



FOUNDERS

ADVISORS

Healthcare IT

Market Update | Q4 2024

Introduction

From Thomas and Billy



Billy Pritchard



Thomas Dixon

Happy New Year,

On behalf of Founders Advisors, we are pleased to present our Q4 2024 *Healthcare IT M&A and Valuations* report.

For us, the theme of Q4 was the divergence of the health tech VC and PE deal markets. We touched on this theme in our Q3 report, and it increased in prominence as we closed the book on 2024. Bottom line – the health tech PE market begins 2025 with momentum, while the VC market continues its multi-year trend of lethargy.

Given Founders’ focus on more established, lower middle market health tech, we’re bullish and busy. If you’re interested in hearing more detail on our 2025 outlook and 2024 lessons learned, feel free to register for our first webinar of the year (details on Slide 14).

As always, please reach out to any member of our team if you could benefit from a valuation of your business, insights into the health tech deal market or counsel on near or long-term exit planning.

Until Next Quarter,

Billy Pritchard
Director

Thomas Dixon
Managing Director

Table of Contents

- I. Sector Maps
- II. M&A Activity
- III. Buyer Landscape
- IV. Valuation and Operating Metrics
- V. Voices from the Field
- VI. About Us

Considered / Included Public Companies

Accolade	agilon health	biodesix	CareCloud
CERTARA	DEFINITIVE HEALTHCARE	doximity	eHealth
evolent	GeneDx	GoHealth	HealthCatalyst
HealthEquity	HealthStream	IQVIA	iRHYTHM
modivcare	MultiPlan	nrc HEALTH	Omnicell
OptimizeRx	Phreesia	PREMIER	progyny <small>Smarter Fertility Benefits</small>
Schrödinger	SELECTQUOTE	SimulationsPlus	SOPHiA GENETICS
Teladoc HEALTH	TruBridge	Veeva	Wolters Kluwer

I. Sector Maps | *EMR Adjacent Technology & Broader HIT Sectors*

II. M&A Activity | *Volume, Exits, Notable Deals*

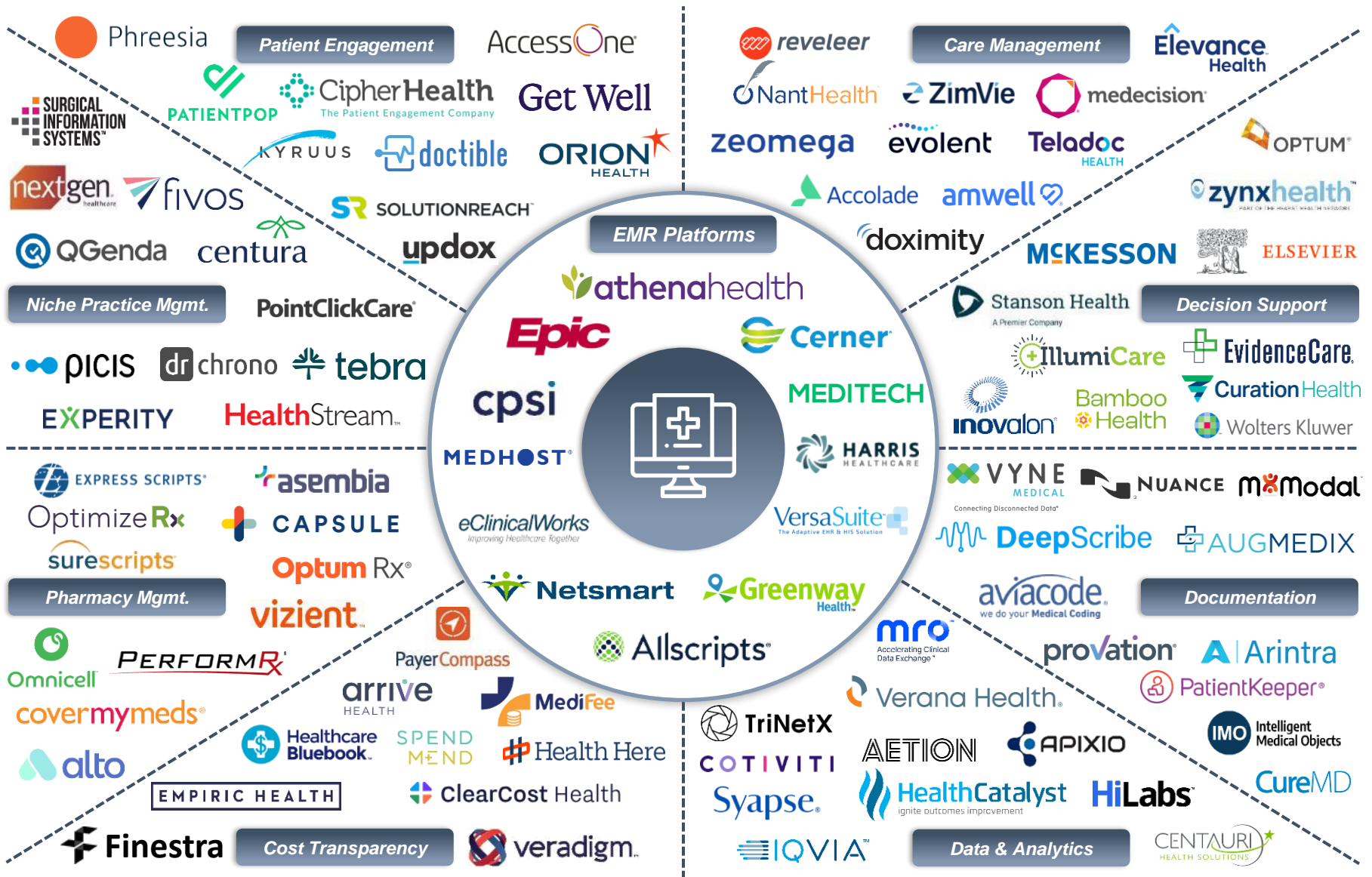
III. Buyer Landscape | *Profiling Active Buyers*

IV. Valuation and Operating Metrics | *Analyses of Key Performance Indicators*

V. Voices from the Field | *Insights from Industry Experts*

VI. About Us | *Founders Advisors Overview and Transaction Experience*

Sector Maps | EMR Adjacent Technology



Sector Maps | Broader HIT Sectors

Revenue Cycle Management

TeleHealth

Life Sciences

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II. M&A Activity | *Volume, Exits, Notable Deals*

