

7 Mile Advisors



# Sectorwatch: Healthcare IT & Consulting

Q1 2021



# Healthcare IT & Consulting

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# Overview

**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.

We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

## DASHBOARD

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.

## PUBLIC BASKET PERFORMANCE

- Summary valuation and operating metrics for a basket of comparable public companies.

## VALUATION COMPARISON

- Graphical, detailed comparison of valuation multiples for the public basket.

## RECENT DEALS

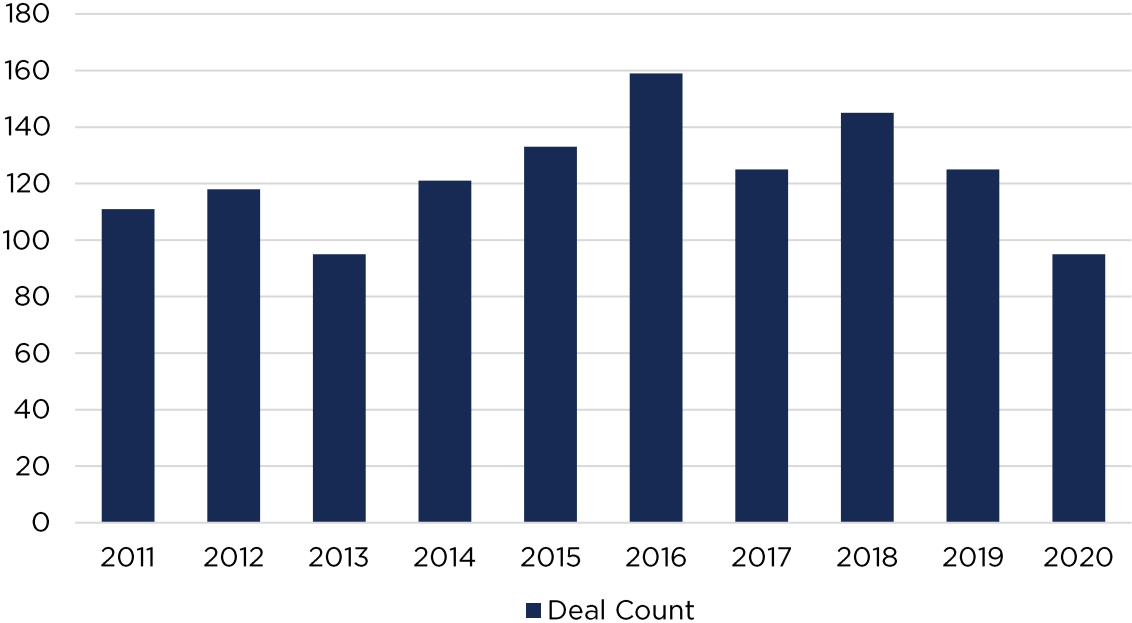
- The most recently announced deals in the sector

