Navigating the UK Health Technology Market: Trends and Opportunities

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The UK’s health technology market has seen unprecedented levels of M&A transactions and fundraising. The Covid-19 pandemic acted as a catalyst, accelerating the adoption of digital health solutions, and sparking interest amongst investors to get involved in the sector.

However, the market has noticeably cooled in recent months, as valuations have undergone an adjustment to align more closely with the broader listed horizontal and vertical software ecosystem. This shift has coincided with a sense of caution among funders, causing period of muted enthusiasm.

The booming health technology market

The UK health technology sector has been a hotbed of M&A activity, with a number of large deals being announced including UnitedHealth Group’s acquisition of EMIS Group for £1.2bn and Nordic Capital’s investment in RL Datix for c.£2.5bn in 2022. Private equity and venture capital firms are also investing heavily in the health technology market. In 2022, Atomico invested an additional £20 million in Accurx, a digital health company that provides patient engagement apps.

At the beginning of this year, finnCap Cavendish advised on the sale of health technology firm MBI Technologies, to DNV, a global quality assurance and risk management provider. The acquisition forms part of DNV’s strategic expansion into the digital health market, where it aims to significantly grow its presence through innovation, acquisitions, and partnerships. Together, the Group will work to rapidly scale the MBI’s solutions in the UK, target growth in international markets, and bring new data assurance technologies to the healthcare sector.

A cautionary example, however, within the UK health technology market is the collapse of shareholder value at Babylon Health. Originally a digital health enterprise, Babylon Health listed by way of a SPAC on the New York Stock Exchange in 2021. However, the trajectory of the company’s stock price has fallen sharply since then. Fast forward to June 2023, Babylon Health has announced its intentions to divest its
UK business and exit core US assets, a failure to undertake the divestment and secure new funding will likely to lead to bankruptcy proceedings wiping out the shareholders of Babylon Health.

The collapse of Babylon is a reminder of the risks involved in investing in digital health companies. While the sector has the potential to grow significantly in the coming years, there are also a number of risks involved including the pace of change and speed of adoption in the UK health system.

**Key trends that are shaping the health technology market**

The trends shaping the UK health technology market include an increased focus on preventive measures and early intervention. Health technology solutions are pivotal in aiding healthcare providers to collect real-time data and employ predictive analytics, enabling the identification of potential health issues before they escalate.

Moreover, the persistent adoption of Digital Health Solutions, encompassing telemedicine services, mobile health apps, wearables, remote monitoring devices and other innovations, is enhancing patient engagement and increasing communication between patients and healthcare providers.

The focus on efficiency, productivity, and capacity optimisation is particularly significant due to the challenges faced by the UK’s healthcare system. The demand for health technologies that streamline administrative tasks, optimise resource allocation, and enhance patient flow are in high demand. Furthermore, health technology companies are increasingly using AI and machine learning to analyse large datasets and to enhance decision making processes in healthcare.

The growing recognition of the importance of mental health and overall wellbeing is also a key trend that has been emerging with solutions that address mental health issues, promote mindfulness, and support holistic wellbeing gaining traction.

Finally, as the adoption of digital health solutions escalates, there will be a substantial increase in the amount of health data generated. As a result, data security and privacy concerns will become paramount. Health technology companies will need to implement robust data protection measures and adhere to strict regulatory guidelines.
The future of the industry

finnCap Cavendish recently conducted market research to ask key stakeholders what emerging technologies or trends they believe will shape the future of the industry.

Maya Ward from Gresham House Ventures, a growth equity investor that partners with software and technology-enabled service companies said:

We see this as an exciting time for healthcare software. Healthcare has historically been slow to digitise. However, rising workforce and demand pressures are accelerating the drive to mass adoption of digital solutions (‘HealthTech’). The pandemic was a key catalyst, with high clinician and patient adoption of home testing and virtual consultations. The development of AI and algorithms has huge potential to drive more personalised healthcare services and improve standards of care. We are particularly interested in healthcare software which improves patient access, outcomes and/or delivers provider value through cost or productivity efficiencies. Areas of focus include applying augmented intelligence to support diagnostics or patient stratification for clinical trials; remote patient monitoring solutions to provide more care outside of hospital settings; and online platforms providing greater access in areas of significant unmet need, such as mental health services.

Whilst Tom Ambrose, who works at System C Healthcare, a CVC Capital Partners portfolio company that provides software solutions to the health and social care markets, commented:

We’re seeing a shift towards convergence of care delivery, which is partly facilitated through concepts such as virtual wards and remote monitoring, but more so through easier and more secure sharing of clinical data. This means that patient information needs to flow across these settings in a timely manner to ensure that clinicians and caregivers have access to all the relevant information at the point of care – we’re currently looking at options to ensure our records are accessible both within the relevant departments of a hospital, but also out in the wider community setting including with patients themselves, getting them more involved in the management of their own health and maximising the data available to clinicians in their care delivery. The link to social care data also plays a key role in preventative care, reducing the strain on our hospital systems by reducing inpatient care requirements. More widely, the increased interest globally in the applications of artificial intelligence and machine learning in health and social care represents another clear opportunity, but one that we’re approaching in a thoughtful manner with a real focus on the safety aspects of any solutions in this space. Our recent acquisition of Oxford Computer Consultants brings us some strong in-house AI capabilities that will underpin our efforts going forwards.