

Trends in Midwest Investing

MedCity INVEST

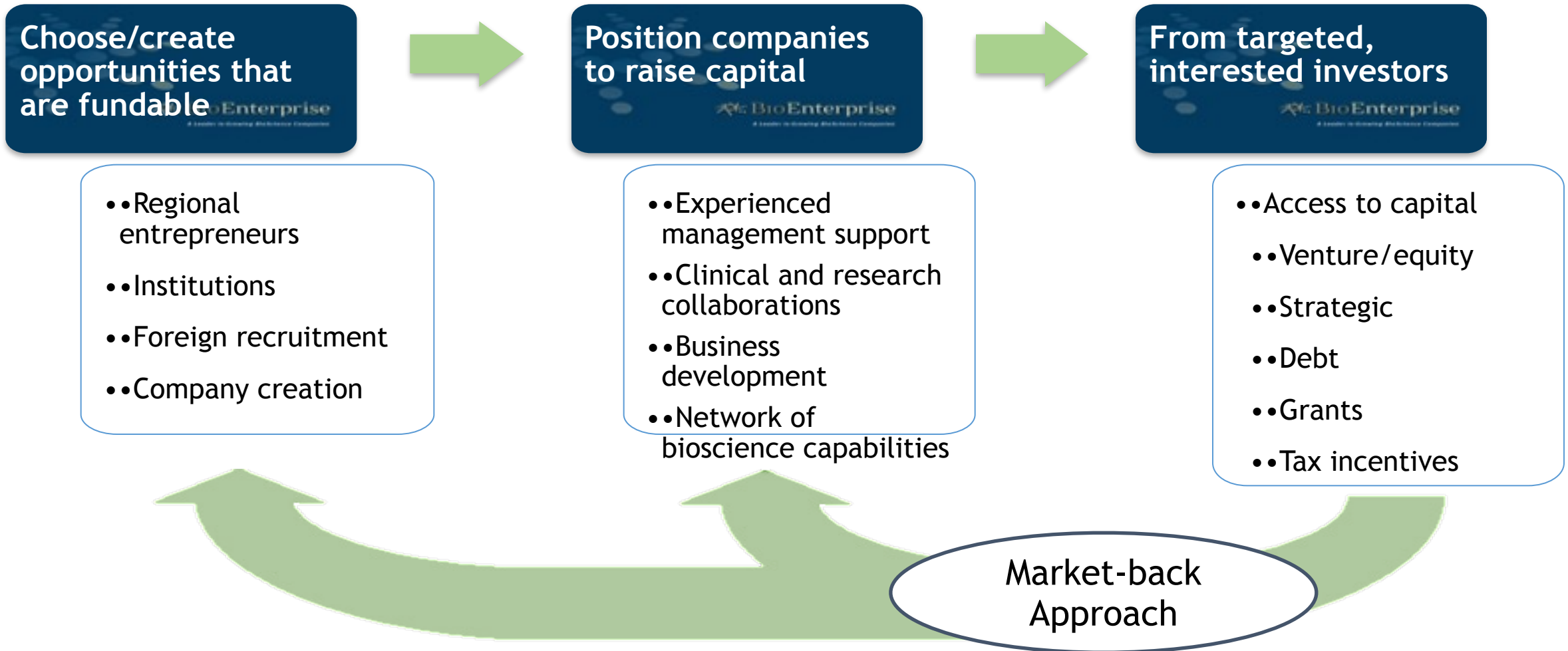
May 2017

BioEnterprise Overview

- Formed in 2002 as part of a deliberate and long term effort by healthcare and research institutions, civic and philanthropic leadership and industry to support the growth of the biomedical sector
- Initial focus on capital attraction as driver of company growth and job creation
- Biomedical sector convener to identify opportunities, solve challenges and secure resources

