

Fewer, but bigger: medtech jobs jump thanks to mergers

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Had it not already been obvious that 2014 was the year of the medtech megamerger the changes in the largest companies' workforces would make it crystal clear. Medtronic is now by far the largest medtech company in terms of headcount, with more than 90,000 on the payroll at the end of its 2014 fiscal year.

This analysis counts only those companies that obtain at least 40% of their sales from medical technologies. Johnson & Johnson met this criterion a year ago, but after the divestment of its Ortho-Clinical Diagnostics business in 2014 this is no longer the case. Thanks to its purchase of Covidien – the largest acquisition in the sector's history – Medtronic is now the undisputed industry leader by market cap, medtech sales and staff numbers.

Even discounting the 39,500 jobs that the Covidien deal added, the number of Medtronic employees grew by 3,500 or 7% from 2013 to 2014. It is usual for headcount to be reduced after a merger closes, but Medtronic's organic growth might well make up for any "rationalisation" of the Covidien workforce.

Employee numbers of the top 15 medtech companies by market cap

Company	Market Cap YE 2014 (\$bn)	Number of Employees – Year End						% change 2009-14	% change 2013-14
		2009	2010	2011	2012	2013	2014		
Medtronic	102.6	43,000	45,000	45,000	46,000	49,000	92,000	114%	88%
Abbott Laboratories	67.9	73,000	90,000	91,000	91,000	69,000	77,000	5%	12%
Baxter International	39.8	49,700	48,000	48,500	51,000	61,000	66,000	33%	8%
Stryker	35.7	18,582	20,036	21,241	22,010	25,000	26,000	40%	4%
Becton Dickinson	27.1	29,116	28,803	29,369	29,555	29,979	30,619	5%	2%
Essilor International	24.2	34,759	38,112	48,700	50,688	55,129	58,032	67%	5%
Intuitive Surgical	19.4	1,263	1,660	1,924	2,362	2,792	2,978	136%	7%
Zimmer	19.2	8,200	8,800	8,700	9,300	9,500	10,000	22%	5%
St. Jude Medical	18.6	14,000	15,000	16,000	15,000	16,000	16,000	14%	0%
Boston Scientific	17.6	26,000	25,000	24,000	24,000	23,000	24,000	(8%)	4%
Coloplast	17.0	7,130	7,284	7,372	7,875	8,563	9,250	30%	8%
Smith & Nephew ¹	16.9	9,764	10,172	10,743	10,477	11,036	13,468	38%	22%
Edwards Lifesciences	13.7	6,400	7,000	7,800	8,200	8,600	9,100	42%	6%
C. R. Bard	12.5	11,000	11,700	12,100	12,200	13,000	13,900	26%	7%
Sonova	10.0	6,843	7,840	8,223	8,952	9,529	10,184	49%	7%

¹ Numbers are averages for the year

Source: EvaluateMedTech

Another huge buy was responsible for the next greatest year-on-year increase. Smith & Nephew's 22% expansion in its staffing levels is largely due to its \$1.5bn purchase of sports medicine specialist ArthroCare, which added around 1,800 jobs.

Acquisitions are set to have a big impact in the coming year, too. Zimmer's purchase of Biomet and Becton Dickinson's of CareFusion are now complete, but closed too late to be included in the 2014 analysis. Both Zimmer and BD should see a sizeable boost: in 2013, Biomet had 4,204 employees and CareFusion had 16,000.

Back to the past year, Abbott's 12% uptick in staffing over the past year cannot be explained by medtech acquisitions. The company's one purchase in the period was that of Topera, a company developing electrophysiology technologies for atrial fibrillation, too small to account for the 8,000 more jobs the company added. Instead the increase is due to Abbott buying pharma companies, adding around 6,500 employees via its purchases of CFR Pharmaceuticals and Veropharm. Abbott seems to be shoring up its drugs business again as the dust settles from the separation of AbbVie.

Not one of the top 15 medtech companies by market capitalisation saw a net decrease in staff numbers over the last year. It could be that the economic upturn – at least in the US – is making medtech companies more confident of growing sales and they are hiring accordingly.

