

## Bucking the Trend

*Ever since the outbreak of the COVID-19 pandemic, hospitals have increasingly had to focus almost exclusively on meeting the challenges of the viral infection and consequently have had to put on hold investments for capital equipment in fields not directly related to the emergency. This has created difficult market conditions for companies selling products into the diagnostic imaging business. Despite the current tough market situation, the Italian company Esaote has posted better than expected sales revenues. We wanted to find out more about Esaote's success in bucking the current market trend so we spoke to Franco Fontana, CEO of the Esaote Group.*



Franco Fontana is CEO of the Esaote Group

**Q** *What exactly has been the effect of the pandemic on the diagnostic imaging market in general?*

2020 was a challenging year that saw the front line of the medical industry understandably focussed almost exclusively on meeting the demand for diagnosis and treatment of patients with COVID-19. The performance of the global diagnostic imaging market showed an overall contraction because of the pandemic, which negatively affected investments in areas not directly involved in dealing with the emergency (e.g. MRI, cath-labs, nuclear medicine, etc.). A similar contraction (10%) also occurred in the Healthcare Information Technology sector, again due to priorities shifting capital expenditures to face the emergency.

**Q** *One of your key sectors is ultrasound. How did this sector fare world-wide?*

According to the healthcare market research company Signify Research, in 2020 the total market for ultrasound, including portable and cart-based systems, showed a global decrease of about 9%, with the biggest decline being in premium and high-end cart-based systems. What demand there was for ultrasound was mainly driven by critical care and emergency medicine while there was a decline in areas like general radiology, cardiology and ob/gyn.

**Q** *Despite this overall market contraction, Esaote posted a growth in revenues in ultrasound sales. How do you explain this?*

We were able to react to the changing market needs by timely re-direction and re-organization of our production and activity in our compact models and mid-low cart-based systems. Thus our revenues in ultrasound as a whole grew by about 7% compared to 2019, with sales driven by portable systems, whose agility and versatility make them particularly suitable for the needs of intensive care units and emergency rooms. We also had excellent results with our latest X-line generation of cart-based ultrasound systems, especially in the mid-low range. While we're

on the subject of ultrasound, it should be said that our latest generation ultrasound systems are highly appreciated in the market principally because they allow optimization of the workflow, that in turn means higher productivity and image quality. In addition, our wide range of probes and software applications result in high performances in shared service situations, so providing huge added value to end-users.

**Q** *In the other significant parts of your business, namely IT healthcare and MRI, did you succeed in limiting the effect of the global market contraction on your sales?*

Yes. In the MRI and healthcare IT business lines, we succeeded in limiting the contraction to that of the general market, despite both sectors suffering by the shift of priorities caused by the pandemic. In fact, considering the changing scenario both lines actually performed comparatively well — in some regions, like Western Europe for example, our dedicated MRIs even experienced single-digit growth compared to 2019. Our healthcare IT business was able to leverage our large installed base, diversified channels and long-term contracts, so allowing us to contain the contraction to that of the general market or slightly better.

**Q** *What effect have these results had on internal investment and head-count? Did you make use of any "safety net" plans that were put in place by many government authorities to mitigate the effects of the pandemic on companies and their employees?*

The Group did not make any use of social safety nets during the year. Instead we continued to pursue our growth strategy by maintaining and increasing our activities across the board, from production right through to technical assistance in the field. Against this background, we pursued a human resource policy which has led to an overall growth in the number of employees during 2020: the Esaote Group now counts about 1.200 employees, which is an 8% growth with respect to 2019.. New hires were especially directed to

R&D and the Sales & Marketing sectors, as we want to be ready as soon as possible as normal hospital functioning re-starts.

**Q** *Talking of increasing head-count, is it easy to hire new staff of the high quality you need?*

Esaote cooperates closely with Italian and European Universities to attract young talent. We are especially proud of our recently launched “e-generation” project, which is an Esaote Academy aimed at prioritizing the hiring of young graduates in the STEM (Science, Technology, Engineering and Mathematics) disciplines. These new recruits are typically employed in our R&D, application and marketing departments, through a structured and comprehensive focussed program of theoretical and practical studies.

