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Auris acquisition could prompt more mega VC rounds



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The J&J-Auris tie-up will yield a huge return for investors who went in big.

The acquisition of surgical robotics group Auris Health for a total of \$5.8bn by Johnson & Johnson last week is not the biggest deal concerning a privately-held medtech in history – that honour goes to Zimmer’s \$15bn merger with Biomet. It is, however, the biggest of a venture-backed company.

In fact, it is the only venture funded target among the top 10 largest acquisitions of private device makers. And an acquisition of this size will do nothing to discourage the monster VC rounds that have been seen in the sector in recent years.

Auris has itself been the recipient of several such rounds. Since August 2017 it has raised two rounds each worth more than \$200m, and the investors that administered those huge cash injections will be in line for a significant payday when the J&J deal closes.

Auris Health's VC funding

Date	Round	Investment (\$m)	Investors
Nov 2018	Series E	220.0	Partner Fund Management; D1 Capital Partners; Lux Capital; Mithril Capital Management; Senator Investment Group; Viking Global Investors; Wellington Management
Aug 2017	Series D	280.2	Coatue Management; Highland Capital Partners; Lux Capital; Mithril Capital Management; Partner Fund Management; Section 32; Viking Global Investors
Aug 2016	Series C	49.0	Undisclosed
Sep 2015	Series B	149.5	Mithril Capital Management and others
Mar 2014	Series A	34.4	Lux Capital and others

Source: EvaluateMedTech; media reports.

Mithril Capital Management, the investment firm founded by PayPal billionaire Peter Thiel, is believed to have the largest stake in Auris, according to the *Wall Street Journal*, with a stake of around 15%. Lux Capital has invested around \$50m in all, [according to its co-founder Peter Hébert](#), the largest investment Lux has made in a single company. Both Mithril and Lux could see returns of hundreds of millions of dollars.

Only 11 medtech groups have raised rounds worth more than \$200m, and the vast majority of these massive deals were done within the last two years. Two of the exceptions to this rule, Liberty Dialysis and Devicor Medical, blazed a trail for Auris: they were bought by Fresenius Medical Care and Leica, respectively.

Fresenius paid \$1.7bn for Liberty Dialysis in 2014, and though the value of the Devicor acquisition was not disclosed this too was probably in excess of \$1bn. Both will be put in the shade by the \$3.4bn upfront portion of the J&J-Auris deal, let alone the full price if subsequent milestones are hit ([J&J's Auris buy looks like a Verb swerve](#), February 13, 2019).

Medtech VC rounds worth more than \$200m

Date	Round	Company	Investment (\$m)
Jan 2019	Undisclosed	Verily Life Sciences	1,000.0
Mar 2017	Series B	Grail	900.0
Jan 2017	Undisclosed	Verily Life Sciences	800.0
Sep 2017	Series A	Shanghai United Imaging Healthcare	507.2
May 2017	Series E	Guardant Health	360.0
Dec 2010	Undisclosed	Liberty Dialysis Holdings	348.4
Apr 2010	Undisclosed	Liberty Dialysis Holdings	315.0
Jan 2018	Series B (second close)	Grail	314.7
May 2018	Series C	Grail	300.0
Aug 2017	Series D	Auris Health	280.2
Dec 2008	Undisclosed	Devicor Medical Products	250.0
Sep 2018	Series D	Butterfly Network	250.0
Feb 2018	Series E	Heartflow	240.0
Nov 2018	Series E	Auris Health	220.0
Aug 2015	Series H	Mevion Medical Systems	200.0
Mar 2018	Series B	Helix	200.0

Source: EvaluateMedTech.

Seven of the top 10 largest acquisitions of private medical technology companies were purchases from private equity companies. Biomet was taken private in 2007 by Blackstone, Goldman Sachs Capital Partners, Kohlberg Kravis Roberts and TPG Capital for \$11.3bn; Biomet's \$14bn Zimmer merger seven years later was then the fourth largest M&A deal in the history of medtech.

Swedish private equity shop EQT has a particularly strong tradition of selling its portfolio companies to big medtech, with three sales in the \$2-3bn range since 2012.

Top 10 acquisitions of private medtechs

Date announced	Acquirer	Target	Total deal value (\$bn)	Focus	Pre-acquisition ownership
Apr 2014	Zimmer Biomet	Biomet	14.0	Endoscopy; general & plastic surgery; orthopaedics; wound management	PE - Blackstone, Kohlberg Kravis Roberts and TPG Capital
Feb 2019	Johnson & Johnson	Auris Health	5.8	Endoscopy; general & plastic surgery	Venture investors
Jul 1998	Johnson & Johnson	DePuy	3.5	Neurology; orthopaedics; physical medicine	Roche owned majority stake via takeover of Corange
May 2011	Thermo Fisher Scientific	Phadia	3.4	In vitro diagnostics	PE - Cinven
Nov 2018	Colfax	DJO Global	3.2	Orthopaedics	PE - Blackstone
Apr 2008	Philips	Shenzhen Goldway Industrial	3.0	Patient monitoring	Undisclosed
Dec 2016	Essity	BSN medical	2.9	Orthopaedics; Wound Management	PE - EQT
Jan 2016	Stryker	Sage Products	2.8	General & plastic surgery; general hospital & healthcare supply	PE - Madison Dearborn Partners
Mar 2011	Terumo	CaridianBCT	2.6	Blood	PE - EQT
May 17, 2012	Agilent Technologies	Dako	2.2	In vitro diagnostics	PE - EQT

PE = private equity. Source: EvaluateMedTech, company websites.

For a venture-backed company to find itself in this cohort is a step-change in the medtech industry. Industry watchers can expect an increase in nine-figure venture rounds as VCs aim to emulate Auris's success with their own portfolios.