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EPISODE 168:

Operators as Investors: Scaling Healthcare Platforms



Robert Morier: Welcome to the Dakota Live podcast. I'm your host, Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, managing partners, and other important players in the industry who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and our Dakota Live content, please be sure to check out our website at dakota.com. Before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker, who is not affiliated with Dakota. Not a solicitation, testimonial, or endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota.

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Robert Morier: Our guest today is Sal DeTrane. Sal brings more than two decades of experience across investing and operating roles. He has helped build and scale companies, guided management teams through growth challenges, and worked closely with founders navigating early-stage environments. His background has shaped a philosophy rooted in practical execution strategic discipline, and partnership with entrepreneurs rather than passive capital allocation. He represents Empactful Capital, who we're gonna learn more about today. Sal's career spans more than two decades across venture capital, investment banking, and hands-on company building. Before founding Empactful Capital, he held senior leadership roles at MediAnalytics, helping the company grow from early revenue stages to significant scale and ultimately a successful private equity acquisition. His experience as an operator informs Empactful Capital's philosophy, which emphasizes strategic involvement, milestone-driven execution, commercial acceleration, and genuine partnership with founders. In addition to his professional work, Sal is an advisor and thought leader in both academic and industry settings. He has served in advisory roles at Temple University and contributed to public policy initiatives on behavioral health, and whole-person care. These experiences shape Empactful Capital's focus on value-based care, behavioral health integration, and healthcare technologies that deliver measurable financial and operational impact. Sal, thank you for

joining us today. Welcome to the studio in Philadelphia.

Sal DeTrane: Yeah, thanks for having us, Rob.

Robert Morier: And welcome back to Philadelphia.

Sal DeTrane: Yeah.

Robert Morier: How does it feel to be back? You've moved recently from California.

Sal DeTrane: I have, yes. About 30 years in California in Silicon Valley. And so it's been great to be back. I've spent a lot of time here over the last 30 years, but more formally I came back in October of this year.

Robert Morier: Okay. How does it feel to be back?

Sal DeTrane: Great. It's, I mean, it's obviously home, so it's a good time to be back and we're enjoying our new home in Bucks County. So a newer area of Philly that we hadn't spent as much time in.

Robert Morier: Well, that's great. Well, we're glad you're here. You've had a very interesting and successful career. You've launched Empactful Capital. For our audience who are less familiar with Empactful, would you mind just giving us a quick overview of the, of the strategy?

Sal DeTrane: Empactful Capital's name is pretty much our, our philosophy on investing. So it's really been formed around a higher EQ for what it takes to build successful companies and the whole process around that. And so that's the E in impact and then Empactful advice and support to our companies because we believe they need as much support as they need capital. It's equal parts of each and the right amount of capital at the right time. So our philosophy is really deeply rooted in everyone in the firm, all the partners being former entrepreneurs and operators themselves. And so that is really deeply rooted in our strategy as we both vet opportunities with entrepreneurs and try to demonstrate how we would operate post-investment with them. And as well as our industry expertise, which is really deeply rooted in healthcare and the combination of healthcare and technology. So a lot of the partners have been involved in many of the most successful healthcare tech companies as well as healthcare services companies. Through that process, really understanding where the next was in healthcare. And those are why we picked the 3 areas that we focus on.

Robert Morier: I'm always curious about the genesis. So you're sitting around a table with your other managing partners or maybe your family.

Sal DeTrane: Yeah.

Robert Morier: Whoever it is, you make this decision to be an investor.

Sal DeTrane: Yeah.

Robert Morier: What's the genesis of Empactful? So what was that thought process like?

Sal DeTrane: It's actually V2, um, of a business that I had started called Nucleus Partners, uh, which was really focused on seed stage companies, pure tech in, uh, Silicon Valley. A partner and I who had been at Anderson and doing investment banking prior to had gone over to an angel organization and decided we wanted to take that model and morph it a bit. And so we formed Nucleus Partners in, uh, the 2002 timeframe. And so one of my earliest investments, uh, was a company, MediAnalytics, that we referenced I had a lot of in my career with strategy work and transaction work, and I didn't have deep operating experience. And so that was what sort of led me to go more down the operational path. And so really what the genesis of Empactful became was really leveraging the combination of investment operating experience in the healthcare sector and really where technology could really drive the disruption and innovation that needed to occur in healthcare and still occurring and will occur for the next we have several decades in front of us.

Robert Morier: When you were building this strategy, were you thinking about your investments in a way that there would be multiple exit options for investors?

Sal DeTrane: Sure.

Robert Morier: Is that how you were thinking differently in terms of an underlying LP participating in, in you as a GP?

