

# HME News

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## Cap's impact hard to gauge M&A market under a pall?

By Theresa Flaherty, Associate Editor

*Rick Glass- photo*

YAMROUTH, Maine - With the potential economic impact three years down the road, it's too early to predict what effect a proposed oxygen cap might have on the hot M&A market.

"I wouldn't call this devastating but another step down the path of death by a thousand cuts," said David Sturdee, vice president at Clairvest Group, a Canadian private investment firm. "But the reality is, the industry needs to exist."

What's more, cuts are nothing new to the industry, which continues to grow overall, say M&A experts.

"Potentially, it could lead to an increase in the supply of sellers, which could create some downward pressure on valuations," said Rick Glass, president of Steven Richards and Associates.

That could be good for larger providers whom industry insiders say should feel little to no effect.

"There has been an increase [in acquisitions] since the Medicare Modernization Act that underscores the need of nationals to show top line growth," said Sturdee. "In a perverse way, reimbursement cuts render it more difficult for large companies to show top line growth, so they've been out there acquiring."

Glass said: "What we've seen in the past, we can have cuts that lower the profits of the sellers, but, once you get that cut behind you, the risk is behind you. Buyers can pay a higher multiple."

Still, the proposed cuts could spur M&A activity.

"We've had several companies sitting on the fence," said Glass. "They are committing to at least looking at the market and evaluating selling their companies."

