UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____TO _____

COMMISSION FILE NUMBER 1-11151

U.S. PHYSICAL THERAPY, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA **(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)**	**76-0364866** **(I.R.S. EMPLOYER IDENTIFICATION NO.)**
1300 WEST SAM HOUSTON PARKWAY SOUTH, SUITE 300, HOUSTON, TEXAS **(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)**	**77042** **(ZIP CODE)**

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 297-7000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE EXCHANGE ACT:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value	USPH	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

As of May 9, 2025, the number of shares outstanding (issued less treasury stock) of the registrant's common stock, par value $.01 per share, was: 15,191,689.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	March 31, 2025	December 31, 2024
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 39,183	$ 41,362
Patient accounts receivable, less provision for credit losses of $3,620 and $3,506, respectively	64,760	59,040
Accounts receivable - other	26,136	26,626
Other current assets	15,274	10,555
Total current assets	145,353	137,583
Fixed assets:		
Furniture and equipment	68,802	68,128
Leasehold improvements	53,504	51,105
Fixed assets, gross	122,306	119,233
Less accumulated depreciation and amortization	(89,542)	(87,093)
Fixed assets, net	32,764	32,140
Operating lease right-of-use assets	133,197	133,936
Investment in unconsolidated affiliate	12,273	12,190
Goodwill	674,387	667,152
Other identifiable intangible assets, net	177,328	179,311
Other assets	4,385	5,155
Total assets	$ 1,179,687	$ 1,167,467
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, USPH SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTEREST		
Current liabilities:		
Accounts payable - trade	$ 6,088	$ 5,936
Accrued expenses	68,326	59,513
Current portion of operating lease liabilities	40,124	39,835
Current portion of term loan and notes payable	9,257	10,999
Total current liabilities	123,795	116,283
Notes payable, net of current portion	387	903
Revolving facility	28,000	11,000
Term loan, net of current portion and deferred financing costs	128,851	130,627
Deferred taxes	34,055	29,465
Operating lease liabilities, net of current portion	100,688	101,868
Other long-term liabilities	4,903	18,275
Total liabilities	420,679	408,421
Redeemable non-controlling interest - temporary equity	260,047	269,025
Commitments and Contingencies		
U.S. Physical Therapy, Inc. ("USPH") shareholders' equity:		
Preferred stock, $0.01 par value, 500,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.01 par value, 20,000,000 shares authorized, 17,406,426 and 17,309,120 shares issued, respectively	172	172
Additional paid-in capital	292,773	290,321
Accumulated other comprehensive gain	1,783	2,799
Retained earnings	234,161	227,265
Treasury stock at cost, 2,214,737 shares	(31,628)	(31,628)
Total USPH shareholders' equity	497,261	488,929
Non-controlling interest - permanent equity	1,700	1,092
Total USPH shareholders' equity and non-controlling interest - permanent equity	498,961	490,021
Total liabilities, redeemable non-controlling interest, USPH shareholders' equity and non-controlling interest - permanent equity	$ 1,179,687	$ 1,167,467

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF NET INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended	
	March 31, 2025	March 31, 2024
Net patient revenue	$ 152,547	$ 131,075
Other revenue	31,241	24,600
Net revenue	183,788	155,675
Operating cost:		
Salaries and related costs	111,249	93,731
Rent, supplies, contract labor and other	33,844	27,904
Depreciation and amortization	5,540	3,885
Provision for credit losses	1,848	1,627
Clinic closure costs - lease and other	242	127
Total operating cost	152,723	127,274
Gross profit	31,065	28,401
Corporate office costs	16,245	14,085
Gain on change in fair value of contingent earn-out consideration	(4,822)	(612)
Operating income	19,642	14,928
Other (expense) income		
Interest expense, debt and other	(2,279)	(1,968)
Interest income from investments	24	1,543
Change in revaluation of put-right liability	(404)	(80)
Equity in earnings of unconsolidated affiliate	393	271
Loss on sale of a partnership	(123)	-
Other	75	62
Total other expense	(2,314)	(172)
Income before taxes	17,328	14,756
Provision for income taxes	3,860	3,139
Net income	13,468	11,617
Less: Net income attributable to non-controlling interest:		
Redeemable non-controlling interest - temporary equity	(2,012)	(2,227)
Non-controlling interest - permanent equity	(1,557)	(1,344)
	(3,569)	(3,571)
Net income attributable to USPH shareholders	$ 9,899	$ 8,046
Basic and diluted earnings per share attributable to USPH shareholders	$ 0.80	$ 0.46
Shares used in computation - basic and diluted	15,132	15,017
Dividends declared per common share	$ 0.45	$ 0.44

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	Three Months Ended	
	March 31, 2025	March 31, 2024
Net income	$ 13,468	$ 11,617
Other comprehensive gain:		
Unrealized (loss) gain on cash flow hedge	(1,331)	1,781
Tax effect at statutory rate (federal and state)	340	(455)
Comprehensive income	$ 12,477	$ 12,943
Comprehensive income attributable to non-controlling interest	(3,569)	(3,571)
Comprehensive income attributable to USPH shareholders	$ 8,908	$ 9,372

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
OPERATING ACTIVITIES		
Net income including non-controlling interest	$ 13,468	$ 11,617
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:		
Depreciation and amortization	5,867	4,095
Provision for credit losses	1,848	1,627
Equity-based awards compensation expense	1,771	1,997
Amortization of debt issue costs	106	106
Change in deferred income taxes	5,242	1,943
Change in revaluation of put-right liability	404	80
Gain on change in fair value of contingent earn-out consideration	(4,822)	(612)
Equity of earnings in unconsolidated affiliate	(393)	(271)
Loss on sale of fixed assets	-	5
Loss on sale of a partnership	123	-
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(7,341)	(5,124)
Decrease (increase) in accounts receivable - other	774	(3,985)
Increase in other current and long term assets	(6,209)	(433)
Decrease in accounts payable and accrued expenses	(14,229)	(6,678)
(Decrease) increase in long term liabilities	(1,284)	52
Net cash (used in) provided by operating activities	(4,675)	4,419
INVESTING ACTIVITIES		
Purchase of fixed assets	(2,579)	(1,838)
Purchase of majority interest in businesses, net of cash acquired	(4,211)	(15,971)
Purchase of redeemable non-controlling interest, temporary equity	(907)	(2,702)
Purchase of non controlling interest, permanent equity	-	(498)
Proceeds from the sale of partnership interest - redeemable non-controlling interest, temporary equity	15	67
Proceeds from the sale of non-controlling interest, permanent equity	-	23
Proceeds from sale of partnership	700	-
Distributions from unconsolidated affiliate	310	367
Other	44	88
Net cash (used in) investing activities	(6,628)	(20,464)
FINANCING ACTIVITIES		
Proceeds from revolving facility	17,000	-
Distributions to non-controlling interest, permanent and temporary equity	(3,653)	(3,160)
Payments on term loan	(3,750)	(938)
Principal payments on notes payable	(473)	(392)
Net cash provided by (used in) financing activities	9,124	(4,490)
Net (decrease) in cash and cash equivalents	(2,179)	(20,535)
Cash and cash equivalents - beginning of period	41,362	152,825
Cash and cash equivalents - end of period	$ 39,183	$ 132,290
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Income taxes	$ 7,359	$ 367
Interest paid	2,205	1,844
Non-cash investing and financing transactions during the period:		
Purchase of businesses - seller financing portion	-	500
Purchase of redeemable non-controlling interest, temporary equity, recorded in accrued liabilities	6,672	-
Fair market value of initial contingent consideration related to purchase of businesses	1,259	-
Notes payable related to purchase of redeemable non-controlling interest, temporary equity	89	-
Notes receivable related to sale of redeemable non-controlling interest	646	315
Notes receivable related to the sale of non-controlling interest, permanent equity	-	243
Offset to notes receivable associated with purchase of redeemable non-controlling interest	180	75
Dividends payable to USPH shareholders	6,836	6,630

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(IN THOUSANDS)

	Common Stock		Additional	Accumulated Other	Retained	Treasury Stock		Total Shareholders'	Non-Controlling	
	Shares	Amount	Paid-In Capital	Comprehensive Gain	Earnings	Shares	Amount	Equity	Interests	Total
Balance December 31, 2024	17,309	$ 172	$ 290,321	$ 2,799	$ 227,265	(2,215)	$ (31,628)	$ 488,929	$ 1,092	$ 490,021
Net income attributable to USPH shareholders	-	-	-	-	9,899	-	-	9,899	-	9,899
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	1,557	1,557
Issuance of restricted stock, net of cancellations	97	-	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest	-	-	-	-	2,903	-	-	2,903	-	2,903
Compensation expense - equity-based awards	-	-	1,731	-	-	-	-	1,731	-	1,731
Dividends payable to USPH shareholders	-	-	-	-	(6,836)	-	-	(6,836)	-	(6,836)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(987)	(987)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	936	-	-	936	-	936
Other comprehensive gain	-	-	-	(991)	-	-	-	(991)	-	(991)
Transfer of compensation liability for certain stock issued pursuant to long-term incentive plans	-	-	721	-	-	-	-	721	-	721
Other	-	-	-	(25)	(6)	-	-	(31)	38	7
Balance March 31, 2025	17,406	172	292,773	1,783	234,161	(2,215)	(31,628)	497,261	1,700	498,961

	Common Stock		Additional	Accumulated Other	Retained	Treasury Stock		Total Shareholders'	Non-Controlling	
	Shares	Amount	Paid-In Capital	Comprehensive Gain	Earnings	Shares	Amount	Equity	Interests	Total
Balance December 31, 2023	17,202	$ 172	$ 281,096	$ 2,782	$ 223,772	(2,215)	$ (31,628)	$ 476,194	$ 1,216	$ 477,410
Net income attributable to USPH shareholders	-	-	-	-	8,046	-	-	8,046	-	8,046
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	-	1,344	1,344
Issuance of restricted stock, net of cancellations	81	-	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest	-	-	-	-	(1,439)	-	-	(1,439)	-	(1,439)
Compensation expense - equity-based awards	-	-	1,997	-	-	-	-	1,997	-	1,997
Sale of non-controlling interest	-	-	198	-	-	-	-	198	-	198
Purchase of partnership interests - non-controlling interest	-	-	(345)	-	-	-	-	(345)	(38)	(383)
Dividends payable to USPH shareholders	-	-	-	-	(6,630)	-	-	(6,630)	-	(6,630)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	-	(1,060)	(1,060)
Deferred taxes related to redeemable non-controlling interest - temporary equity	-	-	-	-	(175)	-	-	(175)	-	(175)
Other comprehensive gain	-	-	-	1,326	-	-	-	1,326	-	1,326
Transfer of compensation liability for certain stock issued pursuant to long-term incentive plans	-	-	600	-	-	-	-	600	-	600
Other	-	-	-	-	(1)	-	-	(1)	-	(1)
Balance March 31, 2024	17,283	172	283,546	4,108	223,573	(2,215)	(31,628)	479,771	1,462	481,233

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

Nature of Business

U.S. Physical Therapy, Inc. and its subsidiaries (the "Company") operates its business through two reportable business segments. Our physical therapy operations consist of physical therapy and occupational therapy clinics that provide pre- and post-operative care and treatment for a variety of orthopedic-related disorders, and sports-related injuries, and rehabilitation of injured workers. Services provided by the industrial injury prevention services ("IIP") segment include onsite services for clients' employees including injury prevention and rehabilitation, performance optimization, post-offer employment testing, functional capacity evaluations and ergonomic assessments. The majority of IIP is contracted with and paid for directly by employers, including a number of Fortune 500 companies. IIP services are performed through Industrial Sports Medicine Professionals with specialized training related to the musculoskeletal system.

As of March 31, 2025, the Company operated and/or managed 736 clinics in 44 states. In addition to the foregoing 736 clinics, the Company also managed 37 hospital and/or physician owned physical therapy practices.

During the three months ended March 31, 2025, and for the year ended December 31, 2024, the Company completed the acquisitions of the following clinic practices and IIP businesses:

Acquisition	Date	% Interest Acquired	Number of Clinics
February 2025 Acquisition	February 28, 2025	65%	3
November 2024 Acquisition	November 30, 2024	75%	8
October 2024 Acquisition	October 31, 2024	50%	50
August 2024 Acquisition	August 31, 2024	70%	8
April 2024 Acquisition	April 30, 2024	**	*
March 2024 Acquisition	March 29, 2024	50%	9

* *IIP business.*
** *On April 30, 2024, one of our primary IIP businesses, Briotix Health Limited Partnership, acquired 100% of an IIP business.*

Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions for Form 10-Q. However, the statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Management believes this report contains all necessary adjustments (consisting only of normal recurring adjustments) to present fairly, in all material respects, the Company's financial position, results of operations and cash flows for the interim periods presented. These unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, filed with the Securities and Exchange Commission on March 3, 2025. Interim results are not necessarily indicative of the results the Company expects for the entire year. All significant intercompany transactions have been eliminated in consolidation.

Segment Reporting

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by chief operating decision makers in determining the allocation of resources and in assessing performance. The Company currently operates through two segments: physical therapy operations and IIP.

