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Are Companies Bought, Not Sold? Rethinking M&A In Life Sciences

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The well-worn adage “good companies are bought, not sold” suggests that top-tier businesses, especially in high-growth industries like life sciences, do not need to seek buyers; instead, buyers pursue them. This narrative paints a picture in which companies with strong products, solid financials, and enviable market positions are simply discovered and acquired by motivated suitors — think of Facebook acquiring Instagram or Gilead acquiring Kite Pharma.



While such high-profile examples grab headlines, they are the exception, not the norm — especially in life sciences. As specialists in life science transactions, we advise management and boards to challenge this myth. Believing “good companies are bought, not sold” can be dangerously misleading and does not reflect the reality of the overwhelming majority of acquisitions in this sector.

The Reality: Proactive Selling Is Essential

Industry data and practical experience show that most successful life sciences transactions require **active engagement, strategic planning, and specialized advisory support**. Relying on inbound interest alone leaves most companies waiting indefinitely or settling for suboptimal outcomes. The overwhelming majority of exits are the result of a **proactive process**: building buyer relationships, achieving market visibility, and preparing for complex negotiations well ahead of any sale.

Boards and management have a fiduciary duty to maximize returns for shareholders, and in life sciences, a timely exit — often before costly commercialization — can yield a far higher investment multiple. For most young companies, the capital-efficient strategy is to sell to a larger, established entity capable of leveraging synergies and distribution networks.

It is a sobering fact: **70–85% of life sciences companies never reach IPO or acquisition.** Most companies do not simply get “bought” — they must work diligently to create an environment where a transaction is feasible and attractive. Proactive engagement, not passive hope, is the surest route to a successful exit.

The Sector’s Unique Challenges

The “bought, not sold” myth is especially damaging in life sciences due to:

- **High R&D Costs and Long Timelines:** Financing, clinical evidence, and commercialization all demand enormous up-front resources and patience. Most investors and boards cannot wait decades for returns.
- **Regulatory Complexity:** Intense, shifting regulations extend timelines and add risk, often requiring deep sector expertise to manage effectively.
- **Buyer Selectivity:** Strategic acquirers seek assets that are not only de-risked but also complement their pipelines and portfolios. The universe of suitable buyers is small and highly discerning.
- **Deal Complexity:** Structuring milestone-based payments, navigating intellectual property hurdles, and resolving regulatory and contractual issues demand specialized deal craftsmanship.

Why Specialized Investment Bankers Are Critical

Engaging an experienced, **sector-specific investment banker** is a proven strategy to increase deal success. The data speak for themselves: companies using top-tier bankers regularly achieve **up to 25% higher transaction prices**, not to mention higher completion rates.

Why? Because specialized bankers bring:

- **Sector Knowledge:** They understand nuanced value drivers, frames of reference, and scientific milestones important in buyer evaluations.
- **Relationship Networks:** Bankers maintain deep connections with potential buyers, investors, and partners — expanding the pool of interested parties.

- **Process Discipline:** They orchestrate thorough, competitive processes, managing confidentiality, competitive tension, and deal structure to maximize value.
- **Strategic Guidance:** Advisory support covers preparation, valuation, due diligence readiness, and optimal timing — not just a list of contacts.

Bankers allow management to focus on running the business, rather than being consumed by transaction logistics. They also help companies anticipate and address buyer concerns, even those that may not be immediately obvious to insiders.

Actionable Guidance for Life Sciences Management

If you are considering an exit, here are **concrete steps** for a successful transaction:

1. **Start Early.** Prepare well before you plan to exit. Preparation means not just cleaning up financials, but aligning the team, refining the business narrative, and removing avoidable risks.
2. **Engage Experts.** Seek out advisors and bankers with demonstrated experience in life sciences deals to expand your buyer network, navigate complex deal, scientific, and regulatory challenges, and — most importantly — gain objective, external insight into your business.
3. **Map the Landscape.** Understand the strategic needs and deal histories of likely acquirers. What gaps are they trying to fill? How does your asset fit?
4. **Build Relationships.** Engage buyers routinely — not only when you plan to sell. Seek partnerships, licensing, or collaborations that may pave the way for an eventual acquisition.
5. **Present a Compelling Business Case.** Be ready to articulate not just a value proposition but a mature business case with clear, objective data. Anticipate and address likely buyer concerns regarding valuation, risks, and strategic synergies.
6. **Consider Multi-Track Strategies.** Prepare simultaneously for acquisition, partnership, and financing; this creates credible optionality and competitive tension, often improving outcomes.

Debunking The Myth: “You Need To Sell To Be Bought”

Life sciences M&A is rarely a matter of being discovered; it’s a process of **meticulous preparation, strategic positioning, and proactive engagement**. Waiting passively in hopes that an acquirer will appear leads, at best, to missed opportunities and, at worst, to business failure.

Management and boards determined to maximize shareholder value should **discard the myth** that “good companies are bought, not sold.” Instead, embrace the proven reality: successful life sciences exits demand proactive selling, specialist support, and a disciplined, market-facing approach.

When you choose to actively shape your company’s destiny, rather than wait for a buyer to knock on your door, you maximize both the likelihood and the value of your exit. In today’s competitive life sciences landscape, being ready to **sell** is the best way to get **bought**.

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