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# ISRAEL'S DIGITAL HEALTH SECTOR

FY 2021 UPDATE



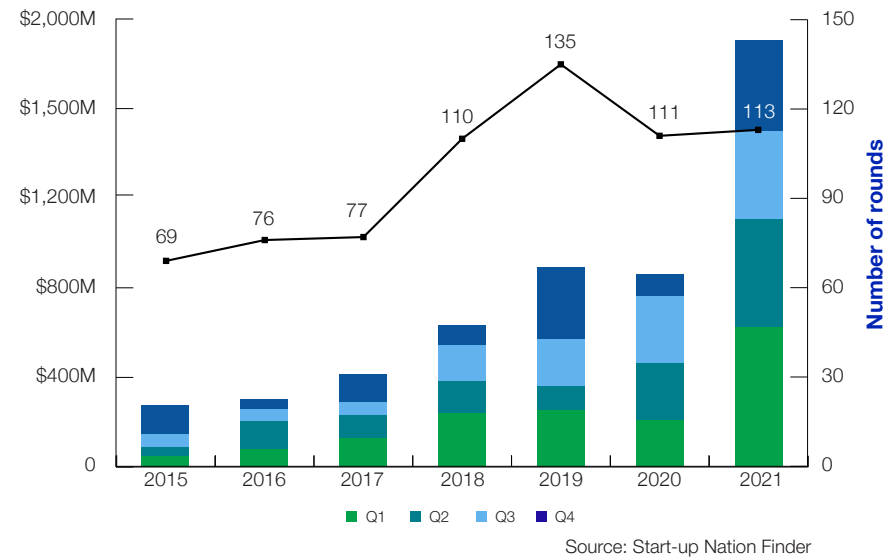
# Israel's Digital Health sector raised a record \$1.9B in 2021, but requires more early-stage funding

- 2021 was a landmark year for Israel's Digital Health sector, raising a record \$1.9 billion, an increase of 121% from the previous year.
- While the number of funding rounds remained more or less the same — 111 in 2020 compared to 113 in 2021 — more of the capital went to later-stage companies.
- 37% of the rounds raised in 2021 were by growth-stage companies (B round or later) up from 26% in 2020.

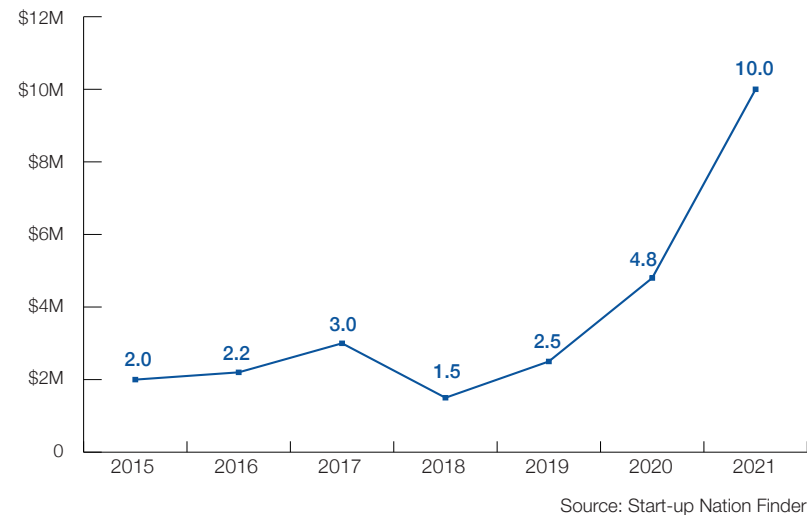
Israel's Digital Health sector is relatively young, with many early-stage companies. However, that showed signs of changing in 2021 with more growth-stage companies carrying out later-stage rounds as well as an increase in the size of investments in earlier rounds, amid a record influx of investments, in part from large foreign funds.

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

Digital Health Funding by quarter, \$M and # of rounds\*



Median funding round, \$M\*



The median round size more than doubled last year from less than \$5 million in 2020 to \$10 million in 2021. While maturation is the natural course and a positive development, if early-stage funding doesn't keep pace, the sector risks stagnating in the long term.



