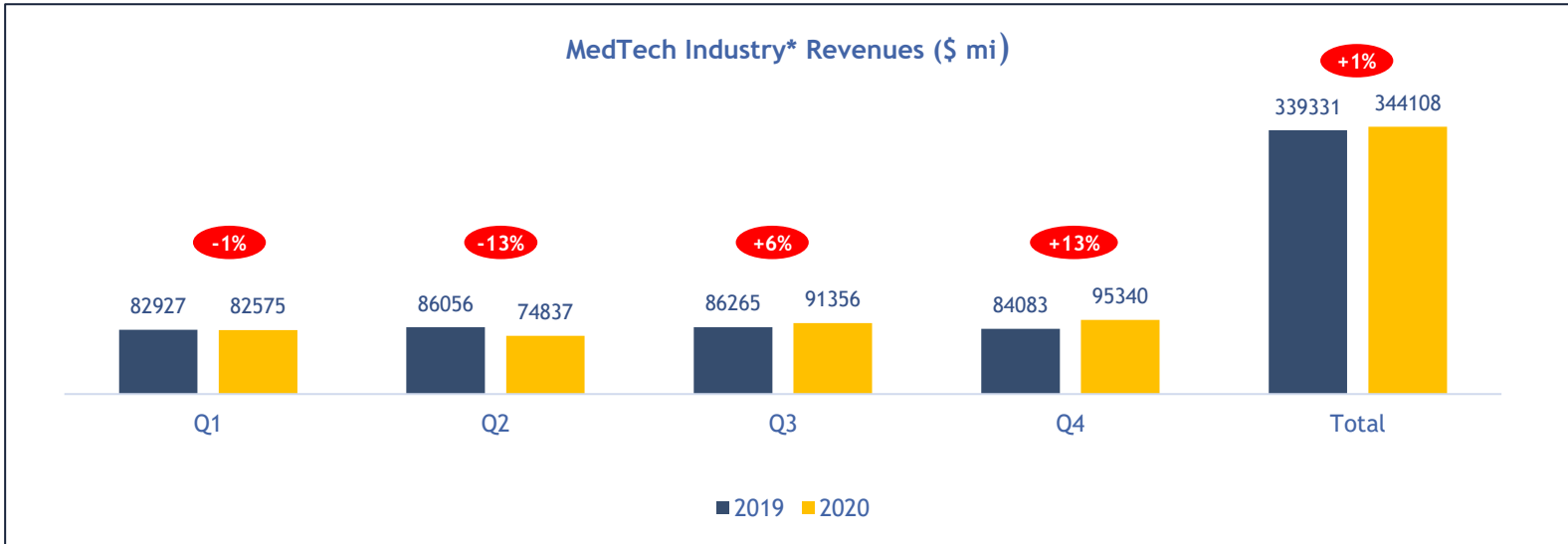


2020 MedTech Performance : What changed?

Analysing the trends, opportunities & future outlook

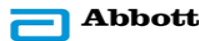


MedTech Sector experienced a slowdown of growth in 2020 with major decline in Q2 '20 but pick up in revenues in H2 20



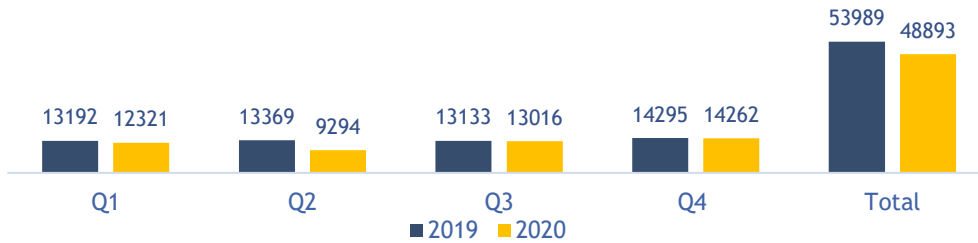
* Top 30 MedTech companies presenting sectors across Orthopaedics, Cardiology, Diagnostics, Imaging, Dental, Ophthalmic & Life Sciences and Tools

- Most major sectors experienced sharp declines in Q2 2020 (except for critical care, medical consumables & lab diagnostics) due to the onset of pandemic
- Elective but non-deferrable procedures like in Orthopaedics, certain Dental procedures started to recover in Q3/4 2020 but decreased overall Y-o-Y
- Wide sector differences within MedTech & unprecedented decline in revenues not seen since 2008 when impact on MedTech was selective & minimal



