



KPMG Corporate Finance LLC

Cardiology physician practice M&A

June 2021

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U.S. cardiology market at a glance

Strong sector tailwinds and expansion dynamics signal 'hearty' growth opportunities for cardiology practices in the U.S.

- The cardiology physicians market in the U.S. generates approximately \$51 billion annually, and is expected to grow at a CAGR of 2.3 percent between 2020 to 2025.⁽¹⁾
- With the graying American population, demand for internal medicine subspecialties (such as cardiology) treating conditions often associated with age, remains robust.
 - The number of adults aged 65 and older is projected to increase from approximately 48 million to over 80 million by 2050.⁽²⁾
 - Adults over the age of 60 years contribute to approximately 89 percent of the practice revenue.⁽¹⁾
- Underlying medical conditions increasing the prevalence of heart diseases include diabetes, hypertension, and obesity.
 - An estimated 88 million adults have prediabetes.⁽³⁾
 - The prevalence of obesity was 42.4 percent in 2017-2018.⁽⁴⁾
 - Nearly 108 million U.S. adults have hypertension.⁽⁵⁾
- As of March 2020, there were 33,055 active number of cardiologists in the U.S.⁽⁶⁾
 - As demand for cardiology services is growing and a large number of active cardiologists are nearing retirement, the estimated deficit of cardiologists in the U.S. is expected to reach 7,080 physicians, by 2025.⁽⁷⁾
- Most recently, the specialty has witnessed an increasing trend towards the provision of cardiovascular procedures in the outpatient setting, particularly in ASC's.
 - This trend is largely driven by CMS's ruling finalizing the addition of multiple cardiovascular CPT codes to the list of covered ASC surgical procedures.
 - This is further supported by lower costs of procedures in outpatient facilities and advancements of outpatient technologies.

Cardiology quick facts^{(9),(10)}



805,000

Americans have heart attack every year



108 million

People with high blood pressure



38.2%

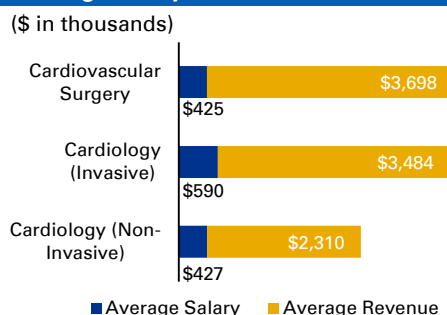
American adults had total cholesterol of 200 mg/dl or higher



\$214 billion

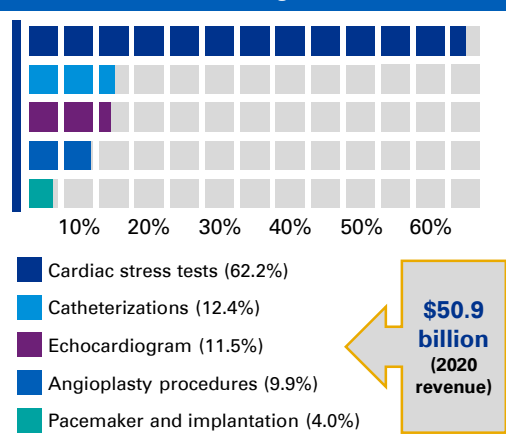
annual cost to the health care system

Physician generated average revenue vs. average salary⁽¹¹⁾

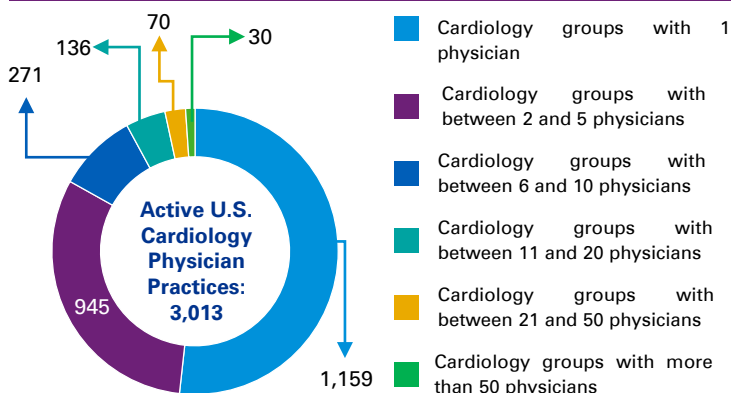


Cardiovascular surgeons, invasive cardiologist and non-invasive cardiologists generate **8.7x**, **5.9x**, and **5.4x** of their respective salaries

Product and service segmentation⁽¹⁾



Fragmented cardiology practice market in the U.S.⁽⁸⁾



Sources:

⁽¹⁾ IBISWorld industry report, "Cardiologists" (March 2020); ⁽²⁾ U.S. Census Bureau (April 2019); ⁽³⁾ CDC, "National Diabetes Statistics Report" (February 2020); ⁽⁴⁾ CDC, "Adult Obesity Facts" (February 2020); ⁽⁵⁾ CDC, "Facts About Hypertension" (February 2020); ⁽⁶⁾ Statista, "Number of active physicians in the U.S. 2020 by specialty area" (June 2020); ⁽⁷⁾ Merritt Hawkins, "2019 Review of Physician and Advanced Practitioner Recruiting Incentives" (July 2019); ⁽⁸⁾ Active practices with at least 1 physician and main specialty of cardiology per Definitive Healthcare (June 2020); ⁽⁹⁾ CDC, "Division for Heart Disease and Stroke Prevention At A Glance" (April 2020); ⁽¹⁰⁾ Heart Disease and Stroke Statistical Update Fact Sheet At-a-Glance (2020); ⁽¹¹⁾ Merritt Hawkins, "2019 Physician Inpatient/Outpatient Revenue Survey" (February 2019).

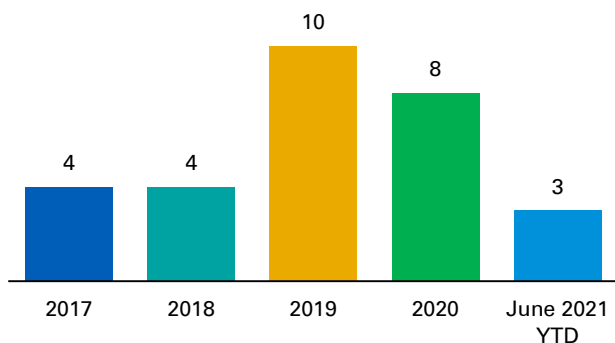
Cardiology physician practice M&A activity overview

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

- **Highly fragmented:** The cardiology physician practice market in the U.S. is highly fragmented 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.
- **Shift from strategic buyers to PE:** The sector has been relatively untouched by significant investment and consolidation activity, specifically from private equity sponsors.
 - While strategic buyers have historically dominated the consolidation of cardiology physician practices, private equity activity in the space is expected to ramp up.
- **CMS rulings:** CMS 2020 final ruling will stimulate an increase in procedure volume to independent practices with ASCs, thus increasing specialty revenue and investor interest.
 - With 23 cardiovascular codes (representing 566,000 outpatient Medicare procedures) allowed in the ASC setting, ASC's can capitalize between \$247 million and \$740 million in new revenue.

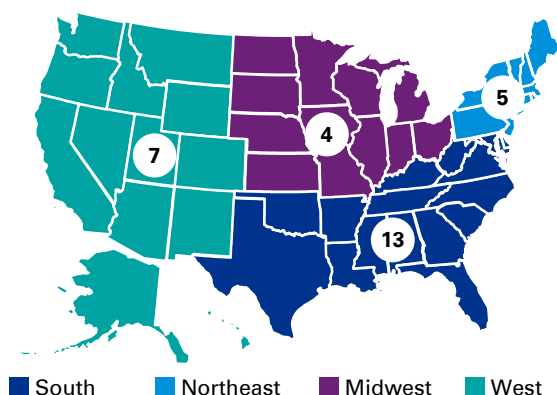
Cardiology physician practice M&A activity⁽¹⁾

Deal activity since 2015








Sources:
⁽¹⁾ Capital IQ, Press releases, Pitchbook.

Deal activity by geography since 2017



Key factors driving consolidation activity in the cardiology physician practice sector



























Highly fragmented market	Favorable macro trends	Diverse revenue streams	Regulatory environment	Centralizing back office functions
 <p>The market is highly fragmented and is largely served by smaller, regional practices with less than five physicians.</p>	 <p>Rising demand for services from an aging population combined with the low supply of cardiologists presents significant growth opportunities.</p>	 <p>Multiple sources of revenue can be generated from a variety of ancillary services including ASC's and in-office diagnostic imaging including EKG, Holter testing, MRI.</p>	 <p>Cardiology practices with size and scale can realize benefits from the transition to an outcome-based model from a fee-for-service model.</p>	 <p>Larger practices can capitalize on economies of scale by combining back office functions and can leverage increased negotiating powers with payors.</p>

