

Medtech convulsed by IPO frenzy



Elizabeth Cairns

Siemens' decision to spin out its audiology unit via an IPO highlights the recent popularity of floating as a business strategy in the medtech sphere - especially since the diagnostics firm Alere is pursuing exactly the same tactic for its reagents unit.

So far this year there has been little short of a frenzy for device company IPOs, traditionally very rare in medtech. No fewer than seven device makers floated in April, and the orthopaedics group K2M joins Nasdaq today (see table). It could be that 2014 is seeing a revolution in the way medtech firms do business.

The last time *EP Vantage* examined the medtech IPO situation, on April 4, nine companies had gone to the public exchanges in 2014. The addition of a further nine in less than a month shows that the rate is accelerating.

Nasdaq hokey cokey

K2M, whose chief executive, Eric Major, rang the opening bell in New York this morning, is seeking \$132m through the offering of 8.8 million shares at \$15 each. But it initially set out to raise \$100m with shares priced between \$16 and \$18 ([Orthopaedics companies seek to follow diagnostics in going public, April 4, 2014](#)). Like Lombard Medical two weeks ago, K2M is having to offer more shares - but unlike Lombard, it is raising an even higher total ([Lombard flees to US after all, April 25, 2014](#)). It expects to raise net proceeds of around \$120m after expenses.



Medtech IPOs on western stock exchanges in April and May 2014

Company	Area	Date	Amount raised	Offering price	Range	Discount/ premium	Exchange	Share price from float to May 7
Supersonic Imagine	Diagnostic Imaging	April 10, 2014	€50m (\$69.5m)	€11.70	€11.70-€14.30	-10%	NYSE Euronext Paris	-9%
Exova	In Vitro Diagnostics	April 11, 2014	£220m (\$368m)	220p	210p-260p	-6%	LSE	2%
TriVascular Technologies	Cardiovascular	April 16, 2014	\$78m	\$12	\$13-\$15	-14%	Nasdaq	6%
Vital Therapies*	General and Plastic Surgery	April 16, 2014	\$54m	\$12	\$16-\$18	-29%	Nasdaq	2%
Lombard Medical Technologies*	Cardiovascular	April 24, 2014	\$55m	\$11	\$15-\$18	-33%	Nasdaq	-14%
Quotient	In Vitro Diagnostics	April 25, 2014	\$40m	\$8	\$9-\$11**	-20%	Nasdaq	-16%
Mainstay Medical	Neurology	April 30, 2014	€18m (\$24.97m)	€21.15	€20-€27	-10%	NYSE Euronext Paris	0%
InVivo Therapeutics	Orthopaedics	May 7, 2014	\$10m	\$1.15	\$1-\$1.20	5%	Nasdaq	0%
K2M	Orthopaedics	May 8, 2014	\$132m	\$15	\$16-\$18	-12%	Nasdaq	-

*Postponed then restarted **Originally \$14-\$16

Lombard exemplifies another odd trend in medtech: calling a halt to an IPO and then resuscitating it. The blood filtration specialist Vital Therapies did the same thing, filing for an \$86m offering last October, postponing it a month later and then pushing on with a smaller float in mid-April.

The latest medtech company to dance the Nasdaq hokey cokey is CardioDx, which filed in May 2013 seeking \$92m at \$14-16 per share and then backpedalled in November ([CardioDx yanks float as medtech market fails to pick up, November 18, 2013](#)). The company refiled last week but has not said how much it intends to raise this time.

The prenatal genetic testing company Ariosa Diagnostics, meanwhile, called off its \$69m Nasdaq listing on April 29. It has not yet announced that it has changed its mind, but it would be unwise to rule out the possibility.

Something new

The enthusiasm for public offerings among medtech companies points to a bubble - device makers are chasing the extraordinary share gains the biotech industry has been enjoying. But all of them have had to submit to a haircut to get their IPOs away, and share performances since floating have not been stellar. That said, it is too soon to judge the success of these listings.

It is clear, though, that something new is happening. It is not as if acquisitions are off the table either. While they have been scarce over the past couple of years, if Zimmer and Biomet can go hell-for-leather after a megamerger surely smaller firms can too.

In all of 2013 there were 12 medtech IPOs on Western exchanges. So far this year there have been 18 - and

the year is not half done.

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