

# MEDTECH 2014 IN REVIEW



## CONTENTS

Mergers Come Roaring Back	<b>p5</b>
Tripling of IPO Yield	<b>p8</b>
VC Goes Big on Digital Health	<b>p10</b>
FDA Approvals Get Faster Still	<b>p13</b>
Shares Soar on M&A Promise	<b>p16</b>
More Ups Than Downs?	<b>p19</b>

2014 was a hell of a year. Following the sombre days of 2013, last year saw the industry enjoy a resurgence in the merger and IPO markets, a near-doubling in FDA approvals of innovative devices and soaring company valuations on the public markets.



Last year in medtech can almost be summarised in a single word: megamergers. Big-cap companies have made huge deals to consolidate their product offerings, fuelling stock price ramps at the top end of the market.

The total value of mergers closed in 2014 was just shy of \$40bn – more than twice as much as the total for the previous year. This figure is all the more remarkable as it does not include the Medtronic-Covidien megamerger – the largest deal the device sector has ever seen – which did not close until early 2015.

Last year also witnessed a marked increase in the number of companies going public, with 34 device makers conducting IPOs on Western exchanges, more than twice as many as in 2013. And not only were there more offerings, they were bigger. A total of \$2.2bn was raised through IPOs in 2014, nearly triple 2013's haul.

Look more closely, however, and the picture becomes murkier. The consolidation of the larger medtech groups is driven largely by their need to cut costs in the face of continued pressure on pricing from their customers.

And their focus on large buys means they are turning away from the smaller acquisitions that are necessary to convince venture backers to fund smaller firms with innovative products. There is a danger that start-ups might be unable to find cash, strangling potentially life-changing inventions before their development even truly begins.



Another clear disappointment is the relative underperformance of the European stock markets. While the Nasdaq has only flown higher and higher, companies listed in Europe have not seen the same increase in valuations. The relative dearth of European IPOs, with just eight in 2014 compared with 29 on US exchanges, underlines this. Unsurprisingly, all but one of the US floats were on the Nasdaq.

Elsewhere, the continuing trend towards bigger, later venture rounds points to a funding gap for start-up companies. If acquirers are not buying and VCs are not investing, these companies – which are far too early-stage to be considering a float – will have real difficulty with both business and product development.

Smaller companies are in many ways the engine of the medtech industry. The players at the top of the market will need to pay more attention to them in future.

Unless stated, all data are sourced to EvaluateMedTech® and were accessed in January 2015

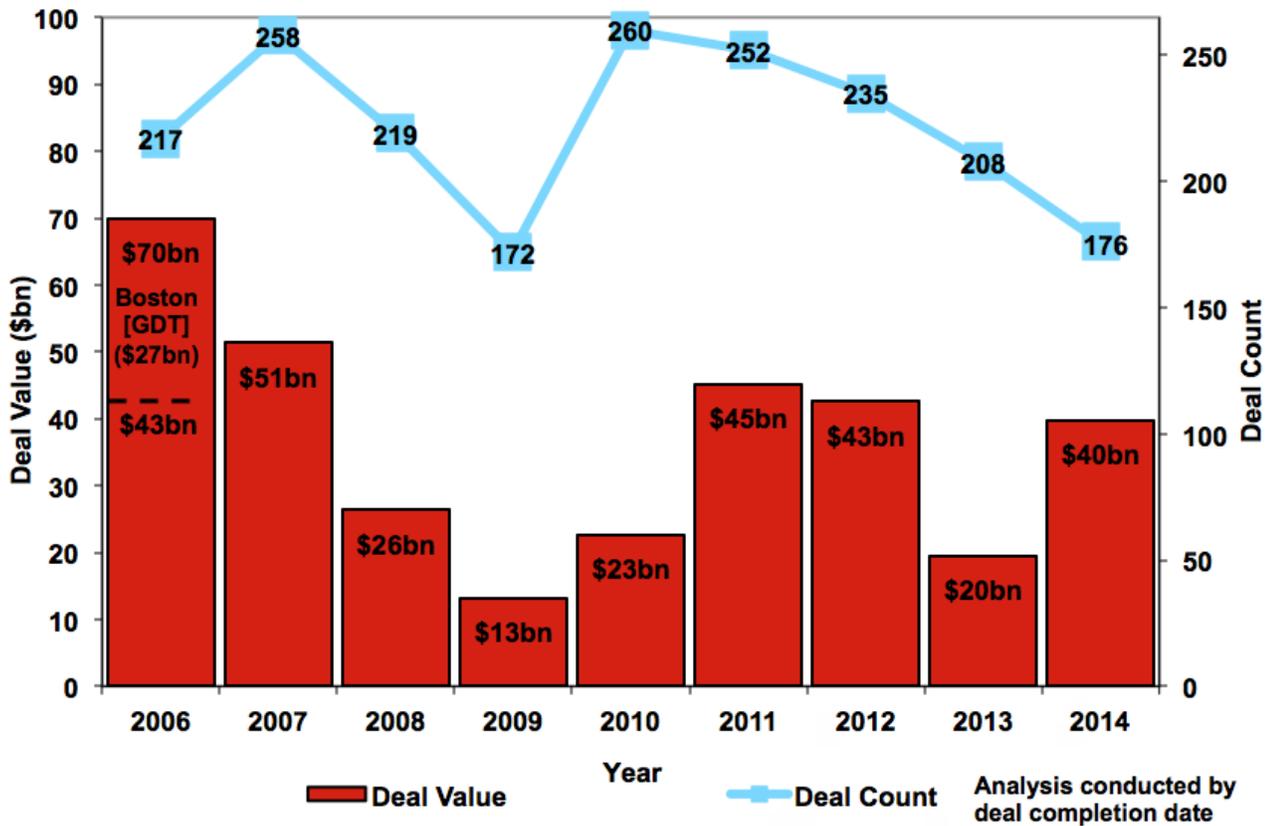
# MERGERS COME ROARING BACK

Mergers are back in a big way. The total value of deals closed in 2014 came to more than twice 2013's figure. And seven of the top 10 deals were worth more than \$1bn, showing huge appetite for consolidation at the top.

