STIFEL | Investment Banking

ENT and Allergy Treatment
MARKET OVERVIEW

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FALL 2022

ENT Healthcare Market Overview

ENT Market Overview

ENT Treatment Market Overview

- Otolaryngology, or ("ENT"), is a medical specialty focused on the diagnosis and treatment of diseases that affect the ear, nose, sinus, throat, head, and neck
- Diagnosis and treatment takes place in hospitals, clinics, or ambulatory surgical centers ("ASCs")
  - — CMS continues to approve new procedures to be performed in an ambulatory setting
- Otolaryngologists are trained in both medicine and surgery and can address cosmetic issues as well as health issues
- Market demand for Otolaryngologists is driven by an:
  - — Increasing rate of hearing loss
  - — Expansion of healthcare coverage
  - — Aging population consumes more healthcare services
  - — Increasing incidence of allergies and related ailments

Key ENT Stats

466 million
People worldwide have disabling hearing loss

34 million
Of which are children

27 million
People see an ENT doctor each year in the U.S., generating

$6.2 billion
Of ENT Treatment Market Value

31 million
People in the U.S. are afflicted by sinusitis

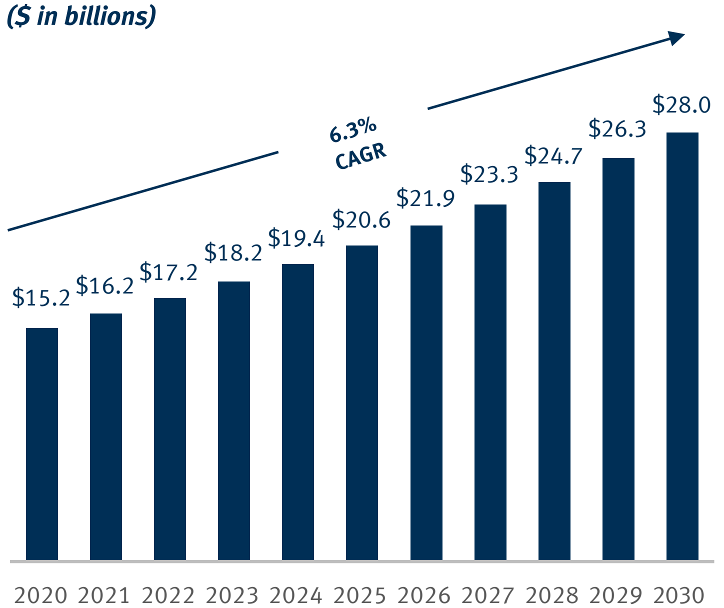
16 million
Doctor visits for sinusitis in the U.S.

59.0%
Of ENT Patients are Privately Insured

$2,492
Median net revenue per ENT case at ASCs

Global ENT Treatment Market Growth, 2020-2030

($ in billions)



Sources: Becker ASC, Precedence Research, World Health Organization.

Health Issues Treated by Otolaryngologists

Ear	Nose	Throat	Head & Neck
Hearing Loss	Sinusitis	Throat Tumors	Facial Trauma
Balance Disorders	Nasal Cavity Allergies	Diseases of Esophagus	Benign & Malignant Tumors
Ear Infections	Smell Disorders	Voice Disorders	Infectious Diseases
Ear Noise (Tinnitus)	Polyps	Swallowing Disorders	Deformities of the Face
Facial & Cranial Nerve Pain/ Disorders	Nasal Obstruction from Deviated Septum	Diseases of the Larynx (Voice Box)	Thyroid Conditions
Congenital Disorders	Rhinoplasty Surgery	Sleep Apnea	Free Flap Reconstruction

ENT Healthcare Market Overview

ENT Market Demand Drivers

Increasing Rates of Hearing Loss

Global

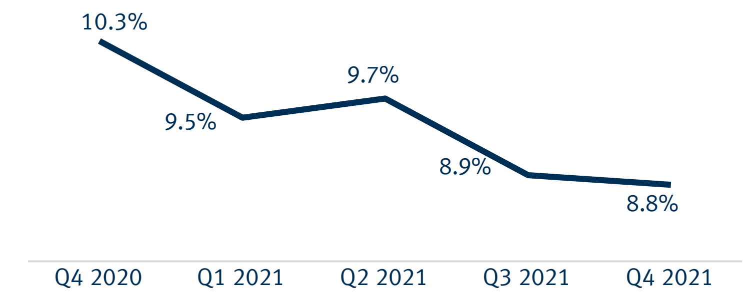
- The World Health Organization (“WHO”) predicts the global population with hearing loss will grow from 466 million in 2018 to 900 million by 2050, making hearing impairment one of the most common disabilities in the world
- Chronic Otitis Media ("Ear Infection") is the leading cause of hearing loss globally
  - This disease is preventable, but the number of global cases is increasing due to incredibly low accessibility to ENT treatment in developing nations

North America

- 10.0% of North Americans are plagued by loss of hearing
- Hearing loss in the U.S. increased from 11.5 million incidences in 2008 to nearly 15.0 million incidences in 2018

