



2022 Digital Health Sector

Highlights, Trends & Opportunities

Reach the *Right Outcome*

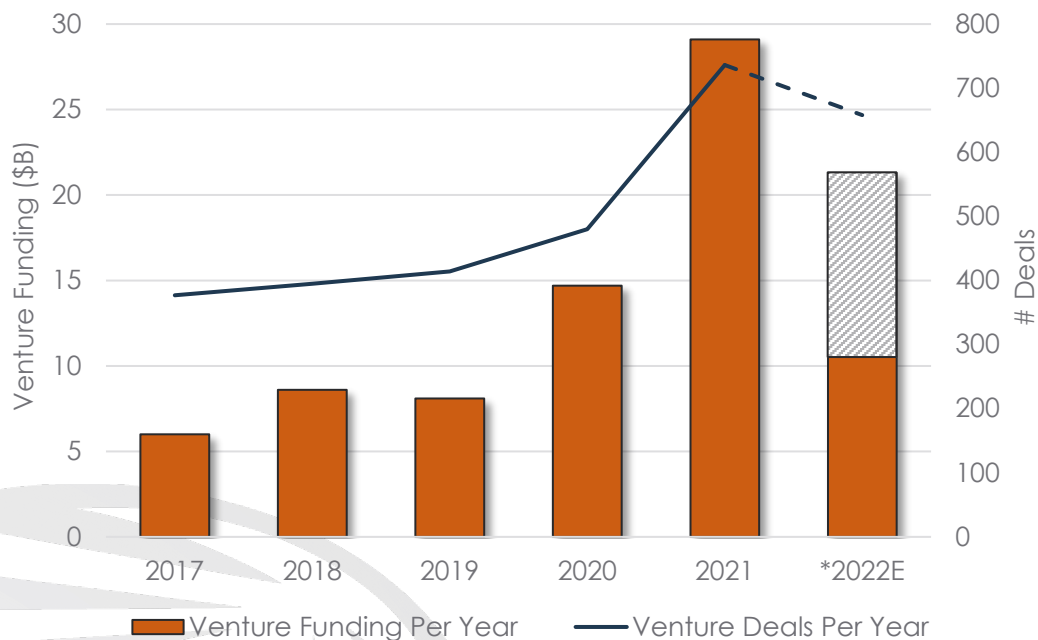




OUTSIZED DEMAND DRIVES FUNDING & STRATEGIC CONSOLIDATION

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U.S. Digital Health Venture Financing



*2022 Venture funding & deal total forecasted using 1H22 data

Digital Health Investment Insights

- **\$57B** global digital health funding (2021)
 - Global innovation funding ~\$16B in 1H22
 - U.S. venture funding ~\$10.3B through 1H22
- Average deal size in 1H22 was **\$31.2M**, down **21% year-over-year**
- **329** venture financings in 1H22; currently on pace at **89% of 2021** (736 total deals), but slowing in 2Q22 (**\$4.3B**), versus 1Q22 (**\$6.0B**)
- Series C rounds **dropped in average size from \$90M (2021) to \$70M (1H22)**
- Tightened access to capital will require startups to **preserve cash, focus on the bottom line**, and for those that are able, to **look at inorganic growth, M&A & strategic partnership opportunities**, as valuations decline

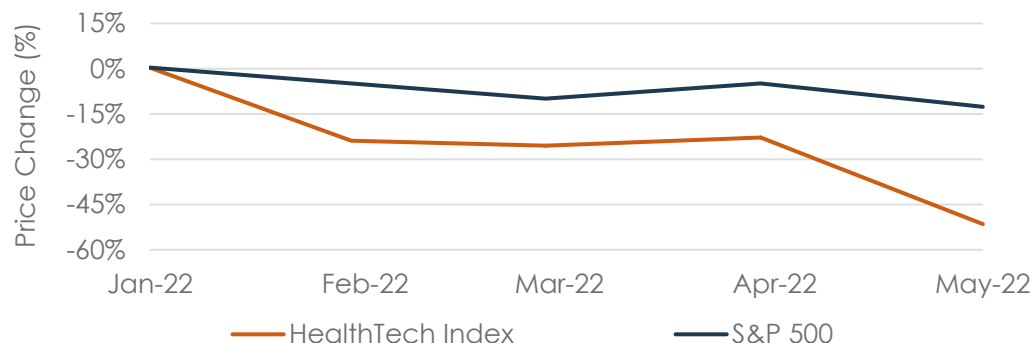
Changing Macroeconomic Conditions Necessitate Strategic Shift Across Digital Health Industry



