

## Modernizing Medicine amplifies M&A hunt after large capital raise – CEO

By Deborah Balshem in Fort Lauderdale

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**Modernizing Medicine**, a Boca Raton, Florida-based specialty-specific electronic medical records (EMR) provider, sees heightened opportunity to acquire in a market ripe for M&A, said co-founder and CEO Dan Cane.

On the heels of a USD 231m capital raise last month from **Warburg Pincus**, Modernizing Medicine plans to accelerate its acquisition efforts in existing and new markets, Cane said. The company seeks to acquire EMR companies in existing or new specialties, while also evaluating the wide array of complementary technologies that can be sold into Modernizing Medicine's client base of more than 3,000 physician practices, he added.

Examples of synergistic technologies include inventory management, imaging management and scheduling solutions; adaptive learning systems that follow up on patients; or technologies for collecting on patient statements, the CEO mentioned.

Modernizing Medicine's flagship product, Electronic Medical Assistant (EMA), is a cloud-based, specialty-specific EMR system available for dermatology, ophthalmology, orthopedics, otolaryngology, plastic surgery, gastroenterology (GI), urology and rheumatology practices. The company also offers practice management, revenue cycle management and telehealth solutions.

Cane said Modernizing Medicine ended 2016 with a mostly recurring revenue run rate in excess of USD 100m, compared to revenue of more than USD 50m in 2015 and USD 30.5m in 2014. The company aims to grow 35%-40% annually through organic growth.

Modernizing Medicine "rang the bell" of EBITDA-positive last year, but is now purposefully reinvesting its profits into growth, Cane noted.

The market is primed for consolidation, according to Cane, who explained that many healthcare technology companies operate off a perpetual licensing revenue model, as opposed to a recurring revenue stream, and therefore lack the ability to invest heavily in research and development, and to comply with more onerous government regulations.

Modernizing Medicine has the ability to look at targets larger than itself. "There are certainly players much larger than us that when infused with our DNA could be transformative to both companies," Cane said. It is also possible that Modernizing Medicine could merge with another large PE-backed company to form a new entity, he added.

Last year, Cane told this news service that multiples in the space are roughly 1x for perpetual/one-time revenue, 3x to 5x for transactional revenue, and from 5x to 7x for recurring subscription revenue.

For this report, he noted "some downward pressure," with more valuations ending up on the lower end of those ranges.

In explaining the impetus for Modernizing Medicine's latest capital raise, Cane said that at the beginning of this year, the company "felt resource constrained" and saw an opportunity to pour more jet fuel into the growth engine.

In addition to funding further expansion, the Warburg Pincus investment will provide liquidity to existing shareholders, though Cane noted that no existing investors fully exited. Prior to this round, Modernizing Medicine had raised a total of USD 87m in at least five funding rounds since Cane and Dr. Michael Sherling founded the business in 2010.

Investors include **IBM** [NYSE:IBM], **Pentland Group**, **Sands Capital Ventures** and **Summit Partners**.

Modernizing Medicine has 570 employees. The company slowed down hiring for a bit, but is now more active with close to 30 open positions.

Within the last year, Modernizing Medicine entered Canada. Though further international expansion is on the company's roadmap, it remains focused on the US for now, Cane said.

Modernizing Medicine recently earned six Number 1 rankings for EHR systems in the 2017 Black Book survey.

The company's corporate advisors include accounting firm **Crowe Horwath** and **EY**, and law firms **Latham & Watkins** and **McDermott Will & Emery**.