However, it is more than possible that the explosion of megamergers means fewer purchases of smaller companies. Takeovers of small, early-stage companies have traditionally been the lifeblood of the medtech sector; a dearth of these could threaten innovation in device development.

Both the rate of deal-making and the average deal value decelerated throughout 2014. The first half of last year was considerably better than the second, bringing in a total of more than \$30bn in closed deals, as opposed to just \$9bn in the second six months.

**Medtech M&A Activity**



In contrast to the large deals announced in recent months, the transactions closed in 2014 were not about exploiting tax loopholes. Rather they were examples of the amalgamation of similar companies that enable the resulting group to offer a wider range of technologies to hospitals and payers facing their own economic pressures.

This was the rationale behind the Thermo/Life deal, as well as the dental specialist Danaher’s purchase of Nobel Biocare, and the ophthalmology player Essilor’s takeout of lens maker Transitions Optical, among others.

“At the top level you are seeing a slowdown in top-line sales of medical devices companies, and one of the consequences of that is the [mega]mergers,” says Timothy Haines, a partner at VC company Abingworth. He adds that large-scale mergers aimed at reducing cost bases are likely to remain popular in the coming years.

Pricing pressure, Mr Haines says, is particularly prevalent in areas where devices are no longer hugely innovative, from joint replacement products to pacemakers and stents, for example. This chimes nicely with the Medtronic-Covidien tie-up, as well as the Zimmer-Biomet deal.

The consolidation trend was not the only force at work here, of course. The private equity concern Carlyle Group bought Johnson & Johnson’s sluggish diagnostics business to do it up and sell it on. A second huge private equity deal has since been announced, with EQT Partners announcing in November that it was taking Siemens’s hearing aid unit off its hands for \$2.8bn.

But some of 2014’s deals were more a means for companies to acquire promising, innovative technologies – the traditional rationale for an industry that is still, at the lower end at least, largely fuelled by trade sales. Covidien purchased the Israeli company Given Imaging to obtain its PillCam range of capsule endoscopes – tiny cameras that are swallowed by a patient to enable imaging of the intestinal tract to identify potentially cancerous polyps.

The PillCam line is highly innovative, a genuinely different technology from anything that had existed before. It was never intended to replace traditional endoscopy or colonoscopy but rather to find a niche treating patients who are unable to endure the standard procedure, plus those who were willing to pay extra to avoid its discomfort.

### Top 5 M&A Deals Closed in 2014

Acquiring Company	Target Company or Business Unit	M&A Deal Type	Deal Value (\$m)
Thermo Fisher Scientific	Life Technologies	Company Acquisition	13,600
Carlyle Group	Ortho-Clinical Diagnostics business of Johnson & Johnson	Business Unit	4,150
Danaher	Nobel Biocare	Company Acquisition	2,200
Essilor International	Transitions Optical	Company Acquisition	1,855
Grifols	Blood transfusion diagnostics business of Novartis	Business Unit	1,675

### Top 5 M&A Deals Closed in 2013

Acquiring Company	Target Company or Business Unit	M&A Deal Type	Deal Value (\$m)
Baxter International	Gambro	Company Acquisition	3,900
Stryker	MAKO Surgical	Company Acquisition	1,650
Stryker	Trauson	Company Acquisition	764
Bausch + Lomb	Technolas Perfect Vision	Company Acquisition	645
CareFusion	Vital Signs business of GE Healthcare	Business Unit	500

On the measure of deal value, 2014 beat the previous year hollow. But the actual number of acquisitions closed was low – at 176, the fewest since the overall nadir of 2009 – and this could be worrying.

With a greater proportion of the sector's M&A activity concentrated among the bigger players, start-ups could find it harder to persuade the moneymen that they too will attract a buyer. After all, a company focused on a billion-dollar megamerger with an eye to consolidation and tax advantages will be too preoccupied to hunt for the little fish too, no matter how potentially disruptive their technology.

And quite apart from anything else, megamergers have the obvious effect of reducing the number of potential acquirers.

"When these [larger companies] do these merger dances they tend not to acquire new technologies for some while, until they've done the integration," Mr Haines says.

There is a glimmer of hope for smaller, innovative groups. The need to cut costs is forcing the larger companies to scale back their R&D efforts, and consequently they will increasingly rely on buying in technologies.

The question is, when will that start to happen?

# TRIPLING OF IPO YIELD

One of the surprises of 2014 was the propensity for medtech companies to go public rather than sell out, the sector's default strategy for so long. 34 device makers floated on Western exchanges in 2014, more than twice as many as in 2013. And the total raised via IPOs increased even more markedly: 2014's total of \$2.2bn is nearly triple the \$742m seen the year before.

