



REDWOOD ADVISORS

*Helping outpatient providers
ignite transformative growth*

Agenda

- **RWA Overview & Core Offers**
- Commercial Due Diligence
- Local Market Analysis
- M&A / De Novo Strategy
- Enterprise-wide Value Creation Planning
- Practice Integration

Who we work with: Growing middle-market and large outpatient providers



U.S. Oral Surgery
Management



UNIFIED
WOMEN'S HEALTHCARE™



option
care™



Johnson & Johnson

BILL &
MELINDA
GATES
foundation



UC San Diego

Acelity™

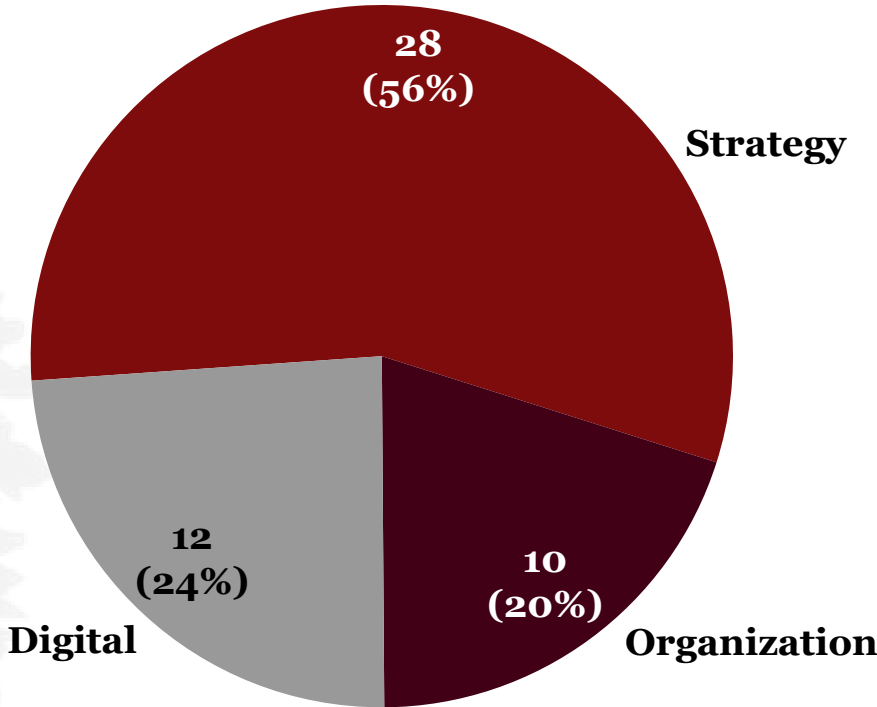


Onlife
HEALTH



Redwood Advisors focuses on growth strategy, digital and organizational excellence for outpatient providers

No. of projects (% of projects)
(N=50)



1 Strategy: Maximizing Profitable Growth

We help outpatient providers grow faster and more profitably with customized, comprehensive value creation planning

2 Organization: Delivering Organizational Excellence

We help deliver excellence across six key dimensions so clients accomplish their goals more effectively and efficiently

3 Digital: Unlocking Digital Potential

We help providers unlock digital potential to better serve their patients or customers and create new business models



RWA Core Outpatient Offers

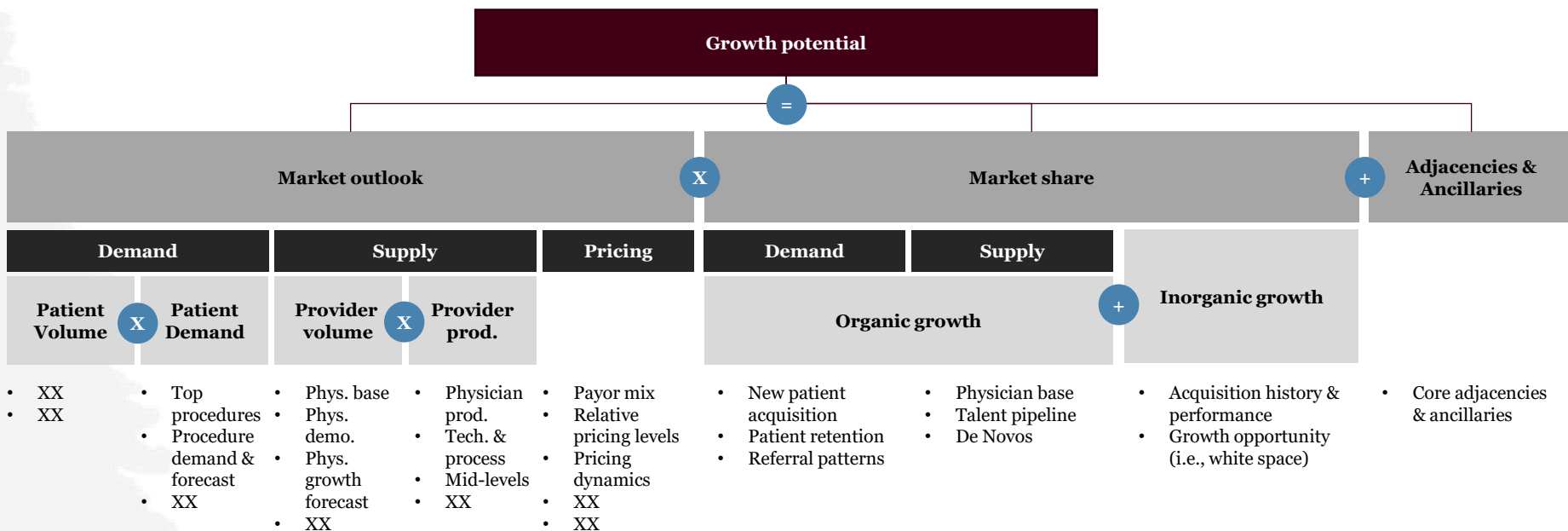
Offers	Key Outputs	Value	Timeline
1 Commercial Due Diligence	<ul style="list-style-type: none"> Full commercial due diligence of potential acquisition on key dimensions (e.g., patient retention & growth, physician retention & growth, cost, rates) and local markets (e.g., payor mix, demographics) 	<ul style="list-style-type: none"> Assess opportunity and key risks Provide robust synthesized facts and insights to inform “go” / “no-go” decision Gain tailored insights to help accelerate post-acquisition growth if deal moves forward 	~3-6 weeks
2 Local Market Analysis	<ul style="list-style-type: none"> Targeted local market analysis of local supply and demand factors for a specific healthcare offer (e.g., OBGYN, hospice care) 	<ul style="list-style-type: none"> Build significant credibility with potential acquisitions via an in-depth, robust analysis of relevant local markets Identify new opportunities and potential risks associated with potential M&A and / or De Novos 	~4-6 weeks
3 M&A / De Novo Strategy	<ul style="list-style-type: none"> Full 3-5 year M&A and de novo strategy including growth targets (revenue, provider, patient), prioritized markets and sub-markets, and acq. filters and criteria 	<ul style="list-style-type: none"> Set clear goals and prioritize markets and practices to focus resources, target investments, prioritize markets, and enable proactive sourcing to win more and better deals with a higher long-term ROI 	~6-8 weeks
4 Enterprise-wide Value Creation Planning	<ul style="list-style-type: none"> Full 3-5 year strategic plan including a full list of value creating initiatives, top 3-5 (based on value and ability to execute), and action plan for top 3-5 initiatives 	<ul style="list-style-type: none"> Significantly accelerate revenue and EBITDA growth with prioritized list of top 3-5 initiatives linked to clear action plans 	~8-12 weeks
5 Practice Integration	<ul style="list-style-type: none"> True operational, strategic, organizational, and cultural integration of two or more providers into an integrated platform primed for further growth and improvement 	<ul style="list-style-type: none"> Significantly increase saleable enterprise value with a higher exit multiple due to increased scale, EBITDA, and growth capability 	~6-12 months



