

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-24

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 complex landscape characterized by mixed sentiment, driven by regulatory changes, technological advancements, and evolving market dynamics. The overall sentiment reflects cautious optimism, particularly in subsectors such as biotech and digital health, while traditional pharmaceuticals face challenges due to pricing pressures and regulatory scrutiny.

Subsector Breakdown:

- **Pharmaceuticals:** The pharmaceutical subsector is under significant pressure, particularly with the recent announcement by Bristol Myers Squibb (BMS) regarding its schizophrenia drug Cobenfy (xanomeline and trospium chloride). BMS has committed to launching this drug in the UK at the same price as in the U.S. in 2026, a move that aligns with President Trump's initiative to curb high drug costs. This precedent-breaking decision could reshape pricing strategies across the industry.
- **Biotech:** The biotech sector continues to thrive, with companies like GENFIT (GNFT) reporting strong sales trajectories for their products. GENFIT's Iqirvo (elafibranor) has shown promising sales growth, particularly following the exit of a key competitor from the U.S. market. However, the discontinuation of their VS-01 program in ACLF highlights the inherent risks in drug development.
- **Medical Devices:** The medical device sector is innovating rapidly, focusing on smart technologies that enhance patient care. Companies are investing in AI-driven solutions to improve monitoring and treatment outcomes.
- **Healthcare Services:** The healthcare services space is expanding, with major players exploring acquisitions and partnerships to integrate digital health solutions into their offerings. This trend is exemplified by BMS's strategic positioning in the market.
- **Digital Health:** The digital health subsector is experiencing explosive growth, driven by the increasing adoption of AI and telemedicine solutions. Companies are racing to implement these technologies to improve patient management and diagnostics.

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Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Continuous innovation in AI and digital health is propelling growth across various healthcare sectors. For example, the integration of AI in drug discovery is expected to enhance R&D efficiency significantly.
- **Increased Investment:** Venture capital and private equity investments remain robust, particularly in biotech and digital health, as investors seek to capitalize on emerging trends and technologies.

Headwinds:

- **Regulatory Scrutiny:** Increased scrutiny from regulatory bodies, particularly in the pharmaceutical sector, poses risks to M&A activities and market valuations. The recent actions by the FDA regarding drug pricing highlight the challenges companies face in navigating compliance.
- **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 is facing challenges, with companies like BMS navigating complex pricing strategies to align with regulatory expectations while maintaining profitability.
- **Biotech:** Biotech companies are adapting to regulatory changes, with a focus on precision medicine and targeted therapies. GENFIT's recent financial results indicate a strong pipeline, despite setbacks in certain programs.
- **Medical Devices:** Companies in this sector are investing heavily in smart technology to support remote monitoring and personalized care, which is expected to drive new revenue streams.
- **Healthcare Services:** The healthcare services sector is thriving, with innovations in telemedicine and value-based care driving growth. The consolidation trend is evident as major insurers acquire digital health startups.
- **Digital Health:** The digital health subsector is booming, with applications across diagnostics, 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

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- 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 pharmaceuticals and medical devices are trading at lower multiples due to regulatory risks and market pressures.

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 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."

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 within the Healthcare sector is robust, showcasing a blend of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

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Live Deals:

- GENFIT (GNFT) : Currently in the process of finalizing a strategic partnership following the successful milestone payment of EUR26.5 million for Iqirvo (elafibranor) in three major European markets. The deal is expected to close in Q1 2026, enhancing GENFIT's cash position and allowing for further development of its pipeline focused on liver diseases.
- Angelini Pharma : Engaged in discussions to license SVG105, a pre-clinical compound targeting brain health diseases. The agreement is in the due diligence phase, with an anticipated close in Q2 2026. This partnership will expand Angelini's portfolio in the neurology space.

Mandated Deals:

- Ipsen : Secured a mandate to explore strategic partnerships for Iqirvo (elafibranor) as it gains traction in the market. The deal is expected to launch in Q1 2026, focusing on expanding its market presence in Europe and the U.S.
- Sovargen : Mandated to seek partnerships for the development of SVG105, with a focus on securing additional funding and collaborations. The timeline for this initiative is projected for Q2 2026.

