

Venture Capitalist Perspective

FDA OOPD Pediatric Medical Devices Workshop

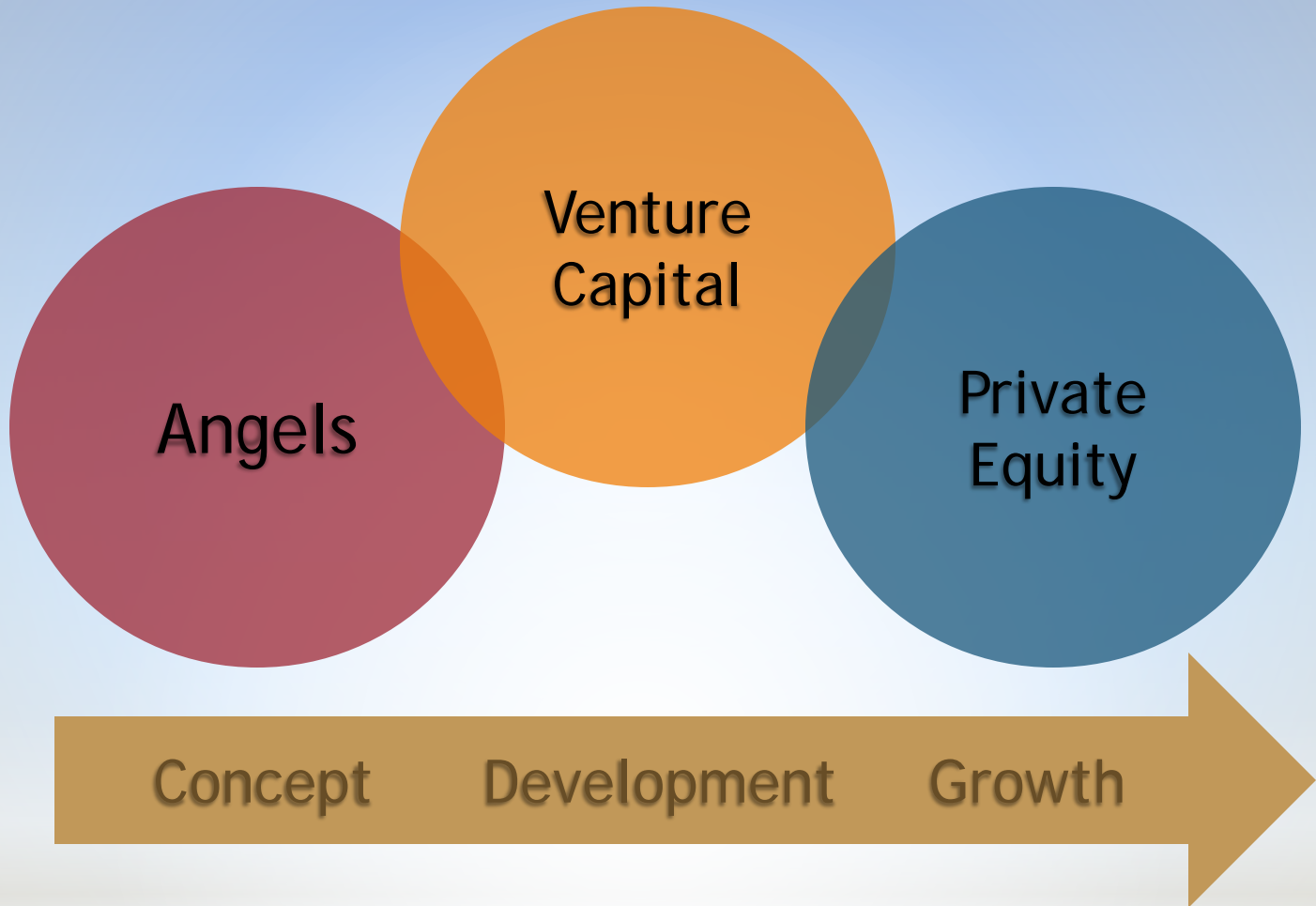
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Arboretum Ventures & BioEnterprise

September 24, 2012

- Development Milestones and Investment
- Talking to VC's and the Decision Process
- Opportunities for Pediatrics

