

# Greenberg Advisors

M&A • STRATEGIC ADVISORY • CAPITAL



## M&A Update First Half - 2020

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 background. The keyboard keys are visible, and the overall scene is softly lit, creating a professional and clinical atmosphere.

**Healthcare IT &  
Revenue Cycle Management**

## INTRODUCTION

The first half of 2020 (1H 2020) was unlike any other. As the COVID-19 pandemic reached the United States, Revenue Cycle Management (RCM) and Healthcare IT (HCIT) businesses across the country faced rapidly changing regulations and restrictions, as well as unpredictable and fluctuating patient volumes. How did this impact mergers and acquisitions (M&A) in RCM and HCIT? In March and April, many buyers and sellers prioritized their business' survival over their M&A plans, so some deals were temporarily put 'on hold.' M&A activity accelerated as owners and investors became comfortable with the market and the impact of COVID-19 within their companies. This has made the market much more appealing for sellers than anyone thought possible in March.

Sixty-nine M&A transactions closed in 1H 2020. Notable transactions involved buyers and sellers such as **SwervePay**, **NaviHealth**, and **Arcadia Recovery Bureau**<sup>1</sup>. Greenberg Advisors has been at the center of this activity, representing a variety of companies in transactions of \$10 million to \$150 million.

To discuss your M&A interests or questions, please [reach out](#) to schedule a call with our team.

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

<sup>1</sup>Greenberg Advisors initiated and served as exclusive advisor to Arcadia in this transaction.

