

## How to Ensure a Great ROI in Risk Investments



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Since the global crisis of 2008-2009, there has been a palpable and growing sense that the world is in the midst of fundamental economic and political change.

But, as is the nature of change, the only certainty we have is that there is a lot of uncertainty. Can we create enough jobs, and the right jobs? Is the financial sector working for society's benefit, or in its own self-interest? Are markets a force for good, or bound to fail us? Can current political systems handle fast-changing and competing interests?

For private equity practitioners operating in emerging markets and the MENA region that has seen its share of economic and political volatility, these are very real issues that have an impact on the way we raise capital and invest.

Investors and other key stakeholders, including governments, are rightly asking whether we are making a positive societal impact, and how we manage risk.

In the MENA region, as in many emerging markets, job creation, skills development and economic diversification are key issues, and governments are looking to private investors to play a positive role. This provides opportunity for the private equity industry, but also means taking responsibility.

For example, at TVM Capital Healthcare, we are investing in several emerging markets in line with government policies to promote private sector involvement in healthcare and help lift quality standards. The environment for investment is therefore conducive, but things are not that straightforward.

To build long-term standing with key stakeholders, companies such as ours have needed to ensure that our investments are well researched and truly address unmet needs. We have also been willing to work very closely with healthcare authorities and other key players, such as insurers, to establish a fair and enduring licensing regime for private sector participation.

An investment made by TVM Capital Healthcare in 2010, and which we exited in 2015, is an excellent example of these dynamics at work. ProVita International Medical Center essentially created the long-term care market in the UAE and, with private equity investment, became the foremost provider of acute, ventilated care in the region.

The company recognised that nationals of the Arabian Gulf countries were travelling abroad for specialist care, but mostly preferred to be at home, close to their families. To establish a presence, firstly in the UAE, it was necessary to develop a new licensing and payments regime. And to thrive, the company needed to demonstrate that the care provided was as good, and even better than that provided in countries such as Germany and the United States.

The process of value creation was therefore holistic – and included building strategic partnerships with world-renowned Spaulding Rehabilitation Network, Joslin Diabetes Center and Bourn Hall Clinic to deliver the highest quality of care. The result was the provision of expert clinical care and therapy through a patient-centric approach.

But even showing this value creation is not enough – in today's uncertain global economic environment, private equity firms need to show investors how they mitigate risks.

One of the greatest risks in emerging market investment is execution risk – the risk that even the best strategy can become unravelled in the detail of implementation. This could be for several reasons, including regulatory uncertainty or a shortage of relevant skills for portfolio companies to tap.

In my mind, in order to be really successful in emerging markets, private equity investors should be specialists - using deep sector expertise to define strategy, promote efficiency and have access to a wide range of managers and other healthcare professionals. Good governance should be a given and helps commercial success. They should also be prepared to roll up their sleeves and get involved in day-to-day operations.

At TVM Capital Healthcare, we are committed to running a strong “operations group” steeped in healthcare expertise – an accelerator company of 15 people and third party advisors that support our growing businesses. It provides general management support, including the provision of management and strategy development, as well as back office services, such as legal, information technology, marketing, accounting and human resources.

Setting up this ecosystem is a significant investment in itself. But it brings huge value-creating benefits for the companies we invest in, and reduces risk for the company and our investment partners.

It also means that in their years of early growth, our portfolio companies are left to concentrate on doing what they do best - providing high quality healthcare services. Economies of scale mean that each company can save time and costs, and still employ high quality specialist skills.

Meanwhile, as investors, we have an excellent view on day-to-day realities and can help to find solutions to any issues the companies may face.

## **Zoom On**

### **What is your top management tip?**

Focus on execution. It is all that stands between you and success.

### **What would you single out as a career highlight?**

The opportunity to become a leader in life science venture capital in Germany and Europe in the 1990ies and the opportunity to bring high quality healthcare to emerging markets since 2010. Both highly worthwhile things to do, value creating, and intellectually challenging.

### **If you had not chosen this career path you would have become a...?**

Probably an artist of some sort, or a teacher, as I started my professional career as an assistant professor for corporate finance and operations research.

### **What are your personal interests outside of work?**

Music, photography, skiing and ski touring, travel, reading

### **Your favourite quote?**

“The best way to predict the Future is to Create it!”

Abraham Lincoln, 16th President of the United States of America

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