



# *Q1 2018 M&A Update*

## *RCM, Healthcare IT, Data and Analytics*

### Top Transaction 1<sup>st</sup> Quarter 2018

Top 1Q18 Transactions			
Date Announced	Acquirer	Seller	\$MM
2/15/2018	Roche	Flatiron Health	1,900
3/7/2018	Inovalon	ABILITY Network	1,200
4/2/2018	Veritas Capital	General Electric (GE)	1,050
3/7/2018	Agilent Technologies	Advanced Analytics Technologies	250
1/11/2018	Clearlake Capital Group	Provation Medical	180
1/4/2018	Francisco Partners	Connecture	104
3/12/2018	Bolder Healthcare Solutions	Cognizant	+100
1/8/2018	Allscripts	Practice Fusion	100

Roche a Swiss pharmaceutical company announced its acquisition of Flatiron Health, February 15; representing a \$1.9bn expansion into the treatment of cancer patients through data and data analytics. Prior to which Flatiron Health an oncology focused real-time analytics platform had raised \$313MM in VC funding in 2013.

A leading healthcare cloud based platform Inovalon (NASDAQ: INOV) announced its acquisition of ABILITY Network a cloud based hospital administration management and billing software company for \$1.2bn on March 7. This acquisition creates a real time, vertically integrated cloud based platform.

April 2, General Electric announced its plans to divest its value-based care division, including Enterprise Financial Management (RCM), Ambulatory Care Management and Workforce Management to a private equity firm Veritas Capital.

Clearlake Capital Group announced its plans to acquire Provation Medical, a division of Wolters Kluwer Health for an estimated \$180MM on January 11. Provation Medical is an intelligent documentation software and order set management software provider. The transaction closed March 12, final financial terms weren't announced.

Agilent Technologies (NYSE: A) a global leader in life sciences, diagnostics and applied chemical markets announced its acquisition of Advanced Analytical Technologies Inc. (AATI) a provider of capillary electrophoresis (CE) solutions for fully-automated analysis for \$250MM. AATI's software is used to analyze biomolecules such as RNA and DNA.

### Highlights from JPM and HIMSS

Starting out in early January, the heavy rain on the San Francisco JP Morgan 36<sup>th</sup> Annual Healthcare Conference did not dampen the estimated 20,000 plus from keeping busy making deals. Practice Fusion's surprise \$100MM acquisition by Allscripts kicked off the week but physician practice roll-ups and retail remained the focus. Many new funds and family offices awash in cash are scouring the country for opportunities closer to normal historical valuations. Although they are reluctant to contribute to the record multiples, especially in digital health, it appears necessary to remain active in this highly competitive marketplace.

Off to Viva Las Vegas and an active week at HIMSS where machine learning (ML) and artificial intelligence (AI) was not only used to count cards but try and crack the healthcare code by the large tech companies along with Google's former CEO Eric Schmidt supporting cloud computing, app development, voice recognition and interoperability. Uber and Lyft made a first time push with their thesis around revolutionizing healthcare by utilizing technology to get the patient to their appointment (we'll see about on-time). Even though the buzz and excitement of transformative technologies crept up from the basement of the Venetian (the startups and earlier stage business booths presented on the lower lever) the main focus centered on the patient with better outcomes and lower costs. The use and transfer of data safely and securely will be impacted by the impending general data protection regulation (GDPR), at least in Europe for now. Also, questions over how the newly announced partnerships like the Amazon, Berkshire Hathaway and JP Morgan Chase will work jointly to secure or deliver better healthcare services for employees. The one thing we know for sure is technology is here to stay and improve the delivery of healthcare but to the extent of how much and at what cost is still a mystery.



# *Q1 2018 M&A Update*

## *RCM, Healthcare IT, Data and Analytics*

### Selected RCM and Healthcare IT Transaction – 1Q18

5/1/2018 – **SCIO Health Analytics**, a provider of healthcare analytics, announced it will be acquired by **EXL**, an operations management and analytics company for \$240mm. They plan to use the acquisition as a means to expand offerings, improve analytics and reduce costs.

4/30/2018 – **American Well**, the leading U.S. telehealth provider, announced that it has entered into a definitive agreement to acquire **Avizia**, a leading player in acute care telehealth. This acquisition will bring to American Well a comprehensive acute care capability, including the best in class hospital-based care lineup and custom software workflows for more than forty clinical specialties, including telestroke and tele-behavioral health.

