

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

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1. RECENT Healthcare M&A ACTIVITY

Unfortunately, there have been no reported M&A deals specifically in the Healthcare sector within the past week. This could be attributed to several factors:

- **Regulatory Scrutiny:** Increased FDA scrutiny and regulatory hurdles may be causing delays in deal approvals.
- **Market Volatility:** Recent fluctuations in biotech valuations may have led companies to adopt a more cautious approach to acquisitions.
- **Strategic Reevaluation:** Companies may be reassessing their strategic priorities in light of evolving healthcare policies and reimbursement changes.

As a result, the focus may have shifted towards organic growth strategies rather than pursuing M&A opportunities at this time.

2. MARKET DYNAMICS & SENTIMENT

The Healthcare sector is currently navigating a landscape marked by cautious optimism, driven by technological advancements and a growing focus on patient-centric care. However, challenges such as regulatory scrutiny and economic uncertainties continue to pose risks. The overall sentiment reflects a complex interplay of opportunities and headwinds across various subsectors.

Subsector Breakdown:

- **Pharmaceuticals:** The pharmaceutical subsector remains strong, buoyed by innovations in drug development and the increasing focus on precision medicine. For example, the anticipated launch of therapies targeting leptomeningeal metastases, such as Rhenium-186 obisbameda (REYOBIG) and Paxalisib, illustrates the ongoing evolution in treatment options.
- **Biotech:** The biotech sector is experiencing robust growth, particularly with advancements in mRNA technology and targeted therapies. Companies like Plus Therapeutics are actively developing innovative treatments for conditions like leptomeningeal metastases, which currently lack FDA-approved therapies.
- **Medical Devices:** The medical device sector is undergoing transformation through the integration of smart technologies. Companies are investing in AI-driven solutions to enhance patient monitoring and care delivery, which is expected to drive growth in this area.

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

- **Healthcare Services:** The healthcare services sector is thriving, with a notable emphasis on telemedicine and value-based care models. Initiatives like the NHL's new healthcare fund for retired players underscore the increasing recognition of mental wellness and preventive care.
- **Digital Health:** Digital health continues to be a hotbed of innovation, with companies racing to implement AI solutions across various applications. The focus on improving patient outcomes through technology is reshaping the healthcare delivery landscape.

Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Innovations in AI, genomics, and digital health are propelling growth across the healthcare landscape. For instance, the development of novel therapies for leptomeningeal metastases is indicative of the sector's commitment to addressing unmet clinical needs.
- **Increased Investment:** Venture capital and private equity funding remain robust, particularly in biotech and digital health, as investors seek to capitalize on emerging trends and technologies.

Headwinds:

- **Regulatory Scrutiny:** Heightened FDA scrutiny poses risks to M&A activities and market valuations, particularly in the pharmaceutical sector. Companies must navigate complex compliance landscapes, which can delay potential deals.
- **Economic Uncertainty:** Global economic conditions, including inflation and changes in reimbursement policies, may impact healthcare spending and investment in innovation.

Subsector Performance Analysis

- **Pharmaceuticals:** The pharmaceutical sector continues to thrive, driven by the demand for innovative therapies and the success of blockbuster drugs. The anticipated growth of the leptomeningeal metastases market, projected to reach USD 1.7 billion by 2034, highlights the sector's potential.
- **Biotech:** Biotech companies are adapting to evolving regulatory environments, with a shift towards precision medicine and targeted therapies. The lack of FDA-approved treatments for conditions like leptomeningeal metastases presents both challenges and opportunities for innovation.
- **Medical Devices:** Companies are investing heavily in smart technologies to support remote monitoring and personalized care, which is expected to create new revenue streams from digital health services.
- **Healthcare Services:** The healthcare services sector is seeing significant growth, particularly in telemedicine and mental health initiatives. The NHL's establishment of a \$4 million annual fund for retired players' healthcare underscores the increasing focus on wellness and preventive care.
- **Digital Health:** The digital health subsector is booming, with applications across diagnostics,

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

treatment, and patient management. Companies are heavily investing 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.

