



Australian Government

Australian Trade and Investment Commission

# Untapped Potential:

KEY INVESTMENT OPPORTUNITIES  
IN THE FAST-GROWING AUSTRALIAN  
DIGITAL HEALTH ECOSYSTEM

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Data provided by

 PitchBook®

**AUSTRALIA**

# INTRODUCTION

As COVID-19 disrupted the planet in early 2020, Australia was one of the few countries that was able to relatively contain the first wave of the virus. While some industries grappled with existential threats and others flourished, the spotlight focused on digital health was universal, as providers and patients alike went online to continue care.

The healthcare industry is by nature slow-moving and fragmented, and certain segments of digital health had faced growth challenges before the pandemic, but COVID-19 provided a unique accelerant, significantly improving the growth prospects of many startups while spurring existing category leaders to ramp up capacity as much as possible. Venture funds took note and remained active, making close to 3,800 investments in digital health globally in 2020 and exceeding \$40 billion<sup>1</sup> in aggregate investment. That torrid pace has continued in 2021, with \$46.9 billion invested across slightly more than 2,500 financings through late July. The global venture ecosystem is flush with capital, so the spigot of money flowing into the digital health space should remain wide open.

In this report, Austrade (the Australian Trade and Investment Commission) reviews key datasets that capture the increasing flow of investment into the Australian digital health ecosystem, and the outlook for future growth. In addition, case studies give a taste of the innovative digital health pipeline Australia boasts. Australia benefits from key traits that tend to draw investor attention, particularly in the healthcare sector,

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including a robust research environment that spins out technologies at a high rate, government support for growing startups, access to large and wealthy addressable user markets, and strong regulatory and legal frameworks. Multiple ecosystems meet those criteria globally, but Australia, with its expanding digital health pipeline, is emerging as a gateway to accelerated venture growth. Moreover, Australia has strong links with the vast emerging populations across the entire Asia-Pacific region, promising significant untapped, total addressable markets over coming decades.

1: Unless otherwise specified, all values are displayed in USD.

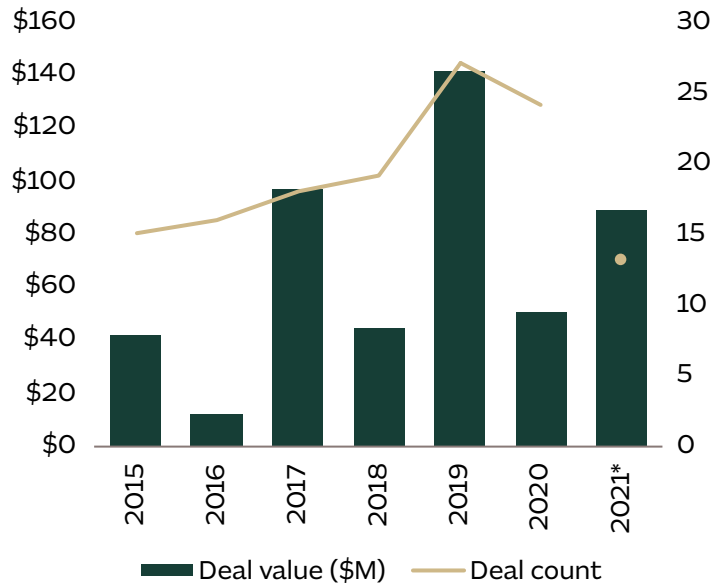
# OVERVIEW

Venture dealmaking in 2021 has surged to \$88.4 million invested across 13 rounds through late July and could herald a record year of funding for Australian digital healthcare, rebounding robustly from a slight lull in 2020.

The investment surge is likely to continue. Before COVID-19, the burgeoning Australian digital health ecosystem had been branching into various healthcare niches at a steady pace. Digital health providers collaborated closely with publicly funded Australian healthcare programs to meet growing patient and provider needs as well as the demand for innovation. However, COVID-19 forced the industry to urgently seek ways to continue providing health services as normally as possible, which boosted business for telehealth companies at the outset and underscored the need to digitize manual processes so providers could care for their patients remotely. Fortunately, there were plenty of Australian digital health companies offering products and services to meet the uptick in demand, such as Ellume, which inked a \$231.8 million agreement with the US to establish a manufacturing facility, expanding the company's global production capacity of rapid COVID self-tests by half a million daily.

