

# Midwest Health Care Venture Survey Results

December 2007

# Background

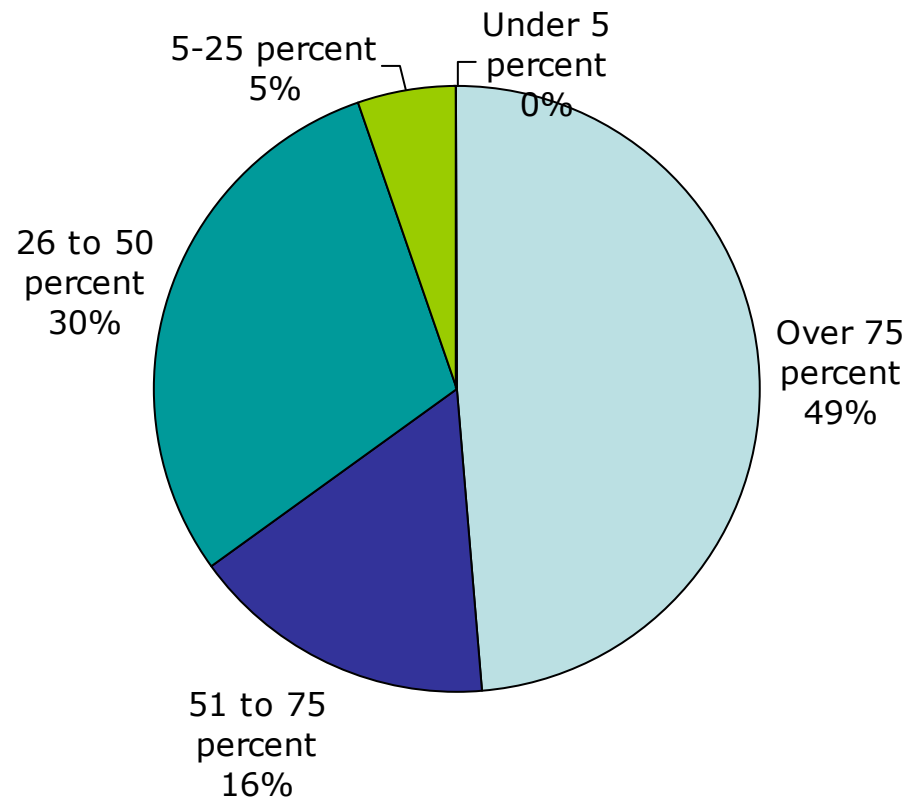
- Developed to assess and track national venture capital impressions of Midwest health care investment opportunities
- Survey conducted Nov 1-Dec 31, 2007 by e-mail
- Non-scientific survey method used
- Second annual survey

# Overview of Respondents

- 45 national respondents to survey
- Respondents are very active health care investors
  - For 95%, more than a quarter of fund investments will be in health care (for 65%, over half of all investments)
- Respondents are active in Midwest
  - 79% of respondents have primary office in Midwest
  - 82% invest in at least 1 Midwest health care deal each year, and 66% see more than 25 opportunities from region each year
  - 90% are knowledgeable about Midwest health care opportunities
- Respondents are from a range of fund sizes

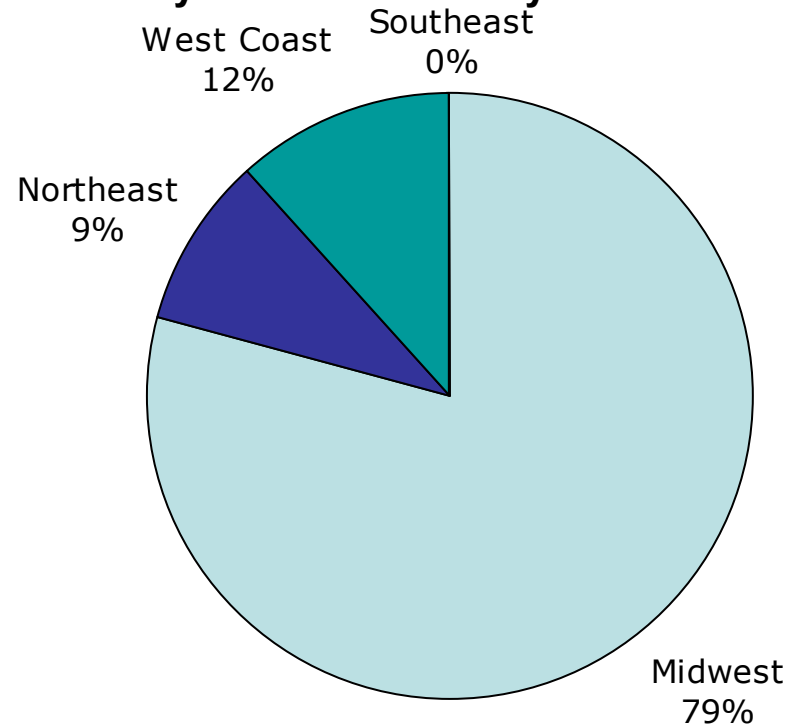
# Most Respondents are Investing Significant Portions of their Funds in Health Care

What Percentage of your Investments will be in Health Care and Biosciences?



