KPMG

Gastroenterology Physician Practice M&A

KPMG Corporate Finance LLC

Q1 2025

corporatefinance.kpmg.us

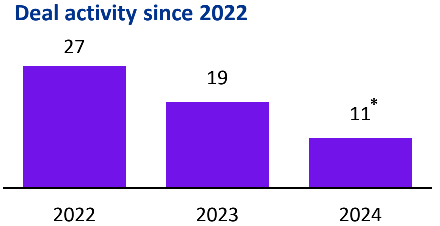
Gastroenterology Physician Practice M&A Activity Update

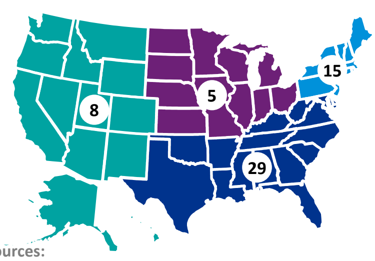
Several factors driving consolidation of gastroenterology physician practices by both strategic healthcare organizations and private equity funds.

- The gastroenterology physician practice market remains highly fragmented with only a few multi-state providers across the U.S and the specialty is rapidly emerging as one of the most dynamic areas in terms of physician practice consolidation.
- Investment activity is primarily driven by strong ancillary revenue streams and enhanced reimbursement leverage, which highly value the scale in this specialty.
  - The momentum in deal volume is expected to continue in the coming years as the independent practices consolidate to achieve the benefits of scale and to bring modernization to the practices, with EHR systems, endoscopy equipment, software, and other ancillary services.
- Private equity groups and their portfolio companies have particularly remained acquisitive in the space over the past few year, acquiring gastroenterology practices to establish regional dominance and leverage economies of scale.
- PE-backed GI platforms, including GastroHealth, and United Digestive, have now undergone a second round of recapitalization and several other platforms are expected to experience a “second bite” in the near term.
  - With platform ownership transitioning over the past year and the entry of new private equity funds, the market has experienced a significant influx of new capital and intense competition to acquire existing practices.
- Strategic buyers have also demonstrated their strong confidence in this sector, as evidenced by the recent acquisitions of prominent practices such as GI Alliance, Covenant Physician Partners, and PE GI Solutions.

GI physician practice M&A activity[1]

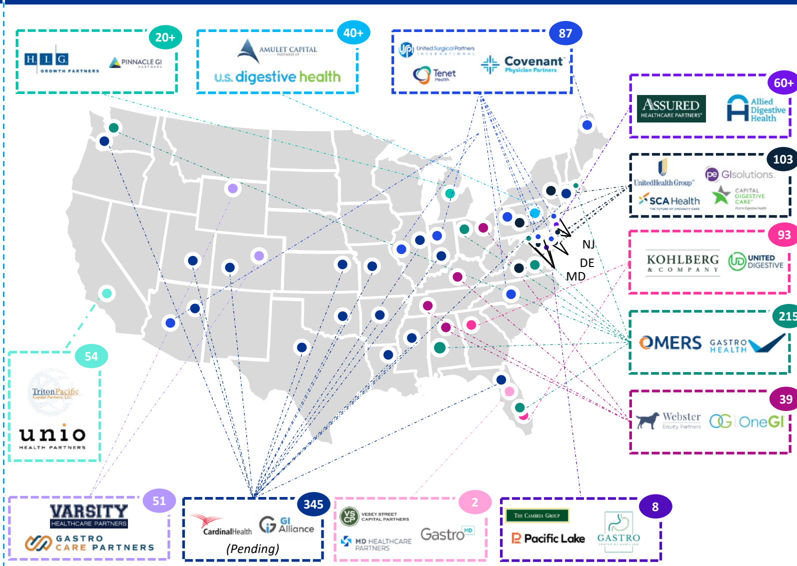
Deal activity since 2022





Sources:
[1] Capital IQ, Press releases, Pitchbook.
[2] Information presented sourced from publicly announced transactions.
*Represents deal count includes one pending transaction.

Key GI practices geographic coverage[2]



Key factors driving consolidation activity in the sector

Fragmented market	Favourable macro trends	Diverse revenue streams	Regulatory environment	Centralizing back-office functions
The specialty is highly fragmented and is largely served by smaller practices, which can be rolled up to form larger entities with favorable scalability.	Rising prevalence of GI related conditions, stable to increasing reimbursement rates and favorable payor mix present significant growth opportunities.	Potential to provide ancillary services in-house, such as weight loss, infusion, imaging, anesthesiology, ASC, pathology, etc., makes the specialty more attractive for potential buyers.	MACRA demands higher quality reporting from GI organizations, and in order to meet these requirements it becomes imperative for smaller practices to merge.	Combining back- office functions including IT, RCM, accounting, scheduling, HR, etc. helps the practices achieve economies of scale.

