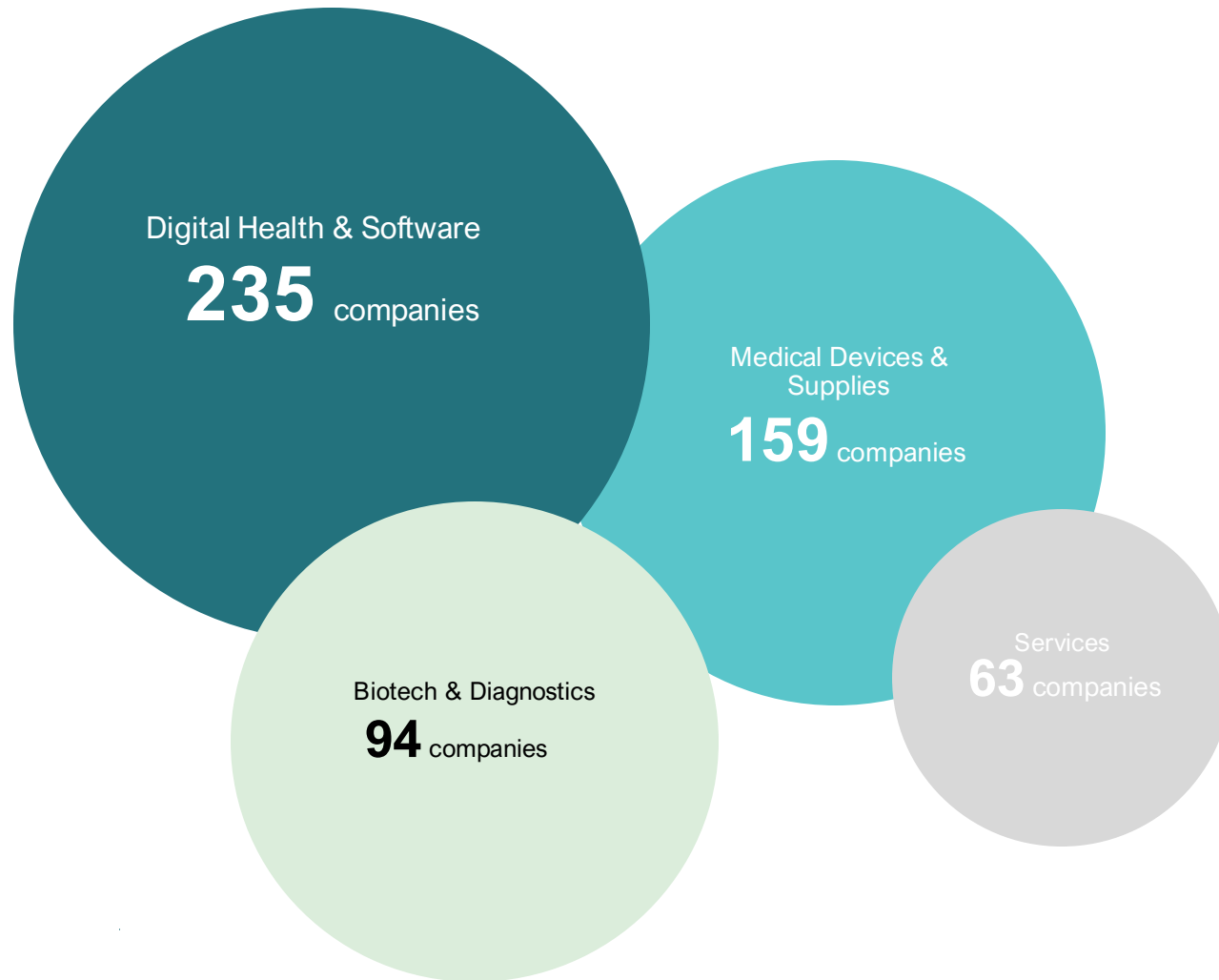




Health & Life Sciences Study Finland 2023

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Tesi's Definition of Health & Life Sciences



- Tesi's Health & Life Sciences study includes data on over 550 companies.
- The selection of companies has been manually screened and categorized as Health & Life Sciences by our investment team members. In addition, our aim has been to **focus on the venture capital market**. Therefore, we have focused on start-ups* and VC-funded firms, excluding large, established companies as well as the Finnish subsidiaries of global firms. Health care providers (e.g., doctors' clinics, dental practices) have also been excluded.
- As a result, our sample differs from those used in other reports and analyses of the Health & Life Sciences market in Finland.
- In line with Finland's wider start-up ecosystem, **digital health & software** companies are the largest subsector within our sample, representing over 40%. **Medical devices** represent close to 30%, while **biotech & diagnostics** and **services** are significantly smaller subsectors.

