

Executive Summary – Q1 2021 HIT / Digital Health Update

- ❑ **Global M&A \$ value** in Q1 2021 was ↓11% on a QoQ basis, and ↑12% on a YoY basis. **Deal count**, on a QoQ basis was flat but ↓16% on a YoY basis. **U.S. M&A \$ value** was up by ↑11% YoY and ↓27% on a QoQ basis. Deal count YoY ↑190%.
- ❑ **Global Private Placements \$ value** in Q1 2021 was ↑41% on a QoQ basis and ↑60% on a YoY basis. **Deal count**, on a QoQ basis was ↑14% but ↓3% on a YoY basis. **U.S. Private Placements** on both a YoY and QoQ basis reported increases in \$ volume and deal count. \$ value in Q1 2021 reached **\$122 Bil**, the best quarter in 3½ years.
- ❑ **U.S. Digital Health M&A deal count registered 106 transactions** in Q1 2021, ↑26% QoQ and ↑66% YoY compared to Q1 2020. The number of M&A transactions in Q1 2021 was the highest level of quarterly M&A activity in six years, following a strong Q4 2020 and Q3 2020. Total disclosed \$ volume in Q1 was ~**\$20 Bil** (but United Health’s purchase of Change Healthcare was \$13.7 Bil).
 - On a broad sector Digital Health industry basis, the Productivity Solutions category was the most active in Q1 despite a QoQ ↓15% in deal count. Patient Centric was the second most active category in Q1 deal count. Noteworthy, Clinical Data’s 22 deals in Q1 was almost as large as the entire number of deals in all of 2020. The total number of M&A deals (106) in Q1 2021 was the most active quarterly deal count of HIT M&A transactions since 2014.
- ❑ **U.S. Digital Health Private Placement** transactions climbed to 270 deals in Q1, the highest number of transactions in any quarter over the past 6 years. **Disclosed dollar investments** in NHA’s defined N. American Digital Health sector **reached an all time annual high of \$6.8 Bil in Q1 2021** and was ↑62% over the record Q4 2020 level of \$4.2 Bil.
 - The Patient Centric broad category continued to be the most active area for investments, registering 119 deals or 44% of total Q1 PP deals. All of the other broad Digital Health sector categories enjoyed an ↑ in deal counts during Q1 except Productivity Solutions, which recorded a ↓30% in deals, but still ranked the 3rd highest level of deals activity out of the 5 categories.
- ❑ **Digital Health stocks entering the U.S. public markets in Q1 2021** took the form of one IPO (Signify Health) and three SPACs (Clover Health, Hims & Hers & Butterfly Network). As of mid-April, there are two IPOs and 5 SPAC deals in the pipeline for Q2 2021. However, the three SPAC deals in Q1 plus one SPAC deal in Q4 ‘20 all experienced declines in their stock prices, once floated.
- ❑ **Novahill’s Digital Health Public Comparable Index gained 72% compared to the S&P 500 Index’s 61% gain over the latest 12-month period.** Of note, the HIT stock index’s outperformance was weighted by the exceptional results of 7 stocks (collectively ↑159%), while the other 13 stocks recorded an average 29% gain over the LTM period (including 4 stocks with negative returns).