

January 2020

ROCK
HEAL+H

Digital Health Venture Funding

YEAR-END UPDATE

2019

Across 2019, three key themes emerged that will set the stage for digital health's second decade

THEMES IN THIS DIGITAL HEALTH MARKET UPDATE

2019

1 FUNDING LEVELS OFF AMIDST A MORE MODERATE ECONOMIC OUTLOOK

- 1.1 Though investment in digital health declined, veteran investors demonstrated steady commitment to the sector
- 1.2 The macro picture beyond digital health is changing—a more cautious market will ripple across all investment sectors +

2 THE CONTOURS OF CONSUMER-CENTRIC DIGITAL HEALTH ARE COMING INTO FOCUS

- 2.1 The healthcare industry is beginning to reorganize around the needs of patients +

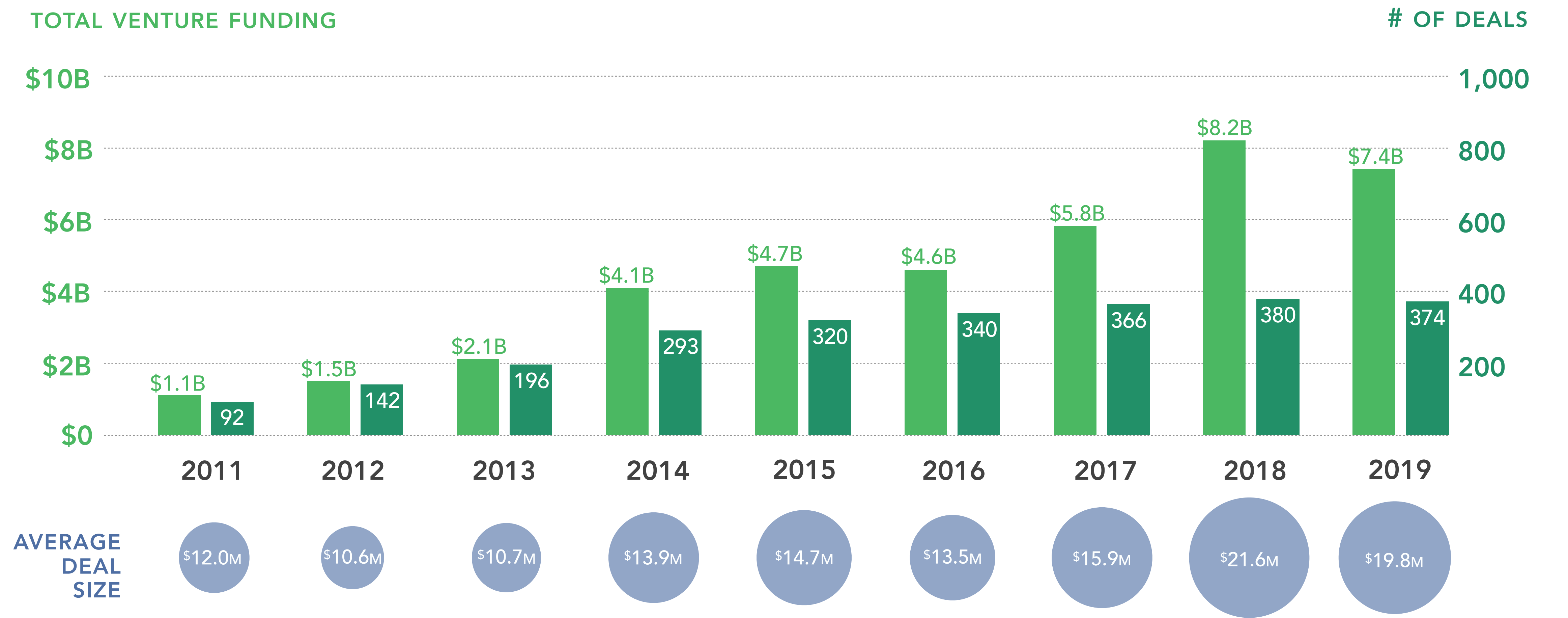
3 NEW AREAS OF DIGITAL HEALTH ARE PRIMED FOR GROWTH

- 3.1 Behavioral health and women's health emerge as hot spots for digital health investment +
- 3.1 The digital ecosystem for social determinants of health is young, but it's gaining momentum +

+ Thanks for downloading Rock Health's Market Update slides! We hope they come in handy for your upcoming presentations and reports. These slides are an excerpt of the full Market Update report. [Learn more about working with Rock Health](#) for access to the full-length report!

