EXECUTIVE INSIGHTS

Unlocking Future Growth: APAC Medtech Outlook 2025

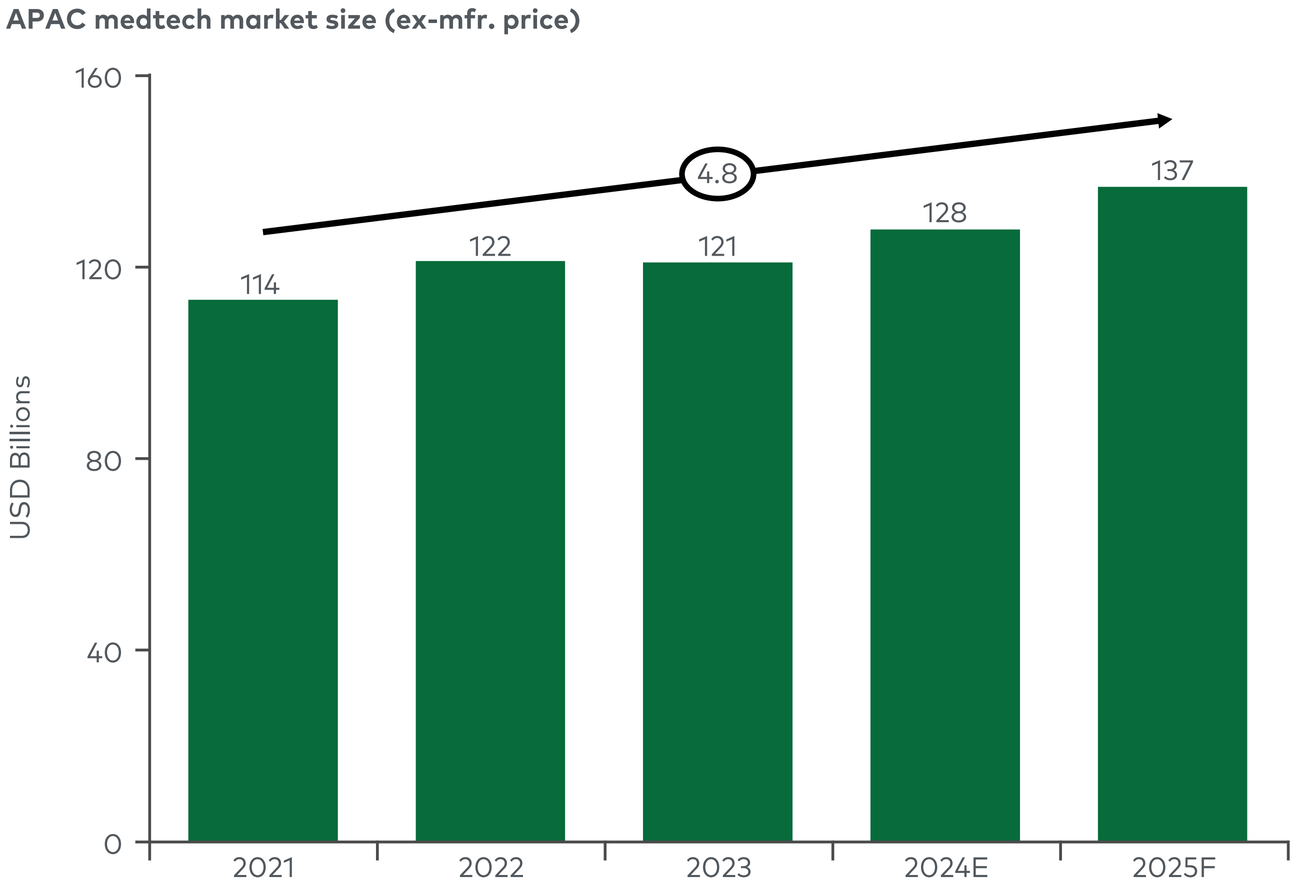
The Asia-Pacific (APAC) region, home to approximately 60% of the global population and accounting for about 30% of global medical technology spending, represents a critical landscape for the future of medtech. As a dynamic collection of markets, APAC is characterized by rapidly evolving strategic issues, including regulatory changes, technological advancements and shifting healthcare demands driven by demographic trends. The increasing emphasis on personalized healthcare solutions and digital innovations further complicates the competitive environment. Given these factors, this paper sets out the key issues L.E.K. Consulting believes is essential for any medtech company with ambitions for the region in 2025.

