

Substance Abuse Disorder Industry Sees Positive M&A Outlook Despite Recent Slowdown

Commentary

Members of Hexagon Capital's Healthcare Investment Banking team recently attended the 2025 Treatment Center Investment East Conference, where we engaged extensively with industry leaders, investors, and operators within the Substance Abuse Disorder (SUD) treatment sector. While M&A activity experienced a contraction in deal volume during the first quarter of 2025, there continues to be robust investor appetite for high-quality assets.

Several underlying market forces are sustaining this strong investment interest:

- 1. Increasing Demand for Behavioral Health Services:** Persistent societal awareness and destigmatization of mental health and addiction are significantly driving patient demand, positioning SUD treatment services as essential healthcare.
- 2. Attractive Reimbursement Dynamics:** Favorable reimbursement rates, especially for providers with demonstrated clinical outcomes and strong payer relationships, continue to attract investors seeking stable cash flow and predictable returns.
- 3. Fragmented Market Structure:** Despite recent consolidation, the SUD treatment market remains fragmented, presenting ample opportunities for acquisitive platforms to scale through strategic add-ons and geographic expansion.
- 4. Continued Regulatory Support:** Increased state and federal funding aimed at addressing the opioid epidemic and other substance abuse challenges offers additional revenue streams, enhancing the sector's investment appeal.

Recent Transaction Activity

- **Acadia Healthcare's strategic acquisition of regional MAT providers:** Acadia Healthcare continues to execute a targeted M&A strategy, notably acquiring several regional MAT-focused clinics, reinforcing the strategic value of high-quality, outcome-driven treatment models.
- **Recovery Dynamics Secures Private Equity Investment from Optimal Investment Group:** Los Angeles-based SUD treatment provider Recovery Dynamics received a strategic investment from Optimal Investment Group, a private equity firm headquartered in Sherman Oaks, California. The capital infusion is intended to support Recovery Dynamics' ambitious expansion plans, including the growth of its service lines and the addition of specialized mental health care offerings.
- **AspenRidge Recovery and Colorado Medication-Assisted Recovery (CMAR) Merge:** Denver-based addiction treatment providers AspenRidge Recovery and Colorado Medication-Assisted Recovery (CMAR) announced a merger to enhance access to comprehensive addiction treatment services across Colorado.

Looking ahead, while overall M&A deal volumes have tempered compared to prior periods, valuation multiples for premium assets are expected to remain robust. Companies demonstrating strong clinical outcomes, sophisticated compliance frameworks, and integrated treatment offerings remain highly attractive acquisition targets.



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Select Healthcare Services Transactions

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Home Pharmacy of California has been acquired by 	 has been acquired by 	Community Psychiatry has been acquired by 	 formed an affiliation with 	 has been acquired by



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Contact the Healthcare Services Team

For more information on M&A activity in the Substance Abuse sectors, or if you would like to have a confidential discussion about strategic options for your business, please reach out to one of our senior healthcare investment bankers:



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