



# Report

Roland Berger

LONDON / GREAT BRITAIN



## An Attractive Opportunity for Investors

EUROPEAN MEDICAL TECHNOLOGY DISTRIBUTION



## MANAGEMENT SUMMARY

# M

Medical Technology, or MedTech, is an attractive market both due to its underlying growth drivers, like the ageing population and the role of technology in constraining healthcare spend, as well as its relative resilience to economic cycles. However, delivering MedTech products to healthcare providers is challenging and involves serving complex patients' needs—from selecting the right combination of products to installation, integration, training and education, and maintenance. Whilst large markets such as the US, Germany, France, and the UK can support direct sales and servicing for original equipment manufacturers (OEMs), the diverse and nationally regulated European markets pose a greater challenge for comprehensive product delivery. This is where MedTech distributors play a crucial role. They cater to local regulations, offering tailored products and services for effective product delivery and mix-and-match solutions across multiple OEMs to best meet healthcare providers' needs and budgets. In recent years, various MedTech distributors have achieved rapid value-creating growth. They have both expanded their portfolios through the onboarding of new suppliers and entered new countries and therapeutic areas to improve their ability to serve customers and OEMs. As such, MedTech distributors present an attractive market for investors and an opportunity for further consolidation given the relatively fragmented Pan-European competitive landscape.

## FAST FACTS & CONTENTS

→ Over **50%**  
of medical consumables  
are sold via distributors

→ **162**  
deals over 10 years  
in the UK, DACH, and  
BeNeLux combined

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# 1/

## What is MedTech distribution and what makes European MedTech distribution an attractive market?

MedTech, is a group of products, services, or solutions which are used in medical contexts, i.e., to save lives, or improve quality of life. They are present through the full patient journey from diagnosis through to treatment, cure, and long-term care. Medical technologies can broadly be segmented into two categories: Medical Devices, which encompass all instruments, apparatus, machines, and implants used to carry out medical activities, and In Vitro Diagnostics (IVD), which are tests used on biological samples outside of the body to assess a patient's physical condition.

Despite being mature in terms of uptake of healthcare technology, the ageing European population is forecast to drive continued growth in the European MedTech market. This is because of the increasing prevalence of age-related conditions and comorbidities as the average age increases, as well as the fact that chronic diseases, which accumulate over the lifespan, require recurring or continuous treatment. Furthermore, the non-cyclical nature of the underlying healthcare market and its relative resilience to economic cycles makes MedTech even more appealing from an investor perspective.

Medical technologies are predominantly sold to healthcare providers such as hospitals and clinics. The MedTech offering has two main routes to market: they are either sold directly by the OEM to the customer or are sold to a distributor who then sells the product to the customer. There is also a rarer route to market—the agent model—where an agent identifies the sales opportunity and then links the OEM to the interested customer, but in this model the agent does not own stock or provide any adjacent services as the distributor does. There are numerous features of the European landscape (and MedTech landscape specifically) that make distributor sales appealing compared to OEM direct sales.

Europe is an attractive market for MedTech distributors primarily because of how complex and costly it is to sell medical devices across the continent. A variety of languages are spoken, with the EU alone having 24 official languages, and most of the individual countries are small in terms of the volume of medical technologies they require. For a non-European OEM, tight and changing<sup>1)</sup> EU regulations of MedTech make the environment complex to sell into, hence, partnering with a distributor familiar with country-specific regulations makes the process of meeting compliance requirements simpler. This applies especially if the distributor has Contract Research Organisation (CRO) capabilities so can aid OEMs in the entire process from patent to post-market support, including medical devices regulatory affairs. There are also nuances of medical device regulation within EU countries, and more meaningful differences for some countries outside of the EU such as the UK, Switzerland, and Norway. Finally, customer key purchasing criteria vary across countries, as some highly developed countries focus on product quality with little consideration for price, whilst other less developed countries have fewer financial means to invest in MedTech so are a lot more price sensitive.

