



Definitions and Disclosures

Definitions of Financial Terms Used in this Quarterly Industry Update

Enterprise Value (EV): Market Value of Equity + Market Value of Debt – Cash

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

Latest Twelve Months (LTM): Financial information is as of the latest twelve months through the date of this quarterly industry report

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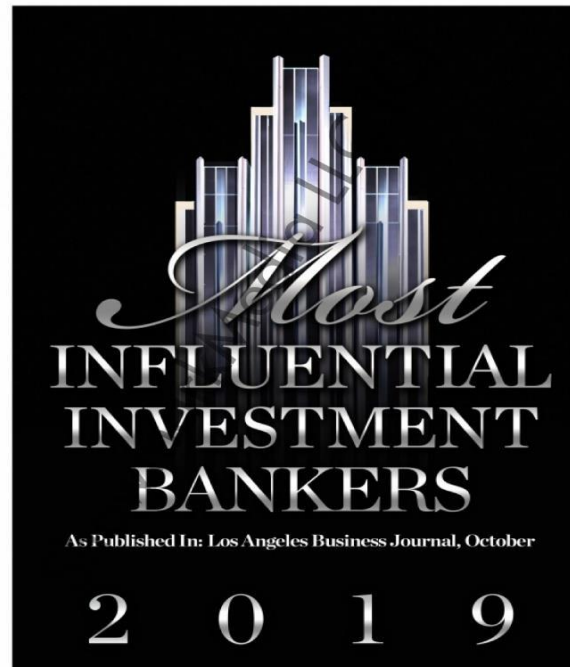
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Solganick & Co. is an Award-Winning Investment Bank with an Active Focus on the Healthcare IT Sector

- Award-winning, data-driven, independent investment bank and M&A advisory firm
 - Recognized as Top Investment Bank by Axial, Most Influential Investment Bankers and Largest Investment Banks by The Los Angeles Business Journal
 - Represents both buyers and sellers of companies seeking to optimize shareholder value
- Active and fast-growing M&A practice
 - Focused exclusively on software and tech-enabled services companies
 - Completed over \$20B in transactions to date
 - Deep domain expertise within Healthcare IT including MSP's, analytics, EHR/EMR's, AI and population health



Q1 2020



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Both Global and Domestic M&A Transaction Values have Contracted as a Result of the COVID-19 Pandemic

COVID-19 has Hampered M&A Activities

- Debt financing has effectively shut down
- Stock market downturn with continued wild swings
- Increased focus on cash preservation instead of M&A activities
- Business continuity challenges from shelter-in-place orders

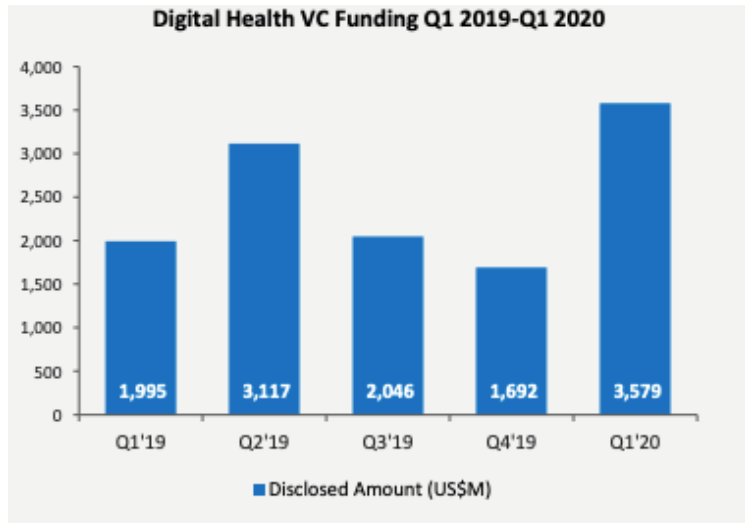
Global M&A Transaction Value has Decreased in Q1 2020

- Global M&A activity decreased to lowest level since 2016
 - M&A transaction value decreased 32% from \$933B in Q1 2019 to \$637B in Q1 2020
 - Largest M&A deal in Q1 2020: AON Plc acquired Willis Towers Watson for ~\$30B
- Technology was the largest sector for M&A
 - Transactions valued at ~\$130B
 - Xerox, after extended negotiations, pulled its \$35B bid for rival HP

