

Impact of Global Currency Changes on Medical Device Sales and Profitability

Based on a survey of 260+ medical device executives

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CANADA	CAD	0.9512	0.88
CHINA	CNY	7.3769	6.09
EURO	EUR	0.6644	0.610
JAPAN	JPY	109.00	102
SINGAPORE	SGD	1.3712	1.263
HONG KONG	HKD	7.8043	6.40
NEW ZEALAND	NZD	1.7646	1.06
	MYR	2.2536	2.18

Executive summary

Starting about one year ago, the US Dollar began to strengthen in value compared to the Euro and other currencies. For American companies exporting to Europe, this was not a good trend. By early 2015, American products were 25% more expensive to European buyers than they were six months earlier. Conversely, European exporters suddenly found their devices to be more competitive with US made products.

However, as with everything in our complex interconnected economy, the winners and losers are not as clear as it may seem. Overall, most medical device companies surveyed worldwide – even many European companies - say that currency fluctuations have negatively impacted their sales/turnover and profitability. Nearly half of companies have adjusted to the “new normal” by making changes to pricing. That, in turn, affects profitability as our survey shows.

Nonetheless, exchange rates, like the wind, will inevitably change direction. How long from now and which direction they will go is anyone’s guess.

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Currency exchange rate charts for 2014 and 2015

Aug 25, 2014	USD	EURO	GBP	CHF	CAD	CNY	JPY	AUD
1000 USD =	1000	757	603	916	1098	6156	103970	1076
1000 EUR =	1320	1000	796	1207	1450	8126	137265	1420
1000 GBP =	1658	1256	1000	1516	1820	10207	172416	1783
1000 CHF =	1093	828	659	1000	1200	6729	113666	1176
1000 CAD =	911	690	549	833	1000	5607	94710	980
1000 CNY =	162	123	98	149	178	1000	16892	175
1000 JPY =	9.6	7.3	5.8	8.8	10.6	59.2	1000	10.3
1000 AUD =	930	704	561	850	1020	5722	96650	1000

Aug 25, 2015	USD	EURO	GBP	CHF	CAD	CNY	JPY	AUD
1000 USD =	1000	877	637	950	1330	6412	119910	1391
1000 EUR =	1140	1000	727	1082	1517	7316	136800	1587
1000 GBP =	1570	1376	1000	1489	2086	10063	188172	2183
1000 CHF =	1054	924	672	1000	1401	6759	126388	1466
1000 CAD =	752	660	479	714	1000	4822	90181	1046
1000 CNY =	156	137	99	148	207	1000	18700	217
1000 JPY =	8.3	7.3	5.3	7.9	10.1	53.4	1000	11.6
1000 AUD =	719	630	458	682	956	4608	86181	1000

To get a sense of how much your home currency has changed in relation to other currencies, view graphs showing the historical exchange rates for the last 2 years:

[USD to Euro \(EUR\)](#)

[USD to British Pound \(GBP\)](#)

[USD to Swiss Franc \(CHF\)](#)

[USD to Canadian Dollar \(CAD\)](#)

[USD to Chinese Yuan Renminbi \(CNY\)](#)

[USD to Japanese Yen \(JPY\)](#)

[USD to Australian Dollar \(AUD\)](#)

Plus many additional more currency pairings [here](#).

