



KPMG Corporate Finance LLC

ABA Therapy M&A

February 2020

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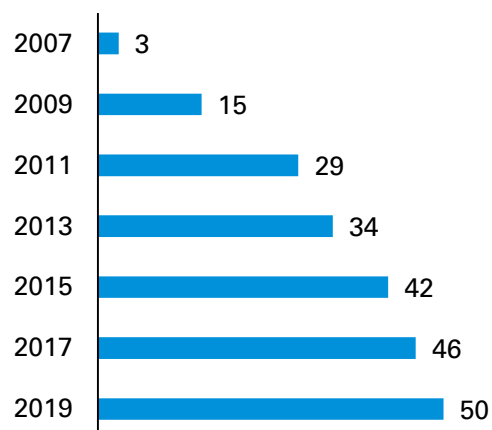


U.S. ABA Therapy market overview

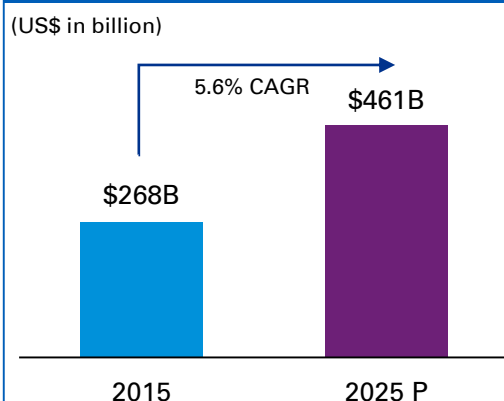
Increased incidence of autism spectrum disorder and favorable legislative reforms present major growth opportunities for the autism services market in the U.S.

- Autism spectrum disorder (“ASD”) refers to a range of conditions characterized by challenges with social skills, repetitive behaviors, speech and nonverbal communication.
- The autism services market is estimated to generate approximately \$5 – \$7 billion in revenue annually.⁽¹⁾
- The rising prevalence of ASD can largely be attributed to improvements in monitoring, screening, and diagnosis of the condition.
- The total annual direct medical, direct non-medical and productivity costs combined for treating ASD was estimated to be approximately \$268 billion for 2015.⁽²⁾
 - In the absence of more-effective interventions and lifelong support for those with ASD, the cost is estimated to rise to \$461 billion by 2025.⁽²⁾
 - On average, it costs around \$60,000 a year to care for someone with autism.⁽²⁾
- As of October 2019, all 50 states have taken action to require meaningful coverage for the treatment of autism in state-regulated health plans.⁽³⁾
 - Rising awareness about the benefits of early intervention and intensive therapy has spurred the expansion of insurance coverage.
- Owing to the rising number of children diagnosed with disabilities, strong federal funding levels, mandatory coverage private insurers, demand for the providers of the services is expected to remain high.

