



Q3 2015 M&A Update

RCM, Healthcare IT, Data, and Analytics

M&A Activity Overview

There were 57 M&A transactions in the Health IT sector in Q3 compared to 53 transactions in Q2 this year. Practice-focused company transactions took the lead with 39 transactions. This is followed by consumer-centric companies, which had 18 deals.

The biggest transaction that was announced this quarter was the \$1 billion acquisition of **Merger Healthcare** (NADSDAQ: MRGE), a provider of medical imaging management, processing and interoperability, by **IBM** (NYSE: IBM). **Emdeon**, a provider of revenue and payment cycle management and clinical information

Acquirer	Seller	\$ MM
IBM	Merger Healthcare	1,000
Emdeon	Altegra Health	910
Premier	CECity	400
Cardinal Health	naviHealth	290
Adidas	Runtastic	240

exchange solutions, took the second place with its \$910 million acquisition of **Altegra Health**, a provider of technology-enabled payment solutions. **Premier** (NASDAQ: PINC), a healthcare improvement company, has acquired **CECity**, a developer of a cloud-based data analytics platform, for \$400 million. The next in line was the acquisition of 71% of **naviHealth**, a provider of post-acute care coordination and management of bundled payment programs, by **Cardinal Health** (NYSE: CAH), for \$290 million. **Adidas** had the fifth spot by acquiring the fitness app developer **Runtastic** for \$240 million. In early November, **Pamplona Capital Management** proposed to purchase **MedAssets, Inc.** (NASDAQ: MDAS) for an enterprise value of approximately \$2.7 billion.

ICD – 10 Discussion

The new ICD-10 coding system has been in place since October 1st, 2015, and so far the implementation appears to be relatively smooth. The new coding system has 69,823 diagnosis codes and 71,924 procedure codes, representing a huge step up in complexity from the old ICD-9 system of only 17,849 codes. According to the Centers for Medicare & Medicaid Services (CMS), the U.S health system has been submitting ICD-10 claims at the rate of 4.6 million daily since the inception of the new coding system. The rate of claim denials was approximately 10% of all claims being processed. Total claims that were rejected due to incomplete or invalid information were about 2%. CMS indicated that it has been carefully monitoring the transition process and is pleased to see that claims are processing normally thus far.

Telehealth Discussion and White Paper

Telehealth is a new form of healthcare delivery model aiming to reduce healthcare costs, improve patient experience, and mitigate the healthcare supply-demand gap in certain geography areas. Many research entities have reported that this industry can expand to between \$20 and \$30 billion in the next five to ten years. The industry leader, **Teladoc** (NYSE: TDOC), just crossed a milestone in late October with the completion of its one millionth telehealth visit. This newly explored industry certainly has a lot of potential; however, the telehealth market is still relatively young and unproven, and it is uncertain whether it will achieve and sustain high levels of demand, consumer acceptance, and market adoption. Additionally, regulatory and governmental reimbursement policies are still falling behind, which creates even more uncertainties for the future of the telehealth market. For more information, please download our Telehealth White Paper from our website at <http://bit.ly/1LIYsg4>.



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Selected RCM and Health IT Transactions in Q3 2015

10/22/2015 – **QuadraMed Affinity Corp.** in VA, a provider of healthcare technologies and services, has acquired **Quality Systems, Inc.**'s (NASDAQ: QSII) Hospital Solutions Division of its **NextGen Healthcare** subsidiary in Irvine, CA, a provider of EHR, financial, and HIE solutions for hospitals, health systems, physician practices, and other healthcare organizations.

10/22/2015 – **Netsmart Technologies** in KA, a leading provider of post-acute EHR and technology for health and human services providers, has announced its acquisition of **Lavender & Wyatt Systems** in AR, a privately-held provider of EHR and related services for behavioral health provider organizations.

10/21/2015 – **PatientSafe Solutions** in CA, a leader in connected workflow and care coordination solutions for healthcare, has purchased all assets of **Vree Health** in NJ, a wholly owned subsidiary of Merck and a provider of service-enabled care coordination technology designed to influence positive behavioral change and enhance the patient experience.

10/21/2015 – **Physicians Interactive** in MA, a provider of digital engagement solutions for healthcare professionals and consumers, has acquired **Univadis**, the world's largest healthcare professional network.

