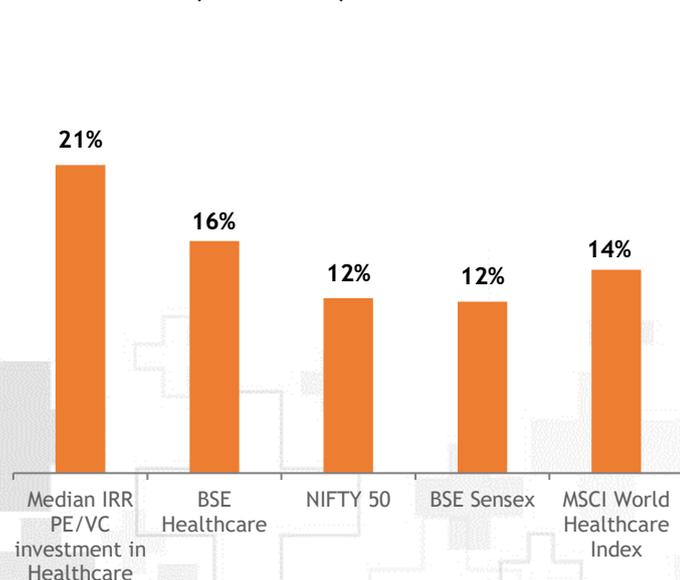


India Healthcare / life-sciences Private Healthcare 2022 Deal Outlook

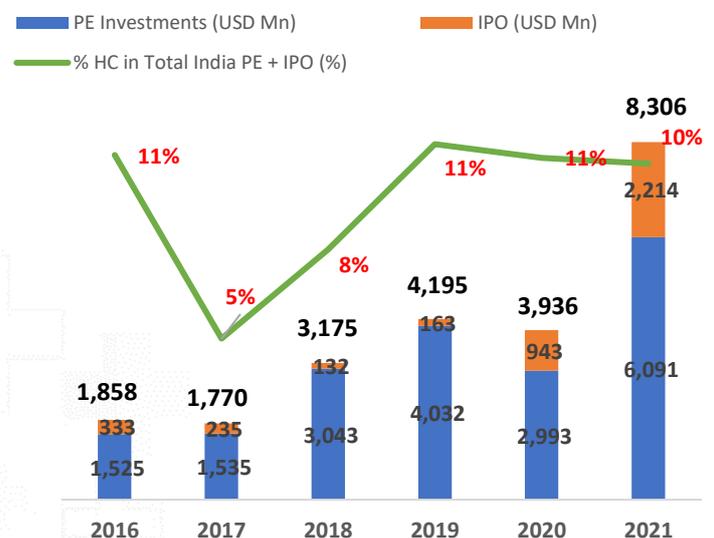
Private Capital deal flow at record high levels in 2021 has been one of the most noteworthy achievements of the sector. On the one hand, the pandemic has brought to center-stage the urgency for healthcare investments to bridge some of the sector’s demand-supply gaps. On the other hand, the core fundamentals of the sector in terms of established track record of value creation, attractive growth outlook and its recession proof nature have fueled investor confidence and thereby peak in investment activity in 2021. Firstly, in terms of value-creation, the sector has delivered USD 7+ Bn from 250+ PE exits in the last 10 years and a select sample of the sector’s PE exits indicates superior returns (21% IRR over 2010-21) compared to 16% returns for BSE healthcare index in the same period. Secondly, the listed pharma and healthcare universe too has seen significant investor interest with the BSE HC index having outperformed the broader indices since the start of the COVID outbreak. The third lever that has added momentum to the tremendous investor activity is the spate of nearly USD 3 Bn IPOs witnessed in last two years. Looking ahead for 2022 and beyond there are five noteworthy trends at play for private healthcare deal outlook:

