



Acadia Healthcare Reports 27.9% Growth in First Quarter Adjusted EPS to \$0.55 on Revenue of \$616.8 Million

April 28, 2016

Produces Record Quarterly Same Facility EBITDA Margin of 27.1% on Same Facility Revenue Growth of 9.2%

Affirms Guidance for 2016 Adjusted Earnings per Diluted Share in Range of \$2.81 to \$2.86

FRANKLIN, Tenn.--(BUSINESS WIRE)--Apr. 28, 2016-- Acadia Healthcare Company, Inc. (NASDAQ: ACHC) today announced financial results for the first quarter ended March 31, 2016. Revenue was \$616.8 million for the first quarter, an increase of 68.6% from \$365.8 million for the first quarter of 2015. Income from continuing operations attributable to Acadia stockholders was \$25.7 million, or \$0.31 per diluted share, for the first quarter of 2016 compared with \$14.6 million, or \$0.23 per diluted share, for the first quarter last year. Adjusted income from continuing operations attributable to Acadia stockholders was \$45.8 million for the first quarter of 2016, up 69.1% from \$27.1 million for the first quarter of 2015, and adjusted EPS increased 27.9% to \$0.55 from \$0.43. Weighted average diluted shares outstanding increased 32.6% for the first quarter of 2016 from the first quarter of 2015, primarily due to the issuance of common stock in February and May 2015, the net proceeds of which have primarily been used to fund acquisitions, and in January and February 2016 related to the acquisition of Priory Group. A reconciliation of all non-GAAP financial results in this release appears on pages 7 and 8.

"We are pleased to report that Acadia had a very successful first quarter of 2016," said Joey Jacobs, Chairman and Chief Executive Officer of Acadia. "In addition to producing an increase in adjusted EPS of 27.9%, we completed the acquisition of Priory Group, the leading independent provider of behavioral health in the United Kingdom. We also added 330 new beds in the U.S. and the U.K. during the quarter. As a result of this substantial expansion of our inpatient facilities and licensed beds, as well as our continued strong financial performance during the quarter, we believe Acadia is well-positioned to produce further significant profitable growth in 2016 and beyond."

The Company's first quarter revenue growth was driven by the full-quarter inclusion of approximately 4,100 beds added through acquisition or to existing or de novo facilities during 2015. With the addition of Priory's approximately 7,100 beds in 324 inpatient facilities, as well as the beds added during the first quarter, Acadia has increased its beds by approximately 9,000 over the trailing 12 months ended March 31, 2016.

Acadia's consolidated same facility revenue rose 9.2% for the first quarter of 2016 compared with the same prior-year quarter, reflecting an 8.6% increase in patient days and a 0.5% increase in revenue per patient day. This increase was primarily driven by new beds added to facilities in the same facility base, as well as by continuing initiatives at each of these facilities to expand their revenue. With increased same-facility revenue leveraging the fixed cost operations of these facilities, and with ongoing productivity and efficiency efforts in individual facilities, consolidated same facility EBITDA margin expanded 80 basis points for the first quarter to a quarterly record of 27.1% from 26.3% for the first quarter last year. Acadia's consolidated adjusted EBITDA for the first quarter increased 66.4% to \$131.0 million, or 21.2% of revenue, compared with \$78.7 million, or 21.5% of revenue, for the first quarter of 2015.

Mr. Jacobs added, "Our strong operating and financial results for the first quarter demonstrate highly effective execution of our acquisition and organic growth strategies. While the Priory acquisition gives us more new beds in a single transaction than we have acquired in a previous year, we expect to continue to evaluate additional, accretive transactions during 2016. We continue to have significant availability under our \$300 million revolving credit facility, and we also expect to continue generating substantial operating cash flow, which for the first quarter of 2016 increased to \$59.3 million from \$18.1 million for the first quarter of 2015."

Acadia today affirmed its guidance for 2016 adjusted earnings per diluted share in a range of \$2.81 to \$2.86, an increase of approximately 26% to 28% over 2015. The Company's guidance assumes an exchange rate of \$1.45 per British Pound Sterling and a tax rate of 23%. The Company's guidance does not include the impact of any future acquisitions or transaction-related expenses.

Acadia will hold a conference call to discuss its fourth quarter financial results at 9:00 a.m. Eastern Time on Friday, April 29, 2016. A live webcast of the conference call will be available at www.acadiahealthcare.com in the "Investors" section of the website. The webcast of the conference call will be available through May 14, 2016.

