

HEALTHCARE

MENTAL HEALTH & PSYCHOLOGICAL SERVICES: MARKET OVERVIEW

**INCREASING PREVALENCE AND DIAGNOSIS OF
PSYCHOLOGICAL CONDITIONS CONTINUES TO DRIVE A
CRITICAL NEED FOR MENTAL HEALTH INPATIENT BEDS.**

**IN THE FACE OF A STRAINED NHS, THERE IS A GROWING
MARKET FOR HIGHLY SPECIALISED INDEPENDENT SECTOR
PROVISION ACROSS THE SPECTRUM OF PSYCHOLOGICAL
SERVICES.**

**COOPER PARRY
DEALS**

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MARKET DYNAMICS

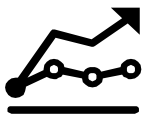
A growing market with significant opportunity for private providers to support NHS capacity and increase service capability

Market dynamics

- The UK psychological services market is experiencing a period of significant growth, driven in part by rising prevalence and diagnosis of psychological conditions, technological advancements and government initiatives aimed at expanding access to services
- Private providers are increasingly playing a significant role in the provision of inpatient mental health care. An overstretched NHS is often forced to outsource many mental health services to private providers. On the residential side, they provide over half of the NHS inpatient beds for children and young people and almost all secure beds for adults
- NHS contracts with private providers for mental health services represent a significant expenditure for the NHS, with the independent service providers winning contracts worth just over £2.4bn in 2024
- Government policies and initiatives aimed at improving mental health services play a crucial role in shaping the UK psychological services market. The NHS Long Term Plan, for example, includes commitments to expanding access to mental health services and improving the quality of care. These policies influence the provision of mental health services and drive the market's development
- A vast portion of the market is dominated by established residential mental health providers with the 4 largest capturing 60%+ of the market. However, as the demand for a wide range of services increases, there remains opportunity for providers in niche areas of psychological services to grow with the market

£2.4bn

2024
independent
sector market
value



6.8%

Historical
market growth
(CAGR 2014-2024)

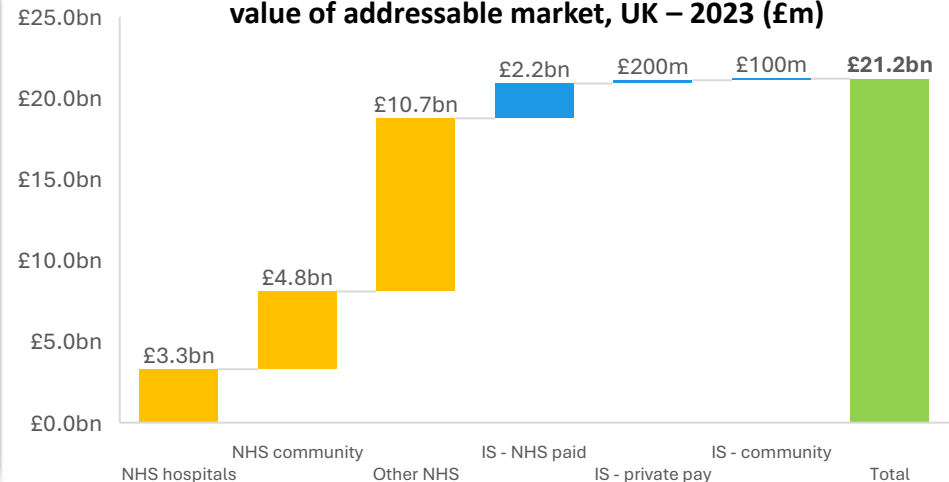


68%

Market share of
the top four
firms

Market concentration		
Provider	Revenue	Market share
Cygnets	£560m	24%
PRIORITY	£509m	22%
Elysium	£372m	16%
St Andrew's	£170m	7%

Mental health and learning disabilities, annual value of addressable market, UK – 2023 (£m)

