

Q3-2020 Rehabilitation Update

Market Update

The third quarter of 2019 featured strategic consolidators fueling expansion through mergers and acquisitions in an attempt to grow patient census, add new locations, and enter new geographies. While strategic buyers have been primarily responsible for the bulk of 2020 deal flow, private equity investors continue to seek out platform caliber rehabilitation companies to enter the market or build upon existing competencies.

Due to increased competition for deals and a shrinking number of independent platform opportunities available, Provident has seen valuations remain at elevated levels in the rehabilitation space even during the pandemic and expects multiples to remain high through 2021. While the third quarter consisted of smaller tuck-in acquisitions, multiple sizable deals are in process and expected to close in the next six months.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
August	Bay State Physical Therapy	Comprehensive Physical Therapy	2	Massachusetts	Bay State Physical Therapy acquired Comprehensive Physical Therapy to expand its footprint in the central Massachusetts market
August	Integrated Rehab Consultants	Associated Physicians of Rehabilitation	1	Illinois	Integrated Rehab Consultants, backed by Webster Equity Partners, acquired Associated Physicians of Rehabilitation to continue growing its presence in the greater Chicago metropolitan area
July	Physical Rehabilitation Network	Berube Physical Therapy	3	Montana	Physical Rehabilitation Network (PRN) acquired Berube Physical Therapy, expanding PRN's footprint into Montana

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USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
US Physical Therapy	USPH	3.07x	20.43x
American Renal Associates	ARA	1.55x	12.25x
Acadia Healthcare	ACHC	2.07x	13.72x
HealthSouth	EHC	2.29x	12.05x
Surgery Partners	SGRY	2.72x	17.15x

As of 10/14/2020

Upcoming Conference

While industry in-person conferences have been postponed, we would invite the opportunity to connect with executives and shareholders about some of the trends and transactions we are seeing in the rehabilitation space on a confidential basis. Please reach out via email or telephone to discuss further.