

2016

DISCUSSION MATERIALS



DUKE 2016

Medical
Entrepreneurship
Conference

Exiting a Mature Company: The Role of Wall Street

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Tom is a Managing Director at Berkery, Noyes & Co., LLC with 20 years experience in investment banking and Finance/Public Accounting. Tom focuses principally on mid-market healthcare M&A transactions and leads BNC's healthcare practice. He joined BNC in 2000 from prior positions including 2 years at VSS, a media buyout fund and 7 years at Ernst & Young. Some of his recent notable transactions include: Sale of The Wellness Network to Wafra Partners; HMP Communications recapitalization by Susquehanna Growth Equity; Sale of Medworxx to Aptean (owned by Vista Equity), Sale of Oakstone Publishing to Ebix; Sale of Amirsys to Elsevier; Sale of Recorded Books to Wasserstein & Co.; Sale of HCPro to BLR; Sale of Compliance Week to the Wilmington Group; Sale of NetLearning to HealthcareSource; Sale of ExitCare to Elsevier; Sale of Therapeutic Research to Francisco Partners; Sale of select UBM assets (CME LLC) to HMP Communications; Sale of HW Wilson to EBSCO Publishing; Sale of select UBM assets to strategic buyers; Sale of MedPage Today to Everyday Health; Sale of Ascend Media Holding divisions to various buyers; Sale of UpToDate to Wolters Kluwer; Sale of Harris Connect to The Wicks Group; Sale of Princeton Media Associates to HMP Communications & NACCME; Sale of HCPro Holdings, Inc to Halyard Capital; Sale of CenterWatch/NEIRB, a division of Thomson Healthcare, to Jobson Medical; Sale of HMP Communications to Alta Communications; Sale of Complete Healthcare Communication to MediMedia/Vestar Capital Partners; Sale of American Health Consultants (A Thomson Corporation unit) to The Thompson Group, Current Medicine Group sold to Springer Science+Business (Cinven); Physicians' Education Resource and Cancer Information Group sold to Providence Equity; The Wicks Group acquisition of DesignWrite; Exeter Capital sale of Facts on File to VSS; HMP Communications' acquisition of Multimedia Healthcare / Freedom, LLC; Weaver Publications sold to Prospect Partners; Cliggott and The Oncology Group sold to United Business Media/CMP; Natural Physicians DataSource LLC sold to WebMD; Audio Adventures sold to Hights Cross Communications LLC; Boxer Learning sold to Pearson Education; sale of Springhouse Corporation to Wolters Kluwer NV. Tom holds a B.S., Accounting, from SUNY Binghamton and an M.B.A., Fordham University. Tom is also a Certified Public Accountant.

BERKERY NOYES BACKGROUND



Berkery Noyes is a Leading Middle-Market Investment Bank Focused on Healthcare Information/Technology and Services Companies

- Deep expertise in the healthcare IT; healthcare services and information; B2B media; and education and training segments
- Over 500 completed transactions since inception
- Successfully closed 20 transactions in the last 18 months
- Deal sizes range from \$15MM to \$400MM
- Sell-side M&A advisor – trusted client advocate
- Skilled in advising privately-held businesses, corporate carve-outs, and private equity backed companies
- Strong track record of closing deals and maximizing value
- Staff of 25 transaction professionals
- Skilled at negotiation through having strong financial, legal and regulatory knowledge
- Depth of knowledge and expertise in every segment of the industries under coverage

