

Q2-2016 Rehabilitation Update



Market Overview

ATI Physical Therapy and Professional Physical Therapy led the way for a busy quarter of add-on acquisitions. While ATI's activity is no surprise, Professional has emerged as a very active consolidator with five add-ons through year-to-date June and a total of 11 tuck-in acquisitions over the last 12 months. From late 2011 through the present, Great Point Partners has helped Professional grow from a 10 location practice based in metropolitan New York, to the largest outpatient physical therapy provider in the Northeast with 83 clinics in NY, NJ, and CT. The growth story illustrates the opportunity a private equity partnership provides, as Great Point has helped recruit additional members to the management team as the business has scaled, source several acquisitions, and provide access to over \$85 million of capital for acquisitions through relationships with lenders. With the flurry of recent add-ons, Great Point is likely positioning for an exit as it approaches its five year investment horizon, and the expectation is that shareholders will see a significant return based on Professional's \$26.6 million recapitalization back in 2011.

While ATI and Professional have been active consolidators, a number of private equity-backed companies have been quiet in terms of announced acquisitions since their recapitalizations, including groups such as Atheltico (Harvest Partners), Drayer Physical Therapy Institute (GS Capital Partners), Pivot Physical Therapy (InTandem Capital), and Results Physiotherapy (Sterling Partners). This can be explained by a combination of a few factors: intense competition on banker-represented deals, a lack of inventory of quality acquisition opportunities, and a focus on de novo growth as well as strategic relationships (sports teams, health systems, payors, etc.). However, with the amount of capital already committed to the industry, acquisitions will continue to be a common strategy relied upon by investor groups to enhance returns and will continue going forward.

Month	Acquirer	Target Company	Details
June 2016	ATI Physical Therapy	Erhardt Physical Therapy	ATI Physical Therapy acquired two new locations in the Portland, OR region with the acquisition of Erhardt Physical Therapy.
June 2016	ATI Physical Therapy	Atlas Physical Therapy and Sports Medicine Centers	ATI Physical Therapy added four new locations in Illinois through the acquisition of Atlas Physical Therapy and Sports Medicine Centers. ATI now operates with 150 locations in the state.
June 2016	Professional Physical Therapy	Princeton Physical Therapy Group	Professional Physical Therapy acquired the Princeton Physical Therapy Group, a provider with six locations in New Jersey.
May 2016	ATI Physical Therapy	Community Rehab Physical Therapy	ATI Physical Therapy added to its Midwest presence with the acquisition of Community Rehab Physical Therapy, a 12-clinic practice with locations in Nebraska and Iowa.
May 2016	ATI Physical Therapy	Adient Health	ATI Physical Therapy acquired Adient Physical Therapy. With a total of seven locations, Adient adds clinics in Alaska, Arizona, California, and Oregon.
May 2016	Advent International	ATI Physical Therapy	Advent International completed the recapitalization of ATI Physical Therapy that was previously announced in March 2016.
May 2016	Epic Health Services	Rehabilitation Associates	Epic Health Services, a portfolio company of Webster Capital, acquired Virginia-based Rehabilitation Associates. Rehabilitation Associates is the state's largest private pediatric therapy provider, serving over 3,000 children.
May 2016	Waud Capital Partners	Ivy Rehab Network	Waud Capital Partners recapitalized Ivy Rehab Network, an operator of 43 owned and two managed outpatient physical therapy locations in Connecticut, Illinois, Indiana, New Jersey, and New York.
April 2016	Encore Rehabilitation Services	Evergreen Rehabilitation	Encore Rehabilitation Services, a portfolio company of Revelstoke Capital Partners, completed the acquisition of Evergreen Rehabilitation, a provider of outsourced rehabilitation and management services to over 100 skilled nursing and assisted living facilities in more than 20 states.
April 2016	Professional Physical Therapy	Moore Physical Therapy and Fitness	Professional Physical Therapy added six locations in Connecticut through the acquisition of Moore Physical Therapy and Fitness.