

## How low can medtech venture investment go?



[Elizabeth Cairns](#)



### 2019's medtech VC total is swollen by the sector's first \$1bn round, but counterintuitively the amount going to smaller groups is increasing.

Private medical device companies raised a respectable amount of venture cash in 2019 – just shy of \$5bn – but an analysis of trends over the past decade shows a steady decline in the number of deals done each year.

That said, the top 10 deals of 2019 comprise only 40% of the cash that flowed into the sector; last year's leaderboard made up more than half of the total raised. Perhaps the climate for smaller, younger companies seeking growth capital might be improving, if only slowly.

Verily's enormous \$1bn VC round, which singlehandedly absorbed more than a fifth of 2019's total VC dollars, closed on January 3, explaining why the first quarter's total handily outstrips any other period of the year. This is quite a contrast with the year's end: at \$811m, the fourth quarter's total is the lowest three-month figure since 2012.

Quarterly medtech VC investment



EvaluateMedTech

Exactly what technologies Verily will spend its vast pile of cash on is less than clear. Its newsflow recently has tended to highlight the breakup of partnerships; last month Sanofi stepped back from Onduo, its diabetes joint venture with Verily, and a week or so later Verily itself opted out of Verb Surgical. This robotic surgery partnership with Johnson & Johnson had been running for four years; it is interesting to see J&J take full control just as this area becomes hugely competitive.

Excluding Verily's monster round, the other \$4bn raised in 2019 was doled out to just 195 companies, meaning that the average size of these rounds, \$24.9m, has barely decreased from last year's bloated figure.

VCs still prefer to minimise their risk, and there are several ways of doing this. One is to build huge syndicates: Freenome's \$160m series B came courtesy of no fewer than 12 different VCs, for instance. Another is to wait until a target company has gained not only approval for its technology but reimbursement too.

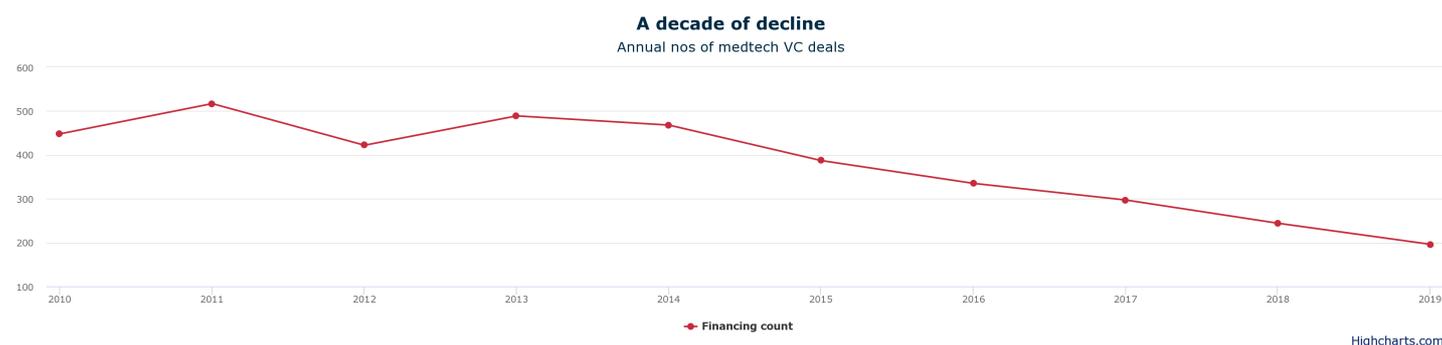
Medtech's reimbursement structure can be a sticking point in another way. While VCs will naturally seek differentiated technology, there is a sense in which it is possible to be too innovative. If a company's offering is completely unlike anything previously seen, it will require a new reimbursement code to enable Medicare and other payers to process it, and creating new codes can take three or four expensive years.

### Top 10 VC rounds of 2019

Date	Round	Company	Investment (\$m)	Focus
Jan 3	Undisclosed	Verily Life Sciences	1,000.0	Diabetic care; ophthalmics; patient monitoring
Sep 17	Series C	CMR Surgical	240.0	General & plastic surgery
Jul 24	Series B	Freenome	160.0	In vitro diagnostics
May 19	Series A	Thrive Earlier Detection	110.0	In vitro diagnostics
Jun 20	Series D	Acutus Medical	100.0	Cardiology
Dec 3	Series D	Impulse Dynamics	80.3	Cardiology
Feb 11	Series E	Nuvaira	79.0	Anaesthesia & respiratory
Jan 3	Series D	Ablative Solutions	77.0	Cardiology
Jan 4	Undisclosed	Sophia Genetics	77.0	Healthcare IT
Jun 28	Undisclosed	Saluda Medical	75.0	Neurology

Source: EvaluateMedTech.

The top 10 may be sucking up a smaller proportion of the total funding than in years past, but there is no denying the declining number of deals done each year. A look at this trend over the 2010s shows a peak in 2013, with 489 VC rounds raised by device makers. This number has shrunk every year since.



If this trend continues at the same rate of decline the situation will become extremely parlous by 2022 or 2023. Still, 2020 is already seeing some sizeable deals.

The dental tech group Sonendo pulled off an \$85m series G round on Monday, and this was followed by robotics-focused Zap Surgical's \$81m deal two days later. Both of these are large enough to be odds-on to make the top 10 of 2020. With luck, there will be smaller sums for smaller companies, too.

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