Vertical Market Segments Served

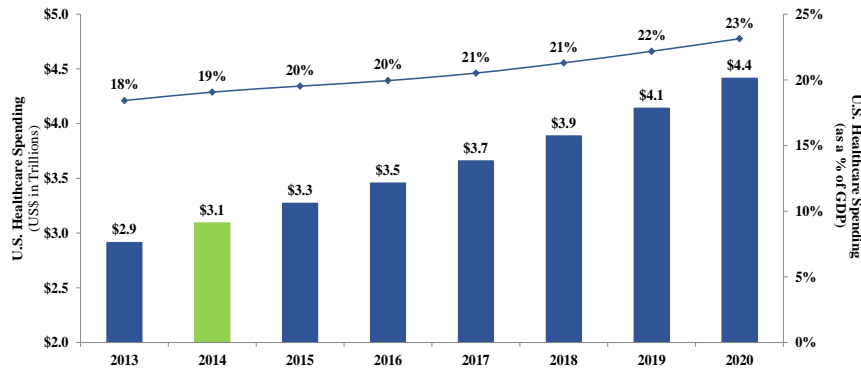
Healthcare	Financial Technology	Marketing Services	Education
<ul style="list-style-type: none"> ➤ Electronic Health Records ➤ Practice Management Software ➤ RCM, Coding, Billing ➤ Documentation (ICD-10, CDI, EMR) ➤ Hospital Information Systems ➤ Data Mining, Analytics & B.I. ➤ Point-of-Care Technologies ➤ Clinical Interface Software ➤ Claims Recovery Software ➤ Employee/Patient Engagement ➤ Population Health Management ➤ Health Benefits Administration ➤ Risk Adjustment Services ➤ Consumer Driven Solutions ➤ Patient Engagement Tools ➤ Data Interoperability ➤ Content Liquidity ➤ Connectivity & Workflow Software ➤ Medicare & Medicaid Technologies ➤ Insurance Eligibility Analysis ➤ Healthcare Insurance Technologies ➤ Healthcare Ins. Exchanges (HIEs) 	<ul style="list-style-type: none"> ➤ Workflow Technologies ➤ Insurance Automation ➤ Relationship and Prospecting Tools ➤ Analytical Tools ➤ Market Data ➤ Independent Research ➤ Reference Data ➤ Vertical Search ➤ Synthetic News ➤ Real Time News ➤ Mortgage / RE Solutions ➤ Social Media ➤ Compliance Solutions ➤ Trading Platforms ➤ Clearing Services ➤ Algorithmic Modeling ➤ Billing Solutions ➤ Accounting and Tax 	<ul style="list-style-type: none"> ➤ Enabling Services & Technology ➤ Magazines: Print/Online ➤ Websites ➤ Newsletters ➤ Trade Shows ➤ Conferences ➤ Database Info. Services ➤ Online Content ➤ Directories: Catalogs ➤ Mobile Media & Marketing ➤ Publishing ➤ Government Services ➤ Information Databases ➤ Online Solutions ➤ Search ➤ Market Research 	<ul style="list-style-type: none"> ➤ Infrastructure / School Management Software ➤ Schools ➤ Publishing & Publishing Services ➤ E-Learning ➤ Testing & Assessment ➤ Supplemental Manipulatives ➤ Tutoring & After school Markets ➤ Corporate & Professional Training

The Role of Wall Street for Entrepreneurs

- Today, most businesses of any size get an advisor to help guide them through the capital raising or M&A process
- Seasoned/trusted advisor
- Know the landscape
- Know the buyers – both financial and strategic
- Controlled auction process - liquidity
- Capital Raise
- Do it once and do it right
- Core competency of entrepreneurs is their business, not selling their business

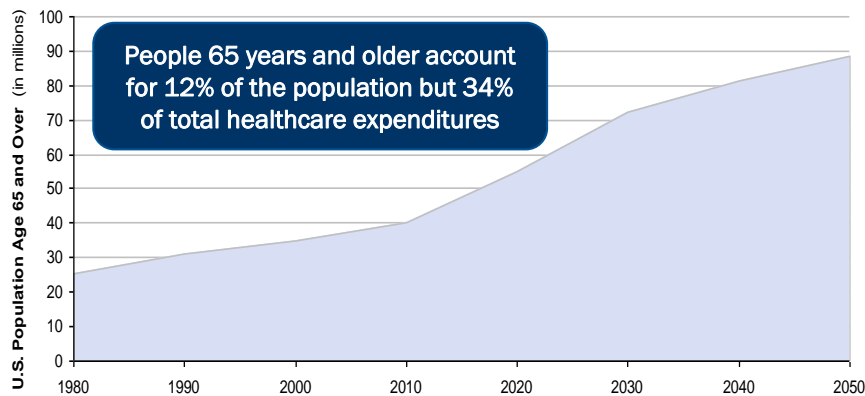
Unsustainable Healthcare Costs Catalyzing Change

