



NORTH AMERICAN  
**DERMATOLOGY**

M&A Activity and Valuation Trends  
Q1 | 2016



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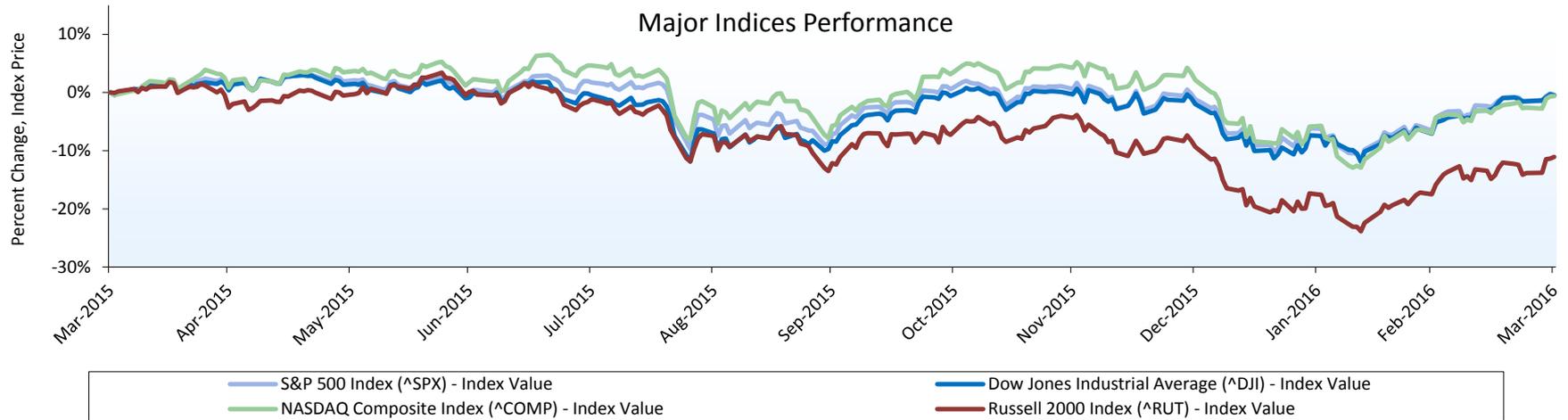
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# Economic Indicators

## Macroeconomic Overview



Index	As of 6/30/2015	As of 9/30/2015	As of 12/31/2015	As of 3/31/2016
^SPX	2,063.11	1,920.02	2,043.94	2,059.74
^COMP	4,986.87	4,620.16	5,007.41	4,869.85
^DJI	17,619.51	16,284.70	17,425.03	17,685.09
^RUT	1,253.95	1,100.68	1,135.89	1,114.03

### Major Economic Indicators

Economic Indicator	2011	2012	2013	2014	2015
Real GDP (% change)	1.60%	2.30%	2.20%	2.40%	3.00%
CPI (% change)	3.10%	2.10%	1.50%	1.62%	1.90%
Cons. Spending (% change)	2.30%	1.80%	2.40%	2.50%	2.90%
Nonfarm Productivity	0.10%	1.00%	0.90%	0.70%	-2.20%
Unemployment Rate	9.00%	8.10%	7.40%	6.20%	5.80%

### Interest Rates

Interest Rates	6/30/2015	9/30/2015	12/31/2015	3/31/2016
United States Treasury - 2 Year	0.64%	0.63%	1.05%	0.73%
United States Treasury - 5 Year	1.63%	1.36%	1.76%	1.21%
United States Treasury - 10 Year	2.35%	2.04%	2.27%	1.77%
United States Treasury - 30 Year	3.11%	2.86%	3.02%	2.61%
United States Prime Rate	3.25%	3.25%	3.25%	3.50%