States with ABA insurance reform⁽³⁾

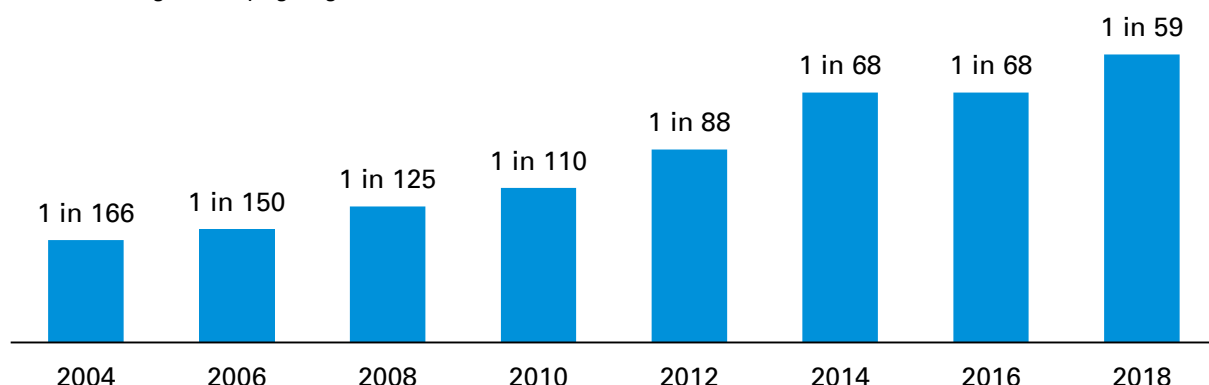


Economic burden of ASD in the U.S.⁽²⁾



Prevalence of children diagnosed with autism⁽⁴⁾

(U.S. children diagnosed by age eight)



Sources:

⁽¹⁾ Forbes Investor Overview: Autism Services (December 2018)

⁽²⁾ Autism and Health: A special report by Autism Speaks (2017)

⁽³⁾ Autism Speaks: State Regulated Health Benefit Plans

⁽⁴⁾ Center for Disease Control and Prevention

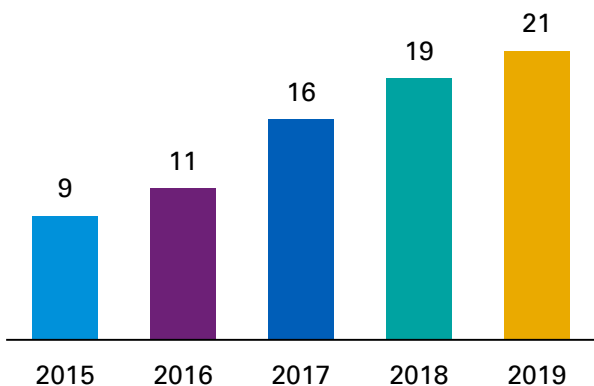
U.S. ABA Therapy M&A activity overview

Autism services continues to experience economic tailwinds driving significant consolidation activity.

- The autism spectrum disorder treatment market in the U.S. is highly fragmented, and is primarily served by small, independent school-based and community-based players with local or regional presence.
 - The ABA market in the U.S. is serviced by approximately 30,000 board certified behavior analysts and it is estimated the workforce would need to be doubled to meet current ASD service needs.⁽¹⁾
- The favorable reimbursement environment, increased incidence levels, and heavy fragmentation within the sector, are primary factors driving investment within the sector.
- Going forward, a healthy amount of M&A activity is expected to continue within the sector as smaller independent programs continue to be acquired by larger well capitalized market consolidators.
 - Consolidation is expected to be driven by private equity groups not yet invested in the space, PE-backed consolidators, and general behavioral health consolidators with autism service offerings.

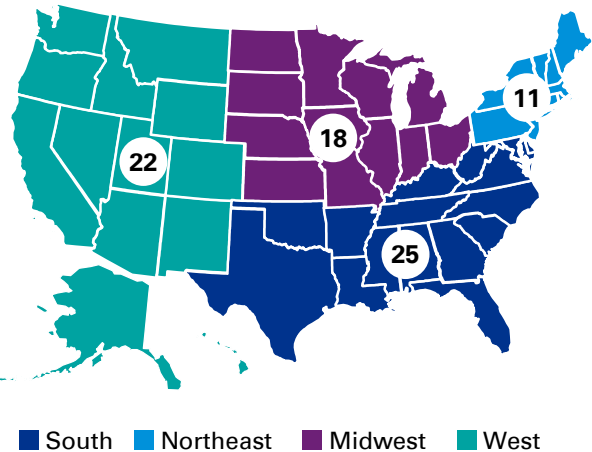
ABA therapy M&A activity⁽²⁾

Deal activity since 2015



Sources:
⁽¹⁾ Butterfly Effects (2019)
⁽²⁾ Capital IQ, Company websites, Press releases

Deal activity by geography since 2015



Key factors driving consolidation activity in the sector



Highly fragmented market

The market is highly fragmented with most enterprises operating on a local or regional basis, thus creating an environment ripe for consolidation.



