

## Mid cap device makers find rewards in cancer and diabetes



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### **Investor excitement about smaller medtechs' technology is unchecked, but these groups will have to deliver on their promises.**

Medium-size listed medtechs might not have had quite such a cushy time as the larger companies during the first half, but they still performed pretty well overall: only four companies in this 35-strong cohort saw their value depreciate.

With little M&A activity at this end of the sector, most of the stock fluctuations can be attributed to excitement around technological promise, with diagnostics to the fore in both the mid and small cap groups.

#### **Cancer, diagnostics, and cancer diagnostics**

The trophy goes to Guardant Health, whose efforts to develop its various liquid biopsy platforms have grabbed headlines throughout 2019. Its market valuation has more than doubled this year, and its share price is up more than 350% from the price at which it floated last October.

The battle for dominance of the liquid biopsy space is still in its early stages, but as one of the companies to have a test well-established on the US and European markets, Guardant is one of the best positioned to win out.

It might even be the first company to obtain FDA approval for a pan-cancer blood test – this, in combination with the name recognition Guardant360 already commands, ought to provide a meaningful sales boost ([Liquid biopsies: the future of cancer diagnosis?](#), June 12, 2019). If the agency does approve Guardant360 another jump in Guardant's value is to be expected.

Guardant has also posted data on its other products, and while they remain far from proven they have shown flickers of diagnostic utility, particularly in early disease. Lunar, for example, might have a future as either a screen for colorectal cancer or a means of monitoring its recurrence ([Asco 2019 - Guardant and Grail square up](#), May 16, 2019).

## Mid cap (\$2.5-10bn) medtech companies: top risers and worst performers in H1 2019

	Share price	Market capitalisation (\$bn)	
	6-mth change	June 30, 2019	6-mth change
<b>Top 5 risers</b>			
Guardant Health (\$)	130%	7.9	4.7
Novocure (\$)	89%	6.1	2.9
Getinge (SKr)	83%	4.0	1.7
Tandem Diabetes Care (\$)	70%	3.7	1.6
Insulet (\$)	51%	7.1	2.4
<b>Top 5 worst performers</b>			
Asahi Intecc (¥)	(43%)	3.1	(2.3)
Ambu (DKr)	(32%)	3.5	(1.0)
Livanova (£)	(21%)	3.5	(1.0)
Globus Medical (\$)	(2%)	3.2	(0.1)
BTG (£)	1%	4.2	0.0

Novocure, in second place, is reaping the rewards of May's FDA approval of its cancer therapy device, NovoTTF-100L. The system uses electrodes placed against the patient's skin to emit alternating electric fields, which the company says enter cancer cells and attract and repel charged proteins during cancer cell division, disrupting the growth of tumours.

The approval, in combination with Lilly's Alimta and platinum chemo for the first-line treatment of unresectable locally advanced or metastatic malignant pleural mesothelioma, was the first for this form of mesothelioma in more than 15 years, according to Novocure.

The company has also made inroads towards gaining US reimbursement for the technology, and the prospect of a takeover must be on investors' minds.

Elsewhere, Tandem's 70% share price growth is a poor showing indeed compared with its 1,509% ramp across 2018 ([Led by Tandem, small-cap medtechs pump up the value in 2018, January 14, 2019](#)).

### Small is beautiful

Among the smaller groups, the diagnostics specialist Invitae weathered a 20% one-day share price drop in May when its first quarter results missed expectations, ending the six-month period having more than doubled its value.

The company has been particularly active in beefing up its portfolio of prenatal genetic tests and other diagnostics related to maternity and paediatrics - its acquisition of Singular Bio in June for \$55m upfront was only the most recent such deal. In 2017 it bought Combimatrix, a maker of tests for miscarriage analysis and paediatric developmental disorders as well as prenatal genetic tests, and Good Start Genetics, whose technology screens parents' carrier status for inherited disorders.

## Small cap (\$250m-2.5bn) medtech companies: top risers and fallers in H1 2019

	Share price	Market capitalisation (\$m)	
	6-mth change	June 30, 2019	6-mth change
<b>Top 5 risers</b>			
Invitae (\$)	112%	2,170	1,345
Accelerate Diagnostics (\$)	99%	1,246	623
Natera (\$)	98%	1,920	1,057
Sectra (SKr)	78%	1,289	547
Nevro (\$)	67%	1,979	806
<b>Top 5 fallers</b>			
Inogen (\$)	(46%)	1,464	(1,208)
Transenterix (\$)	(40%)	296	(192)
Meridian Bioscience (\$)	(35%)	506	(272)
Seaspine (\$)	(27%)	250	(88)
Natus Medical (\$)	(25%)	874	(275)

Natera, third on the list of risers, is also best known for its prenatal genetic test offering. But like so many diagnostics companies, it is moving into liquid biopsies, and data suggesting that its Signatera assay could detect breast cancer recurrence nine months earlier than imaging were published in April.

Inogen, the leader of the small-cap fallers, reported solid 2018 results but issued a profit warning for 2019, saying its net income for the coming year would be around \$43m rather than the figure of \$48m it had previously given. Shares in the group, which makes portable oxygen concentrators, slid 24% on February 27.

Reiteration of this guidance in May, as well a 36% increased in operating expenses as the company brought in more employees and spent more heavily on advertising, caused a share drop of similar magnitude.

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