Increased Levels of Health Insurance Coverage

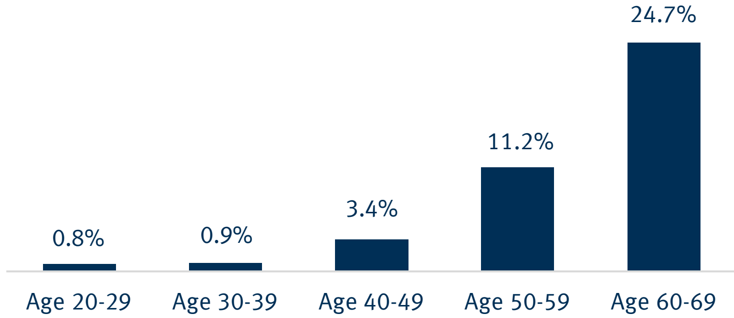
% of Uninsured Americans



- The Biden Administration has an explicit goal to expand health coverage
  - Medicare and Medicaid spending is projected to grow at an average annual rate of 7.2% and 5.6%, respectively through 2030
  - Over 14.5 million Americans signed up for health coverage since 2020
- Without health insurance, visiting otolaryngologists in an emergency can cost up $500
  - Increased insurance coverage makes ENT Treatment more accessible and thus in higher demand

Increasing Geriatric Population Size

% of U.S. Population with Hearing Loss by Age



- The WHO reports that the proportion of the world population over 60 years will go from 12.0% today to 22.0% by 2050
- ENT issues progress with age and create challenges for the elderly which contribute to the deterioration of mobility, falls and injuries, depression, cognitive functions impairments, isolation, and a loss of independence

Allergy Growth Drivers Mirror Those of the ENT Treatment Market

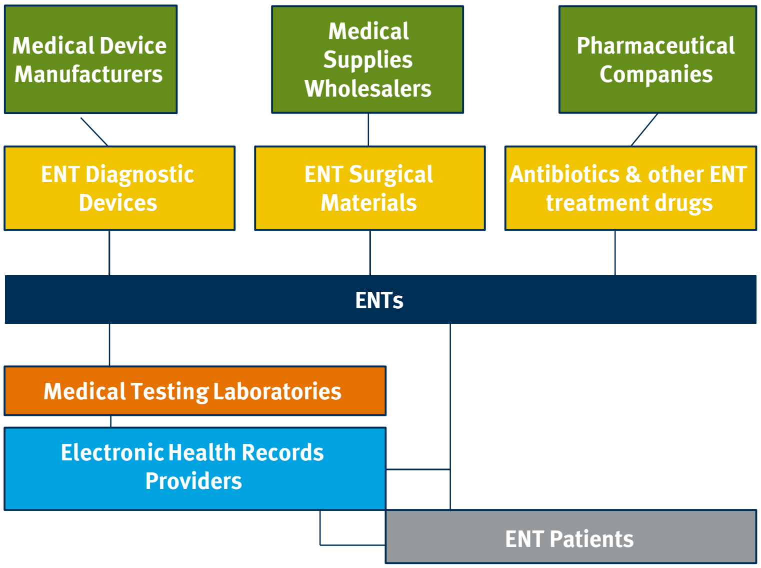
- Increased healthcare coverage through Medicare and Medicaid
  - Encourages more individuals to seek out help related to allergy health issues
- Increasing size of geriatric population
  - Elderly people are often immunocompromised
  - Leaves them susceptible to various types of allergies and in need of treatment
- Increase in the prevalence of allergic disorders due to a more hygienic lifestyle

Sources: American Academy of Otolaryngology, Business Insider, Harvard Health Publishing, National Library of Medicine, The White House, U.S. Department of Health & Human Services, U.S. News, World Health Organization.

ENT Healthcare Market Overview

ENT Market Supply Drivers

ENT Treatment Supply Chain



Most U.S. otolaryngology private clinics spend around $300,000 to $400,000 annually on supplies, services and equipment essential to treating patients

Too Few Otolaryngologists in the U.S.

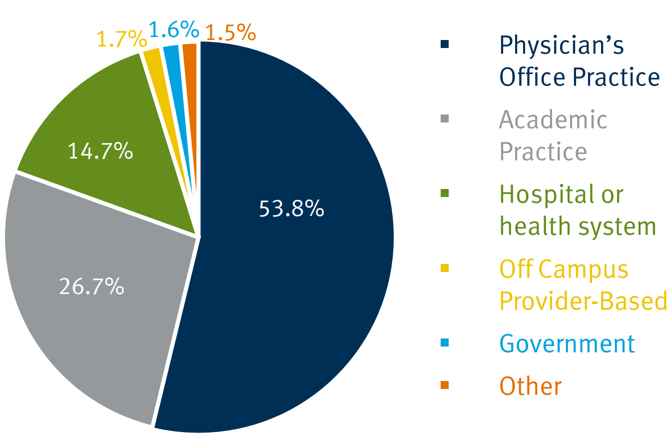
296
Fully trained otolaryngologists enter the U.S. workforce annually

