



Global Healthcare Advisors, LLC

Proprietary Deal Flow for Healthcare M&A

Under the Skin of Dermatology M&A

Vertical: Dermatology, August 2016

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Executive Summary

Acquisition Environment: The fragmented and growing dermatology sector is a market in which platforms can still be created, although they can be hard to scale. There has been an increase in M&A activity, with 41 transactions announced LTM representing a 141% YoY growth. Private equity firms and their portfolio companies are the most active buyers in this space, accounting for 88% of all transactions.

Market Analysis: The growing prevalence and awareness of skin diseases coupled with the expansion of cosmetic dermatology is steadily increasing demand for dermatology services. Industry revenue is thus projected to grow 5.1% per year to \$16.3B in 2020.

Growth Factors: The skin cancer epidemic, the drop in uninsured rates as a result of the ACA, the increased popularity of cosmetic dermatology, and the aging of the US population all increase demand for dermatology services.

Risk Factors: The primary threat to the dermatology sector is the chronic shortage of board certified dermatologists, with only 2.6 specialists for every 100,000 people in the US.

Teledermatology: The dermatology sector is perfectly positioned to capitalize on the telemedicine trend given its dependence on the visual. Teledermatology can provide access to the growing population in need of dermatology services as well as increase the utilization of doctors to combat the palpable workforce shortage.

Reimbursement: Although dermatologists account for a little over 1% of the US physician population, they account for nearly 4% of all Medicare expenditures. Although the sector has experienced meaningful reductions in reimbursement schedules in recent years, rates were positively adjusted in the CY 2016 Medicare Physician Fee Schedule.