



## Healthcare IT Services

Earnings Call Synopsis / Q3 2019 Results

## Content

---



### Summary

Earnings Call Overview / Players In The Industry  
Financial Trends and Transactions

# ABOUT 7 MILE ADVISORS

7 Mile Advisors is a partner-led middle-market investment banking firm providing strategic M&A, private capital transactions, and market insight for business owners, corporations, and private equity firms.

The 7MA team has completed over 150 transactions in the IT Services sector. We provide pragmatic advice, sector expertise and innovative processes to help clients adeptly navigate the decision tree. Our high-touch processes with senior-led deal teams are the cornerstone of the 7MA process.

## Select Recent Transactions



*\* Deal executed by 7 Mile Advisors Principal while in another firm*

# SUMMARY

We are pleased to present our Third Quarter 2019 review of the Healthcare IT Services sector, which consists mainly of a mix of buyers providing management consulting, technology-enabled services and technology platforms for the healthcare provider sector.

## Key trends in this sector include:

- 1. Continued Global Healthcare Spending:** Global healthcare spending is projected to reach \$10.059 trillion by 2022. Factors that have driven health care costs higher, include increased life expectancies, growth non-communicable diseases, NCDs (such as cancer and heart disease), and the fight against communicable diseases (including diseases caused by bacteria, viruses, and parasites). (1)
- 2. New Delivery Models Driving Affordability and Increased Access:** The continued rise in healthcare spending has driven the need for new delivery models, which ultimately is resulting in both affordability and increased access to medical solutions. Teladoc, for example, is driving innovation, on-boarding large groups of people, in order to extend solutions and services further into the marketplace.
- 3. Healthcare Executives Reinventing Patient Experience:** As healthcare executives manage the path to accountable care and re-invent the patient experience, the biggest areas of investment by healthcare provider organizations continues to be value-based care delivery initiatives, patient engagement and care management, and enterprise digital. At the same time, healthcare executives are searching for ways to demonstrate a return on investment for IT technology.

## Trends and Technology to watch for in 2020:

---

- 1. Continued growth in the Healthcare Consulting Services market, expected to growth at a CAGR of 11.6% between 2019 – 2027. (2)
- 2. Continued evolution of patients becoming consumers.
- 3. Increased use of wearables, connectivity of devices, and security of connected devices.
- 4. Use of technology and development of new business models in emerging markets.
- 5. M&A activity across all segments of Healthcare, including Consulting and IT Services, and continued acquisitions by non-traditional players, such as technology companies.

## Content

---



Summary  
Earnings Call Overview / Players In The Industry  
Financial Trends and Transactions

# HEALTHCARE IT SERVICES INDUSTRY OVERVIEW

At the end of Q3 2019, all but one of the public peers showed YoY revenue growth. For the period ending Q3 2019, three companies reported negative EBITDA margins. All three companies reported strong revenue growth YoY, ranging from 24% - 72% over Q3 2018.

7MA has identified over 60 Healthcare IT and Consulting transactions in Q3 2019, slightly lower than quarterly average since Q3 2018, which ranges between 68 – 79 deals / quarter.

One acquisition in Q3 2019 of interest, was the acquisition of Navigant Consulting by Guidehouse (a Veritas Capital portfolio company). The acquisition happened a little over a year after the spin-out of Navigant's Disputes, Forensics and Legal Technology (DFLT) and Transaction Advisory Services (TAS) practices to Ankura Consulting in 2018.

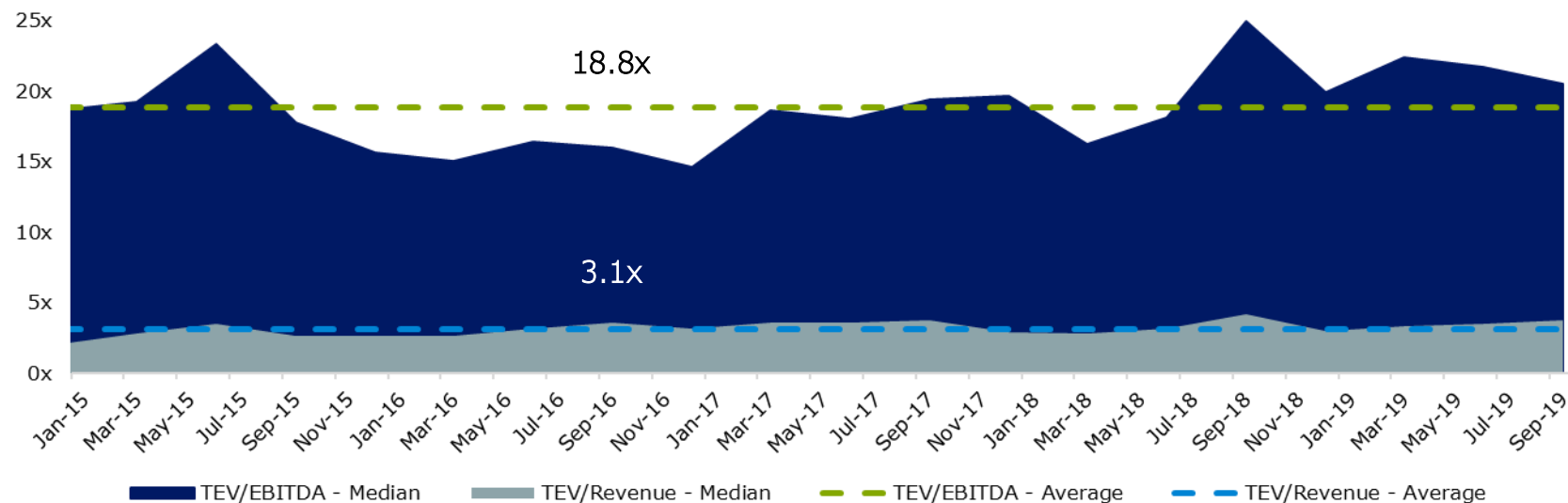
## Public Basket:



# PUBLIC BASKET AND VALUATION TRENDS

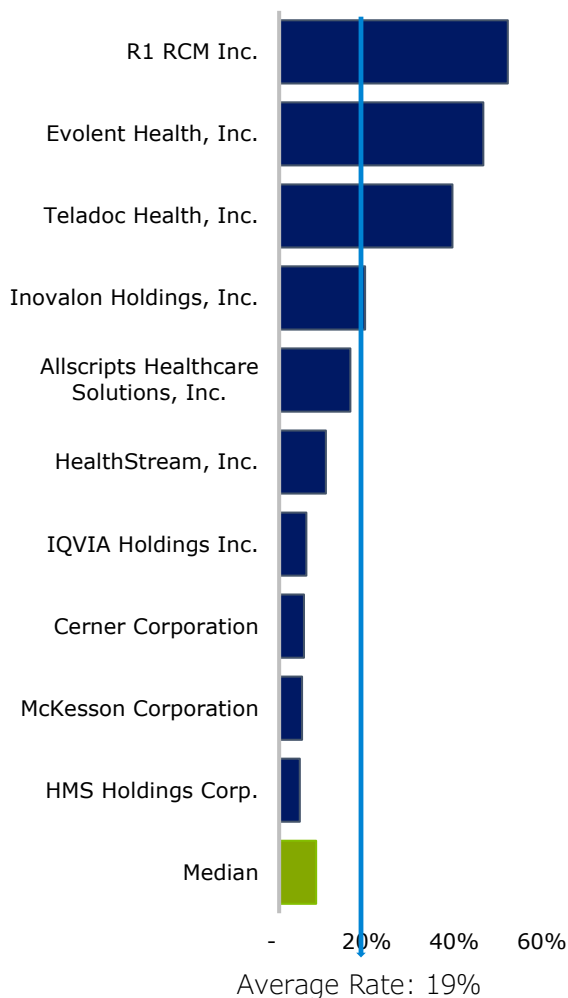
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
IQVIA Holdings Inc.	40,512	10,881	6%	34%	17%	3.8	21.8	58,000	188
McKesson Corporation	34,854	221,981	5%	5%	2%	0.2	8.4	60,000	3,700
Cerner Corporation	21,932	5,616	6%	82%	20%	4.0	18.2	29,200	192
Teladoc Health, Inc.	4,865	520	40%	67%	-6%	9.9	NM	2,242	232
Inovalon Holdings, Inc.	3,451	605	20%	74%	27%	5.9	21.5	2,104	288
HMS Holdings Corp.	3,006	619	5%	38%	23%	4.8	19.6	2,500	248
Allscripts Healthcare Solutions, Inc.	2,654	1,763	16%	47%	7%	1.5	22.9	9,500	186
R1 RCM Inc.	1,620	1,135	52%	16%	11%	1.5	17.2	16,500	69
Health Catalyst, Inc.	1,739	148	0%	51%	-31%	12.3	NM	734	201
Evolent Health, Inc.	823	803	47%	26%	-6%	1.1	NM	3,800	211
HealthStream, Inc.	710	251	11%	58%	13%	2.9	22.7	757	332
<b>Average</b>	10,560	22,211	19%	45%	7%	4.3	19.0	16,849	531
<b>Median</b>	3,006	803	11%	47%	11%	3.8	20.5	3,800	211

