

HealthTech Sector Landscape

March 2024



Executive summary

The report provides an overview of the HealthTech landscape today, and significant opportunity ahead

State of the digital health sector

- Global HealthTech sector continues to experience strong growth with a **total market size of US\$860bn+** in 2022, expected to **grow at a 15% CAGR to 2028**
- COVID-19 disrupted the healthcare industry with HealthTech being the most direct beneficiary with an increase in both user and provider adoption
- Three key verticals within HealthTech
 - 1 **Digital / eHealth:** Focus on service delivery (i.e. telemedicine)
 - 2 **Healthcare eCommerce:** Health products related to eCommerce
 - 3 **Healthcare IT:** Focus on analytics and systems (i.e. revenue cycle management, electronic health records)
- **Healthcare eCommerce** continues to be the path to monetization, however, more companies are now adding digital health services to provide holistic offerings
- **Revenue Cycle Management (RCM)** is one of the largest segments within the HealthTech sector with the US occupying ~55%+ of the global RCM market
- Regulatory mandates for adoption of Electronic Health Records are driving growth for the RCM market. Outsourcing is expected to grow faster on the back of growing reimbursement complexity, need for increasing cash flow for hospitals operating at low margins, and offshoring capabilities

Integration between an offline and online service model

- Overwhelming majority of healthcare services continue to remain offline
- In recent years, traditional healthcare service providers have been leveraging digitalization to improve efficiency and effectiveness
- Digital-first healthcare service providers are exploring offline service capabilities for further monetization

Key themes



Expect to see significant **cross-over, partnership and/or merger between pure healthcare eCommerce and digital health services platforms**



Offline + Online integration expected to continue with traditional healthcare service providers adding digital capabilities through inorganic path



Continued focus on **sustainable monetization**



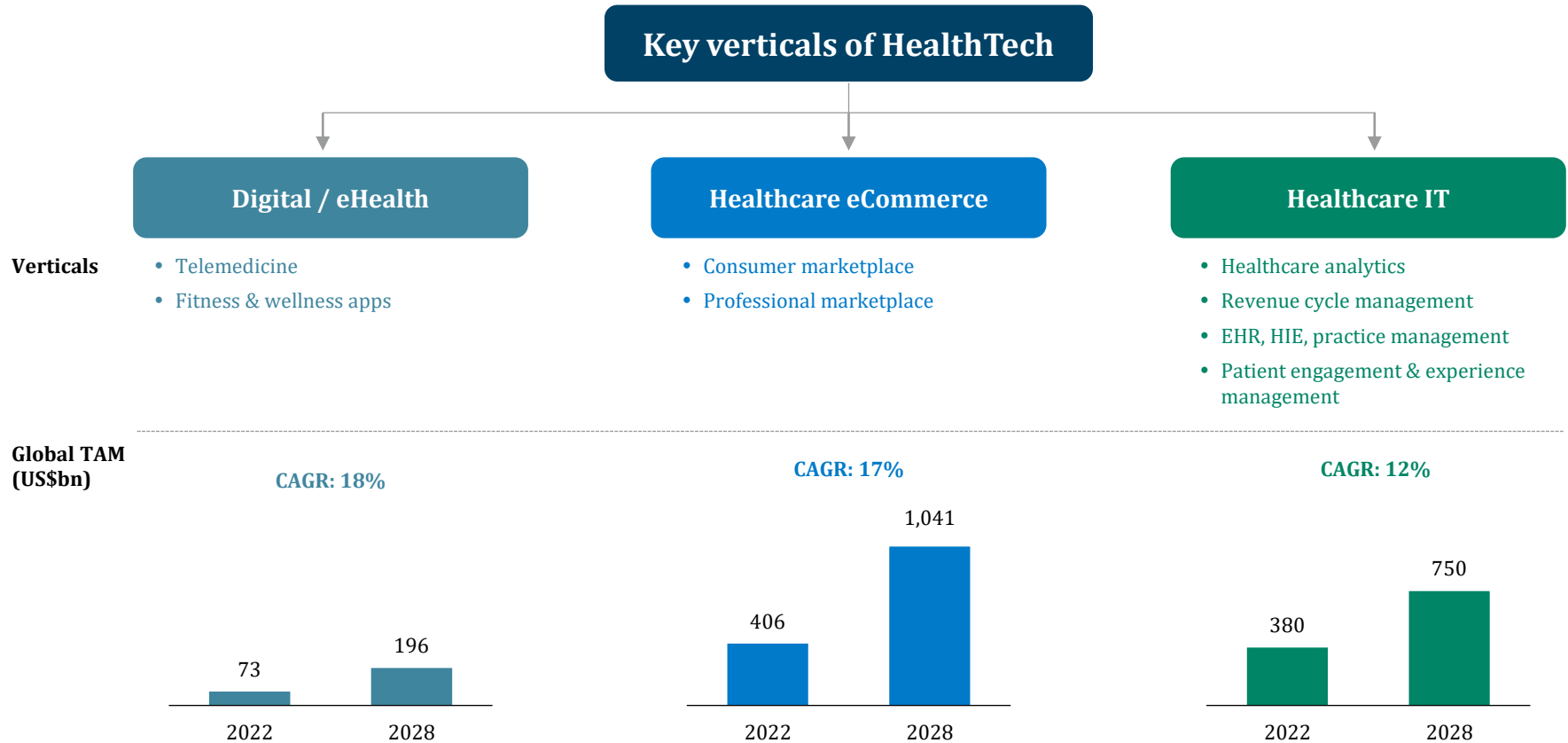
Consolidation in the digital HealthTech sector is expected to increase due to market fragmentation and slowdown in funding availability



Healthcare Analytics and RCM outsourcing players will continue to see significant traction from PE investors due to high growth and profitability

Introduction to the HealthTech market

The global HealthTech sector had a **TAM of US\$860bn+** in 2022, and is expected to grow at **15% CAGR** through 2028



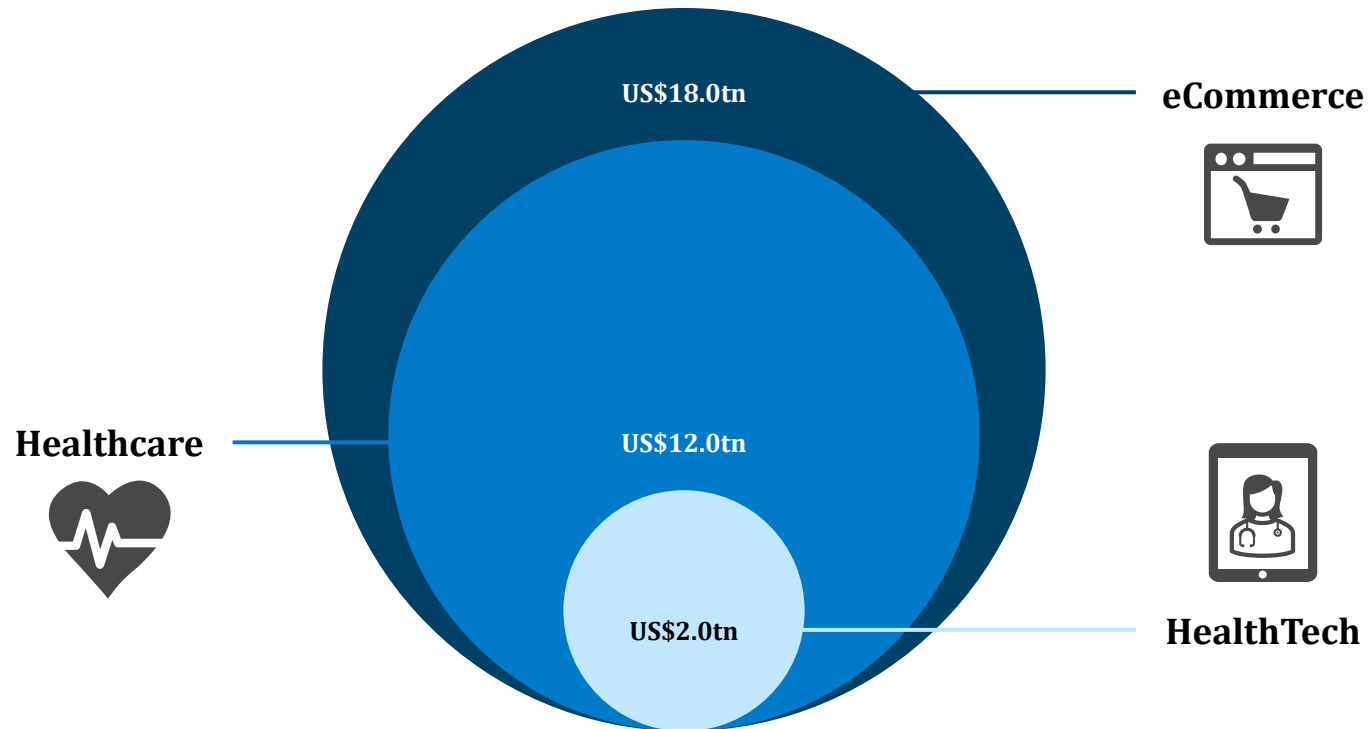
Healthcare eCommerce and Healthcare IT are the largest and most established business models. Promising players are also emerging within Digital/eHealth and InsurTech

Note: (1) Includes Healthcare InsurTech

Sources: Allied Market Research, Biospace, Grand View Research, KBV Research, IMARC Group, Insight Partners, Research and Markets, Verified Market Research

