

M&A UPDATE

M&A Trends For The First Half of 2016

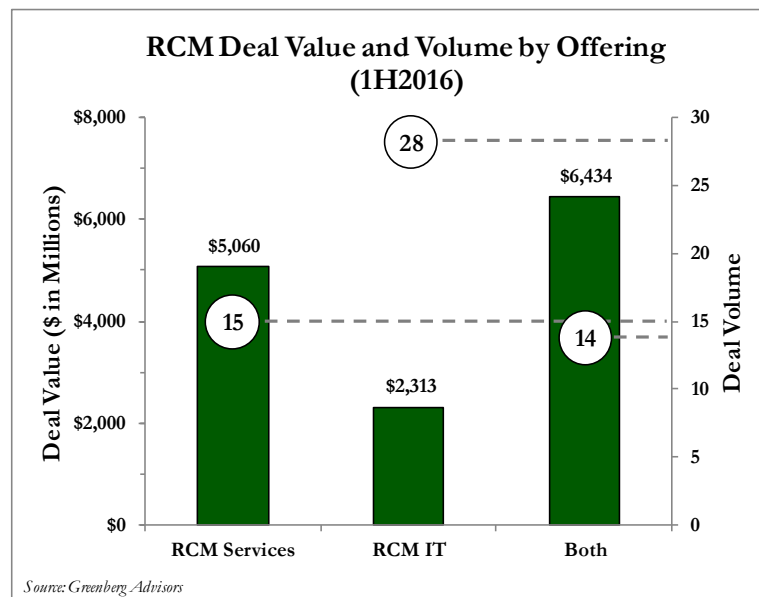
The first half 2016 experienced a healthy level of M&A activity in the RCM market, with 57 transactions, while activity in ARM declined, with 18 completed deals. The breadth of analysis below is derived from our specialization and activity in these sectors, as well as our proprietary M&A database, DealTracker, through which we analyze thousands of data points related to M&A valuation comparables and trends. Contact GA for further insight into valuations, or to discuss your M&A interests or other questions.

M&A Activity in Revenue Cycle Management (RCM)

The market was highly active in the first half of 2016, with over \$13.8 billion in deal value across 57 transactions. Activity occurred across the Revenue Cycle and included companies offering patient-friendly technology solutions for patient engagement, patient communications and scheduling, strategic services such as consulting and analytics, and back-end offerings like billing, coding, and collections.

Deal Volume Is Way Up – Buyers continue to seek access to the evolving healthcare market as reflected by a 46% increase in deal volume over 2H 2015. Deal objectives vary, with some buyers seeking exposure to new markets or clients, others looking to add or strengthen a service line, and others to gain a technology advantage. For instance, **MedAssets-Precyse** was rebranded as **nThrive** in the wake of its latest acquisition, **Equation**, which allowed it to offer more of an 'end-to-end' RCM solution. Strategic and financial buyers continue to aggressively target the RCM market with several of them making multiple acquisitions in 1H 2016.

Lower Middle-Market Dominates – Transactions in which the sellers generate less than \$25 million in revenue have increased over 40% compared to 2H 2015. These deals accounted for approximately 67% of volume in 1H 2016 and slightly favored strategic buyers, which made 54% of the acquisitions. This data depicts the considerable interest that buyers have for RCM companies of all sizes.



(Continued on Page 2)

Greenberg Advisors, LLC provides trusted M&A and strategic advice within the financial services and business services sectors worldwide. The firm is best known for its expertise in Revenue Cycle Management (RCM), Accounts Receivable Management (ARM), Business Process Outsourcing (BPO), and Specialty Finance. Focused on these inter-related sectors for over 20 years, the firm's professionals offer a comprehensive, yet highly specialized perspective from which to advise clients, which has resulted in the completion of approximately 125 merger & acquisition (M&A), capital raising, valuation, and strategic advisory engagements. These client successes reflect its distinct client-first approach, objective point of view, deep sector expertise, and roll-up-the-sleeves work ethic.

