

EY Pulse of the MedTech Industry Report 2026

The MedTech imperative: winning the next decade

Produced by EY Insights



The better the question.
The better the answer.
The better the world works.



Shape the future
with confidence

Contents

Portfolio

Where to compete:
portfolio strategy
and growth

Intelligence

Beyond the device:
how AI is reshaping
value creation in
MedTech

Outpatient

The ASC inflection
point: why MedTech
needs to act now

Valuations

The price of
uncertainty

Innovation

Unlocking value
in MedTech

Databook

Financial performance
Financing
Mergers and acquisitions
(M&A)



Introduction

The 20th edition of the EY Pulse of the MedTech Industry Report captures the medical devices sector at both a high point and a turning point.

First, the highs: MedTech is an industry transformed from what EY analysts originally described in the inaugural report back in 2007. Having weathered financial upheavals, pandemics and all the geopolitical turmoil of the 2020s to date, the MedTech industry in the US and Europe generated US\$650 billion in revenue in the last calendar year – up 11%, with the first six months of 2026 witnessing a further 7% surge in the year-over-year top line.

Moreover, between July 2025 and June 2026 both financing and M&A investment reached the highest 12-month totals recorded in the history of this report. The US\$63 billion raised in financing was driven primarily by the biggest MedTech IPO in a decade and significant debt rounds largely aimed at funding acquisitions, though a 119% uptick in the number of venture capital (VC) financing rounds was also hugely encouraging. On the M&A front, five megadeals of over US\$10 billion in value drove dealmaking spend up to US\$130 billion, more than triple the previous annual total.

Yet these blockbuster investment levels also indicate the turning point MedTech is experiencing. As we noted in the previous edition of the report, recent years have seen the emergence of a two-tier MedTech industry, as a breakout group of high-performing, high-differentiation, high-innovation strategic leaders pulls away from the larger group of companies that constitute the broader sector.

This leading group disproportionately contributed to the metrics indicating MedTech's robust state of health. For companies outside this outperforming cohort, there are more concerning signs: the continuing contraction in the number of public MedTechs in the US and Europe (down another 17% in 2025); the fact that 50% of these companies are still operating with two years or less of cash reserves available; and the ongoing tensions and uncertainties affecting global trade and supply chains, including in 2026 the potential squeeze on energy supply and costs.

As our deep dive into the sector's performance shows, these uncertainties affect the entire sector, with company valuations affected by hard-to-quantify external risks. In this environment, the imperative for MedTechs is clear: Companies need to follow the best practices modeled by the industry's leaders if they are to demonstrate to the market their strategic ability to navigate uncertainty and generate profitable growth.

In this year's report, we delve into multiple areas where these strategic moves have become critical to industry value to:

- Optimize portfolio choices to accelerate growth, sharpen strategic focus and maximize value realization from divestitures
- Embed artificial intelligence (AI) across the MedTech enterprise to unlock scalable value creation and new business opportunities
- Capture growth in emerging care settings, particularly the rapidly expanding ambulatory surgery center (ASC) market
- Strengthen investor confidence through clearer communication of growth, efficiency and risk mitigation
- Improve R&D productivity by translating innovation investment into sustainable profitability and shareholder returns

As this report has always highlighted, innovation remains the sector's heartbeat, reflected in robust M&A and financing activity, a 28% increase in premarket approval application (PMA) acceptance, and an 8% rise in 510(k) clearances over the past year.

For MedTech companies in today's complex operating environment, their biggest strategic challenge is maintaining their position at the forefront of innovation while also building the capabilities, capital allocation and communication strategies to convert innovation into ongoing profitable growth. MedTechs who can meet this challenge today can keep setting the pace of the pulse of the industry for another 20 years to come.

Authors



John Babitt
EY Global MedTech Leader



Diana Hoff
EY Americas Life Sciences Leader



Year in review

The MedTech landscape in 2026

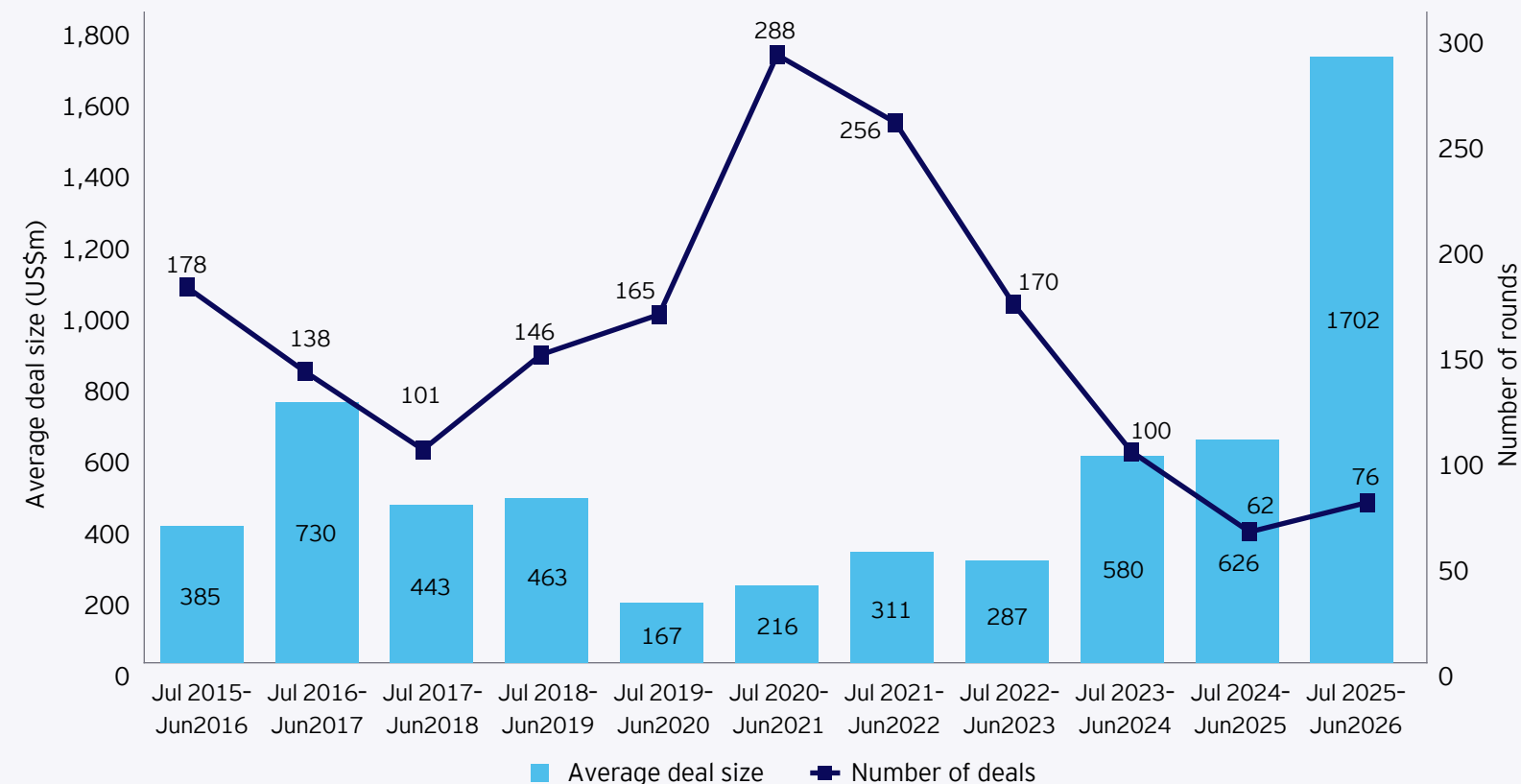


The chart displays the deal value in US billions of dollars, categorized by deal type: Venture (light blue), IPO (medium blue), Follow-on and other (dark blue), and Debt (teal). The total deal value for each period is shown above the bars. The data shows a general upward trend in total deal value, with a notable peak in the Jul 2019-Jun 2020 period.

Period	Venture	IPO	Follow-on and other	Debt	Total
Jul 2015-Jun 2016	\$7	\$1	\$3	\$12	22
Jul 2016-Jun 2017	\$8	\$3	\$9	\$25	45
Jul 2017-Jun 2018	\$9	\$5	\$4	\$10	37
Jul 2018-Jun 2019	\$8	\$5	\$4	\$10	28
Jul 2019-Jun 2020	\$7	\$3	\$12	\$35	57
Jul 2020-Jun 2021	\$9	\$7	\$15	\$11	43
Jul 2021-Jun 2022	\$9	\$4	\$6	\$11	30
Jul 2022-Jun 2023	\$7	\$7	\$7	\$19	33
Jul 2023-Jun 2024	\$7	\$1	\$6	\$13	28
Jul 2024-Jun 2025	\$9	\$1	\$4	\$19	34
Jul 2025-Jun 2026	\$8	\$10	\$4	\$41	63

Debt financing more than doubled to US\$40.7 billion across 41 transactions, although issuance remained highly concentrated. Seven offerings exceeding US\$1 billion accounted for approximately 86% (US\$34.8 billion) of total debt raised. Excluding Abbott's US\$20 billion multi-tranche issuance, the remaining US\$6 billion-dollar offerings, including Thermo Fisher, Danaher, Baxter, Medtronic and GE HealthCare, still raised approximately US\$14.8 billion, representing 36% of total debt financing. These transactions, largely supporting acquisitions, refinancing and general corporate funding, highlight that debt issuance continues to be driven by a small number of large strategic borrowers rather than broad-based market activity.

Figure 6: M&A average deal size and deal volume, July 2015-June 2026



Sources: LSI Compass AI, Capital IQ, EY Insights

The year's largest transactions reflected a clear strategic focus on strengthening leadership positions in attractive, high-growth markets. Abbott's US\$21 billion acquisition of Exact Sciences expanded its diagnostics capabilities, while Waters' US\$17.5 billion acquisition of the Biosciences and Diagnostics Solutions business of Becton Dickinson (BD) reinforced its life sciences portfolio. In cardiovascular technologies, Boston Scientific's US\$14.5 billion acquisition of Penumbra

strengthened its position in neurovascular intervention, while Merck KGaA's purchase of Bio-Techne and Danaher's acquisition of Masimo highlighted continued demand for differentiated life science tools, diagnostics and advanced technology platforms. These transactions demonstrate that acquirers are increasingly willing to pay premium valuations for proven, scalable assets capable of accelerating growth and enhancing competitive positioning.

Various strategic themes emerged across MedTech M&A. First, companies pursued large-scale consolidation in cardiovascular and neurovascular markets, seeking category leadership in high-growth segments such as structural heart and mechanical thrombectomy through transformative acquisitions, exemplified by Boston Scientific's acquisition of Penumbra and Stryker's purchase of Inari. Second, portfolio optimization remained a priority, with companies actively divesting noncore businesses to sharpen strategic focus. Medtronic's separation of its diabetes business through the MiniMed IPO and Johnson & Johnson's planned separation of DePuy Synthes illustrate the industry's continued emphasis on simplifying portfolios while reallocating capital toward higher-growth therapeutic areas.

Alongside these headline transactions, the market continued to favor disciplined tuck-in acquisitions and staged deal structures that balanced strategic expansion with financial and regulatory risk management. Buyers increasingly used contingent value rights, options and milestone-based payments, as illustrated by Boston Scientific's strategic investment in MiRus. At the same time, M&A priorities have shifted from scale alone toward capability-led acquisitions, with companies targeting AI, data analytics and advanced technology capabilities to address portfolio gaps and expand into adjacent markets. Danaher's acquisition of Masimo exemplifies this trend, reflecting the company's expansion of its diagnostic footprint into acute-care patient monitoring, adding market-leading pulse oximetry, sensor and AI-enabled monitoring technologies.

Private equity (PE) also re-emerged as an important participant in MedTech dealmaking after several years of muted activity. PE rebounded in MedTech, with Blackstone and TPG (Hologic), Montagu and Kohlberg & Co. (Teleflex Medical OEM), AIP (Avanos Medical), and KKR (Integer) announcing major acquisitions amid improving financing conditions and renewed confidence in mature, cash-generative assets.

US\$63b

in financing was fueled by landmark IPO activity and debt issuance supporting M&A transactions.



CHAPTER 1

Portfolio

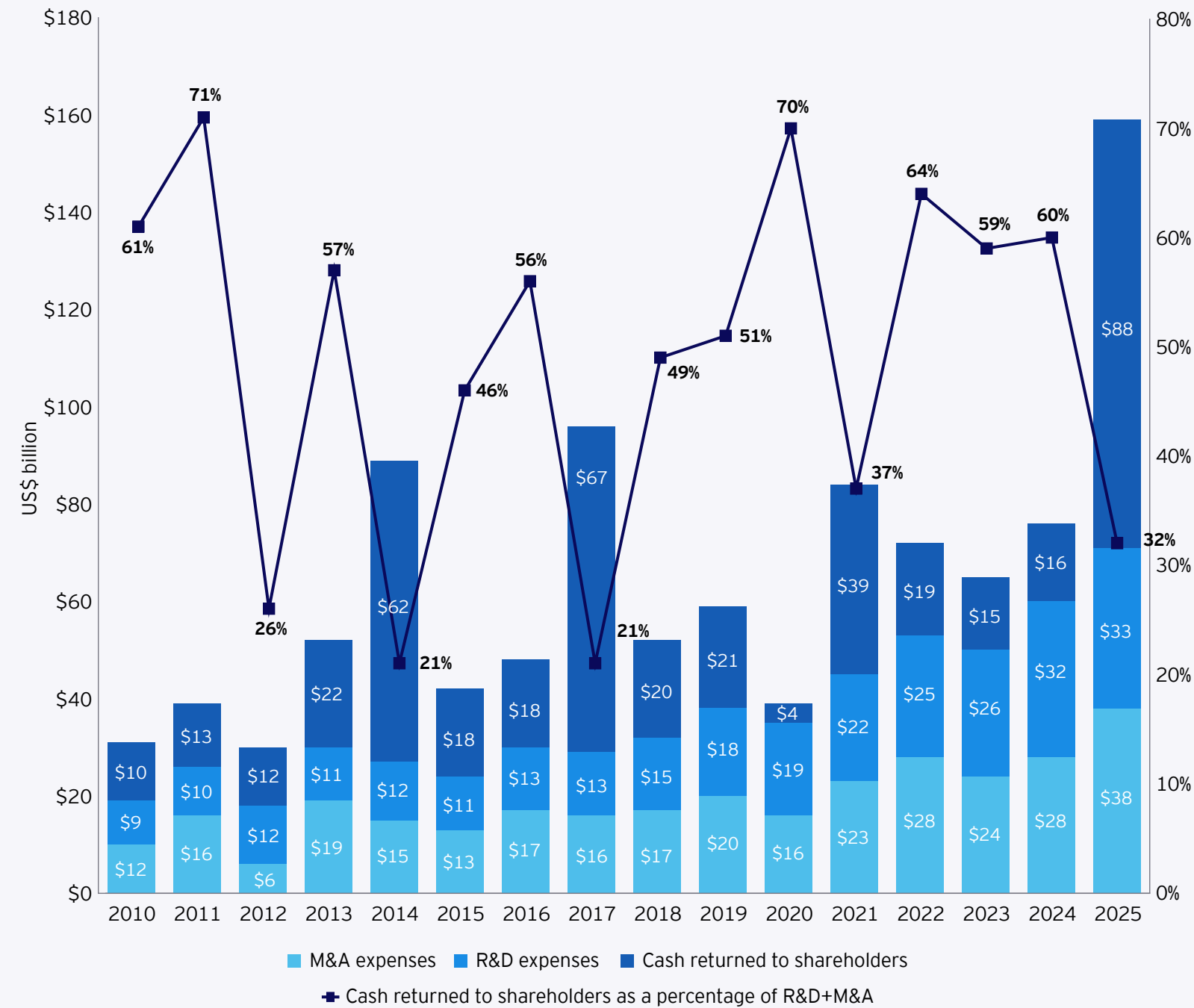
**John Heinbigner**

EY-Parthenon Partner
Life Sciences
Ernst & Young LLP

Where to compete: portfolio strategy and growth

MedTech companies are increasingly concentrating capital in select markets where innovation, adoption and clinical need are supporting above-market growth. EY has tracked this shift in recent editions of this report, and the trend is visible in changing capital allocation patterns. After several years in which significant cash was returned to shareholders through dividends and buybacks, 2025 saw a marked increase in M&A investment as companies sought growth through acquisitions and internal R&D.

The question of the efficiency of MedTech's R&D investment is considered later in the report. Here we consider the challenge of achieving inorganic growth and managing portfolios to unlock maximum potential.

Figure 7: US and Europe MedTech commercial leaders spending trend, 2010-25

Sources: Capital IQ, EY Insights

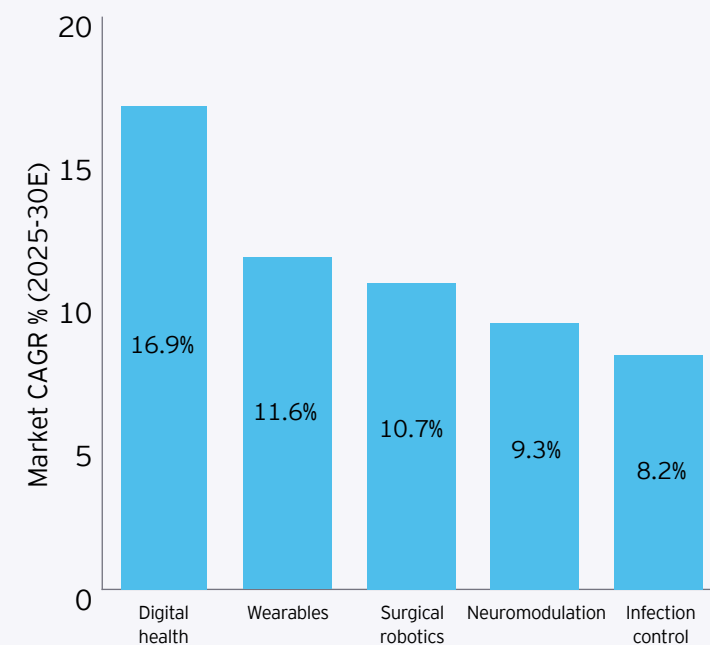
“We have a very diversified portfolio. We’re never a one-and-done company. We will always be looking for acquisitions to help complement the peripheral vascular portfolio that we have today. Every time we get a call point, we’d like to surround them and look at ways to bring extra value to the call point. I’m expecting a very strong year, and we have a really good pipeline of products that will start to really click in towards the back half of ‘26 and early ‘27.”

