Q1 2023

Market Update
Healthcare IT & Consulting

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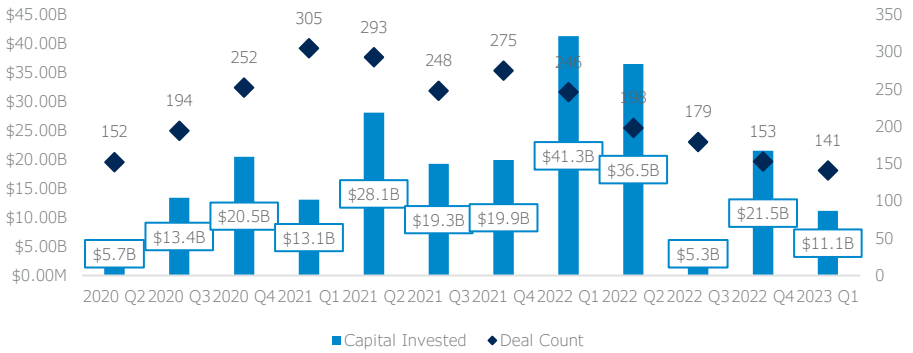
M&A activity within the broader Healthcare IT & Consulting ecosystem during Q1 2023 took a slight decrease in terms of deals quarter-over-quarter (QoQ) (-7.8%), lower than the decrease of the entire IT Services M&A market (-13.5%). In terms of capital invested, the market has also seen a decrease in the first quarter of the year of almost 50% QoQ as investors grapple with macroeconomic and interest rate headwinds. Nevertheless, over the last two years, the industry has seen both tremendous growth and M&A activity as the continued adoption of technology for payors, providers, and pharmaceutical firms stays strong. Given the current macroeconomic concerns investors have displayed some conservatism, but remain willing, eager, and able to compete for strong assets that help to complete strategic goals as organic growth slows.

Digital health technologies are forecasted to continue strong growth given the continued momentum driven by the adoption of new applications and solutions to streamline legacy systems and optimize total IT spending. Many technologies will likely focus on expanding access to care via an integrated experience and on generating data that can improve patient and population health. These advancements could lead to the development of digital health ecosystems that create much-needed connections between various stakeholders and meaningful health data. In addition, AI will probably have an increase in testing and drug development and tools that enable personalized care.

Healthcare IT & Consulting Services Deal Count and Capital Invested



7MA has completed numerous M&A transactions for companies operating in the Healthcare IT & Consulting Industry and has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact Andy Johnston or Ben Garber if you would like to learn more about 7MA's Healthcare IT & Consulting practice.

Sector Coverage Team

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Source: Pitchbook Data, Inc.

Artificial Intelligence in Healthcare

Market Overview

AI and ML can be used to analyze patient data, detect patterns, and improve clinical decision-making. They can also be used to personalize treatment plans and improve patient outcomes. For example, the company Caption Health—which is in the process of being acquired by GE Healthcare—developed a clinical application that uses AI to assist in conducting ultrasound scans to identify signs of heart failure. This technology can be used by non-specialists, making it more accessible and affordable for patients.

The use of Artificial Intelligence, specifically machine learning tools, will cross over $20 billion in 2023. Not just ML (Machine Learning), various AI (Artificial Intelligence) technologies such as Natural language processing, computer vision, pattern recognition algorithms, and predictive analysis which are already functioning, will continue to be embraced all throughout 2023 as their usability and value continue to permeate all aspects of the Healthcare and Life Sciences ecosystem. Once AI is adopted, there is no looking back as the benefits will continue to produce ROIs that justify the cost of these technologies.

Types of AI Reshaping Healthcare

Machine Learning
Statistical technique for fitting models to data and to 'learn' by training models with data. The most common application of traditional machine learning is precision medicine – predicting what treatment protocols are likely to succeed on a patient based on various patient attributes and the treatment context. The great majority of machine learning and precision medicine applications require a training dataset for which the outcome variable is known.

Natural language processing
This field includes applications such as speech recognition, text analysis, translation and other goals related to language. In healthcare, the dominant applications of NLP involve the creation, understanding and classification of clinical documentation and published research. NLP systems can analyze unstructured clinical notes on patients, prepare reports (e.g. on radiology examinations), transcribe patient interactions and conduct conversational AI.

Physical robots
Robots can perform pre-defined tasks like lifting, repositioning, welding or assembling objects in places like factories and warehouses, and delivering supplies in hospitals. Surgical robots, initially approved in the USA in 2000, provide 'superpowers' to surgeons, improving their ability to see, create precise and minimally invasive incisions, stitch wounds and so forth.