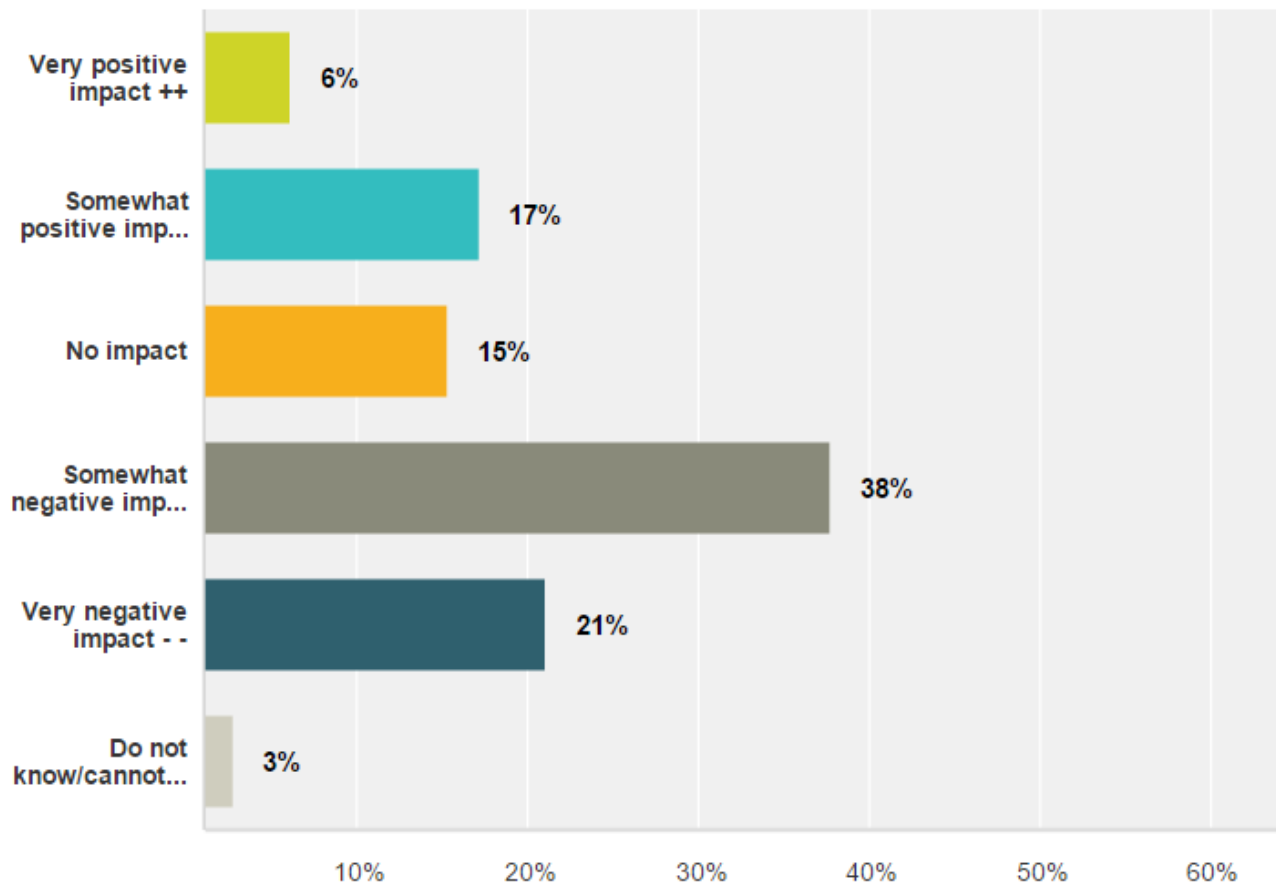


Exchange rate impact on export sales/turnover

When the exchange rate changes, there are winners and losers. Let's examine who won and lost.

During 2015, what impact has the change in the currency exchange rate had on your **EXPORT SALES/TURNOVER**?

Results shown for **all** device executives worldwide



Globally, more than 59% of the medical device executives we surveyed noted that the changing exchange rate has had a “Somewhat Negative” or “Very Negative” impact on their sales/turnover. Only 23% said it was having a positive impact.

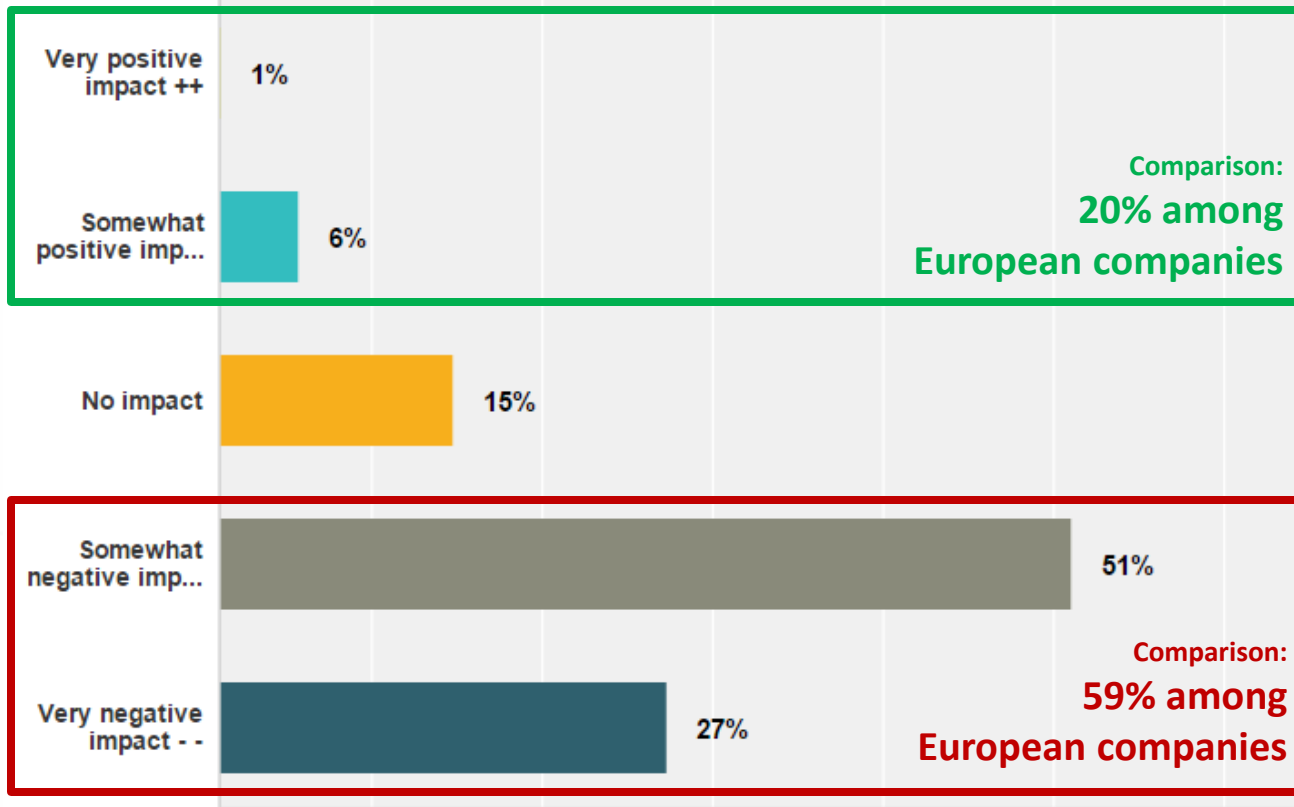
Not surprisingly, the results of this question varied based on the location of the company as the following graphs will show.

