



**REDWOOD** ADVISORS

*Commercial Due Diligence  
Sample Materials*



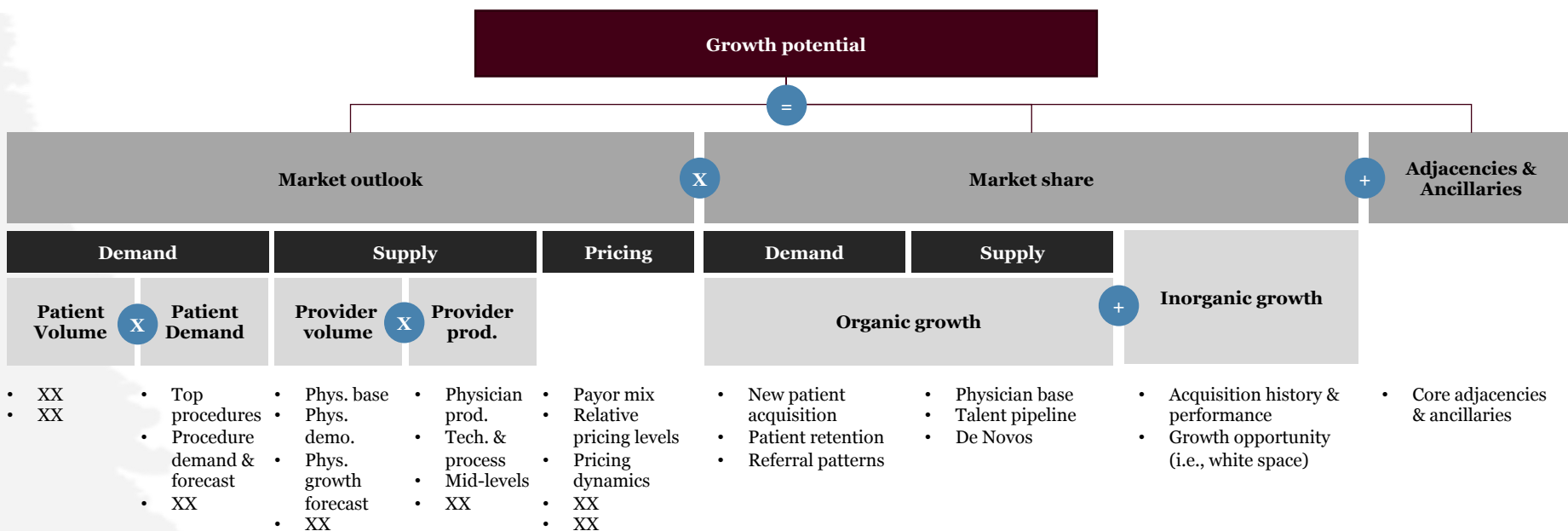
## Value of a Commercial Due Diligence

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- 1.** Provide robust synthesized facts and insights to inform “go” / “no-go” decision for leadership team
- 2.** Identify and assess top opportunities and key risks to consider about the potential acquisition
- 3.** Gain tailored insights and identify potential opportunities to help accelerate post-acquisition growth if deal moves forward



## Assessment overview: Key growth drivers



### Key potential risks

- Compliance
- RCM
- Physician retention
- Technology (e.g., EMR / EHR, appointment scheduling)
- Level of integration (e.g., number of payroll and EMR systems)



# Diligence checklist

● True, high conviction    ● False, high conviction  
● True, low conviction    ● False, low conviction

	Deal tenet	Emerging perspective
<b>Market outlook</b>	<b>Patient demand for top procedures increasing</b> Continued expected growth in top procedure given increased interest and access XX	<span style="color: green;">●</span> <i>Research suggests expected growth of 5% per year in top procedure</i>
	<ul style="list-style-type: none"> <li>• XXX</li> </ul>	<span style="color: lightgreen;">●</span> XXX
	<ul style="list-style-type: none"> <li>• XXX</li> </ul>	<span style="color: green;">●</span> XXX
<b>Market share, competition, and landscape</b>	<b>Patient volumes continue to grow</b> <ul style="list-style-type: none"> <li>• Patient volumes will continue to grow over the next 2 years</li> <li>• Patient retention rate to increase due to patient satisfaction</li> </ul>	<span style="color: green;">●</span> <i>Company has seen healthy overall patient growth of 5% CAGR from '16 to '19</i> <span style="color: darkred;">●</span> <i>Patient retention rate has decreased from 95% in '16 to 87% in '19</i>
	<b>Physician base continues to expand</b> <ul style="list-style-type: none"> <li>• Growth of talent pipeline and new acquisitions will cause continued physician base growth</li> <li>• Acquisitions will be the primary method of attracting new physicians</li> </ul>	<span style="color: green;">●</span> <i>Research suggests physician base will continue to grow given 7% CAGR of physician base from '15 to '19</i> <span style="color: lightgreen;">●</span> XXX
	<b>Potential to expand into Mid-Atlantic region</b> <ul style="list-style-type: none"> <li>• Large number of independent practices in the area</li> <li>• High rates of independent practices in PA and MD</li> </ul>	<span style="color: lightgreen;">●</span> XXX <span style="color: pink;">●</span> <i>Lower levels of independent practices in D.C. area but could still be an advantageous geography</i>
	<b>Leadership shows interest in entering XXX market</b> <ul style="list-style-type: none"> <li>• Entering XXX market could increase revenue for company given recent growth within industry</li> </ul>	<span style="color: lightgreen;">●</span> <i>Company has synergies with XXX market and customers have expressed interest in this service</i>
	<b>Adjacencies &amp; Ancillaries</b>	



