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Silicon Valley Bank

HealthTech: Insights into an Emerging Industry

Valuable Exits Reinforce Growing Investments

October 2019

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Valuable Exits Reinforce Growing Investments

Since 2015, the HealthTech industry has become one of the fastest-growing segments within healthcare. In fact, an SVB analysis finds that the number of private, venture-backed HealthTech financings has grown by 25% over that period, with SVB working with roughly 40% of combined US and European companies.

In this inaugural report, we introduce primary sectors and respective subsectors to measure their investment and exit activity. These sectors were derived by analyzing the problems around wasteful healthcare spending and then grouping companies based on their tech-enabled solutions to solve these problems.

Six primary sectors (see page 9 for full definitions):

Provider Operations	Healthcare Navigation
Alternative Care	Medication Management
Clinical Trial Enablement	Wellness & Education

Overall, the outlook for HealthTech is promising. In the past five years, the industry's robust growth has facilitated more than \$27B in invested capital for private companies and 14 companies with \$1B+ valuations. Additionally, 2019 has already surpassed 2018 with a record \$8B in total exit value, largely driven by strong IPOs.

HealthTech Team
Life Science & Healthcare
Silicon Valley Bank

Market Stats

40%

of all VC-backed HealthTech companies are SVB clients.

\$14B

of the \$27B total invested capital since 2015 has been raised by SVB HealthTech clients.

SVB HealthTech clients are

20% more likely to have

at least one corporate investor participate in their financing.

On average, SVB HealthTech clients

raise 1.5x

larger rounds than non-clients.



Notes: Financing data includes private financings by venture-backed companies that have raised >\$2M in US and Europe between 2015 and 09/13/19. Valuations mentioned here are defined as post-money valuations from PitchBook. Dates of financing rounds subject to change based on add-on investments. Source: PitchBook, SVB proprietary data and SVB analysis.

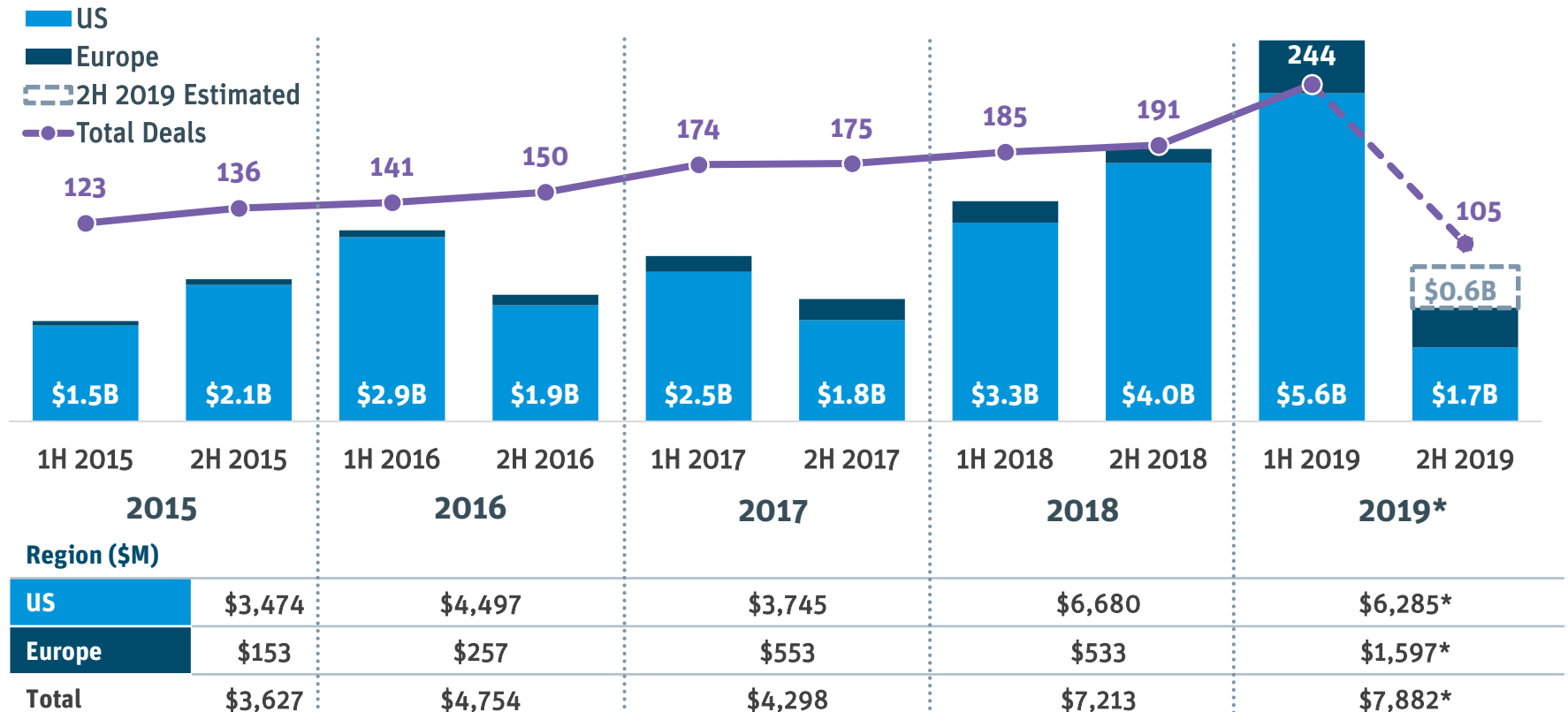


HealthTech Investments: Growth Across the Board

In 2019, Investment Is Up, Deal Count Is Down

Within the last five years, HealthTech deals have grown reliably year-over-year; however, for the first time ever, 2019 is predicted to come in lower than previous years due to a decrease in the number of deals in 2H 2019. Despite this decline, the total amount of dollars invested is up — indicating that companies are, on average, raising larger rounds.

VC Deals and Dollars (US & Europe)

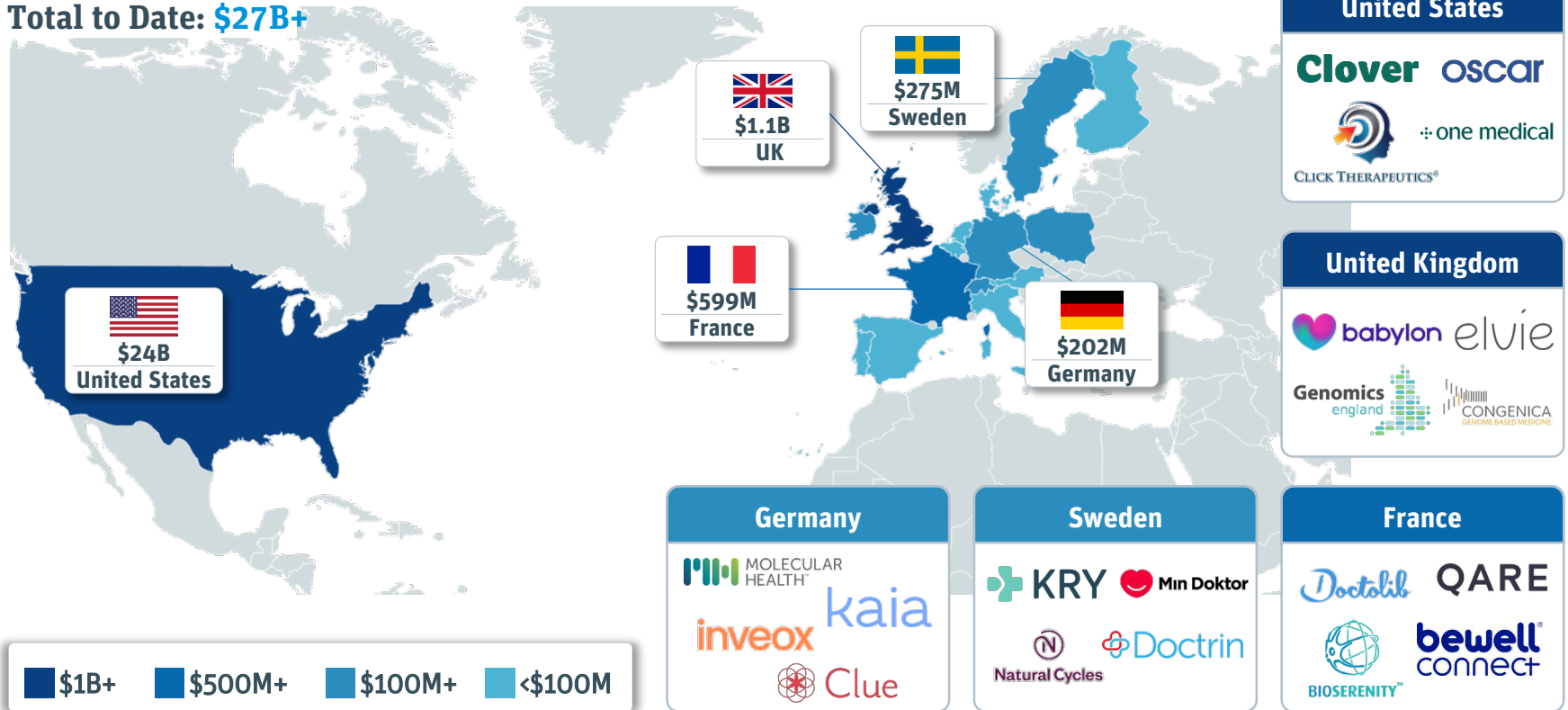


US Leads World, UK Leads Europe in Investments

Countries with high healthcare expenditures also lead in total HealthTech funding. While healthcare costs are country specific, often the solutions targeting these costs are funded through cross-border participation. For example, in the last five years, 40% of all US deals have been syndicated with at least one European investor.

Countries with \$200M+ VC Investment & Top Deals: 2015–2019

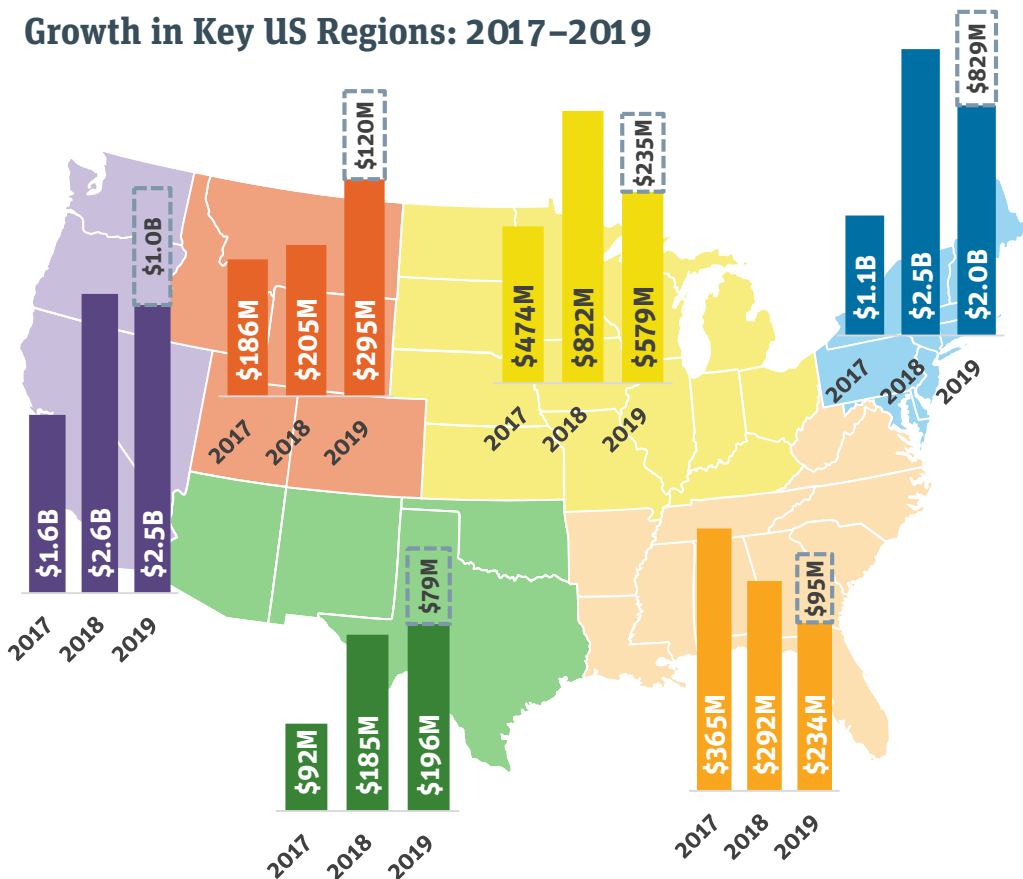
Total to Date: **\$27B+**



Rocky Mountain \$ Projected to Double in 2019

While the West and Northeast remain at the top in terms of invested capital, the Rocky Mountains have become the nation's fastest-growing region from 2018 to 2019. This recent surge can be attributed to an increase in the number of sizable deals within Colorado and Utah.

