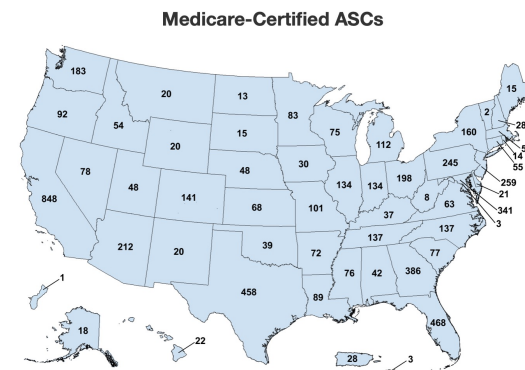


What is an Ambulatory Surgery Center (ASC)?

- An ASC is a facility that performs outpatient surgical procedures for patients that do not require an overnight stay
- First ASC opened in Arizona in 1970
- As of 2021, 6075 MEDICARE certified ASCs
- In 2021, 18,689 ORs or an average of 3.1/facility - @ 22MM procedures
- 75% of all surgery today is performed on outpatient basis compared to 15% in 1980

	2016	2020	2021	Average annual change	
				2016-2020	2020-2021
Total number of ASCs	5,489	5,916	6,075	1.9%	2.7%
New	172	184	254	N/A	N/A
Closed or merged	117	73	95	N/A	N/A
Total number of ORs	16,982	18,156	18,689	1.7	2.9
New	443	505	755	N/A	N/A
Closed or merged	329	199	222	N/A	N/A



MEDPAC

https://www.medpac.gov/wp-content/uploads/2023/03/Ch5_Mar23_MedPAC_Report_To_Congress_SEC.pdf

Based on data provided by the Centers for Medicare & Medicaid Services (CMS), December 2022

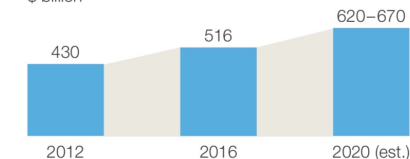
Why invest in Ambulatory Surgery Center (ASC) Industry?

- Significant value and return – track record of doubling revenues over an 18 month period
- Surgical cases continue to shift from HOPD/Inpatient to ASC
- ASC industry is going through a period of consolidation – current industry multiples 7x to 9x for majority stake
- **Historically, healthcare sector has provided great returns**
- Healthcare sector accounts for 18% of GDP
- Healthcare spending 2021 - \$4.3 trillion

EXHIBIT 1 US healthcare sector EBITDA and EBITDA growth

US healthcare sector EBITDA

\$ billion



Compound annual EBITDA growth, 2012-16



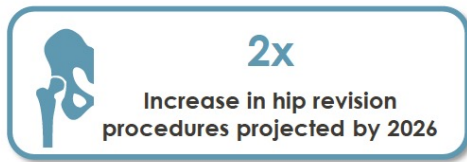
EBITDA, earnings before interest, taxes, depreciation, and amortization.

Sources: Capital IQ industry estimates for top 1,000 US companies; see the detailed sources listed under Exhibits 2 and 3 for the US healthcare industry

Competitive Advantage of an ASC versus Inpatient Facilities (Hospitals)

- **Increasing demand for surgeries in an ASC**

- ❑ Higher Surgeon and patient satisfaction rates
- ❑ Lower infection rates in an ASC setting
- ❑ Reduced cost for insurance companies and patients
- ❑ Increasing shift of CMS cases to ASC
- ❑ Cost savings, copays
- ❑ Higher productivity
- ❑ Mitigate Hospital shutdowns/access



Ownership breakdown of ASCs

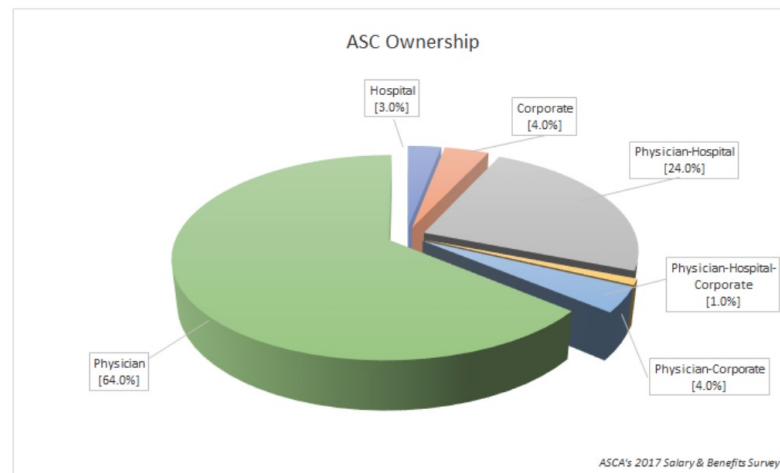
- The ASC industry continues to remain highly fragmented with **approximately 72% of freestanding ASCs** being independently owned and operated.
- The remaining 28% of the ASC industry is controlled ASC Management Companies

