

OBJECTIVE CAPITAL

Fertility
Industry Report
2019 Review

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INTRODUCTION

Objective Capital Partners is pleased to present its Fertility Industry Report, a review of 2019.

In this report you can expect to find a sector overview, demand trends, industry transaction activity, insights into select active acquirers, and more.

We hope you will find this report to be informative and that it serves as a valuable resource to you in staying abreast of the market. If there is additional content you would find useful for future updates, please don't hesitate to call or email us with your suggestions. We look forward to staying in touch with you.

Regards,



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SECTOR OVERVIEW

Recent years have seen a dramatic increase in the number of women and couples seeking medical and scientific assistance in starting or growing a family. While many factors are contributing to this trend (desire or need to start families later, decreasing fertility rates in both men and women, unfavorable population health trends, etc) the result has been an explosion in this area of health care that falls in a very unique category: a discretionary, significant medical undertaking that is covered by most private insurance. We have seen three primary emerging trends to note.



Demand in Europe is strong and rising



Large increase in overall usage of services

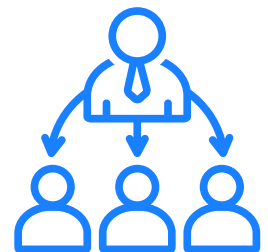
- 1** Global growth is strong, but demand for fertility services in Europe is rising the fastest
- 2** More treatment options, technological advancement and greater awareness have increased the usage of fertility services
- 3** Infertility rates are being driven by an increase in the amount of future parents delaying children to focus on careers and other aspects of life.



Future parents delaying having children

SECTOR OVERVIEW

The fertility industry is comprised of two very important, yet distinct pieces – the clinical side (a medical practice whose physicians and medical staff handle all patient-related aspects of the fertility process) and the laboratory side (the facility required for the harvest, storage and transfer of all related and required human cells). It is truly where art meets science, with the optimal combination of both being sought by both patients and investors alike. Investors have demonstrated consistent and growing appetite to participate on both sides of this equation, seeing and creating value in creating larger networks of physician practices as well as consolidating platforms that focus on the laboratory and procedural aspects of fertility. With corporate-practice-of-medicine (CPOM) laws varying by state, investors have established structures where they can invest in the growth of practices in a compliant and accretive manner.



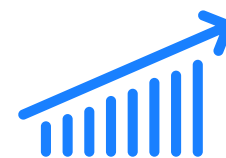
Investors to
consolidate
fertility
platforms

INDUSTRY LANDSCAPE

Globally, fertility clinics generated revenue of approximately \$9.0B in 2017. The US market was \$3.6B in 2017 and is expected to grow to \$4.5B by 2022, representing a 4.6% CAGR. In addition to demographic trends, growth in the US is driven by increased inclusion of fertility services in private health insurance plans, as perceptions and attitudes regarding fertility have shifted from “elective” to “requisite” in terms of physical and mental health sustainability.

Internationally, Europe as led in terms of percentage growth, however Asia/Pacific nations represent the hot spot of both investment capital sources and potential for internal expansion. In particular, Chinese investors have invested heavily in fertility operations in the Western US, partially due to the demand generated by Chinese couples looking to start or grow their families. With no restrictions on family size, increasing disposable income and infertility rates, and a national prohibitions against fertility procedures, China is driving increased demand for fertility options in both the US and other Chinese travel markets.

Growth driven by increased inclusion of fertility services in private health insurance



China driving increased demand for fertility services

INDUSTRY LANDSCAPE

Consolidation in the Fertility space has been occurring at a rapid pace for the past several years. Driven primarily by private equity investment in creating platforms for subsequent add-on investments, transaction volume since 2015 has been expansive and driven by both established players and new entrants to this sector. Existing PE-backed platforms include Prelude, CCRM and Genea, with Virtus Health representing the publicly-traded markets. With reproductive endocrinologists in high demand (along with supporting lab facilities) many private equity companies without a presence in the space are actively exploring platform investments, with larger, established health systems exploring direct investments as well.



