



NORTH AMERICAN DERMATOLOGY

M&A Activity and Valuation Trends
Q2 | 2016



Robert Ullman
Managing Director
rullman@dinancapital.com
415.613.4114

William Downing
Director
wdowning@dinancapital.com
602.734.0682

Michael Pucci
Vice President
mpucci@dinancapital.com
602.734.0667

Michael Hilcove
Associate
mhilcove@dinancapital.com
602.734.0626

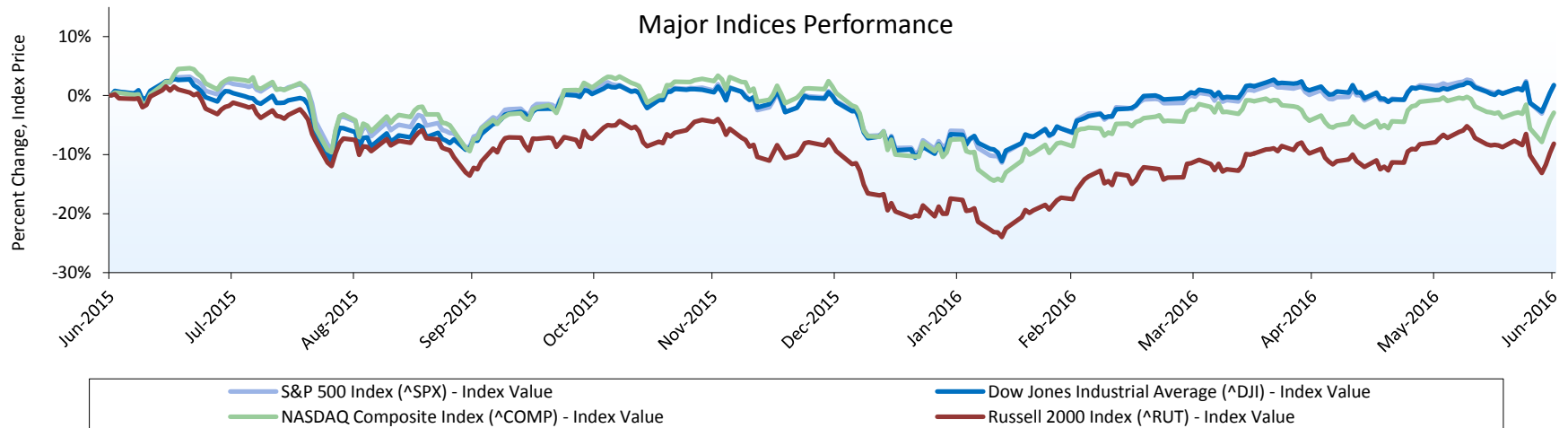
Michael Reister
Analyst
mreister@dinancapital.com
602.734.0663

Table of Contents

Section	Page
I. Economic Indicators	3
II. Industry Overview	4
III. Mergers and Acquisitions Overview	6
IV. Second Quarter Transactions Overview	7
V. Dinan Capital Advisors	8

Economic Indicators

Macroeconomic Overview



Index	As of 9/30/2015	As of 12/31/2015	As of 3/31/2016	As of 6/30/2016
^SPX	1,920.02	2,043.94	2,059.74	2,098.86
^COMP	4,620.16	5,007.41	4,869.85	4,842.67
^DJI	16,284.70	17,425.03	17,685.09	17,929.99
^RUT	1,100.68	1,135.89	1,114.03	1,151.92

Major Economic Indicators

Economic Indicator	2011	2012	2013	2014	2015
Real GDP (% change)	1.60%	2.30%	2.20%	2.40%	3.00%
CPI (% change)	3.10%	2.10%	1.50%	1.62%	1.90%
Cons. Spending (% change)	2.30%	1.80%	2.40%	2.50%	2.90%
Nonfarm Productivity	0.10%	1.00%	0.90%	0.70%	-2.20%
Unemployment Rate	9.00%	8.10%	7.40%	6.20%	5.80%

