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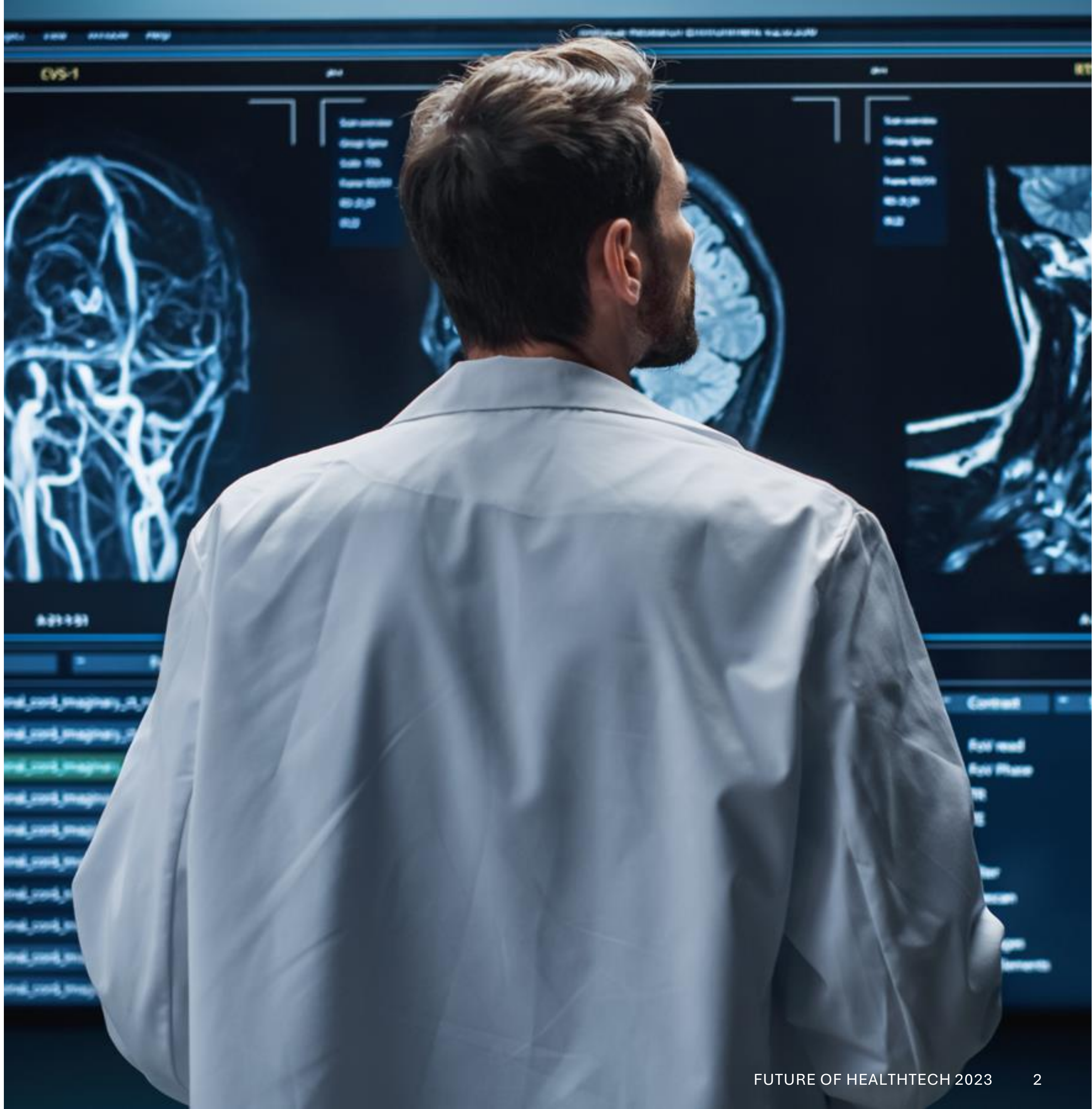
A Division of First Citizens Bank

Future of Healthtech 2023

October 2023

Contents



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Executive Summary

We are pleased to bring you the *Future of Healthtech 2023 Report*, a comprehensive analysis of the trends, opportunities and challenges in today's healthtech innovation market.

We began 2023 with a cautious outlook, and there's no disputing that this year has been difficult for stakeholders across the innovation economy. However, economic conditions have stabilized this summer and continue to show signs of strengthening. Public markets show early signs of improvement, inflation is decelerating, interest rates may be near their apex and the general pullback in investment has stabilized.

Still, the current investment environment presents ongoing challenges, marked by fewer deals, slower investment pace, smaller check sizes and downward pressure on valuations. Companies face more scrutinous investors and are working against heightened demand for strong unit economics and paths to profitability. Many later-stage companies are revising growth projections and cutting costs to avoid fundraising this year to escape difficult valuation conversations.

Despite these challenges, there are reasons for optimism. Performance of healthtech publics started to demonstrate resiliency this year, representing the first positive trends in over a year (page 20). Similarly, the M&A market has started to show signs of life with rising deal volume (pages 20-22). There are promising bright spots in investment, such as value-based care, with an uptick in strategic acquisitions by large payers and retailers leading the way (page 11).

The new investment environment has reset valuations to match achievable growth and profitability targets. This adjustment, while painful for many, will lead to more functional markets. Venture fundraising has rebounded after the late-2022 dip, and ample dry powder remains available for right-sized investment into the healthtech innovation economy. While the near-term outlook remains choppy, our belief in the resilience of the innovation economy remains unwavering. The most innovative companies will not only survive this new investment landscape but also emerge stronger because of it.

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Investments

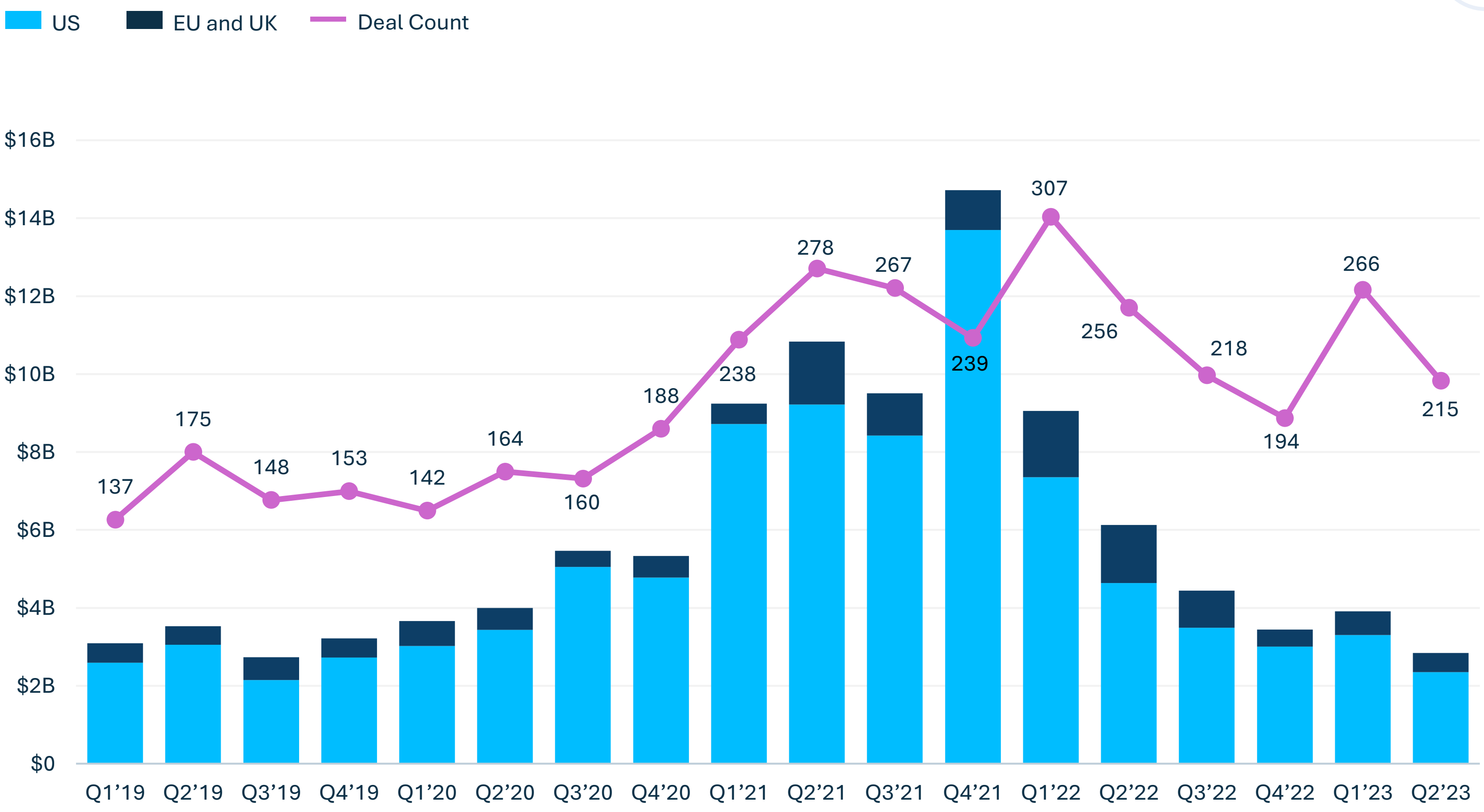
Investments Approaching Solid Ground

Healthtech investment and deal pace this year are relatively stable, following a steep drop in 2022. In 2022, the public market's dramatic pullback, global geopolitical factors, and federal interest rate hikes caused sharp drops in investment dollars from 2021's historic highs. Hinting at a bottom, quarter-over-quarter (QoQ) investment has been relatively flat the last three quarters. **This stabilization suggests we may be in a new investment environment marked by fewer deals, smaller check sizes and slower investment pace.**

