



KPMG Corporate Finance LLC

Urology physician practice M&A

June 2020

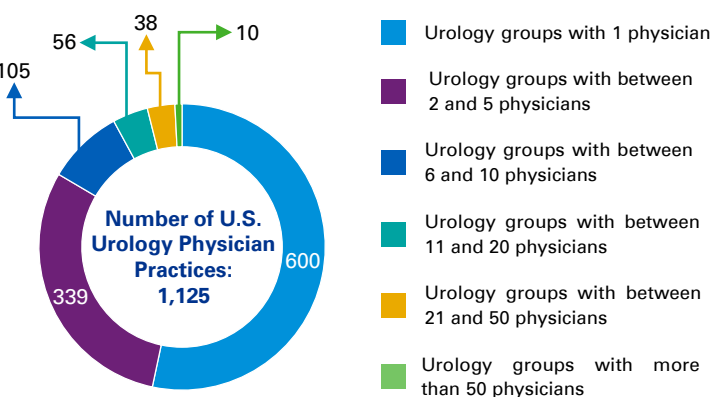
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U.S. urology market at a glance

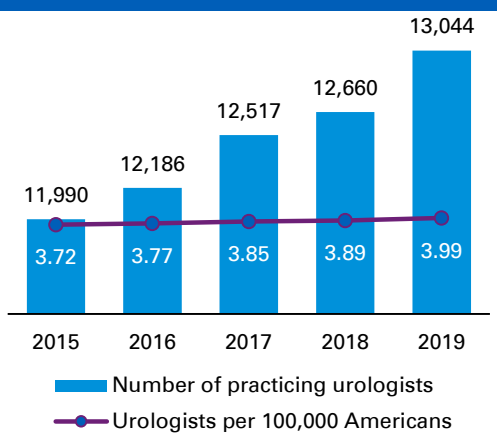
The urology physician practice market in the U.S. is comprised of 13,044 practicing urologists, servicing approximately 45 million patient visits per year

- The urology market in the U.S. is highly fragmented with over 50 percent of practices serviced by one physician and less than 10 percent of practices across the U.S. having more than 10 physicians.
- Among the total 13,044 practicing urologists in 2019, 11,167 were actively practicing urologists.⁽¹⁾
 - Over 52 percent of the practicing urologists are above the age of 55, potentially leading to a shortage of physicians within the next decade.
- Urology practices are highly concentrated in various parts of the country. Currently, approximately 62.4 percent of counties in the U.S. have no urologists and only 10.4 percent of urologists practice in non-metropolitan areas.⁽¹⁾
- The increasing incidence of urologic diseases, spurred by the aging U.S. demographic is expected to drive growth in the urology physician market.
 - The number of adults aged 65 and older is projected to increase from approximately 48 million to over 80 million by 2050.⁽²⁾
 - The per patient cost of bladder cancer is the highest of all cancers, ranging from \$96,000 to \$187,000 in the U.S.⁽³⁾

Fragmented urology practice market in the U.S.⁽⁵⁾



Density of urology surgeons in the U.S.⁽¹⁾



Quick Facts^{(3),(4)}

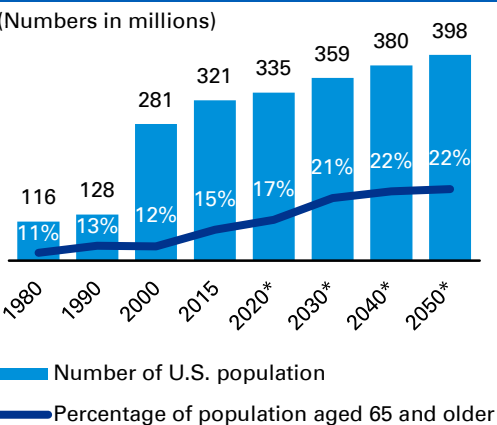
~81,440
new cases of
bladder cancer in
2020

191,930
Estimated new
cases of prostate
cancer in 2020

Average age at
the time of
diagnosis of
bladder cancer is
73

1 in 10
U.S. adults (18
and older) suffer
from daily urinary
incontinence

U.S. population overview⁽²⁾



Notes: Practicing urologists refers to the urologists who maintain current medical licensures and treat patients with urologic conditions; Active practicing urologists refers to practicing urologists who treat patients with urologic conditions and who work at least 25 clinical hours per week.

