

Q2-2020 Durable Medical Equipment (DME) Update

Market Update

The second quarter of 2020 marked a continuation of the strong consolidation activity in the DME sector in 2019 and Q1 2020. Transaction activity for the quarter was concentrated outside of traditional DME providers. Businesses specializing in Complex Rehab Technology, Diabetic & Incontinence Supplies, and Wound Care continued to receive significant buyer interest as private equity firms and strategic consolidators look to expand their product portfolios and geographic footprints.

While many DME providers have been negatively impacted by decreased referral volume driven by COVID-19, Provident expects M&A activity in the sector to maintain its strong momentum into the second half of 2020, as the DME space remains relatively insulated from the negative economic effects of the pandemic.

Select Transactions:

Notable Consolidator



National Seating & Mobility (NSM), one of the largest operators in the Complex Rehab Technology (CRT) space, has had an extremely active Q2 2020. The Company, who was acquired by PE-firm Cinven in November 2019, made five CRT acquisitions in the quarter: AARO Medical Supplies (Aberdeen, WA), A Plus Medical Supply (Little Rock, AR), Sandia Wheelchairs (Albuquerque, NM), the CRT division of Hartman Brothers Medical Equipment (Grand Junction, CO), and Active Mobility Products (Kelowna, British Columbia). These acquisitions expanded the Franklin, TN-based NSM's geographic footprint immensely and will position the Company to achieve cost efficiencies through increased economies of scale. This aggressive inorganic growth strategy is a typical playbook employed by a PE-backed platform company.

Month	Acquirer	Target	Deal Description
April	Spiro Health	America's Healthcare at Home Cape Medical Supply Health Complex Medical	Spiro Health was formed via the merger of three Northeast DME providers: America's Healthcare at Home (Baltimore, MD), Cape Medical Supply (Sandwich, MA), and Health Complex Medical (Waterbury, CT). The newly formed entity will care for clients in seven states across New England and the DMV. Private equity firm NewSpring, in partnership with Upstream Capital, invested in Spiro, which is expected to pursue additional acquisitions in the near-term.
May	AdaptHealth	Solara Medical Supplies	AdaptHealth, a leading provider of home medical equipment in the US, acquired Solara Medical Supplies (Solara), a provider of continuous glucose monitors, insulin pumps, and other diabetes supplies, from PE-firm Linden Capital Partners who had acquired Solara in 2018. The acquisition will expand AdaptHealth's presence in the rapidly growing diabetes market while positioning the Company to grow its connected device capabilities to other areas such as CPAP's, pulse oximeters, and blood pressure cuffs.
June	Travis Medical	Allumed	Travis Medical, an Austin, TX-based complex rehab provider, combined operations with Temple, TX-based Allumed. The acquisition further solidifies Travis Medical's foothold in the Texas market, after expanding outside the state via its April 2019 merger with American Seating & Mobility (ASM), whose operations are concentrated in the Pacific Northwest.
June	Graham-Field Health Products	Gendron	Graham-Field (GF) Health Products, a leading manufacturer of medical products based in Atlanta, GA, acquired Gendron, a manufacturer specializing in beds, mobility, seating and transfer equipment for the bariatric market. The transaction represents GF's fourth acquisition in the past eight years.

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