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Hindsight 20/20: Laurent Grandidier

by Tina Tan

Hindsight 20/20 is a Q&A feature where medtech industry veterans share their experience taking diverse businesses – be they startups or publicly-listed entities – from strength to strength and navigating through times of crises. In this installment, Laurent Grandidier shares what he learned from his time at medtech multinationals, like Teleflex and Boston Scientific, and at startups like Endosense and, the firm he currently leads, Xeltis. He explains how a carefully planned, step-by-step approach is the best way to get investors to buy into a high-risk, high-reward investment proposition, and why sometimes you need to have the audacity to pivot and take a company in a different, more commercially viable direction.

It's not easy taking a disruptive technology from bench to market, and it's even harder to sell a long-term proposition to potential financial backers looking for a prompt return on investment.

But Swiss startup [Xeltis AG](#), which is developing a regenerative/restorative tissue technology platform for cardiac indications, has managed to maintain the support of its investors throughout its still-ongoing clinical journey; its biggest fundraising to date was completed in November. The €45m series C financing was the largest round completed by a privately-held European company this year and made it to *Medtech Insight's* Top 5 VC financing deals last month. (Also see "[VC Deals Analysis: Could 2017 Smash \\$6bn Barrier?](#)" - Medtech Insight, 11 Dec, 2017.)

In a conversation with *Medtech Insight*, CEO of Xeltis, Laurent Grandidier describes his approach to getting investors – more importantly, the right investors – on board with the company's vision of "revolutionizing heart valve replacement" and creating an attractive investment case. He also shares the lessons learned during his time at multinationals like Boston Scientific and Teleflex, and also the experiences one can only gain when steering a startup through the path to growth.

Q *Medtech Insight:* You gained your grounding at the big multinationals like

Boston Scientific, Teleflex and Procter & Gamble, before moving on to startups like Endosense and now Xeltis. What were the three most important skills you picked up during your time at the big firms that have proved invaluable when working with startups?

A Laurent Grandidier: Firstly, fundamental management competences: most leading multinationals have the training grounds for me. They gave me the fundamental tools for people and business management which I still use today.

Secondly, working with large multinationals gave me the opportunity to live and work in seven countries. The ability to adapt to new people, to learn fast on the job and to work in cross-cultural environment has been invaluable at Xeltis, where we employ 16 nationalities and work with physicians around the world.

Thirdly, the medical device world is a tiny microcosm. My experience in larger companies have allowed me to develop a personal and professional network that is truly invaluable for my work now in startups.



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Source: Xeltis

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shareholder dynamics as a key challenge. Multinational roles typically do not prepare [you] for that."

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Q What specific challenges does one encounter only when working in a startup environment, and which a multinational experience would not prepare you for?

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Grandidier: As an executive in a multinational, objectives are most often fairly clear: build your business. The measures are well defined, most often financials (top or bottom line). On the other hand, life science startups need to create value well before they register any sales. Learning how to articulate, sell and plan a fuzzier and less defined value creation strategy is a skill that one does not acquire in large companies. Another thing is that dealing with a board of directors is very different from dealing with a boss. A board of directors supervises the CEO's job, which is not too dissimilar from having a boss in principle. However, the big difference is that most startups' boards are composed in majority by their main shareholders, whose personal agendas may not always be aligned. In private discussions, most startup CEOs will cite board and shareholder dynamics as a key challenge. Multinational roles typically do not prepare for that.

Pretty much all startup CEOs I know are 100% involved and vested in their company. The feeling of being alone, wanting to change the world with heavy resource constraints and with limited or no guidelines create non-stop mental strain. While I have always been a driven person even in large companies, no job at multinational can prepare for such intensity. Education, personal life experience and prior startup experience are the determinants of success dealing with such intensity.

