



KPMG Corporate Finance LLC

ABA Therapy M&A

February 2020

kpmgcorporatefinance.com

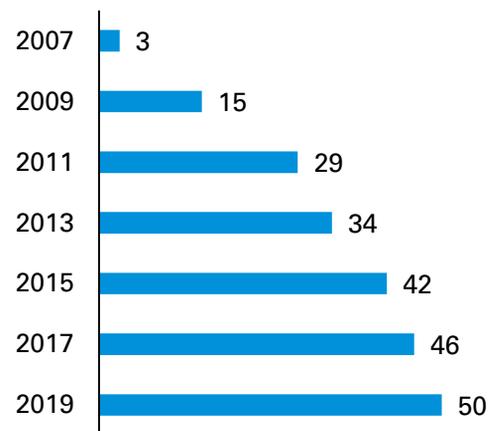


U.S. ABA Therapy market overview

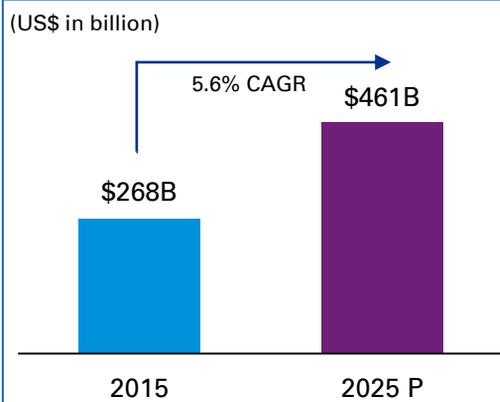
Increased incidence of autism spectrum disorder and favorable legislative reforms present major growth opportunities for the autism services market in the U.S.

- Autism spectrum disorder (“ASD”) refers to a range of conditions characterized by challenges with social skills, repetitive behaviors, speech and nonverbal communication.
- The autism services market is estimated to generate approximately \$5 – \$7 billion in revenue annually.⁽¹⁾
- The rising prevalence of ASD can largely be attributed to improvements in monitoring, screening, and diagnosis of the condition.
- The total annual direct medical, direct non-medical and productivity costs combined for treating ASD was estimated to be approximately \$268 billion for 2015.⁽²⁾
 - In the absence of more-effective interventions and lifelong support for those with ASD, the cost is estimated to rise to \$461 billion by 2025.⁽²⁾
 - On average, it costs around \$60,000 a year to care for someone with autism.⁽²⁾
- As of October 2019, all 50 states have taken action to require meaningful coverage for the treatment of autism in state-regulated health plans.⁽³⁾
 - Rising awareness about the benefits of early intervention and intensive therapy has spurred the expansion of insurance coverage.
- Owing to the rising number of children diagnosed with disabilities, strong federal funding levels, mandatory coverage private insurers, demand for the providers of the services is expected to remain high.

States with ABA insurance reform⁽³⁾

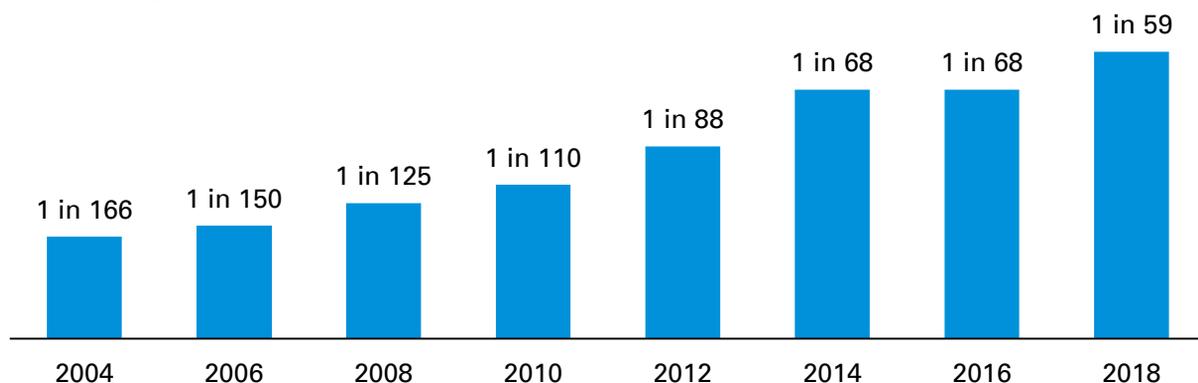


Economic burden of ASD in the U.S.⁽²⁾



Prevalence of children diagnosed with autism⁽⁴⁾

(U.S. children diagnosed by age eight)



