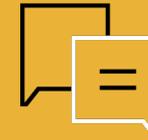




# Q3/2023 Venture Report

# 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>.



**Medical Alley  
Starts 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**



## **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 – Q3/2023

- Served 322 companies and delivered;
  - 55 investor introductions
  - 131 supplier connections
  - 44 corporate development connections
  - 75 peer connections
- 171 stories shared through Medical Alley channels



# Q3/2023 – Key Takeaways

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- Despite continued market uncertainty, Medical Alley companies are on pace to raise the third most venture capital Dollars since tracking began in 2012.
- Medical Alley is outperforming many major startup hubs. YTD, Medical Alley companies raised the third most venture capital per capita in the U.S., behind only California and Massachusetts.
- In terms of Q3/2023 only, VC activity was expectedly slower than in Q1/Q2, but there was an uptick in the number of transactions in the public markets (6) and M&A transactions (9).
- Medical Alley companies also secured almost \$22 million in SBIR/STTR funding, the highest since tracking began in 2012.



# Private Funding – 2023 YTD

## Medical Alley Outperforms Major Hubs

- Medical Alley is outperforming many major startup hubs. YTD, Medical Alley companies raised the third most venture capital per capita in the U.S., behind only California and Massachusetts.
- Even though California, Massachusetts, New York, and Washington are ahead of Minnesota in absolute numbers, this is a success for the healthcare startup ecosystem, considering that Minnesota only accounted for 1% of all venture capital raised in the US in 2022 and other years.<sup>2</sup>
- The higher median raise in many of the healthcare hubs reflects the presence of biopharma – a sector that is more capital-intensive than Medical Alley’s core strengths in medical device and digital health.
- These locations have also been tagged as consistently having the largest startup valuations<sup>3</sup>, further contributing to large total values.

State	Amount Raised YTD	Amount Raised Per Capita	Median Raise	Number of Raises
Massachusetts	\$6,526,897,204	\$935	\$12,986,588	207
California	\$9,497,620,046	\$243	\$6,760,064	508
<b>Minnesota</b>	<b>\$811,955,667.00</b>	<b>\$142</b>	<b>\$2,561,668.00</b>	<b>65</b>
New York	\$2,216,805,855	\$112	\$4,200,000	239
Washington	\$826,051,091	\$107	\$7,999,999	47
Colorado	\$538,972,318	\$92	\$3,750,000	45
Tennessee	\$588,133,806	\$83	\$1,500,000	20
Utah	\$190,888,114	\$57	\$1,891,290	22
Illinois	\$576,970,529	\$46	\$3,000,000	66
Texas	\$1,140,193,542	\$38	\$3,734,689	110

Source: Pitchbook  
See Appendix for methodology on selection of individual states.



# Startup Funding – Q3/2023

## In a Quiet Quarter, SBIR/STTR Stands Out

- Q3/2023 was a quieter quarter globally for private funding<sup>1</sup>. Medical Alley companies raised \$146 million of private capital, and another \$131 million of public money, including Envoy Medical going public via a SPAC merger.
- Medical Alley companies are still on track to raise the third-highest private capital total since tracking began in 2012.
- Early-stage funding has been a perennial challenge, and companies have leveraged SBIR/STTR to close the gap, securing \$22 million, the most since tracking began in 2012.

Q3/2023 Startup Funding	
Private Capital	\$146,094,395.00
Public Capital	\$131,140,000.00
SBIR/STTR	\$21,986,523.00
<b>Total</b>	<b>\$299,986,918.00</b>



## Private Funding – Q3/2023

# Tracking Third Best Year Since 2012

- 2023 is on track for the third highest private capital investments since tracking began in 2012 with \$811 million raised through Q3.
- In what is traditionally a quiet quarter, Medical Alley companies raised \$146 million of private capital in 18 reported deals.
- This represents a 22% decrease over Q3 of last year and is an 11% increase over Q3/2021.



**\$67,978,392**

Medical device

**\$44,856,366**

Digital health

**\$7,259,637**

Biopharma

**\$26,000,000**

Provider

## Public Markets – Q3/2023

# Busy Quarter in the Public Markets

- The 6 transactions in public markets in Q3/2023 came close to H1/2023's total (9).
- Envoy Medical, Inc. completed a SPAC merger, securing \$23 million.
- In terms of secondary offerings, the largest transaction was Bright Health's \$60 million to support their working capital.
- Imricor's \$19.6 million was the only other transaction exceeding \$10 million.

Company	Amount
Bright Health	\$60,000,000
Envoy Medical, Inc.	\$23,000,000
Imricor	\$19,600,000
Panbela Therapeutics	\$9,500,000
NeuroOne Medical	\$5,250,000
JanOne	\$790,000
<b>Q3/2023 Total</b>	<b>\$118,140,000</b>



# SBIR/STTR Funding – Q3/2023

## Record-Breaking Quarter

- 22 Medical Alley companies received SBIR/STTR funding in Q3/2023, which is the most money awarded to them since our tracking began in 2012.
- While Q1 and Q2 of this year were weaker when it came to SBIR and STTR funding, Q3 brought an 11% increase.

Company Name	Projects	Value
Minnesota Healthsolutions Corporation	8	\$5,275,466
Koronis Biomedical Technologies Corporation	3	\$2,578,672
Moai Technologies, LLC	2	\$1,804,733
QRS Diagnostic	2	\$1,649,847
Piraeus Medical, Inc.	2	\$1,492,486
Metselex, Inc.	1	\$1,344,236
Innovative Design Labs, Inc.	1	\$1,207,722
Aster Labs, Inc.	1	\$1,158,940
Shape Medical Systems, Inc.	1	\$844,522
Applied Universal Dynamics Corporation	1	\$768,585
Habitaware, Inc.	2	\$568,963
Smart Information Flow Technologies	1	\$399,948
Myriel, Inc.	1	\$349,992
Recombinetics, Inc.	1	\$342,154
Neurotype Inc.	1	\$328,963
Luminary Therapeutics, Inc.	1	\$299,770
Humanetics Corporation	1	\$298,474
Myogenica Inc.	1	\$292,719
Momease Solutions, Inc.	1	\$288,733
Algenta Technologies	1	\$275,541
Advanced Medical Electronics Corporation	1	\$268,234
Trekka Therapeutics, LLC	1	\$147,823
<b>Total</b>	<b>35</b>	<b>\$21,986,523</b>



## NIH Funding – Q3/2023

# NIH Funding Picking Up Again

- Medical Alley companies received more than \$212 million in NIH funding, which is a 45% increase over last quarter, but a 33% decrease over Q3/2022.
- The University of Minnesota (\$118 million) and the Mayo Clinic (\$86 million) accounted for over 96% of NIH funding received by Medical Alley companies.

Organization Name	Projects	Value
University of Minnesota	243	\$117,949,191
Mayo Clinic Rochester	143	\$85,571,366
HealthPartners Institute	5	\$2,269,411
Hennepin Healthcare Research Institute	6	\$2,168,801
Minnesota State Dept. of Agriculture	5	\$1,984,870
Center for Veterans Research and Education	1	\$1,274,102
Gillette Children's Specialty Healthcare	1	\$452,925
Carleton College	1	\$435,885
Minnesota State Dept. of Health	2	\$326,619
Children's Hospitals and Clinics	1	\$218,718
Minneapolis VA Medical Center	7	N/A
<b>Total</b>	<b>415</b>	<b>\$212,651,888</b>



## M&A – Q3/2023

# M&A Shows Strength

- 10 transactions in Q3 nearly matched the entire first half of the year.
- It was also the most since Q2/2022.
- Only four transactions had their value reported for a total of \$2.25 billion, almost 40% more than in the first half of the year.
- Third quarters are often quiet so this was an unusually strong quarter.



