

**DEAL OVERVIEW**

|                             |  |                                |   |
|-----------------------------|--|--------------------------------|---|
| <b>Company Description:</b> | HemaTerra, LLC ("HemaTerra" or the "Company") provides web-based software for blood collection centers, plasma donation centers, and hospital-based blood collection centers. The software suite includes CRM, donor recruitment and management, order entry and inventory management, lab quality management, equipment management, and staff scheduling. The software is used to manage a complex ecosystem of constituents and operations that involve donors, volunteers, independent and hospital-based blood banks (which collect and sell blood), and hospitals (which purchase blood for use in medical procedures). In 2018E, 75% of HemaTerra's revenue is recurring from subscription fees, 20% of revenue is recurring from usage fees, and the remaining 5% is from implementation and service revenue. |                                |   |
| <b>Fund   Deal Stage</b>    | RMCF V   LOI ION   | <b>Risk/UpSide (200)</b>       | FVF: 60/60 → 120; LOI: 60/70 → 130  |
| <b>Deal Team</b>            | Schlachet, Manning, Monda, Mostatabi   | <b>OP Consumption (1-3)</b>    | 2.5   |
| <b>Ent. Value   Equity</b>  | \$30 million   \$22.8 million equity from RMCF V   | <b>Country Risk</b>            | Low – USA   |
| <b>EV / EBITDA</b>          | 23.6x 2018E EBITDA and 6.5x 2018E revenue  | <b>Lenders</b>                 | TBD; term sheets from Saratoga, Deerpath  |
| <b>MAMA   Growth M</b>      | 14.2x   0.89x  | <b>Deal Risk   Fraudar</b>     | Low   Low   |
| <b>EV/Rev Comparables</b>   | 3.8x Public; 6.0x M&A  | <b>Structure   Tax Benefit</b> | LLC Stock Deal; \$1.4 million PV tax benefits                                       |
| <b>Mgmt Rollover</b>        | 15% of Newco   17% of proceeds   \$4.0mm   | <b>Deal Source   Process</b>   | Software Equity Group (B Weekes)   Full Auction                                     |
| <b>Options   Value</b>      | 13% (time-based)   \$6.1mm   | <b>Seller(s)</b>               | Todd Collins-CEO (57%)   Simon Dawson-COO (24%)   Other Inactive Shareholders (19%) |
| <b>Key Mgmt Grades</b>      | CEO (B+), CFO (Vacant), COO/CPO (B+), VP of Client Relations (B)   | <b>Key Dates</b>               | FV: 12/18/18   LOI: 1/18/19   |
| <b>Employees</b>            | 17 full-time, 1 part-time – no union   | <b>Company Website</b>         | <a href="http://www.hematerra.com">www.hematerra.com</a>                            |

**TRANSACTION SUMMARY (\$000's)**

| Sources              |                 |               | Uses              |                 |
|----------------------|-----------------|---------------|-------------------|-----------------|
| At Close             | Facility        | % Srcs        |                   |                 |
| Revolver             | \$0             | 5.7%          | Consid. @ Close   | \$30,000        |
| Senior Term A        | 6,000           | 17.2%         | Expenses          | 1,810           |
| Senior Term B        | –               | –             | Revolver Cushion  | 2,000           |
| Sub. Debt            | –               | –             | Incr. Cash Bal.   | 1,000           |
| Assumed Debt         | –               | –             | Other             | –               |
| RMCF Equity          | 85.0%           | 22,789        |                   |                 |
| Other/Mgmt. Equity   | 15.0%           | 4,022         |                   |                 |
| <b>Total Sources</b> | <b>\$34,810</b> | <b>100.0%</b> | <b>Total Uses</b> | <b>\$34,810</b> |

**RETURNS SUMMARY (\$000's)**

| Scenario                | Investment           | Exit               | IRR   | Mult. |
|-------------------------|----------------------|--------------------|-------|-------|
| TRC Case - Pre Carry    | \$ 22,789            | 62,907             | 23.3% | 2.8x  |
| TRC Case - Post-Carry   | 22,789               | 55,284             | 20.1% | 2.4x  |
| <b>TRC Carry</b>        | <b>Gross: 7,622</b>  | <b>Net: 6,479</b>  |       |       |
| Mgmt. Case - Pre Carry  | 22,789               | 104,795            | 37.0% | 4.6 x |
| Mgmt. Case - Post-Carry | 22,789               | 89,214             | 32.6% | 3.9 x |
| <b>TRC Carry</b>        | <b>Gross: 15,581</b> | <b>Net: 13,244</b> |       |       |

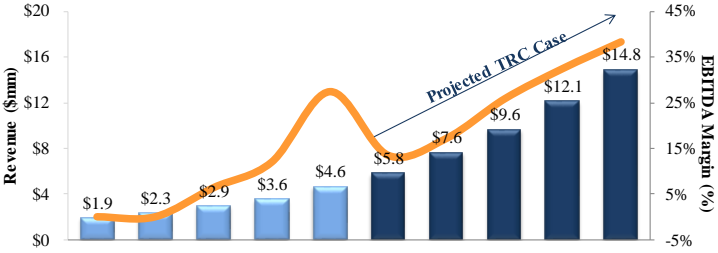
*N.B. Returns assume a 14.0x exit multiple and a five year hold.*

**FINANCIAL & PURCHASE MULTIPLE SUMMARY (\$000's)**

|                           | Historical   |         |         |         |         | Projected TRC Case |         |         |          |              | Projected Management Case |         |         |          |              |
|---------------------------|--------------|---------|---------|---------|---------|--------------------|---------|---------|----------|--------------|---------------------------|---------|---------|----------|--------------|
|                           | 2014A        | 2015A   | 2016A   | 2017A   | 2018E   | LTM Dec-18         | 2019    | 2020    | 2023     | CAGR '19-'23 | LTM Dec-18                | 2019    | 2020    | 2023     | CAGR '19-'23 |
| <i>FYE 12/31</i>          |              |         |         |         |         |                    |         |         |          |              |                           |         |         |          |              |
| Sales                     | \$1,918      | \$2,331 | \$2,916 | \$3,552 | \$4,638 | \$4,638            | \$5,816 | \$7,615 | \$14,832 | 26.4%        | \$4,638                   | \$6,169 | \$8,215 | \$18,039 | 30.8%        |
| Gross Profit              | 1,372        | 1,723   | 2,333   | 2,781   | 3,604   | 3,604              | 4,507   | 5,934   | 11,759   | 27.1%        | 3,604                     | 4,862   | 6,448   | 14,374   | 31.1%        |
| EBITDA                    | (686)        | (503)   | 186     | 426     | 1,273   | 1,273              | 784     | 1,308   | 5,691    | 64.1%        | 1,273                     | 2,340   | 3,070   | 9,083    | 40.4%        |
| UCF                       | (686)        | (503)   | 186     | 426     | 1,273   | 1,173              | 684     | 1,208   | 5,591    | 69.1%        | 1,173                     | 2,240   | 2,970   | 8,983    | 41.5%        |
| FCF                       | (686)        | (503)   | (376)   | (20)    | 1,842   |                    | 475     | 932     | 5,215    | 82.0%        |                           | 1,980   | 2,677   | 8,493    | 43.9%        |
| Enterprise Value / Sales  | '14-'18 CAGR |         | 8.4x    | 6.5x    | 6.5x    | 5.2x               | 3.9x    |         |          |              | 6.5x                      | 4.9x    | 3.7x    |          |              |
| Enterprise Value / EBITDA | Sales 24.7%  |         |         | 23.6x   | 23.6x   | 38.3x              | 22.9x   | GRNAC   | 26.4%    |              | 23.6x                     | 12.8x   | 9.8x    | GRNAC    | 30.8%        |
| Enterprise Value / UCF    | EBITDA n/m   |         |         | 23.6x   | 25.6x   | 43.9x              | 24.8x   | Gr Mult | 0.89x    |              | 25.6x                     | 13.4x   | 10.1x   | Gr Mult  | 0.77x        |
| Debt / EBITDA             |              |         |         | 4.7x    | 4.7x    | 7.7x               | 4.7x    | 1.1x    |          |              | 4.7x                      | 2.6x    | 2.0x    | 0.7x     |              |
| Debt / UCF                |              |         |         | 4.7x    | 5.1x    | 8.8x               | 5.1x    | 1.1x    |          |              | 5.1x                      | 2.7x    | 2.0x    | 0.7x     |              |
| Fixed Charge Coverage     |              |         |         |         |         |                    | 0.6x    | 7.9x    |          |              |                           |         | 3.6x    | 11.1x    |              |
| Sales Growth              |              | 22%     | 25%     | 22%     | 31%     |                    | 25%     | 31%     | 22%      |              |                           | 33%     | 33%     | 27%      |              |
| EBITDA Growth             |              | (27%)   | (137%)  | 129%    | 199%    |                    | (38%)   | 67%     | 44%      |              |                           | 84%     | 31%     | 39%      |              |
| GM %                      | 72%          | 74%     | 80%     | 78%     | 78%     | 78%                | 77%     | 78%     | 79%      |              | 78%                       | 79%     | 78%     | 80%      |              |
| EBITDA %                  | (36%)        | (22%)   | 6%      | 12%     | 27%     | 27%                | 13%     | 17%     | 38%      |              | 27%                       | 38%     | 37%     | 50%      |              |
| UCF %                     | (36%)        | (22%)   | 6%      | 12%     | 27%     | 25%                | 12%     | 16%     | 38%      |              | 25%                       | 36%     | 36%     | 50%      |              |
| FCF %                     | (36%)        | (22%)   | (13%)   | (1%)    | 40%     |                    | 8%      | 12%     | 35%      |              |                           | 32%     | 33%     | 47%      |              |
| CapInv/EBITDA             | 0%           | 0%      | 303%    | 105%    | (45%)   |                    | 39%     | 29%     | 8%       |              |                           | 15%     | 13%     | 6%       |              |
| Maint. Cap Ex             |              |         |         |         |         |                    | \$100   | \$100   | \$100    |              |                           | \$100   | \$100   | \$100    |              |
| Growth Cap Ex             |              |         |         |         |         |                    | 100     | 100     | 100      |              |                           | 100     | 100     | 100      |              |
| Incr (Decr) in WC         |              |         | 562     | 446     | (569)   |                    | 109     | 177     | 276      |              |                           | 160     | 193     | 390      |              |
| CapInv                    |              | 562     | 446     | (569)   |         |                    | 309     | 377     | 476      |              |                           | 360     | 393     | 590      |              |
| CapInv / EBITDA Δ         |              | 82%     | 186%    | (67%)   |         |                    | (63%)   | 72%     | 27%      |              |                           | 34%     | 54%     | 23%      |              |

**ENVIRONMENTAL, SOCIAL, GOVERNANCE & VALUES (ESG+V) MATRIX**

| Grades | Environmental – B | Social – B | Governance – B | Values – B |
|--------|-------------------|------------|----------------|------------|
|--------|-------------------|------------|----------------|------------|



**HemaTerra's Market Size**

| USD in millions        |  | Market Size |      | CAGR |
|------------------------|--|-------------|------|------|
|                        |  | 2018        | 2023 |      |
| Addressable Market     |  | \$42        | \$48 | 3%   |
| Penetrated Market      |  | \$18        | \$30 | 11%  |
| Market Penetration - % |  | 43%         | 62%  |      |
| HemaTerra Revenue      |  | \$5         | \$15 | 26%  |
| Market Share - %       |  | 11%         | 31%  |      |

