans and threats of triple-digit pharma sector tariffs, as well as the beginning of an interest-rate cutting cycle, has further encouraged dealmaking. Now, companies are facing a situation where they need to fill their pipelines, while also navigating a competitive environment for the best assets.

The biopharma sector is unique in that companies face a loss of patent for lead assets every decade or so. That lifecycle of assets requires companies to constantly come up with new innovations – or buy those who do. "Biotech, being the innovation kind of engine of healthcare, is where pharmaceutical companies have come historically to build their biopharma businesses," Linden Thomson, senior portfolio manager at Candriam, told CNBC.

Pharmaceutical firms, many of which started as chemical companies, typically built their businesses on simpler, small molecule drugs, while biotechs use living organisms to make medicines like antibodies and mRNA. Over time, the distinction between the two has blurred as pharma invested heavily in biotech and many of the drugs on the market today were instead discovered by biotech companies or involved with biotech manufacturing, Thomson said.

According to analysis by healthcare market researcher and consultant Joanna Sadowska, about half of the blockbuster drugs approved between 2014 and 2023 were bought, as opposed to being developed internally. The two most successful drugmakers in terms of the number of blockbusters approved over those years were Eli Lilly and AstraZeneca, which acquired eight and five medicines out of a total of 13, respectively.

Chris Sheldon, global head of business development at GSK, calls it the "sweet spot": going after validated biology, often in mid-stage development in the $1 billion to $2 billion range, where the outcome of a drug candidate isn't yet obvious. Many acquisitions of late-stage assets end up becoming a maths problem, Sheldon told CNBC, particularly if it's a listed company that has reached fair value.

"BD [Business development] I always describe as a contact sport. If an asset is good enough, there's multiple suitors," he added.

Source: https://www.cnbc.com/2026/01/07/big-pharma-race-to-snap-up-biotech-assets-as-170-billion-patent-cliff-looms.html

Top Pharma Have $1.2 Trillion of M&A Firepower Today

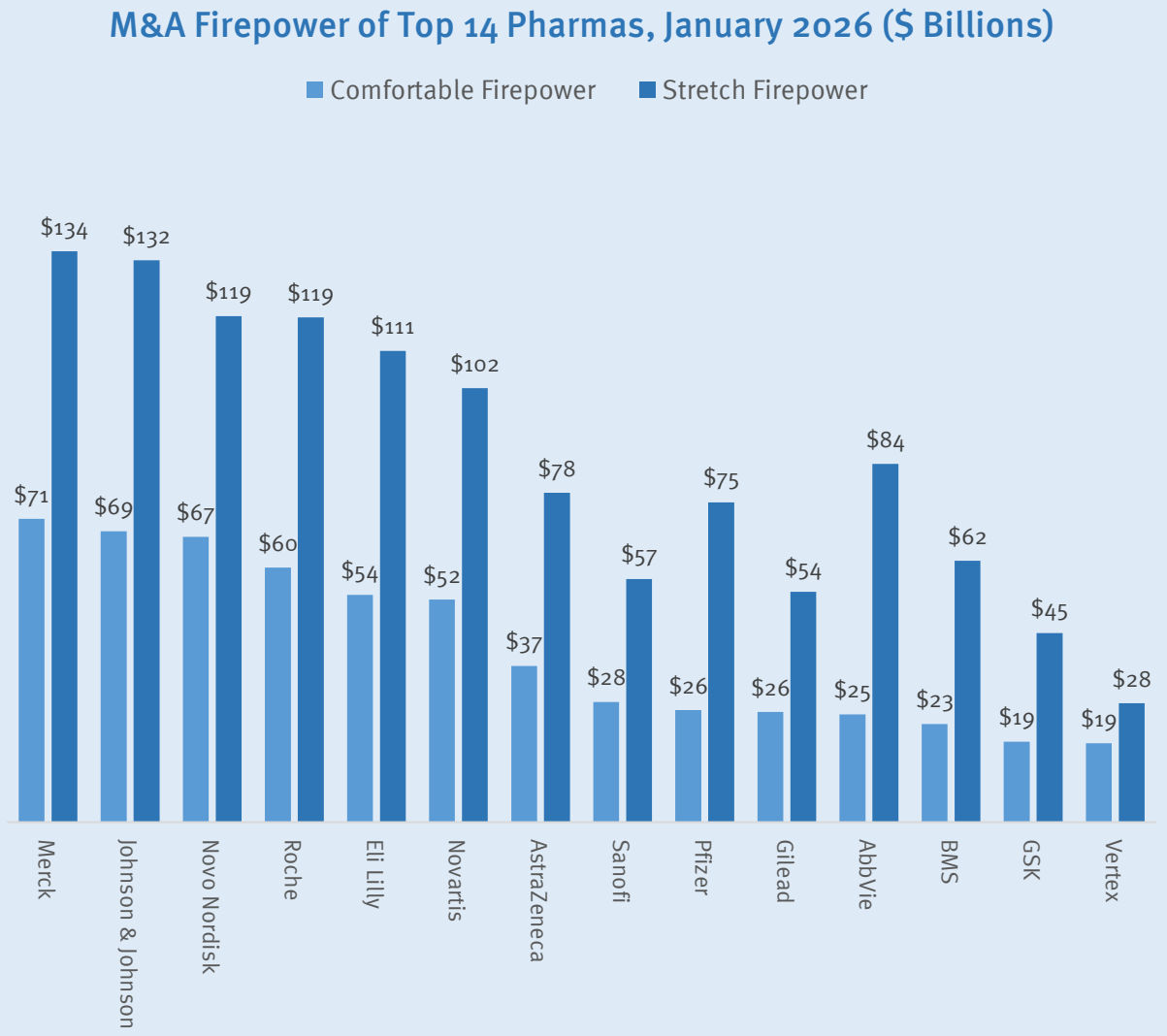
This chart shows M&A firepower of top pharmas. We define comfortable firepower as the amount of debt a company can take on given current EBITDA levels to arrive at a ratio of net debt to EBITDA of 3X.

Stretched firepower would take a company to a ratio of net debt / EBITDA of 5X. Historically, some companies like AZ and Takeda have been willing to go well beyond the 3X net debt / EBITDA comfort levels.

Today, there is $1.2 trillion of stretch firepower and $500+ billion of comfortable firepower among the top 14 top pharmas. This has gone up materially from 2023 and 2020.

It is important to recognize limits that restrain the use of this firepower, including internal policies on balance sheet strength, credit rating agency requirements, the desire to keep rainy day money and recent commitments to build manufacturing capacity in the U.S.

To illustrate, J&J's Credo speaks of the importance of a strong balance sheet saying, "reserves must be created to provide for adverse times." Wise words. We would be quite surprised to ever see a company like J&J or Roche spend anything like $100 billion in cash on M&A.



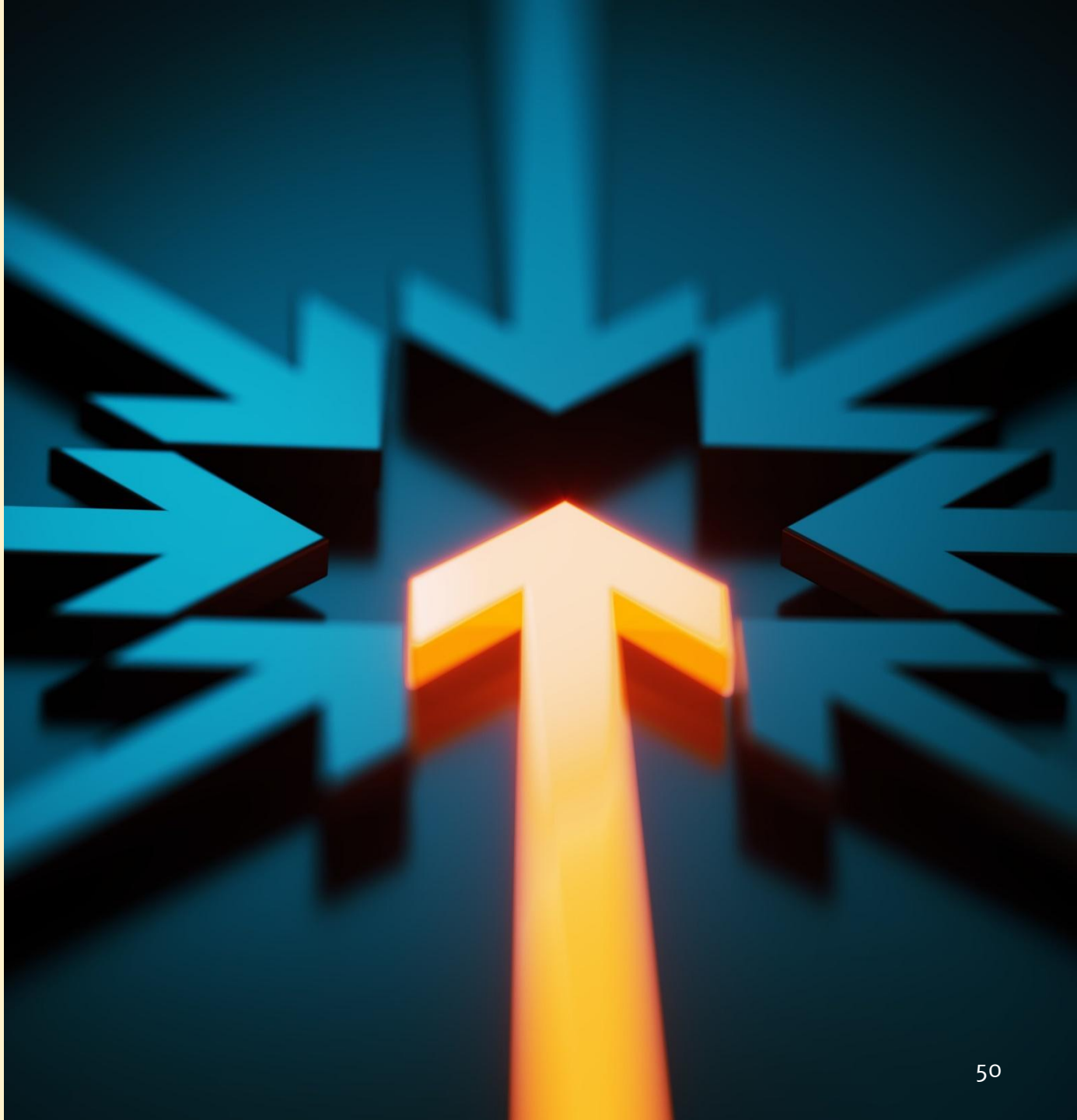
Source: S&P CapitalIQ, Stifel Investment Banking Department Analysis

Pharma Comfortable Acquiring Biotech at Current Valuations

In the course of our business, we speak with our counterparts across the pharmaceutical industry. This includes discussions on M&A and licensing deal interest in December 2025 and the first week of January 2026.

What we are hearing is consistent: “We intend to be busy in 2026.” The various business professionals are on the lookout for high quality mid-stage assets and late-stage assets that fit existing commercial infrastructure. When we have asked about whether elevated biotech valuations are deterring deals we have heard little concern on this front.

One senior BD leader put it this way: “We have some holes to fill that our leadership has made clear need to be filled. We are quite active and have particular interests. Yes, I guess the XBI has risen quite a bit from its levels last April but the index was so depressed anyway. No one was going to sell to us based on those kind of levels. We expect our activity level in 2026 to be up from where it was before. I am hearing similar things from my peers across the industry. Now, not all companies are bargains and, certainly, with today’s higher prices I am sure that there will be some companies that won’t get bought that might have been six months ago.”

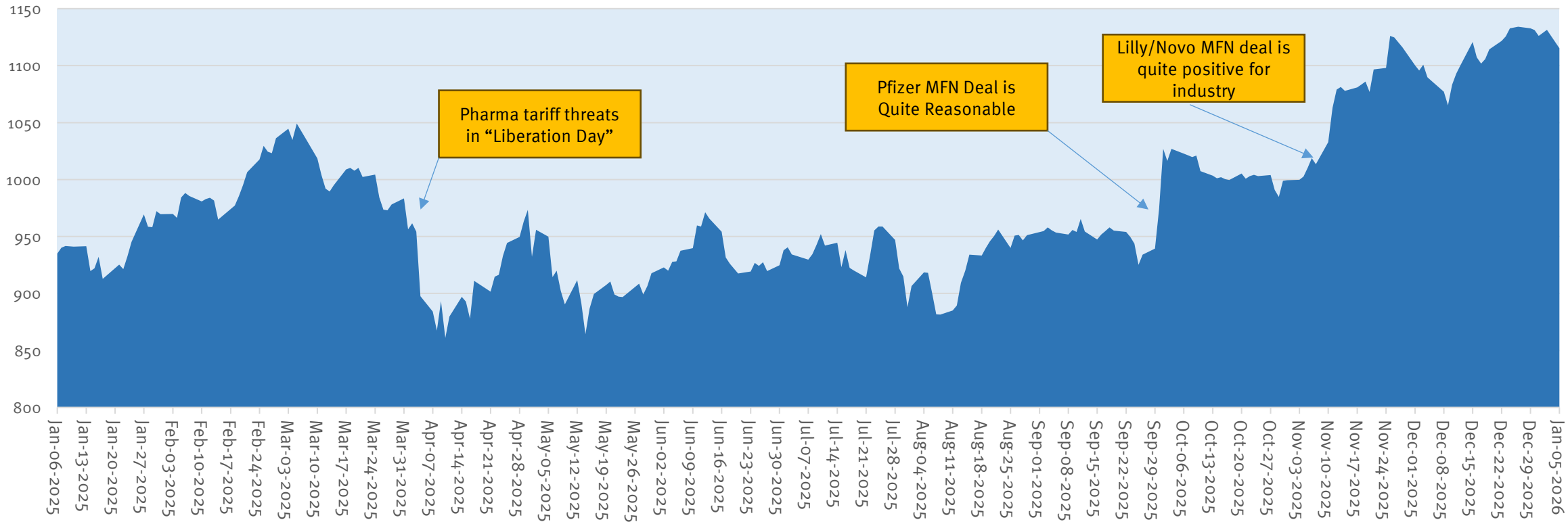


7. Accommodative Policy Environment to Continue

Volatile But Ultimately Favorable Policy Environment

Trump Administration policies have been scary to the pharma industry due to threats of tariffs and MFN rules that would penalize companies that charge different prices overseas than in the U.S. Ultimately, however, the stance of the Trump Administration has been reasonably positive. As 2025 went on the valuations of pharma companies climbed steadily. Some companies that have been out of the MFN negotiations continue to worry with some justification that the HHS IRA process could be used to club them in the years ahead.

NYSE ARCA Pharmaceutical Index (DRG), Jan 6, 2025 to Jan 6, 2026



Source: S&P, CapitalIQ

Trump Administration Positives for Industry

Willingness to Provide Enhanced Access to Medicare / Medicaid for Price Concessions

Expanded Coverage for Lower Drug Prices

Light Enforcement of the IRA

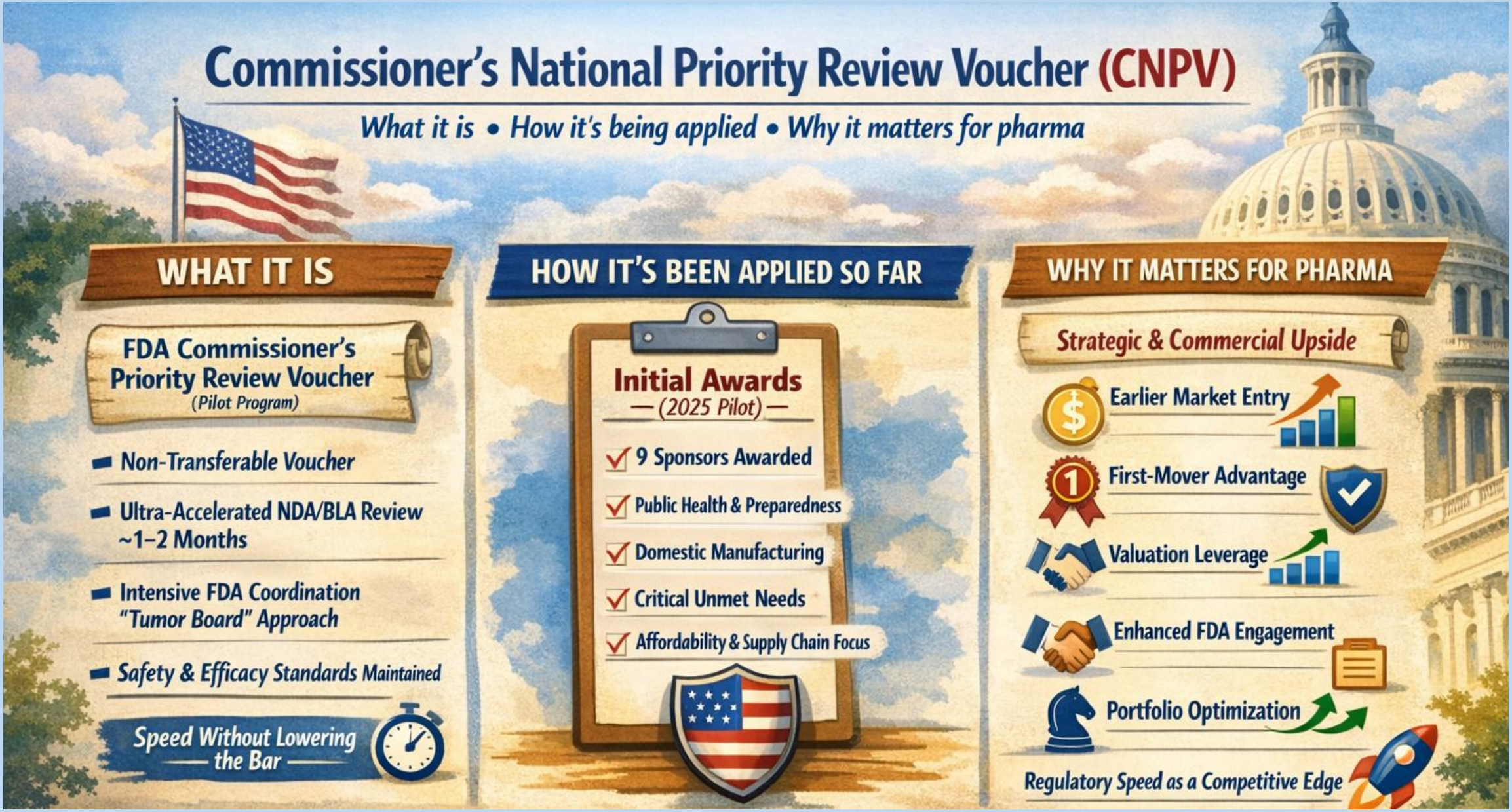
Minimal Oversight, Limited Penalties

Relaxed Antitrust Environment

Flexibility on Mergers & Competition

National Priority Review Voucher Program a Big Plus

We believe that the CNPV program will allow more drugs to get through the FDA each year. This is a big positive for industry.