Based on 262 responses

During 2015, what impact has the change in the currency exchange rate had on your **EXPORT SALES/TURNOVER?**



Results shown for **US** executives only



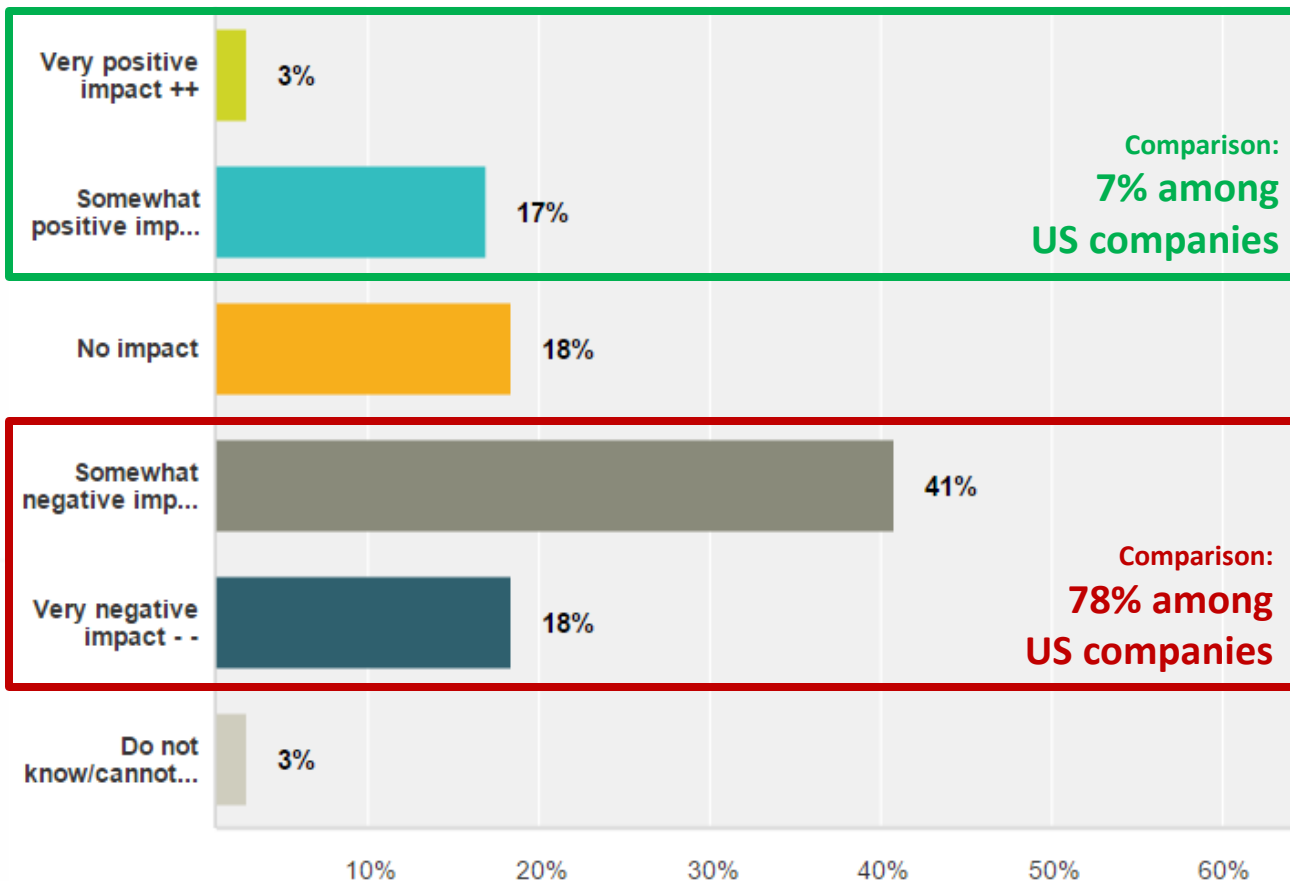
More than 78% of American companies say the currency situation has hurt their export business, with a scant 7% saying the impact has been positive.

Conversely, more than 60% of survey respondents from China and Japan say the currency shift has had a positive impact on their export business.

Based on 88 responses

During 2015, what impact has the change in the currency exchange rate had on your **EXPORT SALES/TURNOVER?**

Results shown for **European** executives only



We expected that most European companies would celebrate a stronger US Dollar, but the results surprised us. Roughly 59% of European device executives noted that the changing exchange rate has had a negative impact on their sales/turnover. Swiss and UK based companies (not on the Euro) reported especially “negative” scores more in line with American companies, and certainly different than their European counterparts.

