




# Mental Health Market Overview

January 2026



**Provident**

- 
- a. **Provident Overview**
  - b. Mental Health Market Update
  - c. Transactions

# Experienced Coverage Team with Deep Sector Expertise

## Behavioral Health Coverage Team



Craig R.  
Sager, CPA  
Managing Director



Michael  
Patton  
Managing Director



Steve  
Grassa, CFA  
Director



Tommy  
Spiegel, CFA  
Vice President



Dan  
O'Brien  
Senior Associate






## A Trusted Leader in Healthcare M&A



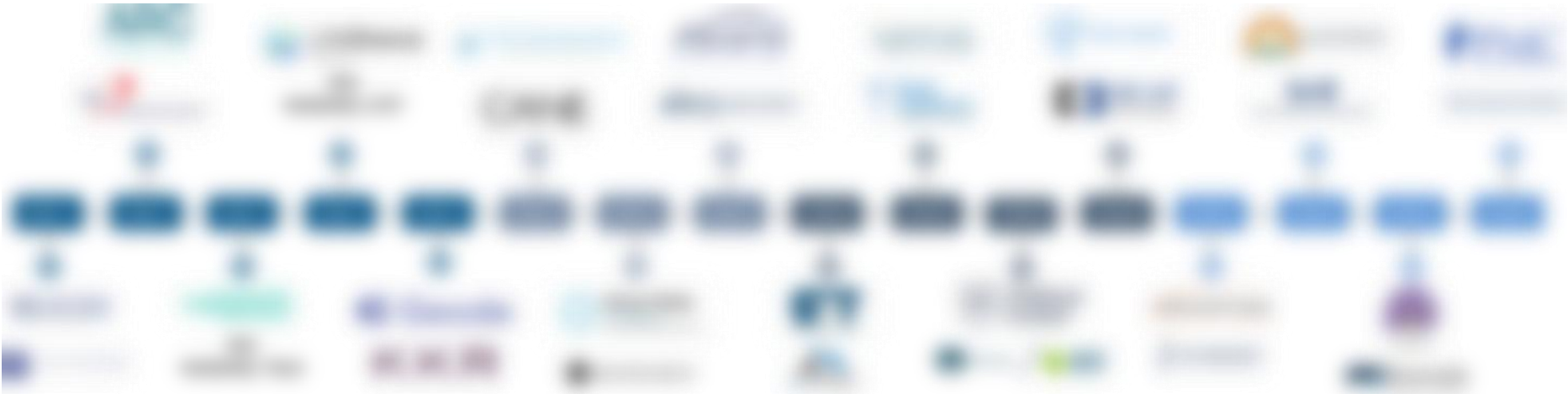
# Proven Execution Across Behavioral Health Transactions



- 
- a. Provident Overview
  - b. Mental Health Market Update
  - c. Transactions

# Evolution of Mental Health Platform Investment

## Platform Investment Through the Years



## Transaction Volume & Themes





# Foundational Tailwinds Driving Mental Health Investment

## Tailwinds Driving Category Interest

- 1. Large and Expanding Total Addressable Market**
  - 26% of U.S. adults experience a diagnosable mental health condition annually
  - U.S. mental health services market exceeds \$200B, growing 7-8% CAGR through 2025
- 2. Structural Supply Shortage and Access Constraints**
  - 46% of individuals with diagnosable conditions receive no treatment due to provider shortages, access friction, and cost
  - U.S. faces a 10k psychiatrist deficit; 40% of counties lack a practicing psychiatrist
- 3. Highly Fragmented Provider Base Enabling Consolidation**
  - ~70% of outpatient providers operate as solo or solo 1-2 clinician practices
  - No practice controls more than ~2% the national market share
- 4. Favorable Payer Dynamics for Cost-Reducing Providers**
  - Uninsured mental illness drives ~\$20B in annual medical and economic costs
  - Uninsured populations cost payers ~10% more than insured populations



## Incremental Drivers Enhancing Market Attractiveness

Emergence of New Treatment Modalities

Reducing Outpatient Costs of Care

Accelerated Treatment Adoption

Expanding Reach to Alternative Settings

Virtually Integrated Care Models

Increasing Integration of Value-Based Care







# Mental Health Care Ecosystem & Platform Landscape



















(1) Corrections, Juvenile Justice, Foster Care (2) Primary care integration (Collaborative Care Model)