## Market Revenue Breakdown: Overall market growth is being driven primarily by increased spend per patient

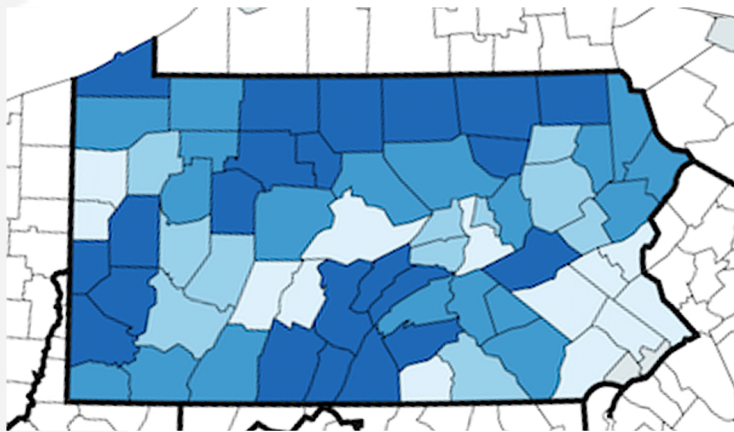
Key top-down revenue model driver		Est. current value	Est. annual % change	Explanation	
Total Revenue		\$XM	X%	<ul style="list-style-type: none"> <li>Increasing mostly due to spend per patient reflecting higher visit costs</li> </ul>	
	Treated patients		\$XM	X%	<ul style="list-style-type: none"> <li>Increasing modestly as XXX</li> </ul>
		Patients in Category	\$XM	X%	<ul style="list-style-type: none"> <li>The population is projected to increase as the population continues to age</li> </ul>
		% Receiving Treatment	X%	X%	<ul style="list-style-type: none"> <li>XXX</li> </ul>
			\$X	X%	<ul style="list-style-type: none"> <li>Spend expected to grow with more visits for more high-value treatments</li> </ul>
	Spend per Treated patient	Visits per Year	X%	X%	<ul style="list-style-type: none"> <li>XXX</li> </ul>
		Cost per Visit	\$X	X%	<ul style="list-style-type: none"> <li>XXX</li> </ul>



# Company is able to target key markets looking at the population dynamics of Pennsylvania residents over 65

## Vulnerability index of Seniors over 65 per county in Pennsylvania (2019)

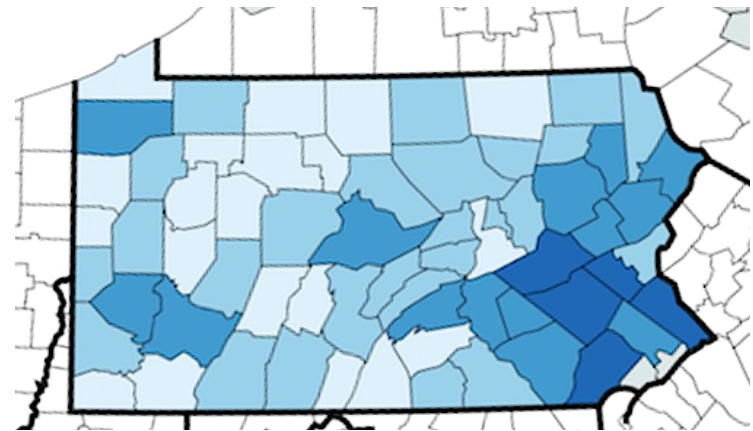
Vulnerability score index (CHI)



**Key Insights:** xx

## Projected population change of seniors over 65 per county in Pennsylvania (2030)

Projected pop. growth (CHI)

