

MedDevNews

Q2 2024

 ENGLAND & COMPANY
INVESTMENT BANKING

20 YEARS
OF TRUSTED ADVICE

Featuring:

- Quarterly Overview
- Market Trends
- Relevant Transaction Activity

Q2 2024 Market At A Glance

MedDevNews provides an exclusive quarterly summary into market trends, recent private finance and merger and acquisition activity, as well as major news stories within the Medical Device sector.

**OEM
M&A**



61
Transactions

+ 5.2%
Change YoY



\$21.6 billion
Transaction Value

+ 575.5%
Change YoY

**CMO
M&A**



6
Transactions

- 60.0%
Change YoY

N / A
Transaction Value

N / A
Change YoY

**Private
Financings**



377
Transactions

- 13.6%
Change YoY



\$3.9 billion
Transaction Value

+47.2%
Change YoY

**Public
Companies**

3.1x
Median EV / Revenue

14.9x
Median EV / EBITDA



+8.4%
Median Revenue
Growth YoY

65.7%
Median GM

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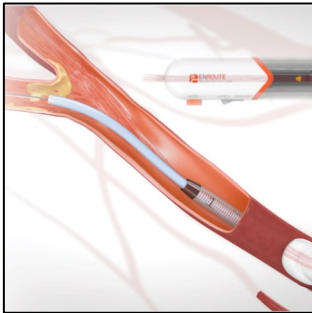
Sources: CapIQ, Med Device Online

Q2 2024 Quarterly Overview



Medtech Shares Underperform

While the medtech industry started strong in 2024, valuations took a step back in Q2, and the sector broadly underperformed major indexes. On a positive note, major diabetes companies such as Insulet rebounded with gains of 17.8% this quarter after the initial market panic last year about the impact of GLP-1s on the diabetes sector. Natera was another lead-performing stock with gains of 18.4%. Diagnostics accounted for Q2's worst-performing stocks, with Illumina, Exact Sciences, and Eurofins each declining more than 20%. All major medtech sectors experienced a decline this quarter, indicating that investors have been shifting away from medtech and toward other sectors.



A Significant Quarter for Interventional Cardiology M&A

In April 2024, J&J entered into an agreement to acquire Shockwave Medical for \$13.1 billion. This move is aimed at broadening the company's cardiovascular portfolio by venturing into two rapidly expanding, innovation-driven sectors of cardiovascular intervention – coronary artery disease (CAD) and peripheral artery disease (PAD). Additionally, Boston Scientific disclosed its acquisition of Silk Road Medical for \$1.26 billion in June, positioning the company to lead in TransCarotid Artery Revascularization (TCAR), an avant-garde treatment for CAD. TCAR, a substantiated procedure, amalgamates surgical principles of neuroprotection with minimally invasive endovascular techniques to address blockages in the carotid artery.



Philips Reaches \$1.1 Billion Settlement Agreement

Philips reached a \$1.1 billion settlement in April 2024 to resolve economic loss, personal injury, and medical monitoring litigation for sleep therapy devices. The company's shares jumped 30% post-settlement as uncertainty about the case concluded and the settlement amount was lower than expected. Philips admitted no fault or liability or that the devices caused injuries. However, the company is still awaiting an investigation by the Department of Justice. While the settlement brings good news, analysts believe Philips faces long-term headwinds and reputational damage from this issue, which will result in a permanent loss of market share to ResMed, which is predicted to become the preferred solution by doctors and patients in the long term.

