# VAQUERO

## Deeply Rooted in Tech | Focused on Our Clients' Values

# Healthcare IT Market Update

October 2020

*Confidential*

# VAQUERO | Recent HCIT News

*"The past decade was about the rise of digital health technology and patient empowerment. The next decade will be about artificial intelligence, the use of health sensors and the so-called Internet of Healthy Things and how it could improve millions of lives … The cultural transformation of health care we call digital health has been changing the hierarchy in care into an equal-level partnership between patients and physicians as 21st century technologies have started breaking down the ivory tower of medicine. But these milestones are nothing compared with what is about to become reality."*

**MarketWatch**  *"Best New Ideas in Health Care" (February 2020)*

*"A majority of chief financial officers and revenue cycle leaders at hospitals and health systems across the U.S. think automation tools should be designed specifically for healthcare revenue cycle management, according to a survey commissioned by Alpha Health … About 92% of respondents said it was either important or extremely important for automation tools to be built to assist revenue cycle management."*

*"Hospital and Health System Financial Leaders Want Automation Tools For Revenue Cycle Management" (September 2020)*

**HEALTHCARE FINANCE**

*"As we move past the US presidential election, value measurement will continue to impact reimbursement and coverage. While payers and policymakers took a more narrow-minded perspective on innovation value in 2020, the year 2021 will bring an increased focus on a treatment's societal value, how innovation interacts with digital technologies, and whether new innovations are able to reduce existing health outcome inequalities. These trends make 2021 a year worth looking forward to."*

**MedCity News**  *"How the Value of Innovation Will Be Redefined in 2021" (October 2020)*

*"84% of healthcare leaders believe the root cause of lost or decreased revenue is inaccurate clinical documentation and coding. But the challenge of managing a more accurate mid-cycle is that this accuracy is fundamentally driven by ensuring that the patient's full clinical picture (as reflected in the evidence) is correctly documented in detail, then fully represented in the codes."*

*"Why You Need to Start Looking at Your Mid-Revenue Cycle For Lost Revenue" (September 2020)*

**BECKER'S HOSPITAL REVIEW**
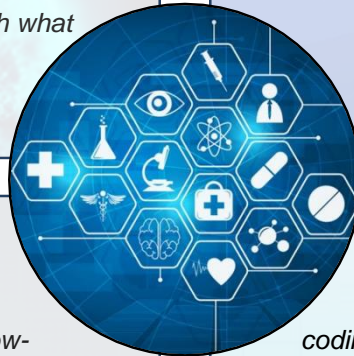
# VAQUERO | Remarkable Activity in HCIT

## Healthcare Information Technology LTM Snapshot

| 2,189 | 2,312 | 246 | $71.8Bn+ | $36.0M |
|-------|-------|-----|----------|--------|
| Deals | Investors | Exits | Capital Invested | Median Valuation |

### Largest Deal

**$18.5Bn**

Livongo

Teladoc HEALTH

### Most Active Sponsors

TPG · VULCAN Capital · ARDIAN

ARES CAPITAL CORPORATION · Blackstone · THE CARLYLE GROUP

### Most Active Strategics

United Healthcare · IQVIA · Medtronic

Teladoc HEALTH · CardinalHealth · Health Catalyst

## Recent Notable Transactions

Vaquero Experience

| | | | | | | |
|---|---|---|---|---|---|---|
| GoodRx | RevenueWell | DXC.technology | vitalware | R1 | InTouch Health | AppRev |
| IPO | MARLIN EQUITY PARTNERS | Dedalus HEALTHCARE SYSTEMS GROUP | Health Catalyst | sarnova | Teladoc HEALTH | CENTAURI HEALTH SOLUTIONS |
| eSolutions Strengthen your revenue health | amwell | TELMED IQ | EPSi | Mede/Analytics | healthfinch | WellSky |
| WAYSTAR | IPO | perfectserve | Strata Decision TECHNOLOGY | JLL Partners | Health Catalyst | TPG LGP |

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Since COVID, HCIT companies focused outside the provider universe have seen their stock prices nearly double, while provider-focused companies have tracked the S&P

