

Welcome to The Innovator



Welcome to the Q1 2021 issue of **The Innovator**, a quarterly newsletter for **iiM, LLC**. What is **iiM**? We are a funding platform for early-stage companies in the animal health, agriculture, and human health verticals. In this newsletter, we intend to share educational information, ideas, and a perspective on the investments we are making. If you do not want to receive this publication, please let us know and we will remove you from the list of recipients. Please enjoy this issue of **The Innovator**.

Lydia Kinkade, iiM Managing Director

2020 Marks Banner Year for iiM

By Lydia Kinkade, Managing Director

With the backdrop of a global pandemic, 2020 was year unlike we've seen before. The early-stage investment landscape was impacted by widespread market volatility, supply chain disruption, nation-wide unemployment, travel restrictions and more. While many early-stage investment groups halted new investments and their deployment of capital ceased amidst the uncertainty of 2020, iiM doubled down. We supported the growth of existing portfolio companies and added a great mix of new companies. From the span of January 2020 through January 2021, we closed more investments *and* deployed more capital than ever before:

- ❖ Follow-on investments:
 - SMRxT, Inc.
 - PhotoniCare, Inc.
 - Envara, Inc.
 - Total investment: \$407,500
- ❖ New portfolio company investments:
 - Centese, Inc.
 - Sway Medical, Inc.
 - Resilient Biotics, Inc.
 - PyrAmes, Inc.
 - Total investment: \$686,000
- ❖ **Total capital deployed: \$1,093,500**



With these investments, the number of transactions facilitated by iiM since 2015 totals 19, across 13 portfolio companies, with \$3,146,000 total capital invested. Further, none of our 13 portfolio companies have closed their doors. We are extremely proud that they have maintained focus and showed exceptional leadership, especially over the course of the last year.

We are thrilled with the high level of engagement of our group this past year and are deeply appreciative of our Investor Member and Syndicate Member participants. Our members have been involved in a variety of ways, even beyond our organized group meetings, including serving on iiM portfolio company boards, participating in Zoom meetings with founders and helping review diligence materials. We appreciate your investment of time and capital in our organization and are excited to continue growing in 2021.

Venture Investing Terminology

There are many terms in the venture capital world that can be confusing. As we look at various companies and meet with their founders, you may hear us use some of this terminology. Here are a few such terms and what they mean.

Blended Preferences – When all classes of preferred stock have equal payment rights in the event of a liquidation.

Cutback Rights – Where shareholders exercise piggyback registration rights, but there are too many shares for the underwriters to sell in the public offering without adversely affecting the price, cutback rights determine whose shares are left out of the offering and whose shares are including in the offering.

Information Rights – The right of investors to have the company provide financial information annually, quarterly, or monthly and other information as requested by investors.

Inside Round – A round of financing entirely composed of existing investors.

Elements of Enduring Companies

By Sequoia Capital

Starting a business is rough. Most startups fail. Your best chance to thrive is to find the right community, the right partners, and the right network of support from the very beginning. We love nothing more than meeting promising founders during their first days starting a company.

The tech giants of today started as one or two person ideas not long ago. We've met many young companies and noticed that startups with the following characteristics have the best shot of becoming enduring companies.

Clarity of purpose. Summarize the company's business on the back of a business card.

Large markets. Address existing markets poised for rapid growth or change. A market on the path to a \$1B potential allows for error and time for real margins to develop.

Rich customers. Target customers who will move fast and pay a premium for a unique offering.

Focus. Customers will only buy a simple product with a singular value proposition.

Pain killers. Pick the one thing that is of burning importance to the customer, then delight them with a compelling solution.

Think differently. Constantly challenge conventional wisdom. Take the contrarian route. Create novel solutions. Outwit the competition.

Team DNA. A company's DNA is set in the first 90 days. Choose your first few hires wisely.

Agility. Stealth and speed can beat slow incumbents.

Resilience. Hone your ability to bounce back and keep trying.

Frugality. Focus spending on what's critical. Spend only on the priorities and maximize profitability.

Inferno. Start with only a little money. It forces discipline and focus. A huge market with customers yearning for a product developed by great engineers requires very little firepower.