Private Equity
actively seeking
investments with
established
health systems

1 Later Family Starts

In the US, similar to other developed countries, women are delaying their first child later in life to pursue a career and financial security. Trends show a growing number of women are starting their families in their mid to late thirties, increasing the need for fertility services.

2 Private Insurance

Historically, fertility services have not been covered in most insurance plans, however that trend is shifting to where more employer-sponsored insurance plans are offering fertility coverage. Additionally, a rising number of insured individuals in the US represent an increased addressable patient market.

3 Technological Investment

Innovations surrounding egg preservation procedures and infertility diagnostics have resulted in greater treatment success and lower costs for patients.

INDUSTRY TRANSACTION ACTIVITY

Due to the stage of the acquisition target, revenue and EBITDA is rarely reported. However, acquisition activity remains robust in the space with a number of companies actively seeking greater scale, capabilities or expanded geographical regions.

Representative Precedent Transactions

Acquirer	Target	Month	Year
Silverfleet Capital	CAREfertility	April	2019
NEXTCLINICS	Fertility Clinic Nordic	March	2019
Regal Healthcare Capital Partners	Extend Fertility	February	2019
WindRose	Texas Fertility Center	October	2018
WindRose	Midwest Fertility Specialists	September	2018
Virtus Health	Trianglen Fertility Clinic	June	2018
IVI RMA Global	Inception Fertility	June	2018
WindRose	The Institute for Reproductive Health	June	2018
Audax Private Equity	Abington Reproductive Medicine	June	2018
Prelude Fertility Partners	Advanced Fertility Center of Chicago	March	2018
Prelude Fertility Partners	Vivere Health	December	2017
Prelude Fertility Partners	Pacific Fertility Center	September	2017
Shady Grove Fertility Center	Georgia Reproductive Specialists	July	2017
Audax Private Equity	Women's Health Group	March	2017
Prelude Fertility Partners	Reproductive Biology Associates of Atlanta	October	2016
Prelude Fertility Partners	MyEggBank	October	2016
IntegraMed America	Connecticut Fertility	February	2016
TA Associates	Colorado Center for Reproductive Medicine	August	2015
iGambit	United Fertility Centers of America	July	2015

Report data sourced from Pitchbook



Prelude

Prelude

As part of the Inception family, Prelude provides proactive fertility care to improve people's chances of having healthy babies in future. It aims to give people more reproductive choices and control over their reproductive clocks using the proprietary Prelude Method. In partnership with MyEggBank, Prelude offer patient both current and future solution for family planning and addressing fertility issues.

Activity

Merged with Inception Fertility, March 2019
Completed 18,700 IVF cycles in 2018



Virtus Health

Virtus is an active acquirer and provider of fertility services. The company is engaged in providing assisted reproductive services including fertility clinics, treatments, diagnostics and pathology in Australia, Ireland and Singapore.

Activity

Acquired Trianglen Fertility Clinic (Denmark), June 2018
Virtus is the only international, public company engaged in fertility



CCRM

CCRM is one of the industry's leading pioneers in fertility science, research and advancement, offering access to a national network of award-winning physicians, a full suite of fertility services, innovative technology and cutting edge labs.

Activity

Operates in 26 locations nationwide
Focuses on high-quality laboratory operations to drive patient outcomes

Report data sourced from Pitchbook

ACTIVE ACQUIRERS | PRIVATE EQUITY BUYERS

There are dozens of active investors in the healthcare services and physician practice spaces, many of which have established platform investments, while other actively entertain entering the space based on adjacent experience in creating platforms and institutional knowledge of fertility market drivers.

