

# Medical Devices: State of the Market, Investment Climate, Keys to Success

Dave Skibinski

President and CEO - *QuantumMethod*

## Dave's Background

### » Education

- Univ. of Southern California – MBA
- Indiana University – Biology

### » Resume

- QuantumMethod
- ViaSpace
- iDealab
- Dendrite Intl.
- GlaxoSmith Kline
- College basketball coach



# How QuantumMethod Helps



**What we have done for others.**

**case studies**

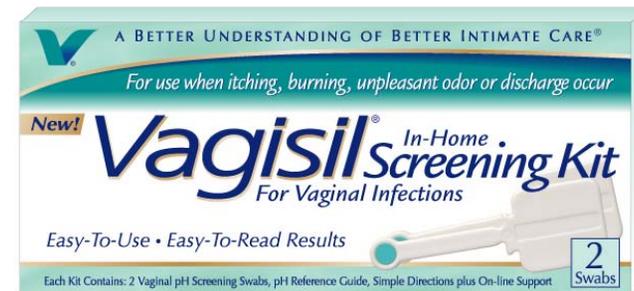
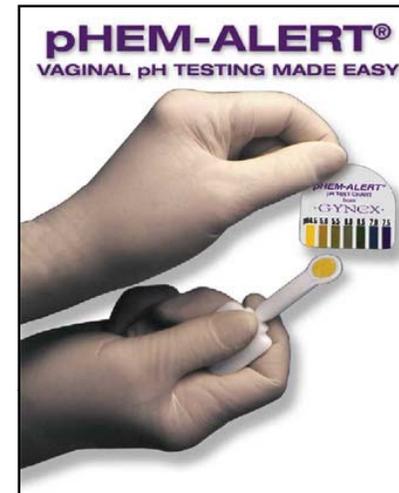
ADVERTISING **BUSINESS AND MARKET STRATEGY** CRM **PRINT** ECOMMERCE **BRAND DEVELOPMENT** PACKAGING  
**INTERACTIVE** PRODUCT DEVELOPMENT **DIRECTIONAL PLANNING** MARKETING PLANS **VISION MANAGEMENT** ONLINE MARKETING  
APPLICATION DEVELOPMENT B-TO-B/B-TO-C **USER INTERFACE DESIGN** PROJECT MANAGEMENT

**Quantummethod**  
STRATEGY, COMMUNICATION & DESIGN

## pHEM-ALERT Feminine Screening Test

### Strategy Engagement

- » Conducted market analysis
- » Developed commercialization plan
- » Preparation of “pitch” materials
  - Presentation
  - Business case primer
  - Market assessment
  - Product monograph
  - Medical positioning
  - Intellectual property dossier
  - Prototype presentation
- » Retained as licensing agent
  - Partner identification & assessments
  - Engaged partner targets
  - Managed supply chain partnership
  - Developed & negotiated option & license agreement with Vagisil brand

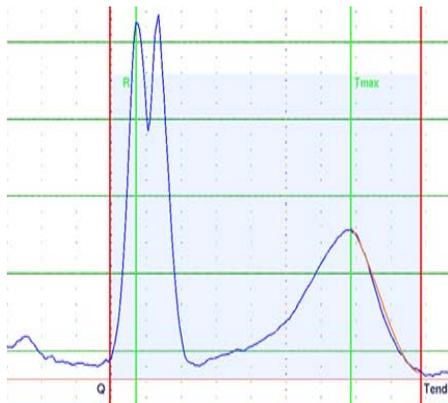




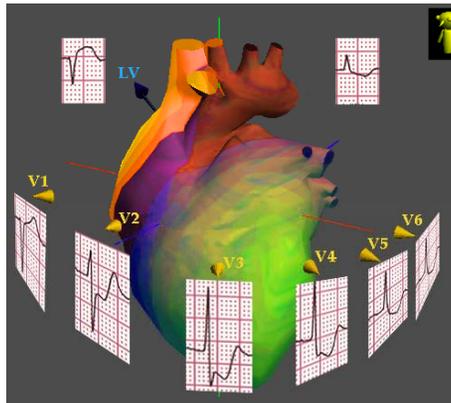
### Strategy Engagement

- » Market analysis & competitive review
- » Initial and follow-on business plans
- » Sales and marketing strategy
- » Economic model
- » Investor presentations
- » Investor presentation support
- » Website Development