III. Buyer Landscape | *Profiling Active Buyers*

IV. Valuation and Operating Metrics | *Analyses of Key Performance Indicators*

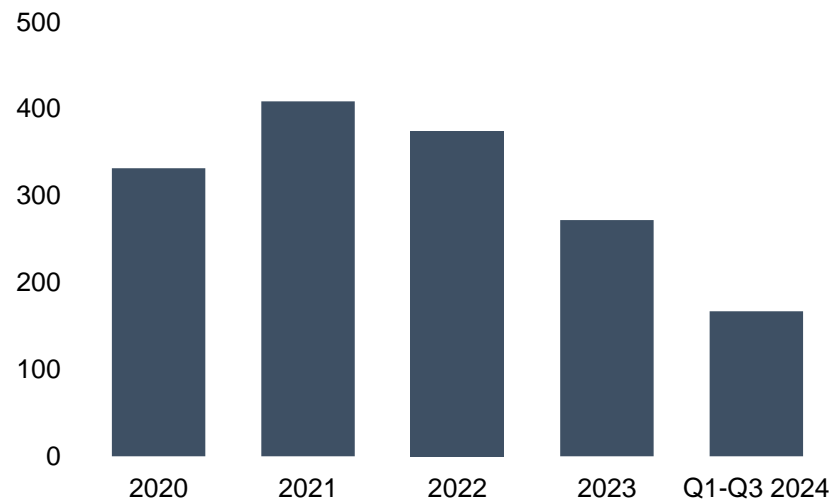
V. Voices from the Field | *Insights from Industry Experts*

VI. About Us | *Founders Advisors Overview and Transaction Experience*

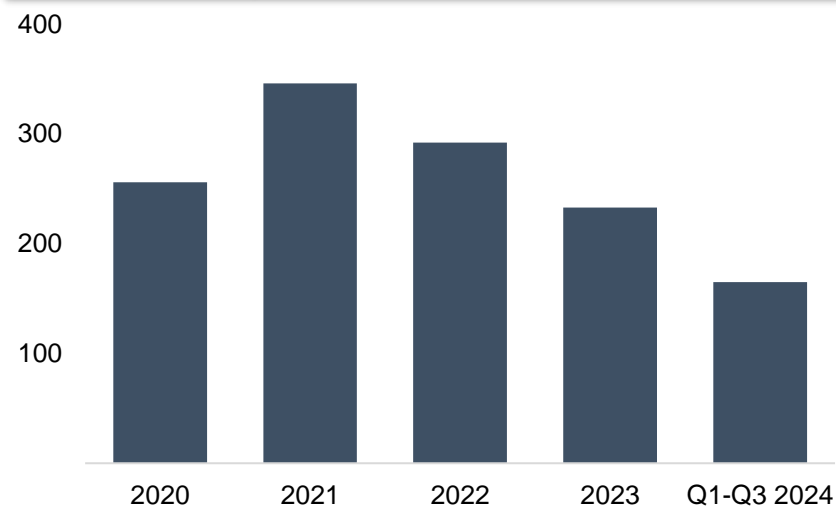
Commentary

- The health tech VC and PE deal markets are diverging
 - VC market – maintaining the sluggish pace of late 2022
 - PE market – 2024 on pace for the 3rd strongest year on record; Q3 2024 volume represents a 30% uptick from average quarterly pace in 2023
- Drivers of strength in the PE health tech deal market
 - Record levels of PE dry powder, allocated to healthcare
 - PE rotation away from physician/provider services into other sectors, including health tech
 - Multiple recovery in public markets → renewed M&A arbitrage opportunities for established (profitable) health tech companies
 - A recovering exit market (PE buyouts, opening IPO window)
 - Modestly strengthening end-user markets
- Drivers of lethargy in the VC health tech deal market
 - Point solution fatigue among providers and payors
 - Misalignment of historical VC acquisition multiples and current market valuations
 - Softening HC VC funding

VC Deal Activity



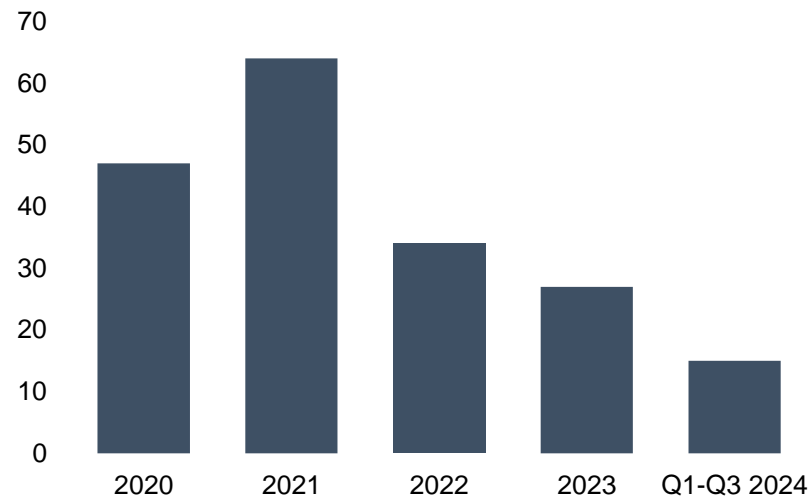
PE Deal Activity



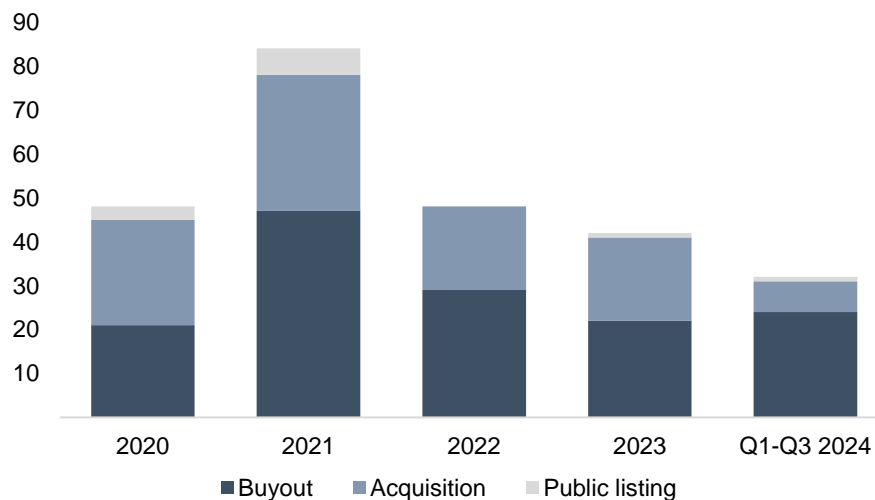
Commentary

- Like deal volume, PE and VC exit activity is diverging
 - VC market – 2024 exits on pace to be flat vs. 2023, and 50% of 2021 levels
 - PE market – showing signs of recovery (e.g., YTD 2024 buyouts hovering near pre-pandemic levels)
- Drivers of divergence are largely as outlined on page 7
- Founders 2025 outlook for health tech exits
 - Bullish for PE-backed and high quality (profitable, growing), privately held mature assets
 - Neutral to bearish for privately held early-stage, privately held low quality (slow growth and/or pre-earnings) and VC backed assets

