

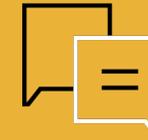


# Q2/2023 Venture Report

# Medical Alley Venture Report

The Medical Alley Venture Report is a quarterly analysis of investment, M&A and other factors driving growth in Medical Alley<sup>®</sup>, the epicenter of health innovation and care<sup>®</sup>.

*If you're leading a startup, managing acquisitions, or looking to invest in one of the world's leading health innovation ecosystems – contact [Filip Kostal](#) or [Kylle Jordan](#).*



**Medical Alley Starts  
& Global highlights**



**Private and public  
markets activity**



**SBIR/STTR funding**



**Job growth in  
Medical Alley**

# Medical Alley Starts

Venture platform to lower the cost of starting, scaling and pivoting new ventures



# Medical Alley Global

Bringing Medical Alley to the world and the world to Medical Alley



## **Global Investor Network:**

Connecting startups to investors from pre-seed to growth.



## **Global Corporate Partner Network:**

Facilitating partnership, M&A, JVs and other engagements with global leaders in healthcare



## **Ready Reserve Entrepreneur Volunteers:**

A network of experienced entrepreneurs ready to lend their expertise to your venture

# Medical Alley Starts – Q2/2023



Served **347** companies and delivered;

**39**

Investor  
introductions

**132**

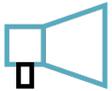
Supplier  
connections

**70**

Corporate  
development  
connections

**123**

Peer  
connections



**184 stories shared** through Medical Alley channels



# Q2/2023 – Key Takeaways

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- Medical Alley companies continue to perform well compared to other industries, recording a 56% increase in private investments over last year, and attracting more than \$1.1 billion overall in the first half of the year, 42% more than during H1 of last year. For comparison, other global and local investments are down (18% and 63% respectively).
- Late-stage and growth rounds continue to be the main dollar drivers, but deal volume increased 35% over the previous quarter, showing signs of improvement for early stage.
- Saluda Medical's \$150 million raise was the second largest private raise of the year only behind Gravie's \$179 million growth round from Q1.
- Our analysis showed three secondary offerings, indicating that while public market activity may have decelerated, an accessible pool of capital remains.
- SBIR/STTR funding dipped compared to last quarter, but the overall trend is positive.



# Startup Funding – Q2/2023

## \$713 Million Raised by Medical Alley Companies

- Medical Alley companies raised more than \$713 million in Q2/2023.
- Venture funding was the largest contributor in Q2/2023, as companies raised more than \$434 million, 56% more than last quarter, and almost 2.5x as much as in Q2/2022.
- There was a variety of activity in the public markets with three very different transactions taking place.
- SBIR/STTR funding was down slightly, but the overall numbers continue to be trending up compared to past years.

Q2/2023 Startup Funding	
Private Capital	\$434,061,368
Public Capital	\$273,750,000
SBIR/STTR	\$5,485,637
<b>Total</b>	<b>\$713,297,005</b>



## Startup Funding – H1/2023

# More than \$1.1 Billion Raised, Medical Alley Companies Are Not Slowing Down

- In a challenging environment, Medical Alley companies raised almost \$1.18 billion dollars in H1/2023, 42% more than during the first half of last year.
- Growth deals contributed most to the \$711 million of private capital raised. Gravié (\$179 million) and Saluda Medical (\$150 million) were the two largest private raises.
- Medical Alley companies more than tripled last year's amount of money raised in the public markets.
- SBIR/STTR funding was on par with last year in H1/2023.

H1/2023 Startup Funding	
Private Capital	\$711,861,271
Public Capital	\$394,029,500
SBIR/STTR	\$12,303,181
<b>Total</b>	<b>\$1,118,193,952</b>



## Private Funding – Q2/2023

# Not Following Global Trends

While venture funding in Minnesota in general is down by 63%<sup>1</sup>, the \$434 million of private capital invested in Medical Alley is the highest since Q1/2022 and an 87% increase over Q1/2023.

Digital health funding decreased by 18% Q-o-Q; however, medical device companies recorded the largest amount raised since Q1/2022.



**\$236,517,165**

Medical device

**\$152,704,574**

Digital health

**\$29,699,629**

Biopharma

**\$15,000,000**

Provider

## Private Funding – Q2/2023

# Not Following Global Trends

- The 27% Q-o-Q increase in average deal size is continuing the trend of late-stage deals inflating the overall volume. Saluda Medical's \$150 million round, Flywheel's \$54 million Series D, and Relieva Medsystems' \$50 million Series G were the three largest publicly announced private transactions.
- Even the number of deals increased in Q2/2023 – 27 individual companies reported raising capital, 7 more than last quarter.
- Given Q3 typically presents softer results, a clearer indication of the market's potential improvement will be assessed in Q4 performance.



## Public Markets – Q2/2023

# \$273.75 Million in Public Markets

- The \$273.75 million raised in public markets was the largest amount raised since Q4/2021, and a marked increase over last quarter's \$120 million.
- The three deals were very different in nature. Lifecore secured the funds from one investor, ANI Pharmaceuticals raised the money through a secondary offering and DiaMedica through a private placement.
- Envoy Medical announced its intent to merge with Anzu Special Acquisition 1 to enter the public markets.

Company	Amount
<a href="#">Lifecore Biomedical</a>	\$150,000,000
<a href="#">ANI Pharmaceuticals</a>	\$86,250,000
<a href="#">DiaMedica</a>	\$37,500,000
<b>Q2/2023 Total</b>	<b>\$273,750,000</b>



# NIH & SBIR/STTR Funding – Q2/2023

## Less SBIR/STTR and NIH Funding

- Nine companies received SBIR/STTR grants worth \$5.5 million, a 24% decrease over the previous quarter, and a 72% decrease over the prior year.
- In Q2/2023, Medical Alley companies received over \$146 million from the NIH, with University of Minnesota (\$92 million) and the Mayo Clinic (\$44 million) leading the way. This is a 26% decrease over the previous quarter, and 78% decrease over the prior year.