Growth in Key US Regions: 2017-2019



Notable Deals

West

- GRAND ROUNDS*
- PEAR THERAPEUTICS
- omada
- Livongo*

Rocky Mountains

- weave
- Health Catalyst
- Welltok.
- CollectiveMedical TECHNOLOGIES™

Midwest

- eghc
- bright HEALTH
- BIND THERAPEUTICS
- TEMPUS

Northeast

- Quartet
- AbleTo
- iorahealth
- DevotedHealth

Southwest

- ClearDATA*
- EverlyWell
- HNI healthcare
- SOLERA

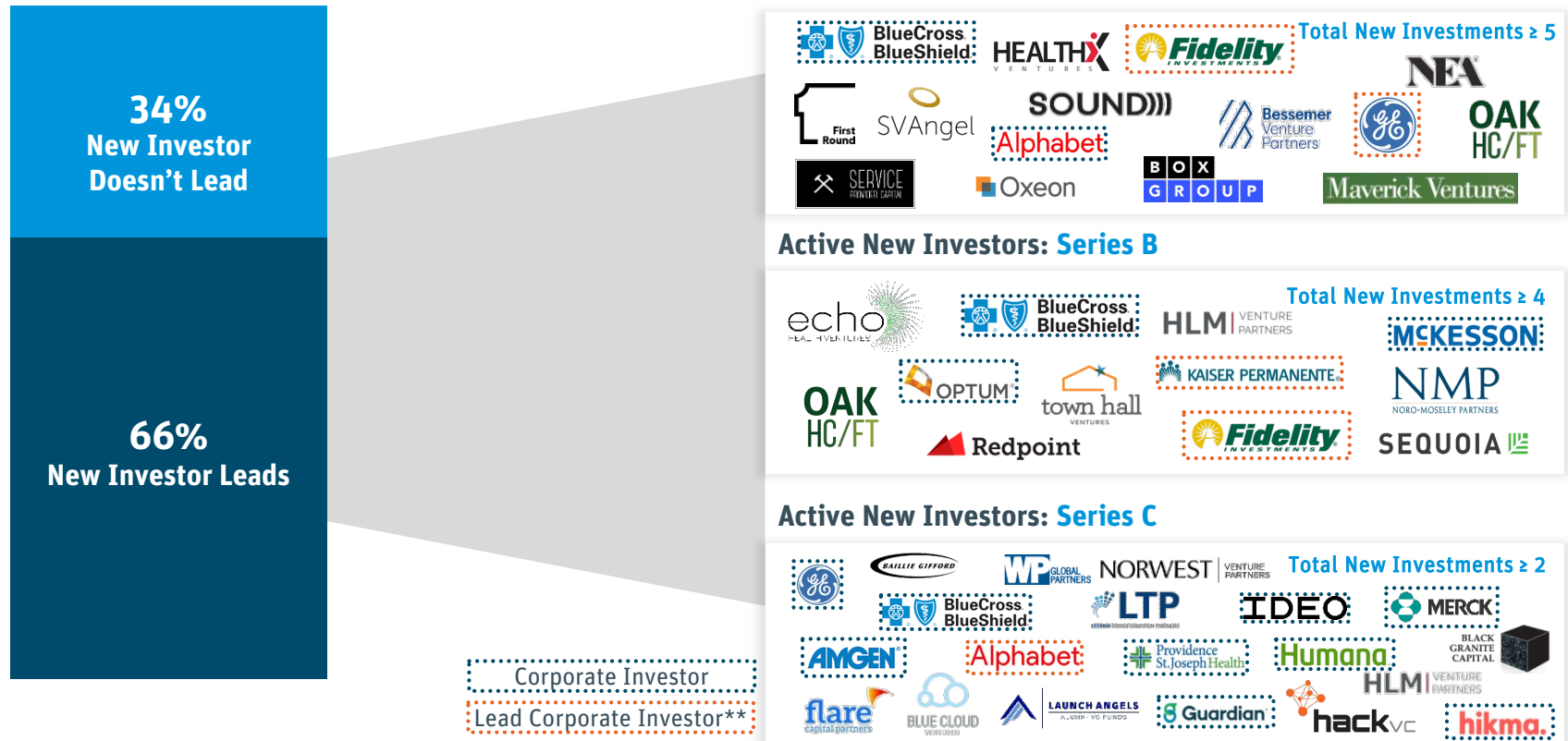
Southeast

- CareCloud
- MDLIVE
- MODERNIZING MEDICINE
- MindCare*

Corporates Add Strategic Value at Multiple Stages

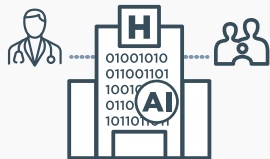
In the healthcare industry, startups commonly partner with incumbent players to gain traction. As these companies continue to innovate across the healthcare system, we expect to see a range of corporates — from biopharma and insurance to hospital systems — continue to make investments.

Most Active New Investors* in HealthTech: 2015–2019



Wasteful Spending Drives Well-Funded Sectors

Total Funding & US Healthcare Waste for SVB's Primary Sectors, 2015–2019



Provider Operations

Wastes \$404B & \$8.8B Invested

Increases the efficiency and accuracy of provider-provider, provider-patient interactions.



Alternative Care

Wastes \$269B & \$8.2B Invested

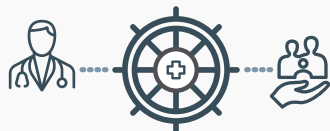
Provides primary or specialty care outside of a hospital or private practice.



Clinical Trial Enablement

Wastes \$26B & \$2.5B Invested

Solutions to accelerate drug discovery and the digitization of clinical trials.



Healthcare Navigation

Wastes \$13B & \$2.1B Invested

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



Medication Management

Wastes \$24B & \$1.4B Invested

Aids users in access and adherence to their prescribed medicine.



Wellness & Education

Wastes \$26B & \$1.3B Invested

Informs users of healthy lifestyle and medical best practices.

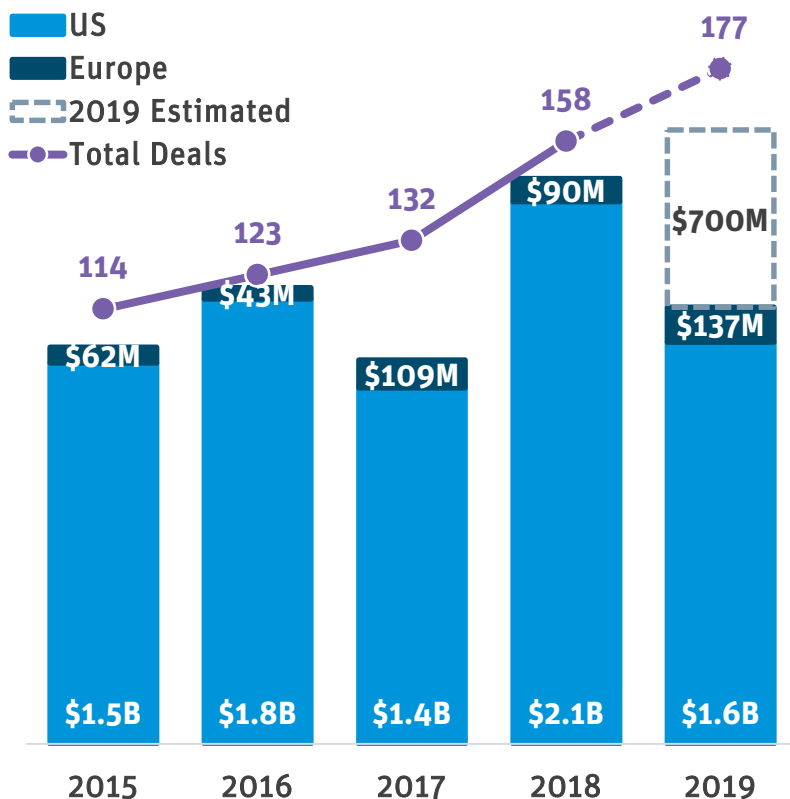


Provider Operations

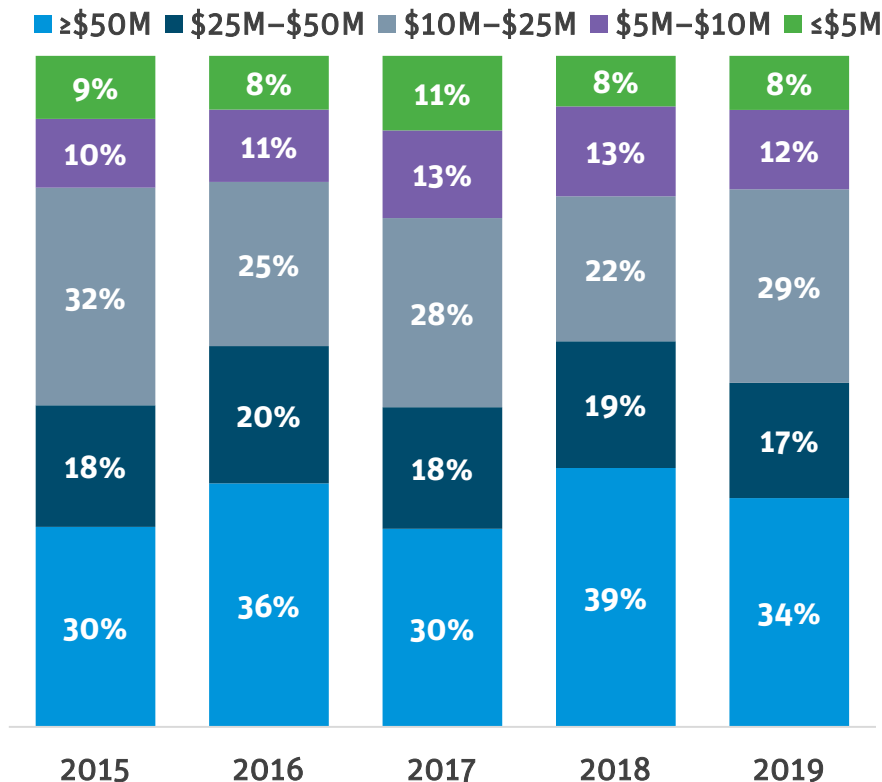
Growth Is Projected to Continue

US-based Provider Operations companies have raised \$1B+ each year for the last five years and 2019 is expected to set a record for deal and dollar volume. NorCal currently leads the nation, with 28% of all Provider Operations deals.

VC Deals and Dollars



Invested Capital by Round Size





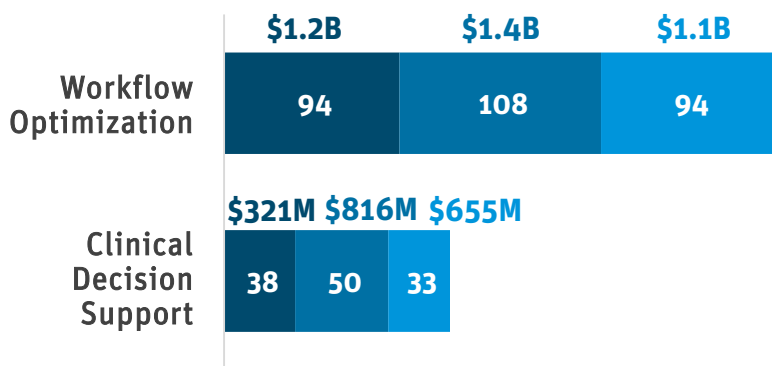
Provider Operations

Workflow Optimization Raises \$1 B+ Again

In the past three years, we have observed six mega rounds of \$100M+. The four within Workflow Optimization alone raised \$700M, or roughly 20% of the \$3.7B total invested capital between 2017 and 2019 whereas the two in Clinical Decision Support raised \$440M, accounting for nearly 25% of the \$1.8B total invested capital during that period.

