

# Greenberg Advisors

M&A • STRATEGIC ADVISORY • CAPITAL

## M&A Update 2018



Healthcare IT &  
Revenue Cycle Management

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## INTRODUCTION.

M&A in the Revenue Cycle Management (RCM) and Healthcare IT (HCIT) markets proved quite active in 2018, with more than 140 transactions representing over \$11.1 billion in deal value.

[GA's seven transactions in 2018](#) embody the diversity seen across the markets, as the sellers focused on a variety of aspects of RCM and HCIT including analytics, denials management, revenue integrity, self-pay receivables management, billing, practice management, and many others.

Fully immersed in these markets, we expect another exceptional year for M&A in 2019 driven by heightened investor interest in innovative technologies, solutions that improve the patient experience, data assets such as patient information, and the perpetually-sought back-office functions.

Our conversations with investors indicate a very high level of interest in the RCM and HCIT sectors, as they seek investments based on thesis' ranging from consolidation strategies to emerging technology.

### SELECTED GA TRANSACTIONS IN 2018.



AppRev

was acquired by



a portfolio company of

**AQUILINE**  
CAPITAL PARTNERS LLC

Sell-Side Advisor



HealthPrime  
INTERNATIONAL

was acquired by



GP  
BC  
CAPITAL

Sell-Side Advisor

**INFINX**

acquired



enhanced  
revenue solutions

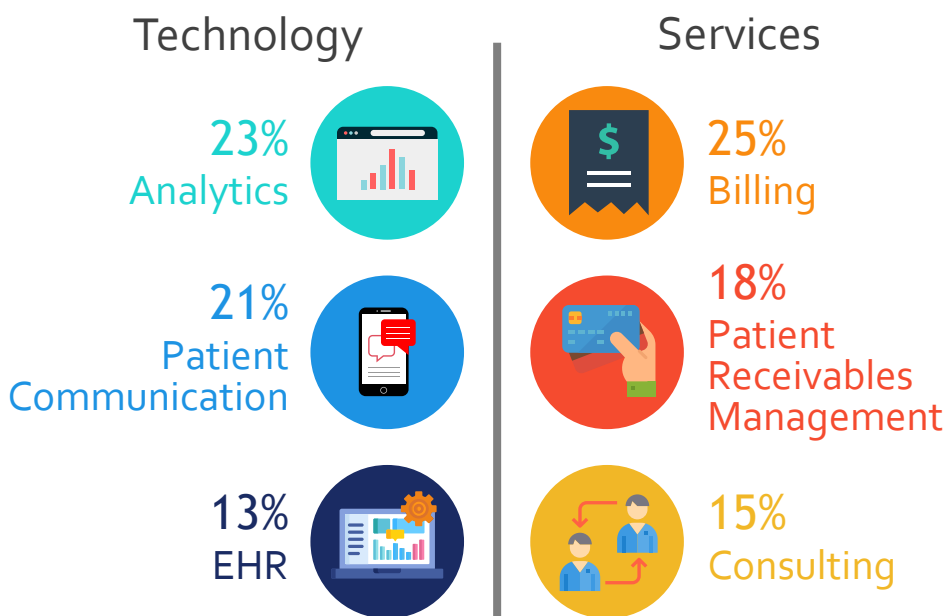
Buy-Side Advisor

## KEY TAKEAWAYS.

### 1 Analytics Stays Hot

The majority of sellers (64%) in 2018 sold technology solutions. Analytics technology led the way, as 23% of sellers offered a clinical or financial analytics tool. Interestingly, there was almost equal activity among deals for clinical analytics as for financial analytics, indicating that buyers appreciate the critical nature of both the quality of care as well as the bottom line. Technology for patient engagement (scheduling and communication) was also heavily pursued, as it was offered by 21% of sellers.

