

March 26, 2015

# Financial Technology Partners LP FTP Securities LLC

## Transaction Profile: Inovalon IPO: Post Quiet Period Review



Nasdaq: INOV

*Courtesy of:*



*The Only Investment Bank  
Focused Exclusively on Financial Technology*

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# Inovalon IPO: Post Quiet Period Review

## Transaction Overview

### Key IPO Statistics

Headquarters	Bowie, MD
Founded	1998
Employees:	2,474 <sup>(1)</sup>
Initial Filing Date:	December 30, 2014
Trading Date:	February 12, 2015
Ticker:	Nasdaq: INOV
Initial Filing Range:	\$21.00 - \$24.00
Final Filing Range:	\$24.00 - \$26.00
Offer Price:	\$27.00
First Day Open:	\$33.16
First Day Close:	\$27.00
Current Price <sup>(2)</sup>	\$29.06
Shares Offered:	22,222,222
Net Proceeds:	\$564,444,439
Description:	Inovalon Holdings, Inc. uses data analysis systems to provide healthcare quality improvement, care management and financial performance solutions to health insurance plans, care delivery networks, employers, pharmaceutical companies, regulatory bodies and government organizations.

### UNITED STATES SECURITIES AND EXCHANGE COMMISSION

#### Form S-1

Inovalon Holdings, Inc.



Keith R. Dunleavy, M.D.  
Chief Executive Officer & Chairman  
4321 Collington Road  
Bowie, MD 20716

Goldman,  
Sachs & Co.

Morgan  
Stanley

Citigroup

Merrill Lynch

UBS

Baird

Piper Jaffray

William Blair

Wells Fargo  
Securities

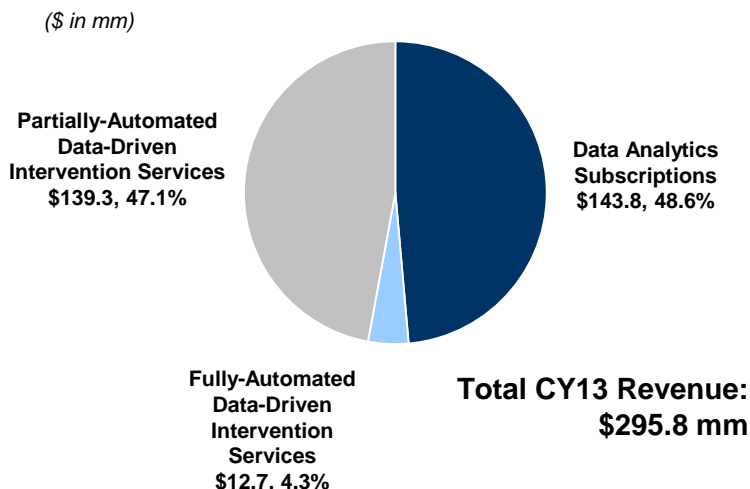


# Inovalon IPO: Post Quiet Period Review

## Company Overview

- 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 744,000 physicians, 244,000 clinical facilities and 118 million patients, covering ~98.2% of all U.S. counties
  - During 2014, Inovalon provided services to nearly 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

