Global Healthcare Private Equity Report 2026

Contents

Healthcare Private Equity Market 2025: Resurgence and Record Growth

Healthcare private equity investment posted a very strong year for deal value and volume, paired with a strong rebound in exits.

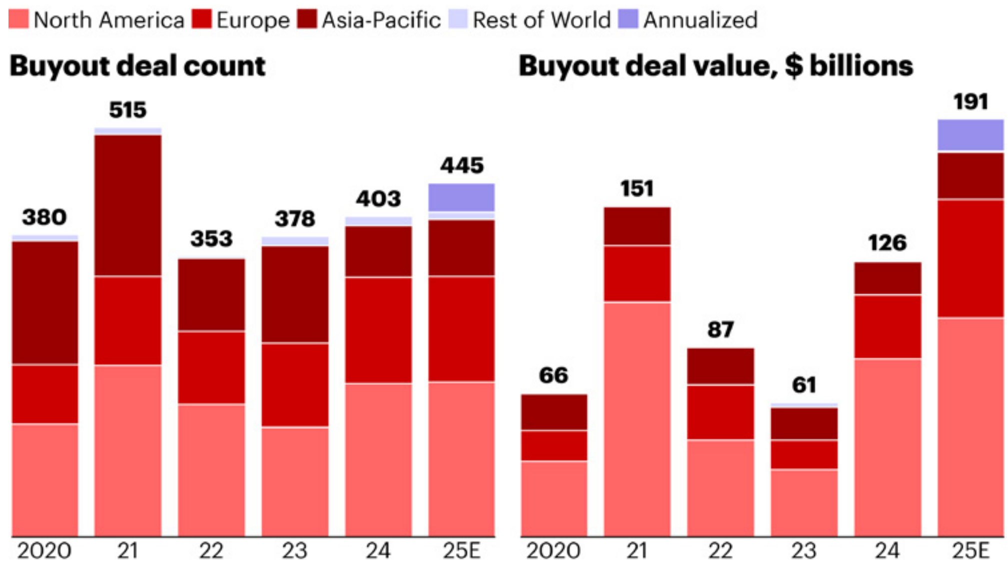
By the Healthcare Private Equity Team

At a Glance

- Despite a second-quarter tariff-related pause, global healthcare private equity activity set a record, with more than $190 billion in estimated deal value, while deal volume logged its second-best year ever.
- An uptick in deals exceeding $1 billion drove the record value, but deal counts grew across all deal sizes.
- Exits also surged as sponsor-to-sponsor deals rebounded from post-Covid lows, but public market opportunities remain an active hunting ground for private equity.
- Provider and biopharma remain the largest market segments, driven by healthcare IT activity, while medtech has shown outsized growth since 2020.

Healthcare private equity (PE) delivered a record performance in 2025, with disclosed deal value exceeding an estimated $191 billion, surpassing the previous high in 2021. Deal activity was similarly robust: Investors announced an estimated 445 buyouts, marking the second-highest annual total on record behind 2021 *(see Figure 1)*.

Figure 1: Healthcare deal activity posted another strong year in 2025



Notes: Based on announcement date; includes announced deals that are completed or pending, with data subject to change; deal count and deal value exclude add-on deals below $250 million; 2025E represents actual data through November 30, 2025, annualized for the rest of the year; some deals show as $0B due to rounding; bar totals may not equal sum of segments due to rounding
Sources: Dealogic; AVCJ; Bain analysis

The year also saw a rebound in exits. Exit value reached its second-highest year ever, while exit volume ranked third all-time *(see Figure 2)*. The leap in exit value—from $54 billion in 2024 to an expected $156 billion for 2025—was similarly propelled by a sharp increase in large deals. In 2024, only 16 exits exceeded $1 billion in disclosed value; in 2025, more than 40 deals have cleared this hurdle.

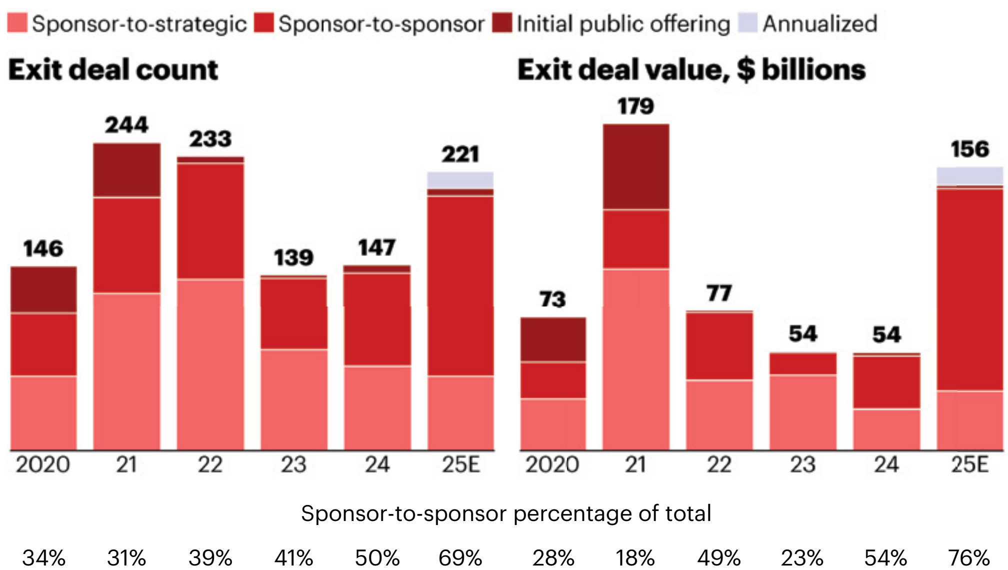
Strong activity reflects two key themes within PE: high levels of dry powder to deploy and a growing cohort of sponsor-owned assets reaching the end of their fund lives. These trends signal continued tailwinds for the industry and set the stage for an active 2026.

Resurgent performance overcame a second-quarter pullback

Global growth was propelled by Europe's sustained activity and an inflection after the second quarter in North America and Asia-Pacific.

The year started on a hot streak, with first-quarter deal volume up around 21% relative to the first quarter of 2024. Momentum in North America and Asia-Pacific slowed in the second quarter amid policy shifts, trade tensions, and tariff uncertainty, while activity in Europe remained strong throughout, in part due to limited exposure to these shocks *(see Figure 3)*. Despite the midyear turbulence, the market regained its footing in the second half of the year. Deal activity rebounded, with volume rising 39% between the second and third quarters, and the second half finishing an estimated 17% higher than the first half, as momentum in Europe continued and deal activity rebounded in North America and Asia-Pacific.

Figure 2: Exit count and value rose sharply



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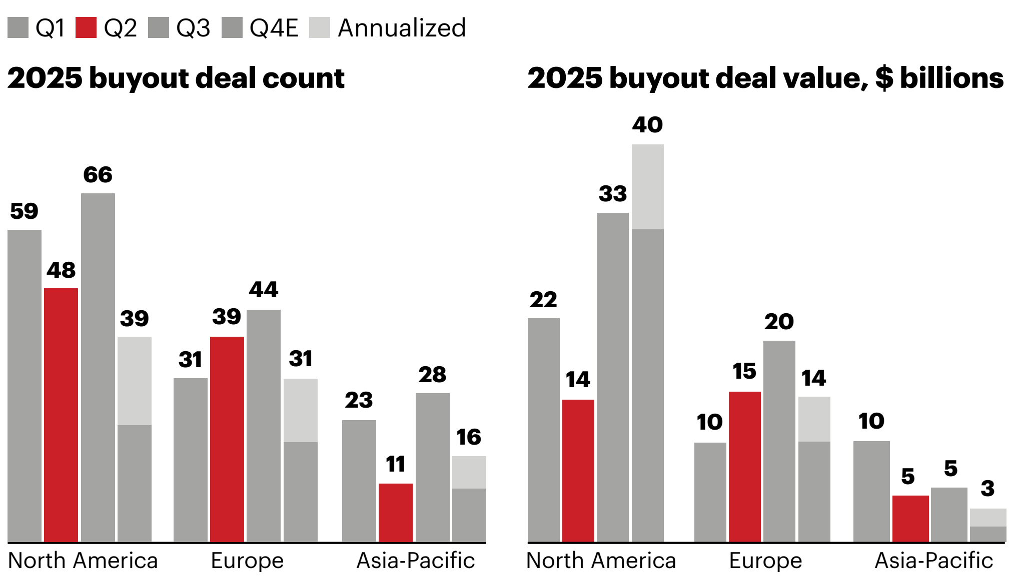
Sources: Dealogic; AVCJ; Bain analysis

Figure 3: Deal trajectories played out differently in each region



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Sources: Dealogic; AVCJ; Bain analysis

Europe was fueled by biopharma and provider deals

Dealmaking in Europe rose sharply in 2025, with deal value doubling to an estimated $59 billion. Biopharma continued to lead buyout activity, making up the top five deals that accounted for 65% of total deal value in Europe. Some 15 deals exceeding $1 billion in 2025 reflect a reemergence of large-cap activity compared with just 3 and 4 deals topping $1 billion in 2023 and 2024, respectively. Deal count similarly grew, outpacing 2024's high-water mark and continuing an upward trend begun in 2022. Exit activity also rose substantially, to an estimated $53 billion, after a steep drop in 2024. These were led by large sponsor-to-sponsor transactions such as the announced sale by Bain Capital and Cinven of a majority stake in STADA Arzneimittel AG, a Germany-based global pharmaceutical company, to a group led by CapVest Partners.