### Transaction

[Relievant Medsystems acquired by Boston Scientific for \\$850M](#)

[Pyx Health acquired by TT Capital Partners](#)

[Southern Indiana ENT acquired by ENT Partners](#)

[Indianapolis Sinus Center acquired by ENT Partners](#)

[Molina Healthcare acquires Bright Health's California subsidiaries for \\$510 million](#)

[Tonix Pharmaceuticals acquired Upsher Smith spinoff for \\$25M](#)

[MentorMate acquired by Finnish firm Tietoevry](#)

[Abbott acquires Bigfoot Biomedical](#)

[Laborie Medical Technologies Announces Agreement to Acquire Urotronic for up to \\$600 Million](#)

[Courante Oncology was acquired by Harvest Integrated Research Organization](#)

## Healthcare Employment – Q1/2023\*

# Healthcare Jobs Continue to Hold Steady

- There weren't significant changes for healthcare employment Q-o-Q, with all sectors staying within 1% of last quarter's numbers.
- It is encouraging to see steady growth Y-o-Y, with biotech & pharma (4.7%) and retail (4.2%) recording the largest growth.

Industry	Quarterly Average Employment	Q-o-Q Change	Y-o-Y Change
Provider	387,292	0.9%	1.0%
Medical Device	34,329	1.0%	2.3%
Health Insurance	19,396	-0.4%	1.2%
Retail	15,634	0.5%	4.2%
Pharm/Bio	6,952	-0.9%	4.7%
Other	534	5.5%	5.2%



\* Federal jobs data has a 6-month delay so the most current data in Q3/2023 is for Q1/2023.

# Contacts

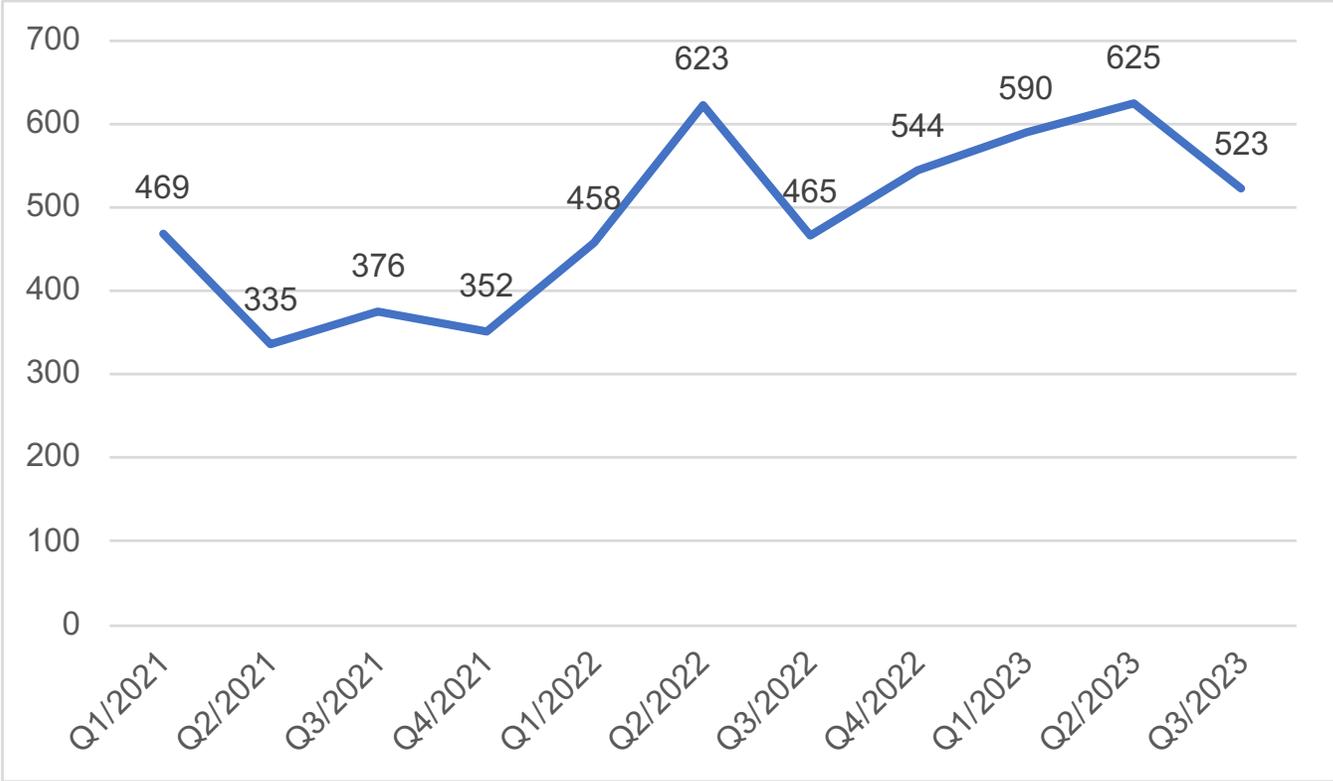
- Frank Jaskulke, VP of Innovation – [fjaskulke@medicalalley.org](mailto:fjaskulke@medicalalley.org)
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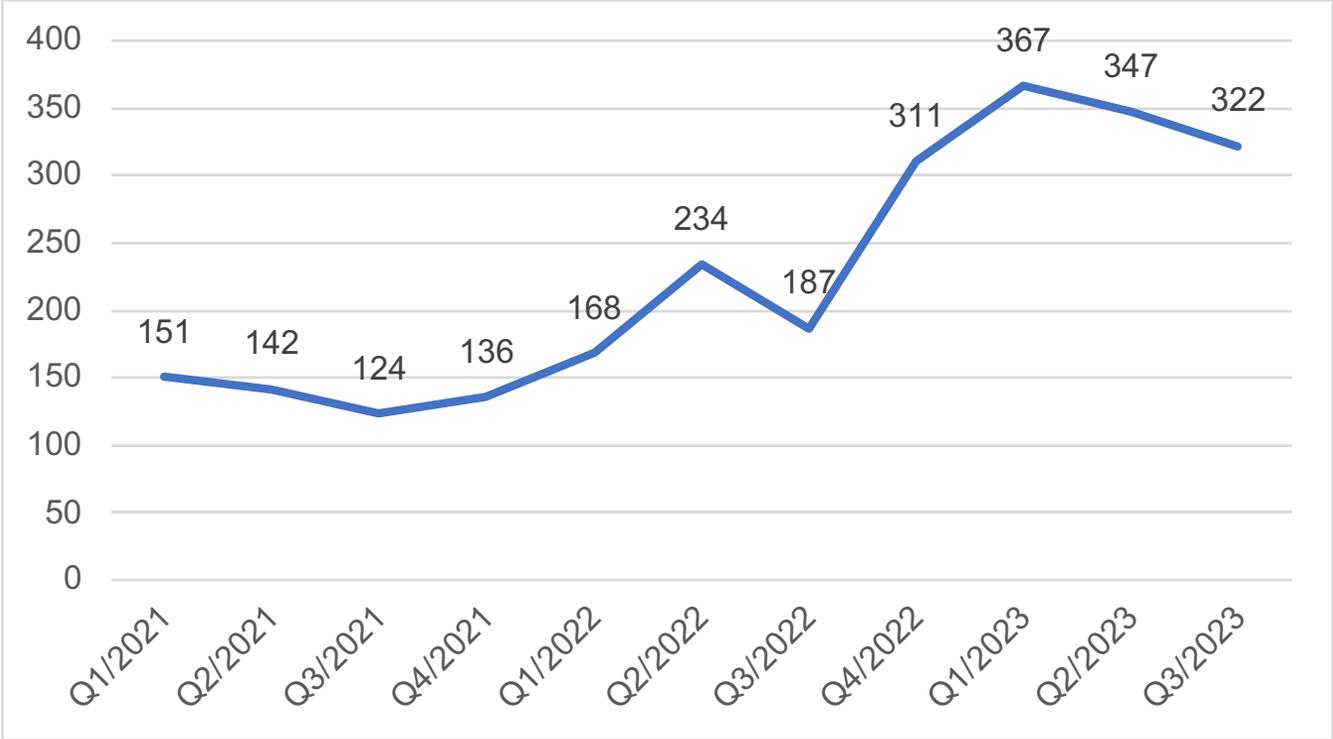