## SELECTED GA TRANSACTIONS

**PRAXIS**  
HEALTHCARE SOLUTIONS  
was acquired by



a portfolio company of



NEW MOUNTAIN CAPITAL LLC

Sell-Side Advisor

**ARCADIA**  
RECOVERY BUREAU

was acquired by



a portfolio company of



Sell-Side Advisor

**PARA**  
HealthCare Analytics  
was acquired by



a portfolio company of

**HOUSATONIC**

Sell-Side Advisor

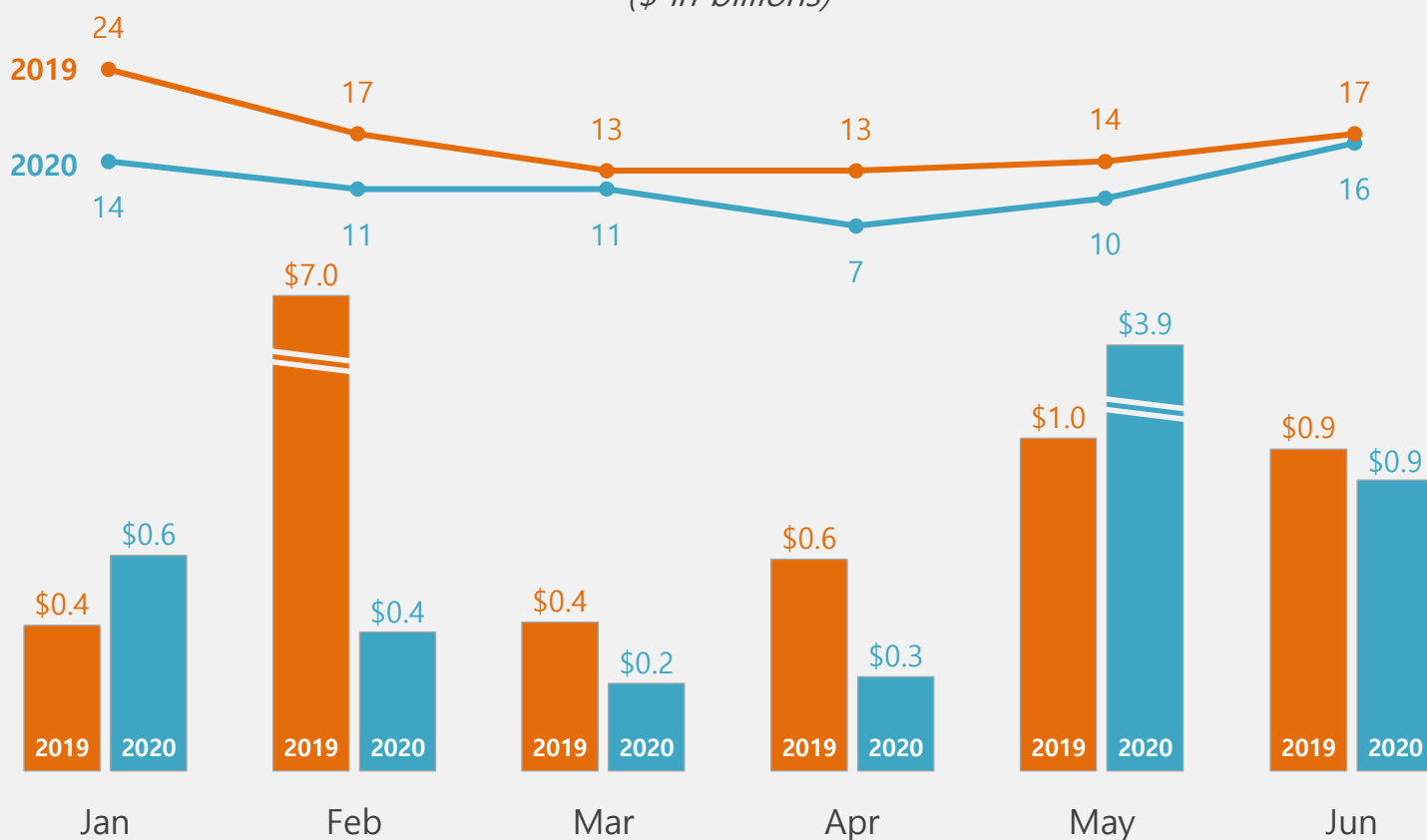
## KEY TAKEAWAYS

### 1 Trending in the Right Direction

With 69 transactions and \$6.2 billion in transaction value during 1H 2020, deal volume and value dropped by 30% and 40%, respectively, versus 1H 2019. While COVID-19 certainly played a major role in this, the monthly delta in transaction volume (2019 vs. 2020) shrank in May and June, showing promise for a continued recovery and strong second half of 2020. Another deal dynamic that has changed due to COVID-19 is that, in many cases, deals that were scheduled to close in the first half of the year were delayed, as buyers and owners tried to understand whether there will be any long-term impact on their businesses.

### TRANSACTION VALUE & VOLUME: RECOVERY IS UNDERWAY

*(\$ in billions)*



## KEY TAKEAWAYS

### 2 The Product Mix

For buyers seeking RCM services, back-end reimbursement-related offerings remained the most popular, with denials management taking the top spot in terms of activity. There was a notable decrease in the number of billing service transactions, which only represented 13% of 1H 2020 transactions, down from 22% in 1H 2019.

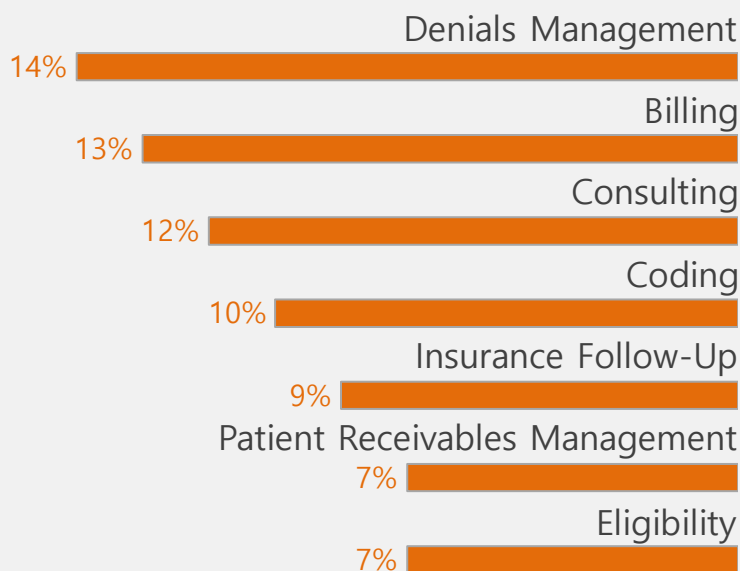
As far as technology, analytics solutions maintained its position at the top of buyers' wish lists. Clinical decision support, which was the fifth most acquired technology in 1H 2019, dropped to 12th place, as only 6% of sellers provided this solution in 1H 2020.

Moving forward, we expect that services and technology solutions centered around increasing cash flow for providers and payors will drive substantial investor interest, as they continue to feel the financial burden of COVID-19.

