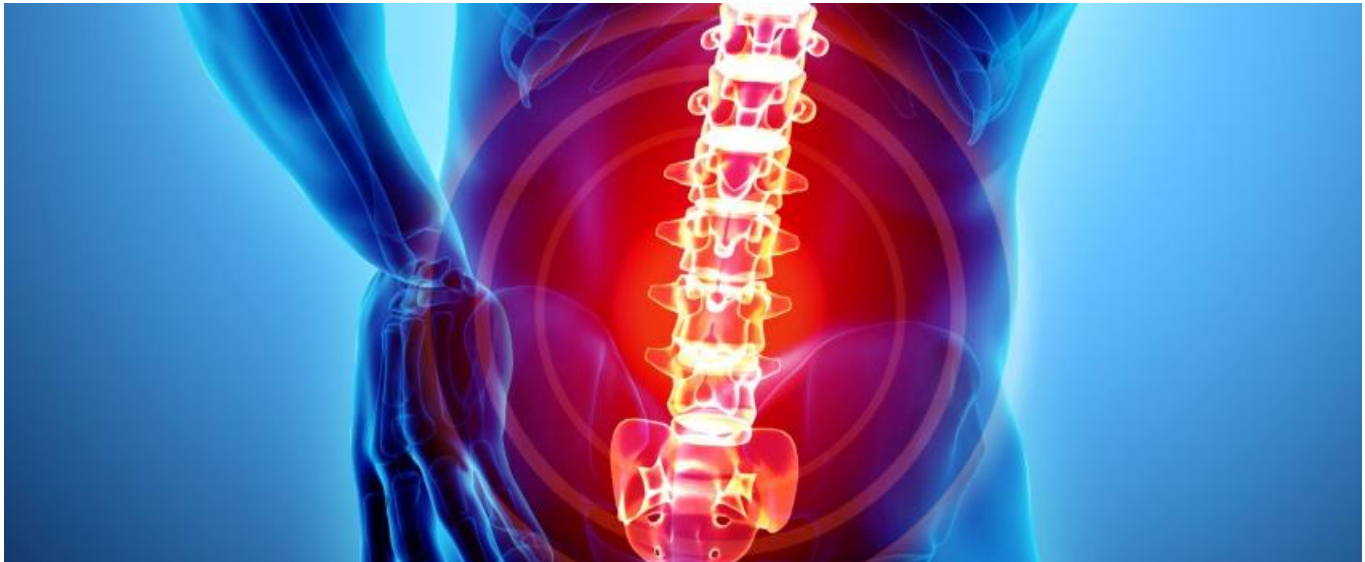


Boston buys Vertiflex without investing first



[Elizabeth Cairns](#)



A poor quarter is followed by an acquisition, but is it big enough?

Boston Scientific's latest tuck-in acquisition is that of Vertiflex, maker of the minimally invasive Superior lumbar implant. At \$465m up front the deal is in Boston's sweet spot of \$100-500m - more than half the deals it has done in the past five years have been in this size bracket.

Superior is implanted, using dedicated single-use instruments, in the spine to improve physical function and reduce pain in patients with lumbar spinal stenosis. This narrowing of the spinal canal can cause compression of nearby nerves and result in significant low back and leg pain, as well as disability.

Following [a slight delay to its US approval process](#) the implant got the nod from the FDA in 2015; it had been CE marked eight years earlier. It is used in patients who have not responded to first-line oral pain medication and steroid injections, but do not have severe enough symptoms to require spinal fusion or laminectomy.

Superior is expected to have sales of \$60m in 2019, according to Boston. It is available in five colour-coded sizes and is mainly sold to chronic pain specialists who might otherwise use therapies like spinal cord stimulation and radiofrequency nerve ablation. Boston already sells both of these technologies.

Deal-making

Vertiflex has raised \$110m from its VC backers since inception in 2005, but Boston is not among these. This is perhaps surprising given that Boston is the third most prolific corporate VC in medtech, participating in 13 rounds worth a total of \$262m over the past five years. Boston also has a stated policy of buying groups in which it has previously invested ([Having set the stage, Boston plans its performance, July 30, 2018](#)).

Vertiflex's venture funding

| Date | Round | Investment (\$m) | Investors |
|--------------|----------|------------------|---|
| Mar 8, 2017 | Series F | 40.0 | Endeavour Vision; HIG Ventures; Alta Partners; New Enterprise Associates; Thomas, McNerney & Partners |
| Jan 13, 2012 | Series E | 8.0 | Undisclosed |
| Feb 1, 2011 | Series D | 14.0 | Aberdare Ventures; Alta Partners; New Enterprise Associates; Thomas, McNerney & Partners |
| Aug 7, 2008 | Series C | 28.3 | Undisclosed |
| Feb 5, 2007 | Series B | 20.0 | Aberdare Ventures; Alta Partners; Morgenthaler Ventures |
| Total | | 110.3 | |

Source: EvaluateMedTech.

The Vertiflex takeout has a similarity with another recent and much larger deal, the [buyout of Acelity by 3M](#), in that it follows a disappointing quarter for the acquirer. Boston reported first-quarter revenues of \$2.5bn, up 5% but missing analysts' expectations by roughly \$40m. Among other factors, the company was hurt by the US withdrawal of its transvaginal mesh products ([Boston and Coloplast sink on mesh mess, April 17, 2019](#)).

Boston has done 22 M&A transactions over the past half-decade, 12 of which have been of a similar size to the Vertiflex acquisition. Unless Boston's underlying performance picks up, investors might start clamouring for more transformative deals.

Boston's M&A over the last five years

| Deal size bracket | Number of deals | Total spent (\$m) |
|-------------------|-----------------|-------------------|
| More than \$1bn | 2 | 5,850 |
| \$500m-\$1bn | 1 | 600 |
| \$100-\$500m | 12 | 3,780 |
| Less than \$100m | 7 | 352 |
| Total | 22 | 10,582 |

Source: EvaluateMedTech.