# Appendix

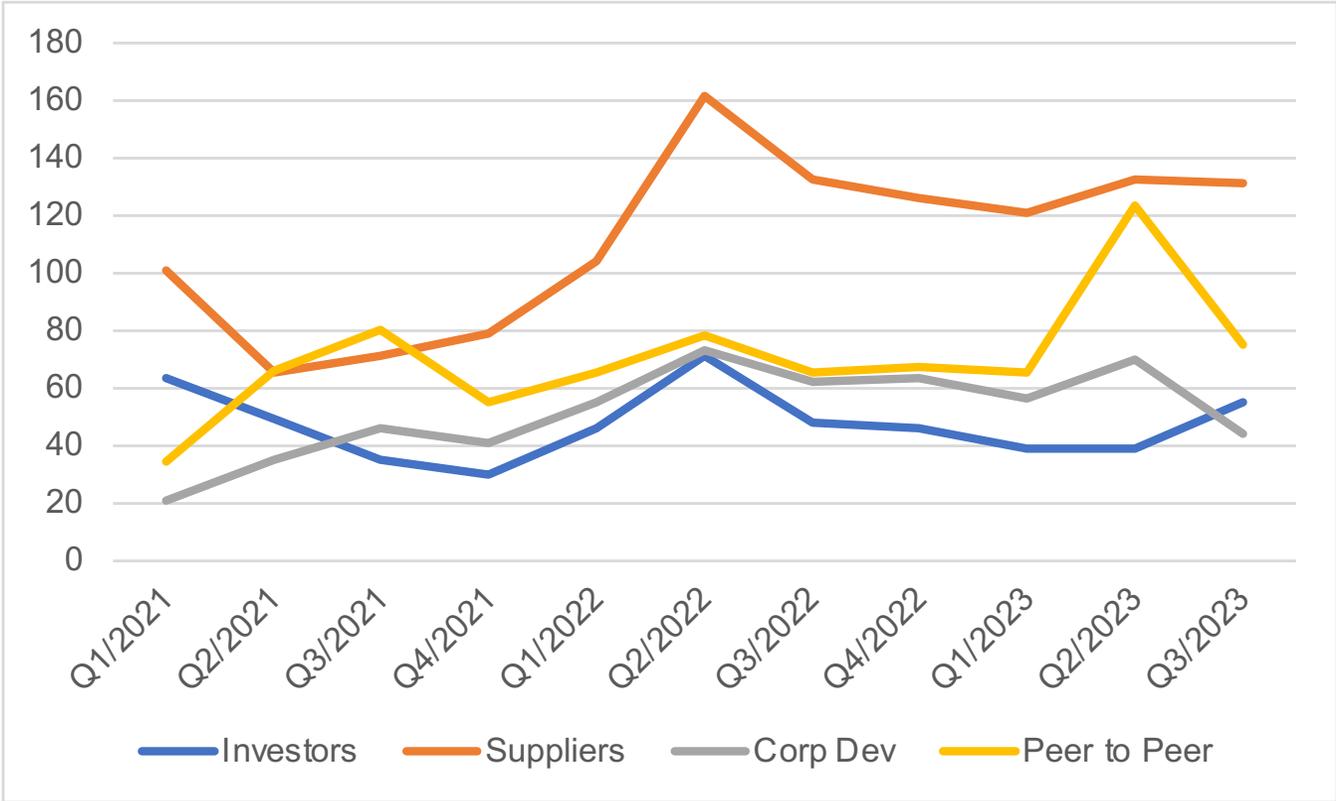
# Medical Alley Starts & Global – Services by Quarter



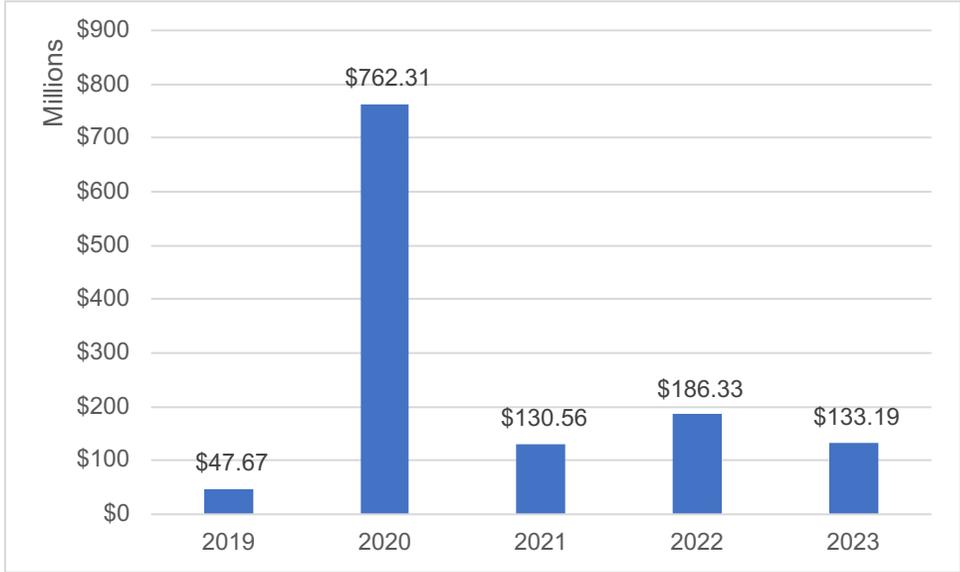
# Medical Alley Starts & Global – Companies Supported by Quarter



