



Q4 2014 M&A Update

RCM, Healthcare IT, Data, and Analytics

RCM, Healthcare IT and Data M&A Activity

There were 219 M&A transactions in the Healthcare IT sector in 2014 compared to 165 transactions in 2013, with 21 companies making multiple transactions during the year. Most of the M&A activity has been around the larger and more established practice-focused companies. Even though Mobile Health related companies are getting significant attention, it has not been seen a game-changing transaction yet in the sector. Revenue Cycle Management companies led the game with 28 transactions followed by Practice Management and Mobile Health with 24 and 21 deals, respectively.

Disclosed Top Transactions 2014

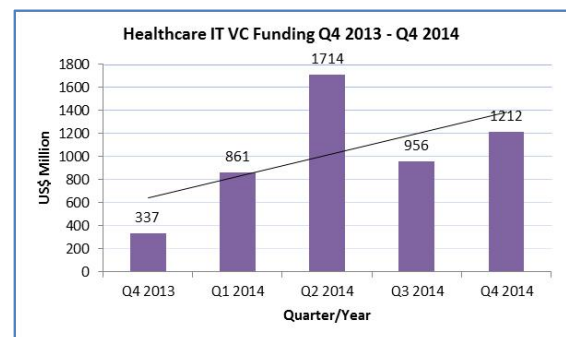
Starr Investment Holdings, an investment firm focused on long-term investments, and **Partners Group**, a global private markets investment management firm, led the sector by acquiring MultiPlan, a

Buyer	Target	Size \$M
Starr Investment Holding & Partners Group	MultiPlan	\$ 4,400
Cognizant (CTSH)	TriZetto	\$ 2,700
Cerner Corporation (CERN)	Siemens	\$ 1,300
Vista Equity Partners (Private Equity)	Advanced Computer Software	\$ 1,140
Optum (UnitedHealth Group Inc.)	Alere Health	\$ 600

provider of network and analytics-based solutions, for \$4.4 billion. This was followed by the \$2.7 billion acquisition of **TriZetto**, a provider of healthcare IT software and solutions, by **Cognizant** (NASDAQ: CTSH), a multinational information technology, consulting, and business process outsourcing company. The third placed was earned by **Cerner Corporation** (NASDAQ: CERN), a provider of healthcare information technology, who purchased Siemens's health information technology business unit, **Siemens Health Services**, for \$1.3 billion. Another top disclosed transaction was the \$1.14 billion acquisition of **Advanced Computer Software**, a company provides IT services to healthcare companies and NHS walk-in centers, by **Vista Equity Partners**, a leading private equity firm focused on investing in software and technology-enabled businesses. The fifth largest transaction was the \$600 million acquisition of **Alere Health**, a provider of diagnosis, monitoring, and health information technologies, by **Optum**, a provider of health services that support individuals and population health.

Healthcare IT VC Funding 2014

VC funding in the Healthcare IT sector more than doubled in 2014, coming in at \$4.7 billion in 670 deals compared to \$2.2 billion in 571 deals in 2013. In Q4 2014, VC funding increased to \$1.2 billion in 134 deals from \$956 million in 212 deals in Q3. Practice-centric companies raised \$2.4 billion in 234 deals in 2014, including Clinical Decision Support companies with \$517 million, followed by Data Analytics companies with \$367 million and Population Health Management companies with \$247 million. Consumer-centric companies raised \$2.3 billion in 436 deals. Mobile Health ("mHealth") companies were the largest recipient of VC funding bringing in \$1.2 billion - within mHealth most funding went to Wearables with \$526M and mHealth Apps with \$507M. Telehealth companies received \$369 million, Rating and Comparison Shopping companies brought in \$288 million.





