

# Q1-2018 Rehabilitation Update



## Market Update

The first quarter of 2018 in the physical therapy market featured three sizeable transactions representing over 475 outpatient clinics changing ownership. Drayer Physical Therapy Institute (DPTI), a portfolio company of GS Capital Partners since 2012, partnered with Revelstoke Capital Partners-backed Upstream Rehabilitation, providing partial liquidity to GS Capital and DPTI owners who remain investors in the combined entity.

Additionally, Alliance Physical Therapy, which was formed by GPB Capital in 2017 through the combination of four independent PT practices, added significant scale through the acquisition of the U.S. outpatient and contract therapy operations of Agility Health. With the acquisition, Alliance provides physical therapy services to over 165 locations in 25 states. Agility will retain its Canadian foot care clinics, using the net proceeds to restructure its balance sheet and provide working capital.

Moving into the second quarter, Provident does not see any reason for a slowdown in M&A activity in physical therapy.

## USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
U.S. Physical Therapy	USPH	2.5x	16.3x
American Renal Associates	ARA	1.8x	9.0x
Acadia Healthcare	ACHC	2.1x	10.9x
HealthSouth	EHC	2.0x	9.4x
Nobilis Health	HLTH	0.9x	6.9x
Surgery Partners	SGRY	2.9x	14.6x

## Select Transactions:

Month	Acquirer	Target	Target – Number of:		Significance
			Locations	States	
March	Athletico Physical Therapy	Weaver Physical Therapy	1	1 (MI)	With the acquisition, Athletico has 35 locations in Michigan.
March	Professional Physical Therapy	Ramsey Rehab	6	1 (MA)	Professional now has 26 locations in New England.
March	Alliance Physical Therapy	Agility Health's U.S. Operations	50 outpatient, 90 contracted	21	Alliance Physical Therapy acquired 100% of Agility Health's U.S. operations for \$45 million.
January	New Harbor Capital	FYZICAL	265	36	New Harbor Capital previously invested into PT Solutions based in the Southwest, and now the FYZICAL franchise.
January	Alliance Physical Therapy	Franklin Rehabilitation	2	1 (WI)	Franklin Rehabilitation is the seventh acquisition by Alliance Physical Therapy.
January	Upstream Rehabilitation	Four Add-On Practices	18	4	The brands are: Personal Injury Network Northwest (WA), Rocky Mountain Sport and Spine (CO), Lincoln City Physical Therapy (OR) and Southern Physical Therapy (TN).
January	Upstream Rehabilitation	Drayer Physical Therapy Institute	160	15	Upstream is now the fourth-largest outpatient physical therapy provider in the U.S. with over 550 clinics across 27 states.

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## Upcoming Provident Perspective

*In the second quarter of 2018, Provident will be publishing a comprehensive private equity market update on the physical therapy industry. Provident Perspectives can be found at <http://www.providenthp.com/category/provident-perspectives/>*