

Sectorwatch: Healthcare IT

Q3 2018

Healthcare IT

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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.



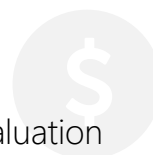
Public Basket Performance

- 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

↓ -0.33%

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

Current gross profit margin is less than the average of the last 3 years gross profit margins by this amount.

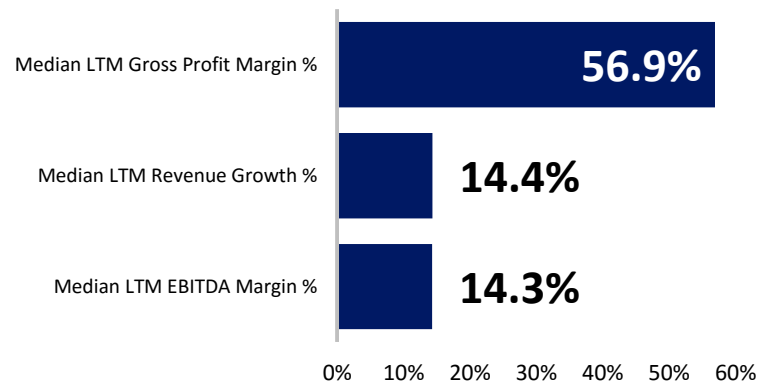
Profitability Momentum

↑ 0.5%

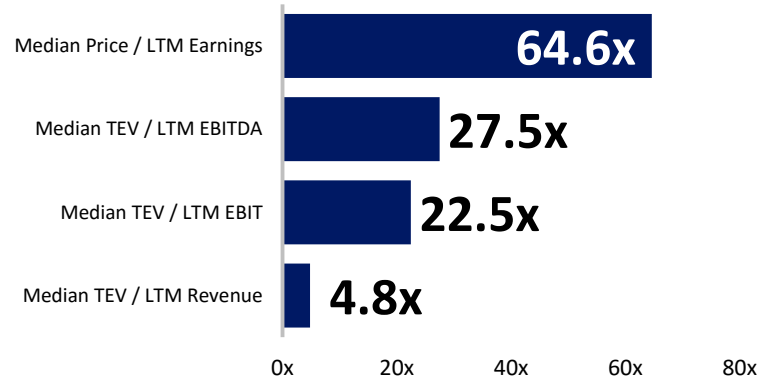
One year EBITDA percentage compared to EBITDA percentage average for last 3 years.

Current EBITDA margin exceeds the average of the last 3 years EBITDA margin by this amount, a condition that may attract new entrants.

