

HEALTH TECHNOLOGY MARKET UPDATE

The health technology market in the UK has been booming, with M&A activity and fundraising reaching record levels in recent years. The COVID-19 pandemic has accelerated the adoption of digital health solutions, and investors are eager to get involved in this rapidly growing sector. However, the market has cooled in recent months, as valuations have come down and moved to be closer in line with the wider listed horizontal and vertical software ecosystem and funders have become more cautious.

The UK has become a hotbed of M&A activity in the health technology sector, with a number of large deals being announced including UnitedHealth Group's acquisition of EMIS Group for £1.2bn and Nordic Capital's investment in RL Datix for c.£2.5bn in 2022.

Private equity and venture capital firms are also investing heavily in the UK health technology market. In 2022, Atomico invested an additional £20 million in Accurx, a digital health company that provides patient engagement apps. YFM backed DrDoctor and Beringea invested in Doctify. Private equity interest in the health technology space is expected to remain strong in 2023.

One cautionary tale from the UK health technology market is the collapse of shareholder value at Babylon Health. Babylon Health was a digital health company that listed by way of a SPAC on the New York Stock Exchange in 2021, but the company's stock price has fallen sharply since then. In June 2023, Babylon Health was taken private in a deal with AlbaCore Capital Group. The deal all but virtually wiped out the shareholders of Babylon Health.

The collapse of Babylon is a reminder of the risks involved in investing in digital health companies. While the sector has the potential to grow significantly in the coming years, there are also a number of risks involved including the pace of change and speed of adoption in the UK health system.

Health Technology market update cont.

Here are some of the key trends that are shaping the UK health technology market:

- **Increased focus on preventive measures and early intervention** - health technology solutions play a vital role enabling healthcare providers gather real-time data and use predictive analytics to identify potential health issues before they come severe
- **Continued adoption of Digital Health Solutions** - This includes telemedicine services, mobile health apps, wearables, remote monitoring devices, and other innovative technologies that enhance patient engagement and facilitate better communication between healthcare providers and patients
- **Focus on efficiency, productivity and capacity** - UK's healthcare system faces challenges related to capacity and efficiency. Health technologies that streamline administrative tasks, optimise resource allocation, and improve patient flow are in high demand. Additionally, health technology companies are increasingly using artificial

intelligence and machine learning to analyse large datasets and enhance decision-making processes in healthcare

- **Growing recognition of importance of mental health and overall wellbeing** - Health technology solutions that address mental health issues, promote mindfulness, and support holistic wellbeing are gaining traction
- **Stronger focus on data standards** - With the adoption of more digital health solutions, there will be a substantial increase in the amount of health data generated. As a result, data security and privacy concerns will become paramount. Health technology companies will need to implement robust data protection measures and adhere to strict regulatory guidelines

The UK health technology market is a dynamic and rapidly growing sector. The combination of government support, private investment, and technological innovation is creating a very favourable environment for the development of new health technology solutions.

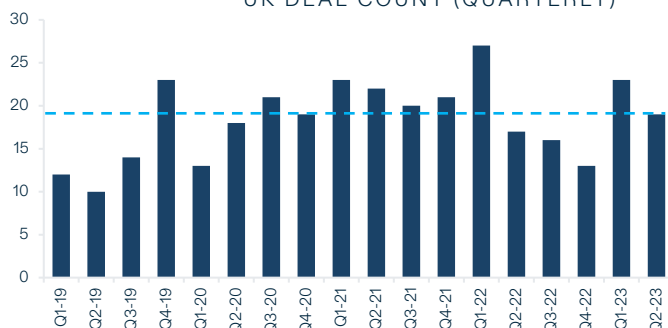
UK INVESTMENT LANDSCAPE*

Top Strategic Acquirers in the UK Market	
Company	Acquisitions
RLDATIX	10
CIVICA	9
HUMA	6
EMIS Group	5
System C	3