## INVESTMENT STRATEGY OVERVIEW

|   |   |
|---|---|
| <b>Why Do We Want To Buy This Business?</b> | <p><u>High Quality Product Suite and Reputation</u> – HemaTerra wins and competes on its ability to provide high quality products that integrate well with one another as well as with third-party BECS software, as opposed to outdated solutions like many of its competitors. HemaTerra appears to be the niche leader in offering a robust suite of software solutions outside of BECS. <u>Serving a Complex Supply Chain</u> – The blood and plasma collection industry is a complex ecosystem of parties that include donors, blood collection centers, plasma centers, hospitals, and pharmaceutical companies. HemaTerra’s products improve the donor experience and engagement and help collection centers with supply chain management (e.g., save time, decrease liability, increase usage, optimize staffing). <u>High Recurring Revenue with Exceptional Customer Retention Rates</u> – 95% of revenue is recurring from subscription fees (75% of revenue) and usage fees (20%). Gross ARR and net ARR retention averaged 99% and 108%, respectively, from 2014-2017. Logo retention averaged 98% from 2014-2018. <u>Attractive Financial Profile</u> – Revenue has grown at a 25% CAGR from 2014-2018E, albeit off a small base. EBITDA margin has grown from negative to 27% over the same period. HemaTerra has a contribution margin of ~75% and has minimal capex. <u>Diverse, Blue-Chip Customer Base</u> – The top 1 and 10 customers represent 11% and 42%, respectively, of recurring revenue. <u>History of Successful New Product Development and Commercialization</u> – It is impressive that a company with six developers has been able to develop, launch, and successfully sell so many new products. HemaTerra has done an excellent job of identifying open market opportunities that it can quickly fill with high-quality solutions.</p>   |
| <b>What Will We Do With It?</b>             | <p><u>Continued New Customer Wins</u> – There are ~35 independent blood collection organizations, ~370 hospital-based blood center organizations, and ~25 plasma donation organizations that HemaTerra has yet to penetrate with a single product. <u>Upsell Customer Base Existing Products</u> – There is a ~\$7mm upsell opportunity if existing customers purchased all existing modules. Just with this upsell opportunity, HemaTerra could get to ~\$12mm of revenue and \$4-5mm of EBITDA. <u>Commercialize and Expand HemaCollect into a Broader Solution</u> – HemaTerra launched HemaCollect in July 2018 and has significant promise to unseat legacy Haemonetics software that most blood centers use for mobile blood drive and staff scheduling. There is a long-term product development opportunity to turn it into a more robust workforce management/HCM software solution for blood center staff, with additional functionality such as complex staffing scheduling (shift swaps, trades, auto fills) and recruiting. <u>Continued New Product Development</u> – There are many new product development opportunities such as: training/learning management solution specific to the blood center market, partnering to get integrated functionality for automated payments to plasma donors, BECS software for blood centers and plasma centers, donor questionnaires, and additional marketing automation solutions. <u>Add-on Opportunities</u> – HemaTerra could consolidate market share, expand its product suite for the blood collection and plasma donation industry, and/or move into new end markets via acquisition. There are many small private companies that could be targets. <u>Expand Into Adjacent Medical Niches</u> – There is an opportunity to acquire similar businesses serving adjacent niche medical industries that have the need for CRM and/or supply chain software involving interactions of donors, medical intermediaries, hospitals, and patients (e.g., stem cell, organ transplant, tissue, and bone marrow). <u>Pricing Opportunity</u> – HemaTerra has not optimized pricing via its standard price list to new customers or price increases to existing customers. There is an opportunity to increase prices without adversely affecting customer retention and still delivering a compelling value proposition, especially once customers adopt 3-5 modules since they will be very sticky and reliant on HemaTerra for a broad portion of their operation and staff.</p> |
| <b>What Keeps Us Up At Night?</b>           | <p><u>Decreasing Demand for Blood / Consolidation Among Blood Collection Centers</u> – Over the last several years there has been significant consolidation among blood collection centers as they have faced pressure due to a decrease in demand for blood, which decreases the number of potential customers. <u>Mitigant:</u> Since HemaTerra has large market share among the largest blood centers, it is the beneficiary of the consolidation as its customers tend to be the consolidators. Given HemaTerra’s pricing model, consolidation does not meaningfully reduce the market size. Decline in blood demand has meant blood centers need to be more efficient with their operations due to lower revenue, and HemaTerra’s software helps with this. The plasma market is experiencing rapid growth due to high demand from pharmaceutical companies. <u>Small Core Market</u> – HemaTerra’s core market is only \$42mm. <u>Mitigant:</u> HemaTerra is well-positioned to capture a large share of the existing TAM, as well as expand its TAM by introducing more products, either organically or via acquisition. HemaTerra can also enter into adjacent industries, which would more than triple the existing TAM. <u>Small Dollar Growth</u> – Revenue has only increased by \$2.7mm in aggregate from 2014-2018E. <u>Mitigant:</u> HemaTerra has not had a full product portfolio available for sale for a long time. HemaTerra is gaining momentum with existing customers beginning to adopt additional modules. Due to the lack of a sales team and the CEO’s prior relationships in the blood center industry, HemaTerra has not actively targeted hospital-based blood centers. Through investing in a sales team and continuing to add new functionality, HemaTerra should be able to grow revenue more substantially. <u>Limited Infrastructure</u> – HemaTerra has a very thin team and will require significant additional investments in team and infrastructure, including a CFO, VP of Sales, a sales team, and more developers. <u>Mitigant:</u> HemaTerra has had success with minimal resources and has clearly been efficient with their product development efforts. The RMCF case includes all of the above additions during our hold period. The current CEO and COO are strong and will rollover equity.</p>   |

## COMPANY OVERVIEW

|                                |   |
|--------------------------------|---|
| <b>Products</b>                | HemaTerra provides web-based software for blood collection centers, plasma centers, and hospital-based blood centers. The software is used for donor recruitment, order entry/inventory management, equipment management, quality compliance, and mobile drive and staff scheduling.  |
| <b>Customers</b>               | Customers include independent blood collection organizations, plasma donation organizations, and hospital-based blood centers. The Company serves 54 customers throughout the U.S., including 8 of the top 10 blood collection organizations (e.g., OneBlood and New York Blood Center). The top 1 and 5 customers represent 11% and 27% of recurring revenue, respectively.  |
| <b>Suppliers</b>               | HemaTerra performs all software development in-house. No major suppliers.   |
| <b>Industry Primer</b>         | The addressable market for HemaTerra’s current software modules is \$42mm, with \$18mm penetrated. There are numerous opportunities to expand the market by developing or acquiring related software sold to the same customer base (e.g., the market for BECS software is \$90mm+) and/or entering tangential markets such as organ or tissue. A key focus will be to expand the addressable market to \$75-100mm prior to our exit.   |
| <b>Competitive Environment</b> | Larger competitors with outdated software include Haemonetics, MAK Systems, and WellSky (fka Mediware), all of whom focus their software efforts on BECS software which is an FDA-regulated blood supply management system for blood collectors and sells for a much higher price than ancillary solutions. Smaller competitors (often <\$5mm revenue and 1-2 point solution modules) include BloodHub, BBBS, Bloodsolutions, Donor Dialogue, Sigma Blood Systems, MPulse Software, Q-Pulse, and Master Control. Importantly, there is no SaaS-based innovative competitor that has a wide range of product modules for the blood center market aside from HemaTerra. |



**To:** RMCF Investment Committee  
**From:** Loren Schlachet, Joe Manning, Garrett Monda, and Sara Mostatabi  
**Date:** January 14, 2019

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### **Deal Overview**

RMCF V is seeking LOI approval to acquire HemaTerra, LLC (“HemaTerra” or the “Company”) for up to \$30mm in cash at close, which represents 23.6x 2018E EBITDA of \$1.3mm, 6.5x 2018E revenue of \$4.6mm, and 5.2x 2019E revenue of \$5.8mm. Importantly, there is over \$500K of recurring revenue growth from new customers and upsells of existing customers that is already contracted to start in 2019, which helps de-risk the 2019 growth forecast and makes that figure highly relevant for valuation purposes. While the valuation represents a high revenue multiple, this is based on a very low base of revenue as the Company is still very small and young in its development. The Company has slowly been building its product suite via internally generated cashflow and customer funded R&D. The Company is well positioned for much larger dollar revenue growth as it now has a broad product suite and an installed base of customers to upsell, as well as an exceptional industry reputation. The deal team views this transaction as a toe-hold to build a larger medical software company focused on niches that are not competitive with the big EMR or generic CRM solutions and involve a variety of constituents, including donors, intermediaries (e.g., blood centers, volunteers), and hospitals. The most relevant markets include cord blood banking, organ transplantation, stem cells, tissue, and bone marrow. RMCF expects to fund the deal with \$6.0mm in third-party debt, \$22.8mm of equity from RMCF V, and \$4.0mm of seller rollover. RMCF would own 85% of the primary shares and 75% on a fully diluted basis. A 13% option pool (inclusive of 3% for operating resources) will be put in place.

### **Business and Product Overview**

Founded in 2012, HemaTerra provides web-based software for blood collection centers, plasma donation centers, and hospital-based blood collection centers. HemaTerra’s customers collect blood and blood components (e.g., plasma, platelets, and red cells) from donors, process the material, and then sell them to hospitals and pharmaceutical companies on an as-needed basis. See Appendix C for an overview of the blood and plasma collection process. Blood collection and plasma donation centers are responsible for recruiting donors (whole blood is only donated whereas plasma can be paid for), managing staffing requirements, maintaining equipment and product quality control, and managing and forecasting inventory needs. The Company’s modules are accessible across all devices (e.g., desktop, tablet, and mobile). The Company offers the following modules:

- *HemaConnect – CRM (49 customers as of January 2019, 75% of ARR)* – In May 2012, the Company launched with the release of this CRM solution which helps customers communicate with, engage, and retain donors. The product helps recruitment staff run campaigns to recruit the right product from the right donor at the right time based on their customers’ (i.e., hospitals’) needs. Functionality includes campaign scheduling, donor experience reports, conversion opportunities, email blasts, automated marketing campaigns, and prospect marketing, as well as text-based messaging and an integrated VOIP dialer that helps blood center tele-recruiting call centers keep pace with inventory levels, monitor tele-recruiter performance, and eliminate caller downtime. The Company also sells a native mobile app for an upsell price of ~40% to the base desktop product (with high potential as only 22% of HemaConnect customers are subscribed to the mobile app). HemaConnect is utilized by donor recruitment staff, account reps, driver coordinators, and management.
- *HemaControl – Order Entry and Inventory Management (12 customers, 5% of ARR)* – In October 2012 the Company launched HemaControl as an add-on module that includes an (i) online order entry solution so that hospitals can place orders with the blood center online, and (ii) a real-time inventory management solution that allows customers to create forecasting models and integrate the data with current inventory levels and recruitment efforts. HemaControl provides information pertaining to standing and ad hoc orders, returns, back orders, as well as specialty products and services. The direct paying customers for this product are blood collection centers and hospital-based blood centers, but ~750 hospitals are users of the product via

placing orders with HemaControl customers on this platform, as well as demand planning and tracking. Inbound calls to the blood center drop by as much as 90% with HemaControl since hospitals can place their orders and check the blood center's inventory online via HemaControl. \$1.3mm upsell opportunity within existing customers.

- *HemaComply: Lab Manager – Quality Management. (16 customers, 12% of ARR)* – In May 2013, the Company launched HemaComply: Lab Manager, a quality management system module that allows customers to design custom quality control plans for their blood center operation and track execution as each step is recorded and completed. Reduces and eliminates manual data entry by reading test results from several digital sources, such as hematology analyzers, scales, pH meters, and leukoreduction devices. This product is utilized by lab staff. \$1.5mm upsell opportunity within existing customers.
- *HemaComply: Equipment Manager (10 customers, 1% of ARR)* – In October 2016, the Company released its equipment manager module that allows customers to oversee the scheduling, review, and documentation of preventative maintenance activities to ensure blood center equipment compliance and to support safe products and services. Customers can manage maintenance activities and calibration to ensure that critical equipment is never out of specification and alerts are addressed in ample time to maintain compliance. It serves as a hub to input data, manufacturer specification, configuration and testing values, and documentations. \$0.4mm upsell opportunity within existing customers.
- *HemaCollect – Mobile Drive and Staff Scheduling (11 customers, 7% of ARR)* – Launched in July 2018, HemaCollect allows customers to manage blood drives and schedule staff, which has some complexity given 70% of collections are via mobile sites at third-party locations (e.g., church, corporate office park, community center) and often include a combination of paid employees and volunteers. The software helps customers organize blood drives, determine staff schedules, and track information for each drive, as well as track employee and volunteer information. Additionally, HemaCollect assists with donor-flow by aligning donor appointments and center appointments to match drive and center staffing needs. This is an exciting new product that has a lot of room for further expansion (both in terms of functionality and pricing), and already has 15 customers signed up to five-year contracts. While the current product has basic staff and volunteer scheduling functionality, management sees an opportunity to develop a much more advanced human capital management/staffing scheduling solution for the blood center market. This product will also drive upsells of the mobile app as mobile usage of the product will be applicable to all customers. The Company worked with the Alliance for Community Transfusion Services (“ACTS”) (member organization comprised of 12 blood centers), which contributed ~\$250k toward the development of HemaCollect and assisted with the design of the new module. In return for their capital contributions, the members of ACTS influenced the product design and received discounted pricing on the module, however, they must also sign five-year contracts for HemaCollect. 10 of the blood collection center members of ACTS are scheduled to go-live with HemaCollect in early 2019. HemaCollect is utilized by collections staff. \$1.2mm upsell opportunity within existing customers based on existing pricing, but this product's price could eventually double or triple as it expands into a much broader staff management solution.

