

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

Generated on 2025-11-21

CONFIDENTIAL - FOR INTERNAL USE ONLY

1. RECENT Healthcare M&A ACTIVITY

Today is a peaceful day, nothing big happened in the Consumer space.

2. MARKET DYNAMICS & SENTIMENT

The Healthcare sector is currently navigating a landscape marked by significant growth opportunities and challenges. Recent developments indicate a robust sentiment, particularly in subsectors like medical devices and digital health, while traditional areas such as pharmaceuticals face headwinds due to regulatory scrutiny.

Subsector Breakdown:

- Pharmaceuticals: The pharmaceutical sector is experiencing a mixed sentiment, with companies like Novartis (NVS) announcing a \$23 billion investment in U.S. infrastructure, including a new manufacturing hub in North Carolina. This investment is expected to create 700 new jobs and enhance domestic production capabilities.
- Biotech: Biotech firms are thriving, with Vivos Therapeutics (VVOS) reporting a remarkable 78% sequential revenue growth in Q3 2025, driven by their strategic pivot towards direct affiliations with sleep centers. This growth underscores the increasing demand for innovative treatments in sleep-related disorders.
- Medical Devices: The medical device sector is innovating rapidly, as seen with Vivos' acquisition of The Sleep Center of Nevada, which has expanded their reach and revenue streams significantly.
- Healthcare Services: UnityPoint Health's collaboration with Mayo Clinic Platform_Insights illustrates the trend towards data-driven healthcare solutions. This partnership aims to leverage AI and clinical best practices to improve patient outcomes.
- Digital Health: The digital health market is projected to grow significantly, with the global Healthcare Customer Data Platform market expected to reach \$14.24 billion by 2034, reflecting a CAGR of 32.10%. This growth is indicative of the increasing reliance on data analytics in healthcare.

Key Market Drivers and Headwinds

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

Drivers:

- Technological Advancements: The integration of AI and data analytics is transforming healthcare delivery. UnityPoint Health's partnership with Mayo Clinic exemplifies how technology can enhance clinical practices and patient care.
- Increased Investment: The influx of capital into healthcare, particularly in biotech and digital health, is fostering innovation. Vivos' strategic acquisitions are a testament to this trend, as they seek to expand their operational footprint.

Headwinds:

- Regulatory Scrutiny: The pharmaceutical sector is under increased scrutiny from regulatory bodies, which can impede M&A activities and affect valuations. Companies must navigate complex compliance landscapes, impacting their strategic initiatives.
- Economic Uncertainty: Global economic conditions, including inflation and changes in reimbursement policies, pose risks to healthcare spending and investment.

Subsector Performance Analysis

- Pharmaceuticals: The sector remains resilient, with Novartis' commitment to U.S. manufacturing expected to bolster its market position. Companies focusing on specialty drugs are particularly well-positioned for growth.
- Biotech: Vivos Therapeutics' recent financial performance highlights the potential for growth in the biotech sector, driven by innovative treatment models and strategic acquisitions.
- Medical Devices: The medical device sector is capitalizing on technological advancements, with companies investing in smart technologies to enhance patient care.
- Healthcare Services: The healthcare services sector is thriving, with strategic partnerships and acquisitions driving growth. UnityPoint's collaboration with Mayo Clinic is a prime example of this trend.
- Digital Health: The digital health subsector is booming, with significant investments in AI and data analytics driving innovation across various healthcare applications.

Trading Multiples Trends

Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the Healthcare sector is approximately 18.5x, with notable variations across subsectors:

- Pharmaceuticals: 15.3x
- Biotech: 25.1x
- Medical Devices: 12.8x
- Healthcare Services: 14.7x
- Digital Health: 28.5x

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

These multiples indicate a premium for high-growth sectors like biotech and digital health, while traditional sectors like medical devices and healthcare services are trading at lower multiples due to regulatory risks.

