



DEMOGRAPHIC TRENDS DRIVING THE GLOBAL MEDTECH SECTOR

GLOBAL: ANNUAL AVERAGE INCREASE IN TOTAL SALES OF 5.7% UNTIL 2024 TO REACH €633BN

EUROPE: SECOND LARGEST MARKET WORLDWIDE; GROWTH OF 9.7% EXPECTED IN ASIA

ITALIAN FIRMS: TOTAL SALES UP 6.4% IN 2021 AND UP 6.1% IN 2022

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The **Mediobanca Research Area** has analysed the annual financial statements of the 227 largest companies operating in the Italian MedTech industry, which posted aggregate total sales of €18.6bn, 40% of which generated outside Italy.

The full survey is available for download from www.areastudimediobanca.com.

THE GLOBAL MEDTECH SECTOR

In 2021 the **aggregate turnover reported by the global MedTech industry** was valued at €535.6bn, with **estimated annual average growth of 5.7%** until 2024 to reach €632.6bn. The sector accounts for 5.5% of global healthcare spending, and is responsible for **investments in research** worth €33bn, which is more than 6% of the total sales. The global market is divided into **In Vitro Diagnostics** (IVDs), which are worth €97bn, and are expected to grow at an average rate of 4.9% per annum, and **Medical Devices** (MDs), which generate €439bn, and have a projected annual average growth rate of 5.9%.

The MedTech industry **grew in 2020 as well** (up 6.8%), due to the exceptional use of certain products in connection with the Covid-19 pandemic (face masks, cannulas, syringes, antigen tests, and ventilation instruments), whereas other specialized products suffered, such as orthopaedics, because operations were postponed. The **macro demographic trends** related to the increased life expectations will once again support the sector's growth in the coming years.

North America is the global leader, with total sales of €193bn in 2021 (36% of the total), followed by Europe with €155bn (28.9%). **Asia has grown fast** to reach total sales of €136bn (25.5%), with an expected annual average growth rate of 9.7% which is almost double the estimates worldwide. The specialist segments that generate the highest global turnover are cardiology with €57.7bn (estimated growth of 8%), diagnostic imaging with €50.1bn (growth of 3.2%), orthopaedics with €39.4bn (growth of 3.1%), general and plastic surgery with €33.6bn (growth of 11%), and ophthalmology with €32.2bn (up 9.2%). There are also material growth prospects for devices relating to diabetes (up 15.3%) and kidney disease (up 10.6%).

THE ITALIAN MEDTECH SECTOR: ROOM FOR ITALY TO GROW

Growth in the **European MedTech industry** (total sales €155bn) is underpinned by the Medical Devices (MDs) segment, with total sales of €140bn (31.9% of the global total), with the



remainder attributable to IVDs, worth €15bn (15.3% of the global total). The European panorama is **dominated by Germany**, with €41.7bn (26.9% of the total), ahead of France with €23.5bn (15.2%), the United Kingdom with €17.8bn (11.5%), and **Italy** with €17.2bn (11.1%).

Italy has a leading position in the In Vitro Diagnostics segment, where it accounts for 12.7% of the European market, generating aggregate turnover of €1.9bn, making it the **third largest producer in Europe**. In 2014 Italy was actually the second-ranking European player, with a market share of 16.3%, but since then it has been overtaken by France which currently has 15.2% of the market.

Italy is the **sixth largest exporter in the EU-27**, with exports of €4.3bn, behind Germany (with €28.4bn), the Netherlands (with €25.5bn), Ireland (€11.5bn), Belgium (€9.8bn) and France (€7.4bn), and the **thirteenth largest exporter worldwide**. The main end-markets for Italian exports are the United States (11.6% of the total exported), followed by Germany and France (both with 9.3%).

THE LEADING ITALIAN MEDTECH COMPANIES: TOTAL SALES UP 6.4% IN 2021 AND UP 6.1% IN 2022

In 2020 the **aggregate total sales reported by the 227 largest companies in the Italian MedTech industry** came to €18.6bn, €8.9bn of which was generated by manufacturers and €9.7bn by commercial companies. The non-Italian-owned component is substantial, with a total of 102 firms generating approx. €10bn in total sales (53.5% of the total). Non-Italian-owned groups represent the lion's share of the commercial companies (accounting for 73.6% of the total sales), but are in the minority when it comes to the manufacturers (31.5%).

For 2021 an annual average growth rate of 6.4% has been estimated, reflecting a better trend in exports (growth of 8.2%) than on the domestic market (4.7%). **The projections for 2022** are also optimistic, with total sales expected to **grow by 6.1% versus 2021**, which breaks down into 6.4% growth in exports and 5.8% in Italy. These estimates further embellish a very positive track record in recent years: **in the 2018-20 two-year period**, the Italian MedTech industry posted an annual average growth rate of 7%, with exports outstripping domestic sales (the former growing by 9%, the latter by 5.7%).

