

# AUTISM SERVICES SECTOR OVERVIEW

The past, present and future of the autism services sector

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Autism Services Sector Sector		ic operato m sector.	c <b>tor experts</b> with longstanding relationships in ors and financial sponsors that are actively Dan brings a <b>"buyer's eye"</b> to the table ledge of value drivers in an autism transaction.		
Operational Healthcare Services verticals.		Healthcare Services verticals. Hav table and guide our clients throug	ing <b>"sat ir</b>	n operator in Behavioral Health and other the seat," we bring a unique perspective to the process so that you and your team can focus on	
Manag Experti Experie Joined		Beuerlein Baging Director Intise: Autism rience: 20+ Years d BCA in 2022 te development roles across se several years as Chief		Kyle Witty   Director   Expertise: Autism   Experience: 10 Years   Joined BCA in 2014   mpleted 25+ M&A and capital raising   nsactions in the healthcare services and	





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#### Introduction

For most of the last decade, the autism services sector has been one of the **most active and rapidly evolving** sectors among all healthcare verticals, not just behavioral health.

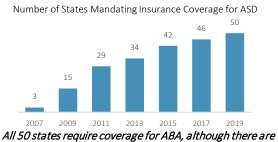
Applied Behavior Analysis ("ABA") is the highest treatment standard for autism spectrum disorder and the only evidence-based treatment supported by the U.S. Surgeon General. ABA has been a focus in the medical community as providers have proven that early intervention drives positive outcomes.

The burgeoning industry, though still in its nascent stage, has been propelled by the significant increase in diagnosis rates, which have tripled over the last two decades. In 2001, when Indiana became the first state to mandate ABA coverage, the prevalence of Autism Spectrum Disorder (ASD) was 1 in 166. In 2019, when Tennessee became the 50<sup>th</sup> state to mandate ABA coverage, the prevalence of ASD had grown dramatically to 1 in 59. Today, **ASD prevalence has increased to 1 in 36** in the latest estimation from the Centers for Disease Control and Prevention (CDC) in March 2023. Experts believe that the industry is currently experiencing the benefits of appropriate testing measures, which have contributed to the unprecedented spike in diagnoses.

#### Growing Prevalence of ASD (1) Prevalence of Autism Spectrum Disorder Over Time: Per 1,000 Children 4.7 14.5 16.8 18.5 6.7 6.6 8.0 9.0 11.3 16.8 18.5 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.6 2.7.7 2.7.7 2.7.7 2.7.7 2.7.6 2.7.7 2.

ASD prevalence has increased 89% since 2010 and 50% since 2016

#### Increased Insurance Coverage Mandates<sup>(2)</sup>



variances based on age, dollar, and hours of treatment caps

Since the onset of the COVID-19 pandemic, the Autism Services sector has experienced a period of turbulence. 2020 concluded a euphoric buying spree and land grab for staff and facilities that began during the early days of program proliferation and platform building from 2016 up to 1Q20.

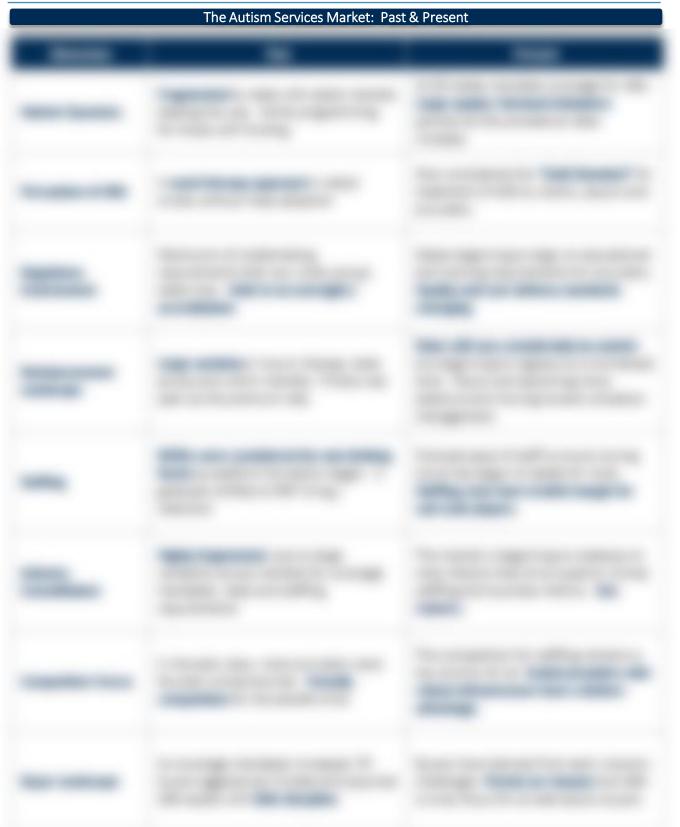
Like most healthcare providers, Autism services companies were forced to reinvent themselves by navigating the challenges of telehealth, in-home care delivery, staffing shortages, employee churn and rising costs during the pandemic and after. **The market reached its peak in 2018-2019** in both deal volume and transaction multiples. 2022 was characterized by operators retrenching to optimize operational and staffing protocols. 2023 was the year of **"right sizing"** as the market shook off several high-profile bankruptcies and saw several providers leave entire markets altogether. 2024 was the year of **"cautious optimism"** with several large platform transactions completed and many more currently in the market. With the labor markets stabilizing and interest rates normalizing, the Autism Services sector is still a **highly attractive target for investors**, but today's private equity and strategic buyers are far more refined in their diligence and understanding of the business models that lead to success. 2025 will be a very active year for autism and pediatric therapy providers.



