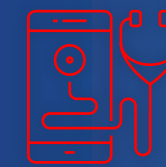


**START-UP
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A STRONG START TO 2021 POINTS TO A RECORD YEAR FOR ISRAELI DIGITAL HEALTH SECTOR FUNDING



GLOBAL SECTOR TRENDS

Unprecedented growth in investments following a flat 2020



Israel's Digital Health (DH) sector growth follows record investments in digital health globally: \$8.5B invested in Q1 2021 vs. \$5.3B in Q1 2020 (+60% YoY), according to [Start-up Health](#). US Digital Health startups raised \$6.7B in Q1 2021 according to [Rock Health](#).

The main stories in global Digital Health are:

- ① Remote care (i.e. Telemedicine or Telehealth) is here to stay – according to CB Insights Q1 2021 report, global Telehealth funding almost doubled YoY to \$4.2B, with three companies offering hybrid in-person/virtual models raising the biggest rounds. Obviously, subscriber growth rates should slow down over time, but new models and platforms will emerge.
- ② Patient centricity and personalization of healthcare – long term trends continue into 2021, including everything from remote monitoring and therapeutics to managing financial aspects of healthcare.
- ③ IPOs and SPACs boom – 10 Digital Health companies went public in Q1 2021. No Israeli Digital Health companies have gone public via SPACs yet. According to Rock Health, the average funding raised by a company before going public via SPAC was \$220M. The only Israeli Digital Health startup that is above this threshold is K Health.



