

Medical Devices eBulletin

A quarterly eBulletin from the people who bring you the
Medical Devices Executive MindXchange

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Private Equity Investment in the U.S. Medical Devices Industry

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Frost & Sullivan's Business & Financial Services group has prepared a research service assessing U.S.-based private equity investment in the U.S. medical devices industry. The following excerpt was taken from that research service which provides an in-depth analysis of investment activities and trends in the medical devices industry and illustrates potential investment opportunities.

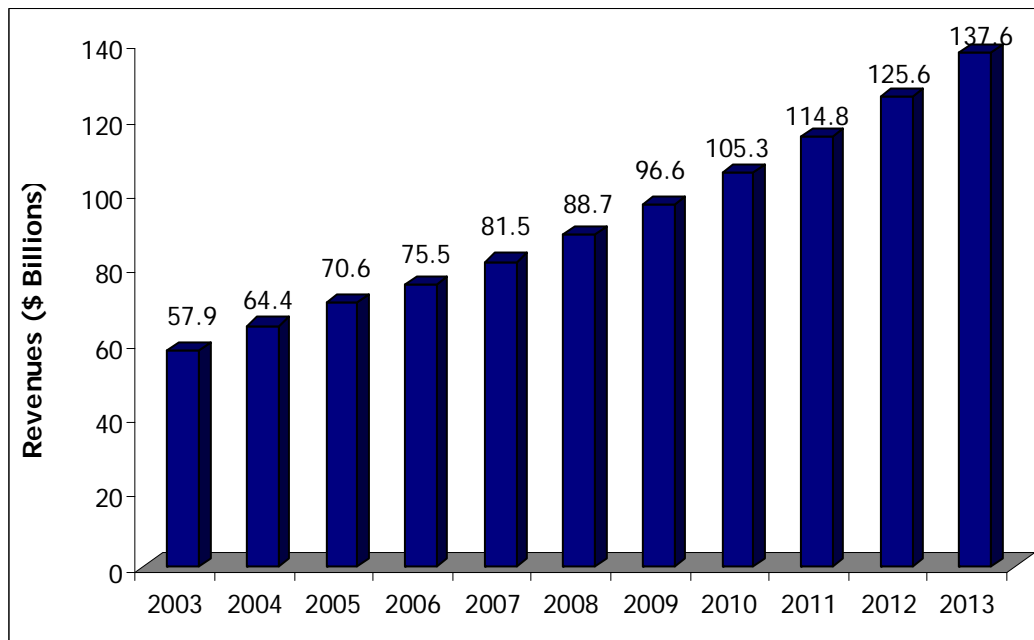
Private Equity Investment: U.S. Medical Devices Industry

The medical devices industry is flourishing as a result of large amount of capital being channeled into the research and development activities for life-saving and innovative devices. There are an estimated 8,000 medical devices companies in the U.S. alone. These companies range from large and mid-sized companies to start-up companies. Additionally, the industry is characterized by significant consolidation, largely attributed to the mergers and acquisitions witnessed over the last decade.

Medical Devices Industry Economics

The medical devices industry is one of the most vital and fastest growing sectors in the United States. The industry generated revenues of \$75.5 billion in 2006 and is expected to witness a compound annual growth rate (CAGR) of 9.0 percent from 2006 to 2013. An aging U.S. population is the strongest factor contributing to the growth in this market. As the baby boomers age, the incidence of health conditions rise; thereby spurring demand for devices. Moreover, technological advancements are improving the quality of care and allowing for the treatments of health conditions that were not possible before.