Organization Name	Projects	Value
Minnesota Healthsolutions Corporation	2	\$1,378,082
Applied Universal Dynamics Corporation	2	\$1,012,520
Innovative Design Labs, Inc.	1	\$884,903
Vergent Bioscience, Inc.	1	\$874,253
Koronis Biomedical Technologies Corporation	1	\$378,331
Neurotype Inc.	1	\$326,672
Elements Endoscopy Inc.	1	\$299,803
Ascan L. L. C.	1	\$276,073
Clairitytek, Inc.	1	\$55,000
<b>Total</b>	<b>11</b>	<b>\$5,485,637</b>

Organization Name	Projects	Value
University of Minnesota	182	\$92,293,431
Mayo Clinic Rochester	80	\$44,230,351
Hennepin Healthcare Research Institute	4	\$8,832,532
HealthPartners Institute	3	\$1,376,011
St. Olaf College	1	\$64,637
Minneapolis VA Medical Center	4	N/A
<b>Total</b>	<b>274</b>	<b>\$146,796,962</b>



## M&A – Q2/2023

# M&A Transactions – Few and Far Between

- We tracked only six M&A transactions, half of both Q1/2023 and Q2/2022, which corresponds with the continued national trend.<sup>3</sup>
- Only one transaction had publicly available value, Medtronic's acquisition of EOFlow for \$738 million.
- It remains to be seen when cash-rich companies will start pulling the trigger on acquisitions. Resetting of valuations to satisfy buyers<sup>4</sup> and market uncertainty being the most cited reasons for the slow down.

### Transaction

[Zipnosis acquired by Florence](#)

[Sisu Healthcare IT Solutions acquired by Tegria](#)

[Libra Medical acquired by RQM+](#)

[Innovia Medical acquired by Inverness Graham Investments](#)

[EOFlow acquired by Medtronic](#)

[Lunaphore acquired by Bio-Techne](#)



# Healthcare Employment – Q4/2022\*

## Healthcare Jobs Hold Steady

- Healthcare jobs were mostly steady Q-o-Q, with insurance providers being the only category with a notable decrease (-3.5%).
- Y-o-Y, almost all job categories recorded growth.
- In what has become a regular occurrence, the biopharma sector grew the most (+7.7%).
- Providers continue to be the largest healthcare employers in the state, employing 383,000 people.

Industry	Quarterly Average Employment	Q-o-Q Change	Y-o-Y Change
Health Insurance	19,467	-3.5%	1.6%
Medical Device	34,001	-0.7%	3.7%
Other	505	0.1%	4.4%
Pharm/Bio	7,013	0.1%	7.7%
Provider	383,838	-0.8%	1.0%
Retail	15,550	0.5%	-46.7%



\* Federal jobs data has a 6-month delay so the most current data in Q2/2023 is for Q4/2022.

# Contacts

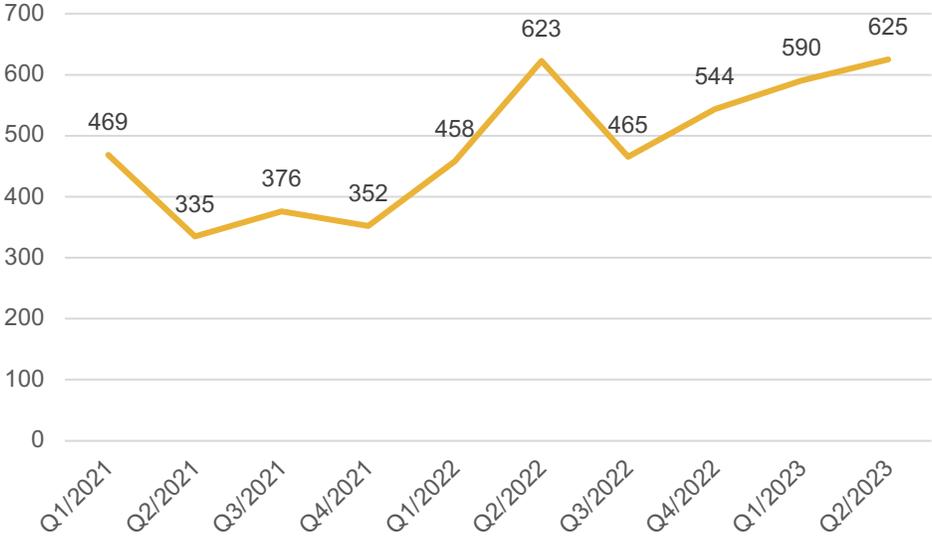
- Frank Jaskulke, VP of Innovation – [fjaskulke@medicalalley.org](mailto:fjaskulke@medicalalley.org)
- Kyle Jordan, Global Principal – [kjordan@medicalalley.org](mailto:kjordan@medicalalley.org)
- Filip Kostal, Startup Principal – [fkostal@medicalalley.org](mailto:fkostal@medicalalley.org)
- Reece DeVries, Data Analyst & Engineer – [rdevries@medicalalley.org](mailto:rdevries@medicalalley.org)



