

▶ M&A market report 2H 2019

Healthtech





PREVENTION, PRECISION & PATIENT EXPERIENCE



In the first half of 2019, M&A activity in the healthtech sector pointed to a desire to deliver better healthcare, cheaper, as acquisitions targeted companies focused on prevention, precision and patient experience to reduce costs.

Prevention

The proliferation of lifestyle diseases and an ageing population have compelled healthcare systems and providers to improve early detection of illness and medical anomalies, thus avoiding later-stage, costly emergency interventions and treatments. Though the field of genomics is heralded as the future of preventative medicine, current artificial intelligence and machine learning solutions are too limited to filter through the granular detail of genomic data in an accurate and cost-efficient manner.

Instead, more widespread preventative solutions include tracking and monitoring software compatible with wearable medical devices; clinical data analysis and clinical decision support software; and engagement software aimed at responsabilising patients and encouraging them to be proactive in detecting their health issues early.

Precision

In the first half of 2019, several acquirers targeted companies specialising in Healthcare Vertical Software, particularly in SaaS designed to improve and refine resource allocation, e.g. personnel and shift management, equipment and facility use in hospitals and health practices. Also, targets specialising in billing, payments and reimbursement continued to strike a chord with acquirers – particularly in North America – and represented 13 per cent of all deals recorded this period.

Patient experience

In the North American ecosystem of private healthcare, providers, hospitals and practices are keen to assess the satisfaction of their patients and use this data to remain relevant in the face of their competition. As a result, the first half of 2019 saw more acquisitions targeting software offering healthcare CRM and patient survey solutions which collect both quantitative and qualitative survey data.



M&A SUMMARY

The first half of 2019 recorded a slight increase in healthtech M&A activity, with a healthy 100 deals inked (11 per cent more than in 2H 2018) and around \$8.3 billion in disclosed transaction value throughout the period. Trailing 30-month median valuation multiples reached the highest levels in years, with EV/EBITDA climbing to 17.7x after the low of 13.7x in 2H 2018, and EV/S reaching 3.4x – a new record for healthtech.

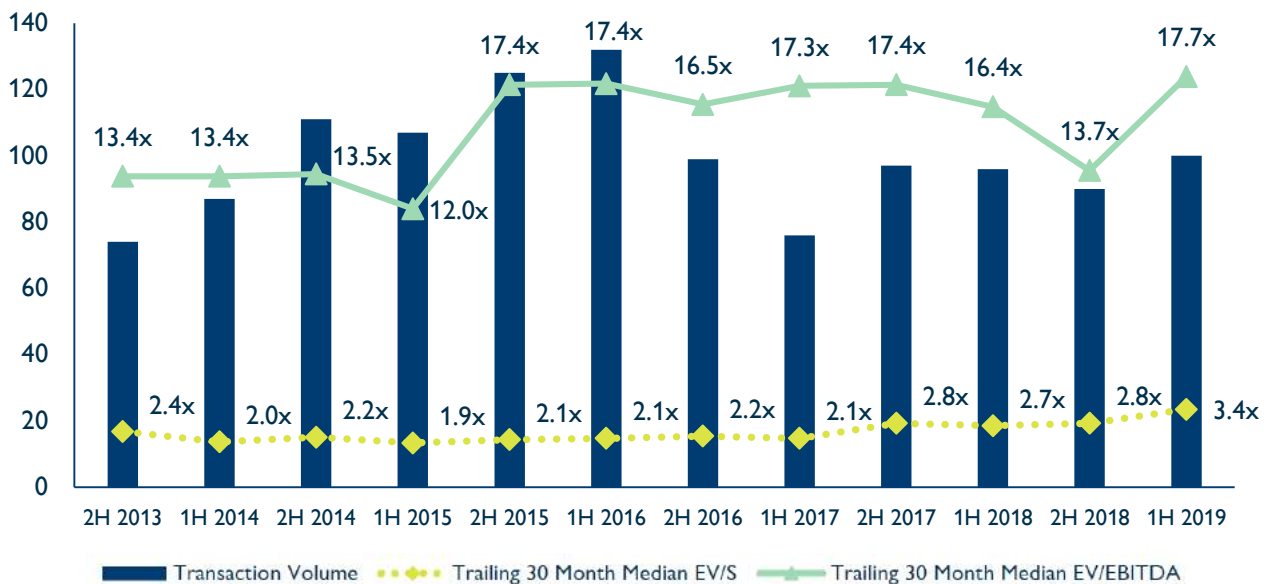
Two billion-dollar deals and a handful of transactions in the hundreds of millions brought the total disclosed deal value to \$8.3 billion – although, given that only 15 per cent of deals revealed their transaction value, this figure is not necessarily indicative of valuations trends or investor appetite.

