

Exploring the Urology Services Landscape

Q3 2022

Urology Services Industry Key Sector Dynamics

The urology services market is one of the more nascent physician services sectors undergoing early-stage consolidation; given long-term tailwinds and increased incidence of urological conditions, the sector is ripe for continued expansion as platforms grow in scale and sophistication.

Platforms that take advantage of current sector dynamics to scale in the early innings of consolidation will stand to benefit most from continued demand tailwinds and best position their provider workforces to combat future supply shortages

Broad Physician Practice Management Themes

Key Urology Services Sector Dynamics



Aging Population

- 50%+ of urology visits were patients over the age of 65⁽¹⁾
- The U.S. population 65 years of age or older is expected to grow 2.9% annually through 2030⁽²⁾



Favorable Demand Tailwinds with Projected Headwinds on Supply Side

- Patient demand is expected to outpace the supply as 50%+ of practicing urologists are 55 years of age or older, with only 300 graduating from residency annually⁽³⁾
- Despite challenged long-term supply/demand dynamics, the urologist to patient ratio has increased in the last five years



Fragmented Landscape

- Highly fragmented landscape with limited national platforms
- Structural dynamics support continued consolidation of independent practices



Platform Value

- Scale and platform infrastructure unlock significant value creation opportunities over and above what smaller practices can realize independently
- Ancillary service revenue model allows for rapid diversification of revenue base

1. The American Urological Association, The Centers for Disease Control and Prevention, Prostate Cancer Foundation, National Center for Biotechnology Information

2. US Census Bureau

3. American Urological Association: 2021 | The State of the Urology Workforce and Practice in the United States

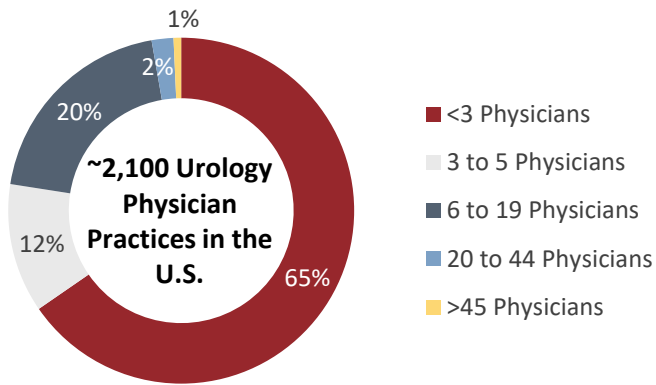
Urology Services Market Snapshot

OVERVIEW AND KEY TAKEAWAYS

- Urology is in a very early stage of consolidation, with the opportunity to gain market share rapidly through M&A and platform scaling
- Despite high projected demand for urologists coupled with a tight physician supply, the urologist-to-population ratio has shown steady improvements
- Complex reimbursement environment and high barriers to entry provides significant opportunity for scaled platforms and drives urologists to join larger organizations

U.S. UROLOGY PHYSICIAN PRACTICES⁽¹⁾

Practices with main specialty of urology



UROLOGIST DYNAMICS

Recruitment



Projected physician shortage most likely to impact smaller multi-practice groups, where there are limited HR capabilities⁽²⁾

Retention



Strong physician retention aided by alignment of incentives through usage of equity models at platforms

Compensation



Urologist compensation is at the higher end of specialty physician services and will likely increase given the degree of specialization

