



KPMG Corporate Finance LLC

Cardiology physician practice M&A

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U.S. cardiology market at a glance

Strong sector tailwinds and expansion dynamics signal 'hearty' growth opportunities for cardiology practices in the U.S.

- The cardiology physician market in the U.S. generates approximately \$51 billion annually, and is expected to grow at a CAGR of 2.3 percent between 2020 and 2025.(1)
- Internal medicine subspecialties (including cardiology), often treat conditions associated with age, for which demand remains robust as the U.S. population ages.
 - The number of adults aged 65 and older is projected to increase from approximately 48 million to over 80 million by 2050.(2)
 - Adults over the age of 60 years contribute to approximately 89 percent of cardiology practice revenue.(1)
- Underlying medical conditions increasing the prevalence of heart diseases include diabetes, hypertension, and obesity.
 - An estimated 88 million adults have prediabetes.(3)
 - The prevalence of obesity was 42.4 percent in 2017-2018.(4)
 - Nearly 108 million U.S. adults have hypertension.(5)
- As of March 2020, there were 33,055 active number of cardiologists in the U.S.(6)
 - As demand for cardiology services is growing and a large number of active cardiologists are nearing retirement, the estimated deficit of cardiologists in the U.S. is expected to reach 7,080 physicians, by 2025.(7)
- Most recently, the specialty has witnessed an increasing trend towards the provision of cardiovascular procedures in the outpatient setting, particularly in ASC's.
 - This trend is largely driven by CMS's ruling finalizing the addition of multiple cardiovascular CPT codes to the list of covered ASC surgical procedures.
 - This is further supported by lower costs of procedures in outpatient facilities and advancements of outpatient technologies.

Cardiology quick facts^{(9),(10)}



805,000

Americans have heart attack every year



108 million

People with high blood pressure



38.2%

American adults had total cholesterol of 200 mg/dl or higher

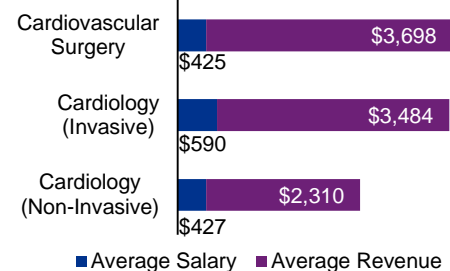


\$214 billion

annual cost to the health care system

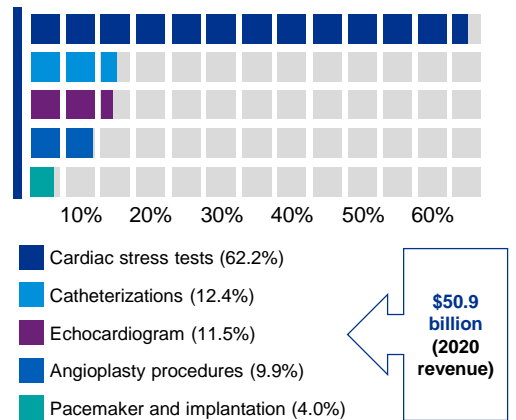
Physician generated average revenue vs. average salary⁽¹¹⁾

(\$ in thousands)



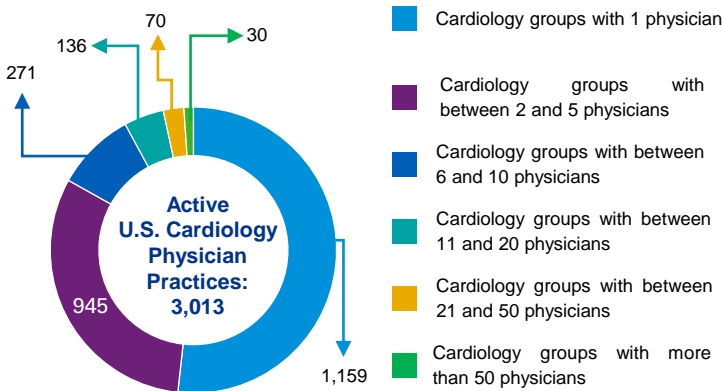
Cardiovascular surgeons, invasive cardiologist and non-invasive cardiologists generate **8.7x**, **5.9x**, and **5.4x** of their respective salaries

Product and service segmentation⁽¹⁾



\$50.9 billion
(2020 revenue)