In medtech IPOs are increasingly seen as a step on the route to an acquisition rather than a second-choice substitute for one. Historically, the vast majority of takeovers in medtech were relatively small bolt-ons of private companies, but this pattern now seems to be eroding.

## Top 10 Medtech IPOs on Western Stock Exchanges in 2014

Company	Area	Date	Amount raised	Offering price	Range	Discount/premium	Exchange	2014 YE change since float
Exova	In Vitro Diagnostics	April	£220m (\$368m)	220p	210p-260p	(6%)	LSE	(27%)
Nevro	Neurology	November	\$145m	\$18	\$15-17	13%	NYSE	115%
K2M	Orthopaedics	May	\$132m	\$15	\$16-18	(12%)	Nasdaq	39%
Horizon Discovery	In Vitro Diagnostics	March	£68.6m (\$114m)	180p	-	-	LSE AIM	12%
Materialise Group	Orthopaedics	June	\$110m	\$12	\$12-14	(8%)	Nasdaq	(35%)
TriVascular Technologies	Cardiovascular	April	\$90m	\$12	\$13-15	(14%)	Nasdaq	5%
Lumenis	Ophthalmics	February	\$86m	\$12	\$15-17	(25%)	Nasdaq	(22%)
Sientra	General and Plastic Surgery	October	\$86m	\$15	\$14-16	0%	Nasdaq	12%
Ocular Therapeutix	Ophthalmics	July	\$75m	\$13	\$14-16	(13%)	Nasdaq	81%
Inogen	Anesthesia & Respiratory	February	\$71m	\$16	\$16-18	(6%)	Nasdaq	96%
<b>Average across all 34 IPOs</b>			<b>\$65m</b>			<b>(15%)</b>		<b>2%</b>

Almost paradoxically, another possible explanation for this IPO surge was the massive consolidation among larger companies that was the other major trend of 2014. Many of the usual buyers were embroiled in megamergers and had no room for smaller acquisitions, meaning smaller companies had to find ways of funding their independent existence until the large groups swing back into acquisition mode.

Fortunately, stock markets were buoyant and public investors open to new offerings.

It is of note that there were no European IPOs in the entire second half of the year. Such was the lure of the Nasdaq that five non-US companies listed there – three from Europe and two from Israel. All the US companies but one went to the Nasdaq; the exception, neurostimulation firm Nevro, chose the NYSE.

Lombard Medical's decision to float on the Nasdaq in April, moving its listing from the Aim in London, was a clear attempt to capitalise on the buoyant US market. Sadly this did not turn out so well, with its shares sinking more than 40% from the float price over the course of 2014.

Lombard had to take a haircut to get its offering off the ground, and it was not the only one. Data compiled by *EvaluateMedtech* and *EP Vantage* show that the last quarter of 2014 was the only one in which, on average, companies did not have to cut offering prices to get their IPOs away.

The second quarter stood out in terms of the sums raised. At \$1.1bn, this period saw more than twice as much raked in as the next closest, and the average was the highest too, at \$81m. This was largely due to the UK company Exova, which provides testing services to the pharmaceutical industry, whose £220m (\$368m) was the biggest of the year.

### Quarterly IPO Data (Western Exchanges)

Quarter	Number of IPOs	Total raised	Average raised	Average discount/premium	Average change on first day trading	Average 2014 change since float
Q1	7	\$345m	\$49m	(21%)	4%	(20%)
Q2	14	\$1,129m	\$81m	(15%)	(5%)	(5%)
Q3	8	\$436m	\$55m	(19%)	26%	33%
Q4	5	\$287m	\$57m	1%	23%	(0%)
<b>Total</b>	<b>34</b>	<b>\$2,197m</b>	–	–	–	–

Perhaps as a consequence of the number of deals and enormous total raised, Q2 saw the worst performance for first day trading, with shares sinking an average of 5% even after the companies took an average 15% haircut.

Just five companies floated in the fourth quarter. The end of the year is often slow, but it is possible that IPOs were already dropping off, despite the markets still rising.

2015 will show whether last year's IPO bonanza, particularly at the start of the year, was a one-off reaction to the lack of mergers in 2013 or whether this is a new normal, with IPOs and the interrelated large-scale mergers continuing to alter the landscape.

