



KPMG Corporate Finance LLC

Mental health services M&A update

February 2024

kpmgcorporatefinance.com

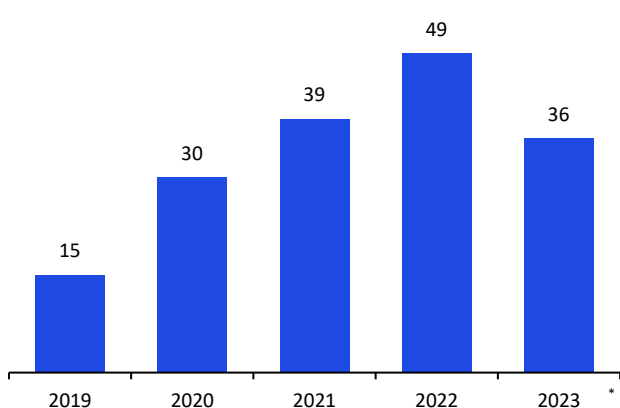
M&A Activity in Mental Health Services Market

The post-pandemic upswing in demand for mental health services across the U.S. fueled notable growth in M&A activities within the sector. Despite lower volume in 2023, the industry maintained strong deal-making momentum.

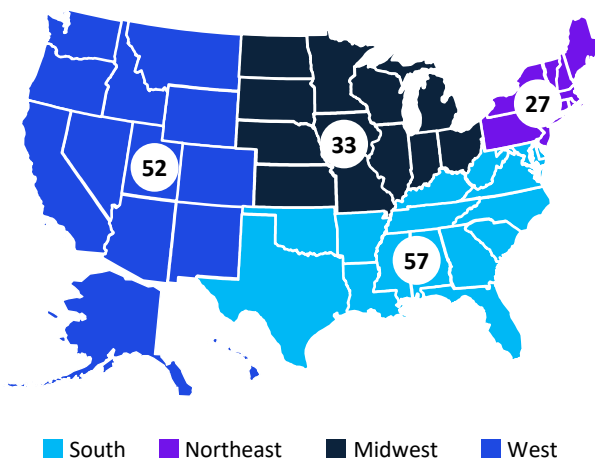
- M&A activity within the mental health services sector has been robust, fueled by the rising incidence of mental health issues, de-stigmatization of mental health disorders, and increased patient access to care via telehealth.
- Both private equity firms and strategic investors have taken note of the growing demand for mental healthcare services and are investing heavily in the specialty.
- In the prevailing interest rate environment, private equity firms, which have driven the majority of transactions in the sector, are prioritizing investments in high-quality providers and pursuing strategic add-ons to enhance growth.
- The mental health services sector is poised for continued growth and investment, as stakeholders recognize the importance of addressing mental health needs and capitalize on opportunities presented by innovative, efficient care models.

Mental health practice deal activity⁽¹⁾

Deal activity since 2019



Deal activity by geography since 2019



Sources:

⁽¹⁾ Capital IQ, Pitchbook, Press releases.

Factors driving consolidation in the sector^(2,3)



Enormous Market with Unmet Need

Valued at \$200B in 2020, the mental health industry is projected to reach \$285B by 2030. Access to care continues to be a focus as ~50% of the population with mental illness did not receive treatment in 2020.



Multiple Revenue Streams

Providers of traditional psychiatry services can offer several ancillary service treatments to patients including transcranial magnetic stimulation (TMS), Spravato, and Suboxone.



Operations Strategy and Scale

Scaled business operations can result in several benefits including bulk purchase savings and professionalized functions including accounting, forecasting, revenue cycle management, marketing and scheduling.



Technology-Driven Upgrades

Telehealth has continued to expand its role in mental healthcare and is expected to continue to be a part of the patient experience. The integration of tele-psych is aiding in the modernization and increased accessibility of mental healthcare services.

Sources: ⁽²⁾ National Alliance on Mental Illness; ⁽³⁾ Allied Market Research.