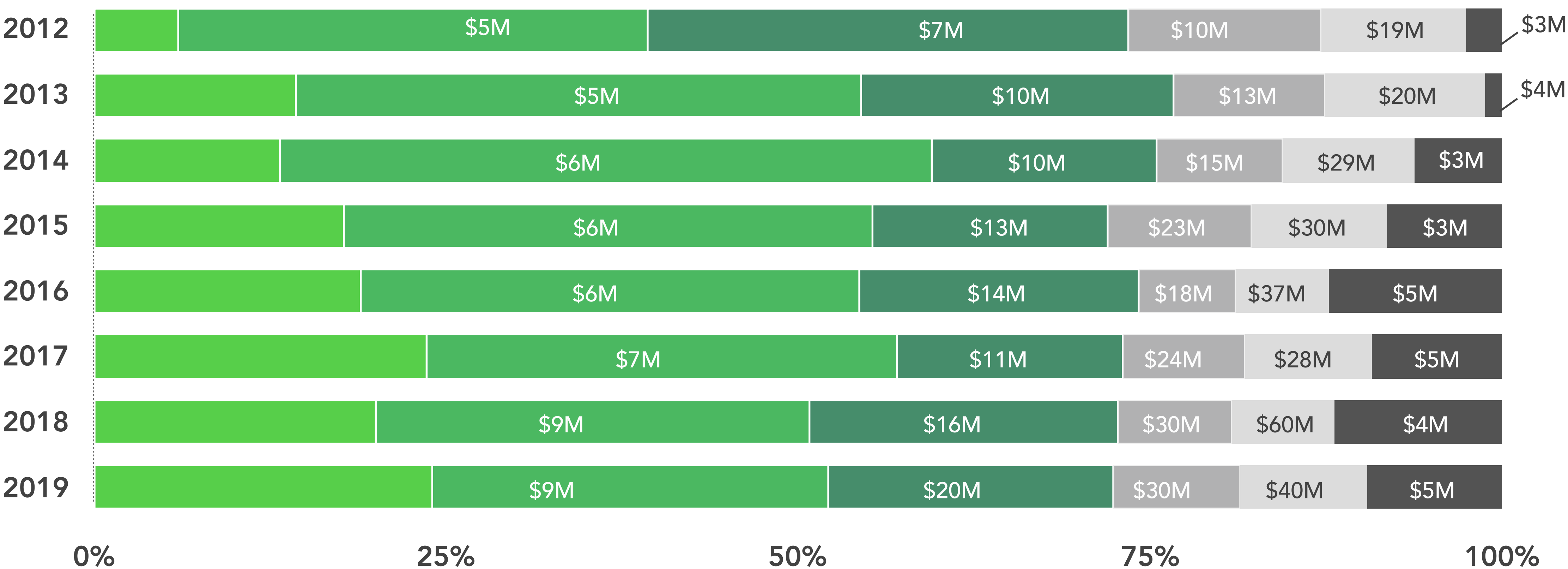
In 2019, \$7.4B was invested in digital health as funding declined following 2018's record-setting year

DIGITAL HEALTH FUNDING, DEALS, AND DEAL SIZE 2011-2019



There is a healthy pipeline of early stage innovation that should transition into later stage rounds, where median deal sizes are at historic highs