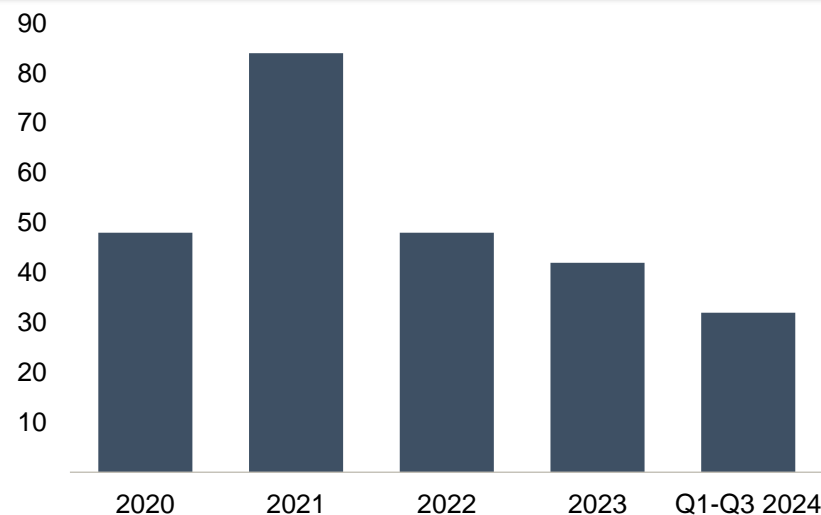
VC Exit Activity



All Exits by Type



PE Exit Activity



M&A Activity | Notable Recent Transactions
















Date	Target	Acquirer	Deal Size	Commentary
20-Nov-2024	 Exscientia	 Recursion.	\$688M	Exscientia, a technology-driven drug design and development company, was acquired by US based rival, Recursion, for \$688 Million in November of 2024
3-Oct-24	 Sandata	 HHAExchange	N/A	Sandata Technologies, provider of a variety of solutions targeted to serve the homecare industry, was acquired by HHAExchange for an undisclosed amount
19-Sep-24	 Xtend Healthcare	 CorroHealth	\$365M	Xtend Healthcare, formerly Navient's healthcare services and revenue cycle management services was acquired by CorroHealth for \$365 Million, adding on to their existing revenue cycle management capabilities
4-Sep-24	 MediQuant®	 REVELSTOKE CAPITAL PARTNERS	N/A	MediQuant, a leader in cloud-based data archiving and interoperability solutions for hospitals and health systems, received a significant growth investment from Revelstoke Capital Partners
1-Aug-24	 R1	 TOWERBROOK  CLAYTON DUBILIER & RICE	\$8.9B	R1 RCM, a leading provider of technology-driven solutions that transform the patient experience and financial performance of healthcare providers, was acquired by TowerBrook Capital Partners and Clayton, Dubilier & Rice ("CD&R") for \$8.9 Billion
19-Jul-24	 AUGMEDIX	 commure	\$139M	Augmedix, a leader in ambient AI medical documentation and data solutions, was acquired by Commure in an all-cash transaction for \$139 Million
24-Jun-24	 Model N	 VISTA	\$1.25B	Model N, leader in revenue optimization and compliance for pharmaceutical, medtech, and high-tech innovators, was acquired by Vista Equity Partners for \$1.25 Billion

Table of Contents

I. Sector Maps | *EMR Adjacent Technology & Broader HIT Sectors*

II. M&A Activity | *Volume, Exits, Notable Deals*

III. Buyer Landscape | *Profiling Active Buyers*

IV. Valuation and Operating Metrics | *Analyses of Key Performance Indicators*

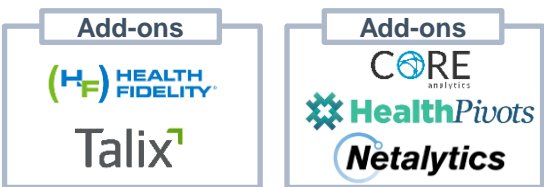
V. Voices from the Field | *Insights from Industry Experts*

VI. About Us | *Founders Advisors Overview and Transaction Experience*

Buyer Landscape | Notable PE Investors



Portfolio Companies



NEW MOUNTAIN CAPITAL LLC

Portfolio Companies



Portfolio Companies



Portfolio Companies



Portfolio Companies



Portfolio Companies



Buyer Landscape | Notable Strategic Buyers



Recent Acquisitions



Recent Acquisitions



Recent Acquisitions



Recent Acquisitions



Recent Acquisitions



Recent Acquisitions



Table of Contents

I. Sector Maps | *EMR Adjacent Technology & Broader HIT Sectors*

II. M&A Activity | *Volume, Exits, Notable Deals*

III. Buyer Landscape | *Profiling Active Buyers*

IV. Valuation and Operating Metrics | *Analyses of Key Performance Indicators*

V. Voices from the Field | *Insights from Industry Experts*

VI. About Us | *Founders Advisors Overview and Transaction Experience*

Valuation & Operating Metrics | Valuation Drivers

Founders' Valuation Scorecard isolates the most important quantitative and qualitative factors that impact valuation multiples for software businesses in the Healthcare IT sector

