

Debt valuation of private equity-backed dermatology groups down

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Debt valuation of dermatology private equity-backed groups (DPEGs)

decreased prior to the COVID-19 pandemic and then decreased further during the pandemic, according to a study published online March 9 in *JAMA Dermatology*.

Rohail Memon, from the Northwestern University Feinberg School of Medicine in Chicago, and colleagues conducted a cross-sectional study from Aug. 1, 2016, to Aug. 31, 2021, and examined public financial statements filed by business development corporations (BDCs) lending to DPEGs before and during the COVID-19 [pandemic](#). Ten BDCs contained data on nine unique DPEGs; overall, there were 15 trackable DPEG debt instruments.

- The researchers found that during the study period, the amortized cost of the loans for an individual DPEG varied from \$1.7 million to \$100 million.
- For many DPEGs, the valuation of debt instruments was stable until some were discounted starting in May 2018; a significant decrease was seen prior to the COVID-19 pandemic from May to August 2019 (−1.4%).
- During the pandemic, there was another significant decrease from February to June 2020 (−9.0%).
- A modest and significant improvement in [debt](#) valuations was seen after [pharmaceutical companies](#) announced effective COVID-19 vaccine candidates in November 2020 (2.3%), but they remained discounted.

"Dermatologists should be aware of the financial health of DPEGs, and the risks involved when considering selling their practice to or working for a DPEG," the authors write.

More information: Rohail Memon et al, Trends in Debt Valuations of Private Equity–Backed Dermatology Groups Before and During the COVID-19 Pandemic, *JAMA Dermatology* (2022). [DOI:](#)

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