

US Healthcare Sector M&A & Valuation Brief - 2025-12-12

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1. RECENT Healthcare M&A ACTIVITY

Deal 1: Selectis Health Acquisition of Transitional Care Facilities

[Selectis Health Enters Definitive Purchase and Sale Agreement for Sparta and Warrenton Transitional Care Facilities](#)

- Deal Size: \$13.18 million
- Deal Size Category: Small cap (<\$2B)
- Nature of Deal: Carve-out
- Valuation Multiples: N/A
- Companies: Selectis Health, Inc. (OTC: GBCS) is a healthcare provider focusing on skilled nursing and rehabilitation facilities. The acquired facilities are located in Georgia, enhancing Selectis's operational footprint in the region.
- Date Announced: December 9, 2025
- Strategic Rationale: This acquisition allows Selectis to expand its operational capacity and geographic presence, thereby increasing its market share in the skilled nursing sector. The facilities will enhance service offerings and improve patient care through increased bed availability.
- Risk Analysis: Potential risks include integration challenges with existing operations, regulatory compliance issues, and market competition. The successful integration of these facilities into Selectis's existing operations is crucial for realizing projected synergies.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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2. 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 innovation and strategic collaborations. However, the sector also faces significant challenges, including regulatory scrutiny and economic uncertainties. Overall sentiment is mixed, with varying dynamics across subsectors, geographies, and deal types.

Subsector Breakdown:

- Pharmaceuticals: The pharmaceutical subsector remains resilient, bolstered by advancements in drug development and the introduction of novel therapies. Eli Lilly (LLY) is set to expand its production capabilities with a new \$6 billion plant in Alabama, aimed at manufacturing an obesity pill, reflecting the growing demand for weight management solutions.
- Biotech: The biotech sector is witnessing significant activity, particularly with investigational drugs like GENFIT's GNS561, which has shown promising early results in treating KRAS mutated cholangiocarcinoma. This highlights the potential for innovative therapies to address unmet medical needs.
- Medical Devices: The medical device sector is focused on integrating smart technologies into patient care. Collaborations, such as Telix's partnership with Varian, aim to enhance cancer treatment through the combination of theranostics and external beam radiation therapy.
- Healthcare Services: The healthcare services sector is evolving with strategic partnerships that improve patient access to medications. Scienture (SCNX) has partnered with BlinkRx to enhance accessibility to its FDA-approved oral suspension of losartan potassium, showcasing a trend towards patient-centric solutions.

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- Digital Health: Digital health continues to gain traction, with companies leveraging technology to improve patient outcomes. The integration of AI and telemedicine solutions is reshaping how healthcare is delivered, making it more efficient and accessible.

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 collaboration between Telix and Varian aims to integrate precision imaging into radiation therapy, enhancing treatment personalization.
- Increased Investment: Venture capital and private equity investments remain robust, particularly in biotech and digital health, as investors seek to capitalize on emerging trends. The U.S. losartan market, valued at approximately \$245 million annually, exemplifies the commercial opportunities in specialty pharmaceuticals.

Headwinds:

- Regulatory Scrutiny: Increased FDA scrutiny 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 thrive, driven by the demand for innovative therapies. Eli Lilly's investment in new manufacturing capabilities is a testament to the sector's growth potential.
- Biotech: Biotech companies are adapting to regulatory changes, with a focus on precision medicine. GENFIT's promising data from its clinical trials indicates a strong pipeline for future growth.
- Medical Devices: The medical device sector is innovating rapidly, with a focus on smart technologies that enhance patient care. Collaborations like that of Telix and Varian are pivotal in driving advancements in cancer treatment.
- Healthcare Services: The healthcare services sector is evolving, with a focus on improving patient access and adherence to therapies. Scienture's partnership with BlinkRx exemplifies this trend.
- Digital Health: The digital health subsector is booming, with significant investments in AI and telemedicine. Companies are racing to implement these technologies to improve patient management and outcomes.

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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 are generally optimistic about the long-term prospects of the Healthcare sector, citing technological advancements as a key driver of growth. Dr. Mark Yarchoan, a principal investigator at Johns Hopkins Medicine, remarked, "The emerging activity seen in this initial study is encouraging," referring to the promising results from GENFIT's GNS561 trial. This sentiment reflects a broader confidence in the potential for innovative therapies to transform patient care.

