

Hologic burns its aesthetics unit



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Cynosure's technology seems to have been better at destroying value than it was at destroying fat - Hologic has sold the business for a tenth of the purchase price.

Medical aesthetics group Cynosure was never a particularly good fit with the diagnostics-focused Hologic, which bought it for \$1.7bn cash in 2017. But the extent of the disaster only become apparent yesterday, when Hologic sold it for just \$205m.

Shareholders seem glad to see the back of the underperforming unit, sending Hologic's stock up 4%, close to an all-time high. Hologic is going to pump the \$205m straight into its ongoing share buyback programme - arguably an odd move given its stated intention to do more tuck-in deals.

Back in 2017 the deal looked like it might have potential. Sales of Cynosure's products, including the Smartlipo Triplex and Cellulaze devices, both of which use lasers to kill fat cells, were forecast to grow at an annualised rate of 12%. This has not manifested, with last year's sales amounting to \$339m, substantially below the \$529m that was forecast back in 2017.

How Cynosure forecasts have fallen

	WW annual sales (\$m)						CAGR 2014-22
	2014	2016e	2018e	2020e	2022e	2024e	
Cynosure's total revenues (data from 2017)	292	432	529	627	724	-	12%
	2014	2016	2018	2020e	2022e	2024e	CAGR 2018-24
Hologic's Cynosure unit's revenues (current data)	292	434	339	325	347	371	2%

Source: EvaluateMedTech, annual reports.

Several reasons have been suggested for the downturn since Cynosure was bought. Sales rep departures and a thin pipeline have been blamed, while users of SculpSure, a less invasive version of Smartlipo Triplex, had been disappointed by the results, Stifel analysts reported in February 2018. The product had also been losing share to Allergan's rival CoolSculpting system, the maker of which it acquired the same week that Hologic bought Cynosure ([*Two deals in two days means aesthetics is looking good*](#), February 15, 2017).

The FDA's [warning against the unapproved use of "vaginal rejuvenation" devices](#) in mid-2018 will not have helped either. Cynosure makes such a system: the MonaLisa Touch, which its website says "may help women feel like themselves again".

Close to the core

The buyer of Cynosure is private equity: a group of funds managed by Clayton, Dubilier & Rice, which will presumably increase Cynosure's debt before exiting in a few years' time.

As for Hologic, chief executive Steve MacMillan described a strategy of tuck-in M&A deals in areas closer to the company's core franchises. The group gets 40% of its revenues from in vitro diagnostics, but is also active in imaging, surgery and obstetrics/gynaecology. Investors will be hoping for a better outcome on any future deals.