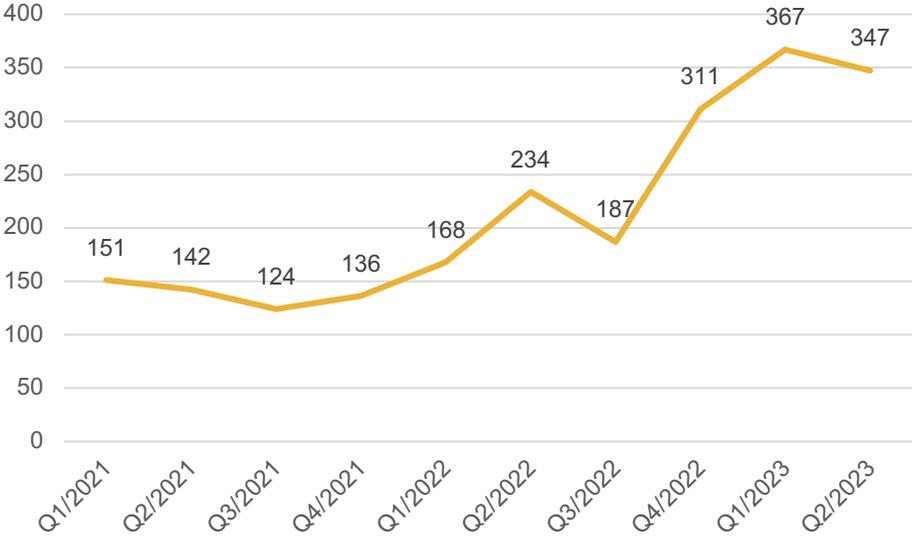


# Appendix

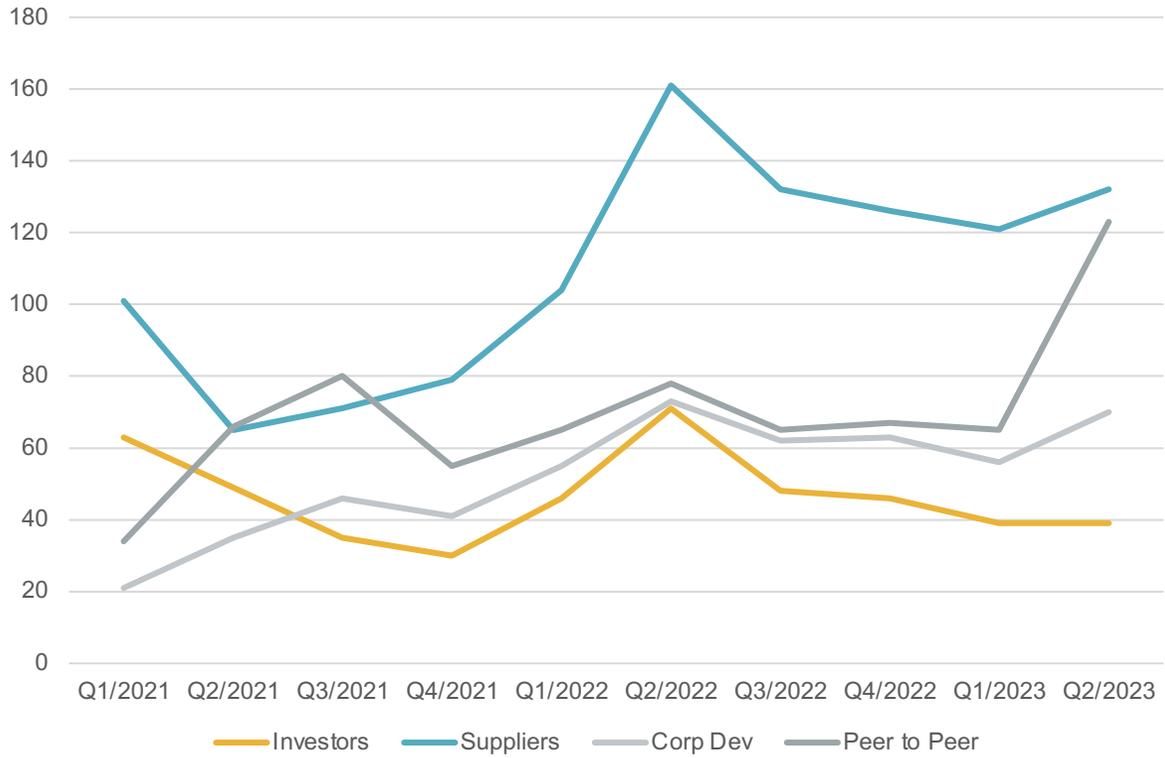
# Medical Alley Starts & Global – Services by Quarter



# Medical Alley Starts & Global – Companies Supported by Quarter



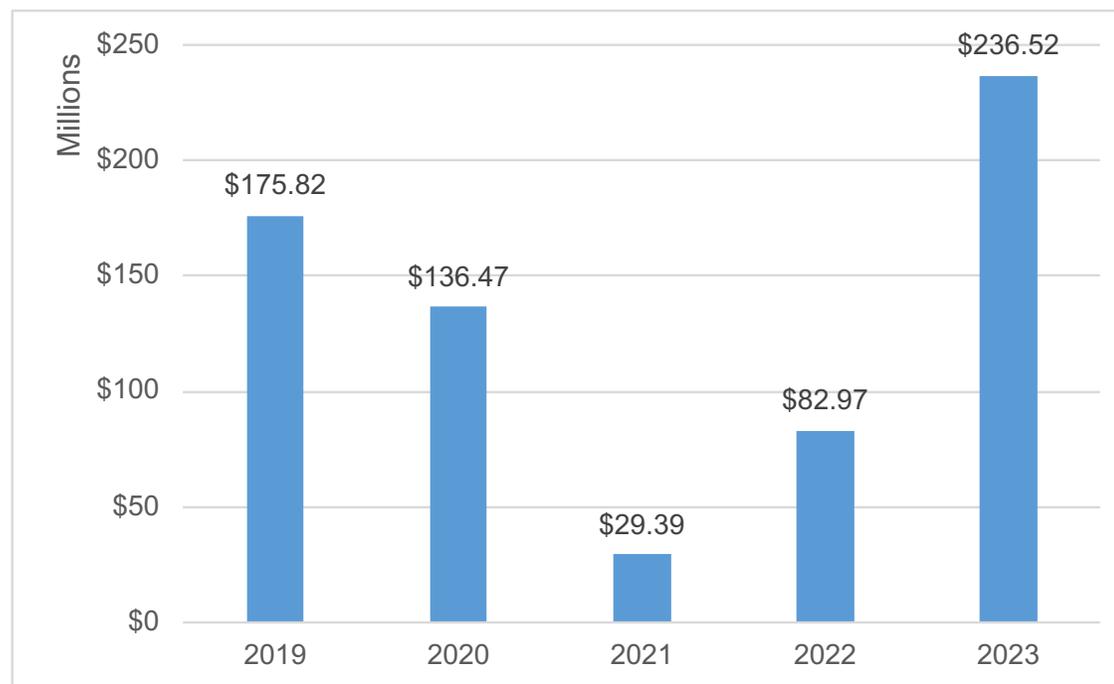
# Medical Alley Starts & Global – Services by Quarter