The HealthTech market is in the early stages

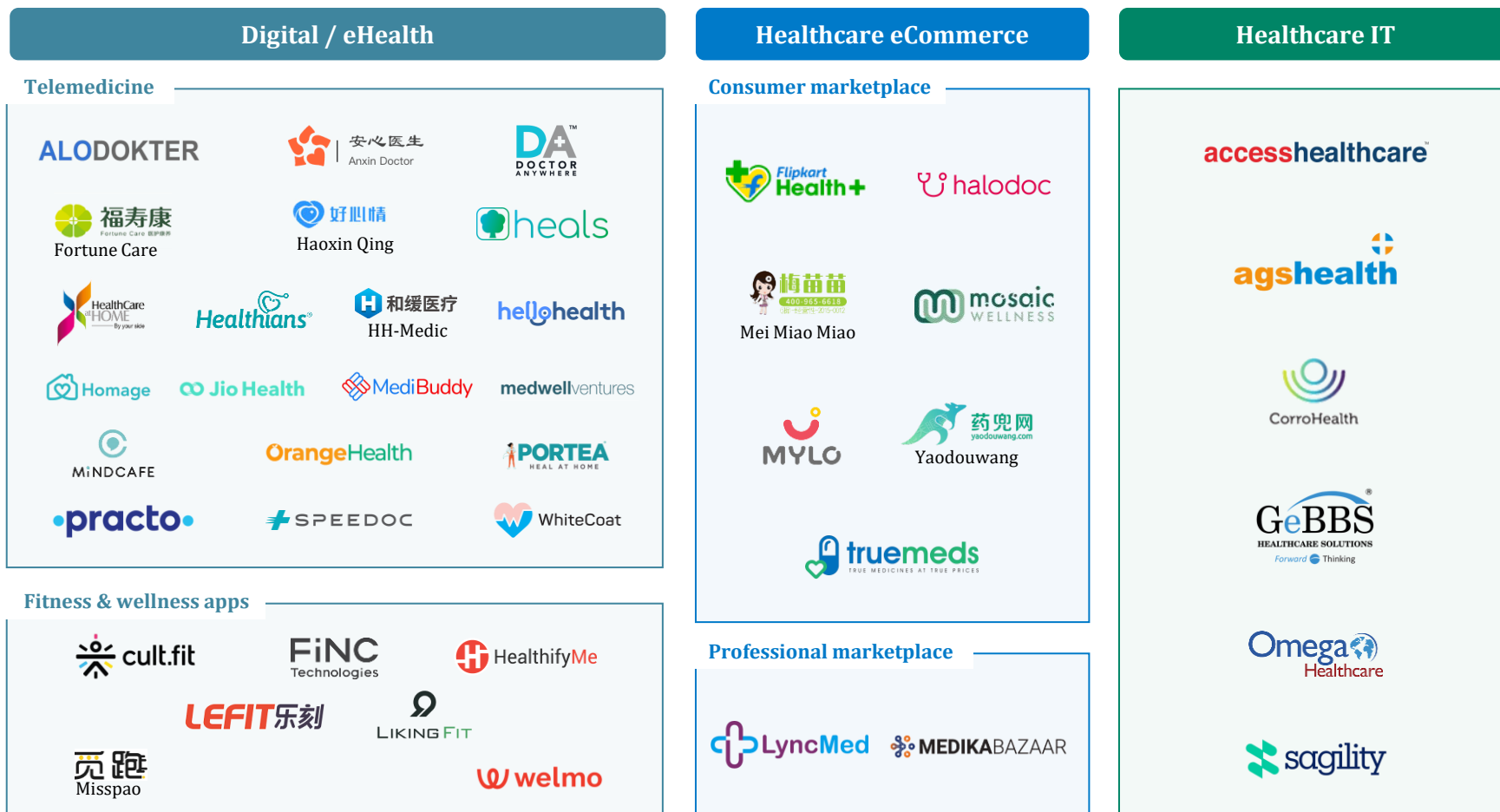
The HealthTech market is expected to grow rapidly, and is forecasted to reach US\$2tn by 2028



Despite growing at a 15.0% CAGR until 2028, HealthTech will remain a fraction the size of the Healthcare and eCommerce markets today

Key players in Asia HealthTech market

Fragmented market with many active players across the region



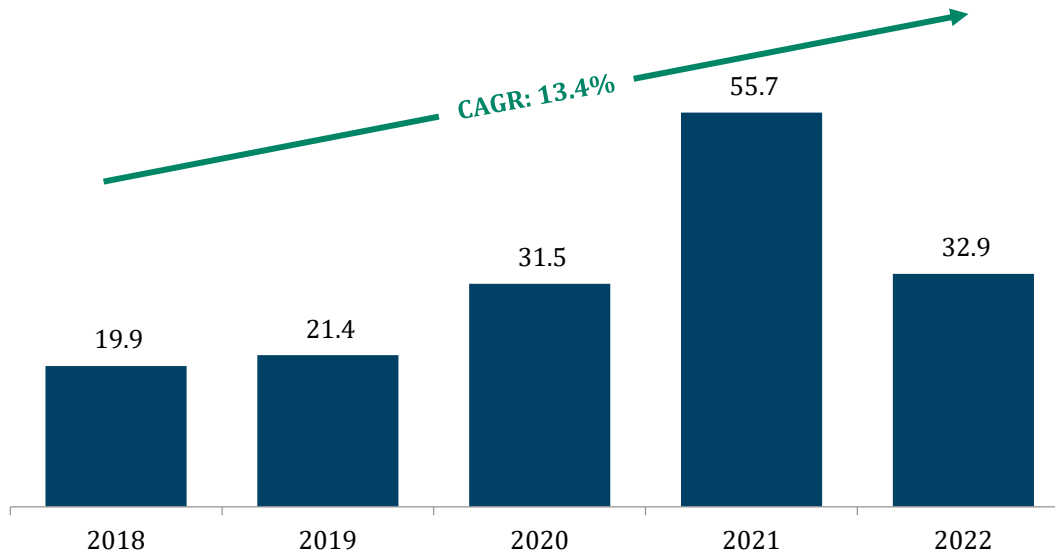
Note: The above is a non-exhaustive list of key HealthTech players in Asia

The HealthTech fundraising environment remains robust

Private market funding activity has been steadily increasing since 2018, barring 2021 which was an outlier year driven by ultra low interest rates and record high capital availability

Global HealthTech private market funding is trending upwards¹

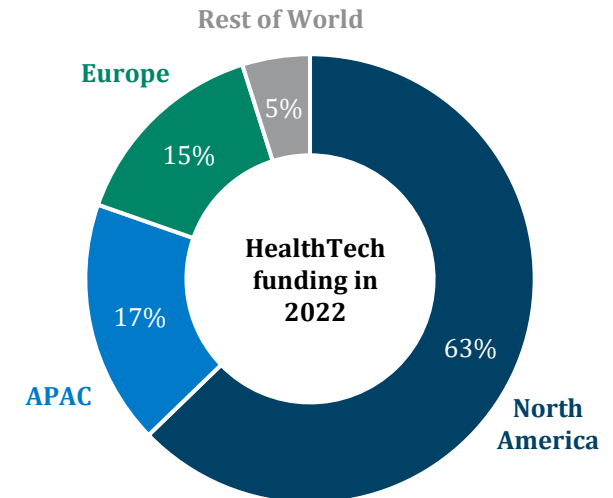
US\$bn



Key funding trends

- 1 Overall funding activity dropped ~40% in 2022 from 2021 levels, with **the Americas and APAC experiencing the largest drop**
- 2 Within APAC, the various regions experienced vastly different VC fundraising activity; **China investments declined ~70%** compared to Southeast Asia which declined ~5%
- 3 Investor appetite has shifted towards companies and business models with a **clear path to monetization or profitability**

APAC attracted the 2nd most funding in 2022



HealthTech can provide solutions to pain points and gaps

HealthTech solutions have the potential to improve all aspects of the healthcare system, including the patient experience, outcomes, and overall costs



Patient



Provider



Payer

Pain points



- Complex patient journey
- Long wait times
- Poor outcomes
- Lack of transparency

- Labour shortages & staff burnout
- High regulation & admin burden
- Growing reimbursement complexity
- Systems are difficult to manage

- High healthcare system costs
- Fragmented market of providers makes it difficult to manage costs

Digital/eHealth



- ✓ Virtual consultations that are accessible and convenient with minimal waiting time
- ✓ Multiple touch points to manage consultations, prescriptions, and insurance

- ✓ Easier to manage supply and demand of healthcare labour given virtual care can be provided regardless of location
- ✓ Reduced paperwork translates to efficiencies in documentation / workload

- ✓ Virtual visits and remote monitoring lower healthcare system costs

Healthcare eCommerce



- ✓ Virtual prescriptions & drug delivery

- ✓ Simplifies procurement of equipment & supplies
- ✓ Provides more procurement options and price transparency

- ✓ Marketplaces provide transparency for equipment & supplies and reduces the overall healthcare costs

Healthcare IT



- ✓ Better outcomes & patient experience
- ✓ Less waiting time required at clinics and hospitals

- ✓ EHR¹ & HIE² allow providers to access real-time digital patient information
- ✓ RCM¹ helps providers manage the process from registration to payment, and coordinate with insurers

- ✓ IT systems help to improve efficiency and reduce cost of healthcare system
- ✓ Solutions help to coordinate and automate various aspects of the insurance process








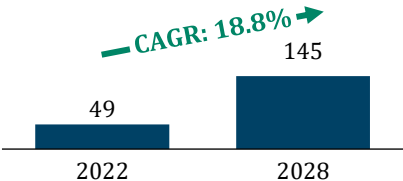
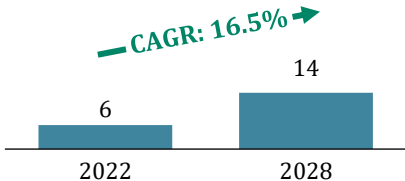
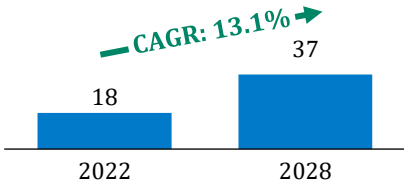
Lack of data integrity and accessibility is a common issue that cuts across all aspects of the healthcare system and results in many of the pain points experienced by patients, providers, and payers today