**QTinno**  <sup>TM</sup>



**VisualECG**  <sup>TM</sup>



**CardioBip**  <sup>TM</sup>

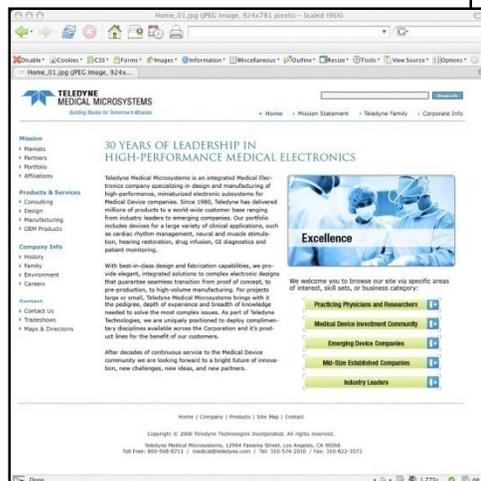
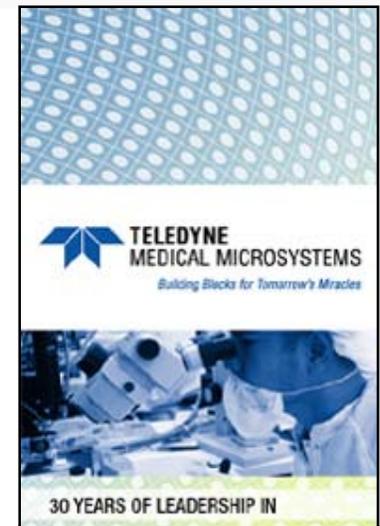


# Teledyne Medical Microsystems

## Micro Miniaturization for Medical Devices

### » Strategy/Design/Communication

- Brand refresh
- Tagline development
- Brand positioning
- Tradeshow display design
- Presentation design & development
- CD-ROM & brochure jacket
- Sales Sheet development



### 30 YEARS OF LEADERSHIP

Teledyne Medical Microsystems provides cutting-edge electronic design, engineering, testing and manufacturing technologies to OEM Medical Device Companies to enable them to introduce break-through implantable and external products to the healthcare market.

For over 30 years Teledyne Medical has worked with a range of clients from start-ups to industry leaders in the electronic medical device market. Built on a heritage of technology innovation, Teledyne Medical offers comprehensive in-house capabilities in back-end and electronic processing combined with broader capabilities found across the production and businesses of Teledyne Technologies, Inc. (NYSE: TIV).

Using standard and custom components, Teledyne Medical creates customized and integrated solutions to complex product development problems. These solutions result in principled designs and refined engineering, offering a seamless transition from proof of concept to pre-production to full-scale manufacturing. Our designs are developed with an eye towards mitigating your technical and logistical risks throughout the life-cycle of the product.

Focused on electronic medical device development, Teledyne Medical has played a significant role enabling its customers to create and build new markets, and introduce significant enhancements in existing product categories. Some of the markets we have served:

Immunology/Diagnostics	External Devices
↳ Cardiac Rhythm Management	↳ GI Sensors
↳ Neural & Muscle Stimulators	↳ Hearing Aids
↳ Cochlear Implants	↳ Drug Pumps
↳ Drug Infusion Pumps	↳ Patient Monitors

Regardless of your product category, Teledyne Medical offers nimble and agile manufacturing in our self-oriented production facility. You will receive the highest quality product as we use state-of-the-art audit and statistical process controls through every step of manufacturing. And, when you take your products to market, you will be assured of full material support, as you clear regulatory hurdles.

With 30 years experience and a singular focus on medical devices, you can count on Teledyne Medical to deliver to your specifications, on time and on budget.

