

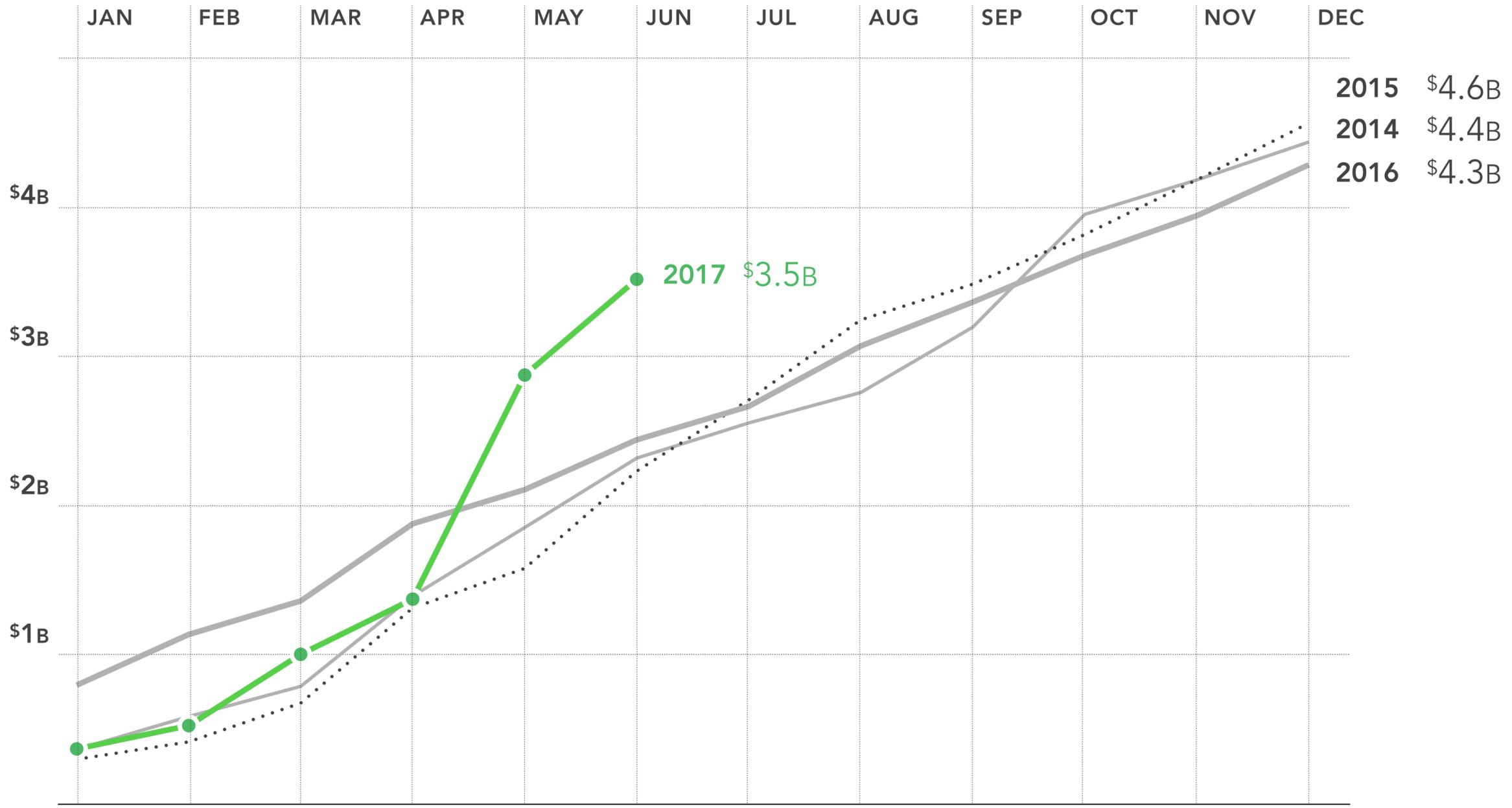
ROCK
HEALTH

Digital Health Funding

MIDYEAR UPDATE

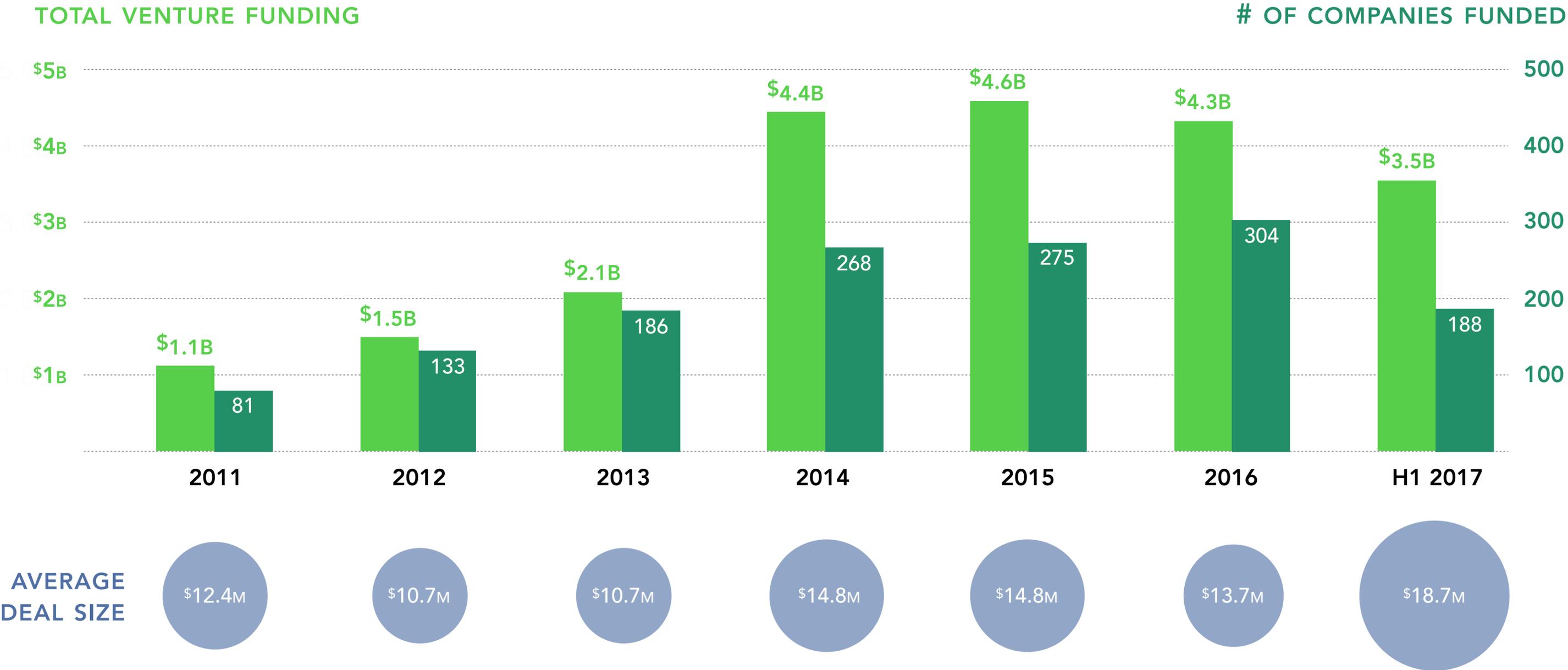
2017

2017 is shattering records—funding rapidly accelerated in the past three months, pushing total dollars over \$3.5B



Source: Rock Health Funding Database
 Note: Only includes U.S. deals >\$2M; data through June 30, 2017

H1 2017 has set a new bar for the highest funding total, most companies funded, and largest average deal size.

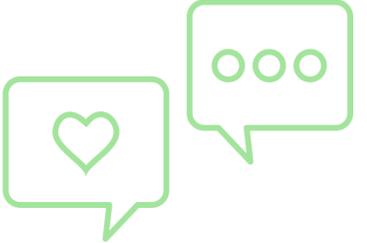


Source: Rock Health Funding Database
 Note: Only includes U.S. deals >\$2M; data through June 30, 2017

The first half of 2017 set a record with seven \$100M+ mega deals, including the two largest digital health deals on record.

