



Healthcare IT Market Update

SUBSECTOR DEEP DIVE: POST-ACUTE CARE TECHNOLOGY

June 2023



Houlihan Lokey

ABOUT OUR FIRM



Houlihan Lokey is a leading global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and financial and valuation advisory.

Our firm is the trusted advisor to more top decision-makers than any other independent global investment bank.

We invite you to click the links below to learn more about how we can serve your needs:

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[Learn More About Financial Restructuring](#)

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Key Facts and Figures



36
LOCATIONS
WORLDWIDE

~2,000
TOTAL FINANCIAL
PROFESSIONALS

313
MANAGING
DIRECTORS⁽¹⁾

2,000+
CLIENTS SERVED
ANNUALLY

\$6B
MARKET
CAPITALIZATION⁽²⁾

\$1.8B
REVENUE⁽³⁾

Our Ranking by Service

Corporate Finance

2022 M&A Advisory Rankings Global Transactions Under \$1 Billion		
	Advisor	Deals
1	Houlihan Lokey	381
2	Rothschild & Co	369
3	JP Morgan	217
4	Lazard	206
5	Goldman Sachs & Co	203

Source: Refinitiv. Excludes accounting firms and brokers.

No. 1 Global M&A Advisor for Transactions Under \$1 Billion
Leading Capital Markets Advisor

Financial Restructuring

2022 Global Distressed Debt & Bankruptcy Restructuring Rankings		
	Advisor	Deals
1	Houlihan Lokey	58
2	PJT Partners Inc	30
3	Lazard	29
4	Rothschild & Co	25
5	Moelis & Co	21

Source: Refinitiv.

No. 1 Global Restructuring Advisor
1,500+ Transactions Completed Valued at More Than \$3.0 Trillion Collectively

Financial and Valuation Advisory

1998 to 2022 Global M&A Fairness Advisory Rankings		
	Advisor	Deals
1	Houlihan Lokey	1,232
2	JP Morgan	1,030
3	Duff & Phelps, A Kroll Business	938
4	Morgan Stanley	725
5	BofA Securities Inc	710

Source: Refinitiv. Announced or completed transactions.

No. 1 Global M&A Fairness Opinion Advisor Over the Past 25 Years
1,000+ Annual Valuation Engagements

Fully Integrated Financial Sponsor Coverage

24 Senior officers dedicated to the sponsor community in the Americas and Europe

1,000+ Sponsors covered, providing market insights and knowledge of buyer behavior

700+ Companies sold to financial sponsors over the past five years

Houlihan Lokey Is a Global Firm

Americas

Atlanta Houston San Francisco
Baltimore Los Angeles São Paulo
Boston Miami Washington, D.C.
Chicago Minneapolis
Dallas New York

Europe and Middle East

Amsterdam Madrid Stockholm
Antwerp Manchester Tel Aviv
Dubai Milan Zurich
Frankfurt Munich
London Paris

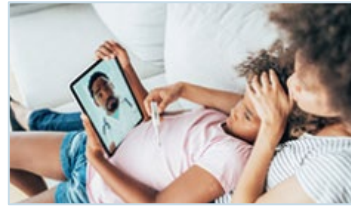
Asia-Pacific

Beijing Mumbai Sydney
Fukuoka Nagoya Tokyo
Gurugram Shanghai
Hong Kong Singapore
SAR

(1) As of March 31, 2023. Excludes corporate managing directors. (2) As of May 2023. (3) LTM ended March 31, 2023.

OUR HCIT PRACTICE: GLOBAL REACH AND DEEP SECTOR EXPERTISE

Healthcare IT Subsectors Covered



Provider-Focused IT

- Governance, Risk, Compliance, and Productivity
- Revenue Cycle Management
- Patient Intake and Engagement
- Post-Acute Care
- Specialty Practice Management and EMR

Payor-Focused IT

- Benefits Administration Technology
- Engagement, Quality, and Risk Adjustment
- Navigation, Advocacy, and Cost Containment
- Payment Integrity
- Rx Adherence and Access
- Social Determinants of Health

Pharma and Life Sciences IT

- Drug Commercialization
- Drug Discovery
- Real-World Evidence and Data Analytics

Data Analytics and Population Health

Wellness- and Disease-Specific Solutions

Virtual Care/Telehealth

Key Contacts



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Vice President

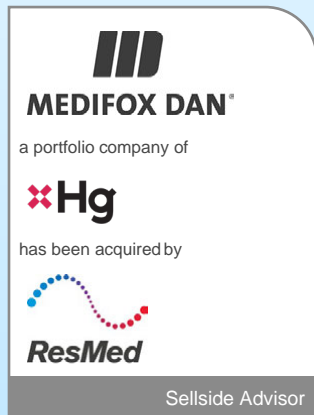
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OUR POST-ACUTE CARE TECHNOLOGY EXPERTISE: MEDIFOX DAN



MEDIFOX DAN

HQ	Hildesheim, Germany
Founded	1994
Employees	>500
Valuation	\$1.0B
EV/Sales	12.0x
EV/EBITDA	28.6x



