

## Private equity buyout trend continues with Exactech



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TPG Capital's purchase of the orthopaedics company Exactech is the first private equity buyout of a medtech player this year – but likely not the last, if recent trends continue. Over the past five years the increasing interest of PE groups in device makers has become obvious, with 2017 seeing 17 such takeovers (see analyses below).

But there are signs that this feeding frenzy might soon abate. Listed companies are, generally, riding high; no major megamergers that might result in divestitures are pending; and the trend for conglomerates to hone their focus by offloading non-core units seems to have run its course. Indeed, several recent medtech companies were sold by one PE shop to another. Perhaps much of the low-hanging fruit has already been plucked.

PE buyouts of medtech companies	
Year	No of deals
2014	7
2015	16
2016	19
2017	17
2018 to date	1

TPG Capital has forked out \$49.25 per share for Exactech, which makes a range of orthopaedic implants for hips, knees and shoulders. Its initial bid, made in October, was \$42 per share.

According to filings made by Exactech, the bid was pushed up by a counter offer of \$49 per share from a non-US PE firm, received in November. Analysts from Gabelli and Company believe that the Swedish group EQT Partners was the other interested party.

The acquisition is the biggest to take a device company private since the Chinese firm Citic bought Biosensors International in 2015. This is because many PE acquisitions – particularly the larger deals – are of business units divested by larger medtech groups, often necessitated by their own M&A activity.

### Top 5 deals where PE has taken a medtech group private in the last five years

Date closed	Acquirer	Target	Value (\$m)	Focus
Nov 4, 2015	Citic	Biosensors International	817	Cardiology
Feb 14, 2018	TPG Capital	Exactech	733	Orthopaedics
Oct 12, 2015	XIO Group	Lumenis	510	General hospital & healthcare supply; ophthalmics
Jul 17, 2017	Apax Partners	Syneron Medical	400	General & plastic surgery; general hospital & healthcare supply
Jul 12, 2017	Gurnet Point	Innocoll	209	General & plastic surgery; wound management

Still, all the megamergers signed in the past few years have already closed, so no major carve-outs of this kind are on offer at the moment. And the trend for larger companies to narrow their focus has also diminished: witness Becton Dickinson, which sold off its Respiratory Solutions unit in 2016 but a year later bought C. R. Bard, an extremely diversified company.

The peak of the PE boom was 2016, which saw 19 device developers being bought out; 2015 saw a similar number. The largest of these was EQT's purchase of Siemens' hearing aids business, which the German giant sold to streamline its operations and release value to shareholders. The company will this year divest its entire healthcare operations, but says this will not be done via a trade sale. Instead it is planning a partial float of its Healthineers segment ([Siemens goes Deutsche on medtech business, November 30, 2017](#)).

With the supply of business units drying up and soaring valuations for listed companies, it is becoming more common that PE shops buy device companies from their peers. In 2013 Cinven paid nearly \$2bn for Ceramtec, but announced in October that it would be selling the orthopaedic implant maker to a consortium led by the PE company BC Partners.

Another example is Tekni-Plex, a maker of medical tubing and sealants among other products, which was sold by American Securities to Genstar Capital in October. Separately Genstar, which appears to make a habit of these sorts of deals, sold Tecomet – another orthopaedic implant maker – to Charlesbank Capital Partners in May.

How long this merry-go-round can continue is anyone's guess. 2018 will of course see other PE buyouts of medtech groups – but it might not be a surprise if the number of these deals begins to track downwards.

### Top 10 PE buyouts of the past five years

Date closed	Acquirer	Target	Value (\$m)	Focus
Jun 30, 2014	The Carlyle Group	Ortho-Clinical Diagnostics, subsidiary of Johnson & Johnson	4,150	In vitro diagnostics
Jan 15, 2015	EQT Partners	Audiology Solutions business of Siemens (since renamed Sivantos)	2,669	Ear, nose & throat
Sep 4, 2013	Cinven	Ceramtec	1,980	Orthopaedics
Nov 4, 2015	Citic	Biosensors International	817	Cardiology
May 2, 2014	Montagu Private Equity	Healthcare Devices and Prescription Retail business of Rexam	805	Drug delivery
Feb 14, 2018	TPG Capital	Exactech	733	Orthopaedics
Aug 28, 2015	Madison Dearborn Partners	Patterson Medical, subsidiary of Patterson Companies	715	Physical medicine
Oct 12, 2015	XIO Group	Lumenis	510	General hospital & healthcare supply; ophthalmics
Oct 4, 2016	Apax Partners	Respiratory Solutions business of Becton Dickinson	500*	Respiratory
Jul 17, 2017	Apax Partners	Syneron Medical	400	General & plastic surgery; general hospital & healthcare supply

\*Valuation of the entire unit. Source: EvaluateMedTech.

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