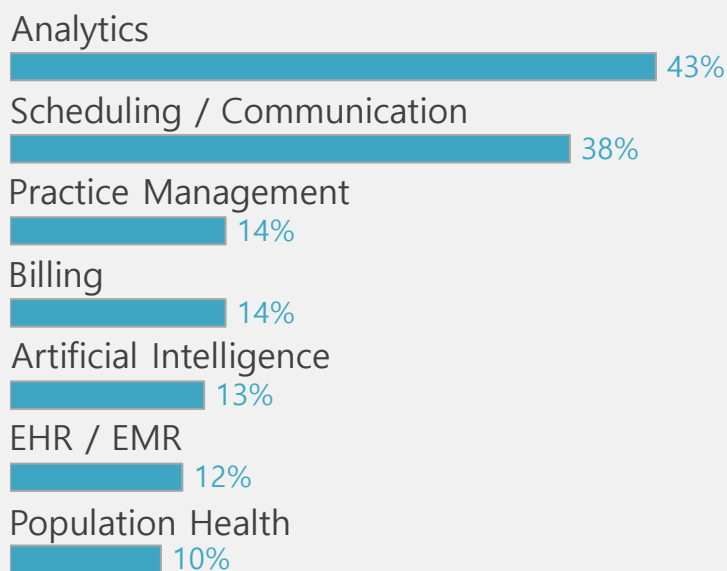
### MOST ACTIVE OFFERINGS

(% of total deals)

#### SERVICES



#### TECHNOLOGY



## KEY TAKEAWAYS

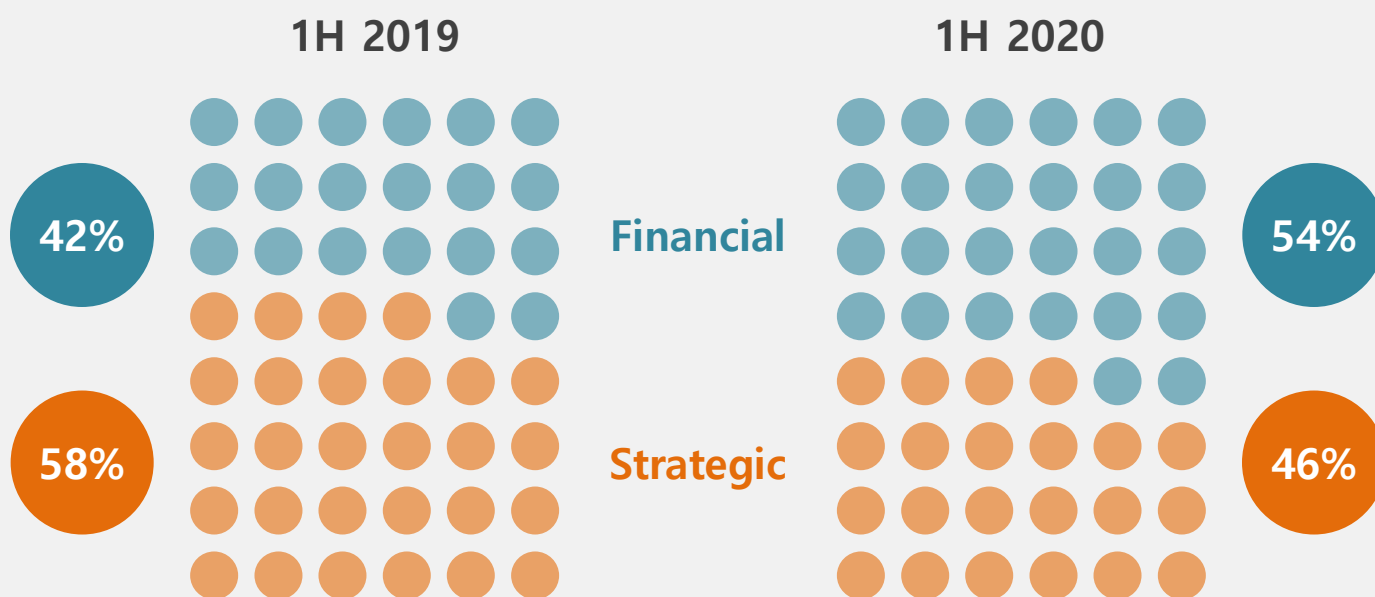
### 3 Financial Investors Take the Lead

For the first time in over five years, financial investors, which include private equity and venture capital firms, completed more transactions than strategic buyers. The desire for scalable, recurring revenue streams was apparent, as 80% of the acquisitions made by financial investors were of pure technology companies (that do not offer any services).