Operating Metrics



Valuation



Public Basket

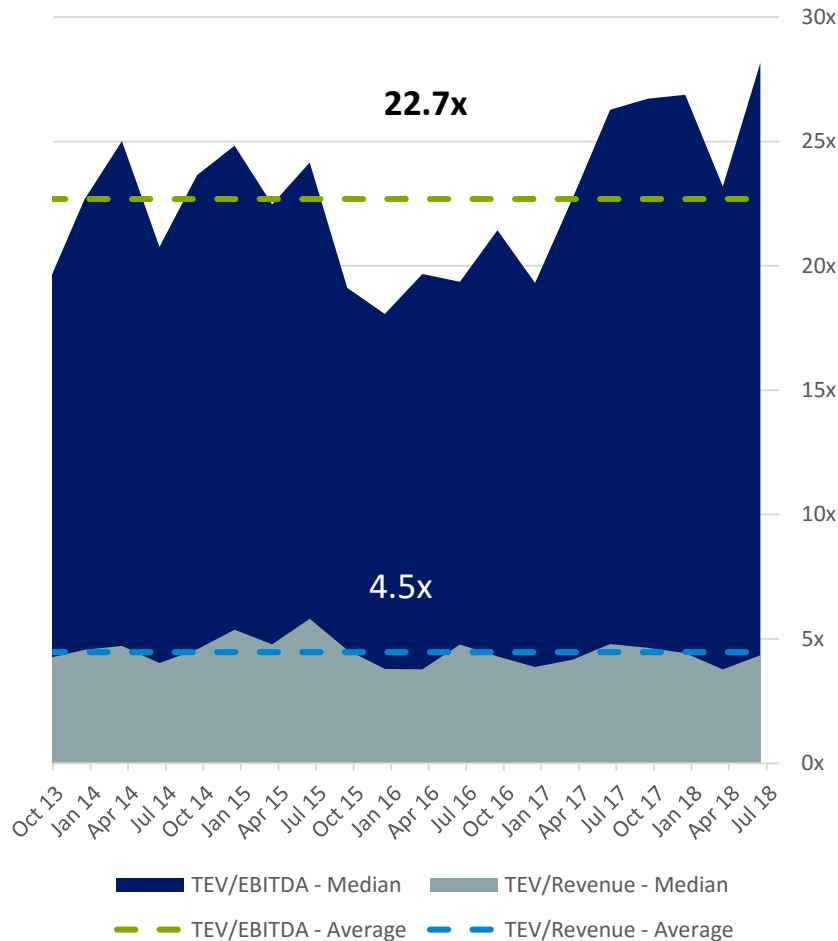


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Cerner Corporation	19,655	5,073	5%	85%	26%	3.9	14.8	26,000	195
M3, Inc.	12,733	890	21%	57%	30%	15.2	50.9	5,165	172
Veeva Systems Inc.	11,075	721	24%	69%	24%	15.4	65.0	2,171	332
athenahealth, Inc.	6,514	1,264	14%	54%	17%	5.2	30.7	5,156	245
Medidata Solutions, Inc.	4,946	567	16%	77%	15%	8.7	56.4	1,680	338
HealthEquity, Inc.	4,788	244	29%	60%	31%	19.6	63.0	1,027	238
Cotiviti Holdings, Inc.	4,714	738	15%	66%	39%	6.4	16.3	3,300	224
Teladoc, Inc.	4,494	280	101%	73%	-13%	16.0	0.0	1,231	227
Allscripts Healthcare Solutions, Inc.	4,224	1,907	18%	50%	8%	2.2	29.1	8,900	214
CompuGroup Medical Societas Europaea	3,064	769	8%	38%	19%	4.2	22.0	4,572	168
Winning Health Technology Group Co., Ltd.	2,855	198	26%	52%	25%	15.6	62.0	3,613	55
Omniceil, Inc.	2,274	750	12%	46%	9%	3.0	35.6	2,350	319
HMS Holdings Corp.	2,161	549	13%	37%	20%	3.9	20.0	2,500	220
Web.com Group, Inc.	1,900	751	0%	68%	20%	2.5	13.0	3,600	209
Evolent Health, Inc.	1,702	468	51%	39%	-5%	3.6	0.0	2,600	180
Inovalon Holdings, Inc.	1,330	434	0%	66%	13%	3.1	23.9	1,758	247
Tabula Rasa HealthCare, Inc.	1,297	151	48%	30%	7%	8.6	125.8	536	281
Benefitfocus, Inc.	1,264	261	11%	53%	0%	4.8	0.0	1,450	180
Quality Systems, Inc.	1,262	531	4%	55%	8%	2.4	28.4	2,830	188
Vocera Communications, Inc.	880	166	21%	60%	-3%	5.3	0.0	590	282
Pharmagest Interactive SA	879	176	14%	28%	25%	5.2	20.8	907	194
Agfa-Gevaert NV	849	2,962	-5%	33%	7%	0.3	4.4	9,840	301
HealthStream, Inc.	734	251	12%	57%	11%	2.9	26.7	955	262
NNIT A/S	671	475	2%	18%	14%	1.5	10.5	3,031	157
Computer Programs and Systems, Inc.	593	284	8%	56%	13%	2.1	15.9	2,000	142
Pro Medicus Limited	593	26	16%	99%	47%	24.5	52.3	-	NA
Castlight Health, Inc.	557	140	31%	61%	-38%	4.0	0.0	527	266
NantHealth, Inc.	494	90	12%	59%	-59%	5.5	0.0	494	182
Simulations Plus, Inc.	298	29	34%	73%	41%	10.2	25.2	83	352
Average	3,407	729	19%	56%	12%	7.1	35.3	3,531	227
Median	1,702	468	14%	57%	14%	4.8	26.7	2,261	222