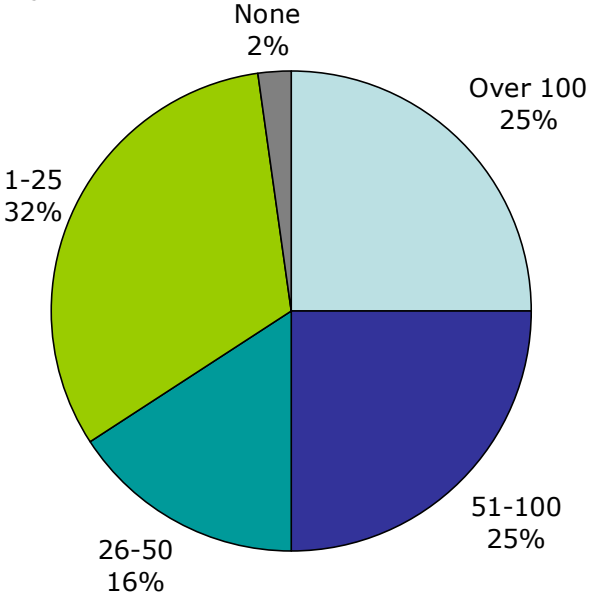
# Respondents Spanned Country, though Greatest Segment are from Midwest

Where is your Fund's Primary Office Located?

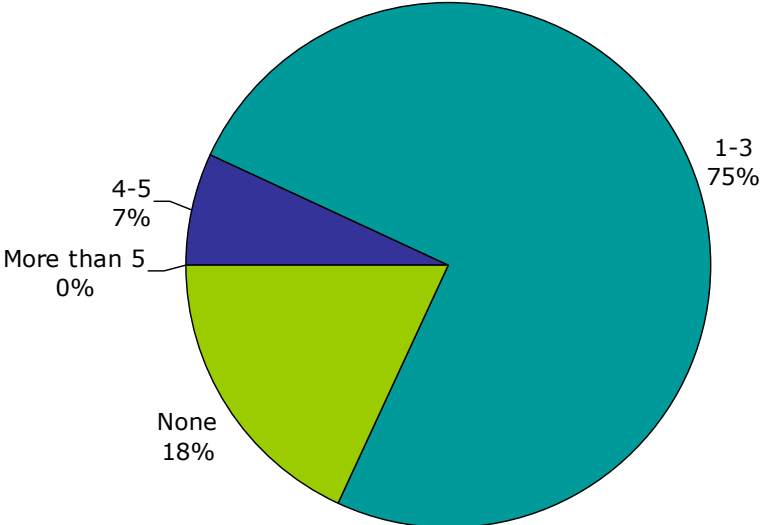


# Respondents are Active in Seeing and Investing in Midwest Deals

How Many Midwest Health Care Deals Do You Look at Each Year?

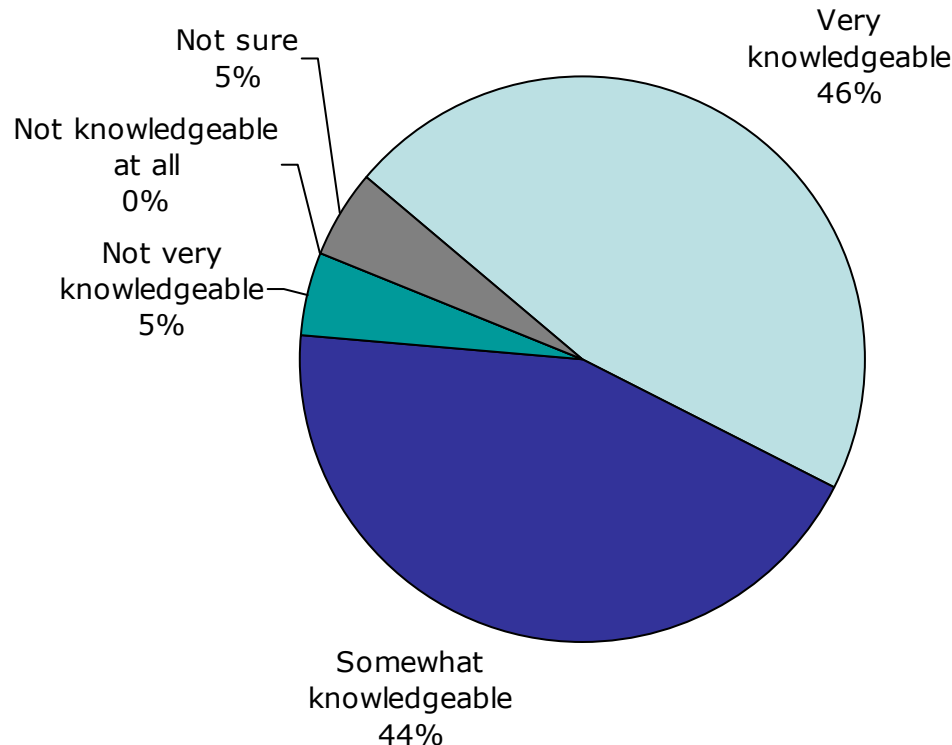


How Many Midwest Health Care Deals Do You Invest in Each Year?