Sources:

- ⁽¹⁾ American Urological Association, "The State of the Urology Workforce and Practice in the United States 2019" (April 2020);
- ⁽²⁾ U.S. Census Bureau (April 2019);
- ⁽³⁾ Urology Care Foundation, "UROLOGYHEALTH extra" (Spring 2020);
- ⁽⁴⁾ National Institute of Diabetes and Digestive and Kidney Diseases, Urologic Diseases Research (2020);
- ⁽⁵⁾ Active practices with at least 1 physician and main specialty of urology per Definitive Healthcare (May 2020).

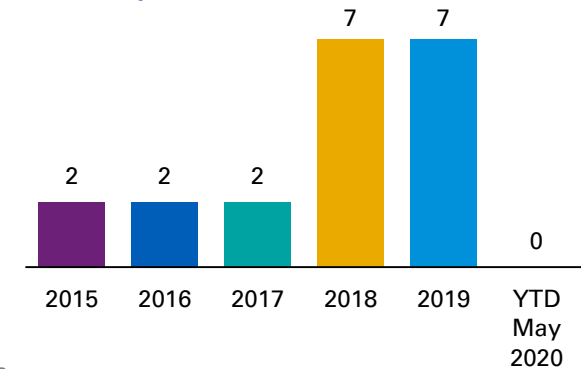
Urology physician practice M&A activity overview

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

- **Highly fragmented:** The urology physician practice market in the U.S. is highly fragmented with only a few multi-state providers, and is ripe for merger and acquisition activity, investments and partnerships.
- **Ripe for consolidation:** Consolidation is expected to be driven by the need to efficiently manage the operations of the practice, alleviate the administrative burden, introduce scale and size into the market, and to compete with large healthcare centers and systems.
 - The COVID-19 pandemic is expected to act as another factor driving increased consolidation of independent practices going forward.
- **Shift from strategic buyers to PE:** The sector has been relatively untouched by significant investment and consolidation activity, specifically from private equity buyers.
 - While strategic buyers have historically dominated the consolidation of urology physician practices, private equity activity in the space is expected to ramp up.
 - For physicians, private equity investment is increasingly becoming an attractive alternative over strategic mergers as it offers economic value in the purchase price, ability to influence the strategy of the organization post-transaction, and incentive and alignment mechanisms for physicians post-transaction.
- **Reimbursement adjustments under MACRA:** Implementation of MACRA is expected to be an impetus for consolidation in the industry as smaller practices look to align with larger providers or health systems that can alleviate the administrative and infrastructure costs necessary to qualify for bonus payments.

Urology physician practice M&A activity⁽¹⁾

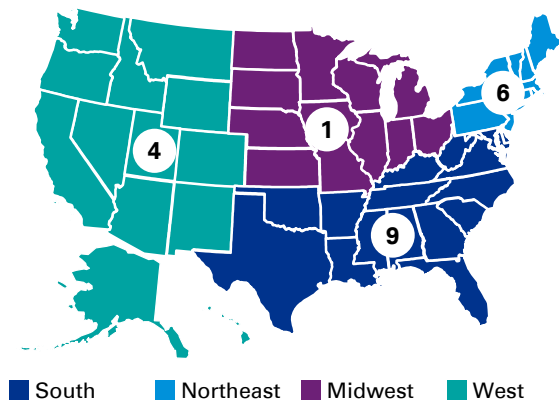
Deal activity since 2015







Sources:

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

Deal activity by geography since 2015



Key factors driving consolidation activity in the urology physician practice sector

 Highly fragmented market	 Favourable macro trends	 Diverse revenue streams	 Favourable regulatory environment
The market is highly fragmented and is largely served by smaller, regional practices.	Rising demand for services from an aging population combined with the low supply of urologists present significant growth opportunities.	Multiple sources of revenue that can be generated from a variety of ancillary services including ASC's, advanced imaging centers, centers with radiation therapy, etc.	Sophisticated urology practices with scale should realize positive reimbursement outcomes through Merit-based Incentive Payment System (MIPS) as it continues to evolve.

