



Executive Summary

Digital Health Funding and M&A

2018 Fourth Quarter and Annual Report

Funding and merger & acquisition activity for the
Digital Health / Healthcare IT 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 Healthcare IT funding and technology trends. As an independent research firm, we have no conflicts of interest with companies covered in this report.

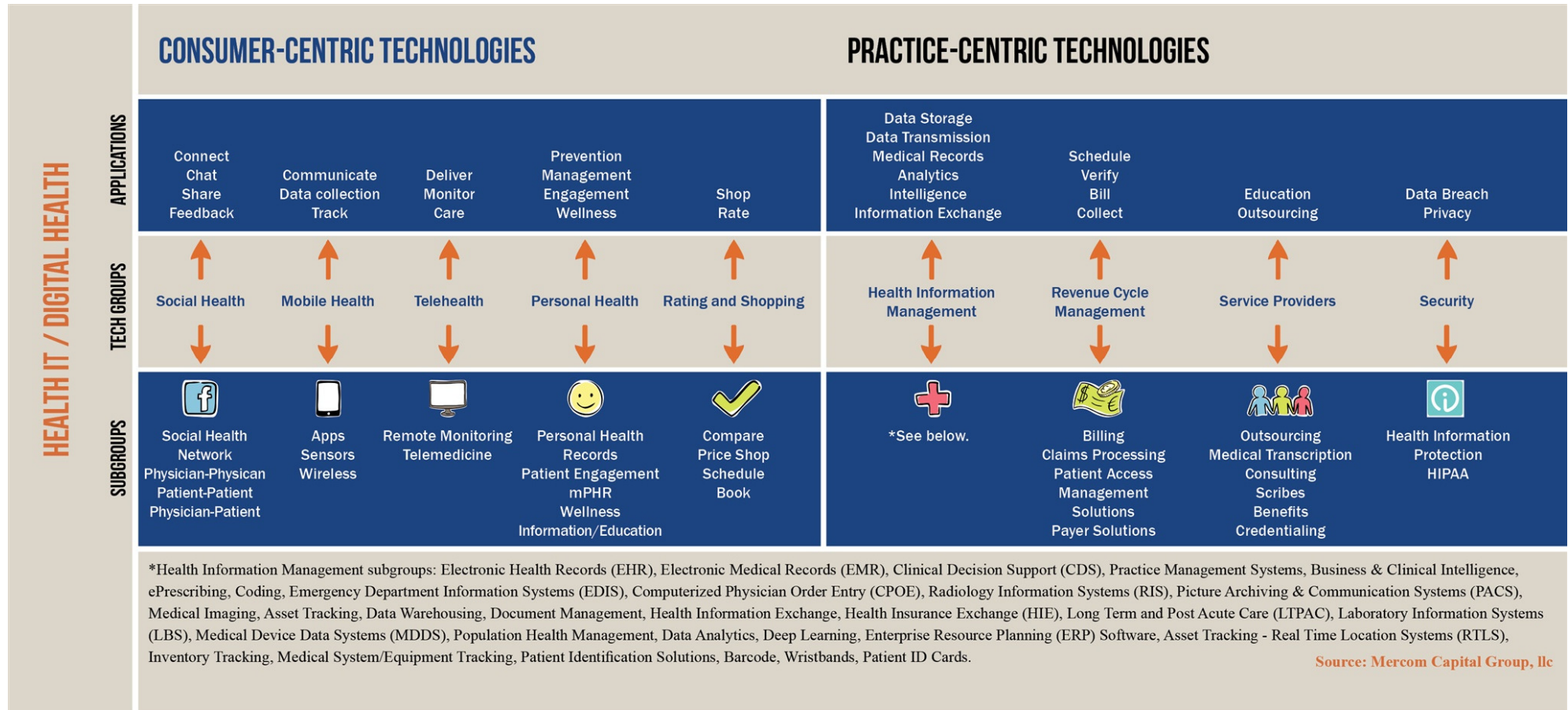
- This is the most comprehensive report covering funding and M&A deals of all sizes, globally. The trends revealed in this report give a more complete picture of the industry.
- This report does not cover bioinformatics and medical devices.
- All charts, graphs, and trends are clearly categorized and 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, healthcare IT (aka digital health and eHealth), 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

