

# THE BRAFF REPORT

## Behavioral Health Mergers & Acquisitions Soar Through Q2 2021

The behavioral health M&A numbers are in, and in a word, they are extraordinary.

Since 2014, aggregate behavioral health has been one of the most active sectors in health care mergers and acquisitions. But with the pandemic and its onslaught on our collective mental health – and expectations for a prolonged period of increased utilization – the Wall Street Wunderkinds

(and anyone else with spare tea leaves to read) anticipated an even greater focus on the space in 2022 and beyond.

Well, the behavioral health M&A numbers are in, and in a word, they are extraordinary.

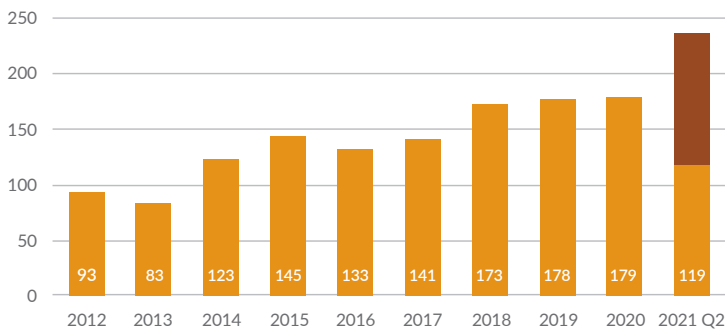
Behavioral Health M&A	2012	2013	2014	2015	2016	2017	2018	2019	2020	Q2 2021
Acquired Brain Injury	1	2	2	4	3	4	2	0	3	3
Mental Health	39	17	40	38	29	35	38	46	52	31
At Risk Youth	16	12	11	11	10	17	15	8	18	9
Addictions - Residential	7	17	24	30	26	19	28	23	19	23
Addictions - Non-Residential	11	4	3	7	11	10	12	13	4	8
Addictions - MAT	4	8	9	12	17	10	24	16	23	13
Addictions - Other	3	3	4	6	7	9	4	4	7	3
I/DD	10	14	19	27	17	18	14	23	16	7
Autism	2	6	11	10	13	19	36	45	37	22
<b>Total Behavioral Health</b>	<b>93</b>	<b>83</b>	<b>123</b>	<b>145</b>	<b>133</b>	<b>141</b>	<b>173</b>	<b>178</b>	<b>179</b>	<b>119</b>

Source: The Braff Group

Based upon proprietary data collected and analyzed by The Braff Group, through the end of the second quarter of 2021, there were already 119 aggregate behavioral health transactions (compared to 179 for all of 2020). At this pace, the sector would close out the year up an astonishing 33%.

While nearly all the sub-segments contributed to the surge, the largest gains came from substance use disorder and mental health. Consider the charts on the following page:

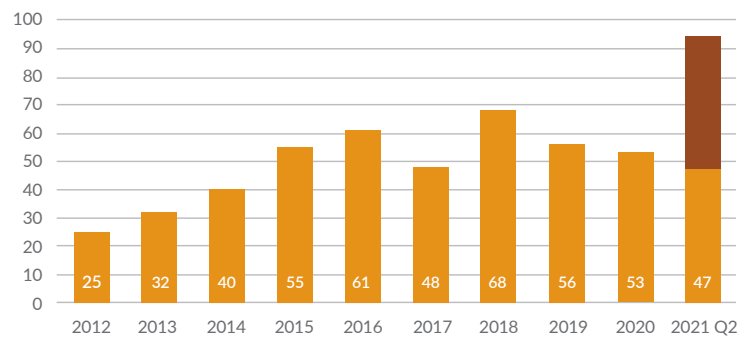
### Behavioral Health Deal Trends



Source: The Braff Group

■ Annualized

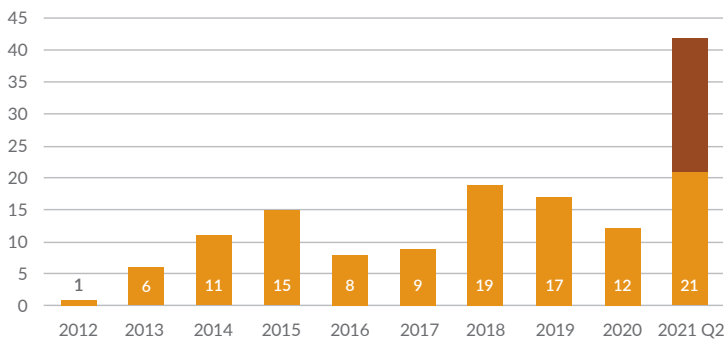
### Substance Use Disorder Deal Trends



Source: The Braff Group

■ Annualized

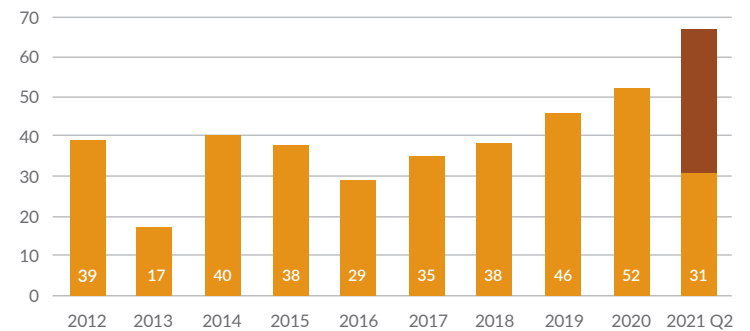
### Substance Use Disorder Deal Trends Residential Mid-Range to Value



Source: The Braff Group

■ Annualized

### Mental Health Deal Trends



Source: The Braff Group

■ Annualized

In substance use treatment, through the first half of the year, there have already been 47 deals (compared to 53 for all of 2020). Within the segment, with 23 deals thus far in 2021 vs. 19 for 2020 in its entirety, the biggest gainer has been in residential treatment. Notably, it is not the high-end facilities attracting the most attention. Of the 23 residential addiction treatment transactions, 21 were in the mid-range to value category – a trend long in the making, as the greatest growth

opportunity in residential treatment lies in state funded or more affordable private pay options.

