

INNOVATION

Our MedTech Accelerator takes a unique and innovative approach to foster healthcare modernization and innovation. In designing our accelerator program, we conducted an extensive study on both equity-investment and equity-free accelerators to create a model that addresses the specific needs of medical technology startups. The MedTech Accelerator's innovative approach can be characterized as co-creating and co-developing healthcare solutions which lies in its commitment to improve the human condition. Unlike traditional equity-free and equity-investment accelerators, our program goes beyond providing financial support and resources. We actively engage with startups, nurturing their ideas and fostering collaborations to accelerate the modernization of healthcare.

Many renowned accelerator programs such as MassChallenge, Techstars, and Y Combinator similarly provide a comprehensive curriculum covering a wide range of topics helping their participants develop the knowledge and skills they need to successfully launch and commercialize their products. However, the Mayo Clinic-ASU MedTech Accelerator has a unique focus on collaborative product co-development by providing unparalleled access to world-class experts with shared clinical ideology from a platinum healthcare organization, Mayo Clinic, and the #1 University for Innovation (i.e., ASU). Companies may have access to patients, a rich healthcare data resource, clinical trial expertise, clinical know-how, and institutional capital under management along with expertise in virtually every sector of the broad healthcare ecosystem. Products, services, and solutions that move into a collaborative co-development phase are subject to a “trust and verify” model, meaning that all company product claims are validated within our organizations.

One of the key considerations in designing our program was the distinction between equity-investment and equity-free accelerators. Most accelerator programs operate as equity-free initiatives, providing cash prizes and resources without requiring an equity stake. On the other hand, equity-investment accelerators offer access to resources in exchange for a small equity stake. However, it is crucial to recognize that accelerators, regardless of their initial investment structure, typically do not provide follow-on investments to their graduates. Graduates often require subsequent external investment within a year or eighteen months to ensure their long-term survival

and growth. This dilemma presents entrepreneurs with the challenge of deciding whether to trade equity for capital investment, potentially leading to a more valuable equity share, or retain a majority equity stake and seek opportunities in later stages. It is noteworthy that approximately ½ of the accelerator portfolio companies have subsequently received a capital investment from Mayo Clinic.

To precisely design the MedTech Accelerator, we thoroughly examined the impact of equity-investment and equity-free accelerators on their portfolio companies. By investigating the strengths and limitations of these approaches, we have tailored our program to address the unique needs of medical technology startups. Our findings indicate that participating in an equity-investment accelerator has positive effects on post-accelerator performance, enabling portfolio companies to reach the next round of fundraising faster. However, graduates of equity-investment accelerators tend to raise less capital within 12-month, 18-month, and 24-month time horizons after graduation compared to graduates of equity-free accelerators. We also discovered that founders with more years of industry experience and higher quality business ideas tend to accelerate their path to success by participating in equity-investment accelerators.

In addition to the heterogeneity among traditional accelerators in terms of equity investment and early-stage seed funding, the MedTech Accelerator introduces its own unique and innovative model. The MedTech Accelerator operates on a distinctive co-creating and co-developing model. This model is designed to actively engage with startups, foster collaborations, and provide comprehensive support throughout their journey to bring innovative healthcare solutions to the market. Our goal is to strike a balance, leveraging the benefits of both models (i.e., equity-free and equity-investment) while providing additional support to overcome the challenges faced by MedTech startups. By co-creating and co-developing solutions, we ensure that startups are equipped with the knowledge, resources, and connections necessary to address critical healthcare challenges. This unique combination of financial support, mentorship, and networking opportunities sets the MedTech Accelerator apart from other accelerator programs.

The process begins with a rigorous evaluation and selection phase, aiming to identify promising ventures from a large pool of applicants to form the final cohort. This multi-stage process starts

with an open call for applications, where startups submit written executive summaries and short videos. These submissions provide insights into the founders, their ideas, milestones achieved to date, future plans, and their intention to participate in the accelerator. A group of anonymous judges thoroughly review the applications and select a small group of finalists, typically comprising 8 to 12 companies, to join the accelerator's final cohort.

