

EVALUERVE



Global Healthcare Industry

M&A and Capital Market Landscape H1'25 Review

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Global Healthcare M&A H1'25: Investors Turned Cautious Amidst Volatility

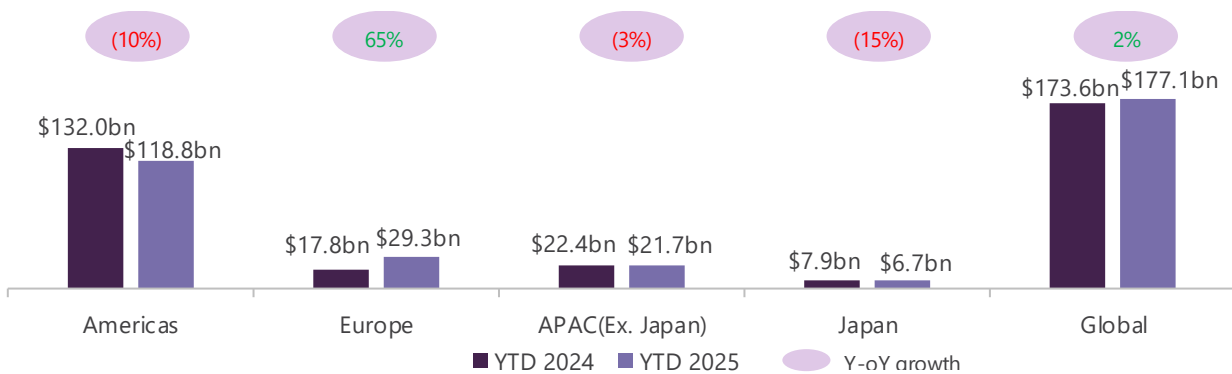
The global healthcare market witnessed slowdown in deal activity in H1'25 as dealmakers continue to navigate the current challenging market environment. Private equity (PE) players remained cautious, focusing on bolt-on acquisitions to enhance portfolio value, while strategic buyers prioritized mid-market transactions over megadeals. Trade tensions, particularly resulting from evolving U.S. policies, introduced uncertainty across boardroom discussions, leading to a "wait and watch" stance from investors. Additionally, pricing pressure of pharma companies and reductions in reimbursements posed new valuation challenges.

The sector witnessed few 'big ticket' agreements, mostly in the pharmaceuticals and biotech sub-sector given their significant war chest, which drove investors' confidence. However, lack of mega deals resulted in subdued y-o-y figures owing to a strong base effect. Nonetheless, dealmakers continued to amend their strategies to bridge the valuation gaps and conducted deeper analyses of the targets, thereby extending duration of negotiations and due diligence.

Key M&A sentiments observed during H1'25:

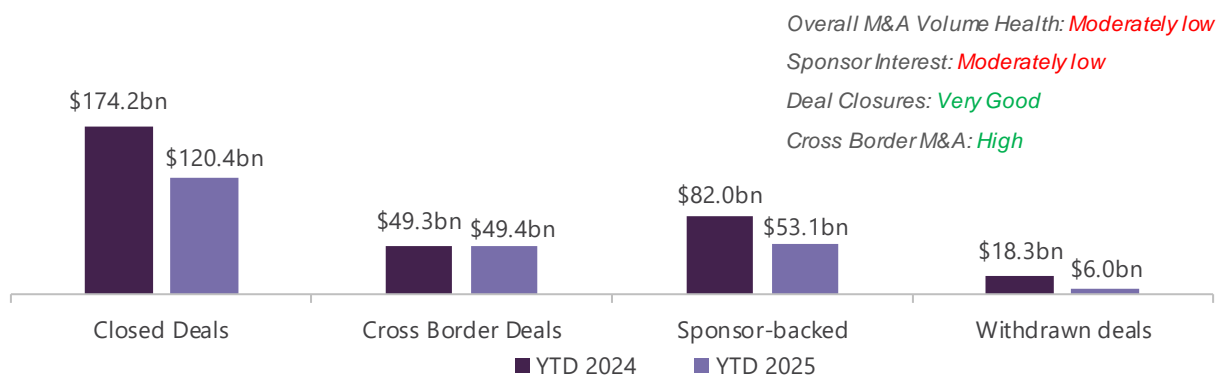
-  Moderate valuations and heightened boardroom CEO confidence across healthcare subsectors steadied deal volumes though lack of mega deals muted y-o-y growth (high base effect)
-  Portfolio realignment is happening among the strategics to divest non-core or under-performing assets; the proceeds of which are expected to be used in ramping of R&D, technology, and scale
-  Rapid paradigms shift towards utilizing data and actionable insights to implement person-centric network/product strategies across sub-sectors
-  Macroeconomic conditions and geopolitical tensions remained challenging, trade tensions and economic uncertainty influenced capital flows, with investors favoring a cautious approach
-  The increasing demand for GLP-1 medications may lead to more deals in the weight loss industry, as start-ups compete with Big Pharma
-  Sponsors remained cautious amidst greater scrutiny and revised their expectations to factor in the changing deal making landscape with lower valuations and interest rates justifying 'firepower' deployment in 2025