There has been considerable **downward pressure on valuations** this year, with a marked increase in flat or down rounds. Later-stage companies priced in 2021's frenzied market especially felt the burn. In 2022, it's likely that many companies had enough runway from 2021 financings to avoid raising new capital in 2022. Now, the time has come for companies that previously avoided down rounds by raising insider extensions to seriously consider **valuation resets.** The new investment environment has reset valuations to match more modest growth and higher profitability targets in 2023.

Venture fundraising has rebounded since its dip in H2'22, and ample capital remains available for **right-sized investment** into healthtech companies.

Healthtech VC Deals and Dollars



Geography ($M)	2020	2021	2022	2023[1]
US	$16,289	$40,051	$18,485	$6,886
EU & UK	$2,170	$4,257	$4,582	$1,267
Total	**$18,459**	**$44,308**	**$23,067**	**$8,153**

Notes: 1) All 2023 data is through 8/1/2023.
Source: PitchBook, SVB proprietary data and SVB analysis.

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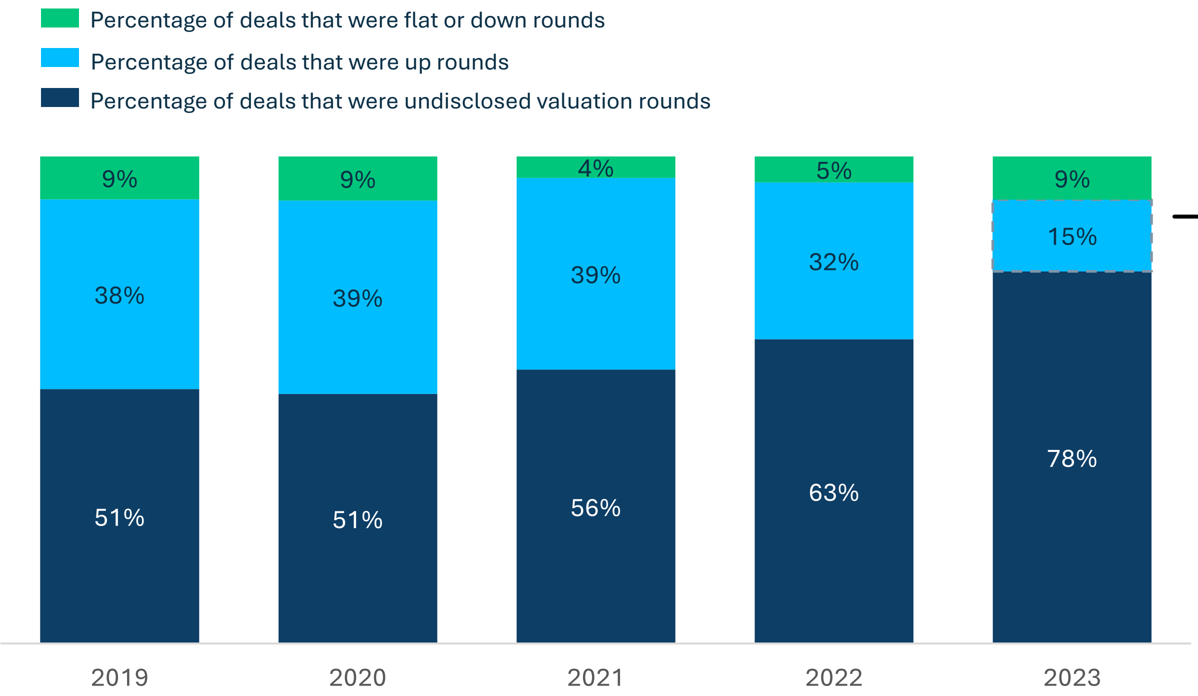
Wave of Down Rounds; Disclosed Valuations Few and Far Between

Healthtech VC Up, Flat/Down and Undisclosed Valuation Rounds by Year

US, EU and UK



This year has brought **a wave of down and flat rounds — that is, for the ones where valuations were disclosed.** Valuations have been **increasingly unreported,** with a record 78% of undisclosed valuation deals this year. The actual volume of down and flat rounds may be higher than the data suggests. While these valuation haircuts are undoubtably painful for companies and their stakeholders, it has also led to a right-sizing of the market to a more sustainable future.

Notable 2023 Healthtech Up Rounds

US, EU and UK

	Step-Up[1]	Stage	Deal size	Sector
Aledade	1.0X	Series F	$260M	Provider Operations
amino	1.8X	Series B	$80M	Healthcare Navigation
LIGHTFORCE	1.4X	Series D	$80M	Provider Operations
RAPIDAI	2.2X	Series C	$75M	Provider Operations
spring health	1.2X	Series D	$71M	Alternative Care
OCTAVE	2.6X	Series B	$62M	Provider Operations
causaly	2.0X	Series B	$60M	Clinical Trial Enablement
Flywheel	2.3X	Series D	$54M	Clinical Trial Enablement
JANUS	3.3X	Series c	$45M	Provider Operations
nocd	1.4X	Series C	$34M	Alternative Care

Note: 1) Step-up multiple calculated by dividing the pre-money valuation on the current venture round by the post-money valuation on the preceding venture round.
Source: PitchBook, SVB proprietary data and SVB analysis.

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Smaller Check Sizes in 2023; VBC Is Bright Spot

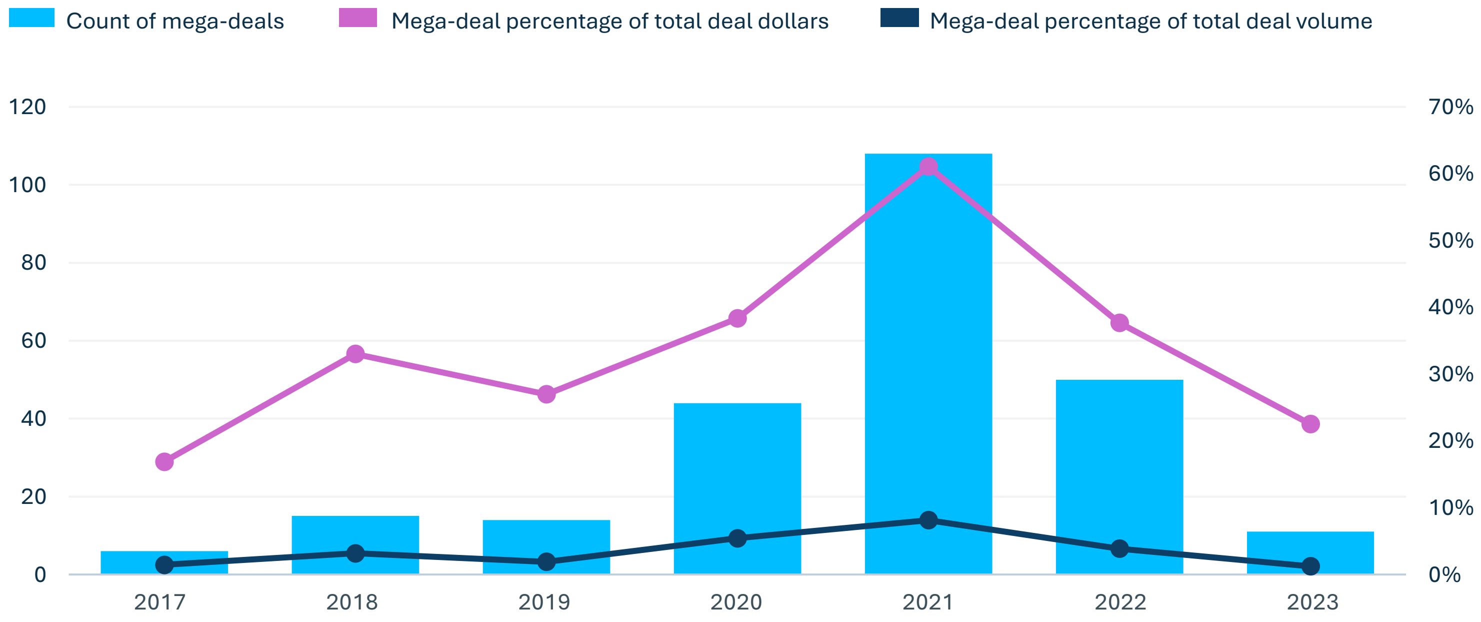
It is not surprising that there has been a 116% decrease in mega-deal[1] investments from 2021 to 2022 and 80% decrease from 2022 to 2023 given the bolus of cash companies raised in 2021 and 2022. This year, just 1% of deals were mega-deals, down from 2022 (4%) and 2021 (8%). Further, just 23% of investment dollars were mega-deals, down from 2022 (38%) and 2021 (61%).

