Exiting a Mature Company: The Role of Wall Street
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Tom is a Managing Director at Berkery, Noyes & Co., LLC with 20 years experience in investment banking and Finance/Public Accounting. Tom focuses principally on mid-market healthcare M&A transactions and leads BNC’s healthcare practice. He joined BNC in 2000 from prior positions including 2 years at VSS, a media buyout fund and 7 years at Ernst & Young. Some of his recent notable transactions include: Sale of The Wellness Network to Wafra Partners; HMP Communications recapitalization by Susquehanna Growth Equity; Sale of Medworxx to Aptean (owned by Vista Equity), Sale of Oakstone Publishing to Ebix; Sale of Amirsys to Elsevier; Sale of Recorded Books to Wasserstein & Co.; Sale of HCPro to BLR; Sale of Compliance Week to the Wilmington Group; Sale of NetLearning to HealthcareSource; Sale of ExitCare to Elsevier; Sale of Therapeutic Research to Francisco Partners; Sale of select UBM assets (CME LLC) to HMP Communications; Sale of HW Wilson to EBSCO Publishing; Sale of select UBM assets to strategic buyers; Sale of MedPage Today to Everyday Health; Sale of Ascend Media Holding divisions to various buyers; Sale of UpToDate to Wolters Kluwer; Sale of Harris Connect to The Wicks Group; Sale of Princeton Media Associates to HMP Communications & NACCME; Sale of HCPro Holdings, Inc to Halyard Capital; Sale of CenterWatch/NEIRB, a division of Thomson Healthcare, to Jobson Medical; Sale of HMP Communications to Alta Communications; Sale of Complete Healthcare Communication to MediMedia/Vestar Capital Partners; Sale of American Health Consultants (A Thomson Corporation unit) to The Thompson Group, Current Medicine Group sold to Springer Science+Business (Cinven); Physicians’ Education Resource and Cancer Information Group sold to Providence Equity; The Wicks Group acquisition of DesignWrite; Exeter Capital sale of Facts on File to VSS; HMP Communications’ acquisition of Multimedia Healthcare / Freedom, LLC; Weaver Publications sold to Prospect Partners; Cliggott and The Oncology Group sold to United Business Media/CMP; Natural Physicians DataSource LLC sold to WebMD; Audio Adventures sold to Haight Cross Communications LLC; Boxer Learning sold to Pearson Education; sale of Springhouse Corporation to Wolters Kluwer NV. Tom holds a B.S., Accounting, from SUNY Binghamton and an M.B.A., Fordham University. Tom is also a Certified Public Accountant.
Berkery Noyes is a Leading Middle-Market Investment Bank Focused on Healthcare Information/Technology and Services Companies

- Deep expertise in the healthcare IT; healthcare services and information; B2B media; and education and training segments
- Over 500 completed transactions since inception
- Successfully closed 20 transactions in the last 18 months
- Deal sizes range from $15MM to $400MM
- Sell-side M&A advisor – trusted client advocate
- Skilled in advising privately-held businesses, corporate carve-outs, and private equity backed companies
- Strong track record of closing deals and maximizing value
- Staff of 25 transaction professionals
- Skilled at negotiation through having strong financial, legal and regulatory knowledge
- Depth of knowledge and expertise in every segment of the industries under coverage
# Vertical Market Segments Served

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The Role of Wall Street for Entrepreneurs

- Today, most businesses of any size get an advisor to help guide them through the capital raising or M&A process.
  - Seasoned/trusted advisor
  - Know the landscape
  - Know the buyers – both financial and strategic
  - Controlled auction process - liquidity
  - Capital Raise
  - Do it once and do it right
  - Core competency of entrepreneurs is their business, not selling their business
MARKET OVERVIEW

Unsustainable Healthcare Costs Catalyzing Change

U.S. Healthcare Spending

- Healthcare expenditures exceeded $3 trillion in 2014 and comprised 19% of GDP; left unchecked, they are projected to increase 41% to over $4 trillion (23% of GDP) over the next 5 years.

