



# Capstone Partners

## HEALTHCARE INFORMATION TECHNOLOGY

## Q1 2017

### CONTACTS

**David DeSimone**

Director  
(617) 619-3324  
ddesimone@capstonellc.com

**David Michaels**

Managing Director  
(858) 926-5950  
dmichaels@capstonellc.com

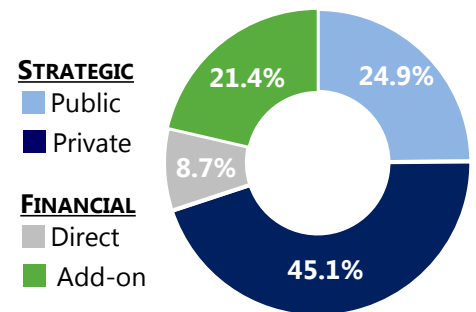
### MERGERS AND ACQUISITIONS OVERVIEW

The Healthcare Information Technology (HCIT) sector continued to be extremely attractive for mergers and acquisitions in 2016 with average EV/EBITDA multiples of 23.9x and average EV/Revenue multiples of 5.3x. While the number of transactions fell slightly from the record high set in 2015, the average transaction value increased from \$95.5 to \$149.4 million. In part, this was due to Quintiles' blockbuster acquisition of IMS Health in May, which closed at \$13.2 billion. Buyers spent a total of approximately \$25.8 billion on disclosed acquisitions in 2016 compared to \$7.2 billion in 2015.

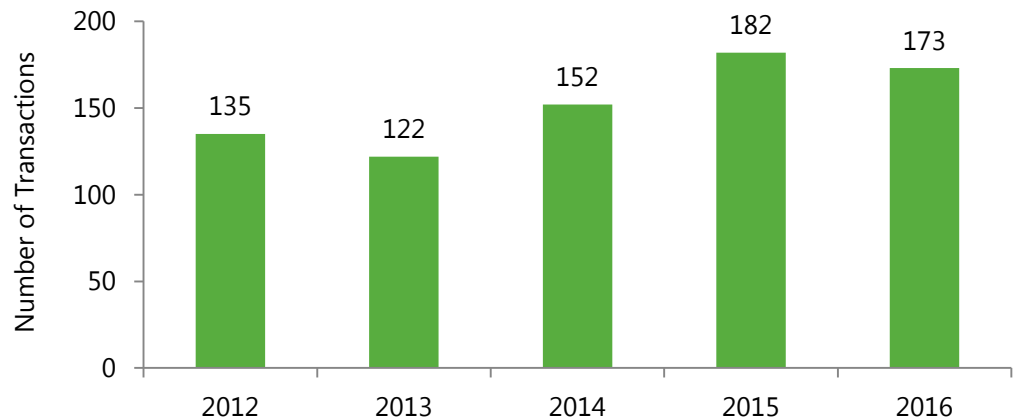
The HCIT market has profited over the past several years from the downstream demand of healthcare services. As more Americans seek medical attention (due to both the growing geriatric population and new enrollees from the Affordable Care Act), companies are increasingly seeking digital solutions to improve operating efficiencies, cut costs and assist in regulatory compliances. Demand for data storage, cloud technology, analytics, interoperability, cybersecurity, smart medical devices and electronic health record (EHR) management will help drive industry growth in 2017.

Consumerization is also driving HCIT M&A activity. Individuals have become accustomed to paying for many of their healthcare expenses out-of-pocket and seek ways to empower their purchasing decisions through education and personalized care. As the industry becomes more customer-centric, buyers are turning to digital health solutions (such as online training and smartphone applications) by which they can promote value-based business models.

#### 2016 Buyer Breakdown: HCIT



#### M&A Activity: HCIT



Sources: Capstone Partners LLC research, Capital IQ, Thomson Reuters

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- LOS ANGELES
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## KEY TRENDS AND DRIVERS

There are a number of trends and drivers that have had significant impact on industry growth as well as M&A activity within the Healthcare Information Technology industry. Capstone has identified several of these trends below.

