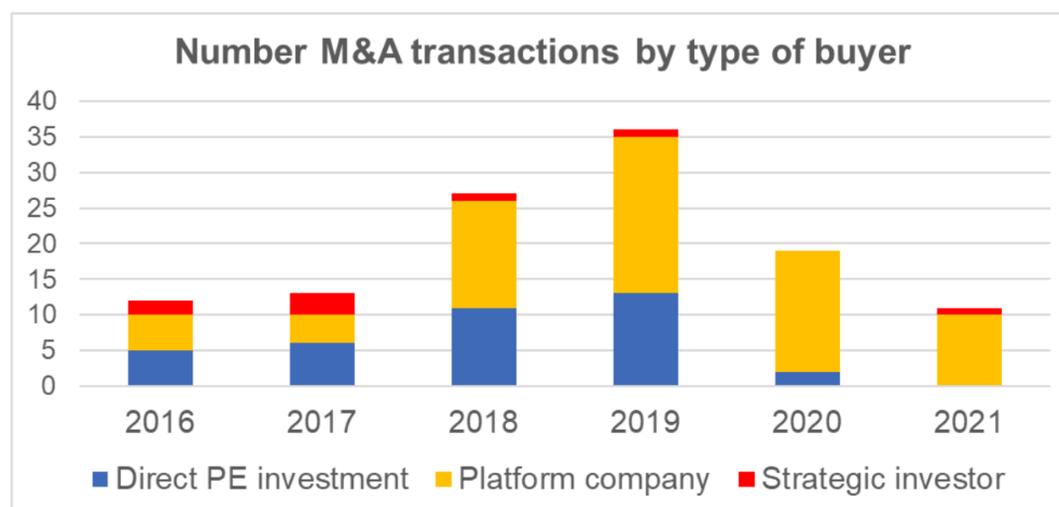


# M&A and Private Equity Investments in the Autism Services Market

Summer 2021



- The number of M&A transactions in the Autism services sector decreased significantly during 2020 when compared to 2019 and 2018. During 2020, Buyers weathered the pandemic, postponing offers to buy, due diligence and closings until they had a better view of the pandemic effects on economic activity and on this market.



Source: Mergium database. 2021 numbers are until the end of May.

- During 2020 the number of transactions decreased 50% when compared to 2019 and 30% when compared to 2018. If the current pace of M&A activity continues, we should see an increase in 2021 when compared to 2020. The second half of 2021 should have the closings of many transactions that have been delayed due to the pandemic.
- Most of the transaction activity during 2020 and 2021 (until May) was done by platform companies of private equity (“PE”) funds acquiring add-ons. Add-ons are companies absorbed by platform companies or operating under their “umbrella”.
- There are fewer PE firms entering the space during 2020 and 2021. The massive entering of PE firms happened during the period 2016-2019. We have tracked about 35 transactions involving PE firms acquiring platform companies from practitioners, from other PE firms, or creating new companies.
- We are seeing the interest of investors in technology companies that develop apps or software to support the offerings of autism services and ABA practices. Even though there were few transactions in this space, investors see the potential of technology use to support autism services. Areas of interest seem to be in telehealth, new technology-based support, and virtual delivery systems. Among the transactions in this IT space, we have investments in Monarch Teaching Technologies, AnswersNow, Rethink First, Sprout, and TheraWe. These transactions are not registered in the graph above, which only registers transactions involving firms that provide autism therapies.

## Firm Overview

Mergium Advisors is an investment banking boutique providing mergers and acquisitions, capital raising, and related advisory services (including business valuations) in healthcare services and other sectors.

## Healthcare Services Focus

- ABA practices
- Other Behavioral Health
- Physician Practices
- Healthcare staffing
- Pediatric PT, OT and ST
- Home healthcare (pediatric and others)
- Others

## Education/Knowledge Focus

- Special Education
- K-12 schools
- Preschools
- Education staffing

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- For the rest of the year, we expect the acceleration of add-on acquisitions by platform companies. All this will be driven by:
  - Increasing economic activity.
  - The increase in Covid-19 vaccinations around the country.
  - State and local governments easing restrictions on businesses as Covid-19 cases decline.
  - Normalization of in-person school attendance in the Fall of 2021.
  - Restart of acquisition processes postponed because of the pandemic.
  - Uncertainty regarding the increase of capital tax gains for incomes above \$1 million per year (as currently proposed by the Biden Administration).
  - High market fragmentation.
  - The benefits of synergies in back office after acquisitions are integrated into platforms
- The increasing level of acquisitions and the interest of investors will continue making valuations attractive for owners of ABA practices. We still believe that there has not been a better moment to sell.
- Besides ABA therapies, we continue to see interest from investors (specially platform companies and strategic players) in other pediatric therapies, such as PT, OT and ST for developmental disabilities, pediatric in-home therapies, among others.
- With the consolidation of the sector and increased competition, we expect the continuation of investments in the IT sector providing support to autism practices.

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