



KPMG Corporate Finance LLC

**Orthopedic Physician
Practice M&A**

June 2020

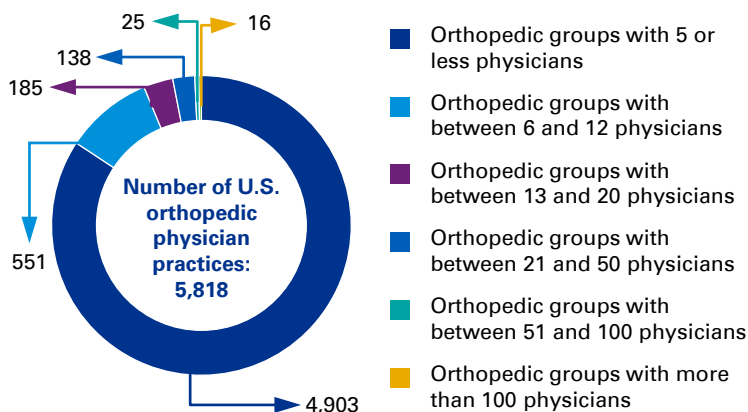
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U.S. orthopedic market overview

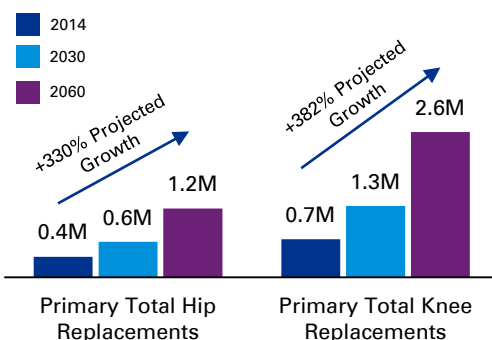
The U.S. orthopedic physician practice market comprised of over 5,800 groups serves the estimated 137 million patient visits annually.

- Orthopedic conditions generate more than 137 million visits to physicians' offices, hospital outpatient clinics, and emergency departments annually.⁽¹⁾
- Total joint replacement (TJR) volume has risen continuously over recent years and is expected to continue to grow. By 2030, the number of primary total hip and knee replacements are expected to increase by approximately 171 percent and 189 percent, respectively.
- The number of orthopedic surgeons per 100,000 people in the U.S. has increased from approximately 7 in 2008 to approximately 9 in 2016 as a result of the significant demand for orthopedic services.
- Musculoskeletal disorders affect 50 percent of adults and are the most commonly reported medical conditions among those under 65. Among 65 and older Americans, three out of four report musculoskeletal conditions.⁽²⁾
- Fueled by loosening regulatory environment, lower cost per case, improved technology, patient preference, value based care initiatives, 23-hour stay programs, and significant improvements in anesthesia and post surgical pain management, a large number of orthopedic practices are moving towards the outpatient setting.
 - CMS' 2020 Medicare payment rule has added knee replacement and repair procedures as approved services in the ASC, continuing the trend towards the outpatient setting
- The orthopedics industry has adopted the model of a "one-stop shop" as ancillaries including X-ray, MRI, physical therapy, durable medical equipment, sports medicine and walk-in clinics diversify revenue streams and improve patient care.

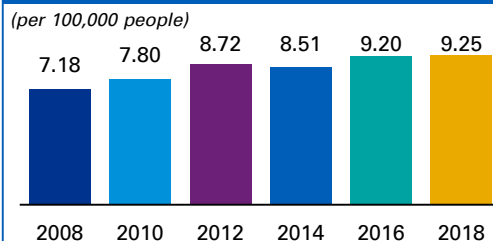
Highly fragmented U.S. orthopedic practice market⁽³⁾