800.568.8711    medical@teledyne.com    www.teledyne-medical.com

# California Biomedical Landscape

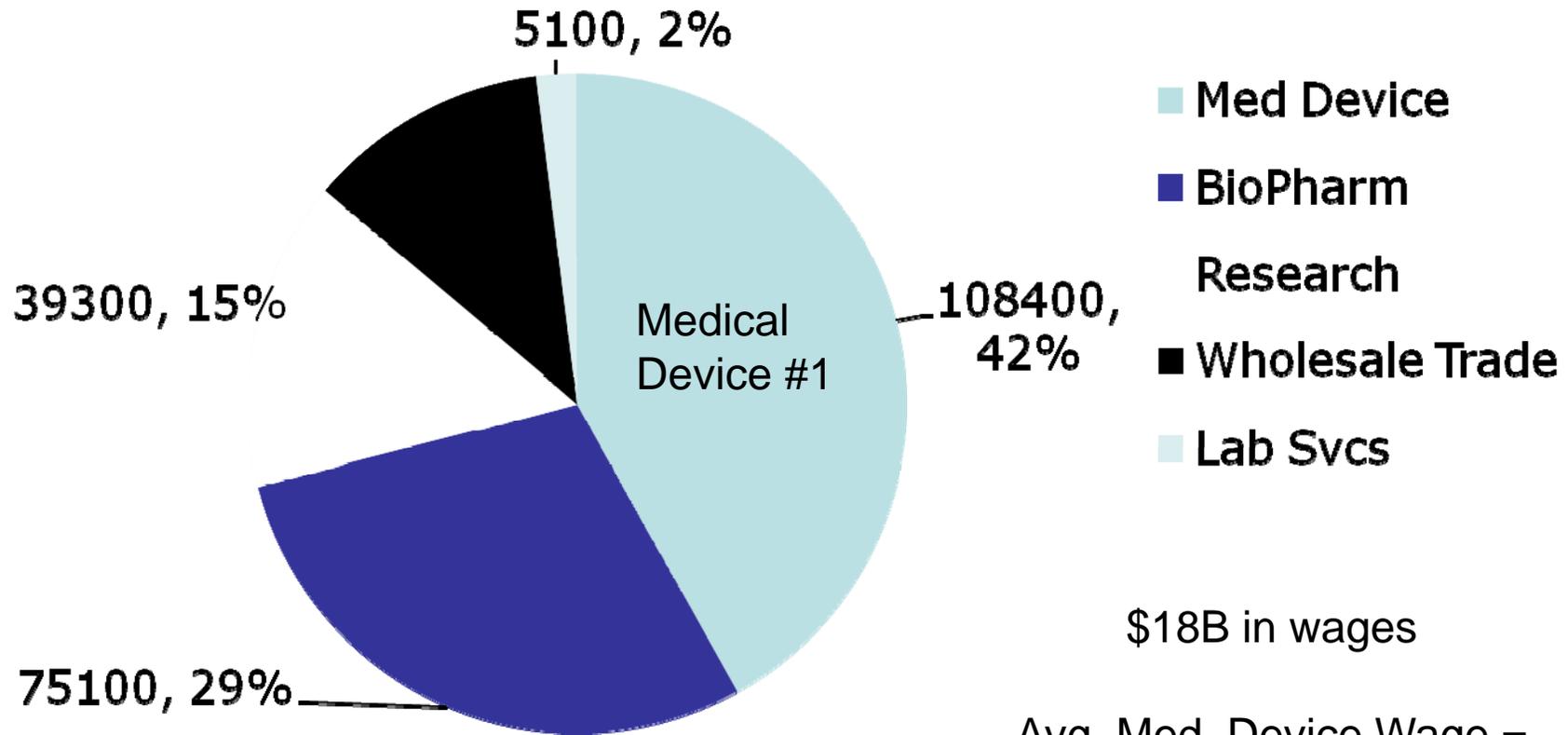
# California Biomedical Industry Highlights

Criteria	Impact
Total private investment in R&D	\$26 billion
Total estimated VC investment	\$2.9 billion
Total NIH grants awarded	\$3.6 billion
Total estimated wages and salaries paid	\$18.2 billion
Total estimated employment	258,600
Total estimated revenue	\$62 billion

Biomedical industry in state's second largest high tech economic driver.

Source: SoCalBio - Battelle

# California Biomedical Jobs



\$18B in wages

Avg. Med. Device Wage =  
\$74,000

Source: SoCalBio - Battelle

# Southern California Biomedical Marketplace

- » Biomedical - Among top five markets in United States
  - 66,159 workers (non-clinical)
  - 2,032 establishments
- » Medical Device - #1 market in United States
  - 28,304 jobs
  - 865 establishments
- » A leading market for Intellectual Property
  - 18,310 patents awarded from 2000 – 2005
  - 17% advanced materials
  - 12% electrical devices
  - 12% mechanical engineering
  - 11% photonics. optics, imaging

Source: SoCalBio - Battelle

# California a National Leader in Medical Devices

Absolute			Per Capita		
	Employment	Annual Payroll		Employment	Annual Payroll
1	<b>CA</b>	<b>CA</b>	1	MN	MN
2	MN	MN	2	MA	MA
3	MA	MA	3	<b>CA</b>	<b>CA</b>
4	FL	NY	4	NJ	NJ
5	NY	FL	5	PA	PA

