



# Q4 2017 M&A Update

## RCM, Healthcare IT, Data and Analytics

### M&A Overview

The bull market raged on during 2017, with consumer confidence soaring to its highest level since 2000 and the S&P 500 returning a staggering 18.4% in anticipation of Trump’s tax reform. The bullish sentiment carried into the RCM, HCIT and data analytics sector, which saw a total of 203 M&A transactions during 2017, slightly down from 2016. Transactions during the Q4 were slightly higher at 57 compared to 56 transactions the prior quarter.

Notable transactions during 4Q17 include **Allscripts** acquisition of **Practice Fusion** a certified cloud-based EHR focused on small independent practices. Although the acquisition of Practice Fusion reached \$100mm, this is ultimately a significantly lower valuation than when it raised +\$150mm of equity and talked of an IPO with a valuation of over \$1 billion. **Philips** aimed to expand its portfolio, completing 2 acquisitions in 4Q17; **Forecare** a leading interoperability software company and **VitalHealth** a leader in cloud based population health management.

Top FY 2017 Transactions			
Date Announced	Acquirer	Seller	\$MM
7/24/2017	Internet Brands	WebMD	2,800
8/29/2017	Optum	Advisory Board Company	1,300
1/25/2017	Mckesson	CoverMyMeds	1,100
7/6/2017	Konica Minolta	Amby Genetics	1,000
9/14/2017	Navicare	Zirmed	750
9/5/2017	FNFV Group	T-System	200
8/3/2017	Allscripts	McKesson's EHR Assets	185
1/8/2018	Allscripts	Practice Fusion	100
12/21/2017	Carlyle	Visionary Revenue Cycle Management Infotech	65
12/5/2017	Royal Philips	Forecare	N/A
12/8/2017	Royal Philips	VitalHealth	N/A
1/4/2018	Encoda	Medco Data LLC's Assets	N/A

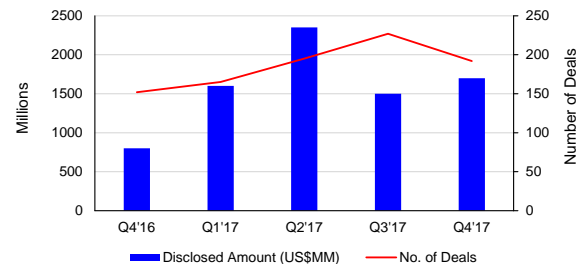
### AI, Blockchain and Bears O’My!

Odds are if you have turned on the television or read the news you have heard about the advances in artificial intelligence (AI) or blockchain technology. Healthcare is currently the leading industry to adopt and experiment with AI-based solutions. Healthcare AI startups have raised over 300 deals in the last 5 years. A huge portion of this, 45%, can be attributed to new startups entering the space raising their first equity rounds\* Some of the initial thesis of deploying AI and machine learning (ML) tools is to optimize back office billing and operations or assisting medical professionals who are making clinical decisions. A new report from JASON, an independent group of scientists advising the federal government notes AI is starting to play a transformational role in the healthcare industry. Blockchain, or distributed ledger technology, also continues to present tremendous change within healthcare from health records, patient flow, and supply chain. Find out more in our AI & Blockchain white paper expected out in Feb.

### Healthcare IT VC Funding Discussion

Venture Capital’s record breaking third quarter was continued into Q4 with investments coming in at \$1.7Bn slightly above the 3Q17 mark of \$1.5Bn, while the number of investments into the sector was slightly down from 227 to 192 QoQ. Collectively the Healthcare IT industry saw a record breaking year, with roughly \$7.2Bn in capital deployed across 778 deals.

VC Funding Trend



For the first time ever data analytics represented the largest portion of industry funding at \$1.1bn. This anomaly can be attributed to a surge in AI focused data analytics. Mobile health apps trailed at \$759mm with patient engagement solutions following at \$708mm. The single largest capital raise was Outcome Health, who raised more than \$500mm this quarter with the help of Goldman Sachs (now being sued by GS and Alphabet for alleged fraud and breach of contract).

\*CBInsights: Healthcare AI Inv Rise to Record Rates



## *Q4 2017 M&A Update* *RCM, Healthcare IT, Data and Analytics*

### Selected RCM and Health IT Transactions in Q4 2017

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.

12/21/2017 – a division of **The Carlyle Group**, a global investment firm acquired a majority stake in the Indian based firm **Visionary RCM Infotech Pvt. Ltd.** As the name implies, Visionary RCM offers RCM services, and currently employees +2,500 FTEs.

12/18/2017 – **Exym** the leader in behavioral health cloud based EHRs announced its partnership with **Alpine Investors** a San Francisco, CA based private equity firm. The merger will give Exym the capital necessary to further expand across the California market and to develop additional software.