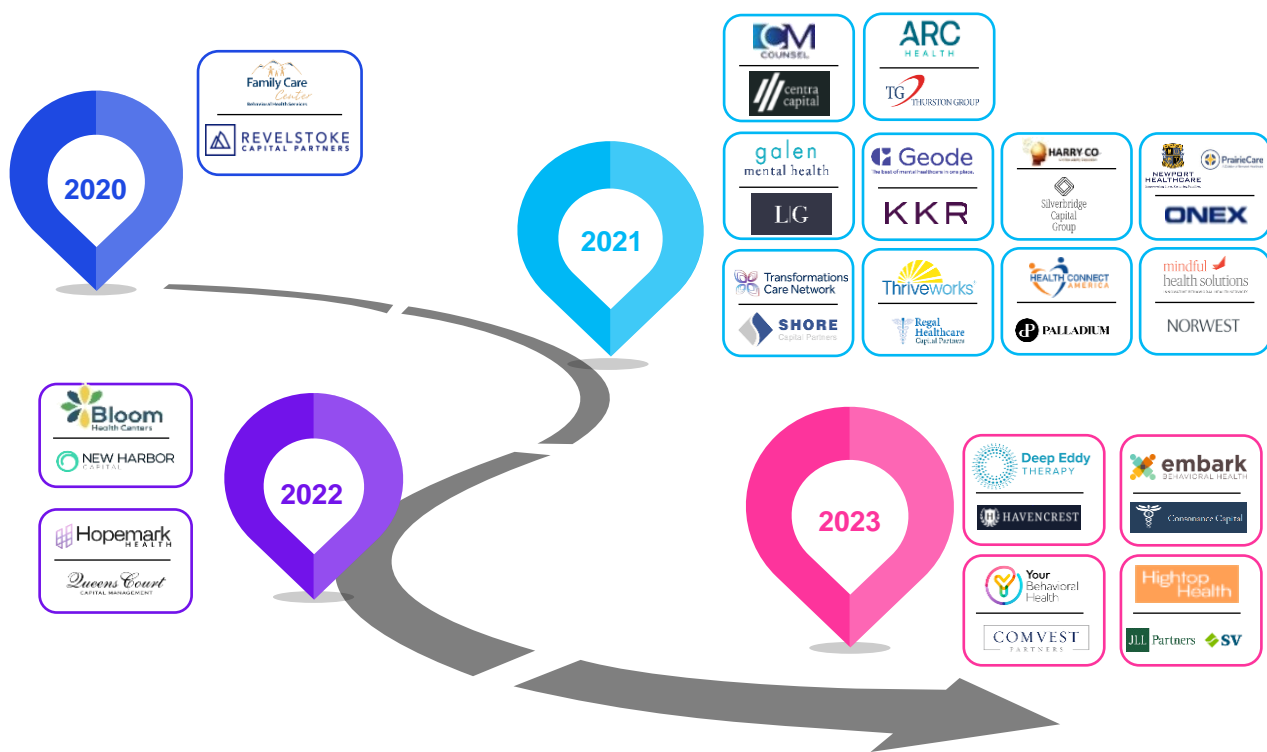
Trends in Outpatient Psychiatry Investments

Private equity firms have exhibited significant interest in mental health sector investments. Such investments have been driven by the need for accessible mental health services, emerging technologies, and innovative service delivery models.

Investment Trends in the Mental Healthcare Sector

1. **Telepsychiatry and Digital Therapeutics:** Investments in mental health technology have been growing rapidly, with private equity firms backing platforms that offer telepsychiatry services, secure messaging, and comprehensive care to patients with a preference for virtual care and those based in rural and underserved areas.
2. **Comprehensive Mental Healthcare:** While some platforms take a specialized approach, others aim to provide a broader solution for patients across multiple acuties including outpatient services, intensive outpatient, partial hospitalization, and inpatient care.
3. **Data-Driven and AI-Powered Health Solutions:** Certain organizations are introducing machine learning and AI to personalize treatment plans, analyze patient data, and improve mental healthcare delivery.
4. **Child and Adolescent Psychiatry Platforms:** Certain providers have specialized in psychiatric care for children and adolescents, addressing unique challenges in this subsector, such as diagnosis-related challenges and limited specialized care providers.
5. **Integrated Behavioral Health Platforms:** In some instances, investors have merged behavioral healthcare alongside primary care and specialized services, including substance abuse and eating disorder treatments, striving to enhance the accessibility and efficacy of mental health services through preventive care and early intervention efforts.

Outpatient Psychiatry Private Equity Platform Timeline*

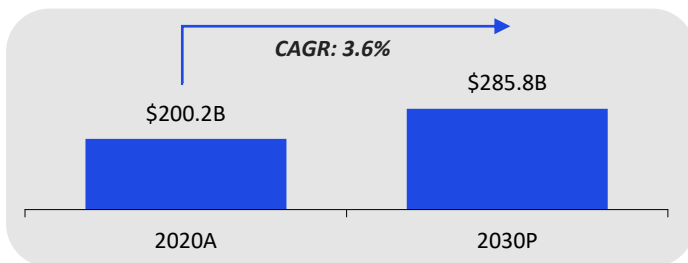


*Representative list of private equity backed platforms with focus on outpatient psychiatry
Sources: Capital IQ, Pitchbook, Press releases.