# Care Delivery Models Across the Mental Health Continuum

Continuum of Care			
 <b>Important / Acute Primary</b>	 <b>Residential</b>	 <b>Intermediate Levels</b>	 <b>Outpatient</b>
<ul style="list-style-type: none"> <li>Structural supply-demand imbalance</li> <li>Chronic bed shortages nationally</li> <li>High barriers to entry (JCRs, licensing, zoning, etc.)</li> <li>Counter-cyclical demand</li> </ul>	<ul style="list-style-type: none"> <li>Step-down, continuous positioning</li> <li>Link between inpatient and outpatient</li> <li>Good diagnosis nationally</li> <li>Referral control and decisions</li> <li>Real estate / regulatory moat</li> </ul>	<ul style="list-style-type: none"> <li>Attractive unit economics profile</li> <li>Step-down from higher levels of care</li> <li>Strong referral pipelines from hospitals and others</li> <li>Lower-cost programs and bundled episodes of care economics</li> </ul>	<ul style="list-style-type: none"> <li>Most high-growth model</li> <li>Large fragmented market ripe for consolidation</li> <li>Scalable clinical staffing model</li> <li>Add-on services (intermittent psychiatry, etc.)</li> <li>Lower cost of care</li> </ul>

Outsourced Delivery Models					
Facilities / Hospitals	Institutional	Long-Term-Care	SNF / Workplace	School-Based	Integrated PCP
<ul style="list-style-type: none"> <li>✓ Strong potential due to high storage fees</li> <li>✓ High barriers to entry</li> <li>✓ Outsourcing alternative</li> <li>✓ New supply/demand</li> <li>✓ Increased market share opportunity across affiliated systems</li> <li>✓ B2B recurring revenue</li> </ul>	<ul style="list-style-type: none"> <li>✓ Government-backed revenue</li> <li>✓ New supply/demand</li> <li>✓ B2B recurring revenue</li> <li>✓ High clinical need</li> <li>✓ High barriers to entry via early contracting agreements</li> </ul>	<ul style="list-style-type: none"> <li>✓ Superintending aging population</li> <li>✓ Ability to enter facility-wide contracts</li> <li>✓ B2B recurring revenue</li> <li>✓ Chronic recurring utilization</li> <li>✓ Staffing complexity drives limited competition</li> </ul>	<ul style="list-style-type: none"> <li>✓ B2B recurring revenue</li> <li>✓ Leveraging employer demand, disability costs, etc.</li> <li>✓ Cross-sell potential</li> <li>✓ Low reimbursement rate</li> </ul>	<ul style="list-style-type: none"> <li>✓ B2B district contracts</li> <li>✓ Massive unmet demand</li> <li>✓ Adolescent population</li> <li>✓ Revenue predictability</li> <li>✓ Low customer churn</li> <li>✓ B2B-aligned threat</li> <li>✓ B2B recurring revenue</li> </ul>	<ul style="list-style-type: none"> <li>✓ Value-based care alignment</li> <li>✓ Whole-person care outcomes</li> <li>✓ Lower CAC than DPC</li> <li>✓ Health population health economics</li> <li>✓ Strategic alignment to system and risk-bearing groups</li> </ul>

# Market Valuation Comps

Highly Competitive Valuation Comps in Mental Health Services								
Year	Company	Service	Market	Revenue	Profit	EBITDA	Market Cap	Valuation
2020			Teletherapy	\$100M	\$10M	\$10M	\$100M	\$100M
2020			Teletherapy	\$100M	\$10M	\$10M	\$100M	\$100M
2020			Teletherapy	\$100M	\$10M	\$10M	\$100M	\$100M
2020			Teletherapy	\$100M	\$10M	\$10M	\$100M	\$100M
2020			Teletherapy	\$100M	\$10M	\$10M	\$100M	\$100M
2020			Teletherapy	\$100M	\$10M	\$10M	\$100M	\$100M
2020			Teletherapy	\$100M	\$10M	\$10M	\$100M	\$100M
2020			Teletherapy	\$100M	\$10M	\$10M	\$100M	\$100M