Sources:

⁽¹⁾ Forbes Investor Overview: Autism Services (December 2018)

⁽²⁾ Autism and Health: A special report by Autism Speaks (2017)

⁽³⁾ Autism Speaks: State Regulated Health Benefit Plans

⁽⁴⁾ Center for Disease Control and Prevention

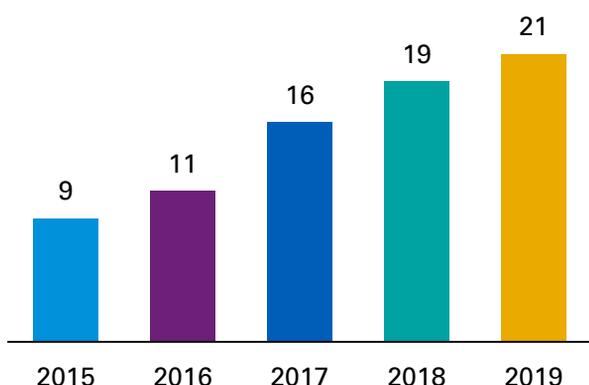
U.S. ABA Therapy M&A activity overview

Autism services continues to experience economic tailwinds driving significant consolidation activity.

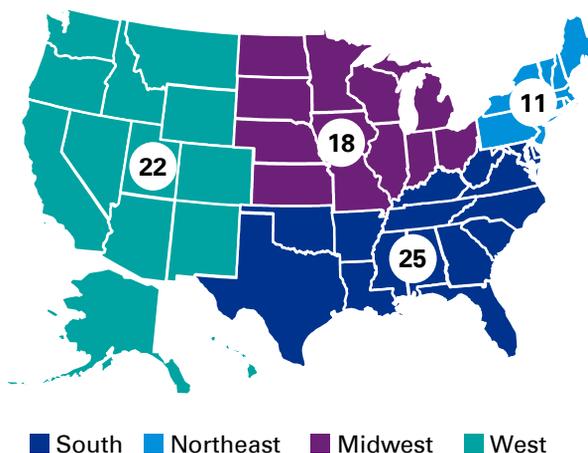
- The autism spectrum disorder treatment market in the U.S. is highly fragmented, and is primarily served by small, independent school-based and community-based players with local or regional presence.
 - The ABA market in the U.S. is serviced by approximately 30,000 board certified behavior analysts and it is estimated the workforce would need to be doubled to meet current ASD service needs.⁽¹⁾
- The favorable reimbursement environment, increased incidence levels, and heavy fragmentation within the sector, are primary factors driving investment within the sector.
- Going forward, a healthy amount of M&A activity is expected to continue within the sector as smaller independent programs continue to be acquired by larger well capitalized market consolidators.
 - Consolidation is expected to be driven by private equity groups not yet invested in the space, PE-backed consolidators, and general behavioral health consolidators with autism service offerings.

ABA therapy M&A activity⁽²⁾

Deal activity since 2015



Deal activity by geography since 2015



Sources:

⁽¹⁾ Butterfly Effects (2019)

⁽²⁾ Capital IQ, Company websites, Press releases

Key factors driving consolidation activity in the sector



Highly fragmented market

The market is highly fragmented with most enterprises operating on a local or regional basis, thus creating an environment ripe for consolidation.



Favourable macro trends

The rising demand for services from increasing prevalence of ASD and other developmental disorders presents significant opportunity for growth.



Multiple growth strategies

Size advantages help investors better negotiate rates with payors, recruit additional providers, and build a strong brand presence.



Favourable regulatory environment

Expanded commercial coverage for autism services across states and ongoing reforms make the sector attractive to investors.

