

The Oaklins logo is positioned in the top left corner of the header. The background of the entire page is a dark blue and purple gradient with a complex network of white and light blue lines and nodes, resembling a molecular or data structure. Various medical and scientific icons are scattered throughout, including a microscope, a pill, a heart, a DNA helix, a location pin, a plus sign, and a magnifying glass. The word "Oaklins" is written in a clean, white, sans-serif font.

Harnessing the power of **AI** for healthcare and life sciences

SPOT ON | ARTIFICIAL INTELLIGENCE | OCTOBER 2023

ARTIFICIAL INTELLIGENCE: OAKLINS LOOKS AT INVESTMENT POTENTIAL IN KEY MARKETS

Healthcare is currently in crisis in many parts of the world. A wave of issues such as spiraling costs, staff shortages and rising demands resulting in part from an aging population are just some of the challenges at play.

“What’s making the situation even more difficult,” said **John Matthews**, Oaklins’ artificial intelligence (AI) specialist, “is that the systems in place to manage healthcare require a level of scale and complexity that is getting beyond our human capabilities.” As such, he continued, healthcare needs AI to transform it, to be able to get back to the business of caring for people and their health and wellness.

John was speaking at the start of our recent webinar on the transformative role that AI can play in healthcare and life sciences, which featured a panel of experts from a range of backgrounds and sectors.

Healthcare is in crisis, facing issues like spiraling costs and staff shortages.

In his opening remarks, John noted that investment in AI and AI M&A to support innovation in the sector could achieve the necessary transformation not only in global healthcare systems but also in the pharmaceuticals industry and related areas such as wellness and fitness.

“Global healthcare is grappling with the effects of aging populations, the aftermath of COVID-19, climate change, escalating costs and workforce challenges. However, advances in modern and generative AI not only promise to tackle these issues but also to enhance patient care and expedite drug discovery. As AI’s significance becomes ever clearer, it’s set to catalyze pivotal shifts in both healthcare and healthtech through M&A.”

JOHN MATTHEWS
AI SPECIALIST, OAKLINS



HEALTHCARE SPENDING

“Spending on AI in healthcare is projected to grow at quite a significant pace over the next few years through to 2030 and no doubt beyond,” he went on. And while AI has been applied to healthcare for some years already, it’s still early days in terms of M&A in this market. However, John added, all the excitement specifically around generative AI, as highlighted by the recent launch of Chat GPT, means a lot of investment is going into this area, which will spill over into healthcare.

Spending on AI in healthcare is set to grow significantly in the coming years.

At this point, John introduced his Oaklins colleague **Elaine Riddell**, a specialist in healthcare with particular expertise in life sciences, and **Frank Baitman**, a digital health strategist whose experience includes roles in the US government, pharmaceutical companies and IBM.

Elaine set the stage for their discussion by commenting that healthcare spending as a share of GDP has been steadily increasing in all 38 high-income countries. However, “US spending is in fact two times the average of these countries,” she noted, “at 17.8% of GDP in 2021 versus the overall average for these countries at 9.6%.”

In the face of this crisis, Elaine pointed out, there is a need to bring costs under control. In response, both government as a public payers and insurance



ELAINE RIDDELL
Managing Director
Oaklins DeSilva+Phillips



FRANK BAITMAN
Senior Advisor
Oaklins DeSilva+Phillips

companies as private payers insurers are changing from volume-based activity — i.e. paying for all activity — to value-based, which means paying for outcomes. “So effectively we can think of healthcare as incrementally moving forward to an outcomes economy,” she noted. “These fundamentals are really attractive to investors in innovator companies and disruptors, and they’re putting their money behind high-value solutions to real-world problems.”

Elaine continued by saying that this innovation will be enabled by the fact that, since 2017, the cost for training an AI system has dropped a thousand-fold. So the lower costs of technology, storage and analytics are all “helping accelerate this move to AI and generative AI.”

Since 2017, the cost to train an AI system has dropped a thousand-fold.

MAKING CONNECTIONS

Elaine then turned to Frank Baitman for his insights. He started by talking about how healthcare is a “massive enterprise that must change. And artificial intelligence, in particular generative AI, is a game-changing tool.” Frank went on to say that “we now think that perspective, agility and the ability to laser focus on the end game are going to be the things that generative AI brings to the table.

