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Medtech for sale: Toshiba and EQT set out stalls

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The medical device industry is no longer as ravenous for large M&A deals as it was in 2015, but some appetite remains. Now two billion-dollar medtech businesses are up for sale, and whether they meet their asking prices will give an indication of the health of the wider market.

Private equity group EQT Holdings is hoping to sell prosthetic larynx maker Atos Medical for around $1bn, and Toshiba is considering divesting its entire medtech offering for around $4bn. But Endo International's recent admission that it has been unable to find a buyer for its troubled women's health unit shows not only that acquirers will not jump at just anything, but that efforts to exit the sector are often far from straightforward.

To be fair to EQT and Toshiba, the businesses they are rumoured to be trying to sell are not in the same kind of shape as Endo's soon-to-be-shuttered women's health segment. Called Astora, the company has been a litigation magnet thanks to its dangerous vaginal mesh implants. These mesh products are used to repair vaginal prolapse and other conditions, but have cost Endo hundreds of millions in lawsuit settlements (*FDA to re-evaluate women's health devices, May 1, 2014*).

No more medtech

And this kyboshed Endo's attempt to become a pure-play pharma. Exactly a year ago it sold almost all its medical devices, but the buyer, Boston Scientific, would not touch Astora (*Endo exits medtech – almost, March 2, 2015*). Consequently Endo has had to simply close the unit down.

Toshiba must hope it can do better. Its imaging technologies currently account for around 6% of its revenues, bringing in just over $3.5bn in 2015. Estimates of the sale price for Toshiba Medical Systems are about ¥450bn ($4bn) – little more than a single year's sales.

These sales have been dropping – the figure was $4.1bn in 2013. But it is not Toshiba Medical Systems that is in trouble so much as Toshiba itself. The company is still on the ropes after admitting an accounting irregularities in which its profits were inflated by nearly $2bn over seven years.

Selling its imaging tech will provide cash to mitigate its annual loss which it said in February would be larger than previously estimated. The sale will also help pay for the subsequent restructuring.

According to *Reuters*, potential bidders could include KKR & Co, Canon, Fujifilm and Konica Minolta. KKR already owns 80% of Panasonic Healthcare.

Spin out

Private equity companies like KKR might be more familiar to medtech companies as buyers than as sellers: KKR, through Panasonic Healthcare, bought Bayer's diabetes business last summer, and EQT partners bought Siemens' hearing aids in 2014.

Now, though, EQT is selling. The Swedish group has put Atos Medical, which makes devices to help patients speak following a laryngectomy, on the block with an asking price of just over $1bn, according to the *Wall Street Journal*.

In terms of sales multiple EQT seems to be asking much more than Toshiba: Atos had sales of SKr812m ($95m) in 2014.

EQT bought Atos from Nordic Capital, another private-equity group, in 2011, for an undisclosed sum that has been put at around $300m. Companies with throat devices, which might therefore take a strategic interest in Atos, include Merz, Smith & Nephew and Zimmer Biomet. But it might well be sold – as might Toshiba's unit – to another private equity firm.

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