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Spine

Institution where the research took place:

Maimonides Medical Center

Title:

Market Resilience of U.S. Orthopaedic Spine Companies During COVID-19

Abstract:

Introduction: The coronavirus 2019 (COVID-19) pandemic resulted in significant healthcare disruption, particularly in elective surgery. Historically the orthopaedic spine market has been consolidated, with the top 10 companies constituting 88% aggregate market share. We aimed to quantify decreased surgical volume and financial impact of COVID-19 on the top 10 spine companies by: 1) tracking changes in market capitalization; 2) calculating aggregate valuation changes; and 3) quantifying quarterly revenue changes.

Methods: Financial data was gathered on top 10 spine companies by market capitalization using S&P Capital IQ, a Wall Street financial database from January 1, 2019 to October 1, 2020. Valuation changes were measured using market capitalization, with financial metrics compared against market/healthcare-specific benchmark indices, the S&P500 Trust ETF (NYSE:SPY) and Vanguard Health Care ETF (NYSE:VHT) respectively. Securities Exchange Commission 10-Q forms were used to obtain spine sector-specific revenues for 2020 Quarters 1-2 (2020Q1-2). Spine revenue growth rates were calculated, using 1-2Q19 as baselines and aggregated to approximate overall spine market.

Results: From pre-COVID market highs to COVID-market lows, market value of top 10 spine companies fell \$87.2 billion (B) USD (42.0% loss), while SPY and VHT fell 36.1%/29.0% respectively. From market lows to October 2020, spine companies have regained \$54.4B USD (+45.2%), while SPY/VHT have rallied 43.5%/56.4%. Notably, this performance occurred while combined 1Q/2Q revenue of top 10 spine companies lagged 9.1%/21.0% relative to 2019 sales, with overall drop of \$670M.

Discussion/Conclusion: The valuations of the top 10 spine companies have rebounded from market lows, mirroring the valuation improvements of the healthcare sector and overall market. While elective spine surgical volume abruptly decreased corresponding with a decrease in spinal product sales, our results suggest that market valuation of top spine vendors were not substantially affected by COVID-19, likely due a combination of investor optimism and increased overall healthcare system utilization.

FDA:

Not Applicable

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