Use of Estimates

In preparing the Company's consolidated financial statements, management makes certain estimates and assumptions, especially in relation to, but not limited to, goodwill impairment, tradenames and other intangible assets, allocations of purchase price, allowance for receivables, tax provision and contractual allowances, that affect the amounts reported in the consolidated financial statements and related disclosures. Actual results may differ from these estimates.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill represents the excess of the amount paid and fair value of the non-controlling interests over the fair value of the acquired business assets, which include certain identifiable intangible assets. Historically, goodwill has been derived from acquisitions and, prior to 2009, from the purchase of some or all of a particular local management's equity interest in an existing clinic. Effective January 1, 2009, if the purchase price of a non-controlling interest, permanent equity by the Company exceeds or is less than the book value at the time of purchase, any excess or shortfall is recognized as an adjustment to additional paid-in capital.

Goodwill and other indefinite-lived intangible assets are not amortized but are instead subject to periodic impairment evaluations. The fair value of goodwill and other identifiable intangible assets with indefinite lives are evaluated for impairment at least annually and upon the occurrence of certain triggering events or conditions and are written down to fair value, if considered impaired. These events or conditions include but are not limited to a significant adverse change in the business environment, regulatory environment, or legal factors; a current period operating, or cash flow, combined with a history of such losses or a projection of continuing losses; or a sale or disposition of a significant portion of a reporting unit. The occurrence of one of these triggering events or conditions could result in an impairment assessment, necessitating an impairment charge. The Company evaluates indefinite-lived tradenames in conjunction with its annual goodwill impairment test.

The reporting units within the Company's physical therapy business are comprised of six regions primarily based on each clinic's location. The IIP business consists of two reporting units.

As part of the impairment analysis, the Company is first required to assess qualitatively if it can conclude whether goodwill is more likely than not impaired. If goodwill is more likely than not impaired, it is then required to complete a quantitative analysis of whether a reporting unit's fair value is less than its carrying amount. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company considers relevant events or circumstances that affect the fair value or carrying amount of a reporting unit. The Company considers both the income and market approach in determining the fair value of its reporting units when performing a quantitative analysis. An impairment loss generally would be recognized when the carrying amount of the net assets of a reporting unit, inclusive of goodwill and other identifiable intangible assets, exceeds the estimated fair value of the reporting unit.

For the three months ended March 31, 2025, no triggering events or indicators were identified that would require impairments of assets for such period. During the three and twelve months ended December 31, 2024, the Company recorded a non-cash impairment charge of $2.4 million related to assets held for sale (described in *Note 5*, *Assets Held for Sale*), of which $1.6 million was attributed to referral relationships, $0.5 million was attributed to tradename and $0.3 million was attributed to other assets, during the year ended December 31, 2024.

The Company will continue to monitor for any triggering events or other indicators of impairment.

Variable interest entities

A variable interest entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support, or is structured such that its equity holders do not have power over the activities of the entity; have voting rights, as a group, that are not proportionate to their economic interests; or are not exposed to the residual losses or benefits of the entity.

At the inception of a contractual agreement, the Company determines whether it holds a variable interest in a legal entity that is a VIE and whether it is the primary beneficiary of the VIE. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. If the Company concludes it is the primary beneficiary of a VIE, the Company consolidates the accounts of that VIE. The Company regularly reviews and reconsiders previous conclusions regarding whether the Company holds a variable interest in a potential VIE, the status of an entity as a VIE, and whether it is the primary beneficiary of a VIE.

Investment in unconsolidated affiliate

Investments in unconsolidated affiliates, in which the Company has less than a controlling interest, are accounted for under the equity method of accounting and, accordingly, are adjusted for capital contributions, distributions and the Company's equity in net earnings or loss of the respective joint venture.

Redeemable Non-Controlling Interest

The non-controlling interest that is reflected as redeemable non-controlling interest in the consolidated financial statements consists of those in which the owners and the Company have certain redemption rights, whether currently exercisable or not, and which currently, or in the future, require that the Company purchase or the owner sell the non-controlling interest held by the owner, if certain conditions are met. The purchase price is derived via a predetermined formula based on a multiple of earnings performance as defined in the respective limited partnership agreements. Most of these redemption rights can be triggered by the owner or the Company at such time as both of the following events have occurred: 1) termination of the owner's employment, regardless of the reason for such termination, and 2) the passage of specified number of years after the closing of the transaction, typically three to five years, as defined in the limited partnership agreement or limited liability company agreement, as applicable. Other redemption rights can be triggered by the owner after the passage of a certain period of time. The redemption rights are not automatic or mandatory (even upon death) and require either the owner or the Company to exercise its rights when the conditions triggering the redemption rights have been satisfied.

On the date the Company acquires a controlling interest in a partnership, and the limited partnership agreement for such partnership contains redemption rights not under the control of the Company, the fair value of the non-controlling interest is recorded in the consolidated balance sheet under the caption—Redeemable non-controlling interest – temporary equity. Then, in each reporting period thereafter until it is purchased by the Company, the redeemable non-controlling interest is adjusted to the greater of its then current redemption value or initial carrying value, based on the predetermined formula defined in the respective limited partnership agreement. As a result, the value of the non-controlling interest is not adjusted below its initial carrying value. The Company records any adjustment in the redemption value, net of tax, directly to retained earnings and these adjustments are not reflected in the consolidated statements of net income. Although the adjustments are not reflected in the consolidated statements of net income, current accounting rules require that the Company reflects the adjustments, net of tax, in the earnings per share calculation. The amount of net income attributable to redeemable non-controlling interest owners is included in consolidated net income on the face of the consolidated statements of net income. Management believes the redemption value (i.e. the carrying amount) and fair value are the same.

Non-Controlling Interest

The Company recognizes non-controlling interest, in which the Company has no obligation but the right to purchase the non-controlling interest, as permanent equity in the unaudited consolidated financial statements separate from the parent entity's equity. The amount of net income attributable to non-controlling interest is included in the consolidated net income on the face of the unaudited consolidated statements of net income. Changes in a parent entity's ownership interest in a subsidiary that do not result in deconsolidation are treated as equity transactions if the parent entity retains its controlling financial interest. The Company recognizes a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss is measured using the fair value of the non-controlling equity investment on the deconsolidation date.

When the purchase price of a non-controlling interest by the Company exceeds the book value at the time of purchase, any excess or shortfall is recognized as an adjustment to additional paid-in capital. Additionally, operating losses are allocated to non-controlling interests even when such allocation creates a deficit balance for the non-controlling interest partner.

During the three months ended March 31, 2025, the Company sold an interest of 3.0% in a partnership which is included in non-controlling interest, permanent equity, for an aggregate price of less than $0.1 million. During the year ended, December 31, 2024, the Company acquired additional interests in partnerships which are included in non-controlling interests - permanent equity. The additional interests purchased in each of the partnerships ranged from 0.1% to 35.0%. The aggregated purchase price for acquired non-controlling interests – permanent equity was $0.8 million. During the year ended December 31, 2024, the Company also sold interests in six partnerships for an aggregate price of $0.3 million. The non-controlling interests - permanent equity sold in each of the partnerships ranged from 0.15% to 10.0%.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 606. For ASC 606, there is an implied contract between the Company and the patient upon each patient visit. Separate contractual arrangements exist between the Company and third-party payors (e.g. insurers, managed care programs, government programs, workers' compensation) which establish the amounts the third parties pay on behalf of the patients for covered services rendered. While these agreements are not considered contracts with the customer, they are used for determining the transaction price for services provided to the patients covered by the third-party payors. The payor contracts do not indicate performance obligations for the Company but indicate reimbursement rates for patients who are covered by those payors when the services are provided. At that time, the Company is obligated to provide services for the reimbursement rates stipulated in the payor contracts. The execution of the contract alone does not indicate a performance obligation. For self-paying customers, the performance obligation exists when the Company provides the services at established rates. The difference between the Company's established rate and the anticipated reimbursement rate is accounted for as an offset to revenue—contractual allowance. Payments for services rendered are typically due 30 to 120 days after receipt of the invoice.

Patient Revenue

Net patient revenue consists of revenues for physical therapy and occupational therapy clinics that provide pre- and post-operative care and treatment for orthopedic related disorders, sports-related injuries, preventative care, rehabilitation of injured workers and neurological-related injuries. Net patient revenue (patient revenue less estimated contractual adjustments – as described below) is recognized at the estimated net realizable amounts from third-party payors, patients and others in exchange for services rendered when obligations under the terms of the contract are satisfied. There is an implied contract between us and the patient upon each patient visit. Generally, this occurs as the Company provides physical and occupational therapy services, as each service provided is distinct and future services rendered are not dependent on previously rendered services. The Company has agreements with third-party payors that provide payments to the Company at amounts different from its established rates.

Other Revenue

Revenue from the IIP business, which is included in other revenue in the consolidated statements of net income, is derived from onsite services the Company provides to clients' employees including injury prevention, rehabilitation, ergonomic assessments, post-offer employment testing and performance optimization. Revenue from the Company's IIP business is recognized when obligations under the terms of the contract are satisfied. Revenues are recognized at an amount equal to the consideration the company expects to receive in exchange for providing injury prevention services to its clients. The revenue is determined and recognized based on the number of hours and respective rate for services provided in a given period.

Management contract revenue, which is also included in other revenue, is derived from contractual arrangements whereby the Company manages a clinic for unrelated physician groups and hospitals. Typically, revenue is determined based on the number of visits conducted at the clinic and recognized at a point in time when services are performed. Costs, typically consisting of salaries, are recorded when incurred. Management contract revenue was $2.5 million and $2.4 million for the three months ended March 31, 2025 and March 31, 2024, respectively.

Additionally, other revenue from physical therapy operations includes services the Company provides on-site at locations such as schools and industrial worksites for physical or occupational therapy services, athletic trainers for schools and gym membership fees. Contract terms and rates are agreed to in advance between the Company and the third parties. Services are typically performed over the contract period and revenue is recorded at the point of service. If the services are paid in advance, revenue is recorded as a contract liability over the period of the agreement and recognized at the point in time when the services are performed.

Contractual Allowances

The allowance for estimated contractual adjustments is based on terms of payor contracts and historical collection and write-off experience. Contractual allowances result from the differences between the rates charged for services performed and expected reimbursements by both insurance companies and government sponsored healthcare programs for such services. Medicare regulations and the various third-party payors and managed care contracts are often complex and may include multiple reimbursement mechanisms payable for the services provided in Company clinics. The Company estimates contractual allowances based on its interpretation of the applicable regulations, payor contracts and historical calculations. Each month the Company estimates its contractual allowance for each clinic based on payor contracts and the historical collection experience of the clinic and applies an appropriate contractual allowance reserve percentage to the gross accounts receivable balances for each payor of the clinic. Based on the Company’s historical experience, calculating the contractual allowance reserve percentage at the payor level is sufficient to allow the Company to provide the necessary detail and accuracy with its collectability estimates. However, the services authorized, provided and related reimbursement are subject to interpretation that could result in payments that differ from the Company’s estimates. Payor terms are periodically revised necessitating continual review and assessment of the estimates made by management. The Company’s billing system does not capture the exact change in its contractual allowance reserve estimate from period to period. In order to assess the accuracy of its revenues, management regularly compares its cash collections to corresponding net revenues measured both in the aggregate and on a clinic-by-clinic basis. In the aggregate, historically the difference between net revenues and corresponding cash collections for any fiscal year has generally reflected a difference between approximately 1.0% to 1.5% of net revenues. As a result, the Company believes that a change in the contractual allowance reserve estimate would not likely be more than 1.0% to 1.5% on any balance sheet date.

Allowance for Credit Losses

The Company determines allowances for credit losses based on the specific agings and payor classifications at each clinic. The provision for credit losses is included in operating costs in the consolidated statements of net income. Patient accounts receivable, which are stated at the historical carrying amount net of contractual allowances, write-offs, and allowance for credit losses, includes only those amounts the Company estimates to be collectible.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount to be recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company did not have any accrued interest or penalties associated with any unrecognized tax benefits nor was any interest expense recognized during either the three months ended March 31, 2025, or March 31, 2024. The Company records any interest or penalties, if required, in interest and other expense, as appropriate.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation at the measurement date.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 – Unobservable inputs based on the Company’s own assumptions.

The carrying amounts reported in the balance sheets for cash and cash equivalents, certain contingent earn-out payments, accounts receivable, accounts payable and notes payable approximate their fair values due to the short-term maturity of these financial instruments. The carrying amount of the debt under the Third Amended and Restated Credit Agreement (defined as “Credit Agreement” in Note 9) approximates the fair value due to the proximity of the debt issue date and the balance sheet date and the variable component of interest on debt. The interest rate on the Credit Agreement is tied to the Secured Overnight Financing Rate (“SOFR”) or the rate of interest in effect as publicly announced from time to time by Bank of America as its prime rate.

The put right expiring in 2027 is associated with the potential future purchase of a separate company within the Company’s IIP business. It is marked to fair value on a recurring basis using Level 3 inputs. In determining the value of the put right as of March 31, 2025, the Company used a Monte Carlo simulation model utilizing unobservable inputs including asset volatility of 20.0% and a discount rate of 11.27%. The value of this put right increased $0.4 million for the three months ended March 31, 2025. The put right was valued at approximately $1.4 million on March 31, 2025, and approximately $1.0 million on December 31, 2024.

The valuation of the Company’s interest rate derivative is measured as the present value of all expected future cash flows based on SOFR-based yield curves. The present value calculation uses discount rates that have been adjusted to reflect the credit quality of the Company and its counterparty, which is a Level 2 fair value measurement. See Note 10 for more information on the Company’s interest rate derivative.

