



Q1 2014 PRIVATE EQUITY INDUSTRY UPDATE

M&A Update

As industry fundamentals continued to gain strength in the first quarter of 2014, total investment dollars for the year are expected to reach a post-recession high. Specific to healthcare, the Affordable Care Act remains positive for the industry as healthcare services continues to be one of the few industries where deal activity has returned to pre-crisis levels. With strategic acquirers becoming more active, valuation levels on platform investments remain high and extremely competitive. As a result, tuck-in acquisitions are the most logical and more easily completed transactions for private equity groups. As a possible work around, equity groups have lowered their standards of platform investments to implement roll-up strategies within niche markets that have numerous, attainable acquisition targets. Responding to the desires of those groups and to meet the growing demand, Provident has looked to add a number of lower middle market companies to its pipeline of traditionally larger opportunities.

Other factors contributing to higher valuations are the success in 2013 fund-raising and a recovering IPO market. "Dry powder" for deal making across the industry has ballooned to over \$1 trillion dollars, (\$400 billion for buyouts alone) and equity markets coming off of a productive year are encouraging more companies to go public.

As a result of the increased competition within the market, equity groups are being forced to broaden their search for potential targets and become more creative in completing transactions, i.e. minority stakes and/or partnerships. This has increased the focus on adding specific verticals to platform investments and the desirability of niche opportunities. A positive result of the partnership model is allowing all parties involved to create a more custom-tailored deal.

SELECT HEALTHCARE PRIVATE EQUITY TRANSACTIONS

Month	Investor	Target Company	Details
March 2014	Roark Capital Group	Anytime Fitness	Roark Capital has made an equity investment into Anytime Fitness. The financial terms of the deal were not disclosed. Anytime Fitness operates more than 2,400 fitness franchises in 19 countries and has opened at least 250 clubs each year for the last six years. Roark Capital will not only provide the capital resources to accelerate the company's franchising efforts, but also bring its experience in working with other franchised consumer services companies in order to provide new insight into the growth plans for the business moving forward.
February 2014	CI Capital Partners, InTandem Capital	Physical Therapy Network	CI Capital Partners and InTandem Capital announced the recapitalization of Physical Therapy Network, a 51 location outpatient physical therapy provider with locations in MD, DE, VA, WV, PA, NY and Washington D.C. The Company operates under clinic names including Maryland SportsCare & Rehab as well as Professional SportsCare & Rehab. Although the deal was announced in February, it originally closed in Q4 2013.
January 2014	Summit Partners	CityMD Urgent Care	Summit Partners has invested \$95M in CityMD Urgent Care, which has 8 urgent care centers in the New York City area. The Company provides convenient, walk-in medical services as a cost-effective alternative to an emergency room. CityMD plans to utilize Summit Partners' capital resources and their experience in the urgent care sector to expand the business through both de novo growth and acquisitions.
January 2014	TZP Capital Partners	Snap Fitness, Inc.	TZP Capital Partners has made an investment into Snap Fitness, a franchisor of 2,000 fitness clubs that was previously minority-owned by Summit Partners. According to Snap Fitness, the deal was worth north of \$200 million. Based on estimated 2013 revenues of \$70 million and EBITDA of \$21 million, the deal would value Snap Fitness at 2.9x revenues or 9.5x EBITDA. With the transaction, Snap will look to accelerate its de novo growth plans and position itself for potential acquisitions.
January 2014	Palladin Consumer Retail Partners	KT Health	Palladin Consumer Retail Partners has acquired KT Health, the producer of KT Tape, the most widely distributed kinesiology tape brand in the U.S. The financial terms of the transaction were not disclosed. Palladin will lend its experience with consumer brands and industry connections to KT Health in order to continue bolstering the Company's footprint throughout the country.
January 2014	Sterling Partners	Q-Centrix	Sterling Partners announced it has acquired Q-Centrix for an undisclosed sum. Q-Centrix provides core measure and registry abstraction services to healthcare facilities that are looking to more accurately understand and improve their quality measures. With the transaction, Q-Centrix will gain additional resources, including Sterling Partners' experience in the healthcare sector, to quickly scale its business.
January 2014	Topspin Partners	HCOA Fitness	HCOA Fitness, an operator of 15 fitness clubs, including women-only facilities, in Puerto Rico, has been recapitalized by Topspin Partners LBO. Alongside HCOA's existing backer, TG Capital Corp, Topspin plans to provide financial and strategic resources to HCOA in order to expand its footprint in Puerto Rico and further develop its brand.
January 2014	Clayton, Dubilier & Rice	PharMEDium Healthcare Corporation	Private equity firm Clayton, Dubilier & Rice has completed an investment in PharMEDium Healthcare Corporation, the leading provider of hospital pharmacy-outsourced sterile compounding services. Based in Lake Forest, IL, PharMEDium provides services to more than 2,600 acute-care hospitals. Terms of the transaction were not disclosed.