



DealReader

Vision Care

Industry

Q3 2016

Lincoln International Healthcare

- Inaugural DealReader focused primarily on medical-surgical, medical-retail and other vision care providers, along with brief features on vision product manufacturing
- In 2015, Lincoln served as M&A sell-side advisor to the Board of Katena Holdings
- #1 global M&A advisor in healthcare services and medtech transactions in 2015 by number of transactions under \$500 million in enterprise value

“The eye is the jewel of the body.”

– Henry David Thoreau

Key Facts and Figures



~\$39 billion
Total U.S. Vision Industry size



4.5%
Projected annual Ophthalmology growth in spending (2015 – 2020F)



151 million
U.S. individuals requiring vision correction (2010 – 2015)



+17.1 million
Increase in incidences of eye conditions and diseases (2004 – 2020F)



\$100
Annual U.S. per capita eye care spending

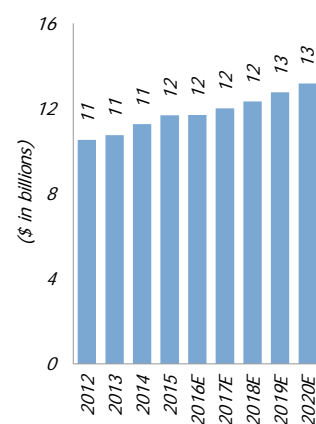
Overview of Vision Care Industry

		Activity				
		Device/Diagn Products Mfg & Distribution	Eye Exams	Medical Care	Surgical Care	Retail Sales
Manufacturers	Contact Lenses	✓				
	Diagnostics / Surgical Products	✓				
	Glasses	✓				✓
Service Providers	Retail		✓	✓		✓
	Optometrist		✓	✓		✓
	Ophthalmologist			✓	✓	✓
Market Structure		<ul style="list-style-type: none"> Highly concentrated Mass retail ~32% share Independents ~68% share Highly fragmented Mass retail ~54% share Independent ~46% share 				

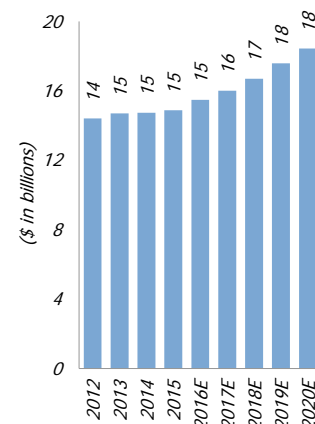
Sources: IBISWorld: Optometrists in the US, Eye Glasses & Contact Lens Stores in the US, Eye Surgery Clinics; National Eye Institute; Jobson: State of Optometry

Market Sizing and Growth

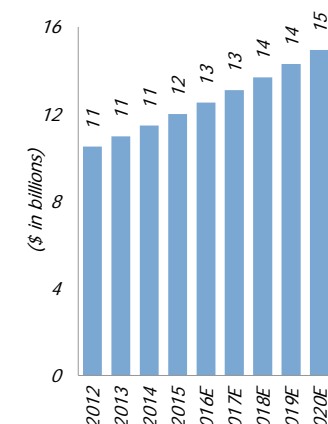
Mass Retailers



Independent Optometrists



Ophthalmologists

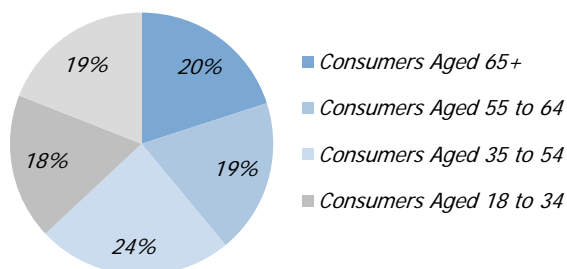


Sources: IBISWorld: Optometrists in the US, Eye Surgery Clinics, Eye Glasses & Contact Lens Stores; Allergan Access,

Growth Dynamics

- Growth in per capita spending on personal eye care
- Rise in chronic ocular conditions
- Growing payer coverage for vision care
- Longer life / aging population trends
- Innovation in vision care procedures, products, drugs and devices
- Ongoing service and product penetration