Trump Administration Negatives for Industry

Key Issues with MFN Deal (*Politico* Article on Jan 4, 2026)

Based on Politico analysis "Trump's drug-pricing deals won't benefit most Americans today"

Source: https://www.politico.com/news/2026/01/04/trumps-drug-pricing-deals-wont-benefit-most-americans-today-that-could-over-time-00706529

What the Administration Says

Most-Favored-Nation (MFN) Deals

- Voluntary agreements with drug manufacturers
- MFN pricing tied to lowest prices in other **developed countries**

Confidential and Limited in Scope

Confidential and Limited in Scope

- Many deals are **not public** — terms remain **confidential**
- Deals largely help **Medicaid** / state programs, not all Americans

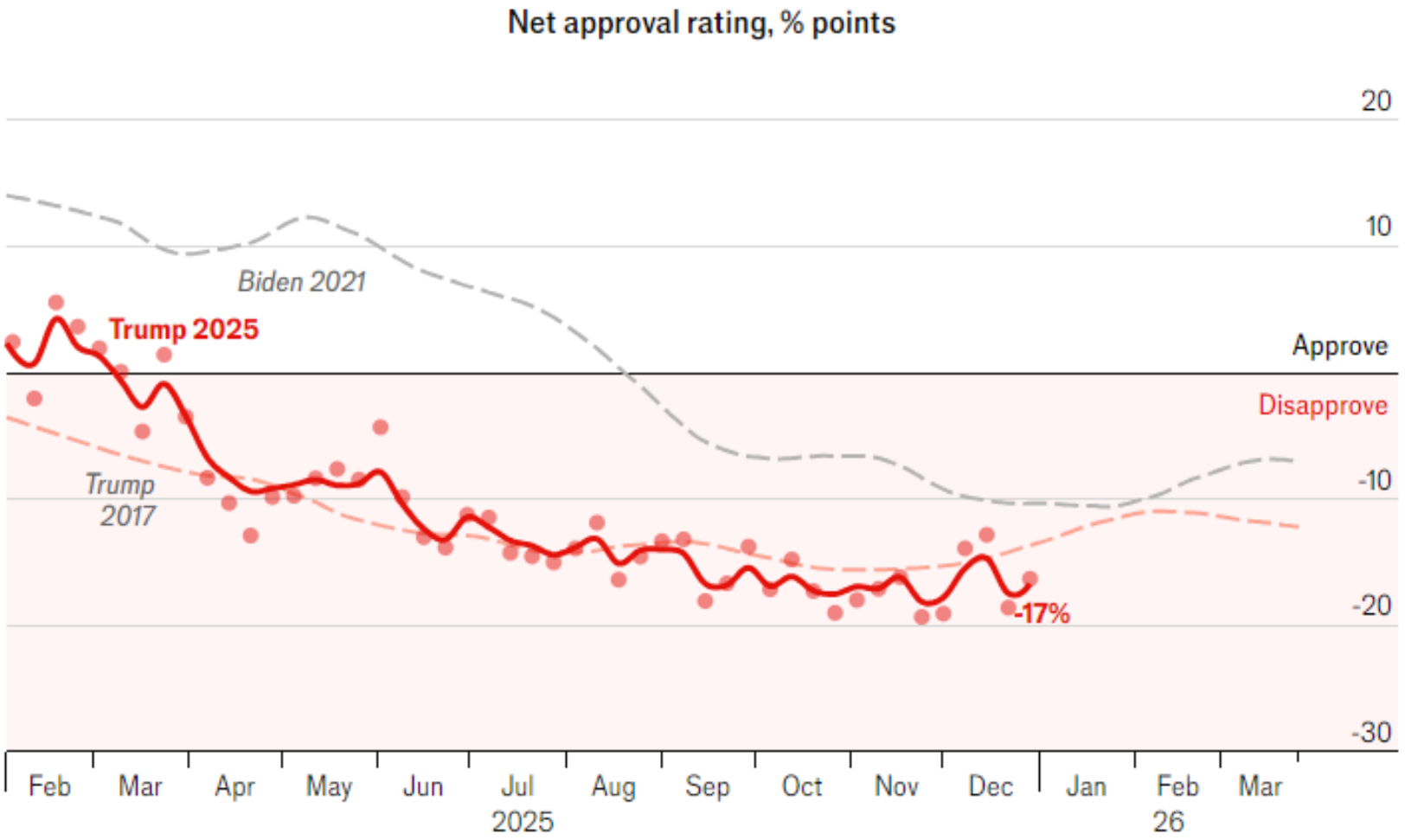
Discounts Often Not Truly Novel

Discounts Often Not Truly Novel

- Many "**discounts**" reflect rebates / manufacturer deals already used in market
- Not necessarily **new, systemic reforms**

President Trump Approval Ratings

***The Economist*, Jan 5, 2025**



President Trump has struggled to gain confidence of the electorate and now is flirting with approval ratings even lower than in his last administration.

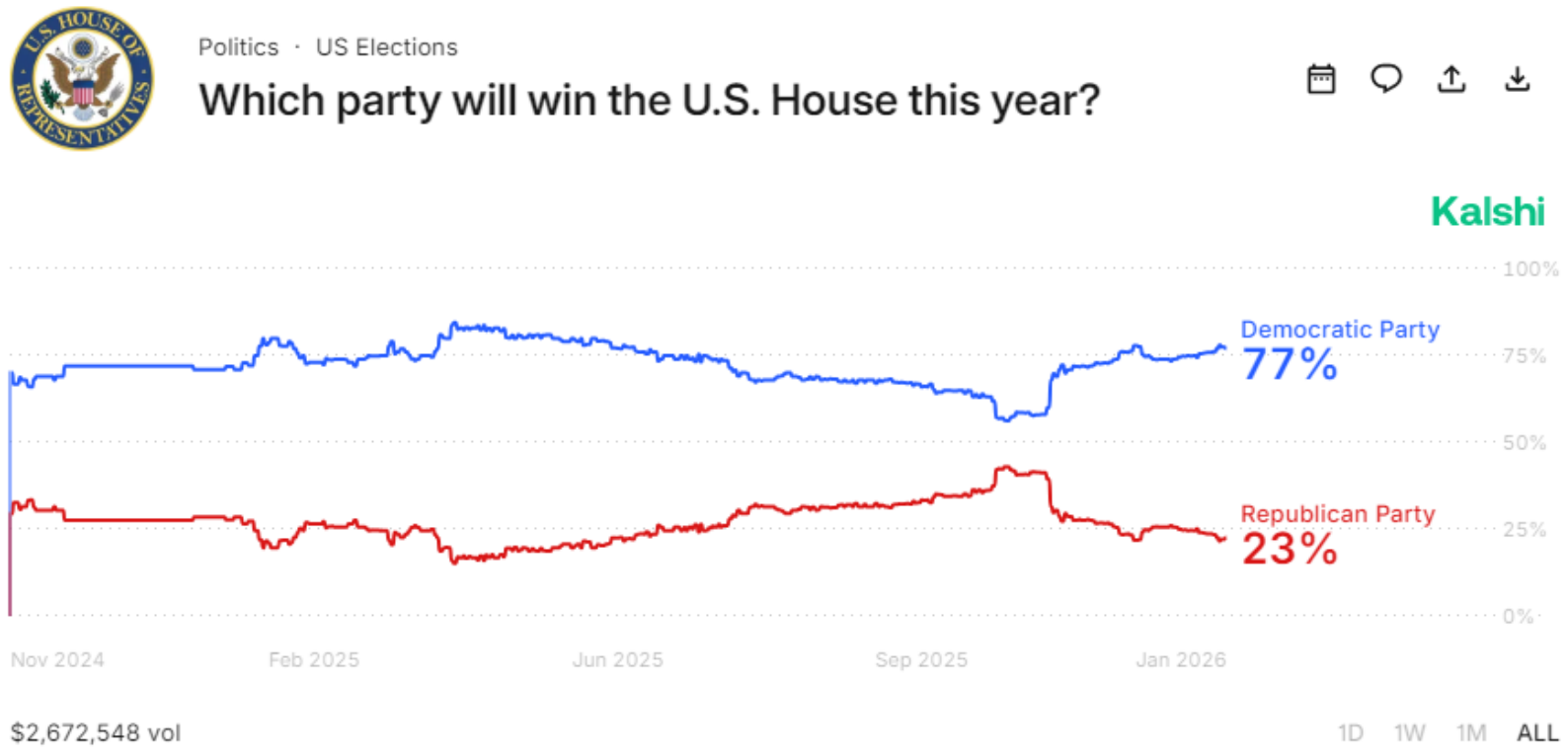
Putting partisan factors to the side, the President's political standing is highly relevant for the biotech industry.

In 2025 we saw Trump "settle" with the pharma industry after raising MFN and tariff fears. At this point, Republicans can claim to have a victory in the pharma sector and, thus, in our view, are unlikely to start new fires that will disturb biopharma valuations.

This may be putting too brave a face on a volatile situation, but we think our assessment is directly right. The next concern relates to next year's congressional elections.

Source: https://www.economist.com/interactive/trump-approval-tracker

Betting Markets: Democrats Likely Take the House in 2026 While Republicans Take the Senate



At present, betting markets indicate that the U.S. House of Representatives is likely to go Democrat later this year while the Senate is likely to stay Republican. If true, President Trump has a limited window before the elections to advance his political agenda – hence, for example, his relatively aggressive move last week in Venezuela.

Overall, we see this as bullish. A split government is generally good for business and very likely not a bad thing for biopharma.

Note: Political betting markets aggregate thousands of individual judgments into prices that can be interpreted as implied probabilities. Over long samples, well-known markets (e.g., U.S. presidential elections) tend to be directionally accurate—the favorite usually wins—and their probabilities often outperform single polls or pundit forecasts.

Source: https://kalshi.com/markets/controlh/house-winner/controlh-2026

Our View: MFN Victories + Poor Approval Ratings = Pharma Has Served Its Political Purpose

Donald Trump is operating in a constrained domestic environment:

Low approval ratings reduce leverage over Congress and industry.

High probability of losing the House in 2026 limits the feasibility of new legislation.

Foreign policy is the new focus (trade, China, Venezuala) providing potential in 2026 for higher-salience wins with fewer domestic veto points.

MFN announcements allow him to claim a "tough on drug prices" posture without sustained regulatory follow-through. Taken together, these dynamics strongly favor *symbolic closure* rather than further escalation.

With low approval ratings, Trump historically shifts from policy execution to **message maximization.**

Front-loaded confrontation (2025): aggressive rhetoric, public threats, headline-friendly actions.
Back-loaded disengagement (2026): fewer new fights, selective enforcement, focus on "wins already delivered."

Pharma has already **served its political purpose**: It is a popular populist target. It provided MFN optics without requiring Congressional involvement. It allowed Trump to claim to be a consumer champion while avoiding systemic disruption.

What to Expect from Washington in 2026: Policy Drift

Strategic Implications for the Pharma Industry

From an industry perspective, we expect a more stable—but **not necessarily *friendly* environment** in 2026:

1. Lower headline risk than in 2025.
2. Policy stasis rather than rollback.
3. FDA policies not likely to get a lot better.
4. Reduced probability of surprise pricing actions.

We anticipate continued rhetorical positioning without operational teeth. The key risk is not *renewed aggression*, but *policy drift combined with administrative volatility*—especially at FDA and CMS—rather than deliberate hostility.

Bottom Line

Trump's low approval ratings and likely loss of the House reduce his incentive to **keep fighting pharma.**
MFN allows him to declare victory and move on. In 2026, we expect:

1. Less confrontation.
2. More neglect.
3. Continued use of pharma as a rhetorical reference point—but not a policy priority.
4. Antitrust policy should remain permissive – as long as giant mergers don't pop up

In short: 2025 was the fight; **2026 will be the fade-out.** The industry should (hopefully) **enjoy a year of relative policy neglect. This could all change as we get closer to 2028 elections** when we witness a fight between players like AOC / Whitmer on the left and Vance / Rubio on the right.

Bottom Line: We Think Trump Declares Victory and Moves On

2025: Saber-Rattling Phase

- **Public threats** against pricing
- **Aggressive** rhetoric
- **Visible** headline wins

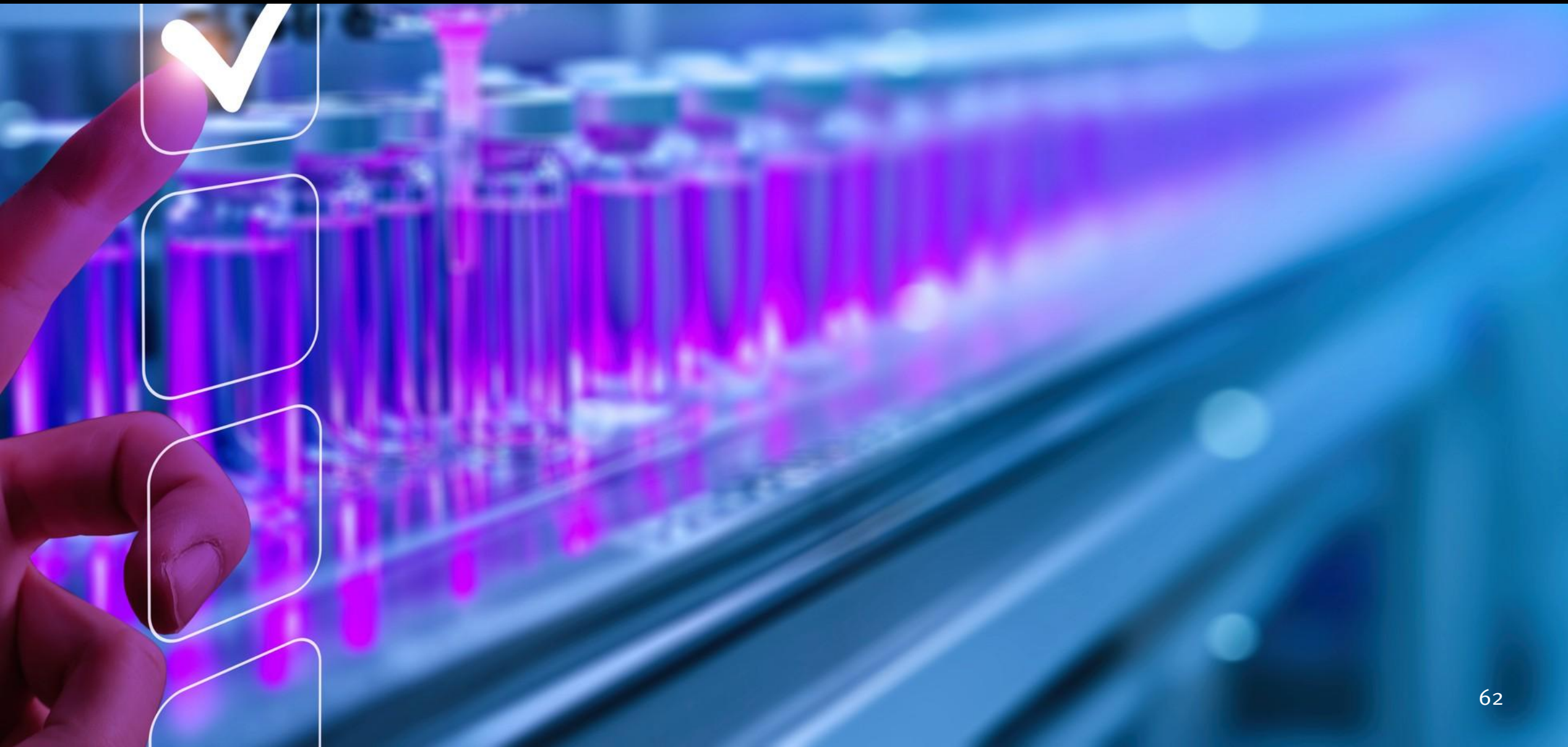
2026: De-Escalation and Drift

- **Light enforcement** of **IRA, MFN**
- **Tolerance** for industry behavior
- Focus shifts to **China, NATO, immigration**

Less Confrontation, More Neglect: Pharma goes from punching bag to lower-key "win" as focus shifts overseas

