



Sectorwatch: Healthcare IT & Consulting

March 2020

Healthcare IT & Consulting

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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

↓ -3.2%

1 - year revenue growth compared to revenue growth average 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 or declining

Pricing / Gross Margin

↓ -0.1%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

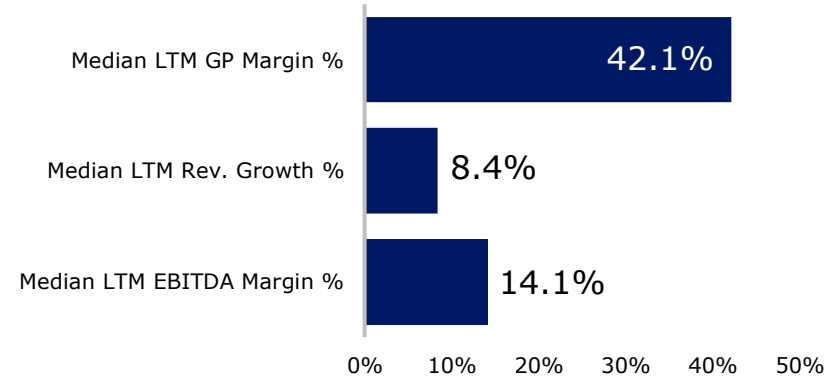
Profitability

↓ -0.6%

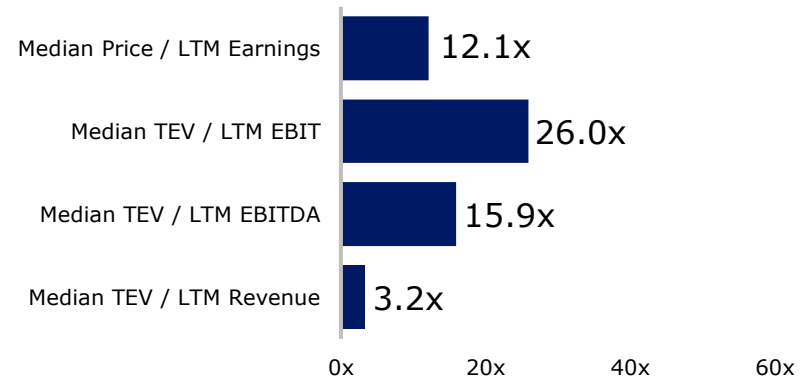
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

Operating Metrics



Valuation



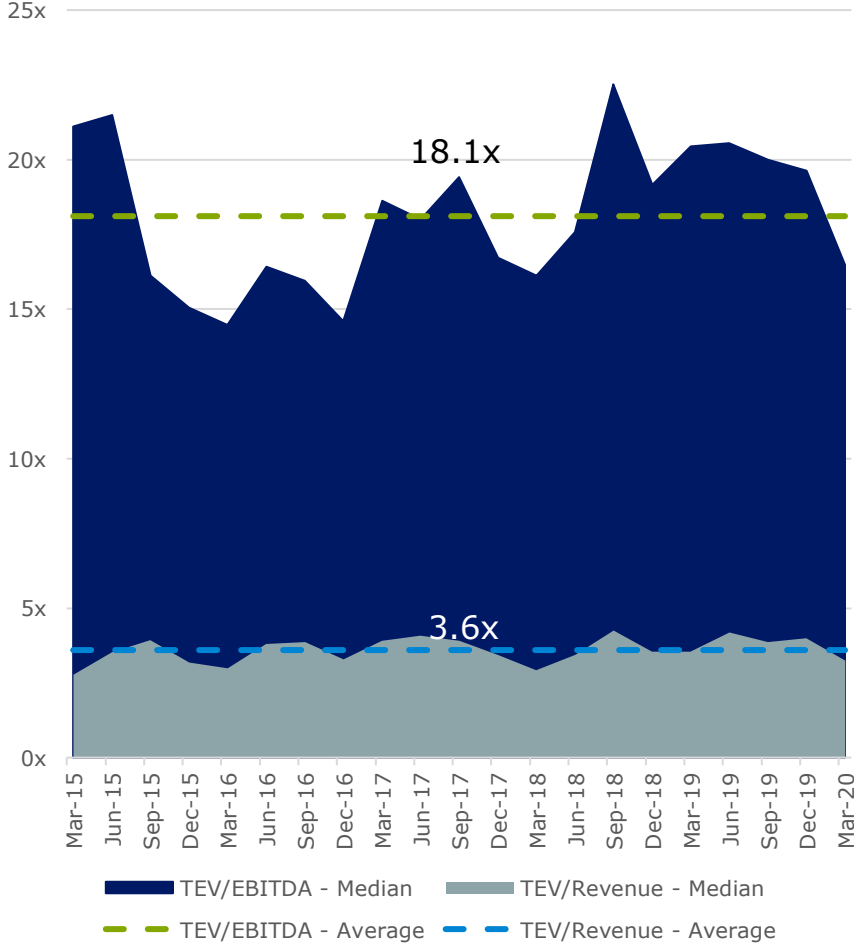
Public Basket



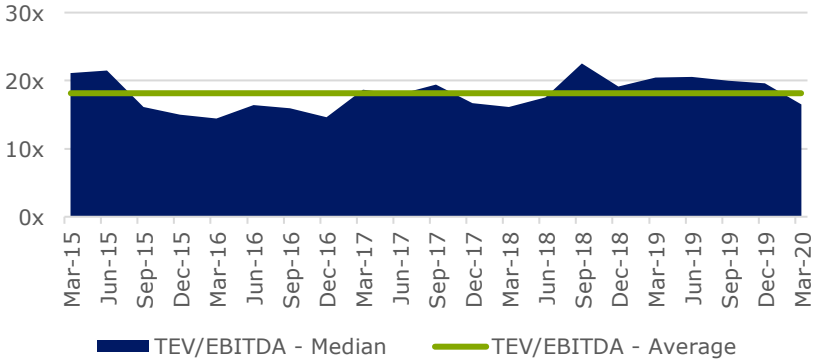
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Evolut Health, Inc.	733	846	35%	23%	-7%	0.9	0.0	3,400	249
Huron Consulting Group Inc.	1,253	877	10%	34%	11%	1.4	11.3	3,750	234
Allscripts Healthcare Solutions, Inc.	2,050	1,772	1%	47%	5%	1.2	16.8	9,600	185
HMS Holdings Corp.	2,349	626	5%	37%	22%	3.8	16.2	3,100	202
Inovalon Holdings, Inc.	3,496	642	22%	74%	28%	5.4	18.3	2,371	271
Teladoc Health, Inc.	11,270	553	32%	67%	-5%	20.4	0.0	2,400	231
Cerner Corporation	20,297	5,693	6%	81%	20%	3.6	17.1	27,400	208
IQVIA Holdings Inc.	32,382	11,088	6%	34%	17%	2.9	15.7	67,000	165
Average	9,229	2,762	15%	50%	11%	4.9	11.9	14,878	218
Median	2,923	862	8%	42%	14%	3.2	15.9	3,575	219

