



The Medical Device Supply Chain Council

“Capital Market Trends & Strategic Implications”

November 16, 2011

Presenter: Daniel Lubin, Managing Partner, Radius Ventures

Presentation Agenda

- I. **Radius Overview**
- II. **Market Overview**
- III. **Themes & Strategy**

Radius Team

Professional Team

Jordan Davis
Managing Partner

Daniel Lubin
Managing Partner

Kathleen Regan
Venture Partner

Justin Silver
Vice President

Corbin Director
Associate

Neenah Jain
VP of Finance

Venture Partners

Vince Conti
Venture Partner
Maine Medical (CEO)*

Floyd Loop, MD
Venture Partner
Cleveland Clinic (CEO)*

James Mead
Venture Partner
Capital BlueCross (CEO)*

George Milne, PhD
Venture Partner
Pfizer R&D (President)*

Advisory Board

- **Scott Garrett**, *CEO, Beckman Coulter**
- **Robert Guezuraga**, *President, Medtronic Diabetes**
- **William Hawkins**, *CEO, Medtronic**
- **David McGibney, MB, ChB**, *SVP R&D, Pfizer**
- **Dilip Mehta, MD, PhD**, *SVP U.S. Clinical Research, Pfizer**
- **David Pitts**, *CEO, Health Insights*
- **Jan Rock**, *VP of Women's Health, J&J**
- **Vinod K. Sahney, Ph.D.**, *CSO, BCBS Massachusetts**
- **Arthur Spiegel III**, *President, CSC Healthcare**
- **Thomas O'Donnell, MD**, *CEO, Tufts Medical**
- **Mehmet Oz, MD**, *Medical Director, New York Presbyterian*
- **Leon Smith, MD**, *Chairman of Medicine, St. Michael's*
- **Brian Brille**, *President, Banc of America Merrill Lynch*
- **Steven Epstein, Esq.**, *Founder, Epstein Becker Green*
- **Javier Lopez Madrid**, *Executive Director, Villar Mir Group*
- **James McLaren**, *Managing Director, Asante Partners*
- **Stephen Pagliuca**, *Managing Director, Bain Capital*
- **Mark S. Speers**, *Managing Director, Health Advances*

Industry

Professional & Clinical

Due Diligence + Governance + Value-Add

*Denotes former affiliation

Presentation Agenda

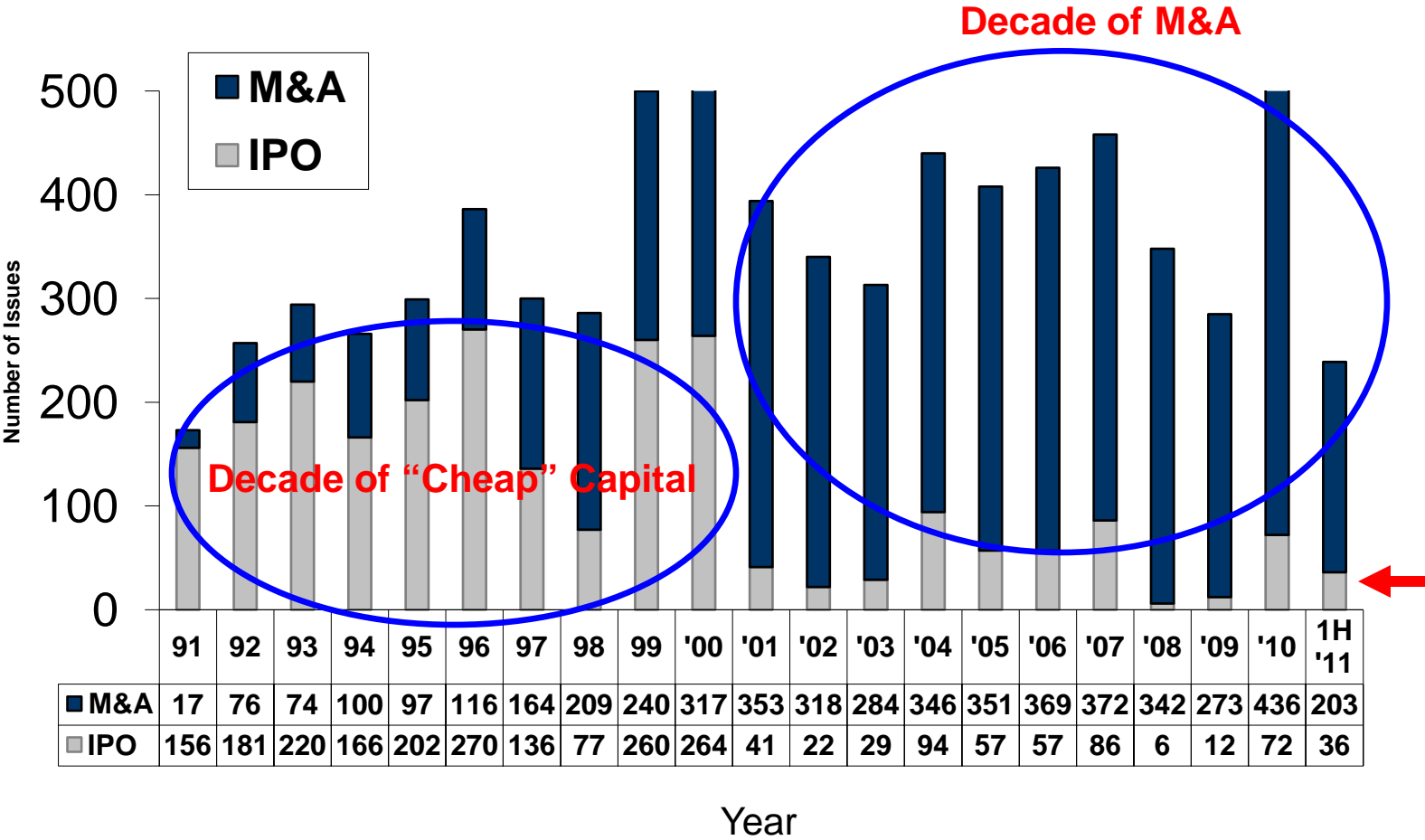
- I. Radius Overview
- II. **Market Overview**
- III. Themes & Strategy