		1.0x	2.0x	3.0x	4.0x	5.0x	Factors Influencing Revenue Multiple	6.0x	7.0x	8.0x	9.0x	10.0x+	
Quantitative Factors	Financial Preparedness	Consistent reporting; ability to analyze at the customer level; GAAP; proof of cash → quality of earnings + full audit is likely with investors											
	ARR	< \$5 million				Customer profile, vertical/horizontal, ACV, sales cycle				> \$10 million			
	YOY Growth Rate	< 10%				Historical growth trends, growth compared to peers				> 50%			
	Rule of 40	< 40%				Year-over-year revenue growth rate (%) + profit margin (%)				> 40%			
	Total Addressable Market	< \$1 billion				End market dynamics, competition, switching costs				> \$ 1 billion			
	Net Revenue Retention	< 90%				Public benchmarks, upgrades/downgrades, scale factor				> 100%			
	Gross Revenue Retention	< 80%				Public benchmarks, pricing vs. product, cohort analysis				> 90%			
	Gross Margin	< 75%				Fully burdened, end market dependent, scalability				> 85%			
	CAC Payback Period	> 12 months				Impact of dialing spend up/down, channel analysis				< 12 months			
	LTV:CAC Ratio	< 3:1				Balancing S&M spend but demonstrating return is key				> 3:1			
Avg. Contract Length	< 12 months				Predictability of revenues and stickiness of customers				> 12 months				
Qualitative Factors	Management Team	Must understand your gaps and have clear delineation of responsibilities → self-assess strengths/weaknesses to highlight areas for investment											
	Product Adoption/Usage	Track/present usage stats; understand use cases and patterns across modules/cohorts → usage equates to stickiness in the minds of investors											
	Payments Opportunity	Opportunity to integrate payments into a proprietary, sticky solution → significantly increases scalability, retention, and expansion levers											
	Competitive Position	Understand the landscape, why you win/lose, differentiation, blue ocean vs. red ocean → consider roll-up opportunity to scale											
	IP/Technology Debt	Contracted development is accepted; understand short cuts taken and potential deficiencies → assess third-party dependencies, risks, & “what ifs”											
	Process Documentation	Be able to communicate & show methodologies, onboarding processes (employees and customers), retention strategies, etc.											
	Talent Retention	Maintain a ranking of all employees and understand where each shines → consider warrants, profits interest, M&A and stay bonuses											
Point-Solution vs SOR	Systems of record drive stickiness and a moat against competition												

Valuation & Operating Metrics | HIT Sub-Sectors

Founders Healthcare IT (“HIT”) Index is comprised of three HIT Sub-Sectors. These sets of public comparable companies are defined according to their end-customers, which tend to drive the revenue model and, therefore, correlate to valuation

Provider Tech

Technology that supports the operations, clinical workflows, and delivery of patient services by healthcare providers, including EHR systems, patient management software, RCM, and other digital solutions that enhance healthcare services

Customer Base:



Health Systems



Hospitals



Physician Practices

Market Participants:



Payor Tech

Technology that supports delivery of services by healthcare payers such as insurance companies, health plans, and employers, including care management software, benefits technology, and other solutions supporting the accuracy of healthcare-related transactions

Customer Base:



Health Insurance Plans



Employers

Market Participants:



Life Sciences Tech

Technology that aids in the research, development, and delivery of pharmaceutical products and services, including clinical trial management systems, drug discovery platforms, patient recruitment, and other solutions supporting the life sciences industry

Customer Base:



Drug Discovery



Life Sciences



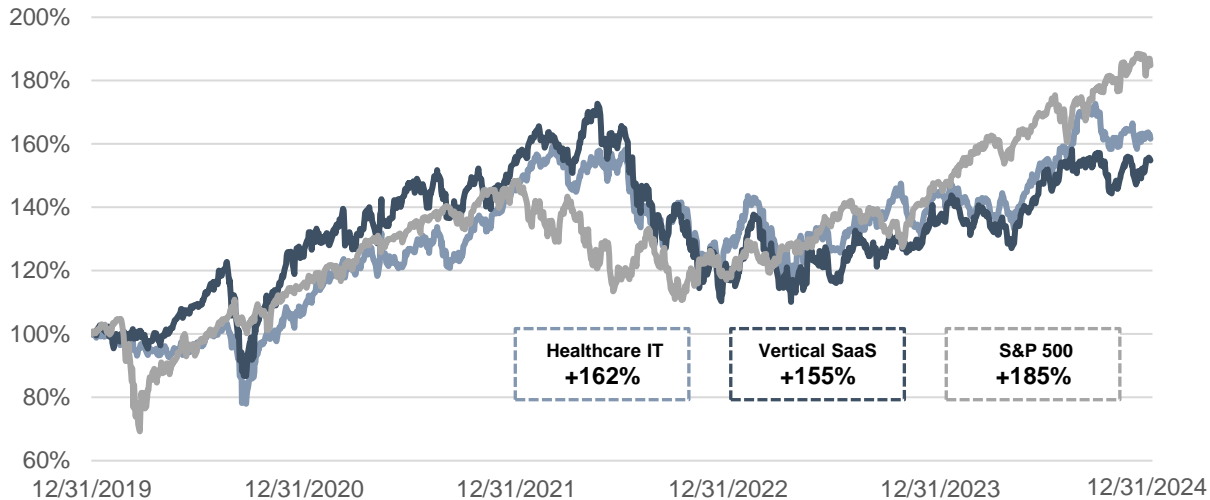
Pharma Manufacturers

Market Participants:



Valuation & Operating Metrics | HIT vs Broader Market

S&P vs Software: Public Company Stock Performance (5 years)



Market Insights

- The S&P ended 2024 with a period of strong growth, putting the index up over 23% on the year. Healthcare IT and Vertical SaaS performance saw large gains over the past calendar year, but leveled off to close the year
- The S&P 500 had its second consecutive year of 20% gains, largely fueled by the performance of the “Magnificent 7” group of stocks and various macroeconomic factors