Risk Factors

This news release contains forward-looking statements. Generally words such as "may," "will," "should," "could," "anticipate," "expect," "intend," "estimate," "plan," "continue," and "believe" or the negative of or other variation on these and other similar expressions identify forward-looking statements. These forward-looking statements are made only as of the date of this news release. We do not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements are based on current expectations and involve risks and uncertainties and our future results could differ significantly from those expressed or implied by our forward-looking statements. Factors that may cause actual results to differ materially include, without limitation, (i) Acadia's ability to complete acquisitions and successfully integrate the operations of acquired facilities, including Priory facilities; (ii) Acadia's ability to add beds, expand services, enhance marketing programs and improve efficiencies at its facilities; (iii) potential reductions in payments received by Acadia from government and third-party payors; (iv) the occurrence of patient incidents, which could adversely affect the price of our common stock and result in incremental regulatory burdens and governmental investigations; (v) the risk that Acadia may not generate sufficient cash from operations to service its debt and meet its working capital and capital expenditure requirements; and (vi) potential operating difficulties, client preferences, changes in competition and general economic or industry conditions that may prevent Acadia from realizing the expected benefits of its business strategy. These factors and others are more fully

described in Acadia's periodic reports and other filings with the SEC.

About Acadia

Acadia is a provider of inpatient behavioral healthcare services. Acadia operates a network of 587 behavioral healthcare facilities with approximately 17,400 beds in 39 states, the United Kingdom and Puerto Rico. Acadia provides behavioral health and addiction services to its patients in a variety of settings, including inpatient psychiatric hospitals, residential treatment centers, outpatient clinics and therapeutic school-based programs.

Acadia Healthcare Company, Inc. Condensed Consolidated Statements of Income (Unaudited)

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2016 | 2015 |
| | (In thousands, except per share amounts) | |
| Revenue before provision for doubtful accounts | \$ 627,183 | \$ 374,158 |
| Provision for doubtful accounts | (10,370) | (8,375) |
| Revenue | 616,813 | 365,783 |
| Salaries, wages and benefits (including equity-based compensation expense of \$6,956 and \$3,894, respectively) | 341,028 | 205,871 |
| Professional fees | 39,991 | 22,427 |
| Supplies | 26,685 | 16,254 |
| Rents and leases | 14,806 | 5,886 |
| Other operating expenses | 70,247 | 40,527 |
| Depreciation and amortization | 27,975 | 13,104 |
| Interest expense, net | 37,714 | 22,146 |
| Gain on foreign currency derivatives | (410) | (53) |
| Transaction-related expenses | 26,298 | 18,416 |
| Total expenses | 584,334 | 344,578 |
| Income from continuing operations before income taxes | 32,479 | 21,205 |
| Provision for income taxes | 7,110 | 6,613 |
| Income from continuing operations | 25,369 | 14,592 |
| Income from discontinued operations, net of income taxes | - | 2 |
| Net income | 25,369 | 14,594 |
| Net loss attributable to noncontrolling interests | 319 | - |
| Net income attributable to Acadia Healthcare Company, Inc. | \$ 25,688 | \$ 14,594 |
| Basic earnings attributable to Acadia Healthcare Company, Inc. stockholders: | | |
| Income from continuing operations | \$ 0.31 | \$ 0.23 |
| Income from discontinued operations | - | - |
| Net income | \$ 0.31 | \$ 0.23 |
| Diluted earnings attributable to Acadia Healthcare Company, Inc. stockholders: | | |
| Income from continuing operations | \$ 0.31 | \$ 0.23 |
| Income from discontinued operations | - | - |
| Net income | \$ 0.31 | \$ 0.23 |
| Weighted-average shares outstanding: | | |
| Basic | 82,943 | 62,530 |
| Diluted | 83,420 | 62,894 |

Acadia Healthcare Company, Inc. Condensed Consolidated Balance Sheets (Unaudited)

March 31, December 31,
2016 2015
(In thousands)

