

J&A Sell-Side M&A Report

Medical Devices M&A Transactions by USA-Based Acquirers

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Over \$100 billion was deployed by USA-based acquirers in the medical devices sector between Q3 2020 and Q2 2024. Medical devices include instruments, apparatuses, implements, machines, appliances, or implants used for specific medical purposes. Medical devices range from simple, low-risk items like bandages and thermometers to complex, high-risk instruments like robotic surgical systems and life-supporting machines.

The majority of transactions conducted by USA-based medical device acquirers were domestic transactions (one USA-based company acquiring another USA-based company). These contributed 75% of the deal count and over 80% of capital deployed. Additionally, strategic acquirers deployed over 80% of the capital invested. USA-based medical device companies should be aware of exit opportunities presented by strategic, domestic acquirers.

An increase in government funding and zero-interest-rate policy caused by the pandemic resulted in an increase in deal count and capital invested in the sector in 2021 and 2022. In 2023 and H1 2024, lower capital deployment and deal count were observed, as markets adjusted to increasing interest rates. In Q2 2024, we've seen an increase in capital deployment, indicating a strengthening medical device M&A market, particularly due to forecasted interest rates cuts in H2 2024.

Medical Devices M&A Transactions by USA-Based Acquirers

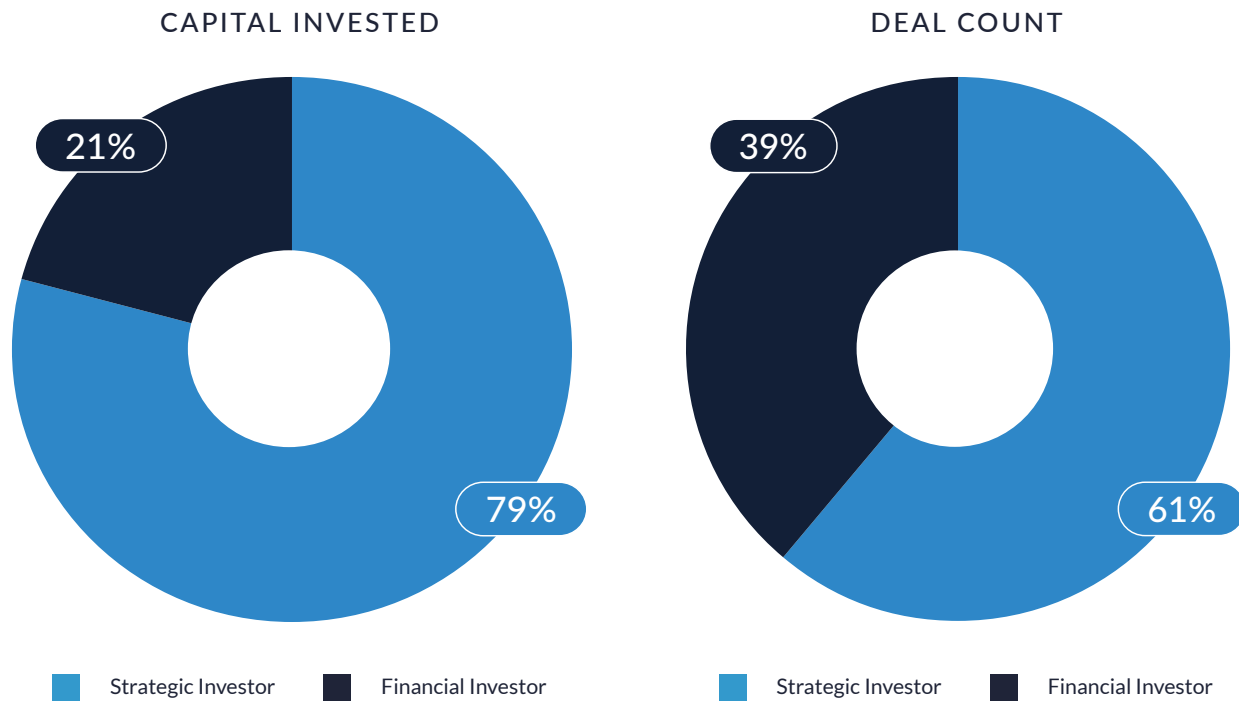
Announced Medical Devices M&A Transaction Conducted by USA-Based Acquirers (Q3 2020 – Q2 2024)



Source: PitchBook Data, Inc.

- Between Q3 2020 and Q2 2024, \$102 billion was deployed across 718 healthcare acquisitions made by USA-based acquirers. The average transaction value was \$142 million, highlighting the volume of transactions conducted in the middle and upper-middle markets.
- The most significant deployment of capital, \$15 billion, occurred in Q4 of 2022 with the largest deal count occurring in Q1 of 2021, 69 transactions.
- There is a negative trend in the number of transactions conducted per quarter. However, capital investment has increased steadily since the start of 2023 with significant capital deployed in Q2 2024.
- While the deal count shows variability, it generally remains above 20 deals per quarter, except for the significant drop in Q1 2024. This consistency indicates a stable interest in deal-making, even as the investment amounts fluctuate.
- Johnson & Johnson's acquisition of Shockwave Medical for \$13.1 billion, which was completed on May 31, 2024, drove the recent increase in capital deployment in the medical device sector.