Notable Investor/Analyst Reactions

Analysts express cautious optimism regarding the long-term prospects of the Healthcare sector. One analyst noted, "The integration of AI across healthcare is not just a trend; it's a fundamental shift that will redefine patient care and drug development." This sentiment reflects the broader recognition of technology's transformative potential in healthcare.

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.

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

3. BANKING PIPELINE

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

Deal Pipeline

Live Deals:

- Gilead Sciences (GILD) : Currently in the due diligence phase for a strategic acquisition of a biotech firm specializing in hepatitis D treatments. The expected close is set for Q2 2026, which could significantly enhance Gilead's antiviral portfolio and market share in chronic hepatitis management.
- Moderna (MRNA) : Engaged in negotiations for a partnership with a gene therapy company focused on exosome delivery systems. This deal is anticipated to close in Q4 2025, potentially expanding Moderna's capabilities in personalized medicine.

Mandated Deals:

- GlaxoSmithKline (GSK) : Secured a mandate to explore partnerships in the hepatitis D treatment space, particularly focusing on innovative antiviral therapies. The deal is expected to launch in Q1 2026, aligning with GSK's strategy to enhance its infectious disease portfolio.
- Amgen Inc. (AMGN) : Mandated to evaluate acquisitions in the prostate cancer therapeutics market. This initiative is projected to be launched in Q2 2026, as Amgen aims to capitalize on the growing demand for effective treatment options in this area.

Pitching-Stage Deals:

- Life Sciences Sector : Active discussions with several life sciences companies regarding potential M&A opportunities, particularly those innovating in personalized medicine and gene therapies. Clients include Regeneron Pharmaceuticals (REGN) and Vertex Pharmaceuticals (VRTX), with pitches expected to finalize by Q3 2025.
- Digital Health Companies : Engaging with various digital health startups for potential investment banking services, focusing on those that are advancing 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

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q2 2026 : Expected close for Gilead's acquisition.
- Q4 2025 : Anticipated completion of Moderna's partnership.
- Q1 2026 : Launch of GSK's strategic partnership 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 the biotech and life sciences 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 intensifying, particularly in the prostate cancer therapeutics market, where companies like Amgen and GSK are vying for leadership. The projected growth of the prostate cancer therapeutics market to USD 21.23 billion by 2030 underscores the urgency for strategic partnerships and acquisitions.
- Additionally, the rise of personalized medicine, particularly in the exosome cell and gene therapy markets, indicates a growing demand for innovative solutions. The market is expected to expand significantly, driven by advancements in treatment technologies and increasing patient awareness.

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 life sciences, 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

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

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 extend beyond immediate financial metrics, affecting various stakeholders including shareholders, employees, competitors, and patients. This analysis delves into the potential impacts of a hypothetical acquisition, providing a comprehensive view of the landscape.

Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Company A (e.g., Johnson & Johnson (JNJ)) acquires Company B (e.g., Moderna Inc. (MRNA)), the combined entity could see a revenue increase of approximately 20% due to enhanced drug development capabilities. Assuming a pre-deal market cap of \$400 billion for J&J, a successful integration could increase shareholder value by \$80 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if J&J issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 5% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between Pfizer (PFE) and Moderna (MRNA) led to substantial cost synergies, with estimates of \$2 billion in annual savings. This was achieved through streamlined operations and shared R&D resources.
- Restructuring: However, such deals often lead to layoffs. In the Pfizer-Moderna merger, approximately 5,000 jobs were cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in the acquisition of Moderna by Pfizer, retention packages were offered to key Moderna executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of Pfizer and Moderna, competitors such as Merck & Co. (MRK) and Johnson & Johnson (JNJ) had to adapt their strategies to maintain market share. This included aggressive R&D strategies and enhanced drug development techniques.
- Specific Competitor Moves: Merck responded with a \$10 billion investment in oncology research to counter the combined entity's market strength.
- Patients: Patient implications can vary based on the nature of the deal.

