2026 Life Sciences Industry Predictions

BDO

The waiting game may be over: Life sciences is showing signs of recovery in the fourth quarter of 2025, including rising stock prices and increased deals. While the industry is positioned for momentum in 2026, the longevity of any potential uptick will largely depend on how companies choose to navigate the continued headwinds of tariffs, drug pricing, and regulation.

The year ahead will demand agility from leaders as they rethink supply chain structure, reprioritize research and development (R&D) initiatives, and evaluate cost reduction strategies. Companies that foreground these considerations may position themselves as industry leaders if market conditions stabilize in the next 12 months.

Here are BDO's **five industry predictions for life sciences in 2026.** ▶

1 2 3 4 5

Long-term investments may become more favorable to venture capital.

In times of economic uncertainty, investors typically seek out late-stage assets that are closer to approval, viewing them as lower-risk opportunities or more likely to generate shorter-term gains. In 2025, for instance, investors largely awarded Series A funding to very unique assets where investors are willing to assume closer to 100% of the risk. Because of investor selectivity, life sciences companies in 2025 are not on track to raise more in Series A funding compared to 2024, according to **Byte 51 data**.

But now that the Federal Reserve (Fed) announced **slight interest rate cuts**, the funding environment for early-stage life sciences organizations may improve. Lower borrowing costs make long-term investments more attractive, even as other factors like trade policy and drug pricing remain open questions.

For biotech companies, this shift creates a window of opportunity to strengthen investor communications and demonstrate clear value propositions to potential deal partners. Organizations that can articulate their pipeline potential, regulatory strategy, and market differentiation will be better positioned to capture investor interest. As capital begins to flow, early-stage organizations should prepare to address any investor concerns around clinical trial timelines and competitive strategies.

Private equity funds will move to consolidate more medical device, diagnostic, and service companies.

Global private equity (PE) dry powder stood at approximately $2.5 trillion as of June 30, 2025, according to S&P Global. With ample capital to deploy and interest rates decreasing, PE firms will likely move to consolidate portfolio companies (portcos) and new acquisitions with lower valuations. Rolling up businesses with complementary offerings presents an opportunity for PE investors to build portfolio scope and scale in 2026.

Life sciences subsectors like medical devices, diagnostics, and technology services companies are particularly attractive roll-up candidates because they are revenue generating and often have natural synergies across subsectors. For example, a company that provides data analysis solutions for medical data may have synergies with a medical device company. These synergies allow for cross-selling opportunities and market expansion.

Life sciences organizations should evaluate their competitive positioning in relation to potential roll-up scenarios — identifying synergies with other portcos that can make them more attractive acquisition targets.

In addition, life sciences companies looking for PE investment shoulddemonstrate operational maturity alongside innovation. Strengthening financial discipline, intellectual property protections, and regulatory compliance can help draw in investment.

59%

Over half (59%) of life sciences fund managers polled in BDO's ***2025 Private Equity Survey*** indicated that they would like their portfolio companies to prioritize reduction in the cost of goods sold (COGS) through common platforms.

Read the full report to learn more. ▶

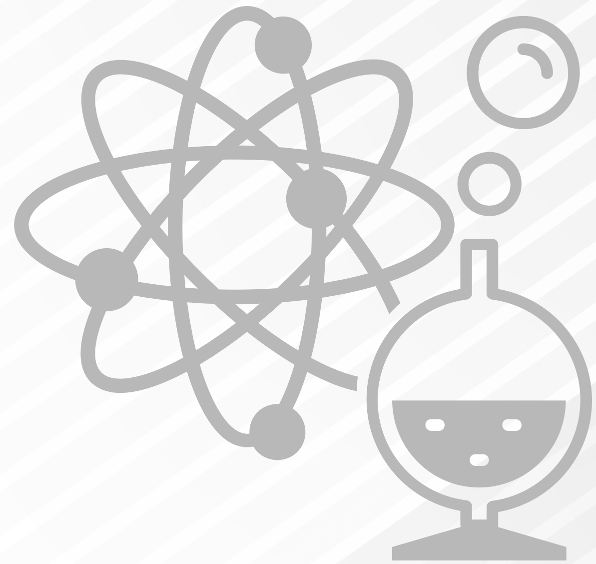
Through most-favored nation drug pricing, pressure will continue for cost equilibrium.

