

**Presentation to:**

**TechPoint – Advancing Life Sciences and Healthcare IT Conference**

**HCIT Market – Investment and M&A Trends**

**November 1, 2011**

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# HCIT Deal Activity Summary

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- **HCIT IPO Market Has Been Weak; Only One HCIT IPO Going to Market in 2011 (Epocrates)**
- **M&A Volume, Deal Sizes and Valuation Have All Rebounded**
- **PE Buyers Have Returned to the M&A Market**
- **Venture Capital Firms Are Actively Seeking Investments in Attractive Growth Segments of HCIT**
- **Public HCIT Companies Share Prices Have Outperformed the Overall Market**
- **Revenue Growth is Being Rewarded in the Public Market**

# Hot Themes for Acquisition & Investment

## ■ Analytics

- *Explorys*: \$11.5M funding from Austin Ventures and Cleveland Clinic Innovations; early stage cloud analytics company addressing a large market opportunity

## ■ Technologies That Are Used to Monitor Health in the Home

- GE and Intel have formed partnership to jointly create home health monitoring technologies

## ■ Supply Chain Management

- *Sentient Health*: Acquired by AeroScout, provides software solution that tackle real hospital pain-points

## ■ Revenue Cycle Management Technology

- *Emdeon*: Acquired by Blackstone and Hellman & Friedman's for \$3.4B acquisition; will serve as a platform for consolidation and growth

## ■ Tools to Measure Clinical Performance

- *DocSite*: Acquired by Compuware, clinical decision support and quality performance management solution

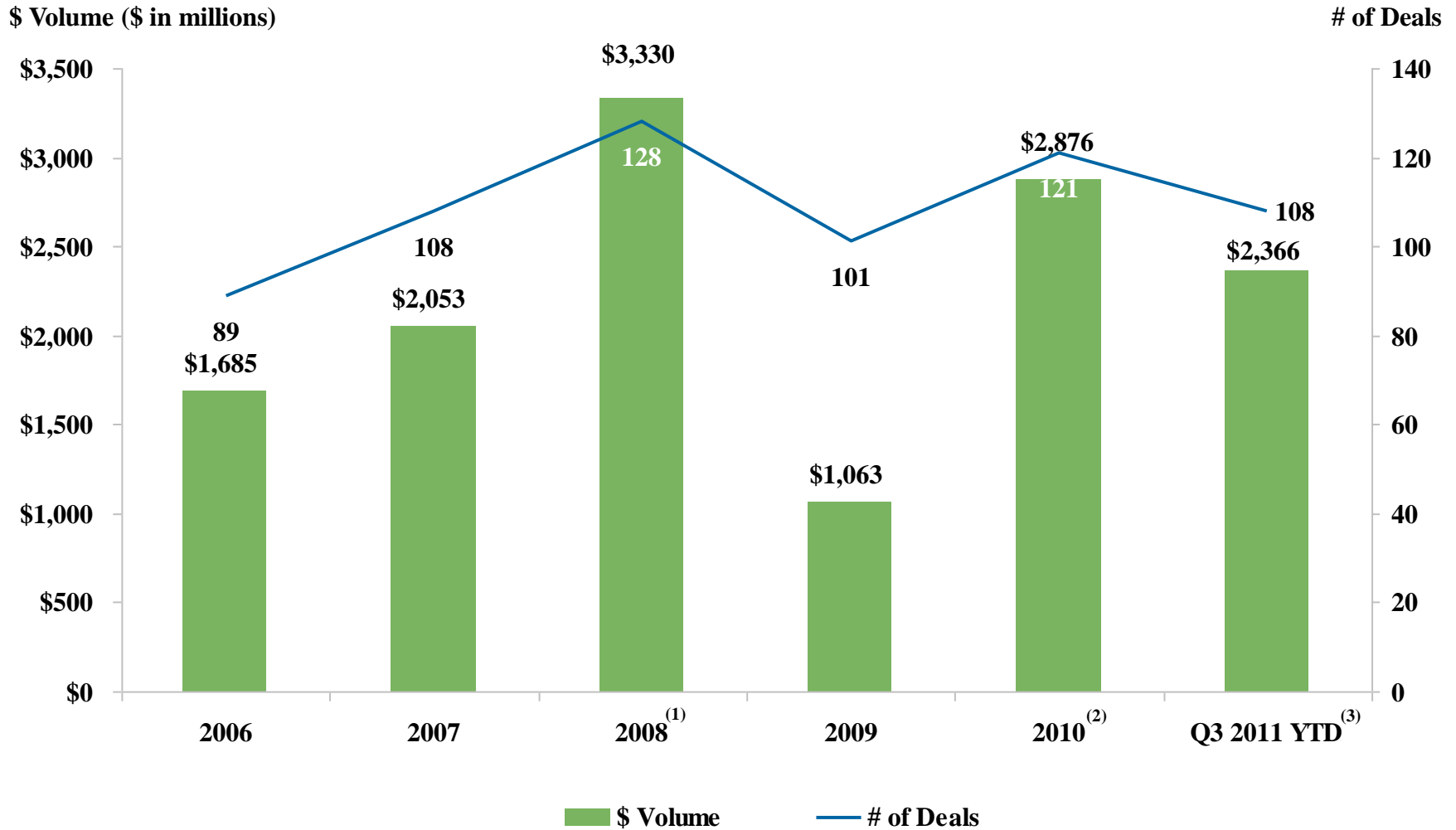
## ■ Technologies That Aid Physician Entry of Data

