Risky business
Alex Fairweather examines the risks and mitigations for AI adoption

Consultant numbers
PHIN data reveals changes in the consultant gender balance

Talking action
Dr Susan Alexander on her priorities as she takes over as president of the IDrF

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HM HealthcareMarkets

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Investing

Breaking ties

Investing in healthcare in an uncertain world

The current political climate in the US is highlighting the critical importance of this market for UK and European healthcare corporates. **Aldous Mitchell**, partner at Candesic's New York office, explores the implications of this critical transatlantic relationship

The evolution of transatlantic **healthcare investment**

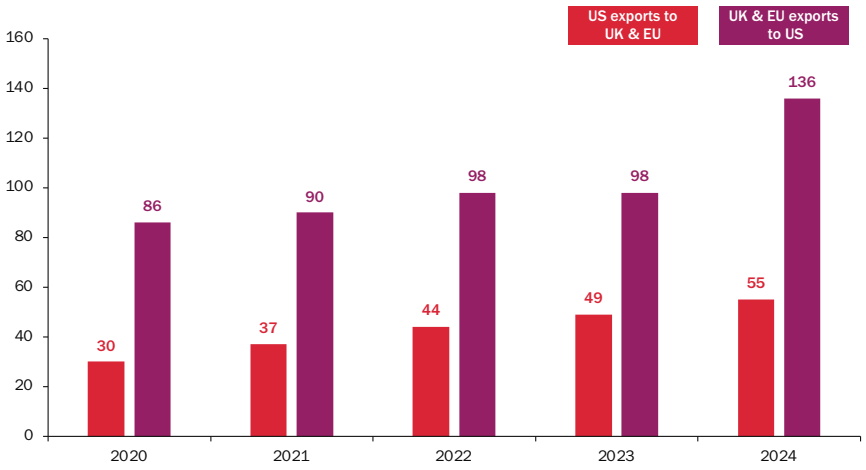
The Transatlantic healthcare investment landscape is currently undergoing a period of significant re-evaluation, largely prompted by recent tariff announcements from the United States. These policy shifts necessitate a critical rethinking of growth strategies for healthcare companies on both sides of the Atlantic. The medical device industry faces immediate implications, raising pertinent questions for European companies seeking expansion in the US market and vice versa. The introduction of a baseline 10% tariff on imports from all countries, effective 5 April 2025, followed by higher 'reciprocal' tariffs on nations with substantial trade deficits, including a suspended 20% tariff on the European Union and 145% on China, marks a notable shift in the trade environment.

While the pharmaceutical sector enjoys – for the moment – exemption from direct tariff increases, President Trump has threatened (at the time of writing) to cancel that exemption. Regardless, this exemption does not extend to medical devices or the essential raw materials and components utilised in pharmaceutical manufacturing. Industry bodies such as AdvaMed have actively voiced their concerns and lobbied for tariff exemptions for medical devices, emphasising the potential detrimental effects on innovation, job creation, and overall healthcare costs, as well as potential adverse impacts on vulnerable patients.

Consequently, European medical device companies exporting to the US are now confronted with increased costs, compelling a reassessment of their pricing models and supply chain management. This selective tariff approach, exempting pharmaceuticals while targeting medical devices, indicates a deliberate strategy by the US administration to promote domestic manufacturing while addressing concerns regarding the affordability of prescription drugs. As Figure 1 shows, the value medicinal and pharmaceutical exports from the UK+EU

FIGURE ONE
VALUE OF MEDICINAL AND PHARMACEUTICAL TRADE BETWEEN US AND UK+EU

US$BN



SOURCE EUROSTAT, TRADING ECONOMICS

heading to the US continue to be more than double those headed from the US to UK+EU.

The continued threat of future tariffs on the pharmaceutical sector, despite the current exemption, introduces an element of uncertainty that will likely influence long-term investment and growth plans for both European and US pharmaceutical companies.

While globalisation has been a discernible trend in the healthcare sector, particularly within the medtech and pharmaceutical sub-sectors, its progression has not mirrored the extent observed in industries such as automotive or technology. This divergence stems largely from the significant disparities in international regulatory frameworks, pricing mechanisms, and reimbursement models that characterise healthcare systems globally. The medtech industry benefits from global innovation collaborations and relies on intricate international supply chains.

