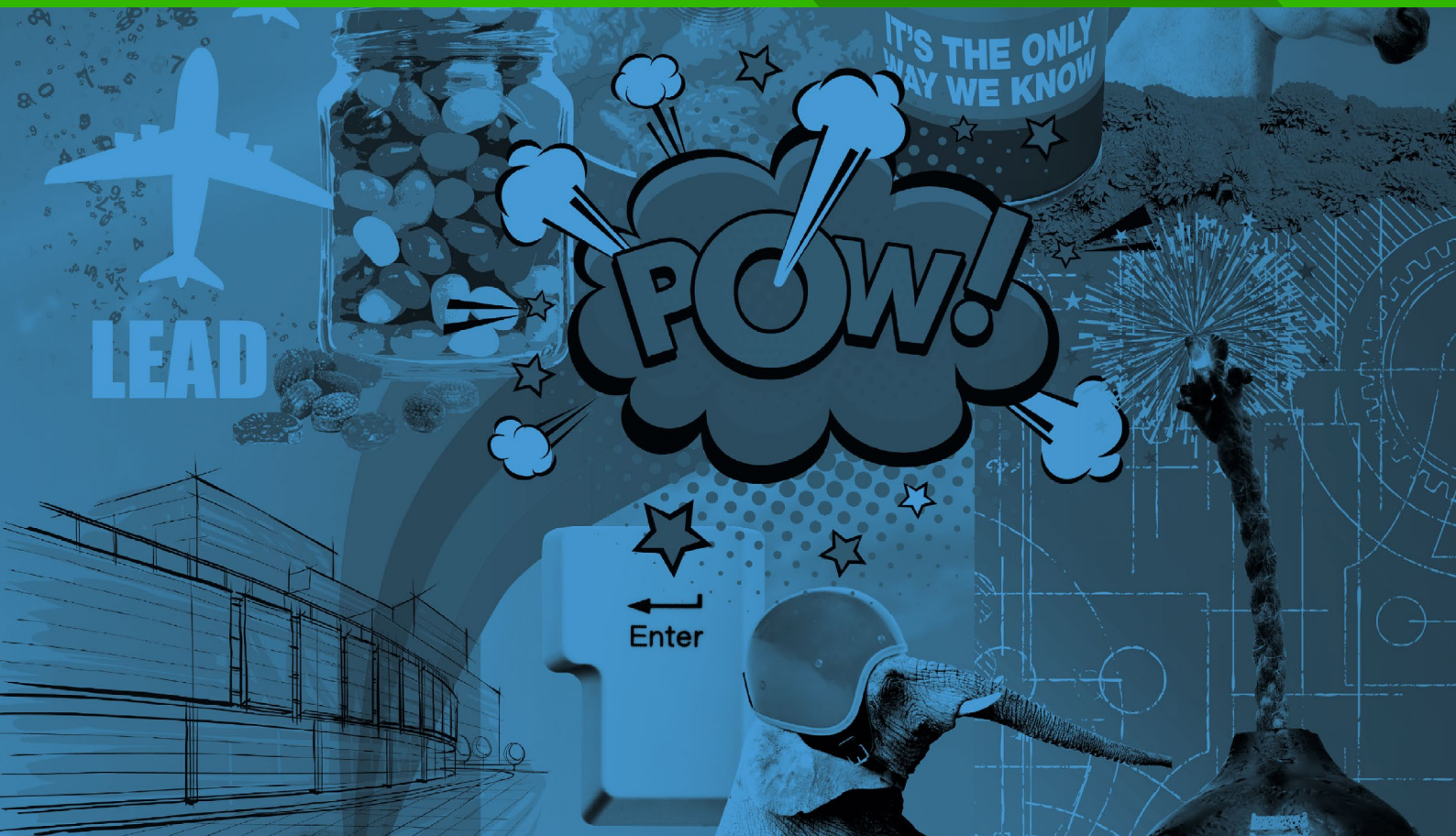
THE UK MEDICAL DEVICES MARKET

ATTRACTING INTEREST FROM ACROSS THE GLOBE

COOPER PARRY
CORPORATE FINANCE

GLOBAL M&A PARTNERS



THE TRENDS DRIVING A ROLLERCOASTER YEAR FOR THE MEDICAL DEVICES SPACE

A DRIVE FOR SINGLE-USE INSTRUMENTS

Following the pandemic, we're seeing a surge in demand for single-use surgical equipment. Despite the temporary backlog of elective surgeries, there is going to be a long-term paradigm shift towards to the adoption of sterile disposable devices to reduce the risk of bacterial co-infections.

