



Interview with Florian Reinaud, Partner at Innovation Capital

by Pascal Lardier, International Director at [Health 2.0](#)
for the [EU funded GET Project](#).

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Pascal Lardier: Florian, thanks for spending a few minutes with me today. Can you start by giving a little background info about yourself and Innovation Capital?

Florian Reinaud: Absolutely. My name is Florian Reinaud. I'm an MD. I trained in the U.K and practiced for a few years in the NHS mainly as an emergency physician and then in internal medicine. I left medicine back in 2001 to work in investment banking and then moved to private equity in 2003. So it's been about 12 years now that I've been in this business, first at Apax Partners in Paris and then for the last six years at Innovation Capital.

Innovation Capital is a Paris-based VC. We invest all over Western Europe and manage a little under 500 million Euros. I guess the reason we're talking today is that the last fund which we've raised - we've done a first close at just under 50 million Euros last April - is specifically dedicated to what we call innovative healthcare services. We really thought there was an opportunity, a real sort of tidal wave of change coming across all of the developed world in the way we organize and deliver healthcare. We see a seismic shift, although it's not going very fast... Since World War 2, health care models have been organized around doctors and hospitals, and we see that shifting towards systems organized around patient needs. That means a lot of changes, including patients' empowerment, changing doctor-patient relationship, a focus on prevention and monitoring rather than acute care.

So we raised this fund. Our investors are strategic investors who have a specific interest in the sector, mainly large French retirement and health insurance groups who share our observations. We basically keep them up-to-date on an

anonymized basis of the deal flow that we're seeing and they use us as a way to stay in tune with the market trends.

PL: In your recent deals, you've worked alongside U.S. investors. How would you compare the investment landscape in Europe and in the U.S.? Why do you think the deal flow is still relatively slow in Europe?

FR: That's an interesting question. I'm not sure I have the answer! You're right: clearly there is a big difference in the financing landscapes for digital health between Europe and the U.S. I would say part of it is due to the maturity of the sector because you just have a lot more companies in the U.S. that are at revenue stage and have a proven business model. That's a big advantage. I also think, perhaps, that in the U.S. although it's a very complex health care system, it is pretty much a single market, which gives them critical mass.

Investors have now come to realize that new healthcare IT solutions are here to stay and they're going to be a part of the future, especially as they are addressing a lot of the inefficiencies in the U.S. system. If you compare that to Europe, people are still skeptical although they feel it's coming. A lot European health care systems are organized around free points of delivery or around full reimbursement versus the U.S. which is a much more money-driven system. The skepticism is really about the pace at which a lot of these changes are going to occur. So, as an investor, we don't want to be late into a sector, but if you're too early, that can be almost just as bad because you're putting in a lot of money and then things just don't materialize as quickly as possible. And the funds run out before companies ever gain that critical momentum.

That's why, in the three investments we've recently made, we looked very closely at the business and revenue models. We want proven commercial traction to make sure we've got something that is obviously sustainable, but also scalable across different European geographies. There are just not that many companies meeting these criteria out there today in Europe.

PL: Knowing that digital health investors are still a little shy in Europe, what would you tell them to encourage them to take this booming industry more seriously?

FR: So advice to investors.

The seismic shift I mentioned is clearly coming. And you have to believe that it's going to come in a sufficiently near time to deliver the investment returns. This is an obligation we have to our own investors, otherwise we will just go out of business. We think that the time is right, but we're still in the early days. So you have to be a bit of a believer, but at the same time I

think there are some very encouraging signs and we really are seeing some great companies that are able to compete, certainly on the technology basis, with the U.S. Like I said, you don't want to be too early, but I think now is definitely the right time to start focusing on this sector.

PL: You review a lot of tools and solutions every year. In a startup pitch, what is more likely to draw your attention and pick your interest?

FR: It may sound like a cliché, but really the team is very important to me. You have to have that right mix of experience and energy that comes across. There are very few first-time founders in the health innovations space who go on to be the right type of long term CEOs for their company. That's because you need very different skills at different phases in order to lead these companies as they evolve from applied research, to human experimentation, development and commercialization.

