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OPHTHALMOLOGY: A Great Time for Sellers to Do a Deal



BY
ERIC YETTER



We continue to see a robust market for ophthalmology practices and surgery centers entering Q2 2023. There are more than 25 core private equity platforms within ophthalmology, plus smaller regional PE-backed groups.

The specialty has unique momentum within physician practice management. It enjoys a large buyer pool that has achieved scale and is now concentrated around key recapitalization events, creating a highly competitive and acquisitive market.

Most specialties do not enjoy such a high activity level, and it will not always be this way for ophthalmology. By contrast, more mature specialties (e.g., emergency medicine) have moved to a slower long-term growth stage characterized by lower volume and stable valuations. On the other hand, emerging specialties face additional risk and operational challenges that are often reflected in relatively lower valuations. Other specialties simply haven't achieved as much momentum.

Ophthalmology has been largely proven and is in a lucrative growth phase for sellers, characterized by higher competition among buyers for quality practices and surgery centers.

Deal Volumes by Specialty

<h2>High Volume</h2>	<h2>Mid Volume</h2>
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- Ophthalmology
- Orthopedics
- Gastroenterology
- Dental

- Cardiology/Vascular
- Dermatology
- Podiatry

<h2>Lower Volume</h2>	<h2>Emerging Volume</h2>
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- Urology
- Women’s Health
- OR Anesthesia
- Emergency Medicine
- Oncology
- Pain Management
- Radiology

- Neurology
- Nephrology
- Rheumatology



Generally, ophthalmology groups are operating in one of three phases:

PHASE I

INITIAL TRANSACTION COMPLETE, EARLY GROWTH



Phase 1 platforms have completed an initial transaction and set up operational infrastructure to support growth via add-on acquisitions. Once acquired, each new practice must be successfully integrated to create a cohesive (and more valuable) whole.

PHASE II

ACHIEVED SCALE, NEARING RECAPITALIZATION EVENT



Phase 2 platforms have achieved scale through organic growth and a larger number of acquisitions, resulting in total profitability interesting to a larger class of investor. At this stage, platforms start to look toward a recapitalization event where a larger PE firm or other buyer acquires the company (typically with its infrastructure and management team intact).

PHASE III

POST-RECAP



After recapitalization, the platform company usually continues largely unchanged with a new financial sponsor (private equity owner). Physicians who had equity in the platform have likely cashed out some or all their holdings.

We believe that most ophthalmology platforms are operating in Phase 2. New platform formations have slowed significantly since 2019, and a relatively small number have already recapitalized (Phase 3). Most have achieved scale.

Though all phases can be eager to buy, a concentration of buyers in Phase 2 can add some extra momentum:

PHASE I

Need to achieve scale and enter Phase 2.

PHASE II

Same need to continue growth. Add-on transactions are particularly valuable since the platform is looking towards its own recapitalization event. For example, a platform could acquire a practice at 10x EBITDA before selling itself at 13x EBITDA. Even at a high multiple, the deal is a value-add for the buyer.

PHASE III

Need to continue growth and achieve investment objectives of new financial sponsor.

A large buyer pool and concentration in Phase 2 is yielding a lucrative market for independently owned ophthalmology practices and surgery centers. We believe this is an excellent time for groups interested in a transaction to begin their sale process and capitalize a unique situation.

About FOCUS Investment Banking



Eric Yetter is an investment banker focused on physician practice and surgery center transactions with private equity. He can be reached at eric.yetter@focusbankers.com.

Core Value Proposition – Three Key Drivers:

1

Probably the **most experienced** sell-side investment bankers in ophthalmology/physician transactions.

2

A **proven process** to maximize deal value and terms for selling physician groups.


3

Senior level attention at all deal stages from our partners

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The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to The Retina Eye Center.




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