

## Health and WellTech:

*Powering the next generation of health & wellbeing innovation*

March 2023



# Deep sector expertise with significant global presence

A leading mid-market investment bank, with strong Health and WellTech credentials

Strong international network driving deal activity and value

UK & Continental Europe 

>150

M&A Professionals

10

European offices



US 

>160

M&A Professionals

8

US offices



Other Geographies 



South Africa



Australia



India

Patient admin software



Gym management software



ERP



Value cycle solutions



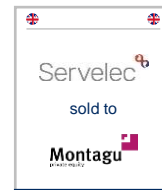
EHR & laboratory software



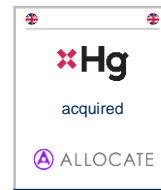
Patient admin software



EHR & hospital admin software



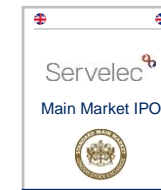
Rostering software



Child information management software



EHR & hospital admin software



Come and talk to us



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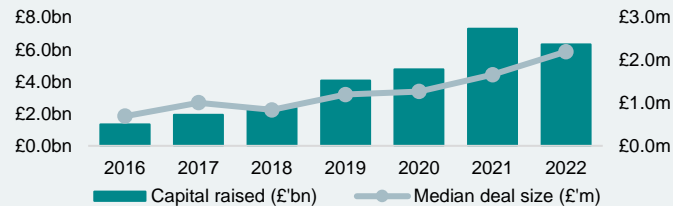
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Whether you are a Health and WellTech company looking to explore strategic options for your business, or an investor / strategic buyer looking for advice on evaluating and financing an acquisition in the Health and WellTech market, Investec can help by providing buy-side or sell-side advice, raising investment from private equity / venture capital or via an IPO

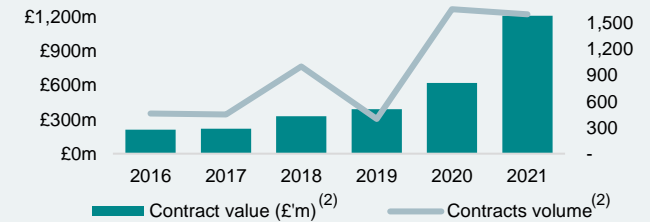
# Key market insights

M&A activity remains buoyant driven by structural spending across the Health and WellTech landscape

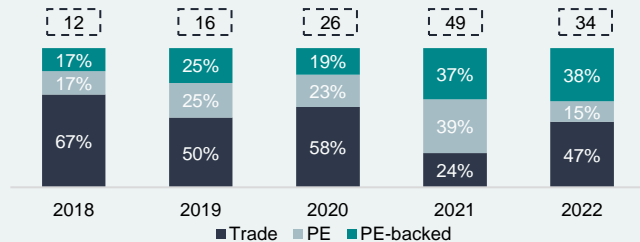
Despite a rebalance in activity in FY22 deal sizes continue to rise, driven by a greater number of later stage fundraises



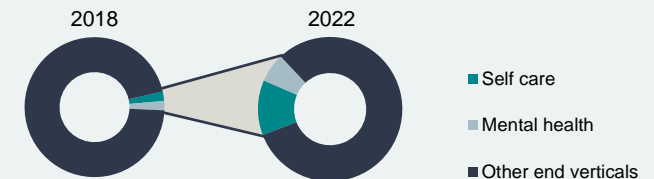
Increasing spend on HealthTech software in the UK by the public sector



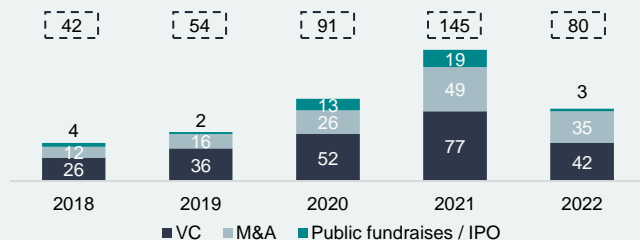
PE and PE-backed trade drove M&A activity through 2021, with trade rebalancing the split in 2022<sup>(1)</sup>



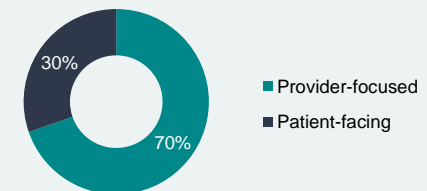
Self care and mental health among the fastest growing sub sectors<sup>(3)</sup> as mindsets shift from reactive treatments to proactive self care



