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HGP Health IT
Midyear Market Review

Health IT & Health Information Services — *July 2023*

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TABLE OF CONTENTS

Executive Summary 1

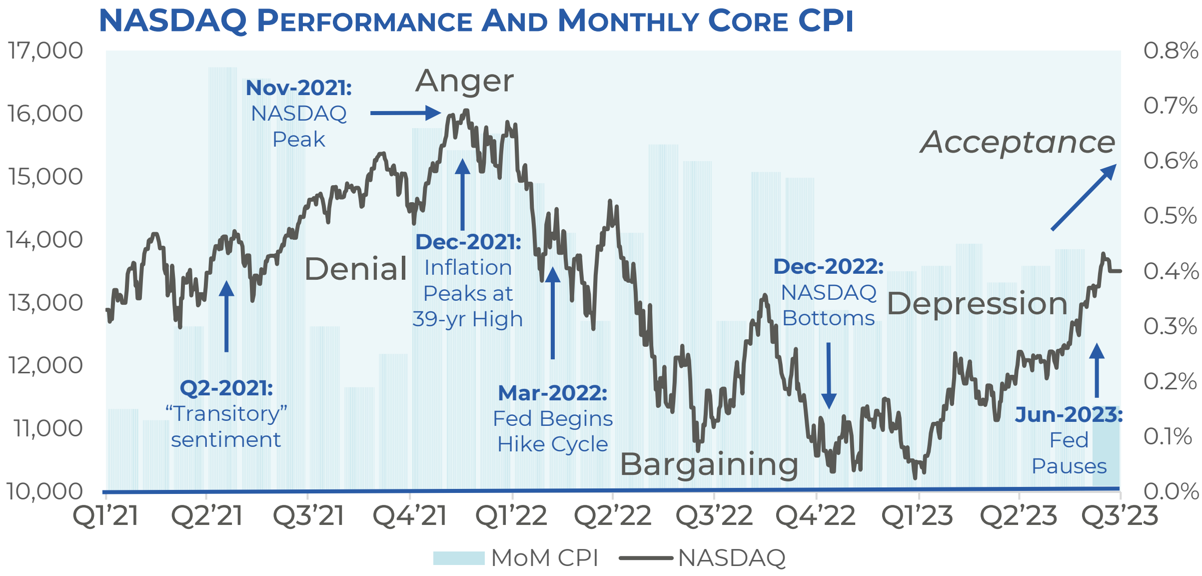
Grieving the Loss of Easy Money, the Market Looks Toward Acceptance

In 2023, AI dominates investments, while human psychology dominates investment behavior. After a decade of remarkably low interest rates, investors have experienced the shock of runaway inflation and the most aggressive Fed hike cycle of this generation. The market's reaction mirrors the five stages of grief – denial, anger, bargaining, depression, and, around the corner, the final stage: acceptance.

Grief is the natural emotional response to loss. In this context, "loss" is the end of the 10+ year easy money market cycle that sparked ever rising valuations and a flurry of investment and transaction activity which skyrocketed to a peak with COVID stimulus. Acceptance is the stage where one comes to terms with the reality of a situation and moves on. From a market perspective, it means investors will accept a future that may not look like the past and express a desire to get back into the game.

Given the psychology of investing, it should be no surprise that the performance of the market has mirrored the grieving process. The market ramped and peaked as inflation ramped and peaked, a near perfect expression of ***denial*** and ***anger***. The ***bargaining*** and ***depression*** stages occurred in 2022 and early 2023 coupled with the fear that either inflation would be so entrenched that high rates would persist indefinitely, or the economy would fall into a hard landing.

To date, those fears have largely been unfounded. While stubborn, inflation is trending lower, and the economy is proving to be resilient. It is our view that we are entering the final stage of grief, ***acceptance***.



The depression stage is defined as the final realization of the inevitable. In the market's case, it is the realization that rates will remain higher for longer, and inflation and interest rates won't break the economy. It is followed by the last stage of ***acceptance***, a transition likely defined by a single milestone: the attainment of a terminal (maximum) Fed Funds rate. The FOMC has indicated that this is likely to occur in Q3/Q4 of this year to the 5.5% level, two 25 bps hikes above the current rate. In anticipation of an imminent terminal Fed Funds rate, the NASDAQ has already turned the corner. Based on our recent experience and early indicators, we expect private markets are not far behind.

HGP Market Musings

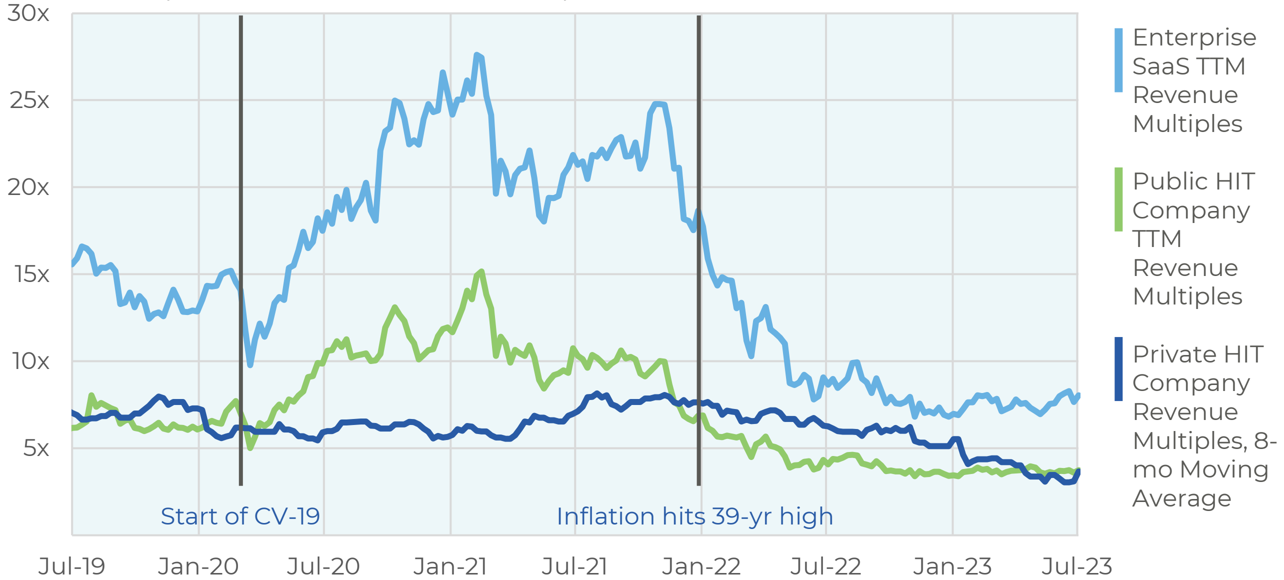
In our January report, we discussed how macroeconomic readouts, such as labor, CPI, and PCE, will indicate whether inflation is beginning to tame, and the economy is proving resilient. The positive readouts from these indicators instill confidence that the Fed is nearing the end of its most aggressive hike cycle in three decades, a trend reflected in public and increasingly private market sentiment. The following is a synopsis of our recent market views and experience.

COVID euphoria ended in Q1 2022, after 21 months of dealmaking frenzy from Q3 2020. This was likely a once-in-a-lifetime event. In Q1 2022, the market shifted from risk-on to risk-off, a sentiment that would only magnify throughout the year.

The NASDAQ Index is a valid indicator but also misleading. The NASDAQ is a market cap-weighted index with 7 companies comprising nearly 50% of the index. The "magnificent 7" posted exceptional YTD performance (Google +36%, Netflix +49%, Apple +50%, Amazon +55%, Tesla +112%, Facebook +138%, Nvidia +189%). While the NASDAQ rose 37.5% in 2023 through July 7, the First Trust Nasdaq 100 Equal Weighted Index ETF, which gives an equal weight to the 100 largest, most actively traded stocks, is up just 18.8%. The recovery for most technology valuations is not as strong as the index, and many public Enterprise SaaS companies are unlikely to return to COVID valuations and still trade well below pre-COVID levels, indicative by the chart below.

HEALTH IT REVENUE MULTIPLES

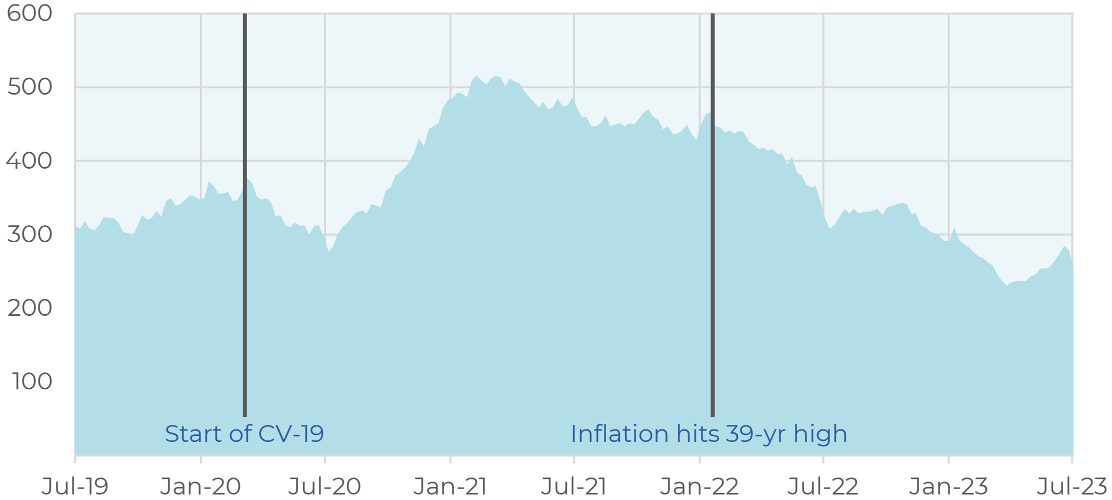
As compared to Public HIT and Enterprise SaaS indexes



M&A and investment transaction data is a lagging indicator. It takes at least one or two quarters to close a transaction which partially explains why private transaction data lags public market performance. Some of the HGP reporting data is based on a trailing average, which exacerbates this lag. However, we believe that the modest upswing in HGP transaction data in late Q2 is a sign of a longer-term trend, as on-the-ground transaction sentiment has improved.

HEALTH IT ANNUALIZED US M&A VOLUME

6-mo Moving Average



M&A isn't back, but it's coming back. Valuations, quality thresholds, deal volume, and transaction close rates are key considerations when evaluating a sale process. To hit on each –

1. **Valuations:** Health IT SaaS M&A valuations trended in the 4-7x range pre-COVID, 6-10x range during COVID, and are currently harder to assess because of thin trading activity but in aggregate are lower than pre-COVID levels except for high quality assets, such as Rule of 40. Revenue multiples have trended down more than EBITDA multiples, as such profitable companies have withstood the downturn better than breakeven or unprofitable counterparts.

2. **Quality:** Quality assets (see page 11 of this report for criteria) continue to trade although many have been waiting out the market cycle. Acquirors are holding companies to a high standard of quality, resulting in many "normal quality" companies unable to trade. We see the standard for quality reverting closer to the historical mean, opening the market to more transactions.

3. **Deal volume:** M&A volume fell below pre-COVID levels in Q4 and Q1 but is trending upward. Of note, transaction supply is increasing as many companies are entering the market after sitting out the last few quarters. We expect volume to rise through 2H 2023.

4. **Close-rates:** Close-rates are a product of valuation and quality expectations. As buyers dial up their risk tolerance and reenter the market, seller expectations rationalize, and quality standards revert to the mean, we expect close rates to climb. However, there is risk that an oversupply of transactions due to an accruing backlog may result in some sellers not finding a buyer.

Seller valuation expectations have reset faster than ever. Seller valuation expectations have reset faster than any time HGP has experienced in its 16-year history. While not true for all, most sellers have detached themselves from the valuation expectations of the COVID euphoria with a pragmatic understanding that the period was an anomaly.

