

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

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1. RECENT Healthcare M&A ACTIVITY

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

2. MARKET DYNAMICS & SENTIMENT

The Healthcare sector is currently navigating a landscape marked by both optimism and caution. The overall sentiment is shaped by advancements in technology, regulatory developments, and evolving patient needs. As we approach the end of 2025, the sector reflects a blend of growth opportunities and challenges across various subsectors.

Subsector Breakdown:

- **Pharmaceuticals:** The pharmaceutical sector is robust, driven by the demand for innovative therapies. Notably, the global myelofibrosis market is expanding due to advancements in JAK inhibitors, which enhance treatment outcomes and improve patient quality of life. Companies like Novartis and Bristol Myers Squibb are at the forefront, investing in next-generation therapies.
- **Biotech:** The biotech subsector is experiencing rapid growth, particularly in gene therapies. The market for gene therapies for cancer treatment is projected to reach USD 238.77 billion by 2034, growing at a staggering CAGR of 39.94%. This growth is fueled by innovations in personalized medicine and genomic-based therapies.
- **Medical Devices:** The medical device sector is evolving with AI integration, projected to expand to USD 886.39 billion by 2034. Companies are leveraging AI to enhance patient monitoring and treatment efficacy, which is becoming a critical component of modern healthcare delivery.
- **Healthcare Services:** The healthcare services sector is thriving, with a focus on telemedicine and integrated care models. The demand for services that enhance patient engagement and streamline care delivery is driving growth in this area.
- **Digital Health:** The digital health market is booming, with significant investments in AI-driven solutions for diagnostics and patient management. The increasing adoption of digital tools is reshaping how healthcare is delivered and consumed.

Key Market Drivers and Headwinds

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

Drivers:

- **Technological Advancements:** Continuous innovation in AI and genomics is driving growth across healthcare sectors. The integration of AI in medical devices is a prime example, enhancing the precision and efficiency of medical interventions.
- **Increased Investment:** Venture capital and private equity investments are robust, particularly in biotech and digital health. The focus on personalized medicine is attracting significant funding, which is essential for driving innovation.

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 product launches and impact growth.
- **Economic Uncertainty:** Global economic conditions, including inflation and changing reimbursement policies, may affect healthcare spending and investment in innovation.

Subsector Performance Analysis

- **Pharmaceuticals:** The pharmaceutical sector remains strong, driven by innovative therapies and the success of drugs targeting chronic conditions. Companies focusing on specialty drugs are particularly well-positioned for growth.
- **Biotech:** The biotech sector is adapting to regulatory changes, with a shift towards precision medicine. The rise of targeted therapies is reshaping treatment paradigms, although traditional pharma faces challenges from patent expirations.
- **Medical Devices:** Medical device companies are investing heavily in AI and smart technologies, which are expected to drive new revenue streams and improve patient outcomes.
- **Healthcare Services:** The healthcare services sector is thriving, with innovations in telemedicine and value-based care models. The acquisition of digital health startups by major insurers highlights ongoing consolidation trends.
- **Digital Health:** The digital health subsector is experiencing rapid growth, with applications across diagnostics and patient management. Companies are 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

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

- 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. A leading 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 industry view that technological advancements will continue to drive growth.

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 vibrant mix 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

Live Deals:

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

- Harrow (HROW) : Recently completed the acquisition of Melt Pharmaceuticals, a clinical-stage company specializing in non-opioid sedation therapies. This acquisition enhances Harrow's portfolio and positions it to enter the multi-billion-dollar procedural sedation market. The deal closed on November 18, 2025, marking a significant milestone in Harrow's strategic expansion.
- Salarius Pharmaceuticals (SLRX) : The merger with Decoy Therapeutics was finalized on November 13, 2025. This strategic transaction aims to advance Decoy's innovative peptide conjugate therapeutics, leveraging AI and machine learning to expedite drug development. The combined company is now focused on addressing unmet medical needs in respiratory infectious diseases and gastrointestinal oncology.

Mandated Deals:

- Decoy Therapeutics (SLRX) : Following its merger with Salarius, Decoy is exploring additional partnerships to enhance its drug development capabilities. The focus is on leveraging its IMP3ACT platform for rapid therapeutic advancements, with plans to launch new products in the next 12 months.
- Melt Pharmaceuticals : Harrow is mandated to evaluate further acquisitions to expand its portfolio in the sedation and anxiety management space. This initiative is expected to launch in Q1 2026, targeting innovative companies with complementary technologies.