share price as of 30Sep19

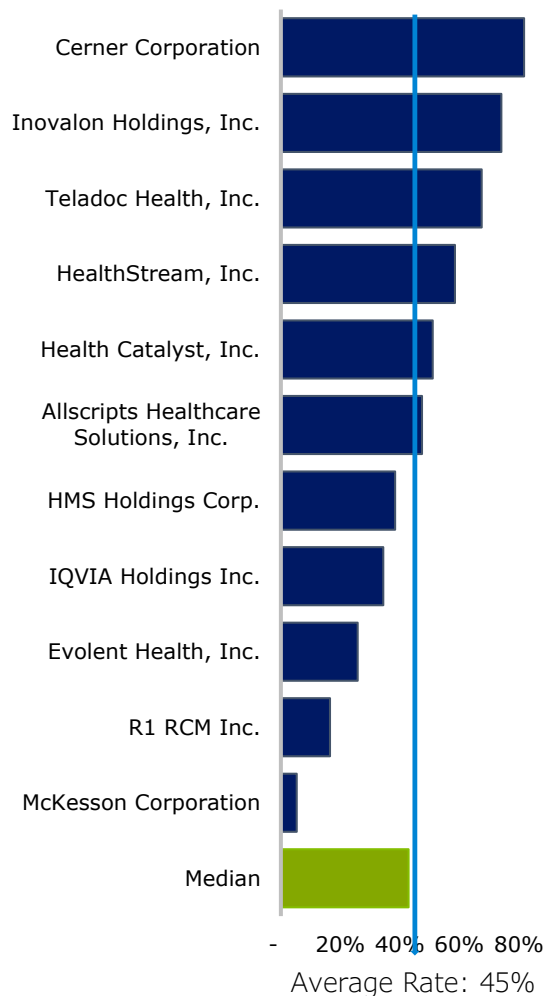


# OPERATIONAL METRICS

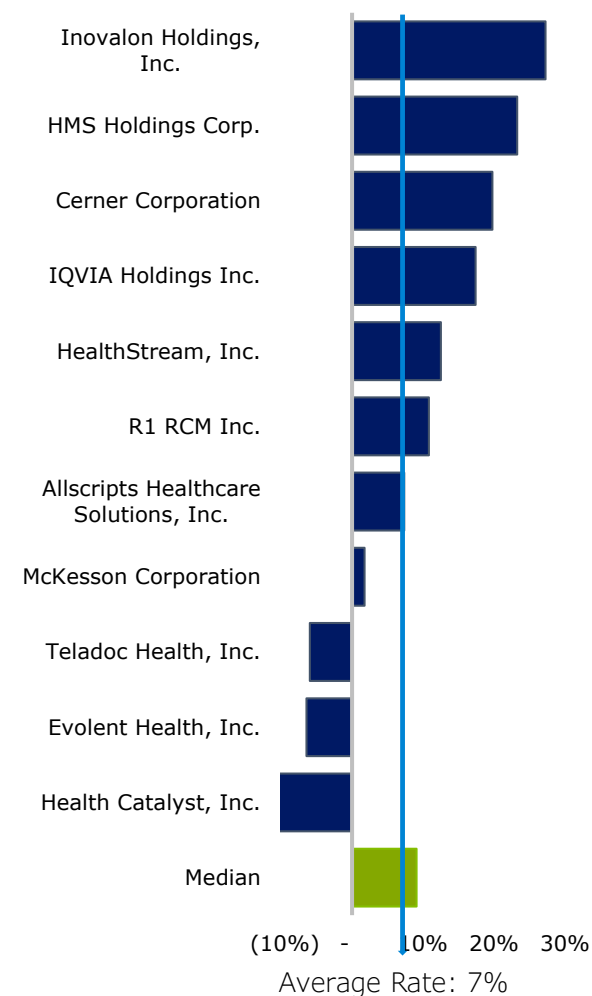
## LTM Revenue Growth %



## LTM Gross Profit Margin %



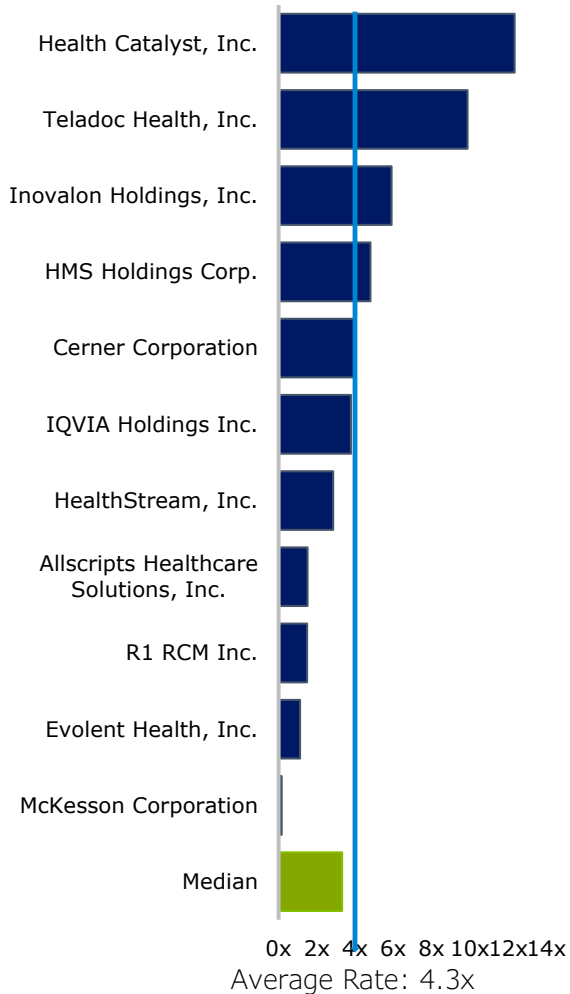
## LTM EBITDA %



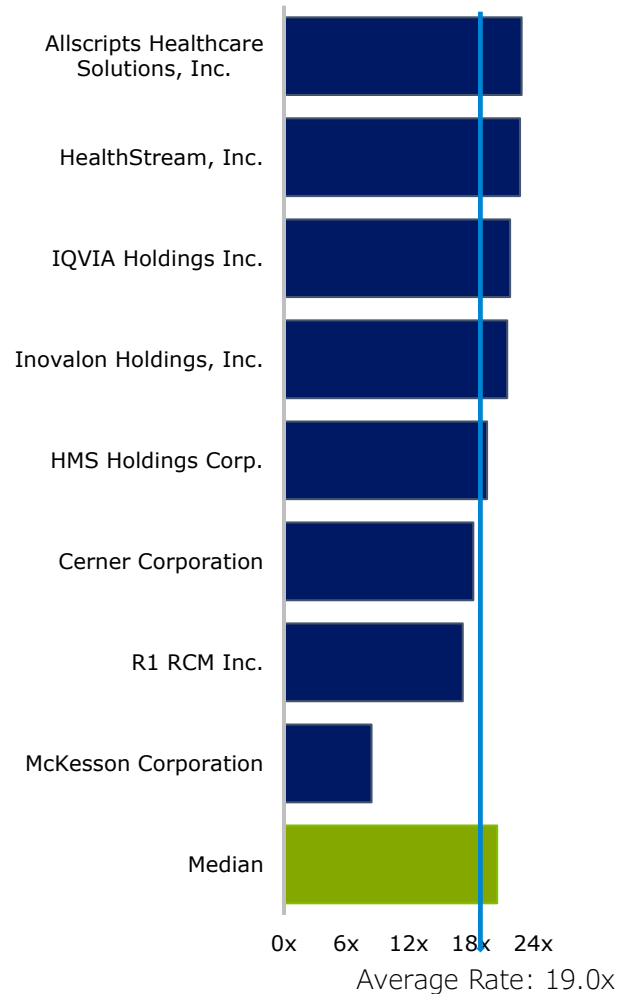


# VALUATION

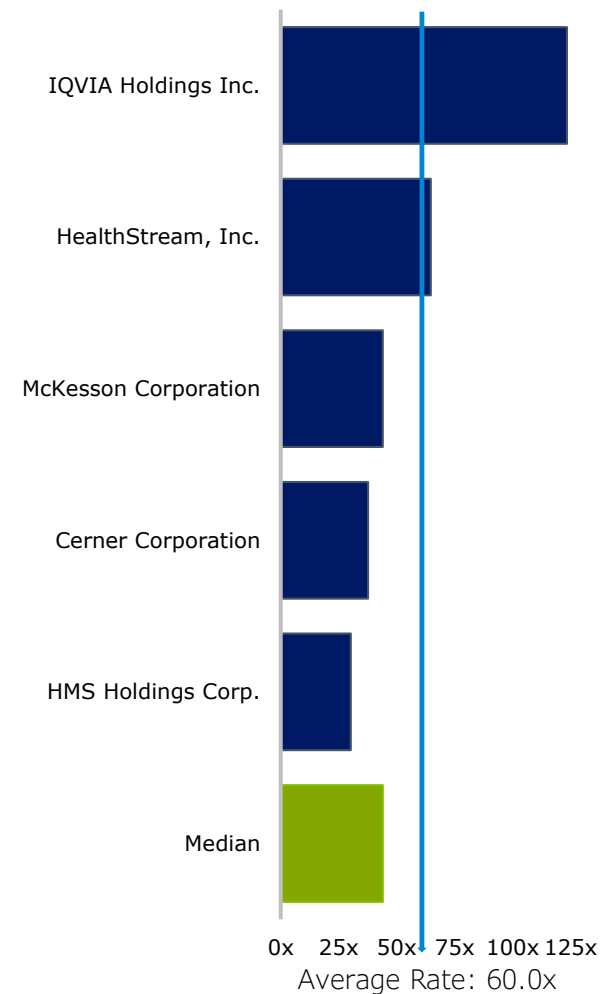
## TEV / LTM Revenue



## TEV / LTM EBITDA



## Price / LTM Earnings





## Commentary

*"Looking ahead, we believe revenue growth will improve as we benefit from the strategic investments we've made and the platforms we've created across both our Provider and Veradigm businesses."* — Paul Black, CEO

## Highlights

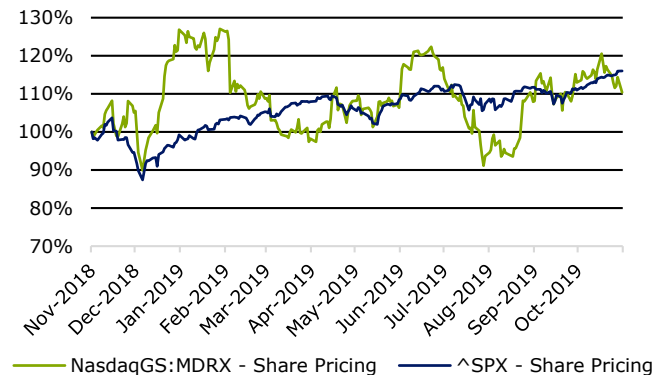
For the quarter ending September 30, 2019:

- In the inpatient market, Allscripts had a very strong quarter and saw strength across both the Sunrise and Paragon customer bases. Allscripts saw significant scope expansions at several clients and a good number of clients electing to take upgrades as well. Both are core solid leading indicators of their commitment to Allscripts.