## 2020YTD Performance

*Through 10/02/2020*



Providers — Other — S&P 500

| Providers | | | |
|---|---|---|---|
| Allscripts | Cerner | cpsi | evolent HEALTH |
| Omnicell | HealthStream | inovalon | nextgen healthcare |
| HealthCatalyst | R1 | PREMIER | TABULA RASA / Phreesia |

| Other | | |
|---|---|---|
| Castlight | HealthEquity | Teladoc HEALTH |
| OptimizeRx | hms | SimulationsPlus SCIENCE+SOFTWARE=SUCCESS / CHANGE HEALTHCARE |
| GoodRx | Veeva | Model N |
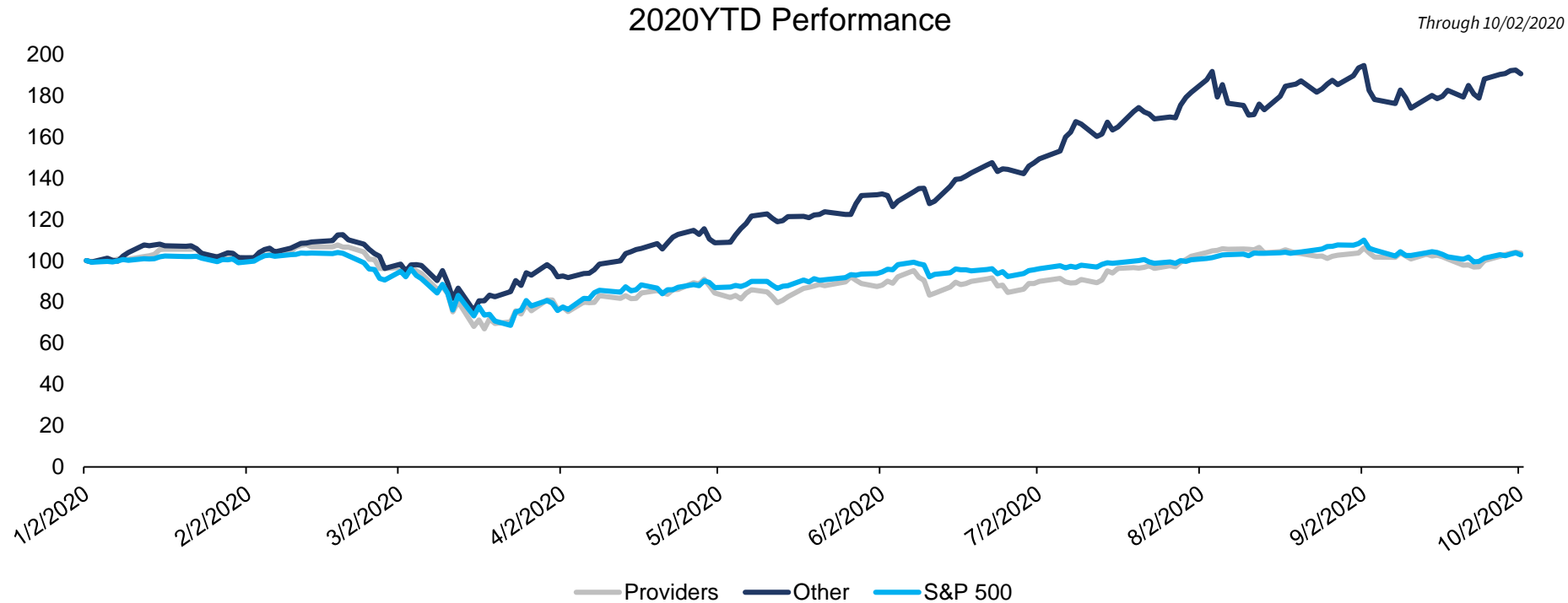
# VAQUERO | Telemedicine Funding Stimulated by COVID-19