Large transactions propelled North America

Macroeconomic and policy uncertainties in the second quarter drove a major pullback in North America, with deal count and value down 19% and 37%, respectively, from the first quarter. Despite the temporary retreat, North America delivered a healthy 2025, bolstered by an uptick in deals exceeding $1 billion; 26 transactions surpassed this threshold through November 2025, compared with 14 in full-year 2024. Of these deals, more than 70% were sponsor-to-sponsor sales. Total North American deal volumes were slightly up vs. 2024 but remain below the previous high set in 2021. Exit activity in 2025 rose to an expected $90 billion, well above 2024's $35 billion.

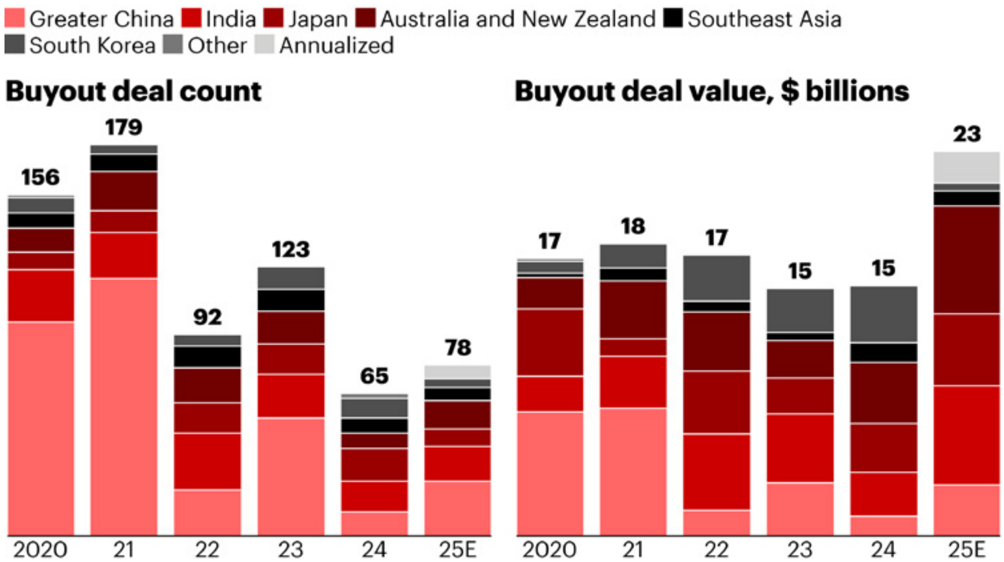
Asia-Pacific showed broad strength across markets

In Asia-Pacific, deal value set a record for the year, exceeding 2021's high by more than 30% despite a second-quarter slowdown. Investment spanned a greater breadth and depth across countries and sectors: Biopharma and provider continue to drive most of the healthcare PE market, but we also saw growth in medtech and healthcare IT. Provider and hospital deals remain a persistent theme, with deal value expected to double from $5 billion in 2024 to more than $10 billion expected for full-year 2025. The region's exit value also rose more than 20%, with volume increasing by around 6%.

The year 2025 underscored both the durability and evolution of healthcare PE, with biopharma and provider anchoring activity and medtech gaining momentum as a new growth engine.

Japan, India, and Australia and New Zealand saw notable growth since 2024, and activity in Greater China more than doubled its 2024 performance in terms of both volume and value *(see Figure 4)*.

Figure 4: Most countries in Asia-Pacific saw deal values pick up



Notes: Based on announcement date; includes announced deals that are completed or pending, with data subject to change; Greater China includes China, Hong Kong, and Taiwan; deal count and deal value exclude add-on deals below $250 million; 2025E represents actual data through November 30, 2025, annualized for the rest of the year; some deals show as $0B due to rounding; bar totals may not equal sum of segments due to rounding
Sources: Dealogic; AVCJ; Bain analysis

China's rebound was driven by biopharma and medtech, although overall activity is still below recent historical highs.

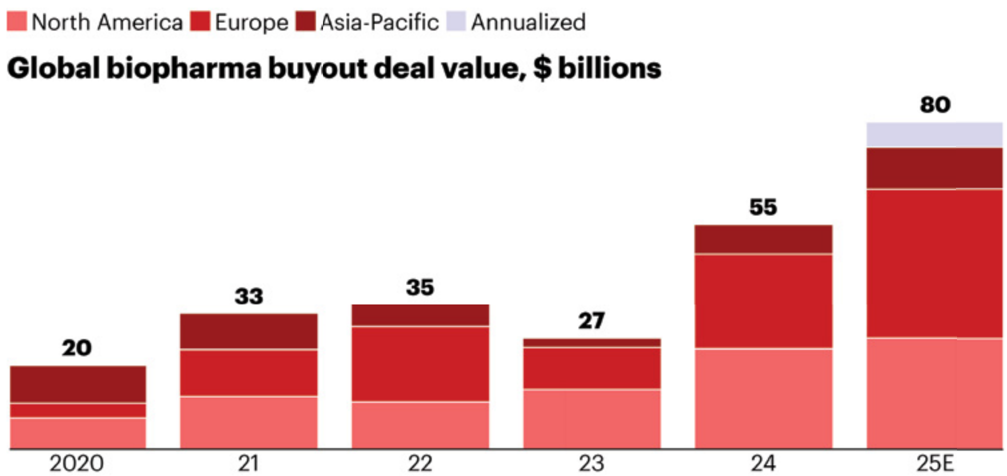
Turning to sectors, the year 2025 underscored both the durability and evolution of healthcare PE, with biopharma and provider anchoring activity and medtech gaining momentum as a new growth engine.

Biopharma commanding a large share of deal value

Biopharma deal value rose to an estimated $80 billion from 2024's $55 billion, and volume is expected to increase nearly 20% to more than 130 deals. This sector continued to be a major focus for investors, accounting for about 30% of overall deal volume and at least 22% of deal value each year since 2020. Europe drove much of this momentum, with a 40% increase in deal volume and a 70% increase in deal value since 2024 *(see Figure 5)*. Exit activity was similarly robust, especially within pharma IT: One large, notable corporate exit was Nordic Capital and Astorg's sale of Clario, a tech-driven contract research organization (CRO), to Thermo Fisher Scientific for nearly $9 billion; another is Insight Partners' sale of Dotmatics, a provider of cloud software for pharmaceutical R&D, to Siemens for more than $5 billion.

Growth in North America was more mixed in 2025, with value up 20% and volume flat relative to 2024. Across biopharma globally, investors continue to pursue familiar themes such as contract development and manufacturing organizations (CDMOs) while scaling earlier-stage opportunities like site

Figure 5: Europe's share of biopharma activity has steadily increased since 2023



Europe deal value as a percentage of total announced value

2020	21	22	23	24	25E
18%	35%	52%	38%	43%	49%

Notes: Based on announcement date; includes announced deals that are completed or pending, with data subject to change; deal value outside of these regions totaled less than $200 million for each year and is excluded from chart presentation; deal value excludes add-on deals below $250 million; 2025E represents actual data through November 30, 2025, annualized for the rest of the year; bar totals may not equal sum of segments due to rounding
Sources: Dealogic; AVCJ; Bain analysis

management organizations (SMOs), with growing activity, especially in Europe, in segments less exposed to payer pressures and policy uncertainty, including generics, consumer health, and animal health.

