

2H 2014 Dermatology Industry Newsletter



Market Overview

While consolidation in the dermatology sector continued in the second half of 2014, there was a noticeable uptick in private equity activity in the space. Specific transactions include Enhanced Equity's investment in West Dermatology as well as Cressey & Company's recapitalization of Gulf Coast Dermatology. Both transactions indicate private equity's continued interest in acquiring dermatology platforms to serve as an industry growth vehicle. Given the highly fragmented nature of the space – a large number of solo practices still make up a good portion of the market – there remains significant opportunity to expand rapidly through a roll-up strategy. Furthermore, Provident expects an influx of selling doctors in the upcoming years, especially as solo and group practices experience an increase in retiring physicians or seek alternative strategies to mitigate risks associated with reimbursement changes. As more financial sponsors compete for a limited number of leading and well established dermatology practices, valuations will remain strong, ultimately prompting shareholders to consider practice alliances with both strategic competitors and financial sponsors.

Company	PE Backer	Investment Date
West Dermatology	Enhanced Equity Funds	December 2014
Gulf Coast Dermatology	Cressey & Company	August 2014
Dermatology Associates of Wisconsin	Varsity Healthcare and Goldman Sachs	May 2014
Dermatology Associates of Tyler	Candescent Partners	January 2013
Naples Center for Dermatology & Cosmetic Surgery	Prairie Capital	January 2013
Advanced Dermatology & Cosmetic Surgery Center	Audax Group	February 2012

Select Transactions

Month	Acquirer	Target Company	Details
December 2014	Enhanced Equity Funds	West Dermatology	Enhanced Equity Funds has announced a new partnership with West Dermatology. Serving clients in Nevada, California, and Arizona, West Dermatology is one of the leading clinical dermatology groups in the nation. West Dermatology is comprised of 49 physicians and clinicians. No terms of the deal were released.
October 2014	Advanced Dermatology & Cosmetic Surgery	Milstein Batta Dermatology	Advanced Dermatology & Cosmetic Surgery (ADCS) announced the acquisition of Milstein Batta Dermatology. Founded by Dr. Harold Milstein, Milstein Batta Dermatology serves patients in Philadelphia and the surrounding region in general and cosmetic dermatology, as well as skin cancer diagnosis and treatment. The acquisition strengthens ADCS' growing presence in the Mid-Atlantic. The terms of the transaction were not disclosed.
August 2014	Cressey & Company	Gulf Coast Dermatology	Cressey & Company has announced a recapitalization of Gulf Coast Dermatology (GCD). GCD offers an array of dermatology services throughout the southeastern United States. At the time of the transaction, GCD had 24 clinics located in Florida, Alabama, and Georgia. The financial terms of the deal were not disclosed.