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U.S. Physical Therapy Reports Record Quarterly and Six Months Operating Results

Company Raises Annual Earnings Guidance and Declares Quarterly Dividend

Houston, TX, August 2, 2018 – U.S. Physical Therapy, Inc. ("USPH" or the "Company") (NYSE: USPH), a national operator of outpatient physical therapy clinics, today reported results for the second quarter and six months ended June 30, 2018.

For the quarter ended June 30, 2018, USPH's Operating Results increased 24.4% to $9.2 million, or $0.73 per diluted share, as compared to $7.4 million, or $0.59 per diluted share, in the second quarter of 2017. For the six months ended June 30, 2018, USPH's Operating Results increased 17.3% to $16.4 million, or $1.29 per diluted share, as compared to $14.0 million, or $1.11 per diluted share, in the first six months of 2017. Operating Results, a non-generally accepted accounting principles ("non-GAAP") measure, for the 2018 second quarter and first six months results equal net income attributable to USPH shareholders. For the 2017 second quarter and first six months, Operating Results is defined as net income attributable to USPH shareholders prior to charge for interest expense – mandatorily redeemable non-controlling interests – change in redemption value and charge for cost related to restatement of financials – legal and accounting, both charges net of tax.

For the quarter ended June 30, 2018, USPH's net income attributable to its shareholders, in accordance with generally accepted accounting principles ("GAAP"), was $9.2 million as compared to $4.9 million for the second quarter of 2017. Earnings per diluted share of $0.48 in the second quarter of 2018 compares to $0.39 per diluted share for the 2017 second quarter. For the six months ended June 30, 2018, USPH's net income attributable to its shareholders, in accordance with generally accepted accounting principles ("GAAP"), was $16.4 million as compared to $9.8 million for the comparable period of 2017. Earnings per diluted share of $0.74 in the 2018 first six months compares to $0.78 per diluted share for the 2017 first six months. For both periods of 2018, in accordance with current accounting guidance, the revaluation of redeemable non-controlling interest, net of tax, is not included in net income but rather charged directly to retained earnings, but is included in the earnings per basic and diluted share calculation. See the schedule on page 13 for a computation of diluted earnings per share and a reconciliation of net income attributable to USPH shareholders to Operating Results.

<u>Second Quarter 2018 Compared to Second Quarter 2017</u>

- Net revenues increased $10.8 million, or 10.4%, from $104.3 million in the 2017 second quarter to $115.1 million in the 2018 second quarter, primarily due to an increase in net patient revenues from physical therapy operations from both internal growth and acquisitions, an increase in revenue from management contracts primarily due to acquired contracts and an increase in the revenue from the industrial injury prevention business from a combination of internal growth plus a recent acquisition. Our first company in the initial industrial injury prevention business was acquired in March 2017 and, on April 30, 2018, the Company made a second acquisition with the two businesses then combined.

- Net patient revenues from physical therapy operations increased approximately $8.3 million, or 8.5%, to $106.0 million in the 2018 second quarter from $97.7 million in the 2017 second quarter due to an increase in total patient visits of 8.1% from 924,000 to 999,000 and an increase in the average net patient revenue per visit to $106.16 from $105.73. Of the $8.3 million increase in net patient revenues, $4.6 million related to an increase in business of clinics opened or acquired on or prior to June 30, 2017 ("Mature Clinics") and $3.7 million related to clinics opened or acquired after June 30, 2017 ("New Clinics"). Revenue from physical therapy management contracts increased 33.6% to $2.2 million in the 2018 second quarter as compared to $1.6 million in the 2017 second quarter.

- The revenue from the industrial injury prevention business increased 43.2% to $6.3 million in the 2018 second quarter compared to $4.4 million in the 2017 second quarter due to internal growth and the acquisition on April 30, 2018. Other revenue was $0.6 million in both the 2018 and 2017 second quarters.

