

Dear Clients and Friends,

In last month's issue, we commented that medicine is becoming more of an information technology business. Well, that elicited a good deal of reaction from our readers with some agreeing with our premise, and others arguing that medicine will always be based on biology. Whatever your view, it is clear that advancements in quantitative sciences enable data scientists - using the availability of enormous data banks - to analyze diseases, conduct population health management studies, perform outcome-based measurements and optimize clinical and operational processes, all with the aim to help our physicians practice better medicine.

We are most enthusiastic about the wave of data democratization sweeping our industry. Data coming from a variety of sources, be it from mobile devices, medical devices, EHR, governments, providers, payers, etc. is increasingly available to the masses. For example, until recently, extracting data from payers or providers, who traditionally operate behind a veil of secrecy, was almost impossible. The tides have quickly turned creating more data liquidity than we could ever imagine. This data liquidity, mined through the most advanced quantitative scientific methods, has convinced us that information technology stands to play an important role in the advancement of medicine.

Let's take personalized medicine as an example. The healthcare industry has invested heavily in genomic projects with the goal of customizing medical decisions tailored to individual patients. To date, personalized medicine relies almost exclusively on a patient's fundamental biology, DNA, RNA or protein. Gene sequencing is a robust industry and we have surely made impressive strides in the field. That said, we are still a long way from sequencing the genome for every particular disease. As a result, science-based personalized medicine still falls short of its ultimate vision. On the other hand, we are excited about companies that are building machine-learning predictive and interpretation engines to ingest the vast amount of available clinical data, with the goal of forming a more precise picture of the patient's medical profile. Data liquidity is still a new phenomenon, but we foresee the day that the contribution of the HIT industry to the field of medicine will be as meaningful as the science of biology. The marriage of science and computing, is the only way we can come close to the true promise of personalized medicine.

Sincerely,

Afsaneh Naimollah

MARLIN & ASSOCIATES
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For further information contact:

Afsaneh Naimollah
Afsaneh@marlinllc.com
+1 (212) 257-6055

Stephen Shankman
sshankman@marlinllc.com
+1 (212) 257-6044



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IMPORTANT INDUSTRY NEWS

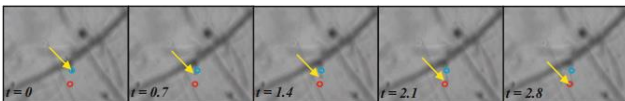
Competition heating up for \$11 billion Defense Department EHR contract

Three prominent EHR vendors have announced they are seeking the 10-year contract for the Defense Department's Military Health System. The contract is estimated by industry sources to be worth approximately \$11 billion, making it one of the biggest in all of healthcare IT. On June 11, Epic and IBM announced they were teaming up to bid on the "Defense Healthcare Management Systems Modernization" project, then on June 24 Allscripts, Hewlett-Packard and Computer Sciences Corporation made their intentions known. On June 26, Cerner said it was joining Ledios and Accenture Federal Services to also compete for the contract.

The Military Health Systems covers approximately 56 hospitals and 360 clinics, serving nearly 10 million beneficiaries. In January 2014, a draft request for proposal for a new EHR system, that was also interoperable with the VA's VistA, was issued. Press reports suggest the final RFP will be issued soon with a winner selected in late 2014 / early 2015. We expect others to join the bidding, such as athenahealth, but wonder if the Defense Department is truly ready to move to the cloud.

MagnetoSperm Robots could deliver medicine throughout human body

Named for their dependence on magnetic fields in order to move around and their sperm-like head and tail form factor, MagnetoSperm were developed by researchers in Egypt and the Netherlands. The robots are 322 micrometers long. Once manufactured, the robots can enable doctors to treat complications in super-tiny spaces like capillaries and arteries. Additional applications can include targeted drug delivery, in-vitro fertilization, cell sorting and cleaning of clogged arteries. Many researchers believe that the technology can also be used to achieve targeted therapy in cancer patients, which can mitigate the side effects of conventional chemotherapies.