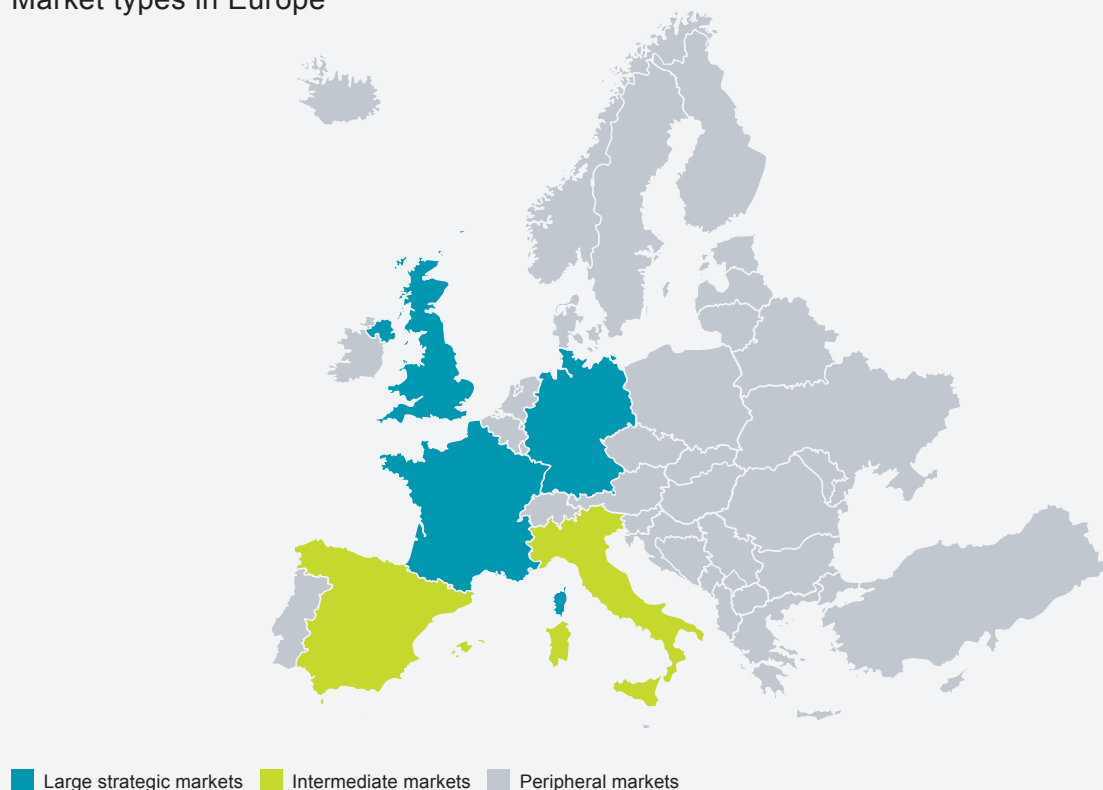
As a result, OEMs are typically more likely to focus their direct sales efforts on the three largest 'G3' markets: UK, France, and Germany. In these larger markets, OEMs market and sell the newer product ranges, services, and solutions

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1) Due to the recently ratified EU "Medical Devices Regulation" and "In Vitro Diagnostics Regulation" which are still in the process of being rolled out

## **A / OEMs typically focus on large strategic direct markets whilst distributors are more common in smaller peripheral markets**

Market types in Europe



Source: Roland Berger

often directly—they focus on the latest technological and digital innovations, and distributors typically manage the OEMs’ portfolio of legacy products. Whilst Italy and Spain both comprise a significant market size, the structures (as well as historical reasons) of these two countries mean that OEM direct sales organisations are less prevalent. There are 17 autonomous regions and two autonomous cities in Spain, and 20 administrative regions in Italy, and each region has its distinctive characteristics making it relatively challenging for OEMs to operate in. Additionally, some local distributors have built such a strong understanding of the market and relationships that it would be hard for OEMs to replicate. → **A**

