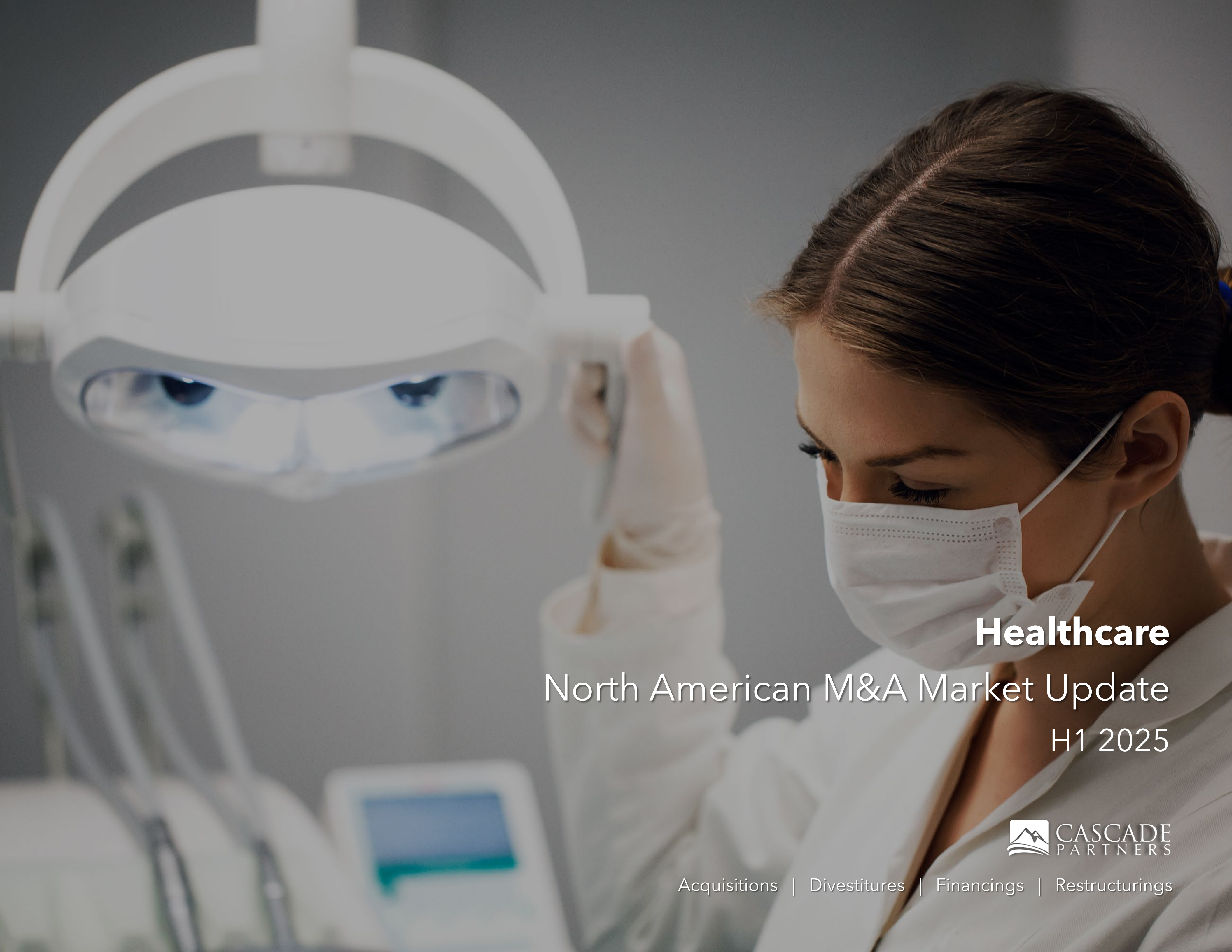


Healthcare

North American M&A Market Update

H1 2025

CASCADE PARTNERS

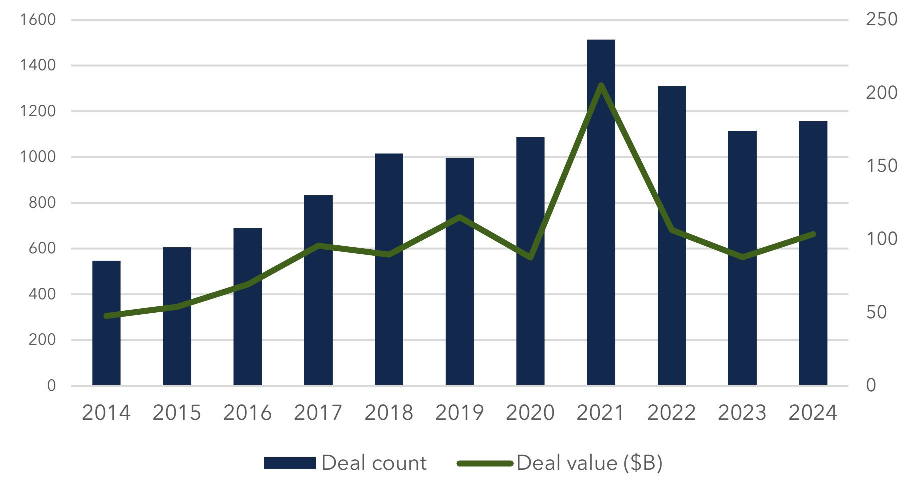
Acquisitions | Divestitures | Financings | Restructurings

U.S. Healthcare M&A

Key Observations

- **Increased Regulation:** Significant uptick in state-level efforts to regulate provider consolidation, particularly focusing on private equity involvement.
- **Private Equity Overhang:** Substantial capital to deploy (>$1 trillion) and an expanding pipeline of potential divestitures as many funds approach the end of their holding periods.
- **Physician Practices**: Acquisitions of physician practices have declined, partly due to increased regulatory oversight and concerns about market consolidation leading to reduced competition. Health services deal volumes declined by 9% compared to 2023 levels.