Robotic process automation
This technology performs structured digital tasks for administrative purposes, i.e. those involving information systems, as if they were a human user following a script or rules. In healthcare, they are used for repetitive tasks like prior authorization, updating patient records or billing. When combined with other technologies like image recognition, they can be used to extract data from, for example, faxed images in order to input it into transactional systems.

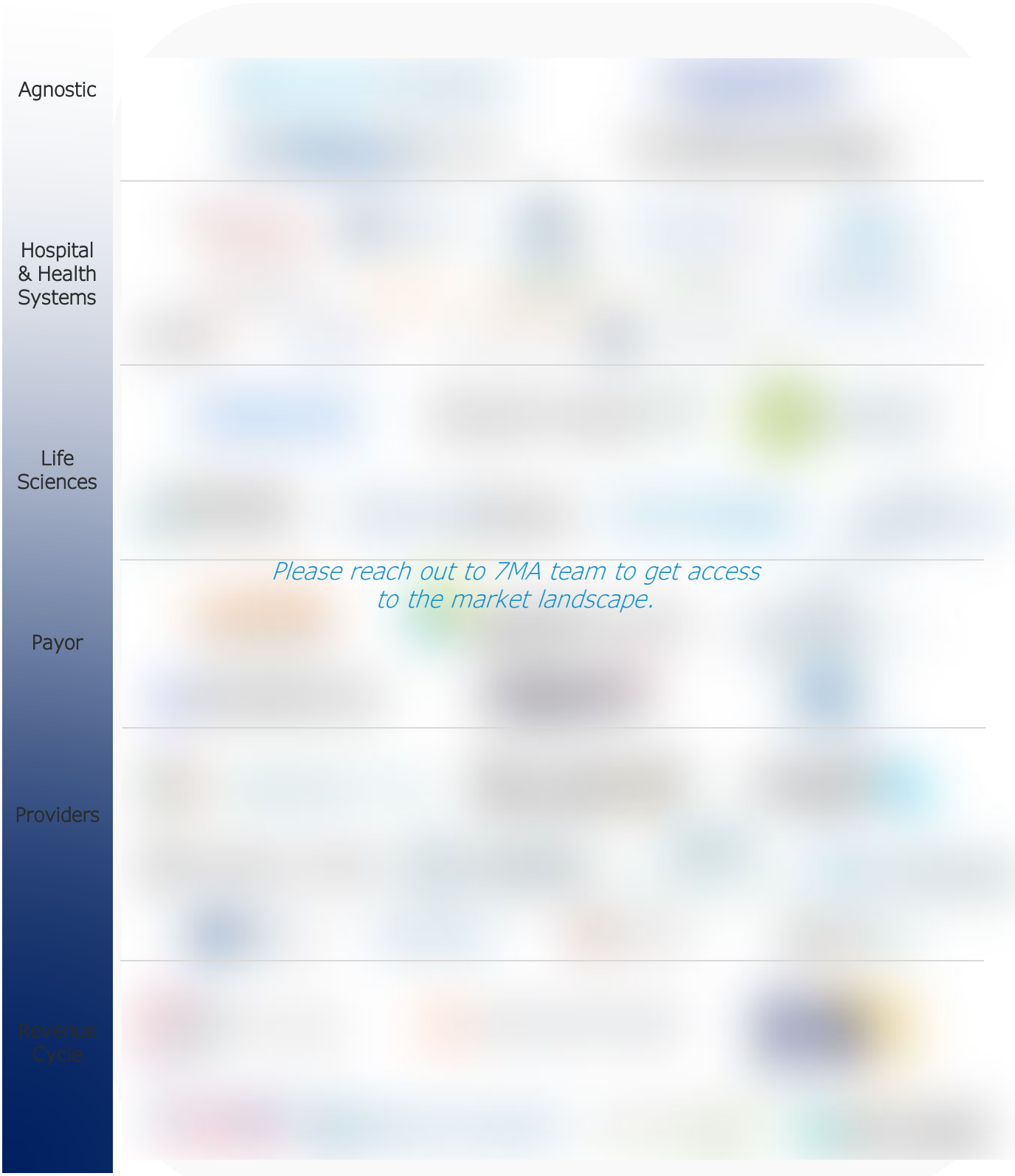
Uses in Healthcare

- Drug Discovery
- Medical Imaging Analysis
- Neurological Detection & Treatment
- Prognosticate Medical Cases & Accurate Diagnoses
- Identify Patterns & Trends in Patient Data
- Digitize Patient Profiles and Medical Records
- Data Retrieval, Collection, & Organization
- Automate the Processing of Insurance Claims
- Management of Medical Data Analytics
- Increased Patient Engagement and Sentiment
- Detection & Mitigation of Cyber Threats

Source: MarketResearch, Saxon, National Library of Medicine

Market Landscape

Industry Vertical



Please reach out to 7MA team to get access to the market landscape.