Sector review: Orthopaedics, Cardiology/Endo & Diagnostics/Imaging

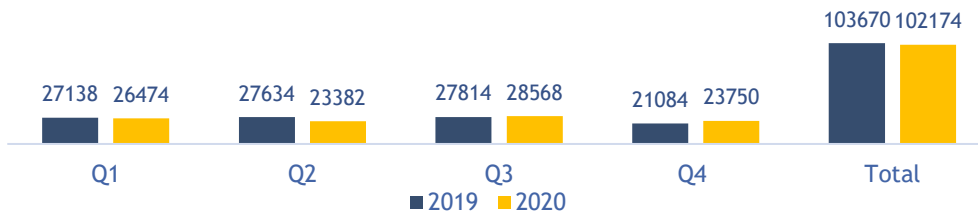
Orthopaedics Revenue (\$ mi)



Remarks

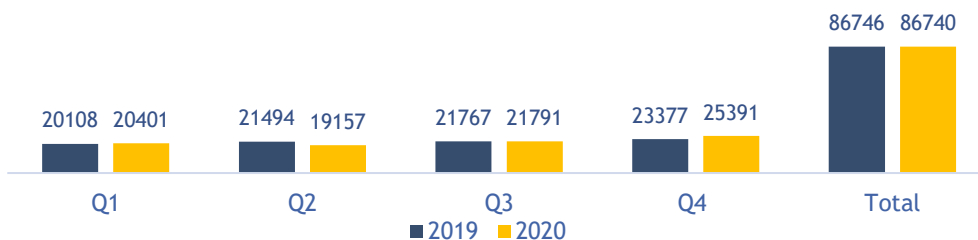
- Orthopaedic companies overall experienced 9% decline in Y-o-Y revenues
- 30% decline in Q2 alone, with Revenues in Q3/4 at par with 2019 revenues
- Procedural volumes likely to fully recover only by end 2021
- Companies have continued to use M&A route to re-shape their portfolio to robotics, extremities which are high growth areas

Interventional Cardiology/Endovascular Revenue (\$ mi)



- Interventional Cardiology & Endovascular procedures being less deferable than sector like Orthopaedics, meant that Y-o-Y decline was only 1%
- Major impact in Q2 on procedures including PCIs, TAVR and potential delays in enrolling patients for clinical trials in the growing area of Structural Heart (TMVR, Tricuspid)
- Medtronic, Boston Scientific & Abbott are key players but number of new technologies in vessel closure, atherectomy, IVUS & peripheral procedures along with start-ups in heart valves make this a robust growth sector

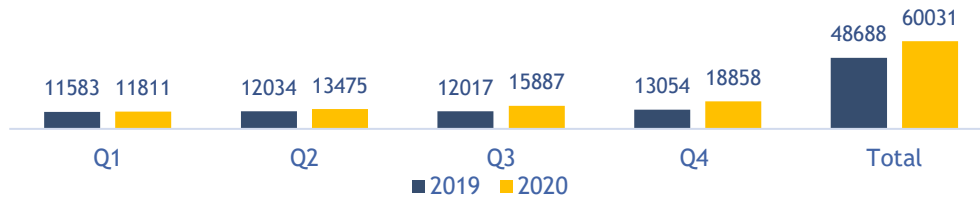
Diagnostics & Imaging Revenue (\$ mi)



- Some decline in Q2 but quick recovery due to use of diagnostics & imaging to combat the pandemic. Overall sector revenues stable compared to 2019.
- Sector trends include accelerated digitisation in imaging, pathology, use of AI, mobile imaging
- Emergence of Remote Patient Monitoring as a growth area with number of M&A by established players to acquire capabilities (e.g. Philips-Capsule & Biotelemetry)

Sector review: Life Sciences, Ophthalmology, Dental

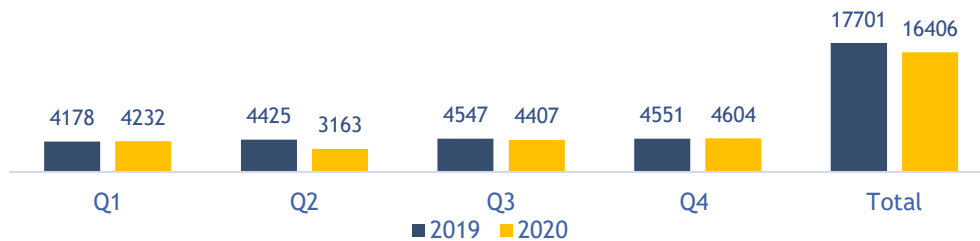
Life Sciences & Tools Revenue (\$ mi)



