



HEALTH
CAPITAL
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“Considerations & opportunities when investing in Finland”
How to invest in Health & Life Sciences

Session 1: Investing in the Healthtech and Life Science companies – What should be taken into consideration from the Investors point of view

19th May 2022

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Hadean Ventures spearheading European life science VC

Oslo and Stockholm-based **European healthcare VC/growth fund manager** – first fund launched Dec'17

Particular focus on the Nordics, DACH and other **under-ventured regions** of Europe

Spin-out team from global life science fund

Invest across all of life science (therapeutics, devices, diagnostics, digital health)

Fund 1 AUM €85m; **Fund 2 AUM >€100m** (1st close Sep 2021)

ESG-focused and **uniquely diverse**, investing for global health impact

Agenda: Considerations & opportunities when investing in Finland

- The nuances of Finland and the Nordics
 - History of VC funds and investments
 - Nordics stand out in innovation, R&D spending and research quality
- How to invest in under-ventured markets
 - Sources for opportunities and proprietary deal flow
 - Local ecosystem – incubators, TTOs and accelerator programs
 - Early projects / companies
- Growth drivers and increasing investment opportunities
 - Human capital, digitalisation and infrastructure
 - Digital Health, DTx and FemTech
- Considerations during and after investment
 - Future capital requirements
 - Valuation

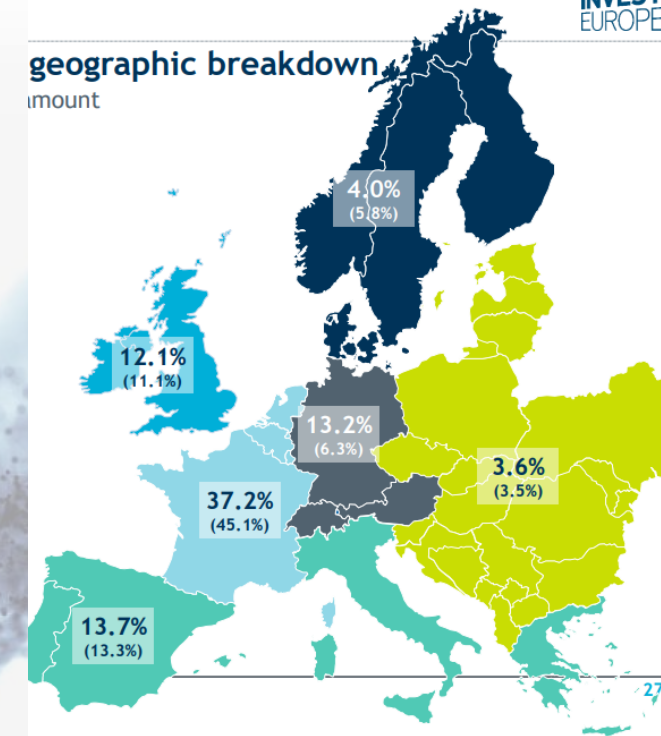
The nuances of Finland and the Nordics

For historical reasons, there have been less (life science) VC funds compared to other regions

- 90s, birth of silicon valley
- Start of VC also in Nordics
- Many generalists, and LPs moved away from VC
- Compared to e.g. Netherlands – LPs stood by VC

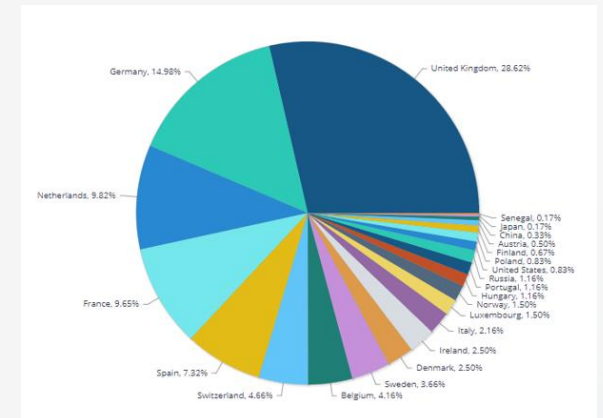
Today, number of VC funds and VC investments in are increasing

