



Case Study: Mpathy

Mpathy Medical Inks Agreement
With Coloplast, Near-Term Value
\$35 Million Dollars

Transaction Details

Mpathy Medical inks agreement with Coloplast, near-term value \$35 million dollars.

On October 29, 2010, Mpathy Medical, an Ireland-based medical device company specializing in product technologies for pelvic health in women, agreed to an offer from Coloplast to acquire the company. Coloplast, a Danish medical device company with North American headquarters in Minneapolis, combined the two companies' complementary products into the Coloplast Surgical Urology division.

The acquisition of Mpathy Medical established Coloplast as the sole distributor of Mpathy's physiologically compatible and ultra-lightweight Smartmesh™ Technology, which targets the female anatomy to treat urinary stress incontinence and pelvic organ prolapse. The acquisition allowed Coloplast to be a leader in less invasive pelvic restoration procedures, as well to achieve increased presence in the highly competitive female pelvic health specialties market.

Medcap advisors' strategic role in the Mpathy Medical transaction included:

- developing strategy and transaction parameters
- identifying potential buyers
- overseeing the merger and acquisition process
- negotiating the transaction to closing
- liaising between U.S. and European stakeholders
- applying industry expertise to resolve complex IP and litigation issues

Transaction Impact

Mpathy looked to MedCap's strategic counsel at a key moment for the company's Smartmesh product. The market for women's pelvic floor reconstruction and urinary incontinence mesh was negatively impacted in 2009, as surgeons became increasingly aware that current mesh products designed for use in hernia procedures were causing negative outcomes in more sensitive tissues targeted in OB/GYN procedures. Mpathy's innovative technology provided a timely, patented solution to the problem.



Physicians had previously treated female urinary stress incontinence and pelvic organ prolapse with heavy gauge mesh originally designed for hernias. The material was often difficult for physicians to manipulate, uncomfortable for patients during the healing process, and frequently abraded delicate tissue. Mpathy developed a lightweight, adaptable mesh product in more precise shapes, featuring a patented smaller pore design that was more beneficial to cellular development and ingrowth in patients, as well as softer and less abrasive.

MedCap leveraged Mpathy's innovative design and assembled a strong list of potential buyers who would quickly recognize that this small based company held the answer to the problem that surgeons and patients faced – and ultimately secure the best price possible for sale of the company to Coloplast. MedCap's CEO Christopher Velis worked closely with Mpathy CEO Ian Stevens and Chairman of the Board George Borthwick throughout the process, ensuring the client's full oversight and input on all proceedings.

Case Study: Mpathy

Mpathy Medical Inks Agreement
With Coloplast, Near-term Value
\$35 Million Dollars

Mpathy History and Challenge

Mpathy originally funded its Smartmesh™ Technology manufacturing from angel investors and venture capitalists. The company's leaders were elated by the early success of its sales, and the increase in manufacturing came at a steep cost – the company did not have the resources to meet physician demand. The original business plan had factored in additional time to build an internal sales force, and the opportunity for capturing the market was imminent. Thus, Mpathy faced a daunting decision around raising a diluted round of capital or finding a buyer.

Mapping the Strategy

MedCap painstakingly evaluated every element of Mpathy's dilemma when it was contracted in the fall of 2009. A full assessment revealed that the company would not gain enough benefit by maintaining ownership and building a sales force; MedCap advised Mpathy to seek an outside buyer with existing global distribution.

MedCap progressively narrowed the field down to an elite collection of four competitive bids. Coloplast, a global medical device company headquartered in Denmark with a U.S. base in Minneapolis that specializes in ostomy care, urology, continence care, and wound and skin care, was identified as the most promising contender. Coloplast targeted Mpathy's Smartmesh technology for its surgical urology division.

However, challenges arose when Coloplast threatened to bring suit against Mpathy in hopes of discouraging other



bidders. MedCap Advisors and the legal team of K & L Gates, led by litigator Chris Centurelli, swiftly sprang into action, introduced an alternative solution, and ultimately welcomed Coloplast's purchase of Mpathy for \$35 million.

MedCap also had to time the sale with regards to the FDA's growing scrutiny over mesh products. Close of sale was scheduled in order to ensure investors an exit and investment returns prior to an FDA-issued warning on mesh implants. Meanwhile, the transaction positioned the emerging Mpathy Smartmesh™ Technology in the hands of a company with the wherewithal to showcase its benefits and potential role as a solution to problems associated with inferior mesh products.

The transaction, completed in October 2010, ensured Coloplast the rights to the lightest weight and least invasive mesh technology for female pelvic restoration procedures. It simultaneously positioned Coloplast for technology leadership and future growth in the highly competitive female pelvic health specialties market in the United States and Europe.

Result

Through its strategic consulting and acquisition services, MedCap secured Mpathy a 5x return on capital invested throughout the company's six-year tenure, with a near-term sale value of \$35 million. Coloplast, meanwhile, tremendously upgraded its product catalog, IP portfolio, and royalty stream. Coloplast continues to achieve high success with Smartmesh device sales.

About MedCap Advisors

MedCap Advisors LLC provides sophisticated mergers & acquisition guidance and strategic consulting services exclusively to the medical technology and healthcare sectors. Working primarily with both large private and public clients, the firm is committed to improving health and medical technology by focusing its expertise on the intersection at which physicians and patients meet. Since 2006, its leadership team has closed nearly 40 transactions in the medical technology space through services including mergers & acquisitions, licensing agreements, strategic partnerships, and private equity/venture capital financing. MedCap Advisors was honored with the 2012 ACG New York Champions Award for Life Sciences M&A Deal of the Year.



**FOCUS ON ONE THING,
AND DO IT BETTER THAN
ANYONE ELSE.**

MedCap Advisors
97 Winthrop Street, Harvard Square
Cambridge, MA 02138



OFFICE: 617-945-0299

info@medcapadvisors.com

www.medcapadvisors.com

twitter.com/medcapadvisors