### Revenue by Segment



### Selected Clients

#### Health Plans



BlueCross BlueShield Association



Cigna



PARAMOUNT

#### Healthcare Organizations / Providers



#### Pharmaceutical Companies



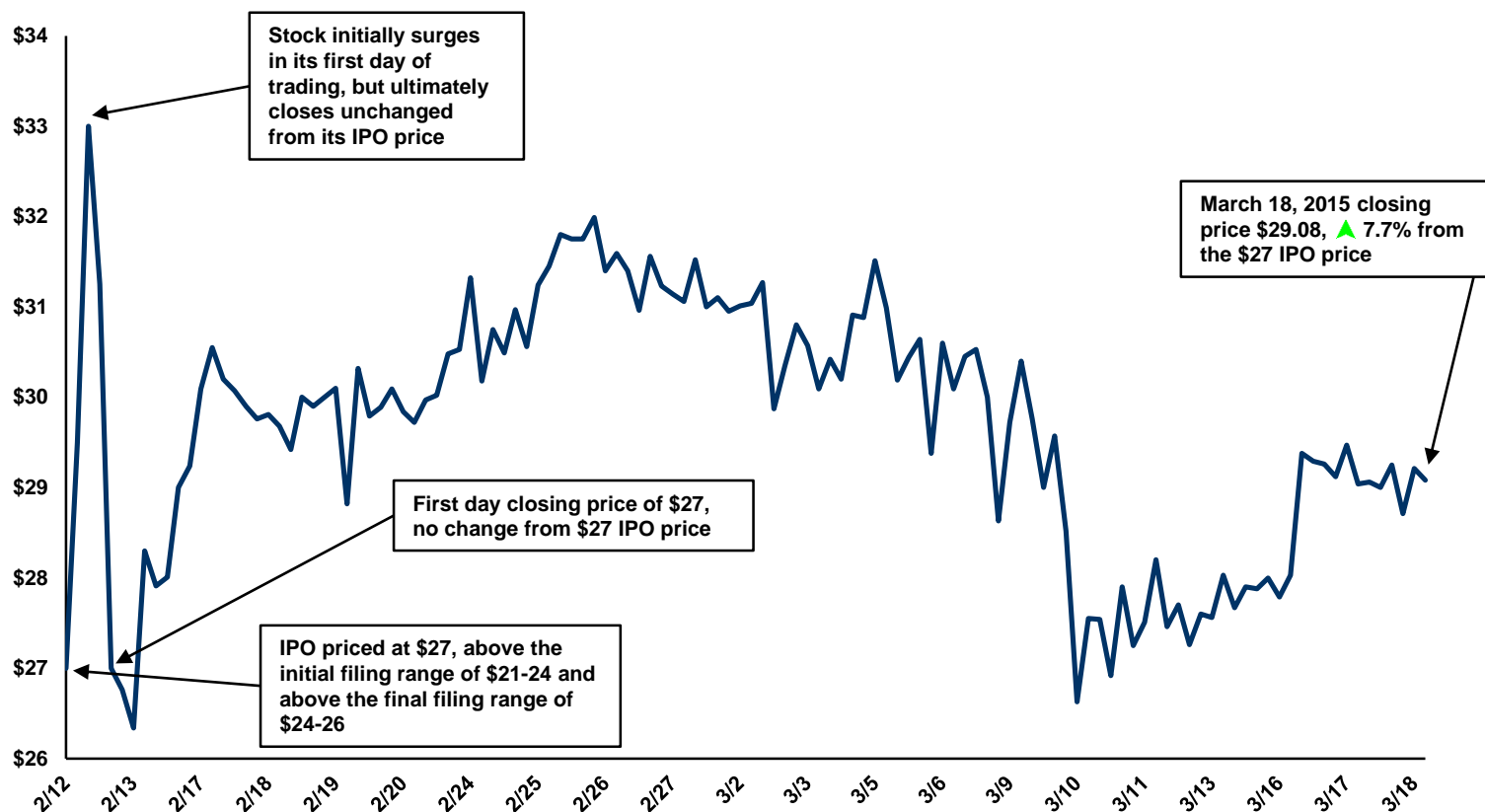


# Inovalon IPO: Post Quiet Period Review

## Company Overview

*"Inovalon estimates its current addressable market within the payor market is \$10.6 bn which is expected to expand into \$14 bn as it broadens its portfolio of applications. As providers increasingly take on more risk, the company sees a market opportunity of \$32 bn."*

– Piper Jaffray



# Inovalon IPO: Post Quiet Period Review

## Summary of Analyst Coverage

Broker	Rating	Price Target	Revenue		Adj. EBITDA		EPS	
			2015	2016	2015	2016	2015	2016
Piper Jaffray	Neutral	\$ 31.00	\$ 435.7	\$ 530.2	\$ 156.0	\$ 194.9	\$ 0.55	\$ 0.70
Morgan Stanley	Equal-Weight	33.00	431.7	526.7	152.5	193.0	0.59	0.68
UBS	Buy	35.00	436.3	532.6	156.7	197.8	0.55	0.70
Wells Fargo	Market Perform	32.50	433.2	525.6	162.0	191.5	0.56	0.70
William Blair	Outperform	na	430.6	526.4	149.4	191.0	0.50	0.64
Mean		\$ 32.88	\$ 433.5	\$ 528.3	\$ 155.3	\$ 193.6	\$ 0.55	\$ 0.68
Y-o-Y Growth			20%	22%	17%	25%	6%	24%

