

GASTROENTEROLOGY MARKET UPDATE

INDUSTRY OVERVIEW

Gastroenterology (“GI”) is the second largest sub-specialty of internal medicine, generating **\$136 billion¹** annually. The industry is expected to benefit from the growing aging population, increasing incidences of colorectal cancer and other gastroenterology disease in the U.S., and relatively stable reimbursement rates. These positive industry trends, a highly fragmented GI practices, and growing costs, are driving a need for consolidation.

INCREASING U.S. GASTROINTESTINAL HEALTH ISSUES

The U.S. has seen increasing gastrointestinal disease issues as the population continues to age –

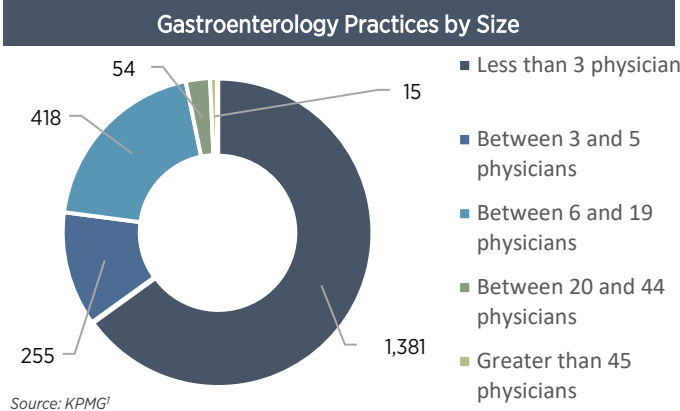
- Over 18 million³ colonoscopies performed annually, making it the most performed procedure in the U.S., with recommendations for even earlier screening
- Annually 101,000⁴ new diagnoses of colon cancer
- 10% to 15% of Americans suffer from irritable bowel syndrome, primarily under the age of 50⁴
- Over 49,230,000¹ cases of Gastroesophageal reflux disease (“GERD”) in the U.S., effecting nearly 15% of Americans
- Estimated 1,000,000¹ new cases of gallstone disease are diagnosed per year
- Over 14.8 million⁵ people diagnosed with ulcers annually

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
- Increasing awareness of colorectal cancer and new guidance for screening at a younger age will add to existing clinical demand
- Improved data and patient tracking supports better long-term care management of GI diseases

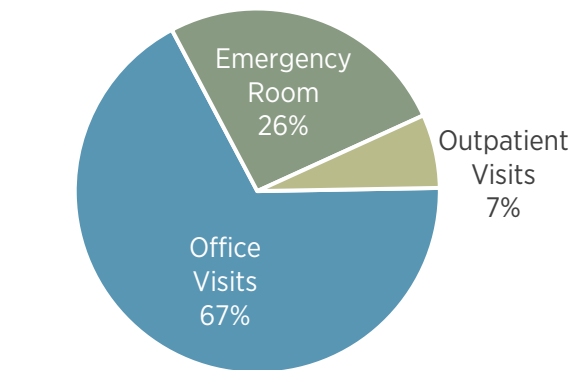
Footnote links:

- 1 - KPMG 3 - IBS 5 - CDC 7 - NIH
 2 - Medscape 4 - Becker's 6 - Gastro Journal



Source: KPMG¹

Gastrointestinal Disease Facts



Hospitalizations
3.0 million⁶



Ambulatory care visits
54.4 million⁶



Ambulatory surgical procedures
20.4 million—20% of all “write-in” surgical procedures⁷



Hospital costs
\$30.6 billion⁶



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INDUSTRY CONSOLIDATION

GROWING PRIVATE EQUITY INTEREST

Interest in GI by PE is accelerating in recent years because:

- Demand for GI care is accelerating with aging population and increased incidence of disease
- With 15,000 active GI physicians practicing (nearly half over 55), there is expected to be a shortfall of 1,500 physicians by 2025², 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

TOP SEVEN GI SERVICE ORGANIZATIONS OVERVIEW

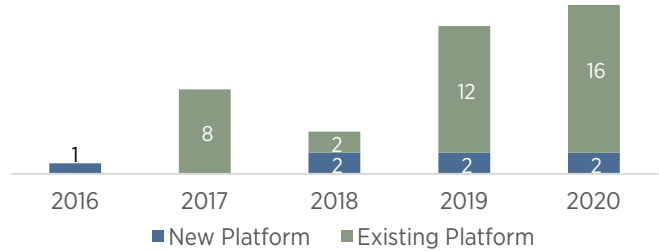
GI Platform	PE Firm	Acquisitions
		18
		15
		4
		3
		2
		2
		1

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PE INVESTMENT IN TOP SEVEN GI PRACTICES



KEY MOTIVATIONS FOR GI PHYSICIANS

- GI physicians can focus on providing care to their patients rather than the increasing demands of the business
- 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 PHYSICIAN PRACTICE TRANSACTIONS

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