

A Transcript of BioMedGPS Interview with Nick Deeter, Founder, Chairman of the Board, and CEO of Wishbone Medical – February 16, 2018

Lisa Mahan here today with SmartTRAK. Today I'm at WishBone Medical Headquarters in Warsaw Indiana talking with Nick Deeter. WishBone Medical's founder, chairman of the board and CEO. Hi Nick, thanks for talking with me today.

Nick Deeter: Thanks Lisa.

Can you start by telling us a little bit about WishBone Medical? What it is, when it was founded and how it evolved to where you are today.

Nick Deeter: Sure. We've only been around about a year. Started it just last January. But we're a pediatric orthopedic company. We make implants that are anatomically appropriate for children. I've done this before. It's about 12 years ago that I started another company that's in this industry. Even though we've only been doing it a year, it seems like I've been doing it for a long time.

Your focus is on pediatric orthopedics. What are the advantages of being a company solely focused on this segment?

Nick Deeter: I think what's unique is that our customer is unique. What makes kids different from an orthopedic standpoint is they have growth plates in all their bones. And that's what makes kids grow. The typical adult orthopedic company, they don't worry about their customer having growth plates and how you deal with it. We don't know a lot about the growth plate, only we do know they don't like screws put through them and they don't like holes drilled in them. When you start thinking about an orthopedic issue of whether it's trauma or deformity correction, you want to stay away from the growth plate or use the growth plate to help guide growth in kids. And that's really what makes a difference. We focus on the fact that our patient or our customer has growth plates in them.

In your estimation, how large is the addressable market for pediatric orthopedics? And what segments are you initially targeting?

Nick Deeter: It's about a two and a half billion-dollar market worldwide. It's dominated by about half of that market being in the spine market, mostly scoliosis in children. Deformity correction in the spine. The market itself is segmented into different sections, trauma is a big part of that market, deformity correction of long bone, there are a lot of sports related injuries. One statistic I like to give is that 40% of all 14-year-old females that play soccer are going to tear their ACL. If you fix that ACL the same way you fix an adult anterior cruciate ligament, you've just drilled holes through two major growth plates. You may fix the ACL but you're probably going to have a limb length discrepancy or other problems with that limb. You have to pay attention to those things.

There's a foot and ankle market that is emerging very rapidly just in pediatrics. They have similar problems that adults have like juvenile bunions and hammer toe issues. So that is another emerging market. And then, as I mentioned, the spine market is one of the largest.

What markets are you targeting?

Nick Deeter: We're targeting all of those markets. The unique part about our marketplace is that the pediatric orthopedic surgeon more or less does everything when it comes to kids. They're not as specialized as the adult marketplace. When a kid comes in they may in the morning have a couple club feet they need to fix and they have a couple torn ACLs and then they'll have a scoli case in the afternoon. They do everything. What you want to do is surround that call point, you want to be able to stand at the surgical board with that surgeon and say, "I have a product for every one of your surgeries today."

What do you think is unique about WishBone Medical's technology and your approach to the market?

Nick Deeter: There's a couple pieces but the first thing is you actually have to make implants that are anatomically appropriate for kids. They either grow with the kids or stay out of the growth plate. Work with the kids. But then the thing that we've found to be the biggest issue is getting products to children. As I looked at some of the other models and it's really the model that all of orthopedics uses which is the old reusable cases and trays, put everything in big boxes, all your instruments, all your implants, Have to get that consigned to the hospital. That's the biggest issue in getting product out to kids all over the world, it's just extremely capital intensive to get that kind of product out. That's a big issue.

So what we do is every one of our implants and instrument sets are all in sterile packs, single use disposable kits. Everything we need to do, so when you do want to fix that ACL, you're able to have all the instruments, all the implants, everything you need right there in a reusable kit and we can ship that kit anywhere in the world next day.

Can you give us an overview of the first products WishBone Medical launched and the story behind why those specifically?

Nick Deeter: One of the things we wanted to do first was just get product out to the market as quickly as possible. The biggest issue in pediatric orthopedics is about 95% of the market is made up of using other orthopedic implants, mostly made for adults off label as far as the FDA's concerned where they cut it, bend it, tweak it, jam it into a kid, hope it works. That's 95% of the market. The interesting part is that market, it needs products, it needs a lot of products specifically for kids. We look at getting those products designed properly for kids but then the other side of that is making sure it gets to the children so they can use it. If you only have enough cases and trays to say cover half of the 268 children's hospitals in the US, that doesn't do a lot of good for the other kids that are at the children's hospital.

And then the other piece we've found is there's 3,400 hospitals just in the US that are doing pediatric orthopedic surgery. They have none of the right product. They're literally MacGyvering their way through all these surgeries and putting in product that's just never been tested or accepted for kids. And then when you start seeing the trend in the industry moving toward the surgery centers, that's where most of the surgery for kids ought to be done. Kids heal very rapidly, they ought to go into an ASC and have their surgery done, and they hobble in and they're going to get fixed and they hobble out and then in two weeks they're better.

