

Healthcare Services Quarterly Roundup

Sector Spotlight: Behavioral Health

Fall 2023 | M&A Roundup



Healthcare Services

Sector Spotlight: Behavioral Health | Fall 2023

While transaction volume has declined in the first half of 2023 versus the back half of 2022, strategic and financial buyers are still keen to grow via acquisition, and private equity groups leading the charge in Q2 2023 across mental health, addiction treatment, I/DD and ABA.

The rapidly growing demand for behavioral healthcare services, increasing public awareness, and staffing shortages all rank high among the rationale for investment in 2023.

Please read through this report and learn about the key Behavioral Health transactions in Q2 2023, as well as trends and M&A data.

As always, reach out with any questions you may have on the report or related to your own business – we are always happy to speak with you.

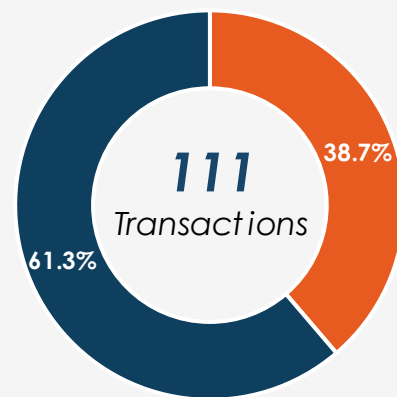
Notable Behavioral Health Transactions

 <p>has been acquired by</p> 	 <p>has acquired four outpatient opioid addiction treatment centers from</p> 	 <p>has been acquired by</p> 
 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 	

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U.S. Behavioral Health M&A Activity (Q2 LTM 2023)







■ Strategic ■ Sponsor

Key Points

- Behavioral Health M&A was driven by Mental Health deals, approximately ~62% of all transaction activity
- Sponsors lead strategics as the most likely buyer group, with a 2:1 ratio of add-on/platform acquisitions

Articles We're Reading

<p>We're Facing a Shortage of Mental Health Professionals</p> 
<p>Rise in Use of Mental Health Apps Raises New Policy Issues</p> 
<p>Behavioral & Mental Health Insurance Trends We're Seeing in 2023</p> 
<p>Mental Health By the Numbers</p> 

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Deals to Know from Q2 2023



Acquirer



Target

June 2023: Comvest Partners, a Florida-based private equity firm with an interest in business services, consumer and healthcare services, acquired **Your Behavioral Health**, a regional behavioral health services platform providing mental health and addiction treatment services for adults and teens. This transaction marked Comvest's 13th platform investment in the healthcare services space.



Acquirer



Target

May 2023: ARC Psychiatry, a provider of mental health treatment services based in Beachwood, Ohio backed by **Thurston Group**, acquired **Denver Wellness Associates**, a Colorado-based mental health services provider. This transaction marked ARC Psychiatry's sixth acquisition of 2023 and expanded its geographic presence and service capabilities in mental healthcare services.



Acquirer



Target

April 2023: Cortica, a leading physician-led autism and neurological therapy services company, acquired **Springtide Child Development**, an operator of a behavioral health clinic for children with developmental delays and disabilities. With this acquisition, Cortica was able to expand into additional facilities as it now owns and operates 23 integrated autism centers across the U.S.



Acquirer



Recovery Centers of America

Target

April 2023: Pinnacle Treatment Centers, a provider of substance abuse treatment services backed by **Linden Capital Partners**, acquired four outpatient opioid addiction treatment centers from **Recovery Centers of America**, a provider of accessible and affordable addiction treatment services. The additional facilities focused on medication-assisted treatment for opioid use disorder and expanded Pinnacle Treatment Centers' service reach in New Jersey and Pennsylvania.



Acquirer



Target

February 2023: Dallas Counseling & Treatment Center, a Texas-based provider of mental health and substance use treatment services, was acquired by **Havencrest Capital Management**, a Texas-based private equity firm with an interest in medical products, pharma services, and behavioral health services. Through this transaction, Havencrest capitalized on the rapidly-growing demand for outpatient mental health services.

