

Floating device companies stay at home



[Elizabeth Cairns](#)



Nine IPOs have got away so far this year, and one of them is very big indeed.

The most notable aspect of the medtech IPO market over the first six months of 2018 is the sheer variety in the size of the offerings. Naturally the largest was the spin-out of Siemens Healthineers, which raised \$5.1bn on the Frankfurt exchange in March. But the first deal of the year was the Swedish group Obstecare's debut on Stockholm's Aktietorget, which raised the equivalent of just \$20,000.

There was great geographical variety, too: five European offerings – none of them on the Euronext – three US deals and two Korean (see analysis below). Device companies are staying close to their home market. But IPO activity is rising overall – with 10 medical device companies having floated at the half-year point, 2018 is already close to the full-year totals for both 2017 and 2016.

The uptick in IPOs is partly a consequence of the drop in acquisitions this year. Fewer companies are buying, many of the very largest companies having already closed gigantic mergers. Consolidation means that mid-stage groups have no choice but to turn to the public markets for growth capital.

IPOs by year, 2013-18			
Year	IPO count	Total raised (\$m)	Average size (\$m)
2013	17	712	41.9
2014	33	1,529	46.3
2015	21	1,244	59.2
2016	12	2,354	196.1
2016 (excluding Convatec)	11	406	36.9
2017	10	241	24.1
H1 2018	10	5,277	527.7
H1 2018 (excluding Healthineers)	9	152	16.9

Source: EvaluateMedTech.

The creation of the independent Siemens Healthineers business is not, perhaps, an IPO in the classical sense, being the separate listing of a long-established unit rather than the next step on a five or 10-year-old company's path to growth.

Still, it would be remiss to let the biggest IPO in medtech and even biopharma history pass without comment. It is important to remember that the \$5.1bn raised in Healthineers' IPO does not come close to representing the value of the company: Siemens floated just 15% of the business, conferring a company valuation of around €28bn (\$35bn).

Though the listing in March was priced at a slight discount to the preannounced range, the shares have done quite nicely since. Investors might have concluded that if medtech is a safe haven sector, a deep-rooted business with tens of thousands of customers, newly free to explore M&A as a possible additional route to growth, might be a particularly safe choice therein.

H1 2018's medtech IPOs

Date	Company	Focus	Amount raised (\$m)	Exchange	Offering price	Discount/premium	Change since float
January 4	Obstecare	Obstetrics & gynaecology	0.02	Aktietorget	SEK3.8	-	(33%)
February 14	Motus GI Medical Technologies	Ear, nose & throat; endoscopy	18	Nasdaq	\$5	(17%)	44%
February 28	BBS-Bioactive Bone Substitutes	Orthopaedics	4.3	Nasdaq First North	€5.50	0%	(30%)
March 16	Siemens Healthineers	Diagnostic imaging; healthcare IT; in vitro diagnostics	5,125	Frankfurt Stock Exchange	€28	(2%)	27%
March 23	Medartis	Dental; general & plastic surgery; orthopaedics	130	SIX Swiss Exchange	CHF48	(2%)	36%
April 6	Iconovo	Anaesthesia & respiratory; drug delivery	5	Nasdaq First North	SEK38.5	-	(14%)
May 3	Inspire Medical Systems	Anaesthesia & Respiratory	124	NYSE	\$16	7%	106%
May 28	Genoray	Dental; diagnostic imaging	13	Kosdaq	KRW23000	21%	2%
May 29	Sejong Medical	Endoscopy; general & plastic surgery	28	Kosdaq	KRW15000	22%	15%
June 22	Electrocore	Neurology	78	Nasdaq	\$15	0%	10%

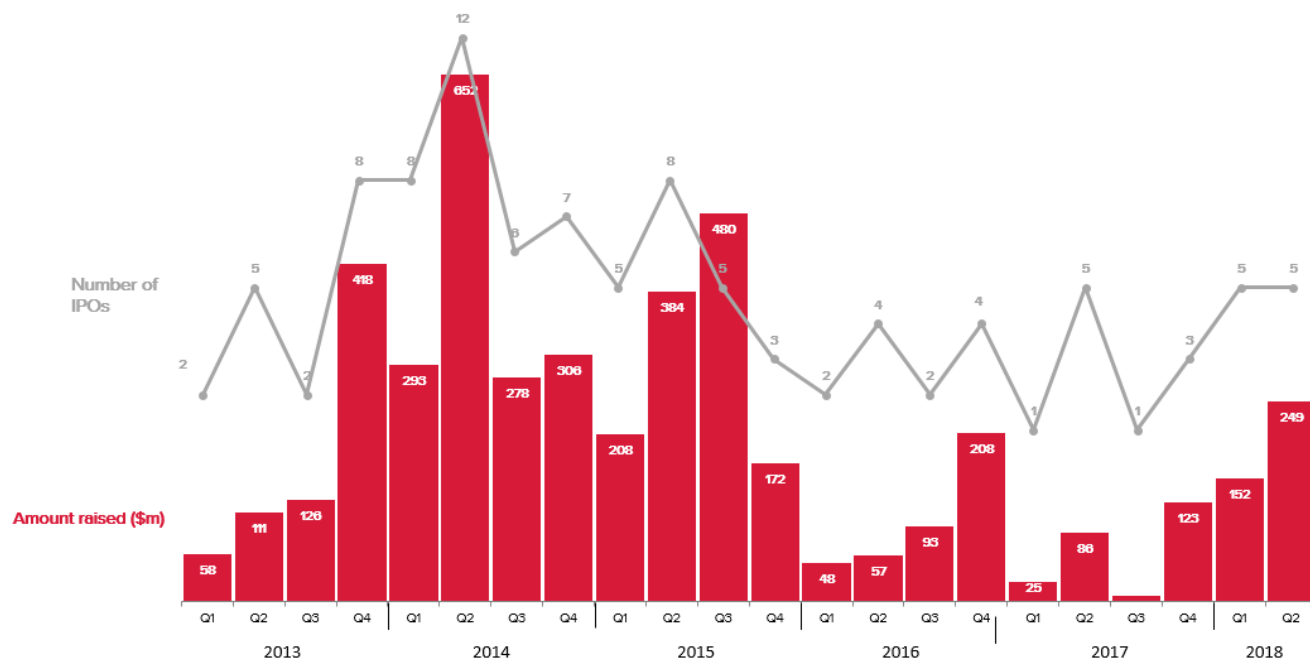
Source: EvaluateMedTech.

In listing in Frankfurt Healthineers has tapped into another trend: moving away from the US. The second largest IPO so far this year, that of the bone fixation device maker Medartis, was a rare Swiss deal, and the Nasdaq First North saw two deals with fellow Scandinavian exchange Aktietorget hosting another.

It might be that the large venture financings seen over the past few years, particularly of certain US companies, are inflating valuations to the point where a listing would be difficult to get off the ground.

Grail, for example, which has scored a succession of vast funding rounds, is rumoured to be considering Hong Kong for a \$500m IPO, despite being based in Silicon Valley. The Nasdaq seems to be losing its dominance.

Medtech IPOs 2013-18



Source: EvaluateMedTech

The graph above analyses the data on a quarterly basis – excluding the two megadeals of recent years, Healthineers and Convatec’s \$1.9bn float in 2016, to give a better idea of the underlying health of the market. It suggests that companies’ chances of floating are improving, albeit slowly. With M&A activity down sharply in the first half of the year, the ability of companies to access the public markets is becoming increasingly important.

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