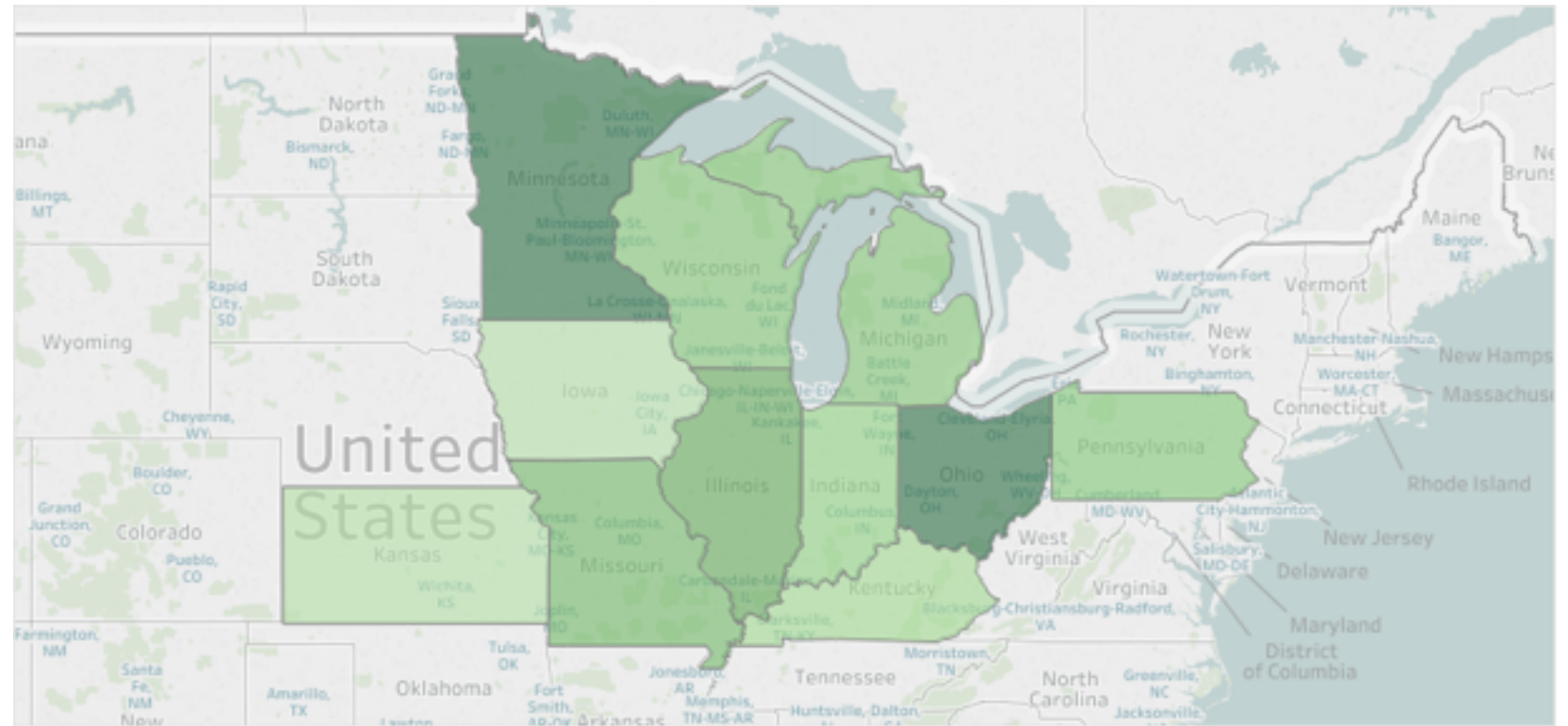


BioEnterprise Approach



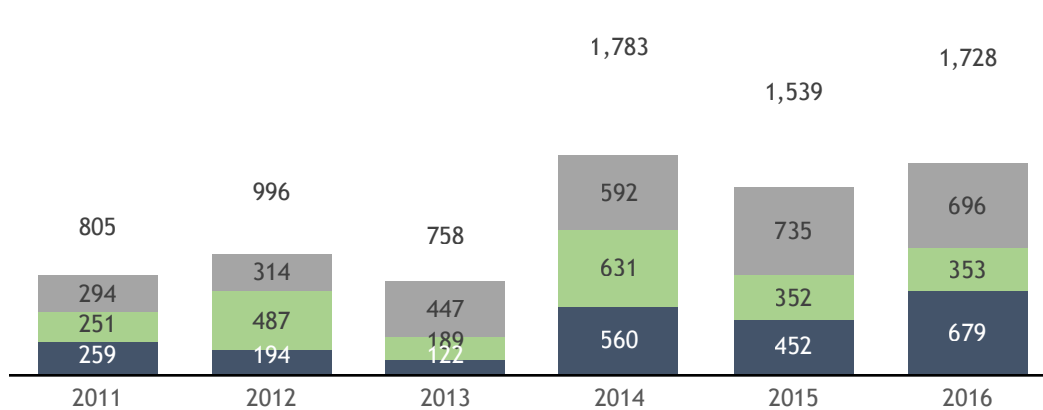
Midwest Healthcare Growth Capital Report

