



# Q2 2017 M&A Update

## RCM, Healthcare IT, Data, and Analytics

### M&A Overview

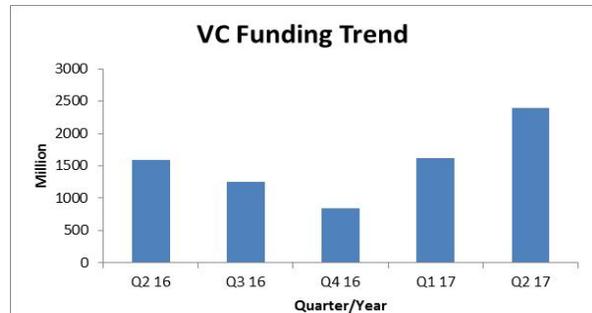
There were 41 M&A transactions in the Healthcare IT sector in Q2 2017 compared to 49 transactions last quarter. Practice management and Data Analytics took first place with five each, followed by Medical Imaging companies with three transactions.

Acquirer	Seller	\$ MM
Teladoc, Inc.	Best Doctors	440
Cochlear Limited	Sycle LLC	78
athenahealth Inc.	Praxify Technologies	63
NextGen	Entrada, Inc.	34

Notable transactions included the acquisition of **Best Doctors**, the world's leading expert medical consultation company focused on improving health outcomes for the most complex, critical and costly medical issues, by **Teladoc, Inc.** (NYSE: TDOC), for \$440 million in cash and stock, the acquisition of **Sycle LLC**, the world's largest provider of audiology practice management software, by **Cochlear Limited** (ASX: COH), the world leader in implantable hearing solutions, for \$78 million, the acquisition of **Praxify Technologies**, a provider of EHR experience for clinicians with streamlined workflows, intuitive mobile interfaces and real-time analytical feedback, by **athenahealth Inc.** (NASDAQ: ATHN) for \$63 million in cash, and the acquisition of **Entrada, Inc.**, a provider of a clinical documentation and data exchange platform, by **NextGen Healthcare Information Systems, LLC**, a provider of computer-based practice management solutions and a wholly owned subsidiary of **Quality Systems, Inc.** (NASDAQ:QSII), for \$34 million.

### Healthcare IT VC Funding Discussion

Global venture capital funding reached its highest level in Q2 2017 with a total of 194 deals amounting to \$2.4 billion compared to the \$1.6 billion raised in 165 deals in Q1 2017. This quarter has the most deals since 2010. Even with a robust quarter in VC funding for health startups, there is no sign of acceleration of Healthcare IT IPOs and M&A activities.



Consumer-centric companies received 69% of the funding this quarter, bringing in more than \$1.6 billion in 131 deals compared to \$1 billion in 115 deals last quarter. Healthcare practice-centric companies received 31% of the total funding in the quarter, raising \$745 million in 60 deals compared to \$574 million in 50 deals last quarter.

Company	\$ MM	Investors
Outcome Health	500	Goldman Sachs, CapitalG, Pritzker Group
Modernizing Medicine	231	Warburg Pincus
PatientPoint	140	Searchlight, Silver Point
Blink Health	75	8VC
WuXiNextCODE	85	Temasek, Yunfeng Capital, Amgen Ventures, 3W Partners



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#### Selected RCM and Health IT Transactions in Q2 2017

06/20/2017 – **MatrixCare** in MN, a provider of EHR for long-term care and senior living providers, has acquired **SigmaCare** in NY, an EHR vendor for the long-term, post-acute care market.

06/20/2017 – **Teladoc, Inc.** (NYSE: TDOC), the nation's first and largest telehealth platform, announced that it has entered into a definitive agreement to acquire **Best Doctors** in MA, the world's leading expert medical consultation company focused on improving health outcomes for the most complex, critical and costly medical issues. The acquisition is valued at \$440 million in cash and stock.

06/14/2017 – **Continuum Health** in NJ, a value-based solutions company, has acquired a controlling interest in **Captify Health** in KS, a specialty care services company that has a long record of helping physicians improve outcomes for digestive care patients and increasing practice efficiency and revenue.

06/13/2017 – **Cognizant** (NASDAQ: CTSI) in NJ, an information technology service and consulting firm, has entered into a definitive agreement to purchase **Health Care Service Corporation's** subsidiary **TMG Health** in PA, a provider of business process outsourcing solutions for Medicare Advantage, Medicare Part D, and Managed Medicaid plans. As part of the expansion of Cognizant's strategic relationship with Health Care Service Corporation, TMG Health will enter into a multi-year service agreement to provide IT, business process and other services.

06/13/2017 – **Encoda LLC** in FL, a developer of patented technology that powers the nation's most innovative and efficient medical business offices, has acquired the revenue cycle

management services division of FL-based **MedCo Data, LLC**.