PUBLIC MARKETS RETREAT ON DIGITAL HEALTH PROMISE

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Outcome Capital's HealthTech Index Vs. S&P500



Outcome Capital HealthTech Index



Public Market Insights

Digital health companies that went public in 2020 – 2021, saw their equity value decrease **55%** on average, over the period (Q3'21 open - Q1'22 end). IPOs during 2020 & 2021, returned **-29%** on average over the same period

Key Management Insights

- **Public markets stumble YTD**, as investor sentiment wanes amidst several macroeconomic & exogenous factors (e.g., geopolitical turmoil, inflation, COVID-19, supply chain disruptions)
- Numerous late-stage funding rounds indicate companies are delaying public market exits
- Macroeconomic factors bleed into private markets; **financing totals, time between rounds, & average deal sizes slip** in Q1
- Companies seeking to raise capital in the next 3 – 6 months should **accelerate timelines & seek financing now to remain viable, enable strategic growth & maximize optionality**
- **Expect consolidation** as well-capitalized startups & strategics aim to benefit via depressed valuations, poor execution, increased competition / CACs, & tightening of capital availability

Broader Market Uncertainty Outweighing Fundamentals As Valuations Erode



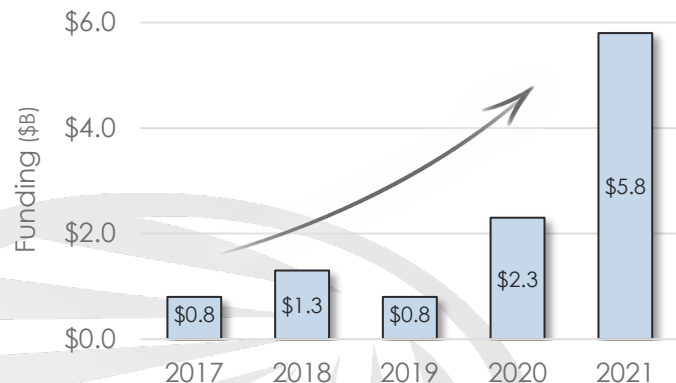
DECENTRALIZED CLINICAL TRIAL ADVANCES DRIVEN BY TECHNOLOGY

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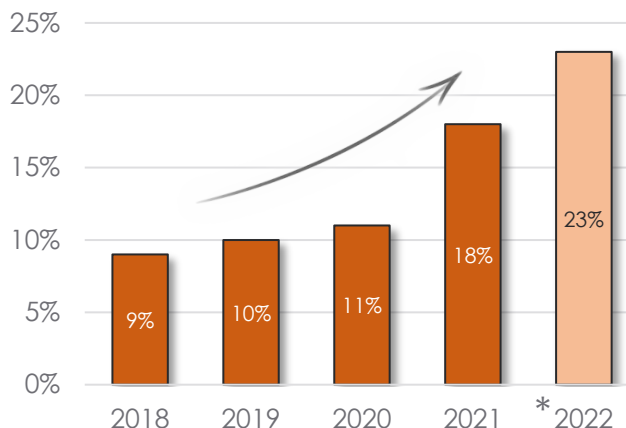
Market Outlook

- Clinical trial technology was #1 funded digital health value prop in 2021 by >\$1B
- Projected market to reach ~\$10B by 2025 with 13% CAGR
- Continued strength with ~\$1B in funding in Q1 '22
- Only ~35% of drugs proceed to Phase III trials

Clinical Trial Technology Funding



Decentralized Clinical Trial (DCT) Adoption



*Estimated year end 2022 numbers based on Q1 '22 data

28% growth of decentralized trials expected to take place in 2022, representing ~1,300 trials with one or more decentralized features or aspects

99 DCT's took place in Jan 2022, compared to Q1 of 2020 & 2021, which saw 140 & 247 trials, respectively






- Adoption of DCT's increased during the pandemic, due to increase in trial delays & failed initiations
- Industry leaders confirm that DCT's are more cost effective & can reduce trial timelines when compared to traditional trials
- DCT's improve access to suitable & diverse patient groups and enhance patient data collection & accuracy
- System integration & alignment as well as patient training are going to be critical for industry adoption of DCT's
- Necessary education, changes required to trial design & regulatory outlook are still often hurdles to the adoption of DCT's

