

## EXECUTIVE SUMMARY

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# *Healthcare*

*2003 Venture Capital Report*

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- ◆ *\$6.3 Billion Invested* ◆
- ◆ *542 Company Profiles* ◆
- ◆ *620 Investor Profiles* ◆

**Growththink Research's Healthcare Venture Capital Report  
2003 Annual**

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## Executive Summary

### Introduction

Five hundred forty two (542) privately held biotechnology, pharmaceutical, medical device and other healthcare companies raised \$6.3 billion in venture capital in 2002. This sector (referred to collectively as “the healthcare sector”) received a remarkable 25.7% of the total venture dollars invested nationwide, up from 15.8% in 2001. Though the total invested in this sector declined from \$7.1 billion in 2001 to \$6.3 billion in 2002, healthcare ventures fared extraordinarily well in light of current market conditions.

#### Total U.S. Funding by Sector – 2002

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Connectivity	\$9,574,239,000	38.8%	775	32.7%	\$12,353,857
<b>Healthcare</b>	<b>\$6,338,664,140</b>	<b>25.7%</b>	<b>542</b>	<b>22.9%</b>	<b>\$11,694,952</b>
Business Software & Services	\$6,068,768,000	24.6%	763	32.2%	\$7,953,824
E-Content & Commerce	\$1,137,197,000	4.6%	169	7.1%	\$6,728,976
Other	\$1,562,350,000	6.3%	119	5.0%	\$13,128,992
<b>Totals:</b>	<b>\$24,681,218,140</b>	<b>100.0%</b>	<b>2368</b>	<b>100.0%</b>	<b>\$10,422,812</b>

### Regions

Bay Area healthcare companies raised \$1.3 billion, over 20% of the total invested nationwide. This region was led by **Oculex Pharmaceuticals** (Sunnyvale, CA) and **Corgentech** (Palo Alto, CA), each of which raised \$50 million. **Oculex Pharmaceuticals** develops and commercializes novel proprietary intraocular pharmaceuticals and drug delivery systems. Its proprietary drug delivery system is a biodegradable, sustained-release system designed to deliver drugs directly into the eye. Oculex’s funding was led by the Perseus-Soros BioPharmaceutical Fund and Bay City Capital. **Corgentech** discovers, develops and commercializes a new class of therapeutics called transcription factor decoys. The Company recently announced that the FDA has granted fast track designation for its CGT021 E2F decoy, which is designed to prevent arterio-venous graft failure in End-Stage Renal Disease (ESRD) patients requiring hemodialysis. Bear Stearns Health Innoventures was Corgentech’s lead investor. Other Bay Area healthcare companies that received significant investments include **Alexza Molecular Delivery** (\$45 million), **XenoPort** (\$43.9 million) and **Raven Biotechnologies** (\$40 million).

Following the Bay Area was New England, which was the only other region that raised over \$1 billion in funding for this sector. Approximately 75% of the funding for this region was concentrated in the Boston metropolitan area. **Infinity Pharmaceuticals** (Cambridge, MA) led the region with a \$70 million Series B round. **Infinity Pharmaceuticals** is a drug discovery company focused on cancer, metabolic disorders, infectious disease and inflammatory disease. The financing was led by Advent Venture Partners and included Prospect Venture Partners, Venrock Associates and other top-tier life science investors. **Onward Healthcare** (Norwalk, CT), a staffing company that specializes in recruiting registered nurses and healthcare professionals for interim work assignments, received \$50 million from Welsh, Carson, Anderson & Stowe. The Company has contracts with nearly 100 hospitals in 33 states.

Seventy three (73) Southern California healthcare companies raised over \$980 million. The San Diego metropolitan area was home to 45 of these ventures, led by **CancerVax** (Carlsbad, CA) and **Kalypsys** (La Jolla, CA). **CancerVax** is dedicated to discovering and commercializing vaccines, angiogenesis inhibitors and monoclonal antibodies for the treatment and control of cancer. CancerVax raised over \$55 million in its second round of funding, with more than a dozen institutional and private investors participating. **Kalypsys** is a biopharmaceutical company that uses advanced automation technologies to

improve the probability of success, quality, and productivity of drug discovery. The Company, which spun out of the Genomics Institute of the Novartis Research Foundation in 2001, secured a \$43 million Series A round co-led by The Sprout Group and Tavistock Life Sciences.

