



KPMG Corporate Finance LLC

**Orthopedic physician
practice M&A overview**

August 2019

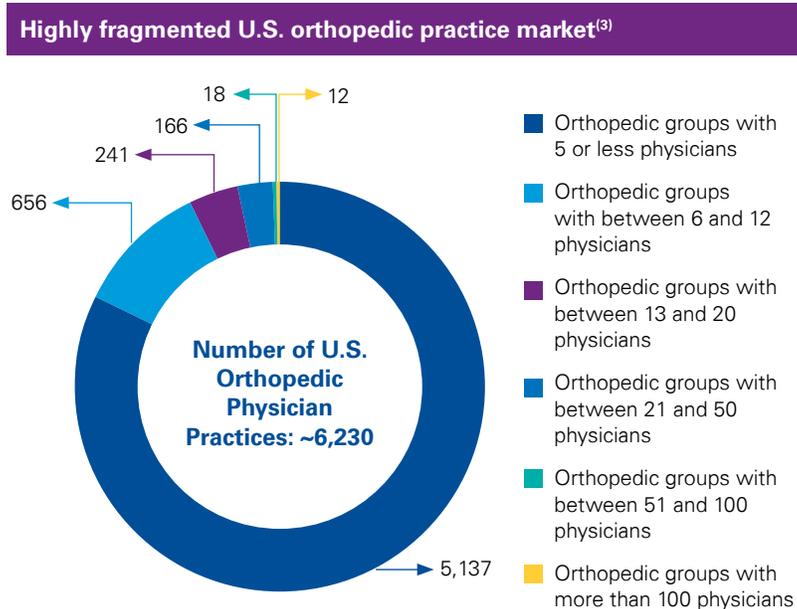
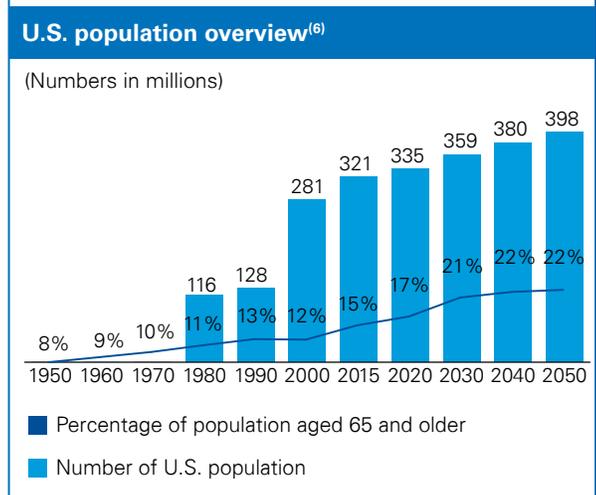
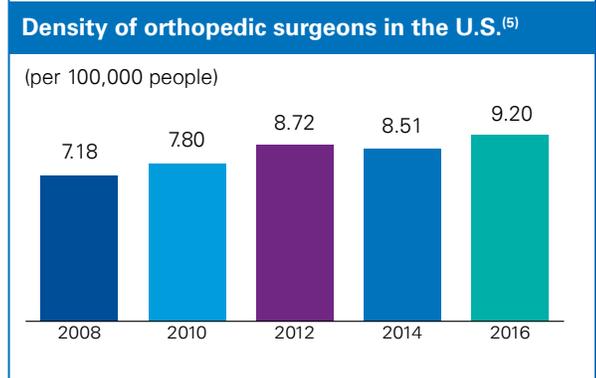
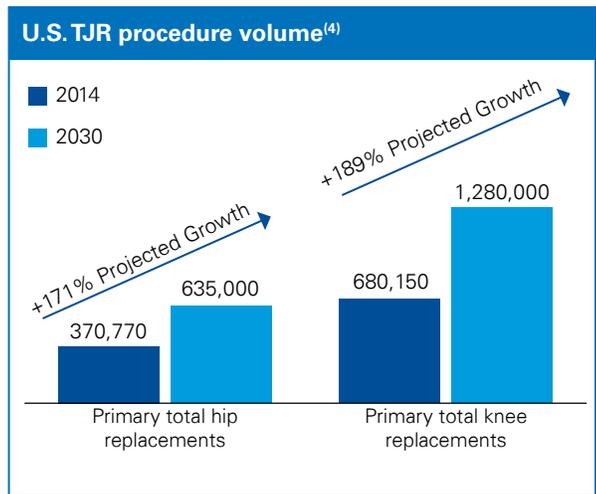
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U.S. orthopedic market overview

