

## Teleflex-Vascular takes 2016's medtech merger total to \$73bn



[Elizabeth Cairns](#)

Teleflex has made an acquisition in order to make more acquisitions. The midcap jack-of-all-trades has bolstered its interventional cardiology and interventional radiology offerings by buying Vascular Solutions for \$1bn, and appears to want to use its new-found heft in this area to buy in yet more.

Vascular Solutions is growing fast, and having laid to rest a long-running criminal case over alleged illegal off-label marketing it was ripe for a takeover. And as the 15th acquisition of 2016 to top \$1bn the deal shows just how healthy the medtech M&A market is: more than \$73bn-worth of deals have been announced so far this year, the second-best annual total for a decade (see tables).

### More to come

Teleflex is active in five main segments – respiratory, drug delivery, surgery, urology and cardiology. The group reports revenue from its interventional and cardiac businesses in different areas: the interventional business within its vascular unit and the cardiac business within the “other” category. Despite this analysts do make forecasts for these business, and according to *EvaluateMedTech's* consensus data both are likely to grow at around 4% annually to 2022.

Vascular Solutions is growing faster, with double-digit annual revenue growth rates according to Teleflex management speaking on a conference call. The combined company – Vascular Solutions will be a subsidiary of Teleflex when the deal closes early next year – will also see revenue synergies from selling the new technologies via Teleflex's international distribution network; Vascular Solutions does not yet sell to China, for example.

The boost to Teleflex's range of vascular technologies will allow it to build a significant presence in this segment – and also give it a base from which to expand further.

“We've had to shy away from sort of smaller, single product tuck-ins that were in [the vascular] space, because we didn't feel we had enough of a sales presence to really capitalise on it,” said Teleflex's chief executive, Benson Smith, on a conference call. “Our thought is it opens the door to allow those opportunities that we had to say no to in the past.”

Teleflex will fund the transaction through debt, and has obtained a \$750m senior unsecured bridge facility from JPMorgan Chase in connection with the acquisition. It expects the deal to be accretive to adjusted earnings per share in 2017; shares in both Teleflex and Vascular Solutions climbed 4% on the news.

### Bigger but not better

The total value of mergers announced in 2016 to date now stands at \$73.3bn – more than any year in the past decade except for the extraordinary outlier of 2014, in which more than \$100bn-worth of deals were signed – led, of course, by the \$50bn Medtronic-Covidien tie-up.

<b>Medtech M&amp;A totals of the past decade</b>		
<b>Year</b>	<b>Total value of M&amp;As (\$bn)</b>	<b>Number of deals</b>
2007	53.3	273
2008	20.2	219
2009	13.8	185
2010	22.8	259
2011	67.3	267
2012	27.4	241
2013	35.2	242
2014	106.8	206
2015	48.7	236
2016 to date	73.3	218

*Source: EvaluateMedTech*

With less than a month to go it is unlikely that 2016 will surpass 2014's total. Still, even allowing for the possibility that Abbott's \$6bn acquisition of diagnostics group Alere – the second largest of this year – will eventually be called off this is not a bad showing.

There is one worrisome aspect, however. The larger deals make up the lion's share of the value expended on M&A in the device sector. 15 deals worth more than \$1bn have been signed so far this year, the most since 2007, and the total value of these 15 megamergers, \$62bn, makes up 85% of the total M&A spend this year.

The only other year in the past decade to see more of a concentration of value at the top of the market was 2014.

<b>\$1bn-plus medtech M&amp;A totals of the past decade</b>			
<b>Year</b>	<b>Total value of M&amp;As (\$bn)</b>	<b>Number of deals</b>	<b>Proportion of M&amp;A value made up of \$1bn-plus deals</b>
2007	40.0	15	75%
2008	10.2	5	51%
2009	2.8	1	20%
2010	8.7	5	38%
2011	47.9	9	71%
2012	14.8	6	54%
2013	21.9	6	62%
2014	95.5	12	89%
2015	37.8	12	78%
2016	62.4	15	85%

*Source: EvaluateMedTech*

In a sector whose start-ups rely on the bigger players snapping them up in tuck-in deals the continuing preponderance of megamergers is alarming. It will be small comfort to the sector's younger companies that Teleflex, following the close of its current transaction, intends to do more of these smaller acquisitions.

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

