

# H.I.T. Greatest Hits

November 2016



# 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

# DEAR CLIENTS AND FRIENDS

## Welcome to our November 2016 HIT Market Update

Much has been written about “TrumpCare”- the successor to Obamacare - and what the new administration may or may not do with the ACA and Medicare/Medicaid programs. Rather than speculating about specific provisions, we would like to offer a few suggestions regarding the importance of the emerging industry standards.

**MIPS (Merit-based Incentive Payment Systems) aimed chiefly at ambulatory providers and MACRA (Medicare Access and CHIP Reauthorization Act of 2015), which establishes new ways to pay physicians for caring for Medicare beneficiaries, are both good ideas and we hope the new administration will accelerate their adoption.** The shift away from fee-for-service to value-based-reimbursement models are here to stay. It is likely that the start date for the legislations may be pushed back a bit. That said, we hear that the Trump team is eager to implement as many of the quality measures as fast as possible. This is further reinforced in Paul Ryan’s healthcare policy paper, “A Better Way”. After all, he was the chief author of MIPS and MACRA regulations.

**We need a new set of technical standards for Clinical Decision Support (CDS) Rules and Clinical Quality Metrics (CQM) now.** Without them, MIPS and MACRA can not be effectively implemented. To measure quality across various care settings, we need more than just interoperable exchange of structured data from medical records.

**Watch for HSPC’s and PCPI’s next moves. Embrace the new consortiums that have emerged to address and support the authoring of CDS and CQM rules for submission to ONC.** Healthcare Services Platform Consortium and Physicians Consortium for Performance Improvement are two new non-profit organizations that are sponsoring and organizing collaborative efforts to build shared software components. Welcome them and join them because we need their input to get it right.

**Allow those who don’t go along with the program to fail.** Once common software components are agreed upon, and CDS and CQM can be seamlessly executed, a shakeout of the consulting, system integration and population health management companies becomes inevitable. If you are a provider organization that wants to take advantage of the government incentive programs, you must be ready to make radical changes to your IT infrastructure. Today, most organizations are using HL7 standards and custom integration to the back-end data bases plus clinical NLP to harvest data out of their EMR. This is what takes up 90% of engineering and development efforts. With the next generation standards such as FHIR/ADL and CQL (extensively covered in our April newsletter) none of that is necessary. Providers will soon get the wake up call that the existing technology infrastructure can not pass the new certification process for incentive programs.

**Use the incentives to force the urgency in reducing the administrative costs, which account for 20% of our healthcare spend.** As with any new legislation, it will take some time for the dust to settle and for that reason, we believe that the HIT industry will be in a state of flux in 2017. But fear not, we are confident that at the end of the day, no matter who occupies the White House, our industry will continue to grow and prosper.

Sincerely,



Afsaneh Naimollah  
[www.XENPartners.com](http://www.XENPartners.com)



For further information contact:

**Afsaneh Naimollah**  
[Afsaneh@XenPartners.com](mailto:Afsaneh@XenPartners.com)  
 +1 (917) 887-4278

**Stephen Shankman**  
[sshankman@marlinllc.com](mailto:sshankman@marlinllc.com)  
 +1 (212) 257-6044



### In this issue:

- GTCR purchases RCM vendor RevSpring and commits an additional \$400 million of capital
- Constellation Healthcare Technologies, an RCM company listed on AIM, to go private in a \$300 million transaction
- Context Media buys AccentHealth, forming the largest media company for physicians waiting rooms
- Evolent makes its second acquisition this year and buys payer-focused Aldera for \$34 million
- CareCloud, a leading RCM/EMR vendor, raises an additional \$31 million in funding

# MARLIN & ASSOCIATES HIT MARKET UPDATE

03

Important Industry News

03

Merger & Acquisition Transactions

04

Capital Raising Activity

05

International Transactions

06

Sector Analyses

06



Healthcare Information Software Systems

07



Technology-Enabled Healthcare Services

08

Merger & Acquisition Activity Trends

## IMPORTANT INDUSTRY NEWS

### Helix makes its much anticipated debut

The closely watched DNA startup, partially owned by Illumina (the largest gene sequencing company) has rolled out its service squarely competing with rival, 23andMe.

Illumina invested \$100 million into the venture with the hope of taking DNA testing to the masses. The test costs \$149 and can be bought via Helix's website or through National Geographic's app.