# Dashboard

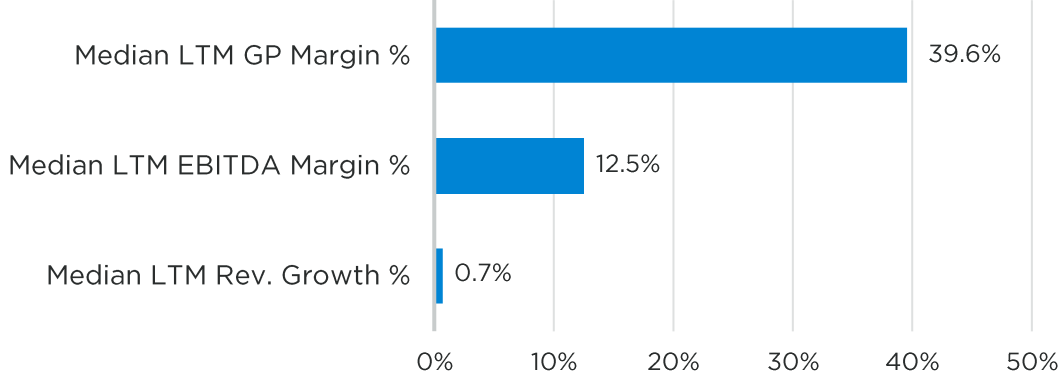
## REVENUE GROWTH MOMENTUM ↓ -4.3%

1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

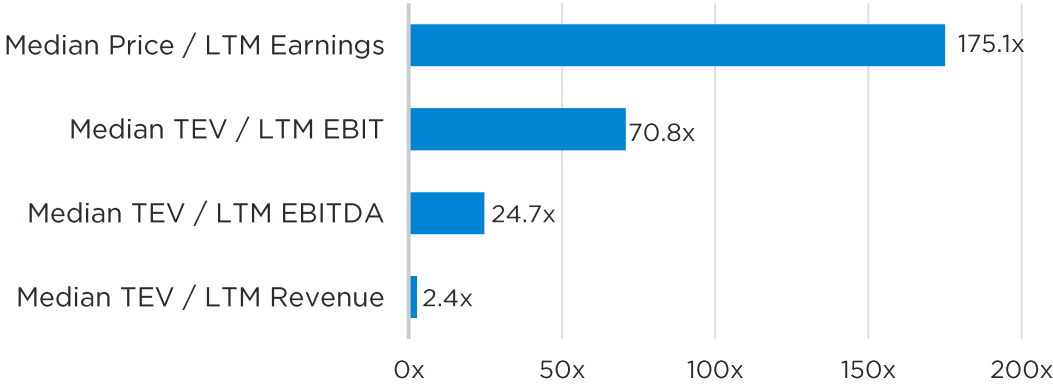
### M&A Activity



### Operating Metrics



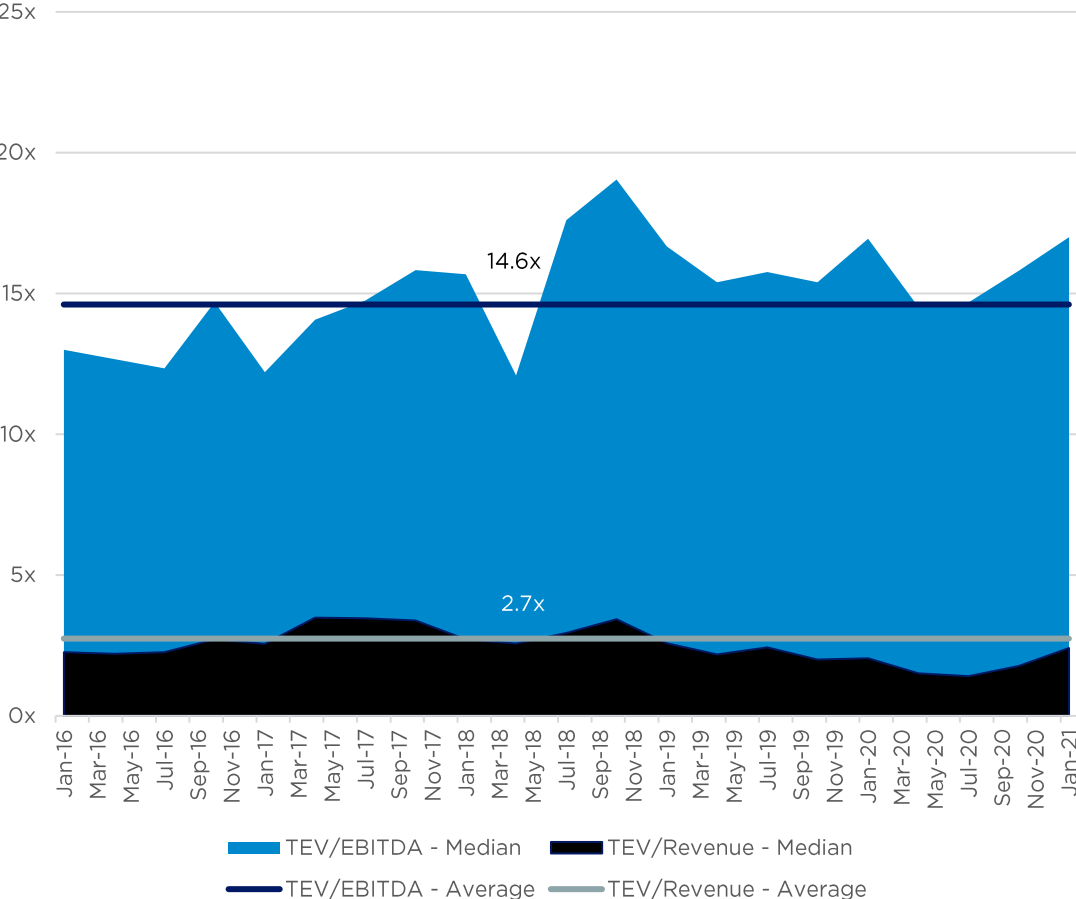
### Valuation



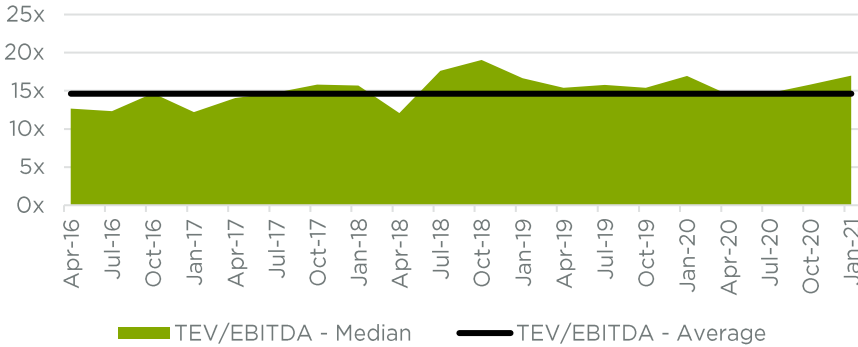
# Public Basket

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	1,315	32	545	2.5%	50.1%	5.9%	2.4x	41.1x	2,754	198
Evolent Health	1,457	-462	987	22.9%	31.1%	-46.8%	1.5x	N/A	3,400	290
Huron Consulting Group	1,558	36	926	-1.4%	29.6%	3.9%	1.7x	43.2x	3,750	247
Allscripts	3,429	210	1,676	-4.9%	39.6%	12.5%	2.0x	16.3x	9,600	175
Inovalon Holdings	4,333	175	651	7.6%	74.8%	26.8%	6.7x	24.8x	2,662	245
Cerner	24,627	1,704	5,553	-1.1%	82.4%	30.7%	4.4x	14.4x	27,400	203
IQVIA	48,148	1,949	10,956	0.7%	34.0%	17.8%	4.4x	24.7x	67,000	164
<b>Average</b>	12,124	521	3,042	3.8%	48.8%	7.3%	3.3x	27.4x	16,652	217
<b>Median</b>	4,333	175	987	0.7%	39.6%	12.5%	4.4x	15.7x	3,750	245

