

Device makers buy big



[Elizabeth Cairns](#)



Whether sitting on a pile of cash or guarding against growing pressures, acquisitions are the answer.

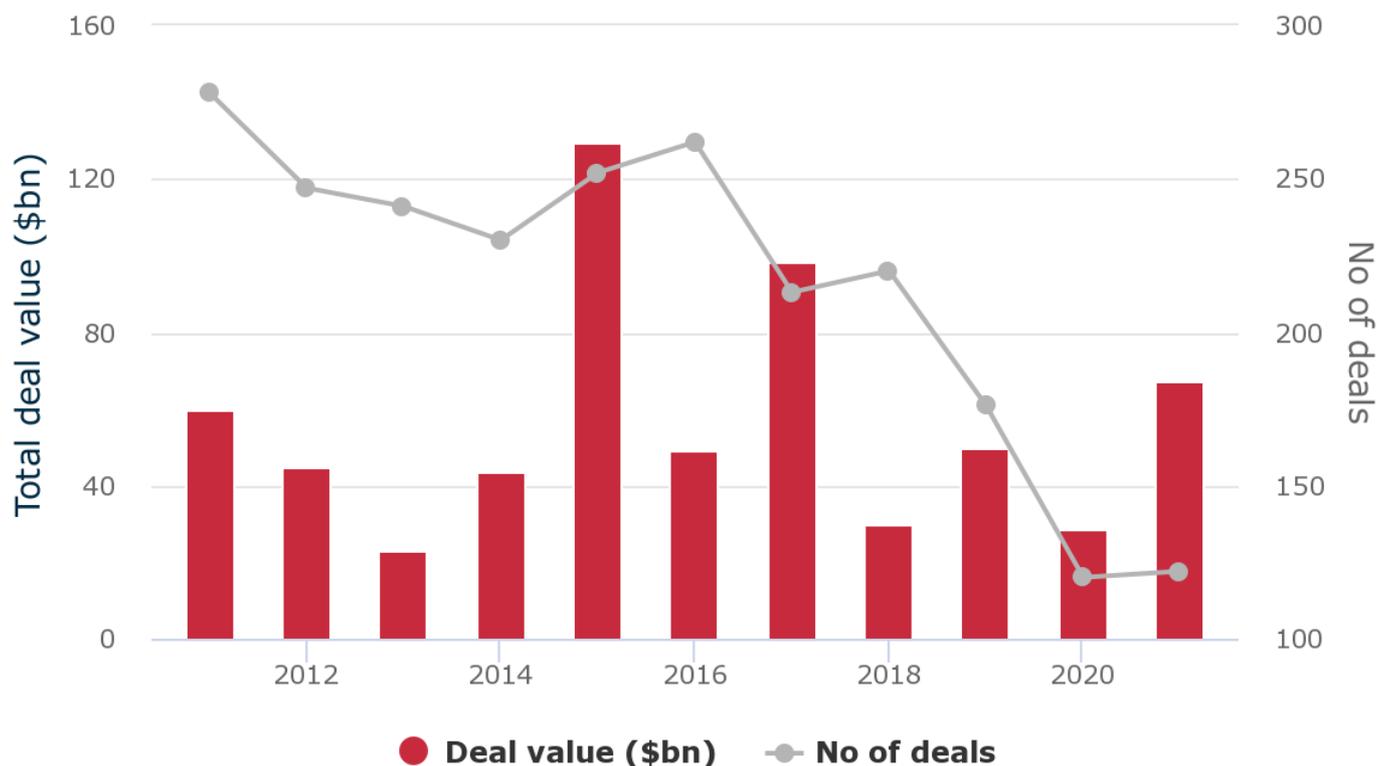
After a pause device makers are buyers again, mostly thanks to either stockpiles of Covid cash or, among the less fortunate, a pressing need to build scale during a difficult time. Acquisitions of medtech companies worth a total of \$67.2bn were closed in the medical device sector last year, the highest figure since 2017.

And while the sector saw only 10 acquisitions worth more than \$1bn - three fewer than in pre-pandemic 2019 - the relatively low number of deals closed last year means the average price paid is higher than ever, at \$1.12bn.

Since this analysis tracks the closing of deals rather than their announcement, many date from 2020 and the height of the first wave of the pandemic, underlining the remarkable nature of this resurgence. The dataset encompasses medtechs buying other medtechs; it does not include deals done by drug developers or blank-cheque companies.

Medtech M&A over the past decade

Number and values of deals closed



Evaluate Medtech

Siemens Healthineers, which closed the biggest deal of 2021, is these days in the Covid cash category, having [done extraordinarily well](#) thanks to its pioneering tests for the coronavirus. But its \$16bn bid for the imaging company Varian predates this success; when the deal was announced in the summer of 2020 the German group was hurting from the cancellation and postponement of non-urgent imaging procedures.

The deal was, therefore, a defensive move to shore up revenues by buying a group whose cancer treatment tech was used in procedures not so easily deferred.

Another strong trend across 2020 and 2021 was a clear shift into digital and remote technologies. Baxter spent \$11bn on Hillrom largely for the latter's "connected care" systems, which include electronic health records, communication systems and wireless patient monitors, as well as the software to link them.

Top 5 deals closed in 2021

Completion date	Acquirer	Target	Value (\$bn)	M&A focus
Apr 15	Siemens Healthineers	Varian Medical Systems	16.4	Radiotherapy
Dec 13	Baxter International	Hillrom	10.5	General hospital & healthcare supply, in vitro diagnostics, patient monitoring
Aug 18	Illumina	Grail	8.0	In vitro diagnostics
Jun 2	Steris	Cantel Medical	4.6	Endoscopy, general & plastic surgery, nephrology
Feb 9	Philips	Biotelemetry	2.8	Patient monitoring

Source: Evaluate Medtech.