STATISTICS

49.6%

Of Urology Visits are Routine Visits for Chronic Problems⁽³⁾

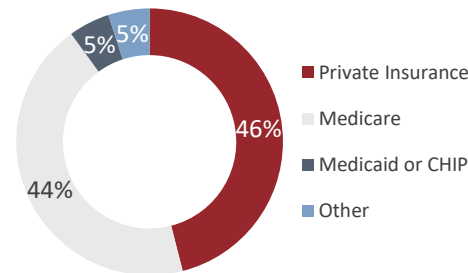
16x

Increase in Risk of Bladder Cancer From Age 40 to 80⁽⁵⁾

12,100+

Active Practicing Urologists⁽⁴⁾

U.S. UROLOGY PAYOR MIX⁽³⁾



\$477k

Avg. Physician Compensation⁽²⁾

1. Definitive Healthcare

2. Merritt Hawkins: The Emerging Shortage of Medical Specialists

3. National Ambulatory Medical Care Survey

4. American Urological Association, Active Defined as at Least 25 Hours of Clinical Work per Week

5. Global Healthcare Advisors



KEY: Circle fill represents attractiveness to investor / consolidator

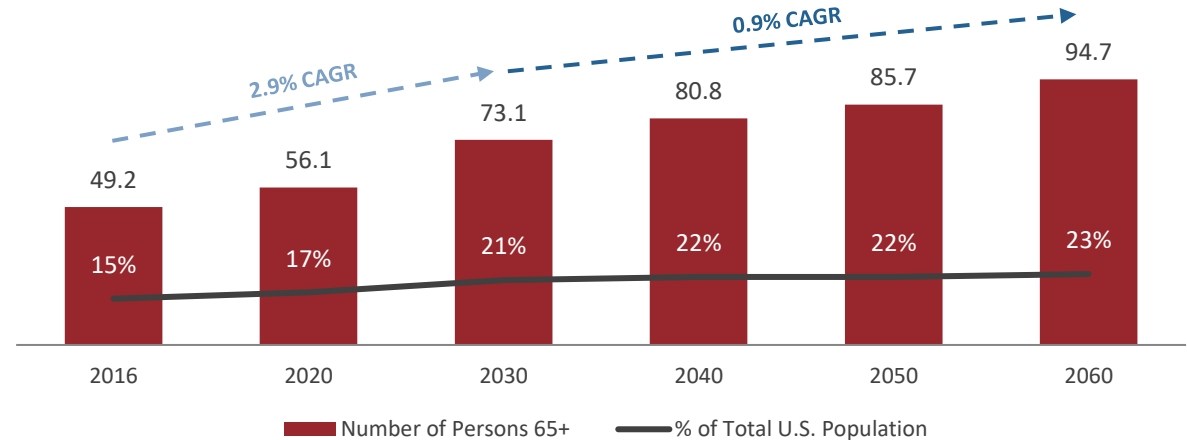
Urology Services Industry Key Sector Dynamics: Strong Demand Tailwinds

OVERVIEW AND KEY TAKEAWAYS

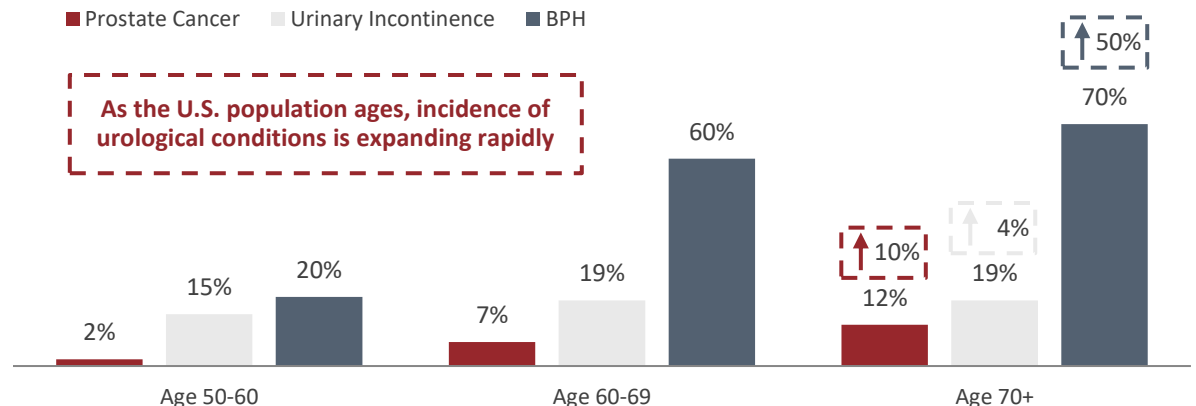
- A growing 65+ U.S. population and a high urological disease incidence rate in older populations will increase the demand for urological physician services
- The U.S. population over the age of 65 is expected to increase 2.9% annually through 2030
- The prevalence of urological conditions such as prostate cancer, urinary incontinence, and BPH have been proven to increase with age
- The risk of bladder cancer increases 16x between the ages of 40 and 80⁽³⁾

RAPIDLY EXPANDING & AGING U.S. POPULATION⁽¹⁾...

U.S. Population, and Percent of the Population, Aged 65 Years and Older
(in millions)



...WITH GREATER PREVALENCE OF UROLOGICAL CONDITION IN OLDER AGE⁽²⁾



1. US Census Bureau

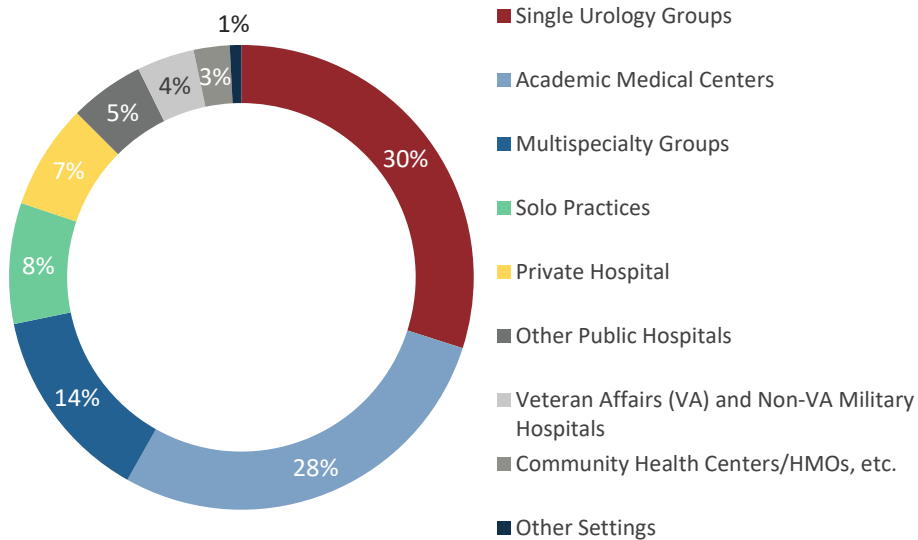
2. The American Urological Association, The Centers for Disease Control and Prevention, Prostate Cancer Foundation, National Center for Biotechnology Information

