Pointers to American Medtech Companies Fund Raising in China

U.S. medtech executives have told us on multiple occasions that the number of VC investments in medtech start-ups has dropped dramatically up to 50% decrease compared to several years ago. Companies at the "teenage" phase (beginning of commercialization) especially face challenges to raise money as they are too small for the big strategies to be acquired, too late for the dwindling VC firms and not attractive yet for the PE firms.

On the other hand, the number of funds and companies in China looking to for healthcare products, services, and technology especially from the U.S. have mushroomed. The key drivers behind this boom from China are the Chinese government 2030 Innovation initiative, slow-down of infrastructure industries and real estate, increase of standard of living and lack of accessible high quality healthcare etc. Almost every fund or professional I run into asks me for good medtech projects to recommend to them.

China healthcare funds present an excellent alternative source for U.S. medtech companies seeking funding support. For instance, on one of our recent trips, China Med Device, LLC was able to secure meetings with 2 top strategies and 4 top healthcare funds in China.

The typical executive summaries in the U.S. are: market size, product unmet needs, your solution better than current alternatives, technology/IP, management team, financials, and regulatory pathway etc. However, what you say, how you say it, and at what level of details or emphasis, could mean money or no money especially when you are trying to deal with cross-border cultural and language differences.

After working with both Eastern and Western medtech executives, we are offering suggestions on fund-raising in China for Western executives.

1. **Chinese funds tend to have a Chinese angle➔will the U.S. medtech companies fit in the China market?** China is a large unified market (one language and one fifth world population). A significant number of specialties are growing at more than 20% per year such as orthopedics, minimum invasive surgeries, dental implants and orthodontics etc. U.S. medtech companies can gain early market access and accelerated revenue growth in addition to funds.

2. **Market size and clinical fit➔treatment outcome better than incremental diagnosis outcome.** In the patients' care cycle, China is focusing on treatment. Treatment devices attract more attention than an incremental outcome improve prevention or diagnostic types of devices. If you belong to the incremental outcome improvement category, you should evaluate the China market first to see if there is a good fit. I have seen top Chinese funds invest millions in a rehab clinic across from a large hospital.

3. **Technology emphasis vs clinical benefits➔ dedicate at least a few slides to elaborate about your high-tech and big name institution who are connected**

with you. Chinese doctors and investment community first want to know what the key technology is behind your device. If it is “high tech”, your products have immediate credibility. Their U.S. counterparts on the other hand do not seem to care what the product technology is and how advanced and complicated it is to develop it but care more about what the clinical benefits and how the devices and how the devices make their lives easier. For instance, on a recent China trip with an U.S. executive, he has a high-tech minimum invasive scope solution. There was not a single slide dedicated to its technology sophistication. There are tens of thousands of fiber lines compacted into millimeter cable! This is the technology wow factor that will appeal to the Chinese investors and doctors. It solved the challenges on how to deliver high light power source with great resolution to human cavities. Chinese parties will give you higher value with high stories.

4. **Economics and Reimbursement➔ensure your economic value proposition is consistent with the workflow and cost structure in China.** U.S. has professional and technical components for reimbursements. China does not have this structure. The professional component is extremely low and regulated in the public hospitals. I went to see an orthopedic surgeon about my pain in sciatic nerve in Beijing. I only paid $5 for an attending orthopedic surgeon. The MRI exam was only $100. The attending physician said that he typically sees >100 patients a day in the outpatient setting. As a rule of thumb, if U.S. gets $600 for reimbursement, China gets $100, ratio of 6:1. However, the unique workflow and other mechanisms still make the devices lucrative despite the relatively lower reimbursements.

The above 4 highlights are suggestions for Western medtech executives to localize their key pitch points more effectively to fit the unique China investment community. If you are afraid of falling, you will never learn how to walk. The China alternative funding opportunities and large market will reward the daring souls.

About China Med Device, LLC

China Med Device, LLC (CMD) accelerates U.S. medtech companies’ entry and grow in China. We provide turnkey solution for commercialization and funding in China. Our seasoned bilingual and bicultural staff have successfully helped many companies in the following areas of expertise.

♦Market Intelligence and Research ♦CFDA Regulation ♦Clinical Study and Trial
♦Distribution Qualification and Management ♦Partnership and Strategic Funding

For more information on how China Med Device, LLC can help you with your Chinese funding, please contact info@chinameddevice.com.