

Embecta seeks high growth with low tech



[Elizabeth Cairns](#)



The diabetes-focused Becton Dickinson spinoff intends to spend - but can it compete in insulin pumps?

Until last week Becton Dickinson was the world's biggest provider of insulin syringes and pen injectors. On Friday it spun out Embecta, which now assumes that mantle. Embecta has ambitions to grow its injector business, but also to diversify away from its low-tech core, and is willing to spend lavishly to do so.

"The spin gives us the financial flexibility to invest for growth," says Dev Kurdikar, chief executive of the new Nasdaq-listed group. This investment will follow three main pathways, he explains: "Investing in organic commercial initiatives, in R&D, and M&A and partnerships are the ways we're going to look to grow Embecta."

Diabetes is becoming more common everywhere, but is growing particularly fast in less developed countries as demographics and lifestyles change. Logically enough, Embecta plans to make emerging markets a major focus since most diabetes patients in these countries use the type of injector devices Embecta makes, rather than more costly advanced tech like insulin pumps or artificial pancreas-type systems.

Equally, innovation is a thrust for the new company. Its chief financial officer, Jake Elguicze, says Embecta plans to take R&D investment from the current level of around 4-5% of revenues to at least 7%.

Patching it up

This is because Embecta sees an opportunity in more technologically advanced approaches alongside its more basic devices. The group is working on a patch pump, the type of tubeless insulin delivery device made by companies including Insulet and Cequr. Patch pumps are distinct from cannula infusion sets, the main type of insulin pump made by companies like Medtronic and Tandem Diabetes Care.

Embecta seeks to distinguish its new pump, which is in R&D and has FDA breakthrough device status, from those already on the market by aiming it purely at patients with type 2 diabetes. This is an unusual strategy: insulin pumps are predominantly aimed at patients with the type 1 form.

"An average type 2 person with diabetes needs more insulin per day than an average type 1," says Mr Kurdikar. "We are designing a patch pump [that] has more capacity to hold insulin than the currently available patch pumps."

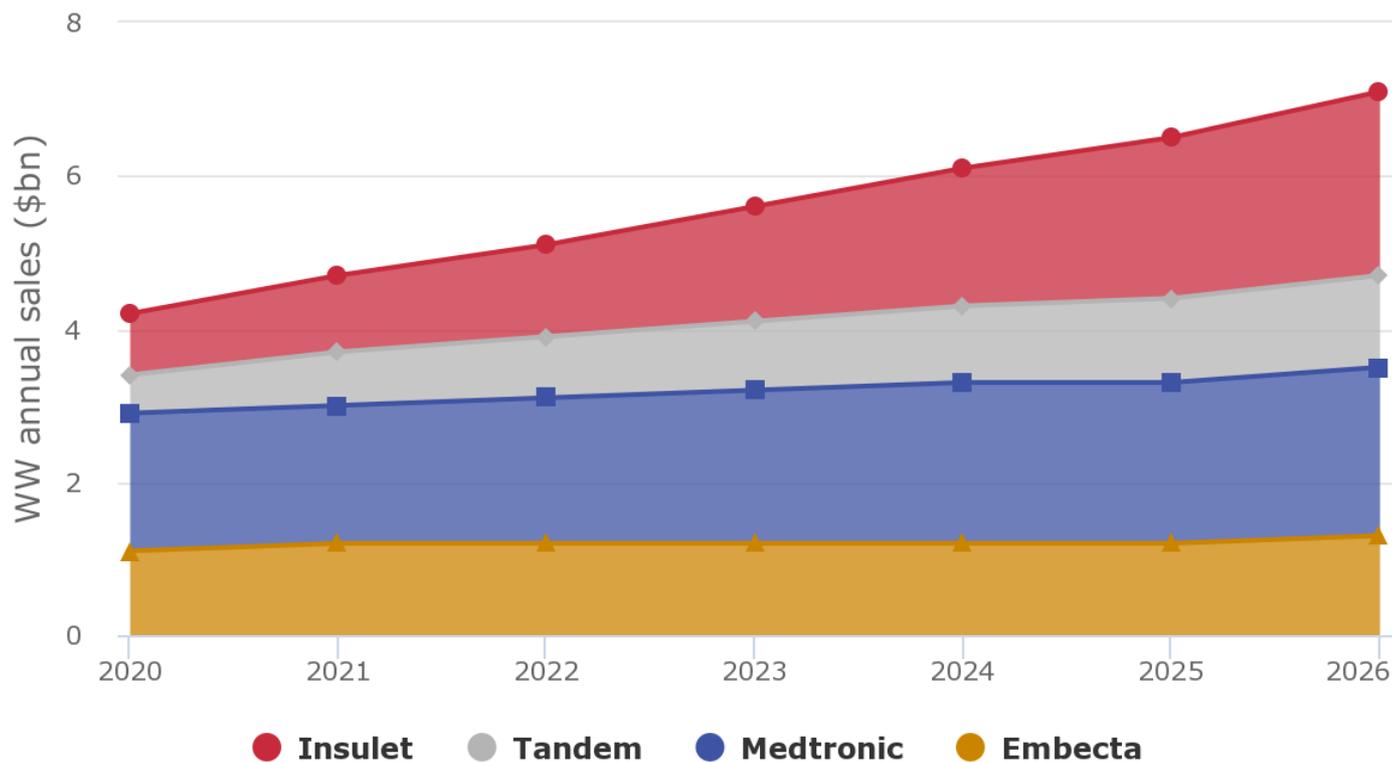
This will also be simpler than other patch pumps, Mr Kurdikar says, since type 2 patients may not need all the features type 1 patients need. Type 2s are often seen by primary care physicians rather than endocrinologists, so the initial training setup needs to be easy enough for non-specialists.

Mr Kurdikar declines to give a timing for the potential market debut of the device. “We think about the product as having an open loop version and a closed loop version,” he says. “The closed loop version will certainly require clinical trials and we haven’t initiated clinical trials yet.”

Even with this focus on the type 2 market it will be hard for Embecta to compete with Insulet. Fuelled by its Omnipod series of patch pumps, Insulet is forecast to be the leading insulin delivery company by 2025, according to sellside consensus from *Evaluate Medtech*, with sales of more than \$2.4bn.

Insulin delivery device makers

Selected companies' forecast sales



Evaluate

It will, of course, take time for Embecta’s focus on improving organic sales and in-house R&D to bear fruit; Mr Kurdikar concedes that sales growth will be “flattish” through the group’s fiscal 2024. In the meantime, at least it is profitable and cash-generative.

Embecta’s best chance of boosting its top line in the near term might come from its third and final spending priority. Cut free of Becton Dickinson, Embecta is freer to cut deals, and intends to look at both partnerships and acquisitions.

“If there are companies that have innovative products in our space, that are looking for a partner so that they can make those products available to as broad a population as they can, then we might be the right partner for them, given the geographic scale we have,” Mr Kurdikar says.

The diabetes sector is characterised by partnerships, often between pharma companies that make insulin, pump makers, glucose sensor specialists and the developers of algorithms and other software that can link these systems. The glucose sensor company Dexcom, for instance, has [partnerships with over two dozen groups](#), including Lilly, Novo Nordisk, Insulet and Glooko.

If Embecta makes the right calls it could fit right into this network, transforming a moribund BD business unit into something nimbler and faster-growing.

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