



# Q1 2016 M&A Update

## RCM, Healthcare IT, Data, and Analytics

### M&A Overview

There were 58 M&A transactions in the Healthcare IT sector in Q1 2016 compared to 53 transactions in Q4 2015. This quarter had the highest recorded number of transactions in a single quarter. mHealth apps companies were the most active among all with nine transactions. This is followed by Practice Management companies and Personal Health companies with seven each. Data Analytics companies took the fourth place with five transactions.

### Notable Transactions in Q1 2016

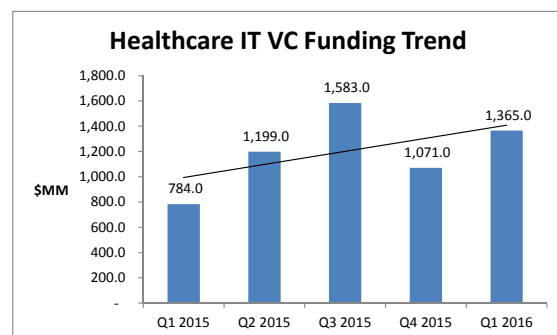
**Pamplona Capital Management** has completed the purchase of **MedAssets, Inc.** (NASDAQ: MDAS) for an enterprise value of approximately \$2.75 billion. **IBM** (NYSE: IBM) also has finished its previously announced \$2.6 billion acquisition of **Truven Health**

Acquirer	Seller	\$ MM
Pamplona Capital Management	MedAssets, Inc.	2,750
IBM	Truven Health Analytics	2,600
Allscripts	Netsmart Technology	950
Halma	CenTrak	140
Affinity Equity Partners	Medical Director	119

**Analytics**, a leading provider of cloud-based healthcare data, analytics and insights. This is followed by the \$950 million acquisition of **Netsmart Technology**, a private equity backed behavioral health information technology provider, by **Allscripts** (NASDAQ: MDRX), a provider of information technology and services to the healthcare industry. **Halma**, the leading safety, health, and environmental technology group, took the fourth place by acquiring **CenTrak**, a designer and manufacturer of sensors and proprietary communication technology that provide the most reliable and precise location data for healthcare facilities to ensure compliance with regulations and to improve patient care, for \$140 million. **Affinity Equity Partners**, one of the largest Asian private equity firm, acquired **Medical Director**, an Australia-based health technology company.

### Healthcare IT VC Funding

VC firms continue to be very active in funding the healthcare IT sector. The total funding increased 27% quarter over quarter, coming in at \$1.4 billion in 146 deals compared to \$1.1 billion in 145 deals in Q4 2015. It was also up 74% compared to the same quarter of last year. Top funded sectors in Q1 were Wearables/Sensors with \$260 million, Data Analytics companies with \$197 million, Telemedicine with \$171 million, mHealth apps with \$120 million, and Consumer Health



Information/Education with \$100 million. Top VC deals this quarter included \$175 million raised by **Flatiron Health**, a start-up that gathers and analyzes data on cancer treatments and sells software based on those insights. **Jawbone**, a wearable technology company, raised \$165 million in a downround. **Healthline**, a privately owned provider of health information and technology solutions for publishers, advertisers, employers, healthcare providers, and health plans, raised \$95 million. **Health Catalyst**, a leader in healthcare data warehousing, analytics, and outcomes improvement, raised \$70 million.



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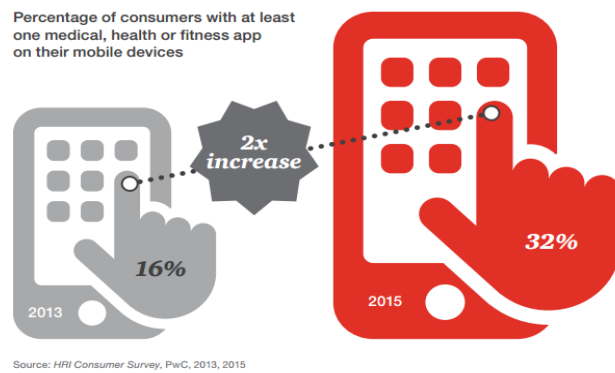
## RCM, Healthcare IT, Data, and Analytics

