

September 4, 2015

Financial Technology Partners

FT Partners Research – Transaction Profile



Courtesy of:



***The Only Investment Bank
Focused Exclusively on Financial Technology***

www.ftpartners.com



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Inovalon Acquires Avalere for \$140 mm

Transaction Summary

Transaction Statistics

Implied Enterprise Value
\$140 mm

CY14 Revenue
\$47 mm

Enterprise Value / Revenue
3.0x

Seller:

25
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Transaction Summary

- On August 24, 2015, Inovalon announced it has acquired Avalere for \$140 mm
 - The \$140 mm is comprised of \$135 mm in cash and \$5 mm restricted stock
- Avalere's 200+ pharma / life sciences clients are expected to expand Inovalon's lead in the healthcare marketplace as well as extend its capabilities to adjacent markets
- Avalere will become a stand-alone subsidiary and its previous CEO Dan Mendelson will join the executive leadership of Inovalon, leading day-to-day operation of Avalere
- The transaction closed on September 1, 2015

Transaction Commentary



"Data is transforming healthcare, and life sciences companies in particular need better information and analytics to drive commercial and strategic decisions. Our combination with Inovalon will enable us to bring unique data-based solutions to the market while expanding on our outstanding core products and services. This is an exciting time within the healthcare industry, our clients, and our companies."

Dan Mendelson, CEO at Avalere



"The sea change taking place in our healthcare system from a volume-based and consumption-based healthcare model is impacting payors, providers, and the pharma/life sciences landscape alike. Avalere's deep industry experience, expertise, and relationships further strengthens and expands our capacity to drive meaningful and measurable impact through data-driven insights for not only several core areas of our existing client base, but rather excitingly, the very large pharma/life sciences industry."

Keith Dunleavy, CEO & Chairman at Inovalon

Transaction Rationale

- The transaction is expected to be mildly accretive in 2015, adding a penny or less to non-GAAP diluted net income per share
- The acquisition supports Inovalon's strategic expansion into the pharma / life sciences market

Pharma / Life Sciences' Total Addressable Market of \$30 bn+

- The addition of 200+ pharma / life sciences analysts from Avalere is seen as a strong expander of Inovalon's scale
- Ability to leverage Inovalon's large data asset, MORE² Registry, for Avalere's business intelligence products
- Avalere is a trusted advisor to providers, the Accountable Care Organization marketplace and to the payor marketplace, reinforcing relationships and creating new client relationships for Inovalon

Source: Company press release, Company investor presentation, S&P Capital IQ.



Inovalon Acquires Avalere for \$140 mm

Avalere Overview

Company Facts

Serves **200+** pharma / life sciences companies

Serves **13** of the top **15** pharma companies

Previously named **The Health Strategies Consultancy**

Renamed in 2005 to Avalere, based on the Latin word '**Valere**' meaning *strong and of good health*

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Avalere Overview

Headquarters:

**Washington,
D.C.**

Year Founded:

2000

Employees:

200+

- Avalere provides data-driven advisory services and business intelligence solutions to pharma / life sciences organizations, managed care companies, contract research organizations, healthcare providers and research institutions
- Offers technology products for access to aggregated data and reports for actionable data
- Offers research products for continuous market intelligence updates with insights, trend reports and educational resources
- Services include quantitative and qualitative advisory solutions for business strategies

Selected Previous Equity Financings

Date	Size (\$ mm)	Investors
04/15/08	na	

- Pharma / Life Sciences
- Health Plans
- Providers

Products

EBM Navigator

Real-time data, policy and regulatory developments and market changes

Quality Measures Navigator

Quality measures compared across a database of all measures

Care Positioning System

Actionable data about patient care

Bundled Payment Performance Navigator

Strategic opportunities shown through analytics, dashboards and BPCI program expertise

DataFrame

Data on prescription drug plan formularies, cost-sharing requirements and benefit structures

Also provides research products that determine how **policy**, **payment** and **delivery models**, **state reforms** and more affect a customer's business / product

Services

- Data Analytics
- Due Diligence
- Evidence Generation & Value Demonstration
- Federal & State Policy
- Health Economics & Outcomes Research
- Patient Engagement
- Payment & Delivery Innovation
- Quality & Performance Measurement
- Regulatory Strategy
- Reimbursement and Market Access
- Strategic Communications

Source: Company website, Company press releases.