Fragmented cardiology practice market in the U.S.⁽⁸⁾



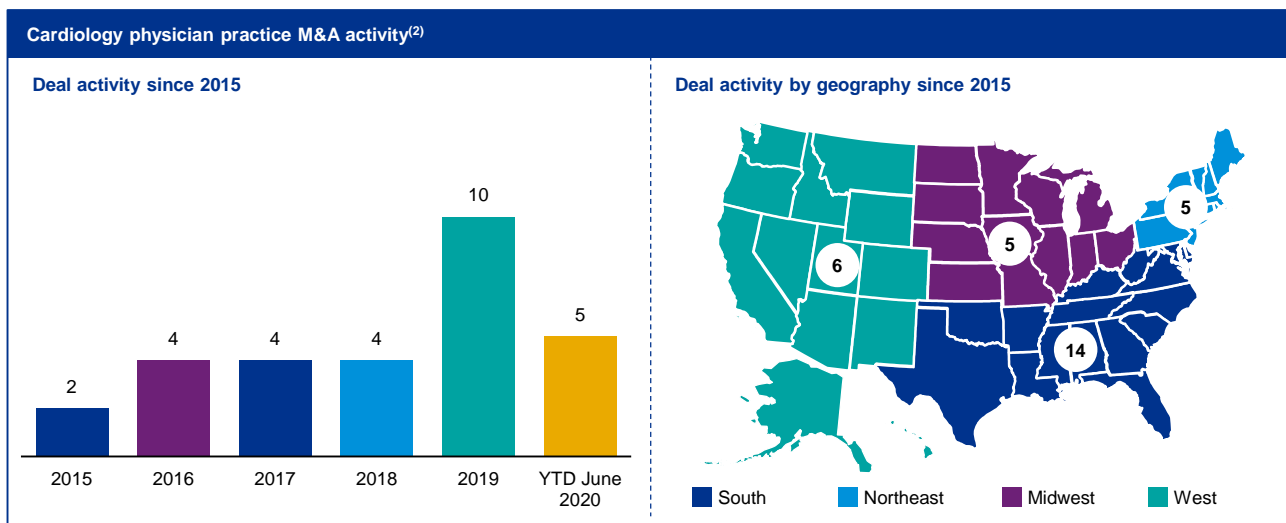
Sources:

(1) IBISWorld industry report, "Cardiologists" (March 2020); (2) U.S. Census Bureau (April 2019); (3) CDC, "National Diabetes Statistics Report" (February 2020); (4) CDC, "Adult Obesity Facts" (February 2020); (5) CDC, "Facts About Hypertension" (February 2020); (6) Statista, "Number of active physicians in the U.S. 2020 by specialty area" (June 2020); (7) Merritt Hawkins, "2019 Review of Physician and Advanced Practitioner Recruiting Incentives" (July 2019); (8) Active practices with at least 1 physician and main specialty of cardiology per Definitive Healthcare (June 2020); (9) CDC, "Division for Heart Disease and Stroke Prevention At A Glance" (April 2020); (10) Heart Disease and Stroke Statistical Update Fact Sheet At-a-Glance (2020); (11) Merritt Hawkins, "2019 Physician Inpatient/Outpatient Revenue Survey" (February 2019).

Cardiology physician practice M&A activity overview

Several factors are driving consolidation of cardiology physician practices by both strategic healthcare organizations and private equity funds

- Highly fragmented: The cardiology physician practice market in the U.S. is highly fragmented and is ripe for merger and acquisition activity, investments and partnerships.
- Ripe for consolidation: Consolidation is expected to be driven by the need to efficiently manage the operations of the practice, alleviate the administrative burden, introduce scale and size into the market, and to compete with large healthcare centers and systems.
 - The COVID-19 situation is expected to further intensify the financial pressure on organizations and will be a potential factor driving increased consolidation of independent practices going forward.
- Shift from strategic buyers to PE: The sector has been relatively untouched by significant investment and consolidation activity, specifically from private equity sponsors.
 - While strategic buyers have historically dominated the consolidation of cardiology physician practices, private equity activity in the space is expected to ramp up.
- CMS rulings: CMS 2020 final ruling will stimulate an increase in procedure volume to independent practices with ASCs, thus increasing specialty revenue and investor interest.
 - 23 cardiovascular codes (566,000 outpatient Medicare procedures) are now allowed in the ASC setting, potentially representing \$247 to \$740 million in new ASC revenue.(1)



Key factors driving consolidation activity in the cardiology physician practice sector				
 Highly fragmented market	 Favorable macro trends	 Diverse revenue streams	 Regulatory environment	 Centralizing back office functions
The market is highly fragmented and is largely served by smaller, regional practices with less than five physicians.	Rising demand for services from an aging population combined with the low supply of cardiologists presents significant growth opportunities.	Multiple sources of revenue can be generated from a variety of ancillary services including ASC's and in-office diagnostic imaging including EKG, Holter testing, MRI.	Cardiology practices with size and scale can realize benefits from the transition to an outcome-based model from a fee-for-service model.	Larger practices can capitalize on economies of scale by combining back office functions and can leverage increased negotiating powers with payors.