Tesi's Health & Life Sciences Sector Description

Digital Health & Software

- In principle, all Health & Life Sciences-related software companies.
- Sector includes e.g. digital therapeutics (DTx), data management solutions, AI-based solutions for drug discovery or diagnostics, and digital health consumer applications.



(Medical) Devices & Supplies

- Products and equipment used for medical purposes, e.g. implants, monitoring equipment, etc.
- Heterogeneous group of mainly hardware-based companies with varying level of clinical evidence required.
- Tesi's definition also includes wellness products not requiring regulatory approval. Diagnostics excluded and covered separately.



Biotech & Diagnostics

- Therapeutics and vaccines as well as diagnostic tests / methods.
- Does not include software used for therapeutic or diagnostic purposes (e.g. DTx or AI-assisted diagnostics).



Services

- Consulting and other services for the Health & Life Sciences industry.
- Includes wide variety of service providers, from e.g., regulatory consulting to nutritional coaching.



Key Observations

Finnish Health & Life Sciences sector growing

Investments and number of companies in the Health & Life Sciences sector have grown significantly over the past 12 years. Although still rare, we have also seen for the first time the emergence of large rounds of tens of millions of euros. The investor base is diverse, including angel investors, venture capital funds, corporates, and government-backed investors.

Despite recent improvements, sector still underfunded

Finland is a global leader in terms of VC investments per capita, but despite increased investment, share of funding going to Health & Life Sciences remains underwhelming. As a sector requiring specialist know-how and significant capital, Health & Life Sciences has been negatively impacted by lack of specialised local VC investors. Government-owned investment companies play an important role in supporting the ecosystem through investments in both funds and directly in companies. The aim is that, together with increased local fund activity, these investments will catalyse additional international investments, bringing networks, know-how and capital. Hopefully, this will also reverse the downwards trend in new company formation.

Multiple successful exits in recent years

Exit activity has historically been weak, with significant losses suffered by investors. However, in recent years there have been multiple successful exits. Interestingly, the largest exits have been achieved in biotech & diagnostics, where in our assessment the funding gap is the largest. Hopefully, strong performance will attract more investors to the space.



Investments have grown significantly

€1.1 bn total invested capital 2011-22
6x increase in annual volumes, taking annual investments to over €100m



Emergence of large rounds

Although majority of rounds still small, for the first time also seeing rounds of several tens of millions on a regular basis



Diverse investor base

Angels, VC's and CVC's active in the sector
Complemented by government-owned investors and non-dilutive government funding



Small share of VC funding going into Health & Life Sciences

Health & Life Sciences share of funding significantly below global average
Investment needs are large, but companies remain underfunded



Need for sector-focused VC investors

Sector-experience needed; limited amount in the local ecosystem, however the situation is improving



Decreasing number of new companies being funded

Downwards trend in company formation, following several record years



Multiple large exits in recent years

Historical exit track record has been weak, but recent years have seen several large exits to leading, global companies



Biggest exits so far in biotech & diagnostics

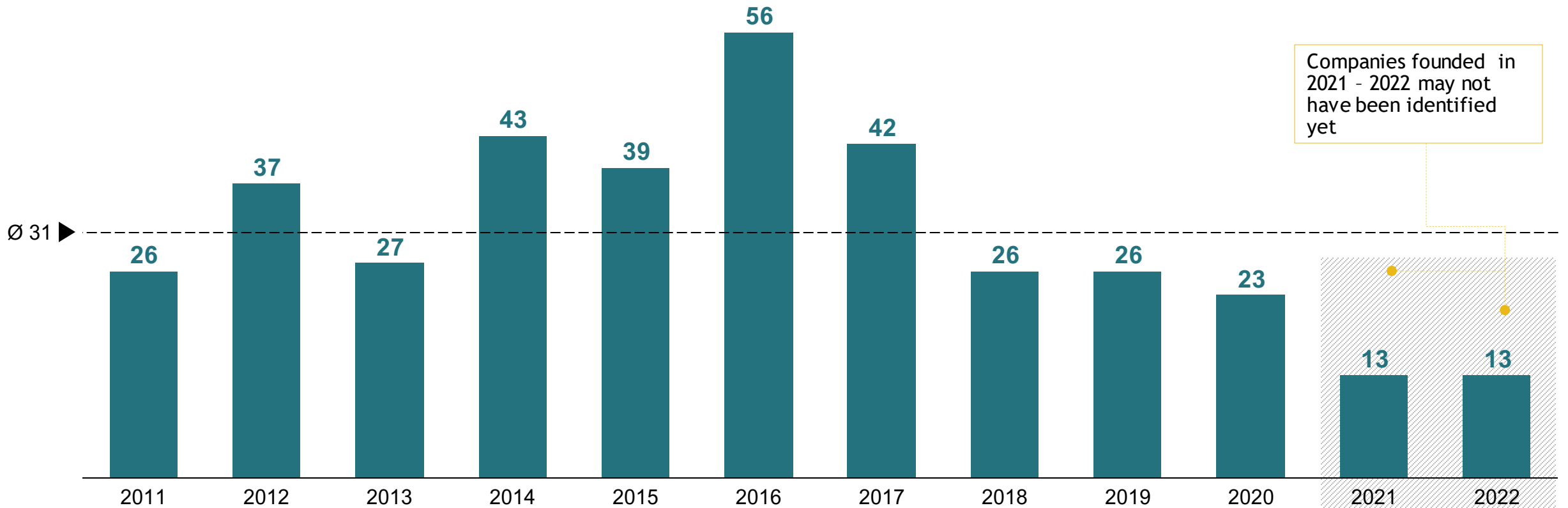
Large exits of recent years concentrated in biotech & diagnostics