Source: Revenue numbers are estimated by 7MA team and are based on the number of employees

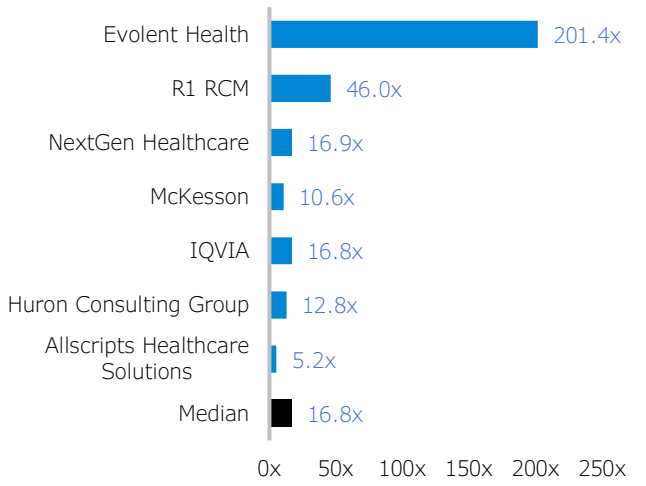
Public Markets

Publicly-traded Healthcare IT & Consulting Companies – Q1 2023

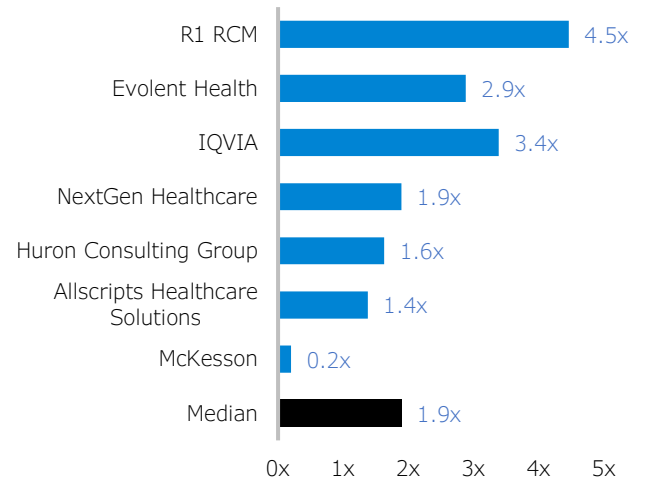
Company	TEV $m	LTM EBITDA $m	LTM Rev $m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE $k
NextGen Healthcare	1,184	70	626	6.2%	48.3%	11.2%	1.9x	16.9x	3,174	197
Allscripts Healthcare Solutions	1,152	300	1,529	89.7%	42.8%	19.6%	1.4x	5.2x	6,708	228
Huron Consulting Group	1,888	148	1,159	25.0%	29.9%	12.8%	1.6x	12.8x	5,660	205
Evolent Health	3,892	19	1,352	48.9%	23.4%	1.4%	2.9x	201.4x	5,100	265
R1 RCM	8,054	175	1,806	22.5%	20.0%	9.7%	4.5x	46.0x	27,800	65
IQVIA	48,724	2,896	14,410	3.9%	34.9%	20.1%	3.4x	16.8x	70,020	206
McKesson	54,524	5,156	273,903	6.6%	4.6%	1.9%	0.2x	10.6x	75,000	3,652
Average	17,060	1,252	42,112	29.0%	29.1%	11.0%	2.3x	44.2x	27,637	688
Median	3,892	175	1,529	22.5%	29.9%	11.2%	1.9x	16.8x	6,708	206