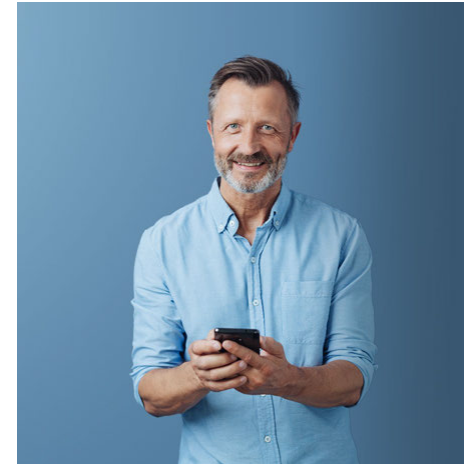
Company Profile

MEDIFOX DAN is a leading provider of digital solutions in the care, support, and therapy sectors, which deliver high-quality outcomes for people in need, while simultaneously creating more efficiency, more freedom for human interaction, and higher caregiver engagement.

MEDIFOX DAN's clinical, financial, and operational solutions are mission-critical for out-of-hospital care providers, creating solutions for those involved in care documentation, personnel planning, administration, billing, and more. MEDIFOX DAN offers an end-to-end solution and is the operating system of choice used daily by more than 300,000 caregivers.

Our Role

Houlihan Lokey served as the exclusive sellside advisor to Hg, being very familiar with the company, management, and Hg team, as the firm led the sale to Hg in 2018. With deep sector expertise, Houlihan Lokey managed a fast-track process and maintained good dialogue with the ultimate acquirer ResMed, who was a runner-up in the 2018 M&A process.



Transaction Snapshot

MEDIFOX DAN, a portfolio company of Hg, has been acquired by ResMed in a \$1.0 billion transaction.

The process attracted significant interest from international players, including both strategics and large-cap financial sponsors with a healthcare and technology focus. In a fast-track process, signing took place within two weeks after the first management presentation and the deal closed in November 2022.

For ResMed, the acquisition of MEDIFOX DAN is a landmark transaction with strategic growth opportunities from unlocking thousands of providers and millions of patients and builds on ResMed's existing business in Germany as a leading provider of innovative cloud-connected medical devices and home care services that transform care for patients with sleep apnea and other respiratory conditions. MEDIFOX DAN will significantly contribute to ResMed's SaaS expansion strategy.

2023 YTD HEALTHCARE IT MARKET UPDATE

Introduction

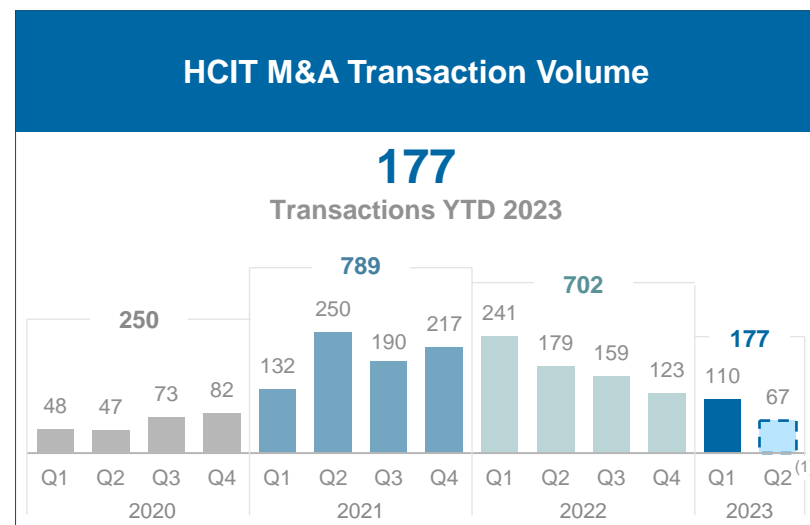
The first half of 2023 continued broader market environment trends established during the second half of 2022. Macroeconomic uncertainty, volatile capital markets, increased cost (and reduced availability) of debt, and the continued impact of inflation caused many **strategic buyers to focus on execution instead of pursuing acquisitions**. At the same time, financial sponsors remained disciplined and **focused on profitability alongside sustainable organic growth**.

While M&A deal activity has slowed from recent record highs with several companies testing the market with varying levels of success, **there has been notable strategic deals**, such as CVS' acquisition of Signify Health and Oak Street Health and Amazon's acquisition of One Medical. Similarly, we see a **meaningful uptick in private equity deal flow in Q2**, with the number of healthcare IT assets of scale in market increasing consistently month-over-month since March. We expect this trend to continue over the course of this year with **activity picking up materially during Q3 and Q4**, supported by a healthy backlog.

On the public markets, healthcare IT companies have seen their stock prices underperform the broader market indices on an LTM basis. **Healthcare IT public valuation multiples are returning to long-term averages**. Continued topline growth indicates that while multiples have contracted, **demand for healthcare IT solutions remains strong**.