Source: E&Y, NAI Hunneman, UMass

# Medical Device Investment Climate

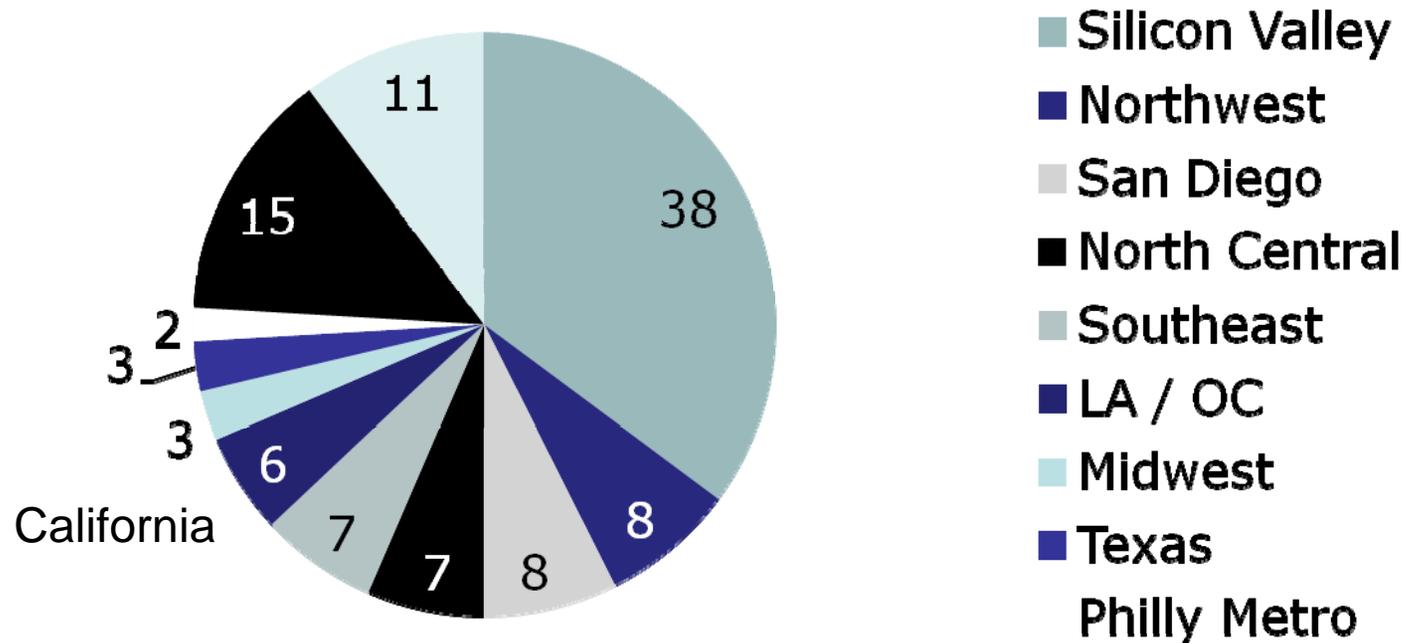
# Venture Investing 2007

- » 2007 total = \$29.9 B
  - 8% increase vs. 2006
- » 4Q2007 = \$7.3 B
  - 5% less than Q3 and Q2
  - Best year since 2001
- » VC backed acquisitions
  - 106 companies (97 in Q3)
  - \$16.2 B in valuation (\$11.3 B in Q3)
- » Best acquisition year since 2000
  - Aggregate amount = \$46.2 B
  - Median transaction = \$98 M
- » Venture backed IPOs
  - Q4 = 26 companies; Raised \$2.0 B
  - 2007 = 74 companies; \$6.7 B
  - Best year since 2000

