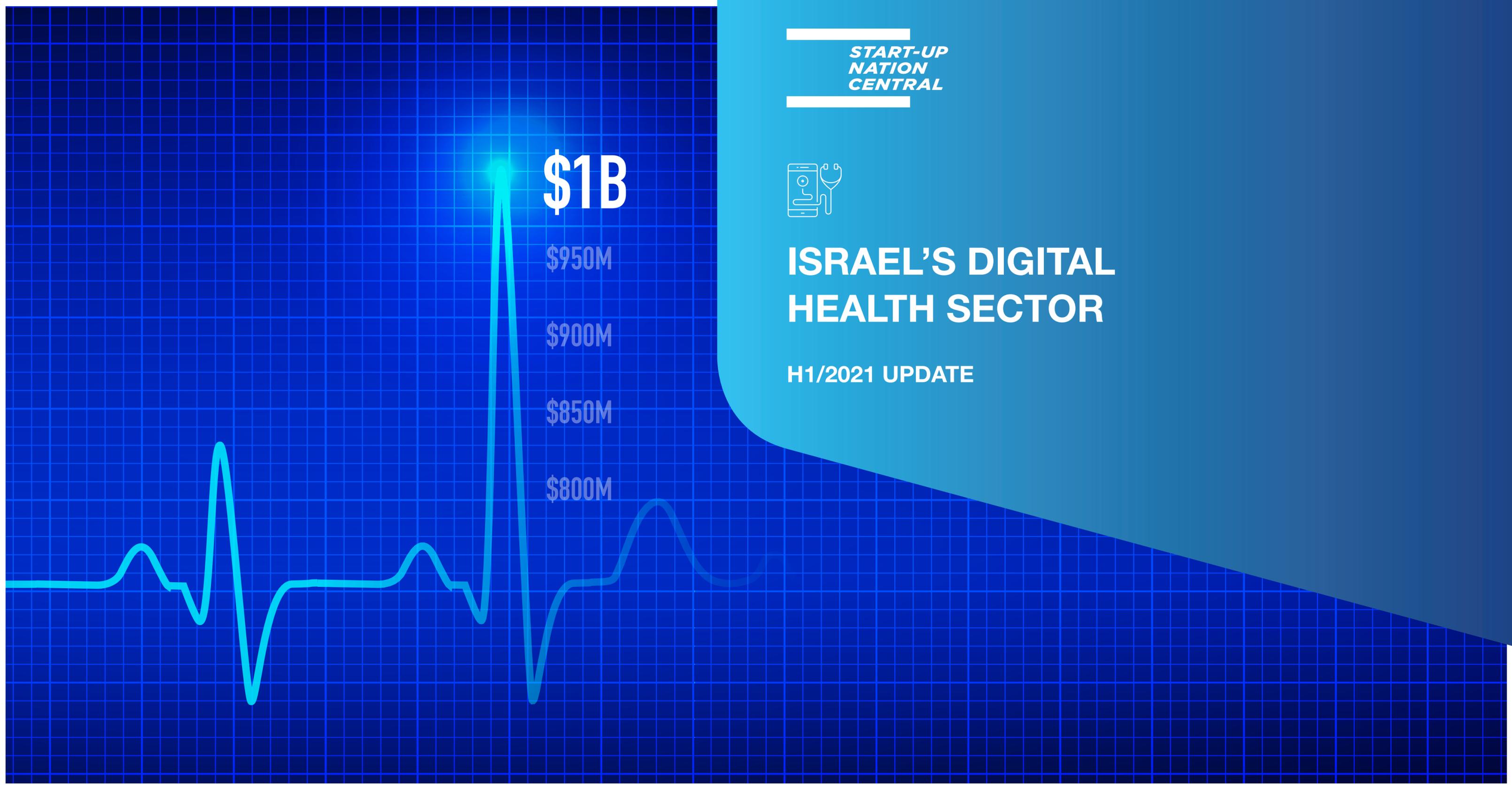


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ISRAEL'S DIGITAL HEALTH SECTOR

