

A woman with brown hair tied back in a ponytail is walking from left to right. She is wearing a teal-colored blouse and a dark blazer. She is looking down at a smartphone held in her right hand. In her left hand, she is carrying a black leather briefcase. The background is a blurred outdoor setting, possibly a city street.

KPMG Corporate Finance LLC

Mental health services M&A update

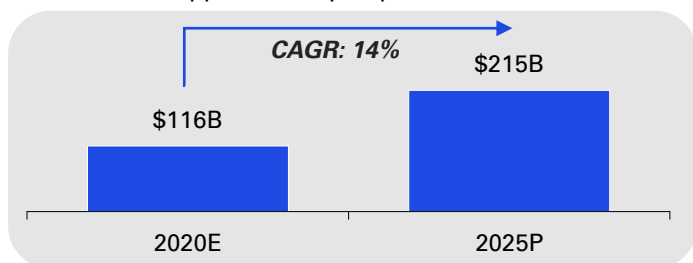
April 2022

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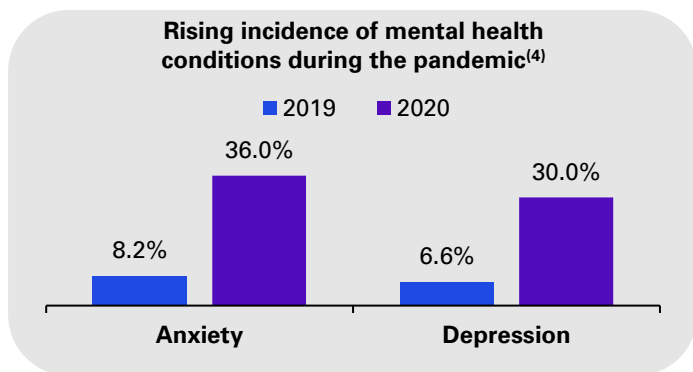
Growing crisis of mental health illnesses

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 increasing 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 outpatient mental health market in the U.S. is estimated to reach \$215 billion by 2025, growing at CAGR of approximately 14 percent.⁽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⁾



- Several federal and state legislations, including the 2008 Mental Health Parity and Addiction Equity Act, Affordable Care Act, The Telemental Health Care Access Act of 2021, and the implementation of 988, are acting as growth catalysts to the industry.

Rising mental health crisis⁽⁵⁾

1 in 5 U.S. adults experience mental illness

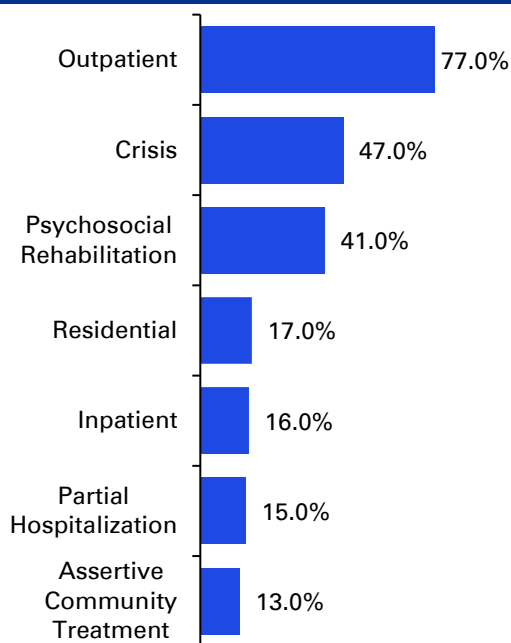
50%+ adults with mental illness do not receive any treatment

4.58% adults report having serious thoughts of suicide

15.08% of youth had a major depressive disorder in 2021

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

Services offered by specialty mental health treatment facilities⁽⁶⁾



Mental health service use by U.S. adults⁽⁷⁾

Type of care	2019	2020
Outpatient	8.3%	8.9%
Inpatient	1.0%	0.9%
Prescription medication	13.1%	13.8%