Our long view is that secular macro tailwinds, such as an aging (and sickening) population, funding gaps, and staff shortages—will continue to drive **the need for healthcare IT solutions**, and consequently, strategic and private equity deal activity in the sector.

2023 YTD Quick Facts



Content



Recent Deal Activity



Industry Trends, Challenges, and Potential



Deep Dive: Post-Acute Care Technology



Equity Market Update

Sources: S&P Capital IQ, Mergermarket, PitchBook, 451 Research as of May 31, 2023.

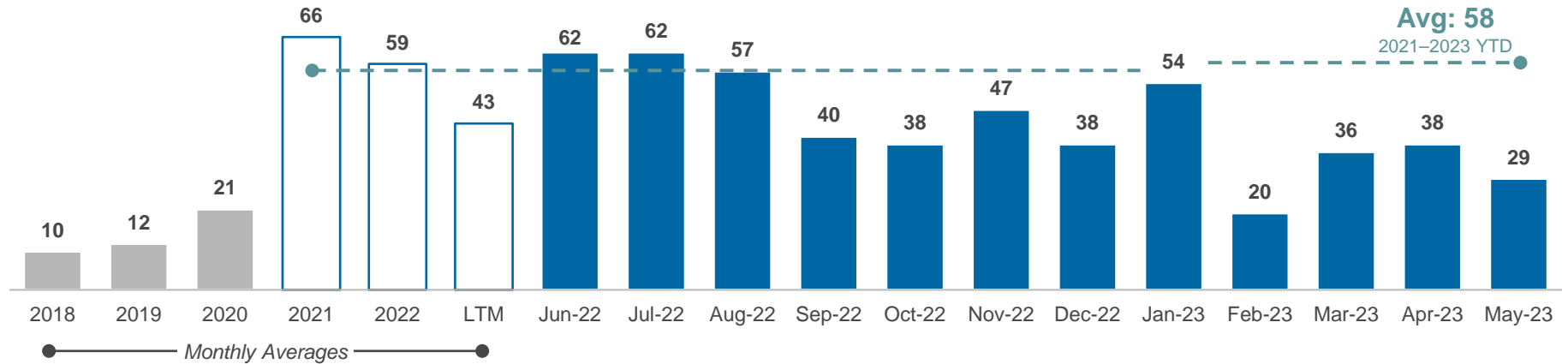
(1) Figures for Q2 2023 presented as of May 31, 2023.

(2) The Houlihan Lokey HCIT Index consists of a diversified set of companies across the healthcare technology sector; see page 14 for constituents.

(3) Refers to cumulative LTM revenue of HCIT public peer group as of March 31, 2023.

OVERALL HEALTHCARE IT DEAL ACTIVITY SUMMARY: M&A/CONTROL TRANSACTIONS

Monthly M&A Deal Count



Selected Recent M&A Transactions in the HCIT Market

Strategic	Date	Target	Acquirer	Target Description
	May-23	Benefits Science Technologies	MultiPlan	Cost management, payment, and revenue integrity
	Mar-23	signifyhealth	CVS	Value-based payment programs
	Mar-23	siilo	Doctolib	Messaging app
	Feb-23	one medical	amazon	Technology-powered primary care platform
	Jan-23	Net Health (Home Health and Hospice)	Careficient	Home health and hospice EMR solutions
	Jan-23	Hospital IQ	LeanTaaS BETTER HEALTHCARE THROUGH DATA	Workflow solution
	Nov-22	payspan	zelis Pay for care, with care.	Payor solution
	Nov-22	MEDIFOX DAN	ResMed	Post-acute care software

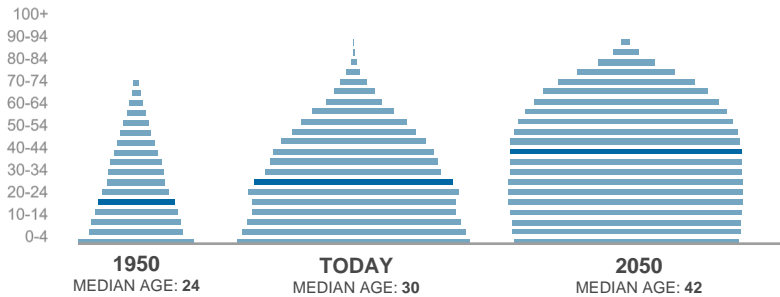
Private Equity	Month	Target	Acquirer	Target Description
	Signed	APIXIO	NMC NEW MOUNTAIN CAPITAL	Risk adjustment and value-based care enablement
	Mar-23	LOGEX HEALTHCARE ANALYTICS	THOMABRAVO	Data and analytics
	Feb-23	clevermed	CVC	Data and analytics
	Feb-23	mymediset	Afinum	Medical device management
	Jan-23	OPTEL	bdc	Core administration
	Jan-23	Medusind	ALPINE	Revenue cycle management
	Jan-23	TREND HEALTH PARTNERS	LONE VIEW CAPITAL	Payment integrity solutions
	Oct-22	bswift	FP FRANCISCO PARTNERS	Core administration

Sources: PitchBook, S&P Capital IQ, Mergermarket, 451 Research.

