Behavioral Health Mergers & Acquisitions

Based upon proprietary data collected and analyzed by The Braff Group, transaction activity in the behavioral health sector during the 3rd quarter of 2022 progressed much as we had anticipated at mid-year. While the last two quarters produced about the same number of transactions that we saw pre-pandemic, on the strength of a busy Q1, the tally of BH transactions at the end of Q3 stood at 151 deals. If Q4 comes in at levels similar to the past two quarters, the sector is on pace to equal the output recorded in 2020 which was the record prior to 2021’s blowout.

Alternatively, as illustrated in the accompanying chart, if we annualize results for the first three quarters of 2022 and compare them instead to 2020 (thereby excluding the highly unusual 2021 figures which reflect, to some degree, deal flow driven by sellers’ tax strategies), total transaction volume is up nearly 5%, with substance use disorder, mental health, and non-autism IDD up 9%, 14%, and 33% respectively.

Within the substance use disorder segment, it bears mentioning that on an annualized basis, deal volume in medication assisted treatment is on pace to equal the record 29 deals completed in 2021 (not shown). Also noteworthy, despite headwinds facing certain autism service consolidators, transaction volume in the segment remains strong.
Behavioral Health Deal Trends

Source: The Braff Group

With private equity accounting for more than 60% of deal flow, it comes as little surprise that overall behavioral health transaction trends are essentially a mirror image of PE activity. And while down from 2021, private equity interest in behavioral health remains at elevated levels.

Notably, to date, we have identified 11 market-entry, platform investments in the I/DD space (not shown) which already exceeds the nine such deals completed in 2021. At the current pace, the segment is poised to tie the second highest tally of 15 platform investments since we began tracking health care services M&A activity in 2001.

What’s more is three of these deals are secondary PE to PE acquisitions of “first-generation” autism consolidators, further demonstrating sustained interest in the niche.

Private Equity

PE vs. Non-PE Behavioral Health Deal Trends

Source: The Braff Group
Outlook

With Q3 producing few surprises, our outlook for behavioral health M&A for the rest of 2022 remains unchanged from our mid-year report. Not as strong as 2022, but continuing what is now a decade-long arc of increasing interest – and investment – in the space.
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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, home care and hospice, home medical equipment, pharmacy services, health care staffing services, 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 375 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
• Home Health, Home Care, and Hospice
• Health Care Staffing Services
• Pharmacy Services
• Ancillary Services