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Do Hill-Rom, PerkinElmer, Integra Deals Signal 2017 M&A Acceleration?

by [Reed Miller](#)

The second week of 2017 scored a hat trick of M&A deals, including Hill-Rom's \$330m acquisition of a privately held diagnostic cardiology and patient-monitoring company. This deal builds on the diagnostics and monitoring product lines Hill-Rom established when it acquired Welch Allyn in 2015.

Following a slowdown in M&A activity last year, 2017 is off to a fast start with three medtech M&A deals in the space of a week – [Hill-Rom Holdings Inc.](#) is acquiring [Mortara Instrument Inc.](#), [Integra LifeSciences] is acquiring [Derma Sciences Inc.](#), and [PerkinElmer Inc.](#) will buy Tulip Diagnostics Private LTD.

2016 had fewer medtech mergers overall and fewer billion-dollar acquisitions than 2015 or 2014, but there were 14 deals in December, and including two other deals announced at the start of the month, January has already pocketed five deals, suggesting that M&A activity in the sector may be accelerating. (Also see "[M&A Analysis: Underwhelming 2016, But Hope For 2017 US Market Boom](#)" - Medtech Insight, 6 Jan, 2017.)

Three of the deals in January were announced during the JP Morgan Health Care conference in San Francisco, the largest health-care investment symposium on the calendar, with presentations of more than 450 medical device, drug, biotech and other health-care companies, and more than 9,000 investors in attendance, according to JP Morgan.

On Jan. 10, Hill-Rom announced a definitive agreement to acquire privately held Mortara Instrument for \$330m in cash. Milwaukee-based Mortara recorded about \$115m in revenue in 2015 and has been growing around 4% annually, according to Hill-Rom, which expects 2017 earnings from the Mortara products to be around \$25m, and for the merger to eventually yield \$10m annually in synergies.

Hill-Rom believes Mortara's diagnostic cardiology devices – including products for electrocardiography, cardiac stress exercise, Holter monitoring, ambulatory blood pressure monitoring, cardiac and pulmonary rehabilitation, and multi-parameter patient monitoring – will be a good fit with the instrument business Hill-Rom created when it acquired [Welch Allyn Inc.](#) in 2015. (Also see "[Welch Allyn buy extends Hill-Rom's reach in care continuum](#)" - Medtech Insight, 18 Jun, 2015.)

Welch Allyn and Mortara "enhance our offering to our [integrated delivery network (IDN)] customers, as well as nonacute customers," Hill-Rom CEO John Greisch said at the JP Morgan meeting on Jan. 10.

"Leveraging our US sales channel, leveraging our US IDN relationships, leveraging our international footprint, we expect to be able to enhance the growth profile that Mortara has been able to achieve as an independent company," Greisch explained. "One of the strengths of Mortara is also the connectivity that they've got with many of the [electronic medical record] companies. We've got that also within Welch Allyn, so the combination of the connectivity capabilities together with our ability to leverage our brand equity of IDNs and our international footprints, we're really excited about this addition to the portfolio."

Greisch added that Hill-Rom will be able to record a \$40m tax benefit from the deal. "We think we've got a very attractive purchase price for this business," he said. "It also is going to be accretive immediately to our adjusted earnings, accretive to our gross margins, accretive to our operating margins and has a significant synergy opportunity, again as a result of being able to leverage the Welch Allyn platform that we acquired over 15 to 16 months ago."

PerkinElmer Expands Indian Presence With Tulip

On Jan. 6, Boston-based lab-services and diagnostics company PerkinElmer announced the acquisition of Goa, India-based Tulip Diagnostics for an undisclosed figure.

Tulip is one of India's largest provider of *in vitro* diagnostics, reagents, kits and instruments for infectious diseases, and has manufacturing facilities in Goa and Uttarakhand, plus 12 offices that serve more than 30,000 customers and a thousand distributors throughout India.

At the JP Morgan conference, PerkinElmer CEO Robert Friel pointed out that infectious diseases account for about 25% PerkinElmer's diagnostic's sales, especially in China and India. He added: "You're seeing ... a lot of the emerging market governments and health-care officials really looking more closely at the blood supply – which, obviously, plays into some of our capabilities there – but also just making sure that we're developing again safe, reliable, cost-effective tests in the infectious disease area, [which] plays into one of our strengths."

The deal for Tulip comes less than a month after PerkinElmer agreed to sell its medical imaging

business to [Varian Medical Systems Inc.](#), and represents the company's ongoing effort to focus on serving the diagnostics and research markets.

Integra Increases Stake In Regenerative Technology With Derma

Integra LifeSciences has agreed to pay about \$200m, or \$7 per share, for fellow New Jersey-based firm Derma Sciences, which develops and sells regenerative products derived from placental/birth tissues, the companies announced Jan. 10.

At the JP Morgan meeting, Integra CEO Peter Aduini explained that Derma fits into Integra's "3 x 3 strategy." This strategy is based on three product families – engineered collagen matrix, acellular dermal matrix products and human amniotic tissue products – and three sales channels/customer groups – inpatient, outpatient and enterprise. *Omnigraft* and *PriMatrix* fill the engineered collagen matrix and acellular dermal matrix roles, respectively, and now Derma Sciences brings the amniotic tissue products to Integra's portfolio," Aduini explained. "So, we're quite excited about what that means for us in growth in the outpatient wound-care market."

In addition to traditional wound dressings, Derma's current products include TCC-EZ, a total contact casting system for diabetic foot ulcers, the *Medihoney* honey-based dressings for the management of wounds and burns, *Xtrasorb* for management of wound exudate, and *Bioguard* for protecting wounds against contaminants.

Derma also brings about 50 direct sales reps in the US, UK, and Canada, as well as global distributors. Derma has 300 people working in Princeton and has manufacturing operations in Memphis, Toronto and China. Its 2015 revenues were around \$85m with mid-single digit annual growth and margins near 60%, Aduini said. Assuming the deal closes by the end of the first quarter of 2017 as planned, Derma will add about \$65m to Integra's annual revenue in 2017 and be accretive to earnings by 2018. Integra's 2016 revenue was \$992m.

From the editors of Clinica