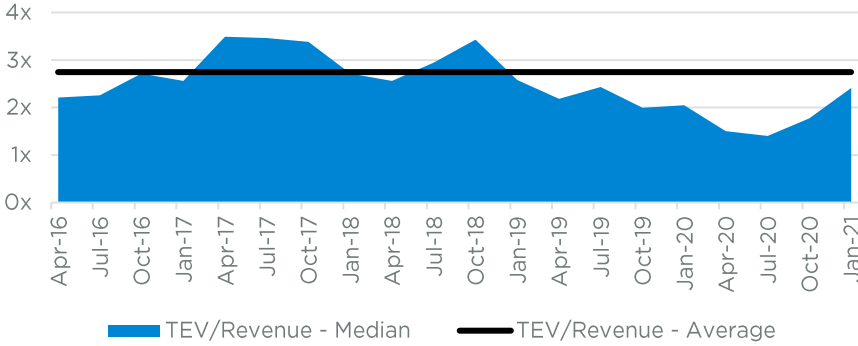
# Public Basket



### Public EBITDA Multiples over Time

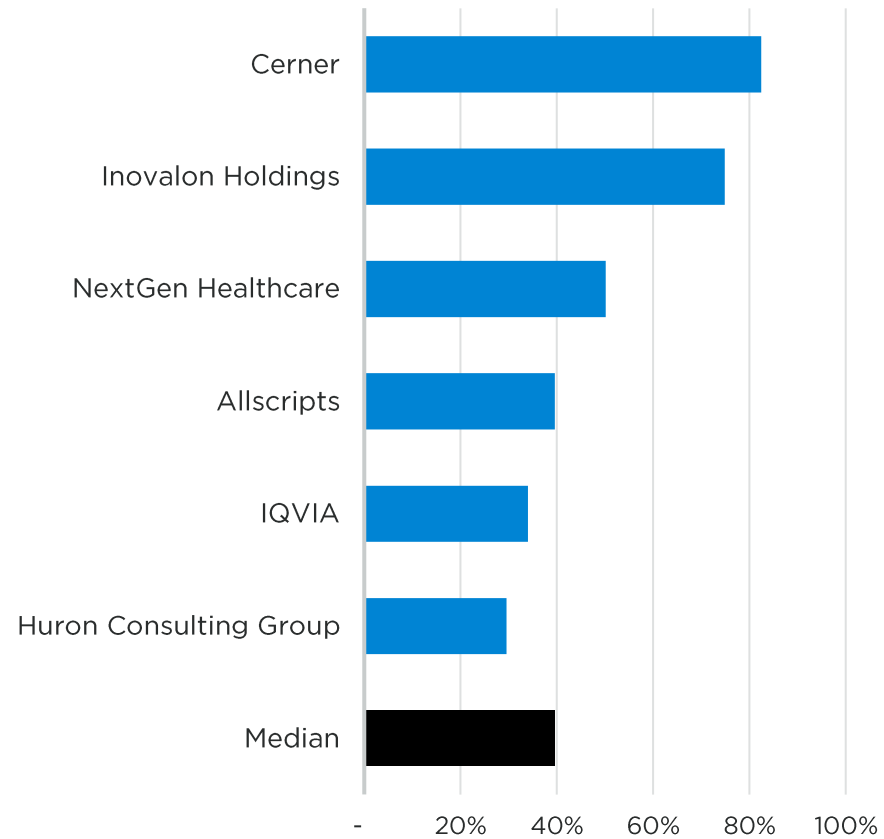


### Public Revenue Multiples over Time

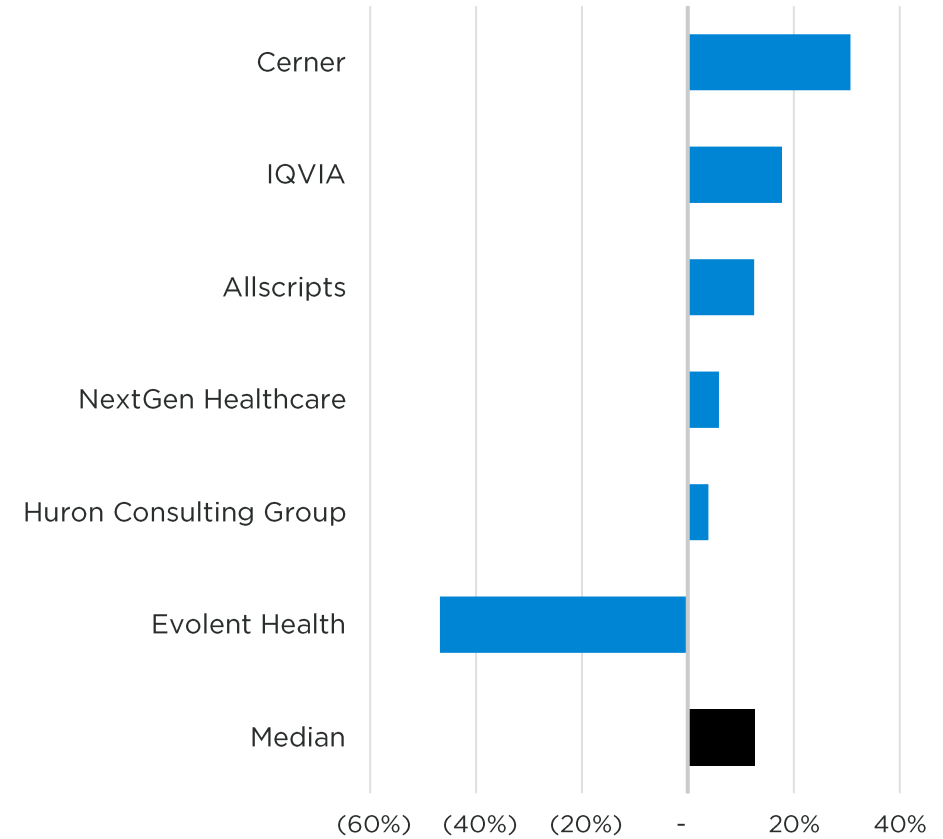


# Operational Metrics

## LTM Gross Profit Margin %

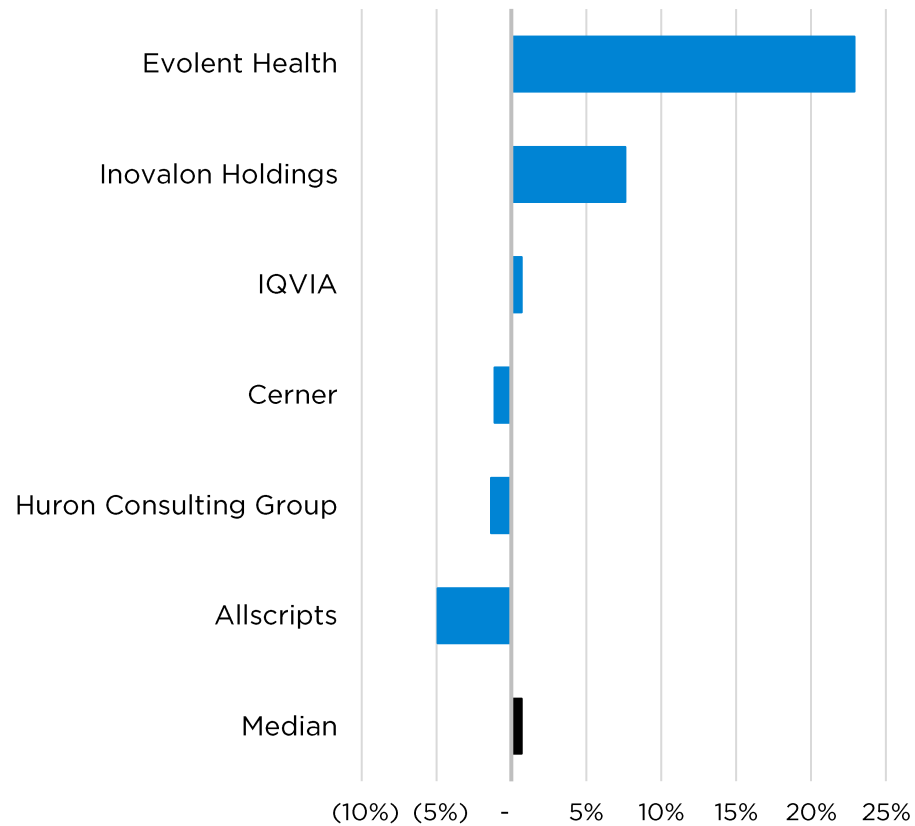


## LTM EBITDA %

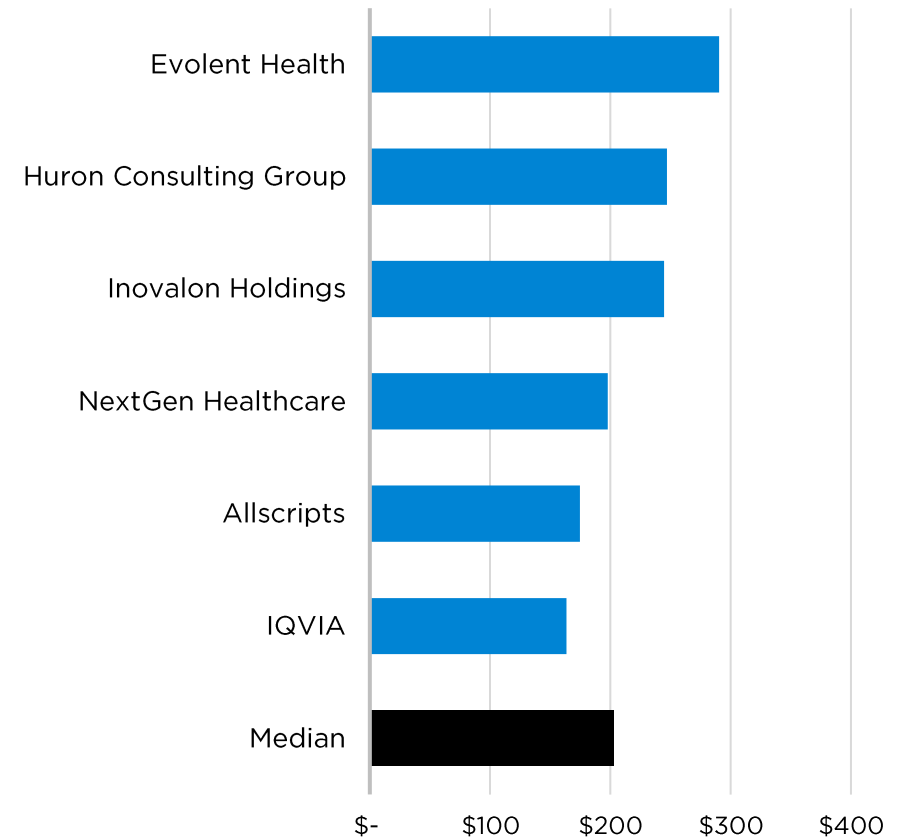


# Operational Metrics

### LTM Revenue Growth %



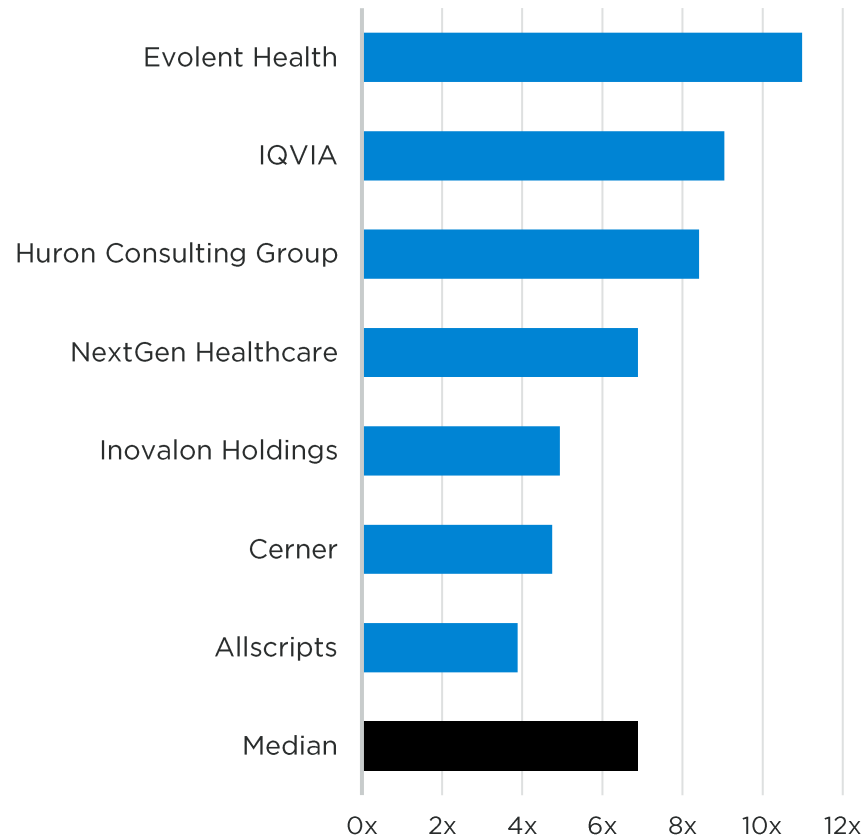
### LTM Revenue per Full Time Employee x 000's