ASSETS

Current assets:

| | | |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 36,582 | \$ 11,215 |
| Accounts receivable, net of allowance for doubtful accounts of \$32,565 and \$29,332, respectively | 276,880 | 216,626 |
| Other current assets | 79,803 | 66,895 |
| Total current assets | 393,265 | 294,736 |
| Property and equipment, net | 3,337,765 | 1,709,053 |
| Goodwill | 2,771,365 | 2,128,215 |
| Intangible assets, net | 102,593 | 59,575 |
| Deferred tax assets - noncurrent | 41,753 | 49,114 |
| Other assets | 49,618 | 38,515 |
| Total assets | \$ 6,696,359 | \$ 4,279,208 |

LIABILITIES AND EQUITY

Current liabilities:

| | | |
|---------------------------------------|--------------|--------------|
| Current portion of long-term debt | \$ 69,223 | \$ 45,360 |
| Accounts payable | 118,210 | 91,341 |
| Accrued salaries and benefits | 112,714 | 80,696 |
| Other accrued liabilities | 108,663 | 72,806 |
| Total current liabilities | 408,810 | 290,203 |
| Long-term debt | 3,497,569 | 2,195,384 |
| Deferred tax liabilities - noncurrent | 94,882 | 23,936 |
| Other liabilities | 124,492 | 78,602 |
| Total liabilities | 4,125,753 | 2,588,125 |
| Redeemable noncontrolling interests | 7,736 | 8,055 |
| Equity: | | |
| Common stock | 865 | 707 |
| Additional paid-in capital | 2,475,383 | 1,572,972 |
| Accumulated other comprehensive loss | (153,062) | (104,647) |
| Retained earnings | 239,684 | 213,996 |
| Total equity | 2,562,870 | 1,683,028 |
| Total liabilities and equity | \$ 6,696,359 | \$ 4,279,208 |

Acadia Healthcare Company, Inc.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended March 31,
2016 2015
(In thousands)

Operating activities:

| | | |
|------------|-----------|-----------|
| Net income | \$ 25,369 | \$ 14,594 |
|------------|-----------|-----------|

Adjustments to reconcile net income to net cash provided by continuing operating activities:

| | | |
|--|--------|--------|
| Depreciation and amortization | 27,975 | 13,104 |
| Amortization of debt issuance costs | 2,147 | 1,468 |
| Equity-based compensation expense | 6,956 | 3,894 |
| Deferred income tax expense | 9,085 | 19,224 |
| Income from discontinued operations, net of taxes | - | (2) |
| Gain on foreign currency derivatives | (410) | (53) |
| Other | 882 | 378 |
| Change in operating assets and liabilities, net of effect of acquisitions: | | |

| | | |
|--|----------|-----------|
| Accounts receivable, net | (3,749) | (6,957) |
| Other current assets | (8,075) | (23,758) |
| Other assets | (2,402) | (636) |
| Accounts payable and other accrued liabilities | 7,498 | 1,274 |
| Accrued salaries and benefits | (6,347) | (5,022) |
| Other liabilities | 354 | 580 |
| Net cash provided by continuing operating activities | 59,283 | 18,088 |
| Net cash (used in) provided by discontinued operating activities | (619) | 134 |
| Net cash provided by operating activities | 58,664 | 18,222 |

Investing activities:

| | | |
|--|------------|------------|
| Cash paid for acquisitions, net of cash acquired | (580,096) | (49,618) |
| Cash paid for capital expenditures | (90,089) | (52,879) |
| Cash paid for real estate acquisitions | (14,799) | (1,722) |
| Settlement of foreign currency derivatives | 745 | - |
| Other | (1,208) | (383) |
| Net cash used in investing activities | (685,447) | (104,602) |

Financing activities:

| | | |
|--|--------------|------------|
| Borrowings on long-term debt | 1,480,000 | 875,000 |
| Borrowings on revolving credit facility | 58,000 | 93,000 |
| Principal payments on revolving credit facility | (166,000) | - |
| Principal payments on long-term debt | (13,669) | (7,938) |
| Repayment of assumed debt | (1,348,389) | (904,467) |
| Payment of debt issuance costs | (34,167) | (22,191) |
| Issuance of common stock, net | 685,097 | - |
| Common stock withheld for minimum statutory taxes, net | (6,679) | (5,110) |
| Excess tax benefit from equity awards | - | 4,310 |
| Other | (224) | - |
| Net cash provided by financing activities | 653,969 | 32,604 |

| | | |
|--|-----------|-----------|
| Effect of exchange rate changes on cash | (1,819) | (2,232) |
| Net increase (decrease) in cash and cash equivalents | 25,367 | (56,008) |
| Cash and cash equivalents at beginning of the period | 11,215 | 94,040 |
| Cash and cash equivalents at end of the period | \$ 36,582 | \$ 38,032 |