The US orthopedic physician practice market is comprised of over 6,000 groups that provide an 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 Americans 65 and older, approximately 69 percent report musculoskeletal conditions⁽²⁾
- Fueled by a 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
- 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



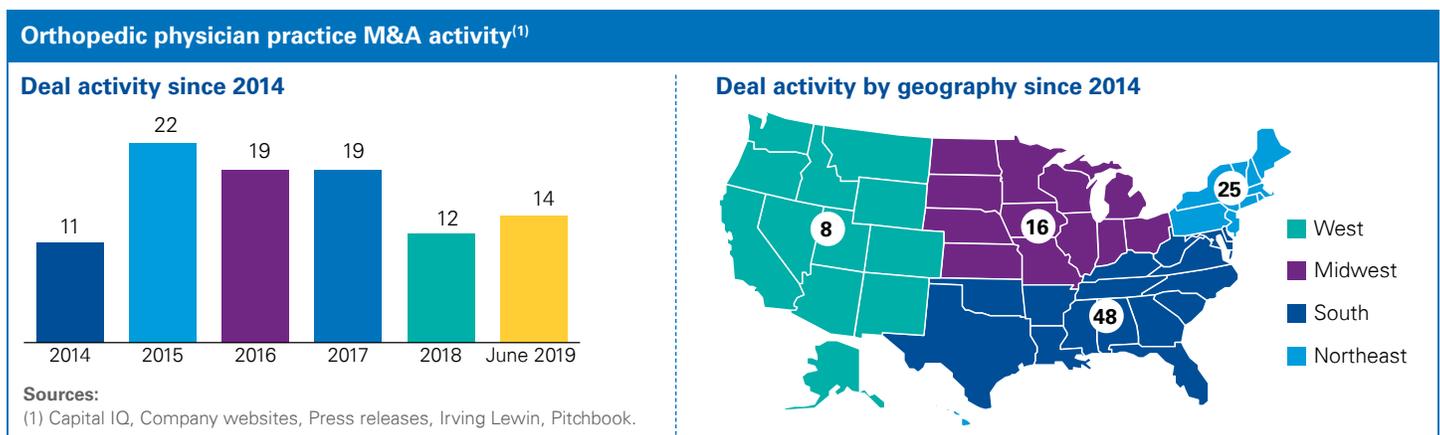
Sources:

⁽¹⁾ UCSF Department of Orthopaedic Surgery
⁽²⁾ United States Bone and Joint Initiative
⁽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.
⁽⁴⁾ American Academy of Orthopaedic Surgeons
⁽⁵⁾ Merrit Hawkings
⁽⁶⁾ U.S. Census Bureau

Orthopedic physician practice M&A activity overview

Several factors are 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 the 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



Key drivers for orthopedic physician practice consolidation activity				
Highly fragmented market	Potential for economies of scale	Accreditation/Referrals from authoritative sources	Service and ancillary expansion	Broaden customer base
<ul style="list-style-type: none"> — The industry is highly fragmented and is largely served by smaller, regional practices with less than five physicians — PE firms and strategic investors are executing roll-up strategies within the market 	<ul style="list-style-type: none"> — Opportunity for investors to capitalize on economies of scale through consolidated management, billing and in-office services — Larger organizations can serve a greater number of people and gain contract negotiation leverage 	<ul style="list-style-type: none"> — Opportunity for PE firms and organizations to gain credibility in the industry — 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 	<ul style="list-style-type: none"> — Opportunity for investors to increase revenue streams and service offerings — By increasing the number of specialties provided, healthcare organizations can maintain multiple sources of revenue, making their companies more attractive to potential buyers 	<ul style="list-style-type: none"> — Opportunity for investors to expand their operational footprint — By acquiring practices throughout the country, investors can increase their revenue sources and gain access to a wider customer pool