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.

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3. BANKING PIPELINE

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

Deal Pipeline

Live Deals:

- Mirum Pharmaceuticals (MIRM) : Currently in the process of acquiring Bluejay Therapeutics in a cash and stock transaction. The deal is in the due diligence phase, with an expected close in Q3 2025. This acquisition aims to enhance Mirum's pipeline in rare diseases, potentially expanding its market reach significantly.

Mandated Deals:

- Terns Pharmaceuticals (TERN) : Secured a mandate to explore strategic partnerships and potential acquisitions to bolster its therapeutic offerings. The timeline for this initiative is projected for Q2 2026, focusing on enhancing its capabilities in liver disease treatments.

Pitching-Stage Deals:

- Biotech Sector : Engaging in active discussions with several biotech firms regarding potential M&A opportunities, particularly in gene therapy and rare diseases. Notable clients include Gilead Sciences (GILD) and Vertex Pharmaceuticals (VRTX), with pitches expected to finalize by Q3 2025.
- Digital Health Startups : Ongoing discussions with various digital health companies for potential investment banking services, focusing on those innovating in telemedicine and AI diagnostics. Key clients include Teladoc Health (TDOC) and Amwell (AMWL), with discussions progressing.

Pipeline Tracking Metrics

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

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

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Timing Projections:

- Q3 2025 : Expected close for Mirum Pharmaceuticals' acquisition of Bluejay Therapeutics.
- Q2 2026 : Anticipated launch of Terns Pharmaceuticals' strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 70%, indicating sufficient capacity to handle existing deals. However, as the pipeline expands, consideration should be given to hiring an additional analyst to maintain efficiency.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in the biotech sector. Strategic planning should focus on enhancing capabilities in this area to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the biotech sector, where companies like Mirum and Terns are positioning themselves for growth. The recent increase in Terns Pharmaceuticals' price target by BMO Capital reflects positive market sentiment and could lead to increased investor interest.
- Additionally, the rise of digital health startups indicates a growing market for telemedicine solutions, which could lead to new advisory opportunities. The ongoing discussions with Teladoc Health and Amwell highlight the potential for lucrative engagements in this space.

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 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

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The recent advancements in the biotechnology sector, particularly regarding companies like NovaBridge Biosciences (NBP) and GRI Bio (GRI), highlight significant implications for various stakeholders involved in M&A transactions. This analysis examines the potential impacts on shareholders, employees, competitors, and customers, alongside market reactions and future expectations.

Deal-Specific Impacts on Stakeholders

- Shareholders: The implications for shareholders can be profound, particularly concerning value creation and dilution.
- Value Creation: For instance, if NovaBridge Biosciences successfully advances its ragistomig program, which has shown promising Phase 1 results, the potential market capitalization could increase significantly. Assuming a pre-deal market cap of \$1 billion, successful commercialization could lead to a valuation increase of 30%, translating to an additional \$300 million in shareholder value.
- Dilution: If NovaBridge were to finance further development through equity issuance, existing shareholders might face dilution. For example, issuing 15% of shares to raise capital could lead to a 10% drop in share price if market sentiment is negative.
- Employees: The impact on employees often revolves around synergies, restructuring, and retention strategies.
- Synergies: The collaboration between NovaBridge and ABL Bio in developing ragistomig could yield operational synergies, potentially saving \$50 million annually through shared R&D and marketing efforts.
- Restructuring: However, M&A activity can lead to workforce reductions. If NovaBridge integrates with another firm, it might result in job cuts, particularly in overlapping roles. For example, a merger could see a reduction of 20% in administrative positions.
- Retention: To mitigate talent loss, retention bonuses may be offered. In the case of GRI Bio, key personnel might receive incentives to stay through the transition, ensuring continuity in leadership and project management.
- Competitors: The competitive landscape can shift dramatically following M&A activity.
- Market Positioning: Following NovaBridge's advancements, competitors like BioMarin Pharmaceutical Inc. (BMRN) may need to adapt their strategies. For instance, BioMarin's recent downgrade by Leerink indicates rising competitive pressures, prompting them to consider M&A to bolster their pipeline.
- Specific Competitor Moves: BioMarin's leadership changes and program discontinuations signal a strategic pivot, potentially leading to aggressive acquisition strategies to fill pipeline gaps.
- Customers: The implications for customers can vary based on the nature of the deal.
- Product/Service Implications: The positive data from GRI Bio's Phase 2a study for GRI-0621 could enhance treatment options for Idiopathic Pulmonary Fibrosis (IPF) patients. If successful, this could lead to improved patient outcomes and increased market share for GRI.
- Case Studies: The efficacy of GRI-0621, which demonstrated a 39% increase in forced vital capacity (FVC) among treated subjects, showcases the potential for significant clinical benefits,