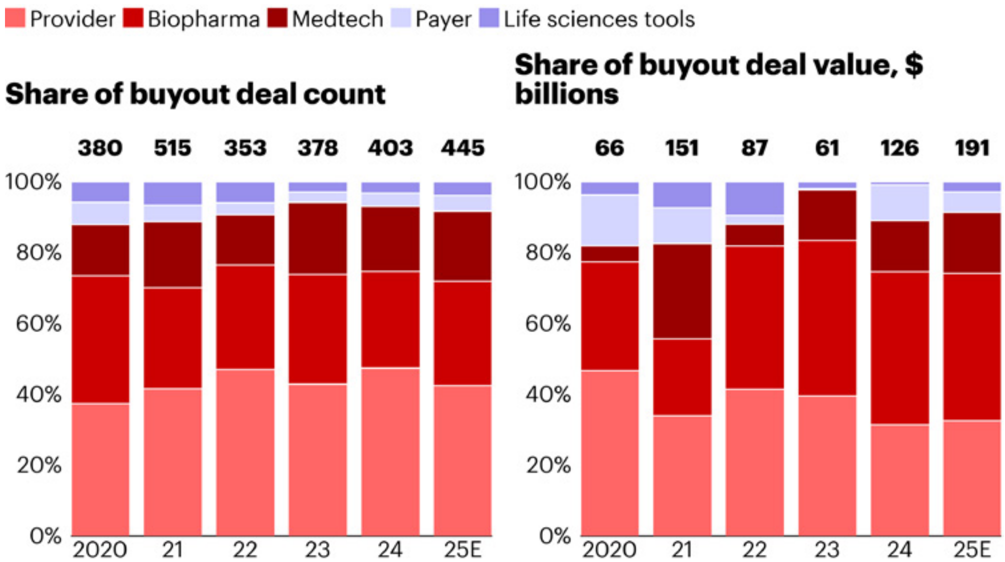
Provider deals spurred by services and IT

Provider and related services deal value jumped 57% over last year, to an estimated $62 billion in 2025. Volume remained flat from the prior year, reflecting more high-value deals. Provider IT and services drove 2025's growth, while pure provider investment did not see the same acceleration. In 2025, investors sharpened their focus on technology-enabled assets, such as analytics, workforce optimization, and platform solutions. Healthcare IT deal value within the provider segment doubled in 2025, to an estimated $32 billion. This was led by Warburg Pincus's sale of its majority interest in ModMed, a provider IT company, to Clearlake Capital, which valued the asset at more than $5 billion. Broader provider dealmaking trends included continued site-of-care migration, retail healthcare M&A (such as dental and veterinary), lab and diagnostic platforms, and workforce and staffing solutions.

Medtech leads the pack in post-Covid growth

Medtech, meanwhile, is gaining momentum as investors see opportunities to deploy proven value-creation playbooks: focusing on revenue growth, margin expansion, and multiple expansion, while managing downside risk. This is especially true in large-scale assets that have origins in public markets, whether as

Figure 6: The biopharma and provider segments still dominate deals, but medtech expanded



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Sources: Dealogic; AVCJ; Bain analysis

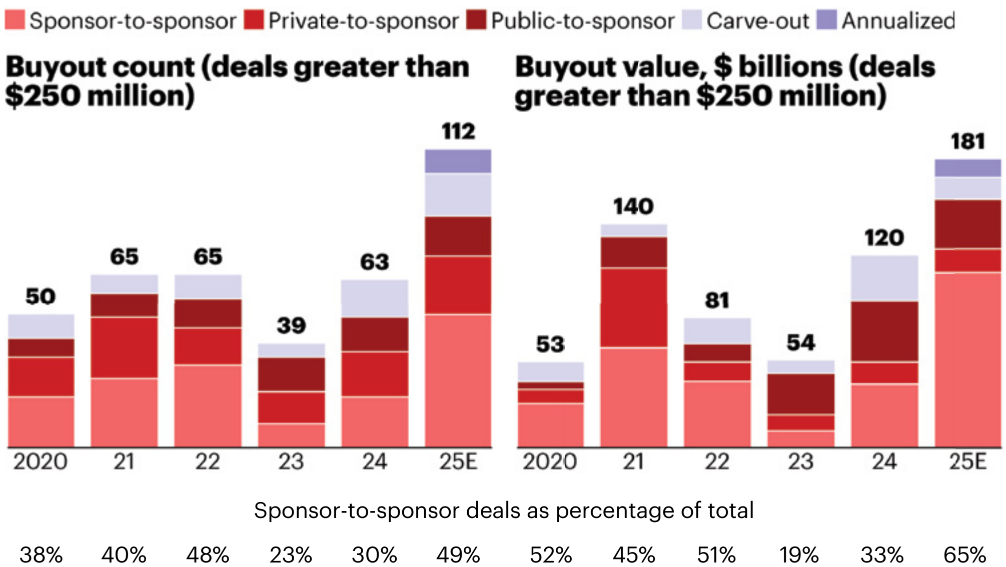
take-privates or carve-outs. A notable example is Carlyle Group's acquisition of Vantive, a global renal care business carved out from Baxter, which closed in early 2025. Medtech deal value nearly doubled over the prior year to an estimated $33 billion, and volume increased nearly 20% to an estsimated 88 deals *(see Figure 6)*. Blackstone and TPG's acquisition of Hologic in an $18.3 billion take-private deal accounted for more than half of projected medtech buyout activity for the year.

At the time of writing, Medline had just raised more than $6 billion in an IPO at a valuation of more than $50 billion, which is not included in our exit statistics given announcement timing. Medline was acquired in 2021 for approximately $34 billion by a consortium led by Blackstone, the Carlyle Group, and Hellman & Friedman.

Sponsor-to-sponsor deals surged; public markets rising as an opportunity

After a slowdown in 2023 and 2024, sponsor-to-sponsor deals continue to surge as a buyout deal type. Both volume and value hit record highs in 2025, with more than 150 sponsor-to-sponsor deals expected and more than $110 billion in estimated value. The overall uptick in sponsor-to-sponsor activity signals the healthcare PE market's strength. We see higher average deal value as well, with more than 30 sponsor-to-sponsor deals exceeding $1 billion for 2025, a sharp rise from the eight sponsor-to-sponsor deals greater than $1 billion in 2024. In addition, public-to-private deals and carve-outs continue to present alternative paths forward for investors; both have grown on an absolute basis since 2023 *(see Figure 7)*.

Figure 7: Sponsor-to-sponsor deals soared



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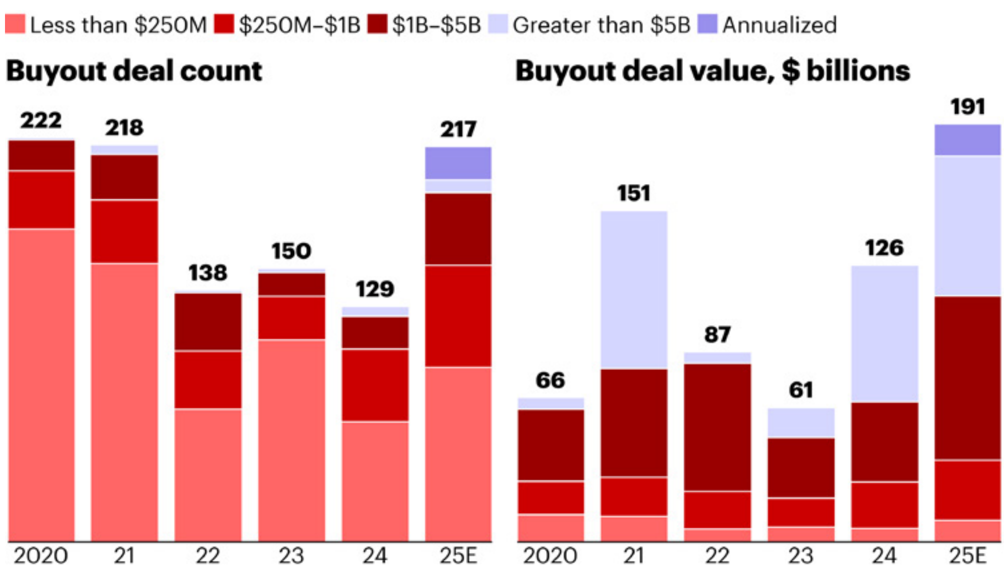
Sources: Dealogic; AVCJ; Bain analysis

Figure 8: Deal volumes grew, with value spiking in large caps



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Sources: Dealogic; AVCJ; Bain analysis

High-value deal activity fuels outsized average deal size growth

Deal value saw a significant boost compared with volume, largely driven by growth in deals exceeding $1 billion *(see Figure 8)*. The growth in large-cap activity reflects interest in high-valued segments such as medtech and healthcare IT. For deals less than $1 billion, volume rose 56% for the year, albeit still well below the previous high-water mark in 2021.

October brought the announcement of the largest deal within healthcare PE: Blackstone and TPG will acquire all outstanding shares of Hologic, a women's health medtech. At around $18 billion, this deal represents about 9% of total healthcare PE deal value in 2025.

Sycamore Partners' take-private acquisition of Walgreens Boots Alliance also represents a significant deal value at around $24 billion, although it is primarily classified as a retail deal and is therefore excluded from these totals.

