

# Sectorwatch: Healthcare IT

Q1 2019

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# Overview

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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.



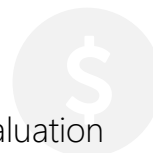
## Public Basket Performance

- 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

 **12.4%**

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

Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing.

## Pricing / Gross Margin Momentum

 **16.1%**

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.

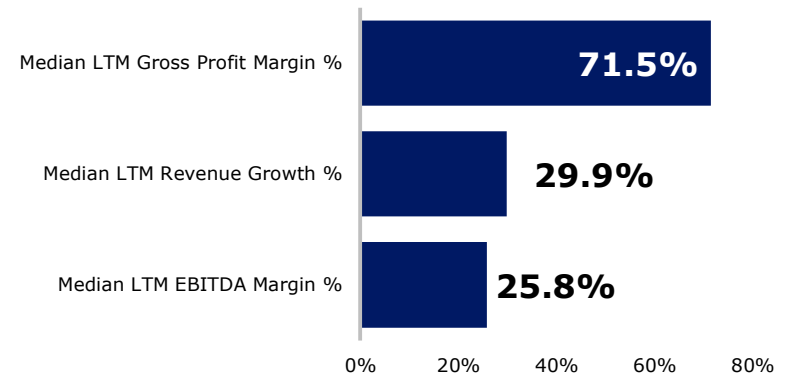
## Profitability Momentum

 **12.2%**

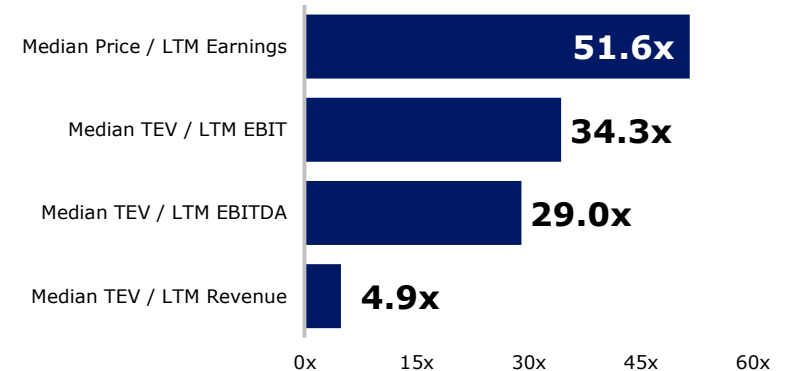
One year EBITDA percentage compared to EBITDA percentage average for last 3 years.