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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

Market outlook

Patient demand for top procedures increasing

Continued expected growth in top procedure given increased interest and access

● *Research suggests expected growth of 5% per year in top procedure*

XX

• XXX

● XXX

• XXX

● XXX

Market share, competition, and landscape

Patient volumes continue to grow

• Patient volumes will continue to grow over the next 2 years

● *Company has seen healthy overall patient growth of 5% CAGR from '16 to '19*

• Patient retention rate to increase due to patient satisfaction

● *Patient retention rate has decreased from 95% in '16 to 87% in '19*

Physician base continues to expand

• Growth of talent pipeline and new acquisitions will cause continued physician base growth

● *Research suggests physician base will continue to grow given 7% CAGR of physician base from '15 to '19*

• Acquisitions will be the primary method of attracting new physicians

● XXX

Potential to expand into Mid-Atlantic region

• Large number of independent practices in the area

● XXX

• High rates of independent practices in PA and MD

● *Lower levels of independent practices in D.C. area but could still be an advantageous geography*

Adjacencies & Ancillaries

Leadership shows interest in entering XXX market

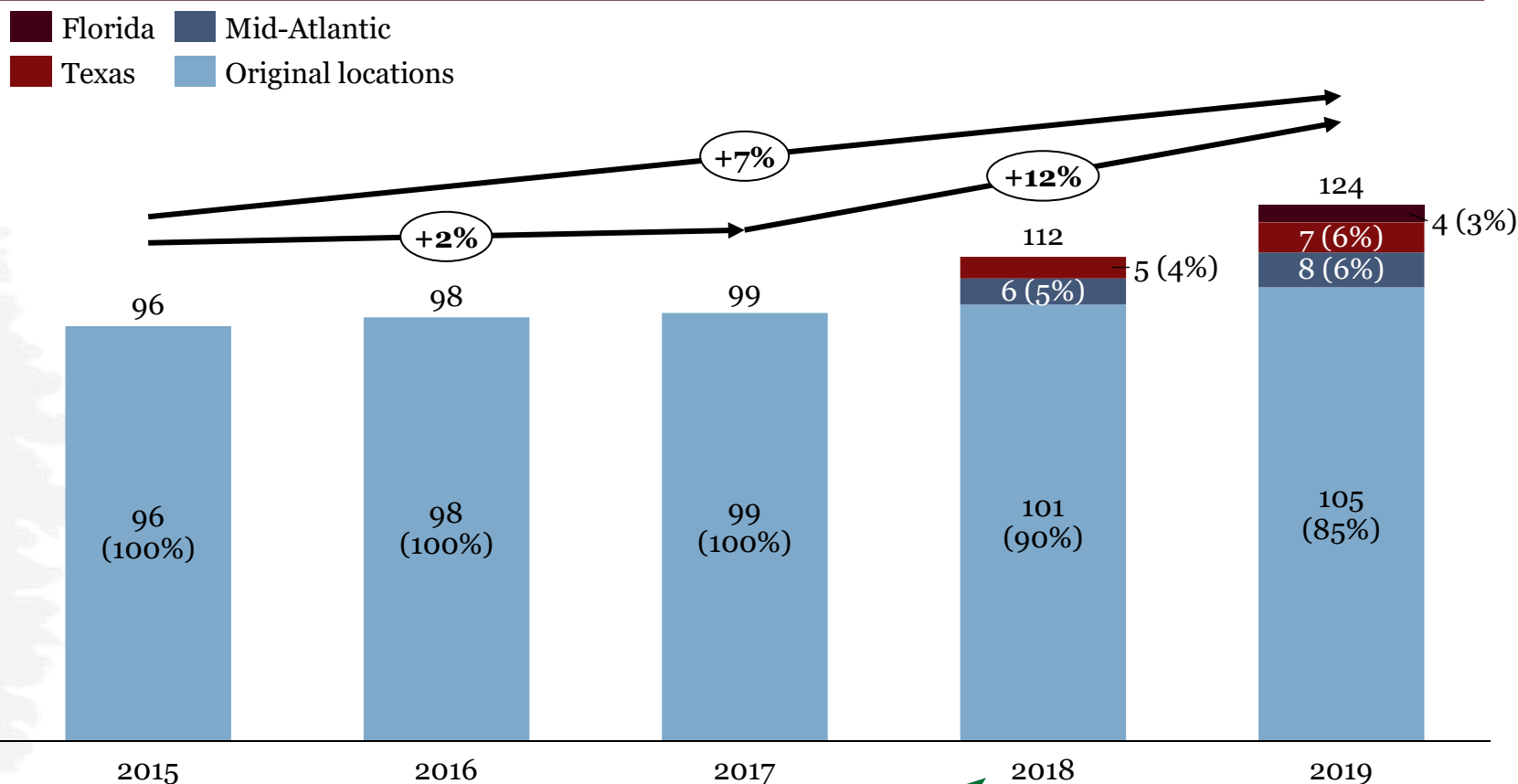
• Entering XXX market could increase revenue for company given recent growth within industry

● *Company has synergies with XXX market and customers have expressed interest in this service*



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

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



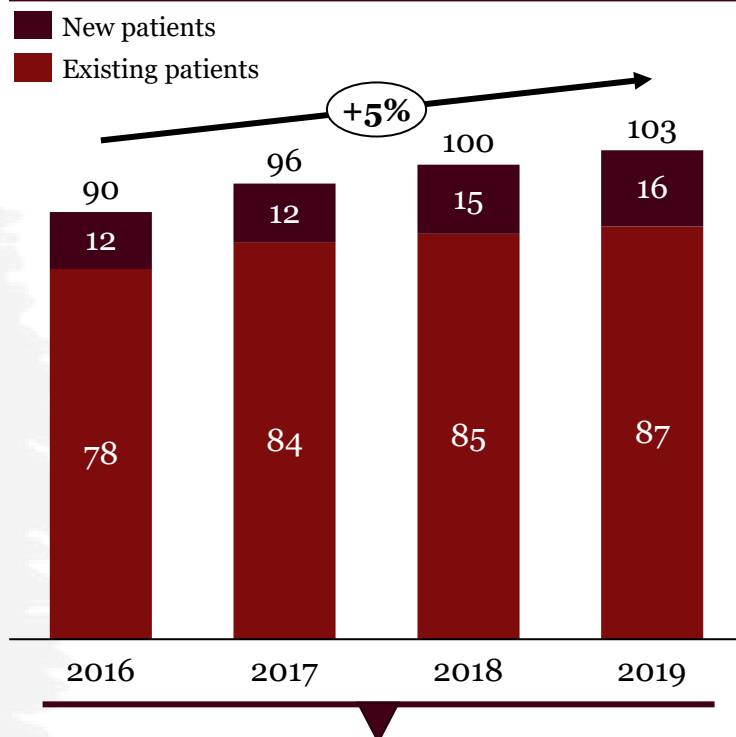
In 2018, Company expanded acquisitions team and created a strategy to expand into new geos.