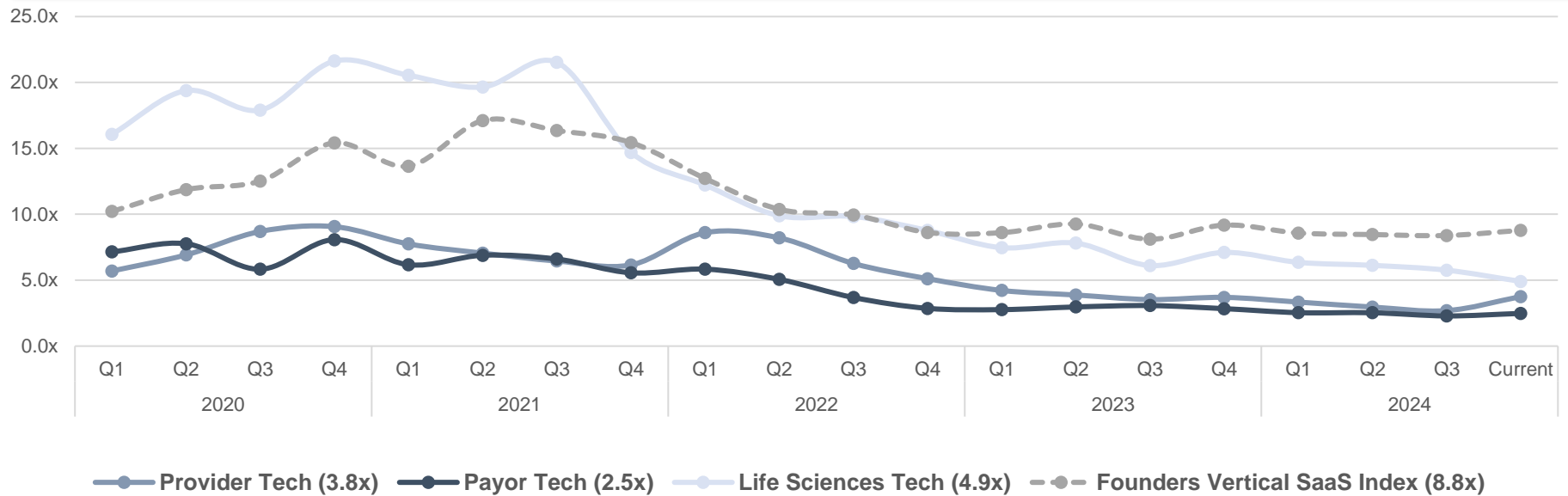
HIT vs Vertical Software: Public Company Valuation Ratios (5 years)



Market Insights

- Vertical SaaS and Healthcare IT stocks finally stabilized in 2024, following consistent declines since 2022. 2025 will determine whether health tech companies can recapture some of the value lost since 2022
- HIT stocks stand to benefit in 2025, due to technological advancements, such as increased machine learning and the integration of AI into service offerings

Sub-Sector Valuation Trends | Quarterly Enterprise Value / Revenue Multiples



Market Insights

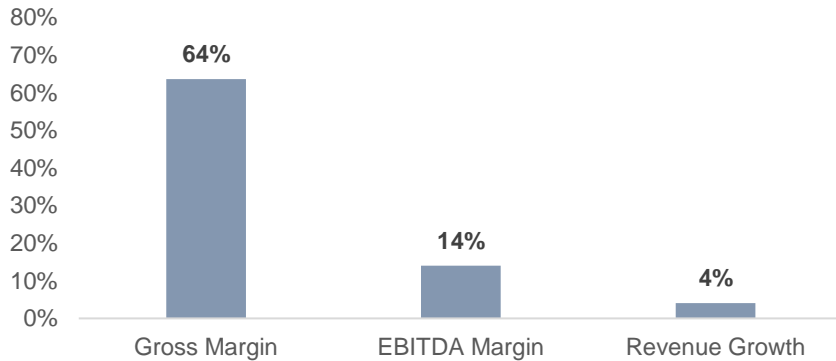
- All sub-sectors currently trade at a discount, relative to Vertical SaaS. Provider and Payor Tech trade at a deep discount relative to Vertical SaaS
- The Provider Tech and Life Sciences Tech groups both saw sharp movement in inverse directions. The Provider Tech category saw slight multiple expansion in Q4, ending a long period of consistent contraction, while the Life Sciences Tech multiples continued to contract, ending the year with two quarters of decline
- The Payor Tech category has traded between 2.0-3.0x revenue for the last seven quarters. HealthEquity (NAS:HQY) is the bellwether in this cohort and trades around 7.0x revenue, while the remaining constituents average below 2.0x revenue
- Lower public market valuations and lower M&A volume have created opportunities for notable take-private transactions in the HIT space, such as Recursion's acquisition of rival Exscientia in November of 2024 and TowerBrook and CD&R's acquisition of R1 RCM in August of 2024

Valuation & Operating Metrics | Provider Tech

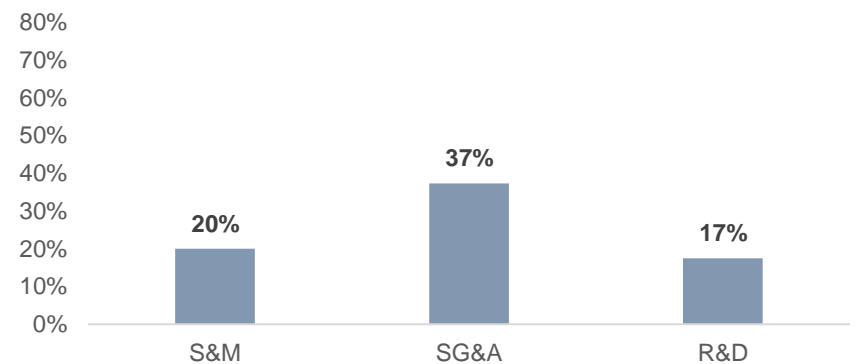
Included Public Comps



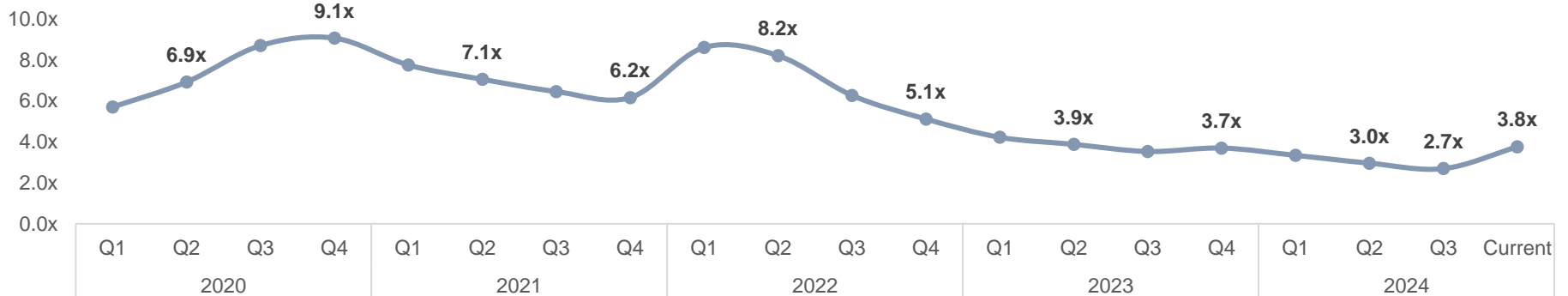
Growth & Margins (Median)