- Launched in 2005 to improve reporting on and increase awareness of Midwest deals
- Collective effort with partners across Midwest including Medical Alley (MN), iBIO and MATTER (IL), Cultivation Capital and BioSTL (MO), BioCrossroads (IN), Wisconsin Technology Council (WI), Innovation Works (Western PA), BioOhio, Rev1Ventures, CincyTech, and JumpStart (OH)
- Sectors are defined by the FDA's definitions of [Medical Device](#) and [Drug Establishments](#) (Biotech and Pharmaceuticals). Sector assignment for combination products is determined by the product's primary mode of action. Health IT and Software and Services includes software related to EMRs, coding services, communication, payment processing, educational tools, business operation/automation tools; mobile apps that are not used in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, or prevention of disease, and distributors and suppliers.
- While all of PA is shown on map above, only western PA is included in the Growth Capital Report

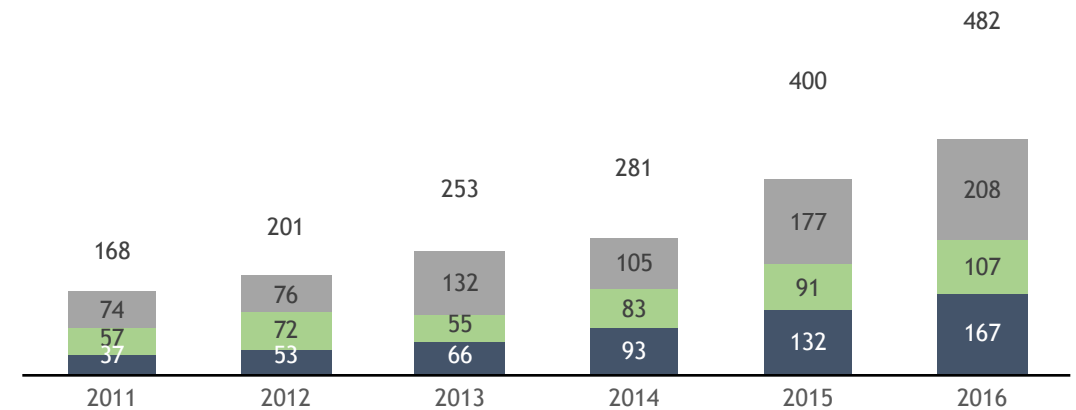


Midwest Investment by Sector

■ SW/Services ■ Biotech ■ Device
Investment (\$M) by Sector 2011-2016

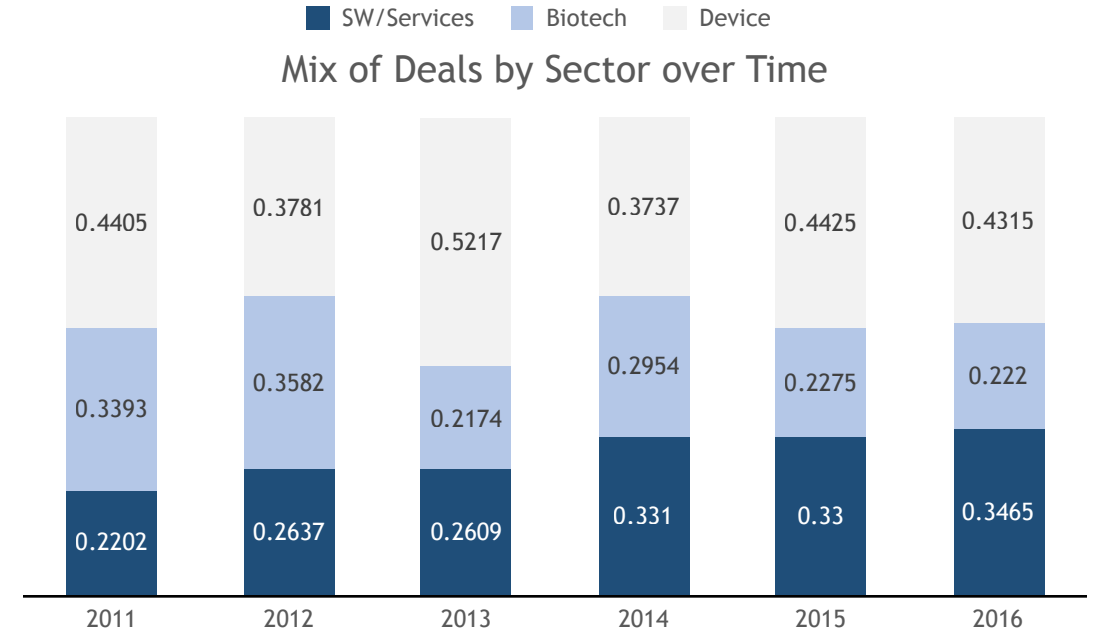
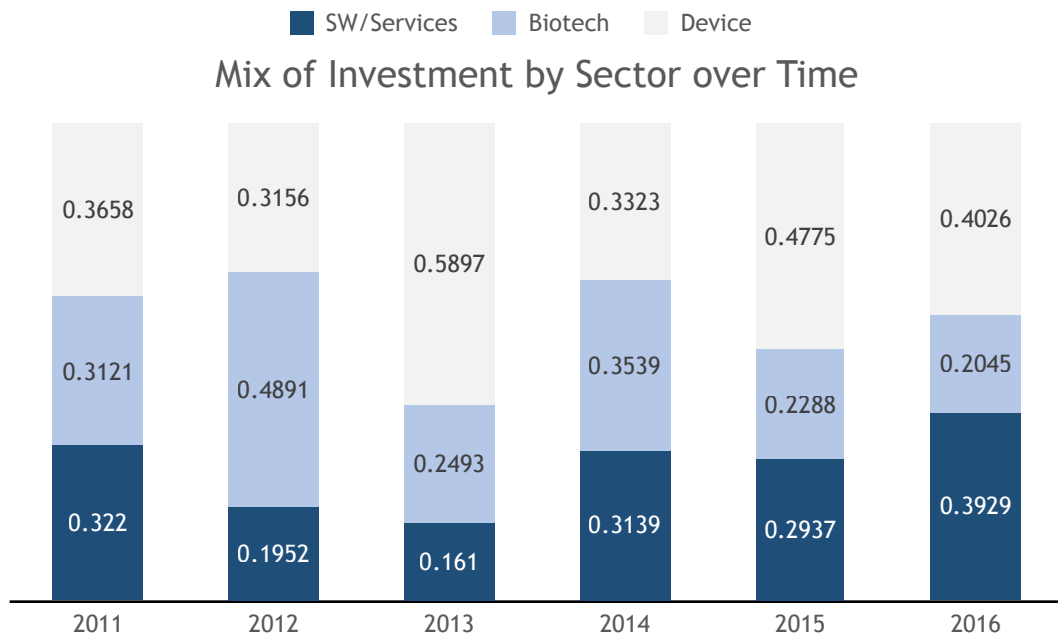


■ SW/Services ■ Biotech ■ Device
Number of Deals by Sector 2011-2016



- Five-year growth in investment for Software/Services was the greatest at 162%; Biotech had the lowest growth at 41%
- The greatest YOY growth in overall investment occurred in 2014 with 135%, largely due to increase in average deal size across sector. Since 2014, although number of deals has increased, average deal size has fallen resulting in negative growth in overall investment

