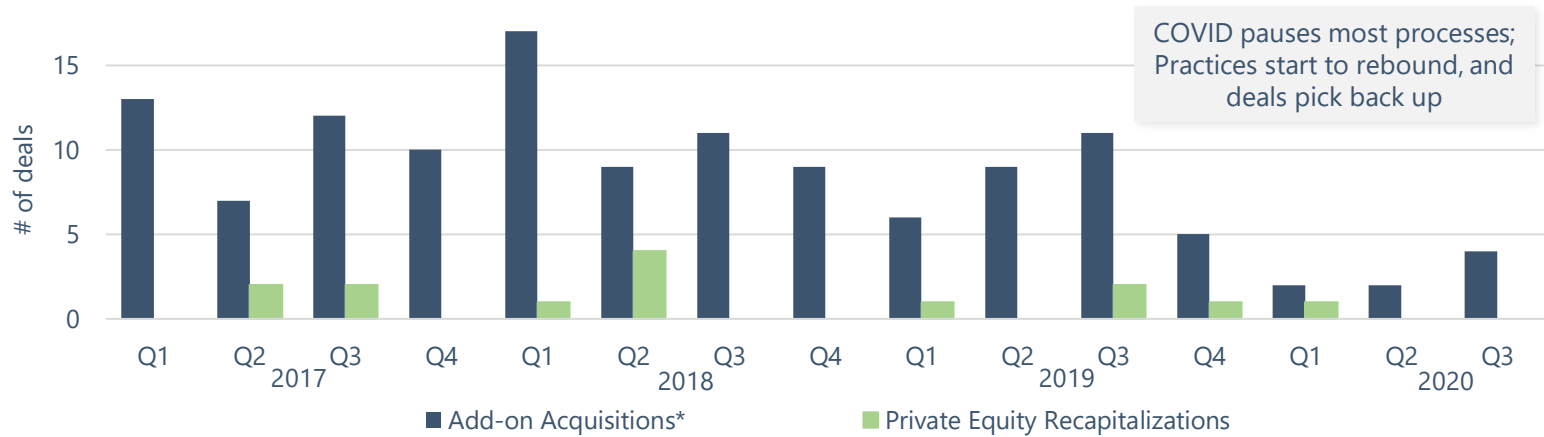


Q3-2020 Dermatology Update

Market Update



Transaction volume within dermatology continues to slowly rebound from the early effects of the pandemic, which stalled many deal processes from March to May. Activity has picked up in recent months, but volume still lags the high rate of activity that took place in preceding years. Provident expects deal flow to recover as independent practices and private equity-backed platforms rebound to pre-COVID levels. Platforms in select geographies that have rebounded better than others will continue to engage in M&A efforts and seek out acquisitions as a means of growth.

Valuations within dermatology and within the physician services space, more generally speaking, have yet to soften in a meaningful way. With over 30 platforms backed by private equity, there is still plenty of competition for acquisitions, which has sustained an imbalance between supply and demand for deals. Headline valuations have remained relatively unchanged, while deal structures have often incorporated deferred payments for sellers that have not rebounded to pre-COVID levels. These COVID structuring considerations have allowed transactions to continue occurring, but we expect this trend to dissipate over time as practices demonstrate a longer runway towards volume recovery.

Select Transactions:

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

Month	Acquirer	Target	Target – Number of:		
			Locations	Providers	State(s)
Sep-20	Epiphany Dermatology	SkinCare Colorado	1	1	CO
Sep-20	DermCare Management	SkinSmart Dermatology	1	4	FL
Aug-20	Pinnacle Dermatology	Waldman's Dermatology	2	1	NC
Jul-20	Anne Arundel Dermatology	Washington Dermatology Center	2	4	MD

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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.