Sources: PitchBook, Morningstar

OEM Merger & Acquisition Activity

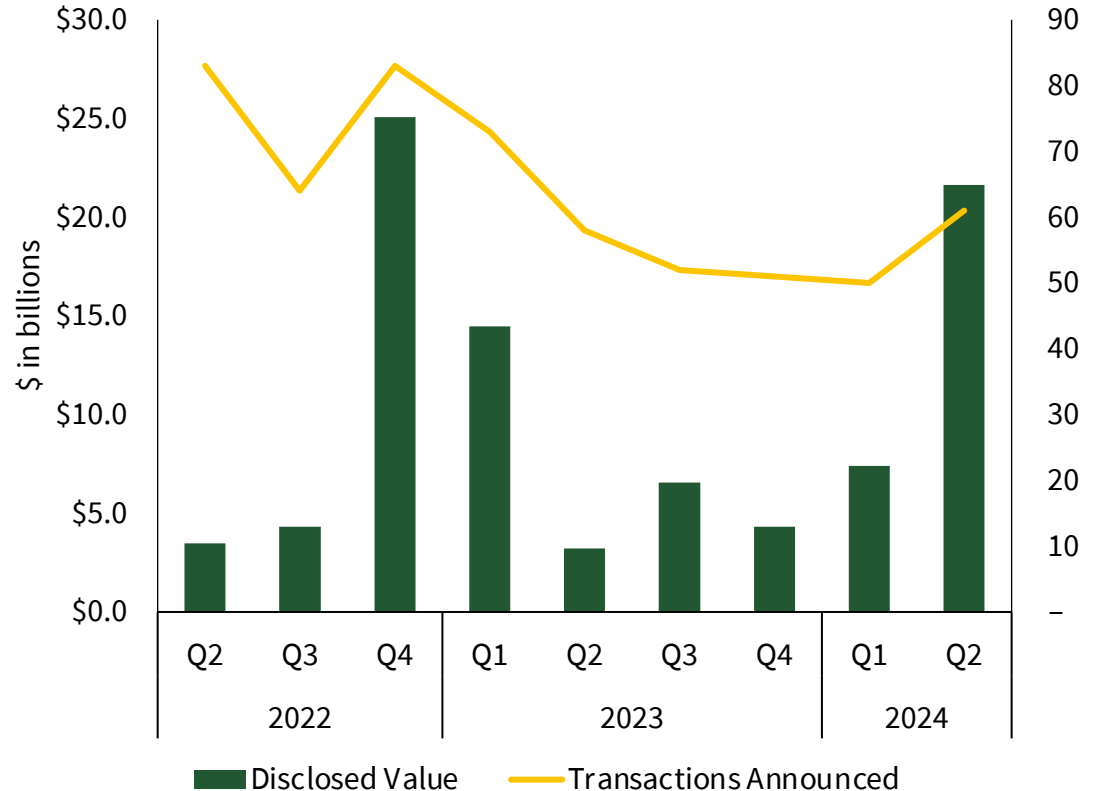
Transaction volume was up year-over-year, with 61 transactions announced in Q2 2024 versus 58 in Q2 2023.

Additionally, Q2 2024 saw a substantial increase in total transaction value to \$21.6 billion from \$3.2 billion during the same period the previous year.

The number of transactions increased for the first time since Q4 2022 as companies finally began to resume M&A to diversify and enhance their product portfolios. Additionally, the secular trends, a normalizing environment, and rising OEM innovation we mentioned last quarter are beginning to generate a rebound in M&A momentum.

These trends are exemplified through Johnson & Johnson's acquisition of Shockwave Medical in May 2024, which was aimed at expanding J&J's cardiovascular device portfolio. Valued at \$13.1 billion, the acquisition accounted for approximately 61% of total disclosed transaction value in Q2 2024.

