

Q2-2017 Ophthalmology Update

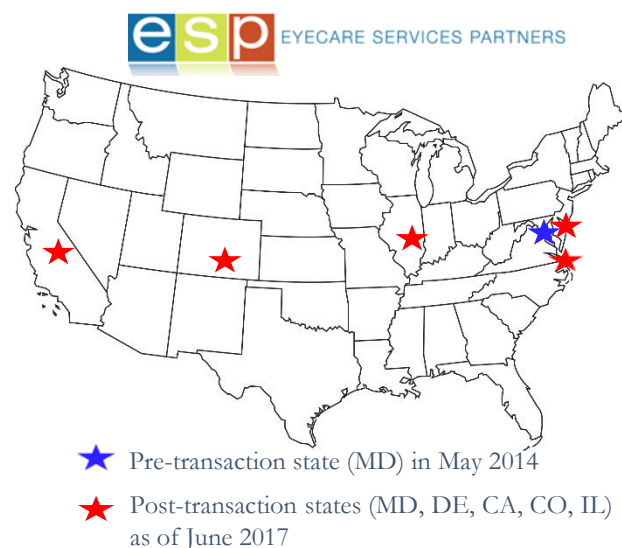


Market Overview

Following an active quarter with six new private equity platform investments, the ophthalmology market in the second quarter had less transactions, but included two landmark deals. The quarter was highlighted by the first successful private equity exit of an ophthalmology practice as Varsity Healthcare Partners sold its position in Eyecare Services Partners to Harvest Partners. Provident expects Varsity's successful exit to generate even further interest from the private equity community, leading to more capital flowing into an already booming sector. Coupled with HIG Capital's investment into a regionally dominant platform, Harvest Partners' recapitalization of the nation's largest vertically integrated ophthalmology practice adds two new players with significant capital resources to pursue a multi-regional or national acquisition strategy.

Looking forward, Provident expects transaction valuations to remain at very attractive levels for sizeable groups as demand from the private equity community heavily outweighs the supply of quality platforms pursuing a partnership on the market. Add-on opportunities will also begin to become more commonplace as private equity-backed groups look to expand their footprints regionally, and in some cases, nationally.

Operating Metric	Katzen Eye Group May 2014 (Varsity Healthcare Partners Transaction)	Eyecare Services Partners May 2017 (Harvest Partners Transaction)
Physicians	30	120+
Clinics	4	46
Surgery Centers	1	7
States	1	5



SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
June 2017	Harvest Partners	Eyecare Service Partners	Harvest Partners completed a recapitalization of Eyecare Service Partners (ESP), a portfolio company of Varsity Healthcare Partners (VHP). ESP, formed when VHP recapitalized Katzen Eye Group* in 2014, is now the nation's largest vertically integrated ophthalmologic services company with over 120 providers and locations in California, Colorado, Delaware, Illinois and Maryland. This transaction marks the first successful exit of private equity-backed ophthalmology practice.
May 2017	Acuity Eye Specialists	Grossmont Eye Center	Acuity Eye Specialists (AES), the largest ophthalmic provider in California, has acquired Grossmont Eye Center, a La Mesa, California-based practice. The transaction serves to increase AES's footprint and regional density in the San Diego market.
April 2017	HIG Capital	Barnet Dulaney Perkins & Southwestern Eye Center	HIG Capital completed the recapitalizations of Barnet Dulaney Perkins and Southwestern Eye Center in a transaction that combines the two Arizona-based organizations. The combined group will have over 80 doctors in over 35 locations. HIG Capital was previously an owner in TLC Vision prior to its sale to The Lasik Vision Institute in 2014.

*Provident Healthcare Partners represented the Katzen Eye Group in their initial recapitalization with Varsity Healthcare Partners