12/14/2017 – **Cigna (NYSE: CI)** a global health service organization announced its acquisition of **Brighter** a digital health plan platform for health services and dental organizations. This will further Cigna's goal of creating an end-to-end solution

12/13/2017 – **Doctor.com** a private equity backed, web-based integration platform completed its merger with **Connect Healthcare**, a physician directories and data management company. The two companies had been working together since 2015 on a data management and directory solution for enterprise clients.

12/13/2017– Backed by the private equity firms Eir Partners and New Mountain Capital, **Revint Solutions** a RCM company merged with **IMA**

**Consulting** a consulting and RCM company. The merger will create a full suite of tech-enabled RCM solutions. This occurred two months after **Eir Partners** and **BKO Capital** announced in October the creation of **Revint Solutions** from the completed merger between **mCare Solutions** and **Vaughan Holland Consulting**. Both firms specialize in provide revenue integrity solutions to collectively 450 hospitals.

12/11/2017 – **SymphonyCare** a population health company announced its acquisition of **Influence Health's Empower Patient Portal Business**. The acquisition gave SymphonyCare access to the half a million patients currently using Empower's patient engagement product

12/11/2017 – **Royal Phillips** a global healthcare focused company acquired **VitalHealth** a cloud-based population health management technology company. With this acquisition Royal Philips will have access to VitalHealth's software and development capabilities.

12/7/2017 – **New Mountain Capital** a New York based private equity firm announced the acquisition of **CenseaHealth and Advance Health**, a in-home health assessment technology company. New Mountain Capital hopes to help CenseaHealth and Advance Health expands its technology nationwide.

11/29/2017 – **edgeMED Healthcare** a Florida based RCM company with a national scope announced the acquisition of the **medical billing division of Schenck SC**. Schenck a CPA and consulting firm based in Wisconsin chose to divest its RCM business to focus on its core operations.



## *Q4 2017 M&A Update*

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

10/24/2017 – **Bracket Global LLC**, a global clinical research company announced the acquisition of **mProve Health**, a provider of various mobile technologies for life science-focused customers. Bracket Global intends to use mProve Health’s technologies to assist in the clinical research process.

10/18/2017 – **Medsphere Systems** a EHR company completed their merger with **Stockell Healthcare** a cloud based RCM company. Stockell will continue operations under Medsphere but retain the Stockell brand name. Together they aim to create a more inclusive cloud based solution

10/17/2017 –**Quest Analytics** a Wisconsin based health plan provider network access company was acquired by **Vestar Capital Partners**. Management plans to use Vestar’s experience, network and capital to further expand the business.

10/11/2017 - **Avizia** a Virginia based telehealth provider announced its acquisition of **Carena** a telehealth provider servicing 35 million consumers. The acquisition helps Avizia with its goal to build a more robust nationwide telehealth platform.

10/11/2017 – **Azalea Health** in GA, a provider of fully integrated web-based healthcare solutions and services, announced the merger of **Prognosis Innovation Healthcare** in TX, a provider of electronic health records (EHR) to rural and community hospitals.

10/11/2017 – **Halyard Capital** in New York, a private equity firm, has sold its portfolio company, **Practice Insight**, a provider of practice management software for healthcare providers, to an undisclosed buyer.

10/11/2017 – **Welltok** in CO, a leading consumer health enterprise Software as a Service (SaaS) company, announced the strategic acquisition of **Tea Leaves Health** in GA, a provider of a SaaS-based analytics and marketing technology platform used by hospital systems to target consumers and physicians with coordinated engagement campaigns, from **Ziff Davis, LLC**, a subsidiary of **j2 Global, Inc.** (NASDAQ: JCOM).

10/11/2017 - **StayWell** announced today that it has acquired the mobile health portion of Silicon Valley-based **MedHelp**, which includes several consumer-facing mobile health apps.

10/06/2017 – **HealthChannels** in FL, a provider of medical scribing, care coordination, and real-time coding across a broad range of care settings, announced the acquisition of **Elite Medical Scribes** in MN, a provider of fully integrated medical scribe services. The acquisition of Elite Medical Scribes strengthens HealthChannels ability to deliver best-in-class services to a broader range of U.S. healthcare providers.

10/03/2017 – **Trilliant Health** in TN, the parent company of a group of healthcare technology, analytics, and marketing companies, announced the purchase of **Expression Health Analytics** in TN, a healthcare data analytics and insight company.

10/03/2017 – **WebPT** in AZ, a provider of rehab therapy software, announced the acquisition of **Strive Labs** in MA, a provider of patient relationship management software for patient education, engagement, and retention. With the acquisition, customers of WebPT and Strive Labs will have access to everything they need to manage their practices and deepen relationships with their patients.