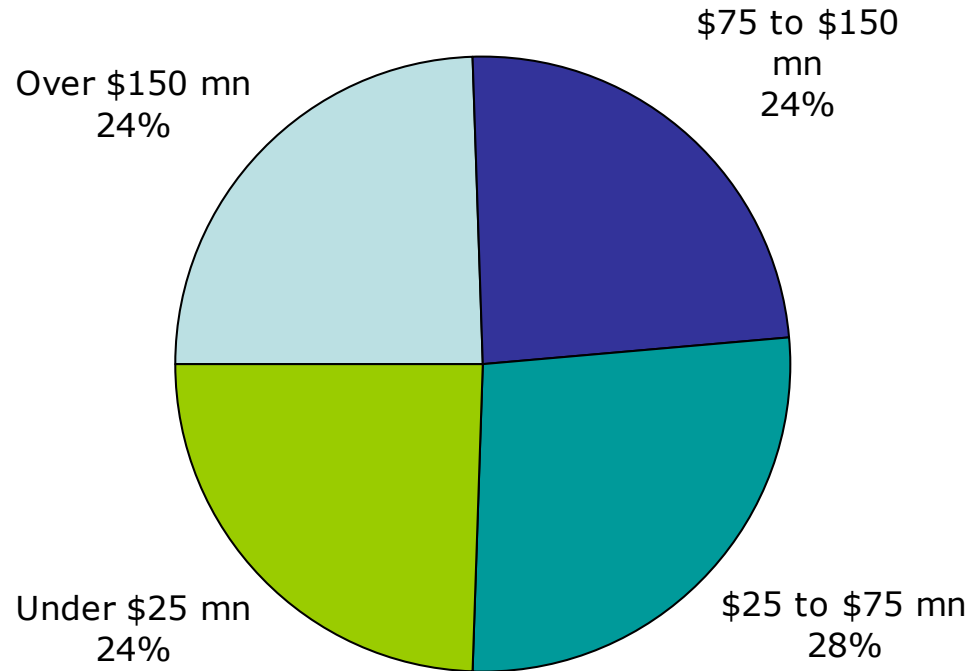
# Respondents Are Knowledgeable About Midwest Health Care Opportunities

How Would You Rate Your Knowledge of Midwest Health Care Opportunities?



# Even Distribution of Respondents by Size of Current Investment Fund

What is the Size of Your Current Fund?



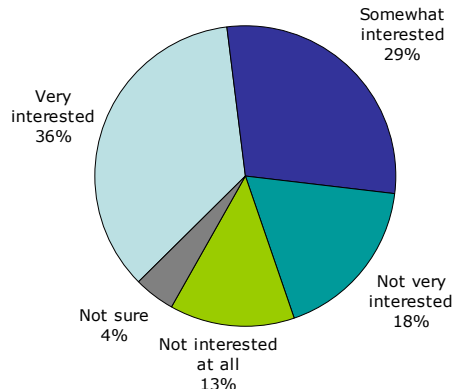
# Investment Interests

- Investment interests strongly favor medical device followed by biopharmaceuticals and health care services
- Compared to prior years survey, significant growth in interest in medical devices as well as health care software and services
- In similar fashion, plan to allocate greatest percentage of health care funds to medical device deals and then biopharmaceuticals
- Not surprisingly, will focus investments in on start-ups and existing firms, not buyouts/recaps

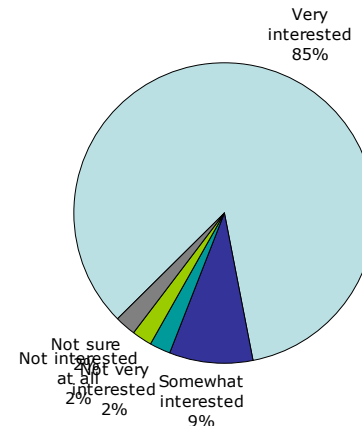
# Highest Interest in Medical Devices and Biopharmaceuticals

What sectors are you interested in?