- *DrChrono*: Funding by DST, provides mobile-based EHR solutions

## ■ eRx and Other Pharmacy-based Technologies

- *Wellfount* : \$7M funding from Arboretum Ventures; remote, real-time pharmaceutical dispensing systems

# HCIT M&A Has Recovered



Source: CapitalIQ screen of Healthcare Technology transactions for US & Canada.

(1) Excludes Apax's \$1.4B acquisition of TriZetto.

(2) Excludes Allscripts' \$1.3B acquisition of Eclipsys.

(3) Excludes Express Scripts' \$33.5B acquisition of Medco Health Solutions and Blackstone and Hellman & Friedman's \$3.4B acquisition of Emdeon.

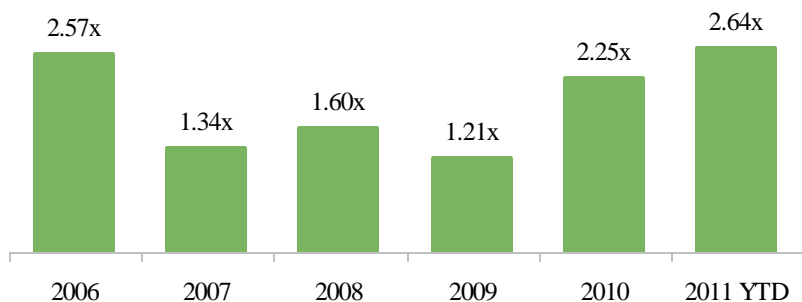
# HCIT M&A Deal Metrics

## Deal Size And Valuation On The Rise

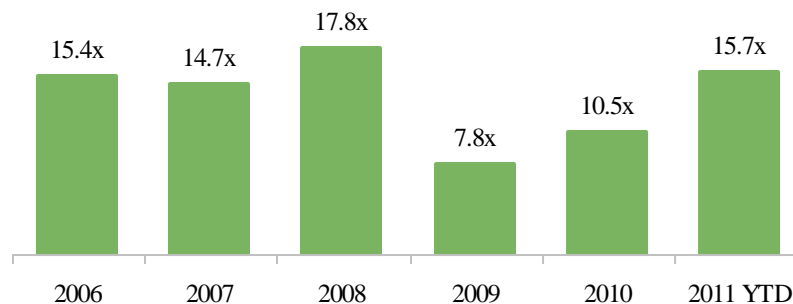
**Median Deal Size (\$ in millions)**



**Median EV/LTM Revenue**



**Median EV/LTM EBITDA**



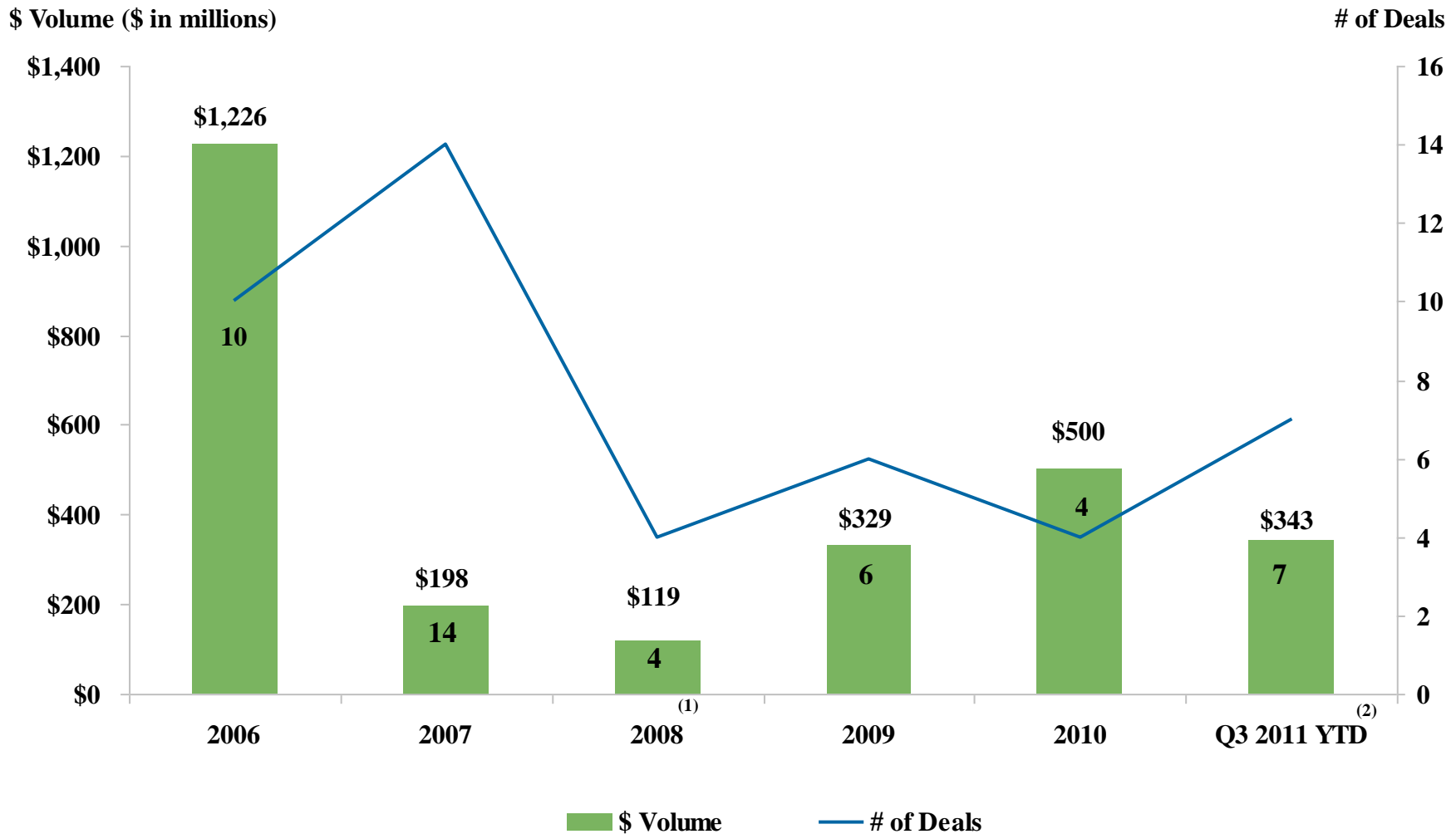
Source: CapitalIQ screen of Healthcare Technology transactions for US & Canada.

