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## 2020 will see new forces emerge in \$500bn medtech sector



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The merger of Zimmer with Biomet will not only shake up the orthopaedics sector, it will produce the 11th-largest medtech company in the world by the end of this decade.

New *EvaluateMedTech* data show that the entity formed by the combination of Zimmer, currently the 20th company by worldwide medtech sales, and Biomet, 29th, is set to have worldwide sales of \$9.9bn in 2020 (see table). But the medtech sphere itself is expanding fast; with an annual growth rate of 5%, analysts estimate it will create sales of nearly \$150bn in the next seven years to reach \$506bn in 2020.

### 2020 vision

With much of the top 10 leaderboard unchanged apart from slight jockeying for position, and Johnson & Johnson retaining the number one spot, the new Zimmer-Biomet conglomerate will be able to congratulate itself on an enviable growth rate.

Though J&J will not be toppled by the end of the decade, its lead is eroding. Siemens, whose \$18bn in medtech sales come mainly from its imaging arm, is growing at 5% year-on-year to J&J's 3%. Both companies are looking into divestments of non-core medtech businesses to improve their overall growth rates - J&J agreed to sell its diagnostics business to the Carlyle Group in January ([Carlyle's bid for Johnson & Johnson fixer-upper bucks market trends](#), January 17, 2014).

Broker forecasts for J&J still, for now, include its IVD business, which is predicted to bring in revenue of \$2.1bn in 2020. The company's lead over Siemens will thus be diminished further once the sale to Carlyle closes.

Like its fellow consumer tech firms General Electric and Philips, Siemens benefits from poaching device expertise from its other operations. Technology developed initially for smartphones or cars can be applied to medicine, giving these companies an innovation pathway that others, even pharma-device conglomerates, cannot easily access.

Largest companies in 2020 by worldwide medtech sales					
Company	Total medtech sales (\$bn)			Market rank	
	2013	2020	CAGR	2013	2020
Johnson & Johnson	28.49	34.08	+3%	1	1
Siemens	17.87	24.63	+5%	2	2
Medtronic	17.03	21.66	+3%	3	3
Roche	11.31	15.67	+5%	4	4
General Electric	9.78	15.40	+7%	7	5
Abbott Laboratories	9.86	14.56	+6%	6	6
Covidien	10.24	13.86	+4%	5	7
Stryker	9.02	12.87	+5%	9	8
Philips	9.41	12.46	+4%	8	9
Essilor International	5.98	10.66	+9%	15	10
Zimmer-Biomet	4.62	9.94	+12%	20	11
Becton Dickinson	6.95	9.41	+4%	13	12
Boston Scientific	7.14	9.36	+4%	10	13
Baxter International	5.78	9.31	+7%	16	14
B. Braun Melsungen	6.87	9.29	+4%	14	15
<b>Total market</b>	<b>358.15</b>	<b>506.16</b>	<b>+5%</b>		

Aside from Zimmer-Biomet – which has yet to receive the blessing of antitrust watchdogs – the other big success story in the 2020 top 15 is Essilor International. And here, too, expansion has been driven by M&A.

Essilor specialises in lenses and ophthalmic instruments, and has boosted its growth through acquisitions, completing a remarkable nine purchases last year. Indeed, it is one of the most takeover-happy companies in medtech, with 16 M&A deals undertaken in 2012 and 26 in 2011. Perhaps, then, its momentum is slipping, but analysts see the company growing at a remarkable 9% annually to the end of this decade.

### Neuro stimulated

As for the largest areas in medtech, the market displays its characteristic resilience to fashion. The top 10 areas are not forecast to change from last year to 2020, with *in vitro* diagnostics some way in the lead and pulling away from the rest of the pack.

Fuelled by enormous increases in computing power, the sequencing technology used in molecular diagnostics is improving rapidly, enabling more detailed results to be obtained more quickly. This, in turn, spurs the use of IVDs in clinical practice, in drug development and as companions to marketed drugs.

The triumvirate of cardiology, imaging and orthopaedics, similarly-sized areas with similar growth rates, comes next. All are maturing markets. While innovation continues in all of them, most devices still in use are incremental advances on previous systems.

The greatest change will be seen in neurology. The application of neurostimulation, initially developed to alleviate the tremor associated with Parkinson's disease, to disorders such as pain, depression and epilepsy is one of the factors that ought to enable neurology to leapfrog the anaesthesia/respiratory and healthcare IT segments to take 15th position.

The total worldwide medtech market was worth around half as much as the biopharma sector last year, and will remain so in 2020. But, as last week showed, the sector can still surprise.

<b>Largest medtech sectors in 2020 by worldwide sales</b>			
	<b>Total sales (\$bn)</b>		
<b>Sector</b>	<b>2013</b>	<b>2020</b>	<b>CAGR</b>
<i>In vitro</i> diagnostics	45.08	68.69	+6%
Cardiology	38.24	54.15	+5%
Diagnostic imaging	35.48	50.80	+5%
Orthopedics	33.79	45.91	+4%
Ophthalmics	24.29	35.92	+6%
General & plastic surgery	18.22	25.51	+5%
Drug delivery	17.53	23.26	+4%
Endoscopy	15.85	22.87	+5%
Dental	12.87	18.04	+5%
Diabetic care	11.74	15.37	+4%
Nephrology	11.15	14.86	+4%
Wound management	11.47	14.78	+4%
Ear, nose & throat	7.14	10.84	+6%
General hospital & healthcare supply	8.46	10.24	+3%
Neurology	6.11	9.98	+7%
<b>Total medtech sales</b>	<b>358.15</b>	<b>506.16</b>	<b>+5%</b>

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