Expanding horizons: APAC medtech's projected growth in 2025

The APAC region presents a diverse array of markets, ranging from nascent to highly developed. By 2023, the value of the APAC medtech industry was estimated at approximately $121 billion (at ex-manufacturer prices), with projections indicating a compound annual growth rate of 5%, reaching approximately $140 billion by 2025 (see Figure 1). The medical device market has experienced steady overall growth. However, the in vitro diagnostics (IVD) market's return to pre-pandemic growth patterns, following the surge during COVID-19, resulted in a slight decline in 2023.

APAC's medtech market is being influenced by rising demand for advanced and personalized medical technologies, driven by trends such as telemedicine and precision medicine. Economic growth across the region, increasing prevalence of chronic diseases and market access/affordability improvements are all key factors contributing to the evolving medtech ecosystem in APAC. Local dynamics, including China's emphasis on domestic innovation and Japan's aging population, are further fueling the expansion of the market.

Figure 1
APAC medtech market size



Note: APAC=Asia Pacific; IVD=in vitro diagnostics; Including medical devices and IVD
Source: Statista 2024, L.E.K. analysis

Regional powerhouses and emerging players in APAC medtech

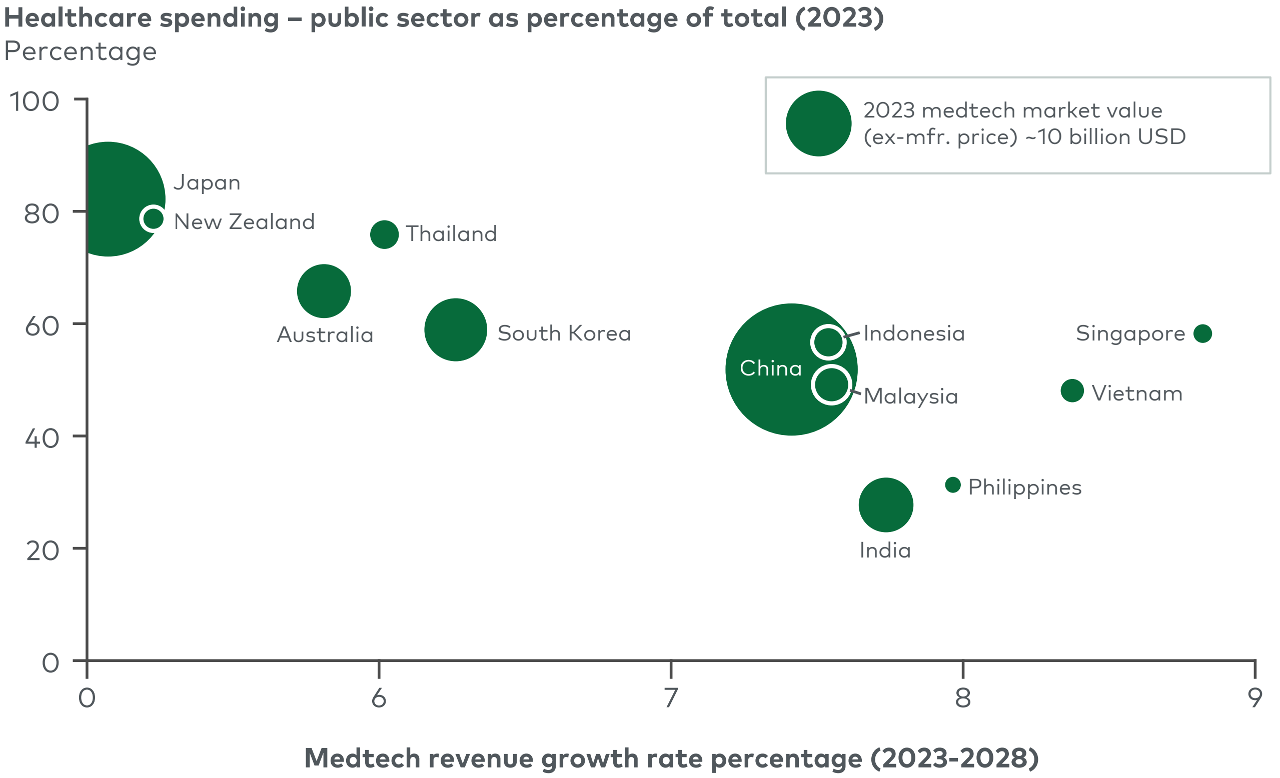
China remains a compelling market within the APAC region for medtech companies, despite ongoing challenges. As the second-largest medtech market globally and approximately 20% of the global population, China offers vast patient pools across almost all diseases and disease states. By 2023, over 15% of the population was age 65 and older, amounting to more than 210 million individuals, with a stable growth rate of around 5%. This trend underscores a significant demand for healthcare management and related services.