Source: Fenwick & West

# California – Magnet for Venture Capital

## % Total VC Funding 2006

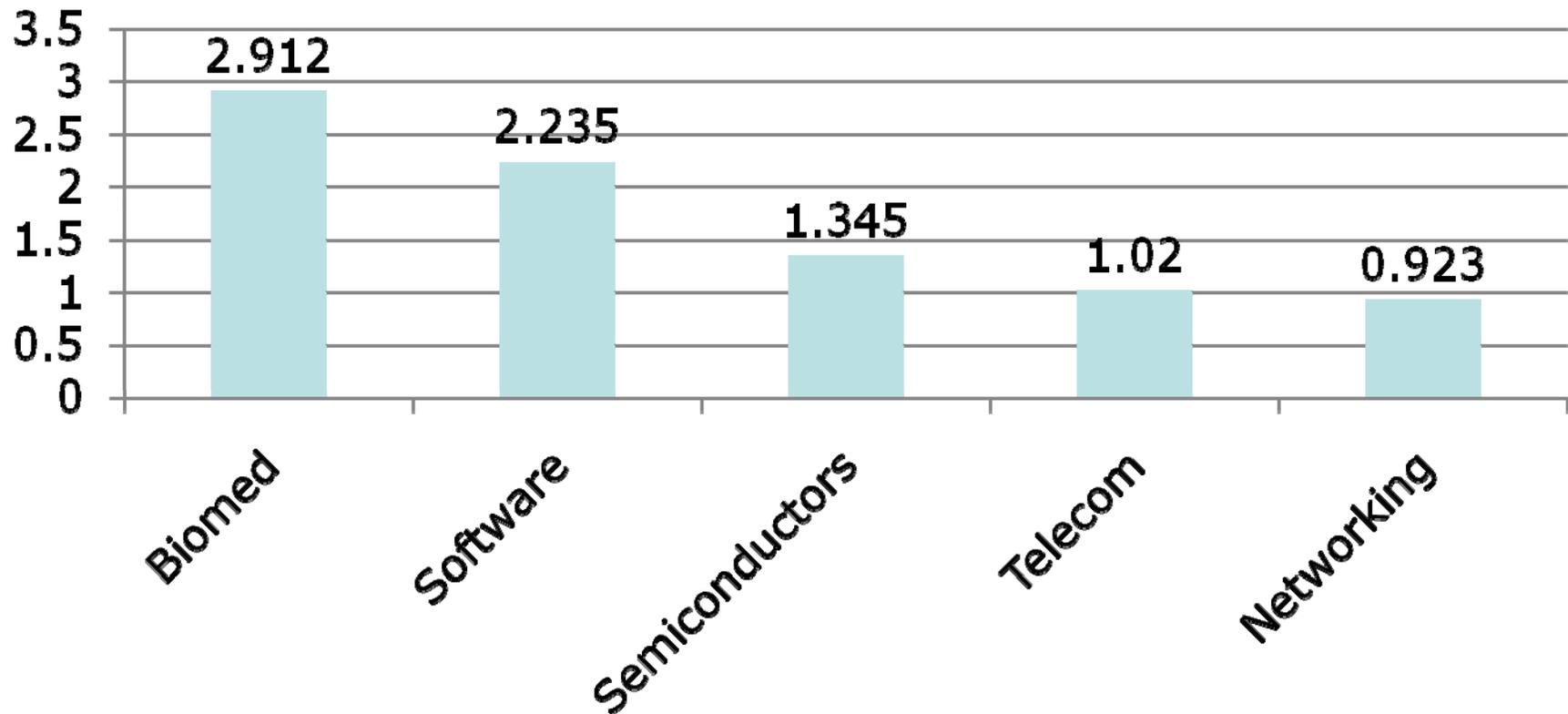


**2007 ~ SoCal #2 in  
VC funding \$3.8 B**

Source: E&Y, NAI Hunneman, UMass