This trend has been on-going for many years in the UK, however other countries such as the US, have previously been sceptical to the adoption of single-use medical instruments. These countries are now reimagining much of what was once standard operating procedure.

Larger players are leading the transition with both Boston Scientific and Ambu A/S revealing their commitment to growing the sterile, single-use medical device market through single-use scopes[1].

Areas such as spine surgery, with the longest and highest risk procedures, is likely to be the first to take the plunge.

BATTLING THROUGH THE BACKLOG

Covid-19 caused both private and public hospitals globally to temporarily halt elective procedures to limit the potential spread of the disease and also preserve hospital capacity and resources. According to a research carried out by Imperial College, the greatest constraints in the NHS are on the numbers of critical care nurses, critical care beds and junior doctors available[2].

Independent hospitals were given the 'go-ahead' to resume elective surgeries after NHS England (NHSE) triggered a 'de-escalation' clause in the historic contract signed with the sector in March to help tackle the Covid-19 pandemic[3].

But the restart has been bumpy with procedures being started and stopped regionally due to fluctuations in the local prevalence of Covid-19.

As elective care volumes decrease and 'discretionary' ER visits cease, smaller players may struggle to remain solvent. This will provide acquisition opportunities to those in the sector who have the scale and balance sheets to withstand the imminent financial stress.

DELAY TO MDR

With the immense burden caused by Covid-19, the postponement of the Medical Device Regulation 2017/745 (MDR) for one year to 26 May 2021, may have come as a huge relief to medical device manufacturers. The full applicability of the MDR will now fall outside of the transition period agreed with the EU[4].

The delay comes as the European Commission (EC) wanted to reduce the risk of essential, currently-certified devices being pulled from the market because they fail to comply with MDR requirements[5].

However, the delay is unlikely to add any extra capacity to the Notified Bodies as certification during a pandemic is highly challenging. Although remote audits are now being allowed by Notified Bodies, the rapidly changing way of working for those in the industry has created new regulatory demands. For example, working remotely brings an increased focus on data and information integrity and security, and cyber protection.

Even with the increase in time to prepare, it is possible that smaller companies, which lack sufficient investment and infrastructure, may struggle to meet these challenging regulatory demands. As a result, these smaller companies risk being pushed out of the market or forced to sell to those who can handle the intense requirements.

As shown below, the MDR and IVDR will fully apply in EU Members States from 26 May 2021 and 2022 respectively.

The Medical Devices industry should utilise this additional year to plan for a full coordinated and comprehensive implementation of the MDR[6].

SOURCES medcitynews.com, imperial.ac.uk, laingbuissonnews.com
ebme.co.uk, learningcenter.sourceintelligence.com, med-technews.com

THE ROADMAP TO MEDICAL DEVICE REGULATION (MDR)

MHRA
Regulating Medicines and Medical Devices

Medicines & Healthcare products Regulatory Agency

2025

2024

2023

2022

26 MAY 2022
IVDF fully applies

2021

2020

26 MAY 2020
MDR fully applies

2019

2018

2017

26 MAY 2017
Regulations enter into force

2024 – 2025
Devices placed on the market must be certified under the MDR

25 MAY 2020 – 25 MAY 2024
Certificates issued under the MDD before the MDR fully applies will be valid for up to 4 years

26 MAY 2017 – 25 MAY 2020
Certificates under Medical Device Directive (MDD) are valid

26 MAY 2024
MDD devices on market can continue to be made available

26 MAY 2017 – 25 MAY 2024
Devices in conformity with the Medical Device Regulation (MDR) can be certified under the MDR and placed on the market

2024 – 2025
IVDR devices on market can continue to be made available

25 MAY 2022 – 25 MAY 2024
Certificates issued under the IVDD before the IVDR fully applies will be valid for up to 2 years

26 MAY 2017 – 25 MAY 2022
Certificates under In Vitro Diagnostic Medical Device Directive (IVDD) are valid

26 MAY 2024
Devices placed on the market must be certified under the IVDR

26 MAY 2017 – 25 MAY 2024
Devices in conformity with the In Vitro Diagnostic Medical Device Regulation (IVDR) can be certified under the IVDR and placed on the market

