

STRANGER THINGS

The Upside Down of Autism Mergers & Acquisitions

PART 2

The Role of Private Equity in Autism Services is Unprecedented

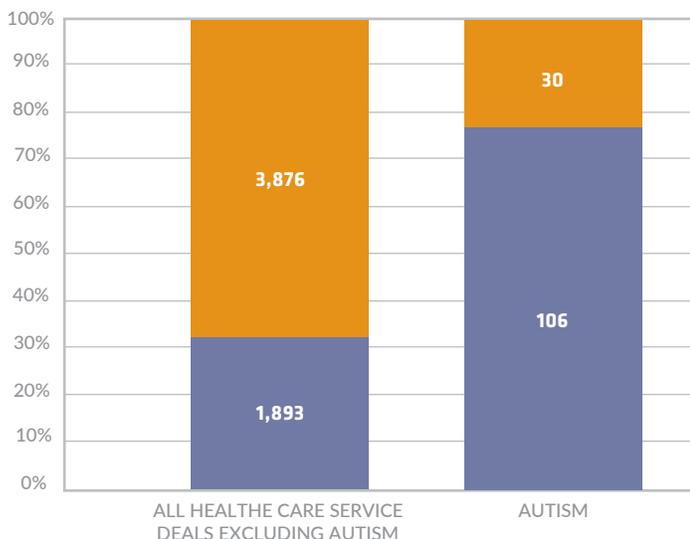
Editor's note: this is the second of a three-part series on why Autism M&A has played out far differently than other health care services sectors.

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

It is not unusual for private equity to kick off – and play a major role – in a consolidation strategy. But what we see in ASD is off the charts (well, actually on the chart, but you get what we mean).

On the left are all the health care services deals in the sectors that we cover¹ excluding autism completed between January 1, 2001 and September 30, 2019. Of the nearly

ROLE OF PRIVATE EQUITY IN HEALTH CARE SERVICES 2001-Q3 2019: NUMBER OF DEALS AND PROPORTIONALITY



■ PRIVATE EQUITY SPONSORED TRANSACTIONS ■ NON PRIVATE EQUITY SPONSORED TRANSACTIONS

6,000 such transactions, private equity has accounted for a smidge over 30%.

But now look at autism. Of the nearly 140 deals that have been completed (most of which have been done since 2013), nearly 80% have been private equity sponsored.

So, what explains this?

Well, as mentioned above, some of this is due to where the sector is in its consolidation cycle. Since PE typically gets out in front of a consolidation cycle, comparatively speaking, they account for more deals at the front-end of a consolidation cycle.

But it's not the primary reason.

It has to do with the nature of the sector before PE entered the scene.

In autism, pre-PE, there simply weren't enough sizeable providers with the resources necessary to execute a comprehensive acquisition strategy. Outside of California, which benefited from being the first state to mandate insurance coverage of ASD, you could find more Michelin rated chefs working at McDonalds than autism companies with more than \$10M in revenues.

So, when it came to buyers, there weren't many existing players with the juice to become serial consolidators.

Which was just the opening private equity sought to exploit.

¹ Home medical equipment, home health, hospice, infusion therapy, specialty pharmacy, behavioral health care, and health care staffing.



The leader in **Autism Services**
Mergers & Acquisitions

INSIGHT INTO AUTISM M&A: A THREE PART SERIES

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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