Japan's position within the APAC medtech sector remains strong, despite recent currency fluctuations. The country remains open to innovative technologies and continues to serve as a hub for medtech innovation. As evidence of its tech advancement, Japan hosts many of the region's leading players in the robotics market and plays a pivotal role in driving the growth of the APAC surgical robotics sector. Alongside trends seen across the region, the integration of new technologies is expected to be a major theme in the Japanese medtech market.

In addition to these major markets, India is solidifying its role as a key player in the medtech industry, fueled by a focus on cost-effective innovation and local manufacturing initiatives. The National Medical Devices Policy 2023 aims for at least 15% annual growth through 2030, reflecting strong government support for market expansion. Combined with India's demographic advantages, this positions the country well for substantial growth opportunities.

Furthermore, other regions in APAC are emerging as promising opportunities for medtech companies. Several Southeast Asian nations, in particular, offer substantial growth potential due to their relatively underdeveloped healthcare systems. Healthcare spending in major Southeast Asian countries is projected to rise by 6%-10% annually between 2022 and 2032, making them some of the fastest-growing markets in the region. Indonesia and Vietnam stand out as promising areas for expansion, driven by their rising middle classes and government efforts to broaden healthcare access (see Figure 2).

Figure 2
APAC medtech market revenue by country



Note: IVD=in vitro diagnostics; Medtech market including medical devices and IVD
Source: International Monetary Fund, WEO database; The World Bank; Undata; Eurostat; Statista 2024, L.E.K. analysis

Market access hurdles: Adapting to APAC's shifting reimbursement landscape

In the APAC region, medtech pricing and reimbursement trends are influenced by the overall increase in healthcare costs. Governments are considering various strategies to mitigate this, with increasing focus on cost-effectiveness. This has led to stricter reimbursement criteria and the emergence of innovative payment models. As an example, in Singapore, the government has started to explore several healthcare funding models. These include workload-based funding (tied to procedures and bed days), bundled payments (funding per care episode), pay for performance (incentives for meeting key health priorities) and capitation funding (fixed payments per resident to promote preventive care).

The APAC region's diverse healthcare and reimbursement systems present mixed challenges for multinational corporations (MNCs), as broader access and increasingly sophisticated regulations complicate market entry. However, harmonization efforts, such as the International Council for Harmonisation and the Association of Southeast Asian Nations' Medical Device Directive, aim to simplify access through standardized practices and expedited reviews. This evolving landscape underscores the importance of selecting the right partners and fostering strong relationships. Multijurisdiction market access platforms such as idsMED, Everlife, EBOS and Getz play a vital role in navigating complex frameworks, enhancing market penetration, facilitating access to lower tiers of healthcare provisions and securing critical funding.

In China, volume-based procurement (VBP) is set to become the norm, with its implementation accelerating both in terms of product categories and provincial reach. A recent government directive, the "Notice on Strengthening Regional Coordination to Enhance and Expand VBP," released on May 20, calls for greater collaboration and uniformity across provinces or at the national level in future VBP rounds. This policy indicates that the implementation of VBP has been further accelerated, underscoring a commitment to expedite from the government authority. For meaningful VBP rounds, an average hospital price cut of more than 50% is expected across various product categories. Medtech companies will need to rethink their business strategies, from go-to-market (GTM) approaches to pricing and overall operations, to remain competitive in this rapidly changing environment.

Strategic partnerships in APAC medtech

Successful entry, GTM and deepening penetration in the APAC region increasingly require a strategic mix of acquisitions, greenfield investments and strong distribution partnerships. Understanding the intricacies of local markets is essential in determining the most effective approach to address this diverse and complex region.