Based on 71 responses

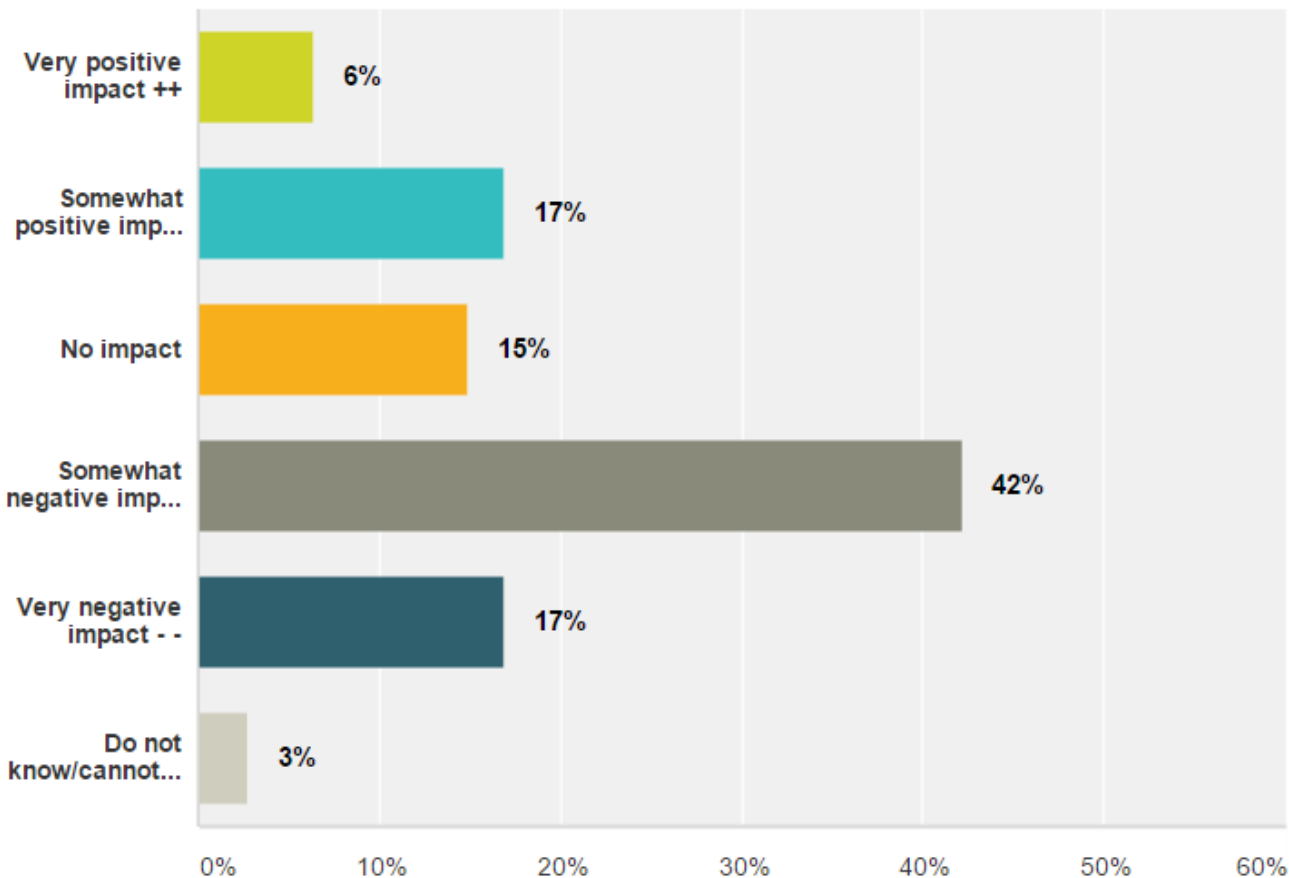


Exchange rate impact on profitability

Fluctuating currencies impact sales/turnover over time but have an immediate impact on profitability. We examine who has benefitted from currency shifts.

During 2015, what impact has the change in the currency exchange rate had on your **PROFITABILITY**?