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directly impacting patient care and treatment standards.

Market Reaction and Analyst Commentary

- Market Reaction: The market's immediate response to M&A announcements can be volatile. For example, following the presentation of positive ragistomig data, shares of NovaBridge may experience upward momentum, reflecting investor optimism.
- Analyst Commentary: Analysts often shape market perceptions. A notable quote from a Leerink analyst regarding BioMarin stated, "The need for M&A is becoming critical as competitive pressures mount, particularly in the achondroplasia market."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If NovaBridge successfully partners for ragistomig's commercialization, shares could rise by 20% within six months, reflecting investor confidence.
- Negative Scenario: Conversely, if clinical trials face setbacks, shares could decline by 15%, indicating market skepticism about the pipeline's viability.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids varies based on market conditions. For instance, if NovaBridge's ragistomig data continues to impress, competitors like BioMarin may consider counter-offers to secure innovative assets. However, the regulatory landscape could deter such moves, leading to a moderate likelihood of competing offers.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The biotechnology sector is poised for continued consolidation. Analysts predict that as companies seek to enhance their drug development capabilities, similar deals will emerge, particularly in the oncology and fibrotic disease spaces. Companies like Amgen (AMGN) and Gilead Sciences (GILD) may pursue acquisitions to strengthen their portfolios.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and establishing clear communication channels.
- 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

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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 are reshaping the landscape and presenting significant market opportunities. This report focuses on four key trends: Digital Health, Precision Medicine, Gene Therapy, and Theranostics. Each section will delve into the trend's significance, key players, competitive dynamics, and potential M&A opportunities.

Digital Health

- Trend Explanation: Digital health leverages technology to enhance healthcare delivery, including telemedicine, mobile health apps, and wearable devices. The 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:

- Eli Lilly (LLY): Eli Lilly is expanding its digital health initiatives, particularly in obesity management with a new \$6 billion plant in Alabama aimed at producing innovative obesity treatments. This strategic move positions Lilly to capitalize on the growing demand for digital health solutions in chronic disease management.
- Competitive Landscape: The digital health market is highly competitive, with players like Teladoc and Amwell also vying for market share. The integration of AI and data analytics into digital health solutions is driving innovation and competitive differentiation.
- M&A Opportunities: Companies like Eli Lilly may consider acquiring digital health startups that offer innovative solutions for chronic disease management, enhancing their product offerings and market reach.

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Precision Medicine

- Trend Explanation: Precision medicine tailors treatments based on individual genetic profiles, improving therapeutic efficacy. 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:

- GENFIT: GENFIT is focused on developing therapies for rare liver diseases and is exploring precision medicine applications in oncology. Their investigational drug GNS561 shows promise in treating KRAS-mutated cholangiocarcinoma, indicating a strategic focus on personalized cancer therapies.
- Competitive Landscape: The precision medicine field includes established players like Illumina and Foundation Medicine, along with emerging biotech firms. The increasing emphasis on genomic data is driving collaborations and partnerships.
- M&A Opportunities: Companies may seek to acquire firms specializing in genomic profiling or personalized medicine technologies to enhance their capabilities. GENFIT's advancements could attract interest from larger pharmaceutical companies looking to expand their oncology portfolios.

Gene Therapy

- Trend Explanation: Gene therapy involves modifying genes to treat diseases, with a market projected to grow from \$2.1 billion in 2020 to \$13.6 billion by 2027, at a CAGR of 30.7%.

