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Market Update

An extremely active fourth quarter capped off another landmark year in the mental health space as the sector continues to be one of the most sought after subverticals within healthcare services. The outsized demand for services paired with extremely constrained supply has generated strong investor interest in both outpatient and inpatient mental health, leading to significant consolidation over the last year. As the market continues to mature, Provident expects the space to move toward integrated, holistic care models with deeper integration between medical and behavioral healthcare and an emphasis on care coordination (with PCPs) and value based care. Nontraditional modalities of therapy, such as Ketamine and TMS, have gained traction recently as well, which we expect to continue as more providers adopt these mechanisms to address symptomology.

While we're tracking the rising cost of debt, which has typically had a softening impact on valuations, Provident expects multiples to remain strong and deal structures to remain seller friendly in the mental health space due to the noncyclical nature of services. Businesses that demonstrate a strong local operating model, limited turnover, and demonstrated ability to grow organically will continue to garner premium valuations in the months to come.

Select Transactions:

Mental Health Transactions			
Month	Acquirer	Target	Deal Description
December			Irwin Naturals, a psychedelic mental healthcare chain has acquired three mental healthcare clinics from Florida Mind Health Center.
November			Newport Healthcare, the national leader in teen and young adult mental health servicing and treatment, has acquired PrairieCare, a pediatric mental health provider with 9 locations in Minnesota.
November			ARC Health, a Thurston Group portfolio company, has announced the acquisition of Michigan-based Lotus Consulting, PLLC, a wellness, mental health, and behavioral health service provider.
November			Montana Psychiatry and Brain Health Center has partnered with Turnwell Mental Health Network in a strategic alliance.
November			Sondermind, a personalized mental healthcare company, has acquired Total Brain, an applied neuroscience platform.
November			Irwin Naturals has acquired Dura Medical, LLC to expand their fast-growing platform of psychedelic-based treatment for mental health
October			Precise Behavioral, a behavioral health operations service has announced they will acquire Rose Health, an AI-based system that aims to optimize the process for patients to seek and receive mental healthcare.
October			Color Health, a population health technology company, has acquired Mood Lifters, a clinically validated, group-based mental health program.
October			ARC Health continues their rapid expansion with two mental health providers, The Relationship Therapy Center and The Ross Center.
October			CARE Counseling has acquired Five Rivers Mental Health Clinic through an asset sale.

Provident Industry Coverage Team

Craig Sager
Director
csager@providenthp.com
(617) 226-4218

Steven Grassa, CFA
Vice President
sgrassa@providenthp.com
(617) 226-4213

Tommy Spiegel, CFA
Senior Associate
tspiegel@providenthp.com
(617) 226-4216

Daniel O'Brien
Senior Analyst
dobrien@providenthp.com
(617) 226-4292