

# Sectorwatch: Healthcare IT

Q2 2018

# Healthcare IT

Q2 2018

- Sector Dashboard [4]
- Public Basket Performance [5]
- Operational Metrics [7]
- Valuation Comparison [10]
- Recent Deals [13]
- Appendix [14]

# Overview

---

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

## Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.

## Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies

## Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket

## Recent Deals

- The most recently announced deals in the sector

# Dashboard



## Revenue Growth Momentum

↓ -3.1%

One year revenue growth percentage compared to revenue growth average percentage for last 3 years.

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening, but the average growth rate is still 19%.

## Pricing / Gross Margin Momentum

↑ 0.03%

One year gross profit percentage compared to gross profit percentage average for last 3 years.

Current gross profit margin slightly exceeds the average of the last 3 years gross profit margin by this amount so companies are maintaining margins.

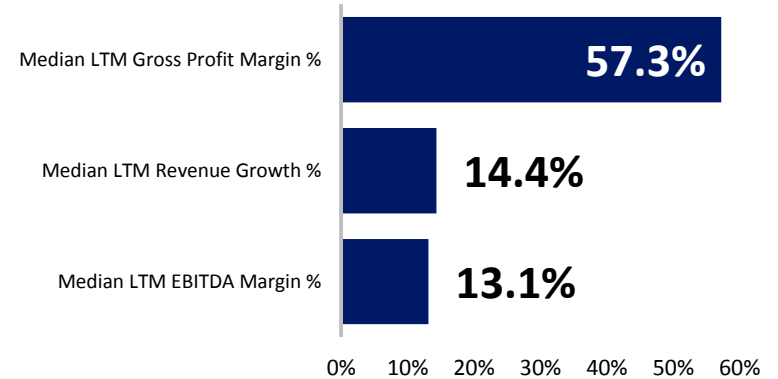
## Profitability Momentum

↓ -0.7%

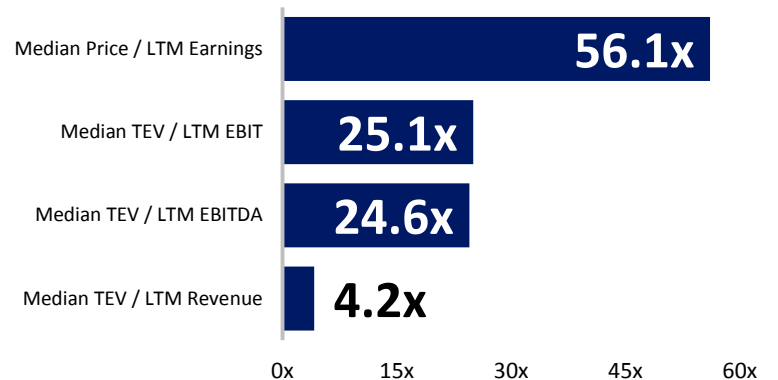
One year EBITDA percentage compared to EBITDA percentage average for last 3 years.

Current EBITDA margin is a bit less than the average of the last 3 years EBITDA margins, which may signal pricing pressure and further consolidation.