What products do you have on the market now? And can you give us maybe a view on some future?

Nick Deeter: We started in the first year which was just last year, we launched seven different product systems. We started with products that I would consider not necessarily our best products but the easiest ones to get launched into the market. A lot of those are instruments. One of them that's been our biggest success is a screw removal kit. Right now if you break a screw in surgery, which in orthopedics they break lots of screws in surgery, it's an emergency when it comes to pediatrics because then the kids can't stay under anesthesia as long, they lose a ton a heat in the operating room. So if you have a broken screw and then you have to send somebody from the operating room, scurrying around the hospital to try and find your broken screw removal kit, well good luck. And then when you do find it, if it's sterile or not, you don't know. The tool you need may not be in it. That's a logistics nightmare.

We have three different instruments of three different sizes that'll take out any screw. We treat it more like the fire extinguisher on the wall. When you have a broken screw, it's an emergency, you grab your little kit, open it up and get that screw out and you move on with your surgery. That was one of the innovative first products we did.

And then other ones, we started doing some of our implants that were also easy, there's a large number, the largest number of fractures in kids is around the elbow. Everybody fixes them the same exact way. You put three different K-wires, the radius, ulna and the humerus and fix it. But again if you think about the logistics of well where do you get your K-wires? Well they're probably in the bottom of somebody's case and tray. You don't know whose case and tray so you open a bunch of them up and contaminate them. And then you find the K-wires laying in the bottom and then you don't know what size they are exactly. You don't know what tip's on it. We've just given them a cute little kit that has everything they need in it and they can grab that, fix the elbow and move on.

Our initial products were all around getting them through the FDA quickly and out to the market or as an instrument you don't need to go through the FDA and then just give surgeons what they need to make their job easier.

What's been the reaction from surgeons so far and do you see anything that will specifically drive or limit adoption?

Nick Deeter: The response has been great from surgeons. We start all of our projects with surgeon design teams. We really have surgeons designing products for other surgeons and they know what the limitations are, what the real needs are in the marketplace. We proudly spend more time with those key opinion leaders trying to get them to make the product so everybody can use it. Most of these guys are so good that they can make anything work. We make them start thinking about making it simpler, easier, getting better outcomes, duplicatable results and that's how we start all these design projects. There's just so many, when you really think about a two and half billion-dollar market with 95% of it being all the wrong stuff, it's almost unlimited where you can go with new products.

Have you gotten any feedback or have any stories about how it's impacted pediatric patients?

Nick Deeter: Yeah, probably the favorite one just happened this past week. We've set up a foundation here, WishBone Orthopedic Foundation to get pediatric products out to parts of the world that just don't have either the economic means of ability to attract products and surgeons. More of the mission trip kind of applications. We just sent a whole bunch of fracture management products with an orthopedic surgeon, pediatric orthopedic surgeon down to Ghana this week. They have horrible traffic

accidents all the time. Kids that have fractures that don't get fixed properly. So she used to do these sort of trips and it took months of logistics to try and get cases and trays into the country, make sure the government doesn't take it hostage, do all these things that make it difficult to get product and then once you used it once, you have to figure out how to sterilize it. Most of them don't have autoclaves that work right so you don't know if you're using sterile product.

She literally took a bunch of our products in a couple of different duffel bags and she was just excited about the fact that she got down there, opened them up, fixed a kid and moved onto the next one, fix another one. That's pretty gratifying when you see that happen and the way we package product allows that.

Earlier you mentioned clinical results. Where are you at in terms of clinical trials? Are you doing any studies on your technology?

Nick Deeter: Fortunately, there's so much need in our marketplace that we're avoiding all the different technologies that take clinical trials. That's a long and expensive process. There's so much low hanging fruit that we can latch onto and make product. So we really focused on products that don't need any more than a 510K. During that process you do a lot of testing and cycle testing and engineering testing but that's all pretty standard and we would do that normally with all of our products. Our quality system is very elaborate, and we just got our ISO1345 approval. We go one step further and we more or less say, "Would you feel comfortable putting that product in your child?" There are probably companies that can't answer that question, but we do.

What do you see is the biggest challenge in competing with larger or more established companies? And how do you see WishBone overcoming that challenge?

Nick Deeter: We get this from investors that we talk to a lot. They're like, "Why wouldn't the big orthopedic companies just do this?" One, they don't have the knowledge base to do it. The biggest competitor and the largest company in our marketplace is Synthes. They don't even know they're in the marketplace. They're doing probably \$500 million a year of their different plates and screws that get altered and bent and put into a child. They have one product director that spends half her time focusing on pediatric orthopedics. So they're going to have their one person with virtually no budget, maybe enough to do a brochure against our 20 experts that we have here, it's almost not fair. We use the motto of it's not the big that eat the small, it's the fast that eat the slow. I think we actually welcome the competition. There's just so much need in the marketplace but if anything we probably don't have enough competition.

