

Q2-2015 Behavioral Health Update



Market Overview

As the second quarter of 2015 has come to a close, we have seen an uptick in the number of Behavioral Health transactions compared to the first quarter of the year. Aggregate disclosed deal value was comparatively lower for the quarter, but we expect this to reverse for the remainder of the year.

Notably absent from 2015 activity is Universal Health Services, whose last major acquisition was Cygnet Health Care in late 2014. Once again, Acadia Healthcare and American Addiction Centers have been very active on the M&A front. Acadia had several transactions throughout the quarter, including their acquisitions of multiple centers in the United Kingdom and the closing of their Belmont Behavioral Health acquisition.

One noted private equity transaction this quarter was Kohlberg & Company's acquisition of Sunspire Health, and although there has been a slowdown in pure platform investments by private equity this year, we attribute this solely to the lack of sizeable opportunities. As such, Provident Healthcare Partners expects behavioral health transaction volume to likely increase and remain strong.

SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
June 2015	Kohlberg & Company	Sunspire Health	Private equity firm Kohlberg & Company acquired majority ownership of Sunspire Health, a multi-state provider of residential behavioral health treatment facilities. Sunspire currently has locations in California, Florida, Massachusetts and Oregon, with plans for additional locations in South Carolina, Illinois, and Florida. Kohlberg intends to support Sunspire's growth with its \$1.6 billion fund known as Kohlberg Investors VII. Financial terms were not disclosed.
June 2015	Acadia Healthcare (NASDAQ: ACHC)	Belmont Behavioral Health	Acadia Healthcare has completed its acquisition of Philadelphia based Belmont Behavioral Health for \$35 million. Belmont is a 147-bed in-patient behavioral healthcare facility which employs 450 and treats psychiatric disorders and addictions.
May 2015	Centerstone	Prairie Center	Non-profit Centerstone has acquired two Illinois based behavioral health organizations: Prairie Center and WellSpring Resources. Prairie Center is a non-profit substance abuse treatment center which services over 5,000 patients annually. WellSpring Resources is a mental health and substance abuse treatment center which served over 7,600 patients in 2014. With the additions, Centerstone of Illinois will have 700 employees around the state, providing services to nearly 18,000 people annually. Financial terms were not disclosed.
		WellSpring Resources	
May 2015	American Addiction Centers (NYSE:AAC)	Oxford Treatment Center	American Addiction Centers (AAC) entered into an agreement to buy Oxford Treatment Center, a Mississippi-based provider of substance abuse treatment services for \$35 million in cash. Oxford Treatment Center includes a 76-bed residential facility in Mississippi and for 2014 generated revenue of approximately \$12.2 million with an adjusted EBITDA of approximately \$5.6 million.
April 2015	Acadia Healthcare (NASDAQ: ACHC)	Choice Lifestyles	Acadia Healthcare completed the acquisitions of three behavioral health treatment centers based in the United Kingdom. The first company, Choice Lifestyles, was purchased for approximately \$37.8 million, and includes 48 beds. The second company, Pastoral Care Group, has 65 total beds and was purchased for approximately \$34.5 million. Finally, Acadia Healthcare purchased Mildmay Oaks for \$15.5 million, comprised of 67 beds at their facility. All three acquisitions operate inpatient psychiatric facilities, and further add to Acadia Healthcare's UK behavioral health holdings.
		Pastoral Care Group	
		Mildmay Oaks	