## Quarterly Telemedicine Funding

**$1.6Bn**

- $720M
- $482M
- $444M

**$662M**

- $110M
- $119M
- $256M
- $177M

**2019**          **2020**

■ Q1  ■ Q2  ■ Q3  ■ Q4
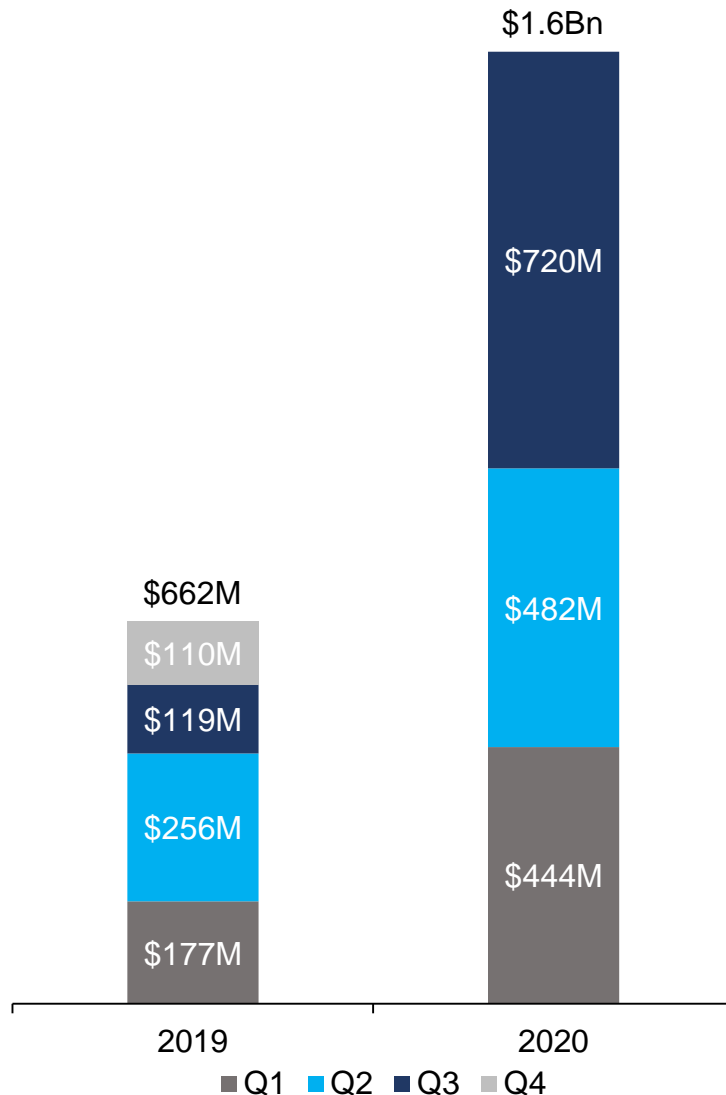
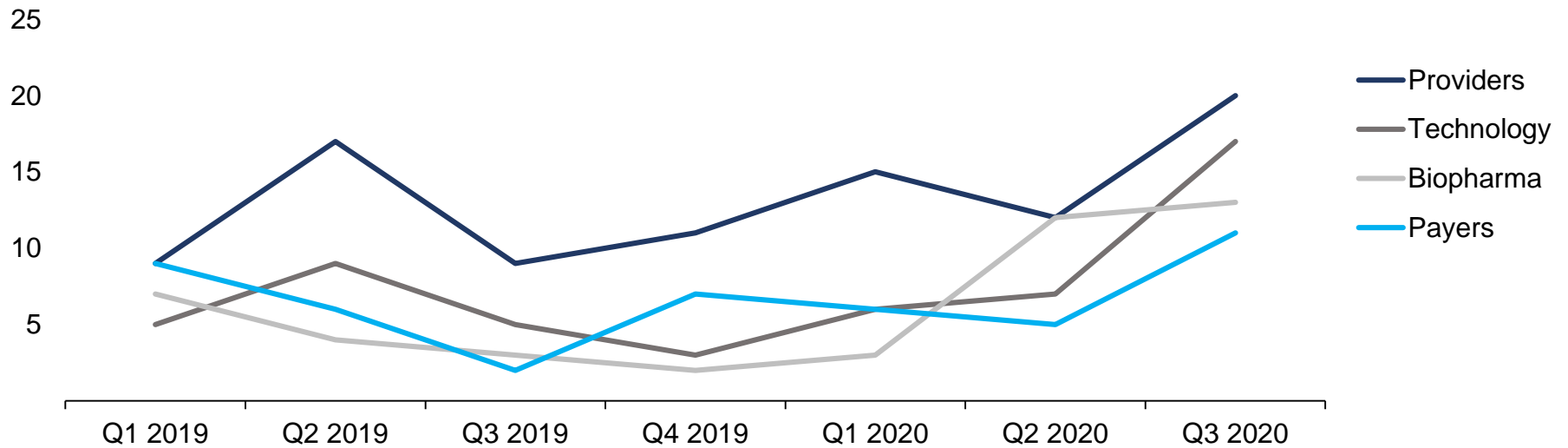## US COVID-19 Timeline

