

Dear Clients and Friends,

Summer is often a time to rest, renew and enjoy life in the slow lane. Not for the HIT industry. We saw a busy summer with many notable deals. Cerner acquired Siemens' HIT business, MedAssets bought the analytics firm Sg2, Imprivata, a single sign-on company and HealthEquity, an administrator of health savings accounts, both went public, and Walmart accelerated the opening of its primary care clinics.

With this dizzying amount of activity, it is time to sit back and try to make sense of the bigger picture.

While the pace of M&A, fund raising and partnerships in the HIT sector is at an all-time high, much of this activity has been focused on market share gains, automation technologies and product line extensions, rather than creating disruptive business models. We applaud consolidation -- it's the bread and butter of our practice. But we long for the disruptive business models that we have seen in other industries. Where is HIT's version of Uber, the company that has disrupted the taxi industry by providing an app that connects drivers with people who need a ride? Where is our Airbnb - another disrupter - putting a new twist on the hotel industry? It's coming...we are starting to see signs that certain companies in our industry are taking a left turn and uprooting our industry's traditional business models.

One example is Practice Fusion, an EHR software provider that decided to make its software "free" in return for access to information. When the company, raised its first big round of capital (purportedly at very high valuation) many questioned the long-term viability of the business model. Not any longer. After a few years in operation and now with over 80 million patient records, the company has disrupted our industry, and along the way amassed one of the largest de-identified clinical datasets in the U.S. That database has been productized and is being sold to a variety of constituents. Now, the company is expanding its footprint further by acquiring an automated answering service that allows doctors to access and respond to after-hours messages and conduct virtual consultations. Practice Fusion and its investors took enormous risk offering "free" EHR software in order to become a data bank and now a provider of physicians' services. Next on their list is the consumer market.

Stay tuned. We will cover more disruptors in our future issues of H.I.T. Greatest Hits.

Sincerely,

MARLIN & ASSOCIATES Healthcare IT Review September 2014

For further information contact:

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

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



"Will you put me on your health insurance?"

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."

www.MarlinLLC.com

M&A TRANSACTIONS / INVESTMENTS

Siemens Health Services to be acquired by Cerner for \$1.3 billion

Siemens Health Services, a division of Siemens AG (DB:SIE), agreed to be acquired by Cerner (Nasdaq:CERN) for \$1.3 billion cash.

Frankly, we were taken aback when we saw the announcement. Cerner has never acquired a company for more than \$100 million. The company spends \$400 million in R&D every year and prides itself for having built its own technology stack from ground up. With this acquisition, Cerner has more hospital clients than even Epic. Siemens also gives Cerner a great international presence.

Known as a company that does not waste its money, we are sure that Cerner will do well with this acquisition. At the end, the plan is to migrate all of Siemens technology to Cerner's platform. An exception is the financial piece of Siemens' technology, which may get incorporated into Cerner's platform, but the intent remains the same. Cerner will stick to its own technology stack in the end. We will be watching the speed of technology migration.

XIFIN acquired by GTCR

XIFIN, the San Diego, CA provider of RCM automation software and services to the diagnostic services sector, and backed by Boulder Ventures, Enterprise Partners Venture Capital and Windward Ventures, was acquired by GTCR, the Chicago-based private equity firm, for an undisclosed sum.

We see lots of RCM services companies but not enough software plays. XIFIN is one of select software companies that automates the RCM functions for the laboratory and radiology markets. Under GTCR's ownership, we expect the company to expand its product suite and market reach.

Sg2 to be acquired by MedAssets

Sg2, the Skokie, IL provider of healthcare market intelligence, strategic analytics and consulting services, agreed to be acquired by MedAssets (Nasdaq:MDAS) for approximately \$142 million.

Sg2 is one of the most unique BI companies in the industry. It has been able to successfully blend intelligence technology with expert advice.

MedAssets is not the type of a company to acquire big businesses. As a matter of fact this acquisition is one of the largest in the Company's history. With MedAssets large footprint in the hospital market, it looks like Sg2 would be a great addition to their portfolio. Sg2, in turn, helps elevate MedAssets' conversations with the C-suite amongst their clients.

MedData to be acquired by MEDNAX

MedData, the Brecksville, OH provider of medical billing services, and backed by Baird Capital, agreed to be acquired by MEDNAX (NYSE:MD), a multi-specialty physician services company, for an undisclosed cash sum.