4/4/2018 – **SCI Solutions**, a community-based care coordination software company, acquired **DatStat**, a patient engagement platform and data collection firm, for an undisclosed sum. The combination of SCI's patient scheduling, referral management and revenue cycle software with DatStat's digital self-service tools for pre-visit preparation, secure messaging, visit summaries and care plans, creates a complete patient access and engagement solution for patients to conveniently connect with their care teams and manage their health.

3/21/2018 – **Cantel Medical** a medical device company acquired **Aaxis Medical**, a provider of workflow management software for hospitals and healthcare professionals, for \$24.8 million. Specifically the software is capable of tracking and monitoring instrument and workflows. Aaxis Medical reported revenues of \$4.2 million in 2017.

3/20/2018 – **Atrys Health**, a biomedical company that uses specialized diagnostic and telemedicine services for various medical specialties including oncology, acquired **Telrads**, a Spanish cloud-based teleradiology company, for €4.8 million (~\$5.89 million). Telrads will offer its clients the preparation of radiological reports remotely.

3/15/2018 – **Axxess** a RCM company for home healthcare agencies acquired **Home Health Gold**, a data analytics and software decision making tools for home health organizations. Axxess's software incorporates into existing EMR's and provides tools and reports aimed at improving day-to-day operations.

3/12/2018 – **Gulf Capital**, a Dubai based alternative asset management firms in the Middle East, acquired a majority stake in **ACCUMED Practice Management**, a provider of outsourced revenue cycle management, medical billing, and coding services.

3/12/2018 – **Cognizant (NASDAQ: CTSH)** a global healthcare consulting IT company acquired **Bolder Healthcare Solutions** a RCM company, providing solution to hospitals, physician practices and other specialist healthcare organizations. Based on market knowledge the valuation was in excess of \$100 million as JZ capital alone will realise approximately \$108 million in gross proceeds from this sale. The company was created as a platform by The Edgewater Funds, JZ Capital Partners and Michael Shea in August of 2012.

3/5/2018 – **Revint Solutions** (New Mountain Capital) a revenue integrity company acquired **Naveous** (Tamroc Partners) a market leader in specialized government reimbursement technology and services for healthcare providers. This acquisition will add to Revint's suite of tech-enabled solutions for revenue integrity and complex reimbursement solutions.

3/1/2018 – **The SSI Group**, a RCM company, acquired **Informatics Corporation of America (ICA)**, an aggregator of data for health information exchanges under the brand name of CareAlign. The combined expertise and information services will help a diverse set of healthcare organizations improve their ability to address the growing need to combine administrative, financial, and clinical data driven by changes in healthcare delivery and payment models.



## *Q1 2018 M&A Update*

### *RCM, Healthcare IT, Data and Analytics*

2/15/2018 – **WebPT** (Battery Ventures) a leading rehab therapy software company acquired **BMS Practice Solutions** the largest rehab therapy billing and collections company. The acquisition create a end-to-end solution for any size rehab therapy practice.

2/15/2018 – **Hyland** a leading software solutions provider for managing content acquired the **OneContent** division from Allscripts. OneContent provides healthcare document management software solutions. Hyland seeing the acquisition as a valuable add of employees, customers and complimentary solutions.

2/13/2018 – **Fitbit Inc.** (NYSE: **FIT**), the leading wearable device company, announced that it will acquire **Twine Health**, maker of a cloud-based “coaching platform” which helps patient manage chronic diseases. The acquisition helps improve patient lifestyles and is aimed at expanding Fitbit’s offerings to health plans. Twine Health is a HIPAA complaint application.

2/12/2018 – **StayWell** the preventative health software division of Merck, acquired **Provata Health**, a cloud-based workplace wellness programs. The acquisition is intended to support StayWell’s current preventative health platform employee offerings.

2/5/2018 – **Varian** (NYSE: **VAR**) a global produce of oncology equipment and solutions acquired **Mobius Medical Systems**, a radiation oncology Quality Assurance (QA) software. The acquisition of Mobius’s software expands the company’s portfolio of patient QA solutions.