Medical Devices Industry: Revenue Forecasts (U.S.), 2003-2013



Note: All figures are rounded. Sources: Frost & Sullivan and Thomson Financial

Private Equity Investment Trends in the U.S. Medical Devices Industry

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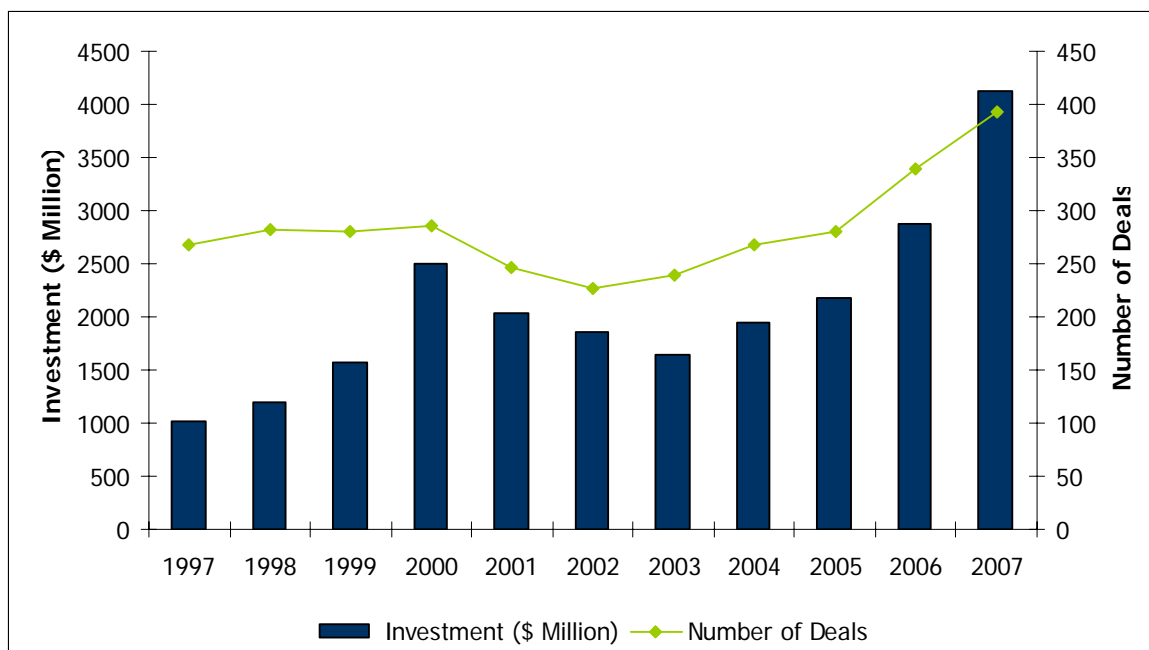
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Overall, private equity investment in the U.S. medical devices industry in the last ten years has increased. In 1997, the industry received slightly over \$1 billion in funding, and ten years later, the industry progressed with the support of over \$4 billion in investment. Investment during 2001-2003 was more conservative than other timeframes, as the contributions declined and the number of deals remained steady. In 2004, private equity activities picked up, and for the next few years that follow, the industry received higher investment amounts and closed more deals.

This chart represents the private equity investment in the U.S. medical devices industry, according to the number of deals and investment amount from 1997 – 2007.

Private Equity Investment: Medical Devices (U.S.), 1997 - 2007



Note: All figures are rounded. Sources: Frost & Sullivan and Thomson Financial

In the past five recent years, the number of deals and total investment was the lowest in 2003, with 240 total activities in the U.S. medical devices industry that valued at \$1.7 billion. The year 2007 represents the highest level of funding and the most fundraising transactions in the last three, five, and ten years- with 392 transactions that represent over \$4.0 billion.

Top 10 U.S. Medical Devices Companies Attracting Investment

There are numerous medical devices companies in the United States. Ten companies, alone, account for 118 fundraising transactions in the last ten years. And those companies include: Alsius Corporation, Solarant Medical Inc., HeartSine Technologies, Inc., RxKinetix, Inc., Allergan, Inc., Novocell, Inc., POINT Biomedical Corporation, EndiCOR Medical, Inc., Metabolex, Inc., and MicroMed Cardiovascular, Inc.