## Operating Metrics



## Valuation



# Public Basket

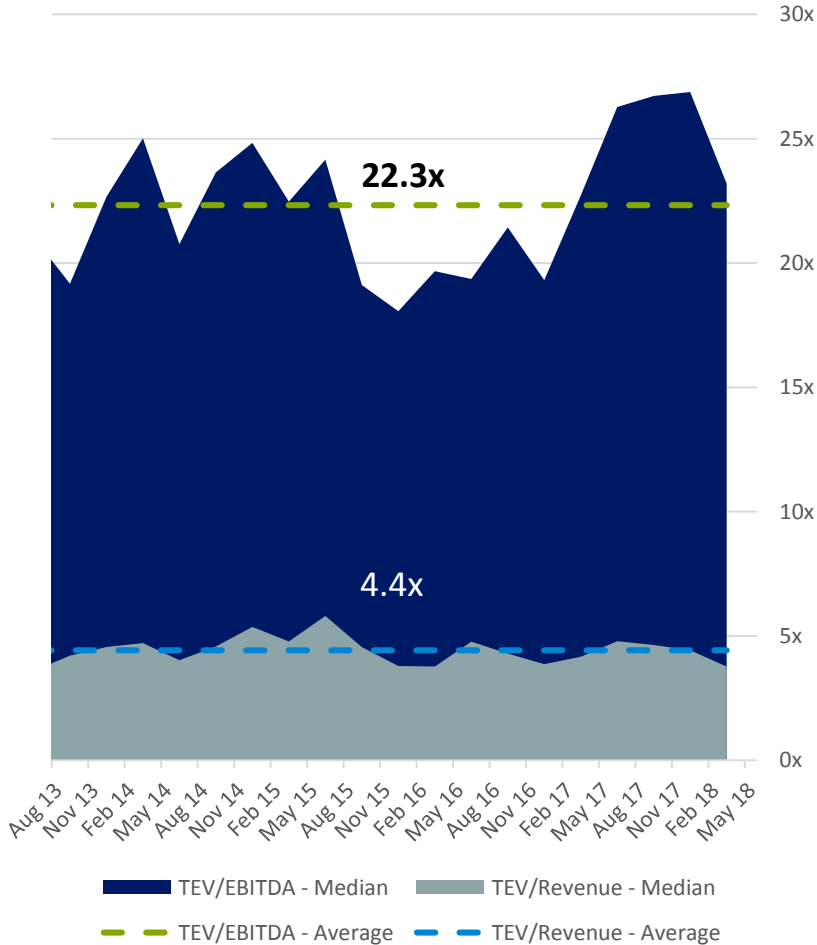


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV/Rev X	TEV/EBITDA X	# FTEs	Rev/FTE \$k
Cerner Corporation	19,340	5,073	5%	85%	26%	3.8	14.6	26,000	195
M3, Inc.	13,290	890	21%	57%	33%	15.5	47.4	-	NA
Veeva Systems Inc.	10,034	686	26%	69%	24%	14.6	60.8	2,171	316
athenahealth, Inc.	6,335	1,264	14%	54%	17%	5.0	29.9	5,156	245
HealthEquity, Inc.	4,385	230	29%	59%	31%	19.1	62.3	1,027	223
Medidata Solutions, Inc.	4,328	567	16%	77%	15%	7.6	49.4	1,680	338
Allscripts Healthcare Solutions, Inc.	4,306	1,907	18%	50%	8%	2.3	29.6	8,900	214
Cotiviti Holdings, Inc.	3,683	738	15%	66%	39%	5.0	12.8	3,300	224
Winning Health Technology Group Co., Ltd.	3,412	199	26%	99%	0%	17.5	0.0	-	NA
Teladoc, Inc.	3,182	280	101%	73%	-13%	11.4	0.0	1,231	227
CompuGroup Medical Societas Europaea	2,800	769	8%	38%	19%	3.8	19.9	4,572	168
Omniceil, Inc.	1,947	750	12%	46%	9%	2.6	30.5	2,350	319
HMS Holdings Corp.	1,914	549	13%	37%	20%	3.5	17.7	2,500	220
Evolent Health, Inc.	1,459	468	51%	39%	-5%	3.1	0.0	2,600	180
Web.com Group, Inc.	1,440	751	0%	68%	20%	1.9	9.8	3,600	209
Inovalon Holdings, Inc.	1,330	434	0%	66%	13%	3.1	23.9	1,758	247
Benefitfocus, Inc.	1,116	261	11%	53%	0%	4.3	0.0	1,450	180
Pharmagest Interactive SA	1,009	176	14%	28%	25%	5.9	23.7	907	194
Tabula Rasa HealthCare, Inc.	985	151	48%	30%	7%	6.5	95.5	536	281
Quality Systems, Inc.	938	528	4%	55%	10%	1.8	18.4	2,771	190
NNIT A/S	707	475	2%	18%	14%	1.6	10.9	3,031	157
HealthStream, Inc.	694	251	12%	57%	11%	2.8	25.2	955	262
Vocera Communications, Inc.	692	166	21%	60%	-3%	4.2	0.0	590	282
Agfa-Gevaert NV	663	2,962	-5%	33%	7%	0.2	3.4	9,840	301
Computer Programs and Systems, Inc.	566	284	8%	56%	13%	2.0	15.2	2,000	142
Pro Medicus Limited	561	26	16%	99%	47%	22.6	48.1	-	NA
NantHealth, Inc.	523	90	12%	59%	-59%	5.8	0.0	494	182
Castlight Health, Inc.	414	140	31%	61%	-38%	3.0	0.0	527	266
Simulations Plus, Inc.	321	27	30%	74%	42%	11.7	28.0	83	331
<b>Average</b>	<b>3,185</b>	<b>727</b>	<b>19%</b>	<b>57%</b>	<b>12%</b>	<b>6.6</b>	<b>30.8</b>	<b>3,463</b>	<b>234</b>
<b>Median</b>	<b>1,440</b>	<b>468</b>	<b>14%</b>	<b>57%</b>	<b>14%</b>	<b>4.2</b>	<b>24.6</b>	<b>2,086</b>	<b>223</b>