Despite there being a lot of available investment dollars on the sidelines, **investors are being disciplined on valuation.** Many later-stage companies are revising growth projections and cutting costs to avoid fundraising this year to escape difficult valuation conversations. Valuations were very generous in 2021 and 2022, supported by strong public markets, which we do not have today.

High-quality companies that have been able to demonstrate **strong unit economics** have been able to secure late-stage funding rounds. Alternative care and provider operations earned the majority of mega-deals. **Value-based care (VBC) was a bright spot,** with half of this year's mega-deals focused on value-based care delivery or enablement: Carbon Health, Monogram Health, Strive Health, Aledade and Vytalize.

Healthtech Mega-Deal Volume by Year

US, EU and UK



Healthtech Mega-Deals by Top Subsectors, 2023

Alternative Care

Carbon Health	$100M
monogram health	$375M
patient21	$110M
strive HEALTH	$166M

Provider Operations

HeartFlow	$215M
ShiftMed[2]	$200M
Aledade	$260M
Vytalize	$100M
shiftkey	$300M

Clinical Trial Enablement

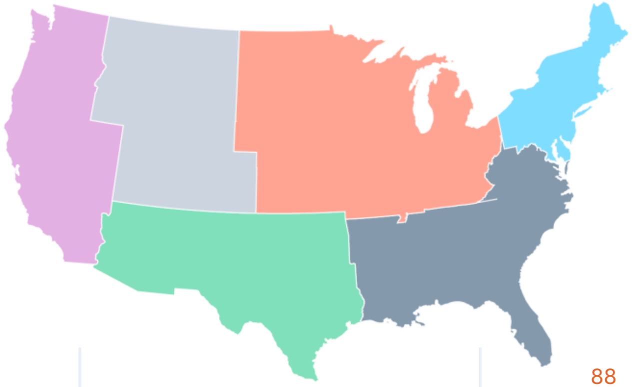
Paradigm	$203M

Healthcare Navigation

gravie	$179M

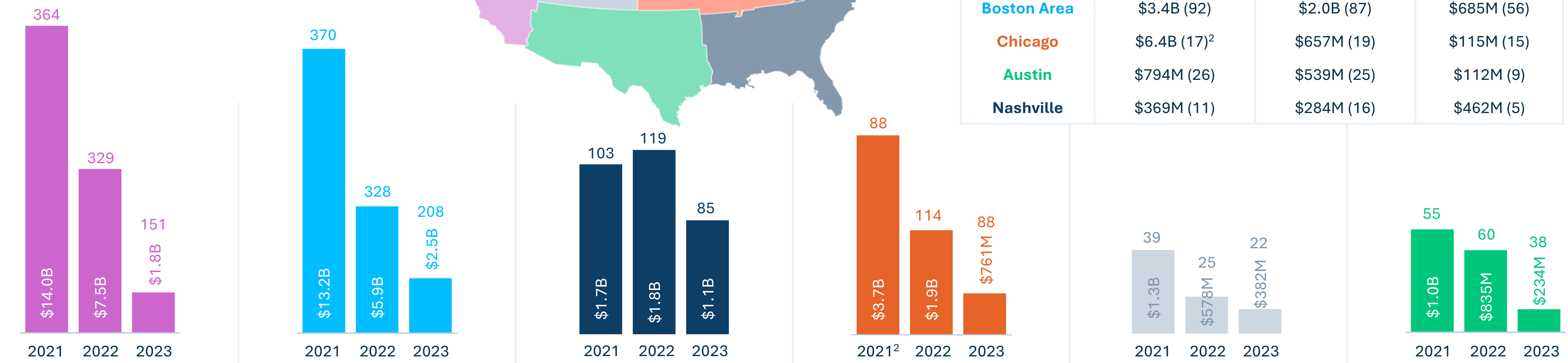
Notes: 1) Mega-deals are venture-backed investments ≥ $100M. 2) Shiftmed's $200M deal includes debt.
Source: PitchBook, SVB proprietary data and SVB analysis.

Healthtech Investment by US Region: Northeast Leads and Southeast Steps Up



Dollars and (deals) by top cities

Top Cities	2021	2022	2023[1]
Bay Area	$11.7B (237)	$6.2B (165)	$6.2B (165)
New York	$8.4B (183)	$3.0B (156)	$1.1B (88)
Boston Area	$3.4B (92)	$2.0B (87)	$685M (56)
Chicago	$6.4B (17)[2]	$657M (19)	$115M (15)
Austin	$794M (26)	$539M (25)	$112M (9)
Nashville	$369M (11)	$284M (16)	$462M (5)



Notable deals (2023[1])

West
HeartFlow, Artera, Carbon Health, amino, Cortica, Hippocratic AI, octave, Luna, Angle Health, carrum health, Clever Care Health Plan, Viz.ai, 98point6, Sparta Science

Northeast
Spring Health, CodaMetrix, Vesta Healthcare, Vytalize, k health, octave, Empress, 1up Health, Levels, zus, twill, Paradigm, Apprentice, Lightforce

Southeast
monogram health, ShiftMed, wellvana, Aledade, Artis Senior Living, CarePredict, Clearsense, Nest Health, GenHealth.ai, restor3d, Kythera, Huxley, Janus

Midwest
gravie, Augmedics, Flyhweel, nocd, bend, KeyCare, axuall, Herself Health, visibly, dNav, synapse, Authenticx, Rx Lightning, MediView, IOTA

Rocky Mountains
strive Health, Pathology Watch, RapidAI, Foresight Diagnostics, ELO Smart Nutrition

Southwest
medix infusion, Verifiable, pattern, evolvedMD, Significo

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Notes: 1) All 2023 data is through 8/1/2023. 2) On 4/1/2022, Chicago-based VillageMD raised $5.2B of venture funding from Walgreens Boots Alliance.
Source: PitchBook, SVB proprietary data and SVB analysis.

Key Challenges Healthtech Entrepreneurs Are Solving

Reduce physician burnout and administrative burden
Integrating tech solutions into clinical and research provider workflows

Improve quality and outcomes
Providing the right care at the right time, driving better outcomes

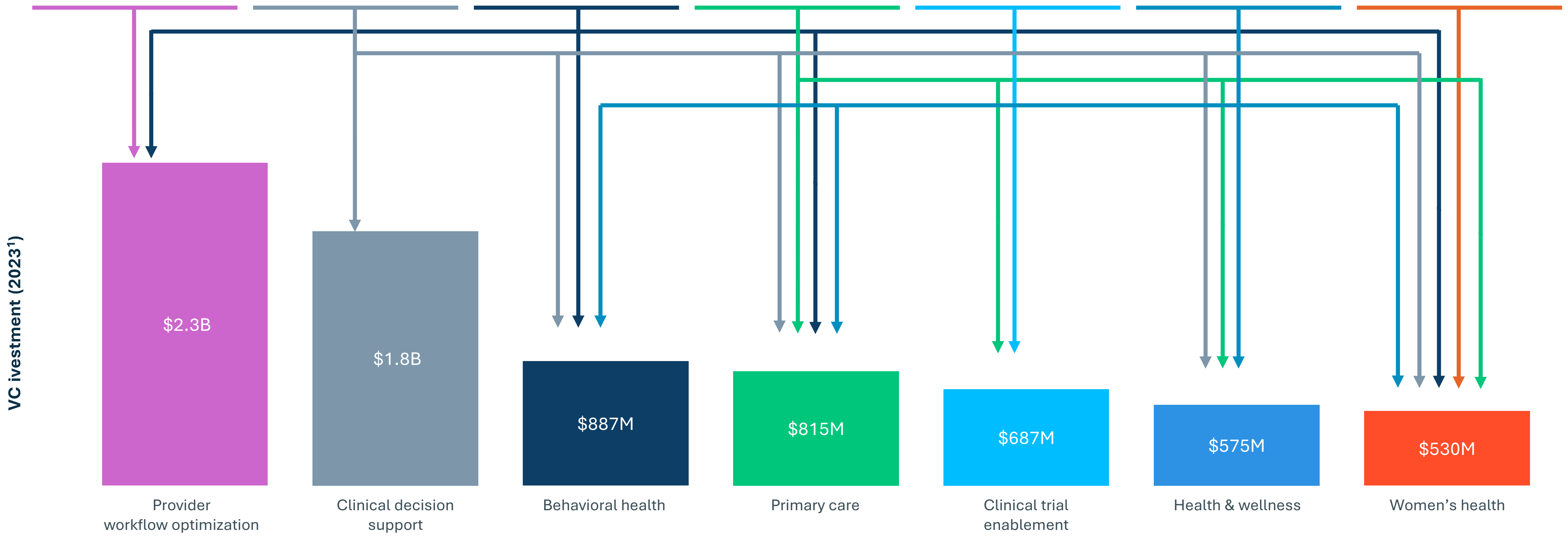
Focus on behavioral health
Improving access to high-quality mental healthcare

