

Urgent Care Update

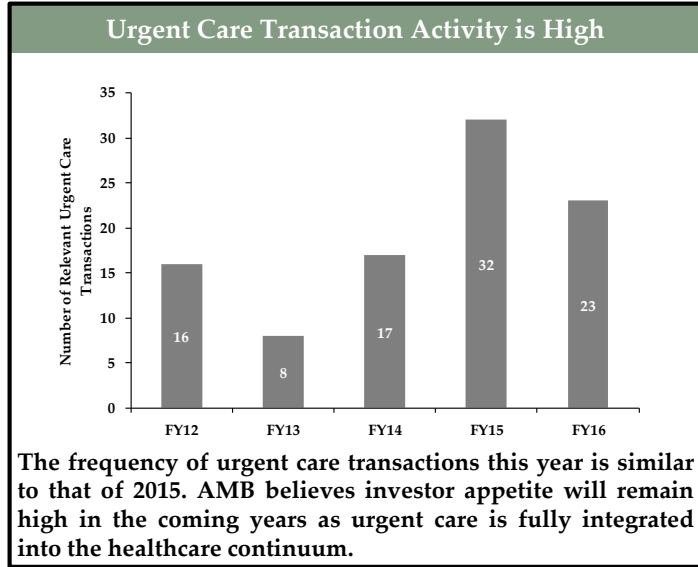
January 2017

Executive Summary

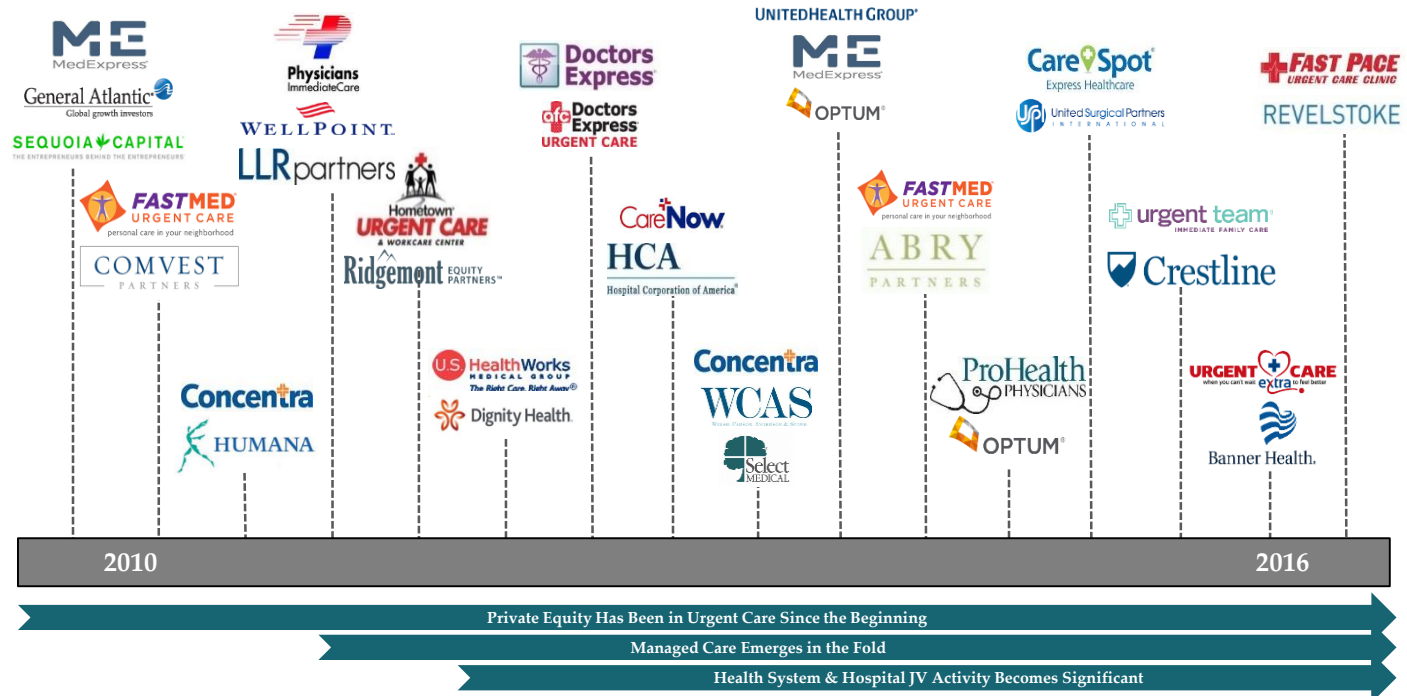
2016 has been an exceptional year for urgent care M&A. Transaction volumes and valuation metrics both allude to enhanced interest in the sector. AMB believes relevant growth catalysts include renewed interest from private equity investors as well as a clear influx of strategic investors pursuing integrated healthcare strategies.

Health systems continue to penetrate the urgent care space, both organically and acquisitively. Signals point to continued pressure on independent operators to develop relationships with strategic partners, be they payors or local systems. The potential for benefiting from economies of scale, cost synergies and enhanced reimbursement rates can create competitive advantages that quickly distinguish a strategically-aligned operator from its competitors. Sponsors have displayed interest in strategically-aligned operators, and AMB believes that the natural exit opportunity via the existing strategic partner increases their appetite for such deals.

