EXECUTIVE INSIGHTS

Medtech CDMOs in Southeast Asia: Landscape Overview and Investment Opportunities

General CDMO landscape

Contract development and manufacturing organizations (CDMOs) have become critical enablers of innovation and scalability across a wide range of industries. They provide end-to-end services — from **product development and regulatory support to manufacturing, assembly and postmarket services** — helping original equipment manufacturers (OEMs) focus on core R&D while outsourcing capital-intensive and highly specialized production activities.

The global CDMO ecosystem is **multimaterial , multi-industry and increasingly specialized**, often rooted in deep capabilities in **metals (e.g., nitinol, titanium), plastics (e.g., injection molding, extrusion), silicone, ceramics and advanced coatings**. This material versatility allows CDMOs to serve multiple regulated industries — ranging from **medtech and biopharma to consumer electronics and automotive**.

Key drivers of the CDMO model:

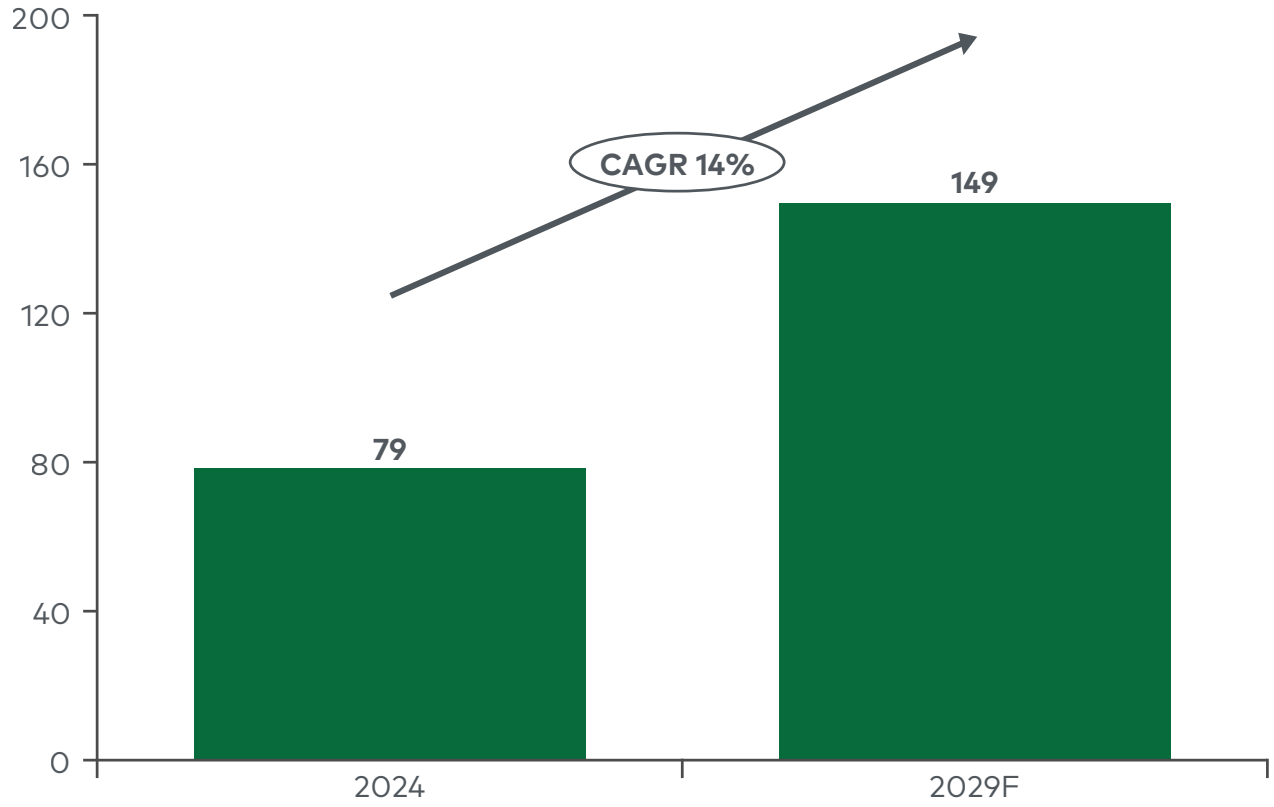
- **Manufacturing specialization:** CDMOs offer OEMs access to high-precision, cost-efficient and specialized processes they cannot justify in-house
- **Material-adjacency expansion:** Many CDMOs scale across sectors by leveraging expertise in specific materials or fabrication methods (e.g., a plastic injection molding CDMO moving from consumer products into drug delivery devices)
- **Asset-light growth for OEMs:** CDMOs reduce OEM capital expenditure while supporting scalability and faster go-to-market timelines