U.S. TJR procedure volume⁽⁴⁾



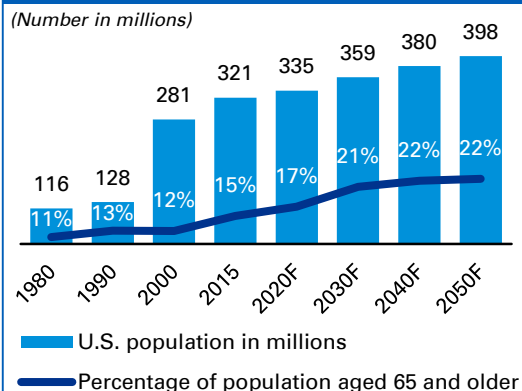
Density of orthopedic surgeons in the U.S.⁽⁵⁾



Key ASC Statistics⁽⁶⁾



U.S. population overview⁽⁷⁾



Sources:

- (1) Lexology, "Private Equity Investments in Orthopedic Practices: We've Got Your Back!" (June 2019);
- (2) Orthopaedic Research Society, "Burden of Musculoskeletal Disease" (2018);
- (3) Active practices with at least 1 physician and main specialties of orthopedic surgery, pain management, physical medicine and rehabilitation, physical therapy or sports medicine, per Definitive Healthcare. Includes certain multi-specialty practices with orthopedic services (May 2020);
- (4) American Academy of Orthopaedic Surgeons, "Projected Volume of Primary and Revision Total Joint Arthroplasty in the United States" (March 2018);
- (5) American Academy of Orthopaedic Surgeons, "Orthopaedic Practice in the U.S. 2018" (January 2019);
- (6) Ambulatory Surgery Center Association (June 2019);
- (7) U.S. Census Bureau (April 2019).

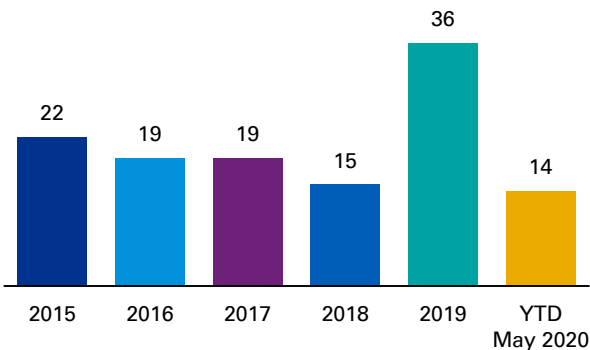
Orthopedic physician practice M&A activity overview

Several factors driving consolidation of orthopedic physician practices by both strategic healthcare organizations and private equity funds.

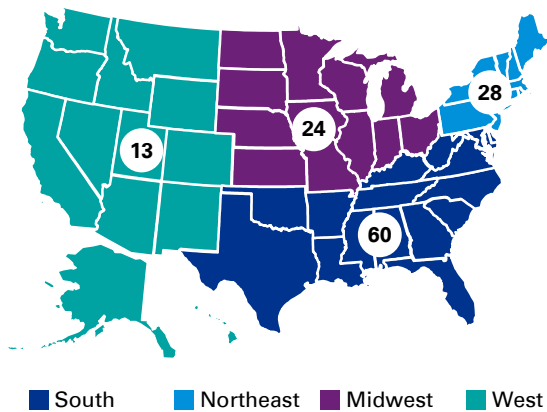
- The orthopedic physician practice market is highly fragmented and is largely served by smaller, regional practices with five or less physicians.
- Practices of all sizes are partnering with bigger organizations in order to expand service offerings, establish regional and national brand presence, bolster growth, and strengthen reimbursement rate negotiation leverage.
- Private equity’s continued interest in orthopedics is expected to further accelerate M&A activity, driving strong valuations.
 - Major factors driving the interest of private equity investors in the sector include increasing number of outpatient/ambulatory surgery procedures and the broadening array of ancillary service offerings in the sector.
- Both financial and strategic players are expected to carry the momentum in deal volume in the coming year.
- The COVID-19 pandemic is expected to act as another factor driving increased consolidation of independent practices going forward.