(1) Excludes Apax's \$1.4B acquisition of TriZetto Group.

(2) Excludes Allscripts' \$1.3B acquisition of Eclipsys.

(3) Excludes Express Scripts' \$33.5B acquisition of Medco Health Solutions and Blackstone and Hellman & Friedman's \$3.4B acquisition of Emdeon.

# Private Equity Firms Have Been Active Acquirers in 2011



Source: CapitalIQ screen of Healthcare Technology transactions for US & Canada.

(1) Excludes Apax's \$1.4B acquisition of TriZetto Group and General Atlantic's \$500M acquisition of Emdeon.

(2) Excludes Blackstone and Hellman & Friedman's \$3.4B acquisition of Emdeon.

# Notable M&A Themes in 2011

## ■ Return of the Mega Deal

- Express Scripts' \$33.5B acquisition of Medco Health Solutions

## ■ Healthcare Players Expanding Into New Vertical Segments

- WellPoint's acquisition of CareMore Health Group
- CIGNA responded with acquisition of HealthSpring

## ■ Large Private Equity Deals Have Returned

- Blackstone and Hellman & Friedman's \$3.4B acquisition of Emdeon

## ■ Non-Traditional Buyers Are Entering the Healthcare IT Space

- SAIC's \$190M acquisition of Vitalize Consulting
- Stanley Black & Decker's \$52M acquisition of InfoLogix