Selected precedent ABA Therapy M&A transactions (1/3)

| Closed Date | Target Name | Target Location | Acquirer Name |
|-------------|---|-----------------|--|
| Dec-19 | Comprehensive Autism Center | CA | The Speech Pathology Group (Ridgemont Equity Partners) |
| Dec-19 | Behavior Therapy Specialists of Illinois & Missouri | IL | Acorn Health (MBF Healthcare) |
| Dec-19 | Center for Social Dynamics | CA | New MainStream Capital |
| Oct-19 | Capitol Autism Services | CA | Kadient (TPG Capital) |
| Sep-19 | Alpine Academy and Interventions | FL | Family Treatment Network (Pharos Capital Group) |
| Sep-19 | Invo HealthCare Associates | PA | Golden Gate Capital |
| Sep-19 | New England ABA | MA | The Stepping Stones Group (Five Arrows Capital Partners) |
| Aug-19 | Easy Speech Pathology | CA | Carroll Capital |
| Aug-19 | RHA Health Services | NC | Blue Wolf Capital Partners |
| Aug-19 | Northpointe Resources | IL | Aspire Of Illinois |
| Jul-19 | Thrive Autism Solutions | MO | Blue Sprig Pediatrics (KKR) |
| Jun-19 | Mobile Arc | AL | AltaPointe Health Systems |
| May-19 | Hopebridge | IN | Arsenal Capital Partners |
| Apr-19 | Assets of West Texas Autism Center | TX | Blue Sprig Pediatrics (KKR) |
| Apr-19 | Kids Overcoming | CA | Kadient (TPG Capital) |
| Mar-19 | Tangible Difference Learning Center | TX | Blue Sprig Pediatrics (KKR) |
| Mar-19 | LEARN IT SYSTEMS | MD | Gryphon Investors |
| Mar-19 | The Speech Pathology Group | CA | Ridgemont Equity Partners |
| Mar-19 | Proud Moments Licensed Behavior Analysts | NY | Audax Management Company |
| Mar-19 | Civitas Solutions | MA | Centerbridge Partners |
| Jan-19 | Owakihi | MN | Beacon Specialized Living (Pharos Capital Group) |
| Dec-18 | Applied Behavioral Associates | MA | Centria Healthcare (Lorient Capital / Martis Capital) |
| Nov-18 | ABA of North Texas | TX | The Family Treatment Network (Pharos Capital) |
| Oct-18 | IDD Business of Home Health Connection | OH | Caregiver |
| Oct-18 | Action Behavior Centers | TX | NexPhase Capital |

Sources: Capital IQ, Company websites, Press releases.

©2020 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA / SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG international.

KPMG Corporate Finance LLC

Selected precedent ABA Therapy M&A transactions (2/3)

| Closed Date | Target Name | Target Location | Acquirer Name |
|-------------|---|-----------------|--|
| Oct-18 | Total Spectrum | IL | LEARN IT SYSTEMS (LLR Partners) |
| Oct-18 | Wisconsin Early Autism Project | WI | Autism Spectrum Therapies (Gryphon Investors) |
| Oct-18 | The Shape of Behavior | TX | Blue Sprig Pediatrics (KKR) |
| Oct-18 | Autism Centers of Michigan | MI | Acorn Health (MBF Healthcare) |
| Oct-18 | Xcite Steps | CA | Invo HealthCare Associates (The Wicks Group) |
| Sep-18 | Passport to Adaptive Living | CA | 360 Behavioral Health (DW Healthcare Partners) |
| Sep-18 | Opportunities Unlimited of Niagara | NY | The ReHAbilitation Center |
| Aug-18 | Caravel Autism Health | IL | Frazier Healthcare Partners |
| Jul-18 | The Bridge of Central Massachusetts | MA | Alternatives Unlimited |
| Jul-18 | Creative Connections | CA | Civitas Solutions (Centerbridge Partners) |
| May-18 | Center For Autism And Related Disorders | CA | The Blackstone Group |
| May-18 | Behavior Development Group | FL | Webster Capital |
| Mar-18 | The S.P.A.R.K.S. Group | MD | LEARN IT SYSTEMS (LLR Partners) |
| Jan-18 | Behavior Care Specialists | SD | The Family Treatment Network (Pharos Capital) |
| Jan-18 | Blue Sprig Pediatrics, Inc. | TX | KKR & Co. |
| Dec-17 | Autism Learning Partners | CA | FFL Partners |
| Nov-17 | Hopebridge | IN | Baird Capital |
| Oct-17 | Autism Home Support Services | IL | Invo HealthCare Associates (The Wicks Group) |
| Sep-17 | Habilitative Services | MN | Civitas Solutions (Centerbridge Partners) |
| Sep-17 | Aspire Autism | CO | Autism Learning Partners (FFL Partners) |
| Sep-17 | Alternative Behavior Strategies | UT | Petra Capital Partners; MMC Health Services |
| Sep-17 | Sequel Youth and Family Services | AL | Altamont Capital Management |
| Aug-17 | Commonwealth Case Management | KY | The Columbus Organization (Health Edge Investment) |
| Aug-17 | Special Care Agency | WA | The SAILS Group |
| Jul-17 | Autism Family Center | IL | Autism Spectrum Therapies (Gryphon Investors) |

Sources: *Capital IQ*, Company websites, Press releases.

