

# M&A Update

**First Half - 2018**



**Healthcare IT  
&  
Revenue Cycle  
Management**

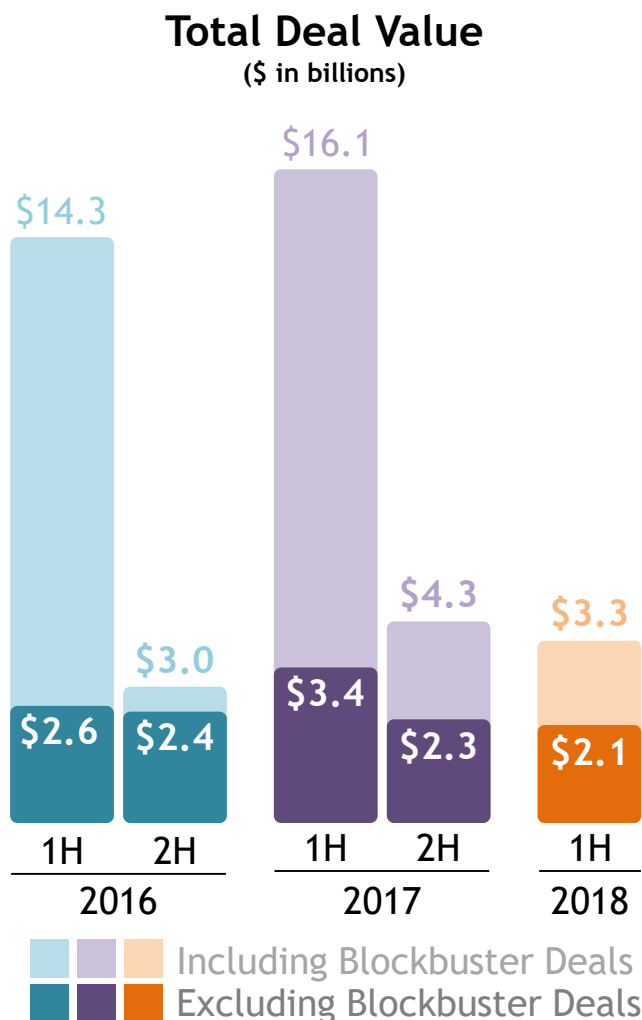
## Introduction.

An active first half of 2018 brought 57 deals representing over \$3.3 billion in deal value. We expect a strong second half based on our conversations with prospective buyers and sellers, and the ever-changing dynamics of healthcare that will continue to drive consolidation of outsourced service and technology providers.

## Key Takeaways.

### 1 Healthy Investor Demand Continues

1H 2018 deal value is fairly consistent with 2016 and 2017 levels if we exclude deals with \$500 million+ in enterprise value. Further, in these periods the median deal value only ranged from \$12.0 million to \$12.8 million. We believe that reviewing the median deal value and excluding “blockbuster deals” offers the most relevant analysis for most business owners and investors. After all, these deals (by definition) are not a great indicator for the majority. In the end, this half-year of activity depicts spirited demand for RCM and HCIT companies operating in the lower-middle market.



## Key Takeaways (continued).

### 2 Most Active: Technology or Services?

Sellers offering technology solutions (and no services) accounted for 49% of the transactions, whereas pure-service companies were about 35% (up from 31% in CY 2017). 16% of sellers provided a combination of technology and services. Within technology, analytics capabilities were acquired more than any other offering, followed by patient scheduling and engagement tools, and billing software.



18% of Technology Sellers Offered Analytics Solutions

75%

Of Analytics Sellers Provided Insight into Financial Performance

50%

Of Analytics Sellers Provided Insight into Clinical Performance

32% of Sellers Provided Reimbursement-Focused Services



Of Sellers Offered Billing

22%

Of Sellers Offered Patient Receivables Collections

19%

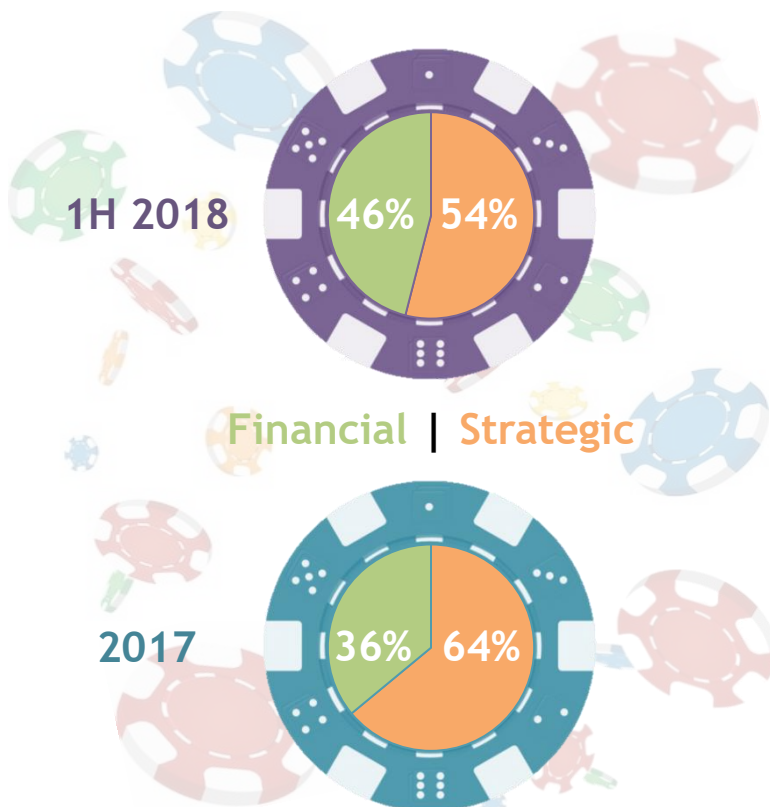
The popularity of financial analytics isn't surprising, as cost burdens and reimbursement challenges have forced hospitals to scrutinize a variety of financial metrics. Technology companies that can demonstrate a clear ROI will be bulletproof during a hospital's budget review process. Those companies will have greater security related to client churn, a metric that investors scrutinize (among many others, of course) when assessing an opportunity and ascribing deal valuation and structure. Among businesses that provide services, offerings centered around patient receivables and billing remained the most active. Complexities related to reimbursement and the bundling of services for value-based care are just a few of the forces driving the continued demand for outsourced billing specialists.