Global medtech CDMO landscape

Medtech CDMOs represent one of the most attractive verticals in the broader CDMO space (see Figure 1). Unlike general industrial or electronics CDMOs, medtech manufacturers operate in tightly regulated environments, needing to meet the standards of the U.S. Food and Drug Administration or the International Organization for Standardization, or to gain the CE mark; furthermore, they serve OEMs with eight-to-10-plus-year product life cycles and produce devices that are central to patient outcomes and safety.

Figure 1

Global MedTech CDMO market (2024-29F)
Billions of USD



Note: CAGR - Compound Annual Growth Rate
Source: MarketsandMarkets Medical Device Contract Manufacturing Market; L.E.K. Consulting case experience

Why medtech CDMO is particularly unique within general CMOs:

- **Sticky OEM relationships:** Medtech devices have long life cycles (eight to 15 years) and require complex onboarding, including regulatory validation and audits. This makes switching CDMOs costly and rare, resulting in long-term, highly valued customer relationships.
- **Higher margins:** Medtech devices benefit from stronger pricing power as compared to pharmaceuticals, industrial products or consumer electronics. Devices are often used in critical care environments or surgical procedures, making quality and reliability far more important than cost. As a result, OEMs are less price sensitive and more focused on delivery performance, regulatory compliance and service customization.
- **Market access implications:** Governments in key emerging markets such as India, Indonesia and China are enforcing localization policies to boost domestic medtech ecosystems. This regulatory pressure is pushing OEMs to establish or work with regional CDMOs in these markets.

As such, valuations of scaled healthcare CDMOs remain strong, reflecting the sector's attractiveness to investors. For example, **Novo acquired Catalent at an EBITDA multiple of 22.9x in December 2024**, significantly higher than the approximately **16x EBITDA multiple observed for industrial CDMOs**. The high valuations indicate the strategic value of CDMOs in supporting medtech companies' growth and innovation.

Medtech CDMOs are typically organized along these lines (see Figure 2):

- **Therapy areas:** Orthopedics, cardiovascular, diagnostics, drug delivery and neurology
- **Technology platforms:** Microfluidics, neurovascular delivery, robotic-assisted surgery tools and digital diagnostics
- **Value chain roles:** From early design and engineering to cleanroom assembly, packaging, sterilization and regulatory consulting

Figure 2

Overall CDMO competitive landscape - representative examples DIRECTIONAL

Component specific vs. full service	Metal	Plastic			Electronic	Other (e.g., niche material, rubber, aluminum, silicon)
		Broad materials	Injection focused	Extrusion focused		
	Surgical tools, orthopedic implants, wires and colts	Catheters, balloons, tubes, containers and syringes			Electronic modules, circuit boards, batteries and chargers	Advanced ceramics and specialty materials
		JABIL	Phillips Medisize a molex company		VIANT WE'RE IN IT FOR LIFE.	
Full Integration ↓ CDMO capability focus ↓ Component	TECOMET, ORCHID, Beyonics Precision. Driven., NN LIFE SCIENCES, AVALIGN Technologies, JABIL, VIANT WE'RE IN IT FOR LIFE., Marle orthopaedics manufacturing, TEGRA MEDICAL, Fong's, autocam medical, rms	TE connectivity, CREGANNA MEDICAL, Integer, VENTION, VIANT WE'RE IN IT FOR LIFE.	Phillips Medisize a molex company, West, meiban we shape your ideas, NYPRO A JABIL COMPANY, GW Plastics, Nolato		Teleflex, RPM INDUSTRIES, LLC, RAUMEDIC Lifeline to Health	molex one company > a world of innovation, JABIL, MST Micro Systems Technologies engineering for life, EaglePicher Technologies, LLC, SANMINA, EnerSys Power/Full Solutions, flex	TEGRA MEDICAL, TECOMET, CADENCE, VIANT WE'RE IN IT FOR LIFE., CeramTec THE CERAMIC EXPERTS, pulse TECHNOLOGIES

Note: CDMO - Contract development and manufacturing organization
Source: L.E.K. Consulting case experience

Why SEA is the next frontier for medtech CDMO investment

Southeast Asia (SEA) is quickly becoming a focal point for medtech CDMO investment. Historically viewed as a low-cost manufacturing base, the region is now positioned as a geopolitically neutral, increasingly high-tech and talent-rich ecosystem that aligns with OEM global manufacturing shifts. Companies such as Boston Scientific and Medtronic have already expanded their manufacturing operations in SEA, validating the region's

strategic relevance. CDMOs in SEA that can meet global compliance standards and scale operations are poised for significant upside.

