

Akhilesh Pathipati of MVM Partners

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:23] Hello, this is Hall Martin with the Connect the Day we're here with Akhilesh Pathipati partner at MVM Partners. MVM Partners has been a lifescience investment fund for more than 20 years and invest broadly across the health care sector, including medical technology, specialty pharmaceuticals, diagnostics, lifescience tools and digital health. And EBM has a global perspective on health care and maintains offices in Boston and London. Current MBM portfolio companies are headquartered in the US and Europe. Michael, thank you for joining us.

[00:00:50] Thanks for having me. Happy to be here.

[00:00:52] Great. So what was your background before investing in early stage companies?

[00:00:56] Well, I'm a physician by training, so I trained first at Harvard and then at Stanford for med school. And during that time, I worked with several health care organizations running the gamut from early stage startup through mature health system. So some of those experiences included working with the startup, developing a device to triage vision problems, consulting for a provider of operating room services, and advising health systems, as well as the California government on how to incorporate these types of technologies and services into new care delivery models.

[00:01:26] And so what excites you right now?

[00:01:28] I'd say the last year has really highlighted the need for medical innovation, and the industry has delivered in some very interesting ways that includes splashy developments like creation of the Koven vaccines, the growth of telemedicine, things like that. But it also includes lots of smaller developments that haven't received as much attention, but I think are very exciting in their own ways. Things like better solutions to maintain the integrity of products

while they're being transported. Obviously, there there's always some hiccups along the way, but I'm broadly very enthusiastic about health care and the ingenuity we're seeing in the field.

[00:02:03] Great. So what's your advice for people investing in startups? What do you tell them to do before they write that first check?

[00:02:09] So taking a step back for a second, I think there are several challenges that investors and health care need to think about. And a lot of these also apply to people who are running companies in the sector. So to start with, it's a complicated industry that affects everyone and makes up a big part of the economy. And because of that, it's highly regulated. The trend is towards more regulation. And then and beyond that, customer relationships are rarely direct. And health care to sell a product to a patient, a company will have to interact with health care providers, payers, government, medical societies, patient advocacy groups. The list goes on and on. And then on top of that, every market is a little bit different to what works in one. Geography may not apply in another. Even what works in one hospital may not work in another. That's what this all means, is that there's a lot of different barriers companies can run into. Maybe they have a great technology, but it's difficult to articulate the clinical value prop or it has good clinical data. The business model doesn't quite work, or maybe it doesn't get insurance coverage and the economics aren't compelling enough to shift behavior or workflows in hospitals. So there's a long list of challenges.

[00:03:18] And because of the number of different stakeholders that are involved, health care can be a little bit less forgiving than other industries. So bringing it back to your question and advising people who are looking to invest and or run a health care company, I think the most important thing is to have a very clear business plan and to establish a strategy to identify and overcome each of these barriers. You don't want to just throw resources at something and try to figure it out on the fly. No matter how much you plan, things will still go awry and companies will need to adjust. But the more questions that are asked and answered from the outset, the higher likelihood of success. And I think the other important and maybe obvious piece of this is that experience really matters. So people who have seen the different types of challenges that arise can better anticipate them, better address them. So for an investor, I think it's important to find a team that has relevant experience and a good track record in health care. And for someone running a company that's important to both assemble a good team around you and

also to find investors who have extensive sector expertise and getting that fit of manager and investor is important.

[00:04:28] What's your advice for people running startups in the health care sector? What do you tell them to do before they go out to raise funding?

[00:04:33] Yeah, it's a similar it's a similar set of things in terms of really thinking through the types of problems they might run into, figuring out how to address them and then getting the right people around them to try to maximize their chance of success.

[00:04:48] And so how do you see the industry evolving from here? We're in covid in various stages of reopening and so forth where you see it going at this point, I would say it's evolving in all sorts of interesting ways.

