

Executive Summary – Q3 2020 HIT / Digital Health Update

- ❑ **Global M&A** dollar value in **Q3 2020** was **\$412 Bil**, **↑38%** but deal count was **7,900**, **↓5%** QoQ and **YoY** \$ value was **↓46%** and deal count was **↓38%**. **U.S. M&A** \$ value in **Q3 2020** = **\$153 Bil**, **↑10%**; deal count **↑14%** QoQ. YoY \$ value **↓69%**; deal count **↑113%**.
- ❑ **Global Private Placements** dollar value in **Q3 2020** decreased to **\$170 Bil**, **↓31%** and **↓17%** in deal count to **7,300** QoQ. YoY basis \$ volume was **↑6%** and deal count **↓26%**. **US All Sector Private Placements** showed increases in QoQ and YoY.
- ❑ **U.S. Digital Health M&A deal count registered 73 transactions** in Q3 2020, **↑105% QoQ** and **↑48% YoY**. The number of M&A transactions in Q3 2020 is virtually tied with Q3 2018 as the highest level of quarterly M&A activity in six years, following a historical low in Q2 2020. Total disclosed \$ volume in Q3 of \$20 Bil greatly exceeds any previous quarter but one transaction accounts for the bulk of the activity, i.e. \$18.3 Bil (Teladoc – Livongo)
 - On a broad sector Digital Health industry basis, the Productivity Solutions category (including HIM/Workflow and Interoperability/HIE/API) experienced an all-time high in deal count and represented about 35% of total Q3 M&A deal activity. Spending & Revenue Analytics (RCM/Billing, BI & Payer/Provider Spending) accounted for 24% of the Q3 deal count. The only broad sector that did not increase was Clinical Data Analytics which was **↓29%** QoQ and **↓17%** YoY.
- ❑ **U.S. Digital Health Private Placement** transactions jumped to **204 deals**, the second highest number of transactions in any quarter over 6 years. Disclosed dollar investments in N. American Digital Health firms was **\$3.8 Bil in Q3 2020 vs. \$3 Bil in Q2 2020**.
 - The Patient Centric broad sector was the most active area for investments in Q3 2020, increasing in deal count by 45% QoQ and 160% YoY. Every other broad sector experienced an increase in deal count in Q3 except Clinical Data Analytics which was **↓28%** to just 26 deals.
- ❑ **Digital Health IPOs in Q3 2020 was one of the most active quarters ever:** Accolade, Inc. went public on July 1, 2020. American Well Corporation, Outset Medical Inc., and GoodRx Holdings all went public in mid-September. Other potential IPOs in the pipeline include Hims, Inc. and Clover Health; both utilizing the SPAC route to the public market
- ❑ **Novahill's Digital Health Public Comparable Index gained 80% compared to the S&P 500 Index's 13% gain over the latest 12-month period.** However, the HIT stock index's outperformance was heavily weighted by the exceptional performance of five stocks (collectively up 290%) while the other 16 Digital Health stocks recorded a modest 10% gain over the last 12-month period.