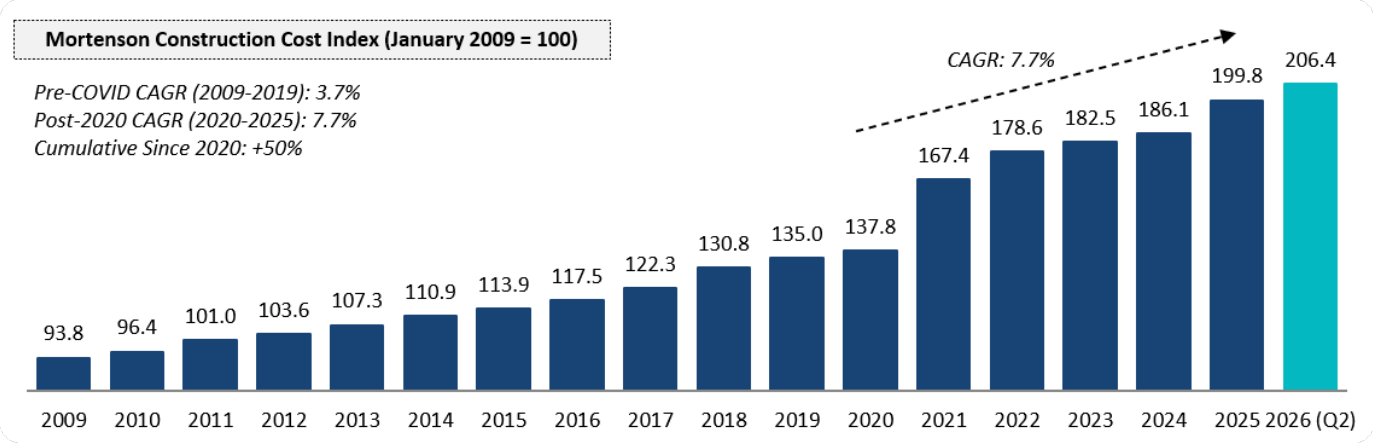
Beyond Just Capacity: What Pharma and Biotech Sponsors Need from Their Manufacturing Partners

Key Topics and Takeaways from the Fierce Pharma Manufacturing Day

The Bourne Partners team recently attended the *Fierce Pharma Manufacturing Day*, which included discussion panels of executives from pharma companies, biotech firms, and contract development and manufacturing organizations (CDMOs). **One panel was moderated by Bourne Partners** (**John Chiminski** -- Senior Advisor and former Chief Executive Officer of Catalent). Among other things, the conference highlighted a "construction boom" underway for pharma and biotech manufacturing capacity – particularly in the United States. However, rising construction costs and uncertain equipment lead times are complicating budgets and execution. In fact, one CDMO executive commented that he was budgeting for a projected 6.9% increase in construction costs over the next 12–18 months. Altogether, a common theme across the panel discussions was the importance of being able to offer specialized capabilities and integrated services for high growth therapeutics and modalities.

Digital and artificial intelligence (AI) enablement was another topic that came up a number of times at the *Fierce Pharma Manufacturing Day*. A number of use cases for AI were discussed with respect to forecasting, integrated planning, quality management, and predictive maintenance. However, this requires an underlying hardware, software, and data infrastructure that few manufacturers have today. In our view, those manufacturers that design this information technology infrastructure into their new facilities, rather than retrofitting them later, should be better positioned to take advantage of AI. Also, it was emphasized that adding physical capacity and information technology is alone not sufficient -- workforce recruitment, training, and operating expertise is necessary for reliable commercial supply. *For more, see our Bourne Partners Deep-Dive Research Report: **CDMO Marketplace Update and Perspectives on Trends in Digital and AI Adoption** (February 2026).*