TABLE 5-2 Most ASCs are for profit and urban

Type of ASC	ASCs that were:		
	Open in 2016	Open in 2021	New in 2021
For profit	95.2%	95.3%	95.2%
Nonprofit	3.6	3.7	4.3
Government	1.2	1.0	0.4
Urban	93.0	93.4	92.1
Rural	7.0	6.6	7.9

Note: ASC (ambulatory surgical center). The "New in 2021" column for the first three ASC types does not sum to 100 percent due to rounding.

Source: MedPAC analysis of CMS Provider of Services file, 2022.



Company Name	# of Centers
AmSurg	264
USPI/Tenet	261
Surgical Care Affiliates	186
HCA	120
SurgCenter Development	106
Surgery Partners	106
Other Management/Multi-Site Operators	509
Total Centers	1,552

ASC Specialization – Single vs Multispecialty

Type of ASC	2016		2021	
	Number of ASCs	Share of all ASCs	Number of ASCs	Share of all ASCs
Single specialty	2,876	61%	3,535	65%
Gastroenterology	1,025	22	1,112	20
Ophthalmology	1,015	21	1,123	21
Pain management	356	6	643	12
Dermatology	180	4	192	4
Urology	123	3	143	3
Cardiology	13	0	118	2
Podiatry	90	2	71	1
Orthopedics/musculoskeletal	29	1	61	1
Respiratory	20	0	30	1
OB/GYN	15	0	12	0
Neurology	6	0	7	0
Other	4	0	33	1
Multispecialty	1,855	39	1,914	35
More than 2 specialties	1,403	30	1,489	27
Pain management and orthopedics	273	6	247	5
Gastroenterology and ophthalmology	179	4	198	4
Total	4,731	100	5,449	100

- Multispecialty reduces revenue risk
- Higher multiples
- Better leverage in negotiating managed care contracts

Note: ASC (ambulatory surgical center), OB/GYN (obstetrics and gynecology). We define a single-specialty ASC as one with more than 67 percent of their Medicare claims in one clinical specialty. We define a multispecialty ASC as one with less than 67 percent of their Medicare claims in one clinical specialty. ASCs included in this analysis are limited to those in the 50 states and the District of Columbia that had a paid Medicare claim in 2021. Some Medicare-certified ASCs did not have a paid Medicare claim in 2021. Therefore, this table has fewer ASCs than Table 5-1, which includes all Medicare-certified ASCs. Columns containing the shares of all ASCs do not sum to 100 percent due to rounding.

Source: MedPAC analysis of Medicare carrier file claims, 2021.

Average Net Revenue vs % of Cases Median Values

- Average net revenue

- **Pain management: \$973**

- SCS Pain management:

- \$29,500 plus Temp \$5600

- Ortho: \$3,222

- GI: \$973

- OPTO: \$1,195

- Urology \$2367

- Market Share of cases

- GI: 26.8%

- OPTO: 23.8%

- Pain management: 14.8%

- Orthopedics: 16%

- **Upper 4 = 81.4%**

- Urology: 5%

Procedure name	2016		2021	
	Percent of volume	Rank	Percent of volume	Rank
Extracapsular cataract removal w / IOL insert	18.5%	1	18.6%	1
Upper GI endoscopy, with biopsy; single or multiple	8.2	2	7.8	2
Colonoscopy and biopsy	6.8	3	6.9	4
Colonoscopy with lesion removal, snare technique	5.7	4	7.0	3
Inject transforaminal epidural: lumbar or sacral	4.8	5	4.4	5
After cataract laser surgery	4.3	6	3.8	6
Injection interlaminar epidural: lumbar or sacral	3.2	7	2.2	9
Injection paravertebral facet joint: lumbar or sacral, single level	3.2	8	3.1	7
Diagnostic colonoscopy	2.1	9	1.4	11
Colorectal cancer screening, high-risk individual	2.0	10	2.3	8
Colorectal cancer screening, not high-risk individual	1.9	11	1.4	14
Extracapsular cataract removal complex without ECP	1.5	12	1.4	12
Destroy lumbar/sacral facet joint, single	1.4	13	1.7	10
Injection procedure for sacroiliac joint, anesthetic	1.3	14	1.4	13
Cystourethroscopy	1.2	15	1.2	15
Injection interlaminar epidural: cervical or thoracic	1.1	16	0.9	18
Injection paravertebral facet joint: cervical or thoracic, single level	1.0	18	1.0	16
Upper GI endoscopy diagnostic brush wash	1.0	17	0.7	19
Blepharoplasty upper eyelid	0.9	19	0.9	17
Upper GI endoscopy, guide wire insertion	0.8	20	0.7	23
Total	70.9		68.1	
Total volume for all ASC services	6,660,141		6,372,853	

Note: ASC (ambulatory surgical center), IOL (intraocular lens), ECP (endoscopic cyclophotocoagulation), GI (gastrointestinal). In both percentage columns, the numbers do not sum to the total because of rounding.

Source: MedPAC analysis of physician/supplier standard analytic files from 2016 and 2021.

ASC Industry Benchmarks

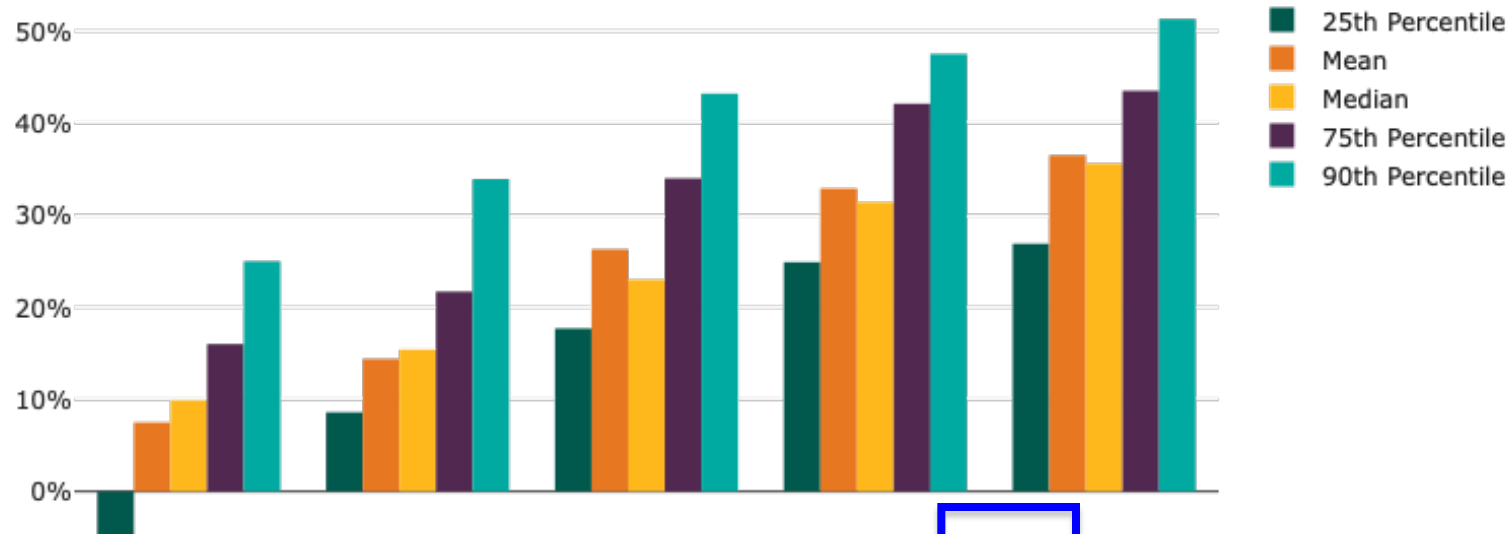
Revenue per Case						Case Volume Summary					
Category	Mean	25%	Median	75%	90%	Mean	25%	Median	75%	90%	
Otolaryngology	\$2,543	\$1,804	\$2,219	\$2,952	\$4,172	Total Cases per Center	4,927	3,029	4,412	6,358	8,362
Gastroenterology	\$1,027	\$799	\$974	\$1,258	\$1,548	Cases per Day (250 Days)	19.7	12.1	17.6	25.4	33.4
General Surgery	\$2,235	\$1,682	\$2,191	\$2,724	\$3,031	Surgical Cases per OR per Year	1,184	787	1,104	1,507	1,883
Gynecology	\$2,933	\$2,052	\$2,754	\$3,766	\$4,518	per Day (250 Days)	4.7	3.1	4.4	6	7.5
Ophthalmology	\$1,442	\$1,221	\$1,403	\$1,643	\$1,857						
Oral Surgery	\$950	\$768	\$998	\$1,121	\$1,232						
Orthopedics	\$3,458	\$2,702	\$3,346	\$4,182	\$5,007						
Pain Management	\$1,245	\$812	\$1,123	\$1,602	\$2,006						
Plastic Surgery	\$2,010	\$1,558	\$1,952	\$2,433	\$2,669						
Podiatry	\$2,688	\$2,160	\$2,539	\$3,288	\$3,691						
Urology	\$2,483	\$2,008	\$2,367	\$2,913	\$3,733						