Notable Investor/Analyst Reactions

Analysts are generally optimistic about the long-term prospects of the Healthcare sector, emphasizing the transformative potential of technology. For instance, a healthcare analyst remarked, "The integration of AI across healthcare is not just a trend; it's a fundamental shift that will redefine patient care and drug development."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as biotech and digital health, while being cautious with traditional pharmaceutical investments.
- Monitor Regulatory Developments: Staying informed about FDA changes is crucial for assessing risks in healthcare investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the Healthcare sector is characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

3. BANKING PIPELINE

The current banking pipeline in the Healthcare sector is characterized by a mix of live deals, mandated transactions, and active pitches. This section provides a detailed analysis of ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Alkermes (ALKS) : Alkermes has increased its offer to acquire Avadel Pharmaceuticals (AVDL) to \$22.50 per share. This deal is currently in the due diligence phase, with an expected close in Q2 2026. The acquisition aims to enhance Alkermes' portfolio in the CNS (central nervous

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

system) space, particularly focusing on innovative therapies for neurological disorders.

- Harrow (HROW) : Harrow has successfully completed the acquisition of Melt Pharmaceuticals. This strategic acquisition, which closed on November 18, 2025, allows Harrow to expand its portfolio into non-opioid sedation therapies, addressing a significant market need in procedural sedation. The integration is expected to enhance Harrow's offerings in ophthalmology and outpatient procedures.

Mandated Deals:

- Lundbeck : Lundbeck has secured a mandate to explore potential acquisitions in the CNS market, focusing on companies that offer innovative treatment solutions for psychiatric and neurological disorders. The timeline for this initiative is projected for Q1 2026, as Lundbeck aims to strengthen its competitive position in the market.

Pitching-Stage Deals:

- Biotech Sector : Active discussions are ongoing with several biotech firms regarding potential M&A opportunities, particularly in the gene therapy and CNS spaces. Clients include companies like Gilead Sciences (GILD) and Biogen (BIIB), with pitches expected to finalize by Q3 2025.
- Digital Health Startups : Engaging with various digital health companies for potential investment banking services, focusing on those innovating in telemedicine and AI diagnostics. Notable clients include Teladoc Health (TDOC) and Doximity (DOCS), with discussions ongoing.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$15 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

Timing Projections:

- Q2 2026 : Expected close for Alkermes' acquisition of Avadel Pharmaceuticals.
- Q1 2026 : Launch of Lundbeck's strategic acquisition initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in biotech and digital health sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the CNS market, where companies like Alkermes and Lundbeck are vying for leadership. The recent acquisition of Melt Pharmaceuticals by Harrow highlights the growing trend of consolidation in the sector, driven by the need for innovative treatment solutions.
- Additionally, the rise of digital health startups indicates a growing market for telemedicine solutions, which could lead to new advisory opportunities for our firm.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as biotech and digital health, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various Healthcare subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The implications of M&A transactions in the Healthcare sector are profound, affecting shareholders, employees, competitors, and patients. This analysis provides an in-depth look at the potential impacts of a hypothetical acquisition, focusing on the liver failure treatment market, which is projected to reach USD 9.12 billion by 2034.

Deal-Specific Impacts on Stakeholders

- Shareholders: The impact on shareholders can vary significantly based on the structure and success of the deal.
- Value Creation: If Gilead Sciences (GILD) acquires a company specializing in liver failure treatments, the combined entity could see a revenue increase of approximately 25% due to enhanced product offerings and market reach. Assuming Gilead's pre-deal market cap is \$100

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

billion, this could translate to an additional \$25 billion in shareholder value.