M&A TRANSACTIONS / INVESTMENTS

Sheridan to be acquired by AmSurg

Sheridan Healthcare, the Sunrise, FL provider of outsourced physician services to hospitals and outpatient centers, and backed by Hellman & Friedman and others, agreed to be acquired by AmSurg (Nasdaq:AMSG), the acquirer, developer and operator of ambulatory surgery centers (ASC), for \$2.35 billion or 2.5x EV/LTM revenue and 19.1x EV/LTM EBITDA.

Sheridan has been a top provider of a variety of services to the hospital and ASC sectors. The company has a strong presence in anesthesiology services, radiology and emergency medicine. Sheridan has been in the hands of various private equity firms for a decade and this is a very successful exit for the patient investors. We like the potential of this new company model combining services with facilities.

Evolution1 to be acquired by WEX

Evolution1, the Fargo, ND provider of software and payment solutions to administer and manage consumer-directed healthcare accounts, and backed by Genstar, agreed to be acquired by WEX (NYSE:WEX), a leading provider of corporate payment solutions, for \$533 million or 6.0x LTM revenue and 20.0x LTM EBITDA.

Positive macro trends are benefiting both the consumer-directed healthcare and (private) exchange players, resulting in very healthy multiples for companies such as Evolution1 and Liazon (sold to Towers Watson). At first, we were surprised that a payment processing company would be interested in Evolution1. Upon further digging, we realized that the fit is actually pretty strong. Evolution1 is expected to serve as the cornerstone of WEX's healthcare offering.

Cegedim's Information Solutions and CRM Businesses to be acquired by IMS Health

Cegedim (ENXTPA:CGM), the France-based global provider of healthcare technology and services agreed to sell certain information solutions and Customer Relationship Management (CRM) businesses to IMS Health (NYSE:IMS), the global healthcare information and technology services company, for €385 million (approximately \$520 million), or 0.9x LTM revenue and 6.0x LTM EBITDA.

IMS Health seems to be cranking back up its acquisition machine as this is its second deal since May 2014. The Cegedim assets appear to continue a trend by IMS Health of seeking acquisitions ex-US (two prior deals are Forcea NV/SA and Pygargus AB).

Capario to be acquired by Emdeon

Capario, the Santa Ana, CA provider of revenue cycle management solutions, and backed by Marlin Equity Partners, agreed to be acquired by Emdeon, a leading provider of revenue cycle management and clinical information exchange solutions, and backed by Blackstone, for \$115 million.

Emdeon already has a clearinghouse service. Although clearinghouse services are being commoditized, this deal appears to be a play by Emdeon to 'bulk-up' in size with some additional capabilities (such as cloud-based) to serve its vast network, which processes over 7 billion transaction a year. The synergies are likely of high value to Emdeon.

System C and Liquidlogic (McKesson) to be acquired by Symphony Technology Group

Several European healthcare technology businesses of McKesson (NYSE:MCK), including System C and Liquidlogic (both UK-based) as well as software operations in France and the Netherlands, agreed to be acquired by Symphony Technology Group (STG), the Palo Alto, CA technology and services-focused private equity firm. Terms were not disclosed.

System C is an EMR company with integrated analytical module as well, for a number of specialties covering both inpatient and outpatient settings. Liquidlogic provides software solutions to support integrated care in the UK. The software helps coordinate activities for children and adults with complex needs.

We are very fond of STG and view them as great operators of tired assets that have been undermanaged by larger healthcare companies.

RevPoint acquired by Availity

RevPoint Healthcare Technologies, the Franklin, TN provider of front-end RCM solutions, was acquired by Availity, the Jacksonville, FL provider of health information networks, and backed by Humana, Wellpoint and others insurers. Terms were not disclosed.

Front-end RCM assets are garnering investor interest as the self-pay component rises and the need to collect the patient responsibility portion becomes more paramount. Availity's last acquisition was in 2010, when it bought RealMed Corporation which is another RCM administrative player in the provider market. This deal is a great addition to Availity as it focuses on the hospital sector.

T-System's billing acquired by Intermedix

The physician billing division of T-System, the Dallas, TX provider of revenue cycle management services to emergency departments, and backed by Francisco Partners, was acquired by Intermedix, the Fort Lauderdale, FL provider of revenue cycle management to the emergency response industries. Terms were not disclosed.