opportunity if the median is 4.4 cases to increase productivity

Case Mix					
Category	Mean	25%	Median	75%	90%
Otolaryngology	12%	3%	7%	15%	25%
Gastroenterology	34%	20%	31%	45%	60%
General Surgery	9%	4%	7%	13%	20%
Gynecology	6%	2%	3%	7%	11%
Ophthalmology	26%	11%	21%	37%	54%
Oral Surgery	9%	3%	5%	11%	26%
Orthopedics	21%	7%	16%	29%	46%
Pain Management	21%	7%	14%	32%	50%
Plastic Surgery	5%	2%	4%	7%	10%
Podiatry	6%	2%	3%	6%	10%
Urology	8%	3%	5%	11%	19%

EBITDA Margin ASC Industry

EBITDA Margin by Facility Revenue



EBITDA Margin Analysis

Facility Revenue	Mean	25%	Median	75%	90%
Less than \$4mm	7.50%	-4.90%	9.90%	16.00%	25.00%
\$4mm to \$8mm	14.40%	8.60%	15.40%	21.70%	33.90%
\$8mm to \$12mm	26.30%	17.70%	23.00%	34.00%	43.20%
\$12mm to \$16mm	32.90%	24.90%	31.40%	42.10%	47.50%
Greater than \$16mm	36.50%	26.90%	35.60%	43.50%	51.30%

Valuation Multiples CON States are higher than the national average- (from Health Care Appraisers)

