



Solganick & Co.

Healthcare IT
Investment Banking + M&A Advisory



Healthcare IT and Digital Health M&A Update: Q4 and YTD 2018 Review

December 7, 2018

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DISCLAIMER

The information contained herein is of a general nature and is not intended to address the circumstances of any particular company, individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. We perform our own research and also use third-party research. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. This is not an offer or recommendation to buy or sell securities nor is it a recommendation to merge, acquire, sell or exit a specific company or entity. We do not hold any equity or debt position in any of the securities listed herein as of the date of this report.

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, Q4 2018

Source: Results International Healthtech Heartbeat Q3 2018 Market Review

Worldwide

According to Pitchbook, Q4 surpassed the amounts of capital raised significantly compared to Q1, Q2, and Q3 in Healthcare IT.

Capital raised around the world through M&A in Healthcare IT was \$84.01 Billion.

The top M&A transactions for 2018 were as follows: the \$5.5 billion acquisition of athenahealth by Veritas Capital and Elliot Management, followed by Platinum Equity's acquisition of LifeScan from Johnson & Johnson for \$2.1 billion, Roche's acquisition of Flatiron Health for \$1.9 billion, Vista Equity's \$1.9 billion acquisition of MINDBODY and Inovalon's \$1.2 billion acquisition of ABILITY Network for \$1.2 billion.

United States

During 2018, US-targeted M&A volume reached a total of \$1.74tn, via 7,791 deals. US outbound cross-border activity also reached \$233.3bn via 1,476 deals, representing a 24.43% change when compared to the same period in 2017.

The healthcare IT vertical saw 84 deals in the United States with the frequency of deals going down in Q4.

Median deal size rose from Q3 \$225 Million in Q4 in the deals in the United States.

Healthcare IT

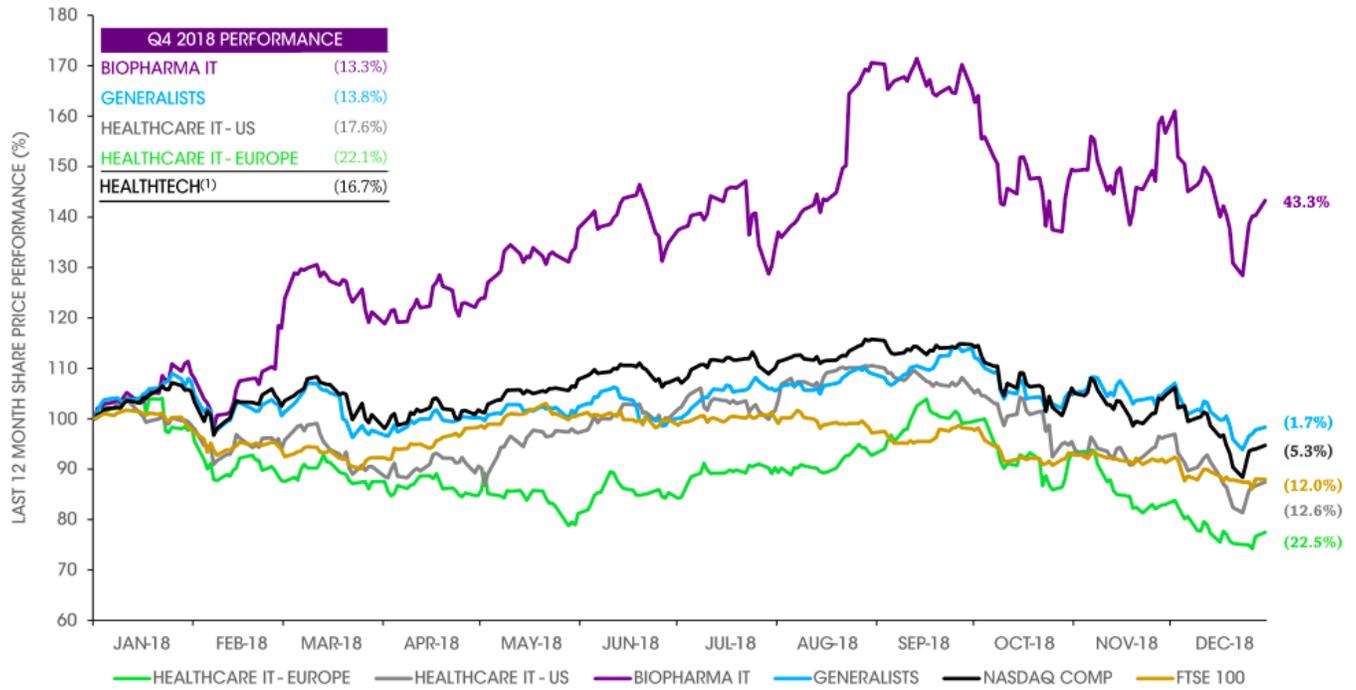
Total M&A transaction volume in the 1st 3 Quarters of 2018 increased by six percent over the 1st 3 Quarters of 2017, from 337 to 356 while total transaction value in the 1st 3 Quarters of 2018 stayed about the same over the 1st 3 Quarters of 2017, at \$25.4 billion.

