

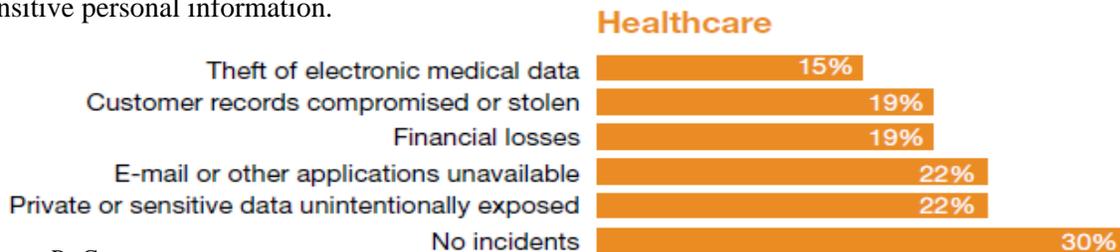


Q1 2015 M&A Update

RCM, Healthcare IT, Data, and Analytics

Healthcare Cybersecurity

Patients are demanding more convenient and personal care. Healthcare IT has changed the way that doctors and patients interact. It allows patients to track their own health and generate data that was previously not available to care providers. In addition, health information exchanges are being created to enable access to electronic medical records across the healthcare industry. As the patients' personal healthcare information becomes digital, cybersecurity threat is an increasingly important issue in the healthcare industry, especially as incidents such as the Anthem and Premera data breaches show that organizations of any size could be a target. The chart below shows the breakdown of detected incidents in the healthcare industry. As seen, 70% of the companies in the industry have some forms of incident. In 2014, the number of respondents in the healthcare industry who reported to the U.S. State of Cybercrime Survey indicated that unintentional exposure of private or sensitive information was 83% higher than overall respondents. This is a very critical shortcoming for a highly regulated industry that deals in sensitive personal information.



Source: PwC

The Protecting Cyber Network Act (PCNA)¹, passed by a 307-116 bi-partisan vote in early April, states that it will “improve cybersecurity in the United States through enhanced sharing of information about cybersecurity threats.” This act will significantly increase the National Security Agency’s (NSA) access to personal information, and authorize the federal government to use that information for various purposes unrelated to cybersecurity. The broad and ambiguous language in the act cause concerns from various civil liberties groups. They argued that the act does not provide strong security protections, and that there is not enough clarity in what information can be shared or how that information may be used by the government. However, the Health Information Trust Alliance (HITRUST) supported the bill since it offers legal certainty that healthcare companies sharing the information have safe harbor against frivolous lawsuits when voluntarily sharing and receiving cyber threat indicators. It further stated that the bill has adequate provisions that address the need to safeguard privacy and civil liberties.

VC Funding

Venture capital funding in the healthcare IT sector shrank about 35% in Q1 2015 as the total funding amount decreased to \$784 million in 142 deals compared to \$1.2 billion in 134 deals in Q4 2014. To date, the healthcare IT/digital health companies have raised almost \$10 billion in VC funding since 2010. Top VC funding deals in Q1 2015 were the \$70M raise by Health Catalyst, the \$55M raised by Ayasdi, the \$40M each secured by Advance Health and ClassPass, the \$38M raised by Collective Health, and the \$30M raised by Practo.

¹ The most recent main cybersecurity regulation regarding the healthcare industry was the 1996 Health Insurance Portability and Accountability Act (HIPAA).



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Selected RCM and Health IT Transactions in Q1 2015

04/13/2015 – **IBM** (NYSE: IBM) has announced its acquisition of **Explorys** in Cleveland, OH, a healthcare intelligence cloud company that has built one of the largest clinical data sets in the world, representing more than 50 million lives. The acquisition strengthens IBM's leadership position in healthcare analytics and cloud computing, and will help bolster its ability to extract and share deep insights to improve wellness and benefit patients.

04/13/2015 – **IBM** (NYSE: IBM) has announced its plan to acquire **Phytel**, a TX-based provider of integrated population health management software. The acquisition once completed will bolster the company's efforts to apply advanced analytics and cognitive computing to help primary care providers, large hospital systems and physician networks improve healthcare quality.

04/13/2015 – **The SSI Group, Inc.** in Mobile, AL, a leading provider of healthcare revenue cycle solutions, has entered into a definitive agreement to acquire **Provider Advantage NW, Inc.** in OR, a provider of patient access management software. The combined company helps improve financial performance by synchronizing hospital front and back office operations to increase collections, reduce denials and re-processing of claims.

