

Q3-2018 Rehabilitation Update



Market Update

Multiple physical therapy sector deals closed in the third quarter of 2018, highlighted by DW Healthcare Partners' announced sale of Reliant Rehabilitation to H.I.G. Capital. Over a seven-year span, DW Healthcare Partners helped Reliant Rehabilitation grow to 9,000 employees who currently serve more than 800 skilled nursing facilities in 40 states. Reliant Rehabilitation will look to continue its growth trajectory with the additional capital resources and expertise of H.I.G. Capital. The transaction is one of the largest deals in the contract therapy sector to date.

Another noteworthy transaction in the third quarter was the joint venture between Jag Physical Therapy and One on One Physical Therapy to form JAG-ONE Physical Therapy. Pamlico Capital provided a minority investment and created a management services organization to provide administrative support to JAG-ONE, as the new entity looks to expand in the Tri-state area.

Given the high levels of fragmentation and consolidation activity in the physical therapy sector, Provident expects merger and acquisition activity in the space to continue for the foreseeable future.

Physical Therapy Sector Fragmentation

Despite an uptick in rehabilitation sector consolidation activity over the past decade, the industry remains highly fragmented with no single company accounting for more than five percent of total industry revenue.

Company	Estimated Market Share (2018)	Projected Rehabilitation Revenue (2018)
Kindred Healthcare Inc.	4.1%	\$1.4B
Select Medical Holdings Corp.	2.8%	\$998.5M
U.S. Physical Therapy Inc.	1.1%	\$395.2M

Source: IBISWorld

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Significance
			Locations	State(s)	
September	IMAC Holdings	Advantage Therapy	4	MO	IMAC Regeneration Centers now has 11 clinics in three states.
September	H.I.G. Capital	Reliant Rehabilitation	800*	Nationwide	Reliant Rehabilitation will utilize H.I.G.'s capital and strategic guidance to continue to execute its growth strategy.
September	U.S. Physical Therapy (NYSE: USPH)	4 Clinic Physical Therapy Practice	4	MN	U.S. Physical Therapy Inc. continues to expand its national presence via acquisitions. The four clinic practice generated \$4.3M in revenue and was acquired by USPH for \$7.7M.
August	Alliance Physical Therapy Partners	Armor PT	5	MI	Alliance Physical Therapy Partners, an affiliate of GPB Capital, merged Agility Health Physical Therapy and Agility Physical Therapy & Sports Performance to form Armor PT.
July	Pamlico Capital	JAG-ONE Physical Therapy	38	NY & NJ	Pamlico's investment provides JAG-ONE with capital and administrative infrastructure to support aggressive expansion in the Tri-State area.

*Reliant Rehabilitation provides contract therapy services to over 800 skilled nursing facilities.

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Provident Physical Therapy Market Update

Provident's Perspective on the current physical therapy market titled, "The Evolving M&A Landscape in the Physical Therapy Sector", can be found on our website using the following link:
<http://www.providenthp.com/category/provident-perspectives/>