



Behavioral Health
INDUSTRY MARKET UPDATE



ACQUISITIONS
DIVESTITURES
FINANCINGS
RESTRUCTURINGS

Key Statistics

1 in 5

U.S. adults suffered from mental illness in 2022, according to Mental Health America

37%

of people live in an area with a shortage of mental health professionals; two-thirds of rural communities lack resources⁽²⁾

21%

of adults with substance use disorders reported forgoing treatment due to an inability to pay⁽²⁾

<5%

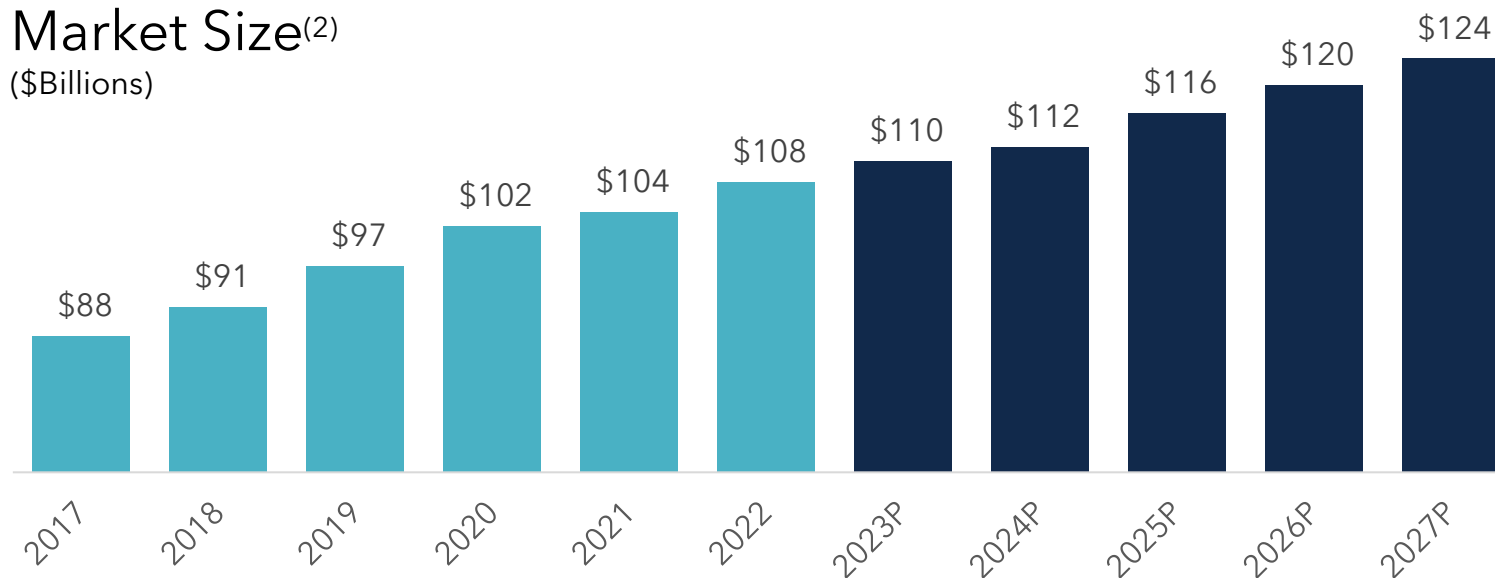
of industry revenue is expected be earned by the top five competitors in behavioral health⁽²⁾

Industry Overview

The Behavioral Health (“BH”) industry is expected to grow at an annual rate of 3% through 2027⁽¹⁾, as a result of rising demand for mental health and substance abuse resources. The continued trend of de-stigmatizing mental illness, coupled with expanding health insurance coverage are the primary drivers of overall growth in behavioral health services. Additionally, the COVID-19 pandemic has led to the rapid adoption of telehealth, further enabling more people to seek behavioral health resources. Despite a robust need for behavioral health resources, the industry will continue to struggle from a lack of counseling and medical professionals. As a result, access to care is scarce in many areas -particularly, in rural communities.

U.S. Behavioral Health Market Size⁽²⁾

(\$Billions)



(1) CP Research; (2) IBISworld

Key Trends



A collective understanding of mental illness has encouraged employers, legislators, and regulators to offer differentiated BH benefits that increase employee productivity, including pushing insurers for reimbursement



Insurers are leveraging an array of data gathered from technological advancements to forge new relationships with patients and implementing personalized care practices that acknowledge BH issues



The rapid adoption of telehealth services driven by the pandemic is here to stay. According to the American Psychological Association, half of psychologists have adopted both virtual and in-person treatment modalities⁽⁵⁾



