Evaluate Vantage

May 06, 2022

For medtechs seeking deals, it’s hurry up and wait

 Elizabeth Cairns

Last year venture-backed companies waited longer than average for a takeout, and longer than ever for an IPO.

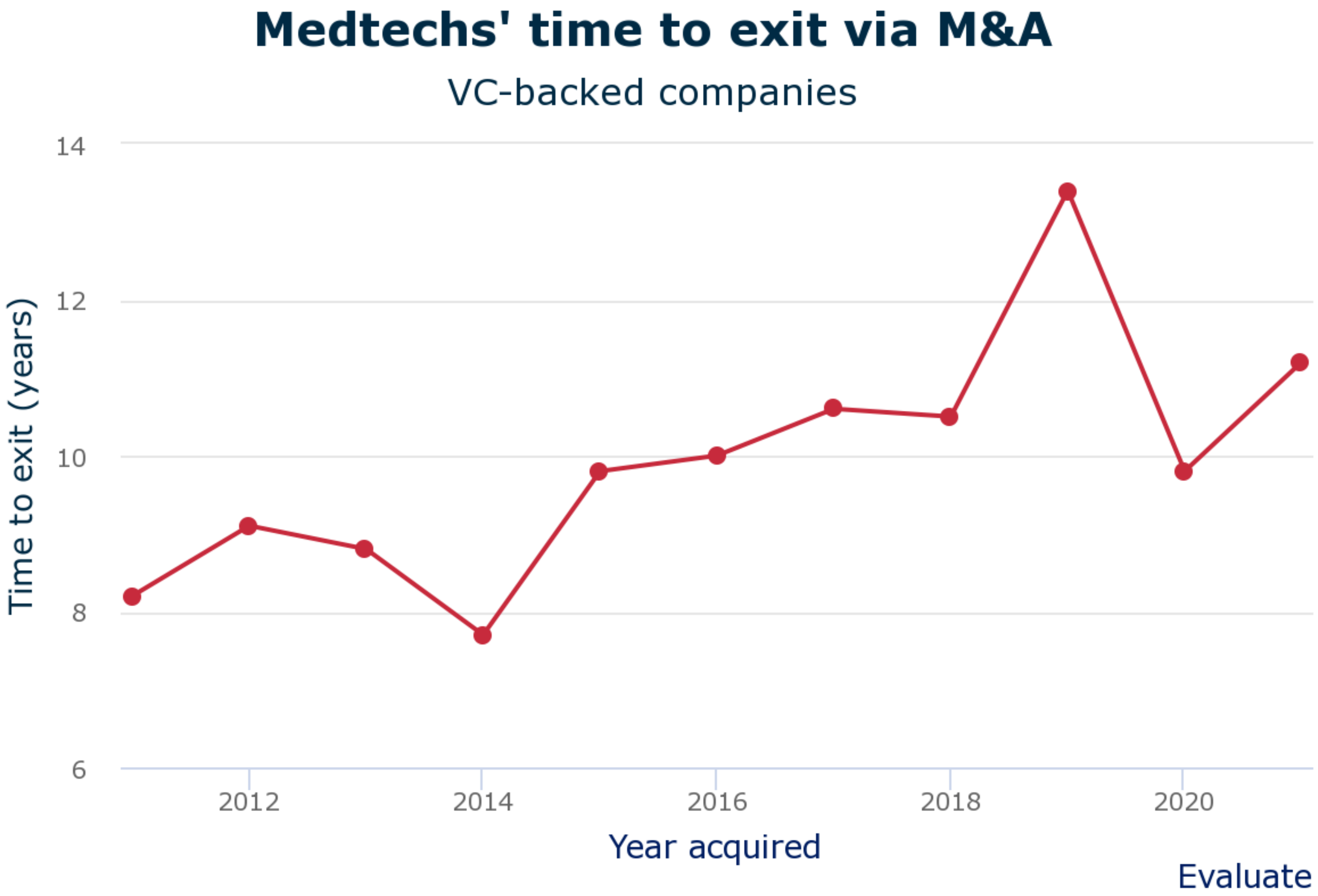
Considering the pandemic was very much still rampaging, last year was surprisingly good for the medtech industry in terms of venture funding, flotations and M&A values. But a new *Evaluate Vantage* analysis points to one way in which the environment got worse.

With huge sums being disbursed by venture investors, medtechs have had little reason to seek liquidity via a listing or to give in to bids from potential buyers. Consequently the average time between a private company’s founding and its 2021 exit, via either an IPO or an acquisition, was longer than any time since 2014, at 12 years.

The analyses below consider only those companies that are primarily or totally funded by VCs. Thus Ortho Clinical Diagnostics, for example, whose January IPO was the largest of 2021, is not included since it has never received venture cash.

Buyers plump for older targets

The startling drop in the time to acquisition of private medtechs seen in 2020 was thrown into reverse last year. The companies bought in 2020 were acquired an average of 9.8 years after their establishment. For those bought in 2021, the figure was well above a decade, at 11.3 years.