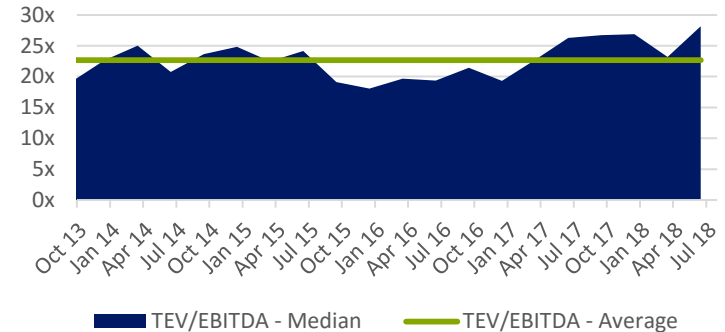
share price as of 19Jul18



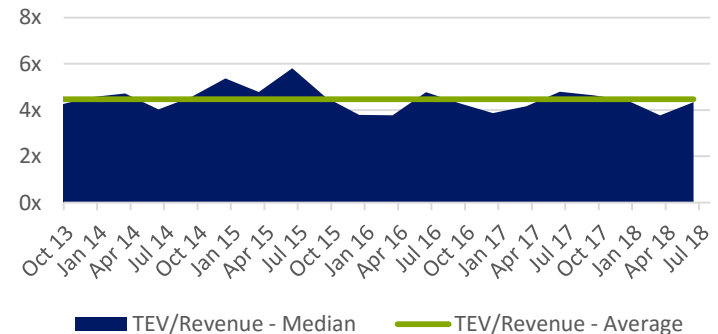
Public Basket Valuation Trends



Public EBITDA Multiples over Time



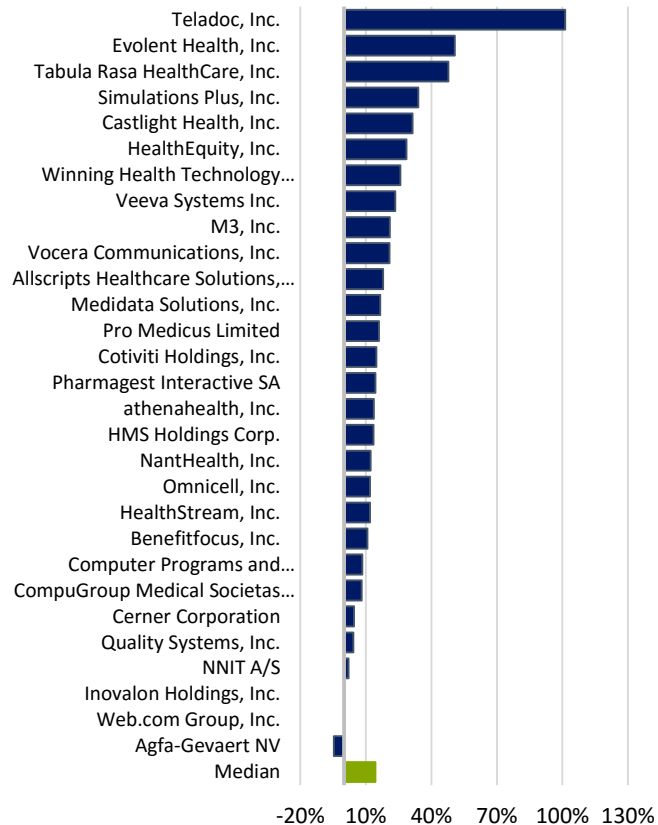
