

H.I.T. Greatest Hits

June 2017



M&A

MARLIN & ASSOCIATES

INVESTMENT BANKING AND STRATEGIC ADVISORY TO THE TECHNOLOGY,
INFORMATION AND HEALTHCARE INDUSTRIES

HIT MARKET UPDATE

New York

San Francisco

Washington, D.C.

Toronto



XEN Partners

DEAR CLIENTS AND FRIENDS

Welcome to our June 2017 HIT Market Update

We made a prediction earlier this year about the emergence of Apple as one of the most influential players in healthcare. Given the company's recent activity, we are more convinced than ever that Apple is onto something big.

Apple's plan seems to be a play of building big software platforms internally and then acquiring select competencies to quicken their success. Here are the key components.

Three years ago, Apple began introducing a series of health and fitness related apps and tools including **HealthKit**, **ResearchKit** and then **CareKit**. Using these tools, developers can build apps to gather, track and use a wide range of health and fitness data. Some of apple's tools are open source platforms that allow people to build their own apps, permit access to the user's health records, and take a more active role in their treatment. Some are platforms that act as hubs for third-party apps; some are apps that allow researchers to ask iPhone users to participate in medical studies. (Imagine having a pool of over one billion patients to recruit for your trials!) And the list goes on.

Turning to its acquisitions; Apple bought **Gliimpse** with the aim of solving interoperability issues so Apple devices can interact with hospital systems. **Beddit**, a Finnish company was another acquisition to bring a credible sleep app to its Apple Watch. **Lattice**, a prominent player in the dark data space (unstructured data) will help Apple to make sense of narratives in medical records. And the latest partnership with **Health Gorilla**, which enables consumers to collect their lab and imaging results, means the iPhone can become a diagnostic hub in the hands of patients themselves.

Apple is just warming up for its assault on this market; the company wants to crush the interoperability barriers, make the information residing in EMR computable and expand and enrich its platform both for general as well as condition-specific apps. Typical of Apple's strategy, consumer sits at the center and armed with the ability to collect their own medical data and manage their health condition.

Now if you combine all these capabilities with a comprehensive AI platform, one billion voice enabled iPhones, hundreds of millions of watches and soon tens of millions of HomePods (Apple's Alexa), you will start seeing the shadows of a goliath forming in our industry.

What is next for Apple? Our bet is on a content acquisition. Could it be an EMR company? We will look at our crystal ball and report back !!!

For further information contact:

Afsaneh Naimollah
Afsaneh@XENPartners.com
+1 (917) 887-4278

Jason Panzer
Jason@Marlinlc.com
+1 (212) 257-6300



"The eight miles would have been more impressive if you'd been on the treadmill when they happened."

In this issue:

- EMR vendor, eCW, is fined \$150 million for falsifying EMR certification.
- Contextmedia, a patient education company, raises \$500 million on \$5.0 billion pre money valuation.
- Teladoc, the premier eVisit company, buys Best Doctors for \$440 million.
- athenahealth acquires Praxify a California-based EHR optimization company,
- SigmaCare is picked up by MatrixCare creating a formidable player in the post acute EHR market.

Afsaneh Naimollah
www.XENPartners.com

MARLIN & ASSOCIATES HIT MARKET UPDATE

04

Important Industry News

04

Capital Raising Activity

05

Mergers & Acquisitions

06

International Transactions

07

Marlin & Associates' Index Performance

07

■ Healthcare Information Software Systems

08

■ Technology-Enabled Healthcare Services

09

Merger & Acquisition Activity Trends and Multiples

0

IMPORTANT INDUSTRY NEWS

eClinicalWorks and three of its executives are fined \$154.9 million for false certification of its EMR software

eCW not only falsely certified its software for meeting government meaningful use, but it also paid kickbacks to influential customers to recommend the company's products. The company is #6 amongst EMR vendors catering to mid size practices. eCW has \$440 million in sales and 125,000 physician clients. The whistle blower, who is getting \$30 million of rewards, first filed the lawsuit back in 2015. HHS has set stringent requirements for ongoing monitoring of eCW's progress.