Remarks

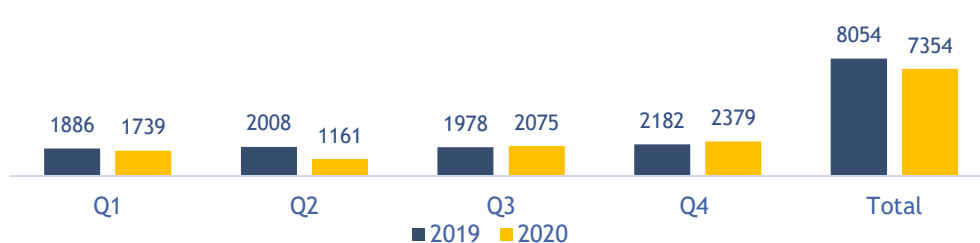
- Record year for life sciences companies like Thermo Fisher Scientific, Danaher Corporation on the back of strong lab equipment, consumable demand for testing for Covid-19
- Acceleration of growth trends in molecular diagnostics, flow cytometry and technologies for high throughput screening
- Implementation of MDR in Europe may consolidate the market further as smaller players unable to cope with increased regulatory burden

Ophthalmology Revenue (\$ mi)



- Deferable nature of surgical ophthalmology, delayed outpatient visits meant a 7% decline Y-o-Y for the Ophthalmology sector which includes companies like Alcon, Carl Zeiss, Bausch amongst others
- Q2 2020 saw a large decline of 29% with recovery in latter part of the year but still below normal growth levels seen in the industry
- Growth drivers include launch of new technology (innovative, premium IOLs, dailies contact lenses etc.), increasing penetration in emerging markets & greater need for eye care as a result of remote working

Dental Care Revenue (\$ mi)



- Amongst all major sectors, Dental suffered the most, especially in Q2 with revenues of major companies declining by a massive 40%
- Overall trend for 2020 was 8% decline vs. 2019, whereas in previous years growth had been steady at 4-5%
- Continued growth in clear aligners, restorative implants and technologies like digital scanning, CAD/CAM
- M&A activity robust with spin-off of ZimmerBiomet Dental/Spine BU, and numerous acquisitions in clear aligner segment

So what has changed for MedTech due to the pandemic?

Acceleration of Digital

- ❑ Digital tools as **enabling technologies** for clinical measures viz. remote monitoring, diagnostics; all trends which were growing pre-pandemic, have accelerated multi-fold as a result of Covid-19
- ❑ Corporates have made step changes in **digital marketing & sales** with omni-channel communications, virtual education platforms & experimentation in virtual tradeshows and lead generation
- ❑ We can expect further selective digitization of the go-to-market model with a mix of in-person & virtual engagement with customers

Continued M&A Trend

- ❑ Increasingly and not unlike Pharma, large MedTech players have become platforms to commercialize technologies with increasing share of innovations coming from smaller, more agile start-ups
- ❑ CMS announcement of default reimbursement (for limited period) for **breakthrough-designated devices**, broader definition of acute care delivery setting allowing virtual care reimbursement are all positive moves for innovation in the sector
- ❑ In addition, MedTech assets are increasingly able to access the public markets with vehicles such as SPACs

Focus on Supply Chains & Cost

- ❑ Due to the high gross margins enjoyed so far by MedTech, supply chain and cost optimization has not been the #1 priority for companies. This is likely to change
- ❑ **Supply Chain security**, policies around contract manufacturing, supplier dependence are all areas likely to be increasingly scrutinized more & more
- ❑ Large, diversified suppliers who can add value beyond simplistic services are likely to benefit

Search for New Revenue Pockets

- ❑ 2020 has been a temporary setback for some MedTech sectors and a tailwind for some others
- ❑ New ways of working amongst physicians, changed patient attitudes and agile product development models tested successfully during the pandemic will lead to **new revenue streams**, changing business models and further opportunities for growth
- ❑ **Data as Service, Remote Care** will emerge as additional revenue streams for corporates with the right strategy

Have something to contribute to this research?
Have an opportunity you'd like to discuss with us?
Or simply interested to know more?

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