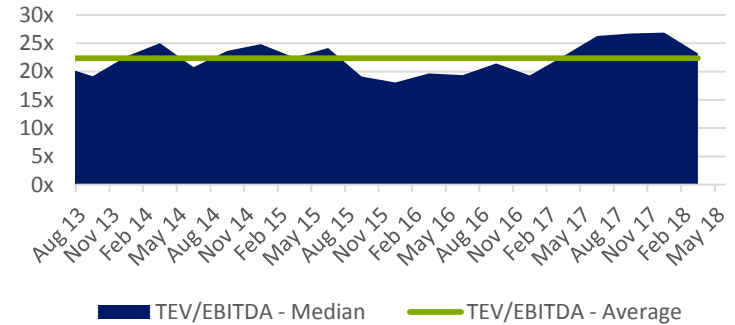
share price as of 23May18



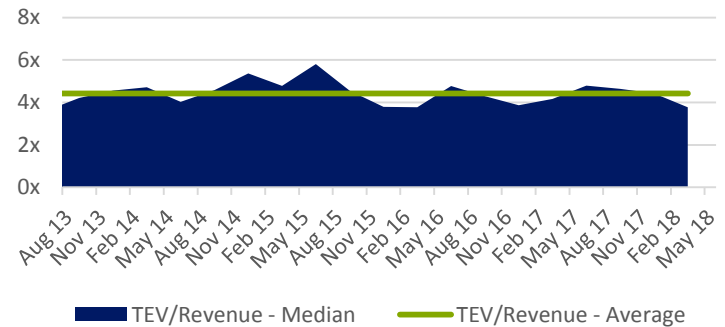
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