Overview

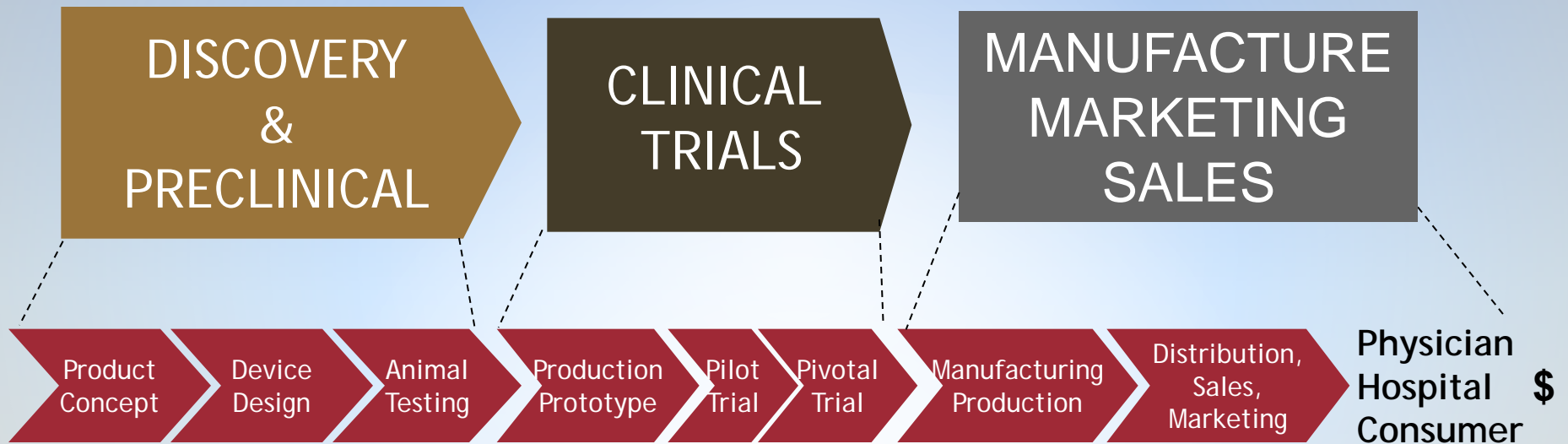


Funding Sources and Development Stage

- Provide capital when banks won't (equity in place of collateral)
- Fund in rounds (A, B, C, etc.) based on milestones
- Experts in assessing
 - Value
 - Risk
- Development partners for entrepreneurs
- Investment goal is successful exit
 - Acquisition
 - IPO