Trends that matter ...

- **The IPO market for emerging, venture-backed companies remains relatively moribund**
- **The M&A market remains active**
 - M&A deals led by strategic buyers and mid-market buyout funds continue to be the primary path to liquidity
 - Strategic Relevance
 - Capital Efficiency

Current Decade has been Dominated by M&A

Venture Exits: Reversing the Tide



Source: Thomson Reuters, NVCA, Credit Suisse

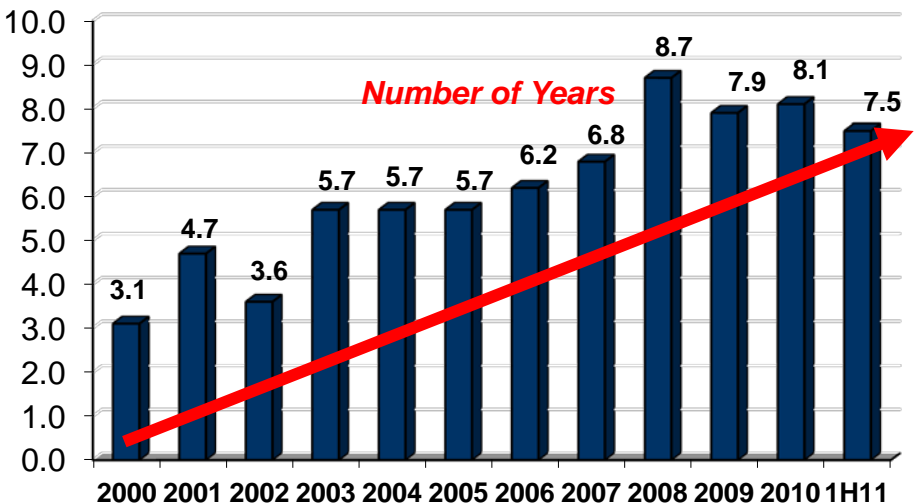
Trends that matter ...

- The IPO market for emerging, venture-backed companies remains relatively moribund
- The M&A market remains active
 - M&A deals led by strategic buyers and mid-market buyout funds continue to be the primary path to liquidity
- **It continues to take more time and money to position a company for an exit**

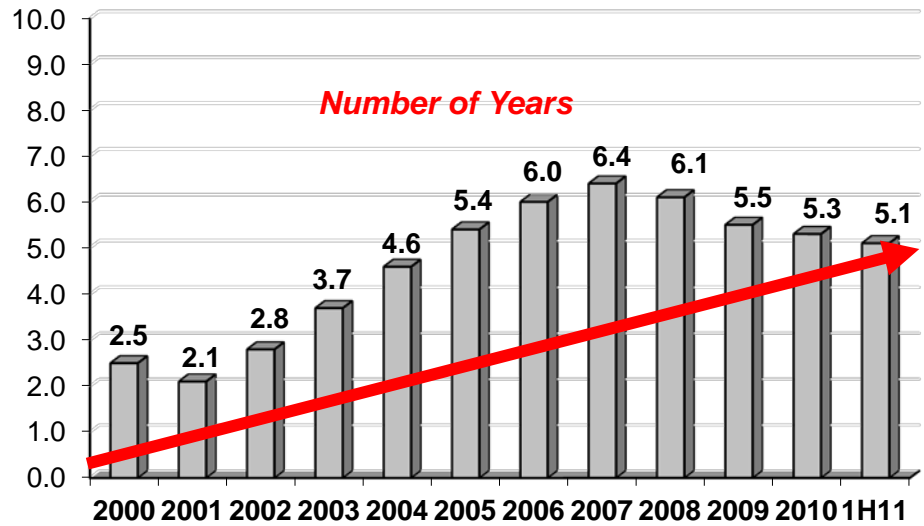
More Time ...