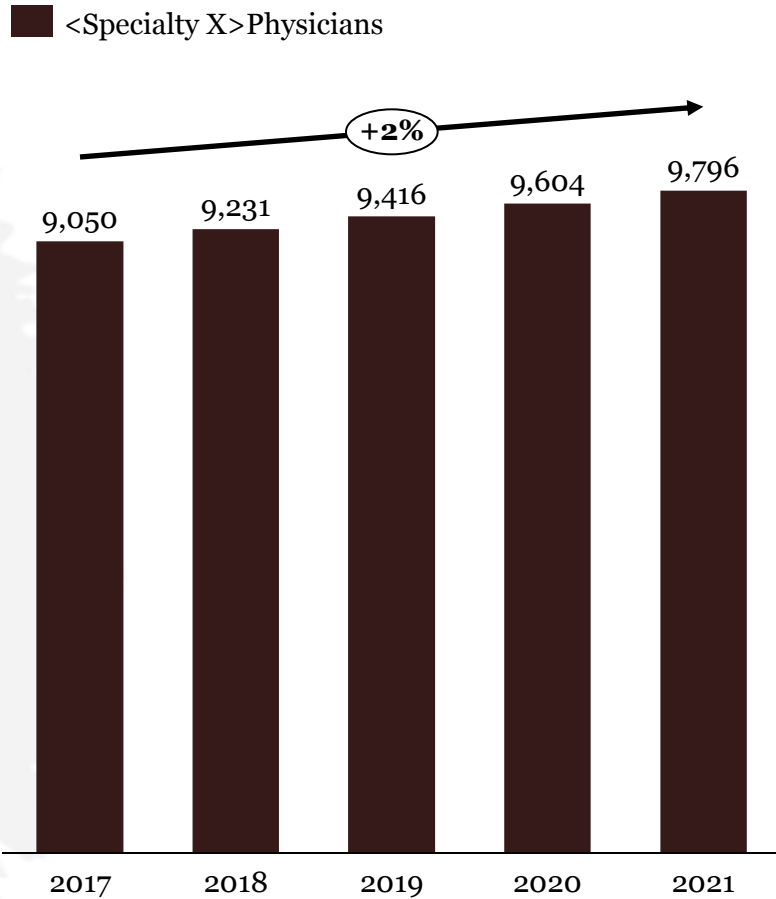


**Key Insights:** Philadelphia suburbs and some central counties projected to have greatest growth

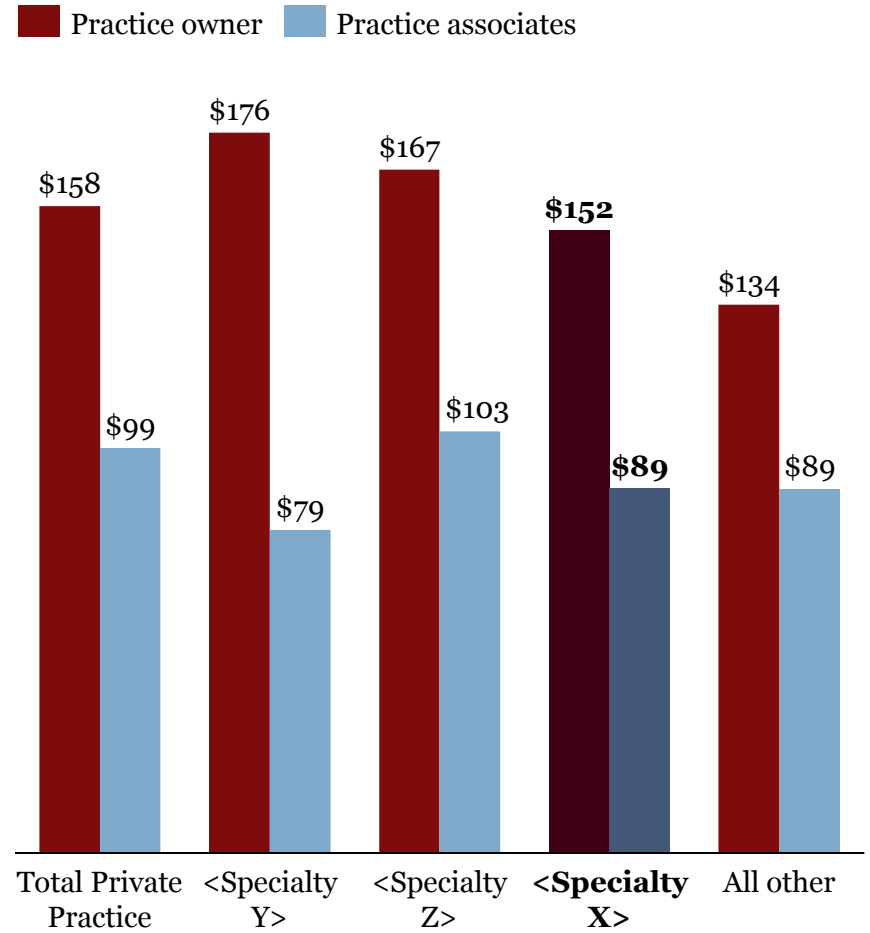


# Specialty X physician numbers are expected to grow modestly in coming years with specialty X physicians earning less than their industry peers on average

