MedTech M&A:

What's shaping the market today, and how leading MedTech companies are getting it right

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01

MedTech M&A is back, but it's different

What's changed post-pandemic?

02

Growth drivers of the future

How Cardiovascular and other innovative segments are fueling today's industry growth engine

03

Digital Health's uphill battle

Why proving value continues to be a struggle

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Strategic M&A as a differentiator

How leading companies have successfully executed

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Optimizing your approach

How should companies be thinking about M&A moving forward?

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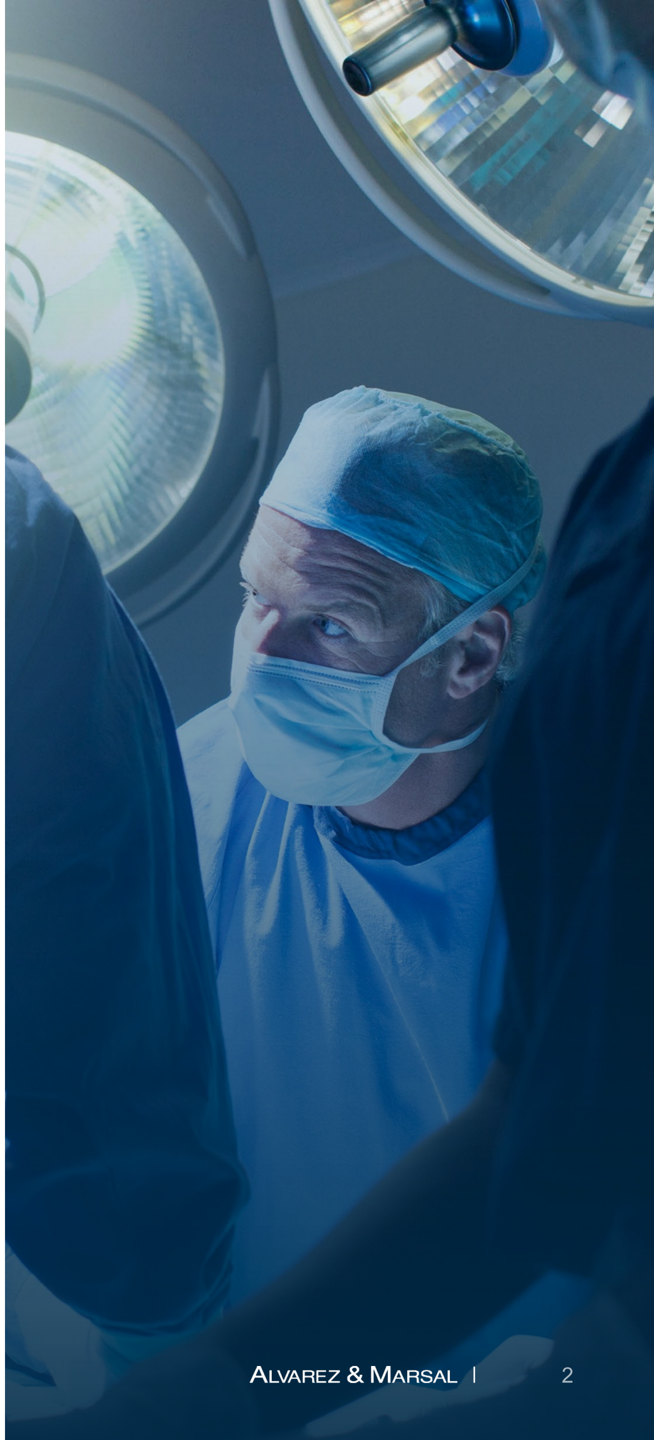
Getting ahead of trends

Our M&A predictions for 2025 and beyond



MedTech M&A deals are back, but they look a little different:
Today’s Winners and Losers

A 5-year deal value trend analysis from 2019-24 shows increasing activity in the hottest areas in MedTech M&A, along with segments that have cooled significantly post-COVID