Public Revenue Multiples over Time



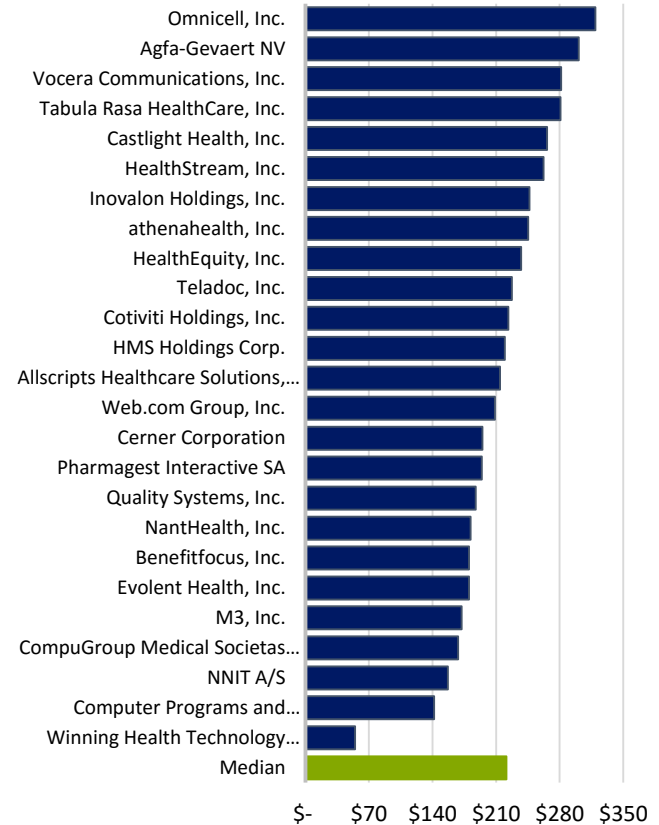
Operational Metrics



LTM Revenue Growth %



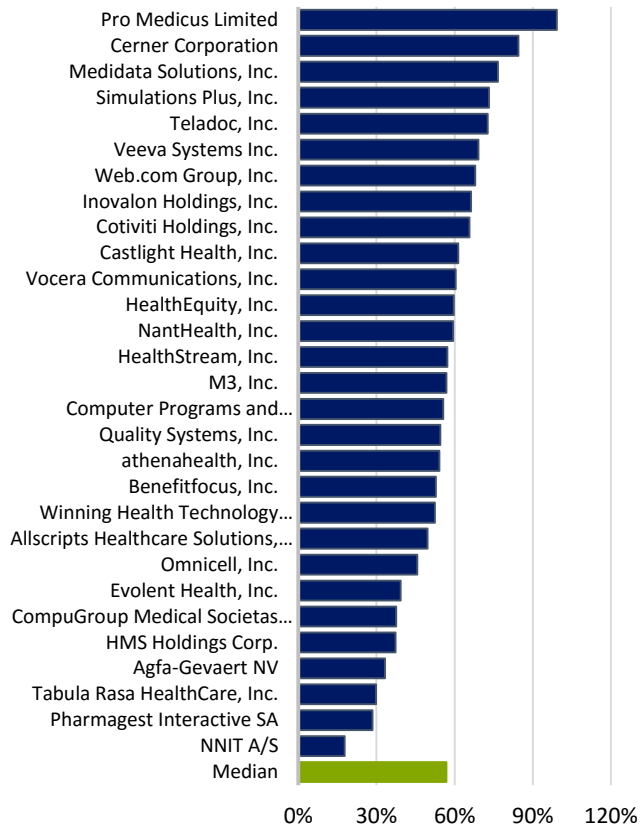
LTM Revenue per Full Time Employee x 000's