- The biggest news was the progress made with Northwell, Allscripts largest client. As mentioned on the previous quarter's earnings call, Allscripts had been in negotiations with Northwell which included long-term extensions of existing business as well as expansion into other areas. This resulted in the extension of Allscripts' Sunrise platform through 2027. In addition, Allscripts has entered into a joint development agreement with Northwell to develop and commercialize the next-generation EHR.
- In the ambulatory market, Allscripts had a great quarter winning new market share as the Company signed 15 new clients. Allscripts sees new opportunities as groups of independent physicians combine and look to consolidate vendors. One example of this was Orthopedic Centers of Colorado, which combined a number of physician groups and saw value in adopting Allscripts' full ambulatory suite of technology for the organization.
- The combination of Allscripts' strong pipeline for clinical tools, revenue cycle services & patient engagement tools with strategic partnerships will propel Allscripts to achieve near-term growth targets, while investing for long-term growth.

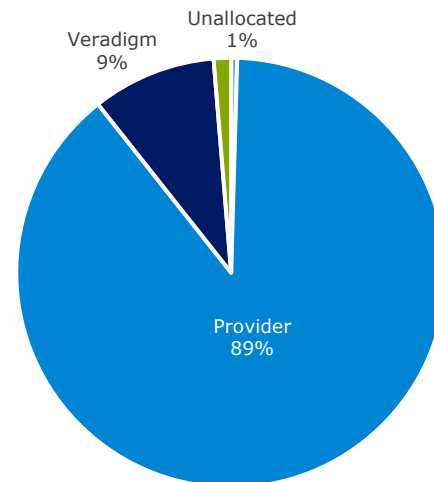
## News

- [Northwell Health extends partnership with comprehensive Allscripts Sunrise™ platform through 2027.](#) Allscripts signs a long-term agreement with Northwell Health to extend its inpatient platform through 2027.

