

Q4-2018 Physician Services Update



Market Update

During the fourth quarter of 2018, consolidation activity continued across physician specialties. Newer specialties to consolidation such as gastroenterology, orthopedics, and urology saw increased M&A activity. Within these specialties, organizations are leveraging private equity capital in order to execute acquisition strategies to consolidate other practices, expand ancillary service lines, and invest in corporate infrastructure. Central Ohio Urology Group partnered with New MainStream Capital to form the third private equity platform within the urology specialty. Florida Spine and Joint Institute and Precision Spine Care were both recapitalized by Trive Capital and Bow River Capital respectively; bringing the total count of private equity-backed organizations in the orthopedic specialty to six. The gastroenterology sector saw two transactions with Texas Digestive Disease Consultants' recapitalization by Waud Capital and Atlanta Gastroenterology Associates' partnership with Frazier Healthcare. With private equity interest continuing to accelerate across physician services, the space will benefit from increased competition during merger & acquisition processes, which will continue to drive strong valuations.

Notable Market Trends

Private Equity Activity in New Specialties		
Specialty	PE Backed Organizations 1/1/18	PE Backed Organizations 1/1/19
Gastroenterology	1	3
Orthopedics	3	7
Urology	1	3

Following the fourth quarter of 2018, it is important to note that newer specialties to private equity-led consolidation saw a rapid acceleration in activity during the course of 2018. Gastroenterology and urology each added two new platforms and orthopedics added four. With the new entrance of these platforms into the market, it is expected to drive future merger & acquisition activity within these specialties as these organizations begin to grow their geographic density and execute on their respective acquisitive growth strategies.

Select Transactions:

Gastroenterology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	Frazier Healthcare	Atlanta Gastroenterology Associates	95	60	GA
November	Waud Capital	Texas Digestive Disease Consultants	159	110	TX and LA
Orthopedics					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	Trive Capital	Florida Spine and Joint Institute	15	14	FL
November	Bow River Capital	Precision Spine Care	12	6	TX
Radiology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
November	MEDNAX, Inc. (NYSE: MD)	Bethesda Radiology Associates	Undisclosed	5	FL
November	MEDNAX, Inc. (NYSE: MD)	Associates in Diagnostic Radiology	14	9	TN
November	WNY Imaging Group	Spectrum Radiology Associates	Undisclosed	9	NY
October	Envision Healthcare	Decatur Radiology Physicians	Undisclosed	1	IL
Urology					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
December	New MainStream Capital	Central Ohio Urology Group	27	18	OH
Women's Health					
Month	Acquirer	Target	Target – Number of:		
			Physicians	Locations	States
October	Women's Health USA	Arizona OBGYN Affiliates	32	10	AZ