

BEHAVIORAL HEALTH

Sector Overview and Observations





















SPRING 2025 | CONFIDENTIAL

BCA BEHAVIORAL HEALTH INVESTMENT BANKING

Premier Middle-Market M&A and Capital Raising Advisor

Brentwood Capital Advisors is a healthcare-focused investment bank headquartered in Nashville, TN. BCA's behavioral practice spans multiple subsectors, including inpatient psychiatric care, alcohol and drug disorder treatment, outpatient mental health and autism. We believe behavioral health is one of the most attractive sectors in healthcare, and we have spent more than 20 years representing market-leading and growing companies as they evaluate strategic alternatives while preserving their legacy and mission. Over the past four years, BCA bankers have been involved in more than 70 transactions representing over \$10 billion in value.

Representative Experience in Behavioral Health:

 DISCOVERY POINT RETREAT Recapitalization by Eagle Capital Health Ventures	 roots behavioral health Sale to Hightop Health	 COMVEST PARTNERS Acquisition of Your Behavioral Health	 THIRA Health Investment from galen mental health	 Monte Nido Treating Eating Disorders Sale to REVELSTOKE CAPITAL PARTNERS	 SANDSTONE CARE Recapitalization by VISTRIA	 Constellation BEHAVIORAL HEALTH Sale to galen mental health	 Mount Sinai Sale to BayMark HEALTH SERVICES	 Family Care Center Investment from REVELSTOKE CAPITAL PARTNERS	 Family SUPPORT CENTER Specialized Autism Services Sale to SPG SPEECH OT/PT BEHAVIOR
Addiction Treatment	Mental Health	Mental Health	Mental Health	Eating Disorder	Mental Health	Mental Health	Residential Addiction	Outpatient Psychiatric	Autism
 BRADFORD HEALTH SERVICES Strategic Advisory Services	 Peak View BEHAVIORAL HEALTH Sale to SUMMIT DVC	 NYSTROM & ASSOCIATES Recapitalization by NAUTIC	 Sundance Behavioral Healthcare System Rebuilding Lives Sale to PERIMETER Healthcare Ridgmont EQUITY PARTNERS	 PMC Psychiatric Medical Center Investment from CONSONANCE CAPITAL	 Haven BEHAVIORAL HEALTH SYSTEM Investment from BROWN BROTHERS HARRIMAN	 MMO Behavioral Health System Sale to ACADIA HEALTHCARE	 Pasadena Villa Psychiatric Treatment Network Sale to ODYSSEY BEHAVIORAL HEALTHCARE	 genoa healthcare Qol2meds Recapitalization by BPOC NAUTIC	 ACADIA HEALTHCARE Sale to OCEANS HEALTHCARE
Addiction Treatment	Inpatient Psychiatric	Mental Health	Addiction Treatment	Psychiatric	Psychiatric	Psychiatric	Addiction Treatment	Mental Health	Inpatient Psychiatric

BEHAVIORAL HEALTH ADVISORY TEAM

BCA professionals have closed 45+ transactions across behavioral end markets with value in excess of \$5B



Dan Beuerlein
Managing Director
Experience: 20+ Years
Joined BCA in 2022



L.A. Galyon
Managing Director
Experience: 20+ Years
Joined BCA in 2010



Burk Lindsey
Managing Director
Experience: 30+ Years
Joined BCA in 2024



Patrick Price
Director
Experience: 10+ Years
Joined BCA in 2016



Kyle Witty
Director
Experience: 10+ Years
Joined BCA in 2014



Grey Reames
Vice President
Experience: 6 Years
Joined BCA in 2022



INFORMED ADVICE. SUPERIOR RESULTS.

Our involvement, perspective and advice unlock value for our clients

Key Considerations

Relevant Experience and
Sector Expertise

Platform and Financial
Positioning

Buyer Access
and Reputation

Senior Involvement and
Execution Excellence

BCA's Value Add

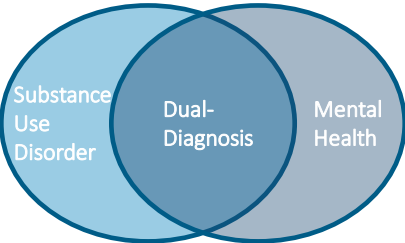
- We have a dedicated team of 8 bankers covering behavioral health.
 - We are one of the most active investment banks in behavioral health with 45+ transactions closed.
 - Our unmatched experience and insights create value across every phase of a process, including preparation and positioning, prospect outreach and dialogue and ultimately, transaction negotiations.
-
- Our breadth and depth of experience is unique among our competitors.
 - We provide a unique, seasoned perspective on key value drivers and positioning themes.
 - We have a track record of successfully maximizing valuation EBITDA and defending EBITDA presentations, including run rates, pro forma adjustments for new facilities and service lines / programs and synergies.
-
- We have longstanding relationships with prospective acquirors and unique insight into likely process behavior.
 - We know all of the nation's leading health care focused PE groups, have worked with and for many of them, and have longstanding relationships with most at the Partner level.
 - The majority of buyers and PE prospects we might approach have submitted proposals on multiple BCA processes.
-
- Focused attention from multiple senior-level bankers from start to finish.
 - Active deal team leadership by BCA senior bankers, who are heavily involved in all aspects of the transaction to ensure the highest quality of execution.
 - We commit larger transaction teams with significant domain expertise.

BEHAVIORAL HEALTH MARKET OVERVIEW

BEHAVIORAL HEALTH MARKET OVERVIEW

Steady expansion in the behavioral health market, especially in the SUD and mental health subsectors

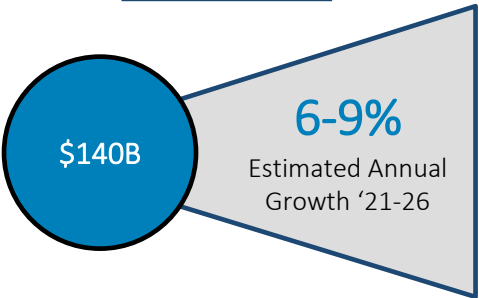
Behavioral Health Overview



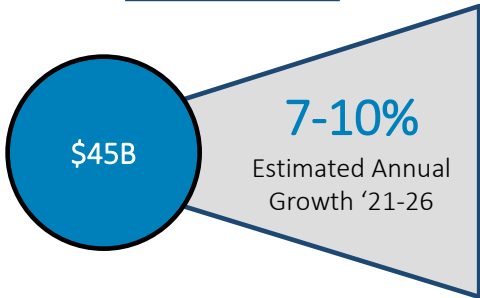
Hospitals, clinics and facilities providing inpatient and outpatient services related to diagnosing and treating mental illness and substance use disorders. For-profit and non-profit establishments are included.

Estimated U.S. Market Size & Growth (2021)

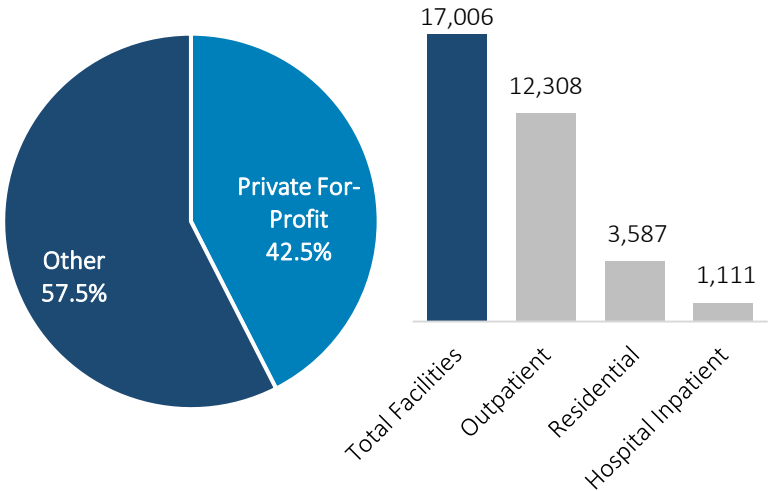
Mental Health



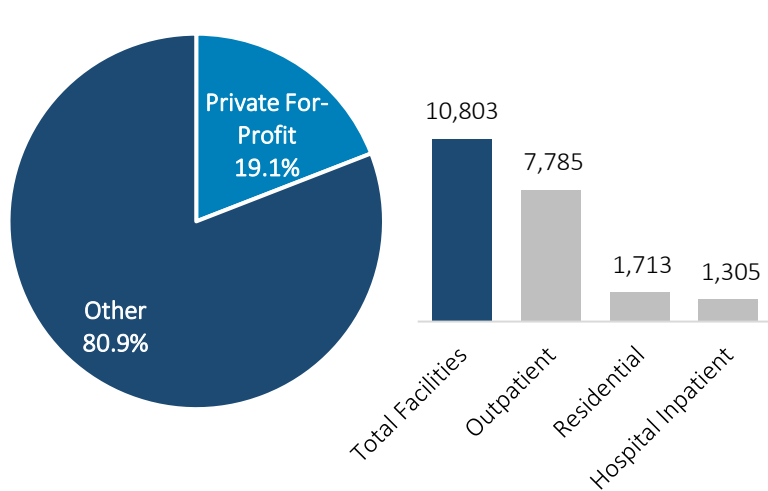
Substance Use



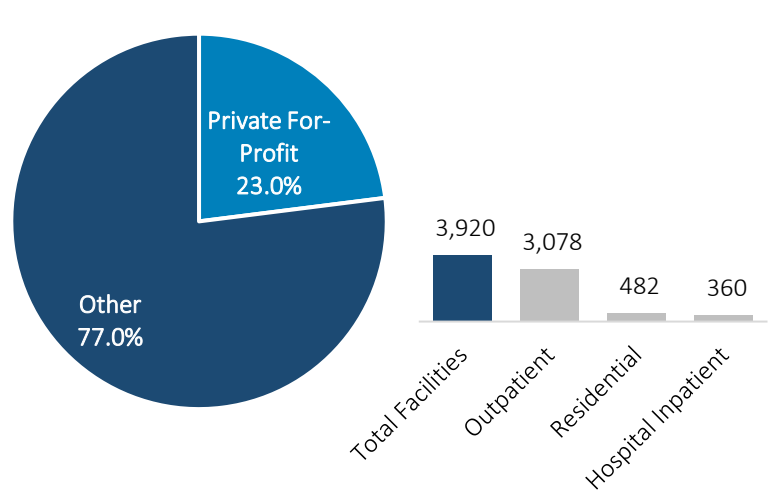
SUD Facilities



Mental Health Facilities



SUD and Mental Health Facilities⁽¹⁾



Source: SAMHSA. | Bottom charts are depicted as of 2022. | (1) SUD and mental health facilities is not mutually exclusive and includes facilities from SUD and mental health categories.