1. The record USD 6.1 Bn private capital in 2021 has also resulted in record average deal size which is an inflection point for not just strong deal momentum to continue but also continuing average ticket size of over USD 47 Mn .
2. Three core segments - pharma, healthcare delivery and digital now attract 90% of the private capital investment compared to two segments in earlier years, The digital segment is now sizeable at 25% of the total pool.
3. Investor interest is the highest in the pharmaceutical sector which has attracted over USD8Bn capital in last five years with doubling of average ticket size as well. The share of capital in this segment has outperformed the overall capital surge
4. Share of healthcare delivery to total capital pool has shrunk to half in last 5 years pointing to selective interest here
5. Finally, the healthcare digital sector is at an inflection having seen a 10x surge in private capital in last five years

Private Capital Investment in Healthcare (2010-2021) - Returns



Private(VC + PE) and IPO Capital Investment in Healthcare (2016-2021) – USD(Mn)



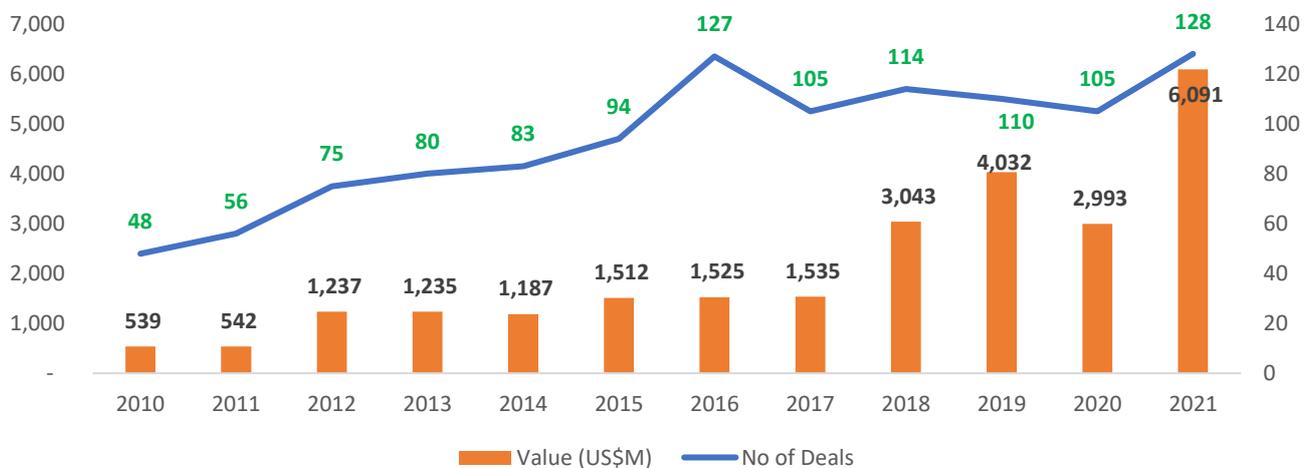
Source: Venture Intelligence

Noteworthy trends at play for private healthcare deal outlook

1. Record USD 6.1 Bn private capital in 2021 is an inflection point for the decade

Since 2010, the Indian Healthcare and Life Sciences sector has attracted over USD25 Bn in private capital across 1000+ transactions. The sector today accounts for nearly 10% of the country's private capital deals and ranks among top 5 sectors in terms of deal value and volume in the country. In our view the record USD 6.1 Bn private capital flow in 2021 is a reflection of not just the sector's potential but also the performance and value creation track record delivered by the sector in the past. Driven by sector fundamentals and the significant demand-supply mismatch, we expect the strong deal momentum to continue through the present decade as well.