Kevin Lobo, CEO
Stryker

JP Morgan MedTech call, February 13, 2026

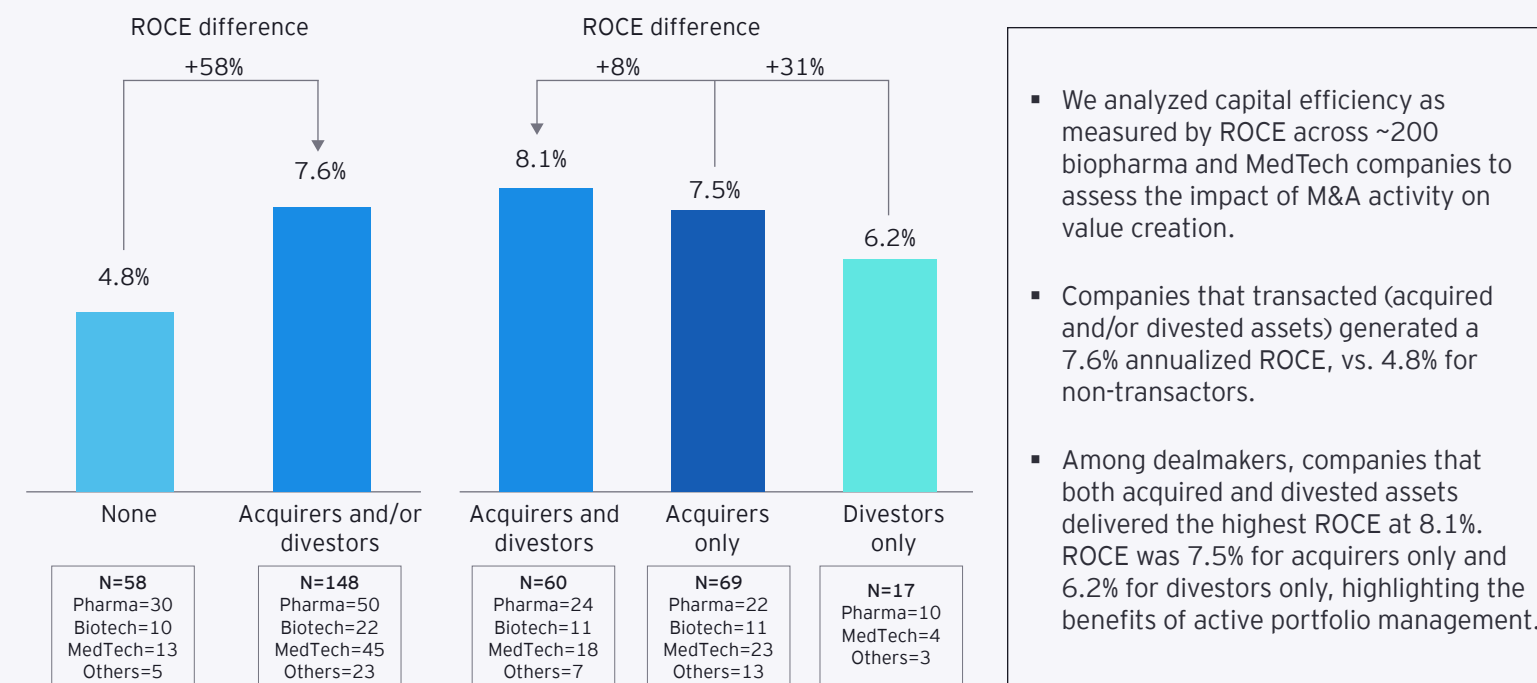


Figure 8: Fastest-growing markets by compound annual growth rate (CAGR), 2025-30E



Sources: LSI Compass AI, EY Insights

Figure 9: Average return on capital employed (ROCE) in last 10 years, 2015-25



Sources: Capital IQ, EY Insights

The focus of MedTech's inorganic growth investment is increasingly clear. Digital devices and therapeutic areas, including interventional cardiology, robotic surgery, digital health, neurovascular and diabetes, are expected to outgrow the wider MedTech market over the coming decade. Cardiovascular has attracted particularly significant investment, supported by strong growth in structural heart, pulsed-field ablation (PFA) and peripheral vascular. Johnson & Johnson's acquisitions of Abiomed and Shockwave Medical illustrate the deliberate creation of a broader cardiovascular platform, while Boston Scientific's and Stryker's respective acquisitions of Penumbra and Inari indicate similar interest in thrombectomy, venous thromboembolism and pulmonary embolism.

The underlying portfolio logic is straightforward: Companies are seeking positions in markets where they can combine attractive growth with differentiated technology and sufficient scale to establish leadership. This is driving both larger acquisitions and a greater emphasis on adjacencies that extend an existing clinical or technology platform rather than simply adding revenue.

But moving into attractive markets is only one part of active portfolio management. EY analysis across life sciences indicates that companies active on both sides of the portfolio (that is, acquiring while also divesting) have historically generated stronger returns on capital employed than less active peers. Portfolio strategy

therefore involves not only deciding where to invest but where continued ownership is no longer the best use of capital.

Creating capacity to invest

Several recent MedTech transactions illustrate this second half of the strategy. Companies are separating businesses that may remain viable in their own right, but no longer fit the growth, margin or investment profile of the parent. BD's separation of its biosciences and diagnostics solutions business, subsequently acquired by Waters, is one recent example of a transaction intended to create a more focused

remaining portfolio. The relevant test is whether the company remains the owner best positioned to develop it and whether the capital and management attention committed to it could generate greater value elsewhere.

Where a separation is appropriate, companies broadly face a choice between a sale and the creation of an independent company. A strategic acquirer may be able to realize value through portfolio complementarity, commercial reach, manufacturing scale or other operating synergies. Private equity investors generally approach the same asset through a different lens, with value creation often based on sharper strategic focus, operating-model redesign, portfolio simplification and targeted investment in growth.

A spin-off provides another route, but recent MedTech experience demonstrates that independence alone does not resolve the underlying economics of a business. MedTech spin-offs in recent years have confronted slower-growth end markets, inherited leverage, separation costs and the loss of corporate scale benefits. These pressures can constrain free cash flow and limit the ability of newly independent companies to invest in innovation, infrastructure or acquisitions.

To spin-out successfully, creating a focused company is only the first step. The new business still needs a capital structure, operating model and market position capable of supporting investment and sustainable growth.



There can also be implications for the former parent. Retained equity interests leave the parent exposed to valuation movements, while transition service agreements and continuing manufacturing, supply, logistics or quality dependencies can extend operational links well beyond legal separation. Decisions over cash extraction, debt allocation and stand-alone costs therefore need to balance the objectives of the parent with the ability of the separated business to operate and invest effectively.

From periodic review to active portfolio management

For MedTech executives, portfolio management is increasingly becoming a continuous strategic discipline rather than a periodic review triggered by planning cycles or M&A opportunities. Rapid shifts in technology, evolving sites of care, reimbursement pressures and changing competitive dynamics mean that management teams are constantly reassessing where to deploy innovation capital and commercial investment.

Rather than waiting for annual strategy reviews, leading companies are regularly evaluating each business against a common set of questions. Is the market becoming more or less attractive? Can they build or sustain a differentiated competitive position? How much investment in R&D, commercial capabilities or acquisitions will be required to win? And does that investment generate better returns than alternative opportunities elsewhere in the portfolio? This continuous assessment often leads to a range of actions, well before a business reaches a formal buy-or-sell decision. Companies are reshaping portfolios by selectively increasing investment

behind priority platforms, pursuing bolt-on acquisitions to strengthen leadership positions, pruning noncore product lines, forming partnerships where capabilities are lacking and, when strategic fit or capital intensity no longer aligns with broader objectives, separating businesses altogether.

Medtronic's decision to separate its diabetes business illustrates this shift in thinking. The business participated in an attractive market, but continued ownership no longer represented the optimal allocation of capital and management focus relative to the rest of the portfolio. The decision reflected a broader principle.

Portfolio choices are increasingly driven not only by market attractiveness but also by competitive position, investment intensity and the opportunity cost of capital across the enterprise.

The implication is that portfolio management is no longer synonymous with large-scale divestitures. It is an ongoing process of reallocating capital, talent and management attention toward businesses where the company has the strongest path to creating long-term value, while acting earlier and more decisively on assets that no longer fit that ambition.

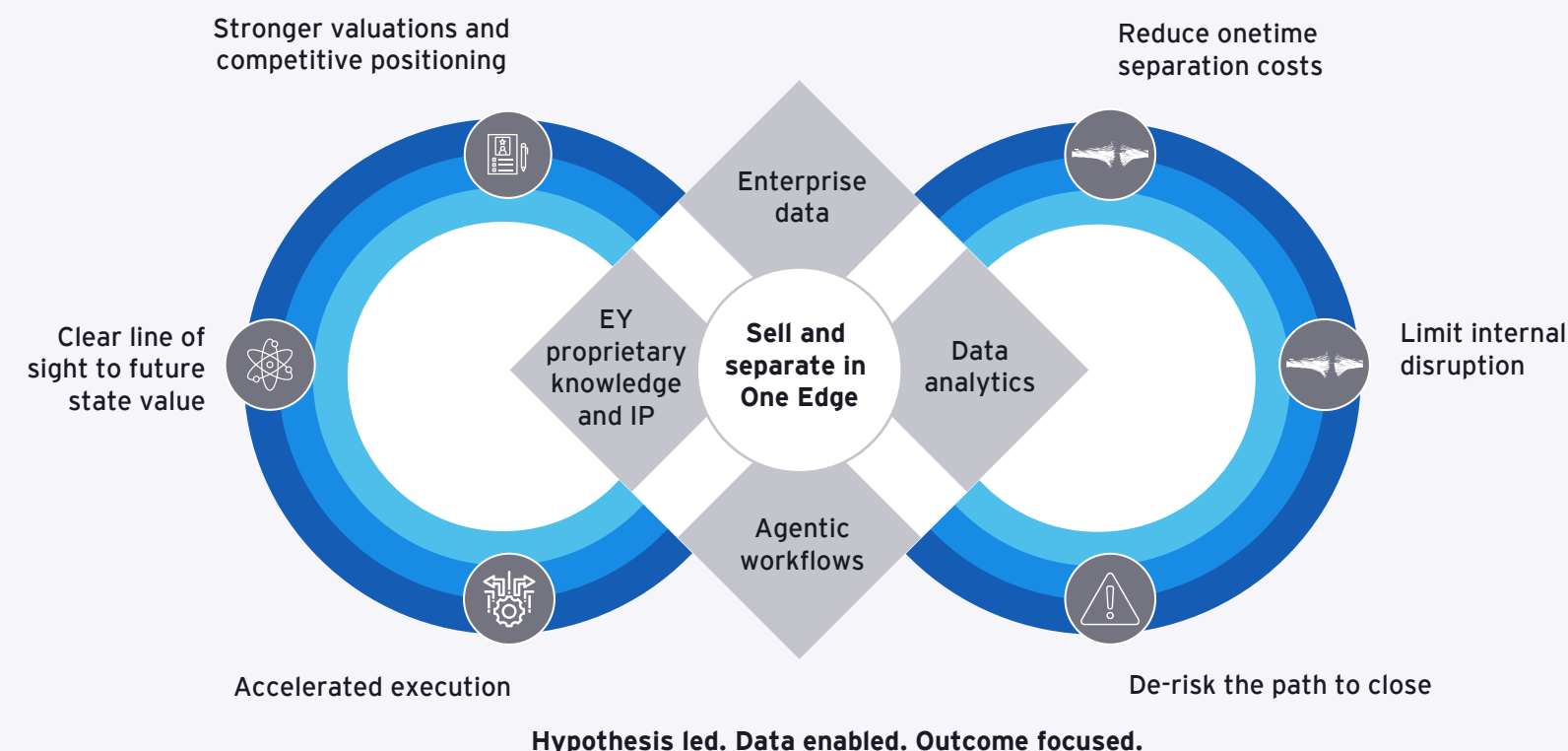
Using AI to improve portfolio decisions

AI is beginning to change how companies can undertake this work. Historically, portfolio reviews have relied heavily on periodic strategy exercises, manually assembled market analysis and management judgment. New AI-enabled approaches can combine internal enterprise data with external market intelligence, transaction precedents and operating benchmarks to provide a more current view of portfolio performance and strategic alternatives.

The immediate value is not simply faster analysis. A stronger and more integrated fact base can allow management teams to identify changes in market attractiveness earlier, test investment and ownership scenarios more systematically, and assess how different portfolio choices could affect growth, margins and capital requirements.

The same approach can then carry into execution once a decision to separate has been made. AI-supported analysis can help identify operational entanglements, stand-alone costs and value drivers earlier; pressure-test financial assumptions and the equity story; and anticipate areas likely to attract buyer scrutiny. Connected data across the transaction can also reduce repeated information requests and allow decisions on the perimeter, operating model and day one requirements to be considered together rather than separate workstreams.

Figure 10: Unlocking value through data, technology and cross-functional execution



Source: EY Insights



This matters because portfolio strategy is increasingly a continuous capital-allocation discipline rather than an occasional restructuring exercise. As MedTech companies compete for positions in a limited number of high-growth markets, the ability to identify where to invest, where to exit and how to prepare assets for alternative ownership becomes increasingly consequential. AI will not replace management judgment in those decisions, but it can broaden the evidence available, reduce the time required to evaluate alternatives and provide a clearer line of sight to the value implications of different portfolio choices.

US\$650b

peak hit as MedTech revenue expands by 11% driven by procedure volume recovery, high-value product mix shifts, and innovation.

Executive perspective



Thierry Pieton
Chief Financial Officer
Medtronic

Portfolio strategy as a catalyst for sustained innovation and growth

At Medtronic, our Mission – to alleviate pain, restore health and extend life – is the foundation of every capital allocation decision we make. Portfolio strategy is not simply about buying or selling businesses; it is about directing capital toward the technologies, therapies and capabilities that can create the greatest impact for patients while creating sustainable long-term value.

This philosophy has guided Medtronic since our founding in 1949. We have consistently evolved our portfolio through acquisitions, partnerships or strategic separations. For example, our divestiture of the Medical Supplies business to Cardinal Health and, more recently, the planned separation of our Diabetes business demonstrates a disciplined approach to ensuring each business has the focus, operating model and investment profile needed to maximize its potential.

As MedTech enters a new era defined by AI, robotics and minimally invasive therapies innovation and portfolio focus have become even more critical. Through constructive dialogue with investors, it is clear that Medtronic is at an innovation “inflection point,” with the opportunity to unlock greater growth through sharper execution.

To strengthen governance, our Board recently established a dedicated Growth Committee to oversee portfolio strategy, capital allocation, R&D investments and inorganic growth. The committee affirmed management’s long-term portfolio thesis, including the decision to separate Diabetes, while accelerating investment in our highest-priority growth platforms. As a result, we have executed 15 strategic transactions in calendar year 2026, reflecting a deliberate preference for targeted capability building over large-scale transformational acquisitions.

Our investment framework is simple: focus on large therapy areas with significant unmet patient need where Medtronic has a clear right to win through differentiated technology, clinical evidence and global scale. Recent acquisitions illustrate this disciplined playbook. CathWorks strengthens our cardiovascular portfolio with AI-enabled coronary physiology assessment, Scientia Vascular expands our neurovascular capabilities through differentiated vascular access technologies, and SPR

Therapeutics broadens our neuromodulation franchise with temporary peripheral nerve stimulation for chronic pain. Each transaction strengthens an existing leadership position while expanding clinical capabilities and improving patient outcomes.

We have also institutionalized portfolio management as a continuous capability, with dedicated teams evaluating strategic fit and executing acquisitions, integrations, and separations. At the same time, strategic investments such as Cornerstone Robotics, Pi-Cardia, Pulnovo Medical and Beluga provide early access to breakthrough innovation while creating future partnership and acquisition opportunities.

Together, disciplined portfolio management, targeted M&A and strategic venture investing enable Medtronic to continually reshape its portfolio around the therapies where we can create the greatest clinical impact and deliver durable value for patients and shareholders.



CHAPTER 2

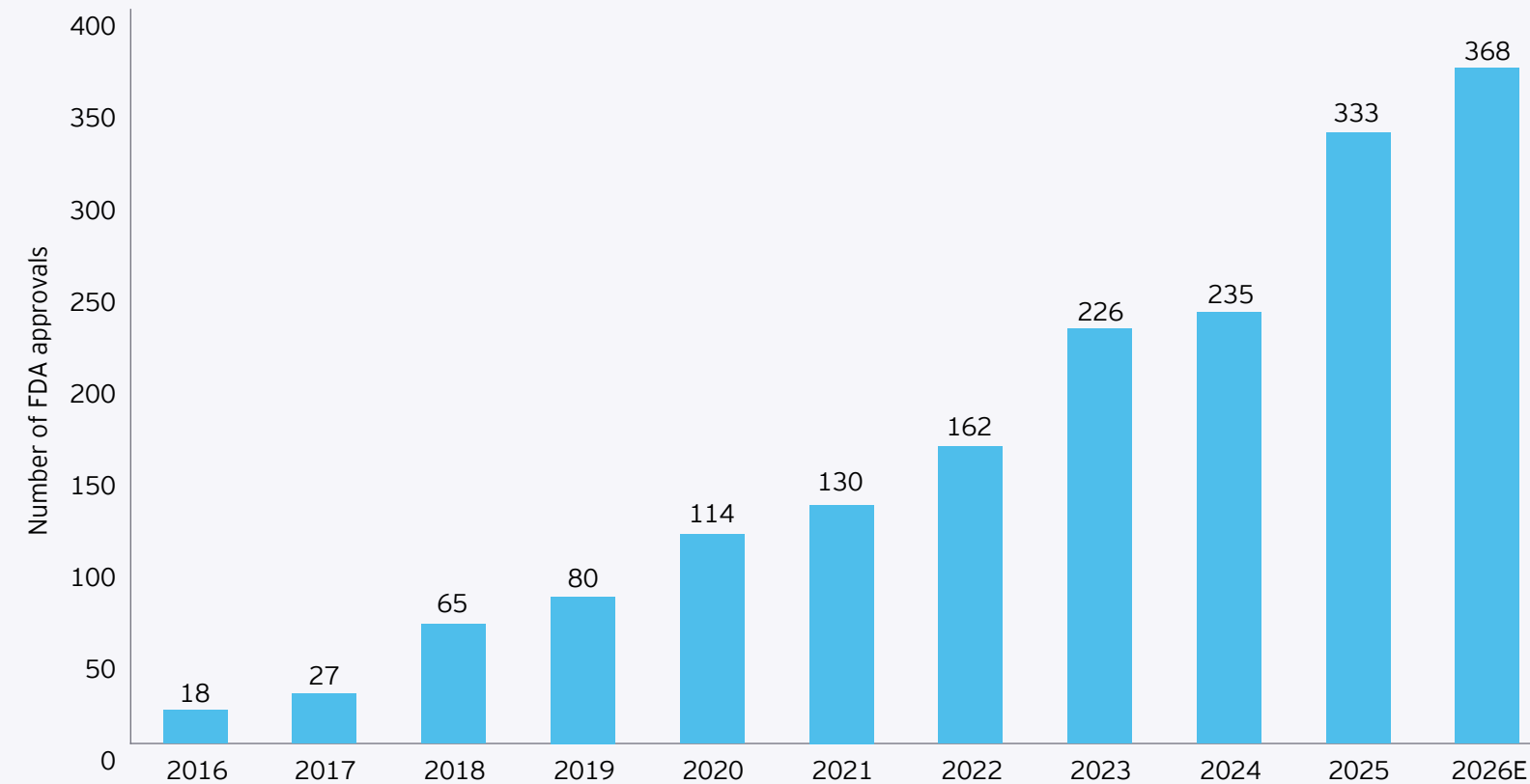
Intelligence

**Ricardo Fracaroli Vilanova**

EY Principal
AI and Intelligent Automation
Ernst & Young LLP

Beyond the device: how AI is reshaping value creation in MedTech

AI is changing the definition of what a medical device is and does. The significance of AI in MedTech is becoming less about the number of new algorithms receiving regulatory approval and more about how deeply intelligence is being embedded into devices and the care pathways around them. Increasingly, AI is enabling devices not only to capture and interpret information but to anticipate changes in a patient's condition, personalize treatment and, in some cases, act with decreasing levels of human intervention. For MedTech companies, this means the focus of value is migrating from the device to the intelligence around it, with real consequences for how they compete, earn revenue and organize.

Figure 11: FDA-authorized AI devices and algorithms

Source: "Artificial Intelligence-Enabled Medical Devices," [FDA.gov](https://www.fda.gov), June 16, 2026

This shift extends well beyond the two areas most readily associated with medical AI: imaging and robotics. Both continue to advance rapidly. Johnson and Johnson's OTTAVA Robotic Surgical System won U.S. Food and Drug Administration (FDA) approval in 2026,¹ for example, while Medtronic's July 2026 introduction of Touch Surgery Aide brings real-time AI-supported analysis into the operating room,² and the steadily rising number of FDA-authorized AI-enabled devices,

particularly in radiology, demonstrates the technology's growing role in diagnostic imaging.³ But another important development is occurring within established device categories, as AI becomes part of the underlying clinical proposition of the product itself.

Two of MedTech's important growth areas, cardiovascular disease and diabetes, illustrate how far that evolution has progressed.

Cardiovascular disease: from interpreting to intervening

In cardiovascular care, embedded AI is extending the role of devices from recording and interpreting physiological information toward identifying changes early enough to influence treatment.

Boston Scientific provides several examples. At the diagnostic level, its BeatLogic algorithms use deep learning to analyze electrocardiogram (ECG) data and identify arrhythmias. HeartLogic moves further toward predictive monitoring. Embedded within implantable cardioverter defibrillators, it combines multiple physiological measures, including heart sounds, heart rate, respiration, activity and thoracic impedance to identify signs of worsening heart failure. According to Boston Scientific, the system can identify up to 70% of worsening heart failure events, a median of approximately 34 days in advance. The company describes this as part of a move from reactive medicine toward proactive and predictive care.⁴

Intelligence is also becoming more prominent during treatment. Boston Scientific's electrophysiology portfolio combines its FARAPULSE ablation platform with FARAVIEW software and the OPAL HDx mapping system, providing real-time three-dimensional visualization and automated identification of where therapy has been delivered. Taken together, these developments illustrate a broader progression: AI is increasingly supporting decisions across the cardiovascular pathway, from identifying deterioration to guiding intervention.