“Perhaps it’s best to think of generative AI as services on steroids, driving improvements into every corner of healthcare,” he commented. As these evolutionary changes take root, they will upend the current structure of healthcare, and one likely scenario, he posited, is that patients will become empowered.

For more detailed information, see: [GenerativeAI in Healthcare MindMap of Early Use Cases](#) (developed by Frank Baitman).



The conversation then moved on to the stakeholders currently supporting the healthcare system, from self-insured employers to government payers, private payers, patients, providers, manufacturers and retailers. What's new, said Elaine, is that "each of these stakeholders are developing their own generative AI-enabled use cases" to bring efficiency, quality and speed to the healthcare marketplace, and they are all creating connections. "So, generative AI is enabling the connection of, for example, physicians/providers to patients, patients to payers..." This connectivity is starting to break down the silos between stakeholders to bring a more integrated and effective healthcare experience to the patient.

PATIENT-CENTRIC HEALTHCARE

Frank next talked about electronic health records (EHRs) – which are increasingly long in length and sometimes randomly organized. There is still currently a lot of mystery around what they mean, who uses them and what insights they provide, he said, "imagine how

generative AI applied to this problem could in fact address it." For example, through a virtual concierge, an AI tool that combs through all your various health records, integrates them, identifies insights and then helps you find the healthcare professionals you should be seeing. "This is the sort of evolutionary change that could result in bold new business opportunities that create context and meaning from EHRs, and lead to evidence-based actions."

Elaine commented on how this evolution can be achieved through the connectivity mentioned above. "Connections across the healthcare ecosystem are essential in terms of being able to think of the patient as a whole," she pointed out. Critical to supporting the patient and being patient-centric is the interoperability of patient records, so all the data comes together in a foundational way.

What's more, generative AI will start taking over the "mind-numbing and time-consuming administrative activities that take a physician away from caring for patients."

FROM VISION TO REALITY

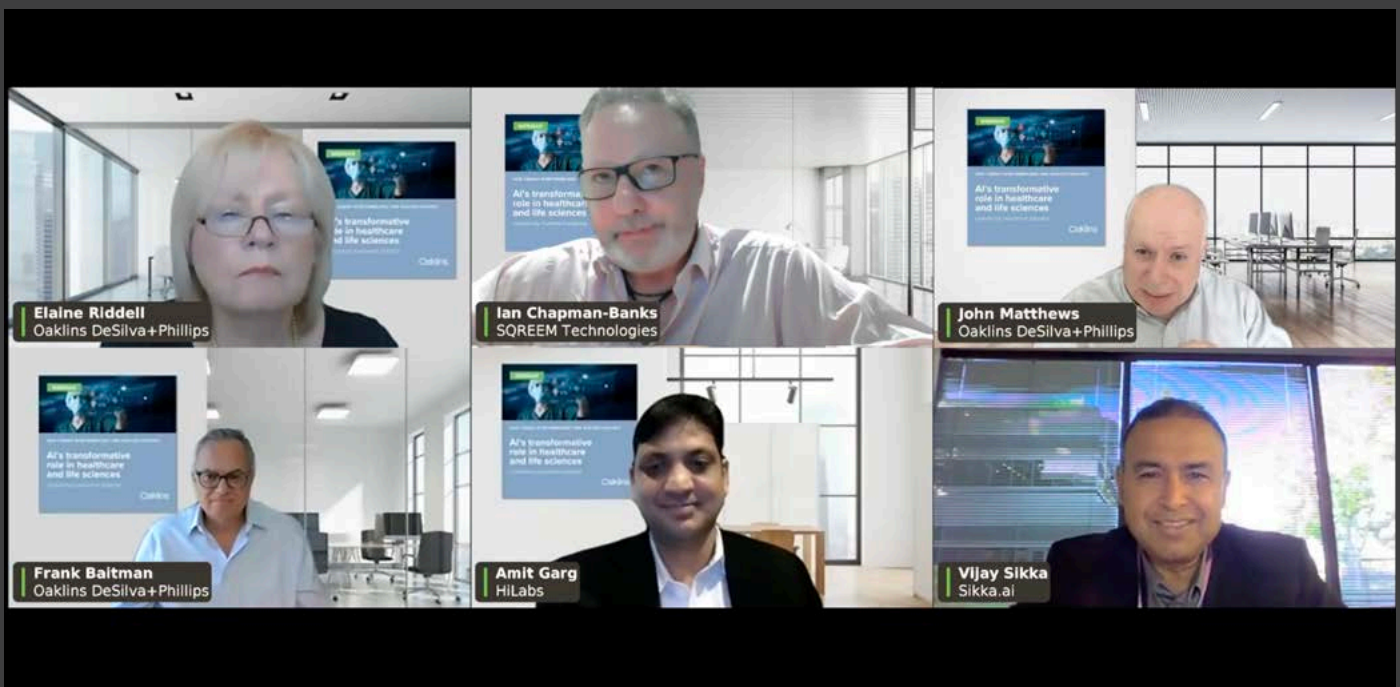
Frank admitted that the vision of how technology would support healthcare does not yet match reality.

