

## A thoroughly average year for medtech mergers



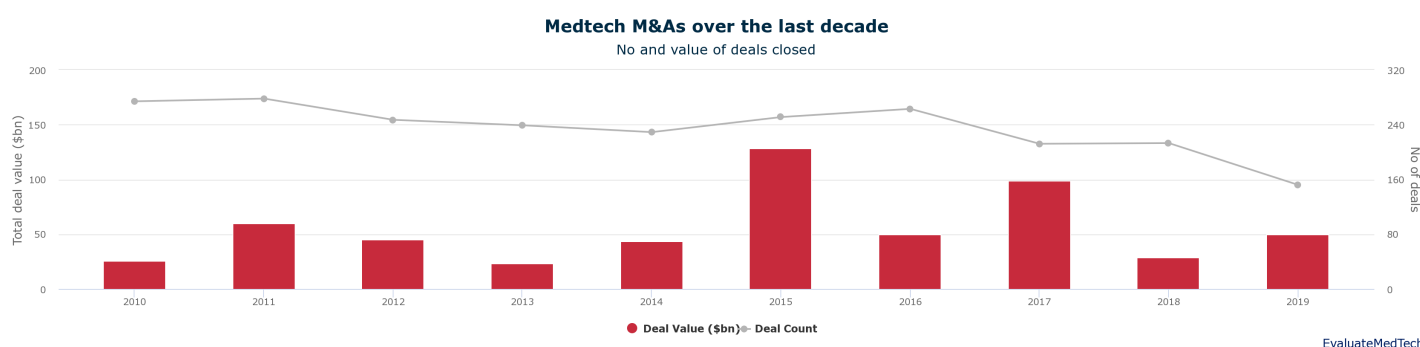
Elizabeth Cairns



### Robotic surgery is one of the bright spots in an otherwise tricky year for medtechs seeking a buyer.

Despite last year seeing the completion of no fewer than 13 transactions worth more than \$1bn, the medtech M&A landscape came nowhere near the heights reached in 2015 and 2017. Still, at \$49.5bn, the total value of all the deals closed at least showed an increase from the previous year's low total.

The number of deals also shrunk – to the lowest annual figure for more than a decade. With just 152 mergers and acquisitions having closed last year the situation might soon become dire for small companies seeking a buyer. And the M&A climate has clouded over recently, with the FTC forcing Illumina and PacBio to call off their megadeal and Qiagen taking itself off the auction block. 2020 could be quieter still.



The strong stock market performance of medtech players over 2019 will have played its part here. Valuations are soaring, and many groups will now be prohibitively expensive to potential buyers. Small device developers are waiting longer than ever for a takeout, with a *Vantage* analysis showing that the medtech companies acquired last year had been founded an average of 12 years earlier, the longest time to exit in at least a decade ([Medtech venture investors wait longer for an exit](#), November 14, 2019).

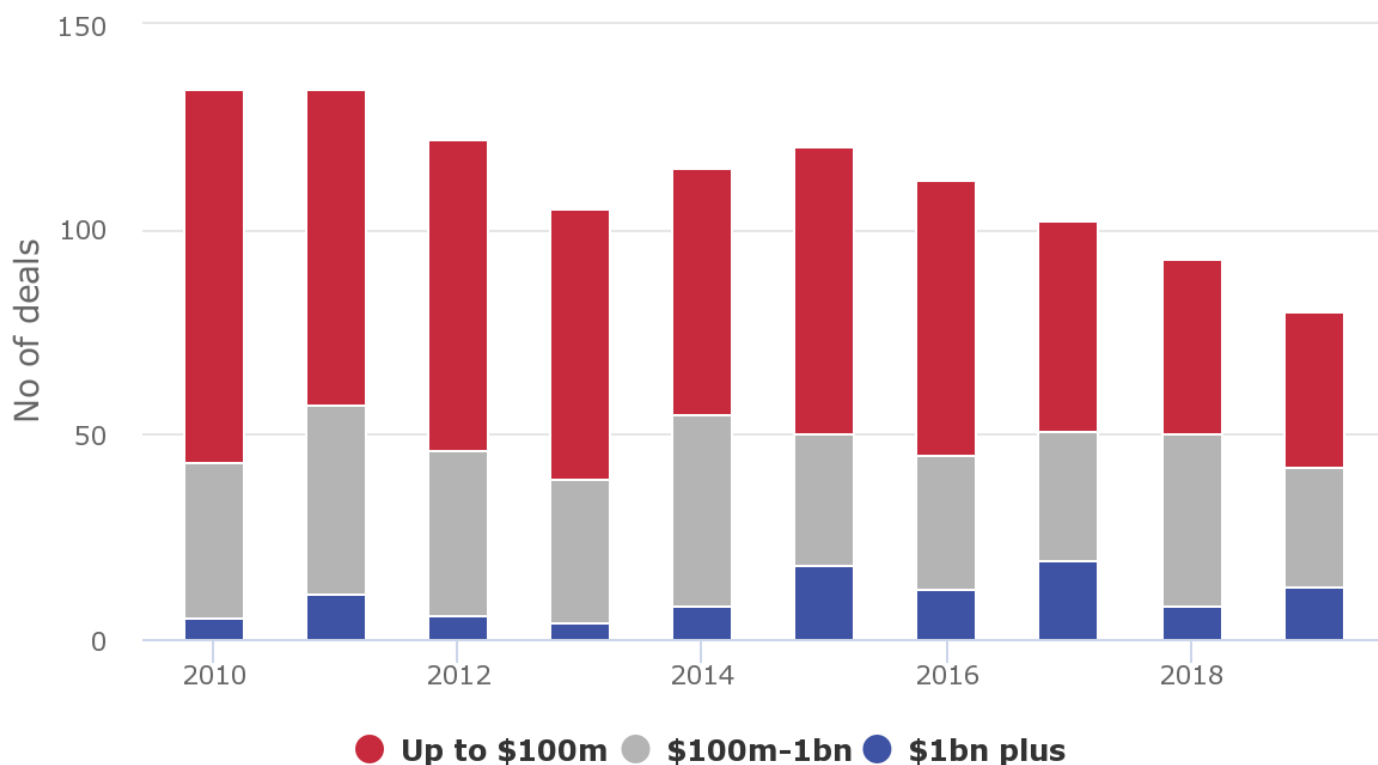
The consolidation of years past will also have had consequences for 2019's M&A scene. There are fewer exit opportunities simply because there are fewer companies around to buy.

