

M&A Readiness Checklist for Life Sciences Companies: A Practitioner's Guide for 2026

Why M&A Readiness Matters More Than Ever in 2026

The biopharma M&A landscape exploded in 2025. IQVIA reports deal value hit \$133 billion - a 133% jump from 2024. This surge stems from converging forces: patent cliffs accelerating for major blockbusters, breakthrough therapies in oncology and rare diseases commanding premium valuations, and capital markets rewarding strategic consolidation.

For life sciences CEOs and CFOs, this creates both opportunity and risk. Companies that position themselves strategically - whether as acquirers or targets - capture outsized value. Those caught unprepared watch deals collapse, valuations crater, or integration efforts fail.

M&A readiness isn't about predicting when a deal will happen. It's about building organizational capabilities that create optionality. Ready companies move fast when opportunities arise, command premium valuations as targets, and execute acquisitions that deliver promised synergies.

After 35+ years as an operator - including 17 acquisitions and over \$4 billion in capital raised - I've seen what separates successful deals from expensive mistakes. The difference lies in preparation across six critical pillars.

The Six Pillars of M&A Readiness

1. Financial Foundation

Your financial house determines deal feasibility, valuation, and post-transaction success. Buyers need capital flexibility. Sellers need clean, auditable records that support their asking price.

Financial Readiness Checklist:

- **Clean Financial Statements:** Three years of audited financials with consistent accounting policies
- **Revenue Quality Analysis:** Detailed breakdown by product, geography, customer concentration, and recurring versus one-time revenue
- **Cost Structure Transparency:** Clear allocation of R&D, manufacturing, and overhead costs with benchmarking data
- **Cash Flow Modeling:** 24-month rolling forecasts with scenario planning for best/base/worst cases

- **Capital Structure Optimization:** Debt capacity analysis, covenant compliance, and refinancing options mapped
- **Working Capital Management:** Days sales outstanding, inventory turns, receivables and payables optimization documented
- **Tax Efficiency Review:** Structure analysis for deal optimization and post-transaction planning
- **Financial Controls:** SOX compliance, internal audit capabilities, and management reporting systems validated

2. Regulatory Compliance and Risk Management

Today's regulatory environment adds another layer of complexity - agencies are taking harder looks at deals that might reduce competition or limit patient access to essential treatments.

Regulatory Readiness Checklist:

- **FDA Relationship Mapping:** Current inspection status, outstanding observations, and regulatory pathway clarity
- **Global Regulatory Status:** EMA, Health Canada, and other key market approvals and compliance records
- **Clinical Trial Compliance:** GCP adherence, data integrity protocols, and trial site management documentation
- **Manufacturing Standards:** cGMP compliance across all facilities, supplier qualification, and quality systems
- **Pharmacovigilance Systems:** Adverse event reporting, risk management plans, and safety database integrity
- **Regulatory Strategy Documentation:** Pipeline programs with clear regulatory pathways and risk assessments
- **Antitrust Analysis:** Market concentration analysis and potential competitive concerns identification
- **International Trade Compliance:** Export controls, anti-corruption policies, and sanctions screening

3. Intellectual Property Portfolio

IP drives value in life sciences M&A. Strong patent positions command premium multiples. Weak IP creates deal-breaking risks.

IP Readiness Checklist:

- **Patent Landscape Analysis:** Freedom to operate studies, competitive patent mapping, and infringement risk assessment
- **Patent Portfolio Optimization:** Prosecution strategy, continuation planning, and international filing priorities
- **Trade Secret Protection:** Confidential information policies, employee agreements, and access controls
- **Licensing Agreement Review:** In-bound and out-bound licenses with change of control provisions analyzed
- **IP Litigation Risk:** Current disputes, potential challenges, and defensive strategies documented
- **Trademark and Brand Protection:** Global trademark portfolio and brand enforcement strategies
- **Data Exclusivity Mapping:** Regulatory data protection timelines and competitive entry risks
- **IP Insurance Coverage:** Patent defense and IP infringement insurance policies evaluated

4. Operational Excellence

Synergies look great on PowerPoint slides, but they require real operational capability to deliver. I've seen acquirers pay hefty premiums for companies that could demonstrate both efficiency and the ability to scale. Meanwhile, organizations that couldn't back up their operational claims with hard data watched their valuations evaporate during negotiations.

