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Commercial Banking

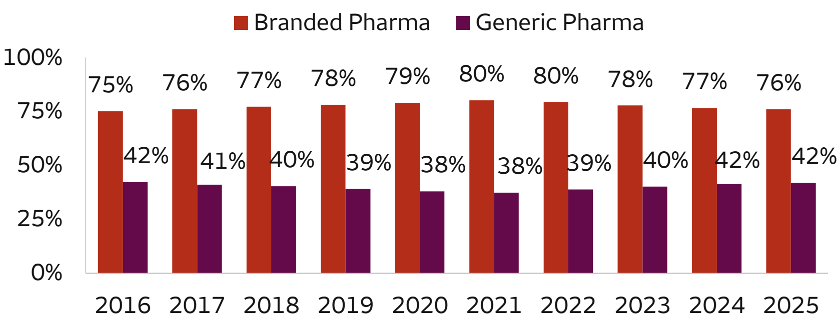
BioPharma – 2026 Analysis and Outlook

Key Industry Trends and Market Drivers:

- **Patent cliff:** ~$180 billion of top-20 pharma sales is exposed to patent expirations in 2024–2028[1]; Companies are actively acquiring biotech firms to strengthen pipelines and offset impending loss-of-exclusivity (LOE) headwinds.[2]
- **IRA and price negotiations:** Medicare's first negotiated prices for 10 high-volume drugs took effect in 2026; the Part D redesign shifted ~20% of catastrophic costs to manufacturers[3], driving changes in R&D allocation and portfolio divestitures across large-cap biopharma.
- **Tariff response / U.S. buildout:** Global drugmakers are accelerating U.S. manufacturing and inventory builds ahead of potential 100% tariffs, driven by a 120-day window to announce domestic plans or pricing concessions (July 31, 2026 deadline); failure implies prohibitive import costs, fueling capex expansion and short-term borrowing.[4]
- **China competition:** Chinese biotechs are advancing trials and scaling fast; Western pharma is countering with structured China-to-West licensing and co-development.[2]
- **Supplements vs. traditional pharma:** U.S. wellness trends continue to lift supplements adoption (~75% of adults; shift toward personalization), driving ~1.9% CAGR vs. ~0.2% growth for generics.[5]

Industry Performance:

Branded vs. Generic Pharma – Gross Margins



Branded pharma maintains structurally superior gross margins (75–80%) driven by patent protection and pricing power. Generic pharma margins (38–42%) face compression from competition and pricing pressure — creating distinct financing needs and credit profiles for each segment.

3.0%
Branded - Estimated Revenue Growth in 2026[1]

0.6%
Generic - Estimated Revenue Growth in 2026[6]

~$326B
U.S. Pharmaceutical Manufacturing Revenue (2025)[1,7]

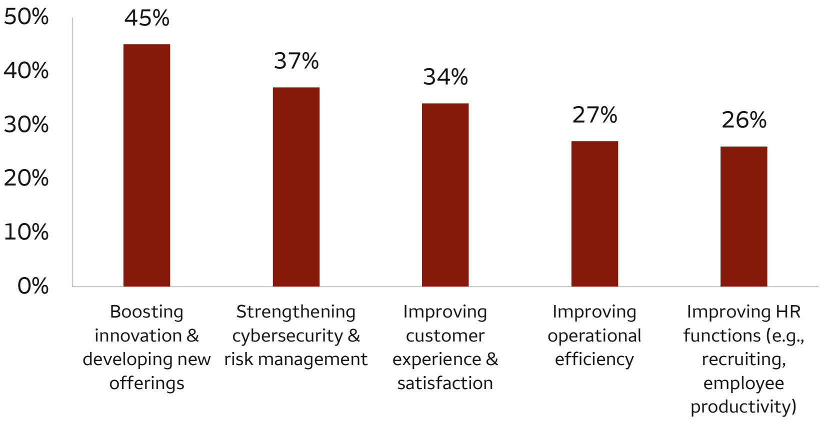
9%
U.S. healthcare spending on prescription drugs[8]