In the last three years, MEDNAX has acquired over 30 physician practices largely focused on the anesthesia, pediatric areas and neonatal areas. With MedData, MEDNAX believes it has found a platform to provide management services, including RCM, to its customer base. We are fans of more integrated models that combine services with facilities.

Kforce Healthcare acquired by Beecken Petty O'Keefe & Company

Kforce Healthcare, the Tampa, FL provider of RCM staffing, consulting, outsourcing, and medical coding services, and subsidiary of Kforce (Nasdaq:KFRC), was acquired by Beecken Petty O'Keefe & Company, the Chicago-based private equity firm, for \$119 million.

Kforce has decided to simplify its model and deepen its focus on technology and finance / accounting in both the commercial and government verticals. As such, its RCM business was no longer considered core. Beecken is healthcare-focused private equity firm that invests in middle-market transactions.

Strategic Healthcare Programs (SHP) and Innovative Product Achievements acquired by Roper Industries

Strategic Healthcare Programs, the Santa Barbara, CA provider of software and solutions to the post-acute market, and backed by Cressey and Company and Level Equity, and Innovative Product Achievements, the Suwanee, GA manufacturer of automated surgical scrub dispensing equipment, and backed by Hercules Technology Growth Capital and Riverside Partners, were both acquired by Roper Industries (NYSE:ROP) for an undisclosed sum.

Roper is a large (\$15.0 billion market capitalization) and diversified manufacturing and distribution company. Healthcare seems to be a chief focus of the Company as of late. These two deals are the second and third acquisitions by the company over the last two months. This year alone, the company has spent over \$300 million in total to help build on the Managed Health Care Associates platform acquired in May 2013 for \$1 billion.

MD Buyline acquired by TractManager

MD Buyline, the Dallas, TX provider of healthcare analytics and supply chain intelligence capabilities, and backed by SFW Capital Partners, was acquired by TractManager, the Chattanooga, TN provider of technology-enabled compliance and contract management services, and backed by GE Healthcare and Arsenal Capital Partners, for an undisclosed sum.

MD Buyline represents TractManager's first acquisition, which comes with a built-in customer base of approximately half the nation's hospitals. MD Buyline's reliable and effective spend management solution combined with TractManager's MediTract offering will result in a comprehensive solution allowing customers to manage their vendors from procurement all the way through contract negotiation. We like this deal.

Ringadoc acquired by Practice Fusion

Ringadoc, the Los Angeles, CA provider of patient-doctor communication tools, including telemedicine, and backed by FF Angel, Wavemake Partners, Telegraph Hill Capital and others, was acquired by Practice Fusion, the San Francisco, CA provider of a free cloud-based EHR platform for physicians, for an undisclosed sum.

We have already covered this acquisition by Practice Fusion in this issue. We are very excited about the Company's trajectory.

Simbionix acquired by 3D Systems

Simbionix, the Cleveland, OH (R&D center in Israel) provider of simulation, training and educational solutions for physicians, and backed by Early Stage Partners, River Cities Capital and Zapis Capital Group, was acquired by 3D Systems (NYSE:DDD) for \$120 million cash.

3DS is quite acquisitive and has already closed seven deals in 2014. That said, Simbionix represents its largest deal in nearly three years. This combination will expand 3DS healthcare platform from the training room to the operation room, creating an end to end offering for 3D simulation, virtual surgery, guiding and delivery of 3D printed procedures and devices. This seems like a nice fit.

TheraDoc and Aperek to be acquired by Premier

TheraDoc, the Salt Lake City, UT provider of clinical surveillance software, and subsidiary of Hospira (NYSE:HSP), and Aperek, the Raleigh, NC provider of supply chain analytics and savings solutions, both agreed to be acquired by Premier (Nasdaq:PINC) for \$117 million cash and \$48.5 million respectively.

Premier went public in September 2013 and has made four acquisitions over the past six months, as it compliments and extends its core GPO capabilities. TheraDoc puts Premier in a leading position in the clinical surveillance market, which is increasingly important in performance-based reimbursement models. Aperek features automated supply chain management processes and is nice building block in Premier's technology and data analytics strategy.