This results in the proportion of direct OEM sales versus distributor-mediated sales varying significantly across European markets. Larger countries such as France and the UK are strongly weighted in favour of OEMs (across both consumable devices and capital equipment) whilst at the other end of the spectrum we find countries like Switzerland, Serbia, and Slovenia where sales through distributors are favoured. Additionally, medical consumables are more often sold via distributors than capital equipment across the countries. This is mainly because the sales of consumables requires no technical services organisation and an upfront payment. Moreover, capital equipment contracts are typically much larger in value, making them appealing to OEMs. → **B**

**B / Consumables at ~55% are typically sold more often via a distributor than capital equipment at ~35%**

Share of sale via distributor (vs. direct sale by OEM) for MedTech products<sup>1)</sup>



1) In volume terms; 2) Sweden, despite being a smaller market, is attractive for OEMs due to a high concentration of healthcare providers centered around its three main cities

Source: Expert interviews, Roland Berger



# 2/

## Key trends in European MedTech distribution

The most important trend in MedTech distribution is the increasing demand for Value-Adding Distributors (VADs). Typically, MedTech distributors buy products from suppliers, repackage it, and deliver it in smaller quantities to the customer whilst acting as sales representative for the OEM. However, as the needs of healthcare customers have become more complex to the point where more and more ancillary services became necessary and the industry shifted towards solutions, MedTech distributors started integrating value-added services and capabilities into their offerings. VADs provide both MedTech products and adjacent services bundled as a single package, making them total solution providers. These services range from curating the medical technologies offering and reliability of the supply chain to technical services and training and education, through to product know-how and customer relationships. Technical services are an offering for which the customer pays a periodic fee in exchange for the distributor managing both maintenance and repairs on a piece of medical equipment (typically also bundled with other services listed above, such as equipment training). OEMs, in comparison to distributors, typically do not offer these services directly, and prefer to outsource them to third party service providers, further providing an edge to the distributor when they can offer a total solution in a single package. One major benefit of ongoing MedTech value-added service is that they allow the distributor to retain a continuous relationship with the customer, and this continuous communication in turn makes it easier for the distributor to identify and correctly source new products the customer requires.

Another trend is a shift towards broader distributor product portfolios, which in combination with the value-adding services, allow the distributor to offer a comprehensive ‘one-stop-shop’ experience, maximising customer convenience. Where OEMs will inevitably be limited to their own product range, the distributor can mix and match products from different brands and offer the customer an optimal combination of products without them having to source from numerous OEMs. This dynamic makes differentiation challenging as a distributor, hence, distributors aim to develop relationships with OEMs to the point where they can sign exclusive distribution contracts to be the sole supplier for an OEM’s products in a given market. This broadening of product portfolios impacts both generalist and specialist distributors. Specialists, who focus on a single therapeutic area, are being driven to stock products covering the entire subcategory, for example, the entire endoscopy set-up from gas to cameras to light sources. For generalists, it is a race to expand stock to cover a broader range of therapeutic areas to suit both clinic and hospital demands. One way distributors are further expanding their offerings is through the addition of a private label—these private label products are developed in collaboration with customers and tailored to meet specific needs.

Driven by the COVID-19-induced supply chain disruption, customers are increasingly focused on supply chain resilience—this is particularly important due to regulations limiting the volumes of consumable medical devices which can