Results shown for **all** device executives worldwide



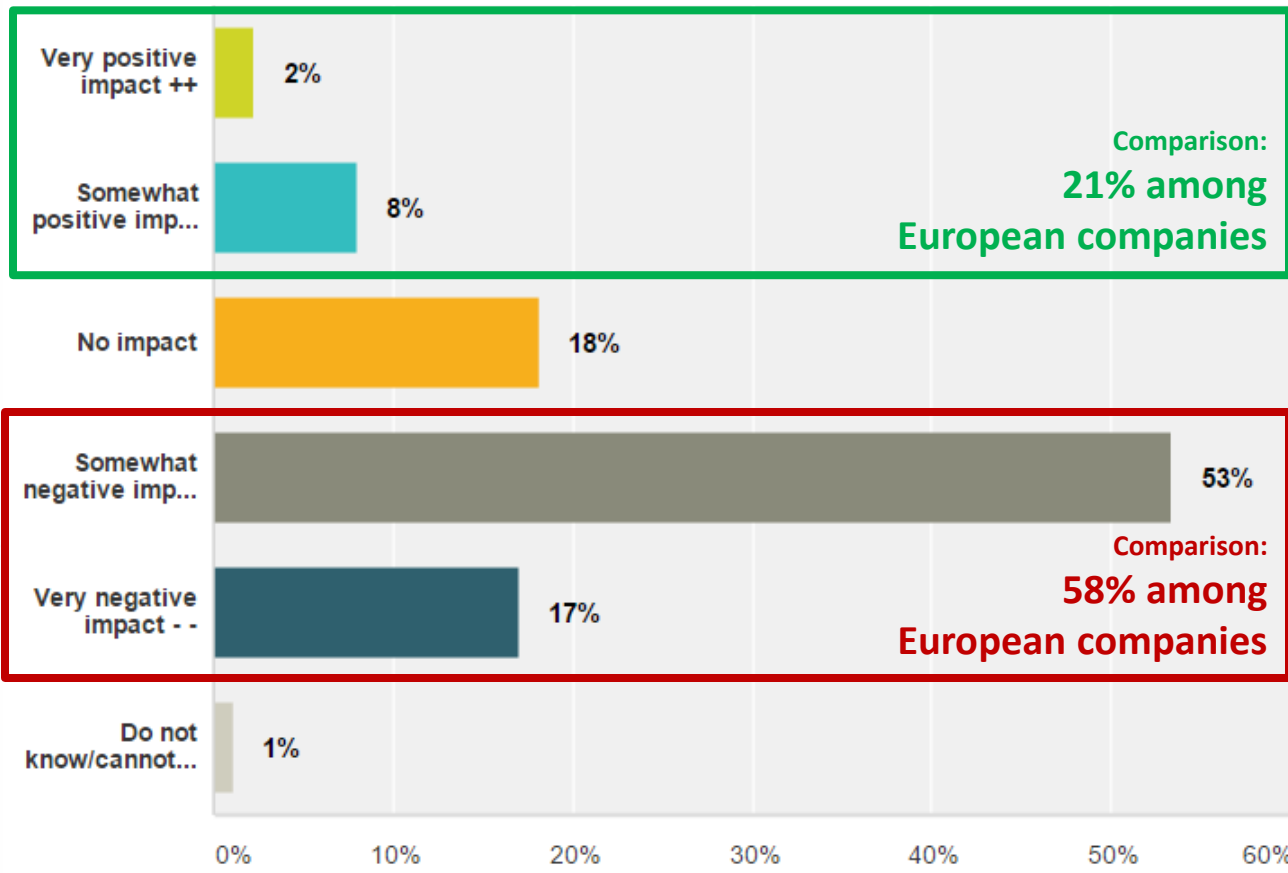
The impact of changing exchange rates on profitability is felt quickly by companies. Many public device companies have stated in their 2015 quarterly reports that currency was having significant ongoing negative affect on their bottom line financial results.

Interestingly, once you remove US and European companies from the mix, more than 37% of the 85 companies replying say the situation has been positive for their company, with only 50% indicating it has been negative.

Based on 256 responses

During 2015, what impact has the change in the currency exchange rate had on your **PROFITABILITY**?

Results shown for **US** executives only



Due to the strength of the US Dollar, the impact of changing currencies is felt more acutely by American companies, especially considering the relative change in the US Dollar to the Euro since Q4 2014.

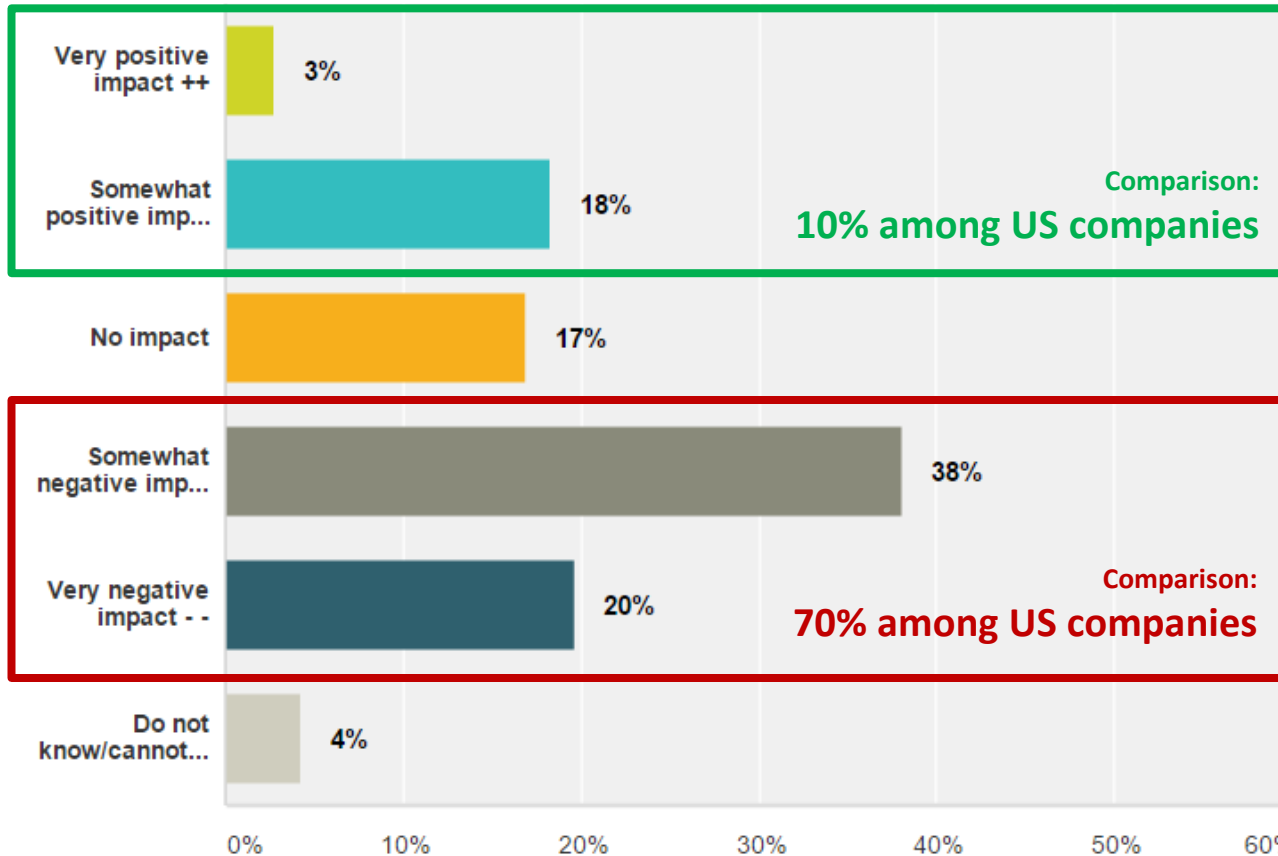
As the chart shows, US-based companies are finding it far more difficult to make money than their European colleagues.