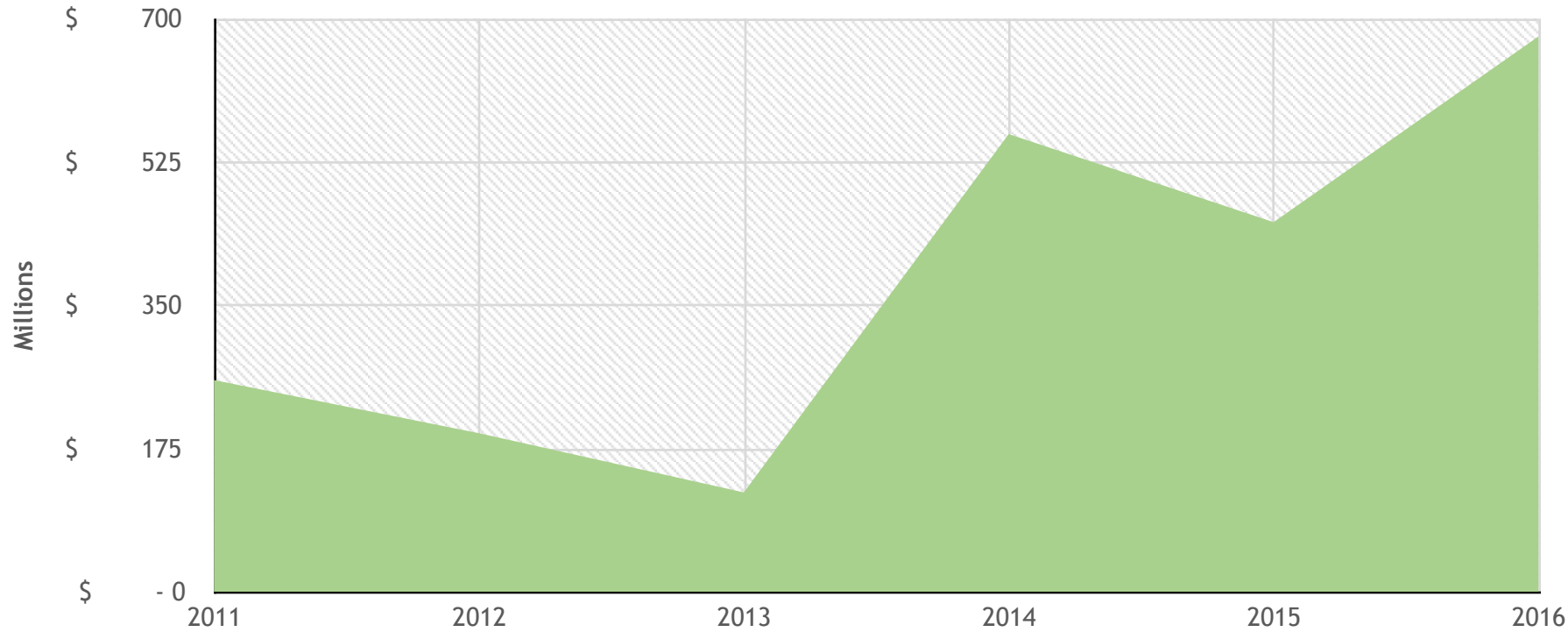
Midwest Deal Mix by Sector



Over the past 6 years the share of investment and deals has gone toward Software/ Services and away from Biotech/Pharma. Dollars and deals for Medical Device has held steady.