DISTRIBUTION AND MEDIAN SIZE OF DIGITAL HEALTH DEALS BY STAGE
2011-2019



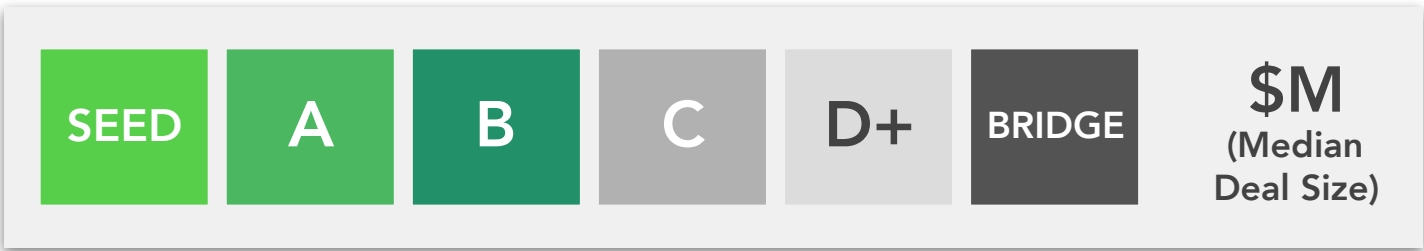
Note 1: Only includes U.S. deals >\$2M; data through December 31, 2019. This threshold excludes an unknown number of seed stage deals, so the figure underestimates the percentage of seed stage deals and we do not report median seed deal size.

Note 2: Bridge deals include any round that is smaller than the company's prior round, unless the company or a publicly available resource confirms a particular deal stage.

Note 3: Values reflect the median deal size by stage rather than average deal size to control for outlier values.

Source: Rock Health Funding Database



LEGEND



Although fitness & wellness was the top-funded value proposition in 2019, investors poured billions into clinically-focused digital health startups