On average, 31 Health & Life Sciences companies founded yearly, with a drop observed in recent years from peak numbers

371 companies founded since 2011

31 companies founded yearly on average

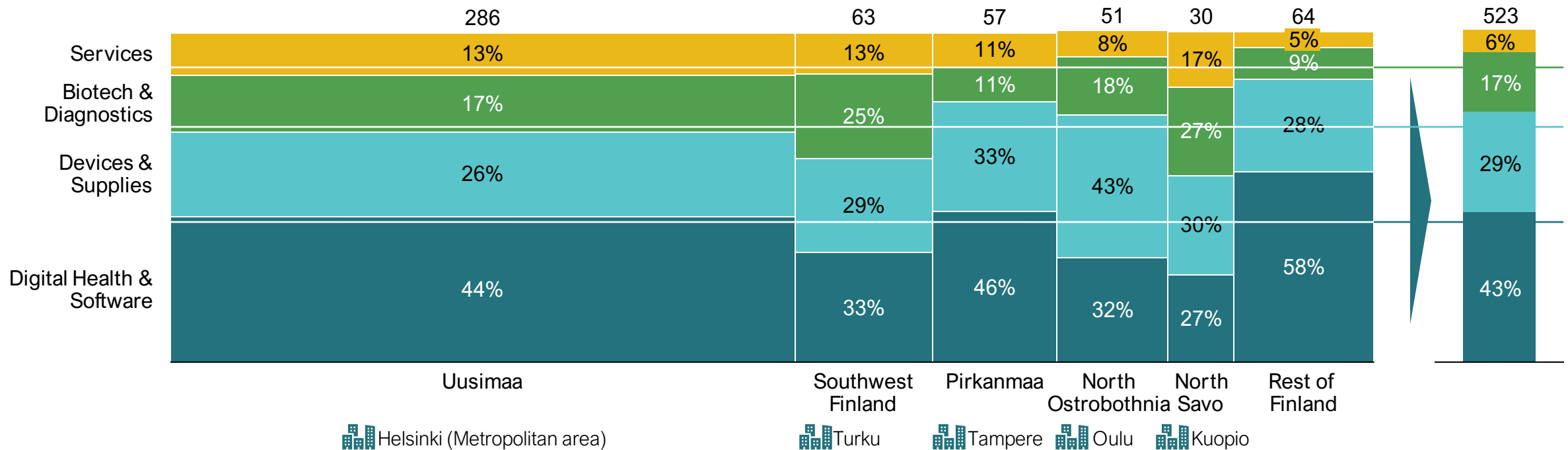
Number of founded Health & Life Sciences companies



Regional differences in ecosystem composition, reflecting local strengths and talent pool

- Most commonly founders of Finnish Health & Life Sciences companies have engineering or medical backgrounds. Regions with larger engineering universities tend to have a higher share of software and medical device companies whereas biotech is strongly represented in medical school regions.
 - Compared to Finland as a whole, Turku and Kuopio regions have the highest share of companies in biotech & diagnostics, Tampere in software and Oulu in devices. On a high level, the Helsinki Metropolitan area provides a fair representation of the Finnish ecosystem composition.
- Successful companies impact regional company creation, but Finland lacks major international Health and Life Sciences corporations. Instead, smaller clusters form from technological know-how (e.g., Nokia heritage) and research.