BEHAVIORAL SECTOR DYNAMICS

Macro trends impacting highly fragmented behavioral health sector



The Behavioral Provider Market Is Large, Diverse, Growing and Evolving: The U.S. mental health epidemic continues to take an enormous toll on society. [The annual economic impact of substance and alcohol abuse is approximately \\$440 billion](#). For serious mental illness, the estimated U.S. economic impact is more than \$300 billion annually. Mental health and substance disorder represent the largest segments within behavioral health, with estimated addressable market sizes of \$140B and \$45B, respectively.



Rising Patient Need, Evolving Commercial Reimbursement and Ongoing Provider Shortages Impact Demand in Behavioral Health Sector: There has been limited access to behavioral healthcare services historically, resulting in [only 15% of people in need of substance use treatment receiving services](#) and less than half of adults with a mental illness receiving treatment. The lack of historical coverage for behavioral health services forced patients to revert to either Cash Pay or Out-of-Network arrangements to pay for their services. On the provider side, [ongoing staffing shortages have limited the care capacity](#), compounding the existing supply-demand imbalance. The market should continue to draw increased interest as staffing pressures wane and payors warm up to the sector.



Demand for Behavioral Health Services Is Growing as Mental Health Crisis Accelerates Post COVID: COVID-19 infection survivors were at a 35% higher risk of new anxiety disorders, [39% higher risk for new depressive disorders](#), 34% higher risk for new opioid disorders and 20% higher risk for non-opioid addiction.



Physical and Mental Health Treatment Are Becoming More Integrated: Mental and physical health are fundamentally linked and [addressing the “whole person” is critical to success in managing chronic physical conditions](#). Coordinated care and integrated support leads to more consistent treatment and more effective long-term outcomes. [Commercial payors are continuing to increase rates for behavioral health services](#), which should improve access to care.

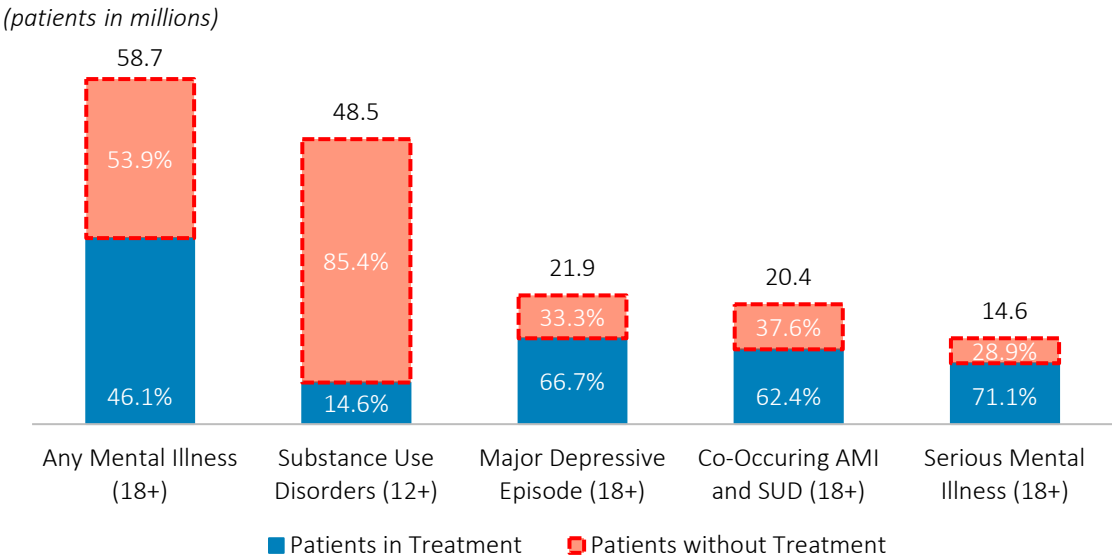


Medicaid Redetermination Is a Risk for Some Segments: Effective Apr23, states started removing people from Medicaid after enrollment ballooned during the COVID-19 pandemic. [~21% of Medicaid enrollees, or around 20.1 million people, were disenrolled from Medicaid coverage following the resumption of statewide eligibility checks](#). Given the prevalence of Medicaid patients within the behavioral health system, the government’s crackdown on eligibility could have a dramatic impact on providers in the space.

SUBSTANTIAL UNMET NEED IN BEHAVIORAL HEALTH

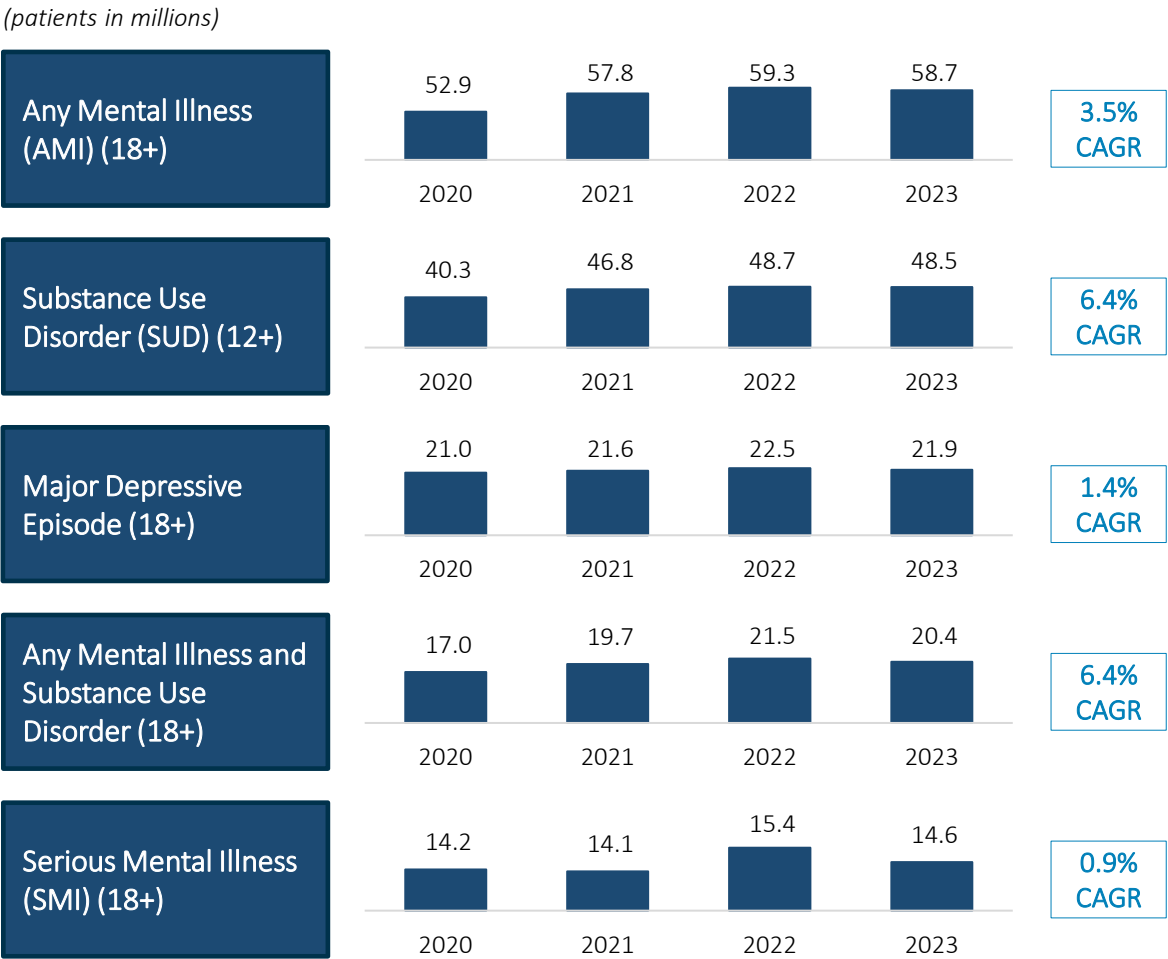
Patients in treatment are only a fraction of the addressable market

Majority of Americans Remain Untreated (as of 2023)



- Across all segments of behavioral health, patients are significantly undertreated. There are multiple reasons for this, including:
 - **Lack of access.** Services are unavailable, unaffordable or unadvertised in some communities.
 - **Provider shortages.** Lack of care providers is most acute in rural areas.
 - **Stigma.** Mental illness and substance use disorders continue to be stigmatized.
 - **Diagnosis.** It can be challenging to distinguish between normal and abnormal behavior, especially in adolescents.