Expand access to preventive care
Increasing primary care to help prevent costly specialized care

Clinical trial enablement
Using technology to empower clinical trial operations

Enable consumers to better their own health
Putting consumers in charge of their health outside of clinical settings

Improve women's health access and outcomes
Increasing awareness to health equity gaps & addressing underserved care needs, including specialized care for women



Note: 1) Investment into US, EU and UK-based companies as of 8/1/2023.
Source: PitchBook, SVB proprietary data and SVB analysis.

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Spotlight: Value-Based Care

The State of Value-Based Care

Mind the (care) gap The US healthcare system has long struggled with steadily rising healthcare costs, overburdened providers and poorer relative outcomes. Even though the US spends much more of its GDP on healthcare than other countries, it has worse results. Compared with other high-income countries, the US has the highest rate of preventable deaths and infant deaths. The US has a history of inequality in access to care, with people of color and low-income individuals more likely to experience adverse health outcomes than the rest of the population. These issues stem in part from an inefficient **fee-for-service** (FFS) reimbursement model, which dictates how providers are paid for the services they provide. Under FFS, providers are paid for each service they provide and are rewarded for volume – they're paid more if they deliver more care, even if they don't achieve desired health outcomes. Because the FFS model focuses on volume rather than quality of care, it creates misaligned incentives for providers. **Value-based care** (VBC) aims to change this dynamic by tying the reimbursement providers receive to the results they deliver to patients, rather than care volume. Providers are rewarded for hitting certain healthcare outcomes, quality and cost measures.

Challenges Despite recent momentum, VBC's adoption comes with challenges. One of the biggest hurdles is the financial risk providers must take on to participate in VBC contracts. **Risk-based reimbursement models take time to achieve profitability,** which is a risk that providers and investors are taking on at different levels. Most providers were built in a predominantly FFS system, and must take on the operational and technical challenges that come with adapting to VBC, including care coordination, risk assessment and health outcomes measurement, all while navigating the limitations of the differing state CPOM[1] laws. **Meaningful capital is also required** to meet upfront capital reserves and there is a long delay in receiving cash payments.

Undeniable pressure and momentum Though VBC adoption is still a work in progress, there is impressive recent momentum that is guiding the transformation. **CMS is leaning further** into VBC models, and in 2022 announced its aim to have all Medicare beneficiaries cared for by providers in value-based care models by 2030. Some changes are being made around the edges, but it appears that VBC is here to stay. Payers, who are feeling the squeeze of rising medical costs, are **doubling down on VBC models** and growing partnerships with primary and specialty care VBC companies. VBC enablers, which offer **technology-driven solutions** to help providers and payers adopt VBC models, are seeing substantial growth and **VC investment**. Providers are realizing that while VBC comes with risk, it also allows for better outcomes, less administrative burden and more predictable revenue, with freedom to use those dollars more flexibly to meet patient needs. They can spend more time on preventive, holistic, equitable care that FFS models didn't adequately support. Several recent **strategic acquisitions by large payers and retailers** in the VBC space has contributed to the positive momentum. **This momentum is likely to accelerate** as we see more incentives and government initiatives, outcomes measurement data from early adopters and innovative technology solutions. With the current strains on our system growing to unsustainable levels, the pressure has never been higher for VBC adoption and innovation in this space.

LAN Goal Statement[2]

The percentage of US healthcare payments tied to quality and value

	Medicaid	Commercial	Medicare Advantage	Traditional Medicare
2024	25%	25%	55%	50%
2025	30%	30%	65%	60%
2030	50%	50%	100%	100%

"Organizations who do not reshape their business and delivery model to support an outcomes-oriented approach to care will be less successful if not outright unsustainable in the future healthcare economy."

John Fryer (SVP and National Head of Markets, Lumeris)[3]

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Notes: 1) Corporate Practice of Medicine. 2) Health Care Payment Learning & Action Network (LAN). 3) Pearl Health's Top 50 Value-Based Care Thinkers of 2023.
Source: PitchBook, SVB proprietary data and SVB analysis.

The Spectrum of Value-Based Care

The definition of VBC is subject to debate, but in the broadest sense, we consider it to include risk-taking entities, the companies caring for specific, high-cost populations (even if they do not take financial risk), as well as the technologies, products and services that enable the shift to VBC. Thus, **the business models of VBC companies vary widely:** Some derive 100% of their revenues from shared savings, some receive a combination of FFS revenue and shared savings, while others contract with risk-taking entities and are paid on a per-member-per-month (PMPM) basis.

Full or global risk models involve **two-sided risk,** whereby providers share in both the upside of savings and the downside if care costs more than estimated. If costs come in lower than the benchmark, providers retain a predefined portion of the savings dollars. On the flip side, costs that are higher than the benchmark result in loss. Moderate risk models can involve **one-sided risk or a capitated amount.** Others take on no direct risk but offer tech-powered solutions to enable providers and payers to adopt VBC models. As these tools evolve, we anticipate more payers and providers to dive deeper into VBC risk.

Many companies have **a combination of these various revenue models and risk levels**, allowing providers and payers to dip their toes into VBC. We have also seen a recent burgeoning in specialty care VBC companies, which focus on patient populations that are both complex and high cost, such as kidney care, oncology and cardiology. Payers and primary care VBC companies are **reducing risk by sub-contracting care** to specialty care companies like Thyme Care and Strive Health.

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Value-Based Care Market Map

End-to-end VBC

Companies with providers who deliver VBC to patients.

Care often includes virtual options that reinforce and supplement in-person care. Care uses analytics, care coordination, patient engagement and provider integration to reduce costs and improve outcomes. Care often includes a focus on patients' social determinates of health to improve outcomes and promote health equity. The best platforms have an inviting user interface to meaningfully engage patients.

VBC enablement

Companies with technology and services that help providers, payers, and patients adopt and perform in VBC models.

They may also focus on patient engagement and participation.

Enablers that generate a compelling return on investment and reduce provider pain points around VBC are likely to be attractive.

Primary care

Initial focus and investment in VBC have been in the primary care setting. As the gatekeepers of the health landscape, they play a key role in preventive care, chronic condition management and care coordination with specialists.

Main Street Health, wellvana, ChenMed, iorahealth, Privia Health, Aledade, CanoHealth, VillageMD, honest, Forward, cityblock, agilon health

Senior care

Caremax, Curana Health, ConcertoCare, Longevity, emcara, greater good health, Bluestone, Oak St. Health, UpStream

Specialty care

Focus and investment are on specialties with high cost and complexities.

Nephrology

evergreen nephrology, monogram health, Somatus, strive health, Cricket Health

Behavioral health

mindoula, Wayspring, Brave

Home care

CareBridge, dispatchhealth, harmonycares

Oncology

Thyme Care

Pediatrics

imagine pediatrics

Cardiovascular

USHV

Technology solutions

Solutions span across patient engagement, care coordination, billing/coding, provider-payer connectivity, prior authorizations, virtual care offerings, real-time patient data, clinical decision-making, healthcare outcomes measurement and more.

PostAcute Analytics, pearl, b.well, 1upHealth, Rhyme, Unite Us, innovaccer, Clarify, Datavant, CareJourney, New Century Health, Arine, ClosedLoop, prognos health, Aetion, stellarhealth, pulseData, Vytalize

Note: List is not exhaustive, select healthtech companies represented.
Source: PitchBook, SVB proprietary data and SVB analysis.