## ■ Foreign Companies Looking to Expand Presence in the U.S.

- Toshiba's \$150M acquisition of Vital Images

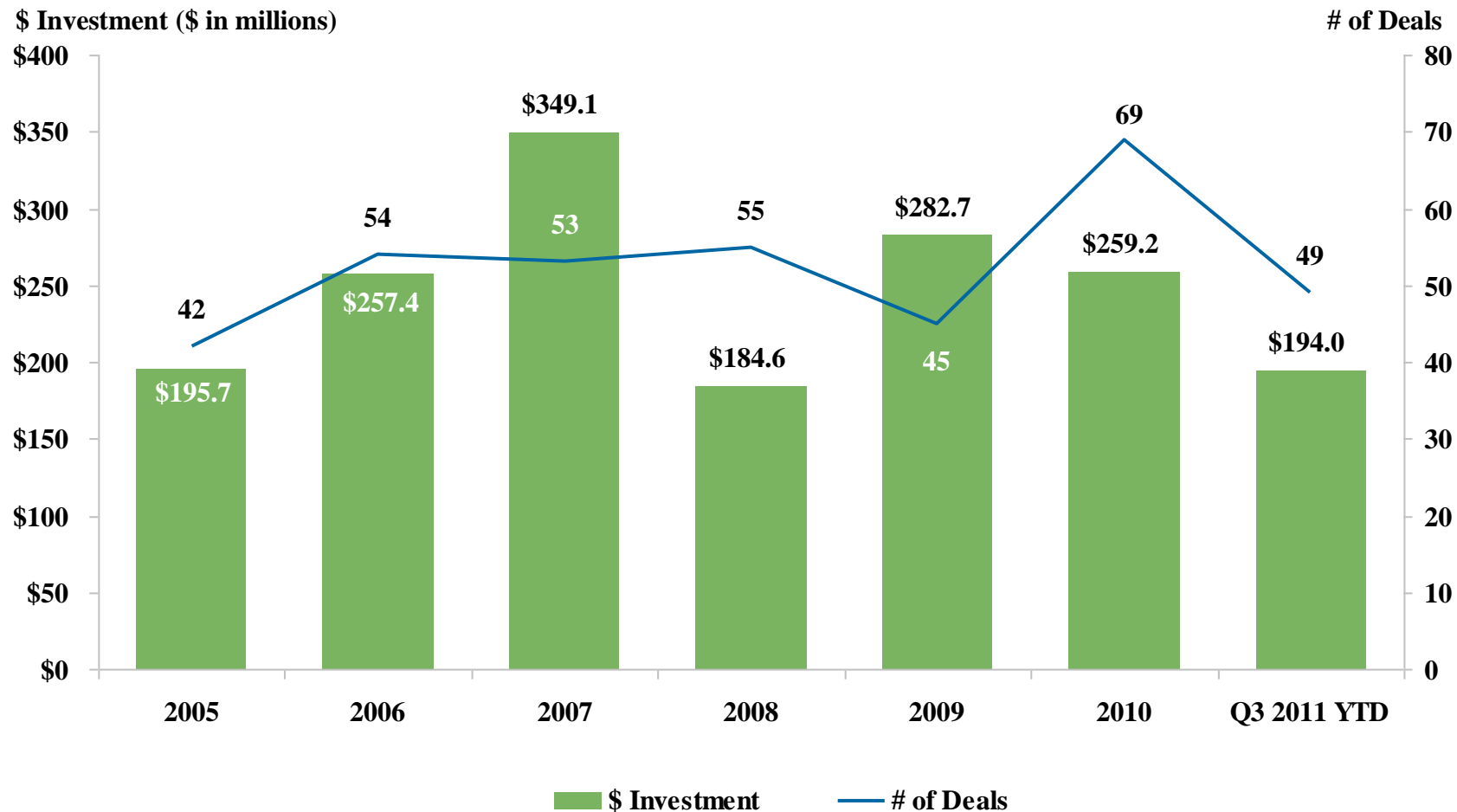


# HCIT Consolidation Drivers

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- **Organizations looking to quickly grow market share and capitalize on emerging technology trends**
- **Access to new markets and geographies**
- **Create one-stop-shop systems that can fulfill multiple needs in one solution**
- **Companies need to find ways to increase their “stickiness” with existing clients**
- **The number of private equity funds interested in Healthcare IT is on the rise – HCIT companies seen as attractive platforms for growth and consolidation**