04/13/2015 – **RemitData Inc.** in Memphis, TN, a pioneer of comparative data analytics technology that brings data transparency to the healthcare industry, announced that it has entered into an agreement to acquire **IF Technologies** in KY, a company that offers episode of care pricing analytics and transparency to insurers and cost containment companies with its software as a service (SaaS) solutions.

04/10/2015 – **Health Care Excel** in IN, a provider of clinical consulting, revenue optimization and quality improvement services, has completed the acquisition of **Valiant Health** in WI, a software tool that gives health plans and providers a clear view of current performance levels by capturing and analyzing data using a wide array of industry-critical measures.

04/10/2015 – **PatientBond, LLC** in IL, an innovative provider of patient and member engagement solutions, has acquired the Cincinnati-based **c2b Horizons, LLC**, a leader in statistically based consumer profiling techniques for healthcare payers and providers.

04/09/2015 – **Quality Systems, Inc.** (NASDAQ: QSII), a provider of practice management and electronic health records, has announced its acquisition of **Gennius** in MA, a leading provider of healthcare data analytics.

04/07/2015 – **Mansa Capital Management, LLC** in MA, a private equity firm focused on the healthcare sector, has announced it has completed the acquisition of **Accreon, Inc.**, a Boston-based healthcare technology and services company that integrates and manages health information. Mansa Capital invested \$5.5M in Accreon along with the company's new management team and original founders to finance the acquisition.

04/01/2015 – **Healthland** in MN, a provider of healthcare technologies, has completed its acquisition of **Rycan** in MN, a healthcare revenue cycle solutions firm.



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03/31/2015 – **Auxilio, Inc.** (OTCQB: AUXO) in CA, a leading provider of information security services for the healthcare industry, has announced the signing of a definitive acquisition agreement with **Redspin, Inc.** in CA, a provider of HIPAA security risk assessments and penetration testing services.

03/30/2015 – **Marlin Equity Partners, LLC**, a private equity firm in CA, has acquired **AMT Solutions, Inc.** in TX, a company which develops and integrates electronic medical record/electronic health record and practice management software solutions for physicians, physician assistants, nurses, pharmacists, and programmers.

03/25/2015 – **Dude Solutions Inc.** in NC, a software-as-a-service provider of operations management solutions, has announced the acquisition of **Windmill Software Inc.** in Toronto, a company offers a next generation senior living operations product that takes advantage of advances in technology and extends support to other essential operations work.

03/23/2015 – **ZeOmega Inc.** in TX, a market leader in population health management solutions, has announced the acquisition of **HealthUnity® Corporation** in WA, an innovative provider of interoperability solutions that enable providers, payers, and public health organizations to streamline the secure exchange of patient data across disparate systems.

03/17/2015 – **RevSpring Inc.**, a provider of revenue cycle technology services including data analytics, multi-channel communications, and payment solutions in MI, has completed its acquisition of **Revenue Advantage** in WA, a provider of interactive voice messaging, interactive text messaging, electronic communication, and payment services.

03/11/2015 – **Kareo** in CA, a provider of software for small medical practices, has acquired **DoctorBase**, a CA-based provider of patient engagement tools.

03/05/2015 – **Fitbit Inc.** in CA, the global leader in the Connected Health and Fitness category, has announced its acquisition of **FitStar** in CA, a platform for delivering personalized video-based exercise experiences on mobile devices.

03/03/2015 – **Veeva Systems Inc.** (NYSE: VEEV) in CA, a provider of industry cloud solutions for life sciences, has announced its intent to acquire **Qfoma CrowdLink** in Germany, a global solution for key opinion leader data and services for life sciences' brand, medical, and market access teams.

03/03/2015 – **Ebix, Inc.** (NASDAQ: EBIX), a leading international supplier of On-Demand software and E-commerce services to the insurance, financial, and healthcare industries, has entered the healthcare communications & content exchange market in India by acquiring **Via Media Health** in India, a leading health content & communication companies.

03/02/2015 – **Decision Resources Group** in MA, a leading research and advisory company focused on high-value healthcare data, insights, and analytics, has announced the purchase of **Activate Networks** in MA, a provider of network and relationship analysis.

03/02/2015 – **Becton, Dickinson and Company** (NYSE: BDX) in NJ, a leading global medical technology company, has reported its acquisition of **CRISI Medical Systems** in CA, a medical technology company dedicated to improving the safety and delivery of IV injectable medications.