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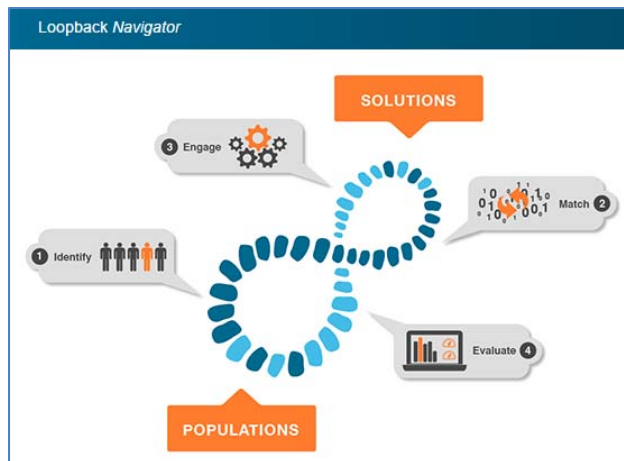
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Population Health Initiative by Retail Pharmacies

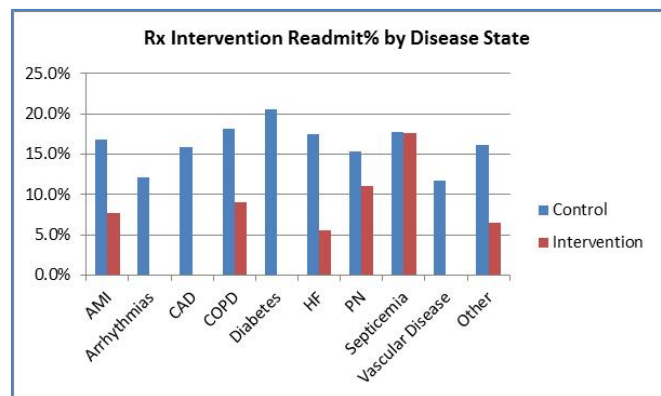
As more attention is shifted onto the vexing issue of medication adherence, an increasingly common theme is the emerging importance of the role of the pharmacist, with a significant share of that translating to retail pharmacies. **Walgreens**, **CVS Health**, and **Rite Aid** have far more interaction with an array of patients, particularly those at risk for readmission to a hospital because of missed or misunderstood medications, than even a primary care physician. **Rite Aid** has partnered with **HealthSpot**, a pioneer in patient and provider driven healthcare technology, to provide convenient healthcare services via private, walk-in HealthSpot stations inside select Rite Aid locations. **CVS Health** in partnership with **IBM**, announced a capital commitment to the "Technology Solutions for Smarter Health" grant program in partnership with the National Association of Community Health Centers (NACHC).

Recently, **Walgreens** and Texas-based startup **Loopback Analytics** have joined together to underscore this very development. As the retail pharmacist engaged with the patients more effectively, it could significantly reduce the readmission rate for hospitals, subsequently saving the providers from getting penalized. It is a win for the patient, hospital, and the pharmacy all at once.

The Walgreens WellTransitions program, powered by Loopback Analytics, is a HIPAA-compliant medication adherence solution. It has been endorsed by the American Hospital Association for its success in improving medication adherence and reducing hospital readmissions. In most cases, the challenge for the pharmacy was identifying which customers were high-risk; the hospital systems, on the other hand, often know full well who's at risk but are reluctant to share patient data for a slew of reasons. That's where Loopback Analytics comes in. The company connects to the hospital information systems and use data analytics to identify risk for medication adherence failure such as high frequency of drug use, pattern of not filling medications or taking high risk meds, and repeated readmission.



Walgreen's WellTransitions program has been already proven to be effective. According to a case study of a pilot, its readmission rate has been reduced by 51% from 2011 to 2013. The chart on the right shows the reduction in 30-day readmission rates compared to control group for core measure health conditions in 2013. As seen, just within 30 days, a few patient groups are already showing significant reductions in admission rate.



Source: MEDCITY News



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Selected RCM and Health IT Transactions in Q4 2014

01/20/2015 – **Welch Allyn, Inc.** in Skaneateles Falls, NY, a leading medical diagnostic device company that delivers practical innovation at the point of care, has announced the acquisition of Knoxville, TN-based **Hubble Telemedical, Inc.**, a privately-held healthcare company that enables remote diabetic retinopathy screening and analysis in primary care and other convenient settings.

01/15/2015 – **GI Partners** in San Francisco, CA, a middle market private equity firm, has reported that it has completed the previously announced acquisition of **Logibec, Inc.**, a Canadian healthcare IT company, from **OMERS Private Equity**.

01/14/2015 – **Athenahealth, Inc.** (NASDAQ: ATHN) in Watertown, MA, a leading provider of cloud-based services and mobile applications for medical groups and health systems, has announced its acquisition of **RazorInsights** in GA, a leader in cloud-based electronic health record and financial solutions for rural, critical access, and community hospitals.