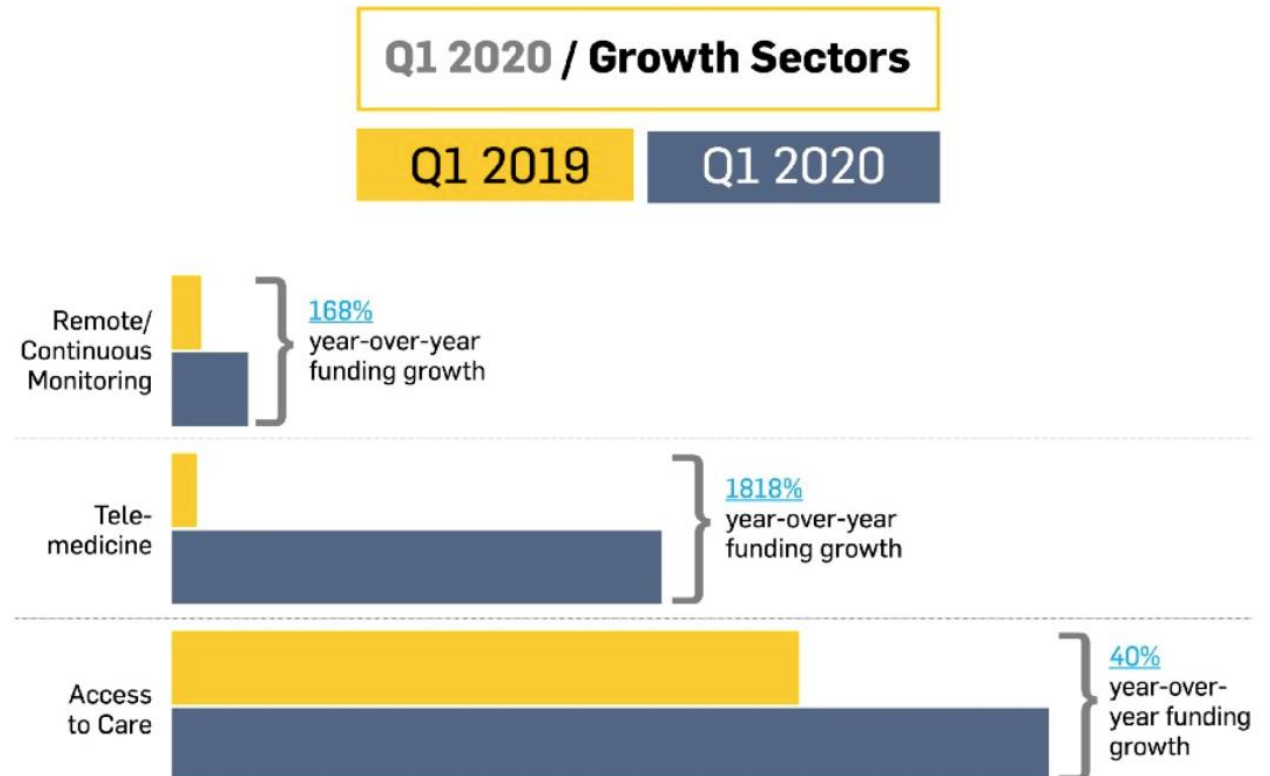
US M&A Transaction Value has Decreased in Q1 2020

- Decade of M&A boom came to a sudden halt in March
 - M&A transaction value decreased 51% from \$459B in Q1 2019 to \$225B billion in Q1 2020
 - Decline is 19% worse than the global impact
- Technology was the largest sector for M&A
 - Contributed to 30% share, followed by Finance with 16% and Telecom with 10%
 - Sector transaction value decreased from \$157B in Q1 2019 to \$68B in Q1 2020

Healthcare IT VC Funding Reached Record Levels in Q1 2020, Led by Telemedicine Sub-Sector with Year-over-Year Growth of ~1800%



Top-Funded Healthcare IT / Digital Health Categories in Q1 2020
Telemedicine: \$788M
Analytics: \$573M
Clinical Decision Support: \$446M
mHealth Apps: \$365M
Healthcare Booking: \$306M
Wearable Sensors: \$286M