The redemption value of redeemable non-controlling interests approximates the fair value. See Note 4 for the changes in the fair value of Redeemable non-controlling interest.

The consideration for some of the Company’s acquisitions includes future payments that are contingent upon the occurrence of future operational or financial objectives being met. The Company estimates the fair value of contingent consideration obligations through valuation models designed to estimate the probability of such contingent payments based on various assumptions and incorporating estimated success rates. These fair value measurements are based on significant inputs not observable in the market. Substantial judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, changes in assumptions could have a material impact on the amount of contingent consideration expense the Company records in any given period. The Company determined the fair value of its contingent consideration obligations to be $14.0 million on March 31, 2025, and $17.6 million on December 31, 2024.

Restricted Stock

Restricted stock issued to employees and directors is subject to continued employment or continued service on the board, respectively. Generally, restrictions on the stock granted to employees lapse in equal annual installments on the following four anniversaries of the date of grant. For those shares granted to directors, the restrictions will lapse in equal quarterly installments during the first year after the date of grant. For those granted to officers and certain other key employees, the restriction will lapse in equal quarterly installments during the four years following the date of grant. Compensation expense for grants of restricted stock is recognized based on the fair value per share on the date of grant amortized over the vesting period. The Company recognizes any forfeitures as they occur. The restricted stock issued is included in basic and diluted shares for the earnings per share computation.

Recently Adopted Accounting Guidance

In December 2023, the FASB issued ASU 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disclosure on an annual basis, a tabular reconciliation, including both amount and percentage of specific categories of the effective tax rate reconciliation, including state and local income taxes (net of Federal taxes), foreign taxes, effects of changes in tax laws and regulations, effects of cross-border tax laws, tax credits, changes in valuation allowances, nontaxable and nondeductible items and changes in unrecognized tax benefits. Additional disclosures are required for certain items exceeding five percent of income from continuing operations multiplied by the statutory income tax rate. The standard also requires disclosure of income taxes paid between Federal, state and foreign jurisdictions, including further disaggregation of those payments exceeding five percent of the total income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, and early adoption is permitted. The Company has adopted this standard as of January 1, 2025, and there was no significant impact on the Company’s consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In November 2024, FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)*, which is intended to improve the disclosures of expenses by providing more detailed information about the types of expenses in commonly presented expense captions. The ASU requires entities to disclose the amounts of purchases of inventory, employee compensation, depreciation and intangible asset amortization included in each relevant expense caption; as well as a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. The amendment also requires disclosure of the total amount of selling expense and, in annual reporting periods, an entity’s definition of selling expenses.

The ASU is effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027; however early adoption is permitted. The ASU can be applied either prospectively or retrospectively. The Company is currently reviewing the impact that ASU 2024-03 will have on the disclosures in our consolidated financial statements.

2. Earnings Per Share

Basic and diluted earnings per share is computed using the two-class method, which is an earnings allocation method that determines earnings per share for common shares and participating securities. The restricted stock the Company grants are participating securities containing non-forfeitable rights to receive dividends. Accordingly, any unvested shares of restricted stock is included in the basic and diluted earnings per share computation. Additionally, in accordance with current accounting guidance, the revaluation of redeemable non-controlling interest (see Note 4 Redeemable Non-Controlling Interest), net of tax, charged directly to retained earnings is included in the earnings per basic and diluted share calculation.

The computation of basic and diluted earnings per share are as follows.

Earnings per Share	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
	(In thousands, except per share data)	
Computation of earnings per share - USPH shareholders:		
Net income attributable to USPH shareholders	$ 9,899	$ 8,046
Charges to retained earnings:		
Revaluation of redeemable non-controlling interest	2,903	(1,439)
Tax effect at statutory rate (federal and state)	(742)	368
	$ 12,060	$ 6,975
Earnings per share (basic and diluted)	$ 0.80	$ 0.46
Shares used in computation:		
Basic and diluted earnings per share - weighted-average shares	15,132	15,017

3. Acquisitions of Businesses

The Company's strategy is to continue acquiring outpatient physical therapy practices, to develop outpatient physical therapy clinics as satellites in existing partnerships and to continue acquiring companies that provide and serve the IIP sector. The consideration paid for each acquisition is derived through arm's length negotiations and funded through working capital or borrowings under the Company's revolving facility.

The purchase price plus the fair value of the non-controlling interest for the acquisitions after March 31, 2024 were allocated to the fair value of the assets acquired, inclusive of identifiable intangible assets (i.e. tradenames, referral relationships and non-compete agreements) and liabilities assumed based on the estimated fair values at the acquisition date, with the amount in excess of fair values being recorded as goodwill. The Company is in the process of completing its formal valuation analysis of the above-mentioned acquisitions in order to identify and determine the fair value of tangible and identifiable intangible assets acquired and the liabilities assumed. Thus, the final allocation of the purchase price may differ from the preliminary estimates used on March 31, 2025, based on additional information obtained and completion of the valuation of the identifiable intangible assets. Changes in the estimated valuation of the tangible assets acquired, the completion of the valuation of identifiable intangible assets and the completion by the Company of the identification of any unrecorded pre-acquisition contingencies, where the liability is probable and the amount can be reasonably estimated, will likely result in adjustments to goodwill. The Company does not expect the adjustments to be material. The Company continues to evaluate the components for the purchase price allocations for subsequent acquisitions in 2024 and 2025.

The results of operations of the acquisitions below have been included in the Company's unaudited consolidated financial statements from their respective date of acquisition. Unaudited proforma consolidated financial information for the acquisitions has not been included, as the results, individually and in the aggregate, were not material to current operations.

During the three months ended March 31, 2025, the Company acquired a majority interest in the following businesses:

2025 Acquisitions

Acquisition	Date	% Interest Acquired	Number of Clinics
February 2025 Acquisition	February 28, 2025	65%	3

On February 28, 2025, the Company acquired 65% interest in a physical practice with three clinic locations. The prior owner retained a 35% ownership interest. The purchase price for the 65% interest was approximately $3.8 million, which was paid in cash. As part of this transaction, the Company agreed to additional consideration if future operational objectives are met by the business. The maximum amount of additional contingent consideration due under this agreement is $1.3 million. The contingent consideration was valued at $1.3 million as of March 31, 2025.

Besides the multi-clinic acquisition referenced above, the Company purchased the assets and business of three physical therapy clinics, which were tucked into larger partnerships in separate transactions.

The following table provides details on the preliminary purchase price allocation for the acquisitions described above.

		Physical Therapy Operations
		(In thousands)
Cash paid, net of cash acquired	$	4,211
Seller notes		-
Contingent payments		1,259
Total consideration	$	5,470
Estimated fair value of net tangible assets acquired:		
Total current assets	$	227
Total non-current assets		132
Total liabilities		(258)
Net tangible assets acquired		101
Customer and referral relationships		1,604
Non-compete agreements		77
Tradenames		395
Goodwill		5,438
Fair value of non-controlling interest (classified as redeemable non-controlling interest)		(2,145)
	$	5,470

Total current assets primarily represent accounts receivable while total non-current assets consist of fixed assets and equipment used in a physical therapy practice.

For the acquisitions completed in the three months ended March 31, 2025, the values assigned to the customer and referral relationships and non-compete agreement are being amortized on a straight-line basis over their respective estimated lives. For customer and referral relationships, the weighted-average amortization period is 12.0 years. For the non-compete agreements, the weighted-average amortization period is 5.0 years. The values assigned to tradenames are tested annually for impairment.

2024 Acquisitions

Acquisition	Date	% Interest Acquired	Number of Clinics
November 2024 Acquisition	November 30, 2024	75%	8
October 2024 Acquisition	October 31, 2024	50%	50
August 2024 Acquisition	August 31, 2024	70%	8
April 2024 Acquisition	April 30, 2024	**	*
March 2024 Acquisition	March 29, 2024	50%	9

* *IIP business.*

** *On April 30, 2024, one of the Company's primary IIP businesses, Briotix Health Limited Partnership, acquired 100% of an IIP business.*

On November 30, 2024, the Company acquired a 75% equity interest in an eight-clinic physical therapy practice. The owner of the practice retained 25% of the equity interests. The purchase price for the 75% equity interest was approximately $15.9 million, of which $15.7 million was paid in cash, and $0.2 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and interest is payable on December 1, 2026.

On October 31, 2024, the Company acquired a 50% interest in MSO Metro, LLC ("Metro") pursuant to a Equity Interest Purchase Agreement (the "Purchase Agreement") dated October 7, 2024 among U.S. Physical Therapy, Ltd. (a subsidiary of the Company), Metro, the members of Metro, and Michael G. Mayrsohn, as Sellers' Representative. We also became the managing member of Metro. The Company paid a purchase price of approximately $76.5 million, $75.0 million of which was funded by our cash on hand and the remaining $1.5 million through the issuance of 18,358 shares of the Company's common stock based on a trailing five-day average as of the day immediately prior to closing. The shares of the Company's common stock were issued in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act. The Purchase Agreement also included an earnout where the sellers can earn up to $20.0 million of additional consideration if certain performance criteria relating to the Metro business are achieved. The contingent consideration is valued at $7.4 million on March 31, 2025.

On August 31, 2024, the Company acquired a 70% equity interest in an eight-clinic practice physical therapy and the original practice owners retained a 30% equity interest. The purchase price for the 70% equity interest was approximately $2.0 million. As part of the transaction, the Company agreed to additional contingent consideration if future operational and financial objectives are met. The maximum amount of additional contingent consideration due under this agreement is $3.6 million. The contingent consideration was valued at $2.1 million on March 31, 2025.

On April 30, 2024, the Company acquired 100% of an IIP business through one of its primary IIP businesses, Briotix Health Limited Partnership, for a purchase price of approximately $24.0 million, of which $0.5 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and the interest is to be paid in May 2025. As part of the transaction, the Company agreed to additional contingent consideration if future operational objectives are met by the business. The maximum amount of additional contingent consideration due under this agreement is $10.0 million. The contingent consideration was valued at $2.0 million as of March 31, 2025.

On March 29, 2024, the Company acquired a 50% equity interest in a nine-clinic physical therapy and hand therapy practice ("March 2024 Acquisition"). The original owners of the practice retained the remaining 50%. The purchase price for the 50% equity interest was approximately $16.4 million, of which $0.5 million was in the form of a note payable. The note accrues interest at 4.5% per annum and the principal and the interest are payable on March 29, 2026. As part of the transaction, the Company agreed to additional contingent consideration if future operational and financial objectives are met. There is no maximum payout. The contingent consideration was valued at $0.8 million on March 31, 2025.

For the year ended December 31, 2024, besides the multi-clinic acquisition referenced above, the Company purchased the assets and business of seven physical therapy clinics, which were tucked into larger partnerships in separate transactions.

The following table provides details on the purchase price allocations for the March 2024 acquisition and preliminary purchase price allocations for the other acquisitions described above.

	IIP	Physical Therapy Operations	Total
		(In thousands)	
Cash paid, net of cash acquired	$ 23,106	$ 110,149	$ 133,255
Seller note	455	1,220	1,675
Granted shares	-	1,500	1,500
Contingent payments	2,100	15,571	17,671
Total consideration	$ 25,661	$ 128,440	$ 154,101
Estimated fair value of net tangible assets acquired:			
Total current assets	$ 1,655	$ 9,043	$ 10,698
Total non-current assets	218	31,241	31,459
Total liabilities	(540)	(28,957)	(29,497)
Net tangible assets acquired	1,333	11,327	12,660
Customer and referral relationships	6,708	53,097	59,805
Non-compete agreement	261	3,306	3,567
Tradenames	1,331	12,113	13,444
Goodwill	16,028	148,740	164,768
Fair value of non-controlling interest (classified as redeemable non-controlling interest)	-	(100,143)	(100,143)
	$ 25,661	$ 128,440	$ 154,101

Total current assets primarily represent accounts receivable while total non-current assets consist of fixed assets and equipment used in the practice.

For the acquisitions in 2024, the values assigned to the customer and referral relationships and non-compete agreements are being amortized on a straight-line basis over their respective estimated lives. For customer and referral relationships, the weighted-average amortization period is 12.0 years. For the non-compete agreements, the weighted-average amortization period is 5.0 years. The values assigned to tradenames are tested annually for impairment.

Variable Interest Entities

Certain states prohibit the "corporate practice of medicine," which restricts the Company from owning physical therapy practices which directly employ therapists and from exercising control over medical decisions by therapists. In these states, the Company enters into long-term management agreements with medical practices that are owned by licensed therapists, which, in turn, employ or contract with therapists who provide professional services.

Based on the provisions of the management agreements, the Company determined that these entities are variable interest entities. The Company's ownership percentages in these entities is 50% as of March 31, 2025. The Company consolidates the VIEs since it controls the management and operating activities that are most significant to the VIEs' economic performance and its ownership interests expose the Company to the risks and benefits that could potentially be significant to each VIE.

The assets of the VIEs recognized in consolidation may only be used to settle obligations of each respective VIE and may not be used to satisfy claims of the Company, and the creditors of each VIE do not have recourse to the Company's general credit. As of March 31, 2025, and December 31, 2024, the total assets of the Company's variable interest entities were $232.1 million and $231.3 million, respectively. As of March 31, 2025, and December 31, 2024, the total liabilities of the Company's VIEs were $31.4 million and $31.9 million respectively.