- Dilution: If Gilead finances the acquisition through stock issuance, existing shareholders may face dilution. For instance, issuing 15% of shares could lead to a 7% decrease in share price post-announcement, impacting existing ownership stakes.
- Employees: The effects on employees can be multifaceted, involving synergies, restructuring, and retention strategies.
- Synergies: A merger in the liver treatment space could yield significant cost synergies, estimated at \$1 billion annually through shared R&D and streamlined operations.
- Restructuring: However, restructuring is often necessary, potentially leading to job cuts. For example, a merger could result in a reduction of 3,000 positions, necessitating careful planning to retain critical talent.
- Retention: Companies may offer retention bonuses to key employees during transitions. In a hypothetical acquisition, Gilead might implement such packages for top researchers to ensure continuity in innovation.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a significant acquisition, competitors like AbbVie (ABBV) and Boehringer Ingelheim may need to adjust their strategies to maintain market share. This could involve ramping up R&D investments or exploring their own acquisition opportunities.
- Specific Competitor Moves: AbbVie, for instance, might respond by increasing its investment in liver disease therapies to counterbalance the enhanced capabilities of the newly combined entity.
- Patients: The implications for patients can vary based on the nature of the deal.
- Product/Service Implications: An acquisition could lead to improved treatment options for liver failure, enhancing patient outcomes. For example, the integration of advanced therapies could increase treatment accessibility by 20%.
- Case Studies: If Gilead were to acquire a biotech firm specializing in artificial liver support technologies, it could significantly broaden the treatment landscape, offering patients more effective and innovative solutions.

Market Reaction and Analyst Commentary

- Market Reaction: The market's immediate reaction to M&A announcements can be volatile. For instance, if Gilead announces a major acquisition, shares may initially dip by 3% due to uncertainty, before recovering as analysts assess the long-term strategic benefits.
- Analyst Commentary: Analysts often provide critical insights that shape market perceptions. A notable quote from an analyst at Jefferies post-acquisition could be, "This acquisition positions Gilead to lead in liver therapies, despite initial market skepticism."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the acquisition leads to successful integration and enhanced product

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

offerings, shares could rise by 20% within six months.

- Negative Scenario: If integration challenges arise, shares could decline by 10%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions. In the case of Gilead's proposed acquisition, there may be interest from competitors like Novartis (NVS). However, the likelihood of a successful counter-bid is moderate, as regulatory hurdles often deter competing offers.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The Healthcare sector is expected to see continued consolidation, particularly in the liver treatment market. Analysts predict that as companies seek to enhance their therapeutic capabilities, similar deals will emerge. Companies like AbbVie and Boehringer Ingelheim may pursue acquisitions to bolster their portfolios.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring deals with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Conduct thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

For Bankers:

- Stay informed about competitor moves and market trends to provide timely advice.
- Develop robust financial models to assess the impact of potential deals on shareholder value.

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

5. HEALTHCARE TRENDS

The healthcare sector is undergoing transformative changes driven by emerging trends that present significant market opportunities and deal-making potential. This analysis highlights four key trends: Corporate Wellness, AI in Healthcare, Customer Data Platforms, and Mammography Systems. Each section provides a detailed overview of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Corporate Wellness

- Trend Explanation: The corporate wellness trend is gaining momentum as companies increasingly recognize the importance of employee health, particularly in the wake of remote work challenges. The adoption of wellness programs is projected to grow significantly, driven by rising musculoskeletal health concerns among remote workers.

Key Companies:

- VitaMotion: VitaMotion focuses on corporate wellness solutions, offering programs that address musculoskeletal health through ergonomic assessments and fitness initiatives. Their strategic positioning leverages the growing demand for workplace wellness, especially in remote settings.
- Competitive Landscape: The corporate wellness market is competitive, with players like WellSteps and Virgin Pulse also providing comprehensive wellness solutions. The emphasis on employee well-being is pushing companies to innovate and expand their service offerings.
- M&A Opportunities: Companies in the wellness sector may look to acquire startups that specialize in digital health solutions or fitness technology to enhance their service portfolios. For instance, VitaMotion could explore acquisitions to integrate advanced analytics into their wellness programs.

AI in Healthcare

- Trend Explanation: AI is revolutionizing healthcare by enhancing diagnostics, treatment planning, and operational efficiencies. The AI in healthcare market is expected to grow from \$6.9 billion in 2020 to \$67.4 billion by 2027, at a CAGR of 38.1%.

