Greenberg Advisors

M&A ADVISORY IN HEALTHCARE IT & RCM

M&A Update 2021

Healthcare IT & Revenue Cycle Management

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INTRODUCTION

Record-breaking investment activity within Revenue Cycle Management (RCM) and Healthcare IT (HCIT) reached new highs in 2021 with over $27 billion trading hands across 246 transactions.

Fueled by unprecedented availability and cost of capital, competition amongst buyers, and an influx of sellers motivated by the potential of an increase in the capital gains tax rate (which still hasn't passed), 2021 was a historic year, punctuated by company valuations which also pushed to all-time highs.

While still facing ebbs and flows in patient volume, healthcare providers have been able to refocus some of their attention on RCM and HCIT vendors, reigniting traditional growth opportunities for vendors that had been mostly shut down in 2020.

Greenberg Advisors continued its leading role as the industry's preeminent M&A and strategic advisor, helping seven of its clients complete transactions within HCIT and RCM (displayed on page 5).

GA's Q4 TRANSACTIONS

eIVF

a portfolio company of

Atlantic Street Capital

made a growth investment in

univfy

Buy-Side Advisor

(not yet announced)

Greenberg Advisors completed the sale of a tech-enabled RCM and consulting firm to a multinational strategic.

Sell-Side Advisor

ALN

ALN Medical Management

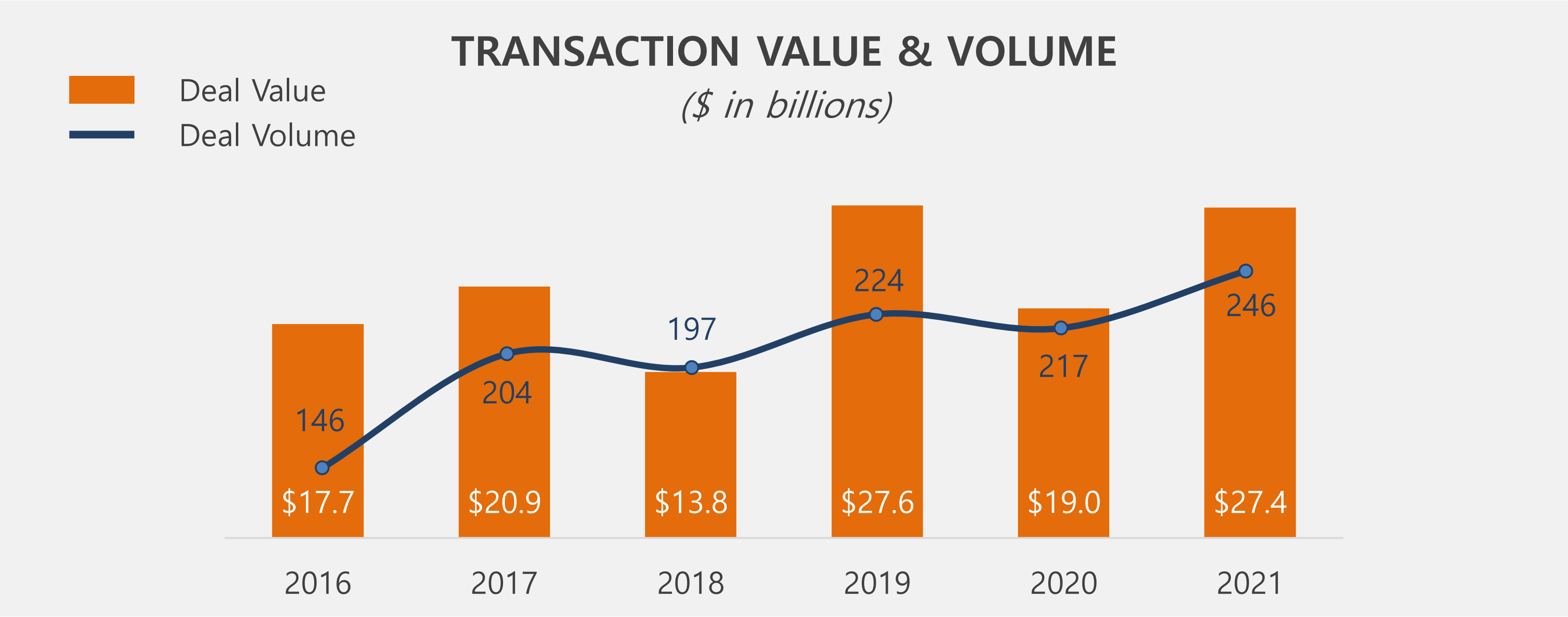
acquired RCM assets of

fivos

Buy-Side Advisor

All statistics and market data in this document are from GA's proprietary M&A database. May contain estimates.