Select Recent Gastroenterology Transactions

Closed Date	Target Name	Target Location	Acquirer Name	Deal Value ($ mm)
Pending*	GI Alliance	TX	Cardinal Health	$3,943.7
Nov-24	Albany Gastroenterology	NY	Allied Digestive Health	NA
Oct-24	Gastro Center of Maryland	MD	Capital Southwest, Saltoun Capital Partners	NA
Jul-24	Gastrocare	AL	SurgNet Health Partners (Fulcrum Equity Partners, Leavitt Equity Partners)	NA
May-24	Gramercy Park Digestive Disease Center	NY	Surgery Partners	NA
Apr-24	Covenant Physician Partners	TN	United Surgical Partners (Tenet Healthcare)	NA
Mar-24	Reddy GI Associates	AZ	Gastro Care Partners (Varsity Healthcare Partners)	NA
Feb-24	Gastroenterology & Nutrition Specialists	FL	Gastro Health	NA
Jan-24	Gastroenterology Associates	SC	GI Alliance	NA
Jan-24	Gastrointestinal Medicine Associates	RI	GI Alliance	NA
Jan-24	University Gastroenterology	RI	GI Alliance	NA
Dec-23	Gastroenterology Associates	NY	PE Healthcare Associates	NA
Dec-23	Endoscopy & Digestive Center of Woodbridge	VA	Gastro Health	NA
Sep-23	GI Specialists of Delaware	DE	US Digestive Health	NA
Sep-23	Gastroenterology Consultants	FL	Gastro Health	NA
Aug-23	Brooklyn Gastroenterology and Endoscopy	NY	Allied Digestive Health (Assured Healthcare Partners)	NA
Aug-23	Blair Gastroenterology Associates	PA	US Digestive Health (Amulet Capital Partners, Ashlar Capital)	NA
Jun-23	Digestive Health Consultants	WA	GI Alliance	NA
Jun-23	Digestive Health Center	MS	GI Alliance	NA
May-23	Specialists in Gastroenterology Partners	MO	GI Alliance	NA
May-23	Gastroenterology Associates of Tidewater	VA	One GI	NA
May-23	Gastro MD	FL	Vesey Street Capital Partners	NA
Apr-23	Palm Beach Digestive Associates	FL	Medical Specialists of the Palm Beaches (Ascend Partners, CareAbout)	NA
Apr-23	Transsouth Health Care	TN	One GI	NA
Mar-23	United Digestive	GA	Kohlberg & Company	$500.0
Feb-23	Gastroenterology Group of Naples	FL	United Digestive (Frazier Healthcare Partners)	NA
Jan-23	Connecticut GI	CT	GI Alliance (Apollo Global)	NA
Jan-23	inSite Digestive Health Care	CA	UNIO Health Partners (Triton Pacific Capital Partners)	NA
Jan-23	Gastroenterology Associates	WA	Gastro Health (OMERS Private Equity)	NA
Jan-23	Skyline Gastroenterology of West Tennessee and Skyline Endoscopy of West Tennessee	TN	One GI (Webster Equity Partners)	NA

*Represents transaction expected to close early in 2025.

Sources: Capital IQ, Pitchbook, Press releases.

Select KPMG Corporate Finance LLC Case Studies

KPMG Corporate Finance acted as exclusive financial advisor to Center for Digestive Health

KPMG

PINNACLE GI PARTNERS

The affiliated MSO for

Has been recapitalized by

H.I.G. GROWTH PARTNERS

Value not disclosed

Transaction Overview

- Headquartered in Troy, MI, Center for Digestive Health ("CDH" or the "Company") is a gastroenterology practice with 10 locations, 11 physicians, and 19 providers, ranking it amongst the most sizable gastroenterology physician groups in the United States
- The Company provides comprehensive gastroenterology physician services and a fully integrated suite of ancillary services including anesthesia, pathology, infusion and clinical research
- CDH's ownership in two single specialty ambulatory surgery centers were also included as part of the transaction
- The practice CEO's vision was to create excellence in gastrointestinal care throughout Michigan and to leverage the best practices of CDH throughout the region to deliver innovative clinical solutions to patients, participating payers and major employers