| <b>Revenue Breakdown</b>                |                |                |                |                |                |                |                  |
|---|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <i>(\$000s)</i>                         | <b>2013A</b>   | <b>2014A</b>   | <b>2015A</b>   | <b>2016A</b>   | <b>2017A</b>   | <b>2018E</b>   | <b>% 18 Rev.</b> |
| Software Subscriptions                  | \$1,109        | \$1,463        | \$1,867        | \$2,341        | \$2,795        | \$3,495        | 75%              |
| Recurring Usage Fees                    | 243            | 416            | 354            | \$484          | \$622          | \$919          | 20%              |
| Non-Recurring Service Revenue           | 126            | 39             | 110            | 91             | 135            | 224            | 5%               |
| <b>Total Revenue</b>                    | <b>\$1,478</b> | <b>\$1,918</b> | <b>\$2,331</b> | <b>\$2,916</b> | <b>\$3,552</b> | <b>\$4,638</b> | 100%             |
| % Growth in Total Revenue               |                | 30%            | 22%            | 25%            | 22%            | 31%            |                  |
| Recurring Revenue as % of Total Revenue | 91%            | 98%            | 95%            | 97%            | 96%            | 95%            |                  |

In 2018E, 75% of HemaTerra's revenue is recurring from subscription fees, 20% of revenue is recurring from usage fees (related to the donor management telephony communication functionality), and the remaining 5% is from implementation and service revenue (implementations typically take 90-120 days). HemaTerra charges customers a monthly subscription fee per module based on a variety of factors (e.g., the number of users, organizational size, complexity, and number of products purchased), which range from \$12k to \$200k+ per module. HemaTerra also

charges usage fees for VOIP-call and text messages; the Company charges \$0.06 per minute for cloud calls and either \$0.04 or \$0.015 per 160-character text message sent or received depending on whether the customer uses advanced texting features (e.g., intelligent delivery, text dashboards, etc.). This revenue is recurring as customers continually run campaigns and the Company does not interface with third-parties that could be used for text messages and calls (i.e., a customer would manually have to export data from HemaConnect). The Company delivers calls and text messages through a third-party vendor, Plivo, which works directly with local carriers in over 100 countries to connect to over 1,600 carrier networks globally. Most customer contracts are five years in length and are billed monthly in arrears. The Company's contracts include auto-renewal and no outs provisions; however, price increases cannot be implemented until time of contract renewal. The Company has not regularly implemented price increases historically because they were concerned about getting established in the industry and winning key customer logos. Now that they are a well-established and highly respected vendor, management believes there is an opportunity to increase prices. As of August 2018, subscription and usage fee ARR averaged \$68k and \$34k, respectively, per customer.

### **Customers**

HemaTerra serves 54 customers including independent blood collection organizations (89% of revenue, 79% of customers, examples include OneBlood, New York Blood Center, and SunCoast Blood Bank), plasma donation organizations (9% of revenue, 12% of customers, examples include CSL Plasma and Octapharma Plasma), and hospital-based blood centers (2% of revenue, 9% of customers, examples include Dartmouth-Hitchcock and Children's Hospital Colorado). HemaTerra's customer is the parent organization, which in many cases manages numerous individual collection centers. HemaTerra's customer base includes eight of the top ten largest blood collection organizations such as OneBlood, Versiti, and Oklahoma Blood Institute, however, does not include the two largest blood collection organizations – American Red Cross and Vitalant. Penetration in the hospital-based blood center market is very low because management has historically focused on the independent blood center market due to their established relationships with those customers via a prior company. HemaTerra is in late-stage discussions with the National Institutes of Health to sign a three-module deal for HemaComply, HemaConnect, and HemaComply: Equipment Manager. The Company's modules are used by customers on a daily basis, often many times throughout the day. The below chart illustrates ARR by customer.

| <b>HemaTerra Top Customer ARR</b>          |                |                |                |                |                  |               |
|--|----------------|----------------|----------------|----------------|------------------|---------------|
|  |                |                |                |                | <b>% Aug. 18</b> |               |
| (\$ 000s)                                  | <b>2014</b>    | <b>2015</b>    | <b>2016</b>    | <b>2017</b>    | <b>Aug. 18</b>   | <b>ARR</b>    |
| OneBlood                                   | 92             | 92             | 85             | 123            | 485              | 10.5%         |
| Oklahoma Blood Institute                   | 289            | 259            | 241            | 220            | 266              | 5.8%          |
| Heartland Blood Centers                    | 102            | 110            | 199            | 186            | 174              | 3.8%          |
| Alliance for Community Tranfusion Services | –              | –              | –              | –              | 167              | 3.6%          |
| The Blood Connection                       | –              | –              | 101            | 109            | 160              | 3.5%          |
| Customer 30                                | 94             | 102            | 158            | 138            | 152              | 3.3%          |
| Blood Center of Wisconsin                  | –              | 128            | 204            | 163            | 151              | 3.3%          |
| Gulf Coast Regional Blood Center           | 117            | 117            | 144            | 144            | 149              | 3.2%          |
| Mississippi Valley Regional Blood Centers  | –              | –              | –              | 101            | 138              | 3.0%          |
| Carter Bloodcare                           | 110            | 119            | 145            | 124            | 118              | 2.6%          |
| <b>Top 10 Customers</b>                    | <b>804</b>     | <b>928</b>     | <b>1,277</b>   | <b>1,308</b>   | <b>1,961</b>     | <b>42.4%</b>  |
| <b>All Others</b>                          | <b>984</b>     | <b>1,354</b>   | <b>1,691</b>   | <b>2,183</b>   | <b>2,668</b>     | <b>57.6%</b>  |
| <b>Total ARR</b>                           | <b>\$1,789</b> | <b>\$2,282</b> | <b>\$2,968</b> | <b>\$3,492</b> | <b>\$4,629</b>   | <b>100.0%</b> |

Since inception, the Company has lost only 4 customers. As shown in the chart below, HemaTerra has had exceptional customer logo retention rates averaging 98%. The gross and net ARR retention rates have averaged 99% and 108%, respectively. The primary reasons customers leave include (i) being acquired by non-customers or (ii) going out of business. If a blood collection center is acquired by another blood collection center that is a pre-existing blood collection center customer, the licenses for those users are ultimately still purchased just by a different entity.



Additionally, when a customer is acquired by another customer, contracts are auto-renewed for three years under a pricing agreement which is neutral to the Company (i.e., HemaTerra does not lose revenue from consolidation). OneBlood's recent ARR growth shown above is driven by its switch from an external vendor that managed their VOIP-call and text messages to HemaTerra's automated solution, which generates recurring usage fees. HemaTerra began transitioning OneBlood's VOIP-call and text message volume to the Company's carrier in June 2018 and now handles all of OneBlood's texting services, which will have a full year revenue impact in 2019 (~\$150k increase from 2018 to 2019). An exciting part of this deal is the upsell opportunity within existing customers, which is evidenced by the growing momentum of adoption in the past several months. Since August 2018, the Company has upsold six existing customers on the HemaCollect module (five-year contracts; \$230k of annual contract value), five existing customers on the native mobile app (five-year contracts; \$96k of annual contract value), and one new customer on HemaConnect and HemaComply (five-year contract; \$83k of annual contract value) – which are ARR increases not shown in the above table. The Company appears to have done an excellent job of finding niche opportunities to develop new products that solve an unmet need in the market.

| HemaTerra Recurring Revenue Walk - Wins and Losses <sup>(1) (2)</sup> |         |         |         |         |               | HemaTerra Customer Count Retention |      |      |      |      |      |
|---|---------|---------|---------|---------|---------------|------------------------------------|------|------|------|------|------|
| (\$000s)  | 2014    | 2015    | 2016    | 2017    | YTD<br>Aug-18 |                                    | 2014 | 2015 | 2016 | 2017 | 2018 |
| Recurring Revenue from Prior Year                                     | \$1,442 | \$1,789 | \$2,282 | \$2,968 | \$3,492       | Beginning Customers                | 17   | 21   | 27   | 34   | 44   |
| Plus: Change from Retained Cust.                                      | 144     | 74      | 370     | 122     | 714           | Plus: New Customers                | 4    | 6    | 7    | 11   | 7    |
| Plus: Recurring Rev. from New Cust.                                   | 202     | 420     | 317     | 481     | 601           | Less: Lost Customers               | –    | –    | –    | (1)  | (3)  |
| Less: Recurring Rev. from Lost Cust.                                  | –       | –       | –       | (80)    | (177)         |                                    |      |      |      |      |      |
| Ending Recurring Revenue  | \$1,789 | \$2,282 | \$2,968 | \$3,492 | \$4,629       | Ending Customers                   | 21   | 27   | 34   | 44   | 54   |
| Gross Recurring Revenue Retention                                     | 100%    | 100%    | 100%    | 97%     | 95%           |                                    |      |      |      |      |      |
| Net Recurring Revenue Retention                                       | 110%    | 104%    | 116%    | 101%    | 115%          | Customer Count Retention           | 100% | 100% | 100% | 97%  | 93%  |

(1): Chart above combines both subscription and usage revenue.

(2): YTD Aug-18 revenue losses include two lost customers in Q3/Q4 2018, one of which went out of business and the other of which claims to be building a system in-house. These revenue losses are reflected in the figures above.

## **Sales and Marketing**

The Company employs a small marketing team consisting only of a marketing manager who is responsible for all marketing efforts including email marketing campaigns, tradeshow, and user conference activities. The Company does not have a formal sales function or team. Sales are led by the CEO. HemaTerra generates new leads through management's existing relationships in the industry as well as through industry events, web announcements, email marketing, and referrals. Currently, there are no sales reps that are proactively targeting new customers. There is an opportunity to (i) increase the number of customers through pro-actively targeting hospital-based blood collection centers and (ii) educate and upsell existing customers on add-on modules that are not currently receiving any marketing attention. The sales cycle takes ~six months with most sales processes being non-RFP, however, the Company claims to have never lost to a competitor in a competitive RFP when a customer made a selection. RMCF anticipates hiring a VP of Sales (included in historical adjusted EBITDA due to the thin executive team) and additional sales reps to support growth initiatives, particularly within the hospital-based blood center market.

## **IT and Operations**

The software/technology model is quasi SaaS – the Company maintains a single but separate codebase for each of the products and keeps all customers on the current or two-prior versions of the software, but the hosting model varies by customer: 45% of customers host themselves on-premise, 50% are hosted remotely by COGECO through HemaTerra, and 5% are on the public AWS cloud. Each customer has a separate instance of the codebase, but the process for pushing out updates is not complicated. Each module is built relatively separately but fully integrated with each other. Software is developed by the in-house six-person product development team. The Company incorporates user feedback during the product development and software update processes. Some of HemaTerra's modules contain patient information subject to HIPAA. Additionally, according to industry experts and a product demo, the platform has a modern UI, compares favorably to competitors, and integrates well with BECS software, which is the third-party FDA regulated software provided by several other companies that blood centers use for managing their blood supply chain (e.g., testing results, donor information, and blood custody records). BECS is

software designed to be used in blood establishments and is intended for use in the diagnosis of disease or other conditions in donors, or in the prevention of disease in humans by preventing the release of unsuitable blood and blood components. BECS is a mature market with 100% market penetration and dominated by three large competitors (Mak-System, WellSky (f/k/a Mediware), and Haemonetics). BECS software typically sells for over \$100k and sometimes over \$1mm per year per customer due to its complexity and highly regulated nature. BECS software needs FDA 510(k) clearance because it contains detailed medical records and is the system of record for the blood custody supply chain. HemaTerra does not compete with BECS software, but receives and utilizes information from BECS software. See Growth Opportunities for additional discussion of BECS.

