

# Q3-2015 Behavioral Health Update



## Market Overview

Behavioral Health deal activity and size notably increased in the third quarter of 2015, as we expected in our prior newsletter. Universal Health Services has come back into the picture this year with two sizable acquisitions totaling half a billion dollars in transaction value. The variety of acquirers has expanded this quarter as well, notably with a managed care organization – Molina Healthcare – acquiring a provider as detailed below. Provident expects the interest in the behavioral space to continue into the end of the year and into 2016, as there remains significant opportunity for both strategic and financial acquirers to consolidate the sector.

## SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
September 2015	Universal Health Services (NYSE: UHS)	Foundations Recovery Network	Universal Health Services (UHS) acquired Foundations Recovery Network for approximately \$350 million. Foundations Recovery Network includes 322 residential beds in four facilities and eight outpatient centers, as well as 140 additional beds under development. The deal represents UHS's platform for its new substance use service line.
September 2015	Molina Healthcare	Providence Services Corp – 2 Behavioral Health Divisions	Molina Healthcare, a Medicaid MCO, announced plans to acquire two behavioral health companies, Providence Human Services (PHS) and Providence Community Services (PCS). The deal is valued at \$200 million, on PHS revenue of \$346 million for 2014. The two companies provide adult and youth services in 23 states and the District of Columbia.
August 2015	Odyssey Behavioral Healthcare	Pasadena Villa Lifeskills of South Florida	Odyssey Behavioral Healthcare, backed by private equity firm Nautic Partners, completed its first two acquisitions. Between Pasadena Villa and Lifeskills of South Florida, services include psychiatric residential treatment centers, day treatment and supportive housing, and residential, transitional and outpatient substance abuse/dependence treatment for adults. Terms of the deal were not disclosed.
August 2015	Universal Health Services (NYSE: UHS)	Alpha Hospitals Holdings	Universal Health Services, through its UK subsidiary Cygnet Health Care, acquired Alpha Hospitals Holdings for approximately \$150 million. The acquisition adds 305 beds and four hospitals in the UK. Alpha's offerings included child and adolescent services, low and medium secure services as well as gender-specific specialist mental healthcare services.
August 2015	Vestar Capital Partners	Veritas Collaborative	Private equity firm Vestar Capital Partners announced a majority investment in Veritas Collaborative, a North Carolina based hospital system specializing in the treatment of eating disorders. Financial terms of the transaction were not disclosed.
July 2015	Community Intervention Services	Futures Behavior Therapy Center	Community Intervention Services, a portfolio company of H.I.G. Capital, completed the acquisition of Futures Behavior Therapy Center, marking its sixth acquisition in the behavioral health space. Futures specializes in treating children with autism spectrum disorders and other developmental disabilities. Terms of the deal were not disclosed.
July 2015	Sunspire Health	Caron Treatment Center	Sunspire Health, backed in June by Kohlberg & Company, acquired a 40-bed residential treatment center based in Texas from Caron Treatment Center. The acquisition follows the growth strategy announced by Kohlberg in June and allows Caron to expand its existing Pennsylvania and Florida markets. Terms of the deal were not disclosed.