To start with, the GTM model consideration needs to fit market, product and wider company objectives. The regulatory environment is a key factor, as APAC's diverse regulations require tailored compliance strategies. Understanding customer purchase behavior, including public versus private healthcare reliance, is critical for market access. Market size and potential also influence distribution and resource allocation. For more complex products, a specialized sales force may be necessary. Additionally, the market structure might require local partnerships, especially in fragmented regions, while portfolio breadth and scale can help create synergies across different markets (see Figure 3).

Figure 3
Six key consideration factors for the GTM approach

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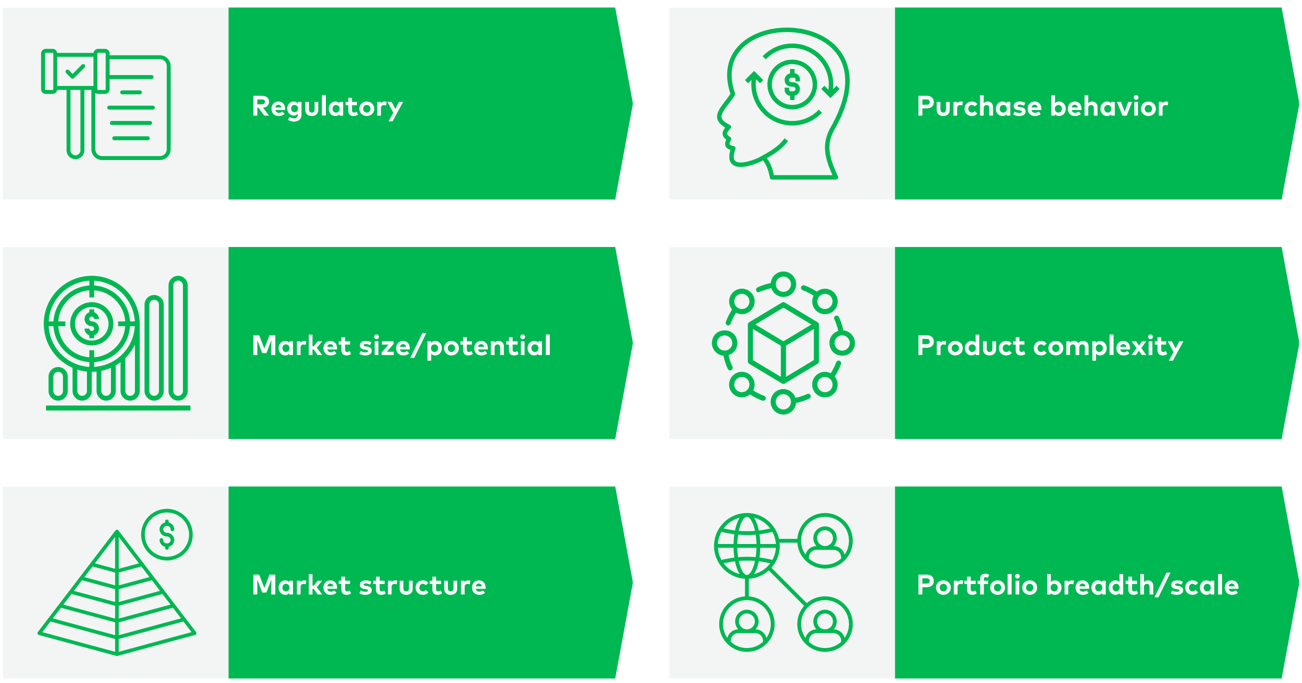


Note: GTM=go-to-market
Source: L.E.K. research and analysis

For MNCs looking to navigate and penetrate APAC's fragmented markets, distributor partnerships are particularly vital. Medtronic and Zeiss, for instance, have partnered with RBGM Medical to leverage local expertise for commercialization in both the public and private sectors. Similarly, idsMED's exclusive partnership with Bioptimal has streamlined the distribution of critical care consumables in key markets such as Singapore, the Philippines, Malaysia, Thailand and Vietnam.

We are also seeing more holistic partnership models being explored in the region. In February 2023, GE Healthcare and Sinopharm Group's China National Medical Device Co. initiated a joint venture aimed at integrating the development, manufacturing and distribution of medical imaging equipment for emerging markets. Building on a 30-year collaboration, this marks Sinopharm's first step into high-end medical equipment manufacturing. Since then, progress includes the launch of the "SINO IMAGING" brand in November 2023 and the approval of Sinopharm Xinguang's 4K endoscope camera system, which reportedly offers full-chain 4K data flow and advancements in optical path design and production techniques.