| | September | – | Dr. Anthony Fauci announces COVID-19 vaccinations could begin as early as November or December 2020 |
| Q3 | August | – | U.S. COVID-19 cases reach almost a quarter of the world's total and the Trump administration announces a COVID-19 vaccine will likely be made available by Spring 2021 |
| | July | – | COVID-19 deaths surpass 130K in the U.S. |

| | June | – | Cases in Southern U.S. states sharply rise |
| Q2 | May | – | COVID-19 deaths surpass 100K in the U.S, the highest country count globally |
| | April | – | International Monetary Fund warns the overall economy is headed for its worst downturn since the Great Depression |

| | March | – | Although most states are issuing stay-at-home orders and Medicare has started to pay for a wider range of telehealth services at a rate comparable to in person visits, U.S. COVID-19 cases surpass other countries' |
| Q1 | February | – | U.S. announces first COVID-19 death |
| | January | – | COVID-19 first hits the U.S. |

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# Increasing Investment in HCIT by Corporate Investors

Over the past 12 months, the number of investments by corporate venture capital groups have largely trended upwards, especially supporting providers and technology

**Providers**
**Technology**
**Biopharma**
**Payers**

25
20
15
10
5

Q1 2019     Q2 2019     Q3 2019     Q4 2019     Q1 2020     Q2 2020     Q3 2020

## Top Funded Value Propositions YTD 2020

**On-Demand Healthcare Services**
48 Total Deals
$2.08Bn Total Invested

**R&D Catalyst**
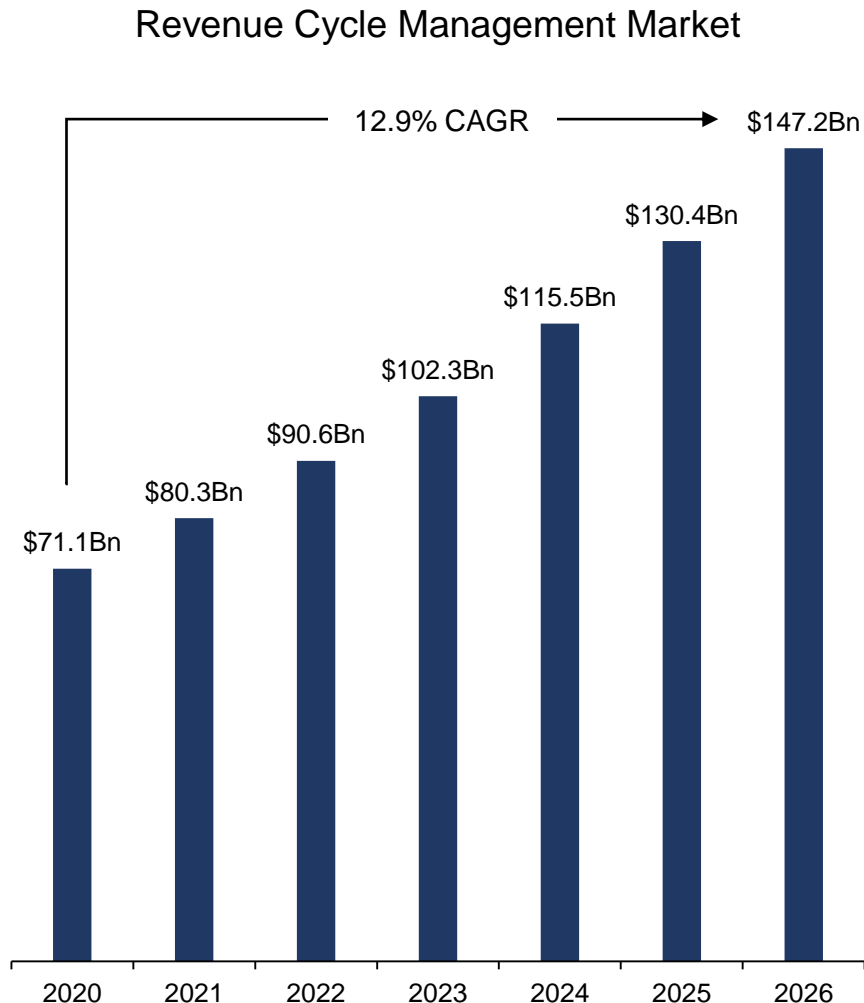25 Total Deals
$1.32Bn Total Invested

**Fitness & Wellness**
21 Total Deals
$1.26Bn Total Invested

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*Source: RockHealth*

Revenue Cycle Management is in a state of rapid transition promoted globally by the shift towards systematic revenue management

## Revenue Cycle Management Market



12.9% CAGR

- $71.1Bn (2020)
- $80.3Bn (2021)
- $90.6Bn (2022)
- $102.3Bn (2023)
- $115.5Bn (2024)
- $130.4Bn (2025)
- $147.2Bn (2026)

## Industry Leaders



- verscend
- hms
- athenahealth
- nthrive
- EQUIAN
- evolent HEALTH
- Cognizant
- zelis
- SKYGEN USA
- CHANGE HEALTHCARE
- WAYSTAR
- payspan