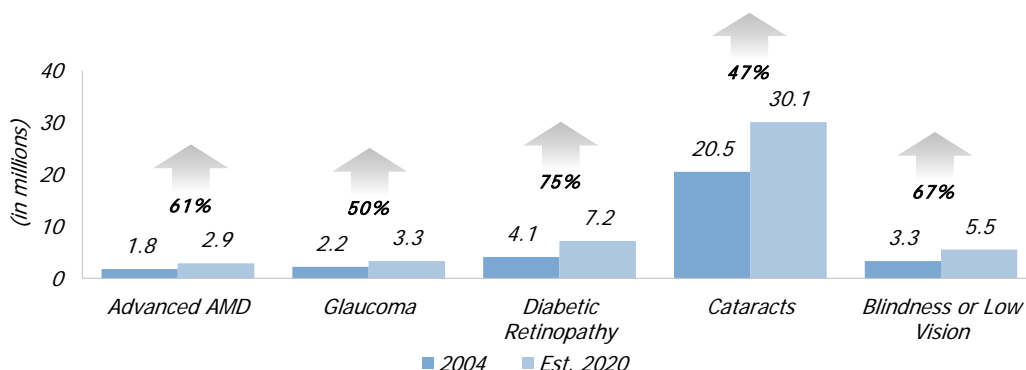
Recurring, Long-Term Vision Care Needs



Optometry Customer Mix by % of Total Revenue

Sources: Jobson: State of Optometry; Allergan Eye Care

Eye Disease Prevalence On the Rise



(1) An additional 7.3 million are at substantial risk for vision loss from AMD

Provider Differentiators/Competitive Advantages – Services

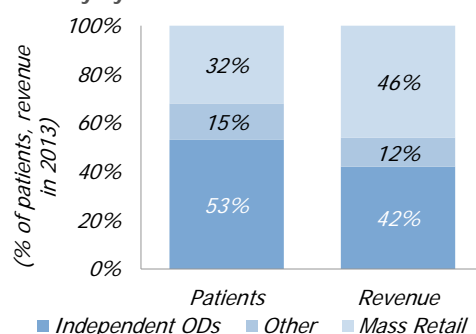
- Strength of patient relationships and loyalty
- High quality, personal service levels
- Ability to adopt and operationalize new technologies
- Incremental service offerings to gain wallet share
- Ability to recruit new professionals
- Location
- Fine-tuned, standardized clinic or center model operating expertise
- Revenue cycle management and back-office administration expertise
- Acquisition and de-novo growth capabilities

Segment Overview: Optometry

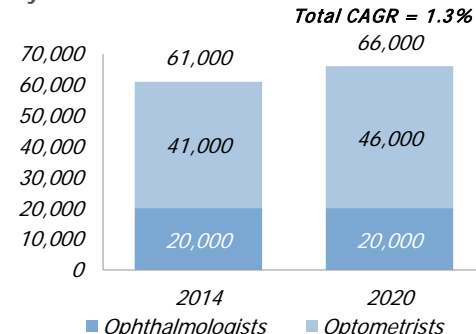
- Optometry: approximately \$15 billion in estimated, annual U.S. spending on products and vision care services
- Optometrists or ODs are licensed professionals who have received a Doctor of Optometry degree
- With growth in vision care, the number of practicing U.S. ODs has risen to over 40,000 and is projected to continue to rise to 46,000 by 2022
- With the corresponding number of ophthalmologists expected to remain flat, there is opportunity for optometrists to expand their service offering
- Independent ODs perform 53% of all primary eye care services
- Over 80% of ODs also perform some medical eye care services, included such treatment as ocular infections and allergies and glaucoma

