

M&A in the UK mental health market

US strategic trade buyers have become significant players in the UK specialist care market

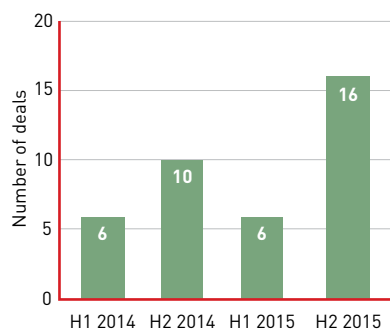
- Acadia Healthcare acquired Partnerships in Care (PIC) from private equity firm Cinven for £394m in June 2014.
- Universal Health Services (UHS) acquired mental health and private addiction treatment services provider Cygnet Health Care for £205m in September 2014.
- Since then, these listed US corporates have made bolt-on acquisitions including Care UK's mental health division and the Manor Clinic by PIC/Acadia, and Alpha Hospitals by Cygnet/UHS.
- In January 2016, Acadia announced the acquisition of Priory Group (~7,200 beds), the largest mental health provider in the UK, from private equity firm Advent International for £1.5bn. This is Acadia's largest ever acquisition.
- Large UK corporates such as Priory Group and Cambian are acquisitive, adding specialist capabilities and expanding services.
- Financial investors are active: Duke Street, Partners Group and Tikehau Capital acquired Voyage Care for £375m; G Square acquired Tracscare (which subsequently bought Brookdale Healthcare); and Archimed acquired Rehabworks.
- There is a significant consolidation opportunity. The provision of private providers is highly fragmented with the largest four players having a ~60% market share.
- Lack of capacity means that private providers will have a role to play in implementing the Five Year Forward View for mental health. Innovative digital healthcare providers will also have an opportunity to play a major role in the prevention and treatment of mental health issues.



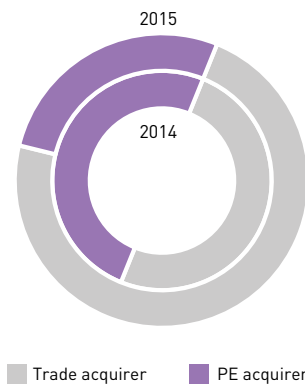
"The emergence of US trade buyers has energised the exit environment for owner managers and investors. We expect further consolidation over the next few years."

Justin Crowther
Partner, Head of Healthcare
Catalyst Corporate Finance

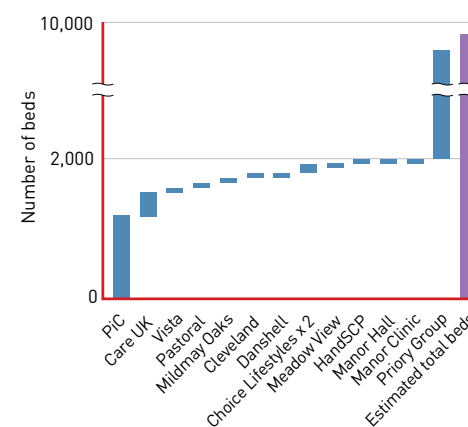
Deal volumes increase by 38% in 2015



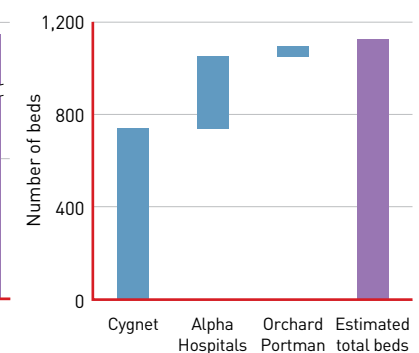
Trade acquirers dominate 2015 deals



Acadia/Partnerships in Care acquisitions



Universal Health Services /Cygnet acquisitions



Source: MarketIQ, Company announcements

Smart advice

Catalyst advises business owners and management teams on:

- Company sales
- Management buy-outs and buy-ins
- Company acquisitions
- Raising private equity capital
- Raising and refinancing debt capital

Sector coverage

We have in-depth knowledge of the sectors our clients operate in:

- International sector teams understand industry trends and issues
- Cross-border relationships with strategic acquirers and capital providers
- Regular primary research output

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- Local insight into M&A culture and likely tactics
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