Trump and Pharma: From Saber-Rattling in 2025 to De-Escalation in 2026

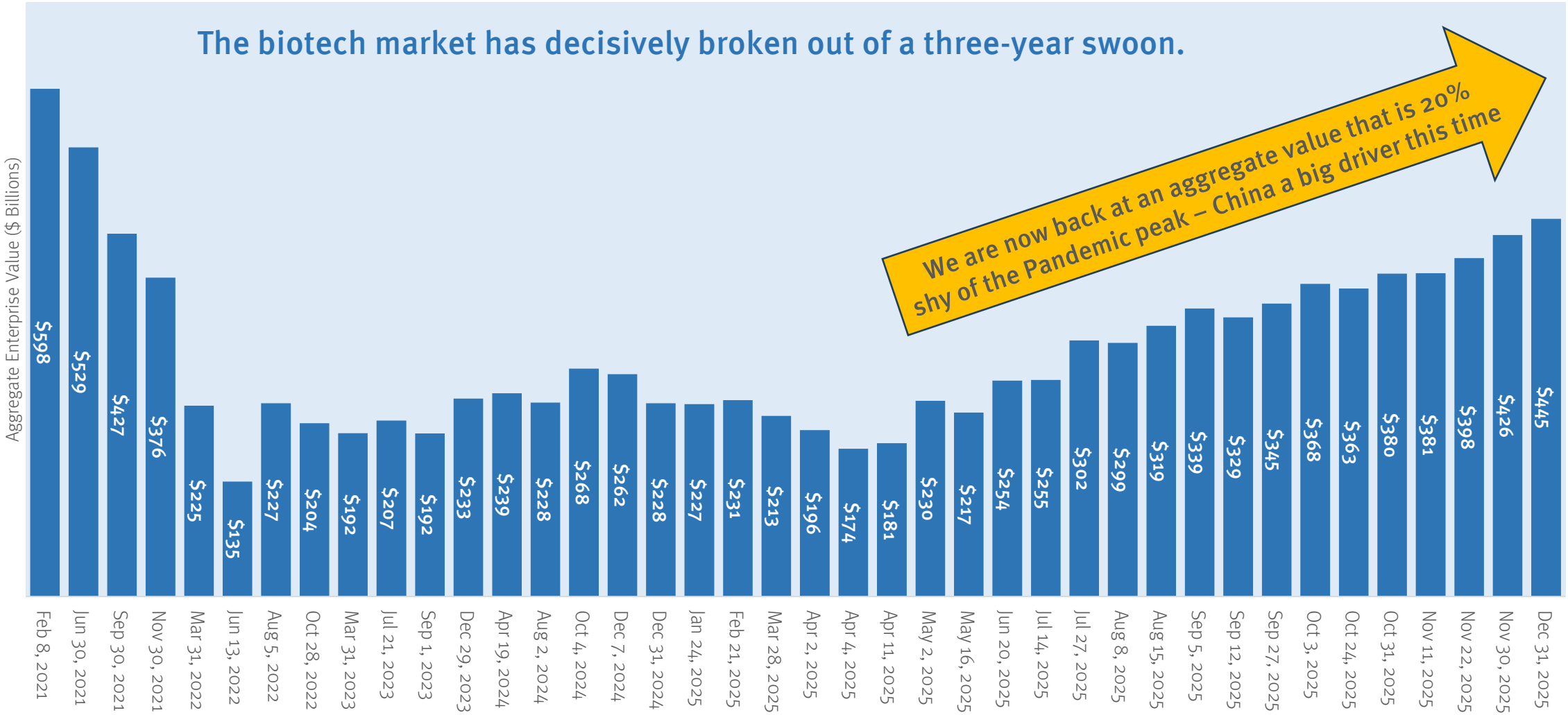
8. Biopharma Market Update



Biotech Stocks Rose 95.5% in 2025 (56.8% for U.S. Biotechs)

Total Enterprise Value of Publicly Traded Global Biotech, Feb 8, 2021 to Dec 31, 2025

($ Billions, Addition / Exit Adjusted)

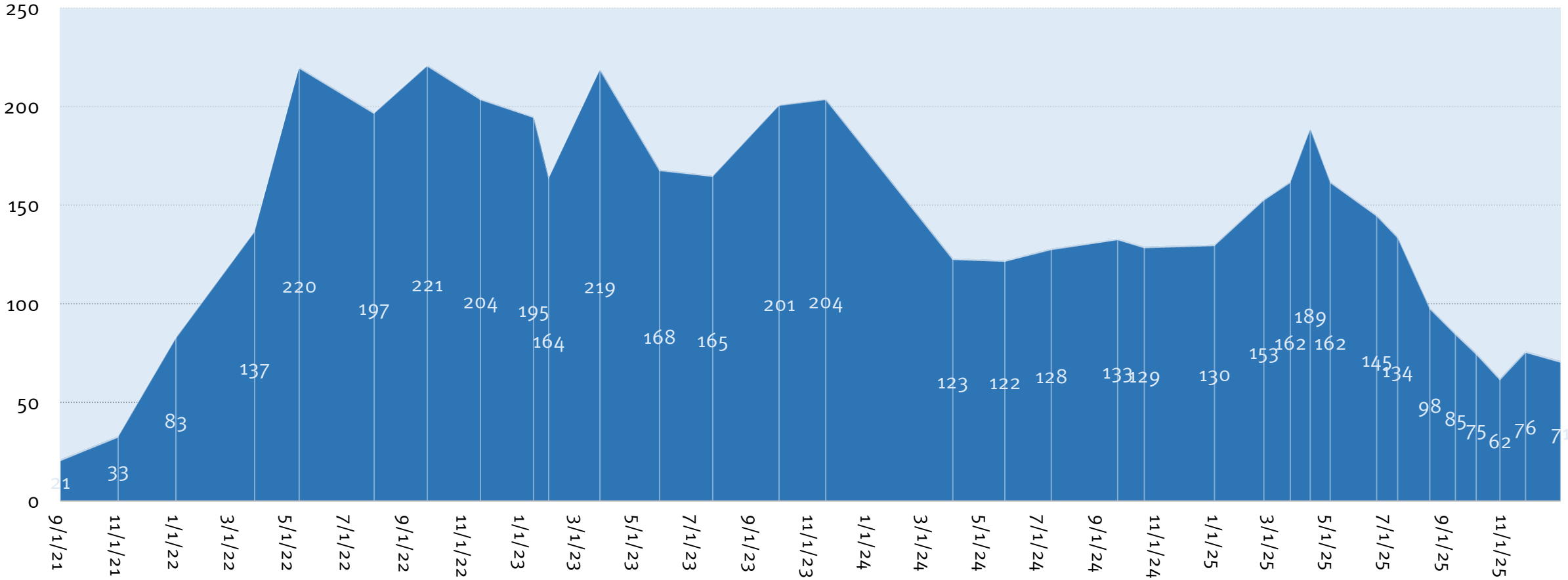


Source: CapitalIQ. Biotechs are defined as any therapeutics company without an approved product on any global stock exchange.

Number of Negative Enterprise Value Life Sciences Companies is Down Substantially From Six Months Ago

Despite a slight bump up in negative EV companies in November we are seeing strong signs that the life sciences market is normalizing.

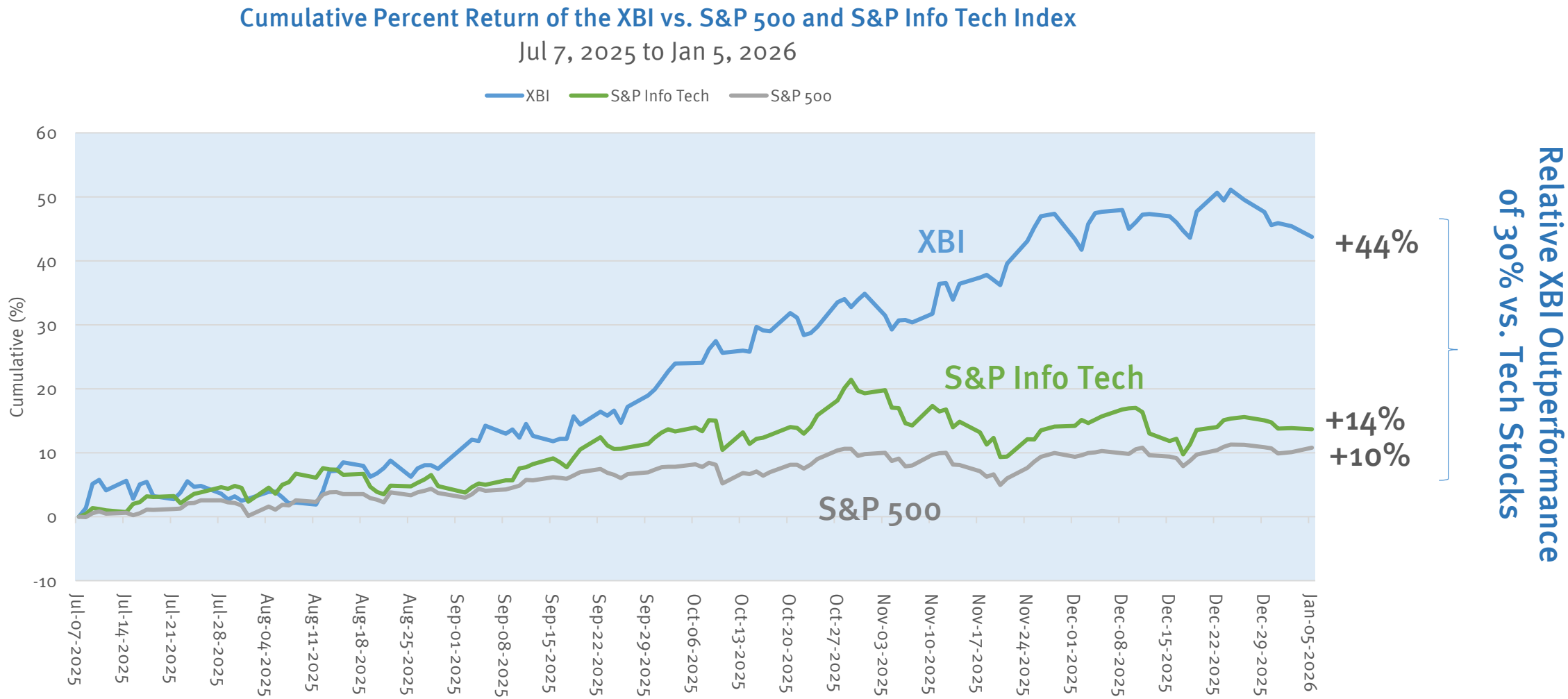
Number of Negative Enterprise Value Life Sciences Companies Worldwide, Sep 2021 to Dec 2025



Source: CapitalIQ

Biopharma Finally Marching Ahead of Tech in the Markets

There is increasing recognition in the broad markets that biotech innovation is of high value. We have finally started to see biotech stocks outperform tech. Up until this point, Tech had vastly outperformed biotech over a five-year period.



Source: CapitalIQ.

Biotech Stocks' Dark Winter Is Over. What That Means For Investors

Allison Gatlin, *Investors Business Daily*, Jan 8, 2026 (excerpt)

The long winter for biotech stocks is over. Shares have climbed to levels not seen since late 2021, buoyed by eye-popping takeover valuations, trailblazing innovation in battling obesity and cancer, and a surprising, if uneasy, alliance with the Trump administration.

The biotech comeback that experts have been predicting for years is finally happening. After peaking in February 2021, shares of Investor's Business Daily's Medical-Biomed/Biotech industry group plummeted more than 64% through April 2025. But in May, the group began a turnaround, surging more than 82% over the next eight months to end the year with a nearly 34% gain. And investors are looking to 2026 with optimism as the industry emerges from what's been generally portrayed as a frosty season for biotech stocks.

Springtime For Biotech Stocks?

Industry veteran John Maraganore, the founder of Alnylam Pharmaceuticals (ALNY), compared the slump to a "dark winter," which he declared has finally ended. Brad Stewart, an executive with advisory firm BDO, actually called the last four years "the biotech winter."

"You can never tell whether it's spring or fall," Stewart said in an interview. "You just know that the temperature is changing."

The change is happening despite lingering uncertainty, much of it tied to the Trump administration. The biggest has been Robert F. Kennedy Jr.'s appointment as health secretary. In the ensuing months, U.S. health agencies saw an incredible level of turnover. That continued into early December. Meanwhile, back-and-forth on tariffs, talk of drug-pricing reform and questions on where interest rates are headed took their toll on biotech stocks. But developments in Washington have made a more muted impact than expected, paving the way for biotech stocks to return to Wall Street's limelight. The 44th J.P. Morgan Healthcare Conference starting Jan. 12 could offer further proof of biotech stocks' return. The annual conference is known for splashy deals, promising clinical data and fourth-quarter earnings preannouncements.

Temperature Change For Biotech Stocks

Wall Street's growing interest in biotech is based on an important development. Multiple blockbuster drugs, including household names like Keytruda, Eliquis and Farxiga, will lose patent protection over the next several years. Arda Ural, a life sciences leader with advisory firm EY, estimates some $300 billion in sales are at risk from the so-called patent cliff.

To patch those sales holes, Big Pharma companies are teeing up big biotech takeovers. Deals totaling $129 billion were announced in 2025 as of mid-December, Ural told IBD. In terms of dollars spent, that's up 43% year over year, despite a 29% drop in the number of deals.

This means pharma companies are willing to spend handsomely for biotech companies with engaging clinical data that could pave the way for the next blockbuster drug, he says.

The last year saw Pfizer (PFE) snag obesity-focused Metsera for $10 billion following a gloves-off public fight with Novo Nordisk (NVO). Johnson & Johnson (JNJ) scooped up neuroscience-tied Intra-Cellular Therapies for $14.6 billion. Novartis (NVS) is putting up $12 billion on RNA-focused Avidity Biosciences (RNA).

Biotech Stocks' Dark Winter Is Over (continued)

Biotech M&A Spree Will Continue

Experts expect the breakneck pace of takeovers to continue. And Wall Street appears to support the M&A push.

Eli Lilly (LLY) stock rallied this week on news that the pharma behemoth has agreed to acquire Ventyx Biosciences (VTYX) in a $1.2 billion deal.

"There's absolutely demand," EY's Ural said in an interview. "And can they afford it? The answer is yes, because our latest estimate for their firepower is about $1.38 trillion, which is one of the all-time high numbers. So, they have the means to acquire inorganic growth."

Ben Folwell, business development and licensing lead for Evaluate Pharma, says 80% of revenue at Merck, Bristol Myers Squibb (BMY), GSK (GSK) and J&J is at risk in the next five years if they don't buy or develop new drugs. AstraZeneca (AZN), Sanofi (SNY), Roche (RHHBY) and Novartis are also feeling pressure with patent expirations affecting 30% to 50% of their sales over the same period.

Last year, about $15 billion in revenue was lost due to patent expirations, said John Wu, a managing director with advisory firm Boston Consulting Group. He expects that number to triple by 2030.

"The large players that own these drugs will be looking for sources to replace that lost revenue," he told IBD. "It's a headwind for large pharma because they have to find ways to replace that revenue. And then if they're unsuccessful in the near term, they have to change their cost base to accommodate the loss of such a huge cash cow in their pipeline. But then, for biotechs, it's a good thing."

Innovation Bolsters Biotech Stocks

Innovation is where U.S. biotech really shines, says Simeon George, chief executive of venture capital firm SR One.

"Without true patient impact, new medicines that are going to transform the standard of care, we have no right to expect the market to reward us," he said in an interview.

And biotech stocks thrive on the industry's ability to innovate.

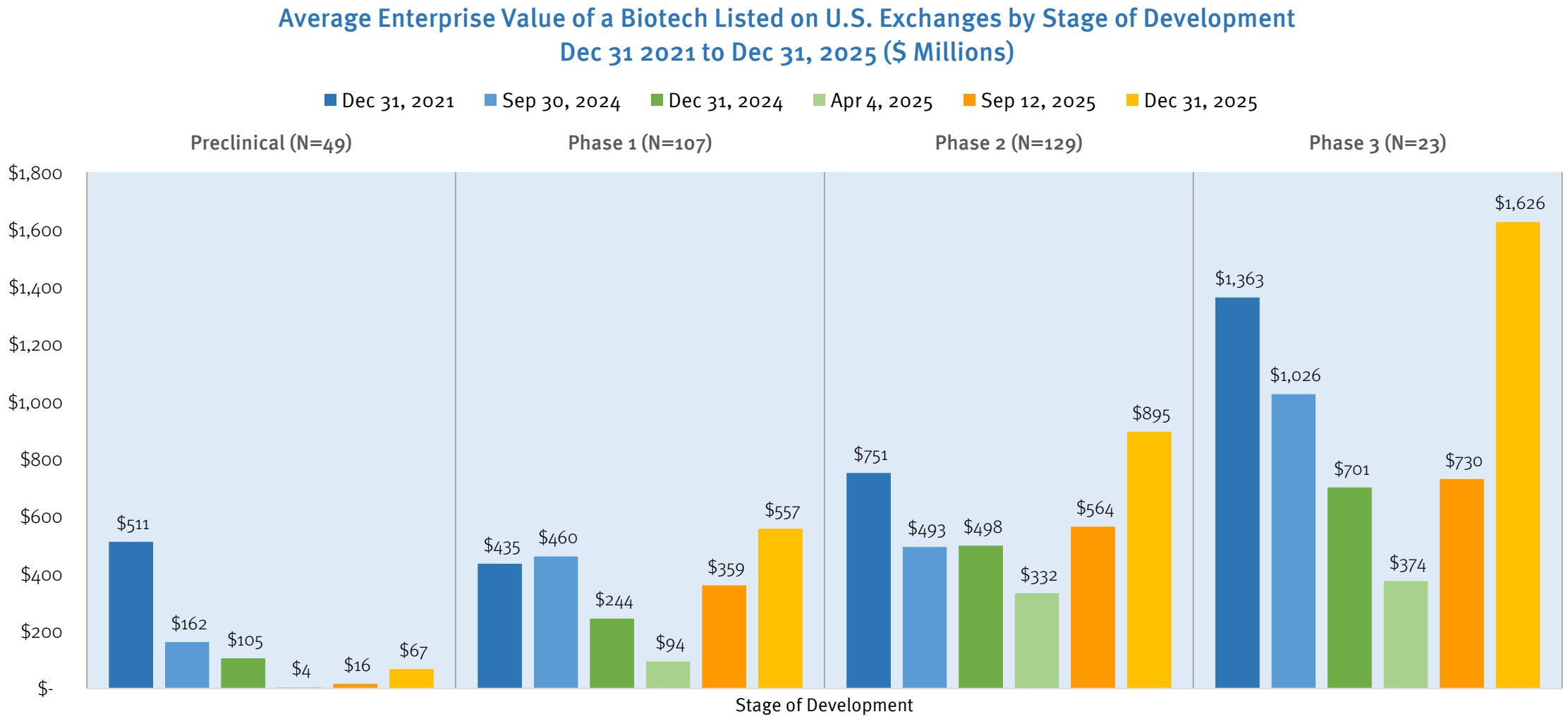
Spruce Biosciences (SPRB) shares catapulted nearly 1,400% on Oct. 6 after the Food and Drug Administration granted its experimental treatment for Sanfilippo syndrome type B a breakthrough designation. The designation will allow for a streamlined development process for the drug that could treat the rare genetic disease.

