BioSpectrum
the business of Bio & Health Sciences

Varian to acquire Cancer Treatment Services International for $283M

21 May 2019 | News

This transaction will accelerate identification of unmet clinical and operational needs to facilitate advances in technology and services.

Taking an important step to accelerate innovation of new multidisciplinary solutions to address the growing global cancer burden, Varian Medical Systems has announced that it has entered into a definitive agreement to acquire Cancer Treatment Services International (CTSI) for $283 million. Privately held, CTSI operates the American Oncology Institute in Hyderabad and 10 multidisciplinary—radiation, medical and surgical oncology— cancer centers across the Indian subcontinent as well as a U.S.-based Oncology Solutions division that provides cancer care professional services to healthcare providers worldwide.

This transaction will accelerate identification of unmet clinical and operational needs to facilitate advances in technology and services. As a result, the combined companies will be positioned to create new multidisciplinary solutions based on robust clinical information benefiting oncologists, and ultimately resulting in better care for patients. These fast-growing offerings will allow Varian to expand its solutions, while helping to support the continued growth trajectory of the company's oncology systems business.

“At Varian, the patient and clinician are at the center of our thinking as we evolve into a broad-based cancer care solutions company,” said Dow Wilson, president and chief executive officer of Varian. “Our acquisition of CTSI is consistent with this strategy and will allow us to better support oncology centers globally, accelerate access to technology-driven care and build a feedback loop that will drive cost-effective innovation. We look forward to pooling the ingenuity of our combined team with the power of data, technology and clinical insights to achieve new victories against cancer, especially for the millions of patients globally without access to appropriate care.”

This transaction will increase Varian's expertise in cancer center operations, allowing for new partnerships globally to deliver world-class, value-based care in developed and emerging markets. In addition, the transaction expands the scope and geographic reach of CTSI's technology-enabled clinical solutions.

“We are excited to continue our mission to address the growing global incidence of cancer and the disparity in access to treatment between the developed and emerging markets,” said

Andrew Shogan, co-founder and executive director, CTSI. “Together with Varian, we will be better equipped to provide new solutions that empower more patients globally to fight cancer.”

“Effectively addressing the growing global cancer burden requires not just new technology and research, but also new ways of collaborating and partnering,” said Stanley M. Marks, M.D., co-founder of CTSI and chairman of UPMC Hillman Cancer Center. “This acquisition should now expand the development and implementation of new solutions for cancer care around the world.”

Key acquisition highlights:

- Brings Varian closer to the patient and provider to gain clinical data and insights critical to enhancing existing portfolio and expanding into new products and services
- Facilitates identification of unmet clinical needs to drive development of new technology-enabled services
- Increases Varian’s expertise in cancer center operations, and allows for new partnerships with providers globally to expand access to technology-driven care

Transaction and Closing Details

Varian will finance the acquisition with a combination of borrowings under its credit facility and cash on hand. The transaction is anticipated to close in approximately two weeks, subject to the satisfaction of customary closing conditions.

CTSI generated annual revenues of $43.5 million in the fiscal year ended March 31, 2019. Varian estimates the transaction will have a 6 cents per share dilutive impact to earnings on a GAAP basis and a 3 cents per share dilutive impact to earnings on a Non-GAAP basis for the remainder of fiscal year 2019. The Company expects this acquisition to be accretive to earnings per share during fiscal year 2021 on a Non-GAAP basis and fiscal year 2022 on a GAAP basis.

Updated Guidance for Full Fiscal Year 2019

Given the pro-forma impact of the CTSI acquisition and the gross impact from recently announced incremental tariffs, Varian is adjusting its FY19 annual guidance.

	Prior Guidanc
Revenues	$3.09 to $3.18
Y/Y	*6% to 9%*
Non-GAAP operating earnings as a percentage of revenues	17.0% to 18.0
Non-GAAP net earnings per share – diluted	$4.60 to $4.75
Cash flows from operations	$460 to $510

The guidance continues to assume a Non-GAAP effective tax rate of 21 percent to 22 percent, a weighted average diluted share count of 92 million, currency rates as of the beginning of the company’s third fiscal quarter of 2019 and excludes any future acquisitions.