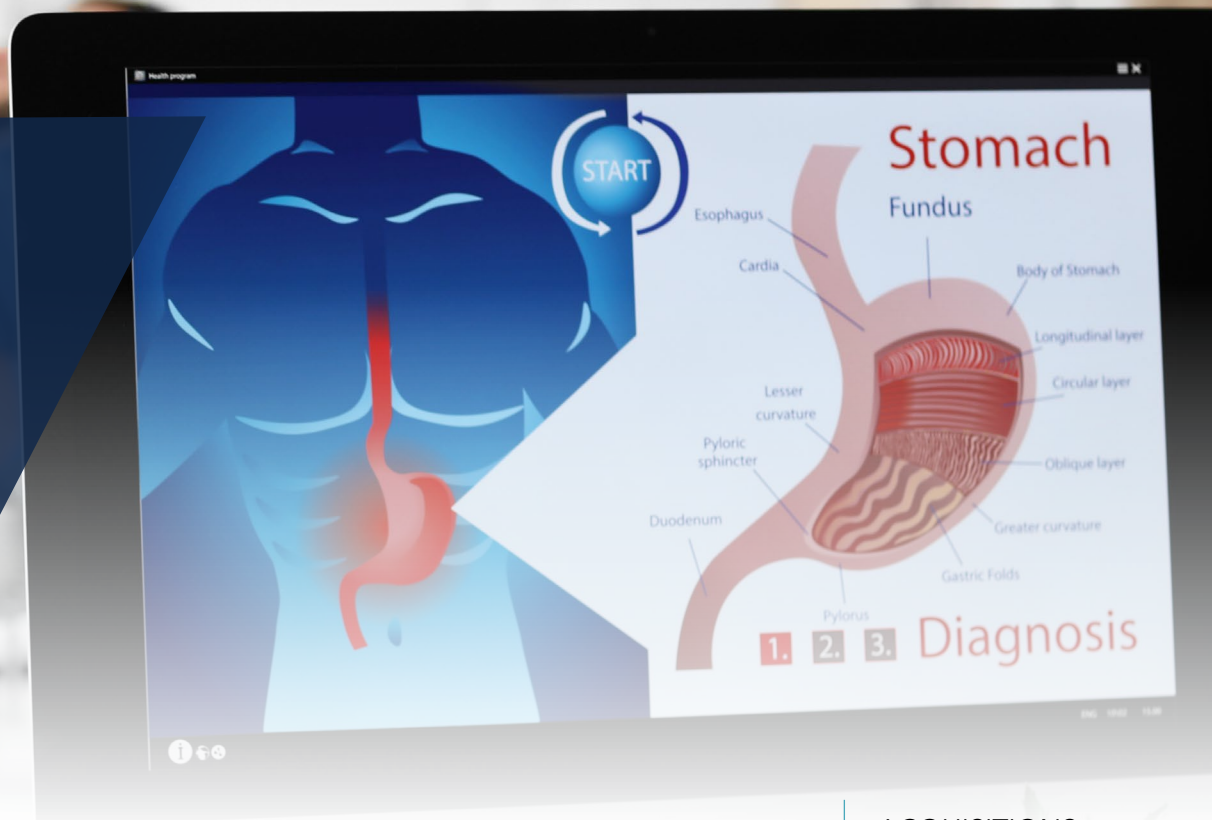


Gastroenterology INDUSTRY MARKET UPDATE



ACQUISITIONS
DIVESTITURES
FINANCINGS
RESTRUCTURINGS

Key Statistics

 **24%**

decrease in the number of gastroenterologists who practice in groups of nine or less between 2012-2020 ⁽³⁾

 **17%**

increase in the number of gastroenterologists who practice in groups of 100+ between 2012-2020 ⁽³⁾

 **1 in 4**

surgeries performed in an ASC are related to gastroenterology or endoscopy procedures ⁽²⁾

