



Solganick & Co.

Healthcare IT  
Investment Banking + M&A Advisory



## Healthcare IT and Digital Health M&A Update: Q3 and YTD 2018 Review

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*Sources for our research and data include: Capital IQ, MergerMarket, Wall Street Journal, Company Websites, SEC Filings, Bloomberg, TechCrunch, Rock Health, Mercom Capital, Results International, Healthcare IT News, MobiHealthNews, Health Fidelity, Business Monitor International, HIT Consultant, International Data Corporation, CB Insights and other publicly available sources.*

# M&A Market Brief

## Global, U.S., and Healthcare IT M&A Activity, Q3 2018

### Worldwide

According to *Result's Global Healthcare*, indices are the highest they have ever been all year, primarily driven by biopharma IT which is up 23.9% in Q3 alone.

Global VC funding for Digital Health companies totaled \$3.1 billion in 173 deals in Q3 compared to \$2.4 Billion in 196 deals in Q2 2018.

### United States

Although Q3 2018's total M&A deal volume of 261 was slightly lower than the average of the preceding seven quarters (264), levels are still robust in historical terms. Quarterly deal counts have exceeded 200 since Q4 2014 and have exceeded 250 for five consecutive quarters.

M&A deal value was at its lowest level since Q1 2017, but interest in megadeals continues: Q3 2018's single megadeal (defined as exceeding \$5 billion) represented 35% of disclosed deal value

In terms of year-to-year growth, **deal volume was consistent with prior year** (0.4% increase). Total quarterly deal value declined by 35.8% versus prior quarter and by 10.1% versus prior year.

### Healthcare IT

Total M&A transaction volume in the 1st 3 Quarters of 2018 increased by six percent over the 1st 3 Quarters of 2017, from 337 to 356 while total transaction value in the 1st 3 Quarters of 2018 stayed about the same over the 1st 3 Quarters of 2017, at \$25.4 billion.

Companies focused on enhancing electronic health records and clinical workflow were the most likely to be acquired.

The largest M&A transaction in Q3 2018 was Global Payments' acquisition of AdvancedMD, a healthcare technology company that offers cloud medical office software to ambulatory medical practices, for \$700 million.

The most active acquirer through the 1st 3 Quarters of 2018, either directly or through an affiliated business, was Arsenal Capital Partners with eight transactions: Pirana Software, Analytica Laser, Newport Credentialing Solutions, Equipment Management & Technology Solutions (EMTS), BaseCase, KMR Group, Metrics Champion Consortium (MCC), and ACI Clinical.

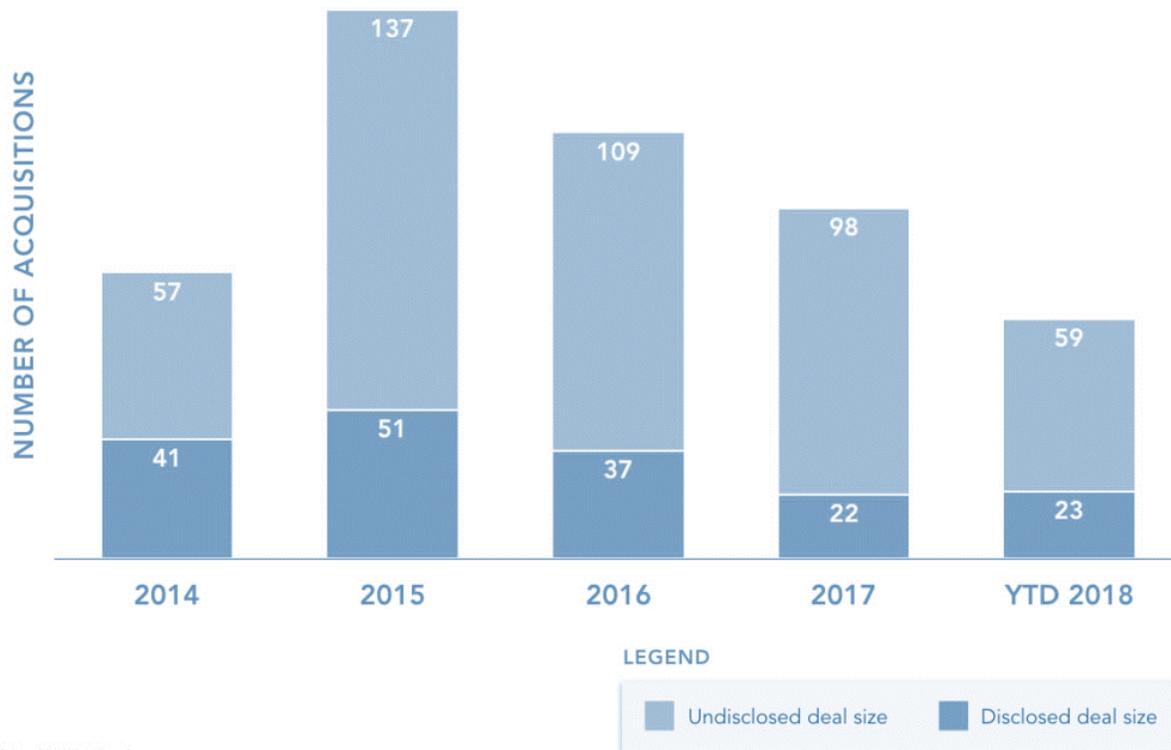
# Global Healthcare IT Share Price Performance



