Industry Market Update: Vision Care

Industry Overview

The eye care mergers and acquisitions (M&A) market is showing no signs of deceleration with more than 20 transactions occurring in January 2022 alone. The increased need of ophthalmology and related services as the population ages, stabilizing reimbursement trends, multiple ancillary revenue streams (ASCs, optometry, retina, etc.) and limited supply of physicians all drive interest in the segment.

Several private equity (PE) investors have established partnerships with vision care providers and continue to consolidate the U.S. ophthalmology market. As consolidation remains at the forefront of many physician practices, PE firms are attracted by the success of early market participants.

- Combined with the increasing prevalence of eye disease and need for corrective eyewear, the shortage of ophthalmologists provides opportunities for increased revenue per ophthalmologist and increased service offerings from optometrists
- Cataracts disease is anticipated to have the highest growth in the coming years, with an expected 50m people to suffer from the disease by 2050
- Artificial intelligence has gained traction for eye disease services as labor challenges and patient expectations are requiring practices to invest in more robust technologies
- LASIK Surgery, comprising 96% of refractive procedures, is expected to grow at a CAGR of 7% from 2021 to 2030, driven by rising disposable income and an increasing number of people suffering from ophthalmic disorder
- Due to the cost effectiveness of ODs performing selective procedures over MDs, the OD to MD ratio is expected to grow to 4:1 to help practices survive

US Population 65+ Yrs

2020 » **16.9%** of population » **55m** people

2040 » **21.6%** of population » **80.8m** people

2060 » **23.6%** of population » **98m** people

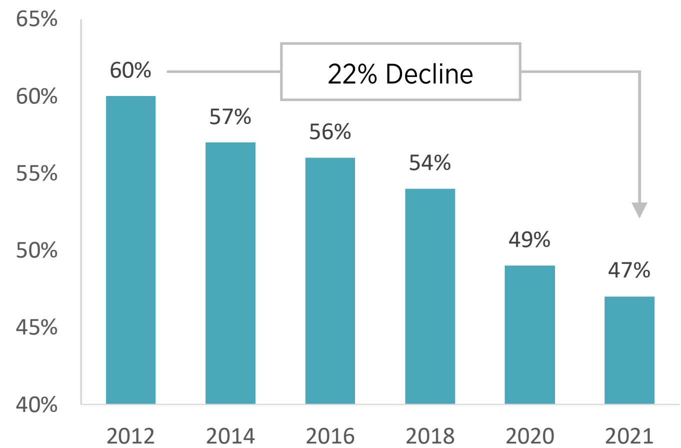
Private Equity Eye Care Activity

In 2016, there were 5 PE investors in Ophthalmology Practices and Surgery Centers. There are now more than 35 PE investors, making it one of the most coveted physician practices in the healthcare space.

Key Statistics

- **$51.4B** economic effect of vision problems
- **>200m** Americans use a vision-correction device
- **>50%** of individuals will have a cataract requiring non-deferrable surgery by age 80
- **8%** of individuals over 40 have chronic retinal conditions
- **151m** individuals have required vision correction over the last five years
- **2.1m** Americans suffer from late age-related macular degeneration

Practices Owned by Physicians



Source: IBIS World Reports; 2020 AMA Benchmark Survey; Cascade Partners Industry Estimate

Increased Investor Interest

The U.S. eye care market continues to gain strong interest from successful healthcare investors.

- Q4 2021 reported 38 eye care acquisitions in the U.S
- Q1 2022 is on pace to significantly surpass deals completed in Q1 2021 with roughly 23 transactions completed YTD
- The most recent ten transactions in the space were completed by eight different buyers, which highlights the competitive nature for value assets in the market

The trend has matured, and we are seeing successful "*second bites of the apple*" for many ophthalmologists. Most recently is EyeCare Partners' (Partners Group-backed) $600M acquisition of CEI Vision Partners (Revelstoke-backed) in Q4 2021.

Select Private Equity Groups With Vision Care Investments

H.I.G. Capital · Gauge Capital · Eli Global · Webster Equity Partners · Sheridan Capital Partners · Revelstoke Capital Partners · ShoreView · Sterling Partners · NMS Capital · Harvest Partners · Cortec Group · LLR Partners · Shore Capital Partners · Partners Group · FFL Partners · Alpine Investors · Waud Capital · Blue Sea Capital · Ridgemont Equity Partners

Cascade Partners Select Transactions

Sell-Side Advisor	Sell-Side Advisor	Sell-Side Advisor
Grand Rapids Ophthalmology has sold a majority interest to Sterling Partners	NorthwestEye Be Eye Wise has partnered with Unifeye Vision Partners	MEI Michigan Eye Institute has partnered with Midwest Vision Partners a portfolio company of Alpine

Key Drivers for Physicians

- In 2021, the MIPs performance threshold will be set by the mean or median provider score (currently 74) with small provider groups currently averaging 43, a significant gap
- Resources and capital to expand operations and geographic diversity
- Lowering risk profile by realizing significant value of practice today while continuing to maintain upside
- Broader management resources and expertise to accelerate the growth of each practice
- Greater infrastructure needs, reimbursement demands, and patient expectations are burdening practices with increasing costs

Recent M&A Activity

Date	Target	Acquirer	Location
Feb-22	Eugene Eyewear	VSP Ventures	OR
Feb-22	Georgia Center for Sight	EyeSouth Partners	GA
Jan-22	DeVito & Martin Optometry	Atlantic Vision Partners	VA
Jan-22	Memorial Eye Institute	Vision Innovation Partners	PA
Jan-22	Eye Trends	VSP Ventures	GA
Jan-22	Vista Eye Specialists	Atlantic Vision Partners	VA
Dec-21	Mississippi Retina	Retina Consultants of America	MS
Dec-21	Midwest Vision Partners	Discover Vision Centers	KS
Nov-21	Scott & Christie Eyecare	EyeSouth Partners	PA

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