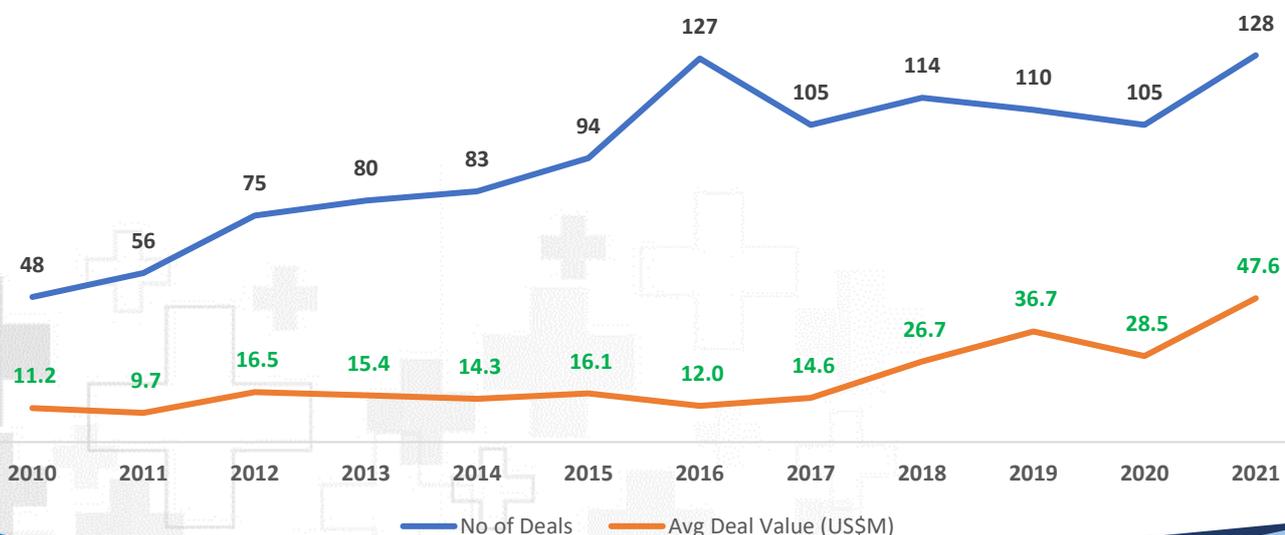
India Healthcare Private Investments (2010-21) – Value (US\$Mn) and Volume (no.)



2. The record 2021 average ticket size is yet another pointer of inflection for the decade

Between 2010-17, the average ticket size of private healthcare deals ranged at USD10-15 Mn with deal volumes doubling during that period. Since 2018, there has been a consistent rise in the average transaction value range to USD25-35 Mn with total volumes being steady at 100+ transactions every year. 2021 has seen a record average transaction size of US\$47.6M which is the highest in the past decade. Keeping in consideration the record deal value, we anticipate investment activity in the sector to remain hectic through the decade thereby translating into higher average deal size.

India Healthcare Average ticket size of private investments (2010-21) – US\$(Mn)