On Nov. 18, biotech stock Olema Pharmaceuticals (OLMA) catapulted 137% after Roche unveiled promising results for a breast cancer treatment similar to one that Olema is working on. Roche's drug beat out the standard treatment.

Capricor Therapeutics shot as much as 535% higher, closing with a 371% gain on Dec. 3, on positive results in Duchenne muscular dystrophy. Later, Wave Life Sciences and Structure Therapeutics skyrocketed by triple digits on updates for their fat- and weight-loss drugs.

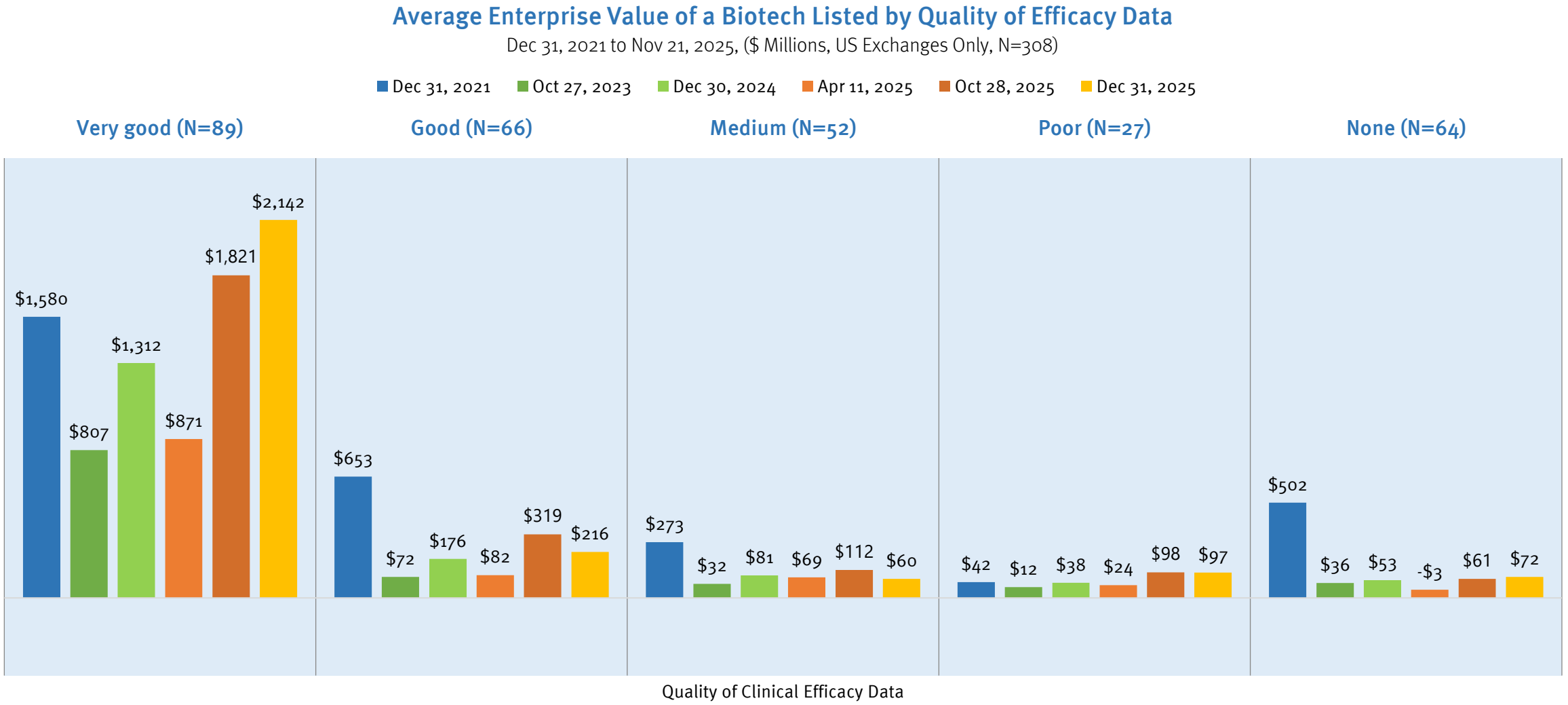
Source: https://www.investors.com/news/technology/biotech-stocks-2026-mergers-obesity-drugs/

Valuations are Back to Late 2021 Levels (or Higher) for Clinical Stage Assets…



Source: S&P CapitalIQ and Stifel Investment Banking Analysis.

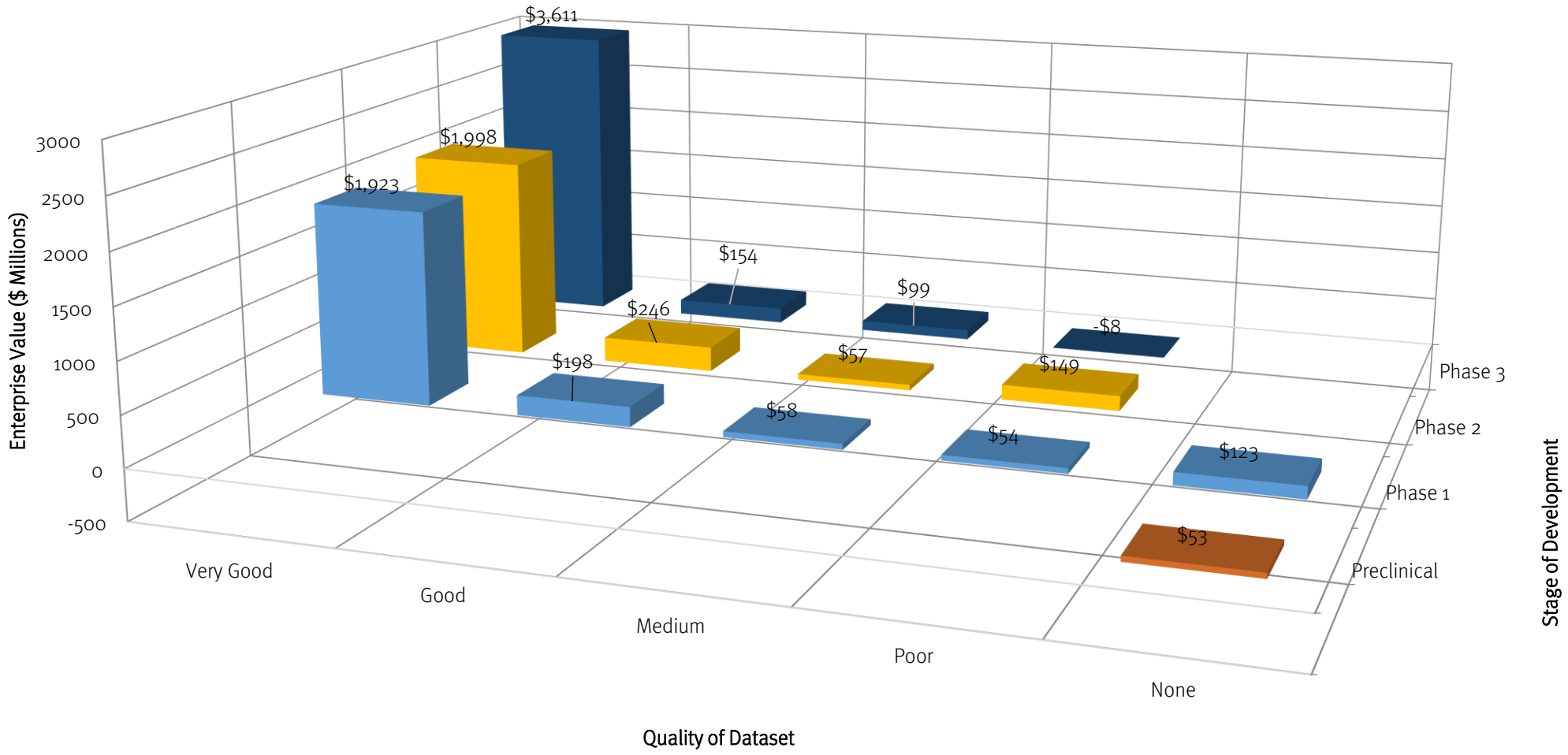
…But the Highest Valuations Are Attached Largely to Companies With Great Datasets



Source: S&P CapitalIQ and Stifel Investment Banking Analysis.

The Market's Tilt to High Quality Datasets Holds Even for Phase 1 Biotechs

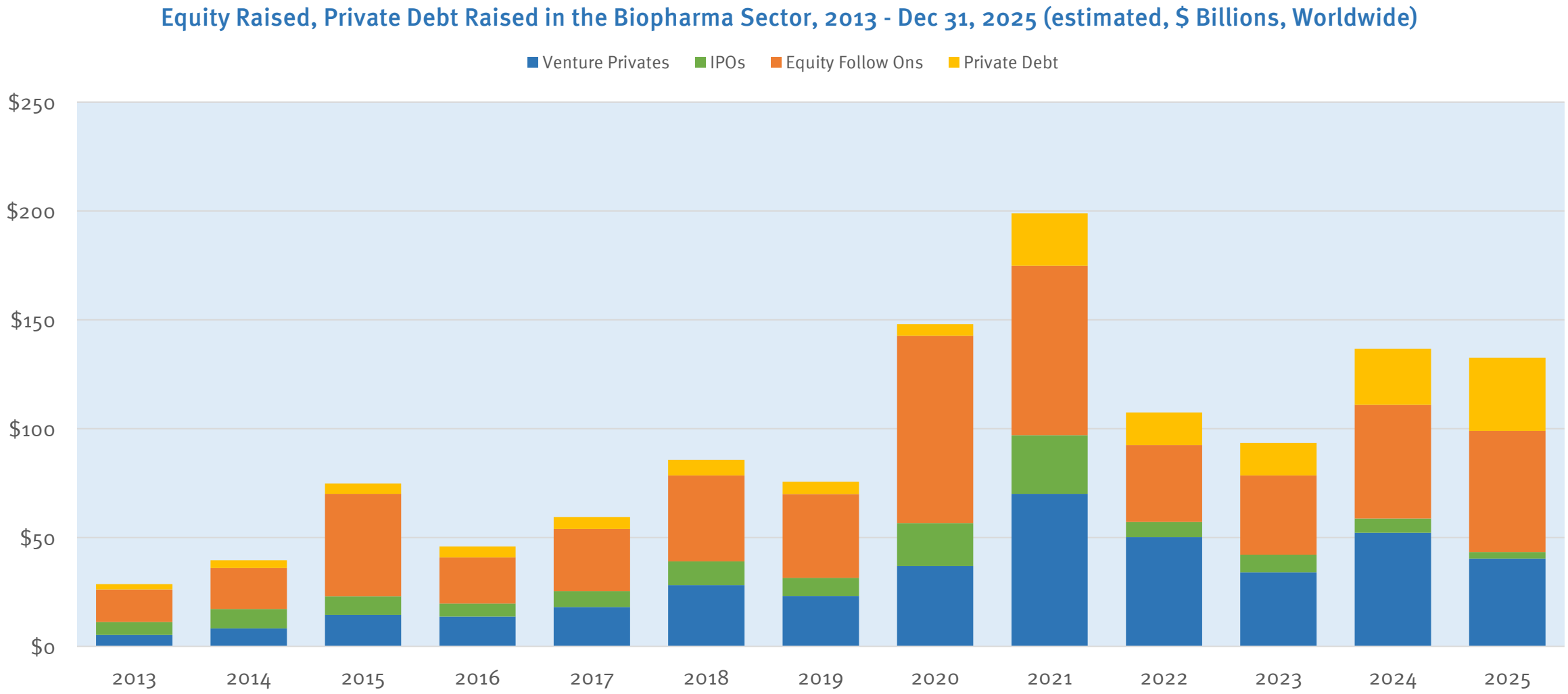
Average Enterprise Value of a Biotech Listed on U.S. Exchanges by Stage of Development and Quality of Data, Dec 31, 2025



9. Capital Markets Update

Financing Volume in 2025 Was a Bit Below 2024 Levels

Despite a very strong Q4 we ended 2025 with $133 billion in financing volume for 2025. This compares to $137 billion in 2024.



Source: S&P CapitalIQ and Stifel Investment Banking Analysis

Performance of IPO's and Follow-Ons Far Exceeded the Indices in 2025

Performance By Major Indices and Biopharma IPOs & Follow-Ons Since 2025

	Since 2025	Since 4/8/2025[1]	Offer to 1 Day	Offer to Current
DJA	13.7%	28.5%		
S&P 500	16.6%	37.6%		
NASDAQ	20.3%	52.2%		
Russell 2000	12.5%	42.5%		
XBI	34.9%	74.1%		
IPOs Since IPO (n=8)	-	220.0%	14.3%	49.3%
Follow-Ons/ PIPEs Since 2025 (n=198)	79.2%	208.5%	10.9%	44.4%
With Catalyst (n=144)	96.4%	232.5%	11.8%	43.8%
Without Catalyst (n=54)	33.2%	143.9%	8.6%	46.0%

IPOs Since 2025

Pricing Date	Company	Ticker	Issuance Amount	Pre-money Value	Step-Up	Pricing vs. Range	Price Performance (%) Offer to 1 Day	Offer to Current	Since 4/8/2025[1]
11/06/25	Evommune	EVMN	$150.0	$393.7	1.18x	Midpoint	15.1%	8.2%	NA
10/26/25	MapLight Therapeutics	MPLT	258.9	561.3	1.06x	Fixed Price	7.9%	(1.4%)	NA
09/10/25	LB Pharmaceuticals	LBRX	285.0	53.3	0.36x	Midpoint	15.3%	36.3%	NA
02/12/25	Aardvark Therapeutics	AARD	94.2	260.7	1.07x	Low End	(10.6%)	(17.6%)	80.9%
02/06/25	Sionna Therapeutics	SION	190.6	619.6	1.26x	High End	38.9%	117.8%	338.1%
01/30/25	Maze Therapeutics	MAZE	140.0	590.7	1.20x	Midpoint	(0.3%)	148.6%	425.4%
01/30/25	Metsera	MTSR	275.0	1,697.8	1.52x	$1.00 Above	47.2%	NA	
01/23/25	Ascentage Pharma	AAPG	126.4	1,370.6	NM	$3.09 Below	0.8%	52.9%	35.5%
	Mean (n=8)		**$190.0**	**$693.5**	**1.09x**		**14.3%**	**49.3%**	**220.0%**
	Median (n=8)		**$170.3**	**$576.0**	**1.18x**		**11.5%**	**36.3%**	**209.5%**

An important element of a successful capital market environment is investor outcomes on deals that price.

For capital markets health to be sustained investors need to earn returns that match or beat alternative places to put money over time.

One of the highlights of 2025 was exceptional performance on IPO's, particularly after April 8th ("Liberation Day") versus buying the XBI.

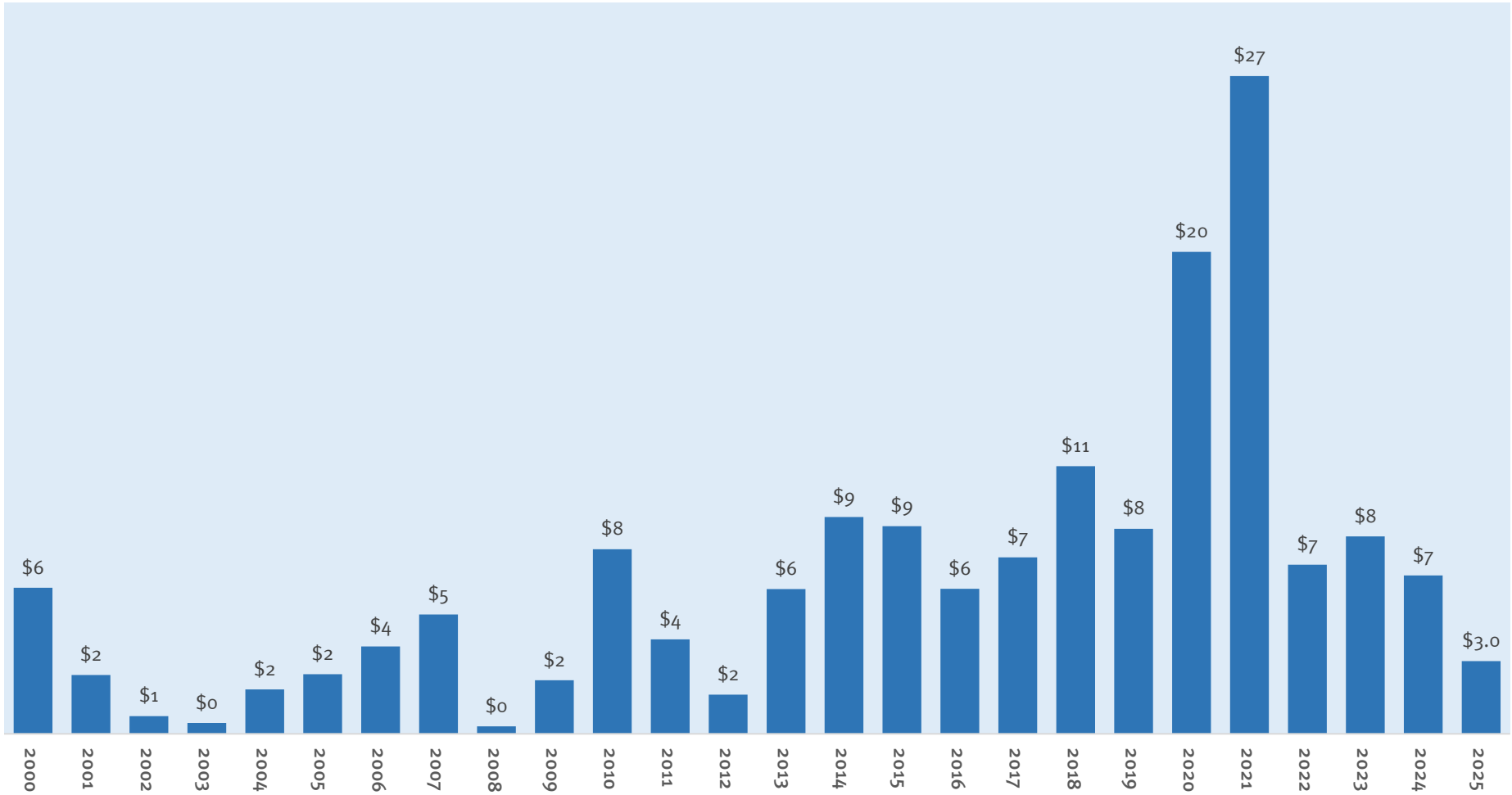
For example, IPO's and follow-on deals more than doubled coming out of April 8th whereas the XBI rose 74% in the same period running into year end.