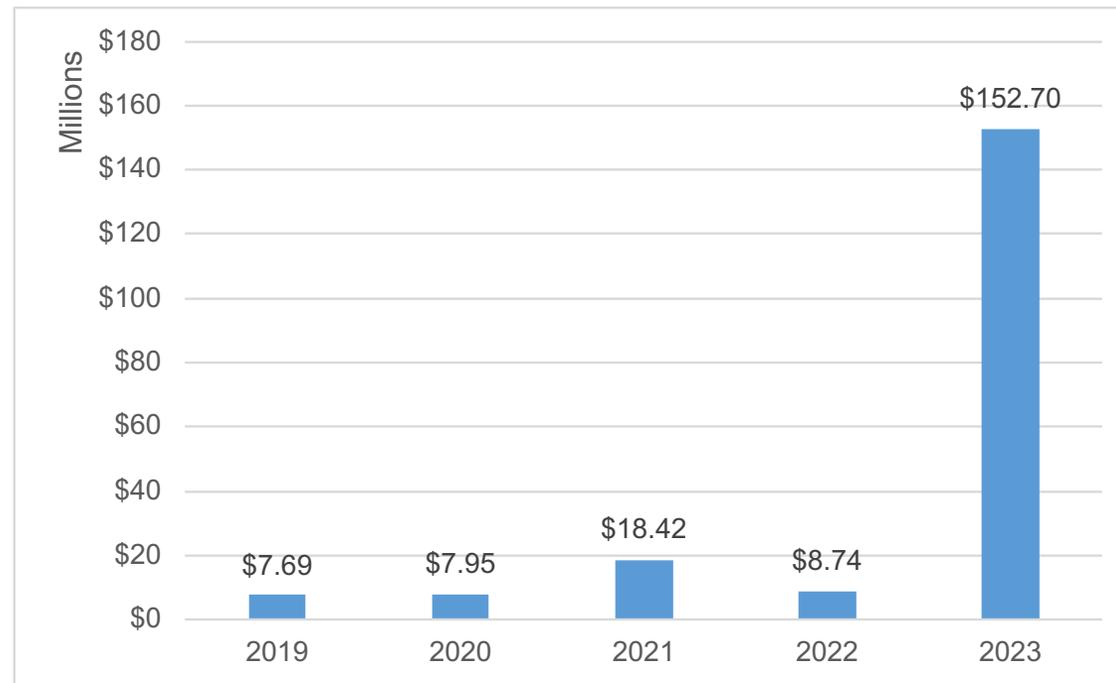
# Healthcare Private Raises by Quarter – Q2



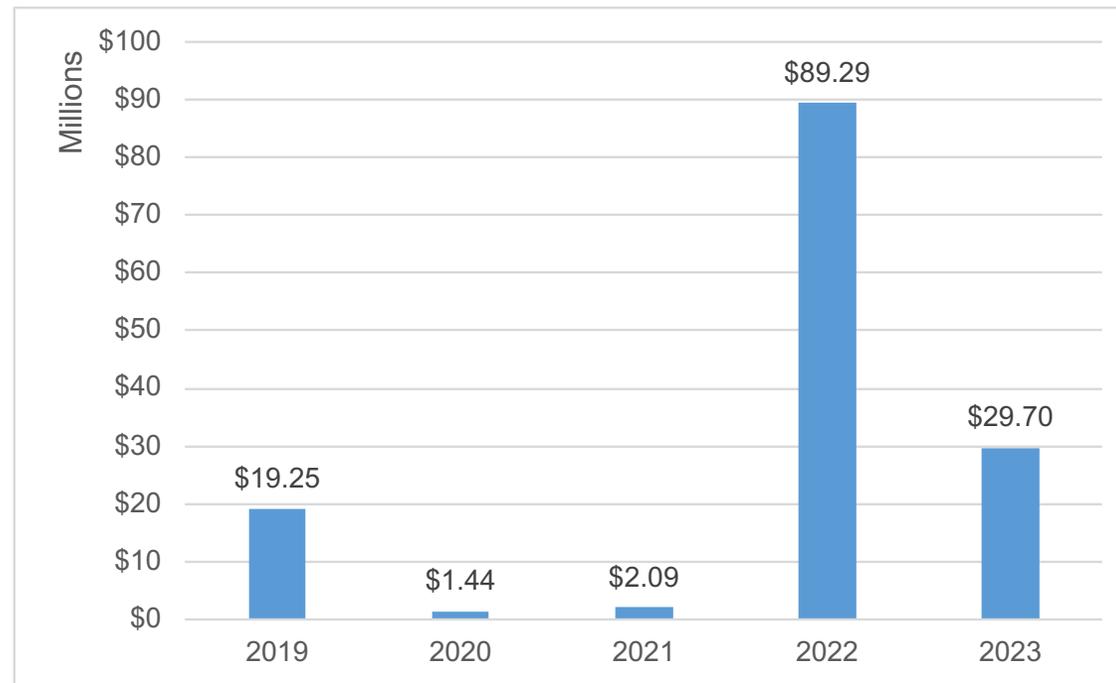
# Medical Device Private Raises by Quarter – Q2