Orthopedic physician practice M&A activity⁽¹⁾

Deal activity since 2015








Deals activity by geography since 2015



Sources:

⁽¹⁾ Capital IQ, Company websites, Press releases, and Pitchbook.

Key factors driving consolidation activity in the sector

 Highly fragmented market	 Potential for economies of scale	 Accreditation / Referrals from authoritative sources	 Service and ancillary expansion	 Broaden customer base
<p>The industry is highly fragmented and is largely served by smaller, regional practices with less than five physicians.</p> <p>PE firms and strategic investors are executing roll-up strategies within the market.</p>	<p>Opportunity for investors to capitalize on economies of scale through consolidated management, billing, and in-office services.</p> <p>Larger organizations can serve a greater number of population and gain contract negotiation leverage.</p>	<p>Accreditation by organizations such as the Joint Commission, enhances firm reputation, attracting skilled staff, drawing more providers and nurses, and better positions firms to secure managed service provider agreements with health systems.</p>	<p>Opportunity for investors to increase revenue streams and service offerings.</p> <p>By increasing the number of specialties provided, healthcare organizations can maintain multiple sources of revenue, making their companies more attractive to potential buyers.</p>	<p>Opportunity for investors to expand their operational footprint.</p> <p>By acquiring practices throughout the country, investors can increase their revenue sources and gain access to a wider customer pool.</p>

Selected precedent orthopedics M&A transactions (1/3)

Closed Date	Target Name	Target Location	Acquirer Name	Deal Value (\$ mm)
Apr-20	Hinsdale Orthopaedic Associates	IL	Illinois Bone & Joint Institute	Undisclosed
Mar-20	Piedmont Foot & Ankle Clinic	NC	Foot and Ankle Specialists of the Mid-Atlantic	Undisclosed
Mar-20	5 practices of OrthoCare Florida	FL	Florida Orthopaedic Institute	Undisclosed
Mar-20	OAK Orthopedics	IL	Illinois Bone & Joint Institute	Undisclosed
Mar-20	Flint Hills Orthopedics & Sports Medicine	KS	Geary Community Hospital	Undisclosed
Feb-20	The Orthopedic Clinic Association	AZ	Banner Health	Undisclosed
Feb-20	Diagnostic and Interventional Surgery Center	CA	Hoag Orthopedic Institute	Undisclosed
Jan-20	11-Physician Orthopedic Group With 2 Surgery Centers	OK	Mercy Clinic Oklahoma Communities	Undisclosed
Jan-20	Orthopaedic Specialist of the Four States, Premier Surgical and Stateline Surgery	KS	Mercy Health	Undisclosed
Jan-20	Precision Orthopedics and Sports Medicine	MD	Cobepa	Undisclosed
Jan-20	Carmel Foot Specialists	NC	Foot and Ankle Specialists of the Mid-Atlantic	Undisclosed
Jan-20	Conway Orthopaedic & Sports Medicine Clinic	AR	Conway Regional Health System	Undisclosed
Jan-20	Oklahoma Sports & Orthopedics Institute	OK	SSM Health Medical Group	Undisclosed
Jan-20	Chicago Orthopaedics & Sports Medicine	IL	Illinois Bone & Joint Institute	Undisclosed
Dec-19	The Jewett Orthopaedic Clinic	FL	Orlando Health	Undisclosed
Dec-19	Phoenix Orthopaedic Consultants	AZ	Banner Health	Undisclosed
Dec-19	Gaston Foot & Ankle Associates	NC	Foot and Ankle Specialists of the Mid-Atlantic	Undisclosed
Nov-19	Harrisburg Foot & Ankle Center	PA	Foot and Ankle Specialists of the Mid-Atlantic	Undisclosed
Nov-19	Advanced Consultants In Pain Care	TX	Tricity Pain Associates; Spindletop Pain Management	Undisclosed
Nov-19	The Steadman Clinic	CO	Orthopedic Care Partners	Undisclosed
Nov-19	Raleigh Orthopaedic Clinic and Cary Orthopaedic	NC	Orthopaedic and Sports Medicine Specialists	Undisclosed
Oct-19	Western Pennsylvania Orthopedic & Sports Medicine	PA	Conemaugh Health System	Undisclosed
Sep-19	Pioneer Spine and Sports Physicians	MA	Healthcare Trust	\$12.2
Sep-19	Advanced Pain Management SPECIALISTS	MD	Clearway Pain Solutions Institute	Undisclosed
Sep-19	Desert Orthopedics	PA	Praxis Medical Group	Undisclosed
Aug-19	CORE Orthopedics	AZ	Audax; Linden	Undisclosed
Jul-19	Hand Surgery Associates of Indiana	IN	Caddis Partners	Undisclosed
Jul-19	Beacon Orthopaedics and Sports Medicine	OH	Revelstoke Capital Partners	Undisclosed