Sal DeTrane: Yeah. So a lot of the operating experience forms some of those perspectives. So I was the CFO, the COO, the head of strategy for MediAnalytics, and so I dealt with all the investor relations all the way up through our IPO roadshow. And we ended up selling the company to Thoma Bravo in 2015 on a majority recap. But it was sort of exploring options around capital. And then also what were the right times to explore those options and what milestones did you need to achieve to be in a position to leverage those different opportunities that would be put in front of you? As we formed Empactful, one of the things that we have been very squarely focused on is this gap between DPI, distributions paid in, and the illiquidity in the market, and also being able to achieve top-tier returns. And so that combination is really deeply rooted in how we think about both when we invest, the entry points of how we invest, the periods we're going to hold the investment, and then what we're looking to do over that hold period. So it's not just, you know, plant the seed and hope it will grow, but be more involved in, you know, curating the soil and all the other things in the analogy that are really going to help that company be successful. And a lot of it is leveraging, you know, our lessons learned across our careers and the like. And so a big part of it is as the market has been churning and changing relative to not just achieving top decile returns, but getting folks' capital

back in the normal 4 to 7 year life of, or that period of the fund, is something that's like really deeply rooted in how we approach this.

Robert Morier: I've actually heard you say that the return profile of a 10-year fund peaks between years 4 and 7.

Sal DeTrane: Yes.

Robert Morier: And so how does the strategy then align with that window?

Sal DeTrane: Discipline?

Robert Morier: And what does that discipline mean for, for those LP distributions?

Sal DeTrane: You know, we typically are in a 3 to 4 year investment period. And so our whole philosophy is deeply rooted around we want to hold each portfolio company for about 3 to 5 years and at least achieve some liquidity in that, in that process, in that period of time, if not full liquidity. And obviously we'll hold as most appropriate for the fund to realize the maximum return. But we just think there's been a lot of time in the cycle of the investment in the lifecycle of the fund where people are not receiving any funds back and people are still raising their next fund, that we just think that that's gotten a little out of balance. And so we have always had that as part of our model. And it was something that an LP sort of recognized as we described the model to them saying, this is what's really unique about what you guys are doing. And so we've really, really just felt that we, we really want to double-click on that and stay very, very committed to that focus. And across our track records, we've been able to deliver liquidity in 3 to 5 years on early stage to growth stage businesses. So it's not something that we think is impossible or we're trying to bend the curve dramatically. It's, it's just kind of doing what we've done in the past, but putting more of an emphasis on when you enter, you know, how do you really sort of get very disciplined focus around the, the milestones for that Series B and Series C round. We're typically Series A investors.

Robert Morier: How important is that continuity among the team when you think about your own experience as an operator in conjunction with the rest of of the team over that time frame to today's market?

Sal DeTrane: It's critically important. And obviously you always want to add new talent and have, you know, a growing team of folks who can provide succession planning and the like. But, but the continuity of folks, you know, trust, who know and trust you, it's, it's very hard to achieve at this time or any time in, in business. So, you know, that process of really understanding what people's values and belief sets and how aligned they are and how our focus is really on, you know, structuring transactions with entrepreneurs that basically put us as partners together, not, not sort of we're sitting in a structure preferred and you sit in

common. And so every decision gets analyzed through different lenses of why you're suggesting something versus, hey, we're, we're in this to make money and, but we're here to help and we really what gets us out of bed every morning, having, you know, built and created and successfully exited lots of companies, is doing this continuously, helping others in seeing through their vision and seeing success through their eyes and being able to deliver on the top-tier returns for LPs because that's job one. But at the same time, we can do that in a way which is very entrepreneur-friendly. And that, that means, you know, a lot of things relative to very direct conversations of what's going well, what's not going well, Are we getting closer or further away from milestones that are going to be critical in not only our success as the investor, but also their success? And so how much— the more you align those two things, I found in my career that that pays dividends for, for both parties.

Robert Morier: Why Series A?

Sal DeTrane: So I think it's an interesting time in the market right now. So seed market is definitely— there's plenty of opportunities out there and there's plenty of funds. Servicing those opportunities. I think a lot of it has to go— goes back to our operating experience and where we've made the biggest inflections on the companies we've been involved in. And it has been in that area of like \$5 to \$20 million of revenues. And I think the market has gravitated quite a bit in the last couple of years, maybe the last 5 to 10 years specifically, where, you know, what used to be a Series A company is more like a Series B stage company and what used to be a seed company is, you know, kind of moved a little further down the, down the, the cycle and or the longevity period. And so as we think about that, we feel that our skill sets are best suited for that particular part of the market. That's where the entrepreneurs gotten their first 3 to 5 referenceable customers. I think for any value proposition, a founder has to prove that someone will will, you know, buy from them and buy the same thing at least 3 to 5 times before you're ready to sort of really commercialize a business. So that product-market fit is really a critical stage and a critical milestone in the process. Also, we want to see the team, their team, work together and have some continuity for a period of time. Obviously going through a high-stress, you know, environment, are they able to work together and the like? And then as well, where we think the market has gravitated towards is a lot of funds have been raised at the seed stage and a lot of the more traditional Series A, Series B investors are now Series B, Series C investors. So it's created this funding gap in the marketplace. And so when you combine that funding gap with our ability to support these companies and fill a support gap, that's where— that's the biggest reason why we feel a lot of companies don't— aren't able to achieve \$10 million of revenues or greater. They kind of get stuck. In the single digits is they, they're not able to sort of get the balance between those two key components of their success.

