

NEW RISK ALERT: (SYK)

Stryker Warns China Will Soon Pick Medical Device Winners & Losers

Expect impairment charges from medical device companies not selected to participate in China's national procurement program.

By [Nick Winkler](#)

April 29, 2021

This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, are powerful indicators of future performance. Companies that change filing language and structure underperform those that don't by 30-50 basis points per month for the following year.

Stryker Hints at Potential Loss of Business In China

Stryker, a medical device company, flagged China's thirst for medical devices as a new risk that may devalue its Chinese business should it not be selected to participate. In its most recent [10-Q](#), Stryker disclosed the program and its objective:

"In China the government launched a national program for volume-based procurement of high value medical consumables to reduce healthcare costs."

Government contracts, according to Stryker, will be awarded to the lowest bidders who are able to satisfy China's quality and quantity requirements. Winners not only lock in guaranteed sales, they're also positioned to lower distribution and commercial costs. Conversely, Stryker suggests not being selected for a national contract will result in serious consequences:

"The successful bidders will be guaranteed a sales volume for certain periods, **while losing a volume-based procurement tender process will result in a loss of market share.**"

Stryker is providing information requested by the Chinese government to win deals for the company's joint replacement, spine, and trauma products. Stryker did not provide a timeframe on a procurement decision in China, but did include language that may signal a lack of confidence:

"...closely monitoring this process for any indicators of potential impairment of goodwill or intangible assets related to our business in China."

In 2020, China accounted for approximately 2% of Stryker's total revenue.