Sources: Capital IQ, Company websites, Press releases, and Pitchbook.

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Selected precedent orthopedics M&A transactions (2/3)

Closed Date	Target Name	Target Location	Acquirer Name	Deal Value (\$ mm)
Jul-19	Long Island Bone & Joint	NY	Orlin & Cohen Orthopedic Associates	Undisclosed
Jul-19	Orthopedic and Sports Therapy Institute	IL	CORA Health Services	Undisclosed
Jul-19	Orthopaedic & Neurosurgery Specialists	CT	Kohlberg & Company	Undisclosed
Jul-19	Fredericksburg Orthopaedic Associates	VA	Mary Washington Healthcare	Undisclosed
Jun-19	Daniel L. Munton, M.D.	TX	Integrated Pain Associates	Undisclosed
Jun-19	Millennium Pain Center	IL	National Spine & Pain Centers	Undisclosed
Jun-19	Specialty Spine and Pain	GA	National Spine & Pain Centers	Undisclosed
Jun-19	Alliance Surgical Center/Regional Pain Treatment Medical Center	CA	Physician Partners of America	Undisclosed
Jun-19	Northtowns Orthopedics; Buffalo Orthopaedic Group	NY	Excelsior Orthopaedics	Undisclosed
Jun-19	Affiliated Podiatrists	VA	Foot and Ankle Specialists of the Mid-Atlantic	Undisclosed
May-19	Citrus Orthopaedic & Joint Institute, Ocala Orthopedic Care and James B. Duke, M.D.	FL	Orthopedic Care Partners (The Orthopedic Institute)	Undisclosed
Apr-19	Memphis Orthopaedic Group, OrthoMemphis and Tabor Orthopedics	TN	OrthoSouth	Undisclosed
Mar-19	Colonial Orthopaedics	VA	MCV Physicians	Undisclosed
Mar-19	Coastal Interventional Pain Associates	SC	OrthoSC	Undisclosed
Feb-19	Turner Podiatry and Wound Care	GA	Village Podiatry Centers	Undisclosed
Jan-19	Georgia Pain & Wellness Center	GA	Fulcrum Equity Partners	Undisclosed
Jan-19	Hand Surgery & Rehabilitation	NJ	Hudson Pro Orthopaedics	Undisclosed
Jan-19	CORE Orthopedics	SD	Orthopedic Institute	Undisclosed
Jan-19	Orthopedic Associates	OK	Mercy Clinic	Undisclosed
Jan-19	The Center for Orthopedics	RI	University Orthopedics	Undisclosed
Jan-19	Virginia Institute for Sports Medicine	VA	OrthoVirginia	Undisclosed
Jan-19	Great Lakes Foot and Ankle Institute	MI	Albaron Partners	Undisclosed
Dec-18	Foot and Ankle Specialists of the Mid-Atlantic	MD	New MainStream Capital	Undisclosed
Nov-18	Florida Spine and Joint Institute	FL	Trive Capital	Undisclosed
Nov-18	Precision Spine Care, PA	PA	Bow River Capital Partners	Undisclosed
Sep-18	Virginia Orthopaedics	VA	LewisGale Medical Center	Undisclosed
Sep-18	Weil Foot & Ankle Institute	IL	Northwest Community Healthcare	Undisclosed
Sep-18	OrthoBethesda	MD	Atlantic Street Capital	Undisclosed

Sources: Capital IQ, Company websites, Press releases, and Pitchbook.