Interesting, if we had excluded UK and Swiss companies, the overall "Negative" rating would have dropped to 46%.

Based on 88 responses

During 2015, what impact has the change in the currency exchange rate had on your **PROFITABILITY**?

Results shown for **European** executives only



This chart shows the results for all European companies, including those in the UK and Switzerland. However, the numbers change when you exclude these two countries which use the British Pound and Swiss Franc. More than 80% of respondents from those two countries reported “Negative” impacts on profitability. Just 4% reported a “positive” impact.

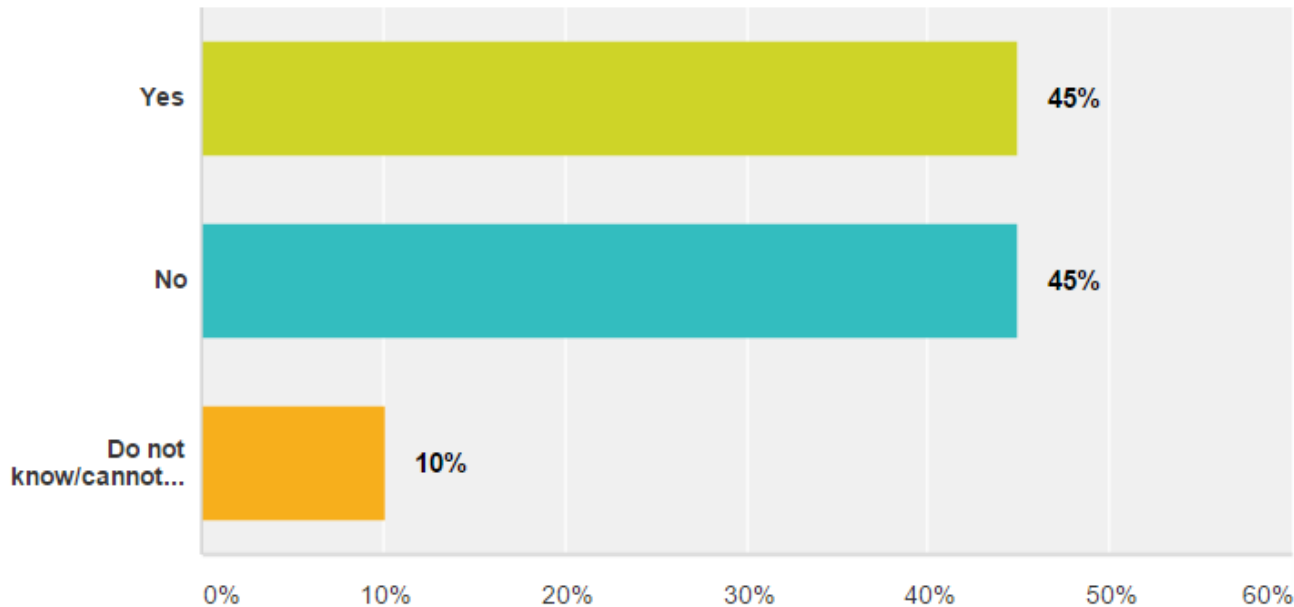
Based on 71 responses



Changes to pricing and market strategy

We wanted to know whether medical device executives were planning (or able) to change their pricing or market strategy in response to currency exchange rate fluctuations.

During 2015, have you made (or plan to make) any **PRICING** changes as a direct result of currency exchange rates?



Globally, executives were evenly split on how they planned to handle pricing changes. We sorted the data by location and company size and found no major differences in how companies are dealing with this issue.

Based on 256 responses

Will you make any changes to your **MARKET STRATEGY** in 2015 due to currency exchange rates?