- Total operating costs were $87.9 million, or 76.4% of net revenues, in the 2018 second quarter as compared to $79.7 million, or 76.5% of net revenues, in the 2017 second quarter. The $8.2 million increase was attributable to $3.6 million in operating costs related to New Clinics, an increase of $3.3 million related to Mature Clinics, an increase of $1.0 million in the industrial injury prevention business primarily due to the most recent acquisition and an increase of $0.3 million related to management contracts. Total salaries and related costs, including those from New Clinics and the industrial injury prevention business, were 56.1% of net revenue in the recent quarter versus 56.4% in the 2017 second quarter. Rent, supplies, contract labor and other costs as a percentage of net revenue were 19.3% in the recent quarter versus 19.2% in the 2017 second quarter. The provision for doubtful accounts as a percentage of net revenue was 1.0% in the 2018 second quarter as compared to 0.9% in the 2017 second quarter.

- The gross profit for the 2018 second quarter grew by 10.7% or $2.6 million to $27.1 million, as compared to $24.5 million in the second quarter of 2017. The gross profit percentage was 23.6% of net revenue in the recent period as compared to 23.5% in the 2017 second quarter. The gross profit percentage for the Company's physical therapy clinics was 23.7% in the recent quarter as compared to 24.2% in the 2017 second quarter. The gross profit percentage on management contracts was 16.3% in the 2018 second quarter as compared to 7.4% in the 2017 second quarter. The gross profit percentage for the industrial injury prevention business was 24.4% in the recent quarter as compared to 15.0% in the 2017 period.

- Corporate office costs were $10.1 million in the 2018 second quarter compared to $8.8 million in the 2017 second quarter. Corporate office costs were 8.8% of net revenues for the 2018 quarter compared to 8.5% for the 2017 quarter.

- Operating income for the recent quarter increased 8.6% to $17.0 million as compared to $15.7 million in the 2017 second quarter.

- The Company no longer has mandatorily redeemable non-controlling interests. See discussion following – Redeemable Non-Controlling Interests.

- Interest expense – debt and other was $0.5 million both the 2018 and 2017 second quarters.

- The provision for income tax for the 2018 second quarter was $3.3 million and for the 2017 second quarter was $3.1 million, both of which are inclusive of the reduction of $0.2 million and $0.1 million, respectively, for the excess tax benefit, which is a component of the provision for income taxes, related to equity compensation. The provision for income tax as a percentage of income before taxes less net income attributable to non-controlling interest was 26.1% and 38.4%, respectively, for the 2018 and 2017 second quarters.

- Net income attributable to non-controlling interests (permanent equity) was $1.4 million in both the 2018 and 2017 second quarters. Net income attributable to redeemable non-controlling interests (temporary equity) was $2.6 million in the 2018 second quarter.

- Same store revenues for de novo and acquired clinics open for one year or more increased 3.7%. Visits increased 2.8% for de novo and acquired clinics open for one year or more and the same store net rate increased by approximately 0.8%.

First Six Months 2018 Compared to First Six Months 2017

- Net revenues increased $21.7 million, or 10.7%, from $201.8 million in the first six months of 2017 to $223.4 million in the first six months of 2018, primarily due to an increase in net patient revenues from physical therapy operations from both internal growth and acquisitions, an increase in revenue from management contracts due to acquired contracts and an increase in the revenue from the industrial injury prevention business from a combination of internal growth plus a recent acquisition and due to a full six months of activity in 2018 for the business acquired in March 2017. Our first company in the industrial injury prevention business was acquired in March 2017 and, on April 30, 2018, the Company made a second acquisition with the two businesses then combined.

- Net patient revenues from physical therapy operations increased approximately $15.2 million, or 8.0%, to $206.5 million in the 2018 period from $191.3 million in the 2017 period due to an increase in total patient visits of 7.7% from 1,815,000 to 1,955,000 and an increase in the average net patient revenue per visit to $105.67 from $105.39. Of the $15.2 million increase, $8.6 million related to Mature Clinics and $6.6 million related to New Clinics. Revenue from physical therapy management contracts increased 26.6% to $4.4 million in the 2018 first six months as compared to $3.5 million for the 2017 first six months.

- Revenue from the industrial injury prevention business increased 89.0% to $11.1 million for the first six months of 2018 compared to $5.9 million in the first half of 2017 due to internal growth and the recent acquisition. Other revenue was $1.4 million in the 2018 period and $1.1 million in the 2017 period.

