



Executive Summary

Digital Health Funding and M&A

2017 Fourth Quarter and Annual Report

Funding and merger & acquisition activity for the
Healthcare IT / Digital Health sector

<http://www.mercomcapital.com>

About Mercom's Digital Health Funding and M&A Report

Mercom was one of the first research firms to track funding and M&A activity in the Digital Health / Healthcare IT sector, starting in 2010.

Here is how our report is different: Our report includes deals of all sizes, globally, to present a complete picture of funding and technology trends. As an independent research firm, we have no conflicts of interest with companies covered in this report.

- This is the most comprehensive report covering funding and M&A deals of all sizes, globally. The trends revealed in this report give a more complete picture of the industry.
- All charts, graphs, and trends are clearly categorized and defined by technology and sub-technology groups.
- This report includes concise deal information for every transaction.
- This report covers historical trends.
- As the industry evolves, our report evolves with it and we continuously improve the information, analysis, charts, and trends covered every quarter.

Our subscribers include companies and executives from venture capital, private equity, investment banking, healthcare, digital health, insurance, healthcare associations, universities, tech firms, and more.

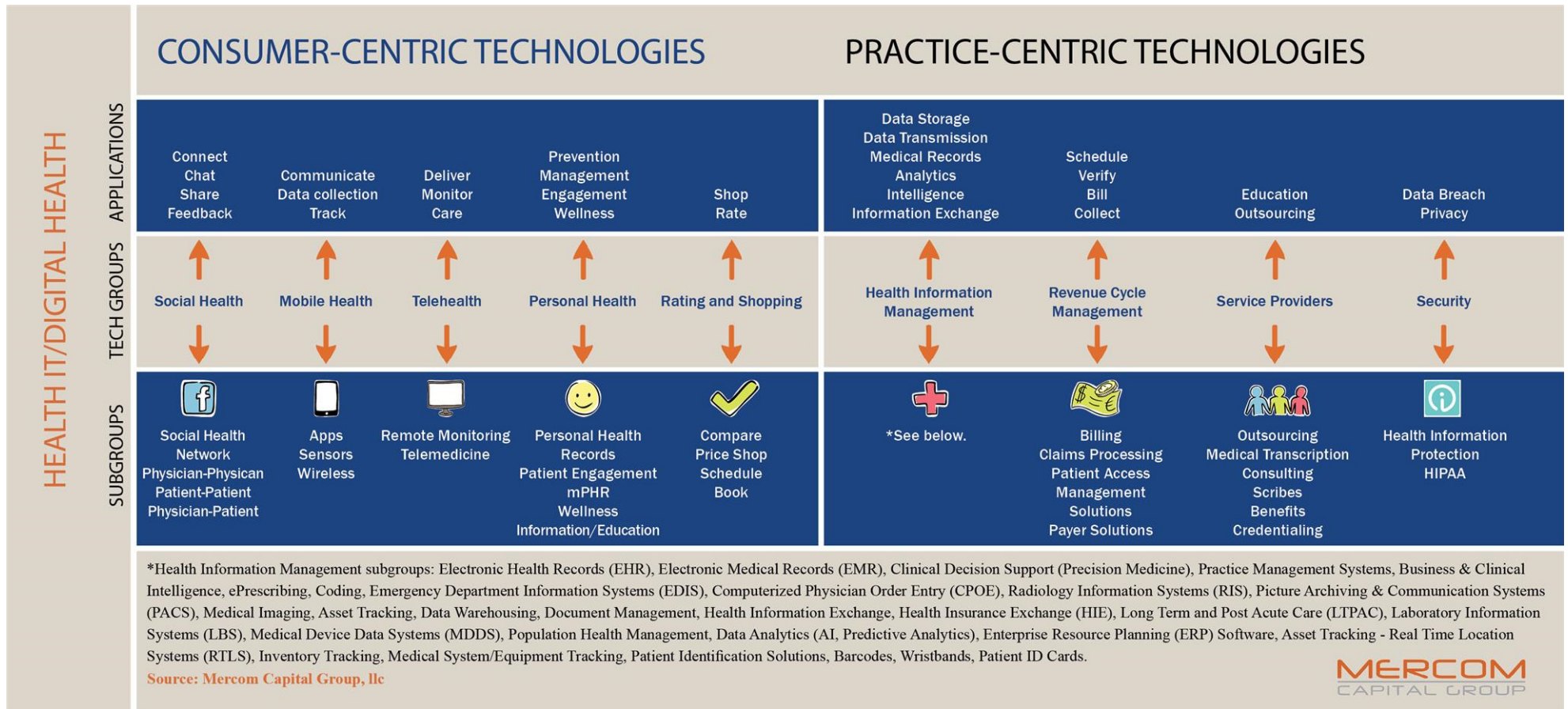
Audience

Why they like our reports

Venture Capital/Private Equity	leads from early-stage deals, technology trends
Investment bankers	leads for funding and M&A deals, investor leads
Healthcare IT, Digital health	sector trends, investor targets (by funding behavior, including technology, technology partnership targets, and more)
Insurance companies	acquisition leads, investment leads, technology partnerships
Large healthcare & Tech firms	acquisition leads, R&D partnerships, investment leads

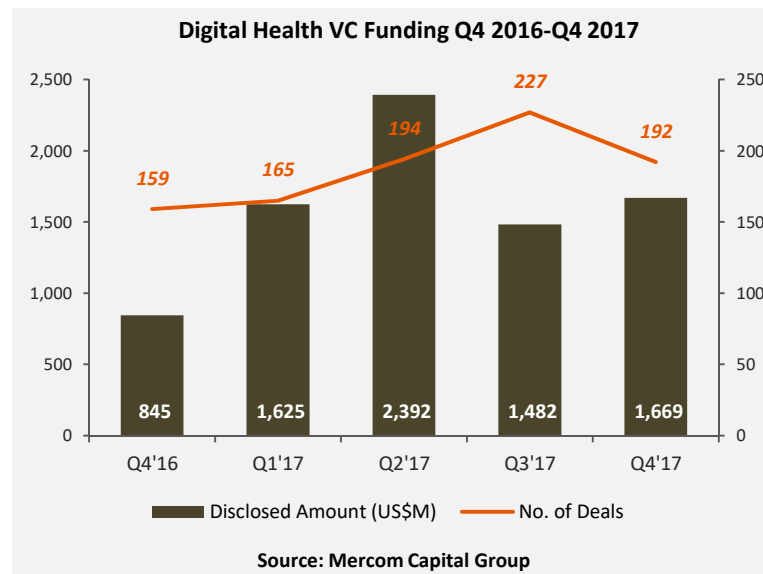
The report covers the technologies listed below and the sub-technologies under them.

Technologies Covered in This Report



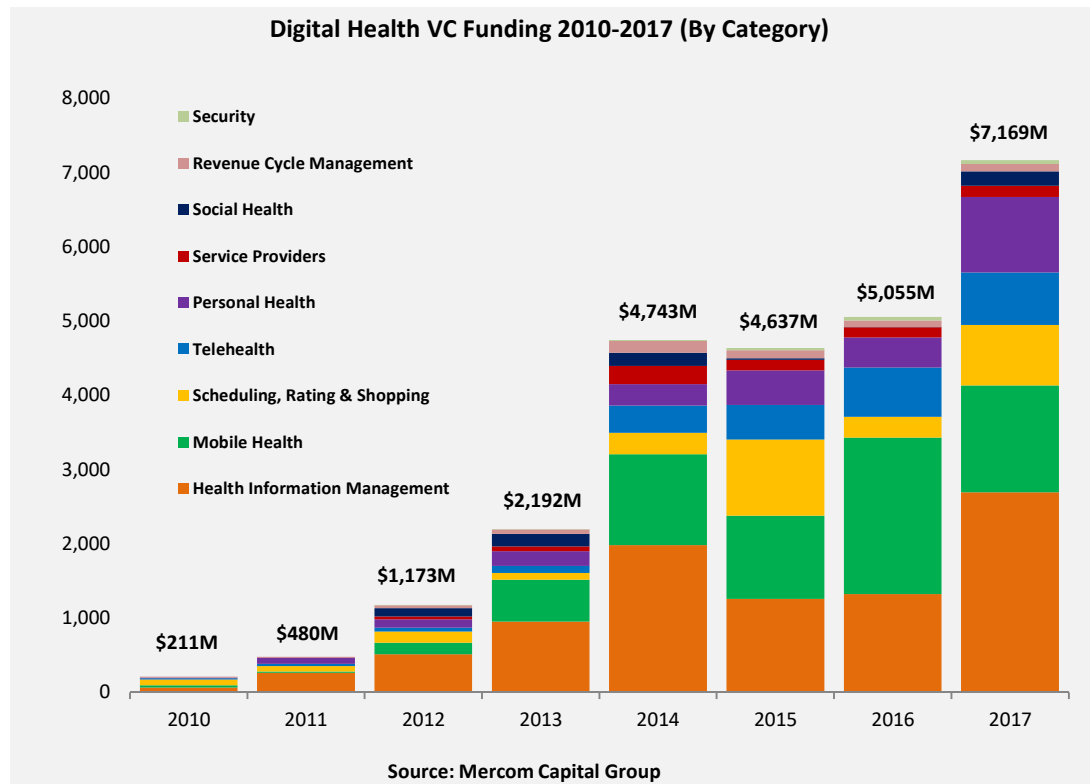
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FINDINGS