## C / Total solution providers offer enriched services over and above both OEMs and traditional distributors

Service offering by distribution model

	Direct sale by OEM	Sale via traditional distributor	Sale via total solution provider
<b>Breadth of offering</b>	✗ Offering limited to OEM products	✓ Weaker offering of products due to focus on niche therapeutic areas	✓ <ul style="list-style-type: none"> <li>Combination of low-, mid- and high-end across both capital equipment and consumables products</li> <li>Ability to bundle these products to meet customer needs</li> </ul>
<b>Reliability of supply</b>	✗ No alternative solutions	✓ Ability to offer alternative solutions	✓ <ul style="list-style-type: none"> <li>Supply chain management via own branded products</li> <li>Dedicated sourcing partner able to offer alternative solutions</li> </ul>
<b>Technical services</b>	✗ Typically outsourced	✗ Typically not able to provide	✓ <ul style="list-style-type: none"> <li>Strong integration/installation capabilities</li> <li>Proactive approach on repair, done both in-house and on the spot, with reporting capabilities</li> </ul>
<b>Training and education</b>	✓ Training & education offered to customers	✗ None	✓ <ul style="list-style-type: none"> <li>Strong focus on training and education of healthcare personnel and distributor employees at key opinion leaders, suppliers, and associations</li> </ul>
<b>Product know-how</b>	✓ Strong product know-how	✗ Limited product know-how as focus on volume and price	✓ <ul style="list-style-type: none"> <li>Clinical approach to selling and high product know-how</li> <li>Ownership of product design via own brand offer, and sourcing of products to meet customer needs</li> </ul>
<b>Customer relationship</b>	✗ Limited customer interaction	✗ Limited customer interaction	✓ <ul style="list-style-type: none"> <li>Long and unique key opinion leader relationships e.g., via CRO<sup>1)</sup> services</li> </ul>

### — Scores for key purchasing criteria —

✓ Strong sales model
✓ Weak sales model
✗ Limited/no sales model

1) Contract research organisations

Source: Expert interviews, Roland Berger



be stored on-site. Timely access to medical supplies is not only important for ensuring good patient outcomes but also facilitates leaner, more cost-effective operations for the healthcare provider. This also highlights another structural advantage of the flexibility of distributors over OEMs—the OEM cannot re-source in the event of supply chain issues, but a distributor can do so via another supplier. For a distributor, greater resilience can be achieved both through diversification of OEM suppliers as well as nearshoring, though the latter option may come with increased costs. A successful distributor will have a mix of products from lower reliability manufacturers (which they buy at a lower cost) than some high-reliability—typically nearshored—manufacturers (which they buy at a higher cost) to hedge against supply chain disruption.

The final major trend in the space, and one which is expected to play out over the long-term, is distributors developing CRO capabilities and integrating them into their VAD offerings. CRO capabilities can cover both the pre-clinical and clinical trials required for OEMs to certify their devices as permitted to be sold within various markets, and encompass the expertise and infrastructure required to support MedTech OEMs in organising and running these trials. This benefits the distributor as it facilitates the development of strong supplier relationships differentiated from competitors, particularly for securing distribution rights with smaller OEMs. → C

Whilst pan-European MedTech distributors are responding well to disruptive healthcare distribution trends and allowing OEMs to unlock significant value from their activities, they also face OEMs which are re-evaluating their business models and—consequently—distribution partnership. OEMs typically concentrate on direct sales in two instances. Firstly, OEMs would like to educate and train on highly complex and innovative medical devices themselves. Secondly, leading OEMs typically target large customers such as university hospitals rather than small clinics, which can be more efficiently served by distributors. Hence, to ensure mutually beneficial partnerships, MedTech distributors often focus on managing legacy product lines and smaller customers in larger markets whereas in smaller markets, they typically entirely represent the OEM.

