Pierre Moustial – Chairman, MedTech in France



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Pierre Moustial, chairman of MedTech in France, the association of medical technology companies in France, discusses the challenges for French healthcare start-ups to scale-up and explains why France has no medtech champion despite the world-class innovation in the country.

You have been the chairman of MedTech in France for two and a half years now. What are your main priorities and challenges?

The companies URGO, Guerbet and LivaNova initially established MedTech in France because we were discovering that the French pathway to securing investment was rather difficult. For larger companies, it is easier to survive but for smaller, young entities with only one product, it is hard to remain on the market without resorting to external funding. The basic idea was, therefore, to better promote the French medical device sector. We are three CEOs, voluntarily giving their time to ensure our 47 members, which all provide world-class innovation, stay French and manage to get their products to the market. This is our main priority.

In France, we do not have a problem getting start-ups going. The challenge is much more about scaling-up these young, ambitious companies. In fact, we are very good in terms of start-ups; there are currently around 900 smaller companies and every year around 50-100 new companies are created in the local medtech sector. While we have a lot of world-class French enterprises in different industries such as luxury goods, automobile and pharmaceuticals with companies like Sanofi, in the medtech sector there is still currently no French company within the Top 100 worldwide which tells us that the segment is not yet really managing to deliver upon its true potential.

How do you explain the fact that France is a leader in so many other industries but struggles in the medtech sector?

There are two main reasons, with the first one being that companies do not get much support from the domestic market. If you look at the biggest companies in any sector, you will notice that they are performing very well in their home market. The local market ensures the ability to self-finance your operations and determines your image, which is essential to be successful abroad. In an ideal world, the French domestic market would be a shop window, which encourages activities abroad. In France however, it is very hard for smaller companies to finance themselves, so they usually end up migrating to the USA. The US market, is the most competitive market in the world however, as you will lose if you are too small and being too big also brings a significant risk of overstretching yourself. Being in a weak domestic market forces you to go abroad early, which, of course, aggravates the problem and means you don’t have that home source of revenues to rely upon if the going gets tough.

The second reason is the lack of financing although we have excellent venture capital financing opportunities from companies like Sofinnova. The problem is that these companies are very good at funding start-ups, however, they don’t know how to scale-up young companies to the point where they can attain critical mass. The financing for start-ups is around 1 to 5mn USD, but to scale-up for entering foreign markets, especially the US market, around 30 to 100mn USD is required. Hence, many young French companies go to the stock market to secure this capital, however, they are usually not ready for this move. Without good results in the US market after one year, shareholders get disappointed and a company’s value goes down, with the result of not achieving second-round financing.

Do you think this only a problem in France or part of a wider issue across Europe?

These problems certainly do not exist in the USA, as securing funding for scaling up is normally quite easy. It may be a European problem, but I see it as a French problem primarily. We do have a very entrepreneurial mindset in this country, but no real business culture. We have met a number of companies possessing a fantastic product; the big challenge that they confront, however, is how to convert this product into a viable and sustainable business. Many of these start-ups do not have a marketing plan and lack commercial self-effectiveness.

We have the potential to create double or triple the 90,000 jobs the industry currently offers. The public perception is that France is a global exporter for products of our industry. This is only the case for the pharmaceutical sector, but not for medical devices. In fact, we import 2bn USD more than we export. This is an astonishing fact because it essentially means that we are unable to transform innovation into business. When it comes to hearing aids, for instance, France is totally dependent on China for imports. My fear is that, one day, French companies will have to go to places like Berlin or Singapore, to take advantage of an innovation which has been created, developed and financed by French companies. Provocatively speaking, France is offering its science to the whole world. As an example, the two French scientists Alfred Kastler and Albert Ferd have developed laser technology and magnetic resistance and have both received a Nobel Price. Nevertheless, no French company have been set up after these incredible discoveries as all of them were created in the USA.

What proactive steps can be taken to encourage the speedy emergence of homegrown global champions?

At our company URGO we have started a mentorship program, which includes around 40-50 young companies, entering the competition every year. The winner will receive a free guidance package from us, including education on subjects like business development and strategy. I do believe that it is the responsibility of us bigger companies to provide mentorship because these start-ups need help. This also creates a win-win situation, because we also get to know new business models in the fields of digital application, where we are not experts ourselves. We are also minority shareholders of some start-ups. I do think we play a valuable part in creating a business culture with these initiatives. We also have to keep in mind that our competitors today are not our competitors of tomorrow. A good example of this development is China. There are efforts by young Chinese medtech companies to build new digitally developed hospitals, while here in France

companies are trying to bring digitalization to our old hospitals, which is harder of course. Such companies, while still quite small today, will become our competitors in the future.

What would you describe as the main emerging trends within French medtech?

Today there is not as much disruption because the sector is regulated. It is crucial to understand though, that it is not enough to only focus on developing products. Bringing commercial and service people into a company is equally important to be successful. We need the society to understand that healthcare expenses at the moment are not sustainable for the whole system. In the medtech industry, we have the great opportunity of being able to deliver economic benefits, which can be objectively proven and explained. Theraclion, for instance, is very good at developing new methods of non-invasive surgery with high-frequency ultrasounds which can replace classical surgery. Our job is to bring the two stakeholders to the same table, so we can explain and educate about the value and the advantages of these new technologies, such as faster diagnostics, fewer days in hospitals and hence financial savings. While there will always be medical innovation, it is important to educate the authorities about the value of economic innovation, as these are as much as important for the patient and the sustainability of the system. We need a culture of highlighting these economic benefits both within companies and the government.

Many captains of industry were delighted by the pro-business tone of the 8th CSIS. How optimistic are you and your members about the policies of the Macron government so far?

I am neither optimistic or pessimistic. The CSIS was very interesting with clear goals. I have to point out, however, that there is a huge misunderstanding about the ATU (Temporary Authorization for Use), which is important for the pharma industry but has nothing to do with medical devices. Our medtech products do have a CE mark, so we are not in the same situation as pharma companies. It is important to not connect the ATU with the medtech industry.

At the end of last year, you signed a MoU with the IHECC (International Health Exchange and Cooperation Center) in China. What benefit do these kinds of partnerships deliver?

China is a fast-changing economy which offers a lot of innovation. The rationale behind these activities is a learning approach, as we partner with the Chinese ministry to understand the relationship between government, health agencies and other stakeholders. We are also looking to partner with French companies like Sanofi, to facilitate market entry in China by playing as a team. Other countries like Germany are doing this quite successfully already, so we as French companies have to catch up in this field.

Do you have any concluding words for our international readers?

I have the vision that within the next 20 years, France could become what Boston is now. 20 years ago, Boston possessed a very similar environment to the one that exists in France today, with high innovation and an increasing number of start-ups. So, with our creativity and the help of the French government as well as our own business expertise, I hope we can create medtech champions, as they exist today in Boston, but made in France.

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