Healthcare PE trends in 2025

Three major trends emerged over the past year:

- **Healthcare IT is ripe for opportunistic value creation.** Buyout deal volume and value in this segment have remained on an upward trend since 2023, indicating continued investor interest. Investors who stay focused on a few targeted value-creation levers—such as developing a comprehensive pricing-and-packaging strategy or pursuing large-scale M&A to build synergistic platforms—are best positioned to distinguish their bids and ultimately deliver superior exit outcomes amidst consistently high valuations and competitive deal dynamics.

- **Reshaping the pharma services investment landscape.** While pharma services has long been a sizable and attractive space, recent headwinds have pushed some investors to the sidelines. But others have leaned in by deploying a more selective approach, prioritizing premium and high-potential assets that have room for operational improvement, as well as business models insulated from broader instability.

- **Physician groups innovate on traditional models.** While activity remains below its peak of a few years ago, interest in physician groups persists among US investors, with leading platforms distinguishing themselves via moves beyond traditional buy-and-build models and toward integrated, clinician-centric approaches that elevate care quality. Those investing in next-generation models built around attractive themes such as pharma exposure or value-based care will find attractive opportunities.

Key questions to shape the future

Many facets of the healthcare PE market suggest a cautiously optimistic outlook for 2026. Despite a slow second quarter, global dealmaking reached record levels in 2025, underscoring investor confidence in the fundamentals. Continued growth in public-to-private and carve-out transactions, along with the return of sponsor-to-sponsor activity, also points to robust activity. As portfolios mature and exit pipelines build, the stage is set for an active 2026. Investors can benefit by addressing a few key questions:

- **Will Europe sustain its recent momentum?** As macroeconomic and political landscapes evolve, will investors continue to find near-term opportunity in Europe while riding out the ebbs and flows of policy changes in the US?
- **What is the next act for healthcare IT?** Will pharma IT activity accelerate? Will combinatory M&A continue to be a value-creation play as platforms become scarcer in the healthcare IT market? Will the use of generative AI tools driving efficiency and data-enabled care delivery continue to grow?
- **With macro pressures easing, will biopharma activity open up? What impact will that have on the global biopharma ecosystem?** Will pharma services see amplified strategic demand if funding conditions return to previous levels?
- **How will investors hone their value-creation playbooks to deliver outsized returns in this next chapter of private equity?** Will there be shifts in focus areas, from sectors to business models and asset types?
- **Will the dam break in 2026 with extended deal and exit momentum, given the increasing weighted age of PE portfolios and investors' push for distribution?** After two years of strong activity overcoming macroeconomic and policy headwinds, will 2026 mark a year of sustained performance across all four quarters?

What Differentiates Winning Healthcare IT Investments

Amidst continued high-valuation multiples and competitive deal processes, a disciplined focus on value-creation levers distinguishes winning bids and successful exits.

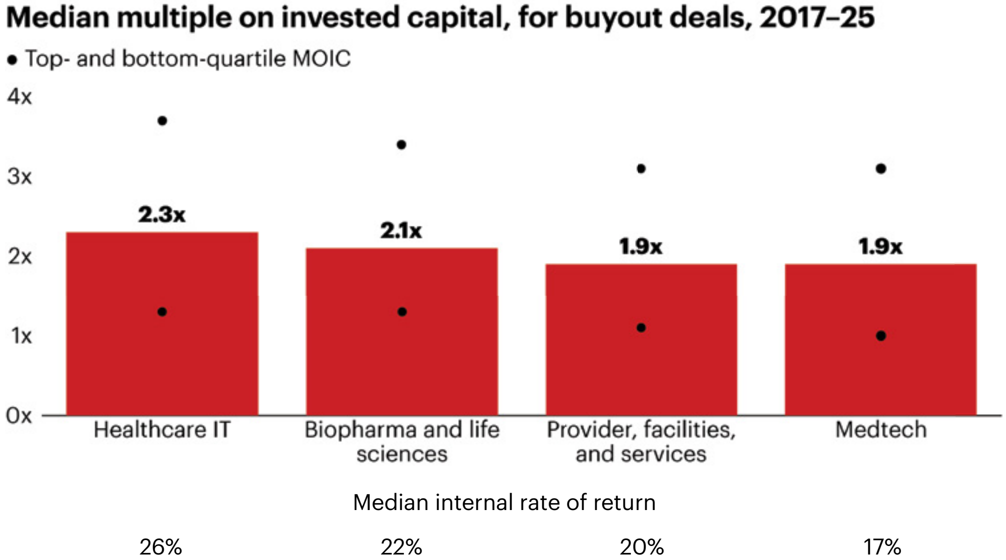
By the Healthcare Private Equity Team

At a Glance

- Healthcare IT remains a top-performing segment for investors, outpacing the rest of healthcare and most other industries.
- Leading investors are achieving Rule of 60 outcomes through pricing and packaging, cross-selling, and AI-enabled growth and margin expansion, as end-user adoption is no longer enough to generate strong returns.
- Consistent, disciplined focus on value creation, from underwriting to exit, sets apart the highest-returning deals.
- Generative AI offers top- and bottom-line value creation opportunity for healthcare IT providers—as well as possible downside risk to be navigated.

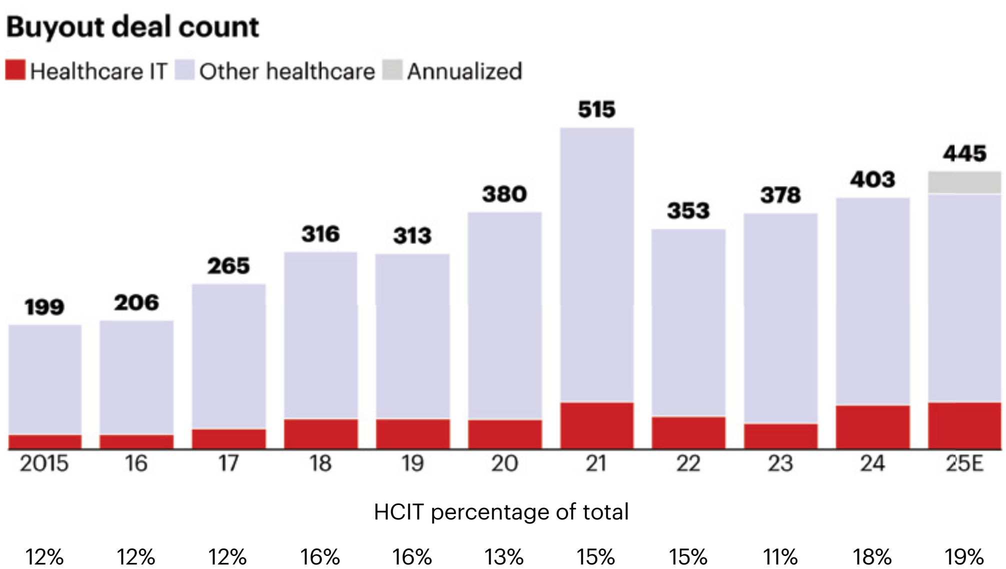
Healthcare IT (HCIT) continues to attract private equity (PE) investment through varied macroeconomic conditions, supported by strong fundamentals. Returns have outpaced other subsectors within healthcare since 2017 *(see Figure 1)*. Meanwhile, deal volumes have remained robust, accounting for nearly 20% of healthcare transactions in 2025 compared with 15% in 2021, underscoring increasing investor interest *(see Figure 2)*.

Figure 1: Investment returns in healthcare IT have historically outperformed the rest of healthcare



Source: SPI by StepStone as of December 2025

Figure 2: Robust transaction activity underscores healthcare IT's durability against macro uncertainty



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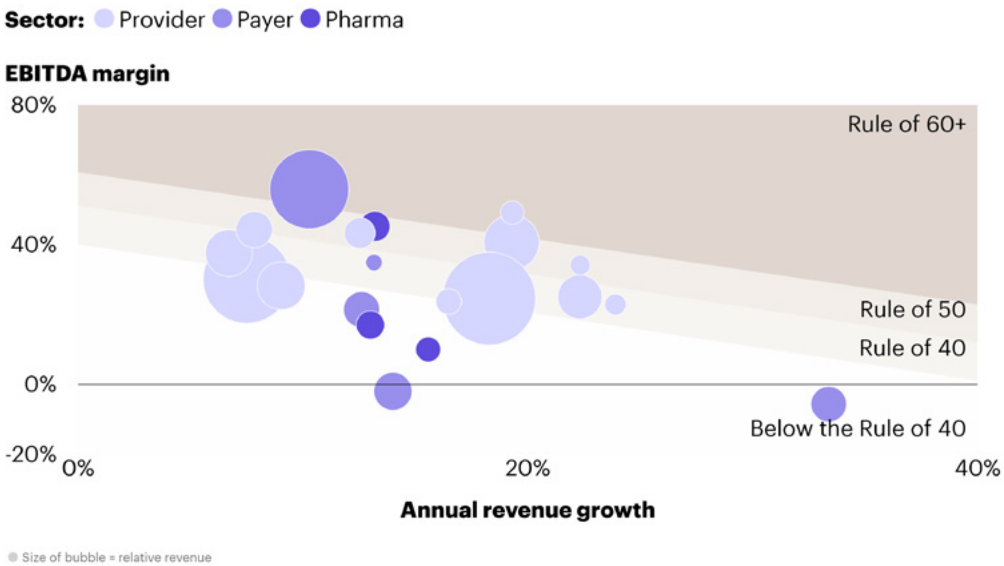
Sources: Dealogic; AVCJ; Bain analysis