You're still dealing with very complex markets where the payer may not be the consumer or the main user. You have to have a good understanding of how these things operate. We're very much looking for CEOs with a fair amount of experience in the sector rather than young guys with a lot of energy, which I think is much more typical of the pure, sort of IT startup. I may be wrong on that. It's just that I have that healthcare background as an investment bias.

PL: So it boils down to the right mix of talents and knowledge of the health systems and if there's chemistry during the pitch.

FR: Yes, absolutely. As investors we all know that the business plan you see one day is going to be out-of-date very soon, most likely within three to six months anyway. So it's about having the confidence that the management team is going to be able to react accordingly and continue to build the company in a rapidly changing landscape.

PL: Inversely, what would you consider a red flag, the one thing that tells you "I don't want to investigate any further"?

FR: It happens when people focus on developing a product, but haven't really focused on their revenue model and haven't clearly identified their payers. I'm talking about payers who are used to paying for the kind of service you're going to be providing. It shouldn't be based on wishful thinking. A solution must drive efficiency and therefore propose a way to improve clinical and financial outcomes. It needs to make enough sense for payers and players like the NHS in the UK to adopt and pay for the solution. It needs to be figured out because as investors, that's the kind of bet we simply are not willing to take. Although a solution may be right in principle, we know these things are very political. And adoption may potentially

take a very long time. So, if there isn't a clearly proven revenue model, it tells me they haven't thought through the business plan sufficiently.

PL: European payers and insurers have started reimbursing some of the solutions, but it seems like to you it's not enough. I mean, how important is the fact that a solution is reimbursed in your investment decision?

FR: Reimbursement can be a good sign but it doesn't drive our decision. For the three companies we've invested in, I know the products were not reimbursed. In the case of Voluntis, at least some of their products will be reimbursed in the not too distant future, but that is not the main focus of the business model. In each of the investments we made, we financed the companies because they actually had very clear customers or payers identified and people who are used to paying for the kinds of solutions they are providing. So it's not reimbursement that I'm necessarily looking for, but a really clear and proven revenue path. Reimbursement is starting to happen, but I think it's still on a pilot sort of basis. There's a lot of experimentation happening, but at the same time a lot of small companies sort of design their entire products around these pilot programmes. Once the project is finished, there's no sustainable source of revenue.

PL: You mentioned Innovation Capital had a dedicated fund for digital health solutions and had already made a few investments. Can you say a few words about what made you choose these companies you invested in?

FR: Yes, certainly. So as I said before, the team was the positive factor in each case. There was always a sustainable and scalable business model. In the case of Voluntis, the business model had been proven and they already had some pretty significant deals with large healthcare companies, basically providing a new service that clearly improved clinical outcomes. In the case of FittingBox which is another French company in the eyewear space making virtual try-on solutions for glasses, aside from the team, they were already making a few millions in revenue and had a clearly proven business model where they were selling their solutions to chains as well as independent opticians, providing them with a marketing and sales aid in a very competitive industry. And they had a quite unique and well-protected technology.

We just announced another investment in Zesty, which is the U.K. leader for online real-time booking of appointments with health care professionals. For sure, we loved the team at Zesty but we also thought that their solution is going to be widely adopted, because it just makes absolute sense. It's a bit of a no-brainer that booking health care appointments online is just part of the future. We already book travel, restaurant tables, or

cinema tickets online, so it is obvious it is also going to happen in the health care space. That's why we led the financing of over \$7 million in Zesty.

PL: Thank you very much for your time and your thoughts!

FR: You're very welcome. Thank you for the questions. I hope my responses were helpful!

PL: It was very helpful. Thank you.

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If you are an investor and would like to receive an invitation, please get in touch with Pascal Lardier via pascal@health2con.com. If you are an SME looking for funding and would like to join the GET Funded service, please check our [investors' criteria here](#).

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