### DEAL VOLUME BY OFFERING



### THE CUTTING EDGE

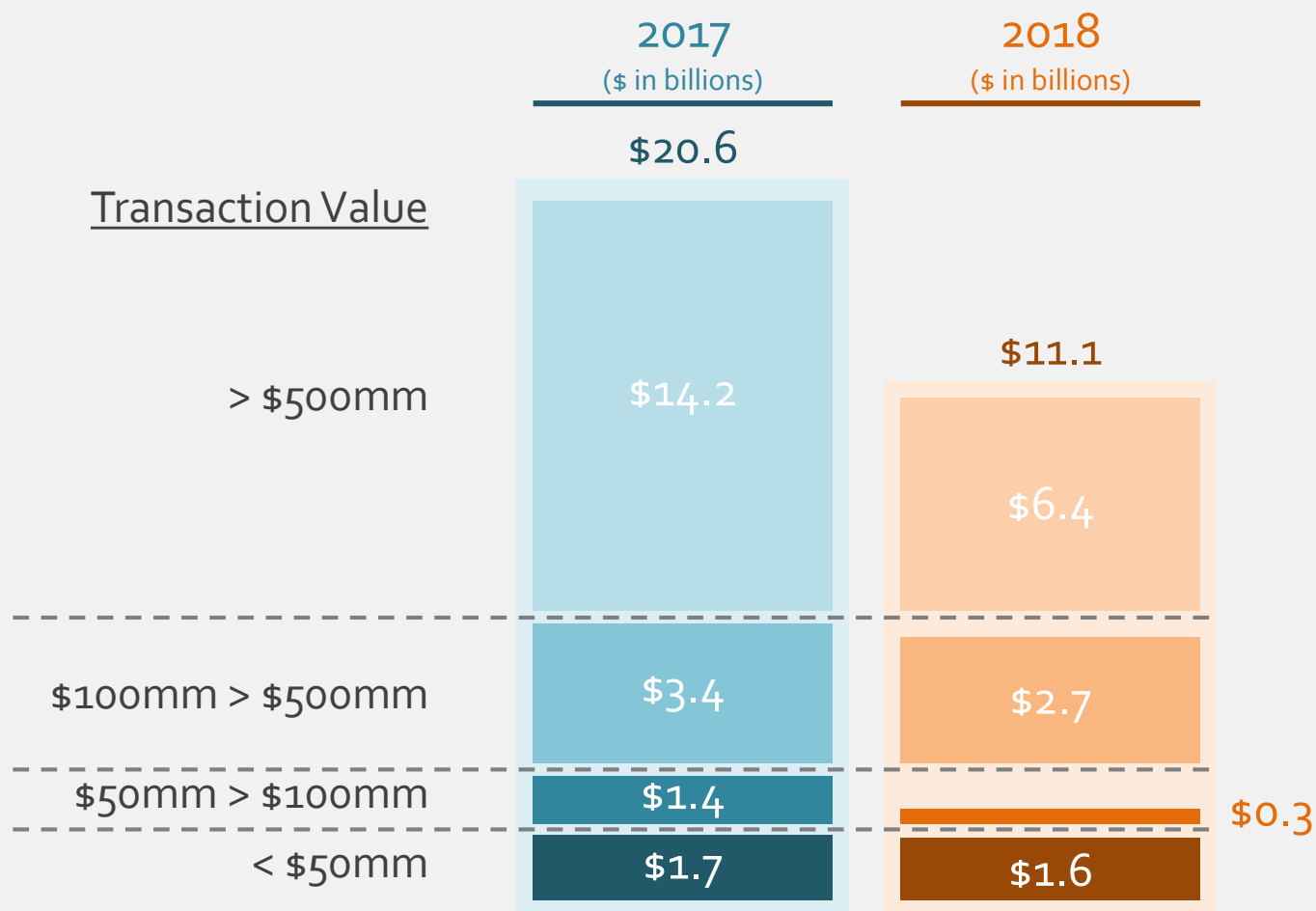
*Machine Learning, Natural Language Processing, Artificial Intelligence (AI), Interoperability, and Robotic Process Automation are not just theories anymore. Firms with these offerings are attracting investments at an increasing rate. For instance, investments into AI companies grew by over 300% in 2018. Similarly, interoperability deals increased from 5% of total deal volume to 10%. We continue to see more buyers seeking these technologies to drive efficiencies, better leverage data assets, and enhance results, which enables them to price transactions aggressively.*