## Market Performance (LTM)



## Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR



## Commentary

*"...our strategic framework to deliver on this innovation and growth is focused on three key areas - software as a service, health networks and data as a service."* — Brent Shafer, Chairman & CEO

## Highlights

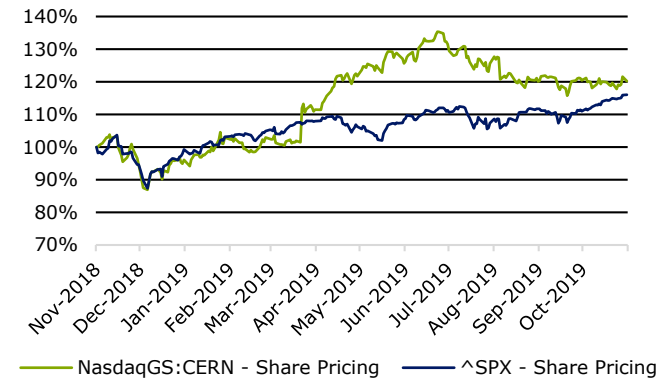
For the quarter ending September 30, 2019:

- Cerner announced its partnership with Amazon and AWS to modernize Cerner's platforms and software development approach, increase the pace of innovation and speed to market and lower the operational burdens for its clients. This also represents an opportunity to reduce Cerner's costs over time and is part of the Company's focus on long-term profitability improvements.
- Cerner, in order to deliver on the market and product management elements of its transformation, hired Darrell Johnson, in a newly created CMO role. The new CMO role, along with integration of strategic marketing into the Company's organizational structure, will strengthen Cerner's portfolio and product management processes, in addition to improving brand and go-to-market strategies.
- Management expects platform modernization and the move to the cloud represents another driver of margin improvement longer term. The Company believes that this will be a multi-year process, that will have most near-term benefits largely offset by modernization investments. The lower operating costs associated with the move, along with efficiencies and improvements the Company is driving in its development process, will meaningfully contribute to profitability, while allowing for Cerner to provide a differentiated solution to its clients, at a lower total cost of ownership.

## News

- [Cerner Leads New Era of Health Care Innovation](#). Cerner and Amazon (AWS) to work on future collaboration.

## Market Performance (LTM)



## Revenue by Geography (\$Million)



Source: CIQ, Q3 Earnings Release, PR

### Commentary

*"As we come into the end of the year, this combination of cross-sell momentum and new partnerships provides us with a high level of visibility for top line growth and margin expansion as we head into 2020."* — Frank Williams, CEO

### Highlights

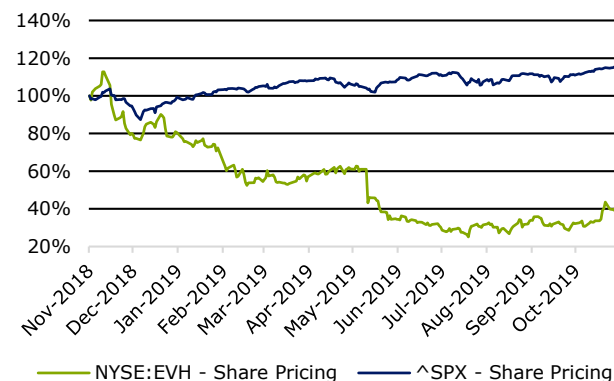
For the quarter ending September 30, 2019:

- The macro environment conditions are driving Evolent Health to have a broad focus on slowing healthcare cost growth and driving improved clinical outcomes for patients. The government's progression to new payment models, Medicare, Medicaid and managed care payers are resulting in the delegation of significant risk both in primary and specialty focus models.
- Evolent has differentiated itself in three primary offerings to payers and providers:
  - Evolent Health services, which is uniquely positioned to help simplify the administrative side of healthcare operations.
  - Unique ability, through New Century Health, to managed specialty care more effectively for national, regional and governmental payers.
  - The approach and knowledge base of Evolent Health can be translated to other specialty areas that allow for an integrated solution for payers.
- Evolent has welcomed seven new partners in 2019 across all three segments that differentiate the Company. This quarter they have added a partnership with Maryland Physicians Care, MCO, that administers healthcare services to over 200,00 Medicaid beneficiaries enrolled in the Maryland HealthChoice program.
- In addition, Evolent has added oncology and cardiovascular services for CountyCare health plan, launched New Century Health at Passport and supporting several partners in expansion or new entry models.

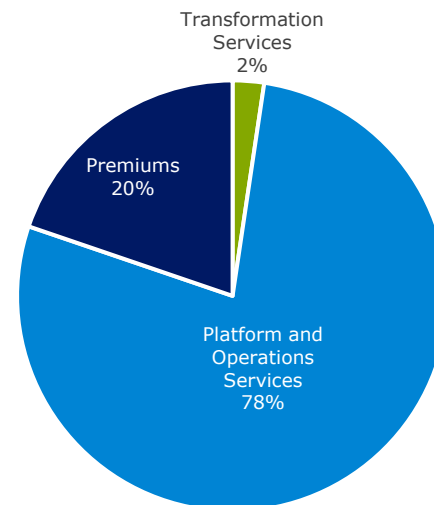
### News

- [Evolent Health First Organization Ever to Achieve NCQA Population Health Program Accreditation.](#)

### Market Performance (LTM)



### Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR

## Commentary

*"We feel comfortable with the robustness of the pipeline moving into the fourth quarter of 2019 and beyond, that pipeline supports the long-term guidance that we've provided from a growth perspective previously."* — Dan Burton, CEO

## Highlights

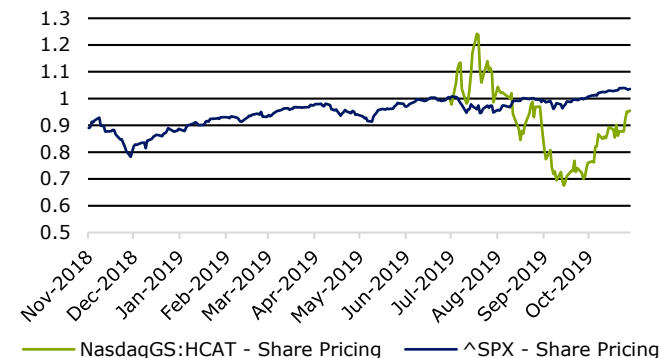
For the quarter ending September 30, 2019:

- Health Catalyst measures the company's performance in three primary strategic objective categories:
  - Improvement – focused on evaluating its ability to enable massive, measurable improvements for customers while sustaining industry leading satisfaction and engagement.
    - Health Catalyst has more than doubled the total number of documents improvements achieved in all of 2018.
  - Growth – adding new customers while also deepening existing customer relationships.
    - Health Catalyst was able to utilize the IPO road show process to add new customers within its core market and expand within their existing client base. Management fully expects that the sales-to-date and current sales pipeline supports the fully year 2019 guidance provided.
  - Scale – focus on enabling greater contribution to the Company's mission by sustainably scaling the organization.
    - For the third quarter, Health Catalyst generated \$39.4 million in total revenue. This represents an increase of 20% year-over-year. Total organic growth was driven primarily by recurring revenue from new customer additions and existing customers paying higher technology access fees from contractual built in escalators and from existing customers expanding their service relationships.