# VC GOES BIG ON DIGITAL HEALTH

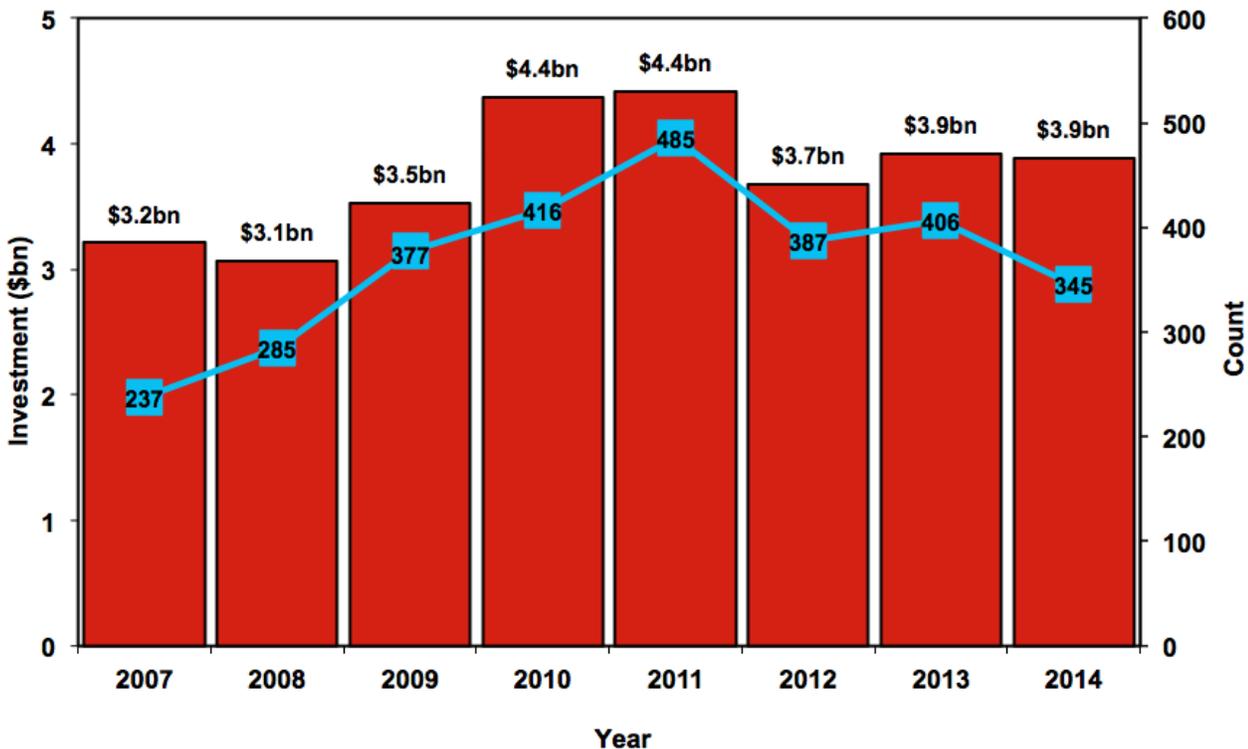
The total amount of venture funding funnelled into medtech in 2014 was, at \$3.9bn, barely changed from the figure the year before. But, as happens occasionally, one area has broke out, attracting an extraordinary amount of attention – and cash.

The convergence of tech and healthcare was an unmistakable trend in 2014, and the potential of computing power in personalised medicine, high-throughput sequencing and wearable health monitor technologies is such that six of the top 10 venture rounds were conducted by companies active in digital health.

Remarkably, one company appears in the top 10 twice: NantWorks, which is active across several disciplines including diagnostics, cloud-based storage and sharing of data on tumour genes, personalised medicine and drug discovery. NantWorks’ huge \$250m last-minute December financing plus a separate \$75m injection in January almost singlehandedly saved last year from being one of the worst since the credit crunch.

Given the current consolidation in the industry and what many see as moves towards bundled, value-based healthcare it is perhaps NantWorks’ potential to provide end-to-end treatment for cancer patients that attracted investors. The Kuwait Investment Authority, the sole participant in the \$250m round, chose to sink its money into NantWorks’ NantHealth division, which specialises in healthcare data.

## Annual VC Investments



The growing interest in digital healthcare was also behind the second biggest VC financing. Proteus Digital Health managed to add \$120m to its coffers thanks to its technology that aims to connect devices with ingestible and wearable technologies using mobile and cloud computing.

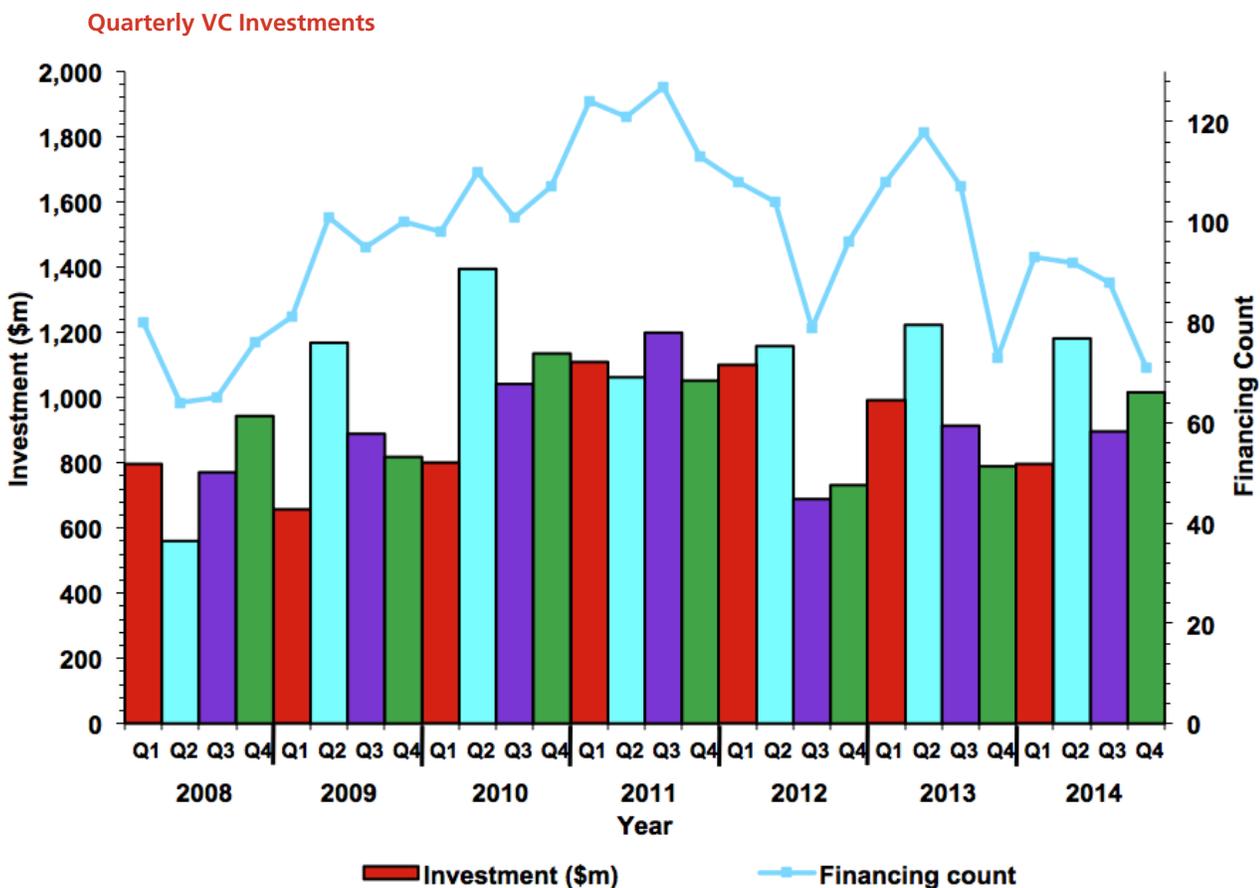
Proteus did not reveal its new investors, but if previous rounds are to go by they might have been a mixture of healthcare and software companies.

