

Q2-2016 Behavioral Health Update



Market Overview

The second quarter of 2016 was marked with more behavioral health transaction activity than any other quarter in the past year, with at least 20 publicly disclosed transactions. Notably, most deals were comparatively small single or few facility acquisitions or buildouts. Acadia, for example, purchased two individual facilities, while American Addiction Centers purchased a single hotel property near an existing residential treatment facility in Arlington, Texas in order to convert it to a sober living space. There were some notable developments: Kohlberg and Company purchased The Meadows of Wickenburg for \$180 million, creating a second platform company to their already existing Sunspire Health. Both companies will now operate as subsidiaries of parent Alita Care. In April, Signature Healthcare Services (d/b/a Aurora Behavioral Health) went to market with significant interest from a number of industry and financial players. The company, which reportedly earns over \$100 million in adjusted EBITDA, represents one of the largest private residential psychiatric hospital companies in the U.S. As noted in our last newsletter, Provident expects the current frenetic pace of acquisitions of all sizes to continue for the foreseeable future.

SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
June 2016	Centre Partners	Bradford Health Services	Middle market private equity firm Centre Partners announced its majority investment in Bradford Health Services, an Alabama based substance abuse treatment company operating 30 clinical facilities, both inpatient and outpatient, in six states under an in-network payor strategy. Terms of the deal were not disclosed.
May 2016	MedOptions	Vericare Management	Connecticut based MedOptions, a provider of behavioral health services for residents in skilled nursing and assisted living facilities, acquired Vericare Management for an undisclosed amount. Vericare, based in San Diego, California, provides behavioral healthcare services and wellness programs in skilled nursing facilities.
May 2016	Epic Health Services	Rehabilitation Associates	Epic Health Services, a provider of home health care services for children and adults, acquired Rehabilitation Associates. Virginia based Rehabilitation Associates provides behavioral health services to children, and currently employs 150 professionals who serve over 3,000 children through 3 clinics. Financial terms of the deal were not disclosed.
May 2016	LLR Partners	Learn It Systems	Pennsylvania based LLR Partners, a private equity firm, acquired Learn It Systems for an undisclosed amount. Learn It Systems, based in Maryland, provides behavioral health and autism treatment services to public, private, and charter schools.
May 2016	Platinum Health Care	Ed Supports	Platinum Health Care, a post-acute care provider, acquired Ed Supports, a San Francisco-based provider of educational and behavioral services for children with autism and related disorders. Platinum intends to expand Ed Supports nationwide. Terms of the transaction were not disclosed.
April 2016	Kohlberg and Company	The Meadows of Wickenburg	Kohlberg and Company, a private equity firm specializing in investments in middle market companies, acquired The Meadows of Wickenburg for \$180 million. The Meadows, based in Wickenburg, Arizona, provides addiction and psychological trauma treatment services for many conditions, including bipolar disorder, eating disorders, and sexual addiction.
April 2016	Pyramid Healthcare	Mazzitti & Sullivan	Pyramid Healthcare acquired Mazzitti & Sullivan, a deal that brings five locations in central Pennsylvania with outpatient behavioral health services and employee assistance programs (EAP) to the Pyramid portfolio of more than 40 behavioral health outpatient treatment locations. Deal terms were not disclosed.