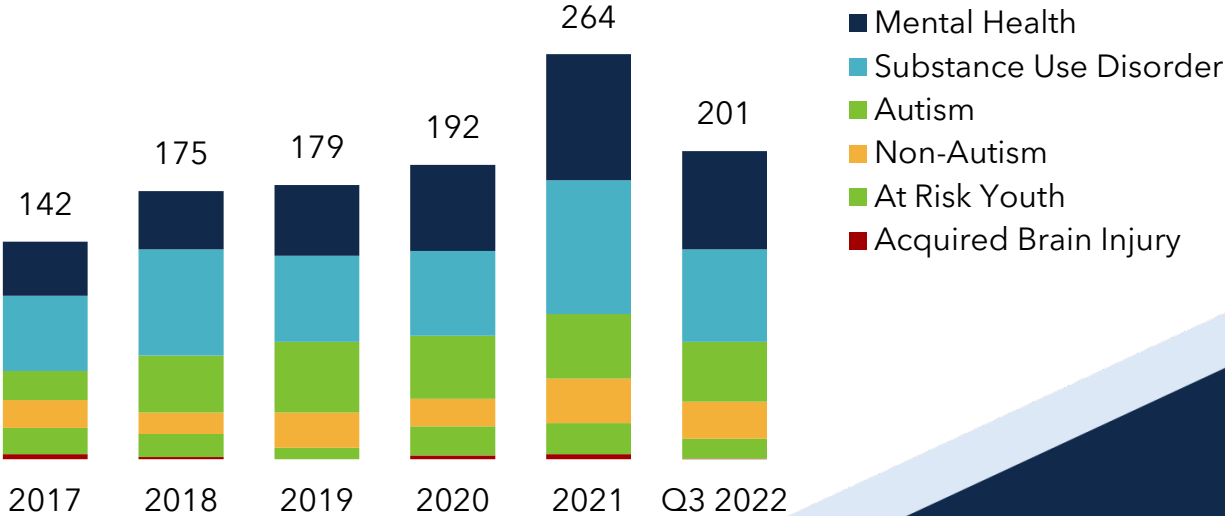
Steady growth in industry revenue has been offset by rapidly expanding wages caused by a structural deficit of qualified behavioral health professionals. An increasing number of cities are now requiring therapists on a contract basis to render care at local psychiatric facilities⁽⁴⁾



Softening economic conditions have contributed to heightened behavioral health issues, particularly depression. Recent studies suggest that the unemployed are 4x more likely to report symptoms of depression⁽⁴⁾

(4) IBISWorld; (5) American Psychological Association

Behavioral Health M&A Activity⁽⁶⁾



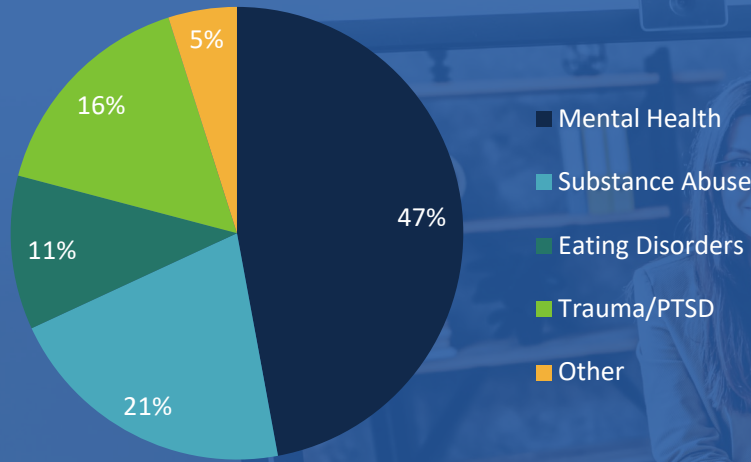
Increased Investor Interest

An abundance of capital coupled with the establishment of new private equity and family offices have resulted in a very competitive M&A environment

- » Over \$1.3 trillion of capital and private investment available
- » Consistency and growth in clinical space is attracting investors
- » Competition is driving investors to pursue a variety of industries for high quality deals

(6) The Braff Group, Capital IQ, Mertz Taggart

Market Share by Segment



M&A Driver Considerations

Key motivations for behavioral health practice owners contemplating private equity include:

- » Oversight of clinical aspects of the practice remain with care providers, while non-clinical aspects are handled by centralized management
- » Increased resources and a stronger organizational structure improves clinician utilization and scope of treatment leading to better patient care
- » Decreased financial risk by realizing significant value for the practice today, with an opportunity to gain upside in the long-term growth of the practice group
- » Broader expertise, management resources and access to investment capital to accelerate the growth of each practice
- » Expertise to accelerate growth to support scale, recruit providers and to build marketing outreach

Select Private Equity Platforms



Select Industry Aggregators




Recent M&A Activity

DATE	TARGET	ACQUIRER
Oct-22	Addiction & Mental Health Services	Lee Equity Partners
Sep-22	Innovation360	Pathway Healthcare
Aug-22	Springstone Health	LifePoint Health, Inc.
Aug-22	Column Health	BrightView, LLC
Jun-22	Stepping Stone of North Carolina	Pinnacle Treatment Centers
Jun-22	Acadia Counseling and Wellness	Mindpath Health
May-22	Howard J. Chudler & Associates	Enhanced Healthcare Partners
May-22	Weldon	Spring Health Inc


Select Transactions

Sell-Side Advisor




BVA
BETTER VISION AHEAD

has been acquired by



VISION INTEGRATED PARTNERS

a portfolio company of



FIRMAMENT

Learn more about the transaction in the case study and view Dr. Britton's Cascade Difference testimonial here.

Sell-Side Advisor



M&C



CAPITOL
COMMERCIAL REALTY

was acquired by



PINNACLE
G PARTNERS

a portfolio company of



H. L. G.
GROWTH PARTNERS

Learn more about the transaction in the case study here.

About Cascade Partners

Cascade Partners is a boutique investment banking firm focused on middle-market businesses in industrials, healthcare, business services and manufacturing. Manufacturing and related business services are passions and specialties at Cascade Partners.

With more than 250 years of combined experience, we work with business owners and shareholders to achieve their objectives and explain the impact and opportunity of their options. Our experience extends beyond just being transaction advisors, too. We have been operators, served on boards and made personal investments in services firms. From buy-side and sell-side advisory services to securing growth financing, restructurings or recapitalizing your business, our expertise and insight goes deeper than the economic factors of a deal.

We recognize and respect the long-term impacts of a transaction on our clients' company, employees, family, wealth and personal lives and are committed not only to creating long-term value for companies but to creating transformative solutions for people.

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