

July 20, 2022

The other shoe finally drops for device dealmaking



[Elizabeth Cairns](#)



A combination of Covid and market gloom results in the fewest acquisitions closing for over 20 years.

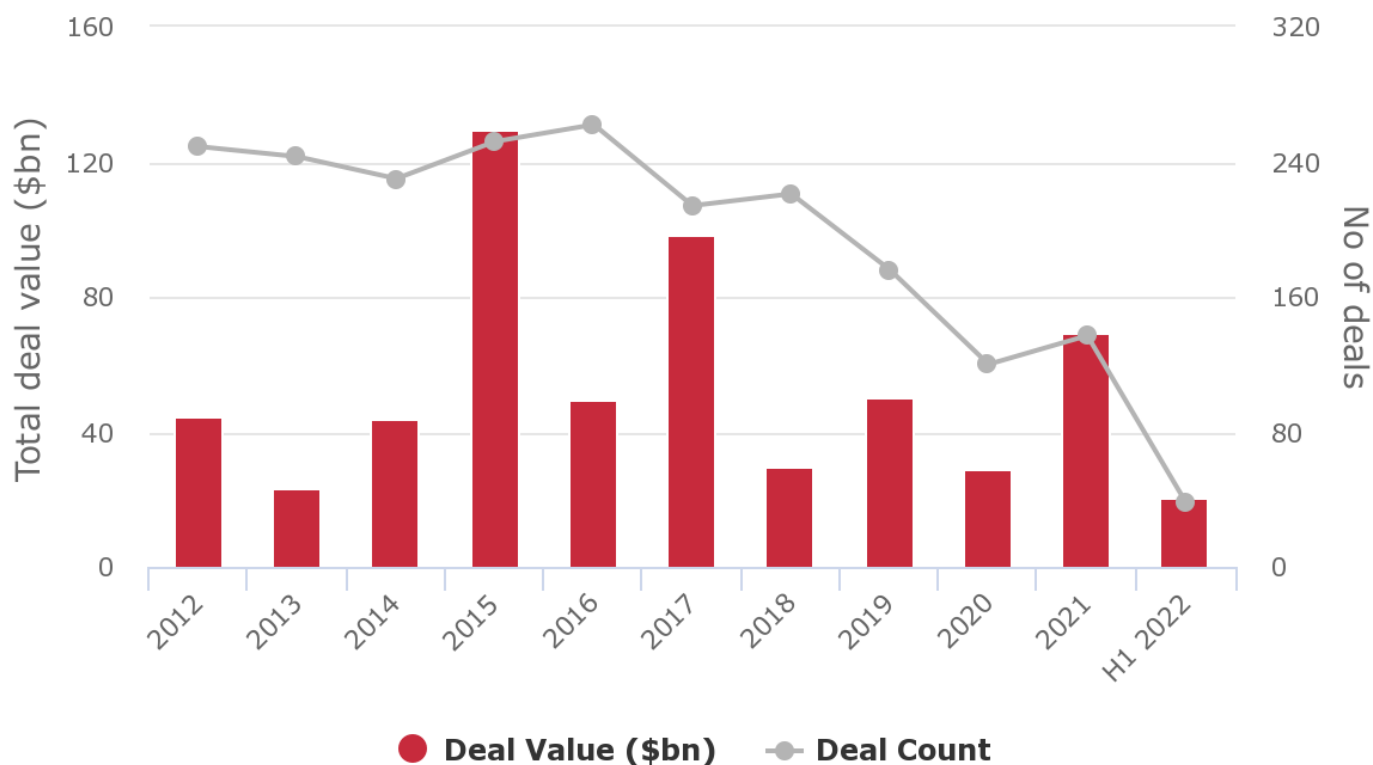
Perhaps the biggest surprise in *Evaluate Vantage's* analysis of mergers and acquisitions in the medtech sphere is how well deal values have held up in one of the darkest periods in recent years. Deals worth \$20.7bn were closed in the first half of 2022; should the second half unfold in a similar way the year-end total will beat the figure recorded in three of the past 10 years.

The story is very different, however, when the number of deals is reckoned up. Just 38 mergers and acquisitions were closed in the first six months of 2022, putting the sector on course for its lowest annual deal count for more than 20 years.

Partly, of course, this is a hangover from the pandemic. Several companies, such as [Teladoc](#) and [Siemens Healthineers](#), that raked in cash thanks to technologies useful in combating Covid have already placed large bets. Others have opted to fund R&D or return cash to shareholders. With one major exception, of which more later, Covid-cash deals have largely dried up.

Medtech M&As over the past decade

Number and value of deals closed



Evaluate

Uncertainty over supply chains, which hugely increased across last year, has also probably added to companies' reluctance to buy.

Fewer, bigger buys

Still, some companies have put their hands in their pockets. Quidel's move on Ortho-Clinical Diagnostics was the last big Covid cash deal the sector has seen. The resulting group, Quidelortho, has become the world's seventh largest diagnostics company, with 2022 test sales forecast to reach \$4.4bn, according to *Evaluate Medtech*.

