



KPMG Corporate Finance LLC

Mental health services M&A update
Q4 2024

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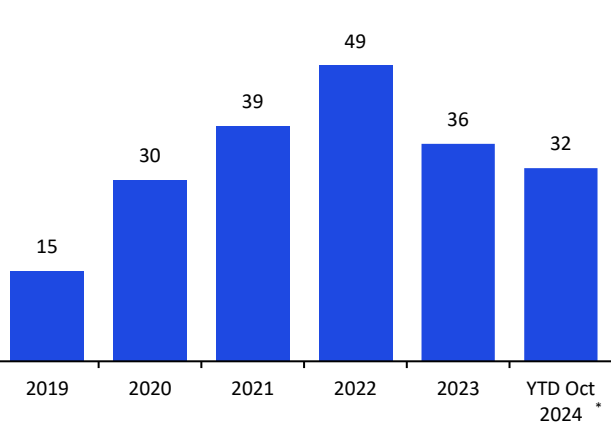
M&A Activity in Mental Health Services Market

M&A activity in the mental health space has been fueled by growing demand for services coupled with opportunities to create efficiencies through scale and innovative care models.

- 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 majority of the 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.

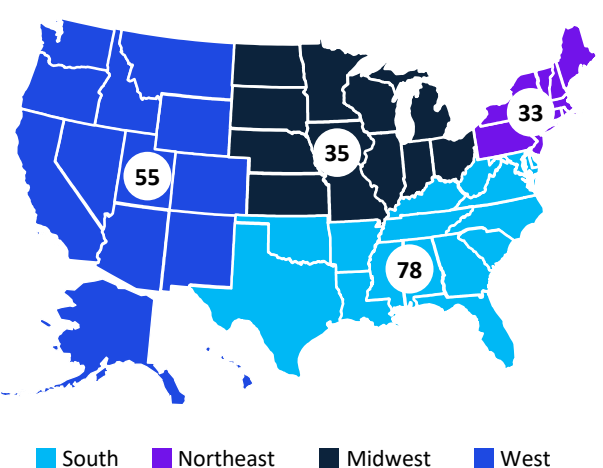
Mental health practice deal activity⁽¹⁾

Deal activity since 2019



Sources:
⁽¹⁾ Capital IQ, Pitchbook, Press releases.

Deal activity by geography since 2019



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.

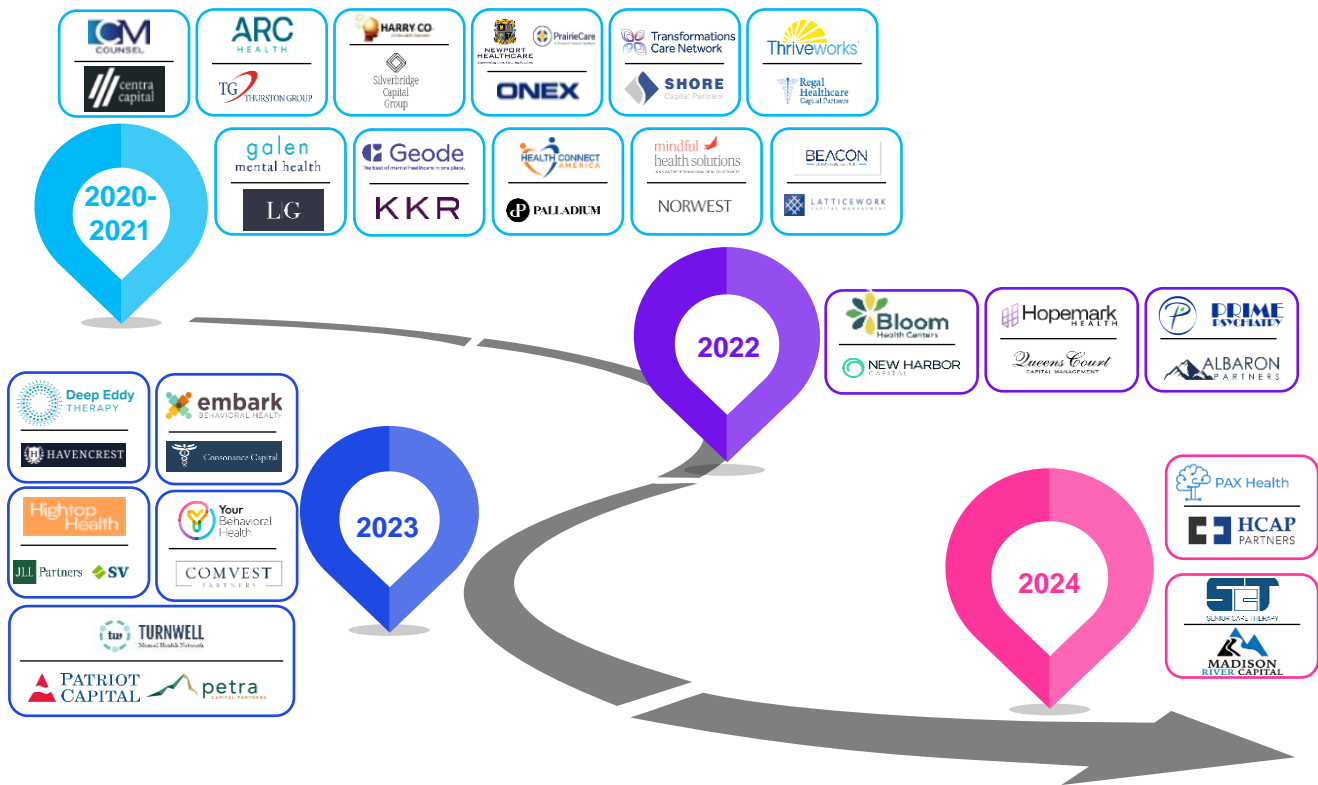
Trends in Outpatient Psychiatry Investments