[00:05:00] So, as you mentioned, one big impetus for change right now is covid. And one of the biggest things that's done has created a push towards more remote care models. So in the very short term, that translates to a lot more telemedicine visits and platforms that enable telemedicine getting more and more popular. But I think the transition goes. Well beyond virtual visits that just moved the location of an interaction. I think what's more interesting long term is how companies can shift care from one off sick visits the way we do about now to more ongoing remote monitoring and care. And those types of models are, for example, going to significantly expand the market for digitally connected devices, aside from things directly related to covid. There are a number of interesting trends that have been shaping health care the past few years, and I think we'll continue to do so. One example is this ongoing focus on value based care. And as payment models change, think health economics and cost effectiveness become more and more important and interventions that reduce episodes of care will gain more momentum. And one last example I would bring up is just an increasing focus on precision medicine, which refers to the tailoring of care to each individual patient instead of using the same treatment for everyone in the population. Different patients experience medical conditions and different ways, and I would say medicine is getting better at accounting for that one application, as in molecular diagnostics, where instead of using generic risk factors, companies are developing tests that can predict a patient's response to therapies based on their genetics or, in the case of many cancers, tumor genetics. So I'd say these are a handful of

things I would say are impacting and will continue to impact health care. And there's some good examples of companies making progress in each of them.

[00:06:52] But if you had to pick one thing, that would be the biggest change coming up, what would you call out to be the biggest change?

[00:06:58] Yeah, I would say that of those the transition to remote care models is a pretty big one. And the other theme that I think feeds into that, not just from covid, is the fact that there's an aging population in the US and there's an increasing burden of chronic disease. And in order to better manage that, I think that companies and health systems need to come up with strategies to handle the additional burden and complications of disease in an efficient way.

[00:07:28] And so what's your investment thesis? And did covid change it in any way?

[00:07:33] I wouldn't say it's changed too much because of covid in general. MBM has a long term view and investment thesis. Our investment mandate is broad, but fundamentally we look for businesses with a differentiated technology or service that can address a large unmet clinical need. And in particular, we invest in commercial stage businesses, meaning those that are in the market are about to be and are looking to commercially scale. So we cover a lot of different subsectors of health care, including businesses that address some of the themes I mentioned in terms of health care revolution and caught one or two startups that fit that thesis.

[00:08:09] Yeah, yeah.

[00:08:10] I'm happy to maybe give you a few examples from our portfolio. So first, I mentioned remote monitoring, digitally connected devices. So we have a portfolio company called Bitel Connect, which commercializes a wireless patch that can continuously monitor vital signs and cardiac rhythm, that allows doctors to have continuous input on high risk patients without having to keep them in the hospital. Second, and thinking about value in health care, we recently made an investment in a company called GT Medical, which commercializes a radiation treatment for brain tumors. Right now, radiation is usually provided through external beam

radiation, which in many cases requires dozens of treatments over several weeks after an initial surgery. But GTE scan motile therapy basically entails placement of the radiation TYL in the tumor bed at the time of the surgery, which means treatment starts right away and doesn't require all those additional episodes of care. And then in terms of thinking about precision medicine, we recently made an investment in a company called MDX Health, which has molecular diagnostic tests to help gauge patients risk of prostate cancer. And that information can then help a doctor determine next steps, for example, whether he or she should do a prostate biopsy. So these are the types of businesses that we think are really moving medicine forward and shaping new standards of care.

[00:09:34] We talked about several applications in sectors. If you had to pick one to be a good media opportunity for investors to pursue, which one would you put at the top of the list?

[00:09:44] That's a good question. I think that that all of those, including remote care delivery, value based efforts, precision medicine, are all pretty, pretty important ones. I personally think that precision medicine is an interesting theme and one that investors should should be thinking a lot about. While we're chatting about it. I might call out a couple others. One is the space around provider and payer workflow in the last decade. I would say that policy change, payor and provider consolidation and those sorts of things have increased the administrative challenges of delivering health care and. I think there's interest in companies, particularly in health care I.T., that are working to address some of those. So, yeah, I think all of these are pretty exciting areas. There's a lot to work with when it comes to health care.

[00:10:32] Great. Well, in the last few minutes that we have here, what else should we cover that we haven't allowed to say?

[00:10:37] We've covered most of what I want to talk about now, just done by saying that I think there are tremendous opportunities in health care and it's an exciting time to be building businesses in this space.

[00:10:48] Great. So how best for listeners to get back in touch with you?

[00:10:51] Best way to reach me would be via email. They can reach me at A.P. at TV.com.

[00:10:57] I'll put those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon. Thank you.

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