(In millions except for price target and EPS)

PiperJaffray

Rating: Neutral  
Price Target: \$31.00

*“Risk-adjusted payment models have gone mainstream, and the growth of Medicare Advantage and other lines of business leveraging risk-adjusted payment models are growing. However, to sustain growth the company must pivot towards provider organizations that are increasingly taking on risk. We would be less valuation-sensitive upon seeing greater diversification of the revenue base outside of managed care organizations.”*

*“~\$11 billion market opportunity composed primarily of managed care organizations (MCOs) growing to ~\$15 billion as market opportunity expands to include providers over the next 5+ years (or ~9% annually). Growth drivers include expansion in the number of covered lives in the US, coupled with a structural shift in reimbursement models from fee-for-service to risk sharing/capitated payments which will increasingly depend on advanced databases and analytics. Further upside opportunity exists as ACOs gain share. We view the provider opportunity as potentially adding an incremental \$30+ billion to Inovalon’s addressable market, expanding total addressable market to ~\$40 billion.”*

*“As a leader in the healthcare analytics cloud, INOV is benefitting from the evolution of the US healthcare system while offering company-specific outperformance as it expands its TAM. We are bullish on INOV’s positioning, but w/ 8% upside to our \$33 PT and a balanced risk reward, rate shares E-W. With its large and differentiated database, INOV is well positioned to benefit from secular and structural changes to US Healthcare system providing investors with exposure to singular growth / margin profiles relative to our coverage universe.”*

Morgan Stanley

Rating: Equal-weight  
Price Target: \$33.00

# Inovalon IPO: Post Quiet Period Review

## Summary of Analyst Coverage (cont.)



Rating: Buy  
Price Target: \$35.00

*"Inovalon offers deep analytics driven by the company's MORE<sup>2</sup> Registry that is widely viewed as one of the deepest datasets by clients. As such, we believe Inovalon is set to see strong demand moving forward for the company's services as more patients join healthcare plans and there is a greater shift towards value based care. Furthermore, the company has characterized its own revenue stream as 100% recurring, which should allow for a stable revenue base moving forward."*

*"We believe that analytics demand within healthcare is the next big wave of IT adoption. In the payer space, Inovalon already has significant mindshare. The company's ability to maintain roughly 20% topline growth and experience some modest margin expansion seems realistic, despite pricing for its technology that is widely viewed as being at a premium. However, given that these shares already trade at an EV/EBITDA multiple that is in line with the likes of Medidata and athenahealth (which have similar top-line growth prospects, but much better margin expansion potential in the long run, in our view), we are on the sideline."*



Rating: Market Perform  
Price Target: \$32.50

*"Essentially all of the data gaps and some of the gaps in care that Inovalon's technology identifies can be filled in via its intervention services. The company is somewhat differentiated among its competitors, because it offers these services in-house. While growth for this business is expected to be 15-20%, as some of the more labor / materials intensive chart chasing is automated with EHR interfaces, the relatively low margin profile should improve with automation."*

*William Blair*

Rating: Outperform  
Price Target: NA

*"We expect the company to expand through numerous avenues over the next several years. From a macro perspective, increased growth in retail insurance markets should promote strong growth within the company's health plan client base – as these customers will need patient-specific quality, risk, and health data to thrive. From a company perspective, the opportunity to sign novel clients, expand into new markets (e.g., pharma research, supporting provider-based risk models), grow internationally, and offer new analytical capabilities also will support growth."*

*"We also believe there is a strong positive network effect at Inovalon, as the company's industry leading data sets augment the value that each customer receives from working with the organization. More specific, as the company's data registry has expanded at a compound annual rate of nearly 43% since 2000, Inovalon's ability to advance its analytical capabilities has increased and its ability to perform comparative analytics has become unparalleled, in our opinion. We believe this is particularly important in emerging risk models, as dollars are moved back and forth between insurers, leading to a zero-sum game where one insurer's loss is another's gain."*