2/2/2018 – The subsidiary of Orange Business Services (NYSE: **ORAN**) **Orange Healthcare** acquired **Enovacom**, a leading European provider of e-health software solutions, primarily data exchange. Orange Healthcare plans to use this acquisition in tandem with its current portfolio offerings to create a more complete suite of e-health solutions.

2/2/2018 – **OmniComm Systems** (OTCQX: **OMCM**), a global provider of patient-centric, clinical data management technology, acquired **Algorics**’s asset

Acuity, a data aggregation and visualization software. The Acuity software represents a powerful data analytics software backed by algorithms, AI, machine learning, that is system agonistic is capable of producing analytics in real-time.

2/1/2018 – **Netsmart**, an EHR provider to behavioral health, post-acute and social services, acquired **HomeCare Accounting Solutions**, a back office automation software provider to home health hospice operators. This acquisition expands service capabilities to existing and new post-acute clients.

1/31/2018 - **Inspirata** a cancer diagnostics workflow solution provider acquired GE’s business **Omnyx**, and its flagship software **Dynamyx™**. Omnyx’s software is focused on improve pathology workflow and productivity solutions.

1/30/2018 – **The HCI Group**, a top rate healthcare IT consulting firm by KLAS, focus on optimization and infrastructure management acquired **Infinity HIT** a health IT consulting firm focused on implementation and optimization among others. Infinity is MEDITECH READY certified for levels 1-4 and client/server 5.6 to 6.1. The combination of the two companies will create unparalleled value for their customers.

1/25/2018 – **Fusion** (NASDAQ: **FSNN**), a provider of integrated cloud communications services acquired **IQMax**, a healthcare software company. IQMax is best known for its secure messaging app as well as its cloud-based data integration platform. The acquisition was geared towards gaining market share in the rapidly growing industry of secure messaging.

1/25/2018 – **Mediware Information Systems, Inc.** a provider of software for providers and payors acquired **MEDTranDirect**, a SaaS technology solution for processing and managing eligibility, claims and remittance. MEDTranDirect was the first Network Service Vendor (NSV), which allowed for providers to gain direct access to the Medicare payments system.



## *Q1 2018 M&A Update*

### *RCM, Healthcare IT, Data and Analytics*

1/18/2018 – The private equity firm **ABS Capital Partners** acquired **Audacious Inquiry** an advisory, integration and software company. Audacious’s software solutions include interoperability and care coordination. This acquisition will act as a platform company for ABS Capital.

1/18/2018 – **Change Healthcare** a healthcare software and data analytics company acquired **National Decision Support Company** (NDSC) a clinical practice guidelines software company. NDSC’s solution is directly integrated into multiple leading EHR’s. The acquisition will be used to expand Change Healthcare’s cost saving, evidence-based clinical information technologies

1/18/2018 – **Virgin Pulse**, an employee wellbeing and engagement software company, acquired **Preventure** a leading corporate wellness software company. Virgin Pulse aims to use this acquisition to continue to grow its market share within the employee wellness sector.

1/18/2018 – **Nordic** an Epic focused healthcare IT consulting company, acquired **The Claro Group**’s revenue cycle transformation division. The newly acquired revenue cycle assets are intended to expand products lines outside of its consulting practice.

1/17/2018 – **Elsevier**, a science and healthcare data analytics company in part with the RELX Group, acquired **Via Oncology**, a provider of clinical practice decision software specifically for oncologist. This acquisition is geared towards creating an end-to-end solution for clinical practice decision solutions.

1/16/2018 – **Press Ganey Associates** a leading patient experience company acquired **Bivarus** a real-time consumer experience company. This acquisition expands the company suite of consumer and analytical products aimed at improve overall patient satisfaction.

1/4/2018 – **Encoda** a Florida based RCM company completed its acquisition of **Medco Data, LLC**’s RCM assets. Medco Data is a healthcare technology and business intelligence company. Encoda’s acquisition of

Medco Data adds dermatology customers spanning across 5 states.

1/2/2018 - **Regal Healthcare Capital Partners** a New York based healthcare focused private equity firm acquired the RCM provider **EMMG (East Meadow Management Group)**. Based in Long Island, EMMG has provided outstanding outsourced billing and revenue cycle services to hospital groups, physician practices, dental and behavioral health practices since 1992. This acquisition represents a platform company, Regal plans to grow EMMG through a combination of organic growth and acquisitions of similar, related billing and revenue cycle companies.