Sources: Capital IQ, S&P NetAdvantage

# Industry Overview

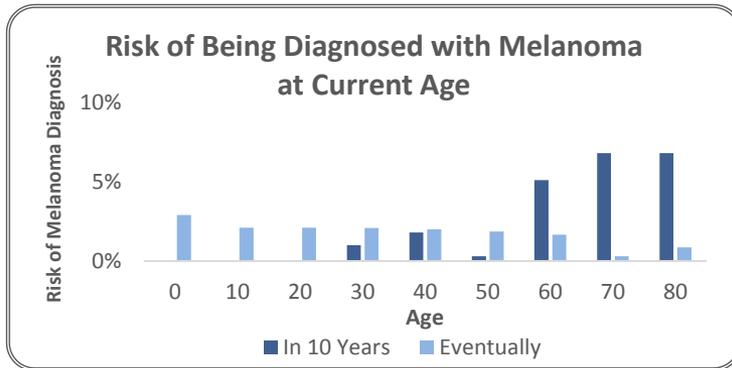
## Key Drivers

Trends	Impact
Increase in Skin Cancer Diagnoses	Perhaps the most important drivers in the increase of dermatological procedures are the rise of skin cancer awareness and skin cancer diagnoses. This trend is expected to continue through 2016 with 76,380 new diagnoses projected to occur in 2016 alone, which would be up from 75,000 in 2009.
Market Consolidation	The dermatology industry is highly fragmented and is expected to consolidate due to soaring medical costs. As rising costs reduce profit for services provided by dermatologists, many are looking to leave their practices in favor of multi-physician establishments.
Decreasing Number of Private Practices	Along with higher medical costs discouraging new and current dermatologists to begin or continue solo practices, many are opting to join multi-physician firms to increase focus on their services rather than worry about running a practice.
Aging Populations	With the current population beginning to age, susceptibility to skin cancer has seen a corresponding increase. Cosmetic procedures have also seen a resurgence with an aging population and recovering economy. These factors have and will continue to spur demand in the dermatology sector.
Rising Demand Outpacing the Number of Available Dermatologists	As demand for dermatological procedures increases, the ratio of individuals needing assistance to practicing dermatologists will increase to the point where the high demand cannot be serviced by the static residency training capacity each year.

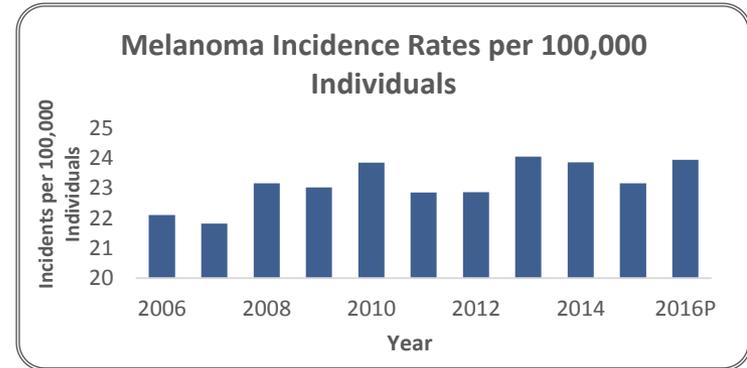
Sources: American Academy of Dermatology, IBIS World

# Industry Overview

## Dermatology



Based on this chart, as individuals age, the potential risk of being diagnosed with Melanoma within the next 10 years increases while the overall eventual risk decreases.



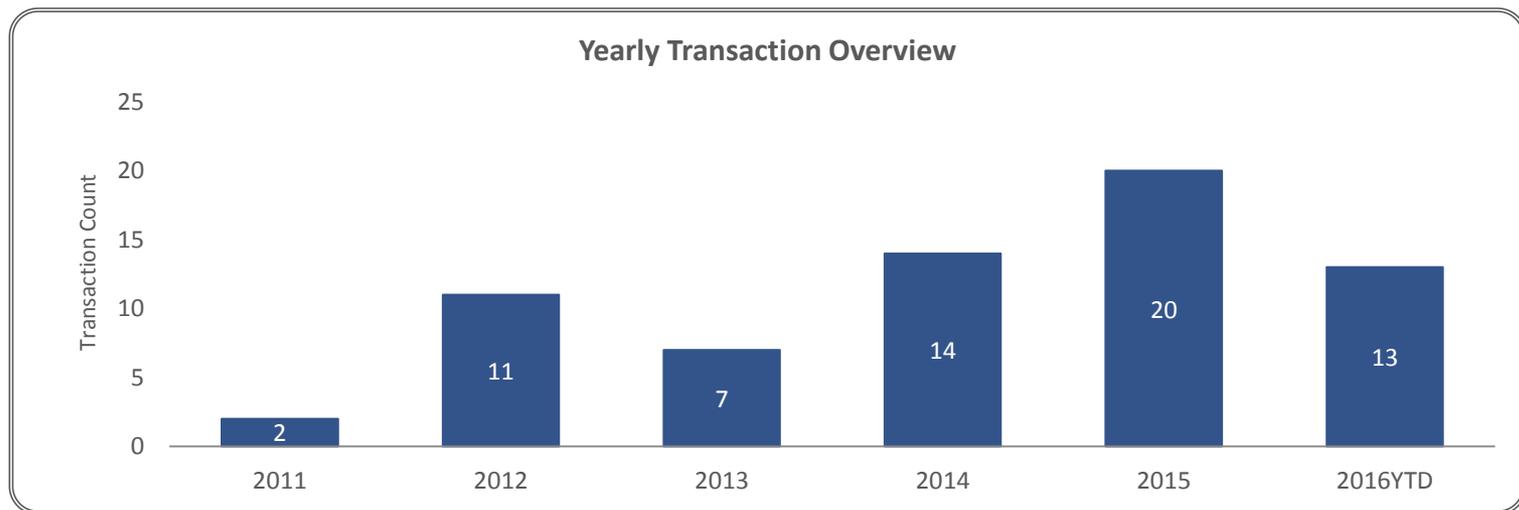
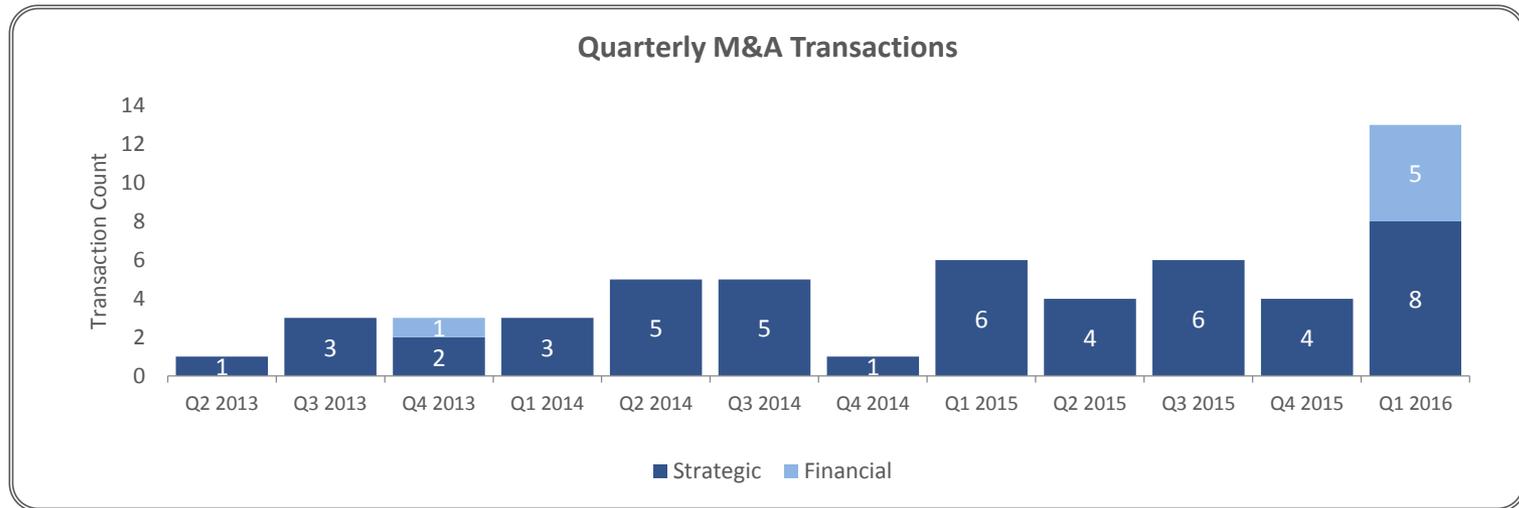
In the span of 10 years from 2006-2016, the number of individuals diagnosed with Melanoma has steadily increased from 22.11 incidents per 100,000 individuals to 23.95 per 100,000 individuals.



