Covidien to pay $250 million for Somanetics

Mass Device

Covidien plc (NYSE:COV) continued to streamline its medical device operations with the latest acquisition in a series of buys and sells: a $250 million cash buyout of oximetry equipment maker Somanetics Corp. (NSDQ:SMTS).

The Mansfield, Mass.-based medical products conglomerate agreed to pay $25 per share, or $250 million, for Troy, Mich.-based Somanetics.

It's Covidien [1]'s latest move to bolster businesses it thinks are poised to grow and jettison others that aren't deemed a good fit. José Almeida, president of the company's medical devices division, told **MassDevice** early this year that the company would seek "adjacencies" in its acquisitions. Citing last year's $210 million buyout of Aspect Medical Systems [2], Almeida said expanding Covidien's oximetry footprint is one facet of the strategy.

"Our respiratory and monitoring solutions business unit is the market leader in oximetry today, in what we call the SPO_2 monitors," he said. "So for us the natural adjacency for that business was to get into other monitoring parameters that allow us to get our foot in the operating room."

Pete Wehrly, president of Covidien's respiratory and monitoring solutions business, said in prepared remarks [3] that the Somanetics [4] technology, which Covidien already distributes in Europe, gives the company another foot in the OR. Somanetics, which employs about 150 workers and posted sales of $50 million last year, makes equipment to monitor blood oxygen levels in the brain and body of patients at risk for restricted blood flow.

The deal calls for Covidien to pay $25 per share in cash and is expected to close by July 31. The $250 million valuation includes any cash acquired in the transaction; Somanetics closed out 2009 with about $29 million in cash [5] and equivalents.

Since the Aspect Medical deal closed late last year, Covidien has sold off a pair of operations (its radiopharmacy [6] and specialty chemical businesses [7]) while acquiring others. Earlier this month it announced plans to spend $2.6 billion on ev3 Inc. (NSDQ:EVVV) in a move to pad out its peripheral vascular offering; in March, the company bought Orthofix International NV's (NSDQ:OFIX) vascular compression [8] business for $19 million.

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