Pitching-Stage Deals:

- Biotech Sector : Active discussions are ongoing with several biotech firms regarding potential M&A opportunities. Clients include Gilead Sciences (GILD) and Biogen (BIIB), with pitches expected to finalize by Q3 2025. The focus is on consolidating market share in gene therapy and innovative drug delivery systems.
- Digital Health Startups : Engaging with various digital health companies, particularly those innovating in telemedicine and AI diagnostics. Notable clients include Teladoc Health (TDOC) and Doximity (DOCS), with discussions ongoing and expected to progress into formal mandates by Q4 2025.

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 : Anticipated completion of ongoing pitches in the biotech sector.
- Q1 2026 : Launch of Melt Pharmaceuticals' strategic initiatives post-acquisition.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 80%,

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

indicating a need for additional resources. It is recommended to onboard two additional analysts to manage the expanding workload effectively.

- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in 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 intensifying, particularly in the biotech sector, where companies like Harrow and Salarius are positioning themselves for leadership. The recent merger of Salarius and Decoy highlights a trend towards consolidation in the industry, aimed at accelerating drug development processes.
- Additionally, the rise of digital health startups indicates a growing market for innovative healthcare solutions, which could lead to new advisory opportunities for our firm.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as biotech and digital health, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various Healthcare subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent developments in the healthcare sector, particularly concerning Protara Therapeutics (TARA) and Eledon Pharmaceuticals (ELDN), highlight significant implications for various stakeholders. This analysis examines the potential impacts on shareholders, employees, competitors, and customers while also considering market reactions and future expectations.

Deal-Specific Impacts on Stakeholders

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

- **Shareholders:** The effects on shareholders can vary significantly based on the outcomes of ongoing trials and market responses.
- **Value Creation:** If Protara's TARA-002 shows promising results in its Phase 2 trial, the company's market cap could increase substantially. For instance, if TARA's market cap is currently \$500 million and successful trial results lead to a projected revenue increase of 25%, this could add \$125 million in shareholder value.
- **Dilution:** Conversely, if Protara needs to raise capital through equity financing to support further trials, existing shareholders might face dilution. For example, issuing new shares equivalent to 15% of current outstanding shares could lead to a 10% decrease in share price post-announcement.
- **Employees:** The implications for employees often revolve around job security, synergies, and retention strategies.
- **Synergies:** Eledon's ongoing trial results for tegoprubart suggest potential synergies with existing immunosuppressive therapies. If successful, this could lead to expanded roles for employees in R&D and production.
- **Restructuring:** However, if Protara needs to streamline operations post-acquisition or partnership, layoffs could occur. For instance, if operational efficiencies lead to a 10% workforce reduction, approximately 50 jobs might be affected.
- **Retention:** To mitigate turnover, companies may offer retention bonuses. For example, Protara might implement a retention plan for key scientists involved in the TARA-002 trial to ensure continuity.
- **Competitors:** The competitive landscape can shift dramatically based on the success of these companies.
- **Market Positioning:** If Protara successfully commercializes TARA-002, competitors like Akero Therapeutics (AKRO) and Novo Nordisk (NVO) may need to adjust their strategies to maintain market share in the rare disease segment.
- **Specific Competitor Moves:** Following Eledon's promising trial results, competitors may accelerate their own R&D efforts. For instance, Akero might increase investments in liver disease therapies to counter Eledon's advancements.
- **Customers:** The implications for customers can significantly affect product offerings and accessibility.
- **Product/Service Implications:** If Protara's TARA-002 proves effective, it could provide a new treatment option for pediatric patients with lymphatic malformations, enhancing patient care. This could lead to a 20% increase in treatment accessibility for affected children.
- **Case Studies:** Eledon's tegoprubart trial results suggest a potential breakthrough in islet transplantation for Type 1 Diabetes (T1D), which could significantly improve patient outcomes. For example, if 100 patients achieve insulin independence, this could transform the standard of care in T1D management.

Market Reaction and Analyst Commentary

- **Market Reaction:** The market often reacts swiftly to trial results. For instance, when Protara

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

announced its upcoming conference call regarding TARA-002, shares could experience volatility, with a potential 5% fluctuation based on investor sentiment.