Helix wants to be the hub of all things genomics. You can learn about your ancestry, or for an extra fee, understand your health risks from medical experts at the Mayo Clinic. These tests are much more advanced than what is offered by its competitor, 23andMe.

Although many details still need to be hashed out, such as revenue split between Helix and its partners, we think the company holds great promise for bringing sophisticated genetic testing to the consumer market.

## M&A TRANSACTIONS

### GTCR acquires Wixon, MI-based RevSpring, and commits up to \$400 million to support the company's strategy

*RevSpring provides physical and electronic invoices, consumer payment portals, data cleansing and analytics tools. The company serves over 2,000 health systems and hospitals as well as many financial services organizations.*

*RevSpring has been viewed as a low tech to mid tech healthcare RCM player, but given its strong installed base, the additional capital and GTCR's extensive experience in the billing and healthcare sectors, RevSpring will emerge as a successful enterprise.*

### Vocera Communication buys Fort Wayne, IN-based Extension Healthcare for \$52 million in cash

*Extension develops clinical alarm / alert management and event-driven care team communication solutions for the healthcare industry. Vocera has similar solutions for healthcare and other verticals. The combined companies will have a platform that interoperates with more than 120 different EMR systems. This is a consequential deal for Vocera which has \$370 million enterprise value.*

### Constellation Healthcare Technologies, an RCM services company listed on AIM, sells 89% of its shares in a take private transaction to a group of investors including CC Capital Management and the original founder, Paul Parmar, for \$300 million

*It was just a few years ago that Paul Parmar bought a small RCM company in Texas and then used that entity to acquire other companies. It was a big surprise that he then went on to list the company on AIM, the London small cap exchange. Now he and a group of investors are paying a 45% premium to take the company private.*

*We don't quite understand the motive behind this transaction. CHT's stock price has done well since its IPO in December 2014. The company has successfully bought a number of businesses since then and has demonstrated its ability to integrate its acquisitions. This is a head scratcher for us!*

### ContextMedia acquires Tampa, FL and New York, NY- based AccentHealth

*ContextMedia, which also operators a suite of digital healthcare networks for condition-specific programing, has grown organically since its founding in 2004. Together the companies will have 55,000 locations. Context Media claims that they will reach 70% of all healthcare practices by 2020.*

*We like this deal a lot. First, it brings criticality of mass to both companies. Additionally ContextMedia has always been viewed as forward looking. Bringing that vision to AccentHealth's large installed base, tells us the future is bright.*

### Downers Grove, IL-based Adreima is bought by nThrive

*Adreima provides revenue cycle management to over 450 hospitals. MedAssets, which was renamed nThrive, was bought by Pamplona in January 2016 for \$2.75 billion and was later combined with Pamplona's other healthcare asset, Precyse (a coding and healthcare information management company).*

*After spinning out the group purchasing part of MedAssets, Pamplona is focused on expanding the RCM platform. We will see a lot more activity with this name. MedAssets has a significant revenue base, which was not optimally managed as a public company. Pamplona has a great record of buying large businesses and working on intelligent add ons.*

## CAPITAL RAISING ACTIVITY

### **Aldera, based in Lisle, IL, is bought by Evolent Health for \$34 million**

*Aldera's focus is on the administration and development of private portals for the healthcare payer market. The transaction comes on the heels of Evolent acquisition of Valence for \$145 million in June 2016. It is clear that the company wants to build both its provider as well as its payer-based businesses.*

### **Campbell Soup buys San Francisco, CA-based Habit Food Personalized for \$32 million**

*Campbell Soup needs no introduction. HFP can be viewed as a personalized nutrient testing company. Through their at-home test kit and mobile app, the company helps individuals custom make their food best suited to their body requirements.*

*We are glad to see that old and established companies in the food industry are embracing personalized nutrition. We have the technology -- why not take it to scale via giants like Campbell Soup.*

### **KKR-backed Mitchell International buys Portland, OR-based Qmedtrix Systems and Costa Mesa, CA-based Integrated Prescription Solutions**

*Mitchell international is a diversified insurance company. Qmedtrix is involved in billing and data analysis for workers compensation and group health sectors. Integrated is a PBM offering durable medical equipment, electrotherapy and other medical supplies to the injured, and for in home therapy services. Mitchell is highly acquisitive and has bought four companies year to date; this is what one expects from a PE-backed company.*