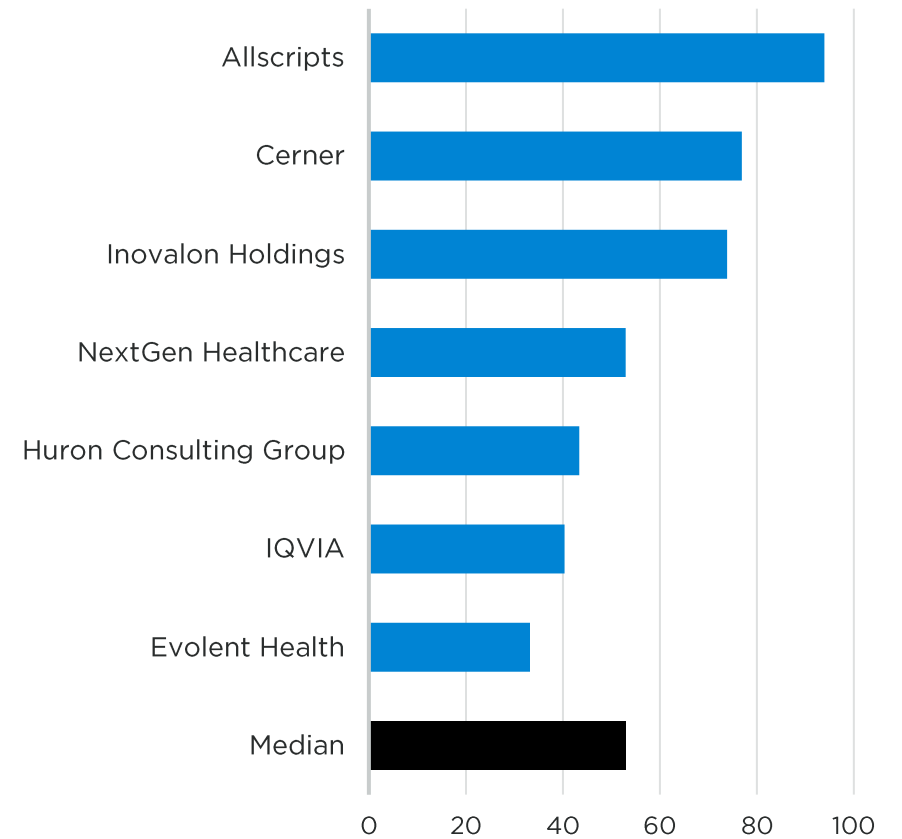


# Operational Metrics

## Accounts Receivable Turnover

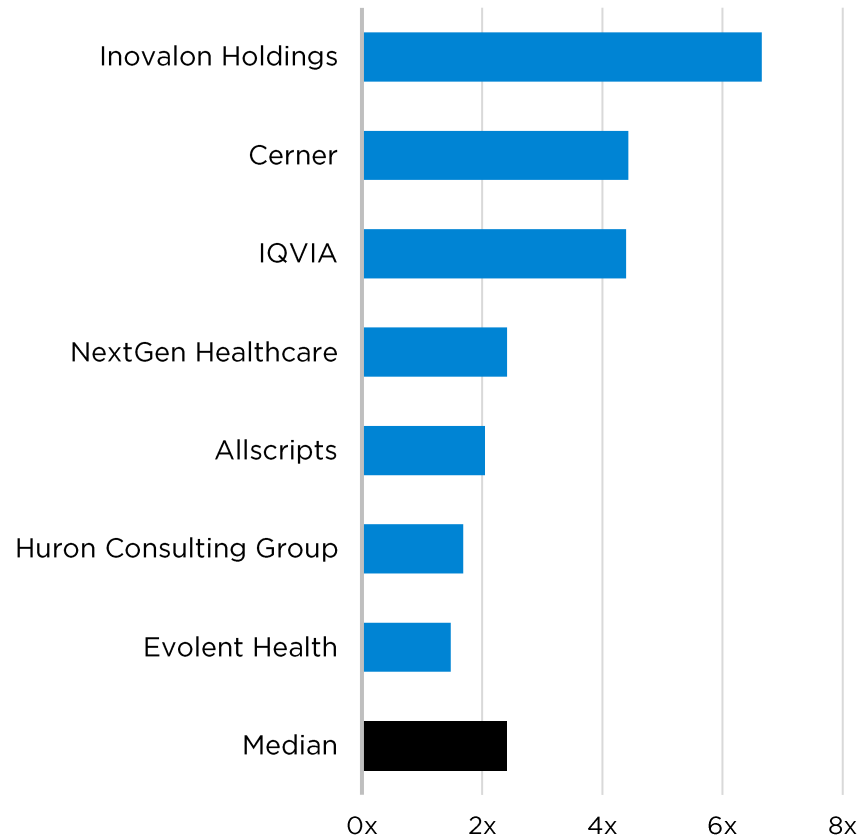


## Average Days Sales Outstanding

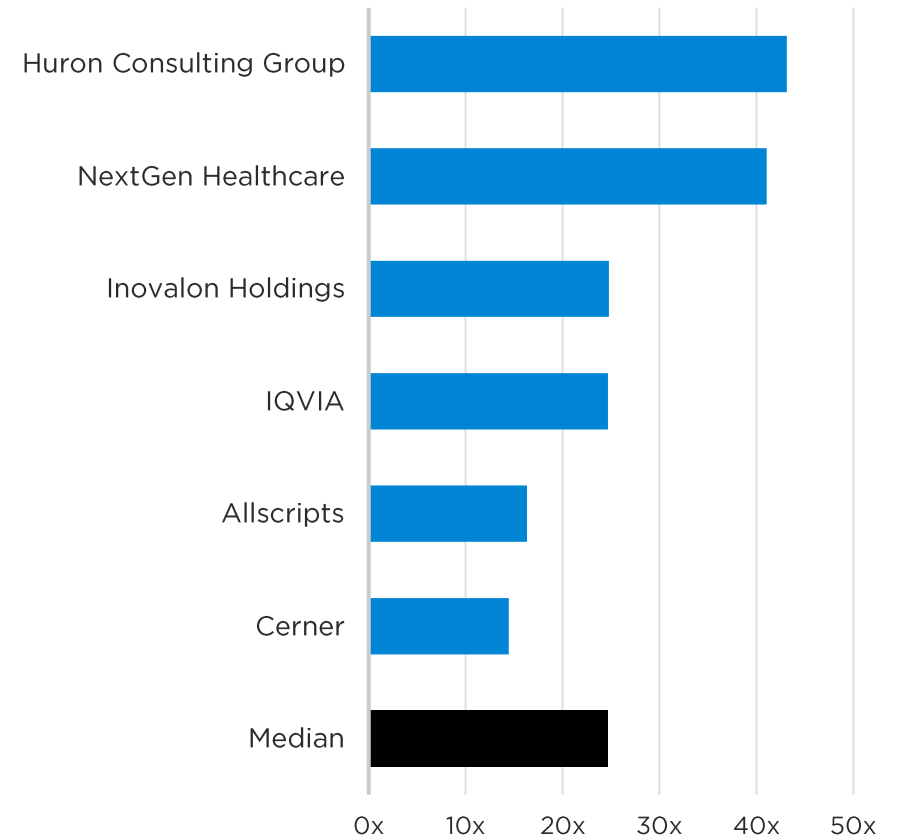


# Valuation

## TEV / LTM Revenue

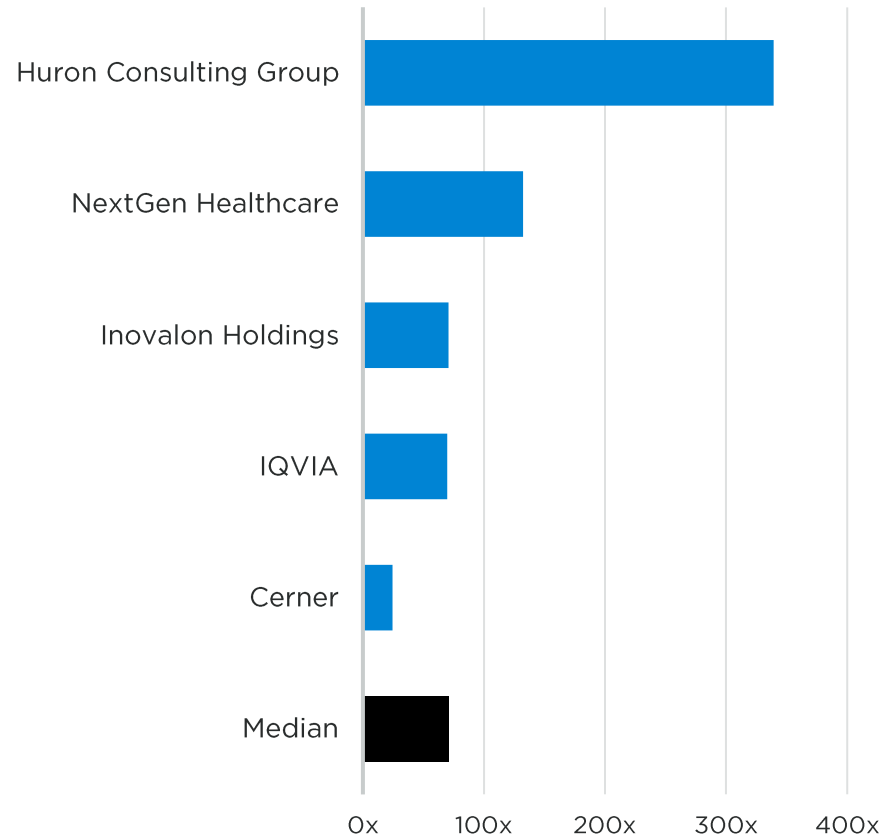


## TEV / LTM EBITDA

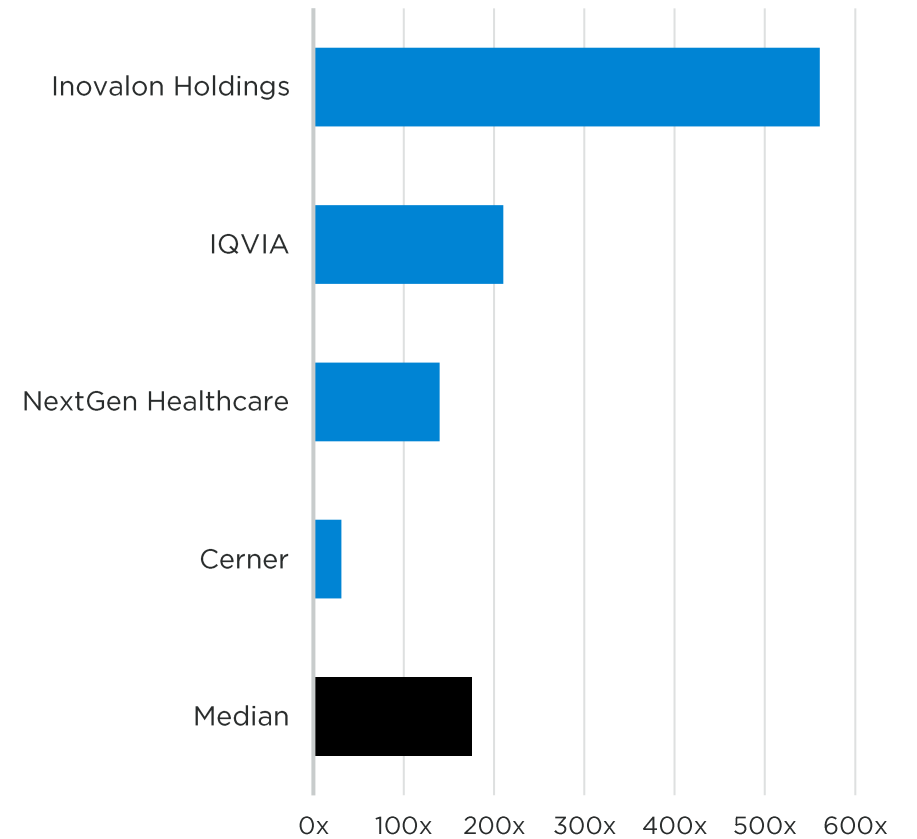


# Valuation

## TEV / LTM EBIT

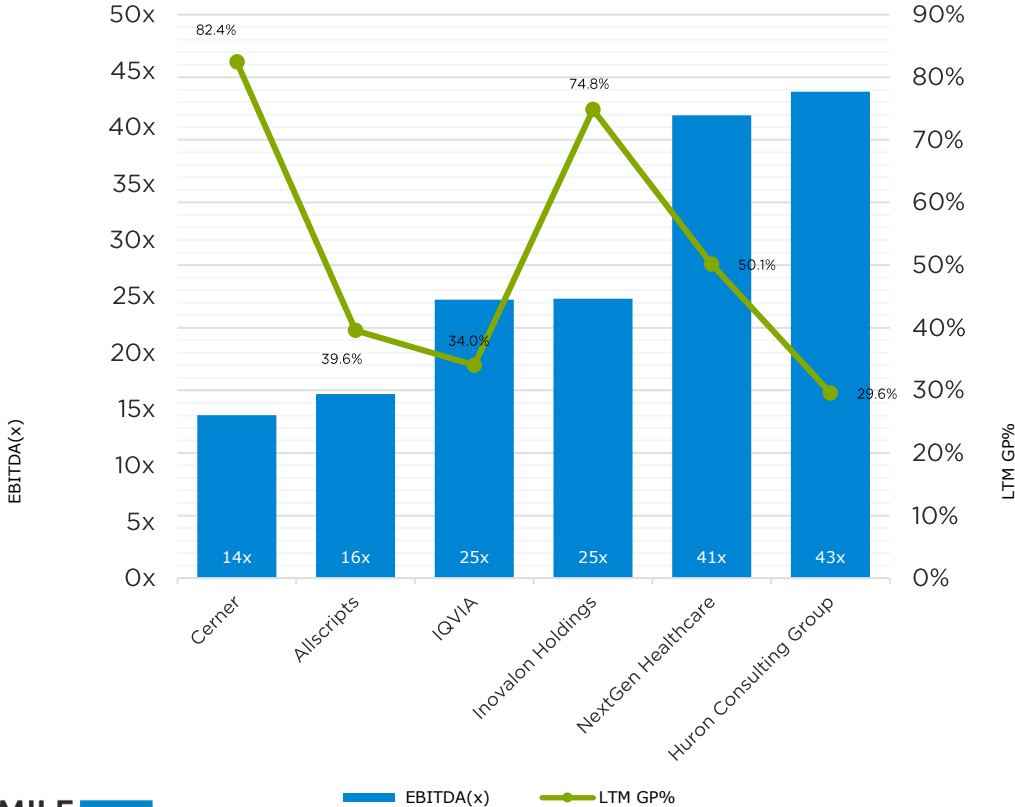


## Price / LTM Earnings

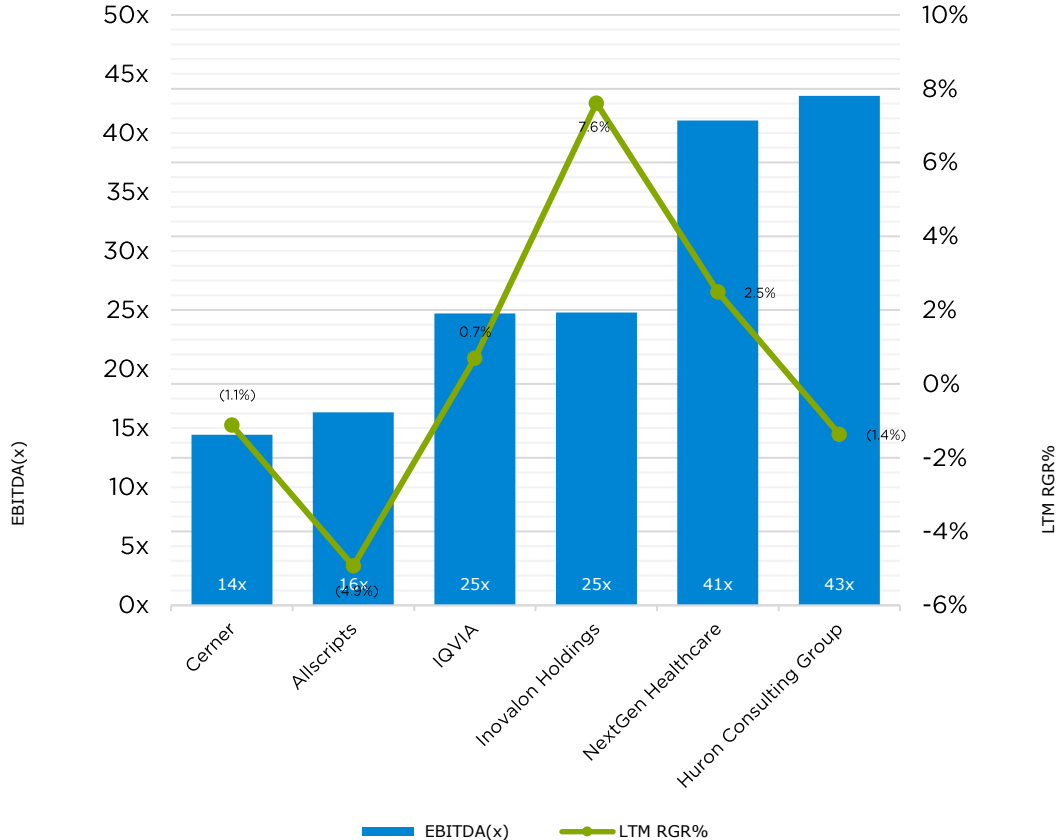


# Valuation

### Historical Valuation Multiples versus Gross Profit



### Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions

Date	Target	Buyer	Total Transaction Amount	Target Revenue (TTM at time of deal)	TEV / Revenue	TEV / EBITDA
13-Jan-21	Avhana Health	AmalgamRx	-	-	-	-
12-Jan-21	Exscribe	Modernizing Medicine	-	-	-	-
12-Jan-21	Lorica Health	Health Management Systems	-	-	-	-
11-Jan-21	Writi	Jack Nathan Health	-	-	-	-
11-Jan-21	Mavens Consulting Services	Komodo	-	-	-	-
6-Jan-21	Critical Alert Systems	TigerConnect	-	-	-	-
6-Jan-21	Change Healthcare	UnitedHealth Group	13,000	1647	7.89	-
5-Jan-21	HIPAA One	Health Enterprise Partners	-	-	-	-
1-Jan-21	VantagePoint (USA)	Berry Dunn McNeil & Parker	-	-	-	-
31-Dec-20	Enli Health Intelligence	Ascension Ventures	-	-	-	-
30-Dec-20	Collective Medical	Dragoneer Investment Group	650	-	-	-