### **Management and Employees**

HemaTerra employs 17 full-time employees and 1 part-time employee across product development (6), client services (5), IT (3), management (2), marketing (1), and accounting (1 part-time). The majority of the Company's employees (14 full-time; 1 part-time) work out of the Company's office in Baltimore, MD; 3 employees work remotely in Jacksonville, FL (1 – Todd Collins), Seattle, WA (1), and Rochester, NY (1). Ownership is 57% Todd Collins (CEO & Founder), 24% Simon Dawson (COO / Chief Product Officer), and 19% three other shareholders. There is a small team at HemaTerra that will need to be expanded with additional senior and mid-level employees during the early stages of our hold period (although compensation for a CFO and VP of Sales have already been proforma'd into the historical EBITDA).

| <b>Management</b>   | <b>Grade</b> | <b>Notes</b>  |
|---|--------------|---|
| <b>Todd Collins</b><br><i>CEO</i><br>\$425k in RMCF model                               | B+           | <ul style="list-style-type: none"> <li>Co-founded HemaTerra in 2012; previously founded Integrated Marketing Solutions blood center donor management software, which he sold to WellSky in 2007 when it had \$3-4mm of revenue. Todd stayed at WellSky for several years to run their blood center software division and grew it to over \$20mm of revenue before leaving to found HemaTerra.</li> <li>Lives in Jacksonville, FL, but spends significant time in Baltimore HQ office.</li> <li>57% owner; desire to roll equity and remain CEO.</li> <li>Responsible for managing customer relationships and business development.</li> </ul> |
| <b>Simon Dawson</b><br><i>COO / Chief Product Officer</i><br>\$300k in RMCF model       | B+           | <ul style="list-style-type: none"> <li>Co-founded HemaTerra in 2012; previously served as director of software engineering at WellSky (including overseeing BECS) and in a similar role at IMS with Todd.</li> <li>24% owner; desire to roll equity and remain in his existing role.</li> <li>Responsible for product development and IT. &lt;40 years old.</li> </ul>  |
| <b>Mike Deming</b><br><i>VP of Client Relations</i><br>\$120k (\$85k base, \$35k bonus) | B            | <ul style="list-style-type: none"> <li>Joined HemaTerra in August 2012; previously served as account executive management at IMS with Todd. After IMS acquisition, Mike served as an account supervisor at Marriner Marketing Communications.</li> <li>Responsible for managing client relationships and client services staff.</li> </ul>  |

### **Industry and Competition**

The annual addressable market for HemaTerra's current software modules in the U.S. and Canada is ~\$42mm million, of which 43% is penetrated with software solutions (although a larger portion of the penetrated market is using single point solutions for one module or outdated software). However, this \$42mm market size excludes BECS software, which would add \$90mm+ to the addressable market if HemaTerra were to develop and launch an FDA approved BECS solution during our hold period, which we intend to do. The market is comprised of independent blood collection centers (~80 organizations, 1 of which is the American Red Cross who accounts for ~50% of blood collection volume), plasma collection centers (~30 organizations and dominated by a handful of large companies with sites across the U.S.), and hospital-based blood centers (~375 potential HemaTerra customers). Some of the ~375 potential hospital customers are chains with multiple facilities. While most hospitals use blood, there are ~375 hospital organizations that are registered with the FDA to process blood, including those that (i) collect blood and also sell to other hospitals (~67), (ii) collect blood for internal use only (~35), (iii) test and sell blood collected by third-parties to other hospitals (~118), and (iv) test third-party blood for internal use only (~155). Category (i) hospitals are most relevant to HemaTerra since they function just like an independent blood center whereas category

(ii-iv) hospitals are relevant to a more limited set of HemaTerra products and/or receive more limited benefit from them. HemaTerra is penetrated with some of the most likely large customers (e.g., eight of the top ten independent blood collection organizations). HemaTerra's unpenetrated portion of the market largely consists of hospital-based blood centers and smaller blood centers. In the U.S., management estimates there are ~35 blood collection organizations, ~375 hospital-based blood center organizations, and ~25 plasma donation organizations that are potential customers not using any of the Company's modules. The success in the blood center market has largely been due to the CEO's prior experience in that market selling to and serving those companies while at IMS and WellSky. He did not have much experience dealing with hospital-based blood centers, and so has not focused on that market to-date as the blood centers were the easiest and fastest sales for him to pursue due to his strong reputation and relationships in that market.

| <b>HemaTerra's Core Market Size by Customer Type</b> |                        |      |      |                        |      |      |                      |      |
|--|------------------------|------|------|------------------------|------|------|----------------------|------|
| (\$ in mm)   |                        |      |      |                        |      |      |                      |      |
|  | Adressable Market (\$) |      |      | Penetrated Market (\$) |      |      | Mkt. Penetration (%) |      |
|  | 2018                   | 2023 | CAGR | 2018                   | 2023 | CAGR | 2018                 | 2023 |
| Blood Collection Organizations                       | \$18                   | \$18 | —    | \$10                   | \$13 | 6%   | 55%                  | 73%  |
| Plasma Donation Organizations                        | \$6                    | \$9  | 10%  | \$3                    | \$6  | 18%  | 49%                  | 70%  |
| Hospital-based Blood Center Organizations            | \$18                   | \$21 | 3%   | \$6                    | \$10 | 14%  | 30%                  | 50%  |
| Total  | \$42                   | \$48 | 3%   | \$18                   | \$30 | 11%  | 43%                  | 62%  |

Demand for the Company's solutions is driven by blood centers and hospitals experiencing increased pressure to improve efficiencies, reduce costs, improve donor experiences, and advance patient outcomes, as well as adopt technology to replace manual processes or disparate spreadsheets. Within blood centers, some of HemaTerra's products have limited whitespace (e.g., most blood centers have a CRM system drive management/staff scheduling software), while others have significant whitespace (e.g., many blood centers are using paper and Excel for order entry, inventory management, equipment management, and quality management). Over the last several years there has been significant consolidation among blood collection centers, as red cell usage continues to decline driven by less invasive procedures as well as better blood management by hospitals. Blood collections have declined from 17mm donations in 2009 to 14mm in 2017 and are projected to further decline modestly before leveling off. Experts have stated that red cell usage is beginning to stabilize and with that consolidation may level off among blood centers. Plasma centers, on the other hand, are experiencing growth driven by high demand for plasma products from biotech companies for R&D and production purposes, as well as an increase in price per unit. Plasma donations have grown from 22mm in 2009 to 42mm in 2017 and are projected to grow further by high single digits to low double digits per year over the next several years. A key focus during due diligence and our hold period will be to expand the addressable market size to \$75-100mm prior to our exit. See Growth Opportunities for additional color on these opportunities that represent an expansion of the total addressable market.

HemaTerra competes directly with other blood and plasma software providers. Larger competitors include Haemonetics (\$938mm revenue public company; largely sells equipment and consumables to blood centers and hospitals, as well as BECS software), MAK Systems (France HQ; main focus is BECS software), and WellSky (f/k/a Medware, a diversified healthcare IT company with blood center software as a small portion of revenue; over \$200mm total revenue; recently sold by Thoma Bravo to TPG Capital). These competitors focus their software efforts on BECS software which is an FDA-regulated blood supply management system for blood collectors and sells for a much higher price than the Company's ancillary solutions. BECS is a mature market for blood collection but a growth market opportunity for plasma centers, which is of interest to HemaTerra. BECS competitors, such as WellSky, have expanded into donor management software and other modules via add-on acquisitions (such as acquiring the CEO's prior company). Haemonetics is not doing any product development outside of BECS software and therefore has dated modules that HemaTerra has had great success displacing. HemaTerra has also had great success at replacing WellSky's LifeTrak (donor recruitment) product with HemaConnect. An attractive aspect of this market is that these three big BECS players are not innovating and have disparate, disconnected old software modules that are ripe for replacement by HemaTerra. HemaTerra also competes against smaller competitors (often <\$5mm revenue) that offer 1-2 of the modules offered by HemaTerra, such as BloodHub (supply chain/order entry software), Blood Bank Computer Systems (order entry, donor recruitment, BECS), Bloodsolutions (order entry, inventory management), Donor Dialogue (donor management CRM; Glencoe Capital), Sigma Blood Systems



(quality control management and data analysis solutions targeted at blood centers and bio-tech firms), Calimex (donor management), MPulse Software (quality and compliance management; subsidiary of JDM Technology Group UK Limited), Q-Pulse (quality and compliance management; subsidiary of Ideagen), and Master Control (equipment management). Many of these are small founder-owned companies that represent logical add-on acquisitions. Importantly, there is no SaaS-based innovative competitor that has a wide range of product modules for the blood center market aside from HemaTerra. The market consists of either the big, outdated BECS players or the really small niche 1-2 product modules point solution competitors. These competitive dynamics are a key reason we are excited about this deal. See Appendix D for more details on competitors.

## **Financial Overview**

| <b>SUMMARY FINANCIALS</b>  |                   |                |                |                |                |                       |                |                |                 |                 |
|----------------------------|-------------------|----------------|----------------|----------------|----------------|-----------------------|----------------|----------------|-----------------|-----------------|
| <i>FYE 12/31, \$000s</i>   | <b>Historical</b> |                |                |                |                | <b>Riverside Case</b> |                |                |                 |                 |
|                            | <b>2014A</b>      | <b>2015A</b>   | <b>2016A</b>   | <b>2017A</b>   | <b>2018E</b>   | <b>2019P</b>          | <b>2020P</b>   | <b>2021P</b>   | <b>2022P</b>    | <b>2023P</b>    |
| <b>Total Revenue</b>       | <b>\$1,918</b>    | <b>\$2,331</b> | <b>\$2,916</b> | <b>\$3,552</b> | <b>\$4,638</b> | <b>\$5,816</b>        | <b>\$7,615</b> | <b>\$9,628</b> | <b>\$12,124</b> | <b>\$14,832</b> |
| Total Revenue Growth %     |                   | 22%            | 25%            | 22%            | 31%            | 25%                   | 31%            | 26%            | 26%             | 22%             |
| <b>Contribution Profit</b> | <b>1,372</b>      | <b>1,723</b>   | <b>2,333</b>   | <b>2,781</b>   | <b>3,604</b>   | <b>4,392</b>          | <b>5,757</b>   | <b>7,345</b>   | <b>9,319</b>    | <b>11,491</b>   |
| Contribution Margin %      | 72%               | 74%            | 80%            | 78%            | 78%            | 76%                   | 76%            | 76%            | 77%             | 77%             |
| Operating Expenses         | 2,058             | 2,226          | 2,147          | 2,355          | 2,331          | 3,608                 | 4,449          | 4,855          | 5,377           | 5,800           |
| <b>EBITDA</b>              | <b>(\$686)</b>    | <b>(\$503)</b> | <b>\$186</b>   | <b>\$426</b>   | <b>\$1,273</b> | <b>\$784</b>          | <b>\$1,308</b> | <b>\$2,490</b> | <b>\$3,942</b>  | <b>\$5,691</b>  |
| EBITDA Margin %            | NM                | NM             | 6%             | 12%            | 27%            | 13%                   | 17%            | 26%            | 33%             | 38%             |
| Total CapEx*               |                   |                |                |                |                | 200                   | 200            | 200            | 200             | 200             |

Contribution margin % is projected to decline slightly in 2019 as commissioned sales reps are hired (no commission paid currently).

\*Historical CapEx has not been provided but is said to be minimal, consisting of servers and computers.

HemaTerra has grown revenue at a 25% CAGR from 2014-2018E. Growth has predominately come from adding customers, as well as upselling additional modules. For example, the average ARR per customer has grown from \$48k in 2012 to \$89k as of August 2018. In addition, the Company has nearly doubled the customer base from 27 at YE 2015 to 52 as of August 2018. Management has run the business extremely conservatively on pricing and price increases as it has focused on establishing a customer base and strong reputation among the larger blood centers. Now is the time for a much more aggressive approach to growth, which the management team is very supportive of pursuing. Historical adjusted EBITDA adjusts Todd's (CEO) compensation to \$425k and Simon's (COO) compensation to \$300k, and adds \$275k for a CFO, \$300k for a VP of a Sales, and \$75k for audit fees.