306 to 316
Otolaryngologists per year leave the U.S. workforce

- There are approximately 10,000 fully trained and practicing otolaryngologists in the U.S.
- Most research suggests that the number of trained otolaryngologists is insufficient to supply current and projected U.S. healthcare needs
  - Experts cite a need for a change in training such as mandating earlier commitment to sub-specialization and shortening the length of residency
  - There have been calls for Congress to lift the cap on the number of residency positions that Medicare partially supports
  - The shortage of otolaryngologists is becoming more acute as improvements in technology and surgical applications increase demand

Distribution of Otolaryngologists Across U.S. Treatment Facilities

- **5,961** otolaryngologists in the U.S. practice in cities and metropolitan areas
- **65.7%** of U.S. counties do not have access to ENT healthcare facilities



Distribution of ENT Doctors Across Regions

- The supply of and competition between otolaryngologists increases with regional population, income, education, and socioeconomic status
- North America holds the largest share of the global ENT market due to the continent's relatively:
  - Increased health consciousness
  - Rising healthcare expenditure & insurance coverage
  - Rapid growth of minimally invasive surgeries available in the U.S.

Sources: American Medical Association, Becker ASC, Fuel Medical, Geographic Distribution of the Otolaryngologist, National Library of Medicine, Otolaryngology Workforce Analysis, SCL Health.

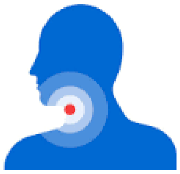
ENT Healthcare Market Overview

Key Trends in the ENT Market

Otolaryngologists Continue to Concentrate in Densely Populated Regions

Statistics on Rural Areas & ENT Treatment

Nearly One out of Four
Of Americans live in rural settings

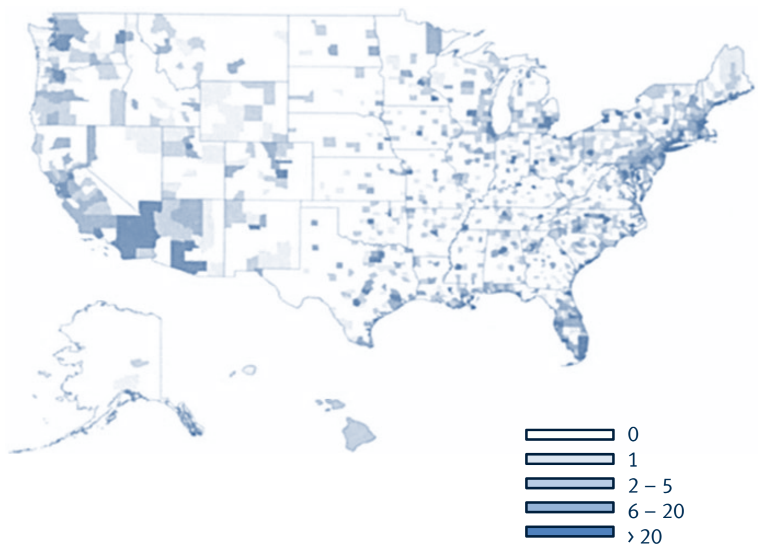


61.8%
Of U.S. otolaryngology treatment facilities are located in cities and metropolitan areas

2,064
U.S. counties do not have an otolaryngologist practice. Most of these are in rural areas

98.0%
Of Head and Neck Surgeons practice in urban settings

Number of Otolaryngologists by U.S. County



Distribution of Otolaryngologists by U.S. County Population

Number of Counties	Population Range	Otolaryngologists
733	≥ 75,000	8,949
875	≥ 25,000 to <75,000	626
832	≥ 10,000 to <25,000	63
702	<10,000	4

Issues Associated with ENT Healthcare in Rural Locations

- As technology progresses and medical practice evolves, it is difficult and costly for small-practice ENT practices to stay updated on the complicated digital components essential to enhanced treatment without a support network surrounding them
- More complex procedures, such as those involving cancer removal, require support not present in many settings
- Relatively more difficult to recruit ENT providers in secondary and tertiary markets

Sources: Becker ASC, Geographic Distribution of Otolaryngologists in the U.S., Otolaryngology in the Context of Global Health, Otolaryngologist Workforce Analysis, The Challenges of Rural ENT Practice.

ENT Healthcare Market Overview

Key Trends in the ENT Market

ENT Activity in ASCs is Poised to Grow in the Coming Years

Key Growth Drivers of ENT Activity at ASCs

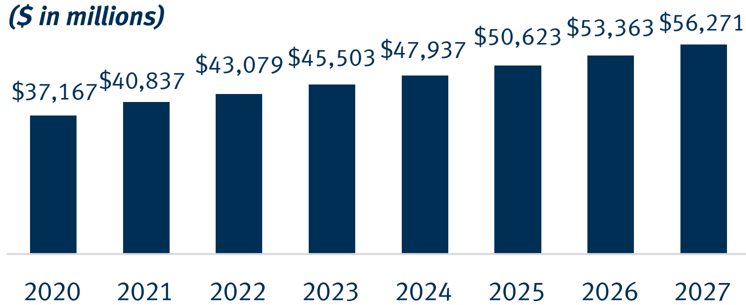
- The exponential rise in healthcare expenses over the last decade has resulted in changing healthcare practices and care settings
  - ASCs allow for significant ENT healthcare cost savings, better patient outcomes, and higher patient satisfaction scores
  - Illustratively, the cost of a tonsillectomy (removal of the tonsils performed by an otolaryngologist) in a hospital is $6,944 whereas a tonsillectomy in an ASC costs $3,433
- There is an increased frequency of ENT indications that necessitate regular minor procedures, which can be performed in ASCs instead of hospitals
  - Generally, patients spend 25.0% less time in medical care facilities when procedures are performed in ASCs versus hospitals
  - Convenience of ASCs surpasses hospitals
  - Providers and patients have more control over scheduling and face fewer delays
- There is a growing burden of performing surgical procedures on hospitals and healthcare organizations
  - Hospitals and patients cannot cost effectively allocate hospital beds in lower acuity procedures
- Ambulatory surgery centers deliver high quality results
  - Patient satisfaction rate for ASCs is 98.0%
  - Most patients find the setting to be more personal and comfortable than hospitals

