

Market Insights | Q2'18



Market Insights is a quarterly perspective on merger and acquisition, private placement activity, and public market performance in the healthcare industry.





TripleTree is a healthcare merchant bank focused on mergers and acquisitions, growth capital, strategic advisory and principal investing services. Since 1997, the firm has advised and invested in some of the most innovative, high-growth businesses in healthcare.

We are continuously engaged with decision makers including best-in-class companies balancing competitive realities with shareholder objectives, global companies seeking growth platforms, and financial sponsors assessing innovative investments and first-mover opportunities.

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Q2'18

QUARTER IN REVIEW

KEY TRENDS DRIVING MARKET ACTIVITY



Post-Acute

Q2 2018 saw increased market activity in the post-acute space from multiple angles: care delivery (e.g. Curo Health Services), new value-based care models (e.g. Aspire, naviHealth), and pure technology / clinical systems (e.g. HEALTHCAREfirst). As care delivery consolidation continues, large industry players are incentivized to gain market share by acquiring smaller, regional targets. That trend was exemplified in the acquisition of Curo Health Services by Humana, TPG Capital, and Welsh, Carson, Anderson & Stowe. The \$1.4B acquisition of Curo, combined with Humana's previous acquisition of Kindred at Home, aligns with Humana's big picture goal of creating the country's largest hospice operator as a compliment to its Medicare Advantage business. In addition to care delivery consolidation, the post-acute space has seen a major shift from fee-for-service to a value-based care delivery model. There are multiple factors driving this shift: an aging population, higher instances of chronic illness, and increased hospital readmission rates. Companies such as Aspire Health, which was acquired by Anthem in May, and naviHealth, which was acquired by Cardinal Health and Clayton, Dubilier, & Rice in June, are providing value-based platform solutions to position themselves on the forefront of the industry shift and take advantage of its growth opportunities. With the current post-acute disruption in mind, HCIT companies have emerged to help drive down costs and increase efficiency & effectiveness in patient management. As reimbursement and regulatory pressures mount, companies such as HEALTHCAREfirst, which was acquired by ResMed through a TripleTree-run process in May, have been high-profile targets due to the significant value-add platform offered to post-acute agencies. TripleTree believes the post-acute space will continue to experience high market activity due to significant opportunity for innovation and the progressing shift to value-based care platforms.



RCM and EHR

As the pressure to increase reimbursement rates and decrease costs in the healthcare industry continued in Q2 2018, revenue-cycle-management (RCM) and electronic health record (EHR) platforms were a main acquisition target. Interest was strong from both strategic buyers and financial sponsors, as these RCM and EHR platforms have proved to offer synergistic value with scalability potential. Acquirers and investors were especially drawn to SaaS-based RCM and EHR models that provide strong revenue retention and high forward visibility into future performance. M&A targets throughout the quarter displayed capabilities to address specific pain points throughout the RCM and EHR continuums. In May, TransUnion acquired Healthcare Payment Specialists, a platform helping healthcare providers optimize Medicare reimbursement. HPS focuses on the Medicare Bad Debt (MBD) and Medicare Disproportionate Share (DSH) areas of Medicare reimbursement, enhancing Transunion's capabilities in post-discharge revenue recovery. Also in May, PriorAuthNow raised a series A round led by BIP Capital. PriorAuthNow's platform supports workflow automation by decreasing the time required for hospitals to connect with patients' insurance providers to obtain approvals for procedures. In addition to overarching market trends, we have noticed significant interest in specialty RCM and EHR platforms. Over the last year, there were many examples to support this trend; such as Warburg Pincus' growth investment in Modernized Medicine and the Carlyle Group's investment in Net Health. This trend continued in Q2 2018 with the closing of Roche Holdings acquisition of Flatiron Health, ResMed's acquisition of HEALTHCAREfirst, and Lightyear Capital and Oak HC/FT Partners' combined majority investment in Therapy Brands. As the pressures of high costs continue, TripleTree expects the RCM and EHR markets to remain active as high value-add solutions continue to thrive.



Amazon, Among Other Corporate Behemoths, is Making Serious Moves in Healthcare

Amazon has long displayed interest in healthcare, but Q2 2018 revealed some major moves supporting Amazon's, and other large corporate players, initiatives to disrupt the healthcare industry. Last quarter, it was announced that Amazon, J.P. Morgan, and Berkshire Hathaway are joining forces to create a venture aimed at decreasing the cost of care by eliminating profit-driven middlemen, such as pharmacies. The combined companies announced the new CEO of the venture, Dr. Atul Gawande, in June. Perhaps Amazon's biggest announcement of the quarter, however, was the ~\$1B acquisition of PillPack, a medication delivery company that presorts packaging, coordinates refills and renewals, and ensures timely shipment. This acquisition allows Amazon to leverage its online distribution expertise in the massive prescription drug market. The ripple effects of the announcement were just as significant. Amazon's presence alone in the healthcare industry is enough to cause market havoc, as Rite Aid, Walgreens, and CVS alone lost \$12.8B in market value the day the acquisition was announced. Amazon has clearly sent strong indication that it intends to push further into healthcare, leveraging its capabilities and reach to revolutionize the healthcare industry as it has done with so many others.

NOTABLE M&A ACTIVITY IN Q2'18



Humana, Welsh, Carson, Anderson & Stowe, and TPG Capital acquired Curo Health Services, one of the largest remaining independent hospice providers, for \$1.4B. The consortium will merge Curo with the hospice business of Kindred at Home, which it recently acquired. The acquisition will give Kindred, already the second largest hospice provider in the country, an additional 245 locations across 22 states. This is the latest deal in a rapidly consolidating healthcare sector, with companies looking for new ways to bolster profits as the industry faces greater scrutiny for rising healthcare costs. Humana's insurance business is focused on individuals in the U.S. government's Medicare program for the elderly and the disabled. The deal furthers Humana's strategy of using healthcare providers in members' homes to improve patient care and save costs.



Cardinal Health (NYSE: CAH) and Clayton, Dubilier & Rice (CD&R) announced that CD&R-managed funds will jointly invest with Cardinal Health in naviHealth, a manager of post-acute benefits for health plans and a value-based care partner to health systems and providers. naviHealth partners with health plans, hospital systems, at-risk physician groups, and other healthcare providers to manage post-acute care as part of value-based care programs. Through its technology platform, the company utilizes evidence-based protocols and clinical staff to quantitatively track patient recoveries, manage hospital discharges, reduce readmissions, and support efficient clinical decision-making, which taken together reduce wasteful healthcare spend. With an aging population, prevalence of chronic illness, and increased hospital readmission rates, payers and providers are seeking innovative ways to improve health outcomes while reducing cost, which is what naviHealth's services deliver. The post-acute care segment of the market is attractive due to high levels of waste, wide variability in spend, and the complex mix of clinical, operational, and technical resources required to address patient needs. This new investment structure brings in outside capital to help support naviHealth's growth while allowing Cardinal to retain a meaningful ownership structure and optionality through a call feature to reassume a majority ownership in naviHealth at a future date.