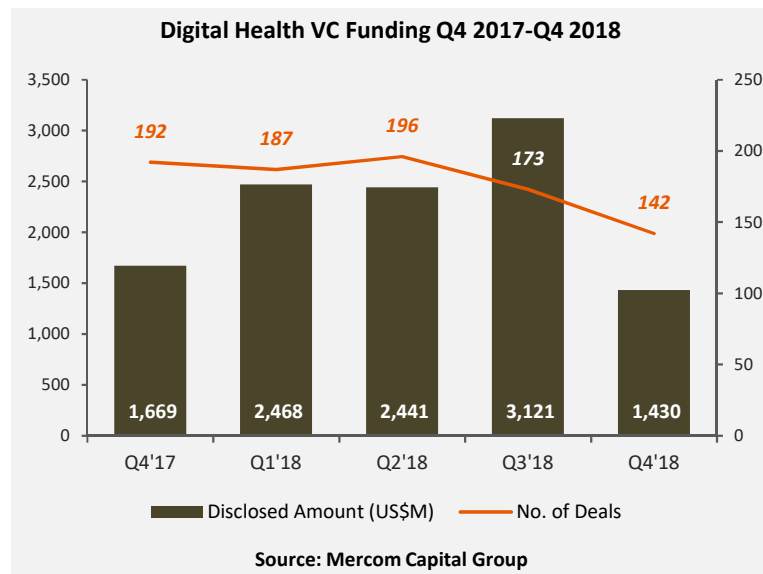
The report covers the technologies listed below and the sub-technologies under them.

Technologies Covered in This Report



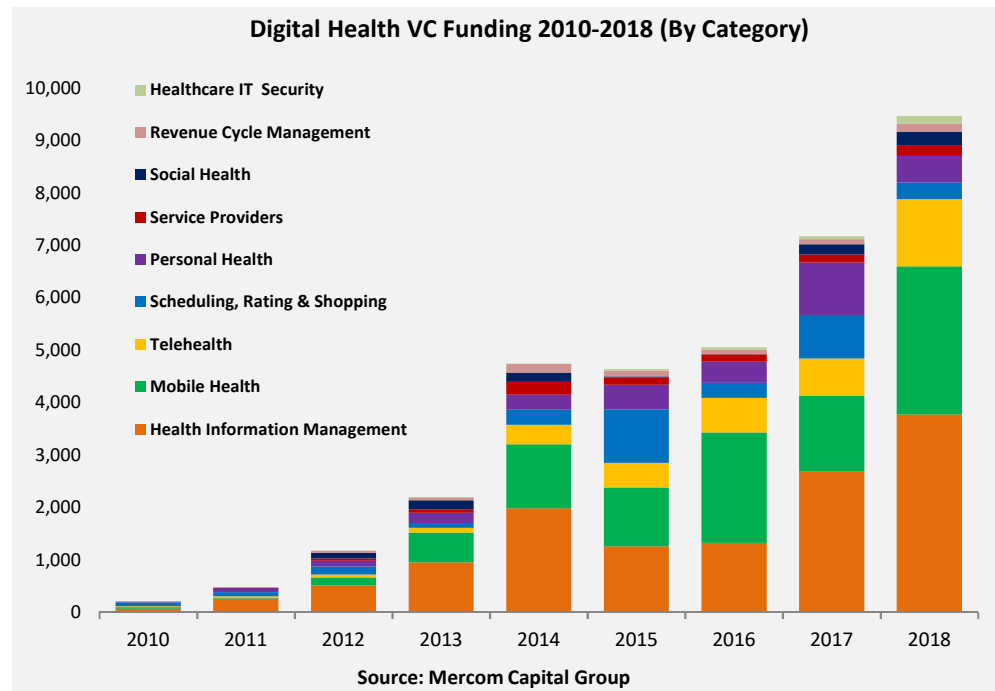
SELECT KEY
FINDINGS

- It was a record-breaking year for global venture capital (VC) and private equity (PE) funding for Digital Health companies with nearly \$9.5 billion raised in 698 deals, a 32 percent increase from the \$7.2 billion raised in 2017 in 778 deals.