- Global Venture Capital funding raised by Healthcare IT/Digital Health companies rose 42 percent YoY in 2017 to \$7.2 billion raised in 778 deals, compared to \$5 billion raised in 622 deals in 2016.

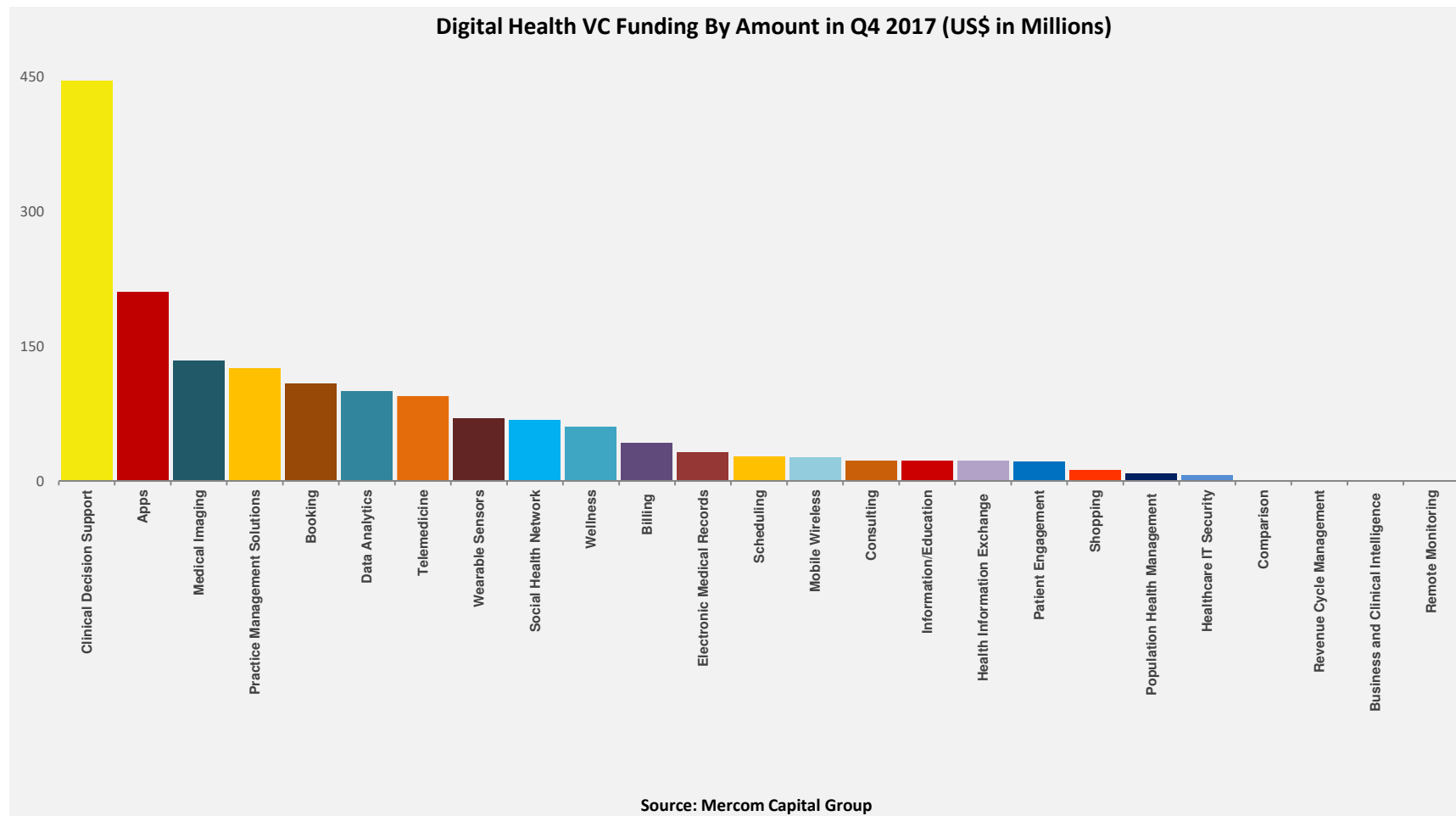


- Total corporate funding into Healthcare IT – including VC funding, debt, and public market funding – climbed to \$8.2 billion in 2017 from \$5.6 billion in 2016.
- Global VC funding raised by Healthcare IT companies rose slightly in Q4 2017 to \$1.7 billion in 192 deals compared to \$1.5 billion in 227 deals Q3 2017.
- Healthcare practice-focused companies raised \$3 billion in 264 deals in 2017 and accounted for about 42 percent of the total funding raised.
- Consumer-focused companies raised \$4.2 billion in 514 deals and accounted for 58 percent of the total funding raised in 2017.
- The top VC funding rounds in 2017 included a \$500 million round by Outcome Health, followed by a \$231 million round by Modernizing Medicine, Hudong Feng Technology's (Haodaifu) \$200 million round, WuXi NextCode's \$165 million round, PatientPoint's \$140 million round, Alignment Healthcare's \$115 million round, Annoroad Genome's \$105 million round, and a \$100 million round by PatientsLikeMe.

- The average deal size in 2017 rose to \$9.9 million compared to \$9.3 million in 2016.
- There were 43 countries with recorded Healthcare IT VC funding activity in 2017. Most of the funding was logged in the United States with over \$4.9 billion in 462 deals. Countries other than the United States accounted for 32 percent of the total funding with \$2.3 billion.













- Healthcare IT funding in the United States rose from \$3.4 billion in 2016 to \$4.9 billion in 2017.