### **FFL buys Crises Prevention Institute based in Milwaukee, WI**

*CPI provides training and consulting in behavior management and dementia care for human service professionals. The company is one of the most established in its field having been founded in 1980. Friedman Fleischer & Lowe is a well respected PE firm with a generalist approach that has demonstrated that they can take strong platforms to the next level. CPI has over 9,000 clients globally.*

### **Anti-smoking wearable company, Chrono Therapeutics based in Waltham, MA raises \$47 million of capital, bringing total capital raised to \$80 million**

*Chrono has essentially invented a drug delivery system which replaces the "nicotine patch". Its wearable solution tailors the timing and dose sizes of the drugs for each individual. The company is in Phase 2 clinical trials. Mayo Clinic, GE Ventures, Kaiser Permanente are among the investors in the company.*

### **Intuity Medical, based in Sunnyvale, CA, raises \$40 million**

*The company is one of the most promising blood glucose monitoring companies. The company has raised over \$130 million of capital to date from the likes of Venrock and Investor Growth Capital. The technology integrates the test strips, lancets and lancing device into a compact meter and cartridge system all-in-one device.*

### **CareCloud based in Miami, FL raises \$31 million in Series C Capital**

*CareCloud has always been one of our favorite companies. The company successfully navigated the combination of its RCM and EMR businesses. Norwest Venture Partners and Intel Capital are some of the returning investors. First Data is a new investor in this round.*

*In a short while since 2009, the company has managed to reach \$4 billion in annualized accounts receivables on its integrated platform.*

### **Doctor-on-demand company, Heal, based in Santa Monica, CA raises \$27 million in Series A**

*The round was led by Tull Capital. Unlike some of its competitors, Heal focuses only on house calls and does not engage in eVisits. Breyer Capital and Qualcomm executive chair, Paul Jacobs, are among the first investors. The company currently operates in LA, San Francisco, and Orange County and has more than 10,000 patients that have signed up for the service. Many insurance companies cover Heal's services. Patients also have the option of paying \$99 for those that are not in-network. Heal's total funding is over \$40 million to date.*

## San Francisco, CA-based Practice Fusion receives growth capital from ORIX

When Practice Fusion was founded in 2005, there was much fanfare about their business model. The company offered a free EMR to doctors with the hope of amassing enough data which can then be sold to various constituencies. To some extent, the company realized its original vision, but Practice Fusion was mired with internal management conflicts and replaced its founder in August 2015. Over 30,000 doctors use Practice Fusion's EMR solutions. The company has raised over \$150 million of venture money; the last round was raised in 2013 purportedly at a \$700 million valuation. We have our doubts if the company achieved that type of valuation with this round.

ORIX Growth Capital is affiliated with ORIX Corporation which is a large diversified financial institution listed on Tokyo Stock Exchange.

## Greenwood Village, CO-based Recondo Technology raises \$16.0 million of equity and debt from Lemhi Ventures and Bridge Capital

Bregal Sagemount first invested in the company in 2013. Recondo is a well respected player in RCM services with solutions ranging from eligibility verification, authorization, claims status and patient estimation applications. The company announced that they are experiencing 50% YoY growth in their bookings.

## Owlet, the Smart Socks company based in Lehi, Utah raises \$15 million of capital

The funding was also accompanied by National Institutes of Health (NIH), which contributed additional funds to the round. The technology is a novel use of sensors in socks which measures baby's oxygen and heart rate. Using pulse oximetry, the Smart Sock is designed to send notifications to the base station via wi-fi to a smartphone, if the baby's heart rate or oxygen falls outside a certain range.

## Transcriptic of Menlo Park, CA raises \$13 million of capital

Transcriptic operates as a robotic cloud laboratory. It allows users to access automated cell and molecular biology labs through their browsers. The automated remote lab will fundamentally change how biological research is done overtime. Researchers can literally conduct their experiments from their web browser and receive their results via email. Welcome to the age of Science-as-a-Service.

## Mountain View, CA-based analyticsMD nabs \$13 million to ramp up its artificial intelligence

analyticsMD uses AI to forecast staffing optimization, patient flow and performance management solutions for provider organizations. The technology integrates the back office systems of various departments such as ER and OR and combines it with external data such as weather, holidays and other factors that can impact patient admissions.