2% CAGR without acqns.



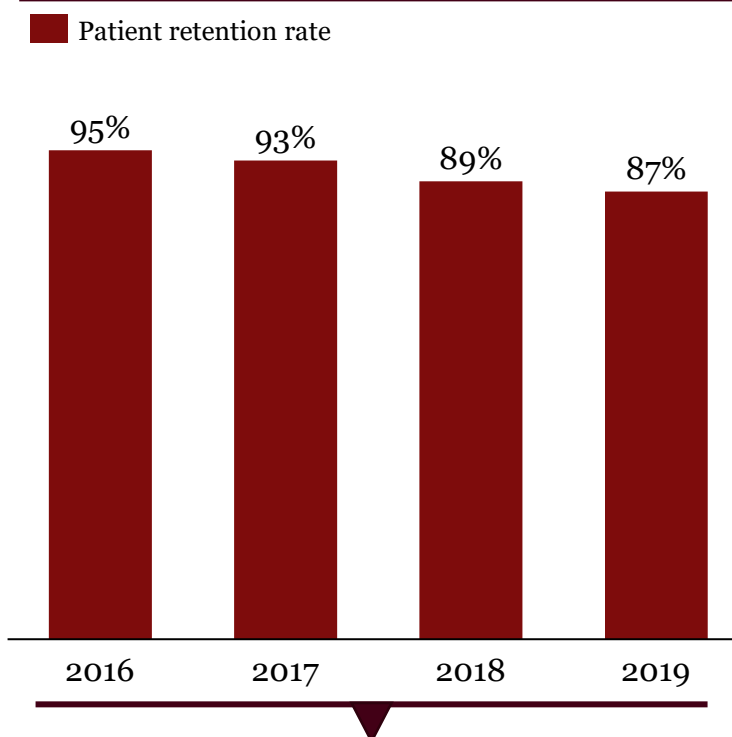
For the original locations, total patient count has been growing but retention rates have been falling, suggesting a potential risk

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

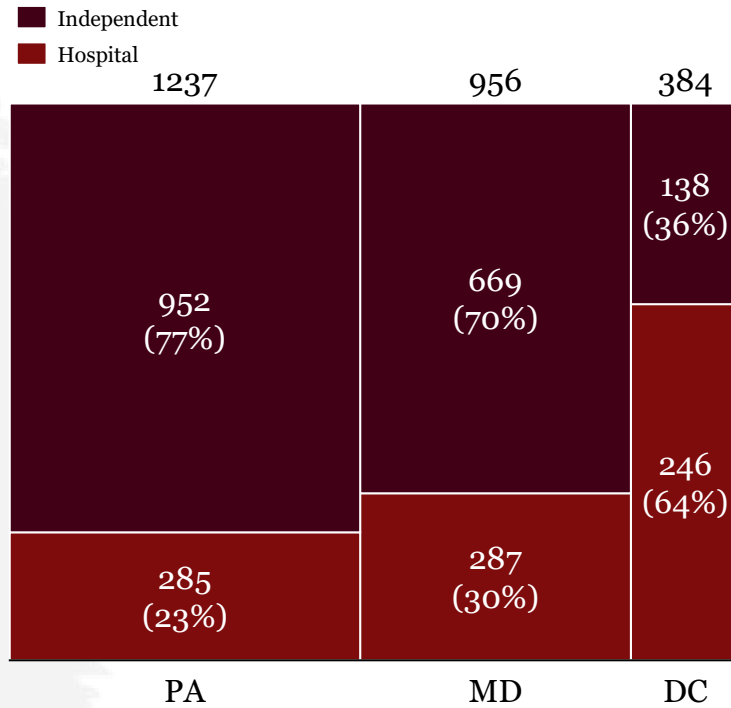
Patient retention rate from previous year for original locations (%)



- 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

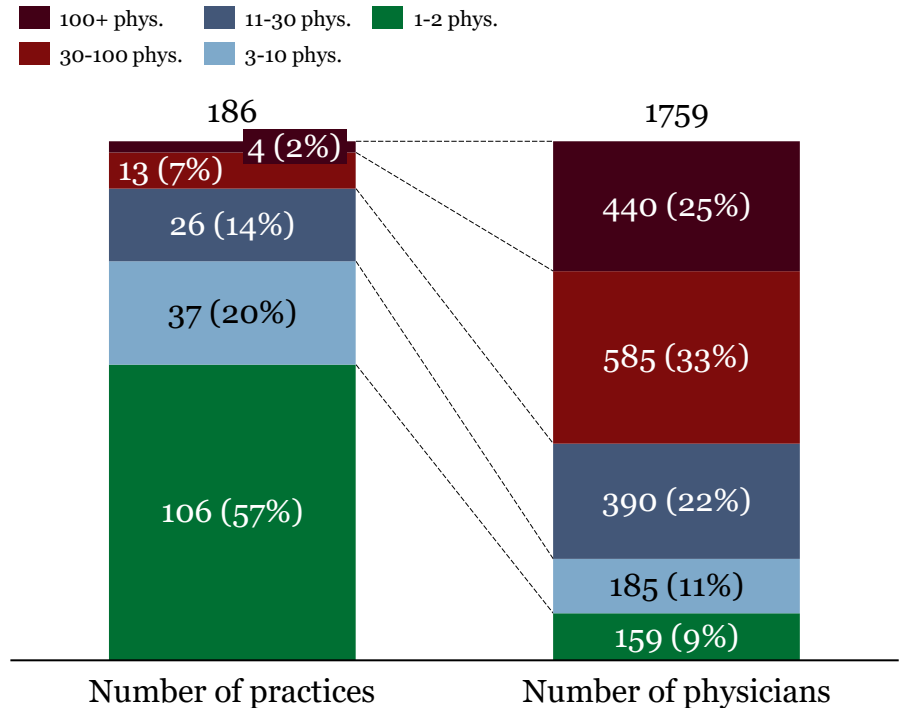
Opportunity in the XXX space in the Mid-Atlantic region

XXX physicians by state and employer, 2018 (# of physicians (% of total per state))



Key Insights: XX

Breakdown of independent XXX practices and employees by employee size, 2018 (# 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)