- Demographic trends such as the aging of the population and increased incidences of chronic conditions are contributing to rising costs.

- The potential insolvency of long-standing entitlement programs (Medicare, Medicaid) led to healthcare reform in 2011, which catalyzed the adoption of EHRs and technology-enabled solutions.

The Aging Population

People 65 years and older account for 12% of the population but 34% of total healthcare expenditures.

Medicare & Medicaid Cost Trends

Sources: CBO; Department of Commerce; Department of Labor; Federal Reserve Board; CMS; US Bureau of Census; OECD; Mercer
The M&A market remains robust, despite heightened anxiety concerning economies abroad and increased volatility in the U.S. equity markets.

Continued steady improvements in the U.S. economy are building buyers’ confidence levels.

Strategic buyers maintain ample cash holdings and are looking to make investments to jump-start revenue growth in their core markets, as well as concentric markets where they can up-sell and cross-sell to the same or similar customer base.

Financial buyers are flush with cash ($1.0+ trillion of dry powder) and eager to put capital to work.

The credit environment remains accommodative for attractive deals (3-4x EBITDA, staples, covenant-lite, etc.), with certain deals receiving multiple term sheets and high leverage levels.

- Lenders are particularly aggressive with terms when providing credit to attractive deals for companies with stable cash flow, and a high percentage of recurring revenue.

- In December 2015, the Federal Reserve announced it would raise its short-term target rate for the first time in seven years.
  - Rates still remain well below their historical average, keeping the credit environment very attractive for deals.
  - Further interest rate increases may be delayed as a result of U.S. financial conditions being less supportive of growth.

Despite steady deal flow, there still remains a lack of high-quality opportunities of scale in the market, as evidenced by the continued calls and visits we are getting from large and mid-market strategic buyers and PE groups looking for deals; however, once an attractive opportunity of scale comes out there is no lack of buyers at robust prices.

Companies in our sectors (notably healthcare IT, software, information services), particularly those benefiting from changing industry dynamics and demonstrating growing customer and revenue bases, can be perfect bolt-ons for strategic buyers and investment targets for PE groups who have come down market looking for new platform investments.

Companies with high revenue growth, scale, and subscription-based properties are attracting strong interest.

BNC expects the 2016 M&A market to remain stable.
Healthcare IT M&A Activity

- Both strategic and financial buyers are aggressively competing to acquire Healthcare IT companies and increase their exposure to the large, high-growth market.

- While consolidation continues to occur in the acute-care market, buyers are increasingly shifting their focus on the ambulatory physician practice market and post-acute care settings.

- Recent notable transactions include:
  - May 2015: SourceMedical acquired LaClaro
  - April 2015: ABILITY Network acquired System Designs
  - March 2015: MDeverywhere acquired e-MDS
  - March 2015: Constellation acquired Physicians Practice Plus for 2x revenue
  - January 2015: athenahealth acquired RazorInsights
  - January 2015: Francisco Partners Management acquired eSolutions
  - January 2015: Roper Industries acquired Strata Decision Technology for $140 million, 5.4x revenue, 17.5x EBITDA
  - November 2014: MediGain acquired Millennium Practice Management Associates
  - October 2014: ABILITY Network acquired MD On-Line
  - September 2014: Conifer Health Solutions acquired SPi Healthcare for $235 million
  - August 2014: Cerner acquired Siemens Health Services for $1.3 billion
  - July 2014: Great Hill Partners acquired Qualifacts Systems for $77 million, 4.3x revenue
  - June 2014: Emdeon acquired Capario for $115 million, 2.7x revenue, 11.5x EBITDA
  - May 2014: Navigant Consulting acquired Cymetrix for $75 million, 1.1x revenue, 16.3x EBITDA
  - April 2014: Summit Partners acquired ABILITY Network for $550 million, 6.7x revenue, 15.3x EBITDA
  - April 2014: WestView Capital Partners acquired Xtend Healthcare for $70 million, 1.5x revenue
  - September 2013: Vista Equity acquired Greenway Medical Technologies for $632 million, 4.7x revenue
Recent notable transactions include:

- **April 2015**: LinkedIn acquired lyncda.com for **$1.5 billion, 9.3x revenue**
- **August 2014**: Skillsoft, a Charterhouse company, acquired SumTotal Systems, a Vista Equity Company, for **$725 million**
- **July 2014**: Miller Heiman, a Providence Equity company, acquired VitalSmarts for **8.0x EBITDA**
- **June 2014**: Insight Venture Partners and GIC Special Investments acquired iParadigms for **$752 million**
- **April 2014**: Wiley acquired CrossKnowledge for **$175 million, 4.7x revenue**
- **March 2014**: Charterhouse acquired SkillSoft for **$2.3 billion**
- **July 2013**: Miller Heiman, a Providence Equity company, acquired five corporate training businesses from Informa for **$180 million, 0.9x revenue, 7.7x EBITDA**
- **January 2013**: RPS Group acquired Petroleum Institute for Continuing Education for **$11.9 million, 1.6x revenue**
- **December 2012**: HealthcareSource HR acquired NetLearning for **$24 million, 3.4x revenue, 24x EBITDA**
Sample Healthcare Transactions Demonstrating Unique Ability to Maximize Value

**The Wellness Network was acquired by Wafra Partners**
- Berkery Noyes was the exclusive financial advisor to the seller, The Wellness Network
- The Wellness Network is the largest and most comprehensive multi-platform hospital education network, with over 2,300 hospital relationships
- The acquisition provided Wafra Partners and its co-investors with award-winning patient education content and a far-reaching hospital network from which to expand by selectively acquiring complementary healthcare media assets
- **Berkery Noyes emphasized the Company’s high-quality content, its brand strength, and the incomparable hospital network size to solicit interest from multiple buyers**
- Reference: Joe Covey, CEO of The Wellness Network

**HMP Communications completed a recapitalization allowing Susquehanna Growth Equity to acquire majority ownership**
- Berkery Noyes was the exclusive financial advisor to the seller, HMP Communications
- HMP Communications is a multi-channel leader in healthcare content and education producing clinically relevant, evidence-based journals, events and accredited, continuing education for the healthcare community, across a range of therapeutic areas
- The recapitalization allowed HMP Communications to partner with a well-heeled financial partner that could help the business pursue new growth opportunities
- **Berkery Noyes created a competitive environment that resulted in numerous formal letters of intent (LOIs), which helped the Company and its owners establish market terms for the recapitalization**
- Reference: Jeff Hennessy, CEO of HMP Communications

**Medworxx Solutions was acquired by Aptean, a Vista Equity portfolio company**
- Berkery Noyes was the exclusive financial advisor to the seller, Medworxx Solutions
- Medworxx Solutions is a leading provider of patient flow enterprise software, compliance, and education solutions to healthcare organizations in Canada and abroad; the Company’s solutions streamline patient flow, safeguard appropriateness of care, and assists healthcare organizations to educate their staff and remain compliant with regulations
- The acquisition provided Aptean with an entrance into the healthcare sector and strong foothold within the Canadian market
- **Berkery Noyes created a structured, competitive sales process for Medworxx Solutions, a public entity, that provided liquidity to the numerous shareholders at an attractive valuation**
- Reference: Daniel Matlow, CEO of Medworxx Solutions
Sample Healthcare Transactions Demonstrating Unique Ability to Maximize Value

NetLearning was acquired by HealthcareSource
- Berkery Noyes was the exclusive financial advisor to the seller, NetLearning
- NetLearning is a leading provider of LMS and training courses to medical personnel
- **Berkery Noyes was able to create a competitive process to maximize value for the business’s parent company with a top-end price**
- Reference: William Rieders, EVP of Global Strategy of NetLearning