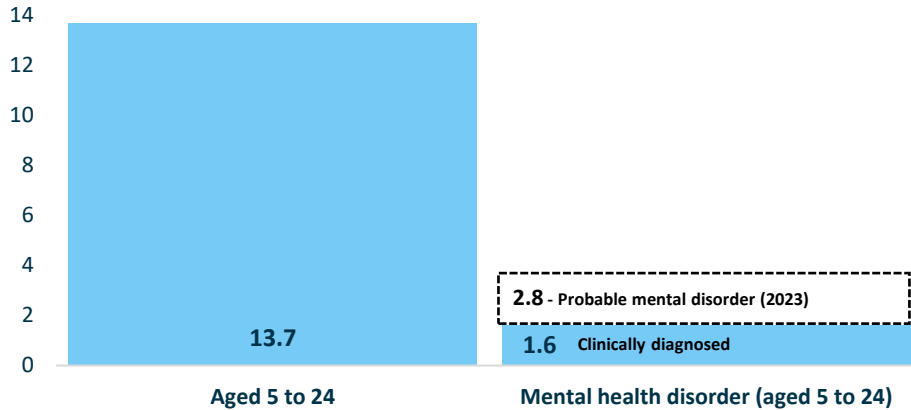


Source: Gov.UK, NHS Digital, Cooper Parry Analysis

PREVALENCE OF MENTAL HEALTH

Demand for mental health services continues to grow in younger people

Addressable population England and Wales (2023) millions of people

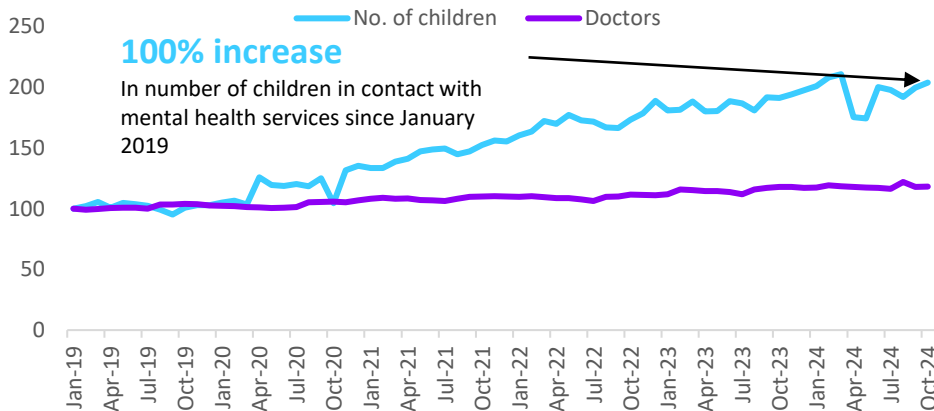


Source: Office for National Statistics & NHS Digital

Prevalence of mental health issue

- The rising prevalence of mental health problems is a major driver of the UK psychological services market. Mental health disorders such as depression and anxiety are becoming increasingly common which, alongside a reduction in stigma associated with seeking help is leading to greater demand for psychological services
- Mental health and its prevalence is on the rise amongst the younger age groups, with the impact of Covid-19 and social media affecting under 25s' mental health significantly in recent years
- 1.6m children and young adolescents are clinically diagnosed with a mental health disorder, representing 11% of under 25s
- A further 2.8m considered 'probable' to having a mental disorder (c.20%) in 2023

NHS Child and adolescent mental health services: Indexed number of FTE doctors in comparison to the number of people in contact with these services



Source: Gov.UK, NHS Digital, Cooper Parry Analysis

Shortage of resource and strategy

- Publicly funded Children and Young People's Mental Health Services (CYPMHS) has left users facing delays in accessing support and disjointed care
- Historical underfunding has meant that demand for services has increasingly outstripped service capacity
- Psychiatry has been an underfilled speciality for too long and despite recent gains in the trainee psychiatric workforce, there are still not enough doctors across psychological services. There are also gaps in the wider mental health workforce that need to be urgently addressed
- The mental health workforce is not rising at the rate needed to meet either current demand or the expected increase in demand on services (due to such factors as population growth and government policies)