Other big rounds of the year also focused on the crossover between pharma, medtech and computing technologies such as DNA sequencing. Adaptive Biotechnologies, which operates in the immunosequencing space, saw sole investor Viking Global Investors put \$105m into its business. One of Adaptive's technologies is an assay that could act as a predictive biomarker for response to treatment with cancer immunotherapies.

Viking might be hoping that Adaptive will become one of the medical device companies operating in or on the fringes of genomics, an area that is increasingly attractive to pharma companies developing immunotherapies.

"Genomic sequencing and diagnostics as a whole will ultimately be a huge opportunity," says Abingworth's Mr Haines. He says that the ability to perform repeated genomic analyses of a cancer patient to observe tumour mutations over time will enable doctors to put together a bespoke combination of products to treat the disease.

"We are on the cusp of a revolution in diagnosis where genomic analysis will be key," Mr Haines says, though he cautions that teasing out the biology and running clinical studies could be tricky when each patient's tumour DNA signature is essentially unique.



Despite the similar total raised in 2013 and 2014, there was one marked difference: a 15% fall in the number of funding rounds, from 406 to 345. This indicates that the trend towards medtech VCs making bigger, but fewer, late-stage investments is continuing.

This phenomenon could have its roots in the remaining difficulties of funds to restock after investments, which has led to big syndicated financings. VCs also obviously need to exit and it is sensible to place large sums of money into later rounds where stock market buoyancy means it is now easier than ever for companies to float.

Mr Haines says it can be tough for companies with early-stage technologies to attract venture cash. For venture investors to put their money behind a start-up company, they must believe that they can exit some way through the development of the product.

“Otherwise it’s 8-10 years and \$100m to take it through the FDA – and then buyers may only acquire when the company has demonstrated a real ramp in sales. It’s a pretty long timeline,” he says.

### Biggest Rounds of 2014

Company	Financing Round	Investment (\$m)
NantWorks	Series B	250.0
Proteus Digital Health	Series G	120.0
Adaptive Biotechnologies	Series D	100.0
Halt Medical	Series E	92.8
Biocartis	Series F	85.0
NantWorks	Series undisclosed	75.0
Precision Therapeutics	Series E	60.0
GC Aesthetics	Series A	60.0
InSightec	Series D	59.0
Oxford Nanopore Technologies	Series G	59.0

If digital health companies were largely responsible for keeping the industry’s total VC haul up to 2013’s levels, many other sectors must be falling badly behind.

Start-ups are caught in a trap: if their technology is too unlike anything that has come before, its regulatory and reimbursement path could be uncertain and will likely be expensive, but if it is too similar it will not find a market – in an era of cost-cutting companies can no longer charge a premium for incremental advances on old technologies. Devices such as hip implants, stents and even pacemakers are hard to improve upon; they are almost becoming generic.

To lure VCs a company must have a technology that is new, but not too new. It should also offer a clear cost-effectiveness advantage – or better yet, simply be cheap. These conditions are met neatly by sequencing-based diagnostics, and by almost nothing else.