Q4 2018 saw 195 healthcare IT M&A transactions announced or closed with a deal value doubling to \$20.7 billion.

The largest M&A transaction in Q4 2018 was \$5.5 billion acquisition of athenahealth by Veritas Capital and Elliot Management.

Source: Results International Healthtech Heartbeat Q3 2018 Market Review, Capstone Headwaters, Harris Williams, Roch Health, Mergr. Pitchbook, Factset, Mercom Capital Group

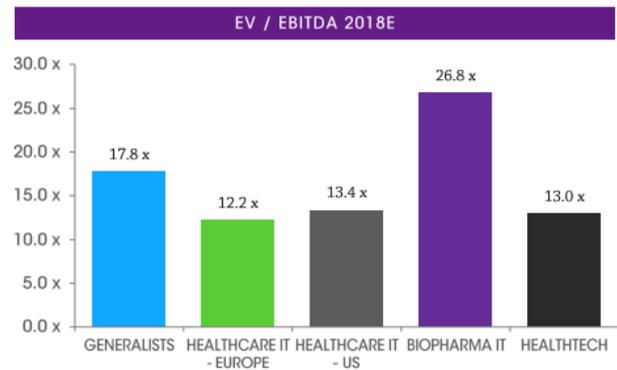
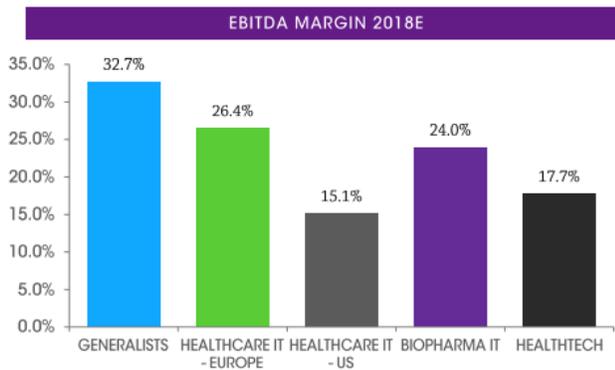
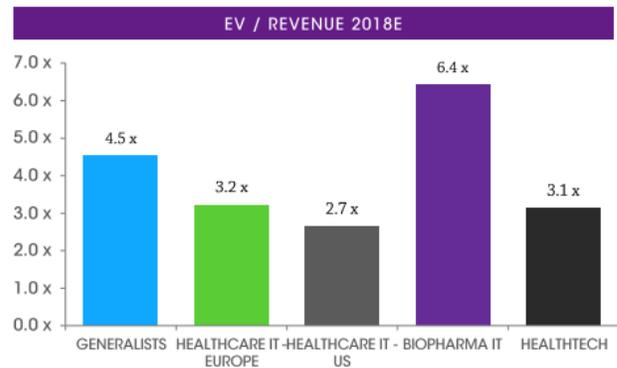
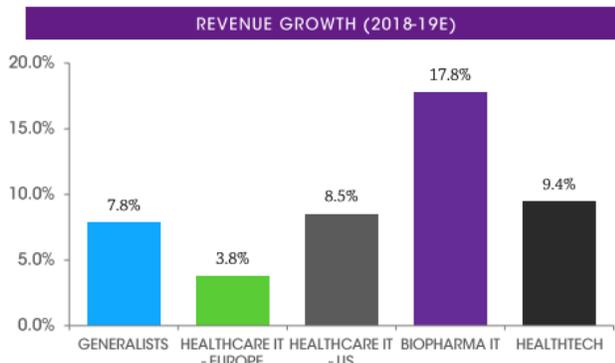
Global Healthcare IT Share Price Performance - Q4



