

Medtech deal-making stands firm in difficult times



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It takes more than a pandemic to stop medical device companies merging.

The remarkable thing about medtech business development trends across 2020 is how resilient deal values have been under truly extraordinary circumstances. Transactions worth a total of \$27.3bn were completed last year – a highly respectable total, scarcely behind the \$29bn figure for 2018.

True, some of these would have been initiated in 2019. But all but one of the biggest deals of 2020 were announced while the pandemic was already raging. And in some cases, most notably Livongo's \$18.5bn takeout by Teladoc, Covid-19 actually spurred management teams to pull the trigger.

While Covid-19 appears to have had little effect on the overall sums spent, it has depressed deal-making activity in terms of the numbers of signatures on dotted lines. Just 111 acquisitions were closed in 2020. For the purposes of this article, the term encompasses business unit purchases and majority stakes as well as outright company purchases.

As the graph below shows, a downward trend here has been clear for some time, but this is the lowest annual total since *Evaluate Vantage* started tracking device deals in 2014.

Medtech M&As over the past decade

Number and values of deals closed



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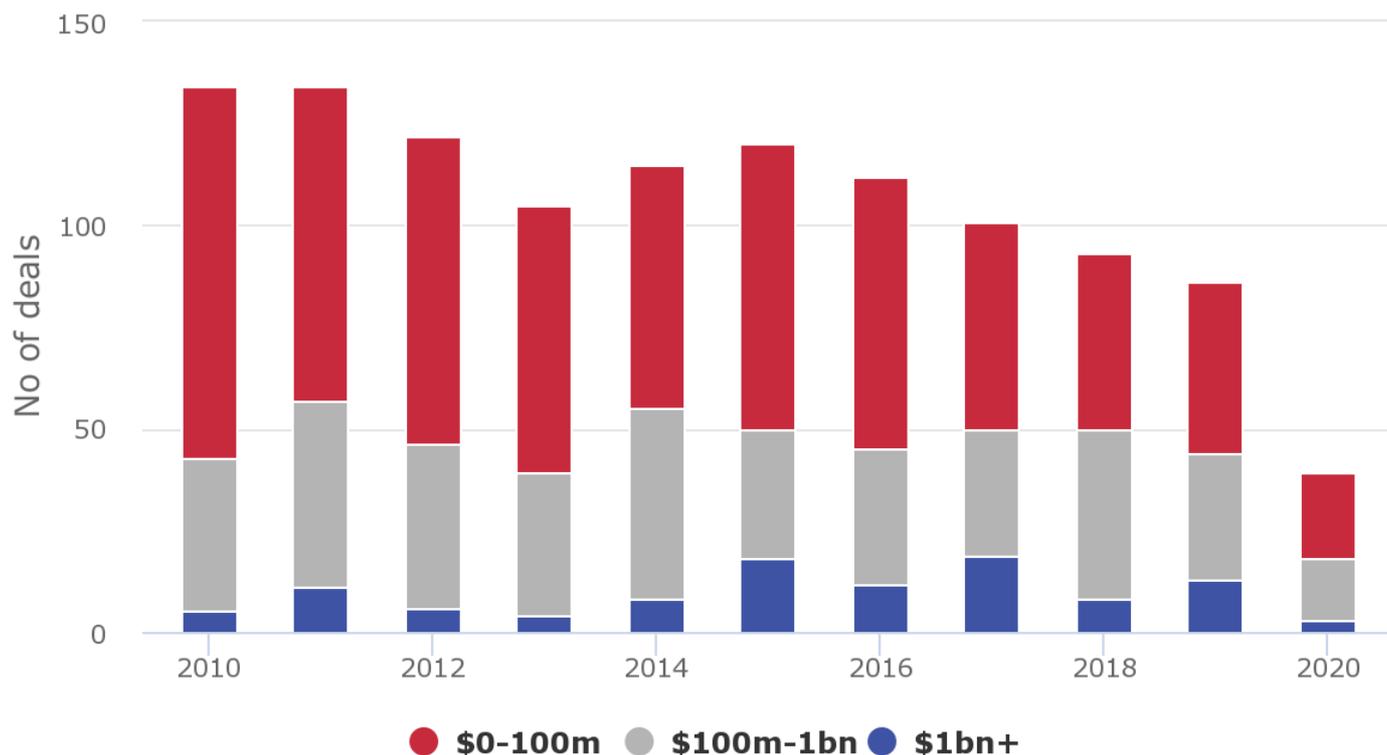
An obvious corollary to the falling number of acquisitions but decent total value is that the deals are getting bigger. Analysing the M&As with disclosed values gives an average size of \$700m, larger than the \$594m and \$315m seen in 2019 and 2018 respectively.

Public companies are enjoying persistently high valuations, and free-flowing capital in the venture markets means the same is true of private groups. This is likely putting some potential buyers off, cutting the numbers of deals, while also ensuring that when deals do go ahead the purchaser pays top dollar.

Slicing the deal data by size shows an interesting phenomenon: though deal volumes are half what they were in 2019, of those closed in 2020 the proportion that fall into the small, mid-size and large categories are roughly the same as was seen the year earlier. Approximately half the deals that closed last year were worth less than \$100m, while billion-dollar transactions made up 10% of the total number closed, compared with 15% in 2019 and 9% the year before that.

Medtech M&A by size

Number of deals closed over the past decade



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And one of these will go down in the hall of fame. At \$18.5bn, Teladoc's purchase of Livongo is the largest deal of 2020 and the sixth largest pure-play medtech acquisition of all time. Acquisitions in the telehealth area were always on the cards, this being one of the fastest-growing forms of medical technology, but the lockdown and quarantine regimes necessitated by the pandemic provided the impetus for the tie-up ([Teladoc bets \\$18.5bn that Covid-19 will change the world for good, August 6, 2020](#)).

The coming year ought to see a return to more M&A deal-making, should vaccine rollouts go as hoped. There will certainly be appetite for deals: the groups negatively affected by hospitals prioritising Covid-19 patients, such as those active in the orthopaedics and cardiology arenas, will be keen to catch up by buying high-growth businesses.

It will be interesting to see how the diagnostics segment develops as the furious pace of Covid-19 test development slows. And the startling spate of takeovers of liquid biopsy developers - Invitae and Archer DX, but also the \$1.7m Exact-Thrive and \$8bn Illumina-Grail deals that were announced last year but not yet closed - might also prompt further consolidation. 2021 could end up a bumper year.

Top 5 deals closed in 2020

Completion date	Acquirer	Target	Value (\$m)	M&A focus	Evaluate Vantage coverage
Oct 30	Teladoc Health	Livongo	18,500	Diabetic care, healthcare IT and patient monitoring	Teladoc bets \$18.5bn that Covid-19 will change the world for good
Nov 11	Stryker	Wright Medical Group	5,400	Orthopaedics	Wright and Stryker embark on a joints venture
Oct 2	Invitae	Archer DX	1,400	In vitro diagnostics	Invitae ends medtech merger drought with ArcherDX deal
Dec 31	Dentsply Sirona	Byte	1,040	Dental	Dentsply sees clear advantages to \$1bn Byte deal
Nov 18	Steris	Key Surgical	850	General hospital & healthcare supply	Steris turns the Key on 2020's fifth biggest buy

Source: EvaluateMedTech.