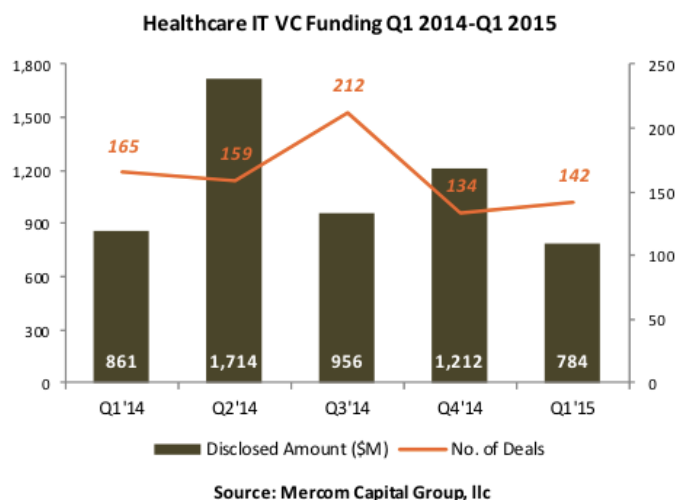


VC Funding in digital health drops by 35 percent

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Mercom Capital Group, LLC, a global communications and research firm, released its report on funding and mergers and acquisitions (M&A) activity for the Healthcare Information Technology (IT)/ Digital Health sector for the first quarter of 2015. Mercom's comprehensive report covers deals of all sizes across the globe.

Venture capital (VC) funding in the Health IT / Digital Health sector dipped by about 35 percent, coming in at \$784 million in 142 deals compared to \$1.2 billion in 134 deals in Q4 2014. Announced debt and public market financings in the sector amounted to \$975 million in seven deals in Q1 2015 including one IPO, bringing the total corporate funding raised in the sector for Q1 2015, to almost \$1.8 billion.

Health IT / Digital Health companies have now raised almost \$10 billion in VC funding since 2010.

"Funding fell across the board with the exception of Mobile Health (mHealth), which was the bright spot this quarter. There was also significant M&A activity in the first quarter for mHealth companies. We have already seen 10 M&A transactions in Q1 compared to 21 in all of last year, which bodes well for exits in Mobile Health." commented Raj Prabhu, CEO and Co-Founder of Mercom Capital Group.

Healthcare practice-centric companies raised \$347 million in 44 deals in Q1 2015 compared to \$568 million in 43 deals in Q4 2014. Areas that received the most funding under this category were Data Analytics companies with \$92 million, Data Warehousing companies with \$70 million, Health Insurance Exchange companies with \$38 million, EHR/EMR companies with \$36 million, and Practice Management Solutions companies with \$34 million.

Consumer-centric companies raised \$437 million in 98 deals this quarter compared to \$643 million in 91 deals in Q4 2014. Mobile Health companies continued to attract the most VC funding bringing in \$282 million in 56 deals, most of which went to mHealth Apps with \$220 million. Telehealth companies secured \$65 million while Rating and Comparison Shopping companies brought in \$47 million.

There were 65 early-stage deals under \$2 million, including 16 accelerator/incubator deals in Q1. Seed stage accelerator/incubator deals have slowed with only six deals last quarter and 16 this quarter compared to 35 in Q1 2014.

Top VC funding deals in Q1 2015 were the \$70 million raise by Health Catalyst, a provider of healthcare data warehousing, the \$55 million raised by Ayasdi, a big data analytics company, the \$40 million each secured by Advance Health, a provider of a mobile patient data capture application for managed care providers, and ClassPass, a mobile membership app offering fitness and wellness classes across multiple gyms and studios, the \$38 million raised by Collective Health, a cloud-based employer self-insurance platform, and the \$30 million raised by Practo, developer of a physician search engine to book appointments and rate providers.

A total of 288 investors and four accelerators/incubators participated in Healthcare IT deals this quarter. There were 11 investors that participated in multiple rounds. Investors with the most funding deals this quarter included GE Ventures with four, followed by Rock Health and Kaiser Permanente Ventures with three each.

Globally, U.S. companies raised \$716 million in 123 deals. Eleven other countries: India, Israel, Canada, Australia, Serbia, Spain, Finland, Singapore, Germany, Austria and the UK recorded deals this quarter. In the United States, 38 deals came out of California, followed by New York which recorded 13 deals, Massachusetts and Texas with 12 and eight deals respectively, and Wisconsin with five deals.

There were 56 M&A transactions (14 disclosed) in the Health IT sector in Q1 2015 compared to 52 transactions (nine disclosed) in Q4 2014. Practice-focused companies lead M&A activity with 42 of the 56 transactions. Consumer-centric companies had 14 transactions in Q1 2015. Ten Mobile Health companies were acquired this quarter followed by seven Practice Management Solutions companies, five EHR/EMR companies, three Medical Imaging and three Data Analytics companies.

In terms of disclosed transactions, Mobile Health came out on top with \$578 million, led by two acquisitions from Under Armour. The largest disclosed M&A transaction was the \$475 million acquisition of MyFitnessPal, a nutrition and fitness platform that allows users to track their health goals and provides nutritional information, by Under Armour. This was followed by the \$325 million acquisition of Studer Group, a provider of healthcare consulting services and software, by Huron Consulting.

Performant Financial Corporation acquired Premier Healthcare Exchange, a provider of advanced cost management solutions for commercial health plans and third party administrators, for \$130 million. HealthStream acquired HealthLine Systems, a provider of credentialing and contact center quality management software to the healthcare industry, for \$88 million. Under Armour also acquired Endomondo, a developer of a mobile app and website that provides users a fitness community and allows them to track their workouts, for \$85 million.

Announced debt and public market financing in Health IT rose to \$975 million in seven deals this quarter compared to the \$299 million in eight deals in Q4 2014. There was one Digital Health IPO in Q1 2015: Invalon, a data analytics solutions company, which raised \$600 million.

There were a total of 546 companies and investors covered in this comprehensive report.