

Industry Report

Gastroenterology



Gastroenterology ("GI") is the second largest sub-specialty of internal medicine, generating more than \$100 billion each year⁽¹⁾. The industry is expected to benefit from the aging population, increasing incidences of colorectal cancer and other gastroenterology disease in the U.S., and resulting in a growing base of patients. These positive industry trends - coupled with a highly fragmented landscape and growing costs - continue to drive consolidation.

Additionally, the expanded adoption of advanced technologies and techniques in the field is also contributing to growth. More physicians are using non-invasive techniques like capsule endoscopy, which enables earlier and more precise diagnosis. Long-term, this is expected to result in better patient outcomes and lower healthcare expenditures.

Moreover, increased attention being paid to preventative healthcare is further driving advances in gastroenterology. A growing number of patients are recognizing the importance of regular check-ups and screenings to identify and treat digestive disorders before they become more serious. The expansion of colon cancer screening, which is one of the best approaches to avoid the disease, is a frequent example of this trend.

Increased Coverage of Colorectal Cancer Screening

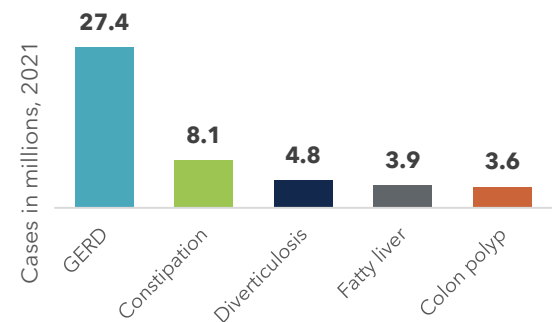
The U.S. has seen increasing gastrointestinal disease issues as the population ages, resulting in increased coverage of preventative screenings

- » Annually 107,000 new diagnoses of colon cancer, the third most diagnosed form of cancer in the United States⁽²⁾
- » Up to 15% of Americans suffer from irritable bowel syndrome, primarily under the age of 50⁽³⁾
- » Over 65,000,000+ cases of Gastroesophageal Reflux Disease ("GERD") in the U.S., effecting nearly 20% of Americans⁽⁴⁾
- » Estimated 1,000,000 new cases of gallstone disease are diagnosed per year⁽⁵⁾

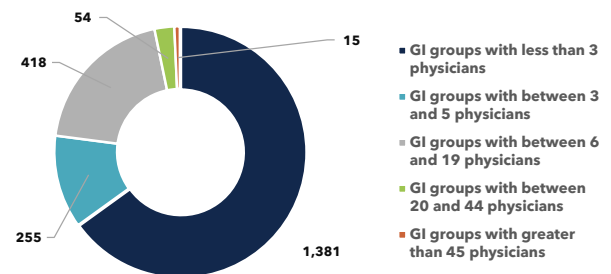
Industry Trends

- » Ongoing physician shortages and increasing clinical demand are putting pressure on physician recruitment
- » Expanding revenue opportunities in ancillary services such as infusion and pathology; many of these initiatives require additional capital investments
- » Continued pressure for lower cost of care sites are driving demand for outpatient endoscopy services
- » Improved data and patient tracking supports better long-term care management of GI diseases

Top 5 Gastrointestinal Diseases⁽⁶⁾



GI Private Practice Fragmentation⁽¹⁾



2023 Key Facts & Figures



24% decrease in the number of gastroenterologists who practice in groups of nine or less between 2012-2020⁽⁷⁾



17% increase in the number of gastroenterologists who practice in groups of 100+ between 2012-2020⁽⁷⁾



1 in 4 surgeries performed in an ASC are related to gastroenterology or endoscopy procedures⁽⁶⁾



35% of the global population aged 65 years or older suffer from some sort of gastrointestinal disease⁽⁸⁾

Sources: (1) KPMG, (2) American Cancer Society, (3) Johns Hopkins, (4) Stat Pearls, (5) NIDDK, (6) Becker's Healthcare, (7) Digestive Diseases and Sciences, (8) SkyQuest Technology Consulting

Growing Private Equity Interest

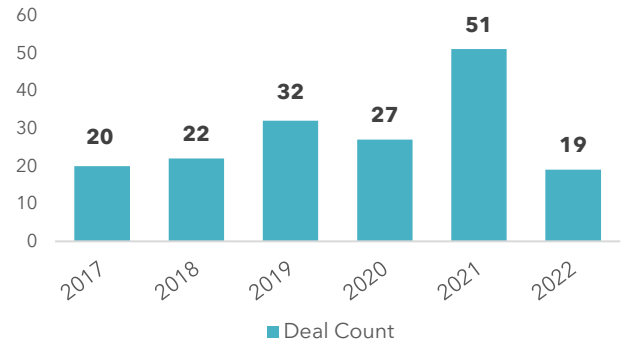
Private equity interest in GI is accelerating in recent years due to:

- » Accelerating demand for GI care among aging population and increasing incidences of disease
- » With more than 15,000⁽¹⁾ active GI physicians practicing (nearly half over 55), there is expected to be a shortfall of 1,600 physicians by 2025⁽²⁾, making consolidation of the market more attractive
- » Strong supply and demand characteristics support sustainable revenue
- » Highly fragmented market with 65% of all practices with 3 or less physicians⁽³⁾
- » Several successful "second-bites of the apple" are adding credibility to the PE story

Top Eight GI Service Organizations Overview⁽⁴⁾

GI Platform	PE Sponsor	Acquisitions
		41
		23
		17
		11
		9
		8
		2
		2

M&A Activity in Gastroenterology⁽⁴⁾



M&A Driver Considerations

- » GI physicians can focus on providing care to their patients rather than the increasing demands of the practice
- » Desire for greater work-life balance by eliminating the need to navigate strenuous health care regulations and the complexity of reimbursements
- » Increasing demands on capital for ancillary services, compliance, and technology while growing pressure on practice profitability
- » Retaining upside potential while joining a well-funded partner who brings expertise to support growth

Select Gastroenterology Transactions

Sell-Side Advisor	Sell-Side Advisor

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Sources: (1) Association of American Medical Colleges, (2) Becker's Healthcare, (3) KPMG Corporate Finance, (4) CP Research, PE Stakeholder, CapitalIQ