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Abbott and J&J start the year from different places

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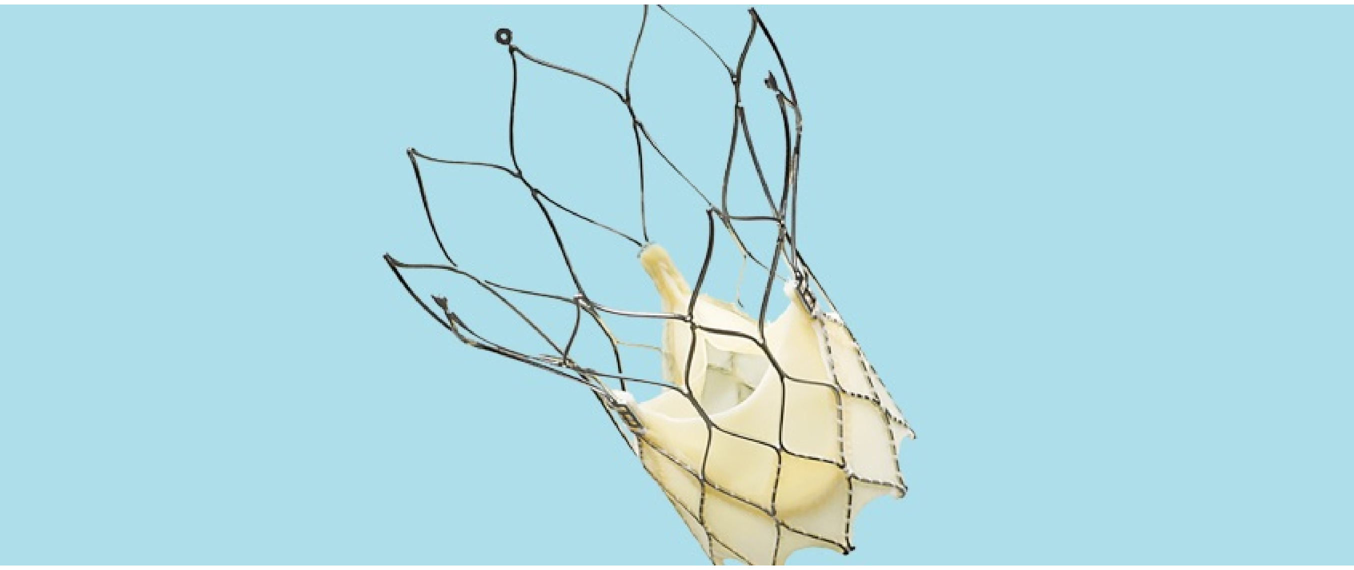

Abbott is cueing up launch after launch for 2020, while J&J is pinning its device hopes to robotic surgery.

The two major medical device companies that reported annual results yesterday both intend to launch innovative, potentially lucrative new products in the coming year. But, their financial performance having differed wildly over 2019, the stakes are much higher for Johnson & Johnson than they are for Abbott.

Abbott's chief executive of 21 years, Miles White, is departing in March and leaves the company in good shape. Driven by sales of its FreeStyle Libre continuous glucose monitor, MitraClip valve repair device and Alinity diagnostics systems, Abbott's medical device and diagnostics units showed organic growth of 10.5% and 5.9% respectively. J&J, however, was let down badly by its medtech business: 2019 sales fell 1.7%.

Abbott might be sitting pretty but it still has an aggressive plan for launching new devices. Its Portico minimally invasive aortic valve prosthesis is expected to gain US approval this year, having succeeded in its pivotal trial – though whether the benefit it showed is large enough to allow the company to gain significant market share from Edwards Lifesciences and Medtronic is an open question (*TCT 2019 – Abbott's aortic valve disappoints, October 1, 2019*).

Its mitral valve replacement device, Tendyne, is also expected to gain the CE mark and go on sale in Europe, with incoming chief executive Robert Ford stating baldly that "this will be the first minimally invasive mitral replacement valve". TriClip, the tricuspid equivalent of the money-spinning MitraClip, is also set for European launch in 2020.

The company will also hope for a 2020 launch of the next-generation version of its bestselling Freestyle Libre CGM. The product has been stuck in FDA limbo for a while now and Abbott has declined to give any guidance on an expected US approval date. Executives have said they are confident of winning approval as interoperable with devices from other manufacturers – a crucial label in the modern diabetes device landscape.

Woes

The disappointing results posted by J&J are partly due to the typical woes for a group active in the commoditised space of orthopaedics. Pricing pressure is still a reality, particularly in the US, improving slightly in hips and knees but worsening in spine, management said on yesterday's call.

J&J has, over the years, been hammered by almost every high-profile medical litigation going. It was one of the companies accused of failing to warn of the risks of pelvic surgical meshes and it still has residual lawsuits covering its faulty metal-on-metal artificial hips.

Its pharma division is subject to vast class actions regarding opioid products, as well as lawsuits regarding Risperdal and Xarelto, and its consumer health segment is facing gigantic compensation pay-outs to plaintiffs who claim that use of its baby powder has caused their cancers. These various disputes have cost J&J hundreds of millions of dollars so far, and the opioid and talc litigation could go on to cost it hundreds more.

One of the main areas on which it is relying for a recovery in 2020 is its robotic surgery franchise. The company bought out its partner Verily from their joint venture, Verb Surgical, in December, and intends to combine Verb with the Auris business it acquired a year ago.

Chief executive Alex Gorsky said on a conference call yesterday that early results from this combination were “very encouraging”, and pointed to an event J&J intends to host in mid-May at which it would give “clear, transparent … tangible evidence” of the robotic machines and their digital platform component.

But this type of technology is being brought to market by a host of companies, big and small. The UK’s CMR Surgical and Germany’s Avatera are already active in the European market. Medtronic is also working towards a robotic system, and the dominant player in the US, Intuitive Surgical, is showing few signs of weakness.

J&J has to make a success of this endeavour if it is to turn its medtech unit’s performance around in the near future. Abbott has more leeway for failure – yet of the two, Abbott has a greater number of new launches in the offing, and therefore is the likelier prospect for sales growth in 2020.