

## Transcript

Hi, I'm Bruno Holthof and you're listening to health, innovation and entrepreneurship. In our previous podcast, we talked about regulation because that was one of the key barriers to innovation that our entrepreneurs in the first podcast series encountered. The other real hurdle that entrepreneurs often have is to raise money. I'm very pleased that I can welcome Charles Antoine Janssen to this podcast. Charles Antoine is vice chair of UCB, a global biopharmaceutical company headquartered in Belgium. And he's also managing partner of Kois and Healthquad. And you'll hear from his experience and the cases he brings to this podcast that he has a wealth of experience in impact investing. He has experience in fundraising himself but then also investing the funds that he has raised in companies that want to solve societal problems. Charles Antoine, welcome to the program. It's great to have you.

Thank you, Bruno.

Why don't we start with defining impact investing and how you would measure that impact?

I define impact investing as deploying capital to generate societal returns as well as financial returns. And there exists numerous impact investing instruments. And they use different financial products to generate different risk return ratios and to generate different types of impact. For example, private equity and venture capital impact funds aim to scale products and services that address societal issues such as healthcare needs, causes of the climate crisis, causes of biodiversity loss, skilling or education needs of fragile populations. And they do that aiming to generate commercial financial returns and at the same time scale those services and products that answer societal issues.

Yeah. I know you have invested in a number of companies with Healthquad. Maybe you could give us a couple of examples of what you call 'commercially focused' impact investing.

With pleasure, Bruno. At Healthquad, our goal is to radically improve the health of the 50% lower income patients of India. And there are 750 million Indian patients who do not have access to world class healthcare. And there's another 4 billion people on this planet who have limited access to healthcare. We want to fund and we've done that in 17 cases so far, we fund companies that make products and services accessible, affordable and of high quality to these people while at the same time generating a 30% IRR. And I can give you an example of a company that we have invested in at Healthquad. For example, a recent investment we've completed is an investment in a company based in Bangalore and called Cure Skin. Eighty percent of dermatologists in India are located Tier 1 and Tier 2 towns. That means that if you live in a town that has less than 1,000,000 inhabitants, the probability that you're going to be able to access a dermatologist is very limited. Because it means that only 20% of the remaining dermatologists of India are scattered across a gigantic geographical space. So if you have a dermatological ailment that could in certain cases just be causing inconvenience, maybe social stigma, but in other cases it could be the cause of a cancer. The probability that you're going to take the time off to go and see a dermatologist, leave work for a day, lose your income, and incur travel costs and healthcare service costs is very low. Cure Skin designed an AI platform that is accessible on an app or through the web. You download it and you take a picture of your dermatological ailment and it will diagnose what you have. And if you feel in confidence with that app and you're willing to pay less than \$20, you will get a diagnosis, validated by one of the 40 dermatologists of Cure Skin who are working full time for Cure Skin and analyzing these images, coming on the telemedicine platform to diagnose more precisely the dermatological issue and symptoms of that patient and then prescribe the right drugs to the patient. Cure Skin will ship the patient three months

of treatment wherever they are across the country, even in the most rural area. That allows at a very affordable price to have a high-quality diagnosis, continuity of care through telemedicine interactions wherever the patient may be and however poor the digital connection may be, because it's using special technology to facilitate connections in low bandwidth settings and access the drugs through a B2C platform that ships them right, quality drugs priced affordably at the ease of their own home. So that's one example.

Charles Antoine, that is a great example of a commercial product that addresses a real need in India for people living in more rural areas with eventually achieving a nice return on the investment for the investors. I am just wondering that even 20\$ may be too expensive for certain people and there are problems that cannot be solved with a purely commercial solution. You were saying there are several models of impact investing. I am sure there are other models that are serving people who have no money at all or hardly any money. Could you elaborate on those models?

