Provident

Q4-2020 Rehabilitation Update

Market Update

Private equity-backed companies continue to dominate the acquisition landscape with a series of add-on acquisitions as well as new recapitalizations. Gryphon Investors made its second platform investment in the outpatient physical therapy space with the acquisition of Physical Rehabilitation Network. Evident by this transaction, private equity firms still see plenty of opportunity to enter the space as large mergers, or sales to strategic buyers, have been a minority of the exits over the years. As a result, we continue to see a high level of competition for both platform investments as well as add-on opportunities resulting in valuations remaining at elevated levels.

Looking ahead, Provident expects continued add-on transaction activity with the potential for additional private equity exits as several platforms approach the tail end of their investment cycle.

USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
US Physical Therapy	**USPH**	**3.07x**	**19.91x**
American Renal Associates	ARA	1.35x	10.23x
Acadia Healthcare	ACHC	1.98x	11.10x
HealthSouth	EHC	2.24x	11.57x

As of 1/12/2020

Select Transactions:

Month	Acquirer	Target	Target – Number of: Locations	States	Deal Significance
December	Gryphon Investors	Physical Rehabilitation Network	138	CA, CO, ID, MN, MT, NV, NM, ND, OR, SD, TX, and WA	Gryphon Investors, a middle-market private equity firm based in San Francisco, CA, acquired Physical Rehabilitation Network from Silver Oak Service Partners at a valuation of nearly $280 million.
December	JAG-ONE Physical Therapy	Integrity Physical Therapy and Wellness	4	New Jersey	JAG-ONE Physical Therapy, backed by Pamlico Capital, acquired Integrity Physical Therapy and Wellness to continue growing its presence in the southern New Jersey area.
December	Physical Rehabilitation Network	Health-Pro Physical Therapy	2	California	Physical Rehabilitation Network acquired Northern California-based Health-Pro Physical Therapy bringing its Northern California clinic count to 11 and national clinic count to 138 clinics.

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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.