

## Sivantos-Widex allows EQT to reset the clock



[Elizabeth Cairns](#)

Not content with having bought one hearing aid company, the private equity group EQT Partners has bought a second to add to it. EQT owns Sivantos, the renamed audiology business spun out of Siemens in 2014, and now Sivantos is to merge with Widex, a family-owned Danish group, in a deal that will create a company worth around \$7bn.

With expected annual sales of around \$1.6bn the new company will be the number three player in the highly competitive hearing aid sector, and the number one in wholesale. This is likely to increase pressure on the other players, and could quite possibly prompt further, defensive, M&A activity.

The companies described the move as a merger of equals, but this is not quite accurate, at least when judged by sales. Last year Sivantos had income of just over \$1bn, according to *EvaluateMedTech*. According to Widex's most recent annual report, in the year ended April 30, 2017 it turned over DKr4.3bn (\$687m).

Still, Sivantos is the slowest-growing of the big audiology players. Having shelled out \$2.8bn four years ago for the company, EQT will have been thinking about an exit for some time, and will want to boost Sivantos's growth prospects so it can sell the company on. Widex's revenue grew 12% from 2015/16 to 2016/17; if it can keep that kind of rate up it will indeed allow Sivantos to accelerate.

Ear device companies					
	Global sales (\$m)				
Company	2017	2024e	CAGR	Market cap (\$m)	Enterprise value (\$m)
Sonova	2,763	4,239	+6%	10,492	11,965
William Demant	2,004	3,125	+7%	6,962	10,458
Cochlear	1,066	1,731	+7%	7,752	8,827
Sivantos	1,086	1,459	+4%	-	-
GN Store Nord	853	1,316	+6%	4,644	6,483
Natus Medical	114	218	+10%	1,272	1,078
Intricon	30	39	+4%	137	147

*Source: EvaluateMedTech.*

The deal will also give EQT a bit of breathing space on the exit question, with Marcus Brennecke, a partner at the investor, saying the combination "presents a unique opportunity for EQT to extend the investment horizon in Sivantos". Presumably the clock has reset to another five years or so.

There is an interesting contrast here with Widex's ownership: the Tøpholm and Westermann families founded the group in 1956 and will be the largest individual shareholder in the combined entity.

### Defence

Combining with Widex will allow Sivantos to leapfrog Cochlear in terms of sales, meaning that it will take third place in the overall ear devices market. Bernstein analysts, however, point out that it will become the number one player in the wholesale market. This is currently led by Sonova, which has a quarter of the sector, according to the analysts; Sivantos has 22% and Widex 7%.

Sivantos, lacking a significant retail footprint, is known for taking innovative approaches to market. One example is the March 2015 purchase of Audibene, a hearing aid provider focusing on first-time hearing aid wearers, who tend to be around 10 years younger than the typical user.

If it keeps this up it could put pressure on traditional retail. Sonova and William Demant, the top two groups overall, both get around a third of their sales from their own in-house retailers, and thus could be particularly vulnerable to fast growth elsewhere.

And this could push them to consider shoring up their market position with a scale-building acquisition. The obvious target would be GN Store Nord. The Sivantos-Windex deal would leave GN far behind the other players, and it might struggle to compete.

That said, it had a very good first quarter, beating analyst expectations on sales and profits; its shares jumped 7%, and two days ago hit an all-time high of DKr247. Perhaps GN's management will be happy to stay independent - and perhaps the share price increase will be offputting to buyers.

Cochlear, bigger and faster growing than GN Store Nord, is an unlikely candidate for a scale play: as a developer of cochlear implants rather than traditional hearing aids, its technology is just too different to Sonova and Demant's strengths.

Whatever future ructions might occur in this market, the merger of Sivantos and Widex will leave it changed markedly.

*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*