

Dear Clients and Friends,

Much has been written about the benefits of big data and the science of data analytics making healthcare more intelligent. The question that is emerging is if the opportunity to leverage big data will result in M&A activity amongst unlikely bedfellows. Would we see corporate marriages that, on surface, may be dreamy and can not be properly evaluated for years to come, just for the sake of leveraging enormous data banks?

The recent LabCorp/Covance combination is a good example of unlikely bedfellows. LabCorp is a provider of blood and other medical testing. Covance is a CRO (Clinical Research Organization) which provides outsourced clinical trials to pharmaceutical companies. Both companies sit on huge amounts of data that, if harvested smartly, could improve results for patients and offer better value to the constituents that each company serves.

Given limited short-term synergies and cost savings, many investors believe that it will be years before LabCorp can demonstrate the benefits of this combination, if at all. We are not here to speculate about LabCorp's future stock price, but we do know that other healthcare CEO's with big dreams have had much success in taking the unorthodox path to growth. In 2007, drug-store chain CVS bought pharmacy benefit manager Caremark Rx (a \$21 billion transaction). At the time the fundamental reasons for the acquisition did not conform to any standard industry rationale. Some thought that CVS was worried about the robust mail order business of Caremark and wanted to take a competitor out of the market. But the real reason for the acquisition was to improve the ability to contain costs of drugs, period. Today, the deal is touted as one of the most successful out-of-the-box M&A transactions in our industry.

As companies search for amassing and leveraging large data banks, we foresee more unorthodox deals in the offing. Surely, M&A transactions for gaining market share or expanding product lines will continue at an active pace. But it is those few deals where the CEOs will take the road-less-travelled that could structurally change our HIT industry; we hope for the better. And this time it is all about big data. The LabCorp/Covance combination is not noise, it is a signal.

Sincerely,

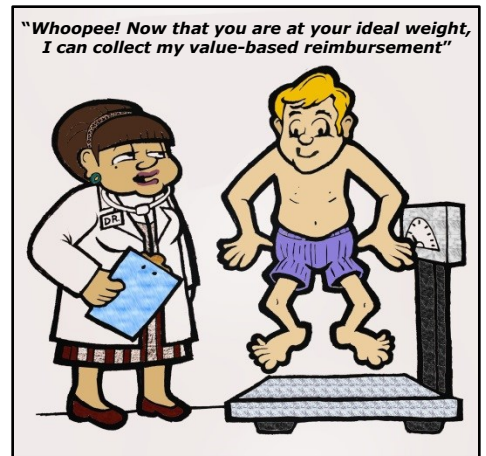
Afsaneh Naimollah

MARLIN & ASSOCIATES Healthcare IT Review November 2014

For further information contact:

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

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



Marlin & Associates is a financial and strategic advisory firm and investment bank focused on advising owners and managers of U.S. and international companies that provide software, data, and related services. The firm is based in New York City, with offices in San Francisco, CA, Washington, DC, and Toronto, Canada. It has been the recipient of numerous awards including "Best Software Focused Financial & Strategic Advisory Firm - USA", "Healthcare & Life Sciences Deal of the Year", "Middle-Market Investment Bank of the Year", "Middle-Market Financing Agent of the Year - Equity", and "TMT Advisory Bank of the Year." Two transactions on which Marlin & Associates advised have been recognized as "Deals-of-the Decade."

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M&A TRANSACTIONS / INVESTMENTS

Connecture files for IPO

Connecture, the Brookfield, WI provider of a web-based platform used to create health insurance marketplaces, and backed by Great Point Partners, Chrysalis Ventures, LiveOak and others, filed a registration statement with the SEC for an initial public offering to raise over \$85 million.

Insurance exchanges are a big and growing market; Connecture is one of the best in the business. The company, at its heart, is in the business of sales automation software for plans, brokers and consumers. For the first six months of 2014, the company had \$35.3M in revenue with a loss of \$12.1M. The company has close to 500 employees.

Clariso (MedXT) acquired by Box

Clariso, the San Francisco, CA provider of data sharing and collaboration tools for healthcare (MedXT), was acquired by Box, the Los Altos, CA provider of a cloud-based mobile enterprise content collaboration platform, for an undisclosed sum.