Source: Results International Healthtech Heartbeat Q3 2018 Market Review

# Digital Health Acquisitions, 2014-Q3 2018

ACQUISITIONS OF DIGITAL HEALTH COMPANIES  
2014-Q3 2018



Source: Rock Health M&A Database  
Note: Only includes acquisitions of U.S. digital health companies; data through September 30, 2018

Source: Rock Health, IMAA Institute

# Publicly Traded Healthtech EV/Revenue and EV/EBITDA Multiples Comparison by Type, Q3 2018

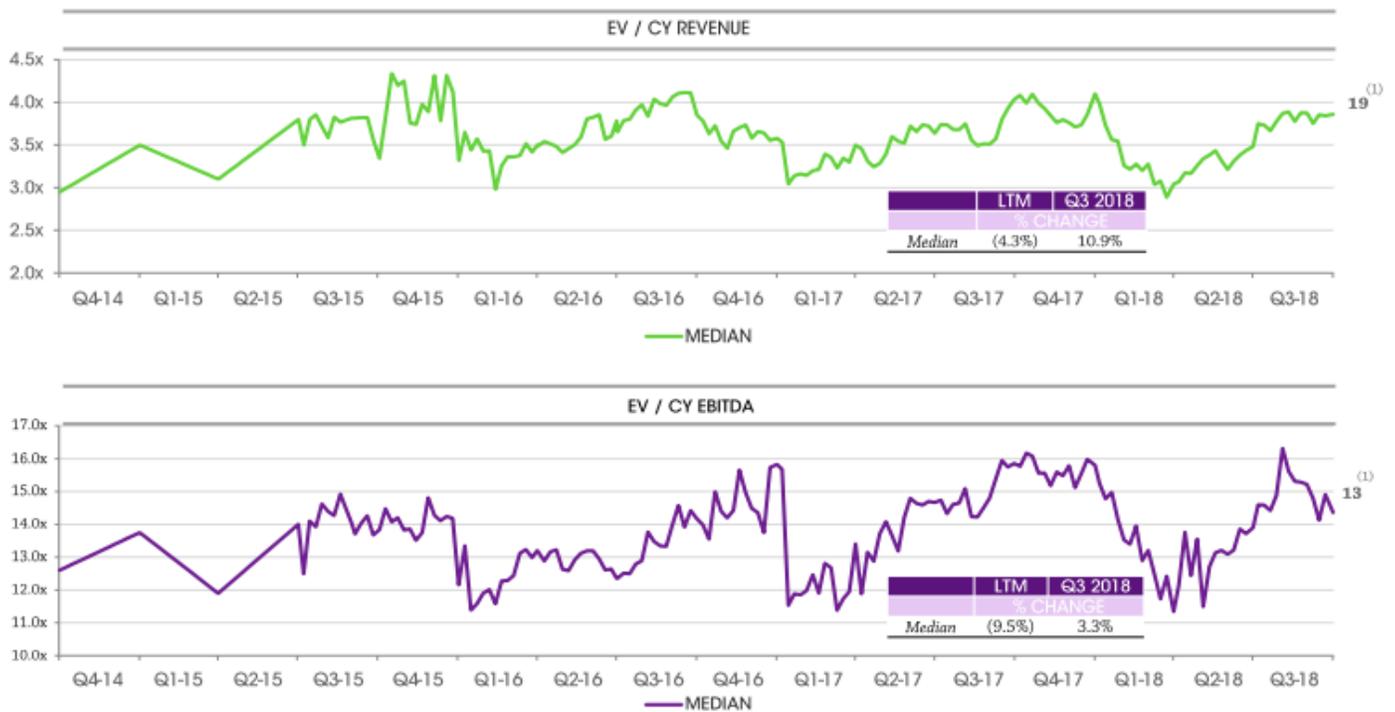
