

Pitching for healthtech investment - how to do it right

In the third quarter of 2020, European healthtech startups secured \$2.3B of investment, according to research by Speedinvest and Dealroom. Of the 626 digital health companies currently active across Europe, 63% were founded in the past five years. It's a space that's expanding and diversifying at breakneck speed.

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However, pitching for healthtech capital is unique. Founders need to show that they understand the nuances of the healthcare market and the often complicated routes to commercial growth. It's a space in which data and security takes on new levels of importance. And it's one where no corner can be cut. Before heading onto the fundraising circuit to raise finance for your healthtech venture, here are five things startups need to know.

1. Accurately define the problem

Being able to clearly and accurately define the problem you're addressing is important in any sector but in healthcare many issues are interwoven and reinforced by a number of underlying factors. You need to show you're aware of the way different health issues interconnect and be clear on root causes so you're not, metaphorically, trying to treat an asthmatic cough with a bottle of cough syrup. If investors can see you know the problem inside out, they'll gain confidence in your technical expertise and be reassured that you'll be able to identify and collaborate with the correct stakeholders.

Showing how your product addresses root causes in healthcare is also a commercially savvy move. Organisations like the NHS are keen to partner with healthtech providers who are addressing the underlying causes of certain health conditions. For example, in the effort to tackle Type 2 diabetes - diagnosed in approximately 3.4 million people in the UK - the NHS are working with healthtech companies that help people manage their weight, as obesity is one of the leading risk factors. If founders can show how their solution plays into the treatment of wider health issues then they'll convince investors that they represent an exciting slice of the market.

2. Show you know the market

Presenting your market analysis along the traditional models of Total Available Market or Serviceable Available Market won't cut it with healthtech. The healthcare market is much more complex and standard demand and supply problems won't always work.

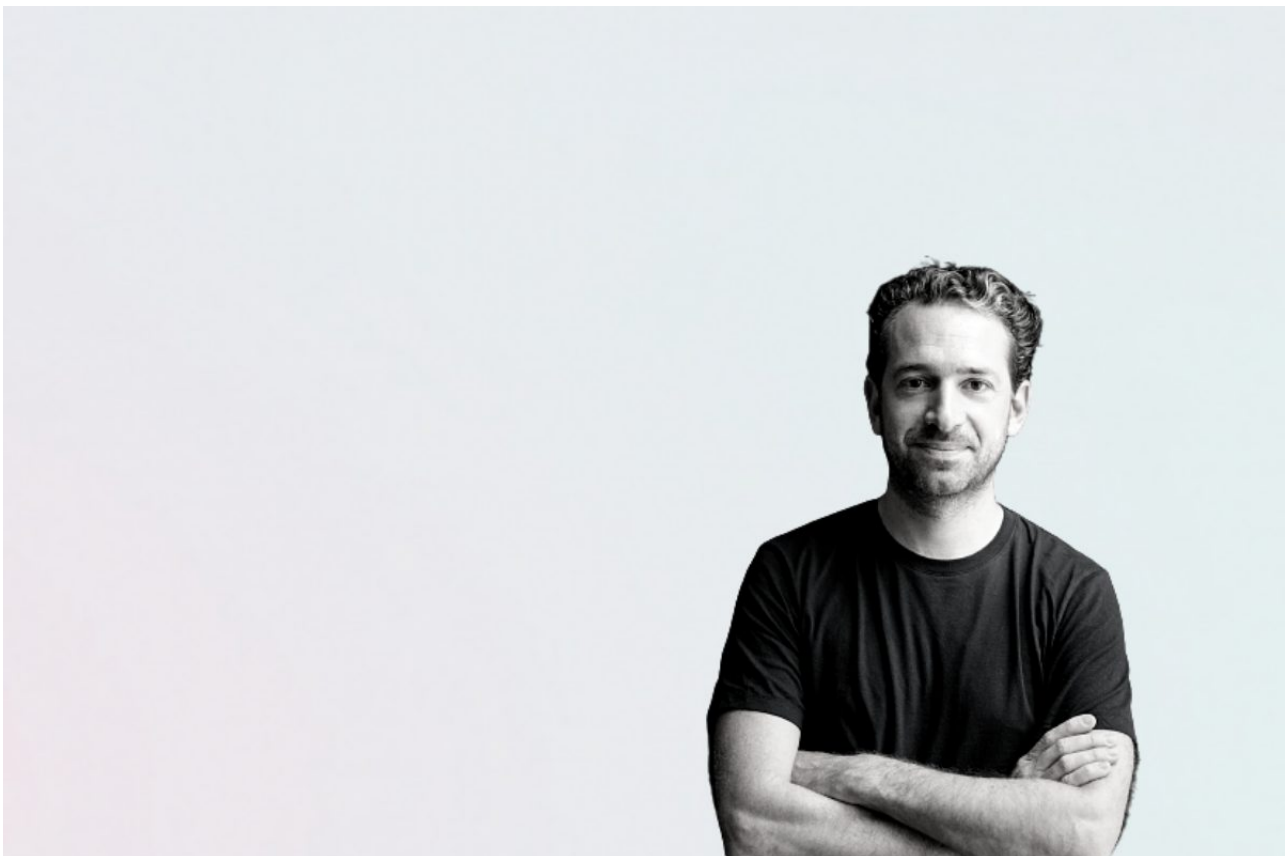
That's because, in healthcare, the end user and product purchaser aren't always one and the same. Often, the ultimate decision makers who will be buying your product will be healthcare providers, such as NHS Trusts, not those in need of treatment. This means the traditional market models won't apply. Put simply, just because you're solving a problem for an end user, that doesn't mean there will be a market for it.