Sources: ⁽¹⁾ LifeStance Health Group - Form S-1 (May 2021); ⁽²⁾ National Alliance on Mental Illness (2020); ⁽³⁾ Mental Health America: 2021 The State of Mental Health in America; ⁽⁴⁾ Frost & Sullivan: Global Digital Health Solutions for Behavioral Health Management Growth Opportunities (July 2021); ⁽⁵⁾ Mental Health America: 2022 The State of Mental Health in America; ⁽⁶⁾ MACPAC: Report to Congress on Medicaid and CHIP (June 2021); ⁽⁷⁾ SAMHSA: National Survey on Drug Use and Health (October 2021)

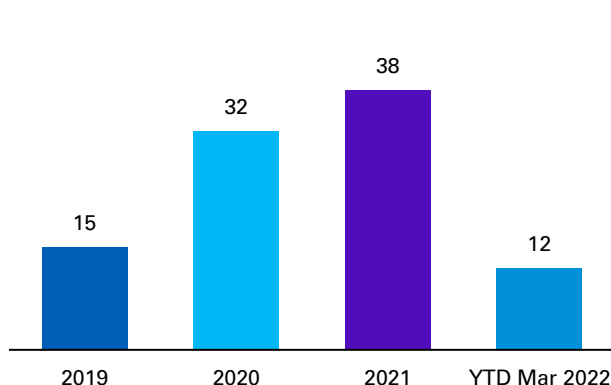
M&A activity in mental health services market

Fueled by rising incidence, favorable regulatory environment, de-stigmatization of mental health disorders, and plentiful investment capital, the industry has seen numerous companies pursue consolidation strategies.

- Favorable regulatory environment, increased incidence levels exasperated by the pandemic, and heavy fragmentation within the sector, are primary factors driving investment within the sector.
 - Private equity groups and their portfolio companies have particularly remained acquisitive in the mental health space in the last few years.
 - After the successful exit of private equity groups from mental health companies (Lindsay Goldberg and Kelso & Company from Refresh Mental and TPG Capital backed LifeStance Health IPO), even smaller companies in the outpatient mental health space have started getting bigger multiples.
- The sector is also receiving significant interest as it has proved to be resilient even in a pandemic.
- A healthy amount of activity is expected to continue within the sector, specially in capital-efficient, balance sheet-light outpatient models.
 - Consolidation is expected to be driven by private equity groups not yet invested in the space, PE-backed consolidators, and general mental health consolidators.

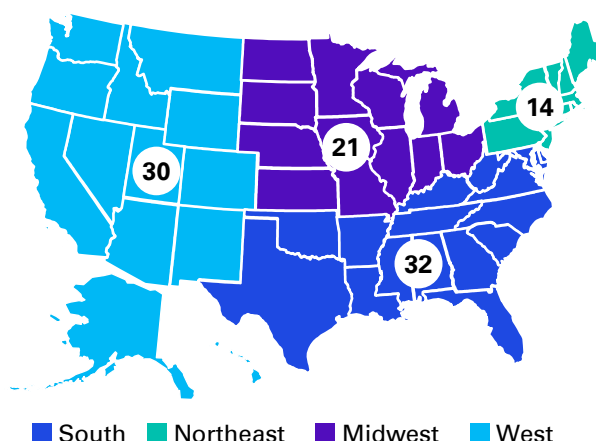
Mental health physician practice deal activity⁽¹⁾

Deal activity since 2019



Source:
⁽¹⁾ Capital IQ, Pitchbook, Press releases

Deal activity by geography since 2019



Factors driving consolidation in the sector

Highly fragmented market	Enormous market with unmet need	Multiple revenue streams	Favourable policies	Centralize back-office operations	Recession-proof industry
The mental health market is highly fragmented with numerous independent psychology and psychiatry companies, thus creating an environment ripe for consolidation.	The mental health market is characterized by large unmet demand, presenting significant opportunity for growth.	The opportunity to diversify service offerings and expand telehealth capabilities, making the sector more attractive for potential buyers.	Legislations such as 2008 Mental Health Parity and Addiction Equity Act and The Affordable Care Act, make the sector attractive to investors.	Significant opportunity to “roll-up” small practices and centralize their back-office operations, thus benefiting from the increase in efficiency from scale.	The sector is relatively unaffected by economic downturns, as evidenced by COVID, attracting greater interest from interest.