We are watching the big tech giants and how they are positioning themselves in healthcare, be it Facebook, Google or in this case Box. Box has a dedicated healthcare team with deep domain expertise. MedXT is simply a viewing software for imaging professionals. A closer integration of that view with image storage and file sharing promises an even bigger extension into care coordination.

Joan Wellman & Associates and HBE Solutions acquired by Truven Health Analytics

Joan Wellman & Associates (JWA Consulting), the Mercer Island, WA provider of manufacturing consulting services for the healthcare industry, and HBE Solutions, the New York, NY provider of stakeholder management solutions, were both acquired by Truven Health Analytics, the Ann Arbor, MI provider of healthcare information, analytic tools, benchmarks and services.

Truven has bought four companies in 2014 alone. Joan Wellman offers lean manufacturing consulting services. The firm has been around since 1999. The firm is joining the Simpler division of Truven. HBE is in part a KOL management company. The concept of Key Opinion Leader is a big deal in the pharmaceutical industry. The ability to reach experts and advisors that have strong independent voice and good reputation in their field is an integral part of any product research including the clinical trial phase.

Alere Health to be acquired by Optum for \$600M

Alere Health, the Atlanta, GA provider of case / condition management and wellbeing services to both health plans and employers, and subsidiary of Alere (NYSE:ALR), agreed to be acquired by Optum, the leading provider of health information and technology-enabled healthcare services, and subsidiary of UnitedHealth Group (NYSE:UNH), for \$600 million.

Optum has materially quickened its pace of acquisitions, something we were used to a few years ago. Alere Health itself is a company built on several acquisitions from wellness to population health. Alere services cover 200 regional health plans, 89 Fortune 500 companies and 22 million people.

MD On-Line to be acquired by ABILITY

MD On-Line, the Parsippany, NJ provider of electronic healthcare solutions to providers and payers, and backed by Abingworth Bioventures, agreed to be acquired by ABILITY Network, the Minneapolis, MN provider of Medicare connectivity and workflow management tools, for an undisclosed sum.

This acquisition serves a big purpose for ABILITY. It allows the company to offer multi-payer services to its broad base of clients that range from hospitals to long term care and hospice facilities. It also brings a new class of customers to ABILITY in the form of small to medium size practices, which ABILITY can now serve with its core Medicare offering. What we do not know is the fate of the pharma communication operation of MD On-Line which, on surface, does not look like a fit with ABILITY's core business.

Systems Made Simple to be acquired by Lockheed Martin

Systems Made Simple, the Syracuse, NY provider of information technology services to large companies and government agencies, agreed to be acquired by Lockheed Martin (NYSE:LMT) for an undisclosed sum.

SMS is an important player in health data analytics for the VA hospitals and the National Institute of Health. This deal further cements Lockheed's position in the federal HIT market. SMS will play an active role in helping VA to further develop its EHR and information sharing between VA and other government agencies.

HealthPort acquired by New Mountain Capital and merges with Supna Healthcare Solutions

HealthPort, the Alpharetta, GA provider of release of information (ROI) services and audit management and tracking technology, and owned by ABRY Partners, was acquired by New Mountain Capital, the New York, NY based growth-oriented private equity firm, for an undisclosed sum. Subsequently, Healthport acquired Supna Healthcare Solutions, the Norcross, GA provider of release of information (ROI) services, for an undisclosed sum.

Another great exit by one of the best healthcare PE firms in the country. HealthPort is the largest ROI company in the country with the most advanced technology. There is still a long runway for New Mountain to take HealthPort to the next level such as buying its competitors (ex. Supna) or moving into other administrative functions in the hospital market.

Ingenious Med acquired by North Bridge

Ingenious Med, the Atlanta, GA provider of a patient encounter platform, and backed by Buckhead Investments, agreed to sell a majority stake to North Bridge Growth Equity, the Waltham, MA based private equity and venture capital firm, for an undisclosed sum.

There are not that many charge capture companies that have successfully augmented their business model to engage in care coordination and analytics. Ingenious Med has done a good job in demonstrating its capabilities outside the charge capture function. This is a great platform play for North Bridge.

Cadient Group acquired by Cognizant

Cadient Group, the King of Prussia, PA provider of digital marketing solutions to life sciences companies, was acquired by Cognizant Technology Solutions (Nasdaq:CTSH), for an undisclosed sum.