Figure 3: The Rule of 60 is emerging as the new Rule of 40 for HCIT investments



Note: Data is from 2022–2023 or 2023–2024, whichever is the latest available
Sources: Company filings; Bain analysis

Several flagship transactions stand out in 2025, a year that proved strong for large-scale, tailored systems of record across payers, providers, and life sciences. In North America, a few headliners include Warburg Pincus selling a majority interest in ModMed (provider IT)—a specialty-focused electronic medical records (EMR) provider—to Clearlake Capital and Bain Capital acquiring HealthEdge from Blackstone and merging it with HealthProof (payer IT). In Europe, Bain Capital invested in Softway Medical Group, a health information system and EMR provider based in France. In Asia, several notable transactions involved revenue cycle management (RCM) platforms with a strong presence in India, including Blackstone's acquisition of AGS Health from EQT and New Mountain Capital's investment in Access Healthcare, which, combined with SmarterDx and Thoughtful.ai, formed Smarter Technologies, an AI-enabled RCM platform.

Of late, top-performing HCIT businesses are being measured against a high bar on both growth and profit. Historically, the Rule of 40—an operating measure suggesting that the sum of a company's annual revenue growth and EBITDA margin should surpass 40%—has been a high-level gauge of performance for software businesses. While a tall order, top-performing HCIT businesses now exceed 60% on this metric *(see Figure 3)*, raising the question of whether the Rule of 60 will become the new standard.

A sector poised for continued robust deal activity

Healthcare IT is expected to remain active for investors, reflecting both secular tailwinds and a healthy pipeline of deal opportunities. A recent Bain publication with KLAS noted that IT remains a key priority for both providers and payers *(see Figure 4)*. Fueling this trend has been increased billing complexity, workflow digitization, interoperability, and value-based care. Additionally, the pipeline of attractive assets is expected to remain robust as many sponsor-owned businesses approach the end of their typical holding periods *(see Figure 5)*.

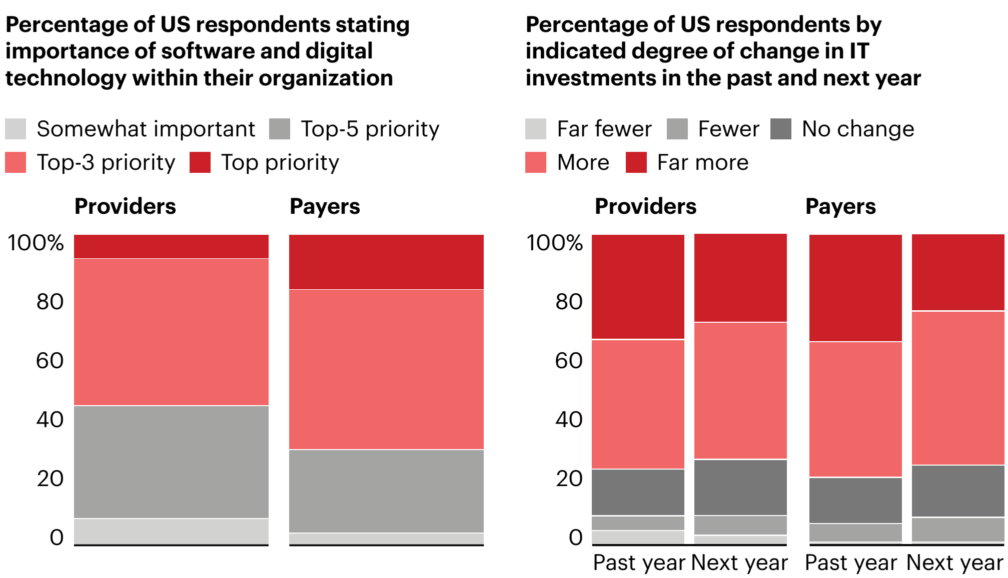
Emerging trends to create value

While transaction volume remains strong, the nature of value creation in HCIT is changing. A decade ago, growth most often relied on accelerating end-user adoption of technology, as seen, for example, in the rapid adoption of EMR systems following passage of the 2009 HITECH Act in the US.

Today's value-creation playbook is different. As valuation multiples remain high, PE funds are increasingly underwriting one or more value-generating strategies as part of their base-case scenario. Notable trends include:

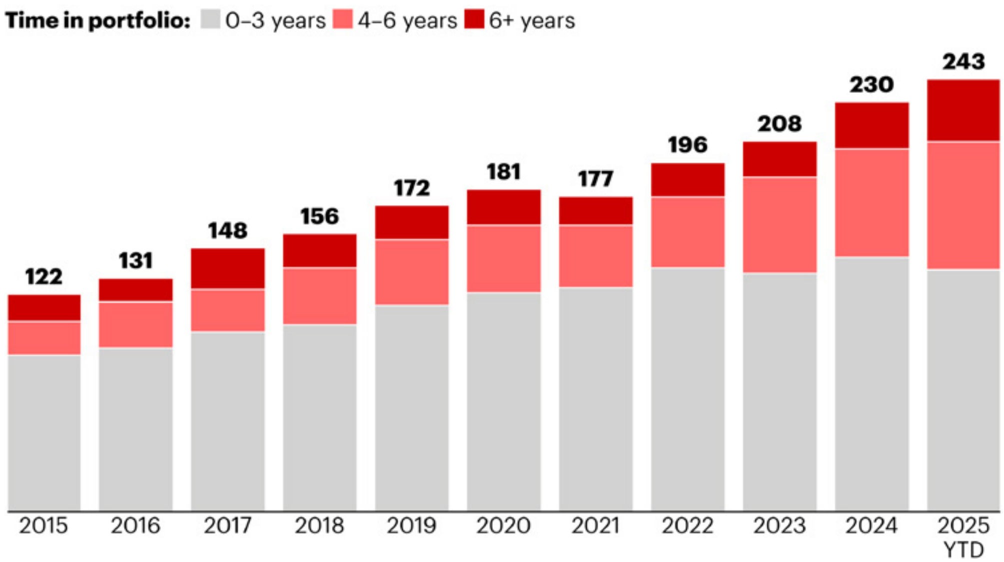
- using generative AI products or internal workflow technology to drive revenue growth or reduce costs, as well as to future-proof the business from downside risk and disruption;

Figure 4: IT remains a top priority for providers and payers, with budgets continuing to increase



Note: Sum of bar segments may not equal 100% due to rounding
Sources: Bain Provider and Payer HCIT Survey 2025 (n=228); KLAS Research

Figure 5: More sponsor-owned healthcare IT businesses are approaching the end of their holding periods



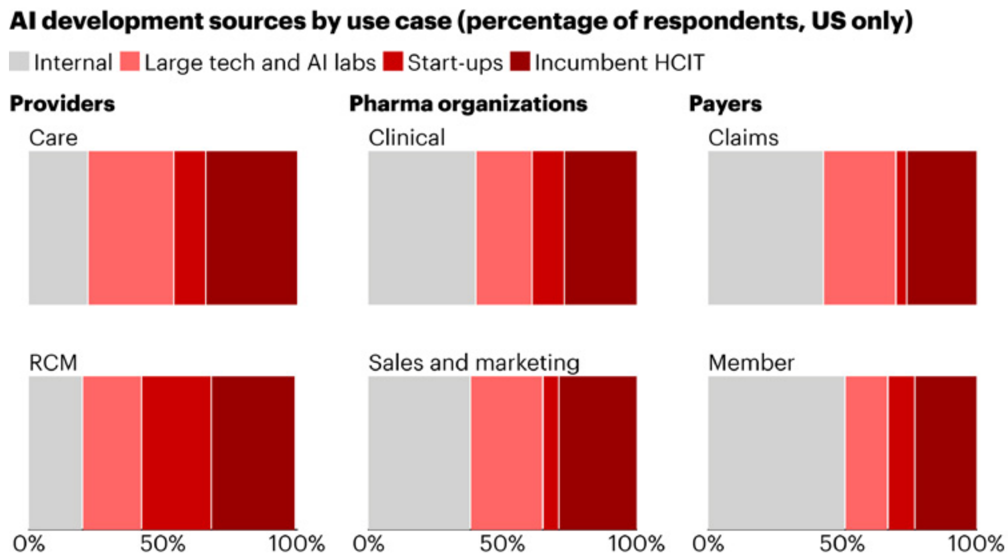
Notes: For time in portfolio for 2024, 0–3 years means the investments were made in 2021 onward; 4–6 years means the investments were made in 2018–2020; and 6+ years means the investments were made prior to 2018; 2025 bar includes data as of September 30, 2025
Source: PitchBook Data, Inc

- developing a comprehensive pricing and packaging program to drive upsell opportunity via product/feature bundling and secure continued like-for-like pricing uplift;
- expanding upsell and cross-sell go-to-market strategies to enable sales teams and better manage pipeline opportunities; and
- leveraging mergers and acquisitions to position portfolio companies for growth acceleration or to achieve significant cost synergies.