In addition, Australian digital health has long benefited from a strong support network, including the Medical Research Future Fund (MRFF)<sup>2</sup> and the National Digital Health Strategy,<sup>3</sup> which was established as a multilateral partnership between the Australian government, industry entities, and more. For example, the Australian government announced an A\$5.0 billion, 10-year investment plan for the MRFF as part of its 2019–2020 budget,<sup>4</sup> which has been adapted in the 2020–2021 budget to respond to the logistical complexities induced by COVID-19. Those funds will flow out as grants to support research studies across a wide variety of initiatives, many adjacent to or pertaining directly to digital health, with amounts ranging up to A\$1 million to develop a research plan and up to A\$50 million over five years to implement said plans.<sup>5</sup> An additional A\$114 million was allotted to extend telehealth services in the most recent federal budget with a new goal of permanently adding telehealth to the country's universal health insurance system.

## Digital health VC activity



Source: PitchBook | Geography: Australia  
\*As of July 29, 2021

# \$88.4M

2021 is seeing an uptick in venture activity after a lull in 2020

In such an innovation-friendly medical environment, corporate and foreign investors are likely to engage in more venture rounds and startup launches, boosting Australian venture activity. The need to deploy the glut of capital overhang in the global venture ecosystem should cause cross-border investment to rise—and Australian digital health to flourish—as an increasing number of international investors take note of the untapped potential of the ecosystem and regional market.

2: “Medical Research Future Fund,” Australian Government Department of Health, N.D.

3: “National Digital Health Strategy and Framework for Action,” Digitalhealth.gov.au, 2021.

4: “Medical Research Future Fund (MRFF) 10-Year Investment Plan, Australian Government Department of Health, July 23, 2020.

5: “Medical Research Future Fund (MRFF) 2021 Frontier Health and Medical Research Initiative,” Business.gov.au, August 3, 2021.

# SNAPSHOT - VC ACTIVITY

**Australia's digital health environment is drawing increasing interest from investors abroad, including corporate venture funds or corporations directly.**

2021 has already seen corporate-participating rounds bounce back to match the 2019 total. Such interest has helped steadily boost financing volume and shift investment to later rounds as companies mature and

are able to command larger sums. Financing metrics are on the upswing, indicating both capital and competition are abundant—a testament to the quality of the typical Australian digital health startup. As a result, exit volume has ticked up as well, with 2021 already seeing a near-record \$24.2 million in exit value. Digital health in Australia appears primed to achieve new highs in venture activity.

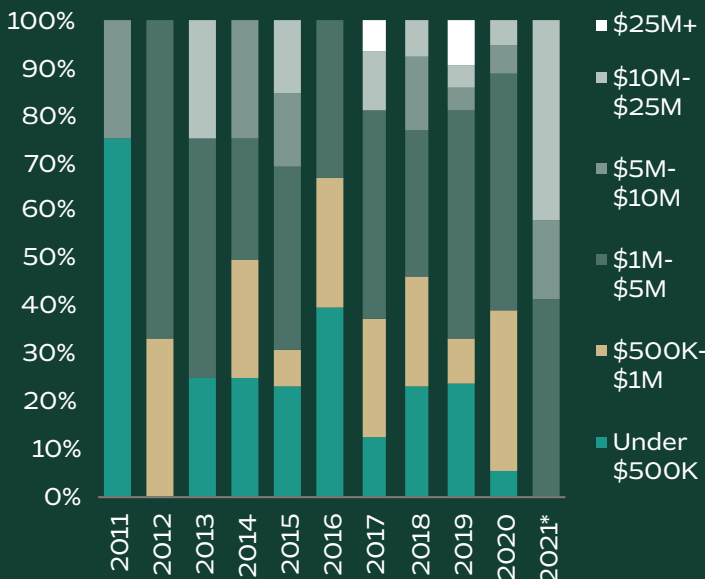
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Already in 2021, five rounds sized between \$10 million and \$25 million have occurred, more than in any other prior year.

\$7.9M

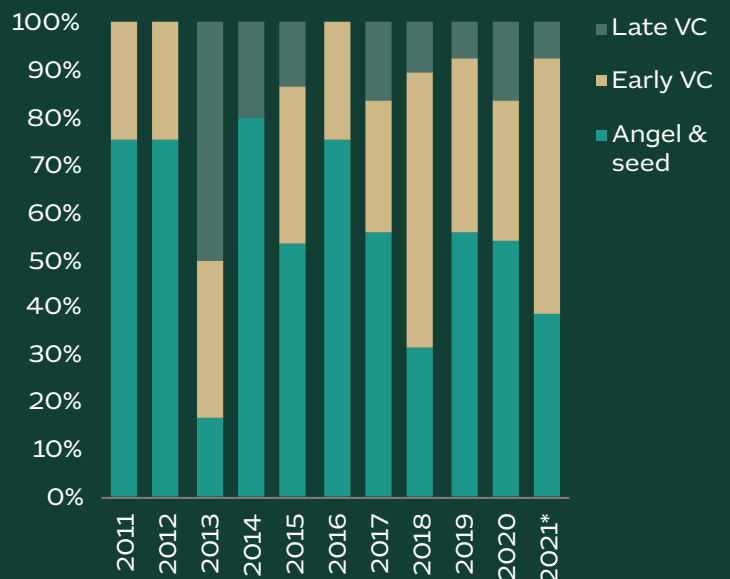
Early-stage financing sizes are also on the rise, with a median of \$7.9 million through late July 2021.