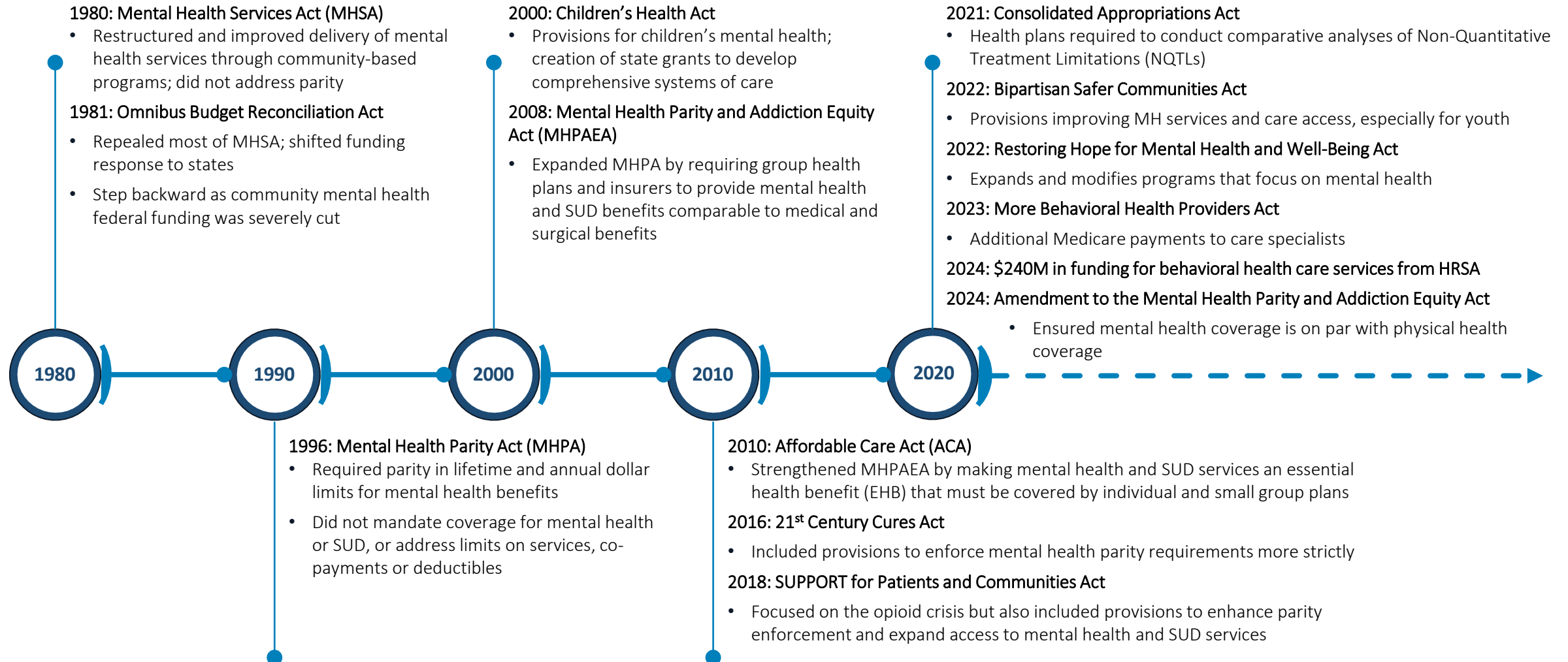
Growing Prevalence of Behavioral Health Disorders



Source: CDC, SAMHSA National Survey on Drug Use and Health.

HISTORY OF BEHAVIORAL HEALTH REFORM

Increasing bipartisan support for a historically underfunded segment of healthcare services






INCREASING SHORTAGE OF BEHAVIORAL HEALTH PROVIDERS

As demand for behavioral health services grows, the availability of providers dwindles

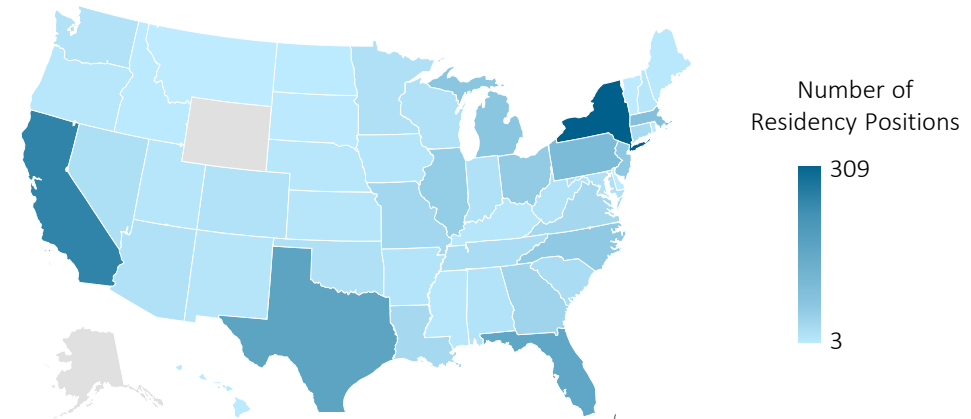
Overview

- The shortage of behavioral health workers is considered “significant,” as a large portion of the U.S. population lives in areas without access to mental health professionals.
- As of Dec23, more than half of the U.S. population, or 169 million people, lived in a Mental Health Shortage Area, defined as a region with a patient-to-provider ratio greater than 30k to 1.
- The Health Resources and Services Administration projects significant shortages in key behavioral health occupations through 2036, including addiction counselors, mental health counselors, psychologists, psychiatrists, marriage and family therapists and school counselors.
- Expanding integrated care, leveraging health support workers and using tele-behavioral health may help alleviate the workforce shortage and overcome maldistribution.

Barriers to Recruiting and Retaining Providers

- The Government Accountability Office identified three key categories of barriers that pose challenges to recruiting and retaining behavioral health providers:
 -  **Financial:** Low reimbursement rates and compensation rates for behavioral health services.
 -  **Educational:** Many programs designed to recruit diverse providers only benefit individuals already studying in the behavioral health field and do not address the lack of pipeline for underserved populations to enter the workforce.
 -  **Workplace:** Shortage of licensed supervisors and funded internship positions in rural areas.

MD / DO Psychiatry Residency Positions by State



Psychiatrist Residency Programs Are Not Evenly Distributed

- Of the roughly 2,250 U.S. residency positions, 47% are concentrated among six states (NY, CA, TX, FL, PA, MA).
- Many residency programs are concentrated in urban areas, leading to a shortage of psychiatrists in rural regions where mental health services are often critically needed.
- This uneven distribution of residency programs leads to less diverse clinical experiences and creates a mismatch between residency locations and community mental health needs, resulting in significant treatment gaps.
- Addressing this problem will most likely require policy changes, including incentives for programs to establish themselves in underserved areas, creating satellite training sites or fostering partnerships with community health organizations.

PAYORS FAILING TO ADDRESS ACCESS ISSUES; RATES HINDERING COVERAGE

Despite parity requirements, coverage is uneven; services remain inaccessible for millions of Americans needing behavioral health services

Medicaid Is the Largest Payor for Behavioral Health Services in the U.S.

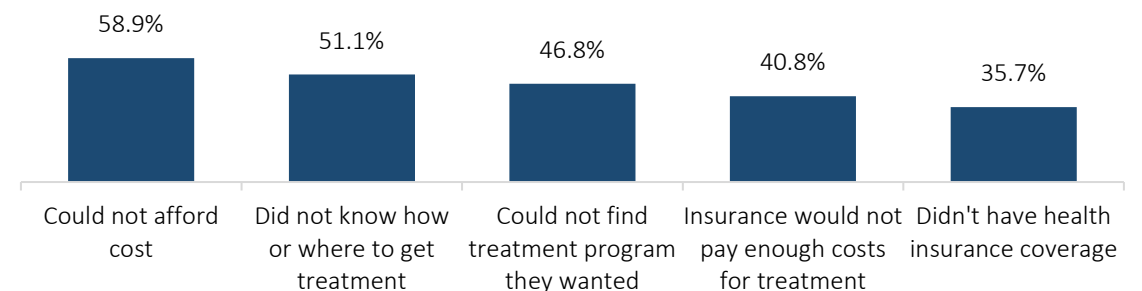
- Medicaid is the largest payor for behavioral health services: 13.9 million Medicaid enrollees had a mental health or substance use disorder in 2020.
- During the pandemic, the government suspended processes that had involved removing people from Medicaid if they gained employer coverage, relocated to another state or began earning incomes over the eligibility threshold. As a result, Medicaid enrollment grew by over five million during the COVID pandemic.
- Medicaid enrollees are more than twice as likely as the general population to suffer from substance abuse disorders.
- After the pandemic subsided, states resumed eligibility checks of every person on Medicaid, including verifying address, income and household size, and in Apr23, states began removing people from Medicaid.
- ~21% of Medicaid enrollees, or around 20.1 million people, were disenrolled from Medicaid coverage following the resumption of statewide eligibility checks.
- Among those disenrolled, 23% dropped into uninsured categories and the rest were able to find alternative coverages or to re-enroll in Medicaid.

Given the prevalence of Medicaid patients within the behavioral health system, the government's crackdown on eligibility could have a dramatic impact on providers in the space.

Increase in Commercial Payors' Responsibility for Mental Health Services

- Commercial payors play a critical role in improving access to behavioral health services for millions of Americans, but challenges remain:
 - **Barriers to Care:** Commercial insurers can deny medically necessary services, employ restrictive medical necessity criteria, and require unnecessary documentation.
 - **Misalignment with Clinicians:** Payors put excessive emphasis on addressing acute symptoms and stabilizing crises while ignoring treatment of members' underlying conditions. Payors often limit authorized days for treatment, against clinical recommendations.
 - **Administrative Complexity:** Most large commercial payors operate behavioral health networks separately from their physical health networks. This can make it difficult for providers to offer integrated behavioral health programs.
 - **Payor Ghosting:** Some payors are not responsive to outreach, and there is little information on reasons for blockages or opportunities to appeal.