Growth of HIT Over Time

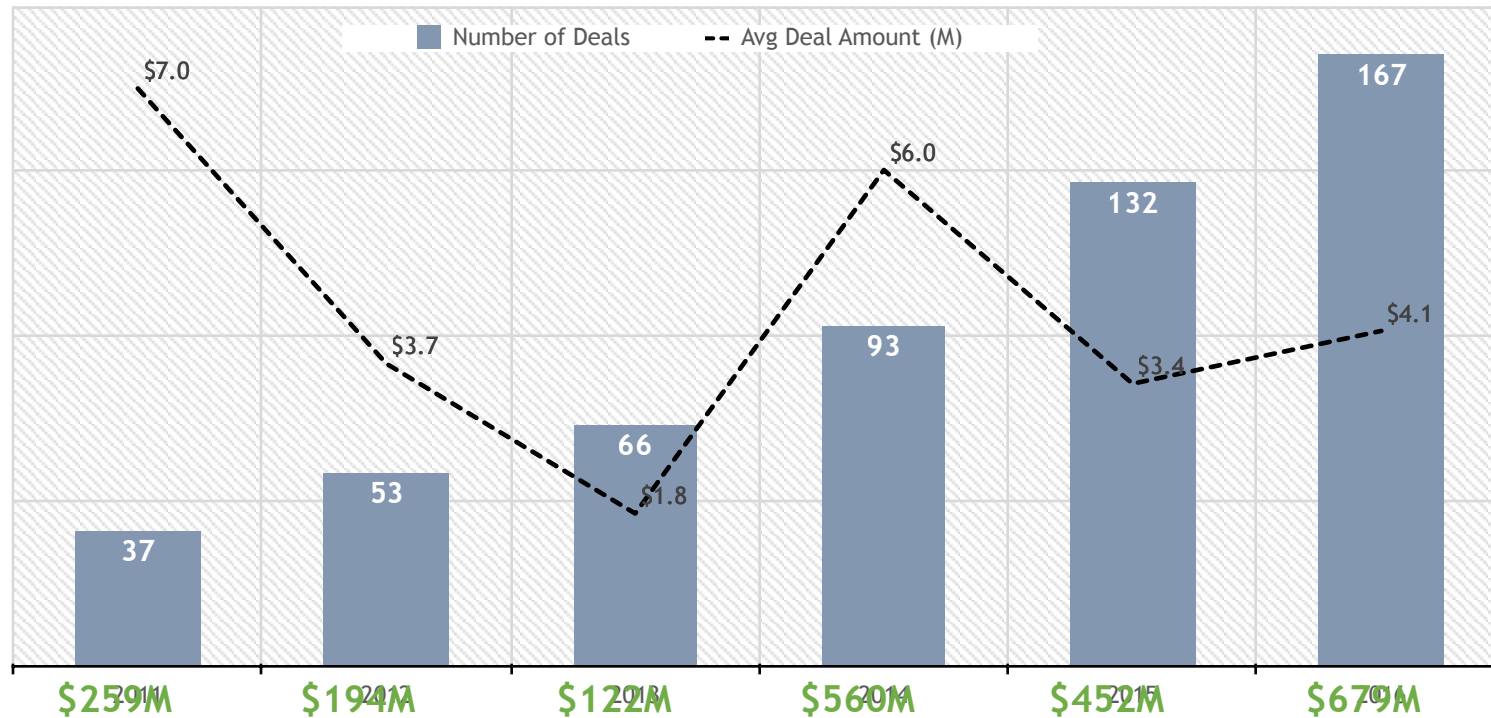
SW/Services Investment over Time



5 year growth:
SW/Services 162%
All Sectors 115%

Growth of HIT over time

SW/Services Investment over Time



5-year Change	SW/ Services	Biotech	Device
<i>Avg. size of deal</i>	-42%	-25%	-16%
<i>Number of deals</i>	351%	88%	181%
<i>Total Investment</i>	162%	41%	136%

Although average deal size for Software/Services sector decreased relative to Biotech and Device, the growth in number of deals more than made up for the deficit

Midwest vs National trends (2013-2016)

	2013	2016	Growth
Biotech/Pharma			
<i>Midwest</i> ¹	\$189 M	\$353 M	87%
Nationwide ²	\$4.8 B	\$8.3 B	73%

	2013	2016	Growth
Medical Device			
<i>Midwest</i> ¹	\$447 M	\$696 M	56%
Nationwide ²	\$4.3 B	\$3.9 B	-9%