21-Dec-20	eMDs	CompuGroup Medical	240	-	-	-
21-Dec-20	HMS Holdings	Gainwell Technologies via Veritas Capital	3,400	650	5.23	22
21-Dec-20	Healthx	Thoma Bravo	-	-	-	-
16-Dec-20	HealthiPASS	Sphere Payments	50	-	-	-
15-Dec-20	Mednax (Radiology Solutions Business)	Radiology Partners	885	-	-	-
15-Dec-20	Specialty Networks Consulting	Linden Capital Partners	-	-	-	-
10-Dec-20	Avans Soma	Carasent	14	-	-	-
10-Dec-20	FluidEdge Consulting	Citius Tech	-	-	-	-
3-Dec-20	Change Healthcare (Anso's Staff Scheduling Business)	HealthStream	68	-	-	-
12-Nov-20	Jarrard Phillips Cate & Hancock, Inc	The Chartis Group	-	-	-	-
12-Oct-20	Kaleidoscope Innovation	Infosys	42	-	-	-

# Appendix

*Public Basket  
Contact Information*



## NextGen Healthcare

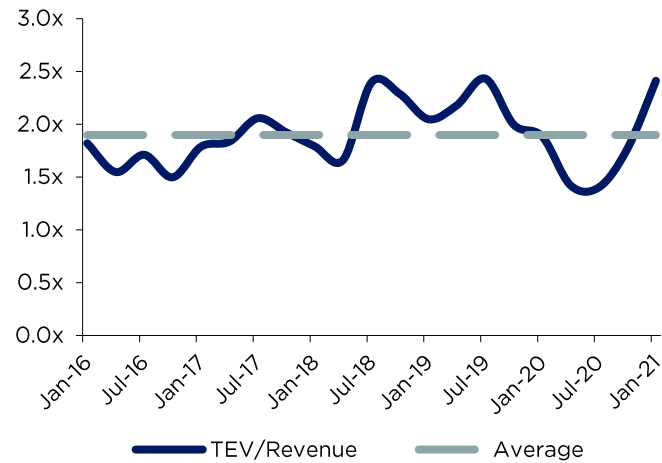
**NextGen Healthcare Inc is a United States-based company that provides healthcare solutions.**

The company offers technology and services platform supports for ambulatory and specialty practices of all sizes. It provides software, services, and analytics solutions to medical and dental group practices.

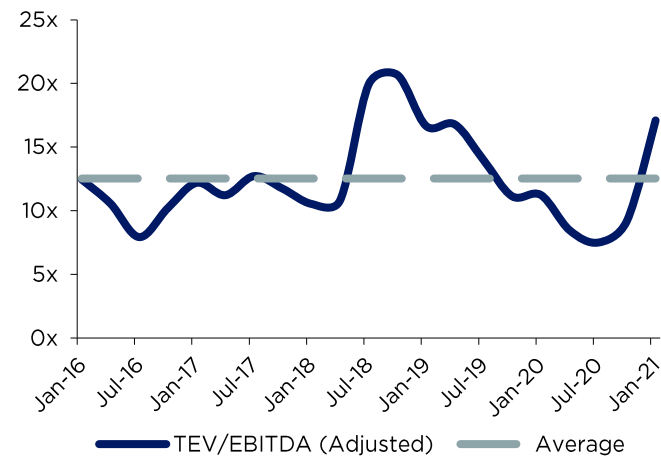
# Public Basket

## NextGen Healthcare

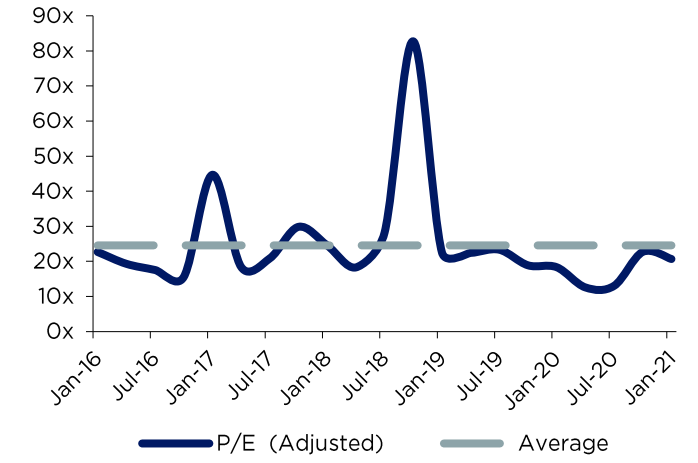
Revenue Multiples - NextGen Healthcare



EBITDA Multiples - NextGen Healthcare



P/E Multiples - NextGen Healthcare