Financial buyers continue to invest and acquire

In 1H 2019, 38 per cent of acquisitions were made by financial buyers – a proportion squarely consistent with previous shares, which have swayed between 29 and 42 per cent.

Featured among these deals were four acquisitions carried out by West Coast-based Francisco Partners and its portfolio companies: its direct buyout and rebranding of certain Qualcomm assets into Capsule (medical data networking systems); Capsule's subsequent acquisition of Bernoulli Health (clinical surveillance software); eSolutions' acquisition of Practice Insight (healthcare claims & billing SaaS); and Nextech's acquisition of SRS Health Software (healthcare medical records software). Francisco Partners will be the one to watch in terms of investments and buyouts, as it currently has 16 healthtech companies in its portfolio.

Overall, the M&A landscape in healthtech remains steady and promising, as target firms continue to receive interest from established trade buyers and buyout firms.



Our healthtech report covers the two-and-a-half-year period between January 2017 and June 2019. All totals and median values refer to the entire period unless otherwise stated. Median multiples plotted in the graphs refer to the 30-month period prior to and including the half year.



FUNDRAISING SUMMARY

According to research by CB Insights, the healthtech sector saw a record number of fundraises and value raised in 1H 2019. The amount invested in healthcare companies globally reached \$26.9 billion, compared to \$26.5 billion in 1H 2018. Deal count also increased to 2,258, compared to 2,223 in 1H 2018.

2019 is set to reach the highest deal count on record, with more than 4,500 fundraises projected to occur by the end of the year (compared to 4,395 in 2018). Value is set to reach around \$54 billion, thus falling a little short of the \$60 billion raised in 2018 but soaring past previous years.

Today, there are 38 VC-backed digital health unicorns worldwide worth a combined total of \$90.7 billion. The cohort's total valuation in 2019 continues to grow

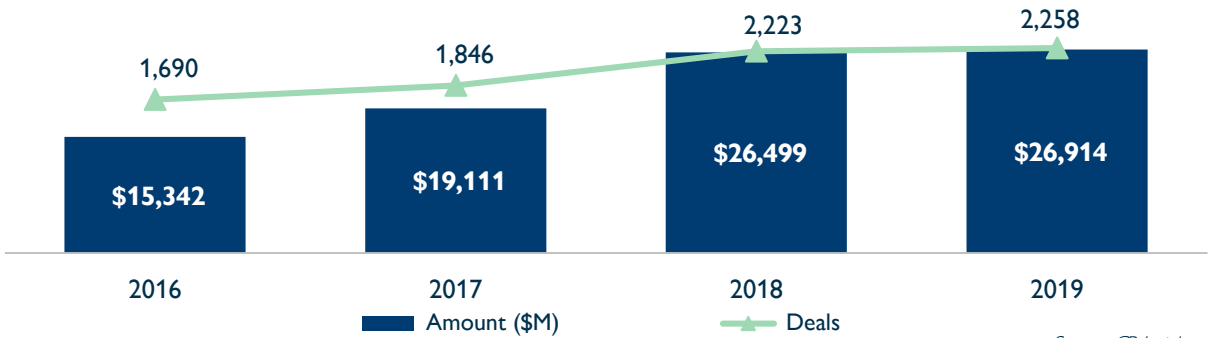
as a result of continued mega-rounds to existing unicorns. For instance, in May, Chicago-based cancer informatics and precision medicine company Tempus completed a Series F for \$200 million; and in March, Doctolib, the largest digital health service in Europe, raised around \$165 million in a funding round led by growth equity firm General Atlantic.