From 2018-2023, the Riverside Case projects 26% annual revenue growth, while EBITDA is expected to reach \$6.0mm. 2019 projections above are highly achievable as \$650k of recurring revenue growth is already locked in for 2019 via \$150k increase from the full year impact of OneBlood's usage fees and \$500k from new customers and upsells booked before YE 2018. Growth is expected to be driven primarily by additional customers, upselling existing modules, and developing new products. Furthermore, there is an opportunity to increase prices given the Company's sticky customer relationships, entrenched position, and in some cases meaningfully lower price points as compared to the competition. However, price increases will be limited by multi-year contracts that lock in pricing. The Riverside Case adds over \$2mm of operating expenses in the first two years of ownership to add a sales team and accelerate product development, which will likely include a combination of hiring more developers in Baltimore and offshore product development. There may be an opportunity to leverage Baker Hill India, or another offshore resource, to accelerate product development and create multiple new products (e.g., a BECS) in the early part of our hold period. An outsourced team of 6-10 engineers from Baker Hill would cost ~\$20 per hour on average, inclusive of overhead fees, and would need ~2-3 months to scale up. While growth beyond the non-core products is more speculative, the Company should be able to capitalize on some of the multiple growth opportunities in order to hit or exceed our 26% growth CAGR target. EBITDA margin is expected to scale to 38% in 2023 due to operating leverage from contribution margins of 77%.

## **Growth Opportunities**

### **Continued New Customer Wins**

There are ~35 potential blood collection organizations (including the two largest blood collection organizations), ~370 potential hospital-based blood center organizations, and ~25 plasma donation organizations within the Company's core target customer base that HemaTerra has yet to penetrate with a single product, albeit many are smaller organizations. The Company has grown with no sales force, relying predominately on the CEO's existing relationships with independent blood centers. HemaTerra has not historically targeted hospital-based blood centers, instead relying on inbound leads, so this is an untapped market, although one that will require an expensive sales force with experience selling to hospitals. There is an opportunity to add a sales team to go after new customers within the hospital and plasma market, as well as European markets.

### **Upsell Customer Base Existing Products**

There is a ~\$7mm upsell opportunity if existing customers purchased all of the Company's existing modules. HemaTerra has a history of expanding its product offering, releasing four additional modules since inception, and is underpenetrated with most modules. Just with this upsell opportunity to existing customers, the Company could get to ~\$12mm of revenue and \$4-5mm of EBITDA (although that assumes 100% penetration of all modules).

### **Commercialize and Expand HemaCollect into a Broader Solution**

The Company recently launched HemaCollect in July 2018, and already has 15 customers signed up to five-year contracts (revenue starting in 2019), some of which helped fund and collaborate on the development of the product. This product has significant promise to unseat legacy Haemonetics software that most blood centers (90% market share) are currently using for mobile blood drive and staff scheduling. In addition, this module represents a long-term product development opportunity to turn it into a more robust workforce management/HCM software solution for blood center employees and volunteers, with additional functionality such as complex staffing scheduling (shift swaps, trades, auto fills) and recruiting. Aside from the existing staff scheduling that the module currently does, this module can eventually include much more advanced functionality similar to the scheduling and workforce management software that Qgenda has for physicians, OnShift has for nurses and other staff at long-term care facilities, and Arcos/RosterApps has for utilities and airlines. The average ARR of this product could exceed the ARR of all other products once all of the functionality is fully built out.

### **Continued New Product Development**

There is an opportunity to develop a training/learning management solution specific to the blood center market. For example, there is compliance and quality control training that all staff members must undergo each year. HemaTerra will be well positioned to eventually add this to its offering.

Additional new product development opportunities include: partnering to get integrated functionality for automated payments to plasma donors (similar to Greenphire's automated payment solution for clinical trial participants) (~\$10mm market opportunity), BECS software for blood centers (\$50mm+ U.S. market opportunity), BECS software for plasma centers (\$40mm+ market opportunity), donor questionnaires (~\$4mm market opportunity), leveraging RFID technology to track blood through the supply chain, or additional marketing expertise to aid customers. As an example, adding functionality for payments to plasma donors would be a simpler version of what Greenphire does for clinical trials. Paying plasma donors is a timely and difficult task for the plasma donation centers which is currently handled via basic reloadable debit cards from banks like Chase and Citibank. Developing a full BECS solution is a larger opportunity for growth and one that the deal team thinks could be a great fit for a larger scale outsourced offshore development project. Management estimates a blood center BECS system could be built in 24 months at a cost of ~\$1.5-2.0mm. While BECS is a mature market, the three players that own this market have very outdated solutions that are not integrated into the rest of the software modules that blood centers are using. As more of the blood centers adopt a wider range of the HemaTerra modules, there is an increasingly compelling opportunity for them to eventually switch a HemaTerra BECS so that all the medical, CRM, staffing, quality control, and equipment software is integrated in one platform.

### Add-on Opportunities

HemaTerra could consolidate market share, expand its product suite for the blood collection and plasma donation industry, and/or move into new end markets via acquisition. As laid out in Appendix D, there are multiple acquisition angles to pursue. For example, there is an opportunity to enter the BECS market with a small provider such as IT Synergestics, which has ~\$2mm of revenue and is owned by a consortium of blood collection organizations. This would bring with it embedded customers to whom HemaTerra could cross-sell other modules. BloodSolutions provides an online platform that connects blood centers to a nationwide network of hospitals and enables blood centers to more easily distribute and sell their inventory on hand (and reduce waste) and hospitals to supplement their existing suppliers and eliminate deferred or delayed procedures due to local blood inventory shortages. Title 21 sells equipment management software to hospitals, laboratories, tissue centers, and blood centers, among other industries as well as other quality management solutions including audit management, error management, document management, and incident reporting. This is a more advanced version of HemaComply: Equipment Manager. This acquisition would expand HemaTerra's product offering as well as move the Company into the part of the blood supply chain it does not currently have a large presence in as well as into adjacent industries. Other examples of potential blood collection and plasma donation focused software targets include BloodHub (~\$3mm revenue; market leader for order entry software between blood centers and hospitals; direct competitor to HemaControl), Healthcare ID (~\$5mm revenue; donor screening software market leader with an existing contract with the American Red Cross), Donor Dialogue (provides donor recruiting software; competitor to HemaConnect), Sigma Blood Systems (offers quality control management and data analysis solutions targeted at blood centers and bio-tech firms), and Master Control (general equipment management software catering to regulated industries like blood, organ, and tissue procurement). Most of these are small (<\$7mm revenue) privately owned companies with niche products.

### Expand Into Adjacent Medical Niches

There is also an opportunity to acquire similar businesses serving adjacent niche medical industries that have the need for CRM and/or supply chain software involving interactions of donors, medical intermediaries, hospitals, and patients, such as stem cells, organ transplants, tissue, and bone marrow donations. While some of these adjacent markets also have a small addressable market, they have similar complex ecosystems and needs as the blood center industry and represent logical fits for a broader software company platform build-up, which would then be attractive at exit to larger healthcare IT companies. Entering these niche adjacent markets would allow the Company to further penetrate the target hospital customer base as there are ~250 organ transplant hospitals in the U.S., and many more use tissue. For example, Medsleuth (\$4mm revenue) provides organ transplant centers/clinics software that allow them to monitor and maintain patient data and comply with regulatory mandates, which represents a ~\$75mm market opportunity. Medsleuth is an actionable add-on being sold by the same investment bankers as HemaTerra (put sale process on hold until 2019). OTTR provides software to hospital and private practice clients including (i) a patient tracking application and patient centric record system for solid organ transplant centers; (ii) a long-term clinical follow-up system for the management of bone marrow transplant patients; and (iii) a software solution to manage patients who receive ventricular assist devices. Transplant Connect provides electronic medical records software and clinical enterprise management systems for the organ, eye donation and transplantation markets, as well as software solutions for donor and medical registries, quality management, research and analytics, and biologics tracking. StemSoft Software offers information management, quality assurance, and regulatory compliance software to cord blood centers, cellular therapy processing labs, and related clinical markets. Champion Healthcare Technologies and TrackCore provide software that allows hospitals to track and manage tissue and implantable devices within their facilities (Censis has explored expanding into this). The market for tissue and implantable device management software in hospitals represents a ~\$75mm market opportunity. HemaTerra could more than double its total addressable market via just one of these add-ons into a new medical specialty.

### Pricing Opportunity

According to management, the Company has focused its efforts on gaining market share and new customers, and as such has not optimized pricing via its standard price list to new customers or price increases to existing customers. Some customers are on the same pricing as when they signed up 5+ years ago. Management believes there is an opportunity to increase prices without adversely affecting customer retention and still delivering a compelling value proposition to customers, especially once customers adopt 3-5 modules each since they will be very sticky and reliant on HemaTerra for a broad portion of their operation and staff. Furthermore, according to management and industry

experts, some of the Company's modules are priced below competitive products. For example, one industry expert noted that Haemonetics' eDonor donor recruitment module is priced 30-50% higher than HemaConnect. This price increase opportunity is further supported by HemaTerra's high customer retention and reputation in the market.

### **Investment Considerations**

#### *High Quality Product Suite and Reputation*

- The Company wins and competes on its ability to provide high quality products that integrate well with one another as well as with third-party BECS software, as opposed to offering outdated solutions like many of its larger competitors. As such, HemaTerra appears to be the niche leader in offering a robust suite of software solutions to blood collection and plasma donation centers outside of the BECS solution. The Company has successfully identified niche needs and filled them with modern software.
- The Company's niche leadership is evidenced by its ability to win 8 of the top 10 largest blood center organizations in the U.S. even though it is a very small company. Industry experts provided very favorable feedback on the CEO and Company, which is supported by exceptional customer retention rates.

#### *Serving a Complex Supply Chain*

- The blood and plasma collection industry is a complex ecosystem of parties that include donors (provide the blood and plasma), blood collection centers (procure and process blood donations from donors; sell blood to hospitals), plasma centers (procure, process, and pay for plasma from donors; sell plasma to pharma/biotech companies), hospitals (purchase inventory to use as needed; sometimes act as their own blood center), and pharmaceutical companies (purchase plasma for use in R&D or commercialized product production, sometimes operate plasma centers). HemaTerra's products improve the donor experience and engagement and help collection centers with supply chain management (e.g., save time, decrease liability, increase usage, optimize staffing).

#### *High Recurring Revenue with Exceptional Customer Retention Rates*

- In 2018E, 95% of revenue is recurring from subscription fees (75% of revenue) and usage fees (20% of revenue).
- HemaTerra's gross ARR and net ARR retention have averaged 99% and 108%, respectively, from 2014-2017. Customer logo retention has averaged 98% from 2014-2018. For a customer using all modules, 80-90% of their employees would be using at least one HemaTerra module as part of their job.

#### *Attractive Financial Profile*

- Revenue has grown at a 25% CAGR from 2014-2018E, albeit off a small base. EBITDA margin has grown from negative to 27% over the same period. The Company generates a contribution margin of ~75% and has minimal capex.

#### *Diverse, Blue-Chip Customer Base*

- The Company has a diverse, blue-chip customer base. In YTD Aug-2018, the top 1, 5, and 10 customers represented 11%, 27%, and 42%, respectively, of subscription and usage fees. The Company serves eight of the top ten blood collection organizations, including OneBlood and New York Blood Center.

#### *History of Successful New Product Development and Commercialization*

- It is very impressive that such a small company with just a six person development team has been able to develop, launch, and successfully sell so many new products during the last six years. The Company has done an excellent job of identifying open market opportunities that it can quickly fill with high quality software solutions. The Growth Opportunities section above highlights several additional similar opportunities that will broaden the addressable market and provide upsell opportunities during our hold period and for the next owner.

### **Risks**

#### *Decreasing Demand for Blood / Consolidation Among Blood Collection Centers*

**Issue:** Over the last several years there has been significant consolidation among blood collection centers as they have faced pressure due to a decrease in demand for blood. Consolidation decreases the number of potential customers for HemaTerra's products. This has been driven by less blood usage as a result of less invasive procedures as well as better blood management by hospitals.

- Mitigant: Since HemaTerra has large market share among the largest blood centers, it is the beneficiary of the consolidation as its customers tend to be the consolidators. Given the Company's pricing model, consolidation does not meaningfully reduce the market size. When customers merge, contracts auto-renew for three years and pricing is adjusted. Conversely, management believes there is an opportunity to continue displacing point solutions as large blood centers, most of whom are already the Company's customers, will transition the acquired centers to HemaTerra's solutions. Additionally, the decline in blood demand has meant that blood centers need to be more efficient with their operations due to lower revenue, and the Company's software helps with this.
- Mitigant: The plasma market is experiencing rapid growth due to high demand from pharmaceutical companies for plasma. While this market is dominated by a handful of large organizations, the fast growth in this market could draw new entrants, or at least allow HemaTerra to charge more given the larger scale of customers.