Due to the markets maturity level Venture Capital remains the most active investor type

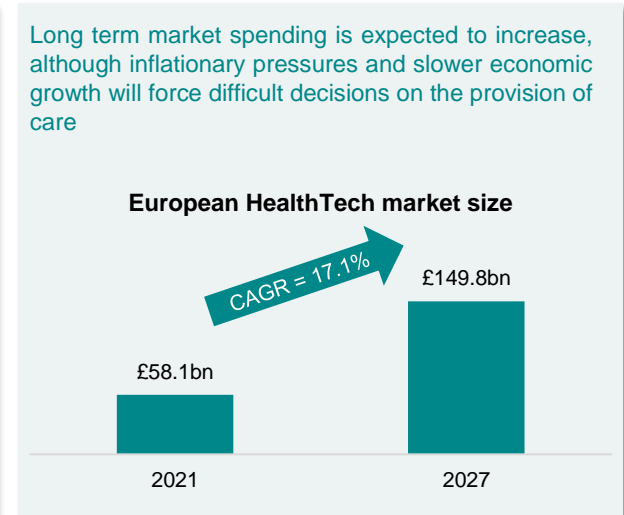
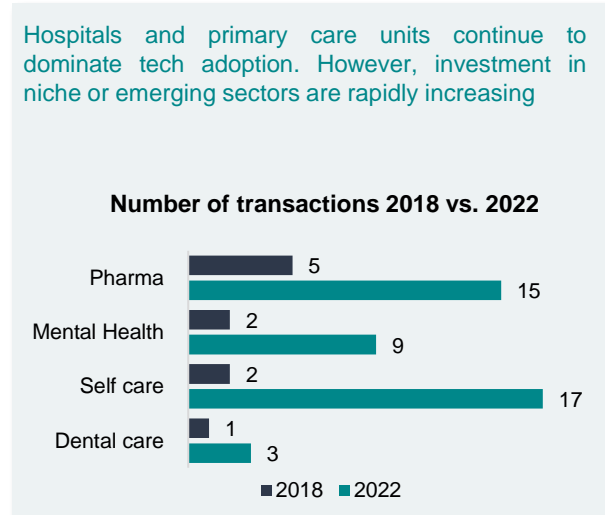
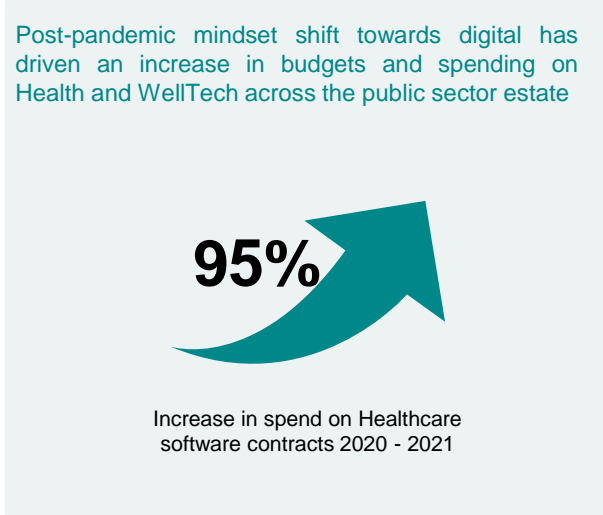


Investors continue favour healthcare provider-focused software in 2022<sup>(1)</sup>

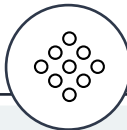


# Market continues to grow despite macro headwinds

Increased budgets and availability of software contracts have driven spend and growth within the market, accelerating adoption across sub sectors



## Key challenges faced by the market



### Regulatory differences

The landscape is fragmented across the continent with different operational standards and regulations in individual countries, making cross-border growth and consolidation challenging



### Slow rate of adoption

Despite a surge in adoption through Covid-19, budgetary constraints alongside a backlog of cases is slowing adoption of digital solutions



### Ease of use and implementation

Software solutions must fit seamlessly into the existing healthcare infrastructure with minimal training and implementation