share price as of 31Mar23

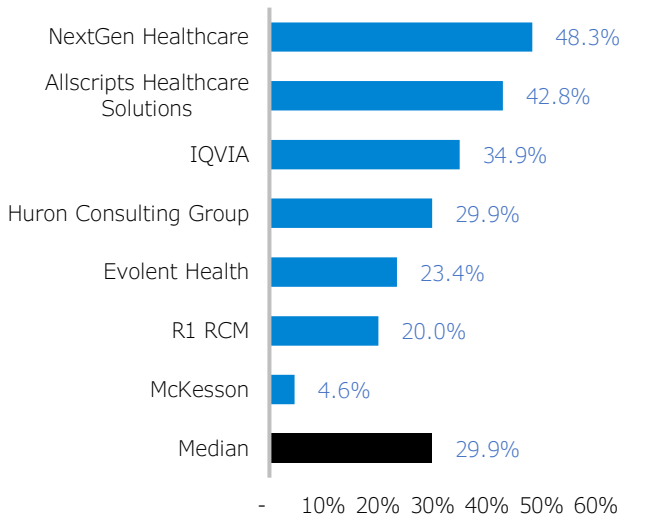
TEV / EBITDA X



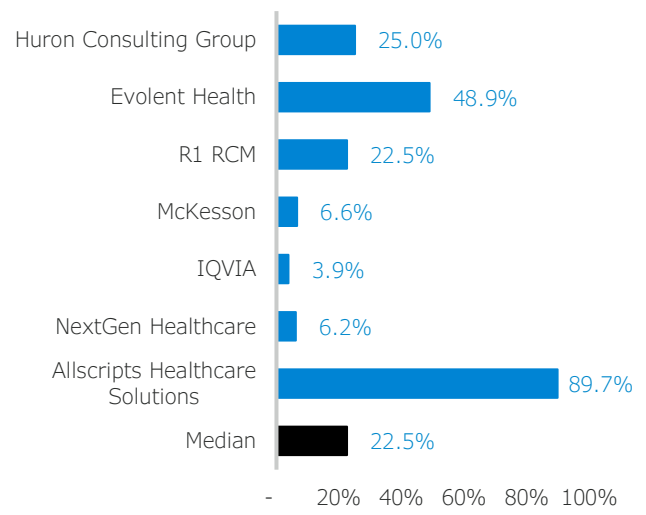
TEV / Rev X



Gross Margin %



Rev Growth YoY



Source: Pitchbook Data, Inc. as of 3.31.22

Notable Deals

Q1 2023 M&A Transactions

Date	Target	Buyer/Investor	Target Description
March 2023	signifyhealth	CVS Health	Signify Health Inc is a healthcare technology company that leverages advanced analytics, technology, and nationwide healthcare provider networks to create and power value-based payment programs. The customers include health plans, governments, employers, health systems and physician groups. Its operating segment includes Home and Community Services and Episodes of Care Services. The company generates maximum revenue from the Home and Community Services segment.
March 2023	Chi-Matic	CHARTIS	Operator of a revenue cycle consulting firm focused on driving consumer-driven models' lasting positive outcomes and bolstering financial success. The company offers a full suite of services following an integrated approach to the revenue cycle that ensures people, processes and technology are all considered and essential to achieving results, enabling healthcare organizations to transform their revenue cycle through technology, process improvement and improved staff efficiency.
January 2023	afia	Simione HEALTHCARE CONSULTANTS	Operator of a healthcare consulting firm serving behavioral health organizations, human service agencies, physician groups, health systems and other medical practices. The company provides electronic health records consulting, managed IT, financial, clinical and business intelligence services, enabling clients to identify root causes instead of simply symptoms.
January 2023	maincare	DOCAPOSTE	Developer of hospital administration software intended to digitize hospital management. The company specializes in care production, telemedicine, care coordination, administrative management, economic and financial management, logistics, human resources, strategic advice and communication, helping clients optimize revenue and digitize operational resources
January 2023	Medusind	ALPINE	Developer of revenue cycle management platform designed to serve physicians and clients in the healthcare industry. The company's platform offers a cloud-based practice management facility used to maximize revenue and reduce operating costs, thereby helping clients to improve efficiency, maximize revenue and reduce operational costs.

Source: Pitchbook Data, Inc.

About 7 Mile Advisors

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. All securities transactions are executed by 7M Securities, LLC, member FINRA / SIPC. For more information, including research on the M&A markets, visit www.7mileadvisors.com.

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Notable 7 Mile Transactions

- CitiusTech / sdlc partners
- GGA / epam
- QUISITIVE / mazikglobal
- ASCENSION Recovery Services / RCAP EQUITY
- IVY VENTURES, LLC Healthcare Growth Solutions / CENTAURI HEALTH SOLUTIONS a portfolio company of abry partners
- EASTON ASSOCIATES / NAVIGANT CONSULTING