

Danaher gets its teeth into Nobel



[Elizabeth Cairns](#)

The seventh multibillion-dollar medtech merger of 2014 is on the cards. At \$2.2bn, Danaher's all-cash bid for the high-end dental implant maker Nobel Biocare would be, as *EP Vantage* forecast, the fourth-largest deal announced this year (see table below).

That is if the deal goes through. Nobel has been encouraging tenders since July and many companies, notably Straumann, the only company with larger dental prosthetics sales than Nobel, have been in the frame ([Nobel could be a prize for Straumann, July 30, 2014](#)). Competing bids for Nobel are thus possible, but other dental implant assets could soon be up for grabs. Straumann and the rest could let Danaher take out Nobel and wait to see whether Zimmer or Biomet make dental divestments when this year's second-biggest deal closes.

Straumann's interests might have aligned more closely with Nobel's, but Danaher's decision to move into premium implants is not unwise. The company already owns a discount implant brand, having bought ImplantDirect in late 2010 for around \$300m. It will now be able to offer implants at a range of prices, with the aim of appealing across the market.

Comprehensive range

On a conference call today, Danaher's chief executive, Thomas Joyce, said that the gaps in its product offering were "narrowed dramatically", with a "comprehensive" range of implants.

Indeed, the amalgamated company will be the world's biggest dental implant maker, with annual sales of the devices expected to approach \$3bn, "increasing [Danaher's] dental platform revenues by over 35%", according to Mr Joyce.

It is possible for Danaher to find synergies, analysts believe. Michael Jungling of Morgan Stanley wrote that there might be "substantial cost savings through back office functions", making it unlikely that private equity buyers would be able to top Danaher's offer.

First, though, the company must persuade at least 67% of Nobel's shareholders to accept the SFr17.10 (\$18.28) per share offer. The price is 5.5% less than the Nobel's close on Friday – the stock has fallen 5.8% so far today and is now at SFr17.05 – but is a 23% premium to the price in late July, before Nobel announced that it was seeking a buyer.

Shareholders must now decide whether this is good enough. Analysts at Berenberg believe that had the share price increase over the past six weeks been due to improved operational performance, most investors would have been "delighted" with the current offer and would seek to take profits.

As it is, some investors may instead hold out for a better offer, waiting until the end of the 20-day acceptance period to see if any other bids materialise. Danaher has pitched its offer reasonably low, so either it is not willing to overspend and will retire if faced with competition, or this is to give it room to up its tender if necessary.

The place to be

If no other hats are thrown into the ring, Danaher seems fairly likely to scoop its prize. Management are "absolutely convinced that the premium [implant] market is the place to be", thanks to specialists' interest in the service, support and software that comes with these products.

But dental implants do not meet an urgent medical need; a cash-strapped patient might need to get a tooth pulled to avoid pain and infection, but they will not need, in the same way, a sparkling pearly replacement. For this reason implants – particularly premium implants – are rarely reimbursed, so their sales are heavily dependent on the wider economic situation.

While this has been improving since the recession albeit slowly in Europe, cost pressures are a fact of life in medtech, and the dental arena is no exception. If Nobel does not fall to Danaher it will be taken by someone else, and there is a very good chance that consolidation will continue from there.

Billion-dollar medtech deals of 2014

| Announcement date | Acquirer | Target | Status | Value (\$bn) |
|--------------------|----------------------|---|--------|--------------|
| June 15, 2014 | Medtronic | Covidien | Open | 42.9 |
| April 24, 2014 | Zimmer | Biomet | Open | 13.4 |
| January 16, 2014 | The Carlyle Group | Johnson & Johnson's Ortho-Clinical Diagnostics unit | Closed | 4.2 |
| September 15, 2014 | Danaher | Nobel Biocare | Open | 2.2 |
| February 3, 2014 | Smith & Nephew | ArthroCare | Closed | 1.5 |
| August 5, 2014 | Cerner | Siemens' Health Services unit | Open | 1.3 |
| June 30, 2014 | The Cooper Companies | Sauflon Pharmaceuticals | Closed | 1.2 |

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