Rising Construction Costs Are Complicating Pharma and Biotech Expansion Planning



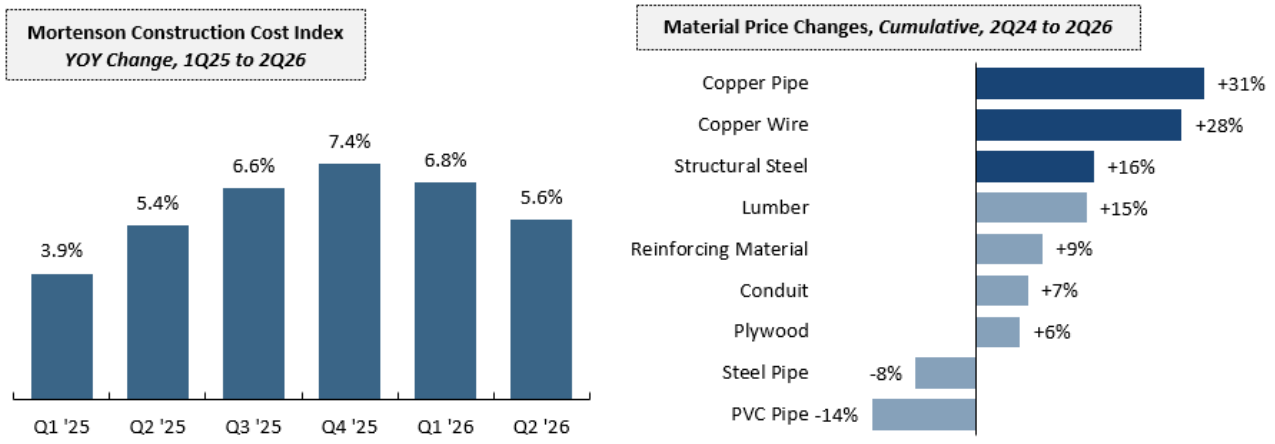
Source: Mortenson Construction Cost Index and Bourne Partners

In our view, **the "big picture" narrative coming out of the Fierce Pharma Manufacturing Day was that pharma and biotech manufacturing is becoming more strategic** with the increasing complexity of new drugs coming to market, the use of advanced treatment modalities, and rising geopolitical pressures affecting where medicines are

produced. Essentially, manufacturing is evolving from a downstream execution function into an integral part of research, development, and commercial planning. This, in turn, requires manufacturing teams to be engaged early-on because drug design shapes process requirements, production feasibility, and eventual supply. Also, coordination between manufacturing and commercial teams is more important these days in order to ensure alignment with supply chains, patient preferences, and regional demand.

Specifically, **geopolitical pressures related to tariffs and trade restrictions (e.g., the BIOSECURE Act) and turmoil in the Middle East are causing sponsors to regionalize their manufacturing networks** to be able to more flexibly serve different markets and source supplies. Tariffs were top-of-mind and a major topic of discussion throughout the conference. Recent rules issued by the *U.S. Department of Commerce* exempted certain "specialty products" such as orphan drugs (if all approved indications are orphan), nuclear medicines, cell and gene therapies, and antibody-drug conjugates (ADCs) -- but only if they are produced in one of nineteen eligible jurisdictions or they are deemed to meet an urgent health need. Notably, China is not on the list. So, these rules favor manufacturing in the U.S. and in allied-countries, thereby creating demand for greenfield and brownfield expansions, as well as for engineering and facility service providers. In many cases, partnering with a CDMO can give a sponsor a faster pathway into a new geography than building a new facility or expanding an existing facility, provided suitable technical capabilities are available. This is particularly true for non-U.S. companies seeking access to the U.S. Also, there was a discussion by **Fuji Biotechnologies** about how it is important for CDMOs to be able to standardize their processes and quality systems across their manufacturing networks. This allows their sponsor customers a consistent experience worldwide and flexibility adapting their geographic exposures.