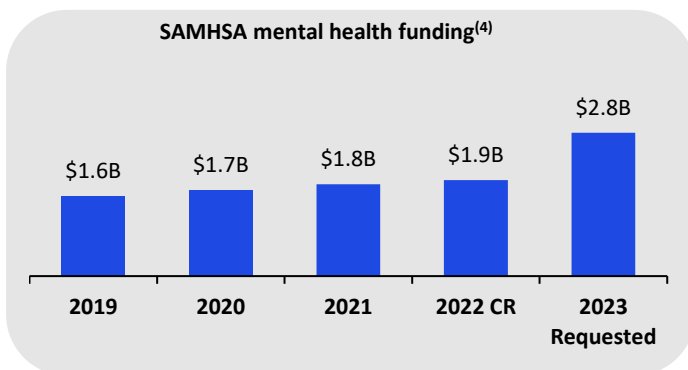
Growing Crisis of Mental Health Illnesses

Increasing prevalence of mental health disorders, rising awareness and acceptance about the issue, and increased support from state and federal level regulations, are expected to propel the demand for mental health services.

- With an alarming increase in the rates of mood disorders and suicide-related outcomes, mental health problems are becoming a growing concern for the American population.
- Given the increasing prevalence of mental health disorders and the de-stigmatization of mental health treatment, the sector represents significant addressable market opportunity with room for ample growth.
 - The mental health market in the U.S. is estimated to reach \$285.8 billion by 2030, growing at CAGR of 3.6 percent between the period of 2020 to 2030.⁽¹⁾



- Untreated mental illness are estimated to cost up to \$300 billion annually due to losses in productivity and associated costs due to absenteeism, employee turnover and increases in medical and disability expenses.⁽²⁾
- COVID-19 has further elevated mental health issues and the number of people looking for help with anxiety and depression has skyrocketed.
 - In the first three quarters of 2020, 315,220 people took the anxiety screen, a 93 percent increase over 2019 and 534,784 people took the depression screen, a 62 percent increase over the last year.⁽³⁾
- Enhanced support from several federal and state level legislations, including the 2008 Mental Health Parity and Addiction Equity Act, Affordable Care Act, The Telemental Healthcare Access Act of 2021, and the implementation of 988 Suicide and Crisis Lifeline, are acting as growth catalysts for the industry.



Rising mental health crisis in the U.S.⁽³⁾



1 in 5 U.S. adults experience mental illness

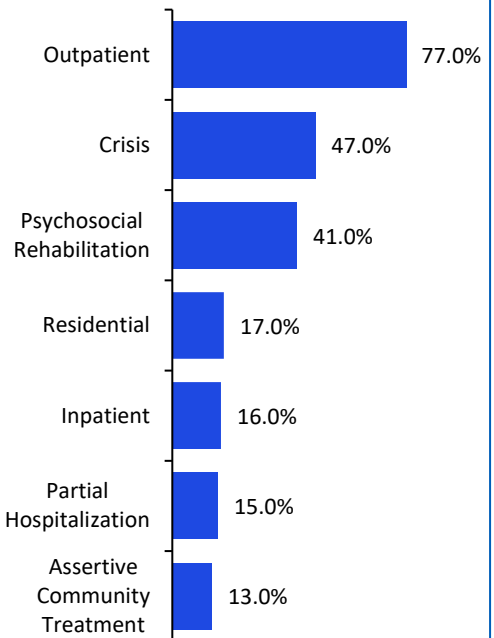
50%+ adults with mental illness do not receive any treatment

45% adults report having serious thoughts of suicide

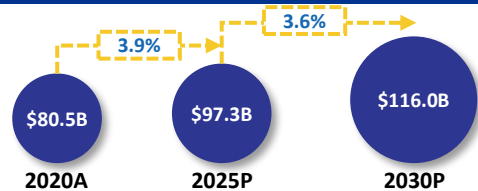
16% of youth had a major depressive disorder in 2022

60% of youth with major depression do not receive any mental health treatment

Specialty mental health treatment facilities offering certain services⁽⁵⁾



Growing market for outpatient mental healthcare⁽¹⁾



Sources: ⁽¹⁾ Allied Market Research; ⁽²⁾ National Alliance on Mental Illness; ⁽³⁾ Mental Health America; ⁽⁴⁾ SAMHSA; ⁽⁵⁾ MACPAC.

