

Greenberg Advisors

M&A • STRATEGIC ADVISORY • CAPITAL



M&A Update

First Half - 2019

A black and white photograph of a stethoscope resting on a laptop keyboard. The stethoscope is positioned diagonally across the keyboard, with the chest piece in the foreground and the earpieces extending towards the top right. The background is slightly blurred, focusing attention on the stethoscope.

**Healthcare IT &
Revenue Cycle Management**

INTRODUCTION

M&A in the Revenue Cycle Management (RCM) and Healthcare IT (HCIT) markets kicked off 2019 with quite a splash, with over \$9 billion in deal value in the first half of the year. If the second half of the year continues at this pace, deal value in 2019 will exceed 2018's total by 58%!

Ironically, while the largest transaction that occurred in this period was the take-private of Athenahealth by Veritas and Elliott Management, one of the biggest stories of the second half of the year has been the three IPOs that occurred in RCM / HCIT.

The three IPOs have significantly increased the number of public companies in these sectors making for additional attractive exit opportunities for sellers.

The first half of the year saw two distinct trends that point to a bullish market. The first is the diversity amongst the sellers, which ranged in size and offerings, indicating that there are opportunities throughout the space. The second is the increasing amount of capital flowing in from private equity (PE) and venture capital (VC) firms, especially the latter.

We hope you enjoy our M&A Update. [We look forward to hearing from you.](#)

Source: All statistics and market data in this document are from GA's proprietary M&A database. May contain estimates.

SELECTED GA TRANSACTIONS

PARA
HealthCare Analytics

was acquired by



Sell-Side Advisor

 AppRev

was acquired by



a portfolio company of
AQUILINE
CAPITAL PARTNERS LLC

Sell-Side Advisor

INFINX

acquired

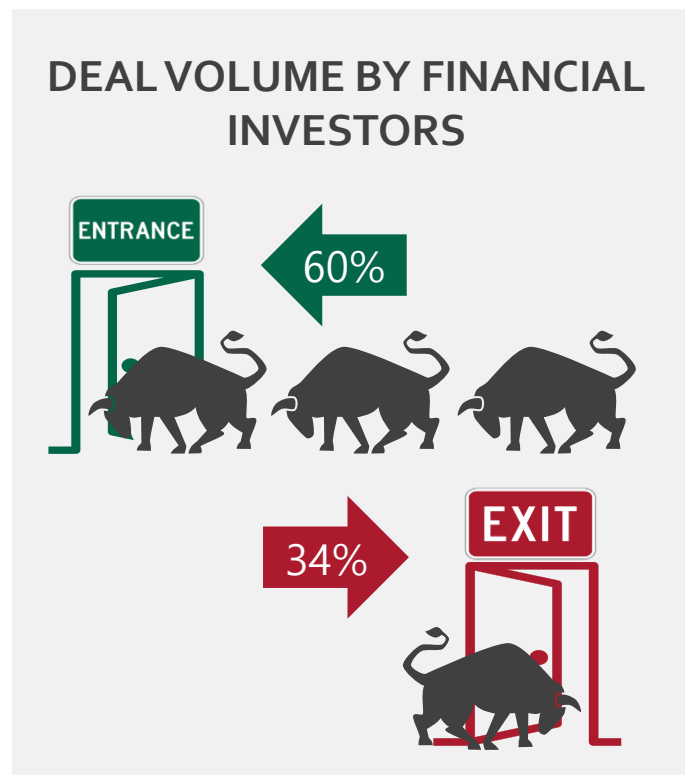
enhanced
revenue solutions

Buy-Side Advisor

KEY TAKEAWAYS

1 PE Buyers: Knockin' at the Door

The percentage of investors that were either PE or VC firms or PE- / VC-backed reached its highest level in 5 years! Buyers in this category outpaced PE- / VC-backed sellers 2:1, indicating a very favorable outlook on the healthcare market. The number of platform investments remained relatively consistent with prior years, with the majority of the uptick stemming from add-on investments. These consolidation strategies will continue to bolster investor demand in the near-term and will lead to many sizable exits over the coming years.