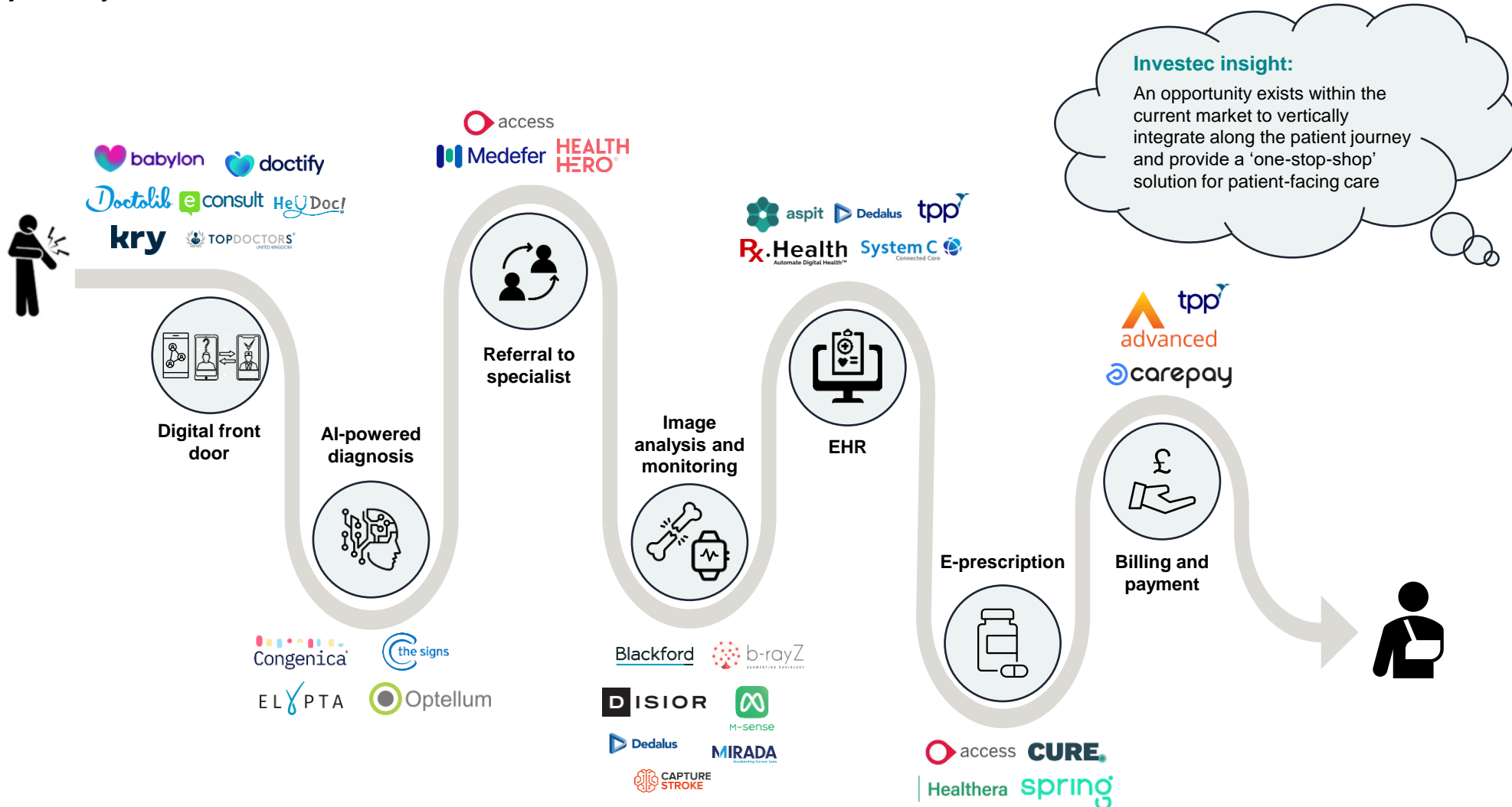


### Increasing data regulation

Increasing data collection has triggered increased regulation, forcing companies to think more about compliance, their responsibility for data and how it can be used