Favourable macro trends

The rising demand for services from increasing prevalence of ASD and other developmental disorders presents significant opportunity for growth.



Multiple growth strategies

Size advantages help investors better negotiate rates with payors, recruit additional providers, and build a strong brand presence.



Favourable regulatory environment

Expanded commercial coverage for autism services across states and ongoing reforms make the sector attractive to investors.

Selected precedent ABA Therapy M&A transactions (1/3)

Closed Date	Target Name	Target Location	Acquirer Name
Dec-19	Comprehensive Autism Center	CA	The Speech Pathology Group (Ridgemont Equity Partners)
Dec-19	Behavior Therapy Specialists of Illinois & Missouri	IL	Acorn Health (MBF Healthcare)
Dec-19	Center for Social Dynamics	CA	New MainStream Capital
Oct-19	Capitol Autism Services	CA	Kadient (TPG Capital)
Sep-19	Alpine Academy and Interventions	FL	Family Treatment Network (Pharos Capital Group)
Sep-19	Invo HealthCare Associates	PA	Golden Gate Capital
Sep-19	New England ABA	MA	The Stepping Stones Group (Five Arrows Capital Partners)
Aug-19	Easy Speech Pathology	CA	Carroll Capital
Aug-19	RHA Health Services	NC	Blue Wolf Capital Partners
Aug-19	Northpointe Resources	IL	Aspire Of Illinois
Jul-19	Thrive Autism Solutions	MO	Blue Sprig Pediatrics (KKR)
Jun-19	Mobile Arc	AL	AltaPointe Health Systems
May-19	Hopebridge	IN	Arsenal Capital Partners
Apr-19	Assets of West Texas Autism Center	TX	Blue Sprig Pediatrics (KKR)
Apr-19	Kids Overcoming	CA	Kadient (TPG Capital)
Mar-19	Tangible Difference Learning Center	TX	Blue Sprig Pediatrics (KKR)
Mar-19	LEARN IT SYSTEMS	MD	Gryphon Investors
Mar-19	The Speech Pathology Group	CA	Ridgemont Equity Partners
Mar-19	Proud Moments Licensed Behavior Analysts	NY	Audax Management Company
Mar-19	Civitas Solutions	MA	Centerbridge Partners
Jan-19	Owakihi	MN	Beacon Specialized Living (Pharos Capital Group)
Dec-18	Applied Behavioral Associates	MA	Centria Healthcare (Lorient Capital / Martis Capital)
Nov-18	ABA of North Texas	TX	The Family Treatment Network (Pharos Capital)
Oct-18	IDD Business of Home Health Connection	OH	Caregiver
Oct-18	Action Behavior Centers	TX	NexPhase Capital

Sources: Capital IQ, Company websites, Press releases.

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Selected precedent ABA Therapy M&A transactions (2/3)