U.S. Healthcare Spending

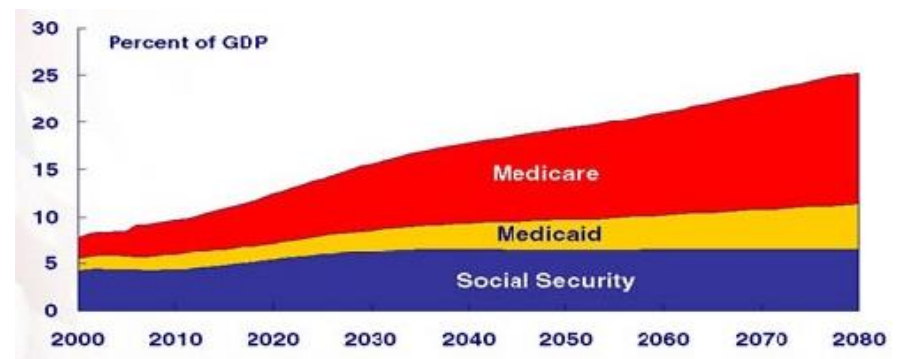


- Healthcare expenditures exceeded \$3 trillion in 2014 and comprised 19% of GDP; left unchecked, they are projected to increase 41% to over \$4 trillion (23% of GDP) over the next 5 years
- Demographic trends such as the aging of the population and increased incidences of chronic conditions are contributing to rising costs
- The potential insolvency of long-standing entitlement programs (Medicare, Medicaid) led to healthcare reform in 2011, which catalyzed the adoption of EHRs and technology-enabled solutions

The Aging Population



Medicare & Medicaid Cost Trends



General M&A Trends

- The M&A market remains robust, despite heightened anxiety concerning economies abroad and increased volatility in the U.S. equity markets
- Continued steady improvements in the U.S. economy are building buyers' confidence levels
- Strategic buyers maintain ample cash holdings and are looking to make investments to jump-start revenue growth in their core markets, as well as concentric markets where they can up-sell and cross-sell to the same or similar customer base
- Financial buyers are flush with cash (\$1.0+ trillion of dry powder) and eager to put capital to work
- The credit environment remains accommodative for attractive deals (3-4x EBITDA, staples, covenant-lite, etc.), with certain deals receiving multiple term sheets and high leverage levels
 - Lenders are particularly aggressive with terms when providing credit to attractive deals for companies with stable cash flow, and a high percentage of recurring revenue
 - In December 2015, the Federal Reserve announced it would raise its short-term target rate for the first time in seven years
 - Rates still remain well below their historical average, keeping the credit environment very attractive for deals
 - Further interest rate increases may be delayed as a result of U.S. financial conditions being less supportive of growth
- Despite steady deal flow, there still remains a lack of high-quality opportunities of scale in the market, as evidenced by the continued calls and visits we are getting from large and mid-market strategic buyers and PE groups looking for deals; however, once an attractive opportunity of scale comes out there is no lack of buyers at robust prices
- Companies in our sectors (notably healthcare IT, software, information services), particularly those benefiting from changing industry dynamics and demonstrating growing customer and revenue bases, can be perfect bolt-ons for strategic buyers and investment targets for PE groups who have come down market looking for new platform investments
- Companies with high revenue growth, scale, and subscription-based properties are attracting strong interest
- BNC expects the 2016 M&A market to remain stable

Healthcare IT M&A Activity

- Both strategic and financial buyers are aggressively competing to acquire Healthcare IT companies and increase their exposure to the large, high-growth market
- While consolidation continues to occur in the acute-care market, buyers are increasingly shifting their focus on the ambulatory physician practice market and post-acute care settings
- Recent notable transactions include:
 - May 2015: SourceMedical acquired LaClaro
 - April 2015: ABILITY Network acquired System Designs
 - March 2015: MDeverywhere acquired e-MDS
 - March 2015: Constellation acquired Physicians Practice Plus for **2x revenue**
 - January 2015: athenahealth acquired RazorInsights
 - January 2015: Francisco Partners Management acquired eSolutions
 - January 2015: Roper Industries acquired Strata Decision Technology for **\$140 million, 5.4x revenue, 17.5x EBITDA**
 - November 2014: MediGain acquired Millennium Practice Management Associates
 - October 2014: ABILITY Network acquired MD On-Line
 - September 2014: Conifer Health Solutions acquired SPi Healthcare for **\$235 million**
 - August 2014: Cerner acquired Siemens Health Services for **\$1.3 billion**
 - July 2014: Great Hill Partners acquired Qualifacts Systems for **\$77 million, 4.3x revenue**
 - June 2014: Emdeon acquired Capario for **\$115 million, 2.7x revenue, 11.5x EBITDA**
 - May 2014: Navigant Consulting acquired Cymetrix for **\$75 million, 1.1x revenue, 16.3x EBITDA**
 - April 2014: Summit Partners acquired ABILITY Network for **\$550 million, 6.7x revenue, 15.3x EBITDA**
 - April 2014: WestView Capital Partners acquired Xtend Healthcare for **\$70 million, 1.5x revenue**
 - September 2013: Vista Equity acquired Greenway Medical Technologies for **\$632 million, 4.7x revenue**