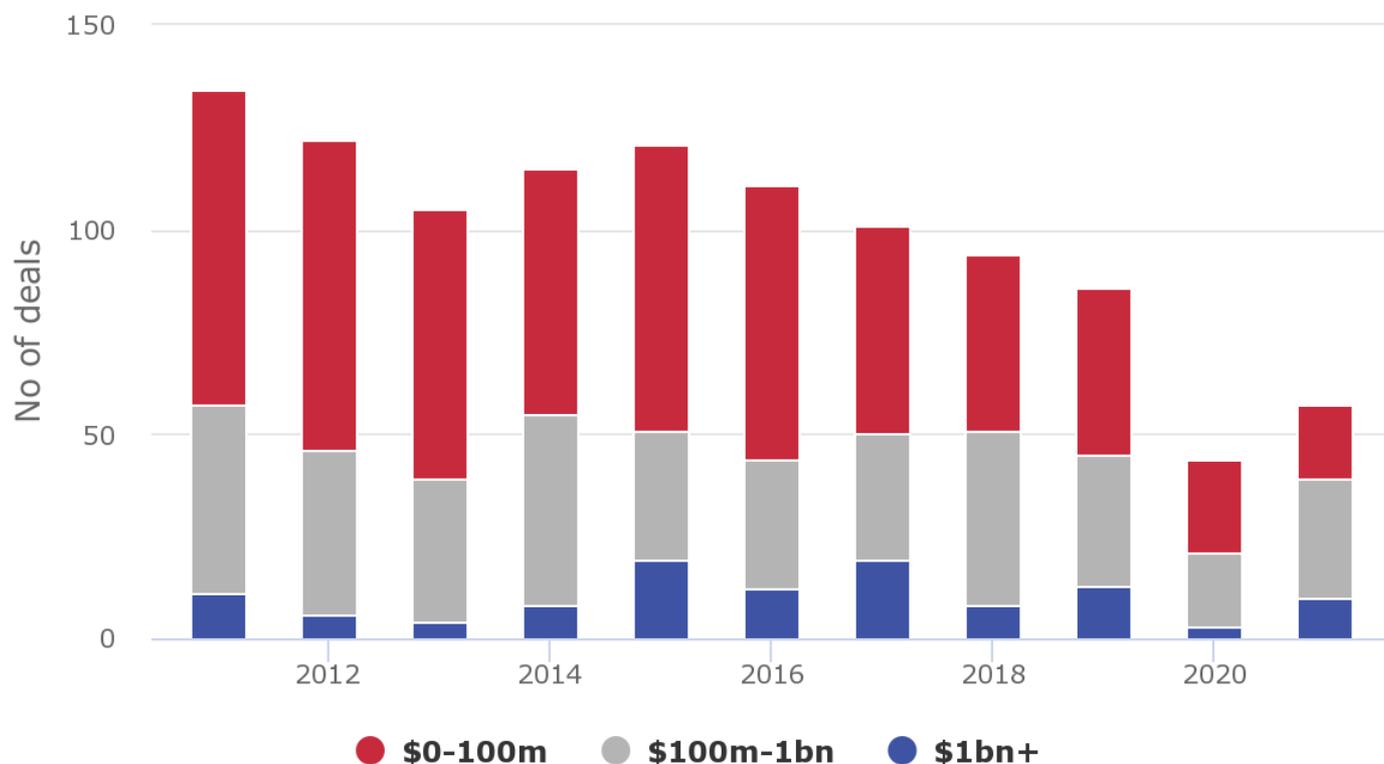
Philips bought Biotelemetry for very similar capabilities. The group made arrhythmia-detecting wearable heart monitors and the software that connects them, but also a wider platform to integrate data from other sources and oversee data analytics and billing for healthcare services.

Another major issue, and possibly a worrying one, is the dearth of smaller deals. Just 18 acquisitions worth less

than \$100m were closed last year, fewer even than in sluggish 2020. Start-ups rely on the prospect of takeovers to lure venture investors; if medtechs in this size bracket are not being bought, the knock-on effects for younger groups in need of growth capital could be severe.

Medtech M&A by size

Number of deals closed over the past decade



Note: only includes deals with known value. Source: Evaluate Medtech.

For deals that exemplify the spending of Covid testing revenues look no further than Hologic. The diagnostics group made around \$2.4bn from its Covid assays, instruments and collection kits across its fiscal 2021, which ended on September 25. It was able to use this windfall to close five acquisitions in 2021, the largest of which was that of Mobidiag for \$795m.

Plenty of other groups whose coffers have been swollen with coronavirus-related revenues have signed deals, of course - those deals simply have not closed yet, and so will feature in future analyses. Roche's \$1.8bn acquisition of Genmark Diagnostics is one, as is Quidel's recently announced \$6bn takeover of Ortho Clinical Diagnostics. This trend is not even close to finished.

And the wave of spin-outs sweeping the industry will also free up capital and create smaller, more adroit groups capable of more focused deal making. Expect to see purchases by the newly independent GE Healthcare and Zimvie, the spine and dental company soon to emerge from Zimmer Biomet, in the coming year.

With mergers worth more than \$22bn currently awaiting close, and plenty of big medtechs sitting on Covid-based fortunes, the sector could make another very strong showing in 2022.

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