

December 30, 2014

Financial Technology Partners LP

FTP Securities LLC

Transaction Profile:

Initial Public Offering



Nasdaq: INOV

Courtesy of:



The Only Investment Bank
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Inovalon Initial Public Offering

Transaction Overview

Key IPO Statistics

Headquarters	Bowie, MD
Founded	1998
Employees:	2,456 ⁽¹⁾
Initial Filing Date:	December 30, 2014
Ticker:	Nasdaq: INOV
Description:	Inovalon Holdings, Inc. uses data analysis systems to provide healthcare quality improvement, care management and financial performance solutions to health insurance plans, care delivery networks, employers, pharmaceutical companies, regulatory bodies and government organizations.
Use of Proceeds	Inovalon intends to use the net proceeds from the initial public offering for working capital, general corporate purposes and for potential acquisitions of complementary businesses, technologies or other assets or to repay outstanding debts.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Form S-1

Inovalon Holdings, Inc.



Keith R. Dunleavy, M.D.
Chief Executive Officer & Chairman
4321 Collington Road
Bowie, MD 20716

Goldman,
Sachs & Co.

Morgan
Stanley

Citigroup

Merrill Lynch

UBS

Baird

Piper Jaffray

William Blair

Wells Fargo
Securities

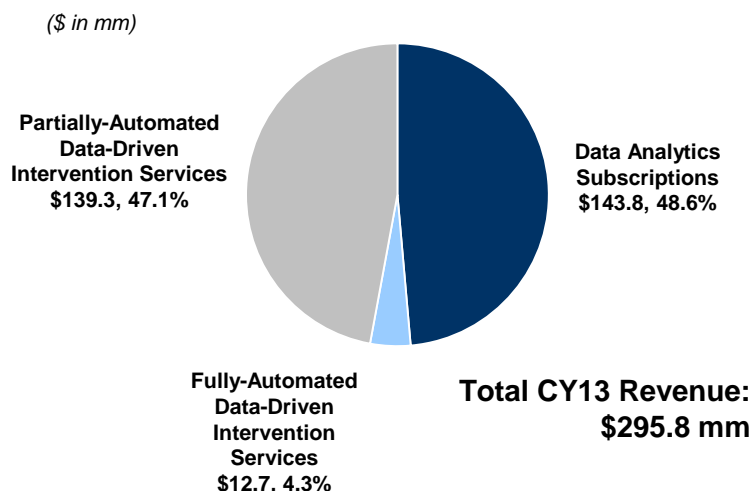


Inovalon Initial Public Offering

Company Overview

- Suite of applications and solutions used by health plans, pharmaceutical companies, hospitals, physician offices and researchers, which combine cloud-based data analytics systems that offer insight into clinical and quality outcomes, utilization and financial performance
 - Inovalon's analytics enable customers to identify gaps in care, quality, data integrity and economics, while its data-driven intervention platforms and predictive analytics allow clients to resolve these gaps
- The Company provides data and insight on more than 744,000 physicians, 244,000 clinical facilities and 118 million patients, covering ~98.2% of all U.S. counties
 - During 2014, Inovalon provided services to nearly 100 clients, representing 200 patient populations
- The Company maintains 7 offices across the country in 5 states, which include Maryland, Arizona, Georgia, Michigan and Virginia

Revenue by Segment



Selected Clients

Health Plans



BlueCross BlueShield Association



Cigna



PARAMOUNT

Healthcare Organizations / Providers



Pharmaceutical Companies





Inovalon Initial Public Offering

Solutions Overview – Inovalon Product Offerings

Healthcare Data Insights / Clinical and Quality Outcomes		Claims and Payment Integrity	
Health Insurance Exchange Marketplace Solutions	<ul style="list-style-type: none">■ Addresses challenges facing health plans in risk score accuracy, quality measurement analysis and improvement, medical record data audit support and data submission	CARA: Retrospective Risk Score Accuracy Improvement	<ul style="list-style-type: none">■ Delivers risk score accuracy solutions for Medicare Advantage, Medicaid and commercial ACA marketplace health plans■ Offers comprehensive insight and predictive analytics for risk score accuracy insight, financial performance and clinical diagnosis data verification
Custom Datasets and Registries	<ul style="list-style-type: none">■ Identifies data set parameters, sample sizes and supplementation sources to create configurable statistics that drive quality reporting metrics		
Distributed Analytics	<ul style="list-style-type: none">■ Provides access to Inovalon's Medical Outcomes Research with information from more than 120 million patients and over 9.2 billion medical events	Prospective Advantage	
INDICES Business Intelligence & Reporting	<ul style="list-style-type: none">■ Delivers insight into data and outcomes including membership, clinical and quality ratings, cost and utilization, revenue and risk adjustment		<ul style="list-style-type: none">■ Identifies gaps in care, assessment and documentation to improve health plan risk score, utilization and patient turnover
Star Advantage	<ul style="list-style-type: none">■ Provides insight and ability to improve HHS / CMS Star quality ratings through quality measurement analysis and large-scale data analytics systems		<ul style="list-style-type: none">■ Enables health plans to proactively improve quality scores, clinical documentation, risk score accuracy and reduce medical expenses for Medical Advantage, managed Medicaid and commercial ACA insurers
HEDIS Advantage	<ul style="list-style-type: none">■ Offers measurement and reporting of clinical and quality outcomes		



