

Provident Perspectives:

An Update on Investment & Consolidation in Women's Healthcare

Examining recent developments and key trends within the women's healthcare space



Provident
Healthcare Partners

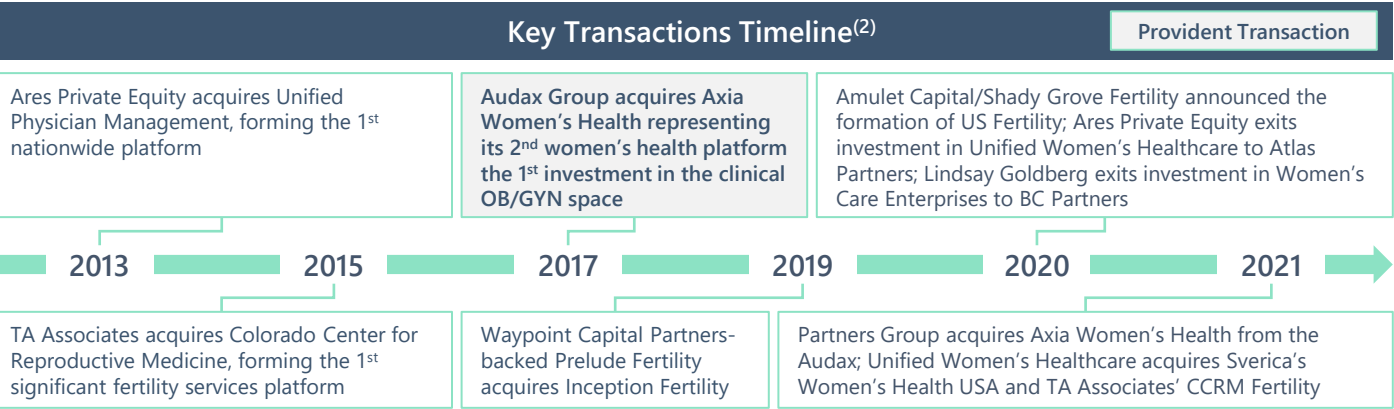
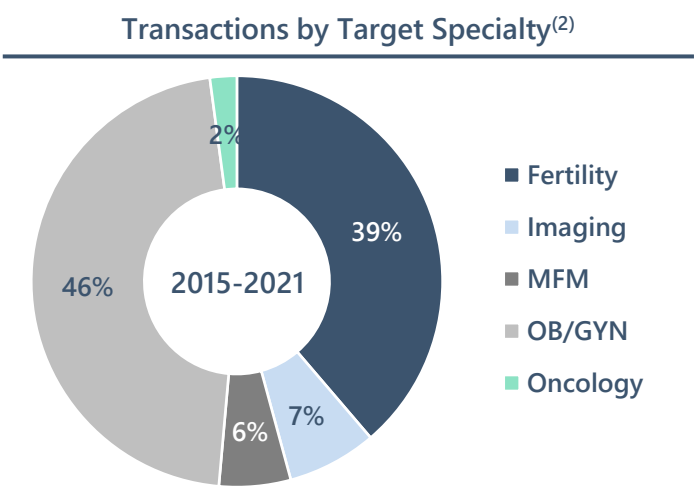
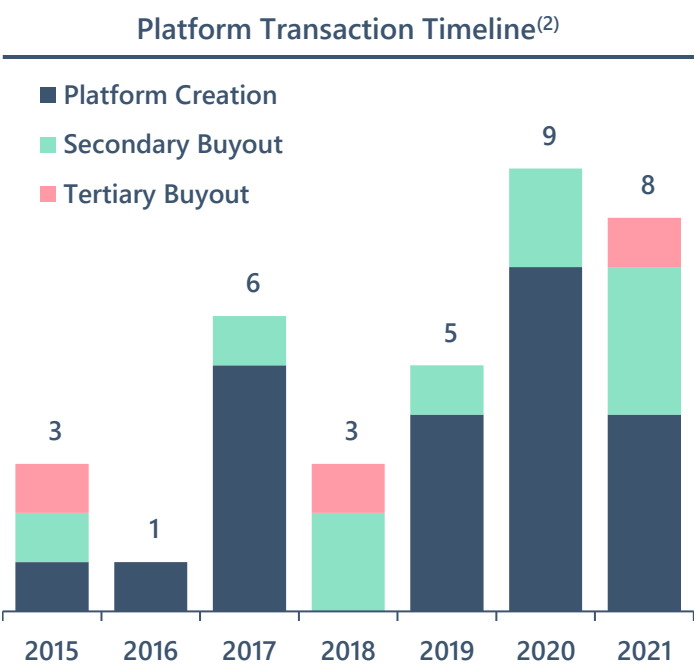
Introduction

Over the last two decades, the combination of demographic trends and social-cultural dynamics continue to drive outside investor interest within the women’s health sector. Experts project the global \$32.8B industry to reach \$45.5B by 2028 (2021-2028 CAGR of 4.8%), leading to heightened attraction from new investors and amplified competition among sponsors already invested in the space.⁽¹⁾

While the genesis of women’s health investment started almost 10 years ago, 90+ transactions occurred since the start of 2020, representing roughly 65% of deal volume over the last five years. Since 2015, approximately 10 organizations moved on to their second private equity partner, with ~33% of sponsors over three years into their initial platform investment.⁽²⁾

Given the current landscape, Provident expects to see continued transaction activity as it relates to new platform investments, secondary buyouts, and add-on acquisitions. Additionally, the adoption of value-based care arrangements will presumably boost activity from larger health systems or diversified platforms looking to build integrated care models.