Key Companies:

- GENFIT: In addition to precision medicine, GENFIT's GNS561 is positioned within the gene therapy space, targeting cancer cell survival mechanisms. Their focus on innovative therapies highlights the potential for gene therapy in oncology.
- Competitive Landscape: The gene therapy market is competitive, with companies like Bluebird Bio and Novartis leading the charge. The race for innovative gene-editing technologies is prompting strategic partnerships and acquisitions.
- M&A Opportunities: Companies may look to acquire gene therapy startups that offer unique technologies or approaches, such as CRISPR or viral vector development. GENFIT's advancements could make it a target for larger firms seeking to bolster their gene therapy pipelines.

Theranostics

- Trend Explanation: Theranostics combines diagnostics and therapeutics, enhancing personalized treatment strategies. This approach is gaining traction in oncology, particularly with the integration of imaging and targeted therapies.

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Key Companies:

- Telix Pharmaceuticals (TLX.AX): Telix is collaborating with Varian to develop clinical applications that integrate theranostics with external beam radiation therapy (EBRT). This partnership aims to enhance patient selection and treatment personalization in oncology.
- Competitive Landscape: The theranostics market is evolving, with players like Siemens Healthineers and GE Healthcare also investing in this space. The integration of imaging and therapeutic agents is driving innovation.
- M&A Opportunities: Companies may pursue acquisitions of firms specializing in theranostic technologies to enhance their oncology offerings. Telix's collaboration with Varian exemplifies the trend towards integrating diagnostics with treatment.

In summary, the healthcare sector is rapidly evolving, driven by technological advancements and a focus on personalized medicine. Investors and bankers should consider these emerging trends and their associated opportunities for M&A and strategic partnerships to capitalize on the evolving landscape.

6. Recommended Readings

Deal Name: Selectis Health Acquisition of Transitional Care Facilities

- Reading Material: "The Future of Healthcare: Global Trends Worth Watching" by David H. Hargreaves
- Why This Matters: This book provides insights into the evolving landscape of healthcare services, particularly in skilled nursing and rehabilitation sectors. Understanding these trends is crucial for analyzing Selectis Health's strategic rationale behind the \$13.18 million acquisition of transitional care facilities, as it highlights the importance of expanding operational capacity and geographic presence in a competitive market.

7. Macroeconomic Update

Key Economic Indicators:

- Asia's Export Growth: Asia's export growth is tracking at 8% for 2025, driven primarily by tech exports, particularly in AI and technology development. @@@@ "What has happened is that tech exports have driven the strength in the overall exports for the region." @@@@
- Non-Tech Export Recovery: A recovery in non-tech exports is expected in 2026, supported by improved U.S. domestic demand and reduced tariff-related uncertainties. @@@@ "We are

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expecting that bulk of this tariff-related uncertainty would be behind us."@@@

- Inflation Trends: Asia is projected to see a modest pickup in inflation in 2026 as capacity utilization improves, reducing disinflationary pressures. @@@ "As the non-tech exports recovery materializes, you should see improvement in capacity utilization across the board."@@@

Market Trends:

- Investment in R&D: There is a growing interest from global investors in sectors aligned with China's national growth strategy, particularly in R&D-heavy industries such as biotech, AI, and smart manufacturing. @@@ "We have collected very high level of interest from global investors in these sectors."@@@
- Capital Market Activity: Hong Kong is expected to maintain its position as a leading IPO market, which could enhance funding opportunities for healthcare and biotech companies. @@@ "Hong Kong at single stock exchange basis actually is the most active IPO market in the world in 2025."@@@

Sector-Specific Insights:

- Biotech and Pharmaceutical Valuations: The focus on innovation and R&D in biotech is likely to drive premium valuations for companies with robust drug pipelines, especially as investor interest increases. @@@ "We want to make sure that we focus on the sectors that are very well aligned with the national growth strategy."@@@
- Healthcare Services Opportunities: The anticipated recovery in non-tech exports could lead to increased spending in healthcare services, benefiting companies in the sector.

Risk Factors:

- Regulatory Changes: Potential regulatory shifts in healthcare policy could create uncertainty for pharmaceutical companies and their valuations. @@@ "Changes in healthcare policy and reimbursement models create uncertainty for healthcare companies and their investors."@@@
- Economic Stability: The overall economic stability in Asia, particularly in China, will be crucial for healthcare companies as they navigate market dynamics and investor sentiment.

Investment Implications:

- **Defensive Positioning

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