



## MEMORANDUM

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Today, Medtronic [announced](#) the acquisition of Diabeter, a Netherlands-based type 1 diabetes clinic that manages over 1,500 pediatric and young adult patients. Led by Dr. Hank Veeze, the 36-person clinic heavily leverages technology to manage patients both in person and remotely. Very impressive and this could be a terrific model. Notably, ~85% of the center's sensor-augmented pump users and ~50% of its MDI users have an A1c <7.5% - outstanding considering the high A1cs typically seen in the young adult population. The clinic will add to Medtronic's newly created Diabetes Services and Solutions business, which was initially announced in [the company's November call](#) under the leadership of new President Hooman Hakami. As noted in our [Medtronic earnings report from February](#), powerhouse Annette Bröls will lead this business, which to date has been fairly under wraps in terms of specific offerings. Ms. Bröls is extraordinarily highly thought of at Medtronic and we feel strongly this will be a very instructive pilot (at minimum) under her leadership. Indeed, the acquisition continues a strategic trend - first announced at the [2014 Analyst Meeting](#) - to move beyond intensive insulin management (pumps and sensors). Said Mr. Hakami in the press release, "We are a holistic diabetes management company focused on making a real difference in outcomes and cost." No argument with that strategy - clearly, outcomes are becoming (have become) the name of the game. There are no details on the transaction, though we assume it's less than \$10 million, and the earnings impact will not be material. As noted, we assume it's more of a pilot at this point, though potential for expansion and selling the software/approach to other clinics would seem like a distinct possibility. Importantly, there is some company precedent for this move into care delivery - Medtronic's Cardiocom business manages patients with heart failure in a model similar to the one being envisioned with Diabeter - that is to say, remote monitoring and patient-centered software to enable efficient care coordination and specialized telehealth nurse support. We will return with more details on the acquisition as we learn more. For now, we're very impressed with this move by Medtronic and believe that the company, though in a very challenging arena, is doing quite well under Mr. Hakami's leadership. He's supported as always by the very strong medical leadership at the company, particularly Dr. Francine Kaufman, who as a pediatric endocrinologist likely had a lot to do with this deal.