ENT Treatment Provided at ASCs

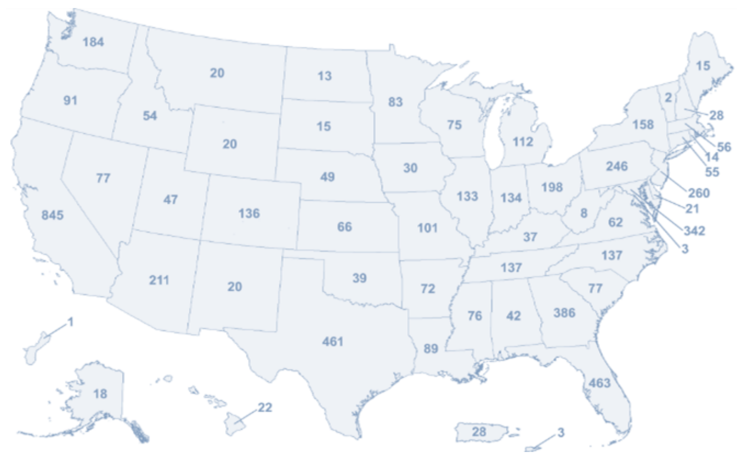
- The prevalence of ASCs benefits ENTs as more procedures are added to the list of those that can be performed in an ambulatory setting
  - Illustrative procedures performed by otolaryngologists in ASCs include laryngoscopy, tonsillectomy, adenoidectomy, endoscopic sinus surgery, rhinoplasty, excisional biopsy, tympanostomy, tympanoplasty, and more

ASC Annual Revenue

($ in millions)



Number of Medicare-Certified ASCs per State/Territory



Sources: ASC Association, Becker ASC, Fierce Healthcare, Geographic Distribution of the Otolaryngologist, IBIS World.

ENT Healthcare Market Overview

Key Trends in the ENT Market

Increasing Preference for Minimally Invasive ENT Procedures

Evolution of ENT Surgery Procedures

Throat

- Otolaryngologists are most likely to recognize and diagnose laryngopharyngeal reflux disease and gastroesophageal reflux disease
  - — In severe cases, ENTs will recommend surgery

<u>Open surgery method</u>: pulls the stomach down into the abdomen to allow for reconstruction of the esophageal sphincter

- The surgeon often inserts a tube to keep the stomach in place
- The tube is not removed for several weeks and causes discomfort

<u>Minimally invasive method</u>: laparoscopy

- Few small incisions, use video screen and technology for the operation
- Discomfort lasts a maximum of four days after surgery

Ear

- Otolaryngologists perform surgery to repair the tympanic membrane (eardrum) and remove Cholesteatoma (abnormal collection of skin cells deep inside the ear that can damage hearing and balance)

<u>Traditional surgery method</u>: incision behind the ear and possible removal of the mastoid bone

- Six to 12 week recovery

<u>Minimally invasive method</u>: endoscopic surgery, no incision/bone removal

- One week recovery

Nose

<u>Traditional Rhinoplasty</u>: incision, bone & cartilage readjustment, bruising

- Three month recovery, three hour operation and the nose still droops with gravity throughout aging

<u>Liquid Rhinoplasty</u>: non-invasive injectable nose-reshaping dermal fillers

- Two week recovery, 30 minute operation that lasts for a year, no blood loss

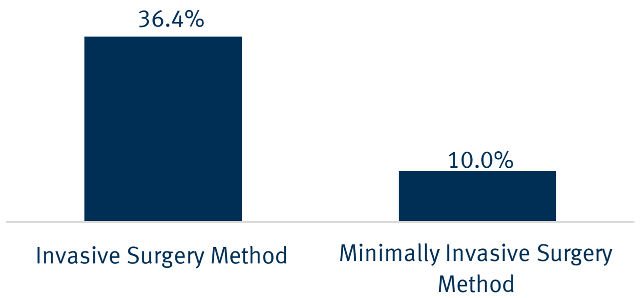
Head & Neck

<u>Traditional Head/Neck Cancer Surgery</u>: Split jaw or throat to remove tumor

<u>Transoral Robotic Surgery</u>: minimally invasive treatment that removes head and neck cancers through the mouth

Peer-Reviewed Studies on the Efficacy of Select Minimally Invasive ENT Procedures