The first four months of 2021

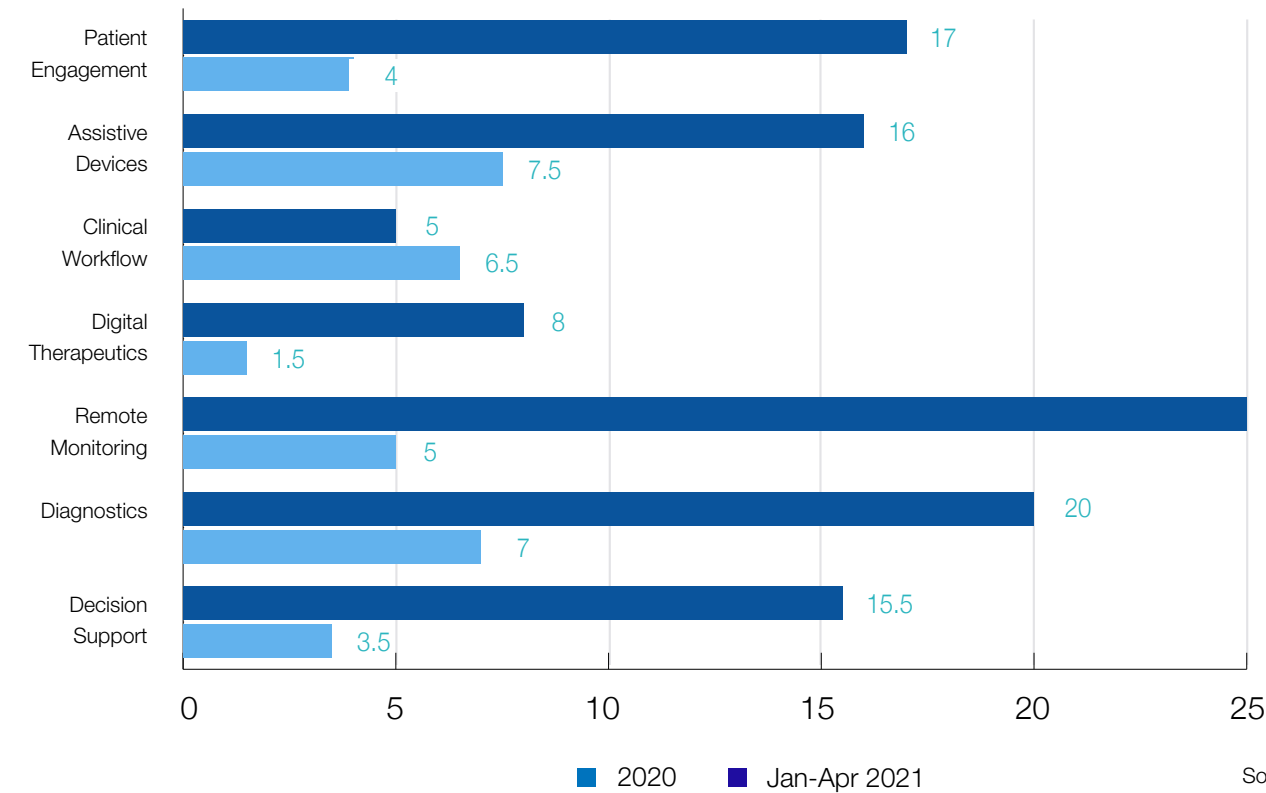


The first four months of 2021 have already seen nearly \$700M in funding across 31 rounds for the sector – that's 85% of funding in the same sector for all of 2020. 17 out of 31 rounds were later stage, compared to 21 later stage rounds out of 106 in 2020, confirming that the sector is more mature. Driven by this higher proportion of later stage rounds, the median size of funding rounds increased to \$14M in the first four months of 2021 from \$6M in all of 2020.

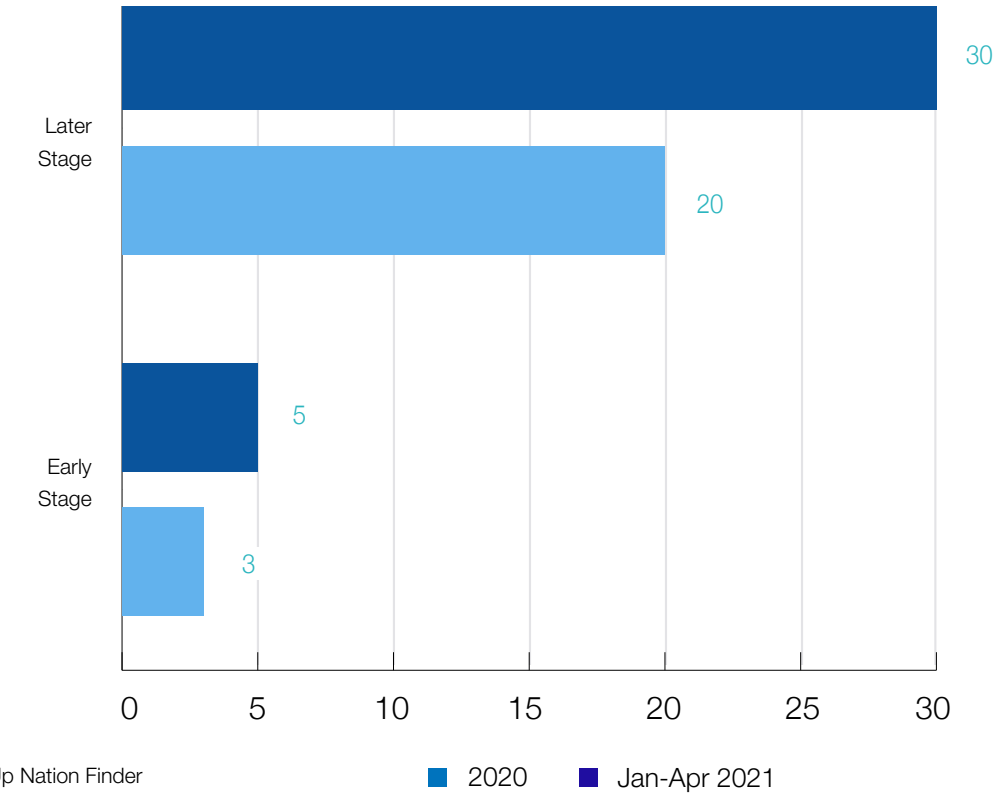


The strong start to 2021 shows that Israel has a lot to offer both for the post-COVID reality and for other areas of Digital Health which were less of a focus for investors in 2020 but are still essential for the long-term transformation of the global healthcare industry. As the healthcare situation normalizes, interest is starting to return to other parts of the sector that were a lower priority during the height of the pandemic – nine of the 11 biggest funding rounds YTD were in non-COVID-related companies. With that said, the group of **Diagnostics, Decision Support, and Remote Monitoring** remains the strongest group in the sector, accounting for 83% of sector funding.

