

Q4-2015 Behavioral Health Update



Market Overview

The behavioral health industry closed 2015 on a strong note, providing ample optimism for deal opportunities going into 2016. A prominent theme in the final quarter of the year was the announcements of several buy and build strategies. Denver-based private equity firm Excellere Partners has Martin Favis, a veteran of over 20 behavioral M&A transactions, pursuing such a strategy. LifeStance Health, a company with backers such as Silversmith Capital and Summit Partners, plans to invest \$250 million to acquire facilities comprising 300 beds in 2016 and to grow organically to 1,000 from that point on. Finally, Deerfield Management has committed over \$230 million to buy or build treatment centers for Recovery Centers of America. Because of the relative scarcity of sizeable (>\$20mm revenue), independent, for-profit behavioral health treatment centers, the organic build out model is one Provident sees continuing into 2016 and beyond, particularly for investments involving autism and medication assisted treatment centers.

SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
December 2015	Deerfield Management	Recovery Centers of America	Deerfield Management has committed \$231.5 million to Recovery Centers of America (RCA) in order to buy or build up to eight addiction and behavioral health treatment centers in the Northeast U.S. The commitment is estimated to be enough to fund the addition of 1,200 beds to RCA's portfolio by 2017.
December 2015	AAC Holdings (NYSE: AAC)	Wetsman Forensic Medicine (dba Townsend)	AAC Holdings will acquire Wetsman Forensic Medicine (dba Townsend) for \$20.75 million, of which \$8.50 million is in the form of restricted shares of AAC Holdings. The acquisition will allow AAC to expand capacity while adding a lab to service their other in-network facilities.
December 2015	Audax Group	Meridian Behavioral Health	Audax Group bought Meridian Behavioral Health, a mental health services provider backed by Triton Pacific Capital Partners for a reported \$120 million. Meridian provides substance abuse treatment, including medicated assisted treatment, at their Minnesota based facilities.
December 2015	Acadia Healthcare (NASDAQ: ACHC)	MMO Behavioral Health Systems	Acadia Healthcare acquired MMO Behavioral Health Systems, adding a total of 80 beds to its inpatient portfolio. MMO generated revenues of approximately \$16 million for the 12 months ended September 30, 2015. Terms of the deal were not disclosed.
November 2015	Wellspring Capital Management	AdvoServ	Wellspring Capital Management acquired AdvoServ, a behavioral health provider operating in Delaware, Florida, Virginia, and New Jersey. AdvoServ specializes in intellectual and developmental disabilities as well as dual diagnoses patients. Financial terms were not disclosed.
November 2015	Molina Healthcare (NYSE: MOH)	Providence Services Corporation – 2 Behavioral Health Divisions	Molina Healthcare completed the \$200 million acquisition of Providence Human Services and Providence Community Services from The Providence Service Corporation, as originally announced in September 2015. The two companies will be consolidated and rebranded as Pathways, having operations in nearly half of the United States.
October 2015	Community Intervention Services	Northstar Psychological Services	Community Intervention Services, a portfolio company of H.I.G. Growth Partners, completed the acquisition of Georgia based Northstar Psychological Services. Northstar primarily provides pediatric community-based behavioral health services to schools and homes. The terms of the deal were not announced.