

Q3-2016 Private Equity Industry Update



M&A Update

Despite an increase in fundraising, the third quarter of 2016 continued on a similar trend to the first half of the year of a slowly decreasing number of total deals closed across the market, although healthcare activity has remained strong. The third quarter of 2015 saw a total of 1,972 private equity-related deals completed by 825 buyers, whereas third quarter of this year saw just 1,291. Compounding this issue is the decrease in relative deal size, which is down 23% YoY and currently averages \$261.1M per deal. Having said that, there is optimism for the market when it comes to fundraising. Median fund size is up by 25% YoY, now standing at \$250M per fund, indicating that while it may be more competitive than ever, there is still optimism behind private equity from the standpoint of a private or institutional investor. History has shown that increasing levels of fundraising has led to similarly increased levels of deal flow in the years to follow.

One area that continues to be attractive within the private equity deal-making space is healthcare. There are no indications that valuations will relent within the physician services space anytime soon. The historically active areas (dermatology, dental, etc.) continue to garner high multiples, while newer areas of consolidation are now receiving the same type of excitement (ophthalmology, women's health, etc.). The latest evidence of this is the acquisition of Quantum Vision Centers by Clarkson Eyecare, Inc., a portfolio company of FFL Partners LP. This was just the latest in a series of highly competitive M&A processes conducted by Provident within the eye care space.

Month	Acquirer	Target Company	Details
September 2016	FFL Partners LP / Clarkson Eyecare, Inc.	Quantum Vision Centers	Quantum Vision Centers has been acquired by Clarkson Eyecare, a portfolio company of FFL Partners LP. Quantum Vision Centers is a provider of primary and surgical eye care, complete optical, and optometric co-management services. Provident Healthcare Partners served as exclusive financial advisor to Quantum Vision Centers. The terms of the transaction were not disclosed.
September 2016	New Mountain Capital, LLC	Island Medical Management, LLC	Island Medical Management, LLC, a provider of healthcare practice management services to emergency departments, hospitalist programs and hospital-based urgent care centers, announced it has partnered with New Mountain Capital, LLC. New Mountain will provide strategic and financial resources to support future growth. The financial terms of the deal were not released.
September 2016	Seaport Capital	Quatris LLC	Seaport Capital has made an investment in Quatris LLC. Based in Bedford, TX, Quatris is a provider of specialized healthcare software and database solutions for small and medium-sized physician practices of various type looking to maximize the benefits of their investment in technology. The financial terms of the deal were not released.
August 2016	Pharos Capital Group, LLC	FasPsych, LLC	Pharos Capital Group, LLC acquired FasPsych, LLC, a provider of remote psychiatric counseling services. Headquartered in Scottsdale, Arizona, FasPsych manages a pool of doctors and nurse practitioners who do consults via videophone for healthcare facilities in the Southwest. The financial terms of the deal were not released.
August 2016	Sverica Capital Management LLC	RMS Healthcare Management, LLC	Sverica Capital Management LLC announced it has acquired a majority stake in RMS Healthcare Management, LLC, which provides management services to Med First Immediate Care and Family Practice, P.A. Med First provides primary care, urgent care and occupational medicine across rural North and South Carolina. The financial terms of the deal were not disclosed.
August 2016	Morgan Stanley Global Private Equity	Pathway Partners Vet Holding LLC	Morgan Stanley Global Private Equity invested in Austin, TX-based Pathway Partners Vet Holding LLC, which owns and operates veterinary hospitals. Along with the investment, Pathway Partners Vet Holding acquired multiple clinics through partnerships with veterinary practices and chains on both the East and West coasts. The financial terms of the deal were not disclosed.