All Provider Operations Deals by Subsector

■ 2017 ■ 2018 ■ 2019



2019 Deals over \$100M

TEMPUS

2019 Deals \$50M-\$100M



2019 YTD Deals \$25M-\$50M



Company Went Public



Notes: Financing data include private financings by venture-backed companies that have raised >\$2M in US and Europe. Dates of financing rounds subject to change based on add-on investments. 2019 numbers through 09/13/19.
Source: PitchBook, SVB proprietary data and SVB analysis.



Provider Operations

Hospital Operators Remain Committed

In addition to increasing operational efficiency, Provider Operations-focused companies have helped hospitals transition to a value-based care system. Investments within this sector by hospitals, such as Inova, or VC funds that have hospital LPs, such as Heritage Group, suggest that we may see additional integrated delivery networks supporting these startups.

Top Follow-on Investors

Follows-on in **over 80%** of financings



Follows-on in **75%–80%** of financings

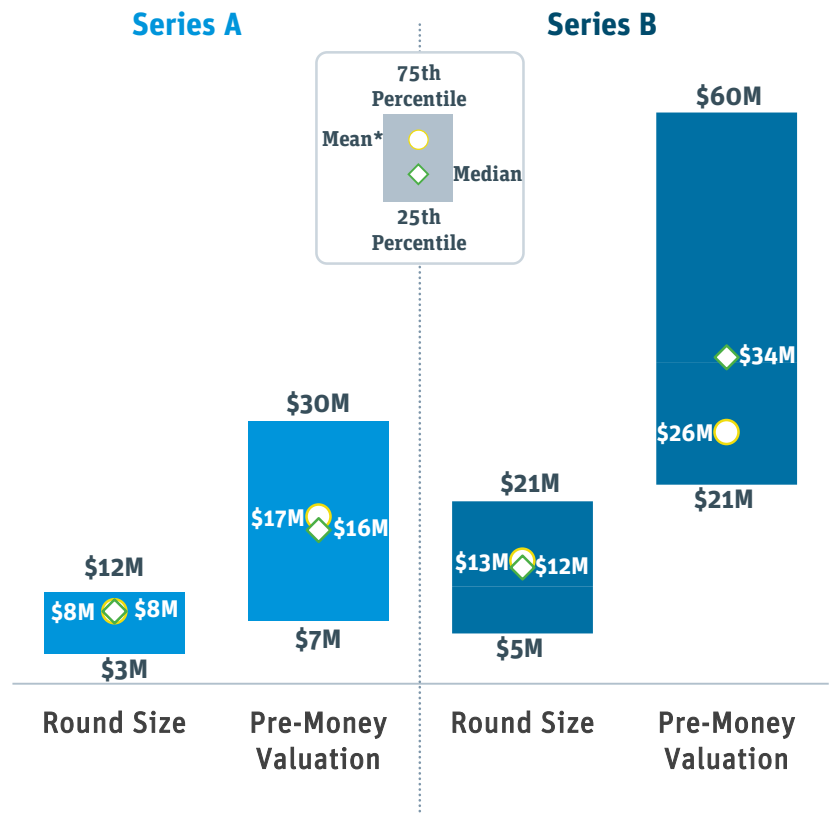


Follows-on in **60%–75%** of financings



Corporate Investor

Round Size & Valuation Ranges



Notes: The follow-on percentile calculated as total follow-on investments/total investments within SVB's HealthTech universe. Investor had a minimum of 3 total investments. *Mean calculated after excluding outliers that fell outside +/-1.5*IQR. Financing data includes private financings by venture-backed companies that have raised >\$2M in US and Europe from 2017 to 2019. Dates of financing rounds subject to change based on add-on investments. 2019 numbers through 09/13/19. Sample size for boxplots: Series A 75+ companies, Series B 50+ companies. Source: PitchBook, SVB proprietary data and SVB analysis.

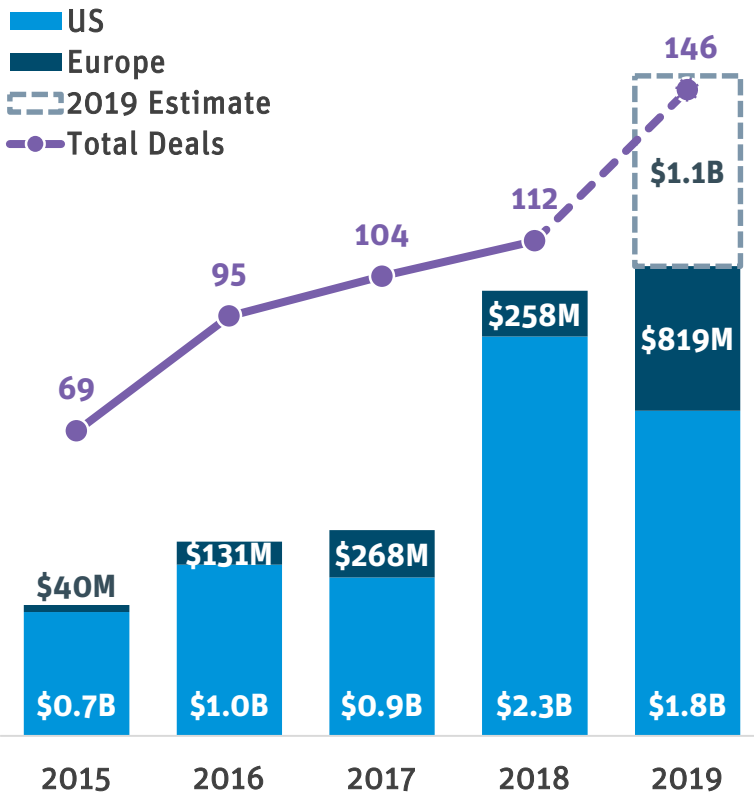


Alternative Care

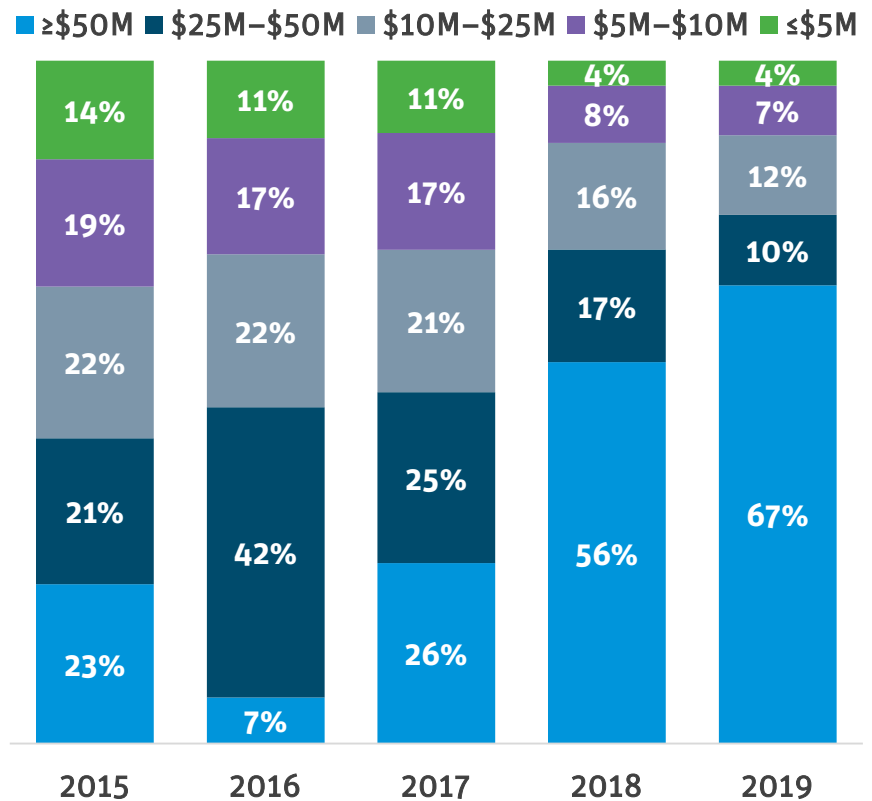
\$ Projected to Outpace Other Sectors by \$1 B+

The rise in invested capital and increase in \geq \$50M rounds can be attributed to companies needing more capital to validate the efficacy of their treatment within a clinical setting. From 2015 to the end of 2019, deals are projected to double and dollars to quintuple, with NorCal seeing the largest percentage of Alternative Care deals.

VC Deals and Dollars



Invested Capital by Round Size



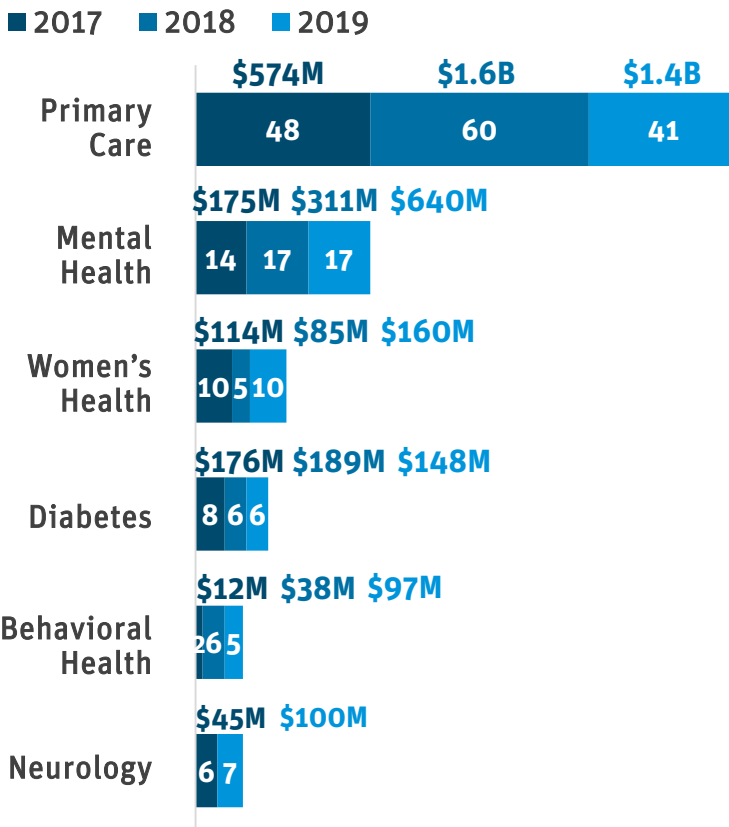


Alternative Care

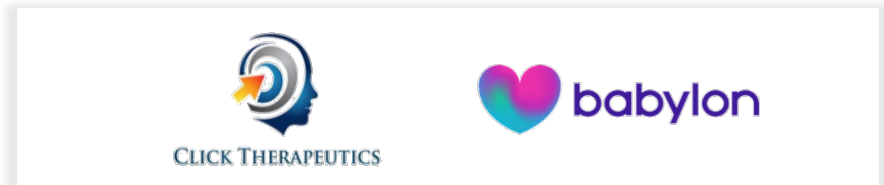
\$1B+ Raised in Primary Care & Mental Health

Invested capital within primary care has continued to far exceed that of specialty care. In fact, within the last two years, five specific deals have raised 45% of the total primary care capital. Similarly, mental health has doubled its invested capital since 2018, largely due to Click Therapeutics' \$305M corporate investment by Japan-based Otsuka Pharmaceutical.

Top* Alternative Care Deals by Subsector



2019 Deals over \$100M



2019 Deals \$50M-\$100M



2019 Deals \$25M-\$50M



Notes: *Only showing top six subsectors by total invested capital within Alternative Care. Financing data include private financings by venture-backed companies that have raised >\$2M in US and Europe. Dates of financing rounds subject to change based on add-on investments. 2019 numbers through 09/13/19. Source: PitchBook, SVB proprietary data and SVB analysis.