CEO

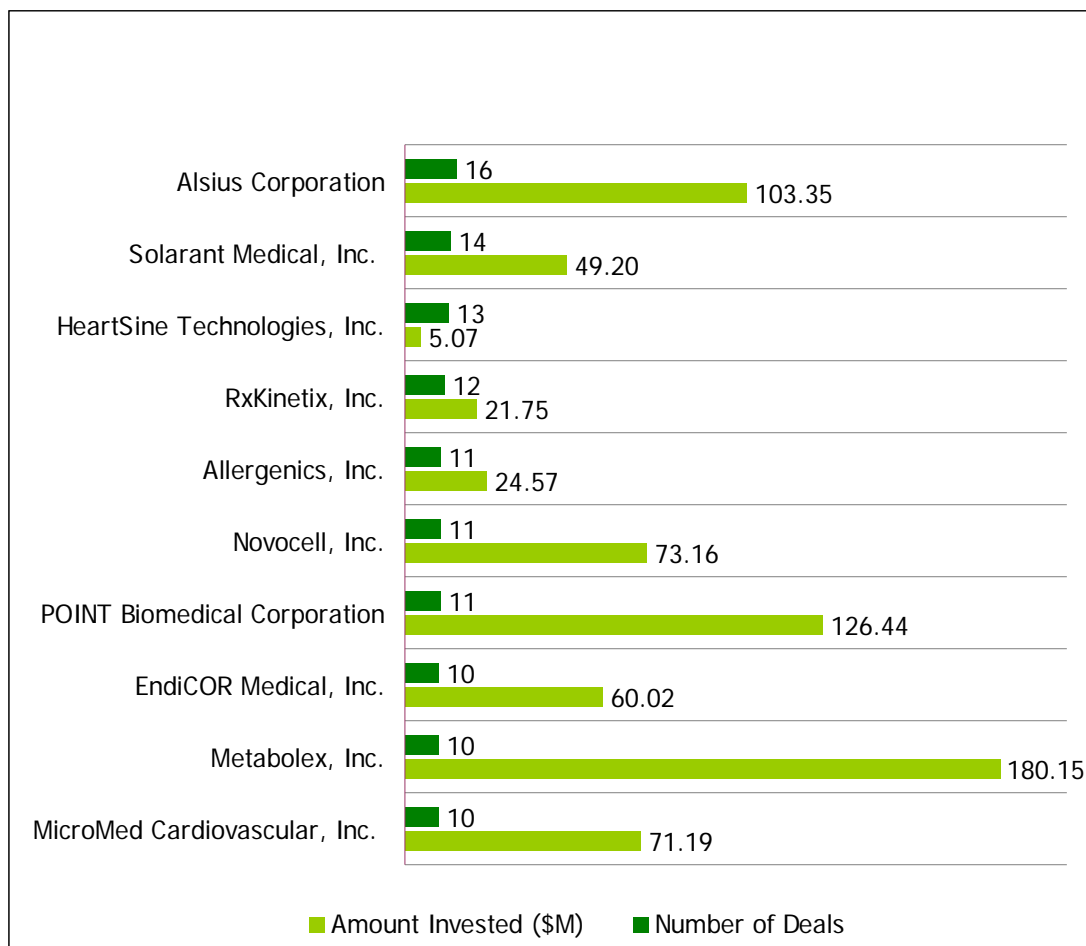
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The following chart represents the top 10 medical devices companies in U.S., according to the number of deals from 1997 to 2007.

Medical Devices Industry: Top 10 Companies by Number of Deals (U.S.), 1997 - 2007



Note: All figures are rounded. Source: Frost & Sullivan and Thomson Financial

Based on the above, Alsius Corporation witnessed the highest number of deals closely, followed by Solarant Medical, Inc. with 16 deals and 14 deals, respectively. In the last decade, these 10 companies received investments amounting to \$715 million.