Similarly, the pharmaceutical industry operates through extensive global networks encompassing research and development, manufacturing, and distribution. However, the regulatory pathways in the US, governed by the FDA, differ substantially from those in Europe, overseen by the EMA. These regulatory distinctions create complexities for companies aiming to operate in both regions. Furthermore, the timelines for drug approval and reimbursement exhibit considerable variation between the US and European markets.

Healthcare services, in contrast to medtech and pharma, face even greater limitations in terms of globalisation. While medical tourism represents a form of internationalisation, and some international collaborations exist, the delivery of healthcare services remains relatively constrained by national regulations, language barriers, more limited scale economies, and the necessity for localised infrastructure and trust. Unlike industries with more standardised products and processes, healthcare is deeply intertwined with national policies and cultural contexts. The inherent differences in healthcare delivery and regulation across nations establish substantial obstacles to the kind of seamless globalisation seen in other sectors.

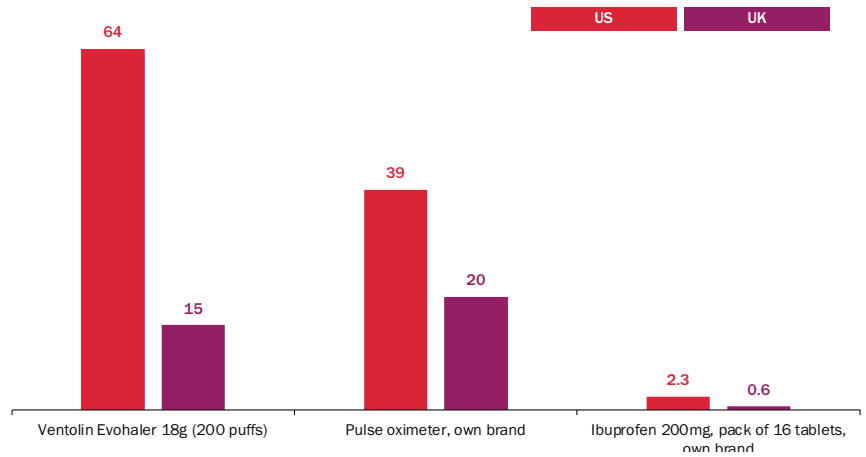
Transatlantic investment, therefore, requires a profound understanding of these local nuances. While medtech and pharma can achieve global scale in manufacturing and R&D, the direct provision of healthcare, particularly services, remains highly localised. Consequently, transatlantic expansion in services often necessitates establishing a physical presence and adapting to the specific characteristics of local healthcare systems, and a higher reliance on inorganic versus organic growth strategies.

Despite these complexities, the US market has consistently served as a primary target for European healthcare companies pursuing global expansion, driven by its significant size, robust growth potential, and attractive pricing environment. Figure 2 illustrates examples of pricing differentials of selected healthcare goods across the ocean and the attractiveness of the US as a market.

At Candesic, we have noticed a significant uptick in the interest of our European clients to attract US investment and build a domestic US presence. Prominent European players in both the medical technology sector, such as Philips, Siemens, Medtronic , and the pharmaceutical sector, including AstraZeneca, GSK, Roche, Novartis, Sanofi, and Bayer, have established substantial operations and market presence within the United