©2020 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA / SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG international.

Selected precedent ABA Therapy M&A transactions (3/3)

| Closed Date | Target Name | Target Location | Acquirer Name |
|-------------|------------------------------------|-----------------|---|
| Jun-17 | Embracing Autism | OH | Dungarvin Ohio |
| Jun-17 | Behavioral Innovations | TX | Shore Capital Partners |
| Jun-17 | JLH Enterprises | WI | Civitas Solutions (Centerbridge Partners) |
| Mar-17 | Epic Health Services | TX | Bain Capital Private Equity |
| Mar-17 | Trumpet Behavioral Health | CO | WindRose Health Investors; MTS Health Investors |
| Jan-17 | Loma Linda Management Company | CA | Civitas Solutions (Centerbridge Partners) |
| Dec-16 | Invo HealthCare Associates | PA | The Wicks Group of Companies |
| Dec-16 | Proof Positive ABA Therapies | CA | Autism Learning Partners (FFL Partners) |
| Nov-16 | Pride In North Carolina | NC | Seaside Healthcare (Pharos Capital Group) |
| Jun-16 | Autism Behavioral Consulting | WA | CARD Capital (The Blackstone Group) |
| Jun-16 | ACI Support Specialists | NC | Dungarvin |
| May-16 | Juvobh | CA | Platinum Health Care |
| May-16 | Beacon Specialized Living Services | MI | Pharos Capital Group |
| May-16 | LEARN IT SYSTEMS | MD | LLR Partners |
| May-16 | Rehabilitation Associates | VA | Epic Health Services |
| Feb-16 | Patterns Behavioral Services | CA | The SAILS Group |
| Jan-16 | D&S Residential Services | TX | Comvest Partners |
| Nov-15 | AdvoServ | DE | Wellspring Capital Management |
| Nov-15 | RHA Health Services | NC | Formation Capital; Safanad Limited |
| Sep-15 | Sage Care Therapy Services | TX | ChanceLight Behavioral Health and Education |
| Aug-15 | Autism Treatment Solutions | CA | Butterfly Effects (Moran Capital Partners) |
| Aug-15 | Florida Autism Center | FL | Shore Capital Partners |
| Jul-15 | Futures Behavior Therapy Center | MA | South Bay Mental Health Center (H.I.G. Growth) |
| Jun-15 | Community Integration | PA | UPMC Hamot |
| Apr-15 | The Gateway Center Las Vegas | NV | CARD Capital (The Blackstone Group) |
| Mar-15 | Clarity Service Group | PA | Epic Health Services |

Sources: *Capital IQ*, Company websites, Press releases.

©2020 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA / SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG international.

KPMG Corporate Finance LLC

Select recent KPMG Corporate Finance LLC transactions

KPMG

Project Lion

A gastroenterology physician practice

Ongoing

KPMG

Project Spring

A gastroenterology physician practice

Ongoing

KPMG

Project Wave

An anesthesia physician group

Ongoing

KPMG



Has been acquired by



Closed

KPMG

Deer Meadows
Retirement Community

Has been acquired by



Closed

KPMG



Has been acquired by



A portfolio company of




Closed

KPMG



Has been recapitalized by



Closed

KPMG



Has been acquired by



Closed

KPMG



Has received growth investment from



Closed

KPMG



Has been acquired by



Closed

Select recent KPMG LLP Deal Advisory credentials

KPMG

Compassion-First Pet hospitals (Quad - C)
KPMG Deal Advisory

Sell-side financial due diligence assistance on its sale to JAB

Closed

KPMG

Heartland Dental (Ontario Teachers Pension Plan Board)
KPMG Deal Advisory

Sell-side financial due diligence assistance on its sale to KKR

Closed

KPMG

DentalCorp
KPMG Deal Advisory

Sell-side financial due diligence assistance on its sale to L Catterton

Closed

KPMG

Private equity client
KPMG Deal Advisory

Sell-side financial due diligence assistance on its potential sale of women's health mammography company