Breakdown of Announced Medical Devices M&A Transaction Conducted by USA-Based Acquirers Deal Type (Q3 2020 – Q2 2024)



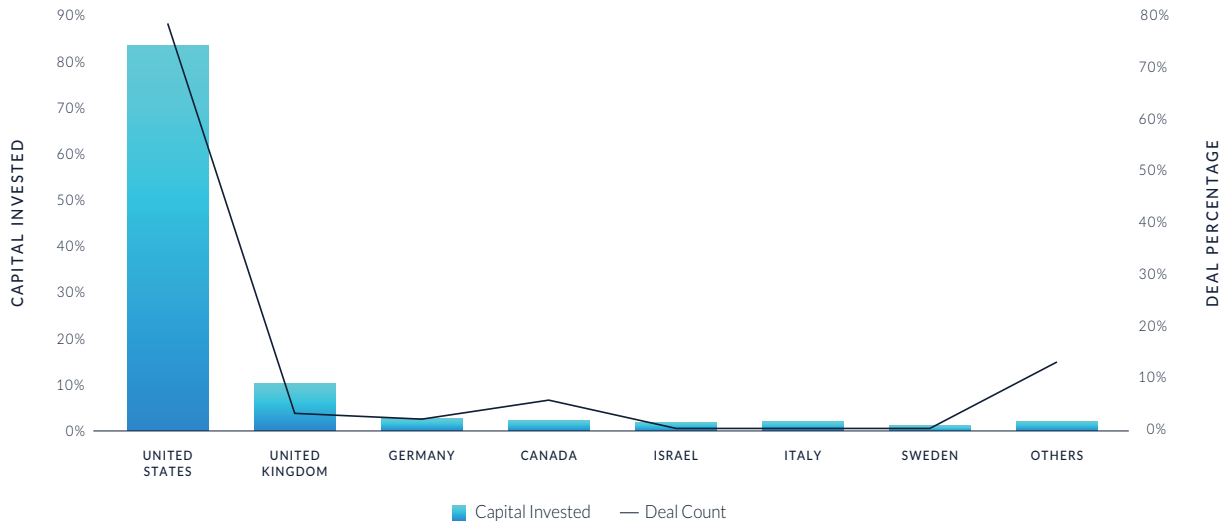
Source: PitchBook Data, Inc.

- Capital invested by USA-based acquirers in M&A transactions was dominated by strategic acquirers. They contributed 79% of all capital in the sectors while conducting 61% of all transactions.
- Large strategic acquirers in the healthcare sector include ICU Medical, Abbott, and Johnson & Johnson.
- The medical sector is trending towards the incorporation of innovative technologies and devices. This can be developed by internal R&D or through the acquisition of intangible assets developed by small and medium-sized firms. Intangible assets form the majority

of valuation considerations in software transactions. Customer contracts, existing client relationships, development teams, and leadership of the business should also be considered when conducting a valuation analysis.

- Private equity firms and other financial firms conducted 39% of healthcare M&A transactions and contributed 21% of capital deployed in the sector.
- The most active financial acquirers in the sector include Arcline Investment Management (nine transactions), Summit Partners (nine transactions), and Ampersand Capital (nine transactions).

Breakdown of Announced Medical Healthcare M&A Transaction Conducted by USA-Based Acquirers by Country (Q3 2020 – Q2 2024)



- USA-based medical devices companies dominated the capital investments, with over \$80 billion, and 75% of the deals in the category. This could be due to a variety of factors, including a large number of acquisition targets, demand for medical devices with an established domestic presence, and demand for specific solutions to meet the unique needs of the US healthcare market.
- The United Kingdom, while significantly less than the US, still holds a notable portion of the capital deployment of approximately \$10 billion. The deal count for the UK is also relatively high, suggesting a healthy level of capital market activity.
- Other countries such as Germany, Canada, Israel, Italy, and Sweden show low percentages of the total capital invested, each contributing a minimal share. This could be indicative of smaller market sizes, less mature development ecosystems, or differentiated healthcare systems.
- Sweden stands out among the smaller players with a higher percentage in deal count compared to its capital invested. This suggests that while the total transaction amount is small, there are a relatively larger number of deals, indicating frequent but smaller acquisitions. This could be due to a thriving startup scene where smaller, earlier-stage transactions are more common.
- The rest of the world exhibits a noticeable spike in deal count but a very small share of the capital invested. This implies a wide distribution of smaller deals across various countries not individually listed. These smaller markets collectively engage in a significant number of medical device transactions, but each deal tends to be small, reflecting diverse capital market activities.

DEAL SPOTLIGHT: ATTUNE MEDICAL



THE COMPANY

Attune Medical is a medical device manufacturer based in Chicago, in the USA. Their ensoETM device uses silicon multi-lumen tubing designed to control patient temperature by cooling or warming the esophagus. The technology is used in critical care, emergency medicine, burns and trauma, elective surgery, transplant surgery, sepsis, cardiology, and electrophysiology.

TRANSACTION TYPE

ACQUISITION

DEAL DATE

MARCH 05, 2023

ACQUIRER

HAEMONETICS

TRANSACTION SIZE

\$160 MILLION

The acquisition, valued at \$160 million in cash, includes potential additional payments based on future sales milestones³. The transaction structure lowers the risk profile for the buyer by incentivizing the seller to make or exceed their projections.

The seller is able to increase their potential upside through participation in strong sales performances. For more information on how transaction structures impact seller liquidity, see Jahani and Associates' article [here](#).

Source: *Investing.com*

Medical devices, including instruments, apparatuses, implements, machines, appliances, or implants, will increase in importance over time as the medical sector continues to innovate and develop.

Founders and shareholders of US-based medical device companies should be mindful of exit opportunities. The most active acquirers in the sector are strategic acquirers who contribute the majority of capital and deal flow and focus mostly on USA-based acquisitions.