2 Sellers: Specialists in Demand

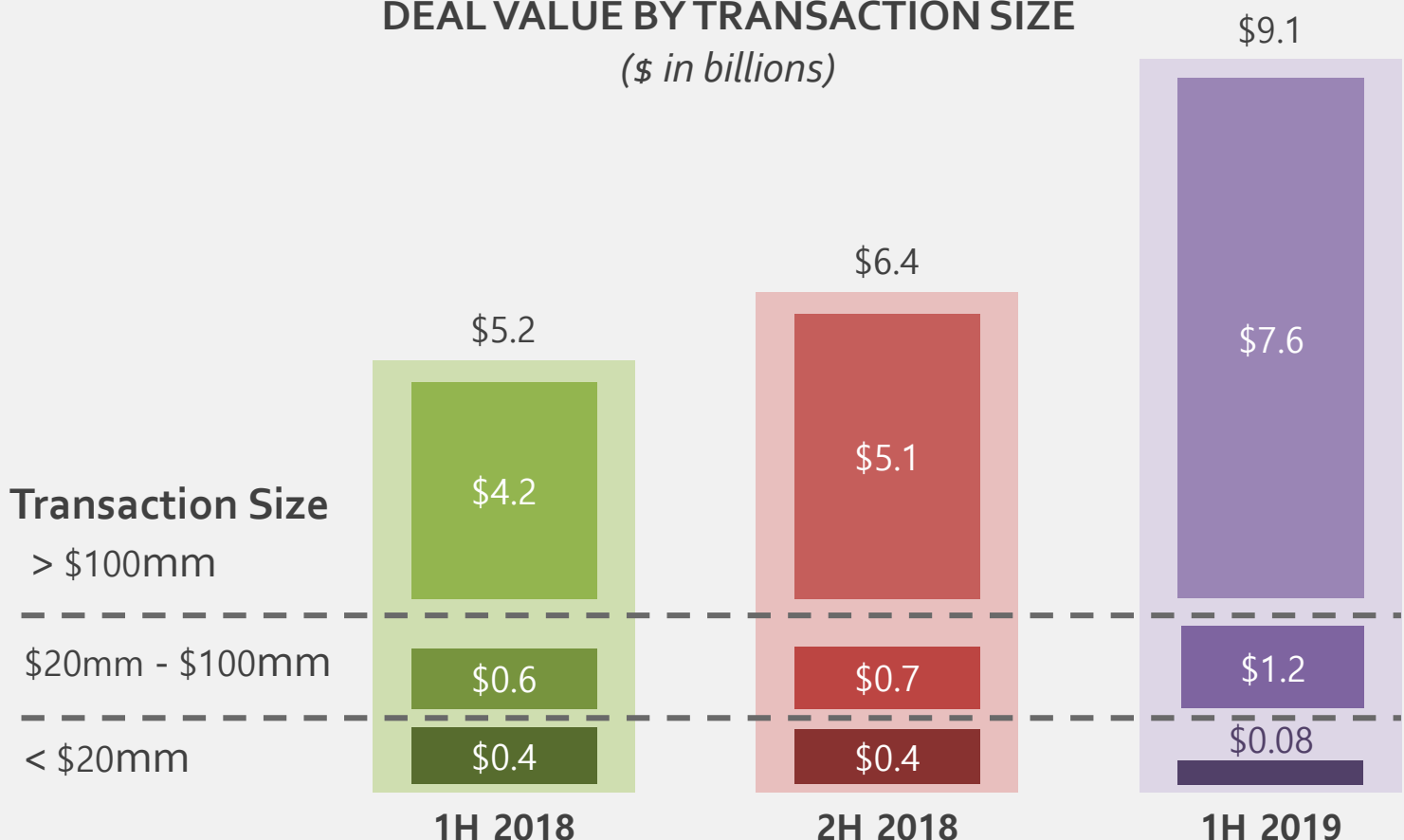
Sellers that serviced physician groups accounted for the highest percentage of transactions in the last five years. Specifically, there was a significant increase in deals that involved sellers servicing the cardiology (10%), ophthalmology (10%), and radiology (8%) segments. In terms of delivery settings, there were also notable increases in firms that serve ASCs and / or behavioral health facilities. As patients continue to flock to ASCs and regulatory efforts to fight the opioid crisis stall, we expect increased demand for RCM / HCIT firms specializing in these areas.

KEY TAKEAWAYS

3 Deal Value: Up, Up, and Away

With over \$9.1 billion in enterprise value, 1H 2019 reflected the third highest half-year total over the last five years and continued an upward trend started in the second half of 2017. The majority of transactions were below \$20 million in enterprise value, consistent with prior years, but there was an uptick in transactions between \$20 million and \$100 million, which represented 36% of deals, a five-year high. Historically, that size range has accounted for about 25% of the overall volume over that time period. This is consistent with what we'd expect given the number of consolidation strategies that buyers have pursued over the last few years.

