



NORTH AMERICAN DERMATOLOGY

M&A Activity and Valuation Trends
Q4 | 2018



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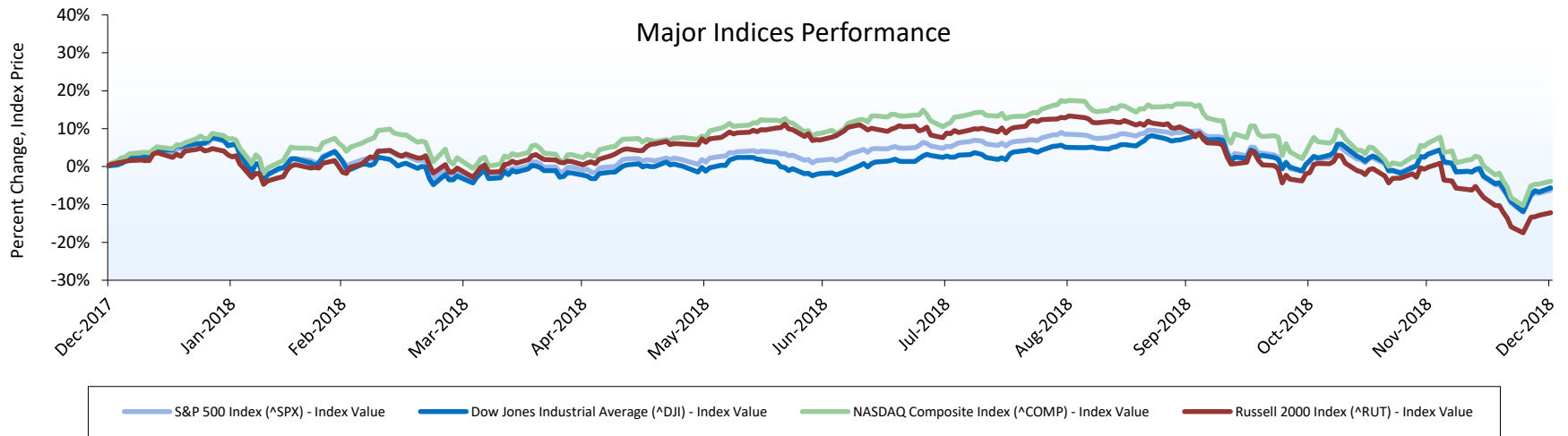
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Economic Indicators

Macroeconomic Overview



| Index | As of 3/31/2018 | As of 6/30/2018 | As of 9/30/2018 | As of 12/31/2018 |
|-------|-----------------|-----------------|-----------------|------------------|
| ^SPX | 2640.87 | 2718.37 | 2913.98 | 2506.85 |
| ^COMP | 7063.45 | 7510.30 | 8046.35 | 6635.28 |
| ^DJI | 24103.11 | 24271.41 | 26458.31 | 23327.46 |
| ^RUT | 1529.43 | 1643.07 | 1696.57 | 1348.56 |

Major Economic Indicators

| Economic Indicator | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------|-------|--------|-------|-------|-------|
| Real GDP (% change) | 2.40% | 3.00% | 2.08% | 2.30% | 2.22% |
| CPI (% change) | 1.62% | 1.90% | 2.38% | 2.20% | 1.91% |
| Cons. Spending (% change) | 2.50% | 2.90% | 3.10% | 3.30% | 2.80% |
| Nonfarm Productivity | 0.70% | -2.20% | 1.00% | 1.50% | 1.80% |
| Unemployment Rate | 6.20% | 5.80% | 4.40% | 4.10% | 3.90% |

Interest Rates

| Interest Rates | 3/31/2018 | 6/30/2018 | 9/30/2018 | 12/31/2018 |
|----------------------------------|-----------|-----------|-----------|------------|
| United States Treasury - 2 Year | 2.27% | 2.52% | 2.81% | 2.48% |
| United States Treasury - 5 Year | 2.56% | 2.73% | 2.94% | 2.51% |
| United States Treasury - 10 Year | 2.74% | 2.85% | 3.05% | 2.69% |
| United States Treasury - 30 Year | 2.97% | 2.98% | 3.19% | 3.02% |
| United States Prime Rate | 4.75% | 5.00% | 5.25% | 5.50% |

