

MEDECH FOUNDING FAMILY ONBOARDS A FINANCIAL INVESTOR A SUCCESS STORY



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Original German article published in DeviceMed, May 2023 issue, as well as on www.devicemed.de

The medical technology industry is characterized by medium-sized family companies that are successful because of their set of values and their commitment to innovation. FotoFinder Systems can also share this success: market leader, high growth rates, export rate of over 70 percent. But why did the founding family decide to place the majority of the shares in the hands of a financial investor? In autumn 2021 the anniversary celebration of FotoFinder takes place in Bad Birnbach, Lower Bavaria. Rudolf and son Andreas Mayer founded FotoFinder Systems GmbH together 30 years ago. The once two-man business has grown into a leading provider of visualization technology in combination with AI (Artificial Intelligence) software for the examination of moles for early skin cancer detection. At the time of the celebrations, however, the company faces a special challenge. Rudolf Mayer is planning to retire as a shareholder for reasons of age – after years of reduced operational involvement in the company. For Andreas Mayer, this is a time of intensive self-reflection, but also of numerous conversations with his confidants. At the same time, investors keep knocking on FotoFinder's door, and the company's success has not gone unnoticed. Andreas Mayer only occasionally responds to the inquiries of investors. Out of curiosity, he allows for two indicative offers to be prepared by potential partners. One thing is clear: as the managing partner of a family company, it is important to reorganize the company, family and wealth - with a view to the well-being of everyone involved. Managing the company continues giving

Andreas Mayer great pleasure, so there is no reason for changing this.



Management Team of FotoFinder: Julian Mayer, Rudolf Mayer, Kathrin Niemela, Andreas Mayer (from left) (Picture: FotoFinder)

However, the age-related retirement of the father changes the constellation in the family and creates a need for action. Probably nobody would advise Andreas Mayer to invest by far the largest part of his wealth in a single medium-sized company, no matter how enthusiastic he may be about this company. He would like to remain active as managing director and also to remain involved in the company, yet he would also like to diversify and safeguard some of the wealth that has been created over the years. Apart from the personal situation of the Mayer family, it became increasingly clear that the company itself would benefit from an external partner at shareholder level. An investor from outside the family could not only enable the fairest possible distribution in the

context of an anticipated inheritance, but also support the further development of the organization that is necessary for further growth.

Digitalization affects the business model, not just the products

From the point of view of an owner, Andreas Mayer has no doubts: the increasing speed of changes in the macroeconomic environment (financial crisis, pandemic, etc.), but also in the market environment in his own industry (regulation, leaps in technology and intense competition), create new opportunities and risks. The success and increasing competition in the software industry automatically raises questions about the future business model. FotoFinder's software is already an important part of the deal, yet most customers still buy it along with the hardware. However, there could be a move towards a software-as-a-service model, with licensing models substituting hardware sales. This shift requires investment and carries risks, yet also an opportunity to stay ahead of AI startups and attract talented software developers. Such a change of the business model is easier to manage with an investor as a partner.

These considerations ultimately result in a decision to seek the advice of people who deal with corporate transactions and growth strategies on a day-to-day basis.



ATBM master technology for Automated Total Body Mapping and Total Body Dermoscopy to support early skin cancer detection (Picture: FotoFinder)

A successful transaction is often more complex than the initial foundation of a company

From today's perspective, Andreas Mayer is relieved about the decision: "We already had offers from two investors and didn't know how to assess

them. Fortunately, we then received professional support from Aquin, which saved us from talking to one of the two interested parties alone in the first place. In the presentation of Aquin's valuation analysis, we detected what was confirmed later on, when we received offers in the course of the professionally set up M&A process: the first two interested parties had tried to get a bargain". The detailed elaboration of a transaction structure that takes into account all the interests of the people involved is always one of the most important preparatory steps. The family's wish was to keep the brand, to stay involved and to maintain the entrepreneurial spirit. Financial investors were able to offer a more attractive package compared to MedTech corporations. "Our M&A advisor was able to cover our backs so that we could focus on our operational business. Aquin helped us to future-proof our family business with a broader team of shareholders and an investor. The involvement of our sales manager was also successful," says Andreas Mayer. "Aquin not only proved to be masterfully competent in all phases of the process, but also sensitive and with a strong feeling for our situation as a family business and the special company culture. From around 50 applicants, we found an investor that suits us and shares our values." Ultimately, the selected investor is EMZ Partners, a private equity house with French roots. In addition to the competitive offer, Klaus Maurer's team convinced with an open, direct and appreciative manner. Despite the intensity of the negotiations involved in a transaction, EMZ kept their focus on people and proved to be compatible with FotoFinder's company culture. A phone call with one entrepreneur of an EMZ portfolio company made Andreas Mayer confident that the entrepreneurial freedom in day-to-day business would largely be retained with this investor.

The first year with the investor

FotoFinder has continued to develop positively in the first year after EMZ's entry. The most important change is the professionalization of controlling. Although this caused some implementation effort in the first year of EMZ's entry, it has significantly improved the company's fact-based reporting. "For me personally, it would be sufficient to process the figures per quarter, but I see EMZ's justified need for information and the preference for monthly reports. In addition, I admit it, it feels good to have the reporting in place and to be able to check a gut

feeling at the push of a button," summarizes Andreas Mayer. "EMZ trusts us as a management team and does not interfere in day-to-day business. Thanks to the trust placed in us, we have the freedom to continue to run FotoFinder successfully in our interest."



Headquarters in Bad Birnbach (Picture: Dominik Gruss)

FotoFinder Systems GmbH

The family-run company based in Bavaria, Germany, was founded in 1991 and is a global leader in skin imaging systems. The focus is on the development and distribution of technology for Automated Total Body Mapping (ATBM) and digital dermoscopy, supported by Artificial Intelligence. Moreover, FotoFinder systems are used for hair consultation, psoriasis documentation, imaging in aesthetics as well as in clinical dermatology and research. The brand is known for its pioneering role in dermoscopy and skin visualization, continually setting new standards in these fields.

FotoFinder is represented around the world with subsidiaries in the USA, Italy and UK and a global network of distributors. The life-saving technology is in use in more than 100 countries.



Prof. Dr. Hermann Requardt
Senior Advisor for the
MedTech Industry at Aquin,
Former CEO of Siemens
Healthcare

(Picture: Siemens AG)

» The MedTech industry will change significantly over the coming years. Demographics and advanced medical technologies are placing additional demands on medical service providers. Business models need to be adapted to manage the shift from fee-for-service to value-based healthcare. The increasing economic importance of health is pressuring MedTech companies to help their customers to achieve better outcomes at a much lower cost.

Many German medium-sized companies have achieved great success through their technological leadership. If they want to remain successful in this market, they will have to invest all their energy in the digitalization of their business models, in mastering the increased regulatory requirements and in their own international growth. M&A can play a key role here. «

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Martin specializes in the purchase and sale of technology-oriented companies, corporate spin-offs, management buy-outs and growth financing. As an internationally experienced M&A expert, he has successfully completed numerous transactions. Prior to joining the M&A business in 2005, Martin worked at Siemens Corporate Technology. He graduated with honors in business administration and studied technical physics at the Universities of Graz and Manchester. Within the Aquin's Board, he heads the office in Munich.

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With a degree in business mathematics, Felix started in 2012 in the investment banking department of a bank in Frankfurt before joining Aquin's Munich office in 2015. Due to many years of transaction experience in medium-sized companies in various industries involving company successions and carve-outs, Felix now leads national and international sales and acquisition projects as a Managing Director.

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