

Q1-2017 Rehabilitation Update



Market Overview

Six add-on acquisitions in the first quarter of 2017 have set the pace for another active year of consolidation activity within the outpatient physical therapy sector. Based on Provident and PitchBook data, there have been an average of over 24 publicly announced transactions per year in the outpatient sector dating back to 2013. Provident expects this pace to continue for the foreseeable future as the number of buyers in the industry, including 15 new platform investments since 2013, will continue to drive add-on acquisition activity as providers compete for market share.

Competition for larger add-on deals will likely increase going forward in light of the six new private equity-backed organizations that emerged in 2016. This will put an increased emphasis on a group's ability to complement acquisitions with other avenues of growth, including de novo locations, increased brand awareness from partnerships with hospitals and sports teams, and service differentiation through investing into high quality therapists. However, accretive add-on acquisitions will undoubtedly remain a focal point for investors to drive attractive returns within their holding periods.

Outpatient Physical Therapy Transaction Activity: 2013 through 2016

Year	Platform Investments	Add-on Acquisitions	Total Transactions
2013	4	18	22
2014	2	17	19
2015	3	26	29
2016	6	22	28
Total	15	83	98

Month	Acquirer	Target Company	Details
Mar 2017	U.S. Physical Therapy	Undisclosed	U.S. Physical Therapy acquired a 55% interest in a provider of workforce performance solutions for \$6.6 million. The Company provides onsite injury prevention and rehabilitation, recording revenues of \$15.9 million in 2016.
Mar 2017	Pivot Physical Therapy	ProCare Physical Therapy	ProCare Physical Therapy, an over 20 location provider in Pennsylvania and Virginia, was acquired by Pivot Physical Therapy. The partnership with Pivot adds to one of the largest outpatient PT providers on the East Coast, now with nearly 250 locations.
Mar 2017	Ivy Rehab	West Physical Therapy	Waud Capital's portfolio company, Ivy Rehab, acquired two clinics in Illinois through the acquisition of West Physical Therapy. Ivy has 52 locations in the Northeast and Midwest.
Feb 2017	Pivot Physical Therapy	Dynamic Physical Therapy	Pivot Physical Therapy added 40 locations across Delaware, Pennsylvania, and Maryland through the acquisition of Dynamic Physical Therapy. Dynamic became a portfolio company of Lake Capital in 2006 when it had 11 locations in Delaware and Pennsylvania.
Jan 2017	Select Physical Therapy	Dynamic Rehab Hand Therapy	Select Physical Therapy added its 27 th and 28 th location in Arizona through a transaction with Dynamic Rehab Hand Therapy.
Jan 2017	U.S. Physical Therapy	Undisclosed	U.S. Physical Therapy acquired 70% of an outpatient physical therapy provider for \$11.4 million. The acquired organization owned 17 clinics and managed an additional 8 clinics, totaling over 100,000 annual patient visits and \$11 million in annual revenue.