

## Medtech venture funding total hits all-time high



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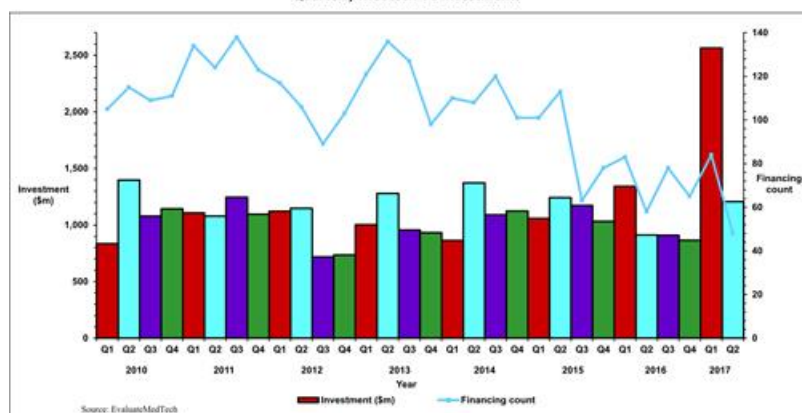


**So far, 2017 has been a record-breaker in a number of ways - and none of them bode well for start-ups.**

Analysing the trends in venture fundraising by medical device makers usually throws up falling numbers of smallish rounds punctuated by one or two large deals. In the first half of 2017 that pattern reached a truly astonishing extreme. The total raised in the first quarter was over \$2.5bn, more than twice as much as the quarterly average over the last seven years.

This was fuelled by Grail's \$900m series B and the \$800m investment brought in by Google's sister company Verily Life Sciences. But two almost unimaginably vast investment rounds do not mean more money for the rest of the sector. As usual younger companies seeking more reasonable sums have had a hard time finding them, with just 48 fundraisings in the second quarter - the fewest deals since the second quarter of 2006.

Quarterly Medtech VC Investments



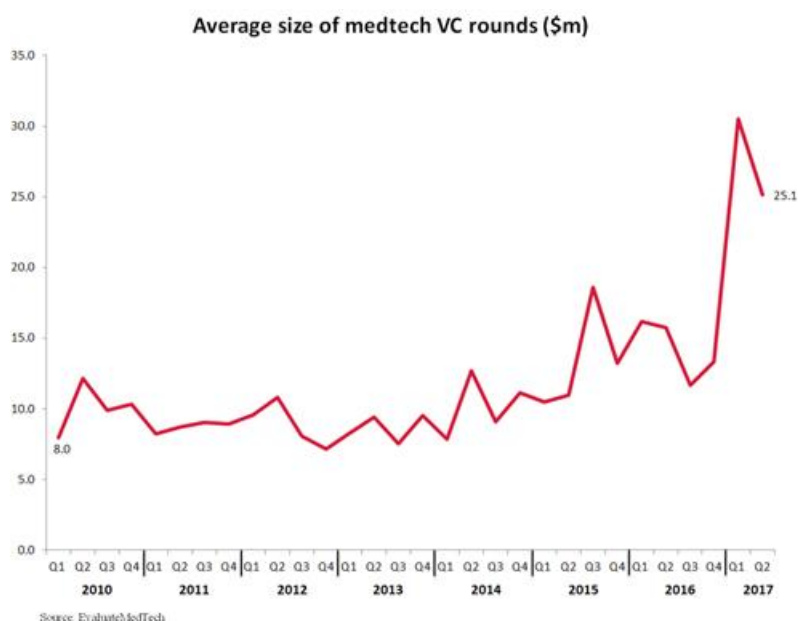
The first half of this year saw the three biggest ever VC rounds in medtech. As well as Grail and Verily's rounds tipping the scales at nearly a billion dollars apiece, Guardant Health hooked \$360m in May.

Both Guardant and Grail are developing DNA-based blood tests for cancer - the technology known as liquid biopsy. (Tenth-placed Epic Sciences is working on one too.) The cheapness and enormous potential of these tests, if they can be shown to work, accounts for investors' ardour.

But when a round is worth \$900m the participants are still taking on a substantial financial risk. The largest

investor on Grail's round was Johnson & Johnson Innovation, and Bristol-Myers Squibb, Celgene, Merck and Amazon also participated. The company still has an enormous amount to prove, with trials in up to 120,000 patients and vast amounts of data that must somehow be analysed ([Early liquid biopsy data hint at Grail's travails, June 5, 2017](#)).

The distorting effect of these unusually huge deals is displayed by a look at the average sizes of medtech VC rounds on a quarterly basis over the last few years. Since 2008 this figure has tracked at about \$11m. During the first quarter of 2017 it was more than \$30m, and in the second quarter \$25m.



The figure for the second quarter is explained not so much by the vast total raised – that sum was in keeping with recent periods, albeit on the high side, at \$1.2bn – as by the sheer paucity of deals.

<b>Proportion of VC cash going to top 10 deals</b>			
<b>Date</b>	<b>Total investment in top 10 deals (\$m)</b>	<b>Total investment in all deals (\$bn)</b>	<b>% going to top 10</b>
H1 2017	2,406	3.8	64%
2016	900	4.0	22%
2015	1,115	4.5	25%
2014	866	4.5	19%
2013	652	4.2	16%
2012	586	3.7	16%
2011	786	4.5	17%
2010	1,231	4.5	28%
2009	590	3.5	17%
2008	699	3.2	22%

VCs clustering together into fewer, bigger rounds as a means of limiting risk is hardly a new phenomenon. But medtech start-ups are getting a smaller slice of the pie than ever before. In previous years the top 10 rounds have accounted for around one fifth of the total VC cash raised. In the first half of this year the figure was 64% – for the first time, the top 10 rounds have taken more money than all the others.

It seems unlikely that the second half will see deals on the scale of those done by Grail and Verily. Even so 2017 to date has been a record-breaker in a number of ways – and none of them bode well for the average medtech start-up.

### Top 10 rounds of H1 2017

Date	Round	Company	Investment (\$m)	Focus
March 1	Series B	Grail	900.0	In vitro diagnostics
January 26	Seed Capital	Verily Life Sciences	800.0	Diabetic care; ophthalmics; patient monitoring
May 11	Series E	Guardant Health	360.0	In vitro diagnostics
May 2	Undisclosed	Outset Medical	76.5	Nephrology
January 09	Undisclosed	Neuropace	50.0	Neurology
March 16	Series C	Moximed	50.0	Orthopaedics
May 11	Undisclosed	Impulse Dynamics	45.0	Cardiology
May 2	Series E	Advanced Cardiac Therapeutics	45.0	Cardiology
March 8	Series F	Vertiflex	40.0	Endoscopy; orthopaedics
April 28	Series D	Epic Sciences	40.0	In vitro diagnostics

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