Healthcare unicorns globally

38

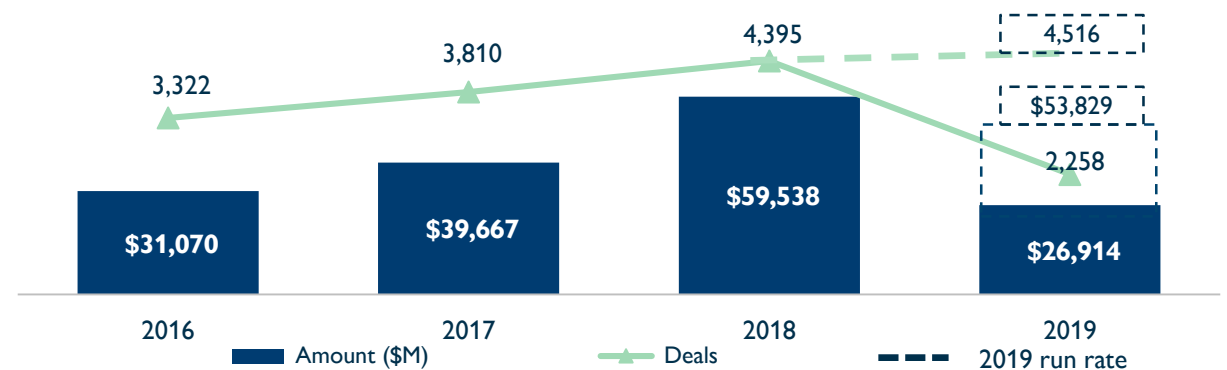
North American metro areas with the most fundraises in Q2 2019	
Silicon Valley, CA	85 rounds
Boston, MA	29 rounds
New York, NY	24 rounds

First half global VC-backed healthcare deals and financing, 2016 – 2019 (\$M)



Source: CB Insights

Annual global VC-backed healthcare deals and financing, 2016 – Q2 2019 (\$M)



Source: CB Insights



TOP ACQUIRERS

As in 2H 2018, Dutch tech and health giant Philips remained the sector's most consistently active acquirer. Despite making only one acquisition in March 2019 – acquiring Carestream Health and its cloud-based enterprise imaging for hospitals, imaging centres and specialty medical clinics – Philips completed a total of eight acquisitions over the last 30 months.

Overall, the first half of 2019 saw less M&A activity from the most active acquirers, save for Tabula Rasa's acquisition of PrescribeWellness and its pharmacy engagement management SaaS for \$150 million. Other healthtech giants such as Harris, Varian, and Mediware remain on the scoreboard by virtue of their acquisition sprees of 2018.

Acquirers	Acquisitions in 30 months	Three most recent acquisitions
 PHILIPS	8	Carestream Health medical image management SaaS Blue Willow Systems senior living facility safety SaaS & sensors VitalHealth healthcare management software
 HARRIS	6	Iatric Systems IT healthcare systems integration Clinix Medical medical EDI transaction processing SaaS MorCare medical case management SaaS
 TABULARASA	5	PrescribeWellness pharmacy engagement management SaaS DoseMe individualised medication dosing SaaS Cognify EHR management SaaS
 varian	4	Noona Healthcare oncology treatment tracking SaaS & mobile apps humediQ global surface-guided radiation therapy software & hardware Evince Innovation clinical decision support SaaS
 CGM CompuGroup[™] Medical	4	factis healthcare mobile data collection and controlling SaaS La-Well Systems teleconferencing SaaS & IPTV provider ATX nv dentist business management SaaS
 Allscripts[™]	4	HealthGrid Corp mobile-based patient engagement SaaS Evalytica healthcare analytics SaaS Practice Fusion online EHR management software
 TractManager	4	Newport Credentialing physician credentialing monitoring SaaS Equipment Management & Technology healthcare SaaS & services Hayes healthcare technology content & BPO
 Mediware[®]	4	Rock-Pond Solutions healthcare and pharmaceuticals analytics SaaS BlueStrata EHR electronic health record management SaaS Fazzi Associates home health & hospice BPO



TOP TRENDS IN HEALTHTECH

- **Private equity and financial buyers** continue to invest and acquire, favouring the EHR & Information Services and Online Health Services subsectors
- **Tracking, monitoring and patient engagement solutions** attracting attention, as preventative medicine remains #1 to avoid costly later-stage interventions
- **Payment, billing and reimbursement** technology still popular, particularly in North America
- **Patient satisfaction** closely monitored through qualitative and quantitative surveys, as the long-term **patient relationship** takes centre stage
- **Credentialing and reference** software and databases increasingly popular
- **Practice management and clinical analytics SaaS** continue to grow