NOTABLE M&A ACTIVITY IN Q2'18 CONTINUED

The logo for Verscend, featuring the word "verscend" in a lowercase, sans-serif font. The "v" is blue, "er" is purple, "sc" is pink, and "end" is blue.The logo for Cotiviti, featuring the word "Cotiviti" in a blue, sans-serif font, followed by a stylized graphic of vertical bars of varying heights in blue and purple.

Verscend Technologies, backed by private equity firm **Veritas Capital**, agreed to acquire **Cotiviti Holdings** (NYSE: COTV) in a take-private deal valued at **\$5.1B**. Together, the companies expect to have greater impact in the healthcare IT market by increasing affordability, reducing waste, and improving outcomes and quality, as well as offering new opportunities to create substantial value for clients, including complementary solutions across multiple intervention points in the payment process. Verscend and Cotiviti will offer an integrated end-to-end solution to address the nearly trillion dollars in healthcare waste and abuse across the claims payment and care continuum. Veritas Capital has experience driving growth for companies within the healthcare IT space and an understanding of the need to digitalize the healthcare system. It brings consumer focus and a drive for growth through R&D and product innovation.

The Amazon logo, featuring the word "amazon" in a lowercase, sans-serif font with a curved arrow underneath pointing from the "a" to the "z".The PillPack logo, featuring a blue square icon with a white outline, followed by the word "PillPack" in a blue, sans-serif font.

Amazon (NASDAQ: AMZN) agreed to acquire online pharmacy **PillPack**, giving the e-commerce giant the ability to ship prescriptions around the country, and overnight, creating a material threat to the \$400B+ pharmacy industry. Amazon is paying an estimated **\$1B** for PillPack, which presorts medications and ships them to customers' homes in 49 U.S. states, excluding Hawaii. The online retailer beat out **Walmart** (NYSE: WMT), which was also reportedly in talks to buy the company. The deal for PillPack ends speculation that Amazon would enter the healthcare drug distribution market. Many expect PillPack to be included as part of Prime, benefiting from Amazon's logistics expertise and leveraging its 70M+ subscribers in the U.S. However, the healthcare market may be challenging for Amazon to disrupt. It is highly regulated, and depends on a complex web of contracts, interconnected data systems, and other relationships with health plans and drug-benefit managers that well-established players have had decades of experience navigating.

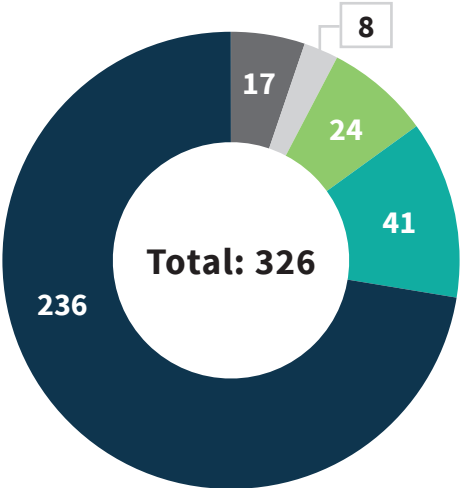


Q2'18

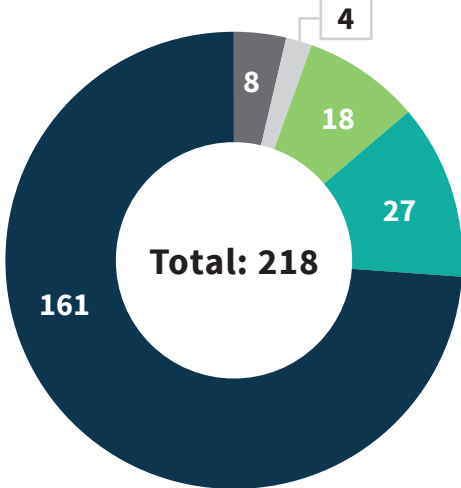
M&A Deal Stratification

Q2'18 HEALTHCARE M&A DEAL STRATIFICATION

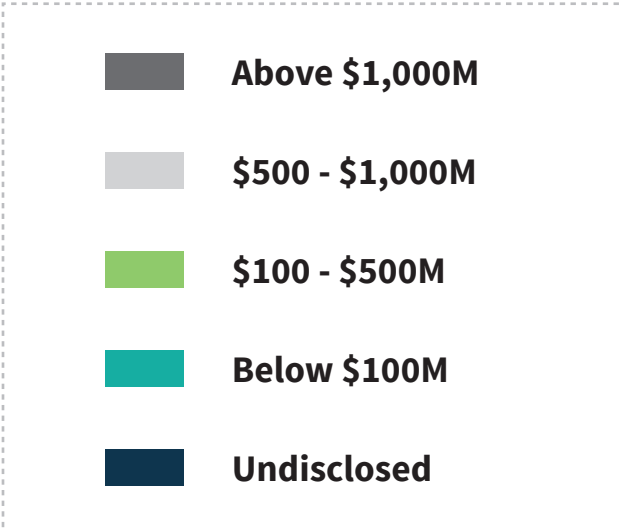
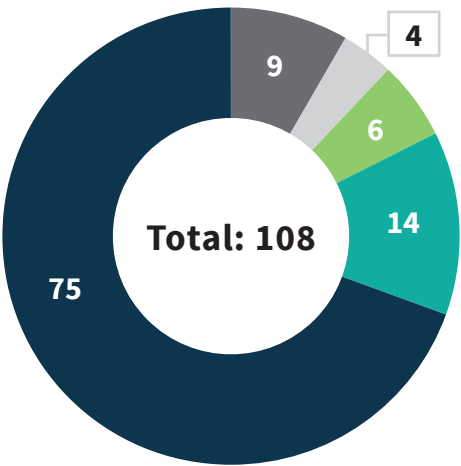
Total Deals by Transaction Ranges



Closed Deals by Transaction Ranges



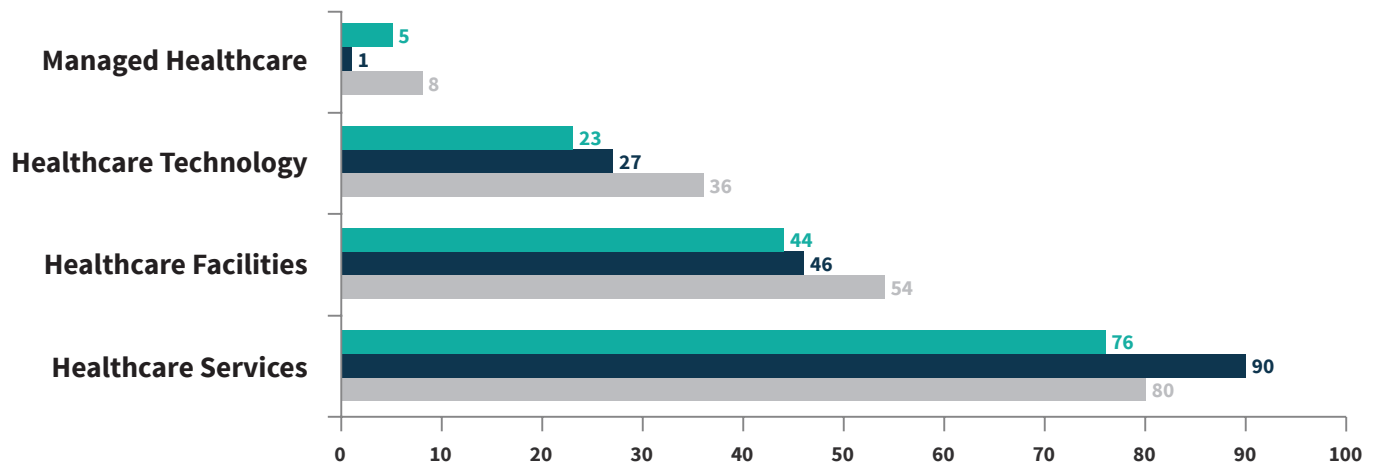
Announced & Pending Deals by Transaction Ranges