- ▶ **Interoperability challenges** – As more opportunities arise to collect and track big data, the extent to which systems and devices can interchange information has grown increasingly crucial. Furthermore, new Department of Health and Human Services (HHS) policy requirements under the Medicare Access and CHIP Reauthorization Act (MACRA), Merit-based-Incentive Payments System (MIPS) and Advanced Alternative Payment Models (APMs) are expected to drive the need for new data exchange solutions in 2017. Key interoperability projects for HCIT executives in 2017 will be: connecting external databases to exchanges, connecting applications within the organization and adding connections from medical devices to existing systems, according to a survey by *Healthcare IT News*.
- ▶ **Payment Processing** – The Affordable Care Act, with operating rules such as the Electronic Remittance Advice (ERA) and Electronic Funds Transfer (EFT), has pushed healthcare organization to implement new payment processing models. The focus on optimizing the billing process and providing value-based reimbursement (VBR) over traditional fee-for-service (FFS) models is incentivizing healthcare organizations to seek simple, consumer-friendly payment methods.

In 2016, Capstone identified 14 HCIT payment-processing transactions. The buyer composition included several public, private and financial companies, which indicates an appetite from the overall market. One transaction example was cloud-based solutions company SwervePay's acquisition of Symbiosis Health, a HCIT company that develops payment solutions to improve patient payment methods and deliver consumer-centric experiences. In addition, many of the companies targeted in 2016 not only offered alternative methods to process payments, but also included big data analytic services to track information such as fraud/waste and speed/delay patterns. As organizations continue to adapt to the changing landscape of healthcare, user-friendly payment methods will continue to break into the marketplace.

- ▶ **High volume of VC funding creates need for M&A exits** – Venture capitalists have piped a record amount of money into startups over the past several years and the influx of capital has created a surplus of companies that are poised for an M&A exit. While overall funding slowed slightly in 2016, HCIT companies remain attractive investment targets for VC firms. In 2016, venture capitalists invested \$4.2 billion in HCIT companies, an 8.7% decline from 2015. Nevertheless, the total number of funded HCIT companies increased by 8.0% year-over-year. According to Bobby Franklin, President and CEO of National Venture Capital Association, "The large amount of capital raised for deployment to the ecosystem as well as optimism surrounding the IPO pipeline are all positive signs as we look ahead. Given the 2016 election results and the venture industry's return to normal, 2017 will prove a pivotal year for venture investors and the startups they support."

## NOTABLE HEALTHCARE INFORMATION TECHNOLOGY TRANSACTIONS

Several notable transactions were completed or announced in the Healthcare Information Technology industry in 2016. Select transactions are outlined below, followed by a more comprehensive list on the following table.

- ▶ **Ziff Davis acquires Everyday Health (October 2016)** – Global digital media company Ziff Davis acquired Everyday Health, a leading provider of digital health marketing and communications solutions, for \$10.50 a share, a 57.0% premium to Everyday Health's average closing share price over the last twelve months. The total transaction size was \$487.3 million. Since its founding in 2002, more than 70.0 million people have joined Everyday Health's flagship online portal, which helps consumers manage their daily health and wellness needs through informational articles, interactive tools and applications. Everyday Health has also reached more than 700,000 practicing physicians through its MedPage Today platform and over 350 hospitals through its Tea Leaves Health platform. The acquisition will diversify Ziff Davis' portfolio, which currently includes a variety of gaming, tech, entertainment and lifestyle brands including Ask Men, Computer Shopper, PCMag, ExtremeTech, Geek and IGN. "We are pleased to have reached this agreement with Ziff Davis, which we believe is in the best interests of Everyday Health and our shareholders and represents the culmination of a thorough review of strategic alternatives for the Company," commented Everyday Health Co-Founder and CEO Ben Wolin. "This compelling transaction delivers significant and immediate cash value to our shareholders, and positions Everyday Health to reach its next phase of growth. We look forward to working with the Ziff Davis team to ensure a seamless transition."
  
