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M&A market holds steady in 2016

YARMOUTH, Maine – The pace of acquisitions slowed down a bit in 2016, but overall it was a decent year for buyers, say analysts.

"The big deals have stalled out a bit, but you have a lot of people that are shopping and acquiring the small patient add-on deals," said Brad Smith, managing partner at Vertess, a Tucson, Ariz.-based M&A advisory firm. "If you have $10 million to spend, you could get one really nice company or you could buy a whole ton of patient lists, which have more bang for the buck."

One area of the market that buyers honed in on in 2016 was supplies, with manufacturers, in particular, busy pulling out their checkbooks. Two recent deals include Coloplast, a manufacturer of ostomy, urology, continence and wound care supplies, acquiring Comfort Medical, a provider of those supplies, for $160 million; and Domtar, a manufacturer of absorbent hygiene products and other fiber-based products, acquiring mail-order supplier Home Delivery Incontinence Service for about $45 million.

"I think we are going to see the lines continue to blur here, with manufacturers going direct to consumers" said Patrick Clifford, managing director, home medical equipment, for The Braff Group. "The reimbursement rates kind of dictate that—there's only so much margin to go around."

Another trend that continued in 2016: Gone are the days when providers sought to be all things to all people, say analysts.

"There are these niche buyers that keep showing up and making nice buys," said Don Davis, president of Duckridge Advisors.

Case in point: SleepWorks and MedBridge Home Medical rounded out their respiratory offerings with the acquisition of Active Healthcare's CPAP business and its IntegraSleep sleep lab business. Another niche provider, Numotion, has also been active rolling up the complex rehab divisions of smaller companies, including, most recently, BlueDot Medical.

One positive trend analysts are seeing: a stabilization in valuations. While still not high enough in the eyes of many sellers, they aren't getting any lower. With reimbursement also about as low as it could go, that could signal better deals for sellers in 2017, say analysts.

"If we can get firmer pricing, or at least we don't constantly see large decreases in our pricing, it could be a nice year for companies to get some good valuations to further consolidation," Davis said. "Maybe things aren't as much of a fire sale going forward."