KEY TAKEAWAYS



1 Analyze This!

While analytics companies have been sought after for years, two new themes emerged in 2021 driven by changing provider needs and new regulations. Healthcare providers need help in harnessing clinical data to draw meaningful insights, which has resulted in an uptick in demand for vendors that provide clinical analytics capabilities. We've also seen notable transactions involving HCIT companies that offer pricing analytics and price transparency solutions, as hospitals seek to avoid steep fines resulting from CMS' OPPS Final Rule. The continued integration of consumerism into healthcare provides growth and exit opportunities for RCM and HCIT vendors that offer solutions that address these new needs, as a number of strategic buyers turned to acquisitions in 2021 as a means to add these capabilities.

KEY TAKEAWAYS

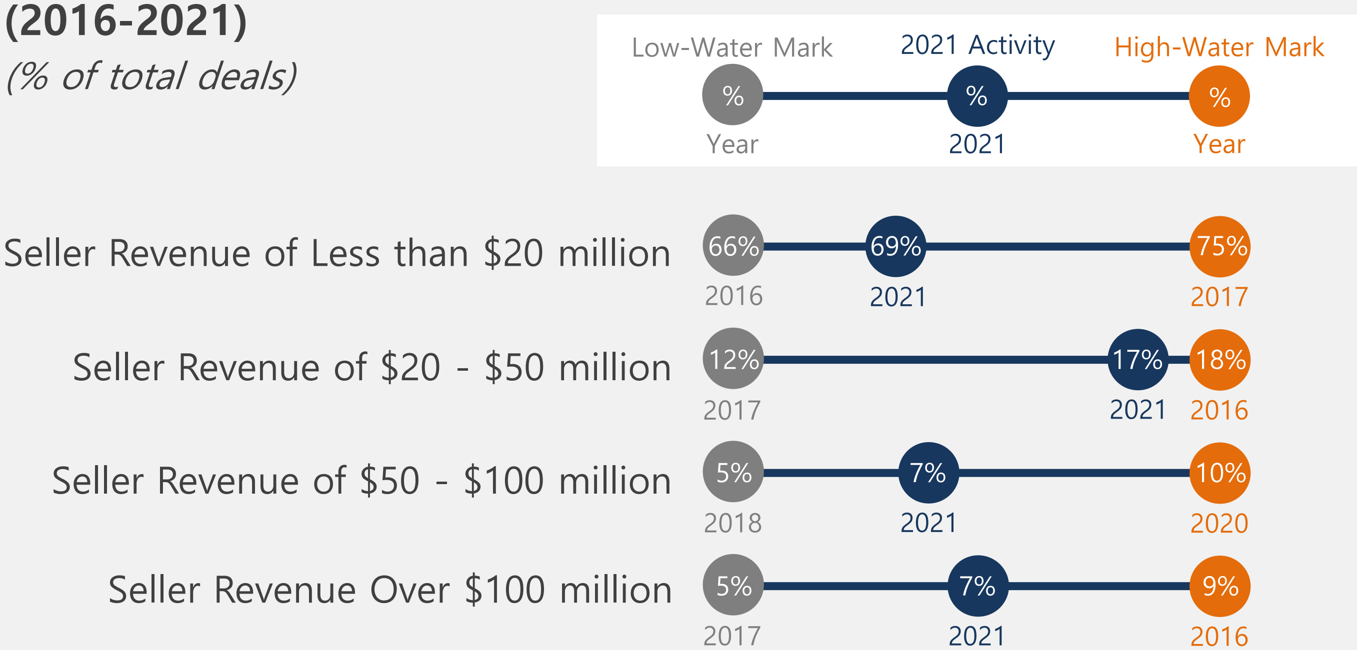
2 The B's Knees

Never before have we seen so many headlines with 'billion' in the title, from the pending acquisitions of Cerner and Athenahealth, to HCIT companies receiving investments at valuations well over $1 billion. Of course, these deals get the headlines, but they also reflect the bullish sentiment for the sector.