Source: Results International Healthtech Heartbeat Q3 2018 Market Review

Publicly Traded Healthtech EV/Revenue and EV/EBITDA Multiples Comparison by Type, Q4 2018

HEALTHTECH: PUBLIC COMPANY VALUATION BENCHMARKS

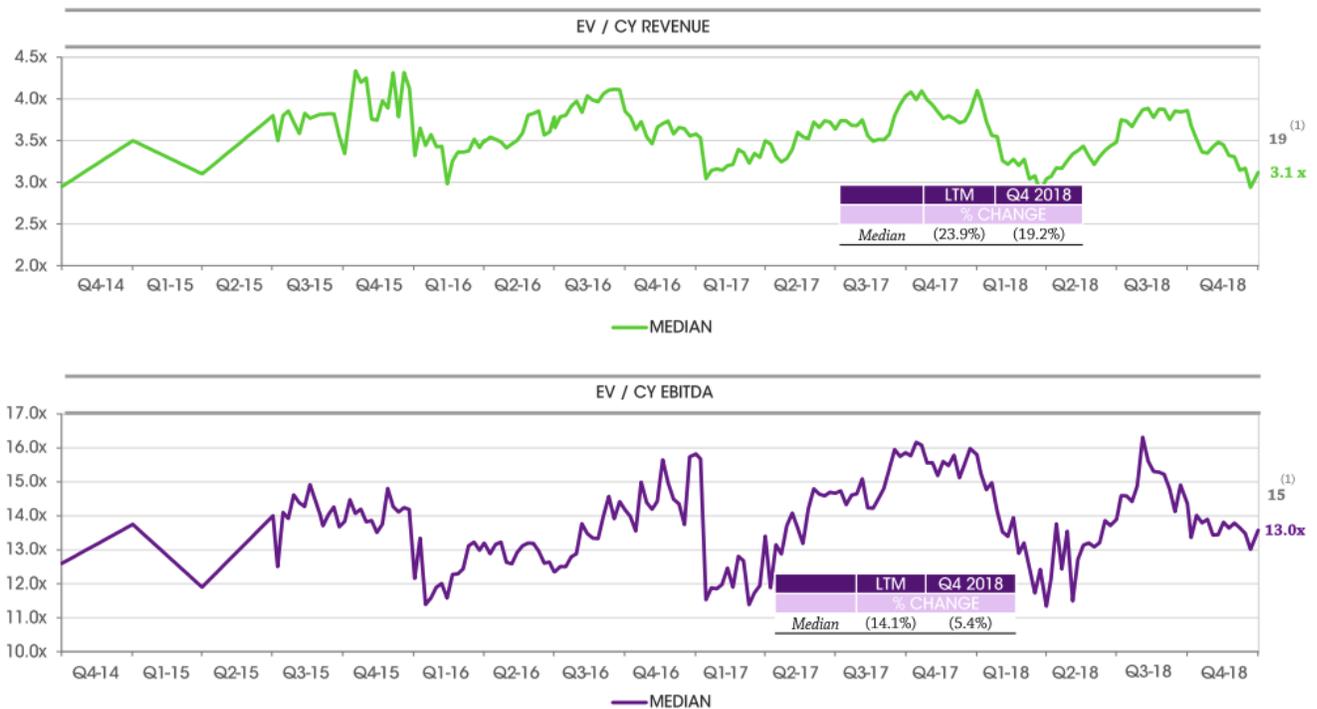


Average EV/Revenue: 4.72x (Low: 3.7x, High: 6.9x)
Average EV/EBITDA: 16.64x (Low: 14.2x, High: 20.9x)