The below analysis, which looks only at the number of deals done, not their value, shows a noticeable decline from last year in deals worth between \$100 and \$1bn. But over the entire decade it is the smallest deals,

those worth under \$100m, that have really declined in popularity. Combined with the ongoing unwillingness of venture investors to do smaller funding rounds, this is a tough time for medtech start-ups looking for an exit.

## Medtech MA by size

Number of deals closed over the last decade



EvaluateMedTech

Deal-making activity is white-hot in a few areas, however. Robotic surgery companies are finally gearing up to compete with Intuitive Surgical, and many larger groups, eager to avoid being left behind, have bought in similar technologies.

Siemens Healthineers' \$1.1bn acquisition of Corindus Vascular Robotics just misses last year's top 10; Johnson & Johnson's \$5.8bn purchase of Auris Health was the second-biggest deal of 2019. Among the mid-size deals, Stryker bought Mobius Imaging and its subsidiary Cardan Robotics for \$500m.

Many of the very largest deals were focused on hospital-based technologies, with makers of orthopaedic implants, sterilisation products and IT systems being taken over. Hospitals are under constant pricing pressure and are consolidating, particularly in Europe. The buyers here include the Danaher spinout Fortive and the private equity firms Veritas Capital and Elliott Management; perhaps they feel that there are efficiencies to be had that will allow them to make a success of this low-margin segment.

## Top 10 deals closed in 2019

Completion	Acquirer	Target	Value (\$bn)	M&A focus
Oct 11	3M	Acelity	6.7	Wound management
Apr 1	Johnson & Johnson	Auris Health	5.8	Endoscopy; general & plastic surgery
Feb 11	Veritas Capital & Elliott Management	Athenahealth	5.7	General hospital & healthcare supply; healthcare IT
Aug 19	Boston Scientific	BTG	4.2	Cardiology; general & plastic surgery; neurology; radiology
Feb 22	Colfax	DJO Global	3.2	Orthopaedics; physical medicine
Apr 1	Fortive	Advanced Sterilization Products business of J&J	2.8	Endoscopy; general hospital & healthcare supply
Nov 8	Exact Sciences	Genomic Health	2.8	In vitro diagnostics
Feb 21	Fresenius Medical Care	Nxstage Medical	2.0	Blood; nephrology
Aug 26	Agilent Technologies	Biotek	1.2	In vitro diagnostics
Mar 31	Montagu Private Equity & Astorg	Nemera	1.2	Drug delivery

Source: EvaluateMedTech.

There is an argument to be made that 2020 could see an upswing in M&A. The markets might well be more skittish in the run-up to the US presidential election, depressing valuations and making acquisitions of listed groups likelier, though it should be remembered that medtech is generally less prey to wider market volatility than biopharma.

One factor that could limit deal activity is the US FTC. After putting the kybosh on the proposed \$1.2bn purchase of PacBio by Illumina last month the regulator is now poking into Stryker's \$4.7bn bid for Wright Medical.

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