H1/2021 UPDATE

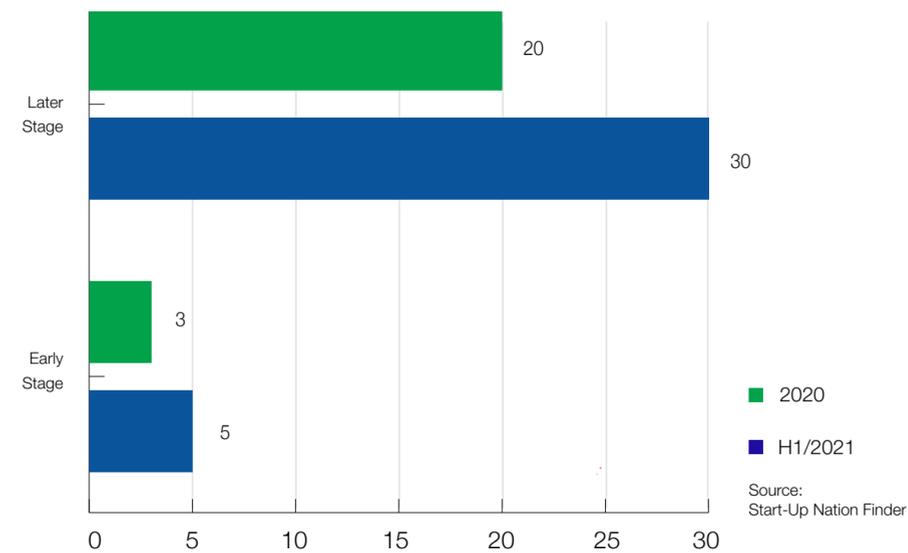


Investments in the sector top \$1B for the first time

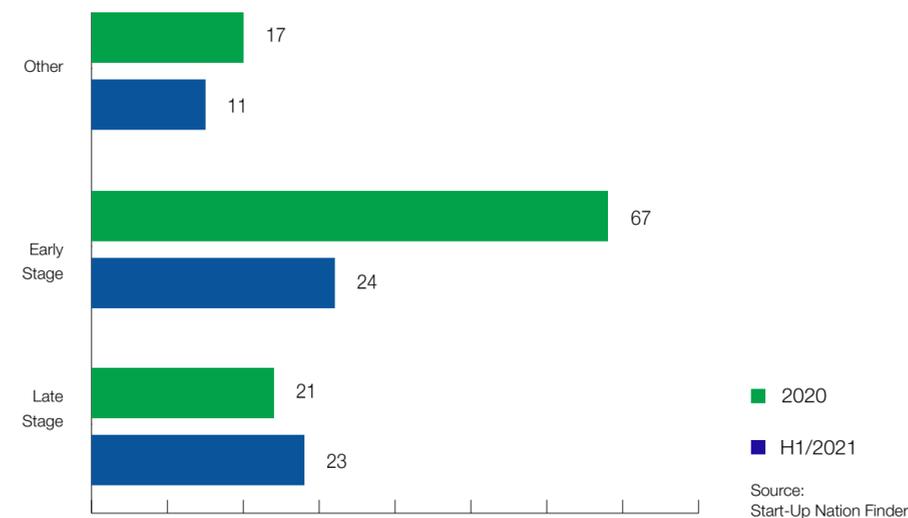
Investments in Israeli Digital Health companies crossed the \$1B raised in a single year threshold for the first time ever in H1/2021, surpassing the full year amounts raised by the sector in 2020 and in 2019. Israel's impressive H1 performance correlates with a worldwide boom in Digital Health investments. Globally, sector funding exceeded \$20B in the first half of 2021, almost on par with FY/2020 figures, driven primarily by mega-rounds.