# Main takeaways

1 Israeli Digital Health funding growth outpaced even the record global Digital Health sector growth in 2021, which reached \$44 billion worldwide, doubling YoY. However, Israel's Digital Health sector is far less mature than its US counterpart. While the number of growth-stage deals in Israel is growing, the rounds are still smaller and the share of growth-stage companies is still lower, with only ~25% of funding coming from mega rounds vs. 57% in the US.

2 Lack of sizable exits is another indication of the relative immaturity of the Israeli Digital Health ecosystem. More focus on early-stage funding should be a driver for the sector's growth, and we see encouraging dynamics here with new investors entering the space. Having said that, the sector funding trends in 2022 will very much depend on the situation in the global financial markets.

3 Two years into the pandemic, COVID-19 has had both short- and long-term impacts on investment trends.

In the short term, funding patterns skewed in favor of subsectors that offered solutions to pandemic-related challenges, such as Remote Care. In 2020 the largest rounds were raised by Digital Health companies offering some sort of remedy to life during COVID. In 2021, significantly more capital flowed into other, more research-intensive subsectors like Decision Support and Diagnostics.

In the long term, it is clear that Digital Health companies, including Israeli ones, have sparked great investor interest. With the world becoming ever more health and wellness conscious, there is every reason to believe that this interest will only grow.

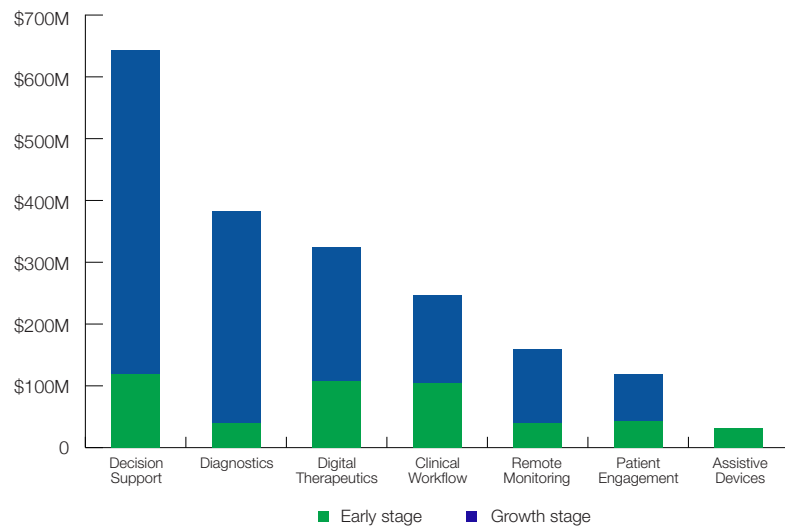




## Mega-rounds responsible for 25% of sector funding

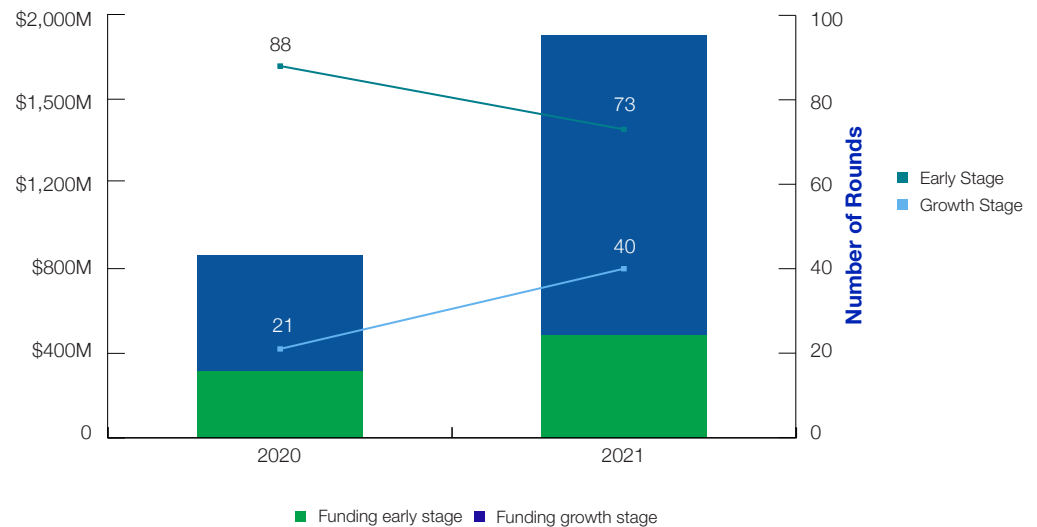
Roughly a quarter of the total capital invested in the Israeli Digital Health sector last year was raised in three mega-rounds (investments of upwards of \$100 million): [K Health](#), which raised \$132 million in a round E in January; [C2i Genomics](#), which raised a \$100 million round B in April; and [Immunaj](#), which raised a \$215 million round B in October.