## Specialty X physician forecast

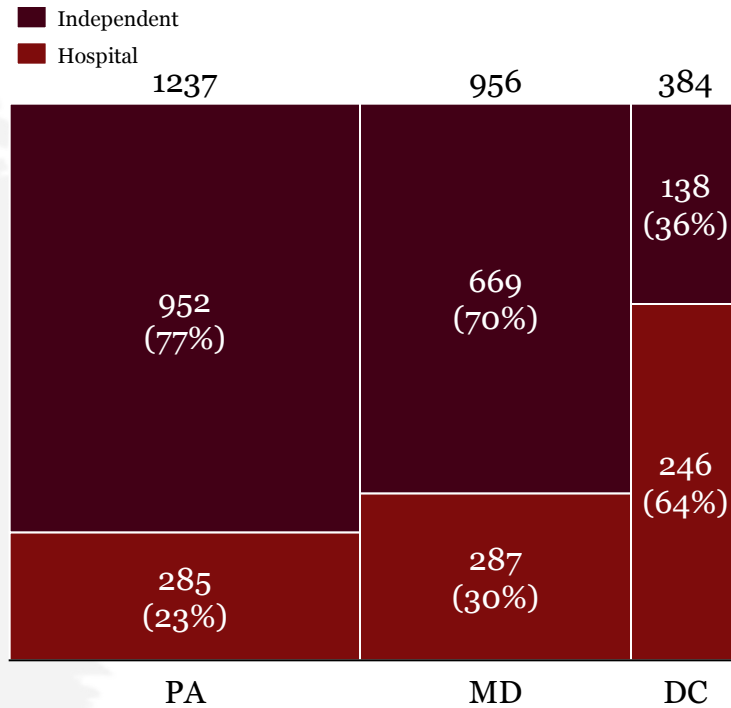


## Practice owner and associate income by specialty



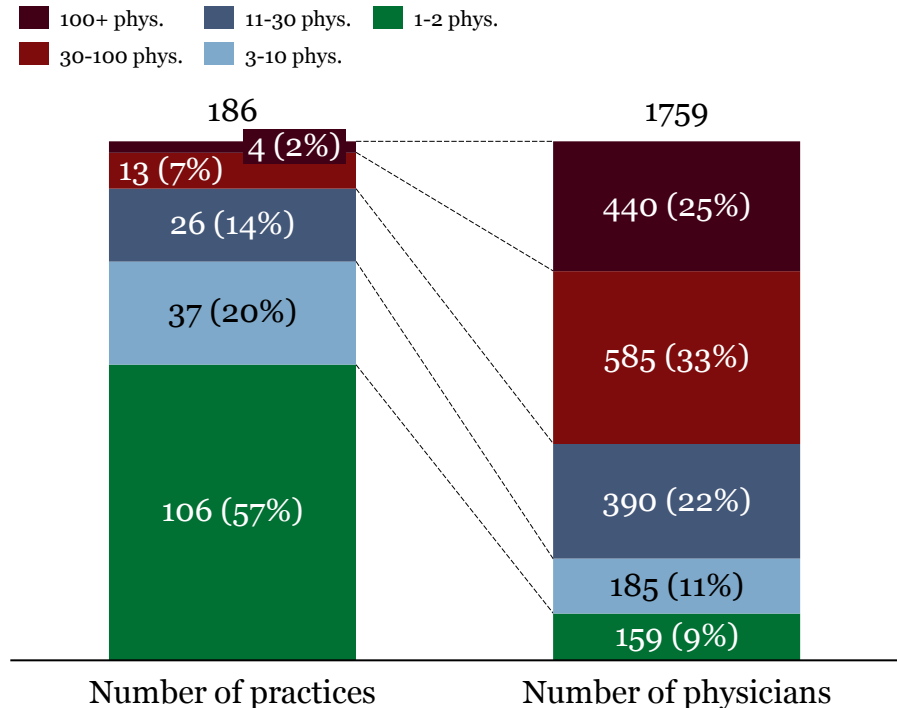
## Opportunity in the XXX space in the Mid-Atlantic region

**XXX physicians by state and employer, 2020 (# of physicians (% of total per state))**



**Key Insights: XX**

**Breakdown of independent XXX practices and employees by employee size, 2020 (# of practices or physicians (% of total))**