Operating Metrics (Median)*



EV/Revenue (Mean)

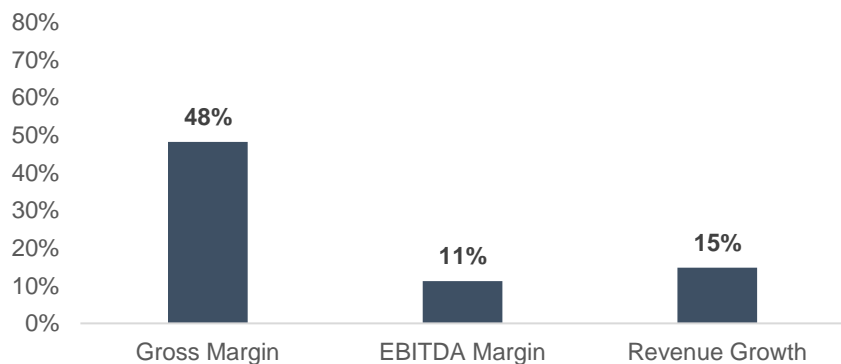


Valuation & Operating Metrics | Payor Tech

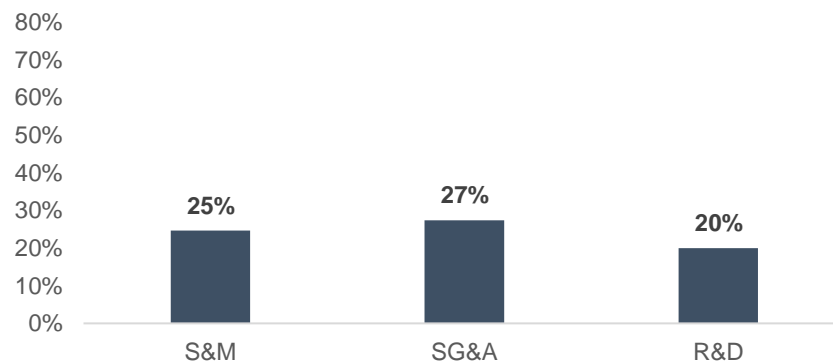
Included Public Comps



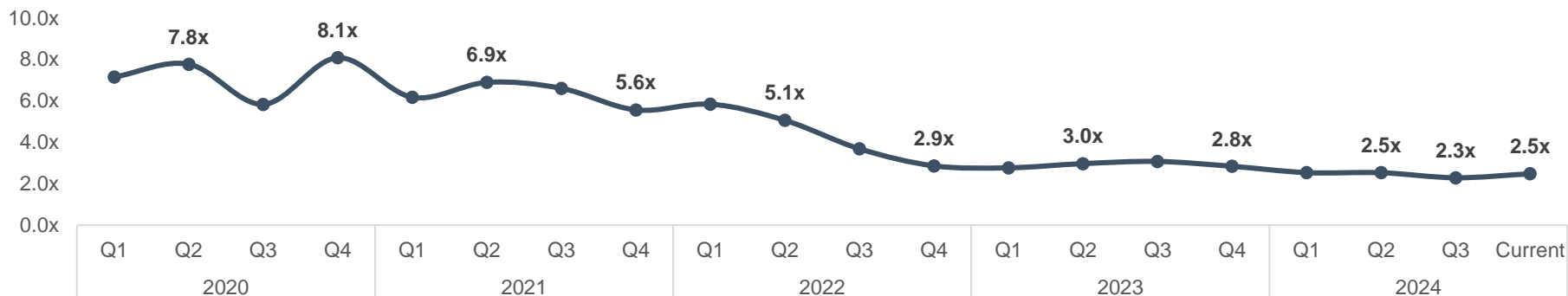
Growth & Margins (Median)



Operating Metrics (Median)*



EV/Revenue (Mean)

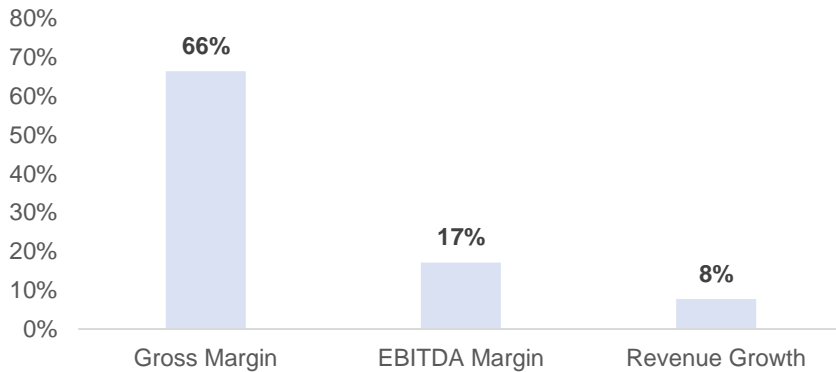


Valuation & Operating Metrics | Life Sciences Tech

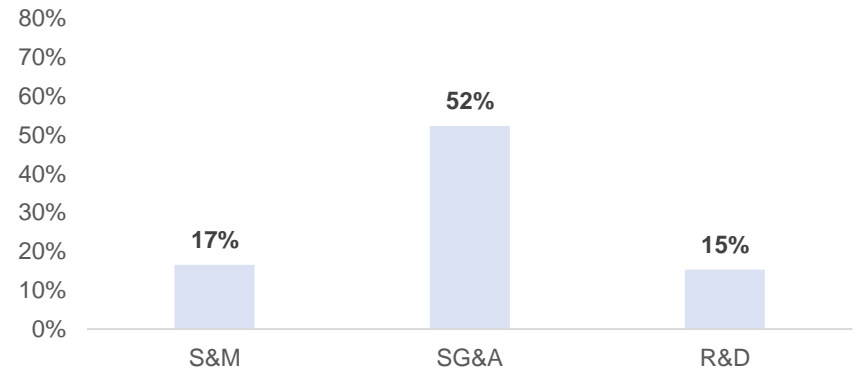
Included Public Comps



Growth & Margins (Median)



Operating Metrics (Median)*



EV/Revenue (Mean)

