

DERMATOLOGY MARKET UPDATE 2017

INDUSTRY TRENDS

The \$14.3B dermatology industry is expected to continue growing at 2.4% annually through 2021 due to an increased demand for skin care services, a shortage of dermatologists, and patients' increased ability to pay for services. These dynamics continue to attract private equity investors to the industry, driving industry consolidation. However, the industry is still highly fragmented and is expected to consolidate further.

INCREASING DEMAND FOR DERMATOLOGICAL SERVICES

- More than 20% of all Americans will be diagnosed with skin cancer at some point in their lives.
- U.S. physicians diagnose more than 3.5M cases of skin cancer annually (more than 50% of total cancer diagnoses), making skin cancer the most common form of cancer in the U.S.; more than 5.4M people seek dermatological treatment each year.
- The rate of non-melanoma skin cancer has increased at an annual growth rate of 4%.
- The number of Mohs surgeries (used to treat skin cancer) performed in the U.S. quadrupled to over 3M from 2004 to 2014.
- Melanoma accounts for 77% of all skin cancer related deaths, driving patients to seek skin cancer screenings annually.

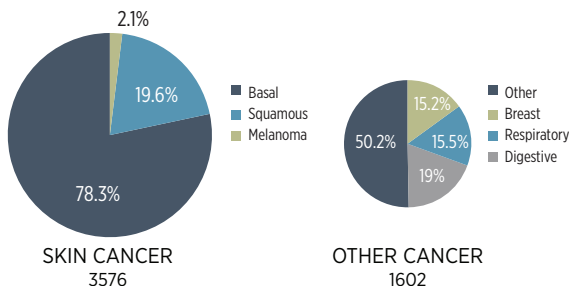
SHORTAGE OF DERMATOLOGISTS

- The number of dermatologists per 100K people is expected to remain flat at 3.59 through 2020. American Professors of Dermatology estimates that 5 dermatologists per 100K people are required to adequately meet demand.
- The average wait time to see a dermatologist has increased 46.2% (CAGR of 4.9%) between 2009 and 2017.
- With over 50% of Americans considering a cosmetic procedure and the high-margin nature of these procedures, dermatologists are increasingly focused on cosmetics rather than medical procedures.

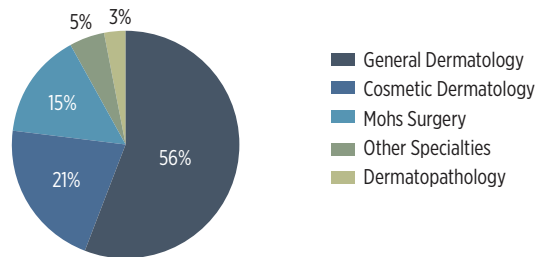
GREATER ACCESS TO INSURANCE & RISING INCOMES

- The number of Americans receiving Medicare benefits is expected to increase from 57M today to 79M in 2030. This population is guaranteed 100% coverage for annual preventative skin care sessions.
- Over 20% of all dermatological services performed in 2015 were cosmetic (anti-aging procedures, dermabrasion, laser treatments, Botox); this is expected to increase as disposable incomes rise with the improving economy.
- Federal funding for Medicare and Medicaid is expected to increase by 27% from \$963B in 2016 to \$1,225B in 2021, outpacing the growth of GDP.

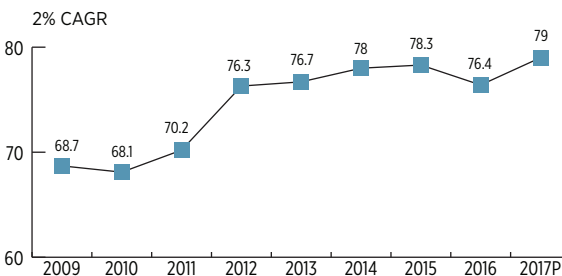
Total New Cases by Cancer Type in 2016 (000s)



Dermatology Services Segmentation



New Cases of Melanoma (000s)



Average Wait Time to See a Dermatologist (Days)



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INDUSTRY CONSOLIDATION

CONTINUED PRIVATE EQUITY INTEREST

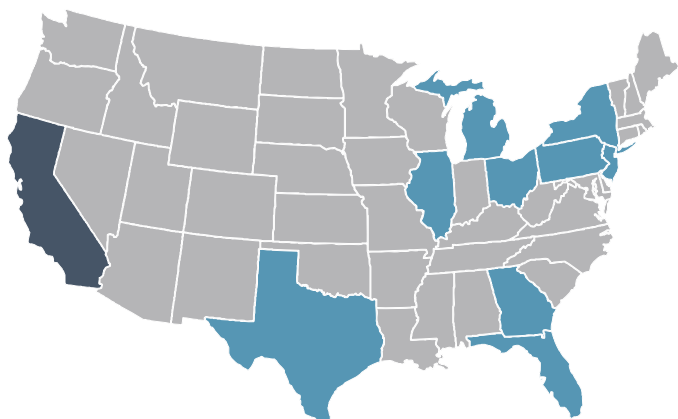
Dermatology has already seen significant interest from private equity investors, but the market is still consolidating because:

- The ability to centralize operations, spread overhead over larger revenue, and allow providers to focus on patient care creates significant value for investors and physicians.
- Strong market dynamics indicate practices will continue to experience high demand and consistent growth, driving high levels of revenue per dermatologist.
- The market is still highly fragmented, providing ample opportunities expand through acquisitions.
- Early market participants have realized successful exits.

KEY MOTIVATIONS FOR PHYSICIANS

- Resources and capital to expand operations and geographic diversity.
- Lowering risk profile by realizing significant value of practice today, while maintaining upside.
- Broader management resources and expertise to accelerate the growth of each practice.
- Relief from increasing pressures on independent and/or geographically concentrated practices.
- Greater infrastructure needs, reimbursement demands, and patient expectations are adding costs to practices.

Select Dermatology Platforms and Geographic Landscape



% OF CLINICS LOCATED IN EACH STATE
 ■ < 3% ■ 3% TO 10% ■ 10% TO 20%

OMERS Private Equity 108 locations in Midwest and East	Privately Owned 25 locations in Northern CA	ABRY Partners 51 locations in TX, KS, and MO
Westwind Investors 23 locations in East Coast and TX	GTCR 30 locations in Southern FL	Harvest Partners 150+ locations in US (primarily FL)

CASCADE PARTNERS SELECT HEALTHCARE TRANSACTIONS

Sell-Side Advisor has sold a majority interest to 	Sell-Side Advisor has merged with 	Sell-Side Advisor has merged with 	Financing has secured senior debt financing from
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