3. Global Healthcare Advisors

Urology Services Industry Key Sector Dynamics: *Continued M&A Activity*

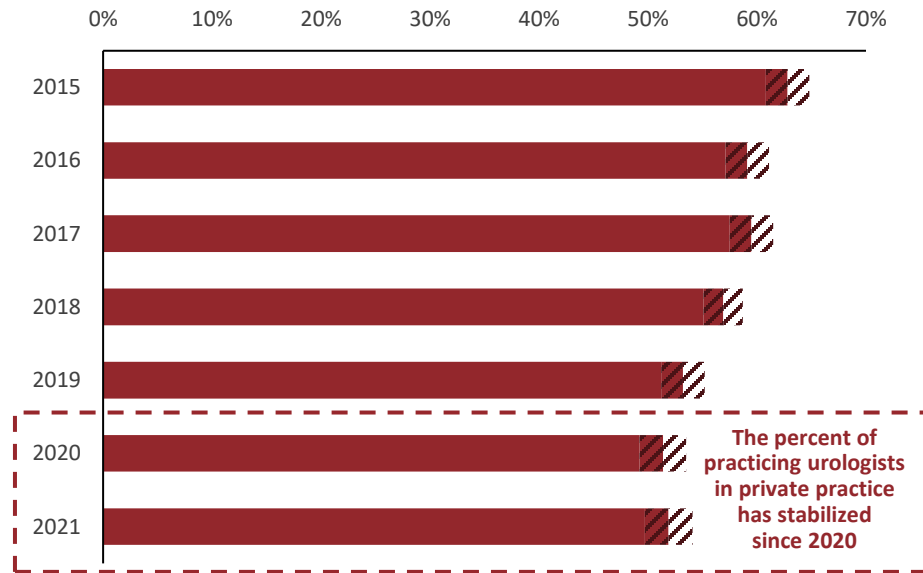
THE MAJORITY OF UROLOGISTS PRACTICE IN PRIVATE SETTINGS⁽¹⁾

Practicing Urologists by Practice Setting



FLIGHT FROM PRIVATE PRACTICE SETTINGS HAS STABILIZED⁽¹⁾

Percent of Practicing Urologists in Private Practice from 2015 to 2021



OVERVIEW AND KEY TAKEAWAYS

- After annual decreases in the percentage of privately operated practices from 2015 to 2019, the percentage of urologists who practice in private settings has stabilized at ~51% since 2020
- Consolidators can rapidly add scale and seek the benefits of a national model
 - The formation of larger platforms allows for greater economies of scale, better access to ancillary services, and more efficiency in navigating the reimbursement and regulatory landscape

1. American Urological Association: 2021 | The State of the Urology Workforce and Practice in the United States

Urology Services Industry Key Sector Dynamics: Demand Outpacing Physician Supply

OVERVIEW AND KEY TAKEAWAYS⁽¹⁾

- Similar to supply/demand trends in other specialties, demand for urologists is expected to outpace supply
 - Urologists, in terms of physician age, are above average, with 50% over the age of 55

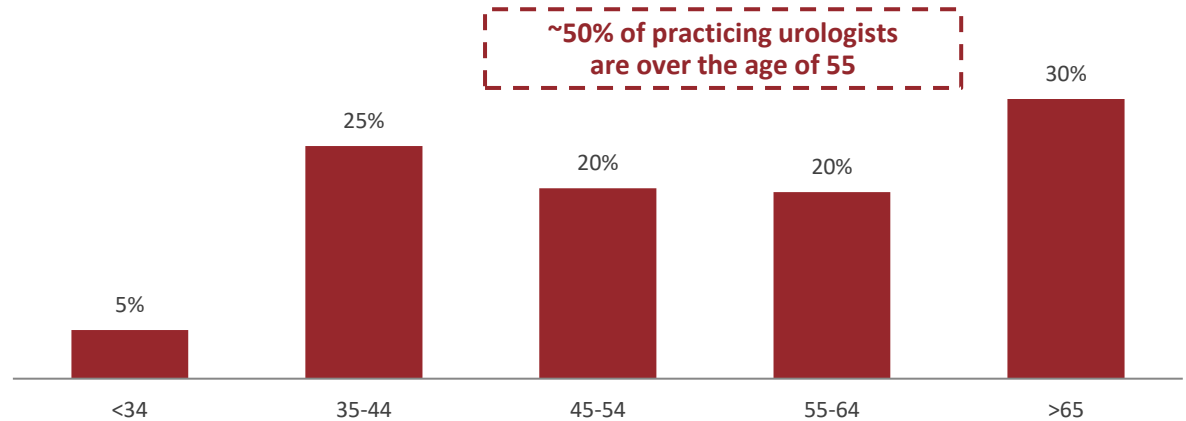
Specialties	Percent of Physicians Over 55
Pulmonology	73%
Psychiatry	60%
Cardiology (Non-Inv.)	54%
Orthopedic Surgery	52%
Urology	50%
General Surgery	48%
Ophthalmology	48%
Gastroenterology	45%
Anesthesiology	44%

- ~30% of urologists plan to retire after the age of 66

Despite improvements in trends, a deficit of 3,600 urologists is projected by 2025

AGING BASE OF UROLOGISTS⁽²⁾...

