

"I tell entrepreneurs: Don't invest in technology before validating the market"

Nearly a decade has passed since the Triventures began investing in digital healthcare companies and one of its founders, Michal Geva, speaks in an interview with "Globes" about getting started, about changes and new trends.

Gali Weinrab 09/09/2019



Michal Geva, Peter Fitzgerald and Netalie Nadivi, Partners at Triventures / Photo: Ramiz Zaranger

"In the past year, \$15B has been invested in digital health alone," says Michal Geva, a Partner at Triventures. "I still remember standing at our first investor conference in 2010 talking about "IT for MT", communication as part of medical devices, as we coined the field back then. At the time, everyone thought we were crazy".

The digital health field already existed in 2010 but focused primarily on hospital computing as well as software designed to allow the consumer to build a personal medical record (an idea that swept all major tech companies - but failed). Despite the existence of these buds back then, the approach of venture capital funds in the biometrics field has been somewhat skeptical. The feeling was that these are companies designed for those looking for a healthcare software model, which means cheap investment and quick exit, and doesn't have the depth of pocket or patience to go all the way with a "real" Biomed investment. Today, most biomed funds are also investing in digital health.

For Triventures, in 2010 this was not just talk. Triventures' first fund, founded by interventional cardiologists Prof. Peter Fitzgerald and Dr. Martin Leon in the United States and Michal Geva in Israel, invested in MediSafe and EarlySense alongside investments in traditional medical devices. "It was very difficult back then to find opportunities in Israel in the digital health space to invest in," Geva recalls.

This format of investing in digital health and medical devices proved itself, especially as the emphasis on digital health increased over the years. Triventures recently performed the first closing on its joint seed fund with Sheba Medical Center (Tel Hashomer) which will focus on digital health and is in the advanced stages of raising its fourth independent post-seed fund. Triventures has \$ 150 million under management.

What is the business model of the Joint Fund with Sheba?

Geva: "The fund was not necessarily designed to invest in companies that were initiated by Sheba doctors or based on Sheba generated technology, although we would of course be happy to do so. Sheba has an exceptional medical data reservoir and today because the strength of a digital healthcare company's algorithm is largely based on the amount of diverse data on which it can be validated, startup's access to Sheba data offers a significant competitive advantage".

Sheba's activity in the joint fund comes alongside the establishment of its Digital Innovation Center which aims to formalize the relationship between commercial companies and the hospital, also in the area of data usage.

"Detecting Health Deterioration Before it Happens"

How has the digital health sector evolved in recent years?

Geva: "First of all, there is no doubt that today the market truly believes that digital health is an industry here to stay. The main evolution of the domain is the emphasis on building clear business models. If in the past, investors and potential customers were enthusiastic about the fact that a company has gathered a lot of data and built an interesting algorithm, then today, the first question is - What is the real clinical change your product is making? And is anyone willing to pay for it?"

"When I speak with entrepreneurs, I always say, "Don't invest a dollar in technology before you understand the market, the needs and the various incentives that drive it. Only when it is clear who will pay for a particular solution should you start developing it".

Do you have an example of a company that made the transition from a data-focused model to a full-service business model?

"EarlSense (Triventures invested when the company was relatively mature). Initially, about 20 years ago, the company delivered a contactless sensor system positioned under the patient's mattress. It was able to detect falls, asthma attacks, hypoglycemia, pressure sores.

"Today, EarlSense's data-driven algorithms not only enable it to detect deterioration when it occurs, but even before. For example, it is possible to see that someone is going to have a heart attack or develop sepsis or distinguish this from a woman's ovulation.

Earlysense not only markets its sensing system but also the hospital bed of its partner, Hillrom, which has the sensor embedded in the bed.

"Let's take an international example (and not one from our portfolio), Teladoc, a remote telemedicine company which has been on the road for many years, began to reap the benefit of a US reimbursement code only 18 months ago and suddenly it has a model economic .The company's market cap has risen from \$ 250M in recent years to \$5B today.

"Livongo built an interesting business model when it decided to give end-to-end diabetes management services to mid-sized self-insured employers. Livongo's product is specifically tailored to these insurers handling the service from start to finish. On the other hand, as since both of these are small companies, they are agile and can quickly implement solutions. Livongo was listed publicly at a \$3B market cap, inspiring other companies to provide such unified service in areas other than diabetes, but Livongo succeeded in being the first to crack this nut and figure out a new business model" .

Another trend that Geva points to is the integration of products into the healthcare system and making them accessible to consumers. "6over6, our portfolio company has developed an optometric exam using the smartphone. With another click, you can order prescription glasses online. And if you live in the US, you can receive your personalized medical device - because glasses are just that – within days and at half the price than in the store" .

Another example is the "Quantified Self". The enthusiasm for just measuring parameters has already diminished, and today the question is what am I measuring this for. For example, Fitbit and have evolved into sports watches that also offer a training program and from there we now see products that also deliver therapy, such as our portfolio company Cala Health, which develops a wrist wearable which delivers personalized nerve stimulation for a variety of illnesses, based on the data collected.

At the beginning of digital health, many developed consumer apps .Has the market really evolved in that direction, or is there a preference for products sold to hospitals or through doctors?

