



Q2 2015 M&A Update

RCM, Healthcare IT, Data, and Analytics

Potential Healthcare Insurance Industry Consolidation

UnitedHealth Group, Anthem, Aetna, Humana, and Cigna Corp. – the five biggest for-profit health insurers in the nation are facing a round of potential consolidation amid heightened antitrust scrutiny. Anthem has agreed to buy Cigna for \$48.4 billion. If the marriage between Anthem and Cigna is successful, the combined entity will have pro forma revenues of \$115 billion covering approximately 53 million medical members, surpassing the 46 million covered members by UnitedHealth Group. Aetna, the third biggest insurance provider in the nation, is ready for government examination as it prepares to buy Humana for \$37.0 billion. These two large transactions will leave the industry with only three big players.

Dance of the titans

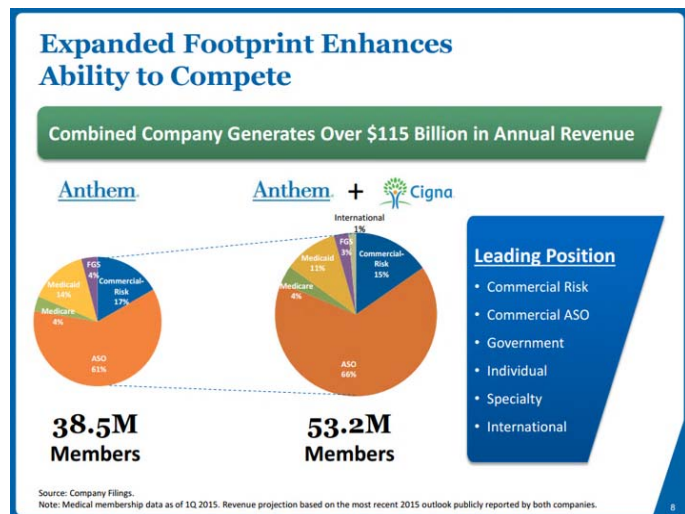
2014 revenue in billions



Source: SEC filings

The consolidation of the insurance titans will help them gain negotiation powers over the hospitals and other medical providers, potentially leading to lower costs for patients. However, the counterparts of this argument suggest that fewer choices for insurance plans will lead to higher premium for customers.

The combination of the big insurance players might spur another round of merger and acquisition activities between the hospitals and other medical providers to regain bargain power and increase economies of scale to mitigate the potential lower payments from the insurance companies.



Affordable Care Act, which is aiming to lower the healthcare expenses and improve quality, is deemed to be a major factor that causes the consolidation of the healthcare industry. Further moves among the players in the industry may surface in the near future as the new regulation continues to put operating pressure on the companies.

Source: Bloomberg

Selected IPO Discussion

Fitbit (NYSE: FIT), a fitness and health tracker company, has raised \$732 million in IPO by selling 36.6 million shares and gave the company a valuation of about \$4.1 billion. The stock opened at \$30.40 (\$47.60 7/31/15), representing a 52% premium above its IPO price of \$20.00. **Teladoc (NYSE: TDOC)**, a provider of telehealth platform, has successfully launched its IPO in early July, selling 8.3 million shares for \$19.00 per share (\$31.57 7/31/15), above the \$15.00 to \$17.00 price range and the initial 7 million shares first indicated.



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Selected RCM and Health IT Transactions in Q2 2015

07/23/2015 – **Physicians Interactive**, a leading provider of insight-driven, digital engagement solutions for healthcare professionals and consumers, has announced its acquisition of **Quantia, Inc.**, a parent company of physician social network QuantiaMD.

07/22/2015 – **Modernizing Medicine, Inc.**, a developer of electronic medical assistant and a cloud-based specialty-specific EMR system, has announced that it has signed a definitive agreement to acquire **gMed, Inc.** in FL, a provider of integrated platform consisting of an electronic health record, endoscopy report writer, practice management solution, patient portal, a data analytics tool and revenue cycle management for gastroenterology industry.

07/21/2015 – **Anthelio Healthcare Solutions** in TX, the largest independent provider of healthcare technology and services, has announced its acquisition of **Pyramid Healthcare Solutions** in FL, a provider of healthcare information management and revenue cycle management services.