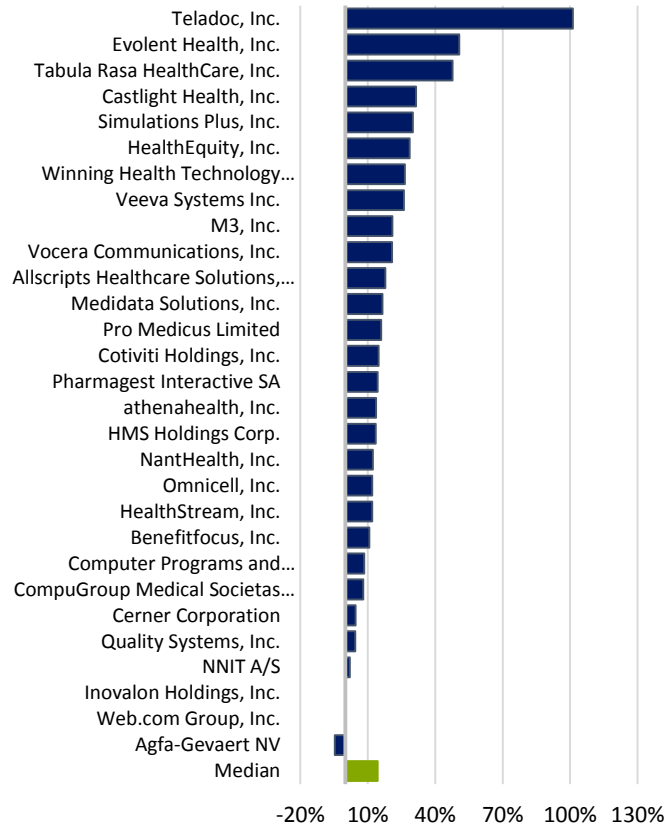
## Public Revenue Multiples over Time



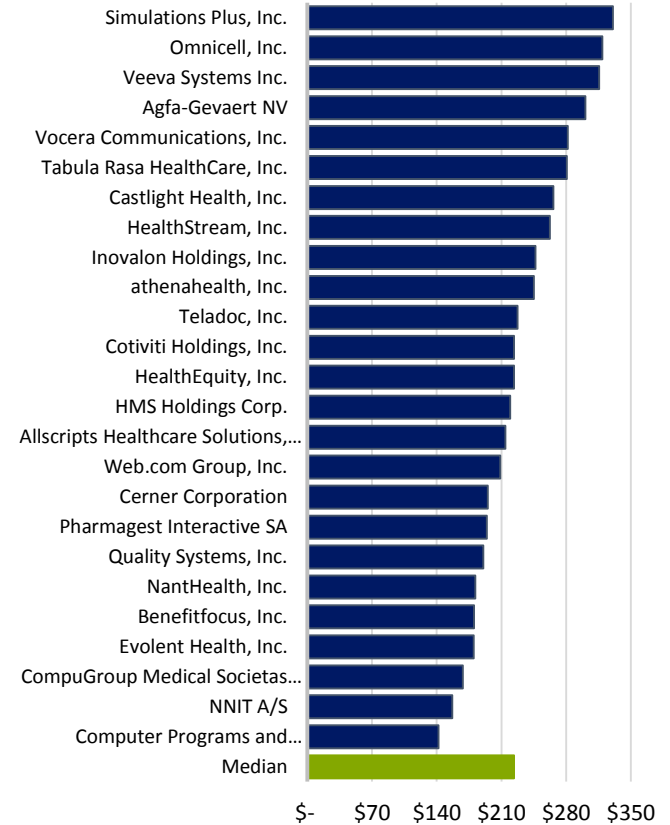
# Operational Metrics



## LTM Revenue Growth %



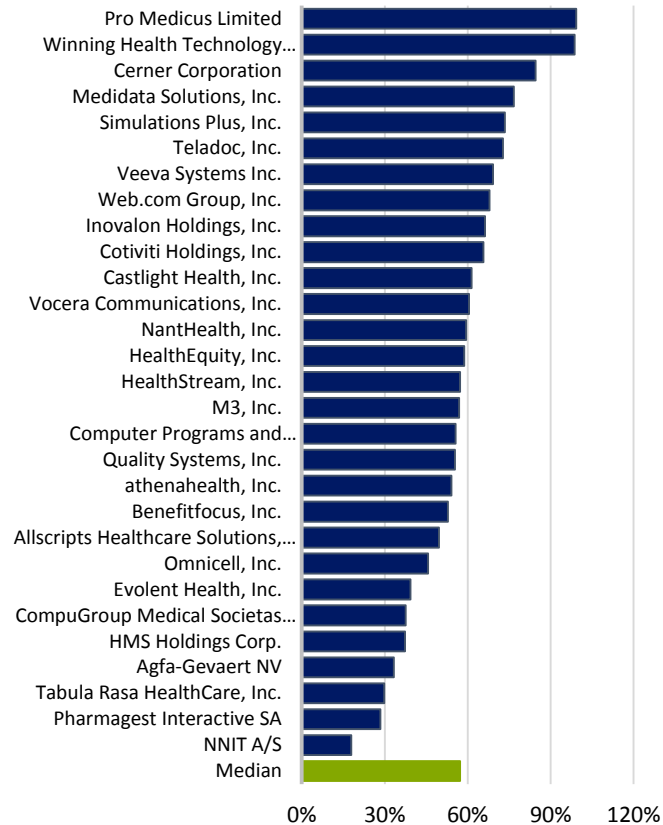
## LTM Revenue per Full Time Employee x 000's