10/20/2015 – **Welltok, Inc.** in CO, a developer of the CafeWell Health Optimization Platform that drives wellness and consumer engagement in health activities, has acquired **Zamzee** in CA, an award-winning health program developed by **HopeLab**, to add more solutions for children to its CafeWell Health Optimization Platform and further engage millions of children and their families in healthy activities.

10/15/2015 – **Aptean** in GA, a provider of enterprise software solutions, has acquired **Medworxx Solution** in Canada, a leading provider of clinical patient flow, compliance, and education solutions to more than 350 hospitals internationally.

10/15/2015 – **WEX Inc.** (NYSE: WEX) in MA, a leading provider of corporate payment solutions, has entered into a definitive agreement to acquire **Benaissance** in NE, a provider of integrated SaaS technologies and services for healthcare premium billing, payment, and workflow management, for total consideration of \$80 million.

10/13/2015 – **Progenics Pharmaceuticals, Inc.** (NASDAQ: PGNX) in NY, a developer of medicines for oncology, with a pipeline that includes several product candidates in later-stage clinical development, has announced to acquire **EXINI Diagnostics** in Sweden, a leader in the development software solutions for medical decision support based on advanced image analysis.

10/10/2015 – **AntWorks Pte. Ltd.** In Singapore, a business process outsourcing and technology company, has acquired VA-based **Benchmark Systems**, a healthcare application services provider, in an all cash deal, estimated at about \$5 million.

10/09/2015 – **CryptoSign Inc.** (OTCQB: CPSN) in UT, an integrated media and marketing services company, has entered an agreement to acquire **NABUfit Global** in Denmark, a developer of online fitness platform and mobile app with the option of connecting existing and future monitoring devices to the platform and application.



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10/06/2015 – **Cegedim** in France, an innovative technology and services company, has signed an agreement to purchase US-based Practice Management business of **Nightingale Informatix Corporation** by its US subsidiary **Pulse System, Inc.** The acquisition includes the assets of Nightingale's Medrium, Ridgemark, Secure Connect, and Northern Health Products.

10/02/2015 – **Doctors Administrative Solutions** in FL, a provider of service practice improvement for independent physician practices and medical groups, has acquired RCM business of **Spectra Healthcare**, a provider of RCM, medical billing, and healthcare space.

10/01/2015 – **Premier, Inc.** in NC, a leading healthcare improvement company, has acquired **InflowHealth LLC** in CA, a SaaS-based software developer that specializes in improving the operational and financial performance of physician practices, for \$6 million.

10/01/2015 – **Konica Minolta, Inc.** in NJ, a provider of medical diagnostic primary imaging, has completed the acquisition of **Viztek** in NC, a provider of digital software and hardware solutions.

09/30/2015 – WPP's wholly-owned operating company **Grey Healthcare Group** in NY, a healthcare communication services company, has acquired a minority interest in **OptimizeRx Corporation** in MI (OTCQB: OPRX), a software company whose premier content-delivery platform enables pharmaceutical companies to provide on-demand patient-care services, including e-prescribing financial support in the EHR at the point of care.

09/30/2015 – **Thoma Bravo LLC** in CA, a private equity firm, has completed its acquisition of **MedeAnalytics Inc.** in CA, a provider of cloud-based financial performance analytics for the healthcare industry.

09/18/2015 – **8K Miles Software Services, Ltd.**, a provider of secure Cloud solutions, announced that its US subsidiary in CA, has entered into a Stock Purchase Agreement with **NexAge Technologies USA, Inc.** in NJ, one of the principal regulatory compliance and technology solutions firms in the U.S. with more than 15 years of experience in Computer Systems Validation, Quality Review, Vendor Audits, Data Analysis and Migration, Analytics, Change Management, as well as Governance for the Life Science and Pharmaceutical industry.

09/06/2015 – **ZOLL Medical Corporation** in MA, an Asahi Kasei Group company that manufactures medical devices and related software solutions, has acquired Israel-based **Kyma Medical Technologies, Ltd.**, which develops technologies to measure early signs of congestive heart failure, for \$35 million.

