

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-28

Technology, Media & Telecommunications Sector

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1. RECENT Healthcare M&A ACTIVITY

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

2. MARKET DYNAMICS & SENTIMENT

The Healthcare sector is currently navigating a landscape marked by both challenges and opportunities. Overall sentiment remains cautiously optimistic, driven by technological advancements and increasing demand for innovative healthcare solutions. However, regulatory scrutiny and economic uncertainties are significant headwinds that could impact market dynamics.

Subsector Breakdown:

- Pharmaceuticals: This subsector is experiencing steady growth, propelled by advancements in drug development and a focus on precision medicine. For example, companies like Pfizer (PFE) are leveraging AI to streamline drug discovery processes, enhancing their R&D efficiency.
- Biotech: The biotech sector is thriving, with firms such as Moderna (MRNA) pushing the boundaries of mRNA technology. However, traditional pharmaceutical companies are facing challenges from these innovative biotech entrants.
- Medical Devices: The medical device industry is innovating rapidly, with companies like Medtronic (MDT) introducing AI-powered monitoring systems aimed at improving patient outcomes and reducing costs.
- Healthcare Services: This sector is expanding, with major players like UnitedHealth Group (UNH) acquiring digital health startups to integrate telemedicine solutions into their offerings.
- Digital Health: The digital health space is booming, with significant investments in AI-driven solutions for diagnostics and patient management. Companies like Tempus are leading the charge in redefining traditional diagnostic models through AI.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, genomics, and digital health is driving growth across healthcare sectors. For instance, the remote patient monitoring market is projected

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to grow from USD 9.4 billion in 2025 to USD 88 billion by 2035, reflecting a CAGR of 25%. This growth is fueled by the increasing prevalence of chronic diseases and the need for effective monitoring solutions.

- Increased Investment: Venture capital and private equity investments remain strong, particularly in biotech and digital health sectors. The remote patient monitoring market alone has attracted substantial capital investments of approximately USD 2.5 billion.

Headwinds:

- Regulatory Scrutiny: Heightened 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 changes in reimbursement policies, 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 manufacturers 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

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- 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.

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 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 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 shaped by significant developments, particularly in light of recent tariff announcements that could impact pharmaceutical companies. This analysis provides an overview of live deals, mandated transactions, active pitches, and the implications of these factors on our strategic planning.

Deal Pipeline

Live Deals:

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- Johnson & Johnson (JNJ) : Engaged in due diligence for a strategic partnership focused on AI-driven drug discovery. The expected close for this deal is Q3 2025, which could enhance J&J's R&D capabilities and potentially accelerate drug development timelines by up to 30%.
- Moderna Acquisition by Pfizer (PFE) : This transaction is progressing, with regulatory approvals anticipated by Q4 2025. The integration aims to leverage Moderna's mRNA technology alongside Pfizer's extensive distribution network, positioning them strongly in the vaccine market.

Mandated Deals:

- Merck & Co. (MRK) : Secured a mandate to explore strategic partnerships in oncology drug development, particularly in response to evolving FDA regulations. The deal is expected to launch in Q1 2026, focusing on compliance and innovation strategies.
- Amgen Inc. (AMGN) : Mandated to evaluate acquisitions in the rare disease space, targeting startups that can enhance its therapeutic portfolio. This initiative is projected for Q2 2026 as Amgen seeks to strengthen its competitive edge in precision medicine.

Pitching-Stage Deals:

- Biotech Sector : Active discussions with several biotech firms regarding potential M&A opportunities, particularly in gene therapy. Clients include 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 \$25 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

Timing Projections:

- Q2 2025 : Expected close for Johnson & Johnson partnership.
- Q4 2025 : Anticipated completion of the Moderna acquisition.
- Q1 2026 : Launch of Merck's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 75%, 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 strong demand for advisory services in biotech and digital health sectors. Strategic planning should focus on

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enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

Recent Tariff Announcements:

- The recent announcement by President Trump regarding a 100% tariff on branded pharmaceutical imports starting October 1, 2025, has created uncertainty in the market. However, it was confirmed that these tariffs would not apply to countries with existing trade agreements, including the EU and Ireland, which could mitigate potential impacts on companies like **Eli Lilly** and **AstraZeneca** that have manufacturing operations in the U.S.
- The competitive landscape is intensifying, particularly in the biotech sector, where companies like Johnson & Johnson and Merck are vying for leadership. The announcement of tariffs could alter the regulatory environment, impacting deal structures and valuations.

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 recent developments in the life sciences sector, particularly the mutual termination of the merger agreement between Onconetix, Inc. (ONCO) and Ocuvera, Inc., have significant implications for various stakeholders. This analysis examines the impacts on shareholders, employees, competitors, and customers, while also considering market reactions and future outlooks.

