



NORTH AMERICAN DERMATOLOGY

M&A Activity and Valuation Trends
Q2 | 2019



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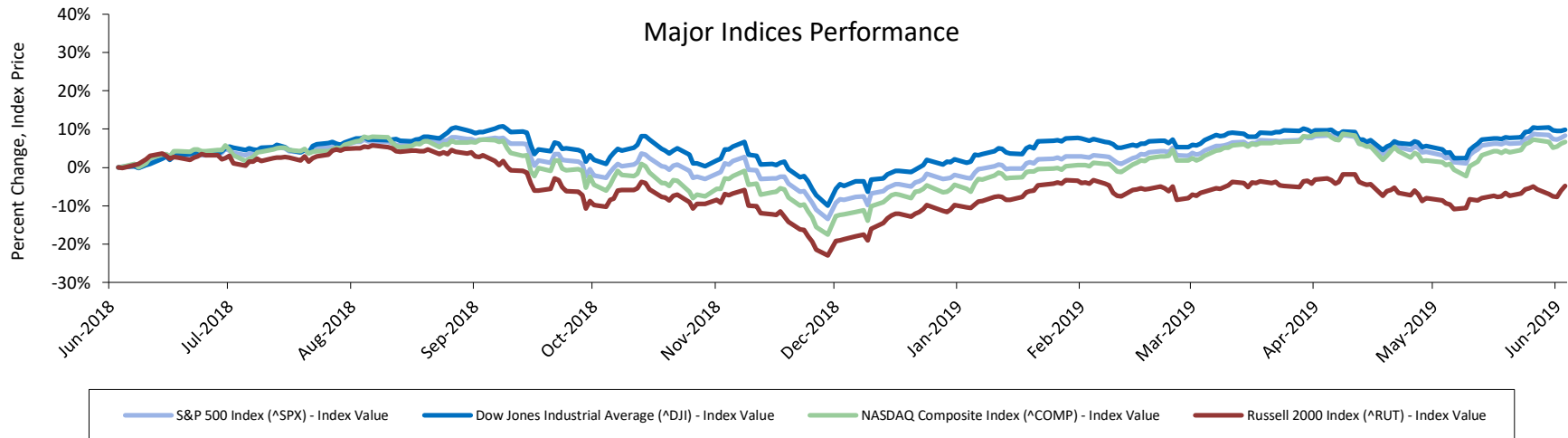
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Economic Indicators

Macroeconomic Overview

Major Indices Performance



Index	As of 9/30/2018	As of 12/31/2018	As of 3/31/2019	As of 6/28/2019
^SPX	2913.98	2506.85	2834.40	2941.76
^COMP	8046.35	6635.28	7729.32	8006.24
^DJI	26458.31	23327.46	25928.68	26599.96
^RUT	1696.57	1348.56	1539.74	1566.57

Major Economic Indicators

Economic Indicator	2015	2016	2017	2018	2019YTD
Real GDP (% change)	3.00%	2.08%	2.30%	2.22%	3.20%
CPI (% change)	1.90%	2.38%	2.20%	1.91%	1.80%
Cons. Spending (% change)	2.90%	3.10%	3.30%	2.80%	.90%
Nonfarm Productivity	-2.20%	1.00%	1.50%	1.80%	1.80%
Unemployment Rate	5.80%	4.40%	4.10%	3.90%	3.60%

Interest Rates

Interest Rates	9/30/2018	12/31/2018	3/31/2019	6/30/2019
United States Treasury - 2 Year	2.81%	2.48%	2.27%	1.75%
United States Treasury - 5 Year	2.94%	2.51%	2.23%	1.76%
United States Treasury - 10 Year	3.05%	2.69%	2.41%	2.00%
United States Treasury - 30 Year	3.19%	3.02%	2.81%	2.52%
United States Prime Rate	5.25%	5.50%	5.50%	5.50%

Source: Capital IQ, S&P NetAdvantage

Industry Overview

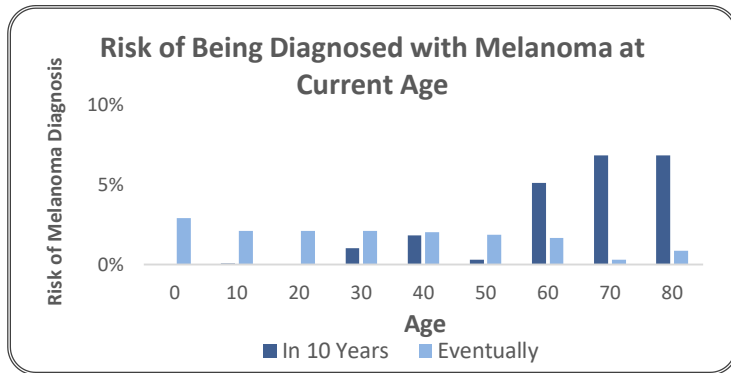
Key Drivers

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.