Robert Morier: No, that makes sense. And, and another reason which you've touched on is the team and sometimes the leadership.

Sal DeTrane: Mm-hmm.

Robert Morier: Is not necessarily equipped to take it to the next stage. Sure. So that's what's so interesting about that part of the market in Series A into Series B. Absolutely. So when you think about coming into an investment and working with a management team, What does that look like from an operational perspective? Put your ops hat back on. You've got a founder who either was the idea person or the marketing person and is now running a business that's generating \$5 to \$10 million in revenue and we want to get it higher. So what does that conversation look like over time?

Sal DeTrane: Just give me an example. Yeah, I'll start pre-investment and then at the time of the investment and then post-investment. On the pre-investment side, we are having active dialogue and as we're doing our diligence, vetting an opportunity, we're really trying to understand where are the gaps that they have, how do, how are they situated or what have they, uh, been able to achieve relative to what we look at as a traditional set of Series A milestones and how those have evolved over the, the period of time. So we have a proprietary lens around that. And so we have an active dialogue with them a— around those specific milestones where we think they need some help or support or could use additions to the team, or as we think about, board composition, which type of expertise and skill sets do we want to also sort of recruit to the board? So it's a really active engagement and open dialogue around those things. And then also when it's a first-time founder or even a multi-time founder, just because you're a great founder doesn't necessarily make you a great CEO of a \$50 million business, right? What is the best course for that particular founder? Is there— are they more of a technical founder? So maybe they want to be the chief product officer over time. Where can they continue to instill their genius into the company, but also let their, let their baby, you know, take, you know, grow and progress in the way it should and has the potential to do so. And so that conversation is just a very active one of you. Do you have to be CEO? Right. And a very honest and open conversation over lots of, you know, dinner meetings and other social interactions just to really understand, you know, what's most important to the founder. And then as we get through the process and we, we kind of lock down on, you know, what, what elements need to be built out on the team or the product or the market or whatever the case might be, making sure you have incredible alignment at the time of the investment and then how that relates to the use of proceeds on that particular round and, and an understanding that we're going to hold them accountable. Right. I mean, this is a big part of, as I like to say often to founders, a board only has 3 jobs. It's to hire and fire the CEO, is to help and support the business around strategy and, you know, really critical decisions, and it's to provide

governance. And there's only one person they can hold accountable. It's the CEO. And the rest— the CEO needs to hold the rest of the team accountable. So we're very, very clear on what it means to be on a board. To not be in an operator seat. As I like to say often to founders, we're recovering operators, if you will, and recovering entrepreneurs. So, you know, we're not looking to come run your business, but we're here to help. And so if we are having a good, active and open dialogue with each other, then we're able to sort of support you in the best way possible. So if there's a problem, let us know. You know, if there— if, if you're trying to think through something, we're here as a resource to help you.

Narrator: Dakota Marketplace provides the industry with the highest quality and most up-to-date GP, LP, private company, public company data, as well as performance benchmarking and a number of other different datasets that the investment industry is fueled by. We're excited to announce that all of that data is available now via our customizable and bespoke APIs. You can create an API that will plug into any CRM or use some of our pre-built APIs with Salesforce, Snowflake, and a number of other CRMs that you can find on our website. To learn more about Dakota's API offerings and create a custom package that best suits your business, go to dakota.com/api.

Robert Morier: Before you get there, what does the sourcing process look like? Yeah, both qualitatively and quantitatively. Sure.

Sal DeTrane: It's multi-pronged. So there's obviously lots of relationships and network amongst our partners and advisors that source a lot of our deals. There's a very active market mapping process. And, you know, as we dive into the 3 areas of our core focus around value-based care, behavioral health, and consumerism in healthcare, though, there's market maps and detailed thesis work that we're doing in each of those areas. And then we have a team that's reaching out to the leading entrepreneurs that we, we are aware of and others that we're becoming aware of through announcements they're making and the like to really share our thesis on that particular market and really see how it aligns with their take on where they'd like to take their business. And when there's good alignment, then, then we kind of progress the opportunity through the, through the deal pipeline.