Oscar and Centene expand Obamacare presence while others retreat

News headlines are full of insurers that are leaving the ACA marketplace including Aetna, Anthem (partial exit) and Humana. Oscar, a next gen insurer based in NYC, and Centene which is predominately involved in Medicaid and exchange markets, are actually expanding their presence. What refreshing news. There is always room for the contrarians.

Companies that are leaving the ACA exchanges cite the difficulty with shrinking and deteriorating population pools. That may be true but it is only part of the answer. Many of the insurers that are exiting the market have antiquated IT infrastructure, are mostly bureaucratic institutions and have not demonstrated clear leadership in embracing the changing dynamics of the insurance markets. OSCAR lives and dies on its next gen IT platform and its emphasis on prevention vs. cure. Centene has had a long history of catering to the low-income population so they are well adept in dealing with that risk pool.

Rumors of Apple buying athenahealth

Whether the rumors are true or not, lets look at the numbers. Apple has an enterprise value of close to \$800 billion and trades at 3.6x sales and 11.4x EBITDA. athena, on the other hand, has an enterprise value of close to \$6 billion and trades at 5.4x sales and 53.2x EBITDA. Some of the differential may be warranted, but what Apple can do with the "content" resident in athena's EMR can be of enormous value. athena has data on over 65 million patients and has been around for 20 years. If this happens, we are all for it. It will definitely serve as a wakeup call for the entire industry. This is even bigger than Amazon buying Whole Foods! And like Amazon, Apple can afford the bet.

CAPITAL RAISING ACTIVITY

Chicago-based Contextmedia Health raises \$500 million

Contextmedia has never raised money before. The pre-money valuation is purportedly at \$5 billion. Goldman Sachs, Alphabet and the Pritzker family are amongst the investors. The company is involved in patient education at the point of care. Contextmedia was formed only in 2006 and covers 231,000 providers that service 500 million patient visits annually. The promise of those encounters and how they can be monetized is the real reason behind the big price tag.

Minneapolis, MN-based next gen insurer, Bright Health, raises \$160 million

This will bring the total funding for the company to \$240 million. Like Oscar, Bright is built on a nimble technology platform and has a special focus on prevention. The company has cut one-off deals with many of the leading providers in its respective markets. This close relationship is one of the main differentiators of the Bright. Bright sells policies both on exchange markets as well as via brokers.

NYC-based ClassPass raises \$70 million

The company has raised total of \$155 million in funding. The new money has been earmarked for expanding ClassPass's virtual fitness capabilities. The round was led by Singapore's sovereign fund, Temasek. ClassPass claims that over 35 million of bookings have been made on its platform since 2011. The company has 8,500 partners in 39 cities.

Watch for more actions by Temasek. The fund recently purchased GHX in a hotly contested auction. GHX is a premier supply chain software covering the healthcare industry amongst other verticals.

San Francisco-based Omada Health does it again with a \$50 million raise

The company has raised close to \$130 million since 2011. Omada was the first digital "drug trial" to prove its efficacy for treating diabetes. The evidentiary practice not only got a lot of business for the company, it also won it a Medicare reimbursement code. The round was led by Cigna which has struck a close partnership with the company offering the services for free to certain corporate clients. The doubters who questioned the wisdom of the early investors in Omada are nowhere to be found.

Diabetes data management company, Glooko, based in Mountain View, CA, raises \$35 million growth round

Glooko is an excellent example of a successful pivot. The company started as a maker of adaptor cords to connect glucometers to smartphones. The current business model revolves around collecting and analyzing the data with sophisticated AI technology. Glooko provides services to pharma, payer and provider clients. The aspiration of the company is to go global and this money will give it a head start. The first countries under the plan are France, Germany, UK and then moving to Asia. Glooko has raised \$70 million to date.

Alto Pharmacy based in San Francisco raises \$23 million in series B

The company has rebranded from its old name ScriptDash. Alto is a same day delivery services for prescription medication. Funds will be used to expand the geographical coverage starting with LA. In its hometown, the company has delivered more than 100,000 prescriptions to 12,000 patients. Welcome to the DoorDash for drugs.