Median funding round by stage, \$M

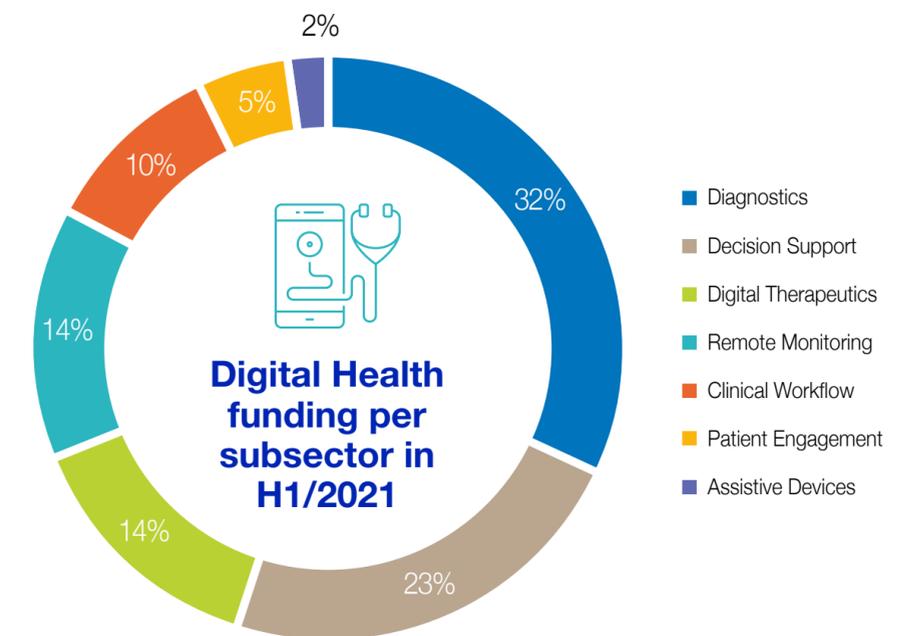


Number of funding rounds by stage*



Key Digital Health Sector Insights Following a Historic H1/2021

- Q2/2021 continued the trends of Q1/2021 with a series of relatively large rounds, 13 of them exceeding \$10M. As the charts indicate, we've witnessed a nice mix of earlier and later-stage rounds since the start of the year. In both cases, the rounds are much larger on average than they were in 2020
- The range of companies that raised funding in Q2 was far more diversified than usual: the three leading subsectors (Remote Monitoring, Decision Support, and Diagnostics) accounted for only 53% of the total amount, compared to a historical 80%. Among the factors that contributed to this change are less investor emphasis on COVID-19 solutions and more focus on consumer health – which is a cross-sector trend – as well as more confidence in the validity of digital health solutions in general.



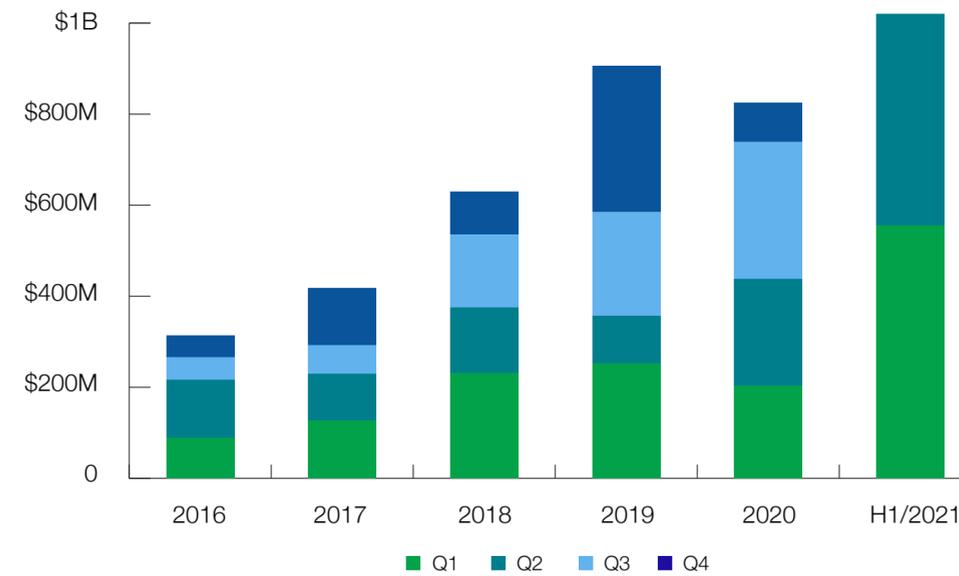
③ As a result, the Digital Therapeutics subsector has become the third-most-funded subsector of 2021, following Diagnostics and Decision Support. When we factor in the Clinical Workflow and Patient Engagement subsectors, where H1/2021 funding has already exceeded FY/2020 levels, we see that our [expectations](#) regarding increased investor focus on patient-centric and clinical workflow solutions caused by ongoing changes in healthcare delivery were correct.