Diabetes: from decision support to autonomous therapy

Diabetes provides an even clearer illustration of increasing device autonomy. Automated insulin delivery has already transferred a significant element of treatment decision-making from the patient to the algorithm, and the next generation of systems aims to reduce that burden further.

Insulet's Omnipod 5 SmartAdjust technology predicts glucose levels 60 minutes ahead and adjusts insulin delivery every five minutes. An algorithm update rolled out in June 2026 introduced a lower glucose target and other changes intended to keep users in automated mode for longer.⁵ The planned Omnipod 6 represents a further step, with a new adaptive algorithm designed to learn an individual's insulin requirements and respond more aggressively when necessary.⁶

Beyond this, Insulet is developing a fully closed loop system for Type 2 diabetes that is intended to adjust insulin without routine carbohydrate counting, mealtime announcements or clinician-defined starting settings. A pivotal study began in 2026, with the company targeting a regulatory filing in 2027 and potential launch in 2028.

The progression is important. The physical device remains central, but an increasing share of its clinical value comes from the intelligence governing how it behaves. Product development consequently becomes as much about improving the algorithm as improving the hardware. The physical device remains central, but an increasing share of its clinical value comes from the intelligence governing how it behaves.

Data is becoming part of the competitive advantage

As devices become more predictive and autonomous, the data used to develop and refine their algorithms becomes increasingly important. Boston Scientific's BeatLogic algorithms, for example, draw on more than 125,000 patient records and 7.5 million ECG records.⁷ Insulet's fully closed loop technology is being developed using extensive real and simulated patient data.⁸

ResMed illustrates the potential advantage particularly clearly. Its connected sleep and respiratory ecosystem encompasses more than 100 million lives and has generated more than 20 billion nights of sleep and breathing data. That information supports an expanding range of digital capabilities around its devices, from patient monitoring and engagement to treatment personalization.

Its Smart Comfort technology, cleared by the FDA in December 2025, uses machine-learning algorithms trained on more than 100 million nights of de-identified sleep data to recommend individualized CPAP comfort settings.⁹ ResMed is also applying generative AI to patient engagement through tools such as Dawn and Compliance Coach, while investigating AI-enabled approaches to sleep apnea screening.

For MedTech companies, this creates a potentially important advantage from the installed scale. Connected devices do not simply generate product revenue; they can generate longitudinal clinical data that informs subsequent generations of algorithms and services. Companies with large installed bases and

well-developed digital infrastructure may therefore be able to convert their existing market position into an information advantage that is difficult for new entrants to reproduce.

From better products to broader markets

AI also has the potential to change the economics around the device. By making sophisticated technology easier to initiate and use, AI can reduce the burden on patients and clinicians and potentially broaden the populations that can benefit from treatment.

This is particularly relevant to Insulet's fully closed loop ambitions in Type 2 diabetes, where much of the patient population is managed in primary rather than specialist care. Reducing the need for carbohydrate counting and other patient inputs could make automated insulin delivery practical for a wider group of patients. ResMed offers a parallel example earlier in the care pathway: smartphone-based screening can make it easier to identify people who may have sleep apnea. By simplifying this first step, ResMed could help more patients progress to formal diagnosis and treatment.

Digital services around devices may also create opportunities for more durable customer relationships and recurring revenue. The implications extend beyond selling a more capable piece of hardware. AI can increase the value delivered throughout the life of the product, through monitoring, personalization, decision support and ongoing software services.

“AI is shaping the future of science. And when combined with our mission to enable our customers to make the world healthier, cleaner and safer, it is a powerful catalyst to accelerate scientific advancement. With OpenAI, we're further embedding AI across our operations, products, and services. Together, we're building an ecosystem that accelerates scientific breakthroughs and delivers impact for customers, patients and society.

Marc Casper, Chairman, President and CEO
Thermo Fisher Scientific

Thermo Fisher press release, October 16, 2025



The implications reach inside the company as well as outside it, reshaping the operating model itself. As an increasing share of a product's value comes from software and services, the organization behind it must change accordingly. Development shifts toward continuous algorithm improvement and lifecycle management rather than fixed hardware design cycles, demanding deeper data science, machine learning and software engineering capability alongside traditional device engineering. The operating model, in other words, becomes as much about software and data as about hardware, with consequences for how MedTech companies structure their R&D, talent and even their acquisition strategies.

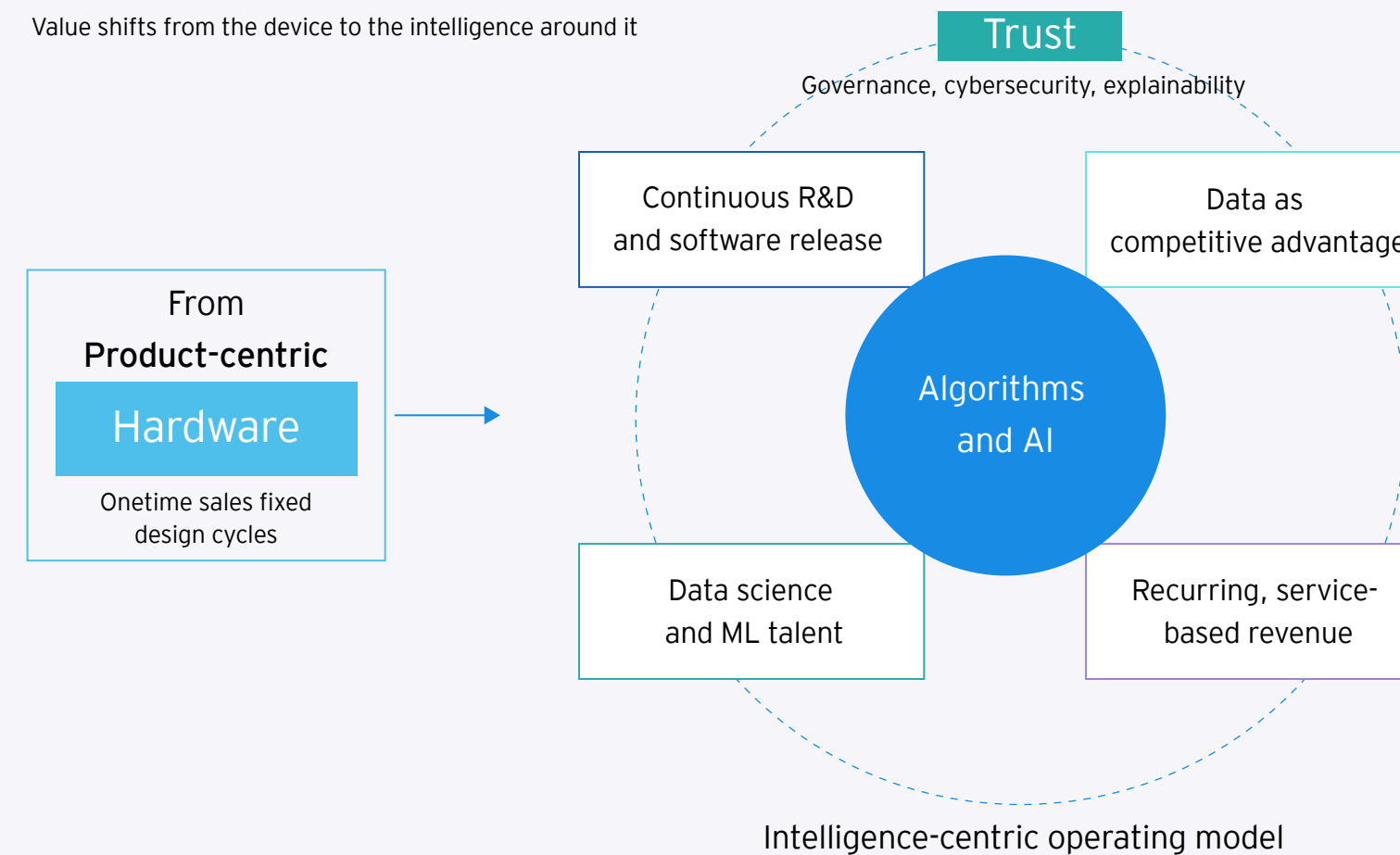
The path forward for AI in MedTech – trust and neurosymbolic artificial intelligence (NSAI) opportunities

The same developments that increase AI's clinical value also increase the importance of trust. An algorithm that helps interpret an ECG presents a different set of risks from one that predicts deterioration, recommends treatment settings or autonomously adjusts therapy.

As AI assumes greater responsibility within care pathways, manufacturers will need to demonstrate not only performance but also reliability, transparency and appropriate oversight. Cybersecurity and data governance become increasingly important as devices connect with wider digital ecosystems, while explainability and validation become more consequential as algorithms exert greater influence over clinical decisions. Emerging approaches, such as [EY Growth Platforms](#), which combine machine learning with explicit rules and reasoning, may

Figure 12: The new operating model

Value shifts from the device to the intelligence around it



offer one route to improving the traceability and explainability required in regulated applications.

The direction of travel is nevertheless becoming clearer. AI is changing where the value of a medical device resides. Hardware design, clinical evidence and manufacturing quality will remain fundamental, but they will increasingly be complemented by the quality of the algorithms, data and digital services surrounding the product. For MedTech companies, the relevant

question is therefore moving beyond whether AI can be incorporated into a device. It is whether intelligence can materially improve what that device enables: predicting disease earlier, tailoring treatment more precisely, reducing the burden of care or allowing therapies to reach patients who previously could not benefit from them. The next phase of AI in MedTech will be measured less by the number of algorithms brought to market than by the additional clinical and economic value they allow devices to deliver.





What this means for MedTech leaders

The pattern across cardiovascular care, diabetes and respiratory medicine points to a future where the focus of value in MedTech is no longer found solely in the device itself but also in the intelligence that surrounds it. Hardware design, clinical evidence and manufacturing quality remain fundamental, but they are increasingly necessary conditions rather than sources of differentiation. The advantage is shifting to the quality of the algorithms, the data that trains them and the digital services that surround the product. For leadership teams, that shift changes four things at once.

The next phase of AI in MedTech will therefore be measured less by the number of algorithms brought to market but by how effectively companies reshape their products, economics and organizations around them. The question for leaders is no longer whether AI belongs in the device. It is whether their business is built to capture the value once it is there.

1 **Competing on algorithms and data, not only devices:**

Where clinical value comes from intelligence, product roadmaps must treat the algorithm as a first-class product, with its own release cycle, evidence strategy and lifecycle plan. Installed scale becomes a data advantage only if the organization is deliberate about capturing, curating and governing that data. Companies without a large installed base will need partnership and data strategies to compete at all.

3 **Reorganize R&D and talent around software:**

If product development is now as much about the algorithm as the hardware, the operating model must follow, shifting talent toward data science and machine learning, adopting continuous-development practices, and managing models as evolving assets rather than fixed designs.

2 **Rethink the revenue model:**

Intelligence that improves throughout the life of the product invites recurring, software-style economics rather than onetime device sales. But value creation is not value capture: Regulatory clearance does not guarantee payment, and reimbursement pathways for AI-enabled care remain inconsistent. Leaders should build the commercial and evidence case for how intelligence gets funded – through reimbursement, outcomes-based arrangements or bundled digital services – as deliberately as they build the technology itself.

4 **Build trust as a capability, not a compliance task:**

As devices predict, recommend and act, the bar for reliability, transparency and oversight rises with them. The manufacturers who treat explainability, cybersecurity, data governance and evidence generation as core capabilities, supported by mechanisms such as predetermined change control and emerging approaches like [EY Growth Platforms](#), will be the companies trusted to operate at higher levels of autonomy.



CHAPTER 3

Outpatient

**Jay Zhu**

EY-Parthenon Principal
MedTech Strategy,
Transactions and Commercial
Ernst & Young LLP

**Kevin Wang**

EY-Parthenon Senior Manager
Strategy & Transactions
Ernst & Young LLP

The ASC inflection point: why MedTech needs to act now

For more than a decade, the economic case for ambulatory surgery centers has been well understood. Lower costs, greater efficiency and a more convenient patient experience have steadily shifted appropriate procedures away from hospitals. Yet these structural tailwinds alone did not make ASCs central to MedTech strategy. Most volume migration remained concentrated in lower-acuity procedures, while many technology-intensive interventions continued to rely on the hospital setting.

That is now changing. The ASC market has reached an inflection point where advances in technology, mounting clinical evidence, evolving reimbursement policy and increasing competitive investment are expanding both the complexity of procedures that can be performed safely in ASCs and the strategic

importance of the channel. The question for MedTech is no longer whether care will continue to migrate to ASCs, but whether companies can adapt quickly enough to capture that growth.

Technology is one of the key catalysts. Innovations in minimally invasive procedures, imaging and procedural technologies, including PFA in electrophysiology, are enabling increasingly complex interventions to be performed in outpatient settings. Early clinical evidence that demonstrates the safety and feasibility of same-day discharge for selected patients, alongside growing evidence across specialties such as orthopedics, is steadily redefining the boundary between hospital and ambulatory care.

Policy has increasingly encouraged the shift of care to outpatient settings, with the Centers for Medicare & Medicaid Services (CMS) repeatedly expanding and updating the list of covered ASC procedures and payments. In 2026, for example, CMS added 560 procedures to the ASC Covered Procedures List (CPL): 289 new procedures and 271 shifted from the inpatient-only list.¹⁰

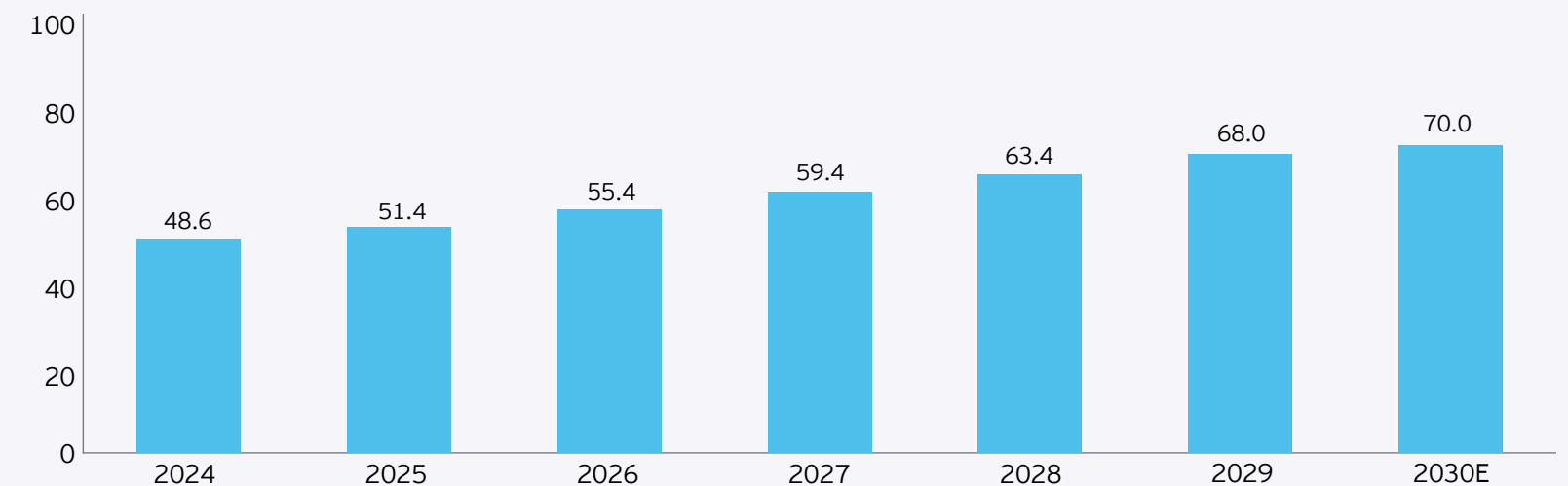
At the same time, the competitive landscape is evolving. Leading manufacturers are no longer treating ASCs as simply smaller hospitals; they are developing ASC-specific products, commercial models and service offerings designed around the channel's unique economics and operational needs. This reflects a growing recognition that success in ASCs has moved beyond simply adapting existing hospital portfolios; it requires solutions optimized for faster turnover, lower capital budgets, simplified workflows and procedure-level profitability.

These factors have brought the ASC market to its current prominence, and the trend shows no sign of weakening. Jefferies, for example, projects

mid-single-digit volume growth, translating into annual industry revenue growth of 6%-8% and a total market size of approximately US\$70 billion by 2030.¹¹ National operators and health-system-backed platforms are consolidating centers to improve purchasing power, physician alignment and procedure mix, while private equity is investing in specialty platforms and tuck-in deals. This accelerating consolidation will further galvanize the market.

The rapid scaling of the ASC market gives MedTechs ample reason to address two strategic questions: where are the biggest opportunities and what must companies do to maximize their share?

Figure 13: US ASC market size (US\$b), 2024-30E



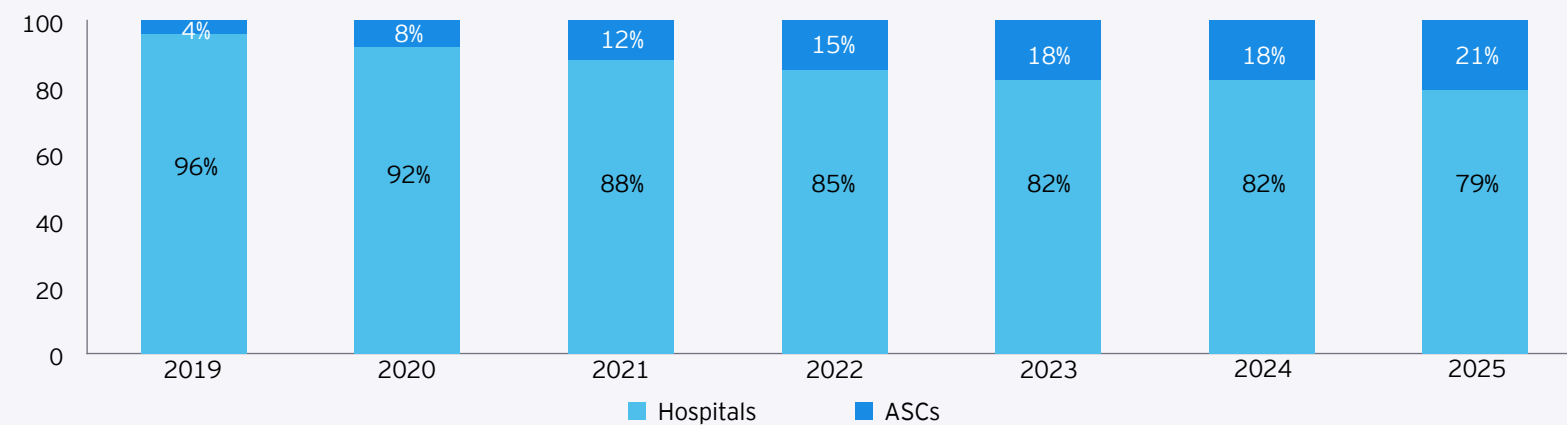
Source: Jefferies Research Report, October 2025



Targeting the biggest wins in the ASC space

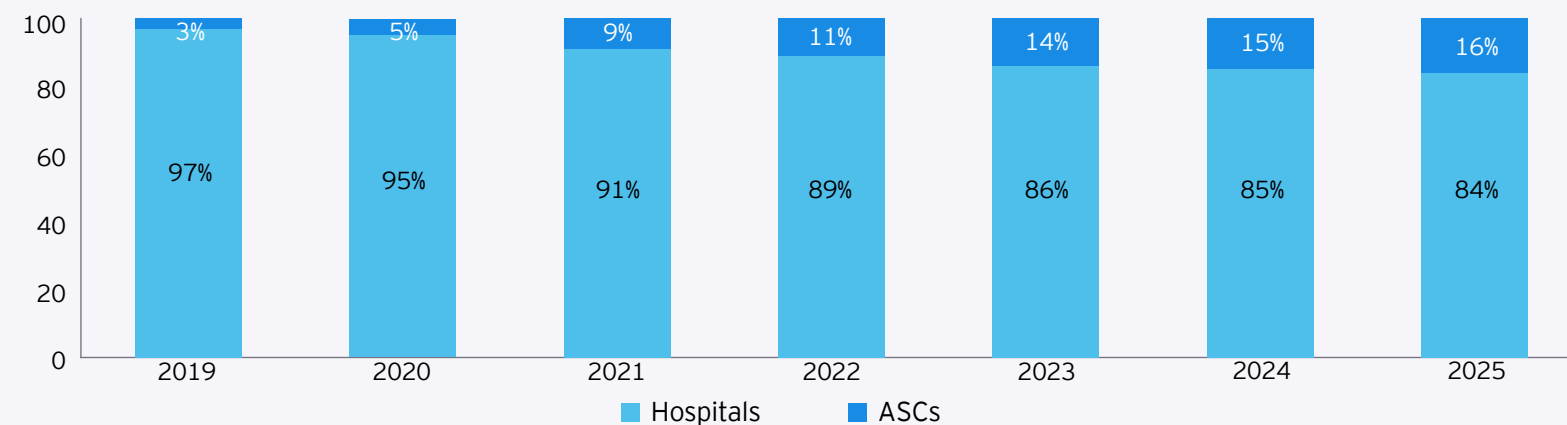
The ASC opportunity is unevenly distributed, with penetration varying widely by therapeutic area. Ophthalmology and endoscopy are considered mature ASC categories. According to Jefferies' analysis, ophthalmology remains one of the highest-demand therapeutic areas, alongside gastroenterology and orthopedic specialties. The pattern in knee and hip implants also shows a clear shift toward the ASC channel during the 2020s.

