

Mitralmania continues as HeartWare buys Valtech



[Elizabeth Cairns](#)

Like Medtronic last week, HeartWare International has bought a little-known private company with technology designed to address mitral valve disease. But the acquisition of Valtech Cardio for around \$360m up front yesterday is a much bigger risk for HeartWare than buying Twelve was for Medtronic.

The move will help the company guard against a buyout like that which engulfed its former rival Thoratec in July. And HeartWare, previously a specialist heart pump maker, now has a more diverse but complementary product range. But the market has taken against the stock-funded purchase, pushing the group's shares down 20%; HeartWare will have to handle this very carefully.

Putting this deal together with the acquisitions contracted by Edwards, Abbott and Medtronic means that around \$1.3bn has been spent on companies with mitral valve technologies in just the past few months. But the HeartWare buy is worth around \$818m when future milestones are included, vastly more than the other deals.

Share issue

Valtech investors will initially receive 4.4 million HeartWare shares, with an additional 150,000 if clinical and regulatory targets are hit. Further down the line the pact contains warrants to purchase 850,000 HeartWare shares at \$83.73 each when net sales of Valtech products reach \$75m, and an earn-out payment of \$375m when they hit \$450m.

Valuation is thus tricky. *EP Vantage* has used the closing price on Tuesday, \$81.81, as the basis for the calculations.

The up-front fee is about par with the other acquisitions in this space, but Medtronic spent 0.4% of its market cap, Abbott 0.3% and Edwards 2%. HeartWare is to pay around a third of its market cap and if Valtech's technologies do not pay off the company could be in trouble.

Recent acquisitions of mitral valve companies

Buyer	Target	Main mitral technology	Date	Up-front fee (\$m)	Total value (\$m)
Edwards Lifesciences	CardiaQ	CardiaQ	July 10, 2015	350	400
Abbott Laboratories	Tendyne	Tendyne	July 30, 2015	225	Undisclosed
Medtronic	Twelve	Unnamed	August 25, 2015	408	458
HeartWare	Valtech Cardio	Cardiovalve and Cardioband*	September 2, 2015	~360	~818

*Cardioband is a repair product; all others are replacement technologies.

When the HeartWare-Valtech deal is concluded, the company will have devices intended for both transcatheter repair and replacement of the mitral valve. Valtech's main products are Cardiovalve, a transcatheter mitral valve replacement system implanted via the femoral vein and the septum of the heart, and Cardioband, a transfemoral system for repair of both the mitral and tricuspid valves.

Cardioband is the most advanced. CE mark for mitral valve repair is expected imminently, and a limited European launch should kick off this year, triggering the milestone payment. US approval trials will not begin before 2016. Cardiovalve has yet to be implanted in humans.

In this HeartWare will be similar to Abbott, which has the MitraClip for repair and now Tendyne for

replacement. The other players are developing devices for repair alone ([No St. Jude deal, but Abbott could still buy big, September 2, 2015](#)).

Good fit

These technologies could mesh well with HeartWare's core technology, the HVAD line of left ventricular support devices. Mitral valve disease exacerbates heart failure, so HeartWare will now have the means to treat patients across the disease continuum.

There is little danger that treating patients using Cardiovalve and Cardioband might limit the potential population for HVAD, as end-stage heart failure is a woefully unmet need; put bluntly, there are more patients than available - or affordable - devices.

Analysts from Canaccord Genuity, which provided HeartWare's board with a fairness opinion, wrote that the market for functional mitral regurgitation - one of the forms of mitral disease Valtech's products address - would be worth \$7bn a year in 2020 in the US and \$14bn worldwide.

It has not been surprising to see the big vascular groups buy in this technology, although the pace of acquisitions has been somewhat startling. HeartWare is a little more left field as a mitral valve developer, and is on the hook for a fair amount of money. It will be interesting to see whether it makes a success of its new direction.

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