

Covid-19 takes its toll on medtechs' efficiency



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Staffing levels changed little across 2020 as M&A slowed - but sales are another story.

In some cases the pandemic has accelerated trends among the biggest device makers, and in others it has reversed them. A look at the medtech revenues the top 15 companies generated for the size of their workforce, a measure of the efficiency of their operations, reveals some notable fluctuations.

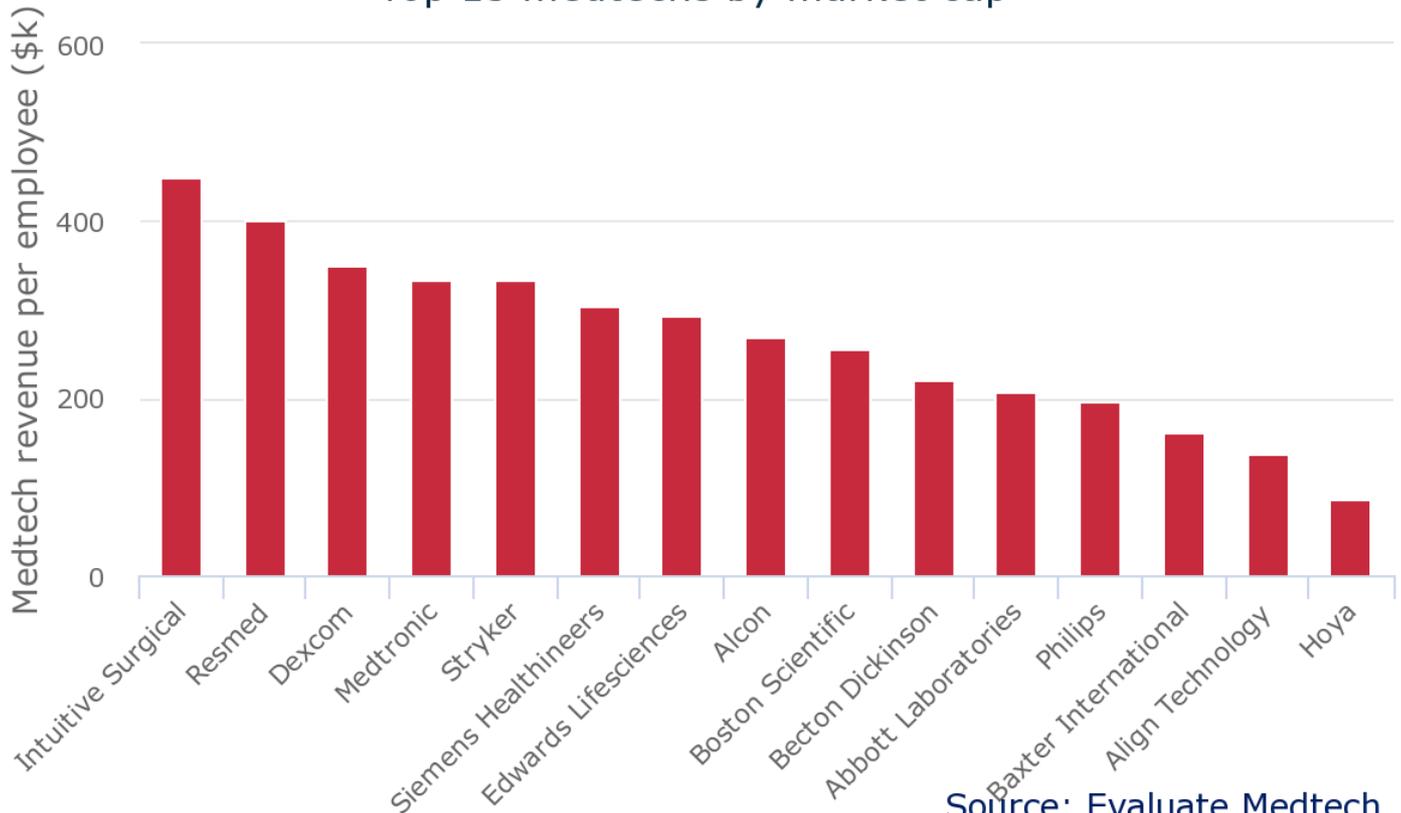
Even the roster of companies that make up that top 15 has changed. Zimmer Biomet and Coloplast suffered such a dramatic loss of value across 2020 that they fell out of this cohort entirely, to be replaced by the ventilator maker Resmed and the diabetes tech company Dexcom.

The analysis below includes only those groups that obtain more than 40% of their sales from medical devices, diagnostics or digital health. Companies such as Johnson & Johnson and Roche, which are major presences in medtech but are even stronger in drug development, are captured in the biopharma analysis ([Bristol's buy moves it to the top of the sales charts](#), May 18, 2021).

As relatively small groups that have enjoyed fast-growing sales in tandem with leaps in valuation, Resmed and Dexcom have scorched into the second and third places on this per-worker efficiency measure. The former's sales soared as its respiratory technologies, largely aimed at treating sleep apnoea, were repurposed to aid patients hospitalised with the coronavirus.

2020 medtech revenue per employee

Top 15 medtechs by market cap



Source: Evaluate Medtech.

Last year the second and third spots were taken by orthopaedics companies ([Medtechs that book the most sales per employee face the greatest losses, September 3, 2020](#)). Zimmer Biomet is no longer part of this analysis since its market cap fell by \$5bn during 2020. Stryker's reduced sales per employee has prompted a slide from third place to sixth.