- Total operating costs were $173.1 million, or 77.5% of net revenues, in the first six months of 2018 as compared to $156.5 million, or 77.6% of net revenues, in the 2017 first six months. The $16.5 million increase was attributable to $6.6 million in operating costs related to New Clinics, an increase of $5.4 million related to Mature Clinics, an increase of $3.8 million related to the industrial injury prevention business primarily due to the most recent acquisition and a full six months of activity in 2018 for the business acquired in March 2017 versus four months in 2017, and an increase of $0.7 million related to management contracts. Total salaries and related costs, including those from New Clinics and the industrial prevention business, were 56.8% of net revenue for the first six months of 2018 and 2017. Rent, supplies, contract labor and other costs as a percentage of net revenue were 19.7% for 2018 period and 19.9% for the 2017 period. The provision for doubtful accounts as a percentage of net revenue was 1.0% for the 2018 period as compared to 0.9% for the 2017 period.

- The gross profit for the first six months of 2018 grew by 11.2% or $5.1 million to $50.4 million, as compared to $45.3 million in the 2017 first six months. The gross profit percentage was 22.5% of net revenue in the recent period as compared to 22.4% for the 2017 first six months. The gross profit percentage for the Company’s physical therapy clinics was 22.8% in the recent quarter as compared to 22.9% in the first six months of 2017. The gross profit percentage on management contracts was 15.1% in the first half of 2018 as compared to 11.3% in the 2017 first six months. The gross profit percentage for the industrial injury prevention business was 20.6% for the first six months of 2018 as compared to 14.8% for the four months of operation in the 2017 period.

- Corporate office costs were $20.3 million in the first six months of 2018 compared to $17.4 million in the 2017 first six months. Corporate office costs were 9.1% of net revenues for the 2018 first six months compared to 8.6% for the 2017 first six months.

- Operating income for the 2018 first six months increased 7.9% to $30.1 million as compared to $27.9 million in the 2017 first six months.

- The Company no longer has mandatorily redeemable non-controlling interests. See discussion following – Redeemable Non-Controlling Interests.

- Interest expense – debt and other was $1.1 million in the first six months of 2018 and $0.9 million in the 2017 first six months.

- The provision for income tax for the 2018 first six months was $5.7 million and for the 2017 first six months was $4.9 million both of which are inclusive of the reduction of $0.5 million and $0.9 million, respectively, for the excess tax benefit, which is a component of the provision for income taxes, related to equity compensation. The provision for income tax as a percentage of income before taxes less net income attributable to non-controlling interest was 26.0% and 33.4%, respectively, for the 2018 and 2017 first six months.

- Net income attributable to non-controlling interests (permanent equity) was $2.6 million in the 2018 first six months as compared to $2.7 million in the 2017 first six months. Net income attributable to redeemable non-controlling interests (temporary equity) was $4.3 million in the 2018 first six months.

- Same store revenues for de novo and acquired clinics open for one year or more increased 3.0%. Visits increased 2.3% for de novo and acquired clinics open for one year or more and the same store net rate increased by approximately 0.6%.

Other Financial Measures

For the second quarter of 2018 the Company's Adjusted EBITDA increased by 6.6% to $17.0 million from $15.9 million in the comparable 2017 quarter. For the first six months of 2018 the Company's Adjusted EBITDA increased by 5.8% to $31.0 million from $29.3 million in the comparable 2017 period. See definition and explanation of Adjusted EBITDA in the schedule on pages 12 and 13.

Raising 2018 Earnings Guidance

The Company is raising earnings guidance for the year 2018. Management currently expects the Company’s Operating Results for the year 2018 to be in the range of $31.1 million to $32.3 million or $2.45 to $2.55 per share. Previous 2018 earning guidance had been for Operating Results of $29.5 million to $30.9 million or $2.34 to $2.44 per share. Please note that the earnings guidance represents projected operating results from existing operations but excludes future acquisitions. The annual guidance figures may not be updated unless there is a material development that causes management to believe that operating results will be significantly outside the given range.