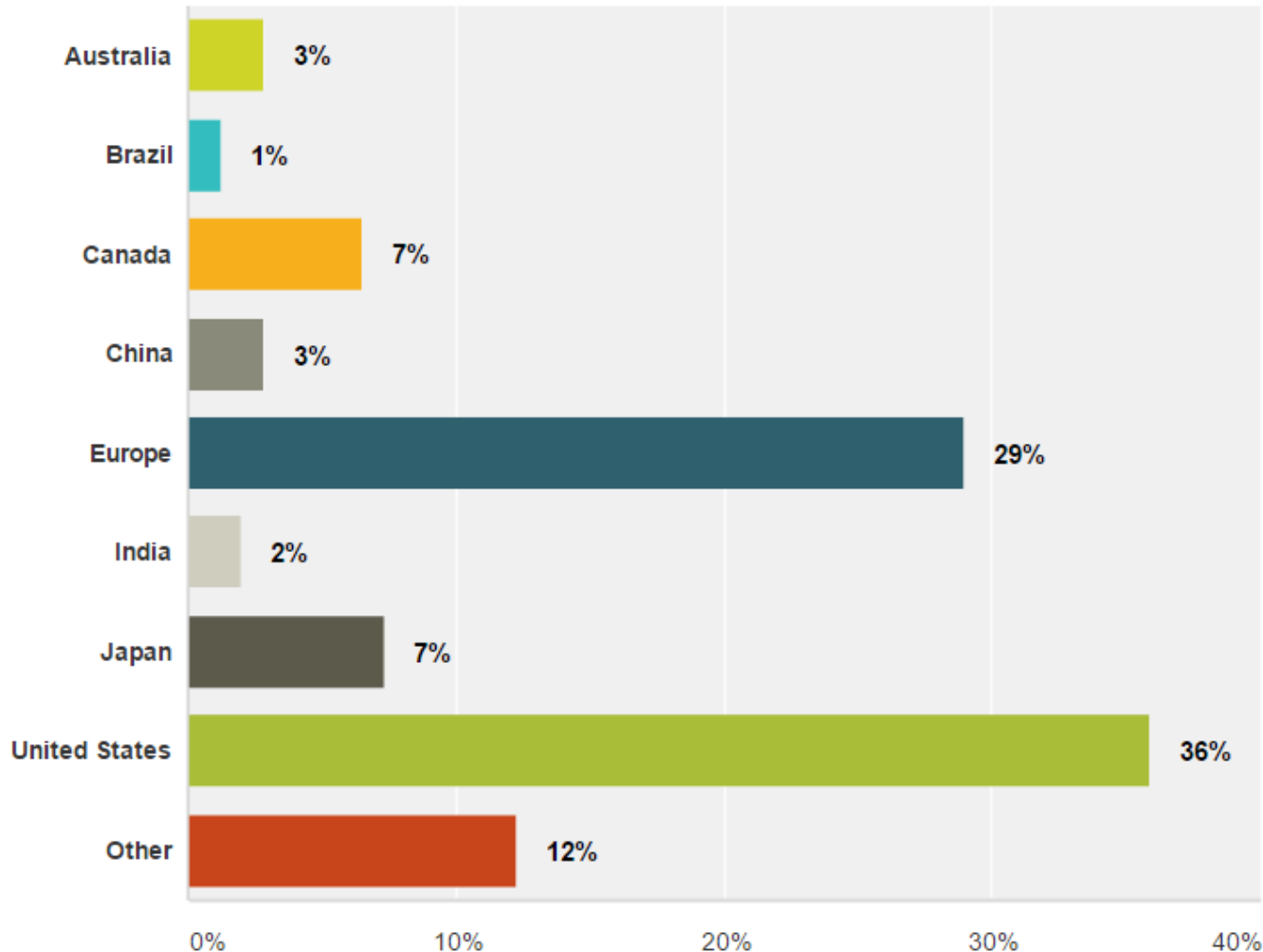
Answer Choices	Responses	
▼ We will withdraw our devices from some markets due to the currency changes	3%	7
▼ We will accelerate our plans to enter some markets due to the currency changes	18%	46
▼ No changes planned at this time	68%	171
▼ Do not know/cannot disclose	11%	27
Total		251

Given the long timeframe for gaining regulatory approval in many markets, and the fickle nature of changing exchange rates, it is not surprising that many companies do not plan to make rash changes in response. Only 10% of American companies plan to accelerate their entry into new markets (likely to make up for lost revenue), but 24% of European companies (excluding UK and Switzerland) plan to seize the opportunity to increase their exports.