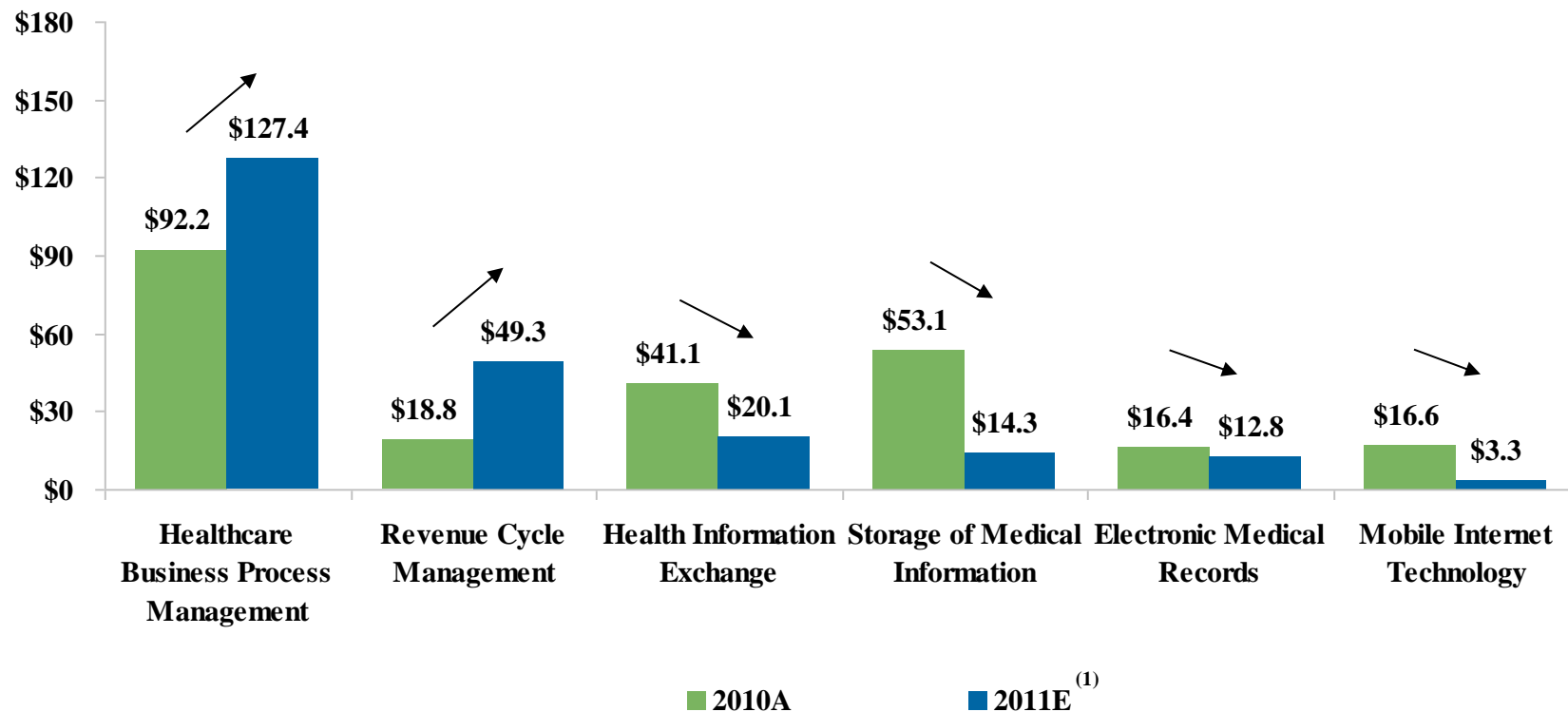
# VC Investment Has Returned to “Pre-Bubble” Levels



Source: CapitalIQ screen of Healthcare Technology transactions for US & Canada.  
 Note: Only includes Venture Capital investments and excludes late-stage investments.