Inovalon Acquires Avalere for \$140 mm

Inovalon Overview

Clients

- Serves 17 of the top 25 largest health plans

Health Plans



Physicians & ACOs

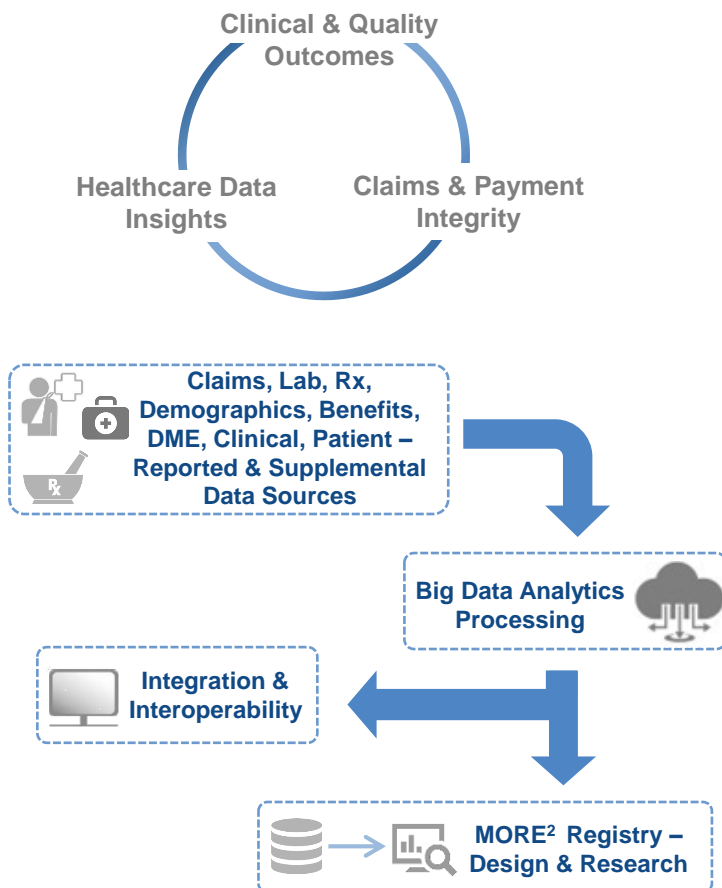


Researchers, Pharma & Life Sciences



Inovalon Overview

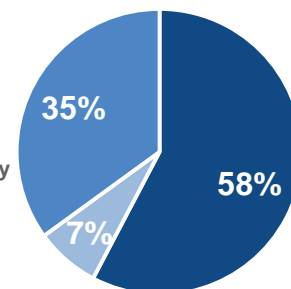
"Turning Data into Insight, and Insight into Action"



- 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 769,000 physicians, 261,000 clinical facilities and 123 million patients, covering ~98.2% of all U.S. counties
 - During 2014, Inovalon provided services to more than 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

2014 Revenue by Segment

- Cloud-Based Data & Analytics
- Data-Drive Platform Services – Fully Automated
- Data-Drive Platform Services – Partially Automated