We see a shift in strategy from Cognizant. The company is coming out of its comfort zone of system integration and application development and is moving closer to becoming a more meaningful partner to its clients. Cadient, as a full service digital marketing agency, should help Cognizant prove that it is capable of delivering integrated solutions to its life sciences client base.

Allocate Software to be acquired by HgCapital for GBP110M

Allocate Software (AIM:ALL), the UK based provider of workforce management solutions in healthcare and other industries, agreed to be acquired by HgCapital, the London, UK based private equity firm, for approximately \$167 million.

This is one of the few public company takeovers of an HIT firm in the UK. HG Capital paid a 35% premium for Allocate shares. Allocate had revenue of \$60M, implying a revenue multiple of 2.8x.

VERTEX acquired by Ebix

VERTEX Incorporated, the New Britain, CT provider of consulting and professional services and software to the healthcare and insurance industries, was acquired by Ebix (Nasdaq:EBIX) for an undisclosed sum.

We applaud Ebix for its relentless pursuit for growth irrespective of the on-going SEC investigation on accounting matters. As a consulting company, we expect VERTEX will be able to elevate the level of strategic contacts for Ebix in the insurance industry. We are seeing more and more consulting companies buying software firms and vice versa.

Ceiba Solutions acquired by PerkinElmer

Ceiba Solutions, the Boston, MA provider of laboratory IT software and services, was acquired by PerkinElmer (NYSE:PKI) for an undisclosed sum.

Ceiba is a technology play for the PerkinElmer lab business. With this acquisition, OneSource, the company's lab software solution, can now offer more IT workflows including documentation compliance, training and certification modules, as well as informatics.

Compass Healthcare acquired by MDX Medical (Vitals)

Compass Healthcare Advisers, the Bedford, NH provider of a healthcare price transparency platform, was acquired by Vitals, the Lyndhurst, NJ physician rating platform, for an undisclosed sum.

Providing information and reviews on doctors is rapidly becoming a commodity business. Compass is a clever way for MDX to keep their viewers engage. The company not only helps to educate patients, it also helps them shop for specific services.

Vendormate to be acquired by Global Healthcare Exchange (GHX)

Vendormate, the Atlanta, GA provider of vendor credentialing and compliance-monitoring solutions, and backed by Primus Capital and others, agreed to be acquired by GHX, the Louisville, CO provider of supply chain focused cloud technology and consulting services, for \$220 million.

This acquisition makes a lot of sense to us. GHX is a leader in supply chain solutions for hospitals. The addition of Vendormate with their credentialing capabilities delivers greater supply chain visibility to GHX's clients. Better and smarter procurement is one way hospitals can cut costs.

LDM Group acquired by PDR Network

LDM Group, the St. Louis, MO provider of behavior based prescription management programs, was acquired by the Lee Equity backed company, PDR Network, the Montvale, NJ provider of information and prescriber communications.

We are huge fans of this merger. PDR is a global brand, the foremost provider of drug information. Despite its incumbency, the company has had to deal with serious headwinds due to the digitization of drug information. LDM brings much needed solutions to PDR's current offerings in the form of behavior-based prescription management programs. The combined company now has a network of 250,000 prescribers and 16,000 retail pharmacies.

Relias Learning to be acquired by Bertelsmann

Relias Learning, the Boca Raton, FL provider of a solutions that helps users automate, manage and track their organizations' training needs, and backed by LLR Partners and Vista Equity, agreed to be acquired by Bertelsmann SE & Co. KGaA, the German based, large media conglomerate, for an undisclosed sum.

We pretty much have a consensus view that the long term/senior care market is a booming sector due to shift in demographics. Relias provides online training programs to these facilities. Their LMS (Learning Management System) allows these facilities to manage their training programs and meet their compliance requirements. In 2014 alone, over 14 million courses were taken on the Relias Learning.

Bswift to be acquired by Aetna for \$400M

Bswift, the Chicago, IL provider of a technology platform that creates public and private health insurance exchanges, and backed by Great Hill Partners and Escalate Capital, agreed to be acquired by Aetna (NYSE:AET) for \$400 million.

Industry observers are realizing that the business of private exchanges is not a fad. The concept is here to stay. Bswift is known for its elegant and user-friendly interface; making it easy for consumers to shop for and administer their benefits. Aetna has tried its own hands to create its own private exchange, but bswift promises to be more credible, with better technology, particularly in the area of decision support. Connecture, another private exchange company has filed to go public. The \$400M purchase price sounds high but then again there is scarcity value here. Great Hill, the backers of bswift held on to the investment only for seven months. More power to smart PE firms.