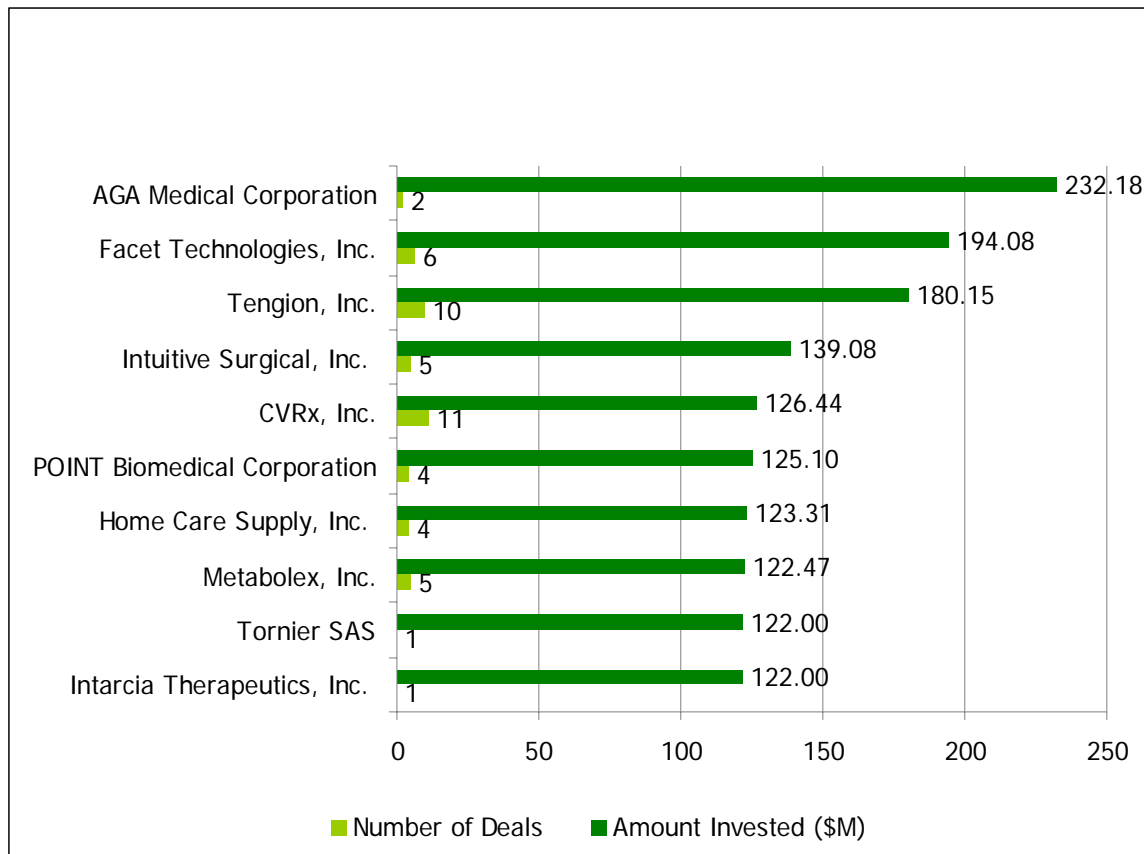
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This next chart represents the top 10 medical devices companies in the U.S., according to the amount invested from 1997 to 2007.

Medical Devices Industry: Top 10 Companies by Amount Invested (U.S.), 1997 - 2007



Note: All figures are rounded. Source: Frost & Sullivan and Thomson Financial

Based on this, AGA Medical Corporation represents the highest amount of fundraising received, amounting to \$232.2 million for two deals total. Facet Technologies, Inc. received total investment of \$194.1 million in six deals. Looking at the top 10 companies, listed above, that received the most funding in the last decade, the aggregate amount invested in these ten companies was more than \$1.4 billion for 49 total deals.