**Q** *A couple of years ago, the share capital of Esaote was acquired by a consortium of Chinese investors. Who are these investors and how is the new situation working out?*

The relationship with our new shareholders is extremely positive. The consortium is composed of leading medical technology and healthcare companies: Yuwell and Wandong Medical, as well as financial investors, YF Capital, and Shanghai FTZ Fund, Tianji who have significant experience in the healthcare sector. We view this as a great opportunity for Esaote and the company’s future development particularly since the consortium share the Esaote vision of excellence in our core businesses.

Close cooperation with our two new industrial partners was particularly useful during the COVID pandemic. For example, along with our own core portfolio, Esaote was able to deliver mobile DR imaging and respiratory units to meet the need of critical care units. We are also working together on new projects with the aim of expanding our portfolio and further developing our position in the diagnostic imaging industry. The whole management team and I are very happy to be working with the new investors — we have succeeded in combining Italian creativity with the Chinese pragmatic approach to put together an ambitious industrial plan that blends innovation — which is still the core of our competitiveness — and channeled creativity.

**Q** *Traditionally Esaote’s markets have been Europe and North America. Should China now be added as a domestic market?*

Geographically speaking, Europe, China and North America will continue to be the reference markets for Esaote, but with Italy and China now in the role of “double domestic market”. That this can work is thanks on the one hand to the truly Italian combination of research, design and marketing based in Genoa and Florence and on the other hand to synergies with our Chinese shareholders for expansion in a market with enormous potential.

*“...we have succeeded in combining Italian creativity with the Chinese pragmatic approach to put together an ambitious industrial plan...”*

Our global presence is shown by the fact that we have fourteen directly-owned subsidiaries and a wide distribution network so that in total Esaote is present in more than one hundred countries. In addition, we have our own R&D centers and production plants in Genoa and Florence in Italy and in Sittard in the Netherlands;

**Q** *You outlined 2021 as being a key year for the continued development of Esaote in general and in technological innovation. What are the company’s objectives for the rest of this period?*

We wanted to build on the positive results of 2020 which confirmed the group’s growth strategy, aimed at playing a leadership role in our three reference sectors. In 2021 we will measure ourselves on our ability to leverage our new products to drive a further growth step.

In particular we continue to focus on innovation as a key differentiator of our unique offer of non-invasive technology. We see a gradual return in 2021 to a more or less normal market which will nevertheless still be affected by some restrictions at least until the fourth quarter. However, key to this is facilitating the return of patients to hospitals and private clinics for routine, but important, examinations that may have been postponed during the pandemic. After more than a year in which COVID-19 completely dominated all diagnostic priorities, we believe that healthcare providers will be actively encouraging their personnel to get

patients back into follow-up exams and preventive diagnostic processes.

**Q** *What technological developments can be expected in the rest of 2021?*

Contrary to what you might expect in the middle of a pandemic, in 2020 we actually intensified our plans to be ready to take-up the post-pandemic demand in all our three sectors. So, we will be launching new products and technology that are new advances on the state-of-the-art. In the ultrasound sector, we have just launched two new high-performance systems in the mid-high segment [See Inset] and a range of new ultrasound probes that complete and strengthen our product portfolio. In general, Esaote will continue to make available products that are increasingly aligned with our customers demands. We will integrate high-diagnostic solutions with artificial intelligence- derived algorithms to increase productivity in the actual carrying out of exams and to facilitate diagnosis.

**Q** *You mentioned AI. To what extent is Esaote involved in AI methodology?*

Esaote has a strong background in AI which principally comes from our Healthcare IT division. AI is making a lot of headlines these days and the reason is simple. The application of AI-derived algorithms makes it possible for health professionals not just to increase their diagnostic certainty but also to issue reports more quickly and in general to make the clinical decision-making process easier. We believe that the true success of AI in healthcare will happen when the time that humans spend on routine, tedious and repetitive tasks is taken over at least partly by AI, so that human intelligence can focus on other more important subjects. Thus, our AI research is always aimed at helping healthcare professionals — we recognize that they retain a central role and responsibility in analysis and the final decision-making processes.

**Q** *Some of Esaote’s competitors in the diagnostic imaging field are much bigger than you. How does this affect your strategy?*

One of the great advantages of being a medium-sized company is the ability to

react quickly to the changing demand of the market and to provide swift solutions. This was clearly shown during the most critical period of the COVID pandemic, as our agility allowed us to adapt and act quickly both to the market and within our organization to ensure continuity of supply in a safe environment. In addition, our size means we can innovate more actively, which has historically always been our key success element.