## INTERNATIONAL TRANSACTIONS

### General Atlantic invests in Toronto, Canada-based Synaptive Medical

GA is one of the smartest PE firms around. Synaptive is rather young and was only founded in 2012. The company is classified as a medical device company which develops integrated technologies to solve challenges both in and beyond the operating room, through deep collaboration with surgeons and hospitals. Their product, BrightMatter suite, provides advanced visual and information tool that allows surgeons to focus on patient outcomes. The platform combines informatics, imaging, surgical planning, navigation and advanced optics. This is GA's first investment in a medical device company.

### Siemens Healthcare purchases Berlin-based company Conworx

Conworx develops point of care device interfaces and data management services. The platform essentially connects various devices across enterprise. Conworx has 75 employees and was established in 1999.

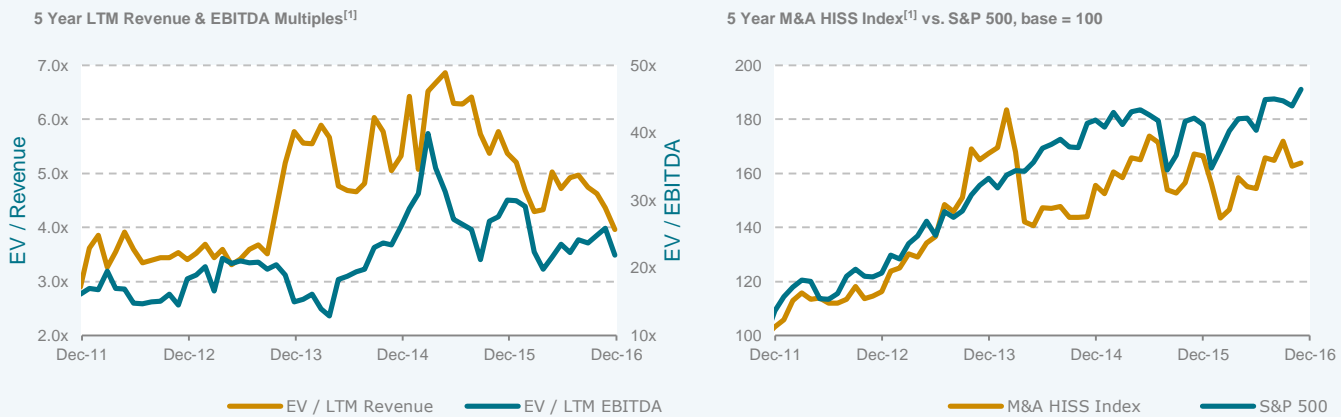
### Vital Images purchases Waterloo, ON-based Karos Health

Toshiba Medical Systems bought Vital Images in 2011. This is the first acquisition of the company since then. Vital Images is one of the most advanced image visualization companies in the world. Their technology is used in oncology, cardiovascular, neurology and other specialties.

Karos is essentially an image exchange platform with informatics and interoperability capabilities. To us, the combination is a perfect match.