share price as of 31Mar20

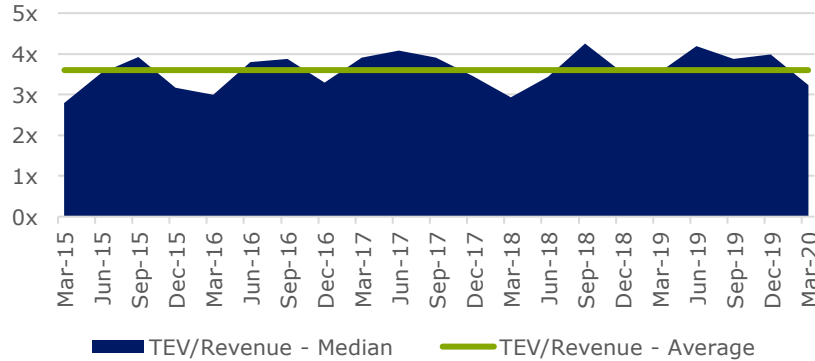
Public Basket Valuation Trends



Public EBITDA Multiples over Time



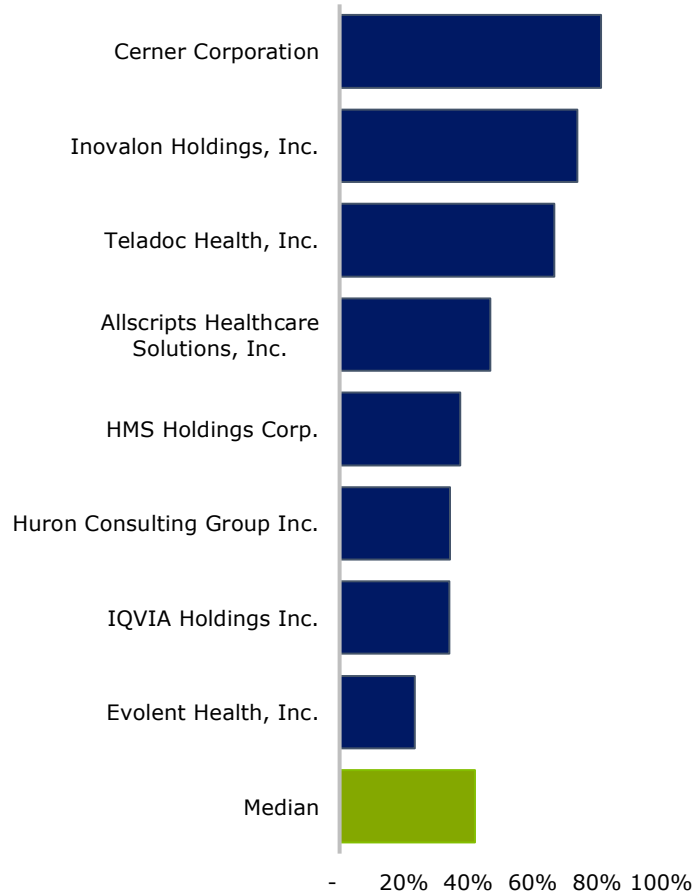
Public Revenue Multiples over Time



Operational Metrics



LTM Gross Profit Margin %



LTM EBITDA %



Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's



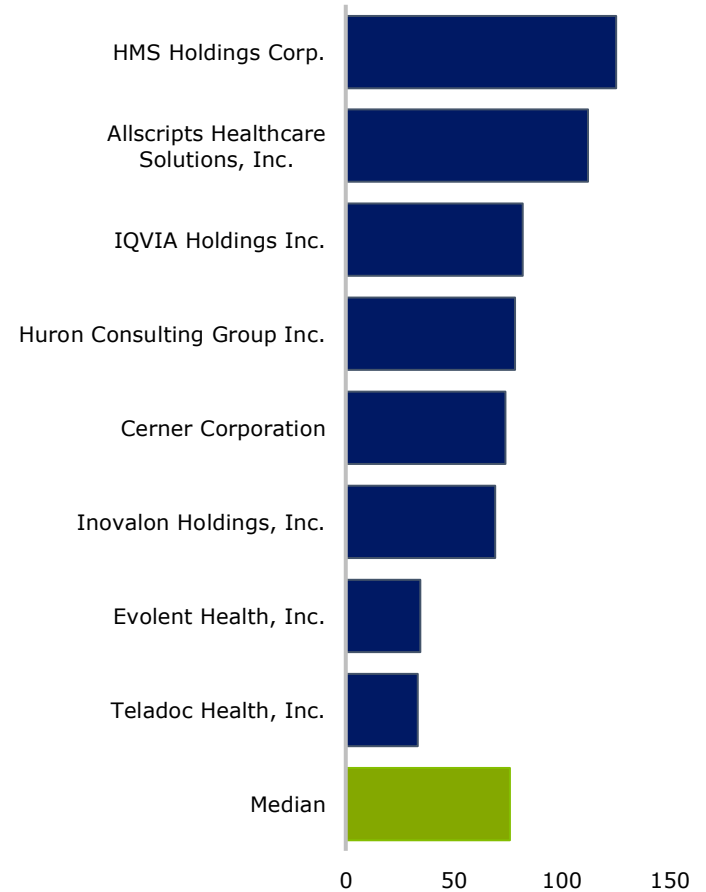
Operational Metrics



Accounts Receivable Turnover



Average Days Sales Outstanding



Valuation



TEV / LTM Revenue



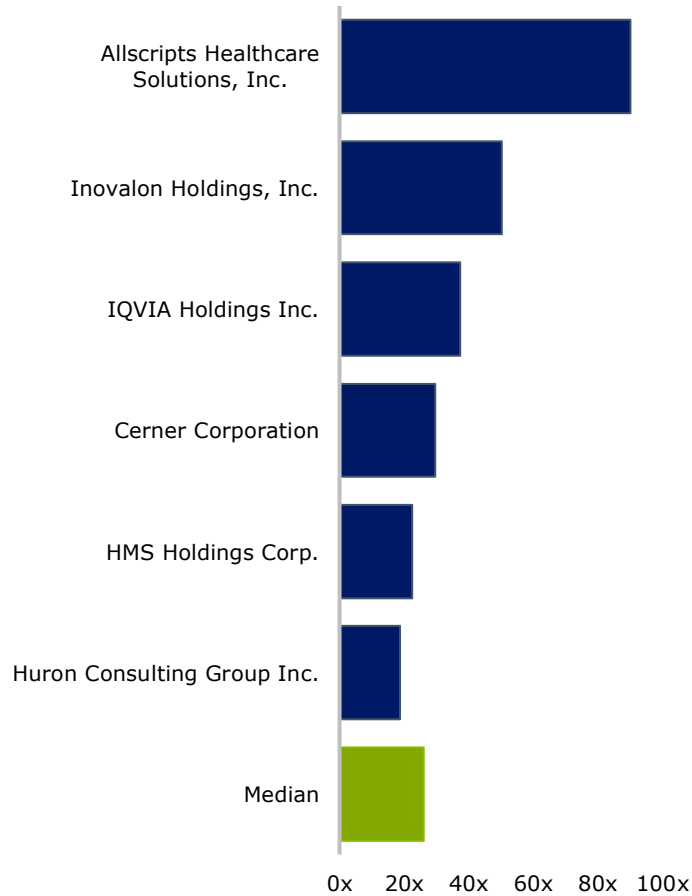
TEV / LTM EBITDA



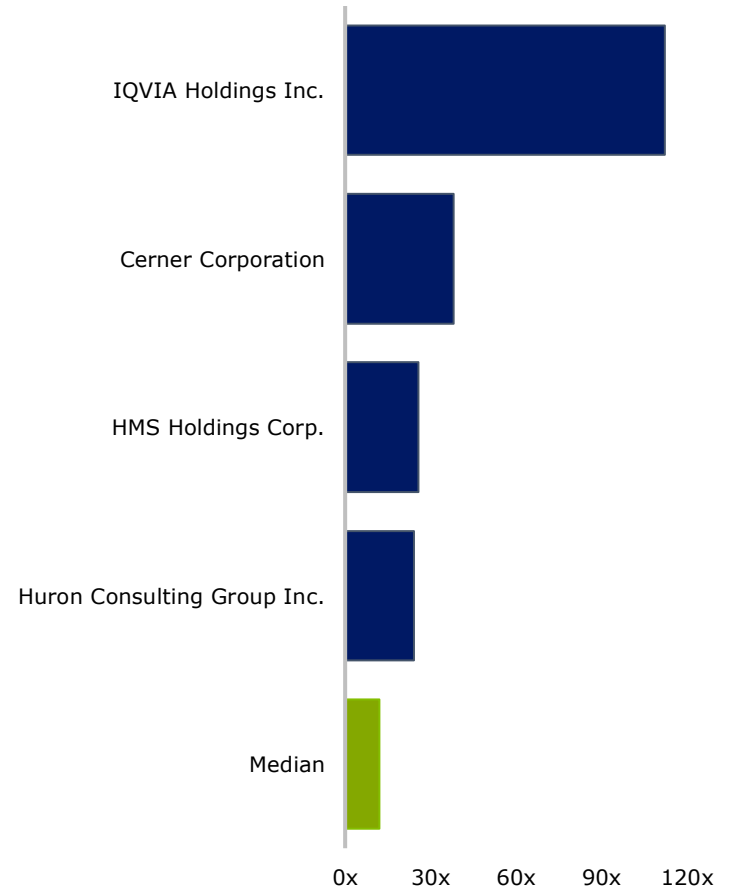
Valuation



TEV / LTM EBIT



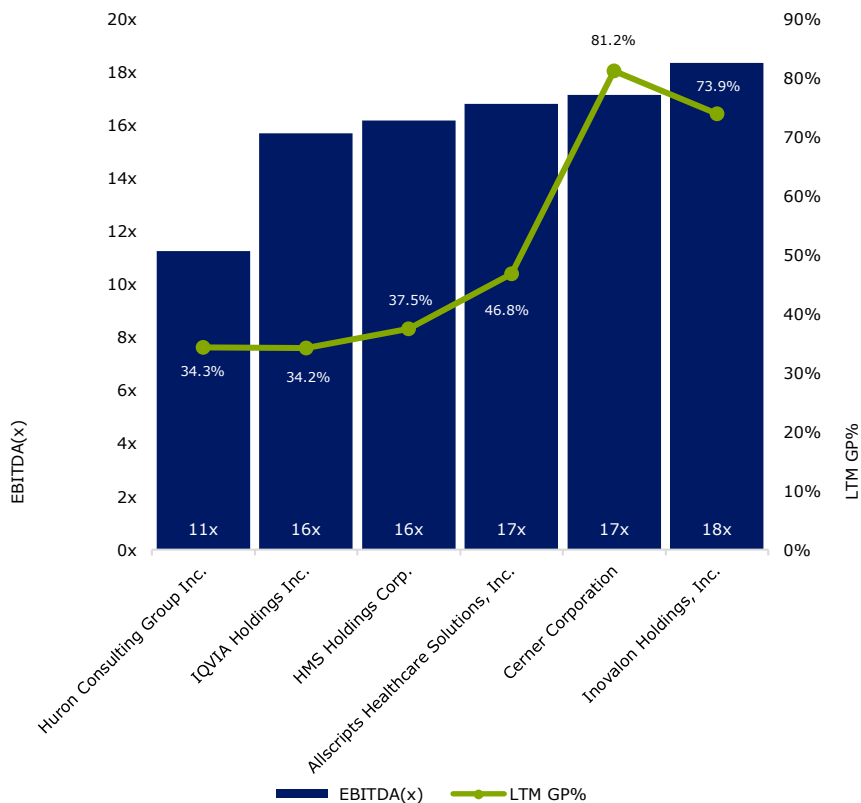
Price / LTM Earnings



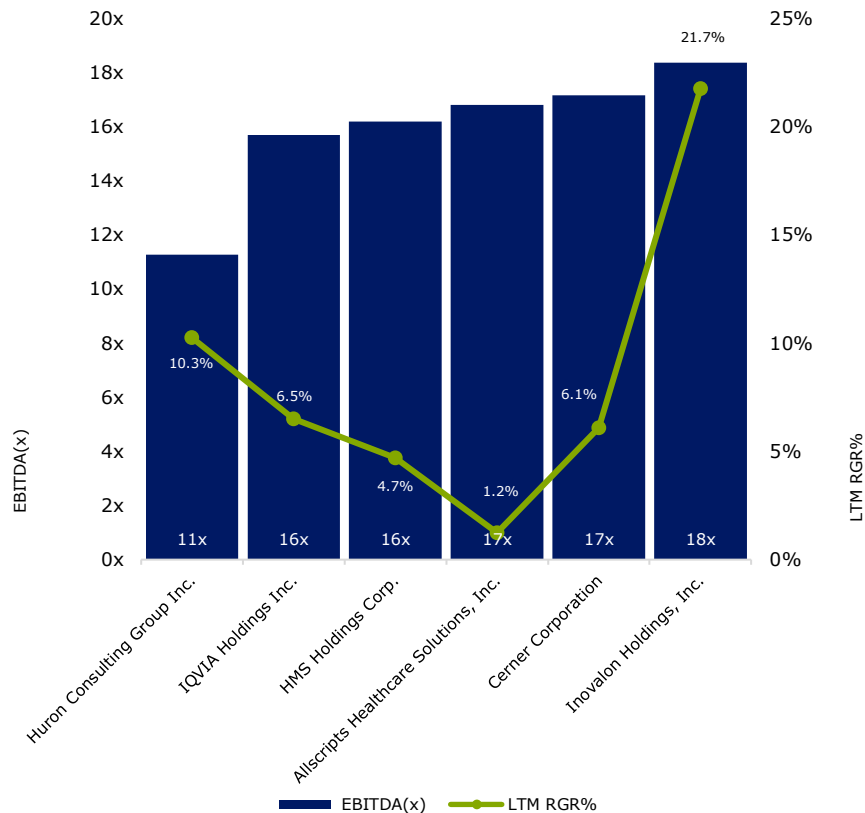
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
31Mar20	PatientPay, Inc.	Mosaik Partners LLC	6.15	-	-	-