Robert Morier: Behavioral health, value-based care, whole-person care. Why do you believe those themes represent the most attractive investment opportunities in the market today? At least to your strategy.

Sal DeTrane: So MediAnalytics was all focused on how people got reimbursed and how people paid their, their, their claims or the claims that they had submitted. And so that reimbursement and payment mindset is sort of really deeply entrenched in a lot of the partners and advisors. In fact, we've all been very successful in those particular areas. So that's one

aspect. And value-based care is in the path to value-based care. Is really an extension from a more traditional, you know, per-click or transaction model, a fee-for-service or a volume-oriented model to a value-based model that has more tracking on outcomes and how you get reimbursed or how you pay based on those outcomes. So it's, it's, it's a journey and it's been a journey since Obamacare, you know, first came out in 2010. And it's been slow in developing, but it's becoming much more prevalent. And so We believe the companies we invest in need to be able to evolve from a fee-for-service environment to a full risk or for value-based model. And so there's a long spectrum or lifecycle of that whole progression that health systems, health plans and others are going through. And behavioral health, our thesis there is just that without behavioral health being fully integrated in, you can't do value-based care. Because you can't really treat the whole person. You can't treat someone from the shoulders up different than you treat them from the shoulders down. And that's been the case in healthcare for the last, you know, 4, 4 decades or more. And so fully integrated behavioral health is critical to value-based care, but it's also critical to behavioral health because behavioral health has been reimbursed at a discount to primary care, which is reimbursed at a very small small margin relative to specialty care and the like, as you're probably well aware. So, so behavioral health, they are inextricably linked. And then when you— at the end of the day, when you think about whole person care or you think about, you know, where healthcare is going with high deductible plans and all the things that are happening with consumers and consumers being very active in other industries, they expect the same in healthcare. And so We really believe that the model is going to continue to evolve to become more consumer-centric over time. So we are focused on companies who are providing solutions, technology solutions inside of those particular themes and, and basically are able to help provide a solution that's meeting a new key challenge. But those are the three in our mind, the three greatest growth areas in healthcare today.

Robert Morier: And you kind of alluded to this, but the healthcare market in addition to the journey, it's proved relatively resilient over different economic cycles over the last several years. How does that resilience influence exit potential and then commercial adoption for the companies that you're investing in?

Sal DeTrane: Healthcare has been very defensible in any economy. You all remember in 2008 when I was running MediAnalytics, you know, the, the world was falling apart in the financial services and other industries. And you wouldn't even know it in healthcare. I mean, healthcare just chugs along and it's always there. It's the largest part of our economy, right?

Robert Morier: Maybe their money market account wasn't.

Sal DeTrane: Yeah, yeah, exactly right. But nonetheless, it went forward and it's so inextricably linked to government-based reimbursement and how it gets funded that it's critical,

right? It's like people have to eat and people need healthcare. That was one of the key aspects to why I think it's so resilient. But what we're doing is sort of looking at it also from the upside of how technology— and there's a lot of folks in healthcare who are running these healthcare organizations. They realize technology is what is going to be the game changer and is what is going to change the consumption of resources and capacity planning and a variety of other things because they have operated so long where you're just adding more resources and more people. And the challenge is, is that that's not always the best answer. Sometimes you have to look at the capacity that you have in your network and other considerations to make sure that you're, you're basically delivering high-value care, not just more care. Right. And I think that that's the big shift, both in reimbursement, but also in operations and strategy of leading healthcare systems or health plans as to how they work with their customers.

Robert Morier: The other side of this is that healthcare has a reputation for very long sales cycles.

Sal DeTrane: Sure.

Robert Morier: And some relatively complex adoption.

Sal DeTrane: Yeah.

Robert Morier: So how does your team, uh, help portfolio company— companies overcome those hurdles and reach commercial traction earlier?

Sal DeTrane: Part of it is really focusing on financial impact. Um, so while there's a clinical impact to a solution, like say care coordination, for example, how is it driving improved financial results and how is it inextricably linked to those financial impact? And so that obviously relates to ROI and a variety of other things that are really critical. So we spent a lot of time on value proposition. How is it sustainable? How is it defensible? How is it carrying a very significant return on investment? The other aspect is really just working through helping them think about how they scale their operations. And so as you really think about the business and how, how are they going to drive their, their solution adoption and the like. It really gets into how are you building a really disciplined, high-performance culture and a variety of other things within your business to better serve your customers, and how are you being a thought partner, a business partner to them, and how are you strategic to them. We have a company that, you know, CEOs show up for every meeting that they're in because the CEO doesn't have that insight. And so one of the things we've tried to really drive as pull a thread through all of our companies is really getting down to insights and delivering insights to their customers that no one else can, you know, no matter what electronic health record they have or claim system or whatever it may be, whatever incumbent technology is there, those

insights are still missed or not are not, are not available to the CEO or the C-suite of the organization.