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



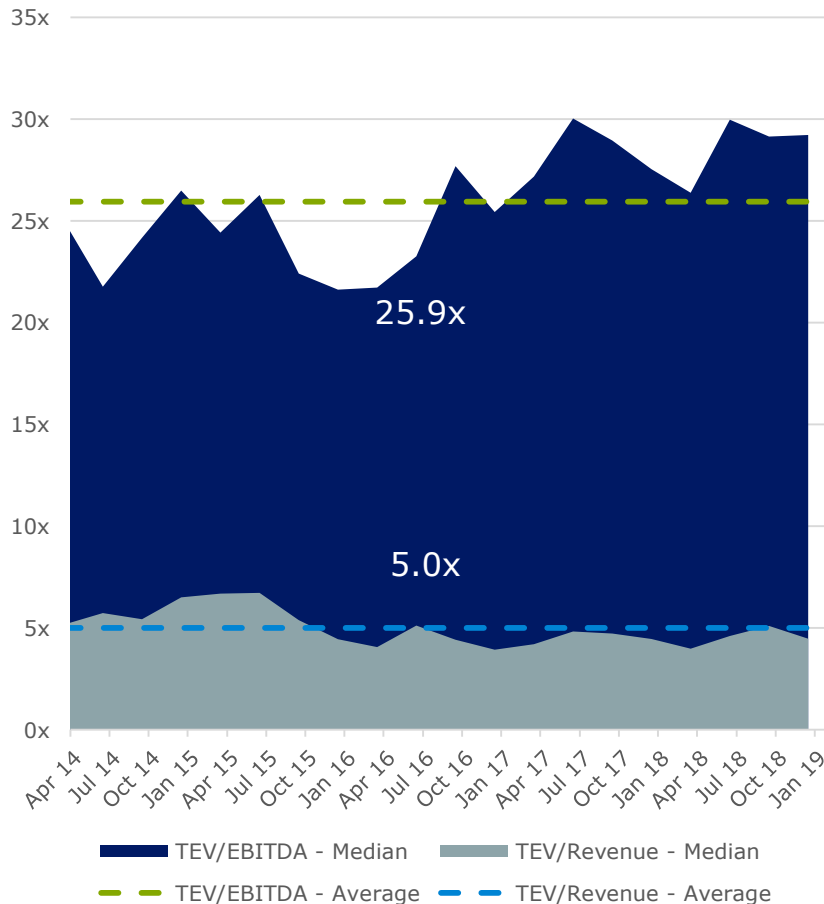
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Cerner Corporation	17,733	5,213	3%	84%	24%	3.4	14.1	26,000	200
Veeva Systems Inc.	14,532	811	24%	70%	25%	17.9	70.8	2,171	374
M3, Inc.	9,049	999	21%	57%	26%	9.0	34.3	5,165	193
athenahealth, Inc.	5,491	1,311	11%	54%	20%	4.2	20.7	5,156	254
Allscripts Healthcare Solutions, Inc.	4,305	2,079	21%	48%	4%	2.1	47.2	8,900	234
Teladoc Health, Inc.	4,286	372	92%	70%	-10%	11.5	0.0	1,231	302
Medidata Solutions, Inc.	3,984	611	16%	76%	15%	6.5	44.6	1,680	364
HealthEquity, Inc.	3,614	272	26%	62%	32%	13.3	41.1	1,027	265
Inovalon Holdings, Inc.	3,010	506	17%	71%	20%	5.9	29.5	1,758	288
CompuGroup Medical Societas Europaea	2,785	821	21%	40%	21%	3.4	16.2	4,572	180
Omniceil, Inc.	2,674	775	13%	47%	10%	3.4	34.7	2,350	330
HMS Holdings Corp.	2,562	591	19%	39%	21%	4.3	20.9	2,500	236
Winning Health Technology Group Co., Ltd.	2,449	210	36%	51%	24%	11.5	46.9	3,613	58
Benefitfocus, Inc.	1,843	272	17%	54%	1%	6.8	0.0	1,450	187
Evolent Health, Inc.	1,258	548	34%	40%	-2%	2.3	0.0	2,600	211
Tabula Rasa HealthCare, Inc.	1,210	191	63%	33%	9%	6.3	66.7	536	357
Vocera Communications, Inc.	1,117	171	9%	61%	-2%	6.5	0.0	590	291
Pharmagest Interactive SA	966	182	22%	28%	24%	5.4	23.1	907	200
Pro Medicus Limited	922	27	14%	99%	47%	35.7	75.6	-	NA
NNIT A/S	874	468	6%	19%	16%	1.9	12.2	3,031	154
Agfa-Gevaert NV	809	2,657	-7%	32%	6%	0.3	5.7	9,840	270
HealthStream, Inc.	634	260	19%	57%	12%	2.4	20.5	955	272
Computer Programs and Systems, Inc.	490	286	9%	55%	12%	1.7	14.2	2,000	143
Simulations Plus, Inc.	320	30	17%	72%	37%	10.6	28.5	93	324
Castlight Health, Inc.	303	151	21%	61%	-23%	2.0	0.0	527	286
NantHealth, Inc.	242	89	8%	58%	-55%	2.7	0.0	494	180