But what about the rest of the market? The seller mix was quite consistent with prior periods, with the lower part of the market (sellers with less than $20 million in revenue) constituting the vast majority of transactions. We continue to see a healthy level of activity among sellers of all sizes. This is an important factor, as it signals to investors that there are reliable exit strategies at any size, providing liquidity that reduces risk and encourages investment. As we know, this benefits all sellers by creating competition amongst buyers, which drives valuation multiples upward.

DEAL VOLUME BY SELLER SIZE RELATIVE TO PRIOR YEARS (2016-2021)

(% of total deals)



GA's 2021 Highlights

SEVEN TRANSACTIONS IN RCM & HCIT

Buy-Side

eIVF
a portfolio company of
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ALN
ALN Medical Management
acquired RCM assets of
fivos

REVCO SOLUTIONS
a portfolio company of
LONGSHORE CAPITAL PARTNERS
acquired
ARMC Financial Services, LLC

GulfCapital
acquired a majority stake in
HANSEI SOLUTIONS

Sell-Side

INNOVATIVE HEALTHCARE
was acquired by
HARRIS

mri medical reimbursement inc.
was acquired by
a large RCM firm

(not yet announced)
Greenberg Advisors completed the sale of a tech-enabled RCM and consulting firm to a multinational strategic.

Promotions


Zach Eisenberg
Managing Director


Casey Krasko
Senior Associate

New Team Members


Ross Koplitz
Analyst

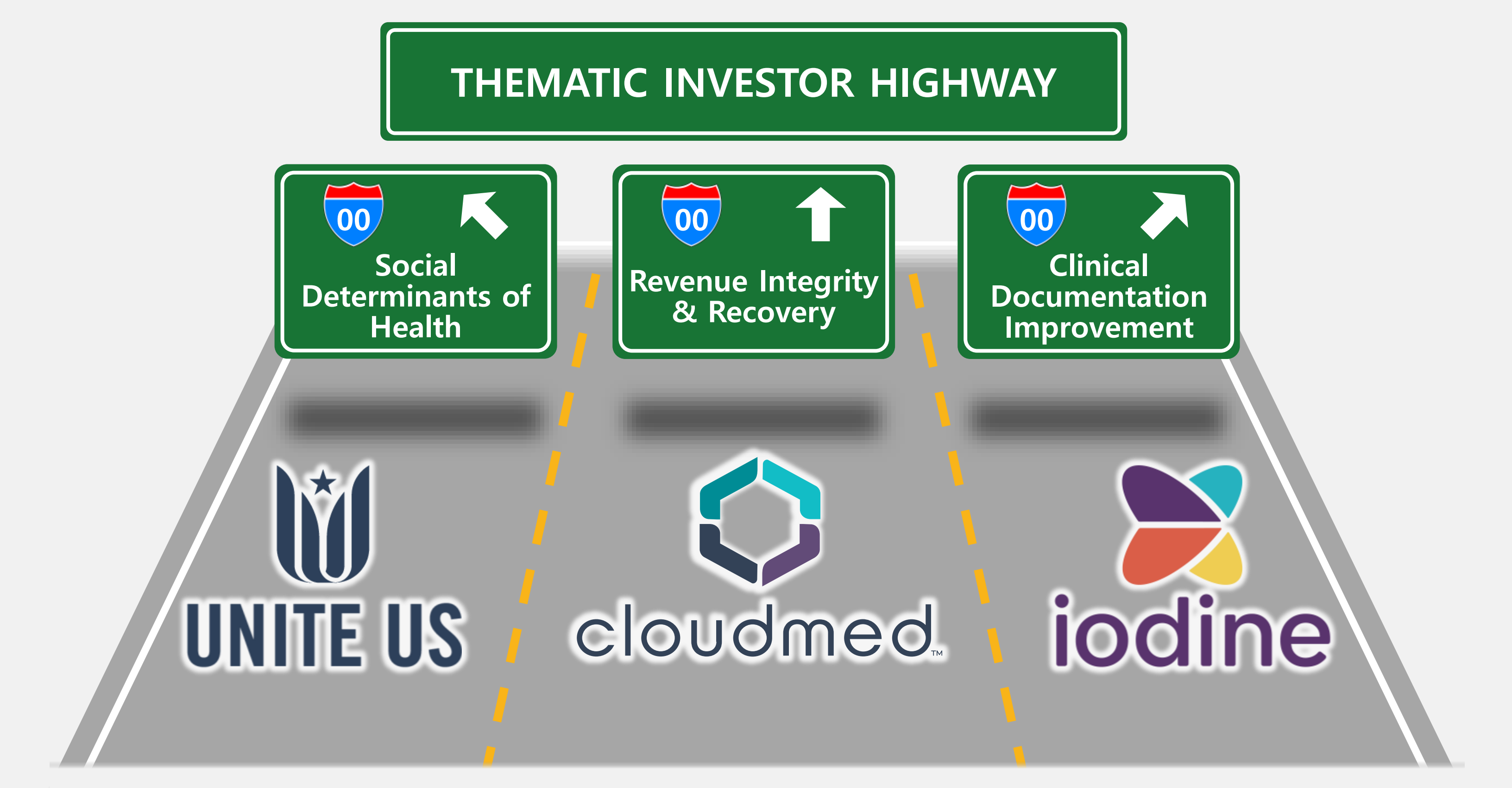

Carson Knight
Analyst

Charitable Donations

SeaLegacy

NATIONAL WOMEN'S LAW CENTER
Justice for Her. Justice for All.

KEY TAKEAWAYS



3 Picking a Lane

Thematic investing – it's not a novel idea, but it was put on full display in 2021.

Does it work? Making multiple acquisitions within a targeted sector can be a great way to build a specialized business with significant scale and it often leads to vertical integration, which can help boost organic growth by enabling the buyer to market a more complete suite of solutions to providers. Over the years we've also seen some thematic investors fall flat, sometimes due to poor execution (i.e. poor integration or target selection) and other times due to poor assumptions (i.e. targeting a market that turns unattractive perhaps due to market or regulatory changes). Thematic investment strategies are risky by nature as the strategy results in less diversification, but sometimes that risk can pay off in a big way!