Practicing Urologists by Age Group

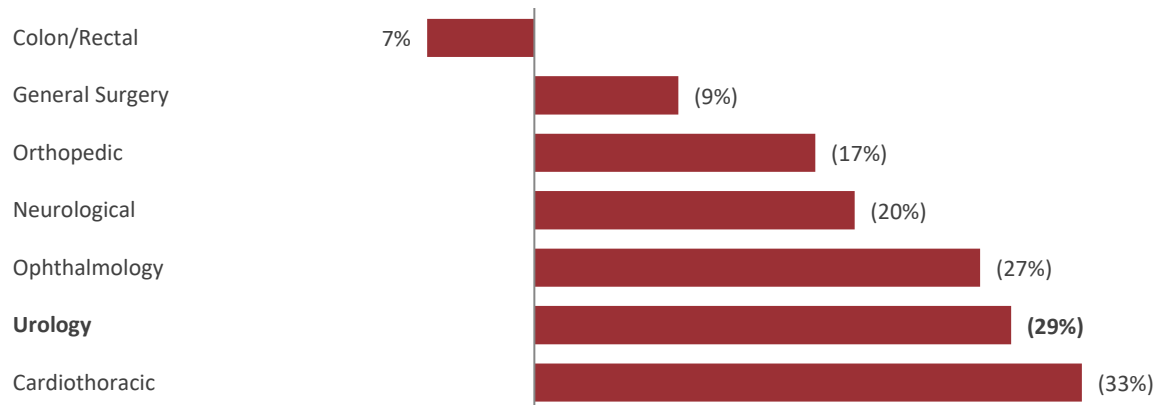


...COUPLED WITH PROJECTED DEFICIT IN SUPPLY⁽¹⁾

Practicing Physicians by Specialty

SPECIALTY

PROJECTED DEFICIT BY 2025



1. Merritt Hawkins: The Emerging Shortage of Medical Specialists

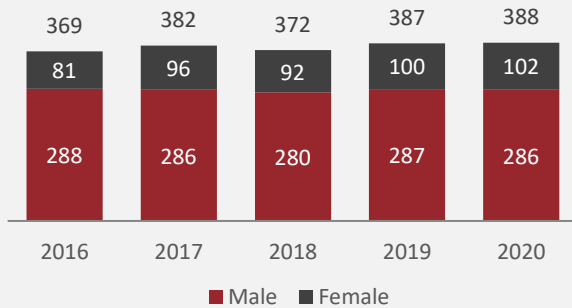
2. American Urological Association: 2021 | The State of the Urology Workforce and Practice in the United States

Urology Services Industry Key Sector Dynamics:

Steady Improvements and Adjustments in Staffing Plans Provide Solutions for Physician Supply Challenges

OVERVIEW AND KEY TAKEAWAYS⁽¹⁾⁽²⁾

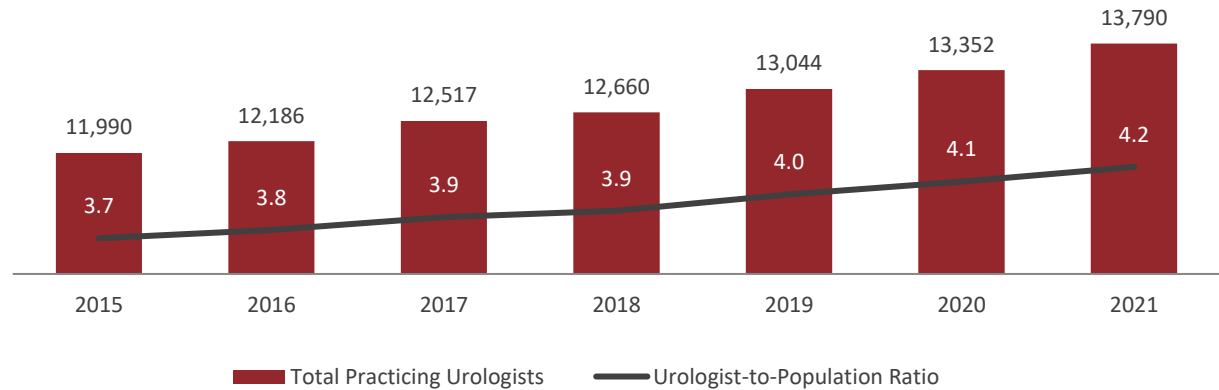
- Both the number of urologists and the urologist-to-patient ratio have shown steady improvements from 2015 to 2021
 - Among the 50 U.S. states, New York has the highest urologist-to-patient ratio, while Nevada has the lowest
- The number of urology-trained graduating residents has increased by 5% since 2016 and is expected to continue to increase