## KEY TAKEAWAYS.

### 2 Deal Value: Upon Further Review...

A quick glance at deal value may lead one to think that M&A activity declined significantly in 2018, but we found that the change was driven by deals exceeding \$500 million in enterprise value (EV), which aren't representative of the majority of transactions in RCM and HCIT. Isolating transactions with less than \$50 million in enterprise value, which represented over 80% of the transactions in 2018, shows a much more consistent picture.

### TOTAL DEAL VALUE BY DEAL SIZE

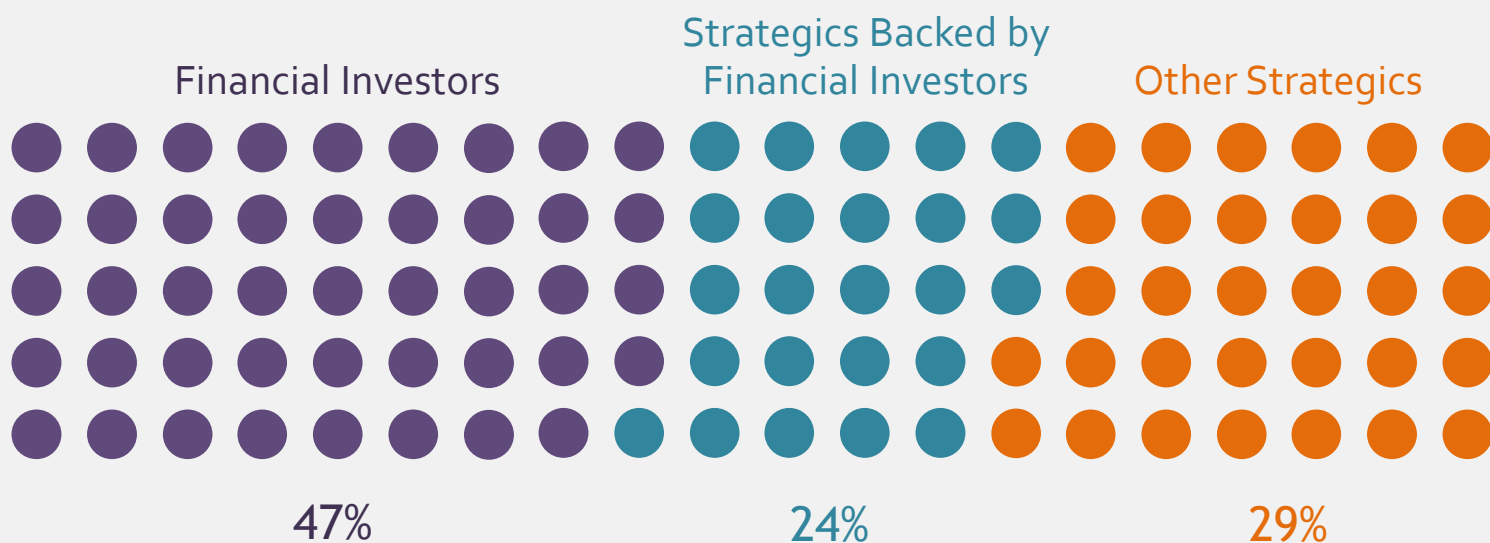


## KEY TAKEAWAYS.

### 3 Financial Buyers are Taking Care of Business

Financial buyers accounted for 47% of the deals in 2018, up from 36% in 2017 and 44% in 2016. If we add to that strategic buyers that were backed by financial investors, they together accounted for over 70% of the transactions!