Source: (1) Autism and Developmental Disabilities Monitoring Network, (2) NCSL, (3) BCA Marketing Intel, Pitchbook

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#### **Recent Autism Transactions and Value Drivers**

Since 2016, when LEARN Behavioral was acquired by LLR Partners, private equity investment in the autism services sector experienced a surge in both the number of deals and valuations, making it one of the most targeted markets in healthcare. Many of the early transactions were attracting high-teens multiples and were often based on aggressive pro forma adjusted EBITDA projections dependent on future center or market level maturity. After the recent slowdown in deal flow during 2022 and 2023, the sector has matured, and market participants have learned along the way. **Pencils are sharper and buyers are now evaluating opportunities based on the following criteria:** 

Market Dynamics	Size of market, reimbursement rates and availability of credentialed providers.
Provider Recruitment and Retention	Proven ability to recruit, develop and retain top clinical and administrative resources. RBT turnover rates are a key focus area.
Therapy and Payor Mix	Diversity of services offered (ABA, Speech, OT, PT) and diverse payor mix.
Corporate / Back-Office Infrastructure	Scaled blend of technology and human capital resources capable of accommodating future growth.
Growth Opportunities	Proven ability to execute a de novo playbook and successfully integrate M&A.
Site of Service Mix	Analysis of In-home, clinic and school-based programming. Priority given to clinic- based revenue and school contracts.
Clinical Quality	Robust set of Clinical Policies & Procedures to ensure consistency throughout the organization.

### Autism Comparable Transactions<sup>(1)</sup>



(1) Source: BCA Marketing Intel, Pitchbook



#### **Regional Variation and Market Dynamics**

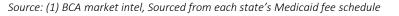
The first rule that any provider or investor interested in Autism Services should understand is that **no two markets are the same**. This is not a homogenous industry across markets and each state should be considered a distinct market within itself. Regional density may offer administrative or logistical advantages to providers but the **keys to success in any market are (1) reimbursement rates and (2) availability and cost of credentialed providers**.

The wide variability of insurance coverage, provider availability and payment rates across markets in the U.S. is a result of a 20-year rollout of autism coverage mandates at the state level and the concentration of credentialed BCBAs in large costal states with robust PhD level programs that generate the majority licensed BCBAs.

Additionally, the client population and the service level expectations of their families can vary greatly from state to state. Some more mature markets, like California, have long-standing expectations that providers can provide in-home or school-based services where less mature markets, like Texas, prefer center-level services.

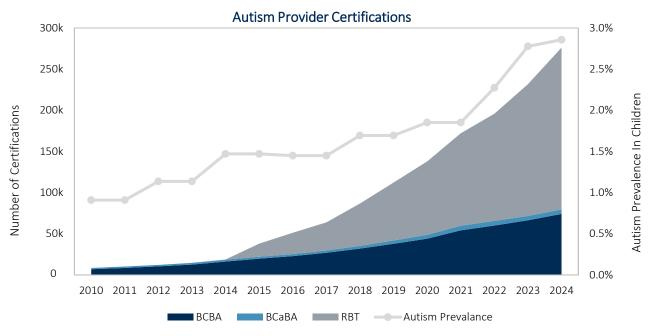
The graph below highlights the wide range of payment rates from just one funding source, the Medicaid program which is controlled locally at the state level. Providers often see wide ranges of reimbursement rates from commercial payors as well.

