

**15 March 2018**

*Hogan Lovells Publications*

While Brexit is likely to result in sweeping changes to the UK's life sciences sector, the rate of M&A and foreign investment is a positive sign that the region will uphold its reputation as a global leader.

The UK's scheduled split from the EU in 2019 has created uncertainty about the region's future business environment, and has the global life sciences industry speculating on what an independent UK might mean for business within the sector. Robert Darwin, corporate partner in Hogan Lovells' London office, says that while the long-term effects of Brexit won't be fully understood until after 2019, the rate of M&A and other deal activity across the UK life sciences sector is a healthy sign that the region will preserve its role as a hotbed for innovation and collaboration.

Darwin believes that much of the UK's recent life sciences M&A activity is driven by its longstanding reputation as a global player in the industry. Thanks to its world-class infrastructure and favorable tax environment, companies at home and abroad continue to eye the UK for future collaborations. "After the US, the UK has the second biggest life sciences market, and produces the second largest number of scientific citations," he says. "The UK has a really permissive business environment and English law is well respected as a basic framework for doing business. As a result, there are simply more M&A opportunities in the UK than in other European countries."

The presence of small UK-based firms developing innovative treatments is also spurring new investments. Within the research corridors around Oxford and Cambridge, small biotech firms are spearheading new fields that may be leading the way for the future of medicine. "Big pharma companies that are committed to developing new drugs and new therapies, particularly in fields like immuno-oncology and combination therapies are partnering with (UK) biotechs." He says that while these smaller companies are doing work that shows great promise, many lack funding and late stage manufacturing expertise. "It's not surprising that global pharma is taking notice and investing a lot of money in UK-based companies to further develop those assets."

Darwin is quick to point out that even with the current surge of M&A activity, potential

post-Brexit barriers between the UK and the EU could dampen future investment. “The freedom of movement of people around Europe, and how this could change following Brexit, is one major uncertainty that could affect the industry,” he says. “Will the UK be able to attract the greatest scientific minds from around the world to come and live in London or Oxford or Cambridge? To what extent is the National Health Service, a major purchaser of pharmaceuticals in the UK, going to continue to have the same financial horsepower to buy drugs and to invest in life sciences?”

A potential misalignment of regulations between the UK and the EU is also an area of concern. Once the European Medicines Agency (EMA) relocates from London to the EU, the UK may not only lose deep regulatory expertise over time, but might also have to contend with new regulations across Europe. “The final big question is to what degree healthcare regulation in the UK and Europe will be affected (by Brexit),” he says. “One assumes that if you're producing a product in the U.K., you want to make sure it can be sold in Europe. It's the uncertainty around this question that makes investors perhaps more hesitant.”

Darwin urges any company interested in UK investment to lean on its legal team as details around Brexit continue to unfold. “Yes, there are some uncertainties that Brexit could create, but none of these issues are fatal,” he says. “The industry simply needs to stay ahead of these developments as they emerge. Whatever form Brexit takes, I don't think it's controversial to say that the future diagnosis for life sciences in the UK is a very healthy one.”

For further insights from Darwin on the UK's environment for life sciences M&A, watch the video above.

> [Read the full article online](#)