Robert Morier: How do you evaluate that scalability? Because I think that's one of the more challenging aspects of Series A, Series B, is the money is there, the revenue is now being generated, presumably the team is the right team for at least that inflection point.

Sal DeTrane: Sure.

Robert Morier: But looking at how you, you evaluate and then measure the the opportunities as it relates to scaling this business?

Sal DeTrane: One of the biggest challenges these companies have is forecasting revenues, and they could scale the business if they could forecast revenues accurately. So one of the things we focus on immediately, both from the standpoint of onboarding a new portfolio company and even do our due diligence, is what's our sort of gut check on their ability to forecast the revenues of the business? Because you can't plan run any business if you can't forecast what your revenues are going to be, obviously from a cash flow standpoint and the like. And, and we're trying to invest capital efficiently. We're not just throwing capital and, and then, and then sort of someday they'll be profitable. We're, we're trying to look at it as these companies need to be at least stability where on their operating income, the, all the revenues that are operational, that they could be profitable at \$8 to \$10 million of revenues. And you may choose to make investments in sales, marketing, client success in a variety of other areas, product. But, but those are, those are sort of incremental investments. What, when you realize that the business is able to forecast revenues and carry its own weight of the capacity. So, so then from a scalability standpoint, that's, that has a lot of dimensions to it, but the first of which is the team, right? So the, the team has to have scaled a business before or open to bringing in folks who can help with that scalability. And that could be interim resources, consultants, other types of things that can help them with, you know, the same exact problem they faced in their business to, to also the point of really thinking through the milestones that are coming up in the next round of capital. What type of scalability, what type of gross margin profile do they need to show in terms of just the direct cost against their client revenues? And I think when you kind of get that figured out, you really can have a really good sense that you have a scalable business because a lot of times if you're struggling just to achieve, you know, a target gross margin, you're not able to get there. It makes the rest of the scalability in terms of the operating costs so much more difficult to achieve. So that focus on revenue forecasting, the growth profile of the business and what, what is what can they sustain and be able to handle? And then the gross margin profiles where we spend a lot of our time.

Robert Morier: What does founder mentoring look like in practice?

Sal DeTrane: It's different for every individual and you have to get to know each individual and whether he or she is, is open to help. You know, some of the three— the questions we ask during our due diligence process sort of rhetorically to ourselves is, one, are they open to help? And then once we give them help, what do they do with that help?

Robert Morier: How do you ascertain that?

Sal DeTrane: We make introductions for them. We give them advice during our due diligence process. And we— and it's just good to see how people process and, and sort of look to, you know, kind of look— did they look at that as being obtrusive or did they look at it as being helpful? And so we're, we're really testing our— is it a good fit? Right? Is there a good chemistry between us as investors and them as entrepreneurs? And the last thing is, can we help them? Right? I mean, we can't help every company. And even within healthcare tech, there are areas where we don't have expertise in the firm. So it's sort of a unique combination of that operating industry experience being brought to them in a practical way, but being brought during the diligence process at the time of the investment as we have to get it through our investment committee. And then over the 3 to 5 year hold period, which we call our value creation phase. And so we have to have a very definitive plan of how we're going to add value to the entrepreneurs. And we try to just have very open conversations, uh, and frequent conversations about that. Often it's a weekly call with the CEO or other members of the executive team that you just have as a recurring one-on-one with those folks, not to sort of challenge them, but just like let them ask you questions or whatever's top of mind for them this week or this month and so on. I think it's iterative. It's, and it's also, you know, really have to tailor it to each person and their, their, you know, understanding where they're coming from as well.

Robert Morier: Are there any consistent questions that tend to yield the most results for you during that due diligence process? Is there that, you know, that money question, one or two questions that regardless of who the person is, I understand the bespoke nature of dealing with different people and different personalities. And different businesses. But are there any questions? And I, I ask this more on behalf of our students because they're learning how to evaluate and diligence companies for the first time. So they don't know the industry, they're not operators, uh, but they are, uh, hopefully soon-to-be investors.

