

Aurora Imaging Gets \$10M In Still-Open Series C

By Jonathan Matsey 5/10/2006

Aurora Imaging Technology Inc., a developer of breast imaging devices, said that it has raised \$10 million from Pharos Capital Group in a Series C round that remains open to strategic investors.

Olivia Ho Cheng, president and chief executive of Aurora, said, "We reserved \$5 million for strategic investors." The company is currently in discussion with several candidates and expects to close that portion of the round by the end of the month.

Aurora Imaging chose the offer from Pharos Capital, which learned about the company through a magazine article, over an earlier term sheet for a much larger Series C round, according to both Cheng and Michael Devlin, managing partner at Pharos.

Based in North Andover, Mass., Aurora has developed a magnetic resonance imaging, or MRI, device designed specifically for imaging breasts.

"It's an example of where a small company can innovate in a way where a large company can't," said Devlin. "Full-body imaging systems are largely used for back and bones and are geared towards organs and spine."

Imaging breasts - a crucial component of breast cancer diagnosis - requires a slightly different set-up. "The breast is very complex," Devlin said. "It's the positioning, the design." Those differences allow Aurora's MRI to make better pictures of the lymph nodes and chest wall, he said.

Aurora launched in April 1999 with the spin-out of the breast imaging technology by Caprius Inc. to investment firm Pacific Republic Capital. Cheng, who is also executive vice president of Pacific Republic, said that the firm invested about \$34 million in the company's first two financing rounds. With Aurora looking to expand with additional investors, she said Pacific Republic did not invest in this round.

Aurora had an offer from another investor group for a much larger Series C round. "They had a term sheet in hand, but that group was asking them to digest a much larger - \$25 million - amount," Devlin said.

"We didn't want to raise that much money this time," Cheng said.

Neither Devlin nor Cheng would name the investors in the other group, although Devlin said that they include "growth capital" firms, and Cheng said that the company was still in discussion with some for the remainder of the Series C.

Devlin said that he read about Aurora's technology in a magazine article and called the company up to inquire about the possibility of an investment. As it turned out, that alternate term sheet had already been delivered to the company. With a counter-offer, he said that he was able to make the investment in a very short time: two weeks.

Neither Cheng nor Devlin would discuss the valuations offered in either of the terms.

Devlin said that Aurora's MRI device is currently installed in 15 hospital and breast centers across the country, including Brigham and Women's Hospital in Boston, Breast Care Specialists LLC in Atlanta, and the Elizabeth Jekot MD Breast Imaging Center in Richardson, Texas. Aurora currently has 54 employees, Cheng said.

While Aurora occasionally sells its devices - at \$1.4 million a piece, with over half of that in profit - Cheng said that the company prefers to lease the devices or operate them outright at busy centers. "The reimbursement of breast imaging is favorable," she said. "After two or three, it's pure profit." despite the higher personnel costs, the services business is lucrative she said. According to Cheng, Brigham and Women's in Boston, where Aurora operates its machine as a service provider, typically sees about 14 patients a day, with each one averaging a reimbursement of \$1,000.