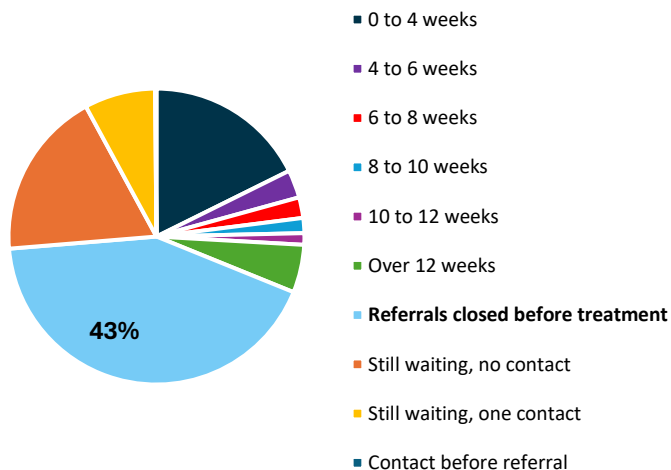
THE WAITING ROOM STORY FOR MENTAL HEALTH SERVICES

Demand for healthcare advisory services continues to grow

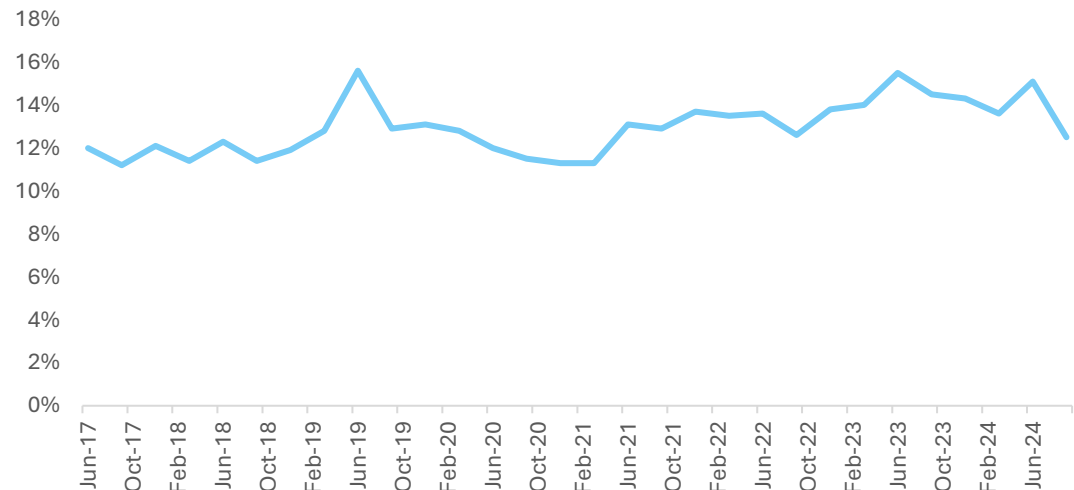
Supply and demand imbalances

- In line with broader historical recruitment challenges in Health & Social Care & despite training more staff, the number of vacancies for professionals working in mental health services remains high
- The workforce has expanded, particularly on the psychiatry side of service delivery with a 45% increase in the number of psychiatrists in the last 10 years. However, this expansion has been uneven with the number of nurses, working at the point of critical intervention, increasing by only 3% over the same period
- Despite nominal growth, the mental health workforce is not rising at the rate needed to meet either current demand or the expected increase in demand on services
- The average vacancy rate across England for doctors working in NHS mental health services remains high, with 12.5% FTE roles currently vacant
- Inefficiencies persist in the delivery of care with 43% of the individuals who are waiting to be assessed for mental health services having their referrals closed before receiving any treatment