Selected precedent cardiology transactions

Closed Date	Target Name	Target Location	Acquirer Name	Deal Value (\$ mm)
May-21	Anderson Heart PC	SC	Azura Vascular Care and National Cardiovascular Partners (Fresenius Medical Care)	Undisclosed
Apr-21	Los Angeles Cardiology Associates	CA	PIH Health Foundation	Undisclosed
Jan-21	Cardiology Associates of Schenectady	NY	St. Peters Health Partners	Undisclosed
Nov-20	Partners First Cardiology	TX	Varsity Healthcare Partners	Undisclosed
Oct-20	Bakersfield Heart Hospital	CA	Surgery Partners	Undisclosed
Sep-20	Parkway Cardiology Associates	TN	Covenant Medical Group	Undisclosed
Apr-20	Mountain Heart	AZ	Northern Arizona Healthcare	Undisclosed
Mar-20	St. Louis Cardiovascular Institute	IL	Surgical Care Affiliates	Undisclosed
Feb-20	Los Angeles Cardiology Associates	CA	Keck Medicine of USC	Undisclosed
Feb-20	Advanced Cardiology Group	NY	Trinity Medical Cardiology	Undisclosed
Jan-20	Grand Rapids Cardiology	MI	Advanced Cardiac and Vascular Centers For Amputation Prevention	Undisclosed
Dec-19	Heart Hospital of Lafayette	LA	Our Lady of Lourdes Regional Medical Center	Undisclosed
Nov-19	Children's Heart Specialists	KY	Cincinnati Children's Hospital Medical Center	Undisclosed
Oct-19	Columbia Heart	SC	Prisma Health	Undisclosed
Aug-19	Cardiology Consultants of Orlando	FL	Orlando Health Heart Institute	Undisclosed
Aug-19	Delaware Heart & Vascular	DE	Bayhealth Medical Group	Undisclosed
Jul-19	Sayed Feghali Cardiology	TX	Medical Center Cardiovascular Association	Undisclosed
May-19	Kentuckiana Heart Specialists	KY	Baptist Healthcare System	Undisclosed
Apr-19	Arizona Cardiovascular Institute	AZ	National Cardiovascular Partners	Undisclosed
Apr-19	Aloha Cardiology	AZ	Southwest Cardiovascular Associates	Undisclosed
Jan-19	Sunset Cardiology	FL	IMC Health (Comvest Partners and Athyrium Capital Management)	Undisclosed
Dec-18	Middlesex Cardiology Associates	CT	Hartford HealthCare Corporation	\$1.3
Nov-18	Lakeland Heart and Vascular	MI	Spectrum Health Lakeland	Undisclosed
Nov-18	New Mexico Heart Institute	NM	Lovelace Health System	Undisclosed
Jan-18	Bruce K. Burton, M.D.	AR	AR-MED	Undisclosed
Mar-17	Cardiology Group of Western New York	NY	Trinity Medical Cardiology	Undisclosed
Feb-17	Central Cardiology Associates and Elizabethtown Diagnostic Center	KY	Hardin Memorial Hospital	Undisclosed
Feb-17	Middletown Cardiovascular Associates	OH	Premier Health Specialists	Undisclosed
Jan-17	Buffalo Heart Group	NY	Trinity Medical Cardiology	Undisclosed

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

Select recent KPMG Corporate Finance LLC transactions

 <p>Project Spring</p> <p>A provider of radiology services</p> <p>Ongoing</p>	 <p>Project Cardinal</p> <p>An ABA therapy provider</p> <p>Ongoing</p>	 <p>Project Maestro</p> <p>An anesthesia physician group</p> <p>Ongoing</p>	  <p>raised acquisition financing for the purchase of</p>  <p>Closed</p>	  <p>The affiliated MSO for</p>  <p>Has been recapitalized by</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>Closed</p>	  <p>Has been acquired by</p>  <p>Closed</p>	  <p>Has been acquired by</p>  <p>Closed</p>	  <p>Has been acquired by</p>  <p>Closed</p>

Select recent KPMG LLP Deal Advisory credentials

 <p>Peloton Capital Management</p> <p>KPMG Deal Advisory</p> <p>Provided financial due diligence services on the potential acquisition of P3 Veterinary Partners</p> <p>Closed</p>	 <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>

KPMG Corporate Finance LLC healthcare investment banking team



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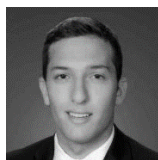
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2016-2020 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	2,567
2.	PwC	2,232
3.	Deloitte	1,844
4.	Rothschild & Co.	1,514
5.	Ernst & Young LLP	1,392
6.	Houlihan Lokey	1,348
7.	Industrial & Comm. Bank China	1,075
8.	BDO	1,004
9.	Lazard	927
10.	Goldman Sachs & Co	850

2011-2020 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	4,550
2.	PwC	4,359
3.	Deloitte	3,011
4.	Ernst & Young LLP	2,778
5.	Rothschild & Co.	2,633
6.	Houlihan Lokey	2,512
7.	BDO	1,926
8.	Goldman Sachs & Co	1,823
9.	Lazard	1,810
10.	Morgan Stanley	1,604

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 2011 to 2020.

KPMG Corporate Finance LLC

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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 2021.

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



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