Tech / Digital Innovations Streamline Traditional Clinical Trial Processes Allowing for Improved Efficiencies



MIDDLE MARKET CLINICAL TRIAL TRANSACTION ACTIVITY RAMPANT

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Company (Target)	Investor(s) (Acquirer)	Date	Exit Type	Value	Description
UNLEARN 	INSIGHT PARTNERS 8VC MUBADALA RADICAL VENTURES   	04/2022	Venture Capital	\$50M	The company's platform accelerates clinical trials by supplementing control groups with synthetic patient data generated using AI, which helps in reducing the time to develop new therapies
cureCLICK	THREAD™	04/2022	LBO	Undisclosed	CureClick was acquired by Thread as an add on to their existing DCT technology & consulting services to help improve clinical trial awareness & accelerate patient trial recruitment
ReifyHEALTH 	Adams Street ICONIQ Growth COATUE SIERRA BATTERY VENTURES 	01/2022	Venture Capital	~\$217M	Developer of a cloud-based software designed to help streamline enrollment & accelerate the overall pace of research for new life-saving therapies
STUDYKIK 	Syneos Health 	09/2021	M&A	~\$204M	StudyKik provides patient recruitment & retention services intended for clinical trials. The acquisition boosts Syneos Health's ability to deliver technology-enabled solutions
4G CLINICAL 	Goldman Sachs 	06/2021	LBO	\$220M	Developer of randomization & trial supply management software designed to accelerate clinical research. The investment will be used to fund global expansion & support growing demand for its products

Deals & Consolidation In Clinical Trial Sector Driven By Promise of Finding More Diverse & Representative Patients, Faster

DIGITAL ONCOLOGY GAINS TRACTION WITH HEIGHTENED INVESTMENT



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Market Outlook

Oncology ranked the **2nd** top funded digital health clinical indication in Q1 '2022 with **\$0.6B**, outpacing 2021 levels which saw **\$1.4B** in total funding

Challenges in Oncology

- Genomic & immunotherapeutic discoveries outpacing the number of clinical trials
- High development costs & lengthy timelines associated with new drug development
- Payers reluctant to cover precision medicine & immuno-oncology products
- Shortage of available resources to educate & support patients results in treatment gaps
- Digital oncology companies facing stringent regulatory hurdles

Technology Advances



Artificial Intelligence



Next-Gen Sequencing



Connectivity & Integration



Digital Pathology / Dx



Cloud Infrastructure



Natural Language Processing



Mobile Applications



Precision Medicine

Improved Care

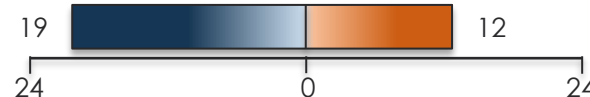
- Wearables & connected devices measure local & systemic biochemistry
- Personalized care, more holistic care approach spans across patient's physical, emotional, psychological & social needs
- Improved data collection & analysis enhancing clinical research speed & quality
- Connectivity results in expedited decision making for more timely patient outcomes

Digital Vs. Traditional

More chemotherapeutic cycles (months)

8.2 6.3

Improved overall survival (months)











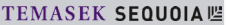
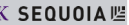












Regulatory Hurdles & Nascent Market Awareness Limiting Current Growth Trajectory



MIDDLE MARKET GAINS MOMENTUM WITHIN DIGITAL ONCOLOGY

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Company (Target)	Investor(s) (Acquirer)	Date	Exit Type	Value	Description
	 	05/2022	Venture Capital	\$18.5M	Developer of AI-based genomic testing solution for cancer intended to leverage the patient's histological data for personalized therapy. The company focuses on pathological & molecular testing using advanced technology
	    	02/2022	Venture Capital	\$25M	Creator of a smart planning application designed to provide personalized support to patients living with cancer. Funds aimed to grow sales & operations teams, continue improving its platform, & invest in further research
	     	11/2021	Venture Capital	~\$88M	Inventor of DNA sequencing tools & technology intended to offer advanced medicines, diagnostics, & personalized treatments. Funds used by the company to commercialize its proprietary genetic & epigenetic sequencing technology
	    	08/2021	Venture Capital	\$201M	The funds aimed to accelerate development & commercialization of Dawn, the company's liquid biopsy assay for immune checkpoint inhibitor response prediction & to expand the network of partners on the company's AI-driven glycoproteomic platform

Tech Advancements Deliver Data From Myriad Sources, Widening The Scope Of Digital Oncology & Driving Dealmaking



