

Q2-2017 Anesthesia Services Update



Market Overview

Following an active first quarter, merger and acquisition activity within anesthesia services continued at a heightened pace in the second quarter of 2017. The most notable transaction was the formation of a new private equity-backed anesthesia platform; J.W. Childs Associates formed Siromed through the acquisition of Ascent Medical Group. Sheridan Healthcare (now a subsidiary of Envision Healthcare Corporation) is a former portfolio company of J.W. Childs Associates. Dr. Lewis Gold and Dr. Mitchell Eisenberg, the former President and CEO of Sheridan Healthcare, respectively, will join Siromed's Board of Directors.

Among strategic consolidators, Envision Healthcare Corporation (EVHC) entered a new market through the acquisition of Anesthesia Associates of New London. This transaction marks a return of consolidation activity to the Connecticut marketplace, with the last wave of consolidation occurring in 2012 through the acquisitions of Norwich Anesthesia Associates and New Britain Anesthesia by private equity-backed North American Partners in Anesthesia (NAPA). In June, it was also announced that U.S. Anesthesia Partners (USAP), a portfolio company of Welsh, Carson, Anderson & Stowe, is in the process of raising a \$1.4 Billion term loan. The loan will be used to finance USAP's acquisition pipeline, refinance existing debt in the capital structure, and fund a distribution to the USAP shareholders. USAP was active in driving consolidation through the first quarter of 2017, and the term loan indicates that USAP will be an active acquirer throughout the second half of this year and beyond.

Another notable transaction that took place this quarter was Avista Capital Partners' recapitalization of National Spine & Pain Centers. This was National Spine & Pain's second private equity recapitalization; Provident previously represented National Spine & Pain through a transaction with Sentinel Capital Partners in 2011 when the organization was a single state provider with nine facilities in Maryland. Through the partnership with Sentinel, National Spine & Pain grew to a footprint of 69 facilities across the eastern seaboard. With Sentinel exiting their position in the company to Avista Capital Partners, it is expected that National Spine & Pain Centers will utilize their new partner to replicate their consolidation in the Mid-Atlantic in other regional markets around the country.

SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
June 2017	Envision Healthcare Corp NYSE: (EVHC)	Anesthesia Associates of New London	Envision Healthcare Corp (Envision) acquired Anesthesia Associates of New London, the exclusive provider of anesthesia services to Lawrence and Memorial Hospital in New London, Connecticut, as well as three ambulatory surgery centers. The practice includes over 25 providers with 10 physicians. This transaction marks the entrance of Envision into the Connecticut marketplace and a return of consolidation activity to the region.
June 2017	J.W. Childs Associates	Ascent Medical Group	Siromed was formed by J.W. Childs Associates through the acquisition of Ascent Medical Group. Ascent Medical Group provides anesthesia services in Boynton Beach, Florida to several ambulatory surgery centers, as well as Bethesda Hospital East and West. Ascent employs 14 physicians and 20 CRNAs. With Siromed, J.W. Childs will look to recreate the success they had with their previous anesthesia services portfolio company, Sheridan Healthcare. This transaction represents the continued willingness of private equity firms to partner with platform caliber organizations in the anesthesia sector.
June 2017	Avista Capital Partners	National Spine & Pain Centers	National Spine & Pain underwent its second private equity recapitalization with Avista Capital Partners. Provident represented National Spine & Pain in a 2011 transaction with Sentinel Capital Partners. That partnership allowed National Spine & Pain to consolidate the interventional pain management market within the Mid-Atlantic region. With Avista Capital Partners as their new partner, National Spine & Pain will look to replicate the successful partnership with Sentinel through the consolidation of other regional pain and anesthesia markets around the country.