- Total corporate funding into Digital Health – including VC funding, debt, and public market funding - climbed to \$13 billion in 2018 compared to \$8.2 billion in 2017.
- Global VC funding for Digital Health companies came to \$1.4 billion in 142 deals in Q4 2018, a 54 percent drop compared to \$3.1 billion raised in 173 deals in Q3 2018.
- Healthcare practice-focused companies raised \$4.3 billion in 251 deals in 2018 and accounted for about 45 percent of the total \$9.5 billion funding raised.
- Consumer-focused companies raised \$5.2 billion in 447 deals and accounted for 55 percent of the total \$9.5 billion funding raised in 2018.
- The top VC funded deals in 2018 were: \$300 million raised by 23andMe, \$291 million raised by American Well, \$250 million raised by Butterfly Network, \$240 million raised by Heartflow, and \$200 million each raised by WuXi Nextcode, Helix, and SomaLogic.

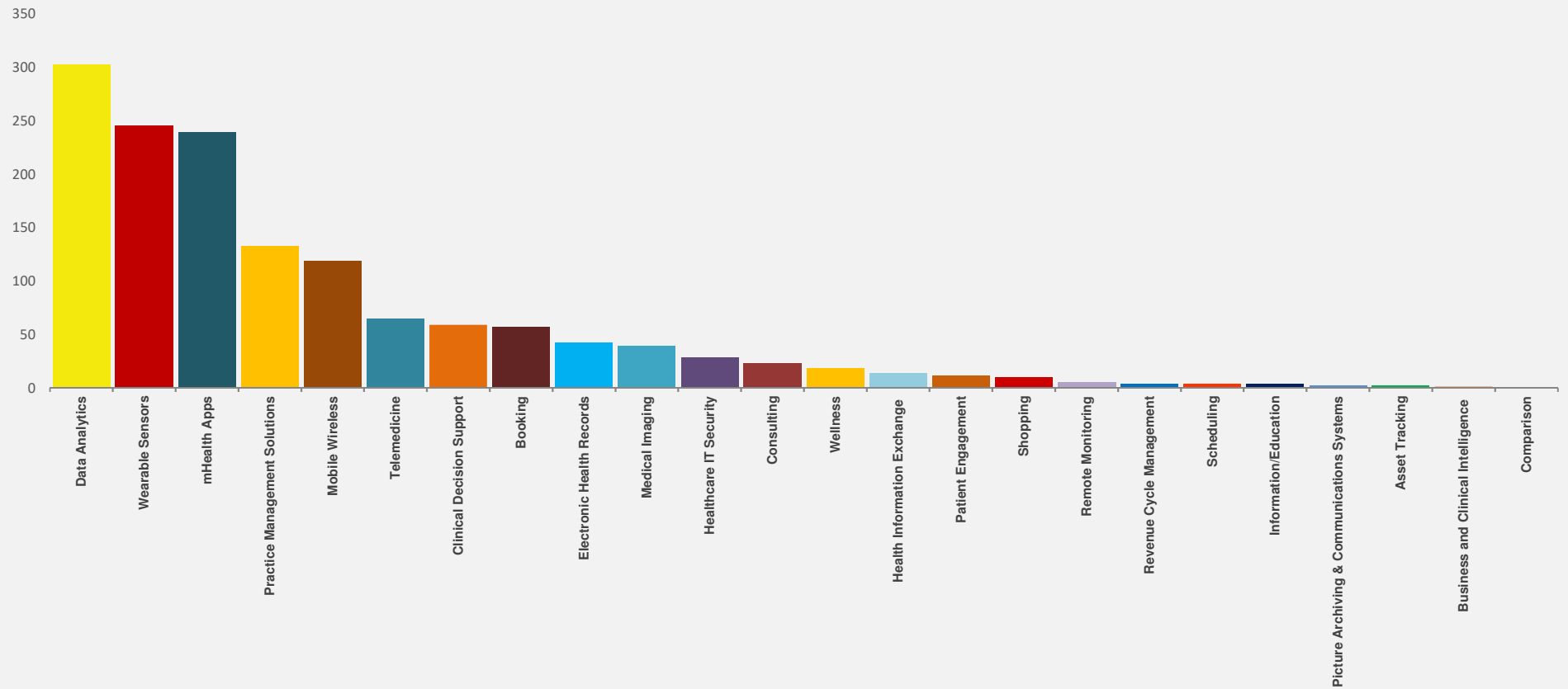
- The top VC funded deals in Q4 2018 were: \$200 million raised by WuXi Nextcode, \$65 million HNI Healthcare, and \$50 million each raised by Alto Pharmacy, Enable Injections, and 98point6.
- There were 39 countries that logged Digital Health VC funding activity in 2018. Most of the funding was recorded in the United States, where nearly \$7 billion was raised in 420 deals.



