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Exec Chat: 'Wow Factor' Is Important in Medtech Investment, But It's Not Everything Says Ceros CEO

'There is a Revolution In Medtech And Money On the Sidelines,' Ceros' Mark Goldwasser told Medtech Insight in an interview

Executive Summary

Medtech Insight interviewed the CEO of Ceros Financial Services and its investment banking division, Ceros Capital Markets, about the firm's considerations for funding early-stage medtechs, and outlook for medtech fundraising, in this uncertain economic climate.



Mark Goldwasser, CEO of New York-based asset management firm Ceros Financial Services, thinks there is a revolution starting in the medtech industry, money on the sidelines, and opportunities to be had in this post-Covid world.

Goldwasser recently talked to *Medtech Insight* about the company's investment portfolio and outlook for medtech investment, which has been facing multiple headwinds this year. (Also see "[‘The Story That No One Likes To Hear’: Investors Looking For Surer Bets In Health Tech After Record 2021](#)" - Medtech Insight, 18 Aug, 2022.)

"You've got to think of the world in a post-Covid world," Goldwasser told *Medtech Insight*. People want quicker and non-invasive surgeries, quicker diagnoses, access to remote monitoring and digital health tools.

They also want robotic surgical solutions that allow surgeons to perform minimally invasive surgeries that allow patients faster healing times, overall recovery, and ideally, improve outcomes. Hence, these are all areas of interest for investments.

Goldwasser acquired Ceros Financial Services with two partners, Chris Dewey and David Brown, in 2019. Ceros Capital Markets, Ceros' investment bank, is based in Miami where Goldwasser resides, and focuses on fundraising and private placement for early-stage medical device companies, particularly those developing technology for diagnostic and non-invasive procedures.

In July, Ceros Financial Services announced a partnership with Forte Capital Group, a financial advisory firm with about \$1bn in client assets and Innovation X Advisors, a leading late-stage venture capital firm.

This year, Ceros expects to complete \$100m in transactions in the medtech sector, down \$50m from an earlier projection. In 2021, it completed \$117m in transactions in medtech; and \$145m in 2020.

Goldwasser said his firm focuses on medtech for multiple reasons.

"We think it's an under-covered sector, we think the major companies have merged and they are looking for product," Goldwasser told *Medtech Insight*.

He also pointed out that most medtech deals are small transactions, which has led many venture capital firms to move to the much bigger unicorn businesses in biotech. But he's quick to note "while there is a lot more going on in the biotech industry and money to be made, it's also a more risky investment."

Medtech Insight: What are some of your criteria for investment?

Mark Goldwasser: We are interested in the early-stage A round through D round or maybe E round in some cases. We're looking for very low valuations. We're focusing on the post-COVID health care system. It's kind of revolutionary what's going on at the moment. Hospitals got overwhelmed. Who knows what long-term quantitative problems come out of that? But the ambulatory centers are growing fast and furious. They're looking for devices that can help them. There are minimally invasive, non-invasive, robotic, telemedicine, remote diagnosis and quicker pathology technologies – our company touches all of those companies.

What companies has Ceros funded and what makes them attractive investments?

Goldwasser: We had a company in Israel called Cordio Medical for congestive heart failure (CHF) patients. The doctor assigns patients an app. It goes on their iPhone, you have to read a bunch of sentences every day and it can read liquid levels in your lungs and give early warning of problems. The doctor can switch on his computer and see who is suffering from CHF and can see early warning signs of early detection.

Cordio Medical

Ceros and Peregrine Ventures announced on 27 June they made a strategic investment of \$18m in Israel-based Cordio Medical, which developed an app that uses AI to analyze a patient's speech sample to detect early build-up of fluids in the lungs, which is a risk factor for CHF. Cordio hopes to go to market in the US in early 2024, with final approval from the FDA. Goldwasser believes that Cordio's technology "is the first non-invasive medical-grade monitoring device for chronic heart conditions."

