

Medtech M&A Resurges: How To Define Startup Exit Strategy

Failure To Align Operating Model With Desired Exit Strategy Is Costly

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The medtech M&A landscape is experiencing a resurgence fueled by significant capital from private equity and venture firms, says Alex Wakefield, CRO of AcuityMD. Building strong relationships with physicians remains crucial in medtech, and defining an exit strategy early is imperative.

“Big medical device companies are salivating over smaller innovators,” said Alex Wakefield, chief revenue officer of medtech intelligence platform provider AcuityMD.

Medtech M&A has seen a resurgence, Wakefield said. Fueling the resurgence is a substantial amount of dry powder ready to be invested from private equity, venture capital and large strategic medtech companies.

To take advantage of this, start-ups need to define their exit strategy early and build toward a high-value exit, he said.

In an interview with *Medtech Insight*, Wakefield explained that the medtech market uniquely hinges on physician relationships and how effectively they can use a device. He provided advice on how start-ups can choose an exit strategy and how to build toward a high-value one.

This interview has been edited for brevity.

Q What makes the medtech market unique in comparison to pharma and biotech?

A **AW:** One of the key differences is how they commercialize their products. In medtech, sales success is closely tied to the relationships that reps build with physicians. These relationships are especially important because patient outcomes are heavily influenced by how effectively a surgeon uses the medical device.

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In contrast, pharma outcomes are more dependent on how a patient responds to a drug, making the rep-to-physician relationship less operationally critical. The variability in pharma is largely driven by patient biology, whereas in medtech, it's more about the surgeon's skill and technique.

From an innovation standpoint, large strategic medtech companies often rely on start-ups to drive innovation. These strategics then evaluate which emerging companies offer complementary technologies that can enhance their existing product portfolios and fuel growth.

Q What is fueling the resurgence of M&A in the medtech market? How long do you expect the resurgence in M&A to last?

A **AW:** We anticipate an 18 to 24 month window of relative clarity and confidence, during which significant investments and strategic moves will likely increase.

There is a significant amount of capital available across investment channels today. Private equity and venture firms are well-capitalized, and access to consumer investors continues to grow, further increasing available capital.

Additionally, many large strategic medtech companies are sitting on sizable cash reserves that will need to be deployed. Altogether, this represents a substantial amount of “dry powder” – capital that is ready and waiting to be invested.

We're seeing a growing trend of private equity firms investing in medtech companies where they believe they can apply their operational models to improve profitability. This includes increasing interest in management services organizations (MSOs).

For strategics, investment activity varies by company. Those with strong balance sheets, such as Edwards and Medtronic, are well-positioned to pursue acquisitions. Others, like Stryker and Hologic – both of whom have made significant acquisitions recently – may take a pause as they rebuild cash reserves.

Overall, strategics still maintain considerable capital, and market conditions are becoming more stable, with less uncertainty around macroeconomic factors such as interest rates and trade policies following recent legislative developments.



Alex Wakefield

Q Why is it important to define the exit early? What factors influence the type of exit a start-up should target?

A **AW:** Bottom line: Failing to align your operating model with your desired exit strategy is one of the most common and costly mistakes start-ups make.

The way a company operates can significantly influence its ability to achieve a successful exit. Whether you're targeting a sale to private equity, a strategic acquisition, or going public, each exit path has distinct requirements – and tailoring your strategy accordingly can position you for success.

If your goal is a private equity exit, the focus should be on product innovation and topline growth. Private equity firms are typically skilled at optimizing operations and driving profitability, provided there's a strong core product to build on.

On the other end of the spectrum, going public is a far more complex and long-term endeavor.

In addition to a market-leading product, you'll need to create a scalable infrastructure, a high-performing leadership team, and a bold, industry-defining vision that can rally long-term investor confidence.

For many companies, the most common and attainable goal is a strategic acquisition. Strategics often look for early-stage companies whose products complement their existing portfolios.

In these cases, the priority should be to build a differentiated product while being mindful of integration. A well-documented technology stack, efficient processes and scalable systems can make the acquisition and integration process smoother, and therefore more attractive to the buyer. While profitability may not be essential at this stage, operational maturity often adds value.

Q How can early- and growth-stage companies proactively build toward a high-value exit?

A **AW:** For strategic acquisitions, the company needs a detailed view of its value, what it brings to a given buyer and how it could influence a buyer's market position, to negotiate a good price.

Buyers want to see distributed usage across a broad base of customers. One example is Artelon, a start-up company that creates soft tissue fixation products for foot and ankle. The company used clean revenue and customer segmentation data to prepare for its eventual acquisition by Stryker in 2024.

The firm demonstrated who their customers were, their procedure volumes, progress over time, customer segments and adoption patterns. Further, Artelon tied actual sales invoices to surgeons and indications, and linked the onboarding of new doctors to future revenues.

Stryker used data from AcuityMD's intelligence platform, which allowed Artelon to differentiate between topline growth from KOLs compared to scalable growth from broader market adoption.