# Healthcare Information Software Systems

## Public Market Data



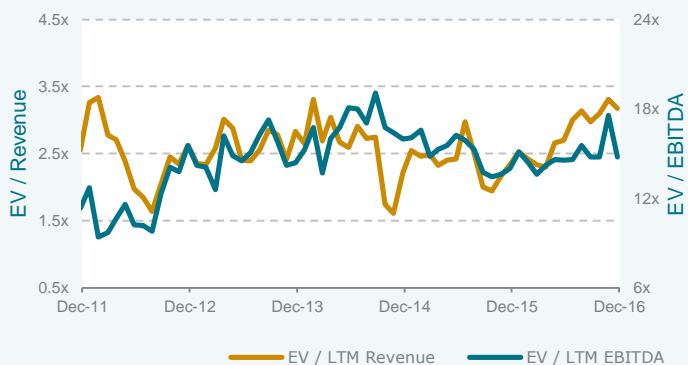
Company (USD millions)	Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
			CY2015A	CY2016E	CY2015A	CY2016E	CY2015A	CY2016E	CY2015A	CY2016E
Cerner	17,410	17,290	4.0x	3.6x	14.3x	11.0x	31%	10%	28%	33%
Veeva Systems	6,822	6,311	15.4x	11.7x	nm	37.5x	31%	32%	22%	31%
athenahealth	4,095	4,256	4.6x	3.9x	69.9x	17.6x	23%	19%	7%	22%
Medidata	3,218	3,148	8.0x	6.8x	nm	29.6x	17%	18%	10%	23%
Health Equity	2,596	2,446	19.3x	13.8x	nm	39.4x	44%	40%	27%	35%
Inovalon	2,417	1,974	4.5x	4.2x	14.1x	14.8x	21%	8%	32%	28%
Allscripts	2,084	3,656	2.6x	2.3x	32.5x	13.0x	1%	13%	8%	18%
CompuGroup Medical	2,032	2,374	4.0x	4.0x	24.3x	17.9x	5%	1%	17%	22%
NantHealth	1,520	1,316	22.6x	12.0x	nm	na	72%	88%	na	na
The Advisory Board	1,506	2,017	2.6x	2.5x	19.6x	10.5x	34%	6%	13%	23%
Quality Systems	874	896	1.8x	1.8x	16.0x	11.1x	3%	2%	11%	16%
Benefitfocus	835	850	4.6x	3.6x	nm	na	35%	26%	na	na
iRhythm Technologies	619	742	20.5x	12.0x	nm	na	66%	71%	na	na
Computer Programs & Systems	341	493	2.7x	1.8x	14.8x	9.6x	(11%)	47%	18%	19%
<b>Trim Mean</b>	<b>2,385</b>	<b>2,499</b>	<b>7.7x</b>	<b>5.7x</b>	<b>20.3x</b>	<b>18.1x</b>	<b>26%</b>	<b>24%</b>	<b>17%</b>	<b>24%</b>
<b>Median</b>	<b>2,058</b>	<b>2,195</b>	<b>4.6x</b>	<b>3.9x</b>	<b>17.8x</b>	<b>14.8x</b>	<b>27%</b>	<b>18%</b>	<b>17%</b>	<b>23%</b>

NantHealth added as of 6/2/16. iRhythm Technologies added as of 10/20/16

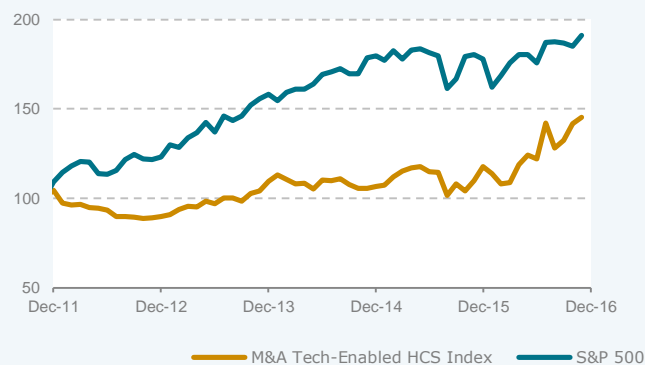
# Technology-Enabled Healthcare Services

