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U.S.-based life sciences companies considering transactions in Europe may easily become overwhelmed with the complexity of Europe's various jurisdictions. In this series, members of our European Life Sciences Transactions Team provide country-specific perspective and guidance to help you navigate the jurisdictional challenges and differences that you may run into when acquiring a European life sciences company.

In this edition, Robert Darwin will discuss life sciences transactions in the UK.

### **In good health: Life Sciences M&A in the UK post-Brexit**

The life sciences sector is one of the most valued and respected industries in the UK; a recent analysis suggests it generates more than £60bn a year for the UK economy and supports 220,000 jobs.

Although the UK's decision to leave the European Union creates some near-term uncertainties for the sector, a number of factors indicate that the UK biotech and pharmaceutical industry should remain robust and enjoy a great degree of M&A activity and continued economic growth over the next few years. This note indicates why:

**Life sciences hubs in Oxford and Cambridge and the UK's status as a major contributor to world science.** There are approximately 600 companies in the life sciences sector operating in Oxford and Cambridge with a combined market capitalisation of around £6bn. Oxford's life sciences cluster is one of the most mature in Europe, and has a long and impressive track record of working with commercial businesses to develop drugs that make it to market. Already in 2017, despite Brexit uncertainty, Novo Nordisk announced that it would, in collaboration with Oxford University invest £115m over the next decade into a new research centre. Other investors appear unfazed by Brexit; in June the Japanese diagnostic company Sysmex Corporation closed a deal to acquire Oxford University's spinout Oxford Gene Technology whilst Cambridge-based life sciences business Innova Biosciences was bought by German-headquartered SYGNIS AG and Merck KGaA announced a substantial collaboration with Cambridge-based F-star in Immuno-

Oncology. Capital Cell is Europe's first equity crowd funding platform specialising in life sciences and has already successfully closed 14 funding campaigns. It recently moved to Cambridge from Barcelona in order to use the city's life sciences hub as a springboard for further ventures. The life sciences hubs in Oxford and Cambridge continue to act as a catalyst for innovation attracting investment from across the globe. A newly-internationalising UK post-Brexit may provide impetus to this trend.

**Government funding boost.** The government recognises the life sciences sector as being of strategic importance to the UK. It has pledged to invest £2bn each year by 2020 in scientific research and development and suggested it will establish a new Industrial Strategy Challenge Fund to back priority technologies such as robotics and biotechnology. Little wonder considering that the sector's productivity is over double the national average and sources suggest that each life sciences job supports 2.5 jobs elsewhere in the UK economy. Further earlier this year Theresa May announced a £556m boost for the 'northern powerhouse' which will be used to invest in science research and innovation in cities like Manchester Liverpool and Leeds. Part of this allocation will help power innovative young life sciences companies in the area helping small- and medium-sized businesses develop new treatments therapies and medical products. These funding initiatives are anticipated to provide further impetus for growth in the sector.

**Robust and leading regulatory framework.** The European Medicines Agency (EMA) is responsible for the scientific evaluation marketing authorisation and supervision of medicines in the EU and is currently located in London. The most likely consequence of Brexit is that the EMA will relocate to Europe and the UK may no longer benefit from the EMA's single application process. However the UK's Medicines and Healthcare products Regulatory Agency (MHRA) is currently operating as part of the EU and is one of the world's most highly respected and authoritative regulators. The HMRA undertakes more cross-border authorisation work in Europe than any other country-based institution. At least in the short term this necessitates that the EMA continues to work closely with the MHRA and suggests that in the longer term it should be possible for the two bodies to coordinate and make obtaining market authorisations in the UK and EU a straightforward and efficient process.

**English law and language sets a global standard for M&A deals.** English law governs the bulk of international transactions outside of the US and the English court system is particularly well regarded. Reliable corporate law and regulations that have been historically responsive to evolving industry needs add to the UK's attractiveness for businesses looking to invest and

despite Brexit this is not anticipated to change. And of course the UK's use of English remains attractive to international companies given the current dominance of English as the 'lingua franca' of international business.

**The potential for favourable tax regimes.** The UK government has suggested that it will reduce corporate taxation to 17 per cent by 2020 which would make it one of the lowest corporate tax rates in the EU. Additionally as a result of tax relief such as the patent box regime and the R&D credits many companies in the life sciences sector may end up paying an effective 11-13 per cent rate. This will help maintain the UK's highly competitive and efficient tax regime which combines low rates of tax with incentives for innovation incentives and makes the UK an attractive place for life sciences companies to invest.

So irrespective of the multiple potential outcomes of Brexit the life sciences sector in the UK appears set to remain robust and on a continued growth trajectory.

*Robert Darwin is a partner in the London office, who regularly executes complex and strategic transactions for our clients. He focuses his broad international practice on M&A and private equity deals for corporates, funds and other private investors with a deep expertise with work relating to industrials and healthcare.*

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