This transaction suggests a change in strategy for T-System, which had established this physician billing division in 2012. The company will now focus on growing its clinical and coding businesses, which have the potential to add greater value. Intermedix will do well with the asset. They have demonstrated great competency in integrating acquisitions; the company has made over 17 acquisitions since 2005.

ProTec acquired by HealthPort

ProTec Solutions, the Scottsdale, AZ provider of release of information services (ROI), was acquired by HealthPort, the Alpharetta, GA provider of ROI services and audit management technology, and backed by ABRY Partners. Terms were not disclosed.

The ROI industry is quickly consolidating in the hands of few players. We believe HealthPort is the best run company in the sector. ProTec clients should benefit greatly from HealthPort's technology.

Glenridge Healthcare acquired by WhiteGlove

Glenridge Healthcare, the Columbia, MD provider of technology-enabled network development and consulting services for the payor market, was acquired by WhiteGlove Health, the Austin, TX provider of mobile health care services by which certified nurses perform house calls and remote monitoring services. Terms were not disclosed. WhiteGlove is backed by Burrill Venture, Enhanced Equity and others. The Company raised \$15.8 million in conjunction with the Glenridge acquisition.

With this acquisition, WhiteGlove acquires a 17-year old outsourcing company that helps develop managed care networks and enhance provider engagement, two important capabilities for payors who are transitioning to a value-based reimbursement model.

National Database of Nursing Quality Indicators acquired by Press Ganey

National Database of Nursing Quality Indicators (NDNQI), the Kansas City, KS provider of nursing unit-level comparison data on various quality measures, was acquired by Press Ganey, the South Bend, IN provider of healthcare performance solutions for hospitals, and backed by Blackrock and others. Terms were not disclosed.

This deal comes on the heels of Press Ganey's acquisitions of Dynamic Clinical Systems (patient reported outcomes platform) in April 2014 and On the Spot Systems (mobile data collection system) in January 2014. NDNQI's database coupled with Press Ganey's benchmarking data, engagement tools and advanced analytics, will offer more targeted insights into nursing performance. We like this deal.

Harmony acquired by Medware

Harmony Information Systems, the Reston, VA provider of health and human case management software for long-term care, and backed by JMI Equity, Udata Partners and others, was acquired by Medware Information Systems, the Lenexa, KS provider of healthcare software solutions to providers, state and federal agencies, and backed by Thoma Bravo. Terms were not disclosed.

Harmony is Medware's third deal since being acquired by Thoma Bravo in November 2012, and continues the theme of adding greater acute care capabilities outside the hospital. We think the long term trends in these post-acute treatment settings are very positive. Harmony brings along a customer list featuring 25,000 users at state and local agencies.

Amirsys acquired by Elsevier

Amirsys, the Salt Lake City, UT provider of diagnostic decision support solutions in radiology and pathology, was acquired by Elsevier, the provider of information solutions to science, health and technology professionals and subsidiary of Reed Elsevier (LSE: REL). Terms were not disclosed.

Amirsys areas of focus include radiology, pathology and anatomy and its solutions will be integrated into the Elsevier Clinical Solutions suite, enhancing the ability to update and managed images and text assets. Elsevier anticipates extending those capabilities to other visually rich specialties.

Gazzang acquired by Cloudera

Gazzang, the Austin, TX provider of big data security solutions, was acquired by Cloudera, the Palo Alto, CA provider of enterprise data management solutions for big data and backed by Google Ventures, Greylock Partners, Intel Capital, T. Rowe Price and others. Terms were not disclosed.

Gazzang's business covers a number of verticals including healthcare. Their solution in the healthcare field covers data encryption and "key" management solutions that secure electronic protected health information. With numerous data breaches facing the industry, solutions from companies like Gazzang will likely be in high demand.

C3i acquired by Telerx

C3i, the Morristown, NJ provider of technical support services for life sciences companies, was acquired by Telerx, the Horsham, PA provider of outsourced customer care services and solutions, and subsidiary of Merck (NYSE:MRK). Terms were not disclosed.