LARGEST DISCLOSED DEALS OF 1H2019

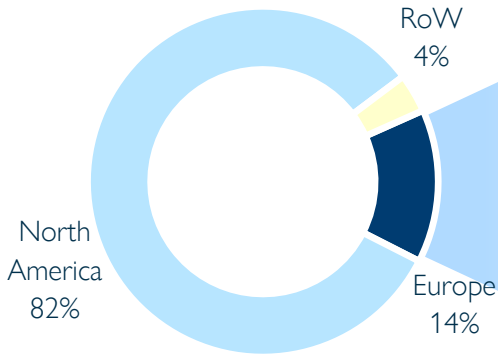
\$5.7 billion 12 June	Dassault Systèmes acquires Medidata Solutions at 8.8x EV/S and 72.1x EV/EBITDA
\$2 billion 27 June	HealthEquity acquires WageWorks at 2.4x EV/S and 9.0x EV/EBITDA
\$180 million 11 March	Hill-Rom Holdings acquires Voalte at 4.5x EV/S
\$150 million 5 March	TabulaRasa Healthcare acquires PrescribeWellness at 5.2x EV/S and 500x EV/EBITDA
\$77.4 million 21 March	Varex Imaging Corp acquires a majority stage in Direct Conversion for 5.1x EV/S and 18.1x EV/EBITDA
\$45 million 28 January	BioTelemetry acquires Geneva Healthcare at 7.5x EV/S
\$25 million 16 April	symlr acquires IntelliSoft Group at 5.0x EV/EBITDA
\$18 million 10 January	HealthStream acquires Providigm



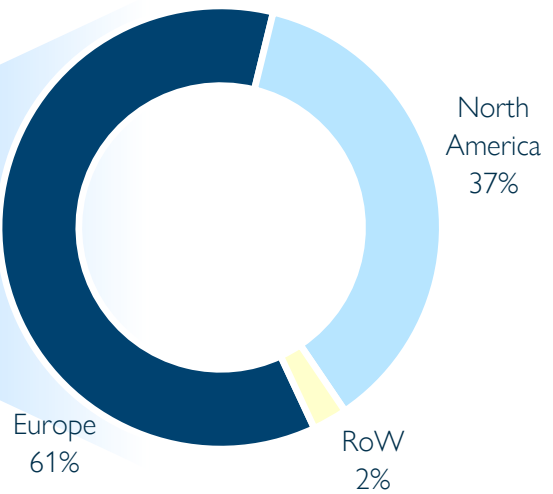


SUB-SECTOR BREAKDOWN

Headquarters of healthtech targets



Headquarters of acquirers of European targets



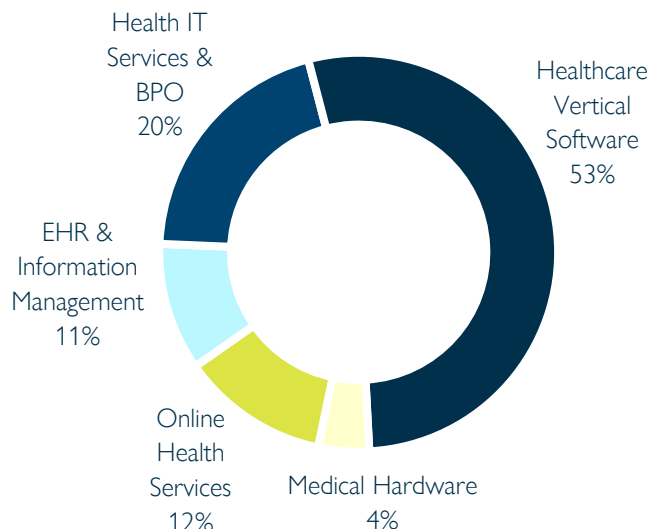
61%



European investors recorded another dominant half-year of deal-making within their region, as 61 per cent of European targets were bought by European acquirers, while 37 per cent were bought by North American acquirers.

Meanwhile, North American targets have maintained their colossal majority share of global M&A activity in healthtech, accounting for over 80 per cent of all deals.

