

Optos to cement leadership in “\$2-3bn” retinal imaging market

Over the past few years, retinal imaging firm Optos has undergone a series of boardroom changes and business restructuring to help strengthen its bid for market leadership. Joseph Harvey met with CEO Roy Davis and the firm’s newest recruit, CFO Christine Soden, to find out how these changes have aided the company

According to Roy Davis, CEO of retinal imaging specialist Optos, 2009 was a year of transition for the company. Over the last couple of years, Optos has been searching for the right formula in the boardroom, having reshuffled its management team and board of directors several times. This uncertainty, coupled with the fallout from the recent global economic recession, has hindered the firm’s progress in the retinal imaging market.

This year, however, saw the first signs of a turnaround from the company. In the 12 months since Mr Davis joined Optos, he has implemented a new business strategy in a bid to make the firm more efficient and effective.

The management team has been streamlined and, during fiscal 2009, around 50 members of staff were cut from the company’s roster. A new sales force structure was implemented, with the team re-incentivised and re-trained. The firm has reorganised its customer base, removed underperforming P200 systems and changed its pricing strategies.

The Dunfermline, UK-based company recorded preliminary revenues of \$97.2m for fiscal 2009, a 4% drop compared to the previous year. However, revenues from pay-per-patient contracts, which Mr Davis said make up Optos’ core business, increased by 2% to \$93.5m.

The firm’s bottom line was impacted by \$6.3m of one-off charges related to restructuring and staff cuts. Net loss was \$4.3m, compared to a profit of \$4.6m in fiscal 2008. However, the company’s net debt did improve from \$58.4m to \$46.2m.

According to Piper Jaffray analyst Julie Simmonds, Optos’ results were in-line with her forecasts, while Nomura Code analyst Gary Waanders said the figures were ahead of his expectations and provided a “positive outlook”.

Key clinical evidence

However, now that the company has a settled management team in place, the next hurdle is to gain validation of its technology as the gold-standard in retinal imaging.

Optos’ core platform technology is the Panoramic200 (P200) series of scanning laser ophthalmoscopes. These devices produce a high-resolution image, which the company calls an “Optomap”, of approximately 82% – or 200 degrees – of the retina in a quarter of a second. The scan allows practitioners to make early detections of retinal disorders such as glaucoma, diabetic retinopathy and age-related macular degeneration. Additionally, this type of retinal imaging can also highlight various non-eye or systemic diseases such as diabetes, hypertension and certain cancers.

Mr Davis explained that because there are no nerve endings in the eye, damage to the retina does not necessarily cause pain. This means that many eye complaints can go undetected when using the current gold standard of retinal imaging.

Conventional eye imaging technology such as the fundus camera developed by firms like Canon and Nidek requires seven or eight separate images to be taken of the retina and then pieced together. This technique takes longer to complete and can lead to an imperfect image of the retina. Ophthalmoscopes can also be used to image the retina, however they can only view a much smaller percentage of the retina than the P200 system, thus missing potential problems on the periphery. Optos claims that its technology provides an unequalled combination of ultra-widefield retinal imaging, speed and convenience for both patients and practitioners.

Pay-per-patient plan

The firm’s business strategy is focused on a service-driven relationship with its customers. Ms Soden told *Clinica* that eyecare practices typically enter into initial minimum three-year,

pay-per-patient agreement with Optos. The company gains revenue from each Optomap exam. To sustain a recurring revenue model, Optos provides ongoing clinical, educational and marketing resources, as well as technical assistance, to support its clients in increasing the number of patients they see and to maximise adoption rates of the examination.

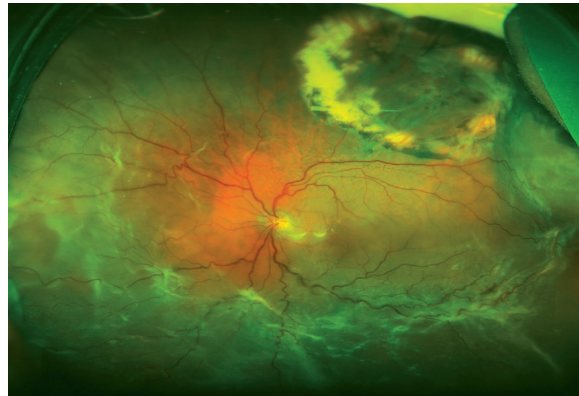
Mr Davis explained that adoption rates vary from client to client, depending on whether or not the practitioner actively sought to offer an Optomap scan to every patient. Most practices that have a P200 installed currently use an ophthalmoscope or a fundus camera to give patients a

routine retinal scan and then, if the practitioner senses potential damage to the retina, an Optomap scan is offered to the patient.

Mr Davis told *Clinica* that two years ago the company “was trying to do too many things at once” by focusing on a capital-intensive business. “Two years ago, the company should have been driving the usage of placements not the number of placements themselves”.

So, with an eye on providing ongoing customer care, the next step forward for the company is to grow its installed base but “not get ahead of itself”. Optos is aiming to build a strong foothold in its established geographies in the US and Europe by raising patient and professional awareness of the technology and gaining clinical evidence of its effectiveness. To help achieve this evidence, the company has over 20 clinical studies underway with another 20 planned for 2010.

Mr Davis estimated that the market value for retinal exams was around \$2-3bn. “Over the last few years, the market grew because of Optos. We stimulated that growth,” he said. He added that Optos has the leading technology in the field of retinal examination, and is aiming to achieve annual sales of \$300-400m.



Optomap: an image of a retinal detachment using Optos’ P200 system