Healthcare Services Quarterly Roundup

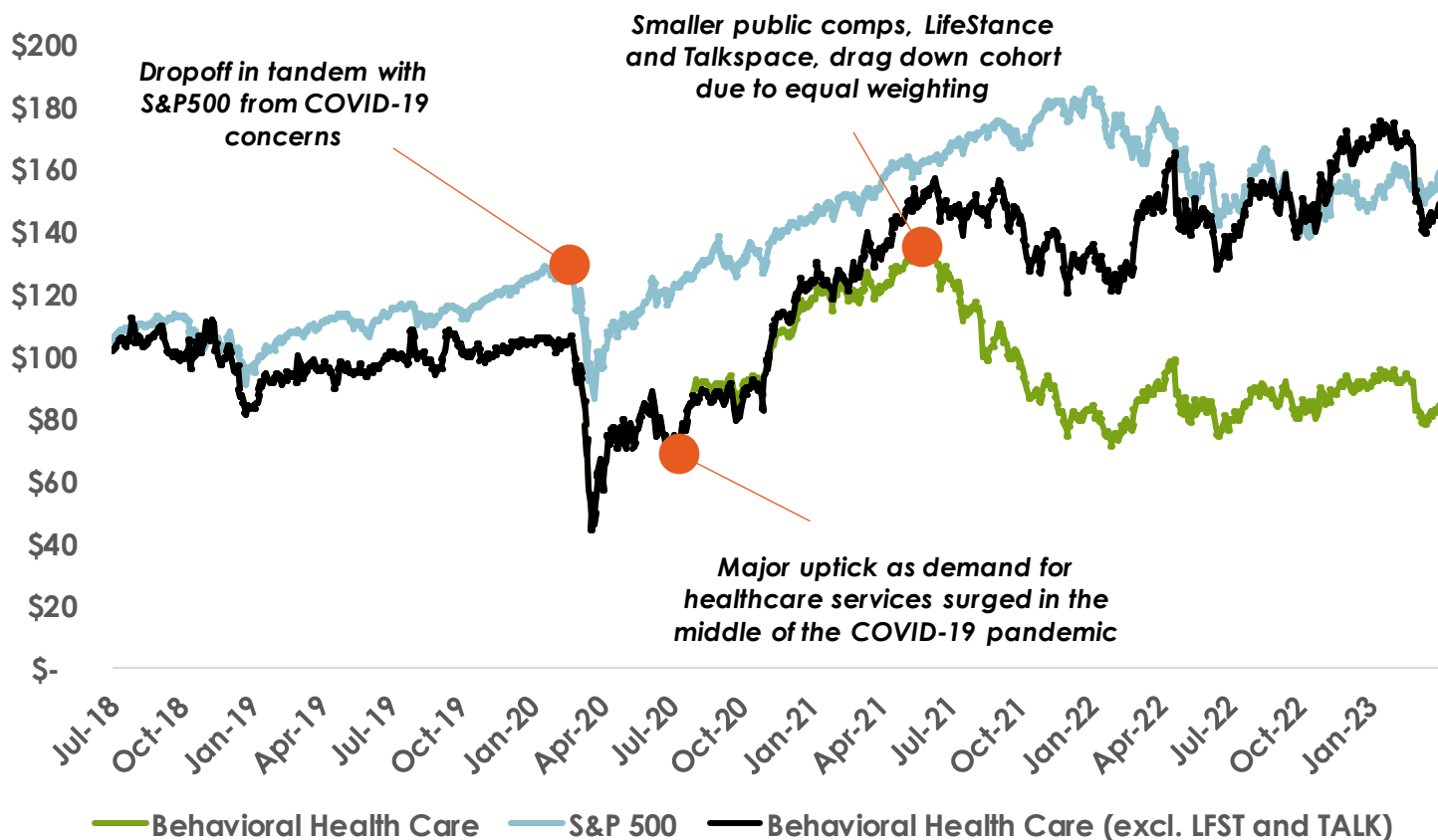
Sector Spotlight: Behavioral Health

Valuation Pointers



Behavioral Health Public Comparable Companies

Behavioral Health Public Company Stock Performance – Last 5 Years



Public Comparable Company Analysis

As of June 30, 2023

(US\$ in millions, except per share data)

Behavioral Health

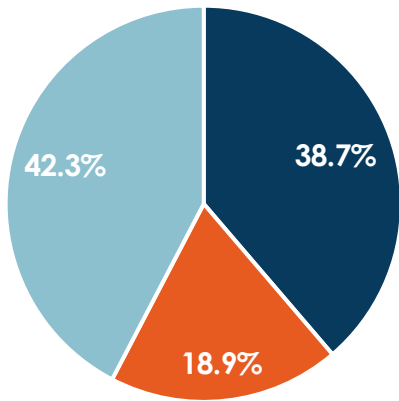
Company	Ticker	Share Price	FD Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA	
					LTM	2023E	LTM	2023E
Universal Health Services	NYS: UHS	\$157.77	\$11,354	\$16,562	1.2x	1.1x	10.0x	9.0x
Acadia Healthcare	NAS: ACHC	\$79.64	\$7,463	\$9,053	3.4x	2.9x	15.0x	12.2x
LifeStance Health	NAS: LFST	\$9.13	\$3,863	\$4,269	4.7x	3.6x	NM	NM
Talkspace	NAS: TALK	\$1.27	\$208	\$83	0.7x	0.5x	0.1x	NM
Median					2.3x	2.0x	10.0x	10.6x
Average					2.5x	2.0x	8.4x	10.6x
25th Percentile					2.3x	1.0x	5.0x	9.8x
75th Percentile					2.0x	3.0x	12.5x	11.4x