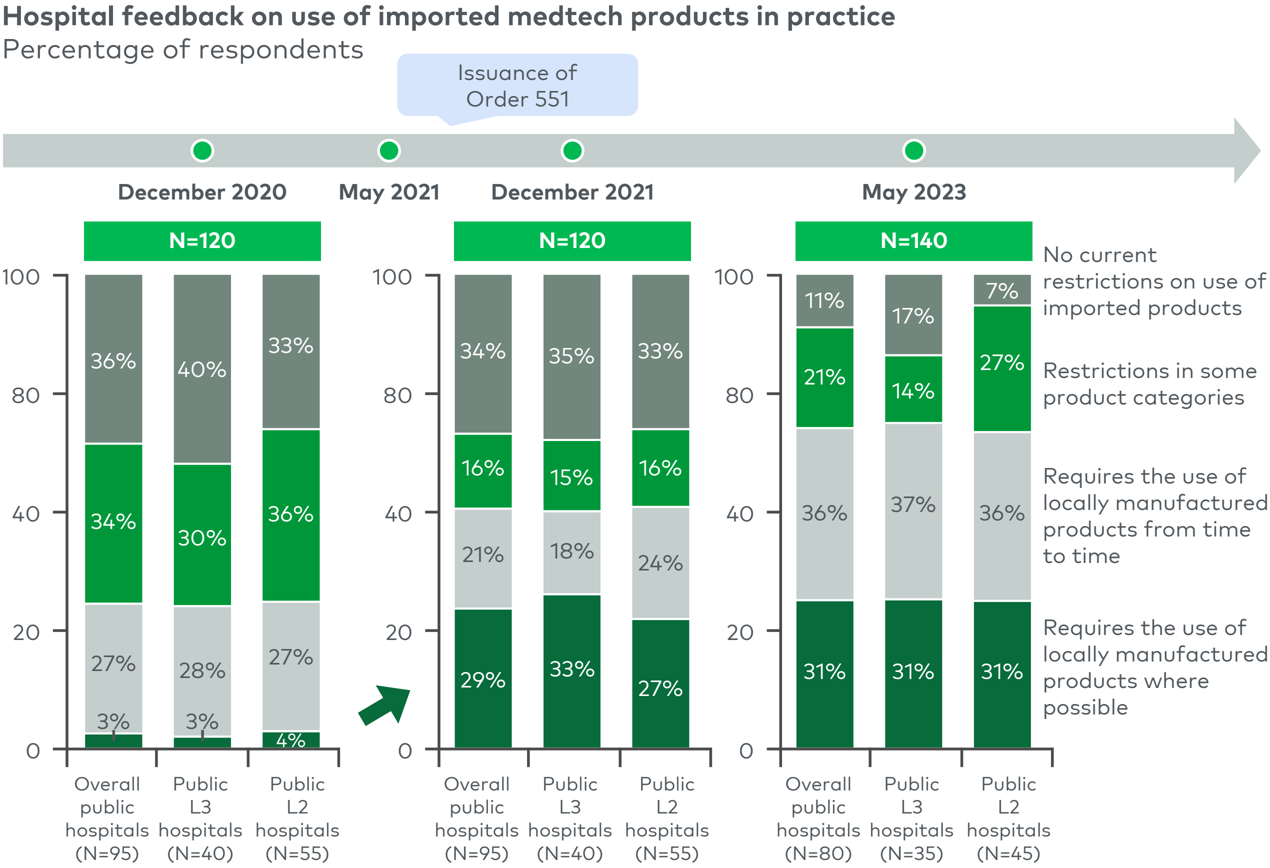
By tapping into local partners' networks, expertise and regulatory know-how, MNCs can achieve more efficient market entry and deeper penetration. These partnerships, shaped by protectionist policies and decentralized procurement processes, underscore the need for flexible strategies throughout the value chain. Companies must carefully consider how these evolving dynamics impact their operations and explore competitive strategies to thrive in this challenging environment.

Local production on the rise: How APAC's policies are shaping medtech

Governments across the APAC region are increasingly pushing for onshore medtech production, driven by ambitions to move up the value chain and secure reliable healthcare supplies for their populations. It's no coincidence that the largest APAC markets with the longest-growth headroom, such as China, India and Indonesia, are spearheading this shift with policies and initiatives that encourage onshoring the medtech value chain.

