

Orthopaedics companies seek to follow diagnostics in going public



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The extraordinary success of Foundation Medicine's IPO last year nudged a number of other sequencing and diagnostics companies towards the public markets. Now a similar pattern has emerged among those in the orthopaedics sector.

LDR Holdings' \$75m flotation last October has induced two companies, Biomet and K2M, to seek at least \$100m each – an unusually large target by medtech standards – through IPOs. Many analysts expect the orthopaedics market to pick up in the coming year, but it is subject to very different pressures compared with diagnostics and is by no means as hot an area. Compared with the ease with which Foundation raised \$106m, Biomet and K2M may find they have a hard task ahead of them.

BMET and KTWO

K2M intends to list on Nasdaq, as has every US medtech company to go public this year or last year. Biomet has not said which exchange it will go for, but since it used to be on Nasdaq before delisting in 2007 it seems likely to return there.

Seven years ago Biomet was acquired for \$11.3bn by the private equity firms Blackstone Group, Kohlberg Kravis Roberts & Co, TPG Capital and GS Capital Partners. These paid around \$1.3bn each in cash, with the remaining \$6.2bn being new debt. Biomet is still saddled with much of that debt; the company said the proceeds of the offering would go towards paying this down.

Biomet has not said how many shares it intends to offer, or given a price range, though it has chosen BMET as its ticker. In any case the \$100m flotation for which it has filed will be a tiny fraction of what is the fourth largest company in the orthopaedics sphere.

K2M, which specialises in spinal devices as opposed to the hips and knees that make up most of Biomet's business, is also backed by private equity. Welsh, Carson, Anderson & Stowe has had a controlling interest in the company since 2010. It will hit Nasdaq with the ticker KTWO, but again no details of pricing have been revealed.

LDRH

It is easy to see the lure of a listing for an orthopaedics company; of all the companies that listed since the beginning of last year, LDR Holdings has seen the biggest rise in its share price. The 129% jump since October will have been due in large part to the two premarket approvals it obtained for its Mobi-C cervical disc prosthesis ([Downturn in US premarket approvals for devices continues, February 4, 2014](#)).

But it will also have benefited from general shareholder exuberance, which is beginning to bleed in from biotech to medtech. Certainly an IPO window appears to be opening for device makers, with seven listing on Western exchanges in the first quarter of 2014, compared with just two in the first three months of 2013 (see table below).

There is another factor in LDR's success, however. Orthopaedics, while generally one of the slower-growing sectors that tends to see fewer disruptive technologies – there is only so much that can be done to improve an artificial hip, for example – is starting to improve.

The demand-driven nature of the US healthcare system should help sales of joint implants: as employment numbers and consumer confidence improve, potential patients who had been putting off joint replacement procedures will be better able to choose surgery. In Europe, meanwhile, the lifting of austerity measures could help ease hospital budgets for orthopaedic procedures – though this might be a slower process.

If 2013 saw a flurry of diagnostics firms going public, 2014 could turn out to be the year of the orthopaedics IPO.

Medtech IPOs on western stock exchanges in 2013 and 2014 to date

Company	Area	Date	Amount raised	Offering price	Range	Discount/p remium	Exchange	Share price from float to March 31
LipoScience	In Vitro Diagnostics	January 25, 2013	\$45m	\$9	\$13-15	-36%	Nasdaq	-65%
Spineway	Orthopaedics	February 13, 2013	€4.9m (\$6.6m)	€7.47 (\$10.46)	-	-	NYSE Euronext Paris	22%
Cancer Genetics	In Vitro Diagnostics	April 05, 2013	\$6.9m	\$10	\$10-12	-9%	Nasdaq	51%
Spineguard	Orthopaedics	April 26, 2013	€8.1m (\$10.5m)	€7.29 (\$9.50)	€7.29-8.91	-31%	NYSE Euronext Paris	30%
Electrical Geodesics	In Vitro Diagnostics	April 3, 2013	£8m (\$12.1m)	120p (\$1.82)	-	-	AIM	17%
Nanostring Technologies	In Vitro Diagnostics	June 25, 2013	\$54m	\$10	\$13-15	-29%	Nasdaq	107%
Cellular Dynamics International	In Vitro Diagnostics	July 24, 2013	\$46.2m	\$12	\$12-14	-8%	Nasdaq	24%
Foundation Medicine	In Vitro Diagnostics	September 24, 2013	\$106m	\$18	\$14-16	20%	Nasdaq	80%
LDR Holding	Orthopaedics	October 8, 2013	\$75m	\$15	\$14-16	0%	Nasdaq	129%
Veracyte	In Vitro Diagnostics	October 30, 2013	\$65m	\$13	\$13-15	-7%	Nasdaq	32%
Tandem Diabetes Care	Diabetic Care	November 14, 2013	\$120m	\$15	\$13-15	7%	Nasdaq	47%
Oxford Immunotec	In Vitro Diagnostics	November 22, 2013	\$64m	\$12	\$13-15	-14%	Nasdaq	67%
Biocept	In Vitro Diagnostics	February 5, 2014	\$19m	\$10	\$10-12	-9%	Nasdaq	-27%
Amedica	Orthopaedics	February 13, 2014	\$20m	\$5.75	\$10-12	-48%	Nasdaq	31%
Inogen	Anesthesia & Respiratory	February 14, 2014	\$71m	\$16	\$16-18	-6%	Nasdaq	3%
Crossject	Drug Delivery	February 20, 2014	€17m (\$23.2m)	€8.38 (\$11.47)	€7.21-8.38	7%	NYSE Alternext Paris	25%
Semler Scientific	Patient Monitoring	February 21, 2014	\$10m	\$7	\$12-14	-46%	Nasdaq	-25%
Lumenis	Ophthalmics	February 27, 2014	\$75m	\$12	\$15-17	-25%	Nasdaq	-6%
Horizon Discovery	In Vitro Diagnostics	March 24, 2014	€68.6m (\$113m)	180p (\$2.97)	-	-	LSE AIM	12%
Genomic Vision	In Vitro Diagnostics	April 3, 2014	€23m (\$31.6m)	€15 (\$20.56)	€13.5-16.5	0%	NYSE Euronext Paris	-
Corium International	Drug Delivery	April 3, 2014	\$52m	\$8	\$10-12	-27%	Nasdaq	-

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