Median Time From Initial Equity Funding to Exit

Initial Public Offerings



M&A Transactions

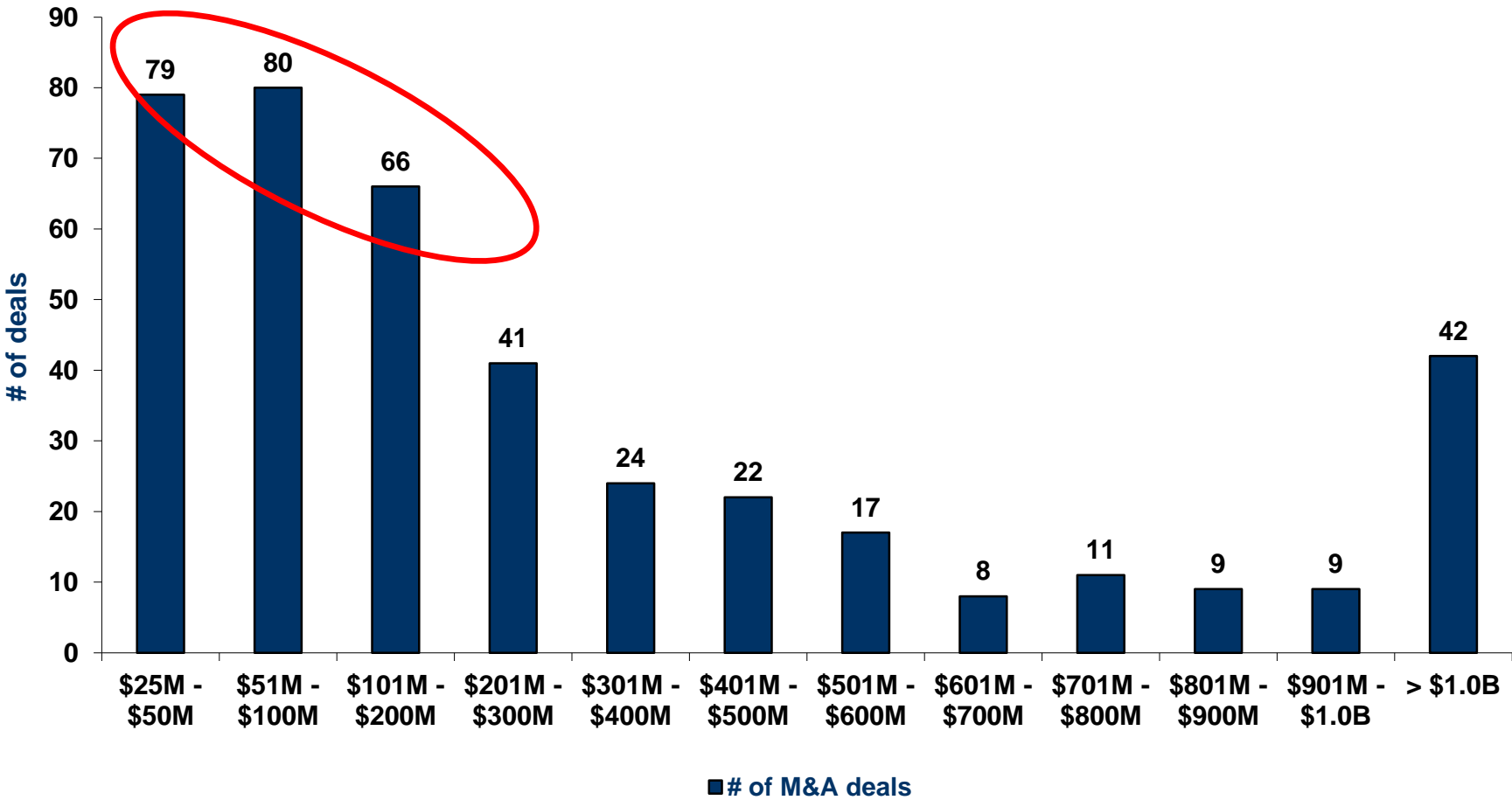


Trends that matter ...

