



Q2-2014 BEHAVIORAL HEALTHCARE INDUSTRY UPDATE

MARKET OVERVIEW

The second quarter of 2014 was yet again a busy one in the behavioral healthcare space. After a flurry of deals centered around SaaS-based outcomes management, consolidation reverted back toward regional add-on/scale based acquisitions. With a somewhat surprising resurgence of strategic deal making (by both independent and private equity-backed operators), it's clear that assets in the space are sought by a diverse and expanding buyer pool that will not necessarily be dominated by the PE community. The sector continues to benefit from macro-economic trends such as a focus on mental illness, the associated costs and certainly a favorable reimbursement outlook which will undoubtedly funnel continued investment. Deals in Q2 have ranged from smaller regional providers looking to shore-up geographic holes to larger players like Acadia augmenting a global growth strategy. Given the activity we have continued to see, increasing valuations, and the expected interest moving forward, behavioral healthcare services providers are in a very favorable position.

Month	Acquirer	Company Acquired	Transaction Details
June 2014	The Village Network	New Horizon Youth Center	The Village Network, a behavioral and mental health agency serving youth, acquired New Horizon Youth Center, a residential treatment facility in Belmont County, Ohio. Financial terms were not disclosed.
		North Point Consulting & Behavioral Health Services	In the quarter The Village Network also acquired North Point Consulting & Behavioral Health Services in Belmont County, Ohio. North Point provides outpatient mental health and drug and alcohol addiction treatment. Financial terms were not disclosed.
June 2014	Seacoast Capital	Walden Behavioral Care	Walden Behavioral Care was recapitalized by Seacoast Capital, a private equity fund specializing in mezzanine debt and equity investments in lower-middle market businesses. Walden is a behavioral care facility focused on eating disorders and providing a full continuum of care. Services offered include inpatient, residential, partial hospitalization and intensive outpatient care and inpatient programs for psychiatric patients. Walden has used the investment to assess location expansion opportunities throughout the northeast. Financial terms were not disclosed.
June 2014	Relias Learning	Autism Training Solutions	Relias Learning, the leader in online training for human services organizations acquired Autism Training Solutions (ATS), adding more than 2,000 Applied Behavior Analysis (ABA) training video clips and over 60 hours of expert instruction to Relias Learning's comprehensive training library. Financial terms were not disclosed.
June 2014	Behavioral Health Group	Unknown	Behavioral Health Group (BHG), a provider of outpatient substance abuse treatment services, announced the acquisition of three opioid treatment programs (OTPs) in Kentucky located in Lexington, Paducah, and Corbin, Kentucky. Facility names and financial terms were not disclosed.
		Comprehensive Addiction Treatment Services	BHG has also acquired Comprehensive Addiction Treatment Services (CATS) in Denver, CO, and merged its existing Denver clinic into CATS. Financial terms were not disclosed.
May 2014	Freedom Healthcare of America dba Addiction Campuses of America	Turning Point Recovery	Addiction Campuses of America, acquired Turning Point Recovery, a North Mississippi and Memphis, Tennessee area provider of addiction treatment and behavioral health services. Financial terms were not disclosed.
		Spring2Life	In the quarter Addiction Campuses of America also acquired Spring2Life, a Murfreesboro, Tennessee provider of addiction, recovery and behavioral services with a spiritual focus. Financial terms were not disclosed.
May 2014	Fulcrum Equity Partners and Harpeth Ventures	Addiction Campuses of America	Fulcrum Equity Partners ("Fulcrum") led a \$3.8 million Series A funding round alongside management and Harpeth Ventures for Freedom Healthcare of America, LLC, dba Addiction Campuses of America. Proceeds of the transaction will fund an aggressive acquisition-based growth strategy for the business moving forward.
May 2014	Pyramid Healthcare, Inc.	Onward Behavioral Health, Inc.	Harbert Management has sold its portfolio company, Onward Behavioral Health, Inc., to Pyramid Healthcare, Inc., a portfolio company of Clearview Capital. Onward is based in Paoli, PA and provides mental health and substance abuse outpatient counseling and therapy to adolescents and adults in Pennsylvania and New Jersey. Financial terms were not disclosed.
Announced Transactions			
June 2014	Acadia Healthcare Company	Partnerships in Care	Acadia Healthcare Company has agreed to acquire United Kingdom behavioral health provider Partnerships in Care (PIC) for \$660 million in cash. PIC, the second largest behavioral health provider in the UK, operates 23 inpatient facilities with more than 1,200 beds and generated revenues of approximately \$285 million in 2013. The acquisition is representative of Acadia's continued aggressive acquisition-based growth strategy.