- The percentage of urologists utilizing advanced practice professionals (APPs) has increased as groups find opportunities to see more patients
 - APPs can see both new and return patients and perform straightforward office-based procedures to improve the efficiency of practicing urologists

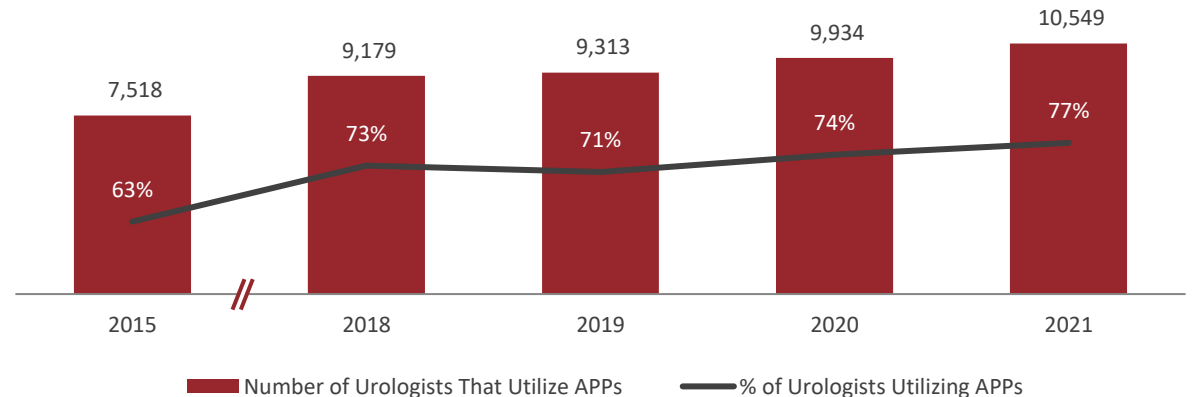
STEADY IMPROVEMENTS IN UROLOGIST-TO-POPULATION RATIO SINCE 2015⁽¹⁾

Number of Practicing Urologists and Urologist-to-Population Ratio (ratio per 100,000 population, includes all practicing urologists)



GROWING UTILIZATION OF ADVANCED PRACTICE PROVIDERS (APPs)⁽³⁾

Number of Practicing Urologists Who Work Directly with Physician Assistants (PAs) and Nurse Practitioners (NPs) in Their Primary Practices



1. American Urological Association: 2021 | The State of the Urology Workforce and Practice in the United States

2. American Urological Association: Urology Residents | In the United States and Across the Globe

3. American Urological Association, 2021-2015 Census Reports

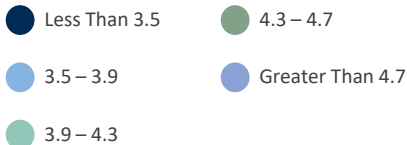
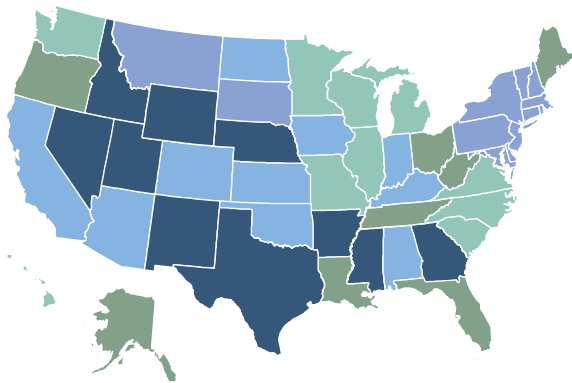
Urology Services Industry Key Sector Dynamics: Concentration in Metropolitan Areas Provides Opportunity for Expansion

OVERVIEW AND KEY TAKEAWAYS

- For consolidators, M&A should be used to aggregate practices in metropolitan areas, and de novos can be leveraged in geographies with smaller populations
- There is a significant opportunity for expansion outside of larger metropolitan areas due to a shortage of urologists
 - MSAs with a population over 128,000 tend to have a denser supply of urologists as ~90% of urologists practice in metropolitan areas
 - ~300 counties with one to three urologists currently are underpenetrated and have the population to support additional urologists
 - The most unmet demand for urologists is within counties that currently employ zero urologists, as 573 counties have the population to support one

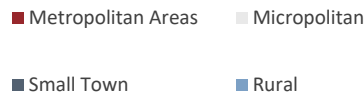
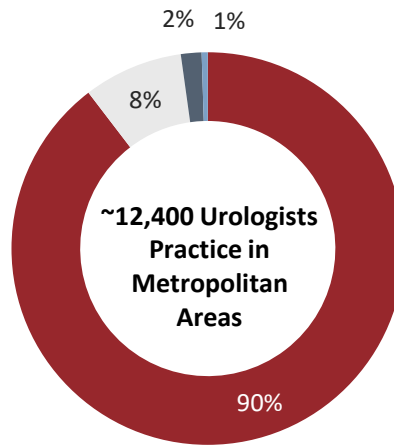
AMPLE GEOGRAPHIC OPPORTUNITY⁽¹⁾...

