



CORPORATE FINANCE

JANUARY INSIGHTS PAPER: HEALTHCARE & LIFE SCIENCES M&A

A Year in Review and Future Outlook:
The Momentum is Building for a Buoyant Deals Market

HLS M&A Market Overview



The Healthcare and Life Sciences (HLS) sector remained attractive in 2024, supported by favourable market dynamics, macroeconomic tailwinds, and strong investment appetite. With ongoing improvements in the global economic environment, optimism is growing for increased HLS Merger and Acquisitions (M&A) activity in 2025. Key drivers include a stabilised political landscape, ongoing healthcare funding, advancements in digitisation, and the execution of buy-and-build strategies by Private Equity (PE) investors, alongside rising momentum for carve-out transactions.



Consumer Health:

With strong M&A activity in the sector in 2024, this trend is expected to continue in the year ahead. This is underpinned by individuals increasingly looking to take control of their own health, opting for home-based, personalised solutions, placing an emphasis on prevention and wellness over treatment-focused approaches.



Digital Health:

With a view to building a seamless, tech-enabled and cost-effective approach that supports the entire patient pathway, from diagnosis to treatment, there is significant scope for consolidation across the digital health sector in 2025, with integration within traditional healthcare service providers and scalability being some of the main focus areas for investors and larger corporates within this space.



Healthcare Services:

Despite some challenges in 2024, the healthcare services sector is poised for a resurgence in M&A, driven by a more certain political landscape, as well as stable reimbursements and investor interest in value-based care and consolidation opportunities across the sector.



MedTech:

Despite historically cautious M&A activity, the sector remains poised for strategic acquisitions, mainly driven by innovation, financial strength, and evolving market needs. Continued capacity shortages and long wait lists help drive demand for labour-saving MedTech innovations, particularly involving AI and digital health, which could help spur M&A activity as companies look to acquire innovative technologies.



Pharma Services:

Following the robust recovery of the pharmaceutical services market towards the end of 2024, outsourced providers are expected to strive to maintain their competitive edge in 2025 by pursuing efficiencies and innovation, largely through the acquisition of tech-driven platforms and specialised capabilities, with PE interest likely to also focus on these key areas.