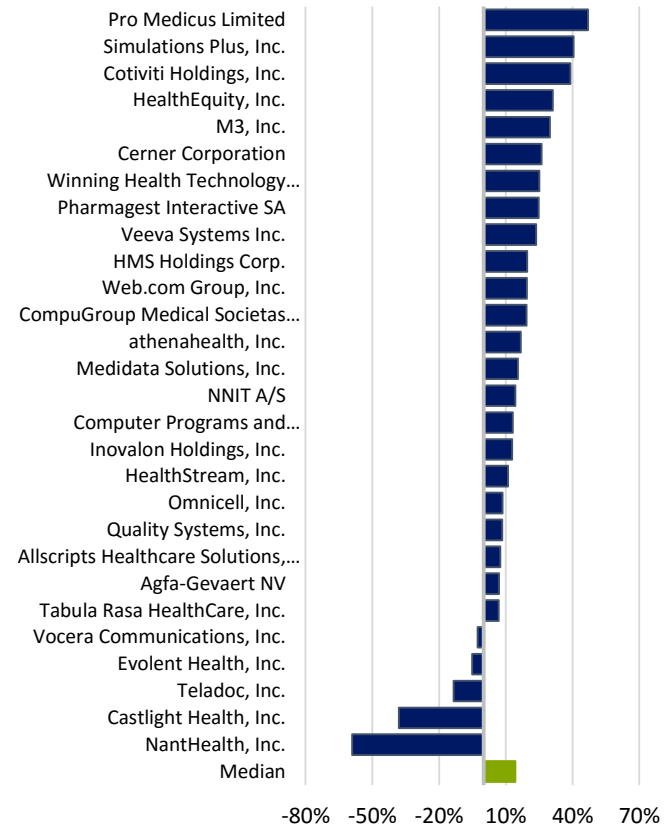
Operational Metrics



LTM Gross Profit Margin %



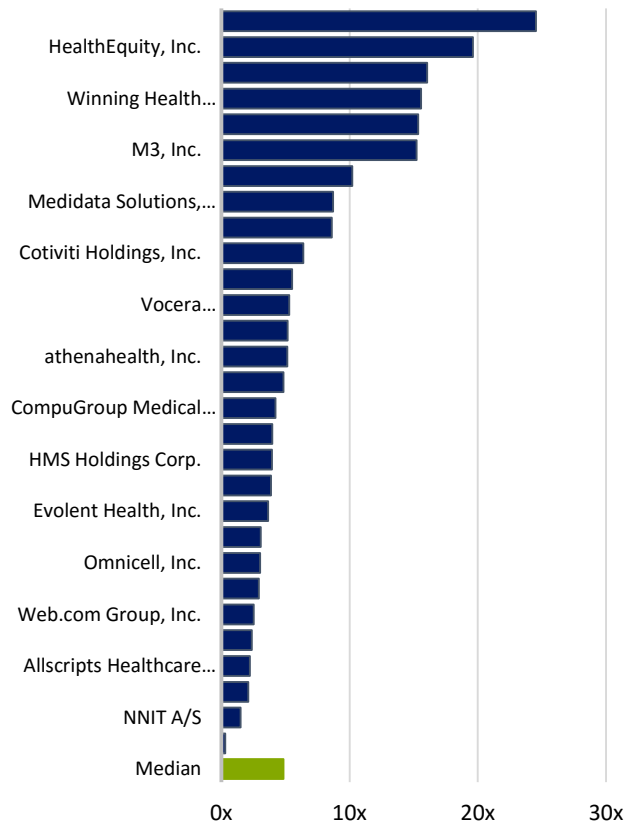
LTM EBITDA %



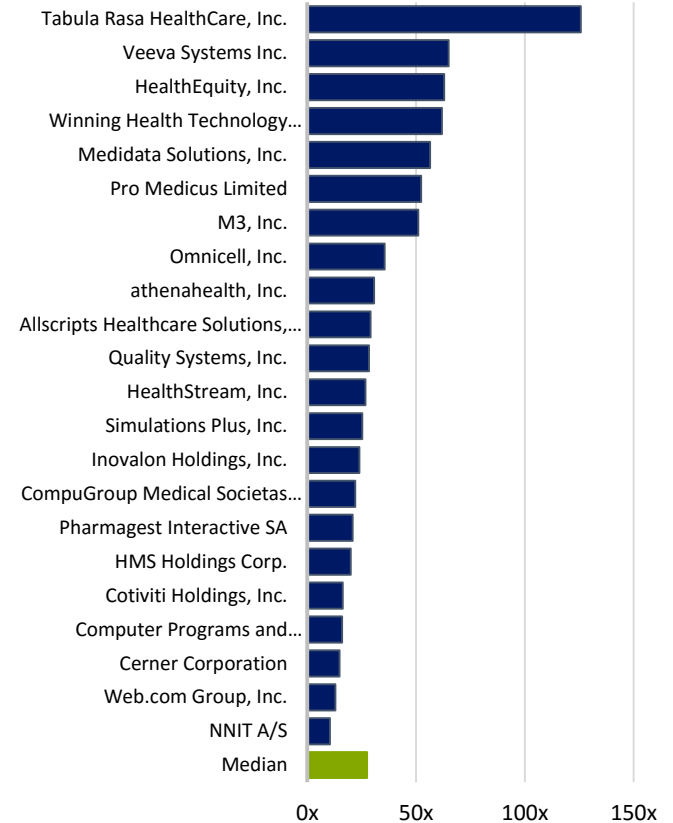
Valuation



TEV / LTM Revenue



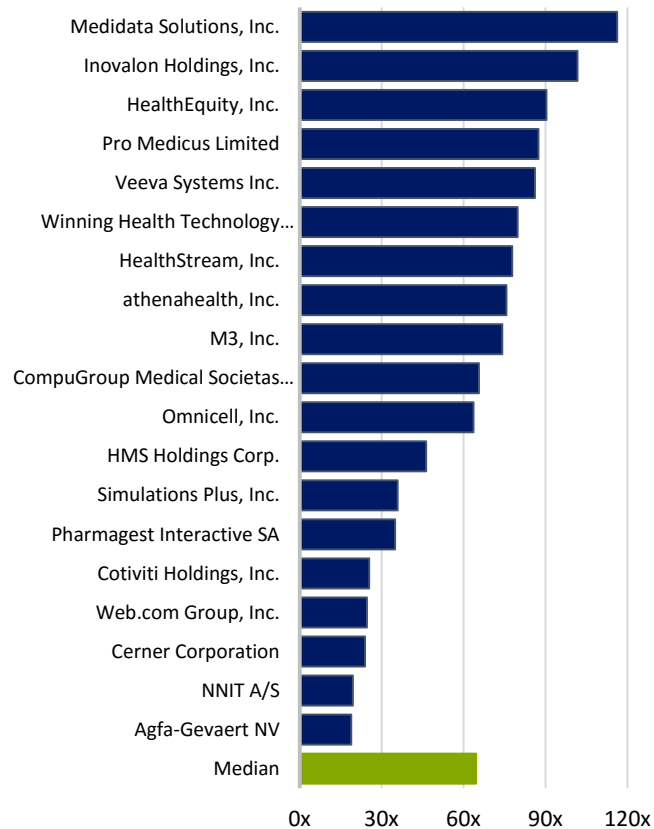
TEV / LTM EBITDA



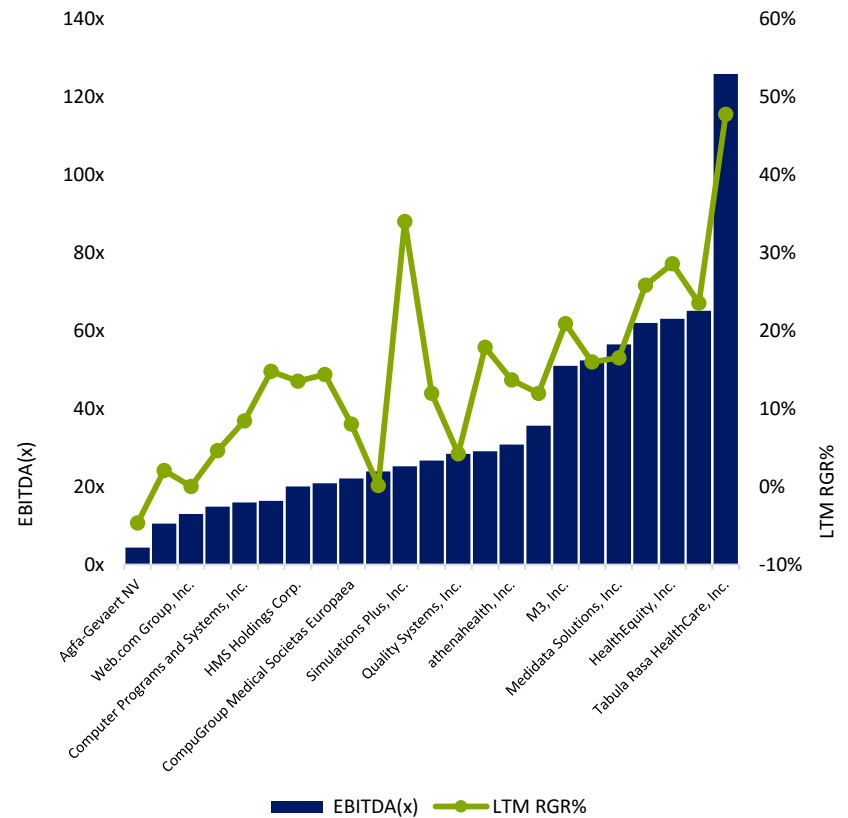
Valuation



Price / LTM Earnings



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions Summary