Healthcare is also strictly regulated and you need to demonstrate that your product is fully compliant with industry regulations, approved for use by the organisations you intend to approach and safe for the end user. If you don't yet have these when pitching, your investors will expect you to have a good understanding of how much effort and time it will take to secure them and go to market. Never overestimate how much time and effort will be needed to secure the necessary certifications or user champions. This isn't something you can rush.

3. Understand the customer

As seen above, in healthcare, the end user and customer can be two very different things. You need to show you understand this and explain how you're appealing to and addressing the real customers and stakeholders who will interact with your product.

Demonstrate how your solution integrates with existing processes, workflows and best practices of the organisations who will use your product and explain how it will affect insurers, practitioners, patients and the healthcare system as a whole. Identify which stakeholders you will be targeting in your go-to-market strategy and how you'll overcome any resistance they may create. For example, doctors on the frontline are often the ultimate gatekeepers in healthtech and will be reluctant to adopt new technology unless they can see that their peers recommend it and have given their stamp of approval.



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4. Think carefully about your team

Typically, most startups have one founder that has a business background and another who comes from the technical or product side. This isn't always the case in digital healthcare. Whilst this difference isn't necessary a bad thing, it does throw up questions for investors that startups will need to field.

For instance, many healthtech startups have been cofounded by medical professionals with first-hand experience of the problem they are trying to solve. This adds a layer of legitimacy and shows investors that the company knows the health sector very well. However, investors may need convincing that the clinical co-founder can fully inhabit the role of CEO. The work of a clinician is undeniably difficult but ward rounds are very different to winning business.

Clinical co-founders therefore need to be careful in how they present themselves and show that they'll be able to act like a fully-fledged CEO. On the flip side, VCs are happy to fund non-clinical founders too, as long as they can demonstrate the ability to 'acquire' that expertise through first hires or advisors.

5. Prioritise trust

Exaggerations or fudged figures will be sniffed out by investors in any pitch, but trust takes on a whole new meaning when pitching for healthtech funding.

Establishing trust is a vital and difficult aspect of working within healthcare, as should be the case. Healthtech startups will need to

convince potential customers that the end user's health is in safe hands and that's a very high bar to clear.

How can you win that trust? Showing that you're compliant with strict industry regulations is one thing but there needs to be more. Working with professional medical advisors at the top of their field, even if a co-founder is already a clinician, is a strong way to do this as it shows a product has been shaped by extensive expertise and has already won the trust of discerning health figures. Founders need to be vigilant about who they choose to work with, however, as the levels of trust attached to a professional advisor will be directly transferred to the product.

Pitching for healthtech investment is difficult but, as the numbers show, far from impossible. The key is remembering that healthcare is a unique space and that it can't be approached in the way you would another sector. Prove to investors that you understand its complexity and that your product addresses this and you'll start seeing fewer 'no's and more cheques.

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