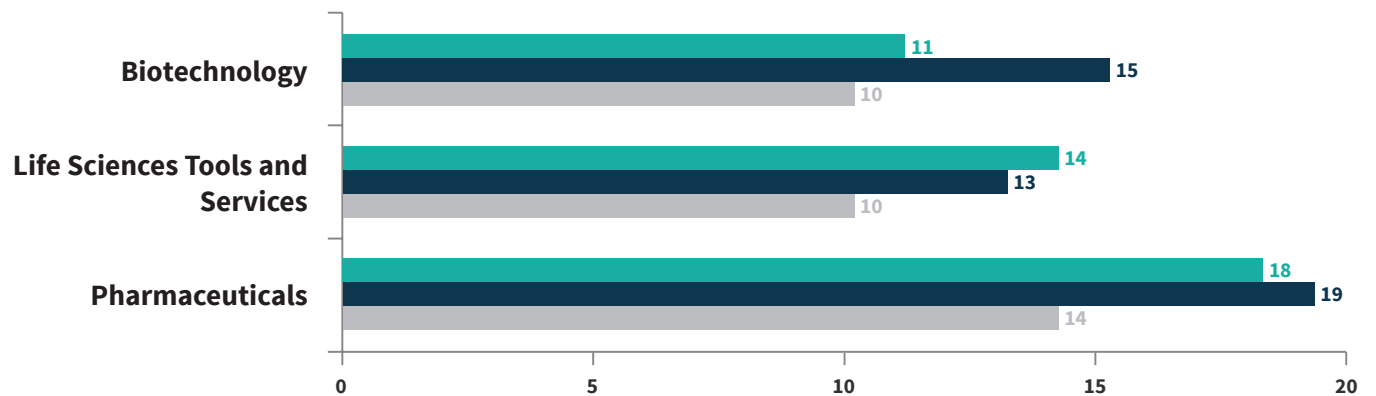
Q2'18 M&A DEAL STRATIFICATION CONTINUED

■ Q2 2018
 ■ Q1 2018
 ■ Q4 2017

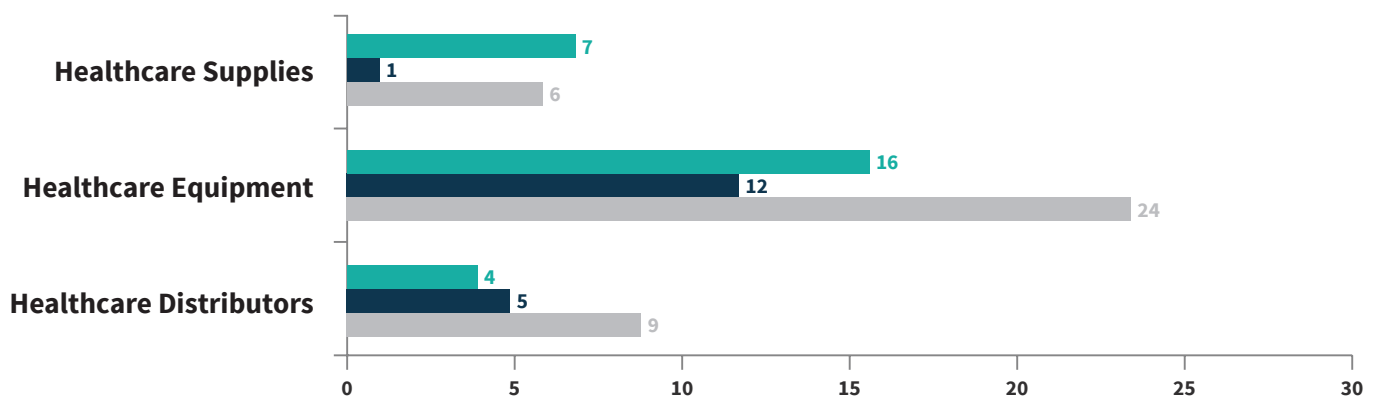
Healthcare Services, Facilities & Technology – 148 Closed Transactions



Life Sciences Technology & Services – 43 Closed Transactions



Healthcare Equipment and Distribution – 27 Closed Transactions



Source: S&P Capital IQ

Q2'18 M&A DEAL STRATIFICATION CONTINUED

(\$ in Millions)

Total Q2 Deal Activity

Total Deals Reported in Q2	326
# of Deals Disclosing Metrics	90
# Reported TEV	73
# Reported TEV & Rev	10
# Reported TEV, Rev & EBITDA	7
Average TEV	\$738
Average TEV/Rev	11.3x
Average TEV/EBITDA	17.9x
Median TEV	\$106
Median TEV/Rev	6.8x
Median TEV/EBITDA	16.4x
Total Deal Value	\$66,443
Prior Quarter Total Deal Value	\$108,579
% Change	(38.8%)

Q2 Deal Activity — Closed¹

Total Deals Reported in Q2	218
# of Deals Disclosing Metrics	57
# Reported TEV	54
# Reported TEV & Rev	2
# Reported TEV, Rev & EBITDA	1
Average TEV	\$476
Average TEV/Rev	15.0x
Average TEV/EBITDA	20.2x
Median TEV	\$104
Median TEV/Rev	15.0x
Median TEV/EBITDA	20.2x
Total Deal Value	\$27,136
Prior Quarter Total Deal Value	\$21,756
% Change	24.7%

Q2 Deal Activity — Announced & Pending²

Total Deals Reported in Q2	108
# of Deals Disclosing Metrics	33
# Reported TEV	19
# Reported TEV & Rev	8
# Reported TEV, Rev & EBITDA	6
Average TEV	\$1,191
Average TEV/Rev	10.4x
Average TEV/EBITDA	17.5x
Median TEV	\$216
Median TEV/Rev	6.8x
Median TEV/EBITDA	13.4x
Total Deal Value	\$39,307
Prior Quarter Total Deal Value	\$86,824
% Change	(54.7%)

(1) Transactions that closed during the quarter, regardless of when the transaction was announced

