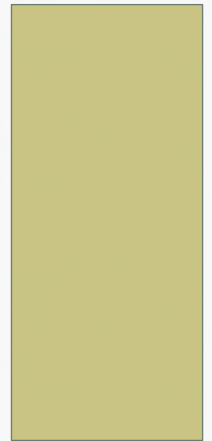


THE “X” (IT) FACTOR

(SUCCESS FACTORS FROM MED. DEVICE STARTUPS)

JAMES BROWNING



PERSONAL INTRODUCTION

- Consultant gynaecologist
- Head of R&D, Sales SBUs, Ethicon, JnJ
- Founder, Mpathy Medical Devices Ltd. (Gyne Ideas)
- Founder, NED, Ocutec Ltd.
- Chairman, Calcivis Ltd.
- All Scottish Med. Device high-tech start-ups,
 - Started as “virtual” cos
 - Exit target trade sale in 3-5 years

MPATHY MEDICAL DEVICES LTD

OCUTECH LTD.

CALCIVIS LTD.

THE OBVIOUS ONES

- USP: incremental or disruptive technology?
- Health economic advantage ?

- Patent protection
- -method of medical treatment, USA

- Choose your investors carefully !
- Angels vs VC

GETTING TO EXIT IS GOING TO TAKE TWICE AS LONG AS YOU THINK

- You passionately believe in your timescale
- You have a business plan to support it
- You can justify each project step

- BUT
- Things go wrong (minor remediable)
- Reiteration takes time
- Suppliers deprioritise smallcos

- As long as the milestones ARE met
- And progress to exit IS happening

- Savvy investors will support you
- (they expect it and can get a bigger share of a good co !)

TALK TO LIKELY SUITORS EARLY

- Know your market
- Get to (international) meetings
- Know the companies
- Know the executives
- Know the M&A decision makers

- Early interaction, presentations
- Collegial relationships smooth later business deals

- BUT beware the sharks: access to your IP

ACQUIRORS ARE RISK AVERSE

- You have patents, reg. clearance, evidence for a disruptive product
- KOLs love it
- Bigcorps are engaged
- They can acquire early and cheap
- Surely they will buy ?????

- Well sorry, no
- YOU NEED SALES
- Proof of saleability
- Increasing sales against competition
- Profitability

- How to sell: direct, distributors, hybrid

- Then Bigcorp buys late and pays more

THE IMPORTANCE OF THE USA AS YOUR MARKET

- Natural progression for Scottish, UK co:
- Limited £, human resource
- Sell in UK, Europe ? (easy, near)

- USA: largest unitary market
- Same language, reg environment, reimbursement
- Appetite for innovation
- It is where your acquirors are !!!!

- Sell early in the USA !!!

PLAN B: THE EXIT COMPETITOR

- You may have an apparently excellent suitor with whom exit appears likely or obvious...
- BEWARE
- The environment can change quickly and they can walk away
- Even if they are keen you will extract a better deal if there is a stalking horse
- So always have a Plan B/ alternative

USE A THIRD PARTY TO SELL YOUR COMPANY

- You may know most or all of the acquirors
- But you are a small UK co

- A third party can:
 - increase gravitas and value of offering
 - set up a competitive tension for your sale
 - bring the sale to a boil (timing)
 - get to decision makers you may not know
 - get to companies you may not know
 - take emotion out of negotiation and hold nerve

- Fees offset by increased value

- Financial, legal bodies, specialist brokers (US)

NIL CARBORUNDUM...

- Hold the faith !
 - You will face setbacks
 - The nature of entrepreneurialism is to believe when others disbelieve or cannot see
 - The money's too tight to mention...
-
- The lentil soup moment
 - The Malibu beach house moment

ABOVE ALL, GET LUCKY !

- Napoleon wanted it in his Generals
- Brian Souter: importance of rail strike
- Gary Player on luck

- Mpathy good luck:
- Peter Shakeshaft, Archangels
- Ian Stevens

- Dodging a bullet:
- FDA Warning on Transvaginal Meshes 2011