

Specialty

Orthopedics

Focus

Q1 2021 Acquisition Activity and Outlook

Seventeen PE Firms are now Investing in Orthopedic Practice Acquisitions, Signaling a Probable Surge in 2021 Deal Activity

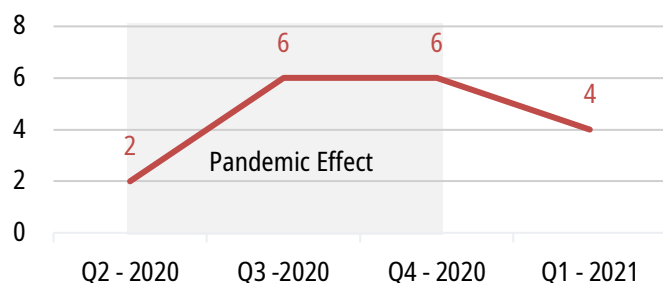
The first quarter of 2021 delivered four reported orthopedic practice acquisitions continuing a steady pace of transactions in the specialty. Notably, we saw the formation of two new platforms. Trivest partners acquired Bluegrass Orthopedics to form a platform of the same name, and Kohlberg & Company acquired Orthopedic Associates of Manhasset and formed Spire Orthopedic Partners. Seventeen PE firms now have orthopedic platform investments. We believe activity will continue to build throughout the year.

By the end of Q2, we expect most practices to have a full year of financials post COVID-19 shutdowns. This will be important to achieve maximum transaction value because trailing-twelve-month (TTM) financial performance is the most scrutinized data for practice and surgery center valuation. With COVID-19 closures phasing out of TTM financial data, practice EBITDA will likely be at its highest level in 18 months. We expect more practices will be interested in pursuing deals that will close this calendar year given potential tax implications looming in 2022.

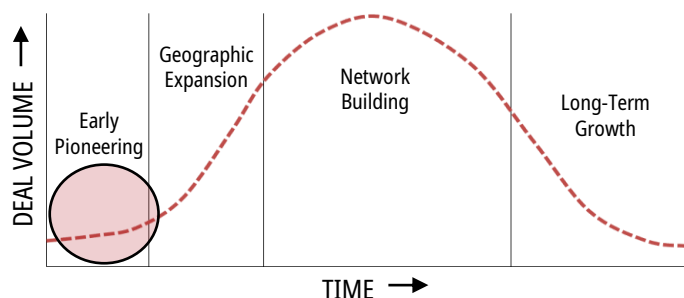
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12-Month Quarterly Acquisition Trend



PE Consolidation Lifecycle Positioning



Notable Deals in the Q1 2021

| Buyer | Practice | State | MDs | Date |
|--|--------------------------------------|-------|-----|---------|
| US Orthopedic Partners | Oxford Orthopedics & Sports Medicine | MS | 4 | 3/2/21 |
| US Orthopedic Partners | Jackson Pain Institute | MS | 3 | 3/2//21 |
| Kohlberg & Company forms Spire Orthopedic Partners | Orthopedic Associates of Manhasset | NY | 15 | 2/18/21 |
| Trivest Partners forms Bluegrass Orthopedics | Bluegrass Orthopedics | KY | 14 | 1/26/21 |

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