07/16/2015 – **NantHealth** in CA, a cloud-based healthcare IT company delivering care through a single integrated clinical platform, announced that it has completed the acquisition of **Harris Healthcare Solutions** in VA, a provider of FusionFx interoperability and health information exchange platform. The seller was a part of **Harris Corporation** (NYSE: HRS).

07/14/2015 – **Medical Transcription Billing, Corp.** (NASDAQ: MTBC) in NJ, a provider of web-based electronic health records, practice management, revenue cycle and mHealth solutions, has purchased the substantially all of the assets and operations of **QHR**

Corporation's (TSX-V: QHR) U.S.-based billing services, clearinghouse, and Tradelink EDI businesses.

07/08/2015 – **ResMed** (NYSE: RMD) in CA, a manufacturer of CPAP masks, machines, and other products that diagnose, treat or help manage sleep-disordered breathing, chronic obstructive pulmonary disease, has announced its acquisition of **CareTouch** in CO, a provider of internet-based solutions and therapy-focused resupply program for home medical equipment providers.

07/06/2015 – **Emdeon Inc.**, a provider of software and analytics, network solutions and technology-enabled services to the healthcare industry, has announced that it has entered into a definitive agreement to acquire **Altegra Health** in FL, a national provider of technology and intervention platforms that combine data aggregation and analytics with unique member engagement and reporting capabilities. The transaction is about \$910 million in cash.

06/25/2015 – **Bolder Healthcare Solutions** in KY, a provider of healthcare revenue cycle management services, announced that it has acquired **The ROI Companies** in MD, a provider of healthcare revenue cycle management services. Also on 6/23/2015 they announced the acquisition of **Avectus Healthcare Solutions** in MS, a leader in coordination of third party liability accounts and resolution of complex workers' compensation accounts for hospitals and trauma centers.

06/25/2015 – **Kind Financial** in CA, a leading financial solutions company to the cannabis industry, has purchased **Agrisoft Development Group, LLC** in KS, a medical software



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developer that specializes in cloud-based custom software for cultivators, dispensaries, and regulatory agencies in the medical and recreational cannabis industry.

06/24/2015 – **Arcadia Healthcare Solutions** in MA, a leading Electronic Health Record (EHR) data aggregation and analytics technology company, announced that it has acquired **Sage Technologies** in CA, a provider of managed services and ACO implementation.

06/17/2015 – **Intel Corporation** (NASDAQ: INTC), a multinational technology company, has completed the acquisition of **Recon Instruments** in Canada, a developer of smart eyewear for fitness enthusiasts and pro athletes to get instant data access. This acquisition gives Intel a talented, experienced wearable computing team that will help us expand the market for head mounted display products and technologies.

06/16/2015 – **Schulman Associates IRB, Inc.** in OH, an industry-leading central IRB in customer service and technology, has purchased **Absolute Research** in MS, who develops web-based tool to enable clinical research institutes to monitor and analyze guidance from regulatory agencies that affect the conduct of research.

06/12/2015 – **Career Step, LLC** in UT, a portfolio company of **Revelstoke Capital Partners**, a Denver-based PE firm, has completed the acquisition of **Emergency Certifications, Inc.** in WA, a provider of online continuing education in the healthcare space.

06/11/2015 – **Kronos Incorporated** in MA, a workforce management software and services company, has acquired the Chicago-based **Productive Scheduling Solutions**, a provider of EZCall, a software-as-a-service (SaaS) employee scheduling solution designed to

automate the process of scheduling for physicians, hospitalists, academic practices, and physician assistants.

06/02/2015 – **Comvest Partners** in FL, a private equity firm, with co-investor **Mosaic Health Solutions**, a developer of integrated suite of market leading solutions, has completed its acquisition of **McKesson Corporation's Care Management** business in CO, which will be renamed **AxisPoint Health**. The target is a provider of care management services to payers and other risk-bearing entities.

06/01/2015 – **Clearview Capital** in CT, a private equity firm, has announced its acquisition of **Advanced Medical Personnel Services, Inc.** in FL, a provider of staffing solutions for the healthcare and education industries.

06/01/2015 – **Vasomedical, Inc.** (OTCBB: VASO) in NY, a provider of medical products and services that address unmet clinical needs in the management of cardiovascular diseases with a newly launched healthcare IT business, has announced its purchase of **NetWolves** in FL, a provider of managed network provider that designs and delivers multi-network and multi-technology solutions.