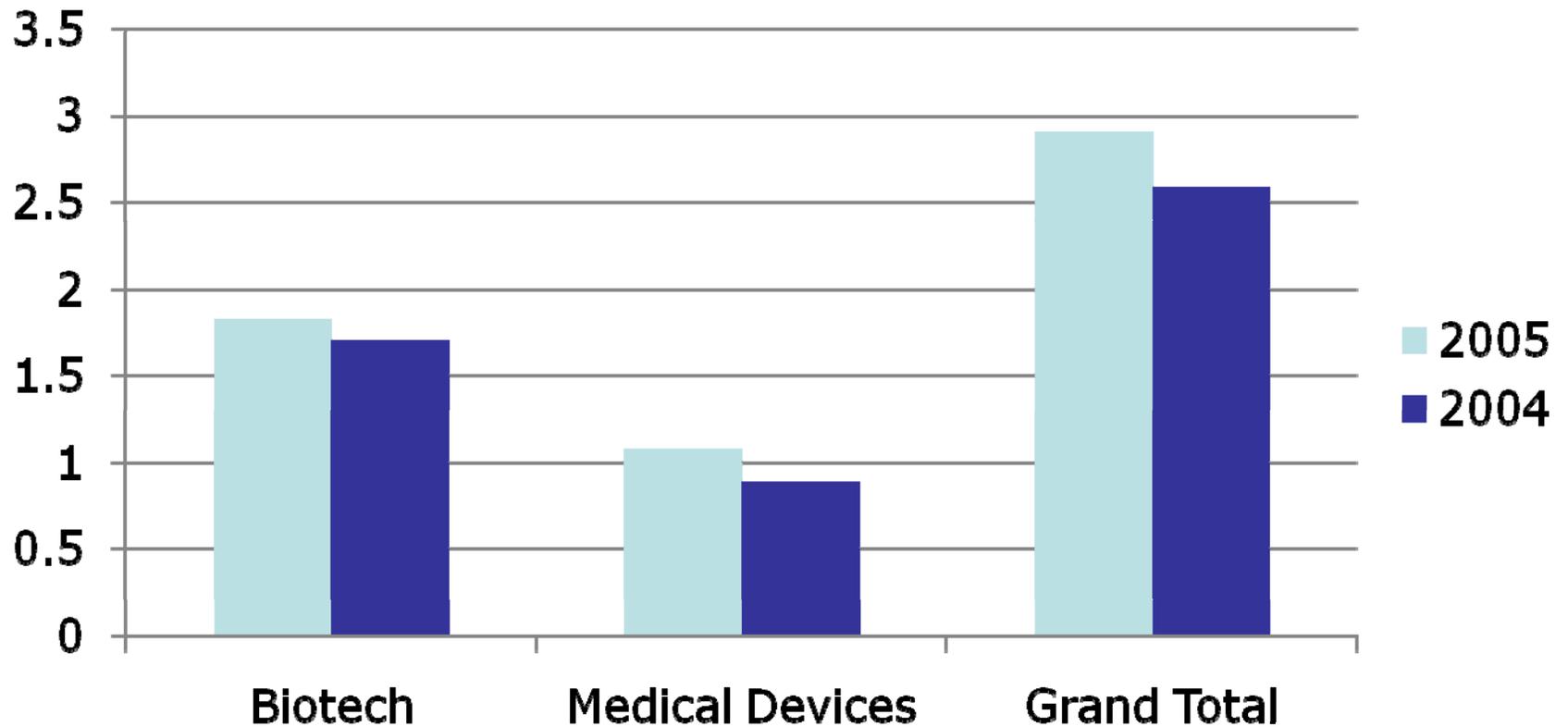
# Attracting Capital in California

## Total Capital Raised 2005 (\$B)



Source: CHI / PWC

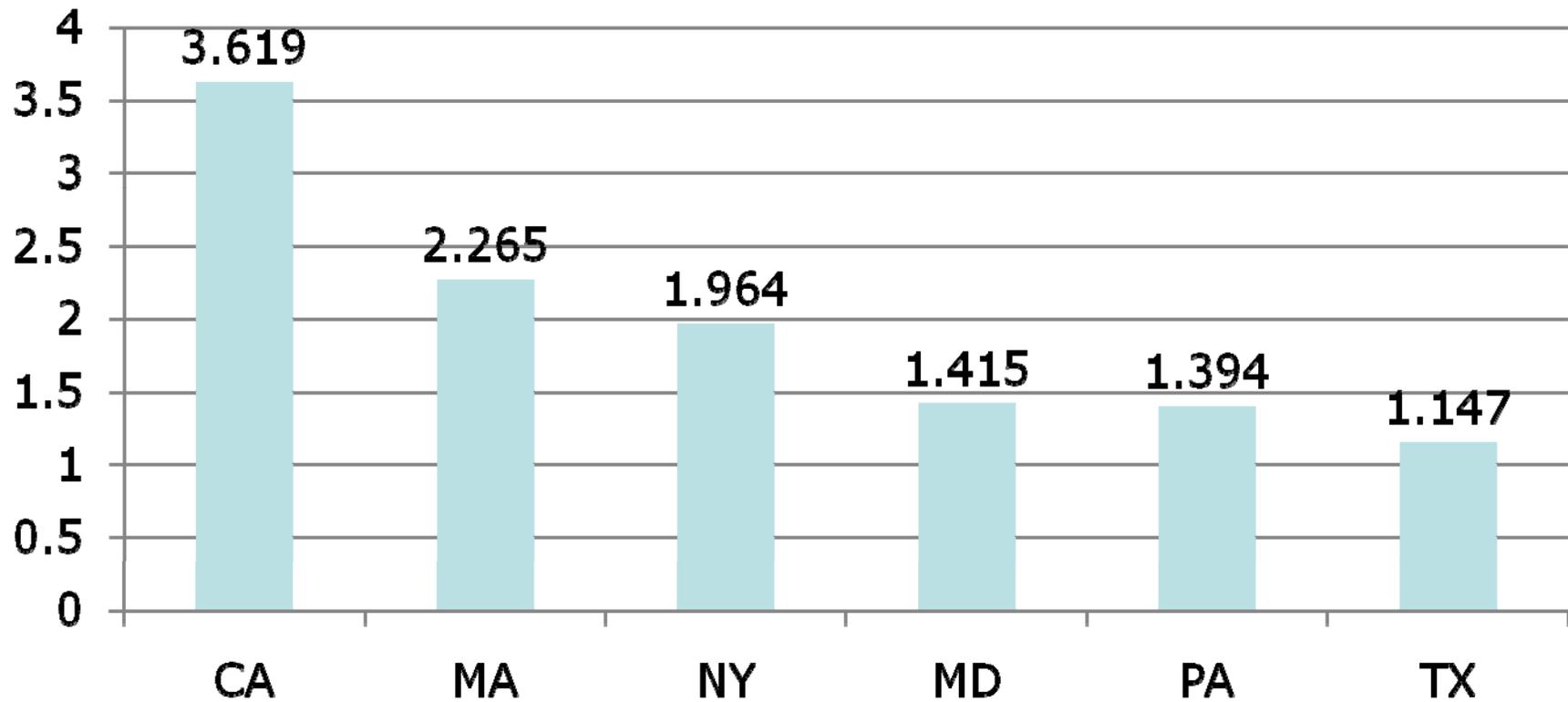
# California Biomed Investment By Sector