2021 funding by subsectors by stage, \$M\*



Source: Start-up Nation Finder

Sector funding by stage, 2020-2021\*



Source: Start-up Nation Finder

# The investors driving the increase in Digital Health funding

The most active investors in Israeli Digital Health companies in 2021 were Israeli venture capital funds. Hanaco Venture Capital, which until recently had not invested in Digital Health at all, became the most active Digital Health investor participating in five investment rounds. OurCrowd, one of Israel's largest VCs, also invested in five Digital Health startups. aMoon Fund (Israel's largest life sciences- focused investment fund), Arkin Digital Health, Entree Capital, iAngels, Triventures, and Viola Ventures each invested in four companies last year.

## Most active investors in 2021

Investor	Number of Rounds
Hanaco Venture Capital	5
OurCrowd	5
aMoon Fund	4
Arkin Digital Health	4
Entree Capital	4
iAngels	4
Triventures	4
Viola Ventures	4

Source: Start-up Nation Finder

But 2021 also saw the arrival of large foreign funds on the scene. Out of 10 international VCs that [StartUp Health](#) identified as the most active investors in Digital Health globally in 2021, six chose to invest in Israeli companies. However, these funds never invested alone, always co-investing alongside other foreign or local VCs. Two of the world's largest investment funds, Tiger Global Management and General Catalyst, invested in Israeli Digital Health companies for the first time in 2021, while the others had previously only ever invested in one to two rounds. This indicates that global scale investors are taking notice of the developments in the Israeli Digital Health sector and are increasingly willing to wager on its success.





## Foreign VC investment in Israeli Digital Health Companies

VC	Investment	Product/service description	Round size,	Round type
General Catalyst	Empathy	Digital Companion for Navigating Bereavement	\$13M	Seed
	Empathy	Digital Companion for Navigating Bereavement	\$30M	A
Insight Partners	Aidoc	Radiology AI	\$66M	C
	VIZ.AI	AI-powered Synchronized Stroke Care	\$7M1	C
	TytoCare	Remote examination tool and telehealth platform	\$50M	D
Tiger Global	Theator	A visual AI-based platform built for surgeons	\$15.5M	A
	TytoCare	Remote examination tool and telehealth platform	\$50M	D
GV	NYM	Natural Language Understanding for Automated Healthcare Coding	\$25M	B
	Nanit	Smart Baby Monitor and Sleep Tracker Devices	\$25M	C
Khosla	NYM	Natural Language Understanding for Automated Healthcare Coding	\$25M	B
	Hello Heart	Smartphone solution for chronic conditions	\$45M	C
Optum Ventures	VIM	Platform connecting payers and providers	\$36M	B