### Healthcare in Your Hands

Smart phones, connected medical accessories and apps have been underutilized by the healthcare industry. This trend will change rapidly as the healthcare industry continue to shift to preventive care with the goal to reduce healthcare costs and improve efficiency. Despite spending upwards of 18% of GDP on healthcare, comparative analyses consistently show the U.S. underperforms relative to other countries on most dimensions of performance – such as efficiency, access, equity, and outcomes. Additionally, an estimated 34 million people in the U.S. still lack health insurance and, therefore, access to care outside of emergency departments. Yet regardless of political leanings, the ACA has eased the situation somewhat by driving market changes intended to encourage new ways of delivering and reimbursing care.

Healthcare technology is the key to accomplish the goals, as care will shift into the palms of consumers' hands, helping to drive down costs, increase access and fulfill the public's desire for "anywhere, anytime" monitoring, diagnosis and treatment. Primary care and chronic disease management are leading the way. Connected otoscopes, activity trackers, scales, health apps, algorithm-based symptom checkers and on-demand e-visits are being offered directly to consumers. Clinicians are sending patients with chronic conditions home with connected pacemakers, ECG monitors, glucose trackers and other remote monitoring devices.

The advances in the wireless and the mobile phone industries have helped move this trend forward. About half of all Americans have smartphones. Approximately 80% of the time, the average American is in range of 4G LTE, making it nearly as easy to conduct a video visit with a doctor as it is to call a cab with a smartphone. As the health system moves away from fee-for-service, clinicians are tapping virtual medicine to help push population health efforts and expand services in areas such as behavioral health.



Employers are embracing connected tools to engage employees in wellness programs and chronic disease management; health plans are using the same to reduce spending.

This trend will create tremendous opportunities for healthcare IT start-ups and guide the exiting players in the industry to build out their strategy plans for the future.

#### Implications:

- Look to remote regions and emerging markets for innovation. Necessity is the reason for invention, and innovative uses of connected tools will come out of remote and emerging regions.
- Build virtual medicine into long-term strategic plans. Health systems should re-examine long-term capital investments in light of virtual medicine, including moving from centralized brick-and-mortar plans to decentralized investments featuring partnerships, joint ventures and new roles.
- Seize a new role. This trend will set off an explosion in new industry needs. Organizations will need help managing utilization, connecting fragmented healthcare providers and overseeing data.



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

### Selected RCM and Health IT Transactions in Q1 2016

04/18/2016 – **MTS Health Investors** in New York, a healthcare private equity firm, has completed the recapitalization of **Avadyne Health** in IL, a provider of software for outsourced services.

04/08/2016 – **Accruent** in Austin, TX, the world's largest provider of asset, facilities and real estate management solutions, has announced the acquisition of **Mainspring Healthcare Solutions** in MA, a provider of software and technology solutions to support services departments in U.S. hospitals.

04/06/2016 – **Lightbeam Health Solutions, Inc.** in Irving, TX, a leader in end-to-end population health management solutions, announced the acquisition of **Browsersoft, Inc.** in KS, a privately held health information exchange solution provider for hospitals, health systems, states, communities and other stakeholders within the U.S. and various global markets.

04/05/2016 – **SwervePay, LLC** in Chicago, an innovative patient-centric payment solution in healthcare, announced its acquisition of **StatPayMD** in the same city, a provider of solution that helps practices educate patients of their out of pocket responsibility and offer payment solutions improving patient payments and delivering a consumer focused patient experience, to further provide healthcare consumers with the information, tools and transparency needed to manage their financial responsibility.

04/05/2016 – **symplr®** in TX, a leading provider of Software as a Service (SaaS) based healthcare compliance and credentialing solutions, has announced a merger with **Cactus Software** in KS, a leader in the development and

support of provider management software for hospitals, managed care organizations, CVOs, and physician groups.

04/04/2016 – **Sunquest Information Systems Inc.** in Tucson, AZ, a provider of laboratory information systems, has announced the acquisition of **GeneInsight Inc.**, an IT company that streamlines the analysis, interpretation and reporting of complex genetic tests.

