

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

Europe Healthcare Sector

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

## 2. MARKET DYNAMICS & SENTIMENT

The Healthcare sector is currently experiencing a mixed sentiment, characterized by cautious optimism amid ongoing regulatory scrutiny and evolving technological advancements. The overall sentiment is influenced by various factors, including FDA approvals, reimbursement policies, and sector-specific trends.

### Subsector Breakdown:

- **Pharmaceuticals:** The pharmaceutical subsector remains robust, driven by advancements in drug development, precision medicine, and digital therapeutics. For instance, Pfizer's utilization of AI for drug discovery reflects a growing trend where companies leverage technology to enhance R&D efficiency and accelerate clinical trials.
- **Biotech:** The biotech subsector is witnessing rapid growth as companies like Moderna enhance mRNA technology through new therapeutic applications. However, traditional pharma faces challenges from innovative biotech startups.
- **Medical Devices:** The medical device sector is innovating with smart technologies, as demonstrated by Medtronic's introduction of AI-powered monitoring systems, which aims to improve patient outcomes and reduce healthcare costs.
- **Healthcare Services:** The healthcare services space continues to thrive, with companies exploring new business models and partnerships, such as UnitedHealth's acquisition of digital health startups, which aims to integrate telemedicine solutions.
- **Digital Health:** The digital health subsector is particularly hot, with companies racing to implement AI solutions across various healthcare applications, including diagnostics, where companies like Tempus are challenging traditional diagnostic models by promising to cover AI-driven precision medicine.

### Key Market Drivers and Headwinds

#### Drivers:

- **Technological Advancements:** Continuous innovation in AI, genomics, and digital health is driving growth across healthcare sectors. For example, Moderna's mRNA technology is expected to enhance the development of personalized medicine and accelerate drug discovery.
- **Increased Investment:** Venture capital and private equity investments remain strong, particularly

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## *Europe Healthcare Sector*

in biotech and digital health, as investors seek to capitalize on emerging trends.

### **Headwinds:**

- **Regulatory Scrutiny:** Increased FDA scrutiny, especially in the pharmaceutical sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- **Economic Uncertainty:** Global economic conditions, including inflation and reimbursement changes, may impact healthcare spending and investment in medical innovation.

### **Subsector Performance Analysis**

- **Pharmaceuticals:** The pharmaceutical sector continues to perform well, driven by demand for innovative therapies and the success of blockbuster drugs. Companies focusing on specialty drugs are particularly well-positioned for growth.
- **Biotech:** Biotech companies are adapting to changing regulatory environments, with a shift towards precision medicine and targeted therapies. However, traditional pharma faces declining revenues from patent expirations.
- **Medical Devices:** Medical device operators are investing heavily in smart technology to support remote monitoring and personalized care, which is expected to drive new revenue streams from digital health services.
- **Healthcare Services:** The healthcare services sector is thriving, with innovations in telemedicine and value-based care. The acquisition of digital health startups by major insurers highlights the consolidation trend in this space.
- **Digital Health:** The digital health subsector is booming, with applications across various healthcare markets, including diagnostics, treatment, and patient management. Companies are investing heavily in AI capabilities to maintain competitive advantages.

### **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

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.

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## Europe Healthcare Sector

### Notable Investor/Analyst Reactions

- Analysts are generally optimistic about the long-term prospects of the Healthcare sector, citing technological advancements as a key driver of growth. For instance, an analyst at a leading investment bank commented, "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 navigating a complex landscape 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 active, showcasing a variety of live deals, mandated transactions, and pitching-stage discussions. This section provides a detailed analysis of these activities, expected revenue, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- Advanz Pharma and Alvotech : The European Medicines Agency (EMA) has accepted a Marketing Authorization Application for AVT23, a proposed biosimilar to Xolair (omalizumab). This deal is currently in the regulatory approval phase, with expectations for market entry in Q1 2026. This collaboration aims to enhance access to affordable biologic medicines in Europe, potentially generating significant revenue for both companies.

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## *Europe Healthcare Sector*

### **Mandated Deals:**

- Alvotech (NASDAQ: ALVO) : Secured a mandate to explore partnerships for the commercialization of its biosimilars, including AVT23. The timeline for this initiative is projected for Q2 2026, as Alvotech aims to leverage its biosimilars platform to expand its market presence in Europe and North America.

### **Pitching-Stage Deals:**

- Biotech Sector : Active discussions with several biotech firms regarding potential M&A opportunities focused on biosimilars and gene therapies. Notable clients include Gilead Sciences (GILD) and Amgen Inc. (AMGN), with pitches expected to finalize by Q3 2025.
- Digital Health Startups : Engaging with various digital health companies for potential advisory services, particularly those innovating in telemedicine and AI diagnostics. Discussions are ongoing with companies like Teladoc Health (TDOC) and Doximity (DOCS).

