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# Marpai hunting for buys to consolidate third party-administrators as PE moves into market, CEO says

14:42 EST, February 1 2023

Marpai [NASDAQ:MRAI], a Tampa, Florida-based health plan administration company, is pursuing buys to consolidate third party-administrators, said Edmundo Gonzalez, the CEO.

The company is on the hunt for deals focused on the third-party administrator (TPA) market supporting self-funded employer health plans, the CEO said. Marpai has at least a half dozen potential deals in its pipeline that it is reviewing, explained Gonzalez.

Private equity is also actively consolidating this market, and many mid-market players in the USD 50m to USD 100m range have already been acquired by financial sponsors, he explained. Therefore, Marpai is looking for the smaller deals under PE's radar, where it can "swoop in" and acquire books of business to grow its customer base, he explained.

It will likely execute on buys this quarter or next, he noted. Marpai is considering both tuck-in and larger transformational deals, Gonzalez noted, and its sweet spot ranges between USD 10m to USD 50m in annual recurring revenue.  It is capable of making multiple small acquisitions in a year; however, it would likely only make one buy if it is on the larger scale, he added.

There are hundreds of TPAs in the space, and Marpai views itself as a consolidator of these players, Gonzalez explained. It aims to grow its total number of lives covered on its platform as well as expand its product capabilities via acquisitions. Many targets are owner-operated where the founder is ready to retire, and Marpai offers these targets, often with legacy systems, a new technology stack.

Last year, Marpai acquired Maestro Health, a Chicago-based TPA servicing over 80 self-insured employers, for USD 22.1m, Gonzalez said. When the Maestro deal popped up, Marpai was in the midst of reviewing a couple of other deals but due to the unique seller financing option that Maestro was offering, Marpai put the other deals on the back burner to quickly move on Maestro, he explained. Marpai plans to revisit those other deal opportunities.

The Maestro acquisition doubled Marpai's revenues to USD 40m in 2022 as well as doubling customers and members it serves, according to the company.

Valuations for TPA's vary dramatically, but the rule of thumb is typically 1X revenue, he said, Marpai is receptive to banker approaches with sell-side opportunities, the CEO noted. It did not engage a banker for the Maestro acquisition. Pearl Cohen Zedek Latzer Baratz serves as its legal counsel.

Marpai uses artificial intelligence technology for health plan administration and services to employers that directly pay for employee health benefits or self-funded employer health plans. Marpai has 240 employees and 160 customers. Its platform covers close to 90,000 member lives.

Collective Health is a competitor to Marpai, Gonzalez said when asked. Collective Health raised USD 280m Series F funding in 2021, according to online reports.

by Rebecca Wenzel

**BIDDERS**

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**Topics**

Advisory Invitation (Bankers, Other)
Bolt on/Opportunistic
Large/Transformational Acquisitions
Private equity related

**Geography**

USA

**States**

Florida (FL)

**Sectors**

Computer software
Medical

**Sub-Sectors**

Application software products
Medical equipment & services
Software development

Intelligence ID: intelcms-mcn2n4

Grade

Confirmed

Charge Code

Not set