05/19/2015 – **Welltok** in CO, a developer of the CafeWell Health Optimization Platform that drives wellness and consumer engagement in health activities, has announced the acquisition of **Predilytics** in MA, a provider of advanced healthcare analytic solutions and machine learning to health plans, providers and other risk-bearing entities.

05/18/2015 – **Xerox** (NYSE: XRX) in CT, a multinational document management corporation, has announced its acquisition of **Healthy Communities Institute** in CA, a



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provider of cloud platform that puts socioeconomic and community health information at the fingertips of hospitals, public health agencies and community coalitions.

05/14/2015 – **SourceMedical** in AL, a provider of outpatient information solutions and revenue cycle management services, has announced a definitive agreement to purchase **LaClaro** in CO, a revenue cycle management company for healthcare.

05/13/2015 – **Mediware Information Systems, Inc.** in KS, a provider of software solutions to healthcare providers, has announced that it has acquired **AlphaCM** in NC, a provider of software and related services to the behavioral and mental health industry.

05/13/2015 – **FUJIFILM Medical Systems U.S.A., Inc.** in CT, a provider of diagnostic imaging products and medical informatics solutions to meet the needs of healthcare facilities, has announced the completion of its acquisition of **TeraMedica** in WI, a healthcare informatics company.

05/12/2015 – **MEDNAX, Inc.** (NYSE: MD) in FL, the national medical group specializing in neonatal, anesthesia, maternal-fetal, pediatric cardiology and other pediatric physician services, has signed a definitive agreement to acquire **Virtual Radiologic Corporation** in MN, a radiology physician services and telemedicine company, for \$500 million.

05/11/2015 – **ERT** in PA, a global solution provider for high-quality patient safety and efficacy endpoint data collection, has announced that it has completed the acquisition of **PHT Corporation** in MA, the eClinical innovator

leading the adoption of patient-driven mobile apps for improved clinical research.

05/11/2015 – **Towers Watson** (NASDAQ: TW), a global professional services company, has announced that it has acquired **Acclaris** in FL, a provider of SaaS-based technology and services for consumer-driven health care and reimbursement accounts, including health savings accounts, health reimbursement arrangements, and other consumer-directed accounts.

05/11/2015 – **HealthPort** in GA, a provider of medical information access management and compliance services to healthcare organizations and **IOD Incorporated** in WI, a provider of healthcare information management services to hospitals, integrated delivery networks and clinics, have announced an agreement to merge into a new company.

05/04/2015 – **symplr**TM in TX, a provider of SaaS-based healthcare compliance and credentialing solutions, has announced its acquisition of **CBR Associates Inc.** in NC, a provider of healthcare credentialing solutions.

04/30/2015 – **Imprivata**@ (NYSE: IMPR) in MA, a healthcare IT security firm, has announced its acquisition of **HT Systems** in FL, a leading provider of palm-vein based biometric patient identification systems.

04/23/2015 – **HEALTHCAREfirst** in MO, the home care software solutions that pioneered web-based software and services for the home health care and hospice industries, has announced its purchase of **Deyta, LLC** in KY, a provider of software and services for home health and hospice agencies.



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Selected Publicly Traded RCM and Healthcare IT