Since May 2020, China's focus on "internal circulation" has emphasized domestic supply and consumption as the key economic drivers, advancing policies that favor onshore manufacturing and local products. This shift is now influencing the medical device sector, with policies such as Order 551, or the "Buy China" policy, creating market access barriers for multinational companies. Hospitals are increasingly restricting imported products, and provincial requirements demand justification for such purchases. The long-term push is supported by initiatives such as "Made in China 2025" and the 14th Five-Year Plan, aiming to strengthen domestic medtech manufacturers (see Figure 4).

Figure 4
Hospital's attitude toward the use of imported medtech products



Note: *Survey question: Which of the following statements best describes your hospital's attitude toward the use of imported medtech/medical device products? 以下哪项陈述最能说明您所在医院对于进口医疗器械产品的态度？Wording for option provided was adjusted between 2021 and 2022 surveys
Source: L.E.K. 2021, 2022 and 2023 APAC Hospital Priorities Survey

India's "Make in India" and "Production-Linked Incentive" schemes from 2014 and 2020, respectively, are also influencing the local market and prompting MNCs to reevaluate their local infrastructure. A recent example is Medtronic, which announced plans in March to invest $350 million in its Medtronic Engineering & Innovation Center in Hyderabad, India, one of the largest R&D facilities outside the U.S. Similarly, Siemens Healthineers plans to invest $197.7 million by 2025 to establish an innovation hub in Bengaluru, India. This move underscores the growing influence of localization policies in attracting substantial investments.

Additionally, Indonesia's Tingkat Komponen Dalam Negeri (TKDN), introduced in 2014, reflects similar efforts by the local government to boost domestic production. For imported medical equipment, meeting local content requirements is a prerequisite for government procurement. According to the Indonesian Ministry of Health, as of Q3 2023 over 50% of the products listed in the government's e-catalog had obtained TKDN certification.

As market access is increasingly intertwined with supply chain configuration, decades of efforts aimed at manufacturing consolidation are meeting the post-COVID-19 realpolitik of national policy in key global markets. As governments increasingly recognize the need for reliable healthcare supplies, they are continuing to invest in local capabilities. It is likely that we will see a wider drive for effectiveness in medtech localization, supported by continued innovation and collaboration among stakeholders across the region. For companies operating in APAC, exploring manufacturing localization investments is now crucial. Careful evaluation of supply chains, manufacturing bases and commercial opportunities is essential to build a solid business case, weigh trade-offs and develop a viable business model that supports long-term success. These strategic assessments will be critical as MNCs navigate the shifting regulatory and competitive landscape in the region.

Digital health and robotics: Leading the innovation wave

The surge in telehealth sparked by the COVID-19 pandemic is evolving into a broader shift toward ambulatory and home care services, supported by telehealth infrastructure, wearables and advances in remote testing and treatment technologies. Telehealth adoption across the APAC region continues to rise, led by China, with significant growth in Southeast Asian markets such as Indonesia, the Philippines, Malaysia and India.

Concurrently, robotics is reshaping healthcare delivery across APAC. In China, more than 100 local companies are developing surgical robotics products, covering key subsegments such as orthopedics, laparoscopy, neurology and dentistry. In 2022, at least 15 surgical robotics products were approved by China's National Medical Products Administration, a substantial increase from previous years. Government support for robotic-assisted surgeries is also strong across the region, with many procedures now covered by public insurance in Japan, South Korea and Taiwan.

The adoption of artificial intelligence (AI) in healthcare is marking a new era of operational efficiency and care quality in 2024. APAC ranks second globally after the U.S. in terms of AI's share in healthcare, with early applications focusing on operations such as scheduling, transcription and patient management. AI-assisted diagnostics are now gaining broader acceptance, signaling significant investment and innovation in the sector. However, to unlock AI's full potential, evolving regulations, data governance and the strategic use of data will be critical in ensuring safety and effectiveness.

As traditional healthcare providers increasingly adopt these technologies, the transition to a more digital, patient-centric approach is becoming inevitable. To stay competitive, companies must invest in digital infrastructure and equip themselves with innovative tools to meet the demands of a rapidly transforming market.