Trice Medical of King of Prussia, PA receives \$19.3 million in Series C

Sensors, cameras, software. When you combine smart technologies, you can actually bring institutional grade diagnostics to the doctors' offices. Trice Medical enables orthopedic diagnostics to take place in ambulatory settings. With the help of the fully integrated camera-enabled technology, physicians can more immediately diagnose the patients and in many cases, eliminate the need for imaging studies.

Chartspan of Greenville, SC raises \$16 million

Chartspan's has a wide range of solutions spanning practice management, mobile patient engagement and record management tools. The services are offered to health systems and ambulatory practices. The company first started as a consumer app - the most downloaded medical app in Apple store - helping patients organize their medical files. Now the company helps providers to take advantage of Medicare \$41 per patient per month Chronic Care Management program. To be eligible for the program, ChartSpan has set up a call center where nurses and other certified clinicians can communicate with patients off hours. Very clever idea indeed.

Mindstrong of Los Alto, CA secures its first round of funding for \$14 million

The whole world of mental well being is getting a huge boost. From meditation apps to apps that can diagnose cognitive deficiency to companies that are involved in brain assessment, the field is indeed flourishing. Mindstrong has developed an algorithm that can assess the mobile user's cognitive state by how they use the phones. These include the measurement of processing speed, attention, memory and executive function. Verily's veteran, Dr. Thomas Insel has joined the company as President.

VoxelCloud, based in Los Angeles, CA raises \$10 million

The funding was led by Sequoia Capital. The company had previously raised \$5.5 million. The focus is on image interpretation and analysis. Voxel has built a knowledge graph based on medical semantics and AI models. The industry is moving towards automatic reads of images. We have ways to go to get there but it is only matter of time.

M&A TRANSACTIONS

Teladoc bulks up its services for the critically ill and acquires Best Doctors based in Quincy, MA for \$375 million in cash and \$65 million in stock.

For a company that will have \$100 million in revenue in 2017, this is clearly a steep price to pay. Then again, Teladoc so far has focused on routine eVisits. Best Doctors has 50,000 of the top doctors in the world that cover 450 complex specialties. Jeffries provided the financing for Teladoc which minimizes the dilution.

We have been huge fans of Teladoc from day one and applaud Jason Corevic for his tenacity to push the limits of eVisit from covering just simple health conditions to now the most complex diseases.

Cognizant snaps up HSCS's unit, TMG Health

TMG Health is a national provider of software solutions for Medicare Advantage, Medicare Part D and Managed Medicaid plans. This is a perfect build on top of Cognizant's acquisition of TriZetto in 2014. TMG supports 32 plans with 4.3 million members. The fit is also a good one for Cognizant's business process as service (BPaaS) strategy.

Austin-based Kinnser Software is picked up by TPG-backed Mediware

Kinnser offers comprehensive software solutions to the post-acute sector including home health and hospice providers. Insight Ventures first invested in the company back in 2012. TPG wasted no time to bulk up the revenues of Mediware which it bought from Thoma Bravo in February of this year. Mediware, founded in 1980 provides a variety of software services to state and federal agencies, blood banks, human and social services, etc.

GreatCall based in San Diego, CA is picked up by GTCR

The PERS market (personal emergency response services) is ripe for technology innovations. The elderly and disabled have used PERS services for decades which connects them to trained agents in the case of emergency and dispatches personnel to the site. That type of installed base is perfect ground for products such as urgent virtual care, care coordination with family and friends, and medication adherence; just to name a few. GTCR is one of the most highly regarded firms in the PE community.

Great Hill Partners recapitalizes Columbus-based Quantum Health

Quantum is a respected name in the corporate wellness market. Admittedly the sector has experienced some growing pains but Quantum has done a superb job in profiling high risk employees who have shown over 70% engagement rate. And that drops right to the bottom line.

athenahealth buys Palo Alto, CA-based Praxify for \$63 million

athena is not a very acquisitive company. With the exception of Epocrates which was a \$300 million acquisition (with disappointing results), the company has done smaller fringe deals. We think Praxify is a different story. Although small with only 80 employees, Praxify is an EMR optimization company with deep research underpinning. The company gathered 125 physicians from around the world to conduct a comprehensive study which identified exactly where decision support systems were falling short. And that is how the software was created. The system has machine learning, natural language processing capabilities and a rich mobility platform which athena is keen to bring to their existing clients.