## 3/

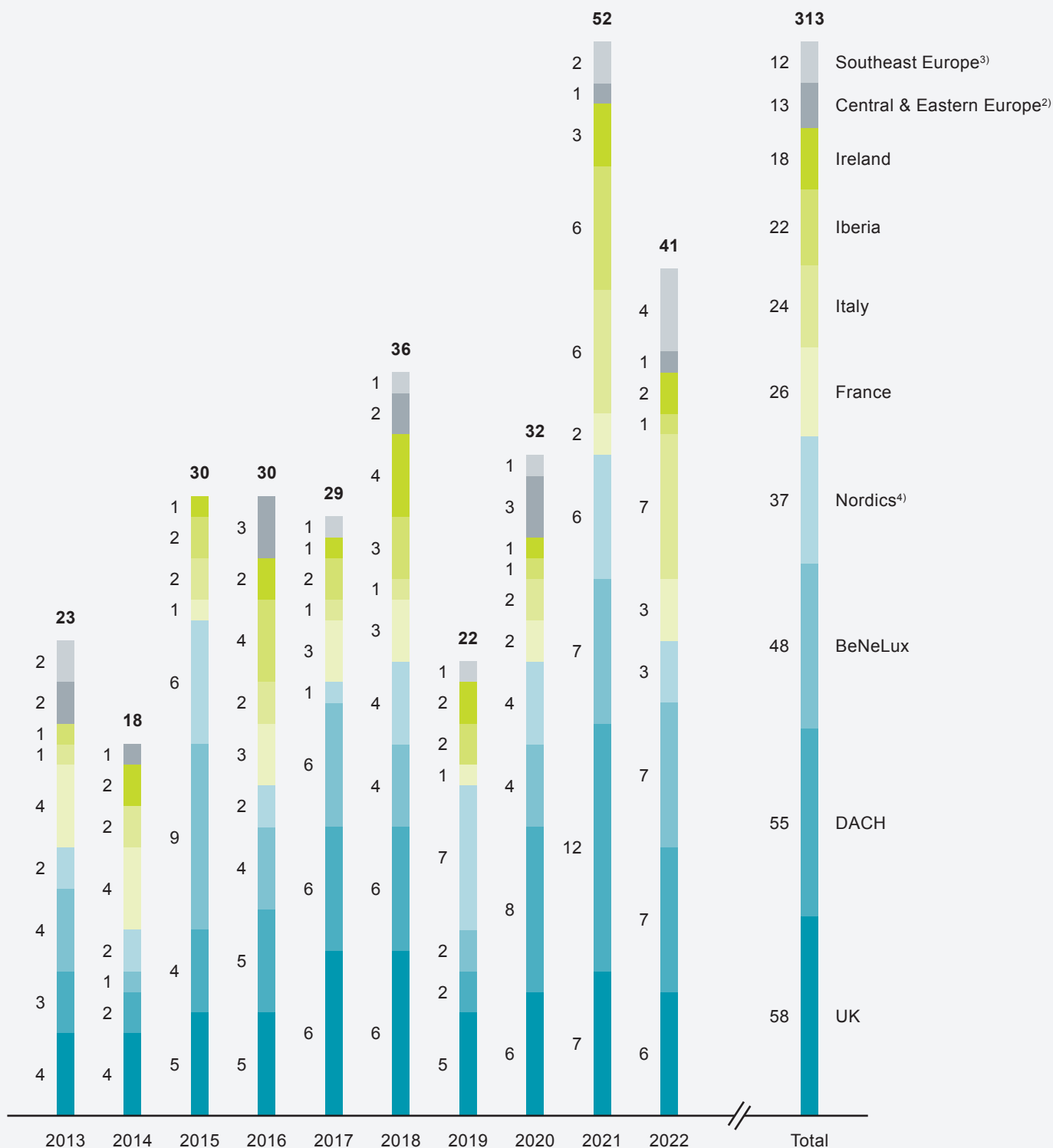
### The European MedTech distribution investment landscape

The number of European MedTech distribution deals has been growing over the past 10 years, driven recently by the COVID-19 pandemic growing demand for medical devices whilst drawing attention to the broader healthcare industry, and the 2021–22 M&A boom. As a non-cyclical industry, MedTech is forecast to remain a reliable investment route for strategic players as well as even in the face of future macroeconomic uncertainty.