Alternative Care

MH & Diabetes Land Most Valuable Deals

Startups developing clinically validated, software-based solutions to prevent, manage, or treat healthcare conditions have begun to receive FDA approval. These digital therapeutics are becoming increasingly valuable, with one successful exit already on the books.

Companies with a \$50M+ Post-Money Valuation: 2017–2019

Diabetes

 4/11/18 \$105M Round \$805M Post	 6/26/19 \$73M Round \$593M Post	 4/4/18 \$45M Round \$320M Post	 6/3/19 \$46M Round \$241M Post
 6/27/17 \$35M Round \$140M Post	 6/7/17 \$4M Round \$105M Post	 1/3/19 \$7M Round \$65M Post	 1/12/18 \$14M Round \$55M Post

Mental Health (MH)

 1/4/19 \$64M Round \$494M Post	 5/8/19 \$60M Round \$490M Post	 5/29/19 \$50M Round \$310M Post
 8/8/18 \$68M Round \$258M Post	 12/17/18 \$61M Round \$241M Post	 12/21/18 \$45M Round \$200M Post
 6/11/19 \$21M Round \$110M Post	 10/1/18 \$17M Round \$82M Post	 8/15/17 \$9M Round \$72M Post

Nephrology

 3/20/18 \$11M Round \$61M Post	 8/21/18 \$24M Round \$50M Post
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Behavioral Health

 5/6/19 \$58M Round \$340M Post
--

Women's Health

 7/11/19 \$52M Round \$287M Post	 9/26/18 \$27M Round \$87M Post
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Cardiology

 9/11/18 \$50M Round \$63M Post
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Musculoskeletal

 8/9/18 \$26M Round \$90M Post

Ophthalmology

 5/17/18 \$16M Round \$76M Post
--

Green box: Company subsequently went public. **Purple text** indicates company has received FDA approval.



Notes: Post-money values reported by PitchBook for US and Europe venture-backed private companies. Dates of financing rounds subject to change based on add-on investments. 2019 financing through 09/13/19.
Source: PitchBook, Digital Therapeutics Alliance, SVB proprietary data and SVB analysis.



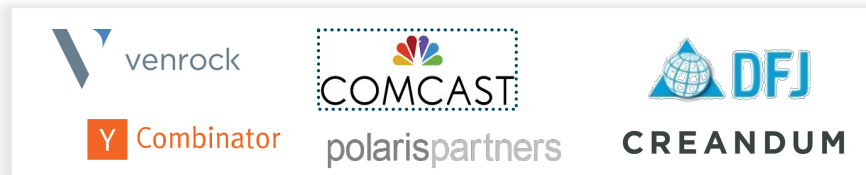
Alternative Care

Funded by a Cross-Sector Group of Big Players

As Alternative Care companies continue to provide opportunities for large employers to reduce their employees' total healthcare expenditures, we will continue to see a range of corporates take interest. Cross-sector investors stand to benefit not only from a successful exit, but also from an employee productivity level.

Top Follow-on Investors

Follows-on in **over 90%** of financings



Follows-on in **70%–80%** of financings

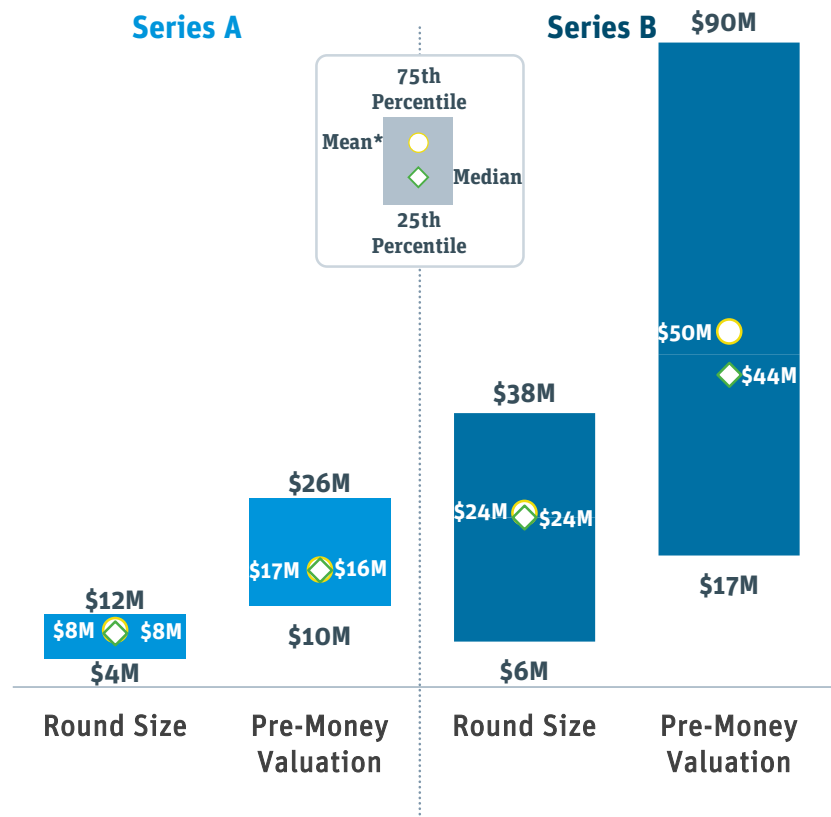


Follows-on in **60%–70%** of financings



Corporate Investor

Round Size & Valuation Ranges



Notes: The follow-on percentile calculated as total follow-on investments/total investments within SVB's HealthTech universe. Investor had a minimum of 3 total investments. *Mean calculated after excluding outliers that fell outside +/-1.5*IQR. Financing data include private financings by venture-backed companies that have raised >\$2M in US and Europe from 2017 to 2019. Dates of financing rounds subject to change based on add-on investments. 2019 numbers through 09/13/19. Sample size for boxplots: Series A 50+ companies, Series B 35+ companies. Source: PitchBook, SVB proprietary data and SVB analysis.

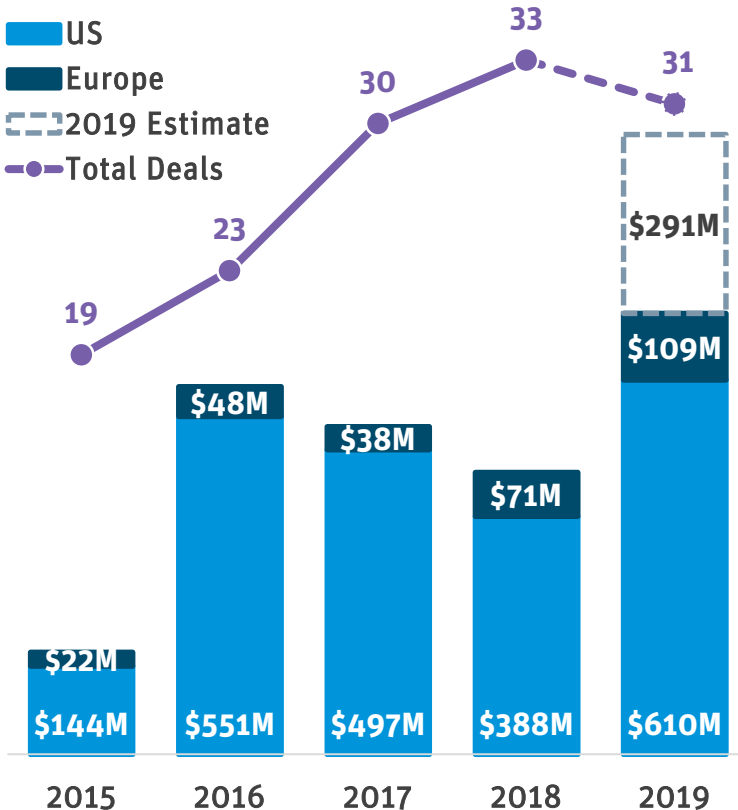


Clinical Trial Enablement

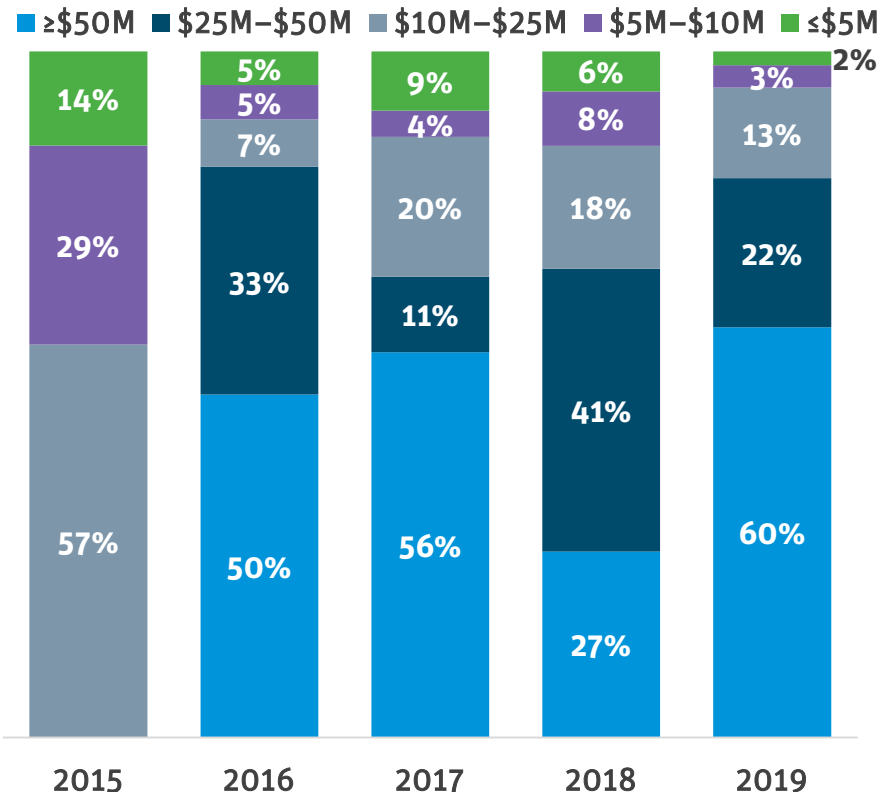
Dollars Are Up, Deals Are Down

Strong inflows of capital remain within the Clinical Trial Enablement (CTE) sector, and 2019 is posited to double 2018 and reach \$1B. However, total deals within the sector are predicted to decrease relative to 2018. Within the US, NorCal encompasses one-third of all CTE deals, followed by New York and Massachusetts, each with roughly 15%.

VC Deals and Dollars



Invested Capital by Round Size



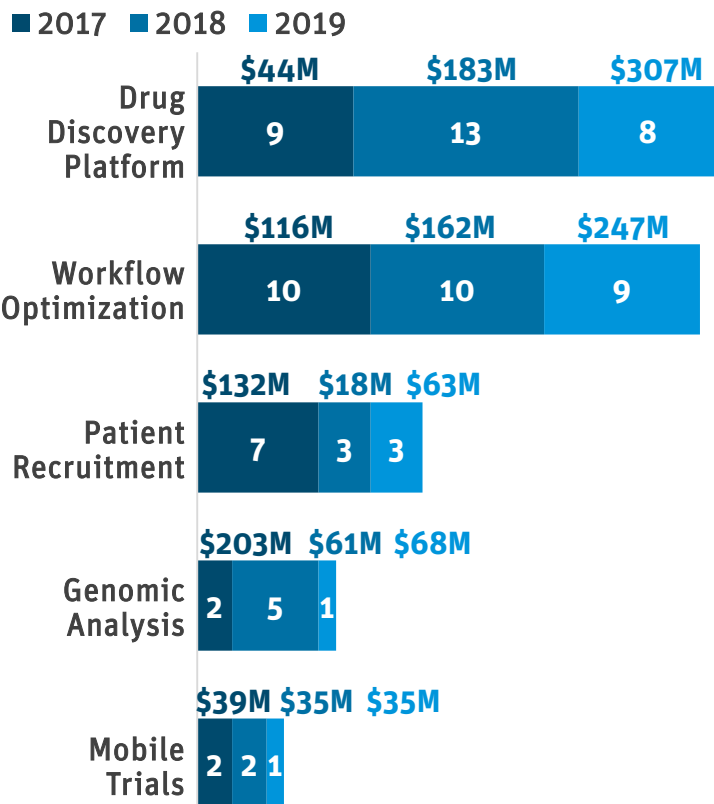


Clinical Trial Enablement

\$100M+ Mega Deals Return in 2019

The Drug Discovery Platform subsector remains at the forefront of the CTE field in terms of invested capital, predominantly due to its 2019 mega deal. The last mega deals were in 2017, one of which was PatientsLikeMe, a patient network and recruitment company that recently made headlines for being acquired by United Health Group after losing its foreign investors.