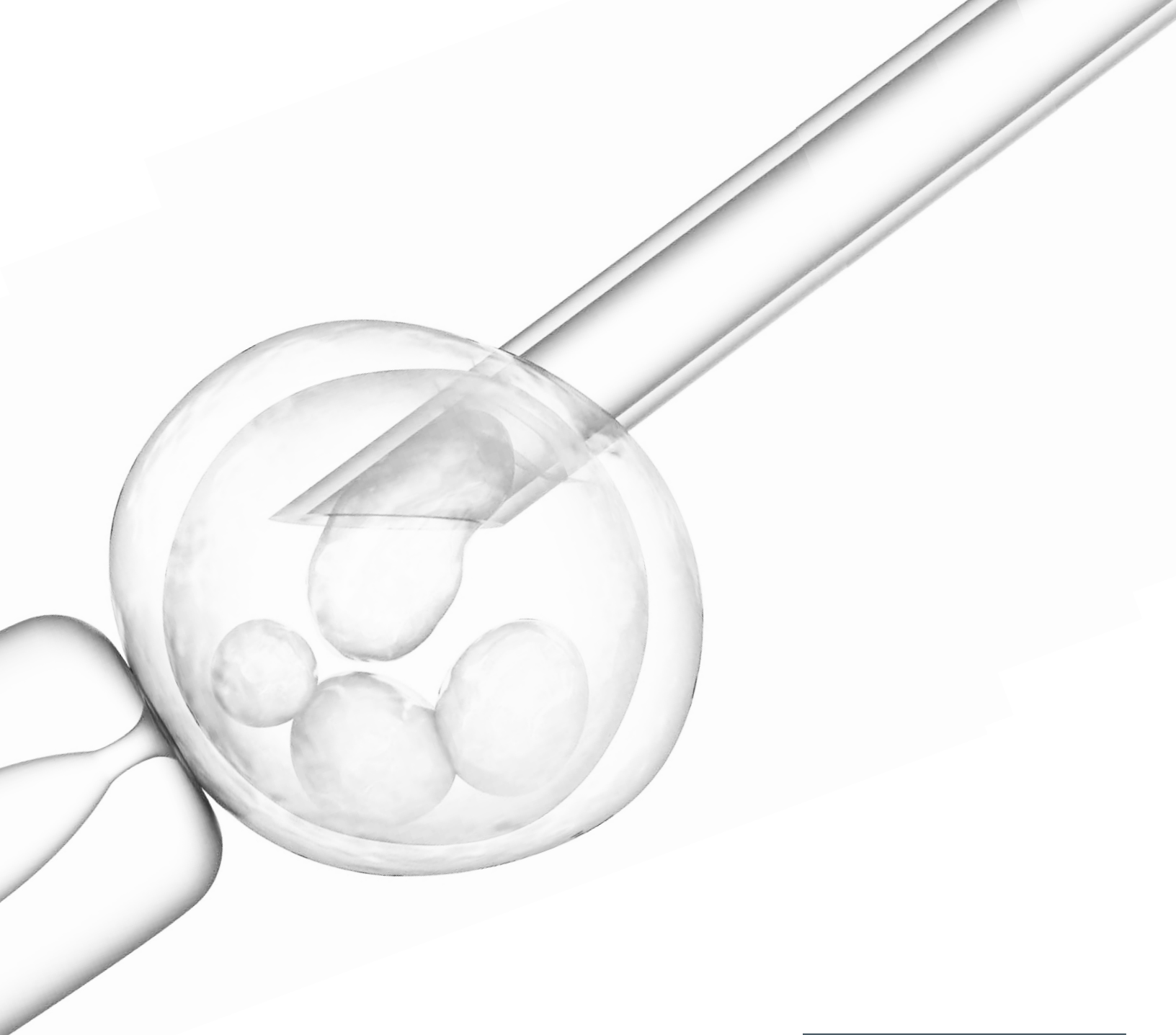


Report data sourced from Pitchbook

FINAL THOUGHTS

Fertility has seen tremendous growth due to technological advances, demographic trends and capital investment over the past decade. We expect these trends to continue as new transformative technologies and services are developed, coupled with increasing acceptance by the insurance market of fertility as an essential healthcare service. This expansive growth in the application of Fertility and its associated technologies will continue to drive M&A and investment in the sector.

If you are exploring the sale of your fertility practice and/or related lab facilities, need a valuation of your business, or are interested in looking at opportunities for growth, our Healthcare Practice Group is happy to assist you with your goals. Contact me at (424) 634 - 1653, or ravin.bisla@objectivecp.com.



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