- **The IPO market for emerging, venture-backed companies remains relatively moribund**
- **The M&A market remains active**
 - M&A deals led by strategic buyers and mid-market buyout funds continue to be the primary path to liquidity
- **It continues to take more time and money to position a company for an exit**
- **A majority of exits are \leq \$200 million**

Majority of Deals < \$200M

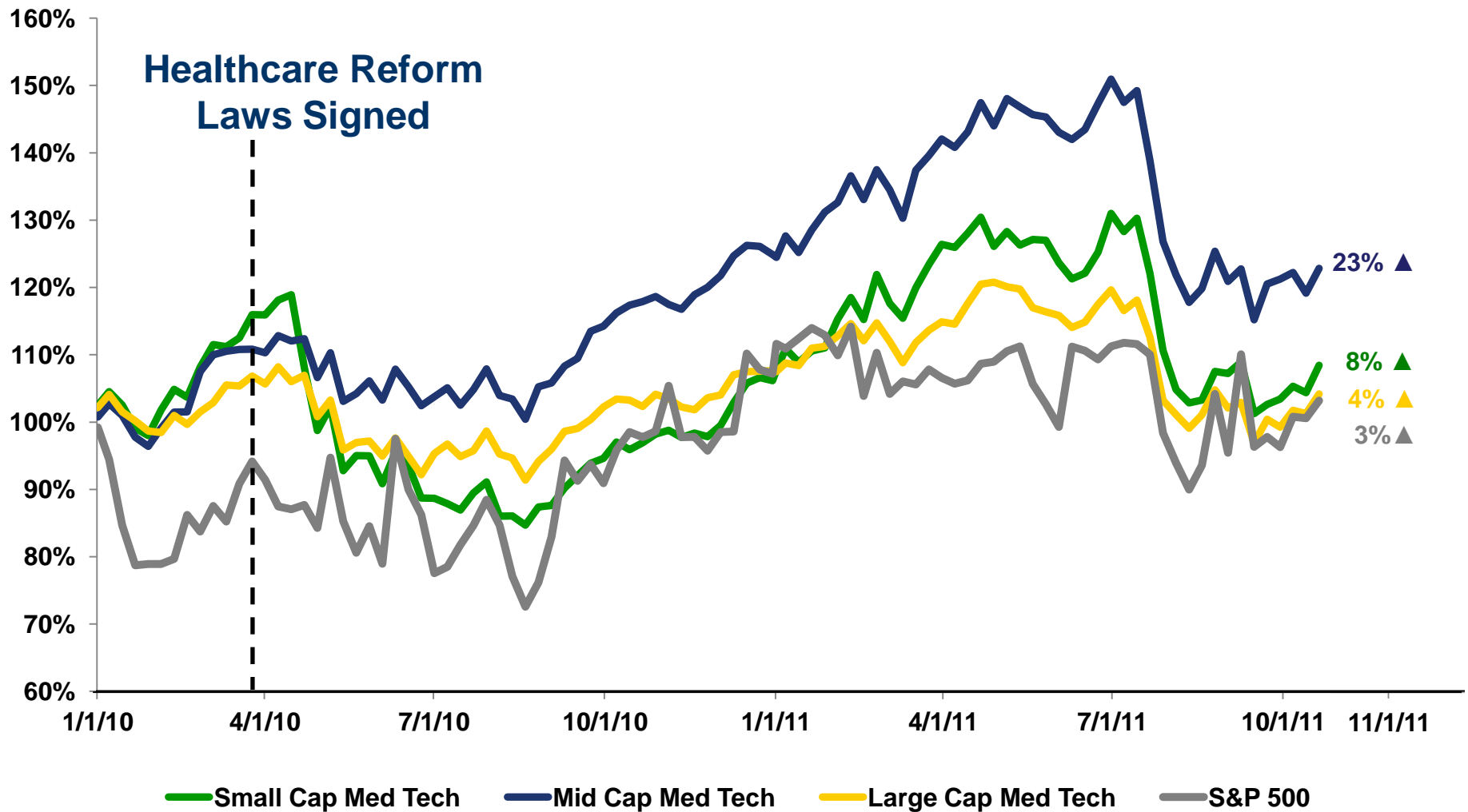
Healthcare M&A Deals – Volume by Size (Q1 2009 – Present)



