



# Healthcare Investment Trends

Global healthcare funding hit a new record in 2020: a total of \$80.6 billion in equity funding was raised across more than 5,500 deals, according to CB Insights.

NORTH AMERICA, ASIA, AND EUROPE ALL SAW A BOOST IN FUNDING YEAR-OVER-YEAR.

THERE WERE 187 HEALTHCARE MEGA-ROUNDS (\$100M+) IN 2020 — A NEW RECORD.

**C** OVID-19 continues to impact all aspects of the life sciences, and has been identified as a major market driver. According to CB Insights, the pandemic placed a spotlight on inefficient practices within traditional care delivery. Technology became necessary for some patients to access care, thereby relaxing industry barriers, driving new collaborations, and creating market opportunities. For example, according to a January 2020 report, the FDA authorized more than 300 different COVID-19 tests and collection kits in 2020.

Furthermore, CB Insights reports across the healthcare industry that as processes are becoming more digitized to streamline operations, prices are being driven down, while enhancing treatments. Technological advancements and data-dependent business models are also driving market activities.

Consumer-centric services aim to make it easier for patients to navigate healthcare. They emphasize traits such as ease of use, price transparency, and personalization. COVID-19 has further underscored this growing trend along with the rising prevalence of costly chronic conditions and physician shortages.

The January 2020 CB Insights research report cited several trends across a number of healthcare sectors, including:

**AI:** Fourth-quarter 2020 saw a new healthcare AI funding record of almost \$2.3 billion, largely propelled by mega-rounds. However, deals dropped by about 19% from the previous quarter's record.

**Medical devices:** Medical device startups raised almost \$6 billion in fourth-quarter 2020, with a quarter-over-quarter boost in funding even as deals declined by 25%. Exit activity reached its highest point in more than three years with a total of 64 exits.

**Mental health:** Fourth-quarter 2020 funding to mental health companies increased by 30% while deal count fell quarter-over-quarter. Overall, 2020 saw a record high of \$2 billion in equity funding, with early-stage deals continuing to dominate deal share.

**Omics:** Omics funding hit a record high in fourth-quarter 2020 with \$2.2 billion invested despite a decline in deals. The space is also showing signs of maturity, with early-stage deal share continuing a gradual decline.

**Telehealth:** Global telehealth startups raised a record \$3.3 billion in funding in

fourth-quarter 2020. While deals declined 32% quarter-over-quarter, Q4-2020 deals still represented a 24% year-over-year increase from fourth-quarter 2019.

**Women's health:** Funding to women's health companies reached \$521 million in fourth-quarter 2020 — a slight quarter-over-quarter decline of less than 1%. The deal count fell by 14% over the same period. However, 2020 saw an all-time high in deal activity with 239 deals, 62% of which went to early-stage companies.

According to GlobalData, a data and analytics company, despite the second wave of COVID-19 pandemic and slow economic recovery, global venture capital (VC) investments during the fourth quarter of 2020 remained robust and were nearly at pre-COVID levels. Although, the number of VC deals witnessed a continuous decline for the seventh straight quarter, there was an increase in the number of megadeals that helped to drive the overall investment value to nearly \$120 billion in fourth-quarter 2020.

Venkata Naveen, senior disruptive tech analyst at GlobalData, comments: "The COVID-19 pandemic has changed the game of how

# Presenting a unique, behavior-based investment firm.



Together, let's make your mark.

Discover how our **behavior-based approach to portfolio strategy** focuses on commercial relevance and our **novel investment model** leverages time as currency to support early-stage healthcare startups.

We're seeking select portfolio partners.

Learn how we're distinctly different at [purohitventures.com](http://purohitventures.com)

Contact us at [purohit@purohitventures.com](mailto:purohit@purohitventures.com)

PUR  HIT  
VENTURES

IMPRINTING SUCCESS

## FAST FACT

**GLOBALLY THERE ARE 46 HEALTHCARE UNICORNS — VALUED IN AGGREGATE AT \$110 BILLION**

Source: CB Insights

companies across industries operate, driving a significant acceleration toward digital strategies. The Q4 2020 saw VC investors shift their focus on startups that were poised to offer tech-driven solutions in line with the new normal, such as enabling remote working, edtech, online retail, and those offering increased access to customers via digital channels.”