- **Healthcare Vertical Software**
Healthcare-specific software relating to hospital management, patient analytics or pharmaceuticals.
- **Health IT Services & BPO**
Connectivity systems and outsourcing destined to improve practice and patient experience.
- **Online Health Services**
Internet-hosted services for patients, e.g. e-pharmacies, online health resources, e-learning platforms.
- **EHR & Information Management**
Electronic health and medical records, data management systems and software.
- **Medical Hardware**
High-tech medical devices. *NB: Medical Hardware is not explored in depth in this report, as the deal pool is too limited to offer any accurate conclusions.*





HEALTHCARE VERTICAL SOFTWARE

Transaction volume, value and multiples for this subsector all increased in the first half of 2019. After a slight slump in 2H 2018, the trailing 30-month median EBITDA multiple climbed to a very high 22.5x and the revenue multiple to 4.3x – the highest multiples on record.

In this subsector's largest deal, Dassault Systèmes acquired Medidata in an all-cash take-private worth \$5 billion (\$92.25 per share). Medidata's software analyses pharmaceutical and biotech trials for global drugmakers such as Pfizer, AstraZeneca and Sanofi, with the aim of lowering the total cost of clinical development by optimising clinical trials from concept to conclusion.

Tracking and monitoring: preventative solutions

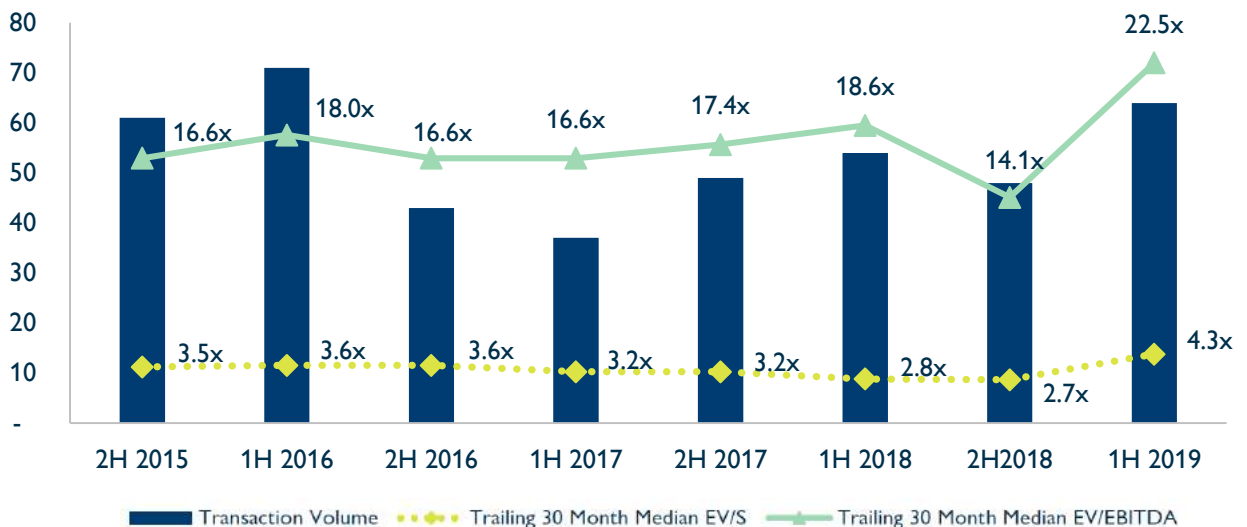
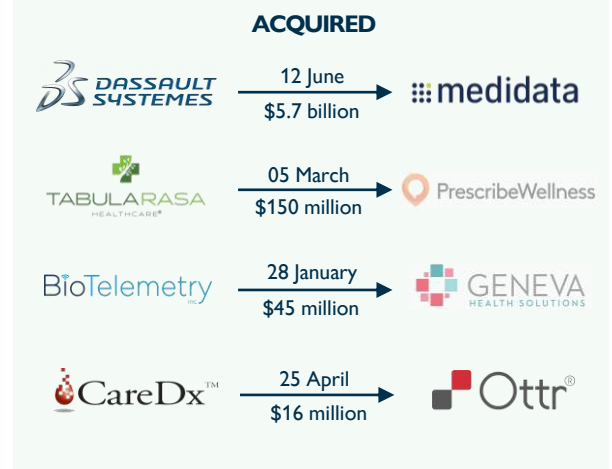
Targets focused on monitoring and tracking solutions struck a chord with both strategic and financial buyers. In April, diagnostic surveillance services provider CareDx acquired OTTR Chronic Care Solutions, an organ transplant patient tracking SaaS. Secondly, private equity fund Riverside acquired ChampionHealthcare Technologies, a surgical implant tracking SaaS which enables users to manage and track tissue and surgical implants from receipt, inventory storage to usage.