Strategics in Healthtech

Vertical Integration for Payers: Notable Deals and Partnerships

Payers want to capitalize on recent industry changes and innovation and are actively acquiring/investing/partnering with healthtech companies to help them engage with members more frequently/effectively and to ultimately lower costs. Payer investments are commonly paired with a contract, pilot or partnership, as most of, but not all, venture investment is earmarked for strategic investment. Some solutions are better received by providers when they come from an "independent" company rather than from the payer directly. Payers are interested to see how these smaller, more nimble companies are able to affect change. By investing/partnering, they can get a seat at the table to see what's most effective. There is some evidence of point solution fatigue, so investment may slow in some verticals as they wait to see how their various bets play out.

Acquisition

Investment

	United Healthcare + Optum	Cigna	Elevance Health formerly known as Anthem
Market cap	$469B	$86B	$104B
TTM revenue	$349B	$186B	$166B
Investments and M&A since 2018	28	34	28
Providers	amedisys, LHC Group, Landmark, CareBridge, Somatus, Truepill, alma, dispatchhealth	MDLIVE, nocd, alma, omada, octave, monogram health	k health, CareBridge, Somatus
Pharmacy	genoa healthcare, divvyDOSE	Express Scripts → Verity Solutions	BioPlus Specialty Pharmacy
Insurance	surest	Bright Health Group, Brighter	BlueCross BlueShield of Louisiana
Benefits management	Equian, naviHealth	flume	sharecare, myNEXUS, MMM Medicare and Much More
Data services	EMIS Group, Change Healthcare, Health[at]Scale Technologies, Vim	buoy, Arista MD, Datavant, prognos health	carelon insights, doc.ai, Vim, amwell
Diagnostics/ biopharma/ devices	scipher medicine, Cellworks	Zerigo Health, cleerly	Sera Prognostics The Pregnancy Company

Note: List is not exhaustive, select healthtech companies represented.
Source: PitchBook, SVB proprietary data and SVB analysis.

Vertical Integration for Retailers: Notable Deals and Partnerships

Retail giants and big tech are increasingly pushing into healthcare, leveraging the trust they have built with consumers in their respective specialties/domains to control more of the healthcare journey. Retailers like CVS and Walgreens are leveraging their broad brick-and-mortar networks and close proximity to their local communities to deliver superior, more accessible care for patients. We've seen both take large steps in the form of hefty investments and acquisitions underscoring interest in both primary and specialty care. Similarly, Amazon has been seeking to deploy its virtual prowess into healthcare with various forays over the years, including its acquisition of One Medical/Iora health. As these market moving acquisitions continue to be digested, it will be interesting to monitor how effective these non-traditional healthcare entities are in winning longitudinal patient trust away from traditional health systems.

Acquisition

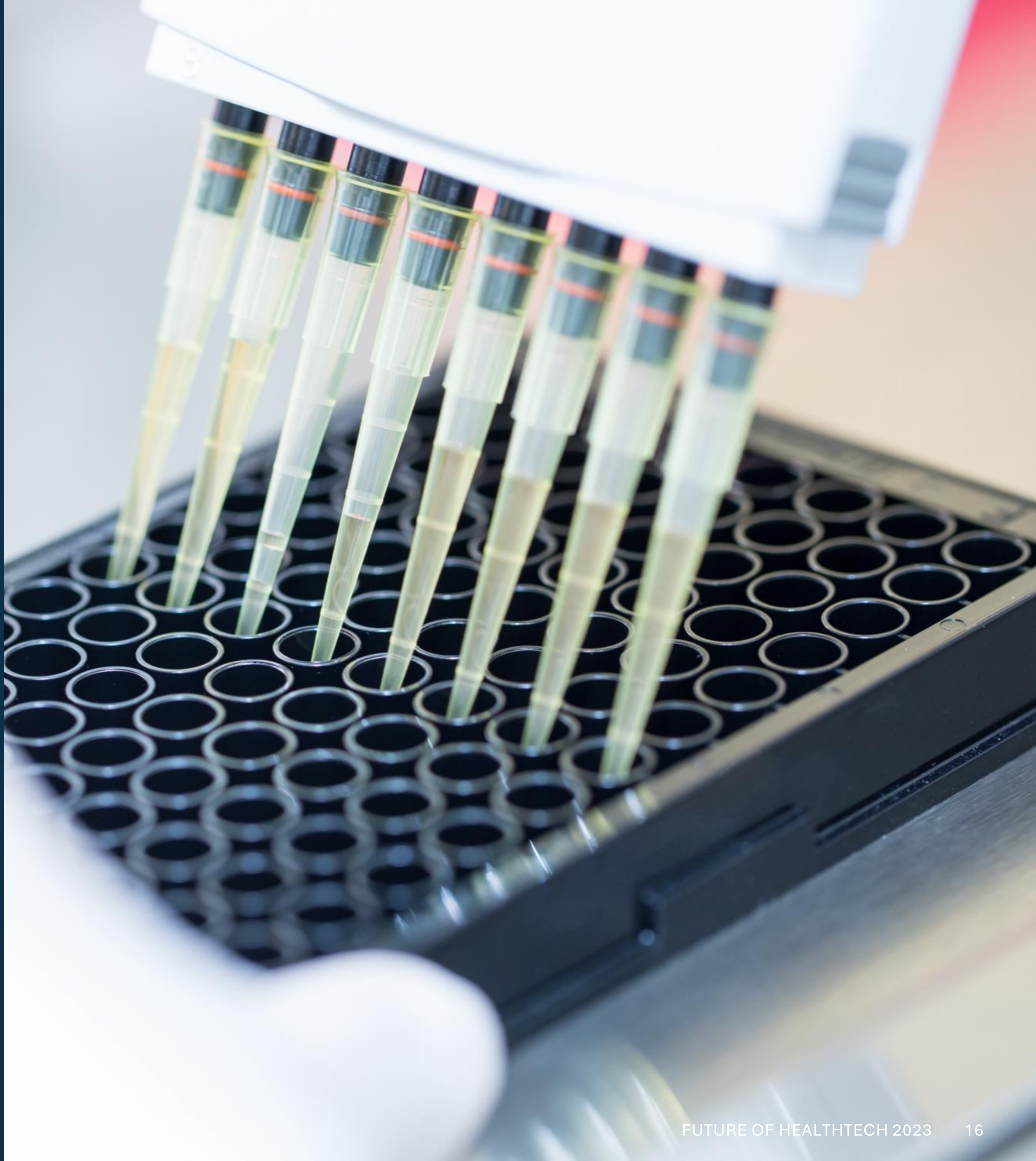
Investment

Partnership

	CVS pharmacy	Walgreens	amazon
	$91B Market cap; $339B TTM revenue; 31 Investments and M&A since 2018	$18B Market cap; $136B TTM revenue; 22 Investments and M&A since 2018	$1.3T Market cap; $538B TTM revenue; 101 Investments and M&A since 2018
Providers	Oak St. Health, signifyhealth (Acquisition); CareBridge, Maven, strive health, monogram health, Carbon Health (Investment)	VillageMD (Investment) → Summit Health (Acquisition)	one medical, iora health network (Acquisition)
Pharmacy	EntrustRx (Acquisition)	SHIELDS Health Solutions (Acquisition); A (Acquisition)	PillPack (Acquisition)
Insurance	aetna (Acquisition)	Humana (Partnership)	HAVEN — Joint venture founded by Amazon, Berkshire Hathaway, and JPMorgan Chase in 2018. It was later disbanded in 2021.
Benefits management	CVS caremark (Acquisition)	carecentrix (Acquisition)	
Data services	SpectrumAi, Biofourmis (Investment)	VIM, b.well (Investment); pearl (Partnership)	hippo health (Investment)
Diagnostics/ DTx	Oui Therapeutics (Investment)	labcorp (Partnership)	bluDIAGNOSTICS (Acquisition); Mammoth Biosciences, GRAIL (Investment)

Note: List is not exhaustive, select healthtech companies represented.
Source: PitchBook, SVB proprietary data and SVB analysis.

