

#### INSIDE THIS ISSUE

Market Update	1
M&A Update	3
About CHILDS	4

#### CHILDS News and Events

##### **3/1 – 3/4**

Don Holbrook, Partner at CHILDS, is attending the HIMSS conference in Atlanta.

##### **2/10**

CHILDS is sponsoring the ACG Capital Connection conference in Atlanta.

##### **10/20 – 10/23**

CHILDS attended ASA Staffing World in Orlando (visit our website below for details.)

##### **10/11 – 10/15**

CHILDS attended Oracle OpenWorld conference in San Francisco (visit our website below for details.)

##### **10/7 – 10/9**

CHILDS sponsored the TechServe Alliance conference in Las Vegas.

##### **9/15 – 9/16**

CHILDS sponsored the Healthcare Staffing Summit in Washington, D.C. (visit our website below for details.)

##### **9/9 – 9/11**

CHILDS sponsored the Southern Capital Conference in Lake Oconee, GA (visit our website below for details.)

For additional information, please visit [www.childsadvisorypartners.com](http://www.childsadvisorypartners.com)

#### **CHILDS Advisory Partners**

10 Glenlake Parkway  
Suite 300, South Tower  
Atlanta, GA 30328

Phone: 770.500.3620  
Fax: 770.500.3626

## Healthcare Information Technology Market Update

According to a research done by Markets and Markets, the Healthcare Information Technology (HIT) market is estimated to be \$53.8 billion by 2014, growing at a CAGR of 16.1%. This strong growth is attributable to the following factors:

- Tremendous demand for general applications such as electronic medical records, electronic health records, computerized physician order entry systems, and non clinical systems.
- Changing government regulations and government initiatives to decrease healthcare costs.

#### ***HITECH Act***

- The 2009 economic stimulus package targeting the healthcare industry (HITECH Act), made by the Obama administration, aims to incent more physicians to adopt EMR.
- This stimulus plan could potentially translate into a net \$20 billion injection into the healthcare industry to encourage the implementation of EMR.
- U.S. government is setting significant financial penalties to those institutions that have not implemented EMR by 2014.

#### ***Strong and Positive Outlook:***

A survey published by Robert Half (which surveyed over 235 IT leaders) reported high demand for healthcare IT talent:

- 16% of healthcare CIOs planning to increase hiring in the first quarter of 2010
- 55% of healthcare CIOs expect their organizations to invest in IT projects during the first quarter of 2010
- 22% of healthcare CIOs attribute their hiring plans to the development and rollout of enterprise systems
- Healthcare CIOs are about 4 times likely to say they'll add IT staff

Other major healthcare IT consulting players also reported uptick in talent demands from healthcare clients. It is expected that the HITECH Act will drive demand for IT consultants with healthcare experience in the coming years.

# Sector Update: Healthcare Information Technology

## Public Healthcare IT Services Companies Comparable

Company Name	Stock Information and Enterprise Value					LTM Valuation Multiples					
	Stock Price 1/11/10	52 Wk High	52 Wk Low	% of 52 Wk High	Market Cap	Ent. Value	EV/ Revenue	EV/ EBITDA	EV/ EBIT	EV/ CY Rev	EV/ Fwd Yr Rev
Athenahealth, Inc.	\$45.89	\$47.82	\$19.19	96.0%	\$1,546.0	\$1,454.0	8.1x	* 61.6x	* 81.5x	10.4x	7.8x
Allscripts-Misys Healthcare	18.98	22.21	5.75	85.5%	2,754.6	2,710.9	4.4x	* 33.9x	* 46.3x	6.5x	5.4x
Cegecim SA	58.52	79.00	29.10	74.1%	819.1	1,425.6	1.6x	9.1x	14.0x	1.7x	1.6x
Cerner Corp.	88.70	91.49	33.38	97.0%	7,240.8	6,950.1	4.2x	16.3x	23.1x	4.1x	4.3x
IMS Health Inc.	21.43	21.68	9.63	98.9%	3,914.4	4,959.1	2.3x	10.1x	11.5x	2.1x	2.3x
Medidata Solutions, Inc.	15.98	19.73	14.53	81.0%	363.6	281.3	2.1x	16.5x	40.1x	2.6x	0.0x

Mean	\$2,963.5	2.5x	13.0x	36.1x	4.6x	3.6x
Median	\$2,082.5	2.2x	13.2x	31.6x	3.4x	3.3x