Primary Eye Provider Mix and Eye Care Professionals

Primary Eye Care Provider Share



Eye Care Professionals Breakdown

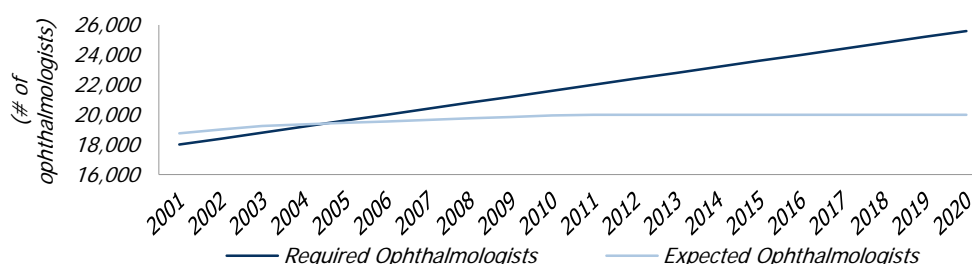


Sources: IBISWorld: Optometrists in the US, Eye Glasses & Contact Lenses; Jobson: State of Optometry; American Optometric Association

Segment Overview: Ophthalmology

- Ophthalmology: represents approximately \$12 billion in estimated, annual U.S. spending on vision services and products annually
 - 33% of the broader vision care category spend
 - U.S. demand for ophthalmic goods is forecast to rise 2.8% yearly through 2020
- Ophthalmologists are highly trained MDs providing a broad range of specialized surgeries and services in eye care
- There are currently ~ 18,000 ophthalmologists in the U.S., which is expected to remain flat through 2020
- Consistent growth of vision correction surgery provides significant demand: potential refractive surgery market of 10+ mm individuals
- Growing shortages in ophthalmologists present opportunities for ophthalmology practice management (including provider consolidation); service pricing and service expansion by ODs

Increasing Need for Ophthalmologists



(1) An additional 7.3 million are at substantial risk for vision loss from AMD

Ophthalmology Overview

Ophthalmology by Selected Condition

Condition	Treatments / Procedures
Basal Cell Carcinoma	<ul style="list-style-type: none"> Biopsy
Cataract	<ul style="list-style-type: none"> Surgical removal & replacement with plastic lens
Glaucoma	<ul style="list-style-type: none"> Trabeculectomy Laser Trabeculoplasty
Iritis	<ul style="list-style-type: none"> Anti-inflammatory eye drops
Optic Neuritis	<ul style="list-style-type: none"> n/a (improves without treatment in 90% of cases)
Refractive Disorders	<ul style="list-style-type: none"> Eyeglasses, contact lenses or refractive surgery
Retinal Detachment	<ul style="list-style-type: none"> Emergency surgery
Retinoblastoma	<ul style="list-style-type: none"> Enucleation or radiation / chemotherapy
Stabismus	<ul style="list-style-type: none"> Occlusion of non-amblyopic eye

Comparison of Services: Optometry vs. Ophthalmology

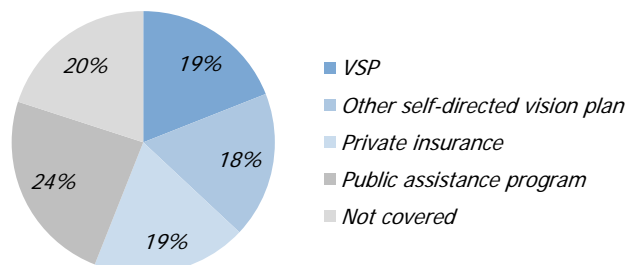
Service	Optometrist	Ophthalmologist
Vision Services (e.g., eye exams)	✓	✓
Medical Eye Care (e.g., glaucoma, iritis)	✓	✓
Surgical Eye Care (e.g., cataracts, retinoblastoma)		✓
Refractive Surgery (e.g., LASIK)		✓
Plastic Surgery (e.g., drooping eyelids)		✓
Other	✓	✓

Managed Care and Medicare Trends

Private, third-party insurance represents greater than 50% of coverage (OD Market)