Number of Urologists per 100,000 Population (2020)



...GIVEN CONCENTRATION IN METRO AREAS⁽¹⁾...

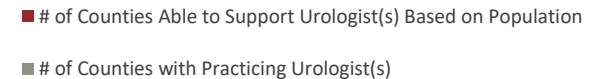
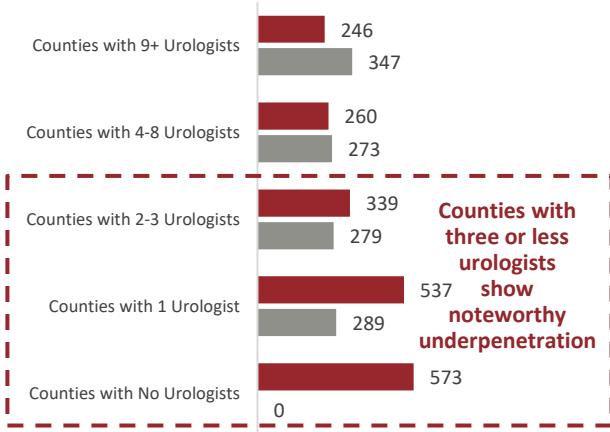
Rurality Level of Primary Practice Location



...LEAVING UN- AND UNDERPENETRATED GEOGRAPHIES⁽¹⁾⁽²⁾

~32,000

Suggested Population Required to Support Full-Time Urologists



1. American Urological Association: 2021 | The State of the Urology Workforce and Practice in the United States
2. Harris Williams market research

Urology Services Industry Key Sector Dynamics: *How Investors Can Create Opportunity in the Face of Challenge*

DESPITE SOME CHALLENGING PHYSICIAN DYNAMICS...

AGING PHYSICIAN BASE

- **Incentive Alignment** ensures physicians remain productive post-transaction and helps attract and retain newly graduated physicians looking for an entrepreneurial practice setting
- Focus on **Recruitment and Training** creates opportunities to replace successful physicians with internal hires, minimizing downtime and ramp
- A **Scaled Platform** will realize the benefits of a professionalized back-office and experienced HR department

CONSTRAINED SUPPLY OF NEW PHYSICIANS

- An **Advanced Practice Provider (APP) Strategy**, similar to those implemented in dermatology, not only increases the volume of patients able to be treated within a single practice, but can also provide better outcomes for patients
- **Partnership** with residency programs to create a pipeline of new hires by educating graduating physicians on the opportunity within private practice as a member of a scaled platform

METROPOLITAN PHYSICIAN CONCENTRATION

- Coupling metro and rural geographies through a **Hub and Spoke** approach diversifies revenue bases while offering multiple avenues for growth
- **Non-Metro Practices** are likely to be the least-penetrated when it comes to ancillary service opportunities
- Expansive **Medical School Recruitment Programs** give platforms access to residents from rural backgrounds and the opportunity to partner and place providers out of school into underserved markets

...UROLOGY SERVICES REMAINS AN ATTRACTIVE MARKET FOR INVESTORS

- 1 Aging Population, Including Increasing 65+ Cohort
- 2 Increasing Diagnoses / Prevalence of Urological Conditions
- 3 Steady Improvement of Urologist-to-Population Ratio
- 4 Expansive Opportunity to Introduce Ancillary Services
- 5 Significant Early-Mover Consolidation Opportunity

Driving Platform Growth in the Urology Services Industry: Value Creation Levers

GROWTH LEVER	VALUE CREATION OPPORTUNITY		COMMENTARY
	MINOR	— ● — +	
Ancillary Services			<ul style="list-style-type: none"> Layering in comprehensive service offerings to better support physicians in their mission to provide the best patient care, while expanding margins Services include: radiation oncology, pathology laboratory services, in-office dispensing and infusion, ASC expansion, robotics, clinical trial research and data capture, and care management programs
Operational & Administrative Efficiency			<ul style="list-style-type: none"> Urologists spend an average of 9 hours per week just on paperwork and administrative tasks, hampering efficiency and schedule utilization⁽¹⁾ National networks can accelerate the operational and quality-of-care benefits gained through sharing of best practices and centralizing costly back-office functions to increase the number of patients that physicians can treat each day
M&A			<ul style="list-style-type: none"> The urology landscape remains highly fragmented The land grab stage has begun, and successful consolidators are both integrating acquired assets and building value-creating infrastructure
Expansion into Multi-Specialty Model			<ul style="list-style-type: none"> The combination of urology services with other physician services, such as oncology and gastroenterology, creates an opportunity for a comprehensive care model Combined platforms create better care for patients, while expanding the total addressable market for investors
Payor Contracting			<ul style="list-style-type: none"> Platforms with geographic density have been successful at bringing commercial payors to the table by demonstrating quality and cost savings with data Future opportunity for scaled players to implement national contracting strategies with potential for value-based care initiatives
Clinical Quality Improvement			<ul style="list-style-type: none"> Surgical quality improvement collaboratives have become widely accessible in urology (MUSIC, PURC, and AQUA)⁽²⁾ Access to comprehensive EHRs offers smaller practices the ability to enact change among both patients and providers by optimizing outcomes and improving patient care
De Novo Expansion			<ul style="list-style-type: none"> Despite significant white space in underserved markets, provider recruitment has historically been a challenge Pace of de novo activity will likely accelerate as more platforms develop the provider recruitment capabilities needed to execute de novos at scale
Regulatory Support			<ul style="list-style-type: none"> It has become increasingly difficult to manage the regulatory complexities as a single practice With the support of a sophisticated back-office, physicians can avoid shouldering the burden associated with regulatory challenges and changes

