

ABILITY eyeing buys as it builds toward IPO, CEO says

By Deborah Balshem in Ft. Lauderdale

July 24, 2014

ABILITY Network, a Minneapolis-based healthcare information technology (IT) company, is seeking acquisitions and currently is evaluating a deal valued at several hundred million dollars, said CEO Mark Briggs.

In May, ABILITY secured a USD 550m recap from the private equity firm Summit Partners, following a sale process targeted toward PE bidders.

Briggs said ABILITY also is considering smaller targets, and shortly will announce a deal valued at less than USD 20m, Briggs said. To finance a large deal, ABILITY can access funds from its backers and the credit market, if needed, according to Briggs.

ABILITY is building towards an expected IPO, Briggs said. It could be positioned to file an S-1 as soon as next year, he added, when asked. A source familiar with ABILITY agreed an IPO was possible in 2015 or 2016, as a way to offer liquidity for investors over multiple years and to provide currency for acquisitions. The source doubted the company would sell near-term given Summit's recent investment, but he and a second source familiar didn't rule out a sale in a longer-term exit.

Jon Krieger, managing director of Berkery Noyes, said ABILITY likely would attract numerous buyers in a future sale, including healthcare IT companies such as **Emdeon**, **Cerner**, **McKesson** and Vista Equity-backed **Greenway Medical Technologies**, as well as insurers such as **UnitedHealth Group**. Less probable but still possible buyers include defense companies seeking to enter the healthcare arena, such as **Lockheed Martin** or **Raytheon**, the first source said.

The 14-year-old company expects to generate revenue north of USD 90m and EBITDA of USD 40m this year, according to the first source familiar. Proceeds from the Summit investment mainly were used to provide liquidity for a number of legacy shareholders, that source said.

ABILITY has relationships with several sell-side bankers, and is not working with an exclusive advisor on acquisitions, said Briggs.

The company announced a USD 27m Series C round in 2011, with Bain Capital Ventures and Lemhi Ventures participating. Bain continues to be an investor, though Lemhi exited in May, Briggs said. Summit and Bain now own a majority of ABILITY, while employees and management hold the remainder, he added.

Its offerings include direct data entry for Medicare, Medicare revenue cycle management (RCM) tools, payer eligibility verification, and claims submission for Medicare. Clients are mainly home health agencies, skilled nursing facilities (SNFs), hospices and hospitals. Its web-based workflow systems are designed to simplify administrative and clinical processes.

ABILITY would look at any target that fits into its core competencies, Briggs said, without elaborating.

The company has more than 55,000 Part A provider clients (hospitals, home health and SNFs), and serves Part B providers (physician offices) through a network of 900 vendor partners, said Briggs. According to him, 99.8% of ABILITY's revenue is recurring, with most clients paying "a few thousand [dollars] a month" for its software systems.

ABILITY competes with traditional workflow players such as **McKesson**, **RelayHealth** and **CareMedic Systems** on the RCM side, Briggs said, and with companies such as **Passport Health** on front-end services. In the workflow space, ABILITY's largest competitor is **Allscripts**.

Its corporate advisors include auditing firm Grant Thornton and law firm Nixon Peabody.