Managed Plan Coverage for Optometric Care

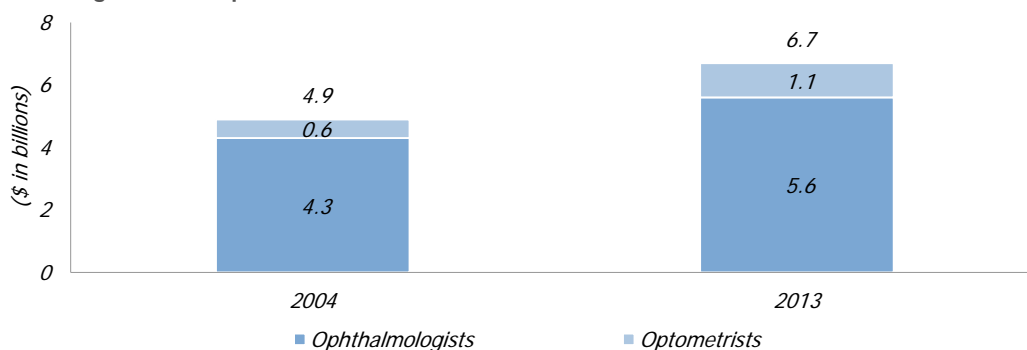
~80% of patients seen by ODs are covered by a managed vision services provider



Sources: American Optometric Association, Center for Medicare and Medicaid; ASC Review: Ophthalmology Roundtable

Medicare Payments to Eye Care Professionals

Medicare vision benefits center around cataract surgery, corrective eye wear, glaucoma screening and ocular prostheses



Sources: American Optometric Association, Center for Medicare and Medicaid; ASC Review: Ophthalmology Roundtable

Example Vision Care Service Providers

Company	Sites	Services				Geography	Website
		Retail	Optometry	Ophthalmology	Refractive Surgery		
1-800 Contacts	1	✓				National	1800contacts.com
ABB Optical	4	✓				West/ Northeast	abbconce.com
Allegany Optical	17	✓	✓			Southeast	alleganyoptical.com
Carolina Eye	9		✓	✓	✓	East	carolinaeye.com
Centre for Sight	25		✓	✓	✓	India	centreforsight.net
Clarivision	12	✓	✓	✓	✓	Northeast	clarivision.com
Clarkson Eyecare	62	✓	✓	✓	✓	Midwest	clarksoneyecare.com
Eyecare Services Partners	6		✓	✓	✓	Northeast	katzeneye.com
Eyemart	149	✓				National	eyemartexpress.com
Family Eye Center	2	✓	✓	✓	✓	Southeast	troyeye.com
Inland Eye	5	✓		✓	✓	West	inlandeyespecialists.com
Koch Eye	7			✓	✓	Northeast	kocheye.com
LCA Vision	61			✓	✓	National	lasikplus.com
MyEyeDr	54	✓	✓	✓	✓	Southeast	myeyedr.com
NVISION Laser Eye	15		✓	✓	✓	West	nvisioncenters.com
Optegra	12		✓	✓	✓	United Kingdom	optegra.com
Refac Optical	758	✓	✓	✓	✓	National	opticareofutah.com
Rxoptical	43	✓	✓			Midwest	rxoptical.com
Southwestern Eye	19		✓	✓	✓	Southwest	sweye.com
Svs Vision	59	✓	✓			East / Midwest	svsvision.com
TLC Vision	67			✓	✓	National	tlcvision.com
Vision Source	2,800 ⁽¹⁾	✓	✓			National	visionsource.com
Wolfe Eye	10		✓	✓	✓	Midwest	wolfeeyeclinic.com

Note: (1) Represents franchisee locations

Sampling of Private Equity Investments in the Vision Care Field

Manufacturers / Distribution	Vision Benefits / PPM / GPO	Ophthalmology / Procedures	Optometry / Retail
             	       	                  	            

(1) Lincoln International's Healthcare Group served as financial advisor to the Board of Directors of Katena Holdings in the 2015 sale from Cortec Group to Audax Group

Sampling of M&A Deals in the Vision Care Services Space (2013 – Present)