In this white paper, we examine the evolution of investment activity within the women’s health space as well as go-forward expectations for the sector. We will also cover key topics such as valuation expectations, partnership considerations, and private equity’s impact on women’s health.



⁽¹⁾ Fusion Market Research; ⁽²⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; includes platforms that did not offer women’s health services at platform creation but did so at the time of sale

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Surveying the Women’s Health Services Landscape

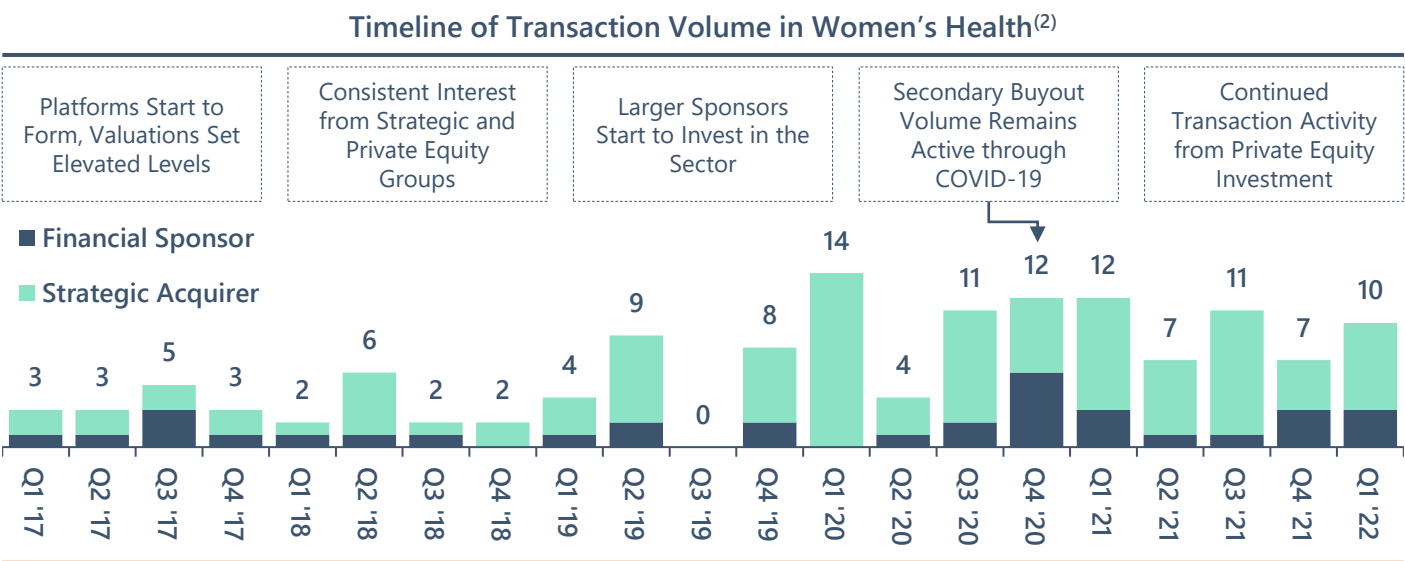
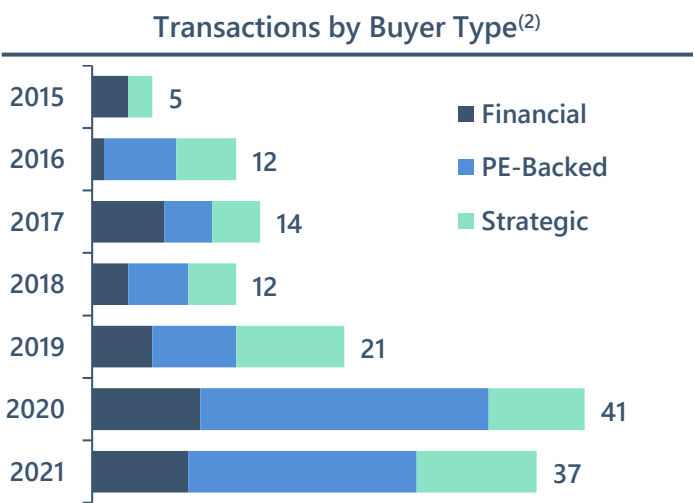
Women’s Health Thesis			
Demographic Trends		Expanding Service Coverage	
The average age of first-time mothers increased from 21 in 1970 to 26 in 2018 ⁽¹⁾		Increased coverage for women’s health, maternity, and fertility care driven by government mandates	
Value-Cased Care Dynamics		Ancillary Service Opportunities	
Further provider group adoption of value-based care programs continues to influence consolidation		Rising prevalence of ancillary women’s health services integrated into diversified platforms	

The prevailing thesis in the women’s health, which is centered on favorable demographic dynamics, continues to attract investors looking to participate in the fast-growing sector. Outsized demand for services driven by heightened sociocultural factors, expanded coverage, and increased incidence levels outpaces the supply of providers in the space, making for an attractive investment opportunity.