- ▶ **Wolters Kluwer Health acquires Emmi Solutions (October 2016)** – Philadelphia-based Wolters Kluwer Health, an information services and solutions provider for professionals and students in medicine, nursing, allied health and pharmacy sectors, acquired Emmi Solutions (Emmi) for \$170.0 million in cash. Emmi creates patient technology solutions for hospitals, healthcare systems, physician groups, healthcare payers, post-acute care providers and other healthcare organization. With expertise in behavioral and educational science, Emmi simplifies complex information and promotes health literacy through multimedia programs and interactive calls. "Healthcare systems are striving to deliver consistent, safe, high-quality care while the economics of healthcare are increasingly demanding value in healthcare delivery. Patients who engage in their care have the potential to make better decisions and achieve improved health outcomes," commented Diana Nole, CEO of Wolters Kluwer Health. "We are pleased to add this state-of-the-art patient engagement product to our range of clinical solutions. Combining Emmi's products with our UpToDate and drug information offerings, we can now uniquely provide healthcare systems and their patients a consistent, high quality, evidence based solution that spans the entire continuum of care." Wolters Kluwer Health estimated that Emmi's revenue reached \$29.0 million in 2016. The acquisition is expected to deliver a return on invested capital above Wolters Kluwer's after tax cost of capital (8.0%) in 3 to 5 years and is expected to be enhance to adjusted earnings in the first full year.

**HEALTHCARE INFORMATION TECHNOLOGY: SELECT M&A TRANSACTIONS**

Ann. Date	Target	Acquirer	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
12/23/16	KingFit	e2e Accelerator	Operates a health and wellness platform powered by artificial intelligence.	-	-	-
12/20/16	Mediware Information	TPG Capital	Designs clinical and performance management information software systems.	-	-	-
12/15/16	CannaBuild	MassRoots	Provides a cloud-based platform to enable cannabis dispensaries to answer questions from customers.	-	-	-
12/01/16	Streamline & Looking Glass	Document Storage Systems	Comprises a suite of patient scheduling and surgery management software solutions.	-	-	-
12/01/16	Telcare	BioTelemetry	Develops cellular-enabled glucose meters for diabetes patients worldwide.	\$12.0	-	-
12/01/16	The Encima Group	Indegene Lifesystems	Provides advanced analytics, big data management, dashboards and analytics enablement.	\$16.0	-	-
11/30/16	Bowles-Langley Technology	Predictive Compliance	Offers online tests for assessing human mental performance in the healthcare industry.	-	-	-
11/29/16	Ateb & Ateb Canada	Omicell	Provides interactive voice response (IVR) solutions for pharmacies.	-	-	-
11/28/16	iMDsoft	N. Harris Computer	Provides clinical information systems for critical, pre-operative and acute care environments.	-	-	-
11/28/16	PCI	FCX Performance	Provides instrumentation compliance solutions to the life sciences industry.	-	-	-
11/22/16	IQ Health	Interactivation	Provides an online pregnancy and parenting site to connect parents with doctors and healthcare experts.	-	-	-
11/17/16	CLINapps	Bracket	Provides software development and consulting services to pharmaceutical and biotechnology industries.	-	-	-
11/16/16	SecureConsent	DrugDev	Develops an electronic informed consent system.	-	-	-
11/16/16	VOH Health	EVITRADE	Offers a platform to enable patients to take control of their health through at home testing and care.	-	-	-
11/11/16	MedCenter-Display	PatientPoint	Provides a healthcare digital communication network solution for healthcare facilities.	-	-	-
11/10/16	UNICconnect	GeneInsight	Develops software solutions for molecular laboratories.	-	-	-
11/07/16	BiotrackTHC	Helix & Rose	Develops medical marijuana POS software for the medical cannabis industry.	-	-	-
11/01/16	Karos Health	Vital Images	Offers a diagnostic workstation to meet the needs of radiologists and cardiologists.	-	-	-
10/27/16	Extension	Vocera	Offers a platform to collect alarm, patient, and care team data from various systems.	\$52.5	-	-
10/21/16	Everyday Health	Ziff Davis	Operates digital marketing and communications platform for healthcare marketers.	\$465.3	1.8x	15.0x
10/04/16	Emmi	Wolters Kluwer	Designs technology-based solutions to deliver patient engagement.	\$170.0	-	-
09/22/16	CareRx	Centric Health	Provides pharmacy services for care facilities and retirement homes and nursing homes.	\$9.4	-	-
09/21/16	RTech.	TransUnion	Develops software to maximize reimbursements and reduce uncompensated care costs.	\$62.0	-	-
09/14/16	QOLPOM	Parallax Health Sciences	Offers a personal medication dispensing and remote monitoring solution.	-	-	-
09/12/16	Anthelio Healthcare	Atos SE	Offers applications management, IT infrastructure and business services.	\$275.0	1.4x	-