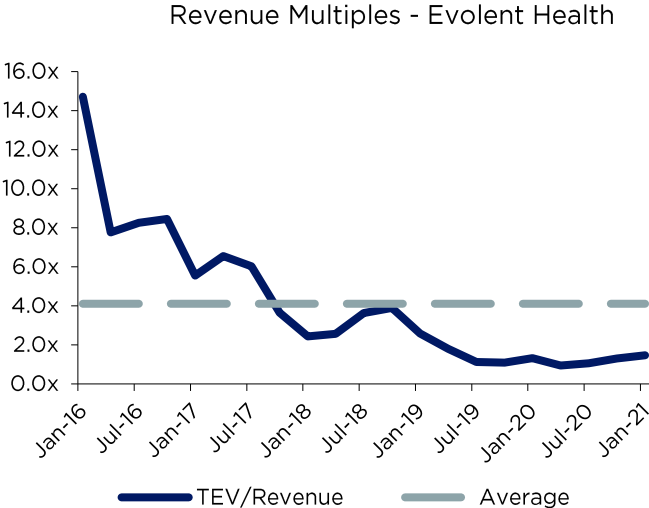
<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
OTTO Health	17-Dec-19	The company was acquired by NextGen Healthcare (NAS: NXGN) for \$21.96 million on December 17, 2019.
Medfusion	06-Dec-19	The company was acquired by NextGen Healthcare (NAS: NXGN) for \$42.77 million on December 6, 2019. This acquisition will enable NextGen Healthcare to better serve its patients through enhanced communications.



## Evolut Health

### **Evolut Health Inc is engaged in healthcare delivery and payment.**

The company supports health systems and physician organizations in their migration toward value-based care and population health management. The company's reportable segments are Service segment which includes value-based care services, specialty care management services and comprehensive health plan administration services. and True Health segment consists of a commercial health plan it operates in New Mexico that focuses on small and large businesses. It generates a majority of its revenue from the Service segment.



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
Integrated ACO	06-Aug-19	The company was acquired by Evolut Health (NYS: EVH) for an undisclosed amount on August 6, 2019.
Passport Health Plan	29-May-19	The company was acquired by Evolut Health (NYS: EVH) for \$70 million on May 29, 2019.