Finally, BioTelemetry – a provider of patient telemetry monitoring devices & SaaS – acquired Geneva Healthcare and its implantable cardiac device monitoring SaaS & services.

Practice management, billing and prescription management

In addition to Tabula Rasa's \$150 million bet on PrescribeWellness's pharmacy engagement management SaaS, OmniSYS, a pharmacy revenue cycle and patient engagement SaaS, acquired Rx-Net for an undisclosed amount, gaining access to its prescription price management SaaS for retail pharmacies in the US.

NOTABLE TRANSACTIONS IN 1H 2019





HEALTH IT SERVICES & BPO

Despite a decline in transaction volume over the past two and a half years, in 1H 2019 the Health IT Services & BPO subsector saw the trailing 30-month median EV/S multiple rise to 2.1x – the highest in at least four years.

Patient communication through systems integration, video and audio

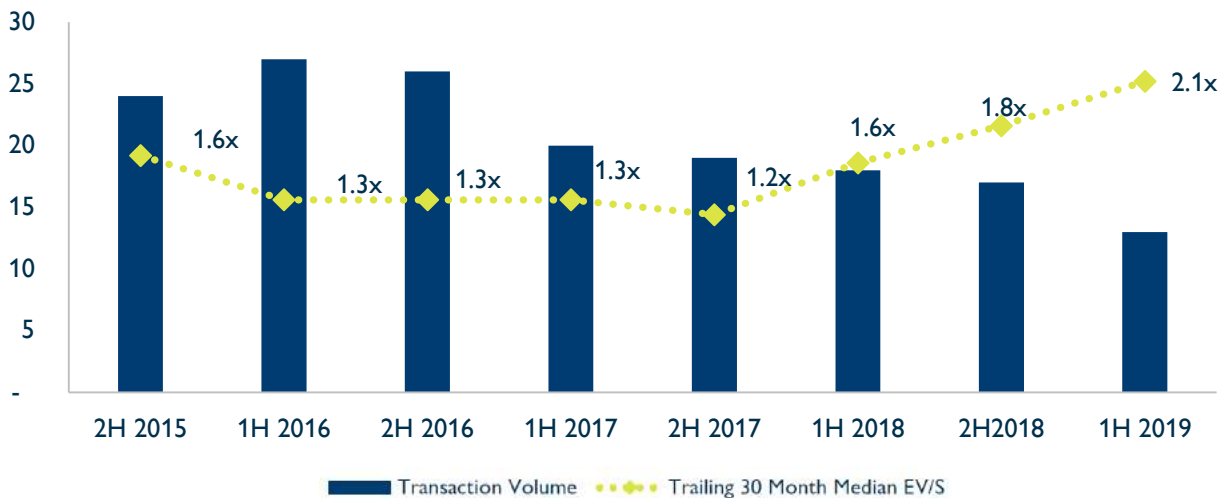
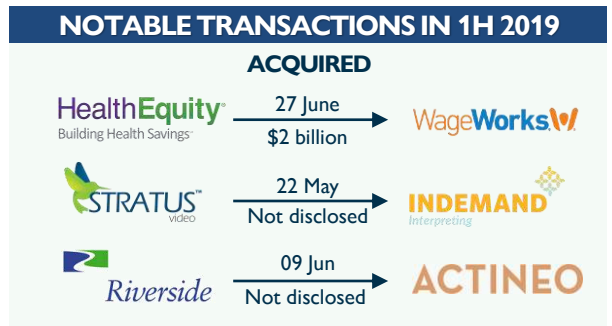
Several acquirers targeted companies offering IT integration and development services for the healthcare industry. In May, Stratus Video, an American provider of remote video interpretation services, entered a merger with InDemand Interpreting, gaining access to the latter’s desktop, tablet, app and on-site video interpreting systems and services. The combined business wishes to further its commitment to improving health equity for Limited English Proficient, Deaf and Hard of Hearing patients by providing access to medically qualified interpreters.

Other such deals include Japanese multinational NTT’s acquisition of Cognosante and its healthcare systems integration services; and DAS Health Ventures’ purchase of Altex Business Solutions and its healthcare software VAR & IT support services.

Outsourced benefits and healthcare systems

In June, publicly traded outsourced benefit administration service provider HealthEquity made an all-cash bid for the \$2 billion take-private of WageWorks and its outsourced consumer-directed benefit administration services. HealthEquity hopes to accelerate its market-wide transition to health savings accounts (HSAs) with greater market access and an end-to-end proprietary platform.