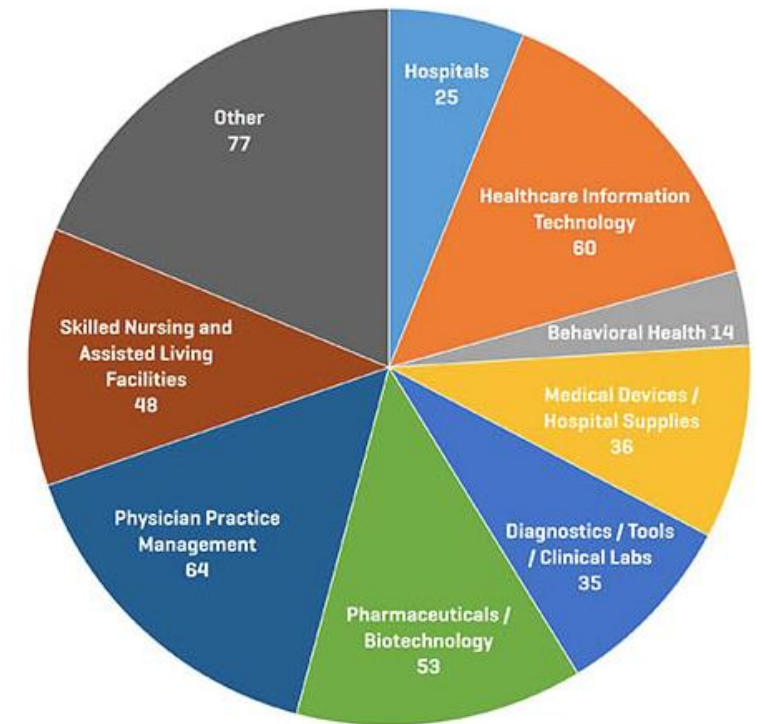
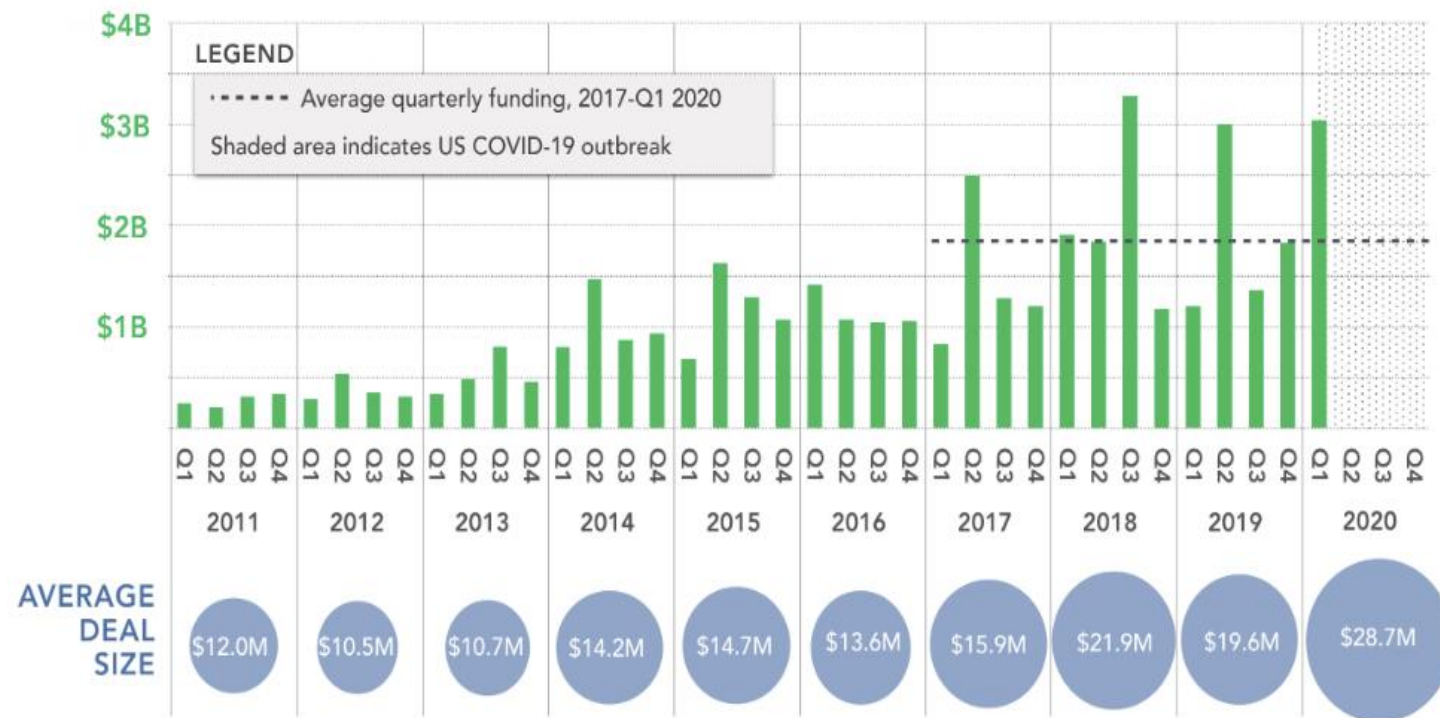