Figure 14: Reconstructive knee implant, by site of service (US), 2019-25



Source: Data.CMS.gov

Figure 15: Reconstructive hip implant, by site of service (US), 2019-25



Source: Data.CMS.gov

In certain specialties, ASC penetration remains low. Alongside clinical complexity and risk, expansion is constrained by limited reimbursement coverage, capital requirements and equipment availability. Restricted access to post-procedure monitoring pathways and staff has also held back adoption, particularly where new workflows or more intensive recovery support are required. Some procedures still depend heavily on hospital-level backups.

Even in these fields, however, ASCs are making progress. Spine surgery, traditionally considered to face higher barriers to ASC migration, is experiencing increased demand, while cardiovascular care illustrates the transition dynamics. Procedures enter ASCs when the clinical evidence base strengthens, devices and imaging become more compact, and physicians gain confidence. Reimbursement then follows. CMS's recent inclusion of cardiac ablation and other higher-acuity codes shows how a category can move from hospital dominant to outpatient adjacent and ultimately into the ASC mainstream.

MedTech companies studying this pattern will recognize that procedures already common in hospital outpatient departments are likely candidates for transition when they have well-defined anesthesia and discharge pathways, and device and staffing requirements compatible with the ASC footprint. Where these signals align, the opportunity is high, and narrowing reimbursement gaps can accelerate migration.



“ASC Solutions enables our customers to leverage Smith+Nephew’s strategic alliances with key partners that help drive strategic growth. By combining the strength of our industry-leading products and services with our partner networks and expertise in clinical, operational and business performance, we help customers build stronger organizations, expand access to care and succeed in an increasingly complex healthcare environment.”

Bryan Grossman, Senior Vice President
Healthcare Solutions and Channel Management
Smith+Nephew

Smith+Nephew press release, July 21, 2026



Why traditional hospital-centric approaches fall short

Not every specialty will evolve in this direction, so MedTechs need different strategies for the hospital and ASC markets. The channels serve different needs and involve different buying behaviors. Hospitals generally have broader procurement layers, larger budget authority and more committee-based decisions. They place a premium on clinical standardization across

service lines, while ASCs prioritize speed, efficiency and streamlined delivery within selected specialties.

A device built to win in a hospital may be too expensive, bulky, complex or service intensive for an ASC. Commercial models relying on broad capital budgets, bundled service contracts or large clinical education teams may also struggle, as ASC decision-makers are more likely to evaluate case economics, speed, ease of use and staffing burden. MedTechs, therefore, need a dual strategy to win growth in both channels.

Playing to win in the ASC market

The ASC playbook differs significantly for established MedTech leaders and insurgent companies seeking to carve out market share. Leaders can use their hospital credibility to define the standard of care in ASCs, then translate that standard into a leaner, easier-to-adopt offer by simplifying workflows, packaging clinical evidence for outpatient use, and aligning service and pricing models with ASC economics.

Challengers need to attack the pain points that incumbents overlook. This may mean designing specifically for smaller footprints, faster turnover, lower staffing intensity or sharper procedural economics. OEMs therefore require customized strategies to win in the ASC market and strengthen their position. Organizations that simply repurpose hospital playbooks often struggle to achieve comparable scale and performance. MedTechs seeking a more effective strategy need a nuanced decision-making framework based on five key issues.

Figure 16: Buying process in hospitals vs. ASCs

	Hospitals	ASCs
Decision-makers	→ Broad stakeholder group, including physicians, clinical leadership, finance, procurement, supply chain, biomed and IT	Primarily physician led with support from administrative and operational leaders
Decision speed	→ Structured approval process requiring alignment across multiple stakeholders	Faster decision process with fewer approval layers
Value drivers	→ Clinical outcomes, physician adoption, operational performance, long-term value and risk reduction	Physician preference, workflow efficiency, procedural volume, cost efficiency and near-term return
Economic sensitivity	→ Total cost of ownership, budget impact and value across the organization	Up-front affordability, utilization economics and rapid realization of value
Sales motion	→ Transactional, product-driven	Consultative, solution based with design and enabling services

Source: EY Insights

Figure 17: Strategy framework

	Key questions
Value proposition	→ - What should be the winning value proposition for ASCs? - How does the ASC value proposition need to be different than the existing hospital value proposition?
Product portfolio	→ - What should be the optimal product bundle for ASCs? - How will we address portfolio gaps, if applicable?
Commercial revenue model	→ - What are the ideal commercial revenue models beyond financing (e.g., subscription, per procedure)? - Do we have the internal capabilities and risk appetite for different commercial business models?
GTM model	→ - What is the ideal go-to-market (GTM) model to sell to ASCs? - How can we leverage our existing resources to augment our reach and influences?
Partnership strategy	→ What partners should we work with to strengthen and expand our ASC offerings and coverage?

Source: EY Insights



Winning in the ASC market will require more than adapting an existing hospital-focused commercial model. MedTech companies must determine where procedure migration is most likely, redesign portfolios around ASC economics and workflows, identify the decision-makers shaping adoption, and build commercial and service models that can scale across an increasingly consolidated channel. Companies that act early will not simply capture incremental volume; they will help define the standards, partnerships and economics of the next phase of outpatient care.



Executive perspective



Philip Rackliffe
President & CEO
Advanced Imaging Solutions
GE HealthCare

How to win in ASC: selling solutions, not products

The shift to ambulatory surgery centers (ASCs) is gaining momentum, driven by greater patient convenience, placing facilities closer to patients, operational efficiency, expanding reimbursement for higher-acuity procedures and hospital capacity constraints. ASCs may offer faster access, streamlined care and additional procedural capacity, making them an increasingly attractive setting for providers and patients alike. Strong investment from health systems, physicians and private equity underscores confidence in this trend. While the US remains at the forefront, similar ASC models are rapidly emerging across Europe, India, Southeast Asia and Australia.

At GE HealthCare, we are increasingly looking at ASC opportunities through the lens of the complete solution for the facility, rather than individual pieces of equipment. A customer developing an ASC may need a catheterization lab or electrophysiology lab, but getting that facility operational involves much more. It requires equipment planning, workflow design, consulting, support around certification and facility requirements, financing, installation, and ongoing service. Bringing those elements together can simplify what is otherwise a complex process and potentially help customers execute faster.

The commercial model must align with ASC economics, where capital-conscious customers often favor predictable payments over large up-front investment. Financing programs, multiyear payment structures, subscription-style arrangements and comprehensive equipment-and-service offerings can help customers better align costs with utilization and the growth of their facility. For MedTech companies, however, that creates an important strategic challenge. Customers prioritize simplicity, essential functionality, lower up-front costs and clinical procedure adaptability, making it critical

to design solutions around their specific needs rather than adapting premium hospital products. The winning value proposition must deliver better patient access and experience, strong clinical and economic outcomes for providers, and sustainable returns for shareholders. The next generation of ASCs will require greater connectivity and AI that streamline operations and improve clinical productivity.

Workforce shortages, particularly anesthetists and specialized clinical staff, may become the biggest constraint on ASC growth. Automation and AI can help augment scarce clinical resources by reducing administrative burden and standardizing workflows, while partnerships with educational institutions and workforce development programs will be essential to expanding the talent pipeline over the longer term.

Ultimately, winning in ASC will require more than adapting a hospital product portfolio. The companies that ultimately lead in the ASC space will be those that rethink not just what they sell but how they help customers build, finance, operate and scale the next generation of care.



CHAPTER 4

Valuations

**Kevin Prall**

EY-Parthenon Managing Director
Corporate Finance
Ernst & Young LLP

**Pablo Kimmig**

EY-Parthenon Partner
Health & Life Sciences
EY Strategy & Transactions GmbH

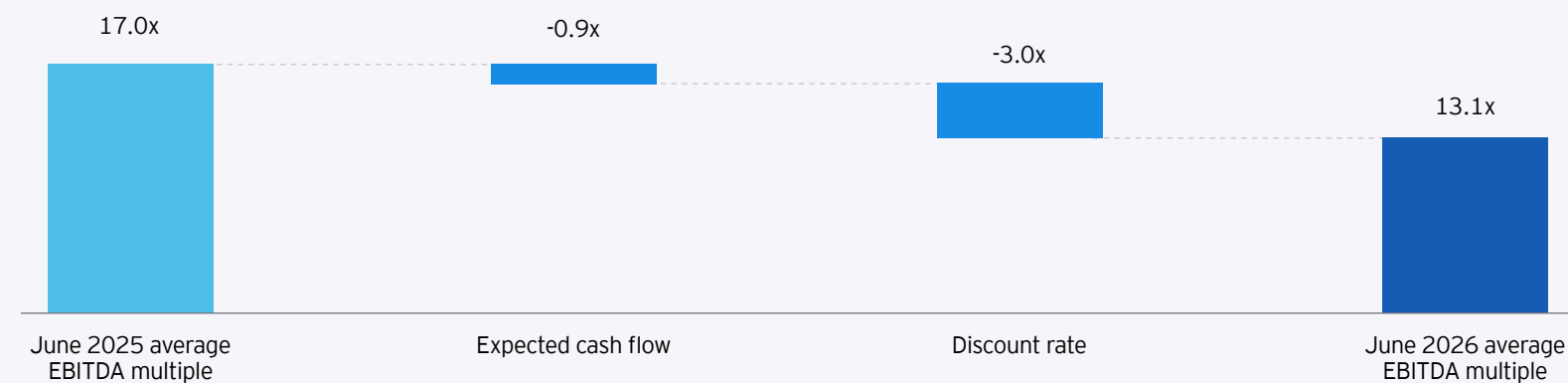
The price of uncertainty

Over the 12 months to June 2026, the average listed MedTech company lost roughly a quarter of its valuation multiple, from 17 times EBITDA to 13 times. Nothing in the earnings numbers accounts for it. Consensus forecasts for the sector's growth and profitability finished the year close to where they began. Understanding this change requires looking more closely at how the market measures and rewards MedTech performance. External risks influence the premium applied to the sector, but management can influence how much of that premium

is applied to an individual company through the credibility of its capital allocation, execution and communication.

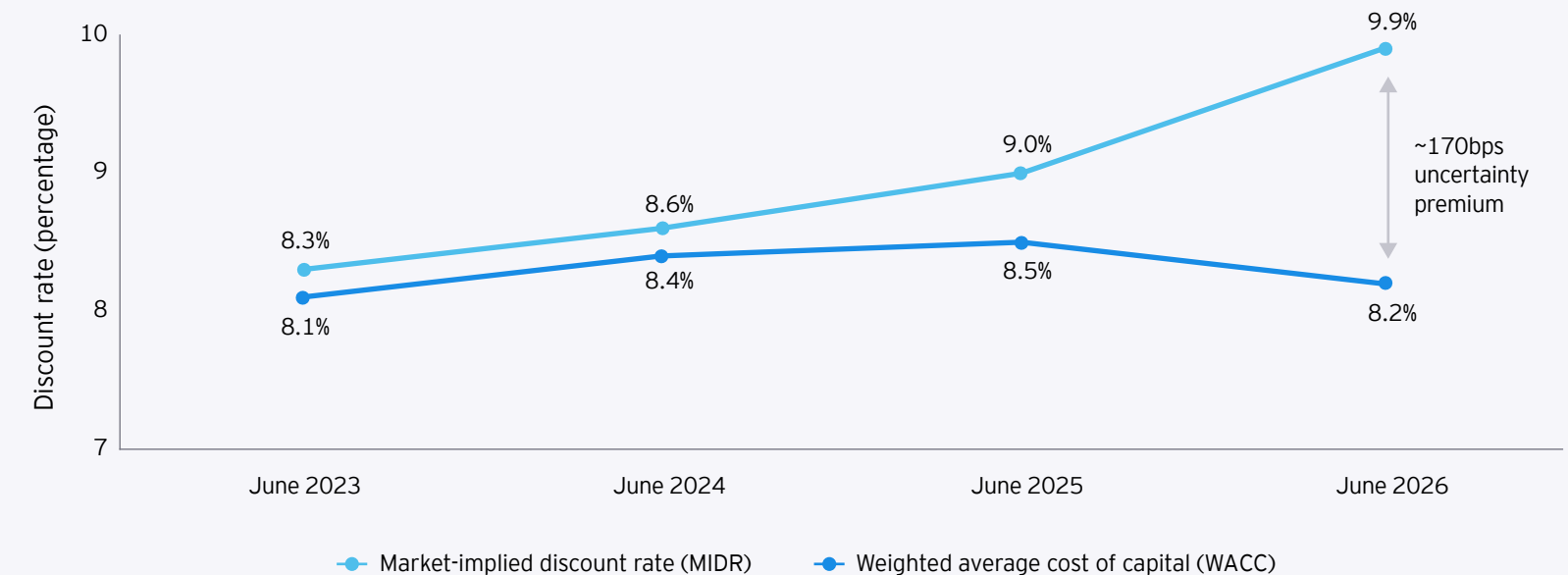
A multiple compresses for one of two reasons: expected cash flows fall or investors become less certain of receiving them. The EY attribution framework separates the two. Only around 25% can be traced to weaker forecast fundamentals; the remainder reflects a rise in perceived risk: GLP-1 disruption, payer pressure, tariff exposure and the prospect of reimbursement reform across several end markets.

Figure 18: One turn of forecast fundamentals, three turns of risk



Sources: Capital IQ, EY Insights

Figure 19: Theory and price part company



Sources: Capital IQ, EY Insights

Since 2023, EY analysts have tracked market-implied discount rate (MIDR) and the weighted average cost of capital (WACC).¹² In a settled market, the MIDR sits close to the WACC; since 2024 they have since parted in MedTech.

That spread is the additional return investors now require for holding cash flows they no longer feel confident to underwrite; it is the mechanism through which compression is expressed. Consensus models account for structural change poorly: Large-scale risks like tariff-driven localization of US manufacturing alter the architecture of a business rather than any single forecast line and tend to surface in the discount rate first.

The sector as a whole is being charged more for largely external factors, but leadership can control the credibility of the capital allocation behind the growth. Faced with

risks that resist modeling, investors appear to lean on what they can observe – the record of a management team in converting capital into results.

One measure of that record is growth investment efficiency (GIE), which measures the growth generated for every dollar previously invested in R&D and M&A. A stronger conversion record gives investors greater confidence that future investment will translate into profitable growth and cash flow.¹³ GIE and the MIDR move together with a consistency well beyond chance.¹⁴ The most efficient third of the sample ends 2026 with an average MIDR of 9.3%; the least efficient, 10.9%. The trajectory tells the same story: Since 2023, the implied discount rate of the less efficient half of the sector has risen by 263 basis points (bps), roughly twice the rise recorded by the more efficient half.



Figure 20a: 2026 MIDR by growth investment efficiency

Tercile	Mean GIE	Mean 2026 MIDR
Lowest GIE	0.29	10.9%
Middle GIE	0.85	9.7%
Highest GIE	1.61	9.3%

Note: Tercile split across 42 MedTech companies, excluding distributors.

Sources: EY analysis, Capital IQ

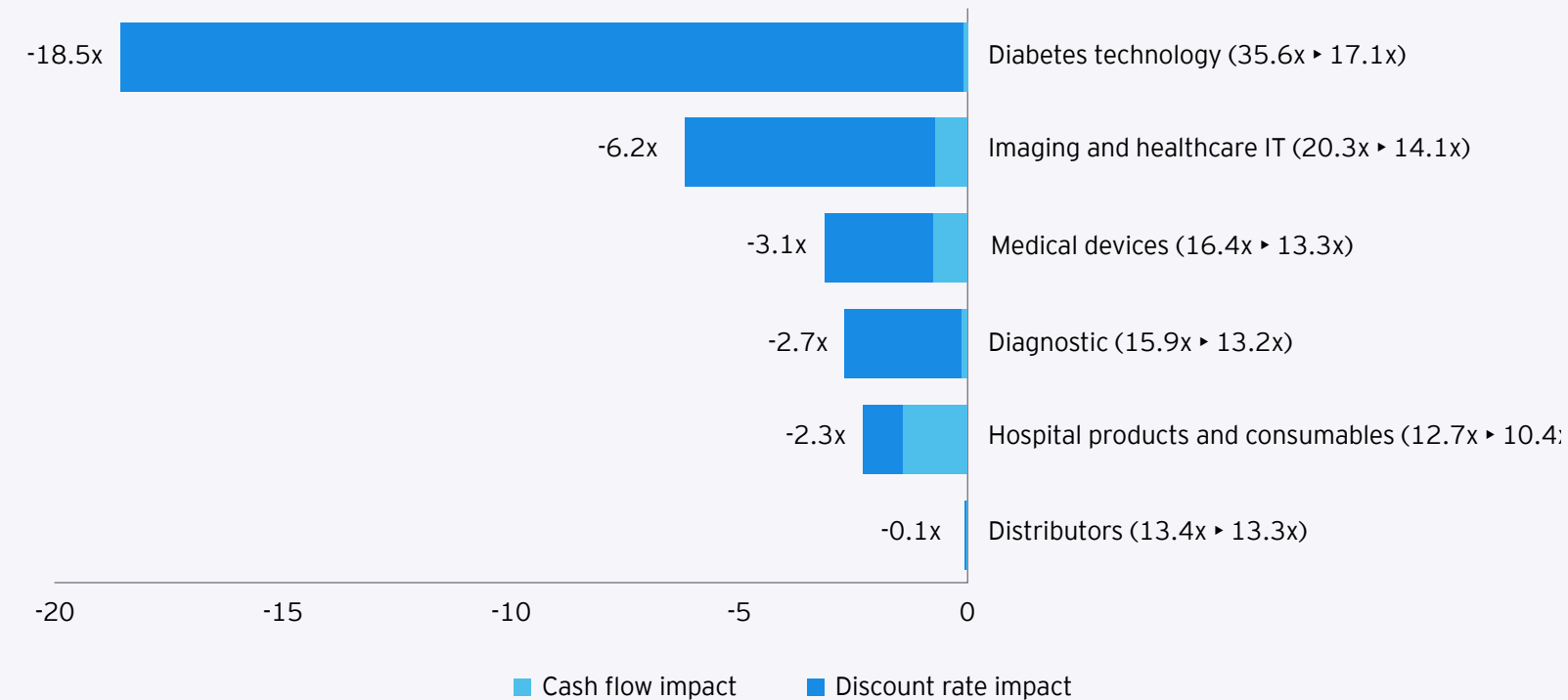
Figure 20b: Three-year MIDR change by growth investment efficiency

Group	Mean GIE	Mean Δ MIDR (2026)
Low GIE (≤ 0.88)	0.47	+263 bps
High GIE (> 0.88)	1.42	+134 bps

Note: Mean split across the 41 companies with a valid three-year MIDR series.