Fastest Growing Deal Values

Cardiovascular | Neurology | Urology

- Cardiovascular continues to see active investment (est. ~$22B in 2024), especially in structural heart procedures such as TAVR and LAAC that are the changing the standard of care toward minimally invasive methods
- Neurology has had rapid growth in stroke treatment as the number of cases rises and in neuromodulation as deep brain stimulation technologies continue to evolve and improve

Fastest Declining Deal Values

In Vitro Diagnostics | Digital Health | Imaging

- In Vitro Diagnostics activity grew quickly during the COVID pandemic, but has since cooled significantly negative 32% CAGR over 2019-24)
- Digital Health saw explosive growth in 2020-21, but total deal value has cratered ($89B in 2021, $5B in 2024) as companies have not seen significant returns from these assets

Source: Global Data (US M&A Only, 2024 Data prorated to full year)

Segment Spotlight: Innovative technologies and favorable macro factors set up Cardiovascular for sustained growth and M&A activity

Innovative Technologies

Transcatheter Aortic Valve Replacement

TAVR has changed the standard of care for aortic stenosis away from risky open-heart surgery toward a minimally invasive outpatient procedure. The proven efficacy and safety of this procedure has opened the treatment pool up to a much larger patient population, and the market is expected to grow at a 12% CAGR through 2032.

Pulsed Field Ablation

PFA is the next generation in electrophysiology technology, providing an improvement in speed and safety over existing radiofrequency or cryogenic methods. Medtronic's PulseSelect and Boston Scientific's Farapulse have received FDA approval, and J&J's Varipulse offering is not far behind, having filed for approval in March.

Left Atrial Appendage Closure

LAAC was originally introduced in 2015 as an alternative to blood thinners in preventing stroke by Boston Scientific with its Watchman device, but now with recent competitive entrants from Abbott and J&J, the market has continued to develop, expected to grow >20% this year.

Macro Tailwinds

Aging population

As the median age of the global population trends upward, the prevalence of cardiovascular issues has risen.

Improved diagnostic capabilities

New imaging technologies have enabled earlier, more accurate diagnoses – allowing more patients to seek interventional treatment for their conditions before it is too late.

Increased regulatory support

FDA regulators have taken a more collaborative approach on approving life-saving devices through the Breakthrough Devices Program, fast-tracking many structural heart devices' path to market.

Lifestyle disease burden

As poor diet and physical inactivity lead to obesity, hypertension, and diabetes, the market for cardiovascular devices has grown. We expect that this trend may slow in the coming years as increased GLP-1 usage mitigates some of this disease incidence.

Sources: BTIG, Research and Markets, A&M Analysis

Segment Spotlight: Creating value from Digital Health assets has proven challenging, and valuations have fallen as a result

During the COVID pandemic, many MedTech companies saw Digital Health as a competitive differentiator and an avenue to growth by…

- Capitalizing on the rapid expansion and regulatory acceptance of telemedicine and remote patient care
- Leveraging integrated technology systems to build a "sticky" ecosystem and increase customers' switching costs in the absence of device-driven differentiation
- Positioning themselves as an industry innovator by leaning into nascent technologies such as AI/ML

However, the rapid decline of deal value in the space has showed that capturing these expected synergies has proven challenging, as…

- These assets are often difficult to monetize, and are often sold as "throw-ins", rather than standalone value drivers
- Many acquirers have not done sufficient testing with providers and administrators about what will truly add value to the clinical workflow
- Digital assets can be challenging to implement and integrate with providers' IT systems

Source: A&M Analysis

Recent successful deals in the MedTech market have been anchored on three clear objectives

Three MedTech case studies illustrate ways in which a deliberately planned and executed M&A strategy can create sustainable competitive advantage

A. EXTENSION

Value Chain Extension:

Stryker builds a dominant position in ASCs

Stryker expanded its offerings via M&A to be tailored to the needs of outpatient ASCs, a rapidly growing channel.

It has since become the dominant player in the field, offering a “one-stop-shop” for physician-owners with limited capacity to contract across multiple suppliers.

B. FOCUS

Divestiture as a Growth Lever:

J&J divestiture enables a pivot to growth

J&J spun off its consumer division to reinvest funds toward high-growth segments.

It subsequently made $30B+ in high-growth cardiovascular acquisitions that have transformed the company’s growth trajectory.

C. SCALE

Scaling via Acquisition:

Globus Medical establishes scale in a crowded market

Globus Medical acquired NuVasive to quickly gain market share and strengthen its competitive position against larger-scale competitors.

By combining two innovative players in the industry, Globus is now able to bring its solutions to market more effectively.

Case Study: Stryker builds a dominant position in ASCs

Stryker identified early on that future growth in the orthopedic surgery market would be driven by Ambulatory Surgery Centers (ASCs) rather than by large hospitals and made a series of strategic acquisitions over the last decade that enabled it to become a full line "one-stop-shop" that is well-positioned to serve these customers.

Today, it is the industry partner of choice for ASCs, which are often independently owned by surgeons who have limited time, lean operations, and value having a single partner who can not only provide implants but also help set up and fully equip their facilities.

2013 — MAKO SURGICAL CORP.
Robotic-assisted orthopedic surgery platform that helps to shorten procedure times, a key factor for the high turnover environment of ASCs

2014 — BERCHTOLD
Manufacturer of surgical infrastructure products including lights, tables, and equipment management systems, enabling a broad suite of offerings to set up new ASCs

2016 — PHYSIO CONTROL
Focused on emergency medical response products, including monitoring and defibrillation equipment to be used in outfitting the ASC operating room

2019 — WRIGHT FOCUSED EXCELLENCE
Leader in implants for extremities, a key procedure area for ASCs

2022 — vocera
Digital care coordination platform to facilitate and streamline ASC workflows

2024 — mfPHD
Leader in modular steel wall systems for operating rooms and ASCs

2024 — care.ai
Smart room management solution that monitors patients for fall risks & alerts staff to danger

These strategically planned acquisitions have given Stryker a strong, defensible position in this growing channel, and its competitors are struggling to catch up

Case Study: J&J divestiture enables a pivot to growth

In 2022, Johnson & Johnson embarked on an enterprise-wide pivot toward growth, spurred by the announcement of its intent to spin off its Consumer business. Its MedTech unit, while one of the largest in the industry by revenue, was not achieving the same growth trajectory as some of its more innovative peers.

One of the brightest spots in its portfolio was its market-leading Biosense Webster Electrophysiology (EP) platform, treating Atrial Fibrillation. J&J identified that targeting other high-growth cardiovascular adjacencies was a way to expand upon its strong position in EP and meet its growth objectives.

Enabled by the cash flow generated from the Consumer spinoff, J&J executed a series of significant transactions (worth ~$33B) in the cardiovascular space that quickly transformed it into a sector powerhouse.

2022	ABIOMED	Manufacturer of the innovative IMPELLA heart pump system
2023	LAMINAR	Manufacturer of a Left Atrial Appendage elimination device, enables J&J to compete head-to-head with Boston Scientific's popular Watchman device
2024	SHOCKWAVE MEDICAL	Creators of an innovative technology for clearing calcium from cardiac vessels
	V-WAVE	Manufacturer of a cardiovascular implant targeting heart failure
	Acclarent	Divested its non-core ENT platform, Acclarent, freeing up additional cash for future investment

This series of acquisitions, enabled by a significant divestiture, created a synergistic cardiovascular portfolio and quickly revitalized J&J MedTech's growth profile

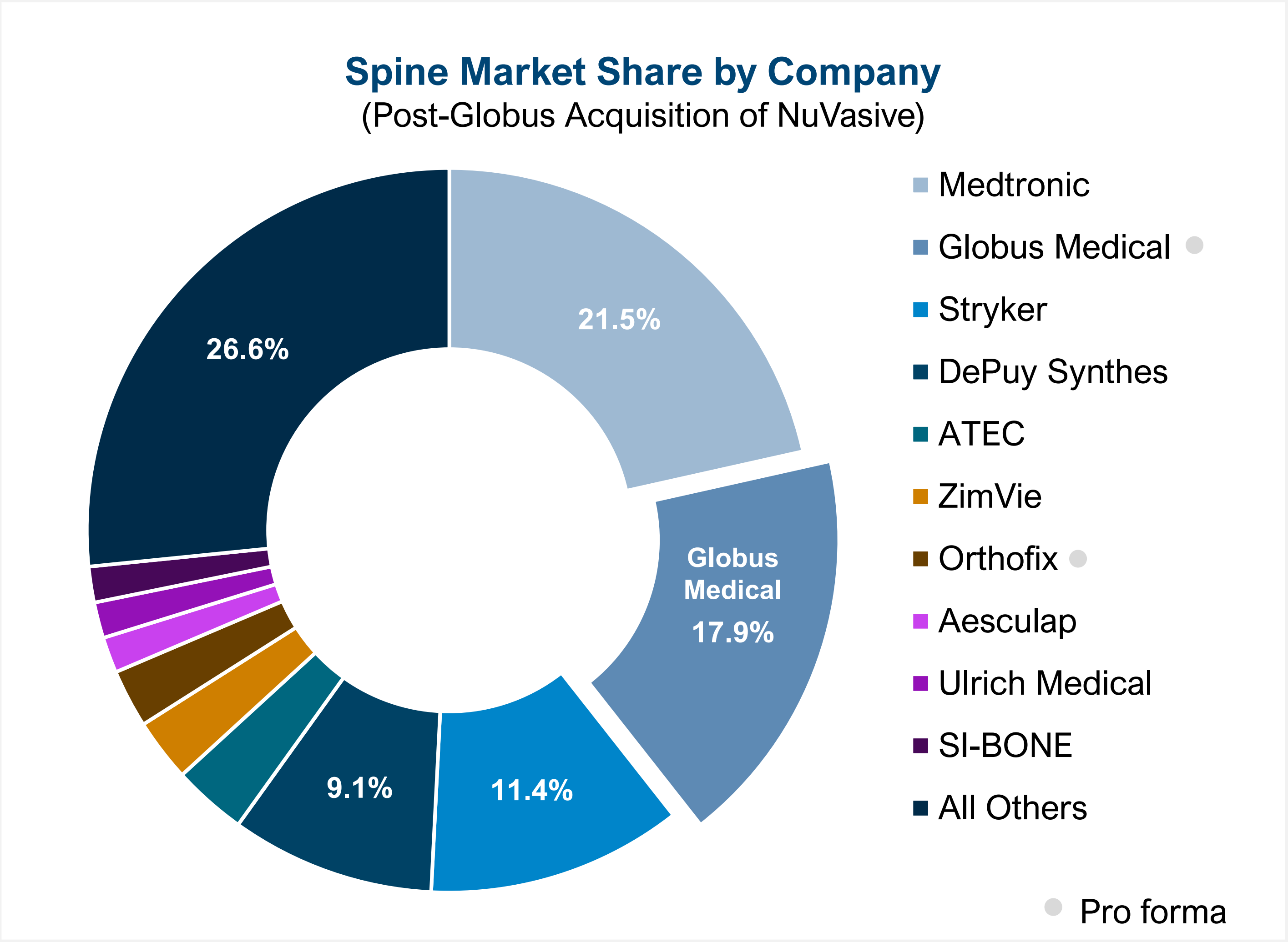
Case Study: Globus Medical establishes scale in a crowded market

In 2023, the $10B+ spine market was highly fragmented, with a large number of players each holding a small share, excluding Medtronic.

Globus Medical had a highly innovative portfolio, which were often the products of choice by many top surgeons. However, due to its small market share (<10%), it had difficulty competing at scale against Medtronic's established footprint and full-line orthopedic portfolios of Stryker and DePuy Synthes when negotiating large hospital contracts.

To more effectively compete in the marketplace, Globus purchased NuVasive, another similarly sized company through an all-stock transaction in September 2023, instantly making it the number two player in the industry by share and complementing its market-leading portfolio.

As a result, Globus has better positioned itself to better defend against new robotics offerings from its competitors and challenge the market leadership once solely enjoyed by Medtronic.



Source: Orthoworld

MedTech companies can improve their M&A outcomes by considering several key questions early in the process

For Acquirers

- How can you implement a programmatic, repeatable M&A strategy?
- How can you think smarter about continuing to invest in your core business vs. expanding out into adjacent capabilities?
- How should you anticipate the complexities of integrating technologies and new business models?
- How can you avoid the common pitfalls that make many acquisitions fail?
- How can strategic divestiture of non-core assets be used as a growth lever to drive reinvestment in target areas?

For Targets

- What can you do to get the attention of acquirers? (e.g., partnerships, licensing deals)
- How should you position your business favorably for the highest possible valuation? How do you think about debt turns if you are looking toward a buyer?
- What steps can you take to set yourself up with a sustainable cash runway to support the company through acquisition?
- How can you present talent as a differentiator, leveraging your unique know-how to maximize value?

An alternative M&A approach: Balancing the familiar and the new across technologies and business models

Almost all companies evaluate transactions on the traditional dimensions of expected financial return and competitive dynamics.

However, many organizations do not sufficiently consider the impact of how a technology's maturity intersects with its business model when determining the optimal M&A approach for an asset.

Technology Maturity (Well-established → Nascent)

Business Model (Substantially different → Aligned to current)

	Substantially different	Aligned to current
Well-established	**Diversify Revenue** Expanding into a new business model via an established technology can create a lower risk path to revenue diversification stryker → vocera	**Buy Market Share** Acquiring proven assets added to established internal capabilities can allow buyers to quickly expand share GLOBUS MEDICAL → NUVASIVE
Nascent	**Create Optionality** These "moonshot" opportunities have some of the highest potential, but organizations must have sufficient risk appetite and available funding for speculative investments Medtronic → Viz.ai	**Consider Investing** Making strategic bets on novel technologies that fit into an existing business model can create an environment for growth Boston Scientific → FARAPULSE

Our predictions for the future of MedTech M&A

01 **Average US deal size will start to rise** as interest rates begin to decline and MedTech companies fully recover cash flow deficits incurred during pandemic-era challenges; EU deal sizes may remain pressured due to increased antitrust activity in the region

02 **Earnout clauses will continue to grow in popularity,** as buyers increasingly realize that successful value creation from an acquisition requires a seamless integration plan with close collaboration from the acquired company

03 While most deals trend toward whole company acquisition, **deals in Digital Health will increasingly favor partnerships and strategic investments,** as buyers find these software companies operate best in fast-paced environments that don’t mesh well with the longer product cycles of their hardware-centric business models

04 **Diagnostics activity will recover** as precision medicine technology continues to advance – personalized healthcare presents a new frontier, and leading players will seek to pioneer it

05 **AI will remain a longer-term play,** as finding ways to integrate and monetize these assets will continue to be challenging in the near-term as its capabilities rapidly evolve

06 **There will be a rising number of deals featuring new types of partnerships across the industry,** as novel drug-device combination therapies (e.g., direct drug delivery via surgical robotics) will blur the lines between MedTech and Pharma

07 **Technologies optimized for outpatient settings will see outsize growth,** as the surgical delivery model continues to shift away from large, integrated hospitals and into specialized outpatient clinics and ASCs

Source: A&M analysis

Thank You

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