Corporate carveouts and divestitures are increasingly common. Acquirers who were eager to participate in the COVID frenzy are increasingly bringing assets to market, looking to offload acquisitions that in hindsight may not have been the right strategic decisions. In the challenging fundraising environment, distressed companies have faced tough decisions, often resulting in sales of underperforming assets through corporate carveouts. Notably, Pear Therapeutics and Olive completed asset sales, and Centene exited the Apixio business and Net Health the home health and hospice business that each acquired in the last few years.

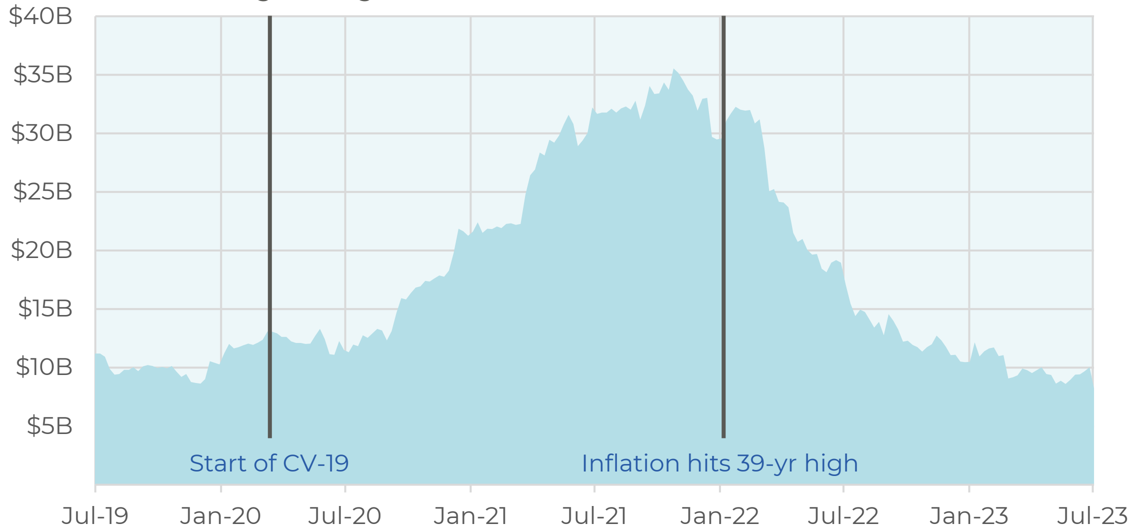
Structured deals are more prevalent. To solve for strategic acquirors' and private equity investors' lower risk appetites, many recent transactions have more structure versus outright cash. For strategic acquisitions, acquirors are structuring more equity consideration and earnouts. For private equity recaps, selling sponsors are required to roll significant equity to make the economics work, resulting in more partial recaps.

Money losing companies are still out of favor but not dead. Money-losing companies are still out of favor, but not "as dead" as 2H 2022 and 1H 2023. While the market has shifted away from the "growth at all costs" mentality and is now demanding a clear path to profitability, there has been some improvement in the receptiveness to money-losing companies. This has created an opening for investors to offload unproductive assets and has offered a better (but still not great) funding and M&A environment for companies with losses.

The decline in investment activity has leveled out. While the capital market slowdown has undoubtedly had an impact on Health IT investment activity, the decline appears to have moderated and activity levels remain at a healthy level when compared to long-term historical trends.

HEALTH IT ANNUALIZED US PE INVESTMENT VALUE

6-mo Moving Average



Unlabeled investment rounds indicate a higher share of likely down-rounds. A company typically undergoes a labeled Series A, Series B, etc. round of financing. An unlabeled round is an investment that does not contain a round identifier. Rock Health estimates that 41% of investment transactions in 2023 were extensions of prior rounds, which are often seen as a sign of a down-round. No doubt this is in part due to frothy funding valuations during the COVID cycle.

Many buyers remain on the sidelines. Buyers have continued to operate with a cautious mindset, with fewer willing to participate in M&A due to a combination of factors, including over-leverage, the need to digest high-value acquisitions from the market peak, and bookings challenges. As a result, many buyers have tighter cash flow and are looking within to manage costs. This has shrunk the overall, active buyer universe for now.

However, many buyers are jumping back in. They are motivated by longer hold periods resulting from a market that is not ripe for exits, creating new windows for M&A; the opportunity to acquire good companies that have come into hard times or experienced a valuation reset; or a desire to be more aggressive on the M&A front while competitors confront their own challenges. The market is ideal for buyers willing to capitalize on the market reset—many acquisitions have been negotiations against a seller reservation price rather than competitive bidding situations, but competitive bidding is becoming more prevalent.

HGP is experiencing and feeling the positive market shift. HGP closed three transactions in the first half of 2023 and finished Q2 with several healthy transactions under LOI, consistent with pre-downturn deal volume and a strong outlook for the second half. The three closings took place in Q2 2023 after no transactions in Q4 2022 and Q1 2023. We view those two quarters as the nadir in sentiment market-wide.

Sentiment is on the upswing, but with caution as investors want to be sure that inflation has cooled while the economy remains resilient. With inflation seemingly cooling and the economy holding up, the market is signaling optimism that the economy will be able to navigate a soft landing. However, the market was fooled by "transitory inflation" in 2021, inflation is stubborn, and the FOMC is signaling that interest rates will remain elevated for an extended period. The market will ultimately have to come to grips with this reality and accept that sitting on the sidelines is not an effective strategy.

Acceptance is within sight, marking the conclusion of the grief cycle which is followed by a new emotional cycle that is the most encouraging for market activity – **hope.**

Health IT Market Trends 2

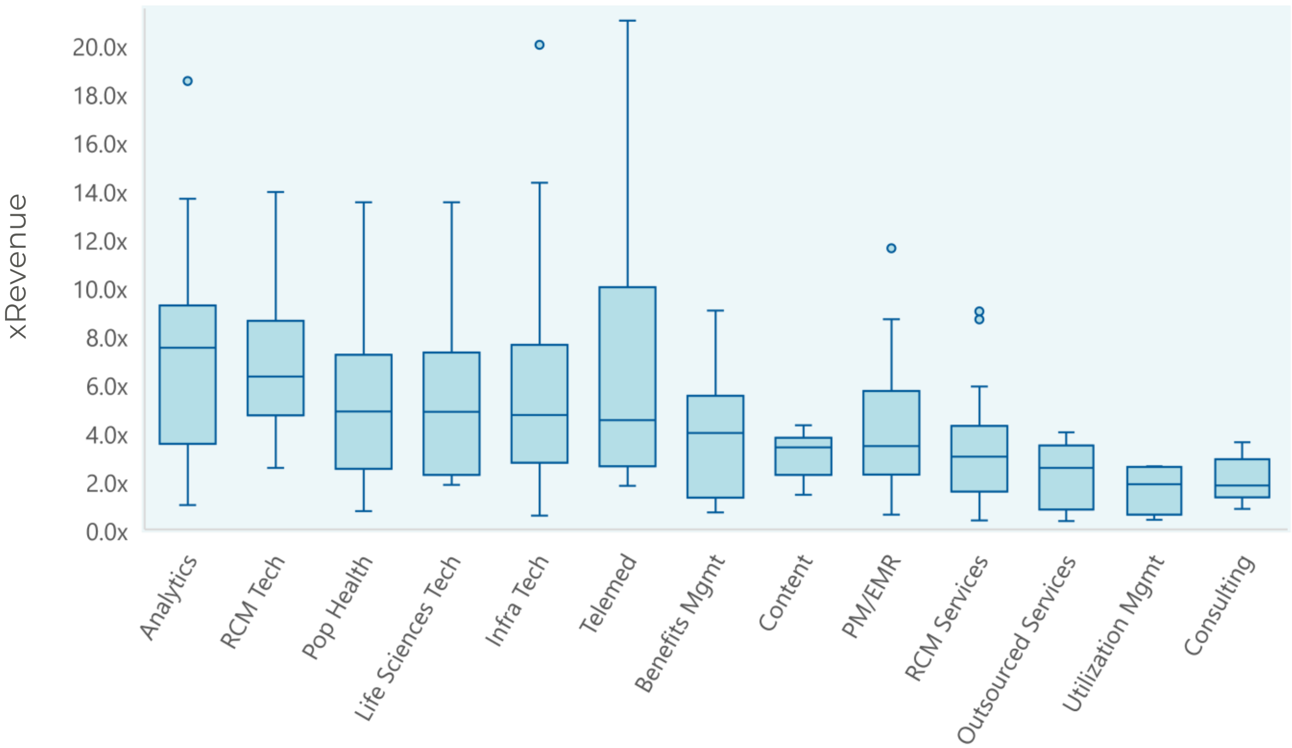
HGP keeps close tabs on M&A valuations to see how the market evolves over time. While HGP can only draw data from deals with disclosed multiples and therefore must be careful to consider bias in any conclusions drawn from this data, one can still get a good sense for how the market values companies within the different subsectors of health IT. The following table and accompanying box-and-whisker plot show the distributions of revenue multiples in 13 subsectors of health IT. The sectors were sorted according to median revenue multiple from largest to smallest.

Reported 2017 – 1H 2023	Deals with Disclosed Revenue Multiples	Deals with Disclosed EBITDA Multiples	Revenue Multiple					EBITDA Multiple
			25th %-tile	Median	75th %-tile	Mean	Std. Dev.	Median
Analytics	17	7	3.9x	7.5x	8.8x	7.3x	4.6x	18.5x
RCM Tech	35	21	4.7x	6.2x	8.5x	6.8x	3.2x	16.7x
Pop Health	66	14	2.7x	4.9x	7.2x	6.1x	4.6x	14.9x
Life Sciences Tech	21	8	2.3x	4.9x	7.1x	5.0x	3.0x	19.5x
Infra Technology	29	19	2.8x	4.7x	7.6x	6.0x	4.5x	16.0x
Telemed	21	5	2.7x	4.5x	10.0x	6.4x	4.9x	20.0x
Benefits Mgmt	18	5	1.5x	4.0x	4.6x	4.1x	2.8x	15.3x
Content	8	4	2.4x	3.4x	3.7x	3.1x	1.0x	15.9x
PM/EMR	43	23	2.2x	3.4x	5.2x	4.0x	2.5x	15.3x
RCM Services	15	18	1.7x	3.0x	4.1x	3.5x	2.6x	12.0x
Outsourced Services	12	5	1.1x	2.5x	3.2x	2.2x	1.3x	9.3x
Utilization Mgmt	4	3	1.0x	1.9x	2.5x	1.7x	1.1x	10.9x
Consulting	16	8	1.4x	1.8x	2.7x	2.0x	0.9x	12.1x

It's important to keep dispersion in mind when assessing valuation data, which is why HGP includes the 25th percentile, 75th percentile, and standard deviation in our summary statistics. While measures of central tendency like the median and mean are certainly indicative of how buyers are valuing assets, the dispersion shows that with higher multiples, Investor's also see higher risk. This becomes especially apparent when charting the data using a box-and-whisker plot. Generally speaking, the sectors with highest median revenue multiple also experience large standard deviations and positive skew. For instance, while 25% of the observed telemedicine companies received 10.0x revenue or more in sale transactions during the period, another 25% received less than 2.7x revenue at exit. Companies in these hot spaces cannot forget that they still need to show strong operating metrics in order to realize premium valuation multiples.

In 2023, a few sectors have seen their median multiples tick up relative to their historical medians, namely Analytics (by 1.3x) and RCM Services (by 0.6x). On the other hand, Telemed fell 1.0x relative to it's historical median. This does not come as a surprise, given the significant benefits this sector has enjoyed from COVID-19 tailwinds in the previous few years.

The box-and-whisker plot graphically displays the Median, 25th Percentile, 75th Percentile, Minimum, and Maximum; where points beyond 1.75 times the Inter-Quartile Range are shown as outliers. The inter-quartile range is represented by the "box" and shows the range between the 75th Percentile and the 25th Percentile. Visually, the inter-quartile range serves to describe the variability of the data. Note that point estimates such as the mean or median can often be misleading on their own, as they do not convey the level of variability which can be very high such as in the Telemedicine and Population Health sectors.