# Digital Health Private Raises by Quarter – Q2



# Biopharma Private Raises by Quarter – Q2

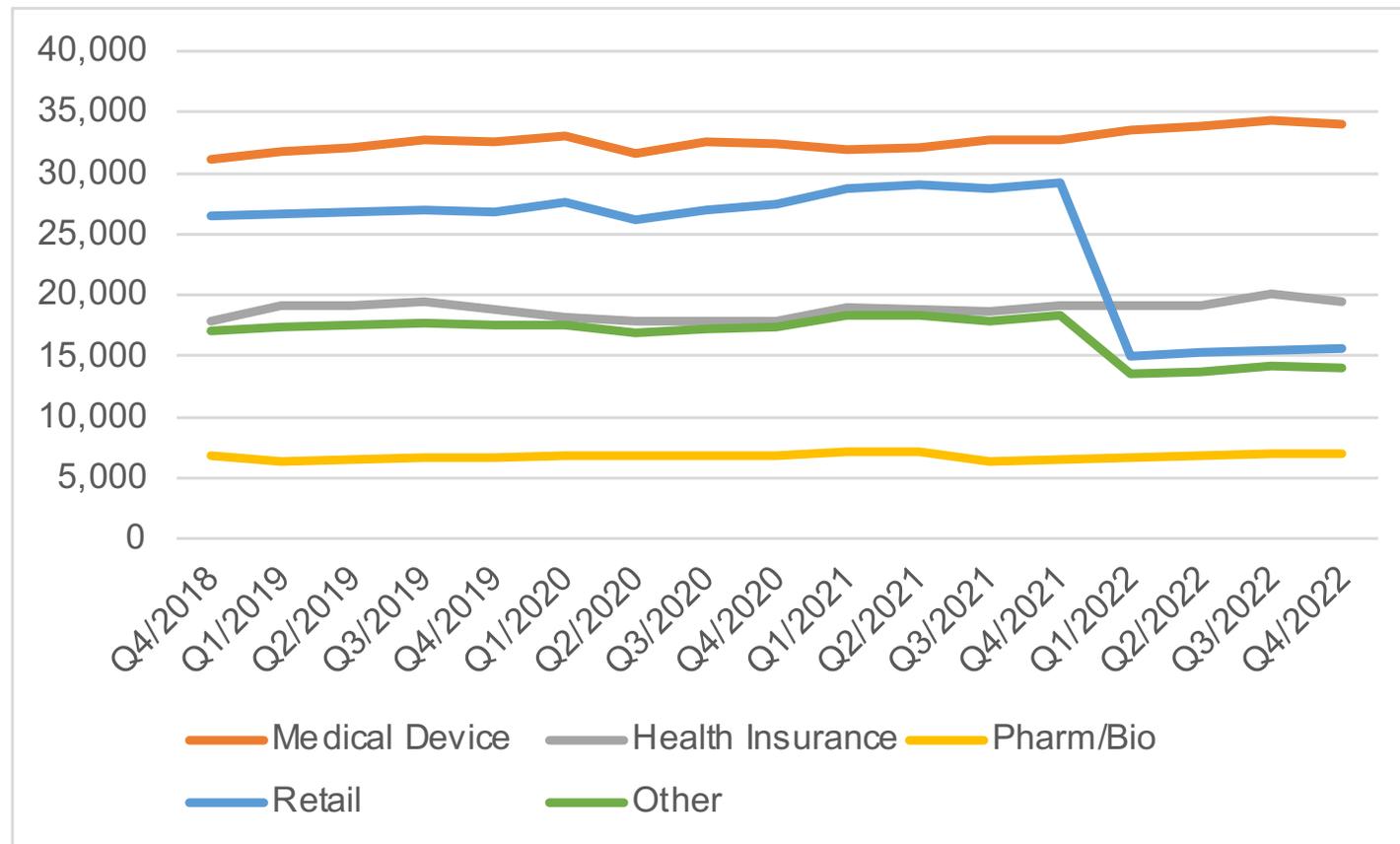


# Quarterly Average Employment in Healthcare – Q4/2022

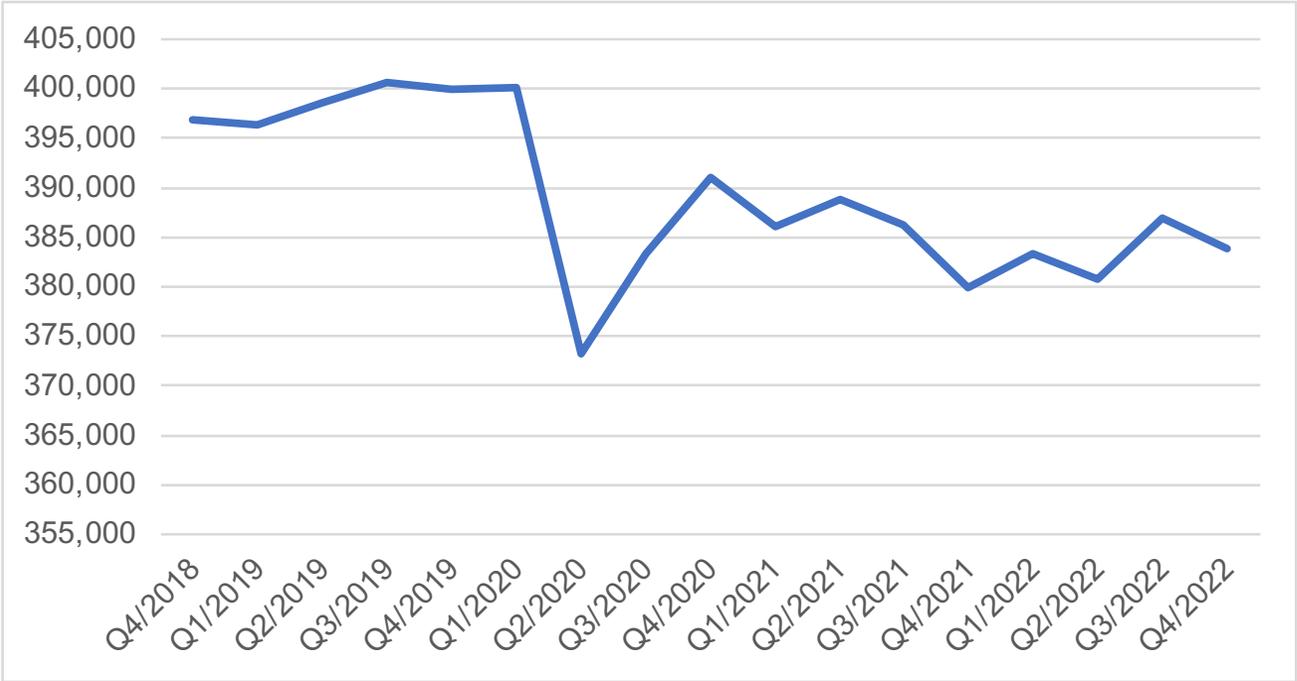
NAICS Category	Quarterly Average Employment	Q-o-Q % change	Y-o-Y % change
