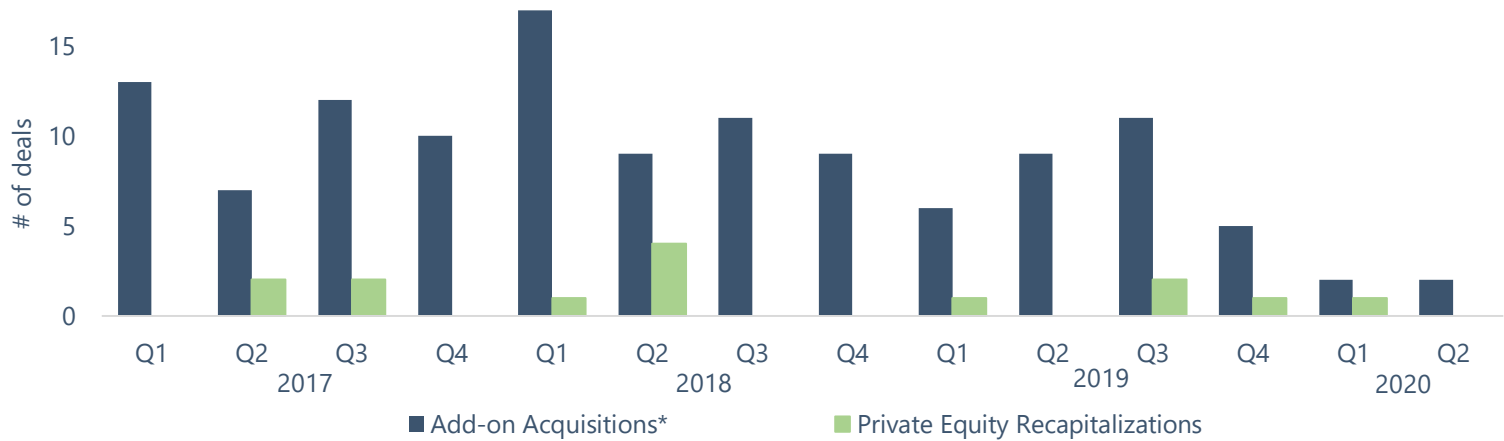


Q2-2020 Dermatology Update

Market Update



Deal activity within dermatology stalled in the beginning of the second quarter amidst a broader freeze in the M&A markets. The uncertainty caused by closure of non-essential businesses and broad scale quarantine caused most processes to go on hold until there was more visibility around a rebound in volumes, staffing levels, and business operations. Dermatology, in particular, was adversely impacted with patient volume cut by 50-70% in many practices.

The physician services, and dermatology, landscape has since seen a healthy rebound with volumes nationwide at or close to pre-COVID levels due to a massive backlog of pent up demand for services. Dermatology transaction volume began to restart in June as a result, with strategic deal activity leading the way.

Provident expects existing PE-backed platforms in good financial standing with successful Covid-19 mitigation plans to be acquisitive while other platforms may pause business development efforts in the near term to focus internally on financial and operational matters for the time being.

As deal activity continues to recover, Provident expects transactions to contain more structure to mitigate risk against a second wave or long term volume attrition. Structuring elements such as deferred consideration, earnout payments, and other mechanisms will be utilized in many deals to bridge financing gaps. Provident expects the risk of additional flare ups, patient sentiment, telemedicine adoption and disposable incomes to inform the prospects of M&A activity within the sector on a go-forward basis.

Select Transactions:

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

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
June	Anne Arundel Dermatology	Chevy Chase Cosmetic Center and Dermatology & Cosmetic Surgery Associates	2	8	MD
June	Pinnacle Dermatology	Lehman Advanced Dermatology	1	3	TN

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Recent Publications

Members of the Provident Healthcare Partners team recently published a white paper and podcast, related to COVID-19's impact on M&A markets, which can both be found on our website, along with other resources to help navigate through the impact of COVID-19.