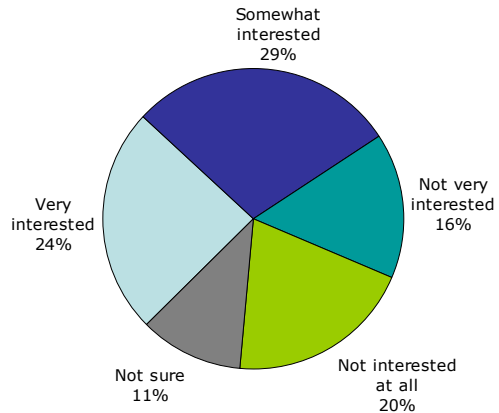
## Biopharmaceuticals



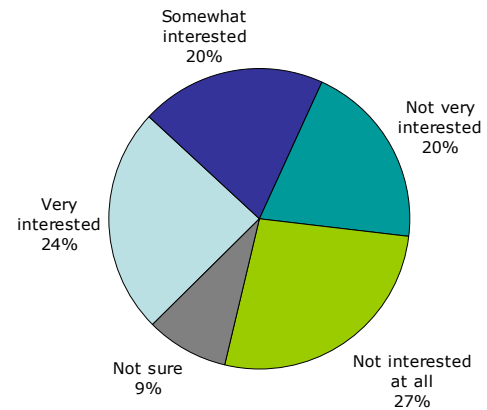
## Medical Devices



## Health Care Services

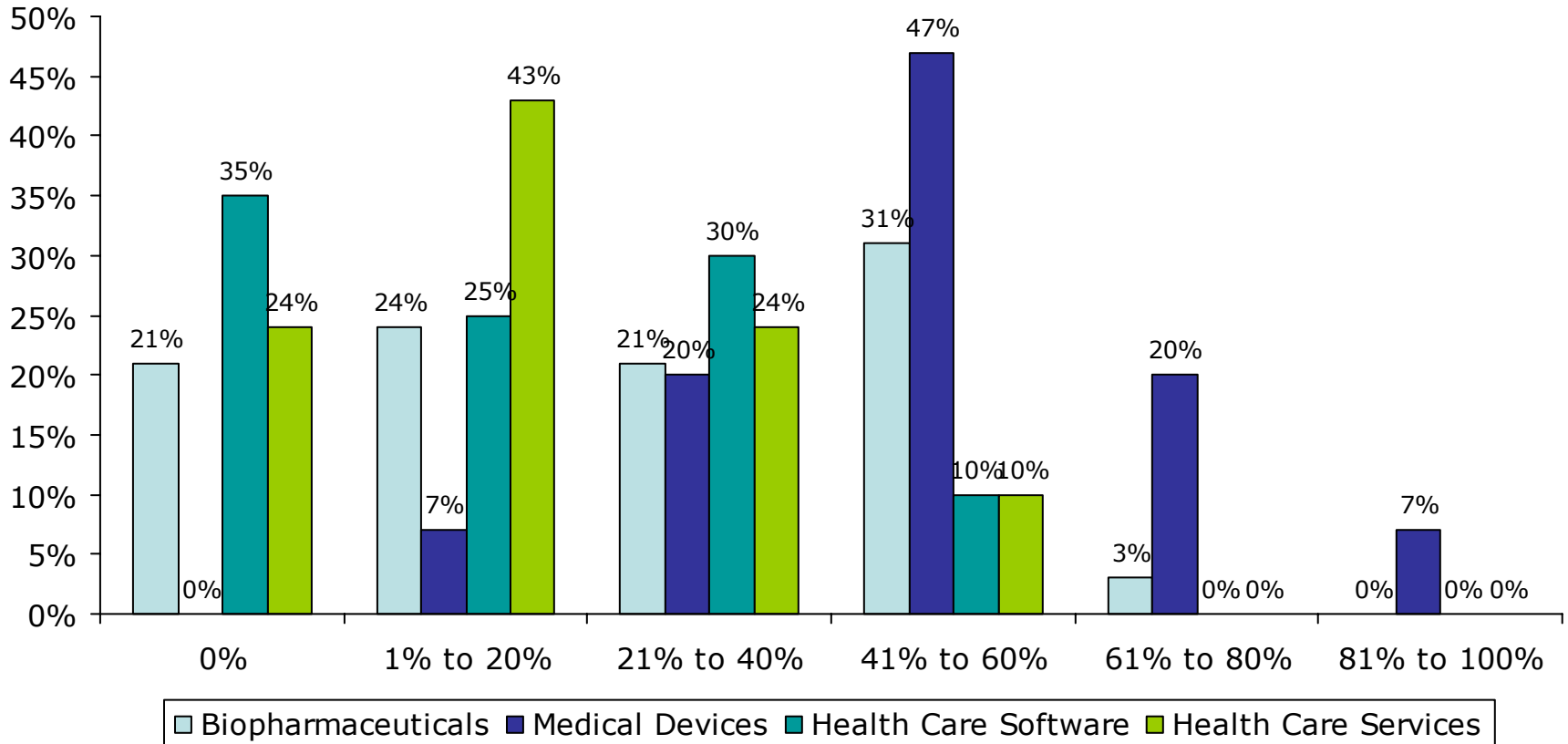


## Health Care Software



# Medical Device Opportunities Dominate Investment Interests

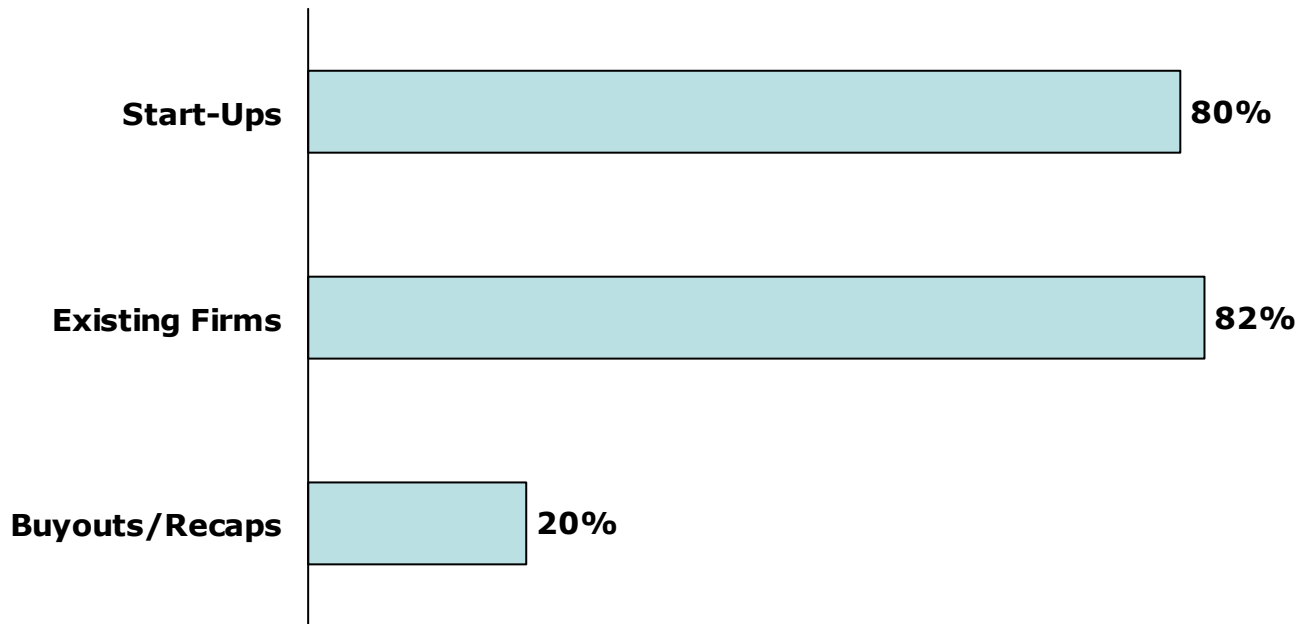
Within your Health Care and Bioscience Investments, Estimate the Approximate Percentage of Investments by Sector