The concentration of early-stage ventures with high potential in a single location offers significant benefits for investors, as it saves them the time and cost of searching and sorting through numerous projects. The selected emerging companies, recognized for their strong potential in next-generation medical technologies and services, then embark on an immersive curriculum delivered by the MedTech Accelerator. This intensive interdisciplinary program focuses on various aspects crucial for their success, including business development, product optimization, research collaborations, capital and customer acquisition, and idea mentorship with entrepreneurs in residence, mentors, and physicians. The curriculum aims to equip startups with the necessary skills, knowledge, and strategies to navigate the complexities of the healthcare industry and accelerate their commercialization efforts. Following the curriculum, the cohort engages in 12 months of close collaboration, guidance, and progress tracking.

To ensure that our resources are allocated to entrepreneurs who are fully committed, we set rigorous criteria for admission to the program. We prioritize early-stage medical device or healthcare IT startups, as well as growth and late-stage startups exploring healthcare as an adjacent market, who have raised a minimum of \$500,000 in seed capital and/or are generating recurring revenue. Additionally, participants must be willing to execute a participation agreement and allocate a small amount of equity or value to take part in the program.

Recognizing that running out of cash is a common reason for startup failure, we strive to provide easier access to financial resources to fuel venture growth and increase the likelihood of a successful exit. The graduation event at the end of each cohort serves as an opportunity for investors to make rational investment decisions based on maximized information about the target ventures. This event includes a pitch competition and a networking session, further reducing uncertainty surrounding the projects.

Moreover, as part of the co-creating and co-developing model, the MedTech Accelerator incorporates systematic feedback mechanisms, leveraging the expertise of experienced mentors who provide invaluable business knowledge. These mentors assist entrepreneurs in assessing the feasibility, scalability, and quality of their healthcare innovations. The feedback effect of the MedTech Accelerator serves to resolve uncertainty (the agency problem) and acts as a signal of quality (the certification mechanism) for startups, enhancing their potential for success and attracting investment.

The MedTech Accelerator also actively facilitates access to financial resources. Recognizing the significant challenge of cash flow for startups, the program aims to ease this burden and enable the ventures to focus on their growth and development. By connecting startups with investors and providing opportunities for networking and pitching, the MedTech Accelerator helps startups attract the necessary capital to fuel their growth and achieve successful exits. On the other spectrum, investors place significant weight on the quality of startups' affiliates, such as the MedTech Accelerator, particularly when assessing innovation-based startups with intangible assets. Our unique accelerator design positions us as an intermediary to mitigate investment risk by resolving uncertainty around the quality of ventures. Participation in our accelerator signals selection from the top of the quality distribution, increasing the likelihood of expedited fundraising for startups after graduation.

We believe the MedTech Accelerator stands out through its innovative approach to co-creating and co-developing healthcare solutions. Our program combines elements from equity-investment and equity-free accelerators to ensure the best support for our portfolio companies. Through a rigorous selection process, immersive curriculum, systematic feedback mechanisms, and focused resources, we aim to catalyze the success and growth of our participants, leading to the realization of next-generation medical technologies and services that will shape the future of healthcare.

This co-creating and co-developing model of the MedTech Accelerator is rooted in the belief that collaboration, mentorship, and access to resources are critical for startups in the medical device and healthcare technology space. By actively engaging with startups, nurturing their ideas,

providing a supportive ecosystem, systematic feedback mechanisms, and focused resources, the accelerator aims to accelerate the development, commercialization, and impact of next-generation medical technologies and services that will shape the future of healthcare. Through this innovative model, the MedTech Accelerator actively contributes to improving the human condition by fostering innovation, enhancing patient care, and advancing the overall state of healthcare.