

Aethon Raises \$14M, Plans to Expand TUG Robot Distribution

by *Beth Murtagh and Patty Tascarella*

Aethon Inc., a Robinson Township-based developer of robotic delivery systems for hospitals, has landed \$14 million in its latest, largest and possibly last round of funding.

Aethon CEO Aldo Zini said the money is earmarked to speed the expansion of its self-guided TUG robots in hospitals nationwide.

“Accelerating our growth, while there’s no direct competition, (is) a smart strategy to get as much market share as we can and get as many TUGs out there in as many hospitals,” Zini said.

Aethon will add between 30 and 50 employees to its research and development and sales teams, Zini said. It currently has 115 employees.

Henry Thorne, Aethon founder and a board member, credited Zini’s salesmanship as a key factor in raising the round. Added to its four previous rounds, the company has raised \$36.8 million.

“It’s very hard to do, sell a fifth round of venture capital,” said Thorne, who subsequently founded Strip District-based **Thorley Industries** LLC, where he is chief technology officer. He also owns a large number of Aethon shares. “Aldo is one of the most skilled salesmen I know, and that is valuable when trying to sell an expensive, complex product in a complex environment as well as raise money for a company.”

Aethon has expanded its client list to about 100 hospitals, the majority on the East Coast, Zini said. The company has started to make inroads on the West Coast, most recently with a contract to lease 17 TUGs to two Los Angeles hospitals.

He declined to discuss specific revenue numbers, but said the company has doubled its revenue each year since the TUG’s 2005 commercialization and expects the same increase this year.

“What we’re seeing is hospitals are looking to buy more TUGs on the initial order,” Zini said. “They’re now starting to say, ‘We’re going to automate the whole application.’”

Early client **Magee Women’s Hospital** in Oakland, for example, now leases eight TUGs, Zini said.

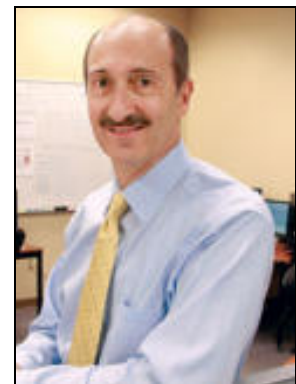


photo by Joe Wojcik

Aethon, Inc. President and CEO Aldo Zini says Aethon plans to add between 30 and 50 employees to its research and development team and sales teams.

Aethon's fifth round of funding could be the company's last capital raise, should the company reach profitability next year as projected, Zini said. This round also came with a higher valuation for Aethon.

"We feel pretty fortunate," Zini said.

From 2005 through the first half of 2008, **National Venture Capital Association** data revealed that the average funding round for a robotics company catering to the health care sector is \$14.36 million. Aethon, said John Taylor, NVCA research director, "is right in the sweet spot."

"There aren't a whole lot of these deals, just a dozen in the past three and a half years," Taylor said. "But, no question, the demand for better health care and more user-friendly services will continue to go up. This has long been viewed as a very investable and growing area, but that doesn't mean every company will be successful."

Investors included several who have supported Aethon in the past, plus newcomers Quincy, Mass.-based **Nexus Medical Partners** and New York City-based **Radius Ventures** LLC, who led the round. The existing investors are: Trident Capital, **Pacific Venture Group**, Salix Ventures, **Ascension Health Ventures** and **Draper Triangle Ventures**, the only local firm.

"It's always viewed as a good sign when the original investors come back for another round and bring new investors into it," Taylor said.

Nexus Medical Partners chose to put up about \$4 million with its German affiliate, Nexus senior partner Gregory Zaic said.

"One of the reasons why it's such a good fit for Nexus to invest in Aethon is that with our European affiliate, we could play a key role in advancing Aethon in Europe," Zaic said.

The company's exit strategy is either an acquisition by a bigger company or an initial public offering, Zini said.

"Right now, it's up in the air," he said. "We're not leaning one way strongly. We'll let the market bear that out."

Aethon's TUG robots, which are assembled at the company's 13,000-square-foot facility, deliver drugs, catheters, intravenous pumps and other supplies to nurses. Infrared light sensors help them stop to let people pass in hallways, and the robots call the manufacturer's help desk when they get stuck. Hospitals lease each unit for between \$1,500 and \$2,000, Zini said.

The TUG system is exciting because the hospital is just the first of many potential markets, Zaic of Nexus said, and can be used anywhere that objects need to move from one place to another.

"The Aethon TUG does it 24 hours a day, 7 days a week and never takes a sick day," he said.

Aethon Inc.

Developer of robotic delivery systems for hospitals

Based: Robinson Township

Founded: 2001

CEO: Aldo Zini

Employees: 115

Amount raised in latest funding round: \$14 million

Total funding raised: \$36.8 million

Web: www.aethon.com