

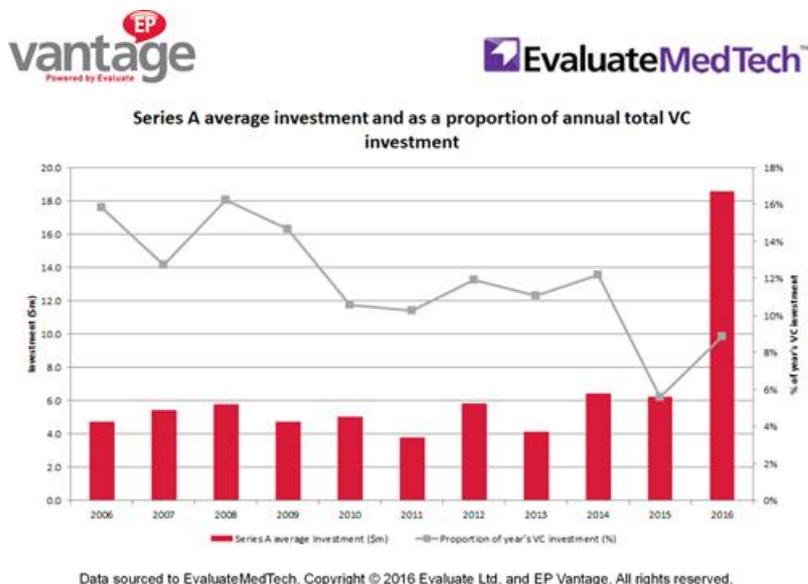
More medtech venture cash goes into series A rounds



[Elizabeth Cairns](#)

Medtech series A rounds are bigger than ever. Thanks to the joint-largest series A round the device sector has ever seen, the \$100m funding of Illumina spinoff Grail Bio, the average size of a series A round so far this year is more than five times larger than the overall average for the last nine years (see graph). And even excluding Grail Bio's fundraising, the average size of 2016's series A rounds is more than twice the size of 2014's, the previous leader.

And as a consequence, the proportion of medtech venture cash that went into series As, as opposed to later rounds, has increased, from 6% in 2015 to 9% this year - reversing the sharp decline seen a year ago.

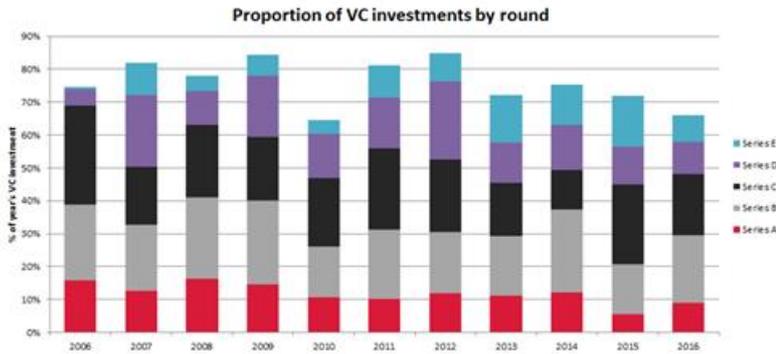


Though the average size of series A rounds in the medtech sector has suddenly soared, this does not mean that there is a new pool of early capital available to start-ups. Rather, one or two unusually huge rounds have distorted this year's figure, and furthermore the number of series A rounds continues to decline.

A-OK?

A comparison with 2014 illustrates this point. That year also saw a nine-figure series A, with \$100m going to ultrasound developer Butterfly Network. But there were many more series A rounds that year - 95, compared with only 18 so far in 2016 - meaning the average figure was not warped to the same degree. As the graph above shows, the average size of a series A in 2014 was \$6.5m, on pace with previous years but only around a third of this year's average.

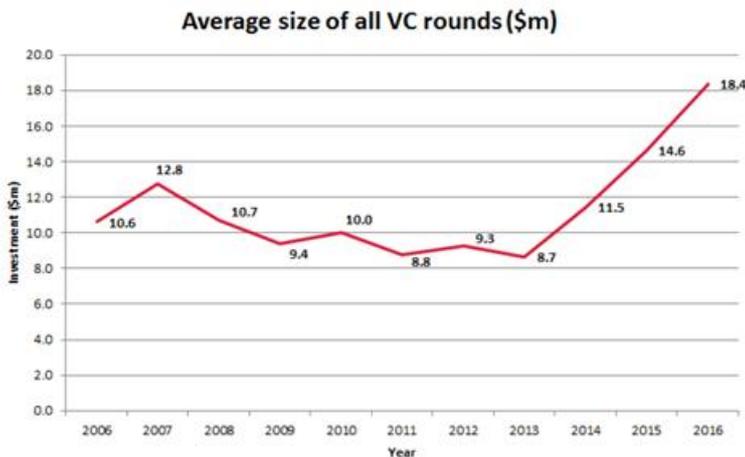
In other words, almost a third of all medtech's series A cash this year went to Grail Bio. True, a greater proportion of medtech venture cash is now going into series A rounds, but a single company doing well does not mean other start-ups are not in trouble. The chances are that this is just a blip.



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And the trend of fewer, larger VC rounds has certainly not been stemmed. The average size of venture deals – this included all rounds, not just series As – has shown a steady upward trend since 2013 as venture investors seek safety in numbers. This clustering effect has been apparent for some time ([UK sees huge series As in 2016, July 18, 2016](#)).

The logic is that a large early round stands a better chance of getting a company to an inflection point. Unfortunately for the other start-ups, less cash is available for them as a result.



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Like much medtech investment, the series A cash is going to companies with technologies that are either cheap or that promise cost savings. The second highest series A went to UK-based cancer genomics group Inivata which, like Grail Bio, is working on a liquid biopsy to diagnose and guide treatment of cancer using blood draws.

Enable Injections raised \$30m for its wearable drug pumps and Gecko Biomedical, which makes polymers to support tissue healing, including a product for cardiovascular reconstruction, took \$25.4m.

Biggest series As of 2016

Date	Company	Investment (\$m)	Investors	Focus
January 10	Grail Bio	100.0	ARCH Venture Partners; Bezos Expeditions; Bill & Melinda Gates Foundation ; Illumina; Sutter Hill Ventures	In vitro diagnostics
January 26	Inivata	45.0	Cambridge Innovation Capital; Imperial Innovations; Johnson & Johnson Development Corporation; Woodford Investment Management	In vitro diagnostics
October 5	Enable Injections	30.0	Cincinnati Childrens Hospital Medical Center; CincyTech; Cintrifuse; Ohio Innovation Fund; ORI Healthcare Fund	Drug delivery
March 17	Gecko Biomedical	25.4	Bpifrance; CapDecisif; CM-CIC Asset Management; Omnes Capital; Sofinnova Partners	General & plastic surgery
January 26	Minnetronix	20.0	Altaris Capital Partners	Cardiology; in vitro diagnostics; patient monitoring

At first glance it appears that more funding has gone to medtech start-ups this year than in the past. In fact the underlying trend is simply a widening gap between the haves and have-nots. The effect of this is already manifesting itself, and even if early-stage venture investment does start to increase it will be some time before new technologies appear ([Advamed warns on innovation as the VC crisis bites](#), November 15, 2016).

But that, pessimistic as it sounds, is vastly preferable to a continuing decline.

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