Since the start of 2015, private equity groups formed 20+ women’s health platforms, with approximately 70% of the activity occurring since 2019, largely driven by the sheer number of platform caliber organizations located in unsaturated markets across the U.S.⁽²⁾

The demand for transactions, driven by investment appetite, paired with a favorable demographic dynamics,

has led to rich valuations, as well as seller-friendly deal structures for business owners looking to explore their options in the market.



⁽¹⁾ Forbes; ⁽²⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; includes platform investments that did not initially offer women’s health, but do so currently

Women’s Health Subspecialties

OB/GYN

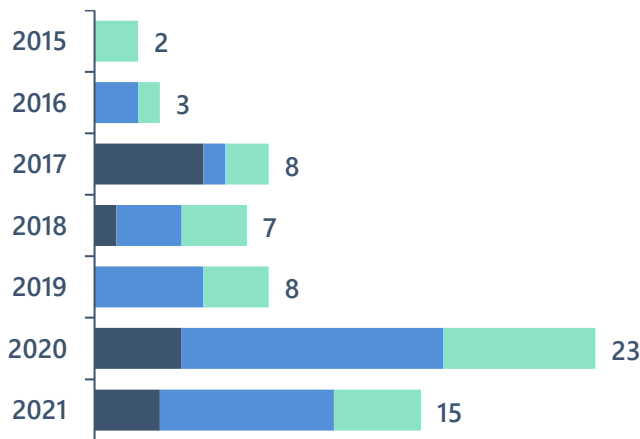
Overview

The women’s health subsector, OB/GYN, continues to sustain interest from both the strategic and financial buyer community. OB/GYN clinics commonly operate in highly fragmented markets, and thus on a smaller scale. In 2020, no single operator accounted for more than 5% of industry revenue, resulting in heightened competition as platforms continue to expand, hoping to serve an increasing patient base.⁽¹⁾

Consolidation Drivers

Since enacted in 2010, the Affordable Care Act (“ACA”) created a surge in insurance enrollment volume, having mandated coverage for maternity care services and expanding access to routine services (cancer screenings, birth control, etc.). From a reimbursement standpoint, the ACA guidelines reimburse nurse-midwives at parity with physicians for all Medicare OB/GYN services, encouraging the utilization of mid-level providers for routine services and allowing doctors to focus on more complex cases. Additionally, the adoption of value-based payment models increased the importance of providing higher quality care at a lower price point, forcing providers to focus on prevention, outcomes, and utilization.

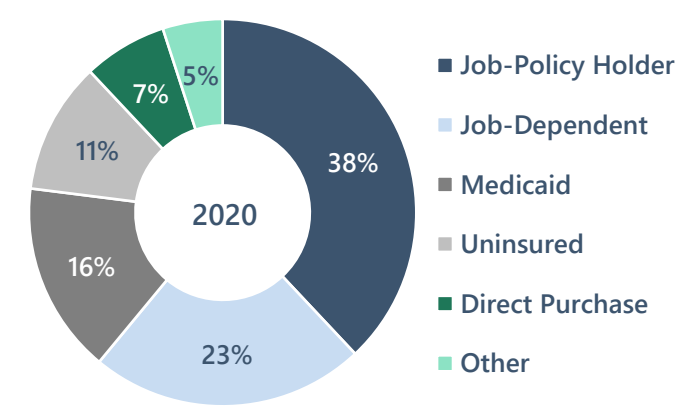
OB/GYN Transactions by Buyer Type⁽²⁾



Key Market Trends

In preparation for risk-based payment arrangements, the prevalence of integrative care models continues to rise as operators look to offer a full suite of women’s health services. Integrated care models not only show further cost-savings and improved outcomes, but also allow practices to benefit from an expanded referral base and diversified revenue streams.

Women Health Insurance Coverage⁽³⁾



Since 2015⁽²⁾

7	Private equity sponsors established seven OB/GYN focused platforms
5	Five platforms moved on to their second private equity partners
30+	Private equity-backed practices acquired over 30 privately owned groups
20	About 20 acquisitions occurred between two non-private equity-backed groups

To diversify services offerings, capture new patient volume, and capitalize on external referral streams, OB/GYN practices look to other established sub-sectors in the women’s health continuum.

