TOP TAKEAWAYS

Managing Capitalization Structures and Investor Relationships in Today's Digital Health Market | Top Takeaways

The digital health market has shifted significantly in recent months. With more limited financing available, many digital health companies may be facing down rounds (financing at lower share prices) even if their valuations remain steady. In the second installment of our three-part miniseries, McDermott partners Lisa Mazur and Brian Gordon review important considerations for managing capitalization structures and investor relationships amid today's market realities.

1. Aggressive growth has been the primary focus for many digital health companies over the past two years, but survival in today's market necessitates a shift to a profitability mindset. Increasing revenue and reducing costs will help companies avoid dilution in a period of difficult fundraising and gain credit with investors.

2. A company's current investors are likely the best source of additional capital in the short run. Digital health companies should be flexible in their expectations, however, as terms may not be as favorable during a down market.

3. Despite the challenges, a down market offers ample opportunities for creative growth. Companies that are well-funded and have successful business models may be able to attract top-notch talent in today's market—a significant change from the hiring wars of the past six to nine months. Companies may also have more opportunities to acquire distressed or semi-distressed assets and achieve economies of scale at reduced cost.

McDermott Will & Emery