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Lack of takeovers sees medtech hiring staff again



[Elizabeth Cairns](#)



Intuitive Surgical is the winner in terms of sales per employee, despite increasing its headcount 17%.

The dearth of large mergers in medtech in 2016 brings the organic growth in the sector to the fore. In contrast to 2015, almost all the companies in the top 15 by market cap built up their workforce organically, most notably Intuitive Surgical, which expanded by a massive 17%.

Intuitive is also the most efficient in this group in terms of sales generated per employee (see analysis below). True, the fastest-growing among the 15 largest companies by market cap is Stryker, whose 22% workforce expansion can be attributed to the eight M&A deals it closed in 2016, but this is an exception.

Standard hiring practices by the other 12 groups in the big-cap cohort allowed these to grow naturally in 2016. In this, 2016 is an outlier: mergers are almost always the means by which big changes in staff levels come about in the medtech industry.

Indeed, Medtronic, Zimmer Biomet and Becton Dickinson closed major mergers the year before, and likely trimmed some jobs in 2016 as they digested their purchases.

And the trend towards organic growth will be reversed next year. Already one company in the top 15 has closed a multibillion-dollar merger in 2017, and three more ought to close before this year is out.

Employee numbers of the top 15 medtech companies by market cap

| Company | Market cap YE 2016 (\$bn) | No of employees at year end | | | | | | % change 2011-16 | % change 2015-16 |
|-----------------------|---------------------------|-----------------------------|---------|---------|---------|---------|---------|------------------|------------------|
| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | | |
| Stryker | 44.9 | 21,241 | 22,010 | 25,000 | 26,000 | 27,000 | 33,000 | 55% | 22% |
| Intuitive Surgical | 24.6 | 1,924 | 2,362 | 2,792 | 2,978 | 3,211 | 3,755 | 95% | 17% |
| Edwards Lifesciences | 19.8 | 7,800 | 8,200 | 8,600 | 9,100 | 9,800 | 11,100 | 42% | 13% |
| C. R. Bard | 15.8 | 12,100 | 12,200 | 13,000 | 13,900 | 14,900 | 16,300 | 35% | 9% |
| Boston Scientific | 29.5 | 24,000 | 24,000 | 23,000 | 24,000 | 25,000 | 27,000 | 13% | 8% |
| Coloplast | 14.3 | 7,372 | 7,875 | 8,563 | 9,250 | 9,706 | 10,275 | 39% | 6% |
| Zimmer Biomet | 20.7 | 8,700 | 9,300 | 9,500 | 10,000 | 17,500 | 18,500 | 113% | 6% |
| Essilor International | 24.5 | 48,700 | 50,688 | 55,129 | 58,032 | 60,883 | 63,676 | 31% | 5% |
| Hoya | 16.9 | 32,363 | 35,130 | 36,605 | 34,635 | 34,362 | 35,752 | 10% | 4% |
| Medtronic | 116.8 | 45,000 | 46,000 | 49,000 | 92,000 | 88,000 | 91,000 | 102% | 3% |
| Becton Dickinson | 35.9 | 29,369 | 29,555 | 29,979 | 30,619 | 49,517 | 50,928 | 73% | 3% |
| Philips | 28.2 | 121,888 | 118,087 | 116,082 | 113,678 | 112,959 | 114,731 | (6%) | 2% |
| Abbott Laboratories | 56.6 | 91,000 | 91,000 | 69,000 | 77,000 | 74,000 | 75,000 | (18%) | 1% |
| Baxter International | 23.9 | 48,500 | 51,000 | 61,000 | 66,000 | 50,000 | 48,000 | (1%) | (4%) |
| Danaher | 54.1 | 59,000 | 63,000 | 66,000 | 71,000 | 81,000 | 62,000 | 5% | (23%) |

Source: EvaluateMedTech.

One company is missing entirely from the top 15 table – St. Jude. It did not file a Form 10-K last year as its \$25bn takeout by Abbott, which closed in February, was pending. The group had 18,000 employees at the end of 2015; if this total were to be added to Abbott’s 75,000 it would represent a 26% year-on-year growth rate for the Illinois company.

The company that saw its workforce shrink by the greatest amount also has a strategic move to thank. Danaher spun off some of its non-medtech segments into a new company, Fortive, shedding 19,000 workers in the process.

Efficiency

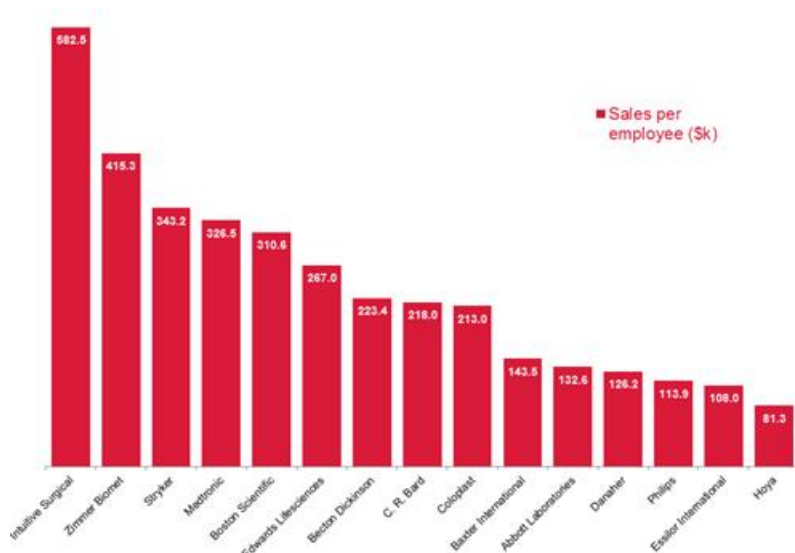
Analysing this group of big-cap companies by the sales they recorded last year also brings Intuitive out on top – hardly surprising given that it is mid-table in terms of its valuation but has the fewest workers.

