



U.S. Physical Therapy

NYSE : USPH

Current Share Price: \$ 104.62
Implied Share Price: \$ 132.2

Wake Forest Investment Club

Investment Thesis

1

Business Landscape

- Future Growth in market share through successful acquisition schedule
- Tailwinds from growing rehab market with favorable demographic change

2

Competitive Moat

- Economies of scale enable to maintain dominant market position
- Proven and Unique Business Model with limited peers in outpatient care

3

Post-Covid

- Pandemic era clinic closures offer market share growth potential
- Attractive growth opportunity in proliferation of telerehabilitation

Company Overview



Acquisition Strategy

- Inorganic growth opportunities in the highly growing Southwestern and Southeastern regions of the United States expecting to close by mid-year
- Targeting demographic opportunity zones, with a focus on obesity rates and Medicare coverage

Company Description

U.S. Physical Therapy, founded in 1990, operates outpatient physical therapy clinics throughout the United States and is based in Houston, Texas

Segments

- ① Physical therapy operations
 - 87% of Revenue
 - Operate 673 clinics in 42 states (+26 since March 2023)
 - Customers pay through insurance & Medicare, clinic owners retain minority share
- ② Industrial injury prevention services
 - Created in 2017, sustains 13% of Revenue
 - 6 different services

Company Management



Christopher Reading
CEO, President &
Director
Responsible for 200+
facilities in 10 states



Kathleen Gilmartin
Director
Experience with
mobility product
manufacturing and
mobility research



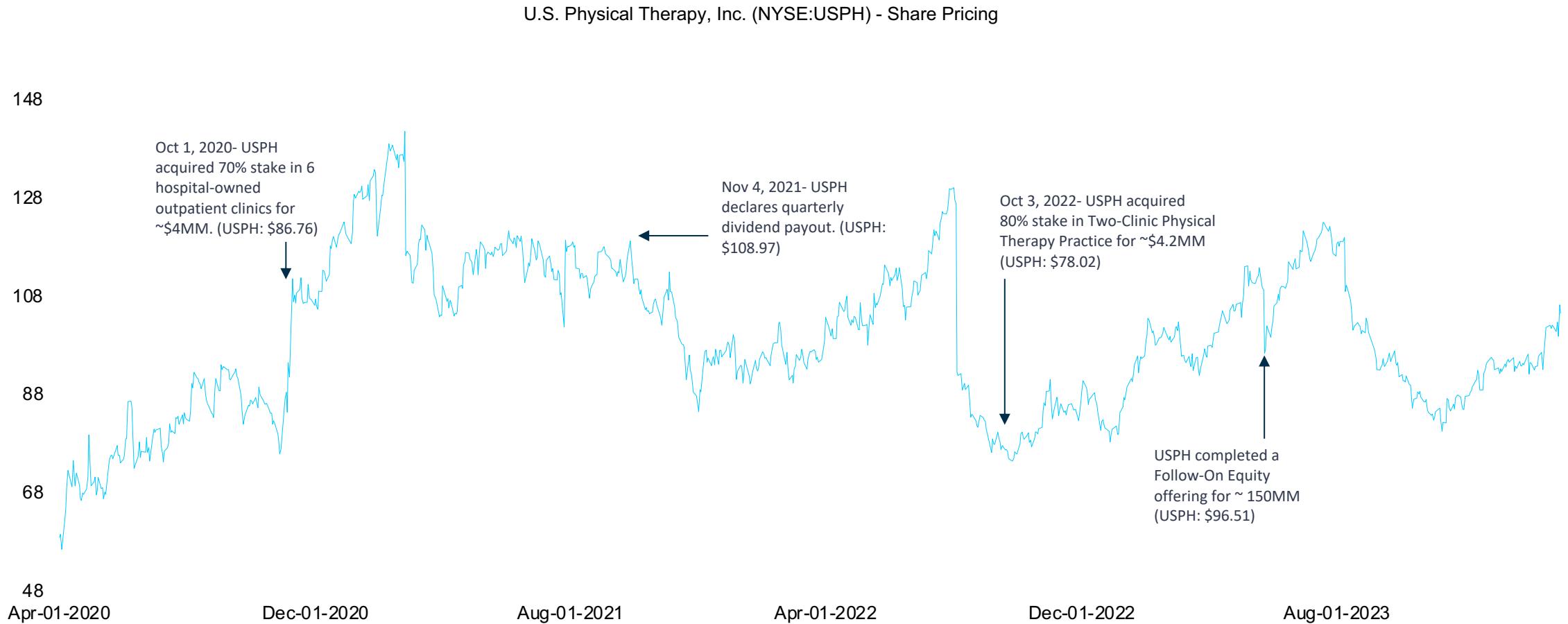
Bernard Harris
President of Vesalius
Ventures
Former flight surgeon