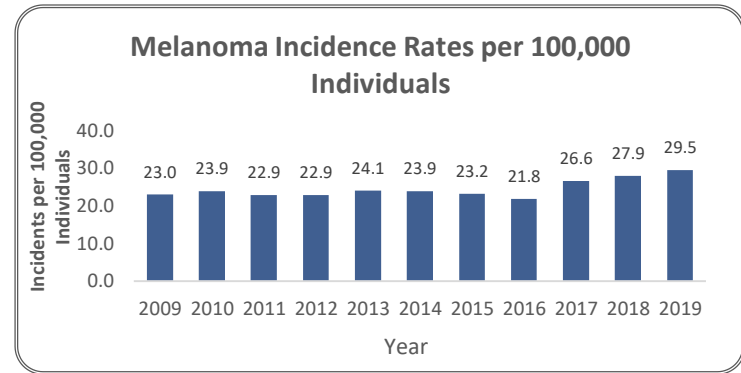
Sources: American Academy of Dermatology, IBIS World

Industry Overview

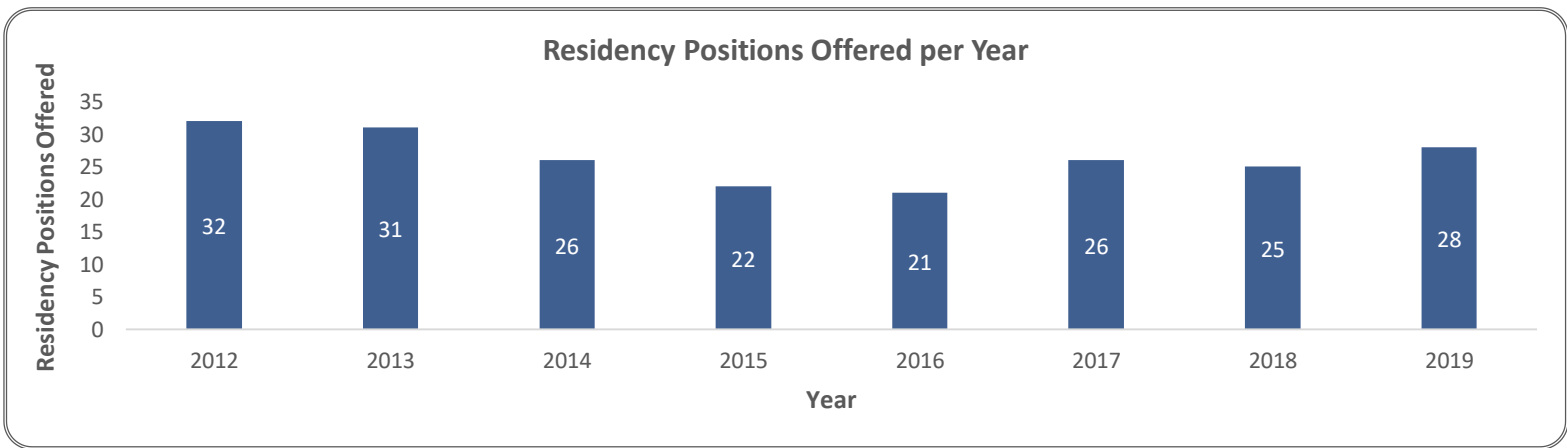
Dermatology



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.