Healthcare & Life Sciences M&A Market – Background

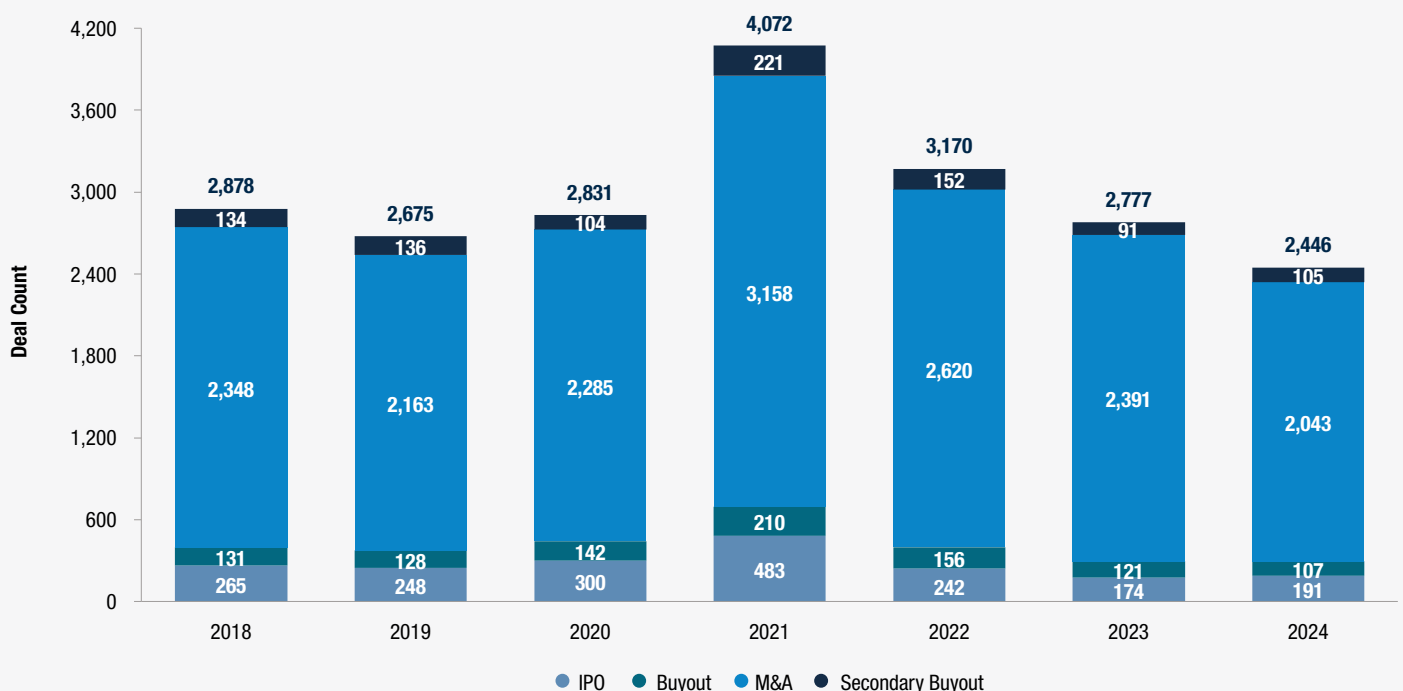


Despite an initial slowdown in M&A activity due to the Covid-19 pandemic, 2021 experienced a strong rebound, with deal volumes reaching record highs. The HLS dealmaking market remained robust in 2022, fuelled by large pharmaceutical firms leveraging normalised biotech valuations to pursue inorganic growth and record amounts of dry powder available from PE firms.

However, 2023 presented challenges as valuation gaps between buyers and sellers, coupled with inflation, rising interest rates, regulatory scrutiny and macroeconomic uncertainty, led to prolonged deal timelines. These market dynamics resulted in a growing backlog of transactions, requiring further negotiation and alignment between buyers and sellers.

In 2024, the HLS M&A market demonstrated signs of recovery and resilience, bolstered by increased political certainty following the outcome of the US election and the release of the UK Budget. Transactions were focused on strategic imperatives such as enhancing existing capabilities, diversifying end markets and adopting new technologies. Healthcare companies were looking for targets that could provide them with access to disruptive technologies and innovative product categories. At the same time, they focused on refining M&A strategies, including divesting non-core or underperforming assets. Consequently, the Healthcare & Life Sciences M&A market maintained healthier activity levels compared to other sectors.

Healthcare & Life Sciences Deal Activity (2018-2024)¹



Source: ¹Pitchbook



Market Trends in HLS Are Underpinning M&A Transactions in the Sector



Continued consolidation of fragmented sectors and divestment of non-core assets

The ongoing roll-up of fragmented sectors remains a dominant trend, as companies pursue strategic consolidation to improve operational efficiency and gain market share. In addition, most large pharma companies have leveraged M&A to enhance their portfolios, with acquisitions helping to counterbalance the loss of patent exclusivity. Sub-sectors such as Healthcare Services and MedTech remain highly fragmented, presenting abundant opportunities for further integration. This trend is further supported by the divestment of non-core assets, as organisations seek to streamline operations and concentrate on core business areas. By offloading underperforming or non-essential divisions, HLS companies are reallocating resources to strategically significant initiatives, bolstering financial performance and positioning themselves for sustainable future growth.