(2) Deal was announced during the quarter but did not close during the quarter

Source: S&P Capital IQ

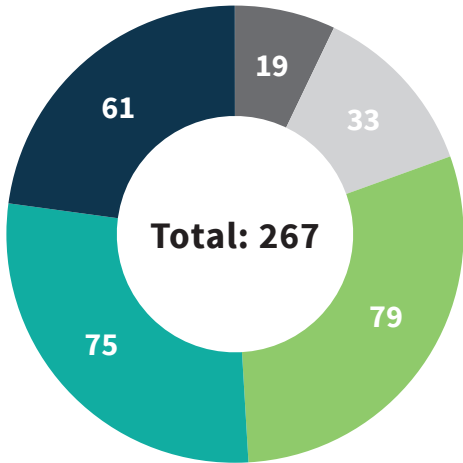


Q2'18

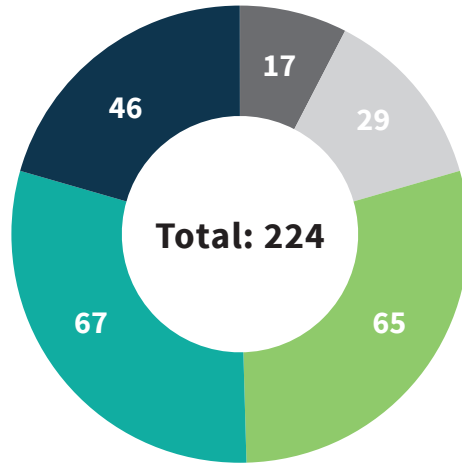
Private Placement Stratification

Q2'18 HEALTHCARE PRIVATE PLACEMENT STRATIFICATION

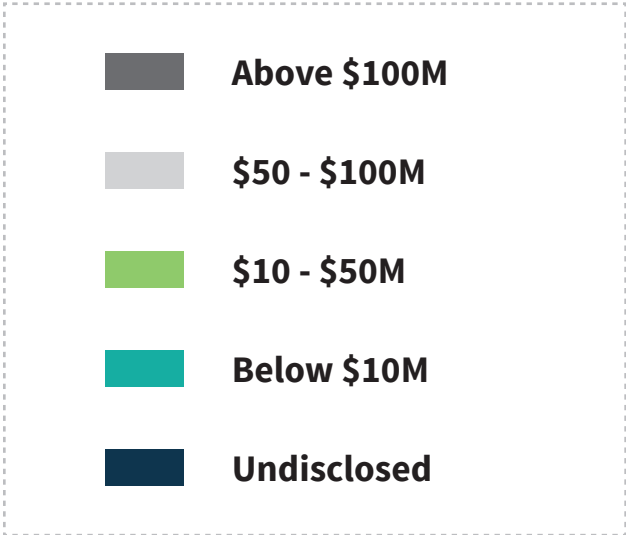
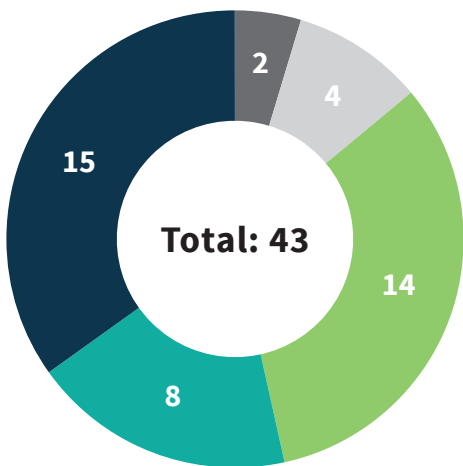
Total Private Placements by Investment Value



Closed Private Placements by Investment Value



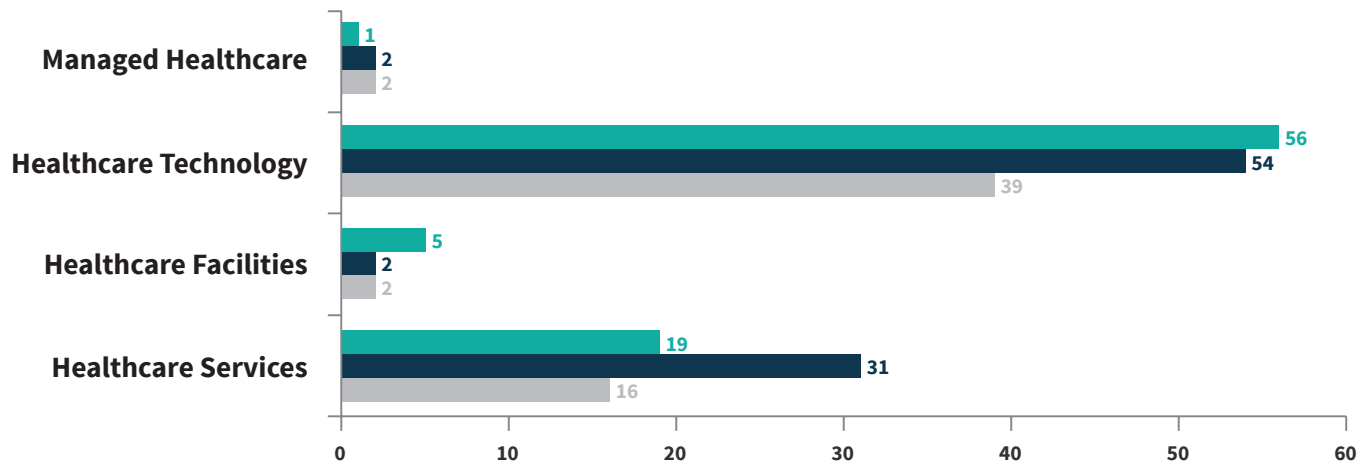
Announced & Pending Private Placements by Investment Value