Acclaris raises funding

Acclaris, the Tampa, FL provider of a while labeled platform to administer healthcare spending accounts, raised an undisclosed amount of funding from existing investor ORIX Ventures.

Plays in consumer driven healthcare (CDH) are attracting high valuations and lots of capital. Acclaris simplifies the complex administration of CDH accounts for HR administrators as well as health plans.

InVitae raises \$120M in Series F funding

InVitae, the San Francisco, CA provider of genetic diagnostics for hereditary disorders, raised \$120 million in funding from new investors that included Deerfield Management, OrbiMed, Wellington Management and others and included participation from existing investors.

The \$120M raise is a substantial capital infusion for a gene sequencing company. This brings the total capital for InVitae to \$207M to date. The company has a single diagnostic test that analyzes 200 genes for a variety of genetic disorders associated with cancer, cardiology, neurology and pediatrics.

MediGain raises \$38M in funding

MediGain, the Plano, TX provider of revenue cycle management solutions and analytics, raised \$38 million in funding from Prudential Capital Group.

Some investors are reluctant to view the billing sector as a suitable investment proposition. We beg to differ. We think the sector has a lot of legs and with some technology improvements, many of the RCM companies can add profitable business lines to their offering. As a multi-specialty shop, MediGain is a good platform to start building a bigger RCM business.

Telcare raises \$35M in Series C funding

Telcare, the Bethesda, MD developer of mobile applications to monitor diabetics' blood glucose levels, raised \$34.7 million in funding led by new investor Norwest Venture Partners and included participation from Sequoia Capital, Qualcomm and others.

This large round brings endorsement to the next generation smart phones as health monitoring devices. We envision the day that much of the monitoring and some of the diagnostic functions for our health will be performed by our smartphones. We will soon see signs that say: Your smartphone can see you now!

Phreesia raises \$30M in funding

Phreesia, the New York, NY provider of a healthcare point of service platform, raised \$30 million in funding led by new investor LLR Partners.

Phreesia has done a good job developing additional services by using its point of service platform. Patient pay seems to be one such service. That is a space with lots of players.

WellTok raises \$25M in funding

WellTok, the Denver, CO provider of a consumer health engagement platform, raised \$25 million in funding led by new investor Bessemer Venture Partners and included participation from New Enterprise Associates, IBM and others.

You may think that there are too many wellness companies serving either employees or members of the insurers. We agree, but the market is large and we are in early stages of testing a variety of business models. WellTok has done a good job in aligning consumer actions and behaviors with the right incentives and rewards. The company has raised over \$70M to date.

Limeade raises \$25M in funding

Limeade, the Bellevue, WA provider of corporate wellness solutions, raised \$25 million led by new investor Oak HC/FT and included participation from TVC Capital.

Companies in the wellness business tackle the employer market in a variety of ways. Accolade gets paid if they demonstrate cost savings for healthcare expenditures, while Health Advocate acts more as an employee concierge. Limeade, on the other hand, has shown that it can truly engage employees in their wellness and health management. It is worth noting that this is Oak FT/HC's first investment. The firm is an offshoot of Oak Investment Partners, one of the most prestigious healthcare investors in the country.

Kareo raises \$15M in funding

Kareo, the Irvine, CA provider of medical office software for small practices, raised \$15 million in mezzanine debt from new investor Escalate Capital Partners.

Kareo's revenue are said to be exceeding \$48M. That is a sizeable revenue base for an EHR company. The money raise is in the form of debt and not equity, which means the company is now grown up enough that lenders are happy with the risk. We like the model of a one stop shop from EHR to practice management to billing. To date, Kareo has raised \$90M in funding.

myNEXUS raises \$14M in funding

myNEXUS, the Brentwood, TN provider of a care management platform to help payers lower costs, raised \$13.6 million in funding led by MTS Health Investors.

This is yet another model to help employers and individuals track their health. MyNexus monitors significant changes and variations in an individual's health and alerts the team of clinical experts designated to the patient.