Closed Date	Target Name	Target Location	Acquirer Name
Oct-18	Total Spectrum	IL	LEARN IT SYSTEMS (LLR Partners)
Oct-18	Wisconsin Early Autism Project	WI	Autism Spectrum Therapies (Gryphon Investors)
Oct-18	The Shape of Behavior	TX	Blue Sprig Pediatrics (KKR)
Oct-18	Autism Centers of Michigan	MI	Acorn Health (MBF Healthcare)
Oct-18	Xcite Steps	CA	Invo HealthCare Associates (The Wicks Group)
Sep-18	Passport to Adaptive Living	CA	360 Behavioral Health (DW Healthcare Partners)
Sep-18	Opportunities Unlimited of Niagara	NY	The ReHабilitation Center
Aug-18	Caravel Autism Health	IL	Frazier Healthcare Partners
Jul-18	The Bridge of Central Massachusetts	MA	Alternatives Unlimited
Jul-18	Creative Connections	CA	Civitas Solutions (Centerbridge Partners)
May-18	Center For Autism And Related Disorders	CA	The Blackstone Group
May-18	Behavior Development Group	FL	Webster Capital
Mar-18	The S.P.A.R.K.S. Group	MD	LEARN IT SYSTEMS (LLR Partners)
Jan-18	Behavior Care Specialists	SD	The Family Treatment Network (Pharos Capital)
Jan-18	Blue Sprig Pediatrics, Inc.	TX	KKR & Co.
Dec-17	Autism Learning Partners	CA	FFL Partners
Nov-17	Hopebridge	IN	Baird Capital
Oct-17	Autism Home Support Services	IL	Invo HealthCare Associates (The Wicks Group)
Sep-17	Habilitative Services	MN	Civitas Solutions (Centerbridge Partners)
Sep-17	Aspire Autism	CO	Autism Learning Partners (FFL Partners)
Sep-17	Alternative Behavior Strategies	UT	Petra Capital Partners; MMC Health Services
Sep-17	Sequel Youth and Family Services	AL	Altamont Capital Management
Aug-17	Commonwealth Case Management	KY	The Columbus Organization (Health Edge Investment)
Aug-17	Special Care Agency	WA	The SAILS Group
Jul-17	Autism Family Center	IL	Autism Spectrum Therapies (Gryphon Investors)

Sources: Capital IQ, Company websites, Press releases.

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Selected precedent ABA Therapy M&A transactions (3/3)


























Closed Date	Target Name	Target Location	Acquirer Name
Jun-17	Embracing Autism	OH	Dungarvin Ohio
Jun-17	Behavioral Innovations	TX	Shore Capital Partners
Jun-17	JLH Enterprises	WI	Civitas Solutions (Centerbridge Partners)
Mar-17	Epic Health Services	TX	Bain Capital Private Equity
Mar-17	Trumpet Behavioral Health	CO	WindRose Health Investors; MTS Health Investors
Jan-17	Loma Linda Management Company	CA	Civitas Solutions (Centerbridge Partners)
Dec-16	Invo HealthCare Associates	PA	The Wicks Group of Companies
Dec-16	Proof Positive ABA Therapies	CA	Autism Learning Partners (FFL Partners)
Nov-16	Pride In North Carolina	NC	Seaside Healthcare (Pharos Capital Group)
Jun-16	Autism Behavioral Consulting	WA	CARD Capital (The Blackstone Group)
Jun-16	ACI Support Specialists	NC	Dungarvin
May-16	Juvobh	CA	Platinum Health Care
May-16	Beacon Specialized Living Services	MI	Pharos Capital Group
May-16	LEARN IT SYSTEMS	MD	LLR Partners
May-16	Rehabilitation Associates	VA	Epic Health Services
Feb-16	Patterns Behavioral Services	CA	The SAILS Group
Jan-16	D&S Residential Services	TX	Comvest Partners
Nov-15	AdvoServ	DE	Wellspring Capital Management
Nov-15	RHA Health Services	NC	Formation Capital; Safanad Limited
Sep-15	Sage Care Therapy Services	TX	ChanceLight Behavioral Health and Education
Aug-15	Autism Treatment Solutions	CA	Butterfly Effects (Moran Capital Partners)
Aug-15	Florida Autism Center	FL	Shore Capital Partners
Jul-15	Futures Behavior Therapy Center	MA	South Bay Mental Health Center (H.I.G. Growth)
Jun-15	Community Integration	PA	UPMC Hamot
Apr-15	The Gateway Center Las Vegas	NV	CARD Capital (The Blackstone Group)
Mar-15	Clarity Service Group	PA	Epic Health Services

Sources: Capital IQ, Company websites, Press releases.