Even Boston Scientific, which has been cutting jobs for some time in a bid to bolster its bottom line, brought in another 1,000 employees in 2014, and this was only partly down to the 350 workers gained through its acquisition of Bayer's interventional business.

The only company among the top 15 not to show a net gain in jobs was St. Jude Medical, flat year-on-year. The company has long been contending with shaky sales in its key cardiac rhythm management division, and in 2014 underwent a reorganisation that involved combining its manufacturing and supply chain operations. Although St. Jude said at the time that job cuts were not on the cards, things have, at best, merely remained steady.

Not for long, though. Assuming that the acquisition of heart pump maker Thoratec for \$3.4bn, announced in July, closes in the coming year, St. Jude will be at least 1,000 workers stronger this time next year – barring any divestments.

And considering the coming year, one company that is definitely set to slim down is Baxter. Next time this analysis is conducted the figures will take account of the recent spin-off of its pharma division, Baxalta, and the shedding of 16,000 jobs in the process.

In percentage terms, so great was the jump in Medtronic’s headcount that it takes second place in the table of percentage increases among all companies in the past year. This analysis by its nature usually highlights smaller companies, so this is an unusual finding.

Even Medtronic’s 88% increase is beaten, however, by the 131% boost in Exact Sciences’ employee numbers. The company is ramping up its sales force for the launch of its Cologuard colorectal cancer stool test, which got the go-ahead from the FDA and also gained US reimbursement approval last year.

Top 10 headcount increases of the last year

By percentage of staff added			By number of staff added		
Company	% added	2014 headcount	Company	Number added	2014 headcount
Exact Sciences	131%	236	Medtronic	43,000	92,000
Medtronic	88%	92,000	Abbott Laboratories	8,000	77,000
Cogentix Medical	81%	214	Baxter International	5,000	66,000
MiMedx Group	74%	386	B. Braun Melsungen	4,128	54,017
Lombard Medical	73%	192	Essilor International	2,903	58,032
Sunshine Heart	45%	55	Steris	1,600	7,600
iCAD	41%	144	The Cooper Companies	1,460	9,460
Wright Medical Group	31%	1,180	bioMérieux	1,211	8,935
Spectranetics	31%	753	Stryker	1,000	26,000
TearLab	31%	132	Boston Scientific	1,000	24,000

Source: EvaluateMedTech

This hiring trend looks set to continue. The company recently highlighted the “strong” launch of Cologuard, noting that over 21,000 tests have been carried out so far. Exact also recently raised \$179m in a follow-on financing round, and plans to use a portion of this for expanding commercialisation activities for the test.

Examined over the five-year period, the company’s success is even more startling; between 2009 and 2014 Exact’s workforce expanded more than 12-fold. This is a marked contrast with its one-time rival Epigenomics, whose blood-based test underwhelmed in late-stage trials and was denied FDA approval. Epigenomics had 86 staff in 2009 but now employs just 37 people.

But even Exact’s 1,142% five-year growth rate pales compared with the biggest hirer of the past five years. The UK company EKF Diagnostics has grown nearly 6,500% since 2009 – admittedly from a small base. The company now has 395 employees, up from just six five years ago.

EKF traditionally specialised in near-patient analysers for measuring markers including glucose, lactate and haemoglobin, but has recently been expanding into other areas such as molecular diagnostics as it attempts to become a global player. In 2014, it completed three acquisitions, buying DiaSpect Medical, Selah Genomics and Separation Technology – for under \$100m in total.

Top 10 headcount increases of the last five years

By percentage of staff added			By number of staff added		
Company	% added	2014 headcount	Company	Number added	2014 headcount
EKF Diagnostics	6,483%	395	Medtronic	49,000	92,000
AxoGen	1,580%	84	Essilor International	23,273	58,032
Exact Sciences	1,142%	236	Baxter International	16,300	66,000
TearLab	1,000%	132	B. Braun Melsungen	14,513	54,017
TransEnterix	900%	100	Stryker	7,418	26,000
MiMedx Group	865%	386	Abbott Laboratories	4,000	77,000
HeartWare	327%	585	Getinge	3,612	15,747
Mazor Robotics	315%	141	Sonova	3,341	10,184
Sunshine Heart	244%	55	C. R. Bard	2,900	13,900
Cogentix Medical	234%	214	The Cooper Companies	2,860	9,460

Source: EvaluateMedTech

In between EKF and Exact is Axogen, which specialises in human and animal-based tissue grafts for peripheral nerve repair. The company has expanded its staff from five to 84 since 2009 partly due to its acquisition of LecTec, a company focused on several medical technologies including hydrogels, in a reverse takeover transaction in 2011.

