



**Pemba**  
Capital Partners



Device  
Technologies:  
The Founder Story

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Device Technologies (DT) is a leading global independent provider of advanced medical technology and services. DT sources, assesses and exclusively contracts specialist medical technologies which it believes it can introduce and grow in the Australian and New Zealand Healthcare markets. The business invests heavily in clinical education, representation, marketing and support to build market penetration through its extensive hospital and clinician networks. The business employs over 650 highly skilled healthcare professionals including product specialists, clinical educators, technical service engineers and regulatory affairs officers.

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Founders: Kevin Ryan, Bill Walker, John McQuillan and Peter Ord

## How was Device Technologies established and what was the vision of the founder group?

Device Technologies was established in Sydney in 1992 by John McQuillan, Peter Ord, Kevin Ryan and Bill Walker. Their vision, which remains the company's mission to this day, was to improve patients' lives by providing medical specialists with access to global leading-edge medical technologies and services. The founders started operations from a small garage in Leichhardt, but Device Technologies grew quickly as the quartet built a reputation for servicing the growing hospital networks.

**KEVIN COMMENTED:** "The Device Technologies story began with four close friends who had a united vision – to make a difference in the medical technology arena. With our wives playing instrumental roles in the company's early days, it was unanimously voted that Peter would fill the role of CEO and that Kevin, Bill and John would combine to create the small yet highly experienced sales force, and back office support. With no investors, Kevin and Bill put their family homes on the line to fund the project, while the third bedroom of Bill's family home in Leichhardt was used as their office with the garage serving as their warehouse".

**PETER COMMENTED:** "What really set us apart once we moved beyond the early startup phase was our passion for sourcing the very best medical technology from overseas and then providing outstanding clinical education, representation and technical support in the market in Australia. Take Intuitive's surgical robots which were brought here by Device Technologies and have already reduced patient hospital stays for a typical prostatectomy from 7 – 10 days to less than two days".

## Key early milestones for DT and the founders in the early years included:

**1993**

Agreed exclusive rights with global sterilisation leader STERIS Corporation and launched the 'SYSTEM 1' steriliser. This technology revolutionised endoscopic instrument sterilization. This required a total transformation of the Australian sterilisation standards and a review of how sterilisation could be achieved in Australia, a major achievement for the founders.

**1998**

DT introduces Arthrex's sports injury range. This is an area where surgeons in Australia retain a global best practice leadership position.

**2004**

Exclusive rights agreed to distribute the da Vinci Robotic Surgical System which was pioneered by Intuitive Surgical, representing the next frontier in minimally invasive surgery.

**1994**

Partnership agreement established with Arthrex – a US-based innovation leader in orthopaedic arthroscopic and Sports Medicine, surgical instruments and implants. Arthrex has consistently developed new products based on profound surgeon insight and understanding, leading to orthopaedic surgical solutions that produce exceptional patient outcomes and a loyal surgeon user base. Arthrex's core focus is to "Help Surgeons treat their patients better".

**2003**

Acquisition of the ophthalmic diagnostic business - OPSM instruments. This ophthalmic diagnostic range represents some of the world's best-known brands in the diagnosis and treatment of eye disease, e.g. Glaucoma and Macular Degeneration.

## How did the relationship with Pemba Capital come about and how did this change the business?

In 2007, John McQuillan decided to retire from the business and the three shareholders resolved to bring in an external investor. They chose Pemba Capital Partners.

Peter and Kevin were ambitious to accelerate growth. Both wanted to stay with the business. Bill was keen to continue but as an employee rather than as an investor. All three recognised they needed to find an external capital partner who could bring expertise and resources to build out DT's portfolio of products and market coverage.

After a short selection process, private equity firm Pemba Capital Partners (previously RMB Capital Partners) was chosen as the preferred investor.

**PETER COMMENTED:** "The three of us were very close. Had it not been for John's health issues we would probably never have considered bringing outside capital in. This made the choice of a partner very important as we were nervous about upsetting the good dynamic we had in

the business. The senior team at Pemba Capital had made a good impression on us and they've proven themselves to be a good fit and have been loyal and experienced partners for our business."

With a deep-pocketed investor on board, the business entered a new phase of growth and diversification. The founders recognised the need to bring new skills in and to begin the process of corporatising the business. Pemba Capital assisted them with a build-out of the DT leadership team which was expanded to include current COO Emma Cleary, who joined initially as CFO. External hires were joined at the top table by home grown stars like current CEO Michael Trevaskis who was previously the National GM for Sales and Marketing.





Emma Cleary and Mark Summerhayes

Between 2007 and 2011 the business moved to the next level as it successfully executed a 'buy and build' strategy which had been carefully planned with input from Pemba Capital. Nine major acquisitions were targeted and completed, including OPSM's ophthalmic surgical instruments division and HealthCorp, a provider of corporate health solutions and clinical training.

**EMMA COMMENTED:** "The founders hadn't done an acquisition before and they were naturally risk averse in terms of using external capital to drive inorganic growth and shareholder returns. Pemba Capital had real experience in this area and we planned and carefully executed a range of highly strategic bolt-ons with them that transformed the breadth and

depth of the business. These add-ons built scale and allowed us to invest in the internal M&A team, ERP and core services like Regulatory Affairs. Capabilities which lie at the heart of the DT business model. We structured integration, roles and incentives so as to retain key talent at the heart of each add-on and this really built the team strength."

Other changes during this phase included the strengthening of the Board with industry legend and long-term Johnson & Johnson MD, Rob Scherini joining the Pemba Capital representatives under the leadership of then and current Chairman Graham Lenzner.