<b>Average</b>	3,364	766	21%	55%	12%	7.0	33.4	3,566	246
<b>Median</b>	2,146	420	18%	56%	15%	4.9	29.0	2,000	254

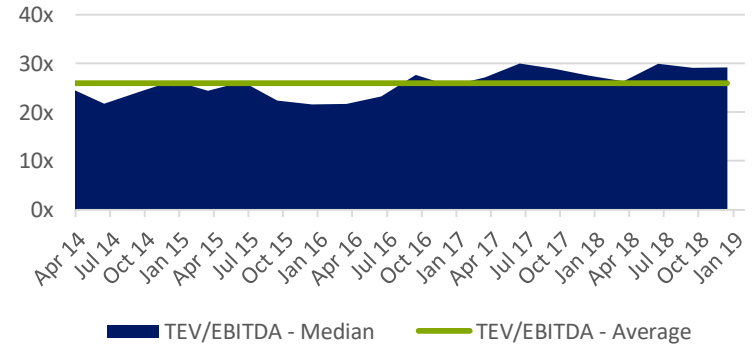
share price as of 28Jan19



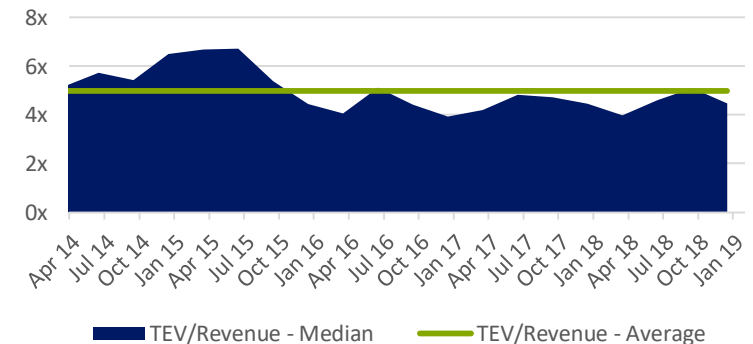
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