The table below presents the operating results of the VIEs.

		Three Months Ended March 31, 2025 (In thousands)
Net revenue	$	19,806
Operating cost:		
Salaries and related costs		12,905
Rent, supplies, contract labor and other		5,304
Provision for credit losses		197
Total operating cost		18,406
Gross profit		1,400
Other expense		4
Income before taxes	$	1,396

4. Redeemable Non-Controlling Interest

In most of the Company's acquired partnerships, the former practice owner retains an equity interest in our subsidiary which the Company is required to purchase upon the exercise of either the put right or the call right. The applicable purchase price is calculated per the terms of the respective agreements and classified as redeemable non-controlling interest (temporary equity) in our consolidated balance sheets. The terms and conditions regarding repurchase rights and obligations for most of the redeemable con-controlling interests, are summarized below under "Physical Therapy Practice Acquisitions". However, the Company has an agreement that provides for different rights and obligations regarding the particular redeemable non-controlling interests involved in that agreement – described below under "ProgressiveHealth Acquisition".

Physical Therapy Practice Acquisitions

When the Company acquires a majority interest (the "Acquisition") in a physical therapy clinic (referred to as "Therapy Practice"), these Therapy Practice transactions typically occur in a series of steps which are described below.

1. Prior to the Acquisition, the Therapy Practice exists as a separate legal entity (the "Seller Entity"). The Seller Entity is owned by one or more individuals (the "Selling Shareholders") most of whom are physical therapists that work in the Acquired Therapy Practice and provide physical therapy services to patients.

2. In conjunction with the Acquisition, the Seller Entity contributes the acquired Therapy Practice into a newly-formed limited partnership ("NewCo"), in exchange for one hundred percent (100%) of the limited and general partnership interests in NewCo. Therefore, in this step, NewCo becomes a wholly-owned subsidiary of the Seller Entity.

3. The Company enters into an agreement (the "Purchase Agreement") to acquire from the Seller Entity a majority (ranges from 50% to 90%) of the limited partnership interest and in all cases 100% of the general partnership interest in NewCo. The Company does not purchase 100% of the limited partnership interest because the Selling Shareholders, through the Seller Entity, want to maintain an ownership percentage. The consideration for the Acquisition is primarily payable in the form of cash at closing and a two-year note in lieu of an escrow (the "Purchase Price"). In some of the acquired therapy practice transactions, the Purchase Agreement contains an earn-out or other contingent consideration that is payable to the Seller Entity or the Selling Shareholders.

4. The Company and the Seller Entity also execute a partnership agreement (the "Partnership Agreement") for NewCo that sets forth the rights and obligations of the limited and general partners of NewCo. After the Acquisition, the Company is the general partner of NewCo.

5. As noted above, the Company does not purchase 100% of the limited partnership interests in NewCo and the Seller Entity retains a portion of the limited partnership interest in NewCo ("Seller Entity Interest").

6. In most cases, some or all of the Selling Shareholders enter into an employment agreement (the "Employment Agreement") with NewCo with an initial term that ranges from three to five years (the "Employment Term"), with automatic one-year renewals, unless employment is terminated prior to the end of the Employment Term. As a result, a Selling Shareholder becomes an employee ("Employed Selling Shareholder") of NewCo. The employment of an Employed Selling Shareholder can be terminated by the Employed Selling Shareholder or NewCo, with or without cause, at any time. In a few situations, a Selling Shareholder does not become employed by NewCo and is not involved with NewCo following the closing; in those situations, such Selling Shareholders sell their entire ownership interest in the Seller Entity as of the closing of the Acquisition.

7. The compensation of each Employed Selling Shareholder is specified in the Employment Agreement and is customary and commensurate with his or her responsibilities based on other employees in similar capacities within NewCo, the Company and the industry.

8. The Company and the Selling Shareholder (including both Employed Selling Shareholders and Selling Shareholders not employed by NewCo) execute a non-compete agreement (the "Non-Compete Agreement") which restricts the Selling Shareholder from engaging in competing Therapy Practice activities for a specified period of time (the "Non-Compete Term"). A Non-Compete Agreement is executed with the Selling Shareholders in all cases. That is, even if the Selling Shareholder does not become an Employed Selling Shareholder, the Selling Shareholder is restricted from engaging in a competing Therapy Practice during the Non-Compete Term.

9. The Non-Compete Term commences as of the date of the Acquisition and typically expires on the <u>later</u> of :

   a. Two years after the date an Employed Selling Shareholders' employment is terminated (if the Selling Shareholder becomes an Employed Selling Shareholder) or

   b. Five to six years from the date of the Acquisition, as defined in the Non-Compete Agreement, regardless of whether the Selling Shareholder is employed by NewCo.

10. The Non-Compete Agreement applies to a restricted region which is defined as a mileage radius from the Acquired Therapy Practice. That is, an Employed Selling Shareholder is permitted to engage in competing Therapy Practices or activities outside the designated geography (after such Employed Selling Shareholder no longer is employed by NewCo) and a Selling Shareholder who is not employed by NewCo immediately is permitted to engage in the competing Therapy Practice or activities outside the designated geography.

The Partnership Agreement contains provisions for the redemption of the Seller Entity Interest, either at the option of the Company (the "Call Right") or at the option of the Seller Entity (the "Put Right") as follows:

1. Put Right

   a. In the event that any Selling Shareholder's employment is terminated under certain circumstances prior to a specified number of years following the Closing Date, the Seller Entity thereafter may have an irrevocable right to cause the Company to purchase from Seller Entity the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest at the purchase price described in "3" below.

   b. In the event that any Selling Shareholder is not employed by NewCo as of the specified date and the Company has not exercised its Call Right with respect to the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest, Seller Entity thereafter has the Put Right to cause the Company to purchase from Seller Entity the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest at the purchase price described in "3" below.

c. In the event that any Selling Shareholder's employment with NewCo is terminated for any reason on or after the specified date, the Seller Entity has the Put Right, and upon the exercise of the Put Right, the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest shall be redeemed by the Company at the purchase price described in "3" below.

2. Call Right

   a. If any Selling Shareholder's employment by NewCo is terminated prior to the specified date after the Closing Date, the Company thereafter has an irrevocable right to purchase from Seller Entity the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest, in each case at the purchase price described in "3" below.

   b. In the event that any Selling Shareholder's employment with NewCo is terminated for any reason on or after the specified date, the Company has the Call Right, and upon the exercise of the Call Right, the Terminated Selling Shareholder's Allocable Percentage of Seller Entity's Interest shall be redeemed by the Company at the purchase price described in "3" below.

3. For the Put Right and the Call Right, the purchase price is derived from a formula based on a specified multiple of NewCo's trailing earnings before interest, taxes, depreciation, amortization, and the Company's internal management fee, plus an Allocable Percentage of any undistributed earnings of NewCo (the "Redemption Amount"). NewCo's earnings are distributed monthly based on available cash within NewCo; therefore, the undistributed earnings amount is small, if any.

4. The Purchase Price for the initial equity interest purchased by the Company typically is also based on the same specified multiple of the trailing twelve-month earnings that is used in the Put Right and the Call Right noted above.

5. The Put Right and the Call Right do not have an expiration date.

The Put Right and the Call Right never apply to Selling Shareholders who do not become employed by NewCo, since the Company requires that such Selling Shareholders sell their entire ownership interest in the Seller Entity at the closing of the Acquisition.

ProgressiveHealth Acquisition

On November 30, 2021, the Company acquired a majority interest in ProgressiveHealth Companies, LLC ("Progressive"), which owns a majority interest in certain subsidiaries ("Progressive Subsidiaries") that operate in the IIP business. The Progressive transaction was completed in a series of steps which are described below.

1. Prior to the acquisition, the Progressive Subsidiaries were owned by a legal entity ("Progressive Parent") controlled by its individual owners (the " Progressive Selling Shareholders"), who work in and manage the Progressive business.

2. In conjunction with the acquisition, the Progressive Selling Shareholders caused the Progressive Parent to transfer its ownership of the Progressive Subsidiaries into a newly-formed limited liability company ("Progressive NewCo"), in exchange for one hundred percent (100%) of the membership interests in Progressive NewCo. Therefore, in this step, Progressive NewCo became wholly-owned by the Progressive Selling Shareholders.

3. The Company entered into an agreement (the "Progressive Purchase Agreement") to acquire from the Progressive Selling Shareholders a majority of the membership interest in Progressive NewCo. The consideration for the acquisition is primarily payable in the form of cash at closing, a relatively small portion paid in cash after the closing contingent on certain performance criteria, and a small note in lieu of an escrow (the "Progressive Purchase Price").

4. The Company and the Progressive Selling Shareholders also executed an operating agreement (the "Progressive Operating Agreement") for Progressive NewCo that sets forth the rights and obligations of the members of Progressive NewCo.

5. As noted above, the Company did not purchase 100% of the membership interests in Progressive NewCo and the Progressive Selling Shareholders retained a portion of the membership interest in Progressive NewCo ("Progressive Selling Shareholders' Interest").

6. The Company and the Progressive Selling Shareholders executed a non-compete agreement (the "Progressive Non-Compete Agreement") which restricts the Progressive Selling Shareholders from competing for a specified period of time (the "Progressive Non-Compete Term").

7. The Progressive Non-Compete Term commences as of the date of the Progressive acquisition and expires on the later of:

    a. Two years after the date a Progressive Selling Shareholder no longer is involved in the management of Progressive NewCo or

    b. Seven years from the date of the acquisition.

8. The Progressive Non-Compete Agreement applies to the entire United States.

9. The Progressive Put Right (as defined below) and the Progressive Call Right (as defined below) do not have an expiration date. The Progressive Operating Agreement contains provisions for the redemption of the Progressive Selling Shareholder's Interest, either at the option of the Company (the "Progressive Call Right") or at the option of the Progressive Selling Shareholder (the "Progressive Put Right") as follows:

    1. Progressive Put Right

        a. Each of the Progressive Selling Shareholders has the right to sell 30% of their respective residual interests on each of the 4th and 5th anniversaries of the acquisition closing, and then 10% on each of the 6th and 7th anniversaries.

        b. In the event that any Progressive Selling Shareholder terminates his management relationship with Progressive NewCo for any reason on or after the seventh anniversary of the Closing Date, the Progressive Selling Shareholder has the Progressive Put Right, and upon the exercise of the Progressive Put Right, the Progressive Selling Shareholder's Interest shall be redeemed by the Company at the purchase price described in "3" below.

    2. Progressive Call Rights

        a. If any Progressive Selling Shareholder's ceases to perform management services on behalf of Progressive NewCo, the Company thereafter shall have an irrevocable right to purchase from such Progressive Selling Shareholder his Interest, in each case at the purchase price described in "3" below.

    3. For the Progressive Put Right and the Progressive Call Right, the purchase price is derived from a formula based on a specified multiple of Progressive NewCo's trailing twelve months of earnings before interest, taxes, depreciation, amortization, and the Company's internal management fee, plus an Allocable Percentage of any undistributed earnings of Progressive NewCo. Progressive NewCo's earnings are distributed monthly based on available cash within Progressive NewCo; therefore, the undistributed earnings amount is small, if any.

    4. The Progressive Purchase Price for the initial equity interest purchased by the Company is also based on the same specified multiple of the trailing twelve-month earnings that is used in the Progressive Put Right and the Progressive Call Right noted above.

5. The Progressive Put Right and the Progressive Call Right do not have an expiration date.

Neither the Progressive Operating Agreement nor the Progressive Non-Compete Agreement contain any provision to escrow or "claw back" the equity interest in Progressive NewCo held by the Progressive Selling Shareholders, in the event of a breach of the operating agreement or non-compete terms, or the management services agreement pursuant to which the Progressive Selling Shareholders perform services on behalf of Progressive NewCo. The Company's only recourse against the Progressive Selling Shareholder for breach of any of these agreements is to seek damages and other legal remedies under such agreements. There are no conditions in any of the arrangements with a Progressive Selling Shareholder that would result in a forfeiture of the equity interest in Progressive NewCo held by a Progressive Selling Shareholder.

For both scenarios described above, an Employed Selling Shareholder's ownership of his or her equity interest in the Seller Entity predates the Acquisition and the Company's purchase of its partnership interest in NewCo. The Employment Agreement and the Non-Compete Agreement do not contain any provision to escrow or "claw back" the equity interest in the Seller Entity held by such Employed Selling Shareholder, nor the Seller Entity Interest in NewCo, in the event of a breach of the employment or non-compete terms. More specifically, even if the Employed Selling Shareholder is terminated for "cause" by NewCo, such Employed Selling Shareholder does not forfeit his or her right to his or her full equity interest in the Seller Entity and the Seller Entity does not forfeit its right to any portion of the Seller Entity Interest. The Company's only recourse against the Employed Selling Shareholder for breach of either the Employment Agreement or the Non-Compete Agreement is to seek damages and other legal remedies under such agreements. There are no conditions in any of the arrangements with an Employed Selling Shareholder that would result in a forfeiture of the equity interest held in the Seller Entity or of the Seller Entity Interest.

