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Switzerland: Trends and Developments

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SWITZERLAND

Trends and Developments

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Overview

The Swiss healthcare and life sciences sector is projected to continue being one of Europe's most appealing M&A markets. Notwithstanding geopolitical and economic volatility, uncertainty, complexity and ambiguity (VUCA), the Swiss economy in general and the Swiss healthcare and life sciences sector in particular demonstrate remarkable resilience, rooted in the sector's outstanding academic and industrial research and innovation power, its ability to attract and retain a highly qualified and experienced workforce at all levels of the value chain, the availability of capital (equity and debt) for investments, a strong IP protection, an internationally competitive tax environment, a high emphasis of Swiss trade policy to secure mutual market access with the EU, Mercosur, India, Malaysia and other partners via free trade agreements (FTAs) and, last but not least, a high political and social stability over decades. Accordingly, domestic as well as inbound investments into Swiss healthcare and life sciences assets remain highly attractive for value- as well as growth-focused investors.

Industry Structure and Strategic Repositioning

The Swiss Healthcare sector is characterised by a highly diversified industry structure. It encompasses a broad range of players, ranging from early-stage biotech ventures over fast-growing digital health companies to established mid-market players to innovative and flexible contract (development) manufacturers (CDMOs/CMOs) and globally operating, fully integrated pharmaceutical groups. This diversity not only stimulates deal flow but also necessitates customised transaction structures based on the maturity, regulatory exposure and business model of the respective transaction partner or target asset.

Innovation remains at the core of the sector. Research and development, at university or corporate level, constitutes a central value driver, especially in biotechnology and pharmaceuticals, where the quality of the pipeline and intellectual property portfolios frequently influence M&A processes. Due to the significant capital and time investments required for ground-breaking R&D, the industry has experienced a strategic transition among large pharmaceutical companies focusing on core activities while selectively divesting non-core assets or outsourcing development activities regarding precursors, intermediates or single AIs to other players, in particular CDMOs. This has generated further opportunities for both strategic acquirers and financial investors.

Financial Investors and Transaction Structures

Alongside strategic players, financial investors constitute an important component of the Swiss healthcare M&A landscape. Despite a slight moderation in investment levels by private equity and venture capital compared to prior peaks, they continue to demonstrate notable stability. Enhanced access to capital in recent years has allowed private equity funds to increasingly focus on medtech and digital health platforms, frequently seeking scalable business models with significant growth potential. By contrast, venture capital investors remain significantly involved in the biotech sector, where Switzerland consistently provides a robust pipeline of early-stage innovations.

In early-stage targets, transactions are typically structured as minority investments through capital increases, involving the subscription of equity combined with contractual guardrails (shareholders' agreements). Such investments generally include contractually

enhanced investor protections, such as liquidation preferences, exit protection and governance rights. In contrast, later-stage and established companies are more frequently involved in traditional control transactions, platform/business acquisitions or straightforward asset deals.

Digitalisation as a Deal Driver

Digitalisation has transitioned from a supportive theme to a primary driver for healthcare M&A in Switzerland. Transactions are increasingly influenced by the integration of data, software and AI-driven capabilities throughout the healthcare value chain. Targets are now evaluated not only on conventional metrics like product portfolios or service capacity but also on their capacity to generate, process and monetise health data, as well as to integrate digital capabilities into clinical and operational workflows.

Furthermore, an increasing number of business models and software-driven medical devices and data platforms use artificial intelligence (AI), which is rapidly transforming the sector and promoting greater convergence among healthcare, technology and data industries. This advancement is reflected in a consistent rise in digital health solutions entering the market, alongside a wider transition towards data-driven care delivery.

This convergence creates a complex regulatory framework from a legal and transactional perspective. Digital health assets may concurrently be subject to medical device regulation, data protection laws and emerging AI-specific frameworks. The EU Artificial Intelligence Act creates a risk-based framework for AI systems within Europe, imposing rigorous requirements on high-risk applications, including medical software. The extraterritorial scope necessitates that Swiss companies aiming at EU markets ensure compliance regardless of their location of establishment. Simultaneously, initiatives such as the European Health Data Space enhance cross-border data use while imposing further governance requirements.

Consequently, digital health transactions necessitate a multidisciplinary approach that integrates expertise in healthcare regulation, technology, data protection and the governance of artificial intelligence. Critical diligence domains encompass:

- data ownership and access rights;
- transnational data transfers;
- algorithmic accountability; and
- the classification of software as a regulated medical device.

In this environment, digitalisation is not only an efficiency driver, but also a decisive determinant for valuation, risk allocation and post-merger integration.

Expected M&A Activity in the CDMO Sector

In Switzerland, contract development and/or contract manufacturing for mid-sized and large pharmaceutical companies has a long tradition. Besides the most notable Swiss C(D)MO players (Lonza, Siegfried, Bachem, Polypeptide, Corden Pharma, Carbogen Amcis) there is a significant number (approximately 70) of companies with the profile of a C(D)MO. While C(D)MOs have always played an important albeit relatively discrete role with regard to the development and manufacturing of active pharmaceutical ingredients (APIs), the spectacular rise of GLP-1 (Glucagon-Like-Peptide 1) and Amylin-based molecules – eg, Semaglutide (Novo Nordisk) or Tirzepatide (Eli Lilly) – due to their indication regarding diabetes Type 2, weight loss and cardiovascular diseases but also broad off-label use (fatty liver disease; addictions) has generated a huge global demand for the respective products (eg, “Wegovy” (Novo Nordisk) or “Mounjaro” (Eli Lilly). The IP-owning pharmaceutical companies have contracted out the manufacturing of either the entire molecule or fragments thereof to C(D)MOs to complement their own manufacturing capacities. The manufacturing of such molecules or fragments at industrial scale requires significant investments of triple digit millions of Swiss Francs by the respective C(D)MOs in technology and manufacturing capacity which can only be handled by a handful of players. As a result, the technological and capability gap between large and smaller C(D)MOs is likely to widen, with smaller C(D)MOs coming under increasing competitive pressure to secure commercially interesting contracts beyond small-scale developments. This may not only lead to consolidation pressure but may also open up interesting investment opportunities for inbound M&A invest-

ments by foreign CDMOs or pharmaceutical companies with an interest to extend their R&D workbench to Switzerland.

