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DJ CANADA VENTURE: Size Matters To Medical Ventures

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TORONTO (Dow Jones)--While safety concerns have given drug-coated stents a bad rap lately, Medical Ventures Corp. (MEV.V) believes its technology can help.

Stents are the wire-mesh tubes doctors use to prop arteries open during angioplasty. A few years ago, Johnson & Johnson (JNJ) and Boston Scientific Corp. (BSX) introduced drug-coated stents, which cut the rate of restenosis (reclogging of the arteries) by about 50% compared to their bare-metal counterparts.

But a recent article in the Wall Street Journal revealed that some cardiac centers in the U.S. are curbing the use of drug-coated stents due to concerns about blood clotting in patients.

Medical Ventures chairman and chief executive, Paul Geyer, believes these kinds of problems could be significantly reduced with the use of his company's Metricath system. "We help doctors make stents fit right," he told Dow Jones.

To ensure a stent is properly deployed, doctors need to measure the size of the blood vessel and confirm the stent is pushed up against the vessel wall. He said there are two sizing tools available now - an angiogram, which really involves a lot of guesswork; and an intravascular ultrasound, a time-consuming and costly procedure used just 10% of the time.

Geyer said that improper measuring can lead to using the wrong size of stent, resulting in serious complications. "You can get early thrombosis and early restenosis, which is what you're trying to prevent," he said, adding that studies have shown that proper stent-sizing can result in a further 50% reduction of restenosis.

The company's Metricath Libra product, currently for sale in the U.S., Canada and parts of Asia, is a low-pressure balloon catheter that quickly and accurately measures atrial diameter, and physicians have responded positively to it so far, he said. But the real buzz around Medical Ventures is its Metricath Gemini product, which combines the measurement technology with a standard angioplasty catheter, giving doctors two balloons for the price of one.

U.S. Coronary Approval Expected in 2007

Gemini already has U.S. approval for peripheral indications, but the bigger market opportunity is in coronary. A coronary trial is expected to be completed in the fourth quarter, and filing for U.S. approval is to follow by the end of this year. While U.S. approval is expected in 2007, European approval is expected in a matter of weeks.

Having personally invested more than C\$3 million in cash into Medical Ventures and participated in each of its financings - he owns 20% of the outstanding shares - Geyer is obviously a big believer in the technology.

He said the company's objective now is to get the technology into the hands of clinicians, and perhaps one day either partner it or sell it off to one of the big medical device companies. With little room left to improve on stents themselves, reducing restenosis rates will be more about technique than technology in the future, he said. "And we fit quite nicely into that package."

Geyer has been through this process before. He spent 10 years with Mitroflow International Inc., where he was instrumental in commercializing its tissue heart valve products. He sold that company in 1999, and it's now a unit of Sorin S.P.A. (SRN.MI) of Italy.

In addition, he was the founder of PM Devices Inc., which officially became a unit of Medical Ventures in March 2002. This division extracts the tissue that surrounds the hearts of cows and horses, turning it into "patch material" used in such surgical applications as vascular reconstruction and heart repair.

While just 20% of the company's current sales come from the catheter business, he expects that number will rise to 40% by the end of the year and continue climbing from there. The company recently abandoned its marketing partner for the catheters and decided to build its own sales force for the Metricath products instead, allowing it to "control its own destiny" rather than depend on a third party.

In a recent report, Sprott Securities analyst David Dean said hiring its own sales force wasn't part of the original plan, but called it a "welcome change." While the decision will increase upfront expenses, he said profitability will be "dramatically improved." He rates the company a buy with a C\$1.55 share price target.

He said the world needs a fast, accurate and less expensive technology for sizing stents, and this company has it. "We are expecting big things from Medical Ventures," he wrote.

Dean owns shares of Medical Ventures; his firm has had an investment-banking relationship with the company.

Company Web Site: <http://www.medical-ventures.com>

-Andy Georgiades, Dow Jones Newswires

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