## Public Market Data

5 Year LTM Revenue & EBITDA Multiples<sup>[1]</sup>



5 Year M&A Tech-Enabled HCS Sector Index<sup>[1]</sup> vs. S&P 500, base = 100



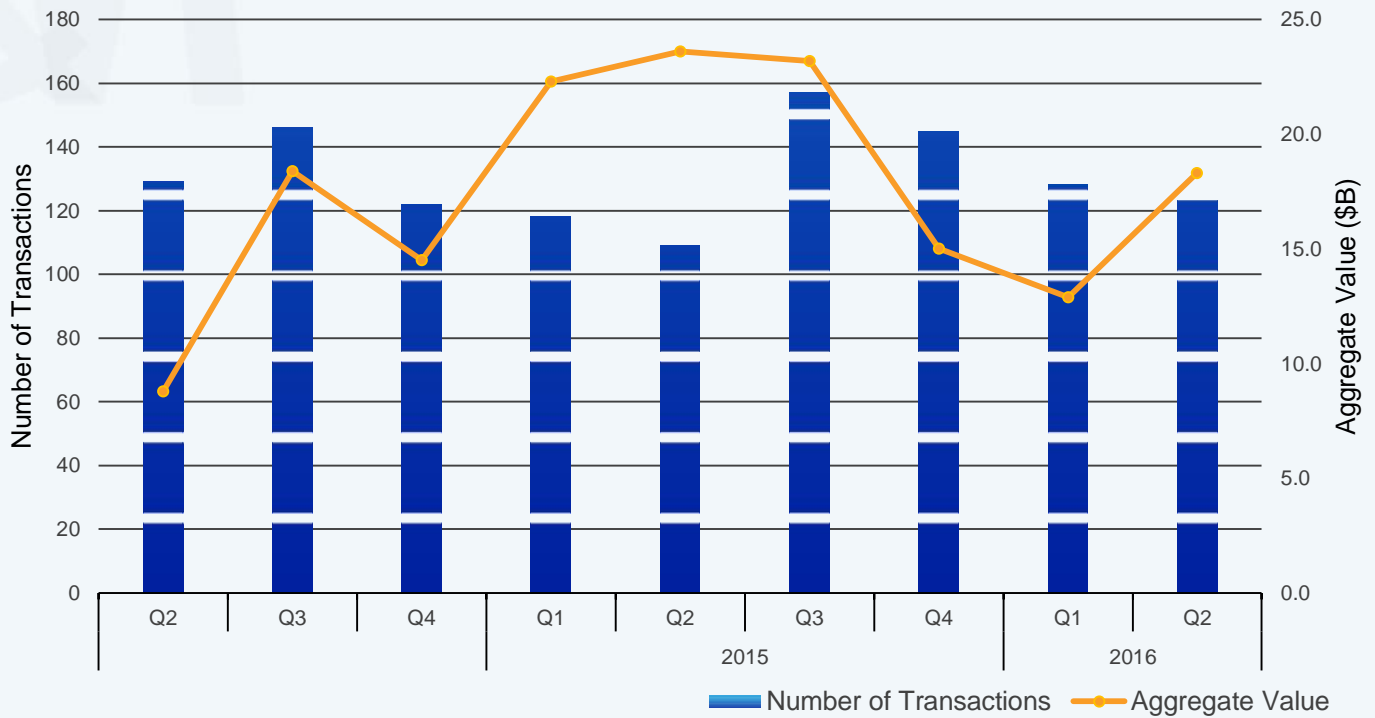
Company (USD millions)	Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
			CY2015A	CY2016E	CY2015A	CY2016E	CY2015A	CY2016E	CY2015A	CY2016E
McKesson	32,620	36,778	0.2x	0.2x	8.2x	7.7x	10%	4%	2%	2%
WebMD	2,999	3,004	4.7x	4.3x	20.5x	13.1x	10%	11%	23%	33%
Cotiviti	2,876	3,619	6.7x	5.9x	18.3x	15.3x	23%	14%	37%	38%
HMS Holdings	1,577	1,603	3.4x	3.2x	17.8x	13.7x	7%	5%	19%	23%
Evolent Health	1,419	1,454	15.0x	5.8x	nm	n/a	na	159%	na	n/a
Healthways	889	1,139	1.5x	2.3x	34.5x	11.6x	4%	(35%)	4%	20%
MINDBODY	883	813	8.0x	5.8x	nm	n/a	45%	37%	na	n/a
HealthStream	840	739	3.5x	3.2x	29.2x	24.0x	22%	9%	12%	14%
Teladoc	832	802	10.4x	6.6x	nm	n/a	78%	58%	na	n/a
Emis	712	716	3.7x	3.6x	14.1x	10.5x	13%	3%	26%	34%
Castlight Health	516	399	5.3x	4.0x	nm	n/a	65%	33%	na	n/a
Vocera Communication	491	370	3.6x	2.9x	nm	n/a	9%	22%	na	3%
Everyday Health	351	444	1.9x	1.7x	18.4x	9.7x	26%	11%	10%	18%
Accretive Health	230	195	1.7x	0.9x	nm	n/a	(44%)	79%	na	n/a
Tabula Rasa Healthcare	204	280	4.0x	3.0x	39.8x	23.4x	45%	32%	10%	13%
Craneware	171	122	2.6x	2.3x	8.6x	7.2x	8%	16%	30%	32%
<b>Trim Mean</b>	<b>1,274</b>	<b>1,309</b>	<b>4.4x</b>	<b>3.5x</b>	<b>20.2x</b>	<b>13.1x</b>	<b>22%</b>	<b>23%</b>	<b>19%</b>	<b>22%</b>
<b>Median</b>	<b>840</b>	<b>802</b>	<b>3.6x</b>	<b>3.2x</b>	<b>18.3x</b>	<b>12.3x</b>	<b>15%</b>	<b>16%</b>	<b>19%</b>	<b>22%</b>