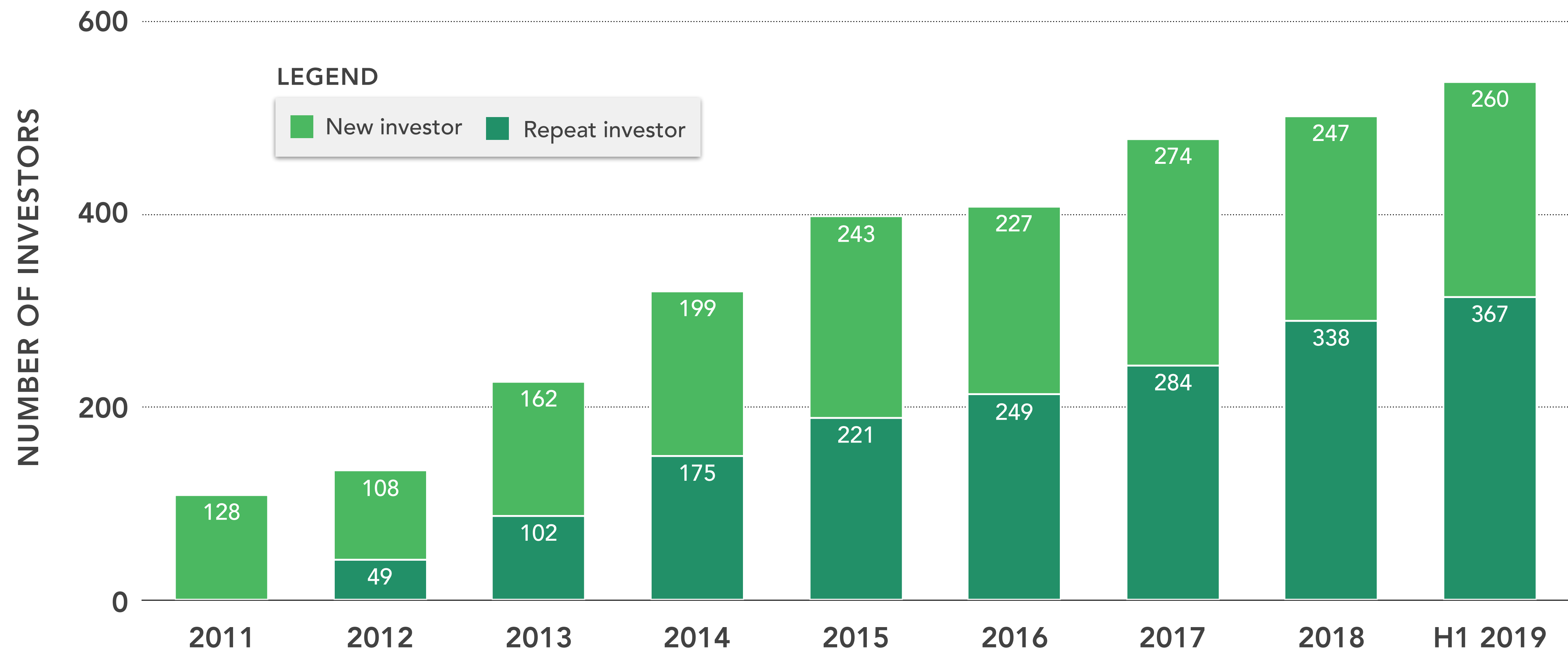
TOP SIX FUNDED VALUE PROPOSITIONS 2019

 <div>33 DEALS, \$1.17B</div> <div>Gympass</div> <div>\$300M</div> <div>FITNESS & WELLNESS</div> <div>Supports general health maintenance and promotion, including fitness, nutrition and sleep.</div>	 <div>38 DEALS, \$1.13B</div> <div> CAPSULE</div> <div>\$200M</div> <div>ON-DEMAND HEALTH SERVICES</div> <div>Delivers immediate, or near real-time, healthcare services (e.g., telemedicine).</div>	 <div>44 DEALS, \$820M</div> <div>βeta βionics</div> <div>\$126M</div> <div>MONITORING OF DISEASE</div> <div>Enables the monitoring of a specific clinical condition.</div>
 <div>33 DEALS, \$757M</div> <div> PathAI</div> <div>\$75M</div> <div>DIAGNOSIS OF DISEASE</div> <div>Enables the administration and execution of R&D processes (e.g., drug discovery).</div>	 <div>41 DEALS, \$746M</div> <div>βeta βionics</div> <div>\$126M</div> <div>TREATMENT OF DISEASE</div> <div>Enables the monitoring of a specific clinical indication (e.g., diabetes)</div>	 <div>28 DEALS, \$710M</div> <div>TEMPUS</div> <div>\$200M</div> <div>CLINICAL DECISION SUPPORT & PRECISION MEDICINE</div> <div>Providing timely information or alerts/prompts to a healthcare provider.</div>

Note: Only includes U.S. deals >\$2M; data through December 31, 2019
Each company in the Rock Health Digital Health Funding Database is tagged with at least one and up to three “value propositions.” Since each company may fall into multiple value propositions, the sum of the funds raised across value propositions does not sum to the total funds raised.
Source: Rock Health Funding Database