Carrying Amounts of Redeemable Non-Controlling Interests

The following table details the changes in the carrying amount (fair value) of the Company's redeemable non-controlling interests:

	Three Months Ended March 31, 2025	Year Ended December 31, 2024
	(In thousands)	
Beginning balance	$ 269,025	$ 174,828
Net income allocated to redeemable non-controlling interest	2,012	10,044
Distributions to redeemable non-controlling interest partners	(2,666)	(10,579)
Changes in the fair value of redeemable non-controlling interest	(2,903)	4,964
Purchases of redeemable non-controlling interest	(7,849)	(8,122)
Acquired interest	2,145	100,336
Contributed capital	-	-
Sales of redeemable non-controlling interest	662	1,969
Changes in notes receivable related to redeemable non-controlling interest	-	(1,016)
Reduction due to separation agreement	-	(3,033)
Adjustments in notes receivables related to the sales of redeemable non-controlling interest	(379)	(366)
Ending balance	$ 260,047	$ 269,025

The following table categorizes the carrying amount (fair value) of the redeemable non-controlling interests:

	Three Months Ended March 31, 2025	Year Ended December 31, 2024
	(In thousands)	
Contractual time period has lapsed but holder's employment has not terminated	$ 69,329	$ 74,668
Contractual time period has not lapsed and holder's employment has not terminated	190,718	194,357
Holder's employment has terminated and contractual time period has expired	-	-
Holder's employment has terminated and contractual time period has not expired	-	-
	$ 260,047	$ 269,025

5. Assets Held for Sale

In December 2024, the Company signed a non-binding Letter of Intent to sell an underperforming business unit within the physical therapy operations segment. The decision to divest was based on performance considerations and strategic realignment.

As of December 31, 2024, the business unit met the criteria for classification as held for sale under ASC 360. A $2.4 million impairment charge was recorded to write down the business unit's carrying value to fair value, less estimated costs to sell. The impairment was included in impairment of assets held for sale on the consolidated statements of net income. The impairment charges primarily related to intangible assets. Assets held for sale were valued at $0.6 million on December 31, 2024, and have been presented within other current assets in the accompanying balance sheets.

The transaction was completed in February 2025 and the related loss on sale of $0.1 million was recognized in the consolidated statements of net income for the three months ended March 31, 2025.

6. Goodwill

The changes in the carrying amount of goodwill consisted of the following:

	Three Months Ended March 31, 2025	Year Ended December 31, 2024
	(In thousands)	
Beginning balance	$ 667,152	$ 509,571
Acquisitions	5,438	164,529
Adjustments for purchase price allocation of businesses acquired in prior year	1,797	(6,551)
Impairment charges	-	-
Other	-	(397)
Ending balance	$ 674,387	$ 667,152

For both of the three months ended March 31, 2025, and 2024, no triggering events or indicators were identified that would require impairment assessments as of such periods.

7. Intangible Assets, Net

The Company's intangible assets, net, consisted of the following:

	March 31, 2025			December 31, 2024		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
			(In thousands)			
Customer and referral relationships	$ 157,429	$ (42,025)	$ 115,404	$ 156,747	$ (39,218)	$ 117,529
Tradenames	57,239	-	57,239	57,041	-	57,041
Non-compete agreements	13,322	(8,637)	4,685	13,077	(8,336)	4,741
	$ 227,990	$ (50,662)	$ 177,328	$ 226,865	$ (47,554)	$ 179,311

Tradenames, customer and referral relationships, and non-compete agreements are related to the businesses acquired. The value assigned to tradenames has an indefinite life and is tested at least annually for impairment using the relief from royalty method in conjunction with the Company's annual goodwill impairment test. The value assigned to customer and referral relationships is being amortized over their respective estimated useful lives which range from 8.0 to 15.0 years. Non-compete agreements are amortized over the respective term of the agreements which range from 5.0 to 6.0 years. For the three months ended March 31, 2025, the weighted average amortization period for customer and referral relationships was 12.8 years and the weighted average amortization period for non-compete agreements was 5.7 years. During the year ended December 31, 2024, the Company recognized charges of $2.0 million related to the impairment of assets held for sale. This impairment loss is presented in the impairment of assets held for sale in the Consolidated Statements of Income.

The following table details the amount of amortization expense recorded for intangible assets for the periods presented:

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
	(In thousands)	
Customer and referral relationships	$ 2,807	$ 1,818
Non-compete agreements	301	163
	$ 3,108	$ 1,981

Based on the balance of referral relationships and non-compete agreements as of March 31, 2025, the expected amount to be amortized in 2025 and thereafter by year is as follows:

For the Year Ending December 31,	Customer and Referral Relationships	Non-Compete Agreements
	(In thousands)	
2025 (excluding the three months ended March 31, 2025)	$ 8,870	$ 853
2026	11,365	1,013
2027	11,202	887
2028	10,933	808
2029	10,555	600
Thereafter	$ 62,479	$ 524

8. Accrued Expenses

Accrued expenses included the following:

	March 31, 2025	December 31, 2024
	(In thousands)	
Salaries and related costs	$ 21,575	$ 34,886
Credit balances due to patients and payors	6,846	6,359
Dividends payable	6,836	-
Group health insurance claims	4,529	2,462
Federal income taxes payable	-	4,544
Contingent consideration payable	11,900	3,043
Other property taxes payable	466	371
Interest payable	329	402
Closure costs	2,521	2,828
Payable related to purchase of redeemable non-controlling interests, temporary equity	6,672	-
Deferred payments related to acquisitions	650	-
Other	6,002	4,618
	$ 68,326	$ 59,513

9. Borrowings

Amounts outstanding under the Company's Senior Credit Facilities (as defined below) and notes payable consisted of the following:

	March 31, 2025			December 31, 2024		
	Principal Amount	Unamortized Debt Issuance Cost	Net Debt	Principal Amount	Unamortized Debt Issuance Cost	Net Debt
	(In thousands)					
Term Facility	$ 136,875	$ (940)	$ 135,935	$ 140,625	$ (1,049)	$ 139,576
Revolving Facility	28,000	-	28,000	11,000	-	11,000
Other (1)	2,560	-	2,560	2,953	-	2,953
Total debt	167,435	(940)	166,495	154,578	(1,049)	153,529
Less: Current portion of long-term debt	9,680	(423)	9,257	11,422	(423)	10,999
Long-term debt, net of current portion	$ 157,755	$ (517)	$ 157,238	$ 143,156	$ (626)	$ 142,530

(1) The long-term portion is included as part of Other Long-Term Liabilities in the Consolidated Balance Sheet.

Effective December 5, 2013, the Company entered into an Amended and Restated Credit Agreement with a commitment for a $125.0 million revolving credit facility. This agreement was amended and/or restated in August 2015, January 2016, March 2017, November 2017, and January 2021. On June 17, 2022, the Company entered into the Third Amended and Restated Credit Agreement (the "Credit Agreement") among Bank of America, N.A., as administrative agent ("Administrative Agent") and the lenders from time-to-time party thereto.

The Credit Agreement, which matures on June 17, 2027, provides for loans in an aggregate principal amount of $325 million. Such loans were made available through the following facilities (collectively, the "Senior Credit Facilities"):

1) Revolving Facility: $175 million, five-year, revolving credit facility ("Revolving Facility"), which includes a $12 million sublimit for the issuance of standby letters of credit and a $15 million sublimit for swingline loans (each, a "Swingline Loan").

2) Term Facility: $150 million term loan facility (the "Term Facility"). The Term Facility amortizes in quarterly installments of: (a) 0.625% in each of the first two years, (b) 1.250% in the third and fourth year, and (c) 1.875% in the fifth year of the Credit Agreement. The remaining outstanding principal balance of all term loans is due on the maturity date.

The proceeds of the Revolving Facility shall be used by the Company for working capital and other general corporate purposes of the Company and its subsidiaries, including to fund future acquisitions and invest in growth opportunities. The proceeds of the Term Facility were used by the Company to refinance the indebtedness outstanding under the Amended Credit Agreement, to pay fees and expenses incurred in connection with the transactions involving the loan facilities, for working capital and other general corporate purposes of the Company and its subsidiaries.

The Company is permitted to increase the Revolving Facility and/or add one or more tranches of term loans in an aggregate amount not to exceed the sum of (i) $100 million *plus* (ii) an unlimited additional amount, provided that (in the case of clause (ii)), after giving effect to such increases, the pro forma Consolidated Leverage Ratio (as defined in the Credit Agreement) would not exceed 2.0:1.0, and the aggregate amount of all incremental increases under the Revolving Facility does not exceed $50,000,000.

The interest rates per annum applicable to the Senior Credit Facilities (other than in respect of Swingline Loans) will be Term SOFR (as defined in the Credit Agreement) plus an applicable margin or, at the option of the Company, an alternate base rate plus an applicable margin. Each Swingline Loan shall bear interest at the base rate plus the applicable margin. The applicable margin for Term SOFR borrowings ranges from 1.50% to 2.25%, and the applicable margin for alternate base rate borrowings ranges from 0.50% to 1.25%, in each case, based on the Consolidated Leverage Ratio of the Company and its subsidiaries. Interest is payable at the end of the selected interest period but no less frequently than quarterly and on the date of maturity.

The Company is also required to pay to the Administrative Agent, for the account of each lender under the Revolving Facility, a commitment fee equal to the actual daily excess of each lender's commitment over its outstanding credit exposure under the Revolving Facility ("unused fee"). Such unused fee will range between 0.25% and 0.35% per annum and is also based on the Consolidated Leverage Ratio of the Company and its subsidiaries. The Company may prepay and/or repay the revolving loans and the term loans, in whole or in part, at any time without premium or penalty, subject to certain conditions.

The Credit Agreement contains customary covenants limiting, among other things, the incurrence of additional indebtedness, the creation of liens, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends and other payments in respect of equity interests, acquisitions, investments, loans and guarantees, subject, in each case, to customary exceptions, thresholds and baskets. The Credit Agreement includes certain financial covenants which include the Consolidated Fixed Charge Coverage Ratio and the Consolidated Leverage Ratio, as defined in the Credit Agreement. The Credit Agreement also contains customary events of default.

The Company's obligations under the Credit Agreement are guaranteed by its wholly owned material domestic subsidiaries (each, a "Guarantor"), and the obligations of the Company and any Guarantors are secured by a perfected first priority security interest in substantially all of the existing and future personal property of the Company and each Guarantor, subject to certain exceptions.

As of March 31, 2025, $136.9 million was outstanding on the Term Facility while $28.0 million was outstanding under the Revolving Facility resulting in $147.0 million of credit availability. As of March 31, 2025, the Company was in compliance with all of the covenants contained in the Credit Agreement.

The interest rate on the Company's Senior Credit Facilities was 4.9% for the three months ended March 31, 2025, and 4.7% for the three months ended March 31, 2024, with an all-in effective interest rate, including all associated costs, of 5.5% and 5.3% over the same periods, respectively.

The Company generally enters into various notes payable as a means of financing acquisitions. As of March 31, 2025, the Company's remaining outstanding balance on these notes amounted to $2.6 million, of which $1.6 million is due in 2025, $0.9 million is due in 2026, and $0.1 million is due in 2027. Notes are generally payable in equal annual installments of principal over two years plus any accrued and unpaid interest. Interest accrues at various interest rates ranging from 4.5% to 8.5% per annum.

10. Derivative Instruments

The Company is exposed to certain market risks in the ordinary course of business due to adverse changes in interest rates. The exposure to interest rate risk primarily results from the Company's variable-rate borrowing. The Company may elect to use derivative financial instruments to manage risks from fluctuations in interest rates. The Company does not purchase or hold derivatives for trading or speculative purposes. Fluctuations in interest rates can be volatile and the Company's risk management activities do not eliminate these risks.

Interest Rate Swap

In May 2022, the Company entered into an interest rate swap agreement, effective on June 30, 2022, with Bank of America, N.A, which had a $150 million notional value, and a maturity date of June 30, 2027. Beginning in July 2022, the Company receives 1-month SOFR, and pays a fixed rate of interest of 2.815% on 1-month SOFR on a quarterly basis. The total interest rate in any period will also include an applicable margin based on the Company's consolidated leverage ratio. In connection with the swap, no cash was exchanged between the Company and the counterparty.

The Company designated its interest rate swap as a cash flow hedge and structured it to be highly effective. Consequently, unrealized gains and losses related to the fair value of the interest rate swap are recorded to accumulated other comprehensive income (loss), net of tax.

The impact of the Company's derivative instruments on the accompanying Consolidated Statements of Comprehensive Income are presented in the table below.

	Three Months Ended	
	March 31, 2025	March 31, 2024
	(In thousands)	
Net income	$ 13,468	$ 11,617
Other comprehensive gain (loss):		
Unrealized (loss) gain on cash flow hedge	(1,331)	1,781
Tax effect at statutory rate (federal and state)	340	(455)
Comprehensive income	$ 12,477	$ 12,943
Comprehensive income attributable to non-controlling interest	(3,569)	(3,571)
Comprehensive income attributable to USPH shareholders	8,908	9,372

The valuations of the Company's interest rate derivatives are measured as the present value of all expected future cash flows based on SOFR-based yield curves. The present value calculation uses discount rates that have been adjusted to reflect the credit quality of the Company and its counterparty which is a Level 2 fair value measurement.

The carrying and fair value of the Company's interest rate derivatives (included in other current assets and other assets) were as follows.