Successful deals require disciplined focus on value creation across the deal life cycle to ensure that the value identified during diligence translates into strong momentum and performance when it comes time to exit.

Notably, generative AI is emerging as both a key value driver and a source of risk for HCIT businesses. This emerging technology offers opportunities to streamline back-end processes to achieve cost savings and facilitate new product development to drive revenue expansion. As end users continue to adopt generative AI across clinical and administrative workflows alongside a range of development partners *(see Figure 6)*, incumbent healthcare IT companies are increasingly challenged to strengthen their existing foothold with end users through generative AI or risk losing their positioning to AI-native disrupters.

Figure 6: End users are obtaining AI solutions from a variety of sources



Notes: RCM is revenue cycle management; sum of bar segments may not equal 100% due to rounding
Source: Bain Generative AI Survey, January 2025, US respondents (n=408)

To thrive in this "new normal," HCIT companies must play on the offensive: embedding generative AI-powered efficiency and innovation into their workflows and product development while adjusting pricing and packaging in parallel. At the same time, they must be prepared to go on the defensive by anticipating and adapting to business model shifts and pricing pressures. For investors, these dynamics must remain top of mind throughout diligence and during the holding period.

Looking ahead, we expect healthcare IT to continue to attract strong interest from financial sponsors. But as penetration curves mature and the market becomes more competitive, sponsors will need to place an even greater emphasis on value creation and downside risk mitigation, especially in relation to generative AI, to achieve Rule of 60 results and compelling returns.

New Models of Value Creation for Physician Groups

Investors are retooling their physician group approach, building performance-driven platforms for the long term and positioning assets for strategic exits.

By the Healthcare Private Equity Team

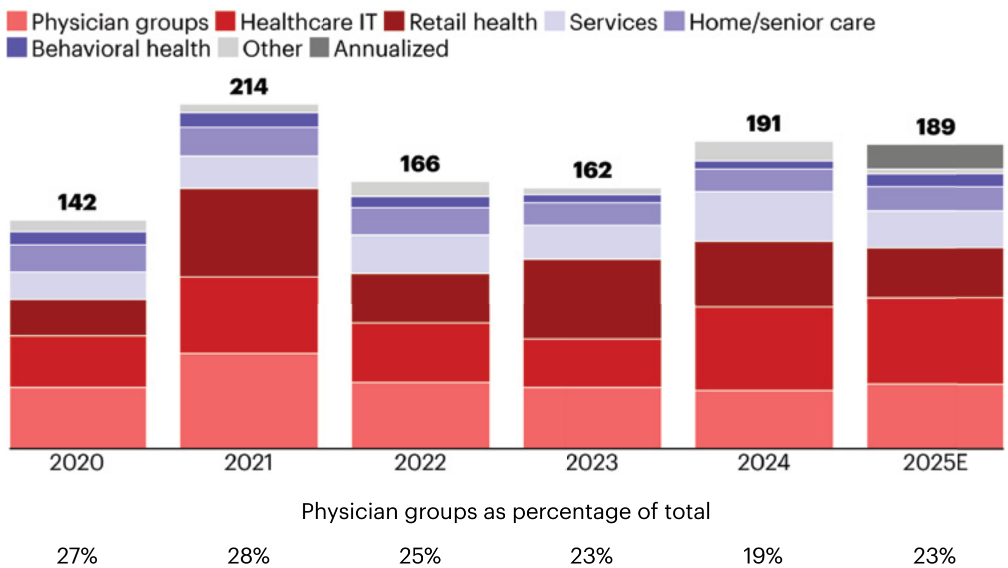
At a Glance

- Physician groups remain a popular investment theme within the provider sector, though the pace of investment has eased since 2021 in part due to macro challenges after the Covid-19 pandemic.
- The value-creation playbook continues to broaden beyond traditional buy-and-build strategies to incorporate operational efficiency (including through AI and analytics), physician alignment, and sustainable growth.
- Opportunities for value remain in specialties in the early innings of evolution or in areas where management of specialty pharmaceuticals, value-based care models, and ancillary expansion can unlock growth.
- Exit opportunities exist, with the potential for more scale combinations as well as strategic exits.

Physician groups play a pivotal role in the healthcare system, operating at the front line of clinical care and service delivery. Amid continued fragmentation in many specialties, physician groups still attract private capital, particularly in the US and among middle-market investors.

That said, physician groups have declined as a share of all global provider transactions, from 28% in 2021

Figure 1: Physician groups' share of provider deals has declined by volume globally since 2021



Note: Other includes assets that fall outside of main provider categories (e.g., healthcare/medical consulting services, healthcare holding companies); deal count excludes add-on deals below $250 million; 2025E represents actual data through November 30, 2025, annualized for the rest of the year
Sources: Dealogic, AVCJ; Bain analysis

to 23% in 2025, driven largely by trends in the North American market, which accounts for more than 60% of global provider deal value *(see Figure 1)*. This drop reflects post-pandemic challenges in the US, including labor shortages and reimbursement pressure from both public and private payers. In Europe, investment in scale physician groups is far less common given the fragmented national markets and regulatory landscapes. Similarly, physician groups are an uncommon investment theme in Asia-Pacific, where provider deals largely focus on health system–centric models.

Despite the decline in deal volumes from their peak, physician groups remain a major part of many private equity (PE) portfolios, making both value creation and exit strategies highly relevant to current and prospective investors.

Positioning investments for a successful exit

Private equity investments in US physician groups continue to evolve as the market matures. Historically, these investments prioritized mergers and acquisitions (M&A) to build scale. Today, the paths to success require more sophisticated management practices that deliver greater value to patients, clinicians, payers, and ultimately investors. Demonstrating a track record of organic growth, executing on repeatable ancillary and M&A playbooks, and positioning the physician group as an employer of choice have become the leading priorities.

The universe of potential acquirers has also broadened to include distributors, alongside diversified providers, payers, and other PE investors. For instance, pharmaceutical distributor Cardinal Health's GI Alliance acquired Solaris Health, a urology healthcare platform, from Lee Equity Partners, underscoring the widening corporate interest in the space. This follows several notable physician group acquisitions by distributors over the past 18 months, including Cardinal Health's original acquisition of GI Alliance from a group of physician owners and Apollo Global Management, Cencora's acquisition of Retina Consultants of America from Webster Equity Partners, and McKesson's acquisition of ophthalmology and retina services provider Prism Vision Group from Quad-C Management. While payer acquisition activity has been muted in recent years, the potential for renewed interest in strategic provider purchases may offer another avenue for exit for investors.

Scaled, integrated platforms define the next phase of investment

For success in the next phase of physician group investment, firms will need to build scaled, integrated platforms. To respond to the turbulence caused by staffing shortages and reimbursement challenges, physician groups must evolve from loose confederations into coordinated platforms that provide clinicians with the tools and support to deliver high-quality care. The most successful of these will have a clearly defined role of the center, shared infrastructure, and a compelling value proposition for clinicians.

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In addition, physician groups have the opportunity to unlock value by expanding the boundaries of the business via an optimized ancillary suite, exploring vertical or horizontal integration, or investing in the technology infrastructure to reduce administrative burdens on clinicians—though the applicability of each approach depends on the specialty served. Successful investors are using these five value-creation strategies:

- Improve the clinician experience by focusing on the clinician value proposition and clearly defining the role of the center.
- Enhance core business operations to better engage patients and referrers, while leveraging technology to drive productivity gains.
- Grow into new care delivery models, such as participating in alternative payment models and entering ancillary and adjacent services.
- Expand operations by selecting key markets and areas for growth, developing a playbook for future growth, and planning for integration.

- Reinforce the value of the center and practice economics by deploying AI-enabled technologies to enhance operational performance, optimize front- and back-office operations, improve revenue cycle management, and unlock new levers for value creation.

