

Q2-2016 Dermatology Update



M&A Overview

Following Varsity Healthcare's sale of Forefront Dermatology to OMERS last quarter, private equity firms with investments in the dermatology sector sought to take advantage of premium valuations in the market by exiting their holdings to larger private equity funds. Audax Group, which initially invested into Advanced Dermatology & Cosmetic Surgery in 2011, sold the majority of its interest to Harvest Partners after fueling an acquisitive growth strategy that created the largest practice in the country. Dermatology Associates, a regional provider in the Midwest, similarly underwent a recapitalization with ABRY Partners, a larger fund in comparison with its previous backer, Candescent Partners. In both instances, these practices achieved premium valuation multiples as a result of their previous private equity backing, size, and rapid growth trajectory. With new capital partners, the existing management teams of both groups will seek to not only leverage expanded capital resources, but also their backers' experience in scaling multi-site businesses such as physical therapy, dental practices, and urgent care clinics. We expect these newly funded platforms to expand their infrastructure and business support capabilities in order to aggressively expand via de novo growth and acquisitions.

Month	Acquirer	Target Company	Details
June 2016	Schweiger Dermatology Group	Frank Demento, MD	Schweiger Dermatology Group has acquired the practice of Frank Demento, MD, a Garden City, NY based practice with 4 providers. The transaction will provide Dr. Demento's practice with the infrastructure and capital resources of a larger provider while increasing Schweiger's size and scale within greater New York.
May 2016	ABRY Partners	Oliver Street Dermatology Holdings (d.b.a Dermatology Associates)	ABRY Partners has announced that it will recapitalize Dermatology Associates, a group of 60 physicians in 45 locations in Texas, Kansas City, & Missouri. The transaction will serve as an exit opportunity for Candescent Partners, which initially invested into Dermatology Associates in 2012. With new capital resources, Dermatology Associates plans to expand via acquisition and de novo growth into new geographies.
May 2016	Harvest Partners	Advanced Dermatology & Cosmetic Surgery	Harvest Partners, a private equity firm, has acquired Advanced Dermatology and Cosmetic Surgery from Audax Group. Advanced Dermatology has over 150 clinics under management across the U.S., and seeks to accelerate its acquisitive growth strategy with Harvest's support and funding capabilities.
May 2016	Schweiger Dermatology Group	Manhattan Center for Dermatology	Schweiger Dermatology Group has acquired Manhattan Center of Dermatology to expand its New York City area footprint. The transaction will add to Schweiger's Mohs capabilities and is one of the first acquisitions with it's new private equity backer, LLR Partners.
May 2016	Integrated Dermatology Group	Aistheta of Reno	Integrated Dermatology Group has acquired Aistheta of Reno, thereby expanding its presence within Nevada. Aistheta will look to leverage IDG's back office capabilities and infrastructure in order to focus on patient care and practice expansion.
May 2016	Anne Arundel Dermatology	Montgomery Dermatology Associates	Anne Arundel Dermatology has acquired Montgomery Dermatology Associates, a Rockville, MD based practice, in order to expand the group's Maryland footprint. The transaction is Anne Arundel Dermatology's third acquisition since its recapitalization with New Mainstream Capital last year.
April 2016	LLR Partners	Schweiger Dermatology Group	LLR Partners has made a \$35m investment to support the continued growth of Schweiger Dermatology Group, a network of 20 dermatology clinics in the greater New York and New Jersey area. The transaction will allow the group to continue building de novo sites and pursue acquisitions to expand its growth trajectory.