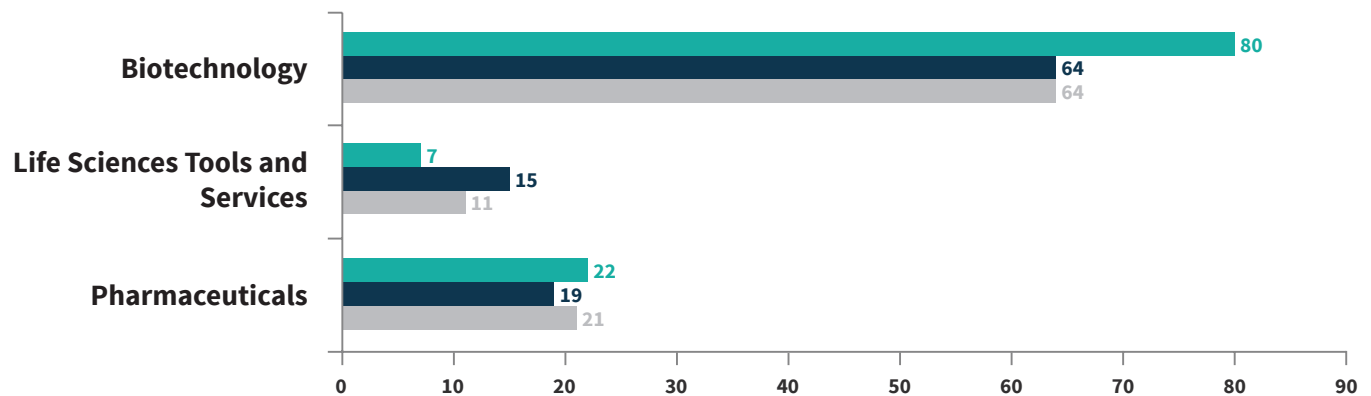
Q2'18 PRIVATE PLACEMENT STRATIFICATION CONTINUED

■ Q2 2018
 ■ Q1 2018
 ■ Q4 2017

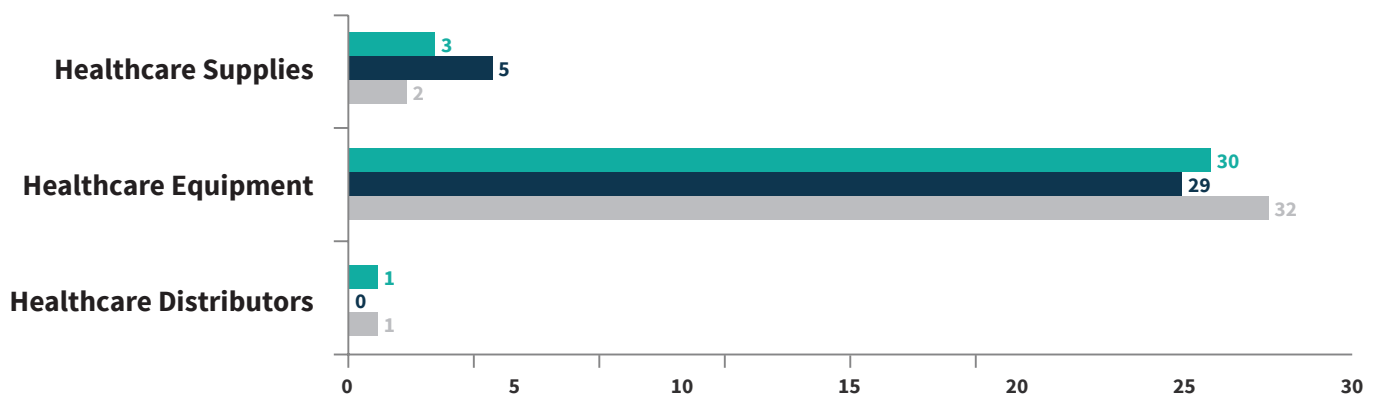
Healthcare Services, Facilities & Technology – 89 Closed Transactions



Life Sciences Technology & Services – 98 Closed Transactions



Healthcare Equipment and Distribution – 34 Closed Transactions



Source: S&P Capital IQ

Q2'18 PRIVATE PLACEMENT STRATIFICATION CONTINUED

(\$ in Millions)

Total Q2 Private Placement Activity	
Total Private Placements Reported in Q1	267
# of Private Placements Disclosing Investment Value	206
Average Value	\$39
Median Value	\$15
Total Value	\$8,106
Prior Quarter Total Private Placement Investment Value	\$8,243
% Change	(1.7%)

Q2 Private Placement Activity – Closed¹	
Total Private Placements Reported in Q1	224
# of Private Placements Disclosing Investment Value	178
Average Value	\$38
Median Value	\$15
Total Value	\$6,799
Prior Quarter Total Private Placement Investment Value	\$6,077
% Change	11.9%

Q2 Private Placement Activity – Announced & Pending²	
Total Private Placements Reported in Q1	43
# of Private Placements Disclosing Investment Value	28
Average Value	\$47
Median Value	\$18
Total Value	\$1,307
Prior Quarter Total Private Placement Investment Value	\$2,166
% Change	(39.6%)

(1) Transactions that closed during the quarter, regardless of when the transaction was announced

(2) Deal was announced during the quarter but did not close during the quarter

Source: S&P Capital IQ

Q2'18

Noteworthy M&A Transactions

A background image of a modern office interior. Two men in business suits are shaking hands in front of a large window. The office has a white desk with a laptop, and the ceiling features recessed lighting. The overall color palette is a muted blue-grey.

APRIL 2018

Key Themes

Continued Consolidation in Home Health and Hospice Markets.

We recently noted the heightened levels of investor demand for high quality, low cost post-acute care delivery assets. This continued full-steam ahead in April as consolidation within the home health and hospice markets occurred at both the regional and national level. As the market settles around newly minted behemoths, LHC/Almost Family and Kindred/Humana, entrenched national players are left in search of additional scale while smaller regional players are scrambling for strategic alternatives to remain competitive. All of this is underpinned by favorable demographic and reimbursement trends, which continue to drive increased patient volume into post-acute settings.

Resurgence of Telehealth M&A.

Following a brief lull in Q1, the return of spring brought along a resurgence of telehealth M&A activity. Featuring several landmark transactions involving both incumbent players and new market entrants, April's activity demonstrated a continued desire to not only leverage telehealth and remote solutions, but also expand these beyond their traditional primary care roots and into more acute settings. Ultimately, telehealth remains a high profile area for investment given its ability to enhance provider efficiency, lower cost of care, and serve as a key component in advancing the shift towards healthcare consumerism – all broader industry themes we've continued to highlight. We expect to see a similar uptick in activity in the second

half of the year as venture capital and traditional buyout strategies continue to explore the space.

Radiology / Diagnostic Imaging Gaining Momentum within Specialty PPM.

Physician practice management (PPM) has long been a prime target for consolidation due to the industry fragmentation coupled with the inherent value of scale. We previously discussed dental practice management as an example of a transformative PPM rollup strategy. Other large-scale specialty PPMs have read the writing on the wall and have been increasingly active tucking in smaller practices to bolster services and expand their geographic footprint. As a result, radiology and diagnostic imaging saw increased M&A activity in April, in part, due to tailwinds from today's managed care environment. Diagnostic imaging can be used to identify future medical problems and prevent their occurrence, translating to substantial cost reductions when comparing the fractional expense of an imaging screen against the savings from an avoided surgery. We believe the uptick in M&A activity for this specialty will continue as a result of these factors.

