

Q3-2016 Behavioral Health Update



Market Overview

During the third quarter of 2016, the behavioral health sector experienced a heavy volume of transaction activity, similar to previous quarters. Many of these transactions further evidenced the consolidation trends that are changing the healthcare landscape, as a greater focus is being placed on the behavioral health sector to improve overall patient care. The most notable deal was Acadia Healthcare's acquisition of Highland Hospital Association. The acquisition supports Acadia's geographic expansion, and also allows Highland Hospital Association to leverage the acquirer's back-office capabilities and protect itself from rising costs in offering services to Medicaid patients. In addition to strategic deals, the private equity community is completing major investments in the industry to expand platform companies into underserved regions. Provident expects the activity in the behavioral healthcare space to extend into the fourth quarter and beyond, as strategic and financial buyers continue to realize the synergies associated with consolidation.

Select Transactions

Month	Acquirer	Target Company	Details
September 2016	Ridgemont Equity Partners	WoodRidge Behavioral Care	Ridgemont Equity Partners, a middle market private equity firm based in North Carolina, acquired WoodRidge Behavioral Care. WoodRidge Behavioral Care operates five psychiatric residential treatment facilities and three acute hospital programs throughout Arkansas, Missouri, and Tennessee. Ridgemont Equity Partners plans to expand the WoodRidge Behavioral Care platform to surrounding states via add-on acquisitions.
September 2016	Meridian Behavioral Health	Red River Behavioral Health System	Meridian Behavioral Health, a network of over twenty treatment centers, acquired Red River Behavioral Health System. Red River Behavioral Health System is one of the three acute psychiatric hospitals located in North Dakota and provides care to adolescent, adult, and geriatric patients. The acquisition will expand Meridian's footprint within North Dakota.
September 2016	Post Acute Recovery	North Jersey Counseling Services	Post Acute Recovery (PAR), a provider of outpatient addiction and behavioral health treatment in New York, has acquired an outpatient addiction treatment center owned by Gary Rosenbluth that will become known as North Jersey Counseling Services. The acquisition is Post Acute Recovery's first in the New Jersey market. Gary Rosenbluth will serve as Clinical Director of New Jersey Counseling Services and play an instrumental part of PAR's strategy in the state.
August 2016	Linden Capital Partners	Pinnacle Treatment Centers	Linden Capital Partners, a healthcare private equity firm based in Chicago, acquired Pinnacle Treatment Centers. Pinnacle offers a full continuum of services, including detoxification, residential, outpatient, and transitional living through 30 treatment centers in five states. Pinnacle will utilize the investment to increase coverage in their current geographies of focus in addition to expanding throughout the Northeast.
August 2016	Acadia Healthcare (NASDAQ: ACHC)	Highland Hospital Association	Acadia Healthcare (NASDAQ: ACHC), a publicly-traded provider of inpatient behavioral healthcare services, announced its intent to acquire Highland Hospital Association. Through the deal, Acadia will acquire a psychiatric hospital with 80 acute-care beds and a residential treatment and detoxification program with 16 beds. The acquisition significantly expands Acadia's footprint in the Virginia market.