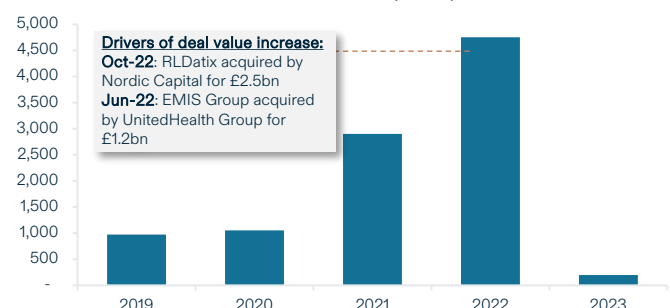
Top Financial Investors in the UK Market	
Fund	Investments
mercia	9
BGF	8
AlbionVC	7
HAMBRO PERKS	5
Gresham House	3

Largest UK Fundraises		
Target	Investor	Fundraise
babylon		£454m
Cera+	KAIROS	£263m
lumiraDx		£212m
HUMA	leaps	£92m
PROXIMIE		£66m

UK DEAL COUNT (QUARTERLY)



UK DEAL VALUE (£ms)**



Market Perspectives

VENTURE CAPITAL & PRIVATE EQUITY



GRESHAM HOUSE VENTURES

Growth equity investors that partner with software and technology-enabled service companies

MAYA WARD

Maya joined Gresham House in September 2019, and focuses on healthcare investments, including Orri, Metrion Biosciences and Panthera Biopartners

In light of recent advancements in healthcare software, what emerging technologies or trends do you believe will shape the future of the industry, and how does your M&A strategy align with these developments?

We see this as an exciting time for healthcare software. Healthcare has historically been slow to digitise. However, rising workforce and demand pressures are accelerating the drive to mass adoption of digital solutions ('HealthTech'). The pandemic was a key catalyst, with high clinician and patient adoption of home testing and virtual consultations. The development of AI and algorithms has huge potential to drive more personalised healthcare services and improve standards of care. We are particularly interested in healthcare software which improves patient access, outcomes and/or delivers provider value through cost or productivity efficiencies. Areas of focus include applying augmented intelligence to support diagnostics or patient stratification for clinical trials; remote patient monitoring solutions to provide more care outside of hospital settings; and online platforms providing greater access in areas of significant unmet need, such as mental health services.

Could you share any success stories or case studies of healthcare software businesses that you have acquired, highlighting the key factors that contributed to their growth and market success?

Medica - which recently received an offer from IK Partners at a 32% premium to its closing price before the offer - has proven a great investment. Medica provides teleradiology services - the transmission and display of radiological images, such as CT scans and x-rays, in a location independent of where the patient is imaged - supporting both public and private hospitals to provide high-quality patient care and reduce waiting times for radiology reports. Its growth has been supported by structural capacity issues and leveraging technology to enhance its service offering in a critical area of the clinical pathway.

Considering the evolving regulatory landscape and increasing focus on data privacy in healthcare, how does your investment approach account for compliance and security requirements when evaluating healthcare software businesses?

Data security, privacy and data protection are all key areas of focus in our due diligence process. Cyber security is also an area we scrutinise, especially as cyber-attacks are unfortunately becoming more and more prevalent.

Beyond financial returns, what additional value-add or support do you provide to the healthcare software companies in your portfolio to foster their long-term growth and competitive advantage in the market?

We are collaborative partners and we look to support our portfolios in a number of ways. We are engaged, active investors who typically take board seats enabling us to share our experience in scaling companies across a diverse range of sectors. We also have an in-house Talent team who provide support to portfolio companies including with C-suite and Board appointments. Sustainability is an important area - we support our portfolios to build stronger ESG capabilities including developing an ESG strategy, hosting regular webinars and leveraging the expertise of our Sustainable Investment team. We support our portfolios to improve governance and consider the specific challenges they're facing, such as how to improve health inequalities.

Market Perspectives

TRADE BUYERS



SYSTEM C HEALTHCARE

A CVC Capital Partners portfolio company, a provider of software solutions to the health and social care markets

TOM AMBROSE

Tom joined System C Healthcare in October 2022, and is the Corporate Development Lead, specialising in M&A activity and wider strategy development

In light of recent advancements in healthcare software, what emerging technologies or trends do you believe will shape the future of the industry, and how does your M&A strategy align with these developments?