- While patient-pay modules had historically driven limited value for providers as standalone solutions, their deeper integration into both the episode of care and the broader RCM ecosystem is driving both provider adoption and accelerated investment interest
- The market is continuing the trend of investment in, and provider adoption of, tools for management of complex claims and AI-enabled charge-capture and billing solutions

*Source: Harris Williams*

# VAQUERO | Trends in the Revenue Cycle Management Market

**Consolidation of Hospitals with RCM Vendors to Drive Segmental Growth**
Although the hospital segment will continue to dominate market value and share, the physician segment will grow at a faster rate due to the growing number of physical offices willing to adopt RCM solutions

**AI Derived Approach to Surge RCM Potential**
The incorporation of AI is optimizing clinical outcomes and automating processes, leading to improved revenue generation and collection

**Regulatory Mandates for Adoption of EHR/EMR**
The adoption of EHR/EMR has been made mandatory by the IT industry owing to stringent regulations, raising demand for integrated RCM/HER solutions

**Launch of Advanced RCM Solutions to Help Claims & Denial Management Services to Hold Major Shares**
Claims and denial management will hold a dominant position owing to the launch of advanced RCM solutions that combine all the functions into one system

**Shift Towards Outsourcing Extra Services**
Internet service providers are offering extra services such as online hosting, online page designing, and connectivity consulting

**Rising Prevalence of COVID-19**
Due to the rise in patient inflow, hospitals are likely to focus on claims management for insured patients, likely adopting RCM services and software to ensure timely revenue collection

**Introduction of Technologically Advanced Software to Hold Highest Market Share**
The domination of software over service can be attributed to the launch of advanced solutions to help improve RCM at hospitals, physician offices, and other medical facilities

**Increasing Adoption of Outsourced RCM Solutions Versus In-House**
Increasing number of patient admissions and the development of hospital infrastructure and health insurance policies in emerging nations is fueling the demand for reliable, efficient RCM solutions

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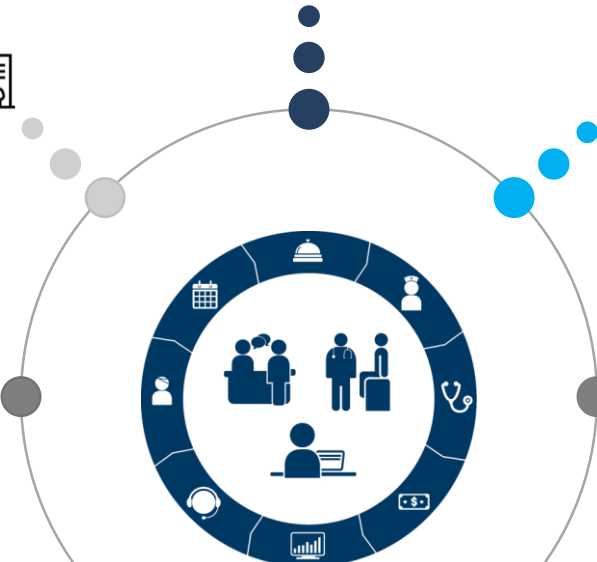
# VAQUERO | Patient Pay Opportunity