Over the last five years, four private equity-backed OB/GYN platforms have expanded into the fertility space through M&A⁽²⁾

⁽¹⁾ IBISWorld, ⁽²⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; includes platform investments that did not initially offer women’s health, but do so currently; ⁽³⁾ KFF

Women’s Health Subspecialties (Continued)

Fertility Services

Overview

The fertility services space realized over 25 transactions since the start of 2021, represented by four platform creations and 10+ add-on acquisitions.⁽¹⁾ Changes in Medicare and Medicaid payment plans, along with a broad array of social and cultural trends, continue to drive consolidation within the emergingly active subspecialty.

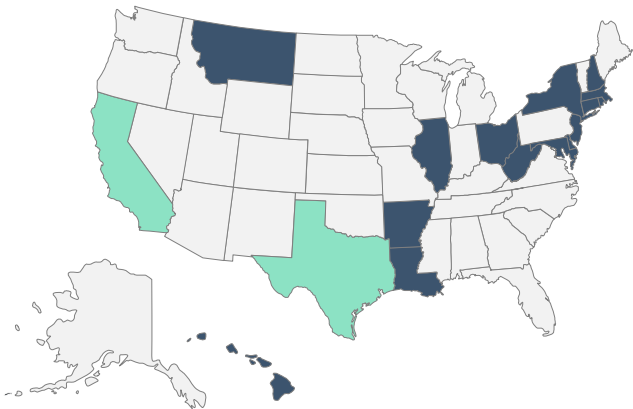
Fertility services providers continue to adapt to regulatory changes, as statewide mandates call for government payors to offer coverage for infertility treatment. 17 states currently offer coverage for infertility diagnosis and treatment, and of those, 15 passed laws that require infertility treatment coverage from health insurance companies, with the other two requiring health insurance companies only to offer coverage.⁽²⁾

Furthermore, women now represent a larger proportion of the U.S. workforce at 48% of employees, constituting a 5% increase since 2016.⁽³⁾ With the aforementioned statistic rise, disposable income levels will also likely rise, leading to an increased prevalence of private insurance and out-of-pocket payments for fertility services.

Key Trends

The U.S. fertility services market is still in the infancy stage of consolidation. Since 2015, private equity groups formed 10+ fertility platforms, with 75%+ of activity occurring since 2019.⁽¹⁾ Market fragmentation also led to swift add-on activity from groups either looking to build size and scale or diversify services. Evidenced by Unified Women’s Healthcare’s acquisition of CCRM Fertility, larger women’s health focused platforms are starting to integrate fertility groups, and other ancillary fertility services, in an effort to diversify revenue streams and provide a comprehensive suite of services to their patients.

State Coverage for Infertility Treatment⁽²⁾



Require health insurances companies to cover services

Require health insurances companies to offer services

As states continue to expand service coverage, investors recognize the need to manage costs and improve both outcomes and care delivery to patients.



Series C funding led by



June 2021



Initial Public Offering

October 2019



has been acquired by



November 2010

Notable Industry Transactions⁽¹⁾



has been acquired by



January 2022

CORTEC Group, a New York based private equity firm, acquired Circle Surrogacy. The acquisition represents a platform investment for the CORTEC Group.



has been acquired by



June 2021

Unified Women’s Healthcare, a leading practice management platform in women’s healthcare backed by Atlas Partners, acquired CCRM Fertility, a leading network in fertility care and research.

⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; includes platform investments that did not initially offer women’s health, but do so currently; ⁽²⁾ National Conference of State Legislatures; ⁽³⁾ McKinsey

Women’s Health Subspecialties (Continued)

Maternal-Fetal Medicine

Overview

Maternal-Fetal Medicine (“MFM”) has also seen a rise in partnership interest from investors and strategic acquirers. Recent market activity suggests that medical and political focus re-centered the importance of mitigating pregnancy risks on a national scale. Medical groups and financial sponsors are therefore better equipped to support small, independent practices, allowing for the benefit of joining a larger provider group.

Consolidation Drivers

Contrary to demographic trends in women’s health subspecialties, markets located outside densely populated urban areas represent a growing addressable market for MFM services. Maternal mortality disparities between rural and urban populations continue to persist, despite government efforts to incentivize pregnancy related risk reductions.

In 2015, rural pregnancy-related mortality reached a ratio of 29.4 per 100,000 live births, as compared to 18.2

in urban areas. Social Determinants of Health states that rural communities face higher mortality rates due to a lack of access to health and human services, transportation challenges, lack of education, fewer employment opportunities, and higher rates of poverty.⁽¹⁾ As a result, the Rural Maternity and Obstetrics Management Strategies (“RMOMS”) created a \$21M fund aimed at creating MFM solutions in rural communities.