	<i>Consumer health information</i> Sells to: Providers	\$500M Goldman Sachs, CapitalG	Chicago, IL
	<i>Connected fitness equipment</i> Sells to: Consumers	\$325M Wellington, KPCB, True Ventures	New York, NY
	<i>EMR</i> Sells to: Physician practices	\$231M Warburg Pincus	Boca Raton, FL
	<i>Consumer health information</i> Sells to: Providers	\$140M Searchlight Capital Partners, Silver Point Capital	Cincinnati, OH
	<i>Population health management</i> Sells to: Consumers, providers	\$115M Warburg Pincus	Irvine, CA
	<i>Patient community</i> Sells to: Pharma	\$100M iCarbonX	Cambridge, MA
	<i>Consumer health information</i> Sells to: Employers, health plans, providers	\$100M Summit Partners	Atlanta, GA

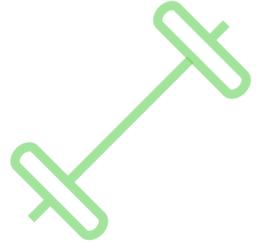
The top six categories of funded companies account for 63% of all digital health funding in H1 2017, with large deals bringing new categories to the top of the list.



\$757_M
8 DEALS
Outcome Health (\$500M)

CONSUMER HEALTH INFORMATION

Dynamic (e.g., Q&A) and static health information content designated for consumers.



\$341_M
3 DEALS
Peloton Interactive (\$325M)

DIGITAL GYM EQUIPMENT

Equipment designated for gyms (professional or at-home).



\$321_M
17 DEALS
Blink Health (\$90M)

HEALTHCARE CONSUMER ENGAGEMENT

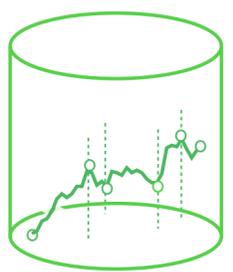
Consumer tools for the purchasing of healthcare services, health products, or health insurance.



\$276_M
11 DEALS
Modernizing Medicine (\$206M)

EHR / CLINICAL WORKFLOW

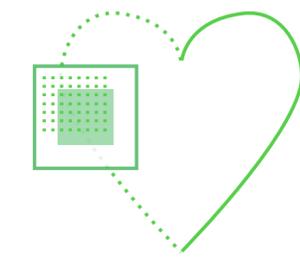
Electronic health records and surrounding applications, including clinical workflow support/augmentation.



\$240_M
16 DEALS
Nuna Health (\$90M)

ANALYTICS / BIG DATA

Data aggregation and/or analysis to support a wide range of healthcare use cases.



\$235_M
9 DEALS
Outset Medical (\$76M)

DIGITAL THERAPIES

Software/hardware designed to deliver specific clinical outcomes in a therapeutic area or multiple therapeutic areas.

Source: Rock Health Funding Database
Note: Only includes U.S. deals >\$2M; data through June 30, 2017

Even excluding the largest deals, half of the top-funded company categories in H1 2017 represent consumer-focused solutions.