Sal DeTrane: I always come back to relationships are everything here. And so when things don't go to plan, you know, uh, the questions relative to, you know, just understanding How do you feel? So do you feel you have resilient entrepreneurs and the like? So there's a whole series of questions, but it really— it's also just seeing how the interactions go. And then as you're getting closer to the investment, you know, being able to really understand, you know, is this a good thing? I mean, as we look at it, this is a two-way street on due diligence. It's not

just us doing due diligence on the company, but it's also them doing due diligence on us. So we encourage them from a relationship standpoint to go talk to our CEOs, to get to know them. And then post-investment, they all spend a lot of time together. When we have our quarterly meetings like we did last week in Nashville, we invite the entire portfolio to come because we do our portfolio review. But it's a great interaction or opportunity for interaction between them as well. It's embodied not just a one-time reference call on us to sort of say, are these good guys and gals to work with, but it really gets back to, you know, kind of what is it, what's a day in a life look like and how do you sort of show that prior to the investment, at the time of the investment, then post-investment by bringing folks together. So we had them all together at our holiday party last week post these meetings, but they all had an opportunity to come and view each other's plans, but also share their plan for the next year and then for us to give them feedback on that. So relationship orientation or relationships first has been a lost art, whether it be investing or, or generally in life. And I think that that's something I would encourage for the students and frankly for the LPs as well. It's just always to look at, you know, how, what, what is the relationship you as an LP are going to have with, with the GP, but also from the— and is that a transparent relationship? But also, you know, co-investment programs like what's the co-investment program look like? How is it more actionable or visible? And then for students, as you enter this industry, to really understand that relationships will go a long way, you know, when, when things don't, you know, are a little tough, those relationships are what you're going to rely on, not, not the diligence you did or didn't do or pointing fingers. It's, it's, it's the relationship that you have with the entrepreneur. Where they're going to come to you and ask for help, you know, and you have to earn that. It's not, it's not something that just comes, you know, kind of by the nature of you writing a check.

Narrator: For years, legacy data providers have made private fund performance benchmarking complex and expensive. That's why we launched Dakota Performance and Benchmarks, the first ever benchmarking platform built by people who are using the data themselves every single day. We've made our benchmarking affordable, customizable, and very, very easy to use. You can log in to Dakota Marketplace today to start creating your own benchmarks and viewing our created benchmarks, or you can learn more and book a demo at our website at dakota.com.

Robert Morier: Do us a favor. Carry that theme of relationship building into an example in the portfolio. You don't have to name the company, but when you think about a relationship that you've developed over the course of maybe since the inception of the firm, maybe before that, that's carried into an investment and what that process looked like. So putting the idea of relationship building into action, some tangible action for our audience, I think would be very helpful.

Sal DeTrane: One of our companies, we've been investors now for 4 years. We recruited the chief operating officer to the company at the time, was someone that I had worked with at MediAnalytics for 10 years and had mentored. So, you know, he and I had a long-term relationship and this individual was not ready to be CEO at the time, although the founder sort of suggested when he came on board, you know, he was going to be the next CEO and the like. And so turns out 6 months after we made the investment, the founder wanted to retire. And so we had to work on a plan of building and developing this individual to become a CEO over 3 years. So one of our partners actually went in as interim CEO who had also worked with this individual and mentored him very closely. I mentored this individual very closely because of our relationship. And I would venture to say this person as a first-time CEO after being developed for 3 years, based on those relationships, is one of the top, if not the top CEO in our portfolio. And it's pretty cool to see when someone comes into their own. And this person wasn't necessarily the most strategic person, was a really strong operator, you know, all these types of things. But over time was able to, through, you know, lots of Saturday conversations and the like, because of the relationships we had, able to develop these skill sets and embrace it and, take what— some advice and create their own vision for the company. And that's really powerful. And I think that that speaks to trust and relationships and things that you— takes time to do, to develop. And obviously this was an individual we had a relationship with for 10 years prior to them coming to this company. But he has relationships that he's now brought a lot of folks that he's had long-term relationships with to the company. As the company has evolved and continues to progress. So I just think that theme is built really implicitly into our culture and, and the right entrepreneurs sort of embrace that. Others who don't think relations are important, we're trying to figure that out during our diligence process because it's not going to be helpful. We're not going to be the best investor if you're looking for passive capital like we've talked about. But, but if you were looking for helpful advice, helpful support. That's where our model really shines.

Robert Morier: That individual you mentored over those 3 years, would you mind again for our audience painting a, a characteristic picture of them?

Sal DeTrane: Yeah.

Robert Morier: Who are they as a person? What type of character attributes did they have that seemed to, to work clearly in this case? Obviously you're a wonderful mentor. I have no doubt that you did a great job, but I'm curious about that.

Sal DeTrane: There was a lot that went into that person, that person.

Robert Morier: I'd be curious to hear a little bit more about that. Sure.

