

## Baxter getting its blood up over Gambro



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If the rumour mill is to be trusted Baxter International is on the verge of buying the private Swedish dialysis company Gambro for a cool \$4bn, and, while one should not believe everything in the papers, it does look like a very good purchase for the Chicago-based company.

As the number two global provider of dialysis products, Baxter's acquisition of the number three provider, while not catapulting it ahead of market leader Fresenius Medical Care, would significantly strengthen its position in the market. Add in the synergies that Baxter is bound to find, not only operationally but potentially in R&D, and it is hard to see why it would not be trying to get Gambro's private equity owners to sign on the dotted line.

### **New string to the bow**

Buying Gambro would extend Baxter's reach from just peritoneal dialysis (PD), the home dialysis market, into the hospital-based haemodialysis (HD) market, where Gambro is the number two player. Analysts at Bernstein Research estimate that Gambro has a 19% share of the global HD market. They also point out that the deal would help Baxter promote its new home HD product, which is expected to receive its CE mark in Europe next year.

Nor would combining its dialysis fortunes with those of Gambro be a step into the unknown, given the 2005 agreement the two struck to allow Baxter to distribute Gambro's HD products internationally; this could also ease any integration issues.

Additionally, it might calm nerves about Baxter spending such a relatively large chunk of money on one company, as its previous large acquisitions have typically been around the \$350m mark and have never exceeded \$600m. Most recently, the group paid \$325m in February to acquire a soft tissue repair company, Synovis Life Technologies.

### **Heading for the door**

It is hard to say precisely what value a \$4bn sale would mean to Gambro's owners, EQT Capital and Investor AB, who bought the company in 2006 for \$4.7bn. Since their purchase Gambro has had various parts hived off in attempt to save costs after the FDA had asked some of its dialysis machines to be withdrawn owing to manufacturing issues.

In 2007, the international dialysis services business was sold to another private equity group, Bridgepoint, for an undisclosed sum and in 2010 Gambro's own peritoneal dialysis business was sold to rival Fresenius Medical Care for \$610m. More recently Gambro sold its CaridianBCT blood machine unit to Japan's Terumo Corp for \$2.63bn including debt.

But analysts believe at the touted \$4bn price tag, which roughly equates to 2.5 times the \$1.6bn of sales Gambro is thought to have had last year, looks like a fair one. It also allows EQT and IAB to exit within the usual time frame for most private equity deals.

### **Growing market**

If Baxter's purchase does go through, and at this point there are no guarantees, it should enable the group to tap into a growing market that will be stoked by the increase of type 2 diabetes, an ageing population and patients with end-stage renal failure now living longer thanks to better care.

With so many positives to a deal Baxter is now likely to be working hard to turn rumours into truth.

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