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Contents

Four MicroPort's Projects Entered into Shanghai Science and Technology Support Program

Chinese Firm Bids for a Share of US Orthopedics
Wright Sells Hip-Knee Implant Business to Shanghai Firm

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Recently, Shanghai Municipal Science and Technology Commission (SMSTC) published the detailed lists of "2013 Science and Technology Support Program". Four projects from MicroPort entered into the list. The programs "Research on Key Technologies of a New Biodegradable Cardiovascular Stent" and "Subcutaneous Intramyocardial Syringe for Multiple Cardiac Stem Cells Application" are submitted by MicroPort Group. In addition, the other two programs "Thrombectomy System for Treatment of Acute Ischemic Stroke" and "Abdominal Aortic Ultra-Low-Profile Stent-graft System" were submitted by MicroPort NeuroTech and MicroPort Endovascular respectively. The total granted fund reached RMB 2.7 million.

[Back to Top](#)

Chinese Firm Bids for a Share of US Orthopedics

[Source: This Week Orthopedics](#)

In 2005, a Beijing based company formerly known as "Legend" acquired IBM's venerable line of PC computers. At the time, Legend was a 21 year old manufacturer of PC components like the famous Han-card which allowed PC's to efficiently process Chinese characters. Legend was public on the Hong Kong exchange, having raised \$30 million in an IPO in 1994 and then an additional \$212 million in 2000.

In 2005, Legend stunned the computer world by successfully acquiring IBM's PC line of computers. The U.S. Congress criticized the deal – as it had in years earlier criticized (and blocked) CNOOC's attempt to purchase Unocal or Chinese appliance maker Haier Group's bid to buy Maytag.

Legend, which had changed its name to Lenovo, was

ultimately successful where other Chinese firms had failed and paid \$1.2 billion to buy IBM's computer business including the trade name ThinkPad®.

Why did Lenovo succeed? Part of the reason is that the PC was becoming an increasingly commoditized product and therefore didn't represent the loss of critical intellectual capital. Also Lenovo agreed to maintain IBM's North Carolina assembly plant which diffused the argument that jobs would be leaving the U.S. for China.

In retrospect, the Lenovo purchase of IBM's PC business has been an unqualified success for consumers, IBM, the employees in North Carolina who assembled ThinkPads and Lenovo. Lenovo is now third largest computer maker in the world by volume and, as a brand name, is synonymous with superior quality and innovation. Who remembers the IBM PC brand? Who cares?

● Who is MicroPort Scientific and why are they Buying Wright's Recon Business?

Last week, Wright Medical announced that a Chinese firm named MicroPort Scientific had bid \$290 million to purchase its hip and knee implant business. In 2012 Wright's sales of hip and knee implants were \$269 million. The brands are DYNASTY® and CONSERVE® hip implants, PROFEMUR® modular stems, SUPERPATH™ minimally invasive hip surgical instrumentation and ADVANCE® and EVOLUTION® medial-pivot knee implants.

Considering that global hip and knee recon market is about \$14 billion, MicroPort's bid gets them just 2% share of the global market. But MicroPort has zero share of the Chinese hip or knee recon market so these brands should attract, at a minimum, an equivalent share of the \$1.3 billion Chinese recon market for another \$30+ million bringing the total business size, prospectively, to \$300 million.

- **From all appearances, MicroPort is tracking the Legend/Lenovo play book.**

Like Lenovo before it, MicroPort has literally no brand equity outside of China. Furthermore, it's buying a well-known, though declining and increasingly commoditized product platform but with very good manufacturing facilities deep in the U.S.

Could MicroPort confound conventional wisdom and become as well-known and respected in its target market (orthopedics) as Lenovo did in computers?

We think that could absolutely happen – because, like Legend/Lenovo, MicroPort is employing quality and innovation (not cheap manufacturing) as tactics to reach market leadership and has, courtesy of the Hong Kong stock exchange and Chinese medical community (now among the largest in the world) the wherewithal and scale to make it happen.

- **The MicroPort Story**

In 1995 a vice president of R&D for Atlanta based Cryomedical Science (which sold to Endocare in 2002) named Zhaohua Chang attended a business development conference in Shanghai. Dr. Chang, who'd been raised in China and earned a master's degree in cryogenics in China (his PhD. Degree in biological science is the State University of New York), realized that China was changing rapidly and that the market for a Chinese based medical device company was forming.

In 1998 this scientist, author of more than 40 peer reviewed articles and holder, at the time, of five patents, founded MicroPort Technologies. His first products were MIS devices for cardiac catheterization and stent implantation. At the time, only 3,000 patients in China had had coronary stents implanted (vs. 700,000 in the U.S.).