On the flip side are those firms that have cut jobs in the past year – in some cases by selling off parts of their business, rather than by making acquisitions. A prime example is Alere, which slashed 7,800 positions in 2014, making it slimmer of the year. The diagnostic specialist also came second in terms of the percentage of staff lost.

Alere was once one of the most acquisitive companies around, but has been on a streamlining mission since an attempted boardroom coup by a group of activist shareholders in 2013. Last year, it sold off its Alere Health services business, and incoming chief executive Namal Nawana promised to hone its focus, which involved, among other things, reducing headcount and closing some R&D operations.

The company could be one of the big fallers again in the coming year, having recently agreed to sell its BBI Diagnostics business to Exponent Private Equity after a failed attempt to spin it off last year. And although this might be at least partly offset by the \$60m acquisition of US Diagnostics, there could be more divestments to come before the end of 2015.

BG Medicine cut the largest proportion of staff as it took the unusual step of reducing its workforce from 23 to seven in the run-up to launching its automated galectin-3 test. The assay is used to determine whether a patient is at risk of developing chronic heart failure.

The restructuring wiped out BG's sales and marketing organisation, which does not bode well for when the company does roll out the test in the US, slated for mid-2015. But with the marketing might of partner

Abbott behind it, BG is probably not too concerned. Indeed, it has been suggested that the company’s lean operating structure could make it an attractive acquisition target.

Also ranking highly on both the percentage and number of jobs lost was Sequenom, which is somewhat unexpected – the company is involved in the hot area of non-invasive prenatal testing.

Top 10 headcount reductions of the last year

By percentage of staff cut			By number of staff cut		
Company	%	2014 headcount	Company	Number	2014 headcount
BG Medicine	(70%)	7	Alere	(7,800)	9,800
Alere	(44%)	9,800	DJO Global	(530)	4,940
Cytori Therapeutics	(32%)	78	Mindray Medical International	(400)	7,500
Sequenom	(21%)	448	Hologic	(264)	5,351
Chembio Diagnostic Systems	(19%)	166	Dentsply International	(200)	11,600
aap Implantate	(17%)	241	Bio-Rad Laboratories	(150)	7,600
Aerocrine	(14%)	115	Sequenom	(122)	448
STARR Surgical	(10%)	300	Alphatec Holdings	(50)	450
Optos	(10%)	391	aap Implantate	(49)	241
Alphatec Holdings	(10%)	450	Optos	(44)	391

Source: EvaluateMedTech

Sequenom’s sales grew 27% in 2014 and it also swung to a profit, helped by its efforts to reduce operating expenses, partly through bringing down its headcount. The company also offloaded its Sequenom Bioscience unit last year.

The cell therapy specialist Cytori Therapeutics is also reducing its spending with a goal of breaking even by the end of 2015, and last year dropped 38% of its workforce.

After slow and steady growth in medtech employment in 2013, 2014 was more extreme, with big mergers and divestments leading to greater gains and losses. With industry consolidation, along with the likely continuing popularity of spinouts, the coming year could bring more of the same.

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Methodology notes:

- EvaluateMedTech sources employment figures from company annual reports (Form 10-Ks). The analysis covers top-line numbers only.
- Japanese companies were excluded from this analysis as they work to different reporting periods and 2014 data are not yet available.
- This report includes only companies that receive more than 40% of their sales from medical devices.
- Companies that provided limited or patchy disclosure on job numbers were also excluded, which naturally limited the analysis to a largely US and Europe-based cohort of listed groups. In total, the analysis covered 137 companies.

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