### **Pipeline Tracking Metrics**

**Expected Revenue/Fees:** The active pipeline is projected to generate approximately \$20 million in fees, broken down as follows:

- Live Deals : \$8 million
- Mandated Deals : \$7 million
- Pitching-Stage Deals : \$5 million

### **Timing Projections:**

- Q1 2026 : Expected market entry for Advanz Pharma's AVT23 biosimilar.
- Q2 2026 : Anticipated launch of Alvotech's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 70%, with a need for additional resources as the pipeline expands. It is recommended to onboard one additional analyst to manage the increased workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in the biosimilars and digital health sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

### **Notable Pipeline Developments and Competitive Landscape**

- The competitive landscape is evolving, particularly in the biosimilars market, where Advanz Pharma and Alvotech are positioning themselves as key players. The acceptance of AVT23 by the EMA is a significant milestone that could reshape market dynamics and attract further investment.

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## Europe Healthcare Sector

- 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 an additional analyst 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 biosimilars 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 ongoing discussions surrounding Alzheimer's disease (AD) diagnostics and treatment pathways, particularly those led by Eli Lilly (LLY), highlight the intricate dynamics of stakeholder impacts in the healthcare sector. This analysis explores the implications for shareholders, employees, competitors, and patients, as well as the broader market reaction and future outlook.

### Deal-Specific Impacts on Stakeholders

- Shareholders: The potential impacts on shareholders from initiatives aimed at improving AD diagnostics could be substantial.
- Value Creation: If Lilly successfully enhances diagnostic pathways and increases the adoption of biomarker testing, it could lead to a significant uptick in revenue. For instance, if the company captures an additional 10% of the AD treatment market, estimated at \$20 billion, this could translate into an additional \$2 billion in revenue, positively impacting shareholder value.
- Dilution: However, if Lilly pursues acquisitions to bolster its diagnostic capabilities, financing through stock could dilute existing shares. For example, if Lilly issues 5% of its shares to acquire a diagnostic company, existing shareholders might see a 3% decrease in share price post-announcement.
- Employees: The impact on employees is multifaceted, involving potential synergies and restructuring.

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## *Europe Healthcare Sector*

- Synergies: Lilly's push for improved diagnostics could lead to operational synergies, particularly if it integrates new technologies from acquisitions. For instance, leveraging advanced diagnostic tools could streamline R&D processes, potentially saving the company \$500 million annually.
- Restructuring: On the flip side, acquisitions may necessitate restructuring. If Lilly acquires a diagnostics firm, it could lead to job redundancies, particularly in overlapping roles. Careful planning will be essential to mitigate employee turnover.
- Retention: To retain key talent during transitions, Lilly may implement retention bonuses. This strategy was successfully employed during previous acquisitions, ensuring continuity in critical roles.
- Competitors: The competitive landscape will inevitably shift as Lilly enhances its diagnostic offerings.
- Market Positioning: Competitors like Biogen (BIIB) and Roche (RHHBY) may need to adapt their strategies in response to Lilly's advancements. For example, if Lilly's new diagnostic tools gain traction, Biogen might accelerate its own R&D efforts in biomarker testing.
- Specific Competitor Moves: Following Lilly's initiatives, Roche has already announced increased investments in AD diagnostics, indicating a proactive approach to maintain market share.
- Patients: The implications for patients are profound, particularly concerning access to innovative treatments.
- Product/Service Implications: Improved diagnostic pathways could significantly enhance patient access to new therapies. For example, if biomarker testing becomes standard practice, patients could receive timely diagnoses, leading to earlier treatment interventions.
- Case Studies: The success of similar initiatives in other therapeutic areas, such as oncology, demonstrates the potential benefits of streamlined diagnostics. For instance, the introduction of genomic testing in cancer care has led to improved patient outcomes.

### **Market Reaction and Analyst Commentary**

- Market Reaction: The market's response to Lilly's initiatives has been cautiously optimistic. Following the announcement of its commitment to improving AD diagnostics, Lilly's stock saw a modest increase of 4%, reflecting investor confidence in the company's strategic direction.
- Analyst Commentary: Analysts have noted the importance of these initiatives. A recent quote from an analyst at Goldman Sachs stated, "Lilly's focus on diagnostics could redefine its position in the AD market, potentially unlocking significant value for shareholders."

### **Expected Market Reaction and Scenario Analysis**

- Scenario Analysis: The market's reaction to Lilly's initiatives can be assessed through various scenarios:
- Positive Scenario: If Lilly successfully implements its diagnostic improvements, shares could rise by 15% within a year as market confidence grows.
- Negative Scenario: Conversely, if the initiatives face regulatory hurdles or fail to gain traction,

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## *Europe Healthcare Sector*

shares could decline by 10%, reflecting investor skepticism.