Global Healthcare Regional M&A YTD 2025 (US\$ bn)



Source: Refinitiv; deals as of July 24, 2025

Global Healthcare M&A Volume Analysis (US\$ bn)



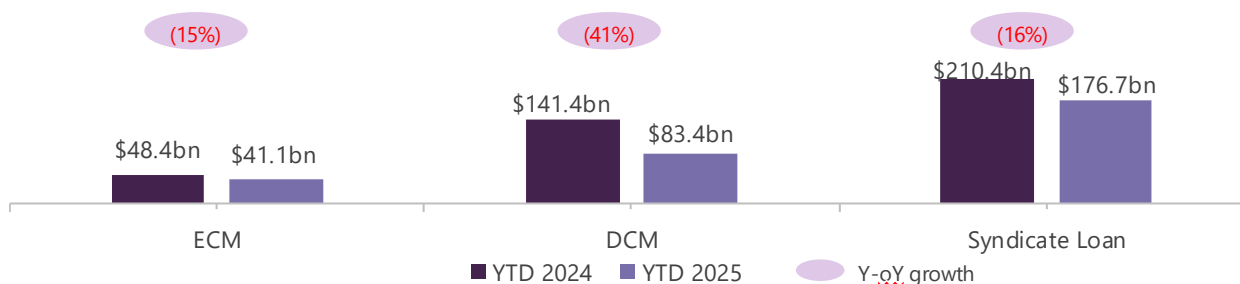
Heightened economic uncertainty, pricing pressure, cautious stance of central banks, geopolitical instability and tariff policies disrupted overall deal activity and dampened sentiments in H1'25

Healthcare Funding: Strong Momentum Derailed by Profound Uncertainty

The Debt Capital Market (DCM) showed significant signs of slowdown in H1'25 as market volatility significantly increased due to aggressive tariff policies in the US. Most of the deals were related to refinancing and repricing, though volumes decelerated a drastically post February as secondary market weakness dampened momentum. However, Investors exhibited greater risk tolerance as banks have been more active, resulting in decent M&A financing in the syndicated debt markets and more favorable pricing during the year. Aided by strong investor interest and tighter spreads, borrowers refinanced more costly private credit with more affordable widely syndicated loans. Overall, looking ahead we expect refinancing deals to remain under focus in 2025 with interest rate cuts and Central Bank stimulus globally, likely to give an improved market tone for deals offset a bit by some political headwinds.

The heightened volatility made equity deals, particularly IPOs, increasingly difficult to execute. As a result the Equity Capital Market (ECM) saw a decline in volume indicating a shift in market dynamics with investors turning risk-averse. There were pockets of growth particularly in the Life Science and Biotech companies with investors focusing on innovation and growth. Nonetheless, the IPO backlog continues to be robust with data suggesting green shoots of public listings by Biotech and MedTech companies. This should ideally continue to drive steady volumes in the remainder of 2025.

Global Healthcare Capital Markets Activity YTD 2025 (US\$ bn)



Source: Refinitiv; deals as of July 24, 2025

ESG in Healthcare M&A: A Crisis-resilient Long-term Value Creation

In the healthcare industry, an environmental, social, and governance (ESG) framework aims to create sustainable energy and waste management systems, encourage investments in community health, and address unmet medical needs; it also requires leaders to embrace diversity and inclusion as their foremost duties. The COVID-19 pandemic has demonstrated that adhering to ESG factors is key to crisis-resilient long-term value creation. Companies with dynamic business cultures were relatively more resilient during the shutdowns, given their ability to absorb the shock. Globally, investors have started to recognize the potential benefits of announcing an acquisition that is ESG accretive. By directly linking ESG factors to long-term value creation, companies can substantially alleviate investor concerns by de-risking their investments.

The Advent of an 'ESG premium' is Expected to Directly Impact Due Diligence



From a funding standpoint, the cost of capital for companies with better ESG scores is lower than for companies with lesser scores. For example, there is a greater investor demand and better pricing for issuers of many green, social, or sustainable bonds versus traditional (non-ESG) issuances. This trend has also gained prevalence among shareholder activists, who have started to include ESG improvements as an important criterion while targeting companies. Since the start of the COVID-19 pandemic, global issuance of sustainable debt capital across all industries has been at an all-time high. As a result, companies are upgrading their disclosures, culture, and practices towards a more ESG-friendly approach.