Pockets of opportunity in a selective deal-making environment

While the past several years have seen headwinds due to labor constraints, payer relationship hurdles, and a shifting regulatory environment, mid-market investors continue to find opportunities and build conviction around themes aligned to long-term trends in healthcare:

- **Specialty pharmaceuticals.** The high and rising cost and complexity of specialty therapeutics in some specialties, evident in oncology for many years, has placed a premium on properly managing the utilization (and economics) of drugs to deliver efficient and effective care. In drug-intensive specialties, such as neurology and urology, scale platforms can support drug-cost management.

- **Value-based care.** Provider groups in high-cost-of-care specialties appear primed to advance adoption of value-based care models, with orthopedics and cardiology at the forefront through ongoing experiments in bundled payments and outcomes-based models. However, given the gradual pace of value-based care model adoption, success will hinge on investing in key enablers—such as leveraging data, integrating care models, and embracing site-of-care shifts—to develop the muscles to practice in value-based care while continuing to drive strong performance in fee-for-service models.

- **Ancillary expansion.** As diagnostics and ancillaries play a greater role in achieving optimal care outcomes, selectively owning or partnering with these services enables providers to better coordinate care and strengthen practice economics. Specialties such as dermatology and gastroenterology have benefited from this strategy.

- **High-growth end markets.** In high-growth end markets, scalable platforms with differentiated patient engagement models are emerging as attractive targets for both PE and strategic acquirers. Specialties that are drawing interest include nephrology, plastic surgery, and behavioral health.

- **Early-innings roll-ups.** Some specialties remain fragmented, presenting a runway for future consolidation. Neurology, nephrology, and plastic surgery are areas where greater scale and geographic density can unlock efficiencies.

Collectively, these themes point to a physician group investment landscape that offers rewards for operational sophistication and clinical excellence as much as for financial discipline and scale. Investors that blend sector expertise with a disciplined value-creation approach will continue to find attractive opportunities.

Playing the Long Game in Pharma Services

While undertainty persists, many investors have focused on gem assets and attractive subsectors, with an eye toward value creation.

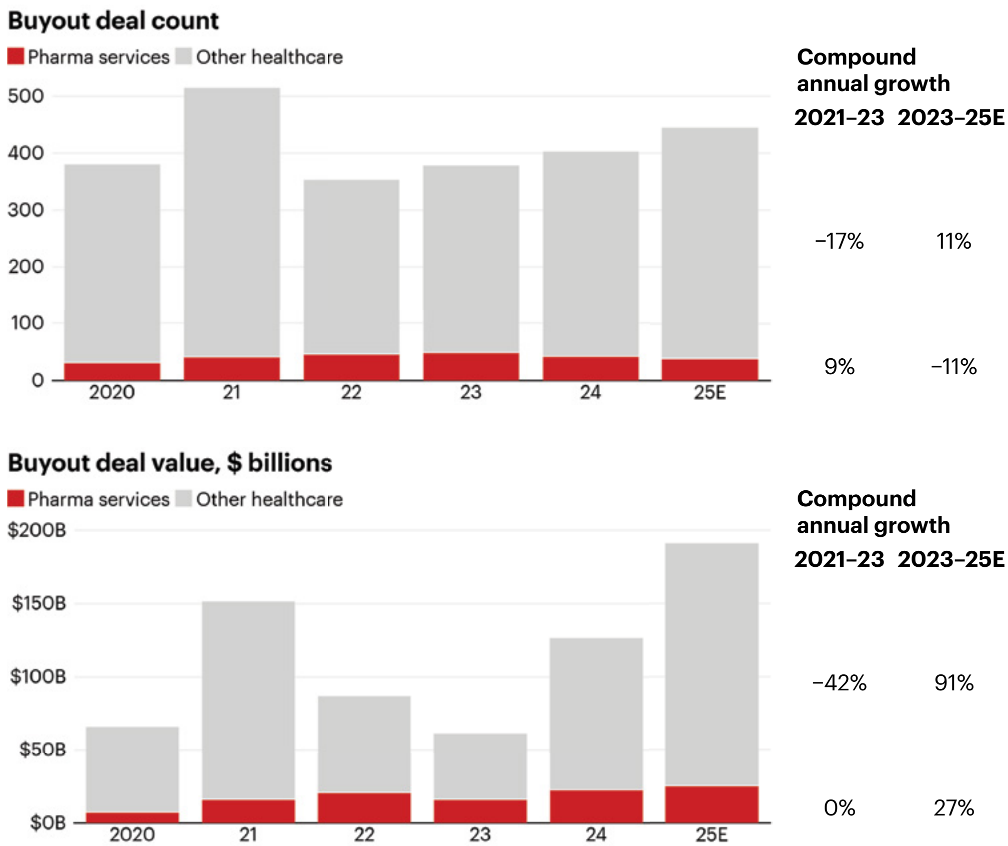
By the Healthcare Private Equity Team

At a Glance

- Pharma services has historically been resilient and attractive for private equity investment, driven by long-term secular tailwinds.
- The market has been buffeted by funding pressures, lower clinical trial volumes, policy and budget uncertainty, and a valuation gap between sellers and buyers.
- Though transaction value rose in 2025 to a record high, in part due to a few scale gem assets, deal volume slightly decreased year over year.
- Leading investors are seeking out differentiated assets and emphasizing scale, revenue visibility, and selective platform and tuck-in plays to lean into value creation.

Pharma services investments have long benefited from consistent demand, propelled in large part by the pharma industry's reliance on specialized contract research organizations (CROs), contract development and manufacturing organizations (CDMOs/CMOs), and outsourced commercialization services to provide efficiency, flexibility, and specialized expertise. These fundamentals have supported private equity (PE) deal activity and performance even through cycles of market choppiness. The sector's resilience was evident in 2022 and 2023: While overall healthcare PE activity softened during this period, pharma services transaction value and deal volume remained steady *(see Figure 1)*.

Figure 1: Pharma services activity, historically resilient, has lagged the broader healthcare market in recent years



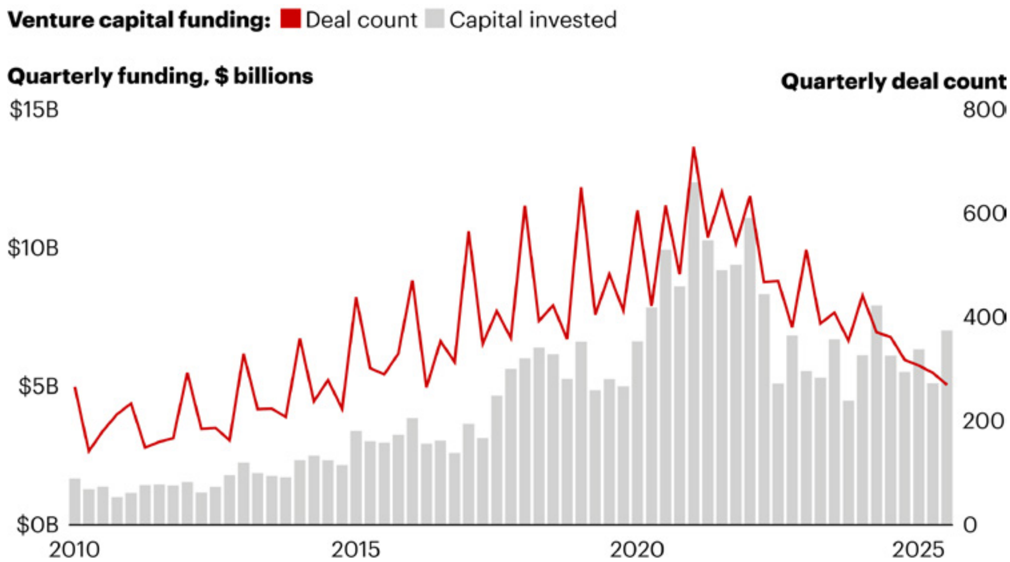
Notes: Based on announcement date; includes announced deals that are completed or pending, with data subject to change; deal count and deal value exclude add-on deals below $250 million; 2025E represents actual data through November 30, 2025, annualized for the rest of the year
Sources: Dealogic; AVCJ; Bain analysis

Pharma services investment growth has slowed

However, the momentum of 2022 and 2023 has moderated, as pharma services volume has declined at a roughly 11% compound annual growth rate from its peak in 2023, while the rest of healthcare PE has seen volume increase at an 11% CAGR in the same period. This moderation reflects a combination of headwinds facing the sector, including decreased biotech funding and fewer clinical trial starts, policy and trade developments that raise uncertainty, pricing pressures on pharma companies, and valuation gaps between buyers and sellers.