Recent Mental Health Services Transactions

Closed Date	Target Name	Target Location	Sector Focus*	Acquirer Name	Deal Value (\$M)
Jan-24	Christie Campus Health	MA	Outpatient behavioral healthcare	Uwill (Education Growth Partners)	NA
Jan-24	Mindsoother	NJ	Outpatient behavioral healthcare	ARC Health (Thurston Group)	NA
Dec-23	Exult Healthcare	TX	Outpatient psychiatric and IOP care	ARC Health (Thurston Group)	NA
Dec-23	Cameron Care	OR	Residential mental healthcare	Jackson House	NA
Dec-23	Advanced Psychiatric Group	FL	Outpatient psychiatric care	ARC Health (Thurston Group)	NA
Nov-23	Integrative Life Network	TN	IOP and PHP care	Integrative Health Centers	NA
Nov-23	Vertava Health of Southaven	MS	Inpatient and outpatient behavioral healthcare	Addiction & Mental Health Services	NA
Nov-23	GROW heal live lead	GA	Outpatient behavioral healthcare	ARC Health (Thurston Group)	NA
Nov-23	Medina Health	IL	Outpatient psychiatric care	York Capital Management	NA
Oct-23	Psych Atlanta	GA	Outpatient psychiatric care	Hightop Health	NA
Oct-23	Connections Health Solutions	AZ	Outpatient behavioral healthcare	Heritage Group; Town Hall Ventures	NA
Sep-23	Manhattan Psychology Group	NY	Outpatient psychiatric care	ARC Health (Thurston Group)	NA
Aug-23	DaySpring Behavioral Health Service	OK	Outpatient behavioral healthcare	ARC Health (Thurston Group)	NA
Aug-23	Sandhills Center	NC	Outpatient behavioral healthcare	Eastpointe Industries	NA
Aug-23	Cascade Behavioral Hospital	WA	Inpatient psychiatric care	Washington State Department of Social and Health Services	\$30M
Jul-23	BeWell Network	CA	Residential and outpatient behavioral healthcare	H.E.R. Management	NA
Jun-23	Your Behavioral Health	CA	Residential, inpatient and outpatient behavioral healthcare	Comvest Advisors	NA
Jun-23	Ascend Healthcare	AZ	Residential behavioral healthcare	ABRY Partners	NA
Jun-23	Silver Lake Psychology	CA	Outpatient behavioral healthcare	ARC Health (Thurston Group)	NA
May-23	I am Wellness	AZ	Outpatient behavioral healthcare	Nomi Health	NA
May-23	Denver Wellness Associates	CO	Residential and outpatient behavioral healthcare	ARC Health (Thurston Group)	NA
May-23	Positive Change Counseling Center	CA	Outpatient behavioral healthcare	ARC Health (Thurston Group)	NA
Apr-23	Dallas Counseling and Treatment Center Management	TX	Outpatient behavioral healthcare	Havencrest Capital Management	NA
Apr-23	Great Circle	MO	Outpatient behavioral healthcare	KVC Missouri	NA
Mar-23	Wellington Counseling Group	IL	Outpatient behavioral healthcare	ARC Health (Thurston Group)	NA
Mar-23	Adolescent & Young Adult Advocates	PA	Outpatient behavioral healthcare	Recovery Centers of America	NA
Feb-23	Ahwatukee Healthcare	AZ	Outpatient psychiatric care	Atom Mental Health	NA
Feb-23	Scottsdale Mental Health and Wellness Institute, PLLC	AZ	Outpatient psychiatric care and IOP	Turnwell Mental Health Network	NA

Note (*): IOP = Intensive Outpatient Program; PHP = Partial Hospitalization Program.
Sources: Capital IQ, Pitchbook, Press releases.