Source: Capital IQ

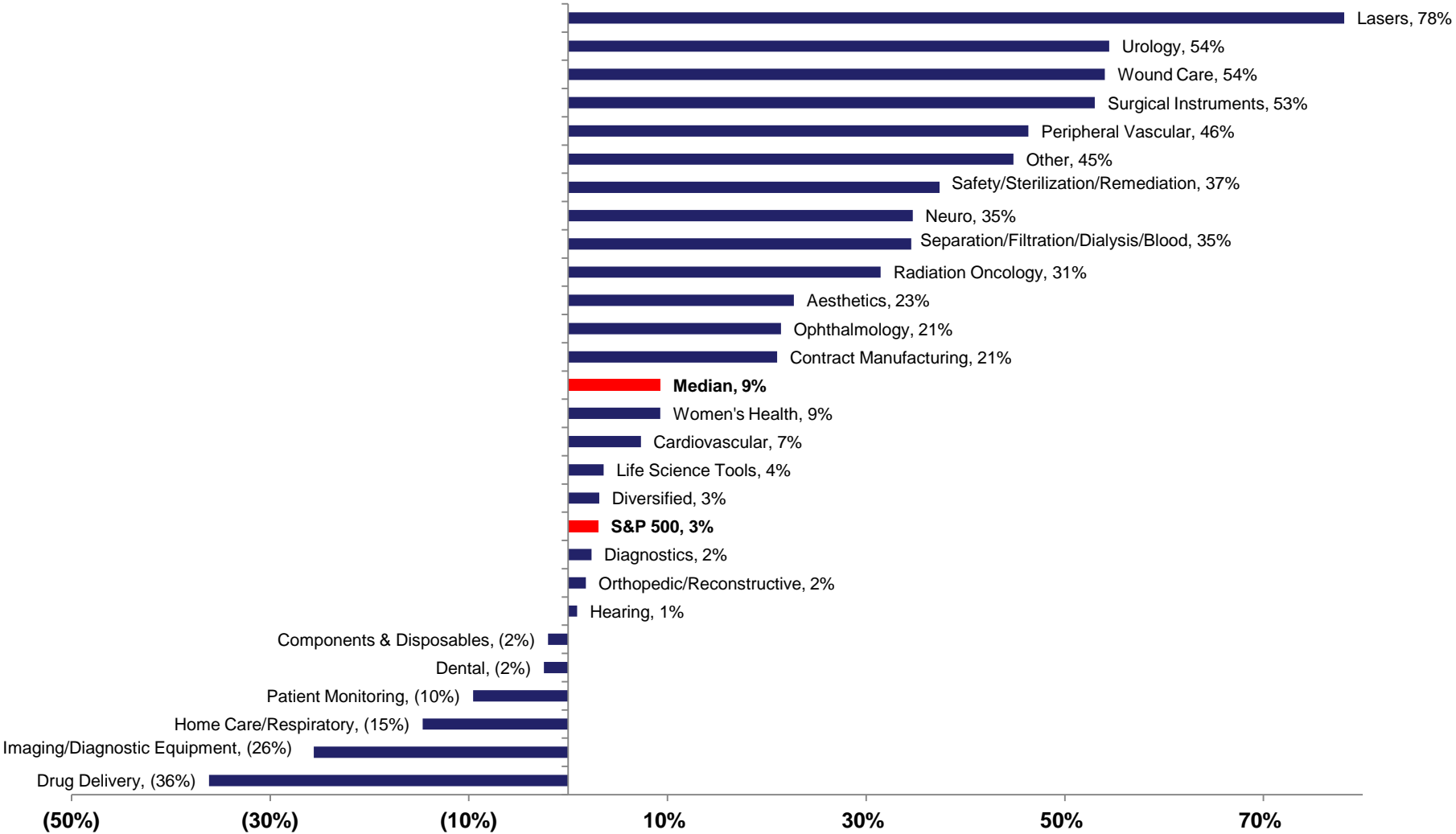
**Includes U.S. M&A of public and private healthcare companies with disclosed transaction values

2010-2011 YTD Med Tech Stock Price Performance



Source: Capital IQ (as of close on October 31, 2011)
 Note 1: All indices are Market Cap weighted
 Note 2: Small Cap <\$500M, \$500M < Mid Cap <\$1.5B, Large Cap >\$1.5B