Sources: EY Insights, Capital IQ

Figure 20: An uneven repricing – where the compression came from, by subsector



Sources: Capital IQ, EY Insights

The pattern is consistent with a market that has begun to price capital discipline continuously. GIE is the clearest signal, though it is one measure of a broader discipline: The same rigor that separates productive R&D and M&A from mere spending also determines how well a business defends its gross and operating margins.

The compression varied by subsector, but compared to 2025, favored categories no longer carry a structural premium. All six subsectors sit within a band of 10.4-17.1 times EBITDA. Valuation premiums are being

earned at company level, with subsector premiums largely irrelevant. Overall, ambiguity appears more harshly priced than bad news. For example, hospital products and consumables faced quantifiable risk exposure from tariffs and pricing pressure, diabetes risk is harder to reliably model, and the subsector was downgraded eight times more. A quantifiable risk that can be guided on is one the market can digest.

Comparing GIE with the MIDR-WACC uncertainty premium, we can ultimately place every MedTech in one of four quadrants.

EY perspective

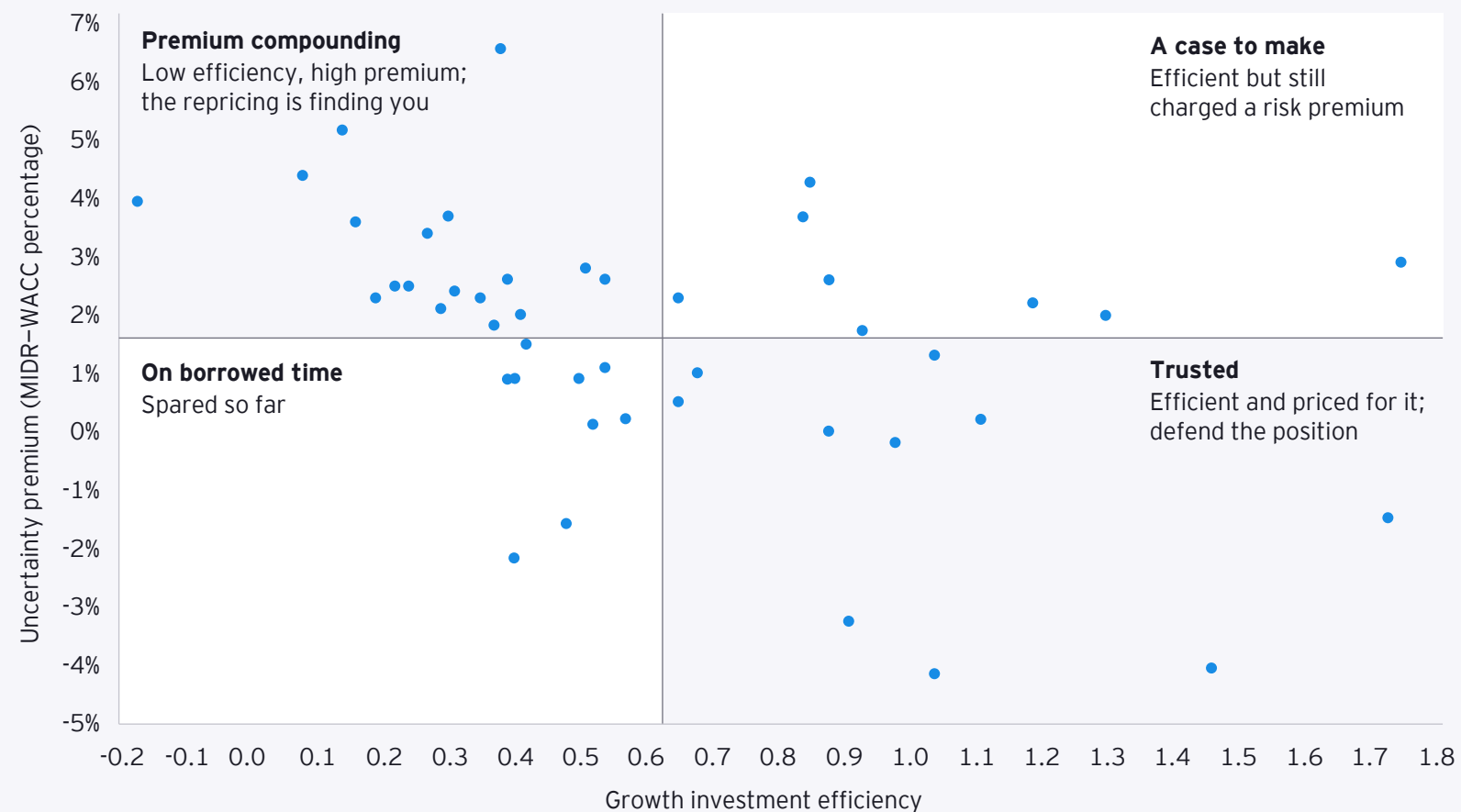


Lynlee Brown
EY US Global Trade Leader
Ernst & Young, LLP

To say that US trade policy has been volatile is certainly an understatement. Between the litigation of certain tariff measures, the process of submitting and receiving tariff refunds, the introduction of new policies, and the lack of clarity around the US-Mexico-Canada free trade agreement (USMCA), MedTech supply chains and operating models have been under siege. Perhaps the single greatest agitator for the industry from a trade perspective is the lack of certainty around USMCA. While the renewal time-period has lapsed, the countries continue to negotiate amid increasing trade tensions, particularly between the US and Canada. This uncertainty is impacting M&A decisions as well as manufacturing investment. Also stoking the flames of volatility, at the time of publication, the industry is awaiting the Section 232 investigation report on medical devices, personal protective equipment and robotics, which is certain to have significant impacts on MedTech supply chains.



Figure 21: The efficiency-premium map



Sources: Capital IQ, EY Insights

- **Upper-left companies face a compounding problem:** an above-average premium, rising fast, on a record of capital conversion the market has already marked down.
- **Upper-right companies' risk premiums are not explained by their capital record, which means the cause lies elsewhere:** subsector exposure, concentration, balance sheet or simply a story the market has not been given.
- **Lower-left companies spared so far by their predictability:** predictability is an asset, not an endorsement.
- **Lower right is the position everyone else is being repriced toward:** efficient, priced for it and obliged to defend the ground.

Whichever quadrant their company sits within, there are four overall actions management should take:

1 | Measure what the market is measuring

GIE and the MIDR-WACC gap beside it should rank alongside total shareholder return (TSR), operating margin and R&D intensity. The market weighs not only capital deployed but also what growth, margin and value it demonstrably produced. Companies need to track capital deployment at program level, assess outcomes over multiple years, and extend the same discipline to identify the levers of gross- and operating-margin outcomes.

2 | Translate capital discipline into a consistent investor narrative

The market should not have to infer efficiency. It should be shown through transparent capital-allocation frameworks, multiyear evidence of outcomes, candid evaluation, guidance on risk impact rather than leaving the market to price ambiguity, and consistency in reporting.

3 | Apply the same discipline to the portfolio

Acquisitions and retained businesses alike are now graded as tests of capital discipline, which argues for assessing deals on their effect on the company's observed efficiency profile. Pruning of underperforming businesses remains an underused source of value. Market risk aversion can create opportunity: Acquirers with low implied discount rates hold a cheaper cost of capital than their targets, provided their diligence supports the view that the feared risk is overpriced or can be reduced within the acquirers' portfolio.

4 | Align internal steering and decision rules with the value creation logic

Before communicating efficiency outward, check KPI structures, incentivize design and internal pricing, and then actually reward it. Margin-percentage targets that discourage growth in strategically important segments, transfer prices that push volume toward competitors and EPS-linked incentives that favor buybacks over higher-returning investment are common, and quietly corrosive. Hurdle rates, buyback timing, financing strategy, acquisition sequencing and other decision rules should reflect how the market currently prices the company's risk.

The market has not stopped rewarding growth. It has started asking who can deliver it, and that trust is measurable, earned or lost a little every day.



CHAPTER 5

Innovation

**Evan Sussholz**

EY-Parthenon Americas
Life Sciences Leader
Ernst & Young LLP

**Adwait Bhagwat**

EY-Parthenon Managing Director
Life Sciences
Ernst & Young LLP

**Tarun Gupta**

EY-Parthenon Partner
Strategy and Execution
Ernst & Young LLP

Unlocking value in MedTech

Over the past three years, MedTech companies have faced a more challenging value creation environment than many other sectors. The average cumulative TSR for the 43 MedTech companies in our analysis was approximately -10%, significantly lagging broader market indexes. Yet beneath these averages lies a more important story: A select group of MedTech companies has continued to generate meaningful shareholder value despite facing the same macroeconomic pressures, tariff uncertainty, reimbursement concerns and inflationary headwinds as their peers.

Innovation remains essential

The more consequential question is why certain companies are consistently able to translate innovation and growth investments into shareholder value more reliably than others.

Our analysis suggests that the strongest-performing MedTech companies share two characteristics:

- 01** They generate superior returns from their innovation investments.
- 02** They improve profitability while they grow, indicating that growth translates into improved profitability.

Companies that successfully combine these two capabilities significantly outperform peers that focus primarily on either growth or margin improvement alone.

Figure 22: Average TSR performance by cohort

Cohort	Quadrant	R&D productivity	Margin trend	Average TSR
Productive innovators	Upper right	High	Expanding	13.8%
Margin enhancers	Upper left	Low	Expanding	-21.4%
Innovators without leverage	Lower right	High	Declining	-22.1%
Value eroders	Lower left	Low	Declining	-30.2%

Sources: Capital IQ, EY Insights

Average TSR performance by cohort

The results are striking. Companies that delivered both high R&D productivity and EBIT margin expansion generated an average TSR of approximately 13.8%. By contrast, companies that delivered only one of these dimensions experienced materially lower shareholder returns, while companies that struggled on both dimensions saw the greatest destruction of value.

The implication is not that growth has become less important. It is that growth must be credible, capital efficient and economically productive. Investors increasingly reward profitable growth, generated through disciplined capital allocation, productive innovation investments and strong operating execution.

Value-maximizing solutions differ by cohort

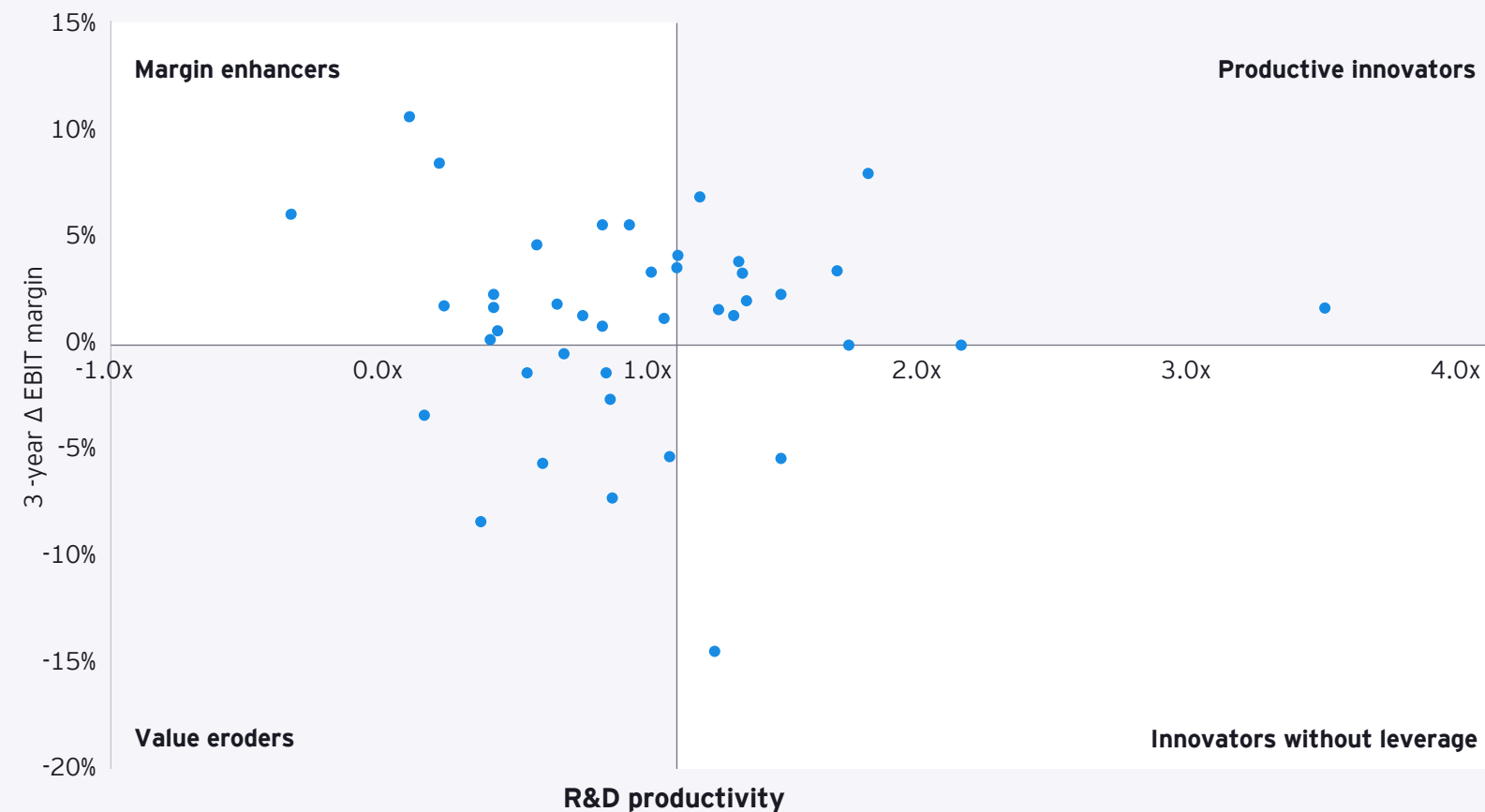
Every MedTech company should aspire to become a productive innovator, where innovation drives growth, expanding margins generate cash, and that cash funds the next round of innovation. However, reaching

that quadrant means distinct central questions and management agenda:

- **Productive innovators:** Already there. Where should capital be allocated to further accelerate free cash flow growth? How can the company sustain growth as current platforms mature, avoid portfolio proliferation and protect returns on incremental capital?
- **Margin enhancers:** Disciplined, but undergrowing. How can more growth be extracted from R&D investments?
- **Innovators without leverage:** Growth without profit. How can the cost model be restructured so growth translates into margin? Which products, channels and markets are growing without adequate returns, and which product or delivery economics must be redesigned?
- **Value eroders:** Losing on both fronts. How can slowing growth and falling margins be reversed? Which programs should be stopped, separated, partnered or recapitalized before committing incremental capital?



Figure 23: R&D productivity and EBIT margin expansion matrix



Sources: Capital IQ, EY Insights

Innovation matters, but productivity matters more

Innovation remains the lifeblood of the MedTech industry. The sector's long-term growth continues to depend upon advances in cardiovascular therapies, robotics, AI-enabled diagnostics, diabetes care and numerous other high-growth categories highlighted throughout this report.

However, investors increasingly distinguish between companies that spend heavily on innovation and companies that generate measurable returns from that spending.

Productive innovators consistently convert capital into differentiated products that satisfy regulatory and evidence requirements, fit clinical workflows, achieve adoption, scale reliably, and generate attractive margins and cash returns. The question has therefore shifted

from “How much are you investing in R&D?” to “What outcomes are you generating from those investments?”

Companies that consistently outperform on R&D productivity demonstrate a high level of maturity across core elements of our MedTech R&D framework:

- **Choose the right problems:** Leading companies concentrate investment behind addressable and material unmet clinical needs, attractive markets, and areas where they have a credible right to win. Portfolio choices reflect a focus informed by expected clinical differentiation, competitive position, regulatory and reimbursement pathways, commercial access, investment intensity, and the opportunity cost of capital.
- **Build a risk-adjusted portfolio:** Productive innovators balance sustaining, adjacent and breakthrough new product innovation (NPI) programs, platforms and point products; internal and external innovation; and near-term launches and longer-duration bets. They evaluate pipeline sufficiency against strategic growth gaps rather than historical budgets or organizational culture.
- **Fund evidence:** Stage gates operate as investment decisions rather than status reviews. Capital is released progressively as technical, clinical, regulatory, quality, commercial and financial evidence develops. Explicit kill criteria reduce sunk-cost bias, and management reallocates scarce capital and talent when a program no longer supports its targeted mandate or investment case.

- **Embed engineering and economics rooted in product development:** Productive companies define the clinical profile and product economics together. Reimbursement, evidence, user workflow, target cost, manufacturability, supplier readiness, service requirements, cybersecurity, training and launch assumptions are addressed prior to capital commitment. They enable a clear linkage of driving R&D productivity to corporate development decisions.
- **Nurture a fit-for-purpose innovation ecosystem:** Manage innovation through its lifecycle with accountability continuing post-market approval. Companies compare launch adoption, gross margin, quality, service burden and lifecycle returns with the approved business case. They use post-market evidence and customer feedback to guide product refreshes, line extensions, geographic expansion and end-of-life decisions. Build-buy-partner choices and the R&D footprint are shaped by the capabilities required to deliver the portfolio.

Most MedTech companies have a legacy of innovation. Their growing scale, operational complexity and the challenging macro environment in which they now operate require that the technology and innovation focus be managed for productivity through greater operating discipline and financial rigor.

No single metric can drive R&D productivity. Management needs a balanced scorecard spanning portfolio quality, development execution, quality, commercial conversion and economic realization.



Growth must be matched by profitability

The TSR analysis suggests that innovation productivity alone is insufficient. Companies that generated the strongest shareholder returns were also able to expand margins. However, the macro headwinds, supply chain risks and policy uncertainties have made margin enhancement significantly challenging for many companies in the MedTech sector. The [geopolitical challenges and the resulting resource shortages](#) and inflationary trends seem likely to continue and potentially accelerate from the current levels.

While margin enhancement is not a novel concept, delivering on it has been a challenge for many MedTech companies. Perhaps this is due to the legacy that disproportionately prioritized innovation and revenue growth over cost discipline. However, clear market signals, coupled in some cases with pressure from activist investors and boards, have elevated margin improvement from an aspiration to a business imperative.

13.8%

average TSR from companies that delivered both high R&D productivity and EBIT margin expansion.

In our experience, three of the most effective levers to drive company-wide margin expansion include:

- **AI-enabled enterprise transformation:** Artificial intelligence is rapidly becoming a major driver of productivity across the enterprise. Leading organizations are applying AI across commercial operations, manufacturing, supply chain planning, product development and support functions to improve decision-making, reduce administrative burden and accelerate execution. As highlighted in Chapter 2, AI's impact extends beyond products and increasingly influences the economics of the enterprise itself.
- **Commercial productivity and cost-to-serve optimization:** MedTech leaders are improving pricing, account coverage, channel economics, field support and service models based on customer and product profitability. They are also re-evaluating how they serve customers by redesigning commercial models and improving network utilization, manufacturing yield, labor productivity, planning and inventory performance. Leaders are simplifying operating structures and reducing unnecessary complexity to improve profitability while maintaining customer experience.
- **G&A, technology and external-spend discipline:** MedTech outperformers are simplifying organizational structures, standardizing enabling processes, rationalizing technology, and using strategic sourcing to address direct and indirect spend. AI, automation and analytics are positioned to reduce manual effort, improve decision-making and accelerate execution across these areas.

What this means for CEOs, CFOs, CTOs and boards

Leadership teams should ask five fundamental questions:

- 1 Are innovation investments concentrated behind our highest-value growth opportunities?
- 2 Can we clearly demonstrate the returns generated from those investments?
- 3 Where can productivity improvements create capacity for additional investment?
- 4 Are we allocating capital to businesses where we have the strongest right to win?
- 5 Do our operating model and the R&D ecosystem support both innovation and financial discipline?

The MedTech leaders of the next decade will not necessarily be the companies that spend the most on R&D nor the companies that cut costs most aggressively. The MedTech leaders of the next decade will choose the right clinical problems, fund evidence, design for adoption and economics, and hold accountability through launch and lifecycle returns. Their advantage will be the repeatability with which they convert innovation into profitable growth, redeploy capital toward the highest-return opportunities and demonstrate the discipline required to create sustainable shareholder value.

What does operational improvement mean for enterprise value?

