

Q2-2022 Rehabilitation Update

Market Update

Favorable industry tailwinds, market fragmentation, and the recession resistant nature of the industry continue to drive investor interest in the rehabilitation sector. Following several active quarters of platform transaction activity, Q2 primarily consisted of bolt-on deals by existing consolidators in the space. The recent emphasis on strategic transactions is not, however, due to a lack of investor demand for new platform opportunities but rather a lack of sizable assets on the market.

Due to increased competition for deals and a shrinking number of independent platform opportunities available, Provident expects valuations to remain at elevated levels, despite some of the challenges in the macro economic environment.

USPH vs. Other Healthcare Facility Operators

Company	EBITDA	EV/ Rev	EV/ EBITDA
U.S. Physical Therapy	\$97	3.57x	18.82x
Acadia Healthcare	\$536	3.45x	15.30x
Encompass Health	\$1,085	1.68x	8.09x
HCA	\$12,536	1.53x	7.27x

As of 6/30/2022

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
June	Physical Rehabilitation Network	Gillette Physical Therapy	1	WY	Physical Rehabilitation Network announced its entrance into the Wyoming market through the acquisition of Gillette Physical Therapy.
April	Netsmart	TheraOffice	1	Nationwide	Netsmart acquired EHR platform, TheraOffice, expanding its service capabilities to the outpatient rehabilitation market.
April	Fox Rehabilitation	Lessila Therapy	1	WI	Fox Rehabilitation acquired Lessila Therapy, a senior living focused physical, occupational, and speech-language therapy provider with over 40 clinicians.
March	H2 Health	Endeavor Physical Therapy	12	TX	H2 Health acquired Endeavour Rehab Center expanding its coverage in the greater Austin, Texas market. The acquisition adds 13 locations, more than doubling H2 Health's clinic count in Texas.
March	U.S. Physical Therapy ("USPH")	Madden and Gilbert Physical Therapy	6	PA	USPH acquired Madden and Gilbert Physical Therapy, a six-clinic physical therapy practice in South Central Pennsylvania. The purchase price for the 70% equity interest was approximately \$11.5 million. The practice generates more than \$7.5 million in annual revenue and has approximately 71,000 patient visits per year.

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