

Novartis hopes Transcend buy will relieve the pressure on Alcon



[Elizabeth Cairns](#)

In many respects Novartis's acquisition of glaucoma stent developer Transcend Medical is driven by need: the company has been vocal about its need to buy in new technologies to give its sluggish Alcon unit a kick. Glaucoma is the subject of much excitement, as illustrated by the performance of Aerie Pharmaceuticals' and Ocular Therapeutix's shares yesterday, and Allergan's purchase of AqueSys six months ago showed the advantages of such a move.

Though Transcend's technology is long since CE marked it is not clear whether it is yet on sale in Europe; it has not yet been filed in the US. A step towards more innovative technology than the contact lenses that make up most of Alcon's business is welcome – but it will take more than Transcend to transform the unit's growth prospects.

Shape up - and maybe ship out

Novartis is the number one company in ophthalmic technology as judged by medical device sales, but Alcon's sales fell 13% to \$2.3bn in the fourth quarter of 2015. By 2020 it will be second fiddle to the fast-expanding Essilor International, *EvaluateMedTech's* consensus data show. The company said it was looking into licensing or acquiring to improve Alcon's performance.

It is not known what Novartis's long-term intentions for Alcon are; the unit makes up nearly all of the company's medical device sales, and with other conglomerates such as Johnson & Johnson shying away from medtech a divestment might be on the cards. Either way Novartis will have to shake the unit up: if it tries to sell Alcon in its current state it will surely be unable to raise anywhere near the \$48bn it spent to acquire it.

Third time lucky: Novartis's purchase of Alcon		
Date	Deal type	Value (\$bn)
July 8, 2008	Minority stake	10.4
August 26, 2010	Majority stake	28.1
April 8, 2011	Company acquisition	9.6
	Total	48.1

The responsibility of turning Alcon around is rather too great to hang on Transcend alone. But the acquisition will help move it away from the commoditised retail products it relies on now into true medical devices.

Transcend has developed a minimally invasive glaucoma surgery (MIGS) device, the CyPass Micro-Stent. This is a minute tube implanted just below the surface of the eye, designed to drain liquid and reduce intraocular pressure in patients with primary open-angle glaucoma.

Similar technologies have been developed by several groups, notably AqueSys, bought by Allergan last year ([Allergan's AqueSys acquisition could start a trend, September 7, 2015](#)).

The Notorious MIG: pipeline of glaucoma devices

Originator	Acquirer	Device	EU status	US status
Glaukos	-	iStent	CE marked 2004	PMA granted June 2012
AqueSys	Allergan	Xen45	CE marked November 2013	Filed; 510(k) clearance expected late 2016
Ivantis	-	Hydrus Microstent	CE marked June 2011	Not yet filed
Transcend Medical	Novartis	CyPass Micro-Stent	CE marked 2009	Not yet filed
InnFocus	-	MicroShunt	CE marked January 2012	Not yet filed

Only one of these MIGS products has so far made it to the US, but the Xen45 device developed by AqueSys could become the second later this year, under the auspices of Allergan – or, by then, Pfizer.

Target in sight

Large medtech groups are generally unwilling to buy companies whose technology is not already approved in the US. Two such acquisitions of MIGS companies taking place within six months is highly unusual – and highly reminiscent of the feeding frenzy around transcatheter mitral valves last summer ([Boston arrives late to the mitral valve party, October 9, 2015](#)).

If other large medtechs are evaluating this area and want to get a head start on Allergan and Novartis they will probably have to spend upwards of \$600m to go so. Glaukos, the only company with a MIGS device on sale in the US, went public last year and has a market cap of \$568m.

Even so, it could be a target; its shares have slid more than 30% so far this year, arguably presenting a buying opportunity in more ways than one.

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