Professional Education / Training M&A Activity

Recent notable transactions include:

- April 2015: LinkedIn acquired lynnda.com for **\$1.5 billion, 9.3x revenue**
- August 2014: Skillsoft, a Charterhouse company, acquired SumTotal Systems, a Vista Equity Company, for **\$725 million**
- July 2014: Miller Heiman, a Providence Equity company, acquired VitalSmarts for **8.0x EBITDA**
- June 2014: Insight Venture Partners and GIC Special Investments acquired iParadigms for **\$752 million**
- April 2014: Wiley acquired CrossKnowledge for **\$175 million, 4.7x revenue**
- March 2014: Charterhouse acquired SkillSoft for **\$2.3 billion**
- July 2013: Miller Heiman, a Providence Equity company, acquired five corporate training businesses from Informa for **\$180 million, 0.9x revenue, 7.7x EBITDA**
- January 2013: RPS Group acquired Petroleum Institute for Continuing Education for **\$11.9 million, 1.6x revenue**
- December 2012: HealthcareSource HR acquired NetLearning for **\$24 million, 3.4x revenue, 24x EBITDA**

Sample Healthcare Transactions Demonstrating Unique Ability to Maximize Value



The Wellness Network was acquired by Wafra Partners

- Berkery Noyes was the exclusive financial advisor to the seller, The Wellness Network
- The Wellness Network is the largest and most comprehensive multi-platform hospital education network, with over 2,300 hospital relationships
- The acquisition provided Wafra Partners and its co-investors with award-winning patient education content and a far-reaching hospital network from which to expand by selectively acquiring complementary healthcare media assets
- *Berkery Noyes emphasized the Company's high-quality content, its brand strength, and the incomparable hospital network size to solicit interest from multiple buyers*
- Reference: Joe Covey, CEO of The Wellness Network



HMP Communications completed a recapitalization allowing Susquehanna Growth Equity to acquire majority ownership

- Berkery Noyes was the exclusive financial advisor to the seller, HMP Communications
- HMP Communications is a multi-channel leader in healthcare content and education producing clinically relevant, evidence-based journals, events and accredited, continuing education for the healthcare community, across a range of therapeutic areas
- The recapitalization allowed HMP Communications to partner with a well-heeled financial partner that could help the business pursue new growth opportunities
- *Berkery Noyes created a competitive environment that resulted in numerous formal letters of intent (LOIs), which helped the Company and its owners established market terms for the recapitalization*
- Reference: Jeff Hennessy, CEO of HMP Communications



Medworxx Solutions was acquired by Apteon, a Vista Equity portfolio company

- Berkery Noyes was the exclusive financial advisor to the seller, Medworxx Solutions
- Medworxx Solutions is a leading provider of patient flow enterprise software, compliance, and education solutions to healthcare organizations in Canada and abroad; the Company's solutions streamline patient flow, safeguard appropriateness of care, and assists healthcare organizations to educate their staff and remain compliant with regulations
- The acquisition provided Apteon with an entrance into the healthcare sector and strong foothold within the Canadian market
- *Berkery Noyes created a structured, competitive sales process for Medworxx Solutions, a public entity, that provided liquidity to the numerous shareholders at an attractive valuation*
- Reference: Daniel Matlow, CEO of Medworxx Solutions

Sample Healthcare Transactions Demonstrating Unique Ability to Maximize Value



NetLearning was acquired by HealthcareSource

- Berkery Noyes was the exclusive financial advisor to the seller, NetLearning
- NetLearning is a leading provider of LMS and training courses to medical personnel
- *Berkery Noyes was able to create a competitive process to maximize value for the business's parent company with a top-end price*
- Reference: William Rieders, EVP of Global Strategy of NetLearning