HEALTHCARE IT—TRENDS, CHALLENGES, AND POTENTIAL

Macro Trends and Current Challenges in the Healthcare Sector...

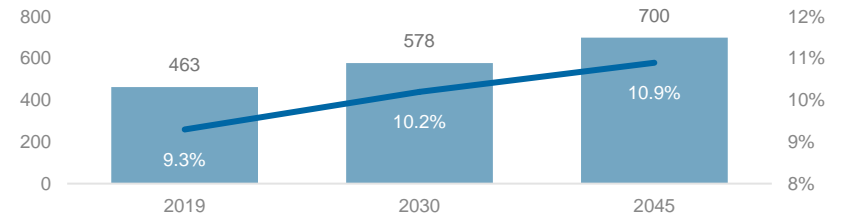
Ageing Population



Globally increasing life expectancy in addition to lower overall population growth is expected to result in global median increasing from 30 years today to 42 years by 2050.

Chronic Diseases Increasing in Prevalence

Global diabetes prevalence in % and million (#)



In the United States, 6 in 10 adults have a chronic disease, and these diseases account for 90% of the total healthcare spending, creating the need for long-term care.

Healthcare Workforce Shortage

WHO estimates a **shortfall of 10 million health workers by 2030.**

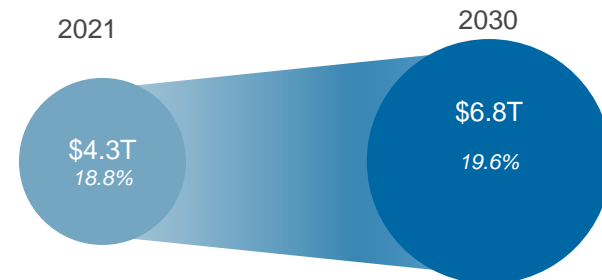
Recent labor inflation has led to **margin compression across healthcare providers.**

Growing need for technologies that can **augment current and future staff productivity.**

Estimation of the global health workforce shortage (in millions) in 2013, 2020, and projected in 2030 by occupation

	2013	2020	2030
Dentists	0.49	0.26	0.22
Medical doctors	3.05	2.66	1.94
Midwifery personnel	0.36	0.41	0.31
Nursing personnel	9.89	7.07	4.50
Pharmacists	0.33	0.29	0.19
Other occupations	6.02	4.69	3.08
Total	20.15	15.37	10.23