Source: Capital IQ, S&P NetAdvantage

Industry Overview

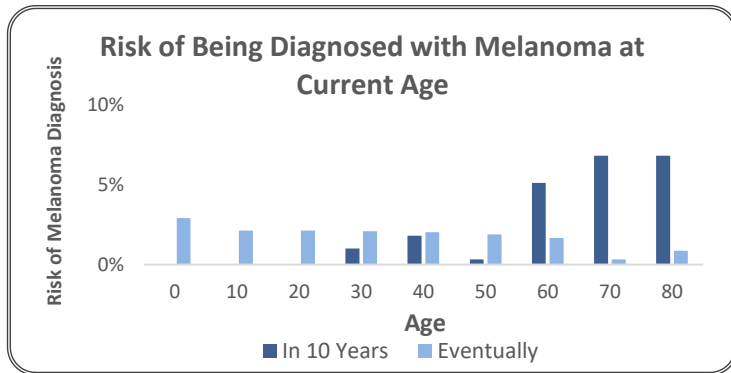
Key Drivers

| 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. |

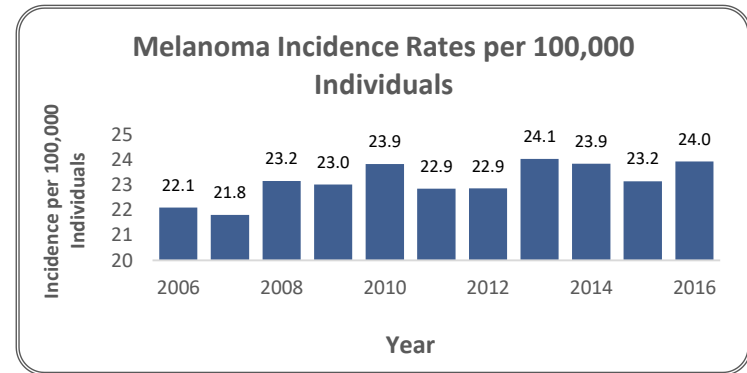
Sources: American Academy of Dermatology, IBIS World

Industry Overview

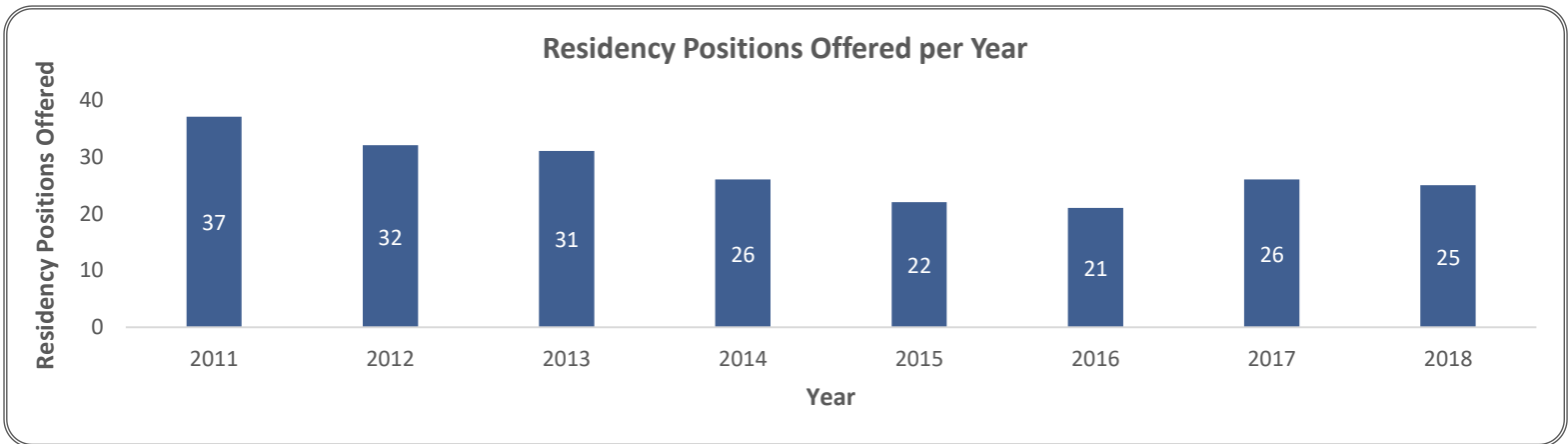
Dermatology



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.



