

## Interview - Philips expands from imaging to treatment



[Elizabeth Cairns](#)

At a time when some conglomerates are limiting their involvement in the medical technology sector, Philips is taking the opposite path. Having divested everything from television to lighting the company is now effectively pure-play medtech, and has even begun to supplement its comfort zone of medical imaging by moving into therapeutic interventions.

“The focus has gone really on health technology – that’s who we are as a company,” says Bert van Meurs, leader of the image guided therapy group at Philips. This shift goes back quite some time, he says, but really got under way when Philips spent over \$1bn on Volcano three years ago.

Volcano was an imaging company, specialising in intravascular ultrasound and fractional flow reserve, techniques used to guide vascular procedures such as stenting ([Philips buys Volcano and hopes it will not get burned](#), December 17, 2014). Once that technology was under the Philips umbrella, Mr van Meurs says, a move into supplying the devices used in the actual treatment was the logical next step.

Hence the purchase of Spectranetics this summer ([Philips spends \\$2bn on loss-making Spectranetics](#), June 28, 2017). The company’s flagship device, a drug-coated balloon called Stellarex used to open blocked blood vessels, was approved by the FDA a month later.

“To make interventional procedures more efficient you need to look broader, and bolster the technologies that we have in house,” Mr van Meurs says. “We’ve integrated Volcano successfully and, if you look at the entire procedure, specifically cardiovascular or peripheral vascular, you also need to make the step into the treatment itself.”

If Philips was determined to add to its imaging capabilities with devices capable of treatment, interventional cardiology was the place to do it. The group has been a fixture in the cath lab for decades with X-ray and angiography machines among other technologies, and was already in close contact with customers. It was able to sell Volcano’s portfolio of intravascular diagnostic technologies and later Spectranetics’ devices to its established base, and cardiologists can now get all the technologies they need for an angioplasty from just one supplier.

### Partnering

A similar rationale underpins the group’s acquisition of Tomtec, a maker of ultrasound image analysis software, for an undisclosed amount this summer. Tomtec’s analytics are perhaps best known for their use in structural heart disease, specifically transcatheter valve implantation procedures. But it fits well enough with Philips’s cardiovascular operations.

“We’re always looking at areas which will accelerate growth within a business – but the economics must connect as well,” says David Handler, general manager of the cardiac ultrasound business at Philips. “Tomtec’s software could be applied in the cath lab, even potentially in imaging related to things like Spectranetics procedures. Some of these core capabilities have far-reaching application to the overall Philips portfolio.”

Philips’s most recent move was not an M&A deal, however, but a partnership. In late August it agreed to sell Heartflow’s FFRct, which uses computer simulations based on CT scans to assess the extent of coronary artery disease and the impact of the disease on blood flow to the heart. This will be promoted alongside the fractional flow reserve and intravascular ultrasound tech Philips obtained via Volcano.

This could lead to further confluence in future, Mr van Meurs says. “Heartflow is using fluid dynamic modelling based on CT images. You can use that same methodology on angiography images. If we combine our expertise we can do the same thing in the angiography lab.”

Partnering with Heartflow like this was a better option than an outright takeover, Mr van Meurs says, as the smaller group’s independent position means it can use CT images taken from various companies’ machines, including those made by Philips’s competitors. He says that were Philips to have bought Heartflow, it might have lost access to some of these images, limiting the technology’s use.

Intriguingly this does not seem to be a problem with Tomtec, which has always prided itself on being vendor-neutral when it came to the ultrasound images. “You can take a Tomtec Arena workstation and apply image quantification and analysis to all different ultrasound images, and that’s one of the things customers love,” says Mr Handler. “Customers have been clear that this is highly valuable, and we believe that that will continue very strongly under Philips’s wing.”

## **Adjacent**

In between these bouts of cardiovascular-focused activity, Philips has done a few tuck-in deals in other areas, buying the brain activity monitoring group Electrical Geodesics and Respiratory Technologies, which makes airway clearance devices for patients with conditions such as COPD and cystic fibrosis.

These, again, are intended to bolster areas in which Philips already plays. “We are one of the largest players in sleep apnoea and respiratory care both in hospital and at home,” Mr van Meurs says. He adds that Electrical Geodesics is “a very strong synergy” with Philips’s neurology products.

“What you will find with these acquisitions is that it is always adjacent to a position of strength we already have, and that’s how we want to expand. You will not find an acquisition that is completely in the blue ocean, a completely new area.”

The company considers it vital that any technology it has, whether bought in or developed in-house, works well with what it already has – and ideally improves it. Mr Handler explains that Philips has developed a product called EchoNavigator which integrates X-ray-based and ultrasound technologies into one connected system, fusing the two kinds of image and allowing analysis “in a way that has never been done before”.

Naturally this requires customers to commit to a more expensive system up front on the understanding that the increased ease of the procedures will save time and money in the long run. “For the EchoNavigator example, when you show customers this the light bulb goes off immediately – they just get it,” Mr Handler says.

It seems unlikely that it’s always that easy. But Philips’s determination that anything it buys fits seamlessly with its other tech – and therefore appeals to its customer base – appears to be working for it.

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