Source: Mercom Capital

U.S. Healthcare IT Deal Count Decreased in Q1 2020 Versus One Year Ago, But Increased from Q4 2019

- U.S. deal count increased to 60 deals announced compared to Q4 2019, which had 49 deals announced
- Average deal size was ~\$29M, with funding dramatically increasing from Q4 2019 to \$3B

FUNDING AND DEAL SIZE
2011-Q1 2020



COVID-19 Pandemic Expected to Increase HIT and Software Spending

COVID-19 Pandemic has Increased Pressure on the Healthcare Industry

- Hospitals faced with capacity concerns and possible triage scenarios
 - Insufficient hospital beds
 - Shortage of ventilators
- Infections and deaths among hospital staff further hampering care
 - Healthcare professionals recruited from other states into hot zones (e.g., New York)
- Health systems have increased focus on mounting cost pressures and process inefficiencies
 - Expensive and insufficient COVID-19 tests
 - Payor coverage/reimbursement inconsistent
 - In-person visits increase exposure risk

Experts Expect a Boom Globally for Healthcare IT and Software Spending

- Healthcare IT and software sector expected to grow faster than predicted
 - Healthcare providers turning to new technologies due to increased pressure on health systems
 - M&A activity may come in 2H 2020 when the outbreak is expected to be controlled
- AI-related healthtech transactions is expected to increase
 - Number of transactions has doubled every 6 months since 2H 2017
 - Growth likely to continue into 2020+ with the drive towards prevention and precision medicine as well as elimination of research efficiencies

Share (%) of Artificial Intelligence deals in Healthtech, 2016-present



Sources: Pitchbook, Crunchbase

Healthcare Technology Companies Continue to Populate Across Various Segments of the Healthcare Landscape

Therapeutics



Telehealth



Imaging & Diagnostics



Wearables & Devices



Genomics



Big Data & Analytics



Insurance & Drug Pricing



Providers & Concierges



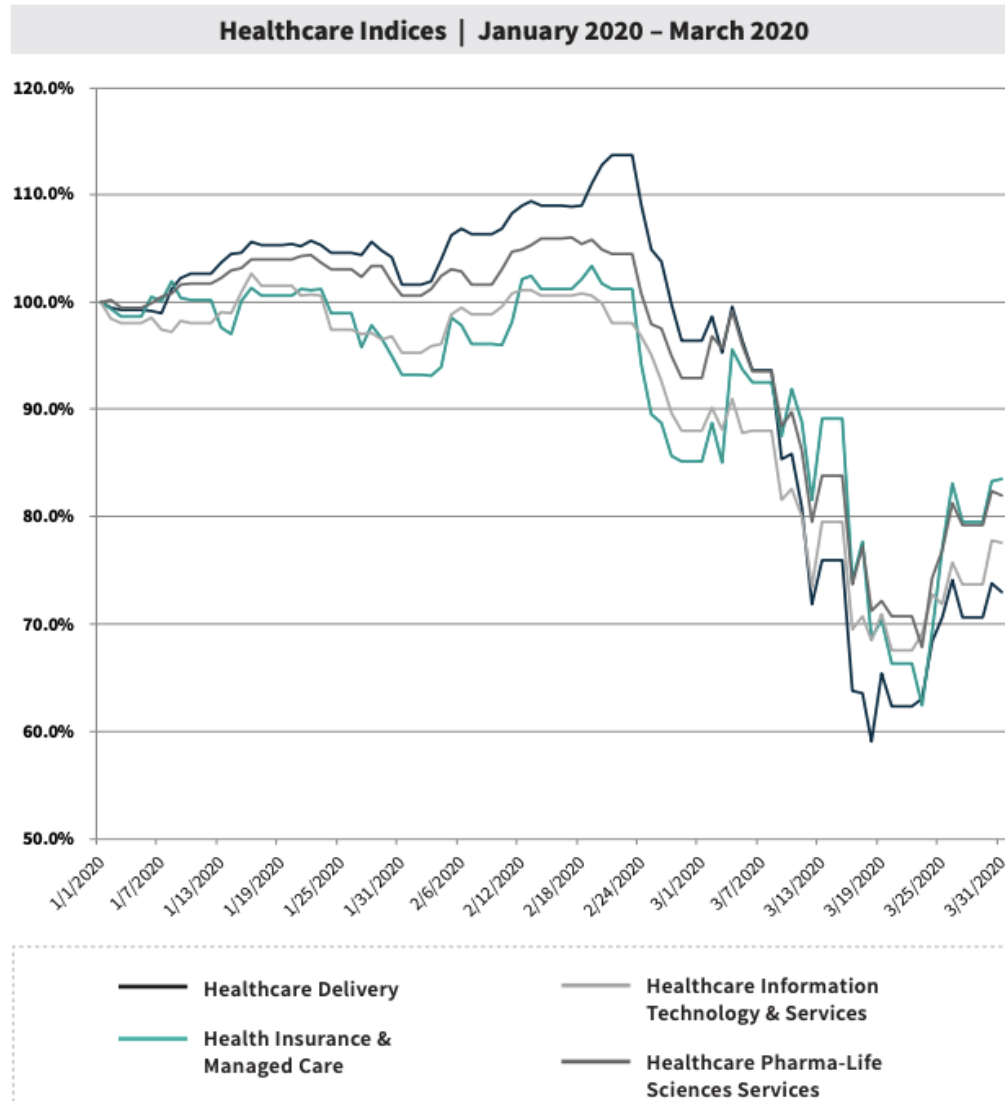
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Publicly Traded Healthcare IT Companies Have All Traded Down from Their 52-Week High Because of the Pandemic