Over the past 10 years the space has been consolidating, with four players in particular leading the effort. Mediq made 12 acquisitions, including Bunzl Retail

## D / Deal volumes in European MedTech distribution have been rising over the past 10 years—UK, DACH, and BeNeLux targets represent over half of the deals closed

European MedTech distributor deals closed per year, by target headquarters' location, 2013–22 [#]<sup>1)</sup>



1) Count may not be exhaustive as list of deals categorised by Preqin and Pitchbook are not necessarily comprehensive; 2) Czech Republic, Estonia, Latvia, Poland, Russia; 3) Bulgaria, Croatia, Greece, Serbia, Slovenia, Turkey, Romania; 4) Including Finland

Source: Preqin, Pitchbook, Roland Berger

& Healthcare Supplies Ltd for its private label brand 365 Healthcare, and Duomed Group also made 12 acquisitions, with the headline being the 2022 acquisition of French distributor ‘The Surgical Company’. ASKER has completed over 30 acquisitions including ONEMED, and Palex made eight acquisitions.

Across Europe over these last 10 years, the most active countries in terms of deal targets have been the UK, DACH, and BeNeLux, with a combined 162 deals total since the start of 2013. 2022 was a particularly strong year for the Italian market, with seven deals total, including the GADA Group sale, the trade sale of neurodiagnostic OEM and distributor Micromed to competitor Natus Medical (an Archimed portfolio company), and Investindustrial’s buyout of medical consumables distributor Kabo. → **D**

Within the PE-backed segment of European MedTech distribution, there are few large players left due to consolidation. Highlights include:

**MEDIQ** (owned by Advent International since 2013)

One of the largest MedTech distributors in Europe, the Dutch-based distributor Mediq sells a wide range of medical technologies to countries across Europe including the UK, Nordics, and Central Europe. Focusing almost exclusively on low-criticality/high-volume consumables, Mediq has a presence across hospital solutions and numerous types of surgical equipment and sells through both online and account management channels. Since coming under Advent International’s ownership in 2013, Mediq has pursued an extensive set of 12 acquisitions, including Danish medical device supplier Maersk-Andersen, UK-based distributor H&R Healthcare, Finnish distributor Puls, and Swedish distributor Medirum. Having been under Advent ownership for around 10 years, Mediq has the potential to come available for a secondary buyout opportunity at some point.

**DUOMED GROUP** (owned by G Square since 2017)

A cross-European distributor, Duomed contrasts with Mediq as it focuses on mission critical high-margin products. With sales across BeNeLux, France, UK, Switzerland, Nordics, and the Balkans, this Belgian-headquartered player sells a wide range of both consumables and capital equipment. Duomed’s core product portfolio is in mission critical hospital solutions and endoscopy products, along with some surgical offerings. Duomed also offers numerous value-adding services and an adjacent CRO offering. G Square has been the majority shareholder since 2017, so it may be available for a secondary buyout in the near future.

**PALEX MEDICAL** (owned by Fremman Capital since 2021)

Barcelona-headquartered Palex is the single largest MedTech distributor in Iberia but has a broader cross-European presence selling both consumables and capital equipment. Palex offers products in a wide range of therapeutic areas across its focus area—surgery—along with medical specialities and laboratory. Palex’s value-adding credentials are also strong, through managed equipment services, logistics management, and hospital consultancy, in addition to R&D

services. This Spanish distributor had its secondary buyout in late 2021 by Fremman Capital, and has subsequently entered the Italian market through the 2022 acquisition of Italian distributor GADA Group.

**ASKER HEALTHCARE GROUP** (owned by Nalka Invest since 2019)

With portfolio companies covering many therapeutic areas and geographies, the largest company within Asker is OneMed, a low-criticality/high-volume distributor of Swedish origin which has been extended across Europe through acquisitions like Smedico, Evivamed, and Medireva (particularly in the Netherlands, where its four largest add-ons originate from). The Asker Group covers a wide variety of MedTech products, with OneMed spread across general hospital equipment, urology, and renal, and the other smaller portfolio companies possessing niche offerings like Diashop's dialysis products. As it was acquired in early 2019, it may be up for a secondary buyout soon.