INTERNATIONAL TRANSACTIONS

Marlin Equity-backed SigmaCare based in New York is acquired by MatrixCare, a subsidiary of Logibec of Canada

MatrixCare was voted as the number one Best in KLAS software for the long term care market. The company has been in business for over 30 years. MatrixCare is truly one of the most innovative vendors in a sector that has traditionally been viewed as “sleepy”. For example their software seamlessly integrates with non-Matrix sources including 500 telehealth devices. SigmaCare has been owned by Marlin Equity since July 2013. The company is a substantial player in its own right. This is a great combination.

Sorento Healthcare Communications of India is sold to Havas

Sorento is a healthcare advertising and communication agency that has been around since 1998. Havas, a global advertising agency. India’s growing pharma market as well as its strong healthcare IT presence, offers attractive opportunities for Havas. The target customer list is who is who in India including some global players such as Abbott and J&J.

Ottonova, a German on line health insurance company, raises \$11 million

What is interesting here is that the funding was provided by Debeka, which is the largest brick and mortar German private health insurance company. Just a few months ago Ottonova raised \$18 million from traditional VC funds. Target population is the young and affluent. Just with a few clicks the person can select a plan and complete a contract. The fever of an Oscar-type model is catching on fast.

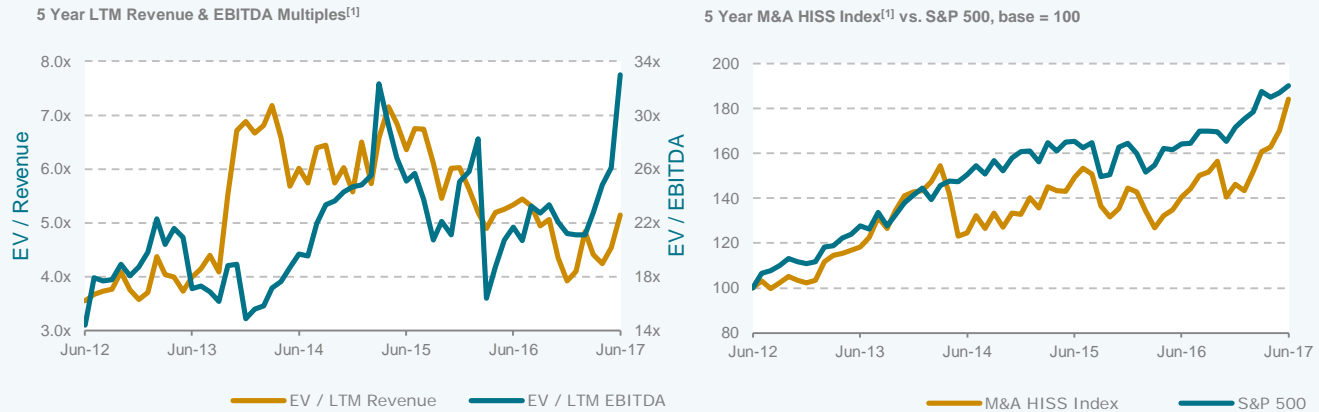
Figure 1, based in Canada raises \$10 million bringing total funding to \$20 million

Figure 1 is an image sharing application. The technology allows physicians to seek advice of colleagues around the world. The platform can also be used for educational purposes. Imagine having the ability to page over one million healthcare professionals around the world and ask them tough questions about your patients. Knowledge sharing has great potential to bring high quality care to the most in need, no matter the location.