Strategy

- Targeting, 10 acquisitions, 58 additional clinics and management of 42 facilities for third parties
- Second IPO in May 2023: 1.9 million shares at \$90 per share to fuel acquisition driven expansion

Acquisition Date	% Interest Acquired	Number of Clinics
September-23	70%	4
September-23	70%	1
July-23	70%	7
May-23	45%	4
February-23	80%	1
November-22	80%	13
October-22	60%	14
September-22	80%	2
August-22	70%	6
March-22	70%	6

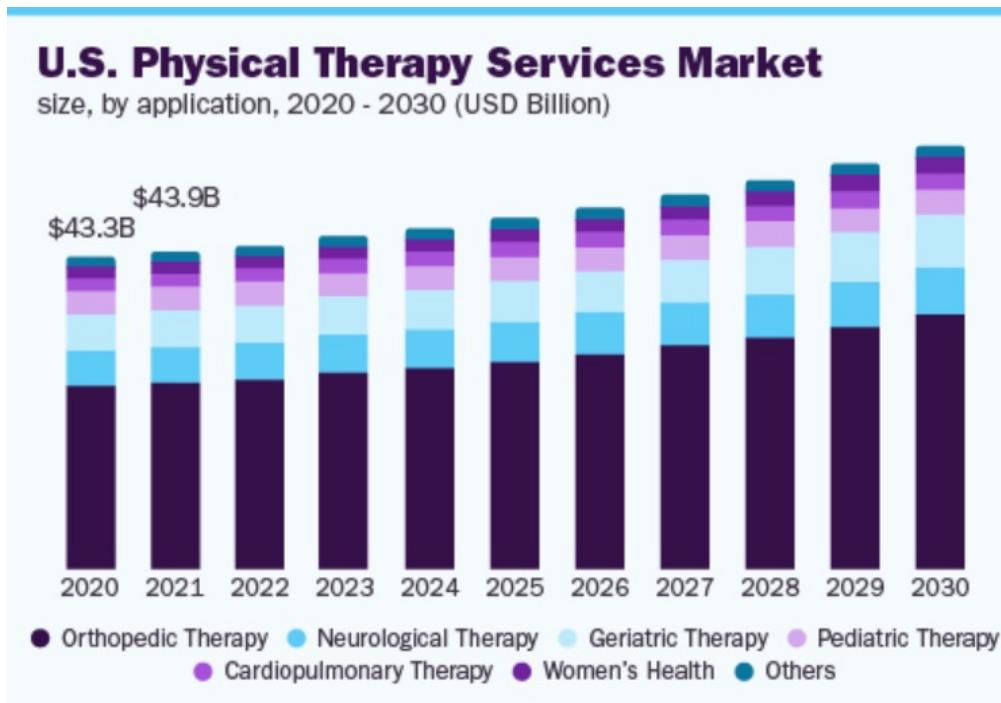
Annotated Stock Price



Market Overview

▪ Physical Therapy (PT) Industry

- \$44.8 billion industry
- 2023-2030 - projected 7.5% CAGR



Tailwinds

- Increased demand for PT
 - Growing profession
 - Rising Cases
 - Cost Saving
- Telerehabilitation – homecare settings

Headwinds

- Effects of COVID-19
 - Cancellation of procedures
 - Closure of clinics
- Pivot out of this period