Rising Costs and Funding Gap

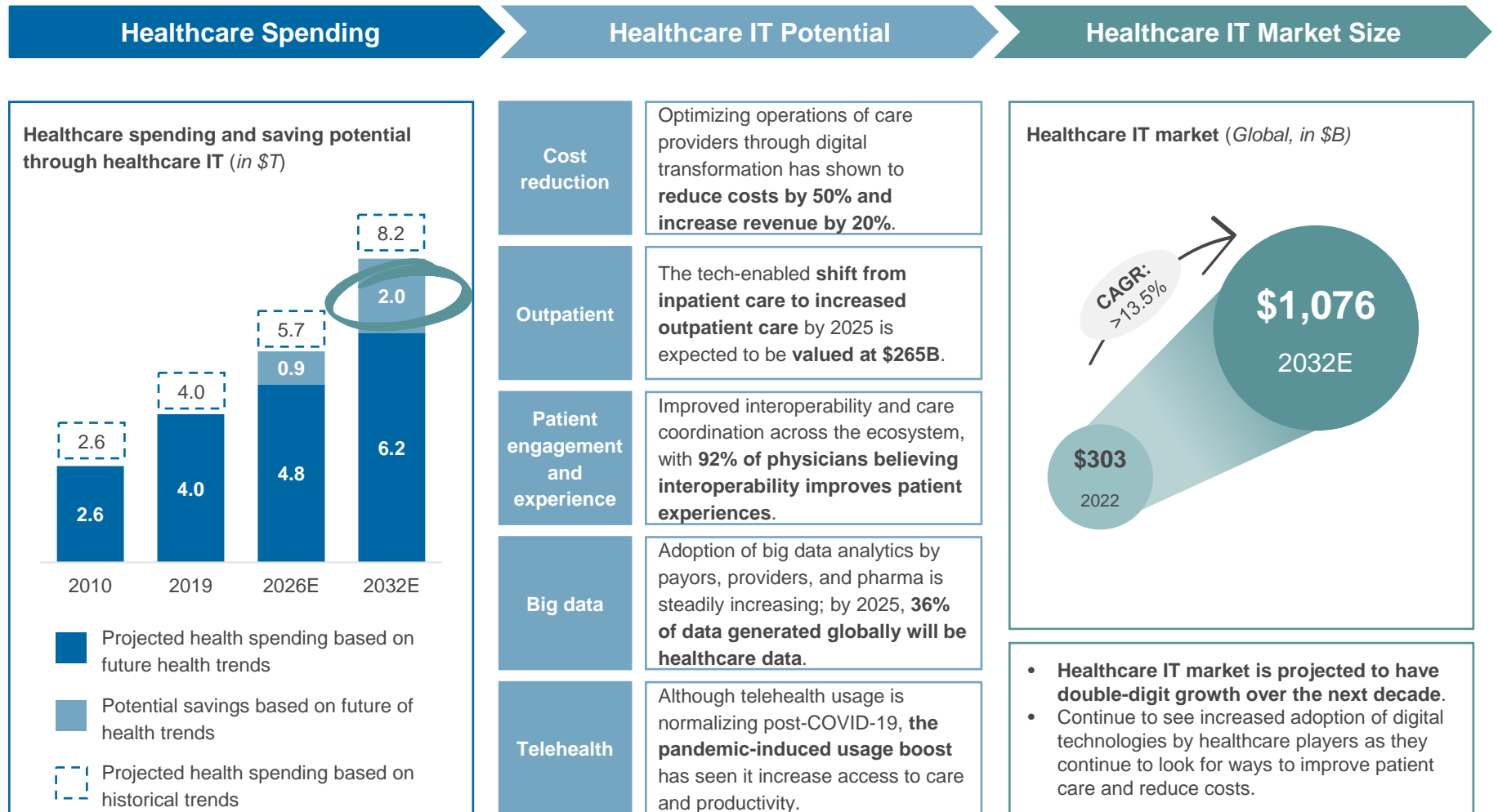


U.S. health expenditure (in \$T) and in % of GDP

Increasing healthcare expenditure and widening funding gaps will drive demand for technology that can create efficiencies and leverage for payors, providers, and patients.

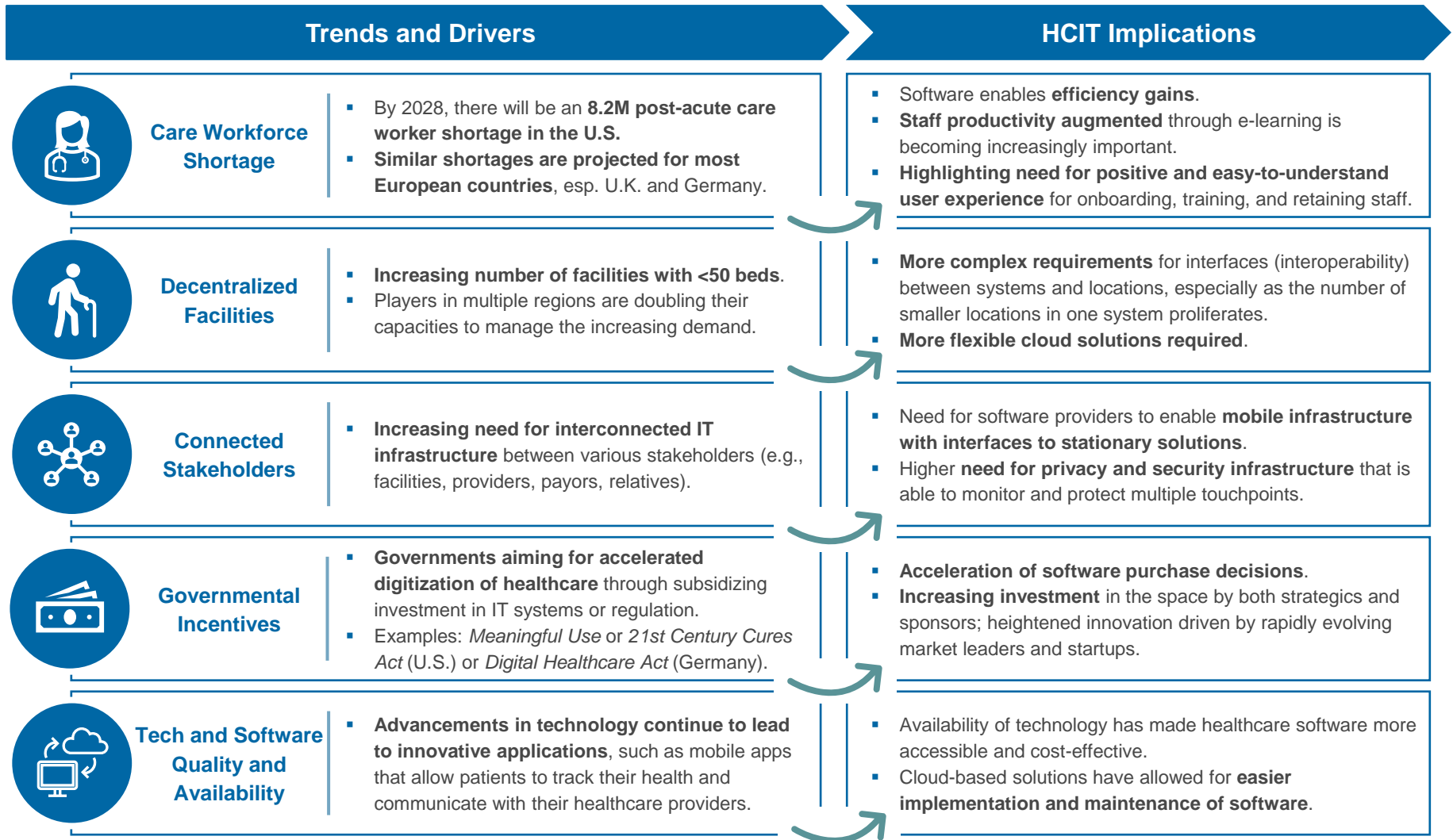
HEALTHCARE IT—TRENDS, CHALLENGES, AND POTENTIAL (CONT.)

