

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

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INTRODUCTION: The coronavirus 2019 (COVID-19) pandemic resulted in disruption in healthcare delivery, particularly in elective surgery, with sales losses of orthopaedic products not seen since the 2008 Great Recession. We aimed to quantify the decreased surgical volume and the related financial impact of COVID-19 on the top 10 spine treatment companies [by market share] by: 1) tracking changes in individual company valuations/market capitalizations; 2) calculating aggregate changes in spine market valuation; and 3) quantifying quarterly revenue changes relative to prior years.

METHODS: Financial data was gathered on the 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 resulting financial metrics compared against market and healthcare-specific benchmark indices. Securities Exchange Commission 10-Q forms were used to obtain spine sector-specific revenues for 2020 Quarters 1-2 (2020Q1-2). Revenue growth rates were calculated, using 1-2Q19 as baselines and aggregated to approximate the overall spine market.

RESULTS SECTION: From pre-COVID-19 February 2020 market highs to COVID-19 market lows, market value of the top 10 spine companies fell \$87.2 billion (B) USD (42.0% loss), while S&P500 Trust ETF and Vanguard Healthcare ETF fell 36.1 and 29.0% respectively. From market lows to October 2020, spine companies have regained \$54.4B USD (+45.2%), while S&P benchmark and Vanguard Healthcare ETF have rallied 43.5 and 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 an overall drop of \$670M.

DISCUSSION: 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 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.

SIGNIFICANCE/CLINICAL RELEVANCE: The valuation of the top 10 spine companies remained resilient during COVID-19 despite decreases in spine surgical volume and spinal product sales.