

Europe Healthcare Sector M&A & Valuation Brief - 2025-09-16

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 optimism and caution, driven by regulatory developments, technological advancements, and evolving patient needs. The overall sentiment reflects a mix of enthusiasm for innovation and apprehension regarding regulatory scrutiny, particularly in the pharmaceutical and medical device subsectors.

Subsector Breakdown:

- **Pharmaceuticals:** The pharmaceutical sector remains strong, buoyed by ongoing advancements in drug development and precision medicine. For example, Mesoblast Limited (NASDAQ: MESO) recently highlighted the successful commercial launch of Ryoncil, the only FDA-approved mesenchymal stromal cell product for treating steroid-refractory acute graft versus host disease. This innovation underscores the sector's potential for growth through targeted therapies.
- **Biotech:** The biotech subsector is experiencing rapid growth, with companies like Moderna leveraging mRNA technology for new therapeutic applications. The influx of venture capital into biotech is evident, as seen with Snoop Dogg's Casa Verde Capital investing GBP4.5 million in Mamedica, a UK medical cannabis clinic, signaling strong investor confidence in innovative healthcare solutions.
- **Medical Devices:** The medical device sector is evolving with the integration of smart technologies. AVITA Medical, Inc. (NASDAQ: RCEL) recently received CE Mark approval for its RECELL GO device, which enables healthcare professionals to prepare a suspension of a patient's own skin cells for acute wound treatment. This advancement illustrates the sector's commitment to improving patient outcomes through innovative solutions.
- **Healthcare Services:** The healthcare services space is thriving, with a focus on integrating digital health solutions. The growth of telemedicine and value-based care models is reshaping how services are delivered, as evidenced by the increasing number of patients under care at clinics like Mamedica.
- **Digital Health:** The digital health subsector is booming, with significant investments flowing into AI-driven healthcare applications. Companies are racing to implement AI solutions in diagnostics and patient management, which is expected to transform traditional healthcare delivery models.

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Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Continuous innovation in AI, genomics, and digital health is driving growth across healthcare sectors. The successful launch of Ryoncil by Mesoblast is a prime example of how innovative therapies can capture market interest and drive revenue.
- **Increased Investment:** The influx of venture capital and private equity investments, particularly in biotech and digital health, indicates strong market confidence. The GBP4.5 million investment in Mamedica exemplifies the growing interest in medical cannabis and alternative therapies.

Headwinds:

- **Regulatory Scrutiny:** Increased scrutiny from regulatory bodies, particularly in the pharmaceutical sector, poses risks to M&A activities and market valuations. Companies must navigate 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 thrive, driven by demand for innovative therapies. Companies focusing on specialty drugs are particularly well-positioned for growth, as evidenced by Mesoblast's successful launch of Ryoncil.
- **Biotech:** Biotech firms are adapting to regulatory changes, with a shift towards precision medicine. The investment in Mamedica highlights the sector's potential for growth amid evolving patient needs.
- **Medical Devices:** Medical device companies are increasingly investing in smart technologies to enhance patient care. AVITA Medical's RECELL GO device exemplifies this trend, showcasing the potential for innovation in wound care.
- **Healthcare Services:** The healthcare services sector is benefiting from innovations in telemedicine and value-based care. The growth of clinics like Mamedica reflects a shift towards more accessible healthcare solutions.
- **Digital Health:** The digital health subsector is experiencing rapid growth, with companies investing heavily in AI capabilities to maintain competitive advantages. The integration of technology into healthcare delivery is reshaping patient management and diagnostics.

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:

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- 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 optimism about the long-term prospects of the Healthcare sector, citing technological advancements as a key growth driver. For instance, a recent analyst report emphasized, "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 showcases a diverse array of live deals, mandated transactions, and active pitches. This section provides a detailed analysis of ongoing activities, expected revenues, and strategic implications for our team.

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Deal Pipeline

Live Deals:

- Jazz Pharmaceuticals (JAZZ) : The company is currently in discussions for a potential acquisition aimed at expanding its specialty drug portfolio. The deal is in the due diligence phase, with an expected close in Q4 2025. This acquisition could significantly enhance Jazz's market position in the treatment of rare diseases.
- Madrigal Pharmaceuticals (MDGL) : This biopharmaceutical firm is progressing towards a strategic partnership to advance its liver disease treatment pipeline. Regulatory approvals are anticipated by Q1 2026, which could lead to accelerated clinical trials and market entry.

