



Q2-2011 ANESTHESIA SERVICES INDUSTRY UPDATE

M&A Update

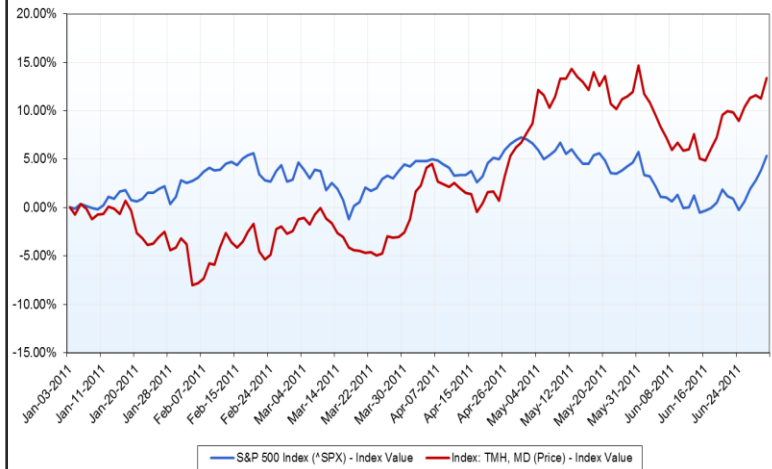
Anesthesia deal flow this quarter has remained somewhat limited, but some of the most notable anesthesia providers in the industry have undergone significant transactions.

In late May, Emergency Medical Services Corp. (EMSC) shareholders formally approved the private equity takeover by Clayton, Dubilier and Rice in a deal valued at approximately \$3.2 billion (\$64/share). Prior to the formal completion of the EMSC deal, North American Partners in Anesthesia, one of the largest independent anesthesia management companies, had its management services organization recapitalized by Moelis Capital in a deal valued at north of \$150MM towards the end of April. It is anticipated that with significant private equity backing, EMSC will continue to focus on anesthesia services acquisitions, while NAPA's practice management arm may likely avoid clinical acquisitions for the time being.

As a result of the active anesthesia market, public valuations for these companies are increasingly trending higher, with TeamHealth and MEDNAX trading at historical highs. Shortly before being taken private, EMSC's share price had also reached all-time highs.

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) and MEDNAX (MD).



The share price index of these anesthesia providers has consistently outperformed the S&P index. Both companies are trading at a minimum of 8x EBITDA. TMH: 10.86x; MD: 10.36x. During the same period last quarter, TMH was trading at 8.86x while MD was trading at 9.24x.

Private Equity Interest for Anesthesia Increasing

While prior acquisitions were concentrated on a limited number of strategic buyers (i.e. EMSC, TeamHealth, Sheridan, and MEDNAX), private equity groups are increasingly viewing the anesthesia segment as an attractive investment opportunity, as demonstrated by the two aforementioned deals.

Depending on whether an anesthesia group fits certain investment and acquisition parameters, private equity may present a more viable option depending on the goals and objectives of a particular physician group. Certain attributes of a private equity deal might include: a partial equity transaction (as opposed to a standard 100% equity buyout), continued autonomy of a group's operations, and a "second bite of the apple" for the retained equity portion upon a private equity group's investment exit. While the strategic acquirers continue to search for add-on and platform opportunities to their core operations, Provident anticipates a number of additional private equity-backed transactions closing in the latter half of 2011 based on industry intelligence and ongoing discussions.

Anesthesia is Second Highest Paid Job in the US

According to recent data from the Bureau of Labor Statistics, anesthesiologists rank as the second highest paying occupation in the US, with an average salary of \$211,750. Surgeons topped the list at \$219,770. The next six highest paying jobs were also all dominated by healthcare professionals (primarily physicians), including orthodontists, obstetricians and gynecologists. The highest paying non-healthcare occupation was the role of corporate chief executive, coming in ninth at an average of \$167,280.

RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
April 2011	Moelis Capital Partners	North American Partners in Anesthesia	Moelis Capital Partners has completed a recapitalization of North American Partners in Anesthesia's (NAPA) practice management company, NAPA Management Services Corporation (NMSC). NAPA/NMSC is one of the largest anesthesia management companies in the country, providing services at over 70 practice locations in five states and employing over 700 clinicians. NMSC provides practice management and other administrative support services to physician practices.