"One of my key concerns today is the deterioration of the European environment for clinical innovation. A few years ago, Europe was the champion of medical innovation, with innovative and forward looking key opinion leaders and a favorable environment... There is a sad consensus amongst my peers that Europe's role in medical innovation is poised to decline without drastic policy changes."

Q Regenerative medicine/restorative medical devices would be considered a long-haul investment, and the journey from bench to market for startups developing products in this area is a much longer one than for companies in other sectors. How do you develop a business plan that is both realistic while still attractive to investors wanting a return on investment within a certain timeframe?

A Grandidier: We indeed have the very ambitious goal of revolutionizing heart valve replacement. Achieving this goal takes years and large amount of capital. But the impact could be tremendous.

The key to developing an attractive business plan was a deliberate and systematic step-by-step approach to developing our technology platform. While it was clear from the onset that the biggest markets are aortic and mitral valves, it would have been impossible to build a convincing investment thesis a few years ago given the novelty of our technology.

We started with a "simple" product for our technology proof-of-concept: a vascular graft, a blood vessel, a tube. We needed expert cardiac surgeons able to perform significantly complex open-heart surgeries in young children as a routine, to reduce the risk that challenges from surgical techniques affected device performance. We now have several years' follow-up, which proved the fundamental performance of the technology.

We then moved into heart valves, and our first valve in early feasibility clinical trials is a life-saving pulmonary valve, again for pediatric use. It is implanted as part of complex open-heart procedures for which the existing artificial valves available require some compromise in terms of durability or medication. We conducted this feasibility trial in Europe and Asia. We are now enrolling patients in an early feasibility study in the US.

Once we had confidence on our development in the pulmonary valve, we started our aortic valve design. This valve is now in chronic animal studies, with extremely promising results. We are now working towards our first-in-man.

The benefit of this step-by-step approach allowed us to create an attractive investment case at every stage: until Series A, before we had generated the first clinical data, our investors were private individuals, enthusiastic about the game-changing potential of the company but with less finite time constraint on their investment vs. traditional VCs. Once we had generated our first clinical data and started the design of our first valve, we were able to raise our Series B. While it was still early stage given the disruptive nature of our technology, some of the fundamental technology risk was behind us and the prospect of significant value creation more palatable, which attracted visionary VCs to lead our Series B. On the back of our first valve being in clinical trial and preclinical results of our aortic valve, a strategic corporate led our Series C, with the expectation that significant value creation events will happen in the coming years.

Bottom line, I would say that our success so far has been to have the right investors at the right time of company development, and creating value step by step in sync with fund raising. We have been blessed to have entrepreneurs and visionaries backing the company since inception, and continuing to back the company today. Our investors are courageous but they know that Xeltis has the potential to redefine markets worth several billions.

Q The clinical strategy is the most critical factor dictating the success of a potential first-mover like Xeltis, with its regenerative/restorative heart valve

platform. Which has been the most challenging part of the clinical journey so far, and what steps have you taken, or in hindsight learned to put in place to support the company through this pathway?

A Grandidier: Xeltis is developing a restorative technology platform that enables the patient's body to form heart valves of blood vessels with its own tissue. While our approach has the potential to disrupt the entire cardiovascular sector, it challenges a lot of preconceived ideas about what the body can do, how tissue restoration works and even what medical devices can do. The first challenge we have faced was skepticism. To convince regulators and the medical community, we spent years building bodies of evidence and hard science supporting our technology. I do not know of any startup in our field that has invested anywhere near as we have in long-term animal studies and fundamental science. We have been working closely

3 in 30: Three quick-fire questions in 30 seconds

1. What do you do to help unwind from the stresses of your job?

I am a former athlete. I get my adrenaline from physical exercise and I am quite disciplined about it. I try to exercise every day, even if an injury has forced me to slow down in the past 18 months.

The truth though is that I am not so good at shutting the world out. The strategy that works best for me is to be active on other projects during my free time. I am the co-founder of a venture capital fund for social entrepreneurs. Supporting and more generally being in contact with smart and driven people who dedicate their life to making the world a better place is a fantastic way to put my stress in perspective.