TOP FUNDED COMPANY CATEGORIES

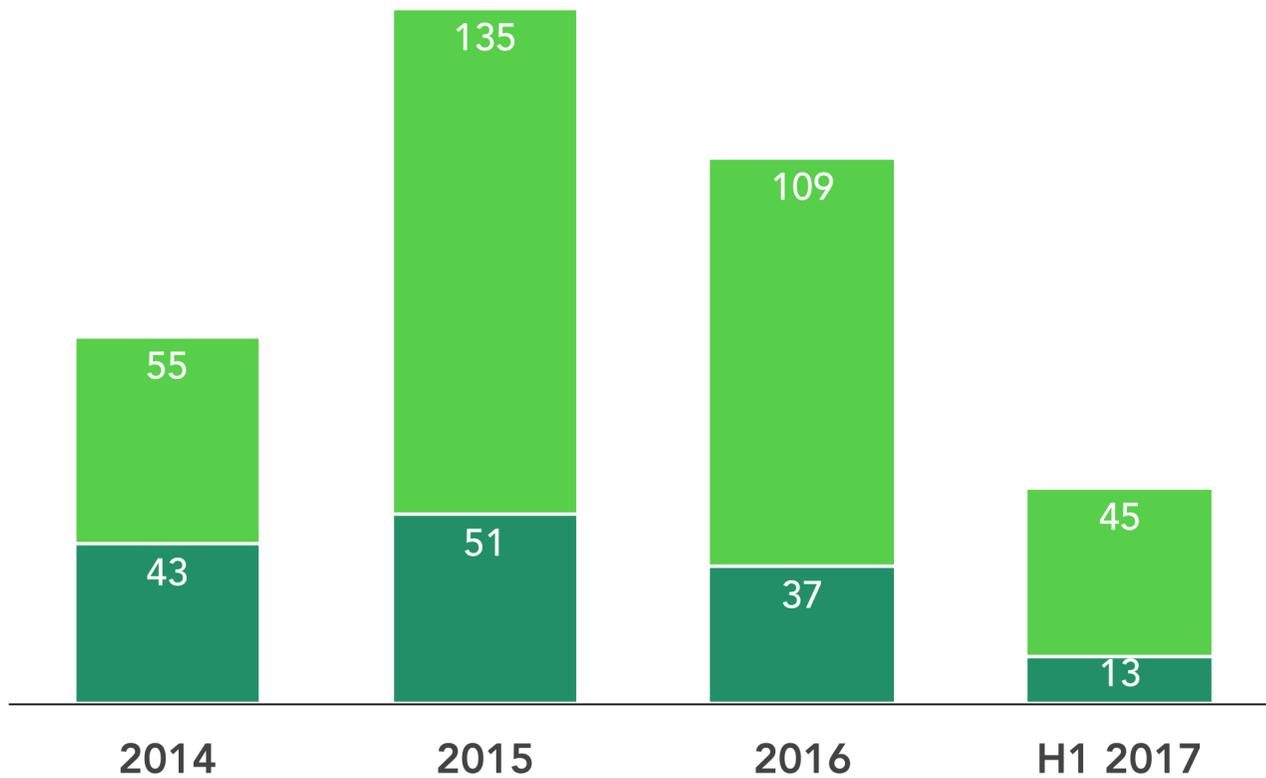
By total funding

	2016	H1 2017	H1 2017 (w/o deals >\$100M)
1	Genomics and sequencing	Consumer health information	Healthcare consumer engagement
2	Analytics / big data	Digital gym equipment	Digital therapies
3	Wearables / biosensing	Healthcare consumer engagement	Analytics / big data
4	Telemedicine	EHR / clinical workflow	Digital diagnostics
5	Digital medical devices	Digital therapies	Personal health tools and tracking
6	Population health management	Analytics / big data	Wearables / biosensing

Of note, only one of 2016's top funding categories (analytics / big data) appears in H1 2017's top categories. Two of 2016's top funding categories (analytics / big data and wearables / biosensing) appear in H1 2017's top categories as calculated without the top deals over \$100M.

Despite a banner year for funding, M&A transaction volume in H1 2017 is lagging behind prior years with 58 deals closed.