Announced Date	Target Company	HQ Country	Target Ownership	Acquiring Company	Business Description
Jun-16	Children's Eye Care of North Texas	United States	Private	Mednax	Operates as a pediatric ophthalmology practice in Texas
May-16	Crystal Clear Vision Canada	Canada	Private	NVISION Laser Eye Centers	Provides distance vision correction services and performs cataract surgery
May-16	Gordon Schanzlin New Vision Institute/TLC Vision	United States	Private	Vision Group Holdings	Provides optometry services and vision care products
Feb-16	Neil Cuthbert & Partners	United Kingdom	Private	MM Eyecare	Provides contact lenses and low vision aids and performs eye examinations
Feb-16	Vision Direct Europe	United Kingdom	PE-Backed	Essilor International	Operates as an online retailer of contact lenses and other eye care products
Jan-16	Whiting Clinic LASIK Eye	United States	Private	Vision Group Holdings	Operates as an eye care facility in Minnesota
Jan-16	PRIMA	France	Private	IDOC	Operates as a practice management company
Dec-15	1-800 CONTACTS	United States	PE-Backed	AEA Investors	Retails lenses online for consumers in the United States
Nov-15	A H Mertons	United Kingdom	Private	Valli Optical	Provides eye care service for customers in the North-West
Sep-15	Advanced Family Eyecare	United States	Private	Family Eye	Provides vision care services to patients in Alabama
Aug-15	MyEyeDr	United States	PE-Backed	Altas Partners; CDPQ	Acquires and manages optometric practices
Jul-15	Vision Source	United States	PE-Backed	Essilor of America	Operates a network of independent optometrists
Jun-15	Centre Oftalmològic de Reus Sociedad	Spain	Private	Centre MQ Reus	Owns and operates an ophthalmology centre
May-15	MidWest Eye Center	United States	Private	Tri-State Centers For Sight	Provides eye care services to patients in Ohio and Kentucky
Apr-15	Southeastern Eye Center	United States	Operating Subsidiary	Carolina Eye Associates P.A.	Provides laser eye surgery services
Dec-14	John Trotter & Co Ophthalmic Opticians	United Kingdom	Private	Black & Lizards	Operates as an opticians practice in the United Kingdom
Dec-14	Eye Care Associates	United States	Private	Capital Vision Services	Provides eye exams, glasses and contacts
Nov-14	Eyemart Express	United States	Private	FFL Partners	Operates a chain of retail optical stores in the United States
Nov-14	Teplink Custom	United States	Private	NVISION Laser Eye Centers	Provides laser vision correction services
May-14	Katzen Eye Group	United States	Private	Varsity Healthcare Partners	Private eye care practice in Maryland
May-14	C & C Optical Shop	United States	Private	Eye Care One	Provides eye care services
Apr-14	Foundation for Advanced Eye Care	United States	Private	Baptist Health South Florida	Offers eye surgery, lens implants and cornea transplants
Feb-14	Heartland Eye	United States	Private	Wolfe Eye Clinic	Operates as an eye care clinic
Feb-14	Tristate Eye Care	United States	Private	International Eyecare Center	Provides eye health services
Feb-14	Nevada Eye	United States	Private	NVISION Laser Eye Centers	Provides ophthalmology services for their patients
Jan-14	1-800 CONTACTS	United States	Operating Subsidiary	Thomas H. Lee Partners	Retails lenses online for consumers in the United States
Jan-14	Doctors Vision Center	United States	Private	Capital Vision Services	Offers vision care services for children, adults and seniors
Nov-13	Capital Eye Medical	United States	Private	NVISION Laser Eye Centers	Provides ophthalmology services
Oct-13	Southcoast Eye Care	United States	Private	Clarix	Provides vision and eye health care services
Oct-13	Yonge Eglinton Laser Eye	Canada	Private	TLC Vision	Provides laser eye care and cosmetic services
Sep-13	Rosenthal Vision	United States	Private	Dr. Mark H. Rinkov	Offers optometry services
Sep-13	Nationwide Optical Group	United States	Private	U.S. Vision	Operates as an optical retailer in Arizona
Aug-13	The Optical Solution	United States	Private	Levin Eye Care	Provides eye care services in Maryland
Jul-13	Block Vision	United States	Private	Superior Vision Services	Manages vision care and eye health programs
Feb-13	Eye Institute of Southern Arizona	United States	Private	Southwestern Eye Center	Owns and operates ophthalmic practice centers in Arizona
Jan-13	Seacoast Eye	United States	Private	Koch Eye	Provides laser vision correction services

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