Company Name	LTM Results					Ratio Analysis				3 Year Growth Rate	
	Revenue	Gross Margin	EBITDA	EBIT	Net Income	Gross Margin	EBITDA	EBIT	Net Income	Revenue CAGR	EPS CAGR
Athenahealth, Inc.	\$178.9	\$104.8	\$23.6	\$17.8	\$28.0	58.6%	13.2%	10.0%	15.7%	0.0%	0.0%
Allscripts-Misys Healthcare	620.6	331.2	79.9	58.6	33.6	53.4%	12.9%	9.4%	5.4%	0.0%	0.0%
Cegecim SA	868.5	187.0	156.5	101.2	42.4	21.5%	18.0%	11.6%	4.9%	18.8%	0.0%
Cerner Corp.	1,671.3	1,381.8	425.5	300.3	204.5	82.7%	25.5%	18.0%	12.2%	8.1%	26.4%
IMS Health Inc.	2,171.5	1,213.4	489.0	432.3	285.4	55.9%	22.5%	19.9%	13.1%	4.7%	(0.4%)
Medidata Solutions, Inc.	135.3	85.6	17.1	7.0	2.1	63.3%	12.6%	5.2%	1.5%	0.0%	0.0%

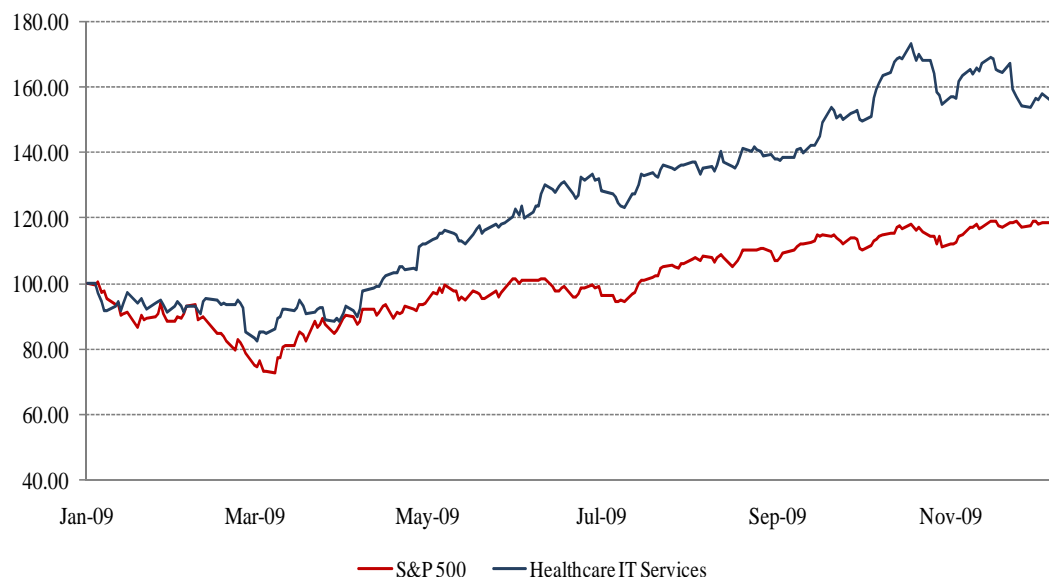
Mean	55.9%	17.4%	12.4%	8.8%	5.3%	4.3%
Median	57.2%	15.6%	10.8%	8.8%	2.3%	0.0%

Note: data obtained from Capital IQ. Numbers in millions unless otherwise noted.

\* Excluded from mean and median calculations.

## Healthcare IT Services Stock Index vs. S&P 500 Index

While the Healthcare IT Services sector is affected by the economic downturn, it has consistently outperformed the broader market.



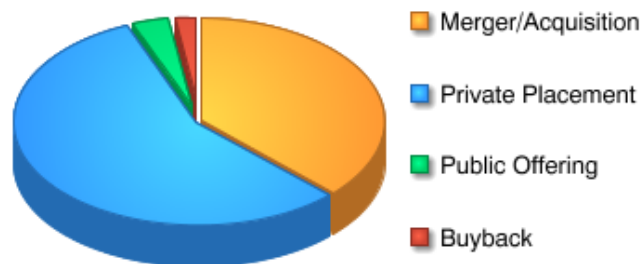
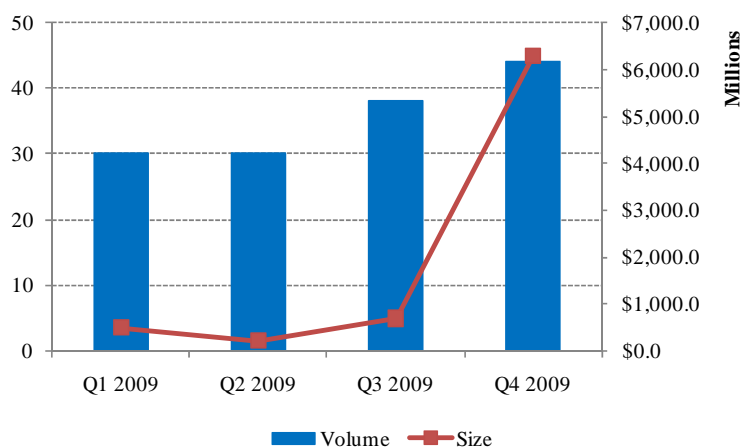
## Sector Update: Healthcare Information Technology