Medicaid Direct Care Reimbursement by State <sup>(1)</sup>





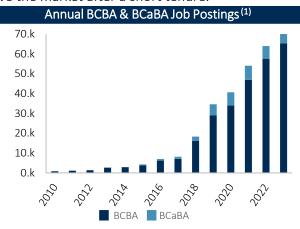
#### Supply & Demand



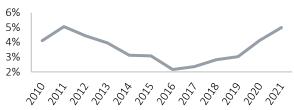
As the prevalence of autism continues to rise, the supply side of the market sees a corresponding rise in the number of Board Certified Behavior Analysts ("BCBAs") and Registered Behavior Technicians ("RBTs") who receive certifications. At first glance, the level of RBT certifications might appear to track with the demand on a relative scale, however the growth doesn't account for the **high turnover rates** (30-75%) attributed to these providers and those that leave the market after a short tenure.

To illustrate the impact of industry growth and clinic / program proliferation, the chart to the right highlights how quickly the market for BCBAs exploded after the first platforms were formed in 2016. This **fierce competition and robust market for clinical leadership stretched the profitability** potential for all providers and this dynamic continues today.

The Great Resignation: In addition to operational obstacles from the pandemic, the sector was hit incredibly hard during the Great Resignation as many direct care providers dropped out of the system choosing to change careers or not work at all. Although the pandemic worsened the labor shortage, this trend was already beginning to take shape prior to 2020 as RBTs began leaving their jobs far in advance of the Great Resignation.







Source: (1) US Employment Demand for Behavior Analysts, (2) Zippia Statistics



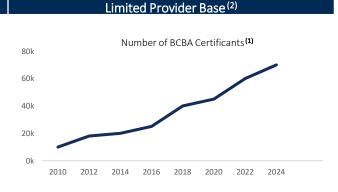
#### The ABA Provider Profile

Historically, one of the most tantalizing aspects of the autism services sector as a target investment was the large imbalance between the demand for services and the existing supply of those services. Basic economic theory teaches investors to seek out this supply/demand imbalance to take advantage of the market inefficiency. In an ideal world, a supplier will find a way to supply more of the service to the market.

In manufacturing, you'd build another plant to produce more widgets. In hospitality, you'd build more hotels or restaurants. The supply of therapists hasn't come close to keeping up with the demand for services – a common projection is that the number of BCBAs and RBTs would have to double to meet the current demand for services in the US. While all healthcare service providers have been significantly impacted by recent shortages in the labor pool, the specific challenge with autism services lies within the unique composition of the provider base. Adding further strain, fewer than three-quarters of licensed providers focus professionally on direct care within the autism spectrum disorder space.



79% and 90% of ABA users saw improvements in their child's target behaviors and communications, respectively



Just 75% of BCBA certifiancts have ASD treatment focus, which is sufficient to satisfy just 37% of the demand of ASD Providers

#### Macro-level Takeaways:

- As of 2023, the Behavior Analyst Certification Board (BACB) has certified 66,339 BCBAs, 2.5x more than just 5 years before. And yet, for all the growth, the demand eclipses what the market can supply. An analysis of job postings shows that there were a total of 65,300 open job postings for BCBAs in 2023.
- It's a very young group. 47% of BCBAs are aged 34 years or younger and 88% are female. By comparison, about 20% of the registered nurse workforce is aged 34 or younger.
- There has been a 500% increase in service providers in the last 10 years. Over half of those providers have less than 5 years of experience.
- Moving forward, conventional wisdom is that for each provider resignation, groups will need to hire two additional providers due to the expected turnover rates.

Source: (1) Autism Parenting Magazine (APM), (2) Behavior Analyst Certification Board. (n.d).