Illustrative value creation scenario

What are the potential gains by moving from value eroders in the lower-left quadrant of our analysis in Figure 23 (low R&D productivity and margin compression) into the upper-right quadrant (high R&D productivity and margin expansion) of productive innovators?

Using an illustrative MedTech company within the low-productivity cohort, we modeled the impact of:

- Improving R&D productivity from 0.6x to 1.0x
- Expanding EBIT margins by 200bps over three years

While outcomes vary by company, market conditions and capital structure, the analysis suggests the potential to create more than US\$6 billion of incremental market value through sustained operational and innovation improvement.

The lesson is clear: Value creation is not driven by growth or productivity alone. The greatest shareholder returns accrue to organizations that can successfully deliver both.



Expanding R&D productivity and margin does not guarantee high TSR, but it helps. Average TSR for the group below was +13.8% and median TSR was +5.8%. Perennial value creators Stryker and Intuitive Surgical also show strong expected revenue growth from R&D that is paired with operating leverage that drive margins and investor returns.

Stryker's success

One example of a successful productive innovator is Stryker. Stryker grew TSR over the past three years by 26.1% far exceeding the performance of the MedTech average in our universe of -10.0%. How did Stryker achieve this?

R&D productivity for Stryker is 1.3x where Stryker has invested US\$4.5 billion in R&D over the past three years, with the market rewarding this investment with US\$6.9 billion of expected additional revenue (likely at high, incremental margins). R&D productivity typically rises when companies have a strong track record of investments paying off and delivering growth. Stryker has executed well on a “supercycle” of product launches with notable products including a next-generation Mako robot and LIFEPAK defibrillators.

Along with the strong vote in analyst confidence in the R&D plan, Stryker has also delivered on higher EBIT margins with these rising from 14.1% three years ago to 18.0% today. This has been partly driven by the company's Lean is Core program on product cost reduction, leaning into shared services to moderate SG&A spend and exiting low-margin/low-return products in its portfolio. This shows even strong performers must consistently strive to take out cost.

Productive innovation in practice at Intuitive Surgical

Intuitive sits in the upper-right quadrant, with R&D productivity of 1.04x and 3.7 points of EBIT margin expansion over three years, producing TSR of 10.8% against a MedTech universe average of -10%. Intuitive expanded its margins while increasing innovation spend.

Revenue has risen by 61.8% from 2022 to 2025 to US\$10.1 billion and R&D has risen by 49.2% to US\$1.3 billion, over the same period, holding at roughly 13%-14% of sales. Growth outpaced spend, which is the definition of productive innovation.

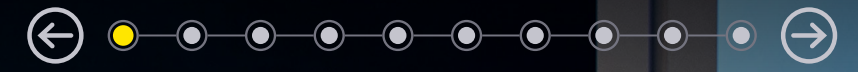
The mechanism is repeatable. Intuitive concentrates capital on a single platform architecture and monetizes it through procedure volume rather than onetime system sales. Da Vinci systems grew 47% from 2022 to 2025, while procedures grew 68%, instruments and accessories revenue grew 71.0%, while recurring revenue reached US\$8.5 billion, or 84.1% of the total.

The installed base of 11,710 systems compounds every future launch, with 478 of 899 placements in 1H2026 being the newer da Vinci 5. Each R&D dollar therefore lands on an installed base that is already growing, and the evidence and workflow work done before launch determine whether adoption follows.

That is the practical framework for innovation: select innovation areas, fund evidence, design for adoption economics and stay accountable for lifecycle returns rather than approval milestones.



- March
- April
- May
- June
- July
- August
- September
- October
- November
- December



Databook



Financial performance

Figure 24: MedTech overall financial performance, 2021-H1 2026

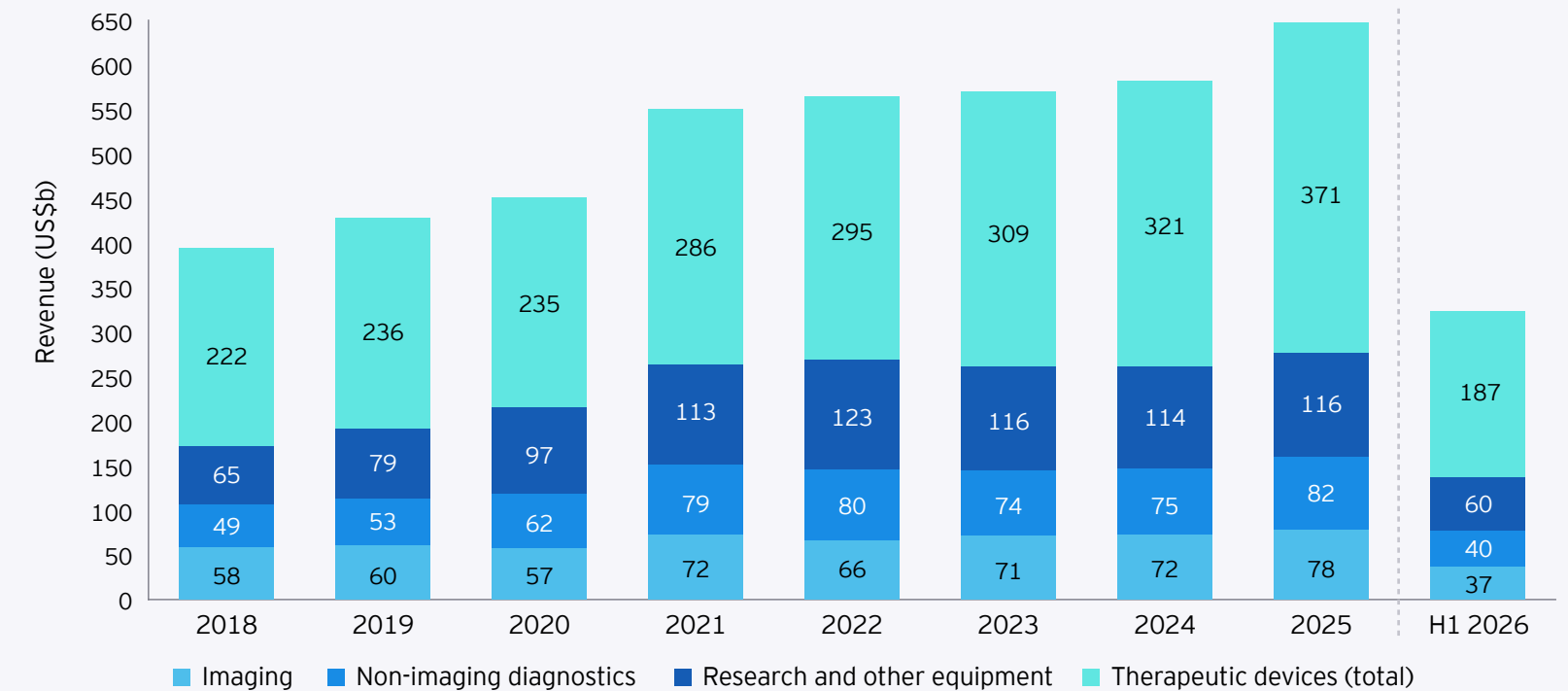
	2021	2022	2023	2024	2025	H1 2025	H1 2026	% change (H1'26-25)	% change (2025-24)
Total revenues (\$b)	\$551.5	\$565.0	\$571.9	\$584.0	\$649.2	\$303.9	\$325.4	7.1%	11.2%
Conglomerates	\$215.0	\$215.3	\$187.9	\$179.0	\$182.6	\$82.6	\$92.7	12.2%	2.0%
Pure-play companies	\$336.6	\$349.7	\$384.0	\$405.0	\$466.6	\$221.3	\$232.7	5.2%	15.2%
Commercial leaders	\$313.5	\$326.7	\$363.1	\$387.2	\$449.6	\$213.1	\$223.8	5.0%	16.1%
Noncommercial leaders	\$23.1	\$23.0	\$20.9	\$17.8	\$17.0	\$8.2	\$8.9	8.5%	(4.5%)
R&D expense (\$b)	\$29.8	\$33.3	\$34.4	\$35.4	\$37.0	\$17.4	\$18.3	5.2%	4.5%
SG&A expense	\$105.7	\$112.9	\$122.6	\$126.6	\$139.6	\$68.1	\$71.3	4.7%	10.3%
Net income	\$43.3	\$12.4	\$25.4	\$26.2	\$36.3	\$17.2	\$19.6	14.0%	38.6%
Market capitalization	\$2,186.0	\$1,573.3	\$1,716.8	\$1,762.2	\$1,875.2	\$1,749.1	\$1,576.9	(9.8%)	6.4%
Number of public companies	456	457	435	394	377	379	371	(2.1%)	(4.3%)

Note: Numbers may appear to be inconsistent due to rounding. Data shown for US and European public companies.

Sources: EY Insights, Capital IQ, company financial statement data

- Industry revenue grew 11.2% to US\$649.2 billion in 2025, nearly double the pace of recent years, while net income increased 38.6% to US\$36.3 billion. Growth was led by pure-play companies, particularly commercial leaders, which delivered revenue growth of 15.2% and 16.1%, respectively. In contrast, conglomerates grew just 2.0% and noncommercial leaders saw revenues decline 4.5%, underscoring a widening performance gap and increasing concentration of growth among scaled pure-play MedTech leaders.
- For H1 2026, total MedTech revenue increased 7.1% year over year to US\$325.4 billion. Pure-play commercial leaders continued to expand, growing 5.0%, but the sharp performance gap seen in 2025 narrowed, as conglomerates grew 12.2% and noncommercial leaders returned to growth at 8.5%.
- Market capitalization increased 6.4% during 2025 but declined 9.8% year over year in H1 2026 to US\$1.58 trillion, despite continued revenue and earnings growth. The disconnect between improving fundamentals and weaker valuations suggests that investors remain selective and are placing a higher premium on the quality, durability and returns associated with growth.

Figure 25: MedTech revenues by device segment, 2018-H1 2026

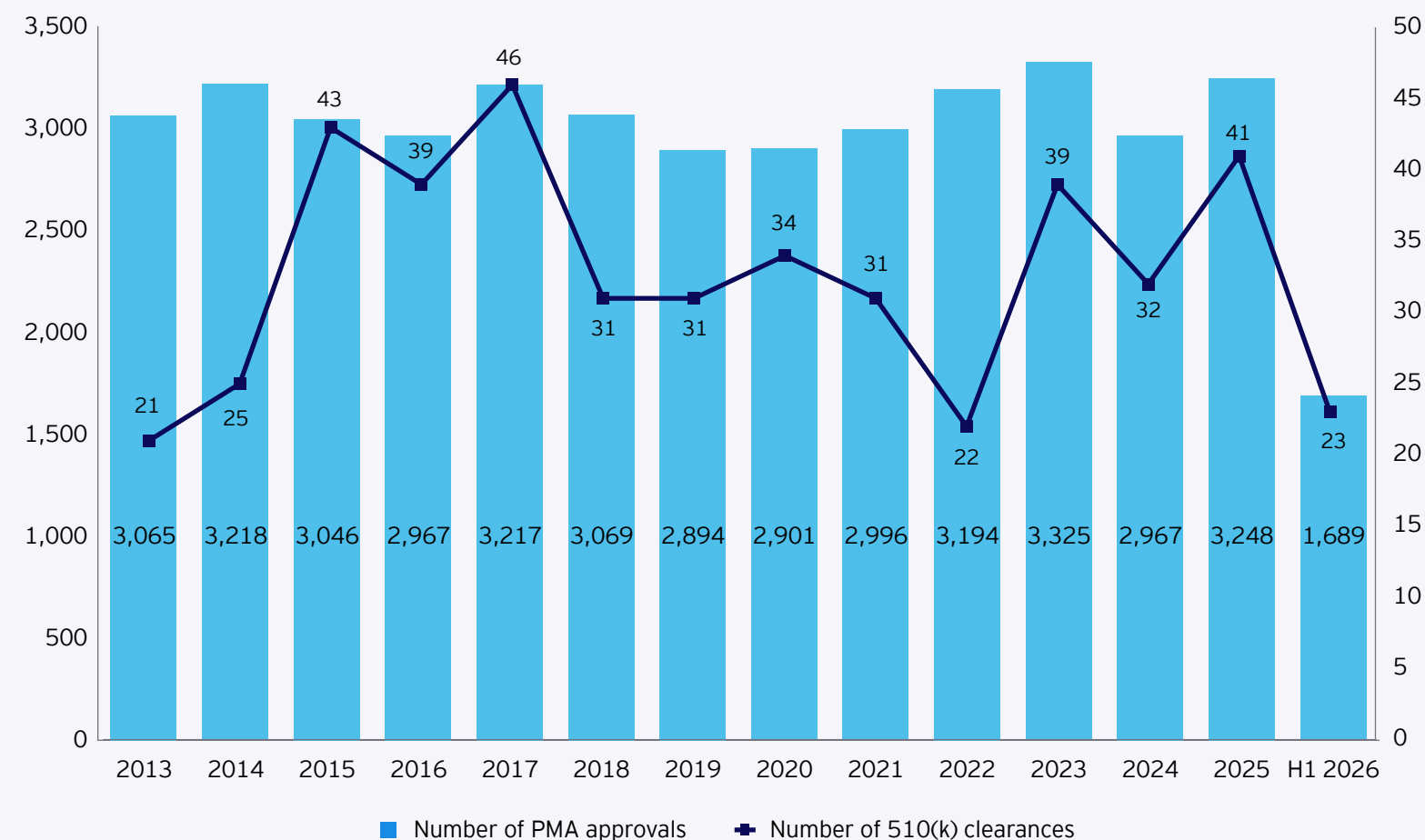


Sources: EY Insights, Capital IQ, company filings

- Therapeutic devices further strengthened their position as the industry's primary growth engine, accounting for around 58% of total MedTech revenues in 2025. Segment revenues increased 16% to reach US\$371 billion, substantially outpacing all other MedTech segments. The continued outperformance reflects sustained demand for high-growth therapeutic technologies, supported by innovation in cardiovascular, oncology and orthopedic devices.
- Growth in diagnostics, imaging and research tools remained comparatively modest following the post-pandemic normalization of demand. Non-imaging diagnostics grew 9% to US\$82 billion, while imaging increased 8% to US\$78 billion. Research and other equipment recorded the slowest growth among the major segments, rising just 2% to US\$116 billion, suggesting that pandemic-driven demand has largely transitioned to a more normalized growth trajectory.



Figure 26: PMAs and 510(k) MedTech approvals, 2013-H1'26

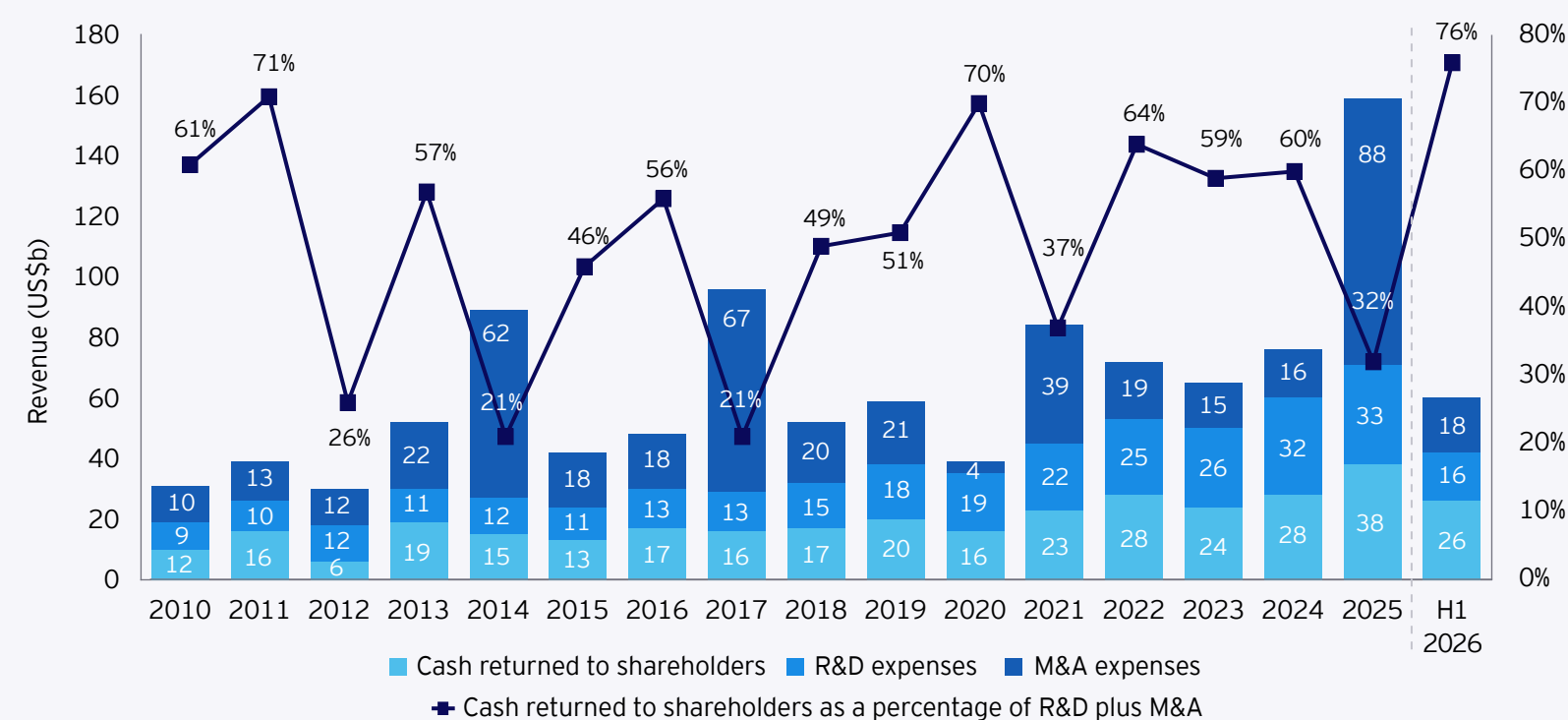


Note: Data for 510 (k) clearances and PMA approvals are updated till June 2026.

Source: FDA website

- Innovation activity remained robust through 2025 and H1 2026, with FDA approvals tracking broadly in line with recent years. PMA approvals reached their highest level since 2017 in 2025, while 510(k) clearances rebounded, underscoring the industry's continued ability to translate R&D investment into commercialized products.
- The regulatory landscape continues to shift toward faster and less burdensome approval pathways, with increasing use of De Novo and 510(k) routes and greater FDA reclassification of devices from Class III to Class II. This trend is helping accelerate time to market, reduce development costs and improve patient access to innovation. In fact, almost 97% of AI medical devices are cleared via the faster 510(k) pathway, with very few requiring PMA.

