

Q2-2018 Physician Services Update



Market Update

During the second quarter of 2018 significant investment and consolidation activity continued across the physician services segment. Several specialties such as gastroenterology, radiology, and urology, which have recently seen increased private equity-led market activity, continued to see additional expansion by private equity-backed organizations. Gastro Health made its largest acquisition to date of South Florida Gastroenterology. Chesapeake Urology made a large regional acquisition entering into a new geography with Tennessee Urology Associates. Welsh Carson Anderson & Stowe also formed US Radiology Specialists, a new national radiology consolidator, through the recapitalization of Charlotte Radiology. Welsh Carson is the same private equity firm that facilitated the growth of US Anesthesia Partners, helping it to become one of the largest anesthesia providers in the United States. This new platform will now be competing directly with Radiology Partners, a portfolio company of New Enterprise Associates. With private equity interest continuing to accelerate across physician services, the space is expected to benefit from increased competition during merger & acquisition processes, continuing to drive strong valuations.

Notable Market Transaction



Envision Healthcare Corporation (NYSE: EVHC), the largest provider of outsourced physician services in the United States, has announced its intent to go private in a \$9.9 Billion transaction with Kohlberg Kravis & Roberts (KKR). This transaction is expected to help facilitate the growth of Envision through assisting in the development and integration of

acquisitions the organization has made over the last several years as a publicly traded entity. This transaction is reminiscent of Team Health Holdings' \$6.1 Billion take private transaction with The Blackstone Group in 2017. Through Team Health's partnership with The Blackstone Group, the company has been able to grow and operate with greater efficiency as a private entity. KKR's transaction with Envision is expected to close in Q3 and signals a strong growth outlook for the physician segment.

Gastroenterology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
April	Gastro Health	South Florida Gastroenterology	15	7	FL
Multispecialty and Primary Care					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
June	New Enterprise Associates	Paladina Health*	Undisclosed	50+	10
April	Humana	Family Physicians Group	51	22	FL
Radiology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
April	Welsh, Carson, Anderson & Stowe	Charlotte Radiology	126	40	NC
April	MEDNAX	Women's Radiology Associates	6	1	TX
Urology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
June	Chesapeake Urology	Peninsula Urology	4	3	MD, DE
April	New Jersey Urology	Delaware Valley Urology	96 (combined)**	46 (combined)**	NJ
April	Chesapeake Urology	Tennessee Urology Associates	18	11	TN
Women's Health					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
June	Advantia Health	Fairfax OBGYN Associates	2	1	VA
April	Advantia Health	Women's Health and Surgery Center	8	1	VA

*Paladina Health is a wholly owned subsidiary of DaVita Inc.

**Combined entity post-merger