Selected precedent orthopedic M&A transactions

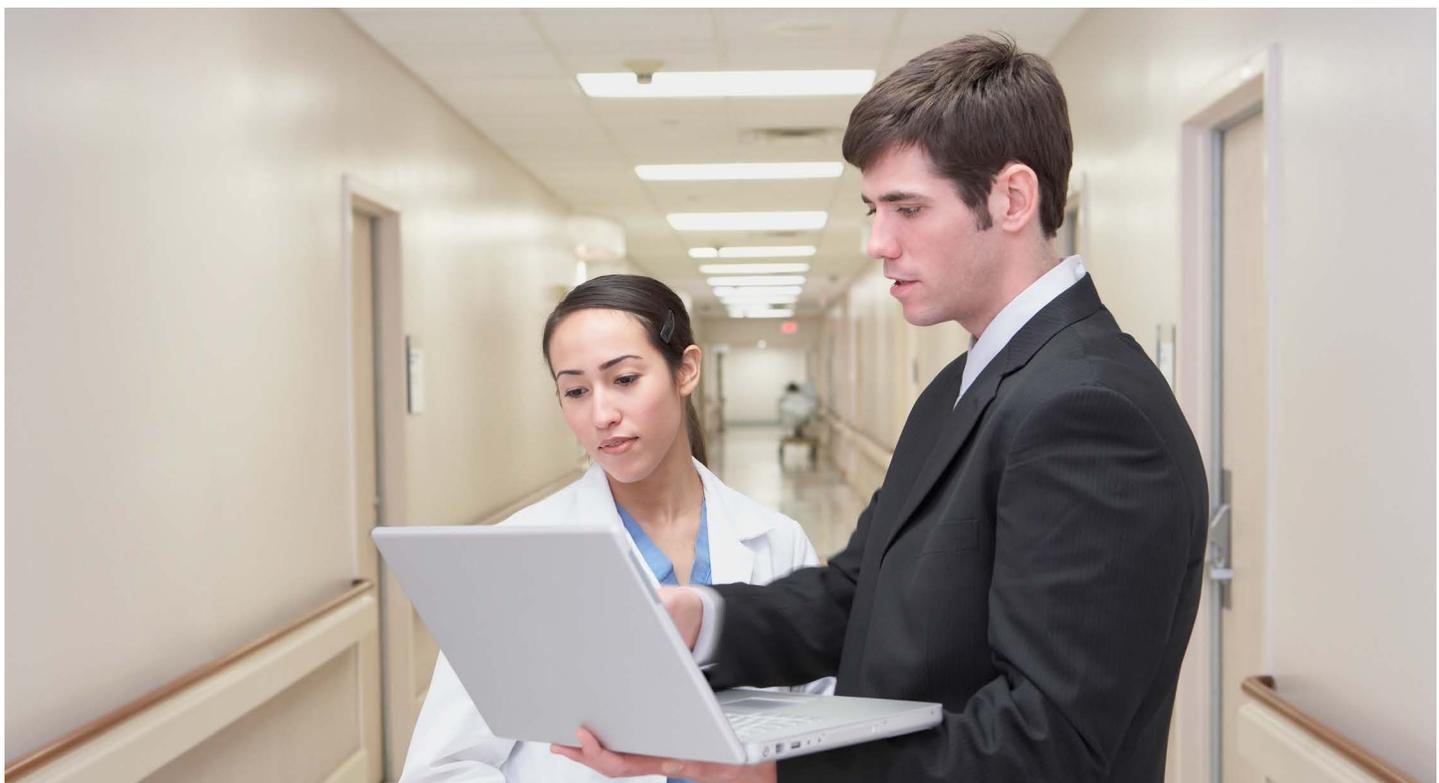
Closed date	Target name	Target location	Acquirer name	Deal value (\$ mm)
Pending	Citrus Orthopaedic & Joint Institute, Ocala Orthopedic Care and James B. Duke, M.D.	FL	Orthopedic Care Partners (The Orthopedic Institute)	Undisclosed
Jun-19	Northtowns Orthopedics, Buffalo Orthopaedic Group, and Excelsior Orthopaedics	NY	Excelsior Orthopaedics	Undisclosed
Jun-19	Affiliated Podiatrists	VA	Foot and Ankle Specialists of the Mid-Atlantic	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 (Extremity Healthcare)	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
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
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

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

Closed date	Target name	Target location	Acquirer name	Deal value (\$ mm)
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
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
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
Dec-16	The CORE Institute	AZ	Frazier Healthcare Partners; Princeton Ventures Management	\$14.0
Nov-16	Finger Lakes Bone and Joint Center	NY	Rochester Regional Health System	Undisclosed
Oct-16	Denver Sports Performance Enhancement Center	CO	University of Colorado Health	Undisclosed
Oct-16	The Orthopedic Institute of New Jersey	NJ	IVYREHAB Network	Undisclosed
Oct-16	East Valley Foot & Ankle Specialists	AZ	Orthopedic Specialists of North America	Undisclosed
Sep-16	Orthopaedic Consultants	SD	Sioux Falls Specialty Hospital	\$20.0
Sep-16	Access Foot Care	FL	KG Health Partners	NA
Sep-16	Western Kentucky Orthopaedics and Neurosurgical Associates	KY	Gilbert, Barbee, Moore & Mcilvoy	Undisclosed

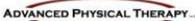
Sources: Capital IQ, Company websites, Press releases, Irving Lewin, Pitchbook.