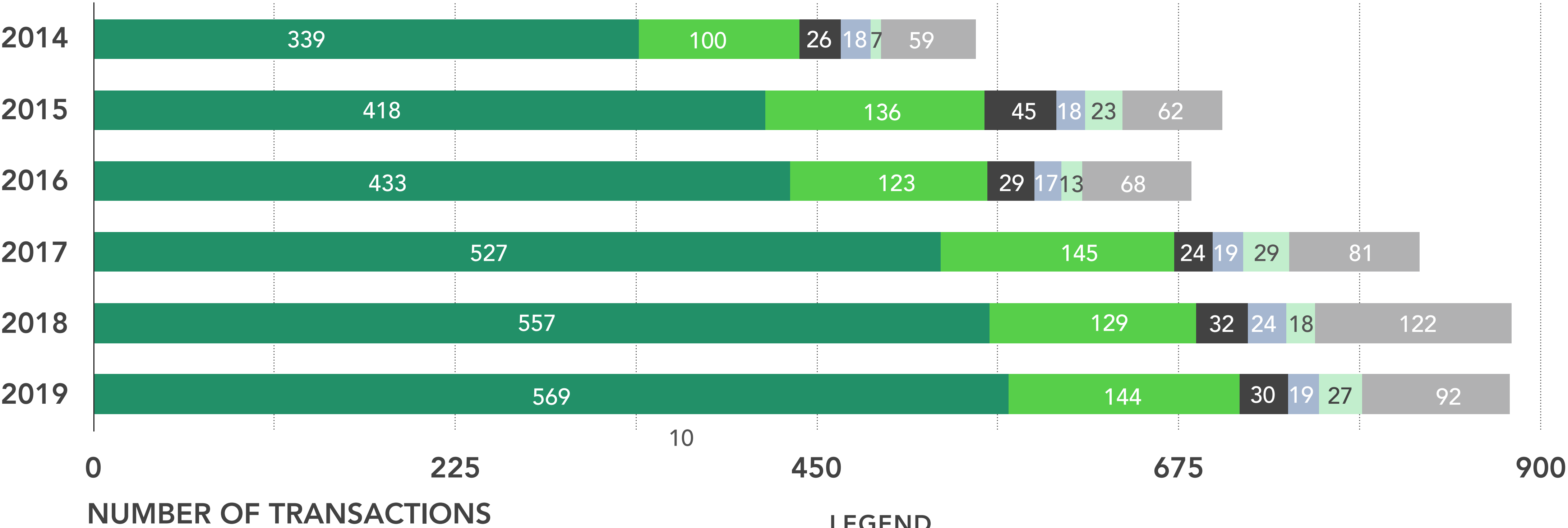
Experienced investors are actively to supporting digital health entrepreneurs across funding rounds

DISTRIBUTION OF DIGITAL HEALTH INVESTORS
2011-2019



The digital health investor mix is equipped to finance all stages of startup growth, from accelerators, to strategic investment, to private equity and growth

INVESTOR DIGITAL HEALTH TRANSACTIONS¹ 2011-2019



¹Number of investor transactions refers to the sum of all investments made by each investor. Please note that a single deal may have multiple disclosed investors, which would amount to multiple investor transactions.
"Other" includes any investors excluded from defined categories, such as: Angel Groups, Banks, Family Offices, Hedge Funds, Asset Managers, Lenders, Real Estate Investment Firms, Governments, Mutual Funds, Foundations, and Impact Investors.
Source: Rock Health Funding Database