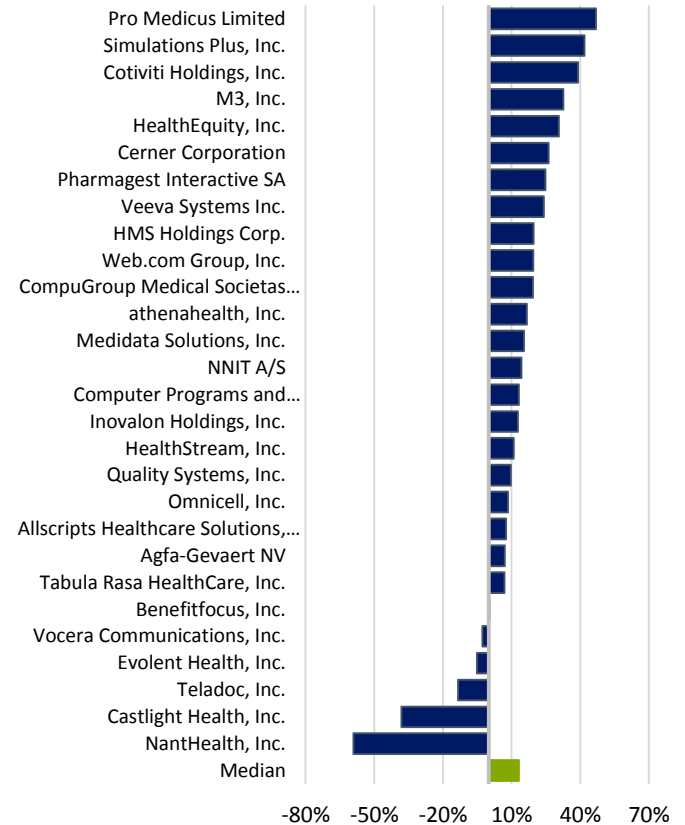
# Operational Metrics



## LTM Gross Profit Margin %



## LTM EBITDA %





# Valuation



TEV / LTM Revenue



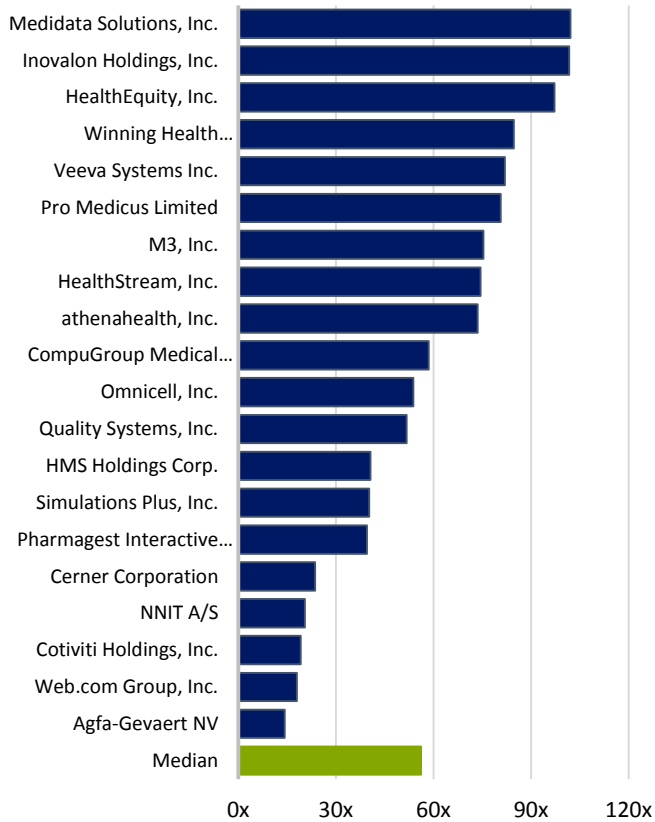
TEV / LTM EBITDA



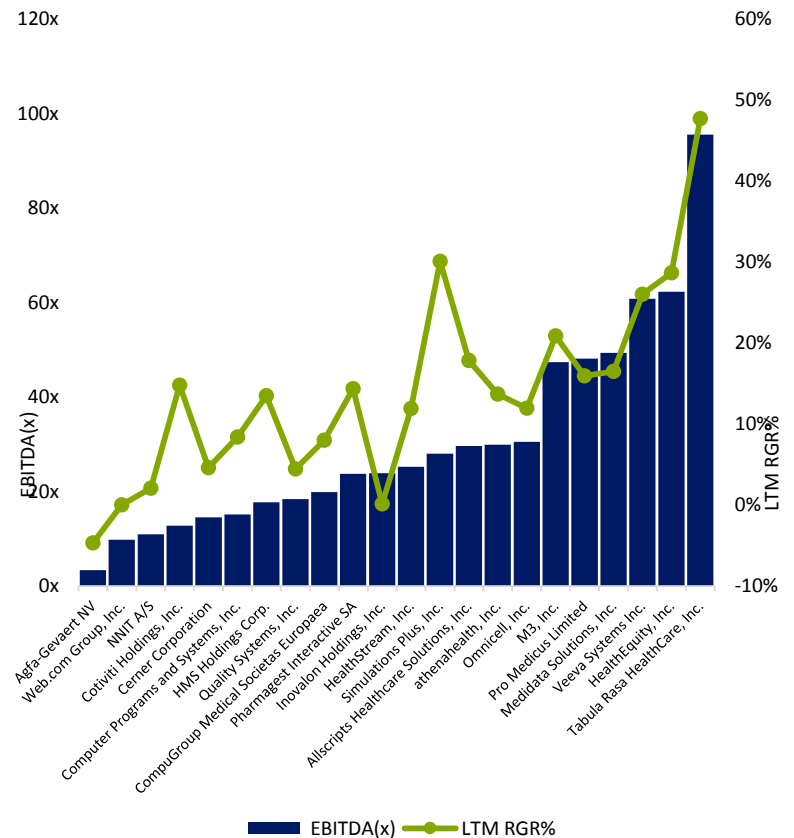
# Valuation



## Price / LTM Earnings



## Historical Valuation Multiples versus Revenue Growth Rate



# RECENT TRANSACTIONS SUMMARY

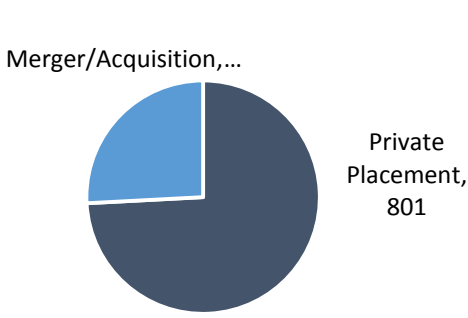
In the last twelve months there were transactions totaling \$8.6b transactions in the healthcare IT sector. 7 Mile Advisors tracked 1,071 transactions in the sector, including 273 M&A transactions.

