

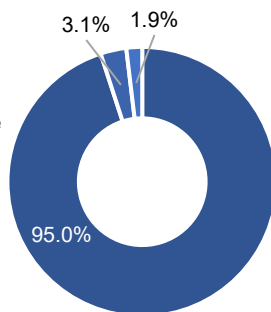
Physician Practice Management Industry Snapshot Q3 2021

Executive Summary

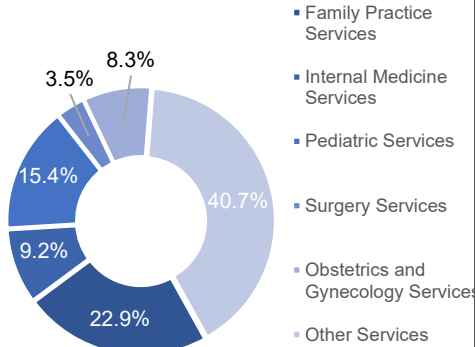
Over the five years to 2020, revenue for the Physician Practice Management (PPM) industry has expanded as more physicians have integrated into larger provider networks. Burdened by medical school debt and seeking regular hours, more young physicians are opting out of private practices and instead of joining hospitals or other medical groups. Joining larger practices, such as medical groups, offers several advantages, including increased negotiating power with insurance carriers, greater purchasing power and operating efficiencies. As a result, industry revenue is expected to increase at an annualized rate of 1.5% to \$354.0 billion over the next five years. However, growth in industry wage expenses have precipitated a decrease in industry profit. Although industry revenue has experienced significant expansion in recent decades, growth during the period includes an expected decline in 2020 alone, ultimately caused by declining demand for industry services. This demand decline is a direct result of the COVID-19 (coronavirus) outbreak and its ensuing disruption on the greater healthcare sector.

Market Share

- Other
- Cleveland Clinic
- Kaiser Permanente



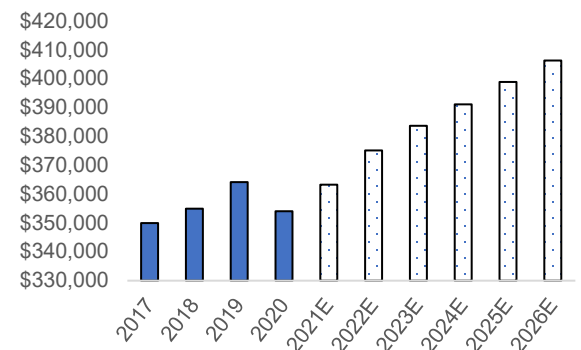
Major Market Segmentation



Sector Spotlight

\$354B	PPM revenue in 2020
2.4%	Projected CAGR until 2025
13.5%	Industry Profit Margin
119k	PPM Businesses
2m	PPM Employees

Revenue Growth (\$ in millions)



The PPM industry is characterized by a low level of revenue volatility, as the frequency of patient visits is largely insulated from external disruptions. Further, demand for healthcare services remains heavily influenced by macro-level driving factors, like the share of the domestic population with private health insurance, which does not fluctuate often.

Segment Breakdown

Family Practice Services

Family practices service all ages and typically refer patients with serious health problems to specialized physicians. This segment has quickly grown as a share of industry revenue over the past five years since many of these practices are involved in M&A's. Changing incentives from insurers and government compensation plans, including rising operating costs, have made it more challenging for small operators to remain profitable. As a result, family practice physicians are increasingly joining coordinated care systems.

Internal Medicine Services

This segment consists of physicians who specialize in the prevention, detection and treatment of illnesses in adults. Internal medicine is an expanding segment of revenue within medical group practice management services due to the growing emphasis on preventative care. As insurance companies increasingly cover preventative visits and the number of insured adults rises, demand for such services increase. Thus, IBISWorld estimates internal medicine services will account for 9.2% of industry revenue in 2020.