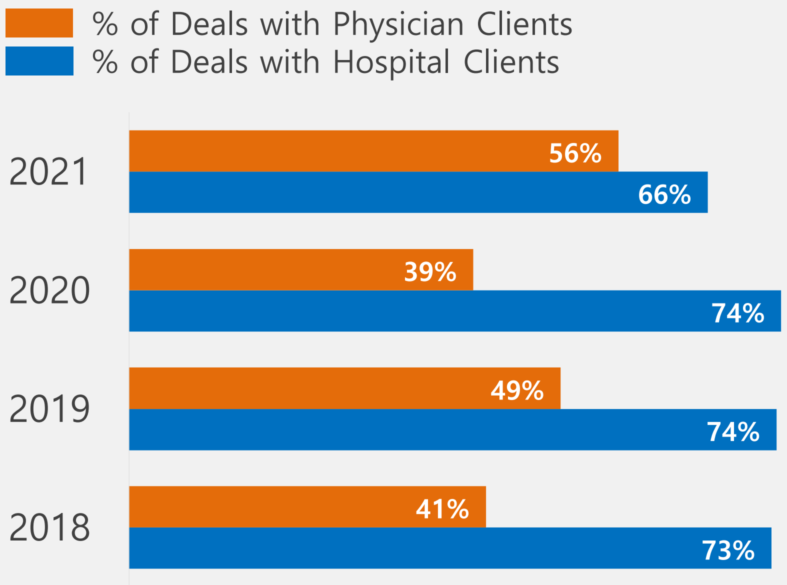
KEY TAKEAWAYS

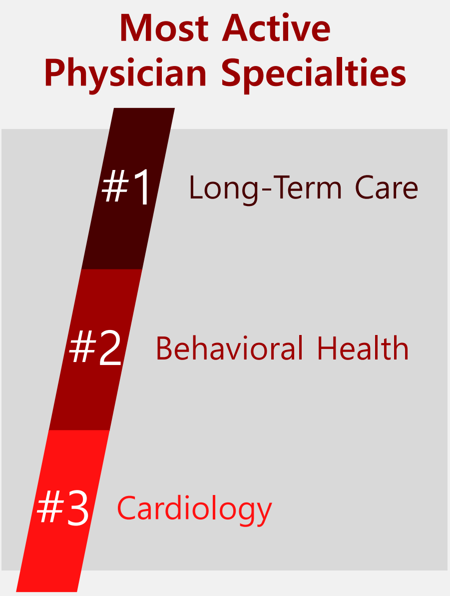
4 Winds of Change

In recent years, buyers have shown a propensity for acquiring RCM and HCIT firms focused on the hospital market. If 2021 activity is a signal for the future, then we may be in the midst of a pivot toward the physician market. From 2018 – 2020, 74% of transactions involved sellers with hospital clients. During that timeframe, acquisitions of RCM and HCIT firms that serviced the hospital market constituted 31% more activity than physician markets. That gap shrank to just 10% in 2021, with 66% of transactions involving hospital end-clients, and 56% involving physician end-clients.

What is behind this change? The demand for hospital relationships will never go away; those relationships are difficult to build and maintain given high turnover among hospital leadership, long sales cycles, and frequent hospital consolidation. With that said, the level of buyer competition and the lower availability of attractive assets in the hospital market seems to be guiding more buyers to the physician market as a source of inorganic growth.

RCM & HCIT DEALS BY CLIENT SEGMENT





KEY TAKEAWAYS

5 Sprint to The Finish Line?

Not quite! For most of 2021, our working hypothesis was that we'd see a large uptick in transactions in December as sellers raced to close before year-end, given the expectation of a hike in the capital gains tax rate. That didn't play out as we expected; December activity was relatively consistent with most other months. Based on our experiences in active deals, we believe that the lack of availability of third-party diligence providers (accounting, legal, insurance, etc.) created a bottleneck that restricted buyers' ability to complete deals by year-end. We expect this to lead to an influx of closings in Q1 2022, as well as new opportunities involving sellers that failed to transact by year-end who will reenter the market.

CONCLUSION

2021 proved to be quite the rebound from a slower 2020 impacted by the pandemic. The data and overall sentiment from our conversations with investors and owners in RCM and HCIT paint a bright picture for what the next few years may hold. Financial and strategic investors continue to search for opportunities to enter or expand within healthcare, as IRRs (internal rate of return) on healthcare investments led all other industries[1]. With billions of dollars pouring into the market and venture capital investments reaching an all-time high in 2021, it appears that there will be no shortage of capital to support a high level of M&A activity in 2022 and beyond.

[1] *Lawrence Aragon. "Why IRRs for healthcare deals are better than the rest." PE Hub, Dec. 2021.*

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Greenberg Advisors, LLC (GA) is one of the most active M&A advisors specializing in Revenue Cycle Management (RCM) and Healthcare IT (HCIT) sectors.

GA's perspective provides clients with unique value that comes from a comprehensive understanding of the healthcare ecosystem, having worked with a wide variety of businesses across the RCM and HCIT sectors. GA's unmatched depth and its proprietary data assets prove invaluable to clients seeking to determine the optimal path forward.

The firm'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.

- Analytics
- CDI
- Contract Management
- Consulting
- Credentialing
- Utilization Review

- Eligibility
- Patient Engagement
- Patient Finance
- Patient Scheduling
- Prior Authorization
- Telehealth

- Billing / Coding
- Denials Management
- Payment Integrity
- Payor Reimbursement
- Revenue Integrity
- Self-Pay Receivables

- AI / ML
- API's / Interoperability
- Care Coordination
- EHR / EMR
- Population Health
- Practice Management

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.

GA'S RECENT RCM & HCIT TRANSACTIONS

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HANSEI SOLUTIONS

GulfCapital
made a controlling investment in
ECLAT HEALTH SOLUTIONS
your partner in revenue cycle management

PRAXIS HEALTHCARE SOLUTIONS
was acquired by
REVINT
a portfolio company of
NMC
New Mountain Capital LLC

PARA HealthCare Analytics
was acquired by
HEALTHCARE FINANCIAL RESOURCES
a portfolio company of
HOUSATONIC