## Key Takeaways (continued).

### 3 Financial Buyers Are All In

Financial buyers completed 46% of the transactions in 1H 2018, up from 36% in CY 2017. This is, however, an understatement of financial buyers' activity, as they backed 48% of the buyers in strategic transactions. In 64% of their transactions, PE buyers acquired businesses in which sellers generate more than half of their revenue from service offerings, a significant increase from CY 2017 (36%). Whether services or technology, financial buyers have exhibited bullish excitement toward the RCM and HCIT markets, and add-on acquisitions are sure to follow.

#### Buyer Types - Financials vs. Strategics



### 4 Founder-Owned Business: Always in Style

Founder-owned businesses comprised 64% of the transactions in 1H 2018, rising from 56% in CY 2017 and 28% in 2016 (excluding VC deals). Many buyers pursue founder-owned businesses, given their perception of greater opportunities for operational improvement and upside. As these opportunities are becoming more scarce, competition among buyers will (all other things being equal) lead to valuation increases for sellers.

Look out for the full-year 2018 M&A Update, coming in early 2019!

## Considering M&A?

Let us help you plan your exit strategy. We'll update you regarding the market for your specific business and offerings so you'll be prepared to optimize your exit.

Click Here to Discuss Your Exit Goals

## Planning to make acquisitions?

Contact us to learn how we can help you generate more unbanked deal flow.

Click Here to Discuss Your Acquisition Interests

## GA's Selected 2018 Transactions.



AppRev  
was acquired by



a portfolio company of  
**AQUILINE**  
CAPITAL PARTNERS LLC

**Sell-Side Advisor**



HealthPrime  
INTERNATIONAL

was acquired by



**Sell-Side Advisor**




a portfolio company of




acquired the early-out assets of



**Buy-Side Advisor**



was acquired by



**Sell-Side Advisor**

## More from GA.

**Watch Now:** RCM & HCIT Webinar - [M&A Insight for Buyers and Sellers](#)

**Selecting an Advisor:** [What's So Special About a Specialist?](#)

**2018 Activity:** [GA Cements its Position as the Leading Boutique M&A Advisor in RCM & HCIT](#)

## About Greenberg Advisors.

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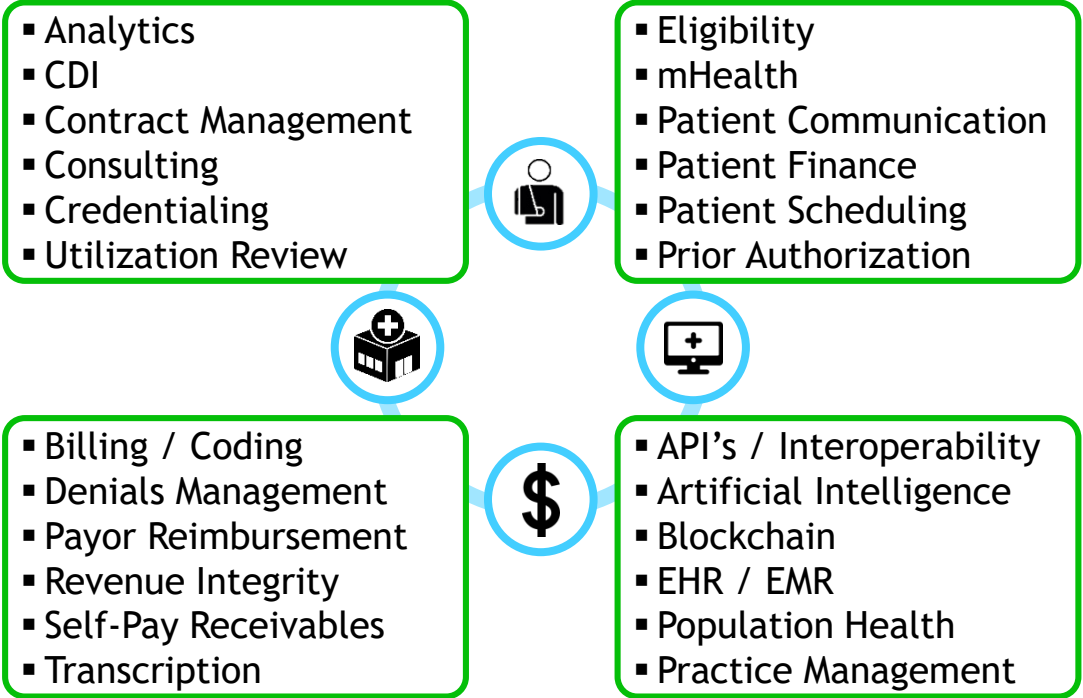
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GA’s RCM and HCIT expertise spans nearly all care delivery methods and specialties, and includes the following IT and service offerings, as well as many others.



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