

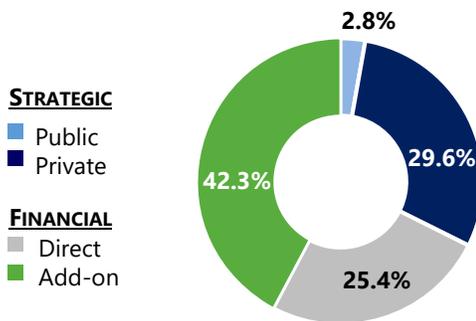


### KEY M&A TAKEAWAYS

- ▶ Within the Behavioral Healthcare Services industry, companies that offered child and youth-oriented services accounted for 24.3% or 17 of the announced or closed mergers and acquisitions (M&A) year-to-date (YTD). Activity in this segment has largely been driven by the national rise in children with autism (a 15.0% increase from 2016 to 2018, according to Autism Speaks<sup>1</sup>) and the ongoing battle against opioid abuse (which is most prevalent among young adults ages 18-to-25 years-old).
- ▶ Federal funding to fight the opioid epidemic continues to climb as the Trump administration prioritizes it as a Public Health Emergency. In the recently passed minibus appropriations bill, Congress authorized \$3.8 billion for fiscal year (FY) 2019 to combat opioid abuse, including \$1.5 billion for state grants through the Substance Abuse and Mental Health Services Administration (SAMHSA).<sup>2</sup> The government's continued funding commitment will further support M&A interest from both financial and strategic buyers in the space.

### YTD BUYER BREAKDOWN

- ▶ Private equity firms have dominated the buyer universe in 2018, drawn to the fragmented nature of the industry and the rising demand for behavioral healthcare services.
- ▶ Year-to-date, financial buyers have accounted for 67.6% of M&A compared to 47.5% in all of 2017.



Year-to-date (YTD) ended October 24  
Source: Capital IQ, Pitchbook and Capstone Headwaters Research

### ACTIVE BUYERS

- ▶ Six active buyers announced or completed multiple acquisitions in 2018 and accounted for 20.0% of YTD deal activity.
- ▶ BayMark Health Services, a provider of medication-assisted treatment (MAT) for opioid addiction, acquired four companies in 2018, including its September acquisition of MAT services provider Tri City (terms of the deal were not disclosed).

Buyer Name	Industry Deals in YTD 2018	All Deals in Past 5 years	Private Equity/ PE-Backed
Autism Spectrum Therapies	2	2	Yes
Banyan Treatment Center	2	2	No
BayMark Health Services	4	10	Yes
Clearview Capital	2	47	Yes
Delphi Behavioral Health	2	5	Yes
Revelstoke Capital Partners	2	44	Yes