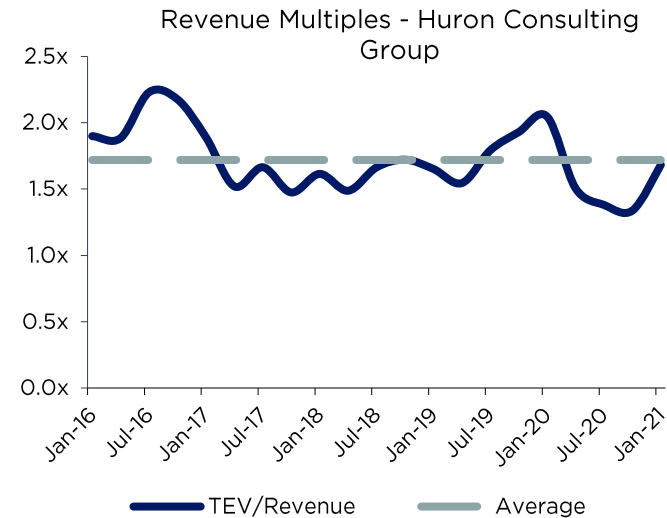
### Huron Consulting Group

## Huron Consulting Group Inc is a professional services firm.

The company provides expertise in strategy, technology, operations, advisory services, & analytics through three operating segments namely Healthcare, Education, and Business Advisory. Healthcare segment helps the firms to transform and innovate the delivery model to focus on patient wellness by improving quality outcomes, minimizing care variation and fundamentally improving patient and population health, Education segment provides management consulting and technology solutions, and Business Advisory segment provides services to large and middle-market organizations, not-for-profit organizations, and private equity firms. It generates a majority of its revenue from the Healthcare Segment.

# Public Basket

## Huron Consulting Group



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
Proto (Business/Productivity Software)	31-Dec-19	The company raised CAD 2.1 million of venture funding in a deal led by Huron Consulting Group on December 31, 2019.
Medically Home	02-Dec-19	The company raised \$22.84 million of Series B venture funding from Cardinal Health and Huron Consulting Group on December 2, 2019, putting the company's pre-money valuation at \$46 million. The funds will be used to scale growth efforts.

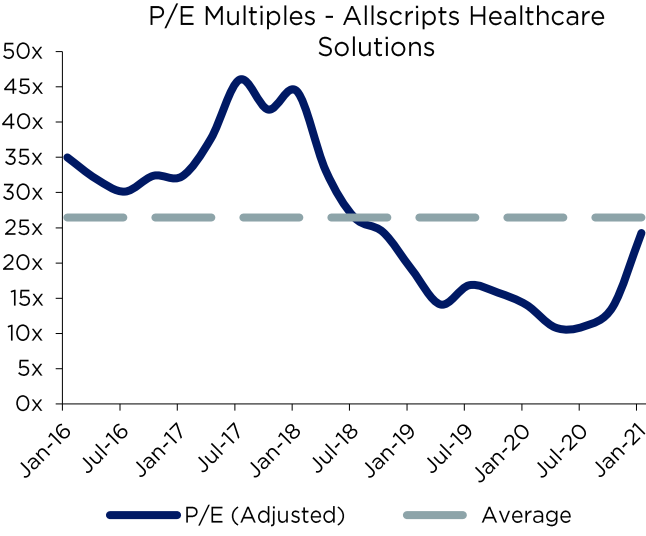
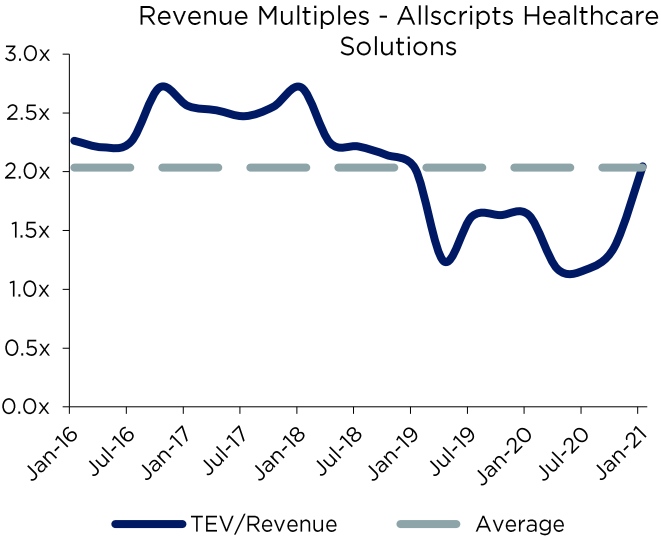
## Allscripts

# Allscripts Healthcare Solutions provides information technology and offerings to acute and ambulatory providers as well as hospital

The company supports electronic medical records, private cloud hosting, and other clinical services that support patient engagement and better outcomes. Additionally, the company offers administrative tools and services to improve operations, such as practice management, revenue cycle management, and clinical care coordination. Allscripts was founded in 1986 and is headquartered in Chicago.

# Public Basket

Allscripts



Company Name	Date	Deal Synopsis
Conversa Health	17-Jun-20	The company raised \$15 million of Series B venture funding in a deal led by Northwell Ventures and Builders VC on March 10, 2020, putting the company's pre-money valuation at \$32 million. University Hospitals, Allscripts Healthcare Solutions, TT Capital Partners, EPIC Ventures, StartUp Health and P5 Health Ventures also participated in the round.
American College of Cardiology (cardiology and diabetes registry assets in Washington)	08-Aug-19	Cardiology and diabetes registry assets of American College of Cardiology was acquired by Allscripts Healthcare Solutions for an undisclosed amount on August 8, 2019. The acquisition will expand Veradigm's EHR-enabled ambulatory research network to create a large-scale chronic disease network.



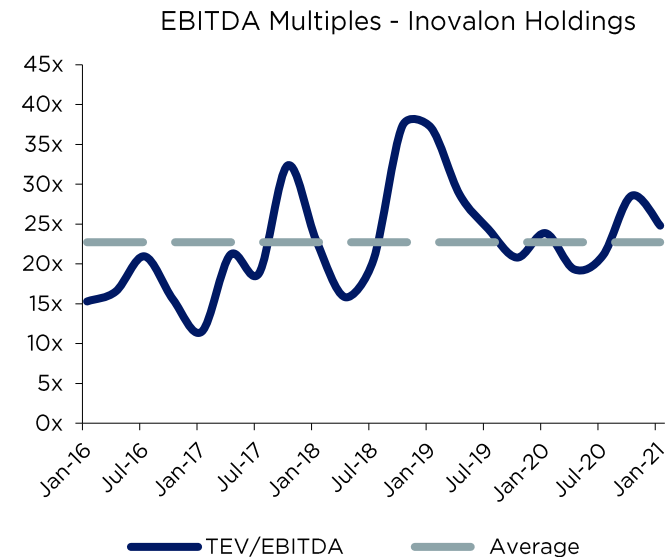
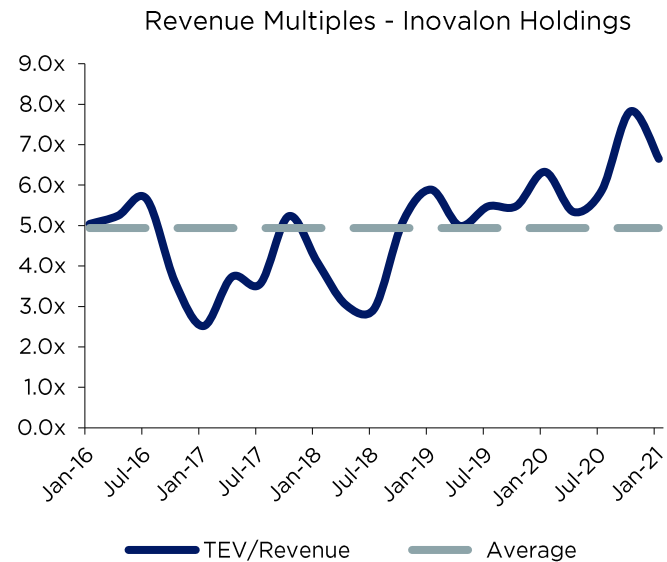
### Inovalon Holdings

**Inovalon Holdings Inc provides cloud-based analytics and platforms for healthcare providers and pharmaceutical firms.**

Its platform can be used to identify gaps in care, quality, data integrity, and financial performance. The primary capabilities of Inovalon's big data platform are data integration, advanced analytics, intervention platforms, and business processing. It maintains a registry of data compiled from several sources, including electronic health records, claims, and pharmacies. Analytics run on this data can determine the presence of a disease, gaps in clinical outcomes, or medical compliance.