## HEALTHTECH: PUBLIC COMPANY VALUATION BENCHMARKS



**Average EV/Revenue: 4.72x (Low: 3.7x, High: 6.9x)**  
**Average EV/EBITDA: 16.64x (Low: 14.2x, High: 20.9x)**

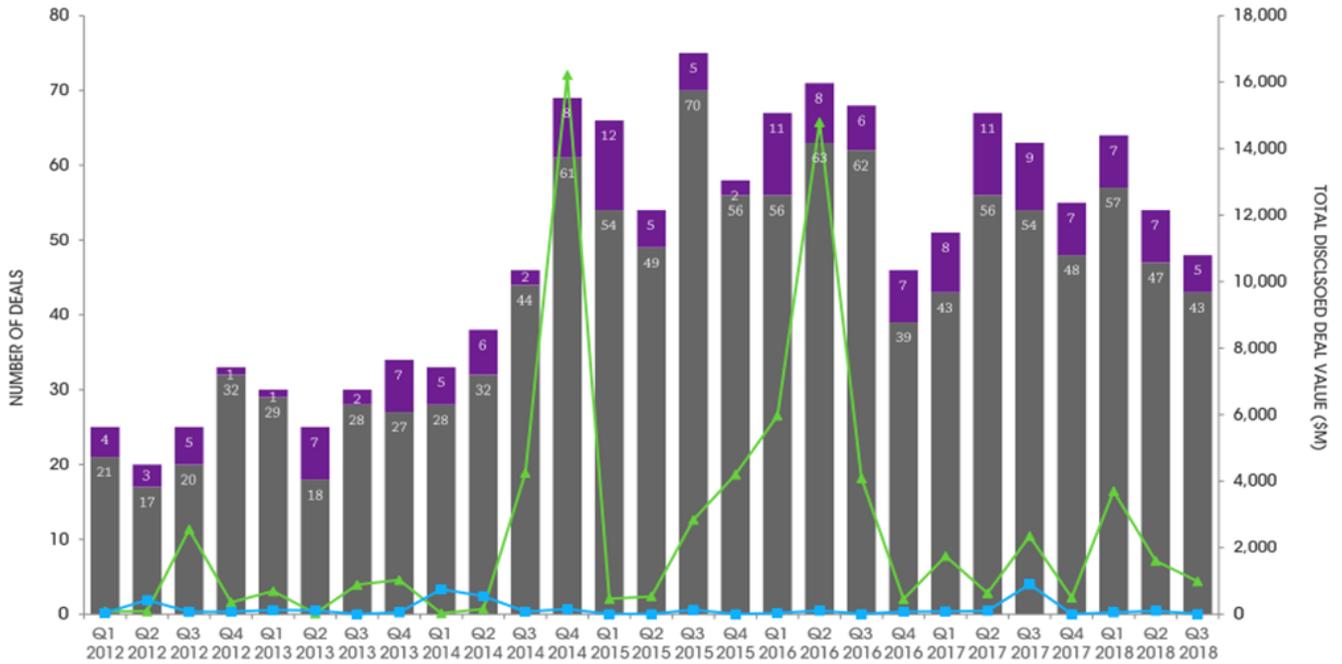
Source: Results International Healthtech Heartbeat Q3 2018 Market Review

# Healthtech: Public Company Valuation Performance Over Time



Source: Results International Healthtech Heartbeat Q3 2018 Market Review, Capital IQ, MergerMarket

# Healthtech: Global M&A Activity Q1 2012-Q3 2018



Source: Results International Healthtech Heartbeat Q3 2018 Market Review, Capital IQ, MergerMarket