Closed

KPMG

Audax Private Equity - Advanced Dermatology
KPMG Deal Advisory

Sell-side financial due diligence assistance on Advanced Dermatology's sale to Harvest Partners

Closed

KPMG

Great Point Partners- Professional PT
KPMG Deal Advisory

Sell-side financial due diligence assistance on sale of Professional PT to Thomas H. Lee Partners

Closed

KPMG

Center for Diagnostic Imaging
KPMG Deal Advisory

Financial due diligence assistance on sale to WellSpring Capital

Closed

KPMG

Forefront Dermatology (Varsity Healthcare Partners)
KPMG Deal Advisory

Sell-side financial due diligence assistance on its sale to Ontario Municipal Employees Retirement System(OMERS)

Closed

KPMG

ATI Physical Therapy (KRG Capital Partners)
KPMG Deal Advisory

Financial pre-sale due diligence assistance on sale of ATI with over 500 clinic locations to Advent International

Closed

KPMG

EyeCare Services Partners (Varsity Healthcare Partners)
KPMG Deal Advisory

Provided financial due diligence assistance on its sale to Harvest Partners

Closed

*Represents the global Corporate Finance practice of KPMG International's network of independent member firms

©2020 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA / SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG international.

KPMG Corporate Finance LLC healthcare investment banking team



Walter J. Olshanski
Managing Director,
Sector Lead
T: 646-874-4878
E: wolshanski@kpmg.com



Ankit Bavishi
Vice President
T: 312-665-2026
E: ankitbavishi@kpmg.com



Michael Cordaro
Associate
T: 212-763-5408
E: mcordaro@kpmg.com



Jason Moran
Managing Director
T: 415-963-7353
E: jasonmoran@kpmg.com



Karan Jolly
Managing Director
T: 312-665-2949
E: kjolly@kpmg.com



Amanda Dydynski
Vice President
T: 415-963-8401
E: adydynski@kpmg.com

| 2015-2019 global advisor ranking ⁽¹⁾ | | # of Deals |
|---|-------------------------------|------------|
| 1. | KPMG* | 2,462 |
| 2. | PwC | 2,200 |
| 3. | Deloitte | 1,631 |
| 4. | Rothschild & Co. | 1,513 |
| 5. | Ernst & Young LLP | 1,403 |
| 6. | Houlihan Lokey | 1,275 |
| 7. | BDO | 1,029 |
| 8. | IMAP | 957 |
| 9. | Lazard | 935 |
| 10. | Industrial & Comm. Bank China | 916 |

| 2010-2019 global advisor ranking ⁽¹⁾ | | # of Deals |
|---|--------------------|------------|
| 1. | KPMG* | 4,321 |
| 2. | PwC | 4,135 |
| 3. | Deloitte | 2,827 |
| 4. | Ernst & Young LLP | 2,654 |
| 5. | Rothschild & Co. | 2,552 |
| 6. | Houlihan Lokey | 2,347 |
| 7. | BDO | 1,883 |
| 8. | Lazard | 1,859 |
| 9. | Goldman Sachs & Co | 1,813 |
| 10. | Morgan Stanley | 1,685 |

Global coverage. Industry knowledge. Middle-Market focus.

The global Corporate Finance practices of KPMG International's network of independent member firms was ranked #1 as the top M&A middle-market adviser globally by Refinitiv based on number of completed transactions, for 2010 to 2019.

KPMG Corporate Finance LLC was recently named Transaction Advisory Firm of the Year by The Global M&A Network, and previously named investment Bank of the Year by the M&A Advisor. KPMG Corporate Finance LLC provides a broad range of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge to advise clients on global mergers and acquisitions, sales and divestitures, buyouts, financings, debt restructurings, equity recapitalizations, infrastructure project finance, capital advisory, portfolio solutions, fairness opinions, and other advisory needs.

Note:

⁽¹⁾ League tables include completed deals which have value between \$0 million to \$500 million and also where deal value is not disclosed, as of January 2, 2020.

*Represents the global Corporate Finance practice of KPMG International's network of independent member firms



Important notice

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. The information contained in this communication does not constitute a recommendation, offer, or solicitation to buy, sell or hold any security of any issuer. Past performance does not guarantee future results.