Effect of acquisitions:

| | | |
|---|--------------|--------------|
| Assets acquired, excluding cash | \$ 2,372,358 | \$ 1,428,566 |
| Liabilities assumed | (1,575,380) | (998,738) |
| Issuance of common stock in connection with acquisition | (216,882) | (380,210) |
| Cash paid for acquisitions, net of cash acquired | \$ 580,096 | \$ 49,618 |

Acadia Healthcare Company, Inc.

Operating Statistics

(Unaudited, Revenue in thousands)

| | Three Months Ended March 31, | | |
|--------------------------------|------------------------------|------------|----------|
| | 2016 | 2015 | % Change |
| Same Facility Results (a,c) | | | |
| Revenue | \$ 391,412 | \$ 358,593 | 9.2% |
| Patient Days | 573,701 | 528,248 | 8.6% |
| Admissions | 28,615 | 25,693 | 11.4% |
| Average Length of Stay (b) | 20.0 | 20.6 | -2.5% |
| Revenue per Patient Day | \$ 682 | \$ 679 | 0.5% |
| EBITDA margin | 27.1% | 26.3% | 80 bps |
| U.S. Same Facility Results (a) | | | |
| Revenue | \$ 317,986 | \$ 289,298 | 9.9% |
| Patient Days | 457,691 | 424,413 | 7.8% |

| | | | |
|--------------------------------|------------|------------|----------|
| Admissions | 28,356 | 25,444 | 11.4% |
| Average Length of Stay (b) | 16.1 | 16.7 | -3.2% |
| Revenue per Patient Day | \$ 695 | \$ 682 | 1.9% |
| EBITDA margin | 27.5% | 26.4% | 110 bps |
| U.K. Same Facility Results (c) | | | |
| Revenue | \$ 73,426 | \$ 69,295 | 6.0% |
| Patient Days | 116,010 | 103,835 | 11.7% |
| Admissions | 259 | 249 | 4.0% |
| Average Length of Stay (b) | 447.9 | 417.0 | 7.4% |
| Revenue per Patient Day | \$ 633 | \$ 667 | -5.2% |
| EBITDA margin | 25.3% | 25.7% | -40 bps |
| U.S. Facility Results | | | |
| Revenue | \$ 408,264 | \$ 290,507 | 40.5% |
| Patient Days | 561,323 | 424,413 | 32.3% |
| Admissions | 34,465 | 25,444 | 35.5% |
| Average Length of Stay (b) | 16.3 | 16.7 | -2.4% |
| Revenue per Patient Day | \$ 727 | \$ 684 | 6.3% |
| EBITDA margin | 26.2% | 26.3% | -10 bps |
| U.K. Facility Results (c) | | | |
| Revenue | \$ 206,975 | \$ 69,295 | 198.7% |
| Patient Days | 454,016 | 103,835 | 337.2% |
| Admissions | 1,591 | 249 | 539.0% |
| Average Length of Stay (b) | 285.4 | 417.0 | -31.6% |
| Revenue per Patient Day | \$ 456 | \$ 667 | -31.7% |
| EBITDA margin | 21.7% | 25.7% | -400 bps |
| Total Facility Results (c) | | | |
| Revenue | \$ 615,239 | \$ 359,802 | 71.0% |
| Patient Days | 1,015,339 | 528,248 | 92.2% |
| Admissions | 36,056 | 25,693 | 40.3% |
| Average Length of Stay (b) | 28.2 | 20.6 | 37.0% |
| Revenue per Patient Day | \$ 606 | \$ 681 | -11.0% |
| EBITDA margin | 24.7% | 26.2% | -150 bps |

(a) Same-facility results for the three months ended March 31, 2015 exclude five outpatient programs that have been closed.

(b) Average length of stay is defined as patient days divided by admissions.

(c) Revenue and revenue per patient day for the three months ended March 31, 2015 are adjusted to reflect the foreign currency exchange rate for the comparable period of 2016 in order to eliminate the effect of changes in the exchange rate. The exchange rate used in the adjusted revenue and revenue per patient day amounts for the three months ended March 31, 2015 is 1.43.