M&A Activity



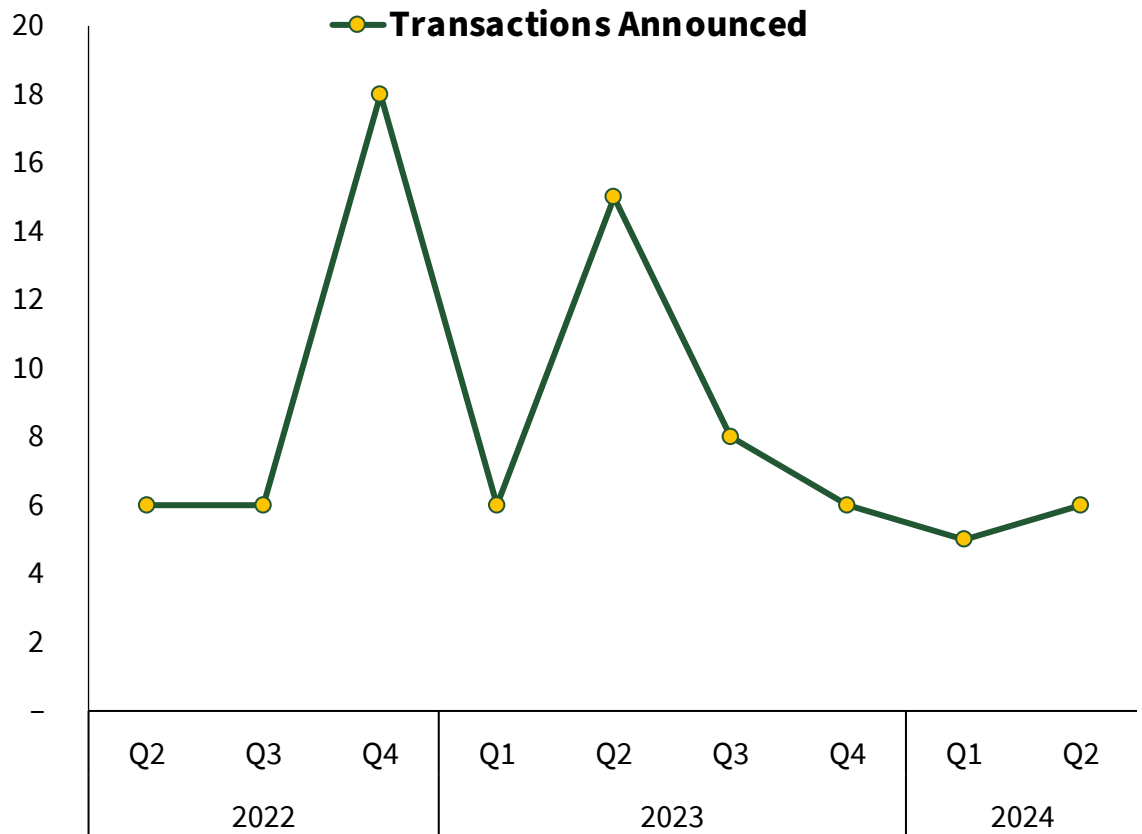
Source: CapIQ

CMO Merger & Acquisition Activity

M&A activity in the CMO sector increased modestly, with six announced transactions; activity still remains low in comparison with late 2022 – mid 2023 and prior periods

In Q2 2024, CMO M&A activity saw its first increase since Q2 2023 as the industry continued to distance itself from the damaging effects of the pandemic. One major driver is the push toward becoming fully integrated CDMOs, with attention continuing to be directed toward adjacent services, which help CMOs become end-to-end service providers from product ideation to manufacturing.

In prior publications, we discussed the supply chain issues that caused over-reactions in 2021-2022, and though the discussion of global outsourcing and shoring will continue to fluctuate, larger CMOs are addressing current customer concerns about sufficient capacity by investing in production facilities across multiple sites, both domestically and abroad.