Company Name	Ticker Symbol	Price	% Change		52 Week High	52 Week Low	Market Cap (\$M)	EPS	P/E	Revenue	EV (\$M)	EBITDA	EV/Revenue	EV/EBITDA
		(06/30/15)	Prior Qtr	Prior Yr						(\$M)	(\$M)	(\$M)		
Accretive Health, Inc.	ACHI	5.50	-4.8%	-30.6%	9.15	2.30	245	(0.58)	N/A	208	114	(34.7)	0.6x	(3.3x)
Allscripts Healthcare Solutions, Inc.	MDRX	13.68	14.4%	-14.8%	16.86	11.00	2,680	(0.31)	N/A	1,370	3,050	63.6	2.2x	48.0x
athenahealth, Inc.	ATHN	114.58	-4.0%	-9.8%	153.25	107.88	5,260	0.20	572.9	835	5,170	61.6	6.2x	83.9x
Cerner Corporation	CERN	69.06	-5.7%	33.8%	75.72	53.65	23,220	1.48	46.7	3,530	23,380	1,000.0	6.6x	23.3x
Computer Programs & Systems Inc.	CPSI	53.42	-1.5%	-16.0%	66.71	47.40	599	2.74	19.5	199	564	49.1	2.8x	11.5x
eHealth, Inc.	EHTH	12.69	35.3%	-66.5%	31.92	8.81	233	(0.93)	N/A	190	197	6.8	1.0x	29.1x
HealthStream, Inc.	HSTM	30.42	20.7%	25.2%	32.41	22.66	879	0.37	82.2	189	704	30.4	3.7x	23.2x
HMS Holdings Corp.	HMSY	17.17	11.1%	-15.9%	23.85	11.42	1,040	0.16	107.3	449	1,120	88.3	2.5x	12.7x
McKesson Corporation	MCK	224.81	-0.6%	20.7%	243.61	178.28	52,330	6.27	35.9	179,040	56,990	4,100.0	0.3x	13.9x
MedAssets, Inc.	MDAS	22.06	17.2%	-0.5%	25.57	17.00	1,260	(0.42)	N/A	735	2,110	214.1	2.9x	9.8x
Medidata Solutions Inc.	MDSO	54.32	10.8%	27.7%	61.31	37.01	2,870	0.13	417.8	366	2,830	37.4	7.7x	75.7x
Merge Healthcare Inc.	MRGE	4.80	7.4%	114.3%	6.20	2.04	533	0.16	30.0	228	718	40.1	3.2x	17.9x
Quality Systems, Inc.	QSII	16.57	3.7%	3.2%	18.75	12.27	766	0.47	35.3	494	646	52.0	1.3x	12.4x
Streamline Health Solutions Inc.	STRM	2.80	-21.1%	-41.7%	5.20	1.02	51	(0.67)	N/A	27	56	(9.3)	2.1x	(6.0x)
The Advisory Board Company	ABCO	54.67	2.6%	5.5%	60.35	37.47	2,420	0.17	321.6	574	2,920	63.7	5.1x	45.8x
Medical Transcription Billing, Corp.	MTBC	1.88	-12.1%	N/A	4.34	1.57	20	(0.64)	N/A	22	22	(2.6)	1.0x	(8.4x)
Average			4.6%	2.3%									3.1x	16.4x*

*Excluding Outliers

The global economy continued to show a modest improvement in Q2 2015, led by developed markets. Greece debt crisis and China's slowdown took the central stage during this period and spurred a spike in volatility in the global market. Notably, China's lackluster growth combining with oversupply have dragged down the commodity prices to their lowest levels in many years. The Dow Jones Industrial Average was down 0.8%, the S&P 500 lost 0.2%, while the NASDAQ increased 2.0%. As seen, the RCM and Healthcare IT sector has showed some strength as our index climbed 4.6% in Q2.

The RCM and Healthcare IT index is supported by the strong performances from **eHealth, Inc.**, **Healthstream Inc.**, and **MedAssets, Inc.**, which increased 35.3%, 20.7%, and 17.2%, respectively.

eHealth, Inc. reported revenue of \$61.3 million in the first quarter of 2015, well above the analysts' estimates of \$46.2 million. Earnings per share were -\$0.12 before adjusting for non-recurring costs and stock option expense, much better than the average estimate of -\$0.18 per share. The positive result was attributed to the growth in Medicare commission revenues and the implementation of a cost reduction program. Consequently, the stock price was up 35.3% during Q2 2015.

Healthstream Inc. posted revenue of \$47.2 million in the first quarter of 2015, topping analysts' forecasts of \$45.6 million. Adjusted for non-recurring costs, the firm has earnings per share of 11 cents, beating the Wall Street expectations. Following the Q2 financial report, a few analysts have increased the earnings estimates for the company, suggesting that it could be a good choice for investors. The company's solid performance reinforced its brighter outlook, pushing the stock price higher in Q2 2015 by 20.7%

MedAssets, Inc. announced better-than-expected first quarter financial performance as it earned 31 cents a share on revenue of \$185.6 million. Analysts were looking for the company to earn 30 cents a share on revenue of \$184.7 million. As a result, the investors bid up the price by 17.2% in the quarter. The company expects full-year earnings in the range of \$1.13 to \$1.23 per share, with revenue in the range of \$753 million to \$767 million.



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 -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 - 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 - 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</p> <p><i>Strategic Options Analysis</i></p> <p> Acted as advisor</p>

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