Source: Bloomberg, Dealogic, FactSet and Stifel Capital Markets as of January 2, 2026.
Note: Includes biopharma IPOs with a base deal size ≥ $50mm and follow-ons/PIPEs with a base deal size ≥ $20mm since 2025. Excludes bought follow-ons.
(1) Return measured since April 8, 2025, the lowest point in the market since January 1, 2025.

IPO Volume in 2025 Was Quite Slow

IPO Volume in the Biopharma Sector, 2000 – 2025

($ Billions, Worldwide)



Given a very volatile year we never saw the IPO market take off in 2025.

Last year was the slowest market for biotech IPO's since 2012 – and most of what we are showing actually took place in Hong Kong.

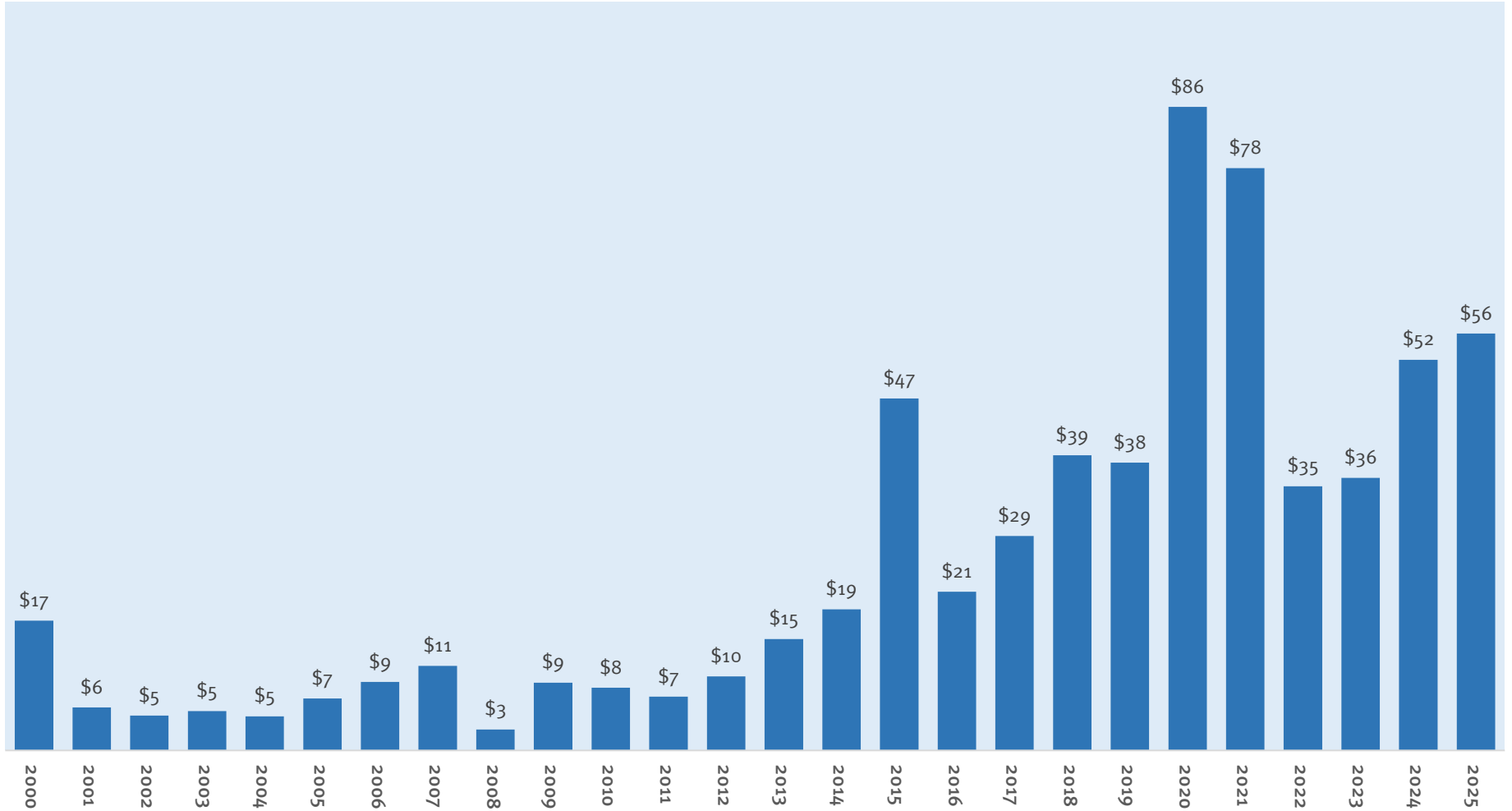
The calendar is starting to fill in with more potential offerings for 2026.

We expect 2026 to be a vastly busier year.

Equity Follow-On Volume in 2025 Was Third Highest Ever

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

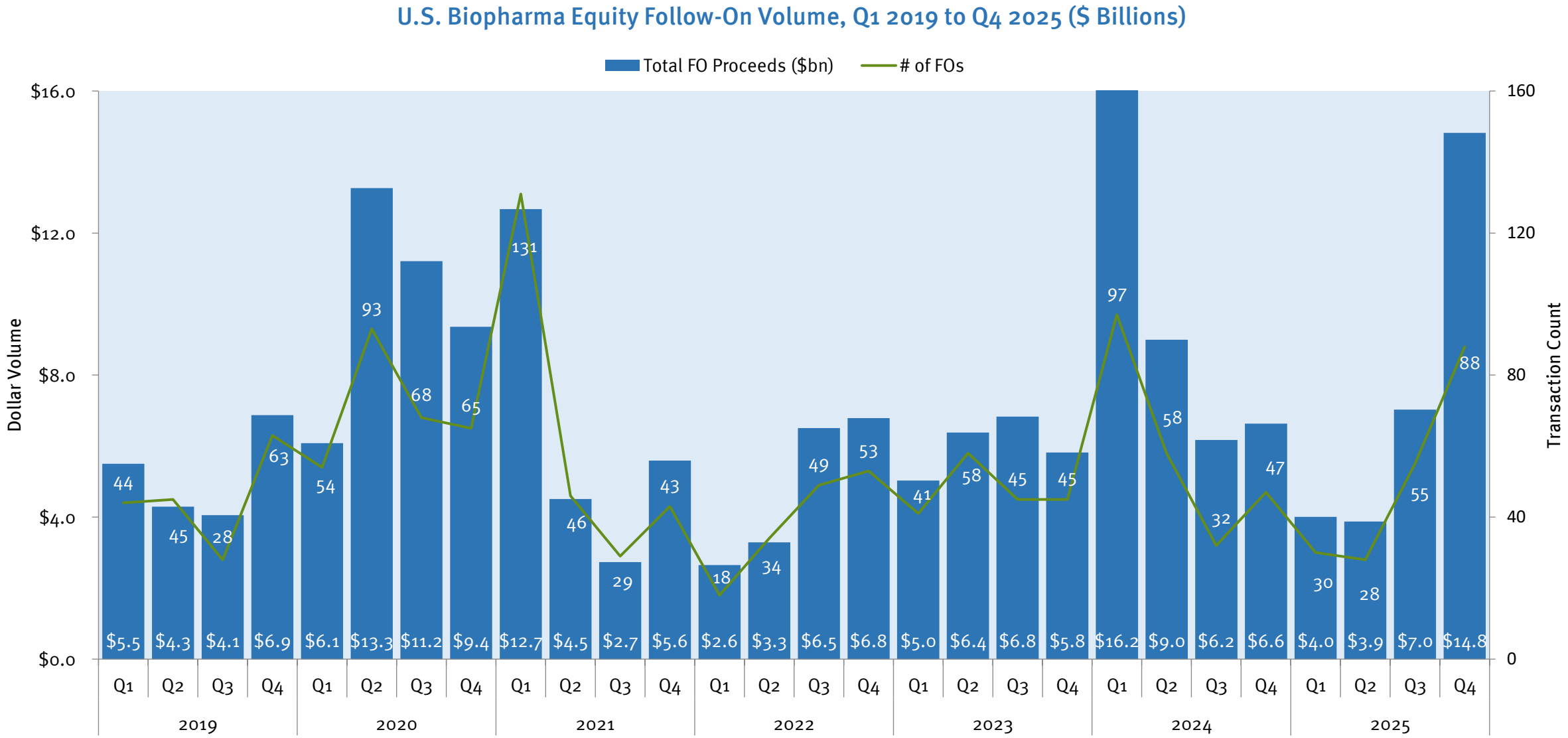
($ Billions, Worldwide)



The last quarter of 2025 was very strong and indicative of strong investor demand for high quality biotech issues.

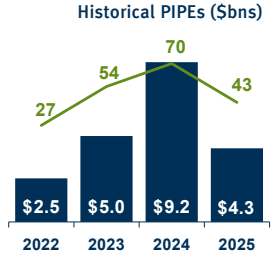
We continue to see a market that is largely open to companies that have good POC data, although we expect to see more adventurousness in who gets financed in 2026.

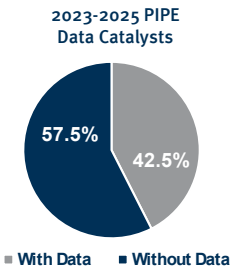
Q4 Follow-On Volume Was Quite High by Recent Standards

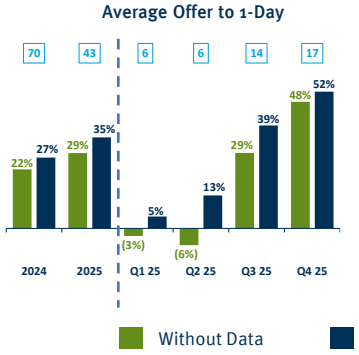


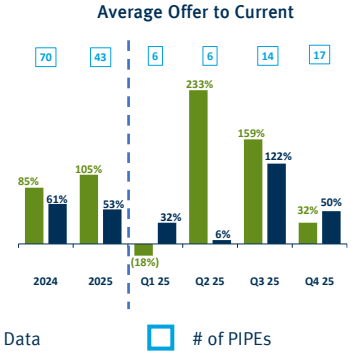
Source: Bloomberg, Dealogic, FactSet and Stifel Capital Markets as of January 2, 2026.

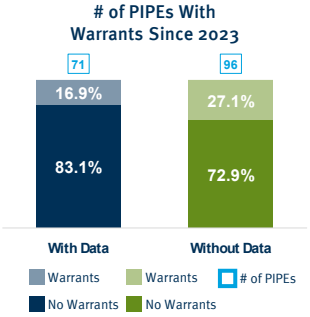
Exceptional Performance in 2025 From Biotech PIPE Deals

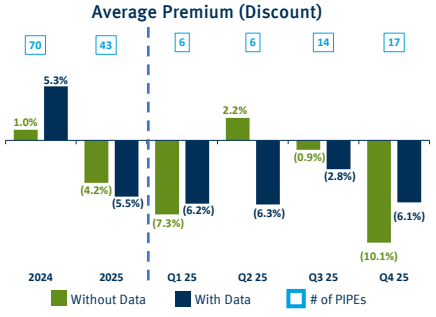












Pricing Date	Issuer	Market Cap	Deal Size	Deal Size/ Mkt Cap	Deal Prem/(Disc)	Warrant			"All-In" Discount	Deal Size/ ADTV	Aftermarket Performance			
						Coverage	Prem/(Disc)	Term (Yrs)			+1 Day	+7 Days	+30 Days	Current
12/19/25	IN8bio, Inc.	$7	$20	298.6%	0.0%	-	-	-	0.0%	258.4x	(12.3%)	44.9%		69.6%
12/18/25	Athira Pharma, Inc.(1)	39	90	230.4%	53.6%	312.6%	9.6%	5.0	(14.8%)	731.3x	5.8%	13.5%		19.2%
12/17/25	Kalaris Therapeutics, Inc.	195	50	25.7%	(4.0%)	-	-	-	(4.0%)	26.1x	4.2%	(3.4%)		(15.6%)
12/15/25	Vor Bio	885	150	16.9%	(13.6%)	-	-	-	(13.6%)	4.8x	25.0%	14.8%		21.0%
12/15/25	Jade Biosciences, Inc.	989	45	4.6%	(6.5%)	-	-	-	(6.5%)	11.9x	8.9%	21.6%		10.2%
12/04/25	Crescent Biopharma, Inc.	223	185	82.8%	0.0%	-	-	-	0.0%	236.3x	(3.1%)	8.1%		(11.6%)
12/02/25	Kazia Therapeutics Limited	15	50	327.1%	(45.4%)	-	-	-	(45.4%)	5.6x	101.2%	214.4%		37.8%
11/24/25	Verrica Pharmaceuticals Inc	40	50	125.3%	0.7%	25.0%	48.9%	5.0	(6.1%)	120.9x	11.3%	114.6%	96.4%	95.9%
11/12/25	NextCure Inc	23	22	94.2%	0.0%	-	-	-	0.0%	32.6x	9.0%	17.4%	30.8%	66.5%
10/22/25	Summit Therapeutics Inc.	13,951	500	3.6%	0.0%	-	-	-	0.0%	6.9x	2.2%	2.6%	(13.6%)	(6.7%)
10/21/25	Minerva Neurosciences, Inc.	20	80	397.3%	(20.7%)	150.0%	-	4.0	(53.0%)	60.1x	203.8%	114.7%	105.7%	90.5%
10/20/25	Alto Neuroscience, Inc.	165	50	30.4%	(2.7%)	-	-	-	(2.7%)	2.8x	86.0%	86.0%	162.8%	201.0%
10/17/25	Rani Therapeutics Holdings, Inc.	34	60	177.3%	1.9%	100.0%	-	5.0	(28.0%)	389.6x	241.7%	335.4%	291.7%	181.3%
10/13/25	ADC Therapeutics SA	567	60	10.6%	(10.1%)	-	-	-	(10.1%)	14.1x	16.0%	2.6%	1.9%	(11.2%)
10/08/25	Spruce Biosciences, Inc.	103	50	48.6%	(62.8%)	-	-	-	(62.8%)	0.6x	135.4%	160.2%	86.8%	28.1%
10/07/25	Jade Biosciences, Inc.	481	135	28.1%	0.0%	-	-	-	0.0%	231.0x	(1.1%)	(0.5%)	(2.1%)	68.8%
10/03/25	Ovid Therapeutics Inc.	117	81	69.3%	(14.6%)	116.7%	-	5.0	(45.2%)	28.7x	31.4%	24.3%	(0.7%)	16.4%
09/17/25	Oruka Therapeutics, Inc.	650	180	27.7%	0.7%	-	-	-	0.7%	86.8x	8.1%	3.7%	83.2%	102.1%
09/11/25	Maze Therapeutics, Inc.	702	150	21.4%	1.4%	-	-	-	1.4%	27.1x	52.6%	44.6%	68.8%	155.0%
09/10/25	Camp4 Therapeutics Corporation	40	50	124.8%	(23.1%)	-	-	-	(23.1%)	269.6x	82.3%	81.0%	142.5%	300.6%
09/08/25	Belite Bio, Inc	2,158	125	5.8%	(2.6%)	100.0%	20.0%	2.0	(18.7%)	43.2x	5.5%	8.6%	22.0%	149.9%
09/02/25	vTv Therapeutics Inc.	111	80	71.9%	(1.7%)	100.0%	48.9%	5.0	(24.6%)	4624.8x	20.6%	23.0%	51.6%	162.1%
08/25/25	OmniAb, Inc.	227	30	13.1%	(24.3%)	-	-	-	(24.3%)	43.7x	16.4%	14.3%	12.9%	32.1%
08/21/25	Immuneering Corporation	$125	$25	20.1%	15.2%	45.0%	39.2%	5.0	2.6%	16.7x	17.2%	31.4%	134.4%	66.6%
08/12/25	X4 Pharmaceuticals	18	85	479.6%	0.0%	-	-	-	0.0%	33.9x	81.7%	75.4%	132.4%	181.7%
08/11/25	Equillium, Inc.(2)	18	30	169.6%	15.1%	-	-	-	15.1%	7.0x	55.4%	100.0%	222.8%	171.9%
08/05/25	Shattuck Labs, Inc.(3)	38	46	120.6%	16.8%	100.0%	25.0%	1.0	13.8%	265.8x	14.1%	(14.8%)	74.0%	320.7%
07/25/25	Lyell Immunopharma, Inc.	154	50	32.5%	28.0%	-	-	-	28.0%	35.2x	(6.8%)	(11.3%)	(19.2%)	131.1%
07/21/25	DiaMedica Therapeutics Inc.	179	30	16.8%	(16.3%)	-	-	-	(16.3%)	21.0x	29.7%	44.3%	71.4%	127.4%
07/21/25	SAB Biotherapeutics, Inc	24	175	732.8%	(31.9%)	150.0%	8.3%	5.0	(62.0%)	2765.3x	54.3%	45.7%	14.9%	113.7%
07/01/25	ATAI Life Sciences N.V.	439	50	11.4%	0.0%	-	-	-	0.0%	8.6x	23.7%	25.6%	87.2%	86.8%
06/12/25	ADC Therapeutics SA	350	100	28.5%	(1.5%)	-	-	-	(1.5%)	31.6x	5.6%	(12.8%)	(9.4%)	1.6%
06/04/25	Alvotech S.A.	3,269	78	2.4%	(3.7%)	-	-	-	(3.7%)	25.2x	0.7%	(0.5%)	(11.9%)	(50.8%)
05/28/25	ORIC Pharmaceuticals, Inc.	424	125	29.5%	8.9%	-	-	-	8.9%	24.7x	22.6%	29.2%	58.6%	25.8%
05/27/25	Lexeo Therapeutics, Inc	94	80	85.5%	2.2%	50.0%	(2.2%)	4.0	(14.1%)	30.1x	(6.3%)	(5.6%)	45.0%	244.5%
04/30/25	TriSalus Life Sciences, Inc.	185	22	11.9%	(30.1%)	-	-	-	(30.1%)	140.3x	28.3%	28.5%	25.0%	74.5%
04/25/25	Verastem, Inc.	430	75	17.4%	(6.7%)	-	-	-	(6.7%)	11.0x	7.1%	6.1%	18.7%	10.3%
03/24/25	Surrozen, Inc.	40	70	173.0%	(6.8%)	50.0%	(0.5%)	5.0	(23.9%)	847.9x	3.4%	(5.1%)	(13.1%)	94.8%
03/05/25	Tenax Therapeutics, Inc.	213	25	11.7%	0.0%	-	-	-	0.0%	82.1x	3.1%	2.5%	(4.0%)	101.8%
02/12/25	Aligos Therapeutics, Inc.	170	105	61.7%	0.2%	50.0%	(0.2%)	7.0	(20.0%)	15.1x	(19.4%)	(12.6%)	(56.1%)	(64.3%)
02/03/25	Tectonic Therapeutic, Inc.	799	185	23.2%	(7.6%)	-	-	-	(7.6%)	7.7x	1.2%	(27.1%)	(52.1%)	(58.3%)
01/13/25	Mesoblast Limited	1,962	160	8.2%	(10.4%)	-	-	-	(10.4%)	13.3x	10.3%	12.4%	20.5%	17.2%
01/13/25	Immunovant, Inc.	3,447	450	13.1%	(14.8%)	-	-	-	(14.8%)	23.5x	13.8%	19.3%	(3.9%)	27.1%
2025YTD PIPE Summary Statistics:														
Mean		$793	$99	99.6%	(5.1%)	103.8%	15.2%	4.5	(12.2%)	271.2x	32.3%	39.0%	52.1%	78.8%
Median		$179	$75	29.5%	(1.7%)	100.0%	8.3%	5.0	(6.7%)	30.1x	13.8%	17.4%	27.9%	68.8%

Source: FactSet and Dealogic as of January 2, 2026.