### Healthcare Funding by Region –2002

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Bay Area	\$1,324,822,000	20.9%	100	18.5%	\$13,248,220
New England	\$1,043,951,140	16.5%	82	15.1%	\$12,731,111
Southern California	\$982,750,000	15.5%	73	13.5%	\$13,462,329
Southeast	\$720,475,000	11.4%	65	12.0%	\$11,084,231
Northeast	\$637,361,000	10.1%	62	11.4%	\$10,280,016
Central US	\$556,360,000	8.8%	66	12.2%	\$8,429,697
Great Lakes	\$384,400,000	6.1%	26	4.8%	\$14,784,615
Mid-Atlantic	\$302,860,000	4.8%	27	5.0%	\$11,217,037
Pacific Northwest	\$206,400,000	3.3%	22	4.1%	\$9,381,818
Southwest	\$142,350,000	2.2%	14	2.6%	\$10,167,857
Other	\$36,935,000	0.6%	5	0.9%	\$7,387,000
<b>Totals:</b>	<b>\$6,338,664,140</b>	<b>100.0%</b>	<b>542</b>	<b>100.0%</b>	<b>\$11,694,952</b>

### Segments

Biotechnology and pharmaceutical companies accounted for over half (53.2%) of the funding in this sector. This segment was led by a \$150 million investment in **Ovation Pharmaceuticals** (Deerfield, IL). **Ovation Pharmaceuticals** acquires under-promoted branded pharmaceutical products and promising late-stage development products. The Company increases the sales of acquired products through active selling efforts, creative marketing programs, and product life cycle activities that focus on developing new formulations, new indications, and other product improvements. Other biotechnology and pharmaceutical companies that raised large rounds include the \$70 million investment in **Infinity Pharmaceuticals** (detailed above) and a \$60 million investment in **US Bioservices** (Washington DC). **US Bioservices** is a specialty distribution and pharmaceutical services company that focuses on the delivery and management of sophisticated pharmaceutical therapies to patients with chronic and complex medical conditions. The Company, which raised its funding from Whitney & Co., agreed to be acquired by AmerisourceBergen Corporation a few months following the investment.

One hundred forty six (146) medical device companies raised \$1.6 billion in venture capital, led by a \$58.8 million investment in **ev3**. **ev3** (Plymouth, MN) is an endovascular company committed to creating medical devices focused on stroke prevention and management, myocardial preservation, and peripheral vascular treatment. **ev3** raised its funding from Warburg Pincus and Vertical Group. **Vertis Neuroscience** (Seattle, WA), a developer of medical devices for treating diseases and disorders of the central nervous system, raised \$37 million, bringing its total funding to \$57 million.

Medical Software and Services companies received \$1 billion, almost 16% of the healthcare total. This segment was led by **TechRx** (Coraopolis, PA), which provides pharmacy software that automates the prescription fulfillment process. **TechRx** received \$52 million from NDCHealth. **Schaller Anderson** (Phoenix, AZ), a national health care management and consulting company that administers self-funded health benefit plans and commercial health plans, raised \$50.1 million from General Atlantic Partners.

Twenty five (25) companies in the Diagnostic/Patient Care segment raised over \$360 million. These companies had an average deal size of \$14.4 million. **Surgis** (Nashville, TN), a surgical services company that owns and operates ambulatory surgery centers in partnership with physicians and

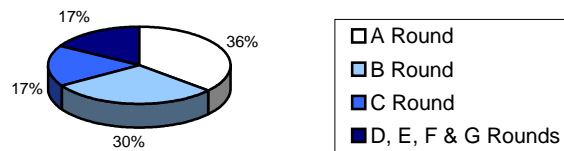
hospitals, raised \$83.3 million of an ongoing \$100 million financing commitment made by New Mountain Capital.

## Healthcare Funding by Segment – 2002

	Dollars Invested	Pct. of Total	No. of Cos.	Pct. of Total	Average Deal Size
Biotechnology/Pharmaceuticals	\$3,371,225,000	53.2%	246	45.4%	\$13,704,167
Medical Devices	\$1,595,893,140	25.2%	146	26.9%	\$10,930,775
Software and Services	\$1,010,786,000	15.9%	125	23.1%	\$8,086,288
Diagnostic/Patient Care	\$360,760,000	5.7%	25	4.6%	\$14,430,400
<b>Totals:</b>	<b>\$6,338,664,140</b>	<b>100.0%</b>	<b>542</b>	<b>100.0%</b>	<b>\$11,694,952</b>

## Funding Rounds

Thirty six percent (36%) of the healthcare companies that raised capital in 2002 raised their initial funding round (including seed and Series A rounds). Thirty four percent (34%) received a Series C or later round of funding.