ADLware acquired by Kinnser Software

ADLware, the San Clemente, CA provider of enterprise software for private duty home care (developed by Benesan Corp) was acquired by Kinnser Software, the Austin, TX provider of software solutions for the home health care industry, and backed by Insight Venture Partners. Terms were not disclosed.

ADLware is Kinnser's first acquisition since receiving \$40 million in Series A funding from Insight in 2012. This asset will allow Kinnser to become a single software partner for home care providers with multiple lines of business. Again, we see the creation of more integrated HIT solutions targeting the post-acute market.

Muscato Group acquired by Digital Payments

Muscato Group and its affiliate M2 Payment Solutions, the Maitland, FL provider of transaction processing software for the healthcare and financial sectors, was acquired by Digital Payments PLC, the vertically-integrated payment company, for \$14.6 million.

With this acquisition, Digital Payments is closer to becoming a global player in vertically integrated payment and processing industry

AirStrip raises \$25M in funding

AirStrip, the San Antonio, TX developer of mobile medical software applications, raised \$25.0 million in a round of funding led by new investor Gary and Mary West Health Investment Fund and included participation from new investors Leerink Partners, Dignity Health and existing investors Sequoia Capital, QUALCOMM Ventures and others.

AirStrip has raised over \$65 million to date. The company is one of our favorite remote monitoring/clinical mobility plays. The company integrates clinical data from disparate sources and makes it accessible on mobile devices. AirStrip plans to use the funding for expansion into the home health space, international efforts and faster integration with analytics engines. This is one market where investors need to be patient.

Doctor on Demand raises \$21M in funding

Doctor on Demand, the San Francisco, CA provider of a telemedicine platform, raised \$21.0 million in funding led by existing investor Venrock and included participation from Shasta Ventures. Other investors include Andreessen Horowitz, Google Ventures and Lerer Hippeau Ventures.

Doctor on Demand's next generation telemedicine platform has attracted blue-chip investors who have provided \$24 million in funding to date. For \$40 per video visit, physicians can treat basic illnesses, diagnose and write prescriptions through an e-prescription interface, and importantly, send aftercare information and notifications to the patient. Concurrent with the funding, the company announced that Comcast will offer its services to more than 100,000 of its U.S. employees; thus, its appears this model is quickly gaining traction. The tele-visit market is booming but not to worry, there is still room left for other entrants.

Strata Health Solutions raises funding

Strata Health Solutions, the Calgary, BC provider of patient flow management solutions aiming to reduce the time that patients occupy acute care beds after they are approved for discharge, raised a growth equity round of funding from Polaris Partners.

Founded in 2001, this is Strata's first institutional funding. The new equity will be used to expand its eReferral and intelligent resource matching products across Canada and the U.K., while entering new markets in Ireland, Europe and the U.S.

Comprehend Systems raises \$21M in funding

Comprehend Systems, the Palo Alto, CA provider of clinical data reporting and visualization tools for pharma, raised \$21.0 million in Series B funding led by new investor Lightspeed Ventures and included participation from existing investor Sequoia Capital.

Comprehend is a young company (founded in 2010) but already much accomplished. The Company's first product is a SaaS tool built to accelerate clinical trials. All involved constituents from clinicians, to executives or data managers in clinical trials, work off of a single data base. The company leverages Oracle technology and has built a number of intuitive dashboards as well as visualization tools.

Healthsense raises \$10M in funding

Healthsense, the Mendota Heights, MN provider of wireless sensors and remote monitoring solutions for seniors, raised \$10.0 million in funding led by new investor Mansa Capital and included participation from existing investors Merck Global Health Innovation and Radius Ventures.

Healthsense has raised over \$33 million to date and intends to leverage the new Mansa Capital relationship to further penetrate the manage care & home health markets. Its eNeighbor platform is a next generation personal emergency response system (PERS) which facilitates interventions and readmission rate reductions through remote monitoring.

Censis Technologies raises funding

Censis Technologies, the Franklin, TN provider of surgical instrument tracking solutions, raised funding from The Riverside Company.

Censis, established in 1999, provides SaaS-based tracking and workflow solutions for sterile processing departments (SPD) of hospitals and ASCs. SPDs are responsible for assembling instruments (which can total in the 100s) for surgical procedures; as such these solutions help ensure patient safety and make facilities more efficient, offering an innovative angle on the sterilization business.