I. Digital / eHealth



Overview of Digital / eHealth market

Digital / eHealth broadly consists of three subsegments – telemedicine, fitness & wellness apps, and smart equipment

| | 1 Telemedicine | 2 Fitness & wellness apps | 3 Smart equipment |
|----------------------------|--|--|--|
| Business models |    <p>Tele-consultation Home healthcare On-demand lab tests</p> |   <p>Fitness apps Wellness apps</p> |   <p>Wearables Non-wearables</p> |
| Market tailwinds | <ul style="list-style-type: none"> ✓ High adoption post Covid pandemic ✓ Rising mental health concerns ✓ Aging population ✓ Government initiatives to boost uptake ✓ Rising incidence of neurological diseases ✓ Medical tourism sector growth | <ul style="list-style-type: none"> ✓ High smartphone penetration ✓ Increased weight consciousness ✓ Stagnating / declining personal wellness levels ✓ Need for personalization | <ul style="list-style-type: none"> ✓ High adoption / access to smartwatches ✓ Relatively affordable wearable prices ✓ Continued technology improvement allows tracking of a variety of health data ✓ Consumer interest to monitor health |
| Global TAM (US\$bn) |  <p>2022: 49 2028: 145 CAGR: 18.8%</p> |  <p>2022: 6 2028: 14 CAGR: 16.5%</p> |  <p>2022: 18 2028: 37 CAGR: 13.1%</p> |
| Future outlook | <ul style="list-style-type: none"> • Telemedicine is becoming increasingly adopted by users in Asia and globally • Increasing prevalence of integrated platforms offering online-to-offline | <ul style="list-style-type: none"> • Lots of emerging players in this industry, including physical establishments (such as gyms and clinics) pivoting to digital, providing consumers with options for “wellness on-the-go” | <ul style="list-style-type: none"> • Set to experience high growth as consumers, healthcare institutions, and insurance companies all have an interest in better monitoring of health data |

Benefits of eHealth

Improved patient monitoring

More informed patients

Encouraging healthier habits

Easier decision-making for healthcare staff

More accessible and equal healthcare

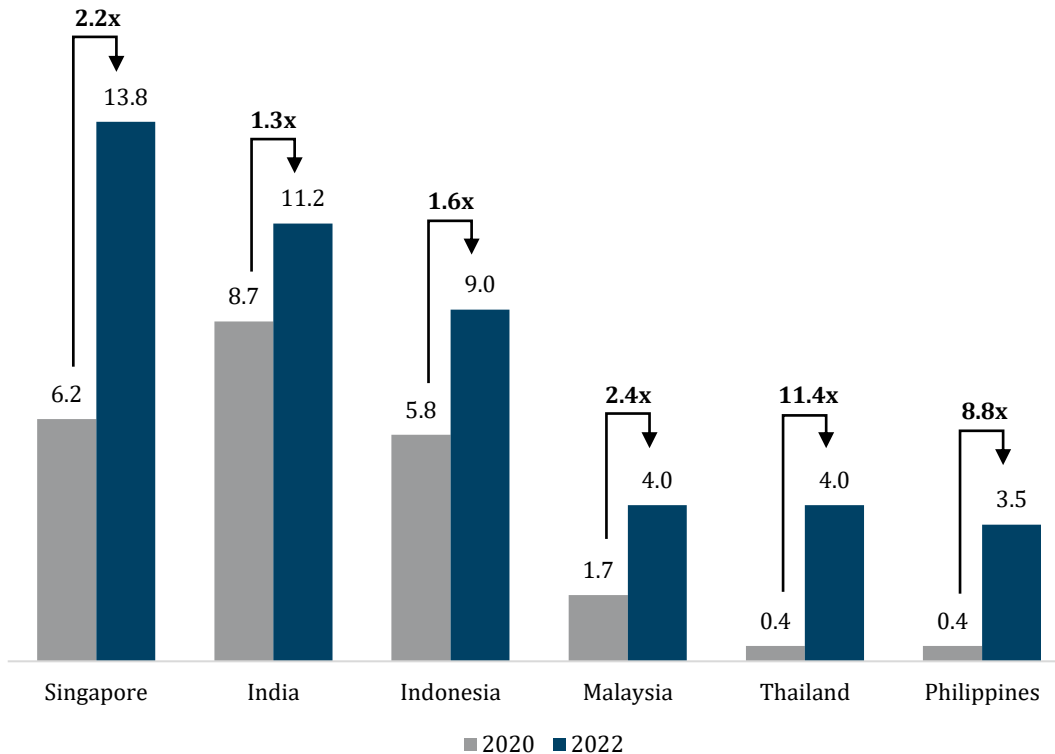
More efficient hospitals and health clinics

Telehealth is on the rise in Asia, introducing a new channel to primary care

In Asia, adoption of telemedicine continues to grow substantially, and gradually penetrates the traditional in-person consultations practice

Telehealth adoption in Asia has increased substantially since 2020

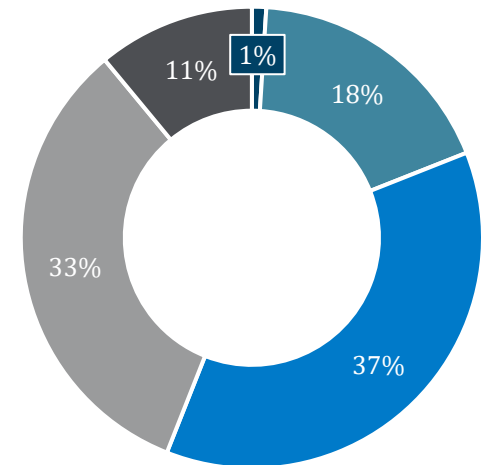
Average monthly active app users per thousand population



In-person consultations will remain core

% of consultations physicians believe can be delivered virtually

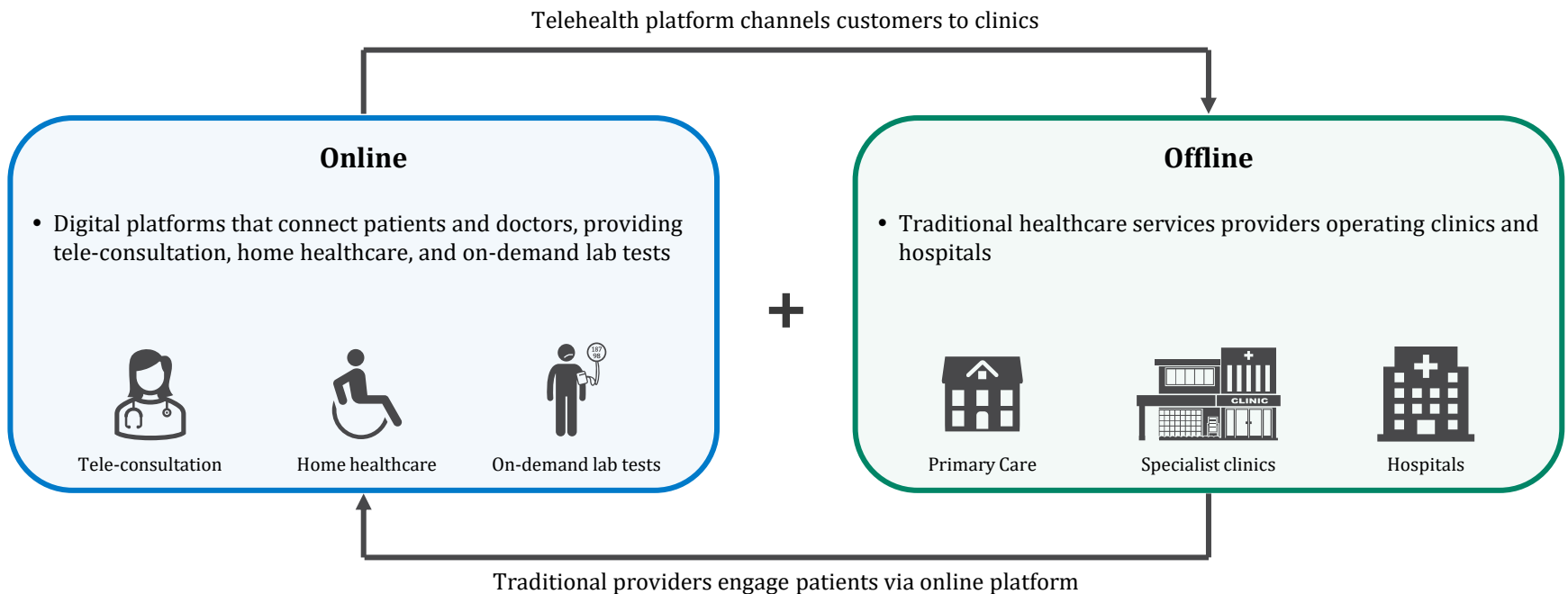
- More than 75%
- 50% - 75%
- 25% - 49%
- 11% - 24%
- 0% - 10%



8 in 10 physicians believe virtual consultations will represent < 50% of all doctor visits

There is greater emphasis on building an omni-channel platform that can provide both online and offline care

Combining online and offline creates a powerful platform to engage and treat patients



Case study

Doctor Anywhere acquires Singapore-listed Asian Healthcare Specialists



*"Our goal at Doctor Anywhere is to build a digital healthcare ecosystem to enable better patient outcomes and help shape the future of healthcare in Southeast Asia. With consumers across the region seeking higher quality and more personalised care, **the acquisition of Asian Healthcare Specialists strengthens our capabilities beyond our successful primary care services, enabling us to deliver more integrated, holistic care and greater value for our users.**" – Lim Wai Mun, CEO, Doctor Anywhere*