"6over6 is exactly such an example that is directed to the consumer. The idea is that you don't necessarily have to go through a doctor, although in certain cases it is appropriate, but you have to have a real business model, which means while the consumer may be the ultimate user, they are not always the paying customer. With apps, if we want insurance companies to pay for them, we need to prove that the product can actually save them money. For example, Medisafe, which has developed an app that sends reminders for taking medication and also provides information on the user's conditions, has shown that its product can actually reduce morbidity" .

Lifestyle change is known to be one of the healthcare system's high hopes for improving public health while saving costs.

"Today, the whole world is heading towards lifestyle and wellness, not just the "fanatics" from California. Everyone has defined the boundaries of health for himself. For example,

companies in the field of meditation and mindfulness have developed direct-to-consumer apps and are doing great, although they have not proven saving money for the healthcare system.

"There is a lot of room to digitize in these areas and to make desirable lifestyle habits accessible to every person's home. For example, Peloton offers digital fitness bikes on which you can participate online in a spinning class with an instructor. On the screen you can see your personal result, versus the results of all the other participants in the live class. The instructor doesn't see you physically but sees your results and can shout out "Great job" or "You can do better"! This competitiveness does something and I've seen people sweat on these bikes like I've never seen in the gym. The company's revenues have reached \$900M.

"Triventures also invested in a virtual training company, Vi. The product started as a headset that collects biometric data about the consumer, but as mentioned above, it turned out that the data collection was not a product in and of itself and over time, the business model developed into a service delivering personal training based on historic data and data collected in real time."

"Exciting to work with technology companies"

How has the transition from traditional healthcare to digital healthcare affected the fund's activities?

"The fund has many strategic partners which also invest in companies themselves, including medical device companies such as Medtronic, Boston Scientific, Edwards Lifesciences, Cardinal Health, but also a tech companies like Samsung. It's exciting to work with technology companies as well, which opens up a wider range of buyers and potential partners. The appetite of technology companies is much greater, their pace is faster and they are not necessarily waiting for tens of millions of dollars in sales to acquire a company.

"The pool of talent we can recruit to our companies has expanded as many come from the technology world. The intersection between the disciplines, medtech and technology, paints a new world".

The two partners with whom you started the fund are cardiologists. How did they react to the new world which is about to revolutionize traditional healthcare?

"Professor Peter Fitzgerald, my partner, has always been a visionary and also with respect to digital health and to a large extent he has led us to this field. Today, Peter is recognized worldwide as one of the leading physicians in digital health, and he has even been named advisor to the FDA on its digital health strategy. Dr. Martin Leon, who today is a Venture Partner, continues as a full-time interventional cardiologist but has been central to introducing and adopting innovations in the field and one of the more forward thinking clinicians in the segment". Two years ago, Netalie Nadivi was appointed Partner in the fund. Netalie worked for 20 years with start-ups and entrepreneurs in the field of enterprise software and in various positions at Philips, including Director of Business

Development and Mergers and Acquisitions. "I am very excited that through our joint venture fund with Sheba, Triventures is again investing at a very early stage, right at the start to shape the companies together with their management. Alongside this, we continue to invest in later stages through our independent post-seed fund," says Nadivi.

What areas of the digital health sector do you specialize in?

"Prevention, personalization, workflow improvement, administrative improvements, wherever we throw an arrow in healthcare, there is something to improve in terms of streamlining processes. One of the most interesting things occurring in healthcare is the breakdowns of boundaries between verticals. A fintech company can also deliver a fintech solution to healthcare. Autonomous vehicles can collect medical data about the passenger through the in-cabin sensors. We will continue to focus on companies where health is at the core of their activities, but not necessarily those whose client is the hospital" .

In light of all this, is it still worth investing in traditional medtech?

"Sure! But today our focus is only on the burning needs and not the incremental changes that are more difficult to justify payment for. For example, a company called Cathworks makes recommendations based on catheterization images if a stent is required. This is a software solution, but is considered a medical device from the point of view that it required a clinical trial and FDA approval so that we could market it and we could also get a reimbursement code for the solution" .

What will characterize the 4th Fund?

Geva: "It will be \$ 120M. In contrast to the joint fund with Sheba, the 4th fund will invest in companies in later stages, so that we can also make continued investments in companies that begin their path in the joint fund. I believe the portfolio companies will feel very comfortable knowing that we also have runway and deep pockets" .

Collaboration with Sheba: The hospital will provide infrastructure and data in return for its partnership in the joint fund.

Lynx.MD is the first investment from the joint fund, which was made even before the planned \$40M fund target was reached. Lynx develops a platform for secure one-stop access of healthcare and operational data from various sources, independent of where and how those repositories were built and are organized.

As far as Tel Hashomer Hospital is concerned, the joint fund with Triventures is a natural extension of its ARC program, the Sheba Innovation Center, launched recently. ARC (Accelerate, Redesign, Collaborate) is a center designed to bring together physicians and entrepreneurs to collaborate on ideas that will come from within or outside the hospital, with a focus on digital health .The companies or projects at the center will be able to use the hospital's infrastructure, conduct clinical trials within the hospital and use the data. In the very first phase, the projects will be funded by philanthropy budgets and

investments raised specifically for them and then some of the projects will be able to receive funding from joint fund, whose official name is Triventures-ARC.

The center is managed by Dr. Natalie Bloch, a physician and public administration specialist who previously researched at an innovation center established at Harvard University, USA as well as by Dr. Eyal Zimlichman, Deputy Director of the Hospital and Head of Innovation.