Momentis Surgical

Corvis co-led a \$96m series D financing last April in Momentis Surgical, which rebranded itself from Memic Innovative Surgery in July. The Tel Aviv, Israel-based medtech said it will use the proceeds to market its Hominis robotic-assisted device in the US and potentially other countries, support continued R&D efforts, including its portfolio of products and manufacturing scale-up, and provide customer training. The Hominis system received the de novo marketing authorization from the FDA in February 2021 for use in single site, natural orifice laparoscopic-assisted transvaginal benign surgical procedures including benign hysterectomy. Momentis claims this is the first FDA-authorized surgical robotic platform that features miniature humanoid-shaped robotic arms that provide human level dexterity, multi-planar flexibility and 360 degrees of articulation.

GT Metabolic Solutions

Ceros announced on 18 July it invested \$15m in a series A round in San Jose-based GT Metabolic Solutions, which will use the proceeds to start clinical trials for its Duodenal Iliac Bypass anastomosis for bariatric and metabolic surgery. The technology enables incisionless bariatric surgery and involves no cutting, no suturing, and no permanent implant, allowing for outpatient surgery. The company was founded by Thierry Thauere, a veteran medtech entrepreneur, and Michel Gagner, a laparoscopic and bariatric surgeon, who is also the company's chief medical officer. The planned multi-center study will recruit 35 subjects with obesity and with or without type 2 diabetes at five centers across Europe and Canada who will undergo sleeve gastrectomy with side-to-side anastomosis duodeno-ileostomy using the Magnetic Anastomosis System and will be followed for 12 months.

DermaSensor

DermaSensor expects to become the first FDA-cleared device to assist primary care physicians in evaluating skin cancer. The company received FDA breakthrough designation for the device in 2021. The DermaSensor device uses a form of spectroscopy called Elastic Scattering Spectroscopy (ESS) to take non-invasive samples of tissue in 2021 and then provides results to the user without the need for a laboratory or another physician to analyze the spectral data, according to the company. DermaSensor announced in June it will use the new capital of \$10m from existing investors, including Ceros, to prepare for a commercial launch, following FDA clearance.

The other Israeli company we invested in, Momentis Surgical (formerly Memic Innovative Surgery) does non-invasive robotics. They have built these miniature arms, which are like a human arm. Surgeons use these miniature arms to go into the vaginal canal to perform a hysterectomy. There is no scarring on the stomach at all. These instruments are designed to go through any orifice in the human body, starting with woman's gynecology issues, and then can do men's hernias, woman's hernias, rectal incision, etc. Another company we invested in is GT Metabolic Solutions, which is truly amazing. It's another minimally invasive company. The doctor [Michel Gagner] is the top bariatric surgeon in the world.

He developed this technique using magnets to create new channels for digestion, so you feel fuller quicker. Another company we invested in DermaSensor detects skin cancer. You don't have to be a dermatologist to use it. The device looks like a cell phone and has a little point at the end. You aim that at the skin and hit a button. It gives you a high-risk level or low-risk level for skin cancer, so primary care providers can use it as opposed to just going to dermatologists.

Pristine Surgical

In March, Ceros completed a \$15m series D funding in Pristine Surgical, which plans to use the funds to advance the commercialization of its single-use visualization platform for surgical and diagnostic endoscopic procedures.

Aqyre Biosciences

Last November, Ceros announced a \$17.4m placement for Aqyre Biosciences, which developed cellular imaging technology that produces biopsy images in under two minutes for analysis and diagnosis.

Orthosensor

The company also invested in Orthosensor, which developed a sensor-assisted device that provides real-time data for post-operative care following knee surgery.

We did a company called Pristine Surgical, which developed a disposable scope. We also invested in a French company called Aqyre, which does a two-minute biopsy diagnosis, which apparently is very important because patients that did a biopsy came out of surgery and got the results two days later. This is instantaneous and if the patient has a bad sample, the surgeon can do another biopsy because the patient is still under anesthetic. How do you evaluate start-ups when considering funding them?

