

Q2-2015 Rehabilitation Update



Private Equity Firm	Outpatient Portfolio Company	Investment Date
Pharos Capital Group	MOTION PT Holdings	2015
Sterling Partners	Results Physiotherapy	2014
Harvest Partners	Athletico Physical Therapy	2014
InTandem Capital	Pivot Physical Therapy	2013
New Harbor Capital	PT Solutions	2013
3 Rivers Capital	Phoenix Rehabilitation and Health Services	2013
KRG Capital Partners	ATI Physical Therapy	2012
GS Capital Partners	Drayer Physical Therapy Institute	2012
Silver Oaks Capital	Physical Rehabilitation Network	2012
Great Point Partners	Professional Physical Therapy	2011

Market Overview

Strategic companies continued consolidation efforts within the outpatient physical therapy sector with a flurry of add-on acquisitions completed in Q2 2015. ATI Physical Therapy added another 30 clinics this quarter in addition to several de novo openings, bringing its total year-to-date locations acquired to an impressive 58. Meanwhile, Pharos Capital Group is the latest private equity firm to invest into the rehabilitation vertical, adding to the growing list of active portfolio companies in the outpatient market. Considering private equity firms typically look to exit an investment after 3-5 years, there are four private equity-backed outpatient providers that could be seeking an exit as early as this year. This next round of recapitalizations will be of particular interest as valuation multiples will be reestablished for top tier providers, thus providing the benchmark to which valuations for other opportunities will be compared to.

SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
June 2015	U.S. Physical Therapy	Target Undisclosed	U.S. Physical Therapy acquired a 70% interest in a four location physical therapy practice for a purchase price of \$4.3 million. The practice generates \$5.5 million in revenue with 50,000 patient visits per year.
June 2015	Professional Physical Therapy	South Bay Sports Physical Therapy	Professional Physical Therapy acquired South Bay Sports & Physical Therapy based in Copiague, NY. Terms of the transaction were not disclosed.
June 2015	Pharos Capital Group	MOTION PT Holdings	Pharos Capital Group formed MOTION PT Holdings through the combination of Brooklyn-based MetroSportsMed and Manhattan-based STAR Physical Therapy. The two practices total ten locations in New York. Terms of the acquisition were not disclosed.
June 2015	ATI Physical Therapy	Proaxis Physical Therapy	ATI Physical Therapy announced the acquisition of Proaxis Physical Therapy, an outpatient provider with 25 locations. The deal expands ATI into three new states: Colorado, North Carolina, and South Carolina. ATI now operates with over 450 locations in 16 states. Terms of the deal were not disclosed.
June 2015	HealthSouth Corp.	Reliant Hospital Partners	HealthSouth Corp. announced the acquisition of Reliant Hospital Partners for \$730 million. Reliant is a manager of 11 inpatient rehabilitation hospitals and 902 beds across Texas, Massachusetts and Ohio.
May 2015	ATI Physical Therapy	Body Werks Physical Therapy	ATI Physical Therapy added its 138 th clinic in Illinois through the acquisition of Body Werks Physical Therapy for an undisclosed sum.
May 2015	U.S. Physical Therapy	Target Undisclosed	U.S. Physical Therapy acquired a 70% interest in a \$3.4 million annual revenue outpatient practice for a purchase price of \$4.8 million. The undisclosed target operates with three clinics and sees more than 30,000 patient visits per year.
April 2015	ATI Physical Therapy	Desert Valley Therapy	ATI furthered its expansion in Nevada, adding four clinics in Las Vegas Valley through the acquisition of Desert Valley Therapy. Terms of the transaction were not disclosed.
April 2015	Professional Physical Therapy	Pleasantville Physical Therapy	Professional Physical Therapy added its 42 nd clinic through the acquisition of Pleasantville Physical Therapy based in New York. Terms of the deal were not disclosed.