

Q3 & Q4-2014 Behavioral Health Industry Update



M&A Update

In the second half of 2014, the heavily fragmented behavioral health industry saw robust activity with an emphasis on strategic acquisitions. Buyers have expressed a growing interest in the behavioral health space due to an insufficient number of providers to meet the growing need for behavioral health services. Furthermore, the industry is experiencing a favorable reimbursement outlook as the Affordable Care Act mandates requiring health plans to cover substance abuse and mental health disorders continue to come into effect. The increased attractiveness of substance abuse coverage was evident in the year's most notable transaction, Acadia Healthcare Company's acquisition of California based CRC Health Group for \$1.18 billion. The acquisition mirrors industry activity as strategic buyers look to expand their services to increase cross-selling opportunities and augment their treatment capabilities. In addition to activity in the United States, Universal Health Services and Acadia Healthcare Company completed large acquisitions of UK-based providers, thereby creating a precedent for international buyers to explore the US market in response. As a result, Provident Healthcare Partners expects continued value creation and consolidation within the behavioral health space looking forward into 2015.

Month	Acquirer	Target Company	Details
December 2014	IPC The Hospitalist Company, Inc.	North Carolina Elderly Psychiatric Services	IPC The Hospitalist Company, Inc., a national medicine and post-acute physician group practice provider, announced the acquisition of North Carolina Elderly Psychiatric Services. The deal aligns with IPC's diversification strategy to penetrate the behavioral health market. Financial terms of the transaction were not disclosed.
December 2014	Origins Behavioral Health	Caron Treatment Centers	Origins Behavioral Health, an addiction treatment services provider located in Texas, announced the acquisition of Caron Treatment Centers. The deal signifies Origins first acquisition in the East Coast and doubles the size of their operations. Financial terms of the transaction were not disclosed.
October 2014	Pyramid Healthcare, Inc.	Today Inc.	Pyramid Healthcare Inc., backed by Clearview Capital, completed the acquisition of Today Inc., a substance abuse treatment provider located in Pennsylvania. The transaction provides Pyramid both an inpatient and outpatient center in the substance abuse treatment sector. Financial terms of the transaction were not disclosed.
October 2014	Acadia Healthcare Company, Inc.	CRC Health Group	Acadia Healthcare Company, Inc. announced the acquisition of CRC Health Group for \$1.18 billion. CRC Health Group, previously backed by Bain Capital, is expected to generate \$450 million in revenue for 2014. CRC Health Group cares for more than 30,000 patients in 115 facilities nationwide. The transaction augments Acadia's strategy to increase its outpatient mental health and substance abuse treatment clinics.
September 2014	Universal Health Services, Inc.	Cygnit Health Care Limited	Universal Health Services, Inc. strengthened its behavioral health presence through the acquisition of Cygnit Health Care Limited in all cash deal for \$335 million. Cygnit is one of the UK's largest independent providers of behavioral health with 17 facilities. The deal is Universal Health Services' second acquisition in the behavioral health industry in the past two years.
July 2014	Acadia Healthcare Company, Inc.	Partnerships in Care	Acadia Healthcare Company, Inc., has completed the acquisition of United Kingdom based behavioral health provider Partnerships in Care (PIC) in an all cash deal for \$662 million. PIC is the largest independent provider of inpatient behavioral services in the UK, with a total of 23 facilities.