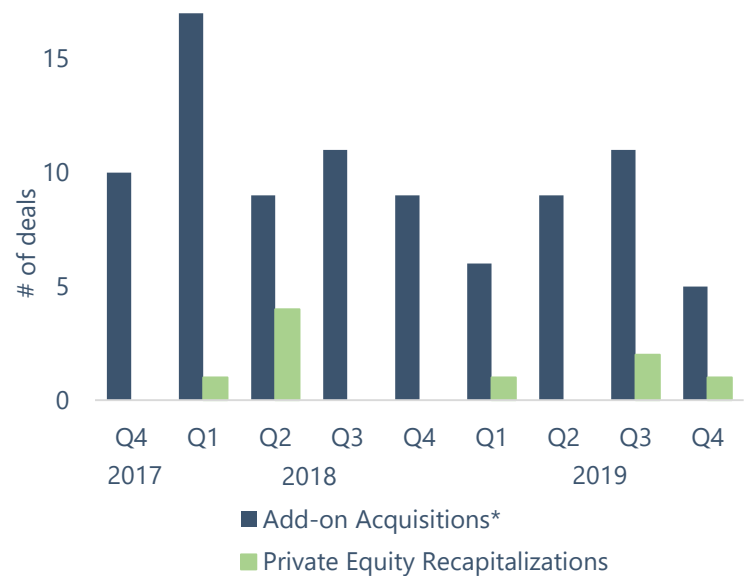


Q4-2019 Dermatology Update

Market Update

The dermatology sector continues to see consistent transaction volume, recently characterized by regional consolidation as groups look to continue to build density in core, existing markets. Although platform deals have been far and few between over the last 18 months, Provident expects PE-backed organizations to begin to trade amongst private equity firms in 2020 as the sector readies itself for the next phase of its investment cycle. An initial wave of secondary transactions occurred in 2016 as four established MSOs traded private equity hands in that year. Since then, there's been sparse secondary deal activity owing to the fact that most platforms were established following that period. With a few years under their belts executing on each company's respective growth strategies, Provident expects that a good portion of PE-backed platforms will be primed and ready for sale in the next 12-18 months. Gemini's sale of DermCare and Skin & Beauty Center to Hildred Capital Management in the fourth quarter is one such example of a secondary transaction occurring. The typically holding period for private equity firms are usually between 4-6 years which coincides with the timeline of multiple PE-backed providers throughout the country.

Investment Activity Breakdown



Select Transactions:

*Add-on acquisitions represent transactions that have been publicly disclosed

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
December	Adult & Pediatric Dermatology	Dermatology Professionals, Inc.	2	14	MA, RI
December	Schweiger Dermatology	Dermatology Associates of Crystal Run	2	10	NY
November	Pinnacle Dermatology	SkinSpeaks	5	10	MN
November	Epiphany Dermatology	Kansas City Dermatology	2	6	MO
November	Epiphany Dermatology	Advanced Dermatology of Butte	1	2	MT
October	Hildred Capital Management	DermCare and Skin & Beauty Center	30+	n/a	CA, FL, TX

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Upcoming Conference



Members of the Provident Healthcare Partners dermatology coverage team will be attending the American Academy of Dermatology in Denver in March.