Noteworthy M&A and Private Placement Transactions

- **Humana, Welsh Carson Anderson and Stowe,** and **TPG Capital** acquired **Curo Health Services**, one of the largest remaining independent hospice providers, for \$1.4B. The consortium will merge Curo with the hospice business of **Kindred at Home**, which it recently acquired. The acquisition will give Kindred, already the second largest hospice provider in the country, an additional 245 locations across 22 states.
- **Great Lakes Caring, National Home Health Care,** and **Jordan Health Services** announced a merger that will strategically position the newly combined company as one of the nation's largest providers of home-based care. The news came on the heels of the acquisition of Jordan Health Services by **Blue Wolf Capital** and **Kelso & Company**. The merger brings together three market leaders, creating a comprehensive care continuum of personal care, skilled home care, and hospice care. The newly combined company will serve over 63,000 patients and their families on a daily basis, employing over 31,000 caregivers across 15 states in 221 locations.
- **Addus HomeCare Corporation** (NASDAQ: ADUS) purchased the assets of **Arcadia Home Care & Staffing**, a Michigan-based provider of home care services, for \$18.5M. Arcadia provides services to 2,300 customers via its 26 offices across 10 states. The deal was completed at a trailing EBITDA multiple of 5.5x – 6.5x and is expected to be accretive to Addus' 2018 financial results.
- **American Well**, a Boston-based telehealth provider, announced that it has entered into a definitive agreement to acquire **Avizia**, a Reston, Virginia-based provider of acute care telehealth. This acquisition will bring American Well comprehensive acute care capabilities and enhanced options available to clients across the diverse telehealth ecosystem, including health systems, health plans, consumer aggregators, and healthcare service innovators.
- **InTouch Health**, an enterprise telehealth platform, announced that it entered into an agreement to acquire **REACH Health**, a telemedicine software company based in Alpharetta, Georgia. The acquisition will help InTouch Health expand its presence as a partner for hospitals and health systems who wish to expand telehealth programs across the continuum of care.
- **RubiconMD**, a telehealth startup, announced that it has raised \$13.8M from investors including **HLM Venture Partners, Optum Ventures,** and **Centene Corporation**. RubiconMD's platform allows primary care doctors to ask a specialist to weigh in on a patient's case, without requiring the patient to travel to see the specialist.

- **RadNet**, a provider of fixed-site outpatient diagnostic imaging services, acquired five imaging centers in Fresno California operated by **Sierra Imaging Associates**, **Women’s Imaging Specialists in Healthcare**, and **Valley Metabolic Imaging**. The acquisition will provide RadNet with approximately \$12 million of additional revenue on an annual basis. The five centers perform approximately 65,000 imaging procedures per year. The transaction will add almost 100 employees and access to approximately 25 radiologists serving the greater Fresno area.
- **MEDNAX, Inc.** (NYSE:MD), announced the acquisition of **Women’s Radiology Associates, LLP**, a private radiology physician group based in Houston. The practice will integrate with **Synergy Radiology Associates**, a MEDNAX-affiliated physician practice, also based in Houston. The all-cash transaction marks MEDNAX’s fifth practice acquisition of 2018.

Key Themes

Continued investment activity in the employer healthcare benefits market.

The depth and highly fragmented nature of the employer healthcare benefits market continues to drive interest from a broad array of participants. Tech-enabled acquisitions to improve market access or for product differentiation, and the ability to drive consumer engagement through digital mediums to improve health and wellness are themes that continue to resonate in a meaningful way.

Specialized capabilities and automation garner interest in revenue cycle management.

Market activity within the revenue cycle management space continues to evolve at a consistent pace. As the complexity of reimbursement constructs continues to heighten and place further pressure on the financial health of providers, platforms that address specific RCM segment pain points through a particular specialization are gaining interest. RCM acquisitions in the month of May saw buyers seeking specific capabilities in the areas of Medicare and workers compensation reimbursement and out-of-network billing. Additionally, we are witnessing interest heighten for companies that can deliver revenue cycle workflow automation. Companies like PriorAuthNow and Recondo Technology are gaining market recognition as the increasing level of claims and prior authorization complexity, combined with the lack of billing clarity on the part of the patient, is accelerating a shift to a much more automated revenue cycle.

Robust activity for technology-enabled patient engagement solutions.

Following on a consistent theme, investors continue to seek solutions that support an ability to achieve patient engagement before, during, and after a treatment encounter. The benefits are obvious as this multifaceted approach to patient engagement not only helps promote preventive healthcare, but also keeps patients up-to-date on rehab, medication adherence, and other post-acute practices. Of particular interest are multi-modal engagement solutions that connect patient and provider to enhance the communication between two critical parties in managing both efficiency and effectiveness of care and outcomes.

Noteworthy M&A and Private Placement Transactions

- **Sun Life Financial** (NYSE: SLF) acquired **Maxwell Health**, an employee health management platform that simplifies benefits and HR administration for small and mid-sized businesses. Maxwell Health's benefits administration platform supports an employer's benefits strategy while streamlining the process by integrating with carriers, payroll systems and other third-party administrators. The deal will allow Sun Life to broaden their benefit service offerings and integrate voluntary benefits and wellness offerings with traditional insurance solutions through a digital marketplace.
- **Marlin Equity Partners** acquired **Virgin Pulse** and **RedBrick Health**, creating a combination of benefits navigation, wellness coaching, and digital engagement solutions. The combination of the two entities seeks to further penetrate the large employer market through a broad, integrated and customizable suite of wellness and engagement solutions.
- **Allscripts** acquired **HealthGrid**, a mobile, enterprise patient engagement solution that seeks to help independent providers, hospitals and health systems improve patient interactions and satisfaction. HealthGrid's technology, which includes features such as appointment confirmations and post-discharge surveys, will be integrated into Allscripts' patient engagement platform, FollowMyHealth. The acquisition will extend FollowMyHealth's patient reach to cover a full spectrum of pre-, during-, and post-encounter patient engagement opportunities.
- **TransUnion** (NYSE: TRU) acquired **Healthcare Payment Specialists (HPS)**, a platform for helping healthcare providers optimize Medicare reimbursement. HPS' platform focuses on the Medicare Bad Debt (MBD) and Medicare Disproportionate Share (DSH) areas of Medicare reimbursement, as well as Shadow Billing Compliance and Diagnosis-Related Groups (DRGs). The addition of Healthcare Payment Specialists enhances Transunion's capabilities in post-discharge revenue recovery.
- **New Capital Partners** acquired **Collect Rx**, a revenue-cycle-management provider focused on out-of-network billing. Collect RX helps insurers and healthcare providers improve reimbursement rates and lower costs associated with out-of-network bills.
- **Aspiron Health** was acquired by private equity firm **Aquiline Capital Partners**. Aspiron specializes in worker's compensation claims and other less common sources of health coverage. This is Aquiline's first investment in the healthcare space, leveraging their extensive experienced in the insurance, billing, and payment industries
- **PriorAuthNow** raised a series A round of \$10.5M on May 18th led by **BIP Capital**. PriorAuthNow's platform supports workflow automation by reducing cost and inefficiencies by decreasing the time required for hospitals to connect with patients' insurance providers to obtain approvals for procedures.

JUNE 2018

Key Themes

Amazon makes its long-anticipated entrance into the pharmacy market.

In a move that many have been speculating about for some time, Amazon formally flexed its mighty distribution muscle, creating ripples across the healthcare industry, particularly pharmacy. Competitors are on their heels due to the capacity and scale of the e-commerce giant. However, Amazon is not guaranteed success as it must learn to navigate the healthcare industry amongst large, experienced competitors.

Primary care, supported by significant capital, is expanding its capabilities and reach.