## Merger & Acquisition Statistics

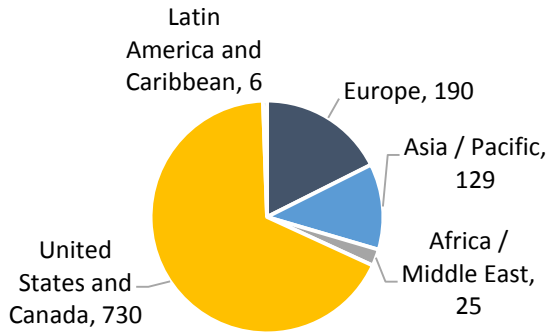
### Valuation Summary

Total Deal Value(\$mm):	\$10,999
Average Deal Value:	\$149
Average TEV/Revenue:	6.39
Average TEV/EBITDA:	25.64
Average Day Prior Premium(%):	205.3%
Average Week Prior Premium(%):	710.2%
Average Month Prior Premium(%):	557.5%

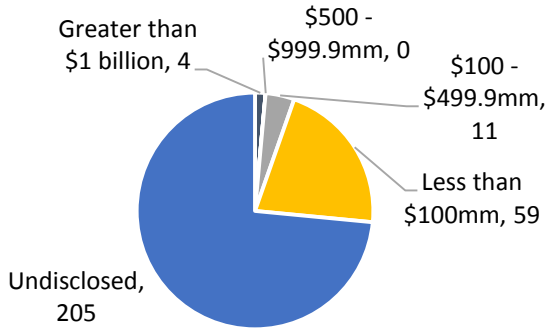
All Transactions by Type



All Transactions by Region



M&A Transaction Ranges by Value



### Most Active Buyers/Investors by Number of Transactions

Company Name	Number Of Transactions
Ben Franklin Technology Partners of Southeastern Pennsylvania, Invest	8
GE Ventures	6
GPI SpA (BIT:GPI)	6
New Enterprise Associates	6
Y Combinator Management LLC	6
Draper Fisher Jurvetson	5
Flare Capital Management Company, LLC	5
Khosla Ventures	5
Merck Global Health Innovation Fund, LLC	5
Sabby Management, LLC	5

### Most Active Buyers/Investors by Total Transaction Size

Company Name	Transaction Size (\$mm)
Oz Parent, Inc.	3,600
Roche Holding AG (SWX:ROG)	1,900
SoftBank Investment Advisers	1,550
Inovalon Holdings, Inc. (NasdaqGS:INOV)	1,200
SBI Holdings, Inc. (TSE:8473)	1,150
SBI Investment Co., Ltd.	1,150
Veritas Capital Fund Management, LLC	1,050
Goldman Sachs Asset Management, L.P.	574
Leerink Transformation Partners LLC	524
Pritzker Group Venture Capital	511