31Mar20	MacPractice Inc.	Valsoft Corp	-	-	-	-
31Mar20	Black Swan Analysis Limited	Evaluate Ltd.	-	-	-	-
30Mar20	Tradimus Consultoria e Serviços em T.i. Ltda.	Semantix Tecnologia Em Sistema de Informacao S.A.	-	-	-	-
25Mar20	Keona Health, Inc.	The Riverside Company; Riverside Acceleration Capital	-	-	-	-
24Mar20	ClinOne, Inc.	CU Healthcare Innovation Fund, L.P.; University of Colorado School of Medicine, Endowment Arm	-	-	-	-
24Mar20	Metistream, Inc.	CIT GAP Funds	-	-	-	-
24Mar20	CAREVOICE INC	HTD Health	-	-	-	-
23Mar20	Hoverstate 2.0, Inc.	-	1.50	-	-	-
21Mar20	Rare Disease Data Trust, Inc.	-	0.10	-	-	-
20Mar20	Medkarta, OOO	-	1.00	-	-	-
20Mar20	AristaMD, Inc.	Avalon Ventures, LLC; MemorialCare Innovation Fund; Stanford Health Care; Cigna Ventures; CU Healthcare Innovation Fund, L.P.; University of Colorado School of Medicine, Endowment Arm	18.00	-	-	-