In the aftermath of the COVID-19 pandemic, resources are becoming increasingly stretched in healthcare systems all over the world and will likely continue to do so in the medium term. Our investment thesis is to broaden the scope of what can be accessed via the System C product portfolio, both in terms of patient records, but also other related products that help to improve the working lives of clinicians on our platforms, through productivity tools that enable the delivery of care to be both faster and safer. We're seeing a shift towards convergence of care delivery, which is partly facilitated through concepts such as virtual wards and remote monitoring, but more so through easier and more secure sharing of clinical data. This means that patient information needs to flow across these settings in a timely manner to ensure that clinicians and caregivers have access to all the relevant information at the point of care – we're currently looking at options to ensure our records are accessible both within the relevant departments of a hospital, but also out in the wider community setting including with patients themselves, getting them more involved in the management of their own health and maximising the data available to clinicians in their care delivery. The link to social care data also plays a key role in preventative care, reducing the strain on our hospital systems by reducing inpatient care requirements. More widely, the increased interest globally in the applications of artificial intelligence and machine learning in health and social care represents another clear opportunity, but one that we're approaching in a thoughtful manner with a real focus on the safety aspects of any solutions in this space. Our recent acquisition of Oxford Computer Consultants brings us some strong in-house AI capabilities that will underpin our efforts going forwards.

Could you share any success stories or case studies of healthcare software businesses that you have acquired, highlighting the key factors that contributed to their growth and market success?

Maternity and neonatal patient records software provider Clevermed, another of our recent acquisitions, is a great example of our focus on ensuring wider access to patient records where necessary – we're looking to build on their impressive track record today with an increased focus on delivery and on integration, ensuring the key early-life data they hold is more easily accessible as required in the wider healthcare ecosystem. They're a great team with a really fantastic set of products, and their traction in the market both here in the UK and overseas reflects their reputation.

Considering the evolving regulatory landscape and increasing focus on data privacy in healthcare, how does your investment approach account for compliance and security requirements when evaluating healthcare software businesses?

There's no doubt we live in an increasingly uncertain world where the pace of developments in security doesn't always keep pace with wider technology advancement, and threats can come in many forms. System C's core has traditionally been in the patient records software space, where security and compliance are paramount and critical to the ongoing viability of our business. Our systems deal with sensitive patient data as a matter of course, so it's a key focus area in our due diligence processes, ensuring that our acquisitions have data protection mechanisms in place that are appropriately robust for the sensitivity of data they process. Once companies are acquired, we then also look to level up any areas we can as part of our integration process to bring them in line with the wider System C Group.

Beyond financial returns, what additional value-add or support do you provide to the healthcare software companies in your portfolio to foster their long-term growth and competitive advantage in the market?

We generally look to acquire growing companies with products we believe have a strong strategic and cultural fit to our own suite, so our focus post-acquisition is on providing our acquired teams with the tools to accelerate their growth trajectories through increased value-add in connections to the wider System C product suite, and by leveraging our strong relationships with our customers to increase cross-sell opportunities. High-quality implementations and support are key to customer satisfaction and retention, and we support our acquisitions with efficiency improvements through our own internal structures and processes. We're also lucky to have some very supportive investors in CVC, enabling us to invest in our products and teams to ensure we're trying to deliver the best possible experience to our customers

Deal spotlight

Sale of MBI Healthcare Technologies to DNV



BUSINESS OVERVIEW

- MBI Healthcare Technologies supplies healthcare providers with artificial intelligence-backed technology and data quality expertise to reduce patient safety risks, deliver care more efficiently and bring down waiting times for elective treatment. The company tackles the growing challenge of patient data being imprecisely recorded in electronic health
- It has worked with more than 80 healthcare providers in the UK to improve elective care performance over the past decade. Its LUNA software platform has been used to manage more than 40 million patient pathways, and the company has assessed more than 10 million clinical documents