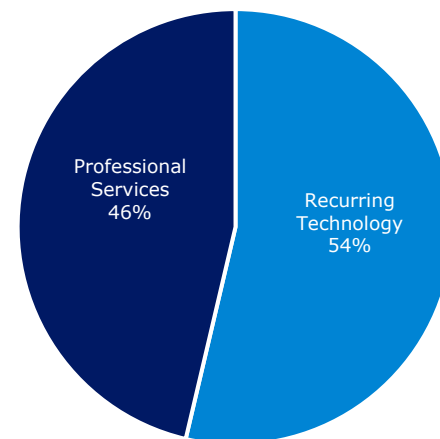
## News

- [Health Catalyst Announces Pricing of Initial Public Offering.](#)

## Market Performance (LTM)



## Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR

# HealthStream

## Commentary

*"If we continue to progress on these three transitions, we expect to cross the 60% gross margin level at this time in 2020. So, we're kind of excited that we expect to see some of those transitions start to payoff in the gross margin line by the middle of next year."* — Robert Frist, CEO & Chairman

## Highlights

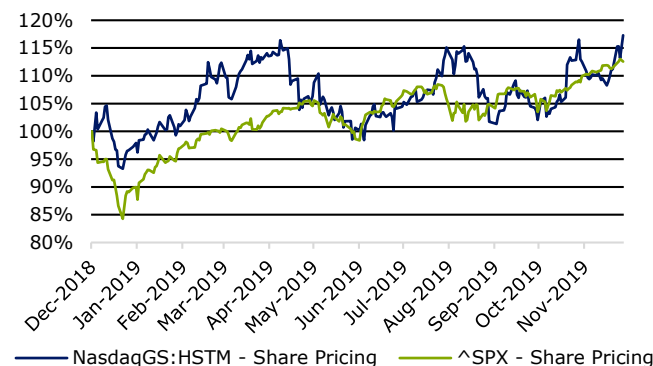
For the quarter ending September 30, 2019:

- HealthStream introduced three business transitions earlier in the 2019 designed to move the Company towards being a higher margin, more profitable company in the coming years. To this point, the Company is about 25% through the migrations and making steady progress on all of the transitions. The three business transitions are:
  - Moving sales and marketing efforts from the legacy resuscitation products to new resuscitation offering, which includes the American Red Cross Resuscitation Suite program and Innosonian Skills program launched in early 2019.
    - Through 2019 YTD, the Company has 69 accounts with over 22.3 million in contact order value signed for the new offering, with 48 accounts added in Q3.
  - Adoption and migration to HealthStream's new SaaS-based Verity platform, launched in Q1 2018.
    - In Q3, the Verity platform grew over 50% to approximately 155 contracted customers, at a rate of four new customers per week.
  - Upgrade of customers to the hStream platform, the essential technology working behind the machines, that powers all activity in the HealthStream ecosystem.
    - In Q3, HealthStream added approximately 434,000 hStream subscriptions, bringing the cumulative total up to approximately 2.78 million subscriptions.

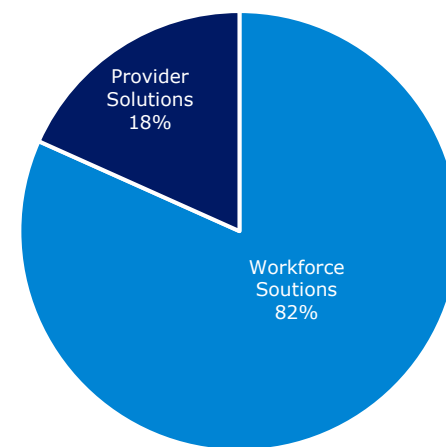
## News

- [HealthStream and Medline Team Up to Offer Workforce Development & Quality Improvement Programs to Long-Term Care Providers.](#)

## Market Performance (LTM)



## Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR



## Commentary

*"For the quarter we believe our recent sales momentum and strategic investment combined with very positive market trends offer numerous opportunities for growth and support our outlook for the remainder of 2019 and into 2020."* — Bill Lucia, Chairman & CEO

## Highlights

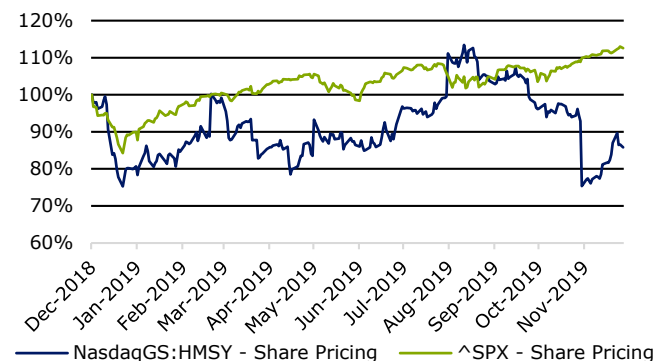
For the quarter ending September 30, 2019:

- HMS posted mixed results overall for the third quarter, versus a strong third quarter last year.
- Overall HMS remains confident in the trajectory and strength of the business given its YTD performance, recent expansions of client work and strong contract signing in Q3 across all lines of businesses.
  - In Q3, HMS experienced a 10.5% revenue decline in the Coordination of Benefits (COB) business as a result of the quarterly lumpiness nature of COB, one of the strongest quarters for COB in Q3 2018, and timing of recoveries related to certain customers.
  - Payment Integrity posted a very strong quarter, with revenue up 11.1% as HMS is seeing encouraging trends in the solution adoption within its existing client base for both commercial and government programs.
  - Population Health Management (PH) revenue remained flat year over year but posted strong revenue gains for 8.8% over the second quarter. HMS' consumer engagement platform, Eliza continues to drive PH revenue, which is primarily a volume driven transactional business.

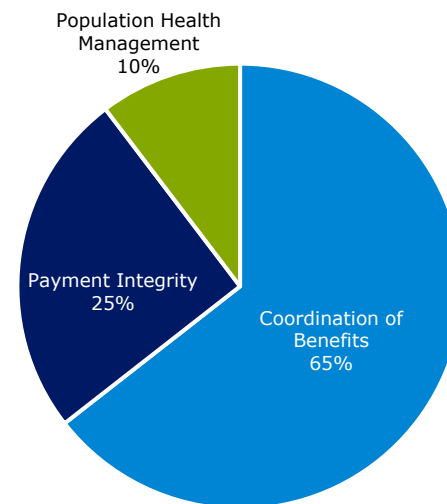
## News

- [HMS Acquires Vitreoshealth.](#)
- [HMS Enhances Expertise in Analytics with Two New Hires.](#)

## Market Performance (LTM)



## Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR

## Commentary

*"For the 3rd consecutive quarter, we've reported results that are at the high end or ahead of our guidance for revenue and profitability and for the 3rd consecutive quarter we're again raising the ranges..."* — Keith Dunleavy, CEO & Chairman of the Board

## Highlights

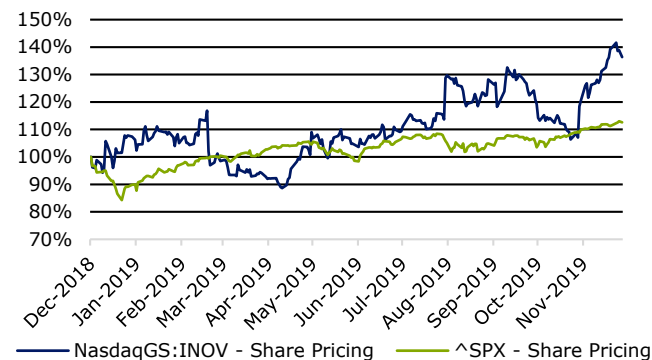
For the quarter ending September 30, 2019:

- Inovalon has focused on the following areas: transitioning the Company's foundational technology from an enterprise approach to a modular cloud-based platform, transitioning its contracting structure from a more complex legacy approach to a more streamlined subscription approach, diversifying & expanding the Company's end customer base through acquisitions and organic development, and increasing the scale and sophistication of its sales capability. As a result, Inovalon stands as the unique provider of the market's leading cloud-based platform empowering data driven healthcare.
- Inovalon experienced strong financial results in Q3 including a 6% organic growth (up 14% organically versus Q3 2018) and strong gross margin / adj. EBITDA margin increasing to 74% and 33% respectively.
- Inovalon, for a strong and positive 2020 and beyond, is focusing on:
  - Continued advancement of portfolio platform capabilities and the markets response to them, including cloud-based capabilities in all areas of Inovalon's client base.
  - Elastic Container Technology (ECT) is readily being selected by clients desiring to burst or accelerate analytical runs.
  - Continued expansion of client patient populations that are connected to the Inovalon ONE platform (for the 6<sup>th</sup> year in a row, clients utilizing the platform are outperforming the rest of the marketplace and the improvement of their clinical quality performances scores (Star Scores).

