

Medtech mergers still the driving force behind jobs changes



[Elizabeth Cairns](#)

The wave of consolidation that swept through the medtech industry over the past couple of years has largely dissipated, but its effects are still being felt in the jobs market. Megamergers and divestments announced some time ago have only closed in the past year, and the changes in staffing levels are only now emerging.

Of the top 10 companies that expanded their workforce in terms of sheer numbers, seven did so as a result of buying other groups. With M&A activity slowing in recent months, particularly at the top end, changes in the medtech jobs market might be less pronounced in future (see tables below).

The analyses consider only those companies that obtain 40% or more of their revenues from sales of medical devices.

Among the cohort of largest medtech groups, those whose headcounts have increased most in the last year are of course acquirers. Zimmer finds itself with a workforce 75% larger after the closure of its \$13.4bn acquisition of Biomet; this deal, announced in April 2014, kicked off the mergermania that characterised the medtech industry over the following 18 months or so.

The two orthopaedics companies being so similar, even being headquartered in the same small Indiana town, meant that the Zimmer Biomet merger took some time to close – a year and two months – partly so divestitures required for FTC approval could be completed.

Similarly, Becton Dickinson grew 62% in 2015 after absorbing the drug delivery group CareFusion in a deal announced nearly two years ago. And St. Jude Medical gained an extra 2,000 staff after buying Thoratec, growing 22%.

Smith & Nephew, which saw the fourth-largest expansion of its workforce in percentage terms, can point to organic growth for most of its headcount increase. It added around 350 new employees thanks to its purchase of the Russian company DeOst and DC's trauma and orthopaedics business; the other 850 new recruits did not come via a buy.

| Employee numbers of the top 15 medtech companies by market cap | | | | | | | | | |
|--|--------------------------|------------------------------|--------|--------|--------|--------|--------|------------------|------------------|
| Company | Market cap YE 2015 (\$m) | No. of employees at year end | | | | | | % change 2010-15 | % change 2014-15 |
| | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | | |
| Medtronic | 107,612 | 45,000 | 45,000 | 46,000 | 49,000 | 92,000 | 88,000 | 96% | (4%) |
| Abbott Laboratories | 66,137 | 90,000 | 91,000 | 91,000 | 69,000 | 77,000 | 74,000 | (18%) | (4%) |
| Stryker | 34,667 | 20,036 | 21,241 | 22,010 | 25,000 | 26,000 | 27,000 | 35% | 4% |
| Becton Dickinson | 32,466 | 28,803 | 29,369 | 29,555 | 29,979 | 30,619 | 49,517 | 72% | 62% |
| Essilor International | 27,021 | 38,112 | 48,700 | 50,688 | 55,129 | 58,032 | 60,883 | 60% | 5% |
| Boston Scientific | 24,832 | 25,000 | 24,000 | 24,000 | 23,000 | 24,000 | 25,000 | 0% | 4% |
| Baxter International | 20,893 | 48,000 | 48,500 | 51,000 | 61,000 | 66,000 | 50,000 | 4% | (24%) |
| Zimmer Biomet | 20,795 | 8,800 | 8,700 | 9,300 | 9,500 | 10,000 | 17,500 | 99% | 75% |
| Intuitive Surgical | 20,426 | 1,660 | 1,924 | 2,362 | 2,792 | 2,978 | 3,211 | 93% | 8% |
| Coloplast | 17,716 | 7,284 | 7,372 | 7,875 | 8,563 | 9,250 | 9706 | 33% | 5% |
| St. Jude Medical | 17,509 | 15,000 | 16,000 | 15,000 | 16,000 | 16,000 | 18,000 | 20% | 22% |
| Edwards Lifesciences | 17,012 | 7,000 | 7,800 | 8,200 | 8,600 | 9,100 | 9,800 | 38% | 8% |
| Smith & Nephew ¹ | 16,295 | 10,172 | 10,743 | 10,477 | 11,036 | 13,468 | 14,686 | 44% | 9% |
| C. R. Bard | 13,961 | 11,700 | 12,100 | 12,200 | 13,000 | 13,900 | 14,900 | 27% | 7% |
| Hologic | 11,303 | 4,220 | 5,019 | 6,157 | 5,615 | 5,351 | 5,290 | 25% | (1%) |

1Numbers are averages for the year

The story is mirrored among companies that saw their staff count shrink. The biggest faller was Baxter International, shedding 16,000 jobs thanks to its spin-out of Baxalta.

