

Accolade could be positioned for exit in latter half of 2016 - CEO

By Deborah Balsheim in Ft. Lauderdale
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Accolade, the private equity and strategic-backed consumer health engagement platform, could be positioned for an exit in as soon as 12 months, according to co-founder and CEO Tom Spann.

The Plymouth Meeting, Pennsylvania company is not actively for sale and has no set timing for an exit, Spann said in an interview with this news service. However, given frothy multiples in the technology-enabled healthcare services space and the fact that initial investors have been in for close to eight years, the CEO maintained Accolade could be ready for a sale or IPO in 12 to 24 months.

Yesterday, Accolade announced a USD 22.5m Series E investment from a subsidiary of **Independence Health Group**, the parent company of **Independence Blue Cross**, and McKesson Ventures. Existing investors include Accretive LLC, Carrick Capital Partners, Oak Hill Capital Partners and Comcast Ventures.

The company has raised more than USD 100m in outside capital since its founding in 2007. It generated revenue of USD 60m in 2014, with a compound annual growth rate of 80% the four years prior, Spann said.

Accolade's customers include large self-insured employers, health systems and health plans. The company's solutions help consumers more effectively use their benefits and access the right care the first time. Its offerings also include telehealth, cost transparency tools and centers of excellence programs. Accolade claims to consistently save its clients an average of 5% to 15% per year on healthcare-related costs.

The company serves 600,000 consumers that work within more than 50 employers, Spann said. Clients include **Comcast**, **Lowe's** and **Temple University Health System**. Accolade was founded by Spann and Accretive Managing Director J. Michael Cline, and started serving clients in 2009.

Accolade has a staff of more than 600, including health assistants, nurses, clinicians, pharmacists, benefits and claims specialists, social workers and support staff.

The company acquired **konciergeMD** last year "more for technology than revenue," according to Spann, who said Accolade is focused now on organic growth but remains opportunistic on buys. The business also is interested in partnering with "any company that fits its mission to delight customers and get care right the first time," from disease management companies to nurse call lines, the CEO noted.

Spann said healthcare data and analytics companies would be the most logical strategic acquirers of Accolade, and he also did not rule out an IPO. There are no direct public comparables, he added, while pointing to **Teladoc** (NYSE:TDOC) and **Castlight Health** (NYSE:CSLT) as recently listed companies that "impact healthcare costs by accessing consumer experience."

Jonathan Krieger, managing director at Berkery Noyes, said Accolade would likely command an attractive multiple in a sale process, anywhere from 3x to 5x revenue or 8x to 15x EBITDA. "There are very few players with the same scale and growth trajectory that are serving self-insured employers and payors," he noted.

Private equity firms would show interest in Accolade, according to Krieger, who said potential strategic buyers are also plentiful and could include data and analytics firms such as **Inovalon** (NASDAQ:INOV); **IMS Health** (NYSE:IMS); **McKesson** (NYSE:MCK); **TriZetto**, a division of **Cognizant Technology Solutions** (NASDAQ:CTSH); **Verisk Analytics** (NASDAQ:VRSK); **IBM** (NYSE:IBM); The Blackstone Group-backed **Emdeon**; and Veritas Capital-backed **Truven Health Analytics**.

Payors such as **Optum**, a division of **UnitedHealthGroup** (NYSE:UNH), and **Aetna** (NYSE:AET), as well as retail pharmacies such as **Rite Aid** (NYSE:RAD) and **CVS Health** (NYSE:CVS), are also logical acquirers, continued Krieger, who noted employee wellness company **Viverae** and technology-enabled communication services provider **West Corp.** (NASDAQ:WSTC) as fitting suitors as well.

Last year, Rite Aid acquired health coaching and analytics firm **Health Dialog Services**, while Aetna acquired retail shopping platform **bswift** and Optum paid USD 600m for **Alere Health**, a provider of case management and wellness services to health plans and employers. Also in 2014, Emdeon purchased healthcare consumer engagement firm **Change Healthcare**, and West Corp. paid USD 265m for employees health benefits and medical delivery services provider **Health Advocate**.

Last year, Viverae acquired health management program provider **OneHealth**, while in April, IBM acquired **Explorys** and **Phytel** to beef up its health-focused data-analytics efforts. Inovalon, which currently trades at 9.4x revenue and 27x EBITDA, recently went public and could potentially seek buys at some point, Krieger reasoned.

Accolade's corporate advisors include law firm Pepper Hamilton and accounting firm is KPMG.