

## Market Overview

Dermatology has continued to be a highly active market in terms of consolidation as private equity-backed platforms aggressively execute add-on acquisition strategies to increase geographic density and expand into new markets. The first quarter of 2017 marked a shift to strategic acquisitions as opposed to the 2016 trend of private equity-backed dermatology exits, as five practices traded financial partners. Provident expects add-on acquisitions to continue to be a focal point in the industry moving forward given the highly fragmented nature of the sector combined with the very significant amount of private equity capital that is being invested into the industry. As a result of widespread buyer demand coupled with few independent platform practices that have size and scale, Provident expects that valuations within dermatology will remain amongst the highest within physician services throughout the balance of 2017, pending any unfavorable regulatory shifts from the new administration.

### SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
March 2017	Advanced Dermatology & Cosmetic Surgery	Oakland Dermatology Associates	Advanced Dermatology & Cosmetic Surgery, a dermatology clinic with over 170 clinics in 15 states, has acquired Oakland Dermatology Associates, increasing its presence in Michigan to six clinics in the metropolitan Detroit area.
March 2017	Schweiger Dermatology	Lower Manhattan Medical Associates	Schweiger Dermatology has acquired Lower Manhattan Medical Associates. The transaction marks the fifth acquisition for the organization since their recapitalization by private equity firm LLR Partners in April of 2016.
March 2017	Epiphany Dermatology	Dallas Dermatology, Dermatology Center & Dermatology Consultants of Albuquerque	Epiphany Dermatology has completed its first three add-on acquisitions since being recapitalized by CI Capital Partners in June of 2016. The organization has acquired Dallas Dermatology, Dermatology Center and, Dermatology Consultants of Albuquerque. The transactions will spearhead the company's regional acquisitive strategy, expanding their footprint in New Mexico and Texas.
January 2017	Anne Arundel Dermatology Associates	Maryland Dermatology Associates	Anne Arundel Dermatology Associates has acquired Maryland Dermatology Associates, a provider of general, surgical and cosmetic dermatology services. The transaction will solidify the group's market leadership in Maryland and secure a strong presence in Northern Virginia.
January 2017	Platinum Dermatology	Southlake Dermatology	Platinum Dermatology, a Dallas based dermatology practice, has acquired Southlake Dermatology. The transaction marks the second add-on acquisition for Platinum Dermatology since being recapitalized by Sterling Partners in May of 2016.
January 2017	U.S. Dermatology Partners	Dermatology and Laser Center of Fort Worth, Advanced Dermatologic Surgery, & Austin Dermcare	U.S. Dermatology Partners completed four transactions in the month of January, adding Dermatology and Laser Center of Fort Worth, Advanced Dermatologic Surgery, and Austin Dermcare. The organization continues to rapidly expand and develop geographic density in the state of Texas.
January 2017	Advanced Dermatology & Cosmetic Surgery	Scottsdale Dermatology, Castle Dermatology and Laser Center, & Dermatology Associates of Colorado	Advanced Dermatology & Cosmetic Surgery completed three transactions in January. The organization acquired Scottsdale Dermatology, Castle Dermatology and Laser Center and Dermatology Associates of Colorado, increasing the group's presence in Arizona and Colorado.