# Q4 2017 M&A Update

## RCM, Healthcare IT, Data and Analytics

### Selected Publicly Traded RCM and Healthcare IT

Selected Publicly Traded RCM and Healthcare IT Companies														
Company Name	Ticker Symbol	Price (12/29/17)	% 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	14.55	2.2%	42.5%	14.45	13.84	2,770	(1.16)	N/A	1,710	4,080	173.8	2.4x	23.5x
athenahealth, Inc	ATHN	133.04	7.5%	26.5%	158.66	90.11	5,250	0.77	172.8	1,180	5,400	130.1	4.6x	41.5x
Cerner Corporation	CERN	67.39	(5.5%)	42.3%	72.82	47.01	22,800	2.01	33.5	4,990	22,490	1,390.0	4.5x	16.2x
Computer Programs & Systems Inc.	CPSI	30.05	1.7%	31.1%	36.15	18.25	406	0.44	68.3	263	550	27.5	2.1x	20.0x
eHealth, Inc.	EHTH	17.37	(27.3%)	63.1%	25.83	6.38	357	(1.15)	N/A	177	305	(18.1)	1.7x	N/A
HealthStream, Inc.	HSTM	23.16	(0.9%)	(7.5%)	31.53	20.60	782	0.18	128.7	244	659	27.1	2.7x	24.3x
HMS Holdings Corp.	HMSY	16.95	(14.7%)	(6.7%)	22.05	15.94	1,490	0.27	62.8	498	1,650	95.2	3.3x	17.3x
McKesson Corporation	MCK	155.95	1.5%	12.0%	169.29	114.53	36,840	21.12	7.4	20,196	42,730	3,880.0	2.1x	11.0x
Medidata Solutions Inc.	MDSO	63.37	(18.8%)	27.6%	85.92	46.10	4,200	0.70	90.5	529	3,940	82.1	7.5x	48.0x
Quality Systems, Inc.	QSII	13.58	(13.7%)	3.3%	17.74	10.97	860	0.28	48.5	528	875	51.0	1.7x	17.2x
Streamline Health Solutions Inc.	STRM	1.69	15.0%	35.2%	2.82	0.85	35	(0.21)	N/A	25	39	(1.9)	1.6x	N/A
Medical Transcription Billing, Corp.	MTBC	2.61	77.6%	257.5%	5.44	0.29	45	(1.02)	N/A	32	45	(1.8)	1.4x	N/A
Inovalon	INOV	15.00	(12.0%)	45.6%	17.80	8.60	1,980	0.12	125.0	431	1,700	73.2	3.9x	23.2x
R1 RCM Inc.	RCM	4.41	19.2%	96.0%	5.26	2.64	554	(0.28)	N/A	416	387	19.6	0.9x	19.8x
<b>Average</b>			<b>2.3%</b>	<b>47.7%</b>									<b>2.9x</b>	<b>19.2x*</b>

\*Excluding Outlier

The market momentum carried into the fourth quarter; the S&P 500 returned 5.71%, and the NASDAQ returned 5.93% making their annual returns nearly 18.4% and 27.2% respectively. Volatility remained low; with the VIX remaining below \$15 for the entire quarter. The RCM and Healthcare IT sectors also moved up in Q4 as our index gained an average of 2.3% during the period making the average annual return 47.7%. 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.

The RCM and Healthcare IT index is largely supported by the strong performances from **Medical Transcription Billing Inc. (MTBC)**, **R1 RCM Inc.**, and **Streamline Health Solutions Inc.**, which increased 77.6%, 19.2%, and 15.0%, respectively.

**Medical Transcription Billing Inc.** MTBC's financial performance experienced momentous improvements and its best on record during Q3. Revenue over the first nine months of 2017 grew 50% when compared to 2016; while adjusted EBITDA expanded 368% over the same time period. MTBC's financial improvements are largely due to the acquisition of MediGain a Texas based RCM company in 2016. MTBC also paid off debt related to its prior acquisition and secured a new revolving facility. As a result investor bid up the company's shares a staggering 77.6% during the fourth quarter alone.

**R1 RCM Inc.** The company experienced its fifth consecutive quarter of revenue growth in Q3, seeing quarterly revenues reaching \$123.2mm, a 23.94% increase QoQ. R1 RCM has also seen improvements in cash flow, going from negative cash flow in Q2 to a positive \$3.1mm in Q3. Management attributes the company's improvement to a large contract with Ascension hospitals in 2016, which has continued to ramp in 2017 and will continue into 2018. The ability to execute on the contract and turn cash flow around is likely the drive for R1 RCM Inc.'s 19.2% return in Q4. R1 RCM also saw a significant equity purchase of \$20mm, from a Salt Lake City based hospital Intermountain Healthcare

**Streamline Health Solutions Inc.** The company saw adjusted EBITDA reach \$1.5mm in 3Q17, an increase of 650% over the prior year. Streamline's growth is solely due organic growth, adding new clients to their software platform.



*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**

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

▪ **Turnaround & Restructuring**

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

▪ **Consulting**

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

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