VALUE DRAGS AND DRIVERS IN A COVID-STRICKEN MARKET

MARKET DRIVERS

- The paradigm shift towards the adoption of disposable devices to **reduce infection rates**
- The stakes for lowering surgical site infections have never been higher. And the bottom line for the adoption of pre-sterilized single use surgical systems is **safety**
- **Technological advances** across the healthcare products sector; particularly, the durability and functionality of single-use instruments and implants has improved significantly
- Medical supply **manufacturers and distributors are working** overtime to fill the backlog caused by the delay of elective procedures earlier in the year
- **Increased demand** for businesses involved in the battle against Covid-19
- **Almost all single use medical products** are manufactured from materials that can be **recycled**. The high standards of sterilisation and reprocessing expected for safety-critical **reusable devices creates an environmental issue** of its own through the increased use of water, energy and chemicals
- Large players in the Medical Devices space are releasing **positive financial results despite** the impact of Covid
- **Underlying long-term factors** still underpin steady growth, such as: an aging population, and the increasing prevalence of lifestyle diseases

MARKET RESTRAINTS

- The healthcare industry is the fifth largest emitter of greenhouse gases, and device makers are trying to **focus on sustainability**, including using reusable instruments
- **Relentless downward pressure on pricing**. The cost of healthcare takes up a significant portion of GDP, therefore governments globally are trying to reduce these costs – particularly in the most expensive part of the system: hospitals
- **High industry competition**. Although barriers to entry are high with heavy regulatory demands, there are new players emerging – some from entirely different industries – to disrupt the sector by harnessing data to take ownership of customers, patients and consumers
- **Post-Brexit regulation** places immense pressure on small providers
- **Rapid pace of technological change**. Manufacturers now, more than ever, should leverage data and build intelligence into products – it is fast becoming an essential part of the new device value proposition
- **Intellectual property (IP) is essential** to protect the huge amount of investments going into R&D – SMEs in this sector cannot afford not to manage their IP well

M&A IN THE MEDICAL DEVICES SPACE

ATTRACTING INVESTMENT FROM ACROSS THE GLOBE

We've seen a number of transactions in the single use medical devices market since 2018, including:

DATE	TARGET	TARGET ACTIVITY	BUYER	BUYER DESCRIPTION
01/09/2020	Catheter Research Inc.	(doing business as Thomas Medical), the US-based manufacturer of single-use medical devices and accessories for women's health	MedGyn Products, Inc.	US-based manufacturer and distributer of medical devices for the women's healthcare industry
18/02/2020	Vernacare Limited	UK-based group of healthcare companies providing infection control products	H.I.G. Capital, LLC	Florida–based private equity and alternative assets investment firm
07/01/2020	Prince Medical SA	France-based designer and manufacturer of single-use medical devices in the fields of gynecology, gastroenterology and urology	OMERIN SAS	France based company which manufactures and distributes drawing and insulating wire and cables
25/10/2019	DTR Medical Limited	UK-based medical equipment maker which designs and manufactures single-use surgical instruments for general and specialist surgical procedures	Innovia Medical LLC	Minnesota-based manufacturer of surgical products backed by Shore Capital
22/07/2019	PenBlade, Inc.	US-based manufacturer of single-use safety scalpel. It has been acquired by TIDI & integrated to TIDI's "safety surgical consumables" portfolio	TIDI Products, LLC	US-based manufacturer and distributor of single-use infection prevention products for medical, dental and foodservice markets
15/04/2019	Medical Indicators, Inc.	US-based manufacturer of single-use and reusable medical thermometers	Progress Equity Partners, Ltd.	US-based private equity firm
02/01/2019	M&J Airlaid Products A/S	Denmark-based manufacturer of absorbent airlaid nonwoven products	Molnlycke Health Care AB	Sweden-based manufacturer and supplier of wound care and single-use surgical products
07/09/2018	Eagle Laboratories, Inc	US-based manufacturer of medical equipment, and a portfolio of Shore Capital Partners, LLC, the US-based private equity firm	Innovia Medical LLC	US-based manufacturer and distributor single-use ophthalmic cannulae and micro-surgical knives for the ophthalmic medical community
03/07/2018	Blink Medical Limited	UK-based manufacturer of single-use medical instruments for the ophthalmic surgical practices	Katena Products, Inc.	US-based company engaged in the design, manufacture and distribution of ophthalmic surgical instruments, biologics and devices to hospitals, surgical centers, and ophthalmic and optometric offices, and a portfolio company of Audax Private Equity Group
01/03/2018	Network Medical Products Ltd.	UK-based designer and manufacturer of sterile single use products for ENT and Ophthalmic procedures	Innovia Medical LLC	Minnesota-based manufacturer of surgical products backed by Shore Capital

COOPER PARRY CORPORATE FINANCE AND OUR GLOBAL M&A NETWORK

SALE OF BLINK MEDICAL TO US-BASED AND PE-BACKED KATENA PRODUCTS

Blink Medical manufactures a range of sterile, single use surgical instruments for outpatient or theatre departments.

Cooper Parry Corporate Finance acted as lead advisors to the shareholders of Blink Medical on the sale to PE-backed Katena Products.

We actively engaged with our GMA international network throughout this transaction. Our US partner firm, Brown Gibbons Lang, assisted in identifying potential buyers and developing a strong relationship with the US-based buyer, Katena Products.

ADVISING WESTBRIDGE CAPITAL ON THE ACQUISITION OF AJM HEALTHCARE

AJM Healthcare is a provider of a wide range of mobility and community equipment solutions.

Cooper Parry Corporate Finance acted as lead advisors to Westbridge Private Equity on their purchase of AJM Healthcare.

SALE OF A DIVISION OF PENNINE HEALTHCARE TO UNISURGE INTERNATIONAL LIMITED

Pennine Healthcare is a manufacturer of healthcare products for anaesthesia, respiratory, gastroenterology, urology, surgical suction, and micro suction.

Cooper Parry Corporate Finance acted as lead advisors to Pennine Healthcare on their sale to Unisurge International.

COOPER PARRY CORPORATE FINANCE AND OUR GLOBAL M&A NETWORK

GMA NETWORK: SALE OF STRASSLE&CO. MEDIZINTECHNIK TO MEDCAP AB

Strassle&Co. Medizintechnik specialises in the sale of ECG vacuum systems. Our German GMA partner firm, IOM Advisory, advised the shareholders of Strassle&Co. Medizintechnik on a sale to its Swedish competitor, MedCap AB.

IOM Advisory is a leading independent M&A advisory firm based in Dusseldorf specialising in full-service advice on sales and acquisitions. Philipp Elsen, Managing Director, has key decision maker access at leading medical devices companies in Germany.

GMA NETWORK: SALE OF HAMILTON MEDICAL NETHERLANDS TO GRAFIMEDICS

Hamilton Medical Netherlands is a leading distributor of high-tech respiratory systems.

Our GMA partner in the Netherlands, JBR, advised the shareholders of Hamilton Medical Netherlands on their sale. They have access to leading Netherlands device manufacturers such as Van Straten Medical, The Surgical Company, Sterisets, and Medpro Medical.

GMA NETWORK: SALE OF THORTEX TO AVALIGN TECHNOLOGIES

Thortex provides precision manufacturing, porous coatings and metal injection solutions to the medical device market.

Meridien Capital, our partners in the US, advised the shareholders of Thortex on their sale to Avalign Technologies.

CONTACT US

ANDY PARKER

Andy has over 25 years' Corporate Finance experience and is head of Corporate Finance at Cooper Parry.

Prior to joining Cooper Parry in 2015, Andy was a Corporate Finance Partner at PwC with whom he spent 18 years.

His focus is working with entrepreneurs to realise the value they have created in their businesses and with private equity investors.

Notable deals include:

- Advising WestBridge on the acquisition of AJM Healthcare
- Sale of Blink Medical to US-based and PE-backed Katena Products
- Consulting partner on the sale of Genesis Dental Care
- Sale of Bryn Melyn Care to Outcomes First Group
- Fundraising for minority investment into Helping Hands

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LAURA CLARKE

Laura joined Cooper Parry in 2005 and has a wealth of experience in both advising business owners and deal origination.

Laura organises networking events for Healthcare Leaders and provides regular sector commentary and market news for our entrepreneurial contacts.

Laura is a Chartered Accountant, having trained at Deloitte.

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MEGHAN PHILLIPS

Meghan joined Cooper Parry Corporate Finance in 2019, assisting the team with deal origination and market research.

She holds a MSc in Investment and a BSc (Hons) in Mathematics from the University of Birmingham.

Notable deals include:

- The sale of Tanglewood Care Homes Limited to Elevation Advisors LLP. Elevation are a healthcare fund backed by US REIT money
- Buy-side advice on the acquisition of Bespoke Health & Social Care by Westbridge Private Equity

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To read more about our recent deals, **CLICK HERE**.