DEAL INSIGHTS

- finnCap Cavendish advised on the sale of health technology firm MBI Technologies, to DNV, a global quality assurance and risk management provider
- The acquisition forms part of DNV’s strategic expansion into the digital health market, where it aims to significantly grow its presence through innovation, acquisitions, and partnerships. DNV and MBI will work to rapidly scale the MBI’s solutions in the UK, target growth in international markets, and bring new data assurance technologies to the healthcare sector
- MBI Healthcare Technologies’ management will continue to lead the company’s growth, supported by an international team of commercial and domain experts from DNV

SUCCESSFUL OUTCOME

- finnCap Cavendish created a competitive process by introducing the most interested and acquisitive parties to the process at the right time
- DNV were ultimately identified as the preferred partner, with clear strategic synergies and the ability to support the Company to pursue its long-term growth initiatives

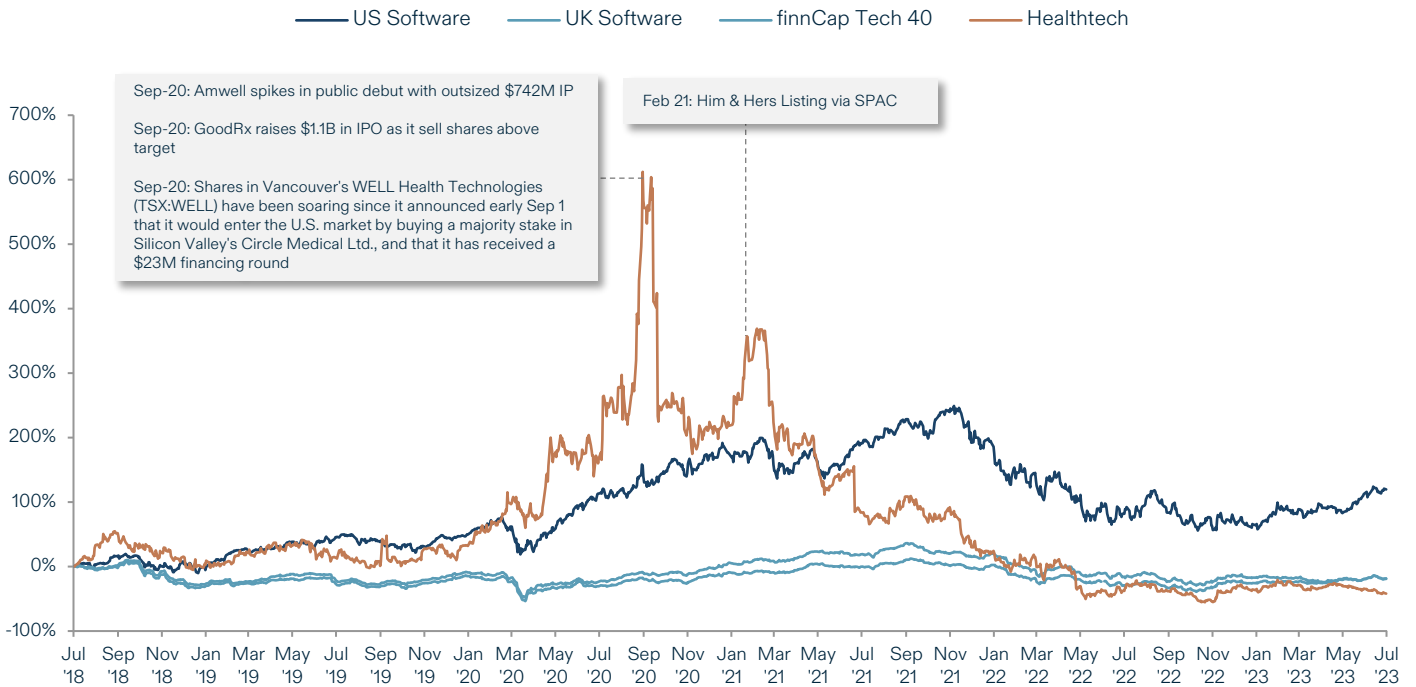
“We are absolutely delighted with the outcome of this deal and are excited to be joining DNV. This strategic decision will enable us to further accelerate our long-term growth objectives and showcase our unique LUNA technology.”