Forecast: Health Care In 2021 Will Focus On 'Digitization of The Patient Experience'

By Christine Hall – January 4, 2021

crunchbase news



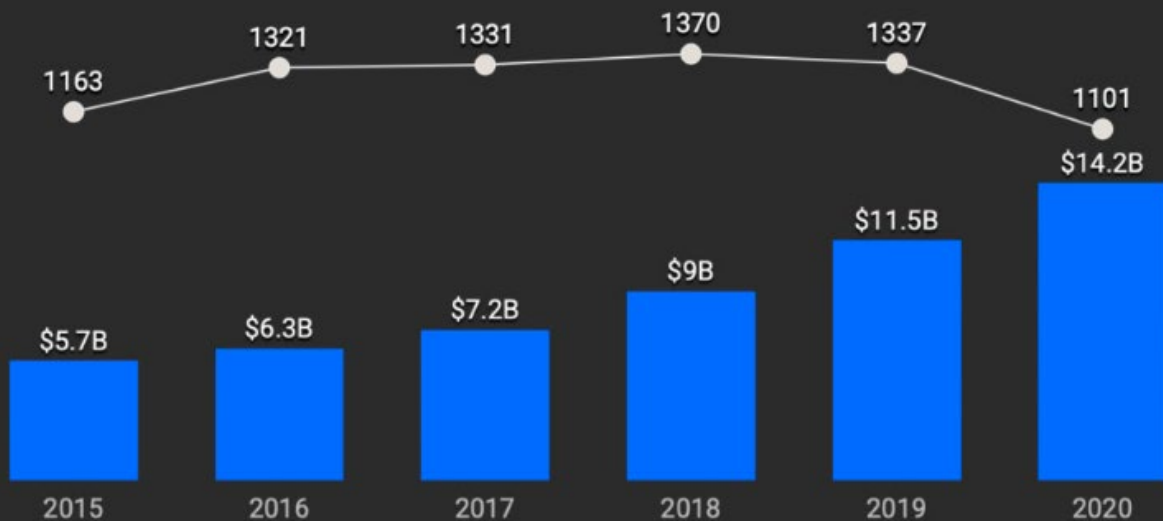
Investors in the space poured record investment dollars into digital health startups in 2020: \$14.2 billion globally and \$9.2 billion domestically, according to Crunchbase data. Investments in 2021 could rival 2020 as investors expect innovation to come from areas such as data interoperability, mental health, and personalized care.

Global Digital Health Venture Funding

Includes seed, venture, corporate and PE for venture-backed companies. Data as of Dec 21 2020.

■ Total \$ Invested

● Number of Deals



crunchbase news

Last year's global pandemic increased the public's awareness and understanding of how interconnected the world is, a view that will mature in 2021, Ann DeWitt, a general partner at The Engine, which invests in health care companies, said in an interview.

"There is a renewal of interest in community health and an appreciation for vaccines," DeWitt said. "Coming out of this will be innovation combining technology with artificial intelligence to address the next pandemic in record time, produce out-of-the-gate vaccines, and collaboration with other companies and the government."

Connecting data

Expect health care in 2021 to be more like interacting with Netflix and Amazon, said Priyanka Mitra, a principal at M12, which invests in software-related companies, in an interview.

"We will see the digitization and consumerization of the patient experience," Mitra said. "It will be on-demand, higher quality, priced competitively and the user interface and user experience will be watched heavily by Gen Z and millennial patients."

She predicts the health care data infrastructure will be the backbone of the whole health system. The U.S. health care system produces 1 zettabyte of data annually, enough to fill up hundreds of thousands of data centers, and that is only expected to double every year from here on out, Mitra said.

As a result, data is being shifted in different directions and patients are suffering because they are not able to gain access or insights easily, she added. Any company that can make data collection and analysis more seamless, as well as loop the patient into the decision-making process, will be most useful, she added.

Indeed, enhancing patient care is one of the drivers of data interoperability, or working across all systems, a market within health care poised to reach \$5.3 billion by 2027, according to Emergen Research.

