

A tale of two Covids for smaller device makers



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The pandemic provided the best and worst of times for smid-cap medtechs.

Despite the disease's name, 2020 was the year of Covid-19. And the fate of small and medium-sized medtech players last year largely hinged on their ability to avoid the worst of the fallout from the pandemic – or, sometimes, to embrace it.

Thus two of the risers, Seegene and Meridian Bioscience, are developers of Covid-19 diagnostics or reagents, while the fallers largely came from sectors hit by the postponement of non-urgent therapies and procedures. The exception was the biggest small-cap faller, Accelerate Diagnostics, which is also active in Covid-19 testing.

Accelerate's bread and butter, however, is testing hospital-acquired infections to determine the most appropriate antibiotic therapy, and this business took a blow as hospitals prioritised Covid-19 patients. On the Covid-19 side, Accelerate markets Biocheck's two authorised antibody tests for prior coronavirus infection. As Covid-19 tests multiply – more than 60 antibody assays are now authorised by the FDA – some of the smaller players are being seriously outcompeted by giants such as Abbott and Roche.

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

	Share price 12mth chg	Market cap at Dec 31 (\$bn)	Market cap 12mth chg (\$bn)
Top 5 risers			
Seegene (KRW)	530%	4.4	3.7
Microport Scientific (\$)	358%	9.8	7.9
Irhythm Technologies (\$)	248%	6.8	5.0
Caredx (\$)	236%	3.6	2.7
Lifetech Scientific (HK\$)	199%	2.7	1.8
Top 5 fallers			
Nuvasive (\$)	(27%)	2.9	(1.1)
Cochlear (AUS\$)	(16%)	8.9	0.0
Livanova (£)	(14%)	3.2	(0.4)
Elekta (SKr)	(10%)	4.6	(0.2)
Hill-Rom (\$)	(9%)	6.5	(0.6)

At first glance the presence of Microport and Lifetech among the risers appears odd – these groups are active in cardiovascular and orthopaedic medicine, with their devices used in precisely the kinds of surgeries that were put on hold by the pandemic. In fact they are based in Shanghai and Hong Kong respectively, and get much of their sales from China. That country's relatively swift and strict lockdowns in response to the initial outbreak have kept cases low, permitting hospitals to resume operations.

Irhythm might be the only company in the mid-cap movers whose share price change had nothing to do with Covid-19. In early August its stock leapt 33% after the Centers for Medicare and Medicaid proposed new reimbursement codes for long-term electrocardiogram monitoring. Irhythm's Zio, a wearable heart monitor for detecting arrhythmias, would be covered by these, and the decision was expected to drive sales growth.

Four months later the CMS reversed its decision, deciding not to finalise the new pricing, and Irhythm dropped a quarter of its value. Fortunately it had an ace up its sleeve, announcing the appointment of Mike Coyle as chief executive, following the retirement of Kevin King. Mr Coyle was formerly the leader of Medtronic's highly successful cardiovascular division, and investors' collective delight permitted Irhythm to exit 2020 at close to a record high.

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

	Share price 12mth chg	Market cap at Dec 31 (\$m)	Market cap 12mth chg (\$m)
Top 5 risers			
Sedana Medical (SKr)	153%	895	579
Meridian Bioscience (\$)	106%	806	418
Castle Biosciences (\$)	95%	1,353	766
Cerus (\$)	64%	1,157	565
Drägerwerk (€)	47%	696	252
Top 5 fallers			
Accelerate Diagnostics (\$)	(55%)	432	(491)
Natus Medical (\$)	(39%)	679	(446)
Inogen (\$)	(35%)	988	(515)
Cutera (\$)	(33%)	425	(85)
Myriad Genetics (\$)	(27%)	1,487	(539)

Among the smaller groups the virus was also a major influence. As well as Meridian and its Covid-19 test, Swedish group Sedana was buoyed by an increase in demand for its anaesthetic delivery technology, and Dräger sold more of its ventilators and personal protective equipment.

As for the small-cap fallers, Natus, Cutera and Myriad fell as the pandemic caused dwindling interest in their technologies – neurological and newborn monitoring, aesthetic lasers and cancer testing respectively.

Inogen, though, makes portable oxygen concentrators for use by patients with respiratory problems, a technology that might have been expected to take off considerably while a respiratory disease sweeps across the globe. But Inogen's systems sell directly to patients and businesses and, while these provide adequate support for patients with conditions like lung cancer and COPD, they are not up to the task of treating hospitalised patients with Covid-19. The company's sales fell as physician visits slowed.

There are signs of recovery even among those groups hardest hit by the pandemic. Livanova, for example, has seen its stock climb since shedding its heart valve business in December, and Myriad, which is also looking to streamline, showed signs of a faster than expected recovery during its first fiscal quarter, reported in November.

The smaller medtechs, always more vulnerable to general trends in the equity markets, will hope for less volatility in the year to come.

This article has been updated to include Sedana Medical.

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