#### DEAL VOLUME BY BUYER TYPE



### 4 VCs Coming Back for Seconds

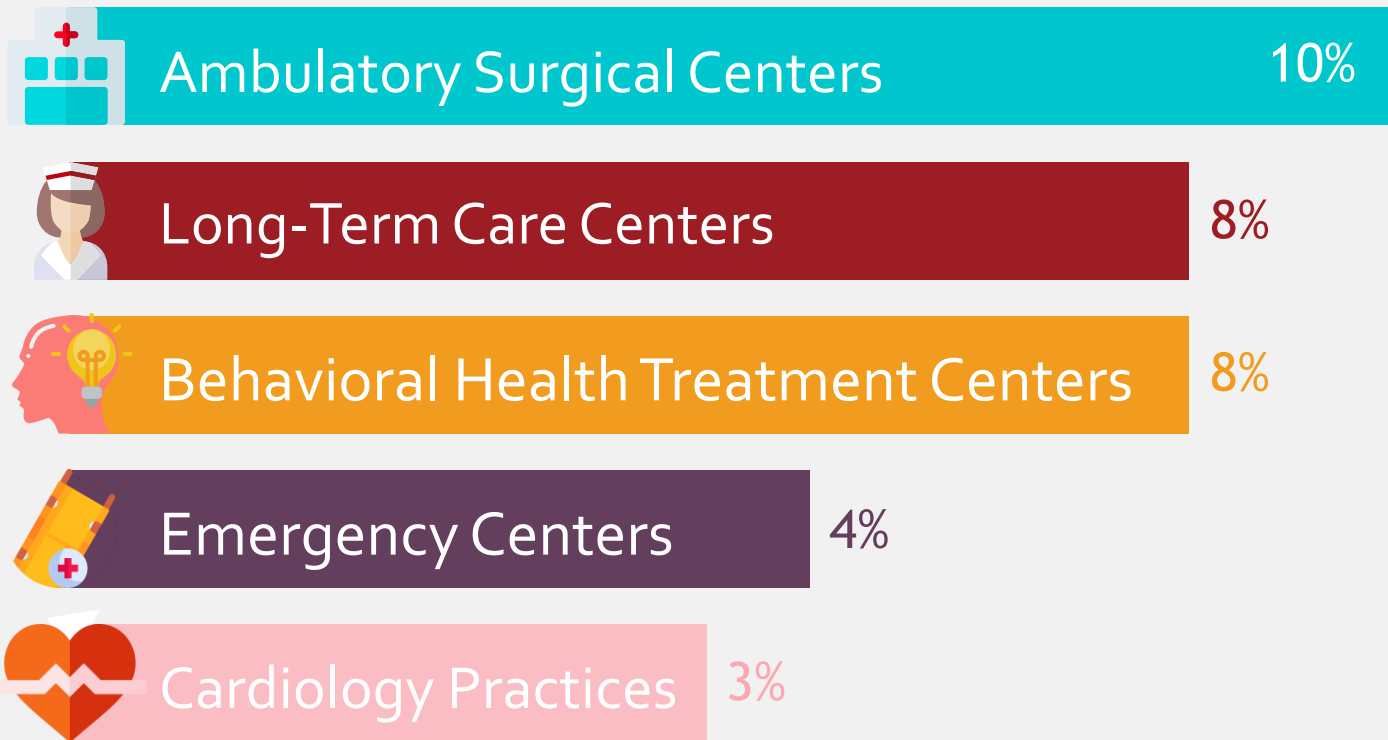
Follow-on investments grew from 27% of the VC deals in the market in 2017 to 46% in 2018. And, as a sign of things to come, the number of series A investments remained consistent with 2017 levels, indicating that VC buyers remain bullish on the sector. In fact, we've seen the proliferation of new types of VC investors, many resembling strategics, including investment arms of health systems and payors.

## KEY TAKEAWAYS.

### 5 Specialists on the Rise

There is tremendous appetite for RCM and HCIT firms regardless of the type of clients they serve. Those able to establish themselves as 'niche' players will often command higher multiples, as they understand the nuances of their particular vertical, which typically results in better performance and growth opportunities. As a result, in many cases, acquiring a specialist enables the buyer to quickly penetrate new markets, overcoming the long sales cycles that are so prevalent in healthcare.

