

Medtech venture backers play it safe



[Elizabeth Cairns](#)



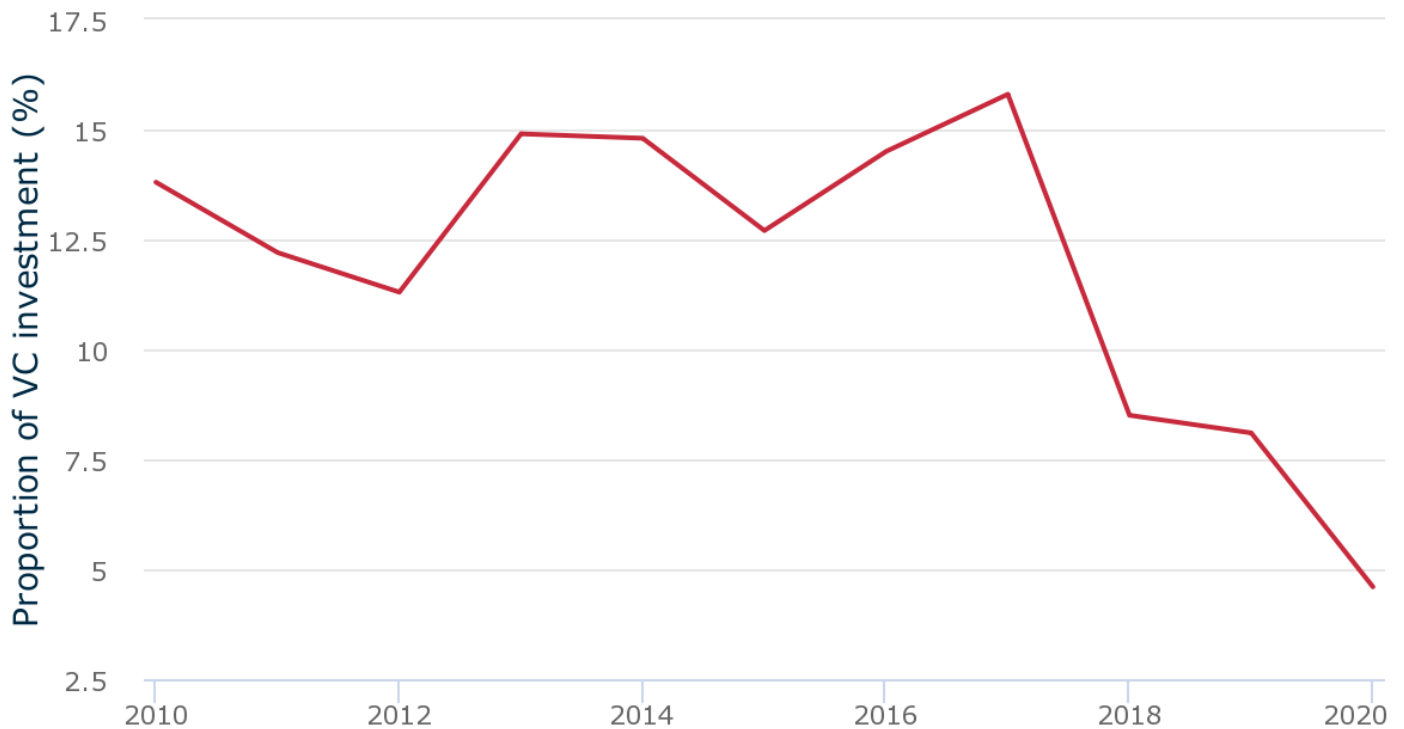
Liquid biopsy developer Grail exemplifies 2020's trend of sizeable mid-stage financings.

Of all the venture funding flowing into the medtech industry, a lower proportion than ever is being invested in companies at the start-up stage, a new analysis by *Evaluate Vantage* shows. Less than 5% of venture cash has been put into seed funding and series A rounds so far this year.

This shifting of cash from early into later rounds is a continuation of a trend that has been clear for some time. What is somewhat unexpected, however, is the relative prominence of series D financings in 2020 so far. Granted, this year is hardly typical; perhaps the pressures of the pandemic have pushed investors to mid- as well as late-stage rounds.

The graph below illustrates the proportion of the total venture cash flowing into device makers that came in seed capital and series A rounds – the early investments that start-ups need to get off the ground. A downward trend here has been obvious for some years, but the sharp fall in this proportion from 2019 to the early part of 2020 – the data is correct up to May 18 this year – is worrying.

Seed and series A medtech funding



— Proportion of year's VC investment

Source: Evaluate Vantage analysis of EvaluateMedTech data.

