

Q4 2013 Healthcare IT Market Snapshot

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Signal Hill at a Glance

Signal Hill is a leading independent advisory boutique serving the M&A and private capital raising needs of growth companies. Signal Hill's experienced bankers provide deep domain expertise and an unyielding commitment to clients in our sectors: Internet & Digital Media, Internet Infrastructure, Services and Software. With more than 600 completed transactions and offices in Baltimore, Bangalore, Boston, Mumbai, Nashville, New York, Reston and San Francisco, Signal Hill leverages deep strategic industry and financial sponsor relationships to help our clients achieve Greater Outcomes®.

Recent Mergers & Acquisitions, Strategic Advisory Transactions

- Mergers & Acquisitions
- Equity Private Placements
- Restructurings
- Strategic Advisory
- Special Committee Advisory
- Fairness Opinions

 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM IDG Ventures SAIFPartners JANUARY 2014	 a portfolio company of Reed Elsevier HAS BEEN ACQUIRED BY JANUARY 2014	 HAS RECEIVED AN INVESTMENT FROM DECEMBER 2013	 HAS ACQUIRED Newton Alliance, LLC DECEMBER 2013	 HAS BEEN ACQUIRED BY DECEMBER 2013	 HAS BEEN ACQUIRED BY NOVEMBER 2013	 HAS BEEN ACQUIRED BY NOVEMBER 2013	 HAS BEEN ACQUIRED BY NOVEMBER 2013
 Trust the Experts MAJORITY STAKE ACQUISITION BY NOVEMBER 2013	 HAS RECEIVED AN EQUITY INVESTMENT FROM OCTOBER 2013	 HAS BEEN ACQUIRED BY OCTOBER 2013	 HAS BEEN ACQUIRED BY SEPTEMBER 2013	 HAS BEEN ACQUIRED BY SEPTEMBER 2013	 Predictable Patient Recruitment HAS BEEN ACQUIRED BY AUGUST 2013	 HAS BEEN ACQUIRED BY AUGUST 2013	 Relevant Intelligent Secure HAS BEEN ACQUIRED BY AUGUST 2013
 HAS BEEN ACQUIRED BY AUGUST 2013	 SOFTWARE EMPLOYED MINORITY RECAPITALIZATION BY JULY 2013	 A Division of Inspire Capital HAVE BEEN ACQUIRED BY JULY 2013	 HAS BEEN ACQUIRED BY POWERING YOUR BUSINESS JUNE 2013	 HAS RECEIVED EQUITY FUNDING FROM JUNE 2013	 HAS BEEN ACQUIRED BY Enterprise Group JUNE 2013	 THE IT DESIGN COMPANY CERTAIN ASSETS HAVE BEEN ACQUIRED BY MAY 2013	 HAS BEEN ACQUIRED BY APRIL 2013
 HAS RECEIVED EQUITY FUNDING FROM MARCH 2013	 HAS BEEN ACQUIRED BY MARCH 2013	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM MARCH 2013	 EXPERIENCE E-COMMERCE 2.0 HAS BEEN ACQUIRED BY MARCH 2013	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM FEBRUARY 2013	 criterion HAS BEEN ACQUIRED BY FEBRUARY 2013	 HAS BEEN ACQUIRED BY JANUARY 2013	 HAS BEEN ACQUIRED BY JANUARY 2013

Signal Hill's Healthcare IT Practice

 <p>HAS BEEN ACQUIRED BY</p>  <p>NOVEMBER 2013</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2013</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>OCTOBER 2012</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2012</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JANUARY 2012</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>APRIL 2012</p>
 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2011</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JUNE 2011</p>	 <p>HAS BEEN ACQUIRED BY INVESTOR GROUP THAT INCLUDES</p>  <p>JULY 2010</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>APRIL 2010</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JUNE 2009</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>DECEMBER 2008</p>
 <p>HAS BEEN ACQUIRED BY</p>  <p>NOVEMBER 2008</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2008</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JANUARY 2008</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JUNE 2007</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>OCTOBER 2007</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JUNE 2006</p>

 Includes previous experience

Q4 2013 Healthcare IT M&A Overview

While deal velocity in the Healthcare IT (“HCIT”) sector declined in Q4 2013 by four percent (from 50 deals to 48 deals), total announced enterprise value increased more than 36 percent to \$1.37B, the highest it has been in the last twelve months (LTM). However, this increase was largely on the back of Experian’s \$850M purchase of Passport Health Communications, which skews the number for the quarter. Median announced deal size actually fell significantly given some smaller deals in the quarter.