④ About 50% of investor capital went into B2C and B2B2C companies. Furthermore, 4 out of the 6 companies that raised the most funding in Q2/2021 are offering B2C and B2B2C solutions – \$172M out of \$238M.

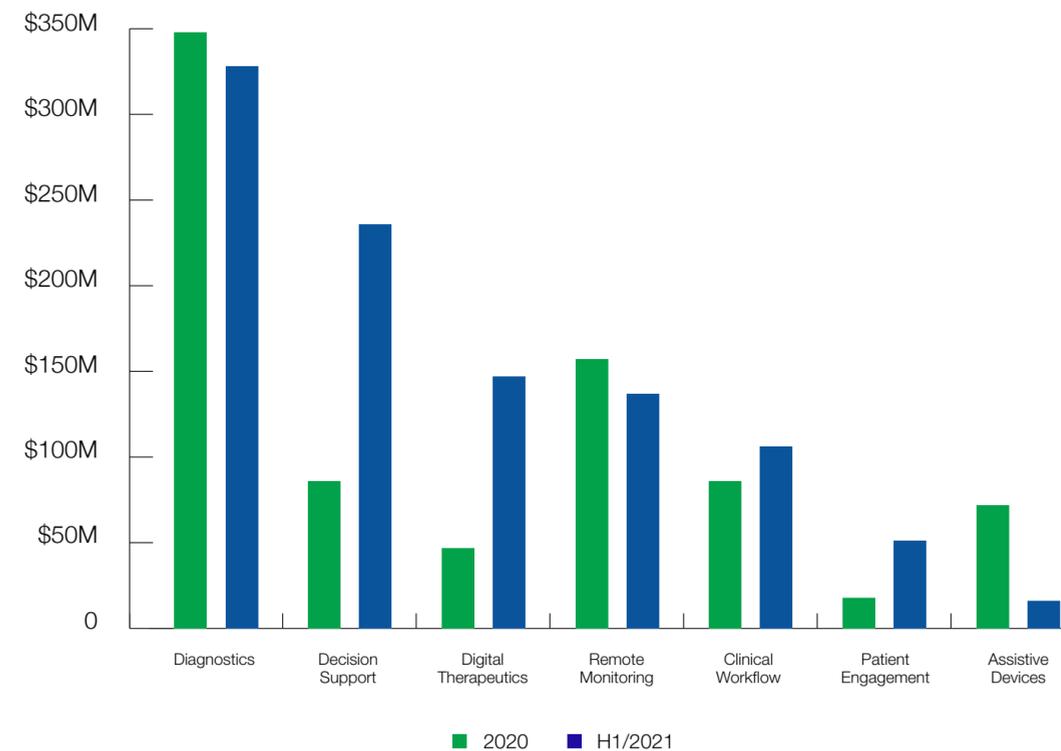
⑤ We see many new investors, both Israeli and foreign, entering the sector. These include local financial institutions like Poalim Capital Markets, VCs that haven't focused on the Israeli Digital Health sector in the past (such as Hanaco Ventures), and large global VCs like IVP.

* There is a time lag between rounds being closed and being announced, especially for early-stage rounds, so the numbers are subject to change

Total sector funding by quarter



Funding per subsector H1/2021 vs FY/2020



Top subsector performance



Diagnostics has been the strongest Digital Health subsector, raising \$328M since the beginning of the year, just slightly below the \$348M raised in FY/2020. This number includes two mega-rounds raised by [K Health](#) and [C2I Genomics](#) in Q1/2021, as well as a \$60M Round D raised by ophthalmic home diagnostic and monitoring company [Notal Vision](#). The company's June round was the largest amount ever raised by an ophthalmology digital health company in Israel, and the fourth round in the Israeli ophthalmology space since the beginning of the year.



Decision Support has attracted a total of \$236M, most of which was raised in Q1/2021. One of the interesting Q2/2021 rounds was [MDI Health](#), an AI-powered personalized medication management platform, which raised \$6M in a seed round led by [Hanaco Ventures](#).