He adds that e-commerce healthtech, fintech, and edtech remain investment hotbeds for VC in addition to tech infrastructure providers supporting the digital shift.

Life-sciences venture fund experts share their insights on the trends they are tracking, what tips the scales for them in terms of making an investment, and what their crystal ball portends in light of a global pandemic.

### The Virtual Clinical Trials Bus



Shane Senior

More investors than ever are showing interest in the pharma services market thanks to its resilience through the COVID-19 pandemic, says Shane Senior, co-founder and managing director of Crosstree Capital Partners. As a result, there is a window of opportunity now to create real strategic value by partnering with investors.

But with so much happening, the challenge for companies looking for funding is to cut through the noise to find investors who share their growth objectives and cultural vision.

Shane has spent more than 20 years in investment banking, 15 of those focused on cultivating industry relationships with investors and strategic executives within pharma services. What he looks for as an investor are companies that have a differentiated value proposition with sustained growth and healthy margins — not necessarily in terms of profitability, but in terms of financial metrics.

It all comes down to having a leadership team that can handle the growth strategy. “We’ve had clients that tick all the boxes in terms of the financial metrics, growth, and focused value proposition, but the manage-

ment team isn’t able to articulate its vision or they don’t have a clear strategy,” he says. “In these situations, companies are going to have a tough time attracting investors.”

Shane notes there are three trends Crosstree is currently tracking in terms of financing and investment — decentralized clinical trials (DCTs), biometrics, and patient engagement.

“DCT is an area that has taken off as a result of the pandemic; virtual trials are creating a huge disruption to traditional trials,” he says. “This is the closest thing to a revolution that I’ve seen in 20 years of covering this industry. The move to decentralize clinical trials is real, and I don’t think we’re putting the toothpaste back in the tube. Those small companies that were ahead of their time in this space that had to fight and evangelize their value proposition, don’t have to do that anymore. As an investor in this transformational space, if you don’t get on the bus, you’re going to get left behind.”

He adds to fully realize the positive impact, there is a real commitment to being patient centric. “As a result, interoperable platforms, technologies, and solutions will continue to emerge, and these will need to be patient- and site-facing,” he says.

The other area of potential, Shane says, lies in biometrics. “To run risk-based monitoring, companies need data monitoring committees and interim STDM data cuts to have live data to make clinical decisions, which means more biostatisticians who are in short supply in the industry,” he says. “Companies that can enable turnkey solutions for risk-based monitoring and central monitoring will be in demand.”

The third big trend, Shane says, is patient engagement. “Patients are scared to leave their homes; so, the challenge is to acquire new patients and keep them in trials,” he says. “In this environment, recruitment and retention are going to be important. Then, as we move to more decentralized clinical trials with employees working from home, how do companies keep their culture alive? How do they keep employees engaged? We are going to need more hands on deck to help with that.”

For its part, Crosstree, a global leader in health science M&A, recapitalization, and growth financing strategies, which has led more than 100 transactions in the pharma services sector, helps companies first by optimizing their strategic objectives.

“We are active in M&A helping companies raise growth capital, and we do this by observing and reporting on trends,” Shane says. “We design strategies and help companies find the right partner. It’s not just about the money; it’s about the outcome. We differentiate ourselves by making sure every deal has the right fit, the right culture, and is executed at a fair price.”

## Healthcare Funding

Healthcare funding grew for the third consecutive quarter in 2020. Despite the impact of the COVID-19 pandemic, funding trended up each quarter since Q1 2020. However, Q4 2020 deal activity declined by 13% quarter-over-quarter (QoQ).

• **Early-stage deal share dropped off in Q4 2020:** The proportion of healthcare deals going to early-stage companies steadily declined since Q3 2019. This trend continued in Q4 2020 with mid-and late-stage deals increasing their share.