Average Failure Rate of Cholesteatoma Removal Operations



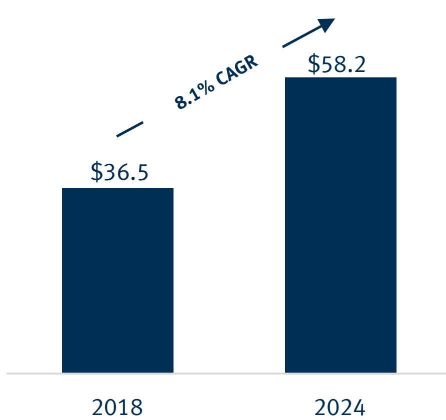
Other ENT Procedures

- Minimally invasive video-assisted thyroidectomy ("MIVAT"):
  - — Reported pain scores were significantly lower in the MIVAT group compared to the conventional surgery group
- Minimally invasive parapharyngeal space tumor removal surgery:
  - — Feasible and safe
  - — Average length of hospital stay is 1.5 days

Benefits of Minimally Invasive ENT Procedures

- Less pain
- Shorter hospital stays
- Technologically advanced
- Minimize blood loss
- Avoid blood transfusion
- Smaller incisions or none at all
- Less anesthesia required
- Reduced risk of infection
- Less bruising
- Less scarring
- Widely available in North America
- Success rate the same or better than invasive procedures

Minimally Invasive Surgery Market Growth ($ in billions)



Sources: Advocate Health, Bio Space, Boston Medical Center, ENT Today, Laryngoscope, Mayo Clinic, UChicago Medicine, UCLA Health, World Journal of Otorhinolaryngology.

Key Trends in the ENT Market

Technological Innovation Optimizes Diagnostic and Treatment Capabilities of Otolaryngologists

Revolutionized Diagnostic Capabilities Delivered Through Technology

- Technological advancement has enabled otolaryngologists to diagnose ENT disorders with increasing accuracy
- Examples of diagnostic ENT testing performed with novel technology include:
  - Vestibular Autorotation Testing: frequently used to diagnose complex balance and vertigo disorders
  - Ear Microscopy: Otolaryngologists can zoom in to diagnose inner ear issues
  - Nasal Endoscopy: Endoscopes – thin, flexible tubes with a tiny camera and a light – have evolved to become increasingly effective
    - Otolaryngologists utilize endoscopes to see inside the nose and diagnose sinus conditions
  - Advanced Videostroboscopy: High-resolution photographs and slow motion video of a patients vocal cords during speech which vibrate at 200 times a second
    - This technology is used to evaluate vocal cord abnormalities, develop effective treatment plans, and observe vocal cord dynamics after surgery

Telemedicine in Otolaryngology

- Telehealth visits deliver care where ENT Treatment is not easily accessible, illustratively
  - Newborns in rural areas who fail their otoacoustic emission test are a common target
  - Rural hospitals partner with urban medical centers to give the patients access to specialized ENT treatment

- Telehealth visits save patients’ time by offering reduced wait times and enable physicians to see a larger number of patients
- In limited instances, smart phone pictures can be used for otolaryngologists to diagnose and prescribe treatment for ENT issues

Sources: Brandessence Market Research, Detroit Medical Center, ENT Today, SCL Health, Talk HER.

ENT Subsector Overview – Allergy Treatment Market

Allergy Treatment Market Overview

- Allergic reactions occur when a person's immune system responds to an external substance
- These reactions often trigger symptoms in the ears, nose, sinuses, and throat. Otolaryngologists are trained in the diagnosis and management of allergies as part of a broader scope of otolaryngology services
  - Some otolaryngologists specialize as ENT Allergists, and many clinics offer specialized ENT and Allergy care
- One of the more common conditions seen by ENT Allergists is allergic rhinitis, or hay fever, which causes sneezing, runny nose, and nasal stuffiness
- Other allergy conditions diagnosed and treated at ENT & Allergy care centers include food allergies and skin allergies

Key Allergy Treatment Market Statistics

One out of Four
People worldwide are affected by allergies, making them one of the most common health problems