# FDA APPROVALS GET FASTER STILL

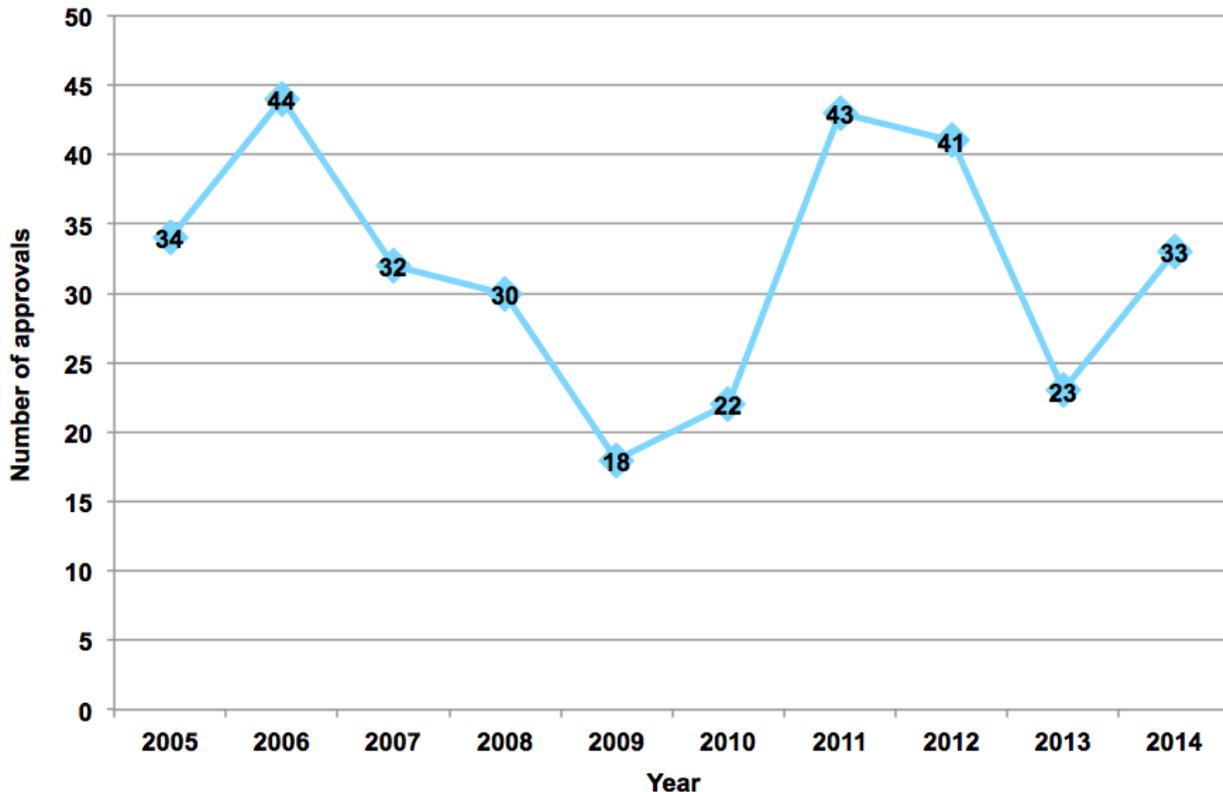
When *EP Vantage* looked at the medtech sector at the half-year point, we forecast 34 FDA approvals of innovative devices by year end. The final figures showed this prediction to have just missed: 33 devices gained the agency's blessing, a 43% increase on the number it greenlit the year before.

This number was, however still down compared with 2011 and 2012. But the good news is that approval times are speeding up. Last year, it took an average of just 17.6 months to get a medical device through the FDA's most stringent regulatory pathway – a first-time premarket approval (PMA) – compared with nearly twice as long the year before. With the FDA's efforts to lighten the regulatory burden just beginning to take effect, this could get even faster in future.

The agency has already signalled its willingness to speed up the approval process. Initiatives such as bringing in an expedited device approval pathway and streamlining the de novo approval process will soon bear fruit.

But neither of these is responsible for the change so far. The expedited route is not yet in force, and de novo approvals are not counted in this analysis. It seems that the FDA has simply made general efforts to hasten approvals.

**Number of PMAs and HDEs granted, 2005-2014**



Still, it should be noted that these sample sizes were small, and that the approval numbers and speed can fluctuate from year to year depending on the complexity of the products that happen to be submitted, and the quality of those submissions.