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Selected precedent orthopedics M&A transactions (3/3)

Closed Date	Target Name	Target Location	Acquirer Name	Deal Value (\$ mm)
Sep-18	Orthopedic Institute of North Mississippi	MS	Northeast Orthopaedics & Sports Medicine	Undisclosed
Jul-18	Trenton Orthopedic Group	NJ	The Rothman Institute	Undisclosed
Jul-18	Athens Bone & Joint	GA	Athens Orthopedic Clinic	Undisclosed
Jun-18	Associates in Orthopaedic Surgery	IL	OrthoIllinois	Undisclosed
Jun-18	Orthopedic Associates of Dutchess County	NY	Ivy Rehab Physical Therapy & Waud Capital Partners	Undisclosed
Apr-18	Steamboat Orthopaedic Associates	CO	Orthopaedics of Steamboat	Undisclosed
Mar-18	Alpha Ortho-Care	FL	Strategic Health Services	Undisclosed
Feb-18	My Foot Doctor	MD	Advanced Foot Care Centers (Extremity Healthcare)	Undisclosed
Jan-18	Professional Orthopedic Associates	PA	Geisinger Health System	Undisclosed
Dec-17	Reconstructive Orthopaedics and Sports Medicine	OH	OrthoCincy	Undisclosed
Nov-17	The Orthopaedic Institute	FL	Varsity Healthcare Partners	Undisclosed
Oct-17	Midlands Orthopaedics Surgery Center	SC	Surgical Care Affiliates	Undisclosed
Oct-17	Orlin & Cohen Orthopedic Associates	NY	Northwell Health	Undisclosed
Sep-17	Scranton Orthopaedic Specialists	PA	Coordinated Health Systems	Undisclosed
Sep-17	Trenton Orthopaedic Group	NJ	The Rothman Institute	Undisclosed
Aug-17	National Surgical Hospitals	IL	Surgery Partners	\$760.0
Aug-17	Lake Cook Orthopedic Associates	IL	Illinois Bone & Joint Institute	Undisclosed
Aug-17	Podiatry Centers of Memphis	TN	University Clinical Health	Undisclosed
Aug-17	Texas Spine & Joint Hospital	TX	Baylor Scott & White Health and United Surgical Partners	Undisclosed
Jun-17	Upstate Spine & Neurosurgery Center	SC	Orthopaedic Associates	Undisclosed
Jun-17	National Spine & Pain Centers	MD	Avista Capital	Undisclosed
Apr-17	Southeastern Spine Institute	SC	Candescent Partners	Undisclosed
Mar-17	North Georgia Foot & Ankle Specialists	GA	Village Podiatry Centers (Extremity Healthcare)	Undisclosed
Mar-17	Central State Orthopedics	OK	Eastern Oklahoma Orthopedic Center	Undisclosed
Feb-17	Rockingham Orthopaedic Associates	NC	Cone Health Medical Group	Undisclosed
Feb-17	Eastern Oklahoma Orthopedic Center	OK	Advanced Orthopedics of Oklahoma	Undisclosed
Feb-17	Shoulder, Elbow & Hand Clinic	CA	California Pacific Orthopaedics & Sports Medicine	Undisclosed
Jan-17	Metropolitan Orthopedics	MO	Orthopedic Associates	Undisclosed

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Select recent KPMG Corporate Finance LLC transactions