...Drive Need for Adoption of Healthcare IT Solutions



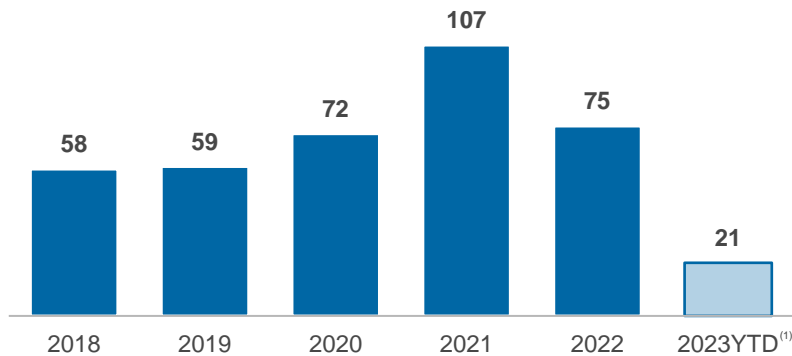
POST-ACUTE CARE TECHNOLOGY DEEP DIVE: MARKET TRENDS

Implications for post-acute care technology driven by long-term macro trends



POST-ACUTE CARE TECHNOLOGY DEEP DIVE: M&A HIGHLIGHTS

M&A Deal Count



Key Takeaways

- **General slowdown in M&A deal volume after an active 2022 H1.**
- EMR software remains the most active segment, followed by data analytics, patient engagement, and workforce management, as **care providers increasingly look for technology to enable value-based care, optimize referrals, and address labor shortage and inflation.**
- The post-acute care services end market (including occupancy rates) **has not yet reached pre-COVID-19 levels, and margins have been compressed by inflation,** driving some slowdown in technology adoption.
- Despite that, a healthy backlog of post-acute care technology assets in market (or coming to market) should drive an **uptick in deal volume with strategic buyers being particularly acquisitive.**

Recent Transactions

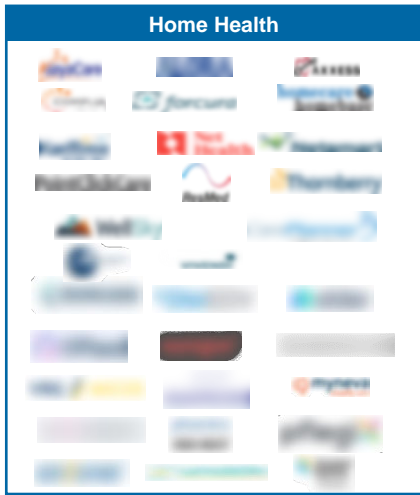
Date	Target	Acquirer	Target Description
Mar-2023	signifyhealth	CVS	Home-based care management
Mar-2023	Patient Pattern	PointClickCare	Post-acute analytics and real-time decision support
Jan-2023	Net Health <small>(Home Health and Hospice)</small>	Careficient	EMR solutions for home health, home care, and hospice
Nov-2022	MEDIFOX DAN	ResMed	Post-acute care software
Oct-2022	enquire glennis sherpa	RUBICON <small>technology partners</small>	Software for senior living, post-acute, and home care sectors
Aug-2022	CORE <small>analytics</small>	Netsmart	Skilled nursing facility claims data analytics
Jun-2022	OnShift	shiftkey	Workforce management for post-acute and long-term care facilities
Apr-2022	TheraOffice	Netsmart	Physical therapy EMR and practice management software
Apr-2022	LifeLoop	iN2L	Resident engagement solution for senior living facilities
Feb-2022	tapclouc	WellSky	Real-time virtual communication platform
Jan-2022	CellTrak	homecare homebase <small>PART OF THE RELIANT HEALTH NETWORK</small>	Care documentation software solutions for personal care
Jan-2022	Clinicient	WebPT	EMR solutions for outpatient rehab therapy practices
Jan-2022	PlayMakerHEALTH <small>The Post-Acute Growth Platform</small>	Trella HEALTH	Post-acute data and growth solutions provider

Sources: PitchBook, Mergermarket, S&P Capital IQ.

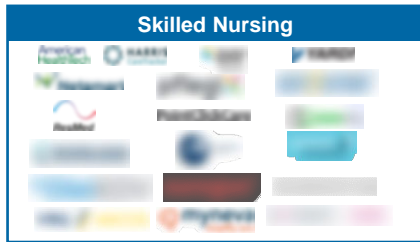
(1) YTD through May 31, 2023.