06/13/2017 – **Mingle Analytics Inc** of Maine, a privately-held leader in MIPS/MACRA software solutions and reporting, secured a half million dollar convertible note; **Lawrence, Evans & Co LLC., Bluff Point Associates, Coast Ventures** and the **Maine Venture Fund** participated in the transaction.

06/13/2017 – **PokitDok** in NY, a health IT company focused on API solutions for price transparency, scheduling appointments, and other services, has acquired the pharmacy and software assets of **Oration PBC** in CA.

06/12/2017 – **Invitae Corporation** (NYSE: NVTX) in CA, one of the fastest growing genetic information companies, has acquired **OmmDom Inc.** in TX, which develops healthcare software, including CancerGene Connect, one of the most efficient, end-to-end platforms available for collecting and managing genetic family histories.

06/09/2017 – **HealthPoint Plus** in MA, a provider of telehealth services, has entered into an agreement to purchase the telehealth assets of Columbus based **MyArdina.com**, a provider of membership-based telehealth services.

06/08/2017 – **MindMaze** in CA, a company building next-generation human-machine interactions through neuro-virtual and augmented reality technology, has announced a strategic investment to acquire **Gait Up** in Switzerland, a maker of clinical-grade motion algorithms used in healthcare and by elite athletics.



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06/06/2017 – **ec2 Software Solutions LLC** in NV, a provider of innovative products that simplify workflows and reduce errors to create streamlined operational processes, has acquired **Numa** in NV, a developer of NumaStatus, which communicates patient radiation dose information in DICOM format to imaging systems and the EMR.

06/08/2017 – **athenahealth Inc.** (NASDAQ: ATHN), a provider of cloud-based services and mobile applications for medical groups and health systems, has entered into an agreement to acquire **Praxify Technologies** in CA, a provider of EHR experience for clinicians with streamlined workflows, intuitive mobile interfaces and real-time analytical feedback, for approximately \$63 million in cash.

06/07/2017 – **GTCR** in Chicago, a private equity firm, has signed a definitive agreement to acquire **GreatCall, Inc.** in CA, the largest provider of connected health and personal emergency response services for active aging, serving over 800,000 subscribers across the United States.

06/06/2017 – **Relias Learning** in NC, a provider in online analytics, assessments, and learning for the healthcare market, announced the acquisition of **WhiteCloud Analytics** in ID, a provider of healthcare performance management technology.

06/01/2017 – **TeraRecon** in PA, a leader in advanced visualization and enterprise medical image viewing solutions, announced the acquisition of **McCoy Medical Technologies** in PA, a machine learning company.

06/01/2017 – **Aquiline Capital Partners LLC** in New York, a private equity firm investing in financial services and technology, announced the acquisition of **OSG Billing Services** in NJ, a leading provider of billing and customer communications solutions.

05/31/2017 – **Digital Health Corp.** in CA, a diversified healthcare company focused on developing affordable therapy solutions to help patients get better in the comfort and convenience of their own homes, announced the acquisition of **Constant Therapy** in MA, a privately held developer of mobile solutions to treat patients with traumatic brain injury, stroke, aphasia, and learning disorders.

05/30/2017 – **Medvivo** in UK, a provider of integrated healthcare services ranging from telemedicine to connecting people with primary care outside of normal office hours, has acquired **Expert 24** in UK, a global developer of clinical decision support applications for some of the world's largest healthcare providers, insurers and health information platforms including BUPA, AXA PPP Healthcare, U.S. Department of Veterans Affairs and WebMD.

05/30/2017 – **Mediware Information Systems, Inc.** in KS, a provider of software solutions to healthcare providers, has finalized an agreement to acquire **Kinnser Software** in TX, a developer of software that provides clinical and business solutions for post-acute care businesses.

05/22/2017 – **Optima Healthcare Solutions** in FL, a leading provider of cloud-based software for post-acute care providers, announced the acquisition of **Hospicesoft** in UT, supplier of cloud-based software for hospices.

05/11/2017 – **Cochlear Limited** (ASX: COH), the world leader in implantable hearing solutions, has announced the acquisition of **Sycle LLC** in CA, the world's largest provider of audiology practice management software, for \$78 million.

05/04/2017 – **iContracts** in NJ, a leading provider of cloud-based contract, compliance, and revenue management solutions, has



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announced the acquisition of **Carmel** in India, an industry-leading provider of cloud based policy lifecycle management solutions.

05/09/2017 – **ERT** in PA, a global data and technology company that minimizes uncertainty and risk in clinical trials, has announced the acquisition of **ImageIQ**, an imaging software and contract research organization and software developer for customized imaging and analysis from the **Cleveland Clinic**.

05/08/2017 – **Apple** (NASDAQ: AAPL), has acquired **Beddit** in Finland, a developer of sleep-tracking hardware and software.