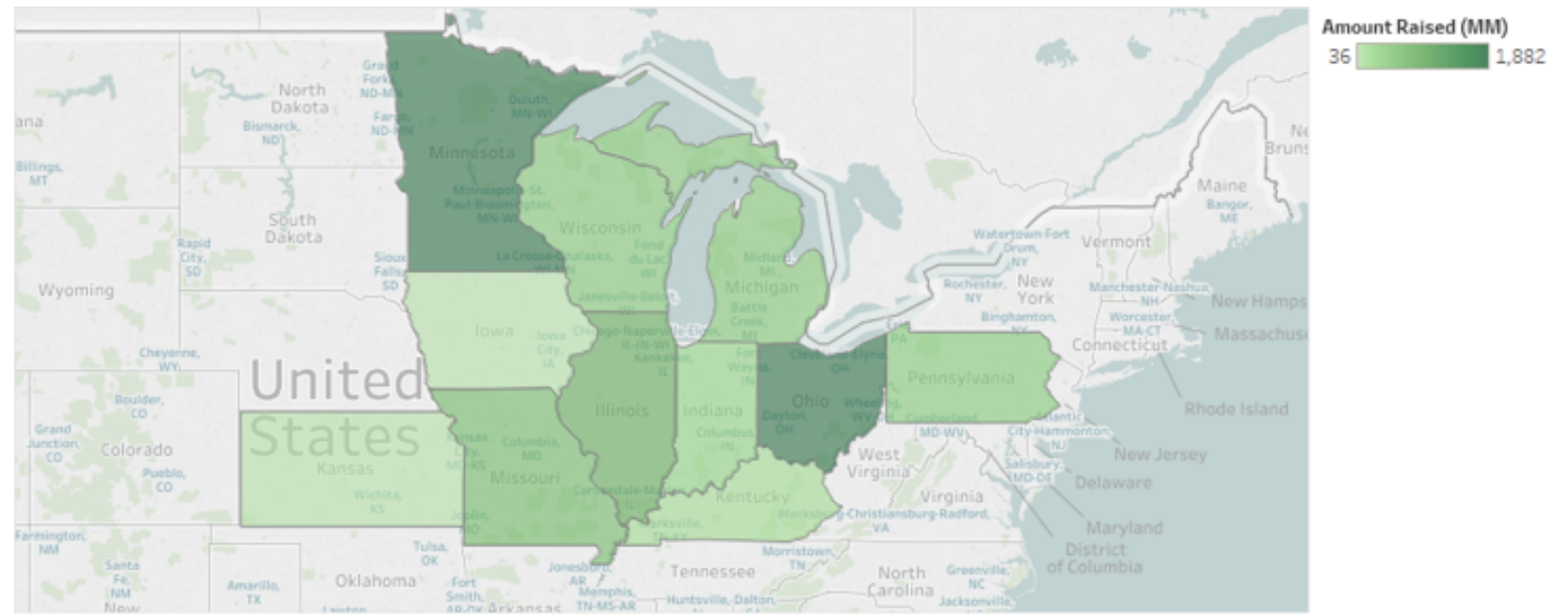
	2013	2016	Growth
Software/ Services			
<i>Midwest</i> ¹	\$122 M	\$679 M	456%
Nationwide ³	\$2.0 B	\$4.2 B	110%

¹ Midwest Healthcare Growth Capital Report. BioEnterprise

² Norris J, Schuber P, Tolman C. Trends in Healthcare Investments and Exits 2017. Silicon Valley Bank

³ Tecco H. 2016 Year End Funding Report: A Reality Check for Digital Health. Rock Health

Over the last 6 years, Ohio and Minnesota have raised about half the total for all 11 states in the Midwest, due in large part to active state support via angel, research and other investment tax credits as well as other funding vehicles.



Minnesota overtaking Ohio's lead likely due to changes in that support over the last few years.

States like IA, IL, MO beginning to see upticks after introducing similar support for innovation and entrepreneurship

Amount Rasied (Millions)

State	2011	2012	2013	2014	2015	2016	Grand Total
IA					16	20	36
IL	44	146	30	194	217	327	958
IN	14	65	32	103	41	89	344
KS	19		10	5	9	0	43
KY	11	34	10	51	12	66	185
MI	31	107	70	132	132	63	534
MN	223	165	228	406	423	425	1,870
MO	169	57	19	109	132	243	728
OH	176	292	296	499	331	291	1,885
PA	67	81	46	97	112	87	490
WI	54	49	17	187	113	119	539
Grand Total	808	996	758	1,783	1,539	1,728	7,612

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