Source: Results International Healthtech Heartbeat Q3 2018 Market Review

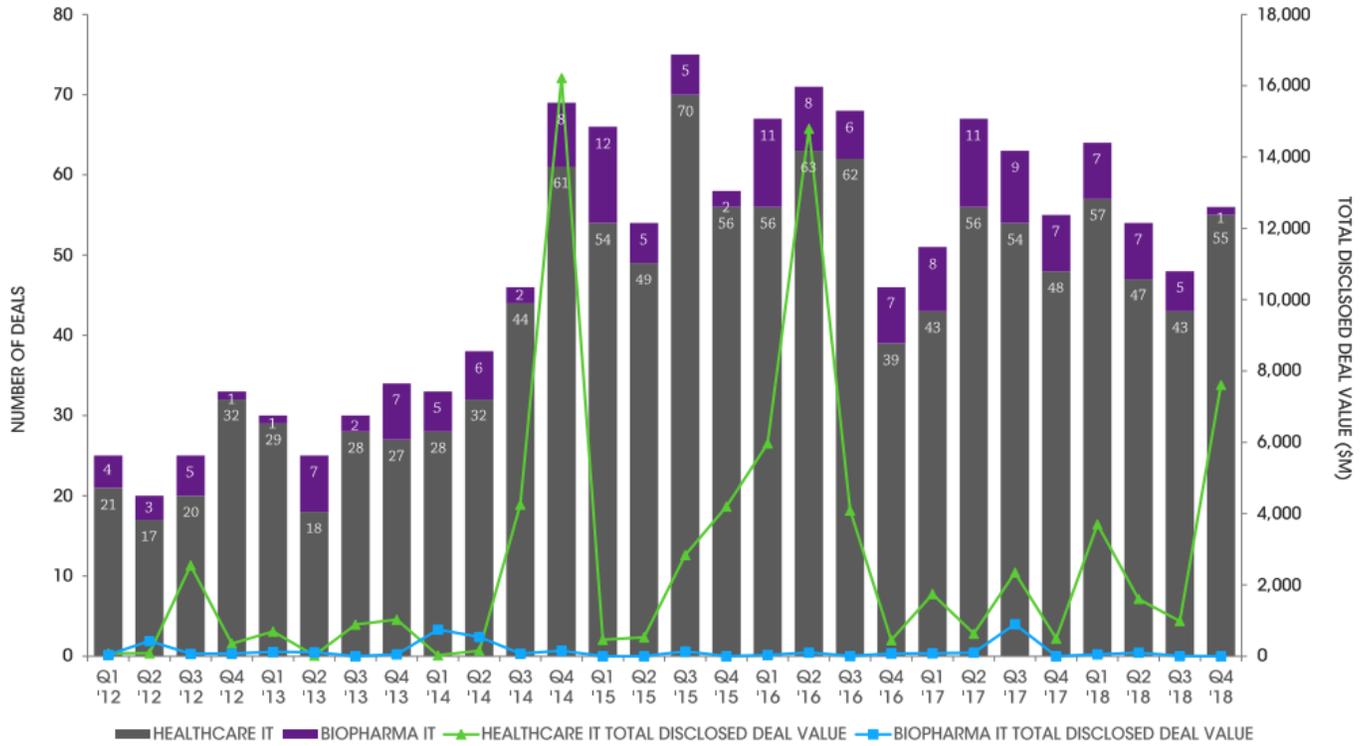
Healthtech: Public Company Valuation Performance Over Time

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-Q4 2018



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

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.”

Global venture capital (VC) funding in digital health, including private equity and corporate venture capital, saw another record-breaking year in 2018 with \$9.5 billion raised in 698 deals, a 32 percent increase from the previous record set in 2017 of \$7.2 billion in 778 deals. Total corporate funding for Digital Health companies - including debt and public market financing - reached \$13 billion in 2018, a 58 percent increase from the \$8.2 billion raised in 2017. 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.