Health Insurance	19,467.33	-3.5%	1.6%
Medical Device	34,001.00	-0.7%	3.7%
Other	505.67	0.1%	4.4%
Pharm/Bio	7,013.00	0.1%	7.7%
Provider	383,838.00	-0.8%	1.0%
Retail	15,550.33	0.5%	-46.7%



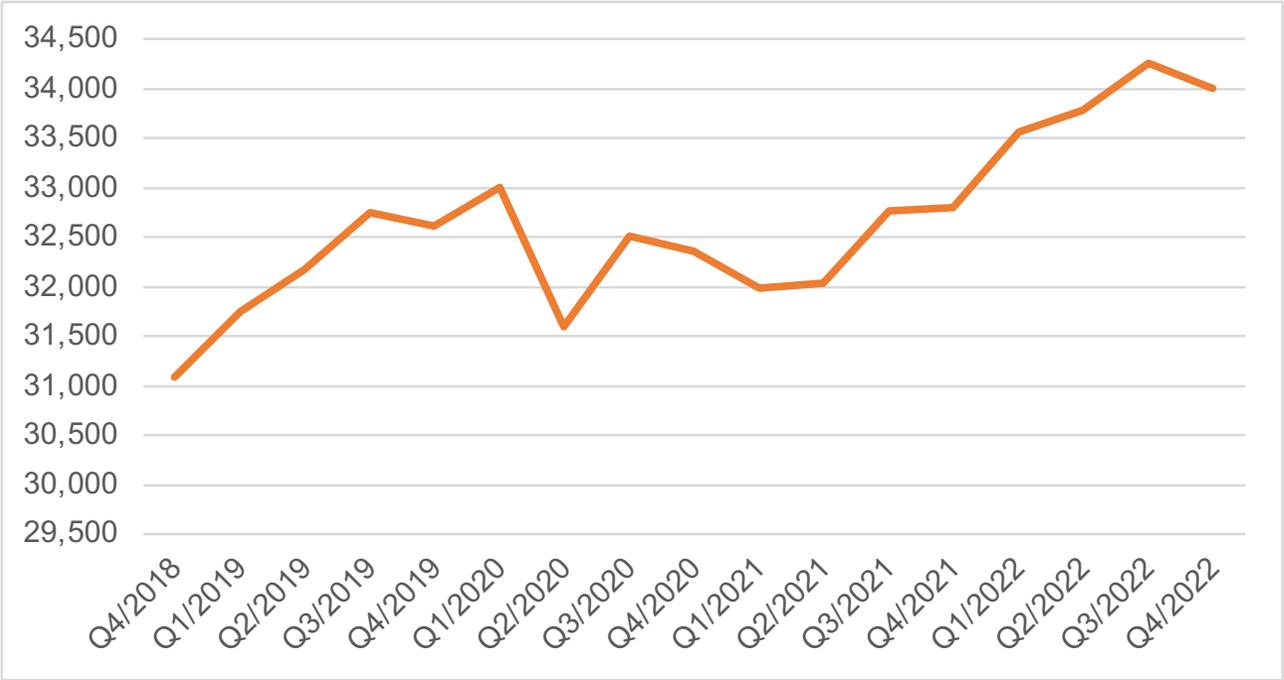
# All Healthcare (without Providers) – Quarterly Employment in Minnesota



