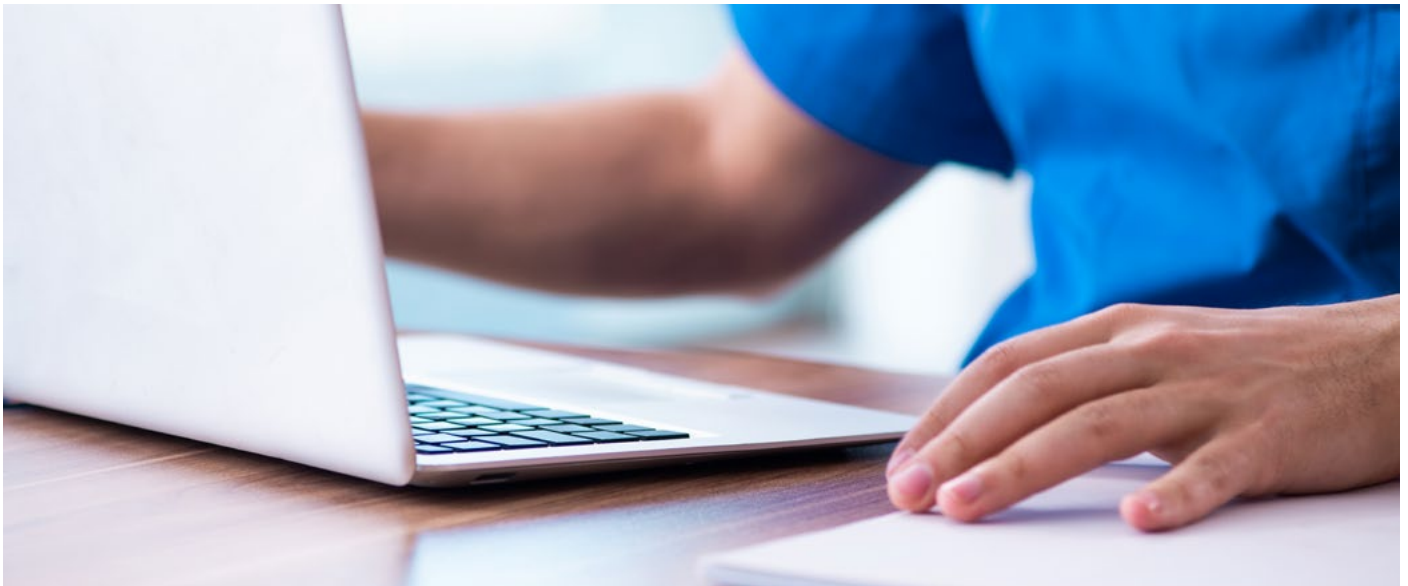


Telehealth

As the coronavirus pandemic has forced healthcare professionals to limit in-person services, demand for telehealth services has grown significantly.

This growth is expected to continue as the ageing UK population, increased government funding and technological advances in the telecommunications sector continue to fuel demand and drive M&A activity in the telehealth industry.





Telehealth overview

What is telehealth?

Telehealth refers to the remote delivery of healthcare services, such as medical consultations, health monitoring, sharing of medical information and patient education, using modern telecommunications solutions.

Telehealth offers a convenient and cost-effective way for individuals to seek medical attention from the comfort of their home.

During the coronavirus pandemic, many routine and emergency medical consultations had to be conducted virtually due to social distancing measures. This trend is expected to continue, with studies suggesting that 76% of customers intend to use telehealth services going forward, after learning how easy-to-use and convenient it is during the pandemic.

Market structure

The telehealth market sits within the wider healthcare sector, which is a broad, rapidly growing industry. Although much of UK healthcare is publicly funded, the private sector forms an integral part of the country's healthcare provision. With an ageing UK population, increased hospital waiting times and NHS staff shortages, demand for telehealth services has soared in recent years.

The industry has a low level of market share concentration, with the top four companies accounting for less than 9% of industry revenue in 2021.

Barriers to entry are moderate due to difficulties in sourcing skilled healthcare professionals and the level of existing patent protection in the industry.

Telehealth is a developing industry which has grown rapidly in recent years, driven by technological advances within the telecommunications sector and the development of new wireless self-monitoring healthcare devices. Industry revenue growth has also been supported by a push to make the NHS more efficient and reduce pressure on public health services. Additionally, the coronavirus pandemic has boosted demand for UK telehealth services, resulting in industry revenue increasing at a CAGR of nearly 20% in the five years through to 2021, reaching c.£540 million.

