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Private Equity's Emerging Interest in Autism Therapy Companies

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MHT Partners | Healthcare Investment Bank

Private equity investment in adolescent behavioral therapy has skyrocketed in recent years. Both investors with a track record for partnering with healthcare companies, as well as generalist funds, have come up to speed quickly with an interest in adolescent behavioral care. Numerous attributes of adolescent behavioral health companies align with private equity's interests and experience, and recent M&A in the space suggests that market opportunities exist for the first-movers that can build large platforms for providing care nationwide.

Investors have been most active in autism therapy and applied behavioral analysis ("ABA"). ABA therapy is a differentiated approach to early-intervention autism treatment that in recent years has been widely recognized as one of the most effective avenues to generating meaningful and positive behavioral change. ABA therapy is administered by Board Certified Behavioral Analysts ("BCBAs"), ensuring that the administration and education of caregivers is governed by consistent standards.


Financial sponsors have accelerated the pace of investment in autism therapy due to a number of converging factors:

- *Private equity's access to financial capital enables consolidation of the fragmented industry as it exists today.* Many autism therapy companies are small, employing fewer than a dozen BCBAs in many cases. Investors looking to acquire, or "roll up," a number of small practices stand to benefit from significant increases in efficiencies that accompany greater scale, as well as lower costs. Additionally, potential operational improvements abound in smaller companies, and experienced industry experts that often partner with private equity funds are standing at the ready to help the funds' portfolios improve operations.
- *Private equity investors have tracked reimbursement trends that, state-by-state, have refined the approach to reimbursing providers for therapy services in favorable ways.*
- *There is an enormous market, as well as an unmet need, for autism treatment in the U.S.* MHT Partners estimates that approximately 1.1 million children in the country experience an autism spectrum disorder, and over \$16.5 billion dollars in direct costs of treatment are required annually. The vast impact of autism in the U.S. requires expanded access to treatment, and improved efficiency for the delivery of care is badly needed.

Recent transactions involving autism therapy companies include LLR Partners' acquisition of Autism Spectrum Therapies, FFL's acquisition of Autism Learning Partners, and KKR's creation of Blue Sprig Pediatrics, which this week acquired The Shape of Behavior. In the middle market, platforms such as Behavioral Innovations and Florida Autism Center, both acquired by Shore Capital Partners, represent regional beachheads with significant opportunities for growth.

Such investments are not without their challenges, however. Some uncertainty in regard to state-level reimbursement policies, sellers' high valuation expectations, and a nationwide shortage of BCBAs are several factors that require investors to develop a strong investment thesis.

MHT Partners' healthcare investment banking services represent founders, owners, and entrepreneurs undergoing M&A transactions. If you would like to learn more about MHT's experience, please e-mail Taylor Curtis (tcurtis@mhtpartners.com), Patrick Krause (pkrause@mhtpartners.com), or Alex Sauter (asauter@mhtpartners.com).

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