Company Drivers

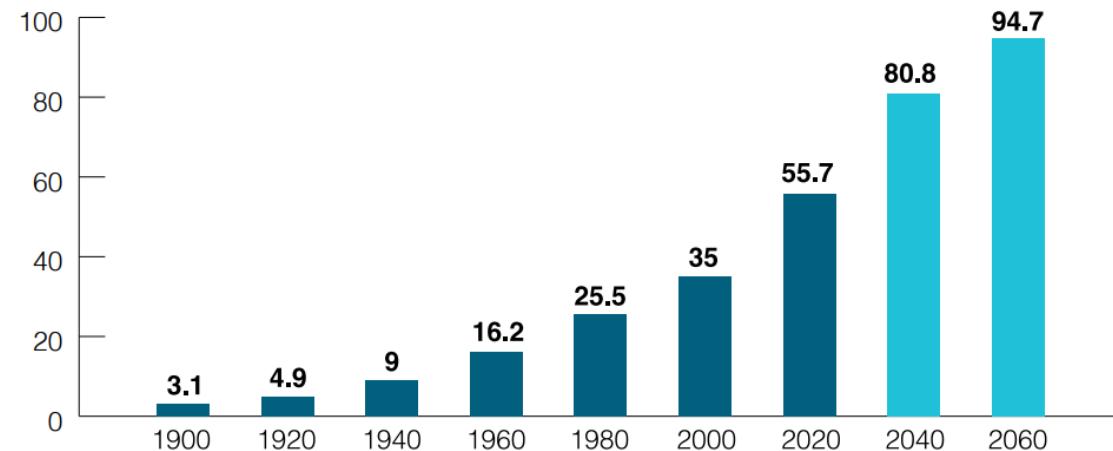
Growing Market Opportunities

- ⌚ Economic Benefits of Therapy Services – prevention of long-term disabilities; shift to lower cost, higher quality
- ✚ Earlier Hospital Discharge – greater PT demand post discharge
- ♿ Aging Population – U.S. demographics
- 📈 Increase in Obesity – PT to help pivot out of obesity

U.S. Demographics

- Population age 65 and older increased from 40.5 million in 2010 to 55.7 million in 2020 → 38% increase
 - Physically active, aging, and obese population segments - greater incidence of health issues
- ~50% of Americans over 18 years old develop a musculoskeletal injury that lasts more than 3 months

**Number of Persons Age 65 and Older, 1900-2060
(numbers in millions)**



Note: Lighter bars (2040 and 2060) indicate projections.
Source: U.S. Census Bureau, Population Estimates and Projections

Risk

Company/Industry
■ Debt
■ 258 million in debt with only 152 million of cash on hand
■ Industry
■ Low revenue growth over last 20 yrs. Most of which coming in the last 5yrs
■ EBIT
■ Low EBIT growth due to the high PPE aspect of the business model

Ratios	
Beta	0.74
Standard Deviation	2.30
Treynor Ratio	0.0008
Sharpe Ratio	2.36
Sortino Ratio	2.69
Margin of Safety	1.21

A photograph of a physical therapist in light blue scrubs assisting a young man on a leg press machine. The therapist is smiling and holding the patient's knee. In the background, another therapist is working with an older man on a stationary bike. The setting is a bright, modern physical therapy clinic.

Valuation

Comparable Companies



ATI Physical Therapy

- Single-branded platform that operates clinics to prevent and treat musculoskeletal (MSK) pain
- Market Cap: 29.051M

