

July 08, 2020

## Smaller device makers put in a muted performance



[Elizabeth Cairns](#)



### **Mid- and small-cap medtechs find themselves at the mercy of government responses to the Covid-19 pandemic.**

The largest medtechs saw their stock soar or sink in the first half of 2020 largely owing to whether their devices could be used to treat Covid-19. Among the smaller device makers, too, the pandemic has made its effects felt – but in a different way.

Many of the risers have either their headquarters or their listings in the Asia Pacific region – China, Hong Kong, Taiwan and Korea are all represented – whereas the fallers are almost all US-based. The recovery from the virus in many of the earliest-hit countries, and its disquieting resurgence in the US, are major factors in determining these companies' performance.

China's Microport Scientific leads the mid-cap risers. While the shares in the table are from its US listing, their performance mirrors its Hong Kong listing – namely, flat during January and February and then beginning to recover in early March. The group is mainly focused on cardiovascular and orthopaedic medicine and gets 45% of its sales from China, so the reopening of Chinese hospitals to elective procedures following the country's relatively successful management of its Covid-19 outbreak made a huge difference to the group.

## Mid cap (\$2.5-10bn) medtech companies: top risers and fallers in H1 2020

	Share price 6-mth change	Market cap at Jun 30 (\$bn)	Market cap 6-mth change (\$bn)
<i>Top 5 risers</i>			
Microport Scientific (\$)	241%	7.0	5.1
Livongo (\$)	200%	7.4	5.0
Quidel (\$)	198%	9.4	6.3
Invitae (\$)	88%	3.8	2.2
Staar Surgical (\$)	75%	2.8	1.2
<i>Top 5 fallers</i>			
Elekta (SKr)	(30%)	3.2	(1.6)
Novocure (\$)	(30%)	6.0	(2.4)
Envista (\$)	(29%)	3.4	(1.3)
Nuvasive (\$)	(28%)	2.9	(1.2)
Dentsply Sirona (\$)	(22%)	9.7	(2.9)

US telemedicine company Livongo is one of the beneficiaries of the pandemic, in that lockdown measures have accelerated the need for the kind of virtual healthcare models it provides. It supplies chronic disease patients with smartphone and tablet apps, along with medical devices such as continuous glucose monitors or sphygmomanometers, to help them manage their conditions.

But there is a risk the outlook might darken for Livongo: these programmes are paid for not by the patient but by their employer, so if the pandemic drags on and drives unemployment up further, Livongo's customer base could shrink.

Among the small cap risers, Korea's Seegene was one of the first diagnostics group off the mark with a coronavirus test, having ceased all non-Covid-19 development at the very start of the year and instead [throwing all its efforts](#) into developing a diagnostic for the disease. The resulting viral RNA assay test gained approval from the Korean Ministry of Food and Drug Safety in mid-February, and was authorised by the US FDA on April 22. Seegene has now exported more than 10 million of these tests to over 60 countries.

## Small cap (\$250m-2.5bn) medtech companies: top risers and fallers in H1 2020

	Share price 6-mth change	Market cap at June 30 (\$m)	Market cap 6-mth change (\$m)
<i>Top 5 risers</i>			
Seegene (KRW)	268%	2,419	1,740
Meridian Bioscience (\$)	156%	998	610
Taidoc Technology (NT\$)	110%	812	455
Caredx (\$)	64%	1,570	655
Lifetech Scientific (HK\$)	64%	1,361	540
<i>Top 5 fallers</i>			
Myriad Genetics (\$)	(58%)	845	(1,181)
Axogen (\$)	(48%)	367	(339)
Inogen (\$)	(48%)	783	(720)
Intersect ENT (\$)	(46%)	441	(344)
IBA Group (€)	(41%)	250	(184)

The fallers tend to be companies whose offerings are of little use in a time of lockdown. Patients awaiting the radiotherapy and proton beam therapy for cancer offered by Sweden's Elekta and Belgium's IBA Group have seen their appointments postponed as hospitals devote their efforts to treating Covid-19 patients; likewise the US group Novocure, whose technology aims to treat cancer with electricity. All three of these stocks took a sharp dip in March as it became obvious that demand would fall.

Dental technology developers Envista and Dentsply Sirona, spinal implant specialist Nuvasive and Intersect ENT, which makes bioresorbable drug-eluting nasal implants to treat sinusitis, all fell in March too for the same reason, though more gradually.

One positive for investors in these mid-size and small-cap medical device companies is that the gains made by the risers are greater than the fallers' losses. But the companies in these size brackets which saw their value fall in the first half of the year outnumber those whose stock price rose; perhaps not surprising in an incredibly turbulent time.