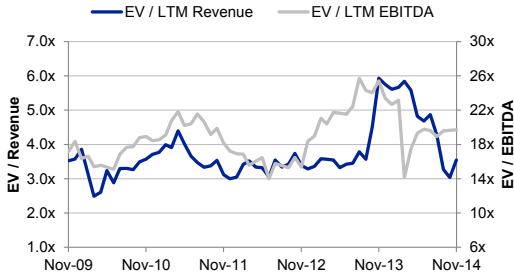
Oration PBC raises \$11M in funding

Oration, the Foster City, CA provider of an online interface that connects healthcare buyers and suppliers, raised \$11.2 million in funding from unnamed investors. Andreessen Horowitz is an existing investor.

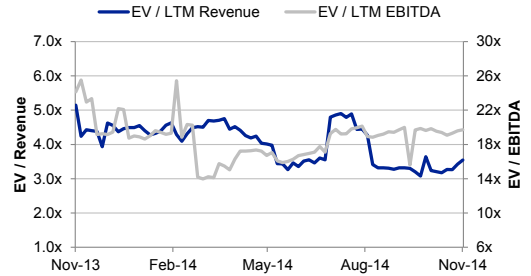
This is a month featuring lots of employer focused HIT companies. Oration is a predictive software company that can help employers save on employees' prescription drugs by searching for the most cost effective medication. The company has a unique technology that does the price search automatically and fulfills the order.

HEALTHCARE INFORMATION SOFTWARE SYSTEMS

5 Year LTM Revenue & EBITDA Multiples

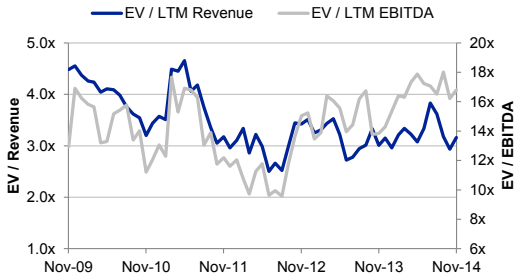


1 Year LTM Revenue & EBITDA Multiples

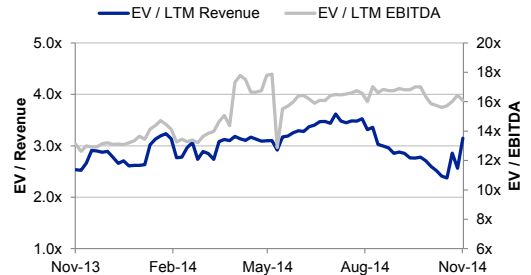


TECHNOLOGY-ENABLED HEALTHCARE SERVICES

5 Year LTM Revenue & EBITDA Multiples

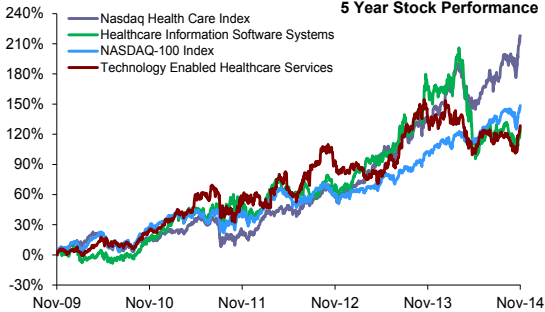


1 Year LTM Revenue & EBITDA Multiples

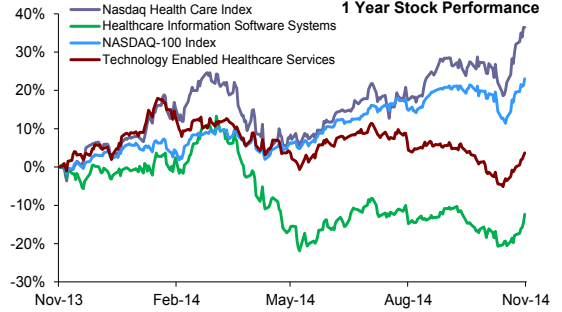


HIT STOCK PERFORMANCE VERSUS NASDAQ

5 Year Stock Performance



1 Year Stock Performance



PUBLIC MARKET TRENDS

The Healthcare Information Software Systems (HISS) group 2014 revenue multiple (trim mean) is 55% higher than the Technology-Enabled Healthcare Services (TEHS) sector, or approximately 10% lower than last month. Of note, Castlight Health (21x), Veeva Systems (13x) and athenahealth (8x) are trading at the highest revenue multiples within the HIT group (see next page for details). For 2014 EBITDA multiples, the HISS group enjoys a similar premium (+50%) as last month versus its TEHS peers.