Sources:
⁽¹⁾ (Assuming 30% of the 556,000 procedures shifted to the ASC), Becker's Hospital Review, (June 2020); ⁽²⁾ Capital IQ, Press releases, Pitchbook.

Sources:
⁽²⁾ Capital IQ, Press releases, Pitchbook.

Selected precedent cardiology transactions



Closed Date	Target Name	Target Location	Acquirer Name	Deal Value (\$ mm)
Apr-20	Mountain Heart	AZ	Northern Arizona Healthcare	Undisclosed
Mar-20	St. Louis Cardiovascular Institute	IL	Surgical Care Affiliates	Undisclosed
Feb-20	Los Angeles Cardiology Associates	CA	Keck Medicine of USC	Undisclosed
Feb-20	Advanced Cardiology Group	NY	Trinity Medical Cardiology [Catholic Health]	Undisclosed
Jan-20	Grand Rapids Cardiology	MI	Advanced Cardiac and Vascular Centers For Amputation Prevention	Undisclosed
Dec-19	Heart Hospital of Lafayette	LA	Our Lady of Lourdes Regional Medical Center	Undisclosed
Nov-19	Children's Heart Specialists	KY	Cincinnati Children's Hospital Medical Center	Undisclosed
Oct-19	Columbia Heart	SC	Prisma Health	Undisclosed
Aug-19	Cardiology Consultants of Orlando	FL	Orlando Health Heart Institute	Undisclosed
Aug-19	Delaware Heart & Vascular	DE	Bayhealth Medical Group	Undisclosed
Jul-19	Sayed Feghali Cardiology	TX	Medical Center Cardiovascular Association	Undisclosed
May-19	Kentuckiana Heart Specialists	KY	Baptist Healthcare System	Undisclosed
Apr-19	Arizona Cardiovascular Institute	AZ	National Cardiovascular Partners	Undisclosed
Apr-19	Aloha Cardiology	AZ	Southwest Cardiovascular Associates	Undisclosed
Jan-19	Sunset Cardiology	FL	IMC Health [Comvest Partners and Athyrium Capital Management]	Undisclosed
Dec-18	Middlesex Cardiology Associates	CT	Hartford HealthCare Corporation	\$1.3
Nov-18	Lakeland Heart and Vascular	MI	Spectrum Health Lakeland	Undisclosed
Nov-18	New Mexico Heart Institute	NM	Lovelace Health System	Undisclosed
Jan-18	Bruce K. Burton, M.D.	AR	AR-MED	Undisclosed
Mar-17	Cardiology Group of Western New York	NY	Trinity Medical Cardiology [Catholic Health]	Undisclosed
Feb-17	Central Cardiology Associates and Elizabethtown Diagnostic Center	KY	Hardin Memorial Hospital	Undisclosed
Feb-17	Middletown Cardiovascular Associates	OH	Premier Health Specialists	Undisclosed
Jan-17	Buffalo Heart Group	NY	Trinity Medical Cardiology [Catholic Health]	Undisclosed
Dec-16	Institute of Cardiovascular Excellence	FL	Shands Teaching Hospital And Clinics	\$14.9
Sep-16	Eastern Suffolk Cardiology	NY	Northwell Health	Undisclosed
Aug-16	Heart Hospital of BK	CA	USPI; Dignity Health	Undisclosed
Jul-16	Pediatric Cardiology Associates	VA	MEDNAX	Undisclosed
Jun-15	Cardiology Associates of Palm Beach	FL	The Cleveland Clinic Foundation	Undisclosed
Mar-15	Mount Vernon Cardiology Associates	VA	Inova Health System	Undisclosed

Sources: Capital IQ, Company websites, Press releases, Irving Lewin, Pitchbook.











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Select recent KPMG Corporate Finance LLC transactions

 <p>Project Lion</p> <p>A gastroenterology physician practice</p> <p>Ongoing</p>	 <p>Project Wave</p> <p>An anesthesia physician group</p> <p>Ongoing</p>	  <p>Has been acquired by GASTROHEALTH</p> <p>A portfolio company of Audax Group</p> <p>Closed</p>	  <p>Has been acquired by Alignment Healthcare</p> <p>Closed</p>	 <p>Deer Meadows <small>Retirement Community</small></p> <p>Has been acquired by investment360¹</p> <p>Closed</p>
  <p>Has been acquired by INTRALIGN</p> <p>A portfolio company of ALTARIS HERITAGE GROUP</p> <p>Closed</p>	  <p>Has been recapitalized by BROWN BROTHERS HARRIMAN</p> <p>Closed</p>	  <p>Has been acquired by NEW HARBOR CAPITAL</p> <p>Closed</p>	  <p>Has received growth investment from BISON CAPITAL</p> <p>Closed</p>	  <p>Has been acquired by Archdiocese of Philadelphia</p> <p>Closed</p>