# Funding in Digital Health: Q3, 2018

## FOUR \$100M+ DIGITAL HEALTH MEGA DEALS

H1 2018



	Company Details	Funding Details <sup>1</sup>	Series	HQ
	<p><i>Non-invasive coronary artery disease detection</i></p> <p>Year founded: 2007 Business model: B2B</p>	<p>\$240M</p> <p>Wellington Management, Baillie Gifford &amp; Company</p>	E	Redwood City, CA
	<p><i>DNA-personalized product store</i></p> <p>Year founded: 2015 Business model: B2B2C</p>	<p>\$200M</p> <p>DFJ Growth</p>	B	San Francisco, CA
	<p><i>Health benefits solution for self-funded employers</i></p> <p>Year founded: 2013 Business model: B2B2C</p>	<p>\$110M</p> <p>Founders Fund, GV, NEA, Maverick Ventures</p>	D	San Mateo, CA
	<p><i>Mobile monitoring, management of chronic conditions</i></p> <p>Year founded: 2008 Business model: B2B2C, B2C</p>	<p>\$105M</p> <p>General Catalyst, Kinnevik</p>	Growth	Mountain View, CA

Source: Rock Health Funding Database

<sup>1</sup> Investors listed only include select, publicly disclosed investors.

Note: Only includes U.S. deals >\$2M; data through June 30, 2018

Source: Rock Health

## 2018 Healthcare IT and Digital Health Trends & Drivers

### 2018 Surpasses 2017 as Largest Venture Funding Year for Digital Health Companies

A number of signs point to a favorable fundraising market. Median deal size by investment round continues to climb: The median A round today is the size of a Series B in 2011, and the median Series B looks like a Series C. This trend reflects the overall venture market beyond digital health—Pitchbook reports, “angel and seed rounds have come to closely resemble historical early-stage rounds.”

Across Q3 2018, **digital health startups raised \$3.3B over 93 deals**, bringing the annual YTD total to **\$6.8B**. 2018 has already surpassed 2017’s funding total of \$5.7B. Larger deals—rather than a number of deals—account for this bump, with the average deal size on the year growing to \$23.6M. Even excluding the six deals in 2018 over \$200M, average deal size is still greater than last year (\$17.6M compared to \$16.4M). So far, ten companies have raised mega-deals over \$100M in 2018 (note: Q3 deals are bolded): Livongo (\$105M), Collective Health (\$110M), Tempus (\$110M), Outset Medical (\$132M) and Peloton Interactive (\$550M).

Digital health entrepreneurs are also raising sequential rounds closer together than ever before, particularly in the Seed-to-Series A sequence. The average time between a company’s raises has steadily declined over the past few years. For instance, a company that raised a seed round in 2013 waited an average of 21 months before raising its A. Comparatively, a company that raised its seed in 2016 was likely to raise its A within 15.5 months.

### Technology Disruption

Google, Apple, Amazon, Lyft, and Uber are driving a new disruption previously unseen within the healthcare industry. With a unique advantage in their understanding of modern consumer expectations and needs, their deals command greater attention than establishment players. However, they still face challenges. For example, these new technology companies still need legacy or existing companies as partners for healthcare industry expertise. As one executive put it in the PwC report: “Any tech company can build a diabetes product. Few tech companies can build a diabetes product knowing the history of what’s worked, what hasn’t worked.”

Furthermore, the recently announced Amazon, JP Morgan, and Berkshire Hathaway venture has many industry investors wondering about the future of the healthcare landscape. On-demand pharmacies are also disrupting the landscape. Companies such as Blink Health, NowRx, Alto, Nimble Pharmacy, and TelePharm may be competing with Amazon soon (Amazon’s PillPack acquisition also impacts direct competitors like CVS and Walgreens, who saw their share prices fall after the announcement).

## Home Care

Home care solutions will become a new battlefield in the digital healthcare industry as new players are leveraging their technology for medical purposes. As the competition increases, these companies will focus on at-home health solutions including remote monitoring, patient medication adherence, telemedicine, and on-demand symptom checkers and triage.

Companies offering on-demand healthcare services as a primary value proposition attracted the most funding during the first three quarters of 2018. The largest Q3 round was American Well (\$291M), one of ten mega-deals so far this year. Examples of homecare companies leading the way include: Doctor on Demand, a platform enabling patients to video chat with licensed physicians; Honor, an online senior in-home care agency platform; NowRx, an on-demand prescription delivery service; and Nurx, teleprescriptions and home delivery for birth control and PrEP for HIV prevention.

Companies developing digital therapeutics—solutions utilized to support the monitoring and treatment of disease—have raised significant funding so far this year, including: Pear Therapeutics (\$46M), Click Therapeutics (\$17M), Akili Interactive Labs (\$68M), Virta Health (\$45M), Propeller Health (\$20M), and Hinge Health (\$26M).