Interest Rates

Interest Rates	9/30/2015	12/31/2015	3/31/2016	6/30/2016
United States Treasury - 2 Year	0.63%	1.05%	0.73%	0.59%
United States Treasury - 5 Year	1.36%	1.76%	1.21%	1.00%
United States Treasury - 10 Year	2.04%	2.27%	1.77%	1.43%
United States Treasury - 30 Year	2.86%	3.02%	2.61%	2.29%
United States Prime Rate	3.25%	3.25%	3.50%	3.50%

Sources: Capital IQ, S&P NetAdvantage

Industry Overview

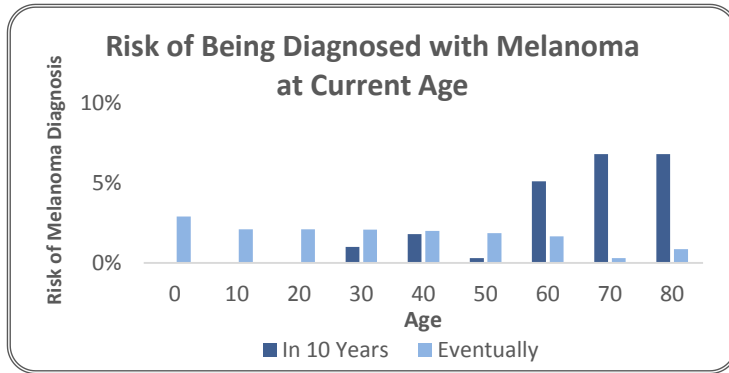
Key Drivers

Trends	Impact
Increase in Skin Cancer Diagnoses	Perhaps the most important drivers in the increase of dermatological procedures are the rise of skin cancer awareness and skin cancer diagnoses. This trend is expected to continue through 2016 with 76,380 new diagnoses projected to occur in 2016 alone, which would be up from 75,000 in 2009.
Market Consolidation	The dermatology industry is highly fragmented and is expected to consolidate due to soaring medical costs. As rising costs reduce profit for services provided by dermatologists, many are looking to leave their practices in favor of multi-physician establishments.
Decreasing Number of Private Practices	Along with higher medical costs discouraging new and current dermatologists to begin or continue solo practices, many are opting to join multi-physician firms to increase focus on their services rather than worry about running a practice.
Aging Populations	With the current population beginning to age, susceptibility to skin cancer has seen a corresponding increase. Cosmetic procedures have also seen a resurgence with an aging population and recovering economy. These factors have and will continue to spur demand in the dermatology sector.
Rising Demand Outpacing the Number of Available Dermatologists	As demand for dermatological procedures increases, the ratio of individuals needing assistance to practicing dermatologists will increase to the point where the high demand cannot be serviced by the static residency training capacity each year.

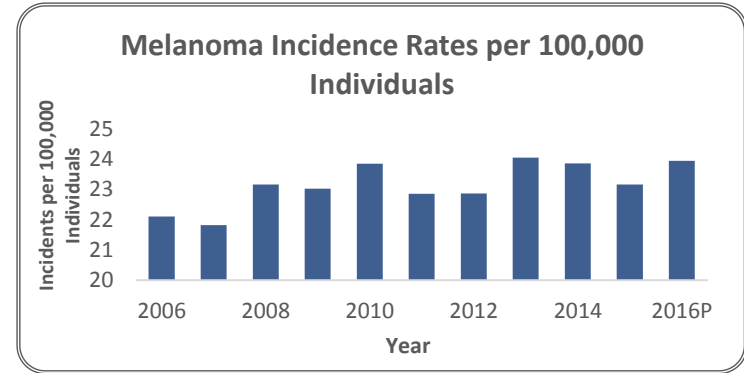
Sources: American Academy of Dermatology, IBIS World