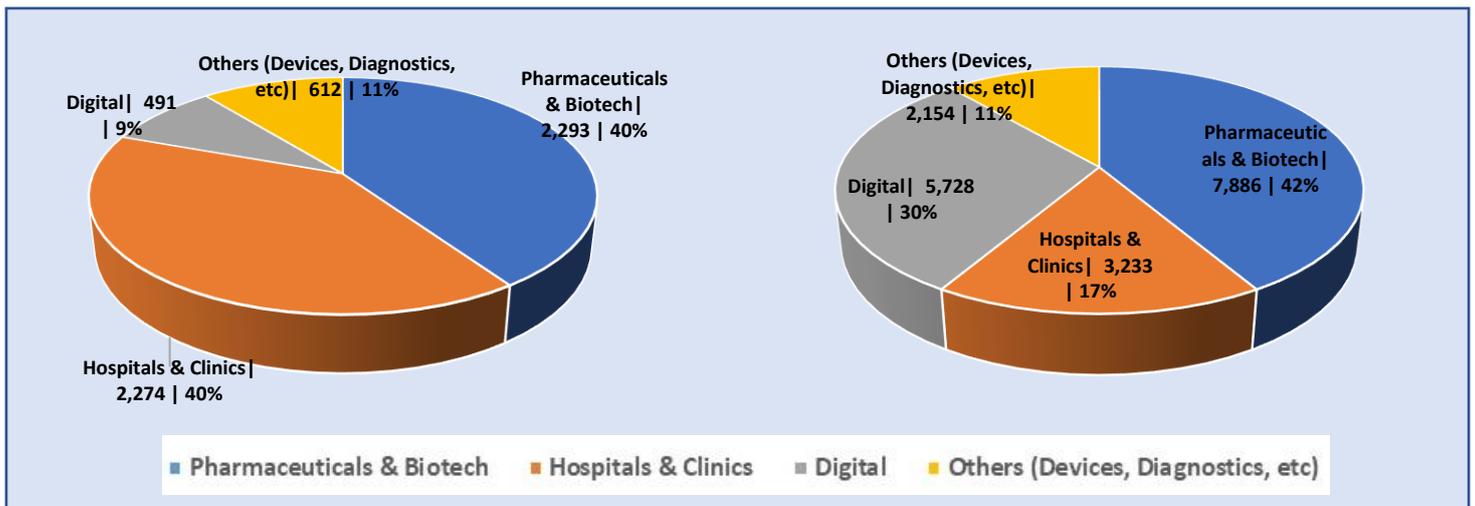


3. Three core segments attract the bulk of capital; Digital health at over 30% of pool

Nearly 90% of the private capital received by the sector in the last five years have been absorbed by pharma, hospitals and the digital segment. This is a significant shift to the earlier part of the decade when over 80% of the capital was absorbed by pharma and hospital segments. The healthcare digital segment receiving over 30% of the private capital today is clearly a mega trend for the present decade. Like most other sectors of the Indian economy, COVID-19 has created an urgency to digitize healthcare products and related services. Increased patient awareness over the past few years combined with high internet adoption and penetration has resulted in a vibrant digital healthcare ecosystem in the country today. This segment has the potential to transform and improve healthcare access as well as affordability of the existing healthcare infrastructure.

Segment share of private investments (2010-15)

Segment share of private investments (2016-21)

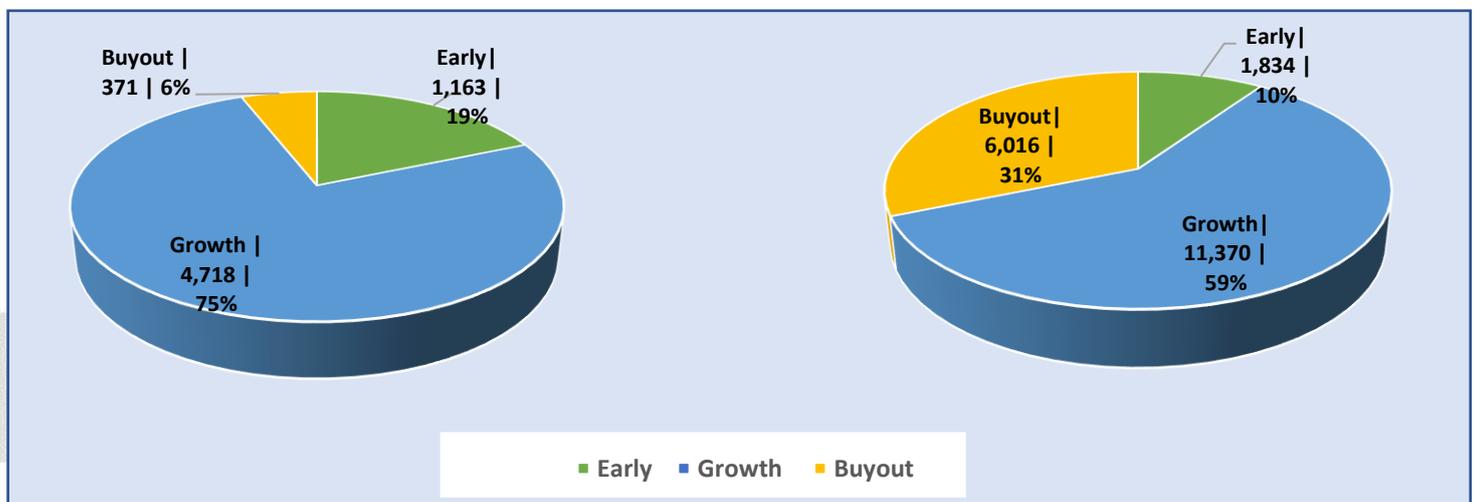


4. Growth Capital deals still a majority; intense buyout activity is a notable and new shift

While growth stage investments continue to be the mainstay of sector's private capital allocation, there has been a marked increase in buy-out activity over the past five years. Compared to the earlier part of the last decade buy-out deals have grown over 15 fold to over USD 6.0 Bn value over the last five years.