- Within the United States, California companies again received the largest amount of funding and signed the most deals in 2017, bringing in \$1.7 billion in 157 deals. Illinois ranked second in terms of total funds raised, bringing in \$708 million in 22 deals. New York recorded the third most deals, inking 63 that raised a collective \$601 million.
- A total of 1,288 investors (including accelerator/incubators) participated in VC funding rounds for Healthcare IT companies in 2017, compared to 1,115 investors in 2016.



- There were 15 accelerators and incubators that participated in 58 deals in 2017, compared to 2016 when 22 accelerators and incubators participated in 83 deals.
- Announced debt and public market financing for Healthcare IT companies rose to \$1 billion in 34 deals in 2017, compared to \$533 million in 18 deals in 2016.
- There were 203 Healthcare IT M&A transactions (27 disclosed) in 2017, slightly lower compared to 205 transactions (43 disclosed) in 2016.
- Practice-focused companies were involved in the majority of the M&A transactions in 2017, accounting for 130 of the 203 signed transactions.
- Consumer-focused companies were involved in 73 M&A transactions in 2017.
- The top M&A transactions in 2017 were: KKR portfolio company Internet Brands' acquisition of WebMD for \$2.8 billion, followed by the \$1.3 billion acquisition of Advisory Board Company by the Optum division of UnitedHealth Group, McKesson's \$1.1 billion purchase of CoverMyMeds, Konica Minolta's \$1 billion acquisition of Ambry Genetics Corporation, and Navicure's ~\$750 million acquisition of ZirMed.

Top 5 Digital Health M&A Transactions in 2017 By Disclosed Amount

Company	Terms/Amount (\$M)	Acquirer
 WebMD®	2,800	 Internet Brands®
 Advisory Board	1,300	 OPTUM®
 covermymeds®	1,100	 MCKESSON
 Ambry Genetics™	1,000	 KONICA MINOLTA
 ZIRMED®	750	 navicure® Collect more. Stress less.™
Source: Mercom Capital Group		

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