Public Company Landscape

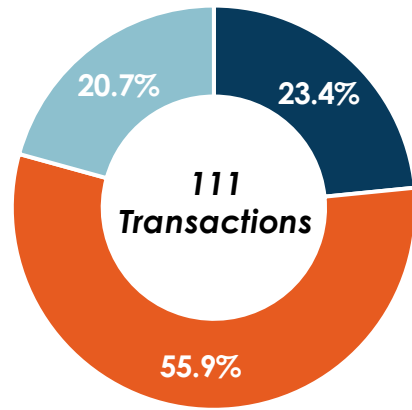


Behavioral Health Precedent Transactions Analysis (Q2 LTM 2023)

Transactions by Category

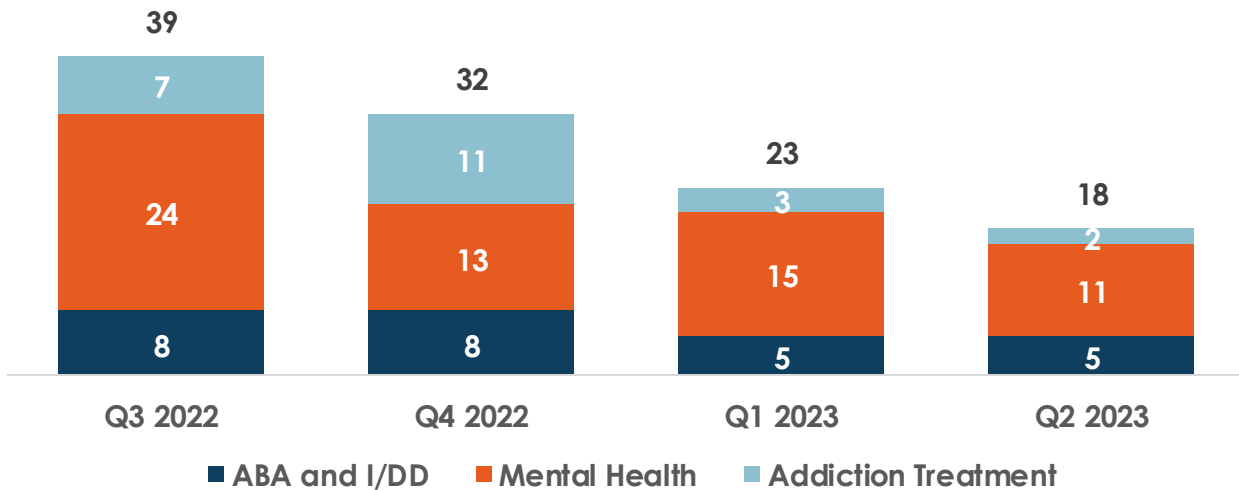


Transactions by Type



■ Strategic
 ■ Platform
 ■ Add-On
 ■ ABA and I/DD
 ■ Mental Health
 ■ Addiction Treatment

Transactions by Quarter by Type



Key Acquirers

Strategic



Sponsor-Backed



Financial Sponsors



Recent Behavioral Health Transactions: Q2 2023 (1/3)

Behavioral Healthcare: Precedent Transaction Analysis

6/30/2023

Date	Target	Target Description	Acquirer	Industry	Platform/Add-On/Strategic	Strategic vs. Sponsor/Sponsor Backed
30-Jun-23	Bridges MN	Provider of housing options and health care services to individuals with disabilities.	Dungarvin	ABA and I/DD	Strategic	Strategic
27-Jun-23	Field Trip Health	Provider of psychedelic therapy services.	Stella	Mental Health	Strategic	Strategic
23-Jun-23	Your Behavioral Health	Provider of behavioral health services to provide a full continuum of care for individuals with mental health and substance use disorders.	Comvest Partners	Mental Health	Platform	Sponsor
20-Jun-23	Serenity at Summit (Three Facilities for Mental Health and Substance-Use Disorders)	A group of mental health and substance-use disorder treatment facilities located in New Jersey and Massachusetts.	Harmony Health Group	Mental Health	Add-On	Sponsor
14-Jun-23	Family First Adolescent Services	Operator of therapy and healthcare clinic intended to help teens and families recover from mental health problems.	Five Points Capital	Mental Health	Platform	Sponsor
11-Jun-23	Center For Autism & Related Disorders	Operator of a chain of autism spectrum disorder (ASD) treatment centers committed to helping all of its patients learn vital skills and make meaningful progress.	Pantogran, LLC	ABA and I/DD	Strategic	Strategic

Recent Behavioral Health Transactions: Q2 2023 (2/3)