In the past 12 months, the returns of both the NASDAQ Health Care Index (+36%) and the NASDAQ-100 (+23%) were stronger than both of M&A's HIT indices (TEHS +4%, HISS -12%). Over the past month, shares of Healthstream (+29%), Vocera (+28%) and Merge (+25%) performed the best while athenahealth (-7%) and Accretive Health (-7%) performing the worst. The market rewarded upside to expectations (versus consensus views) as Healthstream, Vocera and Merge all 'beat' on the both the top and bottom lines while athenahealth's revenue and EPS was just in-line with expectations, leading to a sell-off in shares.

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	CY2014E	CY2015E	CY2014E	CY2015E	CY2014E	CY2015E	CY2014E	CY2015E
Cerner	22,126	20,941	6.2x	4.9x	18.8x	15.4x	19%	27%	33%	32%
athenahealth	4,655	4,762	6.4x	5.1x	34.4x	28.6x	26%	24%	19%	18%
Veeva Systems	4,269	3,919	12.9x	10.3x	49.6x	41.3x	44%	25%	26%	25%
Medidata	2,484	2,464	7.3x	6.0x	32.9x	25.2x	22%	21%	22%	24%
Allscripts	2,467	2,986	2.1x	2.0x	13.7x	11.1x	3%	6%	16%	18%
The Advisory Board	1,954	1,904	3.3x	2.9x	19.3x	16.2x	15%	16%	17%	18%
CompuGroup Medical	1,161	1,557	2.4x	2.3x	12.0x	10.1x	10%	5%	20%	23%
Quality Systems	919	795	1.7x	1.6x	12.3x	9.6x	8%	7%	14%	16%
Benefitfocus	698	665	4.9x	3.9x	nm	na	29%	27%	na	na
Computer Programs & Systems	695	666	3.2x	3.1x	11.2x	10.7x	4%	4%	28%	29%
Imprivata	371	287	3.0x	2.5x	nm	na	33%	22%	na	na
Merge	268	461	2.1x	2.1x	10.0x	9.4x	(7%)	4%	22%	22%
Trim Mean	1,967	2,018	4.1x	3.5x	19.3x	15.9x	17%	16%	21%	22%
Median	1,558	1,730	3.2x	3.0x	16.2x	13.2x	17%	18%	21%	22%

TECHNOLOGY-ENABLED HEALTHCARE SERVICES

Company <i>USD millions</i>	Market Enterprise		EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
	Cap	Value	CY2014E	CY2015E	CY2014E	CY2015E	CY2014E	CY2015E	CY2014E	CY2015E
McKesson	47,801	56,164	0.3x	0.3x	11.8x	10.7x	32%	6%	3%	3%
HMS Holdings	2,050	2,127	4.8x	4.3x	19.4x	15.1x	(9%)	12%	24%	28%
WebMD	1,955	2,126	3.7x	3.3x	13.6x	11.5x	12%	10%	27%	29%
MedAssets	1,314	2,209	3.0x	2.9x	9.4x	8.7x	7%	6%	32%	33%
Castlight Health	1,122	940	21.3x	11.6x	nm	n/a	241%	83%	na	n/a
Premier	1,087	822	0.9x	0.8x	nm	nm	15%	12%	40%	39%
HealthStream	868	752	4.4x	3.7x	26.5x	22.1x	30%	18%	17%	17%
Emis	754	757	3.5x	3.3x	11.2x	10.3x	29%	6%	31%	32%
Accretive Health	726	530	0.4x	0.4x	4.3x	4.8x	38%	16%	10%	8%
Healthways	565	821	1.1x	1.0x	10.5x	8.6x	12%	9%	11%	12%
Everyday Health	416	400	2.2x	1.9x	13.1x	9.6x	16%	16%	17%	20%
Vocera Communication	263	146	1.6x	1.4x	nm	n/a	(8%)	9%	na	n/a
Craneware	216	183	4.0x	3.6x	13.4x	12.2x	7%	11%	30%	30%
Trim Mean	1,011	1,061	2.7x	2.4x	12.8x	10.9x	17%	11%	22%	23%
Median	868	821	3.0x	2.9x	12.5x	10.5x	15%	11%	24%	28%

United States

New York, NY
San Francisco, CA
Washington, DC



International

Toronto, Canada