All Clinical Trial Enablement Deals by Subsector



2019 Deals over \$100M



2019 Deals \$50M-\$100M



2019 Deals \$25M-\$50M





Clinical Trial Enablement

Big Tech & Healthcare Investors Repeat

As companies increasingly turn to artificial intelligence/machine learning (AI/ML) to improve drug design and establish end-to-end solutions for clinical trial programs, they will continue to see interest from both tech and healthcare investors.

Top Follow-on Investors

Follows-on in **over 60%** of financings



Follows-on in **40%–60%** of financings

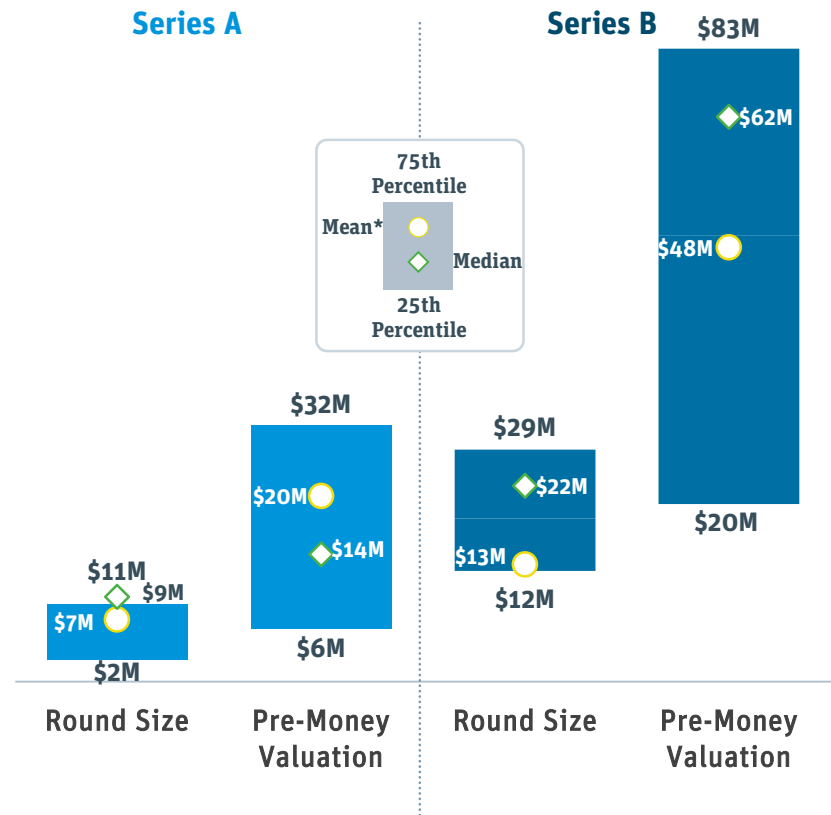


Follows-on in **25%–40%** of financings



Corporate Investor

Round Size & Valuation Ranges



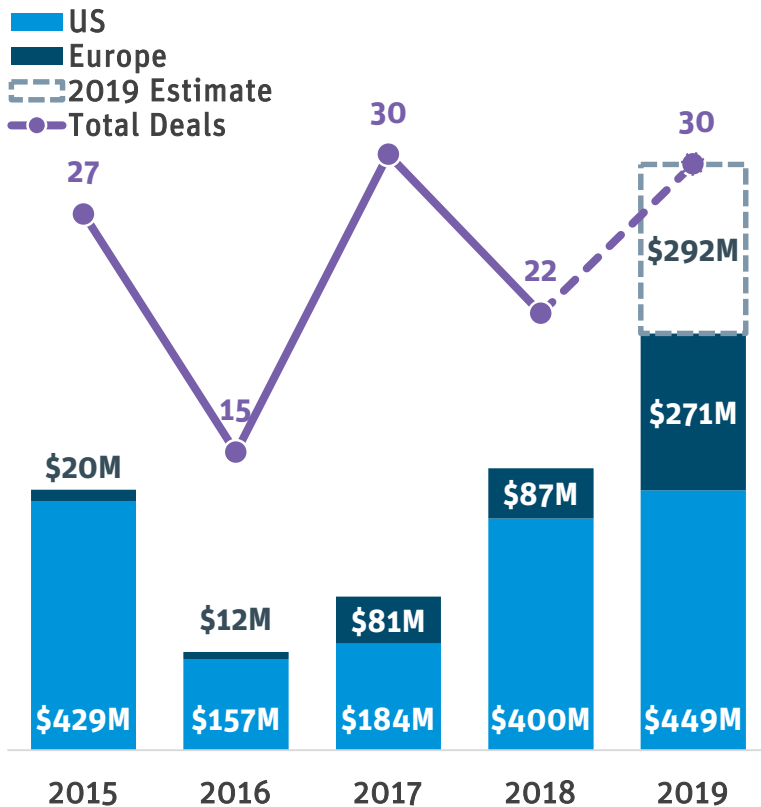
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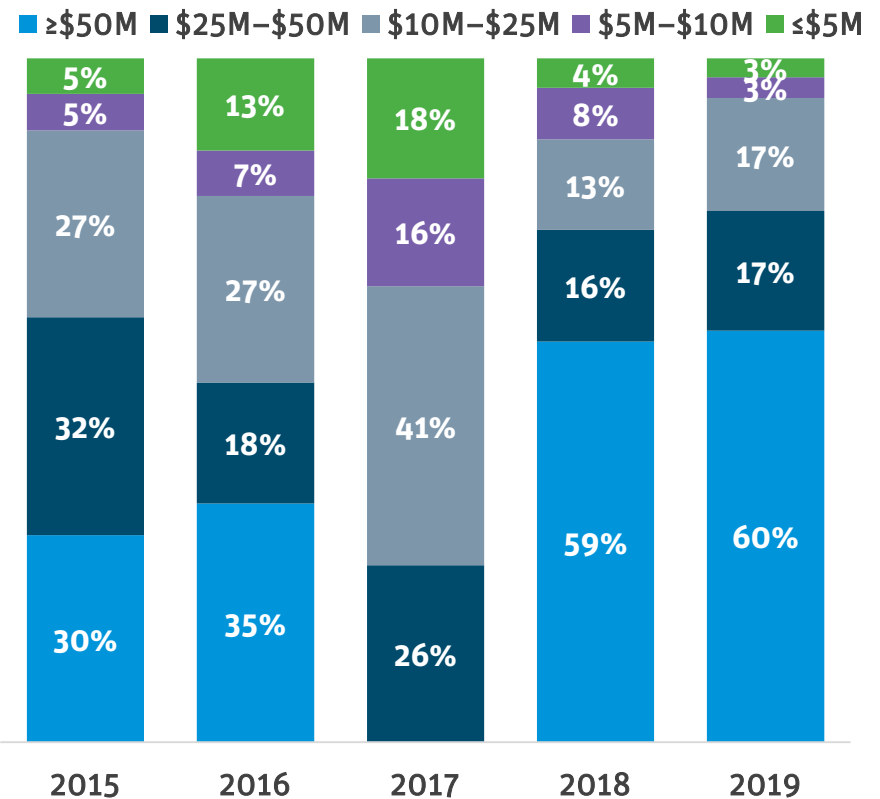
New York & NorCal Lead Deals

New York ties NorCal with about 25% of all deals for Healthcare Navigation companies. Investments across the US have been strong, with larger rounds raised in the last two years and 2019 projected to have \$1B+ total invested. While Europe has doubled its investments this year, the growth is driven by large deals from Doctolib (France) and ZnanyLekarz (Poland).

VC Deals and Dollars



Invested Capital by Round Size





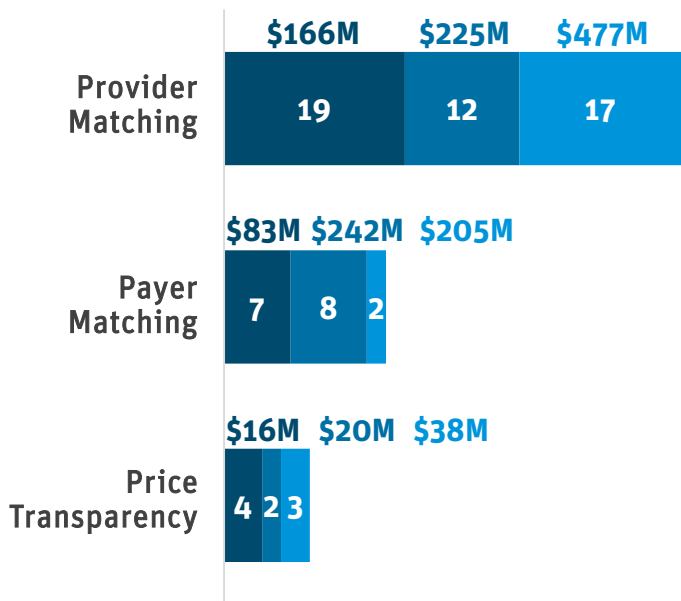
Healthcare Navigation

Provider/Payer Matching Raises 95% of Capital

Startups that focus on helping consumers find the right provider and/or health plan have dominated invested capital. Of the three \$100M+ mega rounds, Collective Health (Payer Matching) raised two, and Doctolib (Provider Matching) raised the other. Doctolib and Grand Rounds (Provider Matching) now lead the sector with \$700M+ valuations.

All Healthcare Navigation Deals by Subsector

■ 2017 ■ 2018 ■ 2019



2019 Deals over \$50M



2019 Deals \$25M-\$50M



2019 Deals \$10M-\$25M





Healthcare Navigation Payers Double Down

Payers have started to venture into the HealthTech industry. Strategic interest from corporates aligns with companies that aid patients in choosing in-network plans and/or ensuring they are referred to the proper physician.