CEOs often feel lonely and a lot of stress comes from the difficulty of maintaining perspective on what is important, professionally and personally, while working at 200%. I am a long-time member of the YPO (Young President Organization), a global platform for CEOs to engage, learn and grow. The deep exchanges I have had with fellow members have been invaluable to keep life in perspective and not get dragged down by daily stress. I encourage all CEOs to join the many available organizations where we can share with and learn from peers!

with leading universities, publishing our work and evangelizing as much as we could.

We have created two distinct board of advisors: a medical board, with leading cardiologists and surgeons around the world; and a scientific board, with leading pathologists, polymer scientists, including a Nobel-prize laureate, and preclinical experts. We are taking these boards very seriously. We openly and transparently discuss our results and our strategies and their inputs are paramount to ensure Xeltis continues to operate with the highest levels of credibility and scientific rationale.

This fundamental work has been representing very significant investments by Xeltis. However, I am convinced it is also what is driving the value of the company, and allowed us to attract top physicians, scientists and investors. We are not operating in the traditional medtech paradigm, in which speed from bench to bedside is the priority; we cannot cut corners. I am convinced this thoroughness will ultimately ensure we are successful in the marketplace and for our investors.

One of my key concerns today is the deterioration of the European environment for clinical innovation. A few years ago, Europe was the champion of medical innovation, with innovative and forward looking key opinion leaders and a favorable

1. Who, outside the medtech industry, do you see as a role model and why?

I am very inspired by the Solar Impulse project, and particularly by Bertrand Piccard. He dared to have a dream that sounded impossible at first: going around the world with a plane powered by the sun. Beyond the incredible technological achievements, flying such plane over vast surfaces of ocean took incredible physical and mental courage. Finally, Solar Impulse inspired a whole community to work on sustainable transport solutions. Bertrand's combination of vision, courage and inspiration is a model for me.

1. If you weren't a medtech executive, what would have been your career Plan B?

There were too many crossroads to name them all. Maybe owning a kitesurf shop on a sunny and windy beach?

environment. The US was an impossible target for an early stage startup. The climate is continuing to change in Europe and perspectives are bleaker. On the other hand, the US and China, as well as other geographies, are making remarkable progress in streamlining regulation for medical innovation. There is a sad consensus amongst my peers that Europe's role in medical innovation is poised to decline without drastic policy changes.

Q Share with us your experience of a particular crisis at a company you've worked at, either as CEO or in another role. How did you and your team ultimately overcome this crisis and if things had not worked out as expected, what would you do differently now?

A Grandidier: When I joined Xeltis, the company was exploring new approaches to heart valve replacement. At that time, the company's technology was to grow living heart valves in a cleanroom using patients' own cells and bioreactors - a typical tissue engineering project. After reviewing the business plan, speaking with regulators and performing an in-depth assessment of the technology, it became clear that the technology was not ready for prime time.

Fortunately, at the same time, I had gotten to know another startup based in the Netherlands, working on new polymers, new manufacturing methods and scaffolds for implants – the foundations of Xeltis' current technology. They were still at a very early stage, owned by the Technology University of Eindhoven, located in the University's labs and publicly funded. But the technology held incredible promise, the team was great and they were eager to take it to the next stage with me.

I came back to my investors with a proposal to pivot the company, the technology and the business plan. Their entrepreneurial spirit and their determination to bring a solution for heart valve replacement allowed me to secure their support. They agreed to extend their investment, which allowed me to merge the two companies and subsequently focus all of our resources on the projects developed in The Netherlands.

Xeltis would likely no longer exist if it was not for this group of courageous and visionary private investors. This was a period when my team and I had our back

against the wall. No backup plan... While that certainly is not a nice feeling, it sometimes forces creativity and boldness!

From the editors of Clinica