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



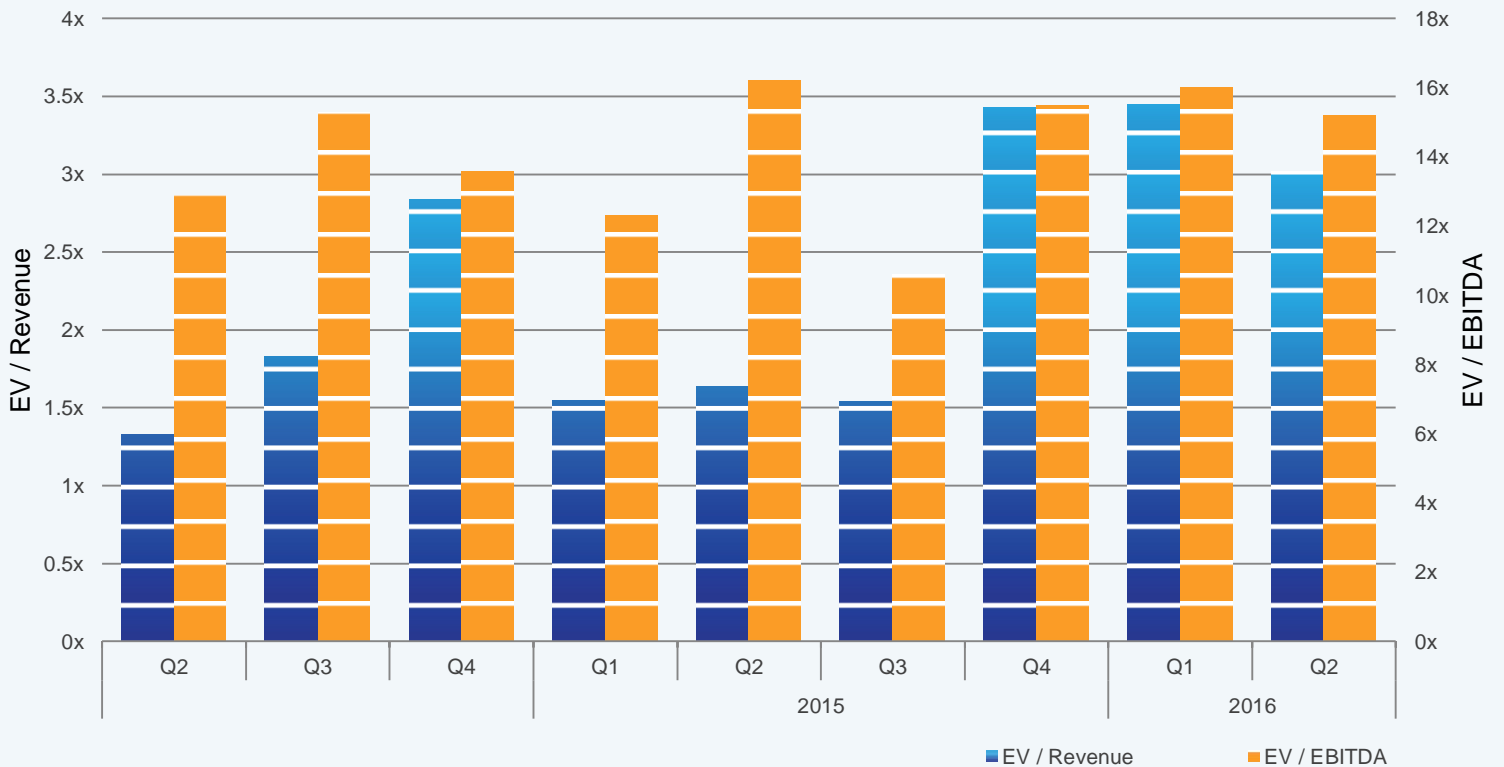
# MERGER AND ACQUISITION TRANSACTIONS

## 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 they 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 (2015)**

**Boutique Investment  
Banking Firm of the  
Year  
(2015)**

**– 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](http://www.MarlinLLC.com)