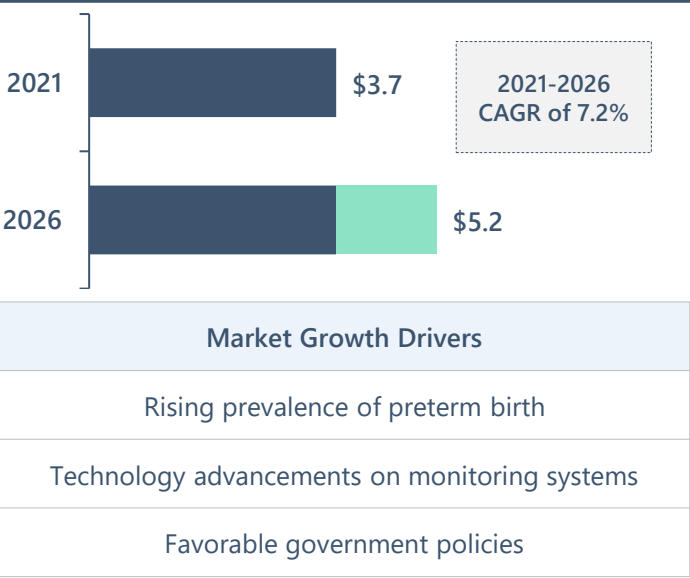
Key Trends

Private-equity sponsors continue to pursue MFM investment opportunities as groups look to build scale in largely underserved markets. Provident believes regionally dominant OB/GYN practices will begin to integrate MFM services to diversify revenue streams and capitalize on referral streams. Given the opportunity for smaller practices to join forces with larger groups, or for the establishment of regionally focused platforms, there is potential for MFM providers to become an integral part of the growth of the comprehensive women’s health industry.

Key Transaction Timeline⁽²⁾

Year	Transaction
2016	• Mednax acquires Maternal Fetal Medicine of Southwest Florida
2017	• Mednax acquires Midwest Perinatal Associates • Mednax acquires Greater Nashville Perinatology
2019	• Mednax acquires Greater Nashville Perinatology • Mednax acquires Central Coast Perinatal
2020	• Women’s Health USA acquires Desert Perinatal Associates
2021	• Imperial Capital acquires Hera Women’s Health

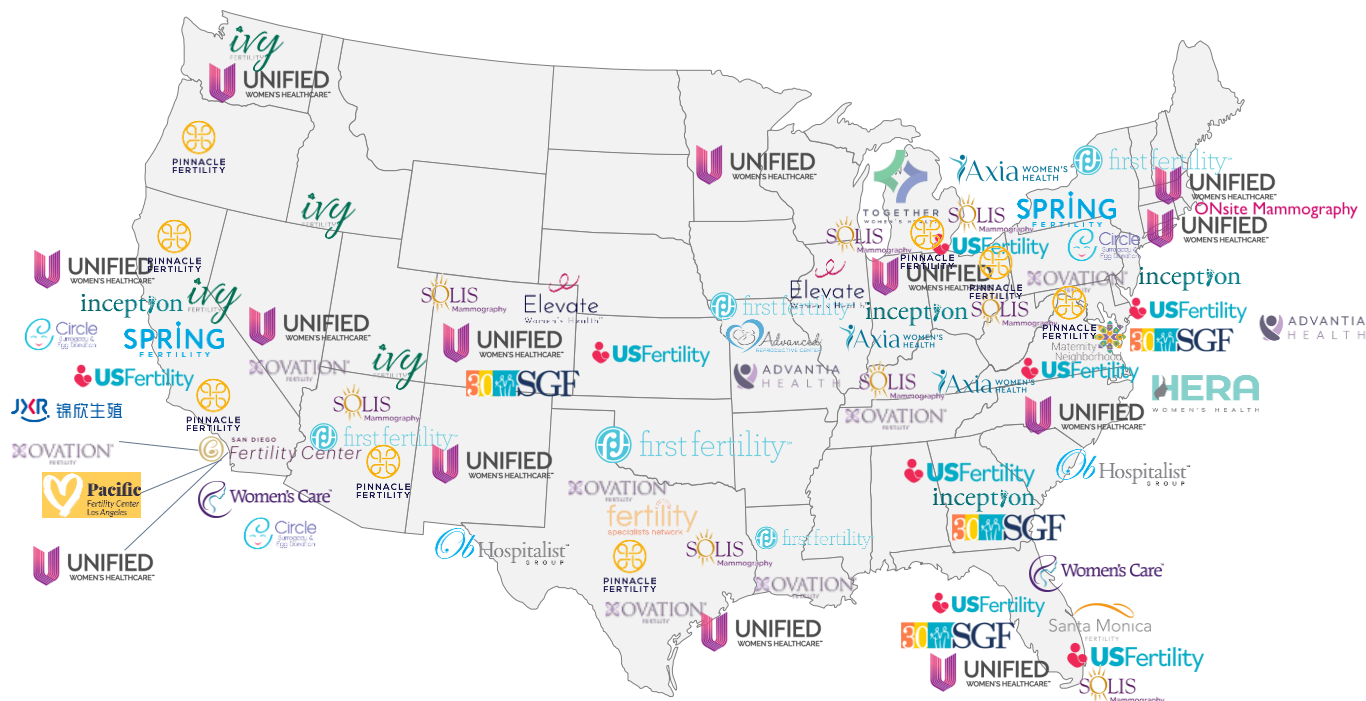
Total Addressable MFM Market (Billions)⁽³⁾



⁽¹⁾ DHSS; ⁽²⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; includes platform investments that did not initially offer women’s health, but do so currently; ⁽³⁾ Research and Markets

Moving Toward the Next Phase of its Investment Life Cycle

Private Equity-Backed Platform Coverage⁽¹⁾



Transaction Outlook – Key Themes Provident Expects to Play Out⁽²⁾

Consolidation of Consolidators



As the market continues to mature, Provident expects to see a “consolidation of consolidators” theme take shape with larger private equity-backed platforms acquiring groups backed by smaller funds to achieve greater scale and efficiencies.

