

An Interview With...

Anthony Viscogliosi

Orthopaedic Industry Pioneer
Viscogliosi Bros LLC

Next on our Game Changers feature is Anthony G. Viscogliosi. Anthony has spent nearly the last 30 years immersed in the orthopaedic devices industry after being a patient himself to co-founding a family merchant banking business with his brothers based in New York that has helped create over 20 companies, and portfolio companies in which VB and its affiliates have invested.

Website: www.vbllc.com

*“For
‘Success
was in his
bones’”*

VB

VISCOGLIOSI BROS., LLC

The global market value of sales in orthopaedic devices last year reached about \$50 billion or more than 20 percent higher than five years ago. It is dominated by five OEMs who represent 70 percent of the market. It is big business by anyone's measure. For example, Zimmer paid \$13.4-billion (4.2x revenues of \$3.2 billion) for Biomet to create a company with \$8 billion in revenues from sales of hip, knee, trauma and spine implants and other devices. Another deal done last year was the merger of Wright Medical Group with Tornier to create a company worth more than \$3.3 billion.

Musculoskeletal disorders are the primary cause of physical disability and lost productivity worldwide. I have been both a recipient of orthopaedic care in my youth and now a pioneer in recognizing trends in the healing potential of innovative joint replacement technologies. I have made it my life's work to help surgeons who treat patients affected by arthritis, diabetes and other orthopaedic-related conditions by creating business entities concentrated on the development of life-changing technologies.

My brothers John, Marc and I founded Viscogliosi Bros. LLC (VB) in New York City in 1999. After nearly a decade and a half in investment banking and securities analysis at several Wall Street firms, our experience in the health care field, especially orthopaedic technology, convinced us that we could create a valuable niche as the first venture capital/private equity and merchant banking firm dedicated to orthopaedics. The potential for growth and geographic expansion was attractive because of the huge demand for effectively treating the world's aging but increasingly active population facing arthritis and many other musculoskeletal/ orthopaedic complaints.

This industry is increasing in size by almost 20 percent annually. Seventeen years since its formation, VB has become a leading independent firm based on its ability to create, build, operate and finance companies founded on innovations developed by the world's leading orthopaedic surgeons. What was once a minor piece of the healthcare market has become an industry employing more than 300,000 people worldwide. Along the way VB has either initiated or participated in a variety of ground-breaking technologies that are helping patients regain joint functionality and eliminate pain.

For example, in 2005, VB founded Small Bone Innovations, LLC. (SBI), a company focused exclusively on treatments for bones and joints in the shoulder, elbow, wrist and fingers, also those bones and joints below the knee to the ankle and toes. This area of orthopaedics had been largely ignored by the major manufacturers whose focus was on products for

the knee, hip and spine. SBI was built upon a series of acquisitions that included an investment in the Scandinavian-developed STAR ankle replacement technology. We also added several other European and U.S. technologies that were devices and instrumentation for small bone treatments.

VB's foresight and diligence was rewarded when SBI was acquired by Stryker Corporation in August, 2014 for \$375 million. The market value of small bone market sales had grown from under \$1 billion to more than \$3 billion today and is growing at a faster rate than products to treat the spine, hip and knee.

The seeds of this success were sown in 1999 when VB and the German firm Aesculap AG & Co. KG, jointly created Spine Solutions, Inc. to market the ProDisc® total artificial disc replacement system developed by a French orthopaedic surgeon, Dr. Thierry Marnay. The technology was revolutionary at that time because it obviated the need to fuse the spine – then considered the gold standard treatment for treating disc degeneration. Aesculap contributed the patents and related intellectual property rights of ProDisc to Spine Solutions, Inc. and VB undertook to raise capital for extensive clinical testing to secure FDA approval to market the technology in the US. In 2003 this led to the acquisition for \$350 mm of Spine Solutions Inc. by what is now the world's biggest company in the field, J&J DuPuy Synthes.

Following the success of this pioneering work in artificial total disc technology, we developed new opportunities for surgeons, patients and investors in "motion preservation and focused fusion technologies" technologies that treat various degenerative conditions. This work has yielded a series of products and procedures that are now either clinically proven or in advanced stages of development. This includes the coflex® interlaminar stabilization device currently marketed by Paradigm Spine, LLC, founded by VB in 2004. The coflex technology has been approved by the US FDA and has accumulated more than 20 years of clinical data from patients in 40 countries. This also includes the STALIF® family of cervical and lumbar standalone interbody fusion products with a 25 year clinical heritage and of which have been implanted in more than 40,000 patients worldwide.

These and other achievements can be attributed to our depth of experience in working with proven experts in banking, finance and industry management. We are a recognized force for growth and innovation in our field. The market and clinical knowledge gained from the development of more than 20 different companies and more than 75 different technologies has made us smart investors and partners with major manufacturers with substantial marketing and

distribution resources. This includes leaders such as the aforementioned J&J DuPuy Synthes, Stryker, Abbott, Globus and Zimmer Biomet and hospitals specializing in orthopaedics such as the Hospital for Special Surgery.

VB continues to work with industry leaders to help uncover unmet needs and new products to meet demand from surgeons and increasingly patients themselves. The central appeal of VB has long been its constantly growing portfolio of unique surgical technologies and procedures capable of keeping our aging population active and healthy, such as is currently being developed by Woven Orthopedic Technologies, LLC for orthogeriatric/ compromised bone repair and Aperion Biologics for ACL replacement as a substitute for allograft and autograft.

As an integral part of the development of novel approaches to orthopaedic surgery, VB has over the years helped attract and unite thousands of surgeons behind new technology by forming several professional societies such as the Spine Arthroplasty Society (now the International Society for the Advancement of Spine Surgery) that have gone on to build acceptance of non-fusion surgery that can better restore joint function than some forms of mechanical fusion.

My brothers John, the CEO of Centinel Spine Inc., and Marc, the CEO of Paradigm Spine LLC, are prime examples of strength and dedication in the areas of operational management and guiding products through the regulatory approval process.

These strengths are becoming increasingly valuable in not only product development but also gaining approval and acceptance at both the regulatory and health insurance levels. Without this assistance all products regardless of their efficacy cannot succeed commercially.

Each of our current portfolio companies has been built upon a truly innovative and life-changing technology: the ProDisc®, STAR® ankle, coflex® and STALIF C® spine and small bone product ranges are designed to eliminate pain and restore form, function, and motion in the human anatomy.

VB is therefore organized to face a market future that is both exciting and challenging. On one hand, you have an amalgam of truly effective treatments and talented surgical specialists but on the other hand, the barriers to market entry, acceptance and affordability mean that too many deserving patients may not be able to access the best available treatment. We are here to change that for the better.