**Q** *Most of our conversation so far has focussed on ultrasound but we mustn't forget your Healthcare IT and MRI business. What about them?*

I don't want to give the impression that we are only an ultrasound company. Healthcare IT is our second largest business in terms of revenues. Through our subsidiaries Ebit in Italy and PMI/3mensio in the Netherlands, we play a leadership role in accelerating digital transformation. Our Healthcare IT solutions in enterprise imaging and quantitative analysis software are present in almost 30% of Italian hospitals and in approximately 60% of the world's interventional cardiology centres. Our software enables processes ranging from the optimization of hospital workflows to the application of artificial intelligence to guide professionals during diagnostic and therapeutic processes. The pandemic has accelerated the global need for digital transformation of the healthcare system. Our healthcare IT systems are ready to drive those changes, which in turn will favor de-centralization and closer patient monitoring. We foresee that technologies such as telemedicine, second-opinion, remote monitoring leveraged by AI and interoperable systems will experience strong growth in the context of advanced IT infrastructures.

In MRI, Esaote has pioneered and is a leader in the worldwide market of dedicated MRI systems which allow high-quality imaging and shorter scanning time in reduced space. We believe these features will increasingly be recognized in the future. For MRI, 2021 is again a crucial year for us to re-affirm our leadership, with important innovations planned to strengthen our core portfolio. Similarly, we expect a new wave of strong demand in dedicated MRI systems pushed by hospital re-organization, increased post-pandemic requests and the aging population. This is confirmed by new arrivals in the field, testifying to the high interest in such technologies.

**Q** *Overall how do you see the future of the healthcare imaging market in general and in Esaote in particular?*

Before the pandemic, medical imaging was expected to grow constantly over the next five years and there is still active development in many fields. Analysts predict that in one or two years there will be a recovery and growth will return to previous rates but in any case there is no doubt that the industry will still be attractive. The healthcare imaging sector will be called on to provide further solutions not just to facilitate safe diagnoses but also to progressively shift to supporting prognoses and monitoring patient response to therapy.

Thus, as I hope I have got across in our conversation, Esaote has ambitious growth plans whose roots lie in the uniqueness of our portfolio. More and more the synergy between our three businesses is bringing competitive advantage. Image fusion, advanced clinical applications based on AI, IoT, image quality and post-processing, optimized workflow are just examples of areas of excellence which are spread across all our businesses and will undoubtedly strengthen our position in international markets.

## A Powerful and Innovative Ultrasound System based on Advanced X ULTRA™ Technology

Esaote has just launched the new MyLab™X9 ultrasound system. Powerful and innovative, thanks to the premium 64-bit X ULTRA™ platform, MyLab™X9 guarantees the highest level of image quality and data processing capability, using the latest technological solutions to explore the new frontiers of ultrasound imaging.



*“The introduction of MyLab™X9 marks an important step in the current international market, where many companies have been forced to revise their development and investment plans, because of the pandemic,”* says Guillaume Gauthier, Global Product Marketing Manager. *“Artificial intelligence, intuitiveness, connectivity, and multimodality combined with an Italian design improve the daily clinical experience by matching high-quality performance 3-year technical coverage, to reinforce the return on investment”.*

MyLab™X9 offers a wide range of premium technologies and a multi-parameter approach to diagnosis in various applications, such as

- innovative packages for breast imaging with the exclusive BreastNav™ MRI for fusion imaging of ultrasound and MRI images;
- liver disease diagnosis and staging; monitoring and treatment guidance of focal lesions with a renewed and enhanced version of the Virtual Navigator fusion imaging function;
- urology, with UroFusion, real-time image fusion with transrectal or transperineal approach to support prostate biopsies and ultrasound-guided focal treatments;
- musculoskeletal imaging, sports medicine, and rheumatology, with probes up to 25MHz and advanced technologies such as QElaXto 2D for tissue elasticity assessment.

The new MyLab™X9 system incorporates many of the latest technological advances, including a high quality 24" Barco Eonis monitor, iQProbe probes using Single Crystal technology with high sensitivity and appleprobe ergonomics, and an eStreaming solution for sharing clinical images and camera stream in real-time on various devices, such as tablets, mobiles, and laptops.

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