Sal DeTrane: Was actually a captain in the military, so had a leadership, you know, training in

multiple different ways, went to West Point, was someone who, you know, then spent time growing up at a larger organization and, you know, developing some additional leadership skills and ability to manage projects, relationships, and those types of things, and then made their way to MediAnalytics and someone who you know, we were able to develop there. And so it was, I think, leadership. Some folks have it implicitly. Other folks develop it over time. I don't know that there's just like one, you know, kind of stereotype of how you describe a great leader. And sometimes people are thrust into leadership roles and they really shine in them then. And it's unexpected, too. So I'm not to say that every situation is going to be someone who was developed for 10 years at Meta Analytics and then another 3 years at another company and was in the military. But I think that's, that's this case. And that's one way of looking at it. And I've seen others where someone is like, got it built into their genes and at 28 they're ready to go lead a company. Right. So I just think it comes in different shapes and forms. And what, what we have to be really good at is recognizing does someone have that leadership trait and that quality that people will follow them and will take the hill with them in different situations. And, and when something is not necessarily easy to do, they're still going to, to go for it. Because let's— one of the hardest things to do is build, build a company and, and for it to flourish at different stages of its development and, and also knowing when to let go and let others sort of lead too. And so by being a strong leader, you also have to recognize that that opportunity to let others become leaders in their own capacity as well.

Robert Morier: I appreciate you sharing all that. Thank you so much. I'm not sure if you brought your crystal ball, but I'm going to ask you to look ahead a little bit. What sectors within healthcare technology do you see as the next frontier for value creation and why?

Sal DeTrane: There's a lot of subsegments that fall underneath the value-based care, behavioral health, and consumerism markets. And, you know, for anyone who's interested, happy to unpack that in greater detail. But, but we really truly believe those are the 3, you know, highest growth areas in healthcare. And so therefore, for technology being applied, I think there's a lot of work being done right now with AI and machine learning in healthcare. But one of the things I've learned over my years in healthcare technology is you can't have technology looking for a problem. You have to really understand how machine learning and AI can be practically applied. So there's a lot of opportunity there to garner the insights that we were talking about that are kind of the rarefied air data. And I think data and data plays in this space are going to be driven by machine learning and AI in a solution area so that you're kind of drawing it back to, again, a very compelling value proposition that has an immediate impact not something that, you know, you hope it's going to impact your organization. And so while AI and machine learning, there's a lot of money going, I think we, we really feel like there needs to be a real practical application, something that is going to move the needle and something that a healthcare organization probably shouldn't be developing on their own, that they should

have someone who specializes in that particular area bringing this solution to them. Businesses that have a platform play, something where they're not, you know, not a point solution, not a, not a, you know, one trick, if you will. It's a full opportunity to leverage a platform that then could be multiple solutions in a suite to that market so that as the market evolves, they're able to evolve with it. So those are some of the things in terms of business model also that we're, we're after when we're looking at the market.

Robert Morier: Empactful sits in this interesting space. Between venture and growth equity, maybe a little of both, arguably. Yeah. Being a little bit of both is tough from a fit perspective for allocators. So for allocators who are listening in, for emerging managers who also listen in and are kind of in that in-between, how do you, or how have you broached that conversation around how you fit within an asset allocation model?

Sal DeTrane: So we're really focused on being a very niche-focused fund. You know, sub-\$300 million. So if you're looking for funds that are, you know, much greater, billion-dollar-plus, that we're not that, right? But we're also not trying to do 25 or 40 deals in a fund. We're much more focused on doing 10 to 12 deals per fund. So what that allows us to do is to actually execute the model that we just talked about for the last 40 minutes or so and be very helpful to these businesses and be in a spot where we can exercise that value creation model that we talked about and deliver on it. Because I think, you know, you could always promise people returns or you could promise people help, but you actually have to do it. Right. And so we found that there's, again, whether it's pure venture or growth equity, the focus now on distributions and the focus on, you know, a shorter hold period and still delivering top-tier returns is unique. And at that space, we, we have a really unique model that has done that historically and we believe can continue to do it for decades to come. And whether that's in healthcare technology or in pure technology, it's the model that is, that is unique. And then when you combine that with the industry focus and the relationships and ecosystem that we can bring to the customer, to the, to the portfolio companies, that's what really drives that. So, so while it's— well, I think it is— they've been really siloed in certain ways. I mean, you can look at many venture capital funds. They have 10 different strategies under their venture capital model, and growth equity has become more buyout, right? So they've morphed. And so we feel like that space between an entry point around \$5 to \$15 million of revenues is, is an area where we can deliver exceptional returns and do it in this, you know, 3 to 5 year hold periods for the companies that we choose to invest in.

Robert Morier: Who are your mentors? Who are the people that you've attributed your success? I mean, it's not always the good ones. Sometimes it's the tough ones.