The sectors were sorted according to decreasing median revenue multiple and show a trend of decreasing IQR as median revenue multiple decreases. Thus, while companies that fall within sectors further to the right on the graph can expect a lower revenue multiple in a transaction, the transaction outcome is also more predictable. A company that falls within a sector on the left, however, cannot have as strong of confidence in their expected outcome. These observations follow a common theme in investment theory: that with greater potential upside, there is also greater risk and volatility.

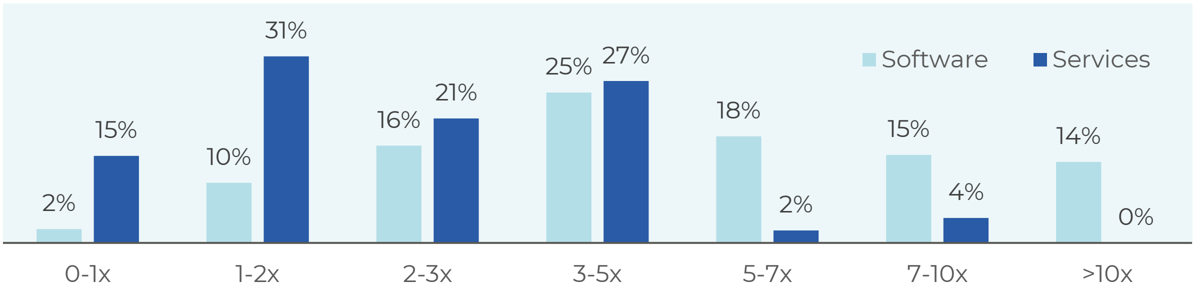
While the metrics presented here may be used as a guidepost for expected outcomes, the end result of any transaction often depends on buyer circumstances as much as on seller or market fundamentals, and buyer circumstances tend to be extremely unpredictable. It is not uncommon for the clearing price of a transaction to be significantly higher than the cover bids. This usually occurs when a buyer has unique circumstances that justify a higher price than the rest of the buyer universe. Identifying those buyers and appropriately positioning in relation to them is part of the art of running a successful transaction process.

The following table provides additional context on the valuation trends within each sector as well as a sample of recent transactions within each.

Sector	Description	Representative Deals
Analytics (17 deals) Median: 7.5x Std. Dev.: 4.6x	Primarily represents a mix of life sciences and provider analytics, and to a lesser extent, payer analytics.	Inovalon (Nordic Capital), Lumere (GHX), Central Logic (Rubicon), LeanTaaS (Bain), Signify Health (CVS)
RCM Tech (35 deals) Median: 6.3x Std. Dev.: 3.2x	Includes tech-oriented RCM vendors serving hospitals and physicians, and to a lesser extent, payers.	Change Healthcare (Optum), VisitPay (R1 RCM), ABILITY (Inovalon), TransUnion Healthcare (nThrive)
Population Health (66 deals) Median: 4.9x Std. Dev.: 4.6x	Comprised of patient engagement, provider connectivity, and care management technologies.	Fitbit (Google), Iora Health (One Medical), Preventice (Boston Scientific), VRI (ModivCare), Castlight (Vera)
Life Sciences IT (21 deals) Median: 4.9x Std. Dev.: 3.0x	Includes traditional CTMS vendors as well as other vendors that deliver value in the drug/device process.	Medidata (Dassault Systemes), Bracket Global (Genstar Capital), Cytel (Nordic Capital), Pinnacle 21 (Certara)
Infrastructure Tech (29 deals) Median: 4.7x Std. Dev.: 4.5x	Compliance and resource management software generally serving provider organizations.	symplr (Clearlake), Haemonetics (GPI), Intelligent Medical Objects (Thomas H. Lee Partners), IPG (Evolent)
Telemed (21 deals) Median: 4.5x Std. Dev.: 4.9x	Contains a mix of pure telehealth tech, telehealth services, and virtual care models.	2nd.MD (Accolade), PillPack (Amazon), Silvercloud (Amwell), SOC Telemed (Patient Square Capital)
Benefits Management (18 deals) Median: 4.0x Std. Dev.: 2.8x	Includes benefits management and admin software companies serving payers and employers.	Connecture (Francisco Partners), PinnacleCare (Sun Life), WageWorks (HealthEquity), LifeWorks (Telus)
Content (8 deals) Median: 3.4x Std. Dev.: 1.0x	Transactions are a mix of online consumer content and provider-oriented clinical content.	WebMD (Internet Brands), Care.com (IAC), Medlife (PharmEasy), MedCerts (Stride), mdBriefCase (Think Research)
PM/EMR (43 deals) Median: 3.4x Std. Dev.: 2.4x	Includes ambulatory, acute, post-acute, alternate site, and departmental EMR/PM systems.	Cerner (Oracle), Intelerad (HGCapital), athenahealth (Veritas), Therapy Brands (KKR), AllScripts (Harris)
RCM Services (15 deals) Median: 3.0x Std. Dev.: 2.5x	Outsourced revenue cycle management services generally serving hospitals and physicians.	Intermedix (R1), AGS Health (Baring), MedData (Frazier), mNet (SSM), Ensemble (Berkshire), CloudMed (R1)
Outsourced Services (12 deals) Median: 2.5x Std. Dev.: 1.3x	Includes non-RCM outsourced services primarily serving payers as well as providers.	Sedgwick & MedRisk (Carlyle Group), Sound Physicians (Summit), ReCept Pharmacy (OmniCell)
Utilization Mgmt (4 deals) Median: 1.9x Std. Dev.: 1.1x	Payer-oriented software and services vendors focused on traditional utilization management.	Senior Whole Health (Magellan), New Century (Evolent), HealthHelp (WNS Holdings)
Consulting (16 deals) Median: 1.8x Std. Dev.: 0.9x	Project-based IT consulting and staff augmentation companies generally serving provider organizations.	The Advisory Board Company (UnitedHealth), Navigant (Guidehouse), CynergisTek (Clearwater Compliance)

Health IT M&A (Including Buyout) 3

Health IT Revenue Multiples Distribution 2017 — 1H 2023

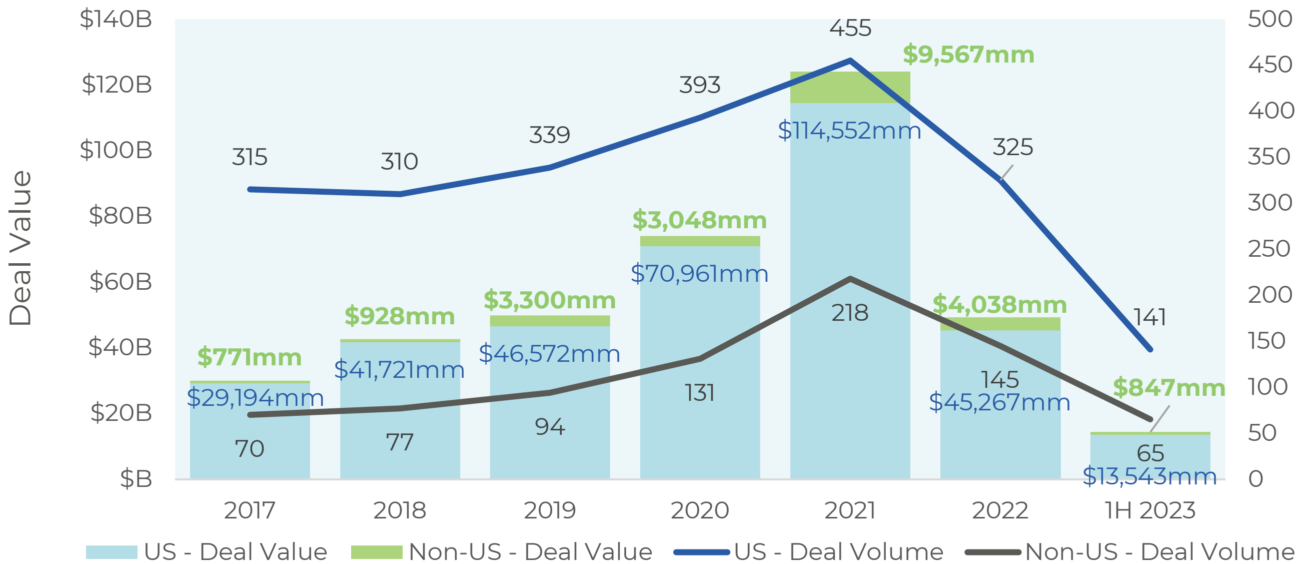


HGP has observed a number of tangible and intangible company and transaction characteristics that typically define where a deal falls on the valuation distribution. Growth, profitability, and recurring revenue are the most commonly identified factors used to justify valuation multiples. Not all health IT companies capture premium valuations just because they operate in health IT. However, those companies that offer a combination of growth, address an unmet need, and fit into the vision of healthcare reform are seeing valuations significantly higher than historical patterns of activity. Premium value is also created when a seller fulfills the specific needs of a buyer at a specific point in time. Timing and serendipity are external factors that play a large and sometimes unpredictable role in the creation of value.

HGP's Target Metrics For Emerging Growth Health IT Companies

	Best	Good	Passable	Avoid
Recurring Revenue	Monthly Subscription or Monthly Transaction	Annual Subscription or Prepaid Transactional	1-Year+ Prepaid Subscription	Perpetual License + Maintenance
Revenue Metric	Contracted Annual Recurring Revenue	Annual Recurring Revenue	Trailing Twelve Month	Sum of Parts Revenue Multiples
Revenue Growth	35%+	20-35%	10-20%	<10%
Gross Margin	80%+	70-80%	60-70%	GM <70% for SaaS Lower for Services
Gross Revenue Retention	95%+	90-95%	Depends on Customer Type	<90%
Customer Concentration	<10%	10-20%	20-30%	1 customer > 30% or a handful of >50%
Profitability	20%+	0-20%	Small Losses	Large Losses

Health IT M&A Activity 2017 – 1H 2023



It's no secret that M&A volume is down in 2023. Annualized metrics from 1H 2023 indicate that US deal volume is down 13% and US deal value is down 40% relative to 2022. This is especially notable considering that 2022 ended in line with pre-COVID levels. With that said, HGP is expecting a 2H 2023 that surpasses 1H 2023 annualized projections. With cost of capital and inflation stabilizing, the market appears positioned to open up to more participants than just the well-capitalized buyers and high-performing sellers that have dominated the limited transaction activity over the previous 3 quarters.

HGP's data already shows a change in direction in M&A reflecting the macroeconomic influences discussed above. For the first time since Q2 2021, Q2 2023 capped 3 quarters of QoQ M&A volume increases. This seems to signal a possible end of the M&A volume decline that has occurred since the frenzy of 2020 – 2021. Three large take-private acquisitions closed in 1H 2023 (Signify Health, One Medical, and Oak Street Health), but with the market opening and valuations expected to be at their low point, HGP predicates this to be the tail end of this trend in the HIT space.

Global Health IT M&A Deals by Quarter

Getting more granular into valuation multiples, it is useful to note that multiples are often somewhat correlated to a target's enterprise value. Software company valuations steadily climb as enterprise value increases until approximately the $1B valuation mark. Services company multiples experience a similarly steady climb in EBITDA multiples, and in larger increments at the $500mm and $1B valuation marks. The inflection points are in part due to a private equity universe that has expanded leverage capacity for larger transactions, which in turn drives up valuation multiples as the enterprise value increases.