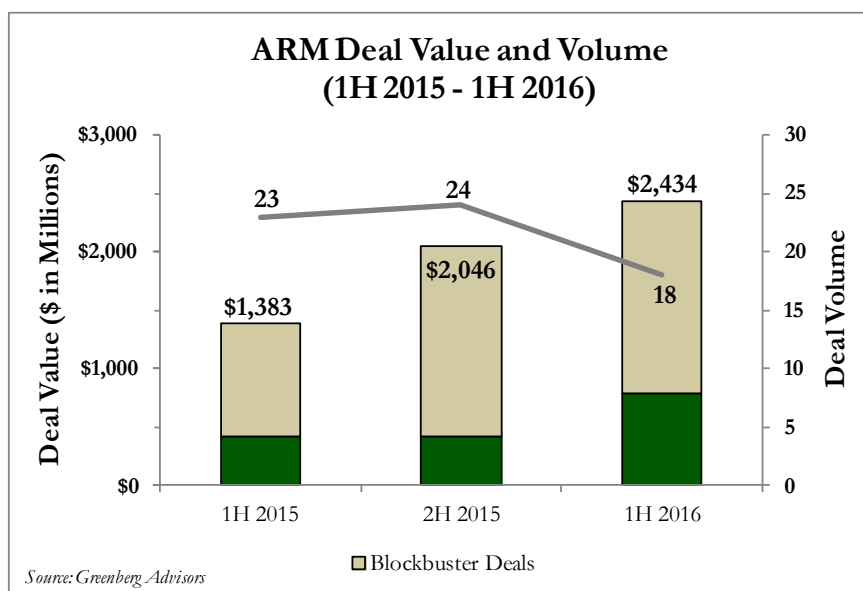
M&A UPDATE

Buyers Like Technology – M&A in RCM was particularly active among RCM vendors offering SaaS-based and other IT solutions or tech-enabled services. Approximately 74% of sellers utilized a technology solution to generate revenue. Specifically, analytics and patient access solutions were among the most active of the IT offerings. This trend is consistent with 2H 2015 in which 59% of the sellers offered a technology solution. When analyzing the service mix of sellers, 91% provided at least one back-end RCM offering, building on a trend that we discussed in 2015.

M&A Activity in Accounts Receivable Management (ARM)

The ARM market saw 18 deals in the first half of 2016, representing approximately \$2.4 billion in deal value. We expect that a number of significant deals, however, are likely to occur over the next few quarters due to transactions that are already in the works, and the expectation of a decision from the Department of Education regarding its collection contract. Today's deals most often involve sellers that are performing well and that offer distinct differentiators (eg. unique technology, services, or a strong regional presence), or those that may be underperforming and/or are more flexible regarding terms. Most certainly, a company's ability to sell in today's market is driven more by shareholder openness and approach to a transaction than by a lack of interested parties.

Deal Volume Drops – The 18 deals that closed in 1H 2016 represented a 22% decline in deal volume from 1H 2015 and a 25% decline from 2H 2015. In terms of deal value, at approximately \$2.4 billion, this represents a 19% increase compared to 2H 2015. Two blockbuster transactions (**GFKL/Lowell Group** and **ORG/GC Services**) occurred in 2H 2015, and if removed, deal value would have been just \$423 million. The same holds true for 1H 2015, during which two deals accounted for approximately 69% of deal value. 1H 2016 followed suit, with one transaction (**Alorica/Expert Global Solutions**) comprising about 68% of the total deal value for the period. Investor interest remains high among financial and strategic buyers that we speak with. While regulatory headwinds have made some financial buyers look elsewhere, companies able to demonstrate an effective focus on compliance, among other things, garner considerable attention from suitors.



(Continued on Page 3)

Greenberg Advisors, LLC provides trusted M&A and strategic advice within the financial services and business services sectors worldwide. The firm is best known for its expertise in Revenue Cycle Management (RCM), Accounts Receivable Management (ARM), Business Process Outsourcing (BPO), and Specialty Finance. Focused on these inter-related sectors for over 20 years, the firm's professionals offer a comprehensive, yet highly specialized perspective from which to advise clients, which has resulted in the completion of approximately 125 merger & acquisition (M&A), capital raising, valuation, and strategic advisory engagements. These client successes reflect its distinct client-first approach, objective point of view, deep sector expertise, and roll-up-the-sleeves work ethic.

M&A UPDATE

Heavy Focus on Lower Middle-Market Companies – Despite the median seller revenue increasing approximately 65% in 1H 2016 compared to 2H 2015, buyers continue to focus on the lower end of the middle market, as 61% of deals were under \$25 million in deal value. This reinforces the notion that size is not a limiting factor when pursuing a transaction, assuming that the right buyers are identified. Sectors with the greatest level of activity included Financial Services, Healthcare, Education, and Utilities. We expect these and other markets to continue to generate deal flow due to the current regulatory environment, which can play both a positive or negative role with respect to deal flow depending on the sector and services of target entity.

Multiples Hold Steady, Even Rising a Bit – EBITDA multiples in the ARM industry have remained fairly stable, and in fact, rose 8% over 2H 2015, illustrating the persistent appetite for debt collection services, given its vital role within the economy. Compliance infrastructure and compliance track record will continue to play a key part in the interest level of many buyers, as will the ability of buyers to gain access to niche markets, services, and unique technological and other capabilities. Buyers paying the highest multiples are most often those completing relatively large transactions and/or those for whom the transaction is exceptionally strategic.

[Contact us](#) to learn more about deal multiples in today's market or to discuss your M&A interests/plans.

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. 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.

Contact Us at 301-576-4000 | Visit Our Website at www.greenberg-advisors.com

Brian Greenberg	CEO	bgreenberg@greenberg-advisors.com
Zach Eisenberg	Associate	zeisenberg@greenberg-advisors.com
Casey Krasko	Analyst	ckrasko@greenberg-advisors.com