Factors making SEA attractive include:

- **Growing domestic demand:** SEA's healthcare spending is projected to grow at a compound annual growth rate of 9% from 2025 to 2029, fueling higher demand for locally manufactured medical devices. As governments focus on improving healthcare access, domestic consumption of medtech products is expected to rise, making regional manufacturing a strategic necessity.
- **Government incentives for medtech manufacturing:** To attract medtech manufacturers, countries such as Singapore, Malaysia and Thailand are offering tax incentives, grants and subsidies to support local production. These initiatives are designed to enhance supply chain resilience, create high-value jobs and position SEA as a global medtech manufacturing hub.
- **Advancements in manufacturing expertise:** SEA is gaining global recognition for its advanced medtech manufacturing capabilities, with multinational corporations leveraging the region's highly skilled labor force to produce complex high-tech devices at competitive costs. Increasing investments in precision engineering, automation and biocompatible materials have further strengthened SEA's position as an attractive medtech manufacturing destination.
- **Localization policies driving regional sourcing:** Governments across India, Indonesia and China are enforcing localization mandates that require medtech companies to source and manufacture products domestically. Policies such as India's Production Linked Incentive Scheme and Indonesia's Tingkat Komponen Dalam Negeri (TKDN) policy are pushing medtech firms to invest in regional manufacturing capabilities, further accelerating the growth of the SEA CDMO market.
- **Geopolitical neutrality:** Amid rising geopolitical tensions — particularly between the U.S. and China — global medtech OEMs are actively seeking manufacturing bases in geopolitically neutral regions to de-risk their supply chains. SEA offers a unique position as a nonaligned, politically stable region, allowing companies to maintain continuity of operations without being caught in cross-border regulatory or trade conflicts.
- **Special economic zones (SEZs):** These zones — such as Malaysia's Iskandar SEZ, Vietnam's Saigon Hi-Tech Park and Indonesia's Batam Free Trade Zone — offer tax incentives, streamlined regulations and infrastructure support, attracting foreign investment and boosting the medtech CDMO market.

How PEs could approach the opportunity

Private equity (PE) investors have a clear opportunity to build or scale CDMO platforms in SEA that align with global OEM needs and long-term market shifts. Key investment strategies include:

- **Globalization:** Expanding SEA-based CDMOs' customer base beyond Asia-Pacific to the U.S. and the European Union, which mitigates risk and increases stability
- **Vertical integration and value creation:** Developing full-service CDMOs with design, production and regulatory capabilities to attract higher valuations
- **Client diversification:** Targeting CDMOs with material or customer adjacencies (e.g., medtech and pharma packaging) to expand revenue and customer base
- **Customer-led geographic expansion:** Backing CDMOs that colocate with global OEMs entering SEA, and supporting them with regional CDMO capabilities
- **M&A and exit strategy:** Acquiring complementary businesses (e.g., specialty material suppliers, internet-connectedmonitoring firms); exit strategies could include a strategic sale to a larger global manufacturer, an initial public offering or a secondary PE sale

As investors assess opportunities in SEA's medtech CDMO space, the following strategic questions should guide diligence:

- **Customer adjacencies:** Can the CDMO expand into adjacent customer verticals (e.g., diagnostics, pharma packaging) to drive cross-sector growth?
- **Technologies and materials:** Which technologies (e.g., microfluidics, silicone molding) and materials align with high-growth device categories and existing capabilities?
- **Geopolitical resilience:** How can the manufacturing footprint be structured across SEA to reduce exposure to geopolitical and trade disruption risks?
- **Outsourcing outlook:** Will OEM outsourcing trends continue across design, development and manufacturing, or is there risk of insourcing in certain categories?
- **Therapy area shifts:** Is the target well positioned to support emerging therapy areas (e.g., neurology), and can it expand upstream/downstream in the value chain?

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