RCM companies are waking up to the opportunity in patient pay, which could represent a $20M+ incremental opportunity in a 2,000 provider system

| | Providers | Average Billings (1) | 70% Insurance | 30% Credit Card | Total |
|---|---|---|---|---|---|
| Primary Care | 1,000 | $1,400,000 | $0.98B | $0.42B | $1.4B |
| Specialists | 1,000 | $1,600,000 | $1.12B | $0.48B | $1.6B |
| **Total:** | | | **$2.1B** | **$0.9B** | **$3.0B** |
| | | | | | |
| Credit Card Markup – 0.5% | | | | $4.5M | $4.5M |
| Credit Card Interchange – 2% | | | | $18.0M | $18.0M |
| Insurance – 10% Uncollectable, 10% Collected, 50% Fee | | | $10.5M | | $10.5M |
| | | | | **Total:** | **$33.0M** |

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*(1) Source: UHC Solutions*

**Transaction Details:**

RevenueWell provides the most comprehensive practice growth SaaS platform in the dental industry. The Company offers new patient acquisition, patient relationship management & practice management tools for dental offices across the country.

"RevenueWell has become a trusted partner to dental practices, dental support organizations and other healthcare practices seeking to attract, retain and maximize the lifetime value of every patient across their practice."

Vaquero advised the Company on the growth equity investment from Marlin Equity Partners.

**Transaction Details:**

TelmedIQ is the provider of an enterprise cloud-based communication platform intended to bridge the communications gap between providers and health systems with secure text messaging software.

"In addition to heavy investments in product development over the past several years, the TelmedIQ acquisition is a key element of our strategy to build the care team collaboration platform of the future – designed to serve all care team members, including the patient."

Vaquero advised the Company on the sale to PerfectServe.

**Transaction Details:**

Privacy is top of mind for businesses around the world, and FairWarning is focused on protecting against insider threats. The proliferation of cyber-attacks, high-profile breaches and regulatory audits have created a critical need for businesses to monitor how insiders access sensitive business information.

"FairWarning is uniquely positioned as the only solution that handles the entire lifecycle of privacy, from insider threats protection, to investigation, compliance and reporting."

Vaquero professionals advised the Company on the growth equity investment by Mainsail.
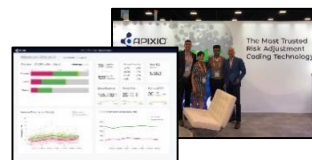
**Transaction Details:**

As the healthcare industry shifts toward value-based care, there is a greater need to transform previously unusable data into actionable insights. Apixio's cognitive computing platform enables participants throughout the patient care continuum to better access, analyze and act on data.

"Apixio was founded with the notion of leveraging big data analytics to reduce healthcare costs and improve quality of care. We have made great strides since our inception and the new capital allows us to deploy additional resources toward our objectives."

Vaquero professionals advised the Company on two growth equity investments.

**Transaction Details:**

CoverMyMeds' software automates the medication benefit process to reduce administrative waste while maximizing patient outcomes.

"The CoverMyMeds team has built a game-changing platform in the industry, helping healthcare providers get patients their medication and treatment faster than ever before."

Vaquero professionals advised the Company on the growth investment by Francisco Partners.

# The Leader in Middle Market Investment Banking | VAQUERO

## Leading the Premium Growth Market

**Exceptional results** for premium assets

**Minority and majority** capital raises

**M&A** with strategics and sponsor-backed strategics

## Focus on Quality Assets and Process

**High Quality** materials and data

Leverage strategic **premiums/synergies**

**Maximize** tension/timing

| | Lower Mid-Market | Premium Growth | Large Cap |
|---|---|---|---|
| *Pure-Play Advisors* | AGC PARTNERS<br>VISTA POINT ADVISORS<br>SEG Software Equity Group | **VAQUERO**<br>Harris Williams<br>HOULIHAN LOKEY | EVERCORE<br>ALLEN & COMPANY EST. 1932<br>Qatalyst PARTNERS |
| *Equity Platforms* | **Co-Managers**<br>STIFEL NICOLAUS<br>KeyBank<br>Needham | **Equity Platforms**<br>RAYMOND JAMES<br>William Blair | **Bulge Bracket**<br>Morgan Stanley<br>Bank of America<br>Goldman Sachs<br>JPMorgan |