**Key Insights:** 23% of independent practices in the Mid-Atlantic region have over 10 physicians (43 of 186 practices)





## The specialty X physician market can be segmented into six practice segments based on practice focus and size

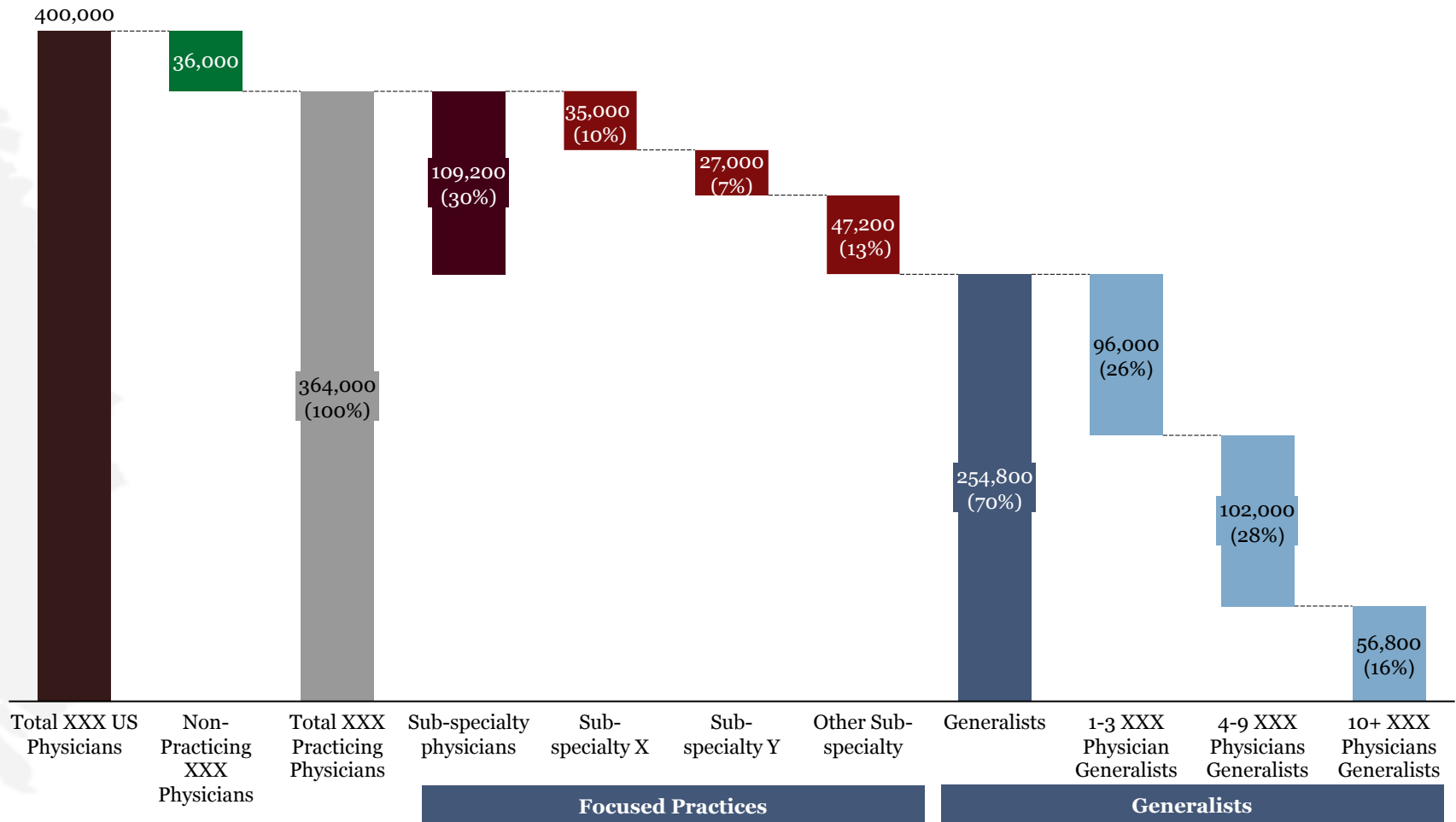
	Practice Segment	Description
Focused Practices	XX Focus	XXX
	XX Focus	XXX
	XX Focus	XXX
Generalists	1-3 Physician Generalists	XXX
	4-9 Physician Generalists	XXX
	10+ Physician Generalists	XXX

**Note:**  
 Focused practices can be segmented by number of practice physicians (e.g., 1-3, 4-9)



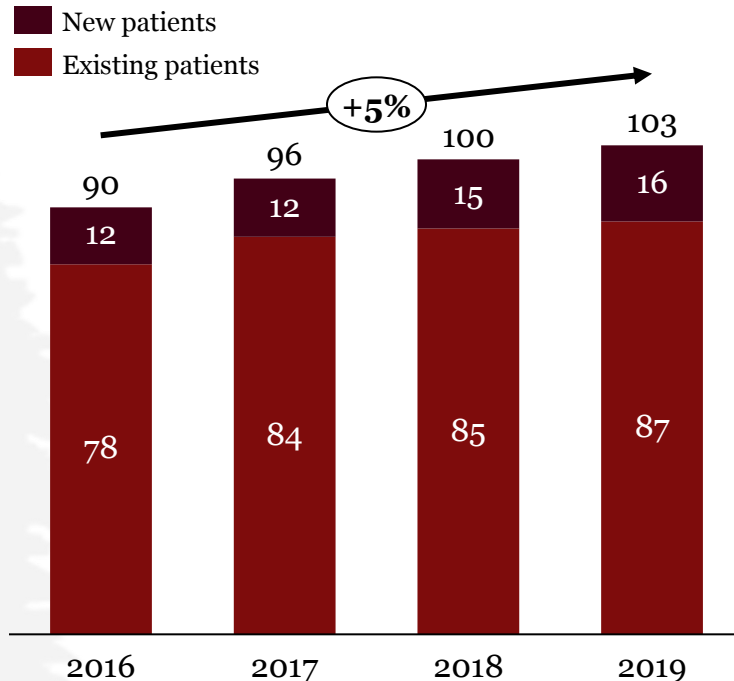
## An estimated ~X practicing US XX physicians fall into these six practice segments with the vast majority (~70%) being generalists

Estimated number of XXX physicians (% of total physicians)



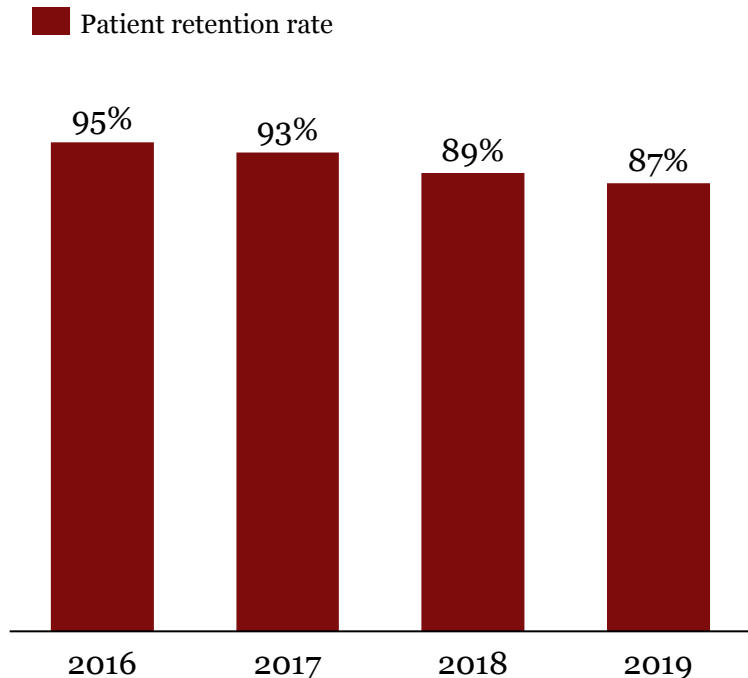
## For the original locations, total patient count has been growing but retention rates have been falling, suggesting a potential risk