Inovalon Initial Public Offering

Market Overview – Key Trends Impacting Inovalon

Market Overview

Unsustainable Rise in Healthcare Costs

- In 2012, U.S. healthcare expenditures were ~\$3 bn, representing ~17% of total GDP, while healthcare expenditures are expected to increase to 22% of GDP by 2039
- The U.S. healthcare market is seeking more efficient methods of delivering care

Shift to Value-Based Healthcare

- Both private and public sectors are shifting away from historically expensive fee-for-service healthcare models toward value-based models that are designed to incentivize value and quality
- Number of patients that are switching to value-based, capitated payment models is expected to rapidly increase from 2014-2019
- Patient increase is expected to further drive accurate measurements and analysis of patient disease and clinical quality outcomes

Digitization of Healthcare Information

- Healthcare providers and payers create significant amounts of data in the form of patient health records, clinical trials, laboratory results, benefit programs, sensor information, provider performance programs and payment processing
- Sustained growth of healthcare data increases the need to collect disparate data to efficiently achieve the goals of higher quality and better care

Increasing Complexity

- Healthcare information technology is continually evolving with new treatments, new diagnostics, expanded clinical research and increased compliance oversight
- Expanding regulatory and technological sophistication drives a continuous need for analysis of underlying data



Inovalon Initial Public Offering

Management Overview

Executive Officers		
Name	Title	Background
Keith R. Dunleavy	Chief Executive Officer, Chairman and Founder	<ul style="list-style-type: none">■ Chief Executive Officer since 1998 and Chairman since 2006■ Founded Inovalon's predecessor company MedAssurant in 1998, serving as its Chief Executive Officer
Robert A. Wychulis	President	<ul style="list-style-type: none">■ President since May 2014■ Previously served as President of the WellPoint New York government health plan
Christopher E. Greiner	Chief Product and Operations Officer	<ul style="list-style-type: none">■ Chief Product and Operations Officer since May 2014■ Previously served as Vice President at Computer Sciences Corporation
Thomas R. Kloster	Chief Financial Officer	<ul style="list-style-type: none">■ Chief Financial Officer since March 2014■ Previously served as Chief Financial Officer of Algeco Scotsman
Daniel L. Rizzo	Chief Innovation Officer	<ul style="list-style-type: none">■ Chief Innovation Officer since March 2012■ Previously served as Inovalon's Security Officer and Chief Product Technology Officer
Jason Z. Rose	Chief Strategic Development Officer	<ul style="list-style-type: none">■ Chief Strategic Development Officer since September 2013■ Previously served as Senior Vice President of Public Programs Health and Disease Management Services for APS Healthcare■ Also previously served as Inovalon's Senior Vice President, Business Development and Vice President, Care and Quality Management
Shauna L. Vernal	Chief Legal Officer & Corporate Secretary	<ul style="list-style-type: none">■ Chief Legal Officer and Corporate Secretary since August 2013■ Previously served as Chief Legal Officer for Falck USA



Inovalon Initial Public Offering

Board of Directors Overview

Board of Directors		
Name	Title	Background
Denise K. Fletcher	Director	<ul style="list-style-type: none">■ Director of Inovalon since 2012■ Former Executive Vice President, Finance of Vulcan, an investment and project company organized by Microsoft Co-Founder Paul Allen
André S. Hoffman	Director	<ul style="list-style-type: none">■ Director of Inovalon since 2008■ Currently serves as Vice Chairman of Roche Holding, a diversified healthcare company focused on medical diagnostics and treatments
Lee D. Roberts	Director	<ul style="list-style-type: none">■ Director of Inovalon since 2012■ President and Chief Executive Officer of Bluewater Consulting, an information technology management consulting company
William J. Teuber, Jr.	Director	<ul style="list-style-type: none">■ Director of Inovalon since 2013■ Vice Chairman of EMC Corporation, a provider of information technology, big data, cloud computing and data security solutions