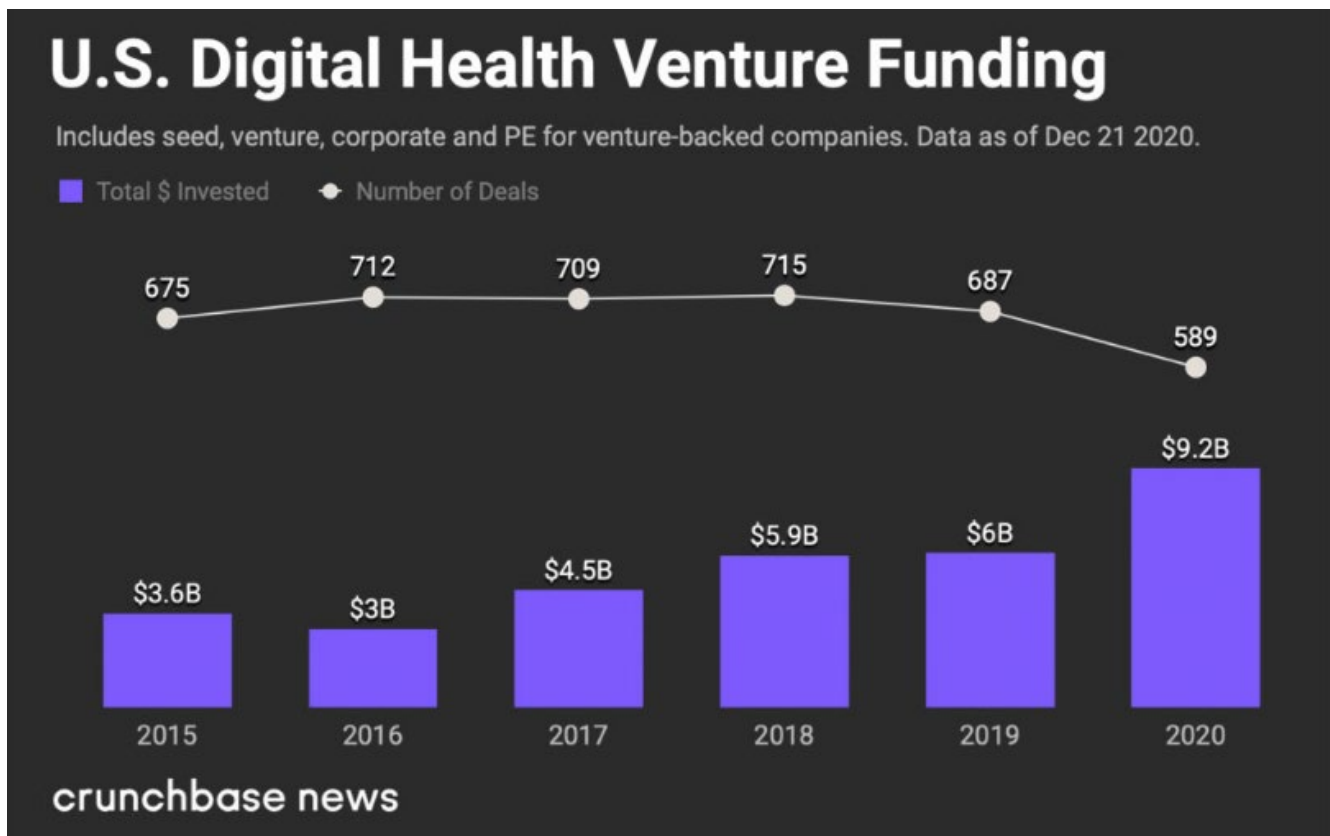
Lerer Hippeau Partner Graham Brown also expects this area to be one to watch in 2021.

“It will open up different types of predictive analysis to be used to personalize care,” he said in an interview.

Data collected everywhere, from apps to electronic medical records to wearables, will enable more comprehensive, digital approaches to health care problems, as well as how we pay and fund health care, Brown added.

In November, one of Lerer Hippeau’s portfolio companies, K Health, a New York-based company developing a data-driven digital primary care system, announced \$42 million in Series D funding, led by Valor Equity Partners. It is collaborating with Mayo Clinic to focus on improving and accelerating the deployment of virtual care models.

“K Health is using artificial intelligence to enable the patient to have a conversation with the company via a phone, and it functions as if you were talking to a doctor,” Brown said. “It results in more efficient triage. 2021 is going to be a big year for innovation like that and for organizations like the Mayo Clinic to get involved with startups in ways we have never seen before.”



Personalized care

Next year will likely also see increased funding to startups focused on personalizing care, especially in mental health and for certain populations.

“It’s an interesting time in the U.S. landscape,” Spora Health founder Dan Miller told Crunchbase News. The San Francisco-based company is a health care provider for people of color, linking health changes to life goals. It launched in November with \$1.1 million in seed funding led by Human Ventures, and now operates in four states.

