

Nobel could be a prize for Straumann



[Elizabeth Cairns](#)

Nothing is definite at this stage, but the next multibillion-dollar merger in the medtech segment might well be a takeout of dental implant maker Nobel Biocare. The company has confirmed that it is in early talks with “third parties”, but declined to name names.

While it is possible that US companies could view Zürich-based Nobel as a ticket to an inversion, the likeliest buyer has to be fellow Swiss group Straumann. Straumann is the only company to have larger sales of dental prosthetics than Nobel, and the two are a logical fit. But at a possible price of \$2.3bn or more, the question is whether Straumann can afford it.

Nobel’s market cap was about \$1.7bn on Monday, but much hinges on the share price premium Nobel’s shareholders demand. The five acquisitions of public medtech companies announced this year have had premiums ranging between 6% and 40% (see table). If investors were to approve a sale at SFr17 (\$18.69) per share, a fairly reasonable 23% premium to Nobel’s share price before news of the deal leaked, the deal would come to \$2.3bn. This would make it the fourth largest merger to be announced this year.

If Nobel’s investors take inspiration from Covidien’s shareholders, however, and hold out for a 30% premium, another \$140m would be added to the purchase price. Using a different valuation technique, dental company AstraTech sold back in 2011 for \$1.8bn, around 3.3x sales and 17x EBITDA. Nobel’s 2013 sales were €566.8m (\$758m). Applying the same 3.3x metric gives a value of \$2.5bn.

Top 5 medtech acquisitions announced this year

Rank	Date	Acquirer	Target	Share price premium*	Value (\$m)
1	June	Medtronic	Covidien	29%	42,900
2	April	Zimmer	Biomet	-	13,350
3	January	Carlyle Group	Ortho-Clinical Diagnostics business of Johnson & Johnson	-	4,150
4	February	Smith & Nephew	ArthroCare	6%	1,500
5	June	The Cooper Companies	Sauflon Pharmaceuticals	-	1,200

Other acquisitions of public medtech companies announced this year

6	March	Sterigenics International	Nordion	24%	805
9	February	Fosun International	Chindex International	40%	461
12	February	Essilor International	Coastal Contacts	21%	393

*To the day prior to announcement

Who?

Consolidation is often a response to limited growth – the Zimmer-Biomet tie-up might be an example of this – as such a buyer from the dental sector looking to boost its business would not be a surprise, and with an 18% share of the dental implant market according to Bernstein analysts, Straumann has to be the favourite.

Straumann has a market cap of \$3.8bn, but only \$437m in cash; therefore a deal would not be a simple takeout. Dentsply, number three in implants after Nobel with a 15% share, is a larger, more diversified company and would be better able to afford Nobel, but it bought AstraZeneca's dental business AstraTech in June 2011, which according to JP Morgan analysts might mean it is not interested in buying Nobel.

Of course the eventual buyer – if there is one – may not be active in the dental segment or even in medtech at all. Nobel has been approached by private equity before, and Carlyle Group's \$4.1bn purchase of Ortho-Clinical Diagnostics may provide a precedent. And US-based companies of any stripe may feel the lure of Switzerland's 18% corporate tax rate.

Nobel Biocare is on the up, having had a difficult few years. In February it posted its first sales increase in six years, the economic recovery having boosted the dental sector in which insurance coverage is patchy and a lot of procedures and implant sales are therefore elective ([Healthier economy lifts dental and ortho but wider recovery uncertain](#), February 18, 2014).

All the signs point to the acquisition of Nobel Biocare becoming the fourth largest deal of the year. That is, if it actually happens.

To contact the writer of this story email Elizabeth Cairns in London at elizabethc@epvantage.com or follow [@LizEPVantage](#) on Twitter

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Evaluate HQ
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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