<i>Source: Signal Hill</i>	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Number of Deals	64	58	42	50	48
<i>% change from prior quarter</i>	-	-9.4%	-27.6%	19.0%	-4.0%
Total Announced Enterprise Value (\$M)	\$580.0	\$730.6	\$1,112.7	\$1,001.5	\$1,370.0
<i>% change from prior quarter</i>	-	26.0%	52.3%	-10.0%	36.8%
Median Announced Deal Size (\$M)	\$37.5	\$31.8	\$105.0	\$55.0	\$16.4
<i>% change from prior quarter</i>	-	-15.2%	230.2%	-47.7%	-70.1%
Median EV/TTM Revenue Multiple	1.9x	1.5x	NM ⁽¹⁾	2.7x	NM ⁽¹⁾
<i>% change from prior quarter</i>	-	-21.3%	NA	NA	NA

⁽¹⁾ We tracked only two disclosed HCIT deal valuations in Q2 and Q4 2013

Notable Q4 2013 Healthcare IT M&A Transactions

Selected Healthcare IT Transactions, Q4 2013



ShiftWise Acquired by AMN Healthcare

Signal Hill served as exclusive financial advisor to ShiftWise in connection with this transaction. ShiftWise, a leading provider of SaaS healthcare workforce and vendor management solutions, was acquired by AMN Healthcare Services (“AMN”), the nation’s largest provider of healthcare staffing services. The transaction further expands AMN’s vision of healthcare workforce solutions and represents its first acquisition of a software company.



Passport Health Communications Acquired by Experian
EV: \$850.0M
Revenue Multiple: 9.3x

Passport Health Communications, a leading provider of data, analytics and software in the US healthcare payments market, has been acquired by Experian, the global information services company. The acquisition offers Experian’s clients in the US healthcare industry a competitive, one-stop-shop to manage risk and to satisfy their payment requirements.



PACSGEAR Acquired by Perceptive Software (Lexmark International)
EV: \$54.0M

PACSGEAR, a leading provider of connectivity solutions for healthcare providers to capture, manage and share medical images and related documents and integrate them with existing picture archiving and communication systems and EMR systems, has been acquired by Perceptive Software, a subsidiary of Lexmark International (NYSE: LXX). The acquisition puts Perceptive Software in a unique position to offer a vendor-neutral, standards-based clinical content platform for capturing, managing, accessing and sharing patient imaging information and related documents within healthcare facilities.



McKesson Automation Acquired by Francisco Partners
EV: \$52.0M

McKesson Automation, a unit of McKesson Corporation (“McKesson”) that offers integrated pharmacy automation solutions for hospitals and health systems, has been acquired by Francisco Partners, a leading technology-focused private equity firm. McKesson Automation was divested by McKesson and has been rebranded as Aesynt.



Homecare Homebase (85% stake) Acquired by Hearst Communications

Homecare Homebase, a software firm that specializes in cloud computing services for hospices and providers of in-home medical care, has been acquired by Hearst Communications (“Hearst”), the family-owned media conglomerate. Through the acquisition, Hearst is hoping to capitalize on growth in the market for home and hospice care services, which is now emerging as a cheaper alternative to hospital care, thanks to new monitoring technology.



