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Digital Healthcare Activity Stabilizing

July 2022

Facts and observations

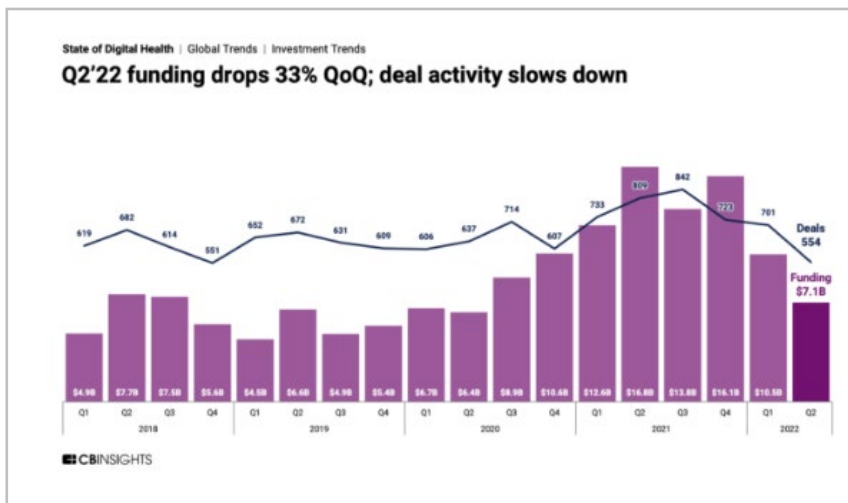
Investment in digital healthcare soared amid COVID-19

Digital healthcare gained great prominence following the outbreak of COVID-19, as patients wanted to feel more empowered than ever before. Many venture funds stepped up to fund advanced digital health technology companies that were focused on AI-based data-driven connected technologies. Overall, [digital health funding](#) reached USD 32 billion in 2020, and surged by 79% to USD 57.2 billion in 2021.

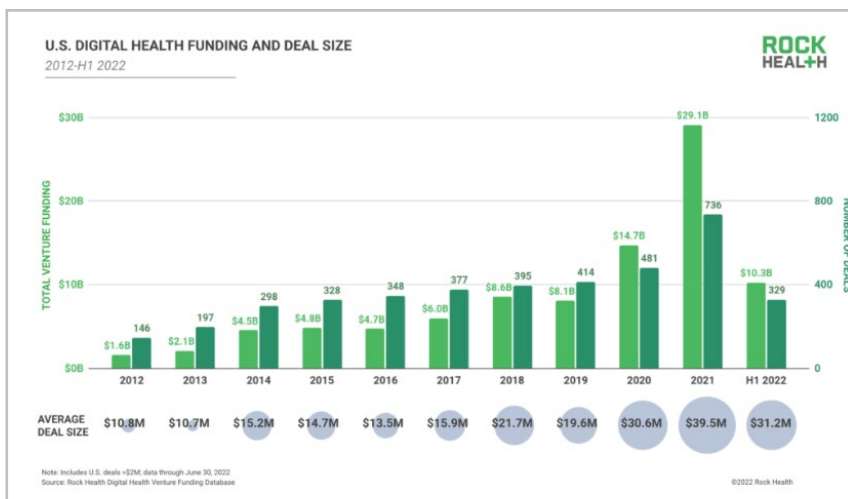
But it is slowing down in 2022

Many investors participated in the digital health investment trend. However, the industry, which was looking lucrative in 2020 and 2021, seems to be slowing down in 2022.

- Digital healthcare funding witnessed a steep fall in H1 2022.



Source: [CBInsights](#)



[H1 2022 digital health funding: Two sides to every correction | Rock Health](#)

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- Investors seem hesitant to invest due [inflation](#), [energy shocks](#), and the emergence of new COVID variants.
- The market is witnessing uncertainty due to excessive cash, rapid rise in valuations, and unclear exit pathways.
- Small and non-specialized investors expect sustainability issues in the market ([in H1 2022](#), around 70% of the digital health investors were repeated investors).



Implications

The latest developments have created a disequilibrium in the digital health market, restricting initial public offerings (IPO) in H1 2022. Only [one](#) IPO was launched in each quarter of 2022, compared with 23 [IPOs](#) in just Q4 2021. Moreover, no special purpose acquisition company (SPAC) deals have been signed this year, compared with six deals in Q4 2021.



Outlook

The digital healthcare industry is expected to witness consolidation through M&A deals. It may remain frothy due to its highly fragmented nature and unsustainably high valuations, but we do not expect it to lead to an investment bubble.

We continue to see substantial value in the digital healthcare market, despite surging inflation, supply chain disruptions, and volatile geopolitical scenarios. However, we admit that 2021 was an anomaly rather than a norm, and digital health funding flow in H2 2022 will be similar to that in H1 2022.



Sources

- <https://rockhealth.com/insights/well-is-digital-health-in-a-bubble-or-not/>
- [Consumer adoption of telemedicine in 2021 | Rock Health](#)
- [Global digital health funding falls 36% to \\$10.4B in Q1 2022 \(fiercehealthcare.com\)](#)
- [Stock Markets Close Lower as Inflation Rises, War in Ukraine Continues - WSJ](#)
- [The world may be facing one of the largest energy shocks ever, Goldman Sachs says - CNN](#)
- [Global digital health funding skyrockets to \\$57.2B with record cash for mental health, telehealth | Fierce Healthcare](#)
- <https://www.benefitspro.com/2022/04/11/is-the-digital-health-startup-boom-over/?slreturn=20220612055419>
- [H1 2022 digital health funding: Two sides to every correction | Rock Health](#)
- <https://www.cbinsights.com/research/report/digital-health-trends-report-q2-2022-preview/>
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