Top Reasons for Not Receiving Mental Health Treatment, AMI (18+)



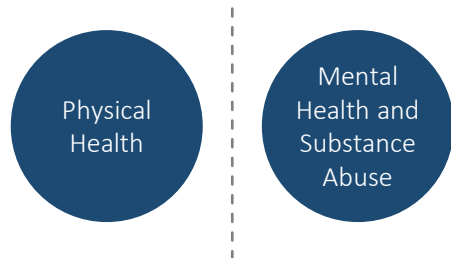
SIGNIFICANT CHANGES IN TREATMENT STRATEGIES AND APPROACH

Parity reform and shifting care delivery model impact access and outcomes

Increasing Integration Between Physical and Mental Health

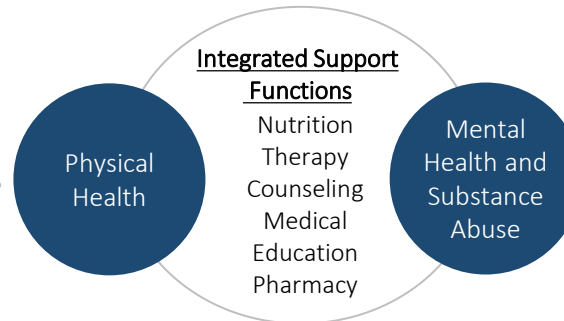
Mental and physical health are fundamentally linked, and providers are increasingly aware of the need for whole-person care

Legacy Approach



- Treating conditions as unrelated, siloed problems with little or no communication between physicians leads to inconsistent and incomplete care.
- Results in poor-quality care, with a much higher percentage of hospital / clinic readmissions.

Evolving Paradigm



- Coordinated care and integrated support leads to more consistent treatment along with more effective long-term support.
- Fewer repeat episodes; better clinical outcomes.

Shift Towards Non-Residential Care



Technological Innovation Promotes Access to Care: Telehealth improves access to behavioral health services in rural areas with limited access to care or geographies where clinical staffing shortages create supply/demand imbalances.



Empowered Consumers Seek Treatment That Will Not Disrupt Daily Life: Americans needing SUD treatment cannot afford to take leave from familial and/or job-related obligations and are seeking more flexible solutions.



Outpatient Models Improve Unit Economics: Lower overhead costs, fewer licensure and permitting hurdles and more efficient staffing compared to residential programs.



Payors and Providers Achieve Increased Alignment: Lower-cost setting provides outcomes similar to residential care, aligning payors with providers.



Cultural and Behavioral Changes Drive People to Seek Care: Public stigma, self-prejudice and institutional discrimination against behavioral health treatment have diminished since the COVID-19 pandemic increased the prevalence of mental illness and substance use disorders.

BEHAVIORAL HEALTH TREATMENT VALUE CREATION LEVERS

Successful behavioral health providers use a proven playbook to scale and create value

Organic Growth			Inorganic Growth
Build Scale and Geographic Density	Establish Full Continuum of Care	Optimize Payor Mix	Acquire Complimentary Programs
<ul style="list-style-type: none">• Market density allows companies to build strong payor, provider and employee relationships in specific geographies and communities.• Invest in corporate infrastructure to facilitate growth.• Bootstrapped, smaller operators lack capital for investment in infrastructure.	<ul style="list-style-type: none">• Integrate full continuum of care services to help patients during the recovery process and improve outcomes.• Multiple care settings create different entry points for patient acquisition.• Drive higher value per patient and broaden referral network.	<ul style="list-style-type: none">• Leverage clinical outcomes data, regional scale and market density to negotiate attractive in-network contracts.• In-network contracts create predictable, steady patient volume and cash flow.• Limit out-of-network commercial reimbursement, which negatively impacts timing and collectability of payments.	<ul style="list-style-type: none">• Leverage M&A to (i) expand into new geographic areas, (ii) add new service offerings, or (iii) gain scale.• Capitalize on the highly fragmented provider base.• Acquire subscale targets to create accretive multiples.• Integrate targets to achieve additional value creation.• Integrate small-provider businesses as service lines within larger, diversified organizations.
Capacity, Productivity and Staffing	Drive Patient Referrals	De Novo Development	
<ul style="list-style-type: none">• Focus on optimizing therapist and counselor staffing ratios to improve margins.• Establish employee retention strategies to limit turnover, especially in the current rising wage environment.	<ul style="list-style-type: none">• Leverage brand, community and clinical reputation to drive patient referrals from key referral channels.• Build a strong alumni channel to reduce overall customer acquisition cost.• Invest in search engine optimization to deliver qualified leads both locally and nationally.• Deliver quality outcome data to enhance clinical reputation and drive greater patient referrals.	<ul style="list-style-type: none">• Develop new locations in contiguous markets or in new geographies that enhance the platform.• Leverage existing corporate infrastructure and “clinical playbook” to replicate and scale existing treatment model in new locations.• Expand service offerings in a local market or increase capacity with another location to capture more patients.	

TRENDS IN SUBSTANCE USE DISORDER (“SUD”)

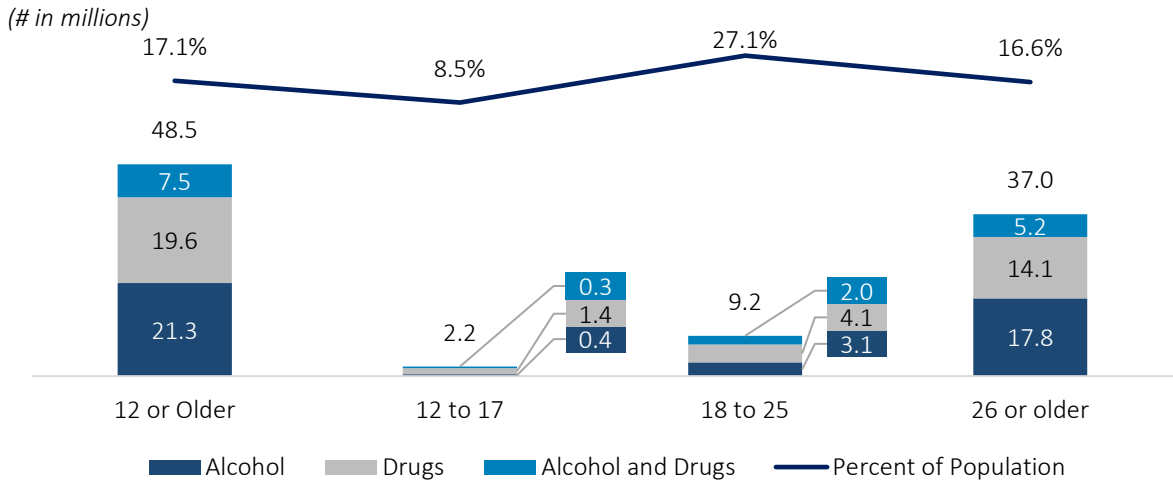
SUBSTANCE USE DISORDER OVERVIEW

Growing prevalence of substance addictions predicts exponential market growth

Commentary

- According to the National Institute of Mental Health, SUD is a treatable mental disorder that affects a person’s brain or behavior, leading to their inability to control their use of substances like legal or illegal drugs, alcohol, or medications.
 - Occurs when the recurrent use of alcohol and / or drugs causes clinically significant impairment, including health problems, disability, and failure to meet major responsibilities at work, school, or home.
- People with SUD are significantly more likely to have a broad range of psychiatric disorders, including mood, anxiety, post-traumatic stress, and personality disorders.
- Treatment includes behavioral counseling, medication / medical devices, and evaluation and treatment for co-occurring mental illness.

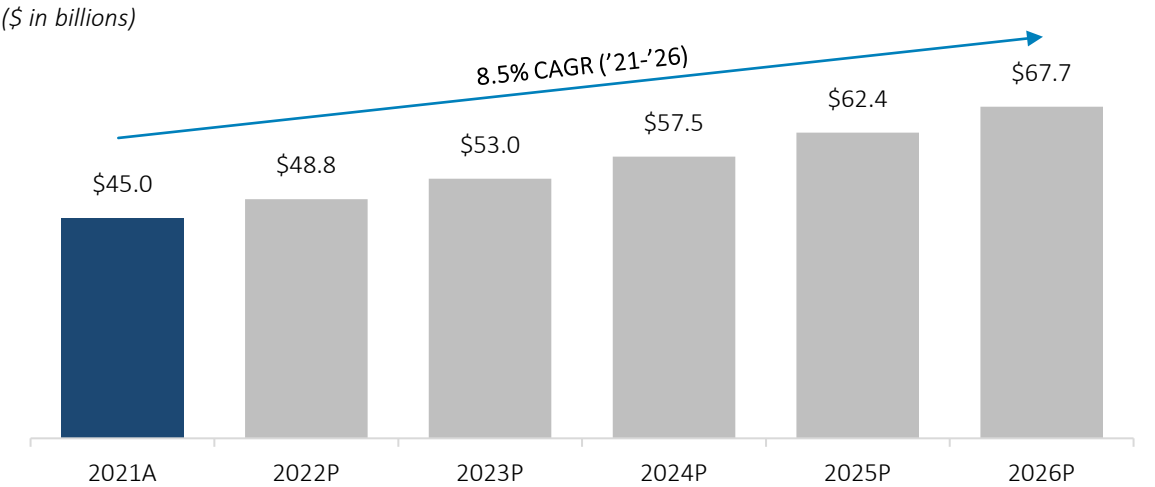
Substance Use Disorder by Age Group in 2023



Recent Industry Trends

- In 2023, 48.5 million Americans ages 12 or older were battling a substance use disorder but only 15% of them received treatment.
- Also in 2023, approximately 8.5% of the American adolescent population, or 2.2 million children between the ages of 12 and 17, had suffered from an SUD in the previous year.
- The SUD treatment industry is highly fragmented, with only a few large public players.
 - Industry operators are often smaller and operate out of 1-2 locations.
- According to the National Institute on Drug Abuse, drug abuse costs the U.S. more than \$740 million annually in healthcare expenditures, wasted productivity and crime.

U.S. Substance Use Disorder Projected Market Growth



SUBSTANCE USE DISORDER TREATMENT MODEL FOCUSED ON CONTINUITY OF CARE

Broad continuum enables providers to admit patients regardless of acuity and for longer lengths of stay

- The continuum of care refers to a treatment system where patients enter treatment at a level appropriate to their needs and then either step up to more intense treatments or step down to less intense treatments as their clinical condition warrants.
- An effective continuum of care steps patients down from the highest acuity level to the lowest as they progress through treatment.
- Moving patients through a “continuum” with the same setting, staff and peers significantly improves outcomes as data supports that longer time on service is correlated with better outcomes in SUD treatment.