In the US, venture capital for biotech and pharma companies has moderated to pre-2021 levels, reflecting a normalization following the highs of 2020 and 2021 *(see Figure 2)*. Additionally, global clinical trial starts, particularly in early-stage and drug discovery programs, have followed a similar trend, returning gradually to pre-pandemic levels and tempering demand for pharma services.

Figure 2: Venture capital funding for US pharma and biotech companies has declined since 2021



Note: Deal count includes all venture capital transactions, including new and follow-on rounds
Source: PitchBook Data, Inc

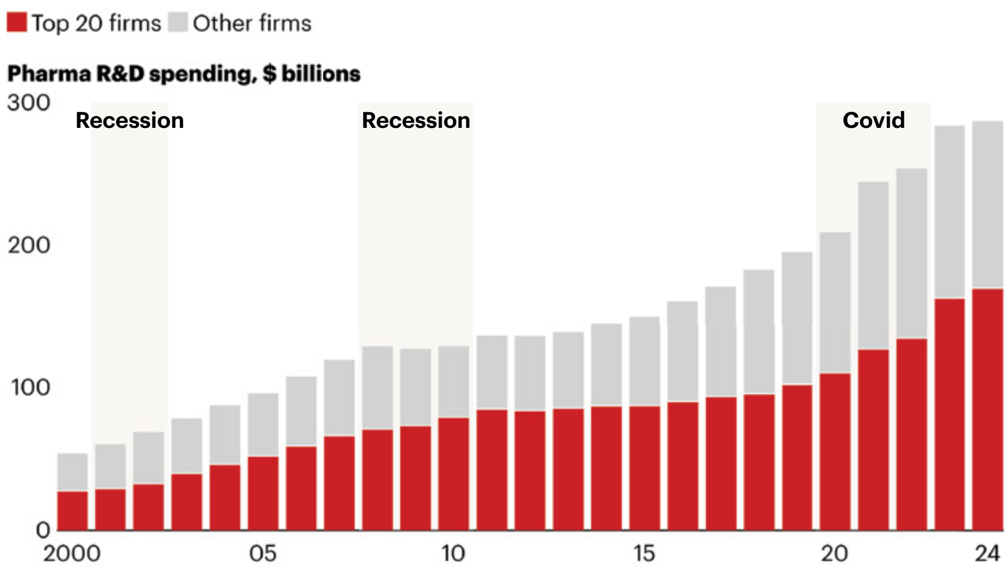
Meanwhile, policy and trade developments—think US tariffs, the One Big Beautiful Bill Act, the BIOSECURE Act, vaccine policy, and most-favored-nation drug pricing reform—have heightened uncertainty around global pharma supply chains and pricing frameworks. In response, pharma services transactions have targeted areas more insulated from policy shocks, such as CRO/site networks, manufacturing, and businesses with limited exposure selling into US markets.

Large pharma companies also face constrained budgets as macro uncertainty—amplified by pricing pressures, upcoming loss of exclusivity cycles, and Inflation Reduction Act pressures in the US—has hurt financial performance. In turn, these constraints have limited investment in nonessential outsourced services, affecting the growth performance of pharma services vendors broadly *(see Figure 3)*.

Finally, a gap persists between seller and buyer valuation expectations, as most assets purchased during the peak years of multiples between 2021 and 2022 remain in fund portfolios. Although average transaction multiples have declined since then, they are still above pre-pandemic levels. Combined with broader end-market softness, this contributed to a decline in sponsor-to-sponsor transactions, which was especially evident in 2023, although sponsor-to-sponsor activity rebounded in 2024 and 2025 *(see Figure 4)*.

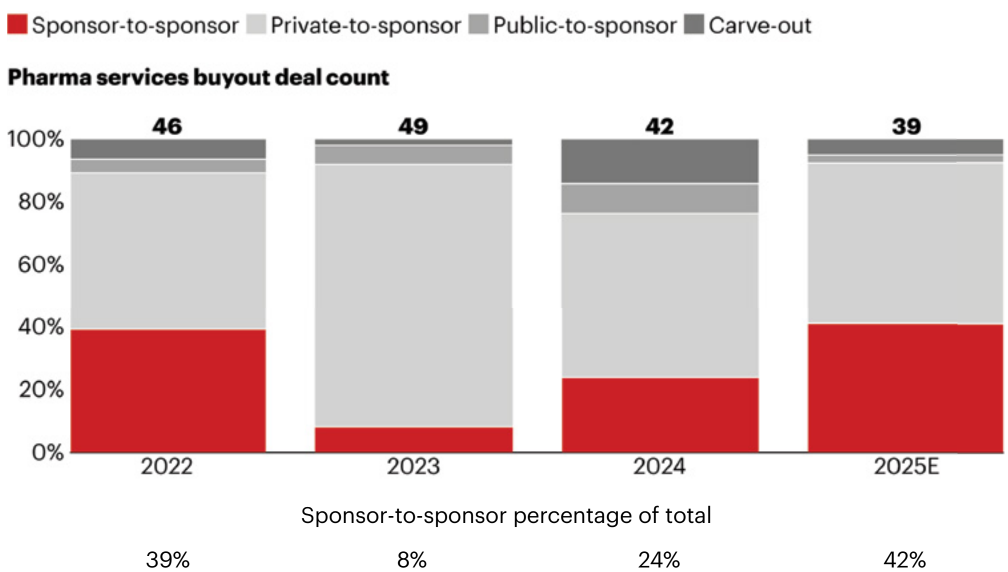
The year 2025 was the largest on record for pharma services on a value basis. This was led by Bain Capital, Kohlberg, Mubadala, and Partners Group's investment in PCI Pharma Services, a CDMO deal that accounted for more than one-third of the year's value. Two other important North American transactions

Figure 3: R&D spending has risen over time, though it flattened in recent years



Notes: R&D spending only includes public companies, typically in later-stage programs and not new biotech; top 20 rankings determined by reported 2024 revenue; other firms refers to public small and mid-sized firms
Source: EvaluatePharma

Figure 4: Sponsor-to-sponsor activity surged in 2025 following a valuation-gap-driven dip in 2023



Notes: Based on announcement date; includes announced deals that are completed or pending, with data subject to change; deal count and deal value exclude add-on deals below $250 million; 2025E represents actual data through November 30, 2025, annualized for the rest of the year; sum of bar segments may not equal 100% due to rounding
Sources: Dealogic; AVCJ; Bain analysis

were THL Partners' acquisition of Headlands Research, a KKR-owned clinical trial site network, and BayPine's acquisition of CenExel Clinical Research, another clinical trial site network, from Webster Equity Partners. These three North American deals reflect the ongoing appetite for large-scale, high-quality service platforms.

In Europe, investors have targeted players with strengths in niche categories. Renaissance Partners and Aurora Growth Capital acquired Genetic, a dossier developer, from CVC Capital Partners, while EQT acquired Adalvo, another dossier developer, from Aztiq. And in Asia-Pacific, Temasek and GIC's investment in Novotech, a CRO, alongside existing investor TPG, was a highlight in an otherwise slower year for pharma services activity in the region.

Further, many large-scale exits underscore continued strategic interest in high-quality pharma services businesses, exemplified by Thermo Fisher Scientific's acquisition of Clario Holdings from a shareholder group led by Nordic Capital and Astorg.

Investment strategies for a shifting environment

Pharma services investors are making use of several approaches to adjust to current headwinds:

- **A barbell approach targeting scale and potential.** First, investors are emphasizing premium assets offering scale and clear differentiation. Second, investors seek under-optimized or subscale platforms where operational improvement can unlock meaningful growth.

- **A focus on business models and markets relatively insulated from volatility.** In a reversal of a trend seen in the late 2010s, investors are scanning for companies with greater customer exposure to large pharma sponsors rather than early-stage biotech. Another desirable trait is strong revenue visibility, as with long-duration programs. US-based infrastructure deals resistant to policy change or with limited cross-border exposure may also look attractive. And finally, buyers are eyeing carve-outs and public-to-private transactions, concentrating on assets that could benefit from improved operational execution.

- **A structured playbook to pressure-test deal assumptions and develop value-creation plans.** Leading investors are developing methodical scenarios to test risk limits; build conviction in value-creation levers across top-line growth, AI-driven operational efficiency, and strategic mergers and acquisitions; and secure investment committee approval even amid macro and policy shifts.

Pharma services remains exposed to secular tailwinds that remain attractive over the long term, and leading investors have continued to find strong opportunities despite recent underlying challenges. As market conditions evolve, a persistent and disciplined approach will continue to drive sustained returns.

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The authors also wish to thank the Bain Capability Network Healthcare Private Equity team led by Jodhbir Singh Sehmi for their data analytics support; Philippe Braeunig and Julie Duffy for their research assistance; Soraya Zahidi and Tarah Walker for their marketing support; and John Campbell for his editorial leadership.

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