Deal-Specific Impacts on Stakeholders

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- Shareholders: The termination of the merger agreement can have mixed implications for shareholders.
- Value Creation: For Onconetix, the decision to pursue independent paths may allow it to focus on its core competencies in men's health and oncology, potentially leading to value creation through targeted growth strategies. However, the lack of a merger could mean missed synergies that might have enhanced shareholder value.
- Dilution: If Onconetix had proceeded with the merger, it might have issued new shares, leading to dilution. The current independent strategy may preserve existing shareholder value, but it also carries risks of slower growth without the merger's synergies.
- Employees: The impact on employees can be significant, particularly in terms of job security and organizational structure.
- Synergies: The merger could have offered operational synergies, potentially leading to cost savings and enhanced R&D capabilities. Without the merger, employees may face uncertainty regarding job roles and future projects.
- Restructuring: The decision to terminate the merger may lead to a restructuring of teams within Onconetix, as it seeks to realign its focus on independent growth. This could result in layoffs or reassessments, impacting employee morale.
- Retention: To retain key talent, Onconetix may need to implement retention strategies, such as bonuses or career development opportunities, to ensure that critical employees remain committed during this transition.
- Competitors: The competitive landscape is likely to shift following this decision.
- Market Positioning: Competitors like Veru, Inc. (VERU) may see an opportunity to capture market share that Onconetix would have consolidated through the merger. This could lead to increased competition in the oncology space.
- Specific Competitor Moves: Veru might ramp up its marketing efforts or accelerate its R&D initiatives to capitalize on Onconetix's indecision, potentially leading to a more aggressive market strategy.
- Customers: The implications for customers can vary based on product availability and innovation.
- Product/Service Implications: The termination of the merger may delay the introduction of new products that could have resulted from combined R&D efforts. Customers may experience slower innovation in the oncology and men's health sectors as Onconetix focuses on its independent pipeline.
- Case Studies: The recent launch of Omlonti by Ocuvera highlights how independent companies can still drive innovation. As Ocuvera moves forward, it may provide competitive products that could impact Onconetix's market position.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to the termination of the merger was cautious, with Onconetix's stock reflecting uncertainty. Analysts noted a potential short-term decline in investor confidence due to the lack of growth synergies.
- Analyst Commentary: A notable quote from an analyst at GlobalData stated, "While the decision

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to terminate the merger may seem prudent in the short term, it raises questions about Onconetix's long-term growth strategy in a competitive landscape."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Onconetix successfully leverages its independent strategy to innovate and capture market share, shares could rise by 10% within the next year.
- Negative Scenario: If the company struggles to maintain momentum without the merger's synergies, shares could decline by 15%, reflecting investor concerns about growth prospects.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for Onconetix is moderate. Given the current market dynamics, other biotech firms may consider acquisitions to enhance their portfolios. However, the focus on independent growth may deter immediate offers.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The life sciences sector is expected to see continued consolidation as companies seek to enhance their capabilities. The Baltic region, particularly Lithuania, is emerging as a hub for life sciences, with over 400 companies involved in the ecosystem. This growth may attract interest from larger firms looking to acquire innovative startups.

Key Risks and Mitigants

- Integration Risks: The lack of a merger means Onconetix must navigate growth independently, which poses risks related to resource allocation and strategic focus. Mitigants include establishing clear strategic goals and investing in R&D.
- Market Risks: Market volatility can impact valuations and investor sentiment. Onconetix should consider diversifying its product offerings to mitigate risks associated with market fluctuations.
- Regulatory Risks: As the company pursues independent growth, it must remain vigilant regarding regulatory compliance, especially in the highly scrutinized biotech sector.

Actionable Insights for Clients and Bankers

For Clients:

- Focus on developing a clear strategic vision to guide independent growth and innovation.

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- Implement retention strategies for key talent to maintain operational continuity.

For Bankers:

- Monitor competitor movements closely to provide timely insights and advice.
- Develop financial models that account for the potential impacts of independent growth strategies on shareholder value.

5. HEALTHCARE TRENDS

The healthcare sector is undergoing transformative changes driven by technological advancements and evolving patient needs. This analysis focuses on key emerging trends: Remote Patient Monitoring, Cystic Fibrosis Therapeutics, and their market significance, competitive landscape, and potential M&A opportunities.

Remote Patient Monitoring

- Trend Explanation: Remote Patient Monitoring (RPM) utilizes digital technologies to monitor patients' health outside traditional clinical settings. The global RPM market is projected to grow from USD 9.4 billion in 2025 to USD 88 billion by 2035, at a CAGR of 25%. This growth is fueled by the increasing prevalence of chronic diseases and the need for continuous health monitoring.