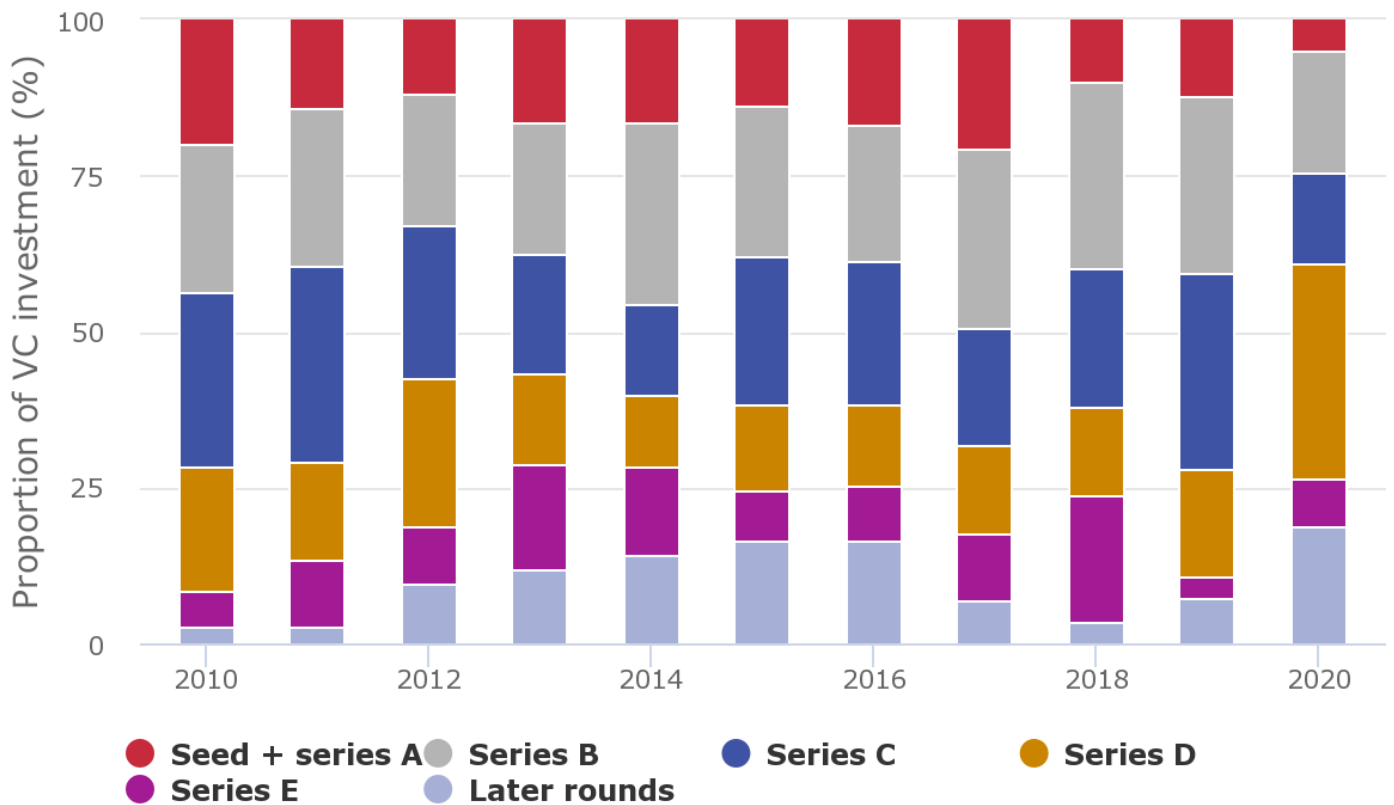
Instead of putting their money into early rounds or even late ones, over the past couple of years it has been mid-stage rounds that have seen most investment. In 2019 it was series C rounds that captured most cash, and so far this year series D has been where the action is.

This is driven by the largest VC round seen so far this year: liquid biopsy developer Grail closed a \$390m series D two weeks ago. But this did not come exclusively from traditional VCs. Investors included the Canada Pension Plan and Illumina, the sequencing giant from which Grail spun out. This is a major deal, but quite a drop from Grail's series B round, which [brought the group \\$1.2bn](#) over two closes in 2017 and 2018.

In contrast, the biggest series A round this year was worth just \$15.4m. In a pleasing coincidence this also went to a liquid biopsy company: Naveris is developing a blood test to detect recurrent human papilloma virus-related head and neck cancers.

It is important to note that the graph below excludes fundraisings where the round was undisclosed.