## Top Investments

Though fewer healthcare companies raised venture capital in 2002 than in 2001, more companies received investments of \$50 million or more. The following companies were part of this elite group:

Company	Location	Category	Investment
Ovation Pharmaceuticals	Deerfield, IL	Biotech/Pharmaceuticals	\$150.0 million
Surgis	Nashville, TN	Diagnostic/Patient Care	\$83.5 million
National Surgical Care	Chicago, IL	Diagnostic/Patient Care	\$75.0 million
Infinity Pharmaceuticals	Cambridge, MA	Biotech/Pharmaceuticals	\$70.0 million
US Bioservices	Washington DC	Biotech/Pharmaceuticals	\$60.0 million
ev3	Plymouth, MN	Medical Devices	\$58.8 million
CancerVax	Carlsbad, CA	Biotech/Pharmaceuticals	\$55.0 million
Iomai	Gaithersburg, MD	Biotech/Pharmaceuticals	\$54.0 million
TechRx	Coraopolis, PA	Software & Services	\$52.0 million
Schaller Anderson	Phoenix, AZ	Software & Services	\$50.1 million
Oculex Pharmaceuticals	Sunnyvale, CA	Biotechnology/Pharmaceuticals	\$50.0 million
Corgentech	Palo Alto, CA	Biotechnology/Pharmaceuticals	\$50.0 million
Onward Healthcare	Norwalk, CT	Software & Services	\$50.0 million

## Investors

Over 600 investors provided capital to healthcare ventures in 2002. The following were the most prolific healthcare investors in 2002, providing funding to ten or more privately held healthcare companies:

- Alta Partners
- ARCH Venture Partners
- Canaan Partners
- Domain Associates
- GE Capital
- HBM Bioventures
- InterWest Partners
- Johnson & Johnson Dev. Corp.
- MPM Capital
- New Enterprise Associates
- Oxford Bioscience Partners
- Polaris Venture Partners
- S. R. One Limited
- The Sprout Group
- St. Paul Venture Capital
- Three Arch Partners
- Venrock Associates
- Versant Ventures

*Profiles of Funded Ventures*

This Report is **250 pages** and contains profiles of **542 healthcare companies** that raised venture capital in 2002. Profiles contain the following information:

- Company Name
- Website
- Description
- Address
- Telephone Number
- Fax Number
- Key Personnel
- E-mails (when available)
- Funding Amount
- Funding Round
- Investors

The following are samples of Company Profiles that appear in the Report:

**Altea Therapeutics**

**Description**

Altea Therapeutics has developed a proprietary noninvasive method to achieve the delivery of therapeutic proteins, conventional drugs and vaccines through the skin. This technology can provide a painless, convenient and effective method to deliver drugs and vaccines that have previously been limited to administration by injection.

**2002 Investment**

Funding Amount: \$17,000,000  
Funding Round: B

**Investors**

Domain Associates, Venrock Associates, vSpring Capital

**Key Personnel**

- Eric Tomlinson, Ph.D., *CEO*  
*etomlinson@alteatherapeutics.com*
- Jonathan Eppstein, *CTO*  
*jeppstein@alteatherapeutics.com*
- Deborah Eppstein, Ph.D., *CBO*  
*deppstein@alteatherapeutics.com*
- Alan Smith, Ph.D., *VP Research*  
*asmith@alteatherapeutics.com*
- John Jugovic, *Dir. Finance*  
*jjugovic@alteatherapeutics.com*

**Contact Information**

2056 Weems Rd.  
Atlanta, GA 30084  
Tel: (770) 270-0398  
Fax: (770) 270-0399  
*www.alteatherapeutics.com*

**Ambit Biosciences**

**Description**

Ambit Biosciences discovers the molecular identities of therapeutically relevant drug targets and identifies compounds that modulate the activity of these targets for the treatment of human disease. Using its proprietary ProteomeScan technologies, the Company intends to identify and patent the protein targets of small molecules and peptides with therapeutically important pharmacological or biological activities.

**2002 Investment**

Funding Amount: \$18,800,000  
Funding Round: B

**Investors**

Avalon Ventures, Forward Ventures

**Key Personnel**

- M. Scott Salka, *CEO*  
*ssalka@ambitbio.com*
- David J. Lockhart, Ph.D., *President & CSO*  
*dlockhart@ambitbio.com*
- Sanford J. Madigan, Ph.D., *VP Corp Dev*
- Laurel Engelbrink, *Dir. Finance & Admin*

**Contact Information**

9875 Towne Center Dr.  
San Diego, CA 92121  
Tel: (858) 334-2100  
Fax: (858) 334-2199  
*www.ambitbio.com*

**Anacor Pharmaceuticals**

**Description**

Anacor Pharmaceuticals is an early-stage pharmaceutical company engaged in the discovery and development of novel antimicrobials for the treatment of serious bacterial and fungal infections. Its initial therapeutic targets are staphylococcus, streptococcus pneumoniae, anthrax, tularemia and other infectious diseases.

