

# Digital Health

M&A Report | 2020

THE RISE OF 'DIGITAL  
HEALTH' AND ITS IMPACT  
ON SOFTWARE FIRMS



# SUMMARY

Digital Health has experienced strong growth in recent years, but its real peak still lies ahead.



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« *The competitive landscape is shifting quickly for Digital Health providers as customers become more demanding and value conscious. Operators need to respond to these developments as in many cases, old business models no longer work. PE is targeting proven concepts with growth potential, which is giving the M&A market and valuations a major boost* »

The transformation of the healthcare industry into 'Digital Health' is expected to maintain its momentum in the coming years and will involve fundamental change for providers of software in the healthcare industry. This makes it the perfect time to redefine their role in the market.

The global market for Digital Health software has seen a strong rise of M&A activity and startup funding over recent years. Average multiples of around 25x EBITDA payed in the framework of Digital Health acquisitions reveal the attractiveness for investors. In the field of health digitization, Germany seems to be lagging behind and has a mostly unconsolidated market structure with few large players and a wide field of small but highly specialized providers.

The digital transformation of healthcare will push software developers - small and large - into seeking partnerships and cooperation. Thus, the German market is expected to enter into a far-reaching consolidation process which would bring both opportunities and risks for software companies.

## KEY INSIGHTS

- A high degree of fragmentation and specialization: small developers lack the efficiency and overall ability to serve the growing demands of their growing customers. On the other hand, large providers often lack the specific know-how they need to stay competitive.
- Strong innovation pressure: software providers will undergo an extensive modernization process investing into the development of new products and technology to keep up with an increasingly demanding market. Small providers might be unable to meet this challenge alone.



- **Cost pressure:** healthcare providers have to cope with constant cost pressure, which they pass on to their software suppliers. Thus, efficiency and synergy will be key to survival for such supplier to an extent never before felt on the market.
- **Healthcare consolidation:** the consolidation in the healthcare sector leads to large cross-sector providers that require much more complex solutions and services. Software suppliers have to adapt to these rapidly changing demands.

## KEY TAKEAWAYS



### GROWTH

The global market will be growing at an extraordinary CAGR of ~20% until 2025. Some segments are at even higher growth rates such as Mobile or Wireless Health.



### TRENDS

Digitization is the megatrend that will substantially change healthcare and its various processes. Representing a huge opportunity, the digital revolution at the same time involves strong challenge for Digital Health providers.



### M&A

Global M&A activity has seen a sharp rise within the past 5 years. While the US market is still ahead, European providers have started intensifying their purchasing behavior regarding smaller competitors.



### PROSPECTS

Digital Health providers are facing strong innovation and cost pressure. They will have to adapt fast to a radically changing market conditions.

# A SELECTION OF OUR RECENT DIGITAL HEALTH AND SOFTWARE DEALS



  
**PROMEDICO®**  
 Beter voor iedereen  
  
 acquired a stake in  
  




Healthcare Software





  

  
 sold 100% of  
  
**iSOFT**  
  
 to  
  
**Radiomed**

Healthcare Software



  
 \_beta systems  
  
 Completed a  
 private placement  
 underwritten by  
  
**Private Investors**

Business Software



  
 Partial sale/funding of  
  

  
 to/by  
  






Education Software









  
**Radiomed**  
  
 sold a majority stake of  
  

  
 to  
  
**A Private Investor**

Healthcare Software



  

  
 sold a majority stake to  
  


Workflow Software





  
**alos**   
 solution  
  
 sold to  
  





Document Management Solutions



  
 argos.  
 wityu  
  
 sold  
  

  
 to  
  
**PROVIDENCE**EQUITY

Software for automotive dealers



  

  
 Capital raising backed by  
  
**DAH Beteiligungs GmbH**

TMT



# CONTACT US

Capitalmind has acquired a strong expertise in the Healthcare sector by accompanying large groups, entrepreneurs, and mid-caps in their sales processes, acquisitions, and financings. In Germany, the team is led by Matthias Holtmeyer together with the dedicated Healthcare team in Europe. If you want to discuss this report in more detail or opportunities for your activity, do not hesitate to contact us.



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