“We are focused on reframing health literacy and what health care should look like,” he added. “There are reasons why my population broadly holds a mistrust for the health care system, such as the Tuskegee experiment. Stories get passed down, leading to mistrust and utilization.”

Spora Health’s platform is increasing engagement in this underserved community and provides users with access to care teams—even for folks who aren’t members, Miller said. Anyone can text a question and get information such as finding physicians in a certain city, locating healthy food and making smarter food decisions.

Meanwhile, the global behavioral health market is expected to reach \$240 billion by 2026, according to a 2019 report by Acumen Research and Consulting. Since the onset of the global pandemic, investors pumped approximately \$600 million into mental health companies, according to M12’s Mitra. It’s a trend likely to continue as COVID erased the stigma mental health traditionally faced.

“People are seeking care that they never did before: COVID was the equalizer,” Mitra added. “There was an uptick in virtual visits from the Medicaid, as well as Medicare population. Millennial mental health is also on the decline, made worse by COVID.”

The future of funding, public markets

In 2021, both DeWitt and Mitra predict more digital companies will enter the public markets, following the latest 2020 example of health care insurance provider Oscar.

DeWitt said any company that has raised a Series A round or later is ripe for an IPO. She has her eye on Pear Therapeutics, which is focused on drug discovery and announced an \$80 million Series D round in December led by SoftBank Vision Fund. DeWitt is also looking at health care testing company Everlywell, which raised \$175 million in a Series D, also in December.

M12 is largely focused on software, an area in which Mitra believes a number of companies are poised to go public due to their high valuations.

She said she’s watching companies like AI-based health care platform Babylon Health, which is valued at \$2 billion post-money, and Devoted Health, also valued at \$2 billion, providing seniors with health care plans.

“Once they get to this point, they are looking at the public market because they aren’t seeing much potential to get acquired at that price point, in my opinion, so by default, they would look to go public,” Mitra added.

More of Mitra’s potential IPO candidates include Zocdoc, Tempus, Grand Rounds, Cityblock Health, Renew Health and Honor.

They Mitra and DeWitt also expect to see more and bigger investments into the digital health space.

“There is a tremendous amount of capital looking for a good home,” DeWitt said. “If we get some of the bigger IPOs coming out, that will free up capital.”

A Look at a Portfolio Company

We are pleased to currently have 13 companies in the **iim** portfolio with due diligence underway for additional investments. One of our more recent portfolio companies is **Resilient Biotics**, with operations in North Carolina’s Research Triangle and the San Francisco Bay area.



Resilient Biotics has developed a next-generation discovery platform to identify and validate microbiome-derived, live biotherapeutics for prevention of respiratory infectious disease in animal health applications. Resilient’s technology platform and focus on respiratory infectious disease is translatable to other production animal systems as well as human health.

Healthy microorganisms can act as a barrier against dangerous pathogens. Resilient is developing a new class of therapeutics designed from the commensal microbial community. Resilient is also developing live biotherapeutics to decrease or replace antibiotics in the animal health industry. **iiM** made an initial investment in the company's Series A-1 Preferred Stock round in December 2020.



<https://resilientbiotics.com/>

About iiM

iiM (Innovation in Motion) is a funding platform for early-stage companies in the Animal Health, Human Health and Agriculture verticals. The company invests \$100,000 - \$500,000 in selected companies. **iiM** is building a diversified portfolio of companies – currently there are 13 with commitments to fund at least two more – with a target of at least 30 to 40 portfolio companies. A professional staff guides 25 investors making investments across the United States and Canada.

The **iiM Syndicate** entitles its members to participate in all the **iiM** meetings and pipeline calls; review prospective investments; view due diligence materials and invest only in those companies that each member chooses. And an investment can be as little as \$5,000.

Why a syndicate? Syndicate members invest alongside **iiM Investor Members** to produce a cumulative capital investment that is meaningful to new portfolio companies. Further, if the capital commitment is large enough, **iiM** may be in a position to lead the investment round and secure even better terms and conditions for all investors. In one investment, Investor and Syndicate members pooled capital totaling \$530,000 to invest in a Series A Preferred Stock round. Syndicate members must be Accredited Investors and pay \$2,500 per year to participate.

If you are interested in attending an **iiM** meeting or want more information about the **iiM Syndicate**, please contact **Lydia Kinkade**, Managing Director, at lkinkade@iimkc.com or (913) 671-3325. The **iiM** website is www.iimkc.com.