C3i's has five global operations centers providing multi-lingual customer service support for the largest pharmaceutical companies. This is Telerx third acquisition since April 2013. Telerx appears to be creating a complete set of solutions to manage complex and sensitive healthcare interactions for its FDA-regulated customers.

MedHelp acquired by Physicians Interactive

MedHelp, the San Francisco, CA operator of an online healthcare community focused on sharing medical information, was acquired by Physicians Interactive, the Reading, MA digital health marketing company, backed by Merck Global Health Innovation. Terms were not disclosed.

MedHelp has 14 million consumers that use its web and mobile applications each month to receive support, research information and share knowledge and track their health. The company has had 7 million downloads of its applications. They also have the capability to integrate various wearable such as Fitbit and Jawbone; the company offers its services to employers, health plans and pharmacies. This is the second acquisition by PI in 2014. We like this deal.

Proteus raises \$120M in funding

Proteus Digital Health, the Redwood City, CA provider of digital medicines, raised \$120 million in a round of funding from new, unnamed investors. Existing investors include The Carlyle Group, Essex Woodlands, Kaiser Permanente, Oracle and others.

Proteus has added some heavy hitters to its board, including top executives from Novartis and Microsoft. The Company is viewed as a next gen healthcare play with the chief focus on ingestion-sensing technologies. The company has received FDA approval for its ingestible sensor used for medication adherence. A number of new products are currently under development. The company has raised over \$400M to date.

Grand Rounds raises \$40M in Series B funding

Grand Rounds, the San Francisco, CA provider of solutions connecting patients and top medical specialists, raised \$40 million in funding led by Greylock Partners and included participation from existing investors Venrock and Harrison Metal Capital.

Remote consultation and online appointment solutions are gaining strong traction with several companies being funded generously by VC and PE firms. Grand Rounds combines remote consultation with onsite visits and follows the patient throughout the continuum of care. The Company charges \$7,500 to find a specialist for serious medical conditions and \$200 for less severe medical conditions, and offers its services to consumers and employers. Grand Rounds seems well positioned for success.

TrialScope raises \$10.2M in funding

TrialScope, the Jersey City, NJ provider of software solutions for clinical trial transparency and compliance, raised \$10.2 million in funding led by Edison Ventures. This funding helped finance the acquisition of the Deloitte Analytics business which included PharmaCM, a clinical trial registration and transparency software solution.

TrialScope has an exceptional capability to integrate with internal data services such as CTMS platforms. Solutions range from managing the process of editing, authoring and approving clinical trial applications to enabling clinical trial sponsors manage and share their trial data. We like the approach and the management of this company.

QPID raises \$12.3M in Series B funding

QPID, the Boston, MA, provider of clinical natural language processing (NLP) solutions, raised \$12.3 million in funding from led by new investor New Leaf Ventures and included participation from existing investors such as Cardinal Partners.

NLP is one of the most important automation technologies in healthcare. The sector is crowded with a number of players such as Nuance & Health Fidelity. Queriable Patient Inference Dossier (QPID) sits with EHR's enabling physicians to perform real-time clinical queries and analytics at the point of care.

ClearCare raises \$11M in Series B funding

ClearCare, the San Francisco, CA provider of software solutions for private duty home care agencies, raised \$11 million in funding led by Bessemer Venture Partners and included participation from Cambia Health and existing investors which include QUALCOMM Ventures.

Fundamental trends underlying the Long term care facilities and home care agencies are extremely favorable. Every day in America 10,000 people turn 65, a trend that will continue for the next 15 years. ClearCare is a robust software with its own portal access for families, referrers and other care partners.

Aledade raises \$4.5M in funding

Aledade, the new Bethesda, MD provider of ACO services to physicians, raised \$4.5 million in a round of funding led by Venrock.

Founded by former ONC-HIT head Dr. Farzad Mostashari just a few months ago, Aledade is attracting significant attention. ACO services to physicians (rather than payors) seem to be an underserved market, so this new entrant bears watching.

