

The Private Equity Landscape in Urology Is Expanding

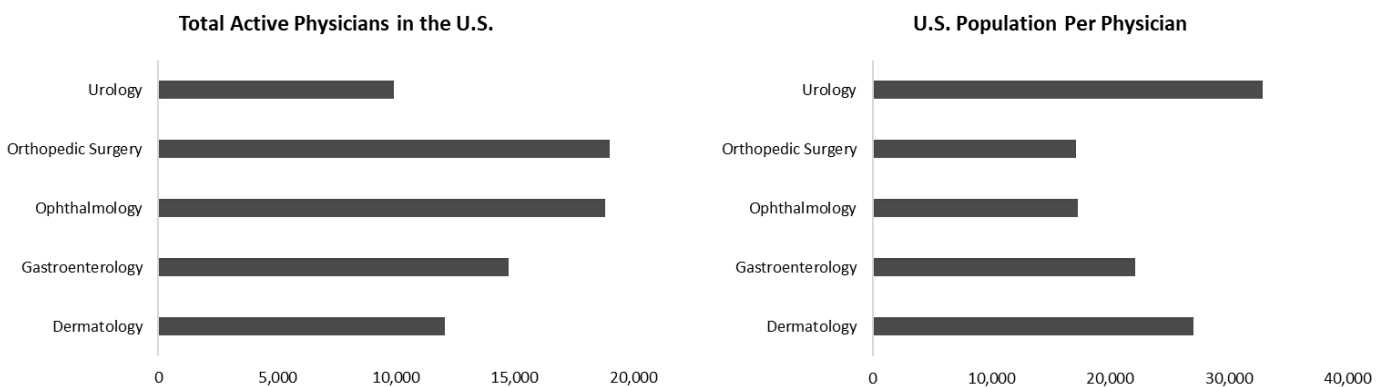
M&A and investment activity in the urology sector has gained momentum over the past five years. Since Audax Group's initial investment in Chesapeake Urology in August 2016, highly experienced multi-site healthcare services private equity (PE) investors have continued to build new management services organizations focused on consolidating independent urology practices nationwide.

Private Equity Investments in Urology Physician Practices



Urology is a highly fragmented, relatively small physician specialty with increasing demand for services. Despite fewer active urology physicians in the U.S. than other targets of PE investment (orthopedics, ophthalmology, GI, dermatology, etc.), the number of physicians coming out of fellowship programs continues to decline. This dynamic drives the scarcity value of urology providers in practices that have a proven history with the ability to recruit and retain providers.

Strong Tailwinds Suggest M&A Activity Will Continue



Source: AAMC



Key Dynamics at Play for Private Equity Investment in Urology

Factors Driving PE Interest

1. Significant fragmentation with many small, independent providers nationally
2. Fewer physicians compared to eye, dermatology, and orthopedics
3. Aging physician-base with a reduction in new doctors coming out of fellowship programs
4. Strong breadth of ancillary capabilities (Ultrasound/CT Scan, ASCs, pathology, clinical lab, clinical trials, IMRT) increase revenue and ability for practices to direct and monitor care outcomes
5. Select group of larger regional platforms with strong management teams and back office infrastructure create foothold investment opportunities

Evolution of PE Model in Urology

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What to Expect Going Forward

With the competitive mix of PE-backed urology platforms taking shape in the market, the next phase of consolidation will consist of add-on acquisitions in existing markets to expand regional density and expansion into new markets through the acquisition of larger regional platforms.

Intrepid does not expect to see new PE investors entering the urology space to the magnitude of other physician specialties (orthopedics, ophthalmology). There are simply too few platform providers of scale nationally to warrant 15-20 PE-backed urology platforms.

However, we expect add-on acquisition activity to increase in 2021 as the four largest PE-backed operators compete for market share in overlapping geographies such as the Midwest and Northeast and regional platform opportunities in the Western U.S.

As we approach 2022, we may see earlier PE investors in the space sell their ownership stake to new investors, providing an opportunity for physician shareholders to capitalize on the appreciation in their rollover equity value. This expected second wave of PE investment in the sector will force platforms to more aggressively execute on de novo and acquisition growth strategies, as they seek to maintain their return on invested capital with a larger overall platform.

Add-On Acquisition Activity in Urology Since 2016

Sponsor		Platform	
Add-On Acquisitions			Investment: 2016
		July 2017 Central Maryland Urology Associates (Maryland)	
		September 2017 Urological Consultants (Maryland)	
		April 2018 Tennessee Urology Associates (Tennessee)	
		June 2018 Peninsula Urology Associates (Maryland, Delaware)	
		December 2018 Colorado Urology (Colorado)	
		December 2019 Arizona Urology Specialists (Arizona)	
		December 2020 Urological Associates of Southern Arizona (Arizona)	
Add-On Acquisitions		December 2020 Arizona Institute of Urology (Arizona)	
			Investment: 2018
		September 2019 Premier Urology Group (New Jersey)	
		December 2019 Urology Care Alliance (New Jersey, Pennsylvania)	

Select Healthcare Transaction Experience

 has been acquired by  a portfolio company of  Advisor to Mosaic Laboratories	 has received structured growth capital from  Advisor to The Inception Company	 has acquired  Advisor to Aceto	 has merged with  a portfolio company of  Advisor to Paragon Private Health
 has been acquired by  Advisor to Mini Pharmacy	 has completed a recapitalization and growth financing with  Advisor to Advice Media	 has received an investment from  in partnership with management Advisor to Frontier Dental Laboratories	 has completed a dividend recapitalization with  and  Advisor to American Logistics Company
 has been acquired by  with participation from  \$1,000,000,000 Advisor to Ambry Genetics	 has completed a recapitalization with  Advisor to Southwestern Eye Center	 has received a majority investment from  Advisor to Science Care	 has been acquired by  Advisor to Primary Critical Care*

*Represents transactions executed by principals of Intrepid while at previous securities firms.



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About Intrepid's Healthcare Group

Intrepid's **Healthcare Group** is dedicated to providing strategic advice across a broad range of healthcare sectors, including diagnostics, pharma services, behavioral health, dental, medical devices, healthcare IT, pharmacy, physician practice management, post-acute care, and revenue cycle management. We maintain extensive relationships with strategic buyers and financial sponsors in these sectors. We've assisted middle-market companies with various forms of financing and M&A initiatives.

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