Venture Capital

Milestones for Product Commercialization

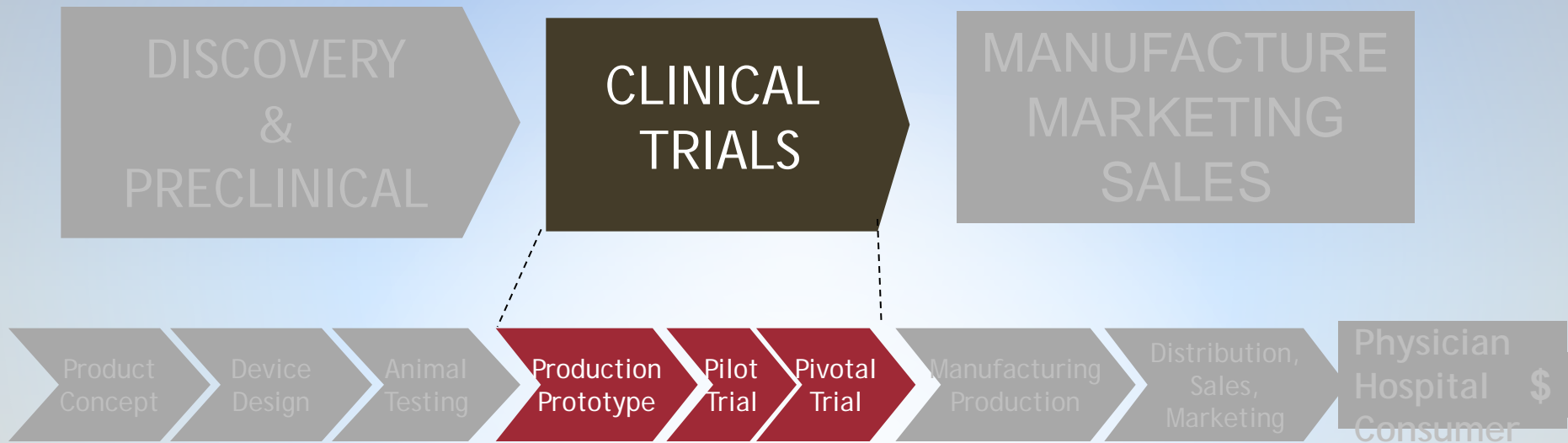


Milestones for Product Commercialization



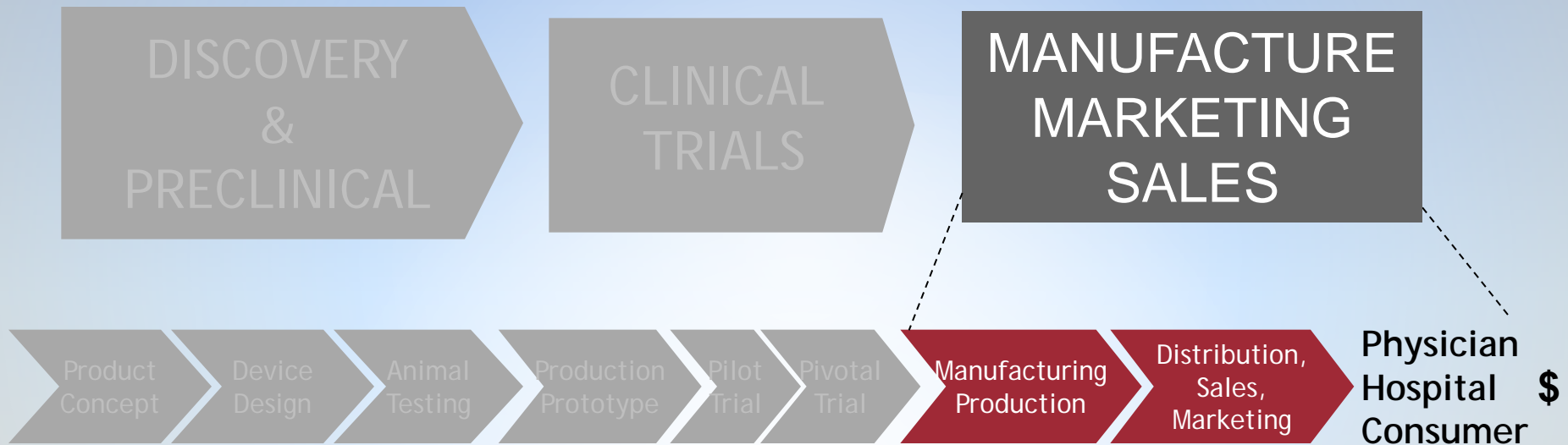
- Intellectual property
- Product refinement
- Management build-out