01/13/2015 – **SCIO Health Analytics®** in West Hartford, CT, has announced its acquisition of UK-based **Data Intelligence**, a provider of business intelligence and analytics solutions supporting pharmaceutical sales and marketing operations.

01/12/2015 – **Adreima** in Chicago, a national provider of healthcare revenue cycle management solutions, has announced the acquisitions of **HealthCPA** in San Mateo, CA, a leader in patient advocacy and consumer engagement services. Using its proprietary cloud-based technology, HealthCPA helps patients navigate and understand their health insurance bills and medical costs, improving

both patient satisfaction and cash collections for providers.

01/07/2015 – **PipelineRx** in San Francisco, CA, a leading clinical telepharmacy platform company, has announced the successful acquisition of **Quality Pharmacy Management Inc.** in Denver, CO, a provider of remote pharmacy services in six Western states.

01/07/2015 – **Essia Health** in Woodland Hills, CA, the premier provider of specially trained medical scribes and electronic medical record go-lives support services, has announced its acquisition of Bellevue, Washington-based **Eastside Specialty Scribes**, a company focuses on providing customized scribe solutions to physician practices.

01/05/2015 – **Lexmark International, Inc.** (NYSE: LXX) in KY, an American corporation that manufactures laser printers and provides services, has announced the acquisition of Toronto-based **Claron Technology, Inc.**, a leading provider of medical image viewing, distribution, sharing and collaboration software technology. The former paid a cash purchase price of approximately \$37 million, which was funded entirely with Lexmark's non U.S.-based cash.

01/05/2015 – **Centene Corporation** (NYSE: CNC) in MO, a provider of programs and services to government sponsored healthcare programs, focusing on under-insured and uninsured individuals, has acquired **LiveHealthier Inc.** in Bethesda, MD, a provider of technology and service-based health management solutions to large employers, unions, and government organizations.



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01/05/2015 – **LexisNexis® Risk Solutions**, a leader in providing essential information that helps customers across all industries and government assess, predict and manage risk, has announced that it has completed regulatory review to acquire **Health Market Science** in PA, a leading supplier of high-quality data on health care professionals and an administrator of one of the largest practitioner-level medical claims databases in the U.S.

12/30/2014 – **Modernizing Medicine, Inc.** in FL, the creator of the Electronic Medical Assistant®, has announced that it has completed the acquisition of **Aesyntix Health, Inc.**, a privately held company based in Roseville, CA, that serves medical practices with three specialty-specific offerings.

12/29/2014 – **Constellation Software Inc.** in Toronto, Canada, a provider of software and services, has completed the acquisition of **CareTracker Inc.**, a provider of practice management solutions for physician practices in the U.S.

12/23/2014 – **PopHealthCare** in AZ, a provider of field-based high-risk population care solutions and comprehensive risk adjustment services, has announced the acquisition of **UbiquityIQ** in IL, a provider of healthcare data management, data analytics, and medical informatics technology.

12/23/2014 – **Bolder Healthcare Solutions**, a provider of suite of revenue cycle management services to hospital and physician groups and a portfolio company of **Edgewater Growth Capital Partners III**, has acquired **PPM Information Services** in KS, a provider of software and services for claims processing, collections management, reporting, patient scheduling, registration, coding and financial management.

12/22/2014 – **AMN Healthcare Services, Inc.** (NYSE: AHS) in San Diego, CA, the nation's leader and innovator in healthcare workforce solutions and staffing services, has announced the acquisition of **Avantas** in NE, a leading provider of clinical labor management services, including workforce consulting, data analytics, predictive modeling and SaaS-based scheduling technology.

12/18/2014 – **HTC Global Services** in MI, a global provider of IT solutions and IT enabled services, has announced its acquisition of **CareTech Solutions, Inc.** in MI, an IT and Web products and services provider for U.S. hospital and healthcare systems.

12/16/2014 – **Trio Consulting** in VA, a management and technology consulting firm, has acquired the GA-based **iMedx**, a leader in medical documentation solutions, which is serving VA hospitals and U.S. Department of Defense medical facilities.

12/15/2014 – **Healthline** in San Francisco, CA, a leading provider of intelligent health information and technology solutions, has announced its acquisition of **DiabetesMine** in CA, a top consumer blog for the diabetes community.