**Digital health VC activity (#) by size**



Source: PitchBook | Geography: Australia  
\*As of July 29, 2021

**Digital health VC activity (#) by stage**



Source: PitchBook | Geography: Australia  
\*As of July 29, 2021

# SNAPSHOT - MARKET OPPORTUNITY

## A\$300M

The budget allocation to the Australian Digital Health Agency for developing and implementing a data integration strategy across aged care settings.

## 90%+

My Health Record covers more than 90% of Australian residents. The personally controlled electronic health record tool sets a broad foundation for multiple digital health applications.

At A\$98.3 billion, the Australian government's total health expenditure represents 16.7% of the 2021-2022 budget, showcasing significant opportunities for increased efficiency and access to improve cost savings. To that end, A\$421.6 million is being allocated over two years as part of a cross-portfolio strategy for the digital economy. This macro support plus the penetration

of digital health tools across national insurance plans and providers should help support the launch of new innovative tools, via new companies or cross-border partnerships. In turn, depending on how launches in the Australian market fare, expansion into regional markets across the Asia-Pacific region could represent significant market opportunities.

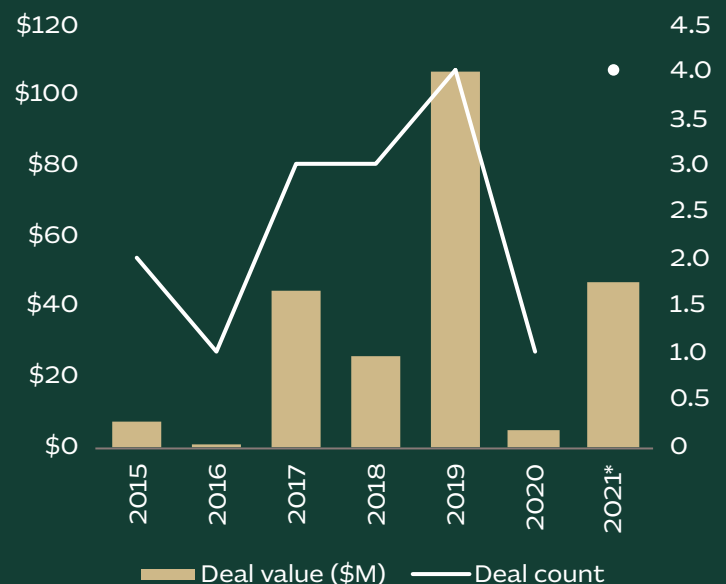
## A\$79M

Recently, the MRFF granted a total of A\$79 million across four projects, spanning applications of AI to trials involving osteoarthritis treatments.

## 55%

Corporate investors have participated in four rounds that accounted for more than half of all 2021 VC invested so far.

### Digital health VC activity with corporate participation



Source: PitchBook | Geography: Australia  
\*As of July 29, 2021

# CROSS-BORDER CAPITALIZATIONS

Venture financing with cross-border investor participation has been on the upswing in the Australian digital health ecosystem. Peaking in 2019 thus far at 12 completed financings for close to \$120 million in aggregate deal value, 2020 understandably saw a decline as uncertainty gripped the world. However, thanks in large part to growth surges in the Australian digital health market, 2021 has already seen a return in volume and deal value, at seven completed transactions totaling \$53.1 million, with nearly half of the year to go. Beyond companies such as Lumo Diagnostics or Atomo Diagnostics, which saw their international presences expand due to the elevated demand for disease testing kits, companies like Lumary, which develops a healthcare platform designed for disability and aged caregiving, are drawing interest from investors abroad.

