

# Q2-2016 Private Equity Industry Update



## M&A Update

The second quarter of 2016 did little to buck the trends that observers have noticed over the past year within the global private equity industry. Most notably is investors' ability to raise larger and larger funds with relative ease, while also fueling the growth of spin-off funds created by the portfolio managers of their prior employer. This adds up to increased levels of dry powder, more active investors within the market than ever before, and increased competition in particular for deals marketed by advisors. When this environment is coupled with verticals containing strong strategic acquirers, it makes for an even more difficult market to deploy capital. As a result, more funds are showing the willingness to go below their typical deal thresholds to obtain an asset in an industry they find particularly exciting, as well as competing more aggressively on valuations.

The healthcare industry seems to fit this mold for many of the middle to lower middle market investors that are comfortable with the regulatory-heavy environment that comes with such deals. A prime example of this is the dermatology space, which along with behavioral health, is likely the most active of healthcare verticals. Time and again there are deals for "platform" investments within the space at ever-decreasing levels of profitability. While it may take the initial investor more work to professionalize these practices and prepare them for an eventual exit, the rewards have been fruitful. As outlined below, two of the largest and most active dermatology consolidators have been recapped for a second time in this past quarter; in both cases reportedly netting investors better than triple their initial investment.

Month	Acquirer	Target Company	Details
June 2016	Centre Partners Management LLC	Bradford Health Services, LLC	Centre Partners Management LLC has completed an investment in Bradford Health Services, LLC, partnering with company management in their continued expansion efforts and growth to new geographies. Bradford Health Services is one of the largest providers of substance abuse treatment and recovery services in the Southeastern region. The financial terms of the deal were not released.
May 2016	Webster Capital	Healthcare Associates of Texas LLC	Webster Capital has announced the majority purchase of Healthcare Associates of Texas LLC, a provider of primary care healthcare services throughout the Dallas, TX-area. Webster looks to assist the group in developing new locations and providing preventative care to the local community in a way that contains system-wide costs. The financial terms of the deal were not disclosed.
May 2016	ABRY Partners, LLC	Dermatology Associates	ABRY Partners, LLC has announced the acquisition of a majority interest in Dermatology Associates, a dermatology practice management organization with 42 locations at the time of the transaction in the states of Texas, Kansas and Missouri. Prior private equity backers primarily include Candescant Partners, LLC. The financial terms of the deal were not released.
May 2016	Harvest Partners, LP	Advanced Dermatology & Cosmetic Surgery Inc.	Harvest Partners, LP has completed a recapitalization of Advanced Dermatology & Cosmetic Surgery Inc., whereby it purchased the majority of the prior private equity investors' interest in the business. The Company is a nationwide dermatology practice management organization headquartered in Maitland, FL. The financial terms of the deal were not released.
April 2016	American Securities LLC	North American Partners in Anesthesia, LLP	American Securities LLC has purchased a majority interest in North American Partners in Anesthesia, LLP (NAPA), along with minority investor Leonard Green & Partners, L.P. NAPA is the largest single specialty anesthesia management company in the country and will look to expand upon their position with their new partners. The deal is rumored to be valued at close to \$1B.
April 2016	MTS Health Investors, LLC	Avadyne Health, Inc.	MTS Health Investors, LLC has completed a recapitalization of Avadyne Health, Inc., a provider of outsourced revenue cycle management and other workflow solutions to more than 275 hospitals across 38 states. MTS has partnered with Avadyne's existing management team to support future growth and assist in the expansion of services. The financial terms of the deal were not disclosed.