#### Appendix: Recent Autism Services Transactions

Close Date	Target	Acquirer	Acquirer Sponsor	Transaction Type
Feb-25	Proud Moments ABA	Nautic Partners	n/a	Platform Creation
Jan-25	Already Autism Health	Triton Pacific Healthcare Partners	n/a	Platform Creation
Jan-25	Pediatrics Plus	Leavitt & Fulcrum	n/a	Platform Creation
Jan-25	Unison Therapy Services	Ascend Capital Partners	n/a	Platform Creation
Dec-24	Center for Social Dynamics	Goldman Sachs Alternatives	n/a	Secondary Buyout
Oct-24	Quality Behavior Solutions	ASI Health Holdings	Fletch Equity	Add-On Investment
Jul-24	Behavior Consultation & Psychological Services	Behavioral Framework	Tenex Capital Management	Add-On Investment
Jul-24	Caravel Autism Health	GTCR	n/a	Secondary Buyout
Jun-24	Behavioral Innovations	Tenex Capital Management	n/a	Secondary Buyout
Mar-24	Autism Spectrum Interventions	Fletch Equity	n/a	Platform Creation
Mar-24	Child's Play Plus	Children's Autism Center	n/a	Merger/Acquisition
Jan-24	Behavioral Framework	Renovus Capital	n/a	Platform Creation
Nov-23	The Learning Spectrum	New Story Group	Audax Group	Add-On Investment
Nov-23	Holding Hands Pediatric Therapy & Adult Services	Varsity Healthcare Partners	n/a	Platform Creation
Nov-23	Therapy Group of Tucson	K Squared Fund	n/a	Platform Creation
Oct-23	Trumpet Behavioral Health	BlueSprig Pediatrics	Kohlberg Kravis Roberts	Add-On Investment
Sep-23	Star Autism Support	Prairie Capital	n/a	Platform Creation
Sep-23	Thrive Alliance Group	New Story Group	Audax Group	Add-On Investment
Aug-23	Bright Behavior	ABA Connect	MBF Healthcare Partners	Add-On Investment
Aug-23	Invo Healthcare (PA Locations)	Helping Hands Family	Zenyth Partners	Add-On Investment
Aug-23	Specialized Youth Services of Virginia	Health Connect America	Palladium Equity Partners	Add-On Investment
Aug-23	North Valley Pediatric Therapy	Maven Equity Partners	n/a	Platform Creation
Jul-23	The Center For Autism & Related Disorders	Audax Group	n/a	Secondary Buyout
Jul-23	The Center For Autism & Related Disorders	Dr. Doreen Granpeesheh	n/a	Secondary Buyout



#### Appendix: Recent Autism Services Transactions Continued

Class Data	Tunt	A constitueer	Acquirer	Tropostion Turn
Close Date	Target	Acquirer	Acquirer Sponsor	Transaction Type
Jul-23	EdLogical Group	Point Quest	Avesi Partners	Add-On Investment
Jul-23	Foundations Educational Solutions	Point Quest	Avesi Partners	Add-On Investment
Jun-23	Autism Behavioral Institute	Decathlon Capital Partners	n/a	Platform Creation
Jun-23	Crosspoint Autism Therapy	Kids S.P.O.T.	Pine Tree Equity Partners	Add-On Investment
Jun-23	Giggles Therapy	Kids S.P.O.T.	Pine Tree Equity Partners	Add-On Investment
Apr-23	Springtide Child Development	Cortica	Longitude Capital	Add-On Investment
Apr-23	Melmed Center	Cortica	Longitude Capital	Add-On Investment
Apr-23	Bounce Therapy	Parkwood Capital	n/a	Platform Creation
Mar-23	Songbird Therapy	Куо	Northwest Venture Partners	Add-On Investment
Mar-23	Pacific Coast Speech Services	Point Quest	Avesi Partners	Add-On Investment
Mar-23	AOT (Educational Therapy)	U.S. Medical Staffing	McCarthy Capital	Add-On Investment
Mar-23	Austill's Educational Therapy Services	U.S. Medical Staffing	McCarthy Capital	Add-On Investment
Mar-23	ABA2DAY Behavior Services	Invo HealthCare Associates	Golden Gate Capital	Add-On Investment
Feb-23	Early Autism Services (Missouri Operations)	Apara Autism Center	Havencrest Capital Management	Add-On Investment
Feb-23	Autism Learning Collaborative	Apara Autism Center	Havencrest Capital Management	Add-On Investment
Jan-23	Catalyst Speech Language Pathology	The Stepping Stones Group	Five Arrows Capital Partners	Add-On Investment
Jan-23	Therapeutic Pathways	Trumpet Behavioral Health	Wind Rose Health Investors	Add-On Investment
Jan-23	Gracent	Altamont Capital Partners	n/a	Platform Creation
Aug-22	Action Behavior Centers	Charlesbank Capital Partners	n/a	Secondary Buyout
May-22	Inner Circle Autism	Council Capital	n/a	Platform Creation
Feb-22	Autism in Motion Clinics	Hopebridge	Arsenal Capital Partners	Add-On Investment
Jan-22	Ally Pediatric Therapy	SBJ Capital	n/a	Platform Creation

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