HISTORICALLY UNDERSERVED WOMEN'S HEALTH TECH SPURS INTEREST

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Market Outlook

- Global women's health market estimated to reach **\$3B** by the end of 2030
- Only 4%** of all healthcare research & development is allocated to women's health, despite **\$500B** of medical expenses per year
- Women **spend 29% more** per capita on healthcare & **75% more likely to use digital tools** for healthcare compared to men

Application Areas

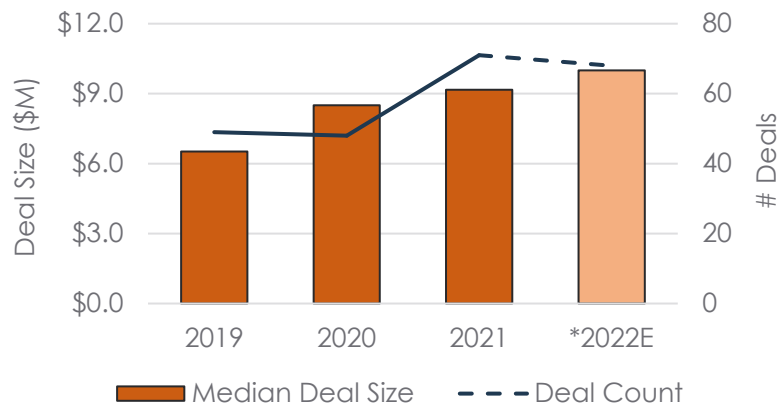
Healthcare & Diagnostics: Diagnostics/screening, disease management, pelvic/uterine/menstruation health

General Health: Nutrition & fitness, mental health, sexual wellness

Reproductive Health: Menstruation tracking, at-home fertility monitoring

Pregnancy & Nursing: Maternal & postnatal related health conditions, breastfeeding

Women's Health Venture Funding (US)



*Estimated deal count for 2022 based on Q1'22 data

17 VC deals in Q1'22; 2022 on pace with 2021 levels, which facilitated 71 total VC deals

Investment Opportunities

Endometriosis affects 1 in 10 women, equivalent to the number of people affected by diabetes. Global market opportunity for endometriosis is expected to reach \$2.3B over the next five years




Menopause offers underdeveloped opportunity. (e.g., KaNDy Therapeutics, developer of a therapeutic treatment to reduce symptoms associated with menopause, was acquired by Bayer in Sep. 2020, for ~\$875M)

Women's Health Dominated By Niche Opportunities With Significant Unmet Clinical Needs



STRATEGIC OPPORTUNITIES ABOUND FOR TAILORED SERVICE MODELS

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Company (Target)	Investor(s) (Acquirer)	Date	Exit Type	Value	Description
		04/2022	Venture Capital	\$28.5M	The company offers a digital platform of specialized doctors & personalized treatments to provide women with effective care during & after menopause
	THIRTY MADISON	02/2022	M&A	Undisclosed	Nurx offers a medication prescription & delivery platform intended to put women in control of their own health. The acquisition will allow for greater access to care on a single, unified platform
		08/2021	Venture Capital	\$110M	Developer of a digital health platform designed to improve care for women & families. The company's platform helps women book appointments through a network of nurses, gynecologists, mental health specialists, physical therapists, & nutritionists
		08/2021	Venture Capital	\$100M	Tia developed a women's health advisory platform offering women personalizes recommendations about birth control, sexual health, primary care, mental health, & acupuncture services
 Modern Fertility		05/2021	M&A	\$225M	Modern Fertility created home diagnostic kits for women designed to measure ovarian reserve, ovulation, & other fertility hormones. This deal adds a women's health vertical to Ro's telemedicine & pharmacy business

Retail & Consumer Markets Driving Strategic Partnerships, M&A To Broaden Offerings



TELEHEALTH INVESTMENT HOLD THE LINE AS CONSOLIDATION HEATS UP

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Market Overview

Telehealth received \$1.1B in funding Q1'22, keeping pace with 2021 which totaled \$4.8B in funding

88% of consumers enrolled in digital health services prefer telehealth over traditional in-person care

Growth Drivers

- On-demand consultations, feedback, & treatment solutions disrupt current standards of care
- Platforms which offer multiple healthcare solutions are driving growth & consumer retention
- Inorganic growth through consolidation due to too many niche & point solutions

