

# THE TENNESSEAN

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## Venture Capitalists Waking Up To Nashville Firms

December 19, 2016 – Nashville, Tennessee – When talking about the caliber of investment groups looking to Nashville for deals, local investment manager Sid Chambless is happy to name drop.

[GV](#), Google’s venture capital arm, [Oak HC/FT](#), [Nasdaq](#), [Goldman Sachs](#), [Credit Suisse](#) and [BlueCross BlueShield Ventures](#) are among the national or global companies and investment groups he rattles off that have poured millions into Nashville startups.

“We are having a great deal of success graduating companies to regional and national venture capital groups,” Chambless, director of [Nashville Capital Network](#) investment firm, said. “It used to be regional, that’s where the story has changed in the last couple of years.”

Nashville’s entrepreneurial community has gained significant support in recent years with the creation of the [Nashville Entrepreneur Center](#), multiple new investment funds, the state’s \$200 million TNInvestco initiative, [Launch Tennessee’s](#) programs and healthcare investment fund [Jumpstart Foundry](#). While the city has generated many entrepreneurial success stories in past decades, it has gained momentum in recent years among sophisticated investment groups taking greater notice of the local activity.

In October, Nashville health care startup [Aspire Health](#), a palliative care provider, raised \$32 million in a deal led by GV. In 2014, Goldman Sachs and Credit Suisse led a [\\$24 million](#) investment round in Franklin-based cognitive computing company [Digital Reasoning](#), which was followed by a \$40 million round in 2016 led by Nasdaq and Lemhi Ventures. Chicago-based [BlueCross BlueShield Venture Partners](#) names at least six Nashville companies in its portfolio: Aspire Health, Axial Healthcare, Contessa Health, Change Healthcare, InVivoLink and NaviHealth.



Sid Chambless, executive director of Nashville Capital Network (Photo: File/The Tennessean)

The number of venture capital investments annually in Nashville has grown by 450 percent since 2009, compared to 140 percent nationally, with more than \$150 million invested, according to the Nashville Capital Network's annual report. The number of growth capital deals, those that are greater than \$3 million, has increased by 170 percent.

Aspire Health CEO Brad Smith was introduced to a GV investor in April at a health care conference in California by Ann Lamont, Oak managing partner and an Aspire board member. Aspire, which brings doctors and nurse practitioners to patients' homes, had raised \$2 million from Nashville investors before landing much larger rounds from BlueCross BlueShield and Oak, based in Connecticut and Palo Alto, California. While Smith's team had not planned on raising more capital for another six months, they were eager to gain GV's backing.

"Technology is a really important part of our business, both in terms of how we identify patients, how we track our visits and our phone calls and how we figure out what types of interactions with patients are the most helpful to them," Smith said. "The idea of being able to partner with them and improve our algorithm and our data science and our technology was really appealing."



**Brad Smith, CEO of Aspire Health, at his office on Friday, Dec. 9, 2016, in Nashville, Tenn. Smith landed \$32 million in venture capital from GV, the investment arm of Google. It was the first time GV invested in the Nashville company. (Photo: Mark Zaleski/For the Tennessean)**

In addition to the capital that will allow the company to expand operations to as many as 23 states, the partnership has already brought significant value to Aspire through the expertise of the GV team. They have helped improve Aspire's algorithm and adjusted software to help nurse practitioners log on faster from the field and expedite the company's log on process. A GV partner has also spent a few days in Nashville to follow nurse practitioners and help improve their retention rates.

That added value spreads beyond the Aspire customer base. The company now employs 240 people in Nashville and 510 people nationally, with plans to expand to 850 by 2018.

That the investment brings GV partners to Nashville is also notable. As of June, the company had only made a handful of its more than [300 investments in Southeast companies](#).

Digital Reasoning CEO and founder Tim Estes describes his company's funding success as a mix of providence and having a strong product that serves a [range of sectors](#). At a 2012 Fintech Innovation Lab program recommended to his team days ahead of the application deadline, Estes was able to demonstrate his technology to Goldman Sachs representatives.

Seeing applications for addressing compliance issues, Goldman Sachs wanted to partner with the company as customers. Two years later, after Digital Reasoning had raised money from Silicon Valley, Washington, D.C., and

Nashville investors, Goldman Sachs led the pivotal investment round that allowed Digital Reasoning to expand in the financial services sector and grow its New York office to now 40 employees.



Tim Estes, CEO of Digital Reasoning

"That was transformational," Estes said. "Once you say that Goldman picked us among all options, you don't always have to say a lot else after that."

With the Nasdaq and Lemhi investment, Digital Reasoning has been able to expand in Europe and Asia. The company has grown to 90 employees in Franklin and 170 worldwide. "We really have broadened dramatically the reach of the business," Estes said.

Stuart McWhorter, chairman of Clayton Associates investment firm in Brentwood, said while big-name firms in New York have been investing in local health care businesses for at least the past two decades, interest in local startups has increased.

"There seems to be a little more attention to Nashville from the outside and that's probably just a function of all the different things going on right now," he said.

That includes Nashville's growing stature in general, its strong business climate and [efforts by Launch Tennessee](#) to showcase Tennessee companies on both coasts and to bring investors to Nashville, McWhorter said.

"The principals and the associates and partners at all these firms are starting to come to these events and they are beginning to connect with what is going on here," he said. "Over the last four or five years we are now beginning to see a little bit of the fruit of that."

#### **Addressing the capital gap for early stage companies:**

Nashville Capital Network is investing in early stage companies, allocating \$1 to \$3 million to startups after they have achieved seed rounds to help them launch but before they reach the growth stage of about \$5 or greater.

That growth stage of capital needs more local support to help lure more national players to the area, Chambless said. The Nashville area has focused significantly on the launch phases, which is important, he says, but that support needs to extend to the next level for Nashville to solidify its stronghold as a city for entrepreneurs.

"Goldman Sachs isn't going to come in and do the \$1 to \$2 million round," Chambless said. "If we are going to put all this energy and resources behind entrepreneurship, if we are going to have the state fund accelerators and as a community support entrepreneurs and build the Entrepreneur Center, we have to make sure there are resources that get these companies through the life cycle. If we are just investing in that seed opportunity, these companies are going to die on the vine."

Seed stage funding has grown significantly in recent years, in part fueled by TNInvestco, which raised about \$120 million to invest Tennessee-based companies. The investments range from \$6,000 to about \$2.5 million.

Those deals lead to the early stage deals, which leads to the larger investments, helping to address the capital gaps that can stunt companies' growth, Chambless said. "That's the problem we are trying to solve and we are having some success solving it," he said.

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#### **By the Numbers:**

More than \$1.6 billion has been invested in Nashville companies from 2005 to 2015.

Annual investments in Nashville companies have grown by 450 percent since 2009.

Health care makes up 60 percent of Nashville's venture capital investment dollars from 2005 to 2015.

Source: Data provided by Nashville Capital Network