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ASIA EDITION

Digital health anchoring back to reality with slowdown of venture funding in 2022 in APAC

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Asia Pacific (APAC) digital health market investment continues to be hot: Galen Growth Report



Galen Growth, the leading digital health, data-driven market intelligence company, and FINN Partners, a global integrated marketing services agency, recently announced the “DIGITAL HEALTH ECOSYSTEM – ASIA PACIFIC, 2022 Year-End Report”, at an event in Singapore. The report examines major shifts and outlines best practices in investment strategies comparing Asia to the world scene examining 250 million data points over 14,000 ventures.

The digital health sector has grown significantly during the past decade. The investment by the global financial and corporate markets rose from $2 billion in 2011 to $44 billion in 2021. Moreover, tremendous investment poured into digital health in the shadow of the pandemic. However, in the past year, investors have been more selective in their decisions.

But total investment dollars in digital health took a steep dive in 2022; however, the picture looks significantly different on a region-to-region basis. While Asia-Pacific saw an investment decline in 2022, the Q4 trend shows a rebound worth watching and studying.

Private equity and business development dollars continue to flow toward the category however, directed toward specific therapeutic categories and technologies. Out of the total funding value deployed in 2022 for the region, research solutions and online marketplace clusters captured 49% of total funds invested and, oncology and cardiovascular diseases were the most invested therapeutic areas.

As per the report, Venture capital funding in Asia Pacific's digital health industry decreased during the first three quarters of 2022 but bounced back in Q4 ending the year at $5.79 billion, with a year-on-year (YoY) decrease of 41% from 2021.

Venture funding deceleration was largely due to China's investment falling by 66% YoY - the lowest since 2017, amidst strict pandemic regulations. However, Northeast Asia's funding doubled to $1.9 billion, surpassing China and South Asia, which dropped by 30% compared to 2021.

APAC saw a 33% YoY decrease in M&A activity, but digital health ventures accounted for 60% of global acquisitions, driving industry consolidation. The slowdown in venture funding has fueled acquisitions, with only 34% of Growth Stage ventures in Asia Pacific able to raise capital over the past 18 months.

In 2023, digital health ventures faced challenges due to declining venture valuations. However, the industry’s resilience in 2022 will strengthen the venture pipeline, driving