

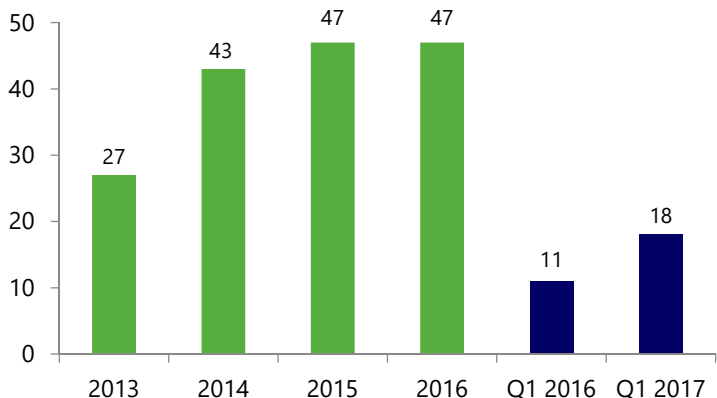


OVERVIEW

- ▶ The Behavioral Healthcare Services industry has grown rapidly in recent years due to increased awareness and favorable healthcare reform. As a result, the funding for mental illness and substance abuse disorders has expanded and has become a more integrate aspect of traditional healthcare coverage. This shift has improved patient access and purchasing power, and has subsequently heightened demand for behavioral healthcare services.
- ▶ Revenue for Mental Health and Substance Abuse Centers is projected to grow at compound annual growth rate (CAGR) of 4.6% from 2017 to 2022, according to IBISWorld.
- ▶ Private equity buyers have become more active in the space, attracted by the market's fragmentation, strong demand and growth prospect.

TRANSACTION VOLUME

- ▶ Through Q1 2017, 18 deals have been announced or closed in the industry.
- ▶ At its current pace, 2017 deal volume is poised to match or exceed the record deal volume seen in 2015 and 2016.



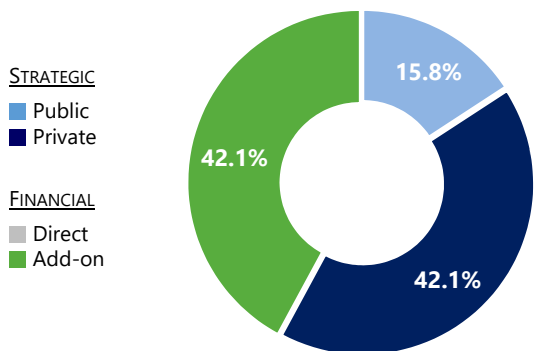
Sources: CapIQ and Capstone Partners LLC Research

RECENT TRANSACTIONS

Date	Target	Acquirer	Target Description	EV / LTM		
				EV	Rev	EBITDA
03/17	Avalon By The Sea	New Vista Behavioral Health	Treats substance abuse disorders, mental health and psychiatric issues.	-	-	-
03/17	Assurance Health and Wellness	Community Partners	Operates an integrated care clinic for adults and children.	-	-	-
02/17	Totem Lake Family Medicine	The Everett Clinic	Provides general and mental healthcare services.	-	-	-
02/17	Community Education Centers	The GEO Group	Provides rehabilitative services for reentry and in-prison treatment facilities	\$360.0	-	-
01/17	Coleman Institute	BayMark Health	Offers outpatient detoxification programs for addiction treatment	-	-	-
01/17	AppleGate Recovery	BayMark Health	Operates addiction recovery clinics.	-	-	-
01/17	Sequel Youth and Family Services	Global Partner Acquisition	Offers programs for people with behavioral, emotional or physical challenges.	\$317.1	-	10.1x

BUYER BREAKDOWN

- ▶ Both strategic (57.9%) and financial (42.1%) buyers have been attracted to the sector in Q1 2017.
- ▶ While strategic suitors were a blend of both private and public companies, all the financial suitors were private equity groups seeking to expand their existing portfolios through add-on acquisitions.



Sources: CapIQ and Capstone Partners LLC Research

SELECT CAPSTONE HEALTHCARE DEALS AND AWARDS

 has recapitalized with 	 has been acquired by 	 has been acquired by
2016 USA MID-MARKET INVESTMENT BANKING FIRM OF THE YEAR 	2016 MIDDLE MARKET INVESTMENT BANKING FIRM OF THE YEAR 	2016 US MIDDLE MARKET INVESTMENT BANK OF THE YEAR