		Software Companies			Services Companies		
		Revenue Multiple	EBITDA Multiple	Transaction Value	Revenue Multiple	EBITDA Multiple	Transaction Value
All Transactions	# of Transactions	260	106	269	48	35	56
	Median	4.6x	16.6x	$ 153	2.3x	11.6x	$ 226
	Mean	5.6x	17.4x	$ 851	5.6x	17.4x	$ 751
<$30mm Transactions	# of Transactions	60	16	61	10	8	11
	Median	3.2x	11.4x	$ 14	1.8x	9.4x	$ 13
	Mean	4.3x	15.5x	$ 15	2.0x	15.5x	$ 15
$30-100mm Transactions	# of Transactions	48	15	48	12	6	12
	Median	3.6x	13.2x	$ 60	2.4x	9.2x	$ 48
	Mean	4.5x	15.4x	$ 57	2.2x	15.4x	$ 52
$100-500mm Transactions	# of Transactions	80	24	81	12	9	16
	Median	4.8x	15.0x	$ 213	1.7x	10.9x	$ 275
	Mean	6.0x	16.4x	$ 237	2.1x	16.4x	$ 274
$500mm-$1B Transactions	# of Transactions	20	11	24	5	4	6
	Median	6.4x	18.7x	$ 650	2.6x	13.8x	$ 670
	Mean	6.7x	18.0x	$ 703	2.8x	18.0x	$ 670
>$1B Transactions	# of Transactions	52	40	55	9	8	11
	Median	6.4x	17.8x	$ 1,800	2.6x	18.0x	$ 2,350
	Mean	7.1x	19.4x	$ 3,398	3.8x	19.4x	$ 2,985

Generally, companies have three valuation inflection points: proof-of-concept, growth scalability, and mature scalability.

1. **Proof-of-concept** is value created when a company shows that its product can be successfully sold and deployed in a commercial setting.
2. **Growth scalability** occurs when an earlier stage company begins to show profitability or at least scale at high levels of growth, although the organization is still small and lean.
3. **Mature scalability** takes place after a company has matured to a level where it takes on real corporate and organizational infrastructure and the company begins to show strong profitability.

2017 – 1H 2023 Software Revenue Multiple Distribution by Target Enterprise Value

Percentile	<$30mm	$30-100mm	$100-500mm	$500mm-$1B	>$1B
90th Percentile	6.8x	8.2x	12.0x	12.0x	12.9x
75th Percentile	5.4x	6.7x	7.6x	8.0x	8.7x
50th Percentile	3.2x	3.6x	4.8x	6.4x	6.4x
25th Percentile	2.0x	2.4x	3.0x	4.4x	4.2x

2017 – 1H 2023 Services Revenue Multiple Distribution by Target Enterprise Value

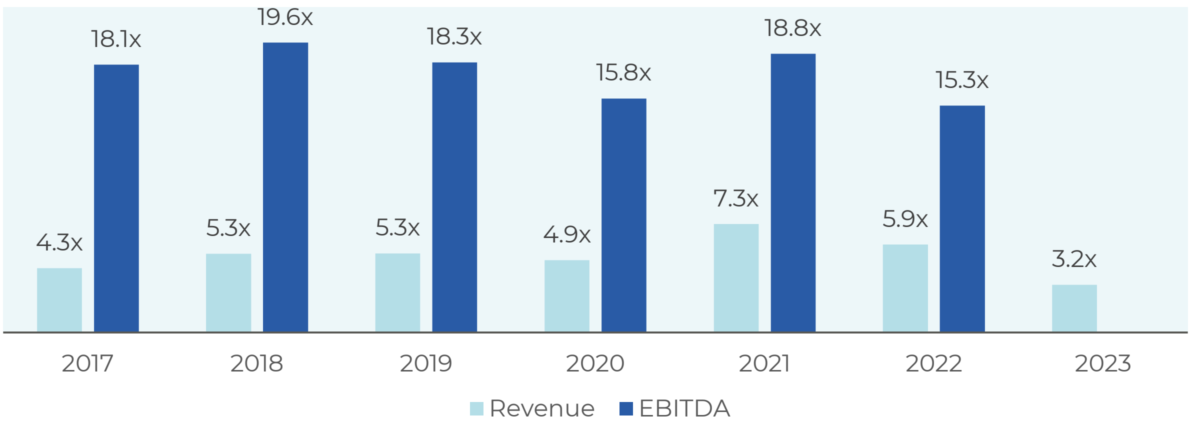
Percentile	<$30mm	$30-100mm	$100-500mm	$500mm-$1B	>$1B
90th Percentile	3.1x	3.5x	3.9x	5.0x	8.7x
75th Percentile	2.6x	3.0x	3.2x	3.6x	3.6x
50th Percentile	1.8x	2.4x	1.7x	2.6x	2.6x
25th Percentile	1.2x	1.1x	1.3x	1.3x	2.4x

The above tables demonstrate the positive relationship between valuation and scale. As software businesses grow in scale, so do their multiples. Revenue multiples steadily increase from 3.2x to 4.8x as companies begin to reach the $100mm mark. As software businesses grow further to over $500mm and reach mature scalability, they experience a material step up in value, with revenue multiples further increasing to a median of around 6.4x.

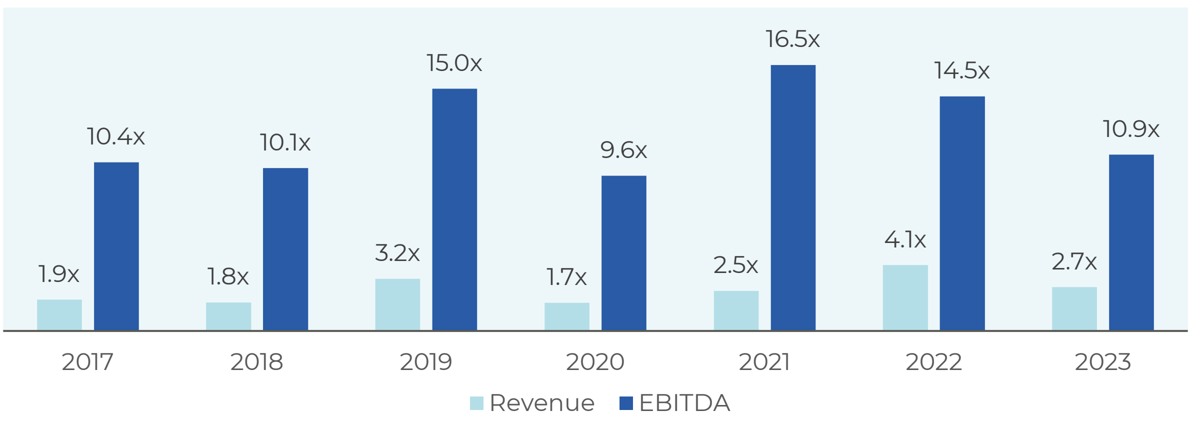
Services businesses do not seem to benefit as drastically from increased scale as do software companies. While median revenue multiples do not rise substantially as services companies mature, a few scalable, high-quality Services businesses that traded on EBITDA multiples had implied revenue multiples that were outliers, as can be seen in the 90th percentile for companies in the $500mm-$1B range in EV.

Detailed multiples trends can be found in the following bar charts. It should be noted that valuation multiple trends can be very volatile given the limited availability of data.

SOFTWARE AVERAGE M&A MULTIPLES 2017 — 1H 2023



SERVICES AVERAGE M&A MULTIPLES 2017 — 1H 2023



Valuation multiples continue to fall from their COVID peaks. HGP sees value in noting that revenue and EBITDA multiples appear to have become inherently valuable information in the marketplace, as the decline in transactions results in a decline in available transaction data.

Delving into the underlying data, the volume of deals with an EBITDA multiplier available dropped 74% relative to 6-month 2022 normalized volumes. Meanwhile, following the same method of comparison, the volume of deals with either a revenue or an EBITDA multiplier have only dropped 44%, and deal volume overall has dropped 13%. HGP suspects this trend is a result of both a lower overall volume of transactions, particularly among companies with available information, and a heightened sense of sensitivity surrounding deal structure.

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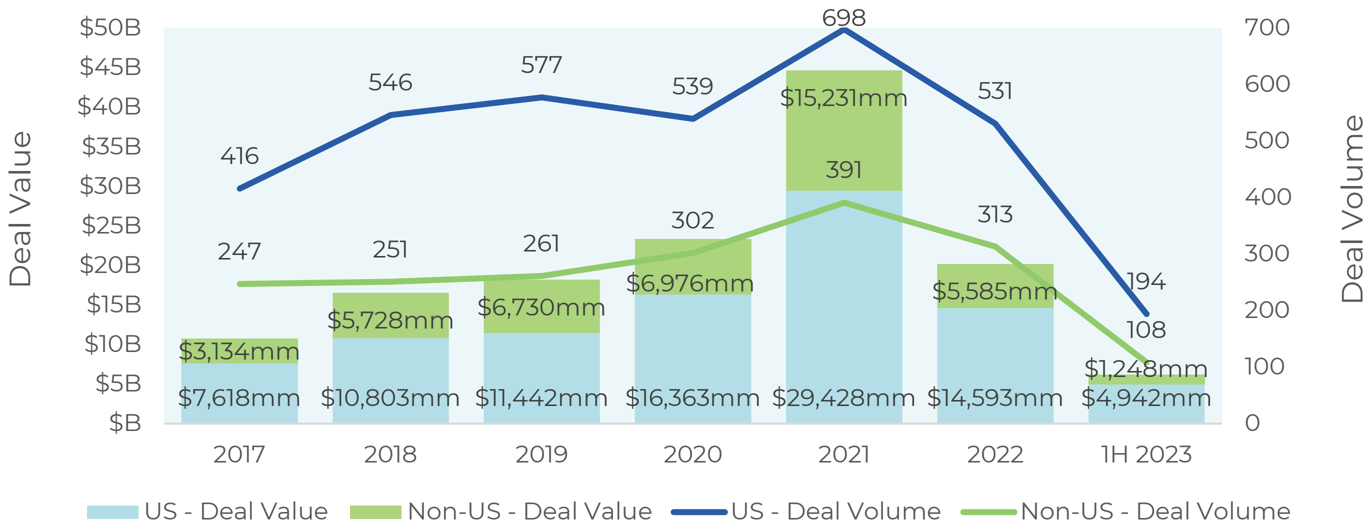
HEALTH IT CAPITAL RAISES (NON-BUYOUT) 4

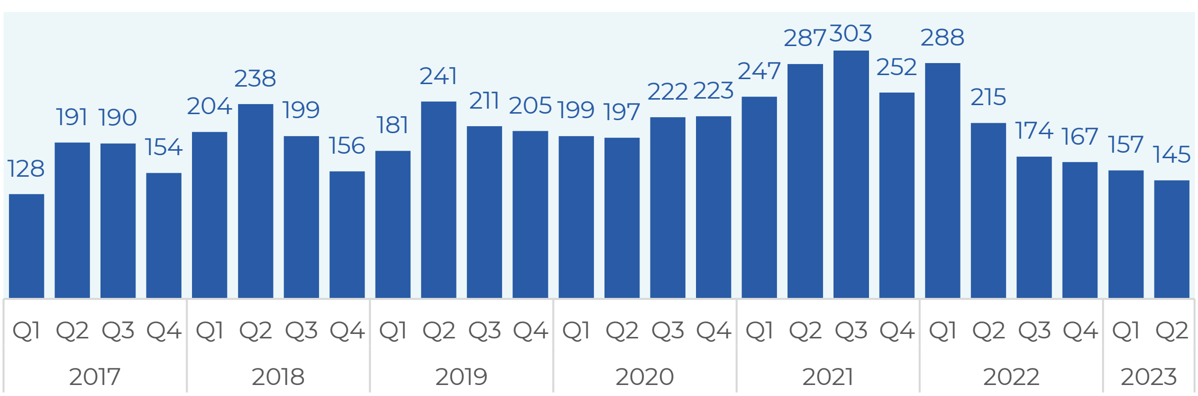
Capital raise activity has slowed more than the M&A market in terms of annualized volumes. Specifically, there has been a 27% decline in the number of capital raises in the United States compared to 2022 – twice the rate of decline seen in the M&A market. However, it is important to note that the dollar amounts being raised have only decreased by 32% compared to 2022 – less than the decline of aggregate deal value, which has dropped 40%.