Closed date	Target name	Target location	Acquirer name	Deal value (\$ mm)
Jul-16	Rothman Orthopaedic Specialty Hospital	PA	Jefferson Healthcare	Undisclosed
Jul-16	Morris County Orthopedics	NJ	IVYREHAB Network	Undisclosed
Jul-16	Carolina Orthopaedic Specialists, OrthoWilmington, and Triangle Orthopaedic Associates	NC	Blue Ridge Bone & Joint	Undisclosed
Jul-16	Advanced Orthopaedics	VA	OrthoVirginia	Undisclosed
Jun-16	Riverside Pain Physicians	FL	Surgery Partners	Undisclosed
May-16	Mapleton Hill Orthopaedics	CO	Boulder Orthopedics & Boulder Orthopedics Physical Therapy and Sports Medicine	Undisclosed
Apr-16	Green Mountain Orthopedic Surgery	VM	University of Vermont Health Network	Undisclosed
Apr-16	Northern Arizona Healthcare Orthopaedic Surgery Center	AZ	LHC Group	Undisclosed
Apr-16	Central Kentucky Orthopaedics	KY	Bluegrass Orthopaedics and Hand Care	Undisclosed
Apr-16	Associates in Orthopaedic Surgery	VM	University of Vermont Health Network	Undisclosed
Jan-16	Orthopaedic Center of Central Virginia	VA	OrthoVirginia	Undisclosed
Dec-15	Moorestown Foot Specialists	NJ	Foot Health Centers	Undisclosed
Dec-15	Orthopaedic and Sports Medicine Consultants and Associates	OH	Premier Health Specialists	Undisclosed



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

Select Recent KPMG Corporate Finance LLC Transactions*

 <p>Project Spring</p> <p>A gastroenterology physician practice</p> <p>Ongoing</p>	 <p>Project Sunshine</p> <p>An anesthesia physician group</p> <p>Ongoing</p>	 <p>Project Wave</p> <p>An anesthesia physician group</p> <p>Ongoing</p>	  <p>Has been recapitalized by</p>  <p>Closed</p>	  <p>Has been acquired by</p>  <p>Closed</p>
  <p>Has been acquired by</p>  <p>a portfolio company of</p>  <p>Closed</p>	  <p>Has been acquired by</p>  <p>a portfolio company of</p>  <p>Closed</p>	  <p>Has been recapitalized by</p> <p>AEA Investors and</p>  <p>Closed</p>	  <p>Has been acquired by</p>  <p>Closed</p>	  <p>Has been acquired by</p>  <p>a portfolio company of</p>  <p>Closed</p>

Select Recent KPMG LLP Deal Advisory Credentials

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

*Represents the Corporate Finance practices of KPMG International's network of independent member firms.

KPMG Corporate Finance LLC healthcare investment banking team



Walter J. Olshanski
**Managing Director,
 Sector Lead**
 T: 646-874-4878
 E: wolshanski@kpmg.com



Michael Cordaro
Associate
 T: 212-763-5408
 E: mcordaro@kpmg.com



Jason Moran
Managing Director
 T: 415-963-7353
 E: jasonmoran@kpmg.com



Karan Jolly
Managing Director
 T: 312-665-2949
 E: kjolly@kpmg.com



Amanda Dydynski
Vice President
 T: 415-963-8401
 E: adydynski@kpmg.com

2018 Global advisor ranking ⁽¹⁾		# of deals
1.	KPMG*	488
2.	PwC	414
3.	Deloitte	361
4.	Rothschild & Co.	331
5.	Houlihan Lokey	269
6.	Ernst & Young LLP	266
7.	BDO	236
8.	Lazard	210
9.	IMAP	193
10.	Sumitomo Mitsui Financial	190

2008-2018 Global advisor ranking ⁽¹⁾		# of deals
1.	KPMG*	4,438
2.	PwC	4,161
3.	Deloitte	2,785
4.	Ernst & Young LLP	2,781
5.	Rothschild & Co.	2,674
6.	Houlihan Lokey	2,458
7.	Lazard	2,015
8.	Goldman Sachs & Co	1,950
9.	BDO	1,917
10.	Morgan Stanley	1,880

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 Thomson Reuters SDC, based on number of completed transactions, for 2018.

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.

*Represents the global Corporate Finance practices of KPMG International's network of independent member firms



Important notice

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