The competitive environment is heating up in key markets around the nation as medium and large-sized operators continue to scale their platforms. Physician supply and changes in state-level scope of practice regulations for physician assistants and nurse practitioners are important topics to follow closely over the near term.



The Evolution of Urgent Care Transactions



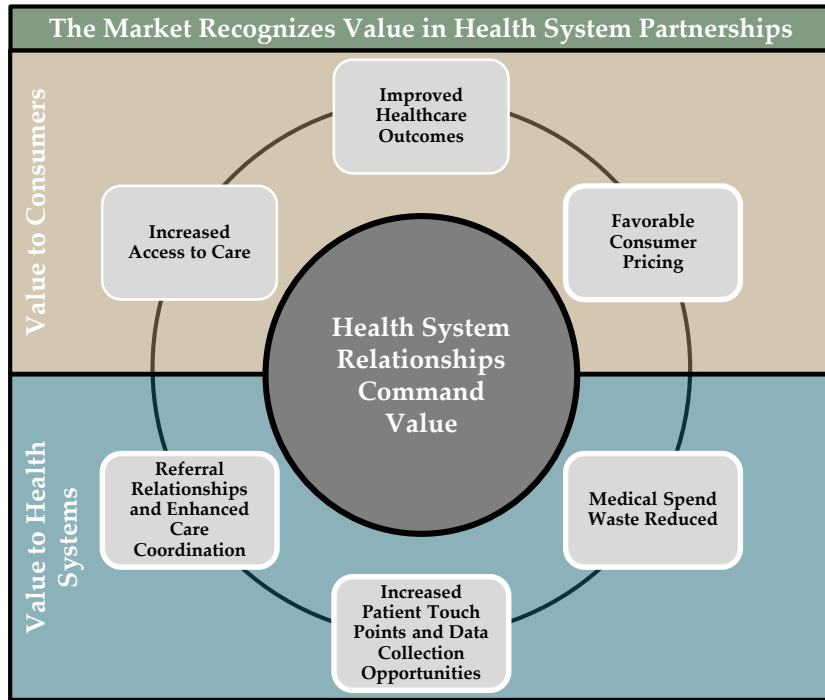
Private Equity Re-Emerges as a Prominent Investor in Urgent Care

Transactions in the past 12 months show significant private equity appetite for urgent care assets. With private capital flowing from family offices, hedge funds and fund sponsors, AMB believes that urgent care operators have viable growth or exit opportunities from private capital more so today than in prior years. Effective urgent care operators have proven their value as high cash flow, scalable and sought after assets – all traits that private equity investors seek. Consolidated profitability is not a clear requirement for a successful urgent care deal, though. Many financial sponsors are pursuing an operational value-add thesis in their urgent care investments as opposed to more traditional approaches of generating the majority of their returns via financial engineering alone.

Strategic Relationships Add Value

In contemplation of what brings about the greatest value to the consumer, many urgent care operators are aligning with health systems and/or managed care companies. The integrated nature of these operators frequently carries with it an air of sophistication and quality of care that standalone operators can have difficulty achieving.

- More operators are partnering with health systems, both with and without equity
- Value of health system relationships is of increasing importance in urgent and primary care industries
- Trends point to an increase in strategic relationships across all healthcare markets
- The current deal environment offers strategically-aligned operators significant leverage in negotiating the terms of a prospective transaction



Health System Strategic Relationships

As population health strategies ramp, the integration of urgent care into the broader healthcare continuum is occurring rapidly. Where a negative stigma once existed when “urgent care” and “health system” were mentioned in the same phrase, AMB now sees significant investor appetite for health system relationships.

Recent Health System Joint Ventures in Urgent Care

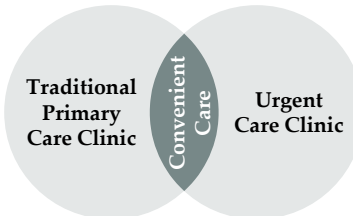
September 27, 2016		+	
February 9, 2016		+	
December 14, 2015		+	

Recent Notable Urgent Care Transactions

Target	Locations	Date Announced	Investor / Purchaser
	36	August 23, 2016	
	32	August 17, 2016	
	13	August 9, 2016	
	9	May 6, 2016	
	21	March 7, 2016	
	35	January 4, 2016	

New Trend – Evolving Primary Care Practices

Primary Care 2.0 – Adapting to Compete



- Urgent care competition is increasing as primary care operators:
 - Develop and implement distinct patient-centered medical home concepts
 - Shift to more retail-centric approaches

Patients Perceive Value in a “One Stop” Care Setting

In today’s consumer-centric healthcare environment, AMB has noted a growing trend of primary care operators adopting strategies from urgent care playbooks as well as evolving patient-focused medical home concepts. With lower copays, enhanced follow-up care and a “one stop shop” offering, PCPs provide a unique and compelling competitive threat to today’s urgent care operators.

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