Selected precedent mental health services transactions (1/2)

Closed Date	Target Name	Target Location	Acquirer Name	Deal Value (\$ mm)
Mar-22	Comprehensive Behavioral Health	VA	Psych Associates of MD	NA
Mar-22	Refresh Mental Health	FL	OptumHealth	NA
Mar-22	Psychiatric Centers at San Diego	CA	MindPath Care Centers	NA
Mar-22	Community Care Services	MI	Hegira Health	NA
Feb-22	Mahajan Therapeutics	OH	BayMark Health Services	NA
Feb-22	Comprehensive Mental Health Services	MO	Burrell Behavioral Health	NA
Feb-22	Heading Health	TX	SeedToB Capital	NA
Feb-22	Resilience Treatment Center for Mental Health	CA	Lightfully Behavioral Health	NA
Feb-22	PACT Atlanta	GA	Genetic Foresight	NA
Feb-22	Oceans Healthcare	TX	Webster Equity Partners	NA
Jan-22	Foundations for Change	AZ	Novamind	\$1.2
Jan-22	Columbia Associates in Psychiatry	VA	Transformations Care Network	NA
Dec-21	Seven Psychiatric Hospitals	Multiple locations	Summit Behavioral Healthcare	NA
Dec-21	CenterPointe Behavioral Health System	MO	Acadia Healthcare Company	\$133.4
Dec-21	Constellation Behavioral Health	CA	Galen Mental Health	NA
Dec-21	Family and Children First	GA	Health Connect America	NA
Dec-21	Impact Behavioral Health	FL	Elite DNA Therapy Services	NA
Dec-21	AwakeningsKC	KS	Discovery Behavioral Health	NA
Dec-21	Innovatel	PA	Quartet Health	NA
Dec-21	Vertava Health	OH	MindPath Health	NA
Dec-21	Metropolitan Neuro Behavioral Institute	AZ	MindPath Health	NA
Nov-21	Psychological HealthCare	NY	Refresh Mental Health	NA
Nov-21	Harmony Healthcare	NV	MindBeacon Holdings Inc.	NA
Nov-21	Galen Mental Health	FL	Lindsay Goldberg	NA
Nov-21	Acuity Counseling	WA	LifeStance Health	NA
Nov-21	PHC of Nevada	NV	MindBeacon Holdings	\$1.6
Oct-21	Insight Physician Associates	IL	Anodyne Pain & Wellness Solutions	NA

Sources: Capital IQ, Pitchbook, Press releases.

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Selected precedent mental health services transactions (2/2)

Closed Date	Target Name	Target Location	Acquirer Name	Deal Value (\$ mm)
Oct-21	Community Case Management	FL	Care by Calling Dr, LLC	\$5.3
Oct-21	Column Health	MA	Shore Capital Partners	NA
Oct-21	Ginger.io Inc	CA	Headspace Inc	NA
Sep-21	Renew Consulting	OR	Pathways Health and Community Support	NA
Aug-21	Transformations Care Network	MA	Shore Capital Partners	NA
Aug-21	Health Connect America	TN	Palladium Equity Partners	NA
Aug-21	Advanced Recovery Concepts	OH	Thurston Group	NA
Aug-21	Connections Health Solutions	AZ	Heritage Group	NA
Jul-21	Newport Healthcare	TN	Onex Corporation	\$1,300.0
Jul-21	Psych Associates of Maryland	MD	New Harbor Capital	NA
Jun-21	Blue Mountain Associates	NY	Grande Ronde Hospital and Clinics	NA
May-21	AMFM Healthcare	CA	HCAP Partners	NA
May-21	Mindful Health Solutions	CA	NVP Associates	NA
May-21	Harry Co.	VA	Silverbridge Capital Group	NA
May-21	MindPath Care Centers	NC	Community Psychiatry Management	NA
Apr-21	Omega Recovery	TX	Recovery Ways	NA
Apr-21	Greenville Psychiatric Associates	NC	MindPath Care Centers	NA
Apr-21	Charleston Counseling Center	SC	LifeStance Health	NA
Mar-21	Harbor Psychologist	CA	Community Psychiatry Management	NA
Feb-21	Innercept	ID	Pine Tree Equity Partners	NA
Jan-21	CM Counsel	PA	Centra Capital	NA
Jan-21	Beacon Management	LA	Latticework Capital Management	NA
Jan-21	Oswald Counseling Associates	WI	Marshfield Clinic Health System	NA
Jan-21	Second Chances Comprehensive Services\Simple Intervention	VA	Seaside Healthcare	NA
Jan-21	Path Integrated Healthcare	OH	Black Cliffs Partners	NA
Dec-20	Keys Counseling	IN	Refresh Mental Health	NA
Dec-20	Family Care Center	CO	Revelstoke Capital Partners	NA

Sources: Capital IQ, Pitchbook, Press releases.