> *"Wells Fargo is committed to meeting the growth capital and strategic advisory needs of BioPharma companies throughout their life cycle."*
>
> - Wallace Saunders,
> Head of Wells Fargo
> Commercial Banking Healthcare

AI Impacts:

- **AI adoption:** AI is now embedded across the drug-development value chain, compressing timelines, reducing costs, and improving the odds of picking winners.
- **Discovery and speed:** AI workflows could purportedly save ~40% of the time and ~30% of the cost to a preclinical candidate.[9]
- **Caveat:** Benefits are concentrated in the early, lab-based stages (discovery and preclinical). AI has been less successful in the costly clinical stages.
- **Concerns:** 41% of life-science firms cite uncertain ROI as the top AI barrier, then IT integration (34%) and data quality/security (32%).[10]

What benefits do you anticipate from AI?[7]



M&A Activity:

- BioPharma M&A accelerated in 1H26, driven by large-cap pharma's push for inorganic growth amid the patent cliff and margin pressures driving consolidation to achieve scale and efficiency.
- Deal focus concentrated in cardiometabolic, oncology, immunology, and CNS — all commanding elevated strategic premiums.
- $5 billion – $15 billion range deals dominate; targeted "bolt-on" acquisitions that can quickly be integrated into existing platforms.
- Private equity is increasingly active in pharma services, specialty pharma, CDMO, and pharma-tech sub-sectors.

1H 2026
BioPharma M&A Activity

$141B
Deal Value[13]

96
Deals[13]

GLP-1 Dominance:

- **Explosive demand:** The rise in Semaglutide prescriptions ~700% from 2019 to 2024 (Ozempic/Wegovy, Zepbound), is continuing to reshape the brand-name market.[1]
- **Pipeline expansion:** Obesity assets, driven almost exclusively by GLP-1 and GLP-1/GIP molecules, now account for roughly 25% of forecast late-stage pipeline value, up from just 1% in 2022. Oncology, the perennial leader, has slipped to about 20%.[11]
- **Compounding window closed:** With shortages resolved (tirzepatide late 2024, semaglutide early 2025), the FDA shifted to enforcement— favoring Novo Nordisk and Eli Lilly over telehealth and compounders.[12]
- **Expanding opportunities:** Clinical interest in GLP-1 receptor agonists (GLP-1RAs) are expanding into the areas of neurodegenerative diseases, oncology, and addiction.
- **Pricing exposure:** GLP-1s sit squarely in the IRA's sights, included among drugs subject to Medicare price negotiation.

Let's help position your business for long-term growth and disciplined execution.

Collaborate with Wells Fargo to help maximize opportunities and trends

Source: 1. IBISWorld Brand-Name Pharma 2026; 2. PwC Pharma & Life Sciences Deals Outlook 2026; 3. Q1 2026 biopharma earnings and IRA/Medicare Part D analysis; 4. Reuters.com Global drugmakers rush to boost U.S. presence as tariff threat looms, dated May 4, 2026; 5. IBISWorld Vitamin and Supplement / Generic Pharma 2026; 6. Wells Fargo Data, PhRMA, IQVIA; Large-Cap U.S. Biopharma Companies (Revenue over $5 billion); 7 IBISWorld-Generic Pharma 2026; 8 NHE Fact Sheet – CMS.gov, 2024 data; 9. Coherent Solutions, AI in Pharmaceuticals & Biotechnology: Current Trends and Innovations, dated April 2026; 10. All data extracted from NCMM Year-end 2025 Middle Market Indicator research and specific to respondents of companies operating in the life-science industry sector; 11. Deloitte. Navigating the GLP-1 boom: Measuring the return from pharmaceutical innovation (16th edition). May 2026; 12. FDA; Buchanan Ingersoll GLP-1 analysis ; 13. Crunchbase, as of June 12, 2026