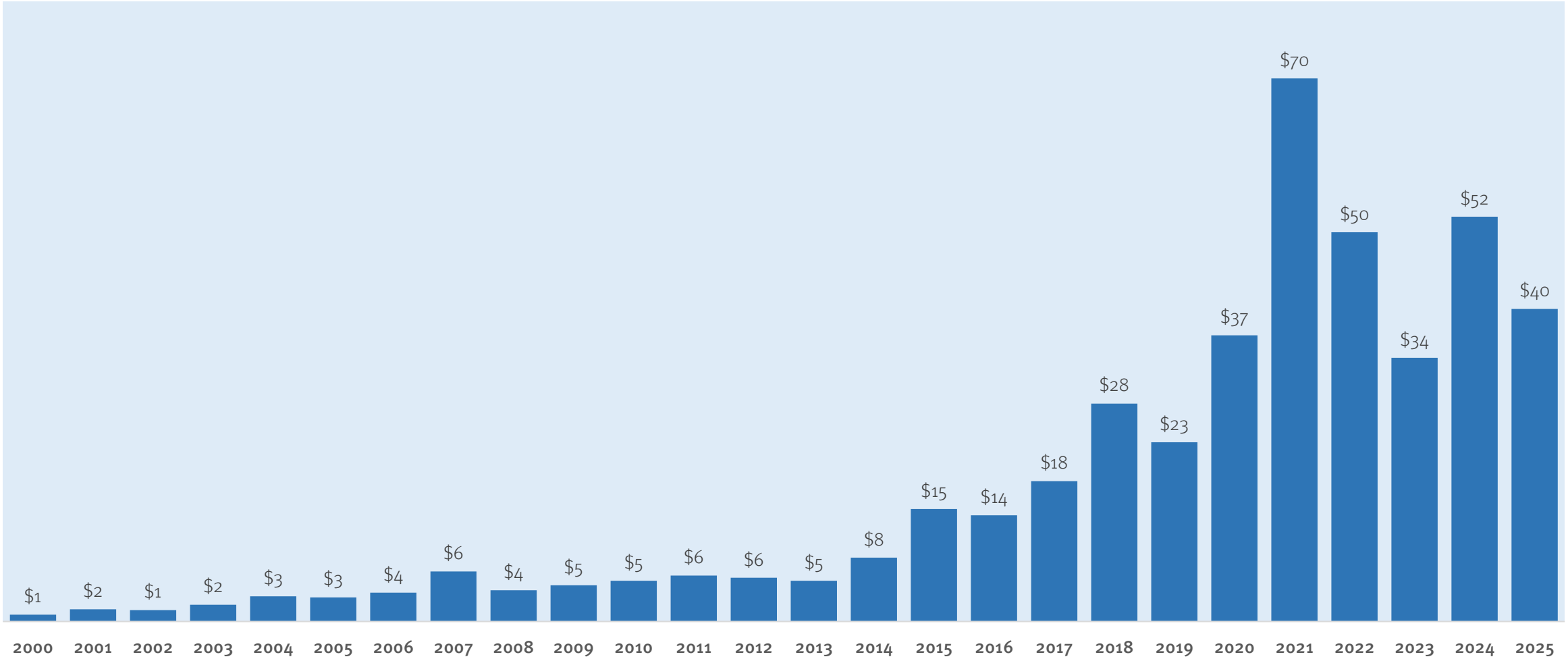
Note: Includes biopharma PIPEs with a base deal size ≥ $20mm. Excludes strategic investments, de-SPAC PIPEs, reverse merger PIPEs and PIPEs completed concurrently with a registered follow-on.

(1) Checkmark denotes PIPE announced concurrently or within two weeks of event / data release.

(2) Deal size greater than 20% of market cap and priced at discount; in compliance with Nasdaq 20% rule via shareholder approval or pricing off trailing 5-day average close, respectively.

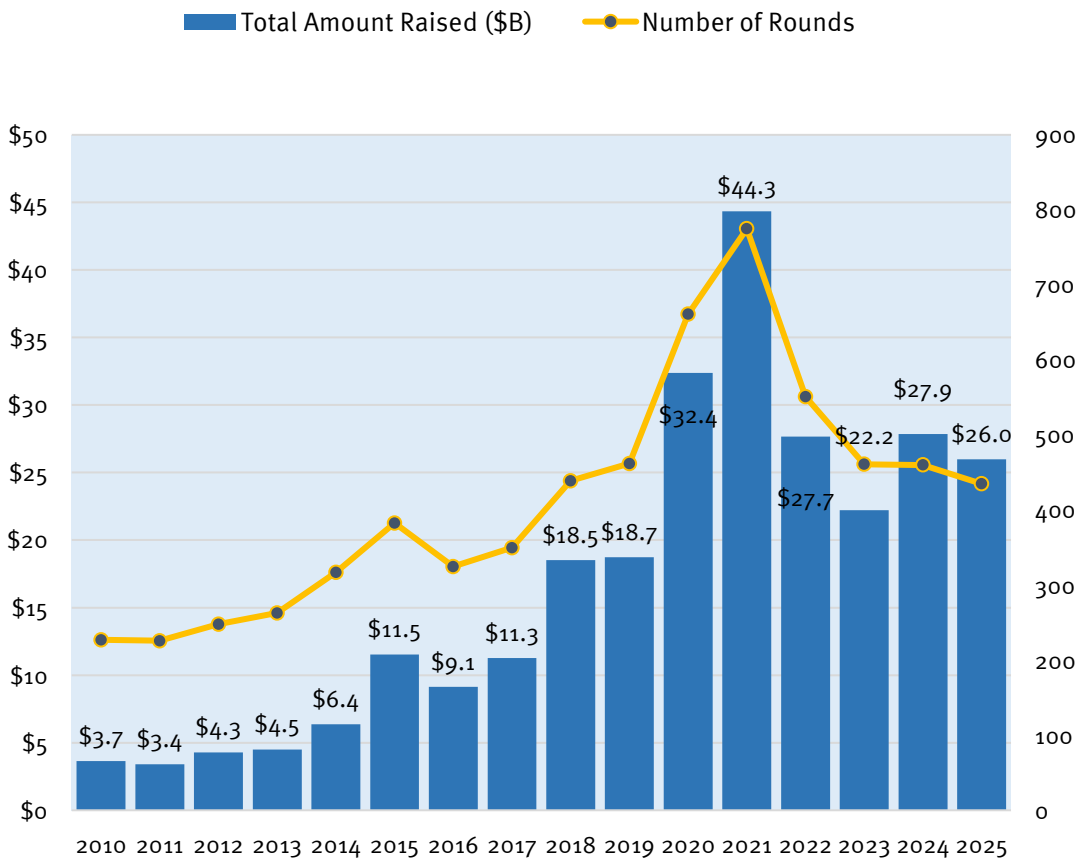
Venture Privates Volume in 2025 Was Weaker than 2024

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



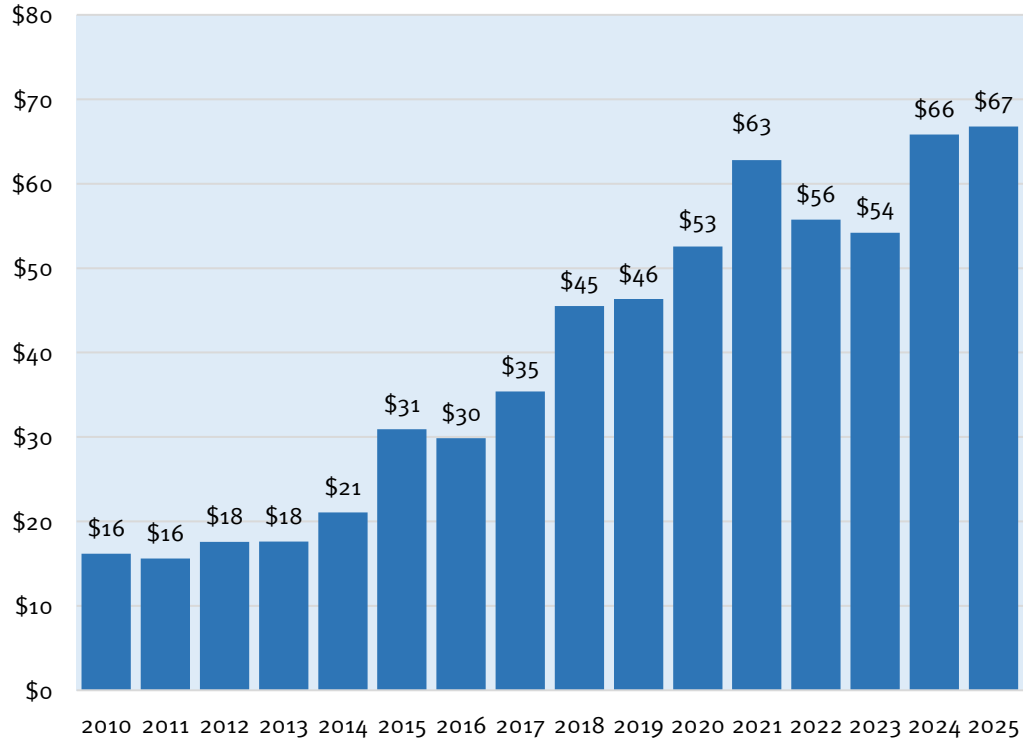
Venture Deal Volume Down/Flattish in 2025 But Average Venture Deal Size Hit a Record

Dollar Volume of Biotech Venture Deals, 2010 to 2025



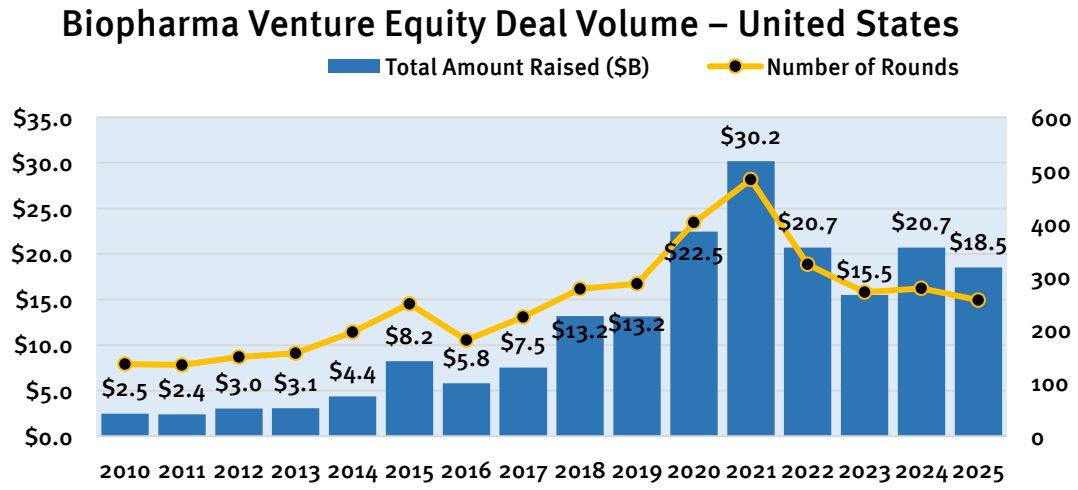
Biotech Venture Deals Average Deal Size, 2010 to 2025

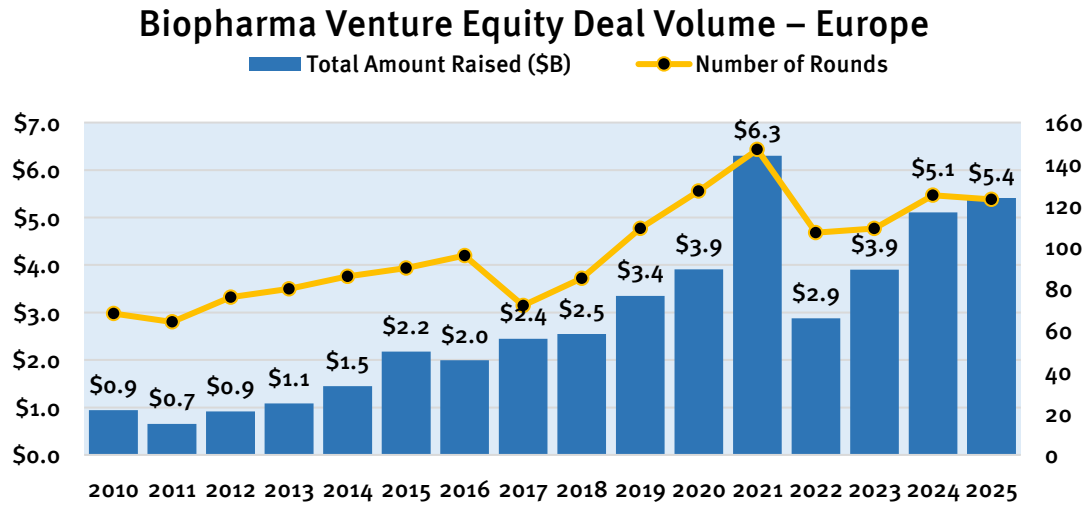
($ millions)

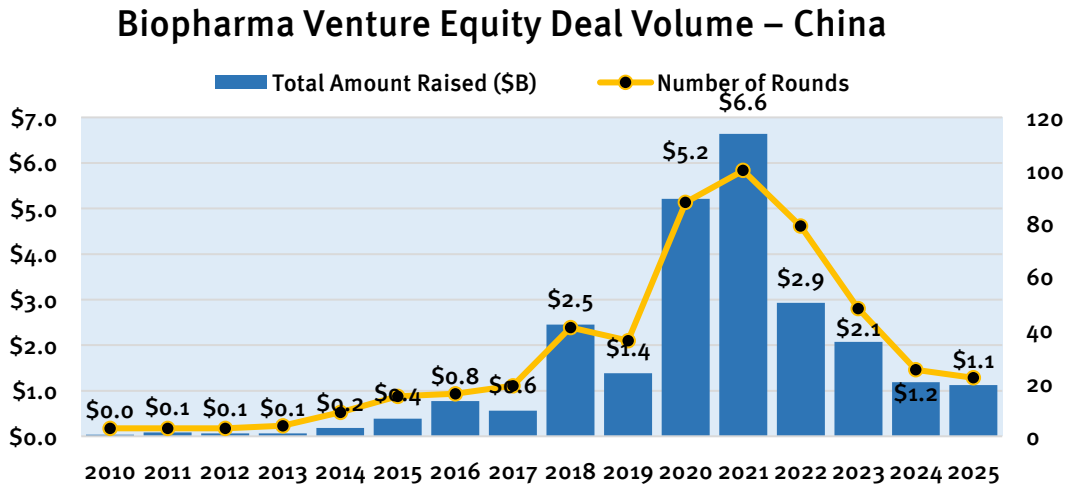


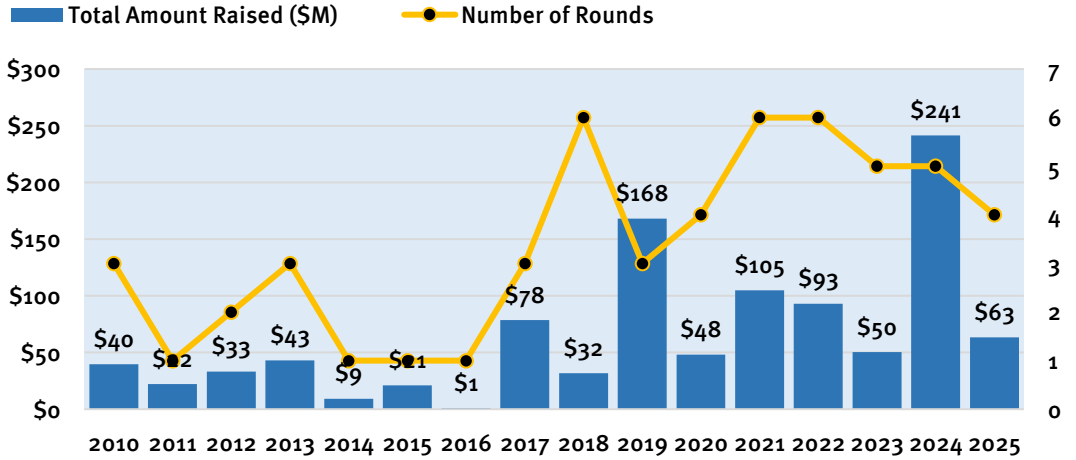
Source: DealForma Database

Venture Deal Volume Up in Europe, Down Slightly in the U.S.