#### *Small Core Market*

Issue: The core market of U.S. blood collection organizations, hospital-based blood centers, and plasma donation organizations for HemaTerra's suite of current software solutions is only ~\$42mm. Increasing the TAM will be contingent upon expanding into new products not within the existing product roadmap and/or into adjacent medical specialty markets, which may require add-on acquisitions to successfully complete.

- Mitigant: HemaTerra is well-positioned to capture a very larger share of the existing \$42mm addressable market, which provides significant runway given the Company has under \$5mm of revenue currently. The Company could get to \$15mm of revenue in its existing market with its existing products, which would generate at least \$6mm of EBITDA and a high return for RMCF.
- Mitigant: The Company can expand its addressable market by introducing more products, either organically or via acquisition targeting its existing market (such as BECS software, online training & compliance for blood center staff, and/or payments solution for plasma centers and donors). Additionally, there could also be an opportunity to expand into adjacent industries (e.g., organ transplant, stem cell, and biologics), which would more than triple the existing TAM.

#### *Small Dollar Growth*

Issue: Although the Company has grown revenue at a 25% CAGR from 2014-2018E, revenue has only increased by \$2.7mm in aggregate. To generate an attractive return on our investment, we would need to significantly increase the revenue dollar growth each year.

- Mitigant: The Company is young and has not had a full product portfolio available for sale for a long time. HemaTerra has continually introduced new products since inception, including one in 2016 and one in 2018. As mentioned above, the Company is gaining momentum with existing customers beginning to adopt additional modules and is poised for growth. There is a ~\$7mm upsell opportunity within existing customers. Adding a BECS, for example, which is higher-priced, would expand the revenue potential with each customer by 2-3x+, so converting just a small portion of customers would significantly accelerate dollar revenue growth.
- Mitigant: Due to the lack of a sales team and the CEO's prior relationships in the blood center industry, the Company has not actively targeted the hospital-based blood center market. The sales function at HemaTerra is underdeveloped and has relied on the CEO. Through the growth initiatives mentioned above, including investing in a sales team and continuing to add new functionality, the Company should be able to grow revenue more substantially going forward.

#### *Limited Infrastructure*

Issue: HemaTerra has a very thin team, with only two employees outside of the CEO and COO making over \$100k. The Company does not have a formal sales team or outbound sales and marketing function and has only six FTEs in product development. The Company will require significant additional investments in team and infrastructure under RMCF ownership, including a CFO, VP of Sales, a sales team, and more developers.

- Mitigant: The Company has had a lot of success with minimal team members and resources. They have clearly been highly efficient and productive with their product development efforts since the output of such a small team has been very impressive. The CEO, COO/CPO, and Marketing Manager previously worked with each other at IMS and WellSky in a very similar business.
- Mitigant: The RMCF case includes all of these additions during our hold period, including a CFO and VP of sales proforma'd into historical EBITDA.

### **Appendix A – RMCF Investment Criteria**

| <b><u>Investment Criteria</u></b>  | <b><u>Yes/No</u></b> | <b><u>Comments</u></b>   |
|--|----------------------|--|
| Platforms with \$0.0 million to \$10.0 million of pro-forma EBITDA and UCF.  | Yes                  | 2018E EBITDA of \$1.3mm and UCF of \$1.2mm.  |
| Stand alone platform company model must generate at least a 25% gross IRR assuming an exit multiple equal to the entry multiple.   | No                   | The Riverside Base Case generates an IRR of 23.3% assuming an exit multiple of 14x EBITDA (implied revenue multiple of 5.4x, which is lower than our entry multiple).  |
| In operation for a minimum of 3 years, with historical 3 year revenue CAGR of no less than 7.0% and a prospective revenue growth rate of no less than 10.0%.   | Yes                  | Founded in 2012 with a 3-year revenue CAGR of 26% from 2015–2018E. Riverside is projecting a 26% CAGR from 2018E–2023.   |
| A clear and credible strategy must be presented to the Investment Committee prior to close indicating how the Company, by exit, will (1) achieve \$10.0 million of EBITDA through add-ons and / or organic growth (2) be an appealing target at exit to 10 pre-identified buyers, preferably strategic and (3) Achieve multiple expansion of at least 1.0x UCF.  | No / Yes             | See “Growth Opportunities”. The Company is already an attractive asset to a number of buyers and has the opportunity to reach \$10mm of EBITDA by expanding its customer base, selling new products to the existing customer base, and doing one or multiple add-ons. Due to the small starting point, add-ons will be needed to get to \$10mm of revenue in our hold period. For conservatism, we do not assume multiple expansion. |
| Adhere to a strict policy of no single customer representing over 30% of a company’s contribution dollars or no two customers representing greater than 50% of a company’s contribution dollars.   | Yes                  | HemaTerra’s top customer represents 11% of Aug-2018 ARR and its top ten represent 42%.   |
| Technology risk which poses a threat to the core revenue stream of a company will be avoided. However, technology risk that threatens a company’s perceived upside growth opportunities is acceptable.   | Yes                  | Not an industry receiving significant attention and investment from medium or large sized software companies or PE/VC firms.   |
| Delivers goods or services that represent an attractive value proposition for its customers in an absolute sense and relative to competing goods and services while maintaining attractive margins. Companies that are (1) earning outsized economic returns relative to the value of the services or products being offered (2) the beneficiaries of short term imbalances in supply and demand (3) benefiting from a “fad” and (4) competing in a sector where there is a real risk of a paradigm shift that will threaten the company’s value proposition, will be avoided. | Yes                  | See Investment Considerations – “High Quality Product Suite and Reputation”.   |
| Companies that face or have the potential to face low cost foreign competition that (1) do not possess or cannot quickly and economically achieve a low cost position and (2) do not either have a strong brand or difficult to replicate form of distribution, are to be avoided.   | Yes / No             | Customers can be price sensitive given they are under pressure due to decreasing demand. However, this software is important to their operations.  |
| Regulatory risk acceptable only when there is a powerful value proposition for all parties.  | Yes                  | Not a risk.  |
| Supplier concentrations acceptable so long as alternative source of supply is available.   | Yes                  | Not a risk.  |
| Will consider platform acquisitions based only in North America.   | Yes                  | Headquartered in Baltimore, MD.  |



|   |          |  |
|---|----------|--|
| Base foundation of management; willing to purchase companies without strong management  | Yes / No | CEO and COO appear to be strong, however, see Risk – “Limited Infrastructure”.   |
| At least 35 employees.  | No       | The Company has 17 FTEs.   |
| Companies that are experiencing meaningful organic contribution dollar growth and positioned to realize significant earnings increase within 3 years after purchase due to operating leverage.                                | Yes      | EBITDA is projected to scale to 38% in 2023 due to operating leverage.   |
| Companies that possess “recurring” revenue streams (royalties, maintenance fees, razor / razor blade concepts, subscription revenue, brand loyalty that pulls thru products, unique patented products that create pull thru). | Yes      | See Investment Considerations – “High Recurring Revenue with Strong Retention”.  |
| Companies that possess a unique and differentiated business model or product/service offering, resulting in barriers to entry and strong margins.   | Yes      | See Investment Considerations – “High Quality Product Suite and Reputation”.   |
| Companies that can benefit from a rapid restructuring of their cost structure or business model.  | Yes      | See Investment Consideration – “Opportunity to Invest in Sales & Marketing”.   |
| Companies operating in growing industries which contain a reasonable level of acquisition opportunities at attractive valuations.   | Yes / No | See Investment Considerations – “Add-on Opportunities”. See Risks – “Decreasing Demand for Blood / Consolidation Among Blood Collection Centers” |
| Companies that do not operate in industries that are cyclical, or that operate in cyclical industries currently at or near a trough.  | No       | The need for blood and plasma is not cyclical.   |

### **Appendix B – RMCF Software Investment Criteria**

*1 = Does not meet criteria*

*2 = Meets criteria with caveats*

*3 = Meets criteria*

| <b><u>Investment Criteria</u></b>                          | <b><u>Ranking</u></b> | <b><u>Comments</u></b>   |
|--|-----------------------|--|
| Recurring Revenue - SaaS-like <u>Revenue</u> Model         | 3                     | 95% recurring revenue from subscription fees (75%) and recurring usage fees (20%).   |
| Modern Architecture – SaaS-like <u>Technology</u> Platform | 2                     | Single code base with all customers on one of the three last versions. Each customer has a separate instance of the code, but deploying updates is relatively seamless. 45% of customers are hosted on-premise, 50% are hosted remotely by COGECO through HemaTerra, and 5% are on the public AWS cloud. Offers a native mobile app for HemaConnect. According to industry experts and a product demo, the platform has a modern UI, compares favorably to competitors, and integrates well with BECS. |
| Underpenetrated Market With Strong Customer Activity       | 2                     | Within blood centers, some of HemaTerra’s products have limited whitespace, for example most blood centers have a CRM system drive management/staff scheduling software, while others have significant whitespace, for example many blood centers are using paper and Excel for order entry, inventory management, equipment management, and quality management. The blood center market is consolidating due to decreased demand for blood. The plasma center market is increasing.                   |
| New Customer Acquisition - Historical and Projected        | 2                     | The Company has added 20 net new customers from 2016 to YTD August 2018 and has lost four customers since inception. The Company currently serves 54 customers and there are ~80 potential independent blood centers, ~375 hospital-based centers, and ~30 plasma centers that the Company can sell its products to.   |

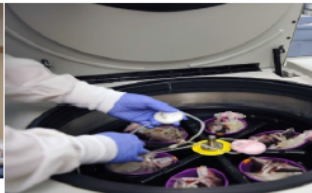
|                            |   |  |
|----------------------------|---|--|
| Customer Retention         | 3 | From 2014-2018, customer retention averaged 98%. HemaTerra has lost four customers since inception. The Company has never been replaced by a competitor and typically has five-year contracts. Gross and net ARR retention averaged 99% and 108%, respectively, from 2014-2017. Note, however, that many customers are on five-year contracts so some have never come up for renewal.  |
| Low Customer Concentration | 3 | As of Aug-2018, the top 1, 5, and 10 customers represented 11%, 27%, and 42% of ARR, respectively.   |
| High Contribution Margins  | 3 | The Company generates contribution margin of ~75%.   |
| Mission Critical Product   | 3 | The Company's products improve the donor experience and engagement and help collection centers with supply chain management (e.g., save time, decrease liability, increase usage, optimize staffing, etc.) Customers' employees use HemaTerra's software multiple times throughout the day.  |
| Data Aggregation           | 2 | The Company's modules help customers with inventory management and forecasting, staffing management, equipment maintenance, quality control, and donor recruitment – all of which require data aggregation from various parties.   |
| High Switching Costs       | 2 | Experts suggest it is painful for customers to switch software vendors. This shows up in the strong retention.   |
| Low Level of Module Risk   | 3 | The Company offers a suite of product modules, while most competitors only offer one or two modules. There is potential module risk with BECS systems, but those players are not focused on adding new products or functionality.  |
| Network Effect             | 1 | None known, although there could be a small network effect with the order entry portal. However, it appears most hospitals purchase from only one or a small number of blood centers.  |
| Add-On Acquisitions        | 3 | There are numerous small companies selling software to HemaTerra's target customer base that could be acquisition targets that would increase market share and/or add new functionality. Examples include BloodHub, DonorDialogue, and Sigma Blood Systems. In addition, add-ons could help expand into adjacent markets with similar supply chain dynamics such as tissue, stem cell, and organ. For example, StemSoft Software provides tissue centers, hospitals, labs, and pharmaceuticals with cell therapy software that allows customers to manage inventory and supplies, donor collection, patient charts, etc. Or Medslueth, which provides patient engagement software to transplant centers. |
| Perceived Exit Options     | 2 | BECS providers like Haemonetics or WellSky are potential buyers as they can use the acquisition of HemaTerra to broaden their product portfolio and better serve the needs of their customers. Strategics serving other healthcare end-markets could also be interested in adding a leading player in another medical specialty.   |
| Rule of 40                 | 3 | Rule of 40 = 56%. Recurring revenue from subscription and usage fees is projected to grow 29% year-over-year in 2018E and adjusted EBITDA margin is 27%.   |

# The Blood and Plasma Collection Process is Complex

The blood and plasma donation process, from its collection in centers to its transfusion into patients, is immensely complex, with many regulated steps and tests to ensure that the collected product is safe, correct, and helps as many people as possible.