**HEALTHCARE INFORMATION TECHNOLOGY: SELECT M&A TRANSACTIONS (CONTINUED)**

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
09/08/16	Opportune IT Healthcare	Streamline Health Solutions	Offers a Web-based coding and auditing platform.	-	-	-
09/07/16	Essette	HMS Holdings	Offers a care management platform to identify, engage and manage at-risk patient populations.	\$20.0	-	-
08/22/16	QHR	Loblaw Companies	Provides electronic medical records applications.	\$119.8	5.1x	57.7x
08/09/16	Press Ganey	EQT Partners	Provides patient experience, performance analytics and advisory solutions for healthcare organizations.	\$2,382.2	6.9x	22.7x
08/08/16	Morrisey Associates	Echo	Supports Web-based applications related to physician credentialing and integrated care management.	\$48.0	3.8x	-
07/26/16	iBudtender	Cannabis Sativa	Develops a Web-based application for medical cannabis medication.	-	-	-
07/14/16	Nightingale's Canadian Assets	TELUS Health	Offers cloud-based electronic health technology and integrated practice management products.	\$11.3	-	-
07/13/16	Valence Health	Evolent Health	Provides value-based care solutions for hospitals, health systems and physicians.	\$203.1	-	-
07/13/16	Imprivata	Thoma Bravo	Provides patient authentication, secure communication and positive identification products.	\$488.5	3.7x	-
07/04/16	VitalHub	Quinsam	Offers a suite of applications that enable clinicians to access and share patient information.	-	-	-
06/30/16	Healthiest You	Teladoc	Develops a mobile application for telehealth engagement.	\$155.8	15.6x	-
06/06/16	BNN	NuVasive	Provides intraoperative neurophysiologic monitoring solutions for patients, hospitals and surgeons.	\$98.0	2.0x	-
05/31/16	RBP Healthcare	Inspira Financial	Provides software and billing solutions from experienced professionals.	-	-	-
05/18/16	Planet Logic	ITelagen	Develops cloud solutions for electronic medical records and physician management software companies.	-	-	-
05/03/16	IMS	Quintiles	Provides information and technology services to the healthcare industry.	\$13,170.5	4.3x	17.7x
04/25/16	Verisk and MediConnect	Veritas Capital	Develops healthcare analytics solutions and online medical record analysis services.	\$820.0	-	-
04/22/16	VestaCare	Adams Resources Medical	Offers automatic payment, healthcare process automation and claims process services.	\$19.2	-	-
04/09/16	Dictum Health	TDG	Develops diagnostic medical devices and cloud-based telehealth solutions.	\$28.9	-	-
04/04/16	MetaMind	salesforce.com	Provides artificial intelligence for research, medical image understanding and sentiment analysis.	\$48.0	-	-
03/23/16	Netsmart Technologies	GI Partners and Allscripts	Provides electronic health record technology and care coordination software.	\$950.0	-	-
03/08/16	eResearch-Technology	Nordic Capital and Novo	Provides patient safety and efficacy endpoint data collection solutions.	\$1,800.0	6.0x	-
02/26/16	PreViser	Red Tree	Offers dental risk and periodontal disease analysis software.	\$8.1	-	-
02/23/16	Proteus Digital Health	Harbin Gloria Pharmaceuticals	Develops products that integrate medicines with digital technology.	\$41.6	-	-
02/22/16	Brightree	Resmed.	Offers cloud-based software solutions to the post-acute care industry.	\$800.0	7.1x	18.6x
02/18/16	Truven	IBM Watson Health	Provides analytics that integrate healthcare data on utilization, patient characteristics and costs.	\$3,556.4	5.9x	35.8x