20Mar20	Evidence-Based Practice Institute, Inc.	-	-	-	-	-
18Mar20	DGG GmbH	Curalie GmbH	-	-	-	-
18Mar20	Wellium SAS	MUTUELLE D'ASSURANCES DU CORPS DE SANTE FRANÇAIS Société d'Assurance Mutuelle; Advent France Biotechnology	2.17	-	-	-
18Mar20	PursueCare LLC	OCA Venture Partners, LLC; Seyen Capital	-	-	-	-
17Mar20	Pristine Surgical LLC	-	18.00	-	-	-
17Mar20	NarrativeDx Inc.	Press Ganey Associates, Inc.	-	-	-	-
17Mar20	Softek Illuminate, Inc.	-	-	-	-	-
13Mar20	Tempus Labs, Inc.	New Enterprise Associates, Inc.; Franklin Resources, Inc.; Novo Holdings A/S; Baillie Gifford & Co.; T. Rowe Price Associates, Inc.	100.00	-	-	-
13Mar20	VIVEO Health OÜ	-	2.22	-	-	-
13Mar20	PayGround, Inc.	-	-	-	-	-

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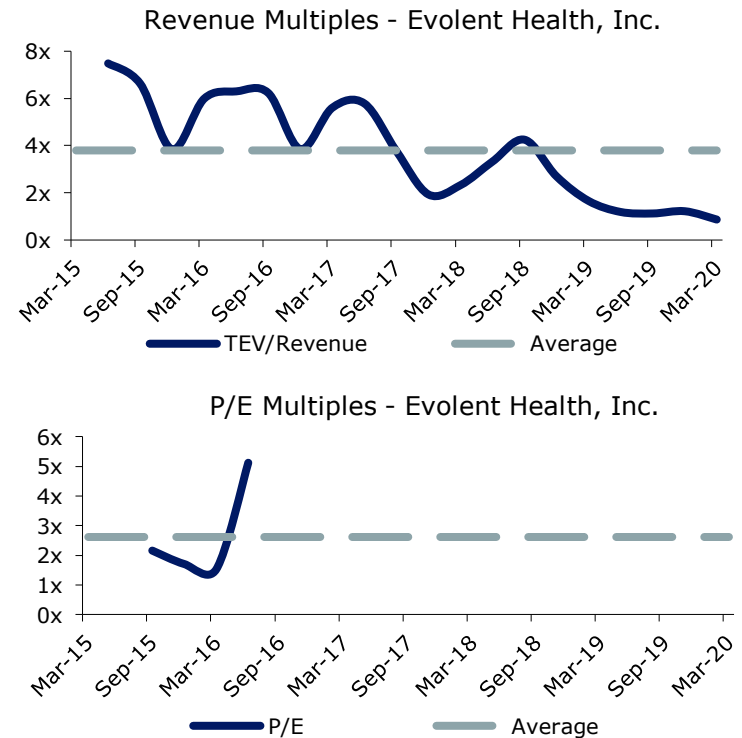
APPENDIX:
Public Basket
Constituents

Public Basket



Evolut Health, Inc.