Impact for the Company

- Pinnacle GI Partners, the affiliated management services organization for CDH, was recapitalized by H.I.G. Growth Partners in November 2020
- H.I.G. believes CDH's existing infrastructure will support continued growth in Michigan's underserved and significantly fragmented gastroenterology practices market
- KPMG Corporate Finance partnered with KPMG LLP's Financial Due Diligence and Tax Advisory practices to provide a comprehensive and integrated solution for the client

KPMG Corporate Finance acted as exclusive financial advisor to Digestive Care

KPMG

Digestive CARE

The affiliated MSO for

GASTRO HEALTH

Has been recapitalized by

Audax Group

Value not disclosed

Transaction Overview

- Established in 2006, Digestive Care (the "Company") is a group of 60 providers located throughout South Florida with 23 offices located conveniently in Broward, Palm Beach and Martin Counties
- Its offices are located in Miami, Pembroke Pines, Coral Springs, Plantation, Weston, Boca Raton, Delray Beach, Jupiter, Stuart, and Wellington
- The Company's doctors are experienced and skilled in detecting and treating diseases of the GI tract such as Irritable Bowel Syndrome (IBS), Hepatitis, colon cancer, colitis, gastroesophageal reflux disease (GERD), Crohn's Disease and many other gastrointestinal disorders
- With the objective of growing the Company to the next stage, the shareholder physicians were looking to sell the majority ownership to a potential investor and roll over a certain percentage of their equity
- The shareholders considered a number of strategic alternatives, including the sale of a majority stake in the business with a significant minority roll-over of equity by existing shareholders

Impact for the Company

- Digestive Care was acquired Gastro Health, a portfolio company of Audax Group in March 2020
- By utilizing KPMG CF's M&A process, the Company expeditiously and successfully completed this transaction within 12 months of engaging KPMG CF to assist with the sale

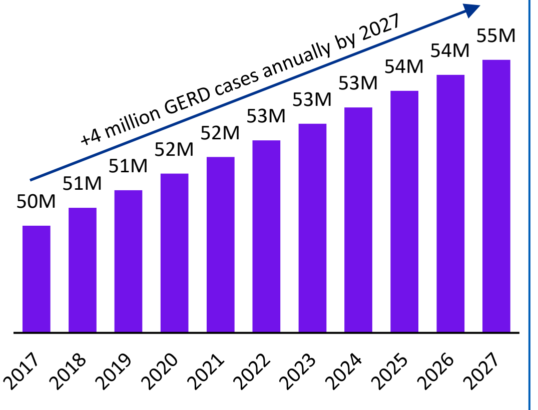
U.S. Gastroenterology Market Overview

Strong sector tailwinds and expansion dynamics present major growth opportunity for GI practices in the U.S.

- Gastroenterology ("GI") is the second largest sub-specialty of internal medicine, with gastroenterological concerns listed as the primary diagnosis for about 66.4 million ambulatory care visits annually, treated by over 18,700 active physicians and having approximately 1,500 physician practices.[1]
- GI diseases are responsible for three million hospital admissions, 144,300 cancer deaths, and 97,700 deaths from non-malignant GI diseases.
  - Gastroesophageal Reflux Disease ("GERD") accounts for over 19 percent of all gastroenterology diagnoses.[2]
  - Gallstone disease contributes to approximately 2.2 million ambulatory care visits, 1.2 million emergency department visits, 625,000 hospital discharges, and 2,000 deaths annually.[3]
  - In 2024, Colorectal Cancer is expected to affect 152,810 individuals in the U.S. and cause over 53,000 deaths.[4]
- Tailwinds exist from an aging American demographic that is driving the growth in GI disease prevalence and procedures and from recent recommendations to lower the age for colorectal cancer screenings to 45 years.
- GI practices are well positioned to benefit from the increasing incidence of GI related problems and technological advancements such as the rapid adoption of endoscopic imaging technology and introduction of machine learning.
- GI cases comprise an estimated 29 percent of all ambulatory surgery center volume and that trend is expected to continue as payors remain focused on the hospital costs.[5]
  - The U.S, gastroenterology ASC market size is estimated to grow from $6.2 billion in 2023 to $12.0 billion in 2033, growing at a CAGR of 6.8%.[6]

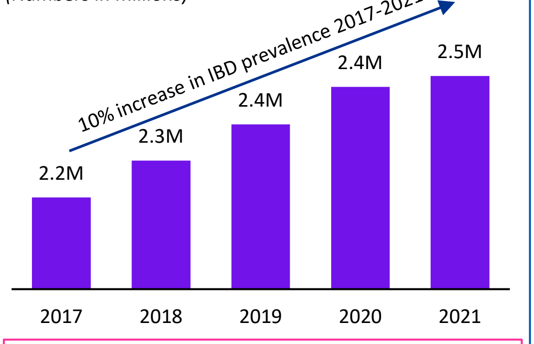
Number of GERD cases in the U.S.[5]