# Inovalon IPO: Post Quiet Period Review

## Solutions Overview – Inovalon Product Offerings

### Healthcare Data Insights / Clinical and Quality Outcomes

<b>Health Insurance Exchange Marketplace Solutions</b>	<ul style="list-style-type: none"><li>■ Addresses challenges facing health plans in risk score accuracy, quality measurement analysis and improvement, medical record data audit support and data submission</li></ul>
<b>Custom Datasets and Registries</b>	<ul style="list-style-type: none"><li>■ Identifies data set parameters, sample sizes and supplementation sources to create configurable statistics that drive quality reporting metrics</li></ul>
<b>Distributed Analytics</b>	<ul style="list-style-type: none"><li>■ Provides access to Inovalon's Medical Outcomes Research with information from more than 120 million patients and over 9.2 billion medical events</li></ul>
<b>INDICES Business Intelligence &amp; Reporting</b>	<ul style="list-style-type: none"><li>■ Delivers insight into data and outcomes including membership, clinical and quality ratings, cost and utilization, revenue and risk adjustment</li></ul>
<b>Star Advantage</b>	<ul style="list-style-type: none"><li>■ Provides insight and ability to improve HHS / CMS Star quality ratings through quality measurement analysis and large-scale data analytics systems</li></ul>
<b>HEDIS Advantage</b>	<ul style="list-style-type: none"><li>■ Offers measurement and reporting of clinical and quality outcomes</li></ul>

### Claims and Payment Integrity

<b>CARA: Retrospective Risk Score Accuracy Improvement</b>	<ul style="list-style-type: none"><li>■ Delivers risk score accuracy solutions for Medicare Advantage, Medicaid and commercial ACA marketplace health plans</li><li>■ Offers comprehensive insight and predictive analytics for risk score accuracy insight, financial performance and clinical diagnosis data verification</li></ul>
<b>Prospective Advantage</b>	<ul style="list-style-type: none"><li>■ Identifies gaps in care, assessment and documentation to improve health plan risk score, utilization and patient turnover</li><li>■ Enables health plans to proactively improve quality scores, clinical documentation, risk score accuracy and reduce medical expenses for Medical Advantage, managed Medicaid and commercial ACA insurers</li></ul>

# Inovalon IPO: Post Quiet Period Review

## Market Overview – Key Trends Impacting Inovalon

### Market Overview

#### Unsustainable Rise in Healthcare Costs

- In 2012, U.S. healthcare expenditures were ~\$3 bn, representing ~17% of total GDP, while healthcare expenditures are expected to increase to 22% of GDP by 2039
- The U.S. healthcare market is seeking more efficient methods of delivering care

#### Shift to Value-Based Healthcare

- Both private and public sectors are shifting away from historically expensive fee-for-service healthcare models toward value-based models that are designed to incentivize value and quality
- Number of patients that are switching to value-based, capitated payment models is expected to rapidly increase from 2014-2019
- Patient increase is expected to further drive accurate measurements and analysis of patient disease and clinical quality outcomes

#### Digitization of Healthcare Information

- Healthcare providers and payers create significant amounts of data in the form of patient health records, clinical trials, laboratory results, benefit programs, sensor information, provider performance programs and payment processing
- Sustained growth of healthcare data increases the need to collect disparate data to efficiently achieve the goals of higher quality and better care

#### Increasing Complexity

- Healthcare information technology is continually evolving with new treatments, new diagnostics, expanded clinical research and increased compliance oversight
- Expanding regulatory and technological sophistication drives a continuous need for analysis of underlying data