Macroeconomic factors and sector tailwinds driving demand for HLS assets

Underlying market trends continue to enhance the attractiveness of healthcare and life sciences investments. The UK's aging population and positive recovery in the GDP growth are fueling demand for healthcare products and services, driving investment interest in healthcare assets. For strategic investors, inorganic growth remains a cornerstone of their transformational plans, enabling the expansion of product portfolios and service offerings, particularly important for companies that have faced trading challenges due to political uncertainty and heightened interest rates. Regulatory clarity around Brexit has encouraged global healthcare companies to invest further in the UK, viewing it as a gateway to Europe.

The growing role of digital innovation and artificial intelligence in healthcare

Digital transformation is reshaping the healthcare sector globally. Digital health platforms are facilitating more cost-effective, seamless, and value-based care. The integration of Artificial Intelligence (AI) and Machine Learning (ML) is improving efficiency in diagnosis and care management, while health data utilisation drives this progress. Additionally, advancements in wearable health devices, often paired with companion software, enable more accurate patient monitoring and broader wellness applications, particularly in the direct-to-consumer market.

High valuations and strong Private Equity appetite for quality assets

Valuations for high-quality assets remained robust in the latter half of 2024, driven by competition between corporates and PE investors. Buyers were also willing to pay a premium price for assets that have strong ESG credentials, recognising it as an aspect of increasing value. Competition was bolstered by improving macroeconomic conditions and an urgency to complete deals ahead of potential changes in government policy. PE firms entered 2024 with a record \$2.62 trillion in dry powder¹, leading to significant activity in the second half of the year. The pharma-wholesaler AAH Pharmaceuticals auction exemplified this, attracting interest from firms like CapVest and HIG². Similarly, UK-based healthcare communications provider Helios Medical garnered attention from investors such as Livingbridge and Charterhouse, with the asset ultimately acquired by Telemos Capital at a valuation of 14x-15x EBITDA³. These competitive processes underscore the premium valuations achievable for high-quality assets, reflecting the buoyant M&A environment.









In this section, we provide a review which outlines a summary of the key themes and underlying trends that are driving milestone transactions in each respective sub-sector.

Consumer Health

As individuals increasingly seek to take charge of their health and wellbeing, companies are placing greater emphasis on developing direct-to-consumer models for healthcare services and products. This shift in consumer behaviour is evident in the growth of home health testing providers like Thriva, and the rise of personalised products and treatments from companies like Bioniq and Skin+Me.

Additionally, a focus on prevention over treatment has driven the adoption of tech-enabled wearables for continuous health monitoring and an increase in consumer spending on OTC health and wellness products. As established players begin to scale, many through VC/PE investment, providers are looking to create end-to-end platforms that enable cross-selling opportunities across the entire consumer journey.

Selected Precedent Transactions¹







Date	Target	Acquiror	Deal Rationale
Oct-24			The acquisition expands LetsGetChecked's pharmacy and technology offering, covering more of the patient pathway, from home health testing to treatment.
Oct-24			The acquisition of Health & Her strengthens Venture Life's position in women's health, as well as hormone deficiency support for both men and women.

Digital Health

The growing demand for innovative solutions to replace outdated healthcare services is fuelling the need for providers offering remote digital solutions. In the UK, there is increasing government support for investing in technology to modernise health systems, particularly within the NHS, where several new frameworks have been introduced in recent years to address these challenges.

At present, the digital health market is highly fragmented, with numerous smaller, specialised operators. This creates significant potential for consolidation, enabling the development of integrated solutions across the entire patient journey from consultation to diagnosis, patient monitoring, and care delivery. The effective use of data and AI in healthcare is central to this market transformation, requiring seamless integration with existing traditional systems.

Selected Precedent Transactions¹

Date	Target	Acquiror	Deal Rationale
Oct-24			The acquisition integrates eConsult's triage and automated consultation features into Huma's platform.
Jun-24			The acquisition supports the growth of Fabric's customer base, expanding its reach in the employer market providing virtual care services.
Jun-24			The acquisition expands OneTouch's range of care management solutions, enabling a more comprehensive and seamless client experience.