Acuity Level					
High				Low	
Inpatient Hospitalization	Detox	Residential	Partial Hospitalization (PHP) / Intensive Outpatient (IOP)	Outpatient	Other (Virtual)
<ul style="list-style-type: none">• Care setting for patients in need of intensive medical oversight• Primary objectives are patient safety and stabilizing the patient• Patients are monitored and observed 24/7 by clinical staff	<ul style="list-style-type: none">• Often the first stop in a patient’s recovery journey focused on managing the physical and psychological effects of withdrawal• Detox treatment often involve controlling and alleviating withdrawal symptoms through medications	<ul style="list-style-type: none">• Longer-term level of care (20-90+ days) addressing long-standing issues through therapeutic interventions, personalized programming and peer support• While well-monitored, the residential care setting is less intensive and restrictive	<ul style="list-style-type: none">• Step-down care from residential treatment• <u>PHP</u>: Patients meet 5-7 days per week for 6+ hours while living at home or in sober housing• <u>IOP</u>: Similar to PHP, but patients meet less frequently while remaining employed or in school	<ul style="list-style-type: none">• Lowest level of care• Patients live at home• Weekly or bi-weekly individual or group therapy and/or medication management meetings	<ul style="list-style-type: none">• Additional aftercare services designed to support patients after the completion of their recovery journey, such as alumni events, virtual meetings, etc.

SUBSTANCE USE DISORDER: MARKET OBSERVATIONS

Alcohol use disorder (AUD) remains the most prevalent non-tobacco substance use disorder

Alcohol Use Disorder Overview

- AUD is an underrecognized disorder despite its economic toll and prevalence.
- Approximately 137 million people aged 12 or older are alcohol users, and roughly half, or 62 million people, are past month binge drinkers. More concerning is that ~12%, or 16 million people, are past month heavy drinkers.
- Several evidence-based treatments are available for AUD. One size does not fit all and a treatment approach that may work for one person may not work for another.
- Treatment can be outpatient (PHP/IOP) and/or inpatient (Detox/Residential) and is provided by specialty programs, therapists, and healthcare providers.

AUD-Focused Behavioral Health Treatments

- Cognitive-behavioral therapy (CBT):** Focuses on identifying and managing the thoughts, feelings, situations, behaviors and stressors that lead to heavy drinking.
- Motivational enhancement therapy:** Helps people build their own motivation for changing their drinking behavior.
- Acceptance- and mindfulness-based interventions:** Increase awareness and acceptance of present-moment experiences.
- Contingency management approaches:** Incorporate tangible rewards for achieving specific, measurable treatment goals.
- Couples and family counseling:** Focuses on promoting positive interactions and activities and improving communication skills.
- Twelve-step facilitation therapy:** Clinical intervention designed to increase a patient’s active involvement in a 12-step group such as AA.

Sources: SAMHSA, NIAAA.

Key Stats

<div>~29M</div> <div>People 12+ years or older in U.S. over the past year had AUD</div>	<div><10%</div> <div>Of people with past-year AUD receive any treatment</div>
<div>~2%</div> <div>Of the estimated 28.9M people with AUD received medically-assisted treatment</div>	<div>1 IN 6</div> <div>Overdose deaths attributed to alcohol in 2020 and 2021</div>

Evidence-Based FDA-Approved Medications for AUD

- Acamprosate:** Helps to maintain abstinence by acting on the glutamatergic neurotransmitter system to alleviate the emotional discomfort of anxiety, restlessness, dysphoria and insomnia that can occur as the brain adjusts to abstinence.
- Naltrexone:** Works by blocking the opioid receptors in the brain that are involved in the rewarding effects of drinking.
- Disulfiram:** Interferes with alcohol metabolism by blocking the enzyme aldehyde dehydrogenase, causing a buildup of acetaldehyde that leads to flushing, nausea and other unpleasant symptoms when alcohol is consumed.

These medications are vastly underused in treating AUD – In the past year, only 1.6% of adults with AUD were prescribed any of these medications.

SUBSTANCE USE DISORDER: MARKET OBSERVATIONS

Growing demand for opioid use disorder (OUD) services driven by new drugs

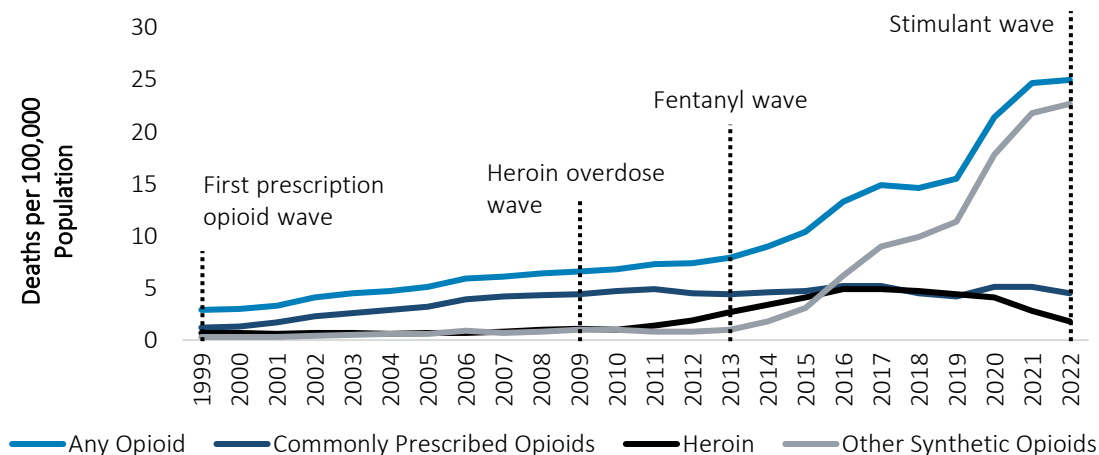
The Problem...Rising Number of Overdose Deaths in the U.S.

- Drug overdose deaths exceeded 100,000 in 2021 for the first time; a 15% increase over 2020.
- The federal government limited access to buprenorphine for over two decades, despite the precipitous rise in opioid overdose deaths.
- The Omnibus Bill signed into law by President Biden in late 2022 eliminated several barriers to prescribing buprenorphine. The Consolidated Appropriations Act of 2023 allows any healthcare provider with a standard DEA registration to prescribe buprenorphine.
- OUD is very difficult to treat with traditional abstinence-based programs. Buprenorphine and Methadone have been shown to be effective in treating the disorder, but they are two different types of treatment.

The Solution...MAT - Gold Standard of Treatment for OUD

- MAT patients with OUD and AUD are treated with FDA-approved medications: methadone, buprenorphine and naltrexone.
- MAT has been shown to significantly reduce the rate of relapse, compared to abstinence-based treatment.
- There are two types of MAT programs – Office-Based Opioid Treatment (OBOT) and Opioid Treatment Program (OTP)
 - OBOTs offer buprenorphine and naltrexone but are not legally allowed to prescribe methadone to patients.
 - OTPs offer patients all three forms of FDA-approved medications to treat OUD.
- For OUD, use of methadone or suboxone cuts overdose rates by half or more and reduces rates of HIV and hepatitis C transmission.
- Although medication is the most effective treatment for OUD, only a fraction of the people who could benefit from medication receive it.
 - In 2022, just 25% of the 9.4 million people with OUD in the U.S. received medication for opioid use disorder.

Waves of Opioid-Related Deaths



The market is trending toward outpatient treatment models that include MAT as part of a diversified care offering to address the growing percentage of opioid-related disorders and improve outcomes.

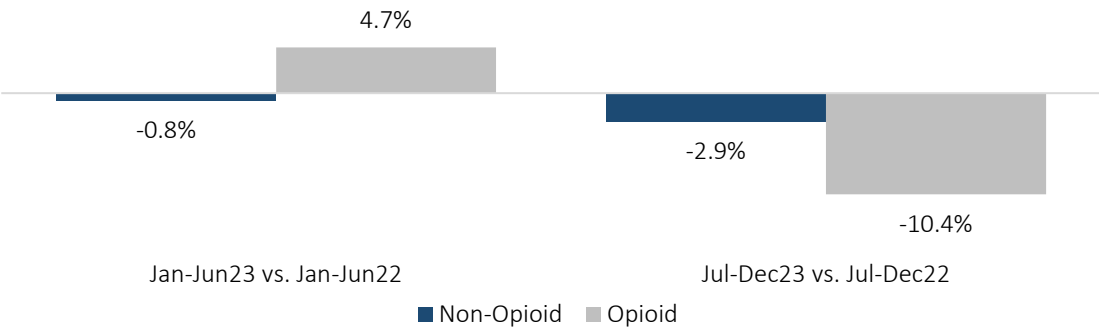
SUBSTANCE USE DISORDER: MARKET OBSERVATIONS

Outcomes are improving as awareness and government support grow

Current Opioid-Treatment Observations

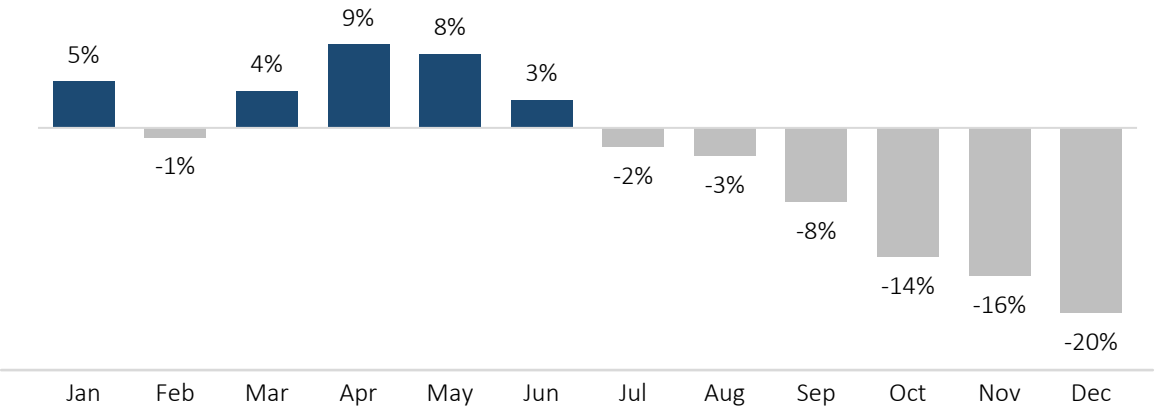
- There has been a decline in opioid deaths recently, beginning in the second half of 2023 and continuing into 2024. Deaths were 2% lower in Jul23 than in Jul22 and 20% in lower in Dec23 than in Dec22.
- While these trends are encouraging and show improvement, the opioid epidemic is far from over.
- Certain federal policies have also contributed to the recent reversal in opioid deaths:
 - Approval of naloxone, the first over-the-counter opioid overdose medication.
 - Public awareness campaigns, such as the DEA’s “One Pill Can Kill” campaign.
 - Relaxed in-person requirements for methadone and buprenorphine.
 - Increased federal support for crisis helplines.
 - Grants and funds supporting the distribution of naloxone and fentanyl test strips.