Digital / eHealth market dynamics

A variety of dynamics drive fundraise and M&A activity in the Digital / eHealth space


Market dynamics

1 
Effective monetization

- Fierce competition, low customer stickiness, and difficulties in optimization of operations result in **thin margins for many Digital / eHealth companies**
- This makes it difficult for Digital / eHealth providers to **acquire customers and monetize effectively at scale**

2 
Regulatory hurdles

- One common regulatory issue, particularly for telemedicine companies, is that **different countries may have their own licensing requirements**
- In addition, there are **foreign ownership restrictions** in Asian markets such as China, limiting foreign investment

3 
Vertical integration

- It is no longer sufficient to only operate in a **single point (or a subset) of the value chain**, as there is increasing importance in healthcare providers offering **continuity of care**
- Moreover, there are universal benefits to integration, such as achieving **economies of scale and improved efficiencies**

4 
Disruptive innovation

- Big tech, retailers, and even financial services companies are **expanding their reach into healthcare**
- Many of these players can **leverage core competencies to create value for patients** e.g. insurance companies with payment services, or tech companies using AI to improve patient care

Impact on private capital / M&A market

- Digital / eHealth companies are engaging in M&A activity to **increase access to wider customer bases and technologies**
- M&A is also done for **sector consolidation purposes**, reducing competition

- Minority equity investments and joint ventures are done to **acquire regulatory expertise** and **unlock new markets**
- This allows the **unlocking of new markets** where targets have deep regulatory expertise in

- Digital / eHealth is an attractive investment target segment as it allows for the **acquisition of customers far up the value chain**
- Many pharmaceutical ecommerce companies are actively seeking targets in Digital / eHealth

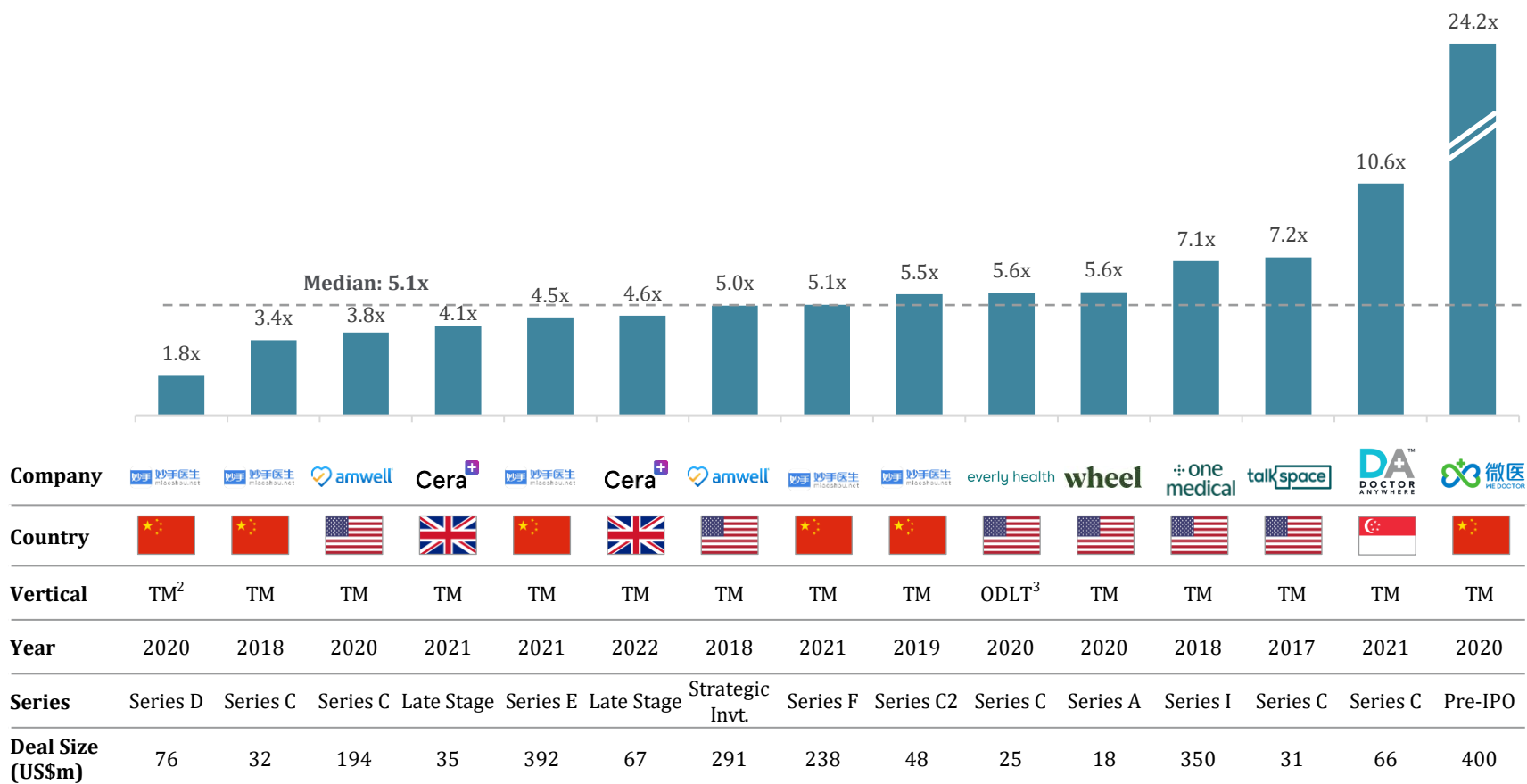
- M&A provides companies with traditionally no healthcare expertise to **diversify its offerings** without the need to build capabilities in-house
- Non-healthcare acquirers engaged in **c.18% of total Digital / eHealth M&A activity in 9M22**

Valuation

Digital / eHealth companies raised capital at a median valuation of **5.1x LTM Revenue**

Recent private market capital raises¹

EV / LTM Revenue



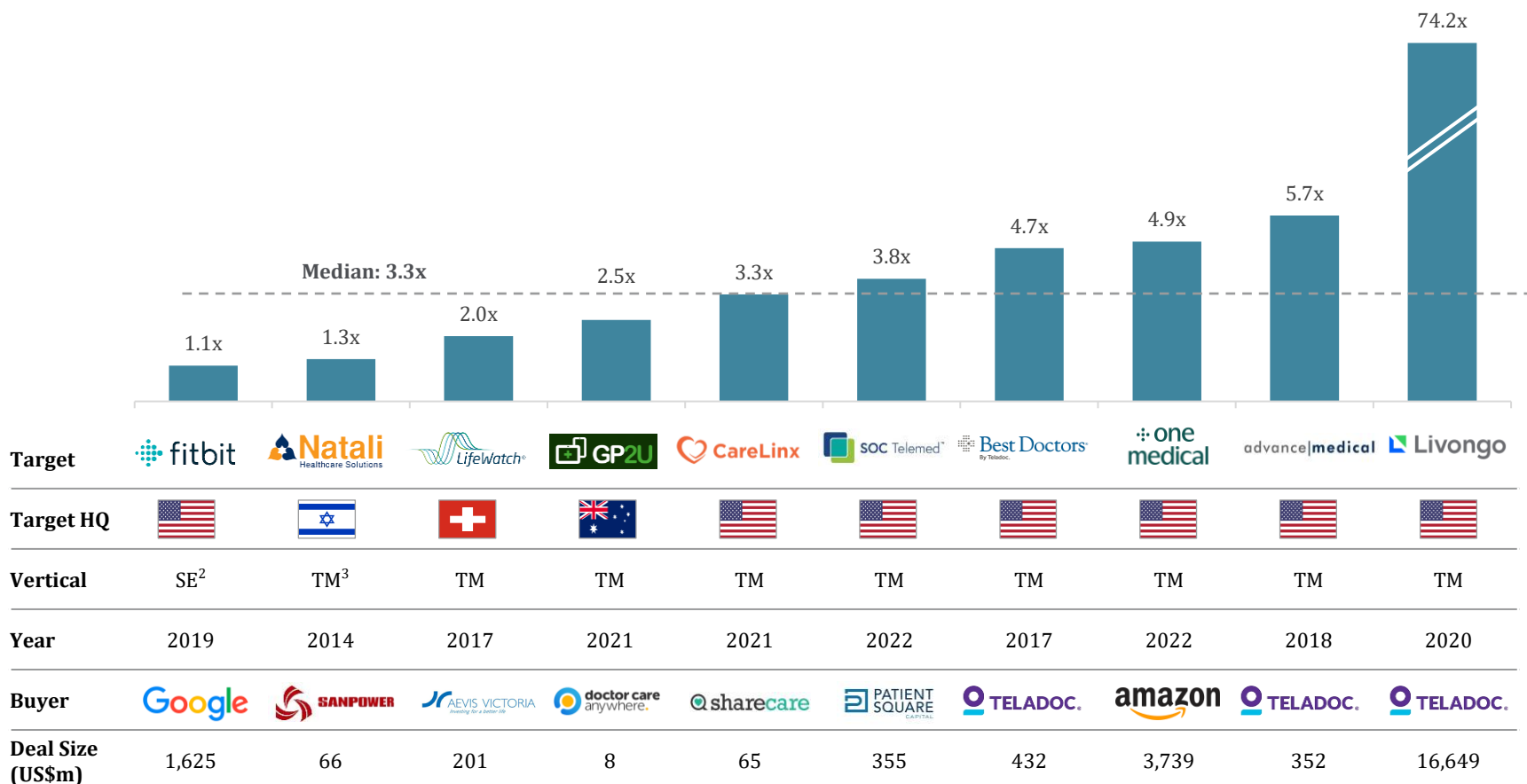
Notes: (1) Information on private market capital raises are obtained from publicly available sources; (2) Telemedicine; (3) On-demand lab tests
Source: Pitchbook