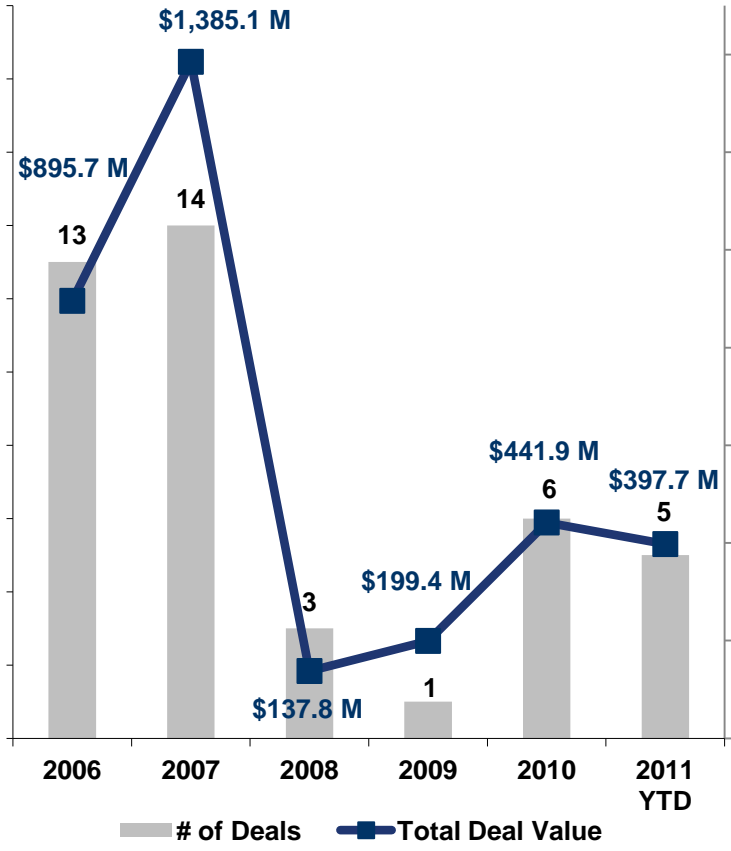
2010-2011 YTD Med Tech Subsector Performance



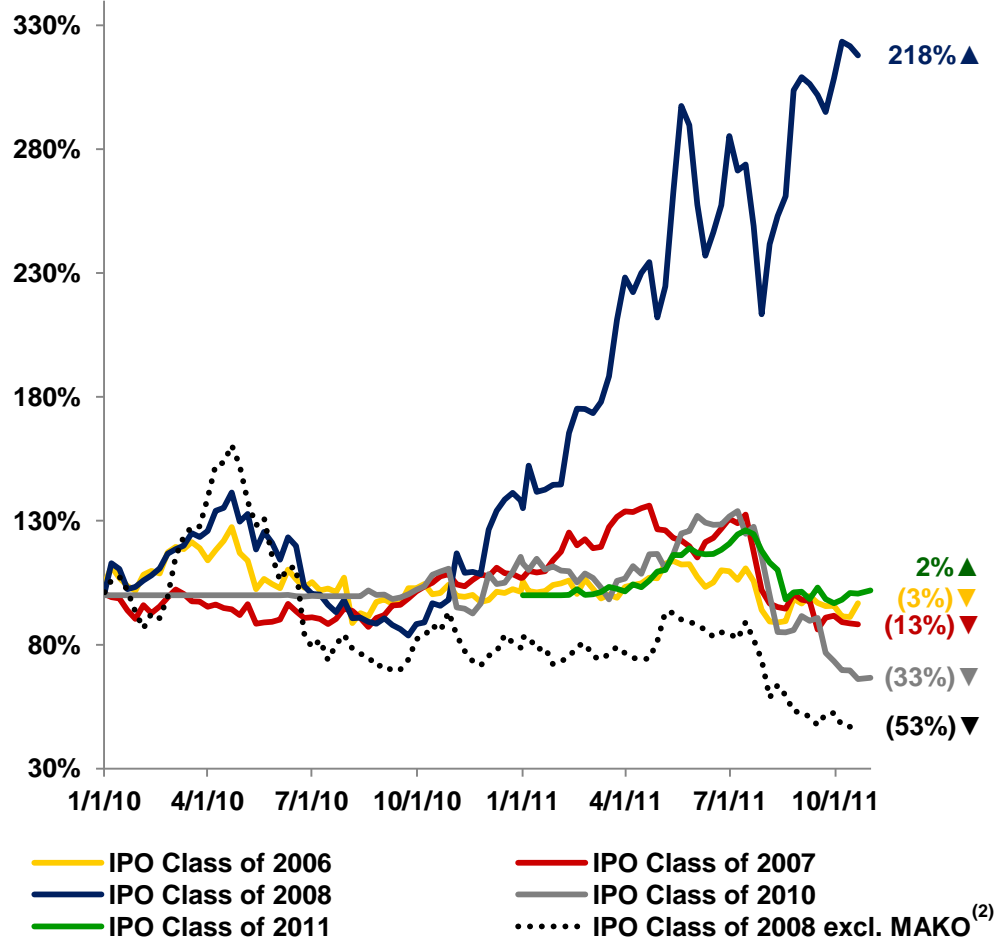
Source: Capital IQ
Note 1: All indices are Market Cap weighted