# Start-ups and Existing Firms are Favored for Investment

## In What Stage of Company Development Will Your Fund Make an Investment?

Respondents could choose more than one response

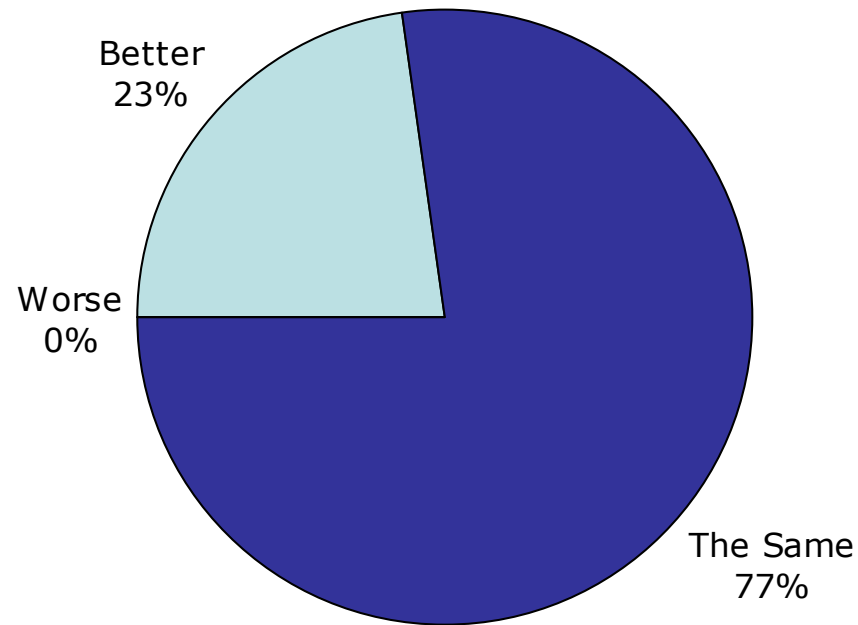


# Impressions of Midwest Deals

- Vast majority (77%) rated Midwest investments as performing at the same level as those in other regions; 23% rated Midwest deals as better
- 87% believe that the quality of Midwest opportunities are promising
  - Respondents commented particularly on the reasonable valuations offered by Midwest opportunities and the availability of management teams in the medical devices sector
- Regarding the quality of Midwest opportunities:
  - Medical devices rated the highest with 72% rating these deal flow as strong or very strong
  - Health care services and IT rated average as compared to national deals (68% rated it as such)
  - Biopharmaceuticals considered weak by 49% of respondents, though this continues a slight improvement in perception year-to-year in this survey

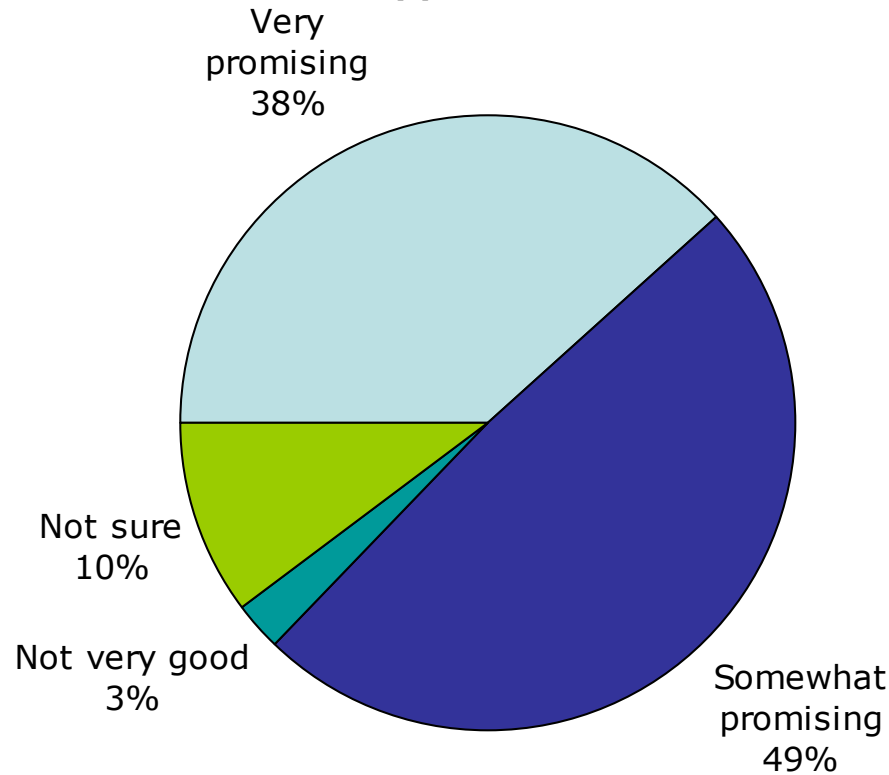
# Midwest Investments Perform As Well As Other Regions

How Would You Rate the Performance of Your Midwest Investments  
Compared to Your Health Care Investments in other Regions?