12/15/2014 – **Neos Technologies, LLC** in MD, a part of a global company which manufacture Acousto Optical and Electro Optical components, has completed the acquisition of all assets of **AFrame Digital, Inc.** in VA, a leading edge healthcare IT company that provides a proactive monitoring and alert notification system using wearables and leading edge server technologies including monitoring, analytics and notification.



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12/11/2014 – **Emdeon, Inc.** in Nashville, TN, a provider of revenue and payment cycle management and clinical information exchange solutions, has acquired **AdminiSource Communications, Inc.** in TX, an industry leading provider of consumer directed healthcare solutions.

12/09/2014 – **National Research Corporation** in Lincoln, NE, a provider of healthcare products and subscription-based solutions, has announced the acquisition of **Digital Assent** in GA, a healthcare technology company that helps doctors and hospitals improve patient satisfaction and grow their online reputation.

12/05/2014 – **DataBank IMX, LLC** in Chicago, IL, a portfolio company of **Svoboda Capital Partners LLC**, has announced the acquisition of **Griffith, Inc.** in PA, a leading provider of electronic document management solutions to improve revenue cycle operations to hospitals and health systems in the Mid-Atlantic region.

11/11/2014 – **MDLIVE** in Sunrise, FL, the nation's leading provider of telehealth services and software, has announced that it has acquired Silicon Valley-based **Breakthrough Behavioral**, a leader in teletherapy. The acquisition of Breakthrough furthers MDLIVE's position of market leadership as the largest teletherapy and telehealth provider in the U.S.

11/11/2014 – **Appriss Inc.** in Louisville, KY, a leading technology provider for risk assessment and analytics, has announced its acquisition of **NARxCHECK™** from the National Association Boards of Pharmacy Foundation (NABPF) to automate prescription drug abuse assessment and management through patented analytics.

11/04/2014 – **WebPt** in Phoenix, AZ, a leading web-based electronic medical record solution for

rehab therapists, has announced its acquisition of **WebOutcomes** in TN, an online outcomes tracking tool that allows physical and occupational therapists to enhance patient care and occupational therapists to enhance patient care.

11/03/2014 – **Aetna** (NYSE: AET) in Hartford, CT, a U.S. managed health care company, has entered into an agreement to acquire privately held **bswift** in IL, a provider of technology platform that offers a retail shopping experience for health insurance exchanges and employers nationwide, for \$400 million.

11/03/2014 – **PDR Network®** in NJ, a provider of drug information and prescriber communications, has merged with **LDM Group** in MO, a leading provider of behavior-based patient and consumer health information.

10/30/2014 – **Lockheed Martin** (NYSE: LMT) in MD, an aerospace, defense, security, and technology company, has entered into a definitive agreement to acquire **Systems Made Simple** in NY, a provider of health information technology solutions to the U.S. federal government.

10/10/2014 – **ALPHAEON Corporation** in Irvine, CA, a leader in lifestyle healthcare and subsidiary of **Strathspey Crown Holdings LLC**, has announced that it has acquired **TouchMD** in UT, an interactive software platform that helps specialty physicians educate patients before, during, and after practice consultation, for \$22 million.

10/02/2014 – **Nextech Systems** in Tampa, FL, a leading provider of specialty – focused healthcare technology solutions for physician practices, has announced that it would acquire **MDIntelleSys**, a leading cloud-based electronic health record for ophthalmologists.



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Selected Publicly Traded RCM and Healthcare IT