These findings indicate that while obtaining a capital raise has become more challenging, companies that manage to secure funding are likely to be in an especially favorable position relative to their competitors in the future. On the other hand, this data suggests that investors are exercising more caution in their decisions but are still willing to take limited risks in businesses they truly believe in.

HEALTH IT INVESTMENT ACTIVITY 2017 — 1H 2023



GLOBAL HEALTH IT INVESTMENT DEALS BY QUARTER



Healthcare Capital Markets 5

HIT & Subsectors Index Performance 1H 2023

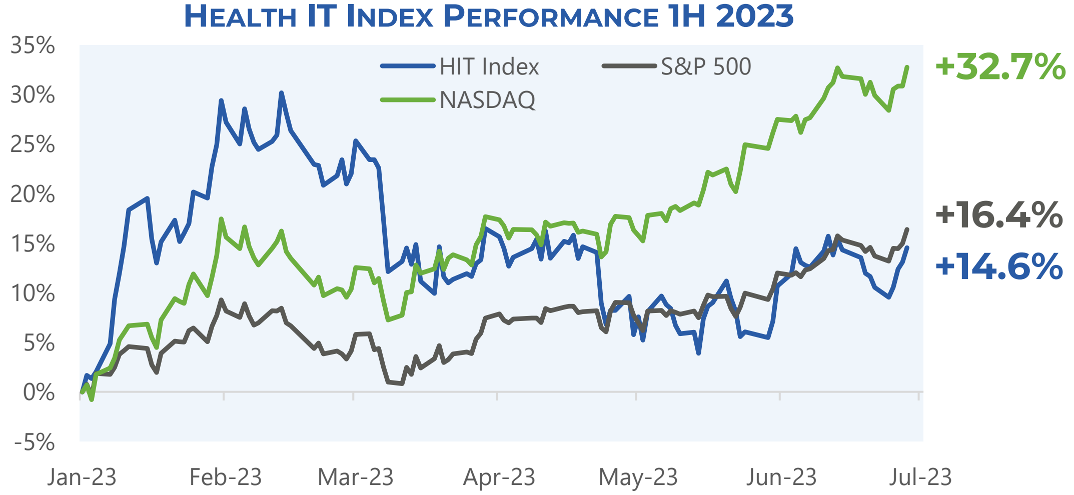
HGP tracks a custom index within the health IT space. What classifies a company in the universe of health IT, and ideally creates a valuation premium, is a strong information technology and data component that creates scalability and competitive strength. This is particularly relevant to services organizations that use technology and data analytics to streamline their operations. With this in mind, HGP evaluated the performance of publicly traded health IT companies against the S&P 500 and the Nasdaq indices, in order to assess the health IT companies within the wider market.

After a disappointing 2022, the markets have experienced a historic rebound in the first half of 2023. The NASDAQ finished 1H 2023 up an impressive 32.7%, marking its best 1H performance since 1983. It's important to acknowledge that the rally is largely credited to the "Magnificent 7" (Google, Netflix, Apple, Amazon, Tesla, Facebook, and Nvidia). These companies experienced an average increase of 93.3% during 1H 2023 and have a disproportionate impact on the NASDAQ due to their combined market capitalization of over $12T, constituting 49% of the Index weight.

A major portion of investor enthusiasm in the technology sector stems from the recent progress in artificial intelligence. OpenAI released ChatGPT which launched a surge in the development of large language models (LLMs) and sparked widespread public interest in AI. The HIT index has benefited from this phenomenon as well as from other positive broader market indicators, ending more in line with the less bullish, but still strong S&P 500 at 14.6%.

As is evident from the chart below, the HIT index experienced a more volatile 1H as compared to the S&P 500 and the NASDAQ. Drilling down into the constituents, it appears that this increased susceptibility to market forces is largely driven by the low share prices amongst the basket of stocks. The median share price of all constituents in the HIT index at the beginning of 2023 was $10.13, a significantly low watermark as compared to the start of 2022, which had a median of $26.98. Due to this low price point, small dollar variances result in meaningful performance variations on a percentage basis. Additionally, nearly all the constituents in the HIT index were directly affected by market trends and events such as the AI boom and the collapse of Silicon Valley Bank, the impact which, again, is magnified by the lower share prices.

Health IT Index Performance 1H 2023



2022 saw an increase in take-private transactions which together made a drastic dent in the aggregate market cap of publicly traded health IT companies. This trend has persisted throughout 2023, further shifting market dynamics. The acquisitions of Signify Health (CVS), One Medical (Amazon), and Oak Street Health (CVS) removed over 30% of the aggregate market cap of publicly traded HIT companies. This is especially noteworthy considering that in 2022, acquisitions removed nearly 20% of the aggregate HIT market cap. A key driver behind this trend is the cratering in public market valuations which benefited opportunistic buyers eager to actively engage in the HIT sector.

Taken together, the HGP HIT Index has undergone major transformations since the wave of IPOs that kicked off in 2019, resulting in a basket of companies that, as a whole, leave much to be desired in terms of quality. Of the 63 companies that make up the index, 35 entered the market in 2020 or later and 15 are SPACs. New entrants as well as SPACs are especially volatile, and the post-Covid and inflationary periods have left their mark on the index. Consequently, the index's overall quality has decreased, rendering it highly susceptible to market fluctuations.

To further drill-down into the drivers behind the variability within the Health IT index, HGP classified the 63 constituents into their respective sectors – Benefits Tech, Consumer Health, Infrastructure, Pharma Tech, Population Health Management, Tech-Enabled Payers, Value-Based Care, and Virtual Care. 5 of the 8 indexes are trending positively – all with double digit value increases. The 3 indexes with losses tell 3 very different stories:

- Value-Based Care was an unusually strong performer in 2022. It seems investor interest has shifted from this space towards benefits tech and tech-enabled payers, which are rebounding from a difficult prior year (-42.4% & -74.9% in 2022, respectively).
- Consumer Health was an underperformer in 2022, shedding nearly 75% of its value, and the decline has persisted.
- The Population Health Management index is comprised of 7 constituents, and a single company's performance, NantHealth, is pulling the overall index's performance down. When NantHealth is removed, the index is down 6.5%, rather than 19.7%.

Despite tumultuous performance across the board, HGP expects investor interest in Health IT to remain strong, and will be closely monitoring the shifting dynamics of what appears to be an emerging bull market.

1H 2023 Index Performance					
Health IT	+14.6%	Infrastructure	+12.5%	Tech-Enabled Payers	+49.7%
Benefits Tech	+56.6%	Pharma Tech	+13.2%	Value-Based Care	-16.7%
Consumer Health	-20.8%	Pop Health Mgmt	-19.7%	Virtual Care	+12.6%

HIT and Subsector Index Performance Detail As Of June 30, 2023

Detail on the sectors and companies HGP tracks as part of the health IT index can be found below. Multiples shown are based off 2023E revenue and EBITDA.

Company	Share Price % Change	EV/ Rev	EV/ EBITDA	Company	Share Price % Change	EV/ Rev	EV/ EBITDA
Benefits Tech							
Benefitfocus (delisted)	NA	NA	NA	HealthEquity	2%	7.1x	22.8x
ehealth	66%	0.9x	NMF	Progyny	26%	3.3x	19.5x
Evolent Health	8%	2.1x	21.4x	SelectQuote	190%	1.0x	20.8x
GoHealth	89%	1.3x	8.7x	Thorne Research	29%	1.1x	9.4x
GoodRx Holdings	18%	2.8x	11.1x				
Consumer Health							
23andMe	-19%	1.7x	NMF	Peloton	-3%	1.5x	NMF
Owlet Baby Care	-39%	0.4x	NMF				
Infrastructure							
Veradigm	-29%	1.7x	6.4x	Omnicell	46%	3.0x	27.9x
CPSI	-9%	1.4x	8.2x	OptimizeRx	-15%	2.5x	NMF
Doximity	1%	13.9x	NMF	Phreesia	-4%	5.5x	NMF
HealthStream	-1%	2.6x	12.2x	Roper Technologies	12%	9.4x	23.3x
MultiPlan	83%	6.1x	9.3x	Streamline Health	-20%	3.2x	NMF
NextGen Healthcare	-14%	1.7x	10.1x	Tabula Rasa	67%	1.4x	24.6x
NRC Health	17%	NA	NA				
Pharma Tech							
Certara	13%	7.9x	22.1x	Science 37	-49%	NMF	NMF
Invitae	-39%	3.1x	NMF	Schrödinger	167%	13.3x	11.7x
IQVIA	10%	3.5x	14.7x	Simulations Plus	19%	12.4x	NMF
Model N	-13%	5.6x	NMF	SOPHiA GENETICS	117%	2.3x	NMF
Pear Therapeutics (bankrupt)	-99%	NMF	NMF	Veeva Systems	23%	13.1x	NMF

Company	Share Price % Change	EV/ Rev	EV/ EBITDA	Company	Share Price % Change	EV/ Rev	EV/ EBITDA
Population Health Management							
Definitive Healthcare	0%	6.4x	23.6x	GeneDx Holding	-32%	0.1x	NMF
Health Catalyst	18%	2.0x	NMF	Sharecare	9%	1.2x	20.7x
NantHealth	-86%	3.4x	NMF	Signify Health (acq.)	NA	NA	NA
Premier	-20%	2.7x	7.4x				
Tech-Enabled Payers							
Bright Health Group	-76%	0.4x	NMF	Oscar	228%	0.0x	0.5x
Clover Health	-3%	0.0x	NMF				
Value-Based Care							
Alignment Health	-51%	0.4x	NMF	One Medical (acq.)	NA	NA	NA
Oak Street (acq.)	NA	NA	NA	Privia Health	15%	1.7x	NMF
Virtual Care							
Akili Interactive	-1%	-6.7x	0.2x	Hims & Hers Health	47%	2.2x	NMF
Accolade	73%	2.8x	NMF	iRhythm Tech	11%	6.5x	NMF
Babylon Health	-99%	0.3x	NMF	LifeStance Health	85%	3.8x	NMF
DocGo	33%	1.7x	18.6x	SmileDirectClub	50%	0.8x	NMF
Amwell	-26%	0.4x	NMF	Talkspace	108%	0.6x	NMF
Cue Health	-82%	-0.9x	0.5x	Teladoc Health	7%	1.8x	16.1x
EUDA Health	-54%	1.9x	NA	UpHealth	15%	1.3x	18.7x
Akili Interactive	-1%	-6.7x	0.2x	Hims & Hers Health	47%	2.2x	NMF

HIT and Subsectors Index Valuation Multiples

	Revenue Multiples		EBITDA Multiples	
Median Values	2023E	2024E	2023E	2024E
Enterprise SaaS	6.6X	5.6X	21.6X	21.1X
Health IT (all)	2.0X	1.8X	14.7X	13.3X
Pharma Tech	6.7X	5.9X	14.7X	23.8X
Infrastructure	2.8X	2.6X	11.2X	11.3X
Pop Health Mgmt	2.4X	2.2X	20.7X	12.3X
Benefits Tech	1.7X	1.5X	19.5X	13.2X
Virtual Care	1.5X	1.4X	16.1X	13.4X
Consumer Health	1.5X	1.5X	NA	NA
Value-Based Care	1.1X	0.9X	NA	NA
Tech-Enabled Payers	NMF	NMF	NMF	NMF

Except for Pharma Tech, all subsectors trade at a deep discount to Enterprise SaaS. The Health IT Index is trading at a ~70% discount to Enterprise SaaS on a 2023E xRev basis and a ~32% discount based on 2023E xEBITDA basis.

