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German firm pays \$200 million for Renal Solutions

Pittsburgh Business Times - by [Kim Lyons and Patty Tascarella](#)

The first company funded by the **Pittsburgh Life Sciences Greenhouse** has been acquired by a German dialysis company for \$200 million.

Warrendale-based **Renal Solutions Inc.** was acquired this week by **Fresenius Medical Care**, said Renal CEO Peter DeComo. The transaction included \$190 million in cash and \$10 million in assumed debt, DeComo said.

"It's a huge deal for Renal, and it's a huge deal for the region, to have a success like this," he said.

Fresenius posted a release to its Web site detailing the specifics of the deal: it will pay Renal \$100 million at closing, and \$60 million after the first year, and up to \$30 million in milestone payments over the next three years, as well as the debt consideration of \$10 million.

Renal will be a wholly owned subsidiary of Fresenius, and will remain in the Pittsburgh area, he said. DeComo will stay on as president and CEO.

Renal Solutions develops and manufactures products to treat kidney disease. Its Allient dialysis system received regulatory clearance from the Food and Drug Administration in 2006, enabling it to market the product to hospitals.

Fresenius Medical Care, based in Bad Homburg, Germany, was founded in 1996. It is the largest integrated provider of products and services for dialysis patients in the world, DeComo said.

Fresenius' third-quarter report shows net revenue increased 9 percent year-over-year, to \$2.5 billion. Net income was \$181 million for the quarter. Its North American revenue increased by 3 percent in the third quarter, to \$1.6 billion. In its 2007 outlook, Fresenius projects overall revenue of \$9.5 billion for 2007. It has more than 37,000 employees in North America, and nearly 57,000 worldwide. Its U.S. headquarters is in Waltham, Mass.

Dr. Ben Lipps, Fresenius' CEO, called the acquisition an important step to advance the company's technology. Future innovations may include a possible "wearable" kidney, according to a statement from Lipps.

"The combination offers us the long-term opportunity to extend our leadership to home and acute dialysis products," Lipps said.

Renal has been in many ways a poster company for the local life sciences community. It relocated here from out-of-state, attracted investors who went on to back other local companies and received significant support from the region's largest health care players.

"Pete DeComo has built a successful company, as evidenced by the acquisition by Fresenius Medical Care," PLSG President and CEO John W. Manzetti said in a statement. "We are very proud to have watched Renal grow and to have helped with their product development strategy and market positioning through the efforts of our executive-in-residence program."

Dennis Yablonsky, secretary of the state **Department of Community and Economic Development**, was PLSG president and CEO when Renal moved to the region.

"The relocation of Renal Solutions to southwestern Pennsylvania was one of the first steps that the PLSG made toward growing a thriving life sciences industry in the region," Yablonsky said in a statement. "The news about its successful exit is proof that the life sciences are thriving in southwestern Pennsylvania and that the PLSG is well-poised for the continued commercialization of innovative life sciences technologies and ensuing job and wealth creation for the region."

A native of Ford City, Armstrong County, DeComo had come up through the ranks of UPMC Health System. He chose to relocate Renal here from West Lafayette, Ind., in 2002 to capitalize on his connections in the region.

In 2000, Renal had spun out of **HemoCleanse**, an Indiana-based developer of a liver dialysis product. DeComo, who had been HemoCleanse's COO, saw potential for a home-based kidney dialysis machine. A year later, he rolled in an acquisition from Oklahoma City, a cartridge manufacturer that generated annual sales of \$4 million -- enough to get the young company off the ground.

More than \$18 million in an initial financing round in late 2002 was icing on the cake. The round, which included money from UPMC and Highmark Blue Cross Blue Shield, marked the first time the two health care giants co-invested in a company. Subsequent funding rounds attracted venture capitalists from Indiana and Ohio who invested in other Pittsburgh startups.

Gary Glusser, a Renal director, said the company has been working with New York investment bank Morgan Stanley for more than two years.

"It was like we were on a dual track: Take it public or find a strategic buyer," he said. "We knew there were companies out there that would be interested in the technology, and we contemplated raising another round of funding and then do an IPO a year later.

"But we decided to go with the bird-in-hand theory. This is a perfect fit. It was really Pete who worked to keep a presence here. We'll be the R&D arm of Fresenius."

Glusser is a partner of North Side-based **Birchmere Ventures**, which has backed Renal

since 2002. He said the sale will provide "a significant exit," but would not say how much Birchmere will earn in the deal.

"I'm happy," he said. "This will provide a good return for our limited partners."

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