Source: CHI / PWC

# California NIH Funding ~ 16.4% of nation

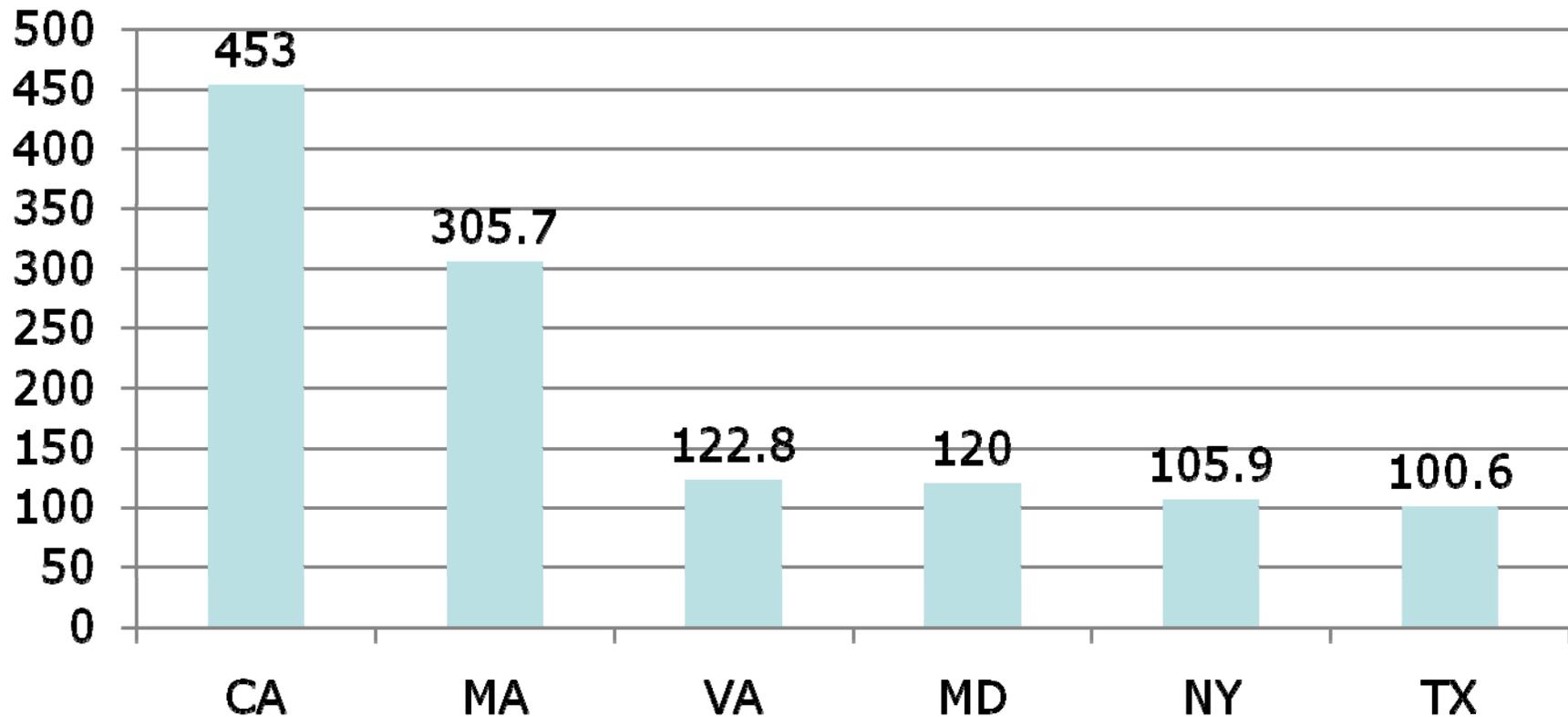
## Academic Research 2005



Source: CHI / PWC

# California Share of SBIR / STTR Grants

**CA = 20% of Funds 2005**



Source: CHI / PWC

# Southern California = Healthy VC Funding Climate

- » VC funding in Greater LA and OC
  - 2007 snapshot
    - + 178 companies
    - + 205 deals
    - + Total capital (1.66 B)
  - Down from 2006
    - + 184 companies
    - + 205 deals
    - + Total capital \$1.93 B
  - 2007 above 5 year average

Source: PWC Money Tree

## VC Stages of Investment 4Q2007

No.	Stage	Companies	Deals	Dollars (\$M)
1	Seed	1	1	0.0
2	Start-Up	10	10	<b>45.6</b>
3	Other early stage	2	2	12.3
4	Expansion	25	25	<b>121.7</b>
5	Later stage	8	8	<b>74.3</b>
	Total	46	46	253.9

Source: PWC Moneytree

# California VC Medical Device Investments

## 4Q2007

- » Statewide Medical Devices
  - #4 behind software, biotech, media
  - 36 companies
  - \$436.1 M
- » SoCal Medical Devices
  - 5 companies
  - 5 deals
  - \$39.3 M
  - Second only to software
  - Biotech #11 – 2 companies / \$22.0 M

Source: PWC Moneytree

## Investment Term Trends – 4Q2007

- » Up rounds exceed down rounds – 16 quarters
  - 69% up
  - 22% down (above normal)
  - 9% flat
- » 55% average price increase (75% for Q1 – 3 2007)