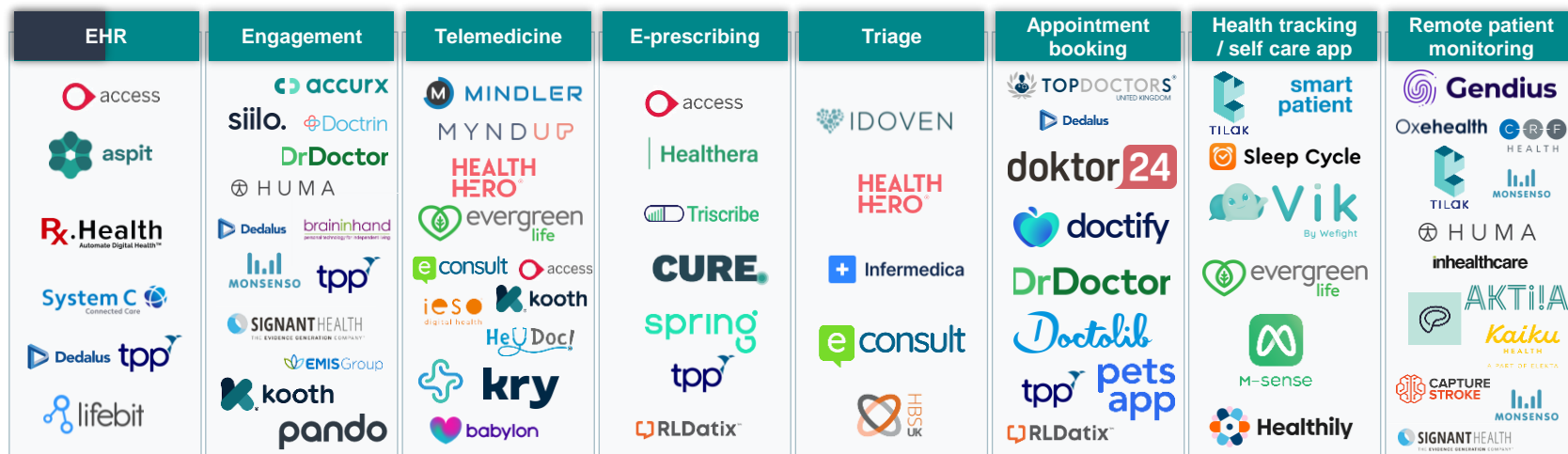
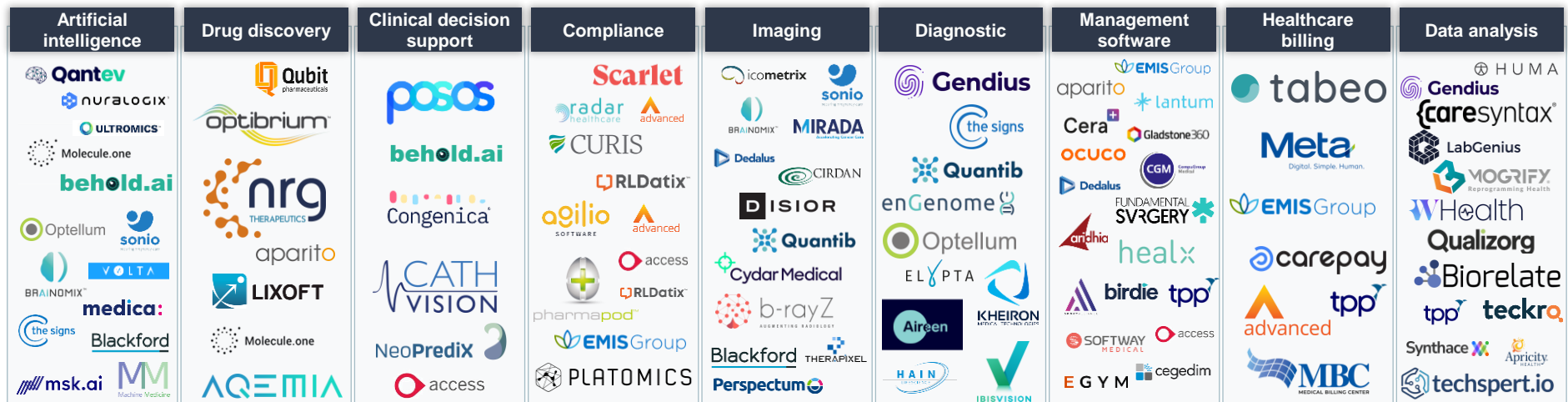
# The HealthTech impact on the patient journey

Software has increased efficiency, capacity and capability at numerous touchpoints of the patient journey



# Mapping the Health and WellTech market

How we think about the market landscape



# Consolidating the ecosystem: examples of buy and build cases

Key players have already been acquiring both patient-facing and provider-focused capabilities at multiple touchpoints



# Predictions for 2023 and beyond

Interoperability, efficiency, and capacity remain key with an increasing focus on wellbeing