04/04/2016 – **ABILITY® Network** in MN, a leading healthcare information technology company, has announced the acquisition of **eHealth Data Solutions (eHDS) LLC** in OH, a provider of software tools that increase quality, reduce risk and create higher value and cost-effective resident-centered care using evidence-based decisions for long-term/post-acute care providers.

03/29/2016 – **Medstreaming** in WA, a provider of innovative healthcare cardiovascular and radiology workflow software solutions, has announced the acquisition of **M2S** in NH, a provider of registry software technology designed for healthcare quality improvement.

03/23/2016 – **Ancor Capital Partners** in TX, a private equity firm, has announced the acquisition of **DuvaSawk** in FL, a boutique emergency-physician owned and operated revenue-cycle and practice-management company predominantly serving emergency physician groups and hospital-based emergency departments.



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03/22/2016 – **Practice Unite** in NJ, an innovative healthcare communications solutions provider, and **Uniphy Health** in MN, a breakthrough physician engagement firm, has announced the merger of their organizations to create the healthcare industry's most comprehensive communications and collaboration solutions provider.

03/15/2016 – **Optimus Outcome** in CA, a company offering innovative services and tools to make autism more manageable, has announced its acquisition of **Autism Acumen** in CA, a digital health startup developing video-based technology for the management of chronic neurological disorders.

03/11/2016 – **WNS Limited** (NYSE: WNS) in New York, a provider of global Business Process Management services, has announced that it had entered into a definitive agreement to acquire **Value Edge Research Services Pvt. Ltd** in India, a provider of commercial research and analytics services to clients in the Pharma / Biopharma industry.

03/08/2016 – **Mad\*Pow** in MA, a design agency focused on improving the experiences people have with technology, organizations, and each other, has acquired **Hotseat**, a developer of employee wellness app.

03/08/2016 – **Relias Learning** in NC, a provider of online training and compliance solutions for the healthcare market, has completed the acquisition of **Assessment & Intelligence Systems**, a provider of online learning solutions for the resident assessment instrument patient assessment.

03/09/2016 – **e-MDs** in Austin, TX, a leading provider of ambulatory electronic medical record, practice management software, revenue cycle management solutions, and credentialing

services, announced that it has agreed to acquire several software technology assets from **McKesson Business Performance Services**. The McKesson assets include McKesson Practice Choice™, Medisoft®, Medisoft® Clinical, Lytec®, Lytec® MD, and Practice Partner®.

03/08/2016 – **Genstar Capital** in CA, a leading private equity firm focused on the healthcare, software, financial services, and industrial technology industries, has announced the sale of **ERT** in PA, a leading provider of high-quality patient data collection solutions for use in clinical drug development, to **Nordic Capital Fund VIII**.

03/02/2016 – **HCTec Partners** in TN, a healthcare IT and health information management staffing and consulting company, announced that it has acquired **HIMS Consulting Group** in CO, a Healthcare IT professional services company.

03/02/2015 – **eSolutions, Inc** in KS, a provider of revenue cycle management analytics and cloud-based workflow solutions, has acquired **ClaimRemedi** in CA, a provider of billing system and clearinghouse services for the healthcare industry.

03/01/2016 – **Quantros, Inc** in CA, a provider of enterprise safety risk management, quality management and reporting solutions, has acquired **Comparion Medical Analytics** in SC, one of the nation's largest privately-held healthcare information services companies and providers of solutions designed to assess the cost and quality of medical services delivered across the continuum of care



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03/01/2016 – **Script, Inc.** (OTC Pink: SYPT) in TX, a developer of secure and compliant productivity tools for regulated industries, has completed the acquisition of **DocbookMD®** in TX, a HIPAA secure patient care team collaboration platform.

02/17/2016 – **MTBC** (NASDAQ: MTBC) in NJ, a provider of proprietary, web-based electronic health records, practice management and mHealth solutions, has announced the acquisition of **Gulf Coast Billing, Inc.**, in TX, a revenue cycle management company

02/02/2016 – **ASICS Corporation** in Japan, a producer of running shoes, clothing and sports equipment, has entered into an agreement to acquire 100% of the shares in **FitnessKeeper** in MA, the operator of fitness tracking app Runkeeper, an application that can track and record fitness activities such as running, walking and cycling through GPS on smartphone devices.

