

2019 was all about execution for smaller device makers



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New products and strategic execution buoyed mid and small-cap medtechs, while safety worries took down one former high-flier.

Over 2019 no fewer than five mid-size medtech groups more than doubled in value – the first time this has happened since Vantage started tracking this metric. But the mid-size cohort seems to be doing better than the smaller groups, perhaps pointing to the inherent volatility at this end of the market.

The spine stimulator maker Nevro got an early boost in March when its change of management and impending launch of a new device platform was welcomed by shareholders to the tune of a 36% share price increase.

For some time Nevro's only offering had been the Senza device, used to deliver high-frequency, constant simulation in patients with back and leg pain. The group has now launched the Senza Omnia, capable of delivering low-frequency stimulation, pulse dosing and various other options. The company and various analysts believe that this offers the broadest set of treatment options in the spinal cord stimulation space and will lead to greater sales.

A beat-and-raise on earnings and revenues in the third quarter pushed the shares up 21% and into triple figures; the company ended the year having trebled in value.

Mid cap (\$2.5-10bn) medtech companies: top risers and fallers in 2019

	Share price 12-mth change	Market cap at Dec 31 (\$bn)	Market cap 12-mth change (\$bn)
Top 5 risers			
Nevro (\$)	202%	3.6	2.5
Novocure (\$)	152%	7.8	4.7
Natera (\$)	141%	2.6	1.7
Getinge (SKr)	118%	4.9	2.6
Guardant Health (\$)	108%	7.3	4.1
Top 5 fallers			
	Share price 12-mth change	Market cap at Dec 31 (\$bn)	Market cap 12-mth change (\$m)
Abiomed (\$)	(48%)	7.7	(6,937)
ICU Medical (\$)	(19%)	3.9	(837)
Cantel Medical (\$)	(17%)	2.9	(250)
Livanova (£)	(15%)	3.7	(802)
Qiagen (\$)	(2%)	7.7	(297)

Abiomed, which leads the fallers, had a truly dreadful year. In February the FDA wrote to doctors to tell them that only around 20% of patients in the postmarket study of Abiomed's temporary heart pump Impella RP met the primary survival endpoint, compared with more than 70% in the trial on which approval was based.

The shoe did not really drop, however, until August, when the group revealed a 20% fall in Impella RP revenues. The resulting downgrade to annual revenue targets prompted a share price fall of 26%.

Further disaster came in November, with two studies presented at the American Heart Association meeting throwing doubt on the safety of other Impella models compared with balloon-based pumps. Abiomed's shares slid a further 20%.

Laser focus

Amid the small-cap groups, Italy's El En leads the risers thanks to a storming end to the year. The laser developer's second quarter was its best ever, with revenues and profit in this period climbing meaningfully from the same period in 2018 and enabling the company to raise its full-year guidance.

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

	Share price 12-mth change	Market cap at Dec 31 (\$m)	Market cap 12-mth change (\$m)
Top 5 risers			
El En (€)	161%	708	427
Sectra (SKr)	107%	1,535	793
Inspire Medical Systems (\$)	76%	1,786	819
Cardiovascular Systems (\$)	71%	1,710	721
Lemaitre Vascular (\$)	52%	719	256
Top 5 fallers			
Meridian Bioscience (\$)	(50%)	388	(390)
Inogen (\$)	(45%)	1,503	(1,169)
Merit Medical Systems (\$)	(44%)	1,724	(1,336)
Orasure Technologies (\$)	(31%)	496	(220)
Taidoc Technology (NT\$)	(26%)	357	(103)

Financial performance was also behind Meridian Bioscience's stock movement - in this case, in the downward direction. A decline in second-quarter revenues driven by the group's diagnostics segment knocked 19% off its value in early April. Meridian said revenues for its molecular diagnostics were down nearly 30% as a result of increasing competitive pressures, and respiratory assay sales were down 20% owing to a lighter flu season.

While the mid-cap device companies tended to sink or swim owing to technological successes or failures, the smaller groups' shareholders appear motivated for the most part by financial performance. For those wishing to invest in device developers [the big caps are still the safest bet](#) - but the mid-cap range is where the greatest gains may be seen.