Source: Healthcare IT News, Mercom Capital Group, CNBC, Rock Health

2018 Healthcare IT and Digital Health - Highlights

Review 2018:

- M&A activity remained solid with a large number of high profile acquisitions (6 deals were disclosed at over \$1bn) at higher revenue multiples than those currently seen in public markets.
- A large number of transactions were carried out by Private Equity firms, offering a great capacity to drive innovation and growth through enough liquidity.
- Fundraising grew accelerated in the latter part of the year, including several notable late stage funding rounds.
- Private markets remain to be the preferred choice to raise capital; no meaningful, significant IPO has been recorded in Healthcare IT since September 2016.

2019 Predictions:

- Continued investments are expected from US Corporates and Private Equity firms as Healthcare IT firms seek liquidity to drive growth and innovation, given the public markets are challenging and a far reach
- AI, Machine Learning, and Natural Language Processing will remain the forefront of innovation in Healthcare Tech and fuel further investment and buyer appetite in these capabilities.
- With extensive digitalization in Healthcare, M&A activity is expected to be on the rise.

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	9.64	1.98B	4.16B	2.00	45.99
ATH	Athene Holding	39.83	8.51B	3.41B	0.37	-
BNFT	Benefitfocus	45.72	1.66B	1.80B	6.61	609.10
CRCM	Care.com	19.31	751.99M	691.32M	3.70	52.38
CSLT	Castlight Health	2.17	442.94M	357.75M	2.37	-
EVH	Evolent Health	19.95	1.39B	1.24B	2.27	-
FIT	Fitbit	4.97	1.61B	947.74M	0.64	-
HMSY	HMS Holdings	28.13	2.57B	2.68B	4.53	21.83
IQV	IQVIA Holdings	116.17	25.51B	36.42B	4.23	20.05
MCK	McKesson	110.47	24.65B	35.05B	.16	8.55
MDSO	Medidata Solutions	57.42	4.33B	4.25B	6.96	47.61
MB	Mindbody	36.40	1.75B	1.67B	7.32	-
NH	NantHealth	0.54	57.84M	237.27.M	2.67	-
OMCL	Omicell	51.24	3.04B	2.72B	3.51	35.33
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	-

Average

4.93x

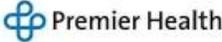
35.97x

*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, Q4 2018

Date Announced	Acquirer	Target	Description	Enterprise Value (\$ USM)
12/2018			Provides healthcare data analytics services to physicians and clinicians.	1,000.0
12/2018			Provides cloud-based software solutions to streamline medical practices.	5.0
11/2018			Provides a mobile platform and a sensor technology for respiratory health management.	225.0
11/2018			Offers a fully integrated electronic health record (EHR) applications for the Long Term Care market.	750.0
11/2018			Provides EMR-integrated real time alerts for use in the physician's clinical workflow.	66.5
10/2018			Provides medical claim processing software and business process outsourcing services.	98.0
10/2018			Provides interactive mobile health messaging for improving medication adherence and care.	9.0
10/2018			Specialty benefit management services to assist its customers in managing care.	217.0

Source: Mergr, Yahoo Finance, Crunchbase, PE Hub, Capstone Headwaters

M&A Spotlights

3M Company acquires M*Modal's Technology Business



December 19, 2018 - 3M the acquisition of the technology business of **M*Modal**, for a total enterprise value of \$1.0 billion. M*Modal is a leading healthcare technology provider of cloud-based, conversational Artificial Intelligence (AI)-powered systems that help physicians efficiently capture and improve the patient narrative so they can spend more time with their patients and provide higher quality of care.

Although not part of the acquisition, 3M will maintain a strategic relationship with M*Modal's remaining transcription, scribing and coding services business so as to provide continuity and strong customer support. Annual revenue of M*Modal's technology business is estimated to be approximately \$200 million.