The top six most-funded value propositions support a shift in the healthcare provider relationships: the ability for, enabling patients to manage their health from the comfort of their couch. Although there will always be consumer demand for in-person provider relationships, companies that connect patients (and patient data) with providers and care in more continuous, accessible, convenient ways are winning the game.

## Evolving Laws and Regulations

New U.S. tax reforms allow healthcare assets to look attractive to foreign acquirers eager to expand in the world's largest economy.

New European rules affecting medical device manufacturers, particularly the Medical Device Regulation, will force companies to examine their portfolios and evaluate the significant costs of meeting these requirements.

31 FDA approvals in digital health this year signal that startups are eager to do business despite tough regulatory hurdles and we should see more FDA approvals before the December 31.

## Publicly Traded Healthcare IT Firms Valuation Table (\*Stock Price as of 12/7/2018)

Ticker	Name	Stock Price*	Market Cap	Enterprise Value	EV/Revenue	EV/EBITDA
MDRX	Allscripts Healthcare Solutions	9.49	1.66B	4B	2.19	44.18
ATH	Athene Holding	39.92	7.97B	3.49B	.38	-
BNFT	Benefitfocus	50.63	1.62B	1.68B	6.18	-
CRCM	Care.com	16.91	537.68M	493.55M	2.64	37.39
CSLT	Castlight Health	2.35	328.36M	301.86M	2.00	-
EVH	Evolent Health	20.23	1.66B	1.92B	3.51	-
FIT	Fitbit	4.98	1.24B	713.78M	0.47	-
HMSY	HMS Holdings	33.86	2.84B	3.11B	5.27	25.40
IQV	IQVIA Holdings	117.98	23.37B	33.81B	3.93	18.61
MCK	McKesson	124.94	24.41B	32.39B	.15	7.99
MDSO	Medidata Solutions	72.67	4.45B	4.47B	7.31	50.01
MB	Mindbody	25.61	1.23B	1.25B	5.48	-
NH	NantHealth	.79	86.56M	273.86M	3.08	-
OMCL	Omnicell	69.83	2.77B	3.2B	4.13	41.56
TRHC	Tabula Rasa Healthcare	71.09	1.45B	1.56B	8.15	85.94.
TDOC	Teladoc	53.41	3.74B	4.31B	11.59	-
VEEV	Veeva Systems	88.56	12.8B	12.87B	15.87	62.65
VCRA	Vocera Communications	39.75	1.21B	1.11B	6.47	-
<b>Average</b>					<b>4.93x</b>	<b>35.97x</b>

\*Stock Price as of 12/7/2018

Negative EBITDA Not Included For ATH, BNFT, CSLT, EVH, FIT, MB, NH, TDOC, VCRA

Source: Solganick & Co. Analysis, Pitchbook, Yahoo Finance

## Notable M&A Transactions, Q3 2018

Date Announced	Acquirer	Target	Description	Enterprise Value (\$ USM)
9/2018			Image-based surgical cognitive intelligence software and analytics	26.2
9/2018			Oncology-focused mutation information and drug provider	-
9/2018			Healthcare coordination and diagnosis, and treatment support application	89.1
9/2018			Consumer health activation platform	-
8/2018			Supply chain interoperability data system	50.0
8/2018			Outpatient, inpatient and social care recording	50.0
8/2018			Practice management solution for ambulatory physician practices	700
7/2018			Supply chain and procurement	10.1
7/2018			Healthcare-focused data integration enabler	138.5
7/2018			EHR management, including incoming clinical correspondence	-

Source: Mergr, Yahoo Finance, Crunchbase, PE Hub

## M&A Spotlights

### Welltok Acquires Wellpass



September 12, 2018 - **Welltok**, a data-driven, enterprise SaaS company that delivers the industry's leading consumer health activation platform, announced the acquisition of **Wellpass**, formerly Voxiva.

Wellpass is the creator of interactive, popular text-based programs such as Text4Baby, Text2Quit and Care4Life.

Wellpass works with an impressive roster of managed Medicaid plans, state Medicaid agencies and departments of health, as well as providers and pharmaceutical companies. To date, Wellpass has successfully engaged with more than three million individuals, delivering more than 400 million health messages through SMS text. Its evidence-based, clinically validated programs range from adult and child health to diabetes management, smoking cessation and prenatal care and have generated impressive results.