05/03/2017 – **Thoma Bravo** in CA, a private equity investment firm, has entered into a definitive agreement with **Lexmark International Inc.** in KY, a global imaging leader.

05/03/2017 – **Koan Health** in TX, a leading health care analytics and advisory firm, has acquired **ZirMed Inc.**'s value-based care analytics business in KY, including its clients, solutions and core staff.

05/02/2017 – **The Wellness Network** in WI, the largest in-hospital education television network in the United States, has announced the acquisition of **Milner-Fenwick** in MD, one of the largest and most respected publishers of patient education videos in the country. The combined entity counts more than 53% of U.S. hospitals in their customer base.

04/28/2017 – **Olympus Corporation of the Americas** in PA, a global precision technology company that focuses on designing and delivering innovative solutions in its core business areas of Medical and Surgical Products, Scientific Solutions, and Cameras and Audio Products, has signed a definitive agreement to

acquire **Image Stream Medical, Inc.** in MA, a healthcare systems integrator, for \$87 million.

04/25/2017 – **Surgical Information Systems** in GA, a leader in peri operative information systems, has announced the acquisition of **SourceMed** in AL, a leader in ambulatory and services.

04/19/2017 – **Siemens Healthineers** in PA, a medical technology company, has expanded its Population Health Management portfolio with the acquisition of **Medicalis** in CA, a provider of Clinical Decision Support Solutions at the point of order entry, Imaging Workflow management, and Referral Management.

04/18/2017 – **Relias Learning** in NC, a trusted partner in online analytics, assessments, and learning for the healthcare market, announced the acquisition of **Care Management Technologies** in NC, which offers evidence-based behavioral health analytics and decision-support tools to help payers and providers better coordinate care for persons with complex needs.

04/18/2017 – **New Mountain Capital and Ciox Health** in GA, a private equity firm and a health services company that facilitates and manages the movement of health information within the industry's provider network, announced the acquisition of **ArroHealth** in NY, a provider of chart retrieval and risk adjustment services for health plans and provider groups.

04/17/2017 – **Medidata** (NASDAQ: MDSO), the leading global provider of cloud-based solutions and data analytics for clinical research, announced that the company has agreed to acquire **Mytrus, Inc.** in CA, an e-clinical technology company specializing in patient-centered electronic informed consent and virtual trial.



## Q2 2017 M&A Update RCM, Healthcare IT and Data

### Selected Publicly Traded RCM and Healthcare IT

Company Name	Ticker Symbol	Price (6/30/17)	% Change Prior Qtr	% Change Prior Yr	52 Week High	52 Week Low	Market Cap (\$M)	EPS	P/E	Revenue (\$M)	EV (\$M)	EBITDA (\$M)	EV/Revenue	EV/EBITDA
Allscripts Healthcare Solutions, Inc.	MDRX	12.88	1.6%	1.4%	15.17	9.80	2,230	(0.26)	N/A	1,620	3,486	153.4	2.2x	22.7x
athenahealth, Inc	ATHN	139.28	23.6%	0.9%	149.55	90.11	5,660	0.51	273.1	1,110	5,878	112.4	5.3x	52.3x
Cerner Corporation	CERN	66.47	12.9%	13.4%	69.28	47.01	21,790	1.94	34.3	4,830	21,770	1,350.0	4.5x	16.1x
Computer Programs & Systems Inc.	CPSI	32.45	15.9%	(18.7%)	42.02	18.25	432	0.43	75.5	262	576	28.2	2.2x	20.4x
eHealth, Inc.	EHTH	18.57	54.2%	32.5%	19.53	6.38	345	0.57	32.6	192	274	7.1	1.4x	38.5x
HealthStream, Inc.	HSTM	26.33	8.7%	(0.7%)	24.97	20.40	796	0.11	239.4	232	675	21.6	2.9x	31.2x
HMS Holdings Corp.	HMSY	18.70	(8.0%)	6.2%	24.00	15.94	1,540	0.40	46.8	484	1,582	90.7	3.3x	17.4x
McKesson Corporation	MCK	163.61	10.4%	(12.3%)	199.27	114.53	35,470	22.72	7.2	198,530	41,257	4,350.0	0.2x	9.5x
Medidata Solutions Inc.	MDSO	78.00	35.2%	66.4%	82.83	46.10	4,760	0.59	132.2	486	4,649	72.4	9.6x	64.3x
Quality Systems, Inc.	QSII	17.20	25.9%	44.4%	17.55	10.61	1,080	0.29	59.3	510	1,056	58.9	2.1x	18.0x
Streamline Health Solutions Inc.	STRM	1.09	6.9%	(9.2%)	2.11	0.85	20	(0.35)	N/A	26	23	(3.2)	0.9x	N/A
The Advisory Board Company	ABCO	51.65	10.4%	45.9%	59.50	24.85	2,310	2.47	20.9	797	2,757	118.2	3.5x	23.3x
Medical Transcription Billing, Corp.	MTBC	1.38	102.9%	56.8%	3.84	0.29	15	(0.95)	N/A	28	27	(3.0)	1.0x	N/A
<b>Average</b>			<b>23.1%</b>	<b>17.5%</b>									<b>3.0x</b>	<b>21.9x*</b>