DIGITAL HEALTH ACQUISITIONS



LEGEND

- Undisclosed deals
- Disclosed deals

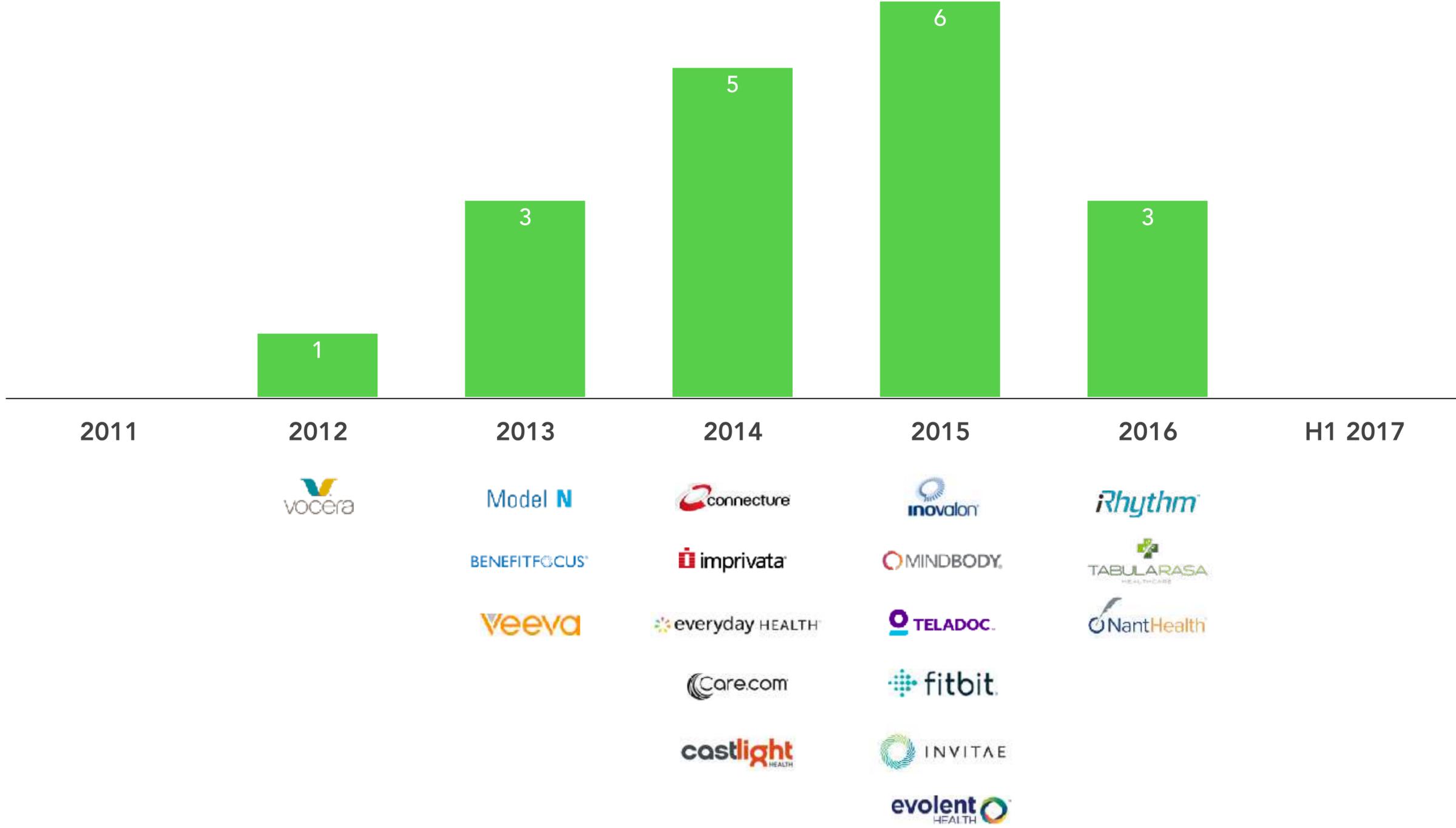
LARGEST DISCLOSED DEALS

H1 2017

	Acquired by	Transaction value	Prior venture funding*	Investors
CoverMyMeds	McKesson	\$1.1B	Undisclosed	Francisco Partners
Best Doctors	Teladoc	\$440M	\$69.8M	BBH, Cambia Health, Eastside Partners
Eliza Corporation	HMS Holdings	\$175M	\$106M	Parthenon Capital Partners
Jiff	Castlight Health	\$135M	\$67.2M	Rosemark Capital, Venrock, Aeris Capital
Healthhelp	WNS	\$95M	\$14M	Essex Woodlands, Sarofilm, Integra, Walden
Connexions	TeleTech	\$80M	Undisclosed	Undisclosed
Sycle	Cochlear	\$78M	Undisclosed	Undisclosed
Praxify Technologies	athenahealth	\$63M	Undisclosed	Undisclosed
Entrada	Quality Systems	\$7.1M	\$832K	Escalate Capital Partners
DILIsym	Simulations Plus	\$9.5M	Undisclosed	Undisclosed

*Source: Rock Health tracking and analysis based on news reports and company filings; prior venture funding based on PitchBook data
 Note: M&A transactions totals and lists are not meant to be comprehensive; deals through June 30, 2017

Where have all the digital health IPOs gone?