# Midwest Deal Flow Rated as Promising

How Would You Rate the Quality of Midwest Health Care Investment Opportunities?

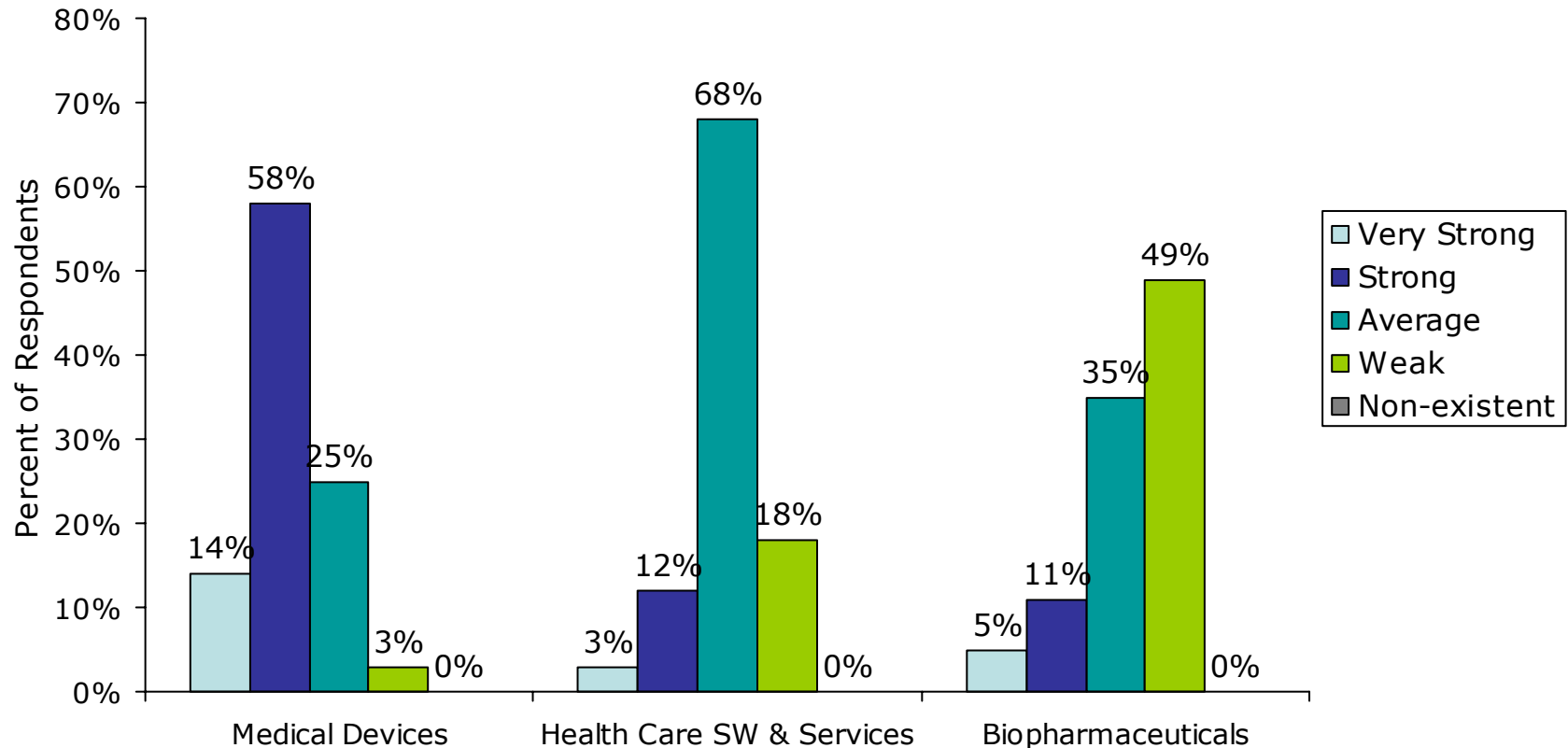


# Why are Midwest Deals Promising?

- Reasonable valuations
  - Initial valuation is a key component
  - Favorable deal pricing
  - Less hype, more realistic plans and expectations
  - Getting in at good valuations
  - Valuation, Capital Efficiency, Good strategic interest
  - Less competition resulting in lower valuations
- We don't invest outside the Midwest, because pricing, culture and deal flow are as good or better
- Availability of experienced management teams in the medical device sector