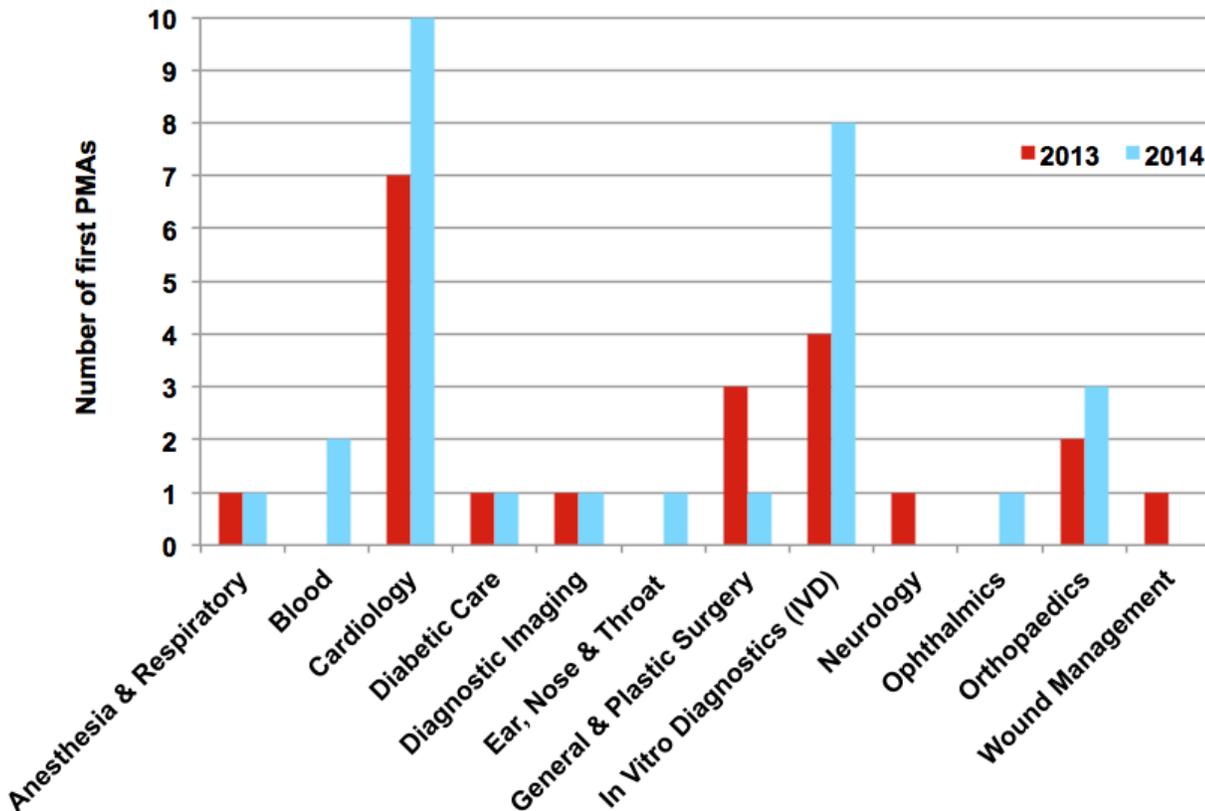
Whatever the reasons, device companies are surely not complaining. At the half-year point, it had taken the agency an average of 18.4 months to grant 17 PMAs. Looking at the second half, only 12 devices gained PMAs, but they did so in an average of just 15 months.

One company that made a strong showing in the last six months is Medtronic, which in January 2015 became the largest medtech group in the world. The approval of the IN.PACT Admiral drug-eluting balloon in atherosclerosis could in fact leave the company somewhat deflated; despite beating C. R. Bard's rival Lutonix device to the European market by two years, Medtronic's balloon was pipped to the US post when Lutonix was approved three months earlier than expected.

It is almost a surprise to see Myriad Genetics get an approval. For years the company sold its BRACAnalysis breast cancer gene assay in the US as a homebrew test, unregulated by the FDA, and enforced a monopoly by claiming to have patented the BRCA genes rather than the diagnostic.

A succession of legal defeats combined with forthcoming changes to the way the FDA will regulate diagnostics essentially forced the company to seek a PMA for BRACAnalysis as a companion diagnostic for AstraZeneca's ovarian cancer drug Lynparza. Achieving FDA approval is always a good move, but Myriad and its investors might feel somewhat disappointed.

**First-time PMAs by Therapy Area, 2013 and 2014**



Of the FDA approvals in the last six months of 2014, perhaps the most interesting aspect was how few of them were traditional PMAs. Three of the 16 innovative devices approved in the second half were approved by the FDA's Center for Biologics Evaluation and Research rather than its Center for Devices and Radiological Health.

These code approvals are still PMAs, however. Arguably more interesting was the sudden glut of humanitarian device exemptions (HDEs), a different kind of approval for innovative devices. These once-rare designations are the rough equivalent of orphan drug approvals in biopharma, and permit a slightly lower burden of proof when it comes to efficacy.

The FDA granted four HDEs in 2014, all in the second half of the year. Perhaps more HDE applications are being submitted, and the medtech industry is beginning to target rare diseases with the same enthusiasm as the biopharma sector.

It is to be hoped that the FDA will keep up the pace of PMA and HDE approvals. The lack of smaller-scale takeouts that has come as a corollary of the spate of multibillion-dollar mergers in 2014 needs to be reversed if the industry is to stay healthy. Regulatory approval is essentially the bare minimum buyers expect when deciding whether to go ahead with an acquisition.

# SHARES SOAR ON M&A PROMISE

For the third consecutive half-year period, no large-cap company saw a decrease in its share price. The seven deals worth in excess of a billion dollars that closed last year – plus three that were announced in 2014 but remained open at the end of the year, including the Medtronic-Covidien tie-up – helped drive the shares of both acquirer and target upwards.

Speculation that other big-cap companies would strike takeovers of their own did much of the rest of the work. Taken as a whole, the large-cap cohort added a total of \$75bn to its combined market cap – and even the worst performer outdid average growth of the sector as a whole.

Amid all this sunniness a look at the share indices might provide a hint of cloud. The US seems to be where the action was, with the medical and health device markets growing nicely. In Europe it was another story, the Thomson Reuters Europe Healthcare index expanded just 3% across last year.

## Percentage Change in Medtech Stock Indices over 2014

Stock index	% Change in 12 months
S&P Composite 1500 HealthCare Equipment & Supplies (US)	23%
Dow Jones U.S. Medical Equipment Index	22%
Thomson Reuters Europe Healthcare	3%

While the share prices of the large-cap companies grew, the cohort itself shrunk – and will get smaller still in the coming months. This is a result of last year’s mergers and demergers. Johnson & Johnson is now excluded from this analysis because, owing to the divestment of its diagnostics business, its medtech operations are now so small that they are unlikely to account for any movement in its share price.

