Ophthalmology Futures Forum: M&A IPO Trends in Eye Care

At the September 3 conference in Barcelona, William Blair's Brian Scullion discussed recent transactions, trends shaping the deal-making landscape, and drivers of venture capital investors’ surging interest in ophthalmology companies.

Now in its fifth year, the Ophthalmology Futures Forum brings together scientists, physicians, regulators, corporate leaders, venture capitalists, and other investors to discuss the latest trends in eye care and the growth of the ophthalmology industry. Brian Scullion, M.D., who leads William Blair’s medical technology investment banking group, was at this year’s conference, which was held on September 3 in Barcelona. Scullion provided an overview of recent M&A transactions and IPOs involving ophthalmology companies. In addition to outlining the growth dynamics within the industry, Scullion described the accelerating inflows of venture capital into ophthalmology companies.

Highlights from Ophthalmology Futures Forum Presentation

Ophthalmology is a $12 billion global market that is growing at a 4% to 5% annual rate, according to data from IBISWorld. In addition to steady growth in the number of glaucoma, cataract, refractive, and other eye-care procedures, the industry is also seeing a marked increased in average price per procedure. Scullion noted that patients have shown a willingness to pay out-of-pocket for premium solutions and services. This dynamic, coupled with a relatively flat number of ophthalmology practitioners, has created upward pricing pressure across many types of procedures.

In addition to the growth of the ophthalmology market, Scullion’s presentation highlighted the following trends and themes that are shaping the deal-making landscape across M&A, public equity, and private capital:

- Venture capital’s surging interest in ophthalmology: From 2007 to 2013, venture capital investments in ophthalmology companies each year ranged between $500 million and $800 million, and the average deal size ranged between $10 million and $16 million. In 2014, however, venture capital firms invested more than $1.3 billion in ophthalmology companies, and the average size of these investments was more than $28 million.

We expect this strong venture capital momentum to continue thanks to robust interest in new...
platform technologies and long-term drivers of patient demand, including an aging population and the increasing prevalence of eye-related diseases. Venture capital investors also are attracted to the industry’s increasingly favorable reimbursement dynamics. New federal healthcare programs in the United States are expected to significantly expand the number of people with healthcare benefits, and patients’ willingness to make additional out-of-pocket payments for premium products further increases the size of the ophthalmology market.

• Drivers of M&A activity: In a market that is dominated by large incumbents, innovation and technological advancements in ophthalmology mostly come from newer entrants and smaller players. As a result, the larger, established companies are continually looking to acquire innovative technologies to spur growth.

Other M&A drivers include growing patient demand for innovative technology platforms (such as smaller incisions for IOL implants) and tailwinds from emerging markets. The latter was a major factor in Abbott’s 2013 acquisition of Vistatek, an ophthalmic surgical distributor in Brazil and Latin America.

• IPO window remains open for medical device companies: Thanks to healthy macroeconomic fundamentals and favorable market conditions, the IPO window has remained open for medical device companies over the past two years. There have been 18 U.S. medical device IPOs since the beginning of 2014. While the IPO window should remain open for medical device companies, investors remain discriminating and the quality screen is high. Eight recent early-stage IPOs have been postponed indefinitely.

William Blair underwrote Glaukos’s (NYSE: GKOS) $124 million IPO on June 25, 2015 at $18 per share. Despite recent market volatility, Glaukos’s performance has remained strong. Shares currently trade at about $21 per share and have been as high as $33.

Ophthalmology Investment Banking at William Blair

William Blair is a leading advisor to eye- and vision-care companies around the world. We have completed advisory and financing transactions for ophthalmology companies focused on device manufacturing, distribution, care delivery, and biopharmaceutical research and development. To learn more about what the trends described above mean for the M&A and capital-raising landscape, do not hesitate to contact us.

Synergetics Acquired by Valeant Pharmaceuticals

Brian Scullion’s September 3 presentation at the Ophthalmology Futures Forum came one day after the announcement of Valeant’s $198 million acquisition of Synergetics. William Blair served as sell-side advisor to Synergetics, which develops precision-engineered microsurgical instruments, capital equipment, and devices for vitreoretinal surgery and neurosurgical applications. The purchase price represented a premium of roughly 50% over Synergetics’ closing share price on the day prior to the transaction’s announcement.

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