In the context of M&A, understanding the disparities between buyers and sellers' ESG profiles have become essential for a successful deal. As a result, deal makers continue to place greater emphasis on ESG criteria while screening out assets and determining valuations across geographies and sub-sectors.

Outlook 2025: Spotlight on Repositioning and Transformation

As we look ahead, deal activity is expected to pick up further, especially in the pharma / biotech sub-sectors, given the availability of large dry powder among the major consolidators. Dealmakers, who have been sidelined due to geo-political uncertainty and market volatility, will be eager to structure deals that enable both buyer and seller to transform their business models for the future.

More normalized valuation levels across the healthcare industry, aided by healthy demand from sponsors, the need for replenishing drug pipelines, the buy and build approach of major companies, lower interest rates and the revival of the credit market should drive volumes higher in 2025.

In the light of these developments, we foresee the following niche M&A for 2025:



Geo-political tensions continue to dominate client discussions: An unstable political landscape had disrupted the global supply chains and 'put the brakes' on the record deal activity that we had witnessed during the pandemic. For deal makers, market timing has become the strongest headwind in the current environment. Dialogues with related parties should carefully weigh-in the challenges of value-creation post-merger.



Estimated dry powder of ~US\$4.0tr among private equity firms: The strong capital position of private equity firms continues to create opportunities for them to assess and capture resilient healthcare assets. Dealmakers have always found a way to navigate uncertainty and make profitable investments even during high market volatility. Contract research organizations (CROs), contract development and manufacturing organizations (CDMOs) and MedTech companies look attractive for "go-private" deals given the attractive valuations.



Record levels of deal making firepower is available amongst key pharma consolidators: The top 25 pharma companies are estimated to have ~US\$1.3tr worth of firepower designated for M&A (as per EY report in Jan'25) at the end of 2024. Reduced deal premiums, patent expiry and death of innovative in-house pipelines should propel deal activity in 2025.



Innovation continues to be rewarded: We continue to foresee any incremental M&A push to be broad-based across major healthcare sub-sectors, as innovation gets rewarded by investors. These include companies that are/were directly involved in addressing the spread of COVID-19, like those focused on diagnostics and vaccine development, as well as consolidation among medical devices manufacturers, which were severely impacted by restrictions on elective during the start of the pandemic.



Impact of Inflation Reduction Act (IRA) on pharmaceutical pricing: While it is unclear how the IRA will affect prices in the long run, it is obvious that there will be major effects, possibly for indications and treatments with very large R&D expenditures. As a result, partners are beginning to think about including customized terms in contracts to address the effects on downstream price. Though there are signs in the US that antitrust regulators may adopt a more relaxed stance to M&A in general under the new administration



Heightened shareholder activism: Given the market developments, shareholder activism should continue to be focused on M&A, strategic operations and shifts in capital allocation. The activist investors are in a strong position to identify and target companies ripe for activist involvement with focus on extracting value and generating 'alpha' returns.

Key M&A Trends Across Sub-sectors in 2025

Medical Devices

M&As expected to be driven by focus on vertical integration of supply chains, establishing category leadership, and 'buy and build' strategies

Pharma Outsourcing

Consolidation expected among major players, pharma companies and sponsors due to fragmented market, enhanced demand for smarter trial design, biologics, and bioreactor development

Healthcare Technology

M&A hotspot, with rising valuations of healthtech, Gen AI and startups amid the growing importance of contactless healthcare delivery

01

Biopharma

Deployment of record level of dry-powder to replenish drug pipelines and find synergies amid a looming patent cliff and the race to acquire early-stage innovators

02

Healthcare Services

Largely a buyer's market, with capital availability, evolving competitive dynamics, scalability, and commitments to patient-centricity garnering premium valuation

03

04

Diagnostics and Labs

Cash infusions during pandemic expected to be reinvested in core areas or adjacencies in other related businesses

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06



We continue to view the healthcare industry as a key growth engine for the overall market driven by a paradigm shift in investors' ideology of viewing the sector as more than just a 'defensive' strategy

How Evalueserve Can Help

Evalueserve has extensive experience working with large, mid-market investment, and boutique advisory firms that deal with franchising companies across sectors such as sports, education, home improvement, entertainment, health and wellness, and food and beverages. Our resources are experienced and qualified to support clients with in-depth analysis and detailed presentations. The Evalueserve team works as an extended team for clients and helps them in matters such as identifying and profiling potential targets / buyers with relevant metrics, financial and operational benchmarking, financial modelling and valuation, benchmarking of franchise financials, confidential information memorandums, detailed management presentations, indications of interests, live deal support, and deal marketing.

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