

## Unprecedented Growth in Digital Health Investment

### MOST FUNDED VALUE PROPOSITIONS AND TOP DEALS



2020 proved to be the record year for digital health venture investment, but not for long. Q1 2021 became the largest quarter of digital health-related funding ever, with investment reaching almost €6 billion.

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A new report from Rock Health highlights the dazzling speed with which the sector of digital solutions has been growing in recent years and especially since the start of the pandemic. If 10 years ago investors trusted the emerging field with about €1 billion (\$1.1 billion) of their money, in the first quarter of 2021 this figure was almost €5.8 billion (\$6.7 billion), on the way to beat the €11.7-billion (\$14-billion) record of 2020.








Investors undoubtedly see the opportunities that the pandemic-driven boost in digital health has brought forward. The share of digital health venture funding has increased from mere 2% in 2011 to 9% in 2020. The authors of the report mark this outstanding performance but call for cautiousness and the need to focus on long-term value rather than hype, aptly forecasting "some Icarus-esque endings" for the today's leaders of the market.

Comparing the figures for Q1 2021 and the last two quarters of 2020, the authors point to the fact that the deals this year have become larger partly due to a number of mega deals, particularly in the fields of research and development, and population health management.

Specifically, the quarterly average number of deals in 2020 stood at 110, while for this year it has been 147 so far. Considering that in 2020, the Q3 and Q4 recorded investments of about €3.4 billion (\$4 billion) each, this means a 1.4 increase in the average size of the deal, from €26.6 million (\$31.7 million) to €38.5 million (almost \$46 million). Overall, 25 companies managed to strike deals of over €84 million (\$100 million) against 40 across all of 2020. However, the average size of deals increased at all stages of funding. The authors attribute this to the continuing development of the infrastructure necessary for digital health growth, e.g. the favourable regulatory environment and EHR consolidation.

Q1 2021 DIGITAL HEALTH VENTURE FUNDING REPORT

## Mega deals drive biggest quarter in digital health funding ever

<h3 style="text-align: center; margin: 0;">DIGITAL HEALTH FUNDING</h3> <p style="margin: 5px 0;"><i>Total funding raised</i></p> <p style="margin: 5px 0;"><b>\$6.7B</b> Q1 2021</p> <p style="margin: 5px 0;"><i>\$14.0B in 2020</i></p> <p style="margin: 5px 0;"><i>\$7.4B in 2019</i></p> <p style="margin: 10px 0 5px 0;"><i>Total deals</i></p> <p style="margin: 5px 0;"><b>147</b> Q1 2021</p> <p style="margin: 5px 0;"><i>442 in 2020</i></p> <p style="margin: 5px 0;"><i>378 in 2019</i></p> <p style="margin: 10px 0 5px 0;"><i>Average deal size</i></p> <p style="margin: 5px 0;"><b>\$45.9M</b> Q1 2021</p> <p style="margin: 5px 0;"><i>\$31.7M in 2020</i></p> <p style="margin: 5px 0;"><i>\$19.7M in 2019</i></p> <p style="font-size: 8px; margin-top: 10px;">Note: Companies may have multiple value propositions. Source: Rock Health Digital Health Venture Funding Database and analysis, data through March 31, 2021</p>	<h3 style="text-align: center; margin: 0;">MOST FUNDED VALUE PROPOSITIONS AND TOP DEALS</h3> <div style="margin: 10px 0;">  <p style="margin: 5px 0;"><b>On-demand healthcare services</b></p> <p style="margin: 5px 0;"><b>\$1.2B</b></p> <p style="margin: 5px 0;"><i>17 deals</i></p>  </div> <div style="margin: 10px 0;">  <p style="margin: 5px 0;"><b>Research &amp; development catalyst</b></p> <p style="margin: 5px 0;"><b>\$1.1B</b></p> <p style="margin: 5px 0;"><i>13 deals</i></p>  </div> <div style="margin: 10px 0;">  <p style="margin: 5px 0;"><b>Population health management</b></p> <p style="margin: 5px 0;"><b>\$847M</b></p> <p style="margin: 5px 0;"><i>12 deals</i></p>  </div>	<h3 style="text-align: center; margin: 0;">25 MEGA DEALS (\$100M+)</h3>  <table border="0" style="width: 100%; font-size: 10px;"> <tr><td>ro</td><td>\$500M</td><td>strive HEALTH</td><td>\$140M</td></tr> <tr><td>insitro</td><td>\$400M</td><td>K</td><td>\$132M</td></tr> <tr><td>Hinge Health</td><td>\$300M</td><td>BetterUp</td><td>\$125M</td></tr> <tr><td>TONAL</td><td>\$250M</td><td>Cellarity</td><td>\$123M</td></tr> <tr><td>komodo</td><td>\$220M</td><td>Clarify</td><td>\$115M</td></tr> <tr><td>Cedar</td><td>\$200M</td><td>VALO</td><td>\$110M</td></tr> <tr><td>dispatch</td><td>\$200M</td><td>innovaccor</td><td>\$105M</td></tr> <tr><td>VALO</td><td>\$190M</td><td>BrightInsight</td><td>\$101M</td></tr> <tr><td>lyra</td><td>\$187M</td><td>ginger</td><td>\$100M</td></tr> <tr><td>color</td><td>\$167M</td><td>Avidada</td><td>\$100M</td></tr> <tr><td>evidation</td><td>\$153M</td><td>PAIGE</td><td>\$100M</td></tr> <tr><td>Z</td><td>\$150M</td><td>rightway</td><td>\$100M</td></tr> <tr><td>UNITE US</td><td>\$150M</td><td></td><td></td></tr> </table> <p style="font-size: 8px; margin-top: 10px; text-align: right;">PRESENTATION © 2021 ROCK HEALTH</p>	ro	\$500M	strive HEALTH	\$140M	insitro	\$400M	K	\$132M	Hinge Health	\$300M	BetterUp	\$125M	TONAL	\$250M	Cellarity	\$123M	komodo	\$220M	Clarify	\$115M	Cedar	\$200M	VALO	\$110M	dispatch	\$200M	innovaccor	\$105M	VALO	\$190M	BrightInsight	\$101M	lyra	\$187M	ginger	\$100M	color	\$167M	Avidada	\$100M	evidation	\$153M	PAIGE	\$100M	Z	\$150M	rightway	\$100M	UNITE US	\$150M		
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The pace of raising venture capital is faster too, with the average age of startups before the first mega deal decreasing from 12 years in 2017 to six years in Q1 2021.

Startups offering on-demand healthcare services (€1 billion/\$1.2B across 17 deals) and biopharma research and development catalysts (€0.9 billion/\$1.1B across 13 deals) attracted the most funding in 2020 and 2021. Companies working in the areas of digital mental health and primary care also got much attention, as do those dealing with musculoskeletal (MSK) and gastrointestinal (GI) clinical issues. On the other hand, population health management and consumer health information have fallen out of the top investment themes in 2021 as compared to 2020.

The report also explores the increasing use of SPACs (Special Purpose Acquisition Companies) and the continuing rise in M&As in the digital health venture investment landscape.

Summing up their findings, the authors focus on several questions with regard to the future of investments in the digital health sector. First, whether these tools will continue to be in such high demand once the pandemic has subsided. The second question is about the pace of funding and that of consumption of digital health being balanced. Then the authors contemplate the wider regulatory environment and how it will align with funding and innovation in the sector, and conclude with questioning the future performance of SPAC-driven companies in the public markets. Overall, they see the Q1 trends continue throughout the year, even if at a slightly slower pace.

Source and image credit: [Rock Health](#)

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