Selected precedent urology M&A transactions

Closed Date	Target Name	Target Location	Acquirer Name	Deal Value (\$ mm)
Dec-19	Urology Tyler	TX	UT Health East Texas	Undisclosed
Dec-19	Urology Care Alliance	NJ	New Jersey Urology	\$58.1
Dec-19	Arizona Urology Specialists	AZ	United Urology Group	Undisclosed
Sep-19	Southwest Florida Urology Associates	FL	Lee Physician Group Urology	Undisclosed
Sep-19	Premier Urology Group	NJ	New Jersey Urology	Undisclosed
Apr-19	Colorado Urology (Advanced Urology, Alpine Urology, and Foothills Urology)	CO	United Urology Group	Undisclosed
Jan-19	Bend Urology Associates	OR	Summit Medical Group Oregon - Bend Memorial Clinic	Undisclosed
Dec-18	BHS Urologic Associates	PA	Butler Medical Providers	Undisclosed
Dec-18	Central Ohio Urology Group (U.S. Urology Partners)	OH	NMS Capital	Undisclosed
Sep-18	New Jersey Urology (Urology Management Associates)	NJ	J.W. Childs Associates	Undisclosed
Jun-18	Peninsula Urology Associates	MD	United Urology Group	Undisclosed
Apr-18	Tennessee Urology Associates	TN	United Urology Group	Undisclosed
Apr-18	Children's Urology Associates	FL	MEDNAX	Undisclosed
Apr-18	Delaware Valley Urology	NJ	New Jersey Urology	Undisclosed
Oct-17	Palm Beach Pediatric Urology	FL	MEDNAX	Undisclosed
Aug-17	Conway Urology	AR	Arkansas Urology	Undisclosed
Dec-16	Athena Women's Health	WA	King County Public Hospital	Undisclosed
Jul-16	Chesapeake Urology Associates (United Urology Group)	MD	Audax Group	Undisclosed
Jul-15	Western New York Urology Associates and Cancer Care of Western New York	NY	Kaleida Health	Undisclosed
Apr-15	Specialists in Urology Surgery Center	FL	Surgical Care Affiliates	\$11.5
Nov-14	The Shappley Clinic	TN	The Urology Group	Undisclosed
Sep-14	Bakersfield Urologic Associates	CA	Keck Medicine of USC	Undisclosed
Aug-14	Center for Urological Treatment	TN	Urology Associates	Undisclosed
Aug-14	Urology Centers of Oklahoma	OK	McKesson Specialty Health	Undisclosed
Jul-14	Three Rivers Urology	PA	University of Pittsburgh Medical Center	Undisclosed
May-14	Chiaromonte Huisman and Zorn Urology	MD	Chesapeake Urology Associates	Undisclosed
Apr-14	Associates in Urology	TX	USMD Holdings	Undisclosed

Sources: Capital IQ, Company websites, Press releases, Irving Lewin, Pitchbook.

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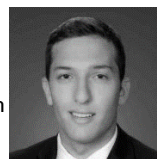
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2015-2019 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	2,462
2.	PwC	2,200
3.	Deloitte	1,631
4.	Rothschild & Co.	1,513
5.	Ernst & Young LLP	1,403
6.	Houlihan Lokey	1,275
7.	BDO	1,029
8.	IMAP	957
9.	Lazard	935
10.	Industrial & Comm. Bank China	916

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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