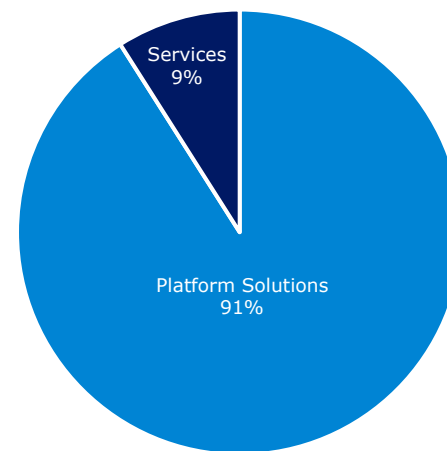
## News

- [Inovalon to Implement Comprehensive Value Platform Initiative for AstraZeneca.](#)
- [Inovalon Reaches Milestone and Achieves Integration with Epic.](#)

## Market Performance (LTM)



## Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR



## Commentary

*"The environment for R&D and outsourcing remains very healthy. Our pipeline of RMBS opportunities, continues to be at the same strong pace as 2018, and that was a record year for us. Our pipeline is growing high teens YTD compared with 2018."* — Ari Bousbib, Chairman & CEO

## Highlights

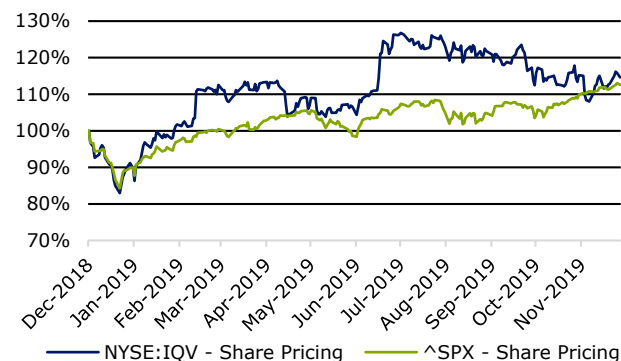
For the quarter ending September 30, 2019:

- IQVIA reported Q3 2019 revenue of \$2.8 billion, slightly above the Company's midpoint of guidance range, experiencing revenue growth of 7.9%, on a constant currency basis. IQVIA reported adj. EBITDA of \$593 million, which was towards the high end of the Company's guidance range.
- Technology Analytics Solutions revenue grew at 8% in Q3 (constant currency), driven by the timing of real-world client engagement deliverables as well as accelerated technology deployments.
- R&D solutions revenue grew at 6.8% in Q3 (constant currency), including an impact from pass-throughs of approximately 200 basis points, roughly offset by the contribution from M&A.
- Contract Sales and Medical Solutions revenue continues to demonstrate it has turned a corner, growing at approximately 5% in Q3 (constant currency) as a result of IQVIA's strategy to integrate the business with commercial operations.
- In Q3, IQVIA signed 20 new OCE deals, including a win with the top 15 pharma client to deploy OCE sales and marketing in the US, and another top 15 pharma client win to deploy OCE in Asia.
- IQVIA clients are increasingly looking to the Company for innovation in the space. The Company's global infrastructure allows for them to provide clients a faster and more predictable path to deep clinical insights on niche patient populations and enables novel research.

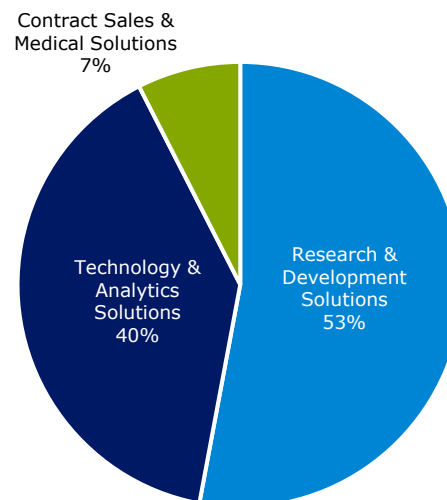
## News

- [IQVIA MedTech Launches Enhanced EQMS Including EU MDR Support.](#)
- [IQVIA Launches Patient Portal to Transform the Clinical Trial Experience.](#)

## Market Performance (LTM)



## Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR

# McKesson

## Commentary

*"Despite some headwinds, the Company is in a strong financial position. McKesson's future is bright. It's been a great honor and privilege to lead this company as chairman and CEO for nearly 20 years."* — John Hammergren, Chairman & CEO

## Highlights

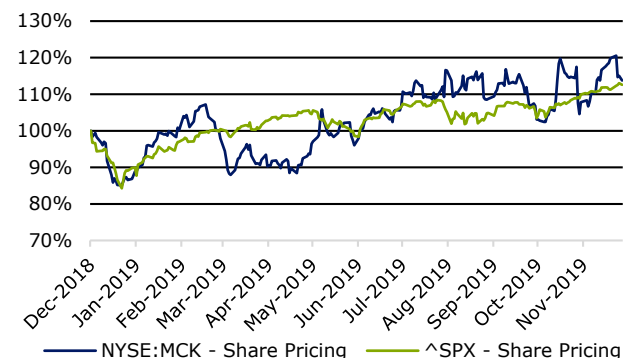
For the quarter ending September 30, 2019:

- The Company achieved total revenues of \$56 billion and an adjusted earnings per diluted share of \$3.40, which were both well ahead of expectations. McKesson reduced the top end of the original guide to reflect the impact of a customer bankruptcy, and raised the lower end of the guide based on a solid Q3 results and early indicators of Q4 performance.
- The US Pharmaceutical and Specialty Solutions segment grew at 6% in Q3 YoY, with a major highlight of Rite Aid renewing their distribution and sourcing relationship with McKesson for another 10 years.
- The European Pharmaceutical market continued to perform well and grow but continues to face challenges. McKesson was able to partially mitigate UK government cuts, through actions to rationalize store footprint and streamline back-office operations.
- Medical-Surgical continues to be a great story for the firm, reflecting strong market growth, incremental scale from McKesson's recent MSD acquisition and benefits from an ongoing shift to lower-cost sites of care. Management foresees continued synergies as operations are integrated.
- McKesson Canada, McKesson Prescription Technology Solutions and McKesson's equity investment in Change Healthcare (all included in "Other"), saw upside in Q3 driven by organic growth and migrating actions in Canada to address previously discussed government generic price actions.

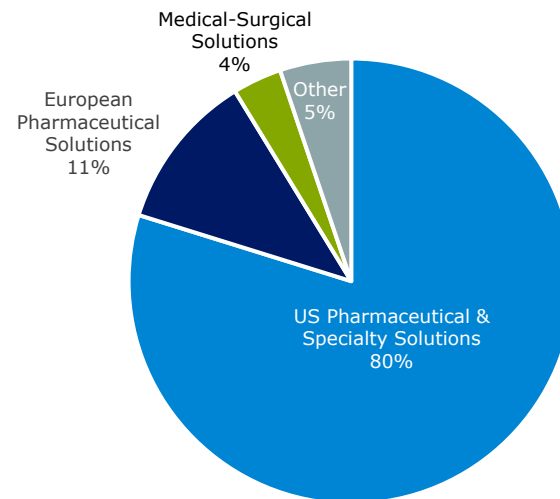
## News

- [McKesson and TrakCel Launch Innovative Collaboration to Support Commercialization of Cell and Gene Therapies.](#)

## Market Performance (LTM)



## Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR



## Commentary

*"The combination of operational drivers has contributed to EBITDA upside in Q3 as well as the increase in EBITDA guidance earlier this year. The team has done a superb job of delivering on our customer commitments ahead of the plans entering 2019."* — Joseph Flanagan, President, CEO & Director

