

Q2-2017 Private Equity Industry Update



M&A Update

The second quarter of 2017 provided little reprieve for the global private equity industry, with most deal count metrics trending downward for yet another three months. When compared to the second quarter of 2016, overall deal count dropped from 2,185 to 1,333 (39%) and the total capital invested in those deals was down from \$138.4B to \$98.9B (29%). On the surface, this may appear as a waning interest in the private equity model, but there are also encouraging statistics to site on the fundraising side, which is generally a metric for the appetite of deal flow and those investor's confidence in the potential returns. When comparing for the same time period referenced above, there were 10 more funds closed and nearly \$20B more in capital raised from a year prior. This capital will only add to what are record-setting levels of dry powder needing to be deployed in the coming years.

One area of investment that has not seen any drop off in activity and only increased excitement and valuations is the lower middle market of the healthcare industry. This is fueled mainly by the ever-increasing appetite for niche physician services opportunities that private equity investors are able to grow primarily through add-on acquisitions, but also organically through the addition of ancillary service offerings and the opening of de novo clinics for multi-site businesses. One such deal that closed in the second quarter was the recapitalization of Southeastern Spine Institute (SSI) by Candescent Partners. SSI is a specialized practice focusing exclusively on the diagnosis and treatment of spinal conditions. Provident Healthcare Partners served as exclusive financial advisor to SSI in the transaction.

Month	Acquirer	Target Company	Details
June 2017	MidOcean Partners	Affinity Dental Management Holdings	MidOcean Partners has announced it acquired a significant controlling interest in Affinity Dental Management Holdings (Affinity), in partnership with company management. Affinity is a dental services organization providing management and administrative support services to practices across Western Massachusetts, Connecticut, and Vermont. The terms of the transaction were not disclosed.
June 2017	J.W. Childs Associates	Ascent Medical Group	J.W. Childs Associates, an operationally focused private equity firm announced the recent acquisition of Ascent Medical Group (Ascent), through a newly formed platform company, Siromed. Ascent provides anesthesia services across a wide spectrum of healthcare services and is the first entity acquired by Siromed. The terms of the transaction were not disclosed.
May 2017	Sheridan Capital Partners	Dermatologists of Central States	Sheridan Capital Partners has announced an investment in Dermatologists of Central States (DOCS), a dermatology practice management company. Included in the investment was DOCS' partner practice, Dermatologists of Southwest Ohio (DSWO), which has over 30 physicians. The terms of the transaction were not disclosed.
April 2017	Candescent Partners	Southeastern Spine Institute	Southeastern Spine Institute (SSI) has completed a recapitalization with Candescent Partners (Candescent). SSI is the largest medical practice in South Carolina exclusively specializing in spine care. Provident Healthcare Partners served as exclusive financial advisor to SSI. The terms of the transaction were not disclosed.
April 2017	HIG Capital	Barnett Dulaney Perkins & Southwestern Eye Center	HIG Capital completed the recapitalizations of Barnett 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 more than 35 locations and offers a full spectrum of eye care services. The terms of the transaction were not disclosed.
April 2017	Gauge Capital	Pediatric Dental Providers	Gauge Capital has recapitalized Pediatric Dental Providers in partnership with Company management. Pediatric Dental delivers dental and orthodontic services to commercial and Medicaid patient populations. Gauge's investment provides support to accelerate growth through service expansion, acquisitions, and de novo openings. The terms of the transaction were not disclosed.