Top 5 deals closed in H1 2022

Completion date	Acquirer	Target	Value (\$bn)	M&A focus
May 27	Quidelortho	Ortho-Clinical Diagnostics	6.0	In vitro diagnostics
Jan 31	Coloplast	Atos Medical	2.4	Ear, nose & throat; general hospital & healthcare supply
Jan 6	ICU Medical	Smiths Medical, business of Smiths Group	2.4	Anaesthesia & respiratory; patient monitoring
Feb 14	Boston Scientific	Cardiology business of Baylis Medical Company	1.8	Cardiology
Mar 29	Owens & Minor	Apria	1.5	Anaesthesia & respiratory

Source: *Evaluate Medtech*.

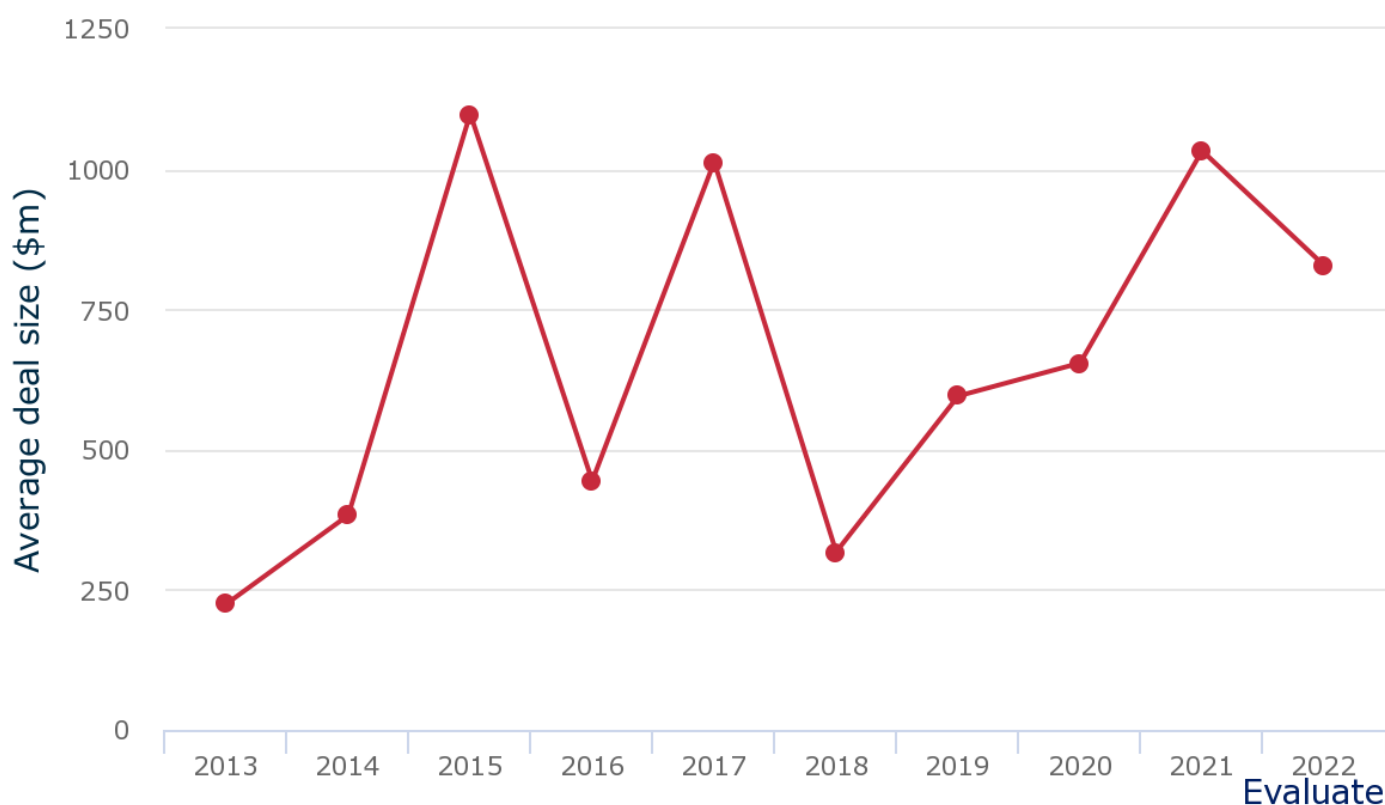
The other deals in the top five have all been about consolidation in the hospital sector. Atos is the leader of the laryngectomy device market, adding a new area to Coloplast's business, which largely centres on incontinence and wound healing. Smiths Medical supplies things like syringes, drug pumps and pulse oximeters, a logical fit with ICU's intravenous drug delivery specialism.

As for the average size of 2022's mergers and acquisitions, the upward trend of recent years has been thrown sharply into reverse, suggesting that companies found themselves forced to accept lower valuations than might have been the case even a year earlier.

Perhaps things might pick up a little in the second half of this year. Several of the big groups – Abbott, Medtronic, Johnson & Johnson – have specifically stated their interest in acquiring. They are mostly focused on sub-\$1bn tuck-in deals rather than huge transformational moves, but at this point, new deals of any size will help.

Average deal size

Deals closed over the past decade



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