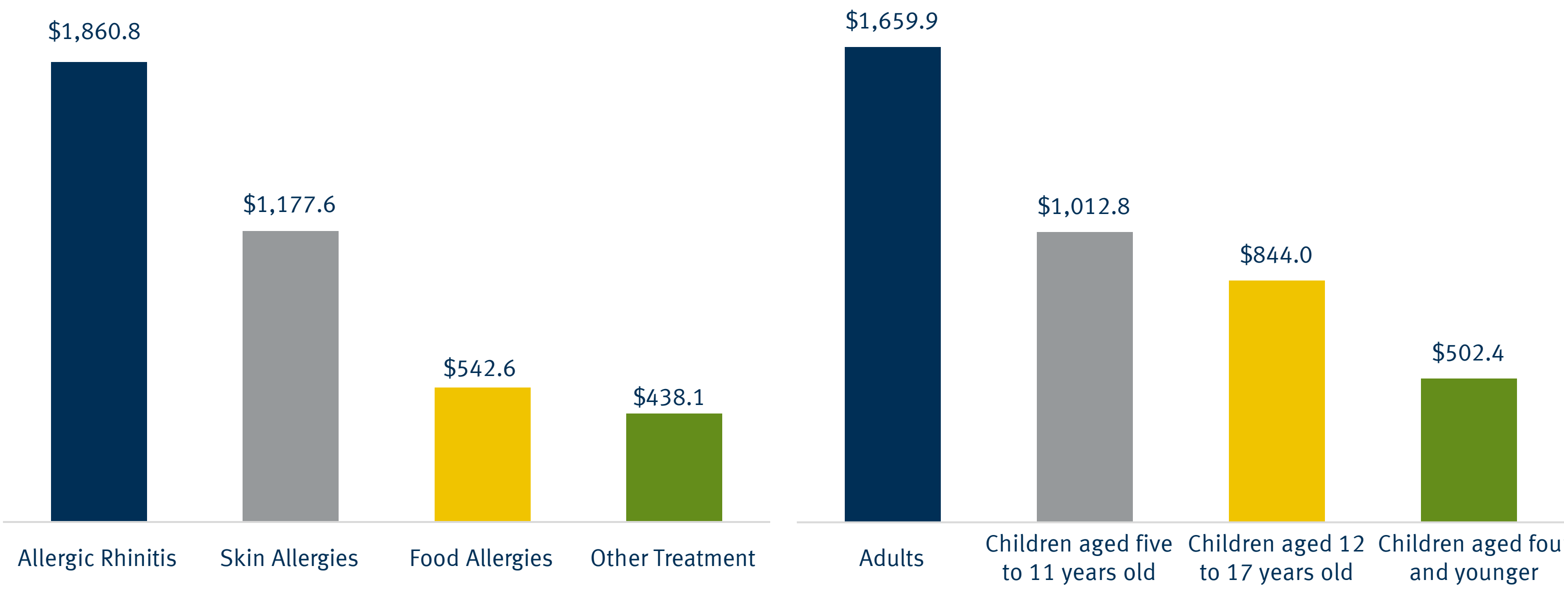
50 million
Or more Americans experience various types of allergies each year

40.0%
Of children in the United States have allergies

$4.0 billion
Of revenue made by the allergy treatment market in 2021

Allergy Treatment Market Revenue Distribution by Segments

($ in millions)



Sources: Advanced ENT & Allergy, American Academy of Allergy Asthma & Immunology, American Academy of Otolaryngic Allergy, ENT & Allergy Associates, IBIS World.

ENT Healthcare Market Overview

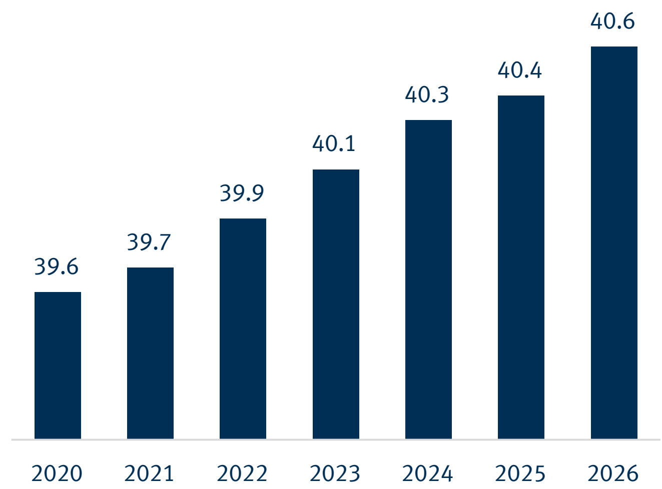
Allergy Treatment Market Growth Drivers

Increasing Need of Pediatric Care

- Symptoms of allergies are most likely to arise during childhood
- Patients under 18 compose 58.7% of Allergy Treatment Market Revenue
- Researchers project that the number of children aged nine and younger will grow at an average rate of 0.4% in the U.S. each year from 2022 to 2026, creating significant opportunity for ENT Allergists with pediatric care capabilities

Increasing Number of Children Nine and Under in the U.S.

(millions)

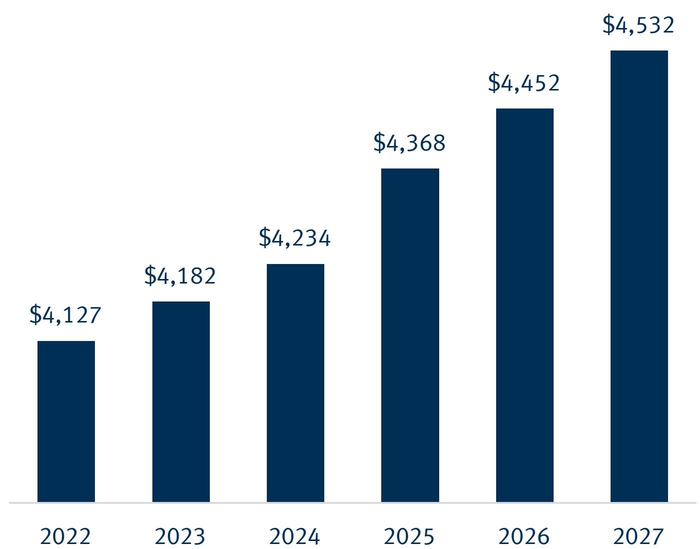


Increasing Prevalence of Allergies

- A number of epidemiological studies have found an increase in the prevalence of allergic disorders over the past few decades
- The CDC states that the prevalence of food allergy increased by about 50.0% between 1997 and 2011 and in 2019 affected one in 13 children
- This is hypothesized to be a consequence of a more hygienic lifestyle
  - — Research suggests that the reduced microbial burden faced during childhood has made humans more susceptible to allergies

Projected Revenue Growth in Allergy Treatment Market

($ in millions)



Sources: American Journal of Rhinology & Allergy, Data Bridge Market Research, CDC, IBIS World, Increasing Prevalence of Allergic Rhinitis in China, Journal of Immunology: The Increased Prevalence of Allergy and the Hygiene Hypothesis, World Health Organization.