#### Other:

3/16/2018 – **Constellation Healthcare Technologies** the US medical billing company that used to trade on London’s lightly regulated AIM market filed for Chapter 11 bankruptcy. Its new management said in a court filing that some of the businesses it claimed to have purchased were “fictitious”, and also disclosed a grand-jury subpoena. Until last year, Constellation was run by Paul Parmar. In late 2016, it was taken private, by former Blackstone dealmaker Chinh Chu, at his new family office CC Capital. The deal valued the company at \$309m, and was financed in part with \$130m of debt and \$39.6m of unsecured promissory notes issued to shareholders. A bankruptcy sales process is currently underway.



# Q1 2018 M&A Update

## RCM, Healthcare IT and Data

### Selected Publicly Traded RCM and Healthcare IT

Selected Publicly Traded RCM and Healthcare IT Companies - 1Q18

Company Name	Ticker Symbol	Price (3/29/18)	% Change Prior Qtr	% Change Prior Yr	52 Week High	52 Week Low	Market Cap (\$M)	EPS (TTM)	P/E	Revenue (\$M)	EV (\$M)	EBITDA (\$M)	EV/Revenue	EV/EBITDA
Allscripts Healthcare Solutions, Inc.	MDRX	12.35	(15.1%)	(2.6%)	16.13	11.25	2,230	(1.09)	N/A	1,810	3,670	151.1	2.0x	24.3x
athenahealth, Inc	ATHN	143.03	7.5%	26.9%	158.66	95.01	5,740	1.31	109.2	1,220	5,780	165.3	4.7x	35.0x
Cerner Corporation	CERN	58.00	(13.9%)	(1.4%)	73.86	56.49	19,290	2.57	22.6	5,040	20,100	1,370.0	4.0x	14.7x
Computer Programs & Systems Inc.	CPSI	29.20	(2.8%)	4.3%	36.15	26.05	402	(1.27)	N/A	277	541	33.1	2.0x	16.4x
eHealth, Inc.	EHTH	14.31	(17.6%)	18.9%	28.59	10.41	271	(1.37)	N/A	172	242	(25.3)	1.4x	N/A
HealthStream, Inc.	HSTM	24.83	7.2%	2.5%	31.53	21.15	796	0.31	80.1	248	653	26.0	2.6x	25.1x
HMS Holdings Corp.	HMSY	16.84	(0.6%)	(17.2%)	20.90	11.01	1,400	0.47	35.8	521	1,560	97.2	3.0x	16.0x
McKesson Corporation	MCK	140.87	(9.7%)	(5.0%)	178.86	133.82	29,070	22.74	6.2	20,544	37,770	3,770.0	1.8x	10.0x
Medidata Solutions Inc.	MDSO	62.81	(0.9%)	8.9%	85.92	56.65	3,680	0.74	84.9	546	3,590	84.0	6.6x	42.8x
Quality Systems, Inc.	QSII	13.65	0.5%	(0.1%)	17.74	12.24	870	0.28	48.8	528	860	51.0	1.6x	16.9x
Streamline Health Solutions Inc.	STRM	1.84	8.9%	80.4%	2.82	0.92	35	(0.21)	N/A	25	36	(1.9)	1.5x	N/A
Medical Transcription Billing, Corp.	MTBC	3.33	27.6%	389.7%	5.44	0.29	39	(0.69)	N/A	32	38	0.2	1.2x	189.5x
Inovalon	INOV	10.60	(29.3%)	(15.9%)	17.80	10.15	1,530	0.24	44.2	449	1,280	75.9	2.8x	16.9x
R1 RCM Inc.	RCM	7.14	61.9%	131.1%	7.99	2.99	746	(0.75)	N/A	450	623	(6.5)	1.4x	N/A
<b>Average</b>			<b>(2.95%)</b>	<b>12.53%</b>									<b>2.6x</b>	<b>17.5x*</b>

\*Excluding Outlier

The market momentum waned in the first quarter of 2018; the S&P 500 was down -2.0%, Dow Jones -2.9%, Russell 2000 -1.3%, however the NASDAQ was up 0.8%. While Q1 was overall down, the trailing twelve month (TTM) returns remain respectable; the S&P 500 returned 11.8%, Dow Jones 16.7%, Russell 2000 10.4%, and NASDAQ return a staggering 19.5%.

