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## **How Private Equity Funds Can Boost the Value of Your Medical Device or Biopharma Company**

By Dennis Burns

Private equity firms and the funds they manage are an important new financing source for medical product companies. They are, however, different operators from traditional investors and corporate acquisition groups. If you want to tap into this financing source, you need to understand how their deal parameters and financial requirements can significantly impact your product plans.

Private equity firms - some as large as \$5 billion - are acquiring medical device and specialty pharmaceutical companies at a rapid pace. HealthpointCapital, LLC is a prime example. In 2004 the \$600 million equity firm founded Nexa Orthopedics, Inc. with the goal of making it the preeminent company in extremities surgery.

Over the next two years, HealthpointCapital:

- Acquired five firms with specialty surgical items or products that were nearing FDA approval.
- Negotiated a private label deal with OsteoBiologics, Inc.
- Accelerated product launches through 510(k) filings.
- Entered a distribution agreement with Smith & Nephew for products used in foot surgery.
- Leveraged their sales coverage of orthopedic surgeons and podiatrists.

Nexa's value shot up, and HealthpointCapital sold the company last month generating a 75 percent internal rate of return on its investment. (For more information, see <http://www.nexaortho.com/aboutus/news.php>).

What are the key lessons here? Private equity funds expect capital returns faster than more traditional funding sources. The tighter timeframe makes meeting

shorter-term regulatory and sales milestones more critical. It also calls for better organizational efficiency through clustering firms in a similar therapeutic area.

Have you streamlined operations and maximized the value of your company to make it more attractive to private equity firms? Look at your product line to find new indications that could leverage your sales force coverage. Could you acquire or negotiate a distribution deal for any single product companies in the same therapeutic area? For example, one of TCG's medical device clients added a surgical membrane and a specialty mesh to capitalize on the synergy of selling those products along with its bone regeneration products to dental surgeons.

Can you find new delivery systems or 510k or 505(b)2 line extensions to launch in the next six months? What about a partnership or licensing deal with a major player? How would such a transaction impact your credibility and company value?

Do you know how your company would stack up in the eyes of a private equity firm? Conduct a strategic review of your product line or get experts to help you analyze your appeal and maximize your assets, so you can take advantage of the lucrative private equity market.

**If you would like to share your experience in these issues, or discuss how you can ensure a successful product launch, send an email to [rkeefe@tcgbiopharma.com](mailto:rkeefe@tcgbiopharma.com).**

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