ENT Healthcare Market Overview

Private Equity Investment in the ENT and Allergy Industry

Attractive Target Sector

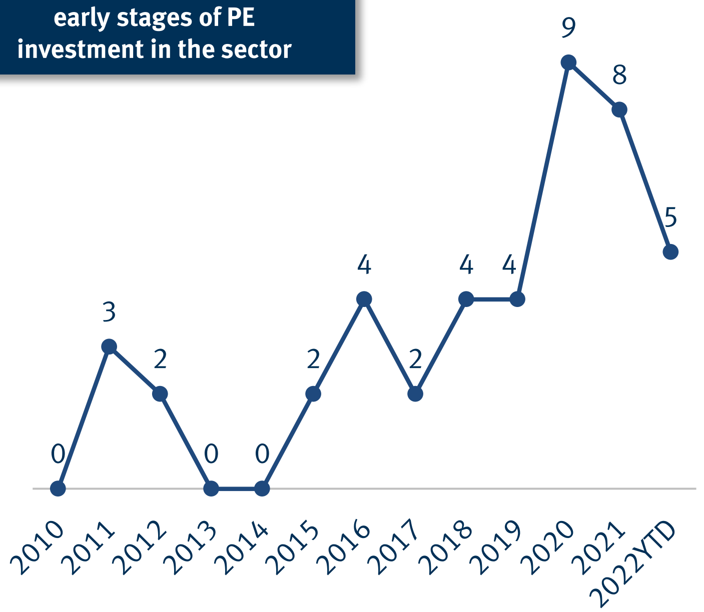
- 53.8% of ENT/Allergy services are offered through physician practice groups as opposed to hospitals or health systems
- Many of the ENT groups in the U.S. are small and independent with fewer than 25 physicians
- 54.3% of the practices are single-specialty ENT meaning that they are not aligned with a multi-specialty practice for support or infrastructure
- These conditions present significant opportunities for smaller groups to consolidate
- Consolidation has the promise of improving the financial performance of smaller ENT groups who will benefit from the economies of scale and a more robust corporate infrastructure
- Financial sponsors have been targeting physician specialties that can provide additive ancillary services
  - — ENT/Allergy practices have a number of natural ancillary opportunities through ASCs, allergy and audiology testing, ENT Pediatric centers, and more

Top Investors in U.S. ENT/Allergy Deals, '20-'22YTD

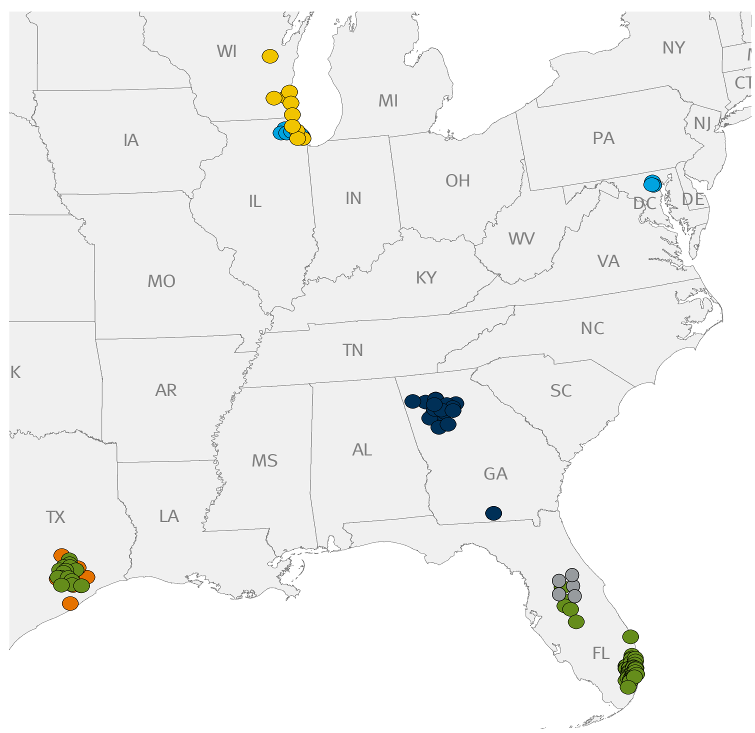
Investor	Investment Count
SHORE Capital Partners	5
Audax Group	2
Candescent Partners	2
Excellere Partners	2
New Harbor Capital	1
Beekman Group	1

Announced ENT and Allergy Deal Count, 2010-2022YTD

Deal activity indicates early stages of PE investment in the sector



Footprint of Top Investors in U.S. ENT/Allergy Deals



Sources: Epstein Becker Green, PitchBook, Vector Medical Group.