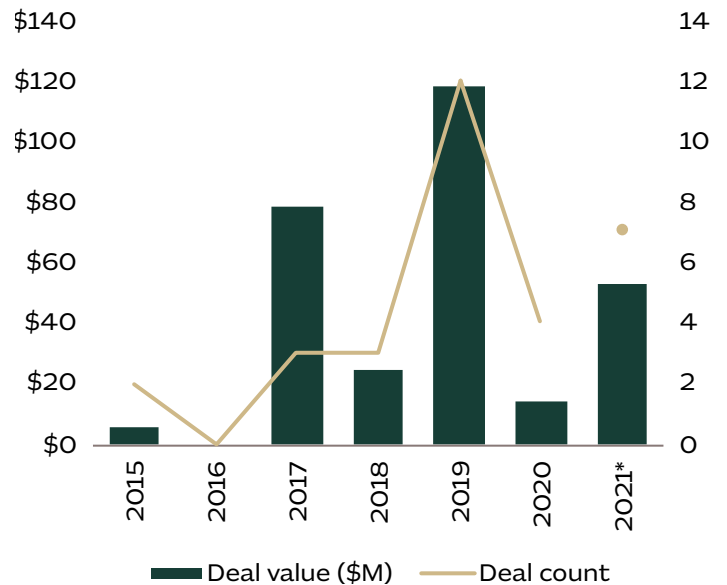
## Aged care is an area of increasing interest

Specific digital health segments such as aged caregiving are good showcases of how the mutual collaboration between public and private healthcare providers and government agencies have created a fruitful market opportunity in Australia. For example, in 2021, the Australian Royal Commission into Aged Care Quality and Safety prioritized digital health as a core element in addressing national aged care transformation. That in turn led to a A\$300 million budget allocation to the Australian Digital Health Agency for developing and implementing a data integration study for the space, which could lead to partnerships with private companies providing virtual care, wearables and more.

## Innovation for export

As a result of the growing opportunities in digital health, foreign investors are growing more interested in investment opportunities across the Australian digital health ecosystem. Australian companies are also becoming increasingly ready to expand into major markets to attract customers and investment.

## VC activity in digital health with foreign investor participation



Source: PitchBook | Geography: Australia  
\*As of July 29, 2021

Furthermore, securing exposure to the Australian market also provides avenues for expansion into additional geographies with significant untapped market potential for digitization, especially across healthcare. By some estimates, the Asia-Pacific digital health market is anticipated to surpass \$74 billion by 2027.<sup>6</sup>

Looking more broadly at the last several years, among the leading investors from abroad that have backed Australian digital health companies are accelerator/incubator Antler and family office Vulpes Investment Management from Singapore, venture firm Spring Capital from Estonia, accelerator Astralabs from Texas, and venture firm Inventures from Germany. It is clear the geographic base of investors in the Australian digital health ecosystem is diversifying and broadening.

6: "Digital Health Market Size & Share 2021 | North America, Europe, & APAC Industry Forecasts 2027: Graphical Research," Intrado Global Newswire, August 24, 2021.

# CASE STUDY

In order to showcase the evolving niches of digital health in Australia, we highlight the following companies—which have raised capital from a slew of investment firms through late July 2021—that exemplify diversity and potential scalability across the sector:



An integrated care management software platform to streamline workflows, claims, and compliance, Lumary is supporting more than 200 Australian aged care and disability providers.

**\$17M**    March 2021  
Late-stage VC financing



A telemedicine platform, InstantScripts provides consultation services to a wide variety of patients; as of July 2021 it was fulfilling more than 350,000 annual prescriptions.<sup>7</sup>

**\$11M**    June 2021  
Early-stage VC financing



A developer of a range of diagnostics tests for common infectious diseases, Ellume saw its global manufacturing capacity surge significantly in response to the pandemic, winning a \$231.8 million contract from the US Department of Defense.

**\$5M**    June 2019  
Corporate financing

Australia remains an innovation destination where proven early-stage technologies are ready to take to global markets.

<sup>7</sup>: "InstantScripts: Aussie Online Prescription, Doctor Service Makes \$11m," News.com.au, Kara Byers, July 29, 2021.

# WHY INVEST IN AUSTRALIA

A global leader in digital medical technologies, Australia offers investment opportunities ranging from discovery research through to product development partnerships in biotech, pharmaceuticals, medical devices, tropical medicines and digital health areas. Australia has a strong but flexible regulatory regime including strong intellectual property (IP) protection, fast-tracked clinical trials, tax incentives and a supportive business culture for undertaking research and development (R&D).

## HOW AUSTRADE CAN HELP

The Australian Trade and Investment Commission (Austrade) is the Australian Government's international trade promotion and investment attraction agency. We help companies around the world to identify and take up investment opportunities in Australia.



To discuss how Austrade can help your firm invest in digital health capability and grow in Australia, connect with Benson Saulo, Consul General and Trade and Investment Commissioner at [Benson.Saulo@austrade.gov.au](mailto:Benson.Saulo@austrade.gov.au)

Learn more at <https://www.austrade.gov.au/digitalhealth/home>.

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