Evolut Health, Inc., through its subsidiary, Evolut Health LLC, provides health care delivery and payment solutions in the United States. The company operates through two segments, Services and True Health. The Services segment provides value-based care services that include Identifi, a proprietary technology system that aggregates and analyzes data, manages care workflows and engages patients; and integrated cost and revenue management solutions. This segment also offers specialty care management solutions that support a range of specialty care delivery stakeholders during their transition from fee-for-service to value-based care, independent of their stage of maturation, and specific market dynamics; and comprehensive health plan administrative services that helps providers assemble the complete infrastructure required to operate, manage, and capitalize on a variety of financial and administrative management services. Evolut Health, Inc. was founded in 2011 and is headquartered in Arlington, Virginia.



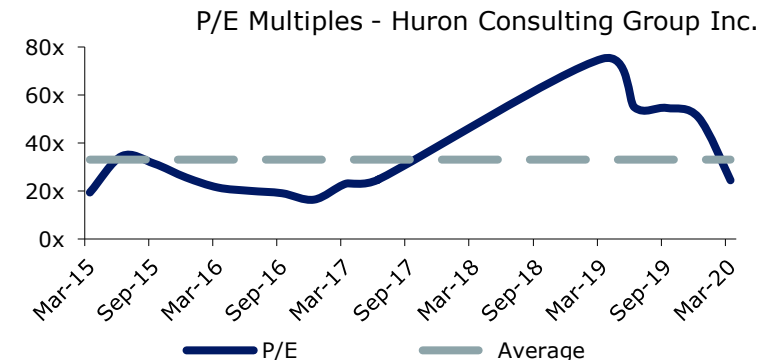
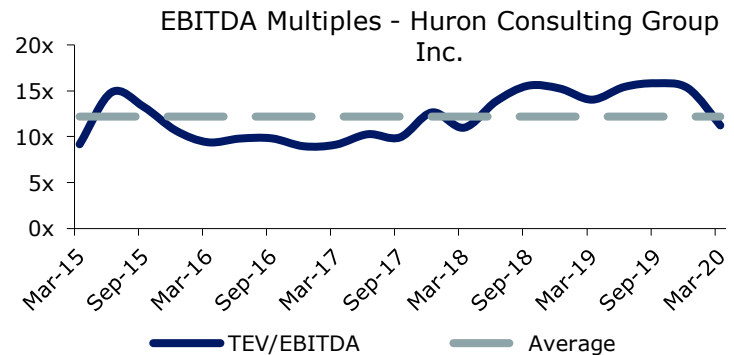
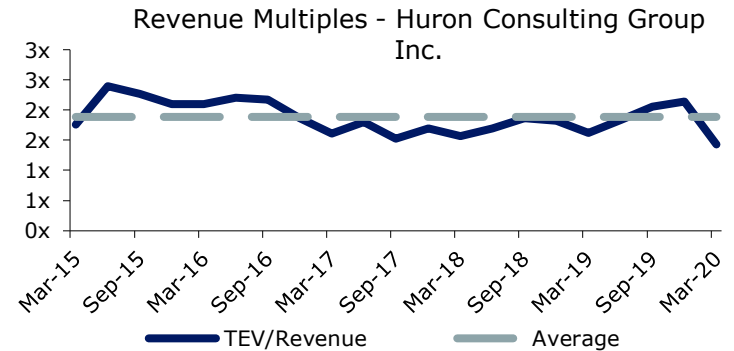
Date	Key Development Headline
12/29/19	Evolut Health Inc. (NYSE:EVH) ('Evolut') completed the acquisition of substantially all of the assets to assume substantially all of the liabilities of University Health Care Inc. ('Passport') and its subsidiary Passport Health Solutions LLC.
2/26/19	Evolut Health and River City Medical Group Establish A Management Services Organization for California Managed Care Entities

Public Basket



Huron Consulting Group Inc.

Huron Consulting Group Inc., a professional services firm, provides advisory, technology, and analytic solutions in the United States and internationally. Its Healthcare segment provides advisory services in the areas of strategy, care transformation, financial and operational excellence, technology and analytics, and leadership development to national and regional hospitals, integrated health systems, academic medical centers, community hospitals, and medical groups. The company's Education segment offers consulting and technology solutions related to business and technology strategy, financial management, operational and organizational effectiveness, research administration, and regulatory compliance for higher education institutions and academic medical centers. Its Business Advisory segment provides capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory services; technology and analytic solutions that enable organizations to manage their financial performance, operational efficiency, and client or stakeholder experience; and strategic solutions to pharmaceutical, medical device, and biotechnology companies. This segment provides its services to organizations, not-for-profit organizations, lending institutions, law firms, investment banks, and private equity firms. Huron Consulting Group Inc. was founded in 2002 and is headquartered in Chicago, Illinois.



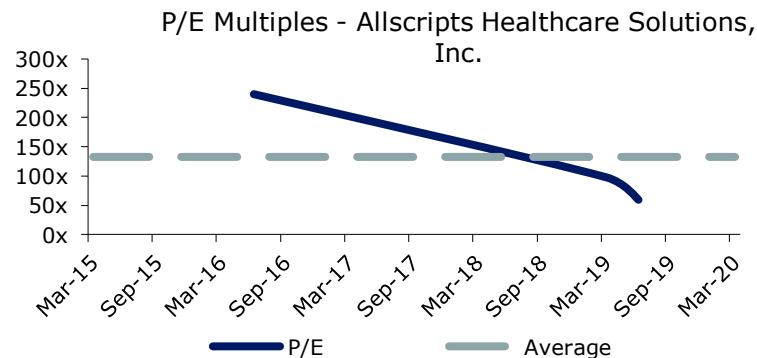
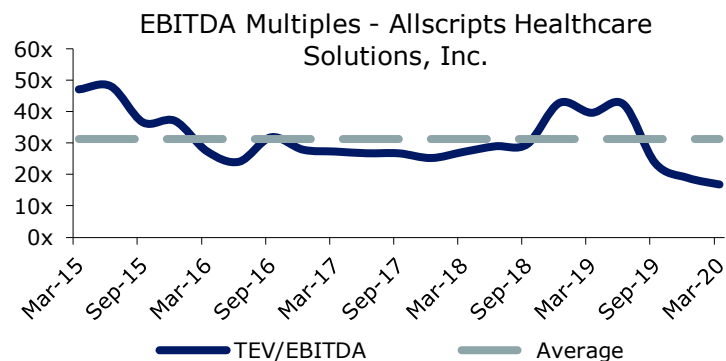
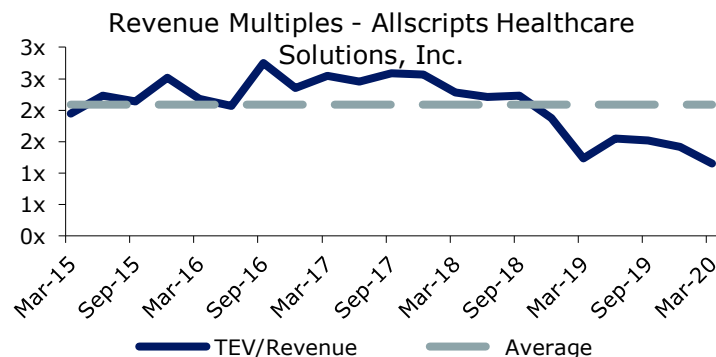
Public Basket



Allscripts Healthcare Solutions, Inc.