DEAL VALUE BY TRANSACTION SIZE
(\$ in billions)

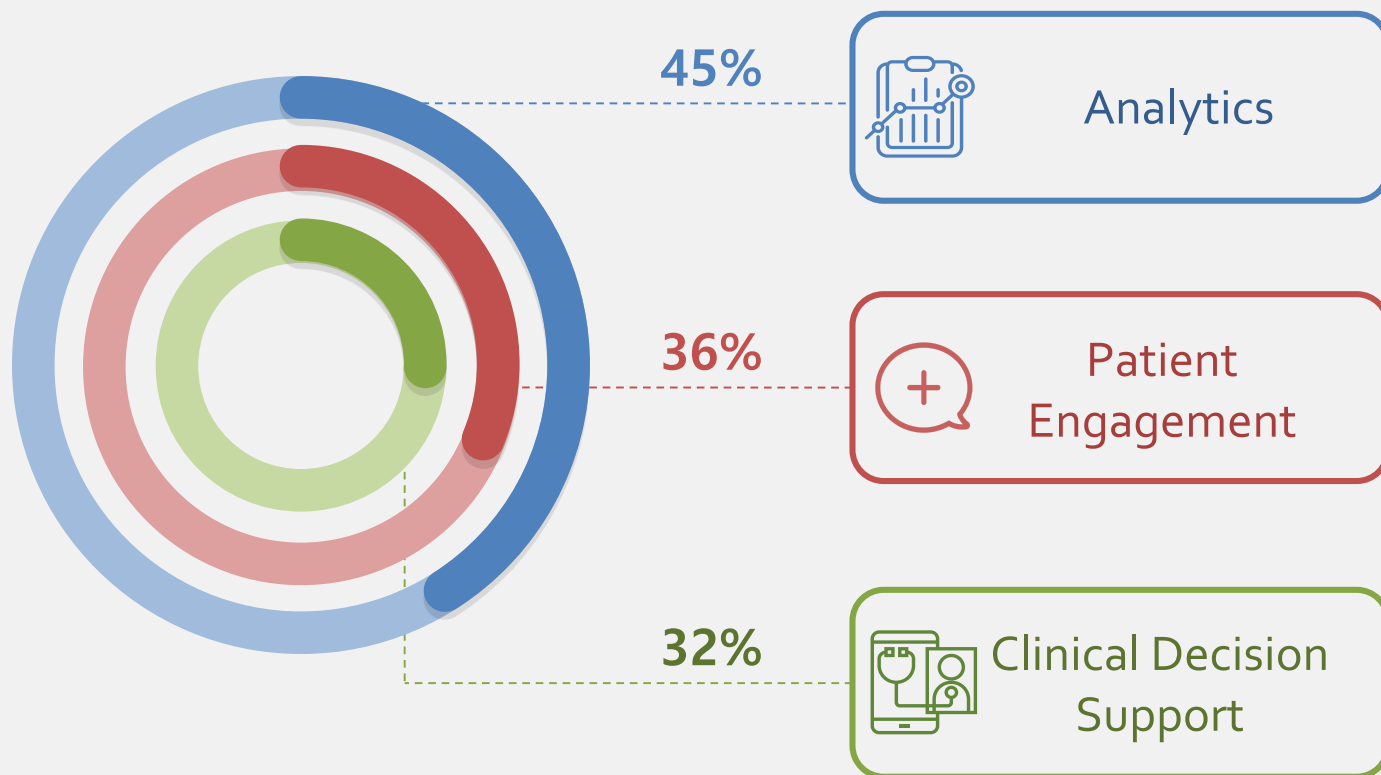


KEY TAKEAWAYS

4 VC: Covering the Market

Venture capital continued to pour into RCM / HCIT, reaching its highest level in years. While there was widespread interest across the market, most capital flowed to companies whose offerings included clinical decision support, analytics, or patient engagement tools. These solutions will continue to draw interest in a patient-centric model that focuses on the patient experiences while improving the quality of care.

VC INVESTMENTS BY OFFERING



KEY TAKEAWAYS

5 Sellers: IT Jumps Out in Front

Sellers that offered technology solutions outpaced pure-services companies almost 3:1, the highest differential in the last five years. Analytics, patient engagement, EHR, and practice management solutions were the most sought-after IT offerings, while there was also considerable investor demand for service companies focused on reimbursement (e.g. billing, denials management, insurance follow-up, and self-pay collections). Within analytics, software focused on clinical data received more investment than financial analytics, continuing a trend from 2018.