09/14/2015 – **Qualcomm Incorporated** (NASDAQ: QCOM) in CA, announced its subsidiary, **Qualcomm Life**, has acquired **Capsule** in MA, a provider of medical device integration and clinical data management solutions.

09/10/2015 – **Cox Communications** in GA, a provider of digital cable television, telecommunications and home automation services, has acquired **Trapollo** in VA, a provider of managed services that enable healthcare providers, home health agencies, and insurers to successfully deploy telehealth and remote health monitoring solutions.



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09/09/2015 – **GetWellNetwork, Inc.** in MD, a provider of patient engagement solutions that help health care providers engage, educate, and empower patients along the care continuum, has acquired **Skylight Healthcare Systems** in CA, a provider of Skylight Interactive, a technology platform, which engages and empowers both patients and providers while addressing a hospital's needs in clinical efficiency, information technology integration and patient experience.

09/08/2015 – **Netsmart Technologies** in KS, a provider of post-acute EHR and coordinated care technology solutions for health and human services providers nationwide, has acquired **Trend** in OH, a provider of comprehensive information technology outsourcing and infrastructure support services.

09/02/2015 – **Yardi** in CA, a provider of software for real estate investment management and property management, has acquired **Optimus EMR Inc.** in CA, an EHR solution, including point-of-care documentation, eCharting, and electronic medication and treatment administration.

09/01/2015 – **MEA|NEA** in GA, a leader in secure health information exchange for medical and dental providers, has successfully acquired **The White Stone Group, Inc.** in OH, a provider of healthcare communication management solutions.

09/01/2015 – **Modernizing Medicine, Inc.** in FL, the creator of the Electronic Medical Assistant®, a cloud-based, specialty-specific EMR system, has completed its acquisition of **gMed, Inc.** in FL, a provider of integrated platform consisting of an electronic health record (EHR), endoscopy report writer, practice

management solution, patient portal, data analytics tool and revenue cycle management for gastroenterology industry.

09/01/2015 – **Illumina, Inc.** (NASDAQ: ILMN) in CA, a developer, manufacturer of integrated systems for the analysis of genetic variation and biological function, has completed its acquisition of **GenoLogics Life Science Software** in CA, a developer of industry leading laboratory information management systems for life sciences organizations.

08/27/2015 – **Life360** in CA, the leading Family Network, has acquired **Chronos Mobile Technologies** in CA, creators of an industry-leading contextual-awareness engine that combines location with other passively-collected data to understand people's day-to-day patterns and routines.

08/26/2014 – **Medical Specialties Distributors, LLC** in MA, a supplier of healthcare products and biomedical equipment rentals and services, has entered an agreement to acquire **Verbal Applications, Inc.** in MA, a developer of apps that allows care teams to communicate better with their patients.

08/24/2015 – **Xerox** (NYSE: XRX) in CT, a provider of business services, technology and document management, has entered into a definitive agreement to acquire **RSA Medical** in IL, a provider of health assessment and risk management for members interacting with health and life insurance companies.

08/05/2015 – **Health Catalyst** in UT, a leader in healthcare data warehousing, analytics and outcomes improvement, has acquired **Health Care DataWorks** in Columbus, OH, a provider of business intelligence for health systems.