## Vaquero CV

Founded in 2012

BOA, Goldman Sachs, William Blair Alum

200+ Completed Transactions

SF, CHI Presence

**90**
Deals Completed since 2012 (Vaquero & Bandon)

**$7.6Bn**
Cumulative Vaquero Sell-Side Transaction Value

**86%**
Industry-Leading Deal Close Ratio

## Sectors We Cover

Industrials, Transportation & Energy

GovTech, EdTech & Non-Profit

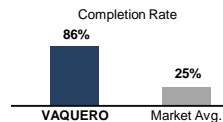Built Environment & RE Software

Governance, Risk, Compliance
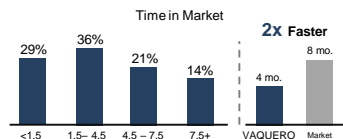
Healthcare Software

# VAQUERO | Firms Choose Us Because…
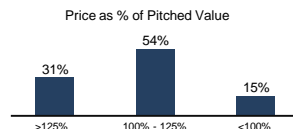
## We Get Deals Done…

**86%**
Deals Closed

Completion Rate

| VAQUERO | Market Avg. |
|---------|-------------|
| 86% | 25% |

## On time…

**65% < 4.5 mos.**
Timing between selection and exclusivity
29% < 1.5 mos.

Time in Market

| <1.5 | 1.5– 4.5 | 4.5 – 7.5 | 7.5+ |
|------|----------|-----------|------|
| 29% | 36% | 21% | 14% |

**2x Faster**

| VAQUERO | Market |
|---------|--------|
| 4 mo. | 8 mo. |

## On price…

**116%**
Pitch valuation
31% deals > 125%

Price as % of Pitched Value

| >125% | 100% - 125% | <100% |
|-------|-------------|-------|
| 31% | 54% | 15% |

## On terms…

**99%**
Of deals with
LOI close

**92%**
On terms in LOI

Close Rate

| % of Deals Close | % On Terms in LOI |
|------------------|-------------------|
| 99% | 92% |

### Awards

| 2020 | 2018 & 2019 | 2019 | 2019 |
|------|-------------|------|------|
| **PRIVATE EQUITY DEAL OF THE YEAR** | **TECH INVESTMENT BANK OF THE YEAR** | **CROSS-BORDER M&A DEAL OF THE YEAR** | **HEALTHCARE IT DEAL OF THE YEAR** |
| M&A ATLAS AWARDS | M&A ATLAS AWARDS | M&A ATLAS AWARDS | M&A ATLAS AWARDS |

| 2020 & 2018 | 2018 | 2018 | 2018 |
|-------------|------|------|------|
| **M&A DEAL OF THE YEAR** | **GAMECHANGER OF THE YEAR** | **INVESTMENT BANK OF THE YEAR** | **INVESTMENT BANK OF THE YEAR** |
| | *DAVID GROVE* | *ALL TECH* | *GROWTH BUSINESS* |
| M&A ATLAS AWARDS | ACQ GLOBAL AWARDS | ACQ GLOBAL AWARDS | ACQ GLOBAL AWARDS |

## Middle-Market Technology League Table
### *M&A Deals, PE Deals & Deals Per Banker*
#### *Sell-Side Software Tech Deals: Last 12 and 24 Months*

| RANK | ADVISOR | TOTAL PE DEALS | |
|------|---------|----------------|---|
| 1. | Raymond James | 21 | 55 |
| 2. | William Blair | 19 | 42 |
| **3.** | **VAQUERO** | **14** | **24** |
| 4. | Canaccord Genuity | 11 | 19 |
| 6. | GCA Advisors | 9 | 17 |
| 7. | AGC Partners | 8 | 17 |
| 8. | Piper Jaffray | 8 | 12 |
| 9. | Baird | 7 | 18 |
| 10. | Harris Williams | 7 | 15 |