Therapeutic Research Center was acquired by Francisco Partners

- Berkery Noyes was the exclusive financial advisor to the seller, Therapeutic Research Center
- Therapeutic Research Center is a leading provider of drug therapy recommendations, software, and data to the healthcare community; the Company's services and data improve patient care and clinical outcomes
- Francisco Partners appreciated the growing need for workflow tools for healthcare professionals as advances in technology and a growing patient population combine to make the practice of medicine increasingly complex
- *Berkery Noyes created a structured, competitive sales process that enabled Therapeutic Research Center to maximize value and rollover equity to own a minority position going forward and get a "second bite at the apple" in the not so distant future*
- Reference: Jeff Jellin, CEO of TRC



UpToDate was acquired by Wolters Kluwer

- Berkery Noyes was the exclusive financial advisor to the seller, UpToDate
- UpToDate is a leading provider of evidence-based medicine, point-of-care content, and solutions
- UTD has become the center piece of Wolters Kluwer's Clinical Decision Support
- *Berkery Noyes ran a competitive auction process where both strategic and financial buyers competed to the benefit of our client in a process that resulted in maximum value and a good strategic home for the business*
- Reference: Denise Baslow, CEO

Valuation Methodologies

Public Company Comparable Analysis

- Utilizes a select set of comparable publicly-traded companies to determine value
- Analyze public company valuation in terms of financial performance metrics
 - Enterprise Value / Revenue
 - Enterprise Value / EBITDA
- Up-to-date, reliable and accessible data

Precedent Transactions Analysis

- Utilizes transaction-based valuations of comparable companies to determine value
- Analyze valuation of comparable sales in terms of financial performance metrics
 - Enterprise Value / Revenue
 - Enterprise Value / EBITDA
- Berkery Noyes' proprietary transaction database contains information on thousands of public and private deals

Discounted Cash Flow Analysis

- Uses expected cash flows of a company's business to determine value
 - Typically a 5-year cash-flow projection and a terminal value is discounted
- Expected cash flows are discounted to present day values based on a required investment return, largely determined by:
 - The capital structure used to finance the investment
 - The inherent risk of the investment

Factors that Influence Value in a Sell-Side Process

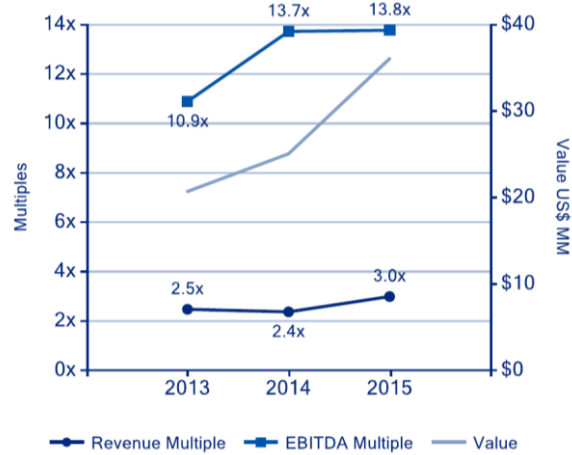
- Structure and efficiency of transaction process
- Size of buyer universe
- Number of interested strategic vs. financial buyers
- Strategic fit/synergies with potential acquirer
- Market consolidation pressure
- Quality of management team and their post-closing objectives (e.g. desire to stay aboard or roll equity)
- Scarcity value – sizable platforms are limited
- Uniqueness of intellectual property and barriers to entry
- Scalability of seller's business model
- Size of addressable market and company market share
- Customer type and relationship (e.g. corporate vs. individual; contractual vs. transactional)
- Customer concentration and retention
- Product delivery model: in-person vs. DVD vs. online delivery
- Composition of revenue (e.g. recurring vs. transactional)
- Revenue/EBITDA growth trends
- Expansion/contraction of its margins over time
- Predictability of results/confidence in forecast and projections