Proportion of VC investments by round



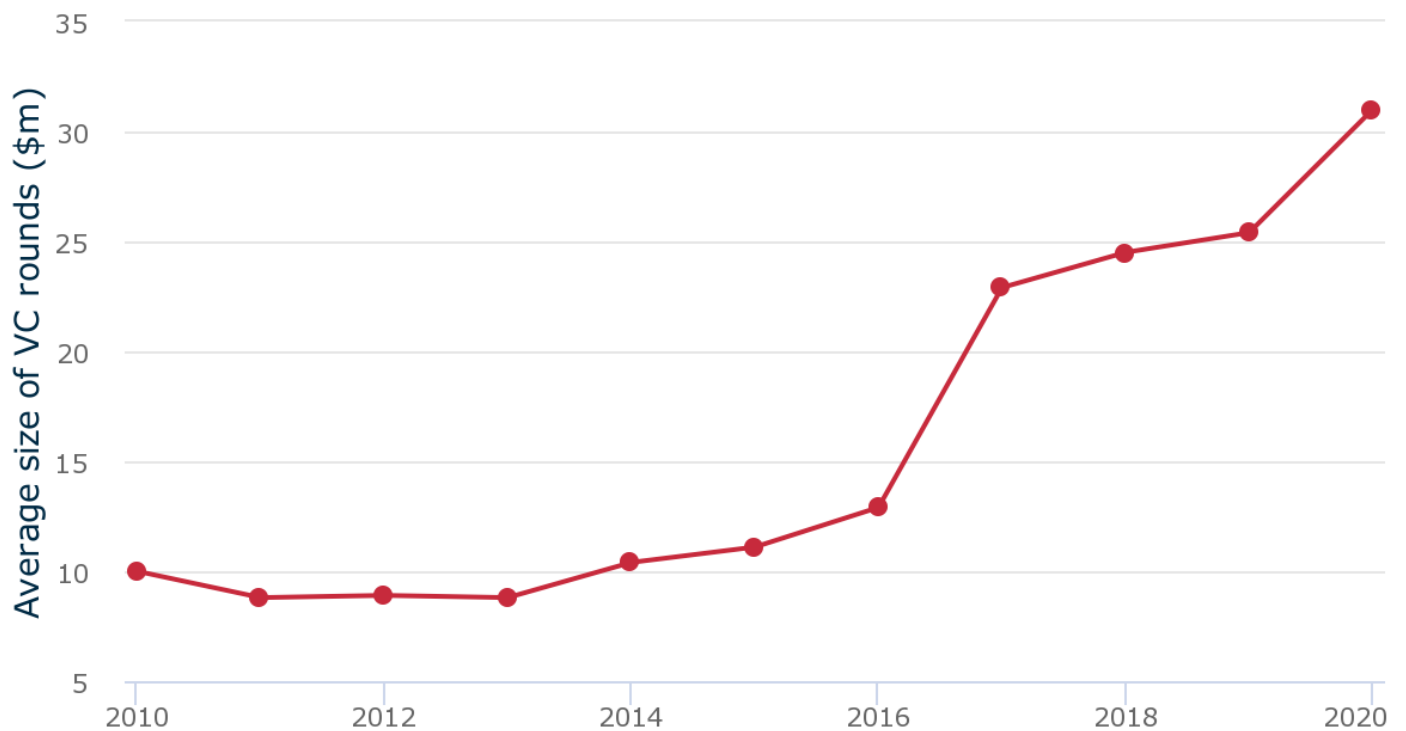
ate Vantage analysis of EvaluateMedTech data. Does not include undisclosed rounds.

The Covid-19 pandemic seems to have exacerbated VCs' unwillingness to back riskier ventures. Rounds are getting later but they are also getting larger, as investors form syndicates to raise relatively large amounts to get their portfolio companies to inflection points.

So far this year venture investments have averaged \$31m, a notable jump from 2019's \$25.4m - previously the largest figure on record. Rounds raised by syndicates made up of seven or eight investors are not at all unusual, but the prize for 2020's biggest consortium goes to dental technology developer Sonendo, whose \$85m series G round in January came from no fewer than 13 investment groups. This, however, happened before the pandemic took hold, showing that VCs had always believed in safety in numbers.

Further clarity on private companies' investment trends will come when data on the first half of 2020 is available for analysis. For now the conclusion has to be that while the pandemic is a challenge for almost all medtechs, start-ups have it harder than most.

Medtech VC rounds are getting bigger



—● Average size of round that year (\$m)

Source: Evaluate Vantage analysis of EvaluateMedTech data.

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