02/11/2016 – **Varsity Healthcare Partners** in CT, a healthcare-focused private equity investment firm, has announced that it has sold its majority interest in **Forefront Dermatolog**, a provider of practice management services to dermatology clinics, to **OMERS Private Equity** in Canada.

02/09/2016 – **Premise Health** in TN, a worksite health and patient engagement company, has announced that it has acquired **IMWell Health, LLC** in AR, a provider of onsite and multi-site clinics that provide acute care, chronic disease evaluation and care management to small and mid-size corporate employers, municipalities and school districts.

02/08/2016 – **PSA Healthcare** in GA, a portfolio company of **J.H. Whitney Capital Partners** and leading provider of pediatric home care for children with medical complexities, has announced the acquisition of **Care Unlimited, Inc.** in PA, a provider of home care services to medically fragile children.

02/05/2016 – **One Medical Group** in CA, the national leader in technology-enabled primary care, has announced the acquisition of **Rise**, a developer of wellness mobile app connecting smartphone users to licensed nutritionists for daily advice on meal planning and dieting, for \$20 million.

02/01/2016 – **ghg greyhealth Group** in New York, a healthcare communication services company, has acquired **The Lathe** in the same city, a digital design and development company focused exclusively on helping healthcare organizations utilize technologies to connect patients, caregivers, and professionals.

01/27/2016 – **SCIO Health Analytics®** in CT, a provider of health analytics solutions, has announced the acquisition of **Clear Vision Information Systems** in CA, creators of an analytics solution and services suite that provides risk adjustment and quality metric strategies for health plans and providers.

01/26/2016 – **lifeIMAGE** in MA, the nation's largest medical image exchange platform that enables imaging data interoperability across healthcare networks, providers and patients, has announced the acquisition of **Mammosphere**, the leading national medical exchange network specializing in mammography and women's imaging.



# Q1 2016 M&A Update

## RCM, Healthcare IT and Data

### Selected Publicly Traded RCM and Healthcare IT

Company Name	Ticker Symbol	Price (3/31/16)	% 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	2.55	(20.3%)	(55.9%)	5.95	1.77	239	(1.12)	N/A	96	106	(146.5)	1.1x	N/A
Allscripts Healthcare Solutions, Inc.	MDRX	13.21	(14.1%)	10.5%	15.78	11.47	2,570	(0.01)	N/A	1,390	3,060	112.4	2.2x	27.2x
athenahealth, Inc	ATHN	138.78	(13.8%)	16.2%	170.42	110.68	5,310	0.35	396.5	925	5,410	60.9	5.9x	88.9x
Cerner Corporation	CERN	52.96	(11.7%)	(27.7%)	75.00	49.59	18,770	1.54	34.4	4,350	18,960	1,210.0	4.4x	15.7x
Computer Programs & Systems Inc.	CPSI	52.12	4.8%	(3.9%)	59.16	36.04	716	1.62	32.2	182	562	28.4	3.1x	19.8x
eHealth, Inc.	EHTH	9.39	(5.9%)	0.1%	16.81	8.14	164	(0.26)	N/A	190	95	6.2	0.5x	15.4x
HealthStream, Inc.	HSTM	22.09	0.4%	(12.3%)	32.41	17.80	705	0.28	78.9	209	541	30.6	2.6x	17.7x
HMS Holdings Corp.	HMSY	14.35	16.3%	(7.1%)	18.29	8.11	1,200	0.28	51.3	472	1,230	98.2	2.6x	12.5x
Mckesson Corporation	MCK	157.29	(20.3%)	(30.5%)	243.61	148.29	37,549	8.36	18.8	189,130	42,880	4,290.0	0.2x	10.0x
Medidata Solutions Inc.	MDSO	38.71	(21.5%)	(21.1%)	61.31	30.22	2,260	0.23	168.3	393	2,100	40.1	5.4x	52.4x
Quality Systems, Inc.	QSII	15.24	(5.5%)	(4.6%)	17.95	12.01	880	0.54	28.2	493	778	57.0	1.6x	13.6x
Streamline Health Solutions Inc.	STRM	1.41	0.0%	(60.3%)	3.50	1.02	28	(0.48)	N/A	29	27	(5.1)	1.0x	N/A
The Advisory Board Company	ABCO	32.25	(35.0%)	(39.5%)	60.38	18.87	1,323	(2.76)	N/A	768	1,790	131.0	2.3x	13.7x
Medical Transcription Billing, Corp.	MTBC	1.02	(15.0%)	(52.3%)	2.50	0.68	9	(0.50)	N/A	25	13	(1.7)	0.5x	N/A
<b>Average</b>			<b>(10.1%)</b>	<b>(20.6%)</b>									<b>2.4x</b>	<b>16.2x*</b>

