

EP Vantage interview - EdRIP backs Axonics thanks to management team



[Elizabeth Cairns](#)

Last week was an extraordinary one in medtech, with a \$13bn megamerger and an IPO getting away unexpectedly having previously been postponed. Larger device makers seem to have a number of options for funding product and business development. Companies in the early stages are still largely reliant on venture financing, though, and VCs are very picky these days about where they put their money.

“Companies that have clear proposals, that have been proven to develop well and get deals done, these companies can get financed,” Raphaël Wisniewski, of Edmond de Rothschild Investment Partners (EdRIP), tells *EP Vantage*. In other words, the easiest way to convince a VC to fund your medtech company is by having already convinced it to fund your previous one.

Serial entrepreneurs

EdRIP has just led a \$32.6m series A preferred stock financing of implantable neuromodulation company Axonics Modulation Technologies. While Mr Wisniewski says that the technology is impressive and that the company is of on the cusp of an inflection point – it is poised to enter the European market next year – it is telling that the first reason given for the investment decision is Axonics’ management team.

Much of the team behind Axonics, including its chief executive, Raymond Cohen, was also involved with Vessix Vascular, a renal denervation specialist bought by Boston Scientific in 2012. EdRIP had also invested in Vessix to the tune of \$23m, and the \$125m takeover was a highly pleasing exit. “I cannot complain about the execution of a trade sale done in 15 months from our initial investment,” Mr Wisniewski says.

EdRIP has also invested in Mr Cohen’s other company, the transcatheter heart valve developer JenaValve, which has not managed to get taken out despite having a technology already on sale – usually a huge advantage in hooking a buyer.

“In medtech, very rarely are companies sold when they’re not commercial; they need to show traction in the market for acquisitions – although we have seen recently, with the sale of Vessix and of Endosense to St Jude, you can attract buyers [without marketed products].”

Mr Wisniewski ascribes this to the enormous excitement in the early days of renal denervation, long before Medtronic’s disastrous phase III results all but demolished this whole area of research ([Failure of Medtronic’s Symplicity trial exacerbates concerns over renal denervation, January 9, 2014](#)).

“After the big trade sale of Ardian to Medtronic, [renal denervation] was seen as a very easy-to-use, elegant product and there was this possibility to sell Vessix while it was still not on the market, which of course we took as an opportunity. All the more so since the Medtronic trial early this year,” says Mr Wisniewski.

Two to five years

The VC firm obviously believes that Axonics will follow Vessix’s example rather than JenaValve’s. The company has developed an implantable pulse generator that stimulates the spinal cord as a therapy for chronic pain and overactive bladder.

Again, Mr Wisniewski emphasises pedigree: the technology was initially developed at the Alfred Mann Foundation – “a very prestigious institution” – which also nurtured Advanced Bionics. Advanced Bionics was acquired by Boston Scientific in 2004 and forms the basis of Boston’s neuromodulation business; part of AB was later spun back out and was sold to Sonova in 2009.

Axonics’ pulse generator is unique in that it is a quarter of the size of current systems, Mr Wisniewski says. “That allows targeting of the spinal column for spinal cord stimulation, but also peripheral nerve stimulation. The size has good competitive advantages and differentiating features. We believe it should be favourably positioned once it’s developed.

“The product should be tested in humans next year and approved in Europe in 2015. So it’s relatively

advanced, and it is likely that it will go through some creation of value in the relatively short term,” he says.

EdRIP looks for an exit at around two to five years after its investment, Mr Wisniewski adds.

Nothing ventured

But if attracting funding from VC companies is a challenge for medtech, those same VCs face a challenge of their own: forming syndicates and raising money from their limited partners in the first place.

Mr Wisniewski denies that it is getting tougher to raise these funds. “It has always been complicated but we’ve always managed ourselves to raise funds in a timely manner, whether fund 4 in 2012-13 or fund 3 in 2008. Of course, it’s not an easy road, but when you have experience, a good track record, a sound and consistent investment policy, you manage to raise funds – but it can take time.”

However, EdRIP took much longer to drum up cash for its BioDiscovery 4 fund, from which the Axonics investment came, than its previous fund. BioDiscovery 4 was launched in June 2012 with a first close on €125m (\$173m); the VC firm said at the time that it was aiming for a final close on €200m by the end of 2012. In the end the fund closed in November 2013 on just €192m. In the golden days of early 2008, by contrast, it wrapped up the €155m BioDiscovery 3 inside a year.

Perhaps this is one of the reasons behind the emergence of corporate VCs, which Mr Wisniewski says are coming to be a force in medtech. “It’s true that companies like Medtronic, Boston Scientific, Abbott etc have corporate pockets to invest,” he says. “We see them in our own deals and in other people’s. I think it’s more recent than in pharma, but it has been true in the last couple of years. They want a seat at the table to see what’s going on with product development.”

Post-crash, cash is hard to come by for both medtech firms and their funders. Somewhat unfairly, perhaps, those device makers that managed to score VC funding when it was relatively plentiful will have a better chance of getting more now it is scarce.

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