

2012 sees largest pure medtech buy for seven years, but value of deals slump 27%



[Elizabeth Cairns](#)

This year has seen fewer mergers and acquisitions in the medtech space so far than the equivalent period in 2011, and the total value of the deals has also fallen. In the first three quarters of 2012 \$47bn was spent on acquiring medtech companies, compared with \$65bn a year earlier. The fall of 27% is particularly concerning as nearly half of the 2012 total spend was from a single \$20bn deal.

Analysis of data from *EvaluateMedTech* shows that the first three quarters of 2012 saw 38 M&A deals within medtech, compared with 60 in the same period in 2011. This 37% drop is partly due to the macroeconomic climate, and no doubt some of the blame can also be apportioned to the forthcoming US medtech sales tax, which is forcing companies into cost-cutting and limiting their takeover opportunities (see tables).

Largest pure medtech deal for seven years

By far the largest medtech acquisition of 2012 was that of the trauma specialist Synthes by Johnson & Johnson. The \$19.7bn deal was worth more than five times as much as the next largest transaction, Hologic's buyout of Gen-Probe for \$3.7bn. It is a huge outlier, unlike anything in the first three quarters of 2011, where the top deal was worth less than twice the price of the second.

Top 20 medtech M&A deals in first nine months of 2012

Rank	Acquiring company	Deal type	Target	Deal value (\$m)	Status	Date
1	Johnson & Johnson	Company acquisition	Synthes	19,700	Closed	14 June 2012
2	Hologic	Company acquisition	Gen-Probe	3,700	Closed	1 August 2012
3	Asahi Kasei	Company acquisition	ZOLL Medical	2,210	Closed	26 April 2012
4	Agilent Technologies	Company acquisition	Dako	2,200	Closed	21 June 2012
5	Boston Scientific	Company acquisition	Cameron Health	1,350	Closed	8 June 2012
6	FUJIFILM Holdings	Company acquisition	SonoSite	995	Closed	29 March 2012
7	Thermo Fisher Scientific	Company acquisition	One Lambda	925	Closed	13 September 2012
8	Medtronic	Company acquisition	Kanghui Holdings	816	Open	27 September 2012
9	Haemonetics	Business unit	Blood collection, filtration and processing product lines of Pall	535	Closed	2 August 2012
10	Hill-Rom	Company acquisition	Aspen Surgical Products	400	Closed	26 June 2012
11	AngioDynamics	Company acquisition	Navilyst Medical	372	Closed	22 May 2012
12	Danaher	Company acquisition	IRIS International	338	Open	17 September 2012
13	Covidien	Company acquisition	BÂRRX Medical	325	Closed	05 January 2012
14	Baxter International	Company acquisition	Synovis Life Technologies	325	Closed	14 February 2012
15	Covidien	Company acquisition	Oridion	310	Closed	26 June 2012
16	Covidien	Company acquisition	superDimension	300	Closed	15 May 2012
17	Biomet	Business unit	Trauma business of DePuy Orthopaedics	280	Closed	15 June 2012
18	Teleflex	Company acquisition	LMA International	276	Open	14 August 2012
19	Getinge	Business unit	Therapeutic Support System business of Kinetic Concepts	275	Open	15 August 2012
20	STERIS	Company acquisition	U.S. Endoscopy Group	270	Closed	15 August 2012

The deal was, in its way, also a response to economic pressures. J&J's DePuy subsidiary already had a significant presence in the orthopaedic market, but much less in trauma, with a market share of around 6% before the acquisition, compared with 58% for Synthes. Because trauma care is a necessity, it is under less pricing pressure than procedures such as joint replacement ([*J&J needs to practice dealmaking arts in Synthes talks*](#), April 18, 2011).

The Synthes deal was the largest acquisition of a pure-play medtech company since Boston Scientific's 2005 acquisition of Guidant for \$27bn. Boston has had significant difficulties digesting pacemaker developer Guidant and may only now be getting back on track ([*EP Vantage Interview - Boston Scientific remakes itself to face the future*](#), October 22, 2012). J&J, being the biggest medtech company in addition to its pharmaceutical operations, ought to be able to absorb Synthes more easily.

The most expensive transaction to date in 2012 has had a knock-on effect in that it necessitated the 17th most expensive: Biomet bought the trauma segment of DePuy, which included fixation products used in the treatment of bone fractures, for \$280m in June, in order to allay EU antitrust concerns resulting from the Synthes buy.