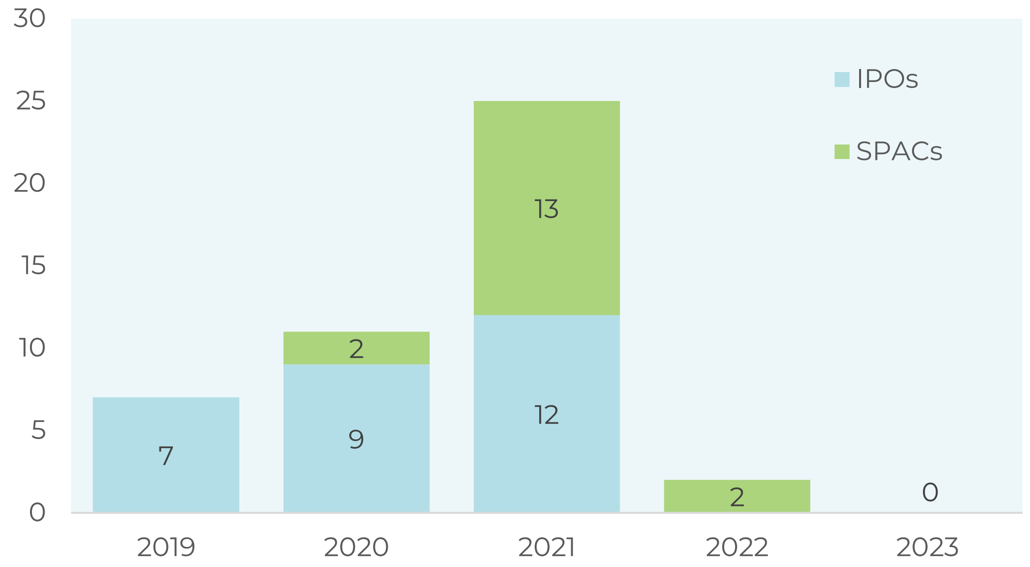
HEALTH IT IPOS AND SPACS

The public markets soared in 2020 and 2021, creating a flurry of IPOs and SPACs eager to ride the wave of the market momentum. The IPO frenzy came to a screeching halt in 2022, with activity falling to a 13-year low by volume and a 20-year low by value. 2023 has been much of the same. Despite a surge in tech stocks, with the Nasdaq rising over 30% in the first half of 2023, and a growing number of companies waiting to go public including 1,200+ unicorns, the IPO market's doors have largely remained shut. This is especially true in the health IT sector, which has seen zero US Health IT IPOs or SPACs in 2023.

According to the EY Global IPO Trends report, the first half of 2023 recorded 615 IPOs globally, raising $60.9b in capital. This represents a 5% and 36% decrease, respectively, as compared to the same period last year. The US IPO market saw marginal improvement as compared to 2022; proceeds totaled $8.8B across 64 IPOs representing increases of 87% and 25% respectively over the comparable 2022 period. While promising on the surface, the rise in value was primarily driven by Kenvue ($4.4B), the largest US IPOs since November 2021.

In the past couple of years, HGP has been tracking the astonishing rise and fall of SPACs, a phenomenon experienced in the broader markets, and particularly in Health IT. SPACs made a massive splash in 2021, and a year ago, the once wildly popular SPAC vehicle began to experience a dramatic crash in listings. This trend has continued into 2023. According to EY, there have been 32 SPAC listings with a total transaction value of $2.7b through 1H 2023, a decline of 70% and 82% respectively over the comparable 2022 period.

US HEALTH IT IPO AND SPAC VOLUME



HEALTH IT IPOS AND SPACS

SPAC performance has plummeted alongside activity levels. Checking in on the performance of SPACs through 2023, it appears they may be living up to their unsavory reputations. Despite being all the rage in 2020 and 2021, concerns regarding their lack of transparency and regulatory oversight, inflated valuations, poor performance, often times conflicts of interest, etc., have long ruminated amongst investors. Overall performance appears to suggest these concerns held some truth. EY reports that 11 of the 12 largest de-SPAC transactions completed between 2020 and 2022 are presently trading below their list price, with discounts ranging from 8% up to a staggering 96%. Health IT SPACs have not been spared –none of the 16 Health IT firms that debuted through SPACs since 2020 have seen an increase in value relative to their original list price, with several turning to reverse stock splits to avoid delisting. The magnitude of losses incurred further highlights the demise of the SPACs; companies such as Babylon Health and Pear Therapeutics have struggled to the point that Babylon is now traded on the pink sheets, and Pear has filed for bankruptcy.

While SPAC issues are likely to return to pre-Covid levels, looking to the broader IPO market, companies are getting “IPO ready” eagerly awaiting for the IPO floodgates to open once more. As economic conditions continue to improve and market sentiment gradually strengthens, a resurgence in global IPO activity is expected to commence in late 2023. This anticipated upturn aligns with the perceived final stage of the tight monetary policy, suggesting a positive outlook for IPOs on a global scale.

Health IT SPAC Performance

Company	List Date	List Price*	Stock Price as of 6/30/2023	High Watermark	High Watermark Date
23andMe [NAS:ME]	17-Jun-21	$10.00	$1.75	$13.25	5-Nov-21
Akili Interactive [NAS:AKLI]	19-Aug-22	$9.76	$1.11	$7.15	22-Aug-22
Babylon Health [PINX: BBLNF]	21-Oct-21	$250.00	$0.07	$292.75	27-Oct-21
Clover Health [NAS:CLOV]	7-Jan-21	$15.21	$0.90	$22.15	8-Jun-21
DocGo [NAS:DCGO]	5-Nov-21	$10.75	$9.37	$11.10	13-Oct-22
EUDA Health [NAS:EUDA]	17-Nov-22	$5.50	$0.76	$4.30	18-Nov-22
GeneDx Holding [NAS:WGS]	22-Jul-21	$405.90	$5.96	$404.25	11-Aug-21
Hims & Hers [NYS:HIMS]	19-Jan-21	$18.17	$9.40	$24.46	8-Feb-21
MultiPlan [NYS:MPLN]	8-Oct-20	$10.17	$2.11	$9.82	9-Oct-20
Owlet Baby Care [NYS:OWLT]	15-Jul-21	$117.18	$4.76	$144.48	13-Aug-21
Pear Therapeutics	6-Dec-21	Bankrupt	Bankrupt	Bankrupt	Bankrupt
Science 37 [NAS:SNCE]	1-Oct-21	$9.70	$0.21	$14.10	15-Nov-21
Sharecare [NAS:SHCR]	1-Jul-21	$9.50	$1.75	$9.15	3-Sep-21
SOC Telemed	30-Oct-20	$10.00	$3.00**	Acquired	Acquired
Talkspace [NAS:TALK]	23-Jun-21	$8.90	$1.27	$8.86	25-Jun-21
UpHealth [NYS:UPH]	9-Jun-21	$93.50	$1.88	$99.30	10-Jun-21

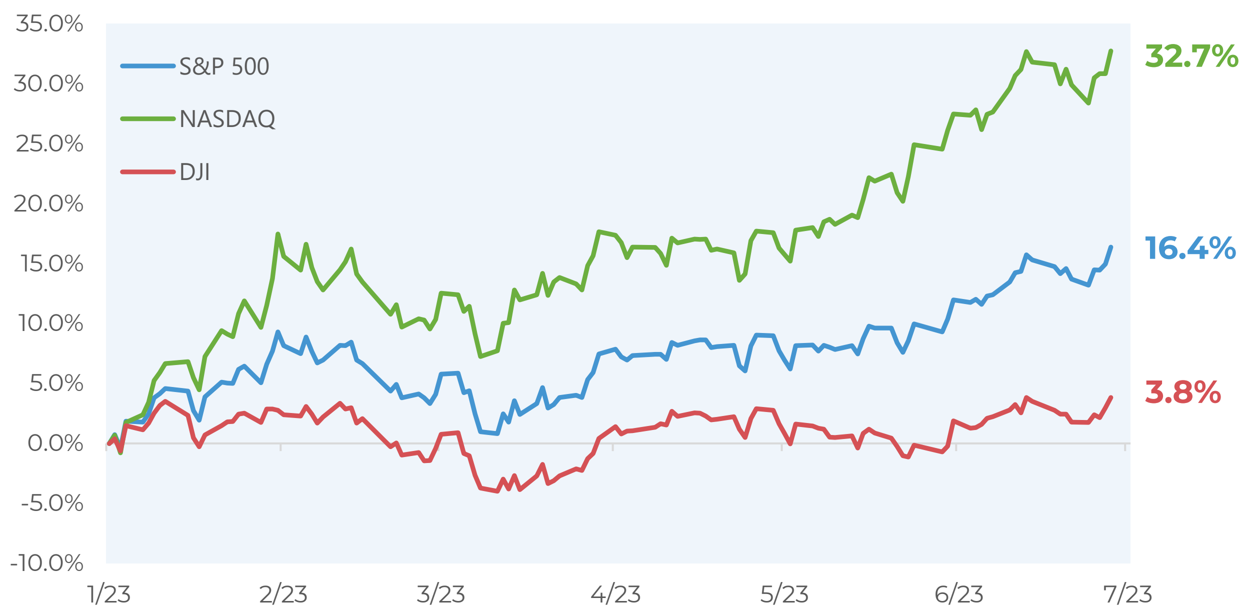
**Normalized for stock splits; **Acquisition price*

Macroeconomics 6

While 2023 kicked off with glimmers of hope that a rebound was in the cards, inflation has persisted as a major theme, joined by this half's unique set of challenges. The macroeconomic landscape was dealt two notable curveballs, the first being the collapse of the Silicon Valley Bank, followed by the threat of a debt ceiling crisis. Meanwhile, the Fed has continued its aggressive campaign to slow inflation; however, a promising June CPI print is beginning to cement the early glimmers of hope felt in January, and the possibility of a soft landing is feeling increasingly likely.

After a relatively quiet first two months in 2023, the financial landscape was rocked by the collapse of Silicon Valley Bank, with Signature Bank and First Republic Bank following shortly after. These events constitute the 3rd, 4th, and 2nd largest bank failures in history, respectively, behind Washington Mutual in 2008. SVB's implosion had a profound effect on the already struggling start-up ecosystem and was a sobering reminder of the risks associated with aggressive rate hikes following an extended low interest-rate period and the erosion of financial oversight. In May, Treasury Secretary Janet Yellen warned that the United States would default on its debt if the borrowing cap was not raised, further complicating the market's adjustment to the "new normal." While lawmakers were able to reach an agreement to raise the debt ceiling and avoid potentially devastating consequences, the dire situation served as a reminder of how the market continues to toe the line between recovery and recession.

1H 2023 US Stock Market Performance



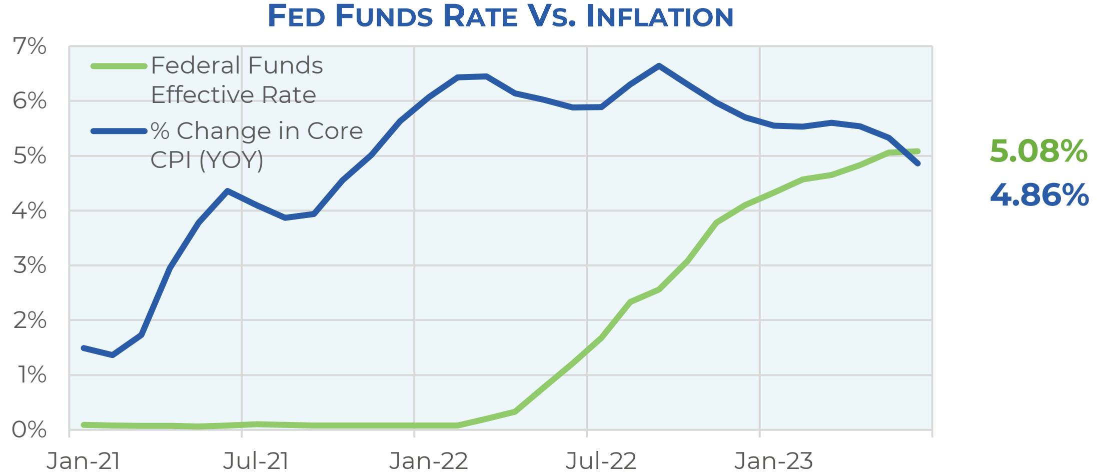
Jan 8 – China reopens borders
Feb 1 – Fed raises rates by 25 bps
Mar 10 – Silicon Valley Bank collapse
Mar 12 – Signature Bank collapse
Mar 22 – Fed raises rates by 25 bps
May 1 – First Republic Bank collapse
May 3 – Fed raises rates by 25 bps
May 11 – U.S. COVID-19 PHE ends
May 26 – Debt default warning

Markets have largely ignored the prolonged inverted yield curve, which is widely regarded as an indicator of a looming recession. The yield spread has remained inverted since July 2022 and has further deepened throughout 2023 as the Fed has maintained its hawkish stance, with June 28 seeing the widest gap between the one- and 30-year yields since 1981. The inversion has created increasing pressure on the banking system, as banks cannot benefit from the spread paid out to depositors and collected from borrowers, the consequences of which were evident in the SVB collapse. According to Goldman Sachs, the resilient economic data has reduced recession risk while banking stress has increased it, pulling recession odds in opposite directions. Further muddying the waters is the Fed's quantitative easing programs, which may shed some light on the opposing signaling from the bond and stock markets. Although the stock market has seemed unconcerned by the inversion, it may eventually become problematic for equities as rising bond yields make them a more attractive investment.