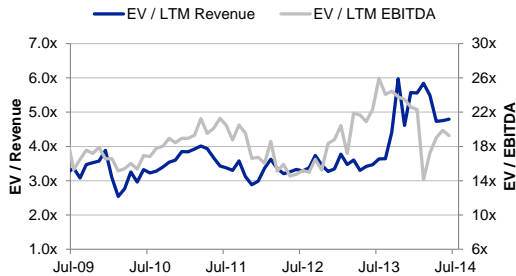
MobileHelp raises \$5M in funding

MobileHelp, the Boca Raton, FL provider of remote monitoring technology for seniors and the recipient of Frost & Sullivan Best Practices Awards, raised \$5 million in funding from Art Cahoon (Rock Creek Capital) and Conifer Partners.

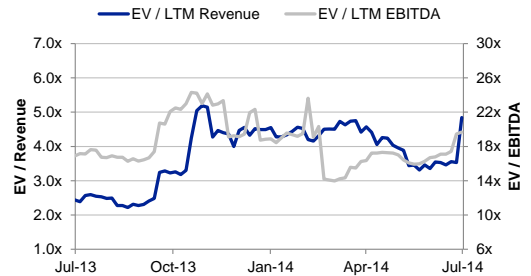
We believe making money in the remote monitoring space is still a challenge. Companies with enough capital and staying power stand to do well in the medium to long term. MobileHelp leads with technology. Their systems integrate cellular and GPs technology with medical monitoring and tracking capabilities.

HEALTHCARE INFORMATION SOFTWARE SYSTEMS

5 Year LTM Revenue & EBITDA Multiples

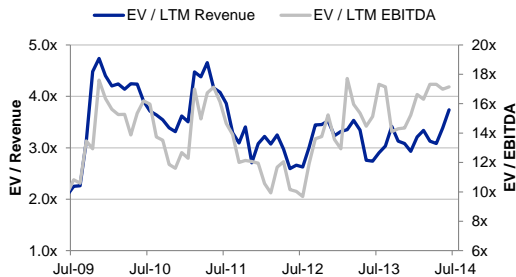


1 Year LTM Revenue & EBITDA Multiples

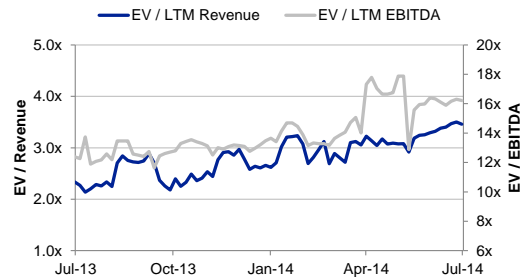


TECHNOLOGY-ENABLED HEALTHCARE SERVICES

5 Year LTM Revenue & EBITDA Multiples



1 Year LTM Revenue & EBITDA Multiples

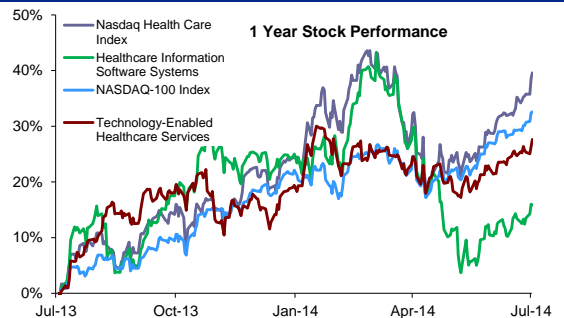


HIT STOCK PERFORMANCE VERSUS NASDAQ

5 Year Stock Performance



1 Year Stock Performance



PUBLIC MARKET TRENDS

The Healthcare Information Software Systems group 2014 revenue multiple (trim mean) is over 60% higher than the Technology-Enabled Healthcare Services sector, as recent IPOs (Veeva Systems and Benefitfocus) are commanding the highest revenue multiples among all public HIT companies. In terms of 2014 EBITDA multiples, the Healthcare Information Software Systems group enjoys a similar premium (+56%) versus its Tech-Enabled Healthcare Services peers, the latter group which is dragged down by names such as MedAssets, Accretive Health and Everyday Health, all trading below 10x 2014E EBITDA.