\*Excluding Outlier

Global expansion continued at a moderate pace through Q2 2017. With inflation decelerating amid weaker oil prices, most asset markets experienced unusually low volatility during the period. The steady economic backdrop, combined with global monetary accommodation, supported a relatively tranquil environment for the quarter. The Federal Reserve Chairwoman delivered an upbeat message about the American economy to Congress on Wednesday, emphasizing the strength of job growth and indicating that the Fed remained on course to begin unwind its balance sheet this fall. The Dow Jones Industrial Average improved 3.4%, the S&P 500 increased 2.7%, while the NASDAQ gained by 4.2 %. Likewise, The RCM and Healthcare IT sectors were moving up in Q2 2017 as our index gained an average of 24.7% during the period.

The RCM and Healthcare IT index is supported by the strong performances from **Medical Transcription Billing, Corp.**, **eHealth, Inc.**, and **Medidata Solutions Inc.**, which increased 102.9%, 54.2%, and 35.2%, respectively.

**Medical Transcription Billing, Corp.**, a healthcare information technology company, announced the signing of two new clients on in April who are expected to generate more than \$1 million in recurring annual revenue starting in third quarter of 2017. The positive news has helped listed the company's stock by 102.9% through the end of period.

**eHealth, Inc.** reported upbeat performance for the three-month period ending on March 31<sup>st</sup>, 2017. Earnings adjusted for stock option expense and a mortization costs were \$1.93 per share, exceeding Wall Street's expectation of \$0.36 per share. The revenue came in at \$78.9 million, beating the Street's forecast of \$71.2 million. The exceptional performance spurred an increase of the stock price by 54.2%.

**Medidata Solutions Inc.** reported record first quarter results with \$126.8 million in revenue, an increase of \$22.6 million, or 22%, compared with \$104.2 million in the first quarter a year ago. Subscription revenue was \$107.1 million, an increase of \$17.1 million, or 19%, compared to the same period last year. Professional services revenue for the quarter was \$ 19.8 million, an increase of \$5.5 million, or 38%, compared with \$14.3 million a year ago. Earnings per share was \$0.16, up 108%, compared with \$0.08 per diluted share last year. Remaining adjusted subscription backlog as of the end of second quarter was \$319 million, an increase of \$56 million, or 21%, compared with \$263 million a year ago. The record performance caught investors' attention, who bid up the stock price by 35.2% through the period.



*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**

<p>▪ Investment Banking &amp; Corporate Finance</p>	<ul style="list-style-type: none"> <li>-Private Company Sales</li> <li>-Division/Subsidiary Divestitures</li> <li>-Distressed Transaction Advisory</li> <li>-Acquisition Advisory Services</li> <li>- Private Market Financings</li> <li>- LBO's and Recapitalizations</li> </ul>
<p>▪ Turnaround &amp; Restructuring</p>	<ul style="list-style-type: none"> <li>-Turnaround Management</li> <li>-Debt Restructuring/Refinancing</li> <li>-Orderly Liquidations</li> <li>- Chief Restructuring Officer (CRO)</li> <li>- Bankruptcy Planning/ 363 Sales</li> <li>- Receivership/Trustee</li> </ul>
<p>▪ Consulting</p>	<ul style="list-style-type: none"> <li>-Strategic Options Analysis</li> <li>-Valuations &amp; Financial Assessments</li> <li>-Interim CEO/CFO</li> <li>- Strategic Planning</li> <li>- Organizational Reviews</li> <li>- Expert Testimony &amp; Opinions</li> </ul>

**REPRESENTED TRANSACTIONS**

 <i>Discover, Simplify, Perform</i> <i>Purchased a</i> <b>Multi Specialty Medical Billing Company</b> 2017  Acted as advisor	 <i>Growth Capital Raise</i> April 2017  STRATEGIC ROYALTY CORP  Acted as advisor	<b>Medical Billing and Technology Company</b> 2015 \$8,000,000 <i>Sale to a Strategic Buyer</i>  Acted as advisor
 <i>2012 Sale to</i>  A Unique Healthcare IT Company  Acted as advisor	 <i>Optimizing Performance &amp; Profit For Healthcare Professionals</i> 2015 <i>Sale to a Strategic Buyer</i>  Acted as advisor	<b>Revenue Cycle Management Company</b>  <i>Strategic Options Analysis</i>  Acted as advisor

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