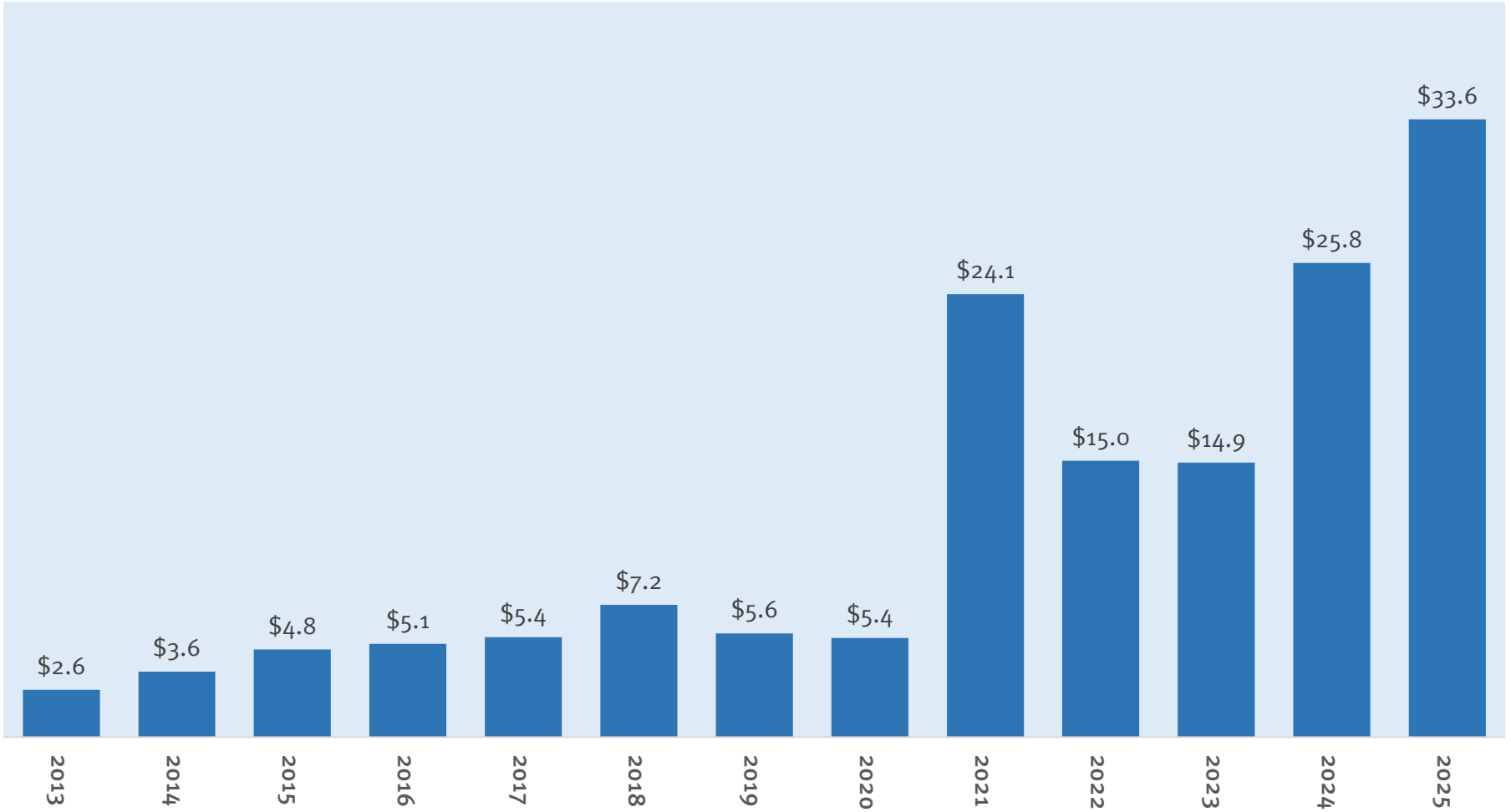


Source: DealForma Database

Private Debt Market Volume Hit an All-Time Record in 2025

Private Debt Market Volume in Life Sciences, 2013 - 2025 (annualized)

($ Billions, Worldwide)



A tough market for equities made the debt markets relatively attractive in 2025.

We saw record volume run through this market on both large and small deal sizes.

The venture debt market was wide open – quite different than, say, after the SVB collapse.

Low credit spreads were another major positive in this market.

How Big is the China Threat to Western Biotech?

McKinsey / Financial Times Article: China is Gaining Big Share in Bioinnovation

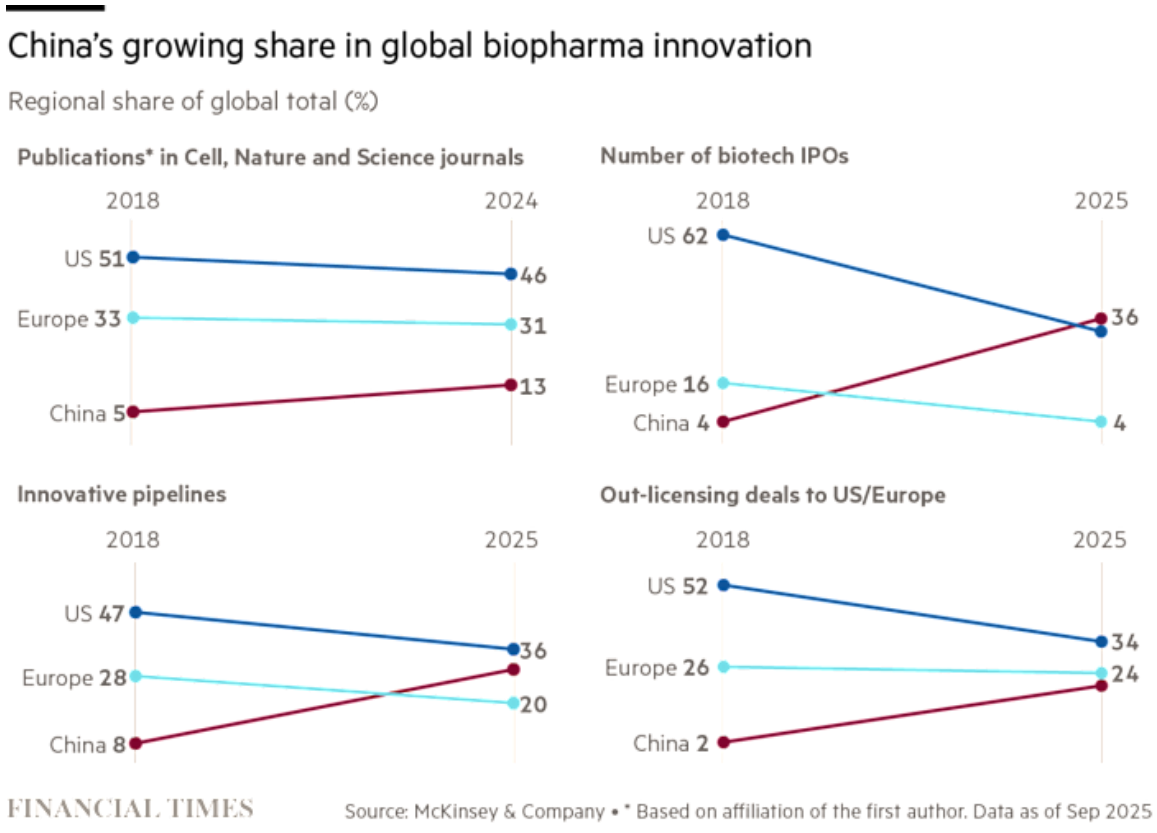
Eleanor Olcott, *Financial Times*, Dec 2, 2025 (excerpt)

China's biopharma industry is riding high. A flurry of dealmaking has brought foreign drugmakers to China in search of promising molecules to replenish thinning pipelines. In June, for example, AstraZeneca signed a deal with Chinese biotech CSPC Pharmaceuticals for up to $5.2bn.Only five years ago, the sector was derided as a laggard for its failure to produce an effective Covid-19 vaccine. Today, western pharmaceutical executives and investors warn privately that their companies risk losing the lead in drug innovation to China.

At the heart of China's biopharma rise are speed and efficiency — factors that are making drug development not only faster but significantly cheaper. The nation's advantage stems from a vast, highly skilled workforce: from lab researchers and equipment manufacturers to the labourers bolting BiBo's new production line into place.

While some of this talent has been trained overseas at US universities and at large pharma groups, the bulk of the workforce is homegrown engineers.

A McKinsey report lays out China's time-and-cost advantage at every stage of drug development. The consultancy estimates that Chinese drugmakers can move two to three times faster than the global average in advancing a target molecule into a drug candidate and into early clinical trials.

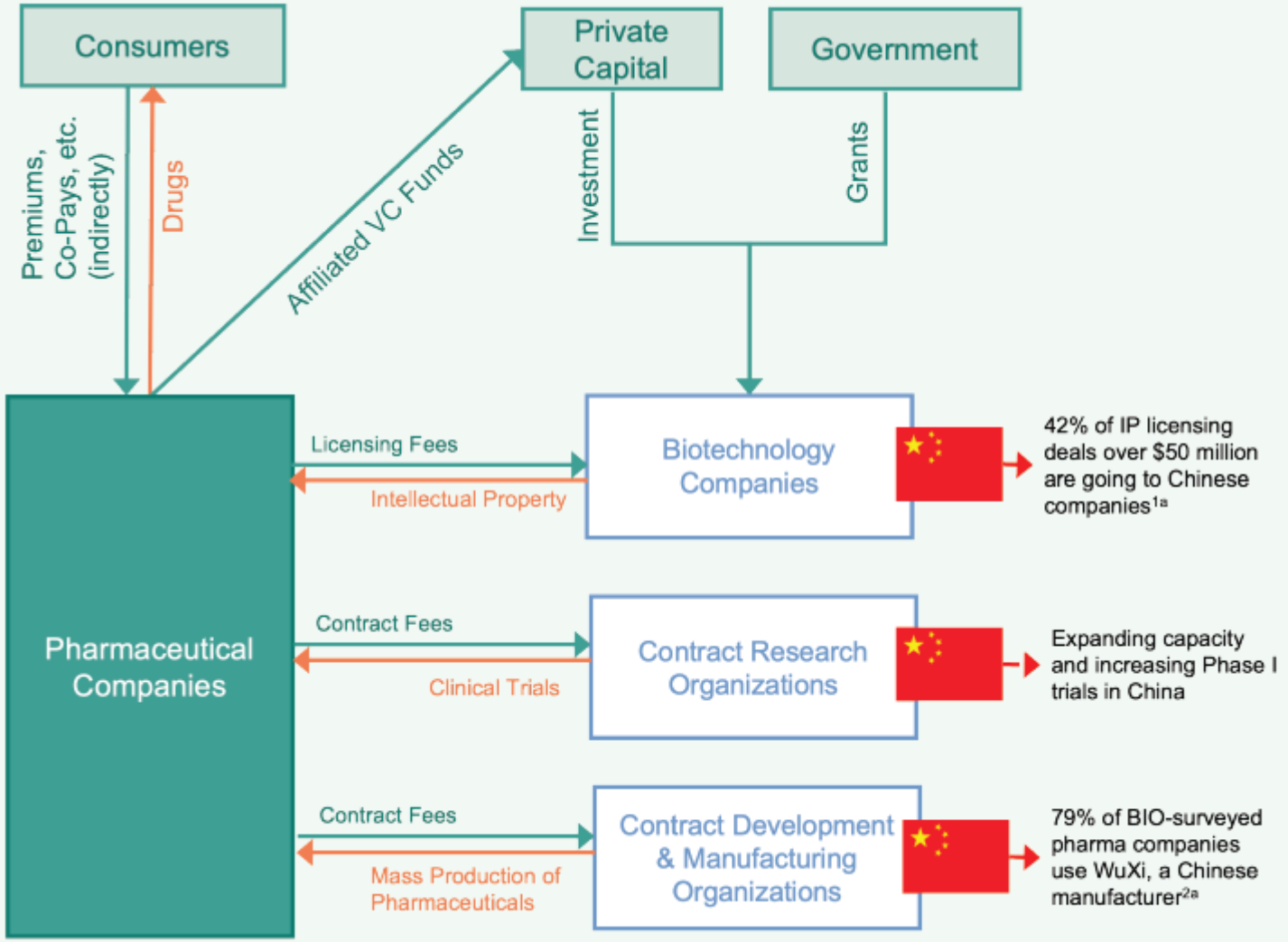


Source: https://www.ft.com/content/3bfe96d3-593c-498a-9da4-0c1ed359ff74

China is Demonstrating that it Can Out-Innovate the U.S. in Biopharma

National Security Commission on Emerging Biotechnology Report (Dec 2025)

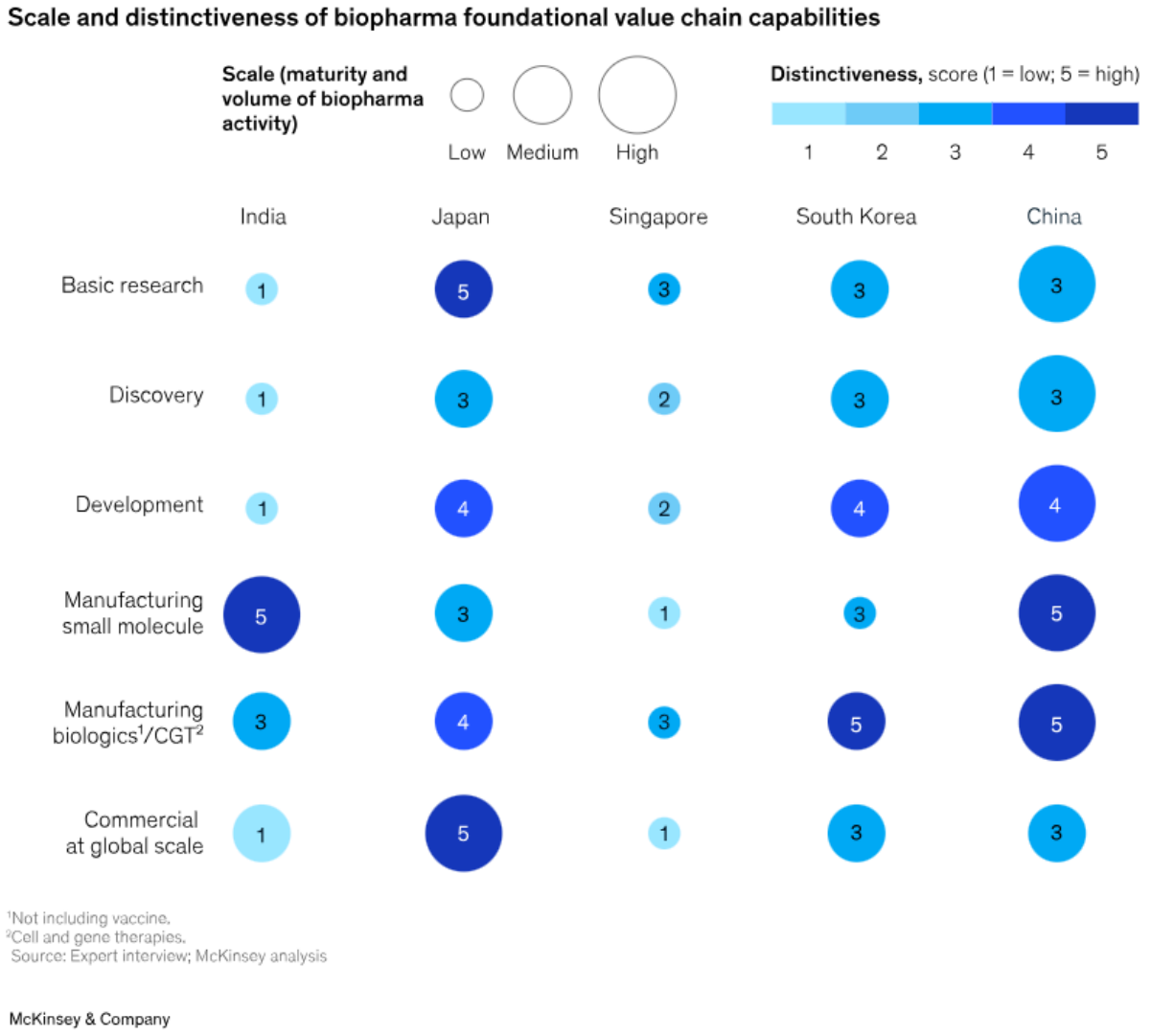
Building on a pre-existing advantage in biomanufacturing, Chinese firms are moving up the value chain in biopharmaceutical drug development, as evidenced by increasing clinical trial capacity and IP generation for multinational firms.



Source: https://www.biotech.senate.gov/wp-content/uploads/2025/12/NSCEB-Future-of-U.S.-China-Biotech-Competition-Dec-2025.pdf

McKinsey (January 2026): Relative to Asian Competition China Has Big Scale

Our first exhibit focuses on foundational capabilities across the value chain—from basic research and discovery through development, manufacturing, and commercialization. Across the value chain, Asia's markets bring differentiated and complementary strengths. China and South Korea show scaled capabilities in discovery, development, and advanced biologics manufacturing, supported by dense Contract Research Organization (CRO)/ Contract Development & Manufacturing Organization (CDMO) ecosystems and fast clinical execution. Japan anchors the region in basic science, translational research, and global commercialization, while Singapore contributes focused excellence in early-stage innovation and platform development. India continues to lead in cost-efficient manufacturing and is gradually expanding its innovation footprint. The overall picture is a distributed capability system with each market offering distinct advantages that companies can combine depending on modality, therapeutic area, and development needs.