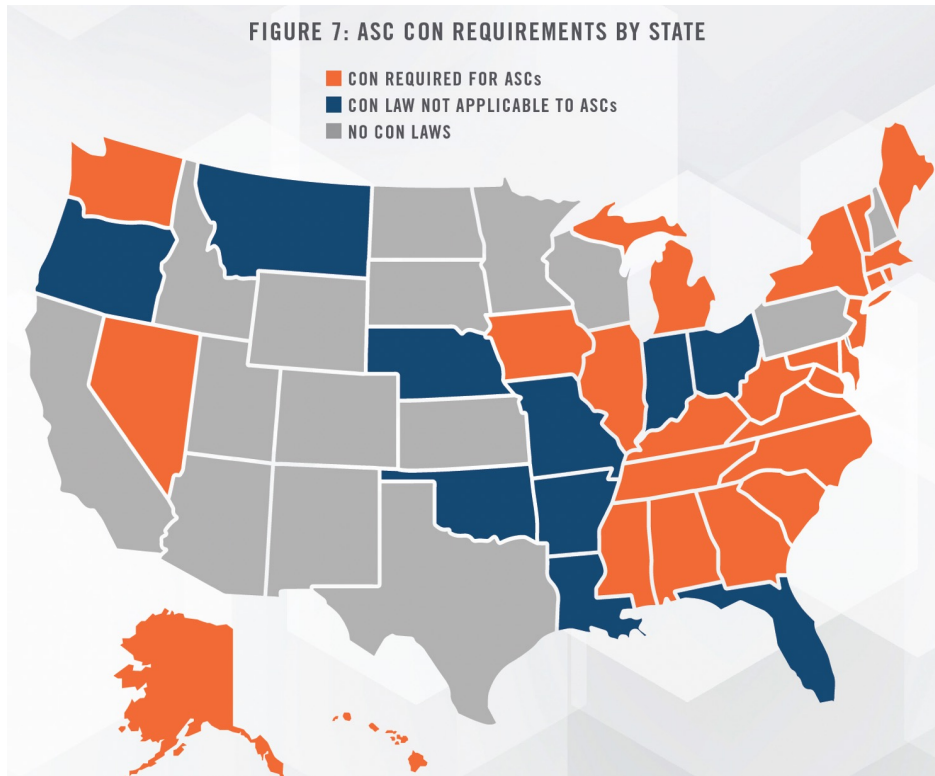


FIGURE 2: ESTIMATED IMPLIED MVIC-TO-EBITDA MULTIPLES BASED ON STATE CON FILINGS

DATE	TARGET	STATE	ESTIMATED MVIC	REVENUE	EBITDA	ESTIMATED MVIC/EBITDA
12/1/2020	SUMMER STREET ASC	CT	\$19,589,993	\$7,445,699	\$2,184,660	9.0x
12/1/2020	BLOOMFIELD ASC	CT	\$34,183,474	\$10,798,114	\$2,712,884	12.6x
5/3/2018	SOUTH SHORE ASC	NY	\$17,905,000	\$12,839,292	\$1,950,219	9.2x
10/31/2016	SURGICAL CENTER OF CONNECTICUT	CT	\$29,176,058	\$6,738,258	\$2,453,091	11.9x
10/31/2016	RIVER VALLEY ASC	CT	\$51,593,598	\$9,885,186	\$5,839,673	8.8x
4/9/2015	SUFFOLK SURGERY CENTER	NY	\$10,999,604	\$5,646,502	\$1,899,006	5.8x
12/19/2014	SOUTH SHORE SURGERY CENTER	NY	\$13,971,657	\$5,768,283	\$1,954,474	7.1x
1/7/2014	GARDEN CITY SURGI CENTER	NY	\$10,109,000	\$7,471,025	\$2,256,311	4.5x