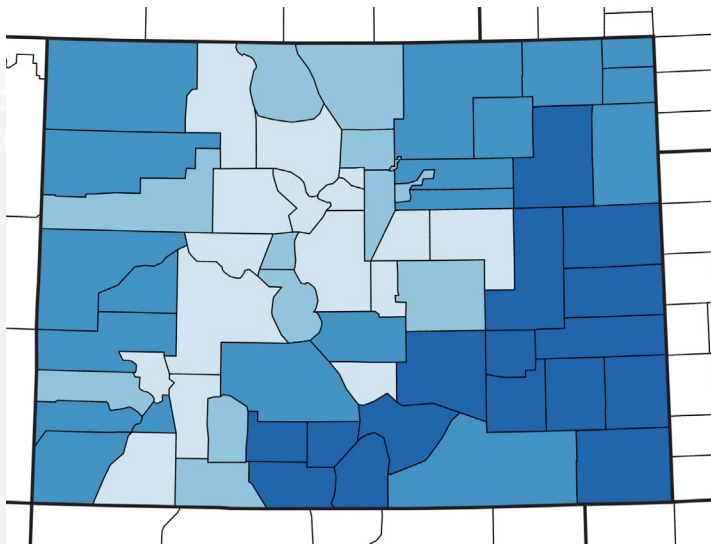
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Population dynamics across Colorado to identify potential high-value local markets

Vulnerability index of Seniors over 65 per county in Colorado (2019)^A

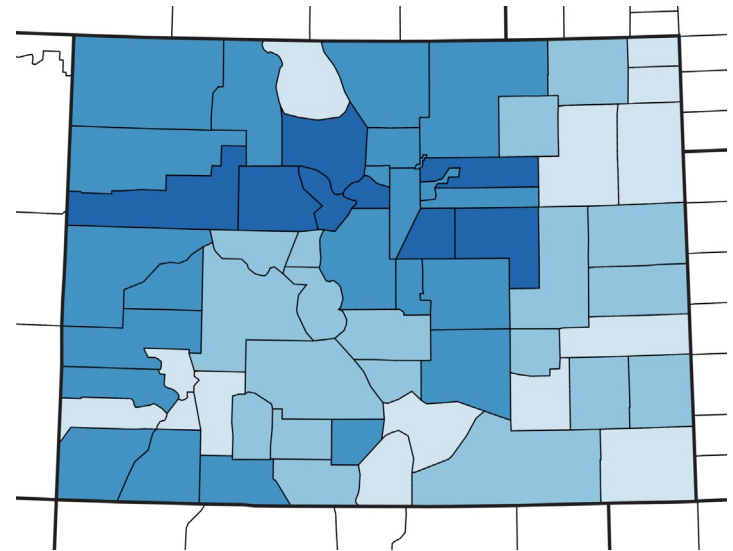
Vulnerability score index (CHI)



Key Insights: xx

Projected population change of seniors over 65 per county in Colorado (2030)^A

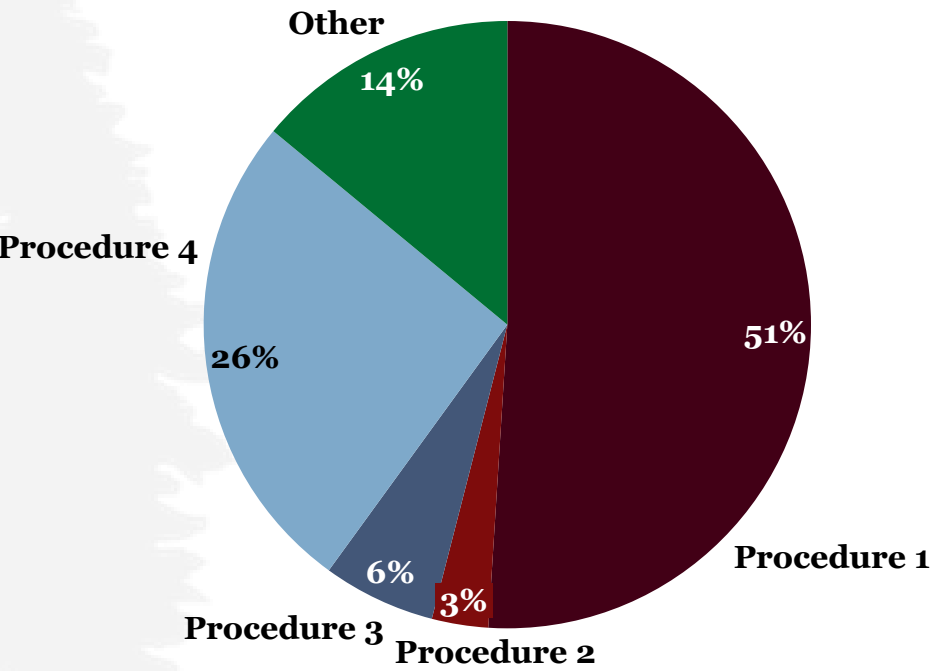
Projected pop. growth (CHI)



Key Insights: Denver suburbs and some mountain counties projected to have greatest growth

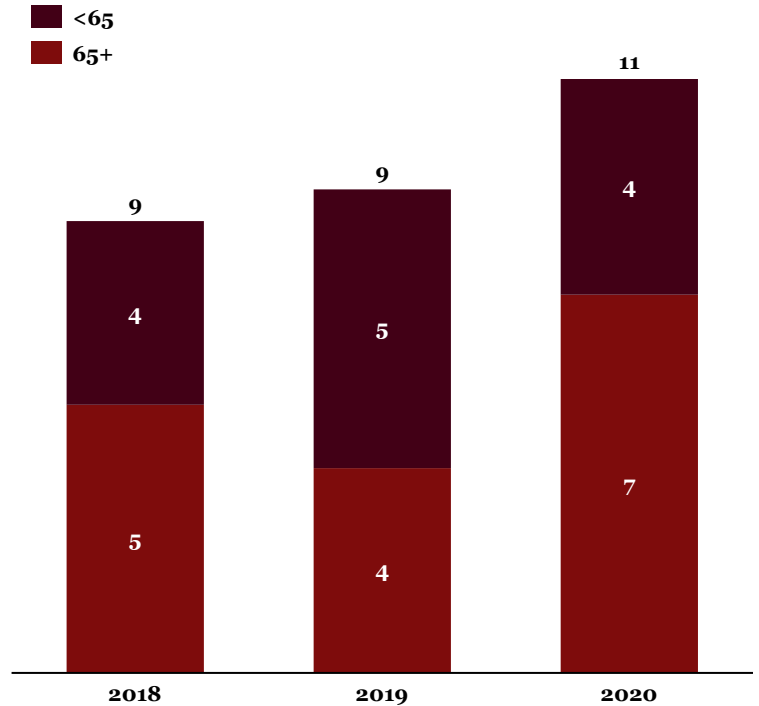
Medicare certified providers focused on <Procedure 1> will see continued growth in the future

