

Q3-2021 Rehabilitation Update

Market Update

Investment activity within the physical therapy sector remains robust with heightened valuations and buyer interest driving companies of all sizes to explore transaction opportunities. This quarter saw several exits of large private-equity backed groups including PRN's acquisition of 360 Physical Therapy and Upstream Rehabilitation's acquisition of Results Physiotherapy. Furthermore, it is rumored that Lindsay Goldberg's PT Solutions, Wad Capital Partners' Ivy Rehab, and PennantPark's Pivot Health Solutions are all preparing for a sale process this year.

Despite CMS implementing a potential 15 percent reduction in reimbursement for services provided by physical therapists and occupational therapists starting in January 2022, private equity firms clearly remain bullish on the sector driven by the strong demographic trends and outstanding consolidation opportunity.

Provident expects M&A activity in the rehabilitation sector to continue at a strong pace throughout the remainder of 2021 and into 2022.

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
September	Physical Rehabilitation Network	360 Physical Therapy	19	Arizona, Oklahoma	PRN, backed by Gryphon Investors, expanded its geographic footprint in the western US through the acquisition of 360 Physical Therapy, formally backed by Celerity Partners, Fletch Equity, and Gemini Investors.
September	Athletico Physical Therapy	Endurance Physical Therapy	8	Mississippi	Athletico Physical Therapy acquired Endurance Physical Therapy marking its first entry into Mississippi and expanding its geographic footprint to 13 states.
September	Ivy Rehab Network	Excel Physical Therapy	36	Pennsylvania	Ivy Rehab Network has acquired Philadelphia-based Excel Physical Therapy expanding its clinic count to over 300 locations nationwide.
August	Upstream Rehabilitation	Results Physiotherapy	200	9 States	Upstream Rehabilitation, backed by Revelstoke Capital Partners, acquired Sterling Partners-backed Results Physiotherapy, becoming the largest pure-play outpatient physical therapy provider in the U.S.
July	Golden Bear Therapy Partners	Greater Therapy Centers	27	Texas	Golden Bear Therapy Partners, backed by Shore Capital Partners, acquired Texas-based Greater Therapy Centers to expand its presence into the Dallas/Fort Worth region.

USPH vs. Other Healthcare Facility Operators

Company	Ticker	EV/Revenue (TTM)	EV/EBITDA (TTM)
US Physical Therapy	USPH	3.25x	16.49x
Acadia Healthcare	ACHC	3.10x	15.72x
Encompass Health	EHC	2.15x	10.02x
HCA	HCA	1.98x	9.7x

As of 10/8/2021

Provident Industry Coverage Team

Eric Major
Managing Director
emajor@providenthp.com
(617) 226-4212

Jake Vesely
Associate
jvesely@providenthp.com
(617) 226-4293