(Numbers in millions)



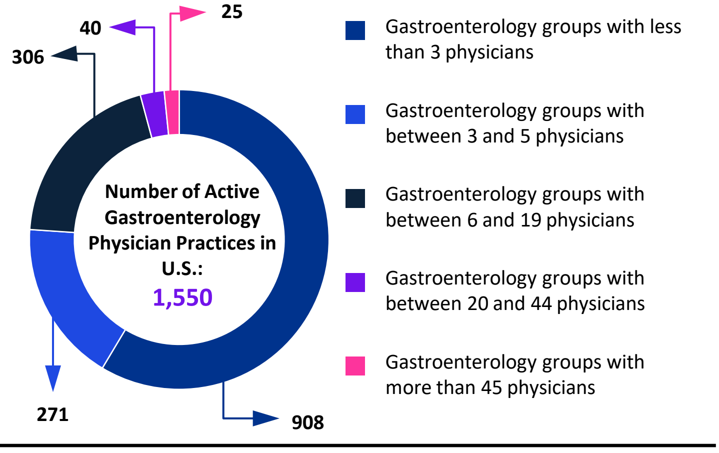
Number of adults suffering from IBD in the U.S.[7]

(Numbers in millions)

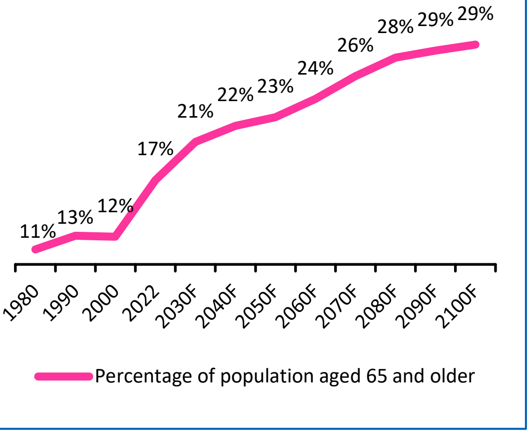


Currently, an estimated 2.4 million to 3.1 million people in the U.S. have IBD.[8]

Highly fragmented U.S. gastroenterology practice market[9]



U.S. population overview[10]



Sources:
(1) Definitive Healthcare, 'Top 20 hospitals by gastroenterology procedure volume' (September 2024); (2) Definitive Healthcare, 'Top 10 gastroenterology diagnoses of 2021, (May 2022); (3) National Library of Medicine, 'Burden of gallstone disease in the United States population' (April 2024); (4) Colorectal Cancer Alliance, 'Colorectal cancer facts and statistics' (January 2024); (5) VMG Health; (6) Vision Research Reports, 'U.S. Gastroenterology Ambulatory Surgery Centers Market Size and Growth 2024 to 2033' (September 2024); (7) GlobalData. IBD cases represent Crohns Disease and Ulcerative colitis case; (8) InflammatoryBowelDisease, Statistics (November 2024); (9) Practices with main specialty of Gastroenterology per Definitive Healthcare (September 2022); (10) U.S. Census Bureau (Last revised - October 2023).

KPMG Corporate Finance LLC Transactions

KPMG
A NEW PERSPECTIVE CBH COMPREHENSIVE BEHAVIORAL HEALTH
Has been acquired by
PSYCH ASSOCIATES OF MARYLAND
A portfolio company of
NEW HARBOR CAPITAL
Closed

KPMG
ATS Autism Therapeutic Services
Has been acquired by
HEALTHPRO HERITAGE
A portfolio company of
WELLSPRING CAPITAL MANAGEMENT LLC
Closed

KPMG
XRA
Has been acquired by
RHODE ISLAND MEDICAL IMAGING
Closed

KPMG
PINNACLE GI PARTNERS
The affiliated MSO for
CENTER FOR DIGESTIVE HEALTH
Has been recapitalized by
HIG GROWTH PARTNERS
Closed

KPMG
FORTEM HOLDINGS
Raised acquisition financing for the purchase of
CHILDREN & TEEN DENTAL pediatric dentistry
Closed

KPMG
R3 WOUND CARE and HYPERBARICS
Has been acquired by
3RC 3 RIVERS CAPITAL
Closed