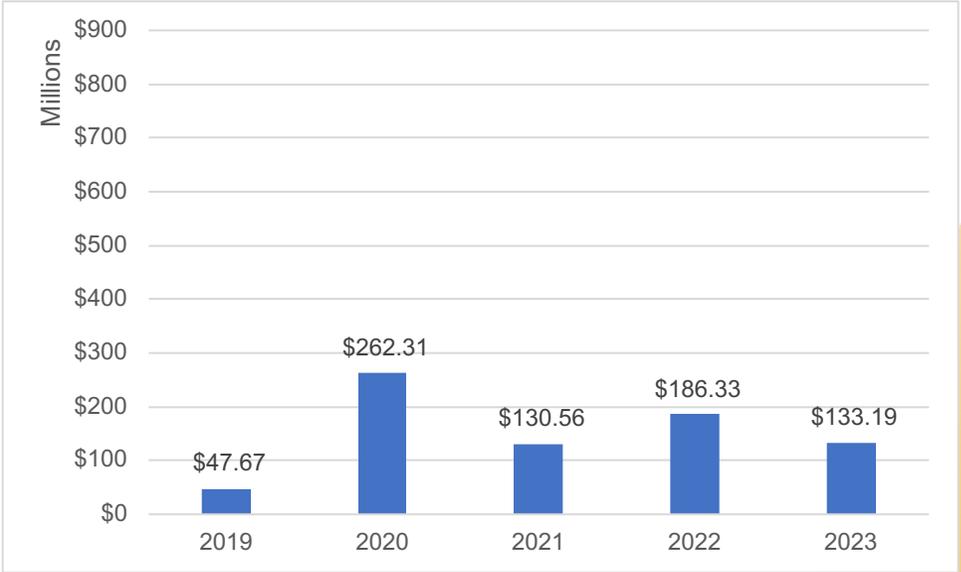
# Medical Alley Starts & Global – Services by Quarter