The acquisition expands Welltok's presence in the managed Medicaid and government markets and brings sophisticated text messaging capabilities and proven, evidence-based health programs into its consumer health activation platform. The acquisition will also allow Wellpass' current clients to more effectively target and engage their members through machine learning and data-driven insights, additional outreach channels like interactive voice, chatbot, and live coaching, and the ability to seamlessly incentivize and reward actions. In addition, Wellpass' interactive programs and capabilities will be available in conjunction with Welltok's full product suite. This will benefit Welltok's broad portfolio of clients in the Medicare, large employer, commercial health, pharmacy and health services markets.

Source: [https://www.welltok.com/portfolio\\_page/welltok-acquires-wellpass/](https://www.welltok.com/portfolio_page/welltok-acquires-wellpass/)

## Global Payments Completes Acquisition of AdvancedMD



**September 5, 2018** - Global Payments Inc., a leading worldwide provider of payment technology and software solutions, announced today that it completed the previously announced acquisition of AdvancedMD from Marlin Equity Partners.

Management stated it would be acquiring AdvancedMD in an all-cash deal valued at roughly **\$700 million**. AdvancedMD at a **5.6x revenue**, provides cloud-based solutions for small- to medium-sized physician offices in the U.S. The platform integrates a doctor's office's scheduling, billing, health record management, and, of course, payments in a solution that facilitates nearly all its back-office needs.

According to CEO Jeffrey Sloan of Global Payments:

“AdvancedMD, or AMD, will provide us with direct entry into a new \$9 billion target addressable market for software, benefiting from strong secular tailwinds. The small- and medium-sized physician healthcare software market is highly fragmented, and AdvancedMD is an industry leader at roughly twice the size of its nearest cloud competitor. AMD is also one of the only companies in the industry that provides users with an end-to-end platform encompassing practice management, electronic health records and patient engagement solutions, all delivered on a single instance, multi-tenant architecture.”

Global Payments Inc. (NYSE: GPN) is a leading worldwide provider of payment technology and software solutions delivering innovative services to our customers globally. Our technologies, services and employee expertise enable us to provide a broad range of solutions that allow our customers to accept all payment types and operate their businesses more efficiently across a variety of distribution channels in many markets around the world.

Source: <https://www.fool.com/investing/2018/08/21/global-payments-700-million-acquisition-is-another.aspx>

## Harris Healthcare Acquires Iatric Systems



**August 28, 2018** - Iatric Systems, Inc., a healthcare technology company dedicated to helping healthcare organizations enhance their IT investments, today announced that it has been acquired by Harris Computer Systems (“Harris”) through its Healthcare group. Iatric Systems will be run as an independent business unit within Harris. Frank Fortner, a long-term Iatric Systems senior executive has been named as Executive Vice President for Iatric Systems.

Jerry Canada Jr., President of Harris Healthcare group said, “The acquisition of Iatric Systems represents a natural extension of our offerings in the healthcare information technology segment. We are very happy to have acquired a leader and innovator in this sector.”

The size and scale of Harris, Fortner added, will offer the Iatric business unit new and resources to help support its customers. It helps position Iatric Systems “for continued and long-term success in line with our 28-year history of providing innovative healthcare IT solutions to hospitals.”

Iatric Systems is a healthcare technology company dedicated to helping hospitals enhance their IT investments. For 28 years, Iatric Systems has delivered solutions to more than 1,300 health care organizations and has integrated more than 800 vendor solutions.

Since 1976, Harris has focused on providing feature-rich and robust turnkey solutions to Public Sector, Schools, Utility, and Health Care agencies throughout North America. Harris’ focus is on creating long-term relationships with its customers and ensuring that it meets the changing needs of its customers over time.

Source: <https://www.businesswire.com/news/home/20180828005204/en/Harris-Healthcare-Group-Acquires-Iatric%20AE-Systems>

## Mediware Acquires AdvancedMD



**August 22, 2018** - Mediware Information Systems, Inc., a portfolio company of TPG Capital and a leading supplier of software solutions in health care and human services announced that Mediware has acquired **Rock-Pond Solutions**, a business intelligence and analytics software provider for the home infusion, home medical equipment (HME), and specialty pharmacy industries.

As a longtime trusted Mediware partner, Rock-Pond Solutions has offered business intelligence, analytics, content, tools, and services to many of Mediware's home infusion, HME, and specialty pharmacy customers. Rock-Pond's business intelligence and analytics software extends the power of Mediware's home care solutions. Their leading products – CareTend BI and CareTend BI for CPR+ – provide the meaningful data providers need to drive efficiency, profitability, and quality.