Inovalon Initial Public Offering

Financial Overview – Summary Income Statement

Income Statement				
(\$ in 000's)	Year Ended Dec. 31,			9 Months Ended Sept. 30,
	2011	2012	2013	2014
Total Revenue	\$239,685	\$300,275	\$295,798	\$271,622
% Growth		25%	(1%)	
Cost of Revenue	\$102,695	\$101,188	\$120,054	\$85,065
Gross Margin	\$136,990	\$199,087	\$175,744	\$186,557
Sales and Marketing	\$6,752	\$6,793	\$5,952	\$5,355
Research and Development	14,855	15,499	21,192	17,376
General and Administrative	63,184	72,661	80,638	62,920
Depreciation and Amortization	11,229	12,899	15,517	15,012
Total Operating Expenses	\$96,020	\$107,852	\$123,299	\$100,663
% of Revenue	40%	36%	42%	
Income (Loss) from Operations	\$40,970	\$91,235	\$52,445	\$85,894
% Margin	17%	30%	18%	32%
Interest Income	\$10	\$11	\$9	\$4
Interest Expense	62	129	79	209
Income Before Tax	\$40,918	\$91,117	\$52,375	\$85,689
Provision for Income Taxes	\$15,991	\$35,962	\$19,657	\$33,836
Net Income (Loss)	\$24,927	\$55,155	\$32,718	\$51,853
% Margin	10%	18%	11%	
Adjusted EBITDA⁽¹⁾	\$57,526	\$108,105	\$71,847	\$103,059
% Margin	24%	36%	24%	

Sources: Company website, SEC filings.

(1) Adjusted EBITDA is net income before interest, income taxes, depreciation, amortization, non-cash compensation expenses and expenses related to the early extinguishment of debt.



Inovalon Initial Public Offering

Financial Overview – Balance Sheet and Capitalization

Balance Sheet

	Year Ended Dec. 31,		9 Months Ended Sept. 30,
(\$ in 000's)	2012	2013	2014
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$106,361	\$110,594	\$131,947
Accounts Receivable	62,899	33,398	52,037
Prepaid Expenses and Other Current Assets	2,350	2,531	5,151
Income Tax Receivable	1,651	4,772	6,319
Deferred Income Taxes	--	580	580
Total Current Assets	\$173,261	\$151,875	\$196,034
Property, Equipment and Capitalized Software, Net	\$34,170	\$43,050	\$49,126
Goodwill	62,269	62,269	62,269
Intangible Assets, Net	15,414	11,815	7,988
Other Assets	541	737	1,928
Total Assets	\$285,655	\$269,746	\$317,345

	Year Ended Dec. 31,		9 Months Ended Sept. 30,
(\$ in 000's)	2012	2013	2014

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:			
Accounts Payable	\$9,010	\$7,973	\$9,826
Accrued Compensation	13,616	6,917	10,343
Other Current Liabilities	911	678	1,754
Deferred Rent	1,777	445	709
Deferred Revenue	4,350	2,316	1,851
Dividend Payable	6,363	2,852	--
Income Tax Payable	--	--	--
Deferred Income Taxes	183	--	--
Credit Facilities	--	--	15,000
Capital Lease Obligations	118	132	105
Total Current Liabilities	\$36,328	\$21,313	\$39,588
Non-Current Liabilities:			
Credit Facilities, Less Current Portion	--	--	\$285,000
Capital Lease Obligation	168	279	191
Deferred Revenue	--	200	--
Deferred Rent	--	3,098	2,681
Deferred Income Taxes	12,330	13,122	13,246
Total Liabilities	\$48,826	\$38,012	\$340,706
Stockholders' Equity			
Common Stock	--	--	--
Class A Common Stock	--	--	--
Class B Common Stock	1	1	1
Additional Paid-In Capital	107,769	107,553	108,677
Retained Earnings	129,059	124,180	167,978
Treasury Stock	--	--	(300,017)
Total Stockholders' Equity	\$236,829	\$231,734	(\$23,361)
Total Liabilities & Stockholders' Equity	\$285,655	\$269,746	\$317,345

Capitalization

	Actual	As Adjusted ⁽¹⁾
(\$ in 000's)	09/30/14	
Cash and Cash Equivalents	\$131,947	--
Long-Term Debt	\$285,191	--
Common Stock		
Class A Common Stock	--	--
Class B Common Stock	1	--
Additional Paid-In Capital	108,677	--
Retained Earnings	167,978	--
Treasury Stock	(300,017)	--
Total Stockholders' Equity	(\$23,361)	--
Total Capitalization	\$261,830	--