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Select recent KPMG Corporate Finance LLC transactions

 <p>Project Lion</p> <p><i>A gastroenterology physician practice</i></p> <p>Ongoing</p>	 <p>Project Spring</p> <p><i>A gastroenterology physician practice</i></p> <p>Ongoing</p>	 <p>Project Wave</p> <p><i>An anesthesia physician group</i></p> <p>Ongoing</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>	 <p><i>Deer Meadows</i> <small>Retirement Community</small></p> <p><i>Has been acquired by</i></p>  <p>Closed</p>
  <p><i>Has been acquired by</i></p>  <p><i>A portfolio company of</i></p>   <p>Closed</p>	  <p><i>Has been recapitalized by</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>	  <p><i>Has received growth investment from</i></p>  <p>Closed</p>	  <p><i>Has been acquired by</i></p>  <p>Closed</p>

Select recent KPMG LLP Deal Advisory credentials

 <p>Compassion-First Pet hospitals (Quad – C) KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its sale to JAB</i></p> <p>Closed</p>	 <p>Heartland Dental (Ontario Teachers Pension Plan Board) KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its sale to KKR</i></p> <p>Closed</p>	 <p>DentalCorp KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its sale to L Catterton</i></p> <p>Closed</p>	 <p>Private equity client KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its potential sale of women's health mammography company</i></p> <p>Closed</p>	 <p>Audax Private Equity – Advanced Dermatology KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on Advanced Dermatology's sale to Harvest Partners</i></p> <p>Closed</p>
 <p>Great Point Partners- Professional PT KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on sale of Professional PT to Thomas H. Lee Partners</i></p> <p>Closed</p>	 <p>Center for Diagnostic Imaging KPMG Deal Advisory</p> <p><i>Financial due diligence assistance on sale to Wellspring Capital</i></p> <p>Closed</p>	 <p>Forefront Dermatology (Varsity Healthcare Partners) KPMG Deal Advisory</p> <p><i>Sell-side financial due diligence assistance on its sale to Ontario Municipal Employees Retirement System(OMERS)</i></p> <p>Closed</p>	 <p>ATI Physical Therapy (KRG Capital Partners) KPMG Deal Advisory</p> <p><i>Financial pre-sale due diligence assistance on sale of ATI with over 500 clinic locations to Advent International</i></p> <p>Closed</p>	 <p>EyeCare Services Partners (Varsity Healthcare Partners) KPMG Deal Advisory</p> <p><i>Provided financial due diligence assistance on its sale to Harvest Partners</i></p> <p>Closed</p>

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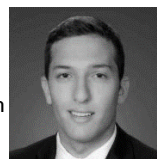
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2015-2019 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	2,462
2.	PwC	2,200
3.	Deloitte	1,631
4.	Rothschild & Co.	1,513
5.	Ernst & Young LLP	1,403
6.	Houlihan Lokey	1,275
7.	BDO	1,029
8.	IMAP	957
9.	Lazard	935
10.	Industrial & Comm. Bank China	916

2010-2019 global advisor ranking ⁽¹⁾		# of Deals
1.	KPMG*	4,321
2.	PwC	4,135
3.	Deloitte	2,827
4.	Ernst & Young LLP	2,654
5.	Rothschild & Co.	2,552
6.	Houlihan Lokey	2,347
7.	BDO	1,883
8.	Lazard	1,859
9.	Goldman Sachs & Co	1,813
10.	Morgan Stanley	1,685

Global coverage. Industry knowledge. Middle-Market focus.

The global Corporate Finance practices of KPMG International's network of independent member firms was ranked #1 as the top M&A middle-market adviser globally by Refinitiv based on number of completed transactions, for 2010 to 2019.

KPMG Corporate Finance LLC was recently named Transaction Advisory Firm of the Year by The Global M&A Network, and previously named investment Bank of the Year by the M&A Advisor. KPMG Corporate Finance LLC provides a broad range of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge to advise clients on global mergers and acquisitions, sales and divestitures, buyouts, financings, debt restructurings, equity recapitalizations, infrastructure project finance, capital advisory, portfolio solutions, fairness opinions, and other advisory needs.

Note:

⁽¹⁾ League tables include completed deals which have value between \$0 million to \$500 million and also where deal value is not disclosed, as of January 2, 2020.

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