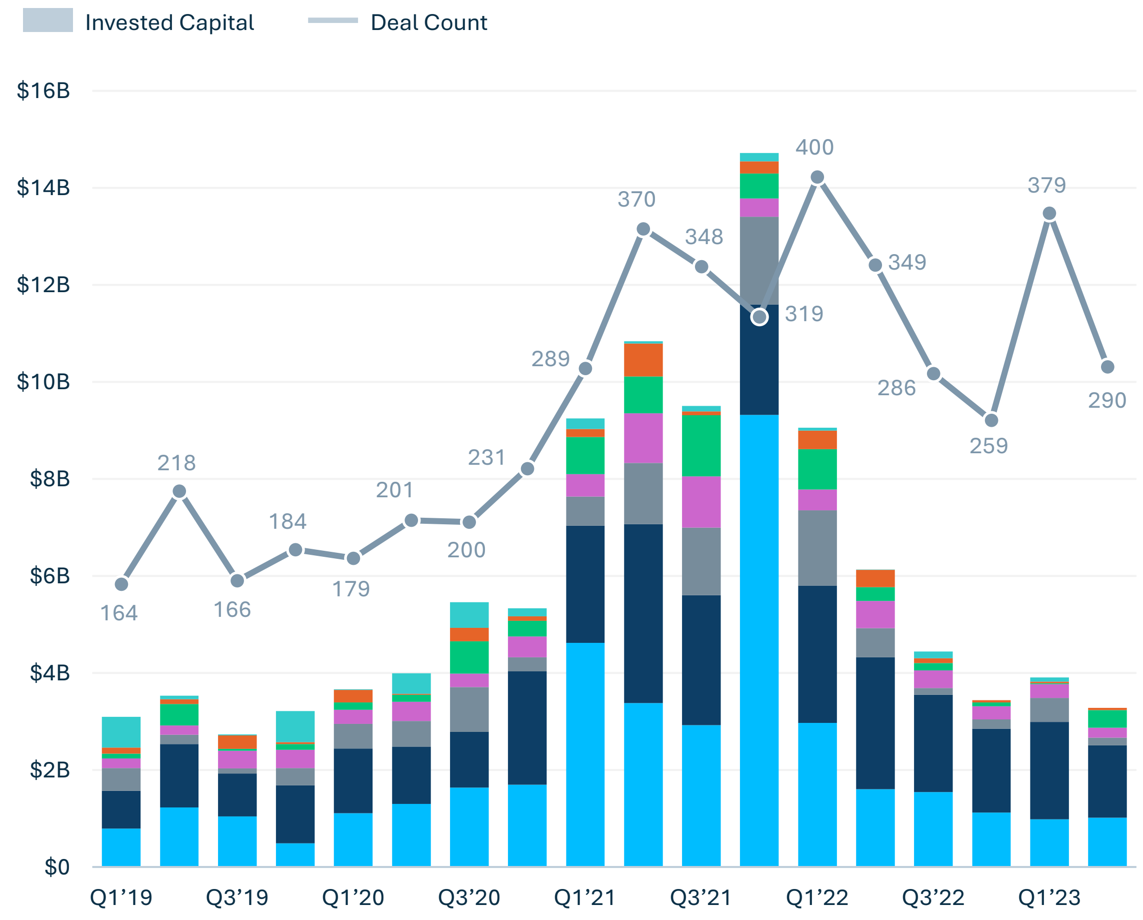
Subsector Trends and Predictions



Healthtech Subsectors: Provider Operations Leads 2023 Investment

Healthtech VC Deals by Subsector

US, EU and UK



Alternative Care

Total Raised (2023):[1] $2.2B

Provides primary or specialty care outside of a hospital or private practice

monogram health, strive HEALTH, Carbon Health

Wellness & Education

Total Raised (2023): $1.3B

Informs users of healthy lifestyle and medical best practices, often with a diagnostic or device element

LEVELS, Axena, GENEPLANET

Insurance

Total Raised (2023): $90M

Develops novel models for privately insured, Medicaid and/or Medicare populations

Angle Health, Clever Care

Provider Operations

Total Raised (2023): $4.1B

Increases efficiency and accuracy of provider-provider, provider-patient interactions, including clinical decision support

artera, Aledade, HeartFlow

Healthcare Navigation

Total Raised (2023): $383M

Guides users to relevant providers and/or payers based on their needs

gravie, carrumhealth, amino, Wellthy

Clinical Trial Enablement

Total Raised (2023): $687M

Solutions to accelerate digitization of clinical trials

Paradigm, Flyhveel, APPRENTICE, Clearsense

Medication Management

Total Raised (2023): $102M

Aids users in access and adherence to their prescribed medicine

1000Farmacie, RxLightning, wellth, [Scene]

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Notes 1) All 2023 data is through 8/1/2023.
Source: PitchBook, SVB proprietary data and SVB analysis.

Most Active Healthtech Investors by Subsector

Number of New Healthtech Deals[1]

US, EU and UK (2022-2023)

Overall		Alternative Care		Provider Operations		Clinical Trial Enablement		Wellness & Education	
40	PLUGANDPLAY	14	Alumni Ventures Group	15	PLUGANDPLAY	10	Alexandria Venture Investments	8	Gaingels
33	Gaingels	11	General Catalyst	13	First Trust Capital Partners	8	Gaingels	7	PLUGANDPLAY
29	General Catalyst	9	7Wire Ventures	10	10X Capital	8	General Catalyst	6	octopus ventures
24	Alumni Ventures Group	8	PLUGANDPLAY	10	Gaingels	7	GV	5	M13
24	10X Capital	6	Box Group	9	Alumni Ventures Group	6	Catalio Capital Management	4	Startup + Health
18	GV	6	CVS Health	7	GV	6	10X Capital	4	Joyance Partners
16	what if ventures	6	8VC	7	General Catalyst	6	Axial	4	inflect health
16	First Trust Capital Partners	6	Hopelab	7	Calm/Storm	6	F-Prime	4	what if ventures
14	F-Prime[2]	6	Human Capital[2]	7	FCA Venture Partners[2]	6	Lux[2]	4	Valor Equity Partners[2]

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Notes: 1) Most active investors defined as count of new deals in which investor participated (no follow-on deals). All 2023 data is through 8/1/2023. 2) Additional investors have the same number of deals but are not included because of space limitations.
Source: PitchBook, SVB proprietary data and SVB analysis.

Global Exits

Still-Frozen IPO Window

Last year marked the sudden end to the strong healthtech venture-backed IPO activity seen in 2019-2021. This year, the **IPO window remains closed** with zero IPOs in 2023.

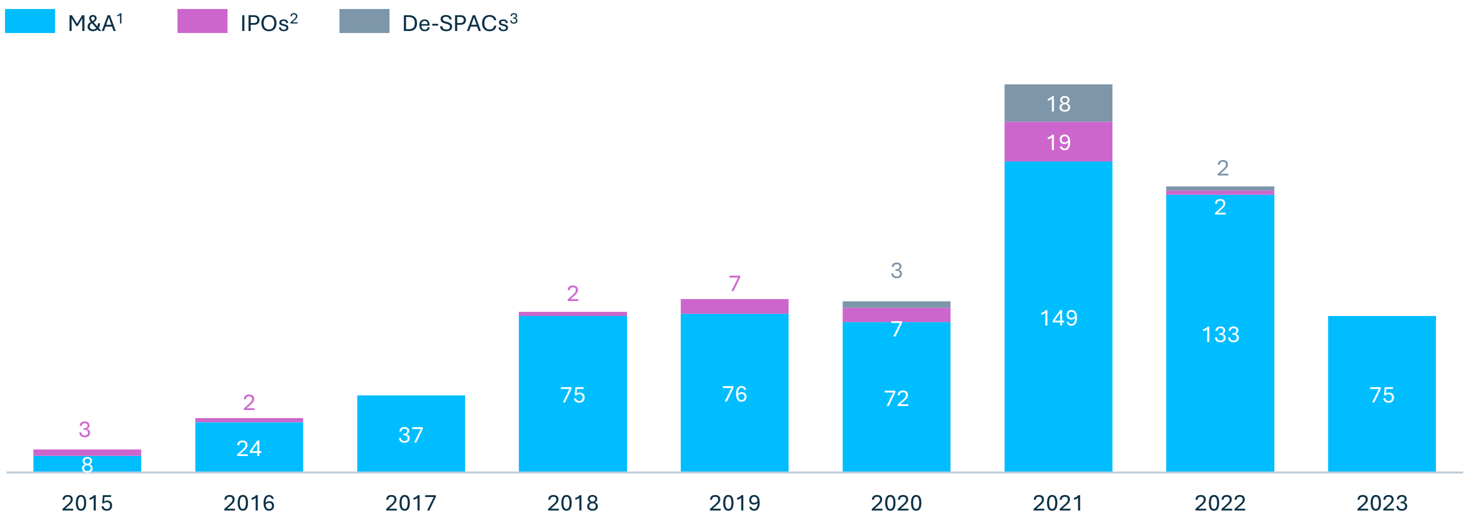
Macroeconomic factors affecting market volatility hit healthtech stocks harder than other sectors, with median performance of -67% in 2022. This year, however, despite ongoing public market headwinds, the healthtech sector **started to demonstrate resiliency,** trading up +6% in Q1 and +25% in Q2 as many notable names posted double-digit gains.

Similarly, the **M&A market has started to show signs of life** with rising deal volume. Activity started strong in Q1 (39 deals) but tapered off in Q2 (12), with Q2 down 340% from the peak in Q4 2021 (54). We anticipate increased activity in H2'23 and H1'24 as companies run out of cash and are forced to raise at a lower valuation or sell.