Source: CapIQ

Private Financing Activity

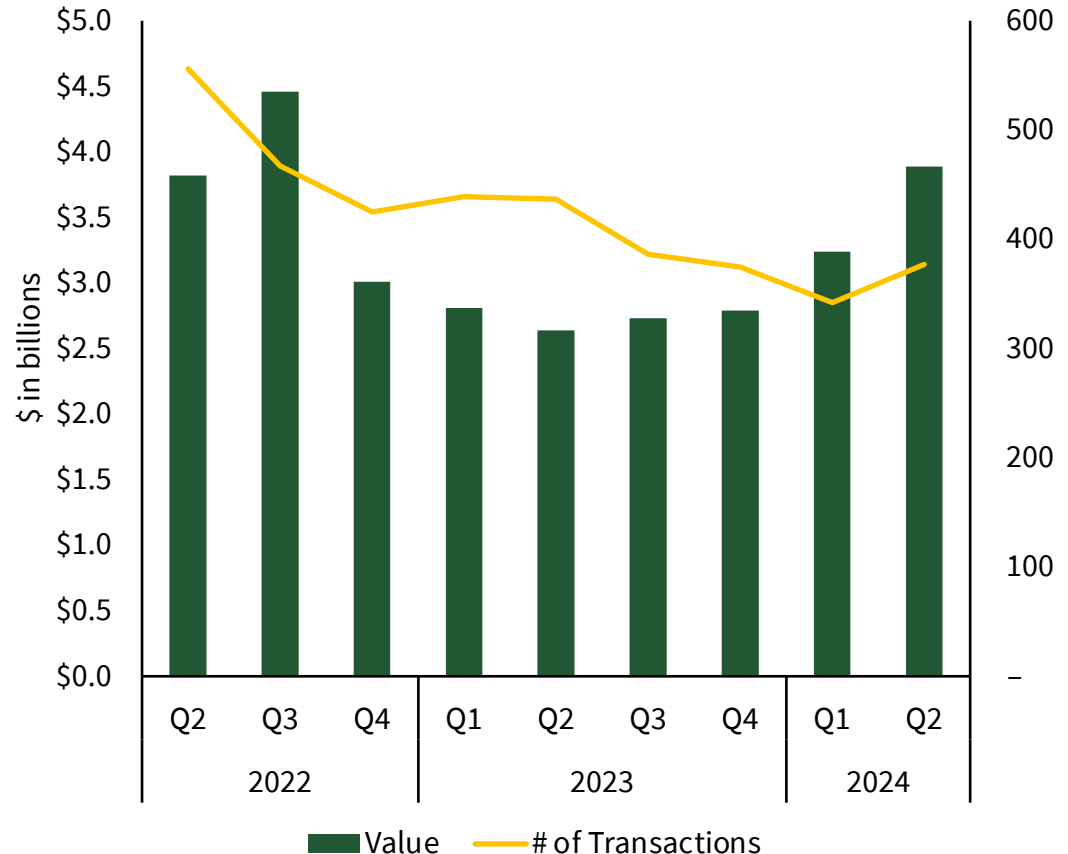
After 7 quarters of decline, transaction activity finally rebounded Q2 2024, with 377 transactions announced, 10.2% increase from the prior quarter.

With this increase, the aggregate capital deployed in Q2 2024 was \$3.9 billion, continuing the trend of upward growth over the last five quarters.

Investment in the medical device sector has been under pressure since 2021, however, the continued increase in investment in Q2 2024 shows a promising path toward a most sustained rebound to growth.

Throughout the quarter, investment and partnership upfront check sizes remained relatively modest, with the average raise totaling \$10.3 million, albeit 70.4% higher than \$6.1 million in Q2 2023 and 8.9% higher than \$9.5 million in Q1 2024.