Valuation Multiples National Averages

FIGURE 4: HEALTHCARE APPRAISERS ASC VALUATION SURVEY RESULTS - 2017 TO 2021

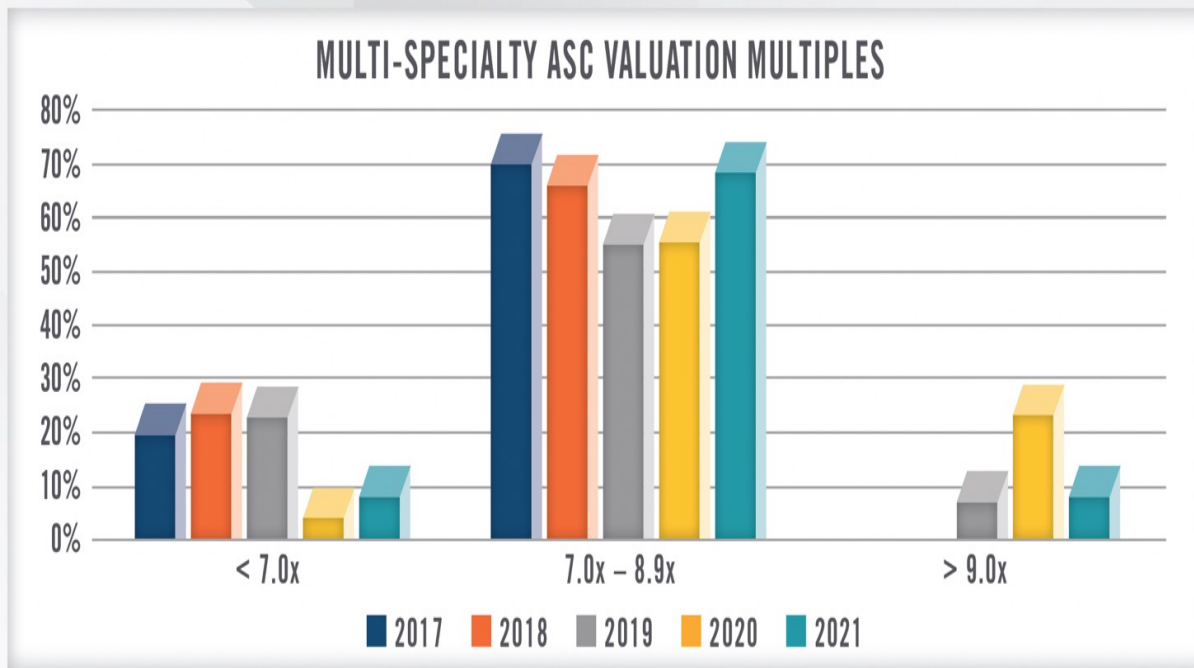


FIGURE 3: ASC MVIC-TO-EBITDA MULTIPLES

DATE	ACQUIRER	TARGET	NUMBER OF ASCs	MVIC	EBITDA	MVIC/EBITDA
11/8/2021	UNITED SURGICAL PARTNERS INTERNATIONAL	PORTFOLIO OF 92 SURGERY CENTERS OWNED BY SURGCENTER DEVELOPMENT (1)	92	\$1,200,000,000	N/A	5.2x
12/10/2020	UNITED SURGICAL PARTNERS INTERNATIONAL	PORTFOLIO OF 45 SURGERY CENTERS OWNED BY SURGCENTER DEVELOPMENT	45	\$1,851,333,330	\$210,000,000	8.8x
1/12/2018	MEDICAL FACILITIES CORP	7 MERIDIAN SURGICAL PARTNERS ASCs (2)	7	\$87,700,000	\$8,900,000	9.9x
5/10/2017	SURGERY PARTNERS, INC.	NATIONAL SPECIALTY HOSPITALS, INC.	21 (3)	\$760,000,000	\$113,507,000	6.7x
5/9/2017	BAIN CAPITAL PRIVATE EQUITY, LP	SURGERY PARTNERS, INC.	125 (3)	\$2,843,102,580	\$250,889,000	11.3x
1/7/2017	OPTUM, INC	SURGICAL CARE AFFILIATES, LLC	197	\$4,300,754,110	\$339,592,000	12.7x
3/23/2015	TENET HEALTHCARE CORPORATION	UNITED SURGICAL PARTNERS INTERNATIONAL (4)	202	N/A	N/A	12.5x
6/13/2014	SURGERY PARTNERS, INC.	SYMBION, INC.	44	\$841,027,000	\$114,952,000	7.3x
6/1/2013	SURGICAL CARE AFFILIATES, LLC	HEALTH INVENTURES, LLC	4	\$18,500,010	\$4,330,210	4.3x
4/7/2011	AMSURG CORP.	NATIONAL SURGICAL CARE, INC.	18	\$142,000,000	\$21,500,000	6.6x
1/12/2011	SURGERY PARTNERS, INC.	NOVAMED INC.	37	\$215,100,000	\$42,050,000	5.1x

Why invest in an ASC

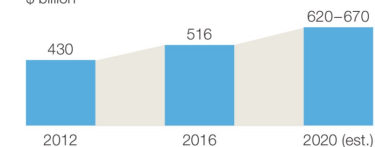
- Shift to from HOPD to ASC continues
- Stable revenue stream insurance payors pushing cases to ASCs
- Patient and surgeon preference ASC over HOPD
- Fragmented industry – opportunity for consolidation
- Competitive advantage of an ASC over HOPD
- Invest in competitive USA regions
- New construction costs on average \$450/sqft

	2016	2019	2020	2021	Average annual change	
					2016–2019	2019–2021
Medicare payments (billions of dollars)	\$4.3	\$5.2	\$4.9	\$5.7	7.1%	4.9%

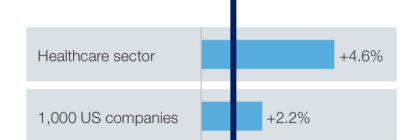
EXHIBIT 1 US healthcare sector EBITDA and EBITDA growth

US healthcare sector EBITDA

\$ billion



Compound annual EBITDA growth, 2012–16



EBITDA, earnings before interest, taxes, depreciation, and amortization.

Sources: Capital IQ industry estimates for top 1,000 US companies; see the detailed sources listed under Exhibits 2 and 3 for the US healthcare industry

Sources

- ASC Association
- <https://www.ascassociation.org/advancingsurgicalcare/reducinghealthcarecosts/costsavings>
- Healthcare Appraisers
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- <https://www.pwc.com/us/en/services/consulting/deals/library/ma-integration-survey.html>