### Number of new and existing patients for original locations (# of patients (Ks))



- Organization able to successfully target new patients, seeing overall growth in patient volume and trending increase in number of new patients from 2016-2019

### Patient retention rate from previous year for original locations (%)

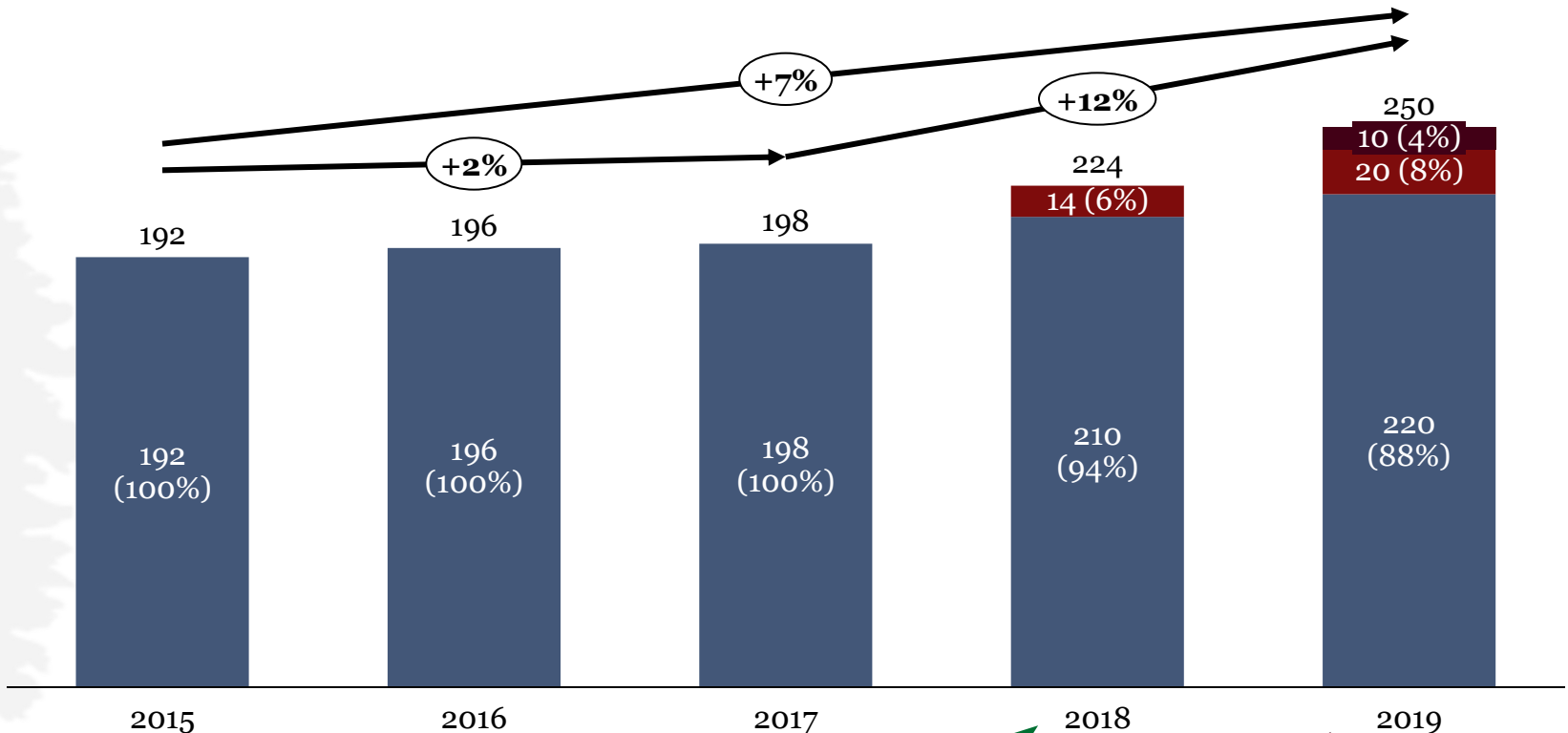


- While volume is growing, patient retention rates are decreasing every year
- Organization strong at targeting new patients, but needs to focus on keeping the patients they already have

## Overview of historical growth: Company has grown its physician base 7% CAGR since '15 largely driven by acquisitions in '18 and '19

Company physician count, 2015-2019 (# of physicians by end of period) (% of total)

- Florida
- Mid-Atlantic (Original locations)
- Texas



In 2018, Company expanded acquisitions team and created a strategy to expand into new geos.