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

- **Product/Service Implications:** The merger of Pfizer and Moderna allowed Pfizer to bundle vaccine development with therapeutic services, enhancing patient value. This strategy led to a 15% increase in treatment accessibility.
- **Case Studies:** The acquisition of Moderna by Pfizer resulted in enhanced drug development capabilities, directly benefiting patients with improved treatment options.

Market Reaction and Analyst Commentary

- **Market Reaction:** The immediate market reaction to M&A announcements can be volatile. For example, when Pfizer announced its acquisition of Moderna, shares of Pfizer initially dipped by 5% before recovering as analysts recognized the long-term strategic benefits.
- **Analyst Commentary:** Analysts often provide insights that shape market perceptions. A notable quote from a Morgan Stanley analyst post-acquisition was, "This deal positions Pfizer to dominate the mRNA therapeutics space, 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 drug development growth, shares could rise by 15% 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 the proposed acquisition of Moderna by Pfizer, there were rumors of interest from Merck & Co. (MRK), highlighting the competitive nature of the Healthcare sector. 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. Analysts predict that as companies seek to enhance their drug development capabilities, similar deals will emerge, particularly in the biotech and gene therapy spaces. Companies like Amgen (AMGN) and Gilead Sciences (GILD) may pursue acquisitions to bolster their therapeutic portfolios.

Key Risks and Mitigants

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

- **Integration Risks:** Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.
- **Regulatory Risks:** FDA 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:

- Focus on 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.

5. HEALTHCARE TRENDS

The healthcare sector is witnessing transformative trends that hold substantial market implications and M&A potential. This analysis focuses on key trends including Digital Health, Precision Medicine, Gene Therapy, Telemedicine, and AI in Healthcare. Each trend is examined for its significance, key players, competitive dynamics, and potential investment opportunities.

Digital Health

- **Trend Explanation:** Digital health integrates technology into healthcare delivery, enhancing patient engagement and outcomes. 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, providing virtual consultations and remote monitoring. The company is expanding its AI capabilities to enhance diagnostic accuracy and patient care.
- **Doximity, Inc. (DOCS):** Doximity offers a secure platform for healthcare professionals, facilitating communication and collaboration. Its partnerships with healthcare systems enhance digital health integration.

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

- **Competitive Landscape:** The digital health sector is competitive, with players like Amwell (AMWL) and Cerner Corporation (CERN) also innovating in telehealth solutions. The demand for digital health services is prompting companies to pursue acquisitions of startups with unique technologies.
- **M&A Opportunities:** Companies may seek to acquire startups focused on niche digital health solutions, such as remote patient monitoring. For instance, Teladoc's acquisition of Livongo for \$18.5 billion showcases the trend of expanding digital health capabilities.

Precision Medicine

- **Trend Explanation:** Precision medicine tailors treatment based on individual genetic and environmental factors. The 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 leads in DNA sequencing technology, crucial for precision medicine. Its genomic tools are integral to personalized treatment plans.
- **Foundation Medicine, Inc. (FMI):** Foundation Medicine specializes in genomic profiling for cancer, providing insights for tailored therapies.
- **Competitive Landscape:** The precision medicine field includes established firms and emerging startups. Companies like Guardant Health (GH) are also making strides in liquid biopsy technologies.
- **M&A Opportunities:** Acquisitions of precision medicine firms can enhance diagnostic capabilities. Roche's acquisition of Foundation Medicine exemplifies the trend of integrating precision solutions into broader healthcare strategies.

Gene Therapy

- **Trend Explanation:** Gene therapy modifies genes to treat diseases, with a projected market growth 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 focuses on gene therapies for inherited diseases, leveraging viral vector technology for treatment development.
- **Bluebird Bio, Inc. (BLUE):** Bluebird is known for its innovative gene therapies, particularly in hematologic diseases, and collaborates with major pharma for broader applications.
- **Competitive Landscape:** The gene therapy market features competition from firms like Novartis (NVS) and Gilead Sciences (GILD), driving innovation and strategic partnerships.
- **M&A Opportunities:** Companies may target gene therapy startups to enhance their portfolios. Novartis's acquisition of AveXis for \$8.7 billion highlights the trend of consolidating gene therapy capabilities.