# What Makes an Attractive Asset – Key Value Drivers & Positioning Themes

Operating Characteristics	2023E Multiple Range		Comments
	Mid-Range	Best Case Case	
 <b>Strong customer &amp; market position</b>	12.0x	14.0x	<ul style="list-style-type: none"> <li>Regional identity, extensive brand recognition, efficient operations, and expanding offerings should yield meaningful and sustained</li> <li>Strong regional presence enables defensible market share and increases negotiating leverage with payers</li> </ul>
 <b>High revenue growth</b>	13.0x	15.0x	<ul style="list-style-type: none"> <li>Repeatable go-to-market provides with consistent and sustainable growth visibility in future growth regions</li> <li>Ability to scale organically and in part via strategic multiple avenues for sustained growth</li> </ul>
 <b>High margins</b>	11.0x	13.0x	<ul style="list-style-type: none"> <li>Best-in-class operating margins provide superior patient engagement, drive operational efficiency and scale of operations to scale</li> <li>Strong product and data moat can be offset by payer health and DRG changes</li> </ul>
 <b>High operating leverage</b>	14.0x	16.0x	<ul style="list-style-type: none"> <li>Scalable supply chain and services and access to talent reduce growth headwinds and drive further up</li> <li>Operational efficiency and regulatory environment drive predictable earnings and low volatility</li> </ul>
 <b>High return on capital</b>	11.0x	13.0x	<ul style="list-style-type: none"> <li>Capital intensive build long term reputation, attract talent, and improve patient outcomes</li> <li>High return on capital model positions the Company for value based reimbursement and long-term asset appreciation</li> </ul>
 <b>High return on equity</b>	12.0x	14.0x	<ul style="list-style-type: none"> <li>Operational efficiency and scalable infrastructure enable efficient growth with limited capital requirements</li> <li>Highly skilled talent and management depth reduce execution risk and enhance the value</li> </ul>
 <b>High return on assets</b>	13.0x	15.0x	<ul style="list-style-type: none"> <li>Long-term strategic relationships with already in place the space continues to mature</li> <li>Ability to acquire and operate other sites of service, new delivery offerings, and full service model</li> </ul>

# Performance Metrics that Drive Multiple Expansion

Operating Metric	2019-2020 Multiple Range		Comments
	2019-2020	2020-2021	
 Growth	25% - 35%	25%+	High relative revenue and volume growth indicates strong demand for services and competitive advantage, as well as ability to attract and compound investments
 New Plants	25% - 35%	25% - 35%	Effective gross margin profile signals strong unit economics, provide productivity, and favorable input costs
 New unit Plants	25% - 35%	25% - 35%	High unit level margin indicates a high operating leverage and serves as a key indicator for operational efficiency and stability
 Corporate Overhead	25% - 35% 25%+	25% - 35% 25%+	Significant corporate overhead signals platform readiness and strong margin expansion through operating leverage
 On-Time-Delivered	1 - 2 Months to delivery	1 - 2 Months to delivery	Accelerated timelines and short payback periods drive the business and utilize growth projections
 Productivity	25% - 35% Productivity 25%+	25% - 35% Productivity 25%+	High productivity indicates efficient design, technology, strong demand and robust throughput, low waste factor, and a high value price
 Plant Utilization & Revenue	25% - 35% unit level 25% - 35% unit level	25% - 35% unit level 25% - 35% unit level	Engaged and securing patient base drives CTR without incremental cost, lower CTR signals efficiency, volume productivity, and signals wide competitive moat
 Patient Value / Customer Acquisition Cost	1.5x - 2x	1.5x - 2x	High relative value to customer acquisition cost indicates a high degree of patient retention, signaling quality differentiated care and efficient patient capture strategies
 Patient Satisfaction	25%+ with 25%+ to 35%+ 25%+ with 25%+ to 35%+	25%+ with 25%+ to 35%+ 25%+ with 25%+ to 35%+	Ability to track and report outcomes provides for value based contracting, platform, and strong patient relationships

(1) Statistics noted for outpatient levels of care



Relevant News in the Mental Health Space

What the Provident Team is Reading



Investing in the Future: How Better Mental Health Benefits Everyone  
McKinsey Health Institute (May 1, 2023)

[Link to Article](#)

Takenaway: Structural underfunding and increased demand creates long-term growth opportunity



Private Equity's Move into Behavioral Health Care  
AcademyHealth (October 19, 2023)

[Link to Article](#)

Takenaway: PE expands capacity but may face rising affordability and regulatory scrutiny



Behavioral Healthcare \$2B in Grant Cuts, But Funding From Remains  
Behavioral Health Business (November)

[Link to Article](#)

Takenaway: Near-term funding reduced, though policy stability and uncertainty persists



Behavioral Health Value-Based Care Opportunities  
The American Medical Association

[Link to Article](#)

Takenaway: Value-based models improve alignment and reimbursement for ability



- 
- a. Provident Overview
  - b. Mental Health Market Update
  - c. Transactions