	March 31, 2025	December 31, 2024
	(In thousands)	
Other current assets	$ 1,484	$ 1,752
Other assets	944	2,006
	$ 2,428	$ 3,758

11. Leases

The Company has operating leases for its corporate offices and operating facilities. The Company determines if an arrangement is a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent net present value of the Company's obligation to make lease payments arising from the lease. Right-of-use assets and operating lease liabilities are recognized at commencement date based on the net present value of the fixed lease payments over the lease term. The Company's operating lease terms are generally five years or less. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. As most of the Company's operating leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating fixed lease expense is recognized on a straight-line basis over the lease term. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage are not included in the right-of-use assets or operating lease liabilities. These are expensed as incurred and recorded as variable lease expense.

The components of lease expense were as follows.

	Three Months Ended	
	March 31, 2025	March 31, 2024
	(In thousands)	
Operating lease cost	$ 11,716	$ 9,953
Short-term lease cost	296	265
Variable lease cost	2,517	2,483
Sublease income	(106)	(114)
Total lease cost	$ 14,423	$ 12,587

Lease costs are reflected in the consolidated statement of net income in the line item – rent, supplies, contract labor and other.

The supplemental cash flow information related to leases was as follows.

	Three Months Ended	
	March 31, 2025	March 31, 2024
	(In thousands)	
Cash paid for amounts included in the measurement of operating lease liabilities	$ 11,891	$ 10,338
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 10,755	$ 7,727

The aggregate future lease payments for operating leases as of March 31, 2025, were as follows.

Fiscal Year	Amount (In thousands)
2025 (excluding the three months ended March 31, 2025)	$ 34,886
2026	39,782
2027	30,338
2028	20,607
2029 and thereafter	31,286
Total lease payments	$ 156,899
Less: imputed interest	16,087
Total operating lease liabilities	$ 140,812

Average lease terms and discount rates were as follows.

	March 31, 2025	March 31, 2024
Weighted-average remaining lease term	4.49 years	3.9 years
Weighted-average discount rate	4.8%	4.2%

The Company leases certain properties from Michael G. Mayrsohn (lessor), who is the President of Metro and has been nominated by the Board of Directors to be elected as a director at the Annual Meeting of Shareholders to be held on May 20,2025. The two leases expire on April 30, 2030, and December 31, 2031. For the three months ended March 31, 2025, the Company paid a total of $0.1 million of lease payments to Mr. Mayrsohn. The total of minimum future rental payments under these related party lease agreements is $3.0 million as of March 31, 2025.

12. Segment Information

The Company's reportable segments include the physical therapy operations segment and the IIP segment. Also included in the physical therapy operations segment are revenues from management contract services and other services, which include services the Company provides on-site, such as athletic trainers for schools.

Physical Therapy Operations

The physical therapy operations segment primarily operates through subsidiary clinic partnerships ("Clinic Partnerships"), in which the Company generally owns a 1% general partnership interest in all the Clinic Partnerships. The Company's limited partnership interests generally range from 65% to 75% (the range is 10% - 99%) in the Clinic Partnerships. The managing therapist of each clinic owns, directly or indirectly, the remaining limited partnership interest in most of the clinics (hereinafter referred to as "Clinic Partnerships"). Some of the Clinic Partnerships serve as management services organizations which manage and provide staffing and a variety of administrative services to physical therapy provider entities in which the Company does not have an ownership interest. These Clinic Partnerships similarly are owned collectively by the Company and one or more physical therapists who are involved in the management of the operations. To a lesser extent, the Company operates some clinics, through wholly-owned subsidiaries (hereinafter referred to as "Wholly-Owned Facilities).

The Company continues to seek to attract for employment physical therapists who have established relationships with physicians and other referral sources, by offering these therapists a competitive salary and incentives based on the profitability of the clinic that they manage. For multi-site clinic practices in which a controlling interest is acquired by the Company, the prior owners typically continue on as employees to manage the clinic operations, retain a non-controlling ownership interest in the clinics and receive a competitive salary for managing the clinic operations. In addition, the Company has developed satellite clinic facilities as part of existing Clinic Partnerships and Wholly-Owned Facilities, with the result that a substantial number of Clinic Partnerships and Wholly-Owned Facilities operate more than one clinic location.

Clinic Partnerships

For non-acquired Clinic Partnerships, the earnings and liabilities attributable to the non-controlling interests, typically owned by the managing therapist, directly or indirectly, are recorded within the balance sheets and income statements as non-controlling interest—permanent equity. For acquired Clinic Partnerships with redeemable non-controlling interests, the earnings attributable to the redeemable non-controlling interests are recorded within the consolidated balance sheets and income statements as redeemable non-controlling interest—temporary equity.

Wholly-Owned Facilities

For Wholly-Owned Facilities with profit sharing arrangements, an appropriate accrual is recorded for the amount of profit sharing due to the clinic partners/directors. The amount is expensed as compensation and included in clinic operating costs—salaries and related costs. The respective liability is included in current liabilities—accrued expenses on the consolidated balance sheets.

Industrial Injury Prevention Services

Services provided in the IIP segment include onsite injury prevention and rehabilitation, performance optimization, post offer employment testing, functional capacity evaluations, and ergonomic assessments. The majority of these services are contracted with and paid for directly by employers, including a number of Fortune 500 companies. Other clients include large insurers and their contractors. IIP services are performed through Industrial Sports Medicine Professionals with specialized training related to the musculoskeletal system.

Segment Financials

The Company, including its chief operating decision maker, the Chief Executive Officer, uses gross profit in its budget-to-actual, forecasting, and other analytical processes to assess segment performance and allocate resources. The Company has provided additional information regarding its reportable segments which contributes to the understanding of the Company and provides useful information.

	Three Months Ended	
	March 31, 2025	March 31, 2024
	(In thousands)	
Net revenue:		
Physical therapy operations	$ 156,408	$ 134,425
Industrial injury prevention services	27,380	21,250
Total Company	$ 183,788	$ 155,675
Operating Costs:		
Salaries and related costs:		
Physical therapy operations	$ 93,574	$ 79,774
Industrial injury prevention services	17,675	13,957
Total salaries and related costs	$ 111,249	$ 93,731
Rent supplies, contract labor and other:		
Physical therapy operations	$ 30,099	$ 25,073
Industrial injury prevention services	3,745	2,831
Total rent, supplies, contract labor and other	$ 33,844	$ 27,904
Depreciation and amortization:		
Physical therapy operations	$ 5,184	$ 3,760
Industrial injury prevention services	356	125
Total depreciation and amortization	$ 5,540	$ 3,885
Provision for credit losses:		
Physical therapy operations	$ 1,841	$ 1,627
Industrial injury prevention services	7	-
Total provision for credit losses	$ 1,848	$ 1,627
Clinic closure costs:		
Physical therapy operations	$ 242	$ 127
Industrial injury prevention services	-	-
Total clinic closure costs	$ 242	$ 127
Total Company	$ 152,723	$ 127,274
Gross profit:		
Physical therapy operations	$ 25,468	$ 24,064
Industrial injury prevention services	5,597	4,337
Total Company	$ 31,065	$ 28,401
Unallocated amounts		
Corporate office costs	$ 16,245	$ 14,085
Interest expense, debt and other	2,279	1,968
Interest income from investments	(24)	(1,543)
Gain on change in fair value of contingent earn-out consideration	(4,822)	(612)
Change in revaluation of put-right liability	404	80
Equity in earnings of unconsolidated affiliate	(393)	(271)
Loss on sale of a partnership	123	-
Other	(75)	(62)
Total unallocated amounts	13,737	13,645
Income before taxes	$ 17,328	$ 14,756
Assets:	March 31, 2025	December 31, 2024
Goodwill:		
Physical therapy operations	$ 586,726	$ 579,046
Industrial injury prevention services	87,661	88,106
Total goodwil	$ 674,387	$ 667,152
All other assets:		
Physical therapy operations	418,120	$ 415,039
Industrial injury prevention services	87,180	85,276
Total all other assets	505,300	500,315
Total Assets	$ 1,179,687	$ 1,167,467

13. Investment in Unconsolidated Affiliate

Through one of its subsidiaries, the Company has a 49% joint venture interest in a company which provides physical therapy services for patients at hospitals. Since the Company is deemed to not have a controlling interest in the company, the Company's investment is accounted for using the equity method of accounting. The investment balance of this joint venture as of March 31, 2025, is $12.3 million and the earnings amounted to approximately $0.4 million for the three months ended March 31, 2025. Earnings in the comparable prior period amounted to approximately $0.3 million and the investment balance of the joint venture was $12.2 million as of March 31, 2024.

14. Reclassification of Prior Period Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

15. Subsequent Events

The Company acquired an outpatient home care physical, occupational and speech therapy practice through Metro. Metro acquired an 80% ownership interest in the acquired company with the current owner retaining a 20% ownership interest.

The Company's Board of Directors declared a quarterly dividend of $0.45 per share payable on June 13, 2025, to shareholders of record on May 23, 2025.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of U.S. Physical Therapy, Inc. and its subsidiaries (herein referred to as "we," "us," "our" or the "Company") should be read in conjunction with (i) our historical consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q; and (ii) our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission (the "SEC") on March 3, 2025 ("2024 Annual Report").

This discussion includes forward-looking statements that are subject to risk and uncertainties. Actual results may differ substantially from the statements we make in this section due to a number of factors that are discussed below.

FORWARD-LOOKING STATEMENTS

We make statements in this report that are considered forward-looking statements within the meaning given such term under Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 project. Included among such statements, but not limited to, are those relating to opening clinics, availability of personnel and the insurance 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 in Medicare rules and guidelines and reimbursement or failure of our clinics to maintain their Medicare certification and/or enrollment status;*
- *revenue we receive from Medicare and Medicaid being subject to potential retroactive reduction;*
- *changes in reimbursement rates or payment methods from third party payors including government agencies, and changes in the deductibles and co-pays owed by patients;*
- *private third-party payors for our services may adopt payment policies that could limit our future revenue and profitability;*
- *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;*
- *compliance with state laws and regulations relating to the corporate practice of medicine and fee splitting, and associated fines and penalties for failure to comply ;*
- *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;*
- *the impact of future public health crises and epidemics/pandemics, such as was the case with the novel strain of COVID-19 and its variants;*
- *certain of our acquisition agreements contain put-rights related to a future purchase of significant equity interests in our subsidiaries or in a separate company;*
- *the impact of future vaccinations and/or testing mandates at the federal, state and/or local level, which could have an adverse impact on staffing, revenue, costs and the results of operations;*
- *our debt and financial obligations could adversely affect our financial condition, our ability to obtain future financing and our ability to operate our business;*
- *changes as the result of government enacted national healthcare reform;*
- *the ability to control variable interest entities for which we do not have a direct ownership;*
- *business and regulatory conditions, including federal and state regulations;*
- *governmental and other third party payor inspections, reviews, investigations and audits, which may result in sanctions or reputational harm and increased costs;*
- *revenue and earnings expectations;*
- *contingent consideration provisions in certain our acquisition agreements, the value of which may impact future financial results;*

- *legal actions, which could subject us to increased operating costs and uninsured liabilities;*
- *general economic conditions, including but not limited to inflationary and recessionary periods;*
- *actual or perceived events involving banking volatility or limited liability, defaults or other adverse developments that affect the U.S or the international financial systems, may result in market wide liquidity problems which could have a material and adverse impact on our available cash and results of operations;*
- *our business depends on hiring, training, and retaining qualified employees;*
- *availability and cost of qualified physical therapists;*
- *competitive environment in the industrial injury prevention services business, which could result in the termination or non-renewal of contractual service arrangements and other adverse financial consequences for that service line;*
- *our ability to identify and complete acquisitions, and the successful integration of the operations of the acquired businesses;*
- *impact on the business and cash reserves resulting from retirement or resignation of key partners and resulting purchase of their non-controlling interest (minority interests);*
- *maintaining our information technology systems with adequate safeguards to protect against cyber-attacks;*
- *a security breach of our or our third party vendors' information technology systems may subject us to potential legal action and reputational harm and may result in a violation of the Health Insurance Portability and Accountability Act of 1996 of the Health Information Technology for Economic and Clinical Health Act;*
- *maintaining clients for which we perform management, industrial injury prevention related services, and other services, as a breach or termination of those contractual arrangements by such clients could cause operating results to be less than expected;*
- *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 the other sections of this report and our other periodic reports filed with the Securities and Exchange Commission (the "SEC") for more information on these factors. Our forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we are under no obligation to update any forward-looking statement, regardless of the reason the statement may no longer be accurate.

EXECUTIVE SUMMARY

We operate our business through two reportable business segments. Our physical therapy operations consist of physical therapy and occupational therapy clinics that provide pre- and post-operative care and treatment for a variety of orthopedic-related disorders, and sports-related injuries, and rehabilitation of injured workers. Services provided by the industrial injury prevention services ("IIP") segment include onsite services for clients' employees including injury prevention and rehabilitation, performance optimization, post-offer employment testing, functional capacity evaluations and ergonomic assessments. The majority of the IIP services are contracted with and paid for directly by employers, including a number of Fortune 500 companies. IIP services are performed through Industrial Sports Medicine Professionals with specialized training related to the musculoskeletal system.