POST-ACUTE CARE TECHNOLOGY DEEP DIVE: MARKET MAP

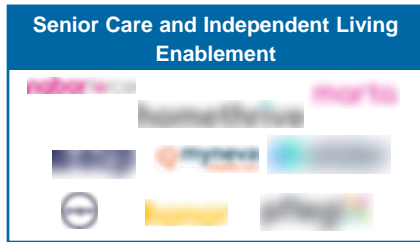
Home Health



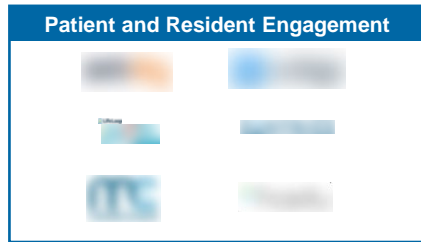
Skilled Nursing



Senior Care and Independent Living Enablement



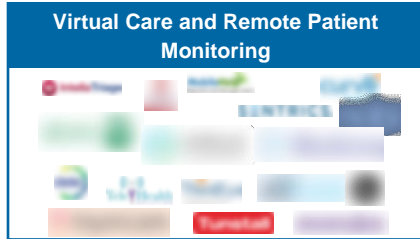
Patient and Resident Engagement




Hospice and Palliative Care



Virtual Care and Remote Patient Monitoring



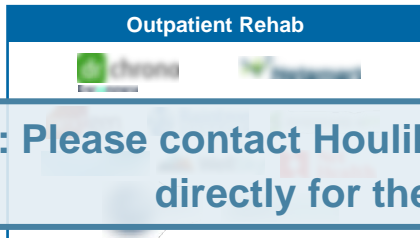
Long-Term Services, Support, and Homeless Management



Long-Term Acute Care and Inpatient Rehab



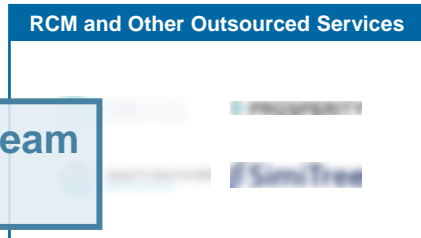
Outpatient Rehab



Clinical Decision-Making and Utilization Management

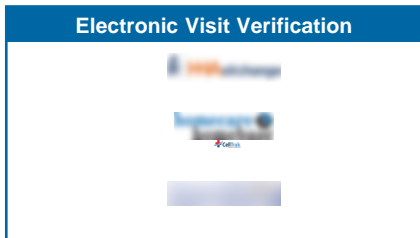


RCM and Other Outsourced Services



NOTE: Please contact Houlihan Lokey's Healthcare IT team directly for the full market map