# Recent Transactions



Date	Target	Buyer	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
7May18	athenahealth, Inc.	Elliott Management Corporation	6,879.97	1,264.30	5.4x	32.2x
27Apr18	HealthGrid	Allscripts Healthcare, LLC	110.00	-	-	-
6Apr18	MedFORCE Technologies, Inc.	Ideagen plc	9.00	4.70	1.9x	-
2Apr18	Value-Based Care Division of GE Healthcare LLC	Veritas Capital Fund Management, LLC	1,050.00	-	-	-
12Mar18	Bolder Healthcare Solutions LLC	Cognizant Technology Solutions Corporation	-	-	-	-
1Mar18	Evolent Health, Inc.	-	41.65	434.95	2.2x	NM
5Jan18	Practice Fusion, Inc.	Allscripts Healthcare, LLC	100.00	-	-	-
14Dec17	Brighter, Inc.	Cigna Corporation	-	-	-	-
13Dec17	Connect Healthcare	Health Platforms, Inc.	-	-	-	-
8Dec17	VitalHealth Software B.V.	Koninklijke Philips N.V.	-	-	-	-
24Oct17	Montentia, LLC	Bracket Global LLC	-	-	-	-
11Oct17	Prognosis Innovation Healthcare	Azalea Health Innovations, Inc.	-	-	-	-
10Oct17	MedHelp International, Inc.	The Staywell Company, LLC	-	-	-	-
10Oct17	Carena, Inc.	Avizia, Inc.	-	-	-	-
3Oct17	Tea Leaves Health, LLC	Welltok, Inc.	90.00	-	-	-
25Sep17	CareLinx Incorporated	Generali Global Assistance	-	-	-	-
13Sep17	Diabeto, Inc.	Livongo Health, Inc.	-	-	-	-
6Sep17	SinfoniaRx, Inc.	Tabula Rasa HealthCare, Inc.	131.54	27.10	4.9x	-
31Aug17	ACAExpress.com, Inc. and Benefit Geek	Vimo, Inc.	-	-	-	-
14Aug17	Senosis Health Inc.	Alphabet Inc.	-	-	-	-
3Aug17	Curoverse, Inc.	Veritas Genetics International Ltd.	-	-	-	-
31Jul17	EagleDream Health, Inc.	NextGen Healthcare Information Systems, LLC	26.00	-	-	-
24Jul17	WebMD Health Corp.	MH SUB I, LLC	3,751.26	708.99	3.7x	14.3x
17Jul17	Encore Health Resources, LLC	eMids Technologies Inc.	-	-	-	-
11Jul17	MedApproved, LLC	TractManager, Inc.	-	-	-	-
4Jul17	Health and Parenting Limited	Koninklijke Philips N.V.	-	-	-	-
29Jun17	mySugr GmbH	Roche Holding AG	73.02	-	-	-
19Jun17	Best Doctors, Inc.	Teladoc, Inc.	440.00	98.24	4.5x	44.8x
16Jun17	Verklizan B.V.	Main Capital Partners B.V.	-	-	-	-
13Jun17	TMG Health, Inc.	Cognizant Technology Solutions Corporation	-	-	-	-
8Jun17	Praxify Technologies, Inc.	athenahealth, Inc.	63.00	-	-	-
7Jun17	GreatCall, Inc.	GTCR, LLC	-	250.00	-	-
30May17	Expert-24 Limited	Medvivo Group Ltd	-	-	-	-
8May17	Beddit.com Oy	Apple Inc.	-	-	-	-
2May17	Milner-Fenwick, Inc.	Interactivation Health Networks LLC	-	-	-	-
27Apr17	Lightshed Healthcare Technologies LLC	DocuTAP, Inc.	-	-	-	-
19Apr17	Health 2.0 LLC	Healthcare Information and Management Systems Society, Endowment Arm	-	-	-	-
7May18	athenahealth, Inc.	Elliott Management Corporation	6,879.97	1,264.30	5.4x	32.2x

# Contact Information

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Tripp Davis, Partner	704.899.5762	tripp@7mileadvisors.com
Andy Johnston, Partner	704.899.5961	andy@7mileadvisors.com
Tom Dinnegan, Managing Director	310. 426.2410	tom@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.373.3737	jeff@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Neil Churman, Director	704.899.5960 x 121	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Casey Augustine, Business Development - Manager	704.973.3999	casey@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.899.5960	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.899.5960 x 123	ariail@7mileadvisors.com
Sydney Larese, Associate	704.899.5960	sydney@7mileadvisors.com
Marty Johnson, Associate	704.899.5960	marty@7mileadvisors.com
Rory Julyan, Associate	704.899.5960	rory@7mileadvisors.com
Chevonese Dacres, Analyst	360.499.1502	chevonese@7mileadvisors.com