- **Traditional Acute Care Hospitals**: M&A activity in the traditional hospital sector has slowed due to financial challenges, regulatory scrutiny, and a shift toward outpatient and non-acute care setting. 15 transactions were announced in the hospital sector, a 29% decrease from the 21 deals in Q3 2024, and down from 18 deals in Q4 2023.

Healthcare Private Equity Deal Activity



Hot in the Market

Digital Innovation: Demand for digital health solutions is driving acquisitions of companies specializing in AI, data analytics, remote monitoring, and telehealth platforms.

GLP-1s: The booming market for GLP-1 receptor agonists used in diabetes and obesity treatment is attracting heavy investment and acquisition interest from big pharma.

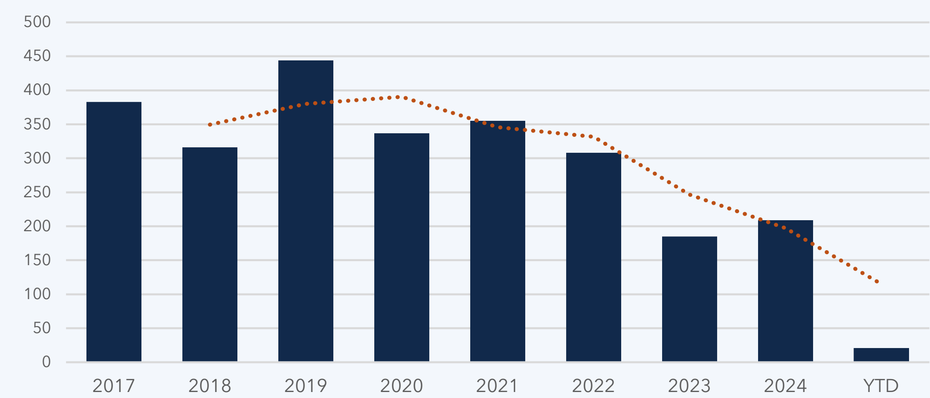
Value-Based Care: Healthcare is shifting from fee-for-service to models that reward better outcomes and lower costs. With CMS aiming for all Medicare payments to be value-based by 2030, investors are aggressively targeting companies that enable care coordination, risk management, and patient engagement.