Marlin & Associates' Index Performance

Healthcare Information Software Systems

Public Market Data



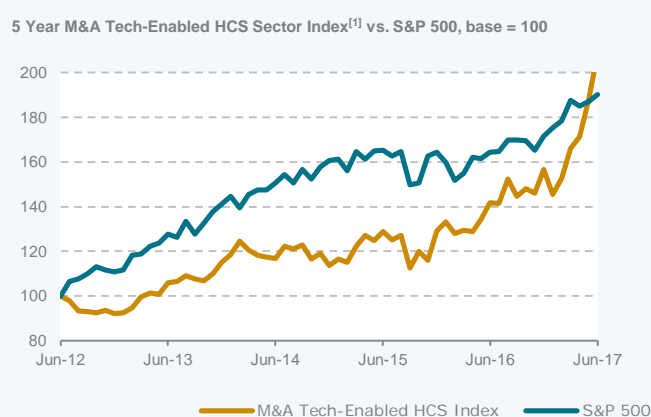
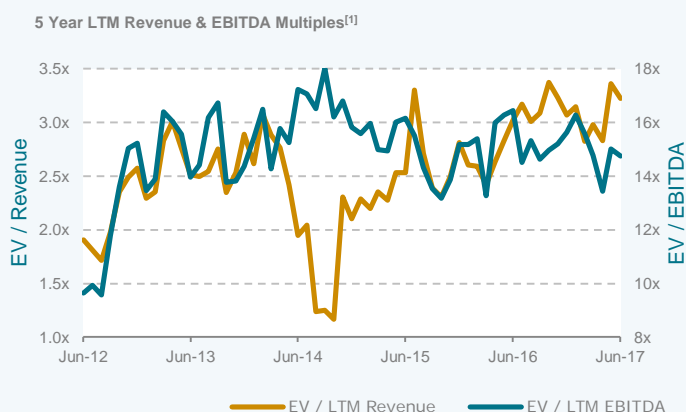
Company (USD millions)	Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
			CY2016A	CY2017E	CY2016A	CY2017E	CY2016A	CY2017E	CY2016A	CY2017E
Cerner	21,970	21,988	4.7x	4.2x	16.7x	12.9x	8%	11%	28%	33%
Veeva Systems	9,598	8,934	16.4x	13.4x	nm	42.1x	33%	23%	22%	32%
athenahealth	5,306	5,491	5.1x	4.5x	51.3x	20.9x	17%	13%	10%	21%
Medidata	4,134	4,036	8.7x	7.3x	61.6x	29.8x	18%	19%	14%	25%
CompuGroup Medical	2,869	3,227	5.0x	4.4x	26.3x	18.3x	3%	13%	19%	24%
Health Equity	2,812	2,616	14.7x	11.6x	48.1x	32.3x	41%	26%	30%	36%
The Advisory Board	2,122	2,562	3.2x	3.2x	20.7x	12.8x	5%	1%	15%	25%
Allscripts	2,063	3,722	2.4x	2.2x	24.4x	10.7x	12%	11%	10%	20%
Inovalon	1,974	1,700	4.0x	3.8x	22.9x	15.9x	(2%)	5%	17%	24%
Omnicell	1,470	1,638	2.4x	2.2x	26.0x	18.9x	43%	5%	9%	12%
Benefitfocus	975	1,026	4.4x	3.9x	na	64.8x	26%	14%	na	6%
Quality Systems	958	936	1.9x	1.8x	15.3x	11.8x	2%	3%	12%	15%
iRhythm Technologies	767	707	11.0x	7.7x	na	na	77%	44%	na	na
Computer Programs & Systems	447	591	2.2x	2.2x	18.0x	12.1x	47%	1%	12%	18%
NantHealth	376	240	2.4x	1.9x	na	na	72%	25%	na	na
Invitae	363	308	12.3x	5.1x	na	na	199%	142%	na	na
Trim Mean	2,562	2,678	5.9x	4.6x	28.3x	20.7x	29%	15%	16%	23%
Median	2,018	2,131	4.5x	4.0x	24.4x	18.3x	22%	13%	15%	24%

[1] Invitae added as of 2/2/15. NantHealth added as of 6/2/16. iRhythm Technologies added as of 10/20/16.