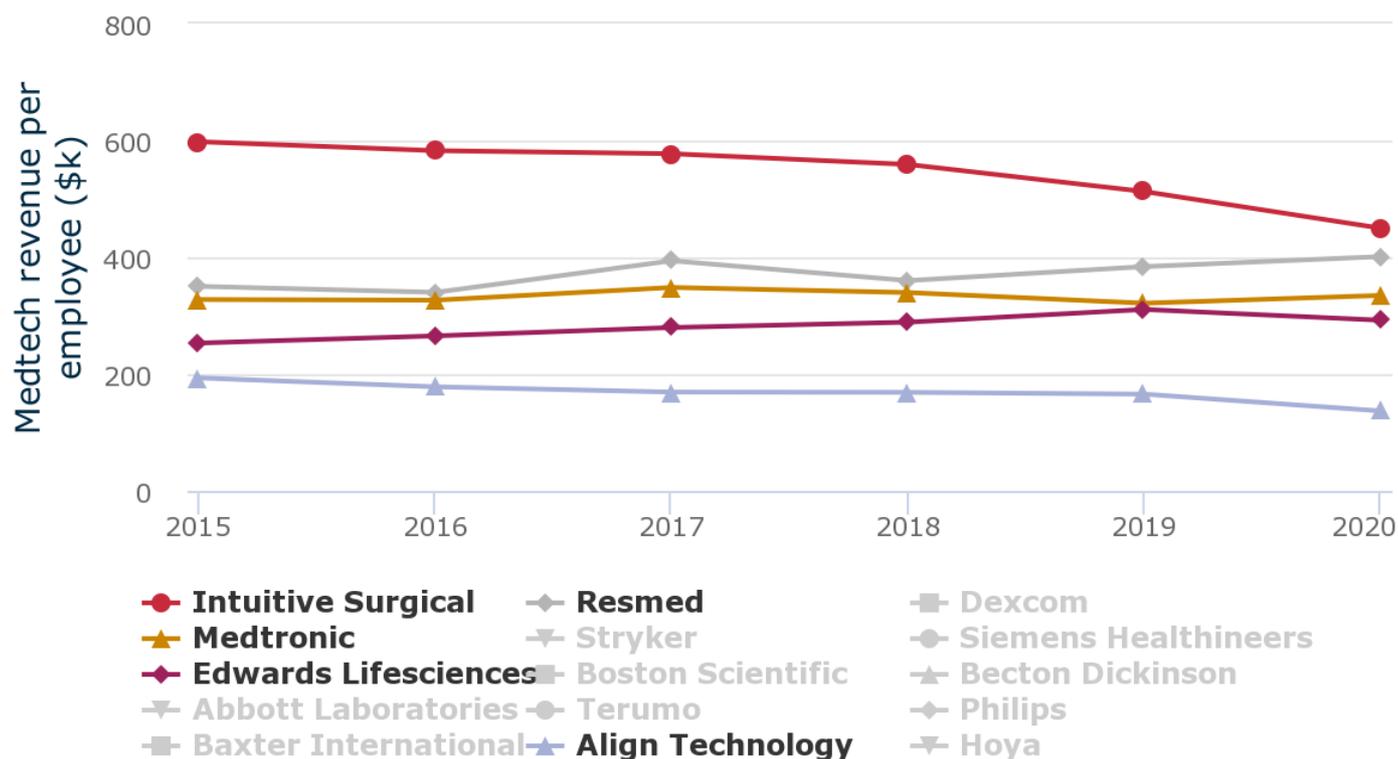
The leader, however, has continued to reign supreme. Of the top 15 medtechs, Intuitive Surgical has long been able to wring the most value from its workforce. But the actual figure has been steadily declining over the past five years - and then Covid-19 caused a sharp downturn, as hospitals called off or postponed the surgeries for which Intuitive's machines are used.

A similar pattern can be seen among other groups whose products are used for non-urgent procedures, including Boston Scientific and Stryker.

One group showed quite the opposite drift. Abbott had already been improving on the sales per employee metric, but the figure rocketed in 2020 thanks to its Covid-19 test revenues.

Medtech revenue per employee

Top 15 medtechs by market cap



Source: EvaluateMedTech.

The biggest groups' headcounts have not varied greatly, but the picture is very different among smaller companies. And in terms of percentage growth in workforce over 2020, the three biggest movers are all cancer testing groups. Fulgent Genetics is a player in Covid-19 diagnostics as well as hereditary cancer testing, and more than tripled its headcount last year.

Natera and Invitae, meanwhile, are working in the white-hot area of liquid biopsy technology.

As for the group that shed the greatest proportion of their staff, Obalon, a developer of an anti-obesity device, wound down over 2020. Obalon's brainwave was a balloon that was swallowed and then inflated in the patient's stomach to give a sensation of fullness; sales dwindled steadily from a peak of \$148m in 2016, and the group had only two employees left at the end of last year. The rump of the company was acquired by Reshape medical in August.

Top 3 headcount increases of 2020

By percentage of staff added			By number of staff added		
Company	% added	2020 headcount	Company	Number added	2020 headcount
Fulgent Genetics	209%	429	Align Technology	3,540	18,070
Natera	75%	1,815	Stryker	3,000	43,000
Invitae	62%	2,100	Siemens Healthineers	2,300	54,300

Top 3 headcount reductions of 2020

By percentage of staff cut			By number of staff cut		
Company	% cut	2020 headcount	Company	Number cut	2020 headcount
Obalon Therapeutics	(94%)	2	Sonova	(676)	14,508
Senseonics	(57%)	82	Hologic	(664)	5,814
Motus GI Holdings	(51%)	24	Invacare	(500)	3,400

Source: Evaluate Medtech.

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