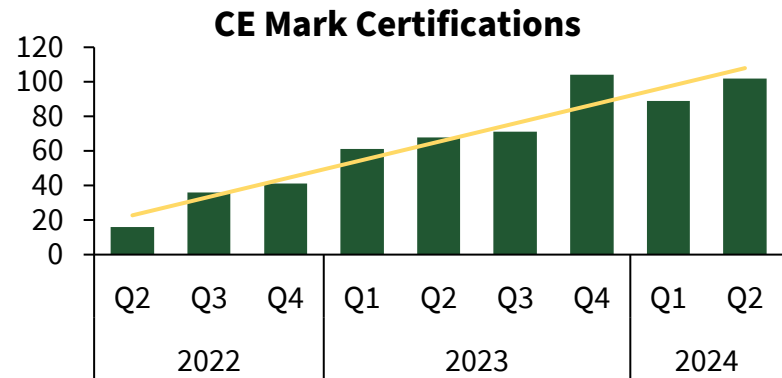
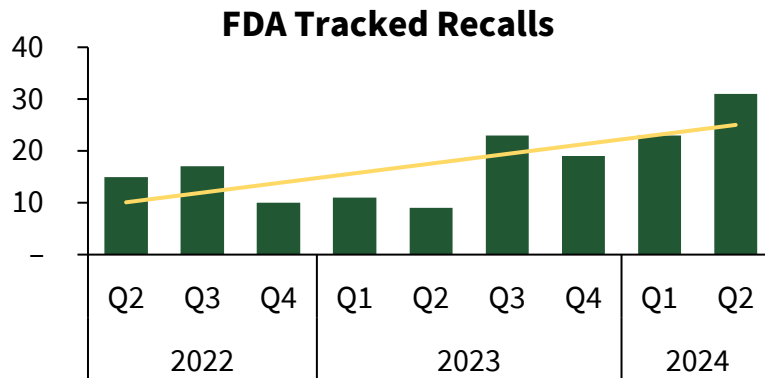
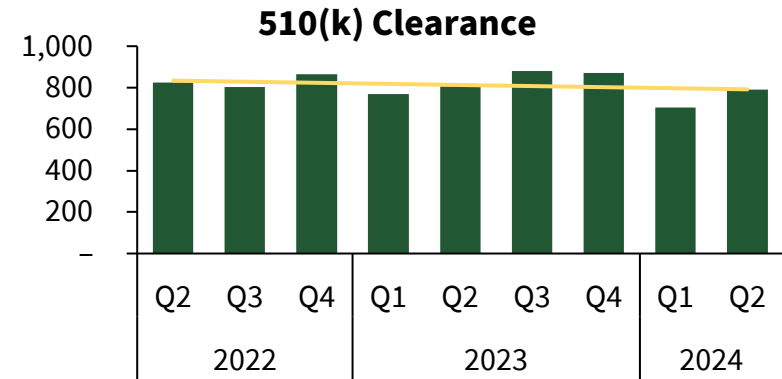
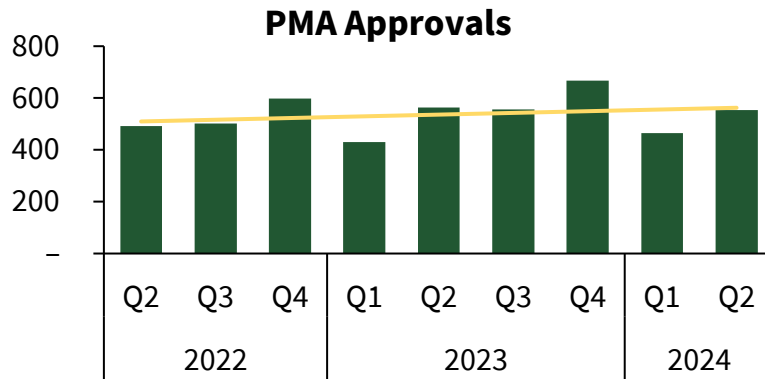
U.S. Financing Trends



Source: PitchBook

Regulatory Trends

In Q2 2024, PMA approvals increased from the previous quarter but were lower than in Q2 2023. 510(k) clearances rose this quarter but were lower than in the same period in 2022 and 2023. Overall, both have exhibited relatively stable patterns over the past few years. The notable rise in recalls over recent quarters, particularly in the second quarter, indicates heightened regulatory scrutiny. Anticipated FDA regulations on quality management systems, laboratory-developed tests, and marketing authorization submissions present additional compliance challenges for medical device companies. The CE Mark Certifications shown are all under the new MDR regulations that became effective May 2021, hence the steady rise.



Source: FDA.gov













Q2 2024 Notable OEM M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
	Johnson & Johnson	April 2024	\$13,100	16.6x	–
		June 2024	\$4,200	–	–
	Boston Scientific	June 2024	\$1,345	7.3x	–
		May 2024	\$815	4.6x	20.8x
		April 2024	\$800	2.0x	–
	Alcon	May 2024	\$466	–	–
		April 2024	\$310	8.9x	–
Jeisys	ARCHIMED	June 2024	\$194	1.6x	6.2x
			Median	5.9x	13.5x