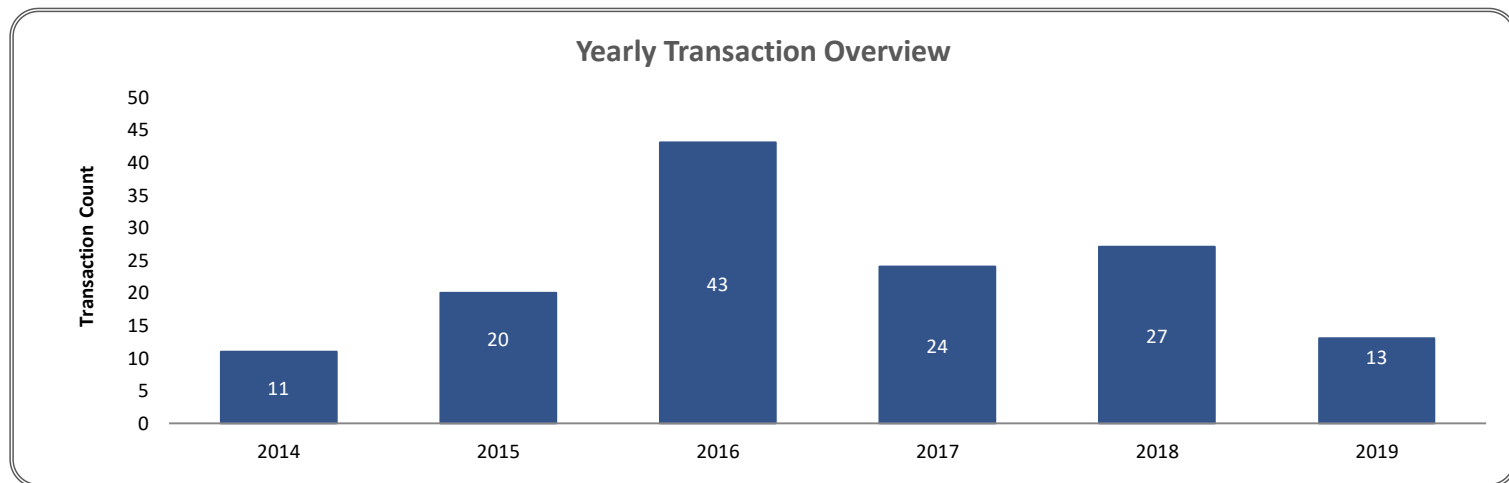
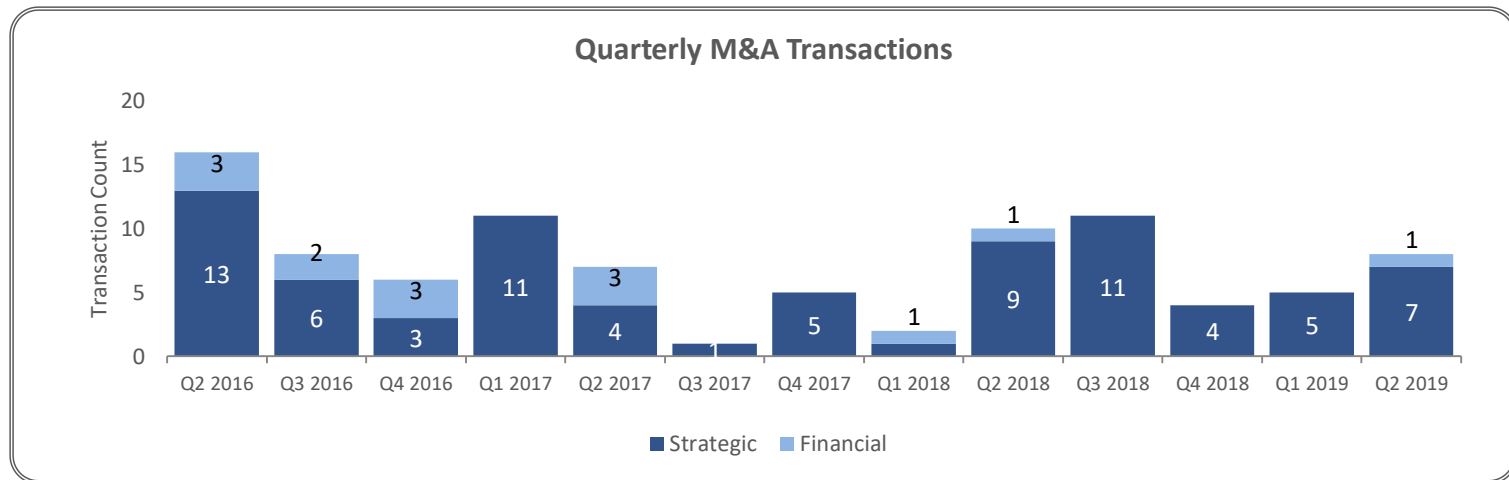
In the span of 10 years from 2009-2019, the number of individuals diagnosed with Melanoma has steadily increased from 23.0 incidents per 100,000 individuals to 29.5 per 100,000 individuals.



Sources: National Resident Matching Program, SEER Cancer Statistics, Cancer.org

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
6/24/19	Water's Edge Dermatology, Inc.	Aqua Plastic Surgery	Dermatology Services	-	-	-	-	-
6/10/19	Water's Edge Dermatology, Inc.	Coast Dermatology & Skin Cancer Center, P.A.	Dermatology Services	-	-	-	-	-
6/10/19	ADCS Clinics, LLC	Dermatology Practice Centers	Dermatology Services	-	-	-	-	-
5/8/19	Pinnacle Dermatology, LLC	Doctor's Approach Dermatology	Dermatology Services	-	-	-	-	-
5/7/19	Pinnacle Dermatology, LLC	Roberts Dermatology Center, P.C.	Dermatology Services	-	-	-	-	-
5/3/19	AAD Dermatology Management, LLC	Laser Skin & Vein Center of Virginia, P.C.	Dermatology Services	-	-	-	-	-
5/2/19	Water's Edge Dermatology, Inc.	PBC Dermatology	Dermatology Services	-	-	-	-	-
4/5/19	Private Investor	Dermatology Solutions Group	Dermatology Services	-	-	-	-	-

Sources: Capital IQ

Dinan Capital Advisors

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