Top Follow-on Investors

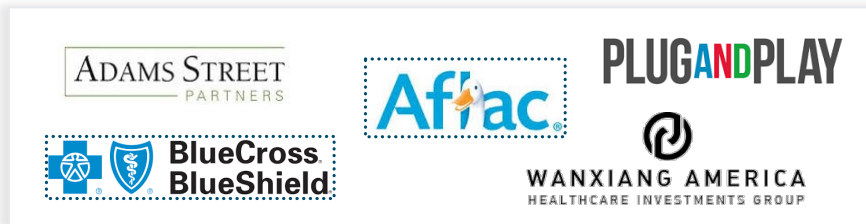
Follows-on in **over 80%** of financings



Follows-on in **50%–80%** of financings

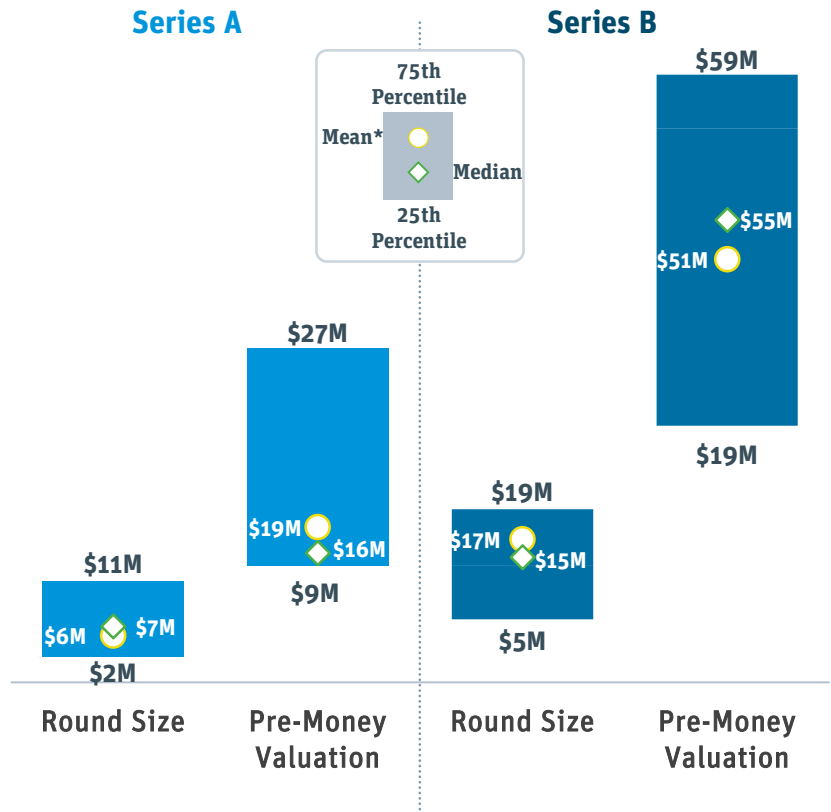


Follows-on in **30%–50%** of financings



Corporate Investor:

Round Size & Valuation Ranges



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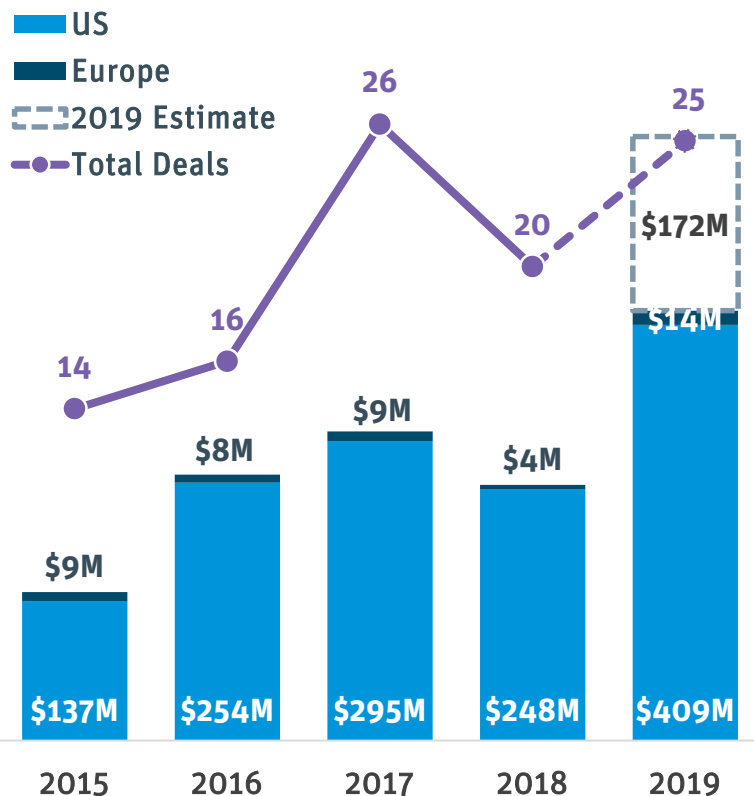


Medication Management

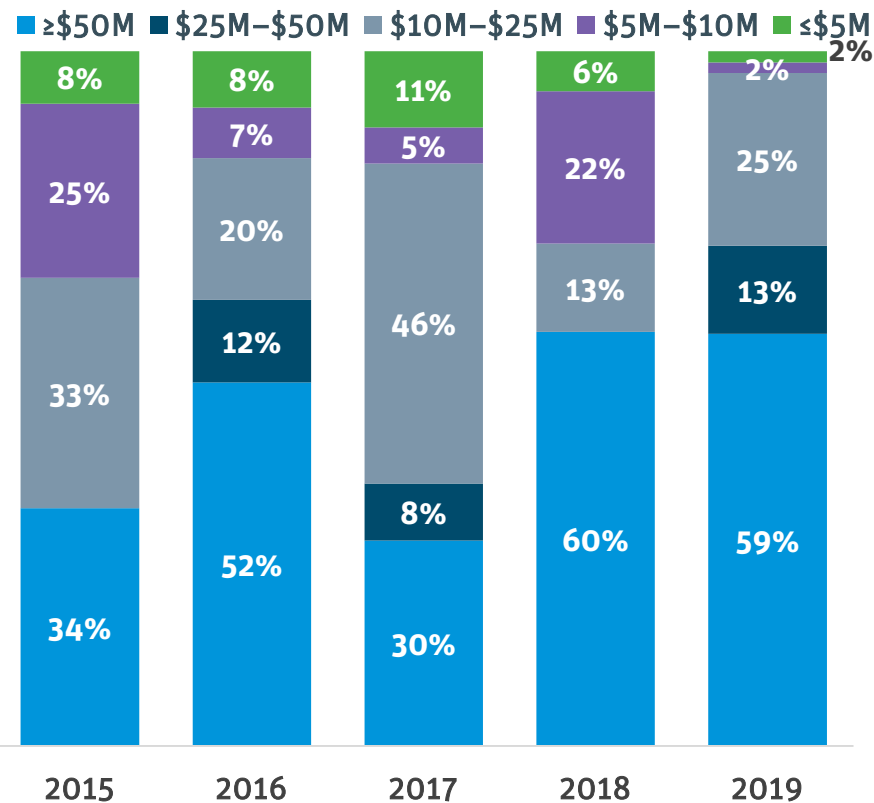
US Continues to Drive Growth

In the past five years, US companies collectively raised \$1B+ of capital and have led the Medication Management sector in Europe. This growth can be attributed to the larger deals in 2018 and 2019. Additionally, in the US, NorCal encompasses 40% of total deals, and New York follows at 20%.

VC Deals and Dollars



Invested Capital by Round Size





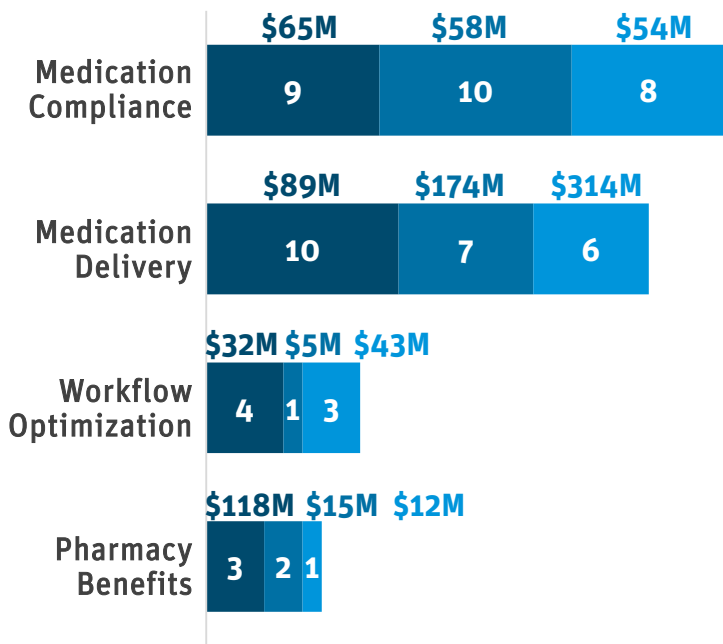
Medication Management

Delivery Leads with Capsule's Record Deal

Consumer-facing solutions that ensure users have access to and are compliant with their prescriptions are responsible for 77% of total investments, thanks largely in part to Capsule Pharmacy's \$200M deal in 2019. This space has already seen one strong exit with PillPack's (Medication Delivery) acquisition by Amazon in 2018.

All Medication Management Deals by Subsector

■ 2017 ■ 2018 ■ 2019



2019 Deals over \$50M



2019 Deals \$20M-\$50M



2019 Deals \$10M-\$20M





Medication Management

Distributors and Manufacturers Follow On

Biopharma corporate involvement in Medication Management, as well as from distribution and logistics companies, signifies interest in improving patients' access to their medications.

Top Follow-on Investors

Follows-on in **over 60%** of financings



Follows-on in **30%–60%** of financings

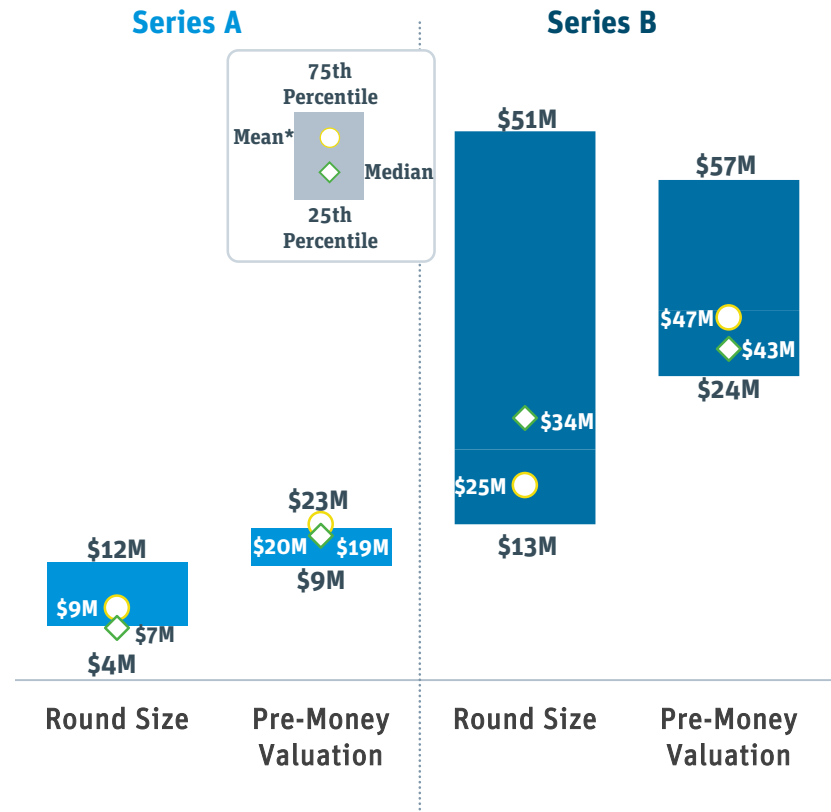


Follows-on in **20%–30%** of financings



Corporate Investor:

Round Size & Valuation Ranges



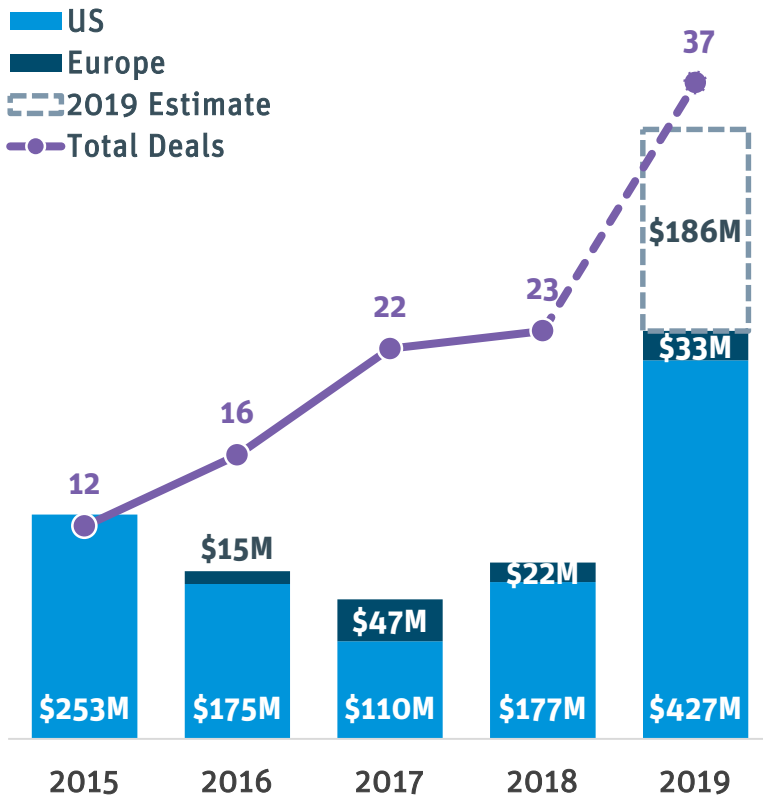
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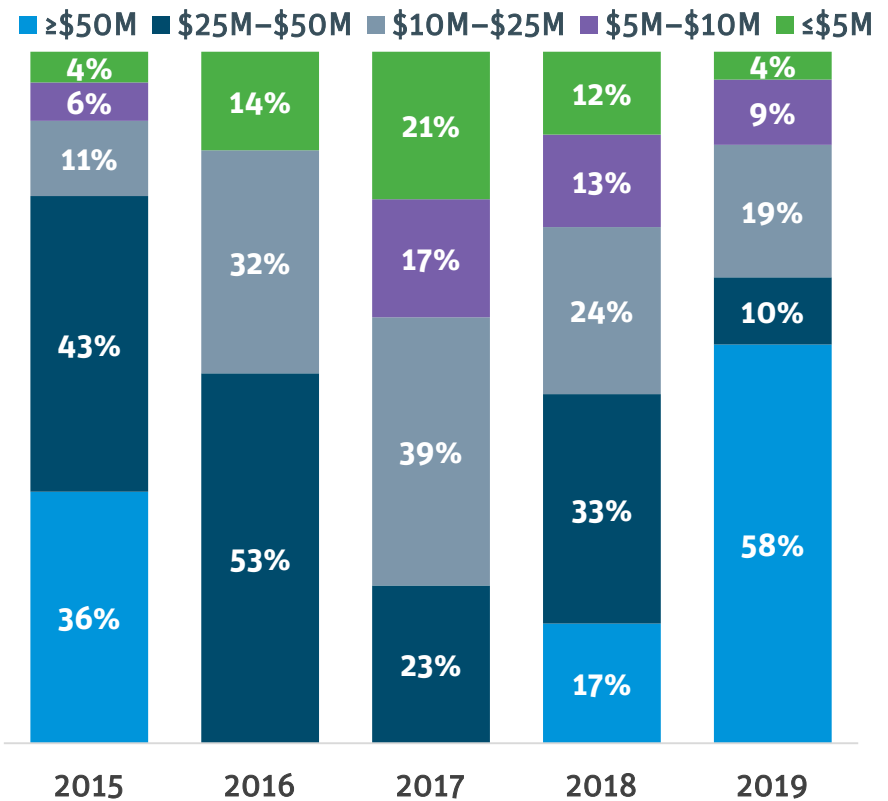
Wellness & Education Deals Triple Since 2015

US investment into Wellness & Education companies has doubled, driven by ≥\$50M deals. Notably, NorCal dominated the space, with 30% of Wellness & Education deals falling within the region; New York, Massachusetts, SoCal and Washington came in next with 6% of total deals within the sector.

VC Deals and Dollars



Invested Capital by Round Size



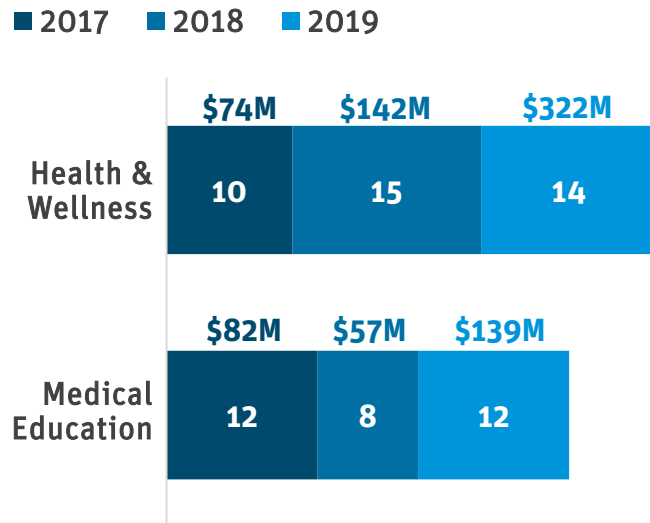


Wellness & Education

Marquee Deal Lands Calm \$1B+ Valuation

This year marked the first time that a Health & Wellness company has raised a \$100M+ financing. The deal resulted in Calm becoming valued at a \$1B+ post-money valuation. In contrast, Medical Education's growth in 2019 isn't due to a single mega round, but from multiple financings in line with previous years' deal sizes.

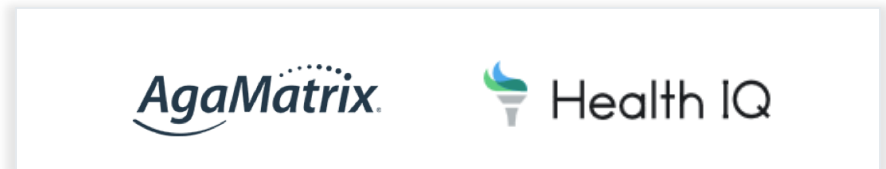
All Wellness & Education Deals by Subsector



2019 Deals over \$100M



2019 Deals \$50M-\$100M



2019 Deals \$10M-\$50M





Wellness & Education

D2C Investor Interest Boosts Series B Valuation

D2C investor backing within Wellness & Education has driven the highest pre-money Series B valuation across all HealthTech sectors. In fact, Wellness & Education's mean Series B has nearly tripled that of the next highest sector, Healthcare Navigation.

Top Follow-on Investors

Follows-on in **over 80%** of financings



Follows-on in **50%–80%** of financings

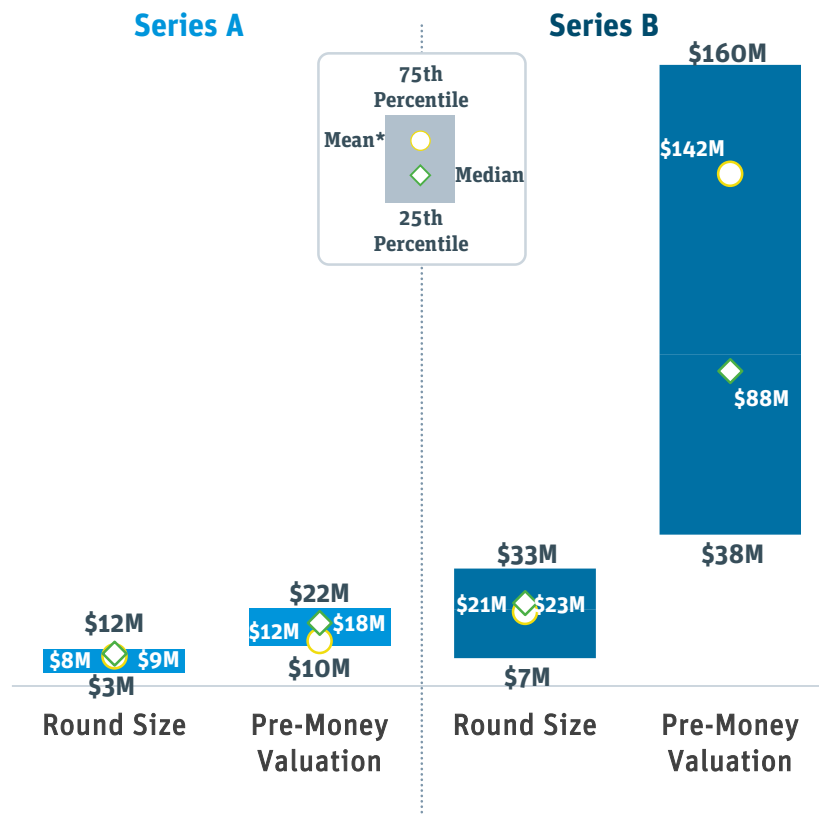


Follows-on in **30%–50%** of financings



Corporate Investor:

Round Size & Valuation Ranges



Notes: The follow-on percentile calculated as total follow-on investments / total investments within SVB's HealthTech universe. Investor had a minimum of 3 total investments. *Mean calculated after excluding outliers that fell outside +/-1.5*IQR. Financing data include private financings by venture-backed companies that have raised >\$2M in US and Europe from 2017 to 2019. Dates of financing rounds subject to change based on add-on investments. 2019 numbers through 09/13/19. Sample size: Series A 18+ companies, Series B 10+ companies. Source: PitchBook, SVB proprietary data and SVB analysis.

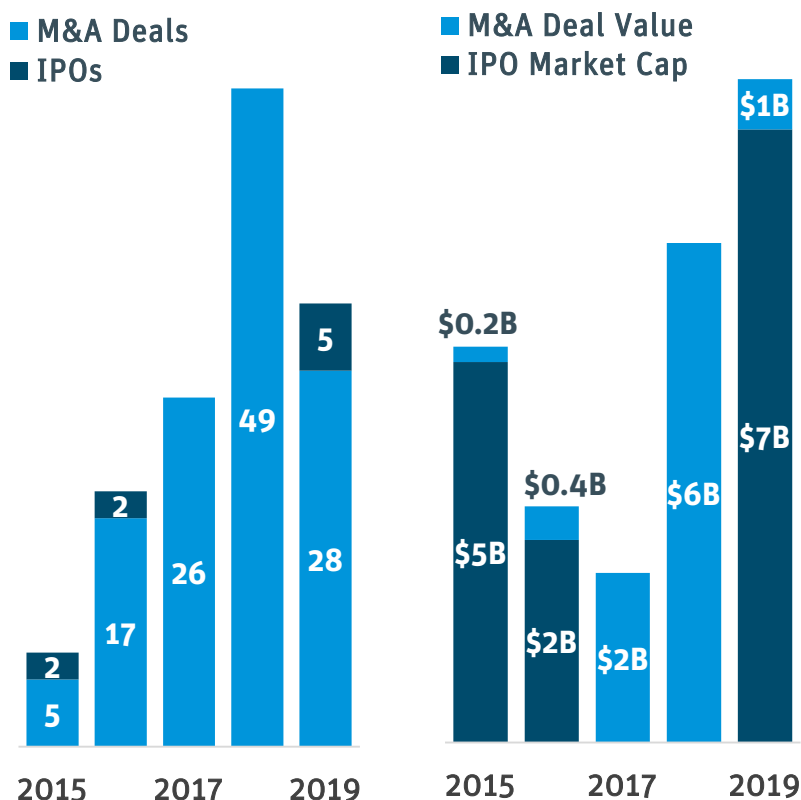


HealthTech Exits: 2019 Ends IPO Drought

Highly Valued 2019 IPOs Dominate Exits

Through September 2019, the market cap of 2019 IPOs accounts for nearly 90% of total exit value, despite there being only five IPOs and 28 M&A deals. This year we saw Livongo go public – the first Alternative Care company to do so – subsequently validating the idea that entrepreneurs can build these types of companies and achieve an ROI for their investors.