Milestones for Product Commercialization



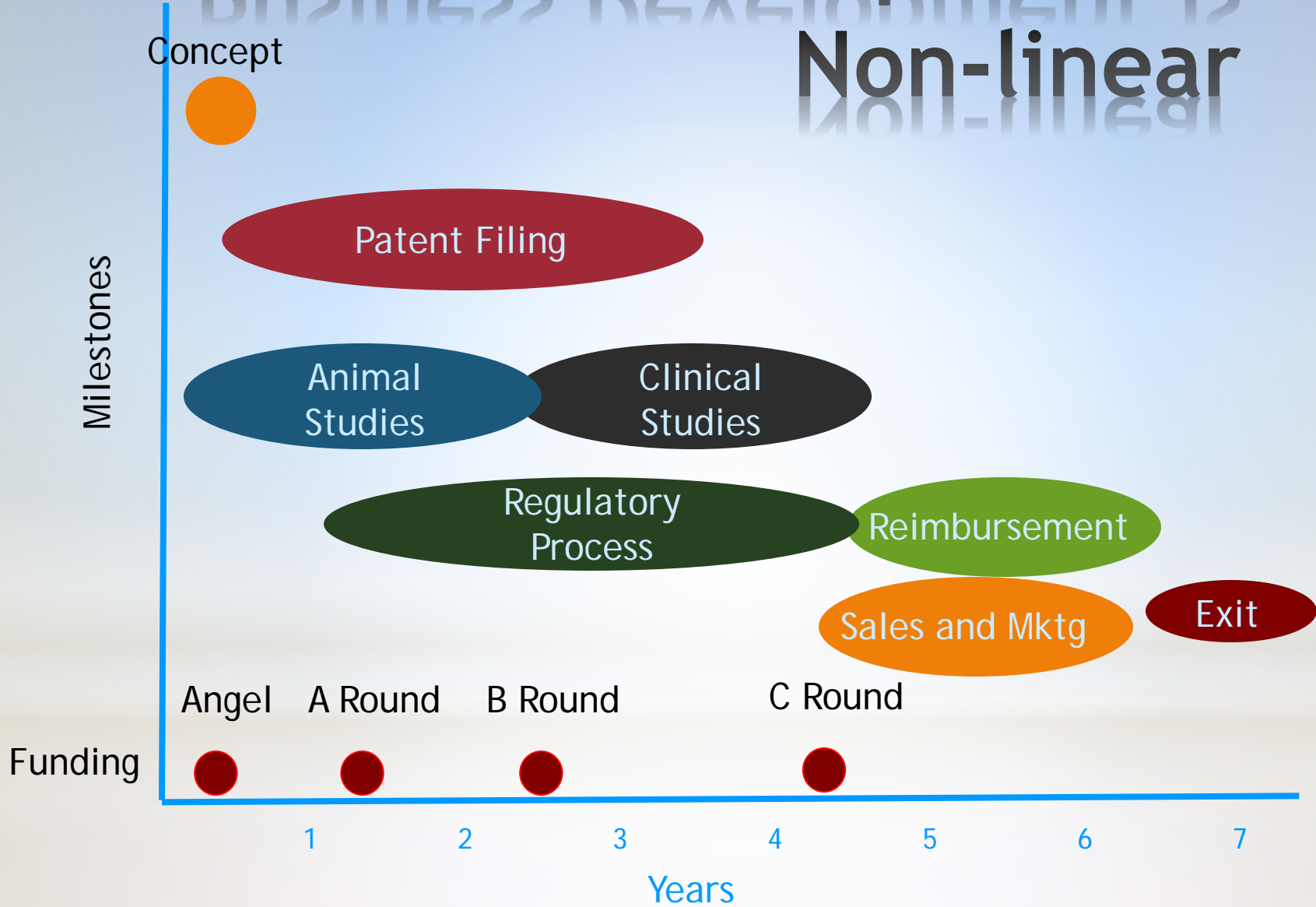
- Commercial product development
- Regulatory approval
- First in man/reference customers

