Gastroenterology Services on the Upswing

M&A Market Update | Q3 2022

Harris Williams

Gastroenterology Services Market: A Highly Attractive Investment Opportunity

The gastroenterology services market continues to show high levels of activity, with accelerating deal momentum across the country as consolidation trends continue to take hold of the market.

Stable Reimbursement Environment	▪ Professional and facility fees remain relatively similar to prior years, with some reimbursement rates increasing given further hospital price transparency as ambulatory surgery center (ASC) reimbursement rates come more in line with hospital-based outpatient department (HOPD) rates
Margin Optimization Capabilities	▪ Expansion of ancillary service offerings, including ASCs, in-office endoscopy suites, anesthesia, and pathology, drive top-line growth while scale and workflow optimization enhancements drive bottom-line margin expansion
Technological Advancements	▪ Advanced endoscopic technological innovations and other ancillary services improve efficiency metrics, patient satisfaction and outcomes, and quality measures
Highly Fragmented Market	▪ Despite recent emergence of several platforms, significant consolidation opportunity remains, with over 1,300+ unconsolidated practices across the country

ATTRACTIVE MARKET TAILWINDS

1. Aging Population, Including Increasing 65+ Cohort
2. Increasing Diagnoses / Prevalence of GI Diseases
3. Decrease in Recommended Colorectal Screening Age From 50 to 45
4. Continued Shift in Surgery Expansion to ASCs

Gastroenterology Services Market Snapshot

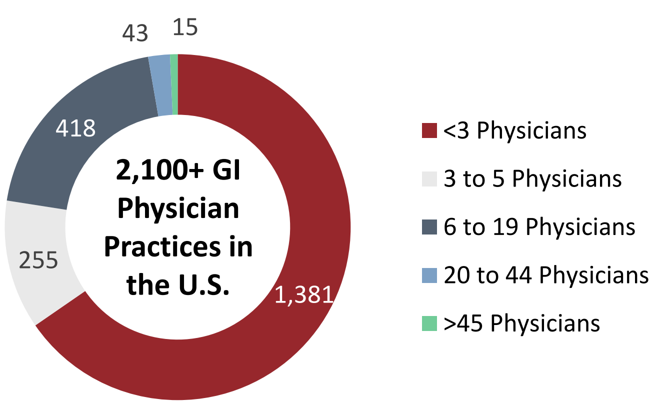
Harris Williams Assessment | 3rd Inning of Consolidation

OVERVIEW AND KEY TAKEAWAYS

- Healthy growth driven by an aging population, increasing prevalence of chronic conditions, broad insurance coverage, and technological advancements
- Early stage of consolidation, but is accelerating with private equity buyers leading the charge
- American Cancer Society advocating screening at 45 years of age (not 50), as colorectal cancer is the third most common internal cancer
- Non-discretionary nature has produced stabilization post-pandemic, despite significant dip in March / April 2020

U.S. GI PHYSICIAN PRACTICES[1]

Practices with main specialty of gastroenterology



GASTROENTEROLOGIST DYNAMICS

Compensation

Compensation in the gastroenterology field is at the higher end of the spectrum and will likely increase given the growing shortage of practicing gastroenterologists relative to the increasing demand for services

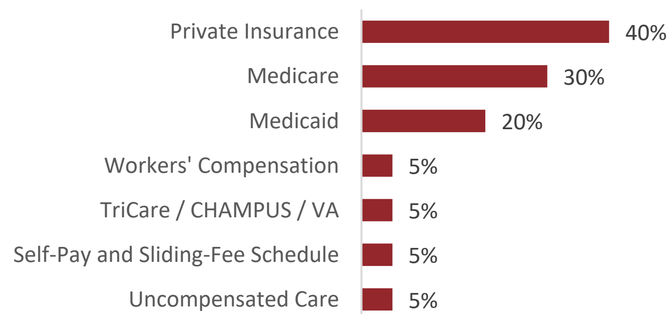
Recruitment

The U.S. GI physician shortage is expected to exceed 1,600 physicians in 2025, resulting from increased demand for screening and preventive medicine by an aging population[2]

