



Q2 2014 PRIVATE EQUITY INDUSTRY UPDATE

M&A Update

With the first half of 2014 now complete, industry fundamentals have remained fairly strong, but continue to lack any consistency in the completion of larger deals. In a sense, the private equity markets have mimicked that of the economies in which they perform – consistent growth, including an uptick in M&A activity in 2014, but at a stubbornly slow pace. While equity groups are sitting on record levels of capital, the norm has been to complete smaller deals and focus more and more on earlier-stage assets. To yield greater return out of these deals, funds have placed increased importance on the value they can bring to each business. Whether that's done by concentrating on a sale force, marketing campaign or operational efficiencies, equity groups have become more dependent on growing companies through organic means.

Taking a closer look at the healthcare industry, the Affordable Care Act has remained a positive factor for both investors and business owners. In particular, M&A deal flow within the healthcare services space has been extremely active. Further evidence of this was Provident's successful sale of ophthalmologic and optometric services provider Katzen Eye Group to Varsity Healthcare Partners. Additionally, IT-related companies have performed particularly well as of late, with greater importance being placed on cost containment and improving the quality of care. Companies that have been able to identify a niche healthcare vertical and exploit a software deficiency (i.e. RCM, EMR, cloud computing) have been garnering attention from both strategic acquirers and financial sponsors. Software strategics are known to value companies based on a multiple of revenue, boosting valuations for the entire industry. This has forced equity groups to increase their multiples as well, which boosts confidence that those multiple levels will carry over to adjacent industries.

Overall the healthcare industry will continue to present a multitude of investment opportunities, aided most notably by an aging population and the prevalence of treatable diseases. It's been the funds with the ability to pay a premium for the few high-growth opportunities and those that are able to extract value from their current assets that have seen the most recent success.

SELECT HEALTHCARE PRIVATE EQUITY TRANSACTIONS

Month	Investor	Target Company	Details
June 2014	Stone Point Capital	LTCG, Inc.	LTCG, Inc., an Eden Prairie, MN-based provider of business process outsourcing for long-term care insurance, has been acquired for an undisclosed sum by Stone Point Capital. LTCG provides comprehensive outsourcing and claims management to long-term care insurers and advanced risk management insight built upon its proprietary long-term care underwriting and claims databases. This acquisition furthers Stone Point's strategy of backing innovative companies in the insurance and insurance services sectors.
June 2014	MedEquity Capital	Tristan Medical PC	Tristan Medical PC has entered into a transaction with MedEquity Capital to recapitalize the company and provide capital for rapid growth. Tristan Medical provides primary care, urgent care, and occupational health services across six locations in southeastern Massachusetts. Provident Healthcare Partners served as exclusive financial advisor to Tristan Medical. The terms of the investment were not disclosed.
May 2014	Varsity Healthcare Partners	Katzen Eye Group	Varsity Healthcare Partners, a healthcare services-focused private equity firm, has announced it acquired Katzen Eye Group, one of the nation's largest vertically integrated ophthalmologic and optometric services practices. Together they will form EyeCare Services Partners Holdings LLC. Provident Healthcare Partners served as exclusive financial advisor to Katzen Eye Group. The terms of the investment were not disclosed.
		Dulaney Eye Institute	Dulaney Eye Institute is a free-standing ambulatory surgery center, owned and operated by Katzen Eye Group. Ophthalmic sub-specialty procedures performed at the surgery center include cataract, vitreo-retinal, glaucoma, corneal, muscle and ocular-plastics. As an extension of Katzen Eye Group, Dulaney was included in the acquisition of its parent company by Varsity Healthcare Partners. Again, Provident Healthcare Partners served as exclusive financial advisor.
May 2014	General Atlantic	Alignment Healthcare Partners	Alignment Healthcare Partners has secured a \$125 million commitment from global growth equity firm General Atlantic. Based in Irvine, CA, Alignment provides partners with an end-to-end continuous care program, including clinical care coordination, risk management capabilities, and IT enablement.
May 2014	Harvest Partners	Athletico Physical Therapy	Harvest Partners has announced its investment in Athletico Physical Therapy, a clinician-owned physical therapy business. The transaction is rumored to be valued at roughly \$400 million. Athletico provides orthopedic rehabilitation services to communities and organizations throughout the Midwest. The company will serve as Harvest's platform investment within the physical therapy space.
April 2014	The Riverside Company	BeneSys, Inc.	The Riverside Company has acquired BeneSys, Inc., a third party administrator for defined benefit and employee healthcare plans servicing 110 clients nationwide. The Riverside Company plans to invest in BeneSys' IT infrastructure and sales and marketing efforts to accelerate its growth. Financial terms of this deal were not disclosed.
April 2014	Consonance Capital Partners	Enclara Health	Consonance Capital Partners has completed the recapitalization of Enclara Health, a national hospice-focused pharmacy services provider. The recap will expand the company's reach in the niche hospice pharmacy benefit manager sector. The financial and healthcare-specific industry support that Consonance Capital offers will allow Enclara to continue to grow, innovate, and, ultimately, to further solidify their commitment to their hospice industry partners.