For example, Unified Women's Healthcare acquired Sverica Capital Management-backed Women's Health USA in 2021.

Secondary Buyouts



With only about 33% of existing private equity-backed platforms being at least three years into their investment period, we expect to see an uptick in secondary acquisitions as sponsors reach the end of their investment horizon.⁽²⁾

Partners Group's 2021 acquisition of Axia Women's Health from Audax Group is the latest example of a secondary buyout in the space.

Integrative Care Models



Women's health providers continue to expand offerings to diversify services. Fertility services represents one of the fastest growing specialties under the women's health umbrella, demonstrating a sector primed for integration.

As an example, Unified Women's Health, an OB/GYN service provider, acquired CCRM in 2021, layering in fertility services.

⁽¹⁾ Platform map includes platforms that did not initially offer women's health, but do so currently; ⁽²⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions

Private Equity Investment’s Impact on the Women’s Health Space

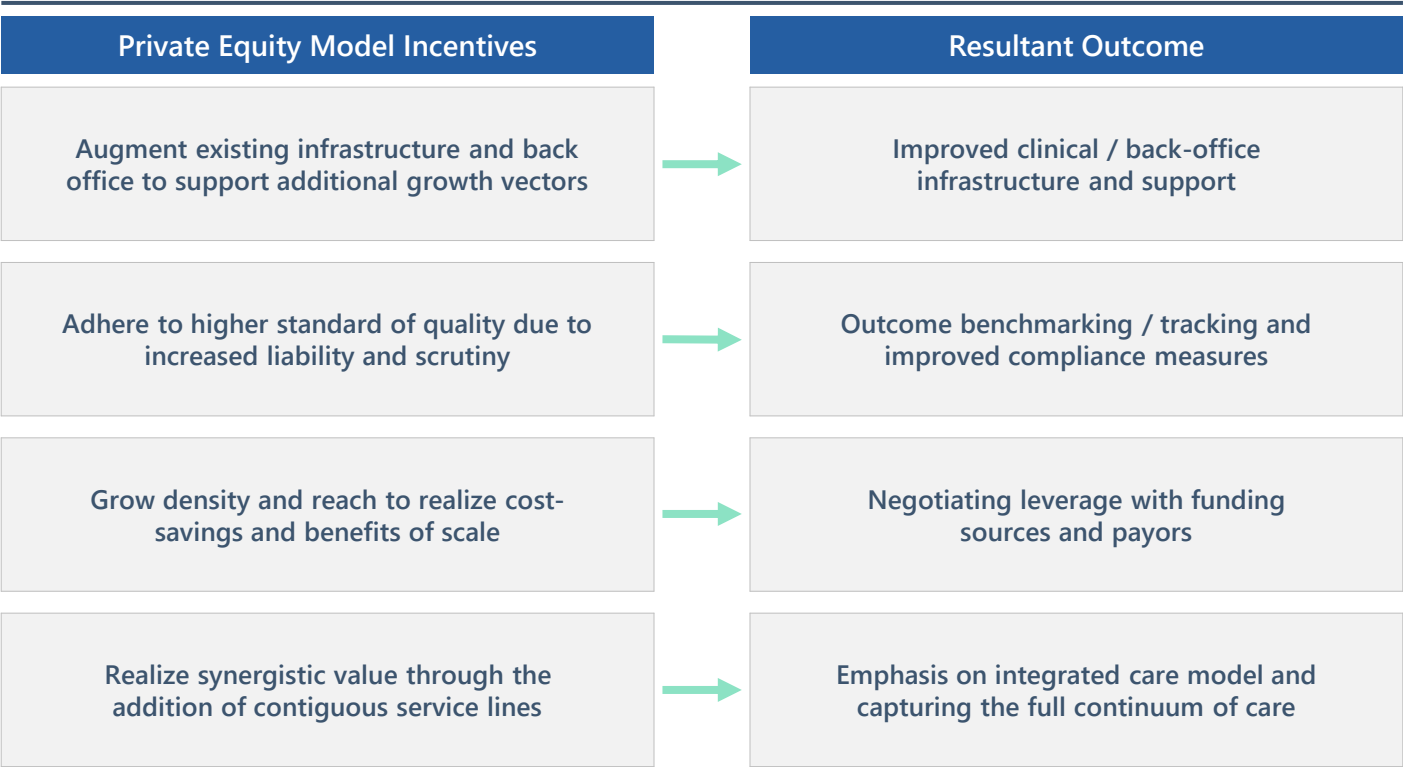
As consolidation continues to play a meaningful role in women’s health services, there are differing opinions on the go-forward impact of private equity investment. The focus on maximizing profit and the “second bite” concerns many groups who are hesitant to partner with private equity affiliated platforms. Conversely, many advocates endorse the professionalization and resources that institutional investment brings to the space. Investment in infrastructure and back-office support, outcome tracking, improved compliance and IT systems, and negotiating leverage with payors are a few of the major benefits that private equity investment raises within the space.