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*

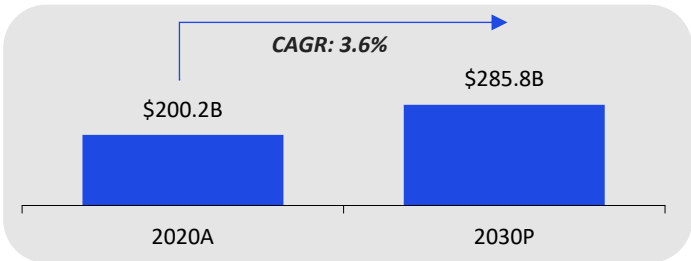


*Representative list of private equity backed platforms with focus on outpatient psychiatry
Sources: Capital IQ, Pitchbook, Press releases.

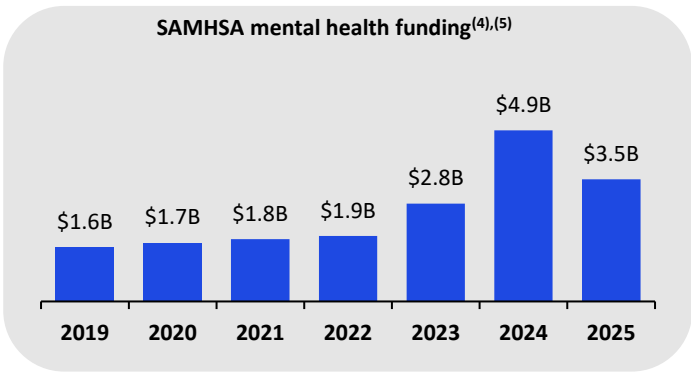
Growing Crisis of Mental Health Illnesses

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 had an anxiety screening, a 93 percent increase over 2019 and 534,784 people had a depression screening, 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⁽⁶⁾

| | |
|-------------------------------|-------|
| Outpatient | 77.0% |
| Crisis | 47.0% |
| Psychosocial Rehabilitation | 41.0% |
| Residential | 17.0% |
| Inpatient | 16.0% |
| Partial Hospitalization | 15.0% |
| Assertive Community Treatment | 13.0% |

Growing market for outpatient mental healthcare⁽¹⁾

A diagram showing the growth of the outpatient mental healthcare market. It features three circles representing the market size in billions of dollars for 2020A, 2025P, and 2030P. The circles are connected by arrows indicating growth. The growth from 2020 to 2025 is 3.9%, and the growth from 2025 to 2030 is 3.6%.

| Year | Market Size (\$B) |
|-------|-------------------|
| 2020A | \$80.5B |
| 2025P | \$97.3B |
| 2030P | \$116.0B |

Sources: ⁽¹⁾ Allied Market Research; ⁽²⁾ National Alliance on Mental Illness; ⁽³⁾ Mental Health America; ⁽⁴⁾ SAMHSA; ⁽⁵⁾ HHS Budget in Brief – FY 2024 and FY 2025; ⁽⁶⁾ MACPAC.