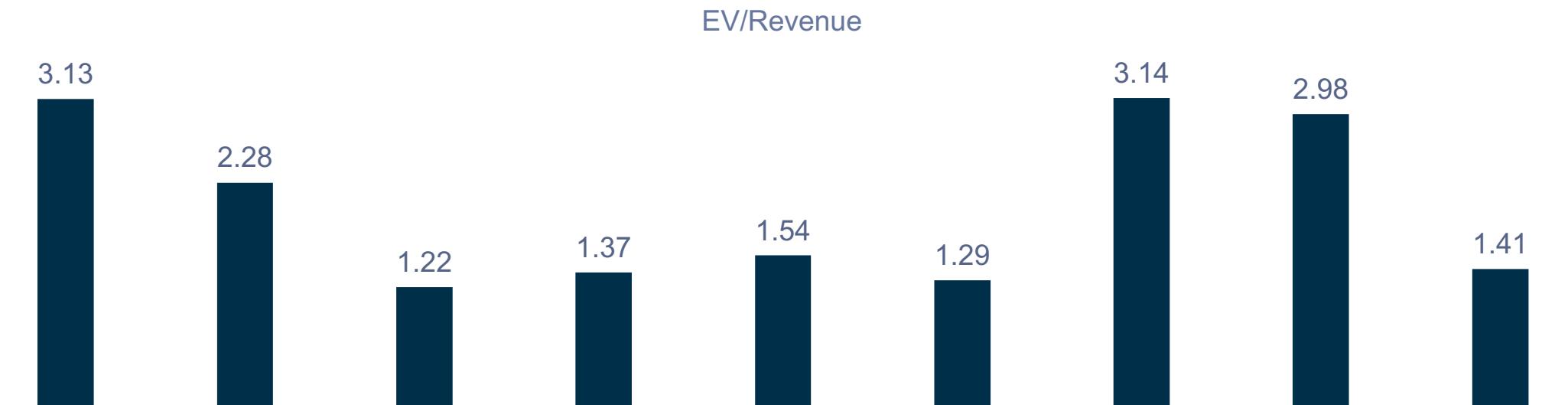
National HealthCare Corporation

- Provides senior care through nursing facilities, living communities, behavioral health facilities, homecare agencies, hospice agencies, and more
- Market Cap: 1.478B

Select Medical Holdings Corporation

- Four areas of expertise: critical illness recovery, inpatient medical rehabilitation, outpatient physical therapy and occupational medicine
- Market Cap: 3.482B