Select recent KPMG LLP Deal Advisory credentials

 <p>Compassion-First Pet hospitals (Quad - C) KPMG Deal Advisory</p> <p>Sell-side financial due diligence assistance on its sale to JAB</p> <p>Closed</p>	 <p>Heartland Dental (Ontario Teachers Pension Plan Board) KPMG Deal Advisory</p> <p>Sell-side financial due diligence assistance on its sale to KKR</p> <p>Closed</p>	 <p>DentalCorp KPMG Deal Advisory</p> <p>Sell-side financial due diligence assistance on its sale to L Catterton</p> <p>Closed</p>	 <p>Private equity client KPMG Deal Advisory</p> <p>Sell-side financial due diligence assistance on its potential sale of women's health mammography company</p> <p>Closed</p>	 <p>Audax Private Equity - Advanced Dermatology KPMG Deal Advisory</p> <p>Sell-side financial due diligence assistance on Advanced Dermatology's sale to Harvest Partners</p> <p>Closed</p>
 <p>Great Point Partners-Professional PT KPMG Deal Advisory</p> <p>Sell-side financial due diligence assistance on sale of Professional PT to Thomas H. Lee Partners</p> <p>Closed</p>	 <p>Center for Diagnostic Imaging KPMG Deal Advisory</p> <p>Financial due diligence assistance on sale to Wellspring Capital</p> <p>Closed</p>	 <p>Forefront Dermatology (Varsity Healthcare Partners) KPMG Deal Advisory</p> <p>Sell-side financial due diligence assistance on its sale to Ontario Municipal Employees Retirement System (OMERS)</p> <p>Closed</p>	 <p>ATI Physical Therapy (KRG Capital Partners) KPMG Deal Advisory</p> <p>Financial pre-sale due diligence assistance on sale of ATI with over 500 clinic locations to Advent International</p> <p>Closed</p>	 <p>EyeCare Services Partners (Varsity Healthcare Partners) KPMG Deal Advisory</p> <p>Provided financial due diligence assistance on its sale to Harvest Partners</p> <p>Closed</p>

¹Represents the global Corporate Finance practice of KPMG International's network of independent member firms.

KPMG Corporate Finance LLC



KPMG Corporate Finance LLC healthcare investment banking team



Walter J. Olshanski
Managing Director,
Sector Lead
T: 646-874-4878
E: wolshanski@kpmg.com



Ankit Bavishi
Vice President
T: 312-665-2026
E: ankitbavishi@kpmg.com



Michael Cordaro
Associate
T: 212-763-5408
E: mcordaro@kpmg.com



Jason Moran
Managing Director
T: 415-963-7353
E: jasonmoran@kpmg.com



Karan Jolly
Managing Director
T: 312-665-2949
E: kjolly@kpmg.com



Amanda Dydynski
Vice President
T: 415-963-8401
E: adydynski@kpmg.com

2015-2019 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	2,462
2.	PwC	2,200
3.	Deloitte	1,631
4.	Rothschild & Co.	1,513
5.	Ernst & Young LLP	1,403
6.	Houlihan Lokey	1,275
7.	BDO	1,029
8.	IMAP	957
9.	Lazard	935
10.	Industrial & Comm. Bank China	916

2010-2019 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	4,321
2.	PwC	4,135
3.	Deloitte	2,827
4.	Ernst & Young LLP	2,654
5.	Rothschild & Co.	2,552
6.	Houlihan Lokey	2,347
7.	BDO	1,883
8.	Lazard	1,859
9.	Goldman Sachs & Co	1,813
10.	Morgan Stanley	1,685

Global coverage. Industry knowledge. Middle-Market focus.

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KPMG Corporate Finance LLC was recently named Transaction Advisory Firm of the Year by The Global M&A Network, and previously named investment Bank of the Year by the M&A Advisor. KPMG Corporate Finance LLC provides a broad range of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge to advise clients on global mergers and acquisitions, sales and divestitures, buyouts, financings, debt restructurings, equity recapitalizations, infrastructure project finance, capital advisory, portfolio solutions, fairness opinions, and other advisory needs.

Note:

⁽¹⁾ League tables include completed deals which have value between \$0 million to \$500 million and also where deal value is not disclosed, as of January 2, 2020.

*Represents the global Corporate Finance practice of KPMG International's network of independent member firms.

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