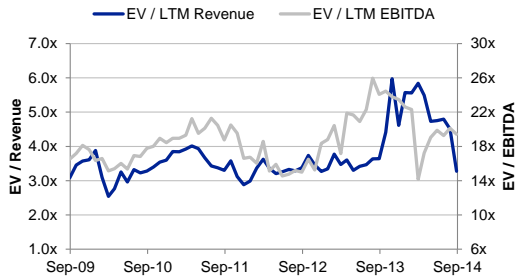
GenoSpace raises \$5M in funding

GenoSpace, the Cambridge, MA precision medicine company, raised \$5 million from Thomson Reuters.

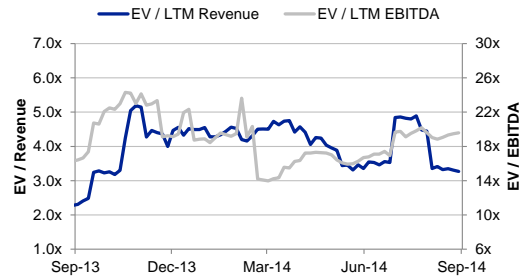
GenoSpace's solutions enable the broad use of genomic data in research and clinical settings. Thomson Reuters has had a relationship with GenoSpace since its founding in 2011, and this transaction represents their first investment in precision medicine informatics.

HEALTHCARE INFORMATION SOFTWARE SYSTEMS

5 Year LTM Revenue & EBITDA Multiples

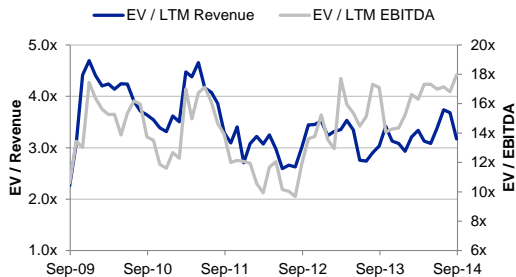


1 Year LTM Revenue & EBITDA Multiples

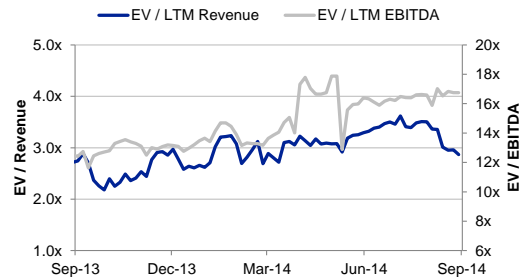


TECHNOLOGY-ENABLED HEALTHCARE SERVICES

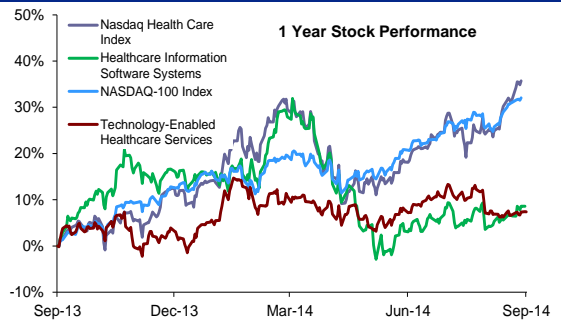
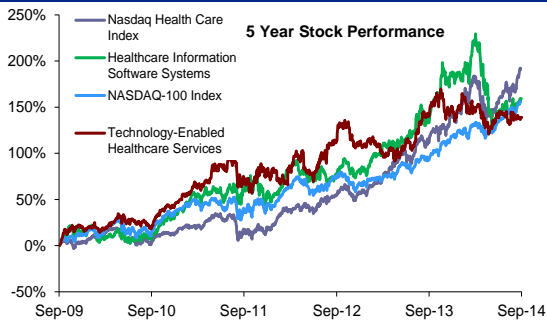
5 Year LTM Revenue & EBITDA Multiples



1 Year LTM Revenue & EBITDA Multiples



HIT STOCK PERFORMANCE VERSUS NASDAQ



PUBLIC MARKET TRENDS

The Healthcare Information Software Systems group 2014 revenue multiple (trim mean) is 56% higher than the Technology-Enabled Healthcare Services sector, which is unchanged from the prior month. Of note, Castlight Health (21.1x), Veeva Systems (13.0x) athenahealth (7.5x) and Medidata (7.5x) are trading at the highest revenue multiples within the HIT group (see next page for details). For 2014 EBITDA multiples, the Healthcare Information Software Systems group enjoys a similar premium (+49%) as last month versus its Tech-Enabled Healthcare Services peers, the latter which is impacted by names such as MedAssets, Accretive Health, and Emis, which are all trading below 11x 2014E EBITDA.

