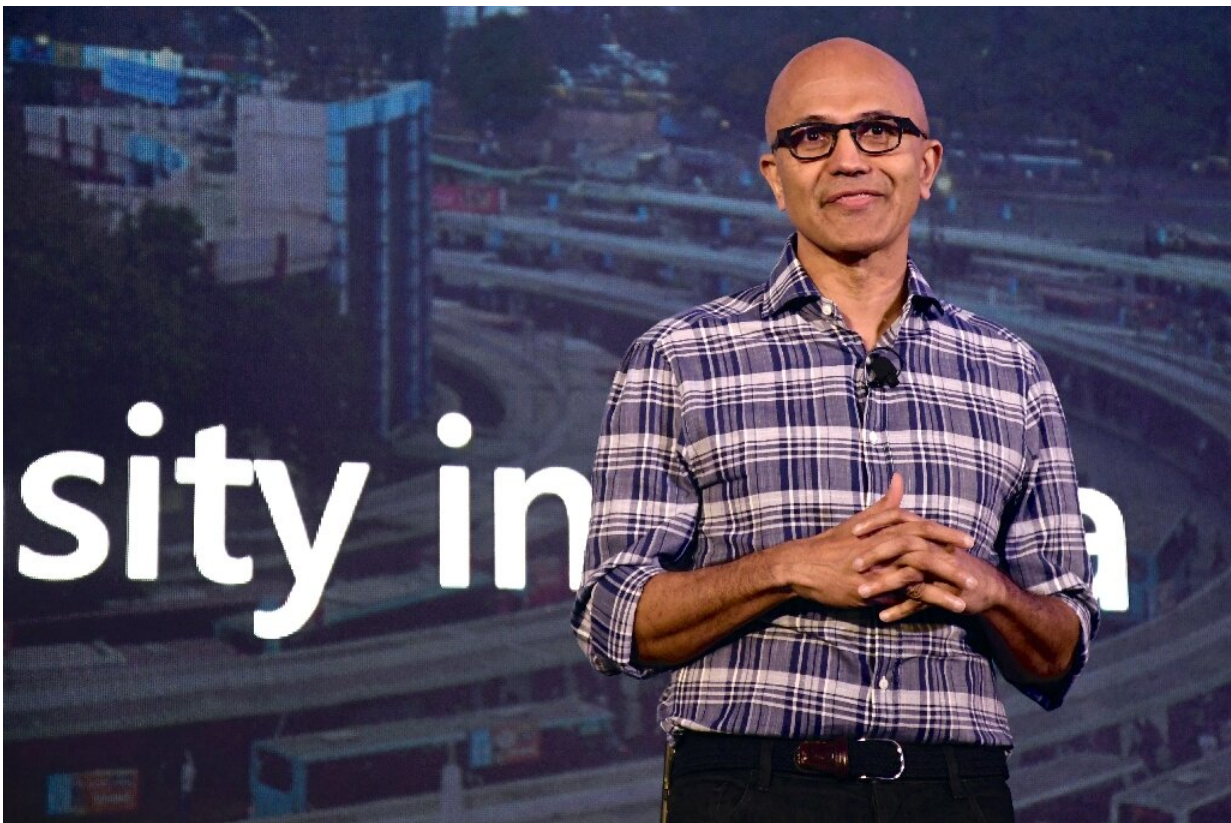


Microsoft bets big on health with \$19.7 bn purchase of Nuance

April 13 2021, by John Biers



Microsoft Corporation Chief Executive Officer Satya Nadella said the Nuance acquisition positions the tech giant for growth in the healthcare sector

Microsoft is to acquire artificial intelligence and cloud computing company Nuance for \$19.7 billion, bolstering its healthcare presence

with a leader in voice recognition technology.

Nuance's technology includes a conversational AI tool versed in specialized medical terms, freeing physicians from note-taking and allowing better patient-physician interactions in person or in the telemedicine appointments that have taken off during the pandemic, executives said.

Nuance's program "has completely redefined clinical documentation by capturing and contextualizing every words of the physician/patient encounter and automatically documenting it," said Microsoft Chief Executive Satya Nadella during a briefing Monday.

Nuance's technology is used extensively in medical records and is currently employed in more than three-quarters of US hospitals, Microsoft said in a news release. The transaction is all-cash and the sum includes Nuance's net debt.

Nuance's technology is currently used by more than 55 percent of physicians and 75 percent of radiologists in the United States. Microsoft said the deal would double its potential healthcare market to nearly \$500 billion.

This acquisition builds on the existing partnership between the two companies, which have been collaborating since 2019 in telemedicine, a sector whose growth has been spurred exponentially by COVID-19 lockdowns around the world.

Last year, the Redmond, Washington-based giant integrated Nuance Communication's Dragon Ambient eXperience program into its Teams communications software, which enables remote transcription of medical conversations."

Microsoft also sees potential to expand the technology beyond health care. For example, the similar AI transcriptions could be employed by financial advisors, said Scott Guthrie, executive vice president for Microsoft's cloud and AI group.

"Nearly any professional service could benefit from real-time engagement converted into material intelligence that drives actions," Guthrie said during an investor presentation.

"Every customer I talk to is looking to make the [right decision](#) at the right time for all of their stakeholders."

'No brainer'

The deal comes on the heels of Microsoft's 2016 purchase of LinkedIn for \$27 billion and represents "the latest step in Microsoft's industry-specific cloud strategy," the company said.

Like other technology heavyweights, Microsoft has been a big beneficiary of the economic dislocations during COVID-19.

The company's earnings jumped by 33 percent in the latest quarter to \$15.5 billion and included a boost from cloud computing and personal computing, including its Xbox video games.

Wedbush analyst Daniel Ives called the Nuance tie-up a "trophy" deal for the company founded by Bill Gates, which is on a "strategic offensive" in search of targets to buy.

"For Nadella & Co, this is the right acquisition at the right time with Microsoft doubling down on its healthcare initiatives over the coming years," he said in an analysis. "The Nuance deal is a strategic no brainer in our opinion for MSFT and fits like a glove into its healthcare

endeavors."

Based in Burlington, near Boston, Nuance was founded in 1992 and specializes in conversational [artificial intelligence](#) solutions, particularly in the healthcare sector.

Nuance Communications, which employed more than 7,100 people as of September 30, reported sales of \$1.48 billion last year.

Ives said Microsoft is on the hunt for more acquisitions and this [deal](#) "could be the first step in an increased appetite for deals in 2021 with Discord (video game chat community) another potential trophy for Redmond."

It comes just a few months after the takeover of ZeniMax, the parent company of video game publisher Bethesda Softworks, for \$7.5 billion in September.

Media reports cite the potential for other big deals, including crafting platform Pinterest in a possible \$51 billion transaction, and the popular Discord discussion platform for about \$10 billion.

Shares of Nuance surged 16 percent to \$52.85, while Microsoft was essentially flat at \$255.91.

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