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## Advanced Bionics' new tech could take share from Cochlear

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Cochlear has been secure in its position as a cochlear implant market leader almost since its inception, and is finally seeing something approaching competition. Advanced Bionics, a subsidiary of the Swiss company Sonova, is preparing the global launch of a new processor, electrode and implant that are more technologically advanced than anything Cochlear has to offer. While AB cannot hope to take the top spot, it is starting to nip at Cochlear's heels.

There will only be a short window for AB to make its mark before Cochlear starts its fightback. The Australian group is expected to launch a new, slimmer implant and upgraded processor in 12-18 months' time, following the recall of its older CI500 Series implant. Nonetheless, the future will see AB grow in importance. Sonova's cochlear implant sales are seen to grow at 18% a year to 2018, according to *EvaluateMedtech*, compared with Cochlear's 11%.

### New tech

AB seems to be living up to its name. UBS analyst Andrew Goodsall said the processor is the first to better Cochlear's technology in more than a decade.

The new sound processor – the part of the device that sits behind the patient's ear, detecting sound and converting it to electrical impulses – can allow the patient to focus on one nearby person in a noisy environment. It can also connect wirelessly to mobile phones, computers and televisions. The processor is 40% thinner than AB's previous device, and is the same size as Cochlear's Nucleus 5 Sound Processor.

The new AB processor, as well as the updated electrode and implant, are as yet unapproved. European launch is expected in the first half of this year, with US release following around six months later.

Cochlear has 65% of the \$860m worldwide cochlear implant market, compared with Sonova's 15%. But the underdog is aggressively challenging the status quo, and is on track to take its market share to around 20% by 2015, according to UBS. Sonova's cochlear implant sales are forecast by UBS to reach SFr248m (\$267m) by 2016, helped in no small part by the new launch.

### Recalls

Both companies, however, are bouncing back from earlier misfortune. The recall of Cochlear's CI500 Series implant, initially used with the Nucleus 5 processor, from around 75 countries in September 2011 was a disaster for the company, causing a 30% collapse in its share price, which is only now recovering. The HiRes 90K cochlear implant device developed by AB was recalled for safety reasons in November 2010, causing a drop in sales of around SFr65m for the 2010 financial year and a 34% share price fall when Sonova issued a profit warning the following March. Thus the Swiss firm has yet to prove the value of forking out \$489m in cash to buy AB in November 2009.

For now it looks as if Cochlear will continue leading the market. But its market share is eroding, and the sounds of competitors are getting louder.

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