# Inovalon IPO: Post Quiet Period Review

## Management Overview

Executive Officers		
Name	Title	Background
Keith R. Dunleavy	Chief Executive Officer, Chairman and Founder	<ul style="list-style-type: none"><li>■ Chief Executive Officer since 1998 and Chairman since 2006</li><li>■ Founded Inovalon's predecessor company MedAssurant in 1998, serving as its Chief Executive Officer</li></ul>
Robert A. Wychulis	President	<ul style="list-style-type: none"><li>■ President since May 2014</li><li>■ Previously served as President of the WellPoint New York government health plan</li></ul>
Christopher E. Greiner	Chief Product and Operations Officer	<ul style="list-style-type: none"><li>■ Chief Product and Operations Officer since May 2014</li><li>■ Previously served as Vice President at Computer Sciences Corporation</li></ul>
Thomas R. Kloster	Chief Financial Officer	<ul style="list-style-type: none"><li>■ Chief Financial Officer since March 2014</li><li>■ Previously served as Chief Financial Officer of Algeco Scotsman</li></ul>
Daniel L. Rizzo	Chief Innovation Officer	<ul style="list-style-type: none"><li>■ Chief Innovation Officer since March 2012</li><li>■ Previously served as Inovalon's Security Officer and Chief Product Technology Officer</li></ul>
Jason Z. Rose	Chief Strategic Development Officer	<ul style="list-style-type: none"><li>■ Chief Strategic Development Officer since September 2013</li><li>■ Previously served as Senior Vice President of Public Programs Health and Disease Management Services for APS Healthcare</li><li>■ Also previously served as Inovalon's Senior Vice President, Business Development and Vice President, Care and Quality Management</li></ul>
Shauna L. Vernal	Chief Legal Officer & Corporate Secretary	<ul style="list-style-type: none"><li>■ Chief Legal Officer and Corporate Secretary since August 2013</li><li>■ Previously served as Chief Legal Officer for Falck USA</li></ul>