Consolidation benefits

- Synergies realized through elimination of redundancies & cost reduction
- Broad(er) portfolio of offerings increasing coverage capabilities & consumer base
- Provides a means to inorganically access multiple geographies, enabling rapid market expansion

Challenges & Concerns

- Utilization of telemedicine in the U.S. has fallen considerably from the beginning of 2021 to the beginning of 2022
- Investment amounts potentially resulting in valuations outpacing near term expectations
- Early-stage market has struggled to provide investors with fundamental value, positive ROI
- Companies face growing pains, missteps in attempt to solidify business models and expand too quickly
- Lack of product offerings with optionality to service needs & preferences required by different generations
- PCPs still represent an adoption barrier, due to clinician shortages, training required to implement into practice



















Teladoc's valuation plummeted after a \$6.6B impairment charge in Q1'22, related to the acquisition of Livongo. Livongo was acquired in 2020 for \$18.5B

Despite Sustained, Historically Increasing Investment Levels, Valuations Tumble As Fundamentals Remain Disconnected



TELEHEALTH SUPPORTS STRONG CAPITAL INFLOWS/OUTFLOWS

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Company (Target)	Investor(s) (Acquirer)	Date	Exit Type	Value	Description
	  	03/2022	Venture Capital	~\$557M	Doctolib is an online healthcare platform intended to help patients choose doctors & make appointments. The company's platform offers management software for practitioners to manage their patients & an online service for patients to facilitate access to care
	  COATUE	01/2022	Venture Capital	\$150M	The company offers a telehealth platform that uses machine learning algorithms to make it simple for companies to build virtual care services, enabling doctors, nurse practitioners & clinicians to get started in virtual care.
	  	01/2022	Venture Capital	\$200M	Transcarent is a comprehensive healthcare company focused on delivering on-demand, high quality, & affordable care to consumers. The company offers services for musculoskeletal, behavioral health, oncology, & everyday care.
		11/2021	M&A	\$102M	Acquisition of Lemonaid enables 23andMe to provide customers with truly personalized healthcare through Lemonaid's telemedicine platform & digital pharmacy. This acquisition adds value by connecting consumer genetics with personalized healthcare solutions
	 	04/2021	M&A	~\$2.0B	MDLive's platform will be part of an end-to-end solution that's meant to harness virtual options & change the way patients interact with their providers & the overall healthcare system

Investors Remain Steadfast With Continued Investment In Differentiated Telehealth Offerings



BEHAVIORAL HEALTH SETS BREAKNECK PACE FOR M&A

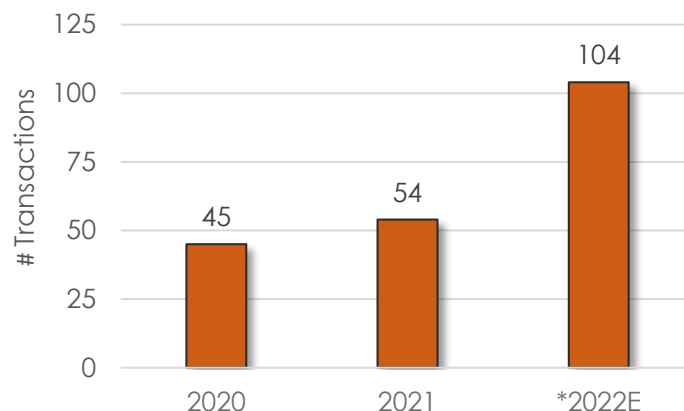
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Market Overview

Mental Health was **top funded** clinical health indication in Q1 '2022 (\$1.0B); remaining most funded indication since 2018

- Mental health remains top reason for telehealth consultation, continuing to rise as a proportion of total telehealth visits
- Healthcare costs for behavioral health conditions are 3.5x higher; but only 7.9% of additional cost is specifically associated with underlying conditions
- Increasing number of children diagnosed with anxiety & depression due to isolation, stress within the home environment & uncertainties around education as a result of COVID-19 pandemic

Mental Health M&A Activity



**2022 full year projection based on Q1 '22 data*

>26 mental health deals closed in Q1 '22, nearly doubling the previous record high of 16 set in Q4 '21

Private equity drove mental health transaction volume accounting for 16 of 26 announced deals