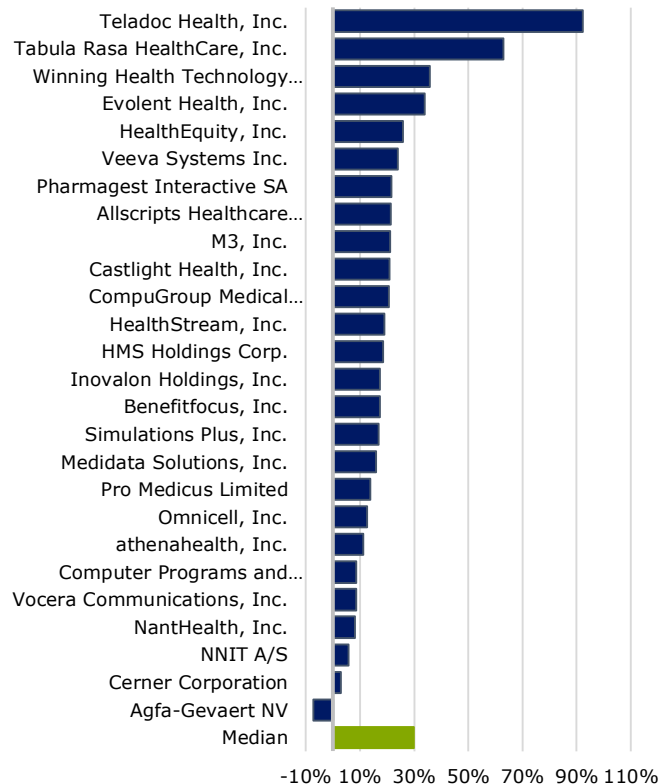
## Public Revenue Multiples over Time



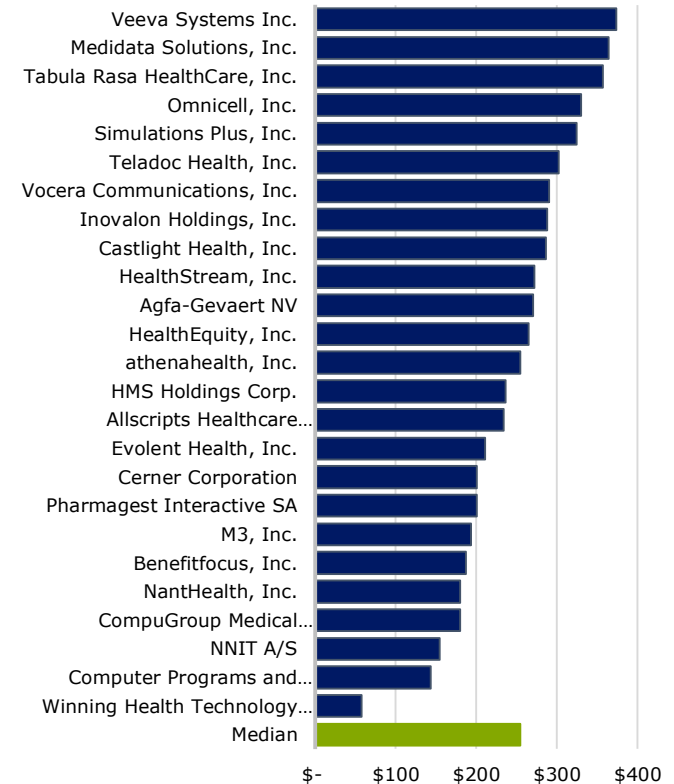
# Operational Metrics



## LTM Revenue Growth %



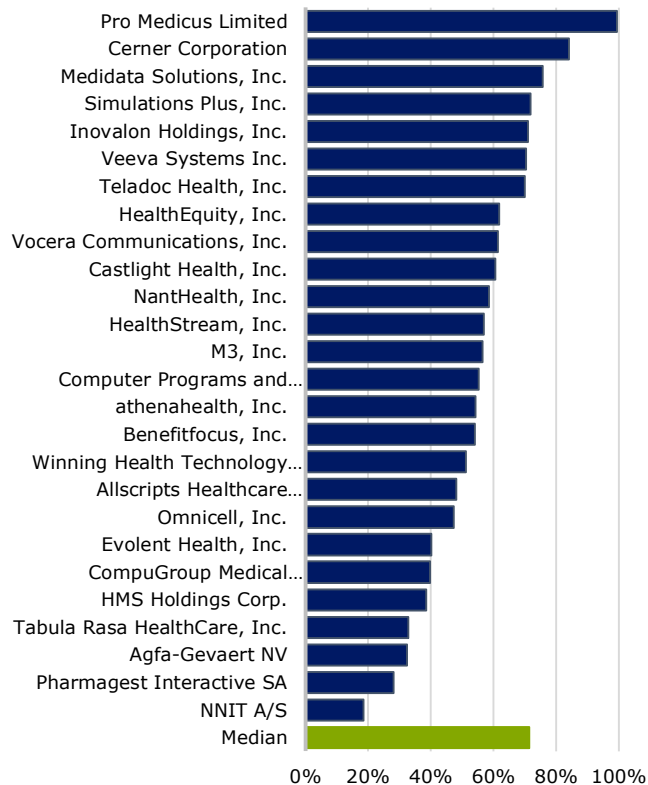
## LTM Revenue per Full Time Employee x 000's



