**Thoratec May Entice J&J, Medtronic, Abbott, Oracle Says**

By Alex Nussbaum and Robert Langreth -Dec 6, 2011 2:15 PM MT

[Thoratec Corp. (THOR)](http://www.bloomberg.com/apps/quote?ticker=THOR:US), maker of implantable heart pumps, may attract bids from [Johnson & Johnson (JNJ)](http://www.bloomberg.com/apps/quote?ticker=JNJ:US), Medtronic Inc. or [Abbott Laboratories (ABT)](http://www.bloomberg.com/apps/quote?ticker=ABT:US) if the company seeks a buyer, said Oracle Investment Management Inc., a Thoratec investor.

Thoratec needs the resources of a bigger company to reach its potential in a market for heart-failure patients that may reach $10 billion in annual sales, Larry Feinberg, Oracle’s founder, said in a telephone interview today. The Greenwich, Connecticut-based hedge fund, controller of 3.12 million Thoratec shares, wrote to the company’s board yesterday urging it to retain an investment bank for an auction.

Thoratec, with a market value of about $1.88 billion, would be an “undeniable” fit for makers of implantable defibrillators like Medtronic, St. Jude Medical Inc. and [Boston Scientific Corp. (BSX)](http://www.bloomberg.com/apps/quote?ticker=BSX:US), Feinberg said. Johnson & Johnson’s chief financial officer said in a September conference that his company is interested in the heart-pump business as well.

“The executives of the medical-device industry are looking for where the growth is and they recognize this is it,” Feinberg said. “At this point in time, we have more confidence a big company can take this to the next level.”

The device maker was a pioneer in the development of so- called left-ventricular assist devices, used to take over the workload for failing hearts. The Pleasanton, California-based company rose 1.2 percent to $31.38 at 4 p.m. in New York trading, reaching its highest level since Nov. 1.

**Auction Price**

Feinberg said the company may fetch $60 in an auction, more than analyst estimates of about $34. At $34, a sale is “not going to happen,” he said. “I wouldn’t sell at that price and management wouldn’t either.”

Sixteen analysts in a Bloomberg survey have an average target price for the company, in a year’s time, of $36.56.

Thoratec might make sense for any of the large device makers, who have seen declining sales and profit margins for other products, said Thomas Gunderson, a Piper Jaffray & Co. analyst based in [Minneapolis](http://topics.bloomberg.com/minneapolis/). The potential sales price depends on how many suitors arise, he said by telephone.

Thoratec’s shares dropped 25 percent between Oct. 27 and Nov. 23, a period in which rival [HeartWare International Inc. (HIN)](http://www.bloomberg.com/apps/quote?ticker=HIN:AU) announced better-than-expected revenue while Thoratec lowered sales projections for 2011. Even with the decline, the stock has gained 11 percent this year.

Ebb and Flow

“This is still a relatively nascent market and it is going to ebb and flow,” Gunderson said. “Overall, it’s still a strong growth trajectory at a higher angle than any of the big strategic companies are on.”

Thoratec “appreciates the views of our stockholders,” said Susan Benton Russell, a company spokeswoman, in an e-mail. “We are dedicated to enhancing value and will continue to maintain an open dialogue with all of our stockholders.”

Adelle Infante, a spokeswoman for [Abbott Park](http://topics.bloomberg.com/abbott-park/), Illinois- based Abbott, and Carol Goodrich, a spokeswoman at J&J, in [New Brunswick](http://topics.bloomberg.com/new-brunswick/), [New Jersey](http://topics.bloomberg.com/new-jersey/), both said their companies don’t comment on rumor and speculation. Amy von Walter, a spokeswoman for Minneapolis-based [Medtronic (MDT)](http://www.bloomberg.com/apps/quote?ticker=MDT:US), also declined to comment. Calls weren’t immediately returned by Denise Kaigler, a spokeswoman for Natick, Massachusetts-based Boston Scientific and Rachel Ellingson, of [St. Paul](http://topics.bloomberg.com/st.-paul/), Minnesota-based St. Jude.

J&J is interested in ventricular assist devices and another fast-growing category, minimally invasive artificial [heart valves](http://topics.bloomberg.com/heart-valves/), CFO Dominic Caruso told investors at a Sept. 13 conference. Still, the companies in those markets are “overvalued,” he said at the time.

Oracle Stake

Oracle increased its stake in Thoratec to 3.11 million shares, according to a regulatory filing yesterday. That would represent 5.2 percent of outstanding shares, making the fund Thoratec’s second-biggest shareholder, according to Bloomberg data. Earlier this year it had been the fifth biggest.

The fund’s letter called growth for the Thoratec’s HeartMate pumps “unsatisfactory” and said the company hasn’t meaningfully expanded its market share in [Europe](http://topics.bloomberg.com/europe/).

“Thoratec is unable to maximize [shareholder value](http://topics.bloomberg.com/shareholder-value/) as an independent company,” the letter said. “We believe that an auction process would be the most effective means to find a suitable acquirer and urge the board of directors to take action now to retain an independent investment bank to maximize shareholder value.”

The market for ventricular-assist devices may increase to 10,000 implants in 2015 from 4,000 in 2010, the Oracle letter said. In the third quarter of 2011, Thoratec revenue increased 13 percent to $102.6 million from a year earlier.

The company ended a proposed merger with its chief rival, Framingham, Massachusetts-based HeartWare, in July 2009 after U.S. regulators said they would challenge the deal.

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