

Medtech on course for \$100bn in mergers by year-end



[Elizabeth Cairns](#)

The first half of 2015 saw 86 mergers and acquisitions in the medtech industry – a pretty average number for the first half of a year. The figure for the total value of mergers closed, however, is anything but average: at \$83bn, it dwarfs even the full-year figures for the past decade and is without question the highest total ever recorded. At year-end, 2015 could see closed deals worth more than \$100bn for the first time ever in the sector.

The biggest acquisition in the sector's history, that of Covidien by Medtronic for \$50bn, makes up the lion's share of the total, though sizeable buys by Zimmer and Becton Dickinson played their part (see table below). It will be many years before this total is surpassed. The future ought to see a return to the more measured pace of deal-making seen in prior years, and this is no bad thing.

The deal that created the world's largest medtech company distorts the picture so much that it comes as rather a surprise that only six deals worth over \$1bn have closed in the first half – just two more than in the first half of 2014 ([First-half medtech acquisition value surpasses 2013 total, July 22, 2014](#)).

That said, another seven \$1bn-plus medtech purchases have been announced and are not yet closed, so the top ten table at the year-end point could be megadeals all the way.

Medtech acquisitions of the past decade		
Completion date	Value (\$bn)	Count
H1 2015	83.4	86
H1 2015 (excluding Medtronic-Covidien)	33.5	85
2014	39.3	200
2013	26.7	214
2012	43.1	234
2011	45.2	252
2010	22.6	266
2009	13.2	172
2008	26.4	222
2007	51.4	261
2006	70.0	220
2006 (excluding Boston-Guidant)	43.0	219

After the \$10bn-plus megadeals it is interesting to see the fourth and fifth places taken by divestments from the same company: Siemens. The German conglomerate has performed poorly over recent years, and selling its hospital IT business to the medical records company Cerner and its hearing aids to private equity group EQT Partners is part of a plan to refocus on higher-margin areas.

Patterns

There are few discernible patterns among the biggest takeouts this year. They cover disparate technological areas – from cardiology to diagnostics, respiratory to drug delivery – and while the two biggest deals were

about building scale and consolidation, others have involved a company moving into an entirely new area. Eurofins had had little to do with *in vitro* testing before it bought Boston Heart Diagnostics, for example.

Top 10 takeouts closed in H1 2015		
Acquirer	Target	Value (\$m)
Medtronic	Covidien	49,900
Zimmer	Biomet	14,000
Becton Dickinson	CareFusion	12,200
EQT Partners	Audiology Solutions business of Siemens	2,669
Cerner	Siemens Health Services	1,300
Philips	Volcano	1,200
BTG	PneumRx	475
Thermo Fisher Scientific	Advanced Scientifics	300
Eurofins Scientific	Boston Heart Diagnostics	200
TE Connectivity	AdvancedCath	190

There is a hint of a trend in that Boston Heart and Volcano were both somewhat troubled companies. Boston Heart, a maker of lab-developed or homebrew tests is the subject of an investigation by the US Department of Health and Human Services and the US Department of Justice, accused of paying doctors to use its testing services rather than one of its competitors.

The interventional imaging company Volcano had been knocked badly by missed revenue forecasts, and was in the grip of investor activism when Philips stepped in ([Philips buys Volcano and hopes it will not get burned, December 17, 2014](#)). Hopefully the Dutch giant can run the business more successfully, and its decision to offload its lighting business and refocus on health tech will prove sound.

Top 10 takeouts closed in 2014		
Acquirer	Target	Value (\$m)
Thermo Fisher Scientific	Life Technologies	13,600
Carlyle Group	Ortho-Clinical Diagnostics	4,150
Danaher	Nobel Biocare	2,200
Essilor International	Transitions Optical	1,855
Grifols	Blood transfusion diagnostics business of Novartis	1,675
Smith & Nephew	ArthroCare	1,500
The Cooper Companies	Sauflon Pharmaceuticals	1,200
Covidien	Given Imaging	860
Sterigenics International	Nordion	805
Ansell	BarrierSafe Solutions International	615

It could be that these are canny buys: the acquirers cheaply obtaining businesses whose troubles are transitory and whose potential will be effectively realised with a larger sales force or a brief spike in investment.

But the reason 2015 will be remembered is the Medtronic deal. It was the first deal in a decade to top \$20bn, and will almost certainly hold the top spot for another 10 years.

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