Yes, with pleasure. Bruno, you're right. Blended finance impact investing funds projects, nonprofit organizations or for-profit organizations that cannot yet scale with purely commercial capital. And these are circumstances where grants, outcome funding, guarantees, concessionary debt need to be blended with commercial capital to fund a societal need that will not scale with purely commercial capital. And these blended finance instruments have another benefit. They can help align actors from for profit and non-profit, public and private sectors that could normally not find an alignment in the execution of a societal intervention and a blended finance instrument will be an incentive for all these parties to collaborate thanks to shared measurable goals.

Yeah, that merits delving a bit deeper into. I think our listeners may not be that familiar with some of the financing instruments that you mentioned before, Charles Antoine. So maybe you could give an illustration of how this was applied in a setting that you're familiar with.

So Kois helped the International Committee of the Red Cross set up a humanitarian impact bond for physical rehabilitation in Mali, Nigeria and DRC, that generated 26,000,000 Swiss francs to build physical rehabilitation centers in Mali, Niger and the DRC, where the poorest of the poor, you can imagine them being in post conflict zones, having lost their limbs, often having no income. It's difficult for them to afford a decent prosthesis or orthosis, so they need an instrument in which outcome funders, development aid agencies or large foundations are going to reimburse social investors who are willing to take the financial risk of investing in the construction of the most efficient physical rehabilitation centers in the world, and whose return is going to be dependent on the number of people treated and who regained mobility after five years. The reimbursement via the humanitarian impact bond will generate a financial return for the investor and therefore the return is not dependent on payment from those patients who could not pay for such care themselves.

Yeah, that's a great example again. It sorts of leads to the question what role governments or as you say nonprofit organizations like the International Red Cross or other global health organizations can play in creating the right environment for a sustainable business model so that commercial partners can come in with their capital. What role do you believe governments and others must play in that?

The governments can contribute very significantly. First, it would require the governments to understand what businesses and what segments of the economy have what impact on society. Are there some that have positive externalities, meaning that they contribute solving some significant social issues, such as climate change, pollution, biodiversity loss. Are there some businesses that may have negative externalities generated at the same time as they

generate economic growth and income. For example, are they providing food that is causing obesity and diabetes? Are they producing steel or oil and gas that is polluting massively. There should be a mapping by government of what in a certain geography, could be the economy with the least negative externalities and the most positive externalities. And have fiscal incentives towards impact investors who come and support those industries who are often a bit earlier stage and a bit riskier so that they have, for example, a reduction in capital gain tax, a reduction in dividend income tax or a reduction in corporate income tax if they invest in such products/services. You could also have the government that would facilitate regulations to incentivize these investments. You could also have subsidies of the government to some of those activities and making, for example, those subsidies directly available to a patient. So that the patient himself or herself can choose who is the best healthcare provider for them who are in specific needs and are particularly fragile and are not always served by the largest healthcare providers. These are some examples or some ideas on the subject. We've seen examples at Kois, for example, with the refugee impact bond that aim to employ and empower refugee women in Syrian neighboring countries, where the Syrian government finally allowed these women to have access to employment. The Syrian government allowed more than 5000 women to be empowered by the refugee impact bond.

In the case of the humanitarian impact bonds, we see that the government has, through the Ministry of Health, facilitated the construction of rehabilitation centers that would have lasted much, much longer otherwise. And in different projects that we fund, we see the government in India or in Belgium making subsidies available to particularly fragile patients who then feel empowered by the fact that they choose who serves them. They vote with their money for quality service providers that may make a small margin serving them.

That's a lot of food for thought, Charles Antoine, I often say to entrepreneurs, you need to make courageous choices. But also, governments need to make courageous choices around which sectors they want to invest in and facilitate. You gave some very good examples where governments could play a role.

I really liked your insights, Charles Antoine. I want to thank you a lot for joining this podcast. And if you also like this podcast, remember to subscribe to the channel. We're available on Apple and Spotify or also on the University website. In the next time podcast, we apply some of the insights of Charles Antoine and have a discussion on how to create sustainable business models and my guest will be an entrepreneur from Kenya, so stay tuned and thanks again Charles Antoine for joining.

Thank you, Bruno. It was a pleasure to be with you.