Procedure distribution among Medicare recipients (% of total)



- Over half of Medicare recipients needed X procedure
- XX

Revenue from public insurance companies (\$Bs)

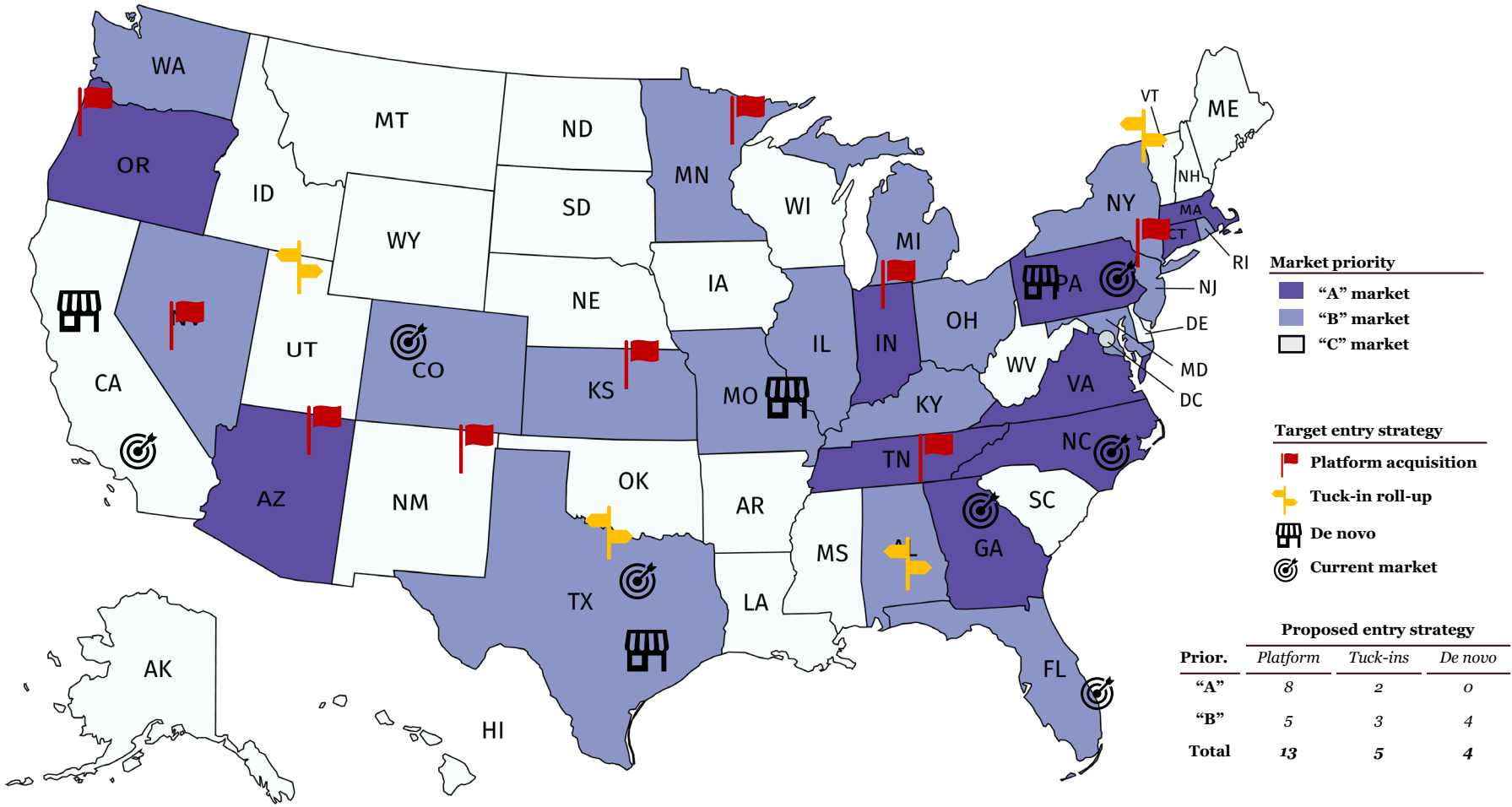


- XX
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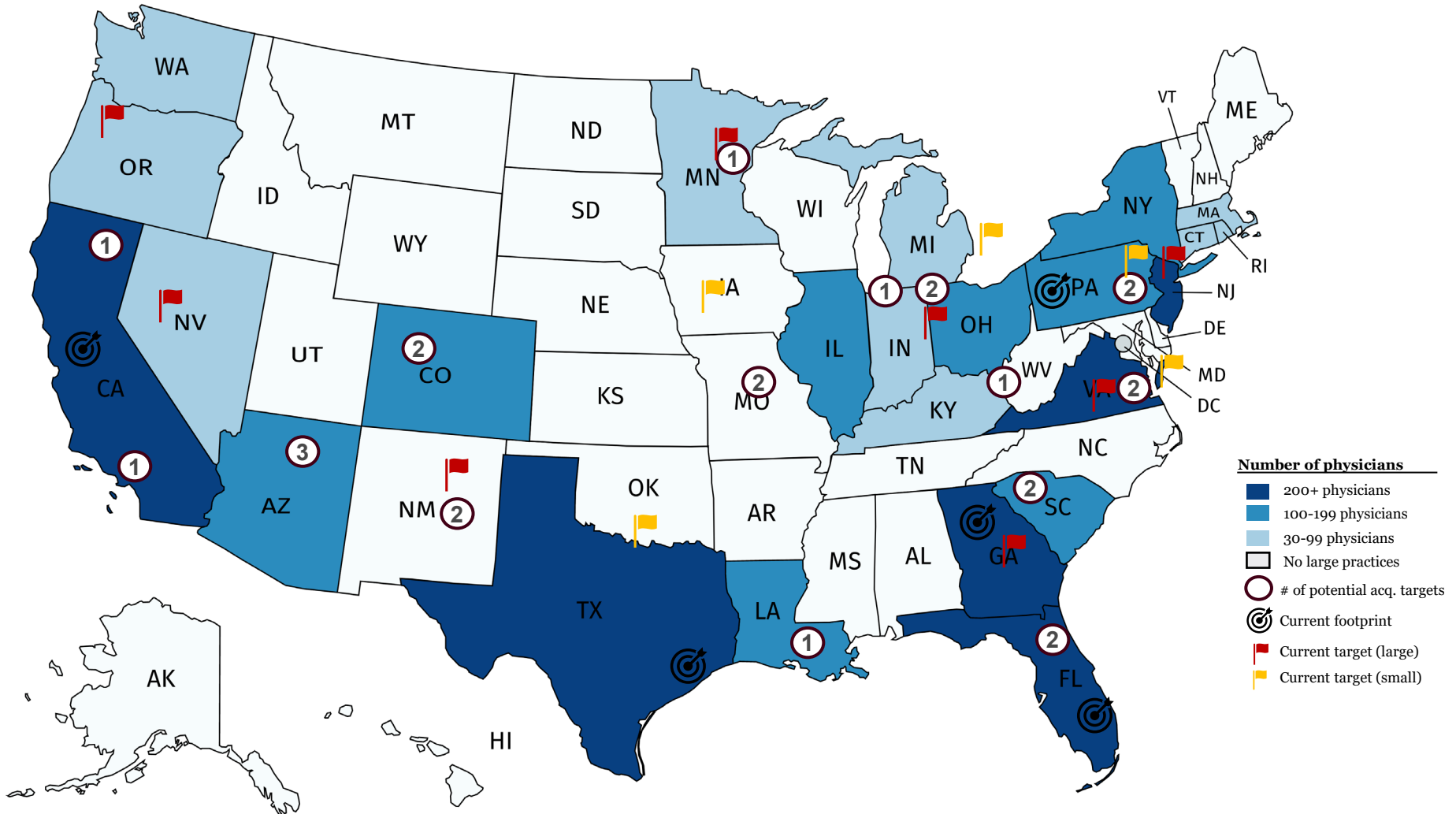
Market prioritization overview across the U.S.