Therapeutic Research Center was acquired by Francisco Partners
- Berkery Noyes was the exclusive financial advisor to the seller, Therapeutic Research Center
- Therapeutic Research Center is a leading provider of drug therapy recommendations, software, and data to the healthcare community; the Company’s services and data improve patient care and clinical outcomes
- Francisco Partners appreciated the growing need for workflow tools for healthcare professionals as advances in technology and a growing patient population combine to make the practice of medicine increasingly complex
- **Berkery Noyes created a structured, competitive sales process that enabled Therapeutic Research Center to maximize value and rollover equity to own a minority position going forward and get a “second bite at the apple” in the not so distant future**
- Reference: Jeff Jellin, CEO of TRC

UpToDate was acquired by Wolters Kluwer
- Berkery Noyes was the exclusive financial advisor to the seller, UpToDate
- UpToDate is a leading provider of evidence-based medicine, point-of-care content, and solutions
- UTD has become the center piece of Wolters Kluwer’s Clinical Decision Support
- **Berkery Noyes ran a competitive auction process where both strategic and financial buyers competed to the benefit of our client in a process that resulted in maximum value and a good strategic home for the business**
- Reference: Denise Baslow, CEO
Valuation Methodologies

### Public Company Comparable Analysis

- Utilizes a select set of comparable publicly-traded companies to determine value
- Analyze public company valuation in terms of financial performance metrics
  - Enterprise Value / Revenue
  - Enterprise Value / EBITDA
- Up-to-date, reliable and accessible data

### Precedent Transactions Analysis

- Utilizes transaction-based valuations of comparable companies to determine value
- Analyze valuation of comparable sales in terms of financial performance metrics
  - Enterprise Value / Revenue
  - Enterprise Value / EBITDA
- Berkery Noyes’ proprietary transaction database contains information on thousands of public and private deals

### Discounted Cash Flow Analysis

- Uses expected cash flows of a company’s business to determine value
  - Typically a 5-year cash-flow projection and a terminal value is discounted
- Expected cash flows are discounted to present day values based on a required investment return, largely determined by:
  - The capital structure used to finance the investment
  - The inherent risk of the investment
Factors that Influence Value in a Sell-Side Process

- Structure and efficiency of transaction process
- Size of buyer universe
- Number of interested strategic vs. financial buyers
- Strategic fit/synergies with potential acquirer
- Market consolidation pressure
- Quality of management team and their post-closing objectives (e.g. desire to stay aboard or roll equity)
- Scarcity value – sizable platforms are limited
- Uniqueness of intellectual property and barriers to entry
- Scalability of seller’s business model
- Size of addressable market and company market share
- Customer type and relationship (e.g. corporate vs. individual; contractual vs. transactional)
- Customer concentration and retention
- Product delivery model: in-person vs. DVD vs. online delivery
- Composition of revenue (e.g. recurring vs. transactional)
- Revenue/EBITDA growth trends
- Expansion/contraction of its margins over time
- Predictability of results/confidence in forecast and projections
M&A AND PUBLIC EQUITY MARKETS OVERVIEW

M&A Activity – Healthcare Information and Services

### Median Enterprise Value Multiples: 2013A – 2015A

![Graph showing median enterprise value multiples from 2013A to 2015A.](image)

### Median EV/Revenue Multiples By Size: 2013A – 2015A

![Graph showing median EV/Revenue multiples by size from 2013A to 2015A.](image)

### Strategic vs. Financial Comparison: 2013A – 2015A

![Graph comparing strategic vs. financial transactions from 2013A to 2015A.](image)

### Transaction Volume by Segment: 2015A

![Graph showing transaction volume by segment in 2015A.](image)
Publicly Traded Healthcare IT Valuation Metrics