Behavioral Healthcare: Precedent Transaction Analysis

6/30/2023

Date	Target	Target Description	Acquirer	Industry	Platform/Add-On/Strategic	Strategic vs. Sponsor/Sponsor Backed
01-Jun-23	Giggles Therapy	Operator of a child therapy center intended to serve children with autism or other disorders.	Kids Speech, Physical and Occupational Therapy	ABA and I/DD	Add-On	Sponsor
31-May-23	Banyan Treatment Centers	Provider of a comprehensive addiction and mental health treatment program dedicated to helping individuals achieve growth through recovery.	The Rise Fund	Addiction Treatment	Platform	Sponsor
15-May-23	Denver Wellness Associates	Provider of mental health treatment services intended to serve patients with mental disorders.	ARC Psychiatry	Mental Health	Add-On	Sponsor
15-May-23	Silver Lake Psychology	Provider of psychotherapy services intended to help people to be free from mental illness.	ARC Psychiatry	Mental Health	Add-On	Sponsor
05-May-23	Quince Orchard Psychotherapy	Provider of psychotherapy services intended to offer quality yet affordable counseling, testing and medication services.	Graham Family Office	Mental Health	Platform	Sponsor
05-May-23	Positive Change Counseling Center	Provider of psychotherapy services intended to serve individuals, couples and families.	ARC Psychiatry	Mental Health	Add-On	Sponsor

Recent Behavioral Health Transactions: Q2 2023 (3/3)

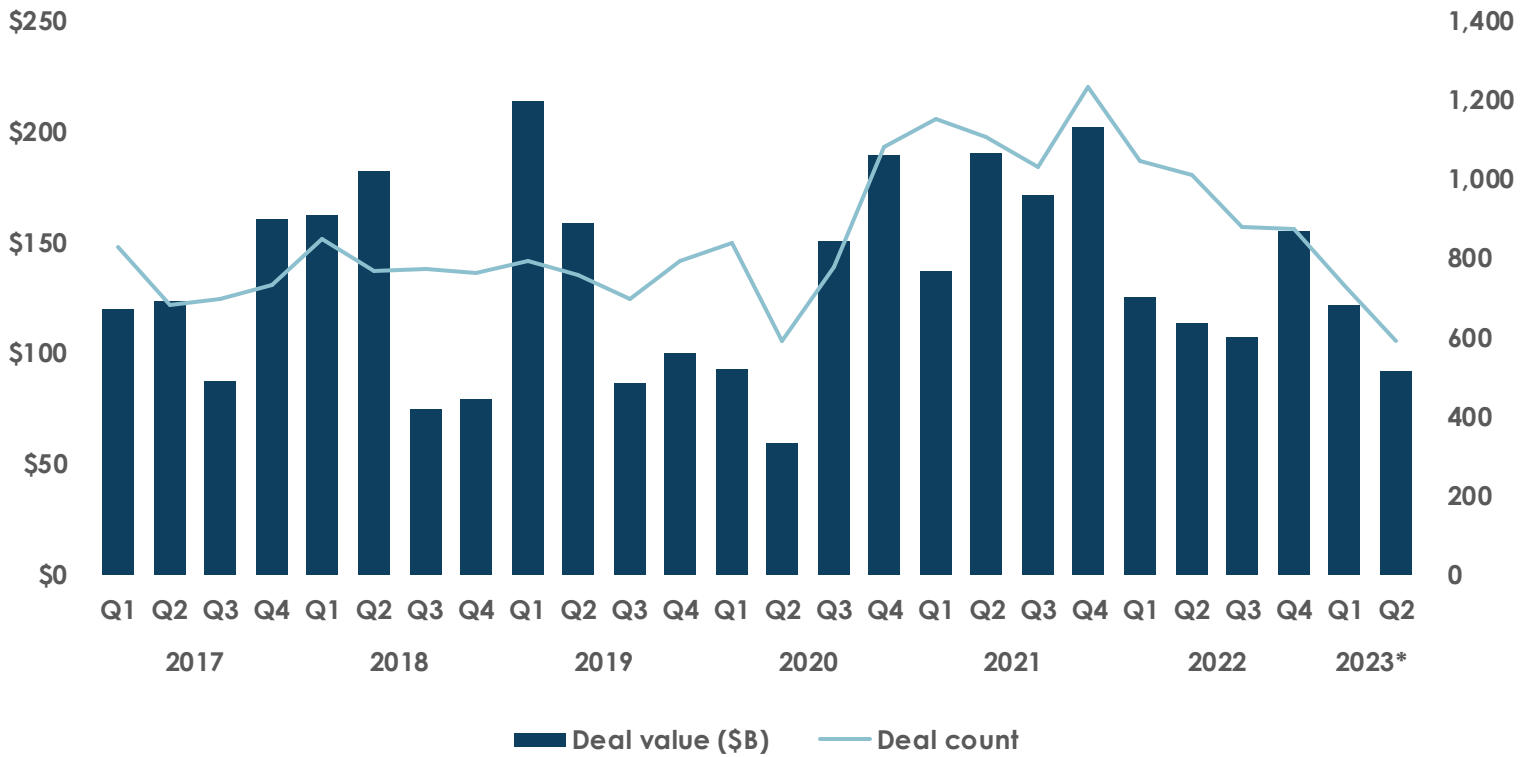
Behavioral Healthcare: Precedent Transaction Analysis