Source: CapIQ

(1) For relevant transactions, may include earn-out

Q2 2024 Notable CMO M&A Transactions

Target	Acquirer	Announced Date	Target Enterprise Value ⁽¹⁾ (millions)	Enterprise Value/ LTM Revenue	Enterprise Value/ LTM EBITDA
		May 2024	\$657	4.6x	22.8x
		April 2024	\$4	–	–
		April 2024	–	–	–
		May 2024	–	–	–
		May 2024	–	–	–
		June 2024	–	–	–
			Median	4.6x	22.8x

Source: CapIQ

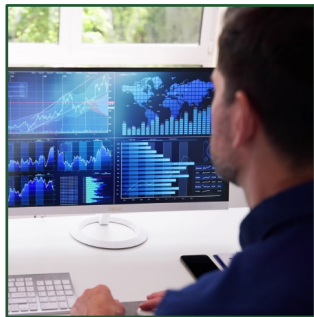
(1) For relevant transactions, may include earn-out

Q2 2024 Developing Trends



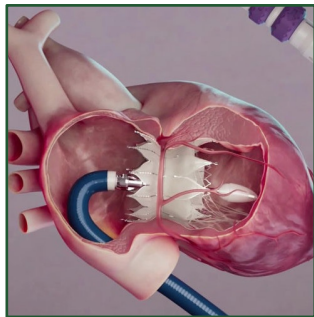
FDA Becomes a Better and More Effective Partner

The FDA's Breakthrough Devices Program has become a crucial pathway for medical device companies. Since 2015, over 900 devices have received breakthrough designations, with cardiovascular devices leading the count with 200 in the program. Despite policy uncertainties, the program offers a strong upside, particularly in shortening review periods for devices in de novo and PMA pathways. Average time-to-decision was significantly lower for de novo and PMA devices, with a difference of 2.8 and 6.5 months, respectively. The benefit was negligible for 510(k) with a difference of half a month, and analysts say the "jury is still out" on the benefits of seeking FDA breakthrough designation for devices with 510(k) submissions.



Analysts are Optimistic for 2025

Analysts predict that earnings per share (EPS) will grow or contract between -3% and 9% in various medical technology sectors for the full year of 2024. However, they expect EPS to grow by more than 15% in 2025 for diagnostics and consumer health segments. Potential risks include global interest rates and the results of the November U.S. election. Despite this, consumers are expected to have more purchasing power as inflation rates decrease, which could benefit consumer health companies and direct-to-consumer business models.



