

## BD to buy CareFusion in third biggest deal this year



[Elizabeth Cairns](#)

The extraordinary wave of consolidation in the medtech industry has just swelled even more. Beckton Dickinson's \$12.2bn cash-and-stock takeout of CareFusion is the third largest deal announced in 2014. This latest megadeal brings the total value of open medtech mergers to an unprecedented \$75.4bn.

And even though this merger comes in at third place in terms of its value – having been beaten by Medtronic's \$43bn buy of Covidien and Zimmer's of Biomet for \$13.4bn – looked at another way, it beats the Zimmer deal. *EvaluateMedTech* data show that the combined company will be the fifth largest in terms of 2020 worldwide medtech sales; the combination of Zimmer and Biomet will be in 11th place (see table).

### Hospital

Beckton Dickinson is best known as a diagnostics company: it is currently the sixth largest IVD developer, racking up \$2.6bn in worldwide IVD sales in 2013. But its only other segment, called Medical, contains its drug delivery technologies and is larger still. It is here that its greatest synergies with CareFusion lie, and the company has said that CareFusion will ultimately be absorbed into its Medical operations.

Within its Medical segment, which had revenues of \$4.3bn in 2013, BD manufactures catheters and syringes, including products for delivering insulin, and CareFusion makes other drug delivery systems such as infusion pumps. CareFusion's only other area of operation principally concerns sterilisation products and surgical disposables.

The link-up will enable BD to reach further into the increasingly important hospital sector. Hospitals like to make their purchases in bulk, and if BD can broaden its offering with CareFusion's medication dispensing devices and patient monitoring technology, it will attract more buyers placing bigger orders.

There is also a geographic angle to the deal, with CareFusion improving BD's access to the richest market of all, and BD expanding its product offering in smaller but faster-growing emerging economies. Most of BD's sales – around 60% – are made outside the US, whereas 75% of CareFusion's \$3.8bn sales came from the US market.

### A better deal than Zimmer?

BD is to pay \$58 per share for CareFusion, made up of \$49 in cash and 0.07 BD shares apiece, a 26% premium to CareFusion's closing price on October 3. The deal is set to close, like the Medtronic-Covidien deal, in the first half of next year.

Comparing the CareFusion acquisition to the similarly-priced Zimmer-Biomet deal may at first lead to the conclusion that BD got the better deal, paying less for a company with larger revenues. But there are two factors to counterbalance this.

Firstly, with an annual growth rate of 4%, Biomet's revenues are expanding faster than CareFusion's, which are growing at 3.2%. Zimmer has bought a company growing faster than itself, whereas CareFusion actually lags BD.

Secondly, Zimmer and Biomet are extremely similar. This is inherently risky, and the initiation of an antitrust probe by the FTC did not come as much of a surprise ([FTC starts Zimmer/Biomet inquisition, July 3, 2014](#)). But it also means the merged company can become more efficient through synergies – though BD is working this angle too, saying it has identified \$250m in savings.

### Top 5

The total value of mergers that closed in the first half of 2014 was up an enormous 363% on the first half of 2013, according to [EvaluateMedTech's World Preview 2014](#). In fact, at \$30bn, the H114 figure already tops the \$28bn of mergers seen for the entirety of 2013.

Nonetheless, the total value of M&As closed in the first half of this year is dwarfed by the value of those that remain open. If 2014 has been a riot so far in terms of closed deals, 2015 is going to be even more astonishing.

The sector will have a new leader: Medtronic, currently second to J&J in terms of annual medtech revenues, is forecast to take the top spot. And the top 5 will see a new entrant in Becton Dickinson: when the CareFusion acquisition closes, only Medtronic, J&J, Siemens and Roche will be bigger.

Top 12 companies in 2020					
Company	Worldwide medtech sales (\$bn)			Market rank	
	2013	2020	CAGR	2013	2020
<i>Medtronic-Covidien</i>	27.2	35.9	+4.0%	-	1
Johnson & Johnson	28.5	32.8	+2.0%	1	2
Siemens	17.9	24.0	+4.3%	2	3
Medtronic	17.0	22.1	+3.8%	3	-
Roche	11.3	15.3	+4.4%	4	4
<i>BD-CareFusion</i>	10.8	14.2	+4.0%	-	5
Covidien	10.2	13.8	+4.4%	5	-
Abbott Laboratories	9.9	13.7	+4.8%	6	6
Stryker	9.0	13.1	+5.4%	9	7
General Electric	9.8	12.0	+3.0%	7	8
Philips	9.4	11.6	+3.0%	8	9
Essilor International	6.0	10.4	+8.2%	15	10
<i>Zimmer-Biomet</i>	7.8	10.1	+5.8%	-	11
Danaher	7.0	9.6	+4.7%	11	12

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