Valuation (cont'd)

Digital / eHealth companies were transacted at **3.3x LTM Revenue** since 2017

Recent M&A transactions¹

EV / LTM Revenue



Notes: (1) Information on M&A transactions are obtained from publicly available sources; (2) Smart equipment; (3) Telemedicine
Sources: Pitchbook, Mergermarket

II. Healthcare eCommerce

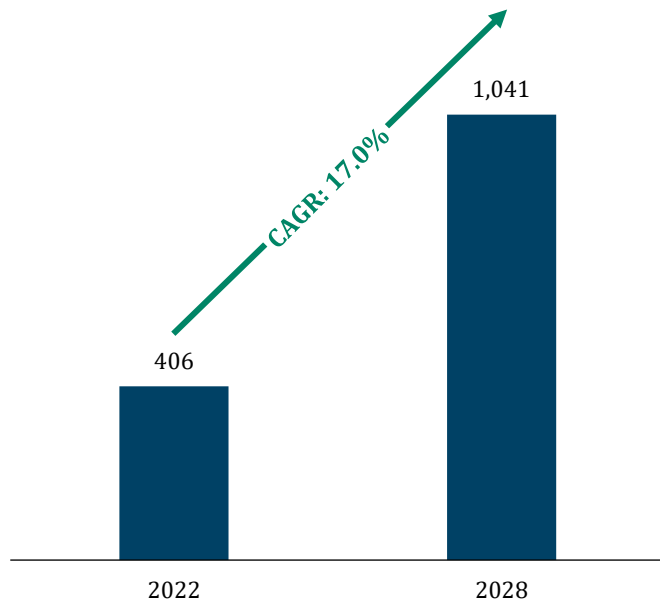


Overview of Healthcare eCommerce market

Healthcare eCommerce consists of a diverse ecosystem of B2C and B2B companies supported by wider growth tailwinds

Global Healthcare eCommerce TAM

US\$bn



Healthcare eCommerce market trends



Increased trust in technology companies to encourage greater adoption and utilization of online platforms and services



Online platforms to broaden variety of products and services available (e.g., remote monitoring services) with consumers being willing to pay for better health outcomes



Platforms to progressively transition and become single touchpoints for healthcare as consumers prefer simplicity



eCommerce experience to become increasingly personalized, transparent and convenient



eCommerce penetration for pharmacies, which remains low relative to other industries, to increase given demand tailwinds and tech-driven innovation

Key business models within Healthcare eCommerce

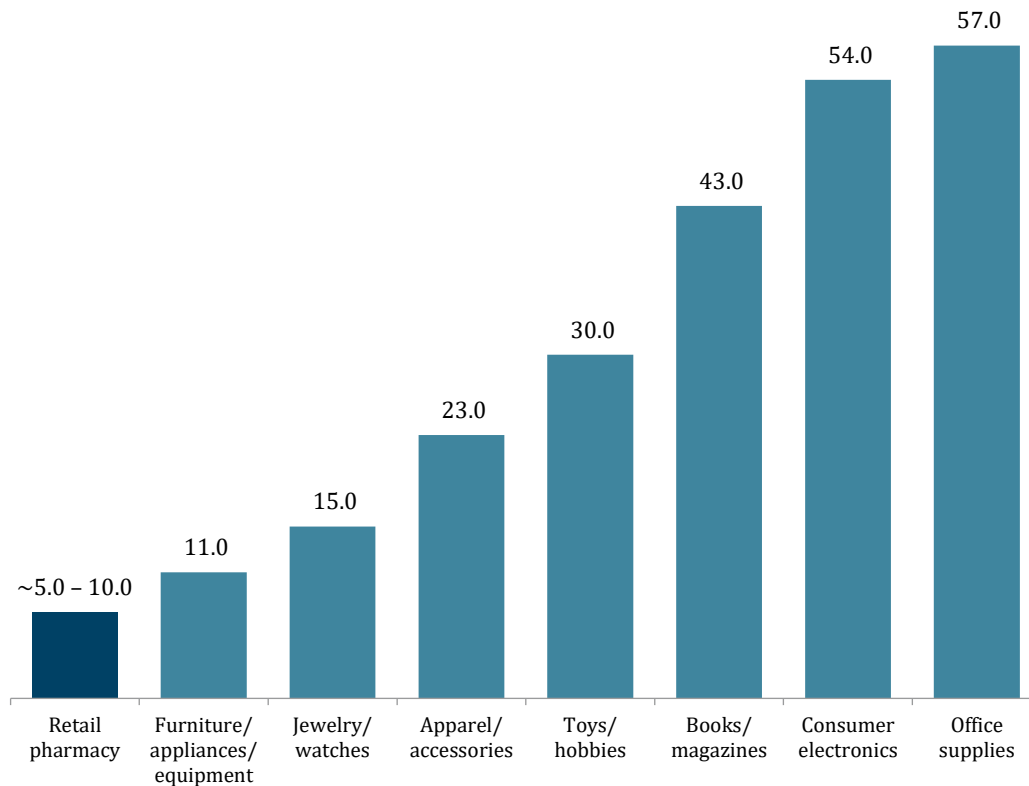
| | Consumer marketplace | Professional marketplace |
|-------------|--|--|
| Description | Platform to allow consumers to connect with medical professionals, pharmacies, and laboratories to obtain health and wellness services | B2B platform to facilitate procurement of medical supplies between manufacturers, distributors and healthcare providers |

Healthcare eCommerce penetration remains relatively low but consumer base is growing and loyal

While eCommerce penetration is low, consumers are beginning to utilise Healthcare eCommerce platforms as their channel of choice

Healthcare eCommerce penetration remains low

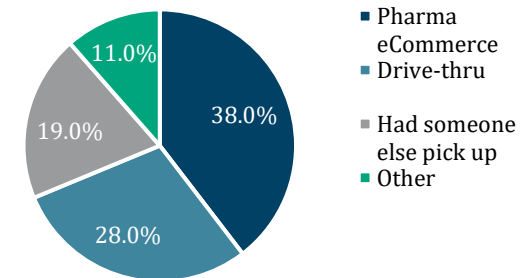
2020 eCommerce penetration¹ by category, %



Note: (1) Based on the US eCommerce market
Sources: BCG Digital Ventures, McKinsey & Co

eCommerce is an attraction option...

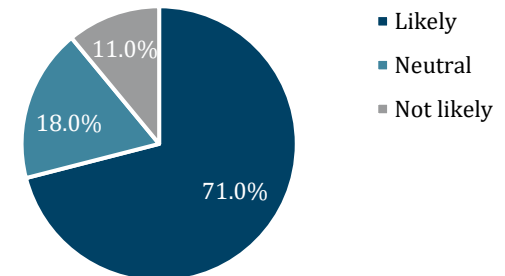
% of alternative pharmacy visits



38% of those that couldn't go to the pharmacy used eCommerce

...with a sticky consumer base





















% likelihood of repeat users of Pharma eCommerce platforms



Of those that used eCommerce, 70%+ would likely use it again

Teleconsultation and ePharmacy companies are increasingly integrating to drive monetization

Teleconsultation and ePharmacy services are highly complementary and increasingly provided by the same platform

| S. No. | Company name | Business overview | HQ country | Service offering | |
|---------------------------------|---|---|---|------------------|-----------|
| | | | | Teleconsultation | ePharmacy |
| Selected Telemedicine companies | | | | | |
| 1 |  MediBuddy | Digital platform for inpatient and outpatient services |  | ✓ | ✓ |
| 2 |  | Teleconsultations and wellness services provider |  | ✓ | ✓ |
| 3 |  | Teleconsultation services provider |  | ✓ | ✓ |
| 4 |  | Online healthcare services provider |  | ✓ | ✓ |
| 5 |  | Digital solutions for patients including teleconsultation |  | ✓ | ✓ |
| Selected ePharmacy companies | | | | | |
| 6 |  | Comprehensive online healthcare solutions |  | ✓ | ✓ |
| 7 |  | Platform of digital health clinics |  | ✓ | ✓ |
| 8 |  | Online pharmacy |  | ✓ | ✓ |
| 9 |  | Online pharmacy |  | ✗ | ✓ |
| 10 |  | Online retailer for pregnancy and maternal goods |  | ✗ | ✓ |

Teleconsultation providers are offering ePharmacy services to monetize and enhance profitability from its patients

ePharmacy providers are offering teleconsultation services to allow customers to get immediate, virtual prescriptions from doctors at the point-of-sale

Healthcare eCommerce market dynamics

A variety of dynamics drive fundraise and M&A activity in the Healthcare eCommerce space

Market dynamics

1 
Attractive business model

- **High growth market** that accelerated during the pandemic
- **Strong unit economics** from the sale of OTC & prescription drugs
- **High upfront costs** such as the creation of a digital platform, regulatory compliance, cold chain logistics & warehousing

2 
Regulatory hurdles

- **Regulation varies by country**, with certain governments more supportive of online pharmacies (i.e. India) and others more stringent (i.e. the Philippines)
- China's drug-pricing policy reduces the margins on drugs, which also trickles down to e-pharmacy profitability

3 
Market consolidation

- Market leaders **effectively channel customers** to their platforms and have **the infrastructure to distribute products effectively**
- **Scale is required to drive profitability** and **establish a competitive moat**

4 
Increasing competition

- **Teleconsultation players** are starting to offer drug delivery
- **Traditional pharmacies** are increasingly omni-channel
- Large players, such as Amazon and CVS, are seeking to establish themselves as the go-to e-pharmacy