 <p>Project Lion</p> <p><i>A gastroenterology physician practice</i></p> <p>Ongoing</p>	 <p>Project Wave</p> <p><i>An anesthesia physician group</i></p> <p>Ongoing</p>	  <p><i>Has been acquired by</i></p>  <p><i>A portfolio company of</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>	 <p><i>Deer Meadows</i> <small>Retirement Community</small></p> <p><i>Has been acquired by</i></p>  <p>Closed</p>
  <p><i>Has been acquired by</i></p>  <p><i>A portfolio company of</i></p>   <p>Closed</p>	  <p><i>Has been recapitalized by</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>	  <p><i>Has received growth investment from</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>

Select recent KPMG LLP Deal Advisory credentials

 <p>Compassion-First Pet hospitals (Quad – C) KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its sale to JAB</i></p> <p>Closed</p>	 <p>Heartland Dental (Ontario Teachers Pension Plan Board) KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its sale to KKR</i></p> <p>Closed</p>	 <p>DentalCorp KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its sale to L Catterton</i></p> <p>Closed</p>	 <p>Private equity client KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its potential sale of women's health mammography company</i></p> <p>Closed</p>	 <p>Audax Private Equity – Advanced Dermatology KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on Advanced Dermatology's sale to Harvest Partners</i></p> <p>Closed</p>
 <p>Great Point Partners- Professional PT KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on sale of Professional PT to Thomas H. Lee Partners</i></p> <p>Closed</p>	 <p>Center for Diagnostic Imaging KPMG Deal Advisory</p> <p><i>Financial due diligence assistance on sale to Wellspring Capital</i></p> <p>Closed</p>	 <p>Forefront Dermatology (Varsity Healthcare Partners) KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its sale to Ontario Municipal Employees Retirement System(OMERS)</i></p> <p>Closed</p>	 <p>ATI Physical Therapy (KRG Capital Partners) KPMG Deal Advisory</p> <p><i>Financial pre-sale due diligence assistance on sale of ATI with over 500 clinic locations to Advent International</i></p> <p>Closed</p>	 <p>EyeCare Services Partners (Varsity Healthcare Partners) KPMG Deal Advisory</p> <p><i>Provided financial due diligence assistance on its sale to Harvest Partners</i></p> <p>Closed</p>

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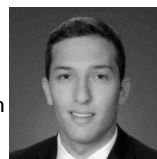
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2015-2019 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	2,462
2.	PwC	2,200
3.	Deloitte	1,631
4.	Rothschild & Co.	1,513
5.	Ernst & Young LLP	1,403
6.	Houlihan Lokey	1,275
7.	BDO	1,029
8.	IMAP	957
9.	Lazard	935
10.	Industrial & Comm. Bank China	916

2010-2019 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	4,321
2.	PwC	4,135
3.	Deloitte	2,827
4.	Ernst & Young LLP	2,654
5.	Rothschild & Co.	2,552
6.	Houlihan Lokey	2,347
7.	BDO	1,883
8.	Lazard	1,859
9.	Goldman Sachs & Co	1,813
10.	Morgan Stanley	1,685

Global coverage. Industry knowledge. Middle-Market focus.

The global Corporate Finance practices of KPMG International's network of independent member firms was ranked #1 as the top M&A middle-market adviser globally by Refinitiv based on number of completed transactions, for 2010 to 2019.

KPMG Corporate Finance LLC was recently named Transaction Advisory Firm of the Year by The Global M&A Network, and previously named investment Bank of the Year by the M&A Advisor. KPMG Corporate Finance LLC provides a broad range of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge to advise clients on global mergers and acquisitions, sales and divestitures, buyouts, financings, debt restructurings, equity recapitalizations, infrastructure project finance, capital advisory, portfolio solutions, fairness opinions, and other advisory needs.

Note:

⁽¹⁾ League tables include completed deals which have value between \$0 million to \$500 million and also where deal value is not disclosed, as of January 2, 2020.

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