During the three months ended March 31, 2025, and for the year ended December 31, 2024, we completed the acquisitions of clinic practices and IIP businesses detailed below:

Acquisition	Date	% Interest Acquired	Number of Clinics
February 2025 Acquisition	February 28, 2025	65%	3
November 2024 Acquisition	November 30, 2024	75%	8
October 2024 Acquisition	October 31, 2024	50%	50
August 2024 Acquisition	August 31, 2024	70%	8
April 2024 Acquisition	April 30, 2024	**	*
March 2024 Acquisition	March 29, 2024	50%	9

* *IIP business.*

** *On April 30, 2024, one of our IIP businesses, Briotix Health Limited Partnership, acquired 100% of an IIP business.*

The following table provides a roll forward of our clinic count for the periods presented.

Clinic Count Roll Forward (1)

	Three Months Ended	
	March 31, 2025	March 31, 2024
Number of clinics owned or managed, beginning of period	729	671
Additions (2)	14	14
Closed or sold	(7)	(6)
Number of clinics owned or managed, end of period	736	679

(1) The Company also manages clinics owned by third parties through management contracts. In addition to the clinic count shown above, as of March 31, 2025, the Company managed 37 clinics bringing the total owned/managed clinics to 773. As of March 31, 2024, the Company managed 41 clinics bringing the total owned/managed clinics to 720.

(2) Includes clinics added through acquisitions.

Our strategy is to continue acquiring outpatient physical therapy practices, develop outpatient physical therapy clinics as satellites in existing partnerships, and continue acquiring companies that provide or serve our IIP sector.

Our Board of Directors declared a quarterly dividend of $0.45 per share payable on June 13, 2025, to shareholders of record on May 23, 2025.

On April 30, 2025, we acquired an outpatient home care physical, occupational and speech therapy practice through our 50% owned subsidiary, MSO Metro, LLC ("Metro"). The practice currently generates approximately $2.1 million in annual revenue. Metro acquired an 80% interest in the acquired company with the existing owners retaining a 20% ownership interest.

Regulatory Changes

The following is a discussion of some of the significant healthcare regulatory changes that have affected our financial performance in the periods covered by this report or are likely to affect our financial performance and financial condition in the future. The information below should be read in conjunction with the more detailed discussion of regulations contained in our 2024 Annual Report.

Medicare Reimbursement

The Medicare program reimburses outpatient rehabilitation providers based on the Medicare Physician Fee Schedule ("MPFS"). Outpatient rehabilitation providers may enroll in Medicare as institutional outpatient rehabilitation facilities (i.e., rehab agencies) or individual physical or occupational therapists in private practice. The majority of our clinicians are enrolled as individual physical or occupational therapists in private practice while the remaining balance of providers are reimbursed through enrolled rehab agencies.

For calendar years 2021, 2022 and 2023, Centers for Medicare and Medicaid Services ("CMS") expected decreases in Medicare reimbursement were partially offset by one-time increases in payments as a result of other legislation passed by Congress, resulting in decreases of approximately 3.5%, 0.75% and 2.0% in each of these years, respectively. For January 1 through March 8 of 2024, CMS's final rule resulted in an approximate 3.5% decrease in Medicare payments for the therapy specialty. However, effective as of March 9, 2024, pursuant to the Consolidated Appropriations Act, 2024, Congress minimized the reduction in Medicare payments for therapy services for the balance of 2024, resulting in an approximate 1.8% reduction in Medicare payments for therapy services (rather than the 3.5% decrease). The MPFS for 2025 decreased Medicare reimbursement for therapy services by approximately 2.9% as compared to the reimbursement rates in effect for most of 2024.

In the final 2020 MPFS rule, CMS clarified that when the physical therapist is involved for the entire duration of the service and the physical therapist assistant ("PTA") provides skilled therapy alongside the physical therapist, an identification of the PTA's participation (as denoted by a "CQ modifier") is not required. Also, when the same service (code) is furnished separately by the physical therapist and PTA, CMS applies the de minimis standard to each 15-minute unit of codes, not on the total physical therapist and PTA time of the service. For dates of service on and after January 1, 2022, CMS pays for physical therapy and occupational therapy services provided by PTAs and occupational therapist assistants ("OTAs") at 85% of the otherwise applicable Part B payment amount. CMS allows a timed service to be billed without a CQ (for PTA's) or CO (for OTA's) modifier when a PTA or OTA participates in providing care, but the physical therapist or occupational therapist meets the Medicare billing requirements without including the PTA's or OTA's minutes. This occurs when the physical therapist or occupational therapist provides more minutes than the 15-minute midpoint. The proposed 2025 MPFS final rule does not contain any policy changes concerning the modifiers for services provided by physical therapy and occupational therapist assistants.

RESULTS OF OPERATIONS

Glossary of terms

The defined terms, with their respective descriptions, used in the following discussions are listed below.

- *Mature clinics* are clinics opened or acquired prior to January 1, 2024, and are still operating as of the balance sheet date.
- *Net rate per patient visit* is net patient revenue related to our physical therapy operations divided by total number of patient visits (defined below) during the periods presented.
- *Patient visits* is the number of unique patient visits during the periods presented.
- *Average daily visits per clinic* is patient visits divided by the number of days in which normal business operations were conducted during the periods presented and further divided by the average number of clinics in operation during the periods presented.
- *2025 First Quarter* refers to the three months ended March 31, 2025.
- *2024 First Quarter* refers to the three months ended March 31, 2024.

2025 First Quarter versus 2024 First Quarter

	Three Months Ended				Variance	
	March 31, 2025		March 31, 2024		$	%
	(In thousands, except percentages)					
		(1)		(1)		
Net patient revenue	$ 152,547	83.0%	$ 131,075	84.2%	$ 21,472	16.4%
Other revenue	31,241	17.0%	24,600	15.8%	6,641	27.0%
Net revenue	183,788	100.0%	155,675	100.0%	28,113	18.1%
Operating Cost:						
Salaries and related costs	111,249	60.5%	93,731	60.2%	17,518	18.7%
Rent, supplies, contract labor and other	33,844	18.4%	27,904	17.9%	5,940	21.3%
Depreciation and amortization	5,540	3.0%	3,885	2.5%	1,655	42.6%
Provision for credit losses	1,848	1.0%	1,627	1.0%	221	13.6%
Clinic closure costs - lease and other	242	0.1%	127	0.1%	115	*
Total operating cost	152,723	83.1%	127,274	81.8%	25,449	20.0%
Gross Profit	31,065	16.9%	28,401	18.2%	2,664	9.4%
Gain on change in fair value of contingent earn-out consideration	(4,822)	-2.6%	(612)	-0.4%	(4,210)	687.9%
Corporate office costs	16,245	8.8%	14,085	9.0%	2,160	15.3%
Operating Income	19,642	10.7%	14,928	9.6%	4,714	31.6%
Other (expense) income:						
Interest expense, debt and other	(2,279)	-1.2%	(1,968)	-1.3%	(311)	15.8%
Interest income from investments	24	0.0%	1,543	1.0%	(1,519)	-98.4%
Change in revaluation of put-right liability	(404)	-0.2%	(80)	-0.1%	(324)	405.0%
Equity in earnings of unconsolidated affiliate	393	0.2%	271	0.2%	122	45.0%
Loss on sale of a partnership	(123)	-0.1%	-	0.0%	(123)	*
Other	75	0.0%	62	0.0%	13	21.0%
Total other expense	(2,314)	-1.3%	(172)	-0.1%	(2,142)	1245.3%
Income before taxes	17,328	9.4%	14,756	9.5%	2,572	17.4%
Provision for income taxes	3,860	2.1%	3,139	2.0%	721	23.0%
Net income	13,468	7.3%	11,617	7.5%	1,851	15.9%
Less: Net income attributable to non-controlling interest:						
Redeemable non-controlling interest - temporary equity	(2,012)	-1.1%	(2,227)	-1.4%	215	-9.7%
Non-controlling interest - permanent equity	(1,557)	-0.8%	(1,344)	-0.9%	(213)	15.8%
	(3,569)	-1.9%	(3,571)	-2.3%	2	-0.1%
Net income attributable to USPH shareholders	$ 9,899	5.4%	$ 8,046	5.2%	$ 1,853	23.0%

** Not meaningful*
(1) Represents the percentage of net revenue for the periods presented

Total net revenue for the 2025 First Quarter increased $28.1 million, or 18.1%, to $183.8 million from $155.7 million for the 2024 First Quarter while operating costs increased $25.4 million, or 20.0%, to $152.7 million from $127.3 million over the same periods, respectively. This increase was due to the increase in visits from the 53 net clinics added since the comparable prior year period and an increase in net rate per patient visit.

Net rate per patient visit for the 2025 First Quarter was $105.66, increasing $2.29 per visit from $103.37 for the 2024 First Quarter, despite the approximate 2.9% Medicare rate reduction which went into effect on January 1, 2025. Net rate per patient visit also increased sequentially by $0.93 from $104.73 for the three months ended December 31, 2024. The increase in net rate per patient visit reflects our strategic priority of increasing reimbursement rates through contract negotiations with commercial and other payors as well as growing workers compensation as a percent of our overall mix of business.

Gross profit which included $0.2 million of costs associated with seven clinic closures, in the 2025 First Quarter, was $31.1 million, or 16.9% of net revenue, during the 2025 First Quarter compared to $28.4 million, or 18.2% of net revenue, for the 2024 First Quarter.

Our Net Income was $9.9 million for the 2025 First Quarter compared to $8.0 million in the 2024 First Quarter. In accordance with GAAP, the revaluation of noncontrolling interest, net of taxes, is not included in net income but is charged directly to retained earnings; however, this change is included in the computation of earnings per share. Earnings per share was $0.80 for the 2025 First Quarter compared to $0.46 for the 2024 First Quarter

The following table provides a calculation of earnings per share.

	Three Months Ended	
Earnings per Share	**March 31, 2025**	**March 31, 2024**
	(In thousands, except per share data)	
Computation of earnings per share - USPH shareholders:		
Net income attributable to USPH shareholders	$ 9,899	$ 8,046
Charges to retained earnings:		
Revaluation of redeemable non-controlling interest	2,903	(1,439)
Tax effect at statutory rate (federal and state)	(742)	368
	$ 12,060	$ 6,975
Earnings per share (basic and diluted)	$ 0.80	$ 0.46
Shares used in computation:		
Basic and diluted earnings per share - weighted-average shares	15,132	15,017

Non-GAAP Measures

The following tables provide details of the basic and diluted earnings per share computation and reconcile net income attributable to our shareholders calculated in accordance with GAAP to Adjusted EBITDA and Operating Results. The tables also provide a reconciliation of additional non-GAAP measures to the most comparable GAAP measure. We believe providing Adjusted EBITDA and Operating Results to investors is useful for comparing our period-to-period results as well as for comparing with other similar businesses since most do not have redeemable instruments and therefore have different equity structures. We use Adjusted EBITDA and Operating Results, which eliminate certain items described above that can be subject to volatility and unusual costs, as the principal measures to evaluate and monitor financial performance period over period.

Adjusted EBITDA, a non-GAAP measure, is defined as net income attributable to our shareholders before interest income, interest expense, taxes, depreciation, amortization, change in fair value of contingent earn-out consideration, changes in revaluation of put-right liability, equity-based awards compensation expense, clinic closure costs, business acquisition related costs, costs related to a one-time financial systems upgrade, loss on sale of a partnership and other income and related portions for non-controlling interests.

Operating Results, a non-GAAP measure, equals net income attributable to our shareholders less, changes in revaluation of a put-right liability, clinic closure costs, loss on sale of a partnership, changes in fair value of contingent earn-out consideration, business acquisition related costs, costs related to a one-time financial systems upgrade and any allocations to non-controlling interests, all net of taxes. Operating Results per share also excludes the impact of the revaluation of redeemable non-controlling interest and the associated tax impact.

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

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

	Three Months Ended	
	March 31, 2025	March 31, 2024
	(In thousands, except per share data)	
Adjusted EBITDA (a non-GAAP measure)		
Net income attributable to USPH shareholders	$ 9,899	$ 8,046
Adjustments:		
Provision for income taxes	3,860	3,139
Depreciation and amortization	5,867	4,095
Interest expense, debt and other, net	2,279	1,968
Interest income from investments	(24)	(1,543)
Equity-based awards compensation expense	1,771	1,997
Change in revaluation of put-right liability	404	80
Gain on change in fair value of contingent earn-out consideration	(4,822)	(612)
Clinic closure costs (1)	242	126
Business acquisition related costs (2)	480	-
ERP implementation costs (3)	62	-
Loss on sale of a partnership	123	-
Other loss (income)	(75)	(62)
Allocation to non-controlling interests	(527)	(463)
	$ 19,539	$ 16,771
Operating Results (a non-GAAP measure)		
Net income attributable to USPH shareholders	$ 9,899	$ 8,046
Adjustments:		
Gain on change in fair value of contingent earn-out consideration	(4,822)	(612)
Change in revaluation of put-right liability	404	80
Clinic closure costs (1)	242	126
Business acquisition related costs (2)	480	-
ERP implementation costs (3)	62	-
Loss on sale of a partnership	123	-
Allocation to non-controlling interest	(10)	(16)
Tax effect at statutory rate (federal and state)	935	108
	$ 7,313	$ 7,732
Operating Results per share (a non-GAAP measure)	$ 0.48	$ 0.51

(1) Costs associated with the closure of seven and six clinics during the 2025 First Quarter and the 2024 First Quarter, respectively.
(2) Primarily consists of legal and consulting expenses related to the acquisition of equity interest in certain partnerships.
(3) Consists of costs related to a one-time financial systems upgrade.

A reconciliation of additional non-GAAP measures to the most comparable GAAP measures are presented in the tables below.