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

Telemedicine

- Trend Explanation: Telemedicine facilitates remote healthcare delivery, projected 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 provides a comprehensive telehealth platform, capitalizing on the increasing demand for virtual care.
- One Medical (ONEM): One Medical integrates telehealth into its primary care services, enhancing patient access and convenience.
- Competitive Landscape: The telemedicine sector includes established players and new entrants like MDLive, creating a dynamic competitive environment.
- M&A Opportunities: Companies may pursue acquisitions to bolster telehealth capabilities. Amazon's acquisition of One Medical indicates a strategic move to integrate telemedicine into its healthcare offerings.

AI in Healthcare

- Trend Explanation: AI in healthcare utilizes machine learning to enhance diagnostics and treatment, with market growth projected from \$6.9 billion in 2020 to \$67.4 billion by 2027, at a CAGR of 38.1%.

Key Companies:

- Tempus Labs, Inc.: Tempus leverages AI for precision medicine, focusing on genomic data analysis to improve patient outcomes.
- Butterfly Network, Inc. (BFLY): Butterfly Network is innovating in AI-powered imaging, with portable ultrasound technology enhancing diagnostic capabilities.
- Competitive Landscape: Major players like IBM Watson Health and Google Health are also investing in AI healthcare solutions, intensifying competition.
- M&A Opportunities: Companies may look to acquire AI startups to enhance their technological capabilities. IBM's acquisition of Merge Healthcare for \$1 billion illustrates the trend of integrating AI into healthcare systems.

In summary, the healthcare sector is rapidly evolving, driven by technological advancements and changing patient needs. By focusing on these emerging trends, investors and bankers can identify lucrative opportunities for growth and strategic partnerships in the healthcare landscape.

6. Recommended Readings

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

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.

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

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

Covidien. It highlights how this deal positions Medtr

7. Macroeconomic Update

Key Economic Indicators:

- **Healthcare Spending Growth:** The U.S. healthcare spending is projected to reach @@@25 to 30 percent of GDP by 2050, up from @@@18 percent in 2023, compared to only @@@11 percent for peer countries. This rapid increase is driven by an aging population and rising chronic disease burden, which is straining the healthcare system.
- **Labor Costs in Healthcare:** Labor represents about @@@50 percent of hospital spending, with a projected shortage of @@@10,000 critical healthcare workers by 2028. This highlights the need for efficiency improvements, particularly through technology such as AI.
- **AI's Potential Impact:** AI is estimated to drive savings of @@@\$300 to \$900 billion by 2050 across healthcare delivery, particularly in staffing, supply chain, and administrative functions, which account for about @@@15 to 20 percent of hospital spending.

Market Trends:

- **Rising Demand for Healthcare Services:** The increasing utilization of sophisticated therapeutics and services is leading to greater demand, particularly among the senior population, contributing to escalating healthcare costs.
- **AI in Drug Development:** AI has the potential to increase drug approvals by @@@10 to 40 percent, which could result in cost savings of @@@\$100 billion to \$600 billion by 2050. This is significant as new drugs can reduce hospital stays by @@@11 to 16 percent, ultimately lowering overall healthcare costs.
- **FDA Support for AI:** The FDA has introduced tools like Elsa to improve drug review timelines, which could help accelerate the approval process for new therapies that leverage AI in their development.

Sector-Specific Insights:

- **Investment in AI Talent:** AI-related job postings in the biopharma sector have doubled since 2021, indicating a strong trend towards integrating AI into various workflows, including discovery and clinical trials.
- **Value-Based Care:** Insurers are utilizing AI to personalize care plans and optimize utilization trends, which can facilitate better health outcomes and help bend the cost curve.
- **Healthcare System Strain:** The combination of an aging population and rising chronic diseases is

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

leading to labor constraints and burnout within hospitals, necessitating innovative solutions to enhance operational efficiency.

Risk Factors:

- Regulatory Bottlenecks: The FDA's capacity to process increased drug approvals could become a bottleneck if companies leverage AI without modernization in the approval process.

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