In the past 12 months, the returns of both the NASDAQ Health Care Index (+36%) and the NASDAQ-100 (+32%) were stronger than both of M&A's HIT indices. For newer public HIT companies, shares of Veeva Systems (+50%), HealthEquity (+36) and BenefitFocus (+25) have performed the best since IPO pricing, while Castlight (-26%) and Imprivata (-2%) have posted the weakest returns.

Marlin & Associates' Healthcare IT Indices include the following companies

HEALTHCARE INFORMATION SOFTWARE SYSTEMS

Company <i>USD millions</i>	Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
			CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E
Cerner	20,169	19,336	6.8x	5.7x	26.0x	16.7x	9%	19%	26%	34%
athenahealth	5,468	5,576	9.4x	7.5x	nm	41.5x	41%	26%	9%	18%
Veeva Systems	4,296	3,946	18.8x	13.0x	nm	51.1x	62%	44%	19%	25%
Allscripts	2,657	3,175	2.3x	2.3x	nm	14.3x	(5%)	3%	1%	16%
Medidata	2,552	2,569	9.3x	7.5x	nm	31.7x	27%	23%	12%	24%
The Advisory Board	1,806	1,756	3.5x	3.0x	28.9x	17.8x	16%	15%	12%	17%
CompuGroup Medical	1,268	1,683	2.7x	2.5x	16.2x	12.0x	3%	10%	17%	21%
Quality Systems	952	835	1.9x	1.8x	11.5x	12.7x	(4%)	7%	17%	14%
Benefitfocus	832	799	7.6x	5.9x	nm	n/a	28%	29%	na	n/a
Computer Programs & Systems	677	653	3.3x	3.1x	12.2x	10.9x	10%	5%	27%	28%
Imprivata	334	250	3.5x	2.7x	nm	n/a	32%	30%	na	n/a
Merge	247	455	2.0x	2.1x	17.6x	11.0x	(7%)	(7%)	11%	19%
Trim Mean	2,084	2,145	5.0x	4.2x	18.0x	19.7x	16%	17%	15%	21%
Median	1,537	1,719	3.5x	3.1x	16.9x	15.5x	13%	17%	14%	20%

TECHNOLOGY-ENABLED HEALTHCARE SERVICES

Company <i>USD millions</i>	Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
			CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E
McKesson	45,832	54,186	0.4x	0.3x	16.7x	11.5x	5%	30%	2%	3%
WebMD	2,214	2,385	4.6x	4.1x	32.4x	15.2x	10%	12%	14%	27%
HMS Holdings	2,014	2,116	4.3x	4.8x	16.5x	19.4x	4%	(10%)	26%	25%
MedAssets	1,402	2,191	3.2x	3.1x	10.5x	9.4x	6%	5%	31%	33%
Castlight Health	1,068	908	nm	21.1x	nm	n/a	212%	232%	na	n/a
Premier	1,029	770	1.0x	0.8x	nm	nm	na	15%	38%	39%
Accretive Health	817	620	0.7x	0.6x	10.0x	6.9x	(9%)	20%	7%	9%
HealthStream	728	616	4.7x	3.6x	26.9x	23.3x	28%	28%	17%	16%
Emis	722	746	4.3x	3.3x	13.2x	10.3x	22%	28%	33%	33%
Healthways	616	867	1.3x	1.2x	30.8x	10.8x	(2%)	12%	4%	11%
Everday Health	438	423	2.7x	2.3x	40.1x	14.2x	13%	16%	7%	16%
Craneware	233	202	4.8x	4.4x	17.1x	14.9x	0%	8%	28%	30%
Vocera Communication	222	102	1.0x	1.1x	nm	n/a	2%	(10%)	na	n/a
Trim Mean	1,026	1,077	2.8x	2.7x	20.5x	13.2x	9%	15%	19%	22%
Median	817	770	3.0x	3.1x	16.9x	12.8x	6%	15%	17%	25%

United States

New York, NY
San Francisco, CA
Washington, DC



International

Toronto, Canada