



Financial Advisory (1/3)

Case Studies



| Engagement Type | Sell-Side Financial Advisory | Sell-Side Financial Advisory |
|-------------------------------|--|---|
| Situation | As a result of health issues facing the CEO / primary shareholder, the Client – a highly profitable and rapidly growing data analytics and population health management company - was seeking liquidity and hired Marwood to conduct a sale process | A managed care plan serving Medicaid members and owned by a NFP provider entity was slightly unprofitable, and the Parent had determined that the Medicaid plan was not well-positioned to compete in the market. Marwood was hired to conduct a sale process. |
| Description of Marwood's Work | Marwood, with input from the Client, generated a list of possible buyers and contacted each one to ascertain interest in acquiring the Client. Some buyers were large strategic players in healthcare, while others were private equity firms. Marwood had previously worked with many of the possible buyers, enabling it to engage in meaningful dialogue with key decision-makers regarding their interest in acquiring the Client. | Marwood recognized that only existing market players would be suitable buyers, as out-of-market buyers would not be able to effect a transaction fast enough or realize the same amount of potential synergies as an in-market buyer. In-market buyers would make their decision based upon (i) their pre-existing notions of how attractive the market is, and (ii) how quickly they could turn the business around by placing it on their platform. Rather than crafting an elaborate selling document explaining attractive fundamentals of the Medicaid managed care industry and the Client's value as a platform, Marwood focused efforts on gathering the key pieces of data that in-market buyers would need to assess synergies and value. |
| Outcome | The Client received numerous attractive bids from interested buyers. As often occurs, strategic buyers generally offered more value at close, while private equity firms proposed that management roll a portion of its stake and thus retain a large upside. Given the liquidity needs of its shareholders, the Client ultimately decided to sell to a large strategic buyer for cash. | Marwood packaged the most critical information in a way that could be easily analyzed and evaluated by potential buyers, and quickly reached out to approximately 20 in-market participants. The range of proposals the Client received back from buyers was quite broad but included several highly attractive offers. Marwood worked with the Client's Board and management to finalize a transaction that allowed it to exit quickly and at a value above initial expectations. |

Past performance is not indicative of future returns or results.

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Financial Advisory (2/3)

Case Studies



| Engagement Type | Sell-Side Financial Advisory | Buy-Side Advisory |
|-------------------------------|--|--|
| Situation | <p>Due to a combination of severe industry pressure and an overleveraged capital structure put in place by a previous management team, the Client – a privately-owned toxicology lab - was operating under a forbearance agreement with its lenders and needed to sell as quickly as possible. The Client had retained a local, non-healthcare focused investment bank to assist in the sale process, but received only minimal interest. The Client hired Marwood to make one final outreach to prospective buyers.</p> | <p>A regional home health provider sought to acquire the home health assets of a financially troubled hospital system in a competitive process. Marwood was engaged to diligence the target, construct a detailed model to project future cash flows and submit a bid. After working with the Client to develop projections and ascertain value, Marwood assisted it in crafting a bid proposal.</p> |
| Description of Marwood's Work | <p>Due to external factors, the sale process needed to occur rapidly, but there was an important story that needed to be told in order for buyers to understand the prospective value proposition. Marwood quickly wrote entirely new descriptive materials that were devoid of the generic selling points found in many company descriptions, and instead focused on the specific attributes of the Client that would be attractive to buyers. This included an explanation with regards to how recent Medicare reimbursement changes were having a limited impact on the Client and a unique technology it had developed to assist physicians monitor opioid drug use by their patients.</p> | <p>The Client's initial bid was topped by another bidder. Marwood advised the Client against increasing its bid, as the riskiness of the cash flows of the business limited the value the Client should be willing to pay.</p> |
| Outcome | <p>Marwood used its extensive relationships in the healthcare industry to contact a number of firms that had not been previously contacted, and it was able to find a buyer for the Client that was willing to pay a price above those of prior proposals.</p> | <p>The Client lost the bid to the other buyer. The winning bidder eventually wrote-down a portion of its acquisition price, as regulatory changes by the State altered the economic model of the business and forced it to recognize that it had overpaid.</p> |

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Financial Advisory (3/3)

Case Studies



| Engagement Type | Valuation | Assessment of Strategic Alternatives |
|---|--|---|
| <p>Situation</p> | <p>A large, not-for-profit health system that owned a Medicaid-focused managed care plan that was growing membership, but also underperforming expectations and losing money, engaged Marwood to evaluate the market in which the plan was operating as well as its relative position in that market, determine its prospects, and calculate the value of the plan (i) to the parent, and (ii) to a potential buyer.</p> | <p>The Client was a not-for-profit hospital system with approximately 40 hospitals. The Client had built a profitable physician outreach lab operation, but was concerned about its ability to compete against large competitors such as Quest and LabCorp in the long-run. It hired Marwood to assist it in deciding whether it should continue to own the business, form a joint-venture with an independent lab company, or sell the operations.</p> |
| <p>Description of Marwood's Work</p> | <p>Marwood studied the plan's current operations, strategy and financial performance. Marwood had an ongoing dialogue with the CEOs of many other plans in the market and was thus able to understand their perspective on the long-term prospects of the industry, including expected returns, growth and margins. Marwood also investigated the State's perspective on the market and future regulations and reimbursement. Based upon its research, conversations, and analysis, Marwood advised the Client that it was possible for it to earn a profit over the long-term, but financial results would be volatile and margins low. Furthermore, success ultimately hinged on having a concentrated focus on several critical areas of the operation. If the Client was willing to apply this focus and endure the inevitable volatility that would occur, it would be able to generate positive returns. If it was not, then it should exit the business sooner rather than later.</p> | <p>Marwood worked with the Client to develop multiple scenarios of long-range projections to quantify what cash flow would look like over time, as competitive forces continued to pressure the Client's performance and operations. Marwood also worked with the Client to secure and evaluate joint-venture proposals from several partners and quantify their potential impact.</p> <p>Marwood, by carefully constructing and comparing the expected cash flows and related risks from stand-alone operations, a joint-venture, and a sale of the operations, was able to provide the Client with a clear picture of the potential impact of each alternative.</p> |
| <p>Outcome</p> | <p>A valuation accounting for the internal benefits accruing to the health system from owning the plan as well as the possible synergies a buyer would incur. It also factored critical variables such as tax status and varying levels of cost of capital.</p> | <p>Because the joint-venture was deemed organizationally impractical, and the stand-alone cash flows weak relative to a possible sale, the Client asked Marwood to conduct a sale process. Marwood created materials, reached out to prospective buyers, and assisted the Client in a difficult negotiating process, ultimately allowing it to achieve significant proceeds for its operations that could be deployed to other, more strategically important initiatives in the system.</p> |

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