As awareness continues to magnify and capital partners pay closer attention to billing practices, building density and scale will be critical to have a seat at the table with payors and funding sources. One of the most important elements in the treatment of women and positioning

businesses well with payors, is the ability to benchmark and ultimately track outcomes. Private equity-backed organizations have placed a significant amount of emphasis on tracking outcomes to ultimately gain leverage with payors.

The consolidation of women’s health service agents also leads to synergistic value on the cost and revenue side of business operations. Aligning with a partner in adjacent sub-specialties can lead to significant value creation for any practice primarily focused on OB/GYN care. Hybrid models that aim to cover a wider continuum of service offerings continue to become more prevalent, spanning fertility services, maternal-fetal medicine, imaging, and oncology. Payors and funding sources favorably view the shift towards an integrative care model, as data suggests that it’s more beneficial to the client.

Private Equity Investment Benefits on the Women’s Health Services Space



Partnership Considerations

There are several partnership options afforded to business owners looking to explore a transaction. With only about 20 platforms in the space, not all partnership opportunities are created equal.⁽¹⁾ As such, it is important to vet and perform in-depth reverse diligence on potential partners and their respective models to determine likelihood of go-forward success as well as philosophical and cultural alignment.

	Private Equity Platform	Private Equity-Backed Regional Platform	Private Equity-Backed Add-On
Pros	<ul style="list-style-type: none"> • Capital and resources to accelerate growth trajectory • Opportunity to spearhead and lead growth initiatives • Ability to retain meaningful equity ownership and benefit from value appreciation • Allows for most operational and strategic autonomy to retain key providers and staff • Opportunity to leverage private equity firm for board-level strategic support 	<ul style="list-style-type: none"> • Typically, higher valuations than add-on acquisitions • Ability to share operational and clinical best practices and leverage platform's centralized back-office resources and infrastructure • More strategic and operational autonomy than being a add on acquisition • Potential for board representation and meaningful equity within the platform • Rollover equity is shared across a network of agencies, diversifying risk 	<ul style="list-style-type: none"> • Potential for 100% buyout opportunity and succession plan • Access to experienced management teams • Potential to gain leverage with payors or benefit from improved rates due to economies of scale • Ability to share operational and clinical best practices, and leverage existing back office and management resources
Cons	<ul style="list-style-type: none"> • No synergies factored into initial valuation • Less certainty and heavier lift to close • Best practice sharing not necessarily available at initial phase • Not an option for all groups due to size and infrastructure parameters • More risk than joining an existing platform 	<ul style="list-style-type: none"> • Existing TopCo management team and infrastructure are already in place • Autonomy is typically less than being a private equity platform investment 	<ul style="list-style-type: none"> • Limited opportunity to have board-level representation and voting power • Existing management team and infrastructure is already in place • Lowest strategic and operational autonomy of the three options • Potential clash of organizational cultures within combined entity

⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; includes platforms that did not initially offer women's health, but do so currently

Provident Case Studies

Women's Health Care Group of PA & Fertility Centers of New England

Women's Health Care Group of PA

- Provident advised the owners of Women's Health Care Group of PA ("WHGPA") on a successful transaction with Audax Group, resulting in the formation of Axia Women's Health
- WHGPA looked for a partner that would allow them to continue expanding into the Mid-Atlantic region; the group made a series of bolt-on acquisitions, including the acquisition of Seven Hills Women's Health Centers, a group Provident also advised
- The group had 150 providers at the time of their acquisition and would grow to over 400 providers by their secondary transaction in May of 2021
- The recapitalization of Axia Women's Health by Partners Group provided shareholders with a secondary liquidity event, resulting in a purchase price of \$800M



has partnered with



March 2017

Fertility Centers of New England

- Provident facilitated a structured transaction process for Fertility Centers of New England ("FCNE") in its sale to First Fertility, a portfolio company of Sverica Capital Management
- The transaction served as a transition for the practice's shareholder to go through a partial liquidity event, and to offer an incentive equity pool to the management team
- FCNE operated a highly successful practice with reimbursements coming from primarily commercial payors; this allowed the group to leverage their relationships and networks as they moved into new geographies
- The group serves as a regional platform under First Fertility, supported by four providers and one lab director spread across 10 locations



has partnered with



a portfolio company of



November 2020

Current Valuation Landscape

Provident expects the valuation landscape within the women’s health services space to remain steady throughout 2022. While the sector continues to face valuation risk from interest rate increases, lingering COVID challenges, and overall economic turbulence, women’s health still garners interest from the financial and strategic investment community due to recent growth and expansion among subspecialties. While COVID dampened many growth assumptions due to outbreaks, cancelations, and staff turnover, practices also proved to have established stable and growth-oriented operations due to the resiliency of providers and management teams.