Primary care offers a crucial touchpoint with the patient that can create access to needed care, increase consumer engagement, encourage preventative care, and ultimately become the cornerstone of a value-based care and/or population health management system. This has become the thesis for meaningful capital deployed in primary care platforms that are expanding the reach and capabilities of this valuable service.

Actionable insights are a highly valuable commodity.

June saw high strategic interest and large acquisitions (at material premiums) of companies that can produce evidence-based and/or data-driven insights that are actionable and can lead to significant improvements in outcomes, while simultaneously reducing cost and waste.

Noteworthy M&A and Private Placement Transactions

- **Teladoc** (NYSE: TDOC), a provider of telehealth services, acquired **Advance Medical**, a virtual care provider with an extensive presence outside the United States, from **Summit Partners** for a purchase price of **\$352M**. With a broadened international presence and ability to offer an expanded set of clinical services, the combination of companies creates a virtual service platform capable of serving businesses and individuals on a global scale. By acquiring Advance Medical, Teladoc builds on its experience in acquiring and integrating companies that share common goals and have complementary capabilities. The merger of Advance Medical's medical services with Teladoc's technology and operational scale helps meet the needs of multinational companies.
- **New Enterprise Associates** acquired **Paladina Health**, a company with an innovative primary care approach to delivering individualized healthcare, from **DaVita** (NYSE: DVA) for **\$100M**. Paladina's model was designed to address the main causes of poor quality and escalating costs in the U.S. healthcare system, including lack of physician access, care coordination, transparency into costs, and quality of care. The Company focuses on aligning the incentive structure between all parties involved – the physician, the patient, and the benefit sponsor. This is achieved through delivering services to engage patients and drive improvements in health outcomes, patient satisfaction, and cost. The acquisition will support Paladina for continued growth in the primary care market.

- **Envision Healthcare Corporation** (NYSE: EVHC) entered into a definitive agreement to be acquired by investment firm **KKR** (NYSE: KKR) in a deal valued at **\$11.2B**. Envision is a provider of physician services and medical transportation. Envision delivers care through its network of 25,000 clinical professionals at thousands of hospitals, surgery centers, and alternate care sites across the country. KKR plans to partner with management to help build upon the foundation in place and accelerate Envision's growth going forward.
- **Cardinal Health** (NYSE: CAH) and **Clayton, Dubilier & Rice** (CD&R) announced that CD&R-managed funds will jointly invest with Cardinal Health in **naviHealth**, a manager of post-acute benefits for health plans and a value-based care partner to health systems and providers. naviHealth partners with health plans, hospital systems, at-risk physician groups, and other healthcare providers to manage post-acute care as part of value-based care programs. Through its technology platform, the company utilizes evidence-based protocols and clinical staff to quantitatively track patient recoveries, manage hospital discharges, reduce readmissions, and support efficient clinical decision-making, which taken together reduce wasteful healthcare spend. With an aging population, prevalence of chronic illness, and increased hospital readmission rates, payers and providers are seeking innovative ways to improve health outcomes while reducing cost, which is what naviHealth's services deliver. The post-acute care segment of the market is attractive due to high

levels of waste, wide variability in spend, and the complex mix of clinical, operational, and technical resources required to address patient needs. This new investment structure brings in outside capital to help support naviHealth's growth while allowing Cardinal to retain a meaningful ownership structure and optionality through a call feature to reassume a majority ownership in naviHealth at a future date.

- **Verscend Technologies**, backed by private equity firm **Veritas Capital**, agreed to acquire **Cotiviti Holdings** (NYSE: COTV) in a take-private deal valued at **\$5.1B**. Together, the companies expect to have greater impact in the healthcare IT market by increasing affordability, reducing waste, and improving outcomes and quality, as well as offering new opportunities to create substantial value for clients, including complementary solutions across multiple intervention points in the payment process. Verscend and Cotiviti will offer an integrated end-to-end solution to address the nearly trillion dollars in healthcare waste and abuse across the claims payment and care continuum. Veritas Capital has experience driving growth for companies within the healthcare IT space and an understanding of the need to digitalize the healthcare system. It brings consumer focus and a drive for growth through R&D and product innovation.
- **Amazon** (NASDAQ: AMZN) agreed to acquire online pharmacy **PillPack**, giving the e-commerce giant the ability to ship prescriptions around the country, and overnight, creating a material threat to the

\$400B+ pharmacy industry. Amazon is paying an estimated **\$1B** for PillPack, which presorts medications and ships them to customers' homes in 49 U.S. states, excluding Hawaii. The online retailer beat out **Walmart**, which was also reportedly in talks to buy the company. The deal for PillPack ends speculation that Amazon would enter the healthcare drug distribution market. Many expect PillPack to be included as part of Prime, benefiting from Amazon's logistics expertise and leveraging its 70M+ subscribers in the U.S. However, the healthcare market may be challenging for Amazon to disrupt. It is highly regulated, and depends on a complex web of contracts, interconnected data systems, and other relationships with health plans and drug-benefit managers that well-established players have had decades of experience navigating.

