

Q2-2017 Rehabilitation Update



Market Overview

Second quarter acquisitions in the physical therapy and rehabilitation sector sustained the pace consolidators set in the first quarter. Private equity-backed companies dominated the acquisition landscape with a series of add-on deals. CORA Health Services, a portfolio company of Gryphon Investors, announced five acquisitions in June located throughout Florida, Georgia, and North Carolina. Professional Physical Therapy, with two acquisitions this quarter, and Pivot Physical Therapy, with four acquisitions, further demonstrate the increasing role private equity has played in the consolidation of the outpatient physical therapy space.

Looking ahead, Provident expects continued add-on transaction activity with the potential for additional private equity exits as providers approach or surpass a five year investment window. Physical Rehabilitation Network, acquired by Silver Oaks Capital in April 2012, and Drayer Physical Therapy Institute, recapitalized by GS Capital Partners in July 2012, are two logical candidates to pursue partnerships with a new investor group or strategic entity in the near future.

U.S. Physical Therapy (NYSE:USPH)

Company Snapshot

(Amounts in thousands, except share data)

Closing Price (6/30/2017)	\$60.40
Diluted EPS	\$1.60
Enterprise Value	\$857,795
LTM Revenue	\$367,203
LTM Net Income	\$20,039
LTM EBITDA	\$59,383
LTM EBITDA Margin	16.2%
EV/LTM EBITDA	14.4x

Month	Acquirer	Target Company	Details
June 2017	CORA Health Services	Spine & Sport Physical Therapy and four add-on acquisitions	CORA Health Services expanded into Georgia with the acquisition of Spine & Sport Physical Therapy. CORA also announced four additional add-on acquisitions: Capstone Physical Therapy in Raleigh/Durham, NC, Solex Physical Therapy in Naples, FL, Melissa Brown Physical Therapy in Orlando, FL, and Robert Volski and Associates Physical Therapy in Fort Myers, FL. CORA is backed by Gryphon Investors.
June 2017	U.S. Physical Therapy	Four-Clinic Physical Therapy Practice	U.S. Physical Therapy (USPH) acquired a 70% interest in a four-clinic PT practice for \$2.5 million. The owners of the practice retained 30%. With approximately 32,000 patients annually, the business generates \$3.0 million in annual revenue.
May 2017	Professional Physical Therapy	ProEx Physical Therapy	Professional Physical Therapy acquired ProEx Physical Therapy, a group with 18 clinics headquartered in Portsmouth, NH. The ProEx acquisition, Professional's 25th acquisition in six years, provides a New England platform to the Northeast-based provider.
May 2017	Pivot Physical Therapy	Pantops Physical Therapy	Pivot Physical Therapy continued expansion in Virginia with new locations in Charlottesville and Palmyra through the acquisition of Pantops Physical Therapy, an outpatient physical therapy practice owned by local-area physical therapists.
April 2017	Pivot Physical Therapy	Tidewater Physical Therapy	Tidewater Physical Therapy, an outpatient physical therapy provider, was acquired by Pivot Physical Therapy. The deal added 50 locations in Virginia to the largest independent physical therapy provider in the region.
April 2017	Professional Physical Therapy	Accelerated Hand Therapy and Rehabilitation	Accelerated Hand Therapy and Rehabilitation joined forces with Professional Physical Therapy. Professional has grown its Hand and Occupational Therapy program to become the largest in the Tri-State area in response to high demand for this niche specialty.