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EP Vantage interview – Lombard goes it alone

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The FDA approval of Lombard Medical Technologies’ Aorfix stent graft has given the UK group access to a population its much larger rivals, with all their unit-shifting muscle, cannot now touch.

But Lombard could have trouble reaching these patients too. Having rejected partnership as a strategy, the company must deploy its US sales staff in just the right way if it is to take the small but significant market share that could put it on the road to profitability.

“We’re going to launch in the US with our own direct sales force,” Simon Hubbert, Lombard’s chief executive, tells *EP Vantage*. “I passionately believe that this is a platform technology and you need your own sales force. This is very difficult to just put in the bag with somebody else’s products and have them sell it.”

Playing the angles

Aorfix is used in the endovascular repair of abdominal aortic aneurysms, and has just become the only product approved in the US for cases where the aorta above the aneurysm bends unusually sharply (*Lombard takes on the heavyweights with US approval of aortic graft, February 15, 2013*).

This sharp angulation claim on Aorfix’s label gives Lombard an advantage, but the US market is dominated by three vastly larger companies. “Around the world, Medtronic, Cook and Gore have about 75-80% of the market between them,” Mr Hubbert says. Even with this edge, it will be hard for a company with a market cap of $45m to compete with the marketing might of Medtronic and co.

“I wouldn’t want to have to go to market with a stent with 0-60 degree angulation,” Mr Hubbert says, “but we have a niche label that will give us a segment of around $300m in the US.” He says that the company can punch above its weight by targeting its efforts. “In the US there are 1,500 centres that are carrying out the procedure, but 302 of them do more than half the work. So we’re going to have a fairly small sales force, less than 20 people, covering 15 or 16 accounts each.”

Aorfix can of course be used in patients with straighter aortas too, and this is something that could play to Lombard’s advantage. “If you look at what’s happened in the centres in the UK, doctors start with the really high-angle patients that they absolutely couldn’t treat with anything else, they get used to the device and they start implanting it in more and more patients. That’s definitely how it works.”

The device will not be able to outcompete other grafts in milder cases if it is markedly more expensive, but Mr Hubbert says it costs about the same as the competition: “We will be positioning it close to the top end, but in line with the others.”

8%

Lombard is already using its targeted sales strategy in the UK, Mr Hubbert says, and has achieved an 8% market share. “While 8% might not sound like a lot, Endologix has a 5% global market share and they have a market cap of $850m. If we can replicate what we’ve done in the UK and Germany in the US, then we’re going to create very significant value for our shareholders.”

Endologix, an Irvine, California-based company with one endovascular AAA graft on the market and another in development, is a good example of where Lombard could be going. Launch of Aorfix will require Lombard to take on more manufacturing staff and scale up production. “The company will grow. Endologix has $90m in revenue and 400-odd employees so that’s not a bad benchmark for the future.”

Mr Hubbert says that the company can add extra shifts to its facility in Didcot in Oxfordshire, as well as repurposing its Scottish site to take on manufacturing in addition to the R&D work currently conducted there.

And just as it rejected partnership, the company gives short shrift to the suggestion that it is a takeover target. “What we’re going to do here is build a successful, profitable standalone vascular company. If somebody comes along in the meantime and makes an offer we’re mandated to take that to our shareholders, but selling the company’s not in our strategy.”

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