Construction Cost Increases by Quarter (Left) and by Material (Right)



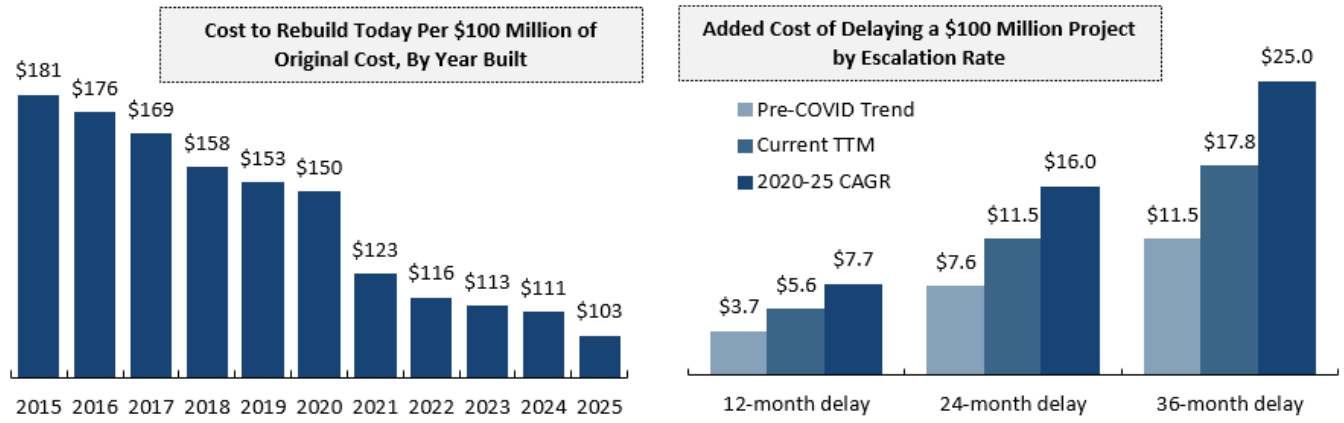
Source: Mortenson Construction Cost Index and Bourne Partners

Of course, **these geographic considerations must be matched with the specific capabilities that each new drug therapy requires.** Highly targeted, lower-volume medicines often need specialized manufacturing. For CDMOs, this means being more than just overflow capacity. For instance, sterile products require flexible fill-finish capabilities across formats such as vials, prefilled syringes, and cartridges, while bioavailability issues require unique formulations, including lipid-based formulations, soft gels, spray drying, and hot-melt extrusion. The value lies not simply in offering a broad list of capabilities, but in matching the optimal formulation and dosage form to each therapy. A number of unique formulation approaches were highlighted at the *Fierce Pharma Manufacturing Day*, including specialized oral formulation technologies by **Adare Pharma Solutions** (e.g., taste masking and

customized release), while **Aenova Group** highlighted its capabilities across oral solids, soft gels, and sterile products. Other panelists, such as CDMOs **Bend Bioscience** and **Serán**, discussed the role of spray drying and other technologies addressing bioavailability and scale-up challenges. And, for biologics, **Enzene** referenced its new continuous biomanufacturing platform and the importance of process design (versus just bioreactor size).

Integration with development and commercialization is particularly relevant for the manufacturing of these complex medicines. Sponsors have historically assembled specialist providers across formulation design, preclinical development, clinical supply, and commercial manufacturing. However, moving between disparate providers can introduce technology transfers, coordination burdens, and delays. CDMOs that connect these stages can reduce handoffs, preserve process knowledge, and improve development-to-commercial continuity. This theme came up during discussions with **FUJIFILM Biotechnologies**, which offers services spanning preclinical development through commercialization, and **Novartis Contract Manufacturing**, which offers capabilities across small molecules, biologics, and advanced therapies. For both, we see the opportunity as pairing technical breadth with reliable technology transfer and clinical-to-commercial supply, rather than simply offering access to additional physical capacity. As sponsors reshape their geographic networks, maintaining this continuity is an important consideration alongside the location of capacity.