As we enter the second half of 2023, major US consumer tailwinds have come to a crashing halt, notably stimulus checks, extended unemployment benefits, student loan payment deferrals, and the NFT and cryptocurrency craze, which amongst other drivers, have bolstered household balance sheets and driven high consumer spending since the start of the pandemic. While spending has been resilient, the fading of major tailwinds indicates moderation through the rest of 2023. Supply chain bottlenecks have also largely been resolved, another win on the board in the fight against inflation. Labor markets are showing some signs of cooling, though remain tight with unemployment at 3.6%, and while many economists believe that without a significant tightening, inflation cannot be contained, others are hopeful that a path exists while maintaining a healthy labor market.

1H 2023 ended with encouraging news on the inflation front, with (non-core) inflation easing to 3% in June. While it remains too early to declare victory in Washington's ongoing battle with inflation, the cooling is undoubtedly good news. The markets are responding favorably to current conditions – the S&P 500 is up 16.4%, NASDAQ is up 32.7% (best 1H in 40 years), and DJIA is up 3.8% from the start of 2023. The hotly debated and critical question going into the remainder of the year is whether we will see a sustained high-interest rate or whether we'll start seeing cuts slowly as early as the end of the year. While the market is currently showing rate cuts starting in December, many economists believe key structural elements will necessitate and maintain rates higher for longer.

FED FUNDS RATE VS. INFLATION



The US private equity markets have remained challenged by the high cost of debt and overall risk-averse lending environment, which was only exacerbated by the SVB failure, with a 49.2% reduction in quarterly deployment from the Q4 2021 peak, according to Pitchbook. 1H 2023 saw $418.3B in deal value across 4,338 transactions, and Pitchbook reports that deal making has declined in four of the last six quarters. Interestingly, deal count remains solidly above pre-COVID levels, with deal value only marginally above, a result largely driven by the shift to smaller, more digestible deals and an increase in add-ons. Perhaps one of the more notable phenomena in the PE world is the screeching end of the frothy raising environment, as showcased by the number of high-profile fundraises closing at materially lower amounts than originally targeted (Insight recently saw a $2B commitment of a planned $20B raise, Tiger investors committed $2B on a $6B target, to name a few).

Similarly, the venture capital ecosystem continues to struggle; while deal count has seemingly plateaued with 8,195 deals in 1H 2023, deal value remains at a low watermark, with $85.6B raised in 1H 2023. Down rounds are becoming increasingly common, representing 14.2% of Q2 financings, and Pitchbook believes the growing backlog of startups desperately in need of cash will play into activity and trends going into the rest of the year.

The M&A market was in the same boat as private equity and venture capital, with the slowdown felt globally, dropping 21% in volume (18,311 global deal announcements) and 39% in valuations ($1.36 trillion in total value), according to Dealogic. Notably, a divergence has emerged in the M&A market between large and small/mid-market deals. Larger deals have encountered an even greater set of challenges due to the prevailing financing conditions and heightened regulatory scrutiny. Smaller deals proved more resilient to market volatility, enabling companies to progress incrementally on their transformation journeys. Some sources are dubbing 2023 as the year of the add-on acquisition.

Bolstering private equity, venture capital, and M&A activity, however, was the rise of artificial intelligence, which promises to deliver tremendous value across the economy. The swift adoption of generative AI and the ensuing market enthusiasm has boosted markets across the board, with many investors describing it as the next transformational wave in the investing landscape. The craze was catalyzed with Microsoft's "multi-year, multibillion-dollar" investment in OpenAI, which was speculated to be a ~$10 billion investment, valuing the company at an approximate $29 billion. This was the start of the hype reaching a new level, with a series of high-value transactions following, notably Adept AI's $350 million Series B at a $1 billion post-money, Anthropic's $450 million Series C that valued the company at $5 billion, and Databricks' acquisition of Mosaic ML in a transaction valued at approximately $1.3 billion, reportedly 65x revenue. Additionally, chip manufacturer Nvidia, which is seen as the poster child for AI, was propelled into the exclusive $1T club, experiencing an astounding 190% in value during 1H 2023.

Reflecting on the pivotal events that shaped 1H 2023 and checking in on the temperature of key economic indicators, we appear to be transitioning into the second half of 2023 with a sense of cautious optimism. As macro conditions normalize and the threat of heightened and sustained inflation begins to fade, prospects of growth and deal activity will be waiting for those who have adapted and survived.

Health IT Headlines 7

Notable headlines from 1H 2023 are outlined in the following pages on a quarterly basis. The headlines in 1H 2023 illustrate the significant influence that policy and regulatory intervention has on the incentives that dictate health IT investment and innovation trends, the increasing vertical integration across healthcare, and the expanding presence of non-traditional companies in the health IT market.

Q1 Headlines

Allscripts Rebrands Under the Name Veradigm

January 3: Allscripts Healthcare Solutions has rebranded as Veradigm, aiming to transition to interoperable systems and provide actionable insights to support high-quality care. Veradigm connects over 300,000 U.S. healthcare providers and offers de-identified patient data and analytics at scale.

Russian Cyber Gang Killnet Brings Down Websites of 14 Top US Hospitals and Universities – Including Stanford and Duke

January 30: Russian hacking group Killnet has claimed responsibility for a cyberattack that targeted the websites of more than a dozen US hospitals, including Stanford Healthcare, Duke University Hospital, and Cedars-Sinai. The motive behind the attack remains unclear, but Killnet has previously targeted entities in nations that have opposed Russia's actions in Ukraine, and the group is known for distributed denial of service (DDoS) attacks.

House Bill Would Scrap VA's $20 Billion-Plus Electronic Health Record Program

January 30: House Veterans Affairs Committee leaders have proposed legislation to either fix or cancel the Department of Veterans Affairs' $20 billion electronic health records modernization project. The bills aim to address recent issues with the pilot site of the Oracle Cerner system by setting uptime targets and offering the option to revert to the agency's previous system if Oracle Cerner fails to improve performance.

Amazon Closes Deal to Buy Primary Care Provider One Medical

February 22: Amazon has completed its $3.9 billion acquisition of primary care provider One Medical, aiming to revolutionize the healthcare experience by leveraging One Medical's brick-and-mortar medical offices and member base. The deal marks a significant move for Amazon in expanding its presence in the healthcare sector under CEO Andy Jassy's leadership.

Biden Proposal Would Ban Online Prescribing of Certain Drugs

February 25: The Biden administration has proposed tighter limits on online prescriptions for medications like Adderall and opioids, requiring in-person visits with healthcare providers before prescribing or refilling. The aim is to prevent misuse while expanding telehealth advantages, but critics argue it may restrict patient access to necessary care.

Silicon Valley Bank Collapses

March 10: Regulators closed Silicon Valley Bank, one of the region's key financial institutions, in the largest bank failure since the Great Recession. The collapse, driven by high exposure to government bonds and rising interest rates, sent shockwaves through the tech industry as start-ups rushed to withdraw funds.

President Biden Outlines Healthcare IT Spending Priorities in New Budget

March 14: The administration aims to enhance federal agency IT, cybersecurity, public health capacity, and health data systems. Proposed funding includes cybersecurity, public health initiatives, behavioral health services, and upgrades to Veterans Affairs' IT systems and electronic health records.

Nuance and Microsoft Announce the First Fully AI-Automated Clinical Documentation Application for Healthcare

March 20: Nuance Communications, in collaboration with Microsoft, has unveiled Dragon Ambient eXperience (DAX) Express, an AI-powered clinical documentation application that integrates conversational and ambient AI with OpenAI's GPT-4 model. DAX Express aims to reduce administrative burden for clinicians, streamline workflows, and enhance patient care by automatically generating draft clinical notes for review and completion after each patient visit.

Q2 HEADLINES

VA Pauses Rollout of $16 Billion Health Record System

April 14: The Department of Veterans Affairs is renegotiating its contract with Oracle Corp. for the rollout of a problem-plagued electronic health record system, aiming to address issues and provide a seamless medical record system. The VA seeks to replace its existing VistA system despite customization- related challenges, while some in Congress express cautious support for renegotiation rather than cancellation.

Epic, Microsoft Partner to Use Generative AI for Better EHRs

April 18: Microsoft and Epic have formed a partnership to leverage generative artificial intelligence (AI) to enhance the accuracy and efficiency of electronic health records (EHRs). By integrating Microsoft Azure OpenAI Service with Epic's EHR platform, they aim to improve data completion, suggest diagnoses, and enhance workflow productivity, ultimately leading to better patient outcomes.

CVS Health Completes Acquisition of Oak Street Health

May 2: CVS Health has completed its acquisition of Oak Street Health, a move that will expand its primary care platform and benefit patients by improving outcomes and reducing costs, particularly in underserved communities. Oak Street Health will continue to operate as a multi-payor primary care provider within CVS Health.

DEA Moves to Extend Telehealth Prescribing Flexibilities After Voluminous Stakeholder Feedback

May 4: The U.S. Drug Enforcement Agency (DEA) has announced a temporary extension of telemedicine flexibilities for prescribing certain controlled medications as it reviews comments on its proposed rules for post-pandemic remote prescribing. The DEA received a record number of comments on its proposed telemedicine rules and is considering them carefully, aiming to find a way to provide Americans with access to needed medications while ensuring appropriate safeguards.

The COVID-19 Public Health Emergency Expires

May 9: The Department of Health and Human Services (HHS) plans to end the federal Public Health Emergency (PHE) for COVID-19 on May 11, 2023. While certain COVID-19 flexibilities and policies will be affected, access to vaccines, treatments, and telehealth services will largely remain in place.

VA Renews Oracle Cerner EHR Modernization Contract, with Renegotiated Terms

May 18: The U.S. Department of Veterans Affairs has renewed its electronic health record (EHR) contract with Oracle, with new terms that include increased monetary credits for performance issues and a reset partnership. The modified agreement aims to ensure a high-functioning EHR system and hold Oracle accountable for key metrics and interoperability goals.

CMS Releases Revised Guidance for Historic Medicare Drug Price Negotiation Program

June 30: For the first time in history, Medicare has the ability to directly negotiate the prices of covered prescription drugs due to the passage of the Inflation Reduction Act in August 2022. On June 30, the Centers for Medicare & Medicaid Services (CMS) released revised guidance detailing the requirements and parameters of the new Medicare Drug Price Negotiation Program for the first round of negotiations, which will occur during 2023 and 2024 and result in prices that will be effective beginning in 2026.

About Healthcare Growth Partners 8

Healthcare Growth Partners (HGP) is an exceptionally experienced Investment Banking & Strategic Advisory firm exclusively focused on the transformational Health IT. We unlock value for our clients through our Sell-Side Advisory, Buy-Side Advisory, Capital Advisory, and Pre-Transaction Growth Strategy services, functioning as the exclusive investment banking advisor to over 135 health IT transactions representing over $5 billion in value since 2007.