Pediatric Services

Although the youngest population segment served by these services has not grown particularly fast over the past five years, the pediatric services segment has expanded as neonatal and pediatric care become more costly for smaller operators to manage. This demographic also has a significant proportion of patients whose medical services are covered under government programs such as Medicaid. Pediatric services accounted for an estimated 15.4% of industry revenue in 2020.

Industry Outlook

Over the coming years, healthcare reform, aging demographics and medical personnel shortages will likely continue to shape the Physician Practice Management industry. Demand for healthcare services is projected to remain strong, driven by the aging baby boomer population and the rising prevalence of chronic conditions. In addition, healthcare reform is anticipated increase the number of insured patients, thereby boosting demand. Similarly, structural changes borne from the COVID-19 (coronavirus) pandemic, such as telehealth consultation, are expected to continue driving innovation in terms of patient-doctor interaction. In all, industry revenue is forecast to increase at an annualized rate of 2.4% to \$398.9 billion over the four years.

Market Concentration

The Physician Practice industry has a low level of market share concentration. In fact, two largest single operators account for less than 5.0% of industry revenue in 2021. Further reflecting high fragmentation, only 3.9% of medical group practice management companies encompass more than 20 physicians. Demonstrating the relatively small size of industry companies, only 6.4% of medical sites managed by the industry have more than 100 patients in a single day, with 75.6% serving one to 50 patients daily. Overall, the industry is expected to remain highly fragmented moving forward.

Recent Public Transactions

Oct 2021

malo

Jan 2021

CENTENE
Corporation

Jan 2021

 **OPTUM**

 **AUGMEDIX**

Magellan
HEALTH

CHANGE
HEALTHCARE

Private Transactions

Transaction Date	Target	Acquirer	Sector	Deal Synopsis
8/24/2021	Women's Health USA	Ares Private Equity Group	Enterprise Systems	The company was acquired by Unified Women's Healthcare, via its financial sponsors SSG Capital Management, Oak HC/FT, Ares Private Equity Group and Altas Partners, through an LBO on August 24, 2021 for an undisclosed sum.
05/25/2021	Jarvis Analytics	Henry Schein One	Enterprise Systems	The company was acquired by Henry Schein One, a subsidiary of Henry Schein (Nasdaq: HSIC) for an undisclosed amount on May 25, 2021. The acquisition means dental teams will benefit by having a trusted partner with the size and expertise of Henry Schein One to enhance and support their dental analytics solutions.
1/1/2021	PBS Endo	Henry Schein One	Enterprise Systems	The company was acquired by Henry Schein One for an undisclosed amount in January 2021.
11/19/2020	Micro-Office Systems	Medsphere Systems	Enterprise Systems	The company was acquired by Medsphere Systems, via its financial sponsors NextEquity Partners, Sixth Street Partners and Thomas Weisel Partners Group through an LBO on November 19, 2020 for an undisclosed sum. The deal will enable the acquirer to enhance the value and usability of its affordable healthcare IT solutions and services.
08/24/2020	Credible Behavioral Health	Qualifacts Systems	Enterprise Systems	The company was acquired by Qualifacts Systems, via its financial sponsor Warburg Pincus, through an LBO on August 24, 2020 for an undisclosed sum. The combination of these technology companies will elevate the experience of behavioral health and human service providers while positioning the combined company for continued innovation and thought leadership.

Public Comps

Ticker	Company	TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
MTBC	Carecloud	1.0x	481.3x		0.8x	4.6x	-10.9x
MD	Mednax	1.7x	19.7x	65.4x	1.6x	12.0x	18.3x
EVH	Evolent Health	2.5x	160.4x		2.6x	39.2x	-1,542.9x
MGLN	Magellan Health	0.4x	42.0x		0.4x		54.7x
AMEH	Apollo Medical Holdings	6.3x	25.1x	73.2x	5.0x	31.1x	66.7x

Sources: IBIS World, Morgan Stanley Research, Pitchbook, and publicly available data