

HemCon eyes new markets

A deal thrusts the Portland company into the civilian sector

BY ROBIN J. MOODY
BUSINESS JOURNAL STAFF WRITER

HemCon Medical Technologies Inc.'s revolutionary bandages will soon be available to surgeons and emergency workers around the United States.

HemCon has signed a deal with Cardinal Health, one of the nation's largest medical distribution companies. The exclusive, four-year deal with the Dublin, Ohio-based company represents a huge push into the civilian market for fast-growing HemCon, which has traditionally focused on the military market.

Made from a shrimp-shell material called chitosan, HemCon bandages treat even the most severe wounds and have become standard issue for soldiers in Iraq and Afghanistan. Red blood cells and bacteria have a negative surface charge and chitosan bandages carry a positive charge; when the dressing is pressed on a severely



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bleeding wound, it binds electrostatically in one to five minutes.

The agreement with Cardinal covers sales of five bandages to hospitals, surgery centers and physician offices in the United States. HemCon recently re-engineered its bandages to meet the needs of civilian trauma and emergency medicine. New models are thinner, more flexible and sized differently than the original HemCon 4-inch square military bandage.

HemCon officials declined to speculate about how the deal would affect the company financially. But they did say a few key HemCon employees who used to work for Cardinal helped facilitate the deal in its early stages.

It's no coincidence that the domestic distribution agreement with Cardinal comes as six-year-old HemCon wraps up a third-phase expansion at its manufacturing plant in Southwest Portland. The \$9 million project boosts HemCon's manufacturing capabilities, enabling it to produce \$80 million worth of product annually.

The 11,000-square-foot addition includes room for a new \$3 million commer-

cial freeze-dryer. HemCon's work space now totals 42,000 square feet.

"In the past year our production capacity has risen sixfold," said HemCon CEO John Morgan.

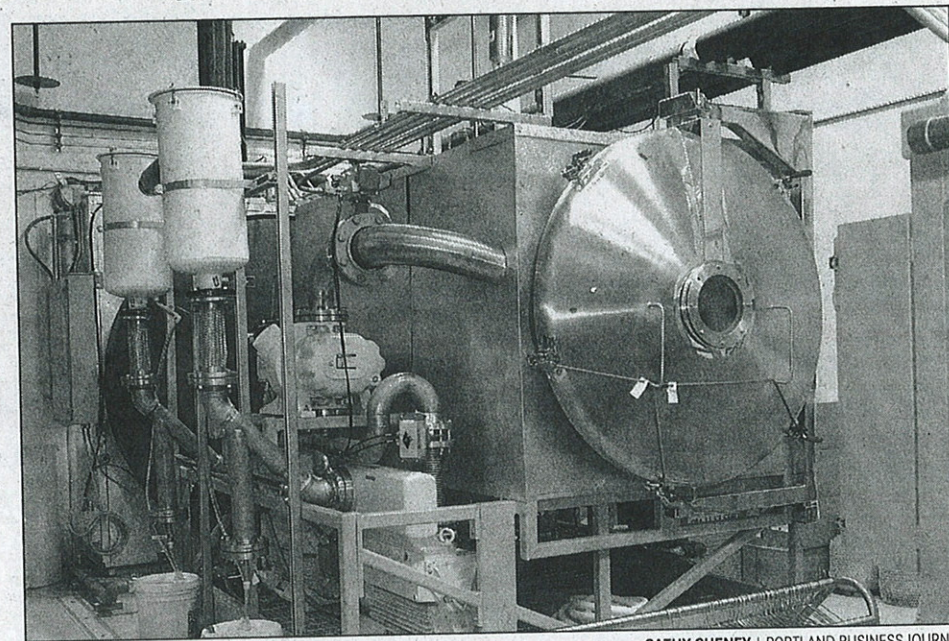
HemCon has 102 workers and reported \$24 million in revenue in 2006, up 100 percent from 2005. It expects to bring in more than \$40 million in 2007. Cardinal Health reported \$81 billion in revenue in 2006, up 10 percent from 2005.

Bandages will be co-branded with both the HemCon and Cardinal Health names and will be available through Cardinal Health's hospital supply distribution.

"This agreement makes our product portfolio more attractive," said Eric Timm, vice president of marketing for Cardinal Health's hospital supply business.

HemCon products will be added to the prepared sterile equipment trays sold to hospitals for use by surgeons, Timm said, and Cardinal will also target cardiac catheterization labs, interventional radiology labs and emergency rooms for sales of HemCon products.

In other news, HemCon is making final plans to sell its product over the counter at retail pharmacies by the end of 2007. A package of three small bandages will



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HemCon is ramping up production as it prepares to broaden its base beyond the military market.

sell for \$18. It's also aggressively brokering deals with overseas distributors to boost international sales. It has so far signed contracts with 21 distributors that represent 45 countries. International

sales are expected to comprise 10 percent of HemCon's revenue in 2007, Morgan said.

moody@bizjournals.com | 503-219-3438