

M&A Overview

Transaction activity within dermatology remained strong in the first quarter of 2016, with a combination of initial private equity investments as well as strategic acquisitions. With the first successful private equity exit in dermatology through Varsity Healthcare Partners' sale of Forefront Dermatology to OMERS in less than two years from its initial investment into the practice, we foresee a renewed interest from private equity groups in the sector given the significant growth opportunities within a short period of time. Furthermore, the compelling returns and valuation multiples achieved by Varsity through its Forefront acquisition will likely compel other private equity backed dermatology practices to seek exit opportunities of their own. As more groups of investors become interested in the value-generating capabilities of the dermatology sector, we will likely see a continued trend of larger private equity firms coming downstream to partner with regional platforms to expand on a super-regional basis. With the shortage of quality acquisition targets within the market, we believe this environment will continue to benefit selling shareholders from a valuation and structuring perspective given the continued supply-demand imbalance of opportunities within the market, which is unlikely to change into the near future.

Select Private Equity "Vintage" Investments within Dermatology

- **Audax Group** – Advanced Dermatology (2012)
- **Prairie Capital** – Riverchase Dermatology (2013)
- **Candescent Partners** – Dermatology Associates of Tyler (2013)
- **SV Life Sciences** – Schweiger Dermatology (2014)
- **Enhanced Equity Fund** – West Dermatology (2014)
- **Gulf Coast Dermatology** – Cressey & Company (2014)

Month	Acquirer	Target Company	Details
March 2016	Anne Arundel Dermatology	Jampel Dermatology Practice	Anne Arundel Dermatology, a portfolio company of New Mainstream Capital, has acquired the practice of Dr. Risa Jampel. The transaction will expand the organization's footprint into northern Baltimore & continue New Mainstream's thesis of growing its investment via acquisitions.
March 2016	Advanced Dermatology and Cosmetic Surgery (ADCS)	Kalamazoo Dermatology & Skin Cancer Center	ADCS has acquired Kalamazoo Dermatology & Skin Cancer Center. The transaction will expand ADCS' footprint within the state of Michigan, a priority area for continued expansion for the organization through de novo development and acquisitions of smaller practices.
February 2016	OMERS	Forefront Dermatology	OMERS has acquired Forefront Dermatology from Varsity Healthcare Partners. Since Varsity's initial investment in 2014, Forefront has grown from its initial three state footprint with 37 clinics, to an 11 state operator with 92 clinics at the time of OMERS' investment. The transaction is the first instance of a private equity exit within the dermatology sector and was reported to be worth \$450m in transaction value, backing into a mid teens EBITDA multiple.
January 2016	Dermatology and MedSpa	Sona MedSpa	Dermatology and MedSpa, a portfolio company of Pharos Capital Group, has acquired Sona MedSpa, an operator of 14 medical spas in 5 states and a former portfolio company of Carousel Capital. The transaction is Dermatology and MedSpa's first add-on acquisition since completing its initial recapitalization with Pharos Capital Group. Dermatology and MedSpa seeks to leverage cross-sell opportunities by introducing medical and cosmetic dermatology services at the acquired facilities and continuing de novo development efforts.
January 2016	The Riverside Company	The Dermatology Group	The Riverside Company has acquired The Dermatology Group, a group of 34 providers with 16 locations throughout New Jersey. With The Riverside Company as a partner, The Dermatology Group seeks to rapidly expand via de novo development and acquisitions within new geographies.