6/30/2023

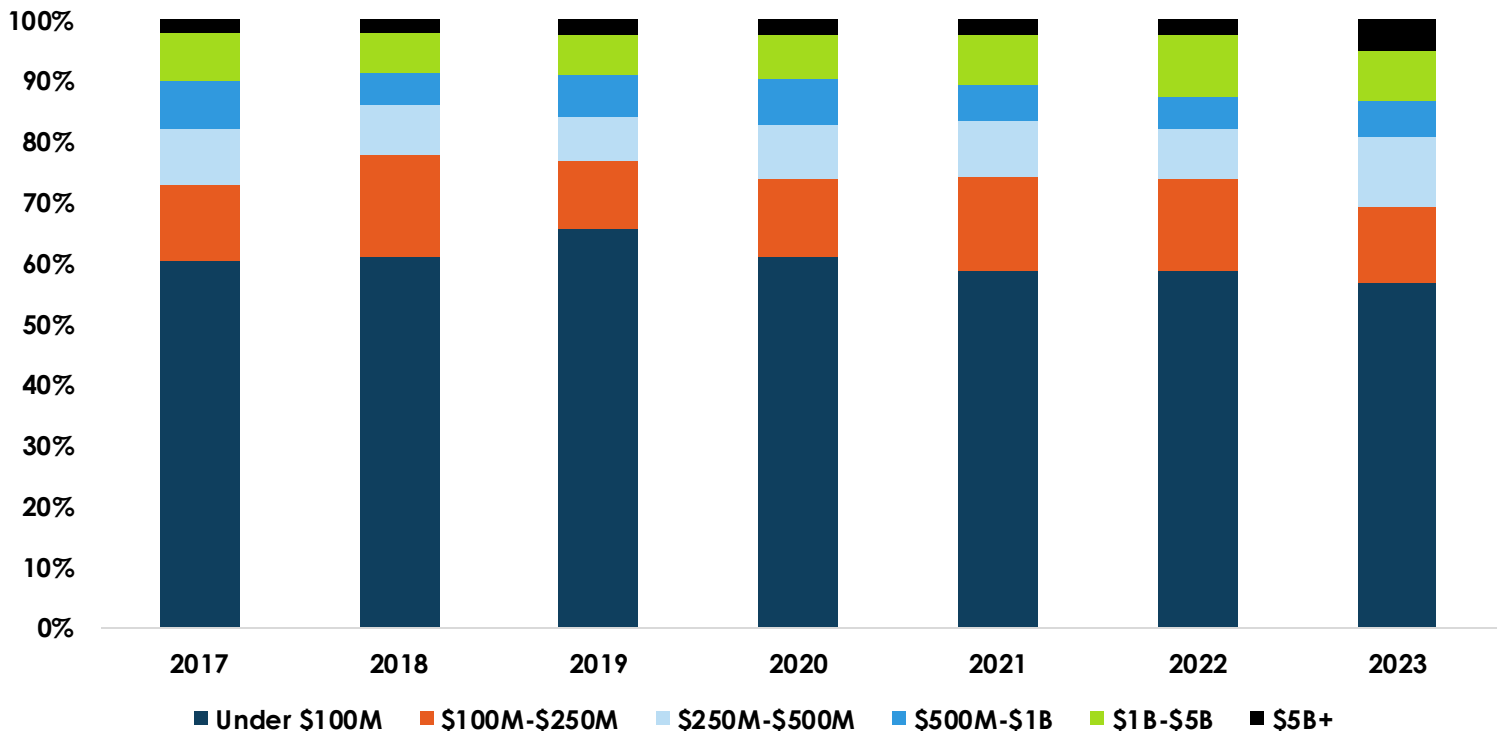
Date	Target	Target Description	Acquirer	Industry	Platform/Add-On/Strategic	Strategic vs. Sponsor/Sponsor Backed
18-Apr-23	Melmed Center	Provider of assessment and treatment of behavioral, educational and developmental challenges catering to children and adults up to the age of twenty-one years old.	Cortica	ABA and I/DD	Strategic	Strategic
18-Apr-23	AsOne HealthCare IPA	Provider of family-based treatment approach intended to provide servicing intergenerational and complex health needs including mental health and substance abuse treatment.	CCF Health Home	Mental Health	Strategic	Strategic
18-Apr-23	Springtide Child Development	Operator of a behavioral clinic intended to serve children with developmental delays and disabilities.	Cortica	ABA and I/DD	Strategic	Strategic
03-Apr-23	ZipDoctor	Operator of telemedicine platform intended to serve individuals, couples and families.	Cosmos Health	Mental Health	Strategic	Strategic
05-Apr-23	Recovery Centers of America (Four Outpatient Opioid Addiction Treatment Centers)	A group of outpatient opioid addiction treatment centers; 3 located in New Jersey and 1 located in Pennsylvania.	Pinnacle Treatment Centers	Addiction Treatment	Add-On	Sponsor
01-Apr-23	Dallas Counseling & Treatment Center	Provider of mental health services focused on making the clients feel empowered and confident.	Havencrest Capital Management	Mental Health	Platform	Sponsor