While the market remains challenging for financing and deal activity, the signs of life witnessed in H1'23 represent the first positive trends in more than a year. The slow but steady thawing of the market is marked by rising levels of **investor dry powder,** high demand for **new capital,** and a **narrowing bid/ask between investors/buyers and companies.**

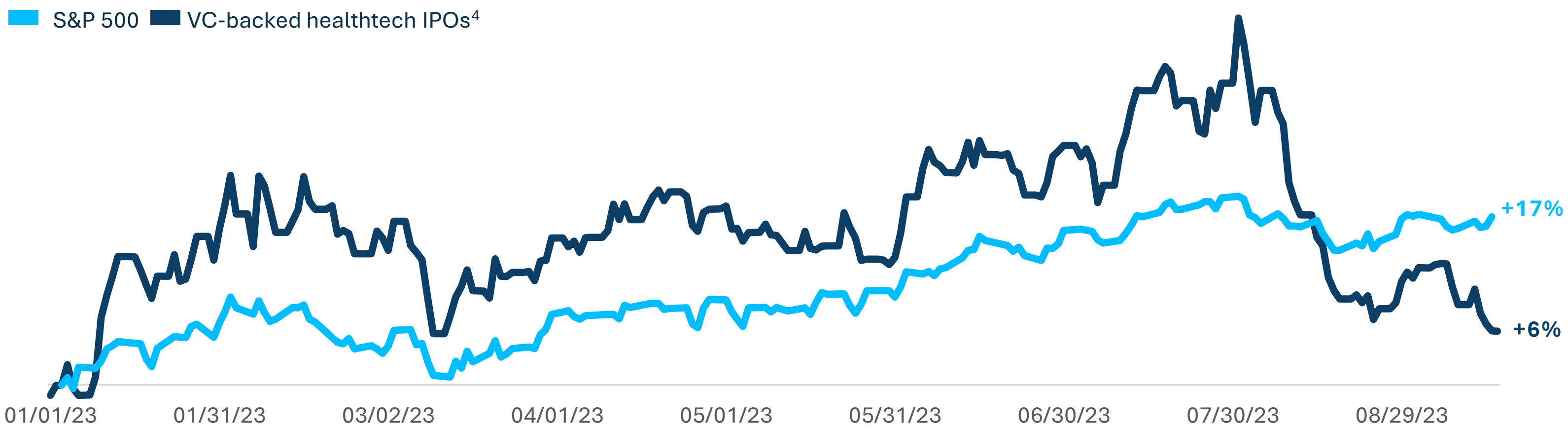
Healthtech VC-Backed Exits by Year

Global



Healthtech YTD Stock Performance

Global



Notes: 1) M&A data only includes private, venture-backed M&A. 2) IPO data includes venture-backed IPOs with a minimum $25M proceeds raised. 3) De-SPACs graphed by date of announcement of intent to de-SPAC. 4) IPO data only includes venture-backed IPOs since 2015 with minimum $25M proceeds raised. Performance measured by change in index value as of 1/1/2023.

Source: S&P Capital IQ, PitchBook, SVB proprietary data and SVB analysis.

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Valuation Disconnect Impacts M&A Pricings

While healthtech acquisition volume has tapered slightly in H1’23, **median prices were significantly down.** There were only four publicly disclosed private healthtech M&As over $50M in 2023 (2022 had 8 and 2021 had 36) and zero over $1B (2021 had 4).

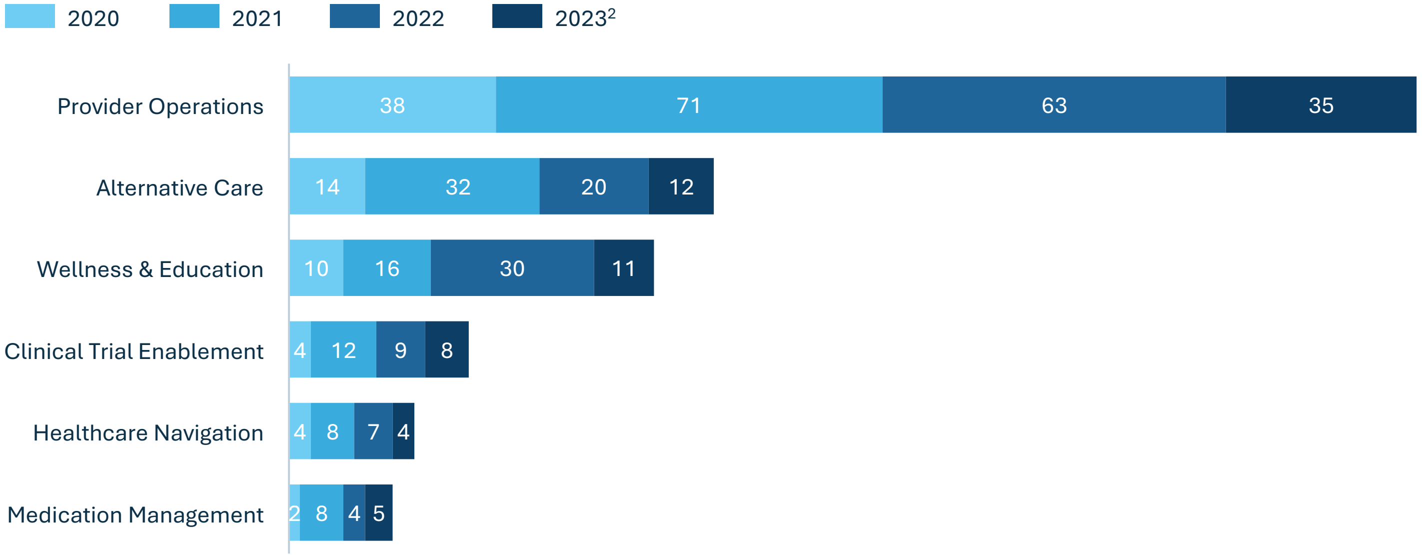
Acquirers have struggled with **valuation disconnect,** driven by big step-ups and resulting in lofty post-money valuations we saw with regularity in 2020 and 2021.

Three deals this year had larger prior private round post-money valuations than exit values: Flame Biosciences (0.8X),[1] MedAware Systems (0.7X) and Glide Health (0.2X). Deals with strong multiples include InstantScripts (4X) and DW Aligners (4X). Deal pricing will likely remain **unsettled** as private valuations correct.

Of note, there were several **AI-powered ultrasound analysis tech acquisitions** this year by healthcare publics. Caption Health was acquired by GE HealthCare for $150M in February. DiA Imaging Analysis was acquired by Philips for $100M in May.

Healthtech VC-Backed M&A Deals[2] by Top Subsectors

Global



Notable Healthtech VC-Backed M&A[2] in Most Active Subsectors

Global (2023)

Provider Operations

Caption Health, DIA Imaging Analysis, Winterlight, SmartBot360, GlideHealth, Voxello, Crosscope, Blackford, Backline by DrFirst, CrossBridge, polaris, Patient Pattern

Alternative Care

weekend health, 98point6, InstantScripts, DW, Frankie, naytal, Hurdle, AreaMedical24, Limbix, medwellventures, smileneo

Wellness & Education

sleep reset, melon, xsensio, Sandstone, burnalong, eoSurgical, ShowMyDay, LiveSmart, dreem, Respio

Acquisition ≥ $100M

Notes: 1) Return multiple defined as the acquisition price divided by the post-money valuation on the preceding private venture round.
2) M&A data only includes private, venture-backed M&A.

Source: PitchBook, SVB proprietary data and SVB analysis.

Public and Tech Acquirers More Active in M&A

Private healthcare companies led private healthtech M&A activity in 2023, comprising 53% of deal acquirers, down slightly from 62% in 2022. However, public healthcare were more active this year, acquiring 20% of targets in 2023, up from 17% in 2022.

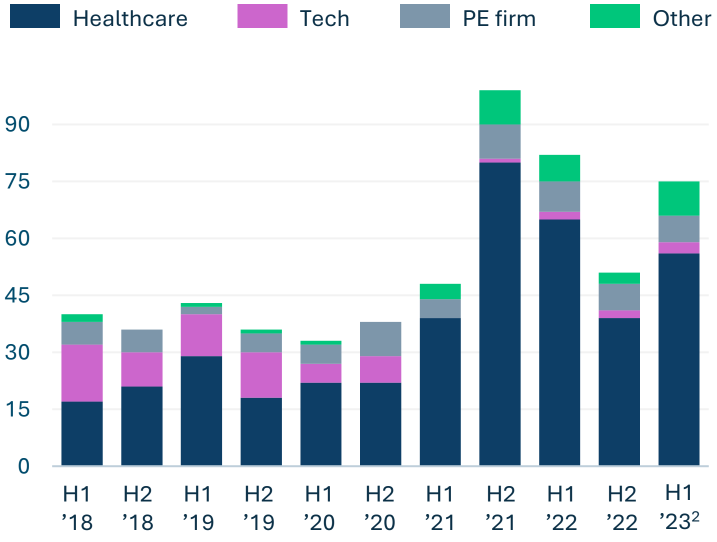
Healthtech acquirers were much less prevalent this year, comprising just 56% of healthcare acquirer activity, down from 72% in 2022 and 74% in 2021. Instead, healthcare services, diagnostics and biopharma acquirers were more active. Private healthtech acquirers, once flush with cash on their balance sheets from 2021 mammoth rounds, **may have hit pause on acquisitions** to slow cash burn and preserve cash on hand.