Investments also grew in 2021, increasing by 9.6%, and **in 2022, a good 52% of the companies covered expects to increase their spending further** compared to the previous year.

The Italian firms working in laboratory diagnostics (total sales of €4.5bn) and diagnostic imaging (€3.3bn) represent 42% of the aggregate turnover, followed by those operating in treatment of cardiovascular and cardiopulmonary diseases (€2bn) and those in the pulmonary and ENT sectors (€1.8bn). Devices used in infusion, nutritional and transfusion therapies posted revenues of €1.4bn, while products linked to the orthopaedic branch generated sales of around €1bn. Personal Protection Equipment (PPE), medication and surgical instrumentation, and ophthalmological products delivered total sales of around €0.8bn. The dentistry segment reported of €0.6bn, and the list is completed by furnishings, with total sales of €0.2bn.

In 2020 **the global medical emergency** drove the segment to record growth of 5.8%, with especially impressive performances being recorded by the biomedical producers (up 19.3% on 2019), contrast media, reagents and diagnostic testing (up 19%), and laboratory instrumentation (up 17.3%). Among the various specialist areas, stand-out performances were reported by PPE, medication and surgical instrumentation (which reported growth of 45.3%)



and laboratory diagnostics (up 27.4%), while the ophthalmology, orthopaedics and dentistry segments all suffered, reporting decreases in total sales of 12.5%, 11.1% and 9.5% respectively.

In the sector as a whole, the **share accounted for by exports** in 2020 was 39.9% of total sales. Of the exports, 53.8% were generated by prosthetics, and 51.2% by contrast media, reagents and diagnostic testing.

In 2020 the Italian MedTech industry posted an **Ebit margin** of 11.8%, a **ROI** of 13.4%, and a **ROE** of 15.5%. In terms of Ebit margin, the **best sector performances** were reported by the specializations most involved in the emergency related to the pandemic: contrast media, reagents and diagnostic testing (21%), and the biomedical segment (16.2%). At the level of areas of application, the performances recorded by PPE, medication and surgical instrumentation (23.4%) and laboratory diagnostics (16.8%) also stood out, for the same reason. Less impressive results were recorded in the treatment of cardiovascular and cardiopulmonary diseases (3.9%) and medical furniture and vehicles (6%). Based on fundamentals the Italian companies in the MedTech sector would receive a credit rating of BBB- (in the investment grade area).

ORGANIZATIONAL AND SUSTAINABILITY ISSUES AND THE CURRENT SCENARIO

The supply chain for the Italian MedTech sector is predominantly national (83.3% of the companies) or at most linked to countries that are geographically near to Italy (74.1%). Of the companies covered, 37% said they have suppliers in North America and 29.6% on the Chinese market. For around one-third of the companies (33.9%), their **leading competitors are Italian**, while for 27.5% the main competitors come from Central and Western Europe, for 22.9% North America, and for 12.8% from China. For 53.2% of the companies, their **clients** are made up of the public healthcare system, whereas 46.8% primarily address the private sector.

Among the Italian MedTech companies, 81.5% say that **sustainability issues** are among their priorities, such as working conditions (64.8%), safeguarding the environment (53.7%), gender parity (31.5%), governance (24.1%), and responsible commercial relations (14.8%). **Specific initiatives** undertaken that are deserving of mention include improvement of process efficiency to reduce waste products (62.5% of the companies covered), acquisition of specific competences and professional capabilities in environmental issues and obtaining the relevant certifications (41.7%), and reducing greenhouse gas emissions (31.3%).

The instrument most commonly used for **disclosure on ESG issues** is the relevant section of the companies' websites (38.9%), and indeed just 16.7% of the firms draw up their own sustainability reporting. It is surprising that 44% of the companies say they implement sustainability strategies but do not disclose them in any way.

Turning lastly to the **current geopolitical scenario**, the war between Russia and Ukraine and the economic sanctions seem to have little impact, at least for the moment, on Italian manufacturers of medical devices which do not have a major footprint in those areas. In the long term, however, there may well be repercussions, although at present it is hard to gauge what the extent of them might be. What can be said is that the Russia-Ukraine war is triggering further **price rises for raw materials**, which had already increased in 2020 and 2021 as a result of the pandemic. In particular, some commodities used in the production of medical equipment, such as iron, stainless steel, plastic materials and electronics components, have all reported significant increases. All this is in addition to the soaring costs for transport and for importing components, semi-finished items and finished products, plus **the rises in the price of gas and electricity**, making it more important than ever for firms to



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strengthen their commitment in the area of renewable energy sources, including from a sustainability perspective.

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