Q4-2020 Durable Medical Equipment (DME) Update

Market Update

The fourth quarter of 2020 marked the culmination of an extremely active year for M&A activity within DME. Private equity firms and strategic consolidators alike actively pursued add-on and new platform investments to capitalize on the strong tailwinds driving steady growth in the sector. Transaction activity in the quarter was highlighted by AdaptHealth's $2.0bn acquisition of respiratory therapy provider, AeroCare.

Looking ahead to 2021, M&A activity across DME is poised to continue its momentum from 2020. Operators who have effectively positioned their businesses to capitalize on the increased digitization and remote-monitoring industry-wide stand to command significant interest from the investor community.

Notable Consolidator

As mentioned, M&A activity within DME in Q4 was highlighted by AdaptHealth's announced acquisition of AeroCare at a total purchase price of approximately $2.0 billion in December. The transaction will significantly enhance the scale and geographic reach of the combined organization. Additionally, AdaptHealth completed its acquisition of Pinnacle Medical, a provider of diabetes management supplies. Pinnacle, formerly backed by the FSB Companies, represents AdaptHealth's second significant acquisition of a diabetes management supplier, following its acquisition of Solara Medical Supplies earlier this year. These acquisitions represent a continuation of AdaptHealth's strategy to build scale across the enterprise coupled with a diverse product portfolio.

Select Transactions:

Month	Acquirer	Target	Deal Description
December	Gemini Investors	AZ MediQuip	AZ MediQuip, an Arizona-based DME provider offering a full suite of DME products, received funding from private equity partner, Gemini Investors, to serve as a new platform investment in the DME sector. AZ MediQuip currently has 4 locations throughout the Greater Phoenix area and will utilize the capital resources and strategic expertise of its private equity partner to open new stores across the Southwest and pursue add-on acquisitions.
December	NuMotion	Wheeler's Medical Supply	NuMotion, a Tennessee based provider of complex rehab technology, (CRT) has acquired Wheeler's Medical Supply, a Jacksonville, FL based provider of urological and incontinence supplies. The transaction provides an opportunity for NuMotion to further diversify its product portfolio outside of CRT, enabling the Company to provide a broader set of services to its customers.
December	Hospice Source	Superior Healthcare	Hospice Source, a full-service DME provider to hospice organizations, has acquired Superior Healthcare, California-based DME provider also serving the hospice market. The transaction enables Hospice Source to deepen its presence in the critical California market, while providing Superior Healthcare with increased back-office and capital resources.
October	Protech	Sleepwell	Protech Home Medical completed its acquisition of Sleepwell, a sleep services provider with five locations concentrated in Georgia and Dayton, OH. The transaction increases Protech's footprint to 48 locations and 110,000 active patients across the United States, while generating run-rate revenue in excess of $120 million.

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