3M Health Information Systems (HIS) business delivers deliver software and services across the continuum of care through its partnership with 8,000 healthcare organizations worldwide, both providers and payers. 3M HIS offerings combine clinical documentation systems and risk assessment methodologies to help accurately capture, analyze and advance patient information.

“This acquisition builds on our strategic commitment to invest in our Health Information Systems business and expands the capabilities of our revenue cycle management and population health priority growth platform,” said Mike Vale, executive vice president, 3M Health Care Business Group. “Together, we will enable doctors to improve the patient experience, while enhancing documentation accuracy and operational efficiency for both providers and payers.”

Source: <https://mmodal.com/news/press-release/3m-acquire-mmodals-technology-business/>

ResMed acquires Propeller Health



December 3, 2018 - **Propeller Health**, a digital therapeutics company providing connected health solutions for individuals with chronic obstructive pulmonary disease (COPD) and asthma, was acquired by **ResMed**, a leader in cloud-connected medical devices and out-of-hospital software-as-a-service (SaaS) business solutions for \$225 million.

Propeller's solutions help to more effectively treat COPD and demonstrated a 58% improvement in medication adherence, 48% increase in symptom-free days, and 53% reduction in emergency room visits. Propeller's digital medicine platform consists of small sensors that easily attach to consumers' inhalers and pair with a mobile app to automatically track medication use and provide personal feedback and insights.

Propeller's ability to support people in stage II and III severity levels of their COPD are complementary to ResMed's own suite of cloud-connected ventilators for those with stage III and IV COPD, including Astral, Stellar and AirCurve 10 ST-A with iVAPS - plus ResMed's new portable oxygen concentrator Mobi.

"Acquiring Propeller is a significant step for ResMed toward becoming the global leader in digital health for COPD," said ResMed CEO Mick Farrell. "By working with Propeller's existing partners to offer digital solutions for respiratory care pharmaceuticals and building on our proven ability to support digital solutions at scale, we can positively impact the lives of even more of the 380 million people worldwide who are living with this debilitating chronic disease.

According to Harris Williams, an acquisition of Propeller deepens ResMed's current suite of cloud-connected products for those with later-stage COPD, and enhances its overall device, hardware, and software footprint within respiratory.

Source: <http://investors.resmed.com/investor-relations/events-and-presentations/press-releases/press-release-details/2018/ResMed-to-Acquire-Propeller-Health-a-Leader-in-COPD-and-Asthma-Connected-Health-Solutions-for-225-Million/default.aspx>

Veritas Capital acquires Athenahealth



November 30, 2018 - athenahealth, Inc., a leading provider of network-enabled services for hospital and ambulatory customers nationwide, announced today that it has completed its previously announced sale to an affiliate of **Veritas Capital** (“Veritas”) and **Evergreen Coast Capital** (“Evergreen”) for approximately \$5.7 billion in cash.

The combination of athenahealth and Virence unites complementary expertise and solutions. “With a network of over 160,000 providers, the combined company is positioned for future growth and new market opportunities and has the necessary scale to make a transformational impact in the healthcare industry,” said Ramzi Musallam, CEO and Managing Partner of Veritas Capital. “We look forward to leveraging our experience in healthcare IT to support Bob Segert and the leadership team in their mission to help clients succeed.”

Virence Health (“Virence”), the former GE Healthcare Value-based Care assets that Veritas acquired in 2018, will combine with athenahealth under the athenahealth name and brand. The combined company will be led by Virence Chairman and Chief Executive Officer Bob Segert and an executive leadership team comprised of executives from both companies, and will be headquartered on the athenahealth campus in Watertown, Massachusetts. As part of the transaction, Virence’s Workforce Management business becomes a separate Veritas portfolio company under the API Healthcare brand.

Source: <https://www.businesswire.com/news/home/20190211005504/en/Veritas-Capital-Completes-Acquisition-athenahealth>

ResMed acquires MatrixCare



November 13, 2018 - ResMed (NYSE: RMD) (ASX: RMD) announced the acquisition of MatrixCare, a leader in U.S. long-term post-acute care software, serving more than 15,000 providers across skilled nursing, life plan communities, senior living and private duty.

