

Philips to buy US medical imaging firm Volcano

December 17 2014, by Toby Sterling

Royal Philips NV said Wednesday it has agreed to acquire U.S. medical equipment maker Volcano Corp. for \$1.2 billion (around 1 billion euros) in a deal that would beef up its presence in technology which allows doctors to see inside patients' hearts and veins during treatment.

In an agreement backed by Volcano's management, Philips will offer \$1 billion for Volcano's stock, or \$18 per share—a 57 percent premium to its closing price Tuesday of \$11.49. Philips will also assume \$200 million of debt.

The Amsterdam-based Philips, a major maker of [medical imaging equipment](#), said the deal will allow it to sell its own products to Volcano's customer base, and vice versa. It intends to fold San Diego-based Volcano into an operating arm devoted to "image-guided therapy"—techniques that allow doctors to see inside patients' bodies.

Philips sells about a third of the X-ray imaging devices for vascular systems that are used in major cardiac surgery hospitals, while Volcano specializes in "smart" catheters that can measure blood flow as it passes through the veins. Philips Chief Executive Frans van Houten compared Philips' offering to a road map and Volcano's to the view from the drivers' seat, saying they will work together well as a package for cardiologists.

Challenged on the high premium Philips is paying for Volcano, he described the company as "the world market leader in smart catheters"

and noted that its shares have fallen sharply this year as its business suffered a slowdown and it posted losses.

It is a "very justifiable price," he said of the acquisition offer on a conference call. "We needed to act right now."

Philips said the deal will push "image-guided therapy" sales growth for both companies from less than 5 percent to the "high single digits" and add to Philips' earnings starting in 2017.

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