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KPMG Corporate Finance LLC

Select recent KPMG Corporate Finance LLC transactions

KPMG



Has been acquired by



A portfolio company of



Closed

KPMG



Has been acquired by



A portfolio company of



Closed

KPMG



Raised acquisition financing for the purchase of



Closed

KPMG



The affiliated MSO of



Has been recapitalized by



Closed

KPMG



Has been acquired by



A portfolio company of



Closed

KPMG



Has been acquired by



Closed

KPMG



Has been recapitalized by



Closed

KPMG



Has been acquired by



Closed

KPMG

Project King of Hearts

A provider of cardiology services

Ongoing

KPMG

Project Spring

A provider of radiology services

Ongoing

Select recent KPMG LLP Deal Advisory credentials

KPMG

Strategic Client

KPMG Deal Advisory

Provided financial diligence assistance on its potential acquisition of a multi location provider of IDD (intellectual and developmental) & mental health services

Closed

KPMG

Private Equity Client

KPMG Deal Advisory

Provided financial diligence assistance on its potential acquisition of a multi location provider of IDD (intellectual and developmental), mental health and substance abuse services

Closed

KPMG

Private equity client

KPMG Deal Advisory

Provided financial diligence assistance on its potential acquisition provider providing in home and clinical autism services with over 100 locations.

Closed

KPMG

Private equity client

KPMG Deal Advisory

Provided financial and tax due diligence assistance on its potential acquisition of a provider specializing in behavioral health and special education programs to children with developmental delays.

Closed

KPMG

AdvoServ (GI Partners)

KPMG Deal Advisory

Provided financial diligence sell side assistance on its sale to Wellspring Capital.

Closed

KPMG

Private equity client

KPMG Deal Advisory

Provided financial and tax sell-side due diligence assistance on a potential sale of a company providing inpatient services for the developmentally disabled

Closed

KPMG

Thompson Street Capital Partners

KPMG Deal Advisory

Provided financial, Tax and IT due diligence assistance on its acquisition of Infinity Behavioral Health Services

Closed

KPMG

Strategic client

KPMG Deal Advisory

Provided financial due diligence assistance on the potential acquisition of an adult day health care facility in the west.

Closed

KPMG

Strategic client

KPMG Deal Advisory

Provided financial due diligence assistance on the potential acquisition of an adult day health care facility in the east.

Closed

KPMG

Strategic client

KPMG Deal Advisory

Provided financial due diligence assistance on the potential acquisition of an adult day health care facility in the south.

Closed

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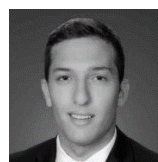
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2017-2021 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	2,752
2.	PwC	2,732
3.	Deloitte	2,205
4.	Houlihan Lokey	2,106
5.	Rothschild & Co.	1,738
6.	Ernst & Young LLP	1,603
7.	Goldman Sachs & Co	1,205
8.	Industrial & Comm. Bank China	1,115
9.	Lazard	1,033
10.	JP Morgan	1,032

2017-2021 global advisor ranking ⁽²⁾		# of Deals
1.	KPMG*	2,704
2.	PwC	2,669
3.	Deloitte	2,172
4.	Houlihan Lokey	2,035
5.	Rothschild & Co.	1,605
6.	Ernst & Young LLP	1,549
7.	Industrial & Comm. Bank China	1,069
8.	BDO	985
9.	IMAP	979
10.	K3 Capital Group	937

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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 2017 to 2021.

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Note:

⁽¹⁾ League tables include completed deals which have value less than \$1 billion and also where deal value is not disclosed, as of January 2022; ⁽²⁾ League tables include completed deals which have value less than \$500 million and also where deal value is not disclosed, as of January 2022.

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



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