• **Global digital health funding jumped by 45% YoY:** Equity funding to digital health companies reached \$26.5 billion in 2020 — an all-time high — while the annual deal count increased by 1%. However, both the funding and deal count for Q4 2020 declined QoQ, by 2% and 21% respectively.

• **Q4 2020 saw a spree of digital health exits:** There were a number of M&A activities as companies looked to consolidate their offerings. Meanwhile, companies such as Butterfly Network and Hims & Hers went public via SPACs as opposed to traditional IPOs.

Source: CB Insights

## Identifying and Supporting Commercial Relevance

When the team behind Purohit Ventures — Anshul Purohit, Ahnall Purohit, Jennifer Clark, and Kim Hogen — decided to launch Purohit Ventures, they were well-positioned to draw on their many years of understanding what makes a product or technology commercially relevant. Each member is tapping into their extensive knowledge of healthcare strategy, market research, and commercialization — the real factors driving commercial relevance. The four are also part of the executive team of Purohit Navigation, a communications company that has been servicing the life-sciences industry for more than 30 years.

Purohit Ventures adopts both a portfolio strategy, identifying those innovators with commercial relevance, as well as an investment strategy by helping those companies develop their investment story.

“Our model leverages our time as currency, providing our services as an investment in our

# UNPRECEDENTED MARKET DEMAND FOR STRATEGIC INNOVATION



**T**he life sciences industry has one of the strongest M&A markets in recent history, fueled by the strong financial performance of Pharma Services, Diagnostics and Tools, and Digital Health companies and accelerated by the COVID-19 pandemic, which abruptly pushed innovation in these subsectors ahead three to five years. Investors have strong appetites for these growth opportunities, opening doors for sellers to enhance product and service offerings and spurring innovation to improve both financial performance and patient outcomes.



**Shane Senior**  
Managing director,  
Crosstree, prospects  
for Pharma Services  
and Pharma IT

The historically conservative and regulation-driven Pharma Services subsector is, for the first time in decades, in a period of intense transformation and innovation. This transformation is focused most acutely on data and data interoperability, as today's decentralized and patient-centric clinical trials require entirely new data collection methods and management methods. From wearables and real-time EDC data to e-clinical hubs, virtual training, and remote study startups, solutions that enable real-time, decentralized collection and interoperability of data will be essential

to the industry in the future. Patient recruiting, retention, and engagement - both services and technology - are critical capabilities, and even traditional companies in biometrics, statistics, and data management programming are seeing increased demand for their services. The result is one of the industry's best markets in history: high-growth investment opportunities for investors and strong valuations with many partnership options for sellers.

2021. Now that the economic outlook has improved, these firms are finding strong valuations and competition from investors as demand continues to outpace supply.



**Zeke Navar**  
Managing director,  
Crosstree, on prospects  
for Digital Health

Across the pharmaceutical industry, companies are looking to technological solutions for everything from shorter drug discovery time frames to better collaboration and improved patient outcomes. For investors, the increased demand for these firms' products and services is just one of the aspects that makes them such an attractive investment opportunity: these companies offer highly scalable & differentiated technologies, high margins, and rampant year-over-year growth.

The Digital Health market is also seeing an increase in vertical consolidation. Historically, companies would outsource a non-core capability, but advances in technology now enables them to verticalize, keep it in-house, and capture that revenue opportunity. The increased demand for these services, combined with attractive unit economics, gives investors the confidence they need to invest. Before, tech services of strategic investments required a leap of faith, but now Digital Health firms are enjoying record-breaking trading multiples, driven primarily by the ability to handicap financial forecasts, which minimizes execution risk.



**Jeff Ellis**  
Managing director,  
Crosstree, on prospects  
for Lab Services

The Lab Services subsector is undergoing a period of significant M&A activity as strategic and financial buyers seek to create a more comprehensive suite of services for biopharma sponsors. A key area of growth is assay development and sample analysis specific to immunotherapies, as these therapies comprise an increasingly large portion of today's drug pipeline. Lab testing support for these areas requires specialized capabilities and scientific depth, so companies with complimentary offers are merging to create an enhanced offering.

