

Substance Use Disorder

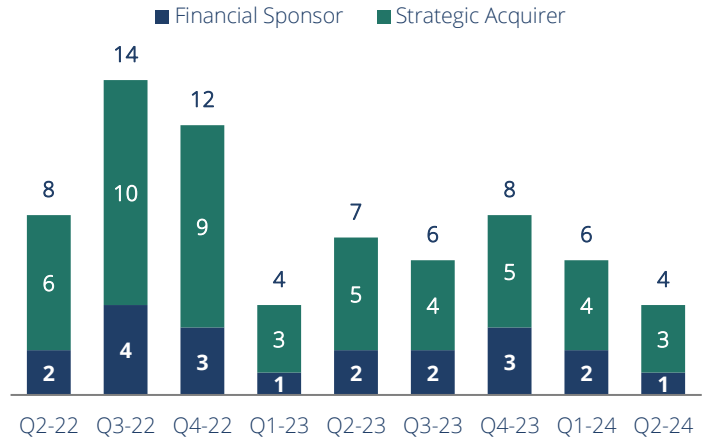
Q2 2024

Market Update


Deal flow within the substance use disorder (SUD) sector continued its sluggish pace throughout Q2 as the market only saw the completion of four deals. Investor appetite to utilize M&A as a primary growth strategy has waned in 2024 as lending markets and regulatory changes have made deal-making more difficult to execute. Furthermore, the FTC increased review on healthcare deals, due to anti-trust concerns, giving pause to investors across the healthcare ecosystem. Similarly, the Federal Reserve continued its conservative approach to monetary policy has made sourcing debt capital more expensive, leading to lower valuations and longer deal processes.

As private equity investment has slowed in the space, venture capital and growth equity investment has risen. Venture-focused firms are making minority investments in businesses that they believe are highly scalable, looking to take advantage of macro-level tailwinds that persist in the SUD space. This investment approach does not require the same regulatory approval or the amount of capital that traditional private equity buyouts require, making deal execution easier. Provident anticipates seller and buyer valuation expectations to converge over the coming year, leading to increased deal flow.

Quarterly Transaction Volume



Select Transactions

Month	Investor	Target	Deal Description
May	 TULIP HILL HEALTHCARE	   TULIP HILL RECOVERY	Three substance use disorder (SUD) treatment providers (Tulip Hill Recovery, Louisville Addiction Center, and Lexington Addiction Center) have merged to form Tulip Hill Healthcare. The combination forms one of the largest SUD providers in the Appalachian region.
May	 RECOVERY GROUP	 ORIGINS BEHAVIORAL HEALTHCARE	T&R Recovery Group, an operator of SUD facilities in Texas and Arizona, has acquired the Texas-based assets of Origins Behavioral Healthcare. The facilities acquired are two residential treatment centers in South Padre Island, Texas, two IOP programs, and a transitional sober living center in Dallas.
April	 AVESI PARTNERS	 FIRSTSTEPS RECOVERY	Avesi Partners, a leading healthcare-focused private equity fund, has made an investment in First Steps Recovery, a full-continuum substance use disorder program located in California's Central Valley. Avesi has plans to expand First Steps' operations throughout California and into neighboring states.

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Publications & Podcasts

Whitepaper

[Provident Behavioral Healthcare Market Update: Summer 2024](#)

Podcast

[Building a Comprehensive Behavioral Health Platform: Sanford Behavioral Health Spotlight](#)