Impact on private capital / M&A market

- In the current macro environment, **investors are prioritizing business models that are profitable** or have a clear path to profitability
- **eCommerce is well understood by investors**

- Scaled players are emerging in countries with favourable regulations (i.e. India, Indonesia)
- Chinese players have a lower valuation
- **No regional players have emerged given the different market dynamics in each country**

- Early movers **attracted the lion share of private capital via many funding rounds**
- Market leaders are now **consolidating smaller players to drive economies of scale**

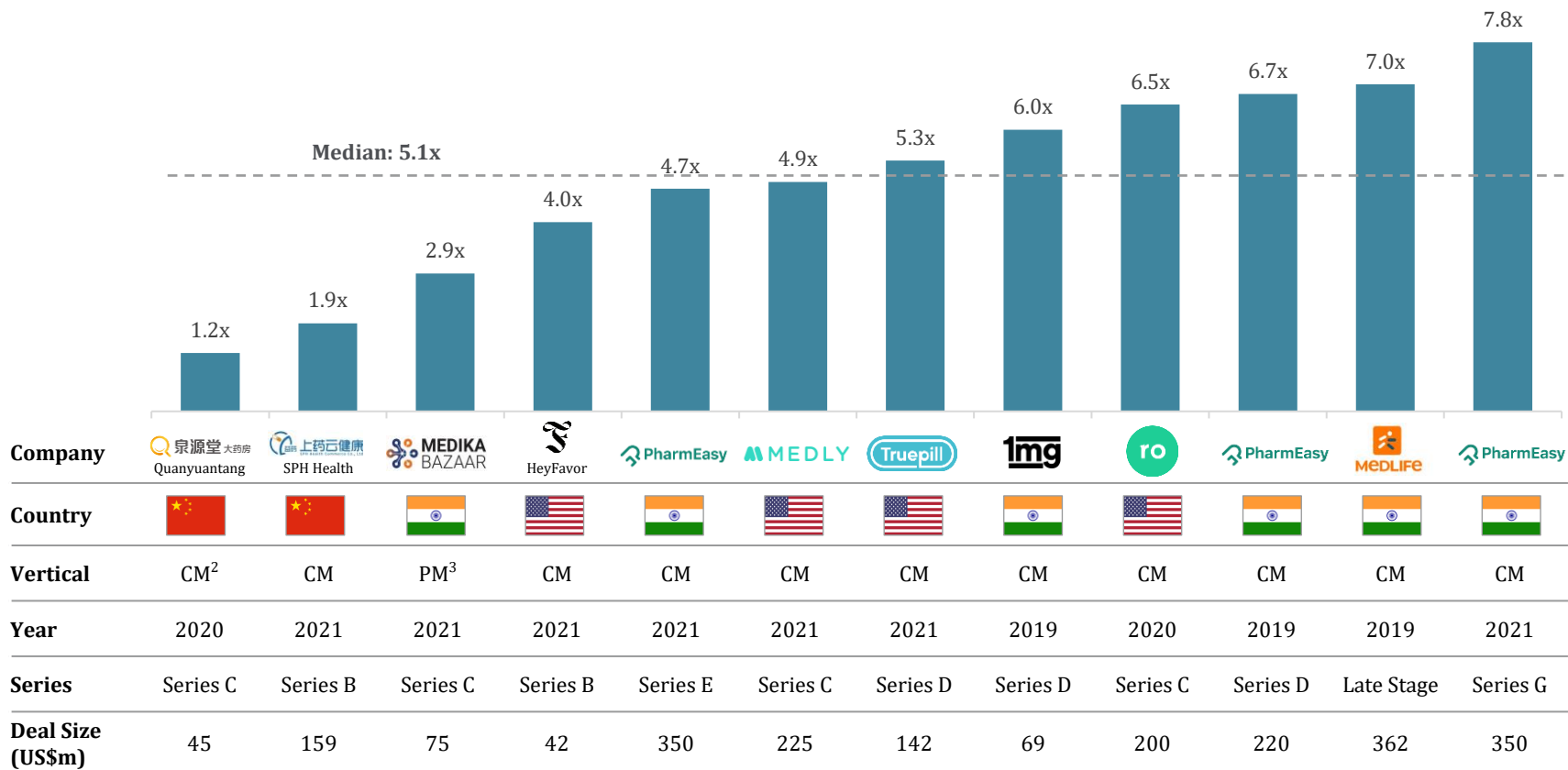
- **Teleconsultation players** are acquiring **e-pharmacies** to gain footprint/capabilities
- Traditional pharmacies and eCommerce players are seeking e-pharmacy targets

Valuation

Healthcare eCommerce companies raised capital at a median valuation of **5.1x LTM Revenue** over the last 5 years

Recent private market capital raises¹

EV / LTM Revenue



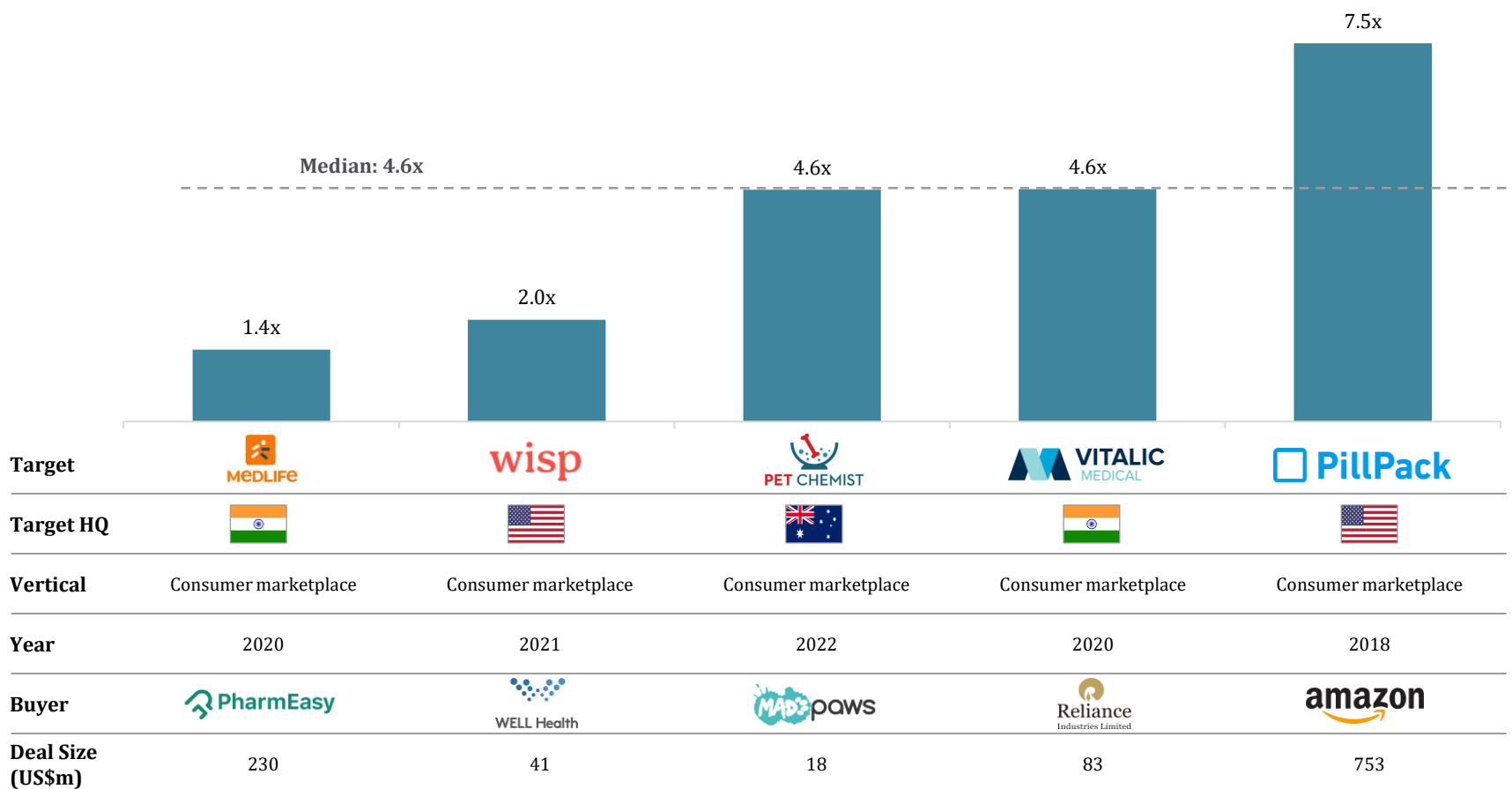
Notes: (1) Information on private market capital raises are obtained from publicly available sources; (2) Consumer marketplace; (3) Professional marketplace
Source: Pitchbook

Valuation (cont'd)

Healthcare eCommerce companies were transacted at **4.6x LTM Revenue** since 2018