Acadia Healthcare Company, Inc.

Reconciliation of Net Income Attributable to Acadia Healthcare Company, Inc. to Adjusted EBITDA (Unaudited)

| | Three Months Ended March 31, | |
|--|------------------------------|-----------|
| | 2016 | 2015 |
| | (in thousands) | |
| Net income attributable to Acadia Healthcare Company, Inc. | \$ 25,688 | \$ 14,594 |
| Income from discontinued operations, net of income taxes | - | (2) |
| Net loss attributable to noncontrolling interests | (319) | - |
| Provision for income taxes | 7,110 | 6,613 |
| Interest expense, net | 37,714 | 22,146 |
| Depreciation and amortization | 27,975 | 13,104 |
| EBITDA | 98,168 | 56,455 |
| Adjustments: | | |
| Equity-based compensation expense (a) | 6,956 | 3,894 |

| | | |
|--|------------|-----------|
| Gain on foreign currency derivatives (b) | (410) | (53) |
| Transaction-related expenses (c) | 26,298 | 18,416 |
| Adjusted EBITDA | \$ 131,012 | \$ 78,712 |

See footnotes on page 9.

Acadia Healthcare Company, Inc.

Reconciliation of Adjusted Income from Continuing Operations Attributable to Acadia Healthcare Company, Inc. to

Net Income Attributable to Acadia Healthcare Company, Inc.

(Unaudited)

| | Three Months Ended March 31, | |
|--|--|-----------|
| | 2016 | 2015 |
| | (in thousands, except per share amounts) | |
| Net income attributable to Acadia Healthcare Company, Inc. | \$ 25,688 | \$ 14,594 |
| Income from discontinued operations, net of income taxes | - | (2) |
| Provision for income taxes | 7,110 | 6,613 |
| Income from continuing operations attributable to Acadia Healthcare Company, Inc. before income taxes | 32,798 | 21,205 |
| Adjustments to income from continuing operations: | | |
| Gain on foreign currency derivatives (b) | (410) | (53) |
| Transaction-related expenses (c) | 26,298 | 18,416 |
| Income tax provision reflecting tax effect of adjustments to income from continuing operations (d) | (12,852) | (12,464) |
| Adjusted income from continuing operations attributable to Acadia Healthcare Company, Inc. | \$ 45,834 | \$ 27,104 |
| Weighted-average shares outstanding - diluted | 83,420 | 62,894 |
| Adjusted income from continuing operations attributable to Acadia Healthcare Company, Inc. per diluted share | \$ 0.55 | \$ 0.43 |

See footnotes on page 9.

Acadia Healthcare Company, Inc.

Footnotes

We have included certain financial measures in this press release, including EBITDA, Adjusted EBITDA and Adjusted income from continuing operations, which are "non-GAAP financial measures" as defined under the rules and regulations promulgated by the SEC. We define EBITDA as net income adjusted for income from discontinued operations, net loss attributable to noncontrolling interests, net interest expense, income tax provision and depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted for equity-based compensation expense, gain on foreign currency derivatives and transaction-related expenses.

EBITDA, Adjusted EBITDA and Adjusted income from continuing operations are supplemental measures of our performance and are not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). EBITDA, Adjusted EBITDA and Adjusted income from continuing operations are not measures of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as measures of our liquidity. Our measurements of EBITDA, Adjusted EBITDA and Adjusted income from continuing operations may not be comparable to similarly titled measures of other companies. We have included information concerning EBITDA, Adjusted EBITDA and Adjusted income from continuing operations in this press release because we believe that such information is used by certain investors as measures of a company's historical performance. We believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of issuers of equity securities, many of which present EBITDA, Adjusted EBITDA and Adjusted income from continuing operations when reporting their results. Our presentation of EBITDA, Adjusted EBITDA and Adjusted income from continuing operations should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

(a) Represents the equity-based compensation expense of Acadia.

(b) Represents the change in fair value of foreign currency derivatives purchased by Acadia related to acquisitions in the U.K.

(c) Represents transaction-related expenses incurred by Acadia related to acquisitions.

(d) Represents the income tax provision adjusted to reflect the tax effect of the adjustments to income from continuing operations based on tax rates of 21.9% and 31.5% for the three months ended March 31, 2016 and 2015, respectively.

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Source: Acadia Healthcare Company, Inc.

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