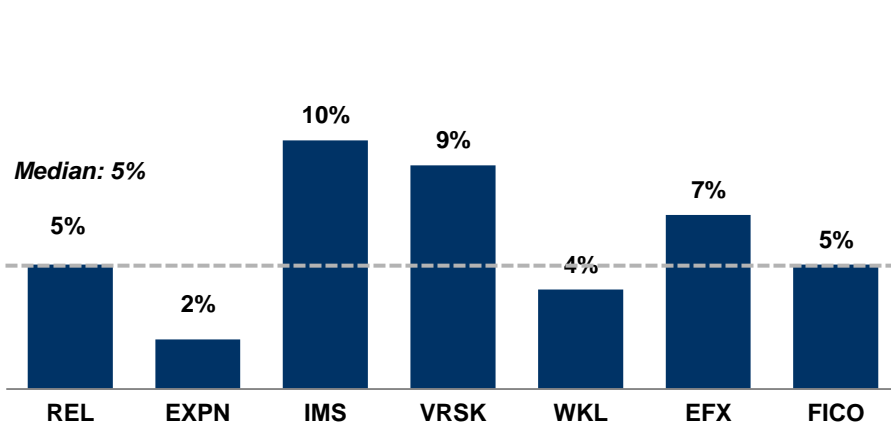


Inovalon Initial Public Offering

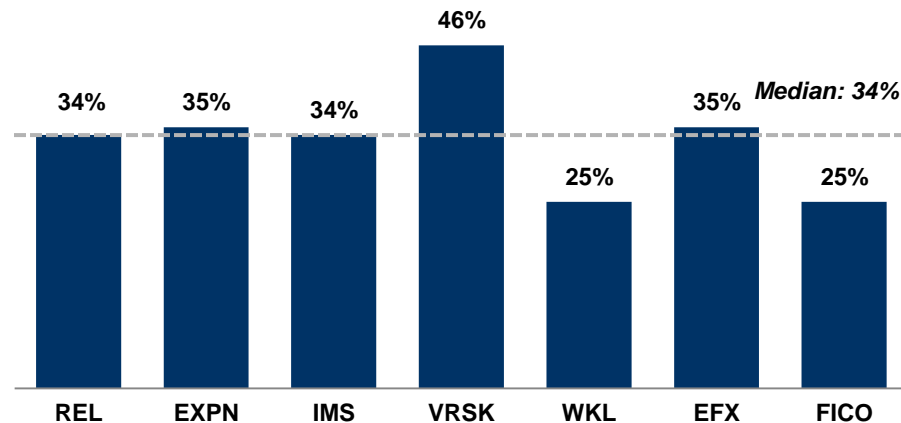
Selected Public Company Comparables

Company Name	Price 01/12/15	% MTD Change	% LTM High	Market Value (\$ mm)	Enterprise Value (\$ mm)	Multiples						Growth Rates			Margins		P / E / G CY15E
						Price / Earnings		EV / EBITDA		EV / Revenue		Revenue		EPS	EBITDA		
	CY15E	CY16E	CY15E	CY16E	CY15E	CY16E	CY15E	CY16E	CY15E	CY16E	LT	CY15E	CY16E				
Content, Data & Analytics																	
Reed Elsevier	\$ 16.66	0 %	98 %	\$ 19,302	\$ 23,498	18.1 x	16.8 x	7.5 x	7.0 x	2.6 x	2.5 x	5 %	3 %	6 %	34 %	35 %	2.9 x
Experian	16.51	0	92	16,123	21,939	11.2	10.5	8.4	7.8	2.9	2.8	2	5	8	35	36	1.4
IMS Health Holdings	25.91	1	91	8,866	12,427	16.9	15.3	13.2	12.3	4.4	4.2	10	5	11	34	34	1.6
Verisk Analytics	62.97	(2)	93	10,976	11,817	23.2	20.8	13.4	12.3	6.2	5.8	9	8	12	46	47	1.9
Wolters Kluwer	30.22	1	99	8,954	11,602	15.4	14.5	10.4	10.1	2.6	2.6	4	2	5	25	25	3.4
Equifax	82.62	2	99	10,121	11,596	19.3	17.6	12.6	11.8	4.5	4.2	7	7	10	35	35	1.8
Fair Isaac	70.96	(2)	95	2,351	2,792	16.9	na	13.1	12.5	3.3	3.2	5	6	13	25	25	1.3
Median		0 %	95 %			16.9 x	16.1 x	12.6 x	11.8 x	3.3 x	3.2 x	5 %	5 %	10 %	34 %	35 %	1.8 x
Mean		0	95			17.3	15.9	11.2	10.6	3.8	3.6	6	5	9	34	34	2.1