Management’s Comments

Chris Reading, Chief Executive Officer, said, “Last year we embarked on making a number of changes in order to create the kind of results we are producing in 2018. I am proud of our partners and their staffs, our regional operations teams and our Houston-based support groups for working together to move market share, get a handle on cost, and to continue our daily focus to make a difference in the lives of our patients. While we have more work to do and continued opportunity to improve, I am encouraged by our performance to date. Additionally and importantly, our industrial injury prevention business has grown significantly over the past year, both organically and through the recent acquisition.”

Larry McAfee, Chief Financial Officer, noted, “The gross margin for the Company’s industrial injury prevention business more than doubled growing from $.7 million in the second quarter of 2017 to $1.5 million in the comparable 2018 period. The gross margin percentage grew from 15.0% to 24.4%.”

Redeemable Non-Controlling Interests

Effective December 31, 2017, the Company entered into amendments to its acquired limited partnership agreements replacing the mandatory redemption feature. No monetary consideration was paid to the partners to amend the agreements. The amended Partnership Agreements provide that, upon certain events, the Company has a call right (the “Call Right”) and the selling entity has a put right (the “Put Right”) for the purchase and sale of the limited partnership interest held by the partner. Once the terms are triggered, the Put Right and the Call Right do not expire, even upon an individual partner’s death, and contain no mandatory redemption feature. The purchase price of the partner’s limited partnership interest upon the exercise of either the Put Right or the Call Right is calculated per the original terms of the respective agreements. The Company accounted for the amendment of its Partnership Agreements as an extinguishment of the outstanding Seller Entity Interests classified as liabilities through the issuance of new Seller Entity Interests classified in temporary equity. Pursuant to ASC 470-50-40-2, the Company removed the outstanding liability-classified Seller Entity Interests at their carrying amounts and recognized the new temporary-equity-classified Seller Entity Interests at their fair value. In summary, the redemption values of the mandatorily redeemable non-controlling interest (previously classified as liabilities) were reclassified as redeemable non-controlling interest (temporary equity) on the December 31, 2017 consolidated balance sheet. For 2018, in accordance with current accounting guidance, the revaluation of redeemable non-controlling interest, net of tax, will be charged directly to retained earnings and will be included in the earnings per basic and diluted share calculation.

U.S. Physical Therapy Declares Quarterly Dividend

The third quarterly dividend for 2018 of $0.23 per share will be paid on September 7, 2018 to shareholders of record as of August 14, 2018. U.S. Physical Therapy began paying quarterly dividends in 2011 and has increased the dividend amount every year since.

Second Quarter 2018 Conference Call

U.S. Physical Therapy's Management will host a conference call at 10:30 a.m. Eastern Time, 9:30 a.m. Central Time, on August 2, 2018 to discuss the Company's Quarter and Six Months Ended June 30, 2018 results. Interested parties may participate in the call by dialing 1-888-335-5539 or 973-582-2857 and entering reservation number 1791027 approximately 10 minutes before the call is scheduled to begin. To listen to the live call via web-cast, go to the Company's website at www.usph.com at least 15 minutes early to register, download and install any necessary audio software. The conference call will be archived and can be accessed until November 2, 2018.

Forward-Looking Statements

This press release contains statements that are considered to be forward-looking within the meaning under Section 21E of the Securities Exchange Act of 1934, as amended. These statements contain forward-looking information relating to the financial condition, results of operations, plans, objectives, future performance and business of our Company. These statements (often using words such as "believes", "expects", "intends", "plans", "appear", "should" and similar words) involve risks and uncertainties that could cause actual results to differ materially from those we expect. Included among such statements may be those relating to new clinics, availability of personnel and the reimbursement environment. The forward-looking statements are based on our current views and assumptions and actual results could differ materially from those anticipated in such forward-looking statements as a result of certain risks, uncertainties, and factors, which include, but are not limited to:

- changes as the result of government enacted national healthcare reform;
- changes in Medicare rules and guidelines and reimbursement or failure of our clinics to maintain their Medicare certification status;
- revenue we receive from Medicare and Medicaid being subject to potential retroactive reduction;
- business and regulatory conditions including federal and state regulations;
- governmental and other third party payor inspections, reviews, investigations and audits;
- compliance with federal and state laws and regulations relating to the privacy of individually identifiable patient information, and associated fines and penalties for failure to comply;
- changes in reimbursement rates or payment methods from third party payors including government agencies and deductibles and co-pays owed by patients;
- revenue and earnings expectations;
- cost, risks and uncertainties associated with the Company's restatement of its prior financial statements due to the correction of its accounting methodology for redeemable non-controlling partnership interests, and including any pending and future claims or proceedings relating to such matters;
- legal actions, which could subject us to increased operating costs and uninsured liabilities;
- general economic conditions;
- availability and cost of qualified physical therapists;
- personnel productivity and retaining key personnel;
- competitive, economic or reimbursement conditions in our markets which may require us to reorganize or close certain clinics and thereby incur losses and/or closure costs including the possible write-down or write-off of goodwill and other intangible assets;
- acquisitions, purchase of non-controlling interests (minority interests) and the successful integration of the operations of the acquired businesses;
- maintaining our information technology systems with adequate safeguards to protect against cyber-attacks;
- maintaining adequate internal controls;
- maintaining necessary insurance coverage;
- availability, terms, and use of capital; and
- weather and other seasonal factors.

Many factors are beyond our control. Given these uncertainties, you should not place undue reliance on our forward-looking statements. Please see our periodic reports filed with the Securities and Exchange Commission for more information on these factors. Our forward-looking statements represent our estimates and assumptions only as of the date of this press release. Except as required by law, we are under no obligation to update any forward-looking statement, regardless of the reason the statement is no longer accurate.

About U.S. Physical Therapy, Inc.

Founded in 1990, U.S. Physical Therapy, Inc. operates 581 outpatient physical therapy clinics in 42 states. The Company's clinics provide preventative and post-operative care for a variety of orthopedic-related disorders and sports-related injuries, treatment for neurologically-related injuries and rehabilitation of injured workers. In addition to owning and operating clinics, the Company manages 28 physical therapy facilities for unaffiliated third parties, including hospitals and physician groups. The Company also has an industrial injury prevention business which provides onsite services for clients' employees including injury prevention, rehabilitation, ergonomic assessments and performance optimization.

More information about U.S. Physical Therapy, Inc. is available at www.usph.com. The information included on that website is not incorporated into this press release.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net patient revenues	$ 105,989	$ 97,657	$ 206,541	$ 191,311
Other revenues	9,109	6,594	16,899	10,505
Net revenues	115,098	104,251	223,440	201,816
Operating costs:				
Salaries and related costs	64,607	58,779	126,886	114,606
Rent, supplies, contract labor and other	22,168	20,033	43,944	40,120
Provision for doubtful accounts	1,151	888	2,212	1,786
Closure costs	18	17	30	23
Total operating costs	87,944	79,717	173,072	156,535
Gross profit	27,154	24,534	50,368	45,281
Corporate office costs	10,128	8,856	20,291	17,403
Operating income	17,026	15,678	30,077	27,878
Interest and other income, net	22	23	54	47
Interest expense:				
Mandatorily redeemable non-controlling interests - change in redemption value	-	(3,923)	-	(6,592)
Mandatorily redeemable non-controlling interests - earnings allocable	-	(1,787)	-	(3,081)
Debt and other	(545)	(516)	(1,098)	(931)
Total interest expense	(545)	(6,226)	(1,098)	(10,604)
Income before taxes	16,503	9,475	29,033	17,321
Provision for income taxes	3,267	3,085	5,743	4,897
Net income	13,236	6,390	23,290	12,424
Less: net income attributable to non-controlling interests	(3,990)	(1,449)	(6,927)	(2,667)
Net income attributable to USPH shareholders	$ 9,246	$ 4,941	$ 16,363	$ 9,757
Basic and diluted earnings per share attributable to USPH shareholders	$ 0.48	$ 0.39	$ 0.74	$ 0.78
Shares used in computation - basic and diluted	12,677	12,579	12,647	12,553
Dividends declared per common share	$ 0.23	$ 0.20	$ 0.46	$ 0.40