Recent M&A transactions¹

EV / LTM Revenue



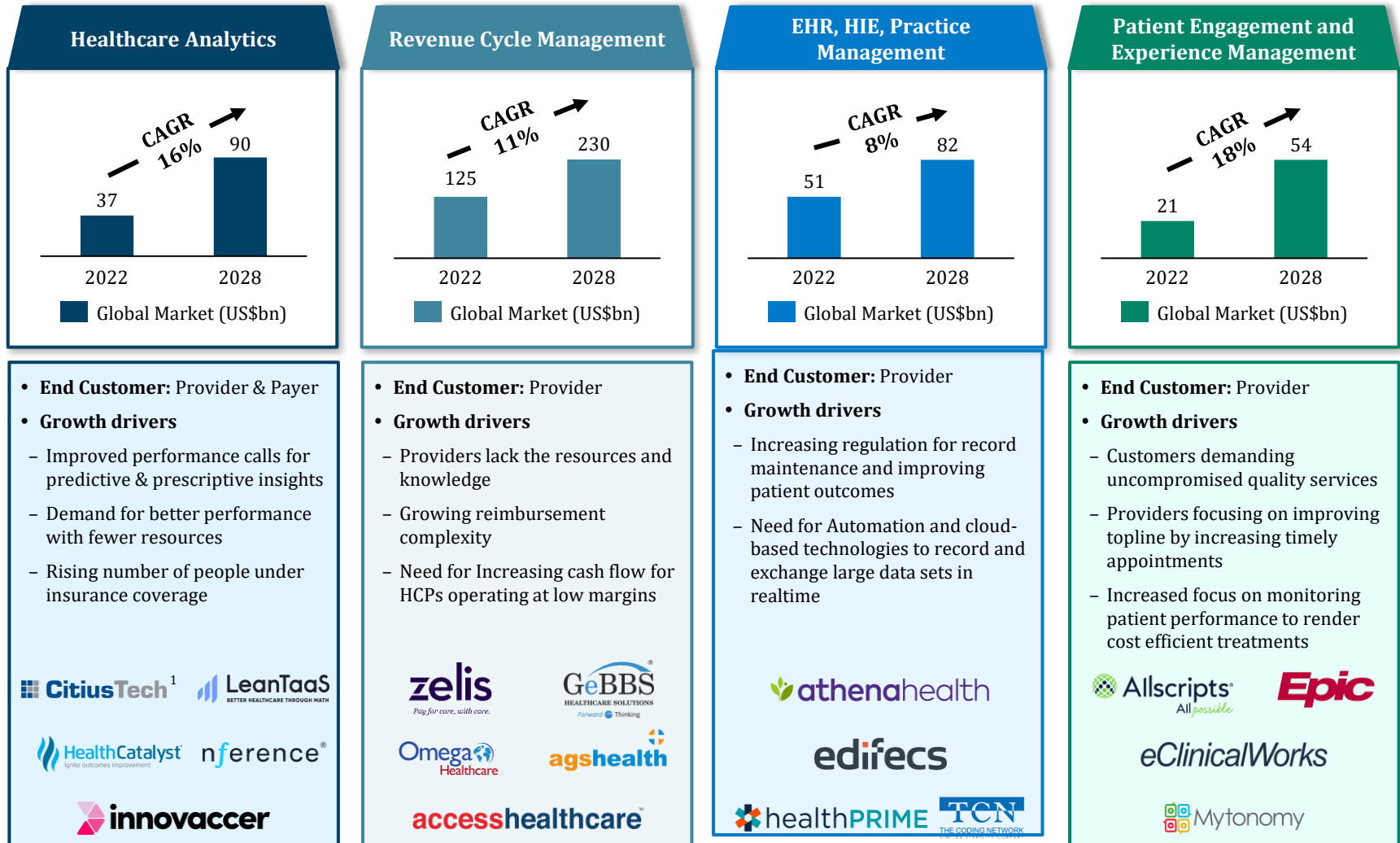
Note: (1) Information on M&A transactions are obtained from publicly available sources
Sources: Pitchbook, Mergermarket

III. Healthcare IT



Overview of Healthcare IT market

Healthcare IT solutions primarily focuses on the provider segment



Note: (1) Provides enterprise healthtech solutions and analytical solutions

Sources: Allied Market Research, Insight Partners, Grand View Research, Research and Markets

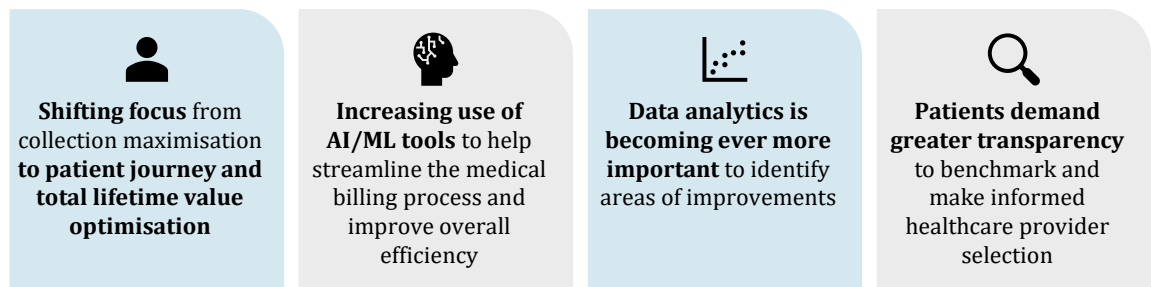
Revenue Cycle Management – An overview

RCM functions verify patients' insurance, help hospitals update their pricing lists, code the medical claims that are sent to insurers and government programs, and work with insurers over denials, and collect payments from patients

Complex and important process...

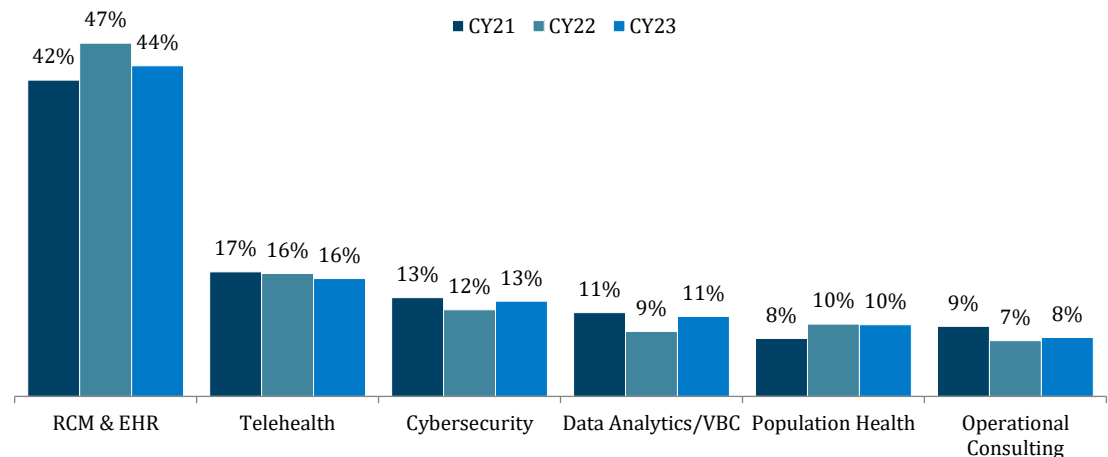


... that has to quickly evolve on the back of sectoral structural change



RCM and EHR¹ are the top the tech investment priority in healthcare sector

Allocation of Healthcare IT investment



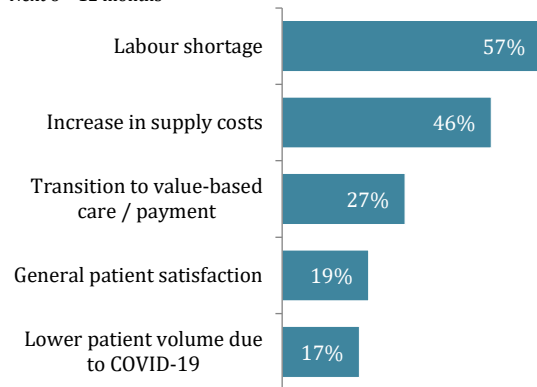
Note: (1) Electronic Health Record typically overlaps with the pre-visit solutions in RCM
Sources: Broker notes, R1 RCM public investor presentation, Public information

Revenue Cycle Management – Market overview

RCM outsourcing is expected to grow at a 2022-2030 CAGR of 12%, doubling that of internal RCM spend over the same period and reach ~US\$77bn by 2030