U.S. Med Tech IPO Trends

Med Tech IPOs since 2006



Med Tech IPO Performance⁽¹⁾



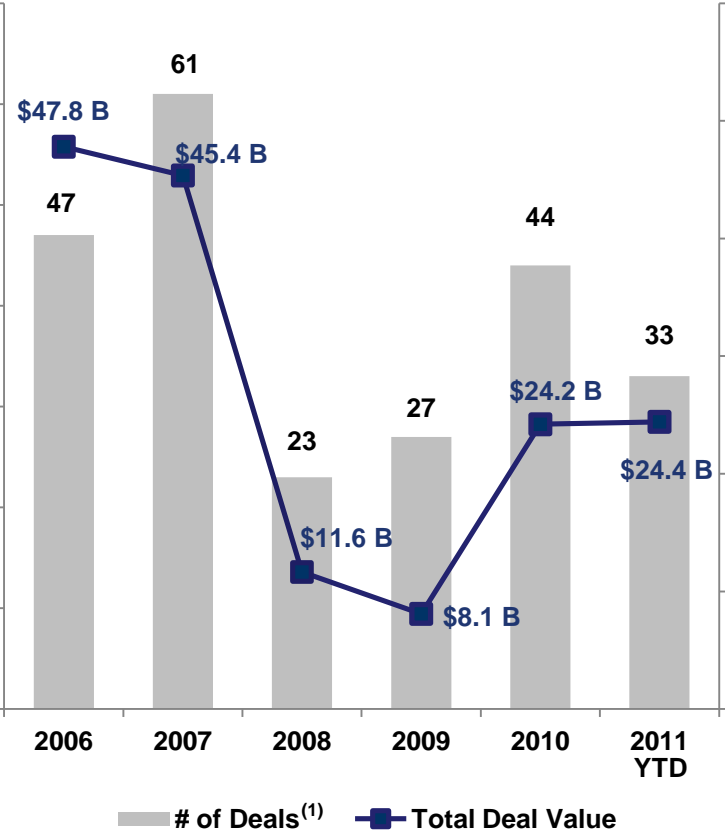
Source: Capital IQ

(1) No 2009 Med Tech IPOs continue to trade publicly; all indices are Market Cap weighted

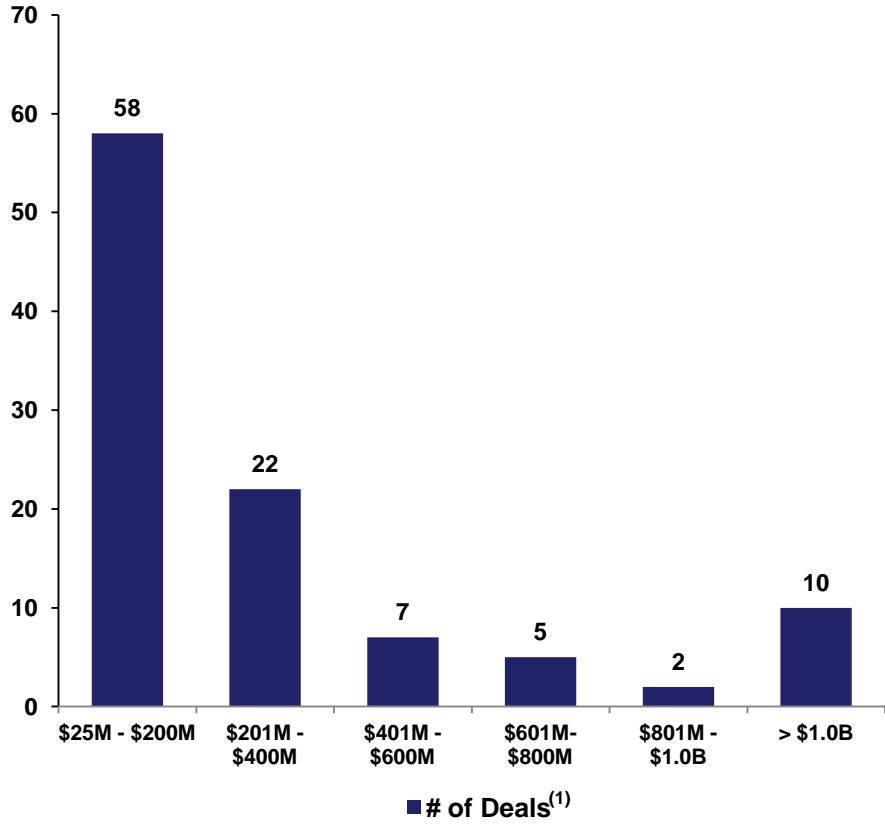
(2) Reflects IPO Class of 2008 excluding MAKO Surgical

