EDGEMONT
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# Investment in Otolaryngology Overview

*The Newest Physician Practice Consolidation Frontier*

## Impending Consolidation Frontier within Physician Practice Groups

Otolaryngology or ear, nose, and throat ("ENT") represents one of the few physician specialties to remain relatively untouched by outside investment and consolidation. Physician practices in various specialties have seen heavy private equity investor interest, and market trends continue to push the industry into consolidation. The key drivers of consolidation include healthcare reform, dramatic shifts in employer/payor strategies, availability of capital, perceived benefits of scale, and increasing physician interest in transactions that ensure long-term practice success while diversifying wealth.

ENT saw its first majority recapitalization by a private equity group in April 2018 when Prairie Capital invested in Family Allergy & Asthma. There are numerous reasons the ENT specialty is an attractive sector for investment and consolidation. Given the breadth of specialized ancillary service offerings, aging populations, accelerating demand for sinus and hearing treatments, and the growing importance of ENT to overall healthcare, private equity groups throughout North America are eager to invest in ENT. ENT is positioned to be one of the fastest growing areas in healthcare. Edgemont sees an exciting time for ENT groups to proactively position their practice to maximize their strategic options and financial returns through private equity partnerships.

### Transaction Considerations

- Valuation
- Accounting and tax treatment
- Cash vs. equity
- Capital structure

### Practice Positioning

- Quality of care
- Growth strategy post close
- Physician recruitment/stability
- Payor dynamics
- Synergies

### Timing Considerations

- Historical growth
- Surrounding market dynamics (consolidation)
- Reimbursement trends
- Forgoing future cash flow improvement to capitalize on current valuations

## Jeff Swearingen

Jeff welcomes the opportunity to discuss with practice owners and their management teams key considerations for the current healthcare landscape, including strategies for maximizing value to shareholders, preserving clinical autonomy, and achieving growth in this time of accelerating investment. Call or email us today for a confidential consultation.

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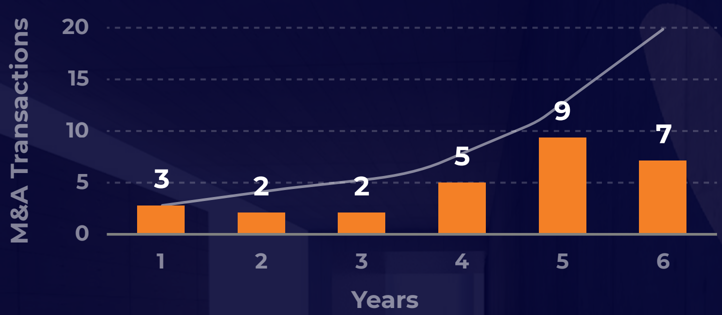
## What We Do & Who We Are

Edgemont Partners is a partner-owned investment banking firm founded in 2001 to provide the highest quality strategic advisory and capital raising services to healthcare companies. The firm's deep healthcare industry knowledge, extensive relationship network, and substantial M&A transaction experience allows Edgemont to address healthcare companies' strategic and financing needs with great success. Edgemont is the leading advisor to large and midsized physician groups, having successfully generated over $1.5 billion in cash proceeds at closing for our physician group clients.

## Consolidation Within a Specialty Accelerates Rapidly

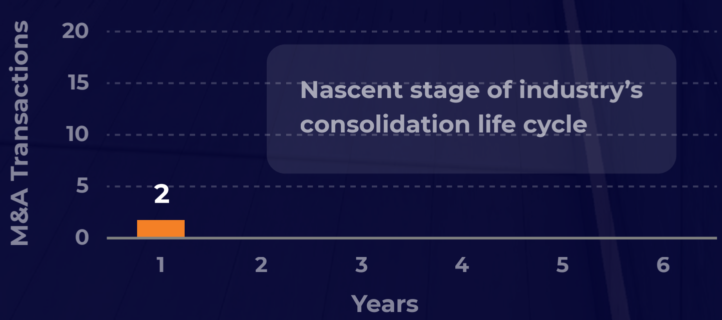
M&A Transactions — Aggregate Transactions

### Dermatology




### Ophthalmology


### ENT/ALLERGY




## 10 Largest Independent ENT Practices

| Practice | Physicians (approximate #) | Locations (approximate #) |
|---|---|---|
| ENT and Allergy Associates, LLP (entandallergy.com) | 180+ | 40+ |
| The Centers for Advanced ENT Care | 65 | 30 |
| South Florida ENT Physicians | 55 | 40+ |
| Texas ENT Specialists | 35 | 15 |
| SoundHealth Services | 30 | 15 |
| Ear, Nose & Throat Associates of New York, P.C. | 30 | 23 |
| Ear · Nose · Throat Houston & Allergy est. 1907 | 25 | 10 |
| Charleston ent Ear, Nose & Throat | 25 | 10 |
| ENT of Georgia South Ear, Nose & Throat | 25 | 15 |
| Advanced ENT & Allergy | 20 | 13 |

## EDGEMONT'S OFFICE-BASED PHYSICIAN GROUP EXPERTISE

| | | | | |
|---|---|---|---|---|
| **ENT/Allergy** | Dermatology | Pain Management | PT | Urology |
| Orthopedics | Gastroenterology | Podiatry | Chiro | Vision Care |
| Dental | Neurology | Rehab | Primary Care | Women's Health |