

Q1-2016 Behavioral Health Update



Market Overview

The behavioral health industry continues to generate significant interest from investors as illustrated by deal volume in the first quarter of 2016 and, not surprisingly, the regulatory atmosphere continuously improves for behavioral health organizations. In January, President Obama announced \$500 million to increase access to mental health care. During the last week of March, the White House and Department of Health and Human Services announced specific initiatives to combat the well publicized opioid epidemic ravaging the country, which includes funding for needle exchange programs, naloxone training, and, notably, funding to expand on the use of medication-assisted treatments. These positive tailwinds will continue to support investments such as those similar to private equity backed Recovery Centers of America's acquisition of Lighthouse Recovery. Fortunately for owners contemplating a sale or recapitalization, Provident sees nothing that would indicate interest in the behavioral health industry waning through the remainder of 2016.

SELECT TRANSACTIONS

| Month | Acquirer | Target Company | Details |
|--------------|----------------------------------|---------------------------------------|---|
| March 2016 | Recovery Centers of America | Lighthouse Recovery | Recovery Centers of America (RCA), a Pennsylvania operator of neighborhood-based recovery campuses that provide addiction treatment, acquired Lighthouse Recovery. Lighthouse Recovery, based in Mays Landing, New Jersey, operates a 53 bed substance use disorder treatment center as well as satellite outpatient sites. Financial terms of the deal were not disclosed. |
| March 2016 | Civitas Solutions (NYSE: CIVI) | Tender Loving Care of Duluth | Civitas Solutions acquired Tender Loving Care of Duluth (TLC), a provider of services to individuals with intellectual and developmental disabilities in the state of Minnesota. TLC generated revenues of approximately \$7.4 million for the 12-month period prior to the acquisition. Terms of the deal were not disclosed. |
| January 2016 | MAP Health Management | Cirque Lodge | Texas based MAP Health Management acquired Cirque Lodge. Cirque lodge, headquartered in Utah, provides facilities and services to help patients heal and recover from alcoholism and drug addiction. Cirque runs two facilities with a total of 60 beds for patient treatment. Financial terms were not disclosed. |
| January 2016 | Advanced Recovery Systems | Blue Horizon Eating Disorder Services | Advanced Recovery Systems acquired Blue Horizon Eating Disorder Services, a Florida-based organization specializing in the treatment of anorexia, bulimia, binge eating and other related disorders. Deal terms were not disclosed. |
| January 2016 | Comvest Investment Partners | D&S Residential Services | Comvest Investment Partners, a private investment firm, acquired D&S Residential Services. Texas based D&S also operates in Kentucky and Tennessee and provides residential services and support for individuals with intellectual and developmental disabilities. Financial terms of the transaction were not announced. |
| January 2016 | Acadia Healthcare (NASDAQ: ACHC) | Priory Group | Publicly traded Acadia Healthcare announced its intent to acquire Priory Group, a U.K. based provider of behavior healthcare services, for terms valued at approximately \$2.2 billion, \$1.9 billion of which paid in cash. This acquisition will further solidify Acadia's geographic presence in the U.K. |
| January 2016 | ResCare (TSX: OCX) | Noble Care Corp. | ResCare, a subsidiary of publicly traded Onex Corp. and provider of disability and home care services, acquired Arizona based Noble Care Corp. This acquisition will allow ResCare to expand their residential services and disability programs into the state. The terms of the deal were not disclosed. |