

Medtech venture investors wait for an exit



[Elizabeth Cairns](#)



The period between a device company's foundation and its acquisition has lengthened over the past few years, and currently stands at more than a decade.

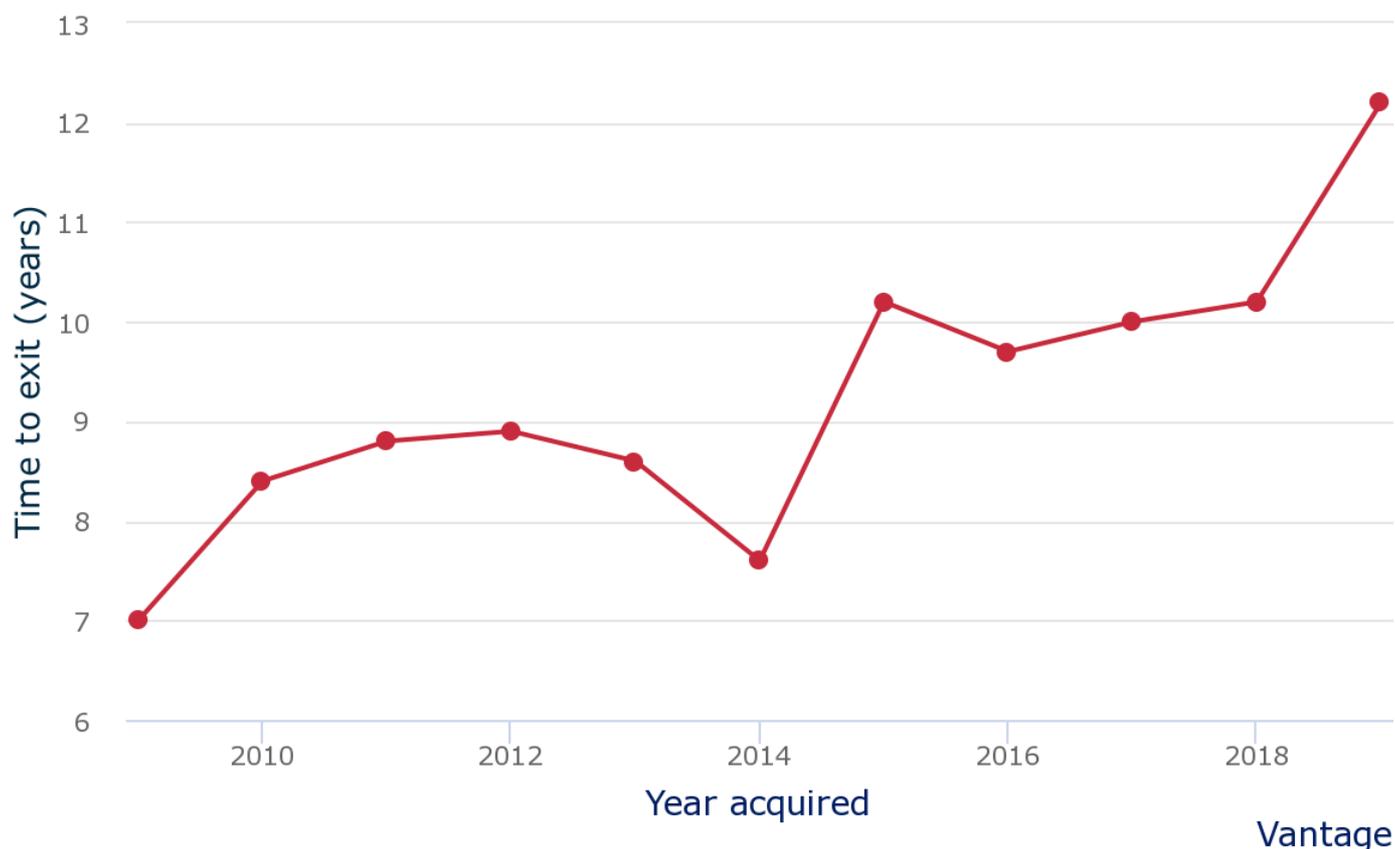
For an industry that relies in part on acquisitions to foster innovation, it is perhaps surprising that venture-backed medical device companies have to wait around 10 years to be acquired. Moreover, as a new *Vantage* analysis shows, this wait is getting longer.

A decade ago medtech groups were being bought seven years or so after their founding. The companies acquired this year, however, were founded around 12 years ago, the longest duration between establishment and exit than at any time in the prior decade. Investors awaiting their returns must be more patient than ever – and might not be greatly consoled by the thought that, to some degree, this is their own fault.

Huge venture rounds have been increasing in number over the past half-decade or more ([Medtech VC and the billion-dollar era](#), July 10, 2019). VC rounds are now often so large that many private groups can sustain themselves for longer, which presumably means the need or desire to seek a sale can be delayed.

Using *EvaluateMedtech* data, the analysis below tracks the median time to a takeout for companies acquired in each year of the past decade. It includes only companies founded since 1980, and that have received private financing.

Medtechs' time to exit via M&A, 2009-19



This lag between founding and takeout has grown overall, but the increase from 2018 to 2019 (so far) is particularly noticeable. There are no particular outliers in the data – the longest time to exit was that of the cardiology device company Therox, bought by Asahi Kasei 25 years after its foundation. There are certain companies there were acquired in 2012, 2015 and 2016 that were bought after even longer timeframes.