Source: https://www.mckinsey.com/industries/life-sciences/our-insights/the-emerging-epicenter-asias-role-in-biopharmas-future#/

McKinsey (January 2026): China Stacks Up Well in Asia

The other (Exhibit 3) looks outward at the key enablers that shape the broader ecosystem, including government policy, regulatory integration, access to capital, talent, culture, and digital infrastructure. The region's innovation potential is reinforced by varying levels of ecosystem readiness. China benefits from sustained government investment, greater regulatory alignment with global standards, a large and increasingly skilled talent base, and advanced digital and data infrastructure. Japan brings mature regulatory processes and high-quality scientific talent, while South Korea and Singapore pair targeted policy incentives with strengthening clinical and digital capabilities. India offers significant talent scale and rapid digital adoption, supported by recent policy efforts to stimulate R&D. These differences reflect a diverse set of innovation enablers across the region, underscoring that Asia's advantage lies in multiple markets reaching readiness through distinct pathways rather than a uniform model.

Innovation readiness is assessed by five enablers, from government to support to digital adoption.

Enablers and foundational capabilities — Readiness to drive innovation: Low, Medium, High

	India	Japan	Singapore	South Korea	China
Government support	National innovation-promoting schemes since 2023	National fund, VC[1]-promoting policy	National fund, statutory bodies to lead R&D and incubation	Government-initiated fund, biopharma manufacturing as strategic sector	Strong mandate with holistic support
Regulatory integration	To further integrate to global standard	Global-standard, strengthening in regenerative medicine	Global-standard, diverse patient population and access to Southeast Asia	Integrating to global standard	100% ICH[2] guidelines implemented in 2023
Capital funding	Limited private/public funding activities	Limited PE[3]/VC activities, unattractive exit options	Limited PE/VC despite growing interest, stagnant public market	Viable public market (KOSDAQ) yet limited PE/VC	Active PE/VC, viable public market (HKEX,[4] STAR[5])
Talent and culture	Scaled talent pool (especially IT) yet limited entrepreneurship	Prominent talents in basic research yet lacking entrepreneurship	Top-notch but limited talents, lacking clinical expertise	Overseas talent, high entrepreneurship	Scaled talent pool with high entrepreneurship
Digital and tech enablement	Highly developed data industry, world's largest open API[6]	AI-empowered clinical trial design and analysis	Emerging national data sharing platform "TRUST"	Rising digital-based healthcare solutions (eg, AI-enabled diagnostics)	Significant investment and global collaboration in AIDD[7]

Source: https://www.mckinsey.com/industries/life-sciences/our-insights/the-emerging-epicenter-asias-role-in-biopharmas-future#/

China Continued to Gain Share in Licensing Deals with Large Pharma in 2025

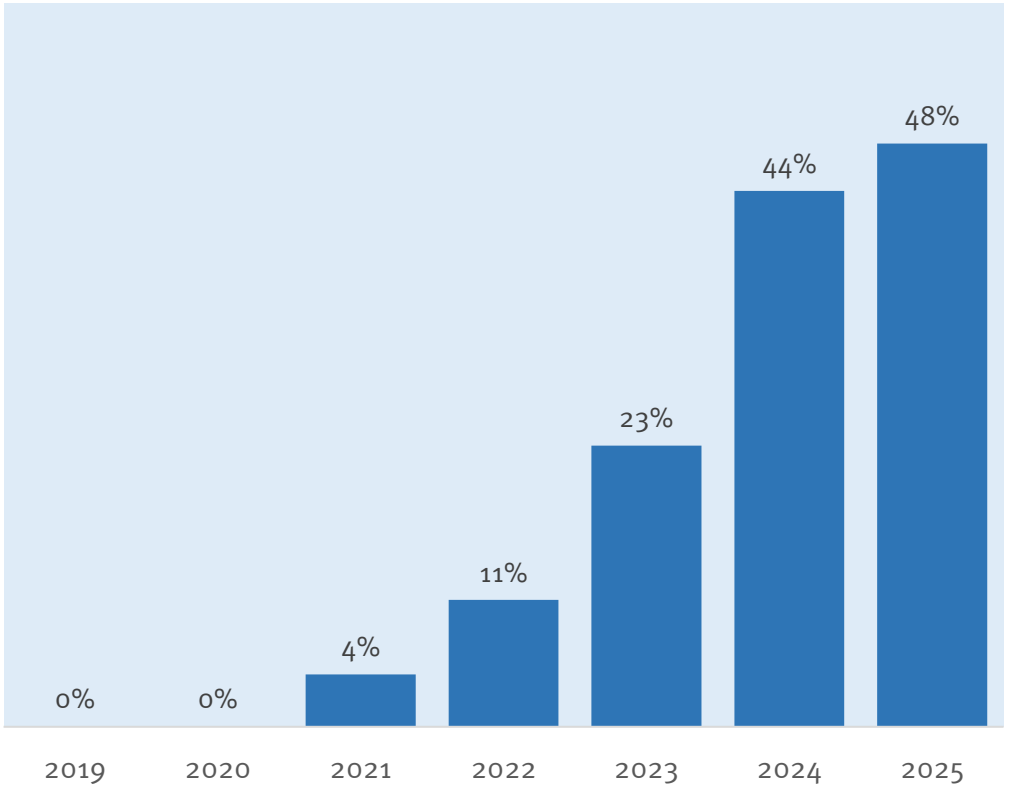
Our casual impression throughout 2025 was that China was not likely to grow its market share of large pharma licensing deals. However, there was a flurry of China / Big Pharma deal activity in December. Looking at the statistics at right (based on DealForma tracking), nearly half of all big pharma licensing deals in 2025 were with Chinese counterparties. In a sense this would suggest that China biotech is a threat to Western competitors.

But data elsewhere in this report tell a different story. Total upfront payments made by big pharma on licensing deals last year were $10 billion. Compare this to roughly nine times as much spent on M&A. There were *no* M&A takeouts by big pharma in China (it's actually very difficult to do such a deal once a Chinese company goes public).

So, it's all a matter of perspective. The liquidity events that really matter to Western investors (M&A deals) are not threatened at all by China (at least yet). We are thus of the view that China biotech is not an existential threat to Western Biotech at all.

Further, China is an opportunity for Western biotech insofar as Chinese outsourcing partners (e.g., for chemistry work, production work) are available to them just as readily as they are available to Chinese biotech. The main lesson from China is that it is possible to be lot more efficient in this industry than many have previously thought.

Percent of Large Pharma Licensing Deals of $50 Million or More Upfront Done with Chinese Counterparties, 2019 to 2025



Source: DealForma

Our View: Chinese Competition is a Long-Term Issue for the Pharmaceutical Industry

Even though we don't see Chinese competition as a near-term existential threat for Western biotech at all, we do think there are longer term considerations for the pharmaceutical industry.

The first consideration is the clear commitment of the China government to support their industry. We learned in our October 2025 trip that the government is dropping many billions a year of direct support into the Chinese biotech VC ecosystem – which is fueling the spectacular rise of good pipeline in China.

We also heard that this is not going to stop anytime soon. Further, the China government is interested in having a highly competitive biopharma industry. This is not derived in any sense from a desire to hurt Western pharma companies but rather to defend Chinese interests. It was not so long ago that China was unable to get access to Covid vaccine technology from Moderna and BioNTech. BioNTech signed a deal with Fosun Pharma but due to cost factors and availability constraints the vaccine never got to China. Moderna couldn't agree with China on how manage IP access (BTW, we side with Moderna on this one). The lack of access to good Covid vaccines ended up shaking the Chinese government to its core and you might recall that protests started to break out because everyone was told not to leave their homes. A weak biotech sector proved to be very costly to Chinese Communist Party.

It was right after this experience that the Chinese government began to pour billions into their domestic biopharma sector.

Understandable.

The attitude was "never again will we find ourselves at the mercy of Western pharmaceutical companies on something so important as biotechnology".

The Western pharmaceutical industry has just been through a hair-raising year of conversations over tariffs, nationalist agendas and most-favored nation pricing when a competitive country is pouring capital onto the same sector.

Our concern is an obvious one: if China keeps up its level of investment we could wake up and see the prospect of superiority in certain areas of biotechnology. There is nothing preventing this from happening in principle.

We quite like the article from Brian Finrow in *Stat+* last week that argued that the West needs to counter China with its own type of increased intensity. This would involve making more data available to enhance the industry's collective memory and for lowering the costs/barriers to running clinical trials.

Stifel Healthcare Investment Banking Capabilities

STIFEL | Investment Banking

Track Record of Success

- Founded in 1890; publicly listed since 1983
- $13.1 billion market capitalization(1)
- $5.3 billion in LTM net revenue, representing 12% growth over prior year(2)
- Premier growth focused investment bank
- Extensive retail brokerage in U.S. and global wealth management with $544 billion in total client assets and 2,300+ financial advisors
- Stifel Bank & Trust with ~$31 billion in assets(3)
- 2023 U.S. Mid-Market Equity House of the Year(4)
- 2022 Investment Bank of the Year – Americas(5)

(1) As of December 31, 2025 from FactSet.
(2) As per Stifel's earnings release on October 22, 2025.
(3) As of December 31, 2024.
(4) 2023 International Financing Review as of February 2, 2024.
(5) Global M&A Network as of February 6, 2023.

Full Service Global Investment Bank

- U.S. headquartered with strong pan-European presence and Asian / LatAm reach from 30 offices around the globe
- Full range of products / services dedicated to growth companies across the entire corporate lifecycle from venture to public markets
- Deep industry expertise across all primary industry verticals
- Over 750 investment banking professionals
- Substantial cross-border execution capabilities with extensive access to both international and local capital
- Research driven with more than 1,800 stocks under coverage by 110+ analysts globally
- Recently acquired Bryan Garnier to substantially expand presence in Europe

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Recent Financing Transactions in Biopharma

Deep Team Covering 6 HC Industry Verticals

Biopharma | Medtech | Life Science Tools & Diagnostics | Healthcare Services | Pharma Services | Tech-Enabled Services

115+ Healthcare dedicated Investment bankers, covering key global locations across North America, Europe and Asia

$90,000,000 CONTINEUM therapeutics Confidentially Marketed Follow-on Offering Joint Bookrunning Manager *December 2025*	$692,300,000 KYMERA Follow-on Offering Joint Bookrunning Manager *December 2025*	$402,500,000 Dyne THERAPEUTICS Follow-on Offering Joint Bookrunning Manager *December 2025*	$9,600,000 custom health Private Placement Sole Lead Agent *December 2025*	€10,000,000 ADOCIA Follow-On Offering Sole Bookrunning Manager *December 2025*	SEK 350,000,000 Cereno Scientific Debt Financing Private Placement Agent *November 2025*	$155,276,900 X4 PHARMACEUTICALS Confidentially Marketed Offering Joint Bookrunning Manager *October 2025*
$296,466,519 MapLight Initial Public Offering Joint Bookrunning Manager *October 2025*	$250,000,000 NURIX Registered Direct Joint Bookrunning Manager *October 2025*	$251,350,000 VIRIDIAN Confidentially Marketed Follow-on Offering Joint Bookrunning Manager *October 2025*	$153,800,000 LEXEO therapeutics Confidentially Marketed Follow-on Offering Joint Bookrunning Manager *October 2025*	$316,250,000 SPYRE THERAPEUTICS Confidentially Marketed Follow-on Offering Joint Bookrunning Manager *October 2025*	$135,000,000 Jade BIOSCIENCES PIPE Joint Placement Agent *October 2025*	SEK 183,000,000 EGETIS THERAPEUTICS Follow-On Offering Sole Bookrunning Manager *October 2025*
$345,000,000 uniQure Follow-on Offering Joint Bookrunning Manager *September 2025*	$115,000,000 PepGen Confidentially Marketed Follow-on Offering Joint Bookrunning Manager *September 2025*	$327,750,000 pharmaceuticals Initial Public Offering Joint Bookrunning Manager *September 2025*	$287,500,000 rapport therapeutics Follow-on Offering Joint Bookrunning Manager *September 2025*	$288,420,000 DIANTHUS THERAPEUTICS Follow-on Offering Joint Bookrunning Manager *September 2025*	$287,500,000 MINERALYS Confidentially Marketed Follow-on Offering Joint Bookrunning Manager *September 2025*	$85,000,000 X4 PHARMACEUTICALS PIPE Sole Placement Agent *August 2025*

Recent Strategic Advisory Deals in the Life Sciences

Dedicated M&A Franchise

Mergers | Acquisitions | Divestitures | Collaborations | Partnerships | Activist / Defense Situations

229 Strategic advisory transactions since 2020 for over $30 billion in value.(1)

Note: Accounts for Stifel's acquisition of Torreya Capital LLC and its affiliated entities, which closed on April 1, 2023 and acquisition of Bryan Garnier, which closed on June 2, 2025.
(1) Only includes value where purchase price was disclosed.

Exceptional Cross-Border Advisory Track Record in Biopharma

Stifel has advised on **227** Cross-Border Biopharma Deals Since Deals Since 2010

Our globally placed teams and market intelligence work to the advantage of our clients worldwide

Note: Accounts for Stifel's acquisition of Torreya Capital LLC and its affiliated entities, which closed on April 1, 2023 and acquisition of Bryan Garnier, which closed on June 2, 2025.

(1) Only includes value where purchase price was disclosed.

Accessing Stifel Healthcare Investment Banking Reports

Past Issues

To get on the mailing list for this publication feel free to contact Jenna Hill (hillje@stifel.com). Past issues of this publication can be read online at:

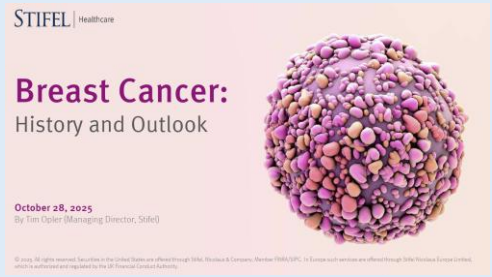
Nov 24, 2025 (Biotech Outlook)
Nov 3, 2025 (China Update)
Oct 6, 2025 (Biotech Bull Market)
Sep 16, 2025 (Fixing Pharma's Image)
Aug 18, 2025 (Cardiovascular Drugs)
Jul 14, 2025 (Top 40 Pharma)
Jun 23, 2025 (Science and Truth)
May 12, 2025 (MFN Policy)
May 5, 2025 (NIH Cuts, China Tariffs)
Apr 28, 2025 (Eyes on Washington DC)
Apr 21, 2025 (FDA Shifts, Buyside Update)
Apr 14, 2025 (Wild Week in Market)
Apr 7, 2025 (Biotech Market Break)
Mar 31, 2025 (China Biotech Update)
Mar 24, 2025 (Healthcare Reform)
Feb 24, 2025 (Retail Pharma Trends)
Feb 10, 2025 (Pharma Earnings)
Jan 27, 2025 (Women's Health, Obesity)
Dec 17, 2024 (Biotech Blues)
Nov 25, 2024 (Biotech Balance Sheets)
Nov 18, 2024 (New Administration)
Nov 4, 2024 (Election, Obesity)
Oct 21, 2024 (China, Pfizer)
Oct 7, 2024 (VC update)
Sep 23, 2024 (The Fed Rate Cut)
Sep 9, 2024 (Sector Outlook)
Aug 12, 2024 (Biotech Market)
July 8, 2024 (Obesity Market Update)
June 17, 2024 (Lab Market)
June 8, 2024 (Oncology Review)
May 27, 2024 (GLP-1's)
May 20, 2024 (Returning Capital)
May 13, 2024 (Brain, AlphaFold 3)
May 6, 2024 (Earnings, Obesity)
April 29, 2024 (M&A, Japan)
April 22, 2024 (Pharma Pricing)
April 15, 2024 (AI in Pharma)
April 8, 2024 (The Buyside)
April 1, 2024 (Biotech Balance Sheets)
March 25, 2024 (Women's Health)
March 18, 2024 (Inflammasome)
March 11, 2024 (IRA, Immunology)
March 4, 2024 (Biotech Employment)
Feb 26, 2024 (Biotech Strategy)
Feb 19, 2024 (Big Drugs, Autoantibodies)
Feb 12, 2024 (Fibrosis, Endometriosis)
Feb 5, 2024 (Severe Disease in Women)
Jan 29, 2024 (Pharma R&D Productivity)
Dec 18, 2023 (Expectations for Future)
Dec 11, 2023 (ASH, R&D Days)
Dec 4, 2023 (Big Pharma, CEA)
November 20, 2023 (M&A)
November 13, 2023 (AHA, Bear Market)
November 7, 2023 (Unmet Needs)
October 30, 2023 (ADCs)
October 23, 2023 (ESMO Review)
October 16, 2023 (Cancer Screening)
October 9, 2023 (Biosimilars, M&A)

Links to Stifel Biopharma Special Topic Publications

Aging Biology, Part II

[Nov 21, 2025]

Breast Cancer



[Oct 28, 2025]

Medicine, Progress & AI

[Sep 11, 2025]

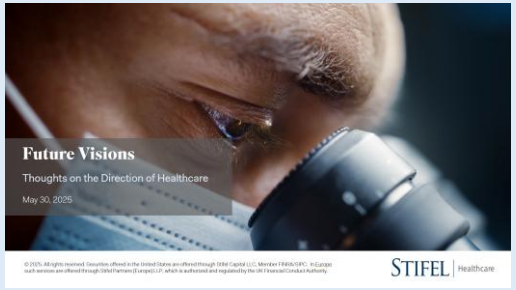
Obesity Drug Update

[July 9, 2025]

Oncology Update

[Jun 5, 2025]

Healthcare Future



[May 30, 2025]

Aging Biology, Part I

[Mar 26, 2025]

2025 Biotech Outlook

[Jan 8, 2025]

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