

Healthineers scores big in the third quarter



[Elizabeth Cairns](#)



Diagnostics companies enjoy notable uplift in sales; elsewhere, spinouts could shape the future.

Summer might not be thought of as peak Covid-19 season: the clement weather means people can mingle outdoors rather than being squashed inside with poor ventilation, and droplets carrying the virus evaporate faster in the warmth. Yet during the period from July to September companies selling tests for the coronavirus have seen their revenues soar.

Siemens Healthineers was slow to pivot to the new reality, and this time last year had suffered a slight fall in its sales compared with pre-pandemic 2019. But it subsequently invested heavily in developing Covid-19 tests, and this was a major factor in its 33% year-on-year sales growth in its fiscal fourth quarter.

Its fellow test makers Abbott Laboratories and Roche take the silver and bronze respectively. All three companies credited strong sales of their Covid-19 diagnostics for their revenue jumps.

In fact Abbott's revenues have grown so astonishingly that it might be close to pushing Medtronic off the top spot as the leading medtech company by sales. Medtronic, a perennial earnings season laggard, reported an uninspired quarter today – and, remarkably, said that it might be open to spinning off part of its business.

Faster

Another notable component of Healthineers' sales surge was the closing of its \$16.4bn acquisition of the imaging group Varian in April – [the biggest medtech M&A deal to close this year](#).

Varian contributed €709m (\$798m) of Healthineers' €6bn fiscal fourth quarter revenue, but the company believes it will be a substantial money-spinner in future, saying the unit was forecast to grow at 9-12% per year, rather faster than the mid-to-high single-digit predictions for its other divisions.

As for Abbott, its worldwide Covid-19 testing-related sales were \$1.9bn in the third quarter, nearly a fifth of its overall revenues. Its three rapid tests, BinaxNow, Panbio and ID Now contributed \$1.6bn between them.

But it is Roche that comes out on top over a two-year period, its diagnostics sales having leapt an impressive 42% since the third quarter of 2019, according to data compiled by *Evaluate Medtech*.

Spinouts

The losers this quarter were a mixed bag. Philips has had a horrendous year, with vital components in its sleep

technologies being repeatedly flagged as dangerous ([Philips sinks beneath the foam](#), November 15, 2021). As a company heavily involved in respiratory tech it should have been able to capitalise on the pandemic, as morbid as that seems. But over the past two years its third quarter sales have declined 13%.

General Electric's healthcare business has also underperformed, though perhaps more forgivably since its imaging technologies will have been deprioritised by hospitals during various lockdowns.

But change is coming in a big way to medtech, with both [General Electric](#) and [Johnson & Johnson](#) splitting their businesses up. While these moves will not make an immediate difference to the groups' medtech revenues they will birth more focused companies, able to make more precise investments and sharper M&A deals. Investors will be hoping that this will lead to improved sales growth.

Spinouts might also be on the cards for Medtronic, which reported its fiscal second quarter results today. Its sales came in as a modest disappointment, and it was forced to cut its full-year guidance, blaming "greater-than-expected market impact of the pandemic and healthcare system staffing challenges".

Chief executive Geoff Martha said on a conference call that the group was looking afresh at the possibility of hiving off a unit or units. Though he said that he did not see Medtronic as similar to a GE or a J&J, with "dramatically different businesses", he stated that "quite a chunk of time" in Medtronic's board meetings was occupied with discussing whether spinouts might benefit the company. This is clearly a trend to watch.

How the top 10 medtechs have fared in the pandemic era

Date of earnings	Company	Q3 2021 sales (\$bn)	Change from Q3 2019-20	Change from Q3 2020-21	Change from Q3 2019-21
Nov 4	Siemens Healthineers**	6.0	(6%)	33%	23%
Oct 20	Abbott Laboratories	10.9	10%	23%	35%
Oct 19	Roche*	4.6	19%	19%	42%
Oct 28	Stryker	4.2	4%	11%	16%
Oct 27	Boston Scientific	2.9	(2%)	10%	8%
Oct 19	Johnson & Johnson*	6.6	(4%)	8%	4%
Nov 4	Becton Dickinson**	5.1	4%	7%	12%
Nov 23	Medtronic†	7.8	(2%)	3%	2%
Oct 26	GE Healthcare*	4.3	(7%)	(5%)	(12%)
Oct 18	Philips	4.8	6%	(6%)	(13%)

*Medtech-only sales. **Fiscal Q4 2021. †Fiscal Q2 2022. Source: Evaluate Medtech, company communications.

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