LEGEND

Venture capital

Corporate venture capital

Private equity

Growth

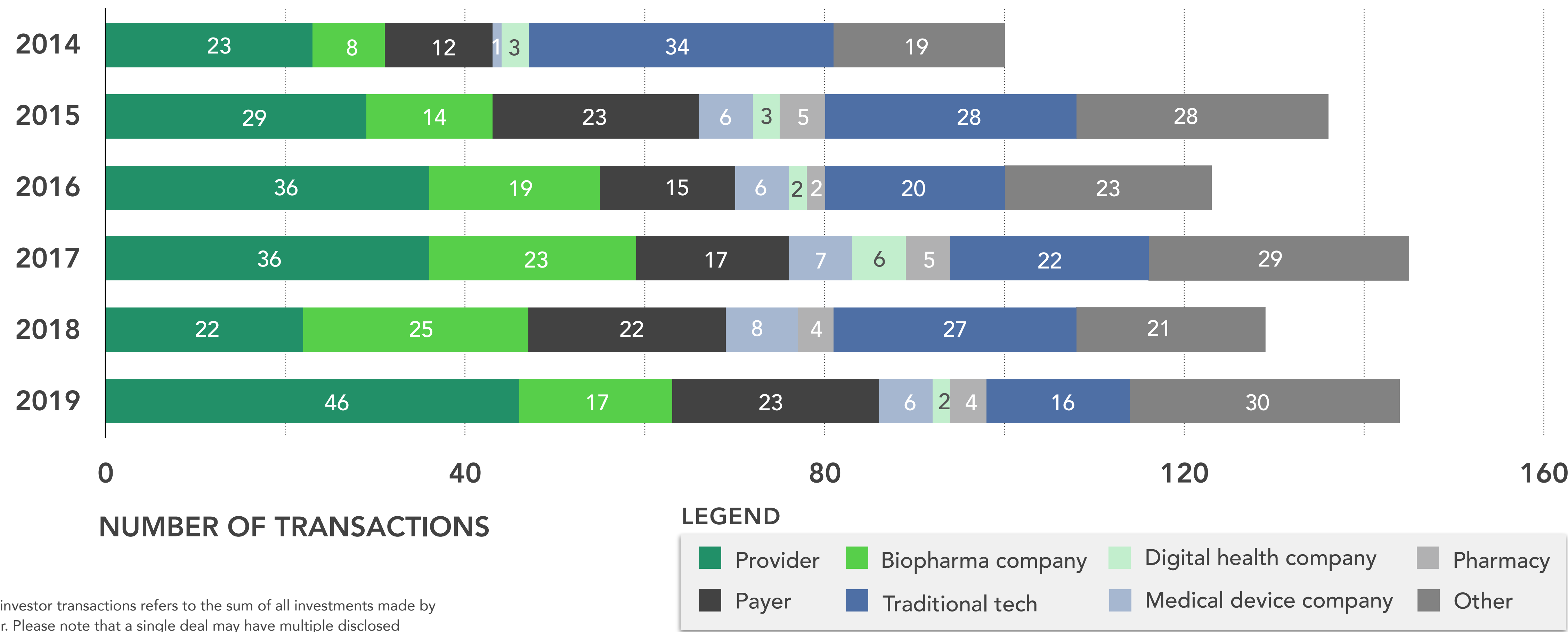
Accelerator or Incubator

Other

Provider organizations are the most active strategic investors in digital health in 2019, followed by payers, biopharma, and tech companies