“The acquisition of MatrixCare is an excellent addition to the out-of-hospital software portfolio that we can offer our healthcare provider customers,” said ResMed CEO Mick Farrell. “ResMed is the world’s leading tech-driven medical device company and is well positioned to be the leading out-of-hospital software provider in the market. With our portfolio including Brightree, HEALTHCAREfirst, and MatrixCare, we will streamline transitions of care, creating better outcomes for patients, caregivers, and out-of-hospital healthcare providers.”

MatrixCare is the complete solution for growing organizations that need to successfully manage risk in care delivery across the long-term post-acute care (LTPAC) spectrum. Partnered with 13,000 facility-based care settings and more than 2,500 home care, home health and hospice organizations, MatrixCare’s solutions help Accountable Care Organizations, skilled nursing and senior living providers, life plan communities, and home health organizations to connect, collaborate and prosper in a fee-for-value healthcare system. In addition to electronic health record components purpose-built for any LTPAC care-setting, MatrixCare also includes solutions to systematically increase clinical quality: Enterprise Analytics, robust Clinical Decision Support and the industry’s first Care Coordination platform to create a true, person-centric, e-longitudinal health record and enable LTPAC providers to efficiently manage the populations under their care.

Source: <http://investors.resmed.com/investor-relations/events-and-presentations/press-releases/press-release-details/2018/ResMed-to-Acquire-MatrixCare-Expands-Out-of-Hospital-SaaS-Portfolio-into-Long-Term-Care-Settings/default.aspx>

TRIMEDX Acquires Aramark Healthcare Technologies



November 12, 2018 - **TRIMEDX**, an Indianapolis-based company focused on clinical asset management and clinical engineering services, has announced a \$300 million purchase of Philadelphia-based **Aramark's Healthcare Technologies (HCT)** business.

Aramark HCT provides healthcare-related repair and maintenance as well as clinical engineering services to more than 500 healthcare providers in the United States, according to the company.

"We are excited to bring our technology and service model to a greater number of healthcare providers, delivering a comprehensive and differentiated clinical asset management program in an ever-changing environment," said Henry Hummel, CEO of TRIMEDX, in a statement. "We look forward to Aramark HCT's talented associates joining the TRIMEDX team to support our strategic operating model focused on partnering with healthcare providers to drive measurable and persistent value."

By selling Charlotte, NC-based Aramark HCT, which the company purchased in 2001 and has about 1,400 employees, Aramark can better focus on its core food, facilities and uniforms businesses, said Aramark Chairman, President, and CEO Eric Foss, in a statement. An acquisition of Aramark HCIT allows TriMedx to deliver its technology-driven solutions to a broader set of healthcare provider customers, driving clinical and financial results.

The proceeds of the sale will be used primarily to pay down debt and to repurchase \$50 million in shares. The purchase is expected to close in the fourth quarter of 2018 and is subject to regulatory approval.

Evolut Health Acquires New Century Health



October 2, 2018 - Evolut Health, Inc. (NYSE: EVH) - Evolut Health, Inc. ("Evolut"), a company providing an integrated value-based care platform to the nation's leading health systems and physician organizations, today announced the completion of its acquisition of **New Century Health (NCH)**.

New Century Health will be a subsidiary of Evolut, leveraging its extensive experience assisting customers in managing the large and complex specialties of cancer and cardiac care. Together, the organizations will be able to offer comprehensive specialty care management services and technology across Medicare Advantage, Medicaid and commercial populations in support of both New Century Health and Evolut's clients. Evolut will include financial results for New Century Health for the fourth quarter of 2018.

Evolut's Services segment focuses on partnering with leading provider organizations to achieve superior clinical and financial results in value-based care. With a provider heritage and over 20 years of health plan administration experience, Evolut operates in more than 30 U.S. health care markets, actively managing care across Medicare, Medicaid, commercial and self-funded adult and pediatric populations.

Source: <https://www.prnewswire.com/news-releases/evolut-health-completes-acquisition-of-new-century-health-300723216.html>



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.

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