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Provider Coverage

Patrick Krause
Managing Director

Address:
One Montgomery Street, FL 37
San Francisco, CA 94104

Phone: (415) 364-7174

Email: krausepa@stifel.com

Focus at Stifel

Patrick is a senior investment banker at Stifel where he focuses on healthcare services transactions. He specializes in M&A and capital raising, working closely with key stakeholders across a range of healthcare industry sub- verticals including specialty physician groups, behavioral healthcare, and other healthcare services enabling the care of patients.

Career Background

Over the past 15+ years, Patrick has had increasingly senior roles in healthcare and investment banking. Most recently, Patrick led the Healthcare Services practice at MHT Partners. Prior to joining MHT Partners, Patrick worked for Novartis' Molecular Diagnostics group (now part of Grifols). From 2003 to 2011, he worked for Deloitte, where he served many of the firm's largest healthcare clients. Through these engagements, Patrick provided an array of strategic, financial, and technology advisory services to healthcare leaders at hospitals, commercial payors, technology, and life sciences companies.

Career Background

MBA, University of California – Haas School of Business

BA, Economics, Organizational Studies, University of Michigan, Ann Arbor

Selected Provider Experience

- Mississippi Retina Associates — Has Been Acquired by Retina Consultants of America — Advisor to Seller — *December 2021*
- RCSA — Has Been Acquired by Retina Consultants of America — Advisor to Seller — *June 2021*
- Commonwealth Psychology — Has Been Acquired by LifeStance Health, a portfolio company of TPG — Advisor to Seller — *June 2020**
- the Skin Care center — Has Been Acquired by Dermatologists of Central States, a portfolio company of Sheridan Capital Partners — Advisor to Seller — *November 2019**
- pinecone Therapies — Has Been Acquired by Sequel, a portfolio company of Altamont Capital Partners — Advisor to Seller — *April 2020**
- National Neuromonitoring Services — Senior Secured Credit Facilities — Financial Advisor — *December 2018**
- The Dermatology Center of Indiana and The Indiana Clinical Trials Center — Has Been Acquired by Alpine Investors — Advisor to Seller — *May 2018**
- DermOne Dermatology Vein Care Business — Has Been Acquired by veinclinics of America, a portfolio company of Frazier Healthcare Partners — Advisor to Seller — *March 2018**
- DermOne Dermatology Dermatology Assets — Has Been Acquired by Schweiger Dermatology Group, a portfolio company of LLR Partners — Advisor to Seller — *February 2018**
- Dermatology & Skin Surgery Center, PLC — Has Been Acquired by Dermatologists of Central States, a portfolio company of Sheridan Capital Partners — Advisor to Seller — *July 2017**
- WCAS parent company of US Acute Care Solutions — Has Acquired Apex Emergency Group, PC — Advisor to Buyer — *April 2016**
- Tampa Bay Emergency Physicians — Has Been Acquired by US Acute Care Solutions, a portfolio company of WCAS — Advisor to Seller — *January 2016**
- Walnut Creek Skin & Laser — Has Been Acquired by Pouschine Cook Capital Management, LLC — Advisor to Seller — *November 2015**

**Worked on transaction while at a previous, unaffiliated firm.*

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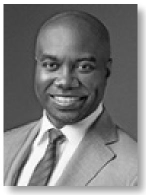
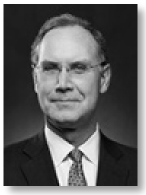
Health Care Services & Health Tech Practice

Leadership





Alena Antigua
Managing Director
Technology
(312) 423-8220
alena.antigua@stifel.com

Kojo Appenteng
Managing Director
Technology
(630) 926-2136
appentengk@stifel.com

Chip Bierbaum
Managing Director
Pharma Services
(917) 597-5743
bierbaumc@stifel.com

Jim Hesburgh
Managing Director
Services
(917) 302-7695
hesburghj@stifel.com

Patrick Krause
Managing Director
Services
(415) 722-6514
krausepa@stifel.com

Alex Halpern
Director
(203) 912-4366
halperna@stifel.com

Ben Maddison
UK Director
+44 (0) 207 710 7624
ben.maddison@stifel.com

Harvinder Minhas
Director
(718) 355-0541
minhash@stifel.com

Charles Simon
Director
(757) 270-5628
simonch@stifel.com

Sector Coverage

Alternate Site
- Labs
- Infusion Sites
- Physical Therapy
- Post-Acute Care

Behavioral Health
- Autism
- General Psychology
- Mental Health
- Substance Abuse

Health Tech
- Data Analytics
- Digital Health
- Software/SaaS
- Tech-enabled Services

Payor Services
- Managed Care
- PBMs
- TPAs
- Worker's Compensation

Pharma Services
- Clinical Trials
- Manufacturing
- Marketing
- Supply Chain

Physician Groups
- Dental Services
- Hospital-Based
- Multi-Site
- Veterinary Services

Product Offering

M&A Advisory | Equity Capital Raising | Debt Capital Raising | Restructuring Advisory | Fairness Opinions

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