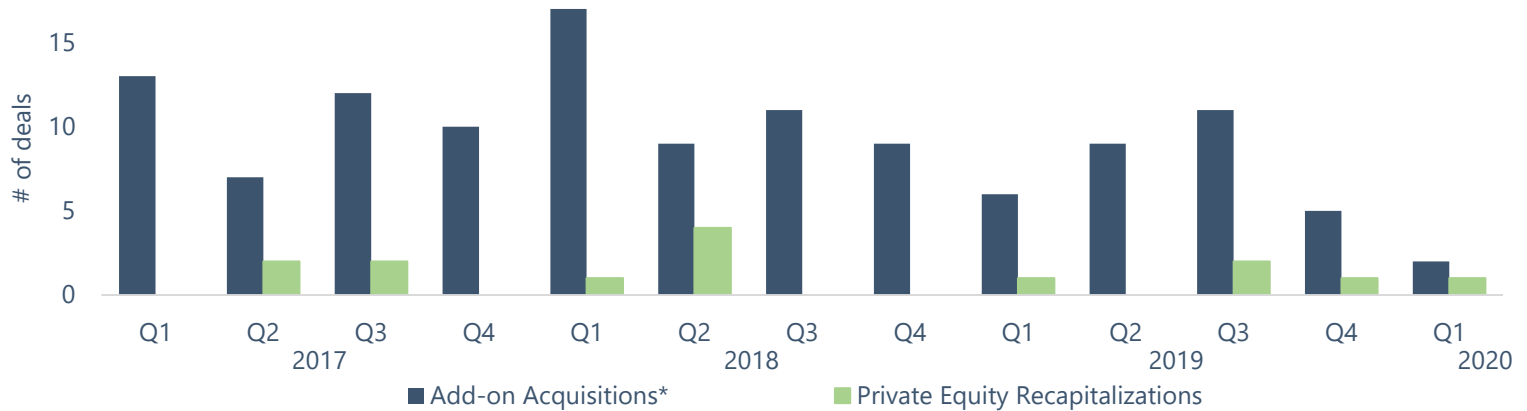


# Q1-2020 Dermatology Update

## Market Update



Although consolidation activity within dermatology had been fairly muted to start the year, the quarter still saw a landmark transaction take place in Sun Capital's recapitalization of West Dermatology, previously backed by Enhanced Healthcare Partners (EHP). The multistate, Southwest-focused platform more than doubled its clinic count, executing on 22 add-on acquisitions over EHP's 5.5 year hold period. This transaction marks the eighth dermatology platform that has traded private equity hands since institutional investment began to take place in the sector and is a sign of increasing market maturity.

The obvious and more pressing development to transpire throughout the quarter was the sudden and unforeseen rise of

COVID-19 and its crippling impact in the business and medical world. With state-wide shutdowns and CDC guidance prompting furloughs, cancellations, and an overall massive reduction in volume, independent and PE-backed practices alike find themselves trying to navigate through increasing levels of uncertainty.

Government relief packages and CMS' expansion of telehealth services will prove crucial over the next few months, with potential further stimulus on the horizon. Provident expects significant delays in transaction volume as buyers and sellers both turn to focusing efforts on managing their existing businesses. Operational preparation to ensure patient, provider and staff retention will be key to capturing pent up demand for services when the pandemic subsides.

## Select Transactions:

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

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
February	SUN Capital	West Dermatology	55+	130	AZ, CA, NV
January	Pinnacle Dermatology	Brighton Dermatology	1	6	MI
January	Pinnacle Dermatology	Academic Dermatology	1	2	MN

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## Upcoming White Paper

Members of the Provident Healthcare Partners dermatology coverage team will be publishing a white paper on the pandemic's impact on the dermatology services sector and on measures that practices can take to help navigate these uncertain times.