Median funding round by subsector, \$M



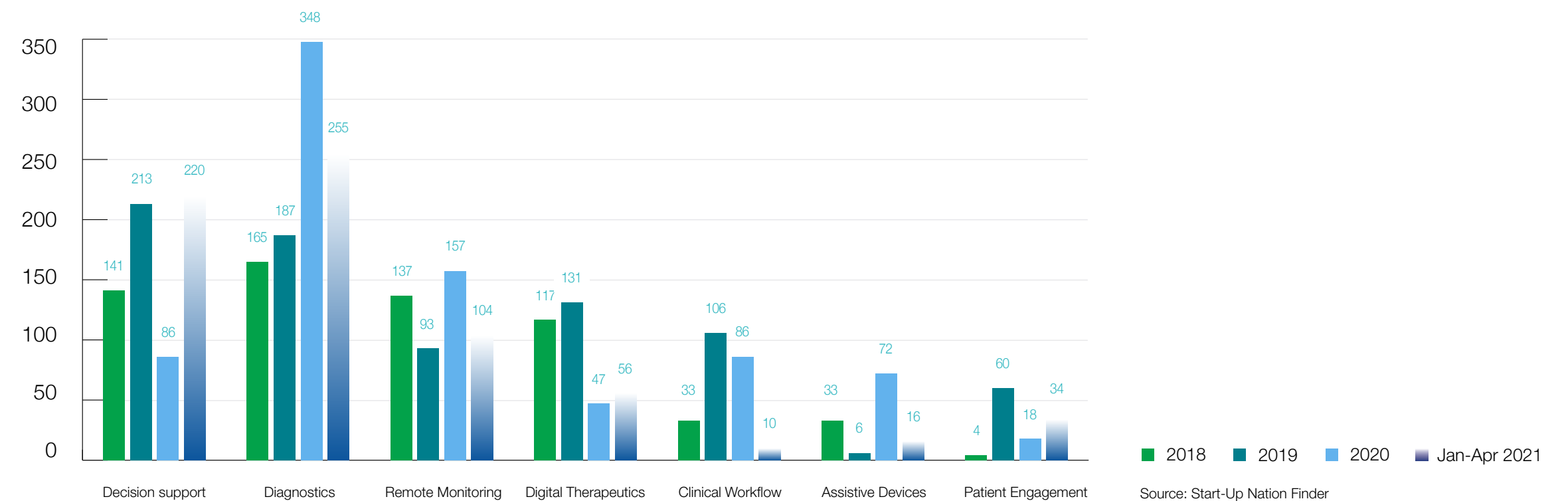
Median funding round by stage, \$M



Source: Start-Up Nation Finder

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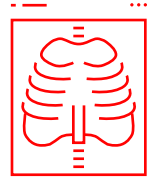
Digital Health funding by subsector, \$M



Source: Start-Up Nation Finder



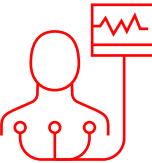
We see the following trends for 2021:



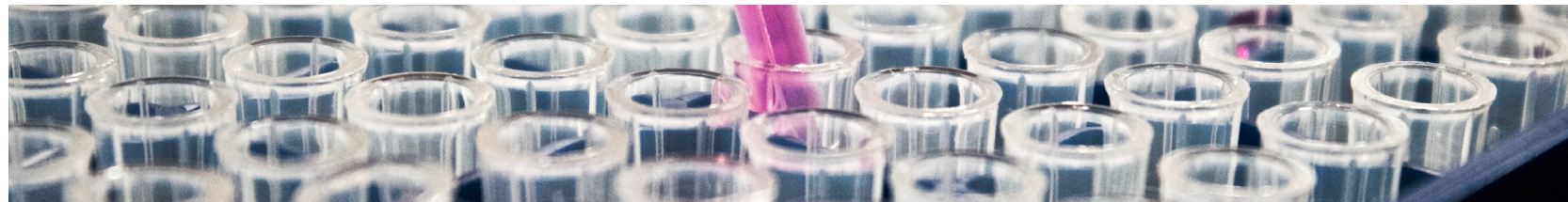
The **Decision Support** subsector is recovering strongly following a relatively weak 2020, with non-COVID global healthcare activities gradually normalizing. So far in 2021, \$220M has already been invested in this subsector, with seven out of eleven rounds being series B or later. All eleven rounds were by companies not related to the COVID pandemic.



Healthcare practitioners are heavily focused on the challenges related to data sharing and data privacy as there is more medical data generated, including remote care data. Another area where advanced technology can solve healthcare providers' unmet needs is streamlining the many logistics processes in hospitals and clinics, including team coordination and referral management. Although we don't see it yet in the funding numbers, we would expect more activity in the **Clinical Workflow** subsector, as the aforementioned areas are essential for improving the quality of healthcare.