Finally, in a rare transatlantic acquisition, financial buyer Riverside acquired ACTINEO, a German personal injury claims management BPO. Riverside is seeking to develop ACTINEO as the frontrunner for bodily injury claims, and as a key Insurtech platform for all major outsourced health insurance firms.





EHR & INFORMATION SERVICES

Valuations in the EHR & Information Services subsector have fluctuated over the past years, with deal count and the trailing 30-month median EV/S multiple declining in 1H 2019. Acquisitions have targeted companies specialising in patient records, document & contract and content management technology.

Patient records and data appeal to strategic and financial buyers alike

In January, Morgan Stanley's private equity arm acquired Clarity Software Solutions from Guidepost Growth Equity for an undisclosed amount. Clarity provides document management SaaS to businesses in the healthcare industry and enables the design, management and tracking of ID cards, membership data file processing and inventory management.

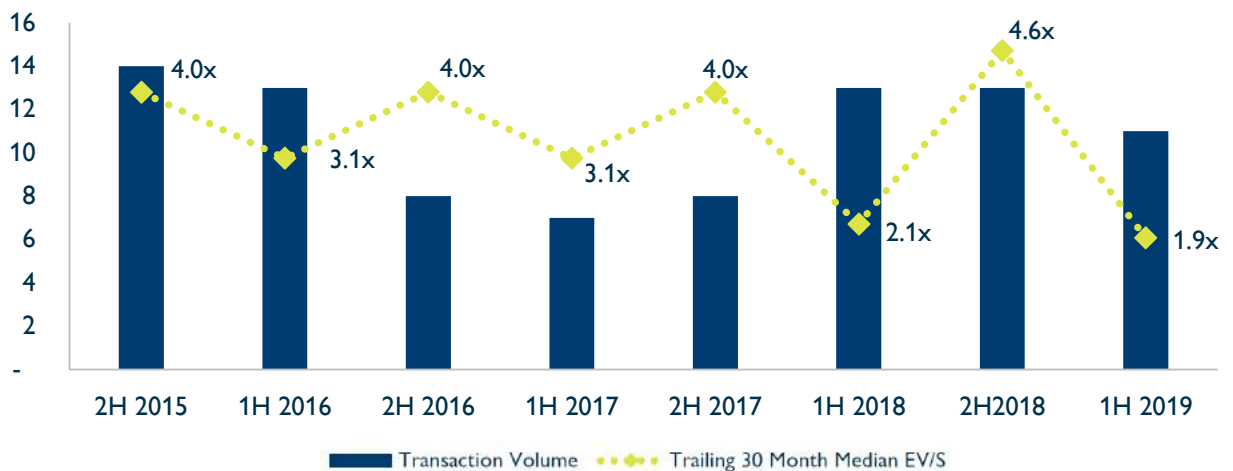
Furthermore, Iatric Systems (a subsidiary of Harris) acquired Haystack Informatics, a provider of healthcare business analytics SaaS which monitors EHR to identify anomalous activity or employee behaviour, monitor patient privacy and automatically calculate staffing costs.

Valsoft, a vertical market software investor, acquired XLDent, a dental practice management SaaS, which provides features for electronic dental records management, clinical charting, patient check-in and employee time recording.

Finally, in February, Medsphere Systems acquired Wellsoft, a provider of emergency department information systems with patient tracking, clinical documentation, orders and results and other patient information.

Meanwhile, several financial buyers made key acquisitions in this space, including via their portfolio companies. In May, Nextech, a portfolio company of Francisco Partners, acquired SRS Health Software, a provider of medical record management and payment software for use by specialty healthcare processes. In addition, eMDs – owned by Marlin Equity Partners – acquired Aprima Medical Software and its EHR management software.

NOTABLE TRANSACTIONS IN 1H2019





ONLINE HEALTH SERVICES

Despite an overall decline in transaction volume since 2017, valuations in the Online Health Services subsector have climbed since 2015 and remained high, lingering around 5.2x since the start of 2018. Volume has also inched up slightly since the last reporting period.

The subsector saw a variety of deals spanning various online health resources for patients and health professionals, as well as reference and credentialing technology.