Q4 2013 Healthcare IT M&A Transactions

Date Announced	Seller	Buyer	Enterprise Value	Revenues	Enterprise Value / Revenue
31-Dec-13	IBL-Internet Business Logic Inc.	Biosign Technologies Inc.	\$2.0	NA	NA
30-Dec-13	StratCenter.com	Healthcare Data Solutions LLC	NA	NA	NA
24-Dec-13	MedHOK, Inc.	Bain Capital Ventures; Spectrum Partners LLC	\$387.5	NA	NA
20-Dec-13	FD Systems Oy	Vitec Software Group AB (OM:VIT B)	\$16.4	NA	NA
20-Dec-13	brightONE GmbH / Healthcare Business	T-Systems Enterprise Services GmbH	NA	\$27.4	NA
19-Dec-13	Certara	Arsenal Capital Partners	NA	NA	NA
12-Dec-13	Apex Information Technologies	WestView Capital Partners	NA	NA	NA
09-Dec-13	verilogue, Inc.	Publicis Groupe	NA	NA	NA
09-Dec-13	WellnessFX, Inc.	Health Elements, LLC	NA	NA	NA
09-Dec-13	Pygargus AB	IMS Health, Inc.	NA	NA	NA
06-Dec-13	emids Technologies	Baird Capital and Council Capital	NA	NA	NA
04-Dec-13	SentiCare Inc.	RxAdvance Corporation	NA	NA	NA
03-Dec-13	Laker Software, Inc.	Envision Pharmaceutical Services, LLC	NA	NA	NA
02-Dec-13	Homecare Homebase, LLC / 85% Stake	Hearst Communications Inc.	NA	\$54.5	NA
02-Dec-13	Medipattern Corporation	Salient Imaging Inc.	NA	\$0.2	NA
02-Dec-13	CM Information Specialists	HealthPort	NA	NA	NA
26-Nov-13	Source BioScience Plc (LSE:SBS)	Seren Capital Management Limited; Blake Holdings Limited	NA	\$25.5	NA
26-Nov-13	Laker Software, Inc.	Envision Pharmaceutical Holdings, Inc.	NA	NA	NA
22-Nov-13	MedAct Software	Brightree LLC	NA	NA	NA
22-Nov-13	Perceptive Instruments	Instem Group of Companies	\$1.6	\$1.2	1.3x
21-Nov-13	ShiftWise	AMN Healthcare Services, Inc.	NA	NA	NA
21-Nov-13	OmniSYS	Moelis Capital Partners	NA	NA	NA
20-Nov-13	Catalyze.io	Baird Capital	NA	NA	NA
18-Nov-13	Silverstone Solutions, Inc.	BiologicTx	NA	NA	NA
12-Nov-13	Meal Metrics	PointClickCare	NA	NA	NA
12-Nov-13	Promasys BV	OmniComm Systems Ltd.	\$1.2	NA	NA

Q4 2013 Healthcare IT M&A Transactions

Date Announced	Seller	Buyer	Enterprise Value	Revenues	Enterprise Value / Revenue
12-Nov-13	Meal Metrics Inc.	Wescom Solutions	NA	NA	NA
08-Nov-13	Visual Intelligence, LLC / Healthcare Analytics	QualMetrix, Inc.	NA	NA	NA
07-Nov-13	PeoplePoint Software Pty Ltd	Procura, LLC	NA	NA	NA
06-Nov-13	Passport Health Communications, Inc.	Experian Group Ltd	\$850.0	\$91.5	9.3x
05-Nov-13	OneFit Medical	EOS Imaging AS	\$5.4	NA	NA
04-Nov-13	i-SENS, Inc. (KOSDAQ:A099190)	Truston Asset Management Co., Ltd.	NA	\$65.4	NA
31-Oct-13	Symphony Corporation Company	MEDSEEK	NA	NA	NA
29-Oct-13	Avado, Inc.	WebMD Health Corp.	NA	NA	NA
29-Oct-13	CLC bio	QIAGEN	NA	NA	NA
28-Oct-13	NextBio	Illumina, Inc.	NA	NA	NA
24-Oct-13	LOGICARE Corporation	Wellness Network, The	NA	NA	NA
24-Oct-13	Medical Diagnostic Associates	MedRisk, Inc.	NA	NA	NA
22-Oct-13	ApeniMED	IOD Incorporated	NA	NA	NA
22-Oct-13	IncentOne	WellTok	NA	NA	NA
20-Oct-13	Camber Health Partners, Inc. / Medical Billing and Practice Management Assets	MedTech National, Inc.	NA	NA	NA
16-Oct-13	McKesson Automation Inc.	Francisco Partners	\$52.0	NA	NA
14-Oct-13	Professional Data Services LLC	iVantage Health Analytics, Inc.	NA	NA	NA
08-Oct-13	NexTech	Francisco Partners	NA	NA	NA
07-Oct-13	GE Healthcare IT. / Centricity Laboratory Division	Cirdan Ultra Ltd.	NA	NA	NA
07-Oct-13	Care Team Connect	The Advisory Board Company	NA	NA	NA
03-Oct-13	HFN, Inc.	Stratose	NA	NA	NA
03-Oct-13	PACSGEAR, Inc.	Perceptive Software	\$54.0	NA	NA