# Inovalon IPO: Post Quiet Period Review

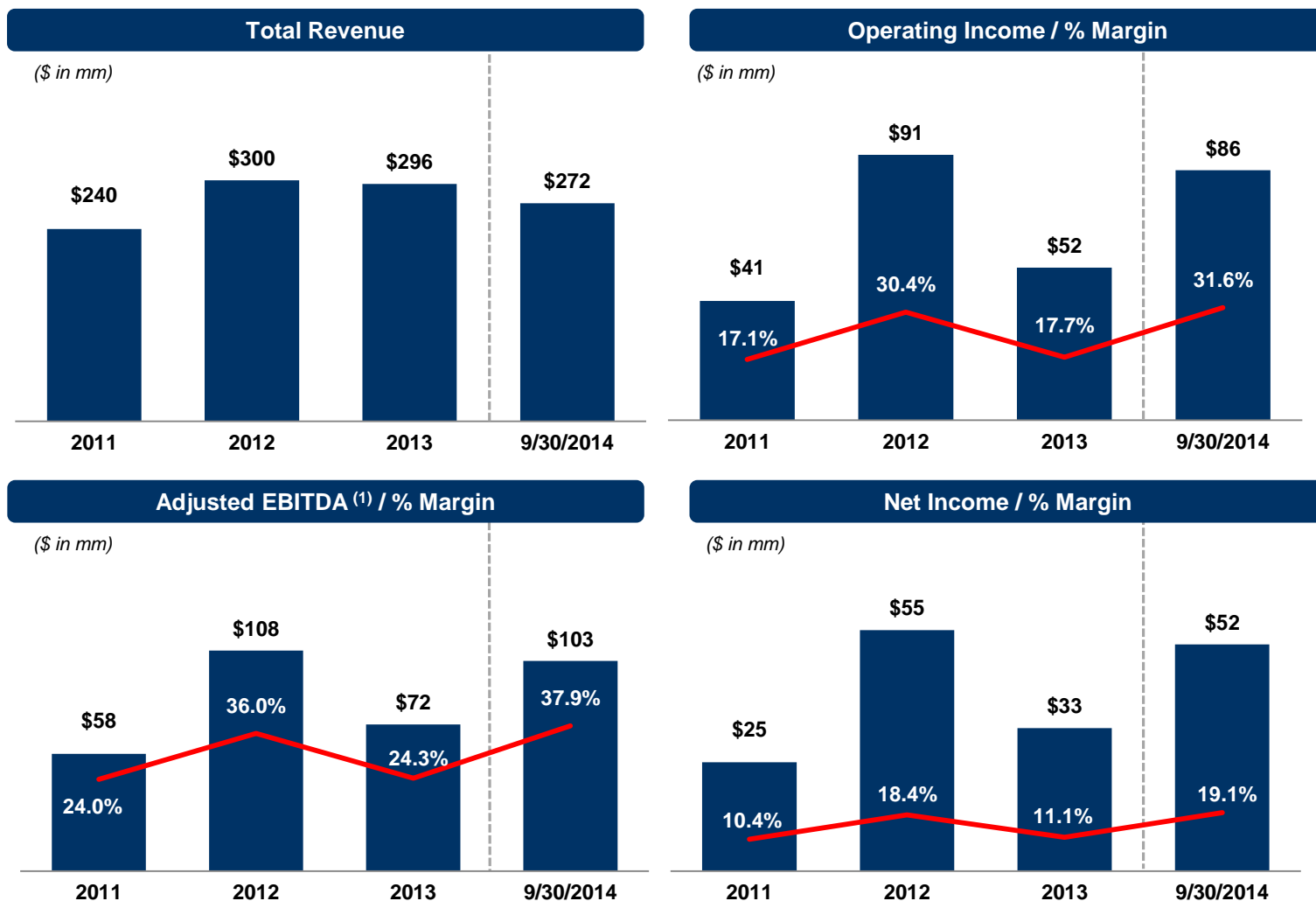
## Board of Directors Overview

Board of Directors		
Name	Title	Background
Denise K. Fletcher	Director	<ul style="list-style-type: none"><li>■ Director of Inovalon since 2012</li><li>■ Former Executive Vice President, Finance of Vulcan, an investment and project company organized by Microsoft Co-Founder Paul Allen</li></ul>
André S. Hoffman	Director	<ul style="list-style-type: none"><li>■ Director of Inovalon since 2008</li><li>■ Currently serves as Vice Chairman of Roche Holding, a diversified healthcare company focused on medical diagnostics and treatments</li></ul>
Lee D. Roberts	Director	<ul style="list-style-type: none"><li>■ Director of Inovalon since 2012</li><li>■ President and Chief Executive Officer of Bluewater Consulting, an information technology management consulting company</li></ul>
William J. Teuber, Jr.	Director	<ul style="list-style-type: none"><li>■ Director of Inovalon since 2013</li><li>■ Vice Chairman of EMC Corporation, a provider of information technology, big data, cloud computing and data security solutions</li></ul>



# Inovalon IPO: Post Quiet Period Review

## Financial Overview



Sources: 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.