Who completed this survey

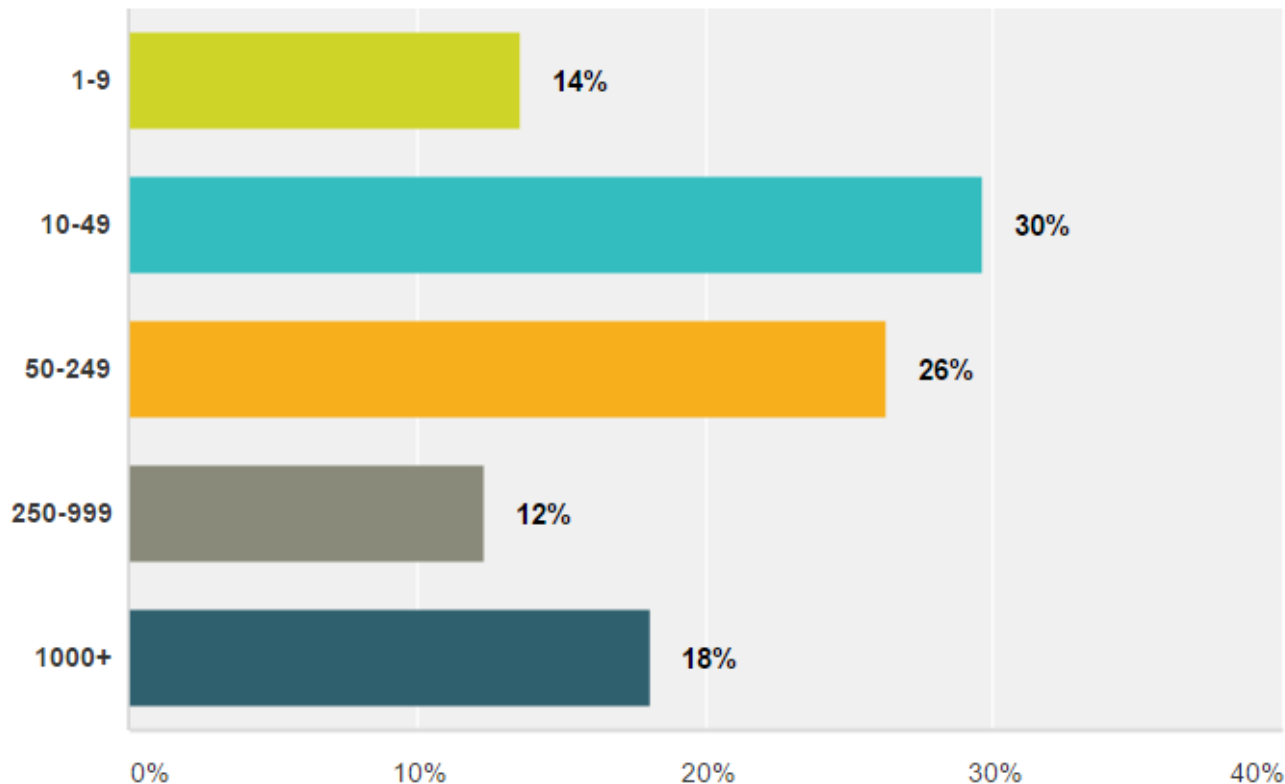
Location of respondent



The respondents to our global currency survey represent a broad cross section of medical device and IVD operations and sales/marketing executives worldwide.

Based on 245 respondents

How many people work for your company worldwide?



Respondents to our global currency survey also represent all sizes of companies, from very small companies to large multinationals.

All executives that participated export their devices to one or more markets.

Based on 243 respondents

Survey methodology

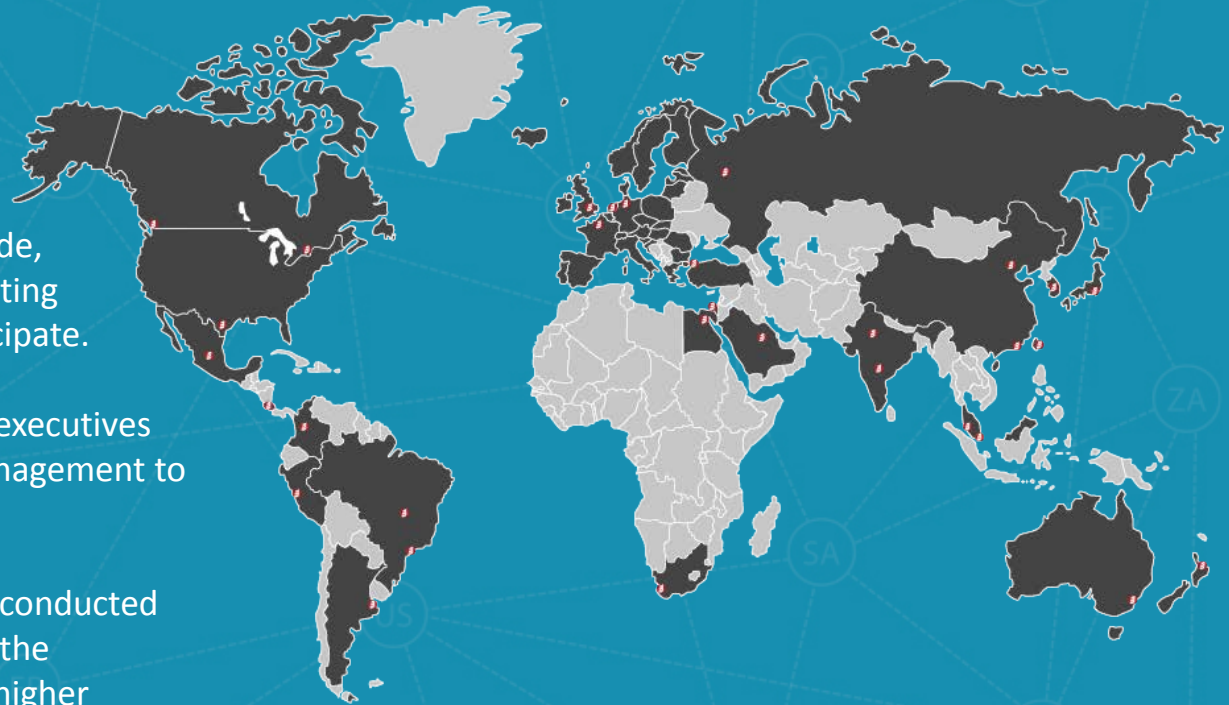
This survey was emailed to an in-house list of medical device executives maintained by Emergo.

Respondents were located worldwide, but only companies currently exporting their devices were allowed to participate.

In addition, we only invited C-level executives and Sales/Marketing/Exporting management to complete this survey.

We realize that this survey was not conducted in a scientific manner, and because the numbers are fairly small, there is a higher margin for error in the results. You should interpret the results with this in mind. Nonetheless we feel the data yield important general insight into how this issue is affecting medical device companies worldwide.

We welcome your feedback or questions.



For more information...

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