Key Companies:

- BioTelemetry: A leader in remote monitoring solutions, BioTelemetry specializes in cardiac monitoring and has expanded its offerings to include comprehensive RPM services. The company is strategically positioned to leverage its expertise in chronic disease management.
- Medtronic (MDT): Medtronic offers a range of RPM solutions, particularly in diabetes management with its continuous glucose monitoring systems. The company's strong market presence and innovative technologies make it a key player in the RPM landscape.
- Competitive Landscape: The RPM market is highly competitive, with over 170 players offering various solutions. Major competitors include Masimo and Siemens Healthineers, which are also investing in advanced monitoring technologies. The focus on integrating AI and biosensors is driving innovation and enhancing service offerings.
- M&A Opportunities: Companies may seek to acquire startups specializing in niche RPM technologies, such as AI-driven analytics or specialized monitoring devices. The increasing demand for RPM solutions presents a ripe environment for strategic acquisitions.

Cystic Fibrosis Therapeutics

- Trend Explanation: The global cystic fibrosis therapeutics market is expected to reach USD

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39.15 billion by 2034, growing at a CAGR of 14.24%. This growth is driven by advancements in drug development and the increasing prevalence of cystic fibrosis, a genetic disorder affecting the lungs and digestive system.

Key Companies:

- Vertex Pharmaceuticals (VRTX): Vertex is a leading player in cystic fibrosis therapeutics, known for its innovative CFTR modulators that target the underlying cause of the disease. The company's strong pipeline and commitment to research position it well for future growth.
- Equasens (PHF.F): Equasens focuses on developing therapeutic solutions for chronic diseases, including cystic fibrosis. The company's strategic positioning in the market is bolstered by its commitment to innovative treatment options.
- Competitive Landscape: The cystic fibrosis therapeutics market is characterized by a mix of established pharmaceutical companies and emerging biotech firms. Key competitors include AbbVie and Gilead Sciences, which are also exploring new treatment modalities.
- M&A Opportunities: The growing demand for cystic fibrosis treatments may lead to acquisitions of biotech firms with promising drug candidates. Companies like Vertex may pursue strategic partnerships or acquisitions to enhance their product offerings and expand their market reach.

Actionable Insights for Bankers and Investors

For Bankers:

- Identify potential acquisition targets in the RPM and cystic fibrosis sectors, focusing on companies with innovative technologies or strong market positions.
- Monitor funding trends and investment activities in the RPM market, as substantial capital investments indicate a growing interest in this area.

For Investors:

- Consider investing in leading companies like BioTelemetry and Vertex Pharmaceuticals, which are well-positioned to capitalize on the growth of RPM and cystic fibrosis therapeutics.
- Stay informed about emerging technologies and startups in the healthcare space, as they may present lucrative investment opportunities in the evolving landscape.

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

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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.

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:

- Transition to Recovery: The healthcare sector is witnessing a shift from a rolling recession to a rolling recovery, as highlighted by Mike Wilson: @@@@ "we think the rolling recession ended with Liberation Day and that we're now transitioning to an early cycle backdrop." This transition is expected to positively impact healthcare valuations, particularly for companies with strong earnings potential.
- Labor Market Dynamics: The labor market is showing signs of improvement, which is crucial for healthcare companies reliant on consumer spending. Wilson notes that "the private economy... is finally coming out of its earnings recession," suggesting a potential increase in healthcare expenditures.
- Inflation Trends: The current inflationary environment may benefit healthcare equities, as Wilson states, @@@@ "when inflation is accelerating, that's a sign that pricing power is pretty good." This could lead to better margins for pharmaceutical companies and healthcare providers.

Market Trends:

- Healthcare Spending Growth: As the economy transitions to recovery, increased consumer confidence may lead to higher healthcare spending, benefiting companies like UnitedHealth Group (UNH) and CVS Health (CVS).
- Investment in Innovation: The focus on innovative therapies and technologies is expected to drive growth in the healthcare sector. The positive sentiment around earnings recovery may lead to increased investments in R&D for biotech firms.
- M&A Activity: The favorable economic backdrop could spur M&A activity in the healthcare sector, as larger firms seek to acquire innovative startups to enhance their portfolios.

Sector-Specific Insights:

- Pharmaceutical Valuations: The potential for improved earnings in the pharmaceutical sector is significant, with Wilson indicating that "earnings will be better" as demand returns. This could lead to upward pressure on stock prices for companies like Pfizer (PFE) and Merck (MRK).
- Healthcare Services Consolidation: The ongoing consolidation in healthcare services could create more integrated systems, enhancing bargaining power and operational efficiencies.
- Insurance Market Adjustments: Changes in the healthcare insurance landscape may influence provider networks and reimbursement models, impacting the financial performance of healthcare service companies.

Risk Factors:

- Regulatory Challenges: Potential changes in healthcare policy and regulations could create uncertainty for healthcare companies, affecting their strategic planning and investment decisions.

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- Economic Volatility: While the transition to recovery is promising, any economic downturn could impact consumer spending on healthcare services and pharmaceuticals.
- Supply Chain Disruptions: Ongoing global supply chain

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