Q3 2015 M&A Update RCM, Healthcare IT and Data

Selected Publicly Traded RCM and Healthcare IT

Company Name	Ticker Symbol	Price (09/30/15)	% 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	2.05	(62.7%)	(73.6%)	9.15	2.00	196	(0.68)	N/A	171	86	(67.1)	0.5x	N/A
Allscripts Healthcare Solutions, Inc.	MDRX	12.40	(9.4%)	(7.6%)	15.41	11.00	2,662	(0.23)	N/A	1,370	3,240	80.3	2.4x	40.4x
athenahealth, Inc	ATHN	133.35	16.4%	1.3%	163.79	110.68	5,760	0.38	350.9	880	5,980	68.3	6.8x	87.6x
Cerner Corporation	CERN	59.96	(13.2%)	0.7%	75.72	57.42	2,289	1.43	41.9	3,810	23,010	1,007.0	6.0x	22.9x
Computer Programs & Systems Inc.	CPSI	42.13	(21.1%)	(26.7%)	64.86	40.57	500	2.44	17.3	193	458	43.4	2.4x	10.6x
eHealth, Inc.	EHTH	12.38	(2.4%)	(48.7%)	29.20	8.81	224	(0.78)	N/A	187	159	6.0	0.8x	26.3x
HealthStream, Inc.	HSTM	21.81	(28.3%)	(9.2%)	32.41	22.61	736	0.32	68.2	198	576	31.8	2.9x	18.1x
HMS Holdings Corp.	HMSY	8.77	(48.9%)	(53.5%)	23.85	8.11	966	0.15	58.5	453	977	87.1	2.2x	11.2x
McKesson Corporation	MCK	185.03	(17.7%)	(5.0%)	243.61	160.10	42,270	25.97	7.1	183,120	46,380	4,240.0	0.3x	10.9x
MedAssets, Inc.	MDAS	20.06	(9.1%)	(3.2%)	23.90	17.00	1,410	(0.42)	N/A	750	2,210	218.9	2.9x	10.1x
Medidata Solutions Inc.	MDSO	42.11	(22.5%)	(4.9%)	61.31	35.81	2,190	0.13	323.9	366	2,200	37.4	6.0x	58.9x
Quality Systems, Inc.	QSII	12.48	(24.7%)	(9.4%)	18.75	12.01	876	0.53	23.5	499	750	57.2	1.5x	13.1x
Streamline Health Solutions Inc.	STRM	2.29	(18.2%)	(50.5%)	4.38	1.02	39	(0.58)	N/A	28	43	(7.4)	1.5x	N/A
The Advisory Board Company	ABCO	45.54	(16.7%)	(2.3%)	60.38	37.47	1,850	(0.58)	N/A	666	2,330	61.9	3.5x	37.7x
Medical Transcription Billing, Corp.	MTBC	1.81	(3.7%)	N/A	3.64	1.22	17	(0.69)	N/A	25	18	(2.8)	0.7x	N/A
Average			(18.8%)	(20.9%)									2.7x	15.4x*

*Excluding Outliers

Despite the vigorous effort of the Chinese central bank and government to support its stock market, all major indices in China fell sharply in late August. The sudden decline caused contagious effect on the global market, dragging down all major indices around the world. Dow dropped more than 1,000 points at opening on August, 24th, following the market turmoil in China. The concern over the global slow down and the increase of volatility remain till the end of Q3 as all three U.S. indices entered the negative territories for the year. The Dow Jones Industrial Average dropped 8.2%, the S&P 500 decreased 7.6%, while the NASDAQ retreated by 7.8%. As seen, the RCM and Healthcare IT sector has also been pulled back substantially as our index decreased 18.8% in Q3.

The RCM and Healthcare IT index is dragged down by the weak performances from **Accretive Health, Inc.**, **HMS Holdings Corp.**, and **HealthStream, Inc.** which decreased 62.7%, 48.9%, and 28.3%, respectively. **Athenahealth, Inc.** was the only company that posted a gain for its stock in Q3, which has increased another 16% since the end of Q3.

Accretive Health Inc. reported revenue of \$22 million in the second quarter of 2015, well below the analysts' estimates of \$57 million. Earnings per share were -\$0.27, much worse than the analysts' estimate of \$0.02. The unexpected financial performance caused the stock to drop sharply during the quarter. In July, the company retained Goldman, Sachs & Co. as its financial advisor to explore strategic alternatives. The Company has not made a decision to pursue any specific strategic transaction or any other strategic alternative.

HMS Holdings Corp. announced that its largest customer, the New Jersey Department of Human Services, was shifting its business to a competitor in late July. In addition, the company missed Q2 profit forecasts by the Street. Earnings, adjusted for amortization costs and stock options expense, came to 13 cents per share, one cent below the average estimate by analysts. However, the company posted revenue of \$116.9 million, slightly beating the estimate of \$114.5 million. The negative news combining with the mixed financial report dragged down the stock by 48.9% for Q3.

HealthStream, Inc. reported earnings per share of five cents, missing the estimate of seven cents per share. Revenue was up 22.8% year over year. Earnings were hit by a one-time stock grant expense of \$1.65 million. As a result, operating income was down 38% from the same period last year. The mixed financial performance was not able to impress the investors, who bid down the stock by 28.3% during Q3.



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

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