Number of companies per region and sub-sector



Investments into Health & Life Sciences have increased significantly since 2011

€1.1 bn

total invested capital through 2011-2022

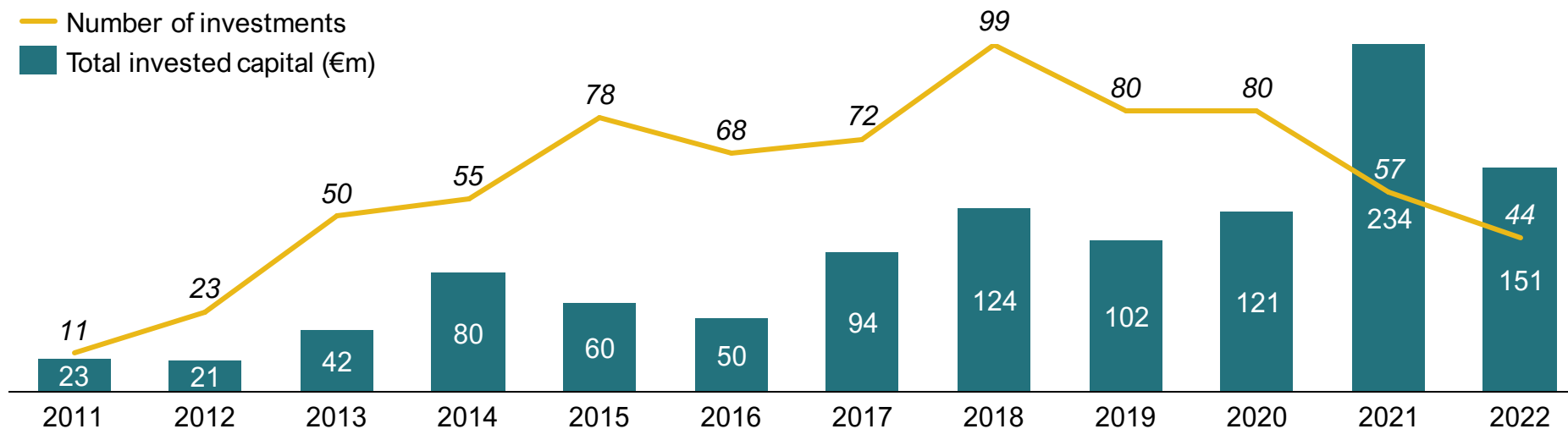
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Investments through 2011-2022

- The number of deals and amount of invested capital have increased significantly in the period 2011-2022.
- Total invested capital was €1.1bn over the period, and annual investment volumes in 2022 were over 6x the 2011 level.
- Investment volumes peaked in 2021 with €234m raised. Although 2022's €151m was significantly lower than that, it was still the second highest year on record.

Development of investments in health & life science since 2011

€m, number of deals



>6 x

growth from 2011 in investment volumes

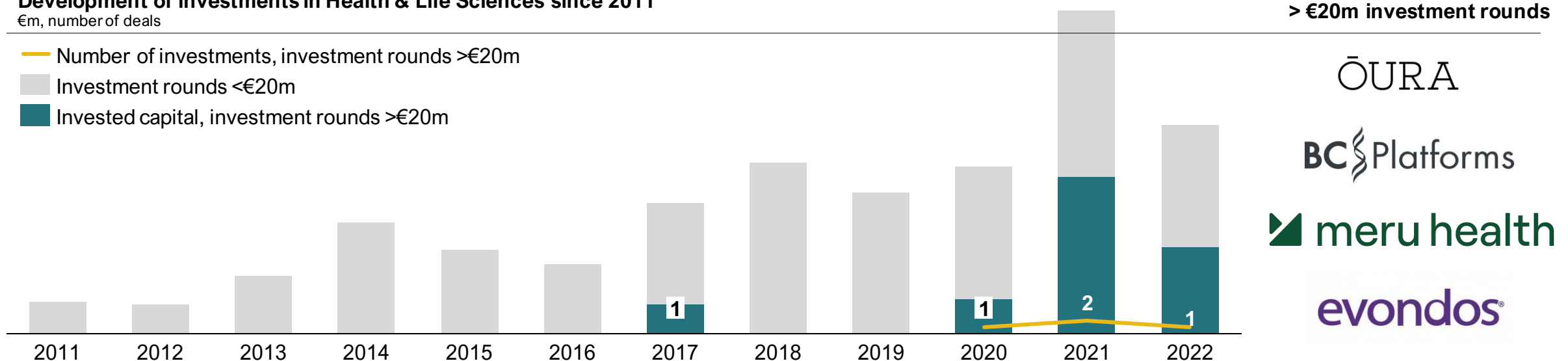
Increased funding of past years driven by handful of large investment rounds

- Median deal sizes in the Finnish Health & Life Sciences sector are small (< €2m over the period), although there has been some increase in rounds over €5m in recent years.
- Biotech and medical devices in particular are extremely capital intensive, and it seems that the majority of companies are not maturing to later stages and raising larger rounds.
- However, over the past three years we have also seen for the first time the emergence of large investment rounds (> €20m raised), including Oura's 2021 \$100m round and 2022 round valued at €2.5bn (amount undisclosed). This is a positive development, even if the number of these rounds is still limited.
- These large deals have significantly pushed up the funding raised in the past couple of years. In 2021 and 2022, approximately half of the investment volumes came from a couple of large investment rounds.