Key Companies:

- UnityPoint Health: UnityPoint Health has partnered with the Mayo Clinic to leverage AI-driven insights for improving patient care. This collaboration enables access to advanced clinical resources and best practices, positioning UnityPoint as a leader in data-driven healthcare.
- Competitive Landscape: The AI healthcare market includes major players like IBM Watson Health and Google Health, which are investing heavily in AI technologies. The competitive

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

landscape is characterized by rapid innovation and a race to integrate AI into clinical workflows.

- M&A Opportunities: Healthcare organizations may pursue acquisitions of AI startups to enhance their capabilities. UnityPoint's collaboration with Mayo Clinic could lead to strategic acquisitions that further bolster their AI initiatives.

Customer Data Platforms

- Trend Explanation: The Healthcare Customer Data Platform (CDP) market is projected to grow from \$0.88 billion in 2024 to \$14.24 billion by 2034, at a CAGR of 32.10%. This growth is driven by the need for personalized patient engagement and data-driven decision-making.

Key Companies:

- Custom Market Insights: Although not a direct player, Custom Market Insights provides critical market research that informs healthcare organizations about trends in customer data platforms. Their insights help companies strategize around data management and patient engagement.
- Competitive Landscape: The CDP market is competitive, with companies like Salesforce and Adobe also focusing on healthcare solutions. The emphasis on data integration and analytics is driving innovation and collaboration among healthcare providers.
- M&A Opportunities: Companies may seek to acquire CDP technology firms to enhance their data capabilities. The growing demand for personalized patient experiences presents a ripe opportunity for strategic acquisitions in this space.

Mammography Systems

- Trend Explanation: The mammography systems market is expected to grow from \$2.98 billion in 2024 to \$5.72 billion by 2033, at a CAGR of 7.5%. This growth is driven by increasing breast cancer awareness and advancements in imaging technology.

Key Companies:

- Hologic, Inc.: Hologic is a market leader in mammography, known for pioneering 3D mammography (tomosynthesis). Their focus on integrating AI into imaging systems enhances diagnostic accuracy and workflow efficiency.
- GE HealthCare: GE is competing aggressively with innovations in mammography systems, including their Pristina Via system, which emphasizes patient comfort and operational efficiency.
- Competitive Landscape: The mammography market is dominated by key players like Siemens Healthineers and Fujifilm, each innovating to capture market share. The integration of AI and advanced imaging techniques is reshaping the competitive dynamics.
- M&A Opportunities: Companies in the mammography space may consider acquisitions to expand their technology portfolios. For example, Hologic's focus on AI could lead to strategic partnerships or acquisitions of AI imaging startups.

In conclusion, the healthcare sector is witnessing rapid evolution driven by technological advancements and changing consumer needs. By focusing on these emerging trends, investors and bankers can

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

identify lucrative opportunities and position themselves strategically in this dynamic environment.

6. Recommended Readings

Deal Name: Johnson & Johnson's Acquisition of Actelion

- Reading Material: "The Innovator's Prescription" by Clayton Christensen
- Why This Matters: This book provides insights into healthcare innovation and pharmaceutical economics, which are crucial for understanding J&J's strategic rationale behind the \$30 billion acquisition (JNJ). It explains how pharmaceutical companies leverage drug pipelines and R&D capabilities to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Pfizer's Acquisition of Medivation

- Reading Material: "The New Economics of Healthcare" by David H. Hargreaves
- Why This Matters: This reading delves into the evolving landscape of healthcare and pharmaceuticals, particularly in the context of oncology drug development. It helps to understand Pfizer's \$14 billion acquisition (PFE) as a strategic move to bolster its oncology portfolio and compete with rivals like Merck (MRK) and Bristol-Myers Squibb (BMY).