U.S. Med Tech M&A Trends

Med Tech M&A Deals since 2006



Med Tech M&A – Volume by Size (Q1 '09 – Present)



Source: Capital IQ

(1): Number of deals represents announced U.S. M&A transactions with transaction values greater than \$25 million

Presentation Agenda

- I. Radius Overview
- II. Market Overview
- III. Themes & Strategy

Key Investment Themes

- Radius invests in highly innovative companies with products and services that:
 - Minimize Waste
 - Reduce Cost
 - Improve Efficiencies
 - Result in Better Outcomes
 - Address Consumer Needs
 - Enhance Hospital / Physician Economics



Insights from the “Trenches”

- **Even in these challenging times there are market winners in the healthcare ecosystem**
 1. Why are the winners winning?
 2. What can we learn from those that struggle?

- **Radius has 16 active portfolio companies whose operational and commercial experiences provide:**
 1. Valuable market insights
 2. A collection of relevant “in-the-trenches” mini case studies

Insights from the “Trenches”

Revolutionizing senior care with innovative remote monitoring platform

The logo for Healthsense, featuring a blue plus sign above the letter 'H' in the word 'Healthsense', followed by a registered trademark symbol (®).

- **With huge developing markets, find a nice niche and attack – particularly when competitors are focused elsewhere**
- **Well-connected channel partners can provide efficient and affordable market entry**

Insights from the “Trenches”

Revolutionizing supply chain management in hospitals



- Transforming business models is easier said than done, but the payoff can be big
- Don't underestimate the difficulties of integrating acquisitions...even small ones
- Growing operational complexity often drives the need for a CEO transition – decisive action vital

Insights from the “Trenches”

Advanced robot courier system used to improve hospital logistics



- **Sexy technology solutions in healthcare don't sell without a bulletproof ROI**
- **There's a big difference between a “pipeline” and a “booking”**

Insights from the “Trenches”

World leader in common medical vocabulary middleware



- Looming deadlines and a sense of urgency drive decision making
- Frugality and capital efficiency preserve investment value

Insights from the “Trenches”

Global quality leader in bio-specimen storage, management & logistics



BioStorage.
TECHNOLOGIES

- High-margin recurring revenue business models are things of beauty
- Maintaining rapid growth in dynamic markets often necessitates change – in strategy, products / services and management

Insights from the “Trenches”

Global leader in nucleic acid extraction, amplification & sample prep



- Hitting stride often takes time ... plan for longer lead times
- Again, maintaining rapid growth in dynamic markets often necessitates change – in strategy, products / services and management
- Building a diversified customer base is critical

Insights from the “Trenches”

Breakthrough incisionless surgery for Acid Reflux disease



- Investment in sales and marketing must be timed to the market's adoption readiness (i.e., clinical data, reimbursement, product dev.)
- Decisive action on management change vital

Insights from the “Trenches”

Revolutionary high throughput breast ultrasound system



- **Robust clinical data and a PMA can be much more valuable than a 510(k) with weak clinical claims**
- **Often, companies mistakenly believe 510(k) clearance is a catalyst for rapid adoption**

Insights from the “Trenches”

Novel drug eluting stent platform



- Large strategic players will pay handsomely for world-class innovation targeting big markets

J&J paid \$1.4 billion to acquire Conor in 2007

Insights from the “Trenches”

One of the first miniature diabetes “Patch” pumps

MEDINGO
Medical Solutions

- Investing in foreign companies presents geographic and cultural challenges
- ...and again, large strategic players will pay handsomely for world-class innovation targeting big markets

Roche paid \$160M upfront and up to \$40M in milestone payments

From Insights to Action

Radius targets companies with high upside and mitigated downside risk

Strong Management

- The backbone of any successful venture

Capital Efficient Operations

- Back companies that do not require massive and regular influxes of fresh capital to reach breakeven and become profitable ... *“put in a little, sell for a lot”*

Hyper Growth Potential

- Commercial stage products/services addressing large market opportunities

Best-of-Breed Technology

- Technology leadership / strong IP drive outsized acquisition values

Scalable, Recurring Business

- Recurring revenue models offer ideal risk reward profile for venture-backed companies

Compelling Value Proposition

- Develop and articulate a “bullet-proof” ROI

Compelling Adoption Dynamics

- Hitting the inflection point maximizes shareholder value
- Long adoption cycles delay breakeven, increase capital investment & reduce returns

Well Established Set of Acquirors

- Build companies for acquisition, not an IPO – study the exit before the entry