**2002 Investment**

Funding Amount: \$4,000,000  
Funding Round: B

**Investors**

Rho Ventures, Aberdare Ventures

**Key Personnel**

- David Perry, *CEO*  
*dperry@anacor.com*
- Ving J. Lee, Ph.D., *VP Discovery Research*  
*vlee@anacor.com*
- Lucy O. Day, *CFO*  
*lday@anacor.com*
- Kirk R. Maples, Ph.D., *VP Pre-Clinical Dev*  
*kmaples@anacor.com*

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1060 E. Meadow Circle  
Palo Alto, CA 94303  
Tel: (650) 739-0700  
Fax: (650) 739-0139  
*www.anacor.com*

## Investor Profiles

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This Report contains profiles of over 600 investors that funded healthcare companies in 2002.

Investor profiles contain the following information:

- Investor Name
- Website
- Address
- Telephone Number
- Fax Number
- 2002 Healthcare Investments

The following are samples of Investor Profiles that appear in the Report:

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### 2nd Generation Capital

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[www.2ndgeneration.com](http://www.2ndgeneration.com)

#### 2002 Healthcare Investments

HCCA International

#### Nashville, TN

618 Church St.  
Nashville, TN 37219  
Tel: (615) 846-7650  
Fax: (615) 846-7654

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### 3i

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[www.3ius.com](http://www.3ius.com)

#### 2002 Healthcare Investments

PharMetrics

#### Menlo Park, CA

275 Middlefield Rd.  
Menlo Park, CA 94025  
Tel: (650) 470-3200  
Fax: (650) 470-3201

#### Waltham, MA

880 Winter St.  
Suite 330  
Waltham, MA 2451  
Tel: (781) 890-8300  
Fax: (781) 890-8301

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### 5AM Ventures

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[www.5amventures.com](http://www.5amventures.com)

#### 2002 Healthcare Investments

Alexza Molecular Delivery

#### San Francisco, CA

750 Battery Street  
San Francisco, CA 94111  
Tel: (415) 676-3830  
Fax: (415) 837-0503

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### A.G. Edwards Capital

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[www.agedwards.com](http://www.agedwards.com)

#### 2002 Healthcare Investments

MicroVention, Stereotaxis

#### St. Louis, MO

1 N. Jefferson Ave.  
St. Louis, MO 63103  
Tel: (314) 955-3000  
Fax: (314) 955-8095

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### A.M. Pappas & Associates

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[www.ampappas.com](http://www.ampappas.com)

#### 2002 Healthcare Investments

Bloodhound, Dynogen  
Pharmaceuticals, NuVasive, Panacos  
Pharmaceuticals, Peninsula  
Pharmaceuticals, Plexxikon, Signase,  
Syntonix Pharmaceuticals

#### Research Triangle Park, NC

7030 Kit Creek Rd.  
P.O. Box 110287  
Research Triangle Park, NC 27709  
Tel: (919) 998-3300  
Fax: (919) 998-3301

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### Aavin Venture Capital

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[www.aavinvc.com](http://www.aavinvc.com)

#### 2002 Healthcare Investments

Celleration, FENA Design

#### Cedar Rapids, IA

118 Third Ave. SE  
Suite 837  
Cedar Rapids, IA 52401  
Tel: (319) 247-1072  
Fax: (319) 363-9519

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### Aberdare Ventures

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[www.aberdare.com](http://www.aberdare.com)

#### 2002 Healthcare Investments

Anacor Pharmaceuticals, Microbia,  
Salmedix

#### San Francisco, CA

One Maritime Plaza  
Suite 1475  
San Francisco, CA 94111  
Tel: (415) 392-7442  
Fax: (415) 392-4264

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### Abingworth Management

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[www.abingworth.com](http://www.abingworth.com)

#### 2002 Healthcare Investments

Adiana, Hydra Biosciences, Picoliter,  
Sensors for Medicine and Science

#### Palo Alto, CA

2465 E. Bayshore Rd.  
Suite 348  
Palo Alto, CA 94303  
Tel: (650) 565-8296  
Fax: (650) 565-8295

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