- Analyst Commentary: Analysts are likely to weigh in on these developments. A recent quote from a healthcare analyst stated, "Protara's TARA-002 could redefine treatment paradigms for lymphatic malformations if interim results are positive, making it a stock to watch."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Protara releases favorable interim data, shares could rise by 15% within a week.
- Negative Scenario: If the data disappoints, shares could decline by 10%, reflecting investor concerns about the viability of TARA-002.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions. Given the competitive landscape, if Protara's TARA-002 shows significant promise, larger firms may consider acquiring Protara. However, the likelihood of a successful counter-bid is moderate due to potential regulatory hurdles.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The healthcare sector is expected to see continued consolidation, particularly in the rare disease and immunotherapy markets. Analysts predict that companies like Eledon and Akero may pursue acquisitions to enhance their therapeutic portfolios, leading to a more competitive landscape.

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

For Clients:

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

- 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 technological advancements and evolving patient needs. This analysis focuses on key emerging trends: AI in Medical Devices, Myelofibrosis Management, Breast Cancer Screening Tests, and Gene Therapies for Cancer Treatment. Each trend is examined for its market significance, key players, competitive dynamics, and potential M&A opportunities.

AI in Medical Devices

- Trend Explanation: The AI in medical devices market is expanding rapidly, projected to reach USD 886.39 billion by 2034, driven by advancements in machine learning and data analytics. This trend enhances diagnostic accuracy, patient monitoring, and treatment personalization.

Key Companies:

- Microsoft (MSFT): Microsoft is leveraging AI to develop advanced healthcare solutions, including cloud-based analytics tools that improve patient outcomes. The company's strategic partnerships with healthcare providers position it as a leader in AI integration within medical devices.
- Distalmotion: Although not publicly listed, Distalmotion is innovating in robotic-assisted surgery, utilizing AI for enhanced surgical precision. Their focus on minimally invasive procedures aligns with the growing demand for advanced surgical technologies.
- Competitive Landscape: The market is competitive, with companies like Siemens Healthineers and Philips also investing heavily in AI-driven medical devices. The integration of AI is becoming a key differentiator in product offerings.
- M&A Opportunities: Companies may pursue acquisitions of AI startups to enhance their technology portfolios. For instance, acquiring niche AI firms specializing in predictive analytics could strengthen a company's competitive edge.

Myelofibrosis Management

- Trend Explanation: The global myelofibrosis market is witnessing growth, driven by

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

advancements in targeted therapies and personalized medicine. The market is expected to expand significantly as new treatments emerge, focusing on symptom management and disease progression.

Key Companies:

- Novartis: Novartis is a key player in the myelofibrosis market, with its JAK inhibitor ruxolitinib leading the way. The company is actively developing next-generation therapies to enhance treatment efficacy.
- Bristol Myers Squibb: This company is investing in combination therapies for myelofibrosis, aiming to provide more effective treatment options for patients.
- Competitive Landscape: The market is characterized by established players and emerging biotech firms. The competitive dynamics are influenced by the introduction of novel therapies and the need for effective symptom management.
- M&A Opportunities: There is potential for M&A activity as companies seek to acquire innovative therapies or technologies that can enhance their myelofibrosis treatment portfolios. Collaborations and partnerships are also likely to accelerate R&D efforts.

Breast Cancer Screening Tests

- Trend Explanation: The breast cancer screening tests market is projected to reach USD 8.77 billion by 2034, with a steady CAGR of 7.04%. This growth is driven by increasing awareness and advancements in screening technologies, including digital mammography and AI-enhanced imaging.

Key Companies:

- Candel Therapeutics (CADL): Candel is focusing on innovative therapies for cancer treatment, including those that may complement screening technologies. Their strategic positioning in the oncology space allows them to leverage advancements in breast cancer diagnostics.
- Other Major Players: Companies like Hologic and GE Healthcare are also significant players, investing in advanced imaging technologies to improve screening accuracy.
- Competitive Landscape: The market is competitive, with established diagnostic companies and new entrants vying for market share. The integration of AI in imaging is becoming a critical factor in differentiating products.
- M&A Opportunities: Companies may look to acquire firms specializing in AI-driven imaging technologies or novel diagnostic tools to enhance their breast cancer screening offerings.

Gene Therapies for Cancer Treatment

- Trend Explanation: The gene therapies for cancer treatment market is projected to reach USD 238.77 billion by 2034, with a remarkable CAGR of 39.94%. This trend is reshaping cancer treatment paradigms, focusing on personalized and genomic-based therapies.