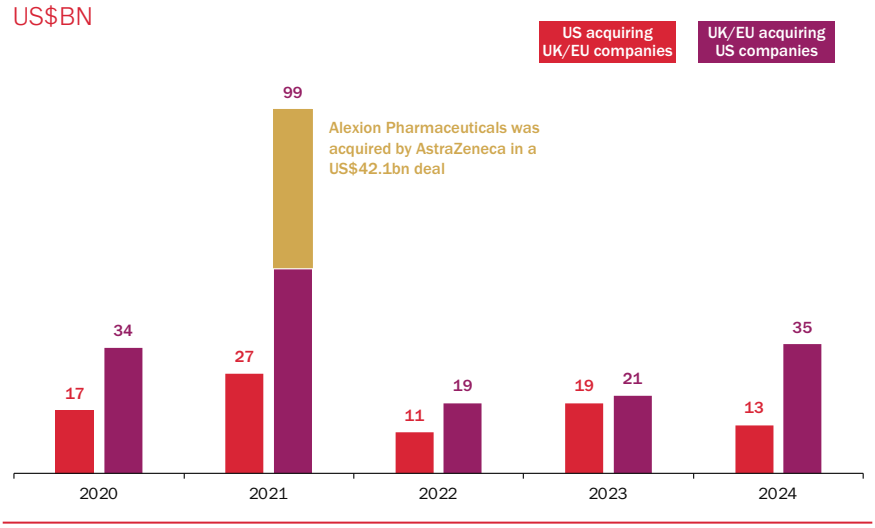
FIGURE TWO
NOMINAL [PRICE OF SELECTED HEALTHCARE GOODS IN THE US AND THE UK

GB£, APRIL 2025



NOTE PRICE OF VENTOLIN REFLECTS A DOSE OF 90MCG IN THE US AND A DOSE OF 100MCG IN THE UK
SOURCE BOOTS, CVS, GOODRX

FIGURE THREE
TRANSATLANTIC CROSS-BORDER HEALTHCARE ACQUISITION DEAL VOLUME



SOURCE MERGERMARKET

States. Furthermore, the US capital markets, particularly the NASDAQ, offer compelling funding avenues for European biotech companies seeking to fuel their growth. The US market's dominance in the global medtech landscape renders it an essential territory for European companies aspiring to industry leadership. The willingness of US payers and patients to embrace innovative, albeit often higher-priced, medical technologies and therapies further enhances the attractiveness of the US market for European companies offering cutting-edge products. As Figure 3 illustrates, the sheer scale and growth prospects of the US market continue to outweigh the regulatory complexities for many European healthcare companies, solidifying its position as a strategic priority for global expansion through M&A.

The presence of a well-developed venture capital and private equity ecosystem in the US, coupled with a strong inclination towards innovation, provides significant funding opportunities for European companies, especially within the biotech and medtech sectors.

Conversely, despite the considerable differences between the US and European healthcare markets, several US healthcare organisations have successfully established a presence within the EU zone through both organic growth and strategic acquisitions. Examples include HCA Healthcare, Cleveland Clinic, Mayo Clinic, Northwestern Medicine, Gentell and Mount Sinai Health System. Such successful establishment of a presence by US healthcare providers in the UK and the EU, despite differing models, indicates that opportunities exist for exporting US healthcare expertise and brands, particularly in specialised areas or through strategic collaborations.

There are many reasons to invest across the Atlantic: the sector is relatively recession proof, many notable patent periods are ending soon, the cost of acquisition capital is lower and private equity bid/ask spreads have somewhat normalised. Within the current environment, careful consideration needs to be placed into the location of manufacturing centres and the potential for prolonged trade wars, but for companies with international ambitions, the show must go on.

Case Study Gentell's entry into the UK

How did Gentell, an established leader in the US wound care industry, identify the UK and Europe as its next area of expansion? The answers provide insight into why companies make decisions around strategic expansion initiatives and how they operationalise those decisions.

Predictably, the primary consideration was the market potential. With a population of more than 500 million and a significant number of those residents over the age of 65, the UK and Europe mirror the growing demand for wound care products and services in the US. Research determined that wound care products and services were not as readily available compared to the US, leading Gentell to develop a plan for a wound care programme that is efficient, affordable and scalable, and in the interests of the quality of life of British wound care patients.

Gentell hired a head of operations with ties to the NHS and market-specific knowledge, and designated a regional office in London as its UK headquarters. This allowed the company to move more quickly through the regulatory process than it would have if it managed the process from its corporate office in the USA. The next step was to purchase a manufacturing company in UK which came with all required manufacturing certifications and product registrations, thereby allowing Gentell to generate revenue while establishing a brand presence in the market.

Since the market expansion initiative began in 2022, Gentell has made significant progress in developing its UK and Europe business. The company now has regional offices, sales functions, a distribution footprint and manufacturing capabilities throughout the region. Revenue growth has been strong. In addition, Gentell is providing direct patient care through a network of wound clinics that reflect its core mission while providing the NHS with much needed wound care capacity.