## How was the founder succession programme planned and implemented?

As the business grew strongly through the \$250m revenue mark, in 2013 the founders and their co-shareholders recognized the need to plan for the future leadership of the company. Peter and Kevin were day to day leaders with roles as CEO and MD respectively, but they felt the younger leadership was ready to take the reins. The Board and Founders began the process of gradually transitioning three key team members into the top roles.

**MICHAEL COMMENTED:** "Transitioning from the National Sales role I held from

2002 to the Director Sales and Marketing in 2006 and then on to taking the reins as CEO in 2016 was a major personal and professional challenge. I was fortunate to have the support of two very dedicated and team focused founders and an experienced Board. Over the journey, each of them invested heavily in coaching and mentoring especially over the final three or four years after transition to CEO. I also attended the management programme at INSEAD in France for 6 weeks, found a strong coach and listened hard to the



experienced people around me. The gradual transition benefitted my career progression and lead to strong continuity and stability amongst the general managers most of whom have now been with me for over ten years.”

Following the accession of the leadership team in 2014, in mid-2016 a shareholder transaction was executed whereby Pemba Capital stepped up its investment in the business to take majority control. Pemba Capital also introduced an equity incentive programme for the senior team. This further aligned the senior management team of Michael Trevaskis (CEO), Emma Cleary (COO) and Ben Arthur (CFO), with the two founders retaining a small equity position and non-executive directorships.

The last two years have seen continued strong growth with revenues approaching \$500 million. The business has made further strides in developing new areas of expertise with a strong return made to the cardiac business. Reid Healthcare, a specialist in cardio thoracic products like the TAVI, and Pyramed, a leader in specialist stents, were acquired. Management developed a new multi-year growth planning process in consultation with strategy firm Bain, which will underpin an even stronger and more diverse business for the future.

The final step in the succession programme took effect in March of 2018. Peter and Kevin sold the remainder

of their shareholding to Pemba Capital and stepped down from their Board positions. This recent transaction marks the culmination of a highly successful 5-year succession programme. Careful planning and staging of this programme has enabled the business to grow revenues at over 15% every year. This has been achieved while fully transitioning from a founder to management/private equity ownership and to a classic C-suite of professional executive management. At the culmination of this process, the business and the team culture retain the same focus, passion and dedication which was the hallmark of early successes.

**BEN COMMENTED:** “We have seen many businesses struggle to cope with succession. The DT culture remains today every bit as customer-centric and innovation focused as it was on my first day back in 2002. What the Founders, Board and private equity shareholders have achieved is a textbook transition which puts us on a really strong footing talent wise, to continue to grow strongly in an industry that goes from strength to strength and continues to be in high demand.”



Magnus Hildingsson and Ben Arthur



CA-800 Corneal Analyser

## 25 years on how does Device Technologies look today?

DT has grown its technology portfolio today to over 30,000 highly differentiated products from leading global OEM partners, which generate revenues of almost \$500m from over 5,000 customers. An annual growth rate that has consistently exceeded 15% per annum through this period makes DT one of the fastest growing and most successful private healthcare companies in Australia and New Zealand.

The team's passion in sourcing new technologies lead it to evaluate around 50 new opportunities from around the world each year. About one in four of these are put through a rigorous assessment each year with feedback drawn from an unrivalled network of connections across 1500 surgeons, practitioners and hospital executives. From this pipeline, the DT team of 25 highly qualified regulatory personnel has established over 1500 current TGA registrations and has achieved an extraordinary 99pc success rate versus the industry benchmark of 20-30%.

**MICHAEL COMMENTED:** "A key element of the business model has been the success in supporting medical technologies in market. This is where

our clinical education programmes and in-market sales team activities allow us to put significant investment behind the technologies that we decide to back. Over the years we have introduced many ground-breaking medical products in the market here which have saved lives and shortened illness and recovery times. Arthrex for instance is now a clear leader in the resolution of sports injuries, which is an area that Australia and New Zealand has carved out clearly global best practice."

A defining theme underpinning this success remains the positive, can do engaging business culture, which the founding quartet put in place and fostered from the outset. Attracting, retaining and motivating the best talent in the industry has always been a focus at DT. This task has become easier given the diverse opportunities afforded to highly qualified staff, who can work across any one of 30 key medical specialties during a career at DT. The dedication and experience of this team in delivering improvements in patient care means working in surgery, catheter labs and clinics, alongside surgeons, physicians and healthcare professionals.



## What lies ahead for the business and where do we expect to see the next phase of growth?

Device Technologies is a clear leader in its industry with an unrivalled market position, built on superior access to technology and an ability to drive clinical education, adoption and superior patient outcomes. There is still huge growth available from the penetration of existing technologies like robotics into new modalities. Many of DT's core technologies remain under penetrated versus offshore market norms. The next frontiers for the business are to expand into core categories of the healthcare system where it has a limited presence today, but access to breakthrough technology. There are also new channels to market outside of the currently dominant hospital system, such as day surgeries, corporate, aged care, digital health and homecare. Finally, DT has the platform from which to carefully plan and execute a geographic market expansion in Asia, where many of its OEM partners could benefit from the DT business model.

**MICHAEL COMMENTED:** "We are tremendously fortunate to have a strong position in a healthcare system that has strong fundamental drivers around ageing, the incidence of chronic disease and technology development and adoption. In our home markets, we have less than 10% of the total market and feel like we have very significant market areas which represent great opportunities for us and our community. DT is passionate about supporting all Healthcare providers to ensure we continually find ways to make health more affordable and more sustainable for the future. We are truly fortunate in Australia and New Zealand to have a world leading healthcare system and at DT we have a responsibility to deliver improved patient outcomes now and into the future."

Magnus Hildingsson and Mark Summerhayes are Managing Directors of Pemba Capital Partners, a leading investor in small and mid sized private businesses in Australia and New Zealand.



da Vinci Surgical System





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