

Investing with real-life impact

A Q&A with Dr Ilian Iliev, chief executive, NetScientific

AIM-listed NetScientific is a relatively new entrant in the healthcare investment space but has already established a strong portfolio of companies across the UK, US, Europe and Israel and keeps growing. Its chief executive, Dr Ilian Iliev, talks to Zina Fragkiadaki about why investing in healthcare and life sciences is beneficial, and the potential value that investors can gain by looking at this critical sector.



Dr Ilian Iliev

Dr. Iliev, an economist by background, joined NetScientific as its chief executive just over two years ago. At the time, his VC company EMV Capital (EMVC) was acquired by NetScientific, to form a stronger PLC entity with an in-house VC arm. Today, NetScientific is a life sciences and sustainability technology investment and commercialisation group that helps companies in the UK and Europe to accelerate their growth into the North American markets and internationally. Also, for some of its US companies, it helps them land in the UK and Europe. Its portfolio consists of 22 companies – with more than half of them being healthcare/life sciences companies.

How do you describe the healthcare market today?

I am bullish on healthcare and life sciences, despite the current market downturn. Unlike some other areas where venture capitalists put their money in, such as crypto, healthcare has a very direct life impact. From a real-world perspective, what Covid-19 demonstrated, particularly in the Western economies, is that our healthcare systems are not fit for purpose, require immense investments to get modernized and become more effective and efficient. There will be a lot of new technology adoption in healthcare in the next 10 years.

So, significant changes are coming. Some of those changes will come from policy changes regarding how healthcare systems operate, how treatments and diagnostics are procured; some will come from the accelerated adoption of new technologies, and what they make possible. We must admit that many of these technologies have been around for a while and its these institutional changes that will enable their adoption.

In areas such as cancer treatment, therapeutics, and post-cancer treatment we see this immense wave of innovation coming from the areas of personalised medicine,

immunotherapy, but also liquid biopsy and the digitization of systems. So, from a systems perspective, we are at the early stages of a transformation of the oncology ecosystem, with increasing number of treatment paths, as well as digitization and greater reliance on data. But in healthcare, sometimes it's difficult for people to conceptualize this. Looking at other industries that have been transformed by digitization, whether it's automotive, telecoms or elsewhere, we know we can see the crumbs leading up to the transformation that we can expect over the next decades in the healthcare systems. Of course, different regulatory systems working at different speeds are complicating this.

Which are the key trends in the sector? Have they remained the same throughout the years?

It's a bit like jazz, with some themes repeating over time, in amongst all the noise. Some areas received a lot of investment some 10 years ago, but at the time investors didn't see performance, and investors lost confidence. Now there's a new set of technologies or approaches to solving that same problem.

After Covid-19, investors' interest increased again. The pandemic has woken up healthcare systems, and investors on the need for stronger monitoring systems, and ways to monetize those. Although respiratory diseases were always in focus, they are in an even greater focus right now, both in terms of the long Covid-19 and the Covid-19 burden on the population, but also just as a general reawakening of interest in diagnostics which used to be a bit of an ugly duckling in the sector.

There's now a much more significant focus on diagnostics, including by NetScientific too. We like the area because it is less binary, and you can reap the benefits of digitization and big data. With diagnostics, the potential return from success is lower than in therapeutics for example, but what you can have here is this platform of multiple diagnostic capabilities that penetrate the healthcare system.

Oncology is receiving a great focus. The shutdown of the healthcare systems during Covid-19 demonstrated that what we have is not feasible in terms of care pathways, in terms of the way we take tissue biopsies and also in terms of how treatments are developed, and tested, and the amount of time it takes to go through the FDA. So, I think there's going to be a lot of innovation coming through. It is an exciting time. The industry is going to be transformed over the next decade. We're engaged, excited and a little bit terrified.

What attracts investors to healthcare?

Combination – whether it's diagnostic technologies or machine vision applied to problems, telehealth and digitization broadly, or other aspects that are creating immense value for society and that investors can benefit from.

Where do you see the biggest challenges currently? And how do you overcome them with your partners and during your discussions with operators?

There are several aspects that investors find problematic. One is the capital requirements and gestation period – how long it takes to get to impact. The way we look to solve that is by combining different pools of money to different points, being careful with the companies we

work with to build capital-efficient pathways to go to market, but also being quite “aggressive” in terms of going after soft finance, whether it’s public sector grants or corporate development agreements.

This is interesting because, first of all, there’s the social impact – we’re helping to save people’s lives and increase longevity and quality of life. But purely from an investor returns perspective, within healthcare, we find that IP assets have a much higher level of protection and stickiness for the businesses than in some of the other sectors. Part of it is regulatory, and part of it is the nature of patenting in life sciences, the greater specificity of biotech innovation (as compared to e.g. enterprise software).

Also navigating the regulatory landscape is extremely complex, and very diverse. FDA, the EMA (European Medicines Agency), and Chinese regulator are all different. And that means that a company needs to adapt its strategy to a fairly significant degree, perhaps even more than in other sectors.

Where do you see the biggest opportunities for investment currently?

We have targeted the US healthcare market for our portfolio companies. It is the world’s largest single health care market. It is developing rapidly and enables the scale-up of the companies. Europe is of course also important, but with greater national differences, and hence a more fragmented market. Perhaps in the future there can be a streamlining, such as what happened in the energy markets – but its in the future.

What’s your aspiration for NetScientific’s current portfolio?

We anticipate that a number of NetScientific’s portfolio companies will see successful exits and liquidity events. It may well be through IPOs in the UK, US and elsewhere – but equally, we are creating in how we think about liquidity events. We are quite actively working with corporates and corporate VCs, and we naturally anticipate some exits coming from that direction. In some cases, we anticipate identifying spinouts, partial carve-outs, partial liquidities, and indeed acquisitions that some of our companies can make. We are pro-actively engaged with our portfolio, in assisting them to maximise their value.

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