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# J&J Pumps MedTech Growth; Offers \$16.6BN+ For Abiomed

by [Reed Miller](#)

Johnson & Johnson plans to buy Abiomed for \$380 per share – about \$16.6bn in total – plus up to \$35 per share in potential commercial and clinical milestone-contingent payments. Abiomed is the clear leader in percutaneous circulatory support technology, but would benefit from J&J's reach and resources while complementing J&J's Biosense Webster electrophysiology business.

[Editor's Note: Due to a technical issue, some of this article did not appear online when it was originally published on 1 November, so we are republishing it in its entirety.]

[Johnson & Johnson](#) will pay at least \$16.bn to add [Abiomed](#)'s unique line of circulatory support devices to its cardiovascular device portfolio, the companies announced on 1 November.

Abiomed markets the Impella line of percutaneous blood pumps for multiple indications, including circulatory support during high-risk cardiovascular interventions, as well as the Breeze OXY-1 system for extracorporeal circulation therapy. (Also see "[Abiomed Manages Pandemic Recovery By Moving Operations Online](#)" - Medtech Insight, 10 Aug, 2020.)

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"Abiomed is *the* heart recovery company, and their product development continues to focus on smaller, smarter and more connected devices and establishing heart recovery as the global standard of care," Ashley McEvoy, the worldwide chairman of J&J MedTech, said during a 1 November conference call announcing the deal.

J&J has offered to pay \$380 per share for every outstanding share of Abiomed for a total value of \$16.6bn. Abiomed shareholders will also receive non-tradeable contingent value rights up to \$35

per share in cash contingent on certain commercial and regulatory milestones. The milestones are worth up to \$1.6bn in potential future payment to Abiomed shareholders, according to Wells Fargo analyst Larry Biegelsen.

J&J is paying about \$130 per share over Abiomed's closing stock price on 31 October and, according to BTIG analyst Marie Thibault, the deal price is about 13.5 times Abiomed's projected revenue over the next twelve months.

Both companies' boards have approved the deal and J&J expects it to close before the end of the first quarter of 2023, pending the approval of Abiomed's shareholders. J&J plans to fund the transaction through a combination of cash on hand and short-term financing. It expects the transaction to be accretive to adjusted earnings beginning in 2024.

Based in Danvers, Massachusetts, Abiomed will operate as a standalone business within Johnson & Johnson MedTech, but J&J expects Abiomed's products to complement J&J's [market-leading](#) Biosense Webster electrophysiology business within J&J MedTech's interventional solutions division.

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Michael Bodner, the president of Johnson & Johnson's [Biosense Webster](#) cardiac electrophysiology business, will lead the integration of Abiomed into J&J MedTech. (Also see ["Exec Chat: Biosense Webster Is Ready For Next Chapters Of The Electrophysiology Story"](#) - Medtech Insight, 13 Jun, 2022.)

Andrew Greenfield, Abiomed's current chief commercial officer, will become the new president of Abiomed when it becomes part of J&J MedTech.

Abiomed CEO Michael Minogue will retire following the close of the deal after 19 years with the company.

"Abiomed and Johnson & Johnson have similar cultures centered around patients and integrity," Minogue said. "We are excited about what the future holds and look forward to

enabling our lifesaving technologies to reach even more patients globally by leveraging Johnson & Johnson's complementary strengths."

From its founding in 1981 until the early 21st century, Abiomed was most well-known for developing artificial heart technology, including Abiomed, the first totally implantable artificial heart. But Minogue led the company's transition away from artificial hearts to more fruitful investments in heart recovery technology, beginning with the pivotal acquisition of Impella CardioSystems in 2005. (Also see "[Abiomed Acquires German Micro-Pump Maker Impella for Nearly \\$75 mil.](#)" - Medtech Insight, 2 May, 2005.)

## J&J Bets Big On Fast Growth

"We're continuously monitoring market trends to identify key areas of unmet need for patients where further investment could have high patient impact and drive diverse long-duration growth for our business," McEvoy said. "Abiomed was our top priority...Cardiovascular is one of health care's highest unmet-need disease states and one of medtech's fastest growing global segments."

Abiomed will be a relatively small part of J&J MedTech for the foreseeable future. It recorded \$1.03bn in revenue in fiscal 2022 (ended 31 March) and expects fiscal 2023 revenue to slightly exceed \$1.1bn. By comparison, J&J MedTech's interventional solutions division recorded \$3.97bn in revenue in 2021 and J&J MedTech overall recorded more than \$27bn in revenue last year.

However, J&J is willing to pay a 50% premium for Abiomed because it expects it to grow rapidly. Abiomed has recorded seven straight quarters of double-digit revenue growth, including 11% growth for the second fiscal quarter of 2023, which ended on 30 September.

The acquisition of Abiomed is consistent with the company's transformation over the last decade. J&J has divested slower-growing businesses – including [Cordis](#), [Codman Neurosurgery](#) and [LifeScan](#) while adding assets in faster-growing markets like digital surgery, McEvoy explained. (Also see "[J&J Pushes Back Launch Of Ottava Robotic Platform By Two Years](#)" - Medtech Insight, 20 Oct, 2021.)

Big investments in innovative technology are also part of CEO Joaquin Duato's plan to grow J&J's pharmaceuticals and medical device businesses. J&J recently announced plans to spin off its consumer product businesses into a new company called Kenvue. (Also see "[J&J To Split Consumer From Medtech and Pharmaceutical Businesses – Creating Two Companies To Unlock More Value, Growth, Innovation](#)" - Medtech Insight, 12 Nov, 2021.)

"Johnson & Johnson's global footprint, leading capabilities in physician education, commercial excellence, and robust clinical expertise will complement Abiomed's capabilities, accelerating access and adoption of life-saving technologies for more patients around the world all while

moving Johnson & Johnson into higher-growth markets, accelerating near and long-term sales and earnings growth," Duato said.

## Research & Development Pipeline

McEvoy said that J&J was attracted to Abiomed's "robust pipeline" of investigational devices and clinical trials that will support regulatory approvals and inclusion in clinical guidelines.

Abiomed has been about spending around 15% of its revenue on research and development in the last year to support multiple clinical trials that will show the benefits of mechanical circulatory support in specific patient populations.

McEvoy mentioned [STEMI DTU](#), an ongoing trial to evaluate if temporary circulatory support with the Impella CP system for 30 minutes prior to a cardiac catheterization procedure improves the patient's outcomes. (Also see "[JPM 2022: Abiomed, Penumbra, Renalix](#)" - Medtech Insight, 13 Jan, 2022.)

Minogue called STEMI DTU a "transformational study" because it could help "hundreds of thousands of people" avoid heart failure caused by reperfusion injury following a myocardial infarction.

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The company is also supporting [PROTECT IV](#), a study of Impella CP in patients undergoing high-risk coronary interventions, and [RECOVER IV](#), a randomized trial of Impella in patients undergoing an intervention to treat an acute myocardial infarction and cardiogenic shock. The company will seek US Food and Drug Administration approvals for those specific indications and with professional societies to include Impella in their professional guidelines.

Abiomed is also investing in technology to treat heart failure. For example, earlier this year, results from 30 patients in the [VENUS HF](#) first-in-human early feasibility study showed Abiomed's investigational preCARDIA occlusion device promotes decongestion in patients with acutely decompensated heart failure. That trial is now enrolling 30 more patients.

McEvoy is also impressed with the quality of Abiomed's engagement with its customers. "All

health care representatives who come in contact with Impella supported patients feel confident in using Abiomed solutions and their ability to improve outcomes.” (Also see "[Abiomed Manages Pandemic Recovery By Moving Operations Online](#)" - Medtech Insight, 10 Aug, 2020.)

As part of J&J MedTech, Abiomed will be able to make more connections with cardiac electrophysiologists, interventional cardiologists and surgeons. “J&J MedTech has an expansive global footprint, leading physician and education capabilities, commercial excellence and robust clinical expertise,” she said. “These powerful assets will strengthen Abiomed's geographical reach and global therapy adoption to more quickly expand access to these technologies for the people who need it.

### **Analysts Support The Deal But Believe Targets May Be Too Aggressive**

Louise Chen of Cantor Fitzgerald agreed that Abiomed is a good fit for J&J. “Abiomed operates in one of the fastest growing medtech segments with significant expansion opportunities in indication, geography, and product,” she wrote in a 1 November note. “The deal diversifies and expands J&J MedTech’s portfolio with a leadership platform in heart failure and recovery... and further accelerates J&J MedTech’s shift into high-growth markets.”

In his 1 November note on the deal, Biegelsen suggested that the Abiomed acquisition may signal J&J's intention to buy additional assets in interventional cardiology, a market it left in 2015 when it sold Cordis to Cardinal. (Also see "[Cordis Makes First Big Post-Cardinal Deal: Agrees To Pay \\$1.1BN For MedAlliance](#)" - Medtech Insight, 18 Oct, 2022.)

But Biegelsen also warned that the deal carries risk for J&J, especially if Abiomed's major clinical trials drag on longer than expected or do not yield encouraging results. He also pointed out that Abiomed may eventually face competition in percutaneous circulatory support from [Boston Scientific](#), [Cardiovascular Systems](#), or [Magenta Medical](#). Israel-based Magenta – a company Abiomed previously invested in – is the most likely to provide competition for Impella, but probably not for several years, if ever, Biegelsen concluded. (Also see "[Series B Pumps \\$15m Into Abiomed-Backed Acute HF Start-Up](#)" - Medtech Insight, 28 Sep, 2017.)

Anthony Petrone, an analyst with Mizhuho Securities, believes the milestone payment part of J&J’s offer for Abiomed may be undervaluing the long-term earnings potential of Abiomed’s pipeline, creating an opportunity for another company to offer Abiomed's shareholders a better deal.

“Given the modest valuation and long-dated nature of the potential payouts (five-years), we assign a 25% probability for an over-the-top bid emerging that would assign a higher and more upfront value to the pipeline,” Petrone wrote in a 1 November note. He believes the most likely competing suitors for Abiomed would be Medtronic or Abbott.

However, BTIG analyst Marie Thibault believes another bidder is unlikely to emerge “given the size and premium of this deal, including the detailed contingent value rights milestones.”

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Thibault believes Abiomed can achieve the regulatory milestones, but is less confident that it can hit the revenue target of \$3.7bn within seven years, which implies a 23% compound annual growth rate.

“We do not yet have strong confidence in this milestone,” she wrote in a 1 November note. Biegelsen agreed that the commercial milestone in the deal is “beyond current expectations.”

Thibault expects Abiomed to achieve 15% compound annual growth over the near term, assuming J&J invests in Abiomed’s salesforce and clinical support team, including expanding its commercial presence outside the US. Currently, about 19% of the company’s revenues are outside the US.