



Medical Merchant Banking Firm of the Year Viscogliosi Bros. LLC

Anthony G. Viscogliosi, Principal of Viscogliosi Bros. LLC (VB), describes the firm, its recent achievements and its reaction to winning the Business Excellence Award.

VB was founded in New York in 1999 by Anthony, John and Marc Viscogliosi. The firm was the first investment banking and VC institution to focus exclusively on the emergent orthopaedic device industry.

VB was formed to develop nascent technologies in orthopaedics – notably Spine Solutions Inc – the replacement spinal disk innovator that VB sold to Synthes in 2003 for \$350 mm. Since then VB has raised more than \$500 mm in PE/VC funds, while securing exits from investments in several other orthopaedics companies that generated transactions valued at more than \$1 billion.

Since VB's founding, global revenues in orthopaedic devices have grown from less than \$10 billion to more than \$40 billion in annualised sales in 2012.

"We view this award as recognition for our pioneering work in orthopaedics – both in helping to bring to market innovative technologies but also the nurturing of an industry responsible for relieving pain and suffering among the millions that suffer from arthritis and severe trauma to bones and joints," said Mr Viscogliosi. "The award also marks a decade since the market-changing acquisition of Spine Solutions that transformed the field of joint arthroplasty."

Mr Viscogliosi highlighted that VB was the first banking company to identify and categorise for investors the orthopaedic device market – as distinct from 'medical products'. The major public companies then and now include J&J/Synthes, Medtronic, Smith & Nephew, Zimmer, Stryker and Biomet.

VB has also helped private equity investors recognise the continuing long term growth potential of the orthopaedics category by supporting emerging companies that have helped fuel market growth and profitability during the past decade.

Like Spine Solutions Inc., many of these companies have been acquired by the major companies mentioned above.

"As an extension of its business model, VB has created or acquired entities in the professional services sector of the orthopaedics industry," continued Mr Viscogliosi. "This includes the Washington DC-based MCRA LLC that since 2004 has helped manufacturers and device developers navigate the regulatory process to bring new products to market. Other initiatives include recruitment, financial advisory services, research and specialty publishing."

Mr Viscogliosi observed that the market recovery in the last 12 months has helped health care providers begin to implement plans that had been on hold and, more specifically, increased demand for advanced technology to treat the smaller bones and joints in a market still dominated by hip and knee replacements.

Discussing the challenging market conditions, he noted that the continuing need for specialist personnel and VB's development of professional service offerings has led the firm to utilise its real estate holdings in Connecticut as a lower cost alternative to New York City.

In terms of technological developments, Mr Viscogliosi stated that recognising the potential of certain new technologies is central to VB's model. However, he believes that the huge cost of bringing to market totally new orthopaedic solutions remains a barrier to growth.

Looking to VB's growth strategy, Mr Viscogliosi stated that the firm needs to access business opportunities in the service area to complement investments in manufacturing.

"MCRA, which stands for Musculoskeletal Clinical Regulatory Advisors, is now a leader in helping manufacturers address the challenges of meeting the needs of regulators, insurers, surgeons and, of course, patients," he commented.

"The toughest challenge to our industry is managing the continuous downward pressure on prices when developmental and regulatory costs escalate. Working closely with leading surgeons, we are addressing the 'continuum of care' in orthopaedics. By this I mean breaking down the process of joint degeneration into more categories to bridge the gap between conservative and radical treatments. Our understanding of the human anatomy is now much deeper than it was just a decade ago.

"We can better analyse and diagnose conditions to the extent that radical surgery such as a joint replacement can be either averted or postponed using new approaches and treatments," concluded Mr Viscogliosi.

Key Milestones for Viscogliosi Bros. LLC

2003

Sale of Spine Solutions Inc to Synthes for \$350mm

2006

Raised largest ever private equity funding for an orthopaedics startup (Small Bone Innovations Inc.) from institutional investors of \$42.2 mm

2008

Raised \$39 mm for Series C funding for Paradigm Spine

2009

Received US FDA Approval to market the STAR ankle replacement technology

2013

Sold Knee Creations LLC to Zimmer.



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