KPMG
RENAL SERVICES
Has been acquired by
DaVita Kidney Care
Closed

KPMG
Digestive CARE
Has been acquired by
GASTRO HEALTH
a portfolio company of
Audax Group
Closed

KPMG
LYNIATE
A portfolio company of
Hg
Acquired
NEXTGATE
Closed

KPMG
assurecare
Has received investment from
VISTA EQUITY PARTNERS
Closed

KPMG
REVENTICS A Provider Engagement Company
Has been acquired by
Omega Healthcare
Closed

KPMG
Coker
Has been recapitalized by
TRINITY HUNT
Closed

KPMG
LabGenomics
Acquisition by
QDx Pathology
Closed

KPMG
Billing Solutions FOR BEHAVIORAL HEALTHCARE
Has been acquired by
Medusind
A portfolio company of
ALPINE
Closed

KPMG
Talis CLINICAL
Has been acquired by
GETINGE
Closed

KPMG
OLYMPUS
Acquisition of
IMAGE STREAM MEDICAL
Closed

KPMG
LI-COR
Has been acquired by
Battery
Closed

KPMG
TOXIKON RIGHT. FROM THE START.
Has been acquired by
labcorp
Closed

KPMG
ADVANTMED
Has received a strategic investment from
BISON CAPITAL
Closed

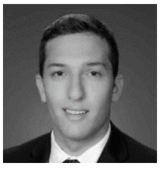
KPMG
LI-COR
Sale of IRDye® 700DX to
Rakuten Medical
Closed

KPMG Corporate Finance LLC Healthcare Investment Banking Team

Walter J. Olshanski
Managing Director, Sector Lead
T: 332-259-3301
E: wolshanski@kpmg.com

Jason Moran
Managing Director
T: 415-418-8474
E: jasonmoran@kpmg.com

Adrian Susmano
Managing Director
T: 470-618-5420
E: asusmano@kpmg.com



Michael Cordaro
Vice President
T: 551-588-1642
E: mcordaro@kpmg.com

Brian Flanagan
Vice President
T: 464-206-9340
E: blfanagan1@kpmg.com

Patrick Masciangelo
Vice President
T: 464-206-9348
E: pmasciangelo@kpmg.com

Nicholas A. Schmidt
Senior Associate
T: 312-550-0968
E: naschmidt@kpmg.com

KPMG Corporate Finance[(1)]

2,000+
Closed Transactions in the Last 5 Years

2,500+
Global Corporate Finance Professionals

2004-2023 global advisor ranking[(2)]		# of Deals
1.	KPMG	9,173
2.	PricewaterhouseCoopers	8,905
3.	Houlihan Lokey	6,581
4.	Deloitte	6,111
5.	Ernst & Young LLP	5,564
6.	UBS	5,457
7.	Rothschild & Co	5,364
8.	Lazard	3,774
9.	Goldman Sachs & Co	3,729
10.	JP Morgan	3,604

KPMG Corporate Finance LLC

80+
U.S. Corporate Finance Professionals

The M&A Atlas Awards has named **KPMG Corporate Finance LLC** Corporate/Strategic M&A Deal of the Year Award (Mid-Market) 2023

The M&A Atlas Awards Winner Americas Middle Markets has named **KPMG Corporate Finance LLC** Software & IT Deal of the Year Award (Mid-Market) 2023

The M&A Atlas Awards Winner Americas Middle Markets has named **KPMG Corporate Finance LLC** Middle Market Investment Bank of the Year 2021

The M&A Atlas Awards Winner Americas Middle Markets has named **KPMG Corporate Finance LLC** Global M&A Transaction Advisor of the Year 2018

Global coverage. Industry knowledge. Middle-Market focus.

KPMG Corporate Finance LLC was recently named Transaction Advisory Firm of the Year by The Global M&A Network and previously named investment Bank of the Year by the M&A Advisor. KPMG Corporate Finance LLC provides a broad range of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge to advise clients on global mergers and acquisitions, sales and divestitures, buyouts, financings, debt restructurings, equity recapitalizations, infrastructure project finance, capital advisory, portfolio solutions, fairness opinions, and other advisory needs.

Notes:
[(1)] Refers to the global corporate finance practices of the KPMG International's network of independent member firms; [(2)] League tables include completed deals which have value between $0 million to $500 million and also where deal value is not disclosed, as of January 2024.

Important notice

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. The information contained in this communication does not constitute a recommendation, offer, or solicitation to buy, sell or hold any security of any issuer. Past performance does not guarantee future results.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Document Classification: KPMG Public