

# Q1-2020 Rehabilitation Update

## Market Update

Merger and acquisition activity within the rehabilitation sector continued at a strong pace during the first quarter of 2020. Evident by Provident lead physical therapy processes in the first quarter of 2020, investors have and will continue to pay premium valuation multiples for the groups that have the size and scale necessary for initial platform investments in the space. Prior to the COVID-19 pandemic, private equity backed CORA Physical Therapy engaged an advisor in preparation for a marketing process. Barring further disruption from COVID-19, there is the likelihood of several other PE-backed groups coming to market towards the end of 2020 as many of the platforms in the space are nearing the tail-end of the traditional 3-7 year holding period.

While most providers within healthcare services have seen volume drop significantly during the pandemic, the outpatient PT sector looks poised for a sharp rebound given the essential nature of the services. Additionally, many payors including CMS have approved the coverage of telehealth furnished by PTs and PTAs to ensure patients continue to have access to the necessary care amid the pandemic. Although we may see some disruption from lenders on new larger platform transactions, Provident expects continued bolt-on M&A activity throughout 2020 as well as a return to normalcy for platform transactions as we gain a better understanding of the near- and long-term effects of the pandemic.

## Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
March	PHOENIX Rehabilitation and Health Services	Colorado Athletic Conditioning Clinic	4	Colorado	PHOENIX Rehabilitation, a portfolio company of Audax Private Equity, has acquired Colorado Athletic Conditioning Clinic. This transaction represents PHOENIX's fourth acquisition since Audax's initial investment in December, 2018.
March	SV Health Investors	Doctors of Physical Therapy	45	Illinois, Michigan, Wisconsin	SV Health Investors, a private equity firm focused exclusively on the healthcare sector, has made an initial platform investment in the physical therapy sector with the recapitalization of Doctors of Physical Therapy.  Provident Healthcare Partners served as the exclusive financial advisor to Doctors of Physical Therapy.
February	Spooner Physical Therapy	Fischer Institute	1	Arizona	Phoenix-based Spooner Physical Therapy has acquired the Fischer Institute to enhance their sports medicine service offerings.
January	PHOENIX Rehabilitation and Health Services	TuDor Physical Therapy	11	Ohio	PHOENIX Rehabilitation has acquired TuDor Physical Therapy marking their first expansion into Ohio.

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## Upcoming Conference

The Provident Healthcare Partners investment banking team regularly attends conferences and other events related to the rehabilitation sector. We invite industry executives and shareholders to reach out for a confidential meeting to gain a more detailed perspective on valuations and transaction activity within the sector.