# M&A and fundraising overview



# M&A market overview

## M&A activity remains strong as private equity and PE-backed buyers continue to dominant the buyer landscape

### Commentary

- The M&A market has seen a slowdown in deal activity, with a 29% reduction in deal count from 2021's peak to 2022
- Despite this, activity is still up on 2020 by 35%, indicating a rebalancing effect of the market after reaching its peak
- Following on from 2021, PE and PE-backed trade transactions dominate the buyer landscape which is an indicator of how the market is maturing from its VC foundations – albeit still a long way to go

### Selected recent M&A transactions

Date	Target	HQ	Target description	Acquirer	EV	LFY		
						EV/Sales	EV/EBITDA	
Pending	EMIS Group	UK	Software solution provider to primary & community care, pharmacies and hospitals	United Healthcare	£1,212.0m	7.2x	22.2x	
Jan-23	ProDental	UK	CPD recording and learning platform for dentists	aqilio	-	-	-	
Oct-22	InterShift	UK	Scheduling and planning software for GP, Veterinary and Dentistry practices	aqilio	-	-	-	
Sep-22	bluezinc	UK	Referral and practice management software	ClearCourse	£20.0m	-	-	
Mar-22	FourteenFish	UK	CPD recording, appraisal toolkit, education and feedback surveys software	EMIS Group	£4.0m	4.0x	-	
Jan-22	PRISYM ID	UK	Product auto-identification and lifecycle traceability solutions focused on the life sciences industry	Logware	£80.0m <sup>(3)</sup>	7.2x	24.2x	
Jan-22	aidence	UK	Artificial intelligence imaging software	RadNet	£37.0m	-	-	
Dec-21	SILVERLINK	UK	Patient administration software	AGORION	£33.0m	CONF.	CONF.	
Sep-21	Servelec	UK	EHR, management software and patient admin solutions	access	£280.0m	6.7x	21.1x	
May-21	METODIKA	UK	Practice management software	CARRASANT	£9.2m	3.8x	53.5x	
May-21	EDL	UK	Imaging software	ABENEX	£86.0m	6.7x	14.3x	
Mar-21	HAS	UK	Workforce management software for the health and social care sectors	access	£75.1m <sup>(3)</sup>	4.6x	21.4x	
Feb-21	System C	UK	EHR and patient engagement software for the health and social care sectors	CVC	£320.0m	4.9x	26.4x	
						Average	5.9x	21.6x
						Median	6.7x	21.8x

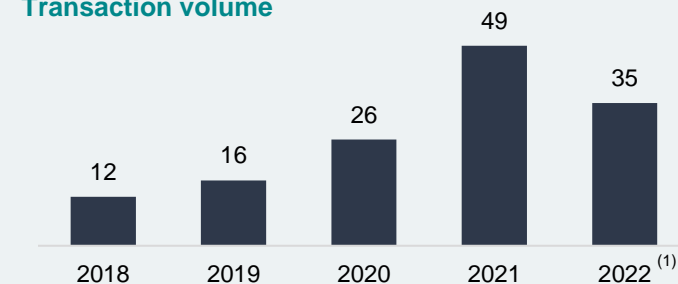
Excluded from average and median

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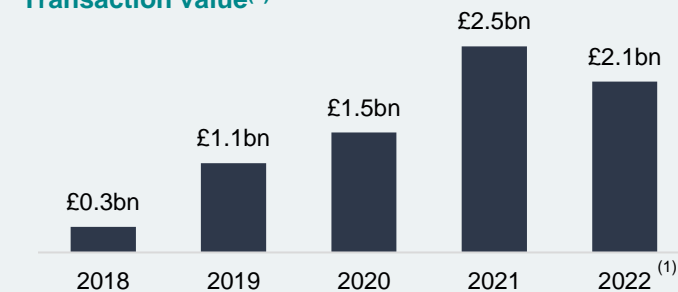
Sources: Megabuyte; Mergermarket; Pitchbook

Note: (1) 2022 relates to transactions up to November 2022; (2) Based on disclosed values; (3) Megabuyte estimate