3% CAGR without acqns.

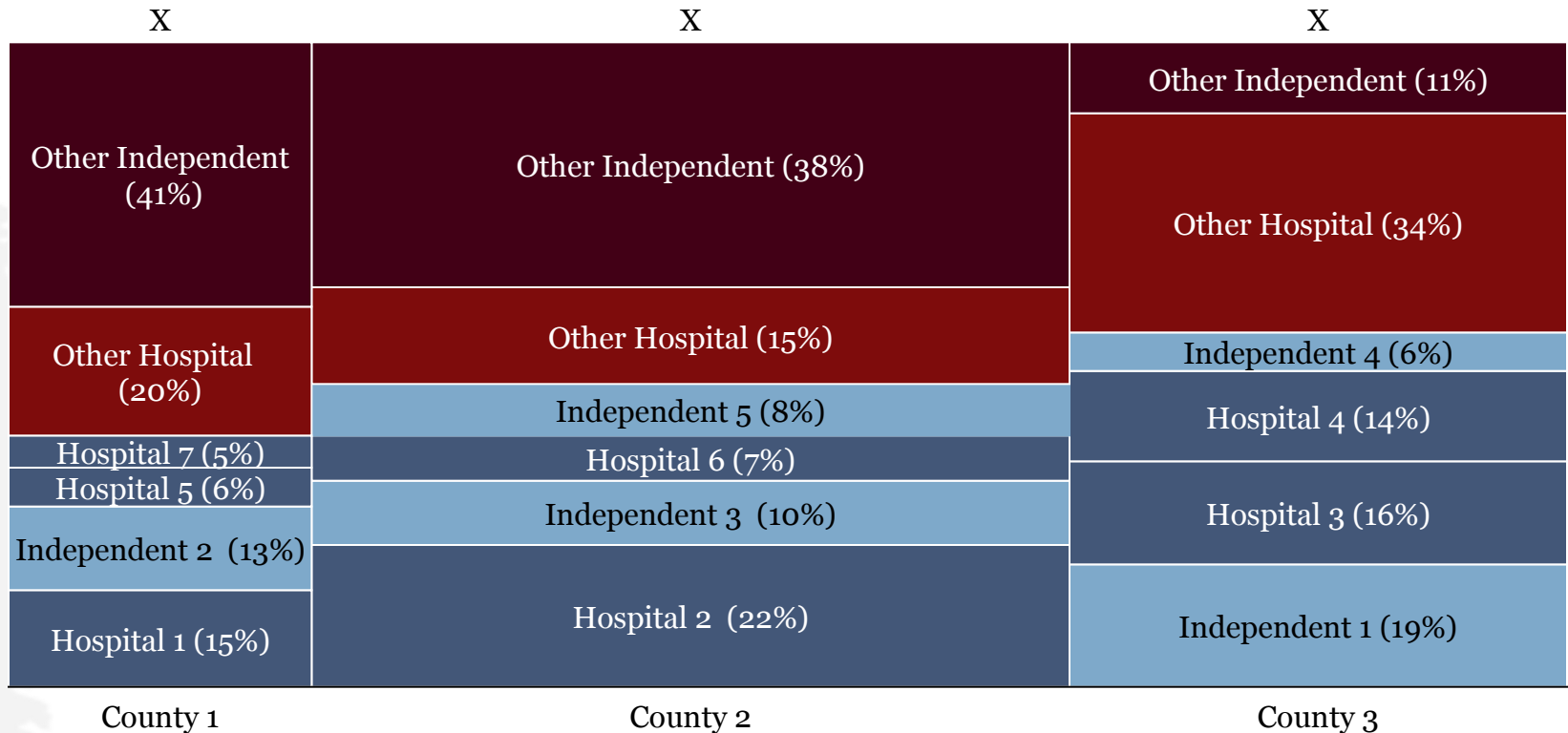




# In the DC MSA, XXX is best positioned to target acquisitions in X county

Hospital based  
 Independent

**XXX providers by county in DC (20XX)**



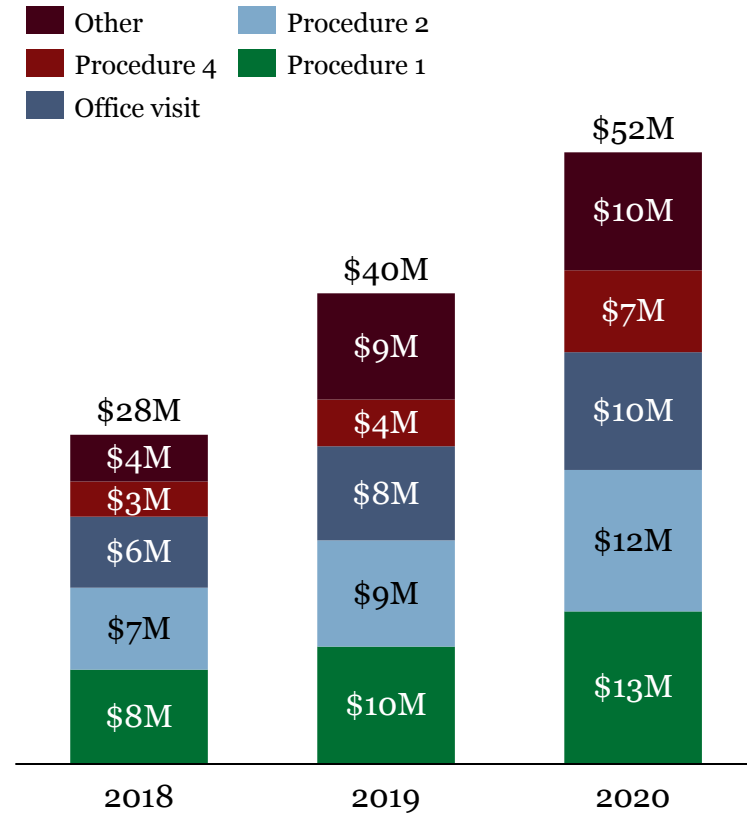
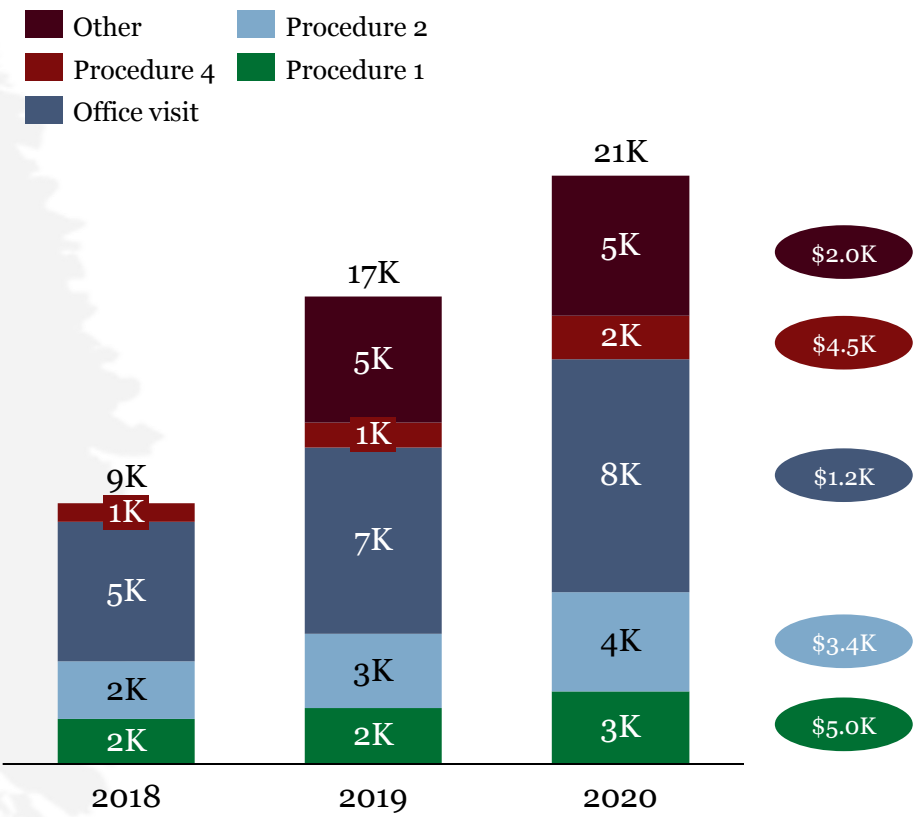
**Key Insights: XX**

## Based on acquisitions revenue and volume, XXX

Volume by procedure type (# of patients)

Avg. pricing (\$Ks)

Acquisition revenue by procedure type (\$Ms)



- XX
- XX

- XX
- XX



## Entering an adjacency or ancillary can provide a new revenue stream

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Key areas to assess when considering potential new adjacencies or ancillaries:

1. Ensure good alignment and potential synergy between current offers and potential new offers
2. Assess internal capabilities to ensure ability to successfully develop and offer the new adjacency or ancillary
3. Identify and think through how to mitigate potential risks

# What potential adjacencies and ancillaries could Company pursue?

Adjacency	Overview	Key considerations	Potential investment needs
1 XX	XX	<ul style="list-style-type: none"> <li>Market est. at ~\$XB in 2018</li> <li>Moderate growth of ~X% CAGR from 'XX-'XY</li> </ul>	<ul style="list-style-type: none"> <li>Would require significant investments in hiring and contracting</li> </ul>
2 XX	XX	<ul style="list-style-type: none"> <li>Referring patients out can be costly to patients and payors</li> <li>Convenience factor of staying with same provider</li> </ul>	<ul style="list-style-type: none"> <li>New training in XXX</li> </ul>
3 XX	XX	<ul style="list-style-type: none"> <li>Strong fit with current core care pathways</li> <li>Some providers have experience with this specialty</li> </ul>	<ul style="list-style-type: none"> <li>Large required investment in equipment, technology and real estate</li> </ul>
4 XX	XX	<ul style="list-style-type: none"> <li>Strong proximity to core</li> <li>Some historical experience/knowledge</li> </ul>	<ul style="list-style-type: none"> <li>XX</li> </ul>
5 XX	XX	<ul style="list-style-type: none"> <li>New techniques are helping drive this market</li> </ul>	<ul style="list-style-type: none"> <li>Historical issues with integrating</li> </ul>