\*Excluding Outliers

Continued concerns on China's slow down and the uncertainties of the trajectory of the global economy weighed on sentiment at the beginning of 2016. At the peak of pessimism on February 11<sup>th</sup>, all major U.S. stock indices were down more than 10% for the year. This trend started to reverse amid the steady U.S. economic outlook and a perceived delay of the second rate hike by the Fed. The market bounced back quickly in March and recovered the loss early in the quarter. The Dow Jones Industrial Average improved 1.5%, the S&P 500 increased 0.8%, while the NASDAQ lost 2.8%. The RCM and healthcare IT sectors were still in the negative region for the year. As seen, the companies in our index lost an average of 10.1% of their stock value in Q1.

The RCM and Healthcare IT index is held back by the weak performances from **The Advisory Board Company, Medidata Solutions Inc., and Mckesson Corporation**, which decreased 35.0%, 21.5%, and 20.3%, respectively.

**The Advisory Board Company** reported earnings of 48 cents per diluted share, beating analysts' expectations for earnings of 30 cents per share for Q4 2015. However, revenue came slightly below expectation of \$206.7 million. Further, the company gave surprised weak revenue guidance for the year of 2016 due to the material slowdown in its healthcare segment. Investors were disappointed and bid down the stock by 35.0% for the quarter.

**Medidata Solutions Inc.** reported a revenue miss on the top line, a beat on the bottom line, and light guidance for 2016, causing its shares to tumble in Q1. The company reported that its Q4 sales grew 10.8% year over year to \$98.87 million and earnings per share grew 13.0% to \$0.27. Analysts were expecting sales and earnings per share to be \$105.1 million and \$0.24, respectively. In 2015, revenue growth was attributed to a 52% increase in new clients, including 59 new clients that were added in Q4. Overall, the company finished the year with 611 customers, up 26% from 2014. Nevertheless, the growth did not impress its investors, evidenced by the 21.5% drop of the share price in Q1.

**Mckesson Corporation's** stock price fell sharply early in the quarter due to the weak guidance that is given for fiscal 2016 and 2017. Downward price pressure on generic and branded drugs distributed to key accounts – such as CVS Health, has resulted in the company lowering the top end of its fiscal 2016 earnings guidance to \$12.9 from its prior forecast for as much as \$13.0. The company also offered up insight into fiscal 2017, stating that it projects adjusted earnings growth of 3% to 8% from 2016. Investors were not receptive of the negative outlook, leading to a 20.3% loss to its stock value in Q1.





*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>▪ <b>Investment Banking &amp; Corporate Finance</b></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>▪ <b>Turnaround &amp; Restructuring</b></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>▪ <b>Consulting</b></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**

<p><b>Multi Specialty Medical Billing Company</b> Midwest 2013</p> <p><i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p><b>Healthcare Data Analytics and Audit Compliance Company</b> 2013</p> <p><i>Strategic Options Analysis Capital Raise</i></p> <p> Acted as advisor</p>	<p><b>Medical Billing and Technology Company</b> 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><b>Revenue Cycle Management Company</b></p> <p><i>Strategic Options Analysis</i></p> <p> Acted as advisor</p>

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