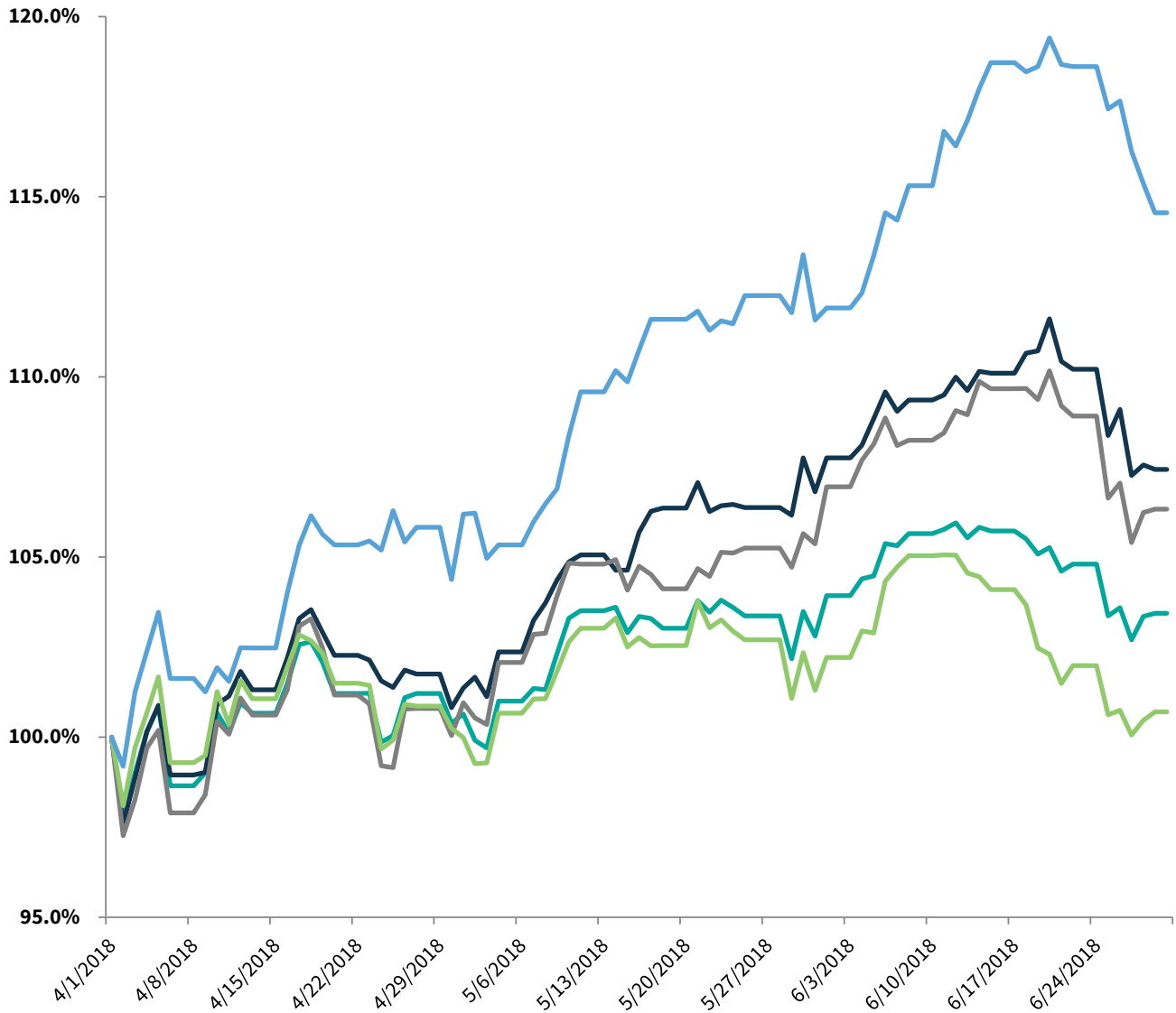
- **OMERS** announced an agreement to become the lead investor in **Premise Health**. Premise provides primary care services for its partner employers in the work setting, as well as occupational health programs and onsite pharmacies. It manages more than 500 employer-sponsored health and wellness centers across the country. Premise has been on the lookout for new growth channels. One strategy could be to create a referral network such that Premise can negotiate rates with payers. It could also venture into new markets such as population health management or telehealth. This investment aligns with OMERS' previous experience in healthcare, having focused largely on physician-oriented, multi-site models facing minimal reimbursement risk.

Q2'18

Public Market Performance

Q2'18 MARKET INDICES

Broader Market and Healthcare Indices | April 2018 – June 2018

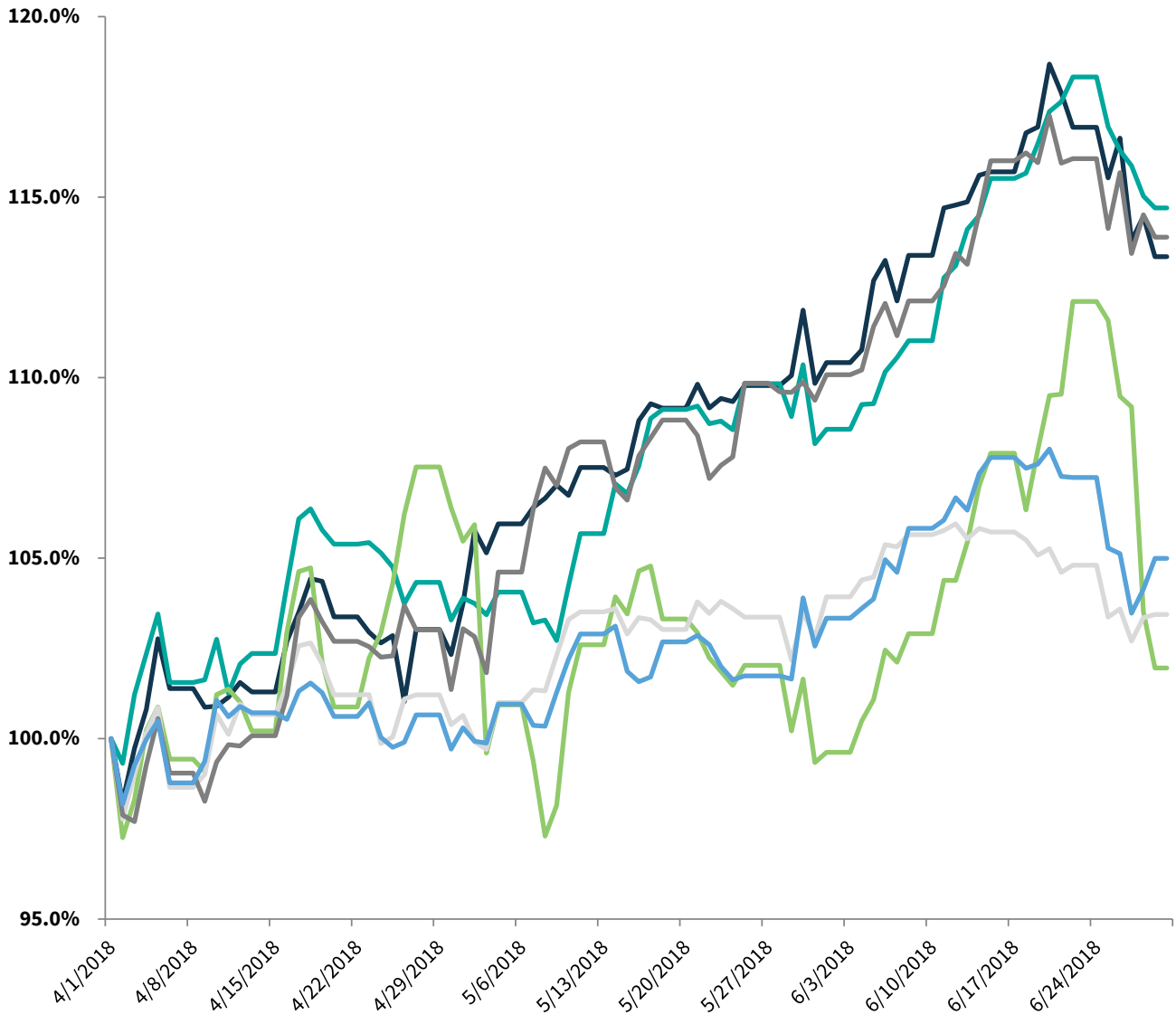


- S&P 500 Index
- Russell 2000 Index
- NASDAQ Composite Index
- Dow Jones Industrial Average
- TripleTree Healthcare Technology & Services Index

Source: S&P Capital IQ

Q2'18 HEALTHCARE INDICES

Healthcare Indices | April 2018 - June 2018



- Healthcare Delivery
- Health Insurance & Managed Care
- Healthcare Distribution
- S&P 500 Index
- Healthcare Information Technology & Services
- Healthcare Pharma-Life Sciences Services

Source: S&P Capital IQ



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