Cannabis Liberalisation and the Emergence of a New Asset Class

Switzerland is becoming a focus jurisdiction in Europe concerning cannabis policy reform. The utilisation of cannabis for non-medical purposes shall remain prohibited. However, in autumn 2025, a draft bill was presented for consultation, intending to comprehensively regulate the use of cannabis for non-medical purposes under a Cannabis Products Act, similar to regulations for tobacco products. Cannabis will continue to be classified as a narcotic, although adults will be permitted access under strict regulations. The subsequent step involves the presentation of the bill to Parliament.

Simultaneously, ongoing pilot programmes in cities such as Zurich and Basel, combined with federal legislative initiatives, point towards a gradual transition to a regulated adult-use cannabis framework, potentially materialising from 2026 onwards. These pilot schemes are designed to generate empirical data on consumption patterns, public health effects and regulatory feasibility, thereby shaping future market design.

In contrast to more commercially driven regimes in other jurisdictions, the Swiss model is also expected to reflect public health considerations. This would result in a hybrid market structure situated at the intersection of healthcare, consumer products and regulated public services. From an M&A perspective, this development is giving rise to a distinct and evolving asset class. Investment opportunities are likely to arise across the entire value chain, including:

- pharmaceutical-grade cultivation and production;
- tightly regulated distribution frameworks;
- research and development activities; and
- data-driven health and behavioural analytics derived from pilot programmes.

Legal and regulatory complexity remains a relevant theme. Transactions in this space must account for:

- dynamic federal and cantonal regulations;
- licensing requirements;
- restrictions on market access; and
- profit allocation.

In addition, the interplay with current narcotics, pharmaceutical and public law regimes mandates careful structuring of transactions in this space.

Given these constraints, investors may want to explore partnership-based strategies, possibly also involving joint ventures or collaborations with public or semi-public entities. As the regulatory framework continues to evolve, early positioning and regulatory expertise will be essential for seizing opportunities in what is expected to emerge as a substantial new segment of the Swiss healthcare M&A market.

Relationship With the EU

The EU is Switzerland's largest trading partner. Switzerland and the EU thus entered into a Mutual Recognition Agreement (MRA) in relation to conformity assessment. The MRA is designed to remove technical barriers to the trade of industrial goods between parties and applies, inter alia, to Good Manufacturing Practices (GMP) inspections of medicinal products and to the certification of batches. Consequently, in the case of medicinal products, each party recognises the results of inspections conducted by the competent authorities of the other party at the premises of manufacturers, as well as the production authorisations provided by the competent authorities of the other party. In addition, foreign authorities are permitted – under certain conditions and after notifying the Swiss Authority for Therapeutic Products (Swissmedic) – to audit Swiss companies active in the life sciences sector.

The MRA also applies, inter alia, to medical devices. Conformity assessments of medical devices authorised in the country of one party are therefore, in principle, also acknowledged within the jurisdiction of the other party. In view of the recent changes to the EU regulatory framework on medical devices, it is necessary to revise the MRA's provisions on medical devices to guarantee mutual recognition of certificates of conformity, facilitation of reciprocal market access, co-ordinated market surveillance, and information sharing between authorities. However, the European

Commission ties such update to further progress in the stalled political negotiations with Switzerland, which were interrupted between May 2021 and March 2024. As a result of this impasse, the EU currently (still) treats Switzerland as a third-party country in terms of medical devices, requiring Swiss companies to incur higher administrative efforts to place medical products on the EU market. To counteract these negative impacts, in May 2021 the Swiss Federal Council amended the legal framework regarding medical devices to provide unrestricted access to EU-certified medical devices and to establish long transitional periods, therefore reducing supply issues in Switzerland.

With the negotiations between Switzerland and the EU having resumed in March 2024 and the substantive negotiations being concluded in December 2024, a political breakthrough seems possible, while still subject to the uncertainty of the outcome of a quite probable legislative referendum (likely in 2027). The achieved agreement focuses on health security, including full access of Switzerland to:

- the EU's health security mechanisms;
- the European Centre for Disease Prevention and Control (ECDC); and
- the area of the crisis preparedness in the EU's multi-year programme (currently "EU4Health").

Thus, it still remains an open question whether the compromise will also de-block the impasse regarding the MRA on medical devices.

Looking ahead, a potential political breakthrough, supported in a referendum, and the reinstatement of full mutual recognition for medical devices may operate as a further material catalyst for deal activity in the Swiss medical devices sectors, likely increasing valuations of Swiss medtech assets and reactivating cross-border consolidation strategies.

Outlook

Healthcare and life sciences M&A in Switzerland in 2026 is characterised by strong fundamentals, innovation-driven deal making and a balanced mix of strategic and financial investors. This combination continues to position Switzerland as a key hub for healthcare transactions in Europe, with sustained relevance for both domestic and cross-border deal activity. For market participants, the key challenge lies in navigating a landscape where value is closely tied to regulatory positioning, technological capability and strategic integration. The trends and developments discussed in this overview will continue to have a strong influence on the future development of the Swiss healthcare M&A sector.

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