Barry Mulholland, Founding Partner at MBI

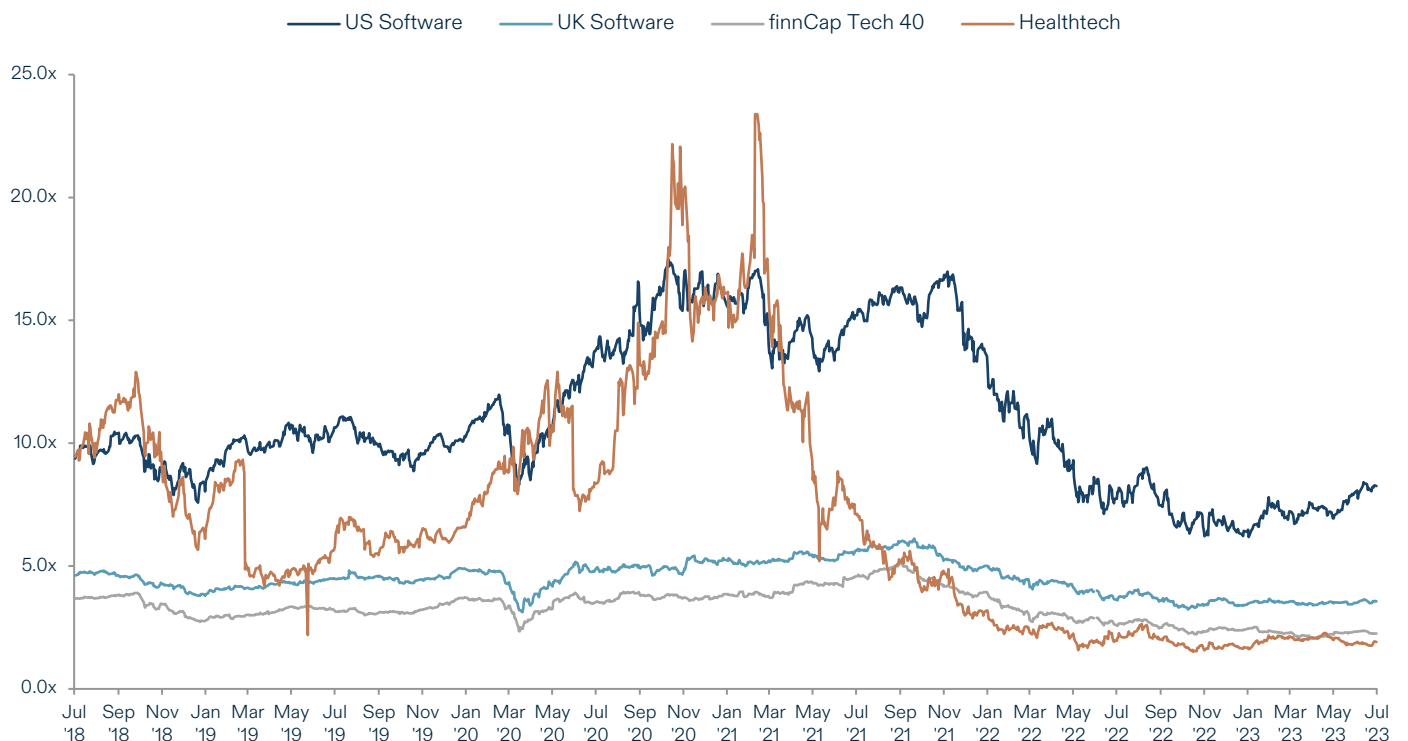
Software Valuation Trends

PUBLIC COMPANIES - BY INDEX

Public Software Index Growth



Public Software EV / NTM Revenue Multiples *

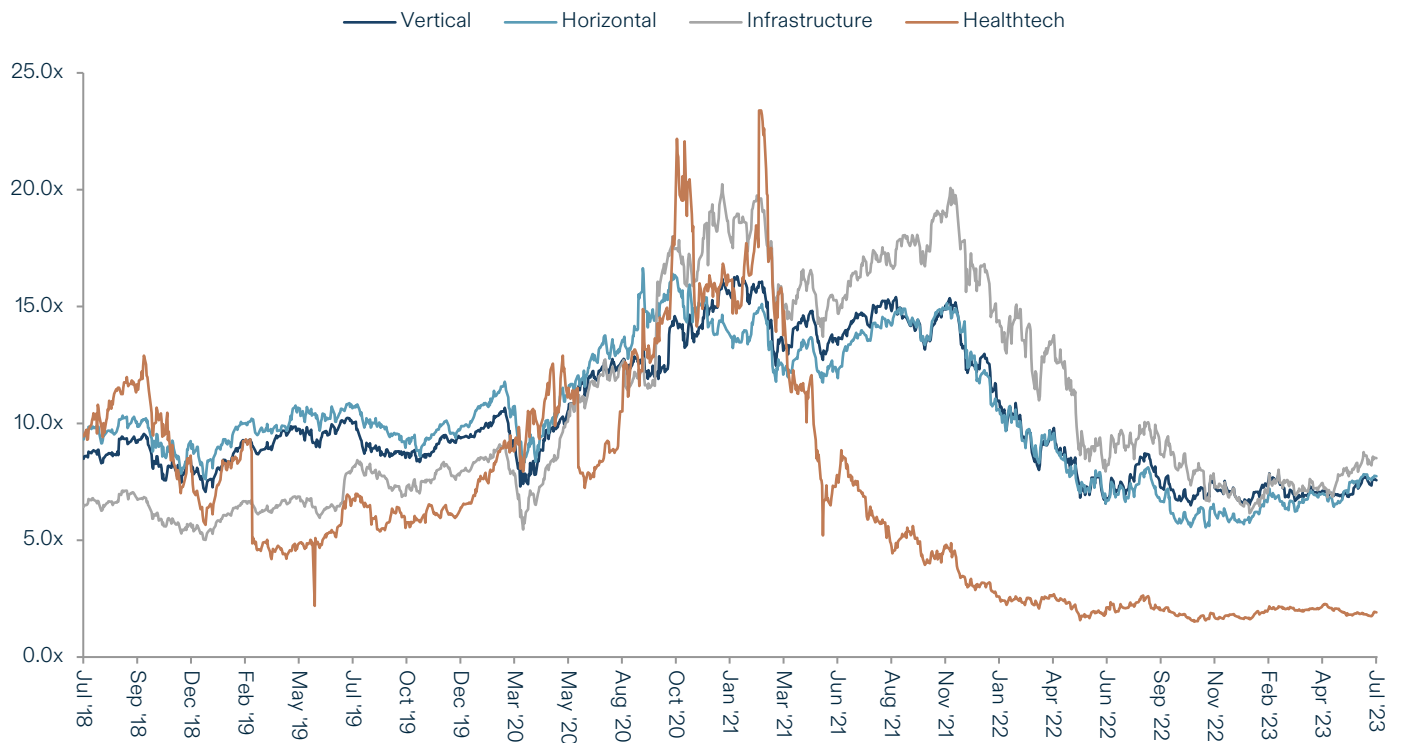