Marlin & Associates' Index Performance

Technology-Enabled Healthcare Services

Public Market Data

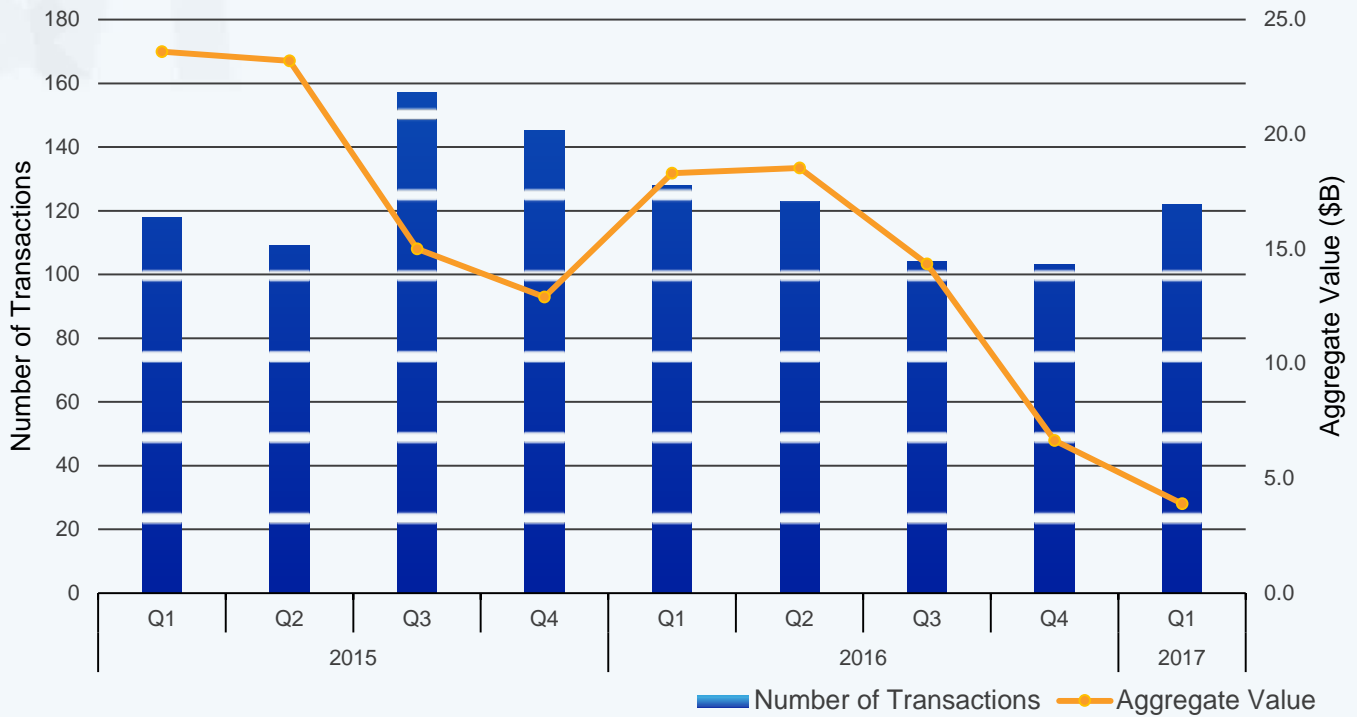


Company (USD millions)	Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
			CY2016A	CY2017E	CY2016A	CY2017E	CY2016A	CY2017E	CY2016A	CY2017E
McKesson	34,901	38,105	0.2x	0.2x	8.2x	8.9x	4%	4%	2%	2%
Cotiviti	3,439	4,090	6.5x	5.9x	19.1x	15.2x	15%	11%	34%	39%
WebMD	2,789	2,801	4.0x	3.9x	14.9x	11.8x	11%	2%	27%	33%
Teladoc	1,597	1,464	11.9x	8.0x	na	na	59%	49%	na	na
HIMS Holdings	1,559	1,589	3.2x	2.8x	16.5x	11.9x	3%	15%	20%	24%
Evolent Health	1,547	1,674	6.6x	3.9x	na	na	162%	67%	na	na
Tivity Health	1,376	1,583	3.2x	2.9x	15.2x	13.1x	11%	11%	21%	22%
MINDBODY	1,143	1,071	7.7x	5.9x	na	nm	37%	30%	na	2%