Sal DeTrane: Yeah. Yeah. So, well, there's a lot of folks that I owe a lot to and, you know, building a knowledge base over a long time, you know, what to do, what not to do, to your

point. But One person in particular is a gentleman named Arnold Silverman. And so Arnold's been in venture capital for 40-plus years, was involved in the early days at Oracle, founded Business Objects, Informatica, Epiphany. So probably that also speaks to why I'm so interested in data and analytics is his mentorship. So he's been my mentor for 20 years. He's our chairman. He's been our chairman. He was our chairman of Nucleus Partners, our predecessor firm. And Arnold's in his 80s and still involved in companies. And he, he has had the biggest impact on my life and business career in terms of, you know, really just helping me develop the lens to be a good board member from being an operator and having the pleasure to sit on boards with him. And then as well, how to think about investing and, you know, obviously not to— I think as an investor, you can either think too small or think too big. But not also really think about what will it take to make this business very successful and not, not putting limitations on things prematurely or, you know, because, because you're not thinking creatively or strategically enough about what it can be. And so Arnold's been a— has made a major impact on my, my development over time.

Robert Morier: When you're not moving from California to Bucks County and building businesses, what do you do outside out of the office?

Sal DeTrane: Big wine enthusiast. We've made wine in our home in California. We're an investor in a winery now, small investor in a winery, but it's a real passion. It's something I really enjoy. You know, I think as you go through your career, one of the things that I really enjoy is working and developing folks and things like that, both inside of my career or my firm, but also outside of the firm. And so, you know, a lot of times I spend a lot of time talking to young entrepreneurs or spending time with MBAs who are trying to figure out what they want to do next. I think, you know, that is what's giving back in that way is really what's important to me.

Robert Morier: Sal, thank you for being here. We're not going to let you go just yet, though. We're going to do a lightning round.

Sal DeTrane: Okay.

Robert Morier: So people can get to know you. Don't think too much about it. Short answers. You were wonderful throughout the podcast, but we'll have some fun with it over the next couple of minutes. So quick answers. No long explanations unless I stop you. Maybe a follow-up here and there.

Sal DeTrane: They're too short. They're too short.

Robert Morier: Okay, here we go. California beaches or the Jersey Shore?

Sal DeTrane: California beaches.

Robert Morier: Okay. Red wine or white wine?

Sal DeTrane: Red wine.

Robert Morier: Audiobook or physical?

Sal DeTrane: Audio.

Robert Morier: A founder who listens too much or a founder who doesn't listen enough?

Sal DeTrane: A founder who listens too much.

Robert Morier: Which one scares you more?

Sal DeTrane: The one who doesn't listen enough.

Robert Morier: How about product risk or go-to-market risk?

Sal DeTrane: Go-to-market risk is something we prefer because, you know, then that's something we believe we can help the company with through introductions and partnerships and distribution.

Robert Morier: You touched on this earlier, a board seat early or wait until the business earns governance?

Sal DeTrane: A board seat early.

Robert Morier: One metric you trust more than the pitch deck story?

Sal DeTrane: CAR is one that we put at the very top of our list. So contracted annual recurring revenue because it sort of factors in many different aspects of their business.

Robert Morier: What's more dangerous at \$5 to \$10 million in revenue? Moving too fast or thinking you've already made it?

Sal DeTrane: Oh, thinking you already made it.

Robert Morier: Operator instinct or spreadsheet, spreadsheet discipline?

Sal DeTrane: Operator instinct.

Robert Morier: Payers or providers? Who actually slows down innovation more?

Sal DeTrane: Payers.

Robert Morier: Value-based care inevitable or still optional for most companies?

Sal DeTrane: It's inevitable.

Robert Morier: Best healthcare innovation you've seen recently?

Sal DeTrane: It's around just capacity planning in a health system.

Robert Morier: That's good. Well, that's a follow-up.

Sal DeTrane: We'll have you come back on the show.

Robert Morier: One mistake you made early as an investor that you were glad that happened?

Sal DeTrane: Not trusting my gut.

Robert Morier: Finish this sentence: The companies that fail at \$5 to \$10 million in revenue usually fail because—.

Sal DeTrane: They really haven't established the product-market fit that they need to. And so I think you can have some early wins that maybe are, you know, kind of give you false positives on things.

Robert Morier: And the best boardroom advice you've ever received?

Sal DeTrane: Be prepared.

Robert Morier: Sounds good. Well, you were for this interview. Thank you so much.

Sal DeTrane: Oh, you're welcome.

Robert Morier: It was wonderful. Thank you for being here.

Sal DeTrane: Oh, thanks for having me.

Robert Morier: If you'd like to learn more about Sal and Empactful Capital, please visit their website at www.empactfulcapital.com. That's with an E. You can find this episode and past episodes on [Spotify](#), [Apple Podcasts](#), or your favorite podcast platform. We're also available on [YouTube](#) if you prefer to watch while you listen. And for more content, please visit us at dakota.com. Sal, thank you again for being here. And to our audience, thank you for investing your time with Dakota.