Milestones for Product Commercialization

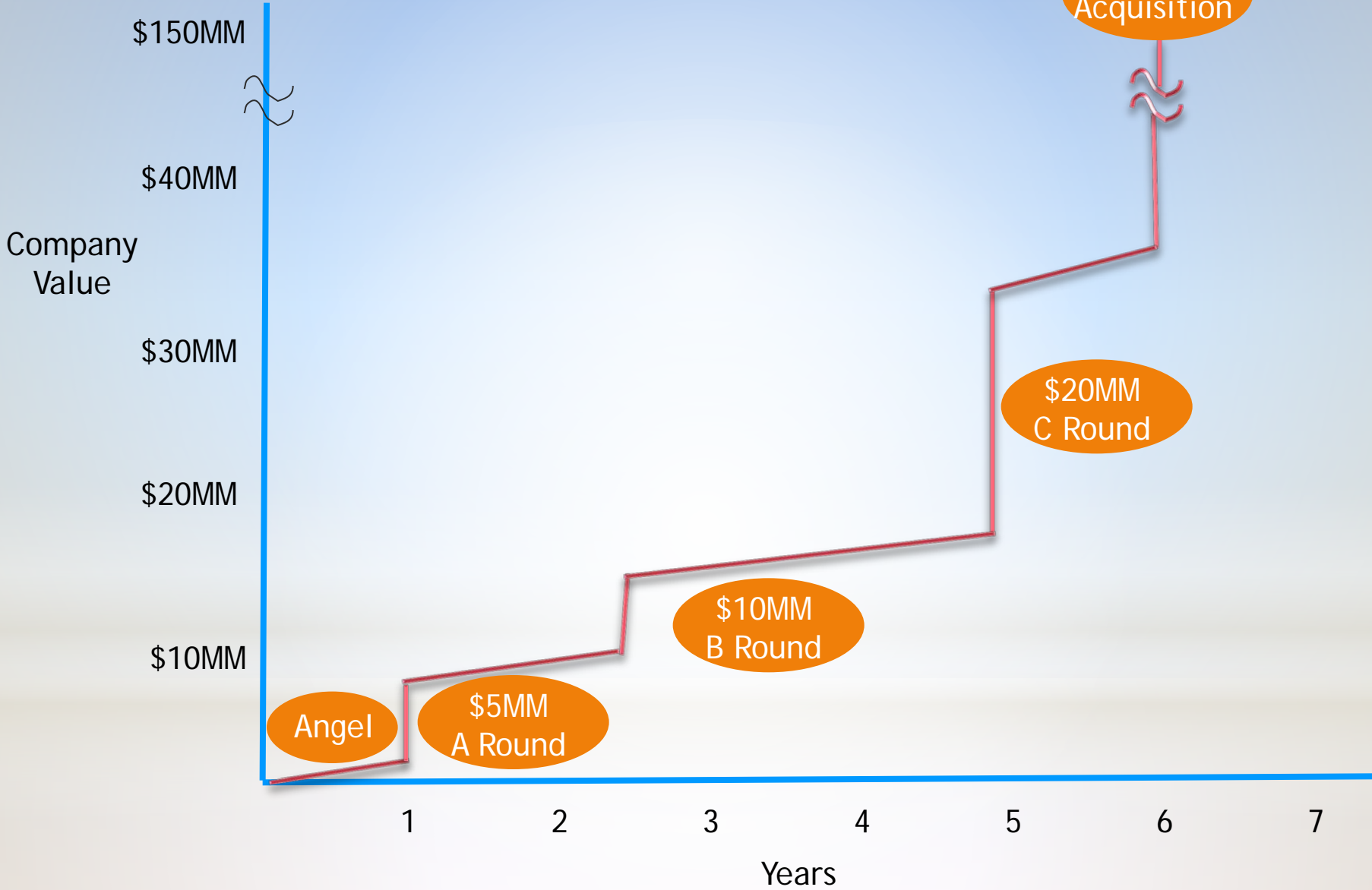


- Commercial distribution channels
- Customer base growth
- Definitive reimbursement approach

Business Development is Non-linear



Financing Rounds and Company Valuation





Investment Decision

- Dos
 - Product development based on customer need
 - Clear value proposition—safer, better, faster, cheaper
 - Milestone driven development and funding
 - Great management team

Pitching to VC's

- Don'ts
 - Technology without an application
 - Unrealistic accessible market
 - Unrealistic financial performance
 - Disconnect milestones and financing
 - Omit Dos

Pitching to VC's

- Your technology value vs. risk
 - *Who cares?*
 - Value proposition for target market
 - Market, adoption and reimbursement risks
 - *Will it work?*
 - Technology and regulatory risks

Pitching to VC's

- Small markets
- Investors don't understand technologies and markets
- Vulnerable patient populations
- Safety and effectiveness requirements

Pediatric Technologies Challenges

- Some markets are large—Synagis
- Product line expansion—Contegra
- Niche markets with large market share—Berlin Heart
- Legal/regulatory standards—Natus
- Leverage important R&D capabilities—Perfusion Solutions
 - Miniaturization
 - Reduced trauma

Pediatric Technologies Opportunities

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