# Venture Capital Investment by HCIT Segment

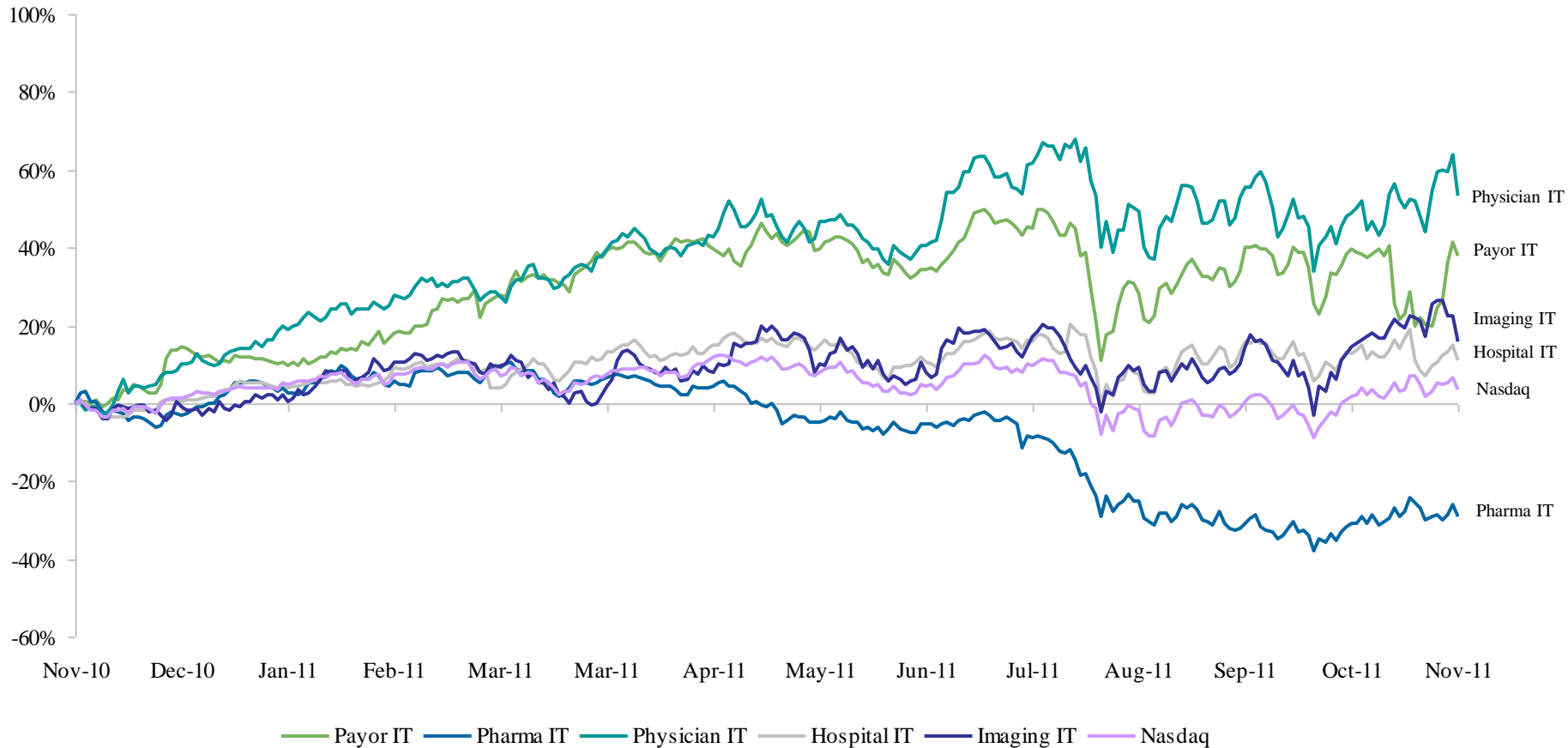
*Revenue Cycle Management and Healthcare Business Process Management Have Been Active Areas for Investment.*



Source: CapitalIQ screen of Healthcare Technology transactions for US & Canada.  
Note: Only includes Venture Capital investments and excludes late-stage investments.  
(1) Annualized based on actual volume through 9/30/11

# HCIT Public Market Performance

*HCIT Companies Have Outperformed the Broader Technology Market.*



Source: CapitalIQ.

Note: Market data as of November 14, 2011.

Note: Payor IT comprised of SXC Health Solutions and HMS Holdings; Pharma IT comprised of WebMD, Medidata Solutions, eResearchTechnology, Accelrys and Epocrates;

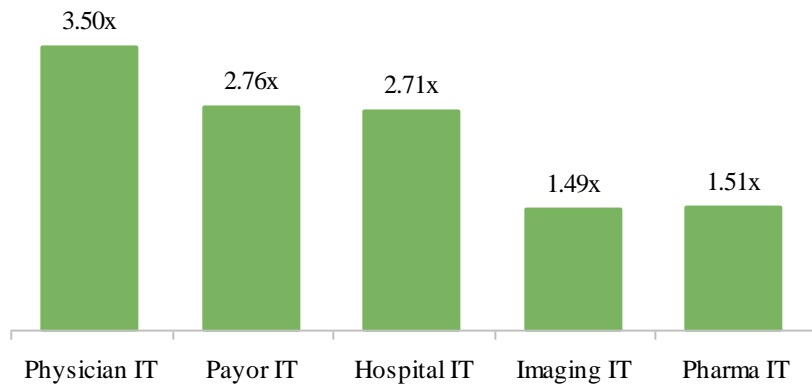
Physician IT comprised of Allscripts, Accretive Health, Quality Systems, athenahealth, Healthstream and Zixi; Hospital IT comprised of Cerner, MedAssets, CPSI, Omnicell and Mediware;

Imaging IT comprised of Merge Healthcare, OSI Systems, Sectra AB and iCad.