Allscripts Healthcare Solutions, Inc. provides information technology solutions and services to healthcare organizations in the United States, Canada, and internationally. It offers electronic health records (EHR), connectivity, private cloud hosting, outsourcing, analytics, patient engagement, clinical decision support, and population health management solutions. The company operates in two segments, Clinical and Financial Solutions and Population Health. The Clinical and Financial Solutions segment provides integrated clinical software applications and financial and information solutions, which primarily include EHR-related software, connectivity and coordinated care solutions, and financial and practice management software solutions, as well as related installation, support and maintenance, outsourcing, private cloud hosting, revenue cycle management, training, and electronic claims administration services. The Population Health segment offers health management, and financial management and patient engagement solutions to hospitals, health systems, accountable care organizations, and other care facilities. Allscripts Healthcare Solutions, Inc. was founded in 1986 and is headquartered in Chicago, Illinois.

Date	Key Development Headline
10/1/19	Northwell Health and Allscripts to Jointly Develop Next-Gen Electronic Health Record
7/2/19	Allscripts Announces Partnership with American College of Cardiology to Develop Next-Generation Research Network



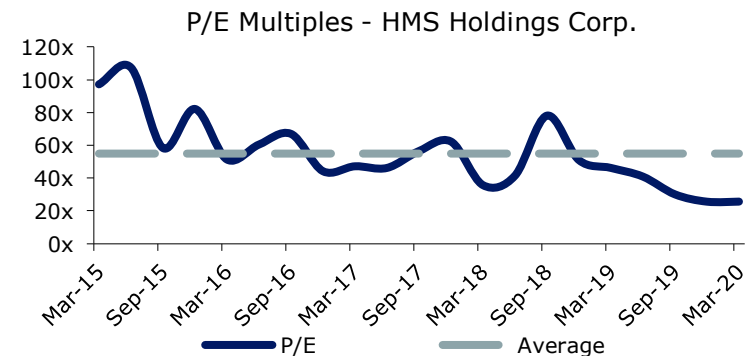
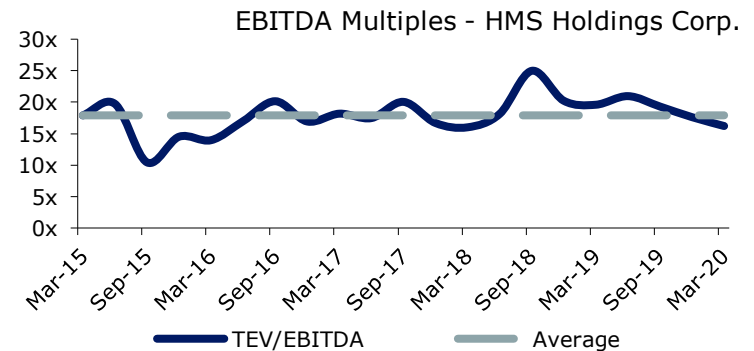
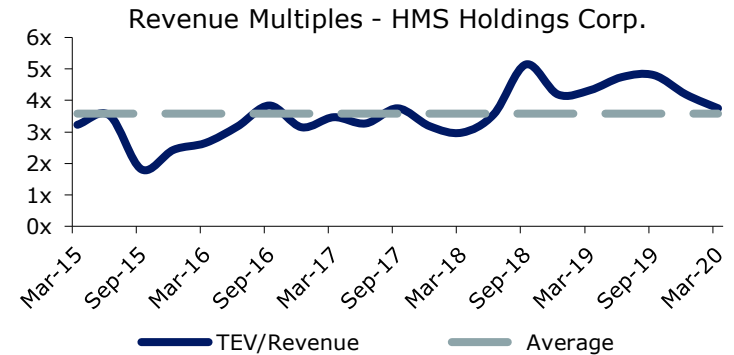
Public Basket



HMS Holdings Corp.

HMS Holdings Corp., through its subsidiaries, provides cost containment solutions in the United States healthcare marketplace. The company offers coordination of benefits services to government and commercial healthcare payers to ensure that the correct party pays the claim; and population management solutions that provide risk-bearing organizations with intelligence across their member populations to identify risks, and enhance patient engagement and outcomes, as well as payment integrity, care management and consumer engagement, and analytical solutions. It serves state Medicaid programs, commercial health plans, federal government health agencies, government and private employers, children's health insurance program, and other healthcare payers, as well as a subcontractor. The company was founded in 1974 and is headquartered in Irving, Texas.

Date	Key Development Headline
12/22/19	HMS Holdings Corp. (NasdaqGS:HMSY) completed the acquisition of West Claims Recovery Services, LLC from West Receivables Services, Inc.
11/20/19	HMS Holdings Corp. (NasdaqGS:HMSY) entered into a Membership Interest Purchase Agreement to acquire West Claims Recovery Services, LLC from West Receivables Services, Inc. for approximately \$160 million.
9/15/19	HMS Holdings Corp. (NasdaqGS:HMSY) acquired VitreosHealth, Inc. for \$36.5 million.
8/2/19	HMS To seek Acquisition