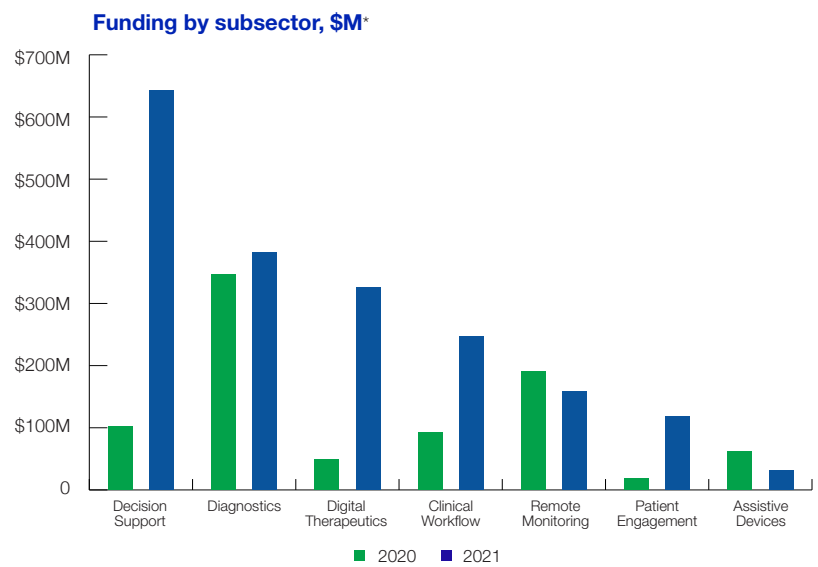
Source: Start-up Nation Finder

When it came to investments in early-stage companies, the most active investors were mostly Israeli-based funds. Arkin Digital Health, a new fund from the Arkin Holdings family, one of the leading Israeli life sciences investors, participated in four seed rounds. Flint Capital, a Boston-based generalist VC, invested in three seed rounds, as did Hanaco Ventures.



# 2021 Funding by Subsector

We divide the Israeli Digital Health sector into seven subsectors according to the company's area of activity. The growth in investments experienced in 2021 was driven mostly by the historically strong investments in the **Decision Support** and **Diagnostics** subsectors. Companies in the Decision Support subsector raised six times more capital in 2021 than they did in 2020, which was a year in which the COVID-19 pandemic skewed prior trends due to investor focus on solutions that were more critical for solving the crisis. The **Remote Monitoring** subsector experienced the reverse — a very strong 2020, with a 55% decline in funding in 2021. The **Digital Therapeutics** and **Clinical Workflow** subsectors performed well in 2021, as we predicted in [our previous updates](#).



Source: Start-up Nation Finder



## Decision Support

This subsector raised a record-breaking \$643 million in 26 rounds last year, a 600% increase over the 2020 total. Investments in the subsector accounted for 34% of total investment in Israeli Digital Health companies, with 81% of the capital going to growth-stage companies.

## Diagnostics

This subsector raised \$382 million (20% of total sector funding) in 15 rounds in 2021. The funding grew by a modest 10% y-o-y, but from a high baseline. Nearly all of the funding (90%) went to growth-stage companies, which – together with the unprecedented size of some early-stage rounds – indicates potential for new companies to be created as investors are looking for disruptive solutions in this area.

## Digital Therapeutics

Digital Therapeutics companies raised \$326 million (17% of total digital health funding), a record for this subsector and nearly seven times more than in 2020, indicating that Israel has interesting solutions to offer in consumer health as well and not just in its core B2B space. The 24 rounds were spread across companies in various disciplines, from mental health to physiotherapy and chronic disease management. A majority (67%) of investments were in growth-stage rounds.

## Clinical Workflow

The subsector raised \$247 million (13% of total digital health funding) in 18 rounds in 2021, 165% more than in 2020, with 42% of funding going to early-stage companies. The distribution is an indication that young companies are successfully addressing the right challenges. Demand for solutions tackling the inefficiencies of the US healthcare system increased dramatically during the COVID-19 pandemic, accelerated by new players like big telehealth platforms, which may be more streamlined but face the same problems as traditional healthcare providers. Since most clinical workflow solutions do not require FDA approvals and some of these companies are similar to general enterprise solutions, this subsector successfully attracts a wider range of investors than other subsectors.



## Remote Monitoring

The subsector raised only \$159 million (8% of total) in 15 rounds in 2021, 16% less than in 2020. Two-thirds of the funding was invested in growth-stage companies. TytoCare, a remote examination tool kit, was responsible for almost a third of the total sector funding.

## Patient Engagement

This may be the smallest subsector in terms of the number of companies, but the \$118 million raised in 11 rounds (6% of the sector total), was a **600% increase** above the 2020 total. More than a third of the funding (37%) went to early-stage companies, higher than the sector average.