M&A AND PUBLIC EQUITY MARKETS OVERVIEW

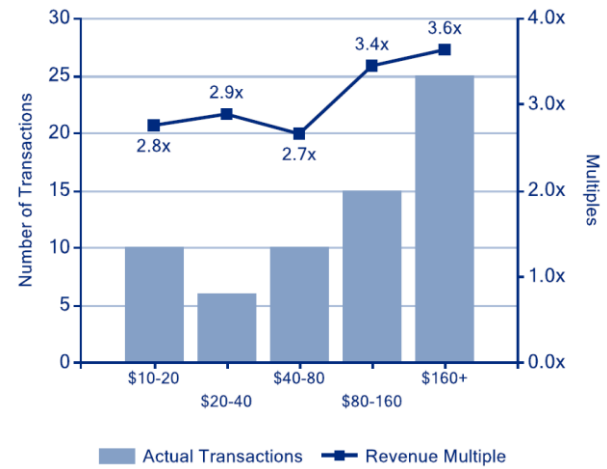


M&A Activity – Healthcare Information and Services

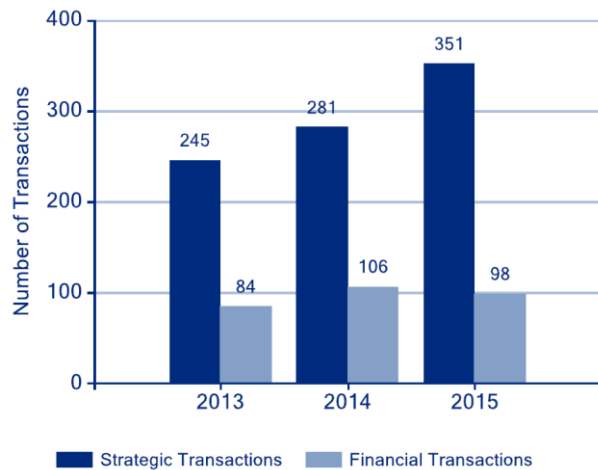
Median Enterprise Value Multiples: 2013A – 2015A



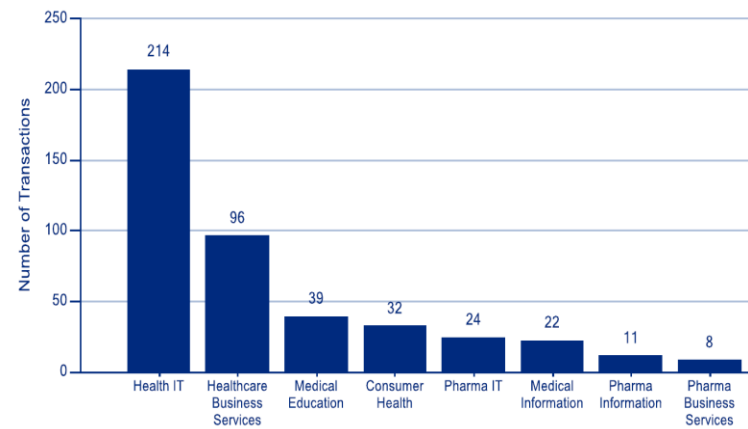
Median EV/Revenue Multiples By Size: 2013A – 2015A