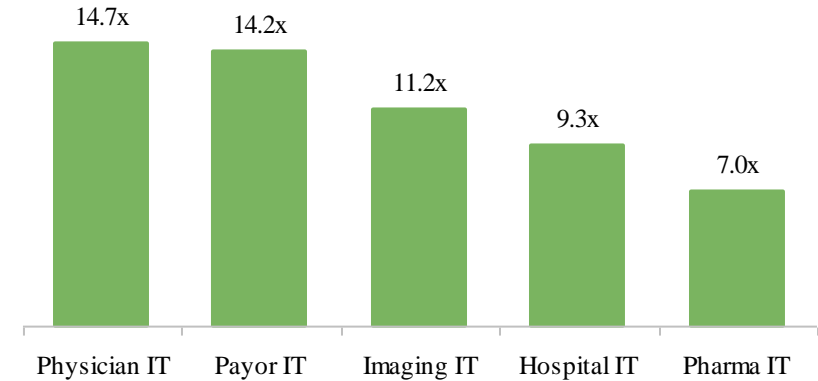
# HCIT Public Market Valuation

## Public Markets Value Revenue Growth.

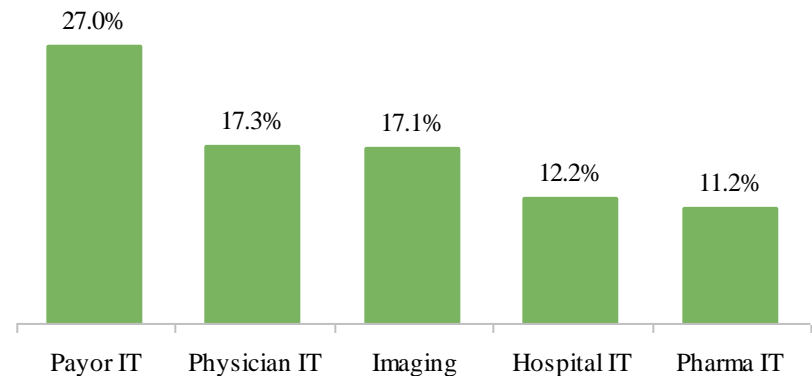
### EV/2012E Revenue



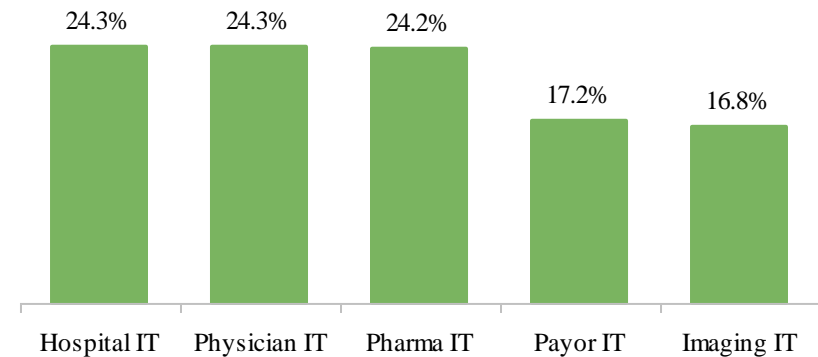
### EV/2012E EBITDA



### 2012E Revenue Growth %



### 2012E EBITDA Margin %



Source: CapitalIQ.

Note: Market data as of November 09, 2011.

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