HealthStream	895	779	3.4x	3.1x	37.1x	21.8x	8%	11%	9%	14%
Emis	766	772	3.7x	3.6x	14.4x	12.4x	2%	5%	26%	29%
Vocera Communication	742	671	5.3x	4.2x	na	nm	23%	25%	na	5%
Craneware	484	439	8.2x	7.0x	26.9x	22.4x	15%	17%	31%	31%
Castlight Health	367	264	2.6x	2.0x	na	na	35%	31%	na	na
Accretive Health (R1 RCM)	362	395	0.7x	0.9x	1.3x	nm	405%	(29%)	53%	1%
Tabula Rasa Healthcare	215	213	2.3x	1.8x	25.8x	12.9x	34%	25%	9%	14%
Trim Mean	1,344	1,385	4.2x	3.5x	16.2x	13.5x	31%	19%	23%	19%
Median	1,260	1,267	3.6x	3.3x	15.2x	12.7x	16%	16%	26%	22%

Teladoc added as of 7/1/15, Cotiviti added as of 5/26/16, Tabula Rasa added as of 9/30/16

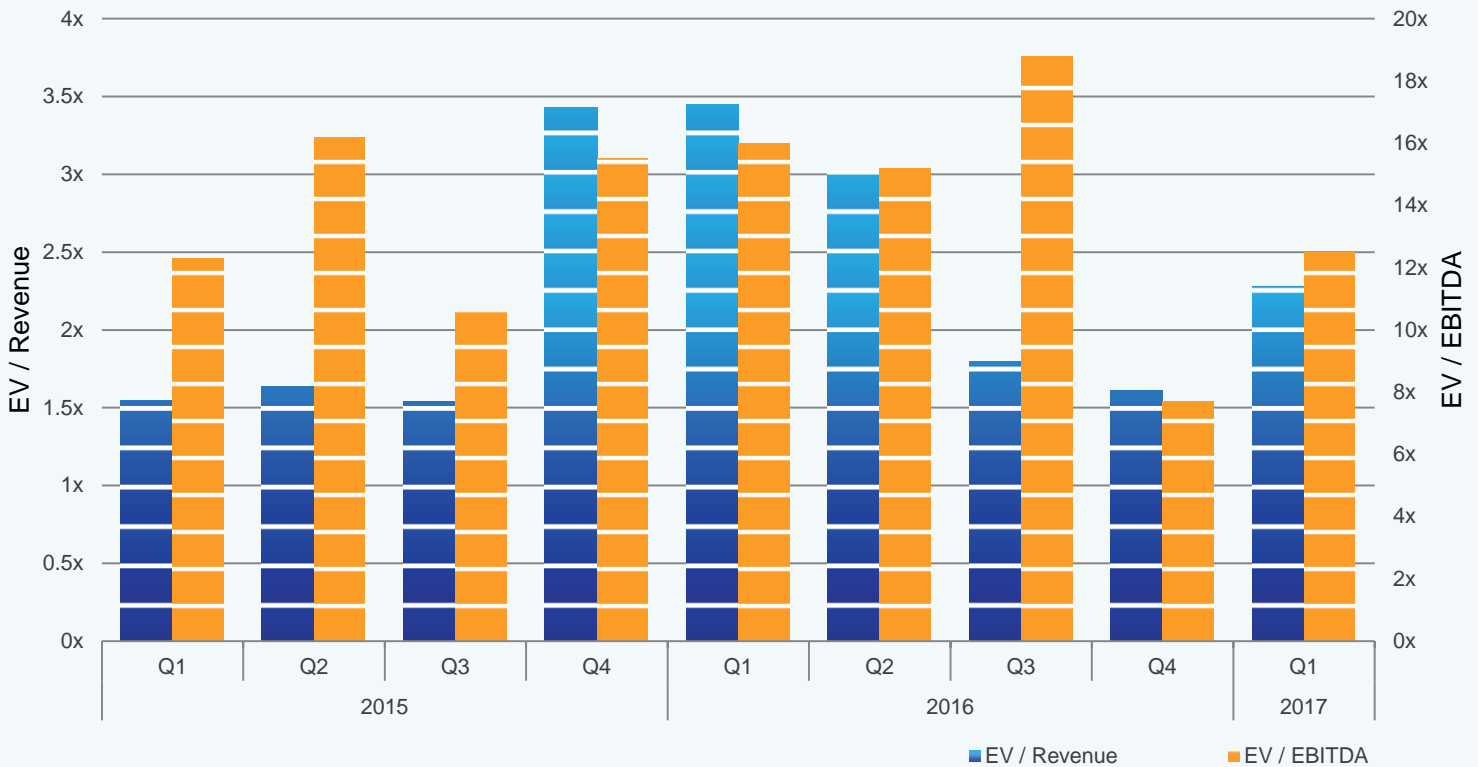
MERGER & ACQUISITION TRENDS AND MULTIPLES

