



[January 15, 2008]

Medical devices trump pharma in interest but not investment

(AHC Newsletters Via Thomson Dialog NewsEdge) Midwest BioEnterprise report

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By OMAR FORD Medical Device Daily Staff Writer

In the Midwest, medical devices are viewed as a primary sector of interest for investors, surpassing even biopharmaceuticals, according to the Midwest Health Care Venture Survey conducted by BioEnterprise (Cleveland).

A total of 45 healthcare investors from across the country responded to the survey, with respondents represent funds with a strong interest in the healthcare technology space. Of those, 95% invest more than a quarter of their funds in healthcare.

About 82% of the respondents reported that they invest in at least one Midwest healthcare venture each year, and 90% identified themselves as ? knowledgeable? about Midwestern healthcare opportunities.

The telling evidence of their primary focus comes from 94% of the 45 respondents indicating an interest in medical devices, with 65% of the respondents indicating an interest in biopharmaceuticals (respondents could indicate interest in multiple areas). Nearly 55% indicated an interest in healthcare services, and 44% showed interest in healthcare software.

About 72% of investors rated medical device deal flow to be strong in the Midwest; while only 16% rated Midwest biopharmaceutical deals as strong.

But when it comes to actual investor dollars being spent, data seems to suggest that the biopharmaceutical sector was more robust in terms of investments attracted. Biopharmaceutical companies captured nearly 50% of the invested dollars in the region, according to the 3Q07 Midwest Health Venture Report ? suggesting a higher per-deal investment in pharmaceuticals than in devices or healthcare software.

So if more money is being spent in biopharmaceutical deals, why is it that medical devices or so popular? Is it a perception issue, or a change in traditional thinking?

Baiju Shah, president of BioEnterprise, said, "As to investors' perceptions, it is interesting that the Midwest's strong historic position in medical devices continues to drive the region's reputation, even though actual investments show that Midwest biopharmaceutical companies are drawing significantly more dollars [per deal] than medical device companies."

The survey also illustrates the tidal wave of healthcare investments that have bombarded the Midwest of late.

Midwest healthcare start-ups reported a record-breaking \$1 billion in total investments for 104 companies through 3Q07, according to a previous report released by BioEnterprise (Medical Device Daily October 31, 2007).

The previous report shows that by industry sub-sector, the investment funding breaks down as follows:

• Biopharmaceutical companies, \$591 million.

• Medical device companies, \$251 million.

• Healthcare software and service companies, \$158 million.

"Not surprisingly, the 2007 survey results mostly reflect what we have seen in terms of actual venture investing in the Midwest," Shah said. "Through the third quarter, Midwest healthcare start-ups reported a record-breaking \$1 billion in venture investments, up from \$783 million reported in 2006. Clearly, investors are finding good opportunities in the Midwest and the deals are performing for them."

Some of the regions leading in investments are Minneapolis, Cleveland and Pittsburgh. These three regions have the highest reputations among venture investors for the quality of healthcare deals, Shah said. Wisconsin, Indianapolis, Cincinnati, St. Louis round out the middle, while Chicago, Columbus, Kansas City and Kentucky are at the bottom of the list.

BioEnterprise is a business formation and acceleration effort designed to support the growth of bioscience companies, providing consulting and support services to healthcare companies. Its partners are Case Western Reserve University, the Cleveland Clinic Foundation, University Hospitals Health System, and Summa Health System. Additional technology partners include the NASA Glenn Research Center, Cleveland State University, NorTech and Omeris.

BioEnterprise says that with these partnerships, it has created, recruited and accelerated more than 50 companies in four years.

SOURCE-Medical Device Daily

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