

July 30, 2018

## Having set the stage, Boston plans its performance



[Elizabeth Cairns](#)



### Which groups might Boston Scientific bolt on next?

Boston Scientific has been the world's most acquisitive medtech company so far this year, doing seven bolt-on M&A deals, mostly in its core area of cardiology. During its second quarter results conference call, chief executive Michael Mahoney said that Boston had "set the stage" for some of its recent acquisitions by previously investing in the targets' venture rounds, and hinted that this would continue.

With that in mind, which companies might Boston buy next? A look at its recent VC investments shows a wealth of possibility - it has participated in 13 deals in the last three years. Some of them, though, have received cash from other corporate VCs too, meaning Boston could have a fight on its hands.

#### Mise-en-scène

Of the seven companies it has bought this year, Boston had signalled its interest via prior VC investment in three cases.

In April it purchased Securus Medical, developer of an infrared catheter-based probe and imaging system, which monitors patients' oesophageal temperature to guard against injury as they undergo cardiac ablation. In 2016 Boston led Securus's \$10m series C round.

Also in April, Boston bought Nxthera, having three years earlier led its series D round. Nxthera's transurethral radiofrequency device was approved in the US for benign prostatic hyperplasia in 2015.

Boston's acquisitions of its portfolio companies					
Company	Financing date	Round	Investment (\$m)	Focus	Acquisition details
Cryterion Medical	2016 onwards	Undisclosed	Undisclosed	Cardiology	Acquired July 2018 for \$202m
Securus Medical Group	September 15, 2016	Series C	10.0	Cardiology	Acquired April 2018 for \$40m in cash
Nxthera	December 3, 2015	Series D	40.0	Endoscopy; Urology	Acquired April 2018 for \$240m
Sadra Medical	May 7, 2009	Series C	30.0	Cardiology	Acquired January 2011 for \$193m upfront; Boston already owned 14% of Sadra, having participated in its \$19m series B round in 2006
Cryovascular Systems	August 3, 2003	Series C	11.0	Cardiology	Acquired April 2005; sum undisclosed

*Source: EvaluateMedTech.*

And just this month Boston bought Cryterion Medical, developer of a cryoballoon used for cardiac ablation of atrial fibrillation patients. The details of Boston's investment in the company are scant, but it has supported Cryterion since its inception in 2016. It bought the 65% of Cryterion that it did not already own for \$202m

"We believe our venture strategy is working well," said Mr Mahoney on the Q2 conference call. Pointing out that Boston has been "very active in our venture fund over the past five years," he suggested that the group is planning to take out more of its portfolio companies in future.

That portfolio is sizeable: Boston has active investments in 17 companies, according to *EvaluateMedTech*. It has stepped up its VC activity recently, and a look at the 10 deals it has done over the past three years might give an indication of its future M&A plans.

### **The nerve**

The immediately obvious fact is how many of these companies are developing neurological technologies. Boston's own neurology business is going gangbusters, with Morgan Stanley analysts crediting its spinal cord stimulation tech WaveWriter with pushing the neuromodulation unit's second quarter sales up to \$202m. This represents 31% organic growth, and was around 11% above the street's expectations.

## Boston's active VC investments, 2015-18

Company	Date	Round	Investment (\$m)	Focus
Renovorx	May 23, 2018	Series D	7.0	Cardiology
Setpoint Medical	August 28, 2017	Series D	30.0	Neurology
Neuros Medical	August 7, 2017	Series A	20.0	Neurology
Nexeon Medsystems	August 3, 2017	Undisclosed	1.2	Neurology
Amphora Medical	July 20, 2017	Series B	35.5	Urology
Neurotronik	April 18, 2017	Series B	23.1	Cardiology; neurology
Veniti	September 8, 2016	Series D	25.0	Cardiology
TVA Medical	October 6, 2015	Series C	15.0	General & plastic surgery; nephrology
Setpoint Medical	September 8, 2015	Series C	15.0	Neurology
Channel Medsystems	August 31, 2015	Series C	22.0	Obstetrics & gynaecology

Source: EvaluateMedTech.

M&A targets in Boston's sights might include Neuros Medical, which is aiming to treat disorders including post-amputation pain, chronic post-surgical pain, and chronic migraine. [Its first trial](#), in 180 post-amputation pain patients, will report in June 2020.

North Carolina's Neurotronik has its eyes on one of the biggest prizes in medtech: heart failure. Its NeuroCatheter is temporarily inserted through the vasculature near the heart, where it stimulates the cardiac autonomic nerve. The tech is at an early stage: it is not yet CE marked, let alone approved in the US, but being at the intersection of neurology and cardiology is definitely in Boston's sweet spot.

Boston has repeatedly signalled its interest in Setpoint Medical, investing three times in the group over the years. It joined Setpoint's \$27m series C in 2013, and then a \$15m extension to this round two years later; it then participated in the \$30m series D Setpoint closed last summer.

Boston is not the only big medtech group staking a claim to Setpoint. The smaller company, which is aiming to treat inflammatory conditions including arthritis and Crohn's disease with vagus nerve stimulation, has also been backed by Medtronic and Glaxosmithkline. If these companies are considering a bid for Setpoint they might want to wait until the next year, when important trial data will emerge ([Setpoint needs to up its game in Crohn's, June 12, 2018](#)).

Ultimately Boston's decision to take a VC stake in a company is no guarantee that it regards it as a takeout target. But there is broad alignment on therapeutic areas – principally cardiology with side interests in neurology, urology and endoscopy – and Boston seems determined to continue with tuck-in deals. Watch this space.

[More from Evaluate Vantage](#)

Evaluate HQ  
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas  
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC  
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

© Copyright 2023 Evaluate Ltd.