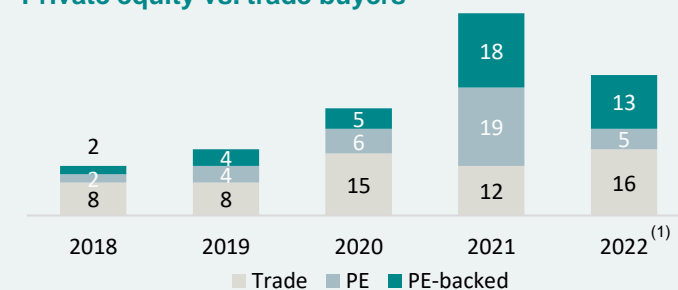
### Transaction volume



### Transaction value<sup>(2)</sup>



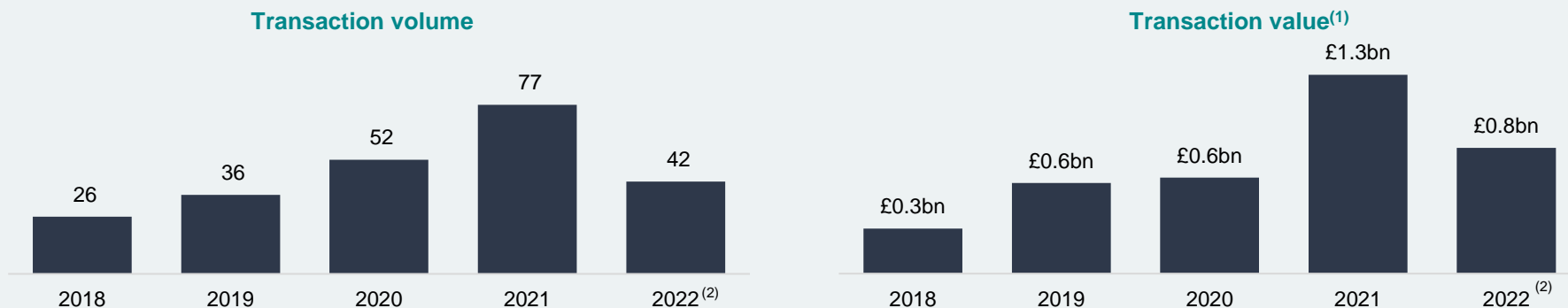
### Private equity vs. trade buyers



Trade PE PE-backed

# Fundraising market overview

Despite a drop off in activity from the 2021 peak, deal value remains above 2020, driven by larger later stage fundraises



## Commentary

- The VC market, while still the biggest investor into HealthTech, has slowed in 2022, with capital investment down 37% and deal count down 45% after peaking in 2021
- Broader macro conditions has caused a clear shift in the mindset of VC's from growth by any means necessary to an emphasis on value creation
- The UK has remained the most active European market for VC investment in 2022, followed by France and Germany. These three markets have consistently ranked in the top 3 since 2018
- The amount of VC investment in 2022 has been buoyed by a number of mega rounds. Particularly, the Eurazeo-led £417m Doctolib deal, making it France's most valuable VC-backed company
- Median deal value continued to rise in 2022 due to these mega rounds, with later stage investments accounting for 59% of fundraises during the period

## Selected recent fundraises

Date	Company	HQ	Company description	Stage	Funds raised
Jan-23	Perspectum	UK	Medical imaging diagnostics & data management	Series C	£30.2m
Sep-22	Optellum	UK	AI-based diagnostic and clinical decision support software	Series A	£13.0m
Aug-22	Cera+	UK	Digital home healthcare	Series C <sup>(3)</sup>	£263.0m
Jul-22	kry	Sweden	Appointment booking and video consultation platform	Series D	£136.7m
May-22	birdie	UK	Homecare management software	Series B	£24.0m
Mar-22	Doctolib	France	Appointment booking and video consultation platform	Series F	£417.2m
Jan-22	patient::21	Germany	Management software, appointment booking and EHR for primary and dental care	Series C	£104.7m