# Medical Device Deal Flow Rated Strongest, Followed by Health Care IT & Services; Biopharmaceuticals Noted as Very Weak

## Impressions of Deal Flow by Sector

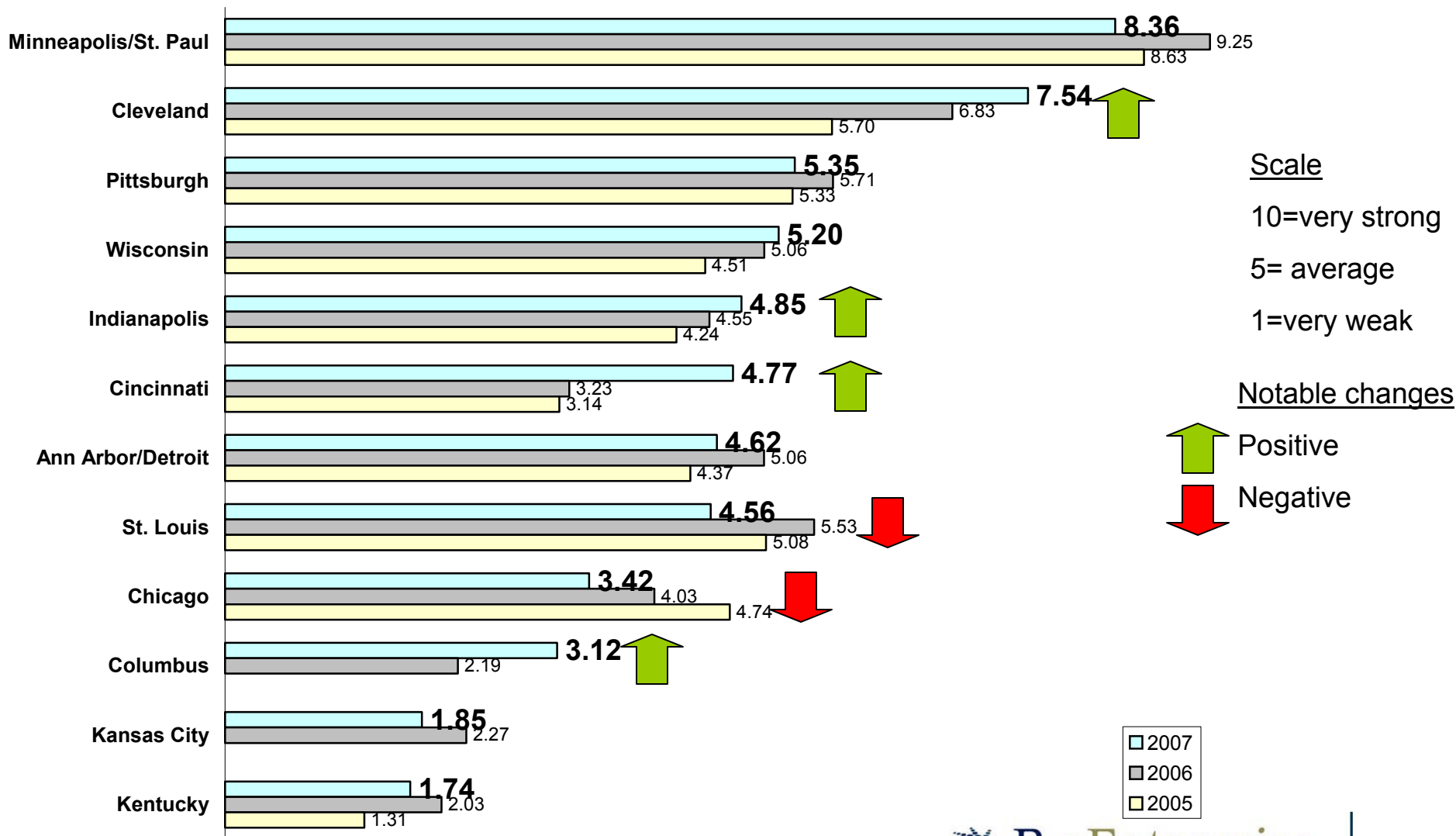


# Regional Rankings

- Overall, Minneapolis, Cleveland, and Pittsburgh continue to have the highest reputations among regions in the Midwest for health care deals
- There have been notable gains in reputation for Cleveland, Indianapolis, Cincinnati, and Columbus
- Both St. Louis and Chicago were rated more negatively this year than in the past

# Overall, Minneapolis, Cleveland, and Pittsburgh continue to be ranked highest among regions

Overall Ranking of Midwest Regions



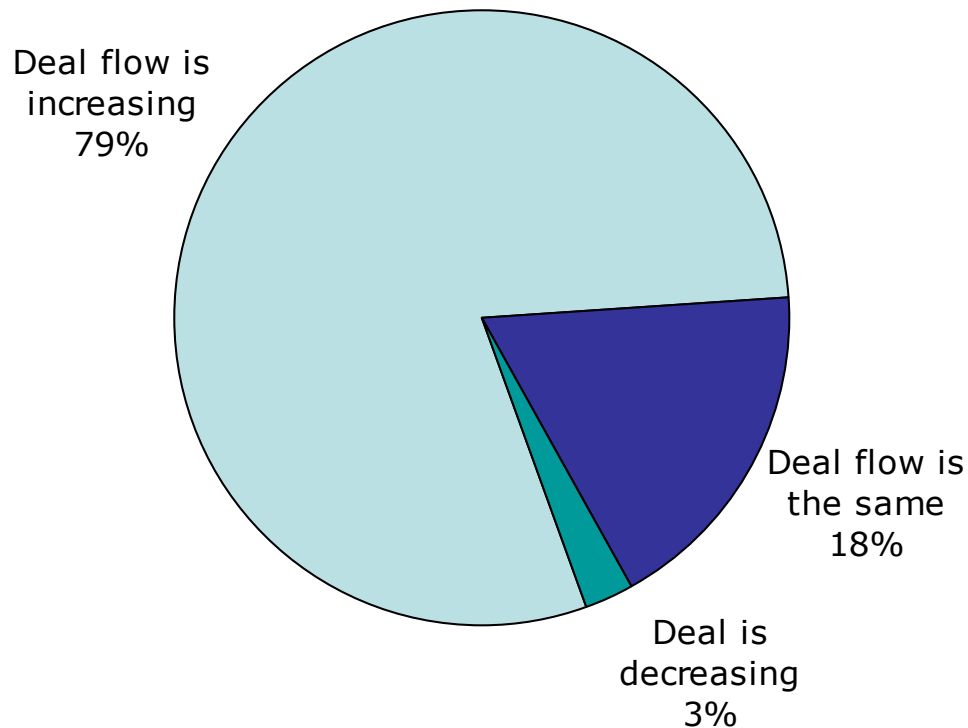
Note: Kansas City and Columbus were not included in the 2005 survey