1. American Urological Association: 2021 | The State of the Urology Workforce and Practice in the United States

2. Michigan Urological Surgical Improvement Collaborative (MUSIC), Pennsylvania Urologic Regional Collaborative (PURC), and American Urological Association Quality Registry Program (AQUA)

Driving Platform Growth in the Urology Services Industry:

Value Creation Lever – Ancillary Services

AMBULATORY SURGERY CENTERS

Offers an alternative to the traditional hospital care setting to those needing treatment through a more patient-centric model

LAB SERVICES

On-site pathology and clinical lab and lab services provide rapid, accurate lab results

IN-OFFICE PHARMACIES

On-site pharmaceutical dispensing services provide a simplified, convenient way to pick up medication as a patient

RADIATION ONCOLOGY CENTERS

Combination of radiation and urological treatment methodologies in a single practice environment

CHRONIC CARE MANAGEMENT

Care management for those with chronic urological conditions, including Benign Prostatic Hyperplasia (“BPH”), Overactive Bladder (“OAB”), as well as bladder, prostate, and renal cell cancers

CLINICAL RESEARCH & TRIALS

Participation in clinical research and trials ensures practices are up-to-date on new treatments and technology

Driving Platform Growth in the Urology Services Industry:

Value Creation Lever – Multi-Specialty Model

Multi-specialty models provide the opportunity to combine urology services with complementary specialties to develop integrated networks that provide linear and comprehensive patient care, while further expanding the total addressable market for future growth.



GASTROENTEROLOGY

- Gastroenterology and urology are highly complementary service models that can drive additional upside when combined
- Each specialty exhibits highly comparable characteristics:
 - Significant roll-up opportunities as each sector is in the early stages of consolidation
 - Beneficiaries of a large and growing 65+ population within the U.S.
 - Opportunity to combine ancillary services (lab, pharmacy, etc.)

Successful Case Study



ONCOLOGY

- Given the highly overlapping patient base, oncology is a natural complement to a urology services organization
- The consolidated specialties combine the skill of expertly trained urologists and radiation therapy oncologists into one group dedicated to providing patients with the best medical care available in these specialties
 - ~250k prostate cancer diagnosis cases per year⁽²⁾
 - ~80k bladder cancer diagnosis cases per year⁽²⁾

Successful Case Study



ADDITIONAL SPECIALTIES

- Urology services provide ample opportunity to various physician practice management sectors given the related playbook for growth
 - Similar thesis to build scale while recognizing synergies driven by geographic proximity
- Significant opportunity to combine with other specialties to create a go-to provider of all specialty healthcare for patients

Successful Case Study



1. American Urological Association: 2021 | The State of the Urology Workforce and Practice in the United States
 2. Cancer.Net cancer statistics

Looking to the Future of Urology Services

Harris Williams believes that urology services M&A is only in its infancy, and significant opportunity exists to continue to consolidate the market and drive future organic growth by realizing scale and taking advantage of strong market tailwinds.



The urology sector is in its beginning stages of consolidation and has attractive market tailwinds driving an increasing need for urology services. Supply/demand imbalances will be a limiter, but improving urologist-to-patient ratios are providing relief to the system.



Early movers have taken advantage of low competition for high-quality assets to rapidly scale their footprints. The next wave of growth will focus on platform sophistication and further enhancing the patient experience.



Rapid organic growth is obtainable by enhancing a platform's service mix ratio to include in-house ancillary services, which will continue to drive long-term growth and add sophistication to practice offerings.



As platforms become more sophisticated, the expansion into multi-specialty plays (gastroenterology, oncology, etc.) with geographic density will diversify revenue streams and further expand the available total addressable market for future growth.