Six of the eleven biggest rounds raised (YTD) were for patient-centric companies, totaling \$289M, or 42% of total funding. We expect even more focus on patient centricity from Israeli startups, which seems to be the major global healthcare trend, but is relatively new for the local B2B-focused industry.



Top 10 Digital Health Rounds, January-April 2021

Company	Subsector	One-liner	Amount, \$M	Round type
1. K Health	Diagnostics	AI Personal Health Assistant	132	E
2. C2i Genomics	Diagnostics	Liquid Biopsy for Cancer Tumor Monitoring	100	B
3. Viz.ai	Decision Support	AI-powered Synchronized Stroke Care	71	C
4. Tyto Care	Remote Monitoring	Remote Examination and Consultation with a Physician	50	D
5. Ibex Medical Analytics	Decision Support	AI-powered Cancer Diagnostics for Pathologists	38	B
6. AugMedics	Decision Support	AR Guidance System for Surgical Procedures	36	C
7. Medisafe	Patient Engagement	Medication Management Platform	30	C
8. CathWorks	Decision Support	Noninvasive FFR Measurements for Coronary Interventions	30	D
9. AmplioSpeech	Digital Therapeutics	Digital Special Education	27	B
10a. BreezoMeter	Remote Monitoring	Health-focused Environmental Intelligence	25	C
10b. Nanit	Remote Monitoring	Smart Baby Monitor and Sleep Tracker Devices	25	C

Source: Start-up Nation Finder

■ Patient centric companies



First mega rounds in the Israeli Digital Health sector –



Consumer health company [K Health](#) – the first Israeli software-only Digital Health unicorn – raised \$132M in a Round E at a \$1.4B valuation in January. Starting as an AI chatbot for self-checking symptoms based on Maccabi HMO EMR data, it turned into a full-scale telemedicine company with more than four million subscribed users, growing at a rate of 10,000 to 15,000 new users a day. K Health is a great example of the Digital Health arena where Israel is strongest: an AI-driven solution, validated locally, using HMO EMR data. This is also an example of where global investor interest is focused today: AI-based patient empowerment platforms, democratizing healthcare services.

The company's main market is the US but has recently expanded to include the Latin America region. It has also announced an expansion into the pediatrics domain, which differentiates it from competitors.



[C2i Genomics](#) – a clinical stage, genome sequencing company – raised \$100M in a Round B from a group of investors led by [Casdin Capital](#), a New-York based Life Sciences fund, which is a follow-on investor in the company. C2i Genomics has developed an AI-based platform to detect residual cancer tumors based on blood tests. The technology is claimed to be 100 times more accurate than competing solutions and helps start the correct treatment on time or even avoid unnecessary treatment.

Despite Israel's competitive advantages in AI and bioinformatics, we did not see many late-stage investments in the companies in this subsector until recently; in Q1 2021 the picture changed.



In addition to C2i Genomic, there were investments in two more companies in the genomics space:

- 1 Genomic diagnostic tests company [Variantyx](#) raised \$20M in a Round C, led by Canadian life sciences VC Quark Ventures, as well as IBM Ventures and Pitango, among other investors. The company's single method approach uses whole genome sequencing (WGS) to look at the entire DNA sequence. The solution is already available in several countries.
- 2 Genomic data management company [Genoox](#) raised an undisclosed amount in a Round B from In Venture, the Israeli CVC arm of Japanese Sumitomo Corporation. Genoox has developed an AI-based platform for managing the entire genome sequencing process. The company has released a product.



As the world begins to emerge from under the shadow of COVID-19, Israeli companies will be there to meet the needs of the transformed healthcare sector, providing the most advanced technological solutions to a global industry disrupted by a once-in-a-century crisis and which will never be the same. The findings laid out in this document concerning the early part of 2021 confirm the long-term ecosystem trends identified in Start-Up Nation Central's 2020 [Digital Health Report](#), which details the state of the local ecosystem and points out the developments in investor activity.

Start-Up Nation Central is the one-stop-gateway to the Israeli innovation ecosystem. Established in 2013, we are a non-profit organization that leverages our knowledge, resources, and network of key industry and government ties to connect innovative Israeli technological solutions with multinational corporations, governments, investors, and NGOs from around the world.

Start-Up Nation Finder is a free online platform for identifying and engaging Israeli tech organizations based on customers' specific interests. This Business Innovation Platform is a comprehensive knowledge hub on Israeli startups, investors, acceleration hubs, multinational corporations, and technology-based innovation associated with academic research. The open-source platform provides up-to-date information and insights into thousands of active Israeli tech companies.

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