Markets were assessed and prioritized according to a set of 10 key criteria

Key criteria	Overview of criteria <i>(Scoring methodology)</i>		Weight <i>(1 - 4)</i>
Availability of potential practice group targets	Platform targets (30+ MDs)	Number of potential platform targets in state	●
	Est. # of MDs in tuck-ins (3-29 MDs)	Est. # of X in tuck-in practices with at least 3 physicians	●
	Est. # of MDs in 1-2 MD practices	Est. # of X in practices with 1-2 physicians	●
	XX	XX	●
XX	XX	●	
XX	XX	●	
XX	XX	●	
Demand indicators	XX	XX	●
	XX	XX	●
	XX	XX	●
	XX	XX	●

Large group (30+) physician M&A by state



Acquisitions were prioritized based on 10 key criteria

Category	Key factor	Factor Overview	Weight (1 - 4)
Financials	EBITDA and core financials	EBITDA (\$s), EBITDA margin %, and other key financial metrics (e.g., gross margin %)	4
	Financial trends	XX	4
Demographics	Payor Mix	Mix of payors (e.g., private, Medicare)	3
	XX	XX	3
	XX	XX	4
XX	XX	XX	3
	XX	XX	4
Other	XX	XX	4
	XX	XX	3
	XX	XX	4



The analysis divided states into “A”, “B”, and “C” markets, each with notable differences in corp. development team’s approach

Priority level	High-level approach	Priority timing (high-level)
“A” markets	<ul style="list-style-type: none"> Proactively and aggressively pursue opportunities (e.g., platforms, tuck-ins) to gain a foothold in key markets and begin building density via tuck-ins and recruits 	20XX – 20XX
“B” markets	<ul style="list-style-type: none"> <i>In near-term</i>, opportunistically pursue potential high-value deals that require little proactive effort (e.g., inbound calls) <i>In medium- to longer-term</i>, proactively pursue opportunities (once “A” markets have been largely covered) 	20XX – 20XX
“C” markets	<ul style="list-style-type: none"> Opportunistically pursue potential high-value deals that require little proactive effort (e.g., inbound calls, meetings at trade show, hot leads) and potentially add significant value <i>Potentially</i>, proactively pursue in long-term given sufficient time / resources 	TBD



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The effort identified 25 value initiatives and 10 key enablers

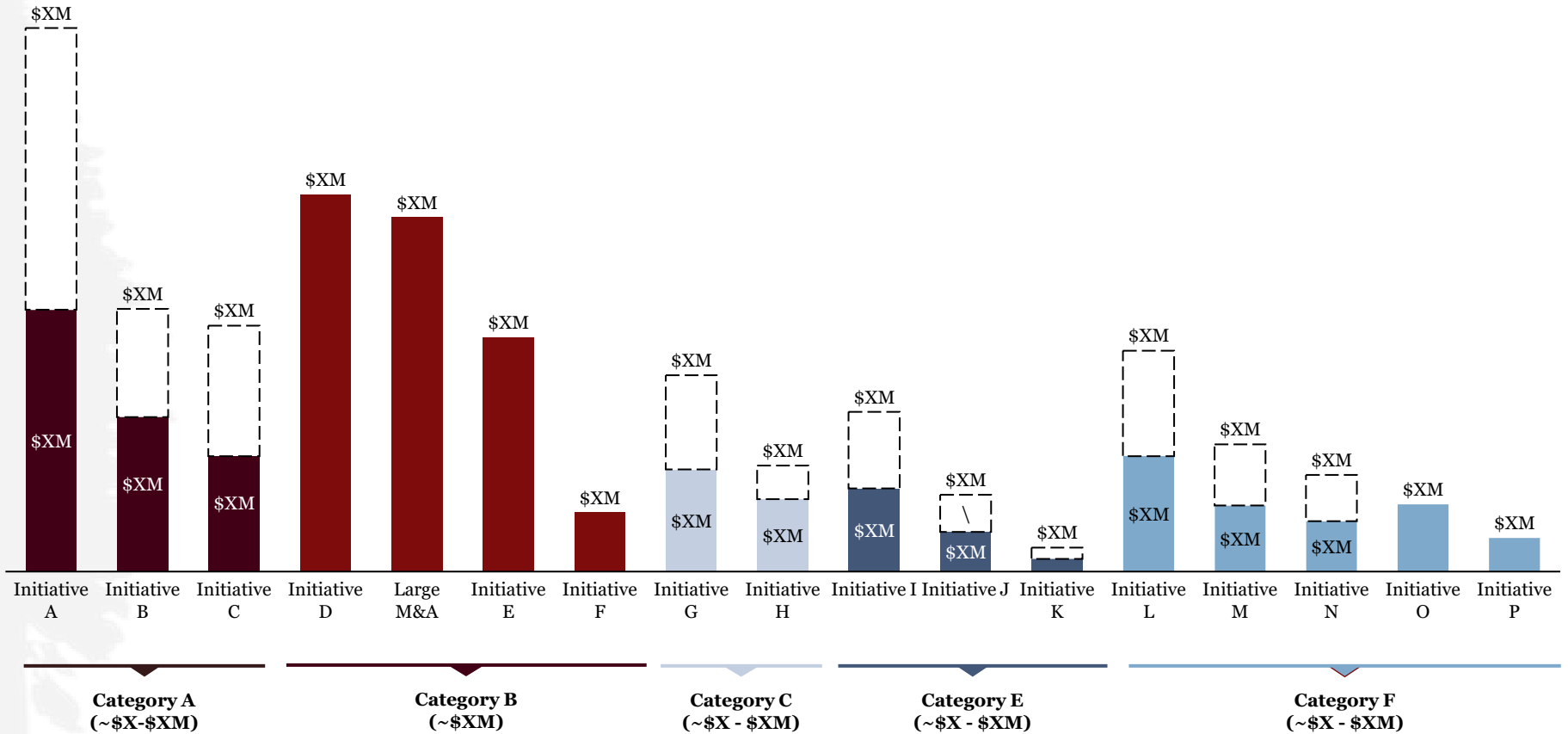
Revenue growth					Operations optimization	
Category A	Category B	Category C		Category D		
Value initiatives	1. Large M&A (platform + satellite)	6. XX	10. XX	13. Adjacent ancillaries	14. XX	19. XX
	2. XX	7. XX	11. XX	- X	15. XX	20. XX
	3. XX	8. XX	12. Potential new core ancillaries	- X	16. XX	21. XX
	4. XX	9. XX	- X	- X	17. XX	22. XX
	5. XX		- X	- X	18. XX	23. XX
		- X			24. XX	
		- X			25. XX	
Capability enablers	▪ XX	▪ XX			▪ XX	
	▪ XX	▪ XX			▪ XX	
	▪ XX	▪ XX			▪ XX	