Development of investments in Health & Life Sciences since 2011

€m, number of deals

- Number of investments, investment rounds >€20m
- Investment rounds <€20m
- Invested capital, investment rounds >€20m



> €20m investment rounds

OURA

BC Platforms

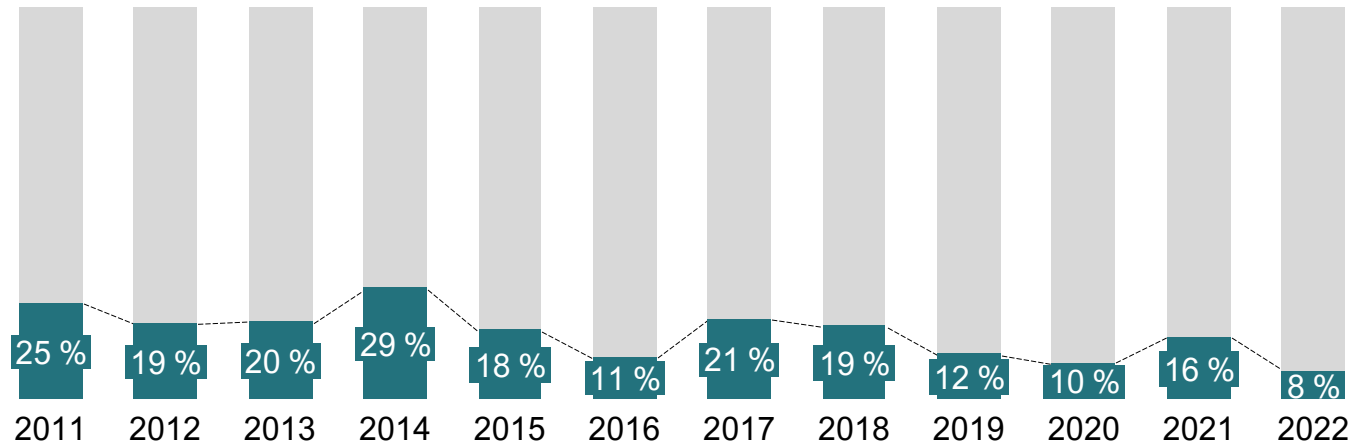
meru health

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Share of Health & Life Sciences funding remains underwhelming

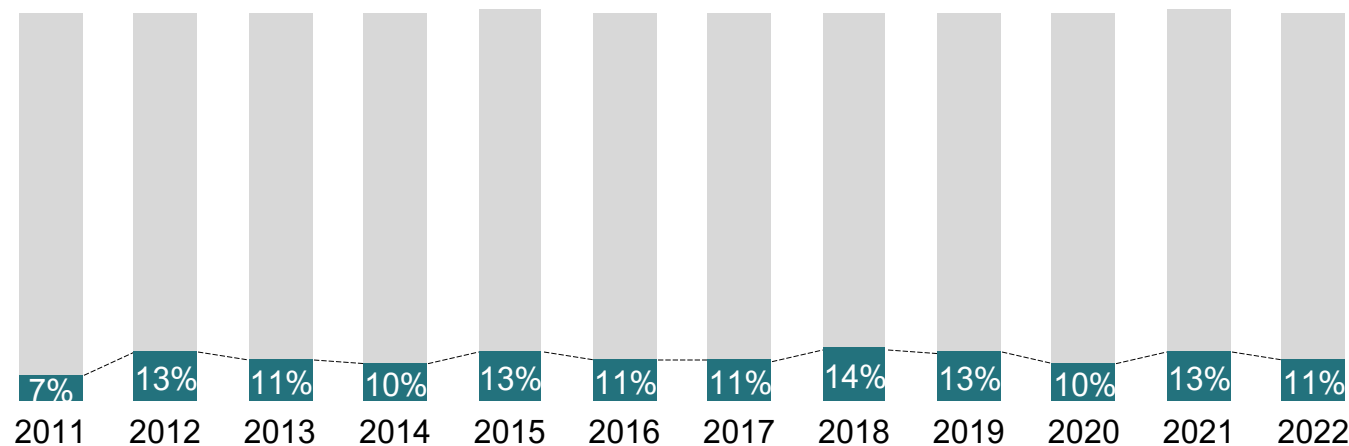
Share of health & life science of total invested capital

(Growth, and venture capital investments)