Recent Mental Health Services Transactions

| Closed Date | Target Name | Target Location | Sector Focus* | Acquirer Name |
|-------------|--|-----------------|---|---|
| Aug-24 | Austin Psychiatric Consultants | TX | Outpatient psychiatric care | Prime Psychiatry (Albaron Partners) |
| Jul-24 | Hauser Clinic and Associates | TX | Outpatient psychiatric care | Beacon Behavioral (Latticework Capital, Resolute Capital) |
| Jul-24 | Brook Lane Health Services | MD | Inpatient, PHP, and outpatient care | Meritus Health |
| Jun-24 | Mental Health Partners | NC | Outpatient, IOP, and emergency mental health services | Clinica Family Health |
| Jun-24 | River Crest Hospital | TX | Inpatient, IOP, and PHP care | Shannon Medical Center |
| May-24 | CARE Clinics | MN | Outpatient psychiatric care | Refresh Mental Health (Optum) |
| May-24 | Mind Body Wellness Management | TN | Outpatient psychiatric care | Mind Body Optimization |
| Apr-24 | Earthman Psychiatry & Addiction Medicine | TX | Outpatient behavioral healthcare | Beacon Behavioral |
| Apr-24 | Tri-County Mental Health Services | ME | Residential and outpatient behavioral healthcare | Spurwink Services |
| Apr-24 | Flourish Psychotherapy | OH | Outpatient psychotherapy | Kentucky Counseling Center |
| Mar-24 | Tampa Neuropsychiatry | FL | Outpatient psychiatric care and TMS | Beacon Behavioral |
| Mar-24 | Lightfully Behavioral Health | CA | Residential, IOP, PHP, outpatient, and inpatient behavioral healthcare | Regal Healthcare |
| Mar-24 | Middlesex PSYCHIATRY & TMS | NJ | Outpatient psychiatric care | PAX Health (Hamilton Lane, HCAP) |
| Mar-24 | Workers Compensation Psychological Network | NJ | Treatments for psychological and mental injuries for injured workers | PAX Health |
| Feb-24 | Brent Turnipseed | TX | Outpatient psychiatric care | Hightop Health (JLL Partners, SV Health Investors) |
| Feb-24 | Roots Behavioral Health | TX | Outpatient psychiatric care | Hightop Health |
| Feb-24 | Arkansas Psychiatric Clinic | AR | Outpatient psychiatric care | Beacon Behavioral |
| Feb-24 | Holiner Psychiatric Group | TX | Outpatient psychiatric care | Beacon Behavioral |
| Feb-24 | Prestige Clinic | TX | Outpatient psychiatric care | Beacon Behavioral |
| Feb-24 | Genesis Behavioral Health Services | LA | Outpatient psychiatric care | Beacon Behavioral |
| Feb-24 | Memorial Park Psychiatry | TX | Outpatient behavioral healthcare | Beacon Behavioral |
| Feb-24 | Precise Clinical Neuroscience Specialists | MS | Outpatient psychiatric care | Beacon Behavioral |
| Feb-24 | Right Track Medical Group | MS | Outpatient psychiatric care | Beacon Behavioral |
| Feb-24 | The Grant Group | TX | Outpatient psychiatric care | Beacon Behavioral |
| Feb-24 | Connections Wellness Group | TX | Outpatient behavioral healthcare | Vertava Health (Summit Partners) |
| Feb-24 | IAC Associates | TN | Outpatient behavioral healthcare | Connections Wellness Group |
| Jan-24 | Better Balance Psychiatry | UT | Outpatient psychiatric and IOP care | Turnwell Mental Health (Leon Capital, Patriot Capital, Petra Capital) |
| Jan-24 | Right Path Behavioral Health Services | FL | Outpatient psychiatric care | The Graph Group |
| Jan-24 | Senior Care Therapy | NJ | Outsourced mental healthcare to residents in long-term care and assisted living communities | Madison River Capital |
| Jan-24 | Christie Campus Health | MA | Outpatient behavioral healthcare | Uwill (Education Growth Partners) |
| Jan-24 | Mindsoother | NJ | Outpatient behavioral healthcare | ARC Health (Thurston Group) |
| Jan-24 | Insight Treatment | CA | IOP care | Your Behavioral Health (Comvest Partners) |

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

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.

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 Healthcare Transactions



Has been acquired by



A portfolio company of



Closed



Has been acquired by



A portfolio company of



Closed



Has been acquired by



Closed



The affiliated MSO for



Has been recapitalized by



Closed



Raised acquisition financing for the purchase of





Closed




Has been acquired by



Closed



Has been acquired by



Closed





Has been acquired by




a portfolio company of



Closed



Acquisition of



Closed



Has been recapitalized by



Closed

KPMG Corporate Finance LLC Healthcare Investment Banking Team



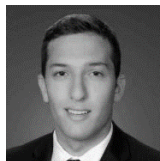
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KPMG Corporate Finance⁽¹⁾

2,000+

Closed Transactions in the Last 5 Years

2,500+

Global Corporate Finance Professionals

| 2004-2023 global advisor ranking ⁽²⁾ | | # of Deals |
|---|------------------------|------------|
| 1. | KPMG | 9,173 |
| 2. | PricewaterhouseCoopers | 8,905 |
| 3. | Houlihan Lokey | 6,581 |
| 4. | Deloitte | 6,111 |
| 5. | Ernst & Young LLP | 5,564 |
| 6. | UBS | 5,457 |
| 7. | Rothschild & Co | 5,364 |
| 8. | Lazard | 3,774 |
| 9. | Goldman Sachs & Co | 3,729 |
| 10. | JP Morgan | 3,604 |

KPMG Corporate Finance LLC

80+

U.S. Corporate Finance Professionals



has named
KPMG Corporate Finance LLC
Corporate/Strategic M&A Deal
of the Year Award (Mid-Market) 2023



has named
KPMG Corporate Finance LLC
Software & IT Deal of the Year
Award (Mid-Market) 2023



has named
KPMG Corporate Finance LLC
Middle Market Investment Bank
of the Year 2021



has named
KPMG Corporate Finance LLC
Global M&A Transaction Advisor
of the Year 2018

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 was 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⁾ Refers to the global KPMG member firms of the KPMG International network of independent member firms; ⁽²⁾ 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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