Initiative Sizing: the project estimated the EV opportunity for 17 distinct initiatives

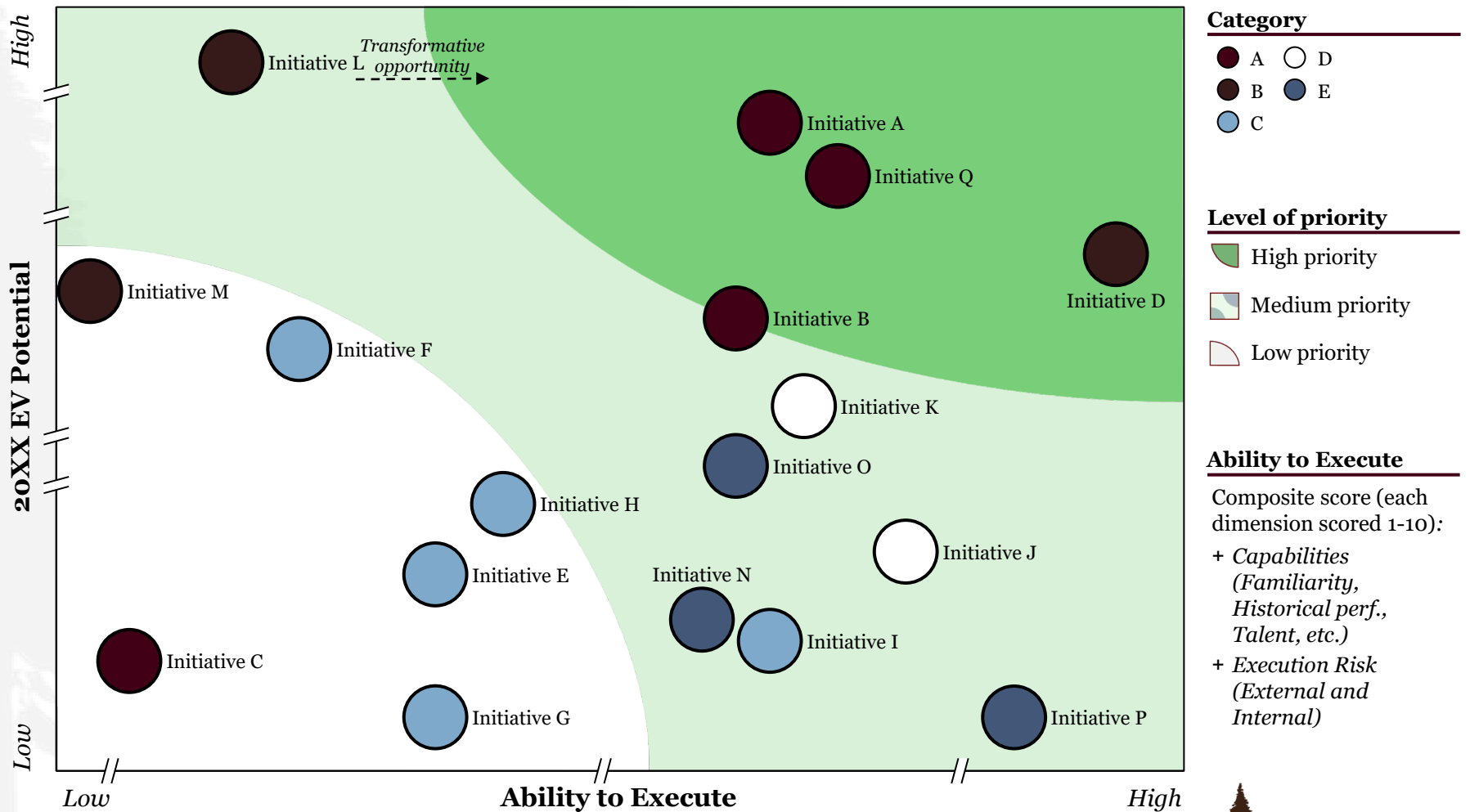
20XX Enterprise Value by initiative and category (\$Ms)

□ Est X growth



The set of initiatives were prioritized based on each initiatives value and the organization's ability to execute

Value initiative assessment by size and ability to execute



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RWA works with its' clients to achieve 5 key objectives during our practice integration process

Objectives

Overview

Key value

1 Develop a long-term strategy

- Develop a best practice long term vision and strategy for the long-term business

- Create and align the new unified business around a common, compelling, vision and strategy for the future

2 Capture synergies

- Identify and deliver on key financial and operational synergies and savings

- Maximize the value created from integrating practices

3 Integrate operations

- Deliver practice level operational integration; provided on time with ease

- Align key operation processes and systems to ensure smooth functioning post integration

4 Integrate back-office ops.

- Standardize and integrate core back office operations (e.g., pay roll, finance)

- Reduce costs, create standardization, and increase productivity of administrative staff

5 Integrate culture

- Develop and articulate a clear culture and set of values to create a single integrated business

- Improved productivity, retention, and employee satisfaction

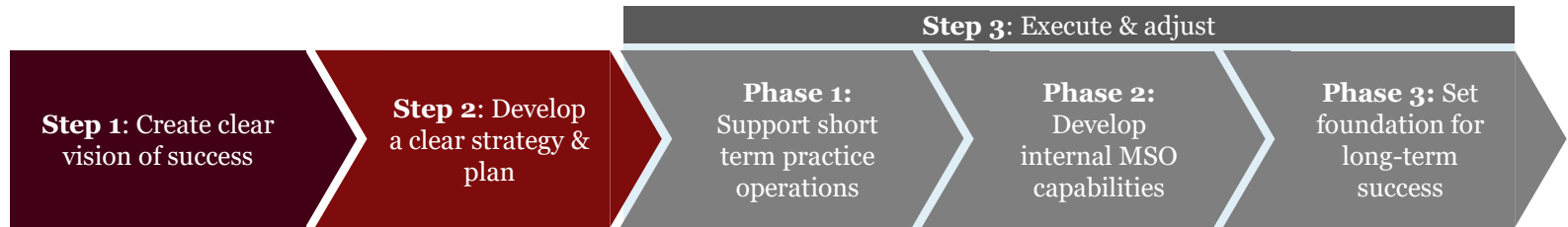
Research suggests ~50% of mergers fail due to “organizational issues” (e.g., cultural differences, operating models)