Q4 2013 Healthcare IT Public Company Valuation Metrics

Company	Market Data				Financial Data						Enterprise Value /					
	Price	% of 52	Market	Enterprise	LTM	QoQ	YoY Rev Growth		LTM Margin		Revenues			EBITDA		
	12/31/13	Week Hi	Cap	Value	Revenue	Rev. Δ	MRQ	13E-14E	Gross	EBITDA	LTM	CY13E	CY14E	LTM	CY13E	CY14E
Hospital IT																
McKesson Corporation	\$161.40	96.9%	\$37,606	\$39,520	\$126,969	2.3%	10.4%	14.8%	5.9%	2.6%	0.3x	0.3x	0.3x	12.0x	11.3x	9.5x
Cerner Corporation	55.74	93.8%	19,590	18,851	2,826	2.9%	7.6%	14.5%	73.3%	31.9%	6.7x	6.5x	5.7x	20.9x	19.5x	16.7x
MedAssets, Inc.,	19.83	74.6%	1,227	2,029	674	-2.6%	1.8%	5.2%	62.6%	31.1%	3.0x	3.0x	2.9x	9.7x	9.2x	8.6x
Omniceil, Inc.	25.53	98.6%	924	808	365	0.4%	11.5%	11.3%	50.0%	14.8%	2.2x	2.1x	1.9x	15.0x	12.2x	10.2x
Computer Programs and Systems, Inc	61.81	98.3%	690	676	198	-12.2%	3.6%	4.2%	46.7%	25.3%	3.4x	3.3x	3.2x	13.5x	13.2x	12.5x
Mean		92.4%				-1.8%	7.0%	10.0%	47.7%	21.1%	3.1x	3.1x	2.8x	14.2x	13.1x	11.5x
Median		96.9%				0.4%	7.6%	11.3%	50.0%	25.3%	3.0x	3.0x	2.9x	13.5x	12.2x	10.2x
Imaging IT																
OSI Systems, Inc.	\$53.11	67.7%	\$1,095	\$1,152	\$827	-9.5%	13.5%	9.3%	35.9%	14.8%	1.4x	1.4x	1.2x	9.4x	8.0x	6.3x
Merge Healthcare Incorporated	2.32	49.3%	218	444	243	0.1%	-5.2%	2.8%	49.7%	9.5%	1.8x	1.9x	1.8x	19.3x	11.5x	8.8x
Sectra AB Class B	11.95	99.4%	454	398	126	15.2%	5.4%	4.7%	12.6%	18.1%	3.2x	3.1x	2.9x	17.4x	16.1x	14.1x
iCAD, Inc.	11.66	95.7%	127	132	32	7.5%	1.3%	22.1%	70.4%	1.5%	4.2x	4.1x	3.4x	NM	NM	33.0x
Mean		78.0%				3.3%	3.8%	9.7%	42.2%	11.0%	2.6x	2.6x	2.3x	15.3x	11.9x	15.5x
Median		81.7%				3.8%	3.4%	7.0%	42.8%	12.2%	2.5x	2.5x	2.4x	17.4x	11.5x	11.4x
Payer IT																
Catamaran Corporation	\$47.46	80.8%	\$9,816	\$10,372	\$13,581	5.8%	13.3%	41.2%	6.1%	4.9%	0.8x	0.7x	0.5x	15.5x	15.9x	12.5x
HMS Holdings Corp.	22.70	71.1%	2,024	2,161	503	1.5%	12.8%	4.0%	28.5%	30.6%	4.3x	4.3x	4.1x	14.0x	14.1x	13.3x
Mean		76.0%				3.7%	13.1%	22.6%	17.3%	17.8%	2.5x	2.5x	2.3x	14.8x	15.0x	12.9x
Median		76.0%				3.7%	13.1%	22.6%	17.3%	17.8%	2.5x	2.5x	2.3x	14.8x	15.0x	12.9x