## Highlights

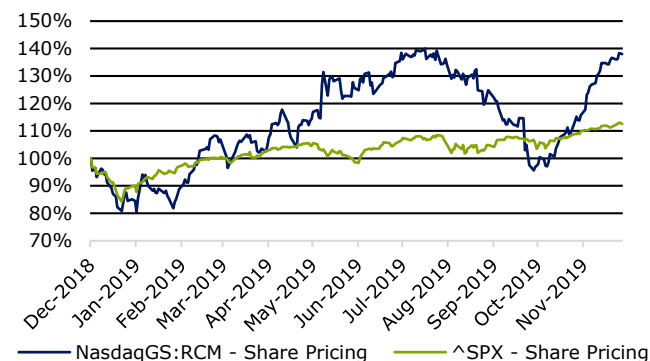
For the quarter ending September 30, 2019:

- Revenue for Q3 was \$301.2 million, up 20% YoY and adjusted EBITDA was \$48.9 million, up \$28.5 million for Q3 2018. Strong performance on A/R-related metrics, technology-driven productivity improvement and the transition of work to our shared services centers have progressed smoothly and ahead of our expectations in 2019.
- R1 RCM signed a new operating partner agreement with a large physician organization with annual NPR approaching \$700 million, that is for a seven-year term and covers R1's full suite of end-to-end services. This demonstrates the value proposition of R1's operating partner model and demonstrates the growth potential and continued momentum in the physician market.
- R1 continues to invest in building out capabilities and market presence in multiple areas. In Q3, R1 announced the appointment of Vijay Kotte as EVP – Physician Services (previously with DaVita Medical Group), who brings over 20 years of healthcare experience to R1, with especially deep expertise in developing and managing value-based payment models for providers and payers.
- R1 is positioning itself to deliver a solution architecture that is agile and can respond to the evolving payment landscape and deliver superior outcomes for its clients.

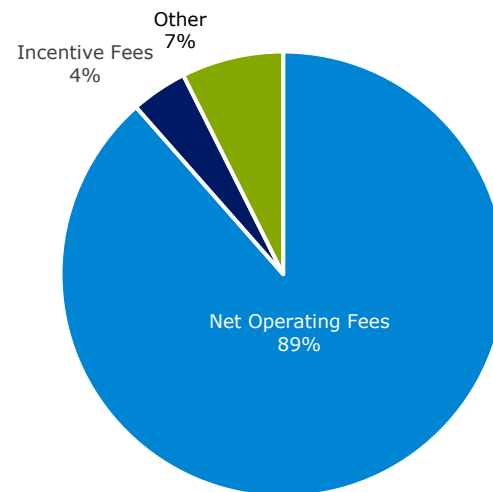
## News

- [R1 RCM to Present at the Baird 2019 Global Healthcare Conference.](#)
- [R1 RCM to Present at the Cantor Fitzgerald 2019 Global Healthcare Conference.](#)

## Market Performance (LTM)



## Revenue by Services



Source: CIQ, Q3 Earnings Release, PR

## Commentary

*"I'm very pleased with our results across the full breadth of our business delivering at the high end of our expectations, showing progress on several of our strategic initiatives and making strides on our path to profitability."* — Jason Gorevic, CEO

## Highlights

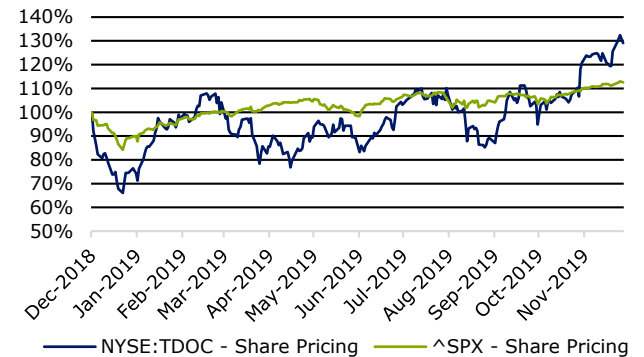
For the quarter ending September 30, 2019:

- In Q3 2019, Teladoc saw the greatest population expansion in the Company's history as more than 17 million people gained access to Teladoc. This was driven by an entrenched distribution footprint across channels, in particular, the accelerated momentum and health plans.
  - The largest population on-boarded was UnitedHealthcare's 15 million commercial members, which makes the first and only fully integrated virtual care offering within the UHC experience.
- Within the visits business segment, Teladoc continues to see growth across its total book of business globally with visits up 45% in Q3 with accelerating adoption across all of Teladoc's clinical specialties.
  - The largest populations, with multiple clinical specialties noticed a 59% increase in visit volume over the Q3 2018.
- In Q3, Teladoc launched the UK market's first and only virtual mental health service for navigating complex conditions, with AIG Life, which was followed by the partnership with Great-West Life to include the Mental Health Navigator service in Canada.
- In Q3, Teladoc launched Teladoc Medical Experts, on-boarding more than 100,00 employees from UPS and Nationwide Insurance. Teladoc Medical Experts creates a virtual center of excellence for individuals grappling with the challenges of complex physical and mental conditions.

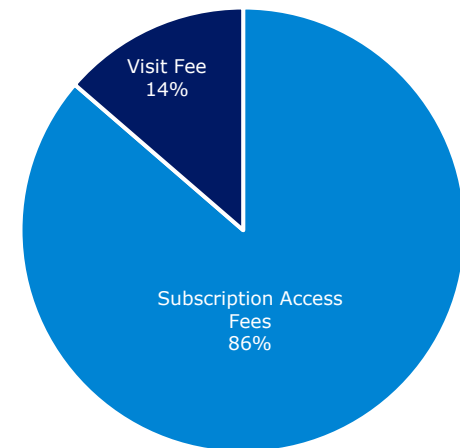
## News

- [Teladoc Health Names Health Tech Veteran David Sides as COO.](#)
- [30,000 Canadian Businesses to Benefit from Teladoc Telemedicine Services.](#)

## Market Performance (LTM)



## Revenue by Business Segment



Source: CIQ, Q3 Earnings Release, PR

## Content

---



Summary  
Earnings Call Overview / Players In The Industry  
[Financial Trends and Transactions](#)

# FINANCIAL TRENDS

Company Name	Revenue (\$M)					Revenue Growth (%)		
	CQ3'19	CQ3'18	FY'18	FY'17	FY'16	CQ3'19	FY'18	FY'17
<b>McKesson Corporation</b>	\$ 57,616	\$ 53,075	\$ 208,357	\$ 198,533	\$ 190,884	8.6%	4.9%	4.0%
<b>IQVIA Holdings Inc.</b>	\$ 2,769	\$ 2,594	\$ 10,412	\$ 9,702	\$ 6,815	6.7%	7.3%	42.4%
<b>Cerner Corporation</b>	\$ 1,429	\$ 1,340	\$ 5,366	\$ 5,142	\$ 4,796	6.7%	4.4%	7.2%
<b>Allscripts Healthcare Solutions, Inc.</b>	\$ 444	\$ 432	\$ 1,750	\$ 1,498	\$ 1,386	2.7%	16.8%	8.1%
<b>R1 RCM Inc.</b>	\$ 301	\$ 250	\$ 869	\$ 450	\$ 593	20.3%	93.1%	-24.1%
<b>HMS Holdings Corp.</b>	\$ 147	\$ 154	\$ 598	\$ 521	\$ 490	-4.8%	14.8%	6.4%
<b>Evolent Health, Inc.</b>	\$ 220	\$ 150	\$ 627	\$ 435	\$ 254	46.8%	44.2%	71.1%
<b>Inovalon Holdings, Inc.</b>	\$ 166	\$ 146	\$ 528	\$ 449	\$ 428	14.2%	17.4%	5.1%
<b>Teladoc Health, Inc.</b>	\$ 138	\$ 111	\$ 418	\$ 233	\$ 123	24.3%	79.1%	89.4%
<b>HealthStream, Inc.</b>	\$ 62	\$ 60	\$ 232	\$ 215	\$ 192	4.2%	7.8%	11.9%
<b>Health Catalyst, Inc.</b>	\$ 39	\$ 23	\$ 113	\$ 73	nmf	71.5%	54.0%	nmf
<b>Average</b>	<b>\$ 5,296</b>	<b>\$ 4,878</b>	<b>\$ 19,172</b>	<b>\$ 18,165</b>	<b>\$ 8,790</b>	<b>17.6%</b>	<b>29.4%</b>	<b>20.2%</b>
<b>Median</b>	<b>\$ 220</b>	<b>\$ 176</b>	<b>\$ 711</b>	<b>\$ 486</b>	<b>\$ 593</b>	<b>9.5%</b>	<b>15.8%</b>	<b>7.2%</b>