In 2026, the Trump administration will likely continue seeking agreements with major pharmaceutical companies to bring American prices in line with the lowest paid by other developed nations, known as **most-favored nation pricing**. Drug companies will be particularly incentivized to take these deals if the administration exempts them from future industry trade barriers.

Should these agreements perpetuate further, consumers will likely not see the impacts of lower pricing unless they purchase directly from a manufacturer. It will also likely mean higher prices outside of the U.S., or even limited availability.

This dynamic creates a complex communications challenge for pharmaceutical companies. They will need to navigate changing stakeholder expectations across multiple audiences. Manufacturers may face margin pressure from most-favored nation pricing and may simultaneously need to explain why patients aren't experiencing expected cost reductions at the pharmacy counter. Longer-term, the shift to most-favored nation pricing could accelerate direct-to-consumer sales models and patient assistance programs as manufacturers seek alternative channels to deliver value.

Pharmaceutical companies will cut back on controllable costs, but health tech, AI and diagnostics will continue to spend on R&D.



Life sciences organizations will continue implementing cost-cutting measures while they wait for economic conditions to stabilize. They are most likely to reduce spending on the industry's most controllable costs: R&D, personnel, and real estate.

R&D work on complex, expensive therapies could taper off as companies prioritize already or nearly commercialized drugs, and companies may further consolidate roles to maintain leaner operations. To reduce real estate costs, organizations will likely reassess their existing portfolios as they seek to downsize lab space, sublease unused facilities, or transition to hybrid work models that reduce their physical footprint and associated expenses.

Many biopharma companies may purchase artificial intelligence (AI) services to assist with administrative needs like accounting and purchasing. Innovation remains a priority where possible, though, so some companies may also choose to use AI to comb through research data to find opportunities for further research. For example, AI may notice that an oncology compound failed in Phase 2 trials for tumor reduction, but lowered blood pressure. This compound may be a target for further research into its effects on blood pressure.

Long timelines for production facilities will delay the "Made in America" push for U.S. pharmaceutical manufacturing.

As tariff negotiations continue, many pharmaceutical companies are looking to build manufacturing plants in the U.S. Growing their domestic presence would give them more direct control over their supply chains amid ongoing trade uncertainty. The Trump administration has even offered companies some tariff exemptions if they can commit to opening domestic manufacturing facilities.

But building these facilities is expensive and time-consuming. Moving production for existing drugs to a new facility requires new building permits, construction, hiring skilled workers, Food & Drug Administration (FDA) inspections, and regulatory licensing approvals. It can take years to bring a facility from a plan to manufacturing product.

Companies must also consider the financial implications of maintaining dual manufacturing operations during the transition period, which can strain budgets during a time when cost-cutting is a top priority. The risk of supply disruptions during facility transfers poses additional concerns, particularly for critical medications where production gaps could affect patient access and trigger regulatory scrutiny.

For those who are unable to explore a domestic manufacturing expansion, BDO can help you proactively safeguard your global supply chains. With life sciences, the value proposition for expanded U.S. manufacturing needs to extend beyond tariff avoidance, and the decision to reshore will not be one-size-fits-all.

Interested in learning more about how BDO can help your business thrive in 2026?

Contact us to get started. ▶

Are You Ready for the Year Ahead?

Even the most diligent organizations can't predict every shift in industry and market trends. The key to success lies in building resilience and agility, enabling your business to adapt to unexpected changes with confidence. Explore our curated resources to learn how strategic resilience can position you for a successful year.

An Agile Framework for Navigating Economic Shifts

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Read now. ▶

How AI Drives Strategic Resilience and Business ROI

Read now. ▶

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