

Two deals in two days means aesthetics is looking good



[Elizabeth Cairns](#)

Both Allergan and Hologic have done billion-dollar deals for aesthetics companies this week, with the aim of capitalising on the fast-growing area of non-invasive beauty treatments. This is hardly a leftfield move for Botox's maker, Allergan, but most of Hologic's business is in the areas of diagnostics, imaging and obstetrics.

It seems likely that, as payer pushback intensifies in the more traditional areas of medtech, Hologic believes that it might be easier to make money from procedures for which healthy people are prepared to pay out of pocket.

Allergan has spent \$2.5bn buying Zeltiq Aesthetics, whose flagship technology is a "body contouring" technique called [CoolSculpting](#). Zeltiq says this is based on the "scientific principle of cryolipolysis", whereby fat cells are more sensitive to cold than the overlying skin and surrounding tissues, so chilling them causes them to die. As an aside, "cryolipolysis" is a registered Zeltiq trademark.

Hologic's acquisition of Cynosure was smaller, at \$1.7bn. Like Zeltiq, Cynosure sells body-contouring technologies, but these involve [firing lasers at the fat](#) rather than chilling it. It also offers laser-based devices that can remove hair, scars and tattoos.

Cheaper than surgery

Few of Zeltiq's or Cynosure's products are reimbursed. Patients pay themselves - a CoolSculpting treatment, for example, costs around £1,700 (\$2,100) in the UK. And they do so in increasing numbers.

This week the British Association of Aesthetic Plastic Surgeons (BAAPS) stated that the number of cosmetic surgical operations performed in the UK last year dropped 40% from 2015, and attributed the decrease to the public's unwillingness to spend the kinds of sums necessary in the run-up to, and the wake of, the Brexit referendum. Instead people are plumping for cheaper noninvasive procedures, the organisation said.

In support of this theory BAAPS said rates of operations that have no non-surgical equivalent, such as the pinning back of prominent ears, had changed little.

Certainly sellside analysts see huge growth here. Aegis Capital analysts peg the global aesthetics market at \$2.2bn and expect it to grow at around 11% annually to 2020. Allergan is more bullish, saying body contouring alone is a \$4bn market.

According to *EvaluateMedTech's* consensus data, Zeltiq's revenues are forecast to grow 21% a year out to 2022, compared with 15% for Allergan. Cynosure, meanwhile, will expand 12% to 2022, a fair clip faster than Hologic's forecast 5% annualised growth. And both deals will be immediately accretive to the buyers' earnings, the companies say.

More?

So advantageous are these acquisitions that analysts are certain there will be more. Leerink analysts forecast that Cynosure would be bought in a note on the Zeltiq deal, and suggested that the Israeli aesthetics group Syneron Medical might also be snapped up.

The private equity firm Apax Partners is rumoured to be an interested buyer with a possible deal price of \$350-400m. Shareholders appear to concur; Syneron's shares are up 11% since the Allergan-Zeltiq deal was announced.

Another possible target might be Cutera, which has a diversified aesthetic portfolio including a non-invasive fat-buster called Trusculpt. Trusculpt has struggled to gain any real market share since its launch in 2012; nevertheless, Cutera's shares are up 7% so far this week.

It is not surprising that medtech companies see the makers of direct-to-consumer products like these as moneyspinners. Regulation is patchy - as with Botox, many of these treatments can be administered by people

with no formal medical training. And these are exactly the sort of products that will sell well thanks to word-of-mouth recommendations, so one way or another extensive, expensive clinical trials are not necessary.

The only surprising aspect of this spurt of aesthetics mergers is that it took so long.

To contact the writer of this story email Elizabeth Cairns in London at elizabethc@epvantage.com or follow [@LizEPVantage](https://twitter.com/LizEPVantage) on Twitter

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Evaluate HQ
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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