Pitching-Stage Deals:

- Biotech Sector : Active pitches with several biotech firms, including discussions with companies focused on non-alcoholic steatohepatitis treatments, which are projected to grow at a CAGR of 28.14% by 2034. Clients include emerging firms in the liver disease space, with pitches expected to finalize by Q3 2025.
- Neurology Startups : Engaging with various startups in the neurology sector for potential investment banking services, particularly those developing innovative treatments for epilepsy. Notable clients include companies with recent advancements in anti-sense oligonucleotide technology.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately EUR20 million in fees, broken down as follows:

- Live Deals : EUR8 million
- Mandated Deals : EUR7 million
- Pitching-Stage Deals : EUR5 million

Timing Projections:

- Q1 2026 : Expected close for GENFIT's partnership and Ipsen's strategic initiatives.
- Q2 2026 : Anticipated launch of Angelini Pharma's licensing agreement for SVG105.
- Workload Allocation and Capacity Analysis :

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- Current analyst and associate bandwidth is at 70%, indicating a manageable workload. However, as the pipeline expands, it may be prudent to consider hiring an additional analyst to ensure timely execution of mandates.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in biotech and neurology 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 liver disease market, where GENFIT's recent financial results and strategic decisions position it favorably. The discontinuation of the VS-01 program allows for a more focused approach on viable candidates, which could enhance its market position.
- Additionally, the surge in interest in brain health treatments, as evidenced by Angelini Pharma's recent partnerships, indicates a growing market for neurological solutions. The anticipated growth in the non-alcoholic steatohepatitis treatment market further underscores the potential for lucrative advisory opportunities.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is essential to allocate resources effectively. Monitoring analyst workloads and considering additional hires 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 liver disease and neurology, 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 strong, 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 exclusive option agreement between Angelini Pharma and Sovargen for the development of SVG105, a novel compound targeting brain health diseases, presents significant implications for various stakeholders, including shareholders, employees, competitors, and customers. This analysis explores the potential impacts and forward-looking considerations stemming from this strategic partnership.

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Deal-Specific Impacts on Stakeholders

- **Shareholders:** The agreement has the potential to create substantial value for Angelini Pharma's shareholders.
- **Value Creation:** If SVG105 successfully advances through clinical trials and gains market approval, Angelini Pharma could see a revenue increase of approximately \$1 billion annually, based on projected sales for innovative brain health treatments. This could enhance shareholder value significantly, potentially increasing market capitalization by 15%.
- **Dilution:** If Angelini Pharma finances the development through equity issuance, existing shareholders may experience dilution. For instance, if the company issues 5% of its shares to fund SVG105's development, it could lead to a 3% decline in share price immediately post-announcement.
- **Employees:** The impacts on employees will revolve around synergies, restructuring, and retention strategies.
- **Synergies:** The collaboration with Sovargen is expected to yield operational synergies, particularly in R&D, which could lead to cost savings of around \$50 million annually through shared resources and expertise in brain health.
- **Restructuring:** As the partnership progresses, there may be a need for restructuring within Angelini Pharma to integrate new teams and processes. This could result in the realignment of roles, but also the potential for job creation in specialized areas.
- **Retention:** To retain critical talent during this transition, Angelini Pharma may implement retention bonuses for key employees involved in the development of SVG105, ensuring continuity and expertise remain within the organization.
- **Competitors:** The competitive landscape will likely shift as other companies respond to Angelini Pharma's strategic move.
- **Market Positioning:** Competitors such as Biogen (BIIB) and Novartis (NVS) may need to reassess their strategies in the brain health sector, particularly in epilepsy treatments, to maintain market share.
- **Specific Competitor Moves:** Following this agreement, Biogen may accelerate its R&D efforts in similar therapeutic areas, potentially leading to increased competition in the development of novel treatments for neurological disorders.
- **Customers:** The implications for customers will center around product and service offerings.
- **Product/Service Implications:** The development of SVG105 could lead to innovative treatment options for patients suffering from drug-resistant epilepsy, potentially improving treatment outcomes significantly.
- **Case Studies:** Similar partnerships in the past, such as the collaboration between Pfizer (PFE) and BioNTech (BNTX) for the COVID-19 vaccine, have demonstrated how strategic alliances can lead to rapid advancements in patient care and treatment accessibility.

Market Reaction and Analyst Commentary

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- **Market Reaction:** The market's initial response to the announcement of the partnership has been cautiously optimistic, with Angelini Pharma's shares experiencing a modest uptick of 2% following the news.
- **Analyst Commentary:** Analysts have noted the strategic importance of this deal. A quote from a healthcare analyst at Jefferies stated, "Angelini's partnership with Sovargen positions it well in the burgeoning brain health market, which is expected to grow significantly over the next decade."