Similarly, the combination of private equity and private equity-backed strategic buyers reached the highest percentage since 2015. This trend is mirrored in [the results of](#) GA's most recent survey of RCM and HCIT owners and investors, as only 4% of private equity firms put their investment activities 'on hold' while 24% of RCM and HCIT company owners decided to temporarily delay their M&A plans.

### DEAL VOLUME BY BUYER TYPE

(% of total deals)



## KEY TAKEAWAYS

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### 4 A Tweak to the Lower Middle Market

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Historically, RCM and HCIT M&A transaction volume has been dominated by sellers with less than \$40 million in revenue. The first half of the year continued that pattern, although further analysis shows a slight shift within that range. Activity doubled among sellers with \$20 million to \$40 million in revenue, representing 25% of transactions in 1H 2020 compared to 12% in 2019. There is certainly some correlation between this trend and the trends discussed on the prior page, as many financial buyers have minimum financial thresholds that preclude them from pursuing acquisitions below those levels.

### Valuation and Deal Structure During (and After) a Pandemic

GA's [survey](#) of owners and executives revealed that two of the largest M&A-related concerns are whether valuation multiples will be impacted and how transaction structures will account for a dip in performance related to COVID-19.

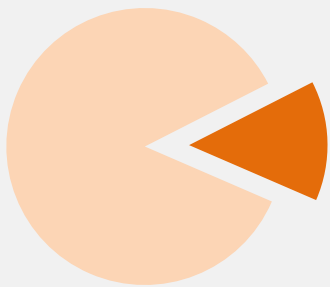
Based on our deal experience and discussions with buyers, it seems that the only answer is... it depends. In transactions where the seller was only marginally impacted by the pandemic and / or has recovered to pre-COVID-19 levels of performance, valuations and deal structures have been similar to what we saw in 2019. In cases where the timeframe and certainty of a seller's complete recovery is less obvious, buyers are utilizing more deal structure. Outside of macroeconomic factors, such as the number of active buyers (which creates competition), and the availability of financing, valuation is most impacted by the performance of the seller and deal structure is often driven by the buyer's perception of risk. The more that a seller can demonstrate predictable performance and limit the risk to buyers, the more aggressive buyers will be on valuation and structure.

## KEY TAKEAWAYS

### 5 The Spotlight is on Behavioral Health

Factors such as the shift to a work-from-home environment, a dramatic number of layoffs, and many others, have led to a sharp increase in mental health and substance abuse issues. Therefore, it is no surprise that sellers whose clients are behavioral health or treatment facilities have garnered an enormous amount of interest from investors. We expect that this industry will continue to attract investors as patient populations and the need for these services grow.

#### BEHAVIORAL HEALTH 1H 2020 RCM & HCIT M&A ACTIVITY



**14%**  
of total deal volume  
(the most active  
physician specialty in  
RCM and HCIT)



**\$1.5  
Billion**  
in transaction value

#### Most Popular Offerings



**Analytics  
Technology**



**EHR / EMR  
Technology**



**Practice Management  
Technology**



## LOOKING AHEAD

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The second half of 2020 will be interesting as the world continues to grapple with COVID-19 (wear your mask, people!), and the impact from the US presidential election. We've already seen buyers become more aggressive about ensuring that our firm is aware of their interests, and we continue to hear from many owners as they try to determine the best timing to achieve their exit goals. We expect a very busy back half of 2020, and are already seeing robust M&A activity, which we suspect is the result of pent-up demand from buyers and the overall appetite from investors that seek to enter the RCM and HCIT markets.



GA can help you understand your options and maximize your investment, growth, and / or exit strategy.