Healthcare M&A: Aggregate Activity

Healthcare M&A Activity by Quarter (2017 – Q2 2023)



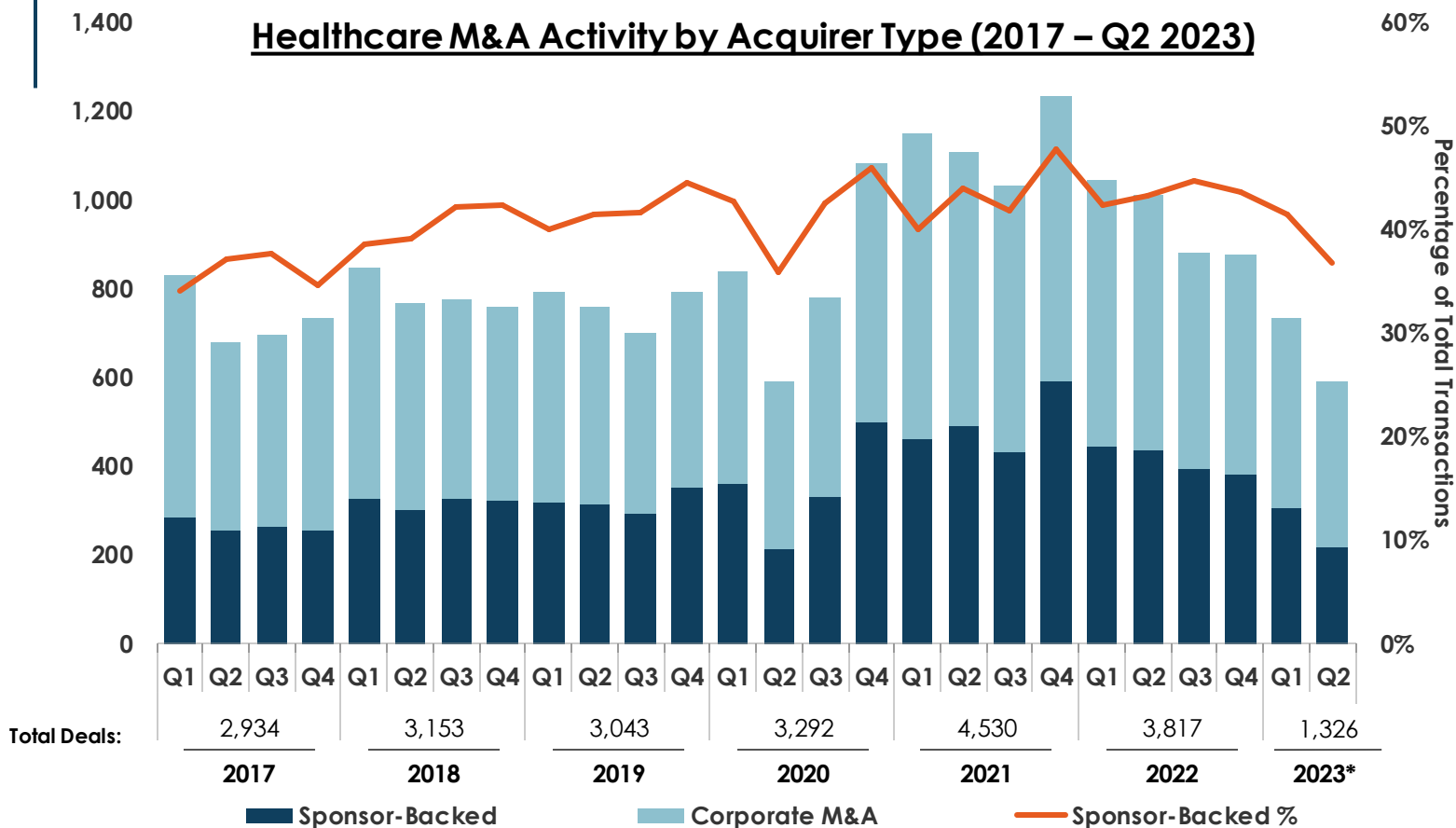
U.S. Healthcare M&A Activity by Size (2017 – Q2 2023)