- Venture fundraising saw a record year in 2021, with €18bn raised during the year
- France & Benelux still accounts for the highest proportion of VC fundraising (37%)
- Recent years have seen a **revival of the Nordic venture scene** with more than €3 billion raised by VC funds in the Nordic region over the last five years.
- In Europe, highest number of life science VC funds in UK, DE, NL, FR, but Nordics are not far behind
- **Rapid increase in VC investments in Nordic companies**



Venture Capital - Fundraising geographic breakdown

Source: Invest Europe / EDC



VC funds in life sciences

Source: Pitchbook



The nuances of Finland and the Nordics

The Nordics have strong institutions, education and R&D – great potential for innovation and investments

Nordics among the leaders in innovation worldwide

High public funding and R&D expenditure

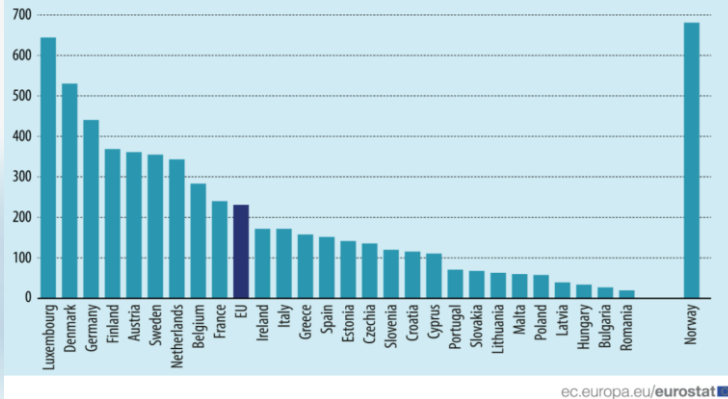
- Nordics among the largest in Europe

High quality research

- Nordic researchers make strong contributions to the top research articles published

- Rank high (top 20) in the world ranking of the Global Innovation Index

Government budget allocations for R&D, 2020 (€ per person)



Nature Index tables

The world's leading countries and institutions for high-quality science, ordered by weighted fractional count (WFC) for 2013. Also shown are the total number of articles, and the change in WFC from 2012. Articles are from the 68 natural science journals that comprise the Nature Index (see A Guide to the Nature Index, page S94.)

TOP 100 COUNTRIES

2013	COUNTRY	WFC	ARTICLE COUNT	2012 WFC	2012-2013 CHANGE IN WFC
1	United States	18,642.88	27,355	18,786.65	-0.8%
2	China	5,205.60	7,637	4,528.97	14.9%
3	Germany	4,076.97	8,669	4,038.30	1.0%
4	Japan	3,370.85	5,102	3,451.26	-2.3%
5	United Kingdom	3,290.35	7,373	3,259.46	0.9%
6	France	2,237.92	5,246	2,343.02	-4.5%
7	Canada	1,483.10	3,220	1,534.98	-3.4%
8	Spain	1,180.25	2,975	1,197.46	-1.4%
9	Switzerland	1,175.18	2,552	1,177.46	-0.2%
10	South Korea	1,150.52	1,953	1,193.02	-3.6%
11	Italy	1,075.12	3,089	1,084.27	-0.8%
12	Australia	943.94	2,448	864.60	9.2%
13	India	851.76	1,380	737.31	15.5%
14	Netherlands	763.24	2,221	765.03	-0.2%
15	Taiwan	543.18	937	595.99	-8.9%
16	Sweden	502.00	1,304	476.73	5.3%
17	Singapore	483.20	833	464.72	4.0%
18	Israel	472.35	1,008	520.05	-9.2%
19	Russia	344.26	1,058	298.26	15.4%
20	Belgium	327.25	1,019	347.22	-5.8%
21	Denmark	298.21	934	301.77	-1.2%
22	Austria	280.61	797	268.85	4.4%
23	Brazil	233.81	670	199.31	17.3%
24	Poland	216.35	689	176.78	22.4%
25	Finland	193.37	586	189.15	2.2%
26	Portugal	124.87	419	114.68	8.9%
27	Norway	123.62	371	142.00	-12.9%
28	New Zealand	118.93	307	127.84	-7.0%
29	Czech Republic	118.43	378	117.83	0.5%
30	Ireland	117.72	336	167.46	-29.7%