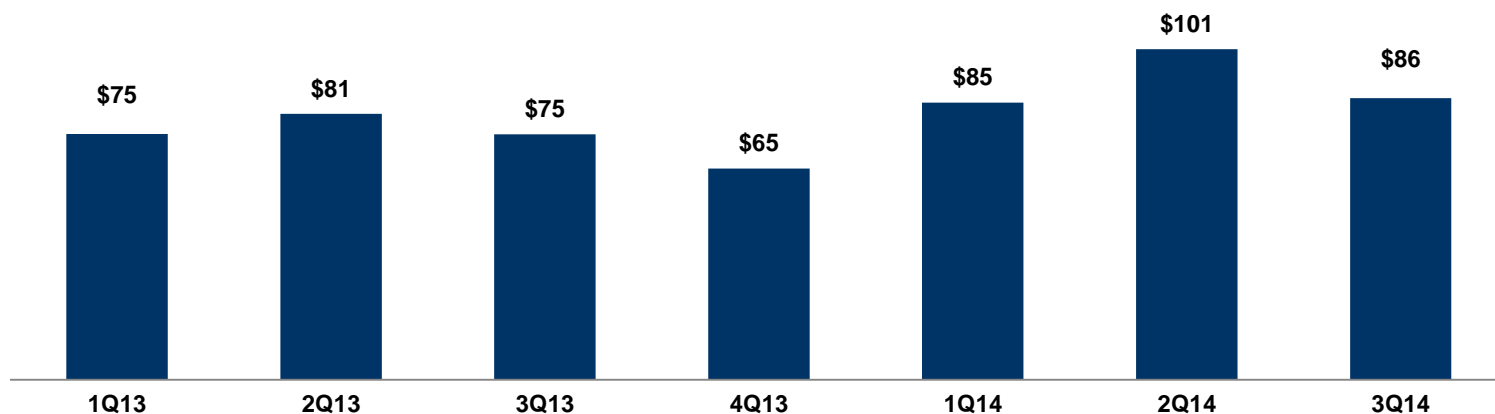


# Inovalon IPO: Post Quiet Period Review

## Financial Overview

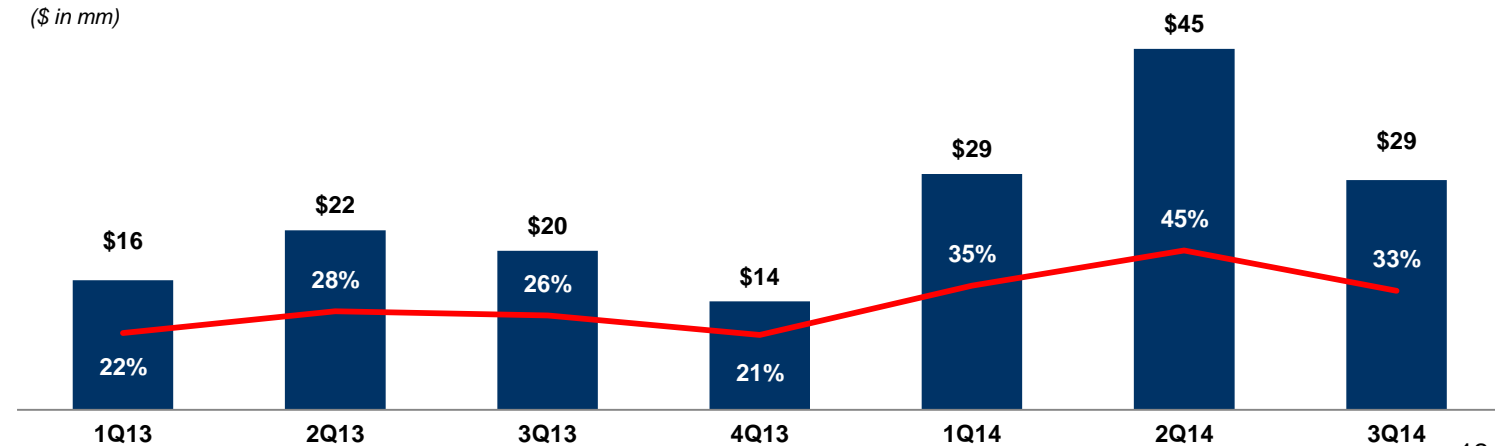
### Total Revenue

(\$ in mm)



### Adjusted EBITDA <sup>(1)</sup> / % Margin

(\$ in mm)



FINANCIAL  
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Sources: 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.

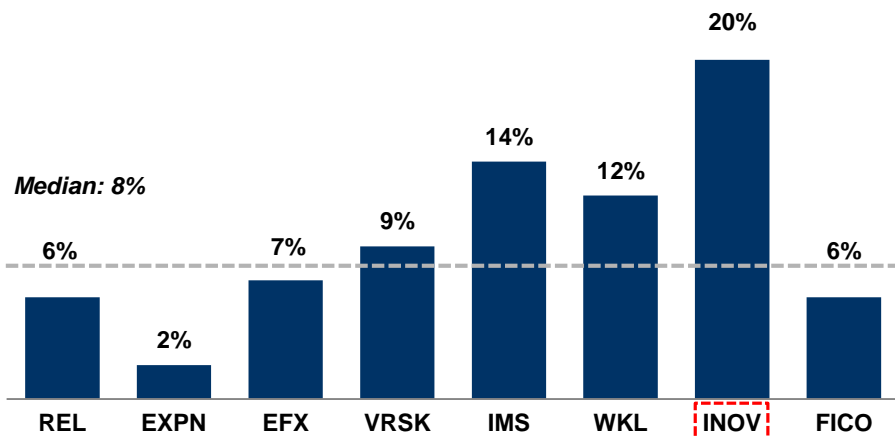


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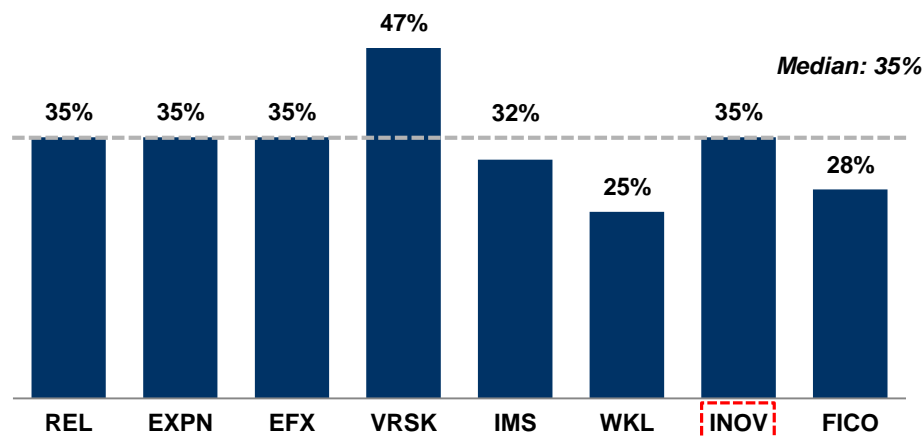
## Selected Public Company Comparables