### Enterprise Value to 2016E Revenue

<table>
<thead>
<tr>
<th>Comparable Companies</th>
<th>Ticker</th>
<th>Stock Price</th>
<th>% of 52-Week High</th>
<th>Equity Value</th>
<th>Enterprise Value</th>
<th>EV / LTM Revenue</th>
<th>EV / 2016E Revenue</th>
<th>EV / LTM EBITDA</th>
<th>EV / 2016E EBITDA</th>
<th>LTM EBITDA Margin</th>
<th>LTM Revenue YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allscripts Healthcare Solutions, Inc.</td>
<td>NasdaqGS:MDRX</td>
<td>$13.56</td>
<td>85.9%</td>
<td>$2,567</td>
<td>$3,087</td>
<td>2.2x</td>
<td>2.1x</td>
<td>15.9x</td>
<td>11.2x</td>
<td>8.1%</td>
<td>0.6%</td>
</tr>
<tr>
<td>athenahealth, Inc.</td>
<td>NasdaqGS:ATHN</td>
<td>$139.17</td>
<td>81.7%</td>
<td>$5,422</td>
<td>$5,578</td>
<td>6.0x</td>
<td>5.0x</td>
<td>48.8x</td>
<td>23.9x</td>
<td>6.6%</td>
<td>22.9%</td>
</tr>
<tr>
<td>Cerner Corporation</td>
<td>NasdaqGS:CERN</td>
<td>$54.08</td>
<td>71.4%</td>
<td>$18,388</td>
<td>$18,480</td>
<td>4.2x</td>
<td>3.7x</td>
<td>13.9x</td>
<td>11.0x</td>
<td>27.7%</td>
<td>36.8%</td>
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<tr>
<td>Computer Programs &amp; Systems Inc.</td>
<td>NasdaqGS:CPSI</td>
<td>$53.01</td>
<td>89.6%</td>
<td>$716</td>
<td>$680</td>
<td>3.7x</td>
<td>2.2x</td>
<td>20.5x</td>
<td>7.8x</td>
<td>18.3%</td>
<td>-11.0%</td>
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<td>HMS Holdings Corp.</td>
<td>NasdaqGS:HMSY</td>
<td>$14.06</td>
<td>75.6%</td>
<td>$1,181</td>
<td>$1,233</td>
<td>2.6x</td>
<td>2.5x</td>
<td>12.3x</td>
<td>10.4x</td>
<td>19.0%</td>
<td>7.0%</td>
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<tr>
<td>Medidata Solutions, Inc.</td>
<td>NasdaqGS:MDSO</td>
<td>$38.66</td>
<td>63.1%</td>
<td>$2,177</td>
<td>$2,160</td>
<td>5.5x</td>
<td>4.7x</td>
<td>40.6x</td>
<td>20.2x</td>
<td>10.2%</td>
<td>17.1%</td>
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<td>Nuance Communications, Inc.</td>
<td>NasdaqGS:NUAN</td>
<td>$18.78</td>
<td>86.0%</td>
<td>$5,718</td>
<td>$7,271</td>
<td>3.7x</td>
<td>3.6x</td>
<td>19.4x</td>
<td>10.3x</td>
<td>15.3%</td>
<td>0.8%</td>
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<tr>
<td>Quality Systems Inc.</td>
<td>NasdaqGS:QSII</td>
<td>$15.25</td>
<td>85.0%</td>
<td>$929</td>
<td>$824</td>
<td>1.7x</td>
<td>1.7x</td>
<td>11.7x</td>
<td>10.0x</td>
<td>11.6%</td>
<td>3.3%</td>
</tr>
</tbody>
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**High** - 89.6% | $18,388 | $18,480 | 6.0x | 5.0x | 48.8x | 23.9x | 27.7% | 36.8%

**Median** - 83.3% | $2,372 | $2,624 | 3.7x | 3.1x | 17.7x | 10.7x | 13.4% | 5.2%

**Low** - 63.1% | $716 | $680 | 1.7x | 1.7x | 11.7x | 7.8x | 6.6% | -11.0%

*Note: Data as of April 6, 2016*

1: (USD in Millions, Except Stock Price)