Top 20 medtech M&A deals in first nine months of 2011

Rank	Acquiring company	Deal type	Target	Deal value (\$m)	Status	Date
1	Danaher	Company acquisition	Beckman Coulter	6,800	Closed	30 June 2011
2	Thermo Fisher Scientific	Company acquisition	Phadia	3,438	Closed	23 August 2011
3	Terumo	Company acquisition	CaridianBCT	2,625	Closed	14 April 2011
4	DENTSPLY International	Business unit	AstraTech	1,800	Closed	31 August 2011
5	Stryker	Business unit	Neurovascular Division of Boston Scientific	1,500	Closed	3 January 2011
6	Medtronic	Company acquisition	Ardian	800	Closed	13 January 2011
7	Quest Diagnostics	Business unit	Athena Diagnostics	740	Closed	4 April 2011
8	Bausch + Lomb	Option	Technolas Perfect Vision	645	Open	8 September 2011
9	Elekta	Company acquisition	Nucletron	526	Closed	15 September 2011
10	Medtronic	Company acquisition	Salient Surgical Technologies	525	Closed	31 August 2011
11	Novartis	Company acquisition	Genoptix	525	Closed	31 August 2011
12	Boston Scientific	Company acquisition	Sadra Medical	470	Closed	7 March 2011
13	Boston Scientific	Company acquisition	Atritech	386	Closed	4 January 2011
14	QIAGEN	Company acquisition	Cellestis	375	Closed	3 March 2011
15	Hologic	Company acquisition	Interlace Medical	374	Closed	29 August 2011
16	Hitachi Medical	Company acquisition	Aloka	350	Closed	7 January 2011
17	Accuray	Company acquisition	Tomo Therapy	292	Closed	4 March 2011
18	Toshiba	Company acquisition	Vital Images	277	Closed	13 June 2011
19	Roche	Company acquisition	mtm laboratories	273	Closed	15 June 2011
20	Sekisui Chemical	Business unit	Genzyme's Diagnostic Business	265	Closed	1 February 2011

Covidien

The most acquisitive firm in terms of deals is Dublin-based Covidien, which purchased no fewer than seven

companies: BARRX Medical, Oridion, superDimension, Maya Medical, Newport Medical Instruments, CNS Therapeutics and MindFrame, for a total of \$1.4bn.

BARRX is a developer of radiofrequency ablation catheters used to remove precancerous tissue from the gastrointestinal tract to treat conditions including Barrett's oesophagus. Maya Medical's lead technology, the OneShot renal denervation system, also employs radiofrequency energy, but uses it to ablate nerves to control blood pressure.

Three further companies are active in the pulmonary area. Oridion develops devices that detect the proportion of carbon dioxide in a patient's breath as a monitoring tool for use during anaesthesia and intensive care. The Israeli company superDimension has a product called the i-Logic system, which can extend the reach of conventional bronchoscopes to provide minimally invasive access to lesions deep in the lungs, to improve evaluation of lesions and enable safer tissue biopsies. Newport Medical Instruments develops ventilators. These companies are logical purchases given Covidien's portfolio of pulse oximeters and other monitoring products.

MindFrame manufactures devices to aid rapid perfusion and clot removal to treat patients with ischaemic stroke. Lastly, CNS Therapeutics is a pharma company, bought by Covidien's drugs subsidiary Mallinckrodt.

The most acquisitive company in the first three quarters of 2011 was Medtronic, which bought renal denervation specialist Ardian, surgery companies Salient Surgical Technologies and PEAK Surgical and Jolife, a Swedish firm that had developed a tool that administers non-stop chest compressions, spending a total of \$1.5bn.

The medtech sector is growing faster than pharma. Though there have been fewer acquisitions so far in 2012 than in 2011, this trend is a recent one - 2011 saw more buyouts than 2009 - and there is no reason why it might not be reversed in 2013.

Medtech mergers & acquisitions		
Deal announcement date	Total deal value (\$m)	Deal count
1st quarter 2011	5,778	16
2nd quarter 2011	48,334	22
3rd quarter 2011	10,839	22
1st quarter 2012	3,430	5
2nd quarter 2012	31,173	14
3rd quarter 2012	12,499	19

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