Industry Overview

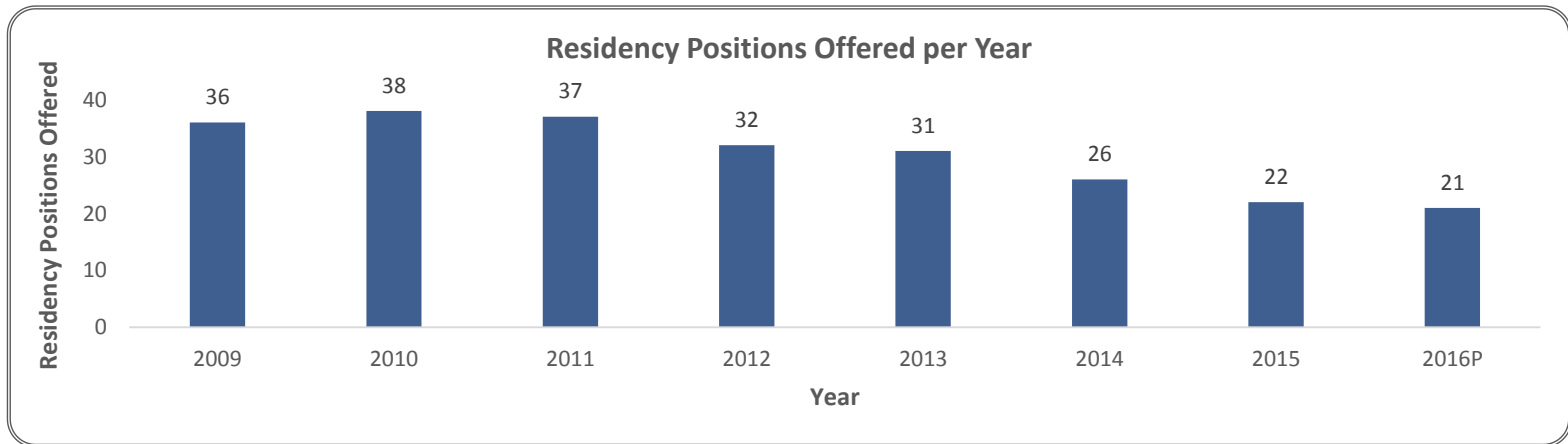
Dermatology



Based on this chart, as individuals age, the potential risk of being diagnosed with Melanoma within the next 10 years increases while the overall eventual risk decreases.