- Digital Health VC funding in the United States rose from \$4.9 billion in 2017 to \$7 billion in 2018.
- Within the United States, California companies again received the highest level of funding and had the most deals in 2018, bringing in \$2.9 billion in 134 deals.
- Massachusetts ranked second in terms of total funds raised, bringing in \$1.1 billion in 43 deals. New York recorded the second highest amount of deals, inking 60 that raised a collective \$840 million.
- A total of 1,396 investors (including accelerator/incubators) participated in VC funding rounds in Digital Health companies in 2018, compared to 1,288 investors in 2017.

- There were five accelerators and incubators that participated in 18 deals in 2018, compared to 2017 when 15 accelerators and incubators participated in 58 deals.
- Announced debt and public market financing for digital health companies increased more than threefold, with more than \$3.5 billion raised in 21 deals in 2018, compared to \$1.1 billion raised by 34 deals in 2017.
- There were two IPOs that brought in a total of \$1.23 billion in 2018. Not a single Healthcare IT/Digital Health company launched an IPO in 2017.
- Of the 27 Digital Health public companies that Mercom tracks, only 10 outperformed the S&P 500 in 2018.

Digital Health VC Funding By Amount in Q4 2018 (US\$ in Millions)



Source: Mercom Capital Group

- It was a record year for Digital Health M&A activity with 223 transactions (by far the highest so far), compared to 203 transactions in 2017. There were 46 disclosed transactions in 2018 compared to 27 disclosed transactions in 2017.
- Practice-focused companies dominated M&A activity in 2018, accounting for 137 of the 223 M&A transactions.
- Consumer-focused companies were involved in 86 M&A transactions in 2018.
- The top M&A transactions in 2018 were: the acquisition of athenahealth for \$5.5 billion by Veritas Capital and hedge fund Elliott Management, followed by Platinum Equity's acquisition of LifeScan business from Johnson & Johnson for approximately \$2.1 billion, Roche's acquisition of Flatiron Health for \$1.9 billion, Vista Equity Partners's acquisition of MINDBODY for \$1.9 billion and Inovalon's acquisition of ABILITY Network for \$1.2 billion.

Top Digital Health M&A Transactions in 2018 By Disclosed Amount

Company	Terms/Amount (\$M)	Acquirer
	5,500	 
	2,100	
	1,900	
	1,900	
	1,200	
	1,050	
	1,000	
Source: Mercom Capital Group		

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