Retention

Given barriers, including startup costs and required technological infrastructure, gastroenterologists are becoming more likely to join larger organizations to recognize benefits of scale

U.S. GASTRO PAYOR MIX: MEDIAN % BY COVERAGE[3]



STATISTICS

~$35M
2021 Gastrointestinal Services Market Size[4]

60M – 70M
People Affected by Digestive Diseases[5]

~3%
Industry CAGR[4]

15,450+
Active Gastroenterology Physicians[6]

71.6%
2020 Colorectal Cancer Screening Rate[7]

$486k
Avg. Physician Compensation[8]

1. Definitive Healthcare
2. Merritt Hawkins
3. National Commission on Certification of Physician Assistants
4. Insights 2022
5. NIDDK
6. Association of American Medical Colleges
7. Centers for Disease Control and Prevention
8. Merritt Hawkins 2022 Report

KEY: Circle fill represents attractiveness to investor / consolidator

Gastroenterology Landscape: Platform Dynamics

Consolidation within the gastroenterology vertical remains in its infancy with growing interest from institutional capital.

- All but three platforms have fewer than 100 clinics in their portfolio, but several scaling independent practices represent attractive platform opportunities
- GI Alliance is the largest platform of scale with 290+ clinics and 1,195+ physicians

	Mega Platforms (>200 Clinics)	Medium Platforms (100 – 200 Clinics)	Growing Platforms (<100 Clinics)
	▪ Two established platforms of this scale ▪ Integration is key to successfully continuing to build density across regions	▪ As smaller platforms consolidate and scale, some private-equity-backed platforms will achieve scale of 100+ clinics ▪ Medium platforms will have revenue diversification, including robust ancillary service offerings	▪ Most platforms within this space fall within this category ▪ Generally focused locally or regionally ▪ Institutional capital beginning to make inroads to create platforms of scale ▪ Investment in infrastructure and management required
Sponsor-Backed	Gastro Health / OMERS GI Alliance / Waud Capital	GIsolutions / KELSO Private Equity	U.S. digestive health / Amulet Capital United Digestive / Frazier Healthcare Partners OneGI / Webster Equity Partners gastro care partners / Varsity Healthcare Partners Pinnacle GI Partners / H.I.G. Growth Partners Allied Digestive Health / Assured Healthcare Partners GastroMD / MD Healthcare Partners
No Sponsor	**None**	**None**	Borland Groover Gastroenterology of the Rockies EVGHA inSite MNGI United Gastroenterologists

Source: Harris Williams market research

Gastroenterology Landscape: How Did We Get Here?

2016[1] | 2017 | 2018 | 2019 | 2020 | 2021 | 2022

Contact Harris Williams for Complete Detail

1. Company acquisition data from Mergermarket, Becker's Healthcare, Capital IQ, and Harris Williams proprietary information
2. Acquisitions are meant to be illustrative and are not exhaustive

Gastroenterology Platform Profiles

GI Alliance / Waud Capital

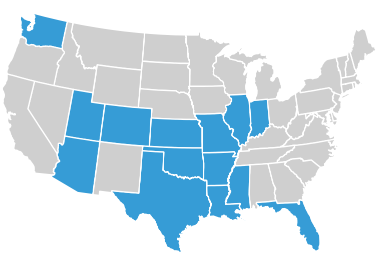
Company Description:

- Provider of healthcare services intended for patients with digestive problems
- The company's offerings include care for patients with concerns involving the esophagus, stomach, small bowel, colon, rectum, gallbladder, pancreas, and liver

Key Statistics[1]:

Vintage:	November 2018
Headquarters:	Southlake, TX
# of Locations:	290+
# of Providers:	1,195+
# of Acquisitions:	30+

Geographic Coverage:



Company Locations

Gastro Health / OMERS

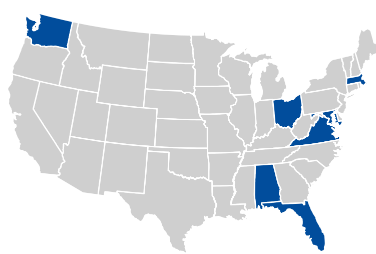
Company Description:

- Provider of medical services intended for the treatment of gastrointestinal disorders, nutrition, and digestive health
- The company's services include gastrointestinal disorders treatment, fast-track colonoscopy, colorectal surgery, hepatology, pathology, and other such treatments

Key Statistics[1]:

Vintage:	May 2021
Headquarters:	Miami, FL
# of Locations:	205+
# of Providers:	485+
# of Acquisitions:	25+

Geographic Coverage:



Company Locations

GI Solutions / Kelso Private Equity

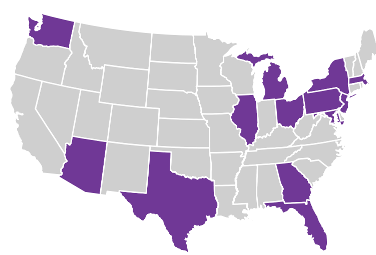
Company Description:

- Provider of ambulatory endoscopy services
- The company specializes in the development and management of freestanding, single-specialty endoscopic ambulatory surgery centers in partnership with practicing physicians and hospitals

Key Statistics[1]:

Vintage:	August 2016
Headquarters:	Jamison, PA
# of Locations:	~100
# of Providers:	600+
# of Acquisitions:	15+

Geographic Coverage:



Company Locations

United Digestive / Frazier Healthcare Partners

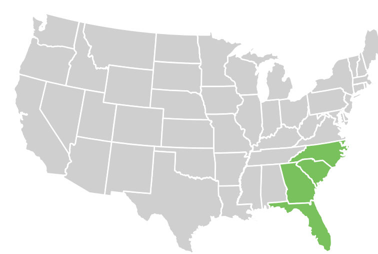
Company Description:

- Provider of gastroenterology services in Georgia and throughout the southeast
- The company offers a strong operational infrastructure for gastrointestinal practices, including regulatory assistance, managed care resources, and a full-service back office

Key Statistics[1]:

Vintage:	December 2018
Headquarters:	Atlanta, GA
# of Locations:	80+
# of Providers:	200+
# of Acquisitions:	5+

Geographic Coverage:



Company Locations

1. Company data from publicly available sources, as of July 1, 2022

Gastroenterology Platform Profiles (cont'd)

Gastro Care Partners / Varsity Healthcare Partners

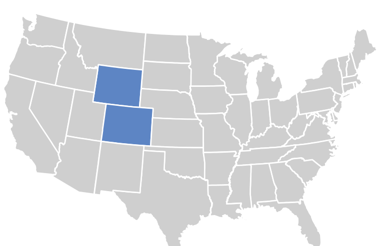
Company Description:

- Largest provider of gastroenterology services and ancillary patient diagnostic and remedial treatment services in Colorado and Wyoming
- The group treats common gastrointestinal disorders and provides ancillary services, including anesthesia, pain management, clinical research, and pathology

Key Statistics[(1)]:

Vintage:	December 2019
Headquarters:	Colorado Springs, CO
# of Locations:	~50
# of Providers:	~50
# of Acquisitions:	1

Geographic Coverage:



Company Locations

Allied Digestive Health / Assured Healthcare Partners

Company Description:

- Provider of gastroenterology services across New Jersey
- The company offers services across gastroenterology, pathology, anesthesiology, nurse practitioner, and physician assistant services

Key Statistics[(1)]:

Vintage:	January 2021
Headquarters:	West Long Beach, NJ
# of Locations:	40+
# of Providers:	100+
# of Acquisitions:	5+

Geographic Coverage:

Company Locations

OneGI / Webster Equity Partners

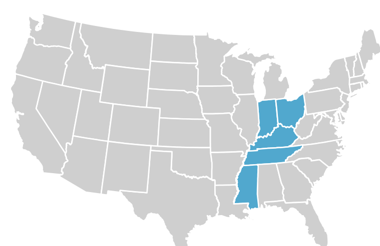
Company Description:

- Provider of gastrointestinal disorder and nutritional problem treatment options
- The company's services include capsule endoscopy, esophageal pH testing, fibroscan, single-balloon enteroscopy, and many other treatments

Key Statistics[(1)]:

Vintage:	April 2020
Headquarters:	Brentwood, TN
# of Locations:	~40
# of Providers:	100+
# of Acquisitions:	5+

Geographic Coverage:



Company Locations

U.S. Digestive Health / Amulet Capital Partners LP

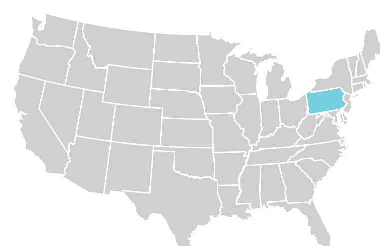
Company Description:

- Collective of gastroenterology across Pennsylvania
- The affiliates offer digestive and colorectal health treatment procedures for colon polyps, diverticulosis, IBS, GERD, and other routine or more complex diagnoses

Key Statistics[(1)]:

Vintage:	June 2019
Headquarters:	Exton, PA
# of Locations:	~40
# of Providers:	~145
# of Acquisitions:	5+

Geographic Coverage:



Company Locations

1. Company data from publicly available sources, as of July 1, 2022

Gastroenterology Platform Profiles (cont'd)

PINNACLE GI PARTNERS / H.I.G. GROWTH PARTNERS

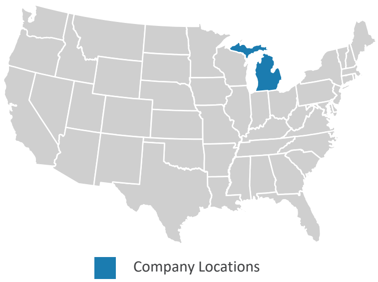
Company Description:

- Provider of diagnostic endoscopic procedures with locations across Michigan
- Pinnacle GI services includes ultrasounds, liver disease studies, reflux diagnosis, and other management and motility studies

Key Statistics[1]:

Vintage:	December 2020
Headquarters:	Rochester Hills, MI
# of Locations:	20+
# of Providers:	40+
# of Acquisitions:	3

Geographic Coverage:



GastroMD / MD HEALTHCARE PARTNERS

Company Description:

- Provider of gastroenterology services in Orlando and Tampa
- The group provides a comprehensive range of specialized gastrointestinal treatment

Key Statistics[1]:

Vintage:	November 2019
Headquarters:	Tampa, FL
# of Locations:	~10
# of Providers:	~20
# of Acquisitions:	1

Geographic Coverage:

1. Company data from publicly available sources, as of July 1, 2022

A Collaborative Approach to Consumer Healthcare

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

Select Recent Transactions

Physical Therapy
Lifemark Health Group, a portfolio company of Audax Private Equity, has been acquired by Loblaw Companies Limited on behalf of its wholly owned subsidiary Shoppers Drug Mart

Dermatology
Forefront Dermatology, a portfolio company of OMERS, has been acquired by Partners Group

Veterinary
Alliance Animal Health, a portfolio company of LightBay Capital, has been acquired by L Catterton

Fertility
CCRM Fertility, a portfolio company of TA Associates, has established a strategic partnership with Unified Women's Healthcare, a portfolio company of Altas Partners and Ares

Dental
American Dental Partners, a portfolio company of JLL Partners, has been acquired by Heartland, a portfolio company of KKR

Vision
NVISION Eye Centers has received an investment from Ontario Teachers' Pension Plan

Behavioral
Hopebridge Pediatric Specialists, a portfolio company of Baird Capital, has been acquired by Arsenal Capital Partners

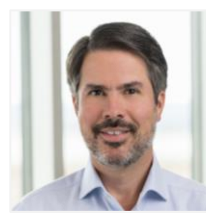
For more information on our experience in the gastroenterology sector, contact us:

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

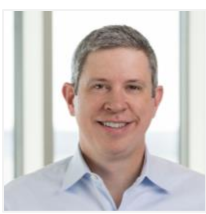
Corey Benjamin
Managing Director
Consumer Group
cbenjamin@harriswilliams.com
+1 804.932.1342

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

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Aerospace, Defense & Government Services


Building Products & Materials


Business Services


Consumer


Energy, Power & Infrastructure


Healthcare & Life Sciences


Industrials


Specialty Distribution


Technology


Transportation & Logistics

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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