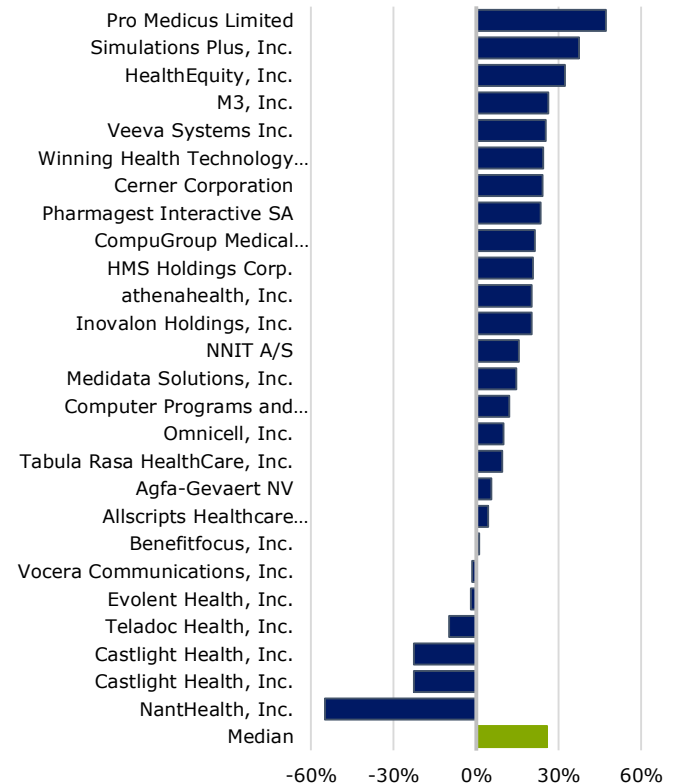
# Operational Metrics



## LTM Gross Profit Margin %



## LTM EBITDA %

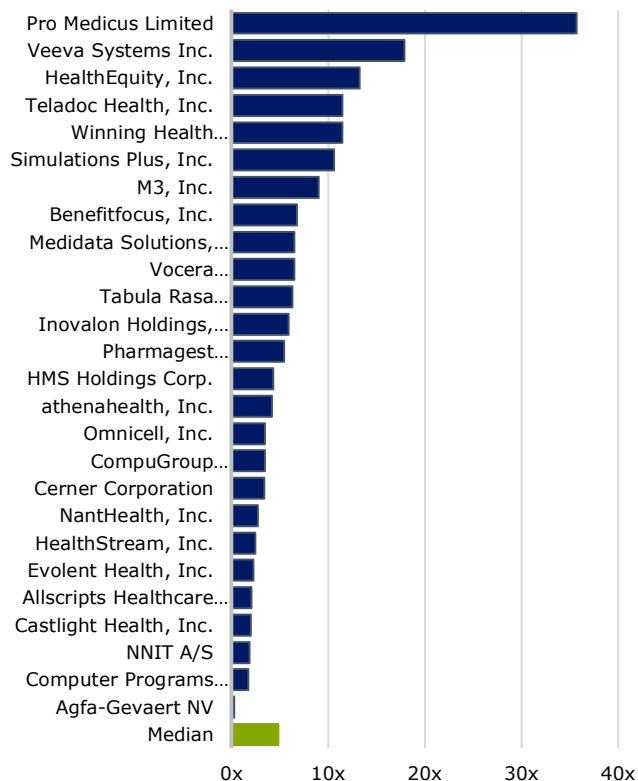




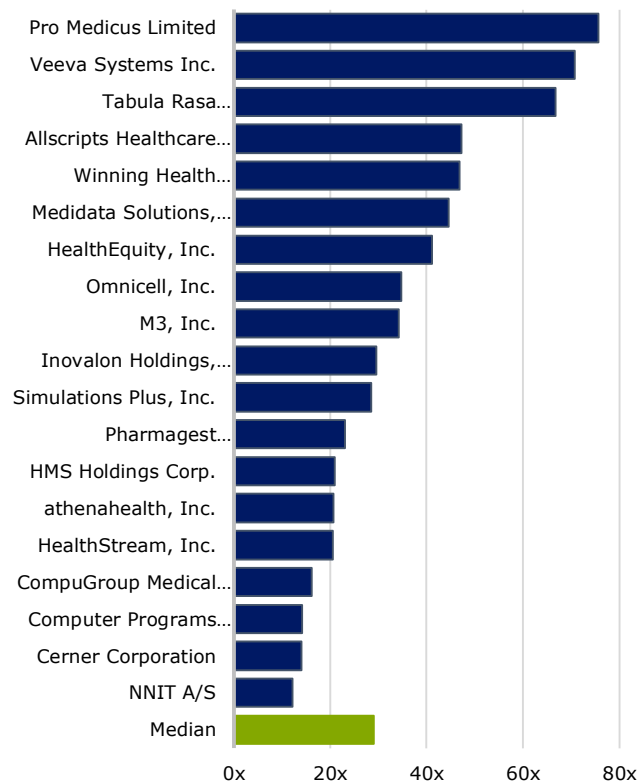
# Valuation



## TEV / LTM Revenue



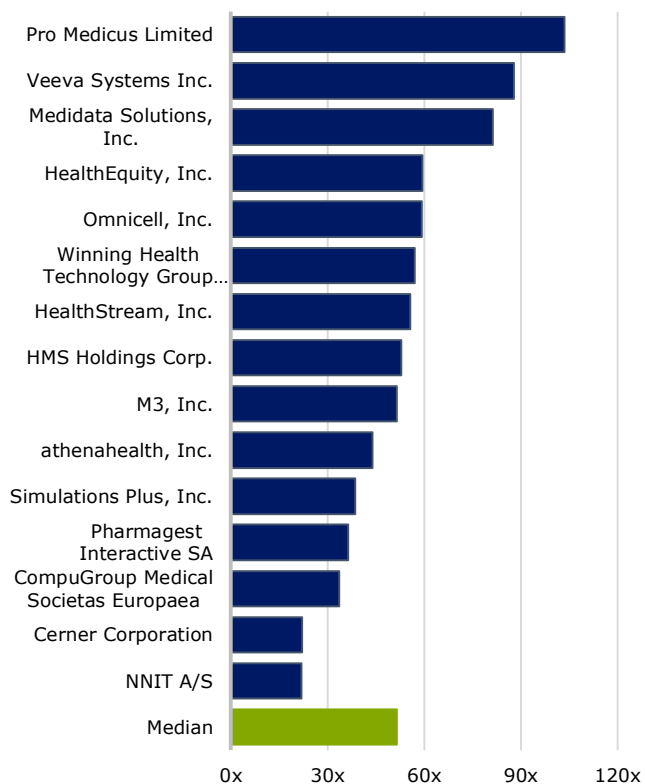
## TEV / LTM EBITDA



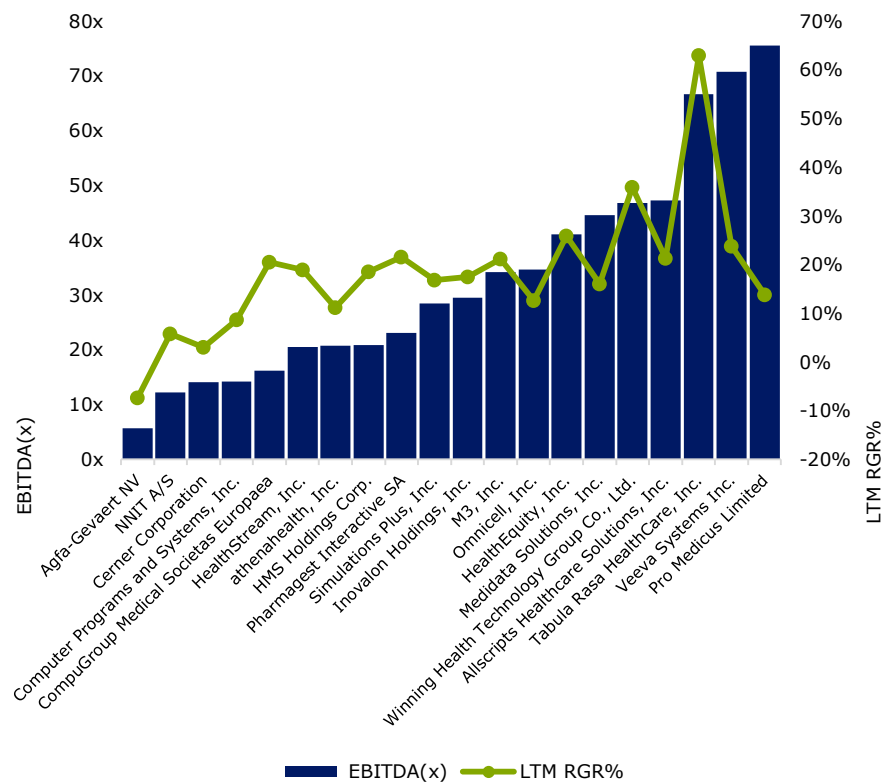
# Valuation



## Price / LTM Earnings



## Historical Valuation Multiples versus Revenue Growth Rate

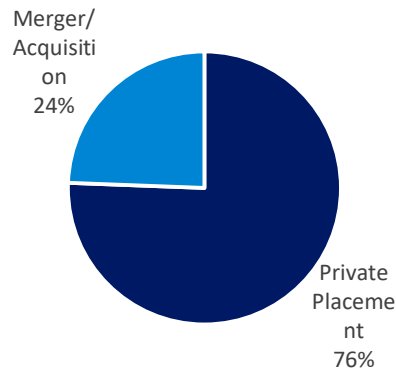


