

Q4 2015: Spotlight on Behavioral Health Industry Transaction Activity

2015 Lincoln International Healthcare Group Transactions in this Space

Collegiate Addiction Treatment



- Continuum of care services: detox, residential treatment, transitional living, intensive outpatient
- Focus on drug and alcohol treatment
- Specialization in college students and young adults

Specialized Community Behavioral

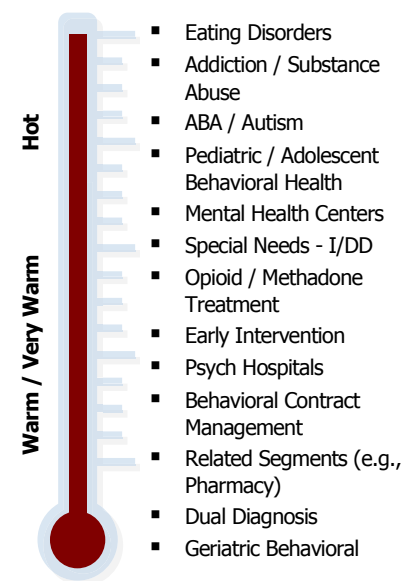


- Specialty mental health and addiction treatment
- Home and community focused
- Focus on children, adolescents and young adults

Selected M&A Trends and Observations

- Behavioral M&A deal volume was up 50% in the first nine months of 2015 versus the prior comparable period in 2014⁽¹⁾
- Private equity groups have been particularly active in acquiring a significant number of platform companies in this industry in 2014 and 2015, while certain private equity groups have also started to exit, often trading their investment to another PE firm. Examples of new private equity entrants include: Flexpoint Ford, Kohlberg & Co., Levine Leichtman, Pharos Capital, Shore Capital, Summit Partners, Webster Capital, etc.
- As a result, we now count over 35-40 behavioral health platform companies that have received professional financial backing. Many interested private equity players are looking at the entire breadth of the behavioral health services spectrum (pediatric to geriatric, inpatient to outpatient, mental health to methadone, etc.), but are also interested in related segments (e.g., contract behavioral health, behavioral health pharmacy, information systems and services, etc.)
- Among the largest providers in the space, the publicly traded providers also remain active on the acquisition path, including Acadia Healthcare, Universal Health Services and American Addiction.
- Behavioral health is also rapidly evolving around the world. We are observing substantial M&A and investment activity in several countries across the world, including private equity investments

Subsectors with Strong M&A Activity



Source: (1) Irving Levin Associates

Sampling of Recent M&A Transactions

Date	Target Company	Classification	Primary Service Model	Acquirer	Target Description
Q4 2015	Turning Point Family Care	MH, SA	Home, Outpatient	National Counseling	NC home & outpatient MH and substance abuse treatments
Q4 2015	Solutions Recovery	Substance Abuse	Inpatient, Outpatient	American Addiction	Las Vegas based inpatient and outpatient service provider
Q4 2015	Meridian Behavioral	MH, Special Needs	Outpatient	Audax Group	Diverse MH services to children, adolescents and adults
Q4 2015	MMO Behavioral	Mental Health	Inpatient	Acadia Healthcare	Acute inpatient psychiatric care
Q4 2015	AdvoServ	I/DD	Group Homes	Wellspring Capital	Treatment of I/DD and other behavioral challenges
Q4 2015	Medmark Services	Methadone/Opioid	Outpatient	Bay Area Addiction	Methadone and opioid addiction treatment
Q4 2015	Northstar Psychological	Mental Health, Other	Home, School	Community Intervention	School/home based services for children and adolescents
Q3 2015	Providence Human & Community	Special Needs	Group Homes, Outpatient	Molina Healthcare	I/DD, special youth needs and other behavioral health services
Q3 2015	Questhouse	Substance Abuse	Residential	JourneyPure	21-bed KY treatment center
Q3 2015	Foundations Recovery	Substance Abuse	Residential & Outpatient	Universal Health Services	Co-occurring mental health and substance abuse treatment
Q3 2015	Florida Autism Center	Autism, EI	Center & School	Shore Capital Partners	ABA treatment services to children with autism
Q3 2015	Monte Nido	Eating Disorder	Residential & Outpatient	Levine Leichtman	Largest provider of eating disorder treatment services
Q3 2015	Caron Foundation Treatment	Substance Abuse	Residential	Sunspire Health	40-bed residential substance abuse treatment facility
Q3 2015	Specialized Education	Special Needs	Center & School	Catapult Learning	Merger: intensive special needs behavioral interventions

Sampling of Recent M&A Transactions (continued)