* See index chart for commentary on key developments
 Source: S&P Capital IQ

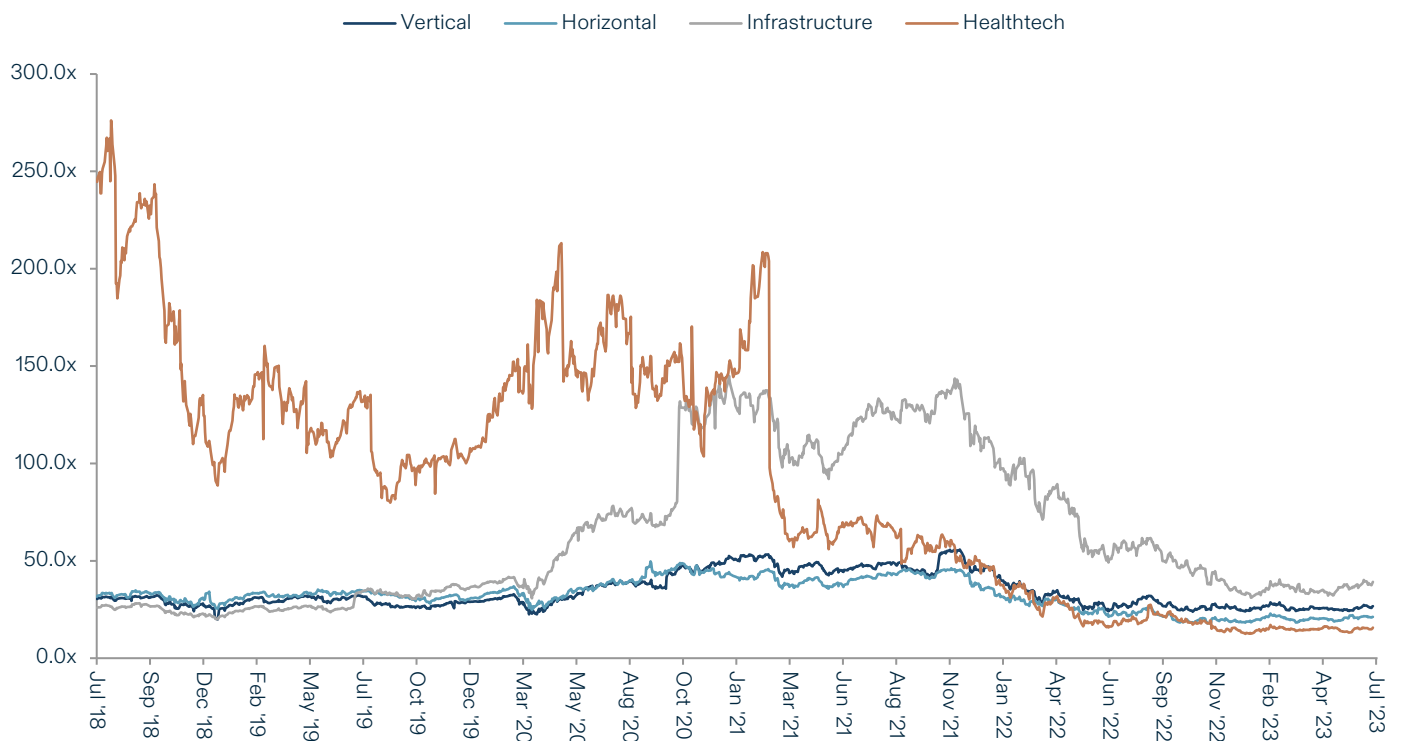
Software Valuation Trends

PUBLIC COMPANIES – BY SOFTWARE TYPE

Public Software EV / NTM Revenue Multiples – US & UK



Public Software EV / NTM EBITDA Multiples – US & UK





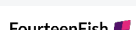
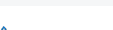
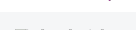
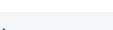
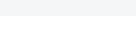
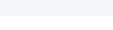
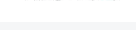