In the last twelve months there were transactions totaling \$23.8b transactions in the healthcare IT sector. 7 Mile Advisors tracked 1,114 transactions in the sector, including 293 M&A transactions.

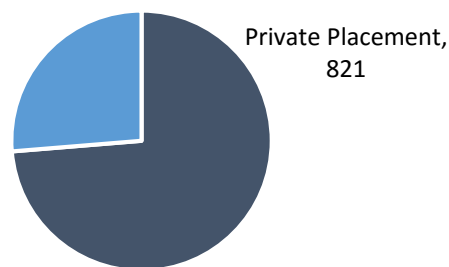
Merger & Acquisition Statistics

Valuation Summary

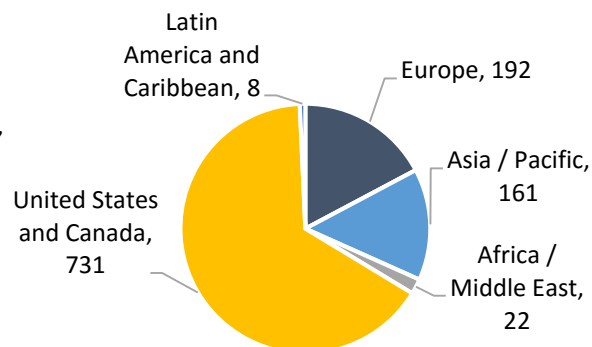
Total Deal Value(\$mm):	\$23,825.68
Average Deal Value:	\$297.82
Average TEV/Revenue:	6.86x
Average TEV/EBITDA:	31.16x
Average Day Prior Premium(%):	284.56%
Average Week Prior Premium(%):	281.18%
Average Month Prior Premium(%):	306.58%