There are also numerous private and public distributors well situated for buyout or growth equity. Some examples include:

- Uniphar, a large Dublin-headquartered MedTech distributor listed on the London Stock Exchange, which sells both consumables and capital equipment through online and account management channels. Uniphar's sales cover a wide range of therapeutic areas including acute care, surgery, primary care, imaging, endoscopy, and orthopaedics, whilst also offering some value-added services like consultancy and equipment training. Although its focus is on the UK and Ireland, it also has a sales presence in the Nordics and Baltics.
- Healthcare 21 is an Ireland-based distributor focusing on high-criticality/low-volume products across both consumables and capital equipment, with a presence across the UK, Ireland, and DACH. A subsidiary of the Swedish MedTech player Addlife since 2021 (concurrent with H2 Equity Partners selling their 49.9% stake), Healthcare 21 offers not only a wide range of products (across acute care, surgery, imaging and lab equipment, endoscopy, pharma, and orthopaedics), but also managed equipment services, consulting, and training, making it a value-added distributor.

The remaining distributors, which are mostly private companies and thus well suited for acquisition in a buy-and-build strategy, fall into three distinct categories. Regional one-stop-shops, which boast a wide product range and value-adding services whilst selling across numerous geographies, such as the Belgian Hospidex and the Dutch Arsis Medical. Regional specialists which still distribute across multiple countries but have a more focused product and service offering, like the French distributors France Hopital and Bernas Medical, the Netherlands-headquartered Tromp Medical, Spanish specialist Prim, Italian specialists Movii and GADA Group (now part of Palex), and British Creo Medical and GBUK. And finally, local players, which only sell in one, or a few, similar neighbouring countries, for example, Anklin, API 2000, Groupe Gaillard, Hospilux, Jemed Importaciones, Prothia, Van Houdt, and Prospitalia.

# 4/

## Key value creation measures

When evaluating a potential investment in the MedTech distribution market, there are three principal considerations—deepening and broadening product assortment, entering new geographies, and increasing customer stickiness through value-adding services.

### Deepening and broadening product assortment

The distributor can deepen the product assortment of existing therapeutic areas in many ways, most simply by winning new distribution rights for new products from existing suppliers, which in turn allows the distributor to renegotiate more favorable contracts using their larger volumes and hence stronger purchasing power. Broadening portfolio coverage involves replicating the existing business model in new therapeutic areas—this is achievable either organically or through acquisitions, and along with strong purchasing power with suppliers also facilitates onboarding of new customers.

### Entering new geographies

The second principle is entering new geographic markets, which is most easily achieved through acquisition, and this can be deployed both to small distributor-focused markets, as well as larger markets with stronger OEM direct sales presence when done strategically (for example, when acting as the distributor for the legacy product portfolio of an OEM). All of these expansion routes are underpinned by the cross-selling opportunities that result—a deeper or broader product assortment allows for cross-selling of these new products to existing customers, and when entering new markets inorganically the distributor's product portfolio can be offered alongside the acquiree's existing product range to realise major value creation with only minor cost increases from an administrative perspective.

### Increasing customer stickiness through value-adding services

Value-adding service offerings are important as they both improve margins on top of the core product sales business and provide a competitive advantage for the distributor over more simplistic product-only competitors. For example, if a distributor possesses private label capability, this is not only indicative of strong value-added service but also of long-term customer relationships. Finally, scalability (i.e., distributors' ability to improve their margins by focusing on upselling and cross-selling to existing customers) is important to investors as it allows to further digress fixed costs.

## CONCLUSION

*As the delivery of medical devices becomes more complex, MedTech distributors must offer solutions rather than just products that meet healthcare providers' complex needs and increasingly constrained budgets. MedTech distributors curate their offering, which requires seamless partnerships not just with healthcare providers but also MedTech OEMs, presenting route-to-market to OEMs for certain customers, products, and regions. In recent years, various players have achieved a rapid value-creating growth, making them strongly appealing to private equity.*

*At Roland Berger, we partner with investors to help determine the true value of target MedTech distributors and create equity stories to enhance exit value.*

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