## Assistive Technologies

This subsector received just \$31 million in 2021, with all of it going to early-stage companies. It is important to note that when it comes to Assistive Tech solutions that are not defined as part of the Digital Health sector, the funding situation was stronger: for example, AI-based transcription and capturing company, Verbit, raised \$250 million at a \$2 billion valuation.



# Q4 2021 at a glance

Israeli Digital Health companies raised a total of \$407 million in Q4 2021. The largest rounds were mostly in deep tech companies in the Decision Support, Diagnostics, and Clinical Workflow subsectors.

## Standout Rounds by Subsector



### Decision Support

- Founded in 2019, Israeli-US computational immunology company **Immunai** raised the largest round for an Israeli Digital Health company ever: \$215 million in a round B from a group of investors, including Koch Disruptive Technologies. The company claims that it has built the largest database of the human immune system, which can help in creating personalized treatments.
- A surgical visualization technology company **Beyeonics Surgical**, a spin-off from leading Israeli defense company Elbit Systems, raised \$26 million in a round B from a group of mostly Israeli investors, including **Alive Israel Healthtech Fund**, that was founded in 2020 to invest in mid- and later-stage healthtech companies. The company's solution creates an integrated work environment in operating rooms using augmented reality.
- **Quris Technologies**, an R&D stage machine-learning biopatform for drug development raised a \$9 million seed round from private investors, followed by an additional \$19 million round in January 2022, led by Israeli VCs. This was a record seed round for an Israeli Digital Health company. The company's solution combines AI technology with a biological platform that includes tissue on a chip that simulates the human body.



### Diagnostics

- Women's health company **Illumigyn**, which developed a cloud-based platform for gynecological imaging services, raised \$31 million in a round A from Yozma Group Korea and Japanese Ubicom Holdings. This is a large round for Israeli FemTech and supports affordable care for women. The company is deploying its system in the US, UAE, India, Singapore, and South Korea.
- Founded in 2021, **Neuralight**, a company that has developed an AI-driven platform to automatically extract micro-oculometrics to provide digital markers for neurological disorders, raised \$5.5 million in seed funding from a group of foreign VCs.





## Digital Therapeutics

- **Moodify**, a company producing scent technology for performance and wellbeing, raised \$8 million in a round A from a mix of VCs and corporate investors, including P&G and Toyota.



## Clinical Workflow

- **Insurights**, an InsurTech company helping employers in the US to cut costs on employee health insurance, raised \$22 million in a seed round from a group of Israeli and foreign investors. Its platform presents medical rights to employees based on their insurance policies, helps them to find lower-cost providers, and explains existing preventive care benefits.
- **Payzen**, another InsurTech company, raised \$15 million in a round A from investors including Viola Ventures and 7Wire Ventures. Payzen offers a zero-interest payment plan for patients' out-of-pocket medical expenses, providing them with a personalized, flexible payment plan and improves hospitals' cash collection by enabling them to get payments upfront.
- **Navina Technologies** raised \$15 million in a round A from Israeli VCs. The company has developed an AI platform for primary care physicians structuring patient data.



## Remote Monitoring

- **Lavaa**, a preventive care company established in 2021, raised \$4 million in a seed round from Booster Ventures. Lavaa develops a platform for predicting and preventing chronic diseases, to be used by insurance companies.



## Patient Engagement

- Comprehensive behavioral health solution company **Valera Health** raised \$15 million in an undisclosed round mostly from US-based VCs, led by Windham Venture Partners, as well as existing investors, including AXA Venture Partners. The company is building a team-based, mental health, clinical services model in the US.

## Notable Exits

**Orthospin**, which developed a digitally-enabled strut system, was acquired by **Synthes GMBH** (part of DePuy Synthes, the orthopedics company of Johnson & Johnson) for \$79.5 million. Orthospin is a medical device company with a digital element, a more mature sector of Israeli MedTech than Digital Health.







**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.

**Start-Up Nation Finder** is a free online platform for identifying and engaging Israeli tech organizations based on users' 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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