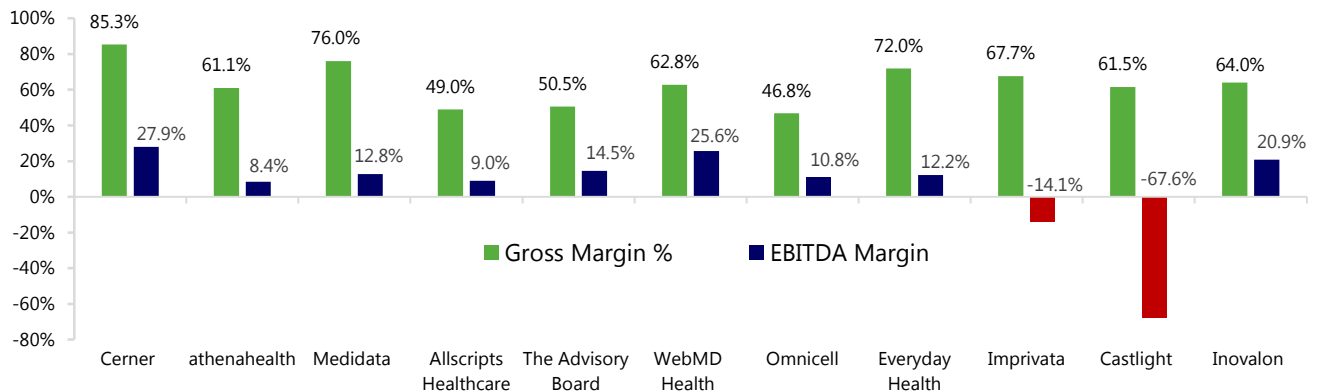
**PUBLIC COMPANY TRADING & OPERATING DATA**

Company	Price 01/23/17	% 52 Wk High	Market Enterprise Cap Value	LTM			EV / LTM		
				Revenue	EBITDA	Margin	Revenue	EBITDA	
Cerner Corporation	\$51.87	76.8%	\$17,609.7	\$17,489.5	\$4,632.8	\$1,294.5	27.9%	3.8x	13.5x
athenahealth, Inc.	\$121.83	83.8%	\$4,807.4	\$4,968.4	\$1,052.3	\$88.9	8.4%	4.7x	NM
Medidata Solutions, Inc.	\$50.03	86.5%	\$2,881.7	\$2,811.5	\$437.8	\$56.2	12.8%	NM	NM
Allscripts Healthcare Solutions, Inc.	\$11.42	75.3%	\$2,113.7	\$3,687.8	\$1,470.1	\$132.5	9.0%	2.5x	27.8x
The Advisory Board Company	\$42.70	87.4%	\$1,714.3	\$2,224.5	\$804.5	\$116.4	14.5%	2.8x	19.1x
WebMD Health Corp.	\$50.79	75.2%	\$1,864.0	\$1,869.5	\$689.7	\$176.8	25.6%	2.7x	10.6x
Omniceil, Inc.	\$33.60	83.0%	\$1,227.0	\$1,403.0	\$651.0	\$70.3	10.8%	2.2x	20.0x
Everyday Health, Inc.	\$0.00	0.0%	\$0.0	\$0.0	\$253.9	\$31.0	12.2%	0.0x	0.0x
Imprivata, Inc.	\$0.00	0.0%	\$0.0	\$0.0	\$131.1	NM	NA	0.0x	NM
Castlight Health, Inc.	\$3.65	66.4%	\$380.7	\$264.3	\$93.1	NM	NA	2.8x	NM
Inovalon Holdings, Inc.	\$11.25	56.1%	\$1,654.1	\$1,211.1	\$452.1	\$94.5	20.9%	2.7x	12.8x

