

INOVALON ACQUIRES CREEHAN & COMPANY

Strategic acquisition of leading SaaS provider to specialty pharmacy industry adds uniquely high-value capabilities, enhancing care, quality, and financial impact, expanding addressable market, and further supporting long-term vision and financial objectives.



About Creehan & Company

- Creehan & Company is a software company that develops and supports platforms for standalone specialty pharmacies, drug manufacturers and other industry players that operate in the specialty pharmacy market space (payers, PBMs, distributors, etc.).
- The specialty pharmacy industry relies on highly specialized software to enable the delivery of complex services in an efficient, high quality, and compliant fashion.
- ScriptMed™, Creehan & Company's flagship offering, is the most widely used third-party software within this industry segment, supporting approximately 30% of the US specialty pharmacy marketplace¹.
- Offered today in a cloud-enabled Software-as-a-Service (SaaS) and enterprise multi-location platform license model, Creehan has developed a market-leading technology platform for specialty pharma through more than a decade of client collaboration and a mindset of highly thoughtful continuous improvement. Today, Creehan proudly supports many of the nation's largest health plans, PBMs, wholesale and specialty pharmacies, and pharmaceutical companies.
- Founded in 1990 and headquartered outside Pittsburgh, PA, Creehan & Company employs approximately 150 associates.

Healthcare Industry Shift & Specialty Pharmacy Background

The entire healthcare ecosystem is in the midst a sea change transition from consumption and volume-based paradigms to ones instead driven by quality, value, and efficiency. Critical to navigating and thriving in this new world of healthcare is the ability to put the power of data and its analysis to work, gaining greater insight and driving greater impact in the understanding and improvement of care, quality, and financial performance. This shift is occurring throughout the healthcare ecosystem – including payors, providers, pharmaceutical/life sciences, and the associated pieces of the care delivery matrix – where the alignment of payment, penalties, regulations, and incentives to clinical and quality outcomes is resulting in healthcare becoming holistically performance based.

Within this complex ecosystem, one of the most concentrated impactors on care, outcomes, and cost is a market segment referred to as specialty pharmacy or specialty medication management. Critical to the patient, payor, and pharmaceutical company alike, the specialty pharmacy focuses on higher cost and complex segments of pharmacological care. Reflecting this, driven by accelerating discoveries in pharmacological treatments and the rising number of patients with highly complexity and chronic disease conditions, the specialty pharmacy market has grown from approximately \$98 billion in 2010 to \$178 billion in 2015, and is expected to continue to expand to an estimated \$282 billion by 2020.

Benefits of Combination

Specialty pharmacy is a uniquely high-value sub-segment of the healthcare ecosystem that is of increasing importance to payors, pharmaceutical companies, and patients alike. The joining of Creehan & Company with Inovalon brings the industry's leading specialty pharmacy software capabilities into Inovalon's data-driven platform suite – leveraging Inovalon's deeper datasets, larger cloud infrastructure, more extensive connectivity, and advanced analytics. With even greater scale and functionality, the combined capabilities bring expanded set of functionality to the existing clients of Creehan & Company as well as the expansive client base (numbering more than 400) of Inovalon.

Expand Market Opportunity: While Inovalon's market opportunity is already large, adding the specialty pharmacy market to the list of immediately addressable market segments further expands Inovalon's opportunity. According to a report by Barclays Bank, the specialty pharmacy market has grown from approximately \$98 billion in 2010 to \$178 billion in 2015, and is expected to continue to expand to an estimated \$282 billion by 2020². In addition to having characteristics of being a large market which is growing quickly, the specialty pharmacy market is hallmarked by medications which are of high-cost and high-importance, therefore possessing high-opportunity for impact to clinical care, quality, and economics. In 2015, 61% of the \$178 billion spend came from drugs in 6 therapeutic classes (Oncology, Rheumatic Diseases, Multiple Sclerosis, Hematology, HIV and Infections/Viruses).

Enhance Current Capabilities: For clients of Creehan & Company, Inovalon's multiple data centers, extensive IT infrastructure, software design and development capabilities, cloud expertise, advanced analytics, industry-leading datasets, and industry interconnectivity all add depth and ability to further enhance and accelerate the portfolio functionality of ScriptMed for its clients. For clients of Inovalon, the challenges of specialty pharmacy – from a perspective of cost, quality, outcomes, and transparency – are all areas of great focus. The ability of Inovalon to add high-sophistication specialty pharmacy capabilities and toolsets to its data-driven platform suite enables a significant value-add across all client types.

Enhanced Market Leadership & Penetration: All segments of the healthcare system – payors, providers, pharma, patients, and the elements of their associated care delivery matrix – increasingly rely on the capabilities of specialty pharmacy to achieve their care, quality, and economic goals. The combination of these two industry leaders creates a unique pool of deep expertise, associated data, and analytical capabilities to deliver increasingly differentiated and valuable insight and impact in healthcare, beyond current marketplace offerings.

1. Drug Channel Institute, <http://www.drugchannels.net/search/label/Specialty%20Drugs>

2. Barclay's U.S. Health Care Distribution & Technology, Specialty Market Model 2016 Update, January 2016

Complementary Characteristics

- Both company's cultures are built on data-driven approaches to healthcare, analytics, subject matter expertise and a focus on high value-add for clients to strengthen their operations and deliver meaningful ROI.
- Both companies address key components of the healthcare markets, in adjacent and complementary areas.
- Both companies are assisting clients to transition from volume-based and consumption-based models to a model driven by value, outcomes and efficiency.
- Both companies have a track record of strong growth, profitability, and innovation.
- Both companies are highly respected for their industry experts, thought leadership and subject matter expertise in healthcare and healthcare technology.

Opportunities

- The Creehan & Company acquisition opens the door for Inovalon to expand into a large adjacent market in specialty pharmacy and increases Inovalon's total addressable market.
- The capabilities of Creehan & Company's specialty pharmacy offering will be further enhanced by Inovalon's connectivity, datasets, analytics, and intervention technologies.
- The growth of Creehan & Company's specialty pharmacy offering will be augmented by the introduction into Inovalon's more-than 400 healthcare client organizations.
- The specialty pharmacy subject matter expertise, industry experience, and technology platforms of Creehan & Company will strategically complement Inovalon's push into value-based and outcomes-based platform offerings for pharma.

Financial Information

- Inovalon has acquired Creehan Holding Co., Inc., the parent company of Creehan & Company for approximately \$105 million payable at closing, plus additional contingent payments of up to \$25 million based upon the attainment of financial performance objectives through the end of 2018, as well as the awarding of certain employee incentive equity amounts subject to vesting requirements. The purchase price was paid with a combination of available cash and \$10 million in restricted stock.
- Creehan & Company had revenues of approximately \$27 million in 2015 and has a long track record of strong growth and profitability. The acquisition is part of Inovalon's previously described utilization of its balance sheet strength for strategic tuck-in acquisitions of industry-leading technologies, was contemplated in its provision of 2016 financial guidance provided on August 3, 2016, as well as the Company's longer-term 2020 guidance, and therefore results in no change to previously provided 2016 or 2020 financial guidance.
- The acquisition was subject to customary closing conditions and antitrust clearance and closed on October 3, 2016.

For more information please contact:

inovalonshareholder@inovalon.com

Forward-Looking Statements

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