### PUBLIC COMPANY VALUATION DATA

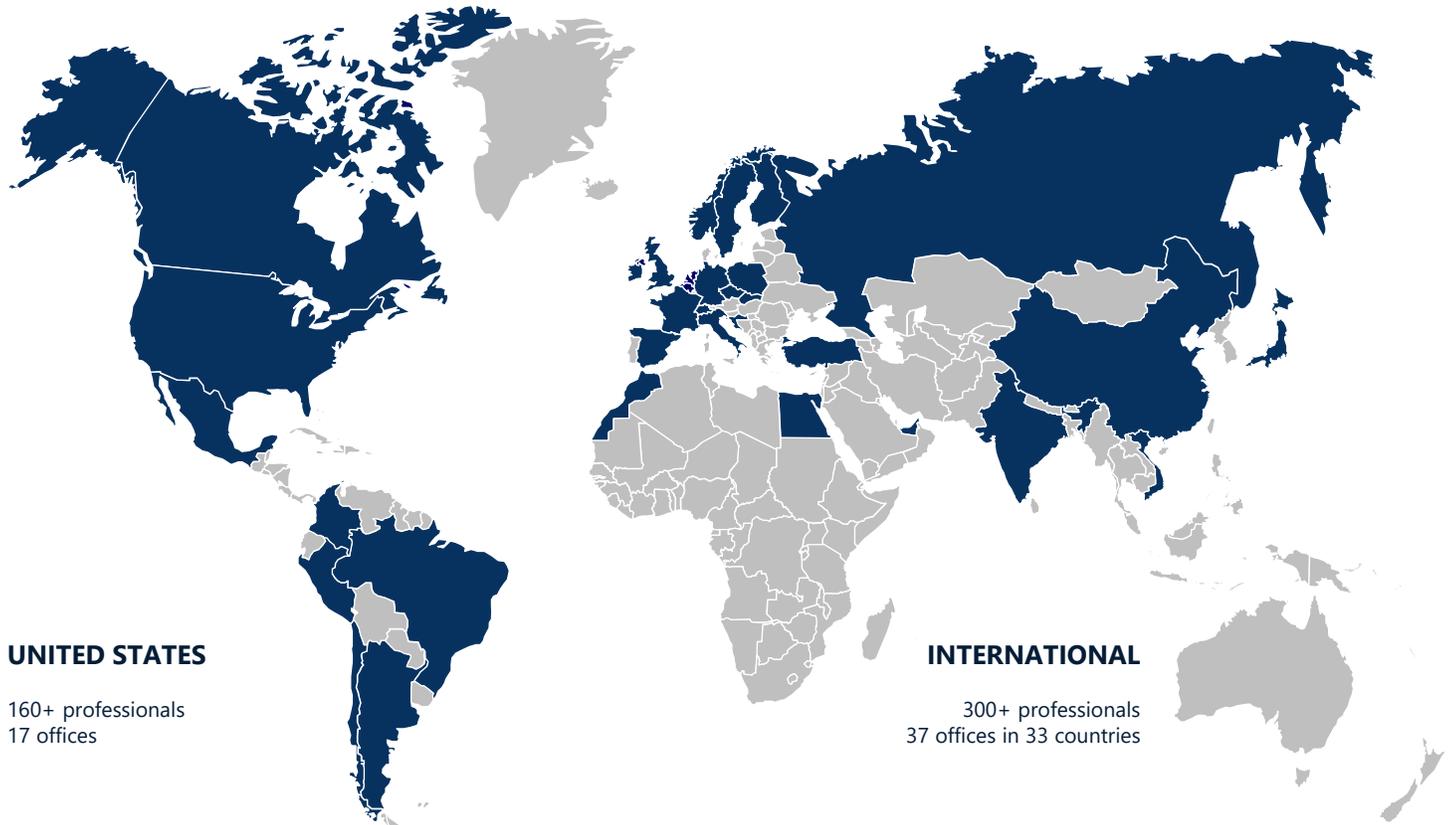
Company (10/29/18)	Enterprise Value	LTM		EV / LTM	
		Margin	Revenue	EBITDA	
AAC Holdings	\$460.4	13.5%	1.5x	11.0x	
Acadia Healthcare	\$6,657.2	20.1%	2.3x	11.2x	
Centene Corporation	\$25,922.5	4.5%	0.5x	10.9x	
HCA Healthcare	\$78,388.4	18.8%	1.7x	9.2x	
Providence Service	\$881.6	4.6%	0.5x	11.8x	
Universal Health Services	\$14,816.1	16.0%	1.4x	8.7x	
<b>Mean</b>		<b>12.9%</b>	<b>1.3x</b>	<b>10.5x</b>	
<b>Median</b>		<b>14.7%</b>	<b>1.4x</b>	<b>11.0x</b>	

### FIRM TRACK RECORD

<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p>East Coast Drug &amp; Alcohol Addiction Treatment Centers</p>	<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p>Therapy to Children with Autism &amp; Learning Disabilities</p>	<p>SafePassage<sup>®</sup> Patient Monitoring Services</p> <p>has been acquired by</p> <p>NUVASIVE</p>
<p>phillipsdipisa and LFT Lessons For Today</p> <p>has been acquired by</p> <p>AMN<sup>®</sup> Healthcare</p>	<p>CONCORD BIOSCIENCES</p> <p>has been acquired by</p> <p>FRONTAGE</p>	<p>park bench</p> <p>has been acquired by</p> <p>elements BEHAVIORAL HEALTH</p>



## BUILT FOR THE MIDDLE MARKET



### UNITED STATES

160+ professionals  
17 offices

### INTERNATIONAL

300+ professionals  
37 offices in 33 countries

## CITATIONS

1. Autism Speaks, "CDC Increases Estimate of Autism's Prevalence by 15 Percent, 1 in 59 Children," <https://www.autismspeaks.org/science-news/cdc-increases-estimate-autisms-prevalence-15-percent-1-59-children>, accessed October 30, 2018.
2. United States Committee on Appropriations, "Defense, Labor-HHS-Education Minibus Conference Report Filed," <https://www.appropriations.senate.gov/news/defense-labor-hhs-education-minibus-conference-report-filed>, accessed October 26, 2018.

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