Percent Change in Overdose Deaths that Did Not Involve Opioids



Improvements in Curbing Opioid Deaths

Percent Change in Monthly Opioid Overdose Deaths in 2023 vs. 2022



Takeaways

- Expanding access to buprenorphine presents a huge opportunity to slow down the opioid crisis and limit overdose-related deaths.

The number of overdose-related deaths declined for the first time in 2023, showing that efforts to curb opioid abuse are working, albeit at a slow pace.

TRENDS IN MENTAL HEALTH DISORDERS

MENTAL HEALTH DISORDERS

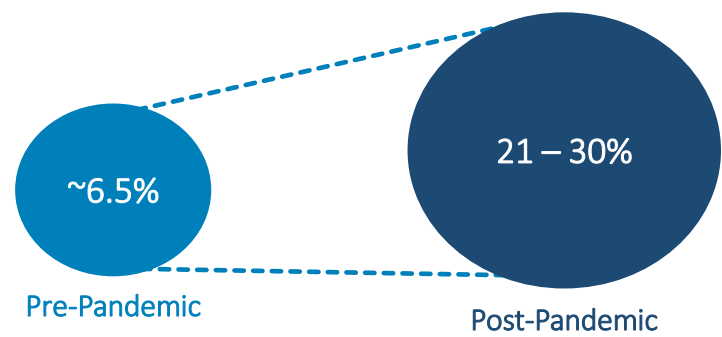
Demand for mental health services continues to grow, despite national shortage of psychiatrists

Recent Trends in Mental Health Disorders

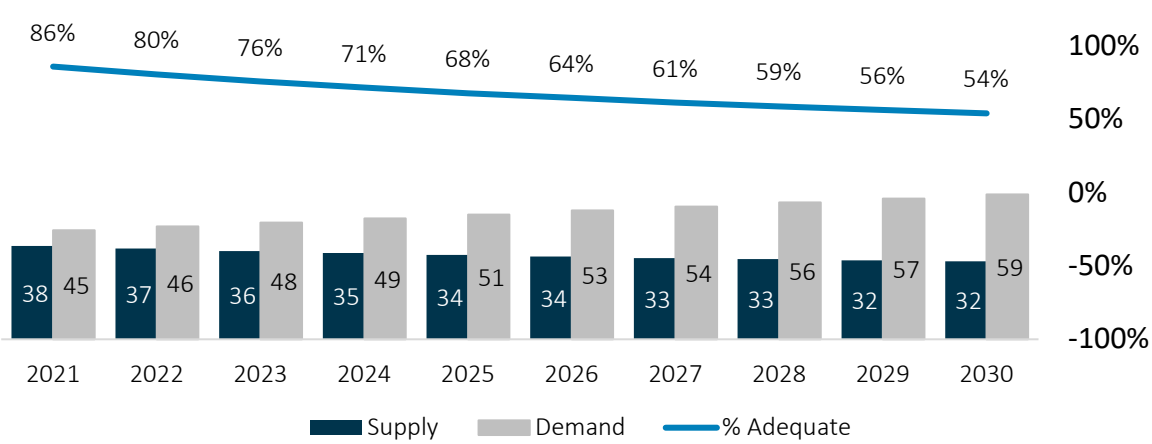
- Major depressive disorder (MDD) affects 12% of the U.S. population and more than 17 million adults, up 30% from 2005.
- In 2023, an estimated 15.3 million U.S. adults aged 18 or older (~6% of the total population) had at least one major depressive episode with severe impairment in the past year.
- An estimated 4.5 million adolescents aged 12 to 17 in the U.S. had at least one major depressive episode, representing ~18% of the population aged 12 to 17.
- Despite increased prevalence and diagnosis of MDD, only ~67% of U.S. adults aged 18 or older with major depressive episodes have received treatment in the past year.

Increasing Diagnosis Rate of Major Depressive Disorder

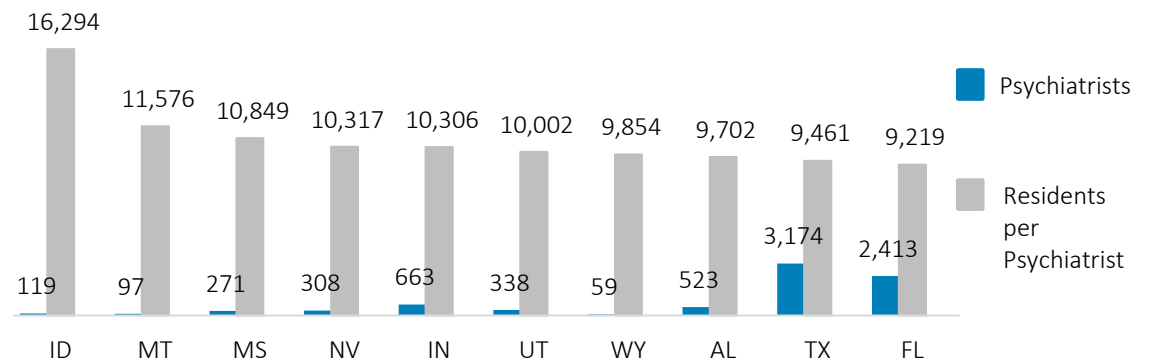
(% of U.S. population experiencing MDD)



Projected Availability of U.S. Adult Psychiatrists and % Adequacy



U.S. States with Fewest Psychiatrists per Resident (as of Jun23)



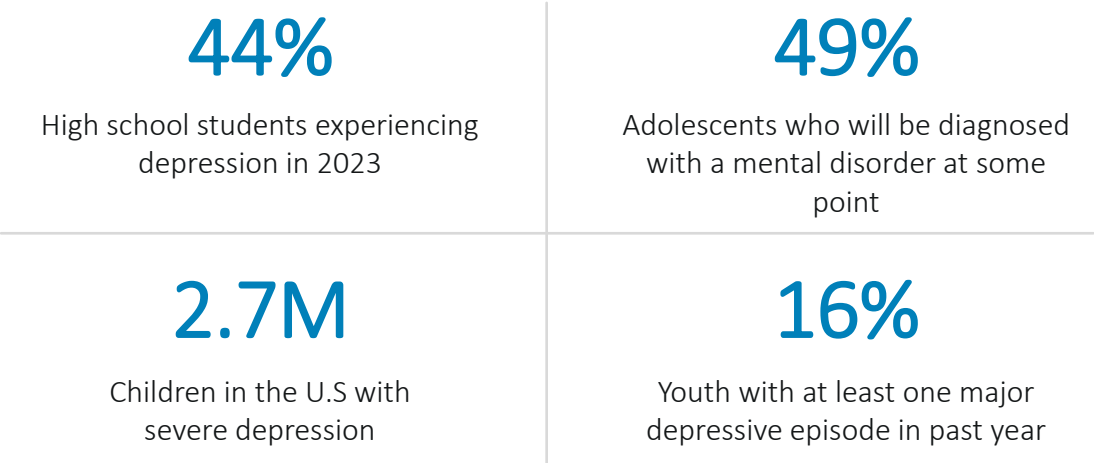
TRENDS IN ADOLESCENT MENTAL ILLNESS

Adolescents struggle with mental health now more than ever, driving demand for treatment

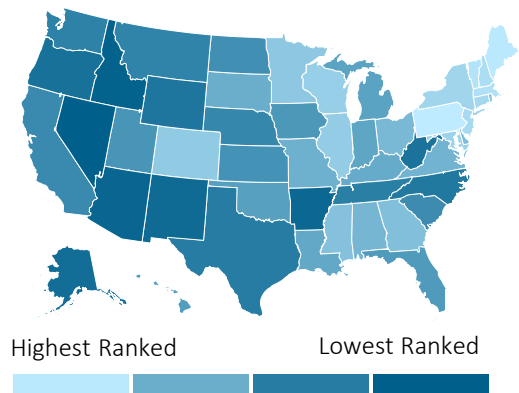
Overview of Adolescent Mental Health

- Nearly every indicator of adolescent mental health and observed behaviors has declined or deteriorated between 2013 and 2023.
- In 2018-2019, ~37% of adolescents aged 12-17 reported persistent feelings of sadness or hopelessness.
- 25% of teens have been diagnosed with a mental health condition, and 28% of teens report having received mental health treatment.
- In 2022, ~30% of adolescents ages 12 to 17, or around 7.7 million children, received mental health treatment.