Pureplay Urology Platform Profiles

Company Logo	Company Name	Company Description	Key Metrics	Geographic Coverage
	Company 1	<ul style="list-style-type: none">Item 1 descriptionItem 2 description	<ul style="list-style-type: none">Revenue: \$100MEBITDA: \$20MEBIT: \$15MEBI: \$10M	
	Company 2	<ul style="list-style-type: none">Item 1 descriptionItem 2 description	<ul style="list-style-type: none">Revenue: \$100MEBITDA: \$20MEBIT: \$15MEBI: \$10M	
	Company 3	<ul style="list-style-type: none">Item 1 descriptionItem 2 description	<ul style="list-style-type: none">Revenue: \$100MEBITDA: \$20MEBIT: \$15MEBI: \$10M	

Contact Harris Williams for Complete Detail

Source: Company data from publicly available sources as of August 1, 2022

Pureplay Urology Platform Profiles (Cont.)



- Company Description**
- This platform provides management services as well as an in-house pharmacy, an in-house pathology laboratory, a third-party laboratory, and a patient advocacy team to its affiliate practices.
 - The company operates multiple sites across the South, the Midwest, and the Northeast, including sites in:

Key Statistics (1)

Headquarters	North, NJ
# of Locations	20
# of Practices	20



- Company Description**
- This health services provider offers high-quality services across three specialties: urology, gastroenterology, and radiation oncology.
 - The company provides an extensive array of management services and supports services to its affiliate practices.

Key Statistics (1)

Headquarters	San Diego, CA
# of Locations	20
# of Practices	20



Contact  Harris Williams for Complete Detail

Source: Company data from publicly available sources as of August 1, 2022

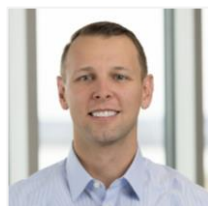
A Collaborative Approach to Consumer Healthcare

We uniquely integrate our expertise in consumer, healthcare and life sciences, and technology to advise premier companies across the consumer healthcare landscape.

For more information on our experience in the urology services sector, contact us:



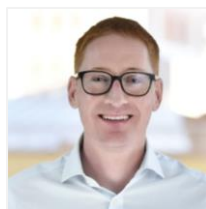
Geoff Smith
 Managing Director and Co-Head
 Healthcare & Life Sciences Group
gsmith@harriswilliams.com
 +1 804.915.0195



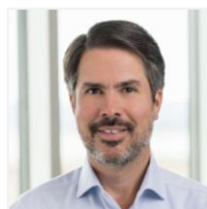
Nate Robertson
 Director
 Healthcare & Life Sciences Group
nrobertson@harriswilliams.com
 +1 804.887.6135



Corey Benjamin
 Managing Director
 Consumer Group
cbenjamin@harriswilliams.com
 +1 804.932.1342



Andy Dixon
 Managing Director
 Healthcare & Life Sciences Group
adixon@harriswilliams.com
 +1 415.217.3419



Whit Knier
 Managing Director
 Healthcare & Life Sciences Group
wknier@harriswilliams.com
 +1 804.932.1321



Dan Linsalata
 Managing Director
 Technology Group
dlinsalata@harriswilliams.com
 +1 617.654.2122



Beau Pierce
 Director
 Consumer Group
bpierce@harriswilliams.com
 +1 804.887.6113

Select Recent Transactions

 a portfolio company of Audax Private Equity has been acquired by Loblaw Companies Limited on behalf of its wholly owned subsidiary SHOPPERS DRUG MART	 a portfolio company of OMERS has been acquired by Partners Group	 a portfolio company of LIGHTBAY CAPITAL has been acquired by CATTERTON	 a portfolio company of TA ASSOCIATES has established a strategic partnership with UNIFIED WOMEN'S HEALTHCARE a portfolio company of ALTA S PARTNERS ARES
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Physical Therapy

Dermatology

Veterinary

Fertility

 a portfolio company of
 JLL Partners
 has been acquired by
 HEARTLAND
 a portfolio company of
 KKR

Dental

 has received an investment from
 ONTARIO TEACHERS' PENSION PLAN

Vision

 a portfolio company of
 Baird Capital
 has been acquired by
 ARSENAL CAPITAL PARTNERS

Behavioral

Harris Williams: Capabilities and Locations

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Office Locations

United States

Boston

One International Place
Suite 2620
Boston, Massachusetts 02110
Phone: +1 (617) 482-7501

Cleveland

1900 East 9th Street
25th Floor
Cleveland, Ohio 44114
Phone: +1 (216) 689-2400

Minneapolis

222 South 9th Street
Suite 3350
Minneapolis, Minnesota 55402
Phone: +1 (612) 359-2700

Richmond

1001 Haxall Point
9th Floor
Richmond, Virginia 23219
Phone: +1 (804) 648-0072

San Francisco

One Market Plaza, Steuart Tower
11th Floor
San Francisco, California 94105
Phone: +1 (415) 288-4260

Washington, D.C.

800 17th St. NW
2nd Floor
Washington, D.C. 20006
Phone: +1 (202) 207-2300

Europe

Frankfurt

Bockenheimer Landstrasse 33-35
60325 Frankfurt
Germany
Phone: +49 069 3650638 00

London

25 Savile Row
4th Floor
London, England W1S 2ER
Phone: +44 20 7518 8900

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