Comparable Companies

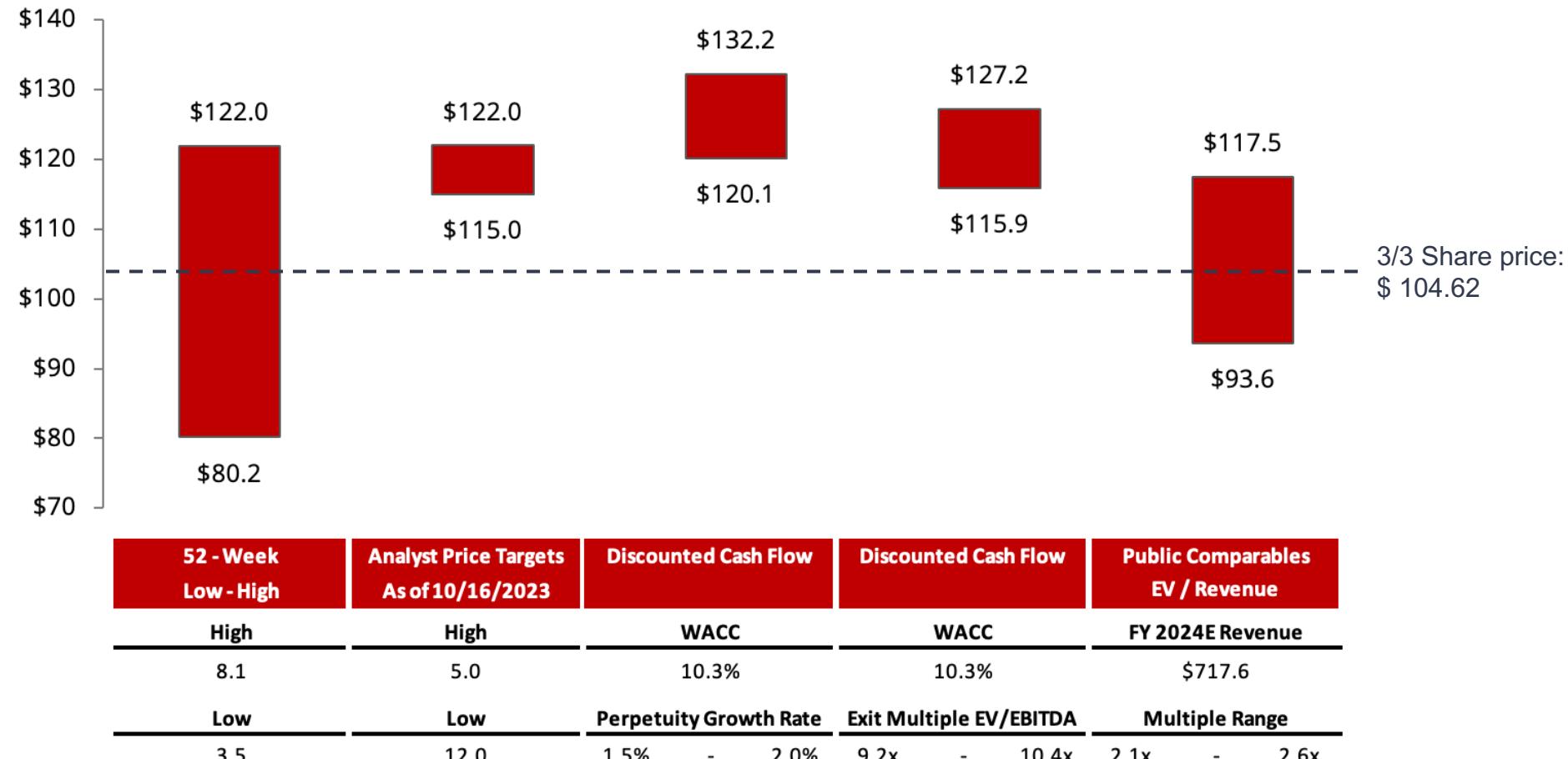


	USPh	Encompass Health	NHC	Tenet Health	amedisys	Select Medical	ACADIA	Surgery Partners	ATI Physical Therapy
Revenue	598.6	4801.2	1135.3	20548	2236.4	6664.1	2928.7	2743.3	687.8
EBITDA	85.3	1005.7	93.3	3659	216.9	763.6	638.9	533	N/A
Net Income	28.25	351.93	66.76	610.28	-9.84	243.24	-21.67	-11.8	305.38
EV/Revenue	3.13	2.28	1.22	1.37	1.54	1.29	3.14	2.98	1.41
EV/EBITDA	21.98	10.9	14.85	7.69	15.92	11.26	14.41	15.32	N/A
P/E	56.37	21.17	22.69	15.24	-308.81	14.37	-355.36	-311.12	0.1

Discounted Cash Flow Model

USPH Income Statement (\$ in millions)	Q3	Fiscal Year Ended December 31					Key Observations
	2023A	2024E	2025E	2026E	2027E	2028E	
Revenue \$	604.8	717.55	825.2	940.7	1063.0	1190.6	1 Revenue Growth sustained through strong M&A pipeline along with growing demand for PT. Managements Medicare Advantage stance will make PT more accessible
% Growth		12.0%	12.0%	12.0%	12.0%	12.0%	
EBITDA \$	85	101	116	136	163	192	2 Gross margin increase is driven by economies of scale
% margin	14.1%	14.1%	14.1%	14.5%	15.3%	16.1%	
	(16)	(17)	(17)	(17)	(18)	(18)	
EBIT \$	69	84	99	119	145	174	3 Decrease in NWC is driven by an increase in accounts payable and spending on long term less liquid assets.
% margin	11.5%	11.7%	12.0%	12.7%	13.6%	13.5%	
Less: Taxes	(12)	(12)	(12)	(12)	(12)	(11)	
NOPAT \$	57	72	87	107	133	163	
Add: D&A	16	17	17	17	18	18	
Less: Capital Expenditures	(9)	(9)	(13)	(15)	(17)	(14)	
% Revenue	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	
Less: Increase in Net Working Capital	(4.9)	3.0	5.0	10.0	15.0	20.0	
Unlevered Free Cash Flow \$	59	83	96	120	149	187	

Football Field



Allocation



USPh
U.S. PHYSICAL THERAPY, INC.
PARTNERSHIPS THAT WORK.
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