Date	Target Company	Classification	Primary Service Model	Acquirer	Target Description
Q3 2015	Greenlight Recovery	Substance Abuse	Residential	Sherwood Hills Recovery	Drug and alcohol treatment services
Q3 2015	Futures Behavior Therapy	Autism, EI	Clinic & School	Community Intervention	Autism behavior treatment services
Q3 2015	Pasadena Villa	Mental Health	Residential	Odyssey Behavioral	Adult mental health treatment with focus on social integration
Q3 2015	Ranch at Dove Tree	Substance Abuse	Residential & Outpatient	Summit Behavioral	Provider of collegiate SA treatment programs
Q3 2015	Community Psychiatric	Mental Health	Outpatient	New Harbor Capital	40 psychiatrists/20 locations in CA plus tele-psychiatry
Q3 2015	Brookdale Care Services	I/DD	Hospital & Residential	Trascare	Focused on mental health, autism & learning disabilities
Q3 2015	Alpha Hospitals	Mental Health	Hospital	Universal Health Services	U.K. low/medium secure mental health hospitals
Q2 2015	The Oxford Centre	Substance Abuse	Residential & Outpatient	American Addiction	76-bed RTC with outpatient programs
Q2 2015	MedOptions	Behavioral to SNFs	Inpatient/PPM	Summit Partners	Behavioral health services to SNFs and ALFs
Q2 2015	Bay Area Addiction	Methadone, SA	Outpatient	Webster Capital	Methadone/opioid/drug rehab provider
Q2 2015	Care UK	Mental Health	Hospital Inpatient	Acadia Healthcare	15 inpatient facilities with 500 beds
Q2 2015	12 Keys Rehab	Substance Abuse	Residential & Outpatient	JourneyPure	Drug and alcohol and dual diagnosis treatment services
Q2 2015	Sunspire Health	SA, Dual Diagn, ED	Residential	Kohlberg & Co.	6-state diverse addiction treatment provider
Q1 2015	Quality Addiction	Substance Abuse	Residential & Outpatient	Acadia Healthcare	7 comprehensive treatment centers in WI
Q1 2015	Recovery First	Substance Abuse	Detox & Inpatient	American Addiction	56-bed inpatient facility
Q1 2015	CRC Health	Diversified	Residential & Community	Acadia Healthcare	140-program provider of MH and drug/SA/ED treatment

Selected Behavioral Healthcare Platforms Backed by Financial Sponsors

Company	Sponsor	Year	Primary Service	Service Setting
Advanced Recovery	Goldman Sachs	2013	SA, ED, MH	RTC
Advoserv	Wellspring Capital	2015	I/DD	RTC
Bay Area Addiction	Webster Capital	2015	Opiate/Meth	Centers
Behavioral Health Group	Frontenac	2011	Opiate/Meth	Centers
Castlewood Treatment	Trinity Hunt	2008	ED	RTC
Community Intervention	HIG Growth	2012	Diverse (peds)	Comm'y/Ctrs
Community Psychiatric	New Harbor	2015	MH	Outpatient
Constellation Behavioral	Alpine Investors	2010	SA	RTC
Diamond Healthcare	Markel Ventures	2011	MH	Contract Acute
Discovery Practice	Webster Capital	2011	ED	RTC, Outpatient
Eating Recovery Center	Lee Equity	2013	ED	RTC
Elements Behavioral	Frazier	2008	MH, SA	RTC, Outpatient
The Emily Program	TT Capital	2014	ED	RTC
Epic Health Services	Webster Capital	2010	Pediatric HH	Home, Outpatient
Florida Autism Center	Shore Capital	2015	Autism, EI	Centers
Haven Behavioral	Cressey	2008	MH (ger, milit)	Inpatient, Partial
InnerChange	Cressey	2011	MH, SA (wom)	RTC
Lakeview Health	Trinity Hunt	2013	SA	Detox, RTC, Outpat

Company	Sponsor	Year	Primary Service	Service Setting
LifeStance Health	Summit, Silversmith	2015	SA, ED	Detox, RTC, Outpat
MedOptions	Summit Partners	2015	MH	Contract SNF
Meridian Health	Audax Group	2015	Diverse (peds)	Centers, Outpat
Monte Nido	Levine Leichtman	2015	ED	RTC, Outpatient
Pacific Child & Family	Great Point	2010	Autism, ABA	Home, School
Polaris Hospital	HCP & Co.	2011	MH	Inpatient
Pryamid Healthcare	Clearview Capital	2011	MH	Inpatient
RiverMend Health	Norwest Venture	2015	SA, ED	RTC, Outpatient
Seaside Healthcare	Pharos Capital	2013	MH, SA	Inpat, Partial, IOP
Sequel Youth and Family	Alaris Royalty	2013	Diverse (peds)	RTC, Comm'y, Home
Springstone Behavioral	Welsh, Carson	2010	MH, SA	Inpatient
Strategic Behavioral Health	Dobbs Management	2006	MH	Inpatient
Summit Behavioral	Flexpoint Ford	2015	SA	Detox, RTC, Outpat
SUN Behavioral Health	Petra Capital	2015	MH	Inpat, Partial, IOP
Sunspire Health	Kohlberg & Co.	2015	MH, SA, ED	RTC
U.S. Community Behavioral	Bregal Partners	2013	I/DD	Homes/RTC
Vericare	HLM, Salix	2006	MH (ger)	Contract SNF
Walden Behavioral	Seacoast Capital	2013	ED	RTC

Key: ABA=Applied Behavioral Analysis; ED=Eating Disorder; EI=Early Intervention; I/DD=Intellectual and Developmental Disabilities; MH=Mental Health; SA=Substance Abuse

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