Q1 2015 M&A Update *RCM, Healthcare IT, Data, and Analytics*

02/27/2015 – **Eli Global, LLC** in NC, an international healthcare information technology company, has acquired **IO Practiceware** in NY, a leader in electronic medical records software for ophthalmology.

02/17/2015 – **Audax Group**, a PE firm in CA, has announced its significant investment in **Corepoint Health**, a healthcare interoperability and information technology marketplace in TX.

02/13/2015 – **HealthStream** (NASDAQ: HSTM), a leading provider of workforce development and research/patient experience solutions for the healthcare industry, has entered a definitive agreement to acquire **HealthLine Systems, Inc.** in CA, a provider of credentialing, contact center and quality management software and support to the healthcare industry, for \$88 million in cash.

01/28/2015 – **Performant Financial Corporation** (NASDAQ: PFMT), a provider of services like revenue and contain costs by preventing, identifying, and recovering waste, improper payments and defaulted assets, has announced it has entered into an agreement to acquire **Premier Healthcare Exchange, Inc.** in NJ, a provider of healthcare cost management solutions for more than 200 commercial health plans and third party administrators. The transaction consideration consists of \$108 million in cash, subject to certain adjustments contemplated by the merger agreement, and \$22 million of Performant common stock to be issued to key Premier Healthcare Exchange, Inc.'s stockholders.

01/28/2015 – **IntraHealth International** in NC, a country-led health system with a focus on strengthening the health workforce, has announced its acquisition of **SwitchBoard** in CA, a provider of mobile health solution for health workers.

01/27/2015 – **Prosper Marketplace** in CA, a leading peer-to-peer lending company, has announced its acquisition of **American HealthCare Lending** in UT, a leading patient financing platform, for \$21 million in cash. American HealthCare Lending gives its nationwide network of healthcare providers the ability to offer affordable payment options to consumers who would like to finance medical procedures at the point of service.

01/26/2015 – **Internet Brands** in CA, a provider of integrated online media and software services, has reported its acquisition of **Sesame Communications** in WA, a provider of cloud-based patient engagement and digital marketing solutions for the dental and orthodontic industries.

01/26/2015 – **CaerVision Global, Inc.** in MD, a company that focuses on acquisition and development of technologies with applications in the healthcare and wellness industry, has completed the acquisition of **Vitall** in MD, a provider of wearable health monitoring devices.

01/26/2014 – **Cigna** (NYSE: CI) in CT, a health service company, has entered into an agreement to purchase **QualCare Alliance Networks, Inc.** in NJ, a provider of healthcare coverage, for the public and private marketplace with a higher-quality, lower-cost alternative to commercial insurance companies.

01/21/2015 – **Equian** in IN, a healthcare information services company, has completed the acquisition of **The Assist Group** in CO, a pre-payment technology and solutions company with extensive clinical and claim resolution processes that identify improper costs and yield significant savings to payers.