Cold in the Market

Physician Practices: Deal activity has slowed as heightened regulatory scrutiny and consolidation concerns dampen investor appetite. Overall, health services deal volume is down 9% compared to 2023.

Traditional Acute Care Hospitals: M&A in the hospital sector continues to cool, driven by financial headwinds, increased oversight, and a shift toward outpatient and non-acute care models. Only 15 deals were announced–down 29% from Q3 2024 and 17% from Q4 2023.

M&A Transactions of Physician Practices and Hospitals Continues to Fall



Source: PitchBook

U.S. Healthcare M&A Overview

- Across all TEV ranges, TEV/EBITDA multiples increased over time from the 2003–2019 baseline through 2023 but fell by 13.5% in 2024.
- A strong pipeline of PE-owned consumer health businesses is anticipated to come to market in 2025.
- Activity was mixed in Q1 2025, with Private Equity deals seeing a slight increase to 140 transactions.
- Hospital and Health Systems saw one of the worst quarters, with only 5 announced transactions.

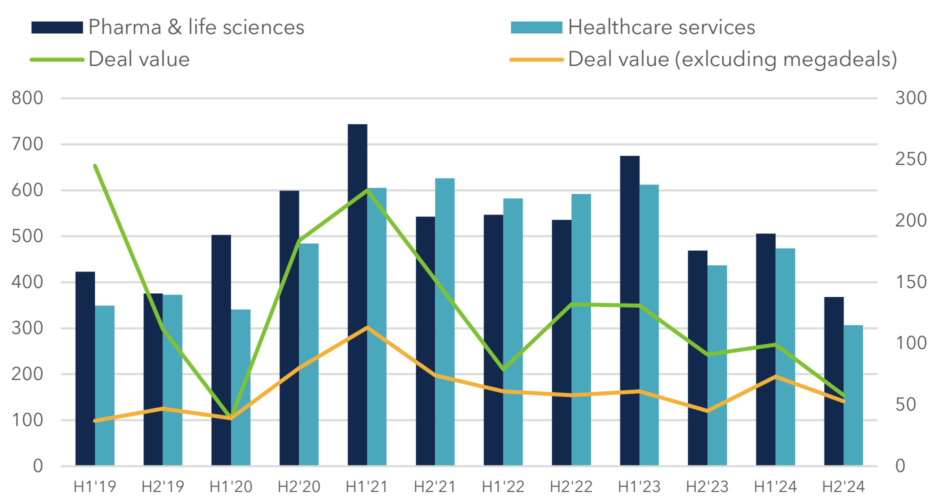
Life sciences M\&A declined in 2024, but high dry powder levels, pipeline needs, and looming patent expirations for assets losing exclusivity by 2027 point to a strong rebound in 2025. While some firms filed IPO paperwork in late 2024, market volatility may delay those plans. Still, active acquirers continued to build positions in high-growth segments.

In pharma, AI is reshaping drug discovery and diagnostics, prompting companies to treat AI platforms as strategic M\&A targets. GLP-1s for diabetes and obesity drove heightened activity, with leaders expected to scale and diversify. Large pharma firms are divesting non-core, low-growth assets and acquiring late-stage biotech innovators to fuel growth.

Behavioral health remained active, led by ABA therapy for autism. Five deals were announced in Q1 2025—up from zero a year prior—driven by rising diagnosis rates, strong outcomes, and bolt-on consolidation by mature platforms.