# Healthcare Private Raises by Quarter – Q3



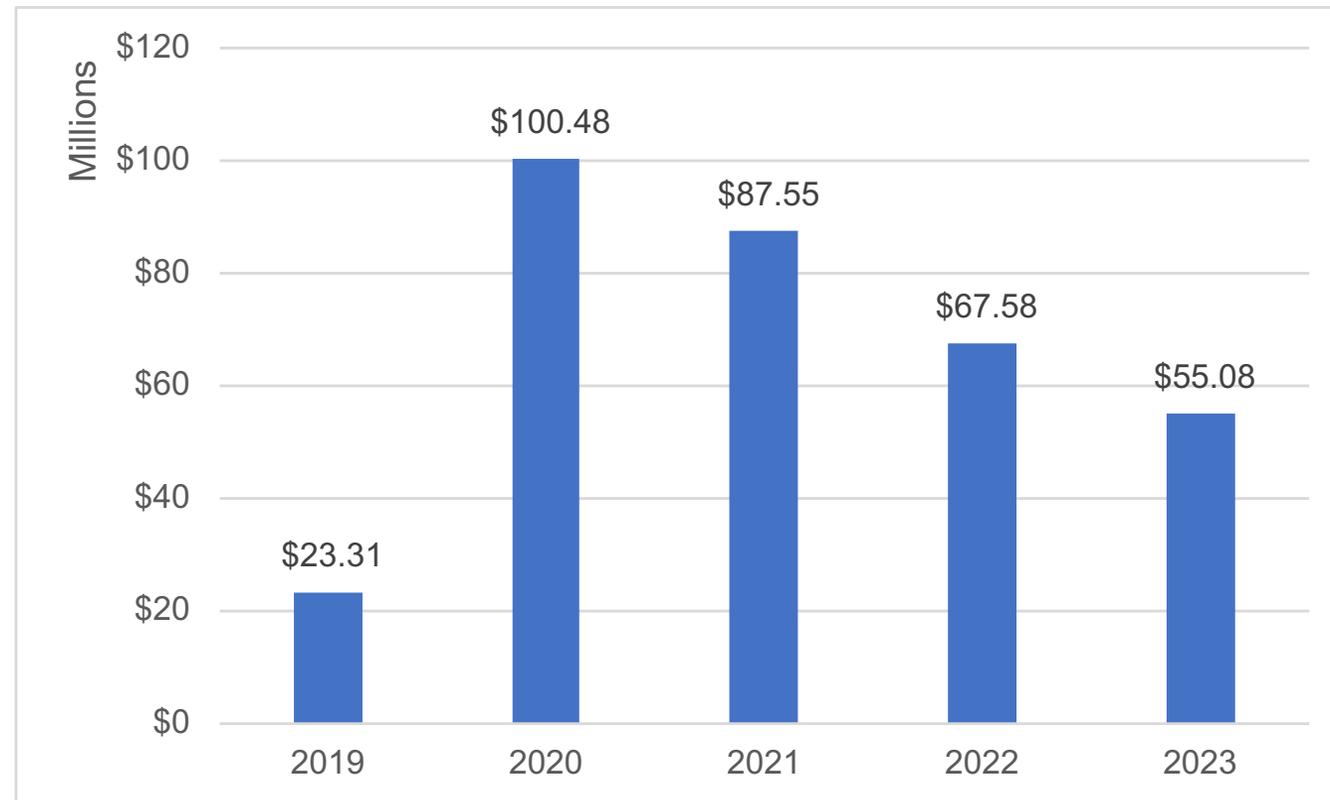
With Bright Health



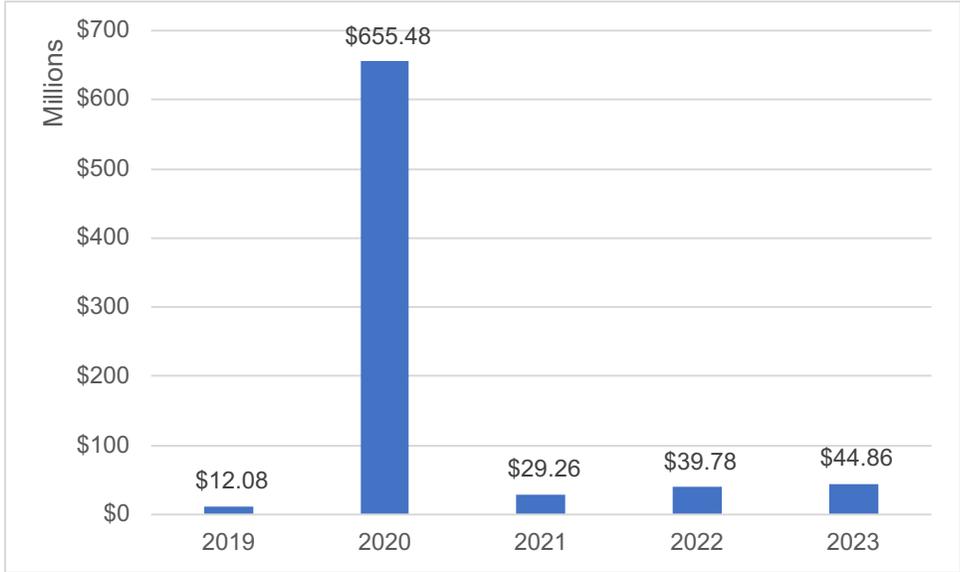
Without Bright Health



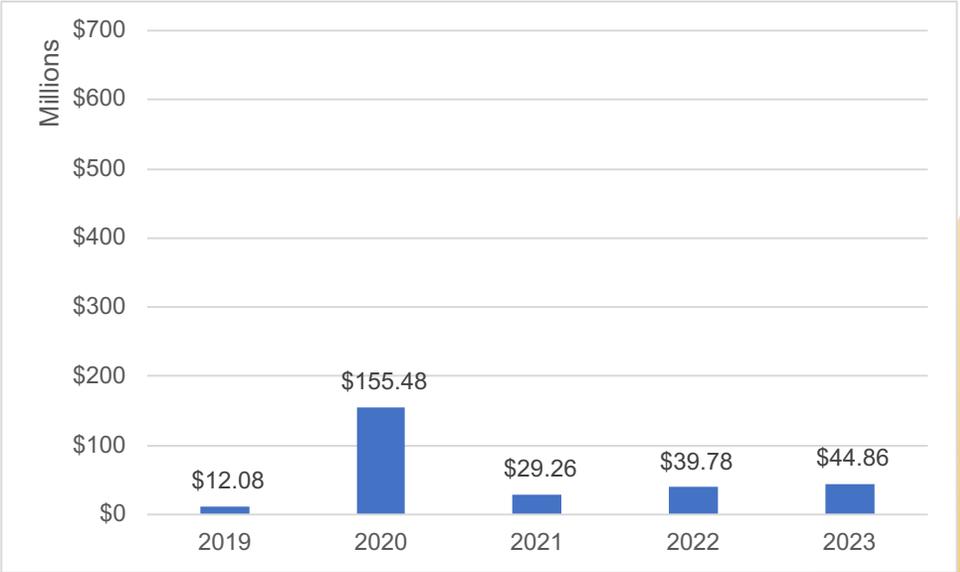
# Medical Device Private Raises by Quarter – Q3



