DOWJONES VentureWire Lifescience

Nanofabrics Co. Nicast Taps Insiders Toward $10M

By Jonathan Matsey

10/16/2008

Lod, Israel -- Nicast Ltd., a company developing medical applications for nanofabrics, has received a commitment from existing Israeli investors for at least $3 million of a projected $10 million Series E.

Existing investors, including Canit Management Investment, Israel Infinity Venture Capital and individuals, made the commitment, said Nicast Chairman Jacob Dagan. Specifically, the investors have committed between $1.5 million and $2 million for an upfront $5 million the company hopes to receive by the end of this year, and committed the same amount toward a second $5 million tranche the company would take a year later.

Based in Lod, Israel, Nicast was founded in 1995 by Chief Technology Officer Alex Dobson to develop electrospun nanofabrics to develop medical products out of biocompatible polymers. The materials, which can be designed as sheets or tubes, are planned for a variety of applications, the most advanced of which is to mimic blood vessels in end-stage renal failure patients whose own vessels have been injured by frequent dialysis puncture marks. That device, the AVflo, secured a CE Mark in September, and the company is launching European sales. U.S. 510(k) clearance is slated for the middle of next year.

Like human vessels, Dagan said, the AVflo vessel walls are highly porous - important to allow for frequent needle sticks - while not letting blood leak out. "At room temperature, the material becomes 70% air, 30% polymer," he said.

Dagan said the company has been funded to date largely by Canit and Infinity, who hold about 40% and 37% of the company, respectively. The company has raised about $15 million, including $2.5 million from Canit, Infinity and angels early this summer. In a bid to expand the investor base, he said, the company is hunting for U.S. investors to take the lead and complete the round.

While Dagan is still confident that he will have no problem raising the total $10 million, he said current market conditions may slightly delay the late-2008 close. "The people I've been talking to, they're still talking," he said. "But maybe it will happen a little bit later."

The funding will finance the U.S. and European launches of AVflo and the development of a second product, NovaMesh, for post-operative ventral hernia repair. The NovaMesh, currently

in animal studies, is slated to begin trials in April next year and receive U.S. and European regulatory clearances in September. While the company will reach break-even around 2010 on these products, Dagan said, additional funding would likely be needed for extra products, such as non-metallic stents, a spinal disc device and an artificial blood vessel with an endothelium, or inner lining, derived from human cells.

Dagan said Nicast, which has about 10 employees, also is looking to secure a EUR12 million ($16.1 million) grant from the European Union in 2009.

http://www.nicast.com