- You arrive for your blood or plasma donation appointment.
- Health history and mini physical are completed.
- For a donation, about 1 pint of blood is collected; several small test tubes of blood are also collected for testing.
- The "whole blood" donation procedure takes about an hour, but the actual donation takes around 8-10 minutes.
- Donating an automated donation is a longer process than donating whole blood.
- Your donation, test tubes and your donor record are labeled with an identical bar code label.
- Your donation is kept on ice before being taken to a center for processing; the test tubes go to the lab.



- At the processing center, information about your donation is scanned into a **BECS (Blood Establishment Computer System)**;
- Most whole blood donations are spun in centrifuges to separate it into transfusable components: red cells, platelets, and plasma.
- Plasma may be processed into components such as cryoprecipitate, which helps control the risk of bleeding by helping blood to clot.
- Red cells and platelets are leuko-reduced, which means your white cells are removed in order to reduce the possibility of the recipient having a reaction to the transfusion.
- Each component is packaged as a "unit," a standardized amount that doctors will use when transfusing a patient.



- In parallel with Step 2, your test tubes arrive at a testing laboratory.
- A dozen tests are performed, to establish the blood type and test for infectious diseases.
- Test results are transferred electronically to the processing center within 24 hours.
- If a test result is positive, your donation will be discarded and you will be notified (test results are confidential and are only shared with the donor, except as may be required by law).



- When test results are received, units suitable for transfusion are labeled and stored.
- Red cells are stored in refrigerators at 6°C for up to 42 days.
- Platelets are stored at room temperature in agitators for up to five days.
- Plasma and cryo are frozen and stored in freezers for up to one year.



- Blood is available to be shipped to hospitals 24 hours a day, 7 days a week.
- Hospitals typically keep some blood units on their shelves, but may call for more at any time, such as in case of large scale emergencies.
- Blood centers typically have donors in a handful times a year, with the same donor having the ability to perform Whole Blood donations every 56 days
- Plasma donors are able to make donations every 2-3 days.



- Blood transfusions are given to patients in a wide range of circumstances, including serious injuries (such as in a car crash) surgeries, child birth, anemia, blood disorders, cancer treatments, and many others.
- A patient suffering from an iron deficiency or anemia may receive red blood cells to increase their hemoglobin and iron levels, improving the amount of oxygen in the body.
- Patients who are unable to make enough platelets, due to illness or chemotherapy, may receive platelet transfusions to stay healthy.
- Plasma transfusions are used for patients with liver failure, severe infections, and serious burns.

## Appendix D – Competitive Landscape and Potential Add-on Targets

| Blood and Plasma Software Competitors / Potential Add-ons |  |                  |                   |        |      |        |       |                          |             |            |                        |      |       |
|---|--|------------------|-------------------|--------|------|--------|-------|--------------------------|-------------|------------|------------------------|------|-------|
| Company   | Ownership / Size   | Potential Add-on | End Market Served |        |      |        |       | Software Modules Offered |             |            |                        |      |       |
|   |  |                  | Blood             | Plasma | Cell | Tissue | Other | Donor Recruit.           | Order Entry | Inv. Mgmt. | Compliance/ Qlty Mgmt. | BECS | Other |
| HemaTerra   | Private; \$4.6mm of rev.   |                  | ✓                 | ✓      |      |        |       | ✓                        | ✓           | ✓          | ✓                      |      |       |
| Haemonetics   | Public; \$940mm of rev.  |                  | ✓                 | ✓      |      |        |       | ✓                        | ✓           | ✓          | ✓                      | ✓    | ✓     |
| Wellsky (fka Mediware)                                    | TPG Capital<br>~\$200mm rev.   |                  | ✓                 | ✓      | ✓    |        | ✓     | ✓                        | ✓           | ✓          | ✓                      | ✓    | ✓     |
| Mak-System Inc.   | Private; France  | ✓                | ✓                 | ✓      | ✓    | ✓      | ✓     | ✓                        | ✓           | ✓          | ✓                      | ✓    | ✓     |
| Donor Dialogue  | Subsidiary of Dialogue Direct  | ✓                | ✓                 | ✓      |      |        | ✓     | ✓                        |             |            |                        |      | ✓     |
| Soft Computer Consultants                                 | Private  | ✓                | ✓                 |        |      |        | ✓     | ✓                        |             | ✓          |                        |      | ✓     |
| Calimex   | Private  | ✓                | ✓                 |        |      |        | ✓     | ✓                        | ✓           |            |                        |      | ✓     |
| Hemasoft  | Subsidiary: GPI SpA; \$4mm 2016 rev; Spain                                   |                  | ✓                 | ✓      | ✓    | ✓      | ✓     | ✓                        |             | ✓          | ✓                      |      | ✓     |
| Blood Bank Computer Systems                               | Private  | ✓                | ✓                 | ✓      |      |        |       | ✓                        | ✓           |            | ✓                      | ✓    | ✓     |
| Healthcare ID   | Private; ~\$5mm of rev.  | ✓                | ✓                 |        |      |        |       | ✓                        |             |            |                        |      | ✓     |
| BloodHub  | Private; ~\$3mm of rev.  | ✓                | ✓                 |        |      |        |       |                          | ✓           |            | ✓                      |      | ✓     |
| Sigma Blood Systems                                       | Private  | ✓                | ✓                 |        |      |        |       |                          |             | ✓          | ✓                      |      | ✓     |
| Bloodsolutions (Bloodbuy)                                 | Growth Equity (\$4mm): Premier, Inc. and Providence St. Joseph Health System | ✓                | ✓                 |        |      |        |       |                          | ✓           | ✓          |                        |      | ✓     |
| IT Synergistics   | Consortium of blood centers; ~\$2mm of rev.                                  | ✓                | ✓                 |        |      |        |       |                          | ✓           |            |                        | ✓    | ✓     |
| MKM Health  | Private; Australia   | ✓                | ✓                 |        |      |        | ✓     |                          |             | ✓          |                        |      | ✓     |
| Title 21 Health Solutions                                 | Private  | ✓                | ✓                 |        |      | ✓      | ✓     | ✓                        |             | ✓          | ✓                      |      | ✓     |
| Master Control  | VC: InnoVentures<br>~\$30mm 2015 rev   | ✓                | ✓                 |        |      | ✓      |       |                          | ✓           | ✓          | ✓                      |      |       |
| MPulse Software   | Subsidiary JDM Technology Group  |                  | ✓                 |        |      |        | ✓     |                          |             |            | ✓                      |      | ✓     |
| Ideagen (Q-Pulse)   | Public; \$50mm of rev; United Kingdom  |                  | ✓                 |        |      | ✓      | ✓     |                          |             |            | ✓                      |      | ✓     |
| MediaLab (Document Control)                               | Private; ~\$4mm of rev.  | ✓                | ✓                 |        |      |        |       |                          |             |            | ✓                      |      | ✓     |
| Pilgrim Quality Solutions                                 | Subsidiary IQVIA Holdings  |                  | ✓                 | ✓      |      | ✓      | ✓     |                          |             |            | ✓                      |      |       |
| Terumo BCT  | Subsidiary Terumo Corp; Japan  |                  | ✓                 |        |      |        | ✓     |                          | ✓           |            | ✓                      |      | ✓     |
| S3 Edge   | Private  | ✓                | ✓                 |        |      |        | ✓     |                          |             |            |                        |      | ✓     |
| Digi-Trax Corporation                                     | Private  | ✓                | ✓                 |        | ✓    | ✓      | ✓     |                          |             |            |                        |      | ✓     |

## Appendix D – Potential Add-on Targets Outside of the Blood Center Market

| Add-On Targets Focusing on Ancillary Markets |   |                  |                   |        |      |        |             |                          |             |            |                        |      |       |
|--|---|------------------|-------------------|--------|------|--------|-------------|--------------------------|-------------|------------|------------------------|------|-------|
| Company                                      | Ownership / Size                          | Potential Add-on | End Market Served |        |      |        |             | Software Modules Offered |             |            |                        |      |       |
|  |   |                  | Blood             | Plasma | Cell | Tissue | Organ/Other | Donor Recruit.           | Order Entry | Inv. Mgmt. | Compliance/ Qlty Mgmt. | BECS | Other |
| Transplant Connect                           | VC: Investors Circle                      | ✓                |                   |        |      | ✓      | ✓           | ✓                        |             | ✓          |                        |      | ✓     |
| StemSoft Software                            | BDC Growth                                | ✓                |                   |        | ✓    | ✓      | ✓           | ✓                        |             | ✓          | ✓                      |      | ✓     |
| Freezerworks                                 | Private                                   | ✓                |                   |        | ✓    |        |             |                          |             | ✓          | ✓                      |      | ✓     |
| OTTR, Inc.                                   | Argenta Partners                          | ✓                |                   |        |      | ✓      |             |                          |             | ✓          | ✓                      |      |       |
| Champion Healthcare Tech.                    | Jump Capital; ~\$10mm rev                 | ✓                |                   |        |      | ✓      | ✓           |                          |             | ✓          |                        |      | ✓     |
| TrackCore                                    | Private; ~\$10mm rev                      | ✓                |                   |        |      | ✓      | ✓           |                          |             | ✓          |                        |      | ✓     |
| Tracs4life                                   | Private                                   | ✓                |                   |        |      | ✓      |             |                          |             | ✓          |                        |      | ✓     |
| Medsleuth, Inc.                              | Private; ~\$4mm rev<br>RMCF reviewed 9/18 | ✓                |                   |        |      | ✓      | ✓           |                          | ✓           |            | ✓                      |      | ✓     |
| TransChart                                   | Private                                   | ✓                |                   |        |      | ✓      | ✓           |                          | ✓           |            |                        |      | ✓     |
| EDITLife                                     | Private                                   | ✓                |                   |        |      | ✓      | ✓           | ✓                        | ✓           |            |                        |      | ✓     |

## Appendix D – Competitive Landscape by Product Summary

| <b>HemaTerra Competitive Landscape by Product</b>   |  |  |   |  |
|---|--|--|---|--|
| <u>HemaTerra Product</u>  | <u>Product Category</u>                      | <u>Whitespace Available (1)</u>  | <u>Primary Competitor(s)</u>  | <u>Secondary Competitors</u>   |
| HemaConnect   | CRM, donor recruitment and management        | Low; Mature offering; most all potential customers use something; HemaConnect is stealing market share according to Todd | - HemaTerra has ~50% market share within the independent blood centers<br>- Haemonetics (~15% market share, but losing customers) and Donor Dialogue (~15%) | - Homegrown solutions<br>- Wellsky's Blood Centers software<br>- Soft Computer Consultants<br>- Calimex<br>- Smaller players with basic functionality                                    |
| HemaControl   | Order entry and inventory management         | High; ~30% of blood centers are using some sort of software solution, the rest are using fax, email, phone calls         | - BloodHub is the leader in terms of larger customers   | - Homegrown solutions to automate the hospital ordering are also used, some functionality from other providers<br>- Wellsky's Transfusion software                                       |
| HemaComply: Lab Manager   | Quality management for labs                  | High; Predominately paper based solutions  | - Company is not competing against other players, but it is difficult to get organizations to spend money in the lab; combination of excel and paper        |  |
| HemaComply: Equipment Manager   | Equipment management                         | High; Predominately paper based solutions  | - Title 21 (heavier in hospital market than HemaTerra); robust and more advanced product offering   | - Master Control (not a big winner because takes general equipment manager and applies it to multiple industries; not blood specific)<br>- Ideagen's Qpulse product<br>- Mpulse Software |
| HemaCollect   | Mobile drive management and staff scheduling | Low for base functionality but high for advanced HCM functionality   | - Haemonetics (90% market share); legacy solution that is receiving little to no attention by Haemonetics according to experts                              |  |
| (1) Estimate of the whitespace available from blood organizations not yet using a software solution in this category. |  |  |   |  |



