

## Role reversal for large-cap medtechs



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### Shareholders are rewarding the kinds of companies they punished a year ago.

Elective procedures are back with a vengeance. A glance at the big-cap companies whose share prices grew the most over the first half of 2021 reveals robotic surgery, imaging and hearing aid developers to have benefited from the relaxing of rules banning non-urgent healthcare appointments as Covid-19 vaccination programmes take effect.

And the converse is true of the fallers, with telemedicine and Covid-19 testing groups having shed the most value over the past six months. These technologies might be here to stay, but demand for them will have fallen from their lockdown peak.

The overall climate for medical device, diagnostics and digital health companies, as indicated by health tech indices, is steadfastly average - [and therefore far better than it was a year ago](#). Perhaps this indicates a belief among investors that the sector is returning to normal after a turbulent 18 months.

Stock index	% change in H1 2021
Refinitiv Europe healthcare	7%
Dow Jones US medical equipment index	10%
S&P composite 1500 healthcare equipment & supplies	10%

Judging by the extent of share price gains and losses the market is indeed more placid than it was last year. The top riser, China's Microport Scientific, saw a 68% uptick in its US listing. While this is not to be sneezed at it is markedly lower than the biggest climb in any period since the first half of 2017.

Much of the resurgence in demand for Microport's devices comes from its home market. Official figures suggest that China has controlled Covid-19 transmission very effectively since April 2020, and hospitals are very much open for business. Across 2020 the demand for Microport's joint implants saw revenues from these products grow 93%, and worldwide the group's orthopaedics revenues increased 31%.

## Large cap (\$10bn+) medtech companies: top risers and fallers in H1 2021

	Share price 6-mth change	Market cap at Jun 30 (\$bn)	Market cap 6-mth change (\$bn)
<b>Top 5 risers</b>			
Microport Scientific (\$)	68%	16.2	6.4
Hitachi (¥)	56%	56.5	19.1
Sonova (SFr)	51%	24.3	8.4
Demant (DKr)	47%	13.8	4.7
Straumann (SFr)	43%	26.0	8.0
<b>Top 5 fallers</b>			
Teladoc Health (\$)	(17%)	25.7	(3.3)
Biomérieux (€)	(15%)	14.1	(2.0)
Masimo (\$)	(10%)	13.3	(1.4)
Hologic (\$)	(8%)	17.1	(1.6)
Exact Sciences (\$)	(6%)	21.3	1.4

The presence of two hearing aid manufacturers and a dental company in the risers also points to a reopening. Stock in Sonova and Demant crashed horribly in March 2020 as shareholders realised that lockdowns would mean that hearing aid users would not be able to replace or upgrade their devices, and new customers would also be thin on the ground.

The tooth implant maker Straumann's share price was similarly affected, and for the same reason. All three companies have seen increased sales as customers returned this year.

### Muted

As with the risers, the big-cap fallers have shown more muted reactions than last year's cohorts. But the reversal in these companies' fortunes is clear.

Teladoc, which as the name suggests specialises in connecting patients with doctors via phone and video calls, was the top riser last year, its shares climbing 139% across 2020. Now that patients can visit their doctors in person investor confidence has ebbed.

Both Biomérieux, which has developed diagnostics for Covid-19, and the patient monitoring specialist Masimo also appeared in the risers in last July's analysis.

Exact Sciences also created a test for the coronavirus last year, adapting the sequencing technology on which its oncology diagnostics are based. Though its share price dropped its market cap increased, thanks to the closing of its \$1.7bn up-front cash-and-stock acquisition of the liquid biopsy developer Thrive Earlier Detection.

At some point, presumably, the Covid-19 pandemic will no longer be the major influence on medtech companies' share price movements. For now its retreat means that developers of less urgent technologies are riding high.

But should increased circulation of especially transmissible variants such as Delta and Lambda – or the emergence of an even more lethal one – prompt further lockdowns, the trends in big cap share moves will switch back once more.

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