In the past 12 months both the NASDAQ Health Care Index (+40%) and the NASDAQ-100 (+33%) performed better than the Technology-Enabled Healthcare Services group (+28%) and the Healthcare Information Software Systems sector (+16%). Benefitfocus (+18%) and Veeva Systems (+15%) were the best performers over the past month in the Healthcare Information Software System group while Everyday Health (+33%) posted the highest returns in the Technology-Enabled Healthcare Services sector.

Marlin & Associates' Healthcare IT Indices include the following companies

HEALTHCARE INFORMATION SOFTWARE SYSTEMS

Company <i>USD millions</i>	Market Enterprise		EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
	Cap	Value	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E
Cerner	18,168	17,297	6.1x	5.2x	23.2x	14.8x	9%	18%	26%	35%
athenahealth	4,690	4,785	8.0x	6.4x	nm	36.3x	41%	25%	9%	18%
Veeva Systems	3,636	3,290	15.7x	11.7x	nm	53.0x	62%	34%	19%	22%
Allscripts	2,873	3,381	2.5x	2.4x	nm	15.2x	(5%)	3%	1%	16%
Medidata	2,231	2,242	8.1x	6.6x	nm	27.9x	27%	23%	12%	24%
The Advisory Board	1,929	1,888	3.8x	3.3x	31.1x	18.9x	16%	15%	12%	17%
CompuGroup Medical	1,424	1,819	2.8x	2.6x	16.8x	12.5x	3%	9%	17%	21%
Benefitfocus	1,134	1,084	10.3x	8.1x	nm	n/a	28%	27%	na	n/a
Quality Systems	973	859	1.9x	1.8x	11.8x	12.4x	(4%)	6%	17%	15%
Computer Programs & Systems	710	681	3.4x	3.2x	12.7x	11.4x	10%	5%	27%	28%
Imprivata	288	284	4.0x	n/a	nm	n/a	32%	n/a	na	n/a
Merge	218	426	1.8x	2.0x	16.5x	10.3x	(7%)	(8%)	11%	19%
Trim Mean	1,989	2,045	5.1x	4.4x	17.3x	18.7x	16%	15%	15%	21%
Median	1,677	1,853	3.9x	3.3x	16.7x	15.0x	13%	15%	14%	20%

TECHNOLOGY-ENABLED HEALTHCARE SERVICES

Company <i>USD millions</i>	Market Enterprise		EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
	Cap	Value	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E
McKesson	43,759	52,082	0.4x	0.3x	15.8x	11.5x	6%	25%	3%	3%
WebMD	2,021	2,195	4.3x	3.8x	29.8x	14.2x	10%	12%	14%	27%
HMS Holdings	1,795	1,916	3.9x	4.4x	15.0x	17.6x	4%	(12%)	26%	25%
MedAssets	1,409	2,185	3.2x	3.1x	10.5x	9.3x	6%	4%	31%	33%
Premier	944	713	0.9x	0.8x	2.3x	1.9x	na	15%	38%	40%
Accretive Health	787	590	0.7x	0.7x	9.5x	8.5x	(9%)	2%	7%	8%
Emis	766	791	4.4x	3.4x	13.4x	10.3x	22%	27%	33%	33%
HealthStream	678	576	4.4x	3.4x	25.1x	22.8x	28%	26%	17%	15%
Healthways	617	878	1.3x	1.2x	31.1x	10.7x	(2%)	12%	4%	11%
Castlight Health	410	191	14.7x	4.7x	nm	n/a	212%	214%	na	n/a
Vocera Communication	331	210	2.0x	1.9x	nm	n/a	2%	7%	na	n/a
Craneware	253	222	5.2x	4.8x	18.7x	16.2x	0%	9%	28%	30%
Everyday Health	100	316	2.0x	1.8x	29.9x	9.2x	13%	15%	7%	19%
Trim Mean	910	963	2.9x	2.7x	18.7x	12.0x	9%	14%	19%	22%
Median	766	713	3.2x	3.1x	15.8x	10.7x	6%	12%	17%	25%

United States

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International

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