

MERTZ TAGGART

HEALTHCARE MERGERS & ACQUISITIONS

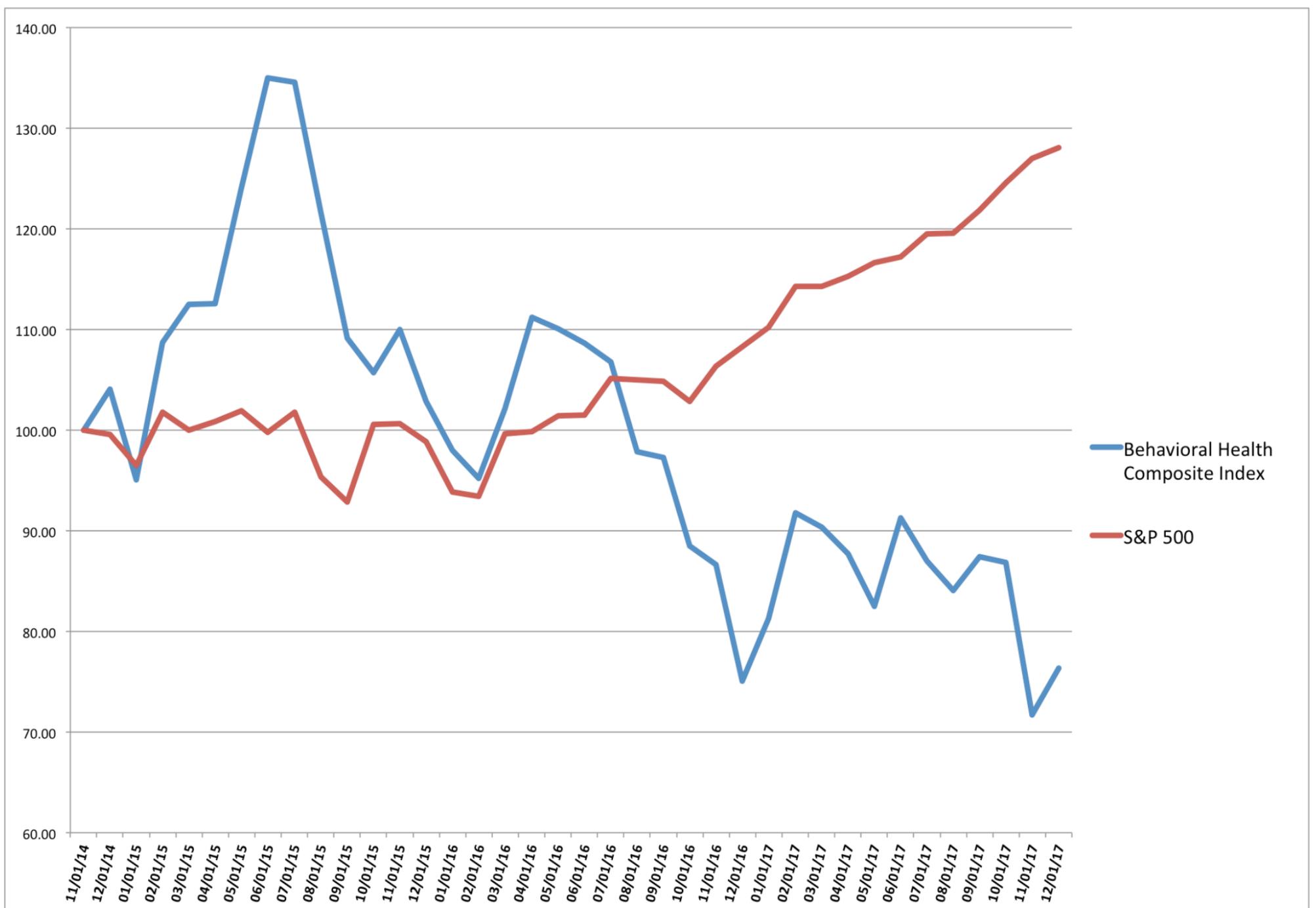
What a Wild Ride It's Been....

It's been quite an interesting ride for the composite since American Addiction Centers (AAC) went public in 2014. Strong initial investor interest on the heels of AAC's initial public offering, overseas acquisitions, out-of-network clamp-down, drug screening scrutiny and reimbursement contraction, and a murder charge (which has since been dropped).

More recently, shares of Acadia (ACHC) fell nearly 20% in one day (October 25), the day after their Q3 earnings announcement disappointed investors. The company's UK operations contributed most significantly to its miss, with lower than anticipated patient census and a tight labor market in the UK. ACHC's shares remained relatively flat through November.

In November, all three companies got a boost, led by a positive earnings announcement from American Addiction Centers (November 1) and Universal Health Services' (UHS) heavier trading volume after it bottomed out on November 15.

Mertz Taggart Behavioral Health Composite



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Multiples of EBITDA and Revenue

Below are the Enterprise Value (think price) to EBITDA and Revenue ratios for the three public companies. It is interesting to note that, historically, the public companies have been the ultimate consolidators. Small companies sell to private equity (or other financial buyers), who eventually sell to either other financial buyers or, ultimately, the public companies.

Since public companies' stocks are considered liquid assets - you can buy and sell them immediately with a mouse click - and their revenue sources are spread across both the behavioral spectrum and the globe, they are typically considered safer, or less risky. Risk is the main driver of a multiple....the lower the risk of the investment, the higher the corresponding multiple.

Given these facts, it is important to monitor the multiples of these companies, as they will ultimately affect "downstream" multiples, in other words, the multiples that privately held companies will be able to command.

As of December 1, 2017 ⁽¹⁾

	Stock Price	Enterprise Value/EBITDA	Enterprise Value/Revenue
AAC	9.12	13.91	1.31
ACHC	32.14	10.59	2.15
UHS	108.72	8.38	1.42

1 - Data provided by Yahoo Finance

M&A News

November 15, 2017 - Nashville-based Centerstone has signed a letter of intent to merge with Uspiritus of Louisville. Uspiritus, a residential services provider for youth, will assume the Centerstone name. Centerstone bills itself as one of the nation's largest nonprofit providers of behavioral healthcare, with operations in Kentucky, Tennessee, Florida, Illinois and Indiana. The transaction is expected to close in spring 2018.

November 30, 2017 - Baird Capital invests in Hopebridge. Hopebridge is a rapidly growing autism therapy business which provides Applied Behavior Analysis (ABA), occupational therapy, physical therapy and speech therapy to children on the autism spectrum, with locations in Indiana, Kentucky and Ohio.