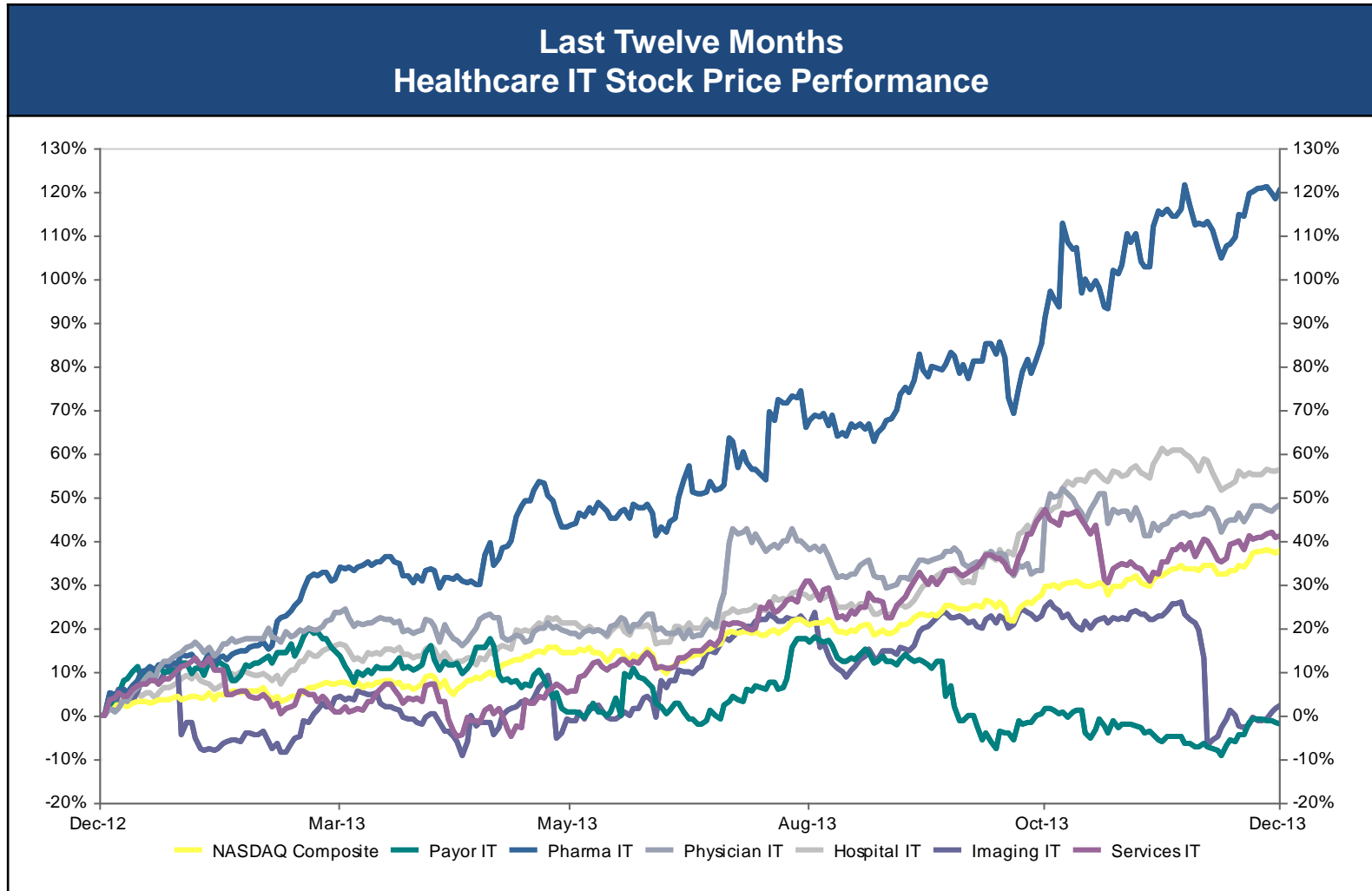
Notes: "NM" denotes Not Meaningful; applied to multiples <0 or >100. "NA" denotes Not Available