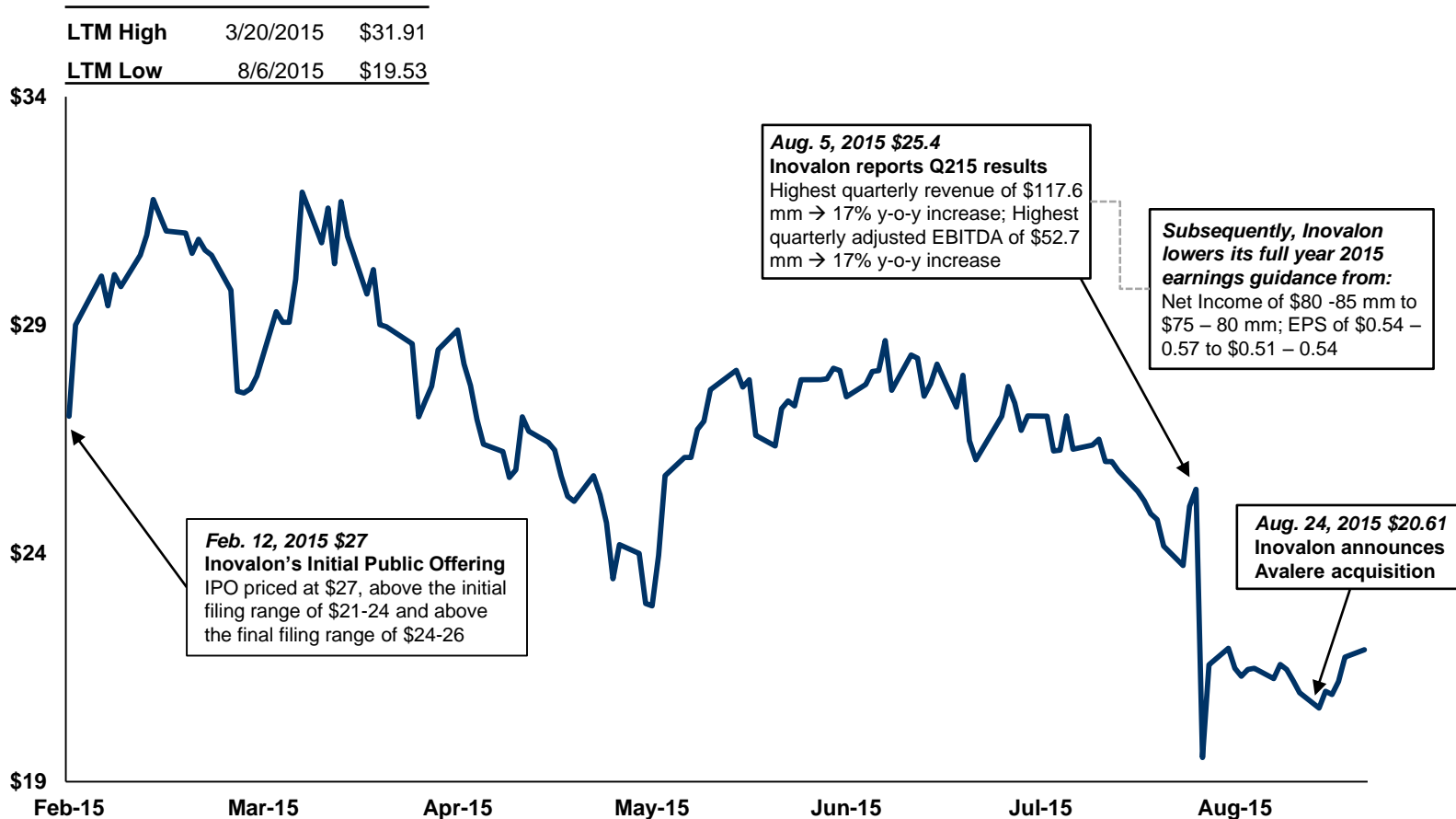


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Sources: Company website, Company investor presentation, SEC filings.

Inovalon Acquires Avalere for \$140 mm

Inovalon Overview (cont.)

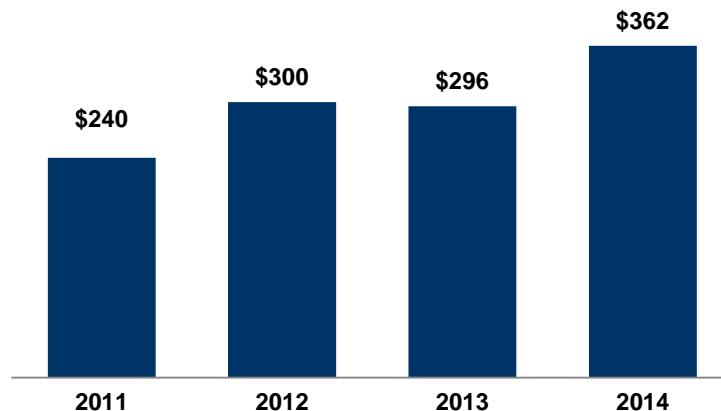


Inovalon Acquires Avalere for \$140 mm

Inovalon Financial Overview

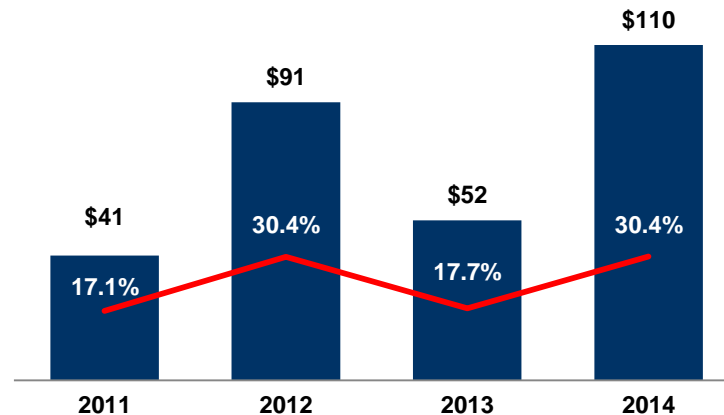
Total Revenue

(\$ in mm)