Healthcare Services

As pressure mounts on the public sector to improve health outcomes, private sector healthcare services have become more critical than ever. Despite increases in NHS budgets, demand for services consistently outstrips available resources. Private healthcare companies are well-positioned to help bridge this gap and enhance patient outcomes. Furthermore, though the October 2024 budget signalled positive change with a ten-year

plan to reform the NHS, the impact on fee rates and provider costs is yet to be seen. Increased investment from both financial and strategic investors in the sector is expected, particularly when budget uncertainty is no longer a factor, resulting in further activity and growth within the healthcare services space and offering consolidation opportunities for the currently highly fragmented market.

Selected Precedent Transactions¹





Date	Target	Acquiror	Deal Rationale
Dec-24		 	Through this acquisition, Swanton broadens its support services to the South of England, offering users access to Alina's specialised disability care.
Oct-24	Oaklands Support Ltd	 	The integration of Swanton and Oaklands improves care quality and extended their geographic reach.
Aug-24			This acquisition allows Bupa to expand its service offering, establishing a seamless pathway from diabetes diagnosis to treatment.

MedTech & Devices

Supported by ongoing growth in R&D investments globally, the MedTech and Devices sector boasts a high number of SMEs focused on discovering and commercialising the next major technological breakthrough. Various therapeutic areas are benefiting from advancements centred on AI-driven diagnostics, minimally invasive surgeries, miniaturised implants, and wearable monitoring devices. There is a strong focus on acquiring new technologies, with companies looking to enhance

their capabilities and stay competitive by integrating innovative solutions into their existing offerings. Also important in the sector are labour-saving MedTech innovations as healthcare staff shortages and long waitlists persist. As capacity remains constrained, innovations that increase treatment capacity and reduce labour requirements across the healthcare continuum are expected to be popular M&A targets due to the ongoing need for efficient solutions.

Selected Precedent Transactions¹

Date	Target	Acquiror	Deal Rationale
Sep-24	Neor 		Growth funding to expand globally, deploy additional advanced surgical technology products, and enhance its AI-driven AR (Augmented Reality) intraoperative data platform.
May-24	 A BRUKER COMPANY		The combined offerings establish Bruker as an innovative and growing infectious disease specialist in the In Vitro Diagnostics (IVD) market.

Source: ¹MergerMarket and Capital IQ



Pharma Services

The pharmaceutical industry encountered significant challenges in 2023, largely due to rising interest rates, which constrained investment, alongside broader macroeconomic pressures. However, 2024 has brought a notable recovery, with positive momentum anticipated to continue into 2025. A key driver of this turnaround is the growing trend of outsourcing components of the drug development process, adopted by both large pharmaceutical and biotech companies seeking greater efficiency. This shift is particularly pronounced among providers offering tech-enabled capabilities and specialised expertise in underserved markets.

In the M&A landscape, PE-backed platforms are increasingly active across the UK and US as providers look to expand market share internationally. This is especially evident among commercialisation partners, where competition is driving up valuation multiples. Meanwhile, regulatory consultancies, CROs, and CDMOs are emerging as prime candidates for further consolidation, reflecting the sector's ongoing evolution and strategic emphasis on efficiency and innovation.

Selected Precedent Transactions¹

Date	Target	Acquiror	Deal Rationale
Nov-24	HELIOS MEDICAL COMMUNICATIONS	TELEMOS CAPITAL	The acquisition allows pan-European investor Telemos to enter the high growth medical communications and wider consultancy industry.
Feb-24	Catalent	NOVO holdings	The \$16.5 billion take-private of Catalent enhances Novo's manufacturing capacity for high-demand diabetes and obesity medication.

Source: ¹MergerMarket and Capital IQ



Sector Outlook 2025 – The Future of HLS M&A Transactions Looks Bright



The volume of deal activity in the HLS sector in 2024 was resilient in comparison to historical levels. Looking ahead to 2025, the HLS M&A market is expected to experience increased transaction activity, driven by strong growth potential and enhanced capital-raising capabilities.