The \$147M invested in Israeli **Digital Therapeutics** companies in H1/2021 was triple the total amount raised by the subsector in 2020, with 71% of it raised in Q2/2021. The largest rounds were:

- \$45M Round C raised by [Hello Heart](#), a heart health digital therapeutics company, from a group of investors led by IVP, one of the oldest US VC firms, focusing on later stage investments.
- \$37M Round C raised by [DayTwo](#), an AI-driven microbiome-based personalized nutrition company. Poalim Capital Markets, Bank Hapoalim's growth capital investment arm, was part of the investment round, investing in a Digital Health company for the first time.

Largest rounds in Q2/2021

Company	Subsector	Amount, \$M	Round type	Investors
1. Notal Vision	Diagnostics	60	D Round	Evergreen Venture Partners, Elron Electronic Industries
2. Hello Heart	Digital Therapeutics	45	C Round	Maven Ventures, Institutional Venture Partners (IVP), BlueRun Ventures, Khosla Ventures, Resolute Ventures
3. DayTwo	Digital Therapeutics	37	C Round	aMoon Fund, Micron Ventures, La Maison Partners, Poalim Capital Markets, 10D, Cathay Innovation
4. VIM	Clinical Workflow	36	B Round	Sequoia Capital, Frist Cressey Ventures, Walgreens, Anthem, Premera Blue Cross, Optum Ventures, GreatPoint Ventures
5. BreezoMeter	Remote Monitoring	30	C Round	Fortissimo Capital, Entre Capital
6. Cynerio	Clinical Workflow	30	B Round	CBG Asset Management, Accelmed, ALIVE Israel Healthtech Fund, MTIP AG, RDC

Source: Start-Up Nation Finder

Note: Earlier rounds can be found in our previous [update](#)

Other large rounds in Q2/2021



[VIM](#), a HealthTech platform connecting payers and providers, raised \$36M in the extension of its Round B, the first part of which was closed in 2019, bringing the size of the round to \$60M. Investors in the round are tier-1 global players, including Walgreens and Anthem, alongside follow-on investments from Sequoia and Optum.



[BreezoMeter](#), a company at the intersection of Digital Health and Cleantech, raised \$30M in a Round C led by [Fortissimo](#) and [Entrée Capital](#). Fortissimo, a leading Israeli PE firm, has not been active in HealthTech investments until recently.

Cynerio



[Cynerio](#), a cybersecurity-for-healthcare company, raised \$30M from its existing investors and recently launched the HealthTech VC, [ALIVE](#). Cynerio became ALIVE's second Digital Health investment after medication management company [Medisafe](#).

Exits in Q2/2021

There were a few relatively small exits during Q2/2021, with the following two worth special mention:

- 1 [PixCell Medical](#), which developed a point-of-care rapid blood test platform, was acquired for an undisclosed amount by publicly-traded South Korean semiconductor company Soulbrain Holdings, which is looking to expand into the Diagnostics space. PixCell Medical has already gained FDA and CE approvals for its product.
- 2 [Pulse'n'More](#) went public on the TASE, raising ~\$42M at a ~\$204M pre-money valuation. The company's handheld ultrasound for home use on pregnant women is approved for sale in Europe but has not yet received FDA approval. The company is pre-revenue, although it has a contract with Israel's Clalit public healthcare provider to deliver 20K devices.



Dr. Nadav Shimoni, head of the Digital Health sector at Arkin Holdings, anticipates a “tectonic shift” in the ecosystem.

“It seems like the Digital Health industry, and nearly all the companies operating within it have reached a tipping point. The confluence of several strong forces will lead to the emergence of a few, alongside many more that will perish as unfulfilled.” he wrote.

Read his [guest blog](#) to learn more about Israeli Digital Health startups' strengths and the current industry momentum.



Start-Up Nation Central is the address for corporations, governments and investors to connect with the Israeli tech ecosystem. We catalyze growth opportunities by bringing Israeli tech innovation to global business and societal challenges. Established in 2013 and headquartered in Tel Aviv, Israel, Start-Up Nation Central is a not-for-profit organization funded by philanthropy.

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