 **35%**

of the global population aged 65 years or older suffer from some sort of gastrointestinal disease ⁽²⁾

Industry Overview

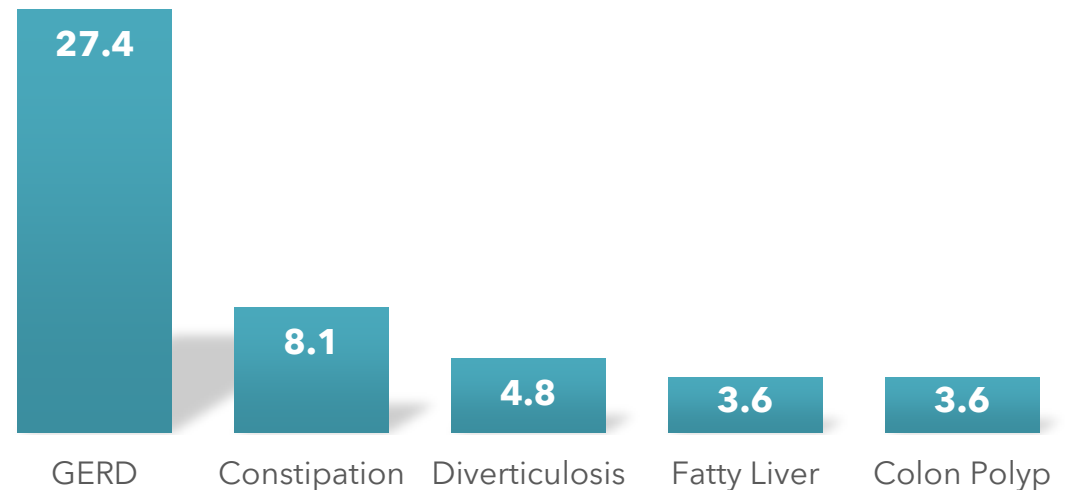
Gastroenterology (“GI”) is the second largest sub-specialty of internal medicine, generating more than \$100 billion each year⁽¹⁾. The industry is expected to benefit from the aging population, increasing incidences of colorectal cancer and other gastroenterology disease in the U.S., and resulting in 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 noninvasive 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.

Top 5 Gastrointestinal Diseases⁽²⁾

Cases in Millions (2021)



(1) KPMG; (2) Becker's Healthcare; (3) Digestive Diseases and Sciences

Key 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

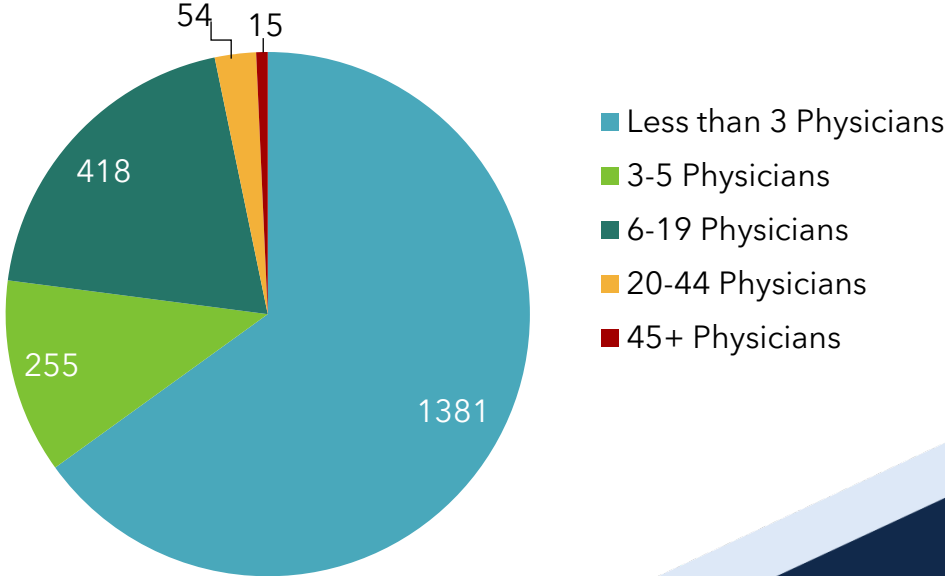


Continued pressure for lower cost of care sites are driving demand for outpatient endoscopy services