Private Equity Investment Activities by Segments

Investment in the start-up medical device companies accounts for an estimate of 15% of total healthcare deals in 2007. Investors find the start-up companies attractive because of the potential of the products that may successfully displace market position.

In the ten-year duration, 1997-2007, the general surgery segment of the U.S. medical devices industry received the highest level of investment and underwent the most transactions, cumulatively, at \$4,346 million for 650 deals. The cosmetics and aesthetics segment received the lowest investment in the ten year, cumulatively, at \$22 million for four deals.

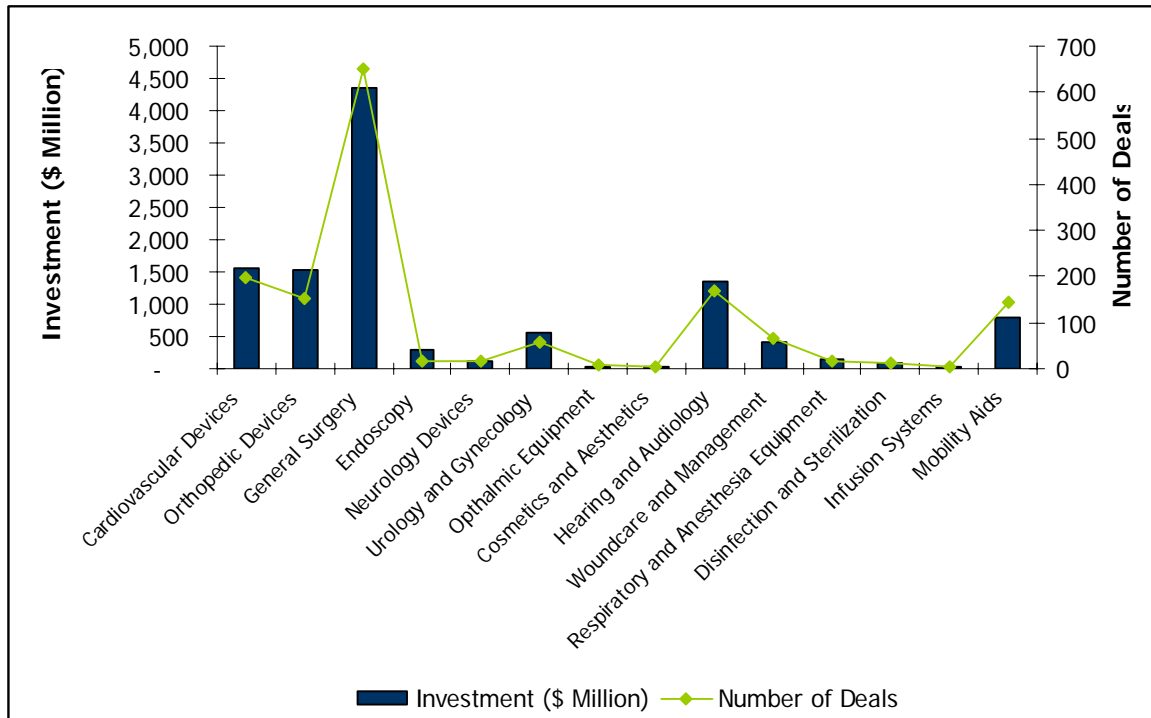
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This chart represents a segment analysis of private equity investment in the U.S. medical devices industry from 1997 to 2007.

Medical Devices Industry: Private Equity Investment Segment Analysis (U.S.), 1997 – 2007



Note: All figures are rounded. Source: Frost & Sullivan and Thomson Financial

For this piece, Frost & Sullivan leveraged existing medical devices research-related materials, in-house market expertise, along with valuation, financial analysis, and benchmarking capabilities.

The research service provides an assessment of various segments within the medical devices industry. Frost & Sullivan continually tracks these various market segments and additional in-depth market analyses can be found in other related studies. For more information on this research service, please contact debbie.wong@frost.com.