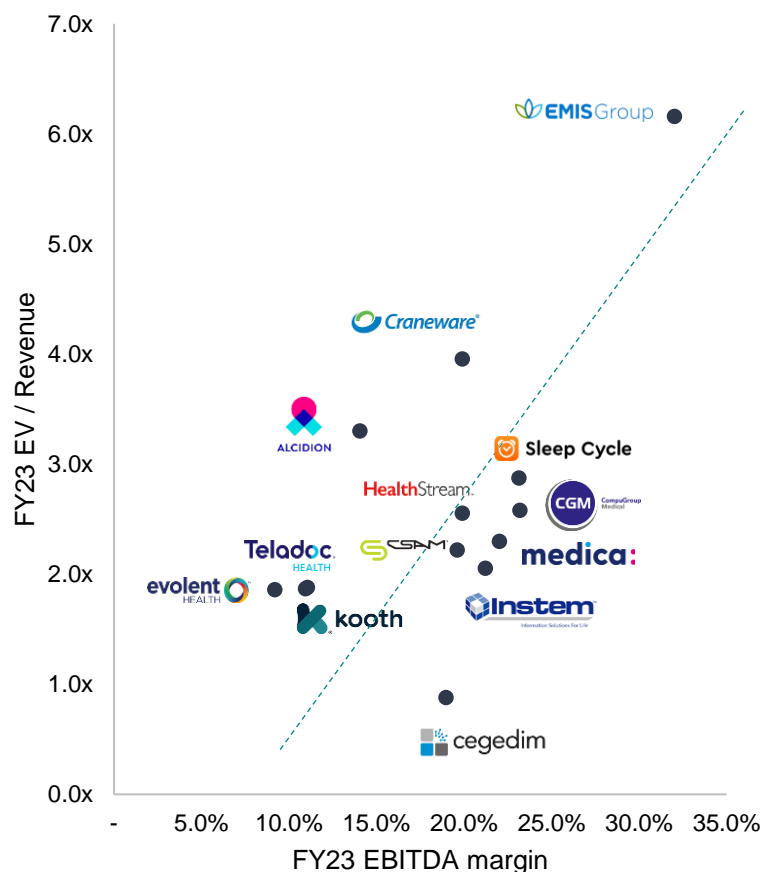
Most active investors since 2018:



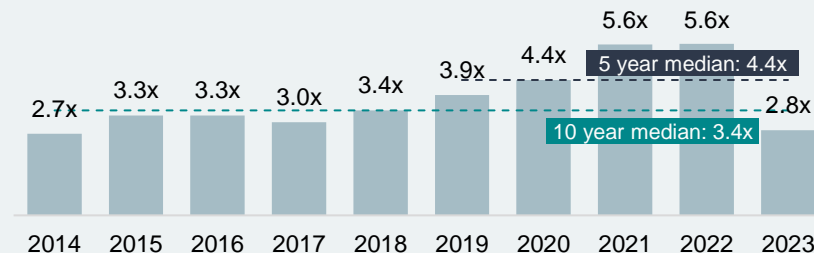
# Significant drop off in public market activity

Valuations expected to recover to pre-Covid-19 levels in 2023 as the ageing profile of populations and a need for innovation within the industry ensure demand and guarantee bouncebackability

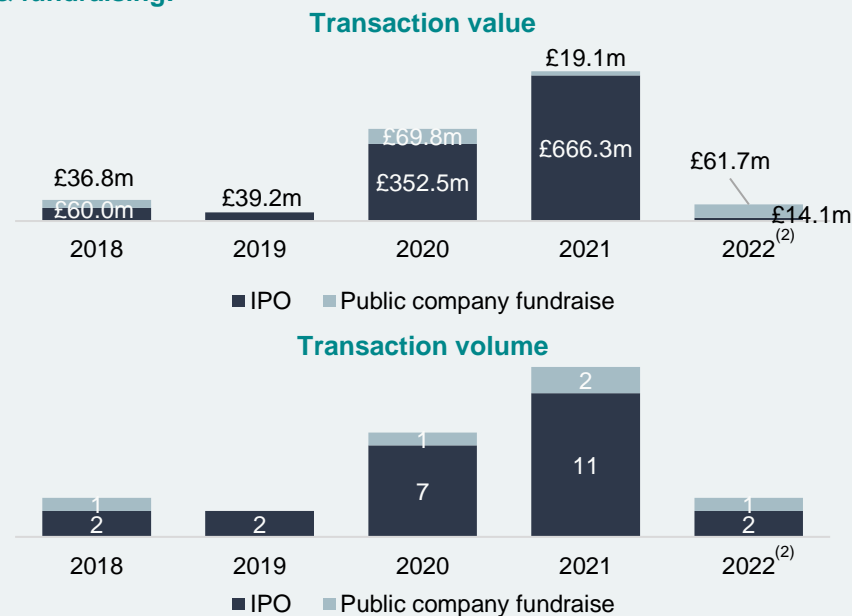
Selected publicly-listed peers valuation vs. EBITDA margin<sup>(1)</sup>



Average NTM EV / Revenue valuations through the cycle:

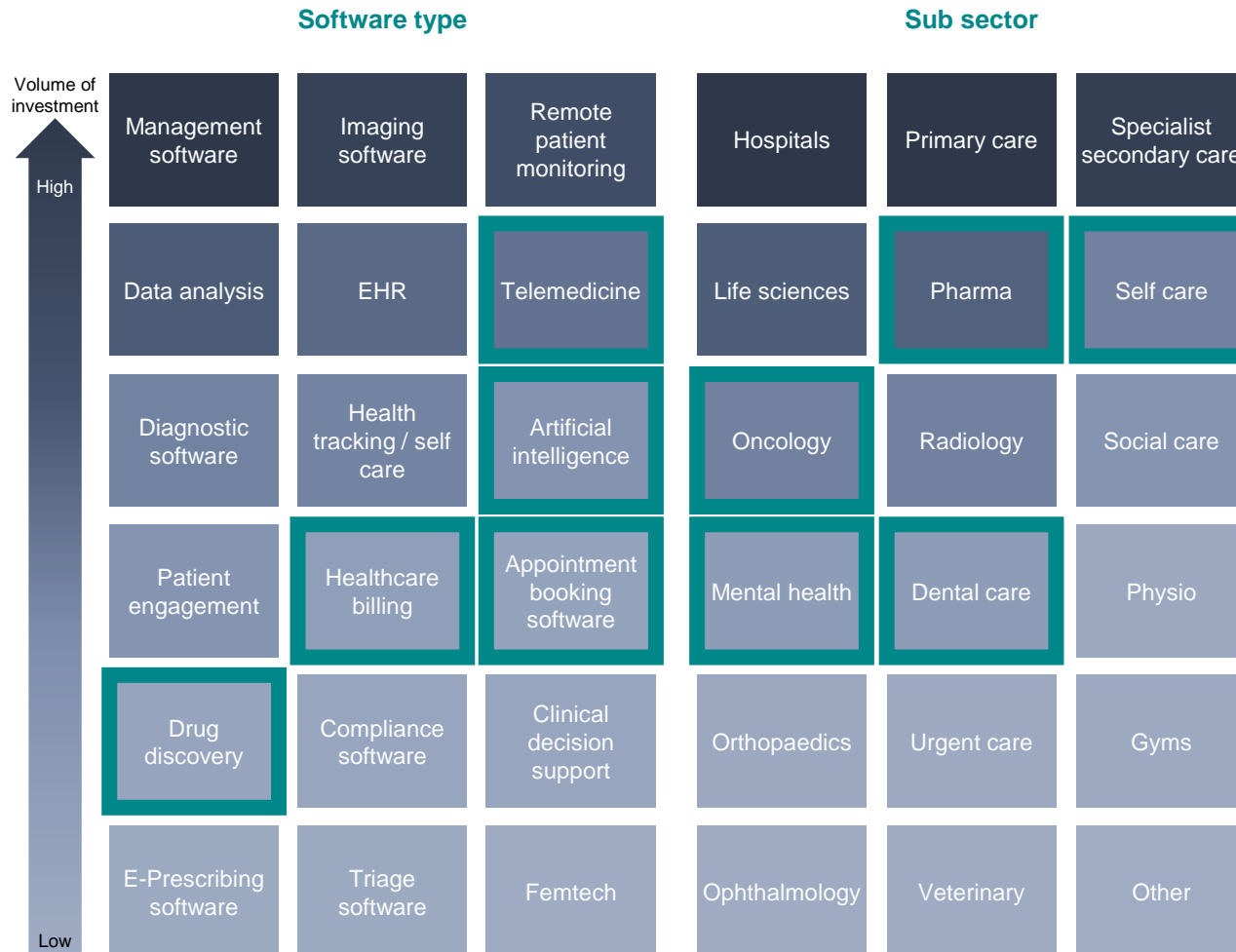


IPO & fundraising:



# Investment focus

Significant investment continues into dominant areas with new emerging areas gaining strong traction



## Investec insights



### Continued dominance

**Hospitals** and **primary care** continue to be the sub sectors with the greatest level of investment



### New emerging subsectors

2022 was a record year for Femtech with the emergence of sector's **second ever unicorn Bellabeat** and the sector's **largest ever share of total VC investment<sup>(1)</sup> at 11.7%**



### Fastest growing software types

The top 5 fastest growing software types are **telemedicine, healthcare billing, appointment booking software, drug discovery** and **AI**



### Fastest growing sub sectors

The top 5 fastest growing sub sectors are **self care, dental care, mental health, oncology** and **pharma**



High growth sub sectors / software types

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