

Smallest device companies take biggest leaps in H1



[Joanne Fagg](#)

Identifying a growing problem and selling products to fix it is a strategy beautiful in its simplicity and impressive in its success. The small- and micro-cap medtech companies whose shares have risen most this year are addressing issues like drug-resistant hospital infections, spinal injuries and the ever-popular heart disease.

And they're using cutting-edge technology to do it. Real-time patient monitoring, optical biopsy systems and even engineered tissue taken from donated human placentas have won interest and investment for the firms pursuing them. The smallest companies have seen the biggest jumps. Leader of the nano-cap risers, Med BioGene, saw an almost sixfold increase in its share price in the first half.

Small cap (\$250m-2.5bn) medtech companies: top risers and fallers in H1

		Share price (local currency)			Market capitalisation (\$m)	
Rank	Top 5 risers	YE 2012	H1 2013	Change	YE 2012	H1 2013
1	TearLab	\$4.10	\$10.62	159%	118.79	307.68
2	Accelerate Diagnostics	\$4.03	\$8.12	101%	156.54	315.42
3	MiMedx Group	\$3.84	\$7.06	84%	368.42	677.37
4	Cardiovascular Systems	\$12.55	\$21.2	69%	301.73	509.69
5	Tokuyama	¥189	¥316	67%	789.66	1,130.19
Rank Top 5 fallers						
1	Orthofix International	\$39.33	\$26.90	(32%)	760.61	523.29
2	Aerocrine	SKr13.75	SKr10.10	(27%)	322.09	240.66
3	Volcano	\$23.61	\$18.13	(23%)	1273.62	988.81
4	Landauer	\$61.21	\$48.31	(21%)	583.09	460.20
5	Given Imaging	\$17.47	\$14.01	(20%)	542.98	439.52

Around 500 clinical trials of drugs and devices aimed at treating dry eyes are listed on clinicaltrials.gov, hardly surprising for a large, fast-expanding yet underpenetrated market. TearLab's diagnostic for the disorder works by measuring the osmolarity of tears – saltier tears mean drier eyes – in a growing population of usually elderly patients.

Analysts from Canaccord Genuity estimate that there are 30 million dry eye disease patients in the US, less than 5% of whom are diagnosed and treated. They put the market size at \$1.8bn, and say that TearLab's plan to place at least one instrument in every eye practice in the US and test all patients that present with symptoms will spur it to growth.

Ophthalmologists get Medicare payments of around \$45 per patient, "which nicely outweighs the \$20-25 cost of testing," Canaccord says. The bank has given TearLab a buy rating, and judging by its steep but steady share price rise in 2013's first half, investors have listened.

The stock of Accelerate Diagnostics, formerly known as Accelr8, has been more up and down, but a doubling of

its share price since January reflects the potential seen in its core technology, a method of rapidly identifying pathogens in a patient sample and determining the microbes' antimicrobial susceptibility. The technology is of particular use in hospital infections, and with many hospitals and patients running scared of MRSA and similar bugs, demand should remain steady.

Tissue engineering specialist MiMedx received its biggest boost when it migrated its shares to Nasdaq from OTCBB in April. The company makes grafts designed to speed wound healing from human amniotic membrane tissue obtained from placentas.

The allograft market is characterised by much competition, but MiMedx's success so far here is neatly illustrated by its move to bigger premises taking place this summer.

By far the largest company in the small cap table is cardiovascular specialist Volcano. Competing with established behemoths like Medtronic and St Jude Medical is a tall order, and the latter company particularly hurt Volcano late last year when it won a patent dispute. Partly as a result, February saw Volcano downgrade its guidance for fiscal 2013, to \$406-\$412m from a previously expected \$422-\$428m.

Micro cap (\$100-250m) medtech companies: top risers and fallers in H1						
		Share price (local currency)			Market capitalisation (\$m)	
Rank	Top 5 risers	YE 2012	H1 2013	Change	YE 2012	H1 2013
1	Mazor Robotics	ILS8.39	ILS25.28	201%	79.71	240.18
2	CardioNet	\$2.28	\$5.9	159%	58.04	150.18
3	Hutchinson Technology	\$2.00	\$4.73	137%	54.58	129.09
4	Neovasc	C\$1.60	C\$2.95	84%	77.32	138.43
5	Bioneer	KRW9,580	KRW16,700	74%	111.63	186.75
Rank	Top 5 fallers					
1	OraSure Technologies	\$7.18	\$3.88	(46%)	369.46	215.46
2	Optos	£1.70	£1.15	(33%)	199.20	126.51
3	Mauna Kea Technologies	€12.34	€9.25	(25%)	220.65	163.39
4	Cytori Therapeutics	\$2.80	\$2.30	(18%)	184.56	154.52
5	RTI Biologics	\$4.27	\$3.76	(12%)	240.28	211.58

Lock, stock and barrel

Surgical robotics is a troubled field, with sales of the most expensive systems falling precipitously ([Intuitive's poor sales cast a pall over the robotic surgery sector, July 10, 2013](#)). Israel's Mazor Robotics, though, seems to be bucking the trend, tripling its share price in the first half.

Wireless heart monitor developer CardioNet's 159% share price jump can be ascribed in large part to a deal it signed with UnitedHealthcare under which the insurance company will provide coverage for its monitoring systems. UnitedHealthcare covers more than 70 million people in the US.

Retinal imaging company Optos has nobody to blame but itself for its shares shedding a third of their value since January. An unorthodox method of reporting its income meant that its profits dropped suddenly and sharply in May; it also lowered its full-year guidance ([Optos blindsides investors with big profit drop, May 16, 2013](#)). But the company ought to see at least some recovery, and will perhaps not appear in the fallers again.

Nano cap (<\$100m) medtech companies: top risers and fallers in H1

		Share price (local currency)			Market capitalisation (\$m)	
Rank	Top 5 risers	YE 2012	H1 2013	Change	YE 2012	H1 2013
1	Med BioGene	C\$0.02	C\$0.10	567%	1.17	7.58
2	Sanuwave	\$0.16	\$0.67	319%	3.51	14.56
3	Bioject Medical Technologies	\$0.04	\$0.12	240%	0.66	2.25
4	Exalenz Bioscience	IL\$0.10	IL\$0.25	152%	14.99	39.46
5	diaDexus	\$0.35	\$0.78	123%	18.97	42.28
Top 5 fallers						
1	Medpro Safety Products	\$2.30	\$0.50	(78%)	79.44	17.27
2	Urologix	\$0.69	\$0.17	(76%)	14.43	3.53
3	Tengion	\$0.99	\$0.31	(69%)	3.38	0.98
4	EnteroMedics	\$2.80	\$1.14	(59%)	155.73	63.40
5	Venaxis	\$2.56	\$1.20	(53%)	51.08	23.94

The vast rise in Canadian diagnostics firm Med BioGene's shares is likely due to its GeneFx Lung test to identify patients with early-stage non-small-cell lung cancer gearing up for market launch. Med BioGene will sell the test in the US through its CLIA certified laboratories.

But it would be well advised to make hay while the sun shines: plans in the US to tighten the regulation of these kinds of lab-developed tests are liable to make life very difficult for small companies such as Med BioGene ([Vantage Point - FDA regulation of lab-developed tests could hurt smaller companies, June 19, 2013](#)).

Licensing deals are much rarer in medtech than in pharma. When an early-stage company has a technology that succeeds, larger firms tend to simply buy the company, lock, stock and barrel. The micro- and nano-cap companies are the ones that chose not to take this path - or were never offered it.

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