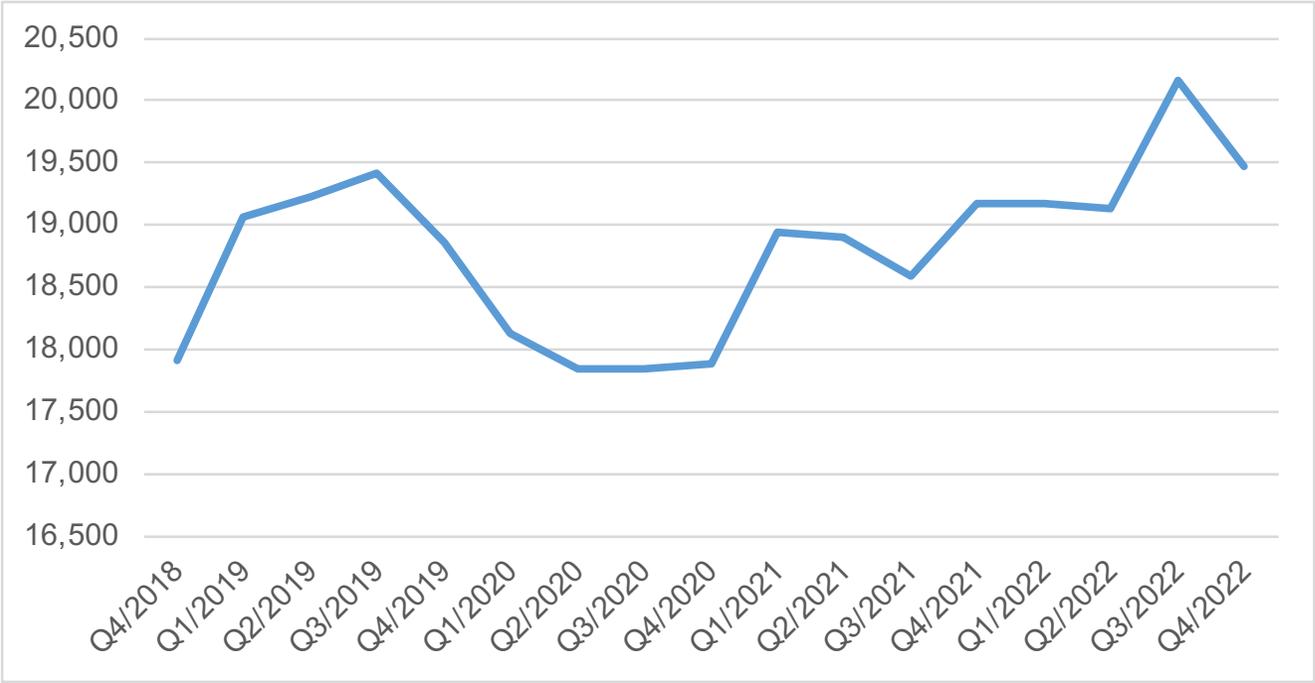
# Providers – Quarterly Employment in Minnesota



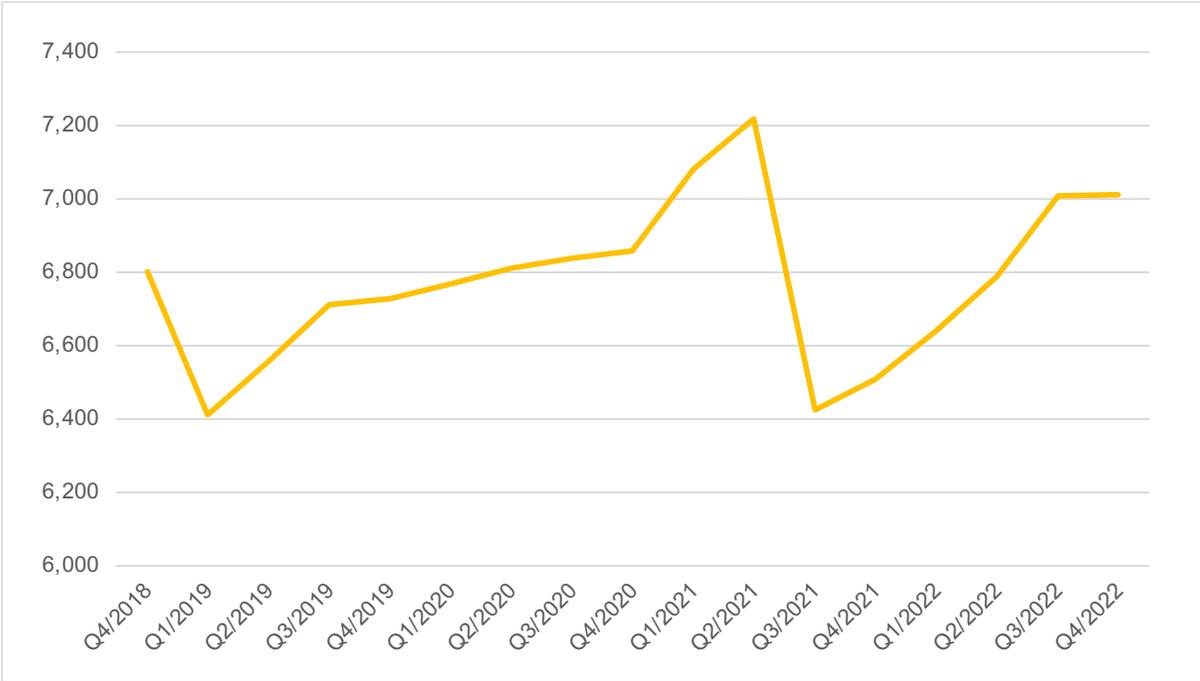
# Medical Device – Quarterly Employment in Minnesota



