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## Medical Technology Sector Faces Major Challenges

- **M&A transactions: Consolidation trend continues**
- **Digitization determines all technology trends**
- **International competition: Asia is catching up**

**Berlin / Stuttgart – The medical technology sector is subject to a far-reaching process of change, particularly in Germany and Europe: price pressure, digitalization and internationalization, as well as the tightening of regulatory requirements, pose great challenges for medium-sized MedTech companies and lead to a considerable acceleration of consolidation. Even though the extent of the COVID-19 pandemic cannot yet be conclusively assessed, the financial scope of the companies affected can be expected to be limited in future. In order to maintain their competitiveness by developing new technologies and business models and to exploit market opportunities, companies will therefore be more dependent on new investors and mergers in the future.**

The market study "Medical Technology 2020", which was conducted by Luther Rechtsanwaltsgesellschaft and the international corporate finance consultancy Clairfield International in co-operation with Bundesverband Medizintechnologie e.V. (BVMed) and the German Engineering Federation (VDMA) for the second time, analyses the current market development on a national and international level as well as the most important trends in the MedTech industry and on the transaction market. It also shows how medium-sized medical technology companies can meet the current challenges. In addition to an in-depth analysis of the available figures and sources, the study is based on a survey of market participants and the analysis of 900 MedTech companies. For the first time, the emerging Asian medical technology market will also be examined more closely.

**Key results of the study:**

According to the survey, the future competitiveness of the medical technology sector in Germany, which is dominated by medium-sized companies, will depend on two key success factors. Technical developments will increasingly depend on achieving intelligent networking with component suppliers and digitizing products or making them more intelligent through software. "Rapid technological change requires strategic alliances. In this respect, international competitiveness can only be secured through strategic acquisitions or long-term cooperations," emphasizes Dr Ulrich Philippi, Partner at Luther and an expert for M&A transactions in the industry. In order to achieve the growth targets, 46 percent of the participants in our survey stated that they would rely on cooperations in the future, while half of those questioned planned to meet the increasing demands through acquisitions.

The advantages of digitization are particularly evident in the area of fulfilling data protection compliance requirements, controlling processes to increase productivity and in the increasing number of digital and software-based products. "Digitization is currently the turbo for innovation in medical technology. Manufacturers should now take advantage of current changes in the legal framework, such as the Digital Supply Act, to establish new products in their home market and to expand their international competitiveness with digital health solutions," explains Cornelia Yzer, coordinator of the Health Care & Life Science industry group at Luther Rechtsanwaltsgesellschaft. About 20 percent of the participants in our survey expect an increase in turnover of more than 10 percent due to increasing digitalization.

The USA is still the largest MedTech market in the world. Characterized by technological influences, the American market is a pioneer in the areas of e-health and artificial intelligence. Besides the USA, Asia and India have the greatest growth potential. The opportunities are particularly great for German companies, because medical technology products "Made in Germany" are highly regarded for their quality and technological leadership.

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**Brief Profile Clairfield International**

Clairfield International is a leading consultancy firm for national and international corporate transactions and financing for medium-sized and small innovative companies. With 440 employees at 32 locations Clairfield International serve companies in more than 23 countries in Europe, America, India, Asia and Australia.

In 2019, the company completed 150 transactions, making it one of the top 10 M&A advisors for mid-sized transactions worldwide.

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### **Brief Profile Luther Rechtsanwaltsgesellschaft mbH**

Luther is a leading German commercial law firm that offers comprehensive legal and tax advice. The full-service law firm, which was named “Law Firm of the Year 2019” by the German legal published JUVE, employs over 420 lawyers and tax advisors and is represented in ten German economic hubs as well as with ten of its own international offices in key investment locations and financial centres in Europe and Asia. Its clients include medium-sized enterprises and large corporations, as well as the public sector.

Luther works closely with other commercial law firms in all the prevailing jurisdictions. On the Continent, Luther is part of a group of independent leading law firms who have worked together for many years on joint cross-border projects.

Luther Rechtsanwaltsgesellschaft mbH is a law firm with a business approach: our innovative awareness aspires us to provide our clients with customised legal advice that addresses individual needs and delivers the greatest possible economic benefit. All of Luther’s lawyers and tax advisers have a solid understanding of interdisciplinary matters and a wealth of experience in collaborating on complex tasks. Further information is available at: [www.luther-lawfirm.com](http://www.luther-lawfirm.com)

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