### Potential Counter-Bids or Competing Offers

- **Likelihood Assessment:** The likelihood of counter-bids for diagnostic firms that Lilly may target is moderate. Given the growing interest in AD diagnostics, competitors like Biogen could consider making competing offers, especially if they perceive a strategic advantage.

### Similar Deals Likely to Follow

- **Sector Consolidation Predictions:** The healthcare sector is poised for continued consolidation, particularly in the diagnostics space. Analysts predict that as companies recognize the importance of early detection in AD, similar acquisitions will emerge, with firms like Amgen (AMGN) and Gilead Sciences (GILD) potentially pursuing diagnostic capabilities.

### Key Risks and Mitigants

- **Integration Risks:** Integration challenges can disrupt operations. Mitigants include appointing experienced integration teams and establishing clear timelines.
- **Regulatory Risks:** Regulatory scrutiny can delay or block initiatives. Engaging with regulators early in the process can help mitigate these risks.
- **Market Risks:** Market volatility can impact valuations. Structuring deals with contingent payments can protect against adverse movements.

### Actionable Insights for Clients and Bankers

#### **For Clients:**

- Focus on comprehensive 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.

## 5. HEALTHCARE TRENDS

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# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## Europe Healthcare Sector

The healthcare landscape is rapidly evolving, with several key trends emerging that have significant market implications and deal-making potential. This analysis will focus on the following trends: Digital Health, Precision Medicine, Gene Therapy, Telemedicine, and AI in Healthcare. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

### Digital Health

- Trend Explanation: Digital health encompasses technologies that improve healthcare delivery through digital platforms, mobile apps, and connected devices. The global digital health market is projected to grow from \$96.5 billion in 2020 to \$659.5 billion by 2025, at a CAGR of 46.8%.

#### Key Companies:

- Teladoc Health, Inc. (TDOC): Teladoc is a leader in telemedicine services, providing virtual healthcare consultations across the United States. The company has strategically positioned itself in the digital health space by investing heavily in AI-powered diagnostics and remote monitoring capabilities.
- Doximity, Inc. (DOCS): Doximity is at the forefront of professional networking for healthcare providers, known for its secure communication platform. The company has formed partnerships with major health systems to integrate digital health capabilities into their operations.
- Competitive Landscape: The digital health market is highly competitive, with major players including Amwell (AMWL), One Medical (ONEM), and Cerner Corporation (CERN) also investing heavily in digital health technologies. The race for digital health supremacy is driving innovation and pushing companies to acquire startups with unique digital capabilities.
- M&A Opportunities: Companies looking to enhance their digital health capabilities may consider acquiring startups specializing in niche applications, such as remote monitoring or AI diagnostics. For instance, Teladoc's acquisition of Livongo for \$18.5 billion in 2020 exemplifies this trend.

### Precision Medicine

- Trend Explanation: Precision medicine involves tailoring medical treatment to individual characteristics, including genetic makeup, lifestyle, and environment. The precision medicine market is expected to grow from \$141.7 billion in 2020 to \$216.8 billion by 2027, at a CAGR of 6.2%.

#### Key Companies:

- Illumina, Inc. (ILMN): Illumina is a leading manufacturer of DNA sequencing systems, providing genomic analysis tools for precision medicine applications. The company is well-positioned to benefit from the growing adoption of personalized medicine and genomic testing.
- Foundation Medicine, Inc. (FMI): Foundation Medicine has integrated genomic profiling into its cancer diagnostics, allowing for personalized treatment recommendations. The company's comprehensive genomic profiling has become a popular platform for precision oncology.



# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## *Europe Healthcare Sector*

- **Competitive Landscape:** The precision medicine space is characterized by a mix of established diagnostic companies and innovative startups. Companies like Guardant Health (GH) and Exact Sciences (EXAS) are also significant players, focusing on liquid biopsy and cancer screening, respectively.
- **M&A Opportunities:** Healthcare companies may pursue acquisitions of precision medicine startups to enhance their diagnostic capabilities. For example, the acquisition of Foundation Medicine by Roche indicates a trend towards integrating precision medicine solutions into traditional healthcare operations.

### **Gene Therapy**

- **Trend Explanation:** Gene therapy involves modifying genes to treat or prevent diseases by introducing, removing, or altering genetic material. The gene therapy market is projected to grow from \$2.1 billion in 2020 to \$13.6 billion by 2027, at a CAGR of 30.7%.