Challenges & Concerns















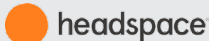



- Creating measurable & defined patient outcomes & sustained engagement through data collection, analytics, RPA
- Struggle to integrate (and retain) qualified professionals who play large role in consumer experience & retention
- Direct to consumer (DTC) business model is costly, difficult to scale
- Companies need to focus on tracking whole person data to create an improved story for reimbursement & value-based care (VBC) arrangements
- High burn rate on marketing & customer acquisition costs (CAC) due to crowded & highly competitive marketplace
- Increased awareness, utilization has not yet translated into long-term impacts on emergency department volumes

Investment Activity Trends Upward As Strategics Align Business Models For Long Term Value Creation

CAPITAL & STRATEGIC MARKETS SEEK DIFFERENTIATED TECHNOLOGY, ARR



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Company (Target)	Investor(s) (Acquirer)	Date	Exit Type	Value	Description
	     	03/2022	Venture Capital	\$105M	Operator of a health care platform intended to transform behavioral health care for kids, teens, & their families. The platform provides resources & education, behavior therapy, interactive treatment exercises, coaching to support skill-building, & speech therapy
		02/2022	M&A	Undisclosed	Ripple provides services for older adults & their caregivers aiming to alleviating the mental & social burden of caregiving. This acquisition will help to accelerate the Calm's mental healthcare ambitions
	  	01/2022	Venture Capital	\$235M	The company's mental health platform connects members to a curated network of therapists & coaches through live video therapy, coaching, & digital self-care tools
		10/2021	M&A	\$3.0B	Ginger was acquired in a vertical integration play combining Headspace's mindfulness & guided meditation app with Ginger's on-demand virtual mental healthcare platform
	 	10/2021	Venture Capital	~\$240M	Developer of a mental & behavioral health platform designed to increase mental health consultancy & therapy accessibility for consumers seeking care

Consolidation Expected To Ramp As Highly Competitive Market & Current Conditions Create Clear "Winners" Over Time

INTEGRATED DIGITAL PLATFORMS SPUR NEXT GENERATION OF GROWTH



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“

The difference between telehealth technologies that survive and those that do not is the logistics, the EHR integration, the identity management, and the security, among other facets.

”



Roy Shoenberg
Chief Executive Officer
Amwell

“

It's starting to happen. In telehealth, Livongo merged with Teladoc, creating a large virtual care entity. I think we're going to see a lot of consolidation over the next few years.

”



Abhinav Shashank
Chief Executive Officer
Innovaccer

“

Moving away from this fragmented uncoordinated care across all of these point solutions, into something more integrated and more holistic care... that's a trend that I see, that's not dying...

”



Joe Murad
Chief Executive Officer
WithMe Health

Thoughtful Product Development & Integrated Offerings Combine To Enable Market Success



STRATEGIC ALIGNMENT KEY TO VALUE ENHANCEMENT & ADOPTION

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Industry Status

- Recent pullbacks in digital health & broader market have re-aligned companies with fundamentals, across what is still a relatively young and rapidly growing market
- Multiple business models have been successfully demonstrated (e.g., DTC, B2B, risk sharing / taking, value-based, payer reimbursed, etc.) underlying the breadth & long-term prospects of the sector
- COVID accelerated adoption & has created a more supportive regulatory environment for approval & reimbursement

Market Uptake

- Digital health adoption skyrocketed in 2020 as hospitals, health systems, and patients increasingly relied on digital health technologies for care delivery during the pandemic, setting the stage for unprecedented growth & innovation
- Companies across all segments are continuing to seek technologies with integrated data collection & sharing capabilities, interoperable, platform connectivity, & robotic process automation (RPA) via “intelligent”, learning software

Investment Trends

- After boom in public exits (8 IPOs, 2021), there have not yet been any IPOs this year
 - Slowdown comes amidst cooling investor sentiment & macroeconomic headwinds
- VC deal volume nearly on pace with 2021 levels; however, average deal size and other metrics have begun to slip
 - Early stage & growth companies need to be particularly aware of what the markets will allow in terms of financing

Exit Opportunities

- At present, the IPO and SPAC opportunities for digital health exits are nearly non-existent
- Although M&A Q122 deal activity slightly trails 2021 levels, consolidation will continue to gain momentum throughout the year as “winners” will capitalize on depressed valuations in an effort to gain geographic presence, market share & ARR

The Current Market Downturn Should Be Thought Of As Both A Market Clearing Function & Strategic Opportunity



www.outcomecapital.com

99 High Street
Suite 2900
Boston, MA 02110
(617) 431-2278

Reach the *Right Outcome*

For inquiries please contact: Karl Hess
khess@outcomecapital.com