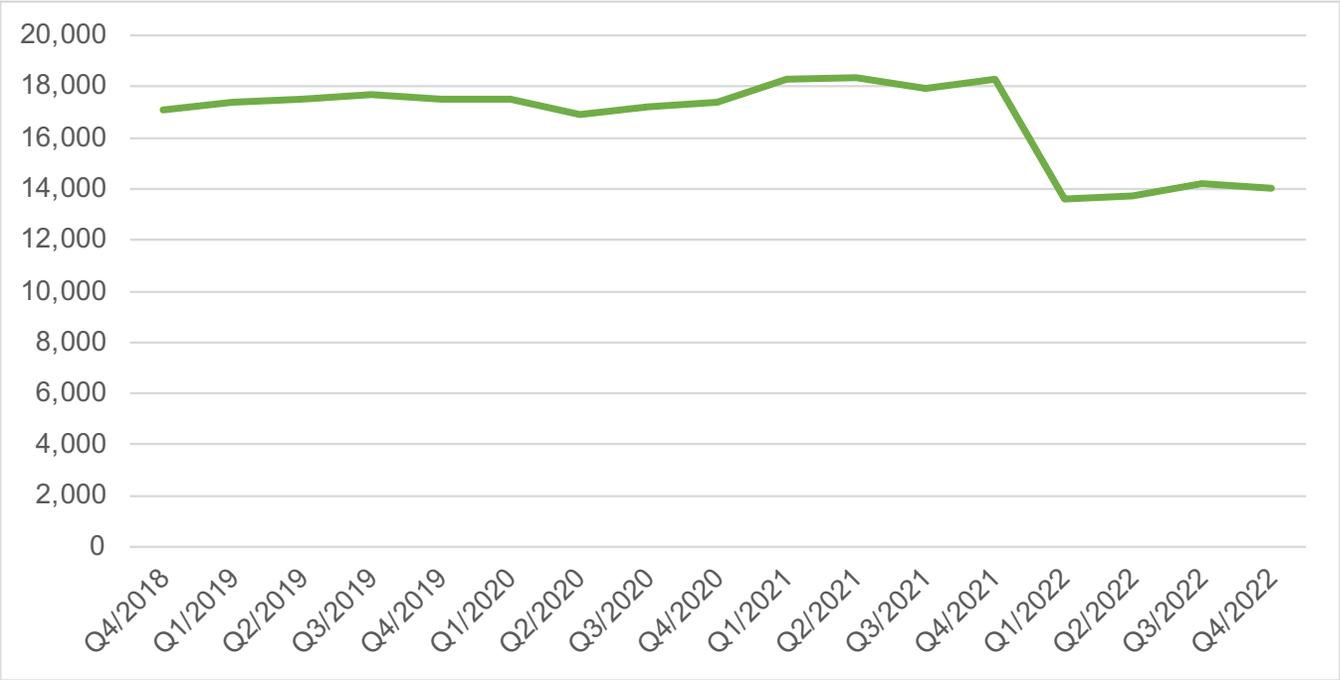
# Health Insurance – Quarterly Employment in Minnesota



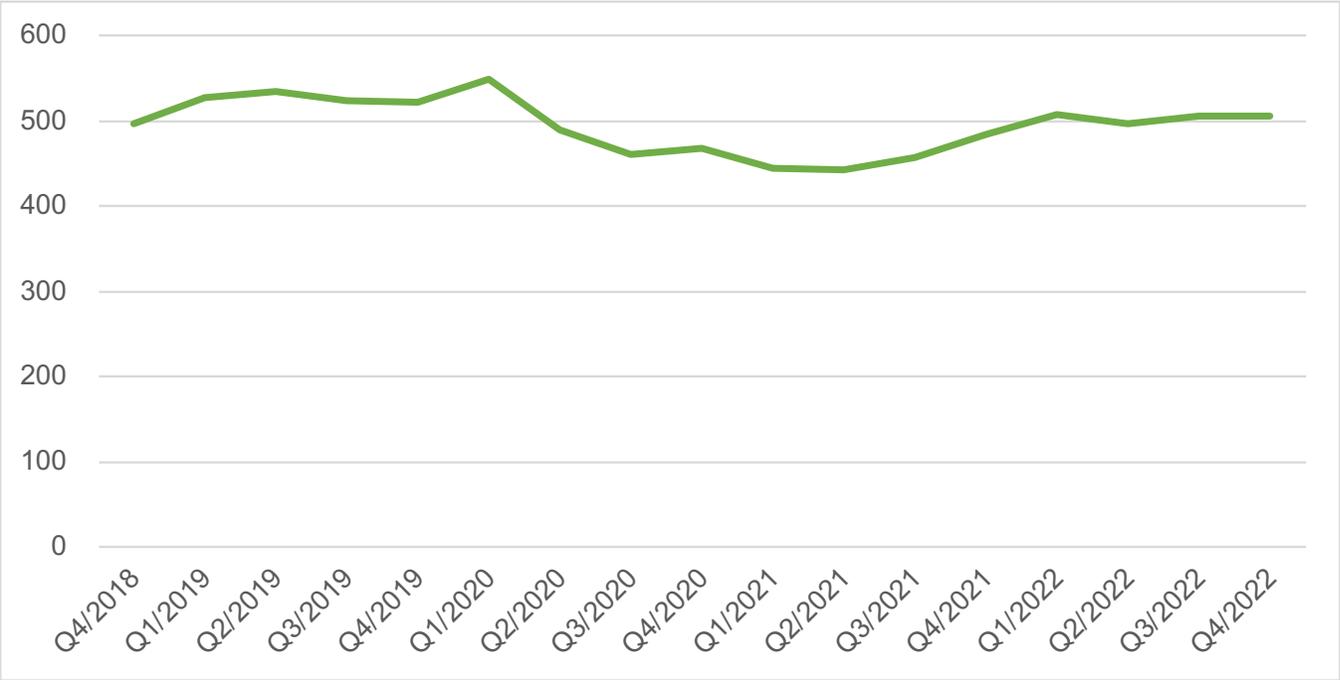
# Biotech & Pharma – Quarterly Employment in Minnesota



# Retail – Quarterly Employment in Minnesota



# Other Healthcare – Quarterly Employment in Minnesota



# References

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- 1. [Star Tribune: Venture capital investment in Minnesota down 63% in first half of year](#)
- 2. [Crunchbase: AI Was Q2's Big Hope To Reverse The Global Venture Funding Slowdown. It Wasn't Enough](#)
- 3. [Silicon Valley Bank: State of the Markets H1/2023](#)
- 4. [Pitchbook: Global M&A shows resilience as prices drop](#)

