

Perkinelmer ups diagnostics game with Euroimmun buy



[Madeleine Armstrong](#)

Perkinelmer's \$1.3bn acquisition of Euroimmun is yet another example of a medtech company building scale in a space in which it is already active. In this case the sector is *in vitro* diagnostics – and there could be more to come, hinted the acquirer's chief executive, Robert Friel.

"As we see other opportunities to add technologies or disease areas, we'll look to do that," he said during a conference call to discuss the deal. Mr Friel described a 50:50 split between the group's diagnostics business and its food and services unit as the "perfect mix"; diagnostics accounted for 30% of its revenues in the first quarter of 2017.

As for potential targets, Mr Friel said the company was focused on speciality and niche diagnostics in high-growth areas. It is not all about acquisitions though: Perkinelmer has also been streamlining recently, offloading its lower-growth medical imaging business to Varian last year.

Euroimmun boon

Investors seemed in favour of the Euroimmun takeover, pushing Perkinelmer's stock up 7% yesterday.

Unlike many scale-building plays the deal, which will be funded by \$900m in debt and the remainder in cash, is aimed more at bolstering revenues than cutting costs, said Mr Friel. Over the past five years, Euroimmun's top line has been growing at an average of 19% – by contrast, Perkinelmer's sales increased 5% in 2016.

As well as providing a growth injection, the acquisition will give Perkinelmer a new presence in autoimmune and allergy diagnostics, and boost its offering in infectious diseases. Euroimmun is expected to bring in sales of \$310m this year, around two thirds of which will come from autoimmune testing, 20-25% in infectious diseases, and the rest from allergy testing, Mr Friel said.

Euroimmun markets tests for the Zika, dengue and chikungunya viruses; Perkinelmer's current infectious disease offering is focused on HIV and hepatitis B and C testing.

In addition, Euroimmun will boost Perkinelmer's footprint outside the US, particularly in China, which is already a priority for the company. The country accounts for around 45% of Euroimmun's sales, while around 30% comes from Europe, the Middle East and Africa.

Perkinelmer will also start marketing Euroimmun's products in India, where it has a presence through the acquisition of Tulip Diagnostics in January.

Meanwhile, just 5% of Euroimmun's revenues are booked in the Americas. Perkinelmer believes that it will be able to ramp this up, helped by an existing sales infrastructure for its reproductive health tests and "strong US regulatory capability".

"We think there's potential to build at least a \$300m business in the US," Mr Friel said. Overall the acquisition of Euroimmun doubles Perkinelmer's addressable market from \$3bn to around \$6bn, according to the chief executive, and this could increase as the company further penetrates the infectious diseases market.

On this front, Perkinelmer hopes to learn from Euroimmun's R&D approach. Mr Friel highlighted the speed at which the latter identifies opportunities and brings new tests to the market – which he believes is the reason for its above-market sales growth.

So far this year, medtech megadeals have been thin on the ground, and not one has broken the \$5bn barrier. Perhaps the climate is cooling again – but consolidation should continue to drive acquisitions for the foreseeable future.

Top five medtech deals in 2017*

Acquirer	Target	Deal value (\$m)	Sector	Date announced
Allergan	Zeltiq Aesthetics	2,475	Aesthetics	Feb 2017
Hologic	Cynosure	1,650	Aesthetics	Feb 2017
PerkinElmer	Euroimmun	1,300	IVDs	June 2017
McKesson	CoverMyMeds	1,100	Health IT	Jan 2017
Nordson	Vention Medical's Advanced Technologies division	705	Device design/development	Feb 2017

*As of 20 June 2017. Source: EvaluateMedtech.

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