### Recent M&A Transactions































Date Announced	Seller	Buyer	Enterprise Value (\$mm)	Target Description/Comment
12/27/2009	Salu, Inc.	Drugstore.com Inc.	36	Provides specialty-focused solutions to improve patient care, practice effectiveness, and profitability for its member-physicians
12/11/2009	Health Systems Solutions	Maler Holdings, Inc.	0.6	Offers various products and services (including home healthcare, medical staffing, telehealth/telemedicine, etc) to the healthcare sector.
11/10/2009	CareMedic Systems, Inc.	Ingenix, Inc.	Not disclosed	Provides revenue cycle management solutions (including electronic financial record) to hospitals and healthcare providers in the U.S. and Puerto Rico.
11/6/2009	Health IT Services Group, LLC	Fresenius Medical Care North America	Not disclosed	Provides electronic network of web-based applications for physician practices.
10/30/2009	Accenx Technologies, Inc.	Initiate Systems, Inc.	Not disclosed	Provides health information exchange and interoperability solutions.

### M&A Activity

The overall Healthcare IT M&A activity was down in 2009 compared to the prior year; however, healthcare IT M&A experienced a significant uptick in Q4 of 2009. As capital market returns, combined with the recent consecutive months of positive economic indicators, we expect the M&A activity in this sector to see a lot of activity in 2010-2011. The HITECH Act will strongly increase the demand for healthcare IT consultants. Given the supply of healthcare consultants and the demand for these consultants, we feel that buyers will look to quickly augment their consultants on staff via acquisitions. In essence, we feel the HITECH Act will create the Y2K for healthcare IT consulting firms. Buyers will be looking for firms with strong relations within the healthcare sectors, talented management teams with deep industry relations and experienced consultants.



## CHILDS IT Services Expertise

 <p>has been acquired by</p>  <p>September 2009</p>	 <p>has been acquired by</p>  <p>September 2009</p>	 <p>has been acquired by</p>  <p>May 2009</p>	 <p>has been acquired by</p>  <p>December 2008</p>	 <p>has been acquired by</p>  <p>September 2008</p>
 <p>has been acquired by</p>  <p>September 2008</p>	 <p>has been acquired by</p>  <p>July 2008</p>	 <p>has been acquired by</p>  <p>June 2008</p>	 <p>has been acquired by</p>  <p>January 2008</p>	 <p>has been acquired by</p>  <p>October 2007</p>
 <p>has been recapitalized by</p>  <p>July 2007</p>	 <p>has been acquired by</p>  <p>July 2007</p>	 <p>has been acquired by</p>  <p>December 2006</p>	 <p>has been acquired by</p>  <p>December 2006</p>	 <p>has been acquired by</p>  <p>November 2006</p>

Note: Above deals include transactions led or group managed by our Partners in their prior firms

### About CHILDS Advisory Partners

CHILDS Advisory Partners provides investment banking and strategic consulting services to growing IT services and staffing companies globally. We have a team of 8 experienced professionals with substantial industry and transaction advisory experience to assist company owners in creating and realizing maximum value for their businesses. Collectively, our Partners have executed over 150 transactions in the sector totaling over \$9 billion.

**Sell-side Advisory:** When you desire to sell or merge your business we help you prepare, position and execute the process with confidentiality and speed to obtain maximum results.

**Buy-side Assistance:** CHILDS can help you source deals, qualify them and negotiate them. Our sourcing "engine", market knowledge and experience in creative deal structures will ensure that you see as many deals as possible and have the capacity to get them done.

**Debt/Equity Financing & Restructuring:** We advise companies seeking equity or debt capital for growth, recapitalization or restructuring. We can also help with buyouts of partners or other key transactions. CHILDS can help you negotiate with your existing lenders to renew or restructure debt facilities. If needed, we can tap our many banking relationships to solicit and negotiate term sheets with other potential lenders as well.

**Strategic Consulting and Valuation:** Our Roadmap Process brings an objective and disciplined methodology to help your team develop a winning plan for short-term performance and long-term value creation. Our strategic alternative assessment project provides insight to the options available for company owners to maximize value and liquidity. Finally, we provide valuations as needed for private companies.

### Contact Information:

**Jim Childs, Managing Partner**  
[jchilds@childsadvisorypartners.com](mailto:jchilds@childsadvisorypartners.com)  
 770.500.3611

**Don Holbrook, Partner, West Coast**  
[dholbrook@childsadvisorypartners.com](mailto:dholbrook@childsadvisorypartners.com)  
 949.276.8715

**Ying McPherson, Associate**  
[ymcpherson@childsadvisorypartners.com](mailto:ymcpherson@childsadvisorypartners.com)  
 770.500.3620