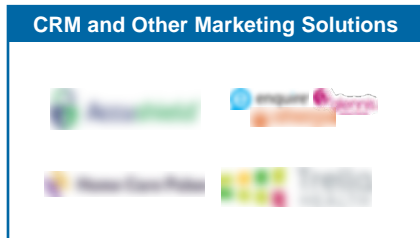
Electronic Visit Verification



Discharge Management and Care Coordination



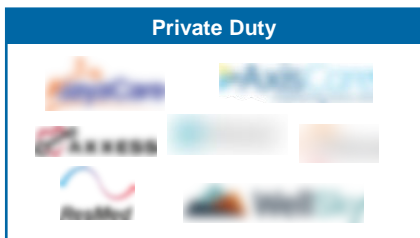
CRM and Other Marketing Solutions



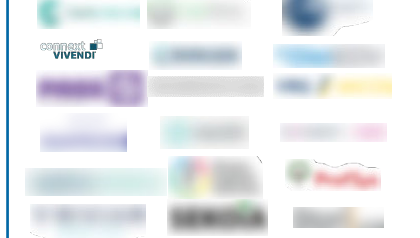
Credentialing and Workforce Management



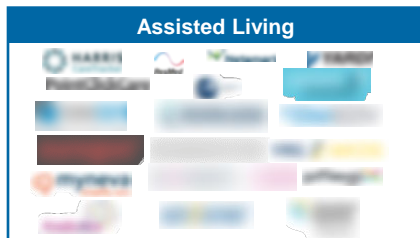
Private Duty



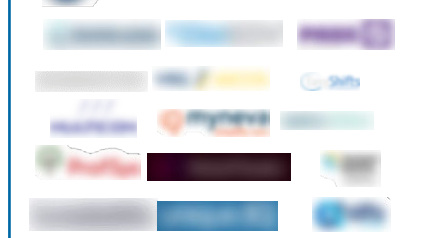
Assisted Living



Assisted Living



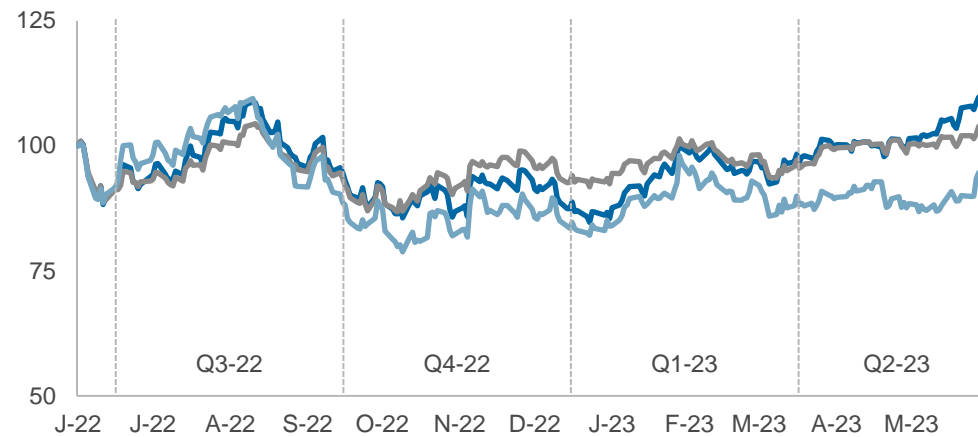
Credentialing and Workforce Management



EQUITY MARKET INDEX PERFORMANCE

- The Houlihan Lokey HCIT Market Index (-5.3% LTM) underperformed the NASDAQ (+9.8% LTM) and S&P 500 (+3.9% LTM).
- All HCIT subsectors underperformed the market in the LTM period but with a wide range. Provider-focused IT (-9.6% LTM) and pharma IT and life sciences (-1.7% LTM) performed better than payor-focused IT (-15.7% LTM) and virtual care (-21.1% LTM).

LTM May 2023 Performance—Share Price



S&P 500	3.9%
NASDAQ	9.8%
Houlihan Lokey HCIT Market Index ⁽¹⁾	(5.3%)

LTM May 2023 Performance by Subsector—Share Price



NASDAQ	9.8%
Payor-Focused IT	(15.7%)
Pharma IT and Life Science	(1.7%)
Provider-Focused IT	(9.6%)
Virtual Care	(21.1%)

Source: S&P Capital IQ. Data as of June 2, 2023. All share prices rebased to 100.

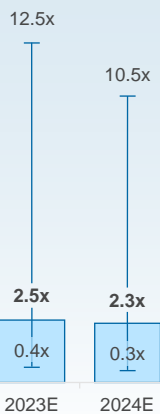
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HOULIHAN LOKEY HCIT PUBLIC COMPANY INDEX DETAIL

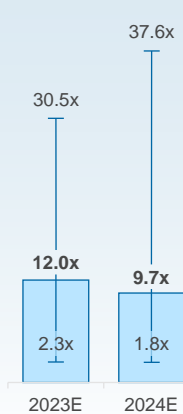
Provider-Focused IT



EV/Sales



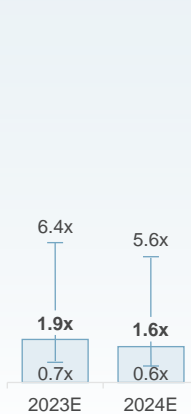
EV/EBITDA



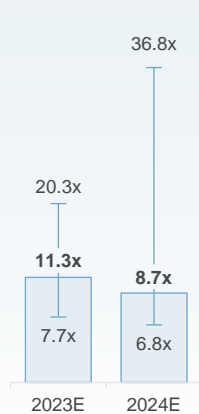
Payor-Focused IT



EV/Sales



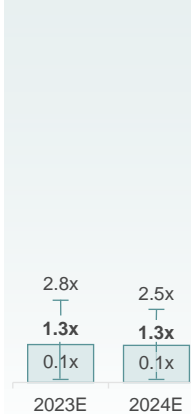
EV/EBITDA



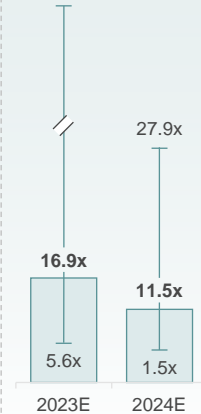
Virtual Care



EV/Sales



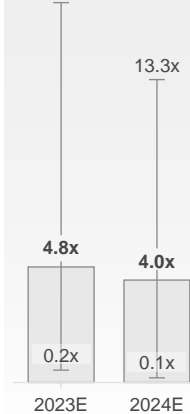
EV/EBITDA



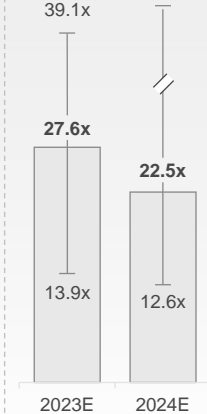
Pharma IT and Life Sciences



EV/Sales



EV/EBITDA



Source: S&P Capital IQ as of June 2, 2023.

Notes: EV/EBITDA multiples >70.0x and negative EV have been excluded as not meaningful (n.m.). EV/Sales and EV/EBITDA charts not shown to scale. Top number represents maximum multiple for peer group; middle number represents median multiple for peer group; bottom number represents minimum multiple for peer group.

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