However, he's optimistic. "We think the breakthrough will truly occur when there is pressure to address high-cost, data intensive therapies such as oncology drugs and CAR-T cell therapies." This will see stakeholders bring their databases together to create integrated healthcare ecosystems.

Generative AI will take over the administrative activities that take doctors away from patient care.

Elaine then focused on those companies already creating robust patient records and databases. She noted that the higher the quality of the data and breadth of use cases, the more highly valued these firms are.

The Oaklins AI panel



Clockwise from top left: Elaine Riddell (Oaklins DeSilva+Phillips), Ian Chapman-Banks (SQREEM Technologies), John Matthews (Oaklins DeSilva+Phillips), Vijay Sikka (Sikka.ai), Amit Garg (HiLabs), Frank Baitman (Oaklins DeSilva+Phillips).

One good example is Komodo Health, which raised funds at a valuation estimated to be approximately 22 times revenue. It's focused on life science commercialization and supporting providers and players. Komodo Health has "both used venture capital and acquired smaller tech companies to build their portfolio. Effectively, there are multiple ways to provide the funding to support the evolution in healthcare and leveraging generative AI," said Elaine.

At this stage, John Matthews introduced the three panelists, **Amit Garg**, CEO and co-founder of HiLabs, **Vijay Sikka**, CEO and founder of Sikka.ai, and **Ian Chapman-Banks**, CEO and co-founder of SQREEM Technologies.

CLEAN DATA AND USABLE INSIGHTS

Amit Garg started by outlining that the HiLabs mission is to use AI to identify and clean dirty healthcare data, and make sure that the insights from their analytics are implementable. Currently they do this for four of the largest health payers in the US, along with several regional health plans.

The key when you have an AI solution is working out how it helps solve real-world problems for customers, he noted. "When you click on that 'find a doctor' link at every health plan site, 50% of the data behind that link is incorrect." That means a patient's first step towards interaction with a healthcare system is challenging. "You don't have the right

data to access your care," which is what HiLabs is aiming to address through analyzing large sets of data.

Amit also stressed the point that entrepreneurs should not get distracted by what he called "flashy technology". Instead, be mindful that "sometimes very simple solutions can solve some very important problems." Customers need to be able to implement the insights generated, which means having a high level of accuracy and openness in the system along with evidence to support your AI. "Otherwise it's very hard, especially in healthcare, for the operators on the ground to implement and take actions based on your insights."

Very simple solutions can solve some very important problems.

USING AI FOR BETTER DECISION-MAKING

The next speaker was Vijay Sikka. Focused on retail healthcare, his company has built an award-winning API platform that allows health practices, including dentists, optometrists and veterinarians, to provide their services — the platform now has 140 million patients and 40 million animal patients.

"It's really good to see all the fantastic amounts of attention and money going into AI," Vijay said.

However, he went on to talk about how the success of AI is no overnight phenomenon — indeed Sikka has already been around for over 10 years. "We realized that we could apply artificial intelligence even before generative AI became popular."

Data, regulatory and consent-based mechanisms are crucial.

"Ultimately," Vijay said, "the AI that is going to really make a difference, and this is why it's so important in healthcare, is that it's the boring AI that nobody wants to really spend time on." However, that is the technology where data, regulatory and consent-based mechanisms are crucial, "and how you bring all of it together to help your providers or help your payers make better decisions, that's what really matters."

THE TALENT CHALLENGE

Following on from this, Ian Chapman-Banks took the floor. He's been dedicated to changing the paradigm in healthtech for the past decade. One result of this has seen SQREEM Technologies use cognitive AI to create profiles of every type of HCP and patient in the world, and one of the world's largest behavioral databases, to enable pharmaceutical companies to target doctors' prescribing habits.