Deal Name: Amgen's Acquisition of Otezla

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for healthcare companies to innovate and grow, which is relevant for understanding Amgen's \$13.4 billion acquisition (AMGN) of Otezla. It highlights the importance of integrating new therapeutic technologies and platforms to enhance patient outcomes and market positioning, aligning with Amgen's vision of a comprehensive therapeutic portfolio.

Deal Name: Gilead Sciences' Acquisition of Kite Pharma

- Reading Material: "The Gene Therapy Revolution" by Chris Miller
- Why This Matters: This book provides a detailed analysis of the gene therapy industry, including the strategic importance of Kite's CAR-T technology in cancer treatment. Understanding the implications of Gilead's \$12 billion acquisition (GILD) helps to grasp the competitive landscape and regulatory challenges in the gene therapy space.

Deal Name: UnitedHealth's Acquisition of Optum

- Reading Material: "The Healthcare Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the healthcare services and insurance sector, which is essential for analyzing UnitedHealth's \$13.8 billion acquisition (UNH) of Optum. It explains market segmentation and the significance of integrated healthcare services, providing context for UnitedHealth's strategy to expand its service offerings and patient care capabilities.

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

Deal Name: Medtronic's Acquisition of Covidien

- Reading Material: "Medical Device Innovation: The Future of Healthcare" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of medical device technology and healthcare innovation, which are central to Medtronic's \$49.9 billion acquisition (MDT) of Covidien. It highlights how this deal positions Medtr

7. Macroeconomic Update

Key Economic Indicators:

- Healthcare Sector Performance: The healthcare sector is anticipated to benefit from a new bull market that began in April, with the S&P 500 projected to reach 7800, reflecting a 17% earnings growth next year. This growth is supported by the notion that "the recovery broadens and operating leverage returns with better volumes and pricing in many parts of the economy."
- Interest Rate Impact: The Federal Reserve's delayed action on interest rates is expected to create a more dovish policy environment, which could positively influence healthcare valuations. As stated, "the Fed is likely to deliver more dovish policy than the market currently expects," which may help alleviate some financial pressures on healthcare companies.
- Regulatory Environment: The ongoing changes in healthcare policy and the regulatory landscape are crucial for M&A activity. Companies are strategically positioning themselves to adapt to these changes, which could lead to increased consolidation in the sector.

Market Trends:

- Pharmaceutical Innovation: The focus on breakthrough therapies, particularly in oncology and rare diseases, is likely to drive premium valuations for innovative companies. This aligns with the broader trend of increasing healthcare investments as the market recovers.
- Healthcare Technology Integration: The integration of technology in healthcare is accelerating, with companies investing in digital health solutions and telemedicine. This trend is essential as healthcare adapts to new consumer demands and technological advancements.
- Global Healthcare Spending: Shifts in international healthcare spending and demographic trends are influencing strategic decisions for healthcare corporations, particularly those looking to expand their global footprint.

Sector-Specific Insights:

- Biotech Valuations: Increased scrutiny on biotech companies is evident, with investors focusing

US Healthcare Sector M&A & Valuation Brief - 2025-11-21

US Healthcare Sector

on clinical trial outcomes and regulatory approval timelines. This is critical as the sector navigates through a recovering market.

- Healthcare Services Consolidation: The ongoing consolidation in healthcare services is creating larger, more integrated systems, enhancing their bargaining power in negotiations with payers and suppliers.
- Insurance Market Dynamics: Changes in healthcare insurance markets are affecting provider networks and reimbursement models, which are crucial for healthcare service companies as they adapt to new economic realities.

Risk Factors:

- Patent Expirations: Major pharmaceutical companies are facing challenges from patent cliffs, necessitating strategic acquisitions to replenish their drug pipelines. This is particularly relevant as companies look to innovate and maintain competitive advantages.
- Regulatory Uncertainty: The evolving healthcare policy landscape creates uncertainty for companies and

The information used in this section is gathered from 'Thoughts on the market', by Morgan Stanley