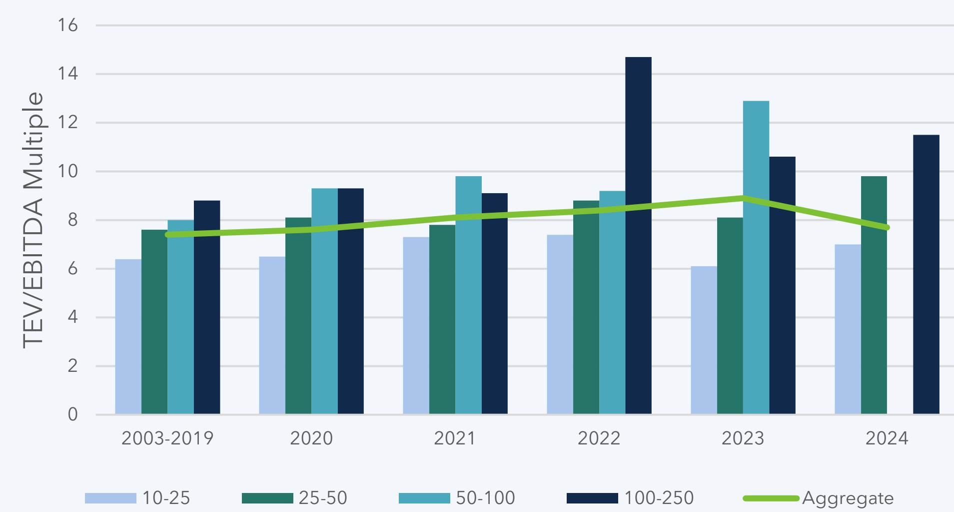
In MedTech, M\&A continues to target AI applications in personalized medicine, robotics, diagnostics, and care delivery. Diabetes remains a top profit area, but the rise of GLP-1s is forcing companies to reassess portfolio strategies.

Deal Count & Value Falls in 2024



Source: LSEG & PwC

Healthcare TEV/EBITDA Multiples, Split by TEV Range



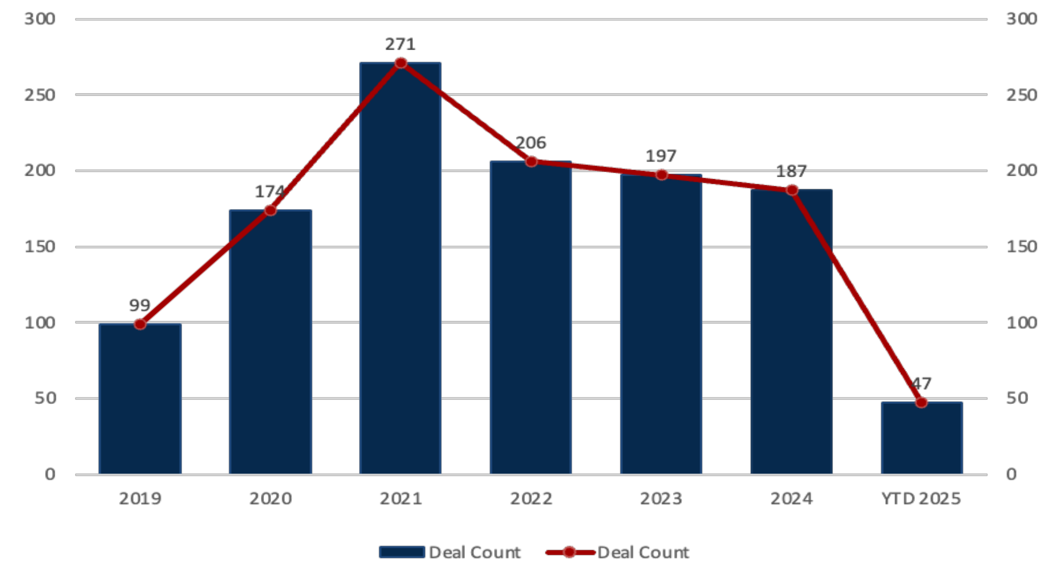
Source: GF Data

Healthcare M&A Drivers

The resiliency of the healthcare market to significant economic swings was again recognized by investors with strong activity in Q1 2025, with activity up 19% over Q4 2024. This served as a sharp contrast to many other sectors.