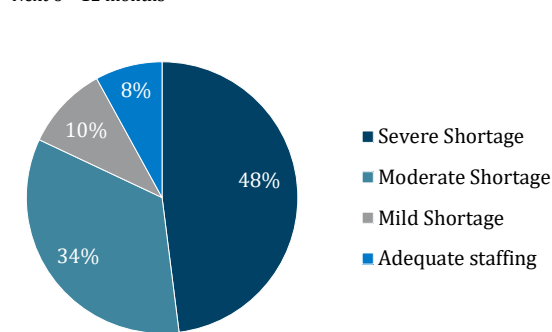
Key challenges for healthcare sector

Next 6 – 12 months

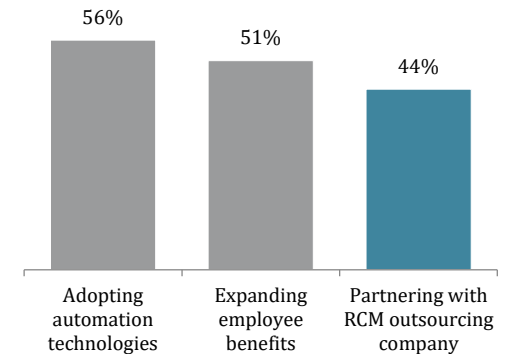


RCM staffing levels

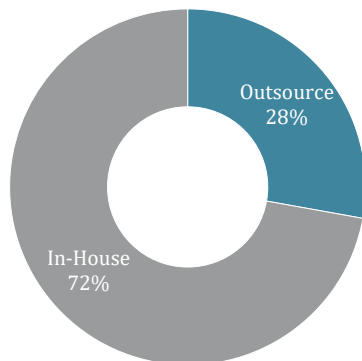
Next 6 – 12 months



Plans to address labour shortage

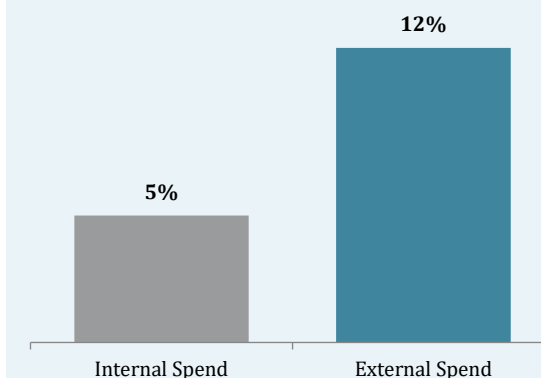


Outsource vs. in-house split, 2022¹

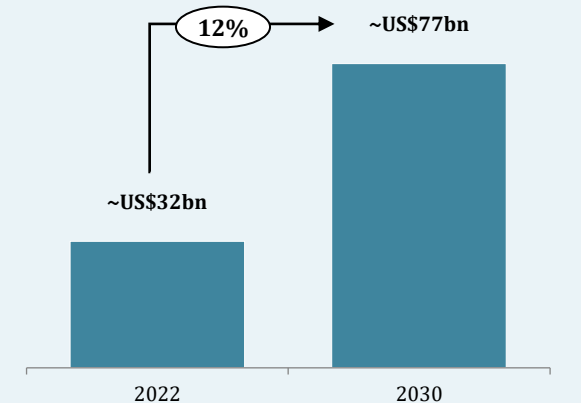


External vs. internal Spend CAGR²

2022-2030 CAGR



RCM outsourcing market size^{1, 2}



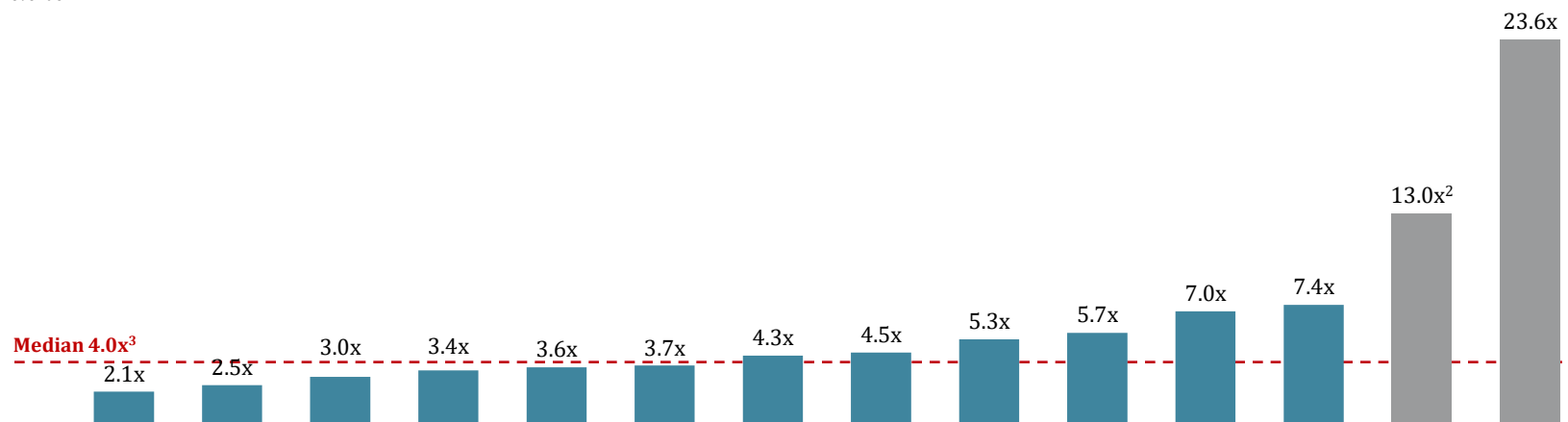
Notes: (1) CMS NHE Projections and R1 estimates; (2) Research and Markets Global Forecast to 2028, published April 2022
Sources: Broker notes, R1 RCM public investor presentation, Public information

Valuation

Healthcare RCM companies were transacted at a median valuation of **4.0x LTM Revenue**

Recent M&A transactions¹

EV / LTM Revenue



| Target | EVERISE | eMDs | sagility | Cerner | GeBBS | CHANGE | agshealth | athenahealth | Cerner | CitiusTech | COTIVITI | edifecs | athenahealth | AdvancedMD |
|-------------------|------------|--------|------------|----------------|--------------|------------|------------|-----------------|----------------|----------------|----------------|---------------|--------------------|----------------|
| Delivery Centres | US, PH | US, IN | US, PH, IN | US, IN, BR, SA | US, PH, IN | US, IS, PH | US, PH, IN | US, IN | US, IN, BR, SA | US, IN, BR, SA | US, IN, BR, SA | US, IN | US, IN | US, IN, PH, UA |
| Year | 2020 | 2020 | 2021 | 2020 | 2018 | 2022 | 2019 | 2018 | 2021 | 2019 | 2019 | 2020 | 2021 | 2018 |
| Buyer | Brookfield | CGM | BPEA IEQT | CGM | CHRYSCAPITAL | Optum | BPEA IEQT | VERITAS CAPITAL | ORACLE | BPEA IEQT | vercend | TA ASSOCIATES | Hellman & Friedman | globalpayments |
| Deal Size (US\$m) | 450 | 240 | 1,200 | 248 | 140 | 13,000 | 320 | 4943 | 29,201 | 800 | 4,720 | 724 | 17,000 | 707 |

Notes: (1) Information on M&A transactions are obtained from publicly available sources; (2) Estimated multiple with LTM Revenue as of Sep 2018; (3) Median calculation excludes the outliers (greyed)

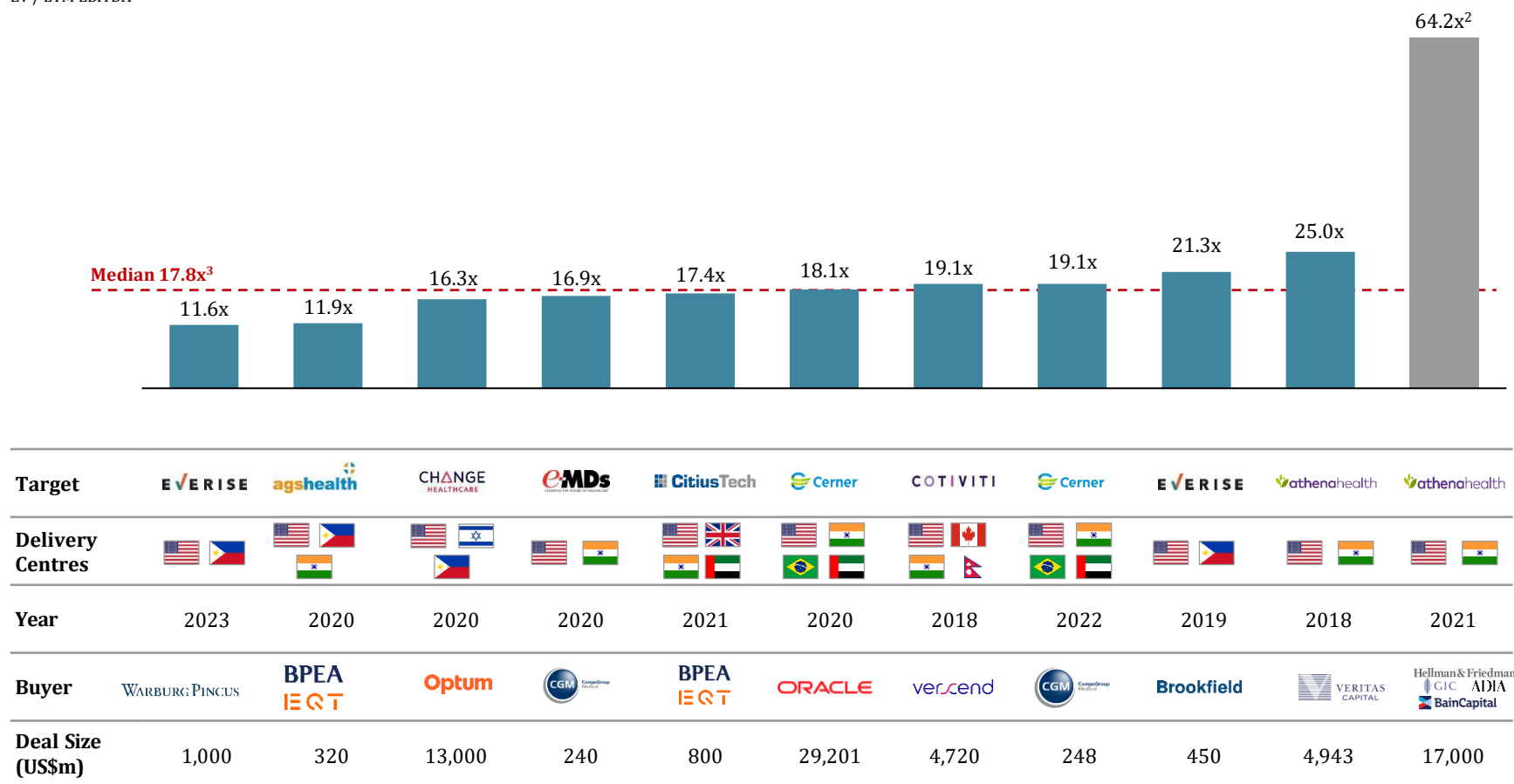
Sources: Pitchbook, Mergermarket

Valuation (cont'd)

Healthcare RCM companies were transacted at a median valuation of **17.8x LTM EBITDA**

Recent M&A transactions¹

EV / LTM EBITDA



Notes: (1) Information on M&A transactions are obtained from publicly available sources; (2) Estimated multiple with LTM Revenue as of Sep 2018; (3) Median calculation excludes the outliers (greyed)

Sources: Pitchbook, MergerMarket

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