

## J&J sees a future in Abbott's eye care business



[Madeleine Armstrong](#)

Abbott has been on a spending spree this year, but now it is selling, offloading its medical optics division to Johnson & Johnson for \$4.33bn in cash. The reasons for Abbott's move are clear: recent acquisitions have honed its focus on cardiovascular devices and diagnostics, and ophthalmology was surplus to requirements.

J&J's reasons for buying seem less compelling. The company calls eye care "one of the largest, fastest-growing and most underserved segments in healthcare today", but this is belied by recent financial results from its own vision care unit, plus Abbott Medical Optics and the ophthalmology rival Alcon (see table below). J&J obviously believes that it can use its number-one position in contact lenses to do better than Abbott.

The buy will give J&J a bigger consumer offering, with the addition of eye drops and cleaning systems, but also a foothold in cataract surgery and laser eye correction.

J&J cited the cataract offering as a particularly important driver of the deal, describing the issue as the number one cause of preventable blindness, and estimating that around 20 million people are blind from age-related cataracts and that at least 100 million eyes are affected.

And the number of cases will only grow with the ageing population, something J&J will likely be banking on for sales growth.

But Abbott's medical optics unit has had mixed fortunes of late. Sales shrank in 2015, mainly owing to unfavourable exchange rates, but have picked up in the first half of this year. J&J vision care has seen a similar trend, and also blamed currency effects for its poor showing in 2015.

	Q3 2015	Q4 2015	Full year 2015	Q1 2016	Q2 2016
<b>Abbott Medical Optics</b>					
<b>Sales (\$m)</b>	283	300	1,133	269	307
<b>Year-on-year growth*</b>	-5%	-4%	-7%	3%	6%
<b>J&amp;J Vision Care</b>					
<b>Sales (\$m)</b>	683	648	2,608	640	685
<b>Year-on-year growth*</b>	-3%	0%	-8%	1%	6%
<b>Alcon</b>					
<b>Sales (\$m)</b>	2,346	2,349	9,812	1,426	1,506
<b>Year-on-year growth*</b>	-12%	-13%	-9%	-7%	-2%
*As reported in USD.					

The same cannot be said for Novartis's Alcon division which, although much bigger than J&J and Abbott's offerings combined, continues to shrink. The pressure has been on Alcon to turn its fortunes around: Novartis's restructuring in March, which saw its ophthalmic pharmaceuticals franchise move from Alcon to the pharmaceuticals division, fuelled the idea that the unit might be on the auction block.

But, with J&J now out of the picture, Novartis could find it even more difficult to find a buyer. Like Abbott, Alcon markets contact lenses, cataract surgery devices and systems for laser eye surgery, but has something extra in the form of a minimally invasive glaucoma surgery (MIGS) device through the acquisition of Transcend Medical ([Novartis hopes Transcend buy will relieve the pressure on Alcon, February 18, 2016](#)).

MIGS looks promising, but whether this will be enough to save Alcon is another matter.

Abbott, meanwhile, seems to have got the best of the latest deal – the group’s shares closed up 2% on Friday when it was announced. This is the fourth-biggest medtech acquisition of 2016 so far, and is slated to close in the first quarter.

### Top 10 medtech deals agreed in 2016

Buyer	Target	Sector	Price (\$bn)	Date announced
Abbott	St. Jude Medical	Cardiology	25.00	<a href="#">Apr 2016</a>
Canon	Toshiba Medical Systems	Diagnostic imaging	5.98	Mar 2016
Abbott	Alere	In vitro diagnostics	5.80	<a href="#">Feb 2016</a>
Johnson & Johnson	Abbott Medical Optics	Ophthalmology	4.33	Sep 2016
Danaher	Cepheid	In vitro diagnostics	4.00	<a href="#">Sep 2016</a>
Stryker	Sage Products	Hospital equipment	2.78	<a href="#">Feb 2016</a>
Thermo Fisher	Affymetrix	In vitro diagnostics	1.30	<a href="#">Jan 2016</a>
Stryker	Physio-Control	Cardiology	1.28	<a href="#">Feb 2016</a>
Zimmer Biomet	LDR	Orthopaedics	1.08	<a href="#">Jun 2016</a>
Medtronic	HeartWare	Cardiology	1.02	<a href="#">Jun 2016</a>

J&J is such a big beast, and vision care such a small part of its portfolio, that the purchase did not move the needle on its stock. But it is interesting that it is expanding in ophthalmology while others are getting out. It will have to hope that demographic trends translate into more cataract surgery revenue – something that is not certain with increasing payer pushback.

To contact the writer of this story email Madeleine Armstrong in London at [madeleinea@epvantage.com](mailto:madeleinea@epvantage.com) or follow [@medtech\\_ma](#) on Twitter

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Evaluate HQ  
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas  
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC  
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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