Healthcare Technology and Services Transaction Activity



Note: Excludes Medtronic acquisition of Covidien, Anthem acquisition of Cigna, Aetna acquisition of Humana, and Abbott acquisition of St. Jude

Healthcare Technology and Services Transaction Multiples



PEER AND INDUSTRY GROUP RECOGNITION

“We are always grateful to be recognized for our hard work, but we are more pleased that we are able to help our clients achieve the results that they seek.”

Ken Marlin

Founder and Managing Partner

**Boutique Investment Banking Firm of the Year
(2014, 2015, 2016) - The M&A Advisor**

**M&A Award USA TMT Advisory Firm of the Year
(2012, 2015) – Acquisition International**

The M&A Advisor and The M&A Forum have recognized Marlin & Associates for excellence in multiple deal categories including:

- Cross-Border Boutique Investment Banking Firm of the Year (2016)*
- Boutique Investment Banking Firm of the Year (2014, 2015, 2016)*
- Advisory Firm of the Year (2015)*
- Middle Market International Professional Services (B-to-B) Deal of the Year (2013)
- Financial Services Deal of the Year (2013, 2012 and 2011)
- Information Technology Deal of the Year (2011)
- Middle Market Deal of the Year <\$25M (2011)
- Corporate and Strategic Acquisition of the Year (2011)
- Middle Market Financial Services Deal of the Year (2011 and 2010)
- Middle Market Information Technology Deal of the Year (2011 and 2010)
- Middle Market International Financial Services Deal of the Year (2013 and 2010)
- Middle Market International Information Technology Deal of the Year (2010)
- Middle Market Financial Services Turnaround Deal of the Year (2009)
- Middle Market Information Technology Turnaround Deal of the Year (2009)
- Middle Market International Deal of the Year (2008)
- Middle Market Financial Services Deal of the Year (2008)
- Middle Market Technology Deal of the Year (2008)
- Middle Market Investment Banking Firm of the Year (2008 and 2007)*
- Middle Market International/Cross Border Deal of the Year (2007, Below \$100M)
- Middle Market Financial Services Deal of the Year (2007, Below \$100M)
- Middle Market Financing Agent of the Year – Equity (2007)*
- Middle Market Computer and Information Technology Deal of the Year (2007)

**TMT Advisory Firm
of the Year (2016)**

**Boutique Investment
Banking Firm of the
Year
(2016)**

**– ACQ5
(Acquisition Finance
Magazine)**



The Global M&A Network has recognized Marlin & Associates for excellence in multiple deal categories through its M&A Atlas Awards:

- Financial Technology Deal of the Year (2012, 2011)
- North America Small Mid Markets Corporate Deal of the Year (2013)
- Corporate M&A Deal of the Year (2010)
- Technologies Deal of the Year (2010)

* Firm-wide Awards





New York | San Francisco | Washington, D.C. | Toronto

www.MarlinLLC.com