Share of health & life science of number of transactions

(Growth, and venture capital investment rounds)

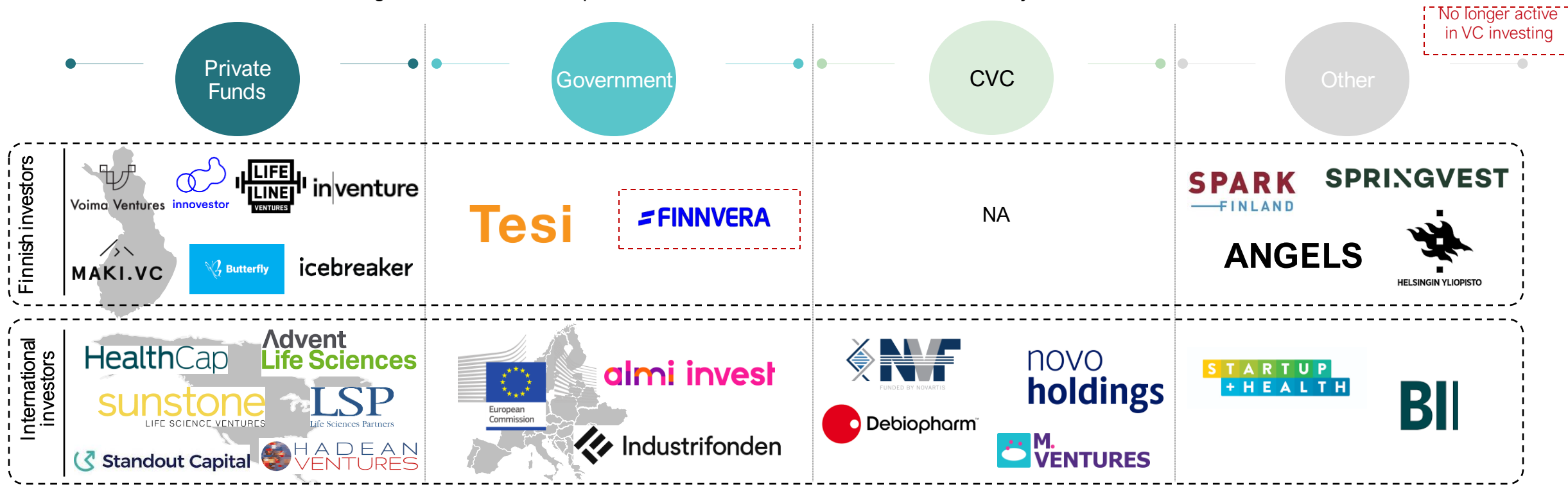


Comments

- Health & Life Sciences funding share of total investments has been decreasing in recent years and represents a small portion of the total
 - In 2022, Health & Life Sciences represented 8% of total volumes, the smallest share to date
 - Looking at the past three years, the sector made up 11% of total volumes, still down significantly vs. earlier years
- As set out in the earlier slides, investment volumes in Health & Life Sciences have increased. However, they have not kept step the wider Finnish market, which has boomed in recent years
- We estimate that globally Health & Life Sciences represents c. 20% of investment volumes, i.e., Health & Life Sciences is significantly underrepresented in Finland
- The relative lack of biotech investments is one driving factor. Across the period under study just over 25% of Health & Life Sciences investments were in this capital-intensive sub-sector, whereas based on our earlier studies, globally this figure is c.50%
- Finnish Health & Life Sciences investments are also skewed to the earlier stages, with a seeming lack of companies graduating to the later stages. There are clearly multiple reasons for this, but one reason in our view is the lack of specialist funding (which in addition to funding, brings valuable expertise and networks).