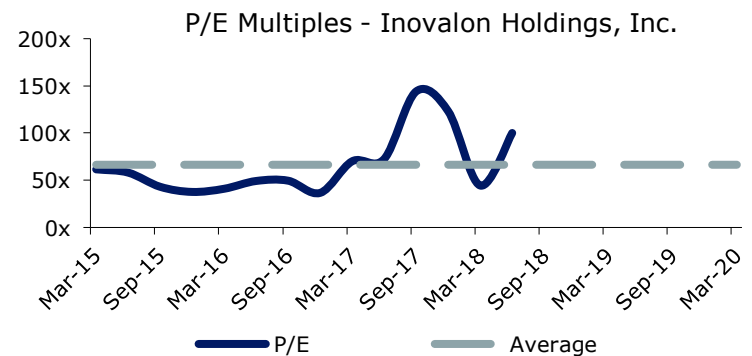
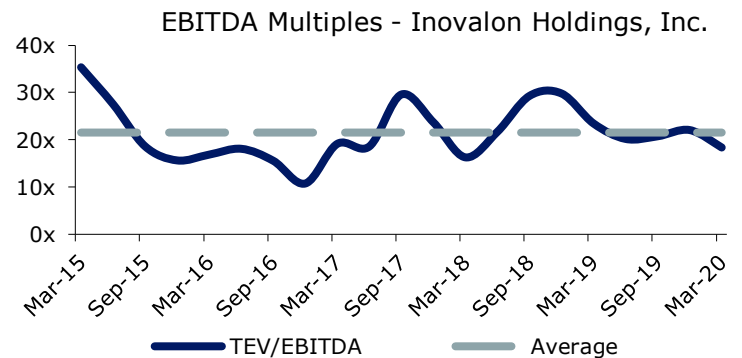
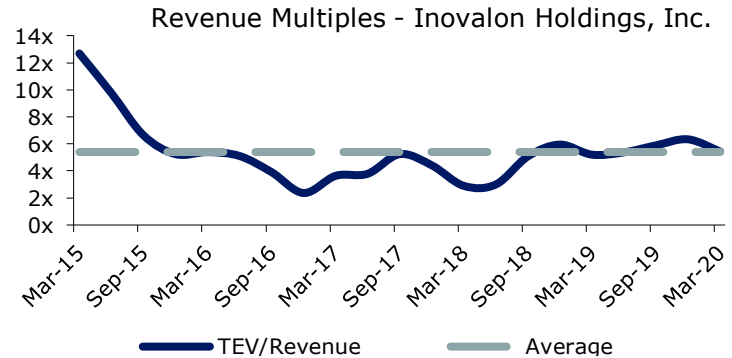
Public Basket



Inovalon Holdings, Inc.

Inovalon Holdings, Inc., a technology company, provides cloud-based platforms empowering data-driven healthcare. It operates the Inovalon ONE Platform, a cloud-based platform that interconnect with the healthcare ecosystem to aggregate and analyze data in real-time, as well as empowers the application in resulting insights. The company also operates myABILITY software platform, an integrated set of cloud-based applications for providers that offers connectivity, administrative, clinical and quality analysis, management, and performance improvement capabilities to acute, post-acute, and ambulatory point-of-care provider facilities. In addition, it offers advisory, implementation, and support services. The company serves health plans and provider organizations, as well as pharmaceutical, medical device, and diagnostics companies. Its platforms include information of data pertaining to approximately 964,000 physicians; 519,000 clinical facilities; and approximately 264 million individuals and 42 billion medical events. Inovalon Holdings, Inc. was founded in 1998 and is headquartered in Bowie, Maryland.

Date	Key Development Headline
4/1/18	Inovalon Holdings, Inc. (NasdaqGS:INOV) completed the acquisition of ABILITY Network Inc. from Summit Partners LLP and others.

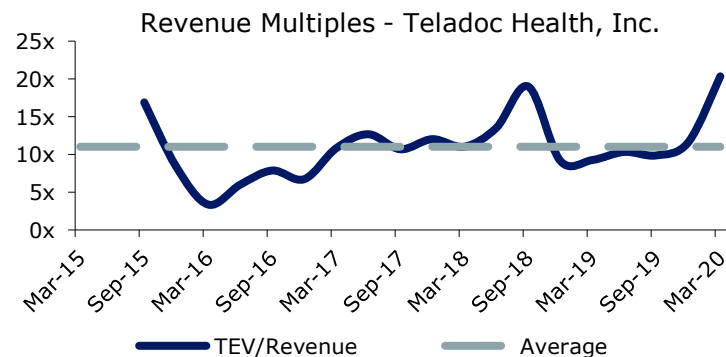


Public Basket



Teladoc Health, Inc.

Teladoc Health, Inc. provides telehealth services. It offers a portfolio of services and solutions covering 450 medical subspecialties, such as flu and upper respiratory infections, cancer, and congestive heart failure. The company provides its services through mobile devices, the Internet, video, and phone. It serves employers, health plans, health systems, and other entities in approximately 100 countries worldwide. The company was formerly known as Teladoc, Inc. and changed its name to Teladoc Health, Inc. in August 2018. Teladoc Health, Inc. was founded in 2002 and is headquartered in Purchase, New York.



Date	Key Development Headline
1/11/20	Teladoc Health, Inc. (NYSE:TDOC) entered into a definitive agreement to acquire InTouch Technologies, Inc. for \$600 million.
12/4/19	Teladoc Health, Inc. (NYSE:TDOC) acquired TelaDietitian.
4/29/19	Teladoc Health, Inc. (NYSE:TDOC) completed the acquisition of MEDECIN DIRECT SAS for \$11.2 million.
4/11/19	Teladoc Health to Develop First Pediatric-Specific Consumer Telehealth Platform with Cincinnati Children'S Hospital Medical Center

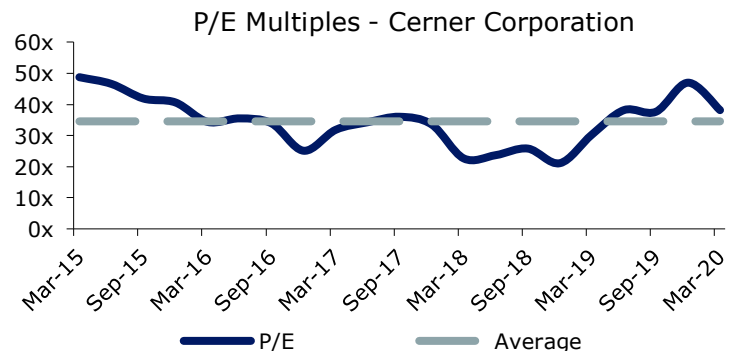
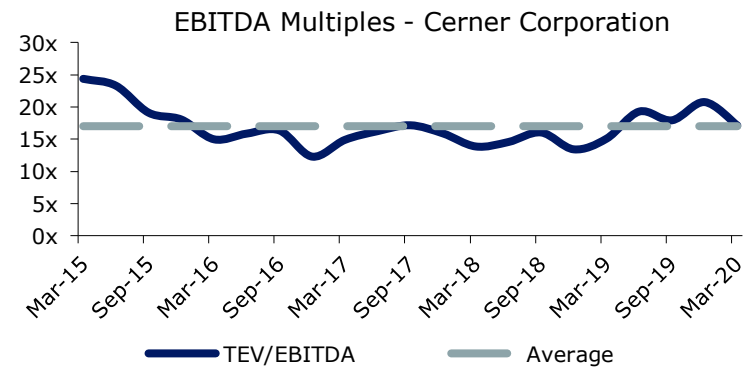
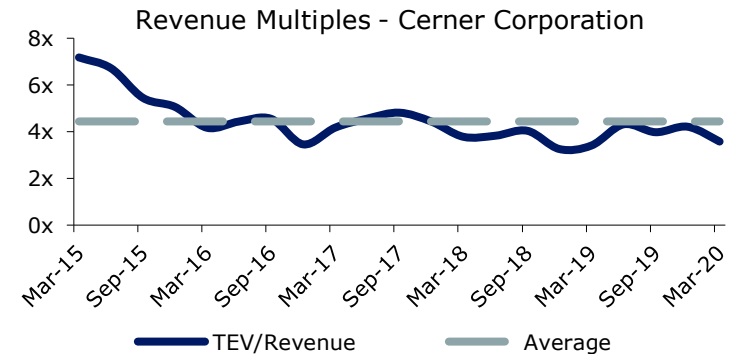
Public Basket