| RANK | ADVISOR | TOTAL M&A DEALS | |
|------|---------|-----------------|---|
| 1. | Raymond James | 24 | 67 |
| 2. | William Blair | 23 | 53 |
| 3. | AGC Partners | 17 | 30 |
| **4.** | **VAQUERO** | **14** | **23** |
| 6. | Canaccord Genuity | 12 | 20 |
| 7. | Piper Jaffray | 11 | 18 |
| 8. | GCA Advisors | 9 | 19 |
| 9. | Stifel | 9 | 13 |
| 10. | Needham & Company | 8 | 21 |

| RANK | ADVISOR | DEALS/BANKER | |
|------|---------|--------------|---|
| **1.** | **VAQUERO** | **4.7** | **8.3** |
| 2. | Software Equity Group | 2.0 | 4.3 |
| 3. | Piper Jaffray | 1.9 | 2.7 |
| 4. | William Blair | 1.3 | 2.8 |
| 6. | Raymond James | 1.1 | 2.5 |
| 7. | Canaccord Genuity | 1.0 | 1.7 |
| 8. | Vista Point | 1.0 | 1.2 |
| 9. | AGC Partners | 1.0 | 1.8 |
| 10. | Spurrier Capital | 0.9 | 1.4 |

# VAQUERO | Core Sectors of Focus

| Industrials, Transportation & Energy | Built Environment & RE Software | Governance, Risk, Compliance | GovTech, EdTech & Non-Profit | Healthcare Software |
|---|---|---|---|---|
| Vaquero has more industrials, transportation & energy deal experience than our competition | Vaquero has completed deals touching all aspects of the built environment | Vaquero has leading transaction experience across the IRM space | Vaquero has extensive experience across govtech, edtech & non-profit software space | Vaquero has recently closed a blockbuster transaction in the broader HCIT sector |
| Vaquero has long-standing relationships with relevant strategics and PE firms | Vaquero's deep industry knowledge provides unique insight into the complete ecosystem of customers, companies & investors | Vaquero has a unique understanding of the intersection & importance of governance, risk & compliance software for successful enterprises | Through a number of transformative transactions, Vaquero has relevant insights into the broad ecosystem | With the hire of Josh Moses, an experienced HCIT banker, Vaquero continues to grow its HCIT presence |

## Vaquero Experience

| 20 Deals Completed | $2Bn+ Total Transaction Value | 12 Deals Completed | $1Bn Total Transaction Value | 11 Deals Completed | $1.3Bn Total Transaction Value | 5 Deals Completed | $500M+ Total Transaction Value | 7 Deals Completed | $1Bn Total Transaction Value |
|---|---|---|---|---|---|---|---|---|---|

### David Grove

23 Years Experience

Bank of America, Cowen

100+ Completed Transactions

NYU LAW | Bank of America

### Josh Moses

18+ Years Experience

MBA – Northwestern

University of Chicago, BA History

First Analysis | Northwestern University
William Blair | THE UNIVERSITY OF CHICAGO

### Terry Jiang

UCSD, BS Management Science; Minor in Accounting

25+ Transactions at Vaquero

UC San Diego

### Dominic Chan

UC Berkeley, BA Political Science

8+ Years in Financial Services Industry

Berkeley UNIVERSITY OF CALIFORNIA | Goldman Sachs
BARCLAYS

### JP Joyce

MBA – UC Berkeley

U.S. Air Force Academy, BS Political Science

3500+ Flight Hours
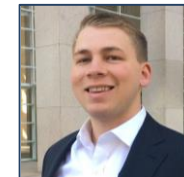
Berkeley Haas | AF UNITED STATES AIR FORCE ACADEMY

### Kristian Kemppainen

Northeastern University | WHITE OAK

### Sarah Childers

TEXAS The University of Texas at Austin

### Tom McNamara

TEXAS The University of Texas at Austin

### Macalaster Schmidt

THE UNIVERSITY OF CHICAGO

### Danny Allen

NYU LAW | Wharton University of Pennsylvania
TEXAS The University of Texas at Austin

### Georgia Wahl

TEXAS The University of Texas at Austin

### Logan Breslin

SAN DIEGO STATE UNIVERSITY
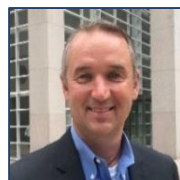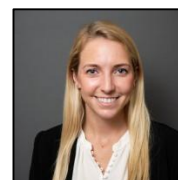
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