The surgical robotics group made \$582,530 per employee in 2016, putting it way ahead of the rest of the pack. Its closest rival, Zimmer Biomet, made \$415,346 per staff member – still a tidy sum, but some way behind. This doubtless partly reflects the high price of Intuitive’s machines – even a basic model can cost upwards of \$1m – as well as the fact that its customers are locked in to paying for a constant stream of single-use surgical accessories.

The two last-placed companies on this metric are both lens makers. Essilor, based in France, and the Japanese

group Hoya principally make lenses for eyeglasses.

Top 15 companies - sales per employee



In terms of percentage growth in staff numbers, the winner for 2016 is Viveve, which doubled its headcount to 42. This group skates the boundary between medical and aesthetic devices, offering a therapy for “vaginal laxity”.

Aesthetics is without doubt a fast-growing, money-spinning sector, and over the past five years Viveve has obtained \$23m in venture funding from investors including Wexford Capital and 5AM Ventures.

Top 10 headcount increases of the last year

| By percentage of staff added | | | By number of staff added | | |
|------------------------------|---------|----------------|--------------------------|--------------|----------------|
| Name | % added | 2016 headcount | Name | Number added | 2016 headcount |
| Viveve Medical | 100% | 42 | Stryker | 6,000 | 33,000 |
| Accelerate Diagnostics | 71% | 193 | Dentsply Sirona | 4,300 | 15,700 |
| CareDx | 69% | 161 | Sonova | 3,195 | 14,089 |
| Omniceil | 68% | 2,444 | Medtronic | 3,000 | 91,000 |
| Nevro | 68% | 518 | Essilor International | 2,793 | 63,676 |
| Venaxis | 60% | 8 | B. Braun Melsungen | 2,318 | 58,037 |
| Dexcom | 57% | 1,900 | Boston Scientific | 2,000 | 27,000 |
| Oxford Immunotec | 55% | 432 | Philips | 1,772 | 114,731 |
| Novacyt | 45% | 97 | Align Technology | 1,685 | 6,060 |
| Align Technology | 39% | 6,060 | William Demant* | 1,536 | 12,339 |

*Numbers are averages for the year.

As for those whose workforce shrank over the past year, the biggest percentage reduction was in Alphatec’s staff. This was the result of a divestment: the spinal implant company sold its international operations and distribution channels to a musculoskeletal specialist, Globus Medical, for \$80m in cash.

Then there is the long, slow atrophy of GI Dynamics following the abandonment of its only product two years ago (*GI Dynamics has nothing up its sleeve, July 31, 2015*). In 2015, the company dropped from 69 employees to 36; in 2016 the percentage fall was even more precipitous, leaving the company with a staff of just 15.

Top 10 headcount reductions of last year

| By percentage of staff cut | | | By number of staff cut | | |
|------------------------------|-------|----------------|------------------------|------------|----------------|
| Name | % cut | 2016 headcount | Name | Number cut | 2016 headcount |
| Alphatec Holdings | (62%) | 162 | Danaher | (19,000) | 62,000 |
| GI Dynamics | (58%) | 15 | Steris | (2,000) | 12,000 |
| Lombard Medical Technologies | (40%) | 113 | Baxter International | (2,000) | 48,000 |
| Vermillion | (39%) | 33 | Gerresheimer | (780) | 9,904 |
| Tearlab | (36%) | 75 | Drägerwerk | (700) | 13,236 |
| Cancer Genetics | (36%) | 142 | Masimo | (650) | 3,050 |
| LED Medical Diagnostics | (30%) | 28 | ConvaTec | (556) | 8,500 |
| Nexstim | (28%) | 23 | DJO Global | (280) | 4,980 |
| CHF Solutions | (24%) | 29 | Alphatec Holdings | (268) | 162 |
| Danaher | (23%) | 62,000 | Nxstage Medical | (200) | 3,400 |

The changes in headcount – both increases and decreases – seen over the past year are relatively modest; in 2015 small-cap companies swung as much as 612%, and even among the big-cap group the biggest increase was 62%, far larger than this year's 22%. This is partly attributable to the much quieter merger scene last year.

Next year ought to see greater changes. Several big deals will make themselves felt, including Abbott-St. Jude, and Becton Dickinson's purchase of Bard for \$24bn. Philips is divesting its last lighting units but buying Spectranetics, perhaps meaning that its staff numbers will not change greatly though its focus will be entirely different.

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