Replacement Cost (Left) and the Cost of Delay (Right)



Source: Mortenson Construction Cost Index and Bourne Partners

The relationship between sponsors and CDMOs is also evolving, in our view. Since the COVID-19 pandemic, we have seen strategic partnerships increasingly extend beyond individual assets to evolving portfolios of programs. Sponsors want fewer CDMOs to contract with and manage, favoring CDMO partners who can grow with them as development priorities, volumes, and geographic requirements change. CDMOs, in turn, prefer sponsors whose needs align with their capabilities and capacity plans. These relationships can improve visibility to revenues and optimize capacity utilization. Competitive pricing, of course, remains important; however, we believe there was a consensus view that technical fit, reliability, and adaptability can carry greater weight than simply getting the lowest price for an individual project. At the *Fierce Pharma Manufacturing Day*, executives at **Astellas**, **Pfizer**, and **Takeda** discussed the balancing of capabilities that are best retained internally (where nimbleness and control matters) and capabilities that are best outsourced (where scale and execution matters) -- while small sponsors commented that they outsource their manufacturing completely -- such as **AdvanCell**, for its targeted alpha therapies, and **Torque Bio**, for its kidney-targeted genetic medicines.

Converting these network and capability decisions into new productive manufacturing capacity requires careful planning around costs, technology, and workforce needs. For greenfield projects and brownfield expansions, inflation and long, frequently changing equipment lead times complicate budgeting and execution. One CDMO executive commented that it is budgeting for a projected 6.9% increase in pharma construction costs over the next 12–18 months. Mortenson's national non-residential construction cost index, also featured in its Advanced Manufacturing report, rose 5.6% in the twelve months through 2Q26 and is up ~50% since 2020. That is a ~7.7% annual rate through 2025, versus ~3.7% from 2009 to 2019. The trailing twelve-month increase peaked at 7.4% in 4Q25 and eased to 5.6% in 2Q26 but remains well above the pre-COVID trend. Electrical and metal-intensive scopes led the latest quarter's increases, and copper pipe and wire prices are up ~28–31% over two years; pharma plants are heavy users of both. Inflation also raises the replacement cost of existing capacity: a facility built in 2019 would cost ~1.5x as much to build today, before process equipment and validation. In our view, this favors CDMOs and owners with validated, available capacity and adds scarcity value to brownfield sites in M&A.

Multiple pharma, biotech, and CDMO panelists also said they are exploring ways to build digital and AI capabilities into expansion projects, including modern hardware, software, and reliable access to manufacturing data. In our view, CDMOs that design this data infrastructure into new facilities, rather than retrofitting them later, should be better positioned in forecasting, integrated planning, quality assurance, and predictive maintenance. Workforce planning, recruitment, and training must accompany new capacity as competition for specialized talent intensifies. For executives and investors, simply adding capacity is not enough; manufacturers must equip it with the technology, people, and operating expertise needed to deliver reliable commercial supply.

Multiple pharma, biotech, and CDMO panelists also said they are exploring ways to build digital and AI capabilities into expansion projects, including modern hardware, software, and reliable access to manufacturing data. In our view, CDMOs that design this data infrastructure into new facilities, rather than retrofitting them later, should be better positioned to leverage digital and AI towards forecasting, integrated planning, quality assurance, and predictive maintenance. Building this foundation creates demand for good manufacturing practice (GMP) automation and commissioning, qualification, and validation (CQV) providers to integrate systems, migrate data, and validate intended use. Coordinating automation and CQV early can reduce handoffs, duplicated testing, and start-up delays, while ongoing support, upgrades, and revalidation extend the services opportunity beyond initial construction. At the same time, workforce planning, recruitment, and training must accompany new capacity as competition for specialized talent intensifies.

Bourne Partners Contacts

Donald Hooker, CFA
Director of Research
dhooker@bourne-partners.com

Jeremy Johnson
Head of Investment Banking
jjohnson@bourne-partners.com

James West
Managing Director
jwest@bourne-partners.com

Jake Curtis
Director
jcurtis@bourne-partners.com

Ryan Silvester
Vice President
rsilvester@bourne-partners.com

Nick Triantafyllides
Vice President
nickt@bourne-partners.com

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