All Transactions by Type

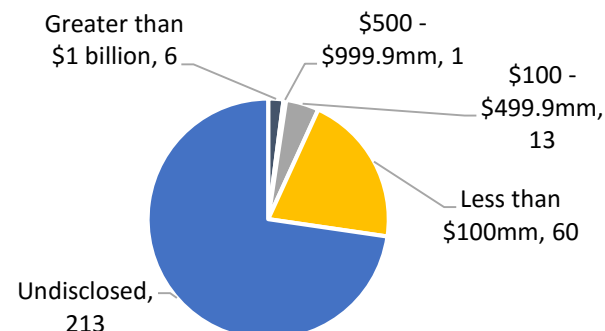
Merger/Acquisition, 293



All Transactions by Region



M&A Transaction Ranges by Value



Most Active Buyers/Investors by Number of Transactions

Company Name	Number Of Transactions
Khosla Ventures	7
Bessemer Venture Partners	6
New Enterprise Associates	6
F-Prime Capital Partners	5
Koninklijke Philips N.V. (ENXTAM:PHIA)	5
Merck Global Health Innovation Fund, LLC	5
500 Startups	4
Amgen Ventures	4
Ben Franklin Technology Partners of Southeastern Pennsylvan	4
Bpifrance Investissement	4

Most Active Buyers/Investors by Total Transaction Size

Company Name	Transaction Size (\$mm)
Elliott Management Corporation	6,884.24
Verscend Technologies, Inc.	5,118.08
Oz Parent, Inc.	3,600.0
Roche Holding AG (SWX:ROG)	1,900.0
SoftBank Investment Advisers	1,550.0
Inovalon Holdings, Inc. (NasdaqGS:INOV)	1,200.0
SBI Holdings, Inc. (TSE:8473)	1,150.0
SBI Investment Co., Ltd.	1,150.0
Veritas Capital Fund Management, LLC	1,050.0
China Investment Corporation	650.8

Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
16Jul18	viaDirect Solutions	PlayMaker, Inc. (nka:PlayMaker Health)	-	-	-	-
11Jul18	Datix Limited	RadicaLogic Technologies, Inc.	-	-	-	-
10Jul18	Certain assets of Medical Columbus AG	Global Healthcare Exchange, LLC	-	-	-	-
9Jul18	Nuesoft Technologies, Inc.	ADP AdvancedMD, Inc.	-	-	-	-
2Jul18	ADS Data Systems, Inc.	Consolo Services Group, LLC	-	-	-	-
22Jun18	AcuStream, Inc./CloudMed Solutions	Revint Solutions	-	-	-	-
19Jun18	Cotiviti Holdings, Inc.	Verscend Technologies, Inc.	5,118.08	737.56	6.7x	17.1x
13Jun18	Caradigm USA LLC	Inspirata, Inc.	-	-	-	-
13Jun18	Life Account, LLC	Alight Solutions	-	-	-	-
11Jun18	SHYFT Analytics, Inc.	Medidata Solutions, Inc.	-	-	-	-
11Jun18	FairWarning, Inc.	Mainsail Partners	60.00	-	-	-
11Jun18	Commonwealth Informatics Inc.	Genpact Limited	-	-	-	-
11Jun18	Jobson Healthcare Information LLC	WebMD Health Corp.	-	-	-	-
29May18	HEALTHCAREfirst Inc.	ResMed Inc.	-	-	-	-
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	477.00	-	-	-
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.	-	-	-	-
30Oct17	Tea Leaves Health, LLC	Welltok, Inc.	90.00	-	-	-
25Sep17	CareLinx Incorporated	Generali Global Assistance	-	-	-	-
13Sep17	Diabeto, Inc.	Livongo Health, Inc.	-	-	-	-
6Sep17	SinfoníaRx, 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

Contact Information

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