The telehealth industry can broadly be divided into three dominant segments: virtual consultations, medical devices, and telehealth software.

Virtual consultations

Virtual consultations are a staple of the telehealth industry, with patients able to book an appointment to speak to an NHS-registered doctor online or via their smartphone. Virtual consultations can reduce consultation times for minor health ailments, no-show or late appointments, leading to an increase in the number of patients seen per day and lower cost. Babylon's GP at Hand is an example of a virtual service which provides consultations around the clock, with patients usually being seen within two hours.

Virtual consultations have been the reason for much of the revenue growth recorded in the Telehealth industry, accounting for c.45% of industry revenues.



Medical devices and software

The medical devices and software segments are made up of implantable devices that can send data directly from patients to doctors, such as pacemakers and glucose monitors, and the corresponding software, such as smartphone applications.

Products in this segment of the market can be highly complex, and therefore typically carry a higher price than other traditional medical devices.

Medical Devices & Software's share of the telehealth industry has decreased marginally in recent years, as the virtual consulting segment has grown at a faster rate.

M&A activity

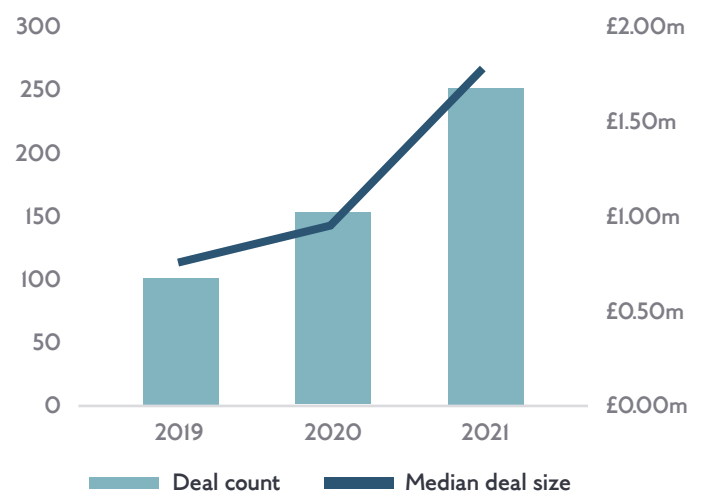
An emerging market with an abundance of opportunities

Analysis of M&A activity in the UK telehealth services sector reveals over 250 deals completed in the last 12 months, with 2021 being the UK's most active ever year for telehealth deals.

As telehealth is a young, emerging industry, the majority of activity is in the venture capital space, with a median reported deal value of £1.8 million.

Financial investors have taken an active interest in healthcare in recent years, both as direct investments and bolt-on acquisitions for portfolio companies, with the number of deals completed in the wider healthcare industry exceeding 1,500 in 2021, a record-breaking year.

UK Telehealth Deals



Deal Date	Company	Investors	Deal Type	Deal Size (£m)
Feb-22	Docobo	Graphnet Health	Acquisition	5.6
Jan-22	Neurolytic Healthcare	First In Ventures	Early Stage VC	2.3
Dec-21	Vitruue Health	Hambro Perks	Seed Round	1.4
Nov-21	Current Health	Best Buy	Acquisition	295.2
Oct-21	Hinge Health	Tiger Global Management et al	Later Stage VC	439.3
Oct-21	Babylon Health	Palantir Technologies et al	Later Stage VC	230.0
Sep-21	Tended	Blackfinch Ventures	Early Stage VC	1.6
Aug-21	Vinehealth	Talis Capital	Seed Round	4.0
Jul-21	Peppy	Form Ventures et al	Early Stage VC	6.6



As consumer and physician attitudes toward telehealth continue to improve and drive demand for industry services, M&A activity in the space is expected to remain strong.

Outlook

Demand for healthcare services is expected to continue to grow, driven by the ageing UK population and current NHS patient backlog. The telehealth industry is poised to benefit from its inherent cost-efficiencies,

which make it an attractive alternative to traditional in-person care, with telehealth services expected to become an option for every patient by 2024.

As technology advances, there will be a plethora of opportunities in the telehealth market including the development of innovative devices, pioneering apps and online resources. As a result, industry revenue is expected to grow at a CAGR of c.11% over the next five years, reaching c£900 million by 2027.



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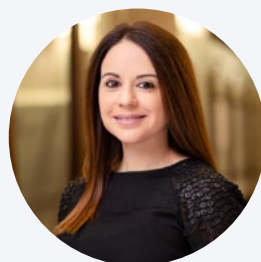
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