

Q1-2015 Behavioral Health Update



Market Overview

The first quarter of 2015 has seen a continuation of the serial acquisitions by large strategic consolidators evident during 2014 in the Behavioral Health industry. The sector remains one of the most highly demanded industries for both strategic and financial buyers, but suffers from a lack of quality, sizeable targets. This has resulted in buyers diving deeper into the value spectrum than they otherwise would in order to gain footprints in different geographical markets.

Notable in this quarter was Acadia Healthcare Company's acquisition of Wisconsin based Quality Addiction Management for \$53 million dollars. The acquisition once again expands Acadia's footprint – last year, Acadia added 27 facilities and more than 1400 beds through 5 acquisitions. Provident Healthcare Partners expects 2015 to be robust, with a continued focus on treatment facilities for drug and eating disorders, along with mental disorders such as Autism and Down Syndrome.

Selected Private Equity Investments

Firm	Portfolio	Date
Flexpoint Ford	Summit Behavioral Healthcare	March 2015
Pharos Capital Group	Seaside Healthcare	January 2014
Lee Equity Partners	Eating Recovery Center	January 2013
Centre Partners Management	Monte Nido	December 2012
Webster Capital	Discovery Practice Management	September 2011
Clearview Capital	Pyramid Healthcare	July 2011
Diamond Castle Holdings	Beacon Health Strategies	July 2009
American Capital	The Meadows	March 2006

SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
March 2015	Epic Health Services	Clarity Service Group	Epic Health Services, a portfolio company of Webster Capital, has announced the acquisition of Clarity Service Group, a Pennsylvania-based provider of behavioral consulting and therapeutic staffing services. Clarity Service Group provides applied behavior analysis, special education, behavioral consulting, and therapeutic staffing services primarily to children in Pennsylvania. The deal is complementary to Epic's current business and represents an expansion into the autism services sector. Financial terms of the transaction were not disclosed.
March 2015	Acadia Healthcare (NASDAQ: ACHC)	Quality Addiction Management	Acadia Healthcare has acquired Wisconsin-based Quality Addiction Management for \$53 million dollars. Quality Addiction Management specializes in drug addiction and operates 7 facilities in Wisconsin.
March 2015	American Addiction Centers (NYSE: AAC)	Sunrise House Foundation	American Addiction Centers (AAC) entered into an agreement to buy Sunrise House Foundation in Lafayette, N.J., a not-for-profit provider of substance abuse treatments. As AAC's third purchase since its initial public offering, they will pay \$6.6 million and assume \$0.5 million in liabilities to buy the Company. The Sunrise campus includes 110 inpatient beds for rehab and detox, 30 beds at two halfway houses, and two outpatient treatment centers.
January 2015	American Addiction Centers (NYSE: AAC)	Clinical Services of Rhode Island	American Addiction Centers (AAC) has acquired Clinical Services of Rhode Island through its subsidiary, AAC Rhode Island Acquisition Sub. The deal closed for \$0.6 million in cash and \$1.3 million in restricted shares of AAC's common stock. The deal is expected to close in the second quarter of 2015. Clinical Services of Rhode Island provides an array of service to clients faced with drug addiction and substance abuse. They operate three offices in Rhode Island. In fiscal year 2014, they generated approx. \$1.2 million in revenue and \$200,000 in Adjusted EBITDA.