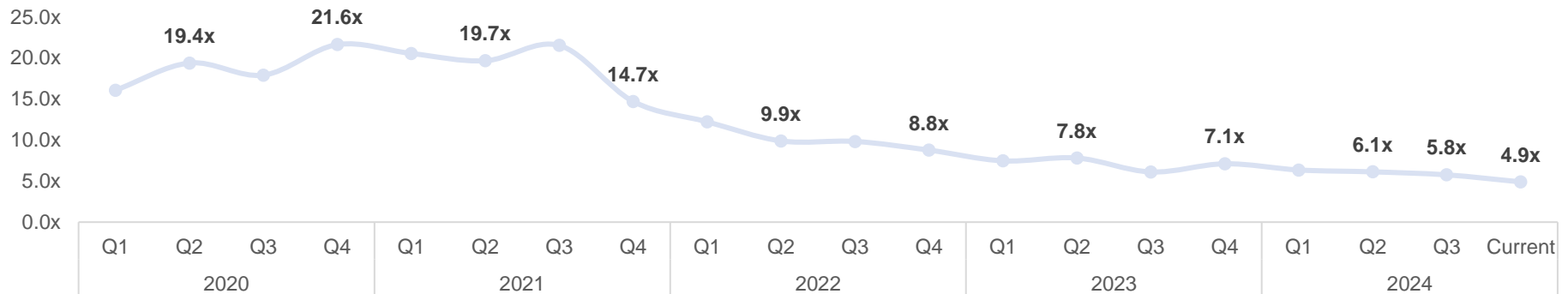


Table of Contents

I. Sector Maps | *EMR Adjacent Technology & Broader HIT Sectors*


II. M&A Activity | *Volume, Exits, Notable Deals*

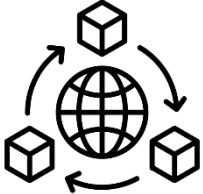
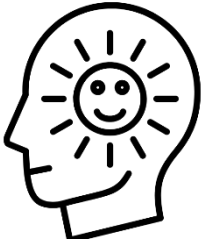
III. Buyer Landscape | *Profiling Active Buyers*

IV. Valuation and Operating Metrics | *Analyses of Key Performance Indicators*

V. Voices from the Field | *Insights from Industry Experts*

VI. About Us | *Founders Advisors Overview and Transaction Experience*

Theme	Drivers	Voices from the Field
 <p>Channels Continue to Evolve</p>	<ul style="list-style-type: none"> • Increased consumer involvement in/financial accountability for healthcare decisions (payor and provider sub-sectors) • Enabling technologies (all subsectors) • Broken system → incentives to experiment (payor and provider sub-sectors) • Consumer shopping and buying behavior spillover [into professional lives] (all sub-sectors) 	<p><i>“Certara Cloud . . . was launched earlier this year we have single sign-on to access our products, and it makes our marketing discussions easier because it's easy for us to go into companies and talk about the products that they have and . . . don't have Certara Cloud makes it easier for IT audits and security, so . . . , people are willing to go through the upgrade cycle more frequently these things . . . help us . . . foster overall software growth.”</i></p> <p>- WILLIAM FEEHERY, CEO CERTARA</p> <p><i>“On our online platform, we continue to advance the personalization and simplicity of the eHealth digital consumer experience. This AEP, we expect to benefit from our differentiated, tech-enabled features, such as Match Monitor, Live Advise, which is our one-way video enrollment experience, licensed agent chat, co-browsing, our proprietary plan recommendation tool and others. . . . Given the significant amount of shopping that we anticipate . . . , our end-to-end online capabilities represent a significant advantage Ultimately, we are ready to service customers through the enrollment channel that best matches their preference”</i></p> <p>- FRANCIS SOISTMAN, CEO EHEALTH</p> <p><i>“Now let's move to our direct to professional and pre-professional markets. . . . Our market expansion strategy over the last 18 months has included selling directly to end users like nurses, physicians or nursing students, and so, that's [an] . . . expansion of our selling model.”</i></p> <p>- BOBBY FRIST, CEO HEALTHSTREAM</p>

Theme	Drivers	Voices from the Field
 <p>The Provider Mandate to Derisk Supply Chains → Tech Opportunity</p>	<ul style="list-style-type: none"> • Election trade rhetoric and risk of corresponding actions • Downstream consequences of high-profile, force majeure events • Challenging healthcare operating environment (2021-present) → need to explore all avenues to cut costs/reduce risk • Escalating hegemonic tension and risk of downstream consequences 	<p><i>“So, to some degree, we’ve been sort of building out the capability where tariffs wouldn’t necessarily have a significant impact on a number of our categories. . . . what we’re seeing is [clients] asking us to . . . look for more domestic and nearshore capabilities”</i> - MICHAEL ALKIRE, CEO PREMIER</p> <p><i>“ . . . a production shutdown, due to the hurricanes, has resulted in . . . IV fluid shortages, shining a light on the need for health systems to have greater control of . . . supply chain and strategies to mitigate the potential impact of shortages. A nonprofit health system . . . signed a . . . service agreement . . . to help optimize IV . . . supply chain”</i> - RANDALL LIPPS, CEO OMNICELL</p>
 <p>The 2025 M&A Outlook is Optimistic</p>	<ul style="list-style-type: none"> • 2024 Fed rate cuts • [Gradually] increasing stability within end-user markets • Outlier status of the US economy • Removal of election uncertainty • Increased convergence of buyer and seller expectations • Secular tailwinds within US healthcare sector • 2024 multiple recovery → renewed M&A arbitrage for public companies 	<p><i>“ . . . I’ve said many times before: . . . acquisitions are an important part of our growth In fact, we always aimed at least 2 points of . . . growth from acquisitions. . . . historically, . . . it’s been more between 1 and 1.5 points. And this year, hopefully, 1.5% . . . from acquisitions. ”</i> - ARI BOUSBIB, CEO, IQVIA</p> <p><i>“ . . . that revolver becomes a nice bucket to be able to finance the next deal I still fundamentally believe that some of these HSA portfolio acquisitions are some of the best ROI investments we can make.”</i> - JAMES LUCANIA, CFO, HEALTHEQUITY</p> <p><i>“I do think the macro conditions are improving for strategic buyers like us That said . . . – anywhere there’s a . . . great company, there’s also a lot of active bidding”</i> - BOBBY FRIST, CEO HEALTHSTREAM</p>

From the *Founders Forum* webinar, “AI in Healthcare – Voices from the Frontlines”



SETH CIABOTTI
CEO, MSU HEALTH CARE

On how his multispecialty provider group is evaluating AI vendors

“What workflow is it? . . . What’s the ROI on that? And sometimes, it’s not about making more money . . . if it makes us more efficient . . . and is budget neutral, that’s also a win. . . . Is [the AI solution] going to reduce the human resources? . . . Then, of course, . . . is the security side [It’s] a . . . more complex . . . vetting process than what we’re accustomed to”