Figure 27: US and Europe commercial leaders' capital allocation trend, 2010-H1 2026



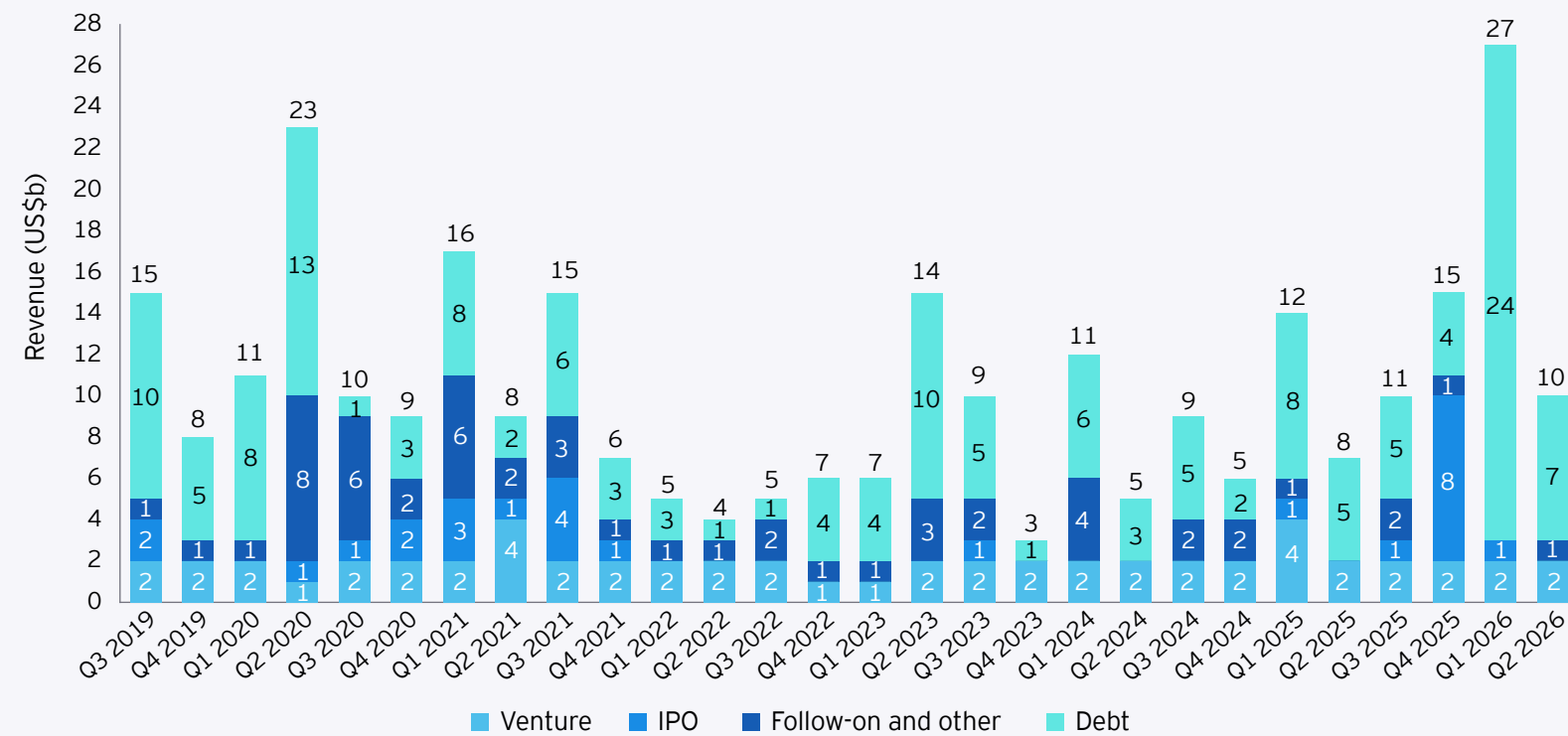
Sources: EY Insights, Capital IQ, company filings

- Commercial leaders have increasingly prioritized reinvestment over shareholder distributions, signaling confidence in long-term growth despite a challenging valuation environment. Between 2010 and 2025, combined R&D and M&A investment increased more than fivefold (from US\$19 billion to US\$121 billion), while cash returned to shareholders (dividends and buybacks) grew at a much slower pace (from US\$12 billion to US\$38 billion). As a result, cash returned as a proportion of total investment declined from 61% in 2010 to 32% in 2025, the lowest level over the period.
- M&A activity surged to a record US\$96 billion in 2025 as companies pursued targeted acquisitions to strengthen innovation pipelines, fill portfolio gaps and expand exposure to higher-growth markets rather than drive scale through consolidation.
- R&D investment reached US\$33 billion in 2025, reflecting sustained commitment to next-generation technologies across AI-enabled diagnostics, robotics, structural heart, diabetes care and minimally invasive therapies, with innovation remaining the sector's primary value creation lever.



Financing

Figure 28: Capital raised in the US and Europe by quarter – Q3 2019-Q2 2026

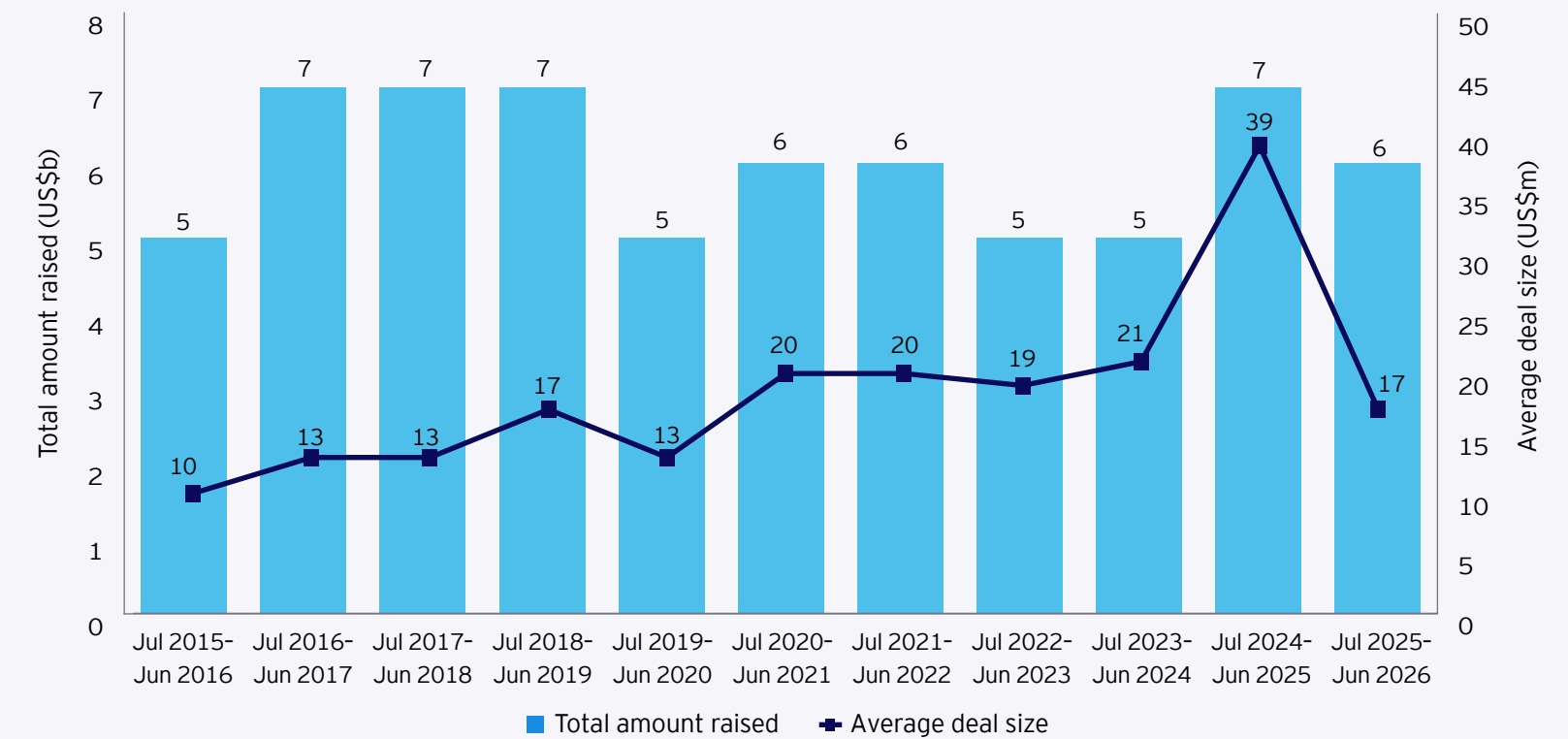


Note: Numbers may appear to be inconsistent because of rounding. Private investments in public equity (PIPEs) included in "follow-on and other."

Sources: EY Insights, LSI Compass AI, Capital IQ

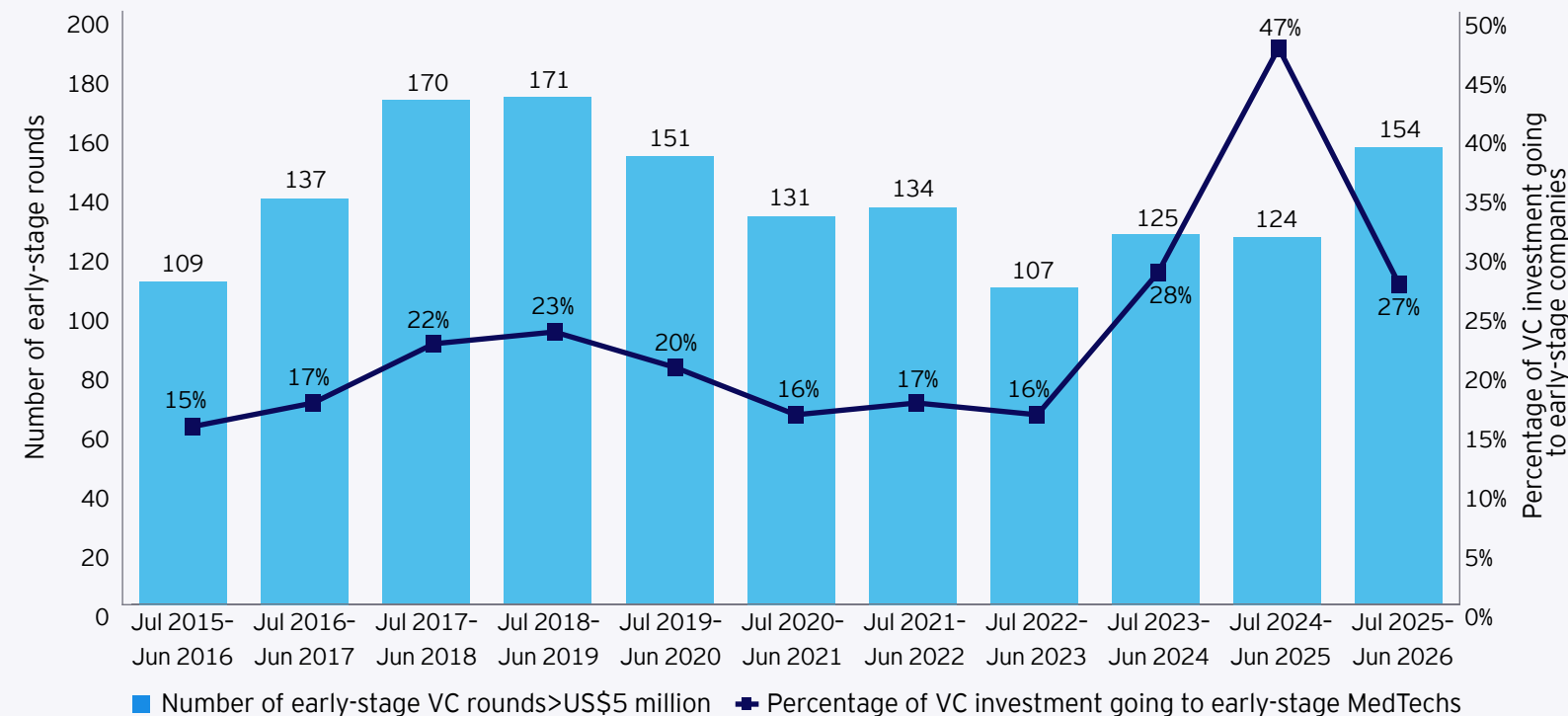
- MedTech financing rebounded sharply in 2025, rising 55% to US\$46.2 billion, driven by a record US\$9.6 billion in IPO proceeds, a 52% increase in debt financing to US\$22.6 billion and a 46% recovery in venture funding to US\$10.5 billion. The rebound reflects improving capital market conditions and renewed investor appetite, particularly for established MedTech companies.
- IPO financing reached a record US\$9.6 billion in 2025, surpassing the 2021 peak, fueled largely by Medline's US\$7.2 billion listing. While the number of IPOs nearly quadrupled to 15, capital remained highly concentrated, with eight companies accounting for more than 98% of proceeds, highlighting continued investor selectivity despite a reopening market.
- Venture financing recovered 46% to US\$10.5 billion, marking its strongest year of the decade. Early-stage companies attracted more than half of total VC funding and drove most deal activity, underscoring sustained investor confidence in innovation while maintaining discipline toward larger late-stage investments.

Figure 29: Venture capital raised in the US, July 2015-June 2026



Sources: EY Insights, LSI Compass AI, Capital IQ

- The financing recovery accelerated further in H1 2026, with US\$37 billion raised by midyear, equivalent to 80% of 2025's total. Growth was led by debt financing, which surpassed its full-year 2025 level in just six months, highlighting continued capital access for established MedTech companies even as venture activity moderated.
- US MedTech VC funding fell 9% year over year to US\$6.1 billion, even as financing rounds more than doubled to 406.
- Early-stage companies accounted for over 70% of all VC deals (286 of 406 deals) but raised only US\$2.9 billion, representing 47% of total funding. By contrast, 120 late-stage deals, making up less than 30% of total deal volume, secured US\$3.2 billion, or 53% of aggregate VC capital raised in the US, highlighting investors' willingness to back a broad pipeline of innovators while concentrating larger investments in more mature businesses.

**Figure 30: Venture capital raised for early-stage companies (US and Europe), July 2015-June 2026**

Note: Early-stage VC rounds comprises venture capital investments in Seed, Series A (first venture), and Series B (second venture) funding.
Sources: EY Insights, LSI Compass AI, Capital IQ

Figure 31: Top US and Europe venture rounds, July 2025-June 2026

Name	Region	Product type (disease)	Gross amount raised (\$m)	Quarter	VC round type	Announcement date
Swan EndoSurgical, Inc.	Massachusetts	Therapeutic devices (oncology)	458	Q3 2025	Early stage	07-24-2025
Verily Life Sciences, LLC	Texas	Other	300	Q1 2026	Late stage	03-19-2026
HistoSonics, Inc.	Minnesota	Therapeutic devices (oncology)	250	Q4 2025	Late stage	10-16-2025
Science Corporation	Northern California	Therapeutic devices (ophthalmic)	230	Q1 2026	Late stage	02-26-2026
Solmetex, LLC	Massachusetts	Therapeutic devices (dental)	200	Q4 2025	Early stage	10-15-2025
Synchron	New York state	Therapeutic devices (CNS)	200	Q4 2025	Late stage	11-06-2025
Distalmotion SA	Switzerland	Therapeutic devices (non-disease specific)	150	Q4 2025	Late stage	11-18-2025
Aidoc Medical	Israel	Imaging diagnostics	130	Q2 2026	Late stage	04-28-2026
Apreo Health, Inc.	Northern California	Therapeutic devices (respiratory)	105	Q3 2025	Early stage	08-05-2025
Cognito Therapeutics	Massachusetts	Therapeutic devices (CNS)	104	Q1 2026	Late stage	03-05-2026
Restor3D, Inc.	North Carolina	Therapeutic devices (orthopedic)	100	Q3 2025	Early stage	08-08-2025
CeQur SA	Switzerland	Other	100	Q2 2026	Late stage	06-09-2026
Imperative Care, Inc.	Northern California	Therapeutic devices (cardiovascular/vascular)	100	Q1 2026	Late stage	03-13-2026
GT Medical Technologies, Inc.	Arizona	Therapeutic devices (oncology)	100	Q2 2026	Late stage	05-07-2026
ViCentra B.V.	Netherlands	Other	85	Q3 2025	Late stage	09-03-2025

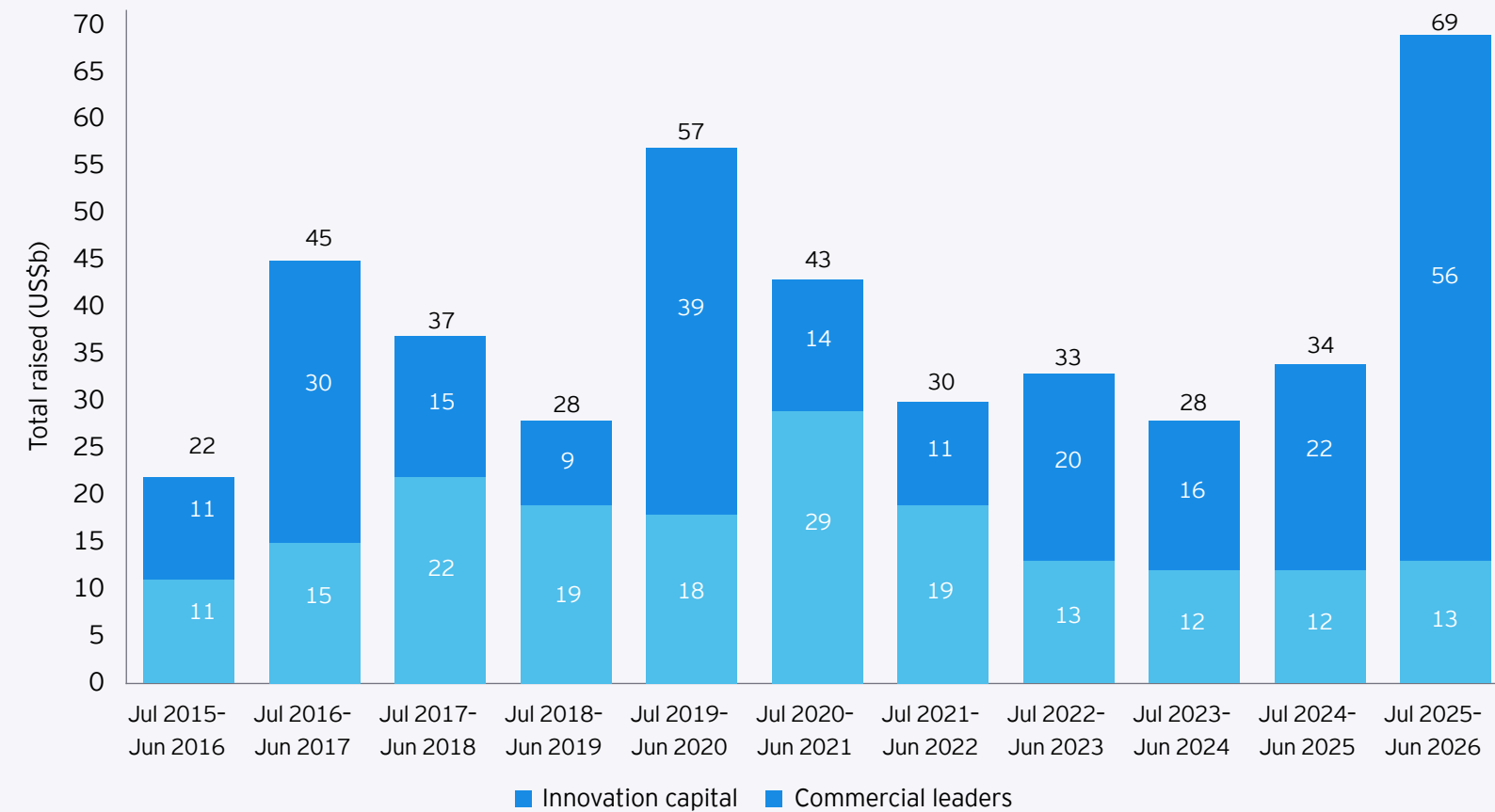
Sources: EY Insights, LSI Compass AI, Capital IQ

- Investor appetite for early-stage MedTech innovation remained strong, with 154 VC rounds above US\$5 million in 2025-26, the highest level since 2018-19. However, early-stage companies captured only 27% of total VC deals, down from an exceptional 47% in the prior year, indicating that while investors broadened support for emerging innovators, larger pools of capital shifted back toward later-stage companies.
- Notably, Swan EndoSurgical's US\$458 million financing, equivalent to approximately 13% of total early-stage VC funding, highlights continued investor conviction in strategically backed early-stage innovation, with Revival Healthcare Capital and Olympus supporting the development of a next-generation endoluminal robotic platform for minimally invasive gastrointestinal procedures.
- VC funding in 2025-26 remained concentrated in a small number of high-value rounds (14 of the 577 US and European VC rounds exceeded US\$100 million), with oncology emerging as the standout investment theme.

- US companies dominated the largest financings, led by Swan EndoSurgical (US\$458 million) for minimally invasive oncology technologies and HistoSonics (US\$250 million) for its noninvasive-focused ultrasound platform, underscoring sustained investor confidence in next-generation cancer therapies. Strong funding also flowed into innovations addressing ophthalmology (Science Corporation's neurotechnology-enabled vision restoration platform), central nervous system (CNS) disorders (Synchron's brain-computer interface and Cognito Therapeutics' neurostimulation technology), and cardiovascular, respiratory, orthopedic and dental devices, highlighting broad interest in differentiated therapeutic platforms.
- In Europe, Switzerland's Distalmotion secured one of the region's largest rounds for robotic-assisted surgery. In Israel, Aidoc attracted significant investment for its AI operating system for medical imaging, a sign of growing investor confidence in the diagnostic AI category. Overall, investors favored late-stage companies with clinically validated, high-impact technologies that address major unmet needs and demonstrate clear commercial scalability.



