



Q1-2011 ANESTHESIA SERVICES INDUSTRY UPDATE

M&A Update

Anesthesia deals have been somewhat limited this quarter, although the pipeline for deals, as indicated in the most recent quarterly earnings calls, continue to remain robust for acquirers like Emergency Medical Services Corporation (EMSC).

With the announcement that EMSC is potentially going private through private equity firm Clayton, Dubilier and Rice's (CD&R) \$3.2 billion takeover offer, the pace of acquisitions has slowed down. EMSC, which in the prior quarters had been one of the most active acquirers in this segment, must now focus on completing its own take-private transaction. The announcement to partner up with CD&R was announced in mid-February, shortly after it completed an acquisition in January of North Pinellas Anesthesia, an anesthesia provider with 40 clinicians.

EMSC (see table on right) is a particularly attractive acquisition target given its latest financial performance, and also especially with two distinct but related service segments, which could possibly be divested in the near future. Both revenue and adjusted EBITDA growth for the overall company increased by approximately 11% from 2009-2010. EmCare, the physician service segment, has been responsible for the bulk of the increased revenue and EBITDA, and it has also seen patient encounters increase by 1.2 million in this time period. Its adjusted EBITDA margins are higher than the overall company's, which is also weighted down by lower margins on the ambulance business.

Given the relative financial performance of the two segments and high fragmentation of the anesthesia market, expect EMSC's deal flow to be concentrated on physician services, especially within anesthesia. Other national acquirers will likely pursue a similar acquisition strategy with an emphasis on anesthesia deal opportunities.

UPCOMING EVENT – 9th Annual Orthopedic, Spine and Pain Management-Driven ASC Conference

Date: June 9-11, 2011 Location: Chicago, IL

Provident Healthcare Partners will be in attendance to discuss mergers and acquisitions trends and activity within the ambulatory surgery center management segment. For additional details, please contact Will Tao at 617-742-9800 or email: wtao@providenthp.com. We look forward to seeing you there!

Comparative Performance

Below is a chart comparing the performance of an index of diversified outsourced health services companies to the S&P 500: TeamHealth (TMH), MEDNAX (MD), and EMSC (EMS).



The share price index of anesthesia providers has consistently outperformed the S&P index. All three companies are trading at a minimum of 8x EBITDA. TMH: 8.86x; MD: 9.24x; EMS: 9.34x.

EMSC Comparative Financial Performance

	2010	2009
Net Revenue	\$2,859.3M	\$2,569.7M
Adjusted EBITDA	\$314.4M	\$282.0M
Adjusted EBITDA %	11.0%	11.0%
EmCare Revenue	\$1,478.4M	\$1,224.8M
EmCare Adjusted EBITDA	\$189.0M	\$157.3M
EmCare Adjusted EBITDA %	12.8%	12.8%
Patient Encounters	11.0M	9.8M

RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
February 2011	Clayton, Dubilier & Rice	Emergency Medical Services Corp. (EMSC)	The private equity firm Clayton, Dubilier & Rice has entered into a definitive merger agreement to acquire EMSC for \$64 per share, valuing the company at approximately \$3.2 billion. The purchase price multiple is approximately 9.4x EBITDA. The transition to a privately-held company will greatly enhance EMSC's flexibility and growth opportunities in the future. With a new global equity partner, EMSC will be better positioned to play a significant role in delivering outsourced physician and ambulance transportation services to facilities and patients.
January 2011	Emergency Medical Services Corp.	North Pinellas/Northwood Anesthesia Associates	EMSC, through its subsidiary EmCare, has acquired North Pinellas/Northwood Anesthesia Associates based in Tampa, FL. The practice has approximately 40 clinicians providing services at two hospitals and seven ASCs. The acquisition is expected to contribute \$15 million in annual net revenue.