# Digital Health Private Raises by Quarter – Q3



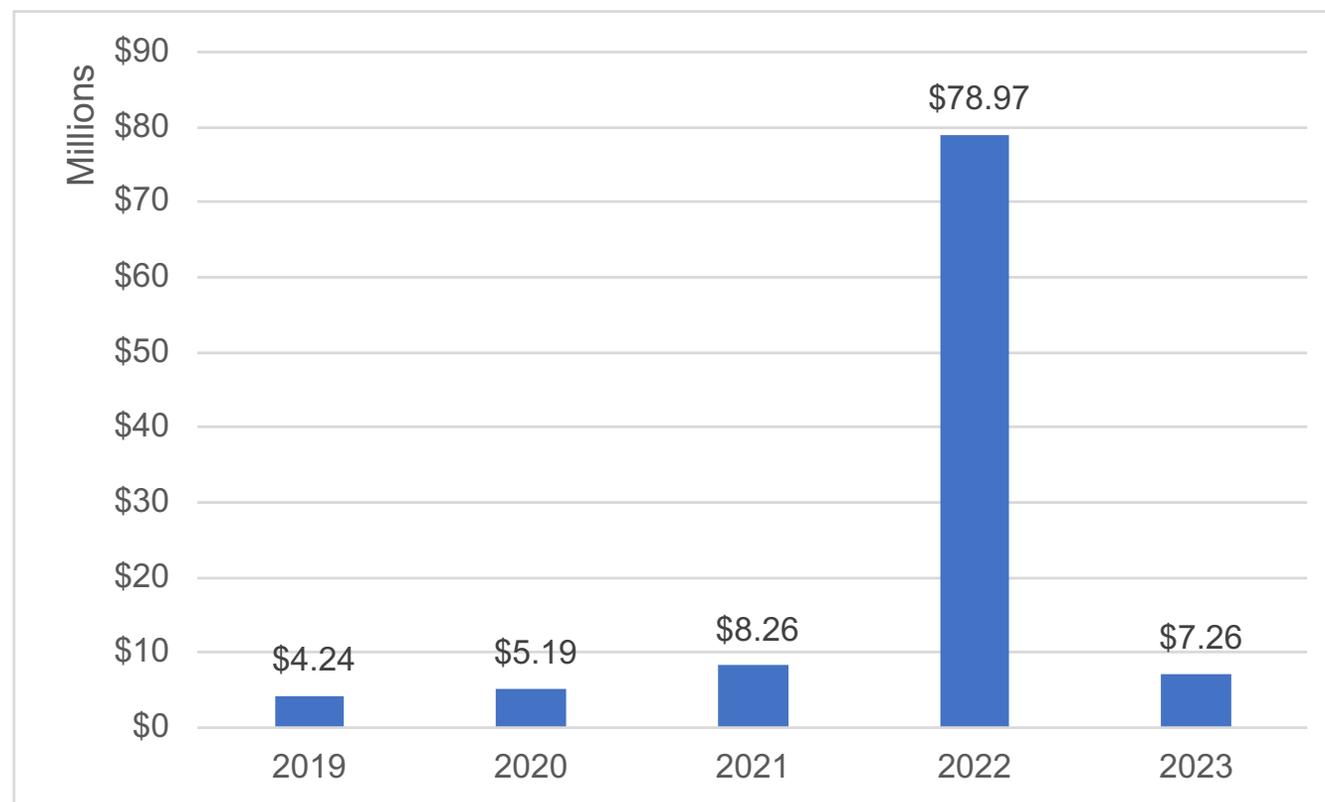
With Bright Health



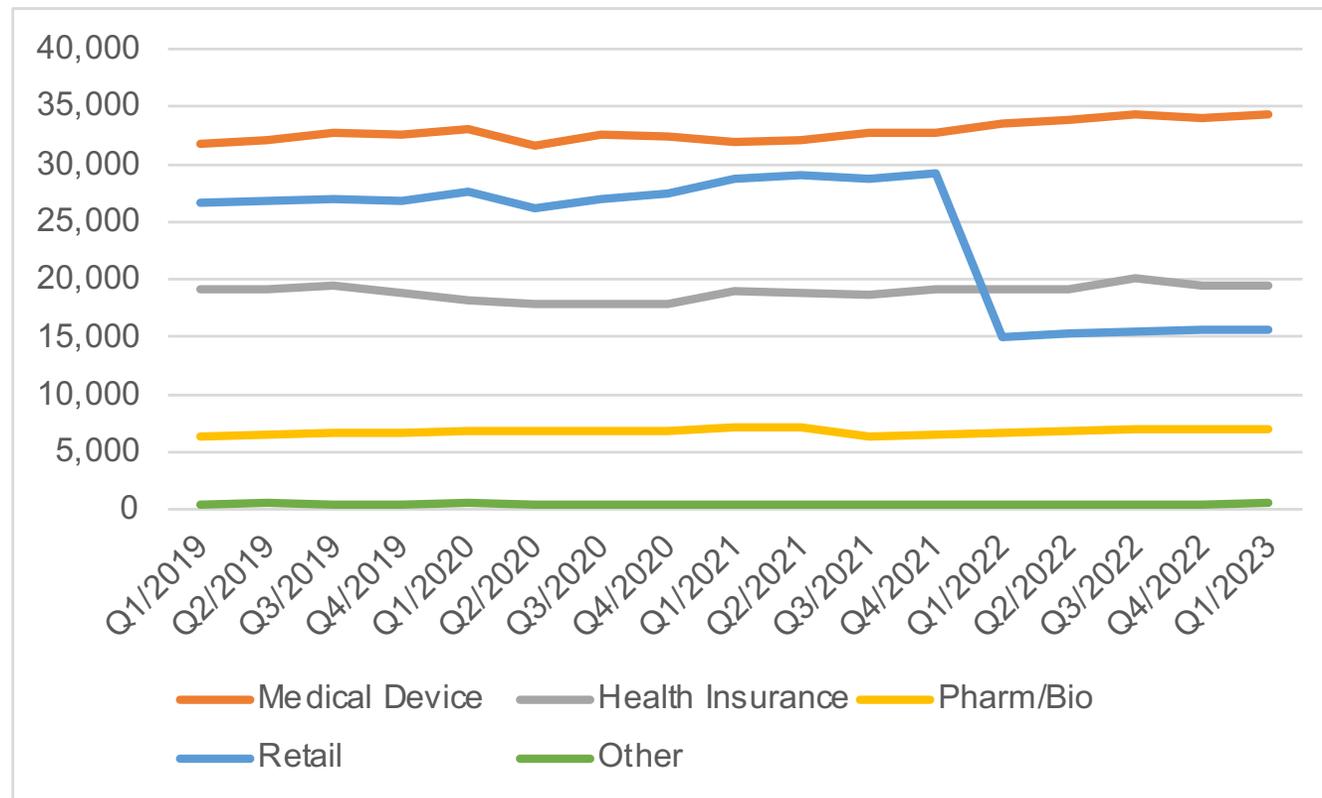
Without Bright Health



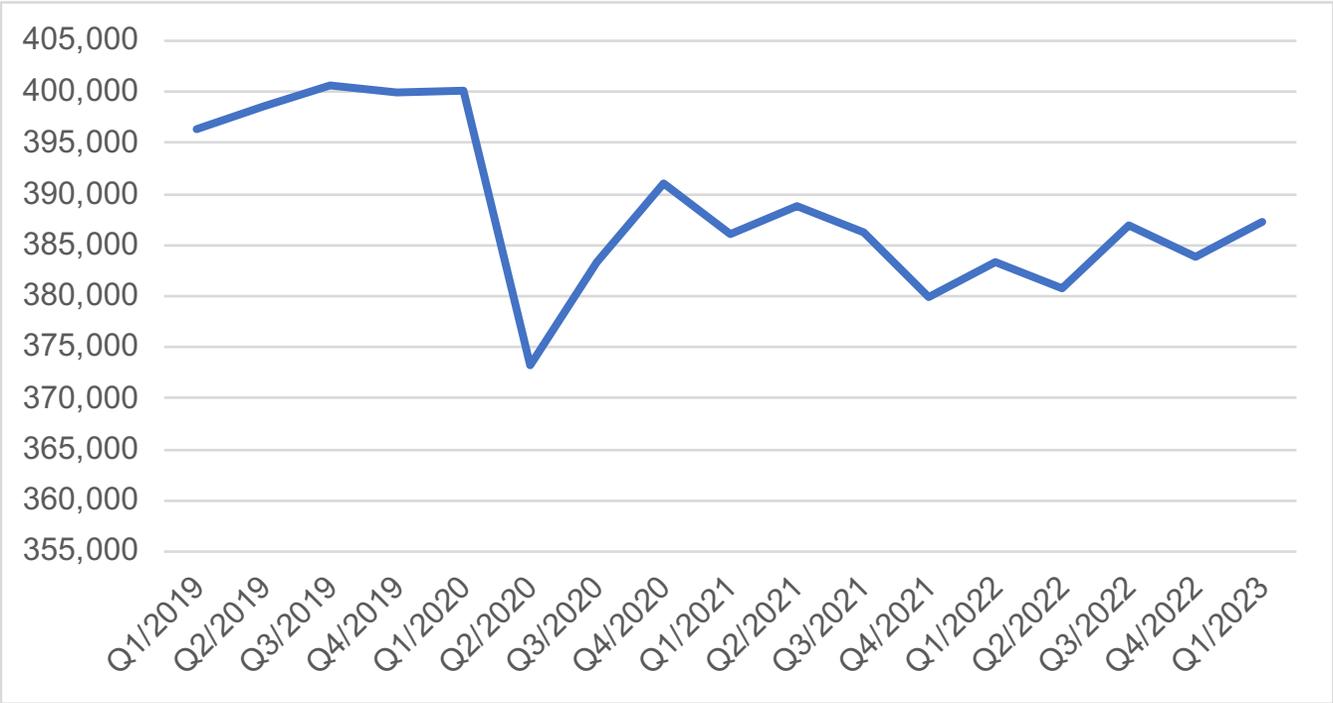
# Biopharma Private Raises by Quarter – Q3



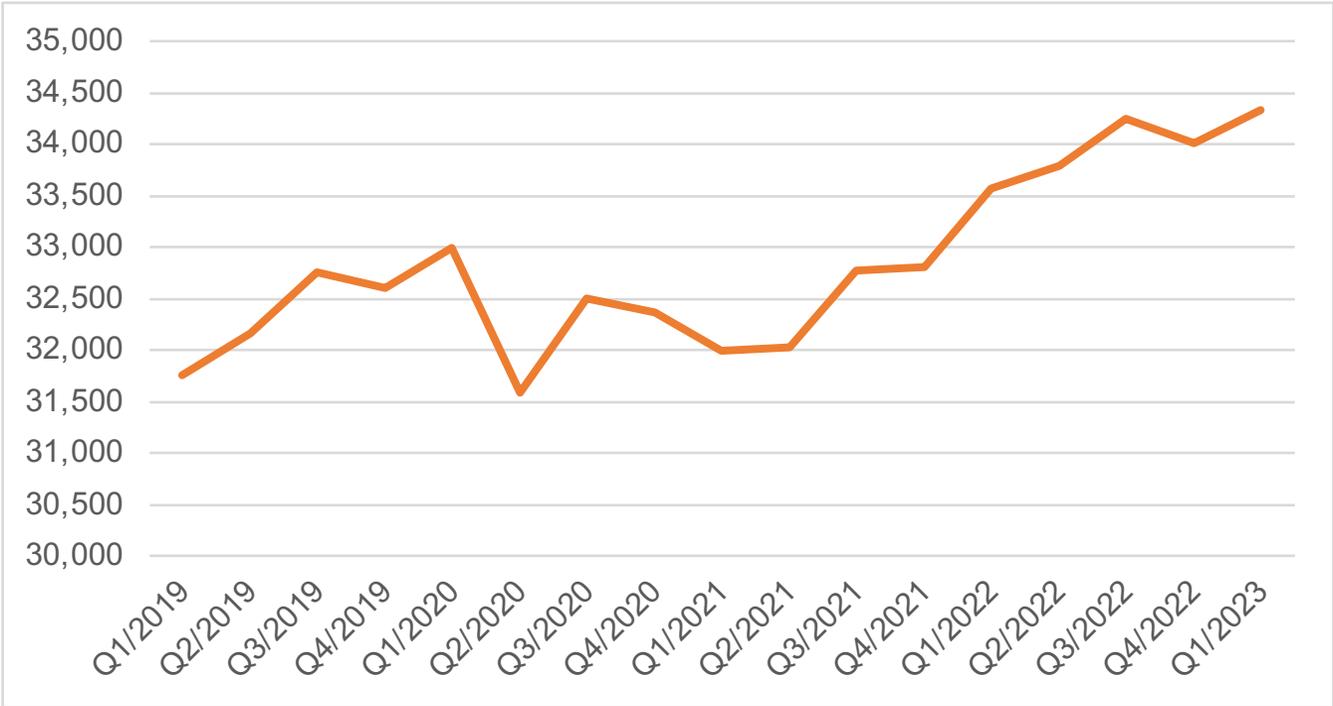
# All Healthcare (without Providers) – Quarterly Employment in Minnesota



