



Xtent Plans \$103M IPO

The heart device company hopes to raise funds to pump into drug-eluting stents.

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Heart device startup Xtent hopes to raise \$103 million in a proposed initial public offering, saying it expects to use the proceeds for clinical trials, R&D, and sales and marketing.

Xtent is girding for battle in a \$5.5-billion heart device market.

According to documents filed with the U.S. Securities and Exchange Commission on Tuesday, of the expected proceeds, Xtent plans to pump \$20 million into clinical trials, \$20 million into research and development, and \$30 million into sales, marketing, and expansion. The remaining proceeds are intended for working capital.

Menlo Park, California-based Xtent is eyeing a shot at the drug-eluting stent market with its technology, putting Xtent up against heavyweights Johnson & Johnson and **Boston Scientific**, which have been holding down a relative duopoly.

Drug-eluting stents are tiny metal tubes that help prop up clogged heart arteries after they have been cleared. By coating the stents with a drug, it helps reduce the chances of an artery re-narrowing.

Current drug-eluting stents on the U.S. market are made of an expandable, metal scaffold, which is inserted into a vessel via a catheter after heart surgery and expanded to keep blood flowing properly.

According to Xtent, they are also fixed in their length and they can only be delivered one at a time. This is where Xtent is hoping to bring a game-changer to the industry.

Xtent's Technology

Xtent's system will allow cardiologists to customize the length of each stent and lay down multiple stents in multiple vessels using a single catheter insertion, thereby improving efficiency and lowering procedure times and costs compared with implanting one stent at a time.

But Xtent is still pushing its technology through clinical trials and has a long, arduous path ahead.

If all goes as planned, the company expects to apply for European approval by early 2007. And to gain U.S. approval the company expects it will have to start a trial to garner data from up to 2,000 patients.

It's a huge undertaking for Xtent, which was spun out four years ago from the Menlo Park, California-based incubator firm The Foundry. Since it was formed in June 2002, Xtent has accumulated a net loss of \$33.1 million deficit as of the end of March. And the company expects to continue to take a net loss for the foreseeable future.

Among Xtent's challenges will be to prove its technology is an improvement over what's available, and to have the commercial arm to support product sales.

Xtent said it raised a series D round worth several million dollars in May. New investor Adams Street Partners led the round.

Previously the company had garnered \$45 million in three rounds of venture capital funding from Morgenthaler Ventures, Advanced Technology Ventures, Split Rock Partners, and Latterell Venture Partners.

In the proposed offering, Piper Jaffray will be acting as the book-running manager, while Cowen and Company, Lazard Capital Markets, and RBC Capital Markets will act as co-managers.

Barriers to Success

Much of Xtent's ability to generate revenue will depend entirely on gaining regulatory approval. Moreover it will have to play it smart, as its major competitors are healthcare industry behemoths.

J&J was the first company to bring a drug-eluting stent to market in 2003 (see [Surviving as a Stent Startup](#)). Since then, only Boston Scientific has managed to gain U.S. Food and Drug Administration clearance.

But other giants have been trying. **Medtronic** and Abbott both have programs aimed at developing the stent implants.

Such large companies have deep pockets to support heavy marketing efforts. Access to such funds have also contributed to a rise in patent lawsuits related to the stents. Based on the prolific litigation that has occurred in the industry, Xtent stated in its SEC filing that among its risks, a patent infringement claim against the company is a possibility.

Smaller or early-stage companies may also prove to be feisty competitors. Their threats could also loom large, especially if they sign collaborative arrangements or merge with established companies.

Holy Grail?

For example, **Reva** Medical is working on a bioabsorbable stent. The stent's ability to be absorbed by the body after treatment could prove to be a holy grail. Reva's technology has already piqued the interest of Boston Scientific, which invested in the company in November 2004 and at the same time, signed an exclusive option to purchase the company.

For now, it looks as though Xtent will push to take itself to the next level on its own terms and the terms of its investors.

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