Operational Readiness Checklist:

- **Manufacturing Capacity Analysis:** Current utilization, expansion capabilities, and technology transfer readiness
- **Supply Chain Resilience:** Supplier diversification, single-source risks, and inventory optimization
- **Quality Systems Integration:** Batch record management, deviation handling, and CAPA effectiveness

- **Technology Infrastructure:** IT systems compatibility, data integration capabilities, and cybersecurity posture
- **Process Documentation:** Standard operating procedures, technology transfer protocols, and knowledge management
- **Capacity Planning Models:** Demand forecasting, production scheduling, and capital investment requirements
- **Vendor Management:** Critical supplier relationships, contract terms, and performance metrics
- **Facilities Assessment:** Real estate portfolio, lease terms, and facility optimization opportunities

5. Commercial Capabilities

Strong commercial engines create competitive bidding situations.

Commercial Readiness Checklist:

- **Market Position Analysis:** Share data, competitive positioning, and growth trajectory documentation
- **Sales Force Effectiveness:** Territory coverage, productivity metrics, and compensation plan analysis
- **Customer Concentration Risk:** Top customer analysis, contract terms, and relationship stability
- **Pricing Strategy:** Price realization analysis, payer coverage, and reimbursement pathway mapping
- **Pipeline Commercial Assessment:** Launch readiness, market access strategies, and revenue projections
- **Distribution Network:** Channel partner relationships, logistics capabilities, and geographic coverage
- **Marketing Effectiveness:** Brand positioning, promotional spend ROI, and digital capabilities
- **Customer Data Analytics:** CRM systems, market research capabilities, and competitive intelligence

6. Leadership and Talent

Your people make or break every deal. I've watched strong leadership teams with solid succession plans give acquirers confidence to move forward quickly. I've also seen promising transactions fall apart when key talent started heading for the exits during deal discussions.

Leadership and Talent Readiness Checklist:

- **Leadership Assessment:** Key person risk analysis, succession planning, and retention strategies
- **Organizational Design:** Reporting structures, decision-making processes, and cultural alignment assessment
- **Talent Retention Programs:** Compensation benchmarking, equity programs, and stay bonuses planned
- **Skills Gap Analysis:** Critical capabilities mapping and development/hiring priorities
- **Change Management Capabilities:** Communication plans, training programs, and integration experience
- **Board Composition:** Director expertise, independence, and M&A experience evaluation
- **Management Incentives:** Alignment with shareholder value creation and deal success metrics
- **Cultural Integration Planning:** Values assessment, communication styles, and integration approach

Common M&A Mistakes Life Sciences Companies Make

Starting Due Diligence Unprepared: Companies scramble to compile basic information during deal processes. Buyers interpret this as a red flag about management capabilities and operational discipline.

Overvaluing Synergies: Management teams throw around cost savings and revenue synergy numbers without showing how they'll achieve them. Smart buyers heavily discount these projections - or walk away entirely.

Ignoring Cultural Integration: Technical capabilities get all the attention, but I've seen more deals destroyed by cultural clashes than financial problems. Different leadership approaches, decision-making styles, and communication patterns need attention from day one.

Underestimating Regulatory Complexity: Biopharma faces regulatory hurdles that don't exist in other industries. Companies that haven't mapped these obstacles early often face costly delays or complete deal failures.

Inadequate Talent Planning: Key people start looking for new jobs the moment deal rumors surface. Smart companies develop retention strategies well before any deal announcements.

Poor Communication Management: Employees, customers, investors, and regulators all need different messages at different times. Inconsistent communication creates problems that could have been avoided with better planning.

How Operator-Led Advisory Accelerates Deal Readiness

Investment bankers know deal mechanics. Management consultants understand frameworks. But few advisors combine deep M&A experience with hands-on biopharma operations knowledge. This gap costs companies real money through lower valuations and failed integrations.

Working across 17 different acquisitions taught me which strategies actually deliver results versus which ones just sound impressive in presentations. Three and a half decades of biopharma operations showed me how regulatory realities affect deal timing, structure, and valuation in ways that financial advisors often miss. When I develop strategic recommendations, they come with implementation roadmaps based on what I've actually seen, not what looks good in theory.

Companies that invest in M&A readiness well before entering deal processes consistently see better outcomes - higher valuations, smoother negotiations, and more successful integrations.

Your Next Steps

M&A readiness isn't a one-time project - it requires ongoing attention and systematic improvement. Whether you're considering strategic acquisitions or positioning for an eventual exit, building strength across these six areas gives you the flexibility to move when opportunities arise.

Start with an honest assessment of where you stand today. Find your biggest gaps. Create improvement plans with clear deadlines and ownership. Most importantly, don't wait until you're in active deal discussions to discover your weaknesses.

Ready to accelerate your M&A readiness? Learn more about how operator-led strategic advisory can help position your biopharma organization for successful transactions at katogen.com.