~McKinsey



RWA follows a 5-step process to successfully integrate practices

Execution Phase



	Step 1: Create clear vision of success	Step 2: Develop a clear strategy & plan	Phase 1: Support short term practice operations	Phase 2: Develop internal MSO capabilities	Phase 3: Set foundation for long-term success
Overview:	<ul style="list-style-type: none"> Identify why your business is integrating (e.g., expand business, increase PE value) 	<ul style="list-style-type: none"> Develop actionable integration plan (e.g., 42 action item categories) to align strategic vision with reality 	<ul style="list-style-type: none"> Support practices by reducing admin. burden & setting foundations for the MSO 	<ul style="list-style-type: none"> Build-on the MSOs ability to capture synergies & ensure successful integration 	<ul style="list-style-type: none"> Finalize MSO org. structure, & address final legal & bureaucratic requirements for integration
Key Outcomes:	<ul style="list-style-type: none"> Set a clear vision for the future to ensure successful practice integration at all levels (e.g., operational, cultural, etc.) Find opportunities to maximize synergies & reach your goals 	<ul style="list-style-type: none"> Highlight key owners for key action items & categories Clear, concurrent phasing to ensure efficient utilization of limited resources (e.g., personnel) Set expected timeframe for integration 	<ul style="list-style-type: none"> Address all legal requirements for integration Transition to a new credentialing process Begin standing up unified EMR & EHR system Bring practitioners into the integration process to promote cultural integration 	<ul style="list-style-type: none"> Review current billing & leverage new opportunities Ensure clear governance, training & roles for staff to support practitioners Merge key back-office processes (e.g., payroll, benefits, insurance) 	<ul style="list-style-type: none"> Finalize org. structure of the MSO (e.g., CEO, CFO, etc.) Set long term growth strategy Address final legal requirements for new business operation Ensure business wide alignment on vision for the future

Unlike most integration offers, RWA prioritizes achieving operational, strategic, organizational & cultural integration through effective strategy

A best-practice post-merger practice integration can help your business capture ~9% more value
~BCG



RWA can manage or guide all key parts of practice integration

Parts



MSO optimization

Benefit overview

Create and/or refine the MSO's strategy to efficiently capture synergies during integration and promote long-term value



Patient outreach

Coordinate practices to maximize organic growth among members and ensure a cohesive, unified public face for the business



Finance

Increase total revenue and profit margins while reducing costs (e.g., accounting, mgmt.) to maximize stakeholder and patient value



Staffing and benefits

Refine existing staff policies and training to build on strengths, increasing operational efficiency and practitioner productivity



Human resources

Ensure a smooth transition of all services and support structures that employees rely on (e.g., Payroll, computers, etc.)



Fees and billing

Simplify and standardize relationships with payers while preparing your business to leverage your new scale in negotiations



Legal

Ensure safe and efficient transition of obligations and legal responsibilities during the practice integration process

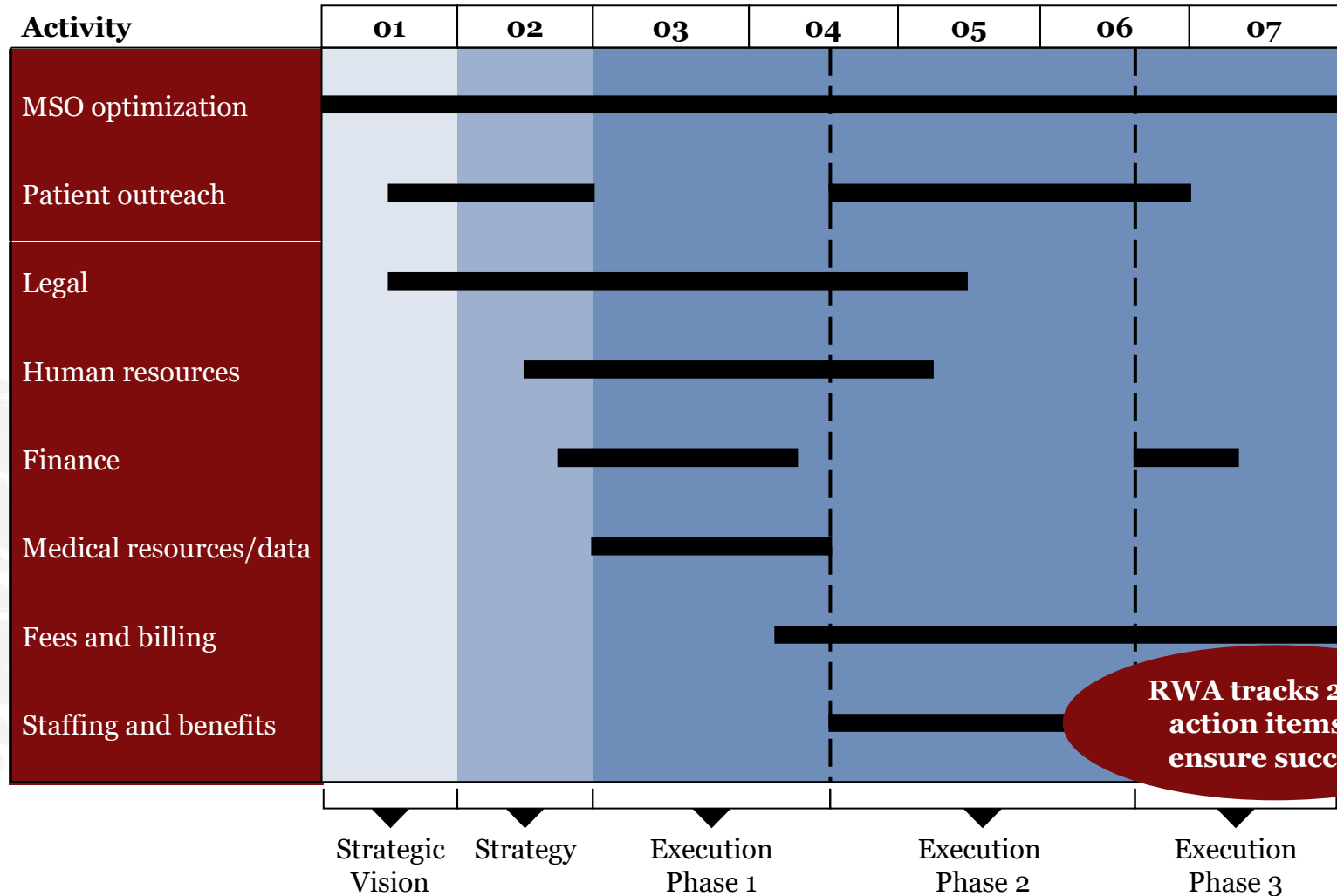


Medical resources and data

Maintain all key material support for practitioners (e.g., EHR, EMR, clinical supplies)



A full practice integration process generally takes ~6-9 months from initial visioning to close-out



RWA tracks 200+ action items to ensure success



REDWOOD  **ADVISORS**