Mandated Deals:

- Sanofi (SNY) : Secured a mandate to explore acquisitions in the oncology space, particularly targeting innovative therapies that align with its existing portfolio. The deal is expected to launch in Q2 2026, as Sanofi aims to bolster its competitive edge in cancer treatment.
- Arrowhead Pharmaceuticals (ARWR) : Mandated to evaluate potential partnerships or acquisitions to enhance its RNA-targeted therapeutics. The timeline for this initiative is projected for Q3 2026, focusing on expanding its pipeline and market reach.

Pitching-Stage Deals:

- Biotech Sector : Active discussions are ongoing with several biotech firms, including Gilead Sciences (GILD) and Biogen (BIIB), regarding potential M&A opportunities in the gene therapy space. Pitches are expected to finalize by Q3 2025.
- Digital Health Startups : Engaging with various digital health companies, such as Teladoc Health (TDOC) and Doximity (DOCS), for potential investment banking services aimed at capitalizing on the growing telemedicine market. Discussions are ongoing.

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

Timing Projections:

- Q4 2025 : Expected close for Jazz Pharmaceuticals acquisition.
- Q1 2026 : Anticipated completion of Madrigal's strategic partnership.

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- Q2 2026 : Launch of Sanofi's acquisition 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 effectively manage the increased workload.
- Forecasting and Strategic Planning Implications : The pipeline indicates robust demand for advisory services in the biotech and digital health sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is becoming increasingly dynamic, particularly in the biotech sector, where firms like Jazz Pharmaceuticals and Madrigal are competing for leadership in innovative therapies. The recent uptick in institutional investments, such as Inspire Investing LLC's purchase of shares in Jazz Pharmaceuticals, reflects growing confidence in the sector's potential.
- Additionally, the rise of digital health startups, exemplified by increased investments in companies like Teladoc Health, indicates a growing market for telemedicine solutions, which could lead to new advisory opportunities.

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 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

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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.
- 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

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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

- 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

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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 undergoing transformative changes driven by innovative technologies and evolving patient needs. This analysis focuses on key emerging trends: Advanced Wound Care, Medical Cannabis, and Cellular Therapies. Each trend is explored regarding its market significance, key players, competitive dynamics, and potential M&A opportunities.

Advanced Wound Care

- **Trend Explanation:** Advanced wound care involves the use of innovative technologies and products to promote healing in acute and chronic wounds. The global advanced wound care market is projected to grow from \$10.5 billion in 2021 to \$15.6 billion by 2026, at a CAGR of 8.2%.

Key Companies:

- **AVITA Medical, Inc. (RCEL):** AVITA Medical has developed RECELL GO, a point-of-care device that prepares a suspension of a patient's skin cells for treating burns and traumatic wounds. With the recent CE Mark approval, AVITA is positioned to expand its market presence across Europe, enhancing its competitive edge in advanced wound care.
- **Mlnlycke Health Care:** A global leader in advanced wound care products, Mlnlycke focuses on innovative dressings and surgical solutions. The company is strategically positioned to leverage its extensive distribution network to capture market share.
- **Competitive Landscape:** The advanced wound care market is competitive, with major players like Smith & Nephew (SNN) and Coloplast (CLP) also investing in R&D to develop new wound care technologies. The focus on patient outcomes and cost-effectiveness is driving innovation.
- **M&A Opportunities:** Companies may seek to acquire startups with innovative wound care technologies or complementary products. AVITA's recent CE Mark approval could make it an attractive target for larger firms looking to enhance their product offerings.

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Medical Cannabis

- Trend Explanation: The medical cannabis market is rapidly expanding as more countries legalize its use for various medical conditions. The global medical cannabis market is expected to grow from \$13.4 billion in 2020 to \$56.7 billion by 2025, at a CAGR of 33.5%.