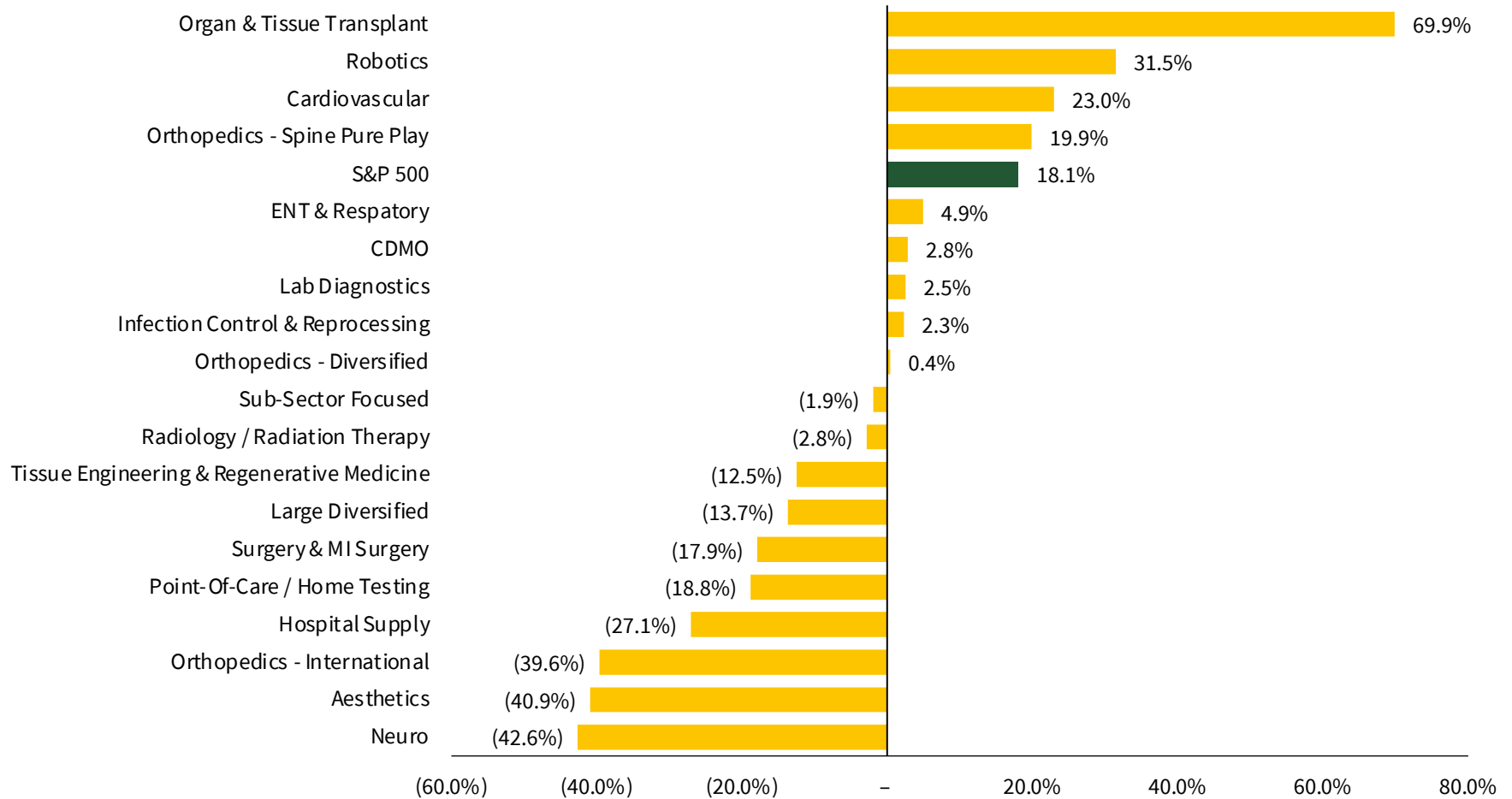
TRiCares Raises \$50 Million for "Topaz" Feasibility Study and Trial

European medical device company TRiCares has completed a Series D financing round to develop Topaz, its transfemoral tricuspid heart valve replacement system (TTVR). The company will use the funds to conduct an early feasibility study in the U.S., initiate a pivotal trial in Europe, and develop more valve sizes for Topaz. The Topaz technology is designed to alleviate the need for open heart surgery in patients suffering from severe tricuspid regurgitation (TR), which affects more than 1.8 million U.S. patients, with its innovative, minimally invasive catheter implant. To date, more than 25 Topaz implantations have successfully performed across Europe and Canada. GlobalData projects the transcatheter tricuspid valve replacement market to grow from \$10 million in 2023 to \$2 billion by 2033, driven by increased adoption of devices like Topaz.