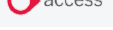













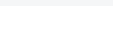

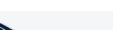

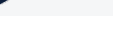


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Source: S&P Capital IQ

DEALS ABOVE £100M EV

Date	Target	Target Business Description	Acquirer	EV £m	EV/Sales	EV/EBITDA
Jun-22	 EMIS Group	UK-based company supplying healthcare software and related services	 United Healthcare	1,212.0	7.2x	22.2x
Feb-22	 SOC Telemed™	US-based provider of acute telemedicine technology and solutions	 PATIENT SQUARE CAPITAL	262.0	2.8x	-
Dec-21	 Cerner	US-based supplier of healthcare information technology	 ORACLE	21,964.0	5.3x	18.1x
Sep-21	 Servelec Together for Digital Care	UK-based company engaged in providing software, hardware and services to the UK healthcare, oil & gas, among other sectors	 access	280.0	6.7x	21.1x
Sep-21	 ALLOCATE	UK-based provider of healthcare workforce management software that is used for workforce rostering, time & attendance, and associated compliance workflows	 RLDatix™	970.0	13.3x	-
Jun-21	 sentry data systems Power Your Cross-Organization	US-based health tech company that develops SaaS solutions to healthcare providers	 Craneware®	283.0	4.4x	17.4x
Mar-21	 2nd.MD	US-based company providing an online platform connecting consumers with the nation's leading medical specialists for second opinions	 Accolade	264.0	10.3x	-
Feb-21	 SYSTEM C	UK-based developer of vertical market software system intended for the health and social care sectors	 CVC CAPITAL PARTNERS	320.0	4.9x	26.5x
Aug-18	 ALLOCATE	UK-based provider of healthcare workforce management software	 Hg	298.1	4.7x	15.7x
May-18	 Datix Software for Patient Safety	UK-based company which develops and supplies risk management and patient safety software to the healthcare sector	 TA ASSOCIATES	218.9	9.3x	-
Apr-18	 ALLOCATE	UK-based provider of healthcare workforce management software	 VISTA EQUITY PARTNERS	298.1	5.6x	23.3x
Jan-18	 Servelec Together for Digital Care	UK-based company engaged in providing software, hardware and services to the UK healthcare, oil & gas, among other sectors	 Montagu	226.0	3.7x	14.3x

DEALS BELOW £100M EV

Date	Target	Target Business Description	Acquirer	EV £m	EV/Sales	EV/EBITDA
Feb-23	 DrDoctor	UK-based provider of digital care solutions to increase communication and engagement between patients and clinicians	 YFM Equity Partners	65.0	6.5x	-
Apr-22	 TICTRAC	UK-based operates as an online digital Health platform that tracks data related to an individual's Health and wellness	 Dialogue	35.0	10.6x	-
Mar-22	 FourteenFish	UK-based software development company specialising in medical appraisals	 EMIS Group	15.9	6.6x	-
Jan-22	 denbridge	UK-based primary care data and analytics specialist	 EMIS Group	4.0	4.0x	-
Jan-22	 PRISYM ID	UK-based company that designs and delivers label management software solutions	 Logitech	80.0	7.2x	24.2x
Nov-21	 ALCURIS Enabling Older Adults	UK-based provider of an in-home digital hub to provide daily living insights for users and carer management insight.	 access	5.0	3.3x	-
Jul-21	 barbour safe in our knowledge	UK-based health, safety, environmental and compliance intelligence software platform	 MARLOWE	32.0	5.9x	-
May-21	 METODIKA	Sweden-based company that develops an enterprise practice management (EPM) software for Healthcare industry	 CARASENT	9.0	3.8x	-
May-21	 attendanywhere™	UK-based video consultation provider that empowers video call access to the health sector and beyond.	 Induction Healthcare	26.0	5.7x	-
May-21	 EDL	France-based that develops radiology management software for public and private medical imaging businesses	 ABENEX	86.0	6.7x	14.0x
Mar-21	 HAS technology group	UK-based health tech company engaged in developing medical software	 access	75.1	4.6x	21.4x
Jun-20	 dictate.it	UK-based provider of software solutions to healthcare professionals	 Clanwilliam group	22.6	2.4x	10.9x
May-20	 MICROTEST	UK-based health informatics company	 Public	20.0	4.0x	-
Feb-20	 wellbeing software	UK-based company engaged in providing software solutions and services to hospitals	 citadel group	98.4	5.9x	15.1x
Aug-19	 e-clinic	UK-based provider of clinic management software	 ClearCourse	1.9	2.5x	-
Jan-19	 Linguamatics	UK based software solutions company that provides knowledge extraction for the life sciences, pharmaceutical, and biotech industries through its platform	 IQVIA™	23.9	2.5x	-

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