Number of Exits & Exit Values



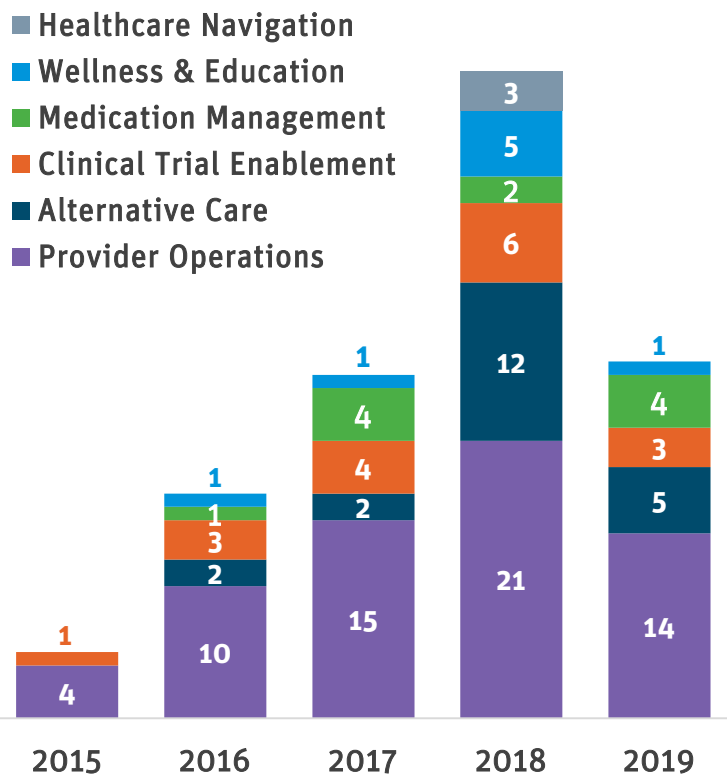
HealthTech Companies with \$750M+ Market Cap*

Company	IPO Price/Date	Price	Price +/-	Market Cap*
Inovalon	\$27 2/12/15	\$16	-39%	\$2.5B
Livongo	\$28 7/25/19	\$17	-38%	\$1.6B
CHANGE HEALTHCARE	\$13 6/27/19	\$12	-7%	\$1.5B
HealthCatalyst	\$26 7/25/19	\$32	+22%	\$1.2B
TABULARASA HEALTHCARE	\$12 9/29/16	\$55	358%	\$1.1B
Phreesia	\$18 7/18/19	\$24	+35%	\$867M

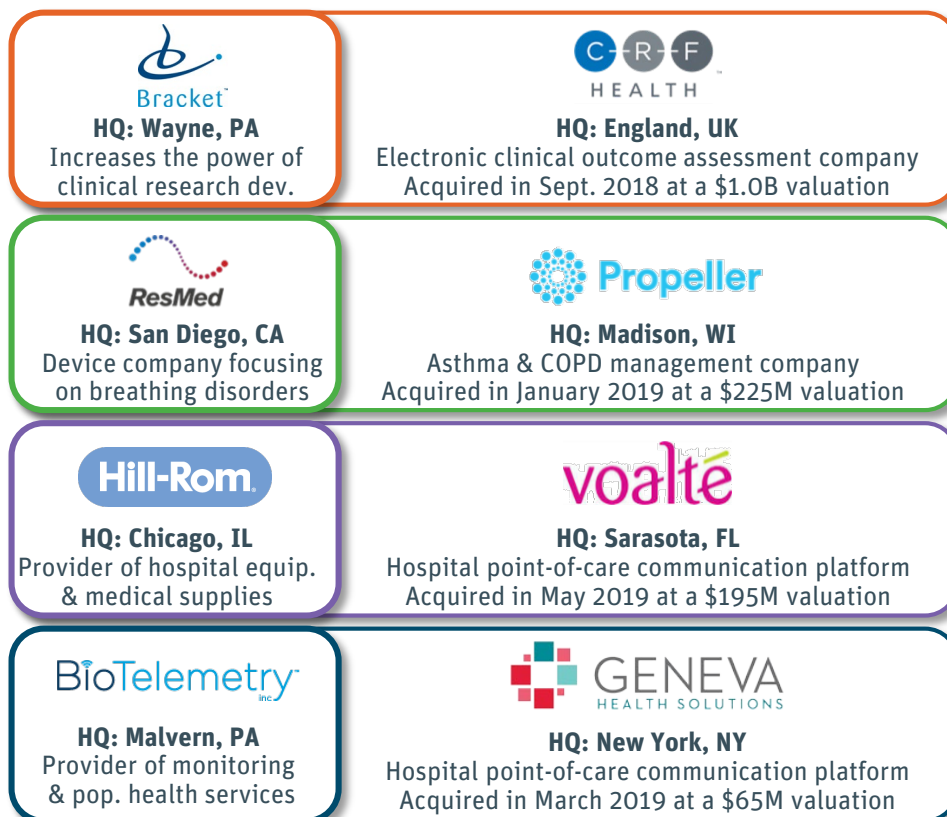
Provider Operations Lead M&A Activity

While Provider Operations has consistently led the number of M&A deals within the HealthTech industry, each sector has seen at least one successful M&A deal. The median age for a company is about 5 years after its first financing, with Clinical Trial Enablement companies taking 4–5+ years longer, most likely due to lengthy clinical trial processes.

Number of M&A Deals by SVB Sectors



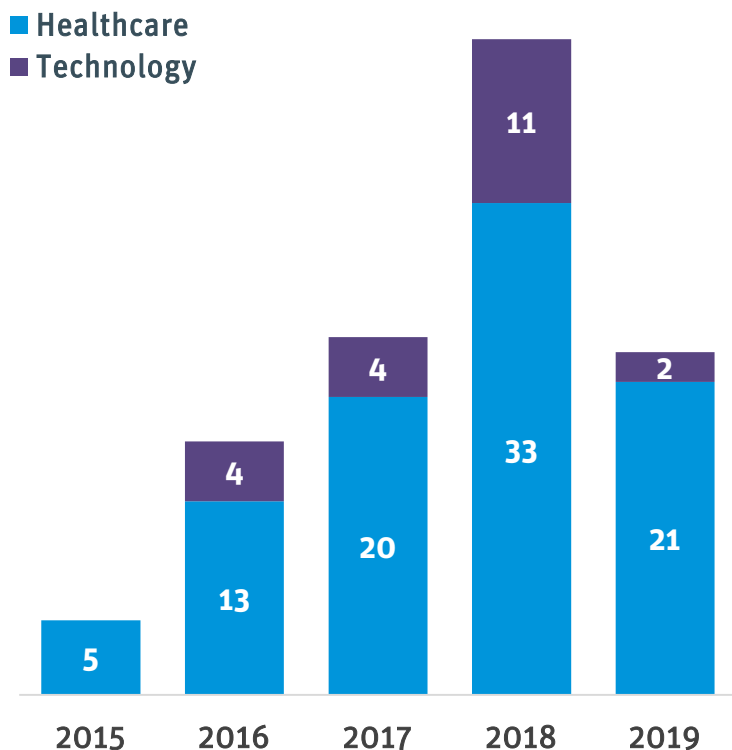
Top Acquisitions by Deal Value in Each Sector



Tech Companies Active in HealthTech M&A

Last year, a noteworthy 25% of HealthTech startups were acquired by a tech company, and nearly 30% of M&A deals between 2015 and 2019 had at least one corporate investor. Interestingly, when a healthcare corporate investor was part of a company's investment syndicate, the company was 80% more likely to be acquired by a healthcare company.

Number of M&A Deals by Acquirer Type

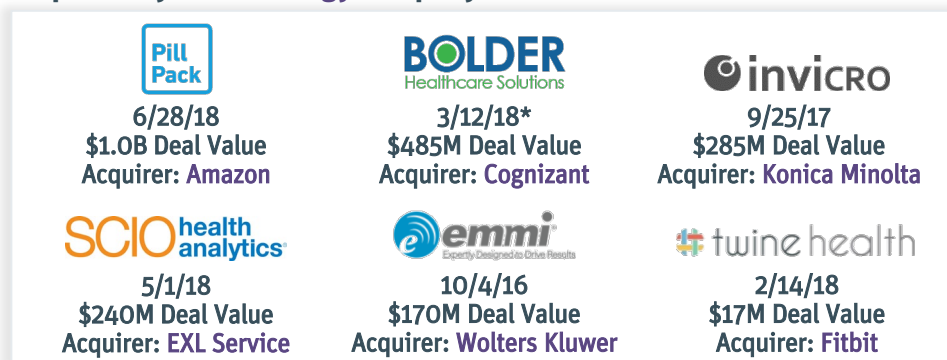


Notable Acquisitions by Healthcare & Tech Acquirers

Acquired by a Healthcare company:



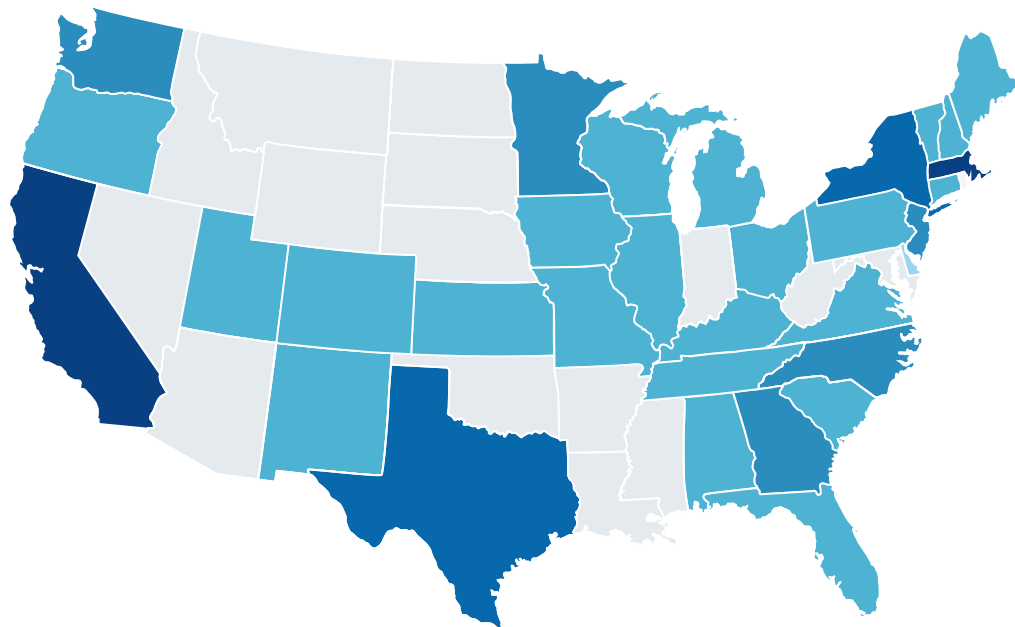
Acquired by a Technology company:



California Leads Rest of Nation in M&A Deals

While California continues to lead in M&A deals, Massachusetts is the only state that has seen consistent exit growth since 2015. Regionally, the Northeast has dominated M&A deals, with 51% of its exits coming from the Provider Operations sector. Additionally, the Northeast is also a hotbed for Clinical Trial Enablement (CTE) acquisitions, comprising roughly 70% of all CTE exits.

Top States with M&A Deals: 2015–2019



of Acquisitions:

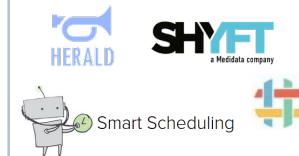


Notable Exits

California



Massachusetts



New York



Texas



Minnesota



Washington



Glossary

Alternative Care Definitions

Primary Care defined as solutions for preventive health measures by a provider or licensed care coach.

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

Mental Health defined as providing solutions and coaching to treat psychiatric issues.

Behavioral Health defined as targeting lifestyle habits that lead to substance abuse, addiction and obesity.

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

Musculoskeletal defined as muscular and mobility disorders.

Cardiology defined as hypertension, cardiac arrhythmia and chronic heart failure.

Nephrology defined as treatment of kidney-related diseases.

Diabetes defined as treatment of insulin resistance or lack thereof.

Ophthalmology defined as eye-related and eyesight disorders.

Deal Descriptions

Total Deal Value defined as the full value of the acquisition, including any milestones to be earned.

Types of Investors

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

Follow-on Investor defined as an investor making an investment in the subsequent round of the same company.

Statistical Measures

Interquartile Range (IQR) defined as the difference between the 75th percentile and 25th percentile.

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.

Genomic Analysis defined as end-to-end bioinformatics data analytics.

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 make them more affordable.

US Healthcare Wasteful Spending Definitions

Provider Operations defined as the combination of provider and administrative tasks that could be automated as well as the expense associated with the overutilization of diagnostic procedures.

Alternative Care defined as the expense from avoidable emergency room visits and hospital readmissions.

Clinical Trial Enablement defined as the expense from US-based, registered, results-posted clinical trials that experience delays.

Healthcare Navigation defined as the expense from patient referral leakage and clinically inappropriate referrals.

Wellness & Education defined as the expense due to a provider or patients' lack of knowledge about medical best practices.

Medication Management defined as the expense due to lack of medication adherence for patients prescribed 3+ drugs.

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Dhruv leverages a combination of SVB's priority data, its vantage point within the innovation ecosystem and healthcare industry knowledge to build strategic relationships and publish thought-leadership pieces. Before joining SVB, Dhruv co-founded a HealthTech company and was part of the SRI (formerly Stanford Research Institute) Ventures team. He holds a Ph.D. from the University of Arizona and completed a postdoctoral fellowship at Johns Hopkins University in computational biophysics.



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