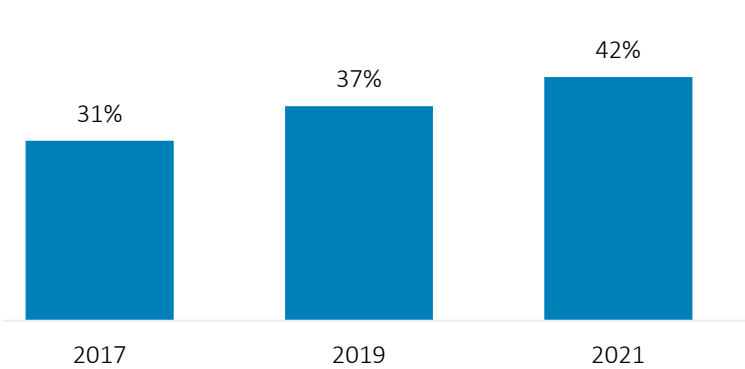
Adolescent Mental Health by the Numbers



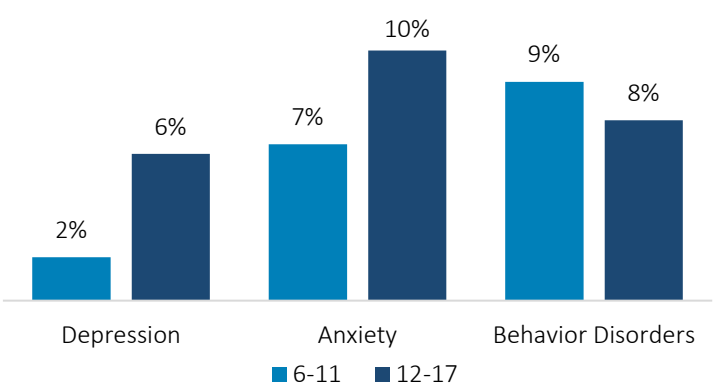
Youth Mental Health Access in 2022 by State



% of Teens w/ Persistent Sadness/Hopelessness



Depression, Anxiety and Behavior Disorders by Age



Sources: CDC, American Psychological Association, SAMHSA and National Institute on Mental Illness

INTERVENTIONAL PSYCHIATRY TRENDS

Emerging treatment models to combat treatment-resistant depression (TRD) and other serious mental illnesses - TMS

Transcranial Magnetic Stimulation Overview

- TMS is a non-invasive, FDA-approved therapy providing local electromagnetic stimulation to specific regions of the brain that regulate mood.
- Roughly half of MDD patients do not respond to drug therapy and could benefit from TMS therapy, potentially helping millions of patients who have been diagnosed with this acute mental health disorder.
- TMS is a short-term and convenient treatment involving ~26 treatment sessions administered over 4-to-6 weeks for ~30 minutes per session. Psychiatrists initiate the treatment by mapping the brain to determine the appropriate location and level of stimulation. Subsequent sessions are performed by a tech supervised by the psychiatrist.
- The TMS market was estimated to be \$1.3 billion in 2023 and is growing at a ~9% CAGR.

Payor Coverage and Eligibility for TMS Is Rapidly Expanding

6M+

Insurance-Qualified Patients in the U.S.

100%

Medicare Coverage for TMS Treatment

95%

TMS Commercial Pay Coverage for MDD and Anxious Depression in U.S.

Current and Future Treatment Applications of TMS



Safe and Effective Alternative for TRD

Treatment Class	Medications	TMS	ECT / Shock Therapy
Efficacy	49% Response 28% Remission	62% Response 42% Remission	64-79% Response 47-75% Remission
Intervention	Pharmacological	Non-Convulsive Electromagnetic Stimulation	Convulsion Electrically Induced Seizures
Non-Invasive	Yes	Yes	No
No Hospitalization / Anesthesia	Yes	Yes	No
Side Effects	Dependent on Medication	No	Memory loss, nausea, mood swings

INTERVENTIONAL PSYCHIATRY TRENDS

Ketamine has emerged as an effective mode of treatment for certain mental health conditions

Ketamine Overview

- Ketamine was first synthesized in the 1960s and characterized as a dissociated anesthetic, but it wasn't until 2019 that Ketamine's capacity to treat a variety of mental health conditions was uncovered.
- In Mar19, the FDA approved the nasal spray Spravato® (esketamine), in conjunction with an oral depressant, to treat treatment-resistant depression (TRD) in adults, and in Aug20, approved a second indication for depressive symptoms for adults with MDD.
- Spravato is fast-acting with proven durability when administered in sequential treatment sessions, allowing the patient to have both immediate and lasting symptom relief.
- Monthly U.S. prescriptions for Spravato have doubled since the beginning of 2023, and more than 100,000 patients globally have taken the drug.
- The market for Ketamine was estimated to be approximately \$1.5 billion in 2023 and projected to grow at a ~4% CAGR through 2026.

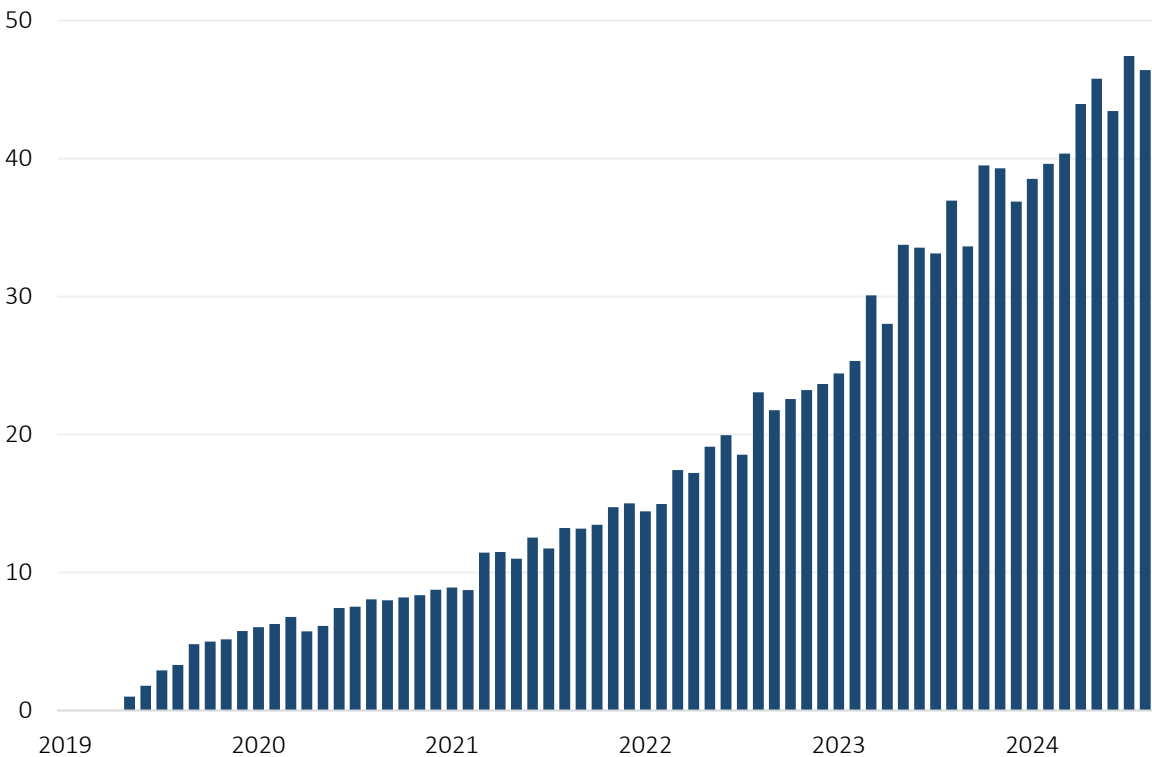
Compelling Market Trends

~2.8M Adults struggling with TRD	40% Patients whose anxiety disorders are resistant to treatment	~11.4M Adults reported having serious suicidal thoughts
42% Patients whose OCD diagnosis is resistant to treatment	30% Patients with TRD who attempt suicide at least once	33% Patients whose PTSD is resistant to treatment

Monthly U.S. Prescriptions for Spravato

(# in thousands)





More than 2,800 facilities in the U.S. offer Spravato, with sales expected to pass \$1B this year with visibility into \$5B a year.



EATING DISORDER MARKET OBSERVATIONS

The incidence of eating disorder is increasing but market headwinds persist

Recent Trends

-  **Increasing Prevalence:** Over the past decade, increased awareness around mental health and body image issues has led to a surge in eating disorder diagnoses. Social media, societal pressures and changing beauty standards are contributing to this rise.
-  **Rise in Demand:** From claims data, patient volume for eating disorders has risen 14.2% from Q1 2019 to Q4 2023. As diagnoses rise, so does the demand for specialized care, consisting of inpatient and outpatient treatment centers as well as therapists specializing in disordered eating.
-  **Shortage of Specialized Providers:** There is a shortage of professionals trained to treat eating disorders, particularly in less populated or rural areas. Lack of access to specialized care can delay diagnosis and prolong recovery times.
-  **Increasing Comorbidities with Other Mental Health Conditions:** Most individuals with eating disorders also suffer from other psychiatric conditions such as anxiety, depression, substance use disorders and obsessive-compulsive disorder, complicating treatment and increasing the need for comprehensive care models.

