

Q2-2017 Behavioral Health Update



Market Overview

In the second quarter of 2017, the behavioral health sector continued its heightened consolidation activity, with growth and investor interest remaining strong. Macro trends such as increased mental illness awareness, the rise of substance abuse, and the implications of the Patient Protection and Affordable Care Act (PPACA) have led to higher growth projections. This sector is forecasted to grow robustly over the next 5 years with an average annualized revenue growth rate of 4.6%, according to IBISWorld. One of the major deals of the quarter was Care Capital Properties' \$379 million sale-leaseback transaction with Signature Healthcare Services. This deal will give Care Capital a beachhead investment into major markets with an attractive and diverse payor mix. Provident expects M&A activity to keep growing as current legislation prioritizes improving access to mental health services through the expansion of coverage. However, there is some uncertainty in the sector as the intentions of the current government over the status of the PPACA remain unclear and subject to change.

SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
June 2017	Perimeter Healthcare	Beacon Children's Hospital	Perimeter Healthcare, a mental and behavioral health company, acquired Beacon Children's Hospital (BCH). BCH is a full-service inpatient psychiatric hospital treating children and adolescents between the ages of 8 and 18. This acquisition expands Perimeter Healthcare's critical behavioral health services into the state of Alabama. Financial terms of the deal were not disclosed.
May 2017	Summit BHC / Flexpoint Ford	English Mountain Recovery	Summit BHC, a provider of addiction treatment and behavioral health services backed by the private equity firm Flexpoint Ford, acquired English Mountain Recovery. English Mountain Recovery is a 36-bed addiction treatment center. Summit's acquisition will allow it to expand its footprint into Tennessee. Financial terms of the deal were not disclosed.
May 2017	TRT Holdings, Inc.	Origins Behavioral HealthCare	TRT Holdings, a diversified private holding company owned by the Rowling family, acquired Origins Behavioral HealthCare. Origins is a licensed provider of longer-term, gender-specific residential substance abuse disorder treatment and continuing care services for all age groups. The deal will help TRT Holdings strengthen its presence in Florida and Texas. It will also complement TRT's existing operations, like the Gaston House, a substance abuse disorder transitional living facility in Dallas. Financial terms of the transaction were not disclosed.
May 2017	Care Capital Properties, Inc.	Signature Healthcare Services, LLC	Care Capital Properties, a company with a diversified portfolio of triple-net leased healthcare properties focused on the post-acute sector, acquired six behavioral health hospitals in a sale-leaseback transaction with affiliates of Signature Healthcare Services. Signature Healthcare Services, doing business as Aurora Behavioral Health Care, owns and operates acute psychiatric hospitals in California, Illinois, and Arizona. The initial funding for the acquisition totaled \$379 million and Care Capital Properties has agreed to fund up to \$50 million in capital expenditures to finance future expansion and other improvements of the properties. This deal will give Care Capital a beachhead investment into major markets with an attractive and diverse payor mix – all six properties have been recently expanded or renovated.
April 2017	The Jordan Company, LLC	Invo Healthcare Associates / The Wicks Group of Companies, LLC	The Jordan Company, a middle market focused private equity firm, has made an investment into Invo HealthCare Associates. Invo HealthCare Associates, a portfolio company of The Wicks Group of Companies, provides service delivery, program management, and training support to agencies, therapists, children, and families. The capital from The Jordan Company provides Invo with additional strategic and financial support as the company seeks to expand its position in the behavioral health market. Financial terms of the deal were not disclosed.
April 2017	Delphi Behavioral Health Group	The Palm Beach Institute	Delphi Behavioral Health Group, a nationwide provider of addiction and detox treatment programs, acquired Palm Beach Institute. The Palm Beach Institute has assisted approximately 12,000 adults recover from drug and alcohol addiction since its establishment. The Palm Beach Institute strengthens the existing portfolio of Delphi treatment facilities located throughout Southern Florida and California. Financial terms of the deal were not disclosed.