Notable investors in Finnish Health & Life Sciences market

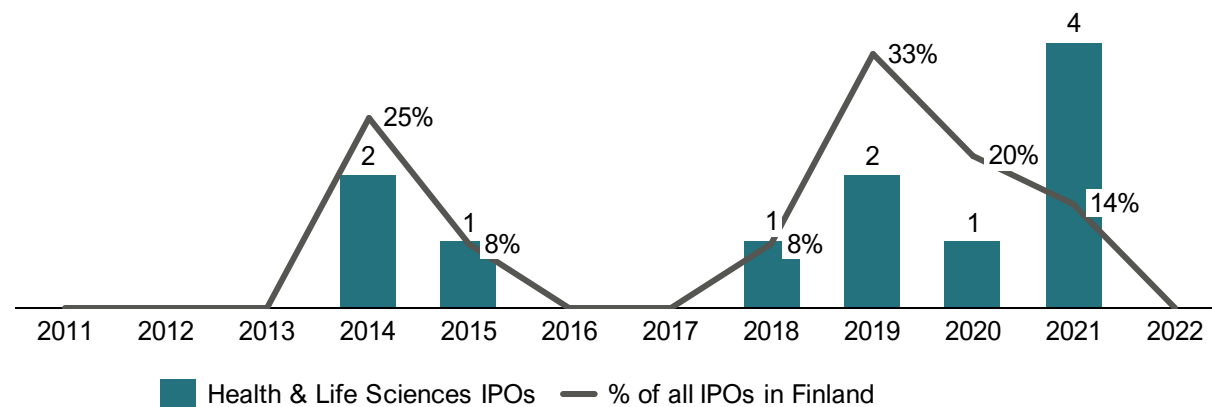
- Finnish VC investors have become increasingly active in the Health & Life Sciences sector. However, the invested amounts are still small. Although there are exceptions, investments are focused on early stages and areas where the level of regulation / required clinical data is limited (e.g. digital health and wellness vs. drug development). Lack of a sector-focussed fund has made fundraising especially in more clinical areas challenging. See next page for detail on local investors.
- A handful of notable international venture capital funds and CVCs have invested in the Finnish Health & Life Sciences sector. However, the number is limited, and none of them is an active investor in the market. A handful have made investments in two companies; for most the investments have been in a single company.
- As a result, state-owned investor Tesi, angel investors and crowd-funding play a significant role in the ecosystem.
- However, we are hopeful that a new sector-focussed local VC fund and the increasingly active local generalist tech funds will catalyse investments from international Health & Life Sciences investors. Several funds are actively looking at the market, with a good understanding of the Finnish company landscape. These international funds would bring valuable additional capital well as know-how and networks to the ecosystem.



10% of Finnish IPOs have been raised by innovative Health & Life Sciences companies during the past 12 years

Number of IPOs

(Health & Life Sciences, excl. larger healthcare services companies)

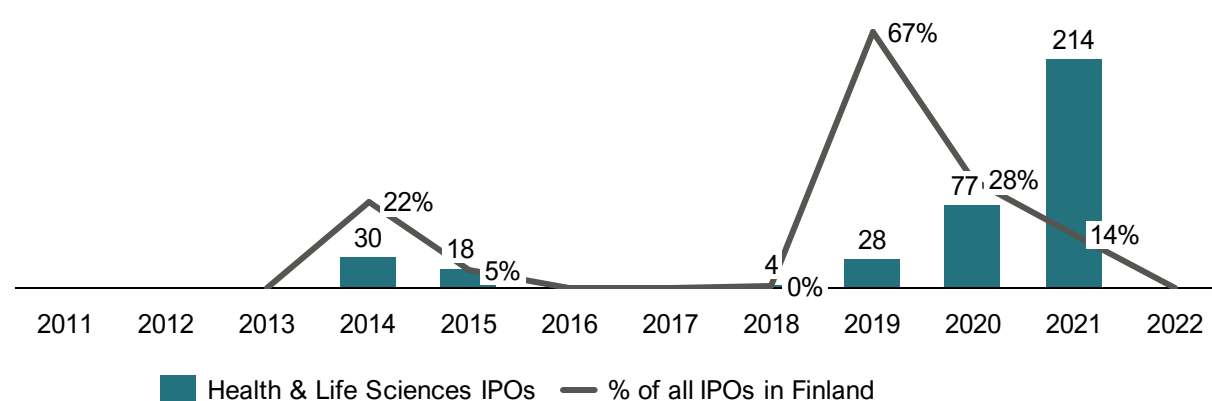


2011- 2022:

11 IPOs
(10 % of all IPOs)

Value of IPOs, €m

(Health & Life Sciences, excl. larger healthcare services companies)



2011- 2022:

370 m€
(6 % of total IPO value)

