Global Healthcare Advisors, LLC

Proprietary Deal Flow for Healthcare M&A

Wake Up to Sleep Disorders

Vertical: Sleep Disorders, September 2016 Author: Nathalie A. Rouzier

MIAMI OFFICE

333 SE 2nd Avenue
Suite 2000
Miami, FL 33131

PROFESSIONAL TEAM

Lawrence S. Carter
Senior Managing Director
lcarter@ghadvisors.net

Jason Laurent, CFA
Managing Director
jlaurent@ghadvisors.net

Nathalie A. Rouzier
VP, Research
nrouzier@ghadvisors.net

Josh Weber
VP, Business Development
jweber@ghadvisors.net

Julian Astrove
Analyst
jastrove@ghadvisors.net

Inna Pilipenko
Executive Assistant
ipilipenko@ghadvisors.net

Executive Summary

Acquisition Environment: With no single player controlling more than 2% of the market and over 3,000 sleep labs across the US, the sleep disorder market remains highly fragmented and is ripe for consolidation. There have been six transactions announced LTM, up from four in the previous period.

Sleep Disorder Market Analysis: An estimated 50 to 70 million people in the US chronically suffer from at least one sleep disorder. The sleep services market is expected to be valued at just under $8.4B by the end of 2021, reflecting a CAGR of 12.9% from 2016. The sector is meaningfully profiting from the ubiquitous use of smartphones, tablets, and computers before sleep.

Sleep Apnea Medical Devices: Obstructive sleep apnea is a serious breathing disorder that affects an estimated 18 to 20 million Americans. Untreated sleep apnea, no matter the grade, is detrimental to good health. The growing affected population and subsequent awareness of the disorder has driven an unprecedented growth in the sleep apnea devices market, which is expected to reach $5.3B by 2020 from $3.7B in 2015, at a CAGR of 7.2%.

Reimbursement: The major sources of revenue for sleep disorder clinics and devices are Medicare, Medicaid and private health insurance. Out-of-pocket payments account for some but a significantly smaller portion of revenue. Providers noticed a small increase in 2016 payment for in-center sleep testing and a small decrease in payment for home sleep testing.

Regulation: The ACA has positively impacted government reimbursement for sleep disorder clinics and devices, whereas the MMA and Stark Law have done the opposite.