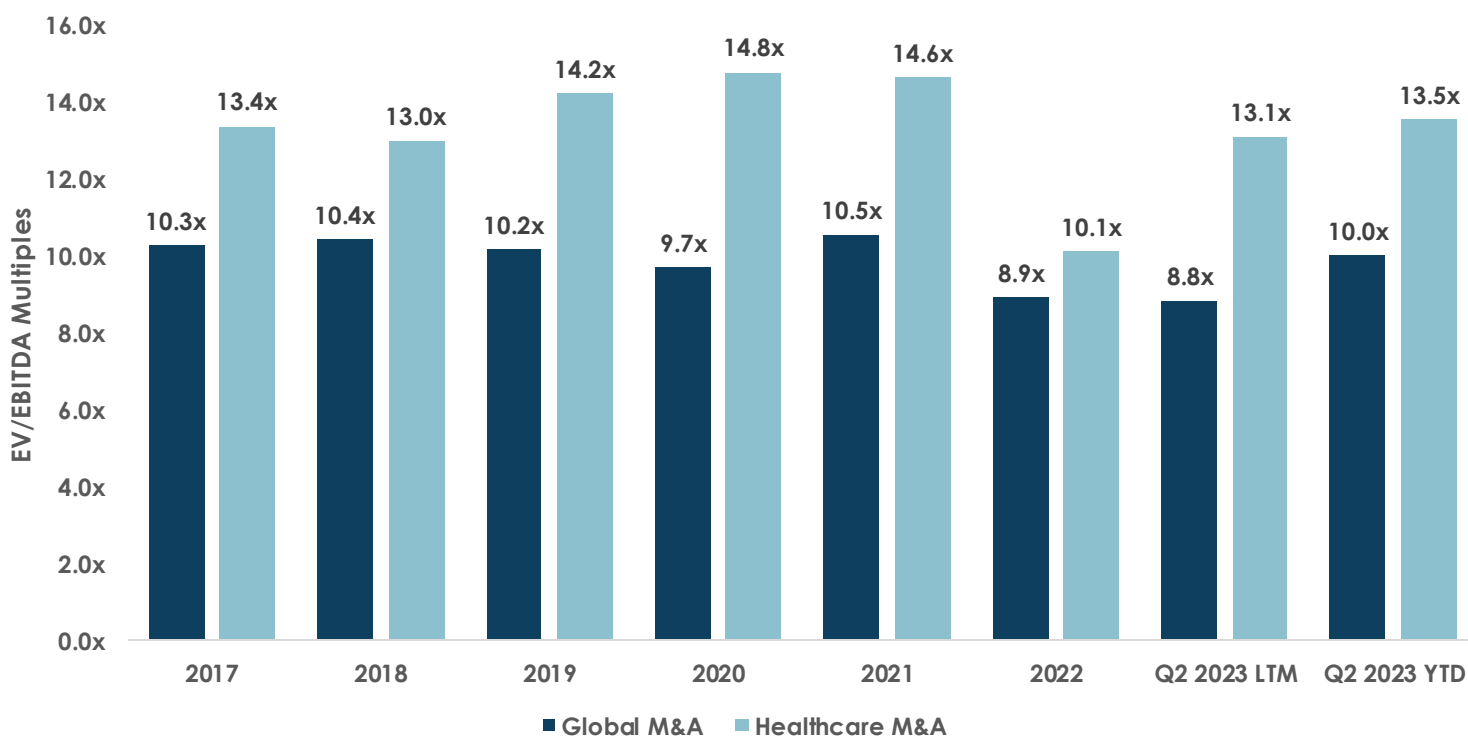
1. Source: Pitchbook

Healthcare M&A: Acquirer Activity and Multiples

Healthcare M&A Activity by Acquirer Type (2017 – Q2 2023)



Healthcare M&A Transaction Multiples (2017 – Q2 2023)



Your Strategic and M&A Partners in Behavioral Health

About DAK





Transaction Characteristics

Private Businesses Closely held, entrepreneurial, family owned and multi-generational

Financial Sponsors Committed funds, independent sponsors, and family offices

\$2-40 MM EBITDA

\$10-400 MM enterprise value

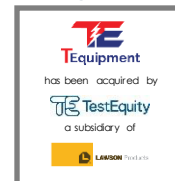
\$10-300 MM annual revenue

Focused Middle Market Coverage

Healthcare Services



Generalist Coverage



Diversified Industrials



Pro Audio Visual



Advisory Focused Investment Banking

M&A Advisory

Buy and sell-side domestic and cross-border transactions including sales, divestitures, mergers, acquisitions, recapitalizations, LBOs and MBOs, and distressed or 363 sales

Strategic Advisory & Valuation

Preparation of strategic advisory & planning, business plan, pre-transaction planning, valuation, fairness opinion, and market feasibility analysis

DAK's Healthcare Team



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Deep Expertise in the Healthcare Services Ecosystem

Trusted advisor to key stakeholders in home health and care, behavioral health, healthcare IT, medical device & lab, and pet healthcare services providers.