Source: Fenwick & West

# What Has Been Funded Locally?

## Southern California Series A Fundings 2008

Date	Company	City	\$M	Business
4/01/08	Alure Medical	San Diego	\$4.5	Minimally-invasive, soft tissue lift devices and delivery systems for the plastic surgery market...
3/28/08	<i>MindFrame</i>	Lake Forest	\$6.0	Medical devices for the treatment of ischemic stroke
2/27/08	Cianna Medical	Aliso Viejo	\$9.0	Shortened course of high-dose radiation therapy for early stage breast cancer
1/29/08	Avalon Laboratories	Rancho Dominguez	\$66.0	Cardiopulmonary vascular cannulae used to connect patients on life support to heart and lung machines

Source: [www.socaltech.com](http://www.socaltech.com)

## Southern California Series B Fundings 2008

Date	Company	City	\$M	Business
4/28/08	<i>Rox Medical</i>	San Clemente	NA	Medical devices for chronic obstructive pulmonary disease...
3/31/08	Triage Wireless	San Diego	\$20.3	Wireless, ambulatory blood pressure monitor that measures systolic & diastolic blood pressure, blood pressure load, pulse oximetry, and heart rate to the web...
3/18/08	Luminous Medical	Carlsbad	\$23.5	continuous critical care monitor targeted at operating rooms, intensive care, and hospital wards

Source: [www.socaltech.com](http://www.socaltech.com)

## Southern California Series C Fundings 2008

Date	Company	City	\$M	Business
4/28/08	<i>Rox Medical</i>	San Clemente	NA	Medical devices for chronic obstructive pulmonary disease...
3/31/08	Triage Wireless	San Diego	\$20.3	Wireless, ambulatory blood pressure monitor that measures systolic & diastolic blood pressure, blood pressure load, pulse oximetry, and heart rate to the web...
3/18/08	Luminous Medical	Carlsbad	\$23.5	continuous critical care monitor targeted at operating rooms, intensive care, and hospital wards

Source: [www.socaltech.com](http://www.socaltech.com)

# 101 Corridor Medical Device Recent Fundings

Date	Company	City	\$M	Business
12/31/07	Inogen	Goleta	\$12.5	<b>Device targeted at COPD</b> - Chronic Obstructive Pulmonary Disease
8/24/07	<i>Pathway Diagnostics</i>	Malibu	Undisc.	<b>Biomarker assay</b> development and testing services for drug development
8/08/07	<i>InTouch Technologies</i>	Goleta	\$7.3	<b>Remote presence technology</b> allows physicians to remotely diagnose, coach or train staff, or monitor healthcare for patients

Source: [www.socaltech.com](http://www.socaltech.com)

# SoCal Medical Device Funders – Last 12 Months

Firm (deals)	Firm (deals)	Firm (deals)
DeNovo Ventures (2 deals)	Cerberus Capital Management (1 deals)	MedFocus Fund (1 deals)
Domain Associates (2 deals)	EDF Ventures (1 deals)	New Science Ventures (1 deals)
Sanderling Ventures (2 deals)	Finistere Partners (1 deals)	Okapi Venture Capital (1 deals)
Versant Ventures (2 deals)	Fog City Fund (1 deals)	ONSET Ventures (1 deals)
3i Ventures (1 deals)	Group Outcome (1 deals)	Prospect Venture Partners (1 deals)
Accuitive Medical Ventures (1 deals)	HBM Partners AG (1 deals)	Qualcomm Ventures (1 deals)
Adams Street Partners (1 deals)	Integral Capital Partners (1 deals)	RiverVest Venture Partners (1 deals)
American Capital Strategies (1 deals)	Intel Capital (1 deals)	Rock Creek Partners (1 deals)
Ascension Health Ventures (1 deals)	Kleiner Perkins Caufield and Byers (1 deals)	Wexford Capital (1 deals)
Brookside Capital (1 deals)	Latterell Venture Partners (1 deals)	Windamere Venture Partners (1 deals)

Source: [www.socaltech.com](http://www.socaltech.com)

# Getting Your Venture Funded – Keys to Success

# What Makes an Attractive Investment?

- » Innovative technology
- » Clear value proposition
- » Large market with attractive characteristics
- » Defensible IP
- » Demonstrated performance / technology validation
- » Strong product development and operations plan
- » Dynamic brand and marketing plan
- » Qualified and proven team

# What Tools Do You Need?

- » Refined elevator pitch
- » Clear value proposition
- » 2 – 3 page executive summary
- » Concise business plan
- » Compelling company presentation
- » Clear technology presentation – for dummies
- » Due diligence documentation

# Keys to Success

- » Form your team – have them in waiting
- » Develop funding strategy – short- & long-term
- » Do your homework
  - Understand investment climate & process
  - Overestimate time to raise funds
  - Develop target lists
- » Be prepared
  - Develop investor materials
  - Practice your pitch
  - Answer big questions
    - + i.e. How much money do you need and why?
  - Understand cash flow of your business
    - + Revenue and expenses; assumptions
- » Listen & react to feedback but stay true to your vision and mission
- » Respond quickly

## Contact Us

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