M3 expands into South Asian market with Indian acquisition

In March, Japanese online medical reference content provider M3 Inc announced it would be acquiring a majority stake in DailyRounds, a clinical cases journal & test preparation website serving doctors, healthcare professionals and medical students in India. The move will allow M3 to expand quantity and quality of doctor membership in India, and expand existing services in India.

Referencing and credentials

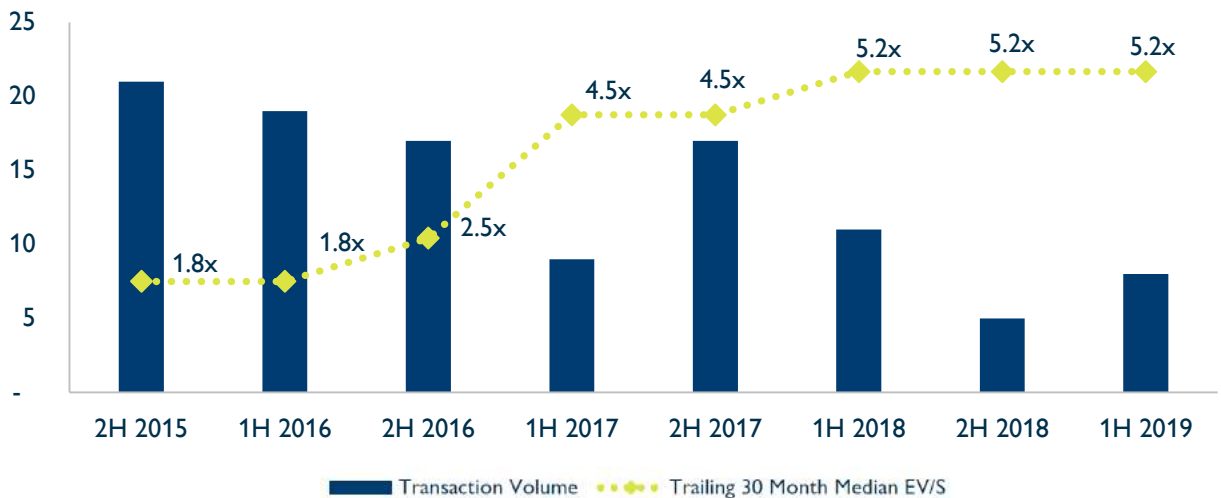
Three major acquisitions in this space were noteworthy: in March, Press Ganey Associates – a

provider of healthcare performance-optimisation software & database (also a portfolio company of EQT), acquired CALNOC, an online database of business intelligence reports and analytics on nurse performance regarding patient safety for hospital executives. Furthermore, in January, digital media and communications firm J2 Global acquired Castle Connolly Medical, which operates as an online search engine of nationally and regionally licensed physician-nominated doctors for consumers to see reviews and nominations of doctors before seeking treatment.

Meanwhile, IntelliCentrics Inc, an American security consulting services provider acquired UK-based Who Are You Ltd.m an online credential checking service for businesses in the UK healthcare industry.

NOTABLE TRANSACTIONS IN 1H2019

ACQUIRED		
M3, Inc.	14 March Not disclosed	DAILYROUNDS
PRESS GANEY	04 March Not disclosed	CALNOC
j2 Global	15 January Not disclosed	CASTLE CONNOLLY TOP DOCTORS





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Although 1H 2019 recorded only a slight increase in healthtech deal activity, average multiples across the board are higher than ever, with a marked increase in revenue multiples for the Healthcare Vertical Software and Health IT Services & BPO subsectors.

More than ever, M&A activity in the healthtech sector has pointed to a desire to deliver better healthcare, cheaper, against the backdrop of an ageing population, data protection and the pressure of cost-efficiency. As a result, many acquisitions have targeted companies focused on preventative medicine software and technology which can help detect anomalies early and avoid later-stage, costly emergency treatments; and software aiding with efficient resource allocation (personnel, equipment and facilities) and accurate payment processing.

We expect healthtech to remain a strong sector with continued M&A activity in the near future, as financial and strategic buyers invest and acquire in order to enter the healthtech space, expand their own product range or simply to seize the opportunity of innovative healthtech solutions which are likely to appeal to a wide range of healthcare systems and providers.

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Data Sources: We have based our findings on data provided by industry recognised sources. Data and information for this publication was collated from the 451 Research database, a division of The 451 Group, and CB Insights. For more information on this or anything else related to our research, please email the address provided below.

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