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	June 30, 2018	December 31, 2017
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 27,148	$ 21,933
Patient accounts receivable, less allowance for doubtful accounts of $2,790 and $2,273, respectively	45,424	44,707
Accounts receivable - other	8,589	5,655
Other current assets	5,247	4,786
Total current assets	86,408	77,081
Fixed assets:		
Furniture and equipment	51,923	51,100
Leasehold improvements	30,421	29,760
Fixed assets, gross	82,344	80,860
Less accumulated depreciation and amortization	62,652	60,475
Fixed assets, net	19,692	20,385
Goodwill	284,624	271,338
Other identifiable intangible assets, net	48,435	48,954
Other assets	1,384	1,224
Total assets	$ 440,543	$ 418,982
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS, USPH SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		
Current liabilities:		
Accounts payable - trade	$ 1,705	$ 2,165
Accrued expenses	35,367	33,342
Current portion of notes payable	4,817	4,044
Total current liabilities	41,889	39,551
Notes payable, net of current portion	607	2,728
Revolving line of credit	56,000	54,000
Mandatorily redeemable non-controlling interests	-	327
Deferred taxes	9,584	10,875
Deferred rent	1,913	2,116
Other long-term liabilities	775	743
Total liabilities	110,768	110,340
Redeemable non-controlling interests	117,027	102,572
Commitments and contingencies		
U.S. Physical Therapy, Inc. ("USPH") shareholders' equity:		
Preferred stock, $.01 par value, 500,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.01 par value, 20,000,000 shares authorized, 14,900,575 and 14,809,299 shares issued, respectively	149	148
Additional paid-in capital	77,099	73,940
Retained earnings	165,991	162,406
Treasury stock at cost, 2,214,737 shares	(31,628)	(31,628)
Total USPH shareholders' equity	211,611	204,866
Non-controlling interests	1,137	1,204
Total USPH shareholders' equity and non-controlling interests	212,748	206,070
Total liabilities, redeemable non-controlling interests, USPH shareholders' equity and non-controlling interests	$ 440,543	$ 418,982

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(unaudited)

	Six Months Ended	
	June 30, 2018	**June 30, 2017**
OPERATING ACTIVITIES		
Net income including non-controlling interests	$ 23,290	$ 12,424
Adjustments to reconcile net income including non-controlling interests to net cash provided by operating activities:		
Depreciation and amortization	4,866	4,789
Provision for doubtful accounts	2,212	1,786
Equity-based awards compensation expense	2,937	2,345
Loss on sale of fixed assets	94	65
Deferred income taxes	(1,736)	(985)
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(2,141)	(4,006)
Increase in accounts receivable - other	(2,934)	(3,406)
Increase in other assets	(140)	(2,342)
Increase in accounts payable and accrued expenses	4,845	5,043
Increase in mandatorily redeemable non-controlling interests	-	6,401
(Decrease) increase in other liabilities	(672)	77
Net cash provided by operating activities	30,621	22,191
INVESTING ACTIVITIES		
Purchase of fixed assets	(3,270)	(3,245)
Purchase of businesses, net of cash acquired	(9,118)	(33,665)
Purchase of non-controlling interest	(245)	-
Proceeds on sale of fixed assets	1	62
Net cash used in investing activities	(12,632)	(36,848)
FINANCING ACTIVITIES		
Distributions to non-controlling interests, permanent and temporary equity	(6,735)	(2,665)
Cash dividends paid to shareholders	(5,828)	(2,516)
Proceeds from revolving line of credit	55,000	49,000
Payments on revolving line of credit	(53,000)	(26,000)
Payments to settle mandatorily redeemable non-controlling interests	(265)	(2,230)
Principal payments on notes payable	(1,898)	(777)
Other	(48)	40
Net (cash used in) provided by financing activities	(12,774)	14,852
Net increase in cash and cash equivalents	5,215	195
Cash and cash equivalents - beginning of period	21,933	20,047
Cash and cash equivalents - end of period	$ 27,148	$ 20,242
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Income taxes	$ 7,483	$ 7,516
Interest	$ 1,106	$ 104
Non-cash investing and financing transactions during the period:		
Purchase of business - seller financing portion	$ 550	$ 1,650

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES

OPERATING RESULTS AND ADJUSTED EBITDA
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(unaudited)

The following tables provide a detail of the diluted earnings per share computation and reconcile net income attributable to USPH shareholders calculated in accordance with GAAP to Operating Results and Adjusted EBITDA. Management believes providing Operating Results and Adjusted EBITDA to investors is useful information for comparing the Company's period-to-period results.