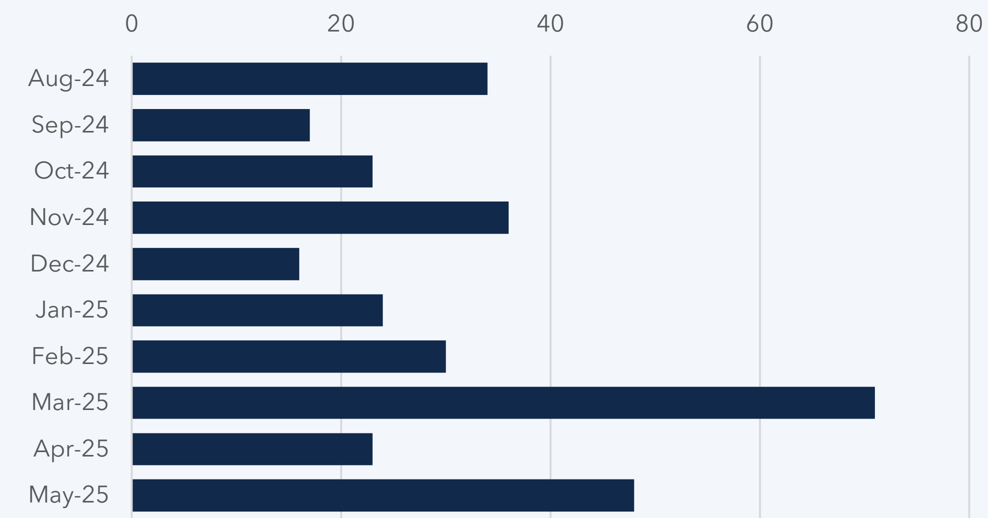
- **Economic Uncertainty:** A combination of economic and regulatory uncertainty is impacting segments of the healthcare market vastly differently. Sustainability of healthcare spending is positively impacting home health, long-term care, etc., while regulation is challenging hospital and physician practice M&A.
- **Favorable Credit Markets**: Interest rates stabilization and increased credit availability are creating a conducive environment for financing acquisitions, encouraging increased M&A activity.
- **Technological Advancements**: Rapid adoption of digital health technologies, including artificial intelligence and data analytics, is prompting companies to acquire firms that can enhance their technological capabilities and improve patient care.
- **Pharmaceutical Patent Expirations**: Imminent patent cliffs for major drugs are driving pharmaceutical companies to seek acquisitions of smaller biotech firms with promising pipelines to replenish their portfolios.

Digital Health Technologies Transactions



Source: PitchBook

Pharma Patents Expiring in 2025 Exceeds 2024 levels



Source: DrugPatentWatch

Healthcare M&A Recent Trends

» **Favorable Macroeconomic Conditions**: Interest rates stabilization and business optimism are creating a conducive environment for financing acquisitions, encouraging increased M&A activity.

» **Technological Advancements**: Rapid adoption of digital health technologies, including artificial intelligence and data analytics, is prompting companies to acquire firms that can enhance their technological capabilities and improve patient care.

» **Pharmaceutical Patent Expirations**: Imminent patent cliffs for major drugs are driving pharmaceutical companies to seek acquisitions of smaller biotech firms with promising pipelines to replenish their portfolios.

» **Valuations Reset:** Across all TEV ranges, TEV/EBITDA multiples increased over time from the 2003–2019 baseline through 2023 but fell by 13.5% in 2024.

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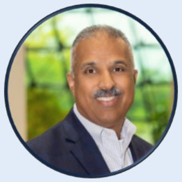

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