Company Name	Ticker	Share Price 3/31/20	% of 52 High	Q1Δ	YTDΔ	Enterprise Value (\$M)	LTM Margins Gross	LTM Margins EBITDA	EV/ LTM Revenue	EV/ LTM EBITDA	Debt/ EBITDA
Allscripts Healthcare Sol.	MDRX	\$7.04	58.6%	(28.3%)	(28.3%)	\$2,050	46.8%	5.5%	1.2x	21.2x	10.7x
Cerner Corporation	CERN	\$62.99	77.9%	(14.2%)	(14.2%)	\$20,284	81.2%	20.5%	3.5x	17.4x	1.3x
Evolent Health	EVM	\$5.43	36.7%	(40.0%)	(40.0%)	\$733	23.3%	(7.2%)	0.9x	NM	NA
Inovalan Holdings	INOV	\$16.66	72.5%	(11.5%)	(11.5%)	\$3,537	73.6%	27.9%	5.4x	19.5x	6.3x
NantHealth	NH	\$1.59	57.8%	54.4%	54.4%	\$390	64.8%	(19.9%)	4.1x	NM	NA
NextGen Healthcare	NXGN	\$10.44	49.4%	(35.0%)	(35.0%)	\$746	57.9%	7.1%	1.4x	19.6x	2.3x
Omniceil	OMCL	\$65.58	69.1%	(19.8%)	(19.8%)	\$2,768	48.7%	12.8%	3.1x	24.2x	1.0x
OptimizeRx Corporation	OPRX	\$9.06	52.6%	(11.8%)	(11.8%)	\$118	59.9%	(13.2%)	4.4x	NM	NA
Tabula Rasa Healthcare	TRHC	\$52.29	75.0%	7.4%	7.4%	\$1,316	36.3%	1.6%	4.6x	NM	54.7x
Teledoc Health	TDOC	\$155.01	87.9%	85.2%	85.2%	\$11,289	65.0%	(4.1%)	18.6x	NM	NA
Veeva Systems	VEEV	\$156.37	88.4%	11.2%	11.2%	\$22,307	72.5%	27.8%	20.2x	72.6x	0.2x
Group Median			69.1%	(11.8%)	(11.8%)	\$2,050	59.9%	5.5%	4.1x	20.4x	2.3x
Group Mean			66.0%	(0.2%)	(0.2%)	\$5,958	57.3%	5.3%	6.1x	29.1x	10.9x

Sources: CapIQ, Yahoo Finance

Consequently, Healthcare Companies are Experiencing Modest Multiples Contraction



Source: Healthcare Growth Partners

January

	CONSTITUENTS / INDEX	JANUARY RETURN	MEDIAN EV	MEDIAN 3-YR REV CAGR	EV/ 2020E REVENUE	EV/ 2020E EBITDA
HEALTH IT	38	+6.3%	\$1,798	10.2%	3.9X	15.9X
PAYERS	7	-7.2%	\$63,875	-8.0%	0.7X	10.0X
HEALTHCARE SERVICES	11	+1.5%	\$15,168	6.0%	1.5X	11.4X
HIT & PAYER SERVICES	10	-4.9%	\$1,192	6.9%	1.5X	9.3X