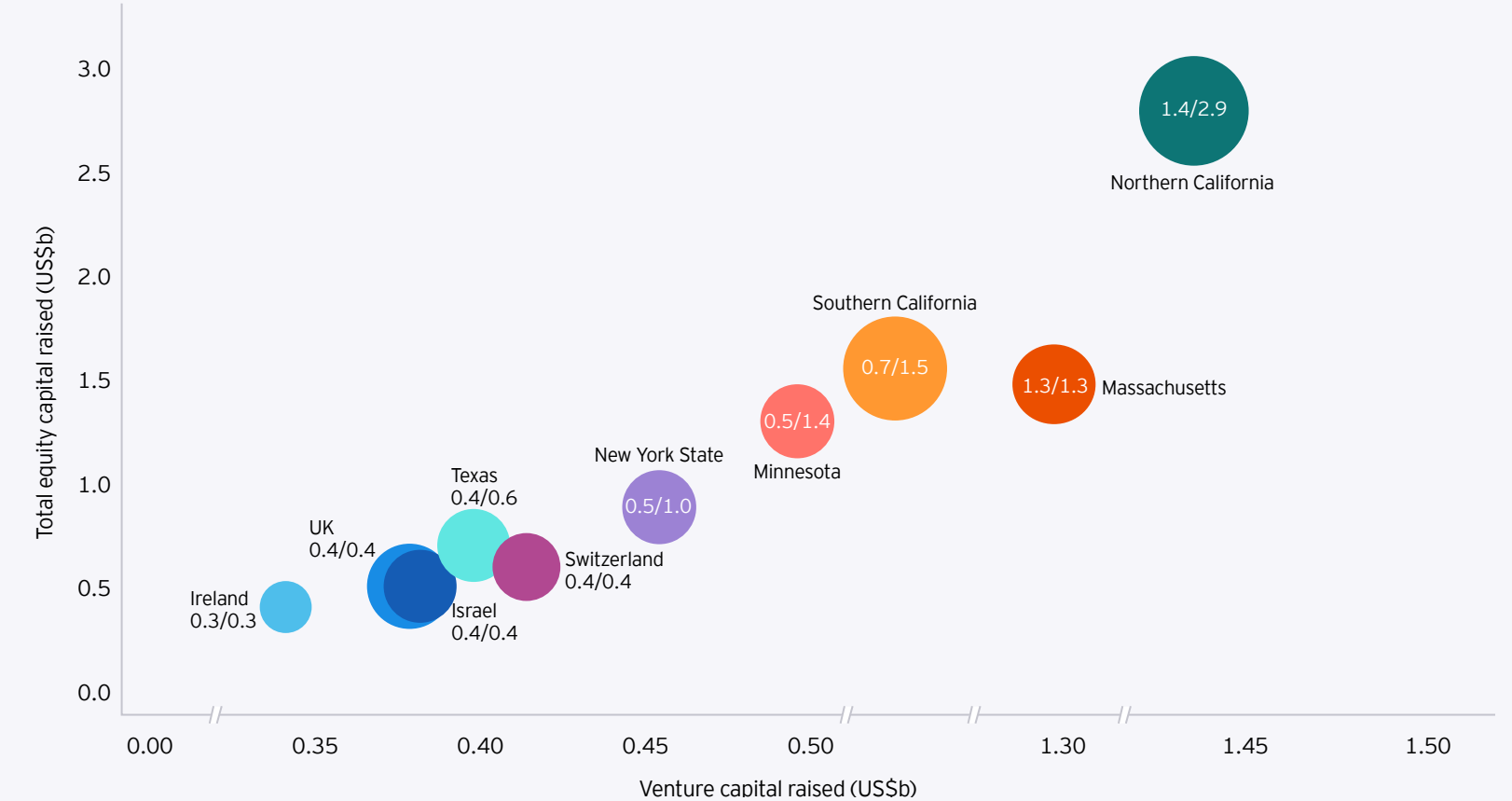
Figure 32: Innovation capital raised in the US and Europe, July 2015-June 2026



Note: Innovation capital is capital raised by companies with revenues of less than US\$500 million.

Sources: EY Insights, Capital IQ

Figure 33: Capital raised by leading US and European regions excluding debt, July 2025-June 2026



Note: Size of bubbles shows relative number of financings per geography.

Sources: EY Insights, Capital IQ

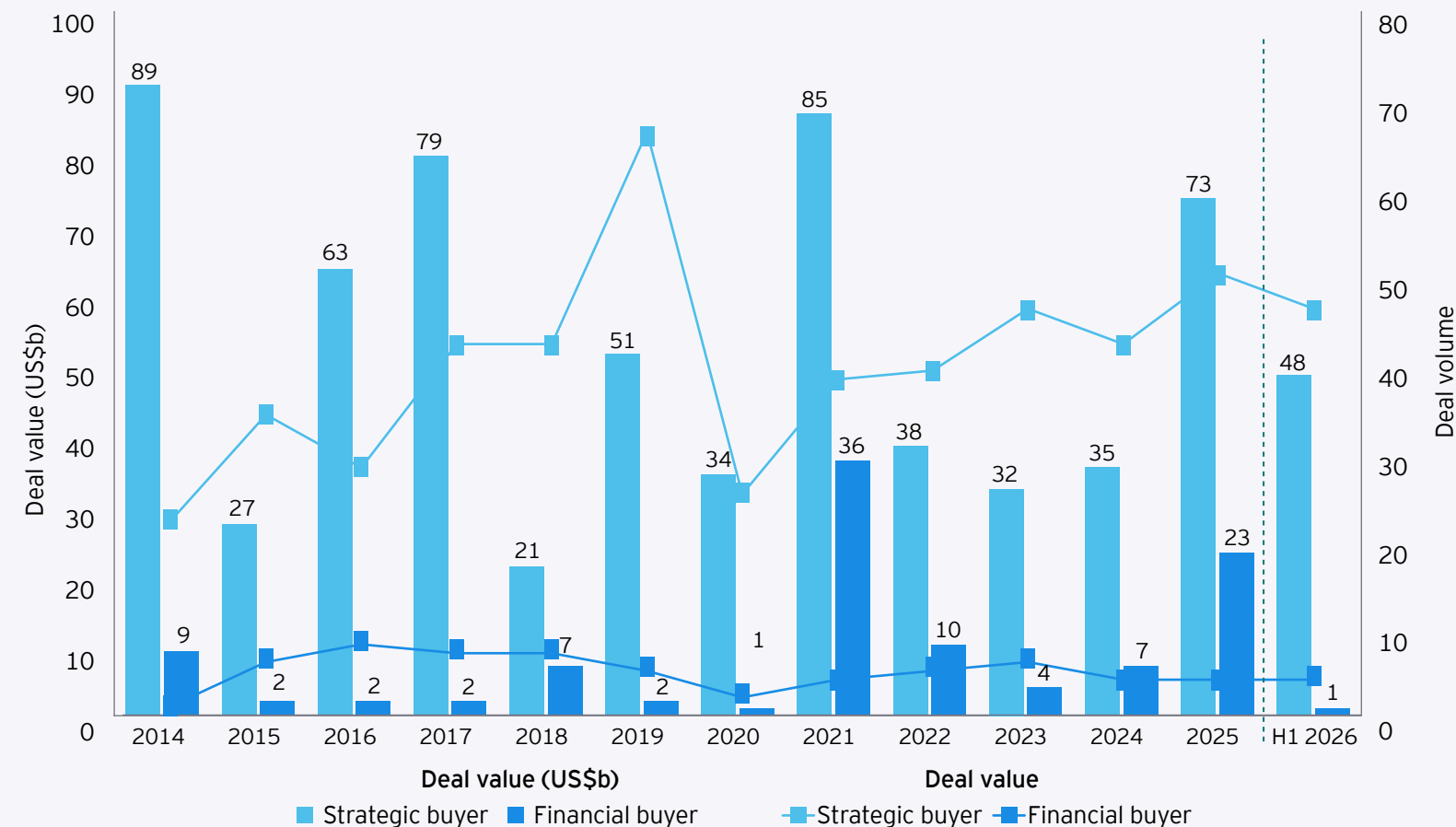
- The key question for MedTech financing is whether smaller, pre-commercial companies can secure the capital needed to scale as investors increasingly favor commercial-stage businesses.
- Overall, the level of innovation capital (investment in noncommercial leader MedTechs) rose 12% to US\$13.4 billion in 2025-26, the highest level since 2021-22, indicating a modest recovery in investor appetite for emerging innovations. However, with innovation companies receiving just 19% of total financing, capital remains heavily concentrated among commercial leaders.

- The industry remains concentrated in its traditional heartlands, with financing (exclusive of debt, which is primarily a fundraising tool of the industry's bigger players) heavily concentrated in the usual hotspots of Northern California, Southern California and Massachusetts, with Switzerland and Israel leading the ex-US pack.
- Minnesota also remains a prominent financing hub, reflecting the state's continued emergence as a national center for next-generation MedTech innovation. Building on its federally designated MedTech Hub 3.0 initiative, Minnesota is leveraging its concentration of leading device manufacturers, health systems and research institutions to strengthen its position in AI-enabled and data-driven medical technologies.¹⁵



Mergers and acquisitions

Figure 34: MedTech M&A deal value and volume, 2014-H1 2026



Sources: LSI Compass AI, Capital IQ, EY Insights

- MedTech M&A activity has seen a significant resurgence in 2025 and early 2026, characterized by a shift from broad, volume-driven consolidation to highly targeted, strategic transactions. Average deal size increased from US\$0.9 billion in H1 2025 to US\$2.1 billion in H1 2026.
- Strategic and sponsor-backed deals reflect a shift toward ecosystem building, with emphasis on recurring revenues, consumables and data-enabled healthcare solutions.
- The year's biggest deals were concentrated in diagnostics, life science tools and cardiovascular technologies, highlighting buyers' focus on strengthening leadership positions in high-growth, technology-intensive markets. Diagnostics was the standout theme, accounting for four of the largest transactions, including Abbott's acquisition

Figure 35: Key strategic and financial deals, 2025 and YTD June 2026

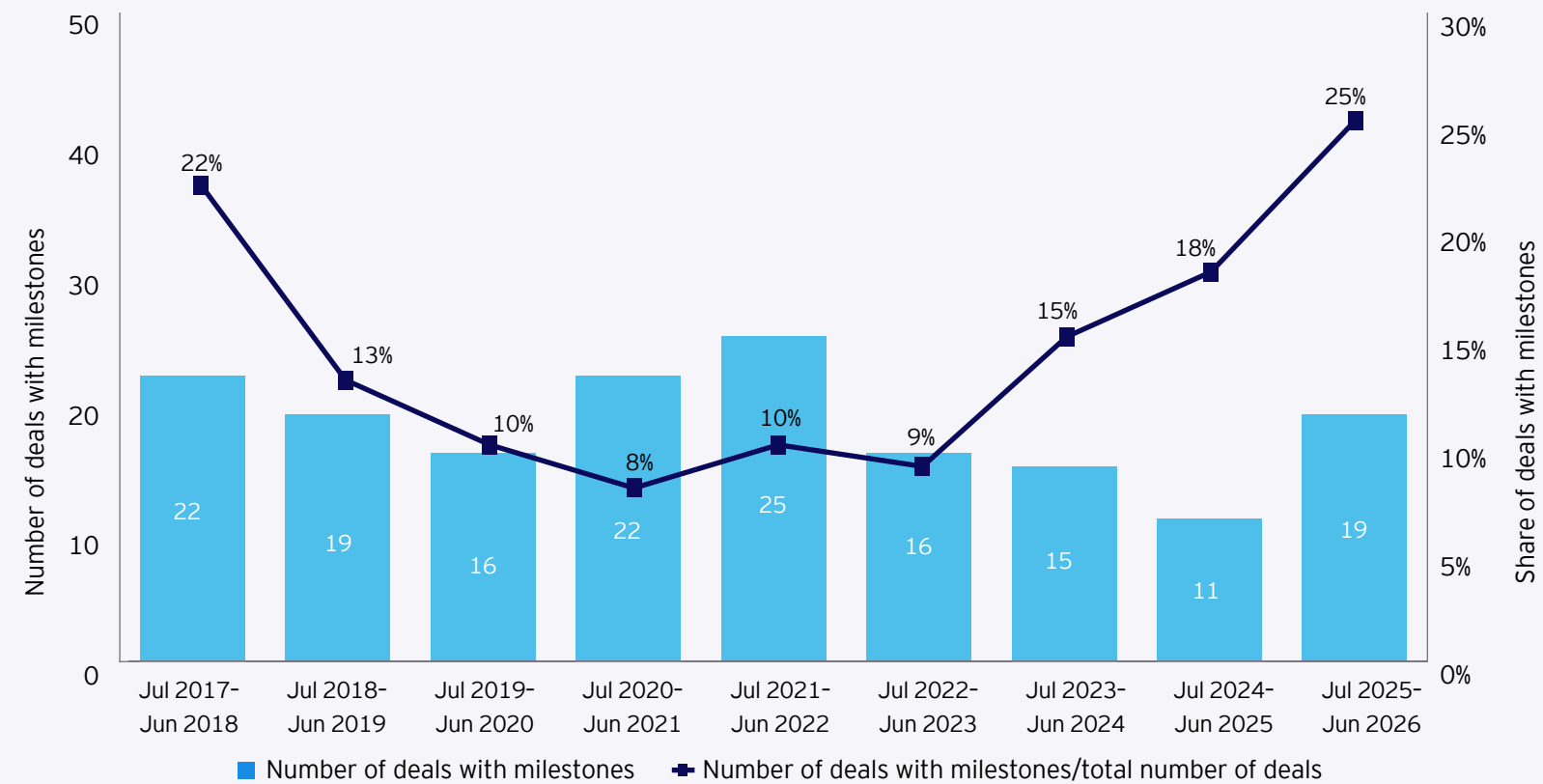
Year	Target	Acquired company	Deal value (\$m)	EV/EBITDA	EV/revenue
2025	Exact Sciences Corporation	Abbott Laboratories	23.5	153.4x	7.3x
2025	Hologic, Inc.	Blackstone; GIC; ADIA; TPG	20.6	13.4x	4.5x
2025	Biosciences & Diagnostics Solutions Business of BD	Waters	18.8	18.9x	-
2026	Penumbra, Inc.	Boston Scientific	15.2	60.5x	10.4x
2026	Bio-Techne Corporation	Merck KGaA	11.5	29.7x	9.6x
2026	Masimo Corporation	Danaher	10.2	28.3x	6.6x
2025	Clario	Thermo Fisher	9.4	-	-
2025	Inari Medical, Inc.	Stryker	4.9	NM	8.4x
2025	Purification Business of Solventum	Thermo Fisher	4.0	-	-
2026	GN Hearing	Amplifon	2.6	10.6x	2.4x
2025	Nova Biomedical Corporation	Advanced Instruments	2.2	19.3x	4.8x
2025	Semler Scientific, Inc.	Strive Asset Management	1.5	278.7x	35.6x
2025	OrganOx Limited	Terumo Corporation	1.5	-	21.8x
2026	Avanos Medical, Inc.	AIP; APIC Fund VIII	1.4	19.9x	1.9x
Median				24.1x	6.4x

Sources: LSI Compass AI, Capital IQ, EY Analysis

- of Exact Sciences, Waters' combination with BD's Biosciences & Diagnostics Solutions business, Danaher's purchase of Masimo, and Blackstone/TPG's acquisition of Hologic. Cardiovascular and vascular technologies also remained a strategic priority, led by Boston Scientific's acquisition of Penumbra, while Merck KGaA's acquisition of Bio-Techne and Thermo Fisher's acquisition of Clario underscore ongoing consolidation in life science tools and technologies.
- Most strategic buyers targeted scaled, commercially established businesses capable of accelerating growth in attractive therapeutic and technology segments, while financial sponsors re-entered the market through Blackstone and TPG's (up to) \$18.3 billion acquisition of Hologic and the acquisitions of Teleflex Medical OEM and Avanos Medical, signaling renewed confidence in mature MedTech assets with strong long-term growth potential.



Figure 36: Milestone payments in MedTech M&A deals, July 2017-June 2026



Sources: EY Insights, LSI Compass AI, Capital IQ

- The rise in milestone-based deal structures reflects continued M&A discipline, with 25% of MedTech acquisitions in last 12 months (LTM) ending June 30, 2026, incorporating contingent payments, the highest proportion since 2017-18.
- Buyers are increasingly using milestone payments to mitigate valuation risk and align deal consideration with future asset performance amid ongoing macroeconomic and geopolitical uncertainty.





Source index

1. "Johnson & Johnson Receives FDA Market Authorization in the U.S. for its OTTAVA™ Robotic Surgical System," *Johnson & Johnson press release*, July 22, 2026.
2. "A new era for surgery with real-time AI: Medtronic to unveil Touch Surgery™ Aide, the next-generation compute platform for the operating room at Society of Robotic Surgery 2026," *Medtronic press release*, July 21, 2026.
3. "Artificial Intelligence-Enabled Medical Devices," *fda.gov*, site accessed August 29, 2026.
4. "Using AI to predict and prevent cardiac emergencies," *Boston Scientific*, May 30, 2025.
5. Debbarma, Salong, "Insulet launches algorithm improvements for Omnipod 5 AID system in US," *medicaldevice-network.com*, June 4, 2026.
6. Whooley, Sean, "Insulet data backs Omnipod 6, fully closed-loop AID systems," *Drug Delivery Business News*, June 6, 2026.
7. "BeatLogic™ AI algorithm," *Boston Scientific*, site accessed August 29, 2026.
8. "Insulet Initiates EVOLVE Pivotal Study to Advance Fully Closed-Loop Automated Insulin Delivery System for Type 2 Diabetes," *Insulet press release*, May 4, 2026.
9. "Resmed Receives FDA Clearance for Personalized Therapy Comfort Settings, to be Marketed as Smart Comfort, an AI-Enabled, Digital Medical Device That Helps Personalize CPAP Therapy," *Resmed press release*, December 8, 2025.
10. Newitt, Patsy, "SCA Health breaks down CMS' 560-code ASC expansion," *Becker's ASC Review*, February 12, 2026.
11. "The Future of ASCs Looks Promising as Payers Seek Cost-Efficiencies," *Ambulatory Surgery Center News*, November 3, 2025.
12. MIDR: A 10-year discounted cash flow (DCF) per company populated with consensus sell-side estimates (revenue, margins, capex, tax). MIDR is the discount rate equating those cash flows to the current share price. Sector figures are simple averages across the ~50-company global MedTech universe. The intent is trend and dispersion, not a company-specific input.
13. GIE window: Prior three years of R&D and M&A deployment against subsequent three years of realized growth (confirm exact units of the ratio). Samples: 46 companies for the statistical tests; 42, excluding distributors for the terciles; and 41 with a valid four-year MIDR series for the trajectory analysis.
14. Validated by two independent rank-based tests (Spearman's rho and p-value test).
15. "Minnesota MedTech Hub 3.0," *eda.gov*, site accessed August 30, 2026.

Acknowledgments

Project leadership

John Babitt, EY Global MedTech Leader

Diana Hoff, EY Americas Life Sciences Leader

Harish Kumar, EY Insights Life Sciences Analyst

Editorial leadership

Chapter 1, Portfolio: John Heinbigner, Michael Swanson, Sean C. Joseph

Chapter 2, Intelligence: Ricardo Fracaroli Vilanova, Morgan E. Cole

Chapter 3, Outpatient: Jay Zhu, Kevin Y. Wang

Chapter 4, Valuations: Kevin Prall, Pablo Kimmig, Jason Bares

Chapter 5, Innovation: Evan Sussholz, Adwait Bhagwat, Tarun Gupta, Rich Cleary

Data mining and analysis: Arpit Jain, Nikita Seth

Brand, Marketing and Communications leadership

Kathy Beckman, EY US Life Sciences Marketing and Project Manager

Shanthi Subramanian, EY US Life Sciences Marketing Manager

Carol Piering, EY US Health and Life Sciences PR Leader

Julie Bloom, EY Senior Graphic Designer, US Creative Services

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2026 Ernst & Young LLP.
All Rights Reserved.

US SCORE no. 32523-261US
2607-10041-CS
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com