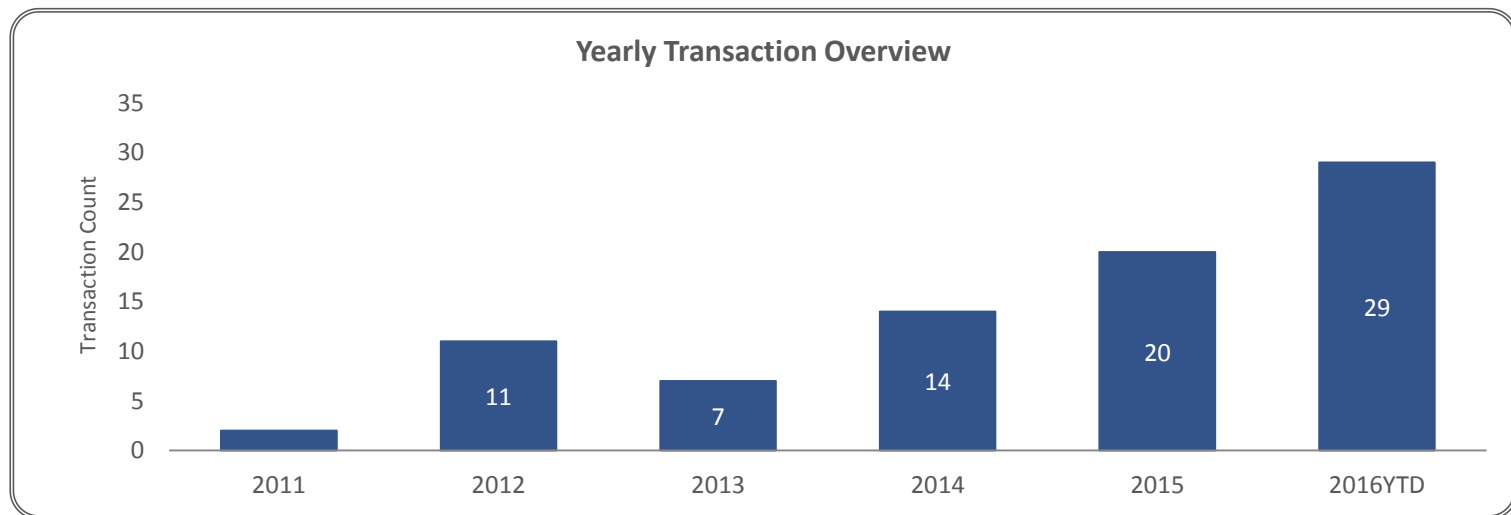
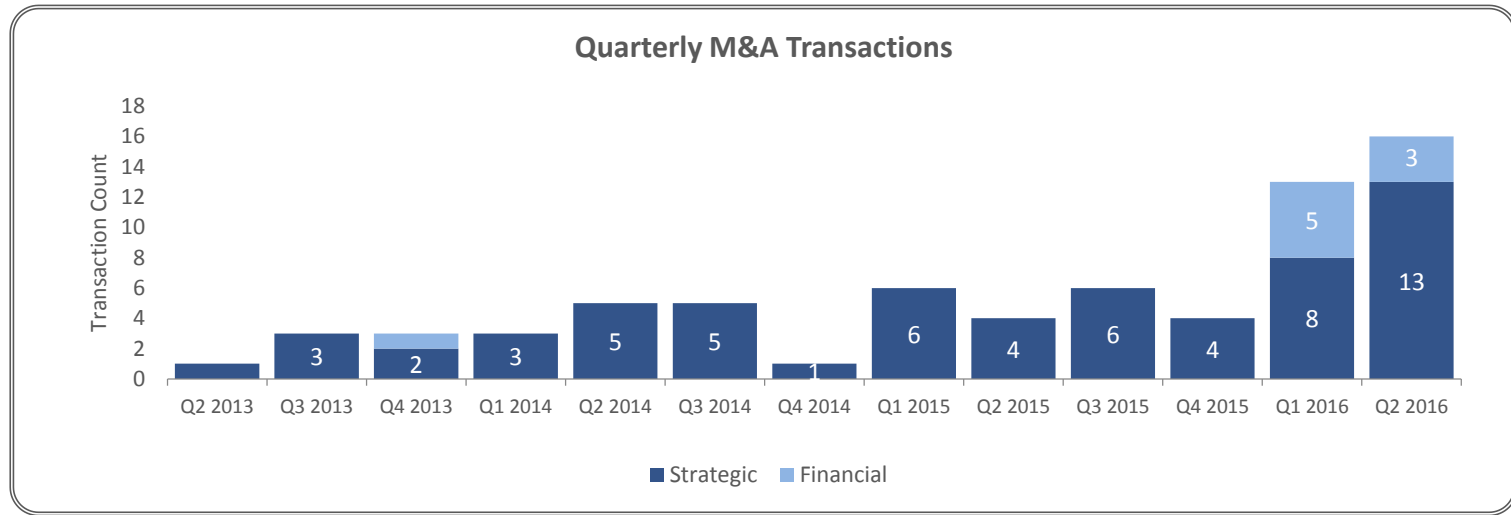
In the span of 10 years from 2006-2016, the number of individuals diagnosed with Melanoma has steadily increased from 22.11 incidents per 100,000 individuals to 23.95 per 100,000 individuals.