## Appendix E – Industry Expert Discussion Highlights

| Expert   | Highlights  |
|--|---|
| <b>Elizabeth Waltman</b><br><i>COO at South Texas<br/> Blood &amp; Tissue<br/> Center</i>  | <ul style="list-style-type: none"> <li>• HemaTerra is force in the industry; nimble and listen to blood centers; reward early adopters</li> <li>• They have a lot of growth to capitalize on, a lot of organizations that want to bring their solutions on board; the Company might be cash / people poor to be able to get it all done at the velocity that they want, so organizations will just have to wait their turn</li> <li>• Would be beneficial if a vendor was able to provide a software solution to serve blood centers who want to diversify to cellular tissue and provide those exotic products; necessary to track these products in a similar fashion as to how track blood, and much of this currently done manually or by a homegrown solution</li> </ul> |
| <b>Tony Pare</b><br><i>Chief Commercial<br/> Officer at<br/> HemaNext, Former<br/> VP, M&amp;A, Business<br/> Development at<br/> Haemonetics<br/> Corporation</i> | <ul style="list-style-type: none"> <li>• BECS is very sticky; total cost of ownership to change is too high; usually if someone moves away from one of these big players, it is because the service has gotten incredibly bad</li> <li>• Nice to have to deal with one vendor, but it was not essential; when it comes to donor recruitment, the integration is really nice to have as is the case with HemaTerra</li> <li>• Some of the equipment tracking and the quality control processes are done manually - HemaTerra has solutions for both of these</li> <li>• Highly related industries include stem cell collections (growing market) as well as tissue and organs; they both have similar dynamics</li> </ul>  |
| <b>Paul Ruddy</b><br><i>Chief Information<br/> Officer at Central<br/> Jersey Blood Center</i>   | <ul style="list-style-type: none"> <li>• HemaTerra has a good reputation with good market share in the industry; Company understood they needed to get the top 10 centers in order to survive going forward; positioned well</li> <li>• Relationships and reputation are very important in the blood industry; Todd is well respected and was able to secure big customers because of his existing relationships / reputation in the industry</li> <li>• Still unmet needs with inventory management / donor recruitment to adequately capture the products needed; HemaTerra has taken a stab at this, but there still is a need to better automate marketing efforts to drive donor recruitment for the necessary blood products</li> </ul>                                 |
| <b>Paul Mintz</b><br><i>PhD, Senior<br/> Research Scientist</i>  | <ul style="list-style-type: none"> <li>• There has been consolidation within the blood center industry; number of donations is likely to stabilize around the current levels</li> <li>• Pricing for blood mostly stabilized, though, there is talk that ARC will raise prices, in which independent centers will follow suit; this will ultimately help with their cash needs</li> <li>• Cell therapy is a market that has exploded over the last several years; there is an opportunity for software within this industry</li> </ul>   |
| <b>Brian Weinstein</b><br><i>William Blair /<br/> Haemonetics<br/> Coverage</i>  | <ul style="list-style-type: none"> <li>• Haemonetics is not focusing on software development within the blood center segment of its business; run the blood business for cash generation</li> <li>• Over the last few years Haemonetics' blood business declined a few percentage points; a couple years ago it was down close to 20%</li> <li>• Focused on plasma with the release of their new NexGen product; will be looking to complete M&amp;A in plasma in the upcoming year</li> </ul>  |
| <b>Anthony Petrone</b><br><i>Jefferies Investment<br/> Bank / Haemonetics<br/> Coverage</i>  | <ul style="list-style-type: none"> <li>• Haemonetics is almost exclusively focused on their plasma business, shift in their strategy following implementation of new management</li> <li>• Haemonetics is not innovating any of their blood products or software; using this business segment for cash generation</li> <li>• Highly probable that Haemonetics will divest their blood business within the next five years</li> </ul>  |
| <b>Lok Tse</b><br><i>Technical Director,<br/> Blood Bank at<br/> Brigham And<br/> Women's Hospital</i>   | <ul style="list-style-type: none"> <li>• Haemonetics eDonor priced 30-50% higher than HemaConnect</li> <li>• Currently not using anything for donor recruitment, but looking to implement HemaTerra's solutions; known for their donor recruitment software – robust and automates the process</li> <li>• Considering implementing inventory management and equipment management later, but the priority is donor recruitment; all of these processes are currently paper / excel based for their hospital blood center</li> </ul>  |
| <b>Raymond Mouzannar</b><br><i>President &amp; CEO at<br/> Stem Cell Reserve</i>   | <ul style="list-style-type: none"> <li>• Title 21 is the leading provider of tracking software to stem cell and tissue end markets, predominately being sold into the labs</li> <li>• Cord blood is expected to grow at double digit CAGR for the next few years</li> </ul>   |

## Appendix F – Public Comparables

### HemaTerra Public Comparables

As of 01/09/19

(\$ in millions)

| Company                               | Market Cap | Enterprise Value | LTM     |             |         |         | Gross Margin | EBITDA Margin | EBIT Margin | EV / LTM |        |         | 3-Yr Rev. Growth |
|---------------------------------------|------------|------------------|---------|-------------|---------|---------|--------------|---------------|-------------|----------|--------|---------|------------------|
|                                       |            |                  | Revenue | Gross Prof. | EBITDA  | UCF (1) |              |               |             | Revenue  | EBITDA | UCF (1) |                  |
| Healthcare IT Providers               |            |                  |         |             |         |         |              |               |             |          |        |         |                  |
| Allscripts Healthcare Solutions, Inc. | \$1,973    | \$4,186          | \$2,079 | \$1,000     | \$90    | \$58    | 48%          | 4%            | (2%)        | 2.0x     | 46.3x  | NM      | 9%               |
| athenahealth, Inc.                    | \$5,477    | \$5,431          | \$1,311 | \$712       | \$265   | \$220   | 54%          | 20%           | 14%         | 4.1x     | 20.5x  | 24.7x   | 17%              |
| Cerner Corporation                    | \$17,605   | \$17,232         | \$5,213 | \$4,385     | \$1,256 | \$851   | 84%          | 24%           | 16%         | 3.3x     | 13.7x  | 20.3x   | 15%              |
| Computer Programs and Systems, Inc.   | \$368      | \$500            | \$286   | \$158       | \$35    | \$33    | 55%          | 12%           | 9%          | 1.7x     | 14.5x  | 15.0x   | 11%              |
| Haemonetics Corporation               | \$5,278    | \$5,422          | \$939   | \$442       | \$171   | \$49    | 47%          | 18%           | 10%         | 5.8x     | 31.7x  | NM      | (0%)             |
| HealthStream, Inc.                    | \$799      | \$625            | \$260   | \$148       | \$31    | \$25    | 57%          | 12%           | 6%          | 2.4x     | 20.2x  | 24.6x   | 13%              |
| Inovalon Holdings, Inc.               | \$2,236    | \$3,090          | \$506   | \$360       | \$102   | \$67    | 71%          | 20%           | 3%          | 6.1x     | 30.3x  | 46.1x   | 8%               |
| Medidata Solutions, Inc.              | \$4,129    | \$4,025          | \$611   | \$463       | \$89    | \$46    | 76%          | 15%           | 9%          | 6.6x     | 45.0x  | NM      | 18%              |
| Omnicell, Inc.                        | \$2,561    | \$2,702          | \$775   | \$367       | \$77    | \$52    | 47%          | 10%           | 5%          | 3.5x     | 35.1x  | NM      | 18%              |
| Veeva Systems Inc.                    | \$14,023   | \$12,971         | \$811   | \$571       | \$205   | \$198   | 70%          | 25%           | 24%         | 16.0x    | NM     | NM      | 30%              |
| Median                                | \$3,345    | \$4,106          | \$793   | \$452       | \$96    | \$55    | 56%          | 16%           | 9%          | 3.8x     | 30.3x  | 24.6x   | 14%              |
| Average                               | \$5,445    | \$5,618          | \$1,279 | \$861       | \$232   | \$160   | 61%          | 16%           | 9%          | 5.2x     | 28.6x  | 26.1x   | 14%              |

Source: Capital IQ

(1) EBITDA less total capital expenditures.

## Appendix G – Precedent Transactions

### HemaTerra Precedent Transactions

(\$ in millions)

| Date Ann. | Acquirer(s)                        | Target(s)                          | Enterprise Value | LTM Revenue | LTM EBITDA | EBITDA Margin | Enterprise Value / |        |
|-----------|------------------------------------|------------------------------------|------------------|-------------|------------|---------------|--------------------|--------|
|           |                                    |                                    |                  |             |            |               | Revenue            | EBITDA |
| Nov-18    | Veritas Capital                    | Athenahealth, Inc.                 | \$5,639          | \$1,311     | \$265      | 20%           | 4.3x               | 21.3x  |
| Jun-18    | Verscend Technologies              | Cotiviti                           | \$4,167          | \$631       | \$247      | 39%           | 6.6x               | 16.9x  |
| May-18    | Inovalon                           | ABILITY Network                    | \$1,200          | \$140       | \$72       | 52%           | 8.6x               | 16.6x  |
| Apr-18    | BDC Growth                         | StemSoft Software                  | -                | -           | -          | -             | N/A                | N/A    |
| Apr-18    | Roche Holding AG                   | Flatiron Health, Inc.              | \$2,174          | -           | -          | -             | N/A                | N/A    |
| Oct-17    | IQVIA Holdings                     | Pilgrim Quality Solutions          | -                | -           | -          | -             | N/A                | N/A    |
| Feb-17    | TPG Capital                        | Mediware Information Systems       | N/A              | \$150       | \$60       | 40%           | N/A                | N/A    |
| Aug-16    | EQT Partners                       | Press Ganey                        | \$2,245          | \$325       | \$98       | 30%           | 6.9x               | 22.8x  |
| Mar-16    | Allscripts / GI Partners           | Netsmart                           | \$950            | \$200       | \$50       | 25%           | 4.8x               | 19.0x  |
| Feb-16    | ResMed                             | Brightree                          | \$800            | \$113       | \$42       | 38%           | 7.1x               | 18.9x  |
| Feb-16    | IBM Watson Health                  | Truven Health Analytics Inc.       | \$2,566          | \$611       | \$152      | 25%           | 4.2x               | 16.9x  |
| Oct-15    | Quality Systems                    | HealthFusion                       | \$190            | \$31        | \$9        | 28%           | 6.2x               | 22.4x  |
| Sep-15    | Thoma Bravo, LLC                   | MedeAnalytics                      | \$500            | \$100       | -          | -             | 5.0x               | N/A    |
| Aug-15    | IBM                                | Merge Healthcare Incorporated      | \$708            | \$161       | \$28       | 17%           | 4.4x               | 25.4x  |
| Aug-15    | Premier Healthcare Solutions, Inc. | CECity                             | \$400            | \$55        | -          | -             | 7.3x               | N/A    |
| Feb-15    | Sunquest Information Systems, Inc. | Data Innovations                   | \$450            | -           | -          | -             | N/A                | N/A    |
| Jul-14    | The Riverside Company              | Censis Technologies                | \$51             | \$13        | \$3        | 28%           | 4.0x               | 14.7x  |
| May-14    | Summit Partners                    | ABILITY Network                    | \$550            | \$90        | \$40       | 44%           | 6.1x               | 13.8x  |
| Mar-14    | General Atlantic                   | CitusTech (minority stake)         | \$450            | \$75        | -          | -             | 6.0x               | N/A    |
| Sep-13    | Vitera Healthcare Solutions        | Greenway Medical Technologies      | \$632            | \$135       | -          | -             | 4.7x               | N/A    |
| Jan-13    | Athenahealth, Inc.                 | Epocrates, Inc.                    | \$229            | \$109       | \$6        | 5%            | 2.1x               | 40.4x  |
| Nov-12    | Thoma Bravo                        | Mediware Information Systems       | \$153            | \$65        | \$19       | 29%           | 2.4x               | 8.2x   |
| Aug-12    | Roper Industries                   | Sunquest Information Systems, Inc. | \$1,415          | \$196       | \$110      | 56%           | 7.2x               | 12.9x  |
| Mar-12    | Verisk Analytics                   | MediConnect Global                 | \$377            | \$59        | \$22       | 37%           | 6.4x               | 17.5x  |
|           |                                    | Median                             | \$632            | \$124       | \$46       | 30%           | 6.0x               | 17.5x  |
|           |                                    | Average                            | \$1,231          | \$228       | \$76       | 32%           | 5.5x               | 19.2x  |