Recent Mental Health Services Transactions

Closed Date	Target Name	Target Location	Sector Focus*	Acquirer Name	Deal Value (\$M)
Feb-23	Turnwell Mental Health Network	TX	Outpatient behavioral healthcare	Patriot Capital	NA
Feb-23	Springstone Health	KY	Outpatient behavioral healthcare	LifePoint Health (Apollo Global Management)	\$250M
Feb-23	Stokes Counseling Services	CT	Outpatient behavioral healthcare	Eads Bridge Holdings	NA
Feb-23	Fort Health	NY	Outpatient behavioral healthcare	BlueCross BlueShield Venture Partners; Blue Venture Fund	NA
Jan-23	The Colorado Center for Clinical Excellence	CO	Outpatient behavioral healthcare	ARC Health (Thurston Group)	NA
Jan-23	Centurion Health Corporation	NY	Mental healthcare for correctional facilities	Not Disclosed	\$259M
Jan-23	Cornerstone Behavioral Health El Dorado	AZ	Inpatient psychiatric care	LifePoint Health (Apollo Global Management)	NA
Jan-23	Muir Wood	CA	Residential behavioral healthcare	Avesi Partners	NA
Jan-23	Lilac Center	MO	Outpatient behavioral healthcare and IOP	ARC Health (Thurston Group)	NA
Jan-23	Northside Behavioral Health Center	FL	Outpatient behavioral healthcare	BayCare Health System	NA

Note (*): IOP = Intensive Outpatient Program; PHP = Partial Hospitalization Program.

Sources: Capital IQ, Pitchbook, Press releases.

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KPMG Corporate Finance LLC Transactions

KPMG Corporate Finance acted as exclusive financial advisor to Comprehensive Behavioral Health

Transaction Overview

- Headquartered in Arlington, VA, Comprehensive Behavioral Health (“CBH” or the “Company”) is a mental health treatment provider that services all of the DC Metropolitan area with a team of Psychiatrists, Nurse Practitioners, Physician Assistants and Therapists
- Under the leadership of Dr. Neel Nene, CBH has grown rapidly, providing a full continuum of mental health services. These services include psychiatry, psychotherapy, TMS, and Spravato therapy in both outpatient and inpatient settings
- KPMG Corporate Finance (“KPMG CF”) was retained as CBH’s exclusive financial advisor in connection with the potential transaction




Has been acquired by



A portfolio company of



Value not disclosed

Transaction Commentary


“We are incredibly proud of what we’ve built over the years at CBH and couldn’t be more excited to come together with Psych Associates of Maryland to form Bloom. Together, we will transform the delivery of mental health services by creating never-before-seen care teams in our industry for each patient, eliminating any and all barriers to care by accepting all insurances, and providing innovative treatment offerings.”

Dr. Neel Nene,
 Founder of CBH and Chief Medical Officer of Bloom Health Centers

Impact for the Company

- CBH was acquired by Psychiatric Associates Of Maryland (“PAM”), a portfolio company of New Harbor Capital on March 29, 2022
- CBH and PAM are merging to form Bloom Health Centers, creating one of the largest in-network, comprehensive mental healthcare groups in the Mid-Atlantic
- Bloom seeks to provide a multidisciplinary mental health treatment model by harnessing the power of a unique care team model, coupled with proprietary technology and advanced therapies


KPMG Corporate Finance LLC Healthcare Transactions



Project Elevate

A psychiatry physician practice


Ongoing



Project Green

A psychiatry physician practice


Ongoing



Project King of Hearts

A provider of cardiovascular services


Ongoing



Project HBOT

A provider of hyperbaric oxygen therapy

Ongoing



Project Solar

A provider of radiation oncology treatment services

Ongoing




The affiliated MSO for



Has been recapitalized by



Closed




Has been acquired by



A portfolio company of



Closed




Autism Therapeutic Services

Has been acquired by



A portfolio company of



Closed




Has been acquired by



Closed




Has been acquired by



Closed

KPMG Corporate Finance LLC Healthcare Investment Banking Team



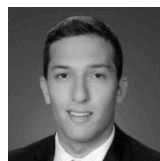
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2019-2023 global advisor ranking ⁽¹⁾		# of Deals
1.	PricewaterhouseCoopers	3,286
2.	KPMG*	2,734
3.	Deloitte	2,342
4.	Houlihan Lokey	2,024
5.	Ernst & Young LLP	1,670
6.	Rothschild & Co	1,643
7.	K3 Capital Group	1,395
8.	BDO	1,039
9.	Oaklins	1,009
10.	Lazard	909

2014-2023 global advisor ranking ⁽¹⁾		# of Deals
1.	PricewaterhouseCoopers	5,486
2.	KPMG*	5,175
3.	Houlihan Lokey	3,951
4.	Deloitte	3,818
5.	Ernst & Young LLP	3,266
6.	Rothschild & Co	3,126
7.	BDO	2,182
8.	UBS	1,989
9.	Lazard	1,868
10.	IMAP	1,866

Global coverage. Industry knowledge. Middle-Market focus.

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 2024.

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



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