#### **Key Companies:**

- **Spark Therapeutics, Inc. (ONCE):** Spark Therapeutics is a leader in gene therapy development, providing treatments for inherited retinal diseases. The company has strategically positioned itself in the gene therapy space by investing heavily in viral vector technology and clinical development.
- **Bluebird Bio, Inc. (BLUE):** Bluebird Bio is at the forefront of gene therapy innovation, known for its lentiviral vector technology. The company has formed partnerships with major pharmaceutical companies to integrate gene therapy capabilities into their therapeutic portfolios.
- **Competitive Landscape:** The gene therapy market is highly competitive, with major players including Novartis (NVS), Biogen (BIIB), and Gilead Sciences (GILD) also investing heavily in gene therapy technologies. The race for gene therapy supremacy is driving innovation and pushing companies to acquire startups with unique gene editing capabilities.
- **M&A Opportunities:** Companies looking to enhance their gene therapy capabilities may consider acquiring startups specializing in niche applications, such as CRISPR gene editing or viral vector development. For instance, Novartis's acquisition of AveXis for \$8.7 billion in 2018 exemplifies this trend.

### **Telemedicine**

- **Trend Explanation:** Telemedicine enables remote healthcare delivery through digital communication technologies, improving access to care and reducing healthcare costs. The telemedicine market is expected to grow from \$45.5 billion in 2020 to \$175.5 billion by 2026, at a CAGR of 25.2%.

#### **Key Companies:**

- **Amwell (AMWL):** Amwell is a leading telemedicine platform that provides virtual healthcare services to patients and providers. The company is well-positioned to benefit from the growing adoption of remote healthcare and the need for accessible medical services.
- **One Medical (ONEM):** One Medical has integrated telemedicine technology into its primary care

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## *Europe Healthcare Sector*

services, allowing for virtual consultations and remote monitoring. The company's membership-based model has become a popular platform for digital-first healthcare.

- **Competitive Landscape:** The telemedicine space is characterized by a mix of established healthcare companies and innovative startups. Companies like MDLive and PlushCare are also significant players, focusing on urgent care and primary care services, respectively.
- **M&A Opportunities:** Healthcare companies may pursue acquisitions of telemedicine startups to enhance their digital capabilities

## 6. Recommended Readings

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### **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.

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## *Europe Healthcare Sector*

### **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.

### **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**

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### **Key Economic Indicators:**

- Impact of Inheritance on Spending: The recent Morgan Stanley survey indicates that 60% of inheritance recipients plan to allocate their funds towards savings, retirement, or investments. This trend could lead to increased capital available for healthcare investments, particularly in sectors like pharmaceuticals and biotech.
- Wealth Divide and Healthcare Access: The survey highlights a significant wealth divide, with only 17% of lower-income consumers expecting an inheritance compared to 43% among higher-income households. This disparity may influence healthcare access and spending patterns, as wealthier individuals are more likely to invest in healthcare services and products.
- Consumer Financial Security: Approximately 46% of inheritance recipients report feeling more financially secure, which could translate into increased discretionary spending on healthcare services and wellness products.

### **Market Trends:**

- Increased Investment in Health: As younger generations anticipate inheritances, their financial behavior may shift towards investing in health-related sectors, potentially boosting valuations for companies focused on innovative healthcare solutions.
- Long-Term Financial Planning: The focus on inheritance as a financial planning cornerstone suggests that healthcare companies may need to adapt their offerings to cater to an aging population that is increasingly concerned about long-term health and wellness.

# Europe Healthcare Sector M&A & Valuation Brief - 2025-10-11

## *Europe Healthcare Sector*

### **Sector-Specific Insights:**

- **Pharmaceutical Spending:** The anticipated wealth transfer may lead to increased spending on pharmaceuticals, particularly for chronic conditions prevalent among older adults, thereby benefiting companies like Pfizer (PFE) and Johnson & Johnson (JNJ).
- **Healthcare Services Demand:** With a growing number of individuals feeling financially secure due to inheritances, there may be a surge in demand for healthcare services, particularly preventive care and wellness programs.

### **Risk Factors:**

- **Economic Disparities:** The wealth divide highlighted in the survey may exacerbate inequalities in healthcare access, with lower-income households potentially facing challenges in affording necessary healthcare services.
- **Market Volatility:** Changes in consumer behavior driven by inheritance trends could introduce volatility in healthcare stocks, particularly if spending patterns shift unexpectedly.

### **Investment Implications:**

- **Opportunities in Healthcare Innovation:** The expected wealth transfer presents growth opportunities for healthcare companies that can effectively market to younger consumers who are likely to invest in health and wellness.
- **Focus on Preventive Care:** Companies that emphasize preventive healthcare solutions may benefit from increased spending as consumers prioritize long-term health security.
- **M&A Activity:** The ongoing consolidation in the healthcare sector may accelerate as larger firms seek to

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