In other cases, consolidation is taking place to expand geographic coverage to support multi-national trials.

Lab services businesses are extremely attractive to private equity due to their high margins, strong cash flows, and scalability. The economic uncertainty of the last year led many would-be sellers to postpone, resulting in significant latent demand heading into

Crosstree is a distinguished boutique investment banking firm focused exclusively on the needs of middle-market companies within the Pharma Services, Diagnostics and Tools, and Digital Health subsectors. The firm recently published Innovations in Pharmaceutical Development™, a first-of-its-kind resource profiling some of top innovators and best investment opportunities in the industry. Learn more at [CrosstreeCapital.com](http://CrosstreeCapital.com).

For more information on this topic, visit [www.crosstreecapital.com](http://www.crosstreecapital.com)

## CROSSTREE



The Purohit Venture team (left to right): Anshal Purohit, Founder and CEO; Ahnal Purohit, Co-Founder and General Partner; Jennifer Clark, Partner and Chief Portfolio Strategist; and Kim Hogen, Partner and Chief Financial Officer

portfolio companies' success — allowing them to allocate their raised dollars to areas like clinical development," says Anshal, founder and CEO of Purohit Ventures. "We support companies by helping them tell the story around a product's commercial relevance; targeting investors; putting together all of the IR materials, investor decks, and presentation materials that they need to raise funds. And we help these companies think through their clinical trial strategy and how they should project forward into the market to define what the product needs to look like to succeed."

Purohit Ventures believes that as development targets and disease states become more specialized, the need for a behavior-based approach to opportunity investment has become more important than ever. Jennifer, Purohit Ventures' partner and chief portfolio strategist, says the process goes beyond evaluating financials in terms of what the market might be, but understanding what it takes to make a product successful from a behavioral change perspective. They believe that product success is defined by more than the traditional measures, such as market size, competitive landscape, and unmet need. Potential for, challenges to, and impact of behavioral change play a critical role in product uptake.

Anshal says great technologies and ideas often fail because adoption was lower than expected given the clinical profile of the product or the advances the platform brought forward. What is often needed to ensure the product's success is to identify whose behavior needs to be changed and in what way. "Understanding that difference is where we come in," she says. "For example, sometimes the patient plays a key role in decision-making, in which case we need to account for their preferences in ear-

ly-stage planning, or it might be the systems and protocols around the healthcare practitioner, such as those in emergency medicine. We look at the whole ecosystem and identify what those points of change are going to be and how we can influence them."

According to Jennifer and Anshal, the big challenges these companies face is being able to tell their story in a compelling way and navigating the many different sources of funding and investors who are now in the market.

"The days of just going to venture capitalists are over, because today there are many alternate sources — family offices, individual investors, angel investors, and so on," Anshal says. "This means startup or early-stage companies need to think through a segmentation strategy about how and when to raise funds."

The team at Purohit Ventures looks at a number of factors when deciding which startups to support. "We want to make sure that we have companies that span different verticals within biotech and healthcare and that fit with

our expertise," Jennifer says. "It's important that from the start, the leadership of these companies is open to our approach to evaluating the market."

Looking into future investment potentials, Jennifer says there is growing interest in neurological diseases and startups companies focused on CNS and other associated disease areas. Another exciting area is the growing appetite for mixed-gender and female-run firms.

The future for investment, Anshal believes, is bright thanks to the enormous amount of innovation that is happening throughout the life sciences. "We have always worked with startup companies, and now at Purohit Ventures we have more exposure to these companies at an earlier stage and we're seeing some amazing innovation, so I'm very hopeful and excited," she says.

