



THE HEALTH OF THE URGENT CARE MARKET IN TWO NUMBERS

Remember the quiz show, “Name That Tune,” where contestants attempted to identify songs in as few notes as possible?

Well, how many notes would it take to assess the health of the Urgent Care market?

To begin, consider all the elements that characterize the attractiveness of a market: demand, opportunities for growth, profitability, risk, threats, availability of capital, scalability, etc. Now what if you could conjure just a few data points that aggregate all of these factors into one or two depictive digits?

Well, you can.

One of the best early indicators of the sentiments toward an industry is whether or not it supports a healthy mergers and acquisitions market – the theory being that investment in a sector is a function of its demand, opportunities for growth, profitability....well, you get the picture.

What’s more, The Braff Group has collected scads of urgent care M&A data back to 2010 — from which to choose — that writes a detailed and compelling narrative on the evolution of interest in the sector.

So here goes.

We can assess the health of the Urgent Care market in just two numbers.

52

First up, the number of deals completed in 2015 – 52. By itself, the number says little. But as part of a trend, it speaks volumes. As you can see in the accompanying chart called Urgent Care Deal Trends (see next page), the urgent care mergers and acquisitions market rocketed in 2014, surging more than 125% over the prior year. But the question remained whether or not the 2014 figures were a fluke or the first of a full-fledged flurry. Well, that was answered definitively with the consecutive year north of 50.

But the number reveals even more.

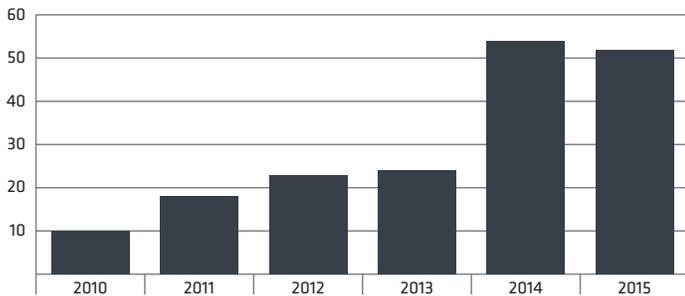
Like, after such a growth spurt, why not an even greater level of activity in 2015?

Our guess is that the nascent urgent care mergers and acquisitions market is in the midst of what we call the “jump, slump, and bump.”





Urgent Care Deal Trends



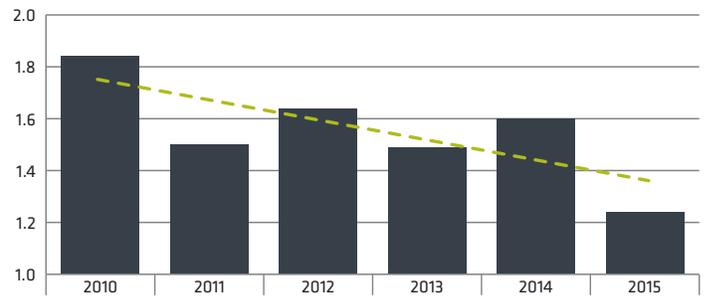
Based on what we have seen in other sectors that have produced such rapid M&A growth, we speculate that after such a run-up in volume (the “jump”), the pool of market-ready acquisition candidates has somewhat drained (the “slump”). This is especially true in a relatively “immature” sector such as urgent care.

That said, the combination of **high profile deal activity** and comparatively **low barriers to entry**, have forged the enthusiasm and opportunity to produce an extraordinary number of start-ups over the past 2-3 years. And when these start-ups begin to mature, the pool of acquisition candidates will likewise surge, providing the “inventory” for a future “bump.”

1.24 And now the second number – the number of urgent care **transactions** per **unduplicated buyer** – a figure developed by The Braff Group that packs a lot in just a few interesting

integers. To fully understand this measure, consider two hypothetical scenarios: In M&A Market A, 20 deals are completed by two buyers, yielding a ratio of deals per unduplicated buyer of 10.0 (20/2). In M&A Market B, there were also 20 deals completed.

Trends in Deals per Unduplicated Buyers



But in this scenario, they were completed by ten buyers, producing a ratio of 2.0 (20/10). With substantially more buyers in the market, M&A Market B is far more competitive and robust than Market A.

Considering that a ratio of 1.0 is conceptually “perfect,” in 2015, the actual number of urgent care deals per unduplicated buyer was an outstanding 1.24. What’s more, this figure keeps getting better as it trends steadily downward. (See chart above.)

But wait! There’s more! As a bonus, if you’re a wizard of wonk, you may intuit that if you divide the number of deals completed by the number of deals per unduplicated buyer, you get the number of unduplicated buyers (say that three times fast). In 2015, that’s 52 deals divided by 1.24 deals per unduplicated buyer, or **42 unduplicated buyers** (up 24% over 2014’s then record tally of 34).

So it’s quite clear that urgent care M&A is not dominated by one or two “Grand Acquisitors.”

So, as simple as 1, 2, 3 or snap, crackle, pop, it takes just two numbers to know that **the urgent care market is strong – and is expected to stay that way for many years to come.**

Hickory, dickory...**DOC.**

FOR MORE INSIGHT INTO THE M&A MARKET FOR URGENT CARE AND WHAT IT MAY MEAN TO YOU, CONTACT OUR URGENT CARE TEAM:



Patrick Clifford, MBA
Managing Director
Chicago
888-922-1834



Susan Cox
Business Development
Pittsburgh
412-283-0052