Q1 2015 M&A Update

RCM, Healthcare IT and Data

Selected Publicly Traded RCM and Healthcare IT

Company Name	Ticker Symbol	Price (03/31/15)	% 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
Accretive Health, Inc.	ACHI	5.78	-15.7%	-27.8%	9.40	5.55	N/A	1.34	4.3	505	344	244.8	0.7x	1.4x
Allscripts Healthcare Solutions, Inc.	MDRX	11.96	-6.3%	-33.7%	17.17	11.00	2,210	(0.37)	N/A	1,380	2,740	56.9	2.0x	48.1x
athenahealth, Inc.	ATHN	119.39	-17.9%	-25.5%	153.25	97.30	4,600	(0.08)	N/A	753	4,700	61.6	6.2x	76.2x
Cerner Corporation	CERN	73.26	13.4%	30.2%	75.72	48.39	24,750	1.50	48.8	3,310	24,400	962.0	7.4x	25.4x
Computer Programs & Systems Inc.	CPSI	54.26	-10.2%	-16.0%	67.42	47.40	592	2.94	18.5	205	568	53.3	2.8x	10.7x
eHealth, Inc.	EHTH	9.38	-62.2%	-81.5%	46.38	8.81	201	(0.88)	N/A	180	139	0.8	0.8x	183.2x
HealthStream, Inc.	HSTM	25.20	-13.5%	-5.6%	32.17	20.76	802	0.37	68.1	171	590	28.1	3.5x	21.0x
HMS Holdings Corp.	HMSY	15.45	-26.4%	-18.9%	23.85	15.12	1,500	0.16	96.6	443	1,440	88.0	3.2x	16.3x
McKesson Corporation	MCK	226.20	9.1%	28.1%	232.69	164.58	53,750	7.30	31.0	173,870	58,040	3,920.0	0.3x	14.8x
MedAssets, Inc.	MDAS	18.82	-4.7%	-23.8%	25.57	17.00	1,200	(0.34)	N/A	720	2,110	215.3	2.9x	9.8x
Medidata Solutions Inc.	MDSO	49.04	3.4%	-9.8%	50.75	32.10	2,520	0.11	445.8	335	2,580	36.3	7.7x	71.0x
Merge Healthcare Inc.	MRGE	4.47	18.3%	83.2%	5.70	1.97	536	(0.10)	N/A	212	679	35.9	3.2x	18.9x
Quality Systems, Inc.	QSII	15.98	2.8%	-5.3%	18.89	13.01	955	0.36	44.4	477	844	43.0	1.8x	19.6x
Streamline Health Solutions Inc.	STRM	3.55	-13.4%	-29.4%	5.77	2.30	46	(0.58)	N/A	28	63	(10.8)	2.3x	-5.9x
The Advisory Board Company	ABCO	53.28	9.5%	-17.1%	61.44	37.47	2,190	0.17	313.4	574	2,170	63.7	3.8x	34.0x
Medical Transcription Billing, Corp.	MTBC	2.14	-2.7%	N/A	5.00	1.66	18	(0.64)	N/A	18	21	(1.8)	1.2x	-12.1x
Average			-7.3%	-10.2%									3.1x	15.1x*

*Excluding Outliers

The global economy remained lackluster in Q1, but a broad-based move toward even greater monetary easing outside the U.S. suppressed the global bond yields and non-U.S. currencies, while boosting equity market. A stronger dollar, low oil price, and a harsh winter have contributed to the weak growth in the U.S. market in Q1. The speculation of the timing of Fed increasing interest rate has created some turbulence in the market. The Dow Jones Industrial Average was down 0.3%, the S&P 500 gained 0.4%, while the NASDAQ increased 3.5%. As seen, the RCM and Healthcare IT sector has showed some weakness as our index decreased 7.3% in Q1.

The RCM and Healthcare IT index is dragged down by the weak performances from **eHealth, Inc.**, **HMS Holdings Corp.**, and **athenahealth, Inc.**, which decreased 62.2%, 26.4%, and 17.9%, respectively.

eHealth, Inc. reported revenue of \$45 million in the fourth quarter of 2014, well below the analysts' estimates of \$52.6 million. Earnings per share were -\$0.47, much wider than the consensus of -\$0.11 per share. The disappointing performance was mainly caused by lower than expected Individual & Family Plan application volume and higher marketing costs. The company's stock plummeted 62.2% in the quarter.

HMS Holdings Corp. posted revenue of \$45.3 million in the fourth quarter, falling short of analysts' forecasts of \$45.8 million. Adjusted for non-recurring costs, the firm has earnings per share of 10 cents, beating the Wall Street expectations. The mixed financial performance was not able to impress its investors, who pushed down the price by 26.4% in the quarter.

athenahealth, Inc. announced better-than-expected fourth quarter financial performance as it earned 58 cents a share on revenue of \$213.2 million. Analysts were looking for the company to earn 39 cents a share on revenue of \$207.7 million. However, guidance for 2015 was mixed. For the full year, the company said it would earn between \$1.10 and \$1.20 a share, on revenue between \$905 million and \$925 million. Analysts were looking for earnings of \$1.26 on revenue of \$917.62 million. The mixed guidance outweighed the better-than-expected report and dragged down the stock by 17.9% in the quarter.



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 and related transactions.

SERVICES

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

REPRESENTED TRANSACTIONS

<p>Multi Specialty Medical Billing Company Midwest 2013</p> <p><i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p>Healthcare Data Analytics and Audit Compliance Company 2013</p> <p><i>Strategic Options Analysis Capital Raise</i></p> <p> Acted as advisor</p>	<p>Medical Billing and Technology Company 2014</p> <p>\$8,000,000 <i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>
<p> 2012</p> <p><i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p> 2015</p> <p><i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p>Revenue Cycle Management Company <i>Strategic Options Analysis</i></p> <p> Acted as advisor</p>

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