Q4 2013 Healthcare IT Public Company Valuation Metrics

Company	Market Data				Financial Data						Enterprise Value /					
	Price	% of 52	Market	Enterprise	LTM	QoQ	YoY Rev Growth		LTM Margin		Revenues			EBITDA		
	12/31/13	Week Hi	Cap	Value	Revenue	Rev. Δ	MRQ	13E-14E	Gross	EBITDA	LTM	CY13E	CY14E	LTM	CY13E	CY14E
Pharma IT																
Medidata Solutions, Inc.	\$60.50	94.7%	\$3,267	\$3,136	\$261	4.2%	27.0%	22.9%	73.2%	16.2%	12.0x	11.4x	9.2x	74.2x	46.5x	36.4x
WebMD Health Corp.	39.50	96.7%	1,998	1,922	502	4.5%	11.4%	9.4%	53.0%	14.5%	3.8x	3.7x	3.4x	26.5x	16.0x	12.8x
Cegedim SA	31.54	87.8%	441	1,141	1,189	-4.6%	7.7%	0.4%	47.4%	16.6%	1.0x	0.9x	0.9x	5.8x	5.3x	5.2x
Accelrys, Inc.	9.54	95.4%	531	425	166	4.7%	0.9%	4.4%	60.8%	5.9%	2.6x	2.4x	2.3x	43.0x	12.2x	10.8x
Mean		93.6%				2.2%	11.8%	9.3%	58.6%	13.3%	4.8x	4.6x	4.0x	37.4x	20.0x	16.3x
Median		95.0%				4.4%	9.5%	6.9%	56.9%	15.3%	3.1x	3.1x	2.9x	34.8x	14.1x	11.8x
Physician IT																
athenahealth, Inc.	\$134.50	93.1%	\$5,157	\$5,337	\$540	3.6%	43.1%	26.0%	51.9%	9.2%	9.9x	9.0x	7.2x	NM	48.4x	40.2x
Allscripts Healthcare Solutions, Inc.	15.46	94.1%	2,759	3,242	1,373	-4.2%	-8.5%	4.5%	40.5%	10.4%	2.4x	2.4x	2.3x	22.8x	18.5x	13.9x
CompuGroup Medical AG	25.49	92.0%	1,357	1,718	595	3.2%	10.3%	6.7%	29.2%	21.3%	2.9x	2.7x	2.5x	13.5x	12.7x	10.9x
Quality Systems, Inc.	21.06	87.2%	1,266	1,178	446	1.4%	-4.3%	7.1%	56.2%	23.8%	2.6x	2.6x	2.4x	11.1x	11.3x	10.2x
Accretive Health, Inc.	9.16	67.7%	924	727	974	-5.7%	1.9%	7.1%	20.1%	4.5%	0.7x	0.7x	0.7x	16.7x	11.0x	10.5x
Zix Corporation	4.56	90.7%	288	255	48	3.3%	10.9%	11.7%	83.6%	18.5%	5.4x	5.3x	4.7x	28.9x	18.8x	15.2x
Mean		87.5%				0.2%	8.9%	10.5%	46.9%	14.6%	4.0x	3.8x	3.3x	18.6x	20.1x	16.8x
Median		91.4%				2.3%	6.1%	7.1%	46.2%	14.5%	2.8x	2.6x	2.5x	16.7x	15.6x	12.4x
Services IT																
The Advisory Board Company	\$63.67	90.2%	\$2,349	\$2,271	\$487	4.2%	15.9%	15.6%	40.5%	13.3%	4.7x	4.5x	3.9x	35.0x	25.4x	21.5x
Premier Inc. Class A	36.76	95.5%	1,190	1,155	806	77.4%	26.4%	12.3%	68.9%	40.8%	1.4x	1.4x	1.3x	3.5x	3.5x	3.1x
HealthStream, Inc.	32.63	82.0%	905	800	123	5.5%	27.6%	21.7%	52.6%	18.1%	6.5x	6.1x	5.0x	35.9x	33.3x	26.2x
Mean		89.3%				29.0%	23.3%	16.5%	54.0%	24.1%	4.2x	4.0x	3.4x	24.8x	20.7x	16.9x
Median		90.2%				5.5%	26.4%	15.6%	52.6%	18.1%	4.7x	4.5x	3.9x	35.0x	25.4x	21.5x
Aggregate Mean		87.2%				4.5%	10.3%	11.8%	46.6%	16.6%	3.6x	3.5x	3.1x	21.1x	17.1x	15.1x
Aggregate Median		92.6%				3.0%	10.3%	9.4%	49.9%	15.5%	3.0x	2.9x	2.7x	16.1x	13.2x	12.5x

Notes: "NM" denotes Not Meaningful; applied to multiples <0 or >100. "NA" denotes Not Available

LTM Relative Healthcare IT Stock Price Performance





Baltimore | Bangalore | Boston | Mumbai | Nashville | New York | Reston | San Francisco