
Michelson Diagnostics announces £1.912M investment to drive sales growth of revolutionary skin cancer scanner

Wednesday, 9th November 2011

Michelson Diagnostics ('Michelson') has announced an investment of £1.912 million by shareholders Octopus Investments ('Octopus'), Catapult Venture Managers ('Catapult') and individual investors from London Business Angels. The funds will be used to expand sales & support infrastructure in USA and Europe to respond to growing demand for Michelson's revolutionary unique laser scanning technology, which can image skin and other surface tissue at a much higher resolution than ever before.

The Company's first product based on its patented multi-beam optical coherence tomography (OCT) technology, the VivoSight scanner, is expected to revolutionise the market for the non-invasive diagnosis and treatment of non-melanoma skin cancer (NMSC). The VivoSight scanner has already won CE & Food and Drug Administration (FDA) regulatory clearance for clinical use in Europe and the USA, and has entered commercial service at leading dermatology clinics in USA and Germany, where it is attracting much clinical interest.

Michelson's VivoSight scanner enables clinicians to 'see' under the skin surface in real time, to help them decide whether to treat a lesion, what treatment to use, and to show them how far a tumour has spread, so that surgery is required only once and conserves healthy tissue. This is expected to make non-melanoma skin cancer treatment more efficient and cost-effective, and to be better for the patient by reducing unnecessary surgery. Looking to the future, the VivoSight scanner also has the potential to guide and monitor the use of next generation of non-invasive topical treatments for NMSC that are currently in clinical development.

At a time where non-melanoma skin cancer is said to be reaching epidemic proportions, an estimated 3.5 million new cases p.a. in the US, accounting for 4.5% of all Medicare cancer costs¹, and costing the NHS around £100 million p.a. in the UK^{2,3}, this breakthrough laser scanning technology could make a real difference. Professor Dan Siegel, a leading skin cancer surgeon with private practise in Smithtown, NY, and Professor of Dermatology, SUNY Downstate, says: "Michelson's VivoSight OCT system appears to be able to differentiate cutaneous tumours from normal epithelium and stroma, in real time⁴, and has great potential in helping pre-operation delineation of tumour margins, which can be both a time and cost saver in the US Health System."

Jon Holmes, CEO of Michelson Diagnostic, commented:

"In the last 12 months, the Company has made a lot of progress. We have built a rapidly growing installed base in the clinics of key-opinion-leader dermatologists, who have generated much clinical data and publications that demonstrate the great value of using VivoSight scans to reveal hidden detail of skin lesions. As a result, VivoSight is now being used, on a routine commercial basis, by top dermatologists to help skin cancer sufferers⁵. This investment will enable us to expand our sales, customer support, and production infrastructure, to respond to growing demand in USA and Europe."

Although its main focus is on non-melanoma skin cancer, during the year it also announced preliminary findings that suggest its technology could provide a breakthrough in the early detection of psoriatic arthritis⁶, a common complication of psoriasis.

Simon Andrews led the deal on behalf of Octopus. Funds were provided from the Octopus Titan VCT funds, the Eureka EIS Portfolio Service, Octopus Venture Partners, Advantage Enterprise & Innovation Fund, and individual investors.

Octopus was advised by Shoosmiths (Legal) and Mayfield Consulting (financial DD).

Michelson Diagnostics was advised by Rawlison Butler (Legal) and KDS Associates (commercial DD).

References:

1. H. W. Rogers, M. A. Weinstock, A. R. Harris, et al. (2010) "Incidence estimate of nonmelanoma skin cancer in the United States, 2006" Arch Dermatol, 146(3), pp. 283-7.
2. S. Morris, B. Cox & N. Bosanquet (2009) "Cost of skin cancer in England" Eur J Health Econ, 10(3), pp. 267-73.
3. Cancer Research UK (2005) "Skin Cancer in the UK - 2005," Cancer Research UK
4. Pomerantza et al. (2011)"Optical Coherence Tomography used as a Modality to delineate Basal Cell Carcinoma prior to Mohs Micrographic Surgery" Case Reports in Dermatology Vol.3, pp 212-218.
5. CBS News 'Healthwatch', <http://www.wcax.com/story/15901408/new-tool-helps-non-melanoma-patients-avoid-surgery>
6. Zehra, S. et al, "Optical Coherence Tomography: A New Tool to Assess Nail Disease in Psoriasis?" Dermatology (DOI: 10.1159/000329434), S. Karger AG, Basel.

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Notes to editors

About Michelson Diagnostics Ltd:

Michelson Diagnostics is a rapidly growing medical device company which has developed and brought to market a scanning device used to improve and accelerate care for patients suffering from non-melanoma skin cancer. Michelson Diagnostics' core product – the VivoSight® OCT scanner – is used by dermatologists to see below the surface of the patient's skin, allowing them to gather additional information about their patient's condition, and is

the first of its kind available to dermatologists. Founded in 2006, Michelson Diagnostics designs highly innovative instruments using multi-beam optical coherence tomography solutions. The company is headquartered in Kent, England with US operations in South Dartmouth, MA.

Further information about Michelson Diagnostics is available on the Internet at <http://www.md-ltd.co.uk/> or by email to enquiries@md-ltd.co.uk.

About Octopus Investments Ltd (www.octopusinvestments.com)

Octopus Investments, founded in 2000, is a leading investment specialist. It offers innovative core and satellite investment solutions to UK investors, and a wide range of funding options for exceptional companies. Its core investments include a discretionary management service, multi-manager multi-asset OEICs, and single manager OEICs. These are complemented by a range of satellite solutions, including venture capital trusts, enterprise investment schemes and inheritance tax products. Each product has been designed to solve specific problems faced by financial advisers and their clients. Its funding solutions cover the entire capital structure, from equity through mezzanine to senior debt, and it seeks out outstanding management teams in unlisted companies with whom it can partner.

Octopus has built its business around three core pillars: customer led innovation, excellence in customer service and the quality of its people. It employs more than 200 people and currently manages more than £2.3 billion on behalf of investors. Octopus has won a number of awards for its products and customer service, has twice been voted one of the best 100 SMEs to work for by the *Sunday Times*, and is one of only two UK fund management companies to be AAA rated by financial advisers for customer service.

About Catapult Venture Managers (www.catapult-vm.co.uk) Catapult Venture Managers Ltd is a leading private equity fund manager with one of the largest investment teams in the Midlands operating from offices in Birmingham and Leicester. With £80m in funds under its management Catapult seek equity investment opportunities from £200k to £2m in growing businesses.

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Catapult Venture Managers Ltd is Authorised and Regulated by the Financial Services Authority.

For clinical use in the US FDA 510(k) K093520 applies:

VivoSight is a Multi-Beam Optical Coherence Tomography (OCT) system indicated for use in the two-dimensional, cross-sectional, real-time imaging of external tissues of the human body. This indicated use allows imaging of tissue microstructure, including skin, to aid trained and competent clinicians in their assessment of a patient's clinical conditions. US Federal law restricts this device to sale by or on the order of a physician.

The Michelson Diagnostics logo and the VivoSight name are the trademarks of Michelson Diagnostics Ltd and are registered in the UK, the US & throughout the European Union.

Further information about Michelson Diagnostics is available on the Internet at <http://www.md-ltd.co.uk/> or by email to enquiries@md-ltd.co.uk.