

Q3-2022 Rehabilitation Update

Market Update

Investor interest remains high in the rehabilitation sector despite macro-economic concerns surrounding rising interest rates, inflationary pressures, and threats of a recession. As the public markets continue to soften, investors are pivoting towards alternative investment vehicles to achieve outsized returns. Within the healthcare services space, physical therapy continues to be a high priority target for investment from both private equity investors and strategic consolidators. In addition to having strong demographic tailwinds, investors are recognizing the value that physical therapy has as a first step treatment option in a market with rapidly growing expenditures associated with MSK disorders. As the healthcare reimbursement landscape continues to shift towards value-based payment models, physical therapy will play a vital role to contain cost for MSK episodes of care. As a result, Provident expects to see investor interest, competition, and valuations remain elevated in the physical therapy sector.

USPH vs. Other Healthcare Facility Operators

Company	EBITDA	EV/ Rev	EV/ EBITDA
U.S. Physical Therapy	\$93	2.68x	15.12x
Acadia Healthcare	\$563	3.59x	15.6x
Encompass Health	\$1,060	1.65x	8.19x
HCA	\$12,360	1.67x	8.14x

As of 10/12/2022

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
September		Not Disclosed	6	PA, WV	USPH acquired a six-clinic physical therapy practice with locations in West Virginia and Pennsylvania. The purchase price for the 70% equity interest was approximately \$3.5 million. The practice generates more than \$2.5 million in annual revenue and has approximately 26,000 patient visits per year.
July			6	OK	Athletico Physical Therapy acquired Action Physical Therapy and Rehabilitation, expanding the company's presence into central Oklahoma.
July			9	MI	Athletico Physical Therapy has acquired Crossroads Rehabilitation, a premier practice that specializes in physical and occupational therapy, along with sports injuries.
July			2	PA	Confluent Health, a portfolio company of Partners Group, has acquired Drescher Physical Therapy, a therapist owned practice with 11 providers and two locations.
July		Complete OT and OTA Services	1	NY	Professional Physical Therapy has acquired Complete OT and OTA Services in NY. This transaction will expand upon Pro PT's leading network of certified hand therapists in the Northeast.

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