# FINANCIAL TRENDS

Company Name	Gross Margin (%)					EBITDA Margin (%)		
	CQ3'19	CQ3'18	FY'18	FY'17	FY'16	CQ3'19	FY'18	FY'17
McKesson Corporation	5.0%	5.3%	5.4%	5.7%	6.0%	1.6%	1.9%	2.2%
IQVIA Holdings Inc.	33.1%	35.3%	35.2%	35.1%	30.3%	18.9%	17.2%	17.1%
Cerner Corporation	81.0%	82.8%	82.5%	83.4%	83.8%	16.6%	22.5%	26.6%
Allscripts Healthcare Solutions, Inc.	46.1%	47.0%	47.3%	47.9%	48.5%	5.8%	4.0%	6.0%
R1 RCM Inc.	19.7%	12.4%	11.3%	7.4%	66.3%	14.5%	4.0%	-1.4%
HMS Holdings Corp.	33.7%	39.1%	38.4%	35.8%	35.8%	17.9%	22.1%	18.6%
Evolent Health, Inc.	24.8%	39.7%	36.4%	39.3%	40.1%	-3.3%	-2.1%	-6.8%
Inovalon Holdings, Inc.	74.2%	75.0%	72.6%	66.4%	62.8%	29.4%	22.3%	17.9%
Teladoc Health, Inc.	69.0%	69.2%	69.2%	73.6%	74.0%	-4.7%	-6.7%	-17.0%
HealthStream, Inc.	59.4%	58.1%	58.5%	59.4%	61.0%	17.4%	13.0%	11.4%
Health Catalyst, Inc.	52.7%	45.6%	47.1%	40.3%	nmf	-46.7%	-45.3%	-54.4%
Average	44.5%	45.4%	44.9%	44.3%	49.8%	6.8%	5.4%	2.9%
Median	40.4%	42.6%	42.8%	39.8%	48.5%	14.4%	7.8%	8.7%

# KEY TRANSACTIONS IN 3Q 2019

Date	Target	Buyers/Investors	Target Business Description
Jul-10-2019	 <b>Corepoint</b> HEALTH	 <b>Rhapsody</b>	Corepoint Health provides internal and external health data integration and exchange solutions for hospitals, radiology centers, laboratories, healthcare vendors, and clinics.
Aug-02-2019	 <b>NAVIGANT</b>	 <b>Guidehouse</b>  <b>VERITAS</b> CAPITAL	Navigant is a specialized, global professional services firm providing a range of advisory, consulting, outsourcing and technology analytics services. The firm primarily serves clients in the healthcare, energy, and financial services industries.
Aug-07-2019	 <b>IMX</b> MEDICAL MANAGEMENT SERVICES <small>A QTC Company</small>	 <b>QTC</b> <small>A Leidos Company</small> <b>Quality.</b> <b>Timeliness.</b> <b>Customer Service.</b>	IMX Medical Management Services is a national medical consulting company, that specializes in Independent Medical Evaluations, Functional Capacity Evaluations, Medical Record Reviews and Occupational Health Services.
Aug-08-2019	 <b>myhealth</b>  <b>direct</b>	 <b>experian</b> <sup>TM</sup>	My Health Direct develops a digital care coordination solution as a referral management and online appointment-scheduling platform that helps in analytics, decision support, workflow management, and rapid implementation for organizations.
Aug-15-2019	 <b>ISS</b> <b>INNOVATIVE SCIENCE SOLUTIONS, LLC</b>	 <b>CELLO</b> <b>HEALTH</b>	Innovative Science Solutions (ISS) provides advisory services to health and life sciences firms that span the entire product lifecycle – from development to post-market stewardship. The Company has worked with pharmaceutical, medical device, chemical, food, and dietary supplement companies.



# KEY TRANSACTIONS IN 3Q 2019

Date	Target	Buyers/Investors	Target Business Description
Sep-16-2019			VitreosHealth provides predictive analytics and risk stratification platforms for population health management. VitreosHealth serves Fortune 500 clients globally and has strategic partnerships with Dell Healthcare Services and E&Y Health Care Advisory Services.
Sep-18-2019			OmniComm Systems provides leading, strategic eClinical solutions for clinical trials around the globe. The Company is dedicated to the process of enhancing a patient's quality of life by reducing the time to market of essential life-saving treatments.
Sep-20-2019			Qualifacts Systems designs and develops SaaS and web-based electronic healthcare records and billing management software. Qualifacts serves healthcare organizations that offer behavioral health and human services, additions treatment services, children and family services, and intellectual / developmental disabilities and autism services.
Sep-25-2019			Docs Dial LLC provides medical marketing services that helps doctors communicate with patients via digital content.
Sep-30-2019			ECG Management Consultants provides healthcare management consulting services, offering strategy services in several areas. ECG Management Consultants serves academic medical centers and health systems, health sciences centers, teaching hospitals, schools of medicine, and research institutes.

# Footnotes

1. Deloitte's "2019 Global Health Care Outlook – Shaping the Future"
2. [Absolution Markets Insight's "Healthcare Consulting Services Market is Project to Grow at a CAGR of 11.6% Over the Forecast Period \(2019 – 2027\), owing to Reformation of Healthcare Management Roles & Requirements"](#)

# DISCLOSURES

At the time this was published: 1) 7M Securities was not making a market in any of the securities listed herein, nor was 7M Securities or associated persons selling or buying them from customers on a principal basis. 2) Neither 7M Securities, its officers nor its partners have a financial interest beyond a nominal basis in any of the securities of the issuers listed herein. 3) 7M Securities was not a manager or co-manager of a public offering of any of the securities listed herein within the past 12 months.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal, or the entity that provided this report to them, if they desire further information. The information in this report has been obtained or derived from publicly available sources but neither 7 Mile Advisors, LLC nor 7M Securities, LLC represents that this information is accurate or complete. Any information contained in this report is subject to change without notice.

# CONTACT INFO



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
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.796.9330	jeff@7mileadvisors.com
Neil Churman, Director	281.742.9340	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.981.2908	ariail@7mileadvisors.com
Emily Halstenberg, Marketing & Sales Coordinator	704.409.9912	emily@7mileadvisors.com
Marty Johnson, Senior Associate	704.973.3999	marty@7mileadvisors.com
Sydney Scadden, Senior Associate	704.973.3998	sydney@7mileadvisors.com
Garth Martin, Senior Associate	704.973.3997	garth.martin@7mileadvisors.com
Rory Julyan, Associate	704.981.2520	rory@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Daniel Kim, Associate	704.912.4584	daniel@7mileadvisors.com