

STRANGER THINGS

The Upside Down of Autism Mergers & Acquisitions

PART 1

Skipping the First Stage of the Consolidation Cycle

Editor's note: this is the first of a three-part series on why Autism M&A has played out far differently than other health care services sectors.

First things first.

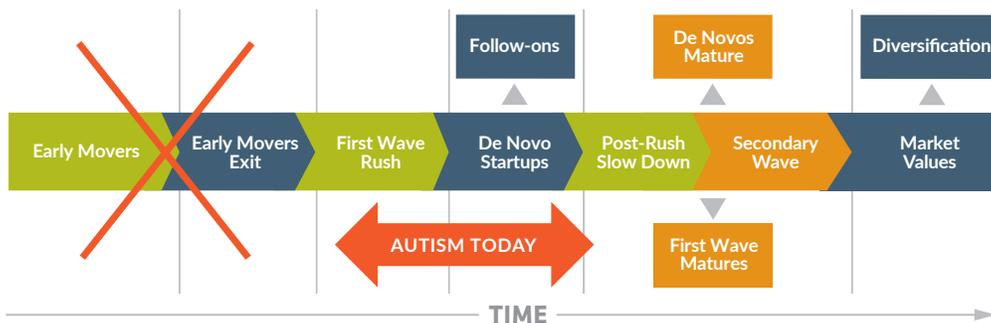
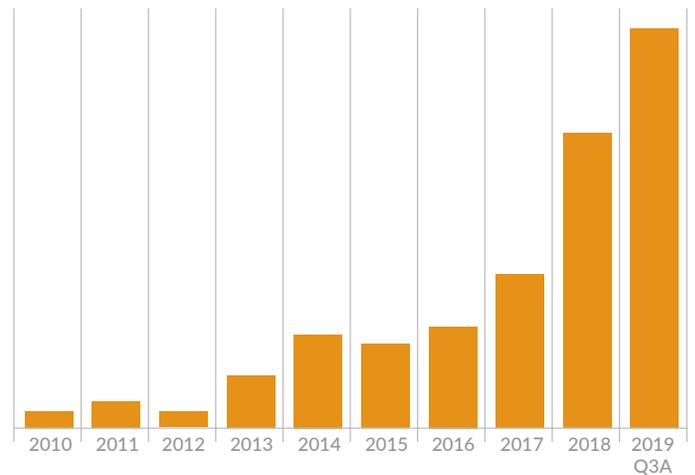
All the data and analysis presented in this series has been drawn from a proprietary database developed by The Braff Group.

It's one of the reasons we understand the M&A landscape in autism like no other.

Now, check out the chart to the right.

You can make the case that ramp-up in interest in autism first began in 2013. Accordingly, we are in the 7th year of consolidation in the space. Not late stage. But certainly not early stage either. Call it "front-end."

AUTISM DEAL TRENDS



In autism, the stage that typically sets up the first wave rush – the success of a few maverick investors – never really happened.

We point this out as some portion of the anomalies we see in ASD mergers and acquisitions is due to where we are in the consolidation cycle. But it is the unique nature of autism mergers and acquisitions that is most responsible.

First, the unexplainable. Sort of.

Above is an illustration of the typical consolidation cycle in health care services (and most others, for that matter).

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CONTINUED

Autism is nearing the end of the first wave rush of activity and is solidly in the consolidation phase that includes follow-on transactions and de novo startups.

What's unusual is that in autism, the stage that typically sets up the first wave rush – the success of a few maverick investors – never really happened.

In most consolidation waves, you can find one or more **EARLY MOVERS** – investors that bring initial attention to a sector that's either just emerging or has been previously overlooked. If the **EARLY MOVERS REALIZE SUCCESSFUL EXITS**, other buyers begin to target the sector, which in and of itself, attracts even more attention. And with this, the first acquisition wave is on.

In autism, however, we see a somewhat different pattern. Based upon a detailed analysis of our proprietary transactions database, we were able to identify six early movers

with successful exits. While two initial entries occurred as early as 2010, the first exit we could identify did not occur until 2016, well after the spike began in 2013.

So why did investors rush the space like fan boys to the latest Star Wars release?

Sure, all the reasons for rapid consolidation existed – fragmented market, promises of increased funding and utilization and attractive risk-return fundamentals. But such market conditions have existed countless times before in other health care service sectors, and they still required the actions of a few Quick Draw McGraws to spike interest and pave the way for others to follow.

Are the opportunities in autism so obvious and overwhelming that it didn't need early movers to bring buyers into the fold? Maybe. But more likely it's an anomaly that took on a life of its own.

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THE BRAFF GROUP

We founded The Braff Group in 1998 with a simple goal in mind: to amass a body of sector-specific healthcare mergers and acquisitions experience, resources, and data to turn a good deal into a great one.

In Autism Services, we know the variables – and how to communicate them – to capture and emphasize our Clients' Value Proposition.

- From collecting and analyzing ASD specific data points to benchmarking their performance
- From experience with clinic-based, school-based, multi-disciplinary and in-home services to how they interplay to produce growth opportunities and competitive advantage
- From understanding the CPT codes to evaluating in-network, out-of-network, Medicaid, TRICARE, and school district reimbursement

The firm provides an array of sell-side only transaction advisory services including representation, debt and equity recapitalization, strategic planning, and valuation.



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