While on a lesser scale, the non-residential segment is looking strong as well. Compared to only four deals in 2020, we have already tracked eight transactions through the first half of the year.

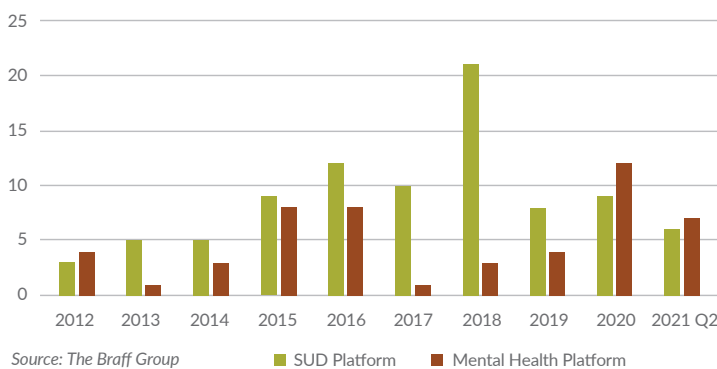
## INSIGHT INTO HEALTH CARE SERVICES MERGERS & ACQUISITIONS

In mental health, as we reported last year in “Mental Health Takes Center Stage in a Post-Pandemic M&A Market,” interest in the space, particularly clinic-based practices, has not abated as the segment is on pace to top last year’s record tally by 19.2%.

Another point of interest: While the SUD numbers appear somewhat more impressive than the gains realized in mental health, a closer examination suggests this may change over the next 12-36 months. Perhaps the most significant leading indicator of future M&A growth is platform deals funded by private equity sponsors. Such deals typically precede a series of follow-on transactions that leverage the initial transaction’s infrastructure.

So, what do we see in platform transactions in substance use disorder vs. mental health?

### Private Equity Sponsored Platform Investments

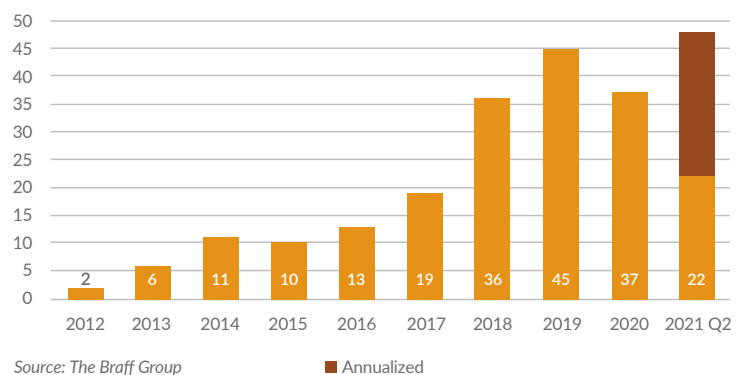


While there have been more platform deals in SUD over the past 10 years, such activity peaked in 2018. Alternatively, market entry deals in mental health are trending upwards and have outpaced SUD over the past 18 months. As such, while mental health may not eclipse addiction treatment in total numbers over the near term, it may very well post stronger growth.

Also delivering strong results for the first half of 2021 is the Autism space. After falling off a bit in 2020 due, in large part, to pandemic related reduced clinic census, the segment is on pace to challenge the record deal flow posted in 2019.

It remains to be seen how the rest of the year plays out. But the tailwinds behind health care M&A in general, and behavioral health in particular, combined with tax incentives to avoid a potentially substantial increase in capital gains tax in 2022 (see “The Looming Rise in Capital Gains Taxes”) suggest that many records may fall in 2021.

### Autism Deal Trends



INSIGHT INTO HEALTH CARE SERVICES MERGERS & ACQUISITIONS

OUR INDUSTRY EXPERTS



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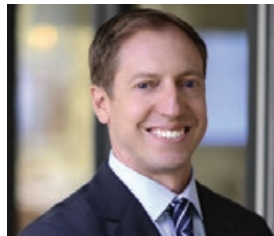
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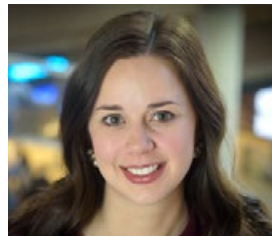
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20 YEARS & COUNTING

The Braff Group is the leading mergers and acquisitions advisory firm specializing exclusively in health care services, including behavioral health, home health and hospice, home medical equipment, pharmacy services, staffing services, urgent care, digital health and ancillary services. The firm provides an array of sell-side only transaction advisory services including representation, debt and equity recapitalization, strategic planning, and valuation. Founded in 1998, The Braff Group has completed more than 360 transactions. According to Refinitiv, The Braff Group has repeatedly been ranked among the top 5 health care mergers & acquisitions advisory firms.



- Behavioral Health
- Home Medical Equipment
- Staffing Services
- Digital Health
- Home Health & Hospice
- Pharmacy Services
- Urgent Care
- Ancillary Services



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