Provident Transaction Experience



has affiliated with





has been acquired by an affiliate of





has partnered with





has been acquired by





has partnered with





has partnered with



Key Drivers for Premium Valuations

Proven ability to recruit and retain top-tier talent; culture, training programs, upward mobility, non-clinical support, etc.

Diverse and comprehensive service offering and funding sources with strong commercial payor exposure

Strong infrastructure, centralized corporate functions, and robust employee roster

Data-driven management approach with strong reporting capabilities and ability to track outcomes

Growth potential, including demonstrated ability to execute on inorganic and de novo growth

Attractive market with favorable supply and demand dynamics (sizable talent pools and underserved client base)

COVID-19’s Impact on Women’s Health

- The pandemic accelerated telehealth adoption and utilization, proving especially helpful for women in rural areas with significantly longer travel times; the rise in telehealth services allowed providers to expand service areas and introduce initiatives to commit resources toward rural and underserved communities
- COVID-19 had little impact on the OB/GYN space with no material changes to patient volume, particularly for women serviced in traditional obstetrical capacities; most business underperformance arose due to staffing and supply constraints, not a lack of demand
- Groups able to retain talent and build robust infrastructure in underserved markets have, and will, continue to garner the most interest from the buyer community

Select Private Equity Transactions

Select Private Equity Platform Investments (2021 to YTD 2022)⁽¹⁾

Date	Acquirer	Target	Transaction Type	Sector
Jan-22	MKH Capital Partners	Advanced Reproductive Center	Platform Creation	Fertility
Jan-22	Nordic Capital	CARE Fertility	Tertiary Buyout	Fertility
Jan-22	CORTEC Group	Circle Surrogacy & Egg Donation	Platform Creation	Fertility
Dec-21	LongVue Capital	Fertility Specialists Network	Platform Creation	Fertility
Dec-21	CVC Capital Partners	FutureLife	Secondary Buyout	OB/GYN
Nov-21	Kohlberg Kravis Roberts	GeneralLife	Secondary Buyout	Fertility
Sep-21	Kohlberg & Company	Ob Hospitalist	Tertiary Buyout	OB/GYN
May-21	Partners Group	Axia Women's Health	Secondary Buyout	OB/GYN
Mar-21	InTandem Capital	San Diego Fertility Center (Ivy Fertility)	Platform Creation	Fertility
Jan-21	Imperial Capital	Hera Women's Health	Platform Creation	MFM
Jan-21	Quadrant Management	Total Sono	Platform Creation	Imaging

Select Private Equity Add-On Investments (YTD 2022)⁽¹⁾

Date	Acquirer	Target	Transaction Type	Sector
Mar-22	Pinnacle Fertility	Advanced Fertility Care	Add-On Investment	Fertility
Feb-22	Kindbody	Vios Fertility Institute	Add-On Investment	Fertility
Jan-22	US Fertility	Center of Reproductive Medicine	Add-On Investment	Fertility
Jan-22	Ivy Fertility	Pacific Northwest Fertility	Add-On Investment	Fertility
Jan-22	Ivy Fertility	IVF Specialists	Add-On Investment	Fertility
Jan-22	Ivy Fertility	Utah Fertility Clinics	Add-On Investment	Fertility
Jan-22	Ivy Fertility	Nevada Center for Reproductive Medicine	Add-On Investment	Fertility
Jan-22	Ivy Fertility	Nevada Fertility Center	Add-On Investment	Fertility

⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; includes companies that did not initially offer women's health, but do so currently

Conclusion

As the women’s health space expands, and industry consolidation shifts towards the next phase of the investment cycle, Provident expects to see an overall increase in secondary buyouts, further add-on activity from existing platforms, and even the creation of new platforms looking to capitalize on fragmented regions.

Industry tailwinds, such as the projected increase in women’s health complications, rising demand for routine women’s health check-ups, and increasing demand for IVF services will continue to bolster M&A activity. The development of integrated care models and the persistence of private equity consolidation will also provide the foundation for elevated deal volume to continue into the future.

Practices that implement stable and growth-oriented operating models, along with scalable corporate infrastructure, position themselves well for growth and further expansion. Such groups will be in high demand as they attract investment partners looking to integrate ancillary services, retain key personnel, and expand into new and tangential markets.

The current market proves favorable to sellers, all while providers continue to make a growing, sizable impact on the lives of women.

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Provident is the leading investment banking firm specializing in merger and acquisition advisory, strategic planning, and capital formation for middle-market and emerging growth healthcare companies.

The firm has a vast network of senior industry relationships, a thorough knowledge of market sectors and specialties, and unsurpassed experience and insight into the investment banking process.

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