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.

**Deal volumes increase by 38% in 2015**

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<th>H1 2014</th>
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<td>6</td>
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**Trade acquirers dominate 2015 deals**

- **Acadia/Partnerships in Care acquisitions**
- **Universal Health Services / Cygnet acquisitions**

**Number of beds**

- **Cygnet**
- **Alpha Hospitals**
- **Orchard Portman**
- **Estimated total beds**

**Source:** MarketIQ, Company announcements

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"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
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