

J&J accepts Platinum Equity's binding offer to acquire LifeScan for ~\$2.1 billion; OneTouch Via not included - June 13, 2018

J&J [announced](#) this morning that it has accepted Los Angeles-based Platinum Equity's binding offer to acquire LifeScan for ~\$2.1 billion. The offer, first [announced](#) in March, is expected to close by the end of 2018. As expected, OneTouch Via, the bolus-only patch insulin delivery device, is not included in the sale.

As of March, J&J Diabetes Care President Ms. Valerie Asbury was slated to continue leading LifeScan, with the goal of creating "a global standalone business ... for continued investment in growth and innovation." They are so lucky to get this highly-respected leader. Presumably, Platinum Equity's ultimate plan is to turn the LifeScan business around and sell it at a higher premium.

The deal represents a somewhat-low 1.4X multiple on LifeScan's 2017 net revenue of ~\$1.5 billion. However, this is actually at a premium to the 1.0X multiple that Panasonic paid for Bayer's Diabetes Care business (now Ascensia) [three years ago](#). Note that this revenue excludes pumps and is blood glucose monitoring only.

We're cautiously optimistic that LifeScan can recover, given the right investment - J&J was not really appearing to invest in the business in our view. As a case study, Ascensia seems to be investing nicely in digital health under Panasonic Healthcare Holdings, plus LifeScan has a fairly appealing portfolio: The OneTouch Reveal app is very highly-rated on the [App Store](#) (average 4.7 stars from a remarkable ~15,200 reviews - this is of course a low number vs. its user number) and [Google Play](#) (average 3.9 stars from 5,890 reviews), and the [OneTouch Verio Flex integration with WellDoc](#) could bring valuable education and support to type 2s. Platinum could leverage its [global footprint](#) to drive BGM in developing nations, where the need for better glucose management for people with diabetes is massive.

Platinum Equity is a leading private investment firm with a portfolio of 30+ operating companies and 200+ acquisitions since 1995. The firm specializes in M&A&O - acquiring and operating companies, especially "non-core" divisions from the world's largest corporations. Platinum may be a capable business operator, but it is less experienced in healthcare than in other industries. Can it make the right investment in LifeScan?

J&J continues to pursue strategic options for Calibra Medical and the OneTouch Via bolus-only patch delivery device - we see this as a highly valuable asset though we also have not seen J&J invest in it. At ADA, we'll see a late breaker ([73-LB](#)) with CGM outcomes from an [RCT of Via vs. pen bolus delivery in ~280 type 2s](#) - the first look at glycemic management with the device!

-- by Maeve Serino, Brian Levine, Adam Brown, and Kelly Close