### DEAL VOLUME BY SPECIALIZATION



## LOOKING AHEAD.

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We're excited to see what 2019 will bring to the RCM & HCIT markets. As the books closed on 2018, one multi-billion industry player had announced its plans to go private, while another was preparing for an IPO.

Although the headlines may indicate that headwinds are in store, including 'Medicare for All,' uncertainty around interest rates, and the threat of a possible economic slow-down, the RCM and HCIT markets have proven to be largely insulated from such pressures in the past. We remain confident in the continued demand for fundamentally sound, recession-resistant assets, as complexities in the healthcare market will drive the need for outsourced specialists and improved solutions. We expect that vigorous competition for attractive healthcare assets will lead to more creative deal structures and valuations.

## CONSIDERING M&A?

[Click Here to Discuss Your M&A Interests](#)

## MORE FROM GA.

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**Watch Now:** RCM & HCIT Webinar – [M&A Insight for Buyers and Sellers](#)

**2018 Activity:** [GA Cements its Position as the Leading M&A Advisor in RCM & HCIT](#)

## ABOUT GREENBERG ADVISORS.

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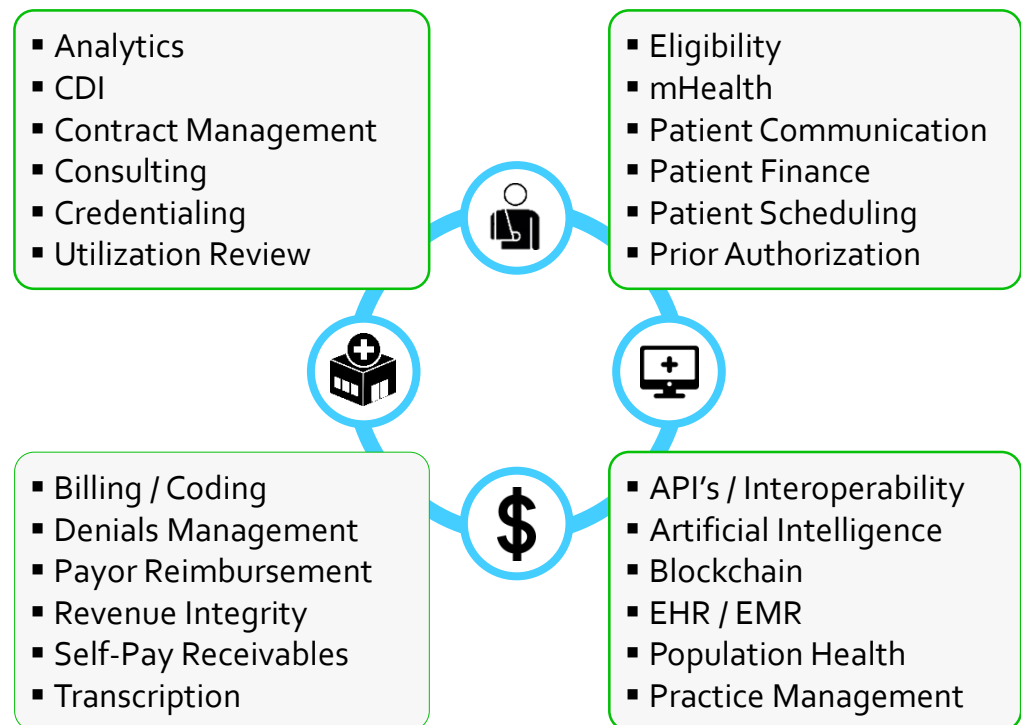
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Greenberg Advisors, LLC is one of the only firms to specialize in the Revenue Cycle Management (RCM) and Healthcare IT (HCIT) sectors. The firm’s professionals have provided trusted M&A and strategic advice to executives and investors for nearly 25 years, resulting in the completion of over 130 merger & acquisition (M&A), capital raising, valuation, and strategic advisory engagements. Greenberg Advisors celebrates its 10-year anniversary in 2019.

GA’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.