# Accessing Deals

- Most respondents see overall deal flow as having increased over the last 5 years (79%)
- Almost all (87%) would like to expand their firm's deal flow in the Midwest
- Firms are accessing opportunities through known entrepreneurs, Midwest venture firms, business accelerators, and other investment firms
- Respondents were familiar with BioEnterprise (95%) and had favorable impressions of the quality of its deals (64% above average)

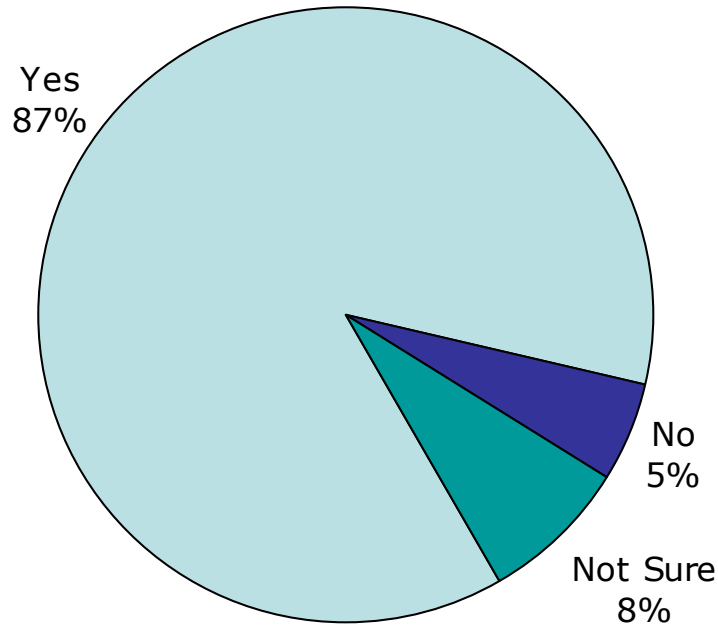
# Most See the Deal Flow in the Midwest as Having Increased

Over the Past Five Years, How have Your Impressions of Midwest Deal Flow Changed?



# Funds Want to See More Deals from the Midwest

Are you Interested in Expanding your Deal Flow from the Midwest?

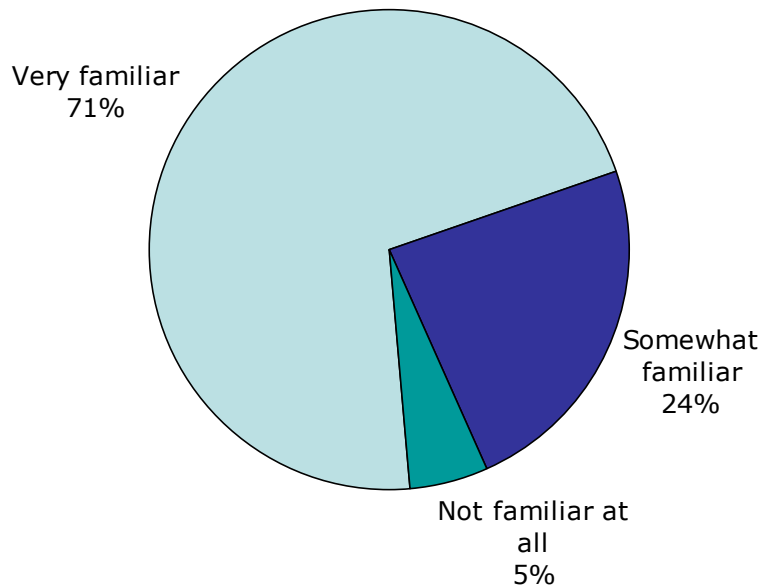


# Approaches to Access Quality Deal Flow from the Midwest

Source	Number Cited (out of 45)
• Known Entrepreneurs	31
• Midwest Venture Firms	31
• Business Incubators/Accelerators	27
• Other Investment Firms	24
• Research Institutions	22
• Intermediaries (Brokers/Bankers)	17
• Other sources noted: angel investors, lawyers	

# Respondents were familiar with BioEnterprise and had favorable impressions of its deals

How Familiar are you with BioEnterprise?



If you are Very or Somewhat Familiar, How Would You Rate the Quality of Companies BioEnterprise Represents?