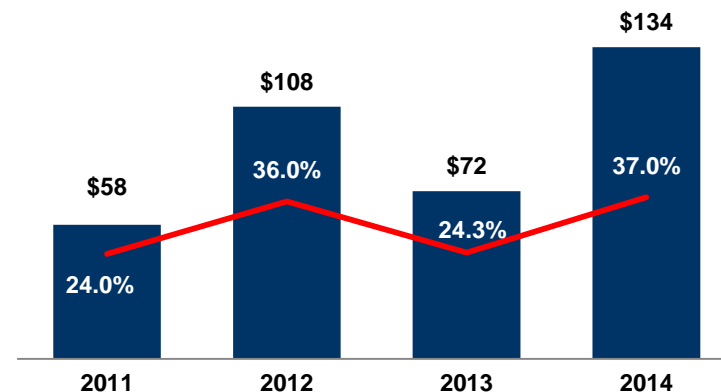
Operating Income / % Margin

(\$ in mm)



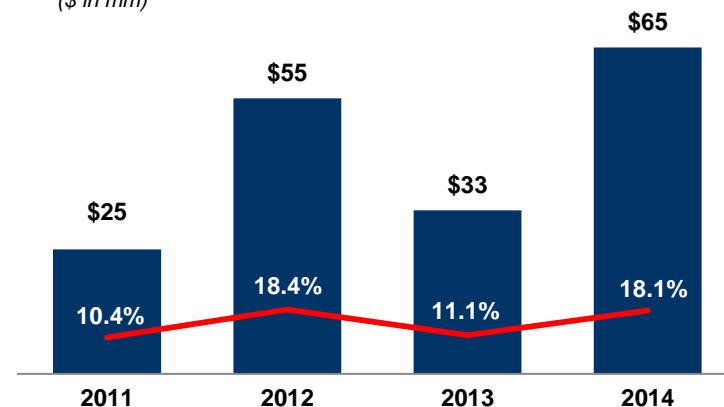
Adjusted EBITDA ⁽¹⁾ / % Margin

(\$ in mm)



Net Income / % Margin

(\$ in mm)



Source: SEC filings.

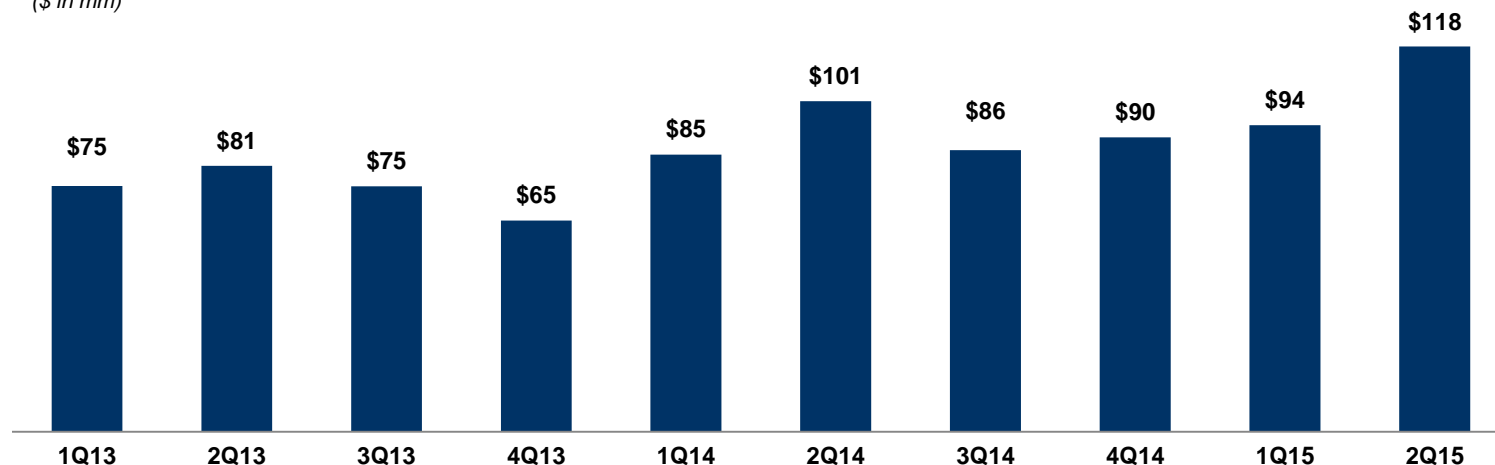
(1) Adjusted EBITDA is net income before interest, income taxes, depreciation, amortization, non-cash compensation expenses and expenses related to the early extinguishment of debt.

Inovalon Acquires Avalere for \$140 mm

Inovalon Financial Overview (cont.)