Improved data and patient tracking supports better long-term care management of GI diseases

GI Private Practice Fragmentation⁽⁴⁾



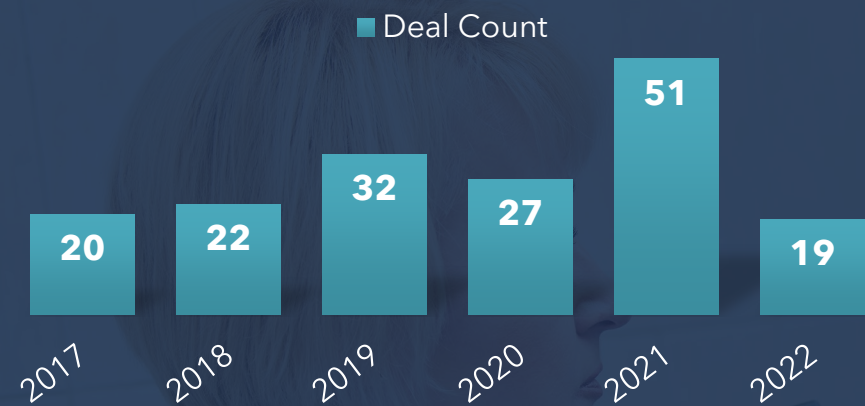
Increasing Investor Interest

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
- » Strong supply and demand characteristics support sustainable revenue
- » With more than 15,000 ⁽⁵⁾ active GI physicians practicing (nearly half over 55), there is expected to be a shortfall of 1,600 physicians by 2025 ⁽⁶⁾, making consolidation of the market more attractive
- » Highly fragmented market with 65% of all practices with 3 or less physicians ⁽⁴⁾
- » Several successful "second-bites of the apple" are adding credibility to the PE story

⁽⁴⁾ KPMG Corporate Finance; ⁽⁵⁾ Association of American Medical Colleges; ⁽⁶⁾ Becker's Healthcare

M&A Activity in Gastroenterology ⁽⁷⁾



(7) CP Research, PE Stakeholder, Capital IQ



M&A Drivers

- » 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

Top 8 GI Service Organizations Activity Overview⁽⁸⁾

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



(8) CP Research, PE Stakeholder, Capital IQ

Select Transactions

Sell-Side Advisor

 **CAPITOL**

was acquired by

 **PINNACLE**
GI PARTNERS

a portfolio company of

 **H I G**
GROWTH PARTNERS

Learn more about the transaction in the case study here.

Sell-Side Advisor

PROJECTROCK

Multiple gastroenterology practices and ancillary services

About Cascade Partners

Cascade Partners is a boutique investment banking firm focused on middle-market businesses in industrials, healthcare, business services and manufacturing. Manufacturing and related business services are passions and specialties at Cascade Partners.

With more than 250 years of combined experience, we work with business owners and shareholders to achieve their objectives and explain the impact and opportunity of their options. Our experience extends beyond just being transaction advisors, too. We have been operators, served on boards and made personal investments in services firms. From buy-side and sell-side advisory services to securing growth financing, restructurings or recapitalizing your business, our expertise and insight goes deeper than the economic factors of a deal.

We recognize and respect the long-term impacts of a transaction on our clients' company, employees, family, wealth and personal lives and are committed not only to creating long-term value for companies but to creating transformative solutions for people.

Contact Us



Rajesh U. Kothari, CFA
248.430.7723
raj@cascade-partners.com



Matthew Feldman
248.229.5982
mattf@cascade-partners.com

