

Zimmer Biomet becomes the latest ortho to go robotic



[Elizabeth Cairns](#)

In paying \$77.5m for a 59% stake in the French company Medtech – and laying plans to acquire the rest of the business for another \$54m or so – Zimmer Biomet has confirmed the trend for orthopaedics groups to pursue surgical robotics.

With deals including Smith & Nephew buying Blue Belt Technologies, Medtronic taking a stake in Mazor Robotics and Johnson & Johnson's collaboration with Verily Life Sciences all emerging over the past year, Stryker's purchase of Mako Surgical for \$1.7bn back in 2013 is beginning to look extremely prescient.

Robotic surgery promises shorter procedure times and less trauma, meaning faster recovery – both aimed at cutting hospitals' costs. The market leader, Intuitive Surgical, sells large, expensive console-based systems that can cost around \$2m – but the new players that are attracting so much interest offer much smaller devices that, while unable to perform as wide a range of procedures as Intuitive's systems, are much cheaper and usually targeted to a particular area.

Medtech's platform, called Rosa, is used for neurosurgical and minimally invasive spine procedures. The neurosurgical platform was approved by the FDA in 2012 and 510(k) clearance for spinal use came in January this year.

Everything's coming up Rosa

Zimmer Biomet paid Medtech's founder and chief executive, Bertin Nahum, and other owners €50 (\$55.33) apiece for around 1.4 million shares – a 60% premium to the closing price on the Euronext – giving it a 60% stake in the group. It also paid €50.03 each for Medtech's convertible bonds and €17.17 for its warrants, both of which were owned by Ally Bridge Group. It now plans to launch an all-cash tender offer for the remaining shares.

Medtech had \$8m of revenue in the first nine months of its fiscal 2016, representing 107% year-on-year growth. Around 82 Rosa systems are installed globally, 36 of them in US, but Wells Fargo analysts wrote that virtually all of them are being used in brain procedures only. The analysts believe that Zimmer is more likely to focus on spinal use.

Certainly Zimmer is focused on the spinal market – its takeover of vertebral implant maker LDR for \$1bn last month proved that ([Zimmer Biomet shows some backbone with \\$1bn LDR buy, June 8, 2016](#)). That deal ought to push Zimmer from the sixth-largest player in spinal devices by 2022 sales to third, with spinal revenues of over \$1.1bn.

One of Medtech's closest competitors is Mazor Robotics. In May, Medtronic spent about \$12m to buy 4% of the Caesarea, Israel-based company's outstanding shares and has the right to acquire another 11% for up to \$40m. It also agreed to promote Mazor's Renaissance guidance system, used during spinal surgeries, and the two partners will develop new products as well.

But Mazor is further along than Medtech. The French group sold its first Rosa spine application in the US this March 2016, while Mazor has had FDA clearance for its robot since 2007 and has a US installed base of over 80. Wells Fargo analysts say that as of May 2016, there had only been 100 spine surgeries worldwide using the Rosa, and those were performed by just four surgeons. Mazor's technology has been used in more than 17,000 operations globally with more than 300 surgeons currently using the robot.

Beyond the spine

Still, orthopaedics companies that want to grow their spinal sales have made a definite push into these technologies over the past few months. But there have been deals beyond the spinal space too, notably Smith & Nephew's purchase of Blue Belt Technologies last Autumn. Blue Belt's robot is used in knee surgeries, but might also have application in hip procedure in future.

Selected deals for surgical robotics companies in past 12 months

| Date | Acquirer | Target | Tech description | Deal type | Value (\$m) |
|---------------|-------------------------|------------------------|------------------------|-------------------------------|-------------|
| July 2016 | Zimmer Biomet | Medtech | Rosa: brain and spine | Equity stake | 77.5 |
| May 2016 | Medtronic | Mazor Robotics | Renaissance: spine | Equity stake and distribution | 52.0 |
| April 2016 | Auris Surgical Robotics | Hansen Medical | Magellan: endovascular | Acquisition | 80.0 |
| December 2015 | Johnson & Johnson | Verily Life Sciences | Undisclosed | Joint venture: Verb Surgical | Undisclosed |
| October 2015 | Smith & Nephew | Blue Belt Technologies | Navio: knee | Acquisition | 275.0 |

Details of what Verb Surgical, the joint venture between Johnson & Johnson and Verily Life Sciences – the entity formerly known as Google Life Sciences – is up to have been scarce, though it is perhaps more focused on the software side. The company speaks of “digital surgery”, and says its technology will incorporate machine learning, instrumentation, advanced visualisation and data analytics as well as robotic capabilities.

But the increased interest in robotic surgery is undeniable. Perhaps it helps explain the unusually large series A round closed by Cambridge Medical Robotics yesterday ([UK sees huge series As in 2016, July 18, 2016](#)). If Cambridge Medical’s VC backers are hoping for a swift exit via a takeout, a robotics company seems to be a fair bet.

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