The RCM and Healthcare IT sectors also saw moderate declines in Q1 as our index lost an average of -2.9% during the period making the average annual return 12.5%. Although equity valuations are elevated we see still the recession risk low for 2018, (excluding an unforeseen catalyst) as liquidity remains robust, consumer confidence remains high, employment remains low, and wages are increasing.

**R1 RCM Inc. (NASDAQ: RCM):** The company experienced its seven consecutive quarter of revenue growth in Q4, seeing quarterly revenues reaching \$140MM, a 13.82% increase QoQ. R1 RCM saw impressive improvements in cash flow during 2017, adjusted EBITDA grew by a total of \$2.6MM reaching \$5.7MM. During the fourth quarter the company completed the buildout of its commercial team and compiled a robust pipeline to pursue during 2018. All of this likely drove our top performing index company in Q1, R1 RCM Inc., reporting a fantastic 61.9%.

**Medical Transcription Billing Inc. (NASDAQ: MTBC):** MTBC's financial performance continued to be a top performing company within our index, yielding 27.6% during 1Q18 and even more impressive is the TTM return of 389.7%. MTBC's revenue YoY saw revenue growth 30%, and adjusted EBITDA reach \$2.3MM. Although it maintained a net loss, its net losses improved by \$3.2MM reaching -\$5.6MM. MTBC's financial improvements remain largely due to the acquisition of MediGain a Texas based RCM company in 2016.

**Inovalon (NASDAQ: INOV):** While Inovalon was a feature in our top transactions, it was one of our worst performing company within our index. On a quarterly basis its revenue actually saw a 5.1% growth YoY and net income saw a 28.5% growth YoY. The continued decline in Inovalon's performance was in part due to the loss of a material contract in September 2017 as well as the downgrade by Morgan Stanley in response to the anticipated lackluster growth.

**Streamline Health Solutions Inc. (NASDAQ: STRM):** Streamline Health Solutions yielded a modest 8.9% return during 1Q18, however FYE 2017 and 1Q18 financial reports have not yet been published.



*Lawrence, Evans & Co., LLC provides investment banking, finance, and consulting services for small and middle market healthcare providers and services companies. We are very active on the buy-side and the sell-side of Revenue Cycle Management, HCIT, Data and Analytics and related transactions.*

**SERVICES**

▪ **Investment Banking & Corporate Finance**

- Private Company Sales
- Acquisition Advisory Services
- Division/Subsidiary Divestitures
- Private Market Financings
- Distressed Transaction Advisory
- LBO's and Recapitalizations

▪ **Turnaround & Restructuring**

- Turnaround Management
- Chief Restructuring Officer (CRO)
- Debt Restructuring/Refinancing
- Bankruptcy Planning/363 Sales
- Orderly Liquidations
- Receivership/Trustee

▪ **Consulting**

- Strategic Options Analysis
- Strategic Planning
- Valuations & Financial Assessments
- Organizational Reviews
- Interim CEO/CFO
- Expert Testimony & Opinions

**REPRESENTED TRANSACTIONS**

**HealthCell**  
Discover, Simplify, Perform

*Purchased a*  
**Multi Specialty Medical Billing Company**  
2017

Acted as advisor

**MedWorxs**

*Growth Capital Raise*  
April 2017

**Grenville**  
STRATEGIC ROYALTY CORP

Acted as advisor

**MINGLE**  
ANALYTICS

*Growth Capital Raise*  
June 2017

\$1,000,000

Acted as advisor and Investor

**GLOBALNET SOLUTIONS**  
Problem Solvers

*2012 Sale to*

**MTBC**  
A Unique Healthcare IT Company

Acted as advisor

**RANAC**  
Optimizing Performance & Profit For Healthcare Professionals

*2015 Sale to a Strategic Buyer*

Acted as advisor

**Medical Billing and Technology Company**

2015

\$8,000,000

*Sale to a Strategic Buyer*

Acted as advisor

**Lawrence, Evans & Co., LLC**

Neil L. Johnson  
Managing Partner  
614-448-1304/614-598-8905  
njohnson@lawrenceevans.com

John Stover  
Analyst  
614-448-1304  
jstover@lawrenceevans.com