WELLS FARGO

Commercial Banking

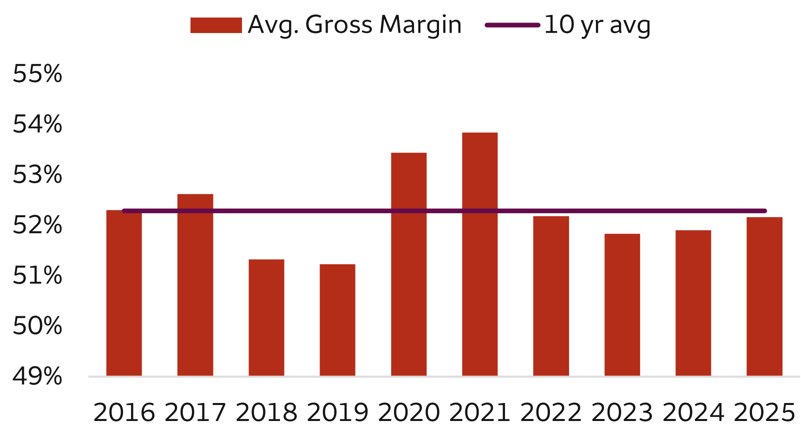
MedTech -2026 Analysis and Outlook

Key Industry Trends & Market Drivers:

- **AI technology** is transforming the industry. For 1,200 AI-enabled devices were approved by the FDA by mid-2025 , a 31% increase year-over-year.[1] This is enabling faster and stronger market entries.
- **Tariff pressures** have driven up input costs and required MedTech companies to rethink sourcing and supply chains. More companies are nearshoring facilities to Mexico.
- The **"De-Hospitalization" trend** is driving industry adjustments to capture growth in the Ambulatory Surgery Center (ASC) and Home Care markets.
- The FDA's transition to the **Quality Management System Regulation (QMSR)** on February 2, 2026, represents the most significant U.S. medical device regulatory overhaul in nearly 30 years, aligning the industry with a global standard.[2]

Industry Performance:

Medical Equip. & Supplies Manufacturing - Gross Margins



Source: Wells Fargo Data, NAICS: 33911 – Medical Equip. & Supplies Manufacturing, Large Size Companies (Revenue higher than $2 billion)

While industry gross margins have remained relatively stable post-covid, **operating margins** compressed for some companies in 2024 - 2025 due to rising SG&A, operating, and depreciation costs.[3]

What's happening in 2026?

- Geopolitical events continue to create volatility in commodity inputs.
- The One Big Beautiful Bill Act is expected to start reducing funding for Medicaid by 15% for the next 10 years[4].
- Innovation continues to sell, but customers are seeking value-based products. Expect tougher pricing conversations.

M&A Activity:

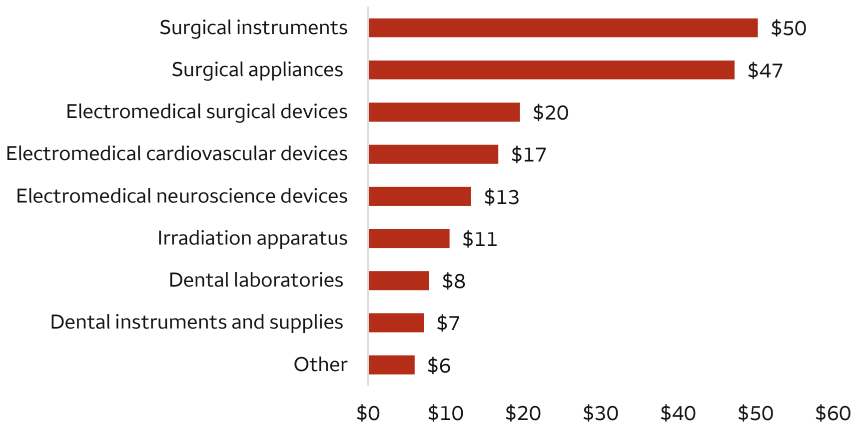
- MedTech M&A with a strong start to the year – 9 deals announced worth $27.8 billion YTD.[5]
- Enhanced Sponsor appetite for scaled MedTech assets. Financial sponsors are targeting mid-cap assets.[5]
- Smaller innovators need a clearer path to reimbursement, evidence, and regulatory readiness to attract buyers.
- High-growth robotics and digital platforms command significant premiums over legacy diversified hardware.
- In 2026, companies are expected to prioritize focused portfolio acquisitions, AI-enabled productivity, and clinical differentiation.

> *"Wells Fargo is committed to meeting the growth capital and strategic advisory needs of MedTech companies throughout their life cycle."*
>
> \- Wallace Saunders, Head of Wells Fargo Commercial Banking Healthcare

Industry Overview

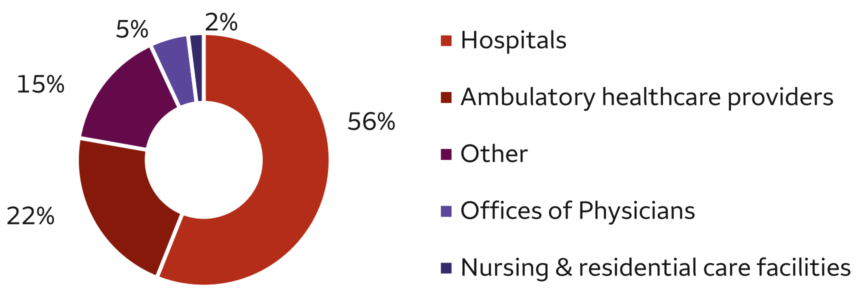
- MedTech includes companies that **manufacturer or market devices, tests, and tools** used in surgical settings, patient care and treatment, diagnostics, and medical research.
- **Products vary widely in complexity** and range from consumables to capitol equipment.
- An **aging population** and increasing prevalence of disease is driving stable procedure volume and industry growth.

Medical Device Sales by Category $ Billions



Source: IBIS World, Sectors: 33911A and 33451B

Medical Device Sales by End Market



Source: IBIS World, Sectors: 33911A and 33451B

3.6%

Estimated Revenue Growth in 2026[1]

$171B

Industry Revenue in 2025[1]

6.5%

Annual growth in Medicare Spending for the next 10 years[4]

Wells Fargo is a preeminent capital provider to the MedTech industry, with aggregate credit commitments in excess of $5 billion.[5]

Let's help position your business for long-term growth and disciplined execution.

Collaborate with Wells Fargo to help maximize opportunities and trends

Source: 1. IBIS World, Sectors: 33911A and 33451B ; 2. U.S. Food & Drug Administration; 3. Centers for Medicare & Medicaid Services (CMS); 4. U.S. Congressional Budget Office as of Oct 2025 ; 5. Wells Fargo data as of April 2026