

Q2-2020 Private Equity Update

Market Update

While the second quarter saw a slight uptick in private equity invested capital, deal volume dropped by more than 50% from Q1 due to the COVID-19 pandemic's effects on the US economy. PE groups and their potential investment targets shifted their focus away from M&A in order to address diminished volumes, workforce issues, and cash flow management. A positive note however, has been a willingness by most funds to push transaction timelines back rather than abandoning deals altogether. Private equity firms continue to sit on a significant level of dry powder earmarked for investment and, with the expectation economic activity will ramp up in the second half of the year, investors have sought to restructure transactions to mitigate risk and obtain necessary financing approvals. Provident's deal flow has mirrored this trend, with two closed transactions during the second quarter despite COVID-19 related business disruption.

Common themes among these restructured transactions have been larger equity checks, greater earn outs, and deferred payments in order to keep overall valuations attractive to sellers. Provident expects to see buyers incorporate more creative financing plans and unique deal structures throughout the second half of 2020 to overcome today's tighter debt markets. These factors, along with growing visibility around business reopening and consumer sentiment, will lead to an increase in deal volumes and invested capital in subsequent quarters.

Select Transactions:

Month	Acquirer	Target	Healthcare Vertical	Deal Description
April	Veronis Suhler Stevenson & NewSpring Health Capital	BRC Healthcare	Substance Abuse and Mental Health	BRC has an extensive network of substance abuse clinics. In partnership with VSS and NewSpring who have investments in behavioral health, the company is poised to grow their presence with add-on acquisitions.
April	The Blackstone Group	HealthEdge	Healthcare IT	HealthEdge, a leader in Healthcare payer technology has partnered with Blackstone. Valued at roughly \$700 million, HealthEdge will serve as the platform for Blackstone's growth unit in healthcare IT.
April	Webster Equity	Gastro One	Gastroenterology	Gastro One, Tennessee's largest provider of GI services has partnered with Webster Equity in a deal valued at \$80 million. The deal will form One GI, a MSO aiming to partner with leading gastroenterology practices.
May	Amulet Capital	Shady Grove Fertility	Fertility	Shady Grove fertility, the largest independent fertility practice in the U.S. has been acquired by Amulet Capital. The deal establishes, US Fertility, the largest physician owned fertility organization in the United States.
June	Lee Equity	The Urology Group & Integrated Medical Professionals	Urology	The Urology Group and Integrated Medical Professionals, two large urology practices, have partnered with Lee Equity to form Solaris Health, a leading urology MSO.

Provident Deal Spotlight



Provident served as the exclusive adviser to The Urology Group, a nationally recognized Cincinnati-based provider of urological services with 37 physicians and 14 locations, in their partnership with Lee Equity and Integrated Medical Professionals to form Solaris Health, a management services organization.

Private Equity Investment & Deal Count

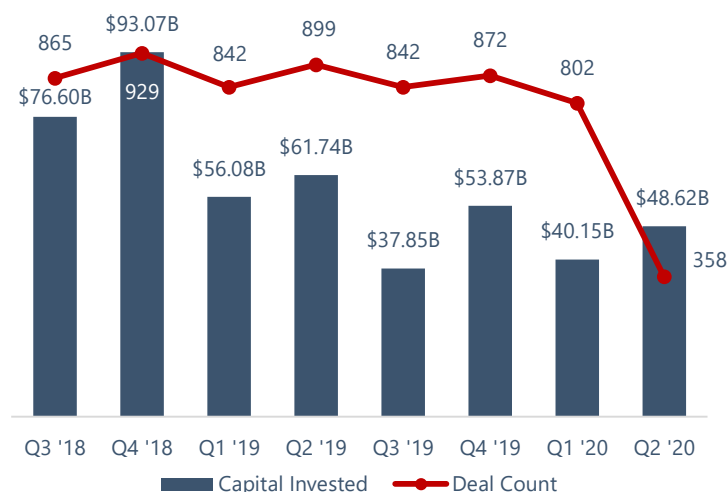


Chart Source: PitchBook Data, Inc.

Sources:

1. Preqin's "Preqin Quarterly Update: Private Equity & Venture Capital Q2 2020"
2. Middle-Market Healthcare Private Equity M&A Trends and Terms in the Current COVID-19 Environment
3. White & Case: Healthcare M&A prospers, despite fall in deal activity

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