Of course, for companies that have been around for this long, the original investors are unlikely still to be on the shareholder register. But another *Vantage* analysis has detected a decline in the volume of sub-\$1bn medtech M&A deals, so anyone backing device start-ups will want to keep an eye on these trends ([Big device deals are back in fashion, July 8, 2019](#)).

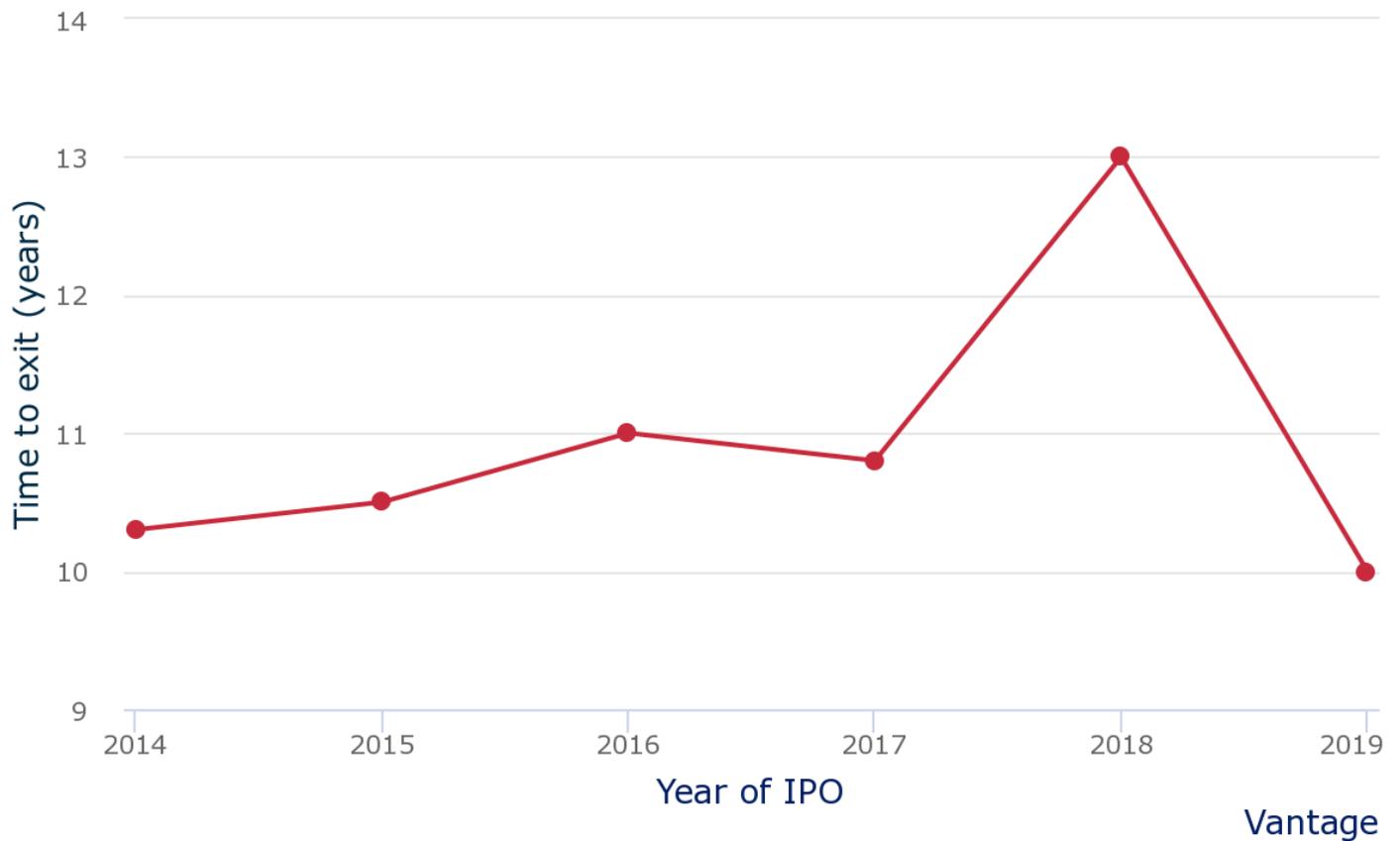
Founding to floating

Intriguingly, the same pattern is not seen in the time lag between founding and IPO. The companies that floated in 2019 did so around 10 years after they were established, rather faster than the median figure of 13 years for 2018.

Again, the analysis below includes only venture-backed companies founded since 1980. It should also be remembered that the numbers involved in this analysis are much smaller – for example, in 2018 there were 42 takeouts and 12 IPOs – so conclusions are less secure here.

There is also some question over whether an IPO is truly an exit. In the medical device space VCs regard floats as a financing event to keep the company going rather than a point at which to realise their cash and flee. Many venture backers stay on as shareholders in the newly public group and would still be very keen on a buyout – indeed in many cases an IPO has only occurred because a buyer could not be found.

Medtechs' time to exit via IPO, 2014-19



The markets could enter a jittery period next year thanks to the approaching US presidential election. If this causes the IPO window to close these timelines might extend once more.

That companies, and their investors, have to wait longer to find a buyer these days - quite possibly going public in the meantime - is not necessarily a disaster provided that the eventual deal justifies the wait. But medtech appears to be an increasingly hostile place for the more impatient VCs.

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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)

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