Cerner Corporation

Cerner Corporation provides health care information technology solutions and tech-enabled services in the United States and internationally. The company offers Cerner Millennium architecture, a person-centric computing framework, which includes clinical, financial, and management information systems that allow providers to access an individual's electronic health record (EHR) at the point of care, and organizes and delivers information for physicians, nurses, laboratory technicians, pharmacists, front- and back-office professionals, and consumers. It also provides HealtheIntent platform, a cloud-based platform to aggregate, transform, and reconcile data across the continuum of care; and EHR agnostic platform, CareAware that facilitates connectivity of health care devices to EHRs. Cerner Corporation was founded in 1979 and is headquartered in North Kansas City, Missouri.

Date	Key Development Headline
2/4/20	CompuGroup Medical Societas Europaea (XTRA:COP) signed an agreement to acquire parts of IT Healthcare portfolio in Germany and Spain from Cerner Corporation (NasdaqGS:CERN) for approximately €230 million.
10/28/19	Uber Health and Cerner Announce Plan to Help Consumers Gain Easier Access to Medical Appointments
10/24/19	Cerner Corporation (NasdaqGS:CERN) completed the acquisition of AbleVets LLC.
10/17/19	Cerner Corporation (NasdaqGS:CERN) entered into a definitive agreement to acquire AbleVets LLC for \$75 million.

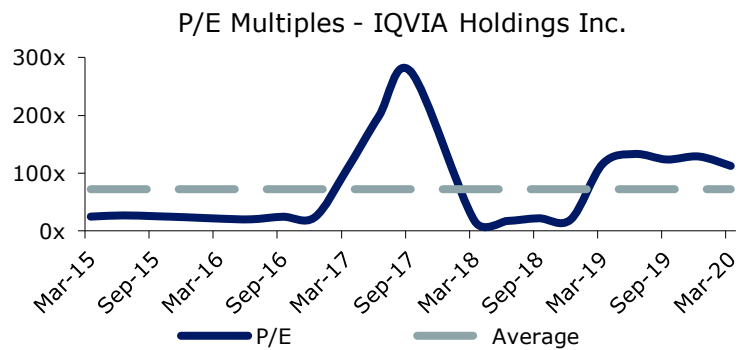
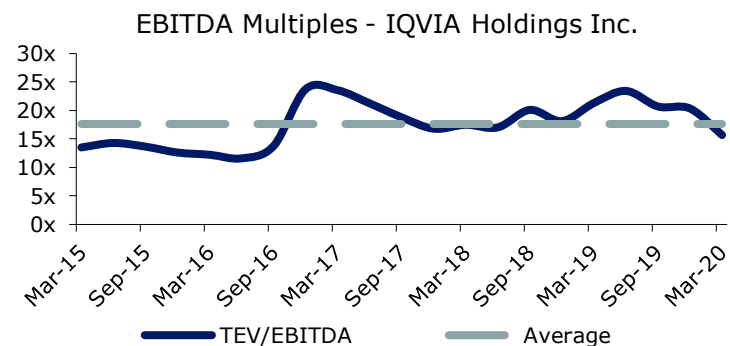
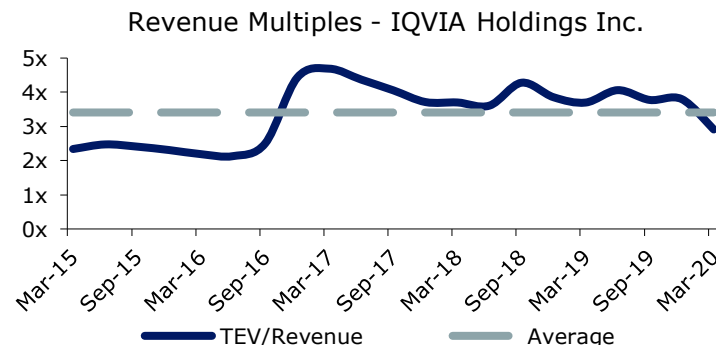


Public Basket



IQVIA Holdings Inc.

IQVIA Holdings Inc. provides advanced analytics, technology solutions, and contract research services to the life sciences industry in the Americas, Europe, Africa, and the Asia-Pacific. It operates through three segments: Technology & Analytics Solutions, Research & Development Solutions, and Contract Sales & Medical Solutions. The Technology & Analytics Solutions segment offers a range of cloud-based applications and related implementation, real-world insights, and reference information services; and strategic and implementation consulting services, such as advanced analytics and commercial processes outsourcing services. The company was formerly known as Quintiles IMS Holdings, Inc. and changed its name to IQVIA Holdings Inc. in November 2017. IQVIA Holdings Inc. was founded in 1982 and is headquartered in Durham, North Carolina.



Date	Key Development Headline
2/11/19	IQVIA Holdings Inc. (NYSE:IQV) acquired Linguamatics Limited.
12/2/18	IQVIA Holdings Inc. (NYSE:IQV) acquired Advanced Health Media, LLC from Arlington Capital Partners LP and others.
11/29/18	IQVIA Holdings Inc. (NYSE:IQV) acquired 159 Solutions, Inc.
10/4/18	IQVIA and Genomics England Launch the First Real-World Research Platform with Integrated Clinical and Genomic Data
3/15/18	IQVIA Establishes Alliance with MuleSoft to Deliver Innovative Integration Technology to Life Sciences Companies

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.

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