Company Name	Ticker Symbol	Price (12/31/14)	% 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	6.86	-11.6%	-25.1%	9.82	5.57	566	1.34	5.1	505	353	244.8	0.7x	1.4x
Allscripts Healthcare Solutions, Inc.	MDRX	12.77	-4.8%	-17.4%	19.68	11.00	2,260	-0.48	N/A	1,390	2,860	46.0	2.0x	61.1x
athenahealth, Inc	ATHN	145.48	10.5%	8.2%	206.70	97.30	5,400	0.03	4849.3	711	5,450	59.4	7.7x	91.8x
Cerner Corporation	CERN	64.62	8.5%	15.9%	66.45	48.39	22,100	1.25	51.7	3,180	21,100	841.5	6.6x	25.1x
Computer Programs & Systems Inc.	CPSI	60.45	5.1%	-2.2%	71.89	56.60	693	3.24	18.7	210	671	59.8	3.2x	11.2x
eHealth, Inc.	EHTH	24.79	2.7%	-46.7%	63.32	18.70	362	0.06	413.2	189	298	12.1	1.6x	24.6x
HealthStream, Inc.	HSTM	29.14	21.4%	-10.7%	33.35	20.76	796	0.34	85.7	162	670	26.4	4.1x	25.4x
HMS Holdings Corp.	HMSY	20.98	11.3%	-7.6%	26.60	15.10	1,900	0.31	67.7	453	1,970	103.7	4.4x	19.0x
McKesson Corporation	MCK	207.39	6.5%	28.5%	218.24	162.90	49,490	5.58	37.2	161,200	56,540	3,560.0	0.4x	15.9x
MedAssets, Inc.	MDAS	19.74	-4.7%	-0.5%	26.09	18.15	1,120	0.49	40.3	692	2,030	207.4	2.9x	9.8x
Medidata Solutions Inc.	MDSO	47.44	7.1%	-21.6%	68.21	32.10	2,300	0.02	2372.0	320	2,300	25.2	7.2x	91.1x
Merge Healthcare Inc.	MRGE	3.78	71.8%	62.9%	3.86	1.97	367	-0.03	N/A	212	563	38.2	2.7x	14.7x
Quality Systems, Inc.	QSII	15.55	12.9%	-26.2%	20.37	13.01	966	0.03	518.3	462	850	41.5	1.8x	20.5x
Streamline Health Solutions Inc.	STRM	4.10	-11.4%	-41.3%	7.10	3.22	70	-0.58	N/A	28	74	(10.8)	2.7x	-6.9x
The Advisory Board Company	ABCO	48.66	4.4%	-23.6%	70.14	37.47	1,730	0.41	118.7	555	1,710	61.4	3.1x	27.9x
Medical Transcription Billing, Corp.	MTBC	2.20	-38.2%	N/A	5.00	2.02	32	-0.63	N/A	14	31	0.2	2.2x	1810.0x
Average			5.7%	-7.1%									3.3x	15.7x*

*Excluding Outliers

The sharp decline of oil price, the extended low interest rate by Federal Reserve and an expanding economy set the tone for U.S. stocks in 2014, as the three major indices rallied to unprecedented highs in the last quarter of the year. The Dow Jones Industrial Average was up 6.1%, the S&P 500 gained 5.8%, and the NASDAQ increased 7.1%. As seen, our RCM and Healthcare IT index has ended the two-quarter losing string by climbing 5.6% in the fourth quarter.

The RCM and Healthcare IT index is supported by the strong performances from **Merge Healthcare Inc.**, **HealthStream, Inc.**, and **Quality Systems, Inc.**, which increased 72%, 21%, and 13%, respectively.

Merge Healthcare Inc. reported third-quarter 2014 adjusted net income per share of five cents, an impressive improvement from two cents earned during the same period a year ago. Adjusted EBITDA also increased to \$13.9 million, representing 26% of the pro forma revenue, compared to adjusted EBTIDA of \$7.2 million and 13% of the pro forma revenue in the third quarter of 2013. Even though the company's sale is down to \$54 million in the quarter compared to \$57.2 million in the third quarter of last year, the positive piece of the news overshadowed the shrinkage of the top line. The stock price exploded in the fourth quarter by 72%.

HealthStream, Inc. reported revenue of \$44.5 million in the third quarter of 2014, up 32% from \$33.7 million in the same quarter of 2013. Net income also increased by 50% from \$2.3 million a year ago to \$3.4 million. Adjusted EBITDA also improved significantly from \$6.3 million to \$7.9 million. Investors are enthusiastic about the future prospect of the company and send the stock price higher by 21% in the fourth quarter.

Quality System, Inc. posted profit of eight cents per share for second quarter of 2014, which was one cent short of Wall Street's expectation. However, the company topped the Street's forecast of \$119.5 million. Despite the mixed financial results reported by the company, investors still pushed the stock price up by 13% during the quarter. This is largely due to the continued strength in the company's NextGen Division, a leading provider of healthcare information systems and connectivity solutions.



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 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 Company Midwest 2011</p> <p><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>PracticeXpert</p> <p><i>Secured Bridge Loan And Restructuring</i></p> <p> Acted as advisor</p>	<p>Medical Billing Company Midwest</p> <p><i>Strategic Options Analysis</i></p> <p> Acted as advisor</p>

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