DEAL VOLUME: IT VS. SERVICES

63%



Technology

21%



Services

16%



Mix of IT and
Services

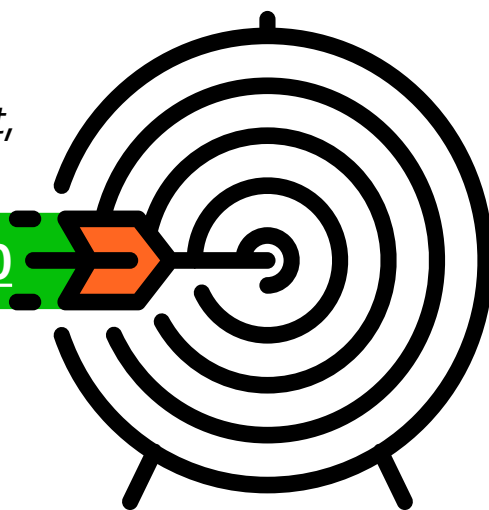
LOOKING AHEAD

The year's blazing start is continuing, with many headline transactions already completed in the second half of the year as well, [including the sale of PARA HealthCare Analytics](#), in which Greenberg Advisors represented the selling shareholder.

The level of interest in RCM and HCIT that we see in our conversations with investors indicates that they are shrugging off potential changes to the US healthcare market. We believe it is unlikely that the US will adopt a single-payer system. Most other tweaks to the system would only amplify the need for outsourced specialists so that healthcare providers can devote their attention to what matters; improving patient care.

GA can help you maximize your investment, growth, and exit strategy. Find out how.

[Start your strategic planning for 2020](#)



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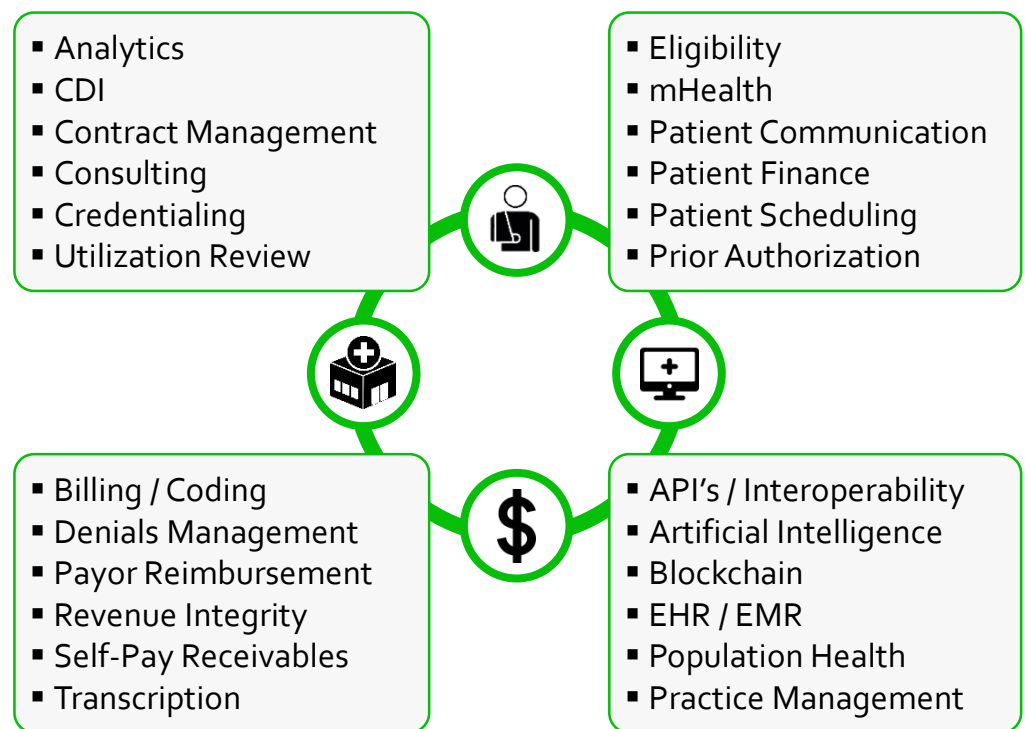
Brian Greenberg
[Email](#)

Zach Eisenberg
[Email](#)

Casey Krasko
[Email](#)

Greenberg Advisors, LLC is one of the only firms to specialize in the Revenue Cycle Management (RCM) and Healthcare IT (HCIT) sectors. The firm’s professionals have provided trusted M&A and strategic advice to executives and investors for nearly 25 years, resulting in the completion of over 130 merger & acquisition (M&A), capital raising, valuation, and strategic advisory engagements. Greenberg Advisors celebrates its 10-year anniversary in 2019.

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



Note: This update is for informational use only. Information contained in this update is based on data obtained from sources believed to be reliable, and in some instances contains estimates. Data may include sellers that generate some non-RCM and/or non-HCIT revenue. Nothing in this publication is intended as investment advice. Use of any of the included proprietary information for any purpose without the written permission of Greenberg Advisors is prohibited.