

Q4-2022 Rehabilitation Update

Market Update

On November 1st, 2022, the Centers for Medicare & Medicaid Services (CMS) released the final rule for the Medicare Physician Fee Schedule. The key changes from the ruling include a 4.42% decrease on the CY 2023 fee schedule conversation factor, continuation of the Assistant Payment Differential, and the omission of therapists from the permanent list of telehealth suppliers/providers. As the impact of these changes on revenue becomes more apparent, Provident expects a surge of M&A activity, driven by opportunistic investors and smaller providers utilizing M&A as a way to offset the burden of adapting to these new challenges to reimbursement.







Despite the 2023 final ruling, rising interest rates, and a challenging macro environment, physical therapy practices remain highly sought after by both private equity firms and strategic consolidators. As such, valuations have remained elevated, evident by USPH's publicly announced transactions in Q4 that traded for 2.6x and 3.6x revenue, respectively.

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 12/31/2022

Select Transactions:

Month	Acquirer	Target	Target – Number of:		Deal Significance
			Locations	States	
November		Not Disclosed	13	Not disclosed	USPH acquired a 13-clinic physical therapy practice. The purchase price for the 80% equity interest was approximately \$25 million. The practice generates more than \$12 million in annual revenue and has approximately 120,000 patient visits per year.
November		Not Disclosed	14	Not disclosed	USPH acquired a 14-clinic physical therapy practice. The purchase price for the 60% equity interest was approximately \$19.3 million. The practice generates more than \$9 million in annual revenue and has approximately 84,000 patient visits per year.
November			6	MD	ActivePro Rehab expanded its portfolio into Maryland with the acquisition of 4 Oaks Physical Therapy. This acquisition expands ActivePro's network to 54 locations.
October			1	TX	H2 Health acquired Texas-based Georgetown Physical Therapy. This follows its acquisition of Endeavour Physical Therapy earlier this year. Together the two will work under the Endeavour brand to provide one-on-one outpatient physical therapy and hand therapy in Texas.

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