Deal value by stage of investment (2010-15)

Deal value by stage of investment (2016-21)



5. Pharmaceuticals: Tremendous capital flow & deal valuation surge in last five years

The Pharmaceuticals and Biotech segment has attracted over US\$10Bn private capital since 2010 across 300 odd deals. Over 75% of this capital flow was witnessed in the last five years. This is clearly a reflection of the scale and consistent performance delivered by the segment thereby driving the hectic investor activity. The home pharmaceutical market as well as pharma exports segments have been among the most resilient sub-sectors within the industry having delivered robust growth in the past decade. This capital surge has also resulted in doubling of average deal size as well as near doubling of entry valuations for this segment.

Observations - Pharmaceutical and Biotech Transactions (2010-21)

Capital Flow Total capital flow in 2010-21 is USD 10 Bn

of deals and ticket size c. 300 deals with avg investment of USD 17 Mn in 2010-15 & USD 45Mn in 2016-21

Med. EV/EBITDA for top 30 deals 10x in 2010-15 and 20x in 2016-21

Key transactions Top 60 deals in 2010-21 have raised close to about USD 4.1 bn

Top Pharmaceutical and Biotech Transactions (2010-15) Top Pharmaceutical and Biotech Transactions (2016-21)

Company	Amount(US\$M)	Investors
Gland Pharma	231	KKR
Mankind Pharma	193	Capital International
Glenmark Pharmaceuti	151	Temasek
Intas Pharmaceuticals	144	Temasek
Emcure Pharmaceutica	107	Bain Capital

Company	Amount(US\$M)	Investors
Piramal Pharma	490	Carlyle
JB Chemicals	414	KKR
Zydus AHL	398	CPPIB, Multiples PE,
Zydus Wellness	365	PremjiInvest, TrueNc
Mankind Pharma	336	ChrysCapital, Others

Pharmaceutical & Biotech segment valuation trends

	2010-15	2016-21
Median EV/Revenue	2	4
Median EV/EBITDA	10	20
Median P/E	19	35
Capital Flow (USD Bn)	2.3	7.8
No. of deals	134	174
Average ticket size	17	45

Source: Venture Intelligence

6. Healthcare Delivery: Share in total capital pool has shrunk to half in last five years

Unlike the pharmaceuticals sector, the share of healthcare delivery segments (hospitals and diagnostics) has shrunk to less than 20% of the private capital pool in the last five years. Further, there has been a over 30% drop in the number of the deals while average deal size has doubled. This is clearly a reflection of the segment attracting only selective large ticket and scaled growth and buyout deals rather than early growth deals. One reason for this investment selectivity in healthcare delivery has been the rise and acceptance of specialty healthcare delivery formats. Such focused models have resulted in better patient experience and more economically viable leading to better business outcomes. The selectivity is also seen in capital moving to the diagnostic delivery market which has a robust growth track record.

Observations - Hospitals & Clinics segment Transactions (2010-21)

Capital Flow Total capital flow in 2010-21 is USD 6.1 Bn

of deals and ticket size c. 278 deals with avg investment of USD 17 Mn in 2010-15 & USD 30Mn in 2016-21

Med. EV/EBITDA for top 30 deals 16x in 2010-15 and 22x in 2016-21

Key transactions Top 60 deals in 2010-21 have raised close to about USD 4.5 bn

Top Hospitals & Clinics segment Transactions (2010-15) Top Hospitals & Clinics segment Transactions (2016-21)

Company	Amount(US\$M)	Investors
Medanta Medicity	161	Carlyle
Manipal Health Enterpris	150	TPG Capital
Medanta Medicity	114	Temasek
Care Hospitals	110	Advent International
Aster DM Healthcare	100	Olympus Capital

Company	Amount(US\$M)	Investors
Max Healthcare Institute	324	KKR
Manipal Health Enterpris	283	NIIF
Care Hospitals	221	Abraaj Group
Condis Healthcare	200	TrueNorth
Radiant Life Care	200	KKR