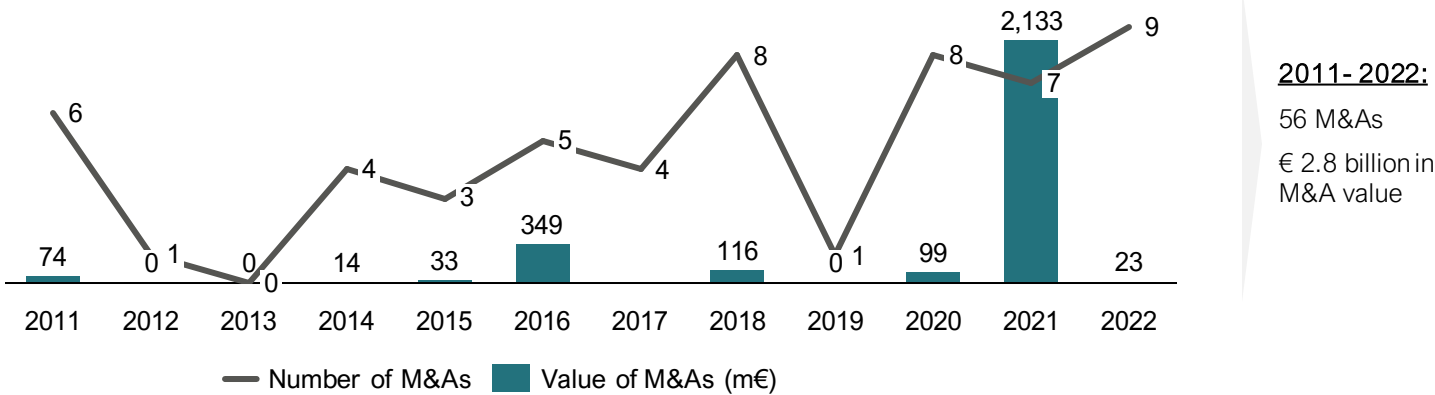
Comments

- IPOs have been more popular in the more clinical subsectors, such as Biotech & Diagnostics, where companies have no or limited revenue. Example companies: Herantis Pharma, Faron Pharmaceuticals, Nanoform, Nightingale Health.
- The highest IPO peak was seen in 2020-2021 with close to €300m raised by five companies.
 - 2021 was exceptional IPO year in general with approximately 30 IPOs across all sectors.
- IPO activity has slowed down considerably in a difficult macro environment.
- Sweden by far the most active Nordic market – Finnish IPOs lag behind.
- IPOd Health & Life Science companies in Finland are relatively early-stage compared to European and US markets, and they often require follow-on rounds after the initial listing.

Reported exits amounted to over €2.2 billion euros* in the past 3 years, which is 2x total capital invested in the past 12 years

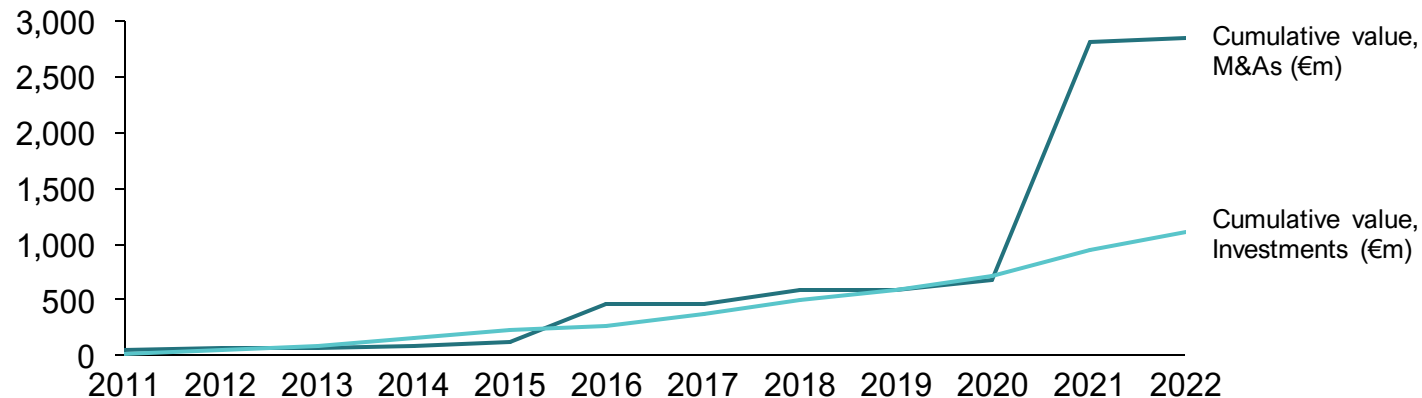
Number and value of M&As

(Finnish Health & Life Sciences companies, same group as in the investment data section)



Reported M&A values vs. investments

(Finnish Health & Life Sciences companies, same group as in the investment data section)



Comments

- In line with IPOs, 2021 was an exceptional peak year for exits. The total M&A value exceeded € 2.1 billion driven by three landmark deals:
 - Sale of Forendo Pharma to Organon, appr. €830m of which €70m upfront and €760m in regulatory and commercial milestone payments.
 - Sale of Mobidiag to Hologic, €668m
 - Sale of HyTest to Mindray, €545m
- The sizes of M&A deals are often not publicly reported: only 33% of the deals in the database included deal values. On the other hand, potential but yet unrealized milestone payments and earn-outs inflate the figures.
- Value of investments and M&A went hand in hand until 2021. The recent successes demonstrate that highly profitable, >€500m exits can be achieved, and that they are not one-offs.
- Most of the invested capital is tied to the companies that have not yet been sold. There is a handful of companies in the €100-1,000m value range and one unicorn.