Our passion for healthcare inspires us to not only create value for our clients, but to also generate broad, overarching improvements to the functionality and sustainability of health. With our focus, we deliver knowledgeable, honest and customized guidance to select clients looking to execute high value health IT, health information services, and digital health transactions. For more information, please visit www.hgp.com.

Securities offered through HGP Securities, LLC, member FINRA & SIPC, broker-dealer affiliate of Healthcare Growth Partners, LLC.

Sources of Information:
Company press releases, company SEC filings, Healthcare Growth Partners database, Goldman Sachs, Dealogic, EY, Fierce Healthcare, Forbes, Fortune, Healthcare IT News, HIStalk, NBC News, NVCA, PitchBook, Rock Health, and The Wall Street Journal.

These statistics are presented for informational purposes only. While the information presented has been obtained from sources deemed to be reliable, no representation or warranty, express or implied, is made as to the accuracy or completeness of such information.

HGP

HGP Transaction Experience

Company	Transaction	Counterparty	Type	Year
Clinical Analytics Vendor	has acquired	HIM Software Vendor	BUY-SIDE	2023
Patient Engagement Vendor	has been acquired by	HIT Specialty Software Vendor	SELL-SIDE	2023
IMO Intelligent Medical Objects	has acquired	Melax Tech	BUY-SIDE	2023
BloodHub	has been acquired by	InVita	SELL-SIDE	2022
Alivia Analytics	received funding from	Council Capital / HEP	CAPITAL RAISE	2022
MoveSpring	has been acquired by	Reward Gateway	SELL-SIDE	2022
symplr	has acquired	Greenlight Medical	BUY-SIDE	2022
nthrive	has acquired	Pelitas	BUY-SIDE	2022
erexpress	has been acquired by	Harris	SELL-SIDE	2021
symplr	has acquired	halo health	BUY-SIDE	2021
symplr	has acquired	SpinFusion	BUY-SIDE	2021
radixhealth	has been acquired by	Relatient	SELL-SIDE	2021
MDTech	has been acquired by	EverCommerce	SELL-SIDE	2021
imprivata	has acquired	XTON technologies	BUY-SIDE	2021
medullan	has been acquired by	ZS	SELL-SIDE	2021
Millennia	has acquired	Jellyfish Health	BUY-SIDE	2021
prognoCIS By bizmatics	has been acquired by	Harris	SELL-SIDE	2021
symplr	has acquired	Phynd	BUY-SIDE	2021
pmg	has been acquired by	Coronis Health	SELL-SIDE	2020
HIPAA One	has been acquired by	Intraprise Health	SELL-SIDE	2020
patient matters	has been acquired by	firstsource	SELL-SIDE	2020
Digisonics	has been acquired by	Intelerad	SELL-SIDE	2020
ontellus	has acquired	Intertel	BUY-SIDE	2020
ePreop	has been acquired by	provation	SELL-SIDE	2020
symplr	has acquired	Wolters Kluwer ComplyTrack®	BUY-SIDE	2020
symplr	has acquired	the patient safety company	BUY-SIDE	2020
alertmd	has been acquired by	EverCommerce	SELL-SIDE	2020
ImPACT Applications, Inc.	has been acquired by	Riverside Insights	SELL-SIDE	2019
Accumen	has acquired	3DR Laboratories	BUY-SIDE	2019
OmniSYS	has acquired	Strand	BUY-SIDE	2019
clearwave	received funding from	FrontierCapital	CAPITAL RAISE	2019
Diameter Health	received funding from	Optum	GROWTH STRATEGY	2018
ChartSwap	has been acquired by	ontellus	SELL-SIDE	2018
RPA	has been acquired by	Jensen Hughes	SELL-SIDE	2017
ontellus	has acquired	Record Retrieval Service	BUY-SIDE	2017
Kognito	has been acquired by	ascend learning	SELL-SIDE	2017

Company	Transaction	Counterparty	Type	Year
Prognosis Innovation Healthcare	has been acquired by	Azalea Health Innovations	SELL-SIDE	2017
callpointe	has been acquired by	west	SELL-SIDE	2017
symplr	has acquired	Vistar	BUY-SIDE	2017
ClockwiseMD	has been acquired by	DocuTAP	SELL-SIDE	2017
OmniSYS	has acquired	voiceTech	BUY-SIDE	2017
High Line Health	has been acquired by	onecallcare Management	SELL-SIDE	2017
essette	has been acquired by	hms	SELL-SIDE	2016
Array Health	has been acquired by	GetInsured	SELL-SIDE	2016
Keais Records Retrieval	has acquired	second IMAGE National	BUY-SIDE	2016
Lightbeam Health Solutions	has acquired	Browsersoft	BUY-SIDE	2016
symplr	has acquired	cactus	BUY-SIDE	2016
InformedDNA	received funding from	Anthem	CAPITAL RAISE	2016
docbookMD	has been acquired by	scrypt	SELL-SIDE	2016
Lightbeam Health Solutions	received funding from	Hearst corporation	CAPITAL RAISE	2016
Vivify health	received funding from	UPMC Life Changing Medicine	CAPITAL RAISE	2016
Nextech	has acquired	SupraMed Incorporated	BUY-SIDE	2016
Shareable	has been acquired by	Digital Reasoning	SELL-SIDE	2016
iVantage	has been acquired by	The Chartis Group	SELL-SIDE	2015
clienttell	has been acquired by	west	SELL-SIDE	2015
LWSI	has been acquired by	Netsmart	SELL-SIDE	2015
ClockwiseMD	received funding from	martin ventures	CAPITAL RAISE	2015
iMed	has been acquired by	Modernizing Medicine	SELL-SIDE	2015
sentry Data Systems	received funding from	ABRY Partners	CAPITAL RAISE	2015
symplr	has acquired		BUY-SIDE	2015
Provider Advantage	has been acquired by	The SSI Group, Inc.	SELL-SIDE	2015
Lightbeam Health Solutions	received funding from	Strategic Investor	CAPITAL RAISE	2015
Generation Partners	has invested in	ZirMED	CAPITAL RAISE	2015
HealthUnity	has been acquired by	ZeOmega	SELL-SIDE	2015
Merge Healthcare	has acquired	DR Systems	BUY-SIDE	2015
Keais Records Retrieval	has been recapitalized by	CapStreet	CAPITAL RAISE	2015
HSM Inc.	has been acquired by	Magellan Health	SELL-SIDE	2015
Vivify health	received funding from	LabCorp	CAPITAL RAISE	2014
Patient Prompt	has been acquired by	Stericycle	SELL-SIDE	2014
Array Health	received funding from	NMP Noro-Moseley Partners	CAPITAL RAISE	2014
livongo health	received funding from	General Catalyst Partners	CAPITAL RAISE	2014
VCS a part of symplr	has acquired	Medkinetics	BUY-SIDE	2014

Company	Transaction	Counterparty	Type	Year
net health	has acquired	ReDoc	BUY-SIDE	2014
healthpost	has been acquired by	The Advisory Board Company	SELL-SIDE	2014
Immediate MD	received funding from	First Trust	CAPITAL RAISE	2014
livongo health	received funding from	7wire ventures	CAPITAL RAISE	2013
care team connect	has been acquired by	The Advisory Board Company	SELL-SIDE	2013
Conversio HEALTH	received funding from	HERITAGE GROUP	CAPITAL RAISE	2013
Medibis	has been acquired by	The SSI Group, Inc.	SELL-SIDE	2013
Integritas Inc.	has been acquired by	net health	SELL-SIDE	2013
Vivify health	received funding from	HERITAGE GROUP	CAPITAL RAISE	2013
GIN	has been acquired by	Greenway Health	SELL-SIDE	2012
HEARST corporation	has acquired	mcg	BUY-SIDE	2012
HEALTHTECH HOLDINGS, INC.	has acquired	acuitec	BUY-SIDE	2012
L&S Associates	has been acquired by	Human Arc	SELL-SIDE	2012
net health	has been acquired by	SPECTRUM EQUITY	SELL-SIDE	2012
studymanager	has been acquired by	MERGE Healthcare	SELL-SIDE	2012
gate	has been acquired by	SCI SOLUTIONS	SELL-SIDE	2012
DocuTAP	received funding from	BLUFFPOINT ASSOCIATES	CAPITAL RAISE	2012
Clinical Coding Solutions	has been acquired by	The TriZetto System	SELL-SIDE	2012
OptiLink Division of The Advisory Board Company	has been acquired by	KRONOS	SELL-SIDE	2012
MEDDIRECT	has been acquired by	MedData	SELL-SIDE	2011
Emergisoft	has been acquired by	FORERUN	SELL-SIDE	2011
QSI	has acquired	ViaTrack Systems	BUY-SIDE	2011
INNOVATION	has acquired	CREATIVE	BUY-SIDE	2011
INTUITIVE MEDICAL SOFTWARE	has been acquired by	endo Pharmaceuticals	SELL-SIDE	2011
OIS	has been acquired by	MERGE Healthcare	SELL-SIDE	2011
QSI	has acquired	cqi solutions	BUY-SIDE	2011
TAYLOR COMMUNICATIONS	has acquired	DialogMEDICAL	BUY-SIDE	2011
IntraNexus	has been acquired by	QSI	SELL-SIDE	2011
myhealth Pdirect	received funding from	ARBORETUM VENTURES	CAPITAL RAISE	2011
CARDON	received funding from	Serent CAPITAL	CAPITAL RAISE	2011
SXC Health Solutions, Inc.	has acquired	AssuranceRX, LLC	BUY-SIDE	2010
SXC Health Solutions, Inc.	has acquired	MedfusionRx	BUY-SIDE	2010
MED SOLUTIONS	received funding from	TA ASSOCIATES	CAPITAL RAISE	2010
fletcherflora Health Care Systems, Inc.	has been acquired by	MERGE Healthcare	SELL-SIDE	2010
Satori Labs	has been acquired by	QSI	SELL-SIDE	2010
INNOVATION	received funding from	openview	CAPITAL RAISE	2010

MERGE Healthcare	has acquired	Olivia Greets	BUY-SIDE	2010
MERGE Healthcare	has acquired	stryker	BUY-SIDE	2010
DocuSys	has been acquired by	MERGE Healthcare	SELL-SIDE	2010
eWebHealth	has been acquired by	Hyland	SELL-SIDE	2010
opus	has been acquired by	QSI	SELL-SIDE	2010
MEDHOST	has been acquired by	HealthTech Holdings, Inc.	SELL-SIDE	2010
myhealth direct	received funding from	Chrysalis Ventures	CAPITAL RAISE	2009
TeleTracking	has acquired	AIONEX	BUY-SIDE	2009
ANS	has been acquired by	inMediata	SELL-SIDE	2009
IKOE	has been acquired by	VARIAN medical systems	SELL-SIDE	2009
SXC Health Solutions, Inc.	has acquired	JASCORP	BUY-SIDE	2009
TeleTracking	has acquired	Hill-Rom	BUY-SIDE	2009
eko systems	has been acquired by	MERGE Healthcare	SELL-SIDE	2009
SXC Health Solutions, Inc.	has acquired	Zynchros	BUY-SIDE	2008
Gesellschaft für Patientenhilfe	has been acquired by	inverness medical	SELL-SIDE	2008
Health Directions	has been acquired by	Undisclosed	SELL-SIDE	2008
prompte	has been acquired by	DocuSys	SELL-SIDE	2008
VIVALOG Technologies	has been acquired by	McKESSON	SELL-SIDE	2008
OPTIO Healthcare	has been acquired by	Bottomline Technologies	SELL-SIDE	2008
SXC Health Solutions, Inc.	has acquired	NMHC	BUY-SIDE	2008
HILGRAEVE	has been acquired by	covisint	SELL-SIDE	2008
AcerMed	has been acquired by	OIS	SELL-SIDE	2008
NetRegulus	has been acquired by	ptc	SELL-SIDE	2007
EVOLVED	has been acquired by	SHIMADZU	SELL-SIDE	2007
VantageMed	has been acquired by	Nightingale	SELL-SIDE	2007
mezzia	has been acquired by	VFA an accruent company	SELL-SIDE	2006