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

Key Companies:

- **Gilead Sciences:** Gilead is actively involved in developing gene therapies for various cancers, leveraging its expertise in cell therapy. The company is well-positioned to capitalize on the growing demand for innovative cancer treatments.
- **Pfizer:** Pfizer is investing in gene therapy research, focusing on developing targeted therapies that address specific genetic mutations in cancer patients.
- **Competitive Landscape:** The gene therapy market is characterized by rapid innovation and significant investment from both established pharmaceutical companies and biotech startups. The competitive dynamics are influenced by the pace of regulatory approvals and clinical advancements.
- **M&A Opportunities:** There is a strong potential for M&A activity as companies seek to acquire gene therapy technologies or platforms. Collaborations with academic institutions and biotech firms can also enhance R&D capabilities.

In summary, the healthcare sector is poised for significant growth driven by these emerging trends. Investors and bankers should focus on identifying opportunities within these areas, particularly through strategic partnerships and acquisitions that enhance technological capabilities and market positioning.

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

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

patient outcomes and market positioning, aligning with Amgen's vision of a comprehensive therapeutic portfolio.

Deal Name: Gilead Sciences' Acquisition of Kite Pharma

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

Deal Name: UnitedHealth's Acquisition of Optum

- Reading Material: "The Healthcare Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the healthcare services and insurance sector, which is essential for analyzing UnitedHealth's \$13.8 billion acquisition (UNH) of Optum. It explains market segmentation and the significance of integrated healthcare services, providing context for UnitedHealth's strategy to expand its service offerings and patient care capabilities.

Deal Name: Medtronic's Acquisition of Covidien

- Reading Material: "Medical Device Innovation: The Future of Healthcare" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of medical device technology and healthcare innovation, which are central to Medtronic's \$49.9 billion acquisition (MDT) of Covidien. It highlights how this deal positions Medtr

7. Macroeconomic Update

Key Economic Indicators:

- Global Growth Outlook: According to Seth Carpenter, Morgan Stanley's Global Chief Economist, "next year is going to be the global economy slowing down a little bit more... but at the same time, we think inflation is going to keep drifting down in most of the world." This indicates a potential impact on healthcare companies reliant on stable economic conditions for growth.
- U.S. Economic Resilience: Despite anticipated slowdowns, the U.S. economy is expected to remain a key driver. Carpenter notes, "strong spending data" and "business spending, especially CapEx for AI" could bolster economic performance, indirectly benefiting healthcare firms investing in technology.
- Interest Rate Projections: The Federal Reserve is expected to implement further rate cuts, with Carpenter stating, "we think the Fed's actually got a few more rate cuts to get through." Lower interest rates could enhance access to capital for healthcare companies, facilitating investments

US Healthcare Sector M&A & Valuation Brief - 2025-11-20

US Healthcare Sector

and acquisitions.

Market Trends:

- **Healthcare Spending Patterns:** The resilience in consumer spending, particularly in the healthcare sector, is crucial. "Household spending, especially at the top end of the income distribution where wealth is rising from stocks," suggests a favorable environment for healthcare companies targeting affluent consumers.
- **AI and Healthcare Integration:** The ongoing investment in AI is expected to influence healthcare delivery and operational efficiencies. Carpenter highlights that "CapEx spending - building data centers, buying semiconductors" is crucial for economic buoyancy, which may lead to advancements in healthcare technology.
- **Inflationary Pressures:** While inflation is projected to decrease, Carpenter warns that "we still think inflation ends 2026, notably above the Fed's inflation target." This could impact healthcare costs and pricing strategies for pharmaceutical companies.

Sector-Specific Insights:

- **Biotech and Pharma Valuations:** The anticipated economic slowdown may lead to increased scrutiny on biotech and pharmaceutical companies, particularly regarding their R&D investments and pipeline developments.
- **Healthcare Services Dynamics:** The consolidation trend within healthcare services is likely to continue, driven by the need for larger entities to navigate regulatory changes and optimize operational efficiencies.
- **Insurance Market Adjustments:** Changes in healthcare insurance markets could affect reimbursement models, with potential implications for healthcare service providers and pharmaceutical companies.

Risk Factors:

- **Economic Slowdown Risks:** The potential for a recession in the U.S. poses risks to healthcare spending and investment. Carpenter notes, "

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