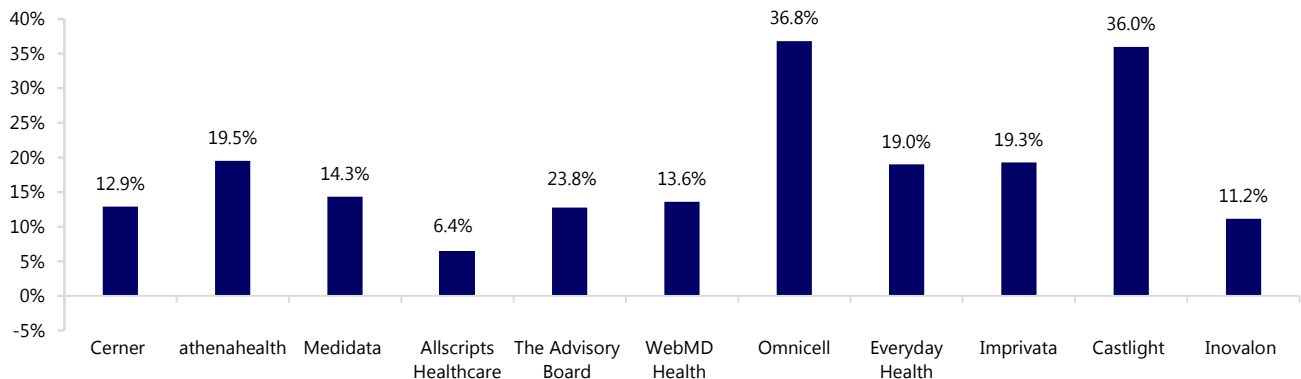
EV = enterprise value; LTM = last twelve months  
\$ in millions, except per share data  
NM = Not Meaningful; NA = Not Available

<b>Mean</b>	<b>15.8%</b>	<b>2.4x</b>	<b>14.8x</b>
<b>Median</b>	<b>12.8%</b>	<b>2.7x</b>	<b>13.5x</b>
<b>Harmonic Mean</b>	<b>13.4%</b>	<b>NA</b>	<b>NA</b>

**Last Twelve Month Margin Performance**



**Last Twelve Month 1-Year Revenue Growth**



Source: Capital IQ as of January 23, 2017



**CAPSTONE PARTNERS: COMPLETED HEALTHCARE TRANSACTIONS**

 <p>has been acquired by</p>  <p>a portfolio company of <b>AUDAX GROUP, INC.</b></p>	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has been acquired by</p> 	 <p>has recapitalized with</p> <p><b>A PRIVATE INVESTMENT GROUP</b></p>	 <p>has been acquired by</p> <p>RiversidePartners<sup>LLC</sup></p>	 <p>has been acquired by</p> 	 <p>has divested assets to</p> 
<p>AGGU*MET LASER, inc.</p> <p>has been acquired by</p> <p>RiversidePartners<sup>LLC</sup></p>	 <p>has recapitalized with</p> <p>TritonPacific Capital Partners, LLC</p>	 <p>has been acquired by</p> 	 <p>has acquired</p> <p><b>CERTIFIED IT &amp; ITRICITY FREEDOM DATA</b></p>	 <p>has been acquired by</p> 