In 1999, with strong Chinese government support, the new MicroPort company launched a balloon dilation

catheter. The company would not turn a profit until 2002 – but Chinese hospitals began to learn that MicroPort was capable of supplying high quality and reliable implants and instruments. Before then, Chinese hospitals were nearly 100% dependent on imported cardiac instruments and implants.

In 2003, MicroPort received a license to sell its coronary products in Japan – which was a major milestone for the company since it meant that its products were of sufficient quality to compete in the very demanding international markets.

Also in 2003, MicroPort introduced the first Chinese produced drug-eluting stent (DES). Chinese physicians were openly skeptical that a domestically produced implant could match JNJ's or Medtronic's or Boston Scientific's quality. Very few physicians were willing to use such a technically complex and advanced domestic product. So MicroPort made clinical studies a particular focus. The resulting clinical data demonstrated the quality of MicroPort's DES. MicroPort was one of the first Chinese medical device companies to overcome the country's deep rooted prejudice against domestically produced complex implants.

In 2010, in order to fund its expansion into markets outside of cardiovascular (electrophysiology (EP), diabetes and orthopedics) the company sold \$198 million of its stock on the Hong Kong Stock Exchange.

- **The MicroPort Culture**

MicroPort doesn't innovate very many "revolutionary" or "disruptive" products. At MicroPort safety comes first, efficacy second and convenience third.

Having said that, about 20% of MicroPort's employees are in research & development as befits a company whose founder is also a research scientist.

MicroPort tries to represent not only what is best about Chinese culture, but also what is unique. As one manager at MicroPort was quoted as saying in an

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interview about his company; “Chinese employees are hardworking and have a strong sense of responsibility, but they are also highly sensitive to their work scope and focus on their own job only. The Americans, on the contrary, are ambitious to exceed their own functions and take the other’s job once they’ve finished theirs. Chinese employees are able to endure hardships and are willing to pay additional time and efforts for better results. The Americans, in contrast, put more value on their personal life and seldom work overtime. American engineers are generally more inspirational and creative than the Chinese, but not as careful and detail oriented as the latter.”

● **What Wright Medical’s Recon Business Means for MicroPort.**

Assuming this purchase bid is successful, MicroPort will be acquiring about \$300 million in additional sales (assuming very modest incremental penetration into the Chinese Orthopedic markets). It triples MicroPort’s sales. And it gives MicroPort an important beachhead in the North American and European orthopedic markets.

It also provides MicroPort with a high quality production capability in Memphis – the home, incidentally, of Federal Express. Perfect for overnight deliveries to any hospital in North America.

Could MicroPort’s prospective Memphis hub become the basis for new cardiovascular, endovascular, neurovascular, diabetes, electrophysiology and, of course, orthopedic devices for North American customers?

According to MicroPort’s press release and comments from Wright Medical’s analyst call, if all goes well with regulators, due diligence and other issues, the purchase should close before the end of 2013.

Through the course of 2014 MicroPort will be learning about how to do business in the United States using the solid foundation of Wright’s recon implants and

instruments. MicroPort will also learn about managing a top flight manufacturing plant in Memphis.

In 2013, investors pushed MicroPort’s stock price up 93%. They clearly like this company and its emphasis on quality and reliability. In the world medical device markets, MicroPort intends to be, like Legend/Lenovo before it, a market leader.

[Back to Top](#)

Wright Sells Hip-Knee Implant Business to Shanghai Firm

[Source: Memphis City And Press](#)

Wright Medical Group Inc. said a definitive agreement was reached to sell its OrthoRecon business to MicroPort Medical B.V. for \$290 million.

Wright, based in the Memphis suburb of Arlington, announced the deal on Wednesday and said OrthoRecon would remain in Arlington. Ted Davis, OrthoRecon president, will lead the unit under MicroPort.

MicroPort is owned by MicroPort Scientific Corp. of Shanghai, which ranked 46th in profits in 2011 among China’s 100 largest pharmaceutical companies.

Wright chief executive officer Robert Palmisano released a statement saying OrthoRecon, which makes hip and knee implant products, is positioned to flourish as an international brand. OrthoRecon’s global sales reached \$269 million last year in a global hip and knee reconstruction market producing \$14 billion in total revenue.

“Over the last 18 months, we have made significant progress in transforming our business to dramatically accelerate growth in our foot and ankle business, build a growing, global OrthoRecon business, and significantly improve cash flow,” Palmisano’s statement says. “This next step in our transformation should enable both businesses to flourish as separate,

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global companies focused in their unique market space with strong management teams that will position them for continued success. In addition, as a smaller, high-growth Extremities company with breakthrough biologic opportunities, we will now be able to devote our full resources and attention on accelerating growth opportunities in this area, including improving sales productivity, extending the global reach and penetration of our products in key international markets, and seeking to gain U.S. regulatory approval for Augment® Bone Graft. We believe this will enhance our ability to create significant shareholder value.”

Back to Top