CORPORATE INVESTOR DIGITAL HEALTH TRANSACTIONS¹

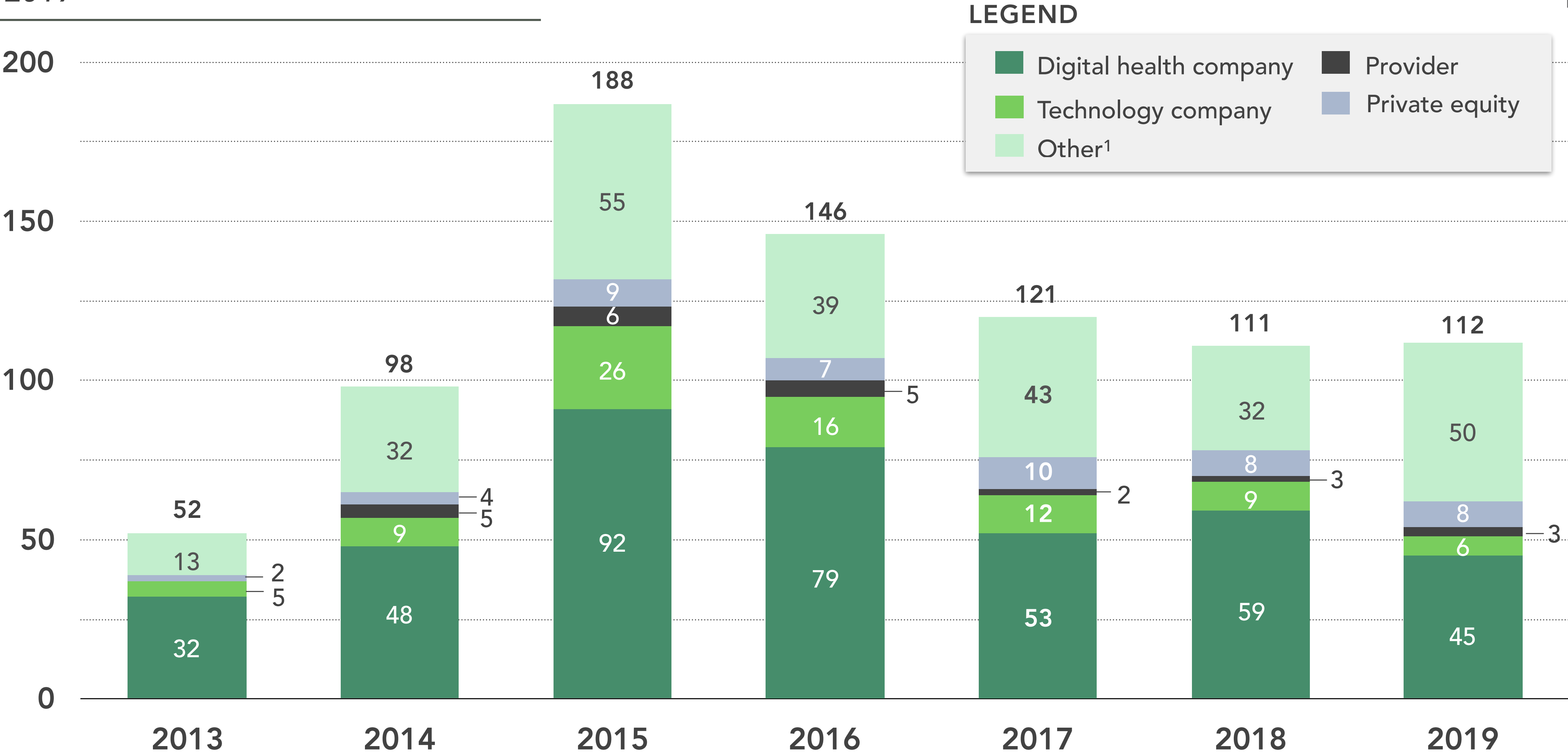
By corporate investor type, 2013-2019



¹Number of investor transactions refers to the sum of all investments made by each investor. Please note that a single deal may have multiple disclosed investors, which would amount to multiple investor transactions.
Source: Rock Health Funding Database

M&A continues to provide most of the liquidity to digital health investors

ACQUISITIONS BY ACQUIRER TYPE
2013-2019



Source: Rock Health M&A Database
Note: Only includes acquisitions of U.S. digital health companies.
1: Other includes payers, biopharma, medical device and other acquirers of digital health startups.

Six digital health companies went public in 2019, representing a signal liquidity event and return of capital to investors

TICK	COMPANY	IPO YEAR	CAP	2019 OPEN	2019 CLOSE	YTD % CHANGE
MODN	Model N	2013	Small Cap	\$13.05	\$35.07	168.74%
PGNY	Progyny Inc	2019	Mid Cap	n/a	\$27.45	111.15%
NH	Nant Health	2016	Micro Cap	\$0.54	\$1.03	90.74%
STRM	Streamline Health Solutions Inc.	1990s	Nano Cap	\$0.80	\$1.39	73.75%
TDOC	Teladoc	2015	Mid Cap	\$48.19	\$83.72	73.73%
VEEV	Veeva Systems Inc	2013	Big Cap	\$87.55	\$140.66	60.66%
NVTA	Invitae	2015	Small Cap	\$10.76	\$16.13	49.91%
PHR	Phreesia Inc	2019	Small Cap	n/a	\$26.64	48.00%
SLP	Simulations Plus	1990s	Small Cap	\$19.90	\$29.07	46.08%
CERN	Cerner Corporation	1980s	Big Cap	\$51.46	\$73.39	42.62%
MB	Mindbody	2015	Mid Cap	\$7.32	\$10.00	36.61%
OMCL	Omnicell, Inc.	2000s	Mid Cap	\$60.26	\$81.72	35.61%
IQV	Iqvia Holdings Inc	2014	Big Cap	\$114.41	\$154.51	35.05%
FIT	Fitbit	2015	Small Cap	\$4.87	\$6.57	34.91%
INOV	Inovalon	2015	Mid Cap	\$13.98	\$18.82	34.62%
HCAT	Health Catalyst Inc	2019	Small Cap	n/a	\$34.70	33.46%
CHNG	Change Healthcare Inc	2019	Small Cap	n/a	\$16.39	26.08%
HSTM	HealthStream, Inc.	2000s	Small Cap	\$23.89	\$27.20	13.86%
NXGN	Nextgen Healthcare Inc	1980s	Small Cap	\$14.95	\$16.07	7.49%
CPSI	Computer Programs and Systems	2000s	Small Cap	\$24.80	\$26.40	6.45%
IRTC	iRhythm	2016	Big Cap	\$67.89	\$68.09	0.29%
PTON	Peloton Interactive Inc	2019	Mid Cap	n/a	\$28.40	-2.07%
LVGO	Livongo Health Inc	2019	Mid Cap	n/a	\$25.06	-10.50%
WORX	Scworx Corp	n/a	Nano Cap	\$3.23	\$2.87	-11.15%
CRCM	Care.com Inc	2014	Small Cap	\$18.95	\$15.03	-20.69%
TRHC	Tabula Rasa HealthCare Inc	2016	Small Cap	\$62.29	\$48.68	-21.85%
CSLT	Castlight Health Inc	2014	Micro Cap	\$2.14	\$1.33	-37.85%
VCRA	Vocera Communications Inc	2012	Small Cap	\$38.84	\$20.76	-46.55%
BNFT	Benefitfocus	2013	Small Cap	\$45.01	\$21.94	-51.26%
EVH	Evolent	2015	Small Cap	\$19.70	\$9.05	-54.06%

