

Digital Care is Now Investable

Stockholm (HedgeNordic) – Whereas some industries such as retail or banking are almost unrecognizable from a decade or two ago due to digitalization, healthcare has been lagging behind other industries in the adoption of technologies. The Covid-19 pandemic has served as a big impetus for the digital transformation of healthcare.

“There is a new sub-segment that has evolved rapidly during this year in the aftermath of the Covid pandemic within digital care,” Susanna Urdmark (*pictured*), who manages **Rhenman Healthcare Equity L/S** alongside Henrik Rhenman, tells Bloomberg. According to Urdmark, the digitalization of healthcare “is late compared to many other sectors of the economy.” However, “technology companies within this segment have made great progress and with the strong increase in volumes and revenues, they have now become investable.”

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The growth of the digital care sector is also reflected in the increasing number of public offerings and deals in the sector, according to Urdmark. U.S. provider of virtual healthcare Teladoc Health announced last month the acquisition of Livongo Health, one of Rhenman Healthcare Equity L/S's holdings, in a deal worth \$18.5 billion. Livongo Health has developed a technology to help monitor and manage chronic conditions such as diabetes. The merger between the companies would create “a global leader in consumer-centered virtual care,” according to a press release announcing the acquisition.

“We have had four acquisitions and one merger in the fund so far this year,” Urdmark tells Bloomberg. “It is somewhat counterintuitive that the smaller companies are willing to accept more development risk than their larger counterparties,” she points out. “As a result, a lot of innovation takes place within the smaller and more nimble companies, which are later acquired by the large firms that need to improve their pipelines.”

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Urdmark and her team “expect to see an expanded adoption of digitization within the healthcare sector driven by the need for more cost-effective care and improved technical solutions, in particular within diagnostics.” She goes on to say that “it’s a sub-segment that investors will spend more time on.”

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Rhenman Healthcare Equity L/S's main share class reflected in the Nordic Hedge Index gained 3.5 percent year-to-date through the end of August, while the fund's U.S. dollar-denominated share class gained 9.1 percent this year. According to Urdmark, the Covid-19 pandemic has affected some holdings owned by the healthcare-focused, long-biased long/short equity fund she manages with Henrik Rhenman. “Some companies have temporarily been hit by the pandemic, but their ability to grow long term hasn't changed,” Urdmark tells Bloomberg. “Maybe you have to look forward to 2022 to see what a normal state will be. We accept that there will be weak revenue and profit growth this and maybe parts of next year.”