Sources: National Resident Matching Program, SEER Cancer Statistics

Mergers & Acquisitions Overview

Dermatology



Sources: Capital IQ

Second Quarter Transactions Overview

Dermatology

Date	Acquirer	Target	Industry Segment	Target LTM		Enterprise Value	Enterprise Value / LTM	
				Revenue	EBITDA		Revenue	EBITDA
6/21/16	Schweiger Dermatology Group LLC	Frank DeMento, M.D. & Associates, P.C.	Dermatology Services	-	-	-	-	-
6/21/16	ABRY Partners, LLC	Oliver Street Dermatology Holdings LLC	Dermatology Services	-	-	-	-	-
6/20/16	CI Capital Partners LLC	Epiphany Dermatology PA	Dermatology Services	-	-	-	-	-
6/14/16	Integrated Dermatology LLC	Reed Dermatology Clinic, P.A.	Dermatology Services	-	-	-	-	-
6/8/16	New Harbor Capital Management LLC	Wedgewood Village Pharmacy, Inc.	Dermatology Services	-	-	-	-	-
6/7/16	Private Investors	Sebela Pharmaceuticals, Inc.	Dermatology Services	-	-	-	-	-
6/1/16	Integrated Dermatology LLC	Benson Dermatology & Skin Cancer, LLC	Dermatology Services	-	-	-	-	-
5/31/16	Advanced Dermatology & Cosmetic Surgery	Andrea Cambio, M.D., P.L.	Dermatology Services	-	-	-	-	-
5/18/16	Harvest Partners, LP	Advanced Dermatology & Cosmetic Surgery	Dermatology Services	-	-	-	-	-
5/18/16	Schweiger Dermatology Group LLC	Manhattan Center for Dermatology	Dermatology Services	-	-	-	-	-
5/4/16	Advanced Dermatology & Cosmetic Surgery	Dermatology Associates, P.C.	Dermatology Services	-	-	-	-	-
5/4/16	Integrated Dermatology LLC	Aistheta of Reno	Dermatology Services	-	-	-	-	-
5/3/16	Schweiger Dermatology Group LLC	Marina I. Peredo, M.D., P.C.	Dermatology Services	-	-	-	-	-
5/3/16	DuPage Medical Group, Ltd.	Pronger Smith Medical Care, LLP	Dermatology Services	-	-	-	-	-
5/2/16	AAD Dermatology Management, LLC	Montgomery Dermatology Associates, LLC	Dermatology Services	-	-	-	-	-
4/29/16	Advanced Dermatology & Cosmetic Surgery	Skin Pathology Associates, Inc.	Dermatology Services	-	-	-	-	-

Sources: Capital IQ

Dinan Capital Advisors

Disclaimer

The information and views contained in this report were prepared by Dinan Capital Advisors, LLC. (“Dinan”). It is not a research report, as such term is defined by applicable law and regulations, and is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy and is provided for informational purposes only. The information contained herein is believed by Dinan to be reliable, but Dinan makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute Dinan’s judgment and are subject to change without notice. Also, past performance is not necessarily indicative of future results. Any unauthorized reproduction of this information is strictly prohibited.

This report may contain references to registered trademarks, service marks and copyright owned by third-party information providers. None of the third-party information providers is endorsing the offering of, and shall not in any way be deemed an issuer or underwriter of, the securities, financial instruments or other investments discussed in this report, and shall not have any liability or responsibility for any statements made in the report or for any financial statements, financial projections or other financial information contained or attached as an exhibit to the report. For more information about the materials provided by such third parties, please contact us through the contact information provided on the following page.

Dinan Capital Advisors



Dinan Capital Advisors delivers a highly tailored strategic approach for middle-market companies that seek to capitalize on merger and acquisition transactions. Our services are comparable in scope to those employed by Wall Street investment banks for the world's most profitable multinational corporations, while using methodologies, processes and cost-effective structures that make sense for middle-market companies.

Based on a highly structured process that leverages our experience, research capabilities, and proprietary technology platforms, we initiate every engagement by first assessing the market climate, and then developing an understanding of the current situation and strategic objectives of each company. From there, we partner with our clients to develop a plan that maximizes shareholder value and delivers the optimal transaction outcome.

Dinan is the registered FINRA member broker-dealer division of the Dinan Group of Companies, responsible for executing the securities related transactions of the firm. The Dinan Group is a leading diversified financial services company with over 25 years of advisory and merchant banking experience dedicated to middle-market transactions.

For any query regarding this report, please contact:

Robert Ullman
Managing Director

rullman@dinancapital.com
415.613.4114

William Downing
Director

wdowning@dinancapital.com
602.734.0682

Michael Pucci
Vice President

mpucci@dinancapital.com
602.734.0667

Michael Hilcove
Associate

mhilcove@dinancapital.com
602.734.0626

Michael Reister
Analyst

mreister@dinancapital.com
602.734.0663