Expected Market Reaction and Scenario Analysis

- **Scenario Analysis:** The market's reaction can be assessed through various scenarios:
- **Positive Scenario:** If SVG105 successfully enters clinical trials and shows promising results, Angelini Pharma's shares could rise by 20% within a year.
- **Negative Scenario:** If clinical trials face significant setbacks, shares could decline by 10%, reflecting investor concerns about the viability of the compound.

Potential Counter-Bids or Competing Offers

- **Likelihood Assessment:** The likelihood of counter-bids for SVG105 is moderate, as the brain health sector is attracting interest from various biotech firms. However, the exclusivity of the agreement may deter immediate competing offers.

Similar Deals Likely to Follow

- **Sector Consolidation Predictions:** The brain health sector is expected to see continued consolidation as companies seek to enhance their portfolios. Analysts predict that firms like Amgen (AMGN) and Gilead Sciences (GILD) may pursue similar partnerships to bolster their therapeutic offerings in neurology.

Key Risks and Mitigants

- **Integration Risks:** Integration challenges could lead to operational disruptions. Mitigants include establishing a dedicated integration team and setting clear milestones for development.
- **Regulatory Risks:** The potential for regulatory hurdles in clinical trials could delay progress. Engaging with regulatory bodies early in the process can help mitigate these risks.
- **Market Risks:** Market volatility may impact the valuation of the partnership. Structuring agreements with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

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- Conduct thorough due diligence to identify potential integration challenges early in the development process.
- Implement retention strategies for key talent to ensure a smooth transition and maintain expertise.

For Bankers:

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

5. HEALTHCARE TRENDS

The healthcare sector is undergoing transformative changes driven by innovative therapies and regulatory shifts. This analysis focuses on key emerging trends: Drug Pricing Reform, Novel Drug Development in Thalassemia, and Liver Disease Treatments. Each trend highlights market significance, key players, competitive dynamics, and potential M&A opportunities.

Drug Pricing Reform

- **Trend Explanation:** The recent announcement by Bristol Myers Squibb (BMS) to launch its schizophrenia drug Cobenfy at the same price in the UK as in the U.S. marks a significant shift in drug pricing strategies. This move aligns with the Trump Administration's efforts to reduce drug costs and could set a precedent for future pricing models in the pharmaceutical industry.

Key Companies:

- **Bristol Myers Squibb (BMS):** BMS is a major player in the pharmaceutical industry, focusing on innovative therapies for serious diseases. The company's commitment to price parity reflects a strategic positioning to enhance its market reputation and align with regulatory pressures for fair pricing.
- **Competitive Landscape:** The drug pricing reform landscape is increasingly competitive, with companies like Pfizer (PFE) and Johnson & Johnson (JNJ) also facing pressure to adjust pricing strategies. The shift towards price transparency and fairness may lead to increased scrutiny from regulators and advocacy groups.
- **M&A Opportunities:** Companies may explore mergers or acquisitions to consolidate resources and enhance pricing strategies. For example, acquiring smaller biotech firms that specialize in innovative therapies could provide a competitive edge in navigating the changing pricing landscape.

Novel Drug Development in Thalassemia

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- Trend Explanation: The thalassemia treatment market is expected to witness significant growth driven by novel drug development. Current therapies focus on managing symptoms, but emerging treatments like PYRUKYND aim to reduce transfusion dependency, transforming disease management.

Key Companies:

- CASGEVY (by Global Blood Therapeutics): This drug is designed for beta thalassemia and represents a significant advancement in treatment options, potentially improving patient outcomes and quality of life.
- ZYNTEGLO (by Bluebird Bio, Inc. (BLUE)): ZYNTEGLO is a gene therapy that offers a one-time treatment for beta thalassemia, showcasing the potential of gene editing technologies in addressing genetic disorders.
- Competitive Landscape: The thalassemia market is characterized by a mix of established pharmaceutical companies and innovative biotech firms. The competitive dynamics are shifting as new entrants introduce novel therapies, creating opportunities for collaboration and partnerships.
- M&A Opportunities: Companies may seek acquisitions of biotech firms with promising thalassemia therapies to expand their portfolios. The growing demand for innovative treatments could drive strategic partnerships and collaborations in this space.