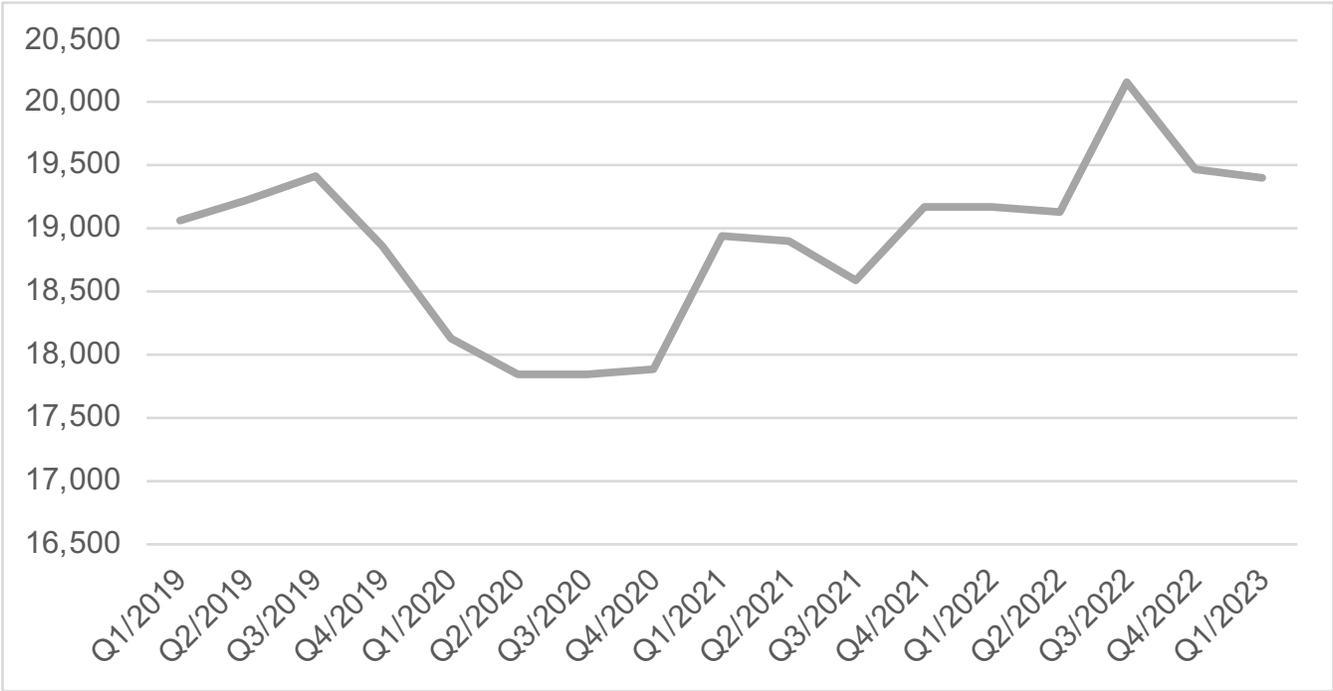
# Providers – Quarterly Employment in Minnesota



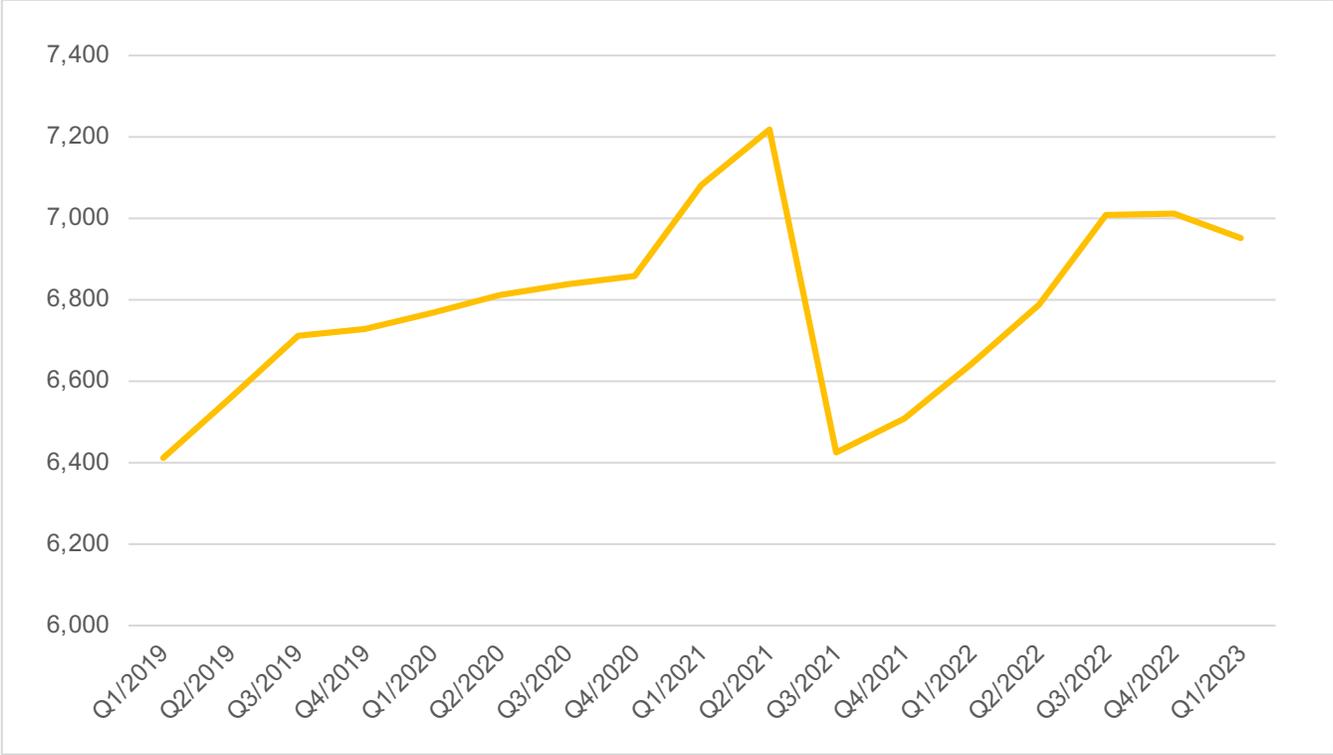
# Medical Device – Quarterly Employment in Minnesota