Sources: PitchBook, Medical Device Network

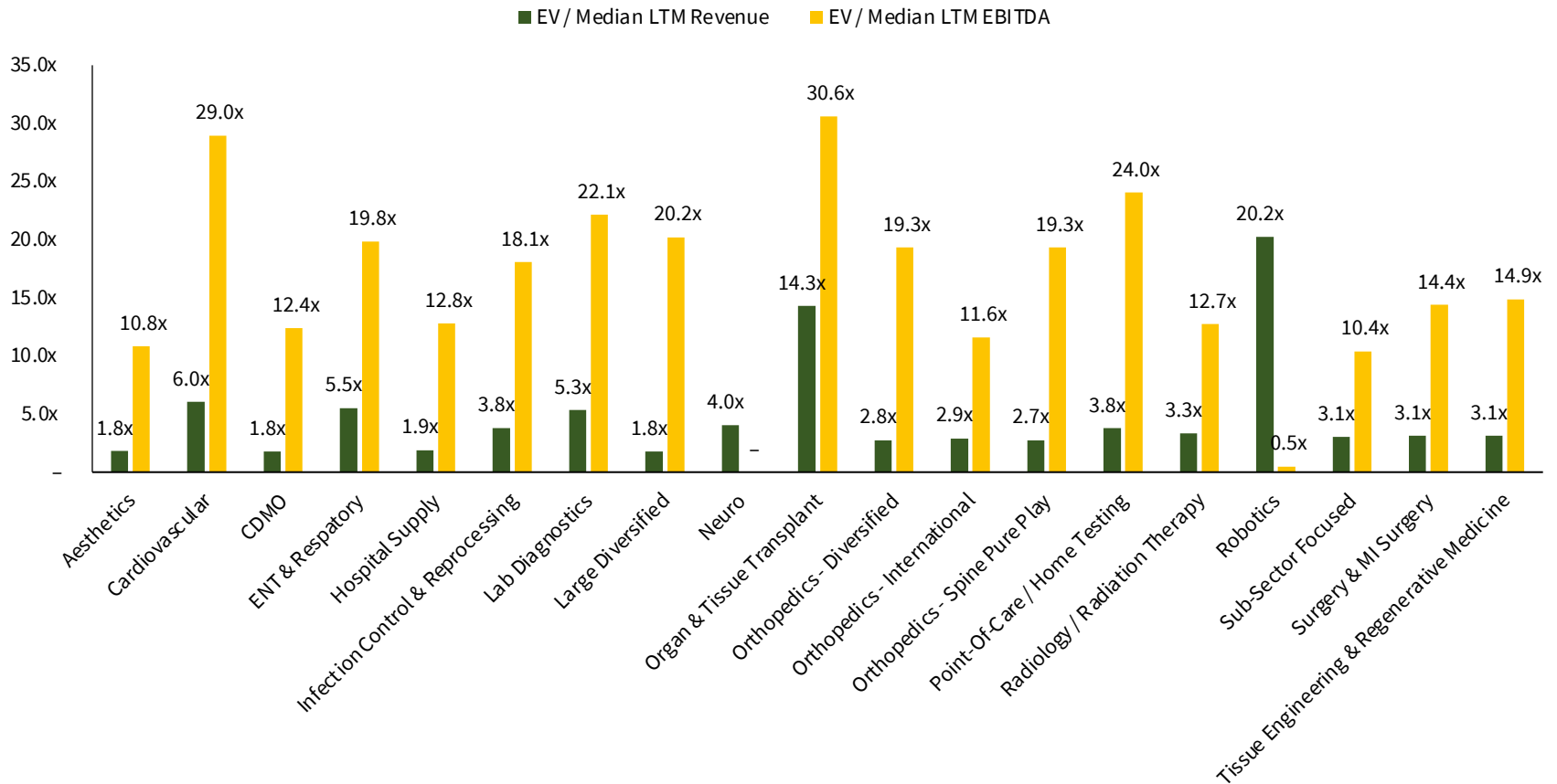
Public Market Performance

12-Month Stock Returns



Source: CapIQ

Public Company Analysis by Sector



Source: CapIQ

Recent Medical Device Experience



has entered into a strategic relationship with




Financial Advisor



has been acquired by



Sell-side Advisor



\$18,000,000
Convertible Notes

Exclusive Placement Agent



\$38,400,000
Series C Preferred Stock

Exclusive Placement Agent



has been acquired by



Sell-side Advisor



has been acquired by



A subsidiary of Colfax

Sell-side Advisor



\$12,700,000
Series C-1 Preferred Stock

Exclusive Placement Agent



has been acquired by



Sell-side Advisor



has been acquired by



Rosen's Diversified, Inc.

Sell-side Advisor



has been acquired by



Sell-side Advisor



has been acquired by



PART OF THE Johnson & Johnson FAMILY OF COMPANIES

Sell-side Advisor



Preferred Stock


Financial Advisor



has been acquired by




Sell-side Advisor




has made a strategic investment in

Israeli Medical Device Company

Exclusive Placement Agent



has been acquired by



Sell-side Advisor

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