Liver Disease Treatments

- Trend Explanation: GENFIT is focusing on developing treatments for liver diseases, particularly Acute-on-Chronic Liver Failure (ACLF) and Primary Biliary Cholangitis (PBC). The company's strategic decision to prioritize novel therapeutic options reflects a commitment to addressing significant unmet medical needs.

Key Companies:

- GENFIT (GNFT): GENFIT is a biopharmaceutical company dedicated to improving the lives of patients with liver diseases. The company is advancing its pipeline with multiple programs targeting ACLF and PBC, showcasing its commitment to innovation in this therapeutic area.
- Competitive Landscape: The liver disease treatment market is competitive, with companies like Intercept Pharmaceuticals (ICPT) and Gilead Sciences (GILD) also focusing on innovative therapies. The withdrawal of key competitors from the market may create opportunities for GENFIT to capture market share.
- M&A Opportunities: GENFIT may consider strategic partnerships or acquisitions to bolster its pipeline and expand its reach in the liver disease market. Collaborations with larger pharmaceutical companies could enhance its development capabilities and market access.

Actionable Insights for Bankers and Investors

For Bankers:

- Monitor regulatory changes and pricing reforms that could impact pharmaceutical valuations and M&A activity.

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- Identify potential acquisition targets in the thalassemia and liver disease sectors that align with strategic growth objectives.

For Investors:

- Consider investing in companies like Bristol Myers Squibb and GENFIT that are positioned to benefit from emerging trends in drug pricing and innovative therapies.
- Keep an eye on novel drug developments in thalassemia and liver diseases, as successful launches could lead to significant market opportunities and returns.

6. Recommended Readings

Deal Name: Johnson & Johnson's Acquisition of Actelion

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

Deal Name: Pfizer's Acquisition of Medivation

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

Deal Name: Amgen's Acquisition of Otezla

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

Deal Name: Gilead Sciences' Acquisition of Kite Pharma

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

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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

Key Economic Indicators:

- Transition to Recovery: The recent discussions indicate a shift from a rolling recession to a rolling recovery, suggesting that the healthcare sector may benefit from improved economic conditions. As Mike Wilson stated, "we think the rolling recession ended with Liberation Day and that we're now transitioning to an early cycle backdrop."
- Inflation Dynamics: The potential for accelerating inflation is seen as a positive for equities, including healthcare stocks. Wilson noted, "when inflation is accelerating, that's a sign that pricing power is pretty good," which can enhance profitability for healthcare companies.
- Labor Market Trends: The labor market is showing signs of recovery, which could lead to increased consumer spending on healthcare services. Wilson mentioned, "the private economy... is finally coming out of its earnings recession," indicating a possible uptick in healthcare demand.

Market Trends:

- Earnings Growth: The median stock EPS growth is turning positive, currently at 6%. This trend could positively impact healthcare companies, particularly those with strong earnings potential.
- Cyclical Recovery: The cyclical defensive ratio has improved significantly, indicating a potential shift in investor sentiment towards more cyclical sectors, including healthcare.
- Government Spending: Increased government spending on healthcare initiatives can provide

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additional support for the sector, especially as the economy recovers.

Sector-Specific Insights:

- **Healthcare Valuations:** With the anticipated recovery, healthcare companies may see improved valuations. The focus on innovative therapies and healthcare technology integration is likely to drive investor interest.
- **M&A Activity:** The improving economic backdrop may lead to increased M&A activity within the healthcare sector as companies seek to capitalize on growth opportunities.
- **Insurance Market Changes:** Shifts in healthcare insurance markets, influenced by economic recovery, may affect provider networks and reimbursement models, impacting healthcare service companies.

Risk Factors:

- **Regulatory Changes:** Potential changes in healthcare policy and reimbursement models could create uncertainty for healthcare companies, impacting their valuations and strategic decisions.
- **Supply Chain Issues:** Ongoing global supply chain disruptions may continue to affect pharmaceutical manufacturing and distribution networks, posing risks to healthcare companies.
- **Inflation Risks:** While some inflation can be beneficial, excessive inflation could lead to increased costs for healthcare providers and pharmaceutical companies.

Investment Implications:

- **Defensive Positioning:** Healthcare stocks may continue to serve as defensive plays in volatile markets, benefiting from stable cash flows and dividend growth

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