CY15 Estimated Revenue Growth



CY15 Estimated EBITDA Margins





Inovalon Initial Public Offering

FT Partners is the Leader in Financial Technology Investment Banking

FT Partners has advised on the most prominent transactions in the Healthcare IT Space

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its exclusive role as
Capital Markets & IPO Advisor to

 **ACCRETIVE HEALTH**
results providers trust

in its

\$138,000,000

Initial Public Offering

valuing the equity at approximately

\$ 1,200,000,000



The Only Investment Bank
Focused Exclusively on Financial Technology

- Offers end-to-end Revenue Cycle Management, Quality and Care Coordination and Physician Advisory Services
- Differentiated solutions span the entire healthcare revenue cycle
- Infused management model integrates people, processes and technology

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its exclusive role as
Capital Markets & IPO Advisor to

Performant 

in its

\$93,000,000

Initial Public Offering

valuing the equity at approximately

\$ 453,000,000



The Only Investment Bank
Focused Exclusively on Financial Technology

- Performs outsourced healthcare Payment Integrity and Recovery Services
- Medicare Recovery Audit Contractor (“RAC”) for Region A (Northeast)
- Recovered ~\$482 mm in improper Medicare payments in 2012

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its role as lead
strategic and financial advisor to

AmWINS
Group, Inc.

in its growth recapitalization by

 **NMC**
NEW MOUNTAIN CAPITAL LLC

valued at approximately

\$ 1,300,000,000



The Only Investment Bank
Focused Exclusively on Financial Technology

- Second largest wholesale broker in the U.S. by premiums placed ⁽¹⁾
- Group Benefits division develops, distributes and administers benefits products through 7 individual operating companies
- Division services approximately 843,000 member lives among 10,000 employer groups


Financial Technology Partners LP
FTP Securities LLC


is pleased to announce its role as
exclusive Strategic and Financial advisor to

ZYWAVE

in its sale of

Zywave Insurance Solutions
to

 **AURORA**
CAPITAL GROUP



The Only Investment Bank
Focused Exclusively on Financial Technology

- Provides technology-enabled content and communication, agency automation and business intelligence tools
- Serves the employee benefits and P&C insurance distribution industry
- Software and products are used by more than 2,600 agencies

(1) Business Insurance, September 2013.



Inovalon Initial Public Offering

Award-Winning Investment Banking Franchise Focused on Financial Technology

FT Partners has been recognized as Investment Banking Firm of the Year and regularly achieves Merger and Financing Deal of the Year recognition



M&A Advisor Awards

- | | |
|------|--|
| 2014 | <ul style="list-style-type: none"> ■ Equity Financing Deal of the Year ■ Professional Services Deal of the Year, Above \$100mm |
| 2012 | <ul style="list-style-type: none"> ■ Dealmaker of the Year ■ Professional Services Deal of the Year, Above \$100 mm |
| 2011 | <ul style="list-style-type: none"> ■ Boutique Investment Bank of the Year ■ Deal of the Decade ■ <i>10 Deal of the Year Nominations Across 9 Categories</i> |
| 2010 | <ul style="list-style-type: none"> ■ Upper Middle Market Deal of the Year, Above \$500 mm ■ IT Services Deal of the Year, Below \$500mm ■ Cross-Border Deal of the Year, Below \$500mm |
| 2007 | <ul style="list-style-type: none"> ■ Dealmaker of the Year – Steve McLaughlin ■ Business to Business Services Deal of the Year ■ Computer and Information Technology Deal of the Year, Above \$100mm ■ Financial Services Deal of the Year, Above \$100mm |



- | | |
|-----------|---|
| 2006-2008 | ■ Steve McLaughlin consecutively ranked (2006, 2007 and 2008) among the top Bankers in Financial Technology |
|-----------|---|



Middle Market Financing Awards

- | | |
|------|--|
| 2008 | <ul style="list-style-type: none"> ■ Equity Financing Dealmaker of the Year – Steve McLaughlin ■ Information Technology Deal of the Year ■ Financial Services Deal of the Year |
| 2006 | <ul style="list-style-type: none"> ■ Financing Professional of the Year – Steve McLaughlin ■ <i>Financing Deal of the Year - Equity</i> ■ <i>Financing Deal of the Year - Debt</i> |

FINANCIAL
TECHNOLOGY
PARTNERS

Note: Awards won highlighted in **bold**, italics denote categories where Financial Technology Partners was a finalist.