# RECENT TRANSACTIONS SUMMARY

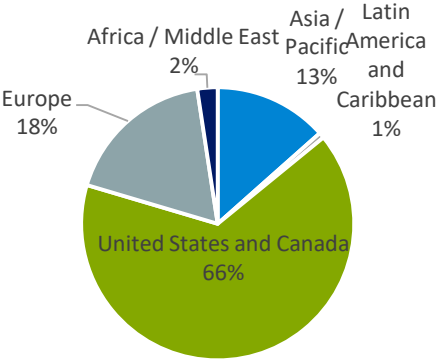
In the last twelve months there were transactions totaling \$28.3b transactions in the healthcare IT sector. 7 Mile Advisors tracked 1,205 transactions in the sector, including 294 M&A transactions.

Merger & Acquisition Statistics	
Valuation Summary	
Total Deal Value(\$mm):	\$28,305.7
Average Deal Value:	\$345.19
Average TEV/Revenue:	7.04 x
Average TEV/EBITDA:	36.68x
Average Day Prior Premium(%):	289.09%
Average Week Prior Premium(%):	282.03%
Average Month Prior Premium(%):	311.79%

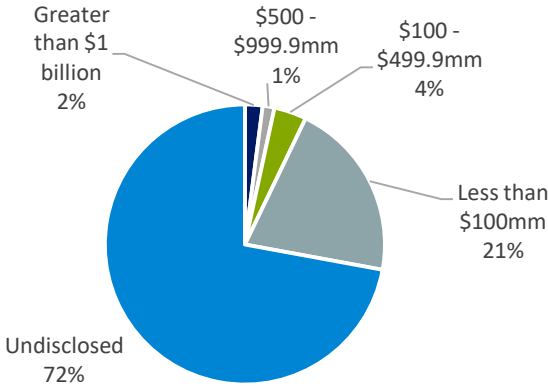
All Transactions by Type



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, Investment Arm	17
Y Combinator Management LLC	9
Albion Capital Group LLP	5
Bessemer Venture Partners	5
Entrepreneur First Operations Limited	5
F-Prime Capital Partners	5
HgCapital LLP	5
500 Startups	4
Arboretum Ventures LLC	4
Bpifrance Investissement	4