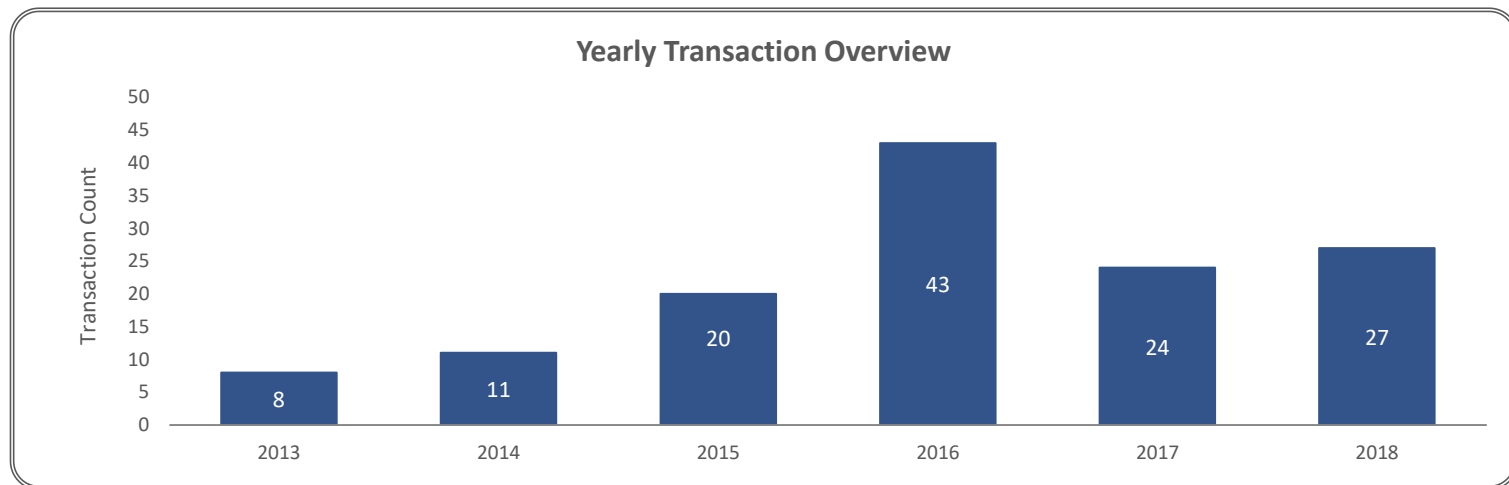
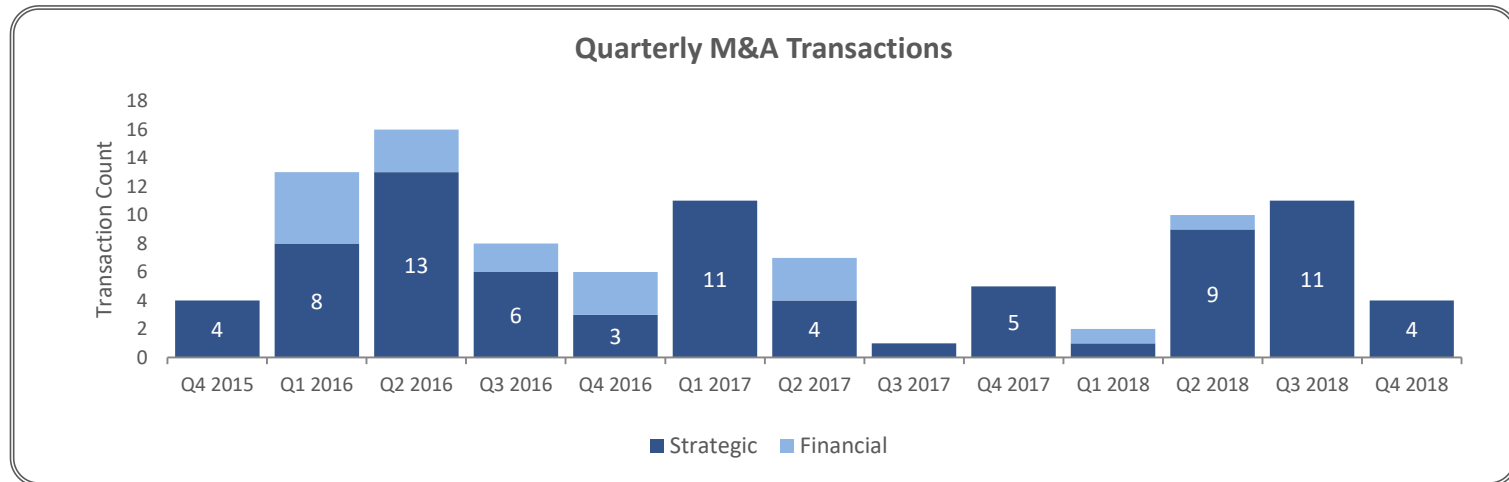
In the span of 10 years from 2006-2016, the number of individuals diagnosed with Melanoma has steadily increased from 22.11 incidents per 100,000 individuals to 23.95 per 100,000 individuals.



Sources: National Resident Matching Program, SEER Cancer Statistics

Mergers & Acquisitions Overview

Dermatology



Sources: Capital IQ

Fourth Quarter Transactions Overview

Dermatology

| Date | Acquirer | Target | Industry Segment | Target LTM | | Enterprise Value | Enterprise Value / LTM | |
|----------|---------------------------------|--------------------------------------|----------------------|------------|--------|------------------|------------------------|--------|
| | | | | Revenue | EBITDA | | Revenue | EBITDA |
| 11/2/18 | AAD Dermatology Management, LLC | Maryland Dermatology Institute, LLC. | Dermatology Services | - | - | - | - | - |
| 10/31/18 | Riverchase Dermatology | Dermatology Practice | Dermatology Services | - | - | - | - | - |
| 10/24/18 | Riverchase Dermatology | Wittenborn Plastic Surgery LLC | Dermatology Services | - | - | - | - | - |
| 10/3/18 | Pinnacle Dermatology, LLC | Soderstrom Dermatology Center, SC | Dermatology Services | - | - | - | - | - |

Sources: Capital IQ

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Dinan Capital Advisors



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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.

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