In prior years, **tech giants** — Alphabet, Amazon, Apple and Microsoft — accelerated their pursuits into healthtech with notable acquisitions: Amazon's $3.5B acquisition of One Medical (announced in 2022, completed in 2023) and Microsoft's $16B acquisition of Nuance Communications. This year saw less activity by tech giants but notable activity from private tech companies.

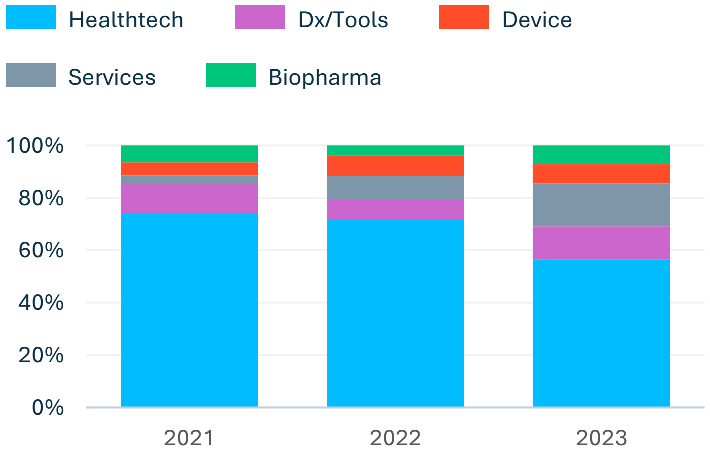
Strategic acquirers led the way in notable public M&A, both in H1'23: CVS' acquisition of VBC provider Oak Street Health for $10.6B and Amazon's acquisition of One Medical for $3.9B.

M&A Deals[1] by Acquirer Type

Global



Healthcare Acquirers by Sector



Notes: 1) M&A data only includes private, venture-backed M&A. 2) All 2023 data is through 8/1/2023.
Source: PitchBook, SVB proprietary data and SVB analysis.

Notable M&A Deals[1] by Acquirer Industry

Technology acquirer

picwell
1/9/2023
Undisclosed deal value.
Acquirer: Jellyvision

SmartBot360
6/1/2023
Undisclosed deal value
Acquirer: Kerauno

HUMAN API
4/24/2023
Undisclosed deal value
Acquirer: LexisNexis Risk Solutions

Healthcare acquirer

SimpleHealth
4/12/2023
Undisclosed deal value
Acquirer: TwentyEight

weekend health
3/4/2023
$132M deal value
Acquirer: Weight Watchers

98point6
3/6/2023
$100M deal value
Acquirer: Transcarent

Private equity acquirer

gifthealth
3/30/2023
$40M deal value
Acquirer: Eir Partners

BLUESIGHT
7/17/2023
Undisclosed deal value
Acquirer: Revelation Partners and Thoma Bravo

Notable 2023 Healthtech Asset Sales

Target	Acquirer(s)	Details
PiLL CLUB	THIRTY MADISON	Following a bankruptcy filing in April, ThirtyMadison acquired the Pill Club, which was once valued at $402M.
PEAR THERAPEUTICS	Click Therapeutics, nox HEALTH, WELT, Harvest BIO	Less than two years after Pear Therapeutics went public via a de-SPAC worth $1.6B, its assets were sold in an auction in May for $6M.

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Raysa Bousleiman manages relationships with traditional venture capital firms focused on healthcare and life science investments. She is also responsible for conducting data-driven analyses on the global healthcare innovation economy that SVB serves.

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Since joining SVB in 2007, Jackie has worked across both the technology and healthcare practices from emerging market to late-stage corporate finance.

Jackie graduated from St. Mary's College of California with honors, receiving a bachelor's in finance.

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Prior to SVB, Julie worked for 10 years at Greenhill & Co LLC, a boutique investment bank, advising public and private companies on M&A and restructuring transactions. Before Greenhill, she worked at Prudential Securities and J.P. Morgan.

Julie received an MBA with honors from Columbia Business School and a bachelor's from the McIntire School of Commerce at the University of Virginia with a concentration in finance.

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Prior to SVB, she led product marketing and strategy at various healthtech startups and was part of the founding team at the MassChallenge Healthtech startup accelerator program. Nina started her career at the Mass General Brigham health system in various product and digital transformation roles.

Nina received her MBA at Babson College and bachelor's degree from Suffolk University.

Glossary

Deal Descriptions

Venture-backed defined as any company that has at least one venture capital investor within its private financing deal history.

Corporate Investor defined as both corporate venture and parent company investment into venture-backed companies.

Series A defined as all first-round institutional or corporate venture investment and all first-round investments equal to or greater than $2M, regardless of investor.

Years to Exit defined as the time from the close of a company's first institutional round of financing to the M&A, IPO or de-SPAC.

Alternative Care Definitions

Primary Care defined as solutions for preventive health measures by a provider or licensed care coach for adults (ages 18 to 64).

Senior Care defined as solutions for preventive health measures by a provider or licensed care coach for elders (ages 65 and older).

Pediatrics defined as solutions for preventive health measures by a provider or licensed care coach for children (<18 years of age).

Platform Care defined as companies that combine primary care and specialty care.

Mental Health defined as companies treating psychiatric disorders and substance use.

Neurology defined as solutions for pain, Alzheimer's disease, motor functions, autism, motion sickness, fall prevention and select sleep disorders.

Women's Health defined as reproductive monitoring and primary care for women.

Gastrointestinal defined as disorders of the digestive system, such as irritable bowel syndrome.

Digital Therapeutics (DTx) defined as companies that have clinically validated software-based solutions to prevent, manage or treat conditions.

Subsector Definitions

Workflow Optimization defined as the automation and/or integration of a provider's day-to-day processes.

Clinical Decision Support defined as solutions that help a provider make the right decision at the right time.

Drug Discovery Platform defined as data-driven drug discovery.

Mobile Trials defined as decentralized clinical trials.

Health & Wellness defined as solutions that encourage a healthier lifestyle; users do not directly interact with a provider.

Medication Compliance defined as solutions for medication adherence and tracking.

Pharmacy Benefits defined as solutions to increase access to prescription drugs and increase affordability.

Acquirer Definitions

Healthcare Acquirer defined as a company whose main business segments are within the life science and healthcare industry.

Geography Definitions

Bay Area defined as all the cities within the Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma counties.

Boston Area defined as Boston, Cambridge and Waltham, Massachusetts.

Glossary (continued)

Definitions

Providers defined as physicians, nurses, pharmacists and licensed therapists.

Patients defined as individuals who are prescribed healthtech solutions by their healthcare provider(s).

Direct-to-Consumers defined as individuals having direct access to healthtech solution(s) and the solution does not require provider consent.

Employers/Payers defined as companies, hospitals, health plans and insurance providers.

Omni-Channel defined as a combination of the following target customers: providers, patients, direct-to-consumers and employers/payers.

Anxiety and Depression defined as companies that primarily target anxiety and depression disorders.

Substance Use defined as companies that primarily focus on solutions for addiction and drug use.

Mindfulness defined as companies that primarily focus on improving overall well-being and happiness, often offering meditation guidance, sleep therapy and stress regulation practices.

Platform defined as companies that target a combination of mental and behavioral health conditions such as ADHD, anger, anxiety, bipolar disorder, depression, eating disorders, OCD, PTSD, schizophrenia, sleep disorders, stress and substance use, and may also include mindfulness and overall well-being practices.

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Silicon Valley Bank (SVB), a division of First-Citizens Bank, is the bank of some of the world's most innovative companies and investors. SVB provides commercial and private banking to individuals and companies in the technology, life science and healthcare, private equity, venture capital and premium wine industries. SVB operates in centers of innovation throughout the United States, serving the unique needs of its dynamic clients with deep sector expertise, insights and connections. SVB's parent company, First Citizens BancShares, Inc. (NASDAQ: FCNCA), is a top 20 U.S. financial institution with more than $200 billion in assets. First Citizens Bank, Member FDIC. Learn more at svb.com.

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