The Rock-Pond acquisition provides Mediware with opportunities for product advancement and optimization, as well as supports more collaborative work on the CareTend product roadmap. Acquiring Rock-Pond further enhances Mediware's portfolio of industry-leading software solutions. The acquisition uniquely positions Mediware to develop even better business intelligence and analytics solutions that will provide customers with enhanced insights to help them streamline processes and make smarter decisions.

Mediware will combine engineering teams to improve coordination and consistency. Additionally, Mediware plans to accelerate investment in analytics and expertise, beyond CareTend, and continue to drive product innovation.

Based in Conway, Arkansas, Rock-Pond Solutions is the leading provider of business intelligence and analytics software to the home infusion, HME, and specialty pharmacy industries. Rock-Pond was founded in 2000 as a consulting firm for infusion and specialty pharmacy.

Source: <https://www.mediware.com/news/mediware-acquires-rock-pond-solutions/>

## Advanced Acquires Docman



**July 03, 2018** - Docman, the Leeds-based company behind a platform that helps care providers manage paperless clinical documents has been acquired by software and services provider **Advanced**.

Docman's technology is responsible for maintaining one billion detailed records and documents for more than 40,000,000 patients in the UK, managing in excess of three million items of weekly patient correspondence.

Advanced has been a supplier to the NHS for more than 20 years and has been a longtime partner with NHS England and NHS Digital, most recently virtual health assistant app Ask NHS.

Gordon Wilson, CEO of Advanced, explained that adding Docman's acclaimed Cloud software to their own strong portfolio of healthcare solutions means that they have a more comprehensive offering to support the NHS in achieving its goals and helping with the NHS's digital transformation.

It is hoped that Advanced and Docman together will further strengthen Advanced's position in the market as a leading technology provider and help drive a more secure, efficient and connected health and care sector in the UK.

"At such a transformative time, this acquisition quickly boosts our position and today's news is therefore incredibly exciting for us and both Docman and Advanced's existing customers."

Advanced is headquartered at Ditton Park in Slough with regional hubs in Birmingham and Cheshire.

Source: <https://www.mediware.com/news/mediware-acquires-rock-pond-solutions/>



## About Solganick & Co.



Solganick & Co., Inc. is an independent investment banking and M&A advisory firm focused exclusively on the global technology and digital media industry sectors, including an active practice within healthcare IT and digital health. We advise buyers and sellers of companies and efficiently execute M&A transactions that help increase shareholder value. Our professionals have advised on \$20+ billion in M&A transactions to date and have current clients and relationships globally with entrepreneurs, companies and leading private equity firms within the sectors we cover.

Please contact us for information regarding this report or to inquire about an M&A transaction.

**Aaron Solganick, CEO (Los Angeles/Dallas)**  
[aaron@solganick.com](mailto:aaron@solganick.com)

**Frank Grant, Managing Director (Los Angeles)**  
[fgrant@solganick.com](mailto:fgrant@solganick.com)

**Alex Khoras, Director of Business Development  
(Los Angeles)**  
[akhoras@solganick.com](mailto:akhoras@solganick.com)

**Sergio Vazquez, Managing Director (Houston)**  
[svazquez@solganick.com](mailto:svazquez@solganick.com)

**John Mascarenas, Managing Director (Phoenix)**  
[jmascarenas@solganick.com](mailto:jmascarenas@solganick.com)

**Sam Sheedban, Vice President (Los Angeles)**  
[sam@solganick.com](mailto:sam@solganick.com)

**Debjeet Gupta, Associate (Los Angeles)**  
[dgupta@solganick.com](mailto:dgupta@solganick.com)

**Al Jairazbhoy, Analyst (Los Angeles)**  
[alj@solganick.com](mailto:alj@solganick.com)

### Los Angeles

811 W 7th St,  
12<sup>th</sup> Floor,  
Los Angeles, CA 90017

### San Francisco

71 Stevenson St,  
Suite 400,  
San Francisco, CA  
94105

### Houston

2100 West Loop South,  
Suite 900, Houston, TX  
77027

### Phoenix

515 E Grant St. Phoenix  
AZ 85004

Main Phone: +1 (310) 684-3130

[www.solganick.com](http://www.solganick.com)

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