Goldwasser: We got this advisory board of friends and experts, and we see what they think – that’s the first step. And then we talk to the company and find out what the valuation is. Valuations have come down in the last 12 months from eight to 10 times projected two-years revenues to four to six times. So, if you didn’t get your financing done by February or March, it’s been a difficult year. That’s why we’ve cut the projection to \$100m this year from \$150m.

Would you say that management teams that have a success record of fund-raising have better opportunities to raise funding in this economic climate?

Goldwasser: Yes, of course. We are working with people who have a track record. I’ve done a previous deal with the CEO of GT Metabolic about six years ago and that technology was acquired by [Abbott](#). He’s had one massive liquidity strike and now he’s on to the second one. One of the people we listen to is Ivan Delevic, who was the CEO at OrthoSensor, which was bought by [Stryker Corporation](#) [last January]. Now he’s looking for other opportunities. That also includes Maurice Ferré, who is the chairman and CEO of Insightec, which developed an incisionless neurosurgery platform and does MR-guided focused ultrasound. Now Insightec is getting into Parkinson’s disease.

What is your outlook for exit strategies in medtech?

Goldwasser: Obviously, there are three routes to liquidity. One is an IPO, which has slowed down tremendously this year. Maybe the markets open up next year. The second route is via SPACs (special purpose acquisition company). [Vicarious Surgical Inc.](#) went public through a SPAC and they are two years away from FDA approval in robotic surgery. The third route is via strategic acquisitions, which I think are going to be very attractive. So just on Monday (24

August), there was a news announcement that [Teleflex Medical](#), a public company with an \$11bn market cap acquired a company called Standard Bariatrics [a bariatric company with \$20m in revenues] and they paid \$170m, eight-and-a-half times revenues, and there was further consideration of \$130m, if they hit certain milestones, which would have taken them up to 15 times revenues. (Also see "[Surgical Robotics Company Vicarious Surgical To Merge With D8 SPAC In \\$1.1Bn Deal](#)" - Medtech Insight, 15 Apr, 2021.)

What advice do you have for companies that are having a tough time fund-raising?

Goldwasser: The public market is down 30-40% and the private market in many cases can be down 50%. There seems to be a lot of capital on the sidelines. But investors have become much more sanguine about their investments. There's more due diligence. They're looking at FDA. 'How long do we really think this company is going to get to FDA approval?' It always takes longer than the company suggests. What's the pre-money valuation? The lower the better. They look at run-rate revenue. The 'wow factor' is important, but it's not all important at the moment.

All these companies have a certain 'wow' factor, but you have to go through them very carefully to find which ones really have the wow factor, or which ones you think do have the 'wow factor,' which ones can be acquired, which ones can go public. You know, they got to make sure that these companies are funded, that they don't run out of money to have enough runway. We want to provide runway to liquidity events, or runway to the certainty that the next round will be at a higher valuation than a lower valuation. There are all these companies at an early stage that are burning cash. They need at least two-years-worth of cash.

Do you believe we're heading into a recession?

Goldwasser: I think we're going into recession, I think come the fourth quarter of this year we'll be busy again, because there hasn't been much going on the last few months.

You recently moved from New York to Miami with plans to create a medtech hub there, is that correct?

Goldwasser: We talked about what post-COVID means for medical device companies. I spent 2020 at home, 10 months of the year, and that didn't dent the business. I can go live in Miami and save taxes. There's more capital coming into Miami every day. It's going to be another financial center. It'll be like Wall Street, Silicon Valley in Miami. And Insightec's Maurice Ferré [a serial entrepreneur who is the chairman of Momentis Surgical] is a very big name in Miami. There's a lot of South American money. We have an office in Miami with two full-time employees. We are very excited about the prospects for Florida. The government is very pro-business. The hospitals aren't at a New York standard, but they are trying to hire doctors from New York and become more material.

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