# 2025 Select Transactions

Class Code	Topic	Provider	Provider Specialty	Transaction Type	Dr. Status
Dec 25	Senior Care	Gerontology Health	Multiple HCU	2025 Dec	Terminated
Dec 25	Geriatrics Behavioral Health	Capital Regional Partners	100	December 2025	Completed
Dec 25	Early Counseling Center	ABC Health Partners	Therapist Group	2025 Dec	Completed
Dec 25	Healthcare Behavioral Health	ABC Integrated Behavioral Health	100	2025 Dec	Completed
Dec 25	Senior Health	Health Health	Multiple HCU	2025 Dec	Terminated
Dec 25	Older Adult	Health Health	Multiple HCU	2025 Dec	Terminated
Dec 25	Senior Care	Strategic Capital	100	Platform Creation	Completed
Dec 25	Neurogeriatrics and Counseling Services	ABC Health	ABC Health Partners	2025 Dec	Completed
Dec 25	Healthcare Consulting	ABC Healthcare Partners	100	Platform Creation	Terminated
Dec 25	Healthcare Consulting	Senior Care Behavioral Health	Healthcare Capital	2025 Dec	Completed
Dec 25	Advanced Psychogeriatrics Services	Strategic Impact Capital	100	Platform Creation	Completed
Dec 25	Senior Health Community Services	ABC Healthcare	100	Platform Creation	Completed

# 2025 Select Transactions (Continued)

Trans Date	Target	Acquirer	Acquirer Sponsor	Transaction Type	Str. Model
Aug-25	Int'l Integrated Mental Health	Wellness	LC	LC-DC	International
Aug-25	Consonance Therapeutic Services	Consonance Capital	LC	Partnership	Corporate
Aug-25	Psychology Consultation Associates	Psychology Partners Group	LC	LC-DC	Corporate
Aug-25	WIS Mental Health <sup>(1)</sup>	Systemic & Associates	Health Partners	LC-DC	Corporate
Aug-25	Wellness LLC	Consonance	Multiple LLCs	LC-DC	International
Jul-25	Psychiatric Medical Care	Consonance	LC	Securities Sale <sup>(1)</sup>	Health System
Jul-25	West Health	West Health	Multiple LLCs	LC-DC	LCF
Jul-25	Westland Counseling Associates	Westland Mental Health Group	Consonance Group	LC-DC	Corporate
May-25	Wellness Therapeutic Services Institute	LCF Therapeutics	WIS Pharmaceuticals LLC	LC-DC	International
May-25	Westland Health Services Community Support	Westland Mental Health	LCF Partners	LC-DC	Corporate
Apr-25	Hope Services	LCF Partners Partners	Westland Supply Partners	LC-DC	Corporate
Apr-25	Westland Psychiatric Associates	West Health	WIS LCF Partners	LC-DC	Corporate

(1) Minnesota operations; (2) Consonance Capital Partners was the majority owner prior to The Carlyle Group



# 2025 Select Transactions (Continued)

Plan Year	Target	Provider	Provider Network	Transaction Type	Set Model
Apr 25	Ohio Behavioral Health Association	Ohio Behavioral Health	Self-Insured, HMO	Self-Ins	Capitated
Apr 25	Western Ohio Psychological Services	Western Psychological Svcs	Traditional	Self-Ins	Capitated
Apr 25	Advanced Behavioral Health	Advanced Capital	Yes	Traditional Capitated	Reimbursement
Apr 25	Perimeter HealthCare	UnitedHealth	Yes	Traditional Capitated	Capitated
May 25	OHMH Therapy and Psychiatric Services	Therapeutic Health Partners	Yes	Traditional Capitated	Capitated
May 25	OHMH Behavioral Health	Behavioral Mental Health Group	Behavior Group	Self-Ins	Capitated
May 25	James Center & Associates	West Health	Self-Ins Network	Self-Ins	Capitated
May 25	Harmon Psychiatric Services	West Health	Self-Ins Network	Self-Ins	Capitated
May 25	Harmon Psychiatric Care	Harmon Care	Regulated Capital Partners	Self-Ins	Reimbursement
May 25	West Strategic Family Therapy Institute	Empower Community Care	Self-Insured Capital Partners	Self-Ins	Capitated
May 25	True Blue Therapy	Blue Capital	Yes	Traditional Capitated	Capitated

## Partners In Value

---

Provident is the leading investment bank offering mergers and acquisition advisory services for high growth, middle market companies in the healthcare industry.

### **Boston**

One Financial Center  
Boston, Massachusetts 02111  
617-742-9800

### **Minneapolis**

601 Carlson Parkway  
Minnetonka, Minnesota 55305  
612-361-5500

### **New York**

800 Third Avenue  
New York, New York 10022  
212-580-4500

[www.providenthp.com](http://www.providenthp.com)