Global Innovation Index 2021 rankings

GII rank	Economy	Score	Income group rank	Region rank
1	Switzerland	65.5	1	1
2	Sweden	63.1	2	2
3	United States of America	61.3	3	1
4	United Kingdom	59.8	4	3
5	Republic of Korea	59.3	5	1
6	Netherlands	58.6	6	4
7	Finland	58.4	7	5
8	Singapore	57.8	8	2
9	Denmark	57.3	9	6
10	Germany	57.3	10	7
11	France	55.0	11	8
12	China	54.8	1	3
13	Japan	54.5	12	4
14	Hong Kong, China	53.7	13	5
15	Israel	53.4	14	1
16	Canada	53.1	15	2
17	Iceland	51.8	16	9
18	Austria	50.9	17	10
19	Ireland	50.7	18	11
20	Norway	50.4	19	12

Nordic countries score high on the Innovation Index
Source: Global Innovation Index 2021 report

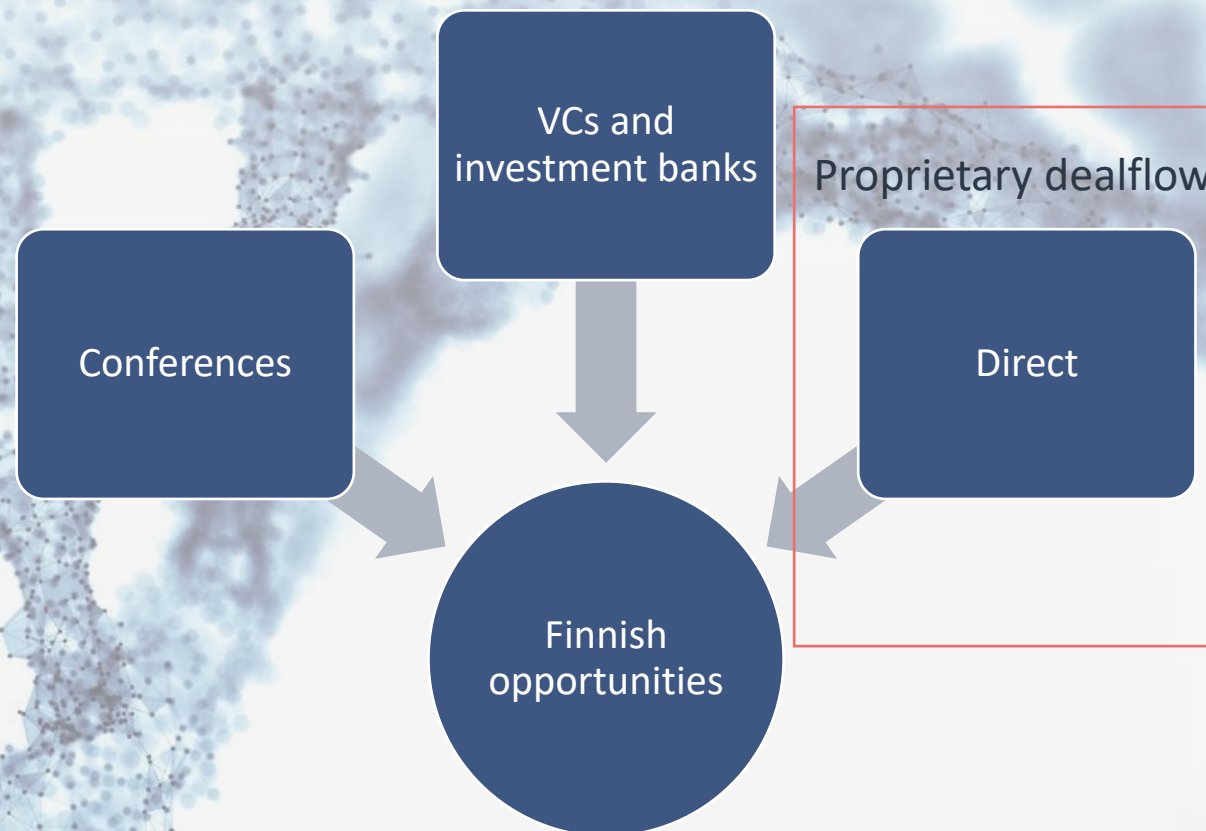
How to invest in under-ventured markets

Sources for opportunities include:

- LS-focussed conferences
- VCs and investment banks
- Direct sourcing

Proprietary deal flow through direct sourcing is an important differentiator and requires:

- Ecosystem integration
- Strong scientific know-how
- Company mentoring and advice
- Patience and time



How to invest in under-ventured markets

The **local ecosystem** is an important source of opportunities and include:

- Start-up hubs and incubators
- Technology transfer offices
- Regional development organisations
- Accelerator programs
- Pitch events

Early companies / research projects identified in proprietary deal flow methods can be an excellent source of investment opportunities in under-ventured markets.



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How to invest in under-ventured markets

An example of early companies / projects

- World-class researcher in an area of oncology
- Identified through local ecosystem
- Early interaction with researcher and university TTO to discuss spin-out opportunity
- Mentoring and support on strategic positioning (e.g. indication) and key de-risking preclinical experiments
- Currently negotiating Term Sheet and company establishment

Benefits of proprietary deal flow and direct sourcing:

- We take the lead and drive the deal
- Excellent science, but few specialist investors on the ground to identify the opportunity make the deal happen
- Proprietary deal flow that international investors have less access to

Growth drivers and increasing investment opportunities

Tech expertise, infrastructure and digitalisation are key growth drivers in Finland

Human capital:

- Highly educated population
- As well as life sciences, strong technology and engineering expertise
- Nokia engineering ecosystem

Digitalisation:

- Finnish health data is 100% digital and stored in electronic health records for entire population
- COVID-19 has accelerated the shift to digital healthcare tools

Infrastructure & investment:

- High R&D expenditure, plus infrastructure from leading health technology companies
- GE Healthcare (healthtech) – Health Innovation Village
- Bayer (women's health/contraceptives) - Production plant
- University of Helsinki (oncology) - Cancer IO project

Finland is well positioned to capitalise from these aspects, in particular in areas such as **Digital Health, Oncology and Diagnostics**

Growth drivers and increasing investment opportunities

Healthtech / digital health is an area of increasing importance:

- Global pandemic has highlighted the importance and accelerated the acceptance of digital healthcare solutions
- Digital doctors, telemedicine, remote monitoring
- Telemedicine **usage up ~40x**, compared to pre-pandemic levels
- Kry – \$300m funding round in April 2021
- **Record breaking M&A transactions** in digital health – Teledoc/Levongo \$13bn deal
- Rise of digital therapeutics and changing regulatory landscape

Growth drivers and increasing investment opportunities

Digital therapeutics (DTx) are spearheading digital health:

- Evidence-based software to treat, manage or prevent diseases or conditions – prescribed by a doctor
- Similar to a drug – they must go through clinical trials and show a clinically meaningful outcome
- **Potential to change healthcare** to a holistic system where drugs and digital solutions can be used together
- Major new regulatory pathway in Germany in 2020 (DiGA), and other countries following
- Since DiGa – 30 DTx entering German market, and hundreds of thousands prescriptions

Women's health/Femtech is a key source of digital health opportunities:

- Broad area that includes, fertility, contraception, certain cancers, osteoporosis etc etc
- Large part of Femtech are digital solutions
- Fertility is a €15bn market and growing rapidly – **many opportunities in digital solutions** e.g. for IVF

Given Finland's expertise, infrastructure and digitalisation, it is **well positioned to capitalise from these areas**

Some key considerations during and after investment

Future capital requirements:

- What are the key steps to market and what are the future capital requirements needed to get there?
 - In drug development, Phase 2 and Phase 3 trials are costly
- A tranching larger funding round can de-risk funding requirements
- Options for future funding could be private placement, VC, or public markets
- Options should be carefully weighed based on your capital needs
 - Raising €50m for a P3 trial on a local public market can be challenging
 - VCs have long timelines and are “unpredictable”

Valuation:

- Valuation should be adequately adjusted based on (pre)clinical development risk
 - Most companies we see have huge revenue potential, but specialists needed to make correct risk adjustment based on preclinical data and clinical development risk
- Valuation should also be considered in relation to subsequent funding rounds and market competitiveness



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