AMIT GARG
CEO and Co-Founder
HiLabs



VIJAY SIKKA
CEO and Founder
Sikka.ai



IAN CHAPMAN-BANKS
CEO and Co-Founder
SQREEM Technologies

Its next focus is longevity, gathering data to help people live longer, happier and healthier. “All you have to do is, on our secure server, upload your blood test, upload your iWatch data, and as part of your subscription, we will decode your genome.” The service will have avatars, which are already up and running and have been trained to answer questions using the database. So the plan is “to build on our existing healthtech business with the pharma clients. Our vision is longevity for everybody.”

However, despite having created attractive business models and recently raising 60% of required investment in just four weeks, Ian recognizes that there are still obstacles to be overcome. “My challenge is hiring. Finding great talent to actually go out and prosecute business.” In contrast, fundraising has been easier than expected, he said,

in part because all the pharmaceutical companies already know them. But now it’s a question of scaling through people, and that’s proving difficult.

CHANGE IS GOOD

To wrap up the webinar, John Matthews asked each panelist to briefly comment on what sector changes would help their businesses grow.

Amit Garg noted that HiLabs is facing challenges getting “large businesses, such as payers and providers, to be open in terms of data sharing.” The technology his company uses works best when it has large amounts of data. But he needs “the willingness of the businesses to share those insights with each other” so that clean data can help the entire ecosystem.

For Ian Chapman-Banks, the crucial issue now is location, expanding from his base in Singapore and getting people into New York, London and Zurich. “80% of pharmaceutical decisions” are made in these cities, he acknowledged.

Vijay Sikka agreed with Amit that more openness is necessary, but he recognized it may not be a solvable issue. Instead, his company’s approach is, “let’s just build an open system and layer it on top of existing systems” and that way they’re adding new users each day.

He also went on to talk about generative AI, saying that it’s getting a lot of attention at the moment but there is a lot more to AI. “Generative AI has helped us a great deal, and our platform is using it for both patients and providers. But there are other AI approaches which I think should also see the light of the day.”



Our track record

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 <p>has acquired</p>  <p>M&A BUY-SIDE Healthcare/TMT</p>	 <p>has completed a fundraising</p> <p>FUNDING, DEBT ADVISORY & ECM Healthcare/Private Equity/TMT</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Private Equity/TMT</p>
 <p>has been acquired by</p>  <p>M&A SELL-SIDE Healthcare/TMT</p>	 <p>has raised funds</p> <p>FUNDING, DEBT ADVISORY & ECM Healthcare/TMT</p>	 <p>has sold</p>  <p>to</p>  <p>M&A SELL-SIDE Healthcare/Private Equity/TMT</p>
 <p>has completed a fundraising round</p> <p>FUNDING, DEBT ADVISORY & ECM Healthcare/TMT</p>	<p>ScreenPoint Medical</p> <p>has completed a Series C investment round led by Insight Partners</p> <p>FUNDING, DEBT ADVISORY & ECM Healthcare/TMT</p>	 <p>has secured a Series A funding round</p> <p>FUNDING, DEBT ADVISORY & ECM Industrial Machinery & Components/TMT</p>

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If mergers, acquisitions or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.



✉ ELAINE RIDDELL

Managing Director
New York, USA
T: +1 212 651 2562

Elaine is a managing director at Oaklins DeSilva+Phillips in New York. She has deep operational expertise in the insights industry supporting healthcare and, in particular, life sciences as well as consumer-driven sectors, all at a global level. Elaine brings an understanding of the disruptive market dynamics shaping these industries and influencing M&A priorities and spending. This highly relevant market knowledge has enabled Oaklins' insights team to be invited to pitch for new business and to win a majority of these pitches.



✉ JOHN MATTHEWS

Managing Director
New York
T: +1 212 651 2616

John is a managing director at Oaklins DeSilva+Phillips in New York. He has over 10 years of TMT investment banking and M&A experience. Notable AI-related transactions he has advised on include the sale of Admeta to WideOrbit and the sale of Helixa to Telmar. Earlier in his career, John was an AI software developer for a UK AI startup and at a large US IT services company. Later, he worked as an AI consultant at a UK IT management consulting firm, before joining the management consulting firm New Science Associates (acquired by Gartner), as an AI market analyst for the US market.

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