For 2018, Operating Results equal net income attributable to USPH shareholders and, in accordance with current accounting guidance, the revaluation of redeemable non-controlling interest, net of tax, charged directly to retained earnings is included in the earnings per diluted share calculation. For the 2017 first quarter, Operating Results, a non-generally accepted accounting principles ("non-GAAP") measure, is defined as net income attributable to common shareholders prior to interest expense – mandatorily redeemable non-controlling interests – change in redemption value and charge for cost related to restatement of financials – legal and accounting, both charges net of tax.

Operating Results for the two periods are comparable, however, the calculations differ. Management uses Operating Results, which eliminates this current non-cash item that can be subject to volatility and unusual costs, as one of the principal measures to evaluate and monitor financial performance period over period. Management believes that Operating Results is useful information for investors to use in comparing the Company's period-to-period results as well as for comparing with other similar businesses since most do not have mandatorily redeemable instruments and therefore have different liability and equity structures.

Adjusted EBITDA is defined as earnings before interest income, interest expense – mandatorily redeemable non-controlling interests – change in redemption value, interest expense – debt and other, taxes, depreciation, amortization and equity-based awards compensation expense. Management believes reporting Adjusted EBITDA is useful information for investors in comparing the Company's period-to-period results as well as comparing with similar businesses which report adjusted EBITDA as defined by their company.

Operating Results and Adjusted EBITDA are not measures of financial performance under GAAP. Adjusted EBITDA and Adjusted Net Income should not be considered in isolation or as an alternative to, or substitute for, net income attributable to USPH shareholders presented in the consolidated financial statements.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Computation of earnings per share - USPH shareholders				
Net income attributable to USPH shareholders	$ 9,246	$ 4,941	$ 16,363	$ 9,757
Charges to retained earnings:				
Revaluation of redeemable non-controlling interest	$ (4,344)	$ -	(9,425)	-
Tax effect at statutory rate (federal and state) of 26.25%	1,140	-	2,474	-
	$ 6,042	$ 4,941	$ 9,412	$ 9,757
Basic and diluted per share	$ 0.48	$ 0.39	$ 0.74	$ 0.78
Adjustments:				
Interest expense MRNCI * - change in redemption value	-	3,923	-	6,592
Cost related to restatement of financials - legal and accounting	-	177	-	312
Revaluation of redeemable non-controlling interest	4,344	-	9,425	-
Tax effect at statutory rate (federal and state) of 26.25% and 39.25%, respectively	(1,140)	(1,609)	(2,474)	(2,710)
Operating results	$ 9,246	$ 7,432	$ 16,363	$ 13,951
Basic and diluted operating results per share	$ 0.73	$ 0.59	$ 1.29	$ 1.11
Shares used in computation:				
Basic and diluted	12,677	12,579	12,647	12,553

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to USPH shareholders	$ 9,246	$ 4,941	$ 16,363	$ 9,757
Adjustments:				
Depreciation and amortization	2,398	2,433	4,866	4,789
Interest income	(22)	(23)	(54)	(47)
Interest expense MRNCI * - change in redemption value	-	3,923	-	6,592
Interest expense - debt and other	545	516	1,098	931
Provision for income taxes	3,267	3,085	5,743	4,897
Equity-based awards compensation expense	1,556	1,065	2,937	2,345
Adjusted EBITDA	$ 16,990	$ 15,940	$ 30,953	$ 29,264

* Mandatorily redeemable non-controlling interest

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
RECAP OF CLINIC COUNT

Date	Number of Clinics
March 31, 2017	558
June 30, 2017	566
September 30, 2017	569
December 31, 2017	578
March 31, 2018	580
June 30, 2018	581