

Q4-2016 Rehabilitation Update



Market Overview

If 2016 is any indication, the next stage of private equity investment in outpatient physical therapy is in full swing as both Great Point Partners and Harvest Partners exited their respective investments in Professional Physical Therapy and Athletico Physical Therapy to other private equity firms in the fourth quarter. This followed KRG Capital Partners' sale of ATI Physical Therapy to Advent International earlier in the year. The increasing number of private equity-backed companies selling positions to larger funds is a result of a few factors. Firstly, several groups from the initial wave of investment in the sector have reached their targeted 3-5 year investment horizons and have achieved significant growth during the investment cycle. Additionally, and most notably, market valuations have reached historical levels across the industry, and coupled with a very limited supply of opportunities that have achieved the scale of a private equity-backed group, significant premiums will continue to be paid by larger funds seeking an investment in physical therapy. An aggressive execution of growth strategies by consolidators and highly favorable market conditions present a compelling time for investors to realize their returns through another liquidity event. Provident expects this trend to continue in 2017.

Private Equity Firm	Outpatient Portfolio Company	Investment Date
BDT Capital Partners	Athletico Physical Therapy	2016
Thomas H. Lee Partners	Professional Physical Therapy	2016
Caymus Equity	Excel Orthopedic Rehabilitation	2016
Gryphon Investors	CORA Health Services	2016
Waud Capital Partners	Ivy Rehab Network	2016
Advent International	ATI Physical Therapy	2016
Revelstoke Capital Partners	Upstream Rehabilitation	2015
Celerity Partners	360 PT Management	2015
Pharos Capital Group	MOTION PT Holdings	2015
Sterling Partners	Results Physiotherapy	2014
InTandem Capital	Pivot Physical Therapy	2013
New Harbor Capital	PT Solutions	2013
3 Rivers Capital	Phoenix Rehabilitation and Health Services	2013
GS Capital Partners	Drayer Physical Therapy Institute	2012
Silver Oaks Capital	Physical Rehabilitation Network	2012

Month	Acquirer	Target Company	Details
Dec 2016	BDT Capital Partners	Athletico Physical Therapy	BDT Capital Partners is acquiring Athletico Physical Therapy from Harvest Partners. Athletico has grown from 80 locations at the time of the investment by Harvest Partners in May 2014, to over 350 locations primarily as a result of the December 2014 acquisition of Accelerated Rehabilitation Centers, which added approximately 250 locations.
Dec 2016	Thomas H. Lee Partners	Professional Physical Therapy	Thomas H. Lee Partners acquired Professional Physical Therapy (ProPT) from its previous private equity backer, Great Point Partners. In its five year partnership with Great Point Partners, ProPT grew from 10 clinics in NY to 107 locations across NY, CT, and NJ through a series of 21 acquisitions and 16 de novo locations.
Nov 2016	Caymus Equity	Excel Orthopedic Rehabilitation	Caymus Equity, PNC Mezzanine Capital, and Deerpath Capital Management led a recapitalization of Excel Orthopedic Rehabilitation. Excel operates with eight locations across Northern New Jersey.
Oct 2016	CORA Health Services	Carolina Physical Therapy Associates	CORA Health Services, a portfolio company of Gryphon Investors, acquired Carolina Physical Therapy Associates, an operator of seven physical therapy locations and home health services in North Carolina.
Oct 2016	SSM Physical Therapy	Rehab 1 Network	SSM Physical Therapy, a division of Select Medical, acquired 11 centers of the Rehab 1 Network located in the St. Louis, MO area. SSM Physical Therapy consists of 60 of Select's more than 1,000 outpatient PT locations.