Company Name	Price 03/18/15	% MTD Change	% LTM High	Market Value (\$ mm)	Enterprise Value (\$ mm)	Multiples						Growth Rates			Margins		P / E / G CY15E
						Price / Earnings		EV / EBITDA		EV / Revenue		Revenue		EPS	EBITDA		
						CY15E	CY16E	CY15E	CY16E	CY15E	CY16E	CY15E	CY16E	LT	CY15E	CY16E	
Content, Data & Analytics																	
Reed Elsevier	\$ 17.26	5 %	98 %	\$ 19,729	\$ 23,801	19.0 x	17.6 x	7.6 x	7.3 x	2.6 x	2.5 x	6 %	4 %	7 %	35 %	35 %	2.8 x
Experian	16.70	(5)	93	16,309	21,954	11.8	11.1	8.7	8.0	3.0	2.9	2	4	8	35	36	1.6
Verisk Analytics	71.55	(0)	96	11,971	13,365	25.8	23.0	14.9	13.5	7.0	6.4	9	10	12	47	47	2.1
Equifax	92.63	(1)	98	11,197	12,630	21.7	19.5	13.8	12.7	4.9	4.5	7	8	11	35	36	2.0
IMS Health Holdings	26.28	(0)	92	9,006	12,409	18.3	15.9	13.5	12.2	4.3	3.9	14	9	11	32	32	1.6
Wolters Kluwer	32.48	5	98	9,587	11,619	17.1	15.9	10.8	10.5	2.7	2.7	12	1	7	25	25	2.3
Inovalon	29.06	(6)	86	4,386	4,554	nm	42.2	29.8	23.7	10.5	8.6	20	22	22	35	36	na
Fair Isaac	85.29	0	98	2,776	3,288	19.8	na	13.9	13.6	3.9	3.7	6	6	15	28	27	1.3
Median		(0)%	97 %			19.0 x	17.6 x	13.7 x	12.4 x	4.1 x	3.8 x	8 %	7 %	11 %	35 %	35 %	2.0 x
Mean		(0)	95			19.1	20.8	14.1	12.7	4.9	4.4	10	8	12	34	34	2.0

CY15 Estimated Revenue Growth



CY15 Estimated EBITDA Margins



# Overview of FT Partners

## FT Partners is the Leader in Financial Technology Investment Banking

**FT Partners has advised on the most prominent transactions in the Healthcare IT Space**

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

- Second largest wholesale broker in the U.S. by premiums placed <sup>(1)</sup>
- 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 2013.

# Overview of FT Partners

## Award-Winning Investment Banking Franchise Focused on Financial Technology

*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 ■ **Equity Financing Deal of the Year**  
■ Professional Services Deal of the Year, Above \$100mm
- 2012 ■ **Dealmaker of the Year**  
■ Professional Services Deal of the Year, Above \$100 mm
- 2011 ■ **Boutique Investment Bank of the Year**  
■ Deal of the Decade  
■ *10 Deal of the Year Nominations Across 9 Categories*
- 2010 ■ **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 ■ **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

**Institutional Investor**  
Institutional Investor Annual Ranking

- 2006-2008 ■ Steve McLaughlin consecutively ranked (2006, 2007 and 2008) among the top Bankers in Financial Technology



Middle Market Financing Awards

- 2008 ■ **Equity Financing Dealmaker of the Year – Steve McLaughlin**  
■ **Information Technology Deal of the Year**  
■ **Financial Services Deal of the Year**
- 2006 ■ **Financing Professional of the Year – Steve McLaughlin**  
■ *Financing Deal of the Year - Equity*  
■ *Financing Deal of the Year - Debt*

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Note: Awards won highlighted in **bold**, italics denote categories where Financial Technology Partners was a finalist.