Source: Rock Health Digital Health Public Index, through June 30, 2017
 Note: Imprivata and Everyday Health have since been taken private

On average, digital health companies IPO after 10 years having raised \$136M in venture funding.

PUBLIC COMPANY DATA

2012-2016

	Founded	Years to IPO	HQ	VC \$ raised pre-IPO	Offer amount
Fitbit	2007	8	CA	\$66M	\$732M
Inovalon	1998	17	MD	unclear	\$600M
Veeva Systems	2007	6	CA	\$7M	\$217M
Evolent Health	2011	4	VA	\$124.5M	\$195.5M
Castlight	2008	6	CA	\$181.0M	\$178M
Teladoc	2002	13	TX	\$117.9M	\$157M
Vocera Communications	2000	12	CA	\$54.9M	\$120M
iRhythm	2006	10	CA	\$99.3M	\$107M
Invitae	2010	5	CA	\$205.5M	\$102M
MindBody	2001	14	CA	\$104.4M	\$101M
Everyday Health	2002	12	NY	\$169.8M	\$100M
Model N	1999	14	CA	\$42M	\$100M
Care.com	2006	8	MA	\$127.3M	\$91M
NantHealth	2011	5	CA	\$764.5M	\$91M
Imprivata	2002	12	MA	\$45M	\$86M
Benefit Focus	2000	13	SC	\$138.3M	\$70.6M
Connecture	1997	17	WI	\$59.8M	\$53M
Tabula Rasa HealthCare	2010	6	NJ	\$8.2M	\$51.6M

With a healthy pipeline of 20 highly-capitalized digital health companies (and eight unicorns), who is next up to IPO?

DIGITAL HEALTH COMPANIES THAT HAVE RAISED \$136M+

Privately held

Unicorns 🦄

IPO'd 📄

Source: Rock Health Funding Database, PitchBook.
 * Total funding raised is just one of many factors contributing to a company going public and should not be relied on as a sole predictor.
 ** According to news reports, Jawbone will be shutting down.

Summary of findings

FUNDING Venture funding for digital health companies reached a record-high \$3.5B in the first half of 2017. There were 188 deals completed with an average deal size of \$18.7M.

MAJOR THEMES The first half of 2017 was the most prolific for digital health funding ever. The half broke five major records including: total funding (\$3.5B), most deals (188), average deal size (\$18.7M), most mega deals at \$100M+ (seven), and largest digital health deal ever (Outcome Health at \$500M).

Buoyed by the mega deals, the top six funded categories received 63% of all funding and included: consumer health information, digital gym equipment, healthcare consumer engagement, EHR / clinical workflow, analytics / big data, and digital therapies.

PROLIFIC INVESTORS Digital health continues to attract the attention of investors; 331 unique investors made bets in digital health this year—including 138 new investors who made their first-ever digital health investment in H1 2017.

EXIT ACTIVITY Despite unprecedented funding this half, the number of M&A transactions (58) is tracking below last year. Digital health companies continue to be the most active acquirers. While there have been no IPOs yet, there is a robust pipeline of highly-capitalized companies that may emerge as IPOs in the coming months.

ROCK HEALTH+



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SUBSCRIBE TO RESEARCH, LEVERAGE OUR DATA, AND SUPPORT OUR WORK

Our proprietary Digital Health Funding Database tracks all US digital health investment deals over \$2M since 2011. All deals include: assigned market category, total raised, number of employees, location, CEO demographics, and investor profiles.

Additionally, Rock Health offers an annual research subscription which includes access to the Funding Database (updated on a quarterly basis), funding reports, and hot topic research.

Please visit rockhealth.com/research to learn more.