Methodology

WHAT IS DIGITAL HEALTH?

Rock Health defines digital health as the intersection of healthcare and technology. This means that the venture funding tracked only includes technology-enabled health-related companies, whether they focus on the administration of healthcare, the delivery of healthcare, or the process of bringing breakthrough new healthcare products to market (both R&D and commercialization).

Healthcare companies that aren't digital: Health insurance companies, such as Oscar, or healthcare providers, such as One Medical, are pure services companies (that employ technology, certainly, as does every company). This is in contrast to a technology-enabled services business such as telemedicine, that simply could not exist without digital. Molecular diagnostic companies, such as Guardant Health, that perform testing and render a definitive diagnosis to physicians are also excluded. Similar to biopharma companies, molecular diagnostic companies are significantly more capital intensive than software-based companies and would skew funding.

Technology companies that aren't healthcare: Companies diversified across industries are not included. Software companies focused across human resources (and not solely health benefits), such as Zenefits, are not included.

HOW WE TRACK DIGITAL HEALTH FUNDING

Rock Health funding data only includes disclosed U.S. deals over \$2M. Deals under \$2M would be impossible to track comprehensively since companies often do not file their small seed rounds with the SEC or disclose them to press. We also believe that deals under \$2M generate noise in key statistics, including deal count and average deal size. All numbers in this report are for U.S.-based companies only.

Funding tracked includes debt, venture rounds, and growth equity but excludes lines of credit (working capital) and cash/equity exclusively associated with merger or acquisition activities.

Deals data is gathered based on news articles, third-party aggregators (e.g., Crunchbase, PitchBook), SEC filings, and direct communication with companies and investors. We do not track deals from third-party aggregators unless they can be verified through another source (e.g., SEC filing or news article).



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Rock Health serves as a strategic advisor to a select group of corporate partners, ensuring they gain the access, insights, and visibility needed for their digital health initiatives. Among other benefits, partners access our industry-leading research including quarterly venture funding reports, hot topic research on emerging trends, the Digital Health Consumer Adoption Database, and the Digital Health Funding Database (updated on a quarterly basis).

Our proprietary Funding Database tracks all US digital health investment deals over \$2M since 2011. All deals include: deal size, series, investor profiles, assigned value proposition(s), differentiating technology(ies), clinical indication(s), customer segment(s), end user segment(s), total funds raised, number of employees, location, and CEO demographics.

Please visit rockhealth.com/work-with-us to learn more.