Most Active Buyers/Investors by Total Transaction Size	
Company Name	Total Transaction Size (\$mm)
Veritas Capital Fund Management, LLC	6,991.9
Elliott Management Corporation	6,879.97
Evergreen Coast Capital Corp.	5,941.9
Verscend Technologies, Inc.	5,118.56
Roche Holding AG (SWX:ROG)	1,900.0
Inovalon Holdings, Inc. (NasdaqGS:INOV)	1,200.0
ResMed Operations Inc.	750.0
Global Payments Inc. (NYSE:GPN)	700.0
China Investment Corporation	650.8
TA Associates Management, L.P.	566.61

# Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
11Jan19	DataCeutics, Inc.	TAKE Solutions Limited	45.00	-	-	-
10Jan19	Providigm, LLC	HealthStream, Inc.	18.50	-	-	-
4Jan19	MYnd Analytics, Inc.	Emmaus Life Sciences, Inc.	-	1.32	-	-
2Jan19	JC Griffin LLC	DHG Healthcare	-	-	-	-
2Jan19	HealthLine Solutions, Inc.	Medsphere Systems Corporation	-	-	-	-
17Dec18	Cloud Practice Inc.	Premier Health Group Inc.	5.00	-	-	-
14Dec18	Consolo Services Group, LLC	Mediware Information Systems, Inc.	-	-	-	-
7Dec18	Netsmart LLC.	AlpInvest Partners B.V.; TA Associates Management, L.P.; TA XII-B, L.P.; TA XII-A, L.P.; Bay Opportunities LP; TA Investors XII, L.P.; Pacific Opportunity LP; Pacific Opportunity II LP; ACP Accelerate I LLC; ACP Accelerate II LLC; GI GP IV LLC	566.61	-	-	-
31May18	Advanced Health Media, LLC	IQVIA Holdings Inc.	-	-	-	-
3Dec18	Reciprocal Labs Corporation	ResMed Inc.	225.00	-	-	-
5Nov18	MatrixCare, Inc.	ResMed Operations Inc.	750.00	-	-	-
23Oct18	Vendor Credentialing Service LLC	Clearlake Capital Group, L.P.	-	-	-	-
23Oct18	Global Healthcare Alliance, Inc.	Cedar Gate Technologies, LLC	-	-	-	-
18Sep18	Novellusdx Ltd.	Cancer Genetics, Inc.	-	-	-	-
17Sep18	Connance, Inc.	Waystar, Inc	-	-	-	-
16Sep18	Lucro Solutions, Inc.	Valify LLC	-	-	-	-
14Sep18	DIMEC Limited	Co-op Ventures	-	-	-	-
13Sep18	MD International AB	Apotek Hjärtat AB	37.35	-	-	-
13Sep18	Nemaris, Inc.	Globus Medical, Inc.	-	-	-	-
13Sep18	Pirana Software & Consulting BV	Certara, L.P.	-	-	-	-
12Sep18	Wellpass	Welltok, Inc.	-	-	-	-
11Sep18	Apex Revenue Technologies, LLC	RevSpring, Inc.	200.00	-	-	-
6Sep18	VirMedica, Inc.	CareMetx, LLC	-	-	-	-
31Aug18	MVI Health Inc.	Penumbra, Inc.	20.00	-	-	-
24Aug18	Herald Technologies Inc.	Persistent Systems, Inc.	5.20	-	-	-
28Aug18	Iatric Systems, Inc.	Harris Healthcare Group	-	-	-	-
28Aug18	Intellitec	Softway Medical SAS	-	-	-	-
27Aug18	ClariCare Inc.	True Nature Holding, Inc.	-	-	-	-
23Aug18	Medical Reservations Technology Co., Ltd. (nka:GMO Medical Reservations Technology Co., Ltd.)	GMO Epsilon, Inc.	-	-	-	-
20Aug18	Alliance MMA, Inc.	SCWorx Corp.	-	4.08	-	-

# CONTACT INFO

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