Hospitals & Clinics segment valuation trends

	2010-15	2016-21
Median EV/Revenue	3	3
Median EV/EBITDA	16	22
Capital Flow (USD Bn)	2.8	3.3
No. of deals	168	110
Average ticket size	17	30

Source: Venture Intelligence

7. The Healthcare Digital sector has seen a 10x surge in private capital in last five years

The Digital sub-sector has attracted ~US\$4.6 Bn since 2016 which is a 10x growth to the preceding five years. We are seeing a high level of disruption and innovation by new age digital first businesses. Private healthcare investors are increasing their allocation to digital business which highlights the market maturity in terms of room for exploring newer and innovative product and delivery models to address the demand–supply gaps in the sector through technology.

Top Healthcare Digital Transactions (2010-15)

Company	Business Description	Sub-segment	Date	Amount (US\$M)	Amount (INR Cr)	Stage	Investors
CitiusTech	CitiusTech offers a wide range of healthcare technology services including healthcare software development, healthcare interoperability, Meaningful Use compliance, BI/ analytics, care management and consumer health.	Enterprise Software	Mar-14	112	681	Growth	General Atlantic
Practo	Practo provides a singular platform that helps consumers with all their healthcare requirements – from finding the healthcare provider to booking an appointment, online doctor consultation, etc	Consumer App	Aug-15	90	574	Early	Apoletto, Altimeter Capital, Tencent, Sofina, CapitalG, Matrix Partners India, Sequoia Capital India
Netmeds	Netmeds.com is a fully licensed e-pharma portal that offers authenticated prescription and Over the Counter (OTC) medicine along with other health products.	E-Pharmacy	Oct-15	18	116	Growth	OrbiMed, Others
Healthkart	HealthKart is an online health and fitness store for men and women, which offers fitness products, services and community to help consumers achieve their ..	Wellness products	Mar-13	14	75	Early	Omidyar Network, Intel Capital, Sequoia Capital India, Others
Lybrate	Lybrate is a mobile healthcare technology company that developed an online platform to connect doctors and patients.	Enterprise Software	Jul-15	10	65	Early	Ratan Tata, Nexus Venture Partners, Tiger Global

Top Healthcare Digital Transactions (2016-21)

Company	Business Description	Sub-segment	Date	Amount (US\$M)	Amount (INR Cr)	Stage	Investors
PharmEasy	A healthcare app for consumers involved in selling online medicines, diagnostics, telehealth, online doctor consultation services.	E-Pharmacy	Jul-21	500	3,730	Growth	Think Investments, B Capital Group, Prosus Ventures, Orios VP, TPG Growth, Kotak Investment Advisors, Temasek, Others
AGS Health	AGS an analytics driven, technology enabled Revenue Cycle Management ("RCM") Company providing medical billing, medical coding and business analytics services to leading healthcare providers across the US.	BPO (Healthcare)	May-19	496	3,469	Buyout	Baring Asia
Indegene	Indegene helps global healthcare organizations address complex challenges by seamlessly integrating Analytics, Technology, Operations and Medical expertise	IT Services (Healthcare)	Jan-21	200	1,458	Growth	Carlyle, Others
Twin Health	Twin Health invented the Whole Body Digital Twin™ to help reverse and prevent chronic metabolic diseases, improve energy and physical health, and extend lifespan.	Consumer App - Wellness - Diabetes Management	Oct-21	140	1,000	Growth	Corner Ventures, Perceptive Advisors, Sofina, Iconiq Capital, Sequoia Capital India, Others
Innovaccer	Innovaccer Inc is a leading healthcare data activation platform company focused on delivering more efficient and effective healthcare through the use of pioneering analytics and transparent, clean, and accurate data.	Enterprise Software	Feb-21	105		Growth	Mubadala Investment, M12, B Capital Group, Steadview Capital, Dragoneer Investment Group, Tiger Global, Others

This thematic has been conceptualized and written by the investment team at Tata Capital Healthcare Fund (TCHF), a growth oriented private equity fund primarily focused on the healthcare and life Sciences sector in India. The investment team of TCHF can be contacted at info.tchf@tatacapital.com.