What products does WishBone have in its pipeline for the next year? When can we anticipate their launch?

Nick Deeter: Over the next 18 months in our pipeline we have 26 different product systems that are in one form or another ready to go. We'll be launching a full line of trauma and deformity correction products. Those will all be on the market by this May. We're moving at light speed and getting products ready. That's going to give us somewhere in the 30 to 35 product range. I think that covers most of the market. But they're all going to be in different areas. There's trauma, there's deformity correction, sports related injuries, foot and ankle is another big market and spine is probably the most unique and most exciting for us that we're launching right before what they call scoli season. Which is when children

are not in school. Scoliosis season starts the last part of May and goes through the middle of August and gets about a two week window in December.

We've been able to take what the industry norm has become, 10 to 12 big cases and trays full of implants and instruments and we've been able to turn those big cases and trays into some cute little kits inside in a little carrier box and we can do it in about three or four nice size sterile pack kits where everybody else is trying to drag in 12 big cases and trays. So that's going to be a paradigm shift in the marketplace.

Can you share a little bit about your distribution model? Do you distribute directly to the hospitals and the ASCs? Or how do you get your implants to them?

Nick Deeter: We've put together a sales force of all independent reps. They're people I've known over the years, our president's known. We have a great team here that I think we add it up we're almost 200 years of experience in orthopedics which we're old and we get that. We've been around a while. So we know people and these are well healed distributors that 25 years ago they made a lot of money selling hips and knees and 15 years ago they made a lot of money doing spine and then they started looking for niche markets that were growing because their other business was getting flat. Most of them got into upper extremity at one point in time. Then they moved into foot and ankle. And it's almost as if the pediatric orthopedic market is the last frontier in orthopedics. It's growing faster than any other segment in orthopedics right now. That's really what has enabled us to attract a great sales force. These are all independent distributors that'll cover the whole US and we use stocking distributors outside the US.

Thank you for talking with us but before we go, I have to ask, can you tell us about the significance of the picture behind you?

Nick Deeter: Sure. As a matter of fact the Kosciusko County Historical Society is doing a whole story on my great, great aunt, Ostia Lucille Smith. I think it's going to be in their May edition. But anyhow, it's a interesting story because when you hear the orthopedic story, most people know it started with Revra DePuy who came out with the first wire mesh splint. Before that it was barrel stays and cloth or you just amputated the limb. This was a way to save a limb. They were splints to help heal fractures. The very first sales rep for Revra DePuy was my great, great aunt Osti who you see the big picture of Aunt Osti with her steppy hat. She was the first sales rep and literally would take a suitcase or two of these wire mesh splints, hop on the train and when she sold them all, she came back and got more.

Well then her best friend in Warsaw, was a lady of by the name of Bertha Zimmer and she told Bertha about it. So Bertha become the second sales rep in orthopedics and so you have two women out at a time, this is the early 1900s, pioneering this whole new orthopedic idea and they were the first sales reps and then Bertha had some real success with it, told her brother who was J.O. Zimmer about this whole orthopedic thing and that usually where the story starts in Warsaw is where J.O. Zimmer and Revra DePuy got together and started working together and then eventually they split off and what became what's today Zimmer Biomet and DePuy Synthes, a J&J company.

Do you have any parting words for us on what's next for WishBone Medical? Where do you see the company going?

Nick Deeter: Dane Miller who started Biomet was a good friend of mine and Dane Miller would always say to me, "You're not a real orthopedic company until you have two things." I thought it would be like money and technology. He said, "No, you need a lawsuit, you need a good a lawsuit and you need total joint." Well we got lawsuits right away from our competitors when we started so we covered that and our next big product is a total hip for kids. Right now they still use dog hips in kids. There's actually more hips for canines than there are children. Small adult hips don't fit very well in kids. Actually dog hips fit better in kids. And they're a lot cheaper so you see them being used but that the wrong way to do medicine. It's not the right product. We're working on a joint development project with Hospital for Special Surgery in New York to develop the first standard line of total hips for children.

When you have kids with hip dysplasia, they have juvenile rheumatoid arthritis which is very painful and a real problem but we're starting to find that one of the biggest markets for total hip in a child are cerebral palsy patients. There's one out of every 323 children born in the US today has cerebral palsy of some form or another. And it's growing and growing. We've talked with a number of surgeons that said, there's a point in their life where they're not growing anymore, you don't want them to grow anymore. They're confined to a wheelchair, there's other issues, where if they had a total hip put in, they may just be more comfortable, pain would go away, they'd get better range of motion. So when you start thinking about that, that's one of those opportunities that we could build a company just around making total hips for kids but we want to do more than that. But it'll really shift the actual hip marketplace. That's coming. That's a bigger project that's going to take us a little while but we're pretty excited about that project.

Well thank you. Thank you for talking with us today.

Nick Deeter: Thank you.