February

	CONSTITUENTS / INDEX	RETURN YTD	FEBRUARY RETURN	MEDIAN EV	MEDIAN 3-YR REV CAGR	2020E REVENUE	2020E EBITDA
HEALTH IT	37	3.7%	-3.2%	\$1,883	10.2%	3.9X	12.7X
PAYERS	6	-12.8%	-5.9%	\$63,875	-8.0%	0.7X	9.6X
HEALTHCARE SERVICES	11	-1.7%	-4.5%	\$15,168	5.4%	1.5X	11.2X
HIT & PAYER SERVICES	10	-22.2%	-18.2%	\$1,952	6.9%	1.5X	10.4X

March

	CONSTITUENTS / INDEX	MARCH RETURN	YTD RETURN	MEDIAN EV	MEDIAN 3-YR REV CAGR	EV/ 2020E REVENUE	EV/ 2020E EBITDA
HEALTH IT	36	-14.9%	-9.2%	\$1,764	10.4%	3.8X	13.9X
PAYERS	6	1.2%	-9.4%	\$57,860	-8.2%	0.6X	8.5X
HEALTHCARE SERVICES	11	-28.2%	-39.2%	\$12,920	5.2%	1.3X	9.8X
HIT & PAYER SERVICES	10	-24.5%	-40.1%	\$1,409	7.2%	1.1X	8.0X

Despite Contraction of Multiples, a Number of Notable Deals were Still Announced in Q1 2020 (1 of 3)

Announced Date	Target	Acquirer	Target's Description	Value
03/19/2020			Pondera Solutions is a leading provider of technology and advanced analytics to combat fraud, waste and abuse in healthcare and large government programs.	-
03/11/2020			Nexus Practice IT Services provides complete managed IT services, IT support, IT security solutions, and cloud services.	-
03/10/2020			DXC Technology's U.S. State and Local Health and Human Services business is an end-to-end provider of technology enabled, mission critical solutions that are fundamental to the administration and operations of health programs in the U.S.	\$5B
02/26/2020			Thread offers a powerful, intuitive, and offline-capable data collection solution primarily designed for clinicians and educators to provide autism therapy centers-based clinics and schools.	-
02/25/2020			Streamline Health is an enterprise-content management (ECM) business.	-

Sources: Crunchbase, Pitchbook

Despite Contraction of Multiples, a Number of Notable Deals were Still Announced in Q1 2020 (2 of 3)

Announced Date	Target	Acquirer	Target's Description	Value
02/10/2020			Orpheus Medical provides hospitals with information technology connectivity, as well as expertise in processing and archiving surgical video.	-
02/10/2020			Doc-Tor.com provides an easy-to-use, cloud-based practice management system for physician offices allowing for efficient and seamless workflow, from scheduling through collections and analytics.	-
02/04/2020			Healthmark Group is a technology-enabled provider of release of information and other health information management services, and OTech Group is a provider of patient intake management software and systems.	-
01/28/2020			Pact-one is a full-service IT provider specializing in dental IT solutions.	\$600M
01/14/2020			NantHealth's Connected Care suite- with tools such as DCX device connectivity VCX patient vitals software, Hbox connectivity hub and Shuttle interface cable - enables medical device interoperability for hospitals and health systems	\$16M

Sources: Crunchbase, Pitchbook

Despite Contraction of Multiples, a Number of Notable Deals were Still Announced in Q1 2020 (3 of 3)

Announced Date	Target	Acquirer	Target's Description	Value
01/13/2020			SCI Solutions, Inc. is a leading provider of SaaS-based scheduling and patient access solutions.	\$190M
01/13/2020			Lumere is a leading provider of evidence-based data and analytics solutions that enable healthcare organizations to build clinically integrated supply chains and optimize medication formulary management.	-
01/12/2020			InTouch Health is a provider of enterprise telehealth solutions for hospitals and health systems.	\$47.25M
01/09/2020			Centuri Health Solutions provides services to payors and providers in government sponsored healthcare programs, including Medicare Advantage and Medicaid.	-
01/07/2020			MD-Reports is a leading provider of electronic medical record (EMR), practice management (PM), and report writing software.	\$129M

Sources: Crunchbase, Pitchbook

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