	Three Months Ended March 31, 2025		
	As Reported (GAAP)	Adjustments (1)	As Adjusted (Non-GAAP)
	(in thousands, except percentages)		
Segment information - Physical Therapy Operations			
Salaries and related costs, clinics (2)	$ 91,799	$ (75)	$ 91,724
Operating costs, clinics (2)	$ 128,971	$ (75)	$ 128,896
Gross profit	$ 25,468	$ 75	$ 25,543
Gross margin	16.3%	*	16.3%
Number of visits	1,443,805		1,443,805
Salaries and related costs per visit, clinics	$ 63.58	$ (0.05)	$ 63.53
Operating costs per visit, clinics	$ 89.33	$ (0.05)	$ 89.28

(1) Certain incentive costs related to the Metro acquisition. We believe that presenting this information will allow investors to evaluate the performance of the Company's business more objectively.
(2) Excludes costs related to management contracts.
** Not meaningful*

Adjusted EBITDA, a non- GAAP measure, was $19.5 million for the 2025 First Quarter, an increase of $2.8 million, or 16.5%, from $16.8 million in the 2024 First Quarter primarily driven by acquisitions since the prior year period and an increase in net patient revenue per visit.

Operating Results, a non-GAAP measure, was $7.3 million in the 2025 First Quarter compared to $7.7 million in the 2024 First Quarter. On a per share basis, Operating Results was $0.48 in the 2025 First Quarter compared to $0.51 in the 2024 First Quarter.

Physical Therapy Operations

	Three Months Ended		Variance		
	March 31, 2025	March 31, 2024	$	%	
	(In thousands, except percentages)				
Revenue related to:					
Mature Clinics (1)	$ 126,620	$ 128,501	$ (1,881)	(1.5)%	
Clinic additions (2)	25,667	44	25,623	*	(7)
Clinics sold or closed (3)	260	2,530	(2,270)	*	(7)
Net patient revenue	152,547	131,075	21,472	16.4%	
Other (4)	3,861	3,350	511	15.3%	
Total	156,408	134,425	21,983	16.4%	
Operating costs (5)	130,940	110,361	20,579	18.6%	
Gross profit	$ 25,468	$ 24,064	$ 1,404	5.8%	
Financial and operating metrics (not in thousands):					
Net rate per patient visit (1)	$ 105.66	$ 103.37	$ 2.29	2.2%	
Patient visits (1)	1,443,805	1,268,002	175,803	13.9%	
Average daily visits per clinic (1)	31.4	29.5	1.9	6.4%	
Gross margin	16.3%	17.9%			
Salaries and related costs per visit, clinics (6)	$ 63.53	$ 61.42	$ 2.11	3.4%	
Operating costs per visit, clinics (6)	$ 89.28	$ 85.50	$ 3.78	4.4%	

(1) See *Glossary of Terms - Revenue Metrics* for definition.
(2) Includes 14 clinics added during the 2025 First Quarter and 103 added during the year ended December 31, 2024.
(3) Includes 7 clinics closed during the 2025 First Quarter and 45 clinics closed during the year ended December 31, 2024.
(4) Includes revenues from management contracts.
(5) Includes costs from management contracts.
(6) Excludes costs from management contracts and $0.1 million of certain incentive costs related to the Metro acquisition. Please refer to the reconcilliation of non-GAAP measures to the most comparable GAAP measure on page 40.
(7) Not meaningful.

Revenues

Net revenue from physical therapy operations increased $22.0 million, or 16.4%, to $156.4 million for the 2025 First Quarter from $134.4 million for the 2024 First Quarter. This increase was due to the increase in visits from the 53 net clinics added since the comparable prior year period and an increase in net rate per patient visit, which reflects our strategic priority of increasing reimbursement rates through contract negotiations with commercial and other payors as well as growing workers compensation as a percent of our overall mix of business.

Net rate per patient visit for the 2025 First Quarter was $105.66, increasing $2.29 per visit from $103.37 for the 2024 First Quarter, despite the approximate 2.9% Medicare rate reduction which went into effect on January 1, 2025. Net rate per patient visit also increased sequentially by $0.93 from $104.73 for the three months ended December 31, 2024.

Other revenues increased by $0.5 million, or 15.3%, to $3.9 million for the 2025 First Quarter from $3.4 million for the 2024 First Quarter.

Operating costs

Operating costs from physical therapy operations increased $20.6 million, or 18.6%, to $130.9 million in the 2025 First Quarter from $110.4 million in the 2024 First Quarter primarily driven by the 53 net new clinics added since the comparable prior year period.

The total operating costs per visit (excluding management contracts and certain incentive costs related to Metro) was $89.28 compared to $85.50 over the same periods, respectively.

Salaries and related costs, clinics (excluding management contracts) increased to $91.8 million in the 2025 First Quarter from $77.9 million in the 2024 First Quarter, an increase of $13.9 million, or 17.9% mostly due to the net clinics added since the comparable prior year period. Salaries and related costs per visit (excluding management contracts and certain incentive costs related to Metro) increased to $63.53 for the 2025 First Quarter from $61.42 for the 2024 First Quarter.

Rent, supplies, contract labor and other costs, related to clinics (excluding management contracts) increased to $30.1 million in the 2025 First Quarter from $25.1 million in the 2024 First Quarter, an increase of $5.0 million, or 19.9% mostly due to clinic additions. Rent, supplies, contract labor and other per visit (excluding management contracts), related to clinics increased to $24.47 for the 2025 First Quarter from $22.87 for the 2024 First Quarter.

Depreciation and amortization related to physical therapy operations increased to $5.2 million in 2025 First Quarter from $3.8 million in the 2024 First Quarter, an increase of $1.4 million, or 33.5%, primarily due to the larger number of clinics in the 2025 First Quarter compared to the 2024 First Quarter.

The provision for credit losses was $1.8 million for the 2025 First Quarter and $1.6 million for the 2024 First Quarter. As a percentage of net revenues, the provision for credit losses were 1.0% for the same periods.

Gross Profit

Gross profit from physical therapy operations in the 2025 First Quarter was $25.5 million with a gross profit margin of 16.3% compared to $24.1 million with a gross profit margin of 17.9% in the 2024 First Quarter.

Industrial Injury Prevention Services

	Three Months Ended		Variance	
	March 31, 2025	March 31, 2024	$	%
	(In thousands, except percentages)			
Net revenue	$ 27,380	$ 21,250	$ 6,130	28.8%
Operating costs	21,783	16,913	4,870	28.8%
Gross profit	$ 5,597	$ 4,337	$ 1,260	29.1%
Gross margin	20.4%	20.4%		

IIP revenue increased $6.1 million, or 28.8%, to $27.4 million for the 2025 First Quarter as compared to $21.3 million for the 2024 First Quarter. Gross profit from IIP operations in the 2025 First Quarter increased $1.3 million, or 29.1%, to $5.6 million from $4.3 million in the 2024 First Quarter. The gross profit margin from IIP operations was 20.4% in each of the 2025 First Quarter and 2024 First Quarter. Excluding the IIP acquisition made in April 2024, IIP revenue increased by $3.2 million or 15.1% in the 2025 First Quarter and gross profit increased $0.6 million or 13.1% in the 2025 First Quarter over the comparable prior year period.

Corporate Office Costs

Corporate office costs increased to $16.2 million in the 2025 First Quarter from $14.1 million in the 2024 First Quarter. This increase was primarily to support the larger number of clinics as well as expenses related to the integration of our recent acquisitions. As a ratio to net revenue, corporate office costs improved to 8.8% in the 2025 First Quarter compared to 9.0% in the 2024 Fourth Quarter.

Change in fair value of contingent earn-out consideration

We revalued contingent earn-out consideration related to certain acquisitions resulting in a gain of $4.8 million for the 2025 First Quarter compared to a gain of $0.6 million for the 2024 First Quarter.

Operating Income

Operating income was $19.6 million for the 2025 First Quarter compared to $14.9 million for the 2024 First Quarter.

Other (Expenses) Income

Interest Expense, Debt and Other

Interest expense increased by $0.3 million to $2.3 million for the 2025 First Quarter compared to $2.0 million in the 2024 First Quarter due to a higher average outstanding balance on our revolving credit facility in the 2025 First Quarter. The interest rate on our credit facility was 4.9% for the 2025 First Quarter and 4.7% for the 2024 First Quarter, with an all-in effective interest rate, including all associated costs of 5.5% and 5.3% over the same periods, respectively.

Interest income from investment

Interest income was less than $0.1 million during the 2025 First Quarter compared to $1.5 million in the 2024 First Quarter as the cash on the balance sheet at the end of the 2024 First Quarter has been deployed into acquisitions since that time.

Change in revaluation of put-right liability

We recorded an expense of $0.4 million on the revaluation of a put right liability for the 2025 First Quarter compared to an expense of $0.1 million for the 2024 First Quarter. The put right relates to the potential future purchase of a company that provides physical therapy and rehabilitation services to hospitals and other ancillary providers in a distinct market area.

Equity in earnings of unconsolidated affiliate

We recognized an income of $0.4 million for the 2025 First Quarter compared to $0.3 million for the 2024 First Quarter from a joint venture which provides physical therapy services for patients at hospitals. Since we are deemed to not have a controlling interest in the joint venture, our investment is accounted for using the equity method of accounting.

Provision for Income Taxes

The provision for income taxes was $3.9 million in the 2025 First Quarter compared to $3.1 million during the 2024 First Quarter while the effective tax rate was 28.1% in each of the same periods.

	Three Months Ended	
	March 31, 2025	March 31, 2024
	(In thousands, except percentages)	
Income before taxes	$ 17,328	$ 14,756
Less: Net income attributable to non-controlling interest:		
Redeemable non-controlling interest - temporary equity	(2,012)	(2,227)
Non-controlling interest - permanent equity	(1,557)	(1,344)
	$ (3,569)	$ (3,571)
Income before taxes less net income attributable to non-controlling interest	$ 13,759	$ 11,185
Provision for income taxes	$ 3,860	$ 3,139
Effective income tax rate	28.1%	28.1%

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest (temporary and permanent) was $3.6 million in each of the 2025 First Quarter and 2024 First Quarter, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We believe that our business has sufficient cash to allow us to meet our short-term cash requirements. Total cash and cash equivalents were $39.2 million as of March 31, 2025, compared to $41.4 million as of December 31, 2024, and $132.3 million at March 31, 2024. Additionally, we had $164.9 million of outstanding borrowings and $147.0 million in available credit under our credit facilities as of March 31, 2025, compared to $151.6 million of outstanding borrowings and $164.0 million in available credit under our credit facilities as of December 31, 2024.

We believe that our cash and cash equivalents and availability under our Senior Credit Facilities are sufficient to fund the working capital needs of our operating subsidiaries through at least March 31, 2026.

Historically, we have generated sufficient cash from operations to fund our development activities and to cover operational needs. We plan to continue developing new clinics and making acquisitions. We have, from time to time, purchased the non-controlling interests of limited partners in our existing partnerships. We may purchase additional non-controlling interests in the future. Generally, any acquisition or purchase of non-controlling interests is expected to be accomplished using our cash, financing, or a combination of the two.

We make reasonable and appropriate efforts to collect accounts receivable, including applicable deductible and co-payment amounts. Claims are submitted to payors daily, weekly or monthly in accordance with our policy or payor’s requirements. When possible, we submit our claims electronically. The collection process is time-consuming and typically involves the submission of claims to multiple payors whose payment of claims may be dependent upon the payment of another payor. Claims under litigation and vehicular incidents can take a year or longer to collect. Medicare and other payor claims relating to new clinics awaiting CMS approval initially may not be submitted for six months or more. When all reasonable internal collection efforts have been exhausted, accounts are written off prior to sending them to outside collection firms. With managed care, commercial health plans and self-pay payor type receivables, the write-off generally occurs after the account receivable has been outstanding for 120 days or longer. As of March 31, 2025, we have accrued $6.8 million related to credit balances, a portion of which is due to patients and payors.

Cash Flow

A summary of our operating, investing and financing activities is discussed below.

	Three Months Ended	
	March 31, 2025	March 31, 2024
Net cash (used in) provided by operating activities	$ (4,675)	$ 4,419
Net cash (used in) investing activities	(6,628)	(20,464)
Net cash provided by (used in) financing activities	9,124	(4,490)

Operating Activities

Cash used by operating activities was $4.7 million for the 2025 First Quarter as compared to $4.4 million provided by operating activities for the 2024 First Quarter. This decrease in cash provided was mostly due to the timing of payments related to payables and accrued expenses.

Investing Activities

Cash used in investing activities for the 2025 First Quarter totaled $6.6 million and primarily consisted of $5.1 million used in the purchase of interests in businesses and non-controlling interests (temporary and permanent), and $2.6 million of fixed assets purchases. These uses were partially offset by $0.7 million in proceeds from the sale of non-controlling interests (temporary and permanent), and $0.3 million of distributions received from an unconsolidated affiliate.

Financing Activities

Cash provided by financing activities for the 2025 First Quarter totaled $9.1 million and primarily comprised of $17.0 million in proceeds from our Revolving Facility (as defined below) offset by $3.7 million in distributions to non-controlling interests (temporary and permanent) and payments of $4.2 million related to notes payable and the Term Facility.

Senior Credit Facilities

On December 5, 2013, we entered into an Amended and Restated