Sources: National Resident Matching Program, SEER Cancer Statistics

# Mergers & Acquisitions Overview

## Dermatology



Sources: Capital IQ

# First Quarter Transactions Overview

## Dermatology

Date	Acquirer	Target	Industry Segment	Target LTM		Enterprise Value	Enterprise Value / LTM	
				Revenue	EBITDA		Revenue	EBITDA
3/21/16	Adv. Dermatology & Cosmetic Surgery Inc.	Fair Oaks Skin Care, Ltd.	Dermatology Services	-	-	-	-	-
3/14/16	Private Investors	Encore Dermatology, Inc.	Dermatology Services	-	-	-	-	-
3/7/16	Adv. Dermatology & Cosmetic Surgery Inc.	Kalamazoo Dermatology & Skin Cancer Center	Dermatology Services	-	-	-	-	-
2/17/16	Penfund; Penfund Capital Fund V	Forefront Dermatology	Dermatology Services	-	-	-	-	-
2/15/16	Adv. Dermatology & Cosmetic Surgery Inc.	Vero Beach Dermatology, LLC	Dermatology Services	-	-	-	-	-
2/11/16	OMERS Private Equity	Forefront Dermatology	Dermatology Services	-	\$30.00	-	-	-
2/9/16	Adv. Dermatology & Cosmetic Surgery Inc.	Coastal Dermatology & Skin Cancer Center Inc.	Dermatology Services	-	-	-	-	-
2/2/16	Forefront Dermatology	Westmoreland Dermatology Associates, LLC	Dermatology Services	-	-	-	-	-
1/25/16	Adv. Dermatology & Cosmetic Surgery Inc.	Western Wyoming Dermatology & Surgery	Dermatology Services	-	-	-	-	-
1/5/16	Adv. Dermatology & Cosmetic Surgery Inc.	Capital Dermatology, P.A.	Dermatology Services	-	-	-	-	-
1/5/16	Pharos Capital Group, LLC	Dermatology and MedSpa, Inc.	Dermatology Services	-	-	-	-	-
1/5/16	Dermatology and MedSpa, Inc.	Sona MedSpa International, Inc.	Dermatology Services	-	-	-	-	-
1/13/16	Private Investors	Oliver Street Dermatology Holdings LLC	Dermatology Services	-	-	-	-	-

Sources: Capital IQ

# Dinan Capital Advisors

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