Private equity in APAC medtech: Navigating investment opportunities amid challenges

Investment dynamics in the APAC medtech market are shaped by a blend of growth opportunities and macroeconomic headwinds. Market participants are focused on leveraging this year and next year to recover momentum. Despite rising interest rates and currency fluctuations, such as those affecting Japan, that are impacting deal valuations and fundraising, the region continues to attract private equity (PE) investors due to its expanding healthcare needs and aging populations. Notably, healthcare remained one of the more active sectors in APAC, ranking third in total buyout deal count in 2023, behind the technology, media and telecom and consumer sectors. Regarding the medtech sector specifically, PE activity by value declined in Q2 2024 compared to the previous quarter and Q2 2023 deal volume remained stable.

From a regional perspective, India has made a significant mark with major deals, such as Warburg Pincus' acquisition of a controlling stake in Appasamy Associates, India's largest ophthalmic equipment and intraocular lens manufacturer, in April. Other PE-held key company dynamics include Everstone Capital's merger of Translumina Therapeutics and Everlife Holdings to form a significant entity with an eventual big-ticket initial public offering, making it one of the APAC medtech sector's most notable deals this year. Additionally, on Feb. 22, 2022, Warburg Pincus signed an agreement to invest approximately $210 million for a minority stake in Micro Life Sciences, parent of India's largest medical devices company, Meril Group.

China remains a central investment destination, bolstered by its integral role in the global supply chain, vast market potential and increasing recognition of its technological quality by multinational corporations. A notable example is the Straumann Group, a Swiss provider of dental solutions, acquiring AlliedStar, a Shanghai-based intraoral scanner company, that will be integrated into Straumann's AXS digital platform, launched in APAC this year. However, tightening regulations and geopolitical risks are making exits less attractive in China, prompting investors to diversify toward more stable markets such as India and those in Southeast Asia. Novo Holdings, historically focused on China, is expanding its footprint in these regions, recently investing in Doctor Anywhere, a Singapore-based health tech firm. The Carlyle Group is also increasing its investments in Japan, acquiring a stake in

CureApp, a medtech leader in digital therapeutics, to address Japan's healthcare needs.

In Southeast Asia, key investment areas are also evolving in parallel to market advancement. Digital health, telemedicine and healthcare services have surfaced to be key local themes, with PE firms focusing on technological upgrades, expanding service offerings and broadening market reach. The telemedicine market in Southeast Asia is particularly appealing due to its significant growth potential and underrepresentation. Companies such as Halodoc in Indonesia and Speedoc in Singapore have received substantial investments in the digital health space.

Furthermore, highlighting the role of PE funds in driving innovation in the region, several PE-backed medtech companies are poised to enter the market. Aevice Health, backed by Coronet Ventures, developed the world's smallest smart wearable stethoscope for asthma and COPD monitoring, securing $7 million in August. APrevent Medical Inc., with $6 million in Series D funding led by Taiwania Capital, offers the first adjustable implant for unilateral vocal fold paralysis. Other notable companies include Alfaleus Technology (a virtual reality-based low-vision aid) and Medipixel (an AI-based coronary image analysis system).

Looking ahead, investors planning strategies in APAC must consider shifting regional dynamics and keep pace with innovation trends such as AI and robotics. In a more challenging market environment, financial sponsors should proactively address liquidity concerns through effective strategies, instilling confidence in returns earlier in the investment cycle.

Closing thoughts

It is clear that the APAC region stands as a defining frontier for the future of medical technology. With its vast population and significant share of global medtech spending, APAC is not merely a growth market but a critical driver of innovation and transformation. This dynamic landscape, shaped by evolving regulatory frameworks, rapid technological advancements and shifting healthcare needs, demands that medtech companies recalibrate their strategies. The purpose of this paper has been to spotlight the pivotal issues that any forward-looking company must address to secure a foothold in this complex yet opportunity-rich region.

As we look ahead to 2025, the path to success in APAC's medtech sector lies in decisive action. Companies must deepen engagement with local partners, innovate relentlessly and navigate regulatory and reimbursement complexities with agility. The rise of personalized healthcare and digital innovation requires proactive adaptation, with a focus on enhancing local production capabilities. The need to act is clear: It is time to strategize and unlock the vast potential of APAC's medtech market through visionary foresight, collaboration and a commitment to driving meaningful healthcare outcomes across the region.

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