Things will reshape themselves again in the year to come. Abbott is to close its \$25bn acquisition of St. Jude Medical – its \$6bn purchase of diagnostics group Alere is looking less certain – and Stryker’s purchase of Physio-Control will also shake up staff numbers.

A look at the biggest expansion in percentage terms across all companies is, again, an acquisition. When Cyberonics bought Sorin it added nearly 4,000 workers, expanding 612%. There was an iffy moment when the deal ran into a legal challenge, but this only delayed the transaction. When the deal closed Cyberonics changed its name to LivaNova ([Legal challenge to Sorin-Cyberonics deal calls for careful handling, July 27, 2015](#)).

Top 10 headcount increases of the last year

| By percentage of staff added | | | By number of staff added | | |
|------------------------------|---------|----------------|--------------------------|--------------|----------------|
| Name | % added | 2015 headcount | Name | Number added | 2015 headcount |
| LivaNova | 612% | 4,700 | Becton Dickinson | 18,898 | 49,517 |
| Exact Sciences | 187% | 677 | Zimmer Biomet | 7,500 | 17,500 |
| Nevro | 133% | 308 | Steris | 6,400 | 14,000 |
| Wright Medical Group | 94% | 2,295 | LivaNova | 4,040 | 4,700 |
| Steris | 84% | 14,000 | Essilor International | 2,851 | 60,883 |
| Zimmer Biomet | 75% | 17,500 | Hill-Rom | 2,675 | 10,000 |
| Vermillion | 74% | 54 | St. Jude Medical | 2,000 | 18,000 |
| Lepu Medical Technology | 74% | 4,321 | Smith & Nephew | 1,218 | 14,686 |
| OvaScience | 67% | 87 | Wright Medical Group | 1,115 | 2,295 |
| Becton Dickinson | 62% | 49,517 | Straumann | 1,084 | 3,471 |

Reassuringly, the two next strongest-growing companies made no acquisitions. Exact Sciences' 131% increase in staff numbers across its financial 2014 has been overshadowed by an even faster growth rate in the past year: the company nearly trebled in size and now has 677 workers. In 2010 it had just 35.

And neurostimulation group Nevro more than doubled in size thanks to FDA approval of its Senza spinal cord stimulation system, awarded in May 2015. Reimbursement followed in December.

But after that it is back to the buyers: Wright Medical and Steris closed their acquisitions of Tournier and Synergy Health, respectively, and Zimmer Biomet and Becton Dickinson appear once more.

Top 10 headcount reductions of the last year

| By percentage of staff cut | | | By number of staff cut | | |
|----------------------------|-------|----------------|------------------------|------------|----------------|
| Name | % cut | 2015 headcount | Name | Number cut | 2015 headcount |
| GI Dynamics | (48%) | 36 | Baxter International | (16,000) | 50,000 |
| Sunshine Heart | (31%) | 38 | Medtronic | (4,000) | 88,000 |
| Baxter International | (24%) | 50,000 | Gerresheimer | (412) | 10,684 |
| Mauna Kea Technologies | (24%) | 91 | Getinge | (323) | 15,424 |
| Stentys | (18%) | 33 | Dentsply Sirona | (200) | 11,400 |
| Cogentix Medical | (15%) | 181 | Haemonetics | (128) | 3,255 |
| Derma Sciences | (13%) | 263 | Ambu | (116) | 2,225 |
| Nanosphere | (12%) | 148 | Conmed | (100) | 3,400 |
| TearLab | (11%) | 118 | Hologic | (61) | 5,290 |
| EKF Diagnostics | (8%) | 365 | Derma Sciences | (40) | 263 |

The two companies who cut the greatest percentages of their staff have not spun out units, nor have they been

buffeted by macro trends. Instead their technologies have run into trouble. GI Dynamics was forced to abandon its intestinal liner EndoBarrier after the device, designed to treat obesity, was linked with a dangerously high rate of hepatic abscess ([GI Dynamics has nothing up its sleeve, July 31, 2015](#)). Having halved its workforce last year, it would not be a surprise to see GI Dynamics shrink further in years to come.

Sunshine Heart has twice halted enrolment in the pivotal US trial of its heart failure device C-Pulse. And in March this year investors were aghast when it emerged that the product, which had previously been described as minimally invasive, in fact required a sternotomy to implant. The company has been on a costcutting drive ever since.

While the occasional technological hit or miss can lead to a medtech company adding or cutting staff the single greatest trend behind staff changes is without a doubt M&A activity – even activity first announced some years ago.

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