Waiting times for individuals accessing mental health services



Vacancy rate of medical professionals working in mental health services

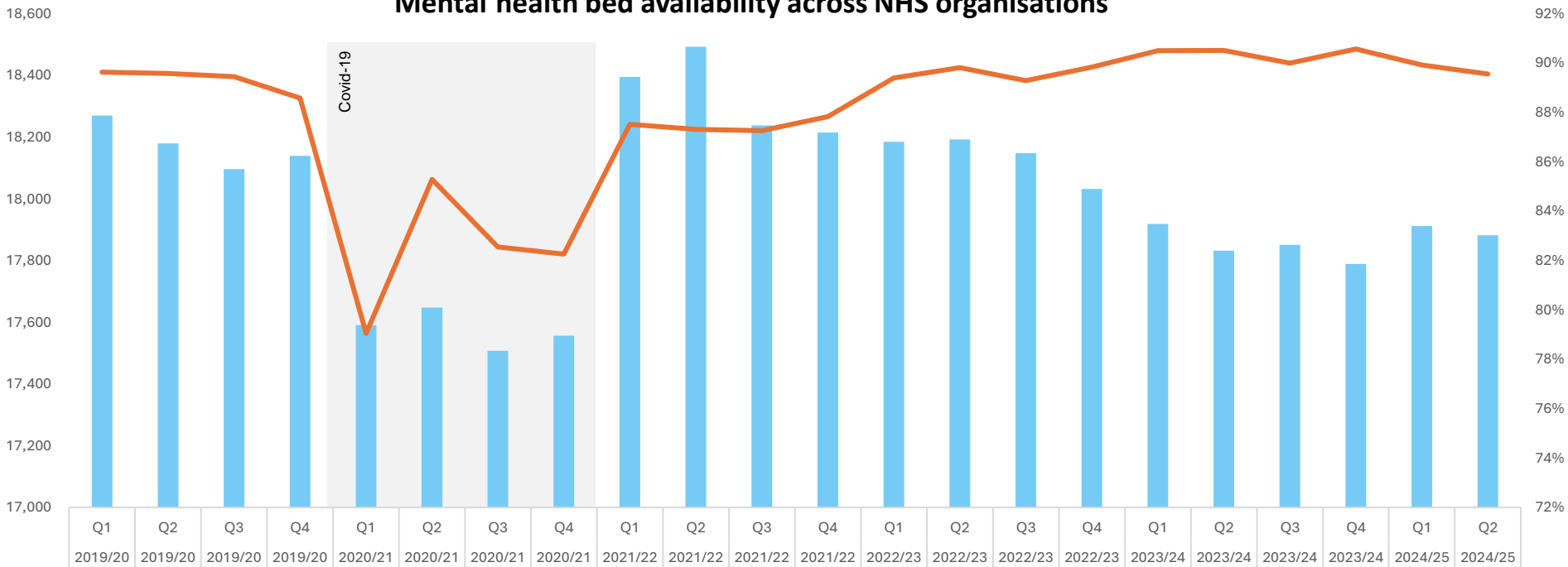


Source: Gov.UK, NHS Digital, Cooper Parry Analysis

CASE STUDY: SUPPLY & DEMAND DYNAMICS IN MENTAL HEALTH

The number of mental health beds has declined in NHS funded care, despite bed occupancy remaining above recommended levels

Mental health bed availability across NHS organisations



The total number of mental health beds is at an all-time low

With the exception of the Covid-19 period, when many beds were closed due to infection control, the current numbers of mental beds (17,789) are at their lowest level since data collection began in 2010/11. Bed occupancy has remained consistently over the recommended level of 85% - the point at which quality of care is at risk of being compromised

The number of people in hospital has increased

Between April 2016 and November 2023, there was a 24% increase in the number of people in hospital, although since April 2021 the number has remained relatively steady. The latest NHS benchmarking survey of mental health providers found that the average length of stay in an adult acute mental health bed had increased to 39 days in 2023

Limited progress on reducing inappropriate out-of-area placements

Inappropriate out-of-area placements – when patients are sent out of area because no bed is available for them locally – can delay the patient’s recovery. In 2016, the government set a national ambition to eliminate such placements in mental health services for adults. However, there has been limited progress to date in reducing the numbers

Source: NHS England, Cooper Parry analysis

Source: National Audit Office analysis of Care Policy and Evaluation Centre

PSYCHOLOGICAL SERVICES – THE M&A PERSPECTIVE

Demand for healthcare advisory services continues to grow

M&A Overview

- Technological advancements are allowing digital health platforms to become more widely accessible and cost effective, increasing uptake and underpinning investment growth. The current AI trends may play a part in further driving market growth
- Increased awareness, along with increasing campaigns is snowballing demand, and reducing stigma-related friction in the uptake of services
- Employers are investing further into employee wellbeing, and the increased learning around neurodiversity is driving mental wellbeing initiatives within firms, as well as access to assessments

Active strategic investors

Trade Acquirers



Private Equity



Recent transactions



COOPER PARRY DEALS

TRUSTED ADVISORS WITH A SPECIALISM IN HEALTHCARE

ANDY PARKER PARTNER



Andy leads Cooper Parry's Corporate Finance business across the Midlands and has 30 years' M&A experience, the majority at PwC where he was a regional partner advising on deals across multiple sectors including Healthcare, Business Services, Consumer and Technology.

Andy's role is to set the sale strategy, lead negotiations and deliver key advice to the stakeholders throughout the transaction.

E: andyp@cooperparry.com

KATIE CASH MANAGER



Katie joined the Cooper Parry Corporate Finance team in 2021 having worked in the Cooper Parry audit team beforehand.

Katie is a Chartered Accountant, qualifying at PwC. She holds a BA (Hons) in History from the University of Nottingham.

Katie is responsible for reviewing materials and day to day project management including liaising with the buyer and their advisors.

E: katieca@cooperparry.com

LOREN DOCKSEY EXECUTIVE



Loren is a Chartered Accountant and holds a first-class honours degree in Economics from the University of Derby.

Loren is responsible for commercial analysis and production of marketing materials, alongside providing day-to-day support to the Manager on the transaction.

E: lorend@cooperparry.com

OUR RECENT HEALTHCARE EXPERIENCE

Project Amygdala

UK Private Equity

- Investment into a Mental Healthcare Services company achieving outstanding outcomes for its services users & significant cost savings to the NHS/Local Authorities, reducing the requirements of future care
- The business partners with ICBs and local authorities to provide contracted services to high acuity individuals either directly or through their support networks
- The investment will help drive growth through geographic expansion and increasing service delivery capability



AUGUST
equity

- Tri.x provides subscription based on-line policies and procedures manuals to the UK social care sector and has been part of Birmingham-based Anster Group since it was acquired in 2019
- August is a long-term investor with particular emphasis on businesses with technology-led application

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