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MedTech Poised to Give BioPharma a Run for Investors' Money in 2015

By Bari Faye Siegel

It's not exactly breaking news that MedTech has taken a back seat to BioPharma in the past several years. In fact, from 2008 to mid-2013, 80% of all life science investment was in BioPharma companies. That being said, Jed Cohen Managing Director of Leerink Partners, speaking at EisnerAmper's recent Capital Market Update event, believes "MedTech is coming out of its slumber" after a very long hibernation.

From September 2013 to November 2014, there were 10 MedTech IPO deals. So, it's really a glass half full scenario. "Yes, 10 deals is half the number of what we considered `usual' in the 2000s, but it's 10 times more than the past six years," Cohen is quick to point out.

Where We Are Headed

In 2012 and 2013, BioPharma companies in Phase I were receiving "whopper valuations," Cohen recalls. "That's changed. Now, the sweet spot is more in Phases II or III. The early stuff is less interesting to people."

"Leerink is optimistic that we have started to turn the corner toward a more favorable MedTech environment," Cohen said, noting that, as the medical device financing market recovers, MedTech and BioPharma may become like rival siblings jockeying for the attention of investors.

Moving forward, the market will be changing again and that's good news for MedTech. While there are some concrete reasons for the coming shift, Cohen points to the intangibles. It's also, perhaps, the most obvious – human nature. MedTech has been out of the game for so long and BioPharma was the only game in town. But the quality of MedTech deals is causing heads to turn.

Attracting Other Peoples' Money

Cohen suggests a novel approach to gathering critical information and taking the temperature of would-be investors. "As you get within a year of heading down the IPO path, start having meetings," he said. "The earlier you get in front of investors the more likely they are to provide substantial input and honest feedback in a manner that is still early enough for you to use to guide your IPO timing, positioning and structuring."

"Start the meeting by telling them that you are weighing a variety of strategies and simply looking for advice. Talk 75% of the time – not 90%. Get 25% feedback; this is the amount of advice you need that will properly influence how quickly you should move forward."

This meet-and-greet early approach can be *invaluable.*

You can really find out what investors think about your company and your potential true value.
You can write the registration statement and forward-looking revenue statements more accurately with real-time data.

"Spending time with public investors is a new trend and very worthwhile," Cohen advises. "An IR firm can't always interpret what they hear the way that you and the investment banking partners can. They aren't in the trenches at deal time."

Finally, always be willing to ask for and take good advice. "Take advantage of your board and advisors, especially those you are already paying," Cohen says, noting that John Pennett, head of EisnerAmper's Life Science Practice, "has many data points to draw experience from. Use his experience to your advantage; don't wait to bring your advisors in at the last minute. Allow your advisors to manage realistic expectations. That's what you are paying them for after all." ■

EisnerAmper

Leerink's Jed Cohen Offers Advice for Small LifeSci Companies Looking to See & Be Seen in the Investment Arena

1. Wait until you have something worth talking about. You don't want to get on the radar screens of investors until you have something to say. There is a danger of starting too early.
2. Monitor the frequency of your interactions and don't appear to be overanxious. You don't need to be at every investor conference. Pick your interactions carefully.
3. Build momentum. If you want a relationship in two years, don't ring fire bells today to get their attention, but don't wait until three months before you want their attention. Be incremental with your approach.
4. Be willing to be coached throughout the process from the earliest moments. If you wait to get advice from your advisors until after you've been courting potential investors/buyers for years, there is only so much negotiation the advisors can do.