Market Headwinds

May 2024	Large Provider Cuts Over 100 Roles
Jan. 2024	Scaled Provider Shuttters ED Treatment Clinics
Dec. 2023	Large Healthcare Platforms Scale Back Eating Disorder Centers

Key Stats

9% Of the US population who will have an eating disorder in their life	#2 Second-Highest mortality rate among mental illnesses
\$64.7B Yearly economic cost of eating disorders in the U.S.	10k:1 Estimated people with an ED to the number of ED therapists

PROVIDER LANDSCAPE & CAPITAL MARKETS ACTIVITY

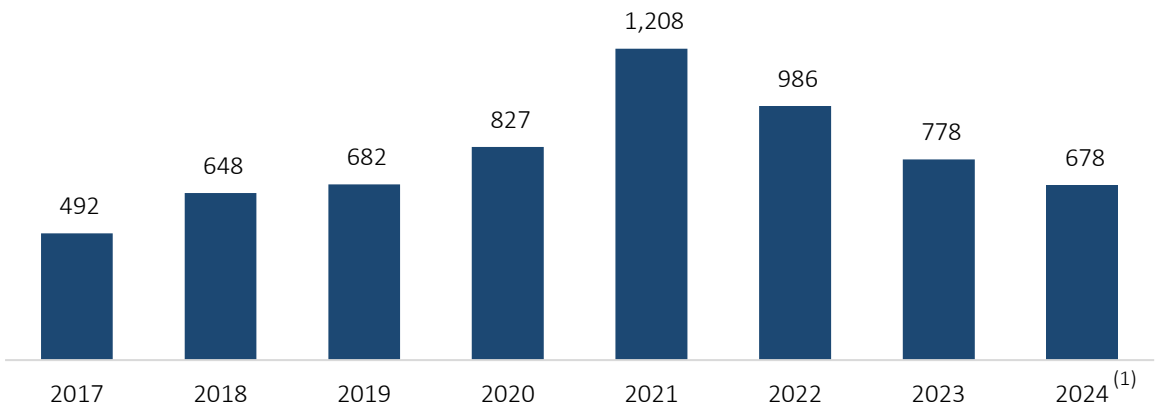
TRENDS IN BEHAVIORAL HEALTH DEAL VOLUME

Deal activity has trended with the broader healthcare M&A market

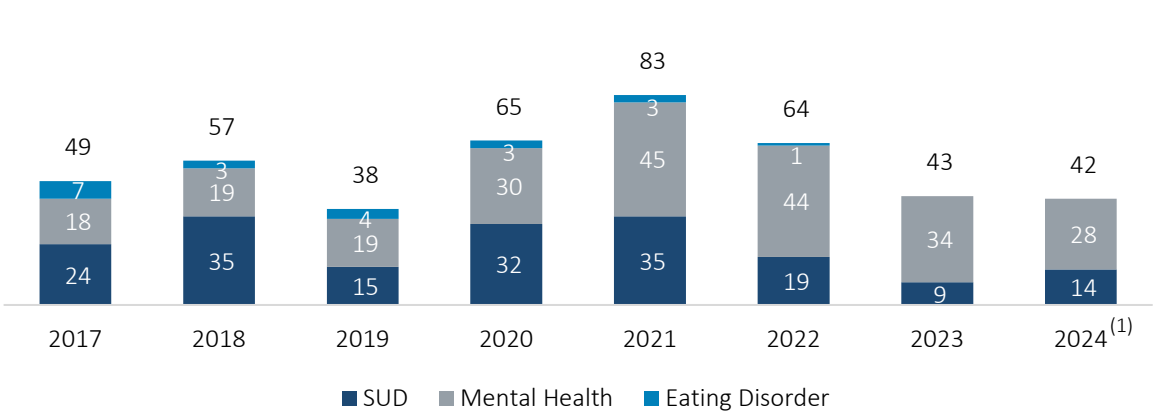
Overview

- Investors are taking a closer look at the mental health space due to the growing and largely unmet demand for care, as well as the realistic potential for achieving better patient outcomes and reduced costs through improved integration of mental health services within the healthcare system.
- An increase in payor coverage and improved reimbursement dynamics should improve historical access problems, providing tailwinds for providers and deal makers within the sector.
- “Traditional” mental health deal volume has increased over the last few years in proportion to the broader mental health segment, as highlighted in the chart on the bottom right.

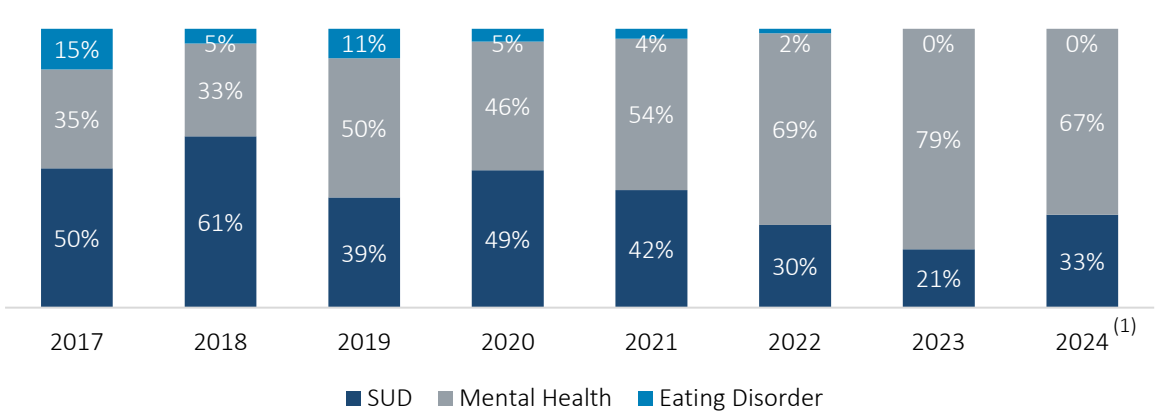
Health Care Services PE Deals



Behavioral Health PE Deal Count by Subsector



Share of Behavioral Health PE Deal Count by Subsector

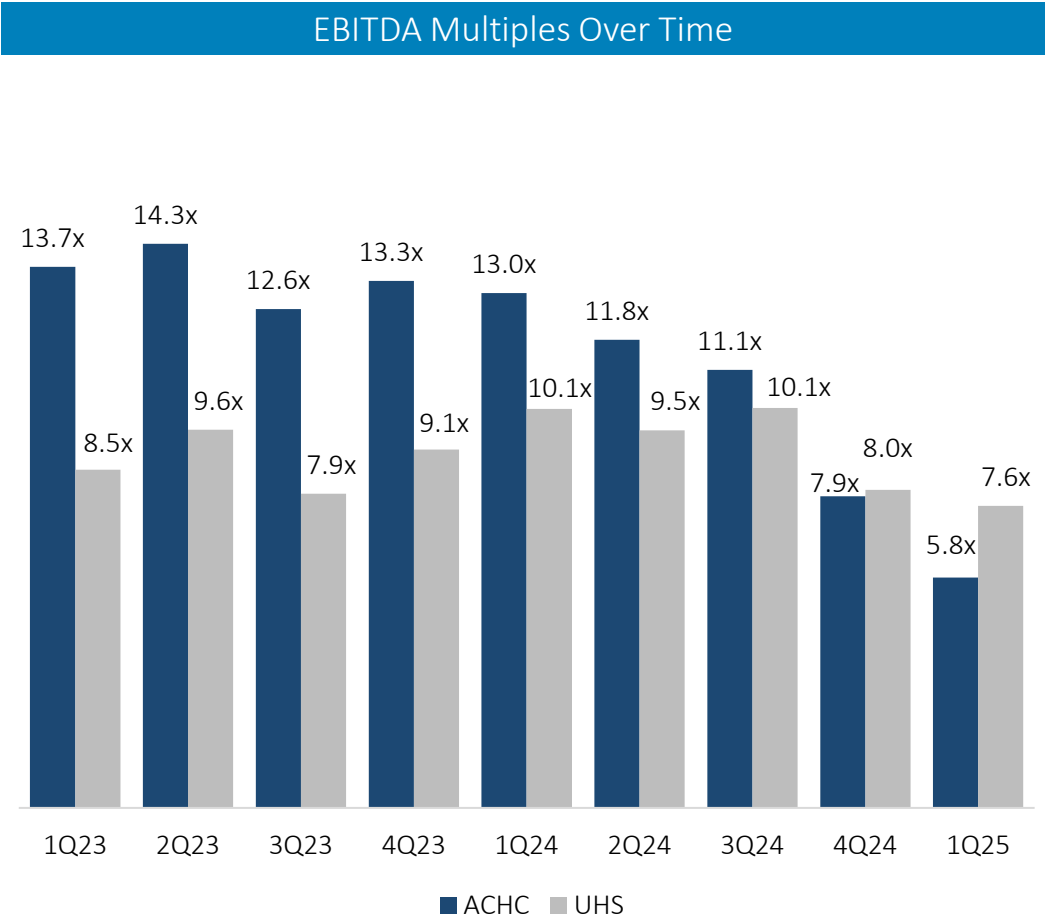


Source: Pitchbook. | (1) As of 12/31/24. Includes estimates for 2024 deal volume.

PUBLIC COMPANY PROFILES

(\$'s in thousands)

	ACADIA HEALTHCARE		LifeStance HEALTH		UHS	
3/31 Stock Price	\$30.32		\$6.66		\$187.90	
Diluted Shares	92,059		379,147		67,896	
Equity Value	\$2,791		\$2,525		\$12,578	
Total Debt	2,085		485		4,955	
(Cash)	(76)		(155)		(126)	
Net Debt	\$2,009		\$331		\$4,829	
	3.1x		5.6x		2.8x	
Enterprise Value	\$4,800		\$2,856		\$17,587	
	2024	2025E	2024	2025E	2024	2025E
Net Revenue	\$3,154	\$3,342	\$1,251	\$1,416	\$15,828	\$17,156
% Change	7.7%	6.0%	18.5%	13.2%	10.8%	8.4%
Adjusted EBITDA	\$672	\$699	\$120	\$137	\$2,246	\$2,423
% Revenue	21.3%	20.9%	9.6%	9.6%	14.2%	14.1%
% Change	4.1%	4.0%	102.8%	14.1%	28.9%	7.9%
EV / Net Revenue	1.5x	1.4x	2.3x	2.0x	1.1x	1.0x
EV / Adj. EBITDA	7.1x	6.9x	23.8x	20.9x	7.8x	7.3x



SELECT BEHAVIORAL HEALTH TRANSACTIONS

Scaled and higher growth platforms achieved premium multiples



MARKET PARTICIPANTS

[illegible]

MARKET PARTICIPANTS

Substance Use Disorder



MARKET PARTICIPANTS

Mental Health



MARKET PARTICIPANTS

Mental Health (Cont.) and Other Segments

Mental Health (Cont.)	Alkermes	Amgen	Pharmaceuticals	AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
Other Segments	Amgen	Amgen	Pharmaceuticals	AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis
	Amgen	Amgen		AbbVie	Novartis