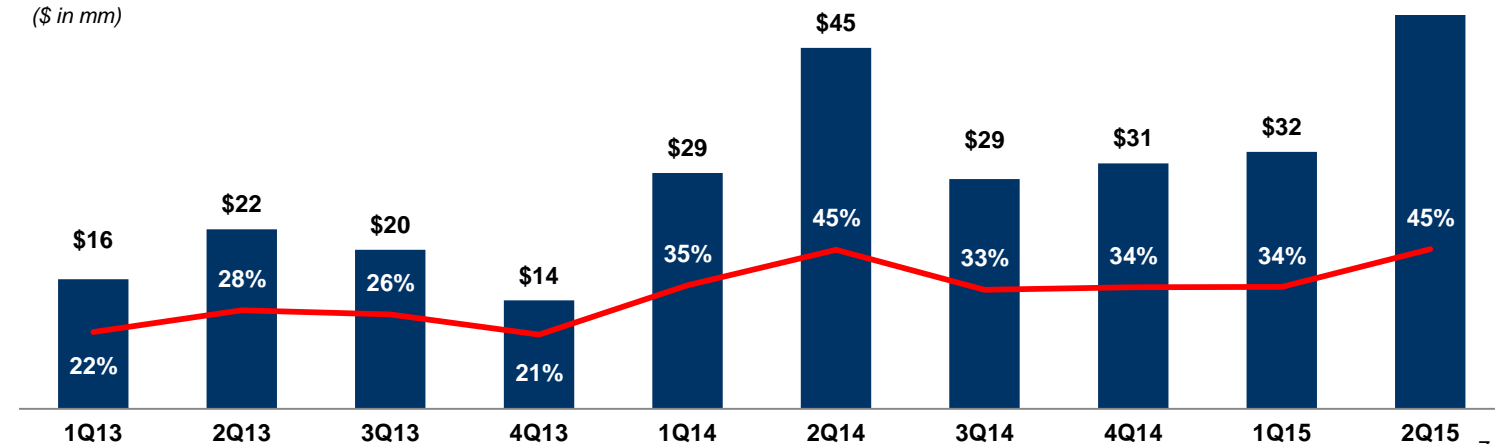
Total Revenue

(\$ in mm)



Adjusted EBITDA ⁽¹⁾ / % Margin

(\$ in mm)



Overview of FT Partners

FT Partners is the Leader in Financial Technology Investment Banking

FT Partners has advised on some of the most prominent transactions in the Healthcare and Insurance IT sectors

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

- 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 2014.

Overview of FT Partners

FT Partners is the Leader in Financial Technology Investment Banking

FT Partners has advised on some of the most prominent transactions in the Healthcare and Insurance IT sectors

Financial Technology Partners LP
FTP Securities LLC

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



We Simplify Selling Insurance

in its sale to



FINANCIAL TECHNOLOGY PARTNERS

The Only Investment Bank
Focused Exclusively on Financial Technology

- Leading technology and service provider to life and annuity industry carriers, distributors and producers
- Combination provides “one-stop” access to virtually everything a financial professional needs to market, sell and process diversified insurance products

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its exclusive role as sole strategic and financial advisor to



protection plans

in its recapitalization by



BainCapital Ventures

of approximately

\$ 238,000,000

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The Only Investment Bank
Focused Exclusively on Financial Technology

- Largest independent warranty provider for consumer electronics and major appliances
- Serves customers directly through its website and through a large network of online and in-store retailers
- Largest venture capital transaction of 2012⁽¹⁾

Financial Technology Partners LP
FTP Securities LLC

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



on its sale to an Affiliate of




FINANCIAL TECHNOLOGY PARTNERS

The Only Investment Bank
Focused Exclusively on Financial Technology


- Provider of finance and insurance (“F&I”) solutions to the automobile industry
- Blue chip client base including:
 - Five of the world’s leading auto OEMs
 - Two of the world’s largest motorcycle manufacturers
 - The nation’s largest new and used vehicle retailers

Financial Technology Partners LP
FTP Securities LLC


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



in its acquisition of



a subsidiary of



FINANCIAL TECHNOLOGY PARTNERS

The Only Investment Bank
Focused Exclusively on Financial Technology

- Premier online insurance brokerage platform focused on serving small- and micro- businesses
- Transaction provides significant footprint for Insureon in the independent and captive agent market
- Positions combined business to even better serve small business owners in need of commercial insurance

(1) PricewaterhouseCoopers, National Venture Capital Association and Thomson Reuters.

Overview of FT Partners

Award-Winning Investment Banking Franchise Focused on Superior Client Results

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 | <ul style="list-style-type: none"> ■ 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> |

Note: **Bold** represents awards that FT Partners has won, *italics* represents nominations.