

Siemens spawns a pureplay medtech giant



[Elizabeth Cairns](#)

Siemens' healthcare unit is its largest by revenue with sales of \$15bn. By spinning it off via a public listing, while retaining ownership of most of it, the conglomerate hopes to attract a higher valuation for the business while also freeing up cash with which to pursue M&A.

The German group has not given details of how much of the unit it might float or when it would do it. But when it occurs the move will be the latest in the trend for companies to specialise. Abbott split; Johnson & Johnson sold its diagnostics and vascular units and Bayer its diabetes tech. GE and Philips focused in the other direction, selling off non-medtech divisions. Conglomerates are becoming rarer.

Indeed, Siemens itself has been here before. In May 2014 it said it planned to list its hearing aid business as the best way of realising the unit's value ([Siemens IPO could create third-largest hearing aid company, May 7, 2014](#)). The listing never came to pass. Instead, six months later, the unit was bought by private equity company EQT Partners.

Siemens might harbour similar hopes for its entire healthcare business, but a sale would be tricky to pull off. The healthcare division is already considered a company within a company, with its own branding – Healthineers – and [a song to go with it](#). It is the largest diagnostic imaging company in the world, so would require a buyer to step into an entirely new area, and a slow-growing one at that, with the segment forecast to expand at just 3.7% to 2022.

Flexible and agile

The launch of Convatec onto the London exchange last month for £1.5bn (\$1.8bn) indicates that investor appetite for large medtech IPOs exists - as long as the price is right.

And Siemens does have form with successful IPOs, spinning off its lighting business Osram for €2.5bn (then \$3.2bn) in 2013.

A more independent Healthineers would be able to react to changes in the industry more quickly, Siemens contends. This is no bad thing considering that the US industry, which accounts for more than half the health division's sales, could change rapidly under the incoming Republican administration.

And the unit would have the financial firepower to bring in new technology. The group has bought two companies this year, molecular diagnostics play Neo New Oncology and data management group Conworx Technology. These were hardly game-changers, though, and a larger strategic move would be welcome.

It is intriguing to see Siemens take a different path to its closest rivals, General Electric and Philips. Those groups, the world's second- and third-largest imaging companies, have opted to focus more, not less, on healthcare, with the former hiving off its financial services and the latter its lighting ([The omens look good for a medtech-only Philips, October 25, 2016](#)).

Perhaps it does not matter how a group goes about refocusing, as long as it specialises somehow.

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