Why Biopharma Companies Buy Stock in One Another

By Ana Mulero
Sept. 13, 2023

On June 27, **Gilead Sciences** purchased **nearly 3 million** shares of AlloVir stock, costing more than $10 million. The very next day, Gilead purchased just over **1 million shares** of **Arcus Biosciences** for nearly $20 million.

This practice of biopharma companies buying stock from one another used to be rather typical, Ira Leiderman, a managing director of healthcare at Cassel Salpeter & Co., told *BioSpace*, but times have changed. So, Gilead's move "is a good example [of the phenomenon], but I don't think you'll find many deals like this," he said.

Commonly referred to as equity investments or cross-holdings, these transactions are made for various reasons. For example, they enable businesses to form strategic alliances, drawing on one another's knowledge and resources to address challenging problems in drug development.

"Cross-ownership can allow companies to expand their product portfolios, gain access to new technologies and enter different markets more effectively," Adam Garcia, CEO of the Stock Dork, told *BioSpace*. Stock purchases can also reinforce relationships that have already been forged.

Indeed, Gilead has been a longtime financial supporter of AlloVir, which went public in 2020, and AlloVir's CEO, Diana Brainard, was head of the virology therapeutic area at Gilead for a decade. Similarly, Gilead was already working with Arcus on discovering and developing cancer immunotherapies and combination therapies. By purchasing stocks in these companies, Gilead is effectively funneling money into its existing partnerships.

Equity investments can also help diversify and mitigate risks. “By holding shares in multiple biopharma companies, a company can spread its investments across different therapeutic areas and business models,” Garcia added. “This diversification can help cushion the impact of failures in specific drug development programs and maintain a more stable financial position.”

In addition, stock purchases can lead to silent takeovers, where a company gradually accumulates a significant stake in another, often without publicly acknowledging that it has acquired a majority share. By doing so, a company can avoid a traditional public takeover bid, which often involves negotiations and regulatory approvals. Silent takeovers cut through the red tape of the public takeover bid but still effectively shift leadership, strategic direction and overall control of the acquired company, impacting the overall market.

Leiderman and his colleague Margery Fischbein, another managing director of healthcare at Cassel Salpeter, told *BioSpace* that silent takeovers aren’t happening in biopharma today, however, and that Gilead’s actions of buying stock in a partner are actually not at all common in the current economic environment. And there are several reasons for that, they said.
For one, many companies in the biopharma industry are still trying to return to business as usual following the disruptions caused by the COVID-19 pandemic, making them less appealing to investors, including other biopharma firms, Fischbein said.

At the same time, companies that may have at one time considered buying biopharma stock are themselves short on funding. “The most precious resource to a biotech is cash, and it’s tough times out there,” Leiderman said. Rather than buying up stock in other companies, then, some biopharmas are looking to sell stocks to come up with much-needed capital.

“That’s why a lot of companies [biotechs] want to go public because they believe it would be easier for them to raise additional capital,” he said.

At this point, only financially secure firms such as Gilead are in a position to purchase stock in other companies, Leiderman added. “Gilead has a larger bank account than God.”

Fischbein said that the situation comes down to “haves and have-nots,” and in today’s environment, there are more “have-nots,” including in terms of balance sheets, cash and stock prices.

But for those biotechs able to secure financial backing from a pharma firm like Gilead, it could potentially give the company the leg up that it needs, Fischbein said. “It really adds credibility. If somebody like Gilead, GSK, or Novartis is backing the company by taking a significant stake, it’s a real mark of quality and possible likelihood of success.”

Ana Mulero is a freelance writer based in Puerto Rico. She can be reached at ***anacmulero@outlook.com*** *and* ***@anitamulero*** *on Twitter.*