Strategic vs. Financial Comparison: 2013A – 2015A



Transaction Volume by Segment: 2015A

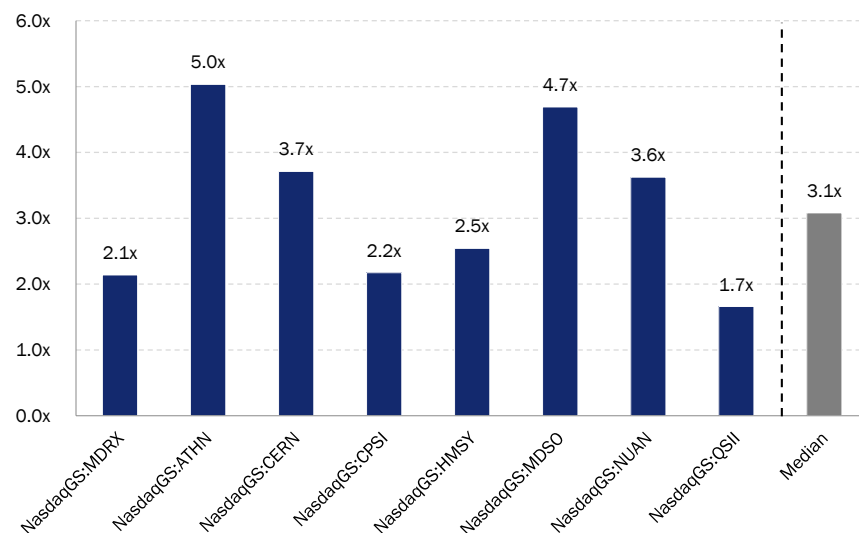


M&A AND PUBLIC EQUITY MARKETS OVERVIEW

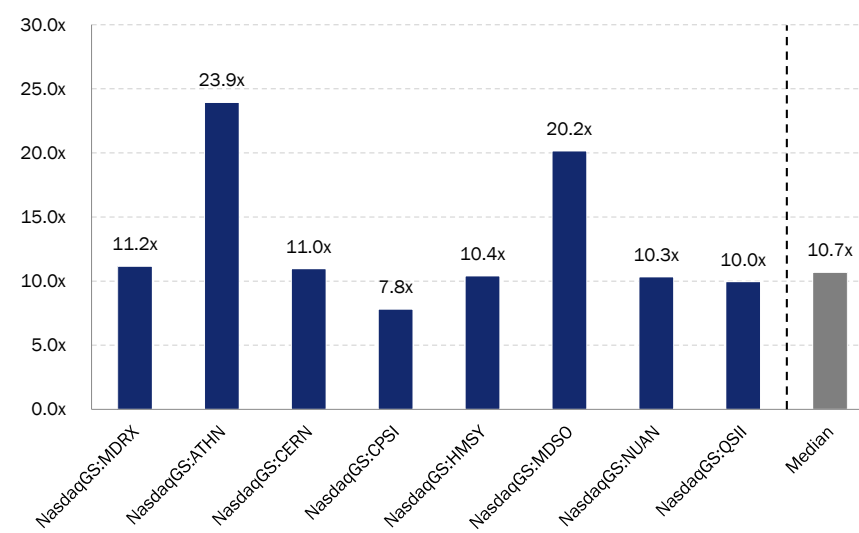


Publicly Traded Healthcare IT Valuation Metrics

Enterprise Value to 2016E Revenue



Enterprise Value to 2016E EBITDA



Comparable Companies ¹	Ticker	Stock Price	% of 52-Week High	Equity Value	Enterprise Value	EV / LTM Revenue	EV / 2016E Revenue	EV / LTM EBITDA	EV / 2016E EBITDA	LTM EBITDA Margin	LTM Revenue YoY Growth
Allscripts Healthcare Solutions, Inc.	NasdaqGS:MDRX	\$13.56	85.9%	\$2,567	\$3,087	2.2x	2.1x	15.9x	11.2x	8.1%	0.6%
athenahealth, Inc.	NasdaqGS:ATHN	\$139.17	81.7%	\$5,422	\$5,578	6.0x	5.0x	48.8x	23.9x	6.6%	22.9%
Cerner Corporation	NasdaqGS:CERN	\$54.08	71.4%	\$18,388	\$18,480	4.2x	3.7x	13.9x	11.0x	27.7%	36.8%
Computer Programs & Systems Inc.	NasdaqGS:CPSI	\$53.01	89.6%	\$716	\$680	3.7x	2.2x	20.5x	7.8x	18.3%	-11.0%
HMS Holdings Corp.	NasdaqGS:HMSY	\$14.06	75.6%	\$1,181	\$1,233	2.6x	2.5x	12.3x	10.4x	19.0%	7.0%
Medidata Solutions, Inc.	NasdaqGS:MDSO	\$38.66	63.1%	\$2,177	\$2,160	5.5x	4.7x	40.6x	20.2x	10.2%	17.1%
Nuance Communications, Inc.	NasdaqGS:NUAN	\$18.78	86.0%	\$5,718	\$7,271	3.7x	3.6x	19.4x	10.3x	15.3%	0.8%
Quality Systems Inc.	NasdaqGS:QSII	\$15.25	85.0%	\$929	\$824	1.7x	1.7x	11.7x	10.0x	11.6%	3.3%
High	-	-	89.6%	\$18,388	\$18,480	6.0x	5.0x	48.8x	23.9x	27.7%	36.8%
Median	-	-	83.3%	\$2,372	\$2,624	3.7x	3.1x	17.7x	10.7x	13.4%	5.2%
Low	-	-	63.1%	\$716	\$680	1.7x	1.7x	11.7x	7.8x	6.6%	-11.0%

Note: Data as of April 6, 2016
1: (USD in Millions, Except Stock Price)

Q&A