# Public Basket

## Inovalon Holdings



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
ABILITY Network	02-Apr-18	The company was acquired by Inovalon Holdings (NAS: INOV) for \$1.19 billion on April 2, 2018. The combination of the companies creates a vertically integrated cloud-based platform empowering the achievement of real-time, value-based care from payers, manufacturers and diagnostics all the way to the patient's point of care. The transaction is comprised of \$1.1 billion cash and \$100 million by the issuance of 7.6 million restricted common shares of Inovalon stock.
Complex Care Solutions	06-Jul-17	The company was acquired by Inovalon Holdings (NAS: INOV) for approximately \$4.5 million on July 6, 2017. The deal included approximately \$3 million in cash and the assumption of a similar amount of debt.



## Cerner

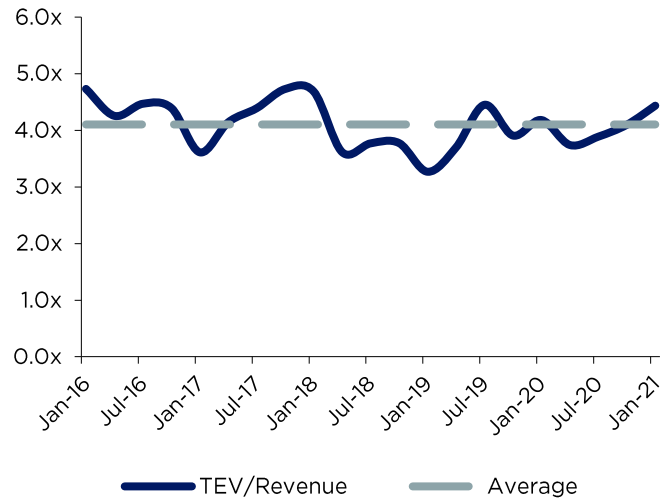
**Cerner is a leading supplier of health care information technology solutions and tech-enabled services.**

The company offers a wide range of intelligent solutions and tech-enabled services that support the clinical, financial, and operational needs of healthcare organizations of varying sizes. The company employs nearly 30,000 associates and has a strong global installed base, including the lion's share of the top 100 health systems, physician practices, laboratories, ambulatory centers, behavioral health centers, cardiac facilities, radiology clinics, surgery centers, extended care facilities, retail pharmacies, and employer sites. The company is guided by the mission of the founding partners to provide seamless medical records across all healthcare providers to improve outcomes.

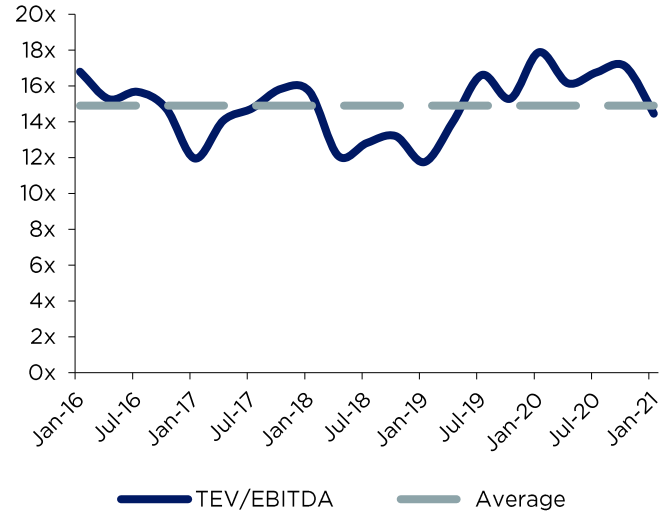
# Public Basket

Cerner

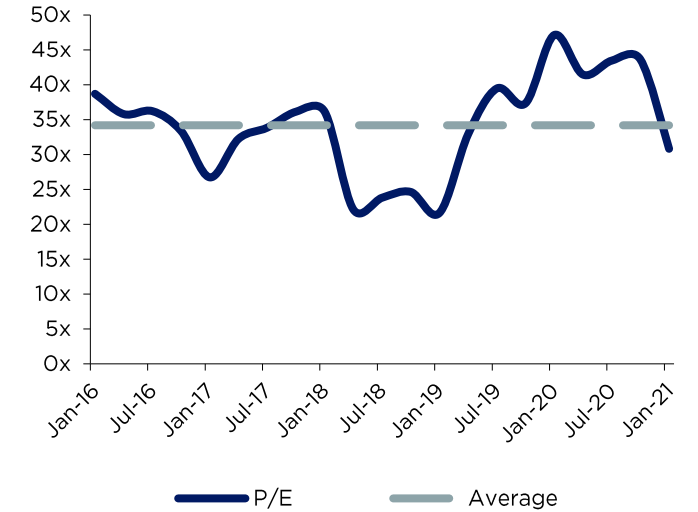
Revenue Multiples - Cerner



EBITDA Multiples - Cerner



P/E Multiples - Cerner



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
AbleVets	25-Oct-19	The company was acquired by Cerner (NAS: CERN) for approximately \$75 million on October 25, 2019. The acquisition is expected to provide Cerner with greater scale and technical expertise in designing and implementing modernization solutions, particularly in the federal space and will accelerate it's success in providing integrated, seamless care for Veterans, Service members and their families.
i2i Population Health	14-May-19	The company raised \$30 million of Series B venture funding from Cerner an other undisclosed investors on May 14, 2019.

## IQVIA

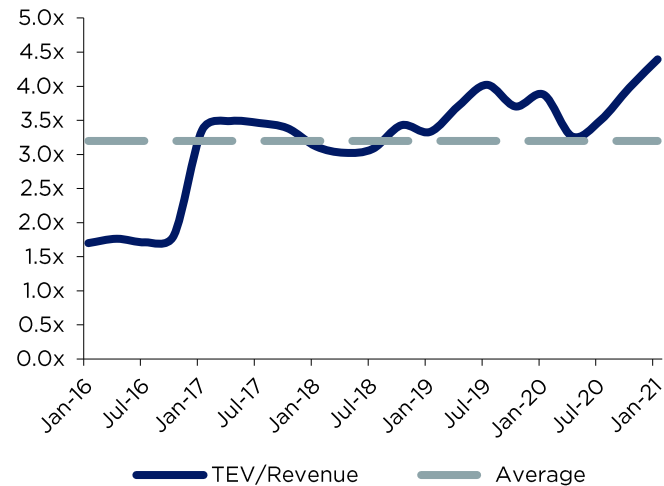
**IQVIA is the result of the 2016 merger of Quintiles, a leading global contract research organization, and IMS Health, a leading healthcare data and analytics provider.**

The CRO segment focuses primarily on providing outsourced late-stage clinical trials for pharmaceutical, device, and diagnostic firms. The legacy IMS business provides aggregated information and technology services to clients in the healthcare industry, including pharmaceutical companies, providers, payers, and policymakers.

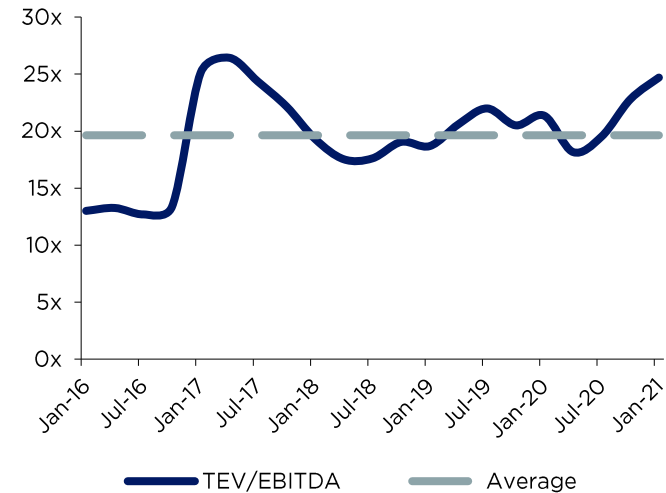
# Public Basket

IQVIA

Revenue Multiples - IQVIA



EBITDA Multiples - IQVIA



Company Name	Date	Deal Synopsis
ObvioHealth	14-Apr-20	The company raised \$16.8 million of Series A venture funding in a deal led by IQVIA on April 14, 2020. Tikehau IM and VIGO Ventures also participated in the round.
HelpAround	22-Jan-20	The company raised \$6 million of Series A1 venture funding in a deal led by IQVIA on January 22, 2020, putting the company's pre-money valuation at \$19.88 million. Windham Venture Partners, Neogen Capital and other undisclosed investors also participated in the round. The funding raised will be used to put towards growing HelpAround's data science services in order to help patients find specialty therapies and clinical trials.

# Contact Info

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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. Securities offered through 7M Securities LLC.

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