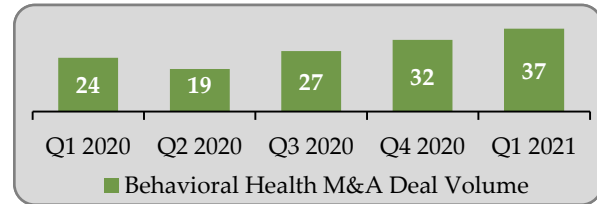


Q1 2021 Behavioral Health Market Update



Market Commentary

- Momentum in the behavioral health market from the second half of 2020 carried forward strongly into the first quarter of 2021, which saw a total of 37 M&A transactions representing a 54 percent increase over the first quarter of 2020.
- 2021 is on pace to see record deal flow as demand for behavioral health services soars, driving investment in the space from both financial and strategic investors. According to McKinsey & Company⁽¹⁾, COVID-19 could increase the prevalence of behavioral health conditions by 50 percent, resulting in an estimated \$100 - \$140 billion of additional spending in the first 12 months post COVID-19.
- Private equity continues to be the driving force behind a large majority of the activity as these groups are well-capitalized and interest rates remain low. Private equity groups were involved in approximately 70 percent of transactions this quarter.
- Seller valuations remain robust and continue to strengthen, especially for in-demand practices such as autism service providers, opioid addiction treatment facilities, and outpatient mental health clinics, which continue to see strong M&A activity.



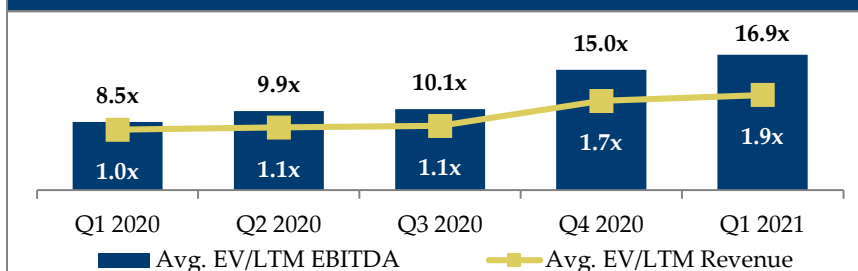
Select Q1 2021 Behavioral Health Transactions

Date	Acquirer	Target	Specialty
03/29/21	Northlane Capital Partners	Empower Community Care	Mental Health
03/26/21	BayMark Health	Montgomery Addiction Clinic	Addiction Treatment
03/22/21	Acorn Health	Sandcastle Centers, LLC	I/DD
03/17/21	Footprints to Recovery	South Coast Behavioral Health	Addiction Treatment
03/15/21	BayMark Health	Partners in Drug Abuse Rehabilitation Counseling	Addiction Treatment
02/22/21	The MENTOR Network	D&S Community Services	I/DD
02/17/21	Health Partners New England	Providence Behavioral Health Hospital	Mental Health
02/17/21	BayMark Health	Redemption Recovery Center	Addiction Treatment
01/26/21	Centra Capital	CM Counsel	Mental Health
01/20/21	Health Enterprise Partners	Aware Recovery Care	Addiction Treatment
01/19/21	Broadstep Behavioral Health	Excalibur Youth Services LLC	I/DD
01/11/21	Summit Behavioral Healthcare	The Pavilion/The Farley Center	Addiction Treatment
01/06/21	BrightView, LLC	Renew Recovery LLC	Addiction Treatment
01/04/21	Centene Corp (NYSE: CNC)	Magellan Health (NASDAQ: MGLN)	Mental Health

Select Publicly Traded Behavioral Health Companies²

Company	Ticker	Market Cap.	Revenue	EBITDA	EV/Rev.	EV/EBITDA
Universal Health Services, Inc.	UHS	\$11,697	\$11,559	\$1,870	1.3x	7.9x
Acadia Healthcare Company, Inc.	ACHC	5,266	2,090	428	3.9x	19.2x
Magellan Health, Inc.	MGLN	2,450	4,578	85	0.4x	23.8x

Historic Mean Valuation Multiples



Max	3.9x	23.8x
Median	1.5x	16.5x
Mean	1.8x	16.2x
Min	0.4x	7.9x



Sherman & Company Contact

Josh Mason - SVP, Head of Healthcare
(704) 943-2668 | jmason@sherman-company.com

Sherman & Company is an investment banking firm dedicated to the convergence of the insurance, healthcare, technology, and asset management industries.