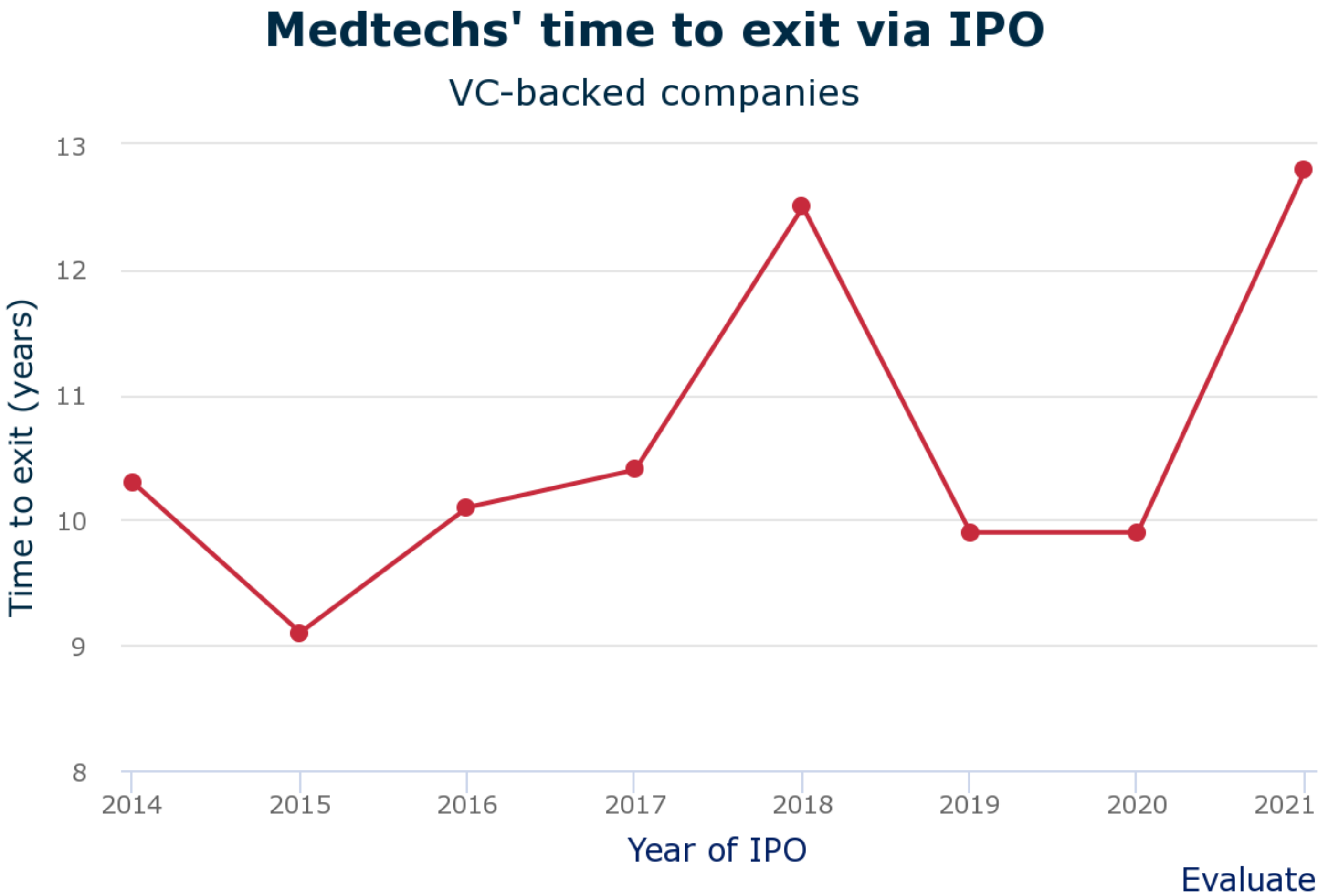


The lengthening time for venture-backed companies to be acquired is a clear consequence of VCs' own preference for investing in older groups whose devices are approved and even reimbursed, since they make for safer bets than clinical-stage start-ups. As *Vantage*'s analysis of VC trends over the past decade has shown, the number of investments has fallen steadily as the cash is concentrated in larger rounds for later-stage companies.

Defying this trend was Thrive Earlier Detection, the liquid biopsy developer snapped up by Exact Sciences just over a year after coming out of stealth mode. Evidently a presence in a hot area is a major attraction.

Carpe diem

And if the wait for an acquisition lengthened in 2021, the interval between founding and IPO widened still further. The VC-funded groups that went public in 2021 did so in an average of 12.8 years – hanging on nearly two years longer than those that listed in 2020.



It might be that the welcoming IPO environment that persisted throughout much of 2021 finally lured companies that had been private for some time onto the public exchanges. Perhaps they felt that if they didn't make the leap while the markets were receptive, they would have to remain private for an inconveniently long time. If that was the reasoning, it seems to have been correct: the window slammed shut towards the end of last year, and so far in 2022 there have been just three medtech IPOs.

Venture capitalists backing these groups are themselves tremendously well funded, so they will be able to view the longer road to an exit with some equanimity. Even so, a return to a shorter exit interval across this year would not be unwelcome.