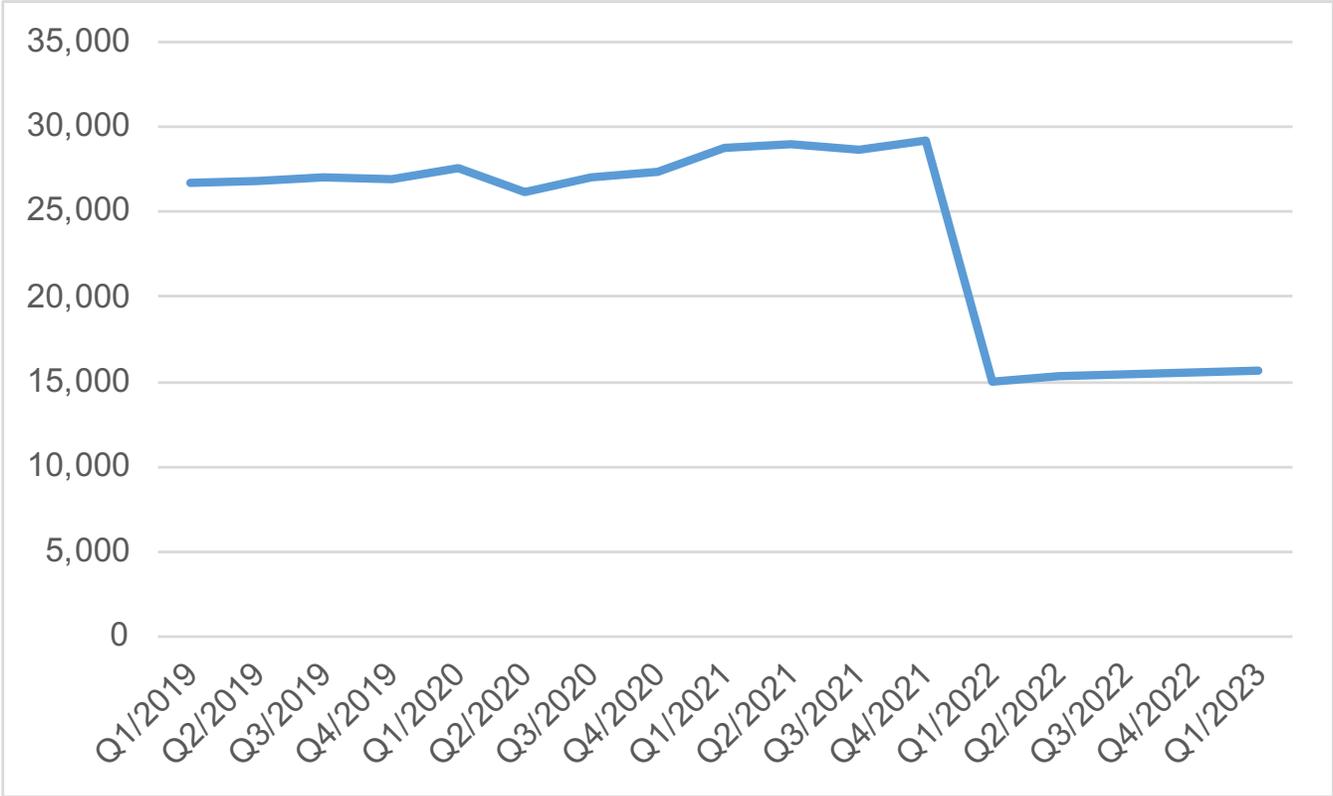
# Health Insurance – Quarterly Employment in Minnesota



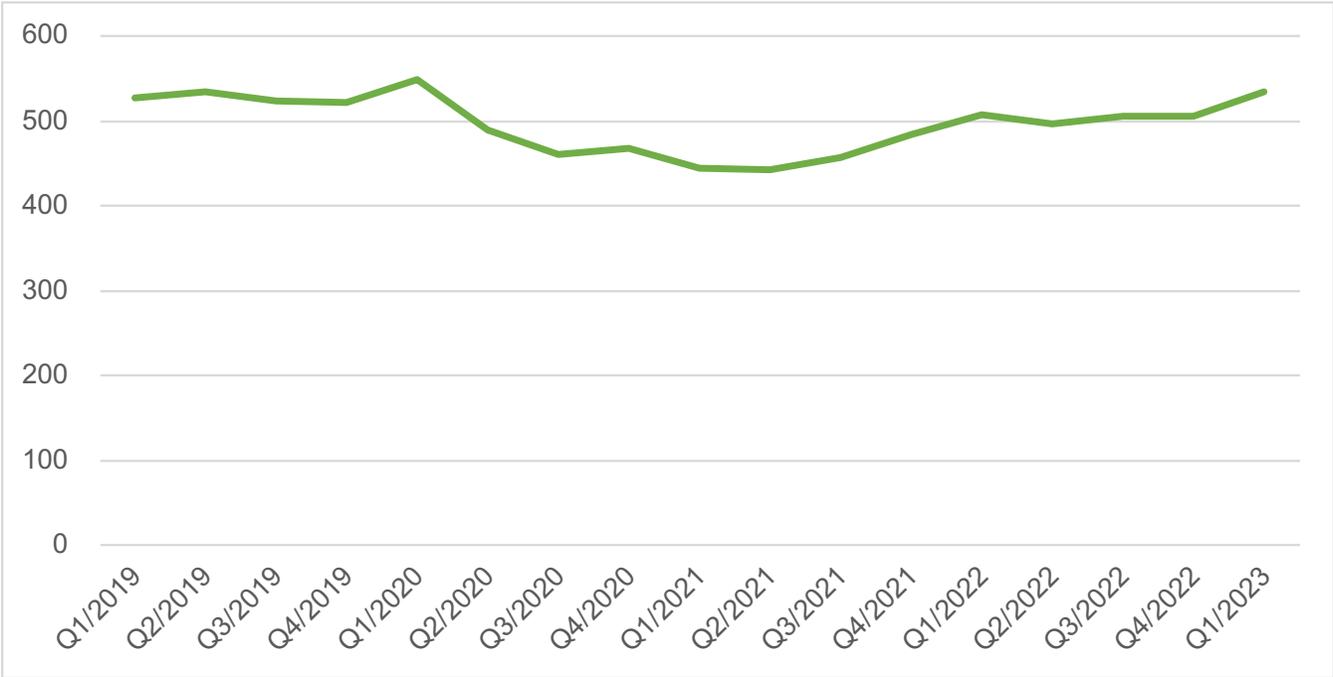
# Biotech & Pharma – Quarterly Employment in Minnesota



# Retail – Quarterly Employment in Minnesota



# Other Healthcare – Quarterly Employment in Minnesota



# References

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- <sup>1</sup> [KPMG – Venture Pulse Q3 2023](#)
- <sup>2</sup> [Statista – Value of venture capital investment in the United States in 2022, by state](#)
- <sup>3</sup> [Carta – Which Cities Have the Highest Startup Valuations?](#)



# Selecting comparative states

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The following criteria was applied when selecting states for the purposes of venture capital raised comparison:

- Top six states by value of venture capital investment in the United States in 2022 were selected – California (104.02 billion), New York (29.24 billion), Massachusetts (21.35 billion), Illinois (10.45 billion), Texas (10.26 billion), and Washington (8.17 billion) (Source: [Statista](#))
- Colorado (Boulder, Denver), Tennessee (Nashville, Memphis), and Utah (Salt Lake City) were selected as emerging healthcare hubs based on their healthcare infrastructure and their rankings in one or more of the following articles ranking the best US cities for startups – [Clever](#), [Crowdspring](#), [Embroker](#), [Startup Savant](#), [TravelPerk](#).