BILL KRAUSE
CGO, SOLIS MAMMO

On driving physician adoption of a new, clinical AI application

“[It’s] been a long and winding road, and one that [requires] a lot of patience. . . . as is the case with . . . generational change programs, you need to find champions. You need to have a strong and compelling story. . . . I would say 80% of . . . the investments, the time, the effort that we put into [Mammo+Heart] was not the AI application, itself, but it was . . . change management”



JIM SHOLEFF
CEO, CLAIMOCITY

On the pace/magnitude of change with AI in healthcare

“I’ve been in this business for a long time, and this is the first real . . . sea change . . . that I’ve seen. So, I’m actually excited to be a part of it. . . . most of the AI advantages go directly to the . . . people who count most in this industry, which is the doctor and patient. . . . I tend to lean more toward pushing our product team in the direction of providing solutions that really focus in on [pain-points for frontline workers].”

Access the full recording [HERE](#), using password **bS7R45H%**

Save the Date – Upcoming Webinars

Jan: “2024 Healthcare M&A Year in Review”

- Founders Presentation
- Jan. 31, 2025 at 11:30 AM CDT
- [REGISTER HERE](#)

February: “Healthcare Outlook for 2025 and Beyond”

- Conversation with David Burik
- Feb. 27, 2025 at 11:30 AM CDT
- [REGISTER HERE](#)

March: “From Healthcare Neophyte to Exit – The Stratasan Story”

- Founder interview
- DATE TBD

Table of Contents

I. Sector Maps | *EMR Adjacent Technology & Broader HIT Sectors*

II. M&A Activity | *Volume, Exits, Notable Deals*

III. Buyer Landscape | *Profiling Active Buyers*

IV. Valuation and Operating Metrics | *Analyses of Key Performance Indicators*

VI. Voices from the Field | *Insights from Industry Experts*

VII. About Us | *Founders Advisors Overview and Transaction Experience*

Deal Execution Team



Billy Prichard
Director

- 7 years' investment banking experience on Founders tech team
- Co-leads Founders cross-practice healthcare tech team
- Buy-side M&A experience in healthcare provider sector
- University of Alabama JD-MBA



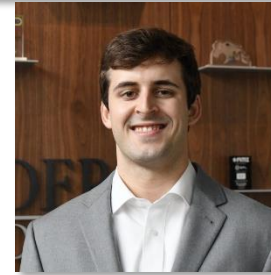
Thomas Dixon
Managing Director

- Buy-side M&A experience at 4 PE-backed healthcare platforms
- Co-leads Founders cross-practice healthcare tech team
- Former principal at top-5 healthcare consulting firm
- University of Minnesota MBA



Chris Weingartner
Managing Director

- 10 years' investment banking experience on Founders tech team
- Past healthcare experience at Inspirus and Optum
- Past VC experience
- Vanderbilt University MBA



Swede Umbach
Associate

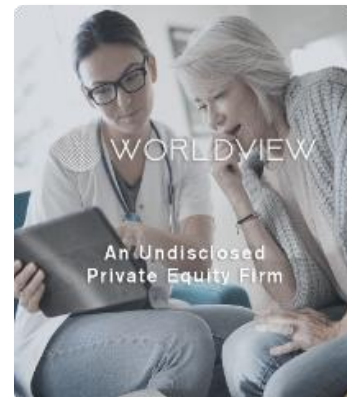
- 4 years' investment banking experience on Founders tech team
- Big 4 accounting experience
- University of Mississippi Masters of Accountancy & Data Analytics



Wells Watts
Analyst

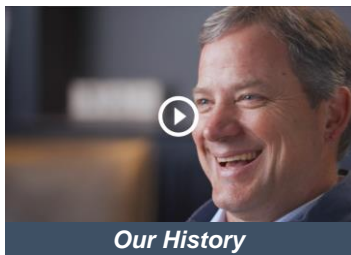
- 1st year investment banking analyst at Founders
- B.S. in Finance from Auburn University

Select Founders Healthcare Tech Transactions

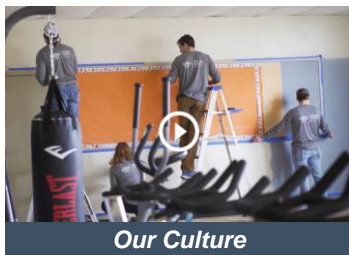


FIRM OVERVIEW

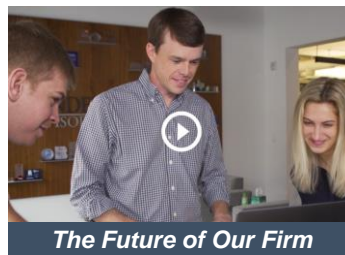
Founders is a mergers, acquisitions, and strategic advisory services firm that has served middle-market companies since 2003. With a nationwide footprint, we pride ourselves in employing a values based and highly personalized relational approach through our five industry-focused advisory teams. Today, Founders employs over 45 professionals and has offices in Birmingham, AL (headquarters) and Dallas, TX, and Nashville, TN.



Our History



Our Culture



The Future of Our Firm

OUR WHEELHOUSE

The majority of our clients are founder-owned and operated companies across five industry groups that collaborate together. We listen to our clients and take the time to truly understand each client's unique situation and desired outcomes. Founders has been a trusted advisor to hundreds of middle market business owners, supporting their growth through tailored financing structures and ownership transition transactions

CAPABILITIES & FIRM HIGHLIGHTS



Sell-Side Advisory



Strategic Advisory



Capital Raises



Targeted Buyside



Spin-Offs / Divestitures

\$55B+

Founders Managing Directors' Transacted Enterprise Value*

100+

Founders' Completed Engagements Since 2013

21%

Average Increase in Initial Bid to Closing

Industries Covered

Business Services

Technology

Consumer

Healthcare

Industrials

PURPOSE

Be Servant Leaders who value relationships and results

FIRM VALUES

ORDER

Maintain focus on doing the right things at the right time

SERVICE

Go the extra mile for our clients, co-workers, & community

GROWTH

Reflect, evaluate, and plan for improvement

EXCELLENCE

All we do, we do well

HEALTH

Be and stay healthy, personally, and as a team

COMMUNITY

Be team-focused; we're better together

FOUNDERS

ADVISORS

BIRMINGHAM | DALLAS | NASHVILLE

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