

## Medtech M&A on course for the worst year in a decade



[Joanne Fagg](#)

The medical technology sector has been so barren of acquisitions in the first half of 2013 that, should the trend persist, this year will be the most disappointing in a decade.

Only one deal closed in this period is worth more than \$1bn, and considering that 2012 saw six ten-figure deals, the second half will have to feature some impressive hook-ups in order to compete (see tables). With the largest acquisition announced so far this year - that of sequencing company Life Technologies by Thermo Fisher Scientific - not expected to close until early 2014, the total spent this year could struggle to top \$10bn ([Thermo Fisher spends \\$14bn to finally get a Life](#), April 15, 2013).

**Top 10 take outs closed in 2013 so far**

Rank	Acquiring Company	Target Company or Business Unit	M&A Deal Type	Deal Value (\$m)
1	Bayer	Conceptus	Company Acquisition	1,100
2	Stryker	Trauson	Company Acquisition	764
3	Bausch + Lomb	Technolas Perfect Vision	Company Acquisition	645
4	Illumina	Verinata Health	Company Acquisition	450
5	Wright Medical Group	BioMimetic Therapeutics	Company Acquisition	380
6	Argon Medical Devices	Interventional Products Business of Angiotech Pharmaceuticals	Business Unit	363
7	Linden Capital Partners (private equity firm)	Young Innovations	Company Acquisition	314
8	Danaher	HemoCue	Business Unit	300
9	Cynosure	Palomar Medical Technologies	Company Acquisition	287
10	Alere	Epocal	Company Acquisition	242

Without the Thermo Fisher deal and Valeant Pharmaceuticals' acquisition of Bausch + Lomb, also announced in the first half but not yet closed, the largest take-out so far has been Bayer's purchase of contraceptive device specialist Essure ([Bayer sees fertile ground behind struggling Conceptus sales](#), April 30, 2013).

Compared with 2012 the \$1.1bn transaction is a small deal, but by the usual value metrics, the price was well in excess of a typical acquisition. The \$31-per-share cash offer beat even sell-side analysts' price targets, which tend to take into account the possibility of M&A. This points yet again to a dismal year for take-outs.

In second place falls Stryker's buy of Hong Kong trauma specialist Trauson for \$764m, betraying an

understandable interest in one of the fastest-growing medtech markets ([Trauson trousers \\$760m as Stryker strikes, January 18, 2013](#)). Such a relatively tiny deal so high in the table is a worry in itself: last year the Trauson deal would not have troubled the top 10.

<b>Top 10 take outs closed in 2012</b>				
<b>Rank</b>	<b>Acquiring Company</b>	<b>Target Company or Business Unit</b>	<b>M&amp;A Deal Type</b>	<b>Deal Value (\$m)</b>
1	Johnson & Johnson	Synthes	Company Acquisition	19,700
2	Hologic	Gen-Probe	Company Acquisition	3,700
3	Valeant Pharmaceuticals International	Medicis Pharmaceutical	Company Acquisition	2,600
4	Asahi Kasei	ZOLL Medical	Company Acquisition	2,210
5	Agilent Technologies	Dako	Company Acquisition	2,200
6	Boston Scientific	Cameron Health	Company Acquisition	1,350
7	FUJIFILM Holdings	SonoSite	Company Acquisition	995
8	Thermo Fisher Scientific	One Lambda	Company Acquisition	925
9	Medtronic	China Kanghui Holdings	Company Acquisition	816
10	Smith & Nephew	Healthpoint Biotherapeutics	Company Acquisition	782

With a mere \$6.2bn spent so far this year, the situation in medtech is diametrically opposed to what has been seen in pharma and biotech. After three lacklustre years, the drug industry has begun to pick itself up ([M&A shows signs of recovery, July 22, 2013](#)).

### **Slimming down**

Acquisitions of smaller device companies, which sometimes have just one product, are much more common in medtech than pharma. Despite this, 2013 has so far seen just 88 take outs. It is likely that the wider economic trends are partly responsible, but there is another explanation: many of the larger companies are selling rather than buying.

With Covidien, Abbott and J&J all moving to shed some of their businesses in an attempt to become more specialised and efficient, other firms may have opted out of burdening themselves with new buys and all the integration costs they entail.

## Medtech acquisitions of last decade

Deal Completion Date	Deal Value (\$m)	Deal Count
2013 YTD	6,233	88
2012	45,047	210
2011	76,189	231
2011 (excluding Sanofi-Genzyme)	56,089	230
2010	49,383	239
2010 (excluding Novartis-Alcon)	21,303	238
2009	12,606	154
2008	35,875	201
2007	49,789	231
2006	69,534	197
2006 (excluding Boston-Guidant)	42,534	196
2005	20,793	181
2004	18,218	138
2003	10,496	119

The value of acquisitions in the medical technology space was already trending downwards ([2012 sees largest pure medtech buy for seven years, but value of deals slump 27%, October 29, 2012](#)). Even excluding the distorting effect of the mega-merger between Sanofi and Genzyme in 2011, the spend in 2012 was 20% lower than the year before. But if 2013 does not improve, the year-on-year drop in total spend will be 72%.

Judged on number of mergers, 2013 looks set to be the worst year since 2009, itself an extremely poor period. On total spend, though it is on track to be the worst since 2003.

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