Behavioral Health Business

Behavioral Industry Sees 54 Deals in Q1 to Kick Off Potentially Record-Setting Year

By **Bailey Bryant** | May 19, 2021

The behavioral health industry kicked off the first quarter of 2021 strong with 54 deals, according to proprietary data collected and analyzed by the M&A advisory firm The Braff Group.

While that's down about 17% from an "extraordinary" Q4 2020, Dexter Braff, president of the firm, said the segment is off to a great start and could see a record-setting year.

"With buyers, particularly private equity sponsors, eager to capitalize on anticipated increases in utilization post-COVID, and sellers, whose businesses were disrupted [but are] returning to normal, … potentially motivated to divest to avoid potential increases in capital gains, 2021 could very well be a record year for behavioral health M&A," Braff told Behavioral Health Business in a statement.

Braff went on to say that the Q1 2021 deal numbers were among the highest he'd seen since his firm began tracking the space back in 2004. Specifically, the quarter tied Q2 2019 as the second highest quarterly total that The Braff Group has ever tallied.

According to the data, the substance use disorder (SUD) treatment space saw the biggest increase in M&A activity in Q1. The subsector saw 14 deals, up from 9 in Q4 2020. Mental health, on the other hand, saw the largest decline in transactions, dropping from 23 deals in Q4 to 13 in Q1, a number Braff called "still very healthy." Meanwhile, the autism space held stead with 12 deals in Q1, the same number The Braff Group tallied for Q4.

The behavioral health industry's strong Q1 performance comes after the space saw 163 deals overall in 2020, according to The Braff Group.

Braff predicts M&A could surpass that and then some in 2021, and he isn't the only one predicting a red-hot deal market. Various behavioral health dealmakers predicted the same on a recent BHB webinar. Specifically, panelists said they anticipate demand for outpatient models and autism services providers to be especially high in the year ahead, with private equity investors fueling the fire.