Sell Side Advisor



has been acquired by



Financial advisor to
Focus Forward Skilled Care

Sell Side Advisor



has been acquired by



Financial advisor to
Interactive Systems & Management Corporation

Strategic Advisor



has provided strategic guidance to



A Pathology Software Provider

Sell Side Advisor



has been recapitalized by



Financial advisor to
VCI

Strategic Advisor



has provided strategic guidance to



A Multi-Site Senior Citizen
Mental Health Services Provider

Sell Side Advisor



has been acquired by



Financial advisor to
Harrison Research Labs

Sell Side Advisor



has been acquired by



Financial advisor to
BioMedtrix

Sell Side Advisor

**Marypaul
Laboratories, Inc.**

has been acquired by



EMSL ANALYTICAL, INC.

Financial advisor to
Marypaul Labs

DAK Group's Healthcare Services Coverage Area

Home-Based Care

Home service offerings for individuals including skilled and non-skilled assistance in daily life, after surgical procedures or for end-of-life care. Specific services include in-home personal care, nursing, assisted living, rehabilitative therapy, and hospice care.



Key Trends

- The increase of adults aged 65 plus, has resulted in a spike in home health care demand; 20.9% and 50.2% of those aged between 75 – 84 and 85+, respectively, require assistance.
- Home health aides address chronic illnesses such as coronary artery disease and congestive heart failure, which are common among seniors. 6 out of 10 adults in the U.S. have a chronic disease; 4 out of 10 adults have two or more chronic diseases; and chronic illness is on the rise, driving pediatric care.
- Home Care is substantially more affordable when compared to substitute services, such as inpatient care.

Select Market Participants



Behavioral Healthcare

Inpatient and outpatient behavioral healthcare services including psychiatric care, mental health treatment, substance abuse, and addiction care. Patients are treated in a hospital environment or a third-party facility.



Key Trends

- 1 of 25 adults live with a severe mental health illness.
- Increasing consolidation of providers to meet the rising demand and pursue cost efficiencies.
- The COVID-19 Pandemic accelerated mental health issues due to social isolation and financial stress.
- The industry is expected to expand as social stigma related to addressing mental health issues subsides and more individuals seek out behavioral healthcare treatment.

Select Market Participants



DAK Group's Healthcare Services Coverage Area



Healthcare IT

Increasing digitalization and technological advancements are creating new efficiencies in patient care and record keeping. Healthcare Technology Services include electronic health and medical records (EH/MR) as well as telehealth services.



EMR



Telehealth



Data Analytics

Key Trends

- Advancements in and increased ease of use of communication technology has resulted in a dramatic shift towards telehealth services.
- Federal legislation has incentivized providers to digitize records and adopt EMR / EHR systems.
- The COVID-19 pandemic has increased adoption thanks to the demand for patient exposure, infection, and vaccination tracking.

Select Market Participants



Diversified Healthcare

Diversified Healthcare offerings including pet health services, laboratory services and other diagnostic testing, physician practice management, biotech and medical device companies and other healthcare service providers.



Biotech and
Devices



Pet
Health



Laboratory
Services



Other Healthcare
Services



Physician Practice
Management

Key Trends

- As 70% of U.S. households, or 90.5 million homes, have at least one pet, the demand for routine veterinary services continues to grow.
- The effects of the COVID-19 pandemic have proven to accelerate growth within the laboratory services market due to demand for COVID-19 testing along with the need for accurate and early disease diagnosis of other chronic and infectious diseases.
- With the use of electronic data becoming ever more prevalent in the healthcare space, robust practice management systems are becoming a necessity for medical and physician practices in order to be in line with regulatory and compliance requirements along with efficient and accurate patient record keeping.

Select Market Participants



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How We Can Help You

The DAK Group helps middle market, privately held businesses, sponsor backed companies and PE firms in the **Healthcare** space garner the greatest value for their companies.

As owners looking to grow, exit or just “take some chips off the table” by reducing risk, our teams provide operational advice, pre-transaction planning and expertise leading buy side and sell side transactions that create exceptional value.

The **DAK** Group

Investment Bankers to the Middle Market

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