Key Companies:

- Mamedica: Backed by Snoop Dogg's Casa Verde Capital, Mamedica is a UK-based medical cannabis clinic that has rapidly grown its patient base to 7,500. The clinic focuses on treating chronic and neurological conditions, positioning itself as a leader in the UK market.
- Canopy Growth Corporation (CGC): A major player in the cannabis sector, Canopy Growth is expanding its medical cannabis offerings and exploring partnerships to enhance its market presence.
- Competitive Landscape: The medical cannabis market is characterized by a mix of established companies and new entrants. The competitive dynamics are influenced by regulatory changes and the increasing acceptance of cannabis as a treatment option.
- M&A Opportunities: As the market matures, larger pharmaceutical companies may look to acquire medical cannabis clinics or startups to diversify their portfolios. Mamedica's growth trajectory could attract interest from potential acquirers.

Cellular Therapies

- Trend Explanation: Cellular therapies, including stem cell treatments, are gaining traction for their potential to treat various diseases. The global cellular therapy market is projected to grow from \$8.5 billion in 2020 to \$20.5 billion by 2027, at a CAGR of 13.2%.

Key Companies:

- Mesoblast Limited (MESO): Mesoblast is a leader in allogeneic cellular medicines, recently launching Ryoncil for treating steroid-refractory acute graft versus host disease. The company is expanding its product indications, positioning itself for significant growth in the cellular therapy market.
- Athersys, Inc. (ATHX): Athersys focuses on developing regenerative medicine therapies and is exploring partnerships to advance its cell therapy pipeline.
- Competitive Landscape: The cellular therapy market is competitive, with companies like Novartis (NVS) and Gilead Sciences (GILD) also investing heavily in this space. The focus on innovative therapies is driving collaboration and acquisitions.
- M&A Opportunities: Companies may pursue acquisitions of cellular therapy firms to enhance their R&D capabilities. Mesoblast's recent launch could make it a target for larger pharmaceutical companies looking to expand their therapeutic offerings.

In summary, the healthcare sector is witnessing significant advancements driven by emerging trends. By understanding these trends and their market dynamics, investors and bankers can identify strategic

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opportunities for growth and investment.

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 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.

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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:

- Cybersecurity Market Growth: The cybersecurity market is currently valued at \$270 billion, with expectations for growth at 12% per year through 2028. This positions cybersecurity as one of the fastest-growing sectors within technology.
- Investment Trends: Chief Information Officers surveyed anticipate that cybersecurity spending will grow 50% faster than overall software spending, indicating a robust commitment to enhancing security measures across industries.
- Market Performance: Over the past three years, security stocks have delivered a 58% return, significantly outperforming the broader software market, which returned 22%, and the NASDAQ, which returned 79%.

Market Trends:

- Platformization in Cybersecurity: There is a notable trend towards consolidating security tools into unified platforms, as companies currently manage an average of 130 different cybersecurity tools. This complexity often leads to vulnerabilities, making integrated solutions increasingly critical.
- AI Integration: Currently, security investments account for only 1% of overall AI spending, compared to 6% of total IT budgets. This suggests substantial growth potential as AI becomes more integral to business operations.
- Defensive IT Budgets: Cybersecurity is emerging as the most defensive area within IT budgets, making it less susceptible to cuts during economic downturns.

Sector-Specific Insights:

- Investment Opportunities: The interconnected themes driving investment in cybersecurity indicate a shift towards companies that can simplify and unify security measures, enhancing resilience against evolving threats.

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- Emerging Threats: As cyber threats evolve, the demand for innovative cybersecurity solutions that can adapt quickly is increasing, creating opportunities for growth among agile providers.

Risk Factors:

- Complexity of Cybersecurity Tools: The proliferation of disparate security tools can lead to gaps in protection, highlighting the risk associated with inadequate integration and management of cybersecurity measures.
- Evolving Cyber Threat Landscape: The rapid evolution of cyber threats necessitates continuous investment and innovation, posing a challenge for companies to stay ahead of potential risks.

Investment Implications:

- Defensive Positioning: Given the growth trajectory and defensive nature of cybersecurity spending, companies in this sector are likely to remain attractive investments in uncertain economic times.
- Growth Opportunities: The shift towards unified cybersecurity platforms and increased AI integration presents significant growth opportunities for companies that can effectively address the complexities of modern cyber threats.
- **M&A Activity

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