Jennifer agrees, adding that COVID-19 has reinforced the need to invest in healthcare, which she hopes has opened eyes to the opportunities for scientific innovations. **PV**

HEALTHCARE INVESTMENT TRENDS

### Funding reached a new high of \$80.6B in 2020

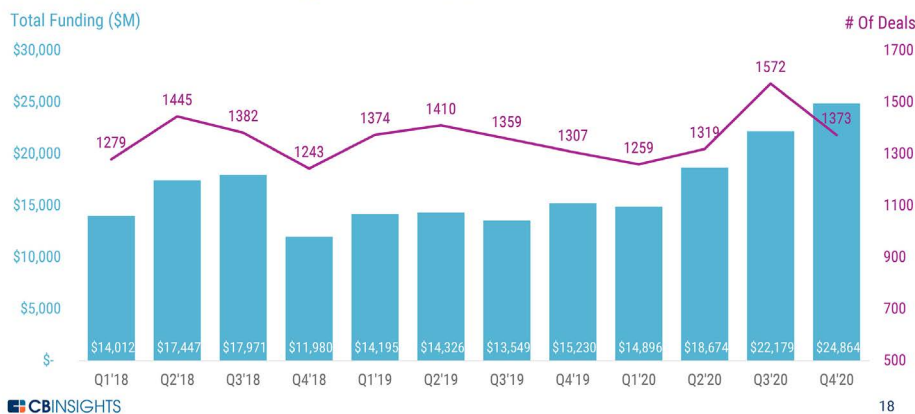
Annual global healthcare funding and deal count, 2016 – 2020



HEALTHCARE INVESTMENT TRENDS

### Funding reached new heights while deals slumped

Quarterly global healthcare funding and deal count, Q1'18 – Q4'20



(c) PharmaLinx LLC. Rights do not include promotional use. For distribution or printing rights, contact mwals@pharmavoices.com



# IGNITE

## 2021 PharmaVOICE 100 Celebration

VIRTUAL EVENT

**SEPTEMBER 9, 2021**

### SCHEDULE OF EVENTS

#### ► Fireside Chat Panels

Casual conversations with PharmaVOICE 100s whose passions are ignited by purpose and blazing new frontiers

- 9-10am ET - Sparks of Leadership
- 11-12pm ET - Sparks of Creative
- 1-2pm ET - Sparks of Innovation

#### ► Igniting Change: The Red Jacket Panel

An in-depth conversation with our 2021 Red Jackets who shine their light on a transforming industry

- 3-4pm - A Panel of Red Jackets

#### ► Light it Up Happy Hour

Meet the PharmaVOICE 100s during a fun-filled hour of trivia and prizes

- 4:30pm - Happy Hour with the PV100

*(tentative schedule)*



Join us as the PharmaVOICE 100 share how they spark inspiration, ignite change, and blaze new trails.

Celebrate their personal stories of success and learn what fuels their passion for the industry.



### SPONSORSHIP OPPORTUNITIES

#### Signature Sponsor *(1 available)*

Benefits of Event, Blaze, and Spark Sponsorships, 5 admission tickets ... plus opportunity to introduce the Red Jacket Panel (up to 3 minutes)

#### Blaze Sponsor *(11 available)*

Benefits of Event and Spark Sponsorships, 3 admission tickets ... plus seat on one of the panels

#### Spark Sponsor *(Unlimited quantity available)*

Benefits of Event Sponsorship, 2 admission tickets ... plus Spark video

#### Event Sponsor *(Unlimited quantity available)*

Branding on event website and marketing materials, 1 admission ticket ... plus "Looking for Inspiration" quote which will be featured during the event and on event emails

#### \*Event Sponsor Benefits

- Company branding on the event registration page
- Company branding during panels
- Company branding on event emails
- Social media exposure
- Branding on OnDemand videos
- Company branding featured in an event wrap-up in the October issue of PharmaVOICE

For more details or to secure a sponsorship, contact Lisa Banket, Publisher, at 609-730-0196 or lbanket@pharmavoices.com; Suzanne Besse at 561-465-5102 or sbesse@pharmavoices.com; or Amy Bishop at 267-374-8891 or abishop@pharmavoices.com.