**CAPSTONE PARTNERS: COMPLETED TECHNOLOGY TRANSACTIONS**

 <p>has been acquired by</p> <p><b>SPECTRUM EQUITY</b></p>	 <p>has been acquired by</p> 	 <p>has been acquired by</p> <p><b>CIVICA</b></p>	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has recapitalized with</p> 	 <p>has recapitalized with</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 

THE HEALTHCARE INFORMATION TECHNOLOGY TEAM



**David DeSimone, Director**  
ddesimone@capstonellc.com • (617) 619-3324

David DeSimone rejoined the Boston office of Capstone Partners in 2015 as a Director in the Technology & Telecom Group. David brings more than 15 years of investment banking experience to Capstone and will help expand the firm's technology sector coverage in the Northeast. David has worked on equity, debt and M&A transactions collectively valued at more than \$4 billion. Previously, David was a member of the Capstone team for nearly seven years where he led efforts in the Technology Solutions vertical as a Vice President and Director. Prior to rejoining Capstone, David served as a Principal at Bowen Advisors, an M&A and strategic advisory firm focused on technology companies including communications and Healthcare IT. David has also worked as a Vice President at Boenning & Scattergood, a Philadelphia-based middle market investment bank, where he worked with clients across a variety of industries and developed the firm's technology practice. He spent his early career working at Needham & Company, RobertsonStephens and J.P. Morgan. David received a BA in Government with honors from Harvard University. He is a qualified General Securities Representative.



**David Michaels, Managing Director**  
dmichaels@capstonellc.com • (858) 926-5950

David Michaels is a Managing Director of Capstone where he is responsible for managing the firm's Technology & Telecom Group (TTG). David founded SagePoint Advisors in 2008, a boutique investment banking firm focused on providing merger, acquisition and strategic advisory services to growth companies in the technology and telecom sectors. Prior to founding SagePoint, David was a Co-Founder, Partner and Managing Director at Montgomery & Co., a leading investment bank focused on serving emerging-growth technology companies and their venture backers. David co-founded Montgomery's investment banking business in 1996 and played an instrumental role in building the business to over \$50 million in revenues and 80 employees. Mr. Michaels also ran the firm's Communications and Digital Media Technology practice areas for several years prior to his departure. David has intimate knowledge of the strategic landscape, market dynamics and technology underpinnings of several high technology market segments including Mobile Software & Services, Consumer Internet, E-Commerce, Enterprise SaaS, Cloud & Infrastructure Software and Consumer, IT & Telecom Hardware.





## CAPSTONE'S OFFICE LOCATIONS

### BOSTON

176 Federal Street  
3rd Floor  
Boston, MA 02110  
(617) 619-3300

### CHICAGO

200 South Wacker Drive  
Suite 3100  
Chicago, IL 60606  
(312) 674-4531

### LONDON

42 Brook Street  
London W1K 5DB  
United Kingdom  
+44 (0) 203 427 5068

### LOS ANGELES

401 Wilshire  
Suite 1200  
Santa Monica, CA 90401  
(858) 926-5950

### NEW YORK

340 Madison Avenue  
10<sup>th</sup> Floor  
New York, NY 10173  
(212) 634-0855

### ORANGE COUNTY

23046 Avenida de la Carlota  
Suite 600  
Laguna Hills, CA 92653  
(949) 460-6431

### PHILADELPHIA

1515 Market Street  
12th Floor  
Philadelphia, PA 19102  
(215) 854-4063

### SAN DIEGO

12707 High Bluff Drive  
Suite 200  
San Diego, CA 92130  
(858) 926-5950

### SILICON VALLEY

228 Hamilton Avenue  
3rd Floor  
Palo Alto, CA 94301  
(650) 319-7370

### TAMPA

1550 W Cleveland Street  
Suite 10  
Tampa, FL 33679  
(813) 251-7285

## ABOUT CAPSTONE PARTNERS

**Capstone Partners LLC** is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government Services, Health & Medical, Manufacturing & Industrial, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

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