[Click Here to Schedule a Confidential Call](#)

## RESOURCES FOR OWNERS

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**GA PUBLICATION:** *The Real Deal* with Seth Avery of AppRev



**SURVEY RESULTS:** Understand COVID-19's impact on RCM & HCIT



**DEAL ANNOUNCEMENT:** Praxis Healthcare Solutions was acquired by Revint Solutions



**DEAL ANNOUNCEMENT:** Arcadia was acquired by Annuity Health



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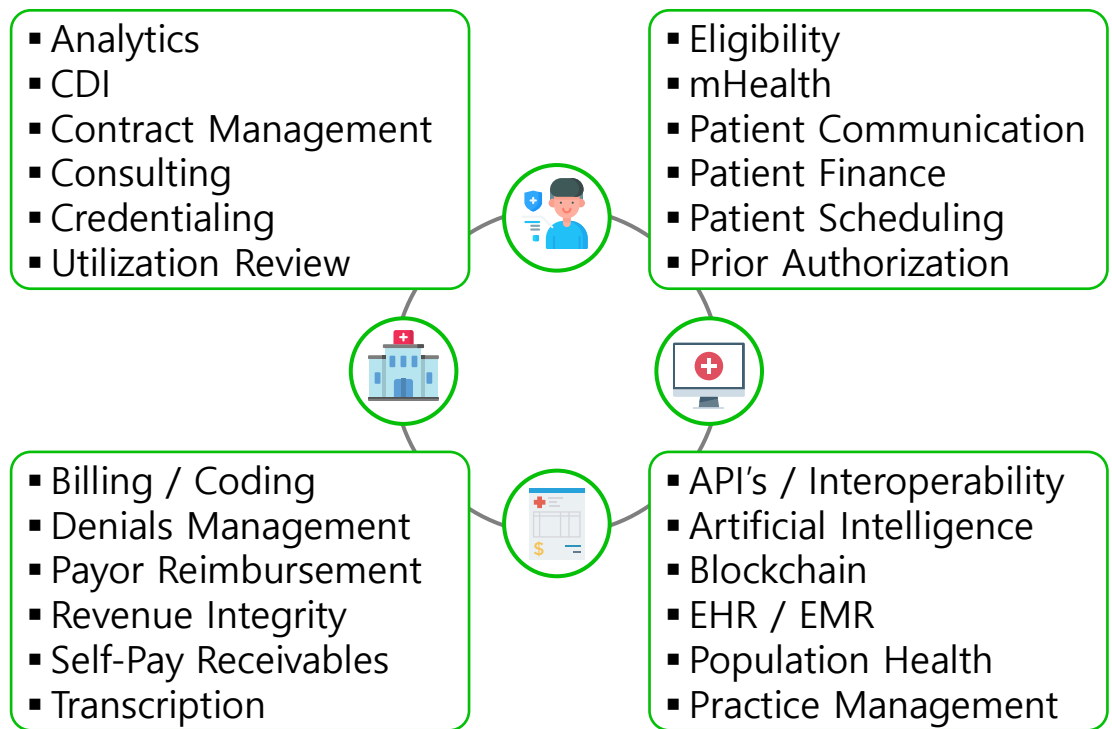
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LinkedIn:



Greenberg Advisors, LLC (GA) is one of the only M&A advisors to specialize in the Revenue Cycle Management (RCM) and Healthcare IT (HCIT) sectors.

GA's perspective provides clients with unique value that comes from a comprehensive understanding of the healthcare ecosystem, having worked with a wide variety of businesses across the RCM and HCIT sectors. GA's unmatched depth and its proprietary data assets prove invaluable to clients seeking to determine the optimal path forward.

The firm'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.

## SELECTED TRANSACTIONS

**PRAXIS**  
HEALTHCARE SOLUTIONS

was acquired by

**REVINT**

a portfolio company of

**NMC**  
NEW MOUNTAIN CAPITAL LLC

**ARCADIA**  
RECOVERY BUREAU

was acquired by

**ANNUITY**  
HEALTH

a portfolio company of

**PINE TREE**  
EQUITY PARTNERS

**PARA**  
HealthCare Analytics

was acquired by

**HEALTHCARE**  
FINANCIAL  
RESOURCES

a portfolio company of

**HOUSATONIC**

**INFINX**

acquired

**enhanced**  
revenue solutions

**meduit**

a portfolio company of

**NexPhase**  
CAPITAL

acquired the early-  
out assets of

**SIGNATURE**  
Performance

**AppRev**

was acquired by

**OSG**

a portfolio company of

**AQUILINE**  
CAPITAL PARTNERS LLC

**dcm**  
services

a portfolio company of

**NEP**  
Norwest Equity Partners

was acquired by

**WIL**  
square

**Diversified**  
HEALTHCARE RESOURCES

has merged with

**CARDON OUTREACH**<sup>®</sup>

a portfolio company of

**Serent**  
CAPITAL

**HealthPrime**  
INTERNATIONAL

was acquired by

**GP**  
**B+**  
CAPITAL