

# Maintaining The Israeli Advantage

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- I presume you all listened to Marty Leon's talk this morning. This was a comprehensive look at the future of medical devices.
- I would like to focus more on the financial aspects related to innovation.
- Funding is the fuel that drive this magnificent car of innovation

# The World is Changing

- The global financial crisis is creating long term impact on the health care business
- The H/C reform in the US will affect the growth, the profile of H/C expenditures and the H/C economy
- Medical device proposed tax is just one negative outcome.

# Additional Difficulties:

- Reimbursement becomes a major factor in considering new product development - no reimbursement for insignificant improvements
- Regulatory path becomes a nightmare

# Devices are Israel core Strength in H/C

Israel core strength in H/C is  
in start ups of innovative  
Medical Devices

# The Israeli Core Strength in H/C:

- We need to think and plan strategically and long term
- We need to consider available human resources, science and technology, and funding capabilities
- Biopharma is beyond Israel's ability
- We should not consider anecdotal successes as strategy.

# The Realities of the Financial Crisis

- No IPO market
- No Mezzanine financing
- Very selective M&A by large corporations
- Failure of the VC model to address financial needs

# Planning Long Term:

- No longer we can plan on “early exits”
- Start-ups need to consider initial commercialization to create value and clinical impact
- Addressing real unmet needs is critical, in line with IP and costs - require better connection to the market

# The VC Model Is Broken

- Funds failed to produce expected returns
- VC is not structured to address commercialization as funds are too small and syndications do not work well
- VC is not sufficiently connected to the market to timely understand changing trends and real unmet needs

# How to maintain our advantage?

- Lacking exits at pre-commercial stage require different financing strategies as burn rates climbing to over \$ million/month
- Early investors are wiped out by bottom fishers

# What we should do?

- Create one bigger VC fund dedicated to health care
- Focus on where the Israeli advantage is - devices and forget biopharma as a strategy
- Revise the VC model to make it more capital efficient
- Revise the incubator model
- Use the government new fund to help commercialization of products prior to exit

# What more?

- Connect better to the clinical world - it is your market
- Look East as much as you look West
- Try to find where the future of medicine is. It is not in Yesterday product concepts



# Thank You