And the leader in terms of share price growth, Covidien, up 53% over the year, has since disappeared completely. Its purchase by Medtronic, up 26% year-on-year and fifth-greatest riser, closed in January 2015.

Another of the risers also made the grade based on a purchase. Becton Dickinson’s shares were almost flat for the first three quarters of 2014, but jumped in October after it announced it was buying the drug delivery company CareFusion for \$12.2bn.

Intuitive Surgical’s stock provided a pretty bumpy ride, rising and falling on its regulatory and financial performance.

Despite outpacing the wider medtech market and making two small acquisitions, St. Jude Medical lagged the large-cap cohort.

### Large Cap (\$15bn+) Top Risers & Worst Performer in 2014

Top 5 risers	Share Price (Local Currency)			Market Cap (\$bn)	
	YE 2013	YE 2014	Change	YE 2014	12M Change
Covidien	\$66.08	\$100.99	53%	45.6	15.7
Coloplast	DKr329.50	DKr465.90	41%	17.0	2.7
Intuitive Surgical	\$384.08	\$528.94	38%	19.2	4.6
Becton Dickinson	\$107.01	\$141.26	32%	27.1	6.3
Medtronic	\$57.39	\$72.20	26%	71.1	13.8
<b>Worst performer</b>					
St. Jude Medical	\$61.95	\$65.03	5%	18.6	0.50

Echoing the movements in the shares of large-cap device makers, mid-cap companies soared too – and for almost the same reason. All but five stocks in this group saw their share price increase last year, and where shareholders in big-cap companies hope they will buy, mid-cap investors hope their company will be acquired.

Among the smaller-cap companies the share ramp pattern was repeated, with smaller sums but vastly greater percentage rises. The most successful small-cap stock ended the year up nearly fivefold, showing just what an extraordinary year 2014 was – particularly in contrast to 2013's lacklustre performance.

It is true that the leader of the mid-caps, Edwards Lifesciences, has had great success with its heart valve technologies, but this was not the only factor in its stock's near-doubling. Its potential as a takeover target was at least as important.

DexCom, which rose 55%, is in one of the spaces periodically hailed as the next big thing in medtech: the artificial pancreas. A manufacturer of blood glucose monitors, the firm is collaborating on the development of at least two artificial pancreas projects. If its efforts towards this goal show signs of success one of the companies that makes insulin pumps – or one that wants to add to its range of sensors – would surely wish to step in.

Amid the small cap risers was OvaScience, one of a number of companies seeking to exploit the enormous growth in demand for in vitro fertilisation, particularly in Asia.

### Other Significant Risers & Fallers in 2014 (Ranked on Market Cap.)

Risers	Share Price (Local Currency)			Market Cap (\$bn)	
	YE 2013	YE 2014	Change	YE 2014	12M Change
Edwards Lifesciences	\$65.76	\$127.38	94%	13,626	6,432
DexCom	\$35.41	\$55.05	55%	4,215	1,673
Sirtex Medical	AUS\$11.73	AUS\$28.37	142%	1,408	782
OvaScience	\$9.14	\$44.22	384%	1,075	909
Nanobiotix	€ 5.27	€ 16.72	217%	298	221
<b>Fallers</b>					
Getinge	SKr220.00	SKr177.80	(19%)	5,456	(2,176)
William Demant	DKr527.00	DKr468.20	(11%)	4,517	(945)
Elekta	SKr98.35	SKr79.70	(19%)	4,054	(1,602)
ReproCELL	¥1,725	¥773	(55%)	369	(439)
Tandem Diabetes Care	\$25.77	\$12.70	(51%)	298	(252)

As for the mid-cap fallers, Getinge, which makes surgical theatre equipment, followed a poor 2013 with a shocking 2014. In March its stock fell nearly 20% – its sharpest drop ever – after it issued its third profit warning in just over a year.

If Getinge's woes were largely of its own making, the hearing aid maker William Demant had its competitor Sonova to thank for at least some of the 11% fall in its shares. In April Sonova signed a pact with the US chain Costco that saw it heavily discount certain products, enabling it to gain a large share of Costco's hearing aid retail business.

The Japanese group ReproCELL led the small-cap fallers. The company was formed in 2003 to commercialise research into induced pluripotent stem cells, and its share price declined in the wake of a large warrant exercise and the suggested dilution.

# MORE UPS THAN DOWNS?

For listed medtech companies, the pattern across 2014 was one of growth. The large, mid and small-cap cohorts all saw overall rises in their share prices, with many more companies experiencing increases than decreases. Furthermore, the ups, in percentage terms, were greater than the downs.

The rollercoaster might not keep rolling into 2015. The megadeal scene started quietly but then picked up, with four \$1bn-plus transactions so far: Boston Scientific buying Endo's men's health business, Cardinal Health picking up J&J's Cordis, the Cyberonics-Sorin tie-up and Roche's acquisition of a controlling stake in Foundation Medicine.

Once again, though, these transactions were defensive, aimed at consolidation rather than acquiring potentially disruptive technology.

Moreover, rather fewer IPOs have been completed than might have been expected, and several have been pulled – despite market conditions still appearing positive.

It does seem likely that the rate of approvals at the FDA will remain high in 2015, as will the share prices of the big-cap medtech groups. But the longer-term future of the sector is harder to predict.

A move away from large, safe deals in terms of both mergers and VC rounds would be welcome. Technical innovation is crucial for the medical device business to remain healthy; it is time for the leaders to give new players more of a chance.

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