Economic & Political Dynamics

The political landscape in the UK, US, and Europe is anticipated to stabilise now that major elections have concluded, creating a more predictable environment for economic activity. This stability, combined with the anticipated decline in interest rates, is likely to reduce the cost of capital, boosting demand for assets and fostering more favourable transaction conditions. In the UK, the Bank of England is expected to implement several interest rate cuts in 2025, potentially lowering rates to around 3.75% by year-end¹. This monetary easing is expected to support economic growth by making borrowing more affordable, which could stimulate investment and spending across various sectors. Similarly, in Europe, the European Central Bank's projections suggest a gradual recovery in economic activity, bolstered by improved financing conditions and rising household incomes. These trends are set to enhance the appeal of mergers and acquisitions, as lower financing costs and political stability create a conducive backdrop for strategic business expansions and consolidations.

Government Policy and Taxation Changes

Government-driven changes are largely impacting the M&A deals landscape. The October budget announced several changes, such as the increase in capital gains tax rates from 10% to 18% at the basic rate and 20% to 24% at the higher rate. The budget also announced an increase in Employers' National Insurance contributions from the current 13.8% to 15.0%, as well as a substantial National Living Wage uplift of 6.7% to £12.21 per hour in general and 16.3% increase to £10 per hour for the 18 to 20-year-olds from April 2025². These challenges will impact healthcare & life sciences businesses and their ability to plan for the upcoming year.

Healthcare Funding: A Positive Outlook

More positively, the healthcare funding landscape is supportive of increased M&A activity. The Department of Health and Social Care plans to boost spending from £188.5bn to £214.1bn over the next two years, an increase of £25.6bn³. The October 2024 budget also announced the highest ever level of government investment into UK R&D at £20.4bn⁴. With worsening issues like growing waitlist times, this additional funding will help the

NHS accommodate more patients. This enhanced funding environment is also beneficial for the private sector, given the historical trend of increased outsourcing to private healthcare providers. Between 2013 and 2021, spending from the NHS Trust on independent service providers increased seven-fold from £220 million to £1.7 billion⁵.

Digitisation and Technological Innovation

A key driver within the HLS industry is digitisation which is expected to continue as diagnosis and care delivery increasingly move outside of hospital and clinics, shifting to online or at-home settings. However, integrating these innovative platforms with traditional healthcare systems will be a challenge, requiring greater connectivity across the sector. Leveraging health data to improve patient care and operational efficiency will be key - an evolution actively supported by government and NHS initiatives. As the collection and use of health data improves, the application of AI and ML for diagnosis and patient management will become increasingly effective. The continued digital innovation within the industry, alongside technological advancements, will help operators deliver value-based, cost-effective care to patients. As a result, digitally-led and tech-enabled businesses will stand out as highly attractive investment opportunities in the sector.

M&A Strategies: Buy-and-Build and Carve-Outs

The buy-and-build strategy continues to be a major driver for M&A activity in the UK healthcare sector. This approach, which involves acquiring smaller companies to expand service offerings and geographic reach, is especially effective in the fragmented sub-sectors of the healthcare market. Consolidation in these areas can lead to improved efficiencies and increased market share, making this strategy likely to remain popular as companies seek to strengthen their competitive positions and achieve economies of scale.

The carve-out market is equally gaining momentum, driven by decreased market volatility. Private equity firms are increasingly interested in acquiring non-core assets from larger corporations that are looking to streamline operations and focus on core business areas. At the same time, private equity investors will also be looking to divest underperforming, non-core portfolio businesses.

Together, these factors paint a promising outlook for Healthcare & Life Sciences M&A, characterised by strategic investments and technological advancements. We are eager to see what 2025 holds.



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If you are interested in exploring value realisation options or would like to find out more about our team and services, please get in touch with our Healthcare and Life Sciences specialists.

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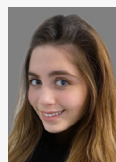
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