

Abbott to sell for \$360M

Zimmer to buy spinal device firm in Q4

Austin Business Journal - by [Kate Harrington](#) ABJ Staff

A major player in the orthopedic surgical device market plans to buy Austin-based Abbott Spine, a subsidiary of medical conglomerate Abbott Laboratories.

Zimmer Holdings Inc.'s subsidiary, Minneapolis-based Zimmer Spine, will pay about \$360 million in cash for Abbott Spine, which makes devices for neck and back surgery. The acquisition, due to close in the fourth quarter, has gained approval from both companies' boards of directors. Stockholder approval is not required.

Zimmer spokesman Brad Bishop declines to comment on what the acquisition will mean for Abbott's Austin employees and executives, saying only that Zimmer (**NYSE**: ZMH) will discuss more details relating to the transaction during its Oct. 23 third-quarter earnings call.

"We are really now having meetings regarding integration," Bishop says. "We have said we intend to retain the facility in Austin."

Abbott spokesman Scott Stoffel says only that Abbott Spine and its employees will become part of Zimmer at the close of the transaction. Abbott Spine employs about 220 people in Austin and 80 in Bordeaux, France.

Stephen Leven, editor in chief of medical device business at FDC-Windhover, a trade publication, says Zimmer Spine will most likely keep its new acquisition intact.

"I don't think we'll look to Zimmer to break up the business or get rid of it," Leven says. "It would make sense for [Zimmer] to build the spine business to complement its hip and knee [device] business."

Abbott Spine's 2007 revenue was \$109 million. Zimmer Spine's revenue for the same period was \$197 million.

Abbott Laboratories (NYSE: ABT) expects the sale of its spine business to generate a one-time pretax gain of at least \$150 million, according to a Sept. 4 filing with the Securities and Exchange Commission.

Zimmer President and CEO David Dvorak says in a Sept. 4 news release that several of Abbott Spine's products were attractive to Zimmer.

"We are excited to be adding a number of innovative products that round out the Zimmer Spine portfolio and help us build toward critical mass in this important business segment," he says. "The Abbott Spine

acquisition will add to our research and development capabilities in the spinal category and will strengthen our sales coverage.”

Leven says the spinal device market has been one of the fastest-growing sectors in orthopedics since the late 1990s, when it knocked hip and knee devices out of the top orthopedic market spot.

“It’s a huge market. There are lots of baby boomers and weekend warriors with spine problems,” Leven says. “We’ve seen lots of new technologies, a huge number of startup companies and [venture capitalists] investing a lot of money in the spine business.”

But, he says, it is an area fraught with uncertainty because so many spinal products exist. Plus, clinical consensus isn’t easy to achieve, and large competitors abound. Companies like Medtronic Sofamor Danek and **Johnson & Johnson/DePuy Spine** enjoy a majority share of the estimated \$8.7 billion worldwide spinal implant market, according to industry tracker Medical Devices Today.

“The general consensus in the industry is that Abbott decided ... to invest more to compete with the big guys,” Leven says.

Abbott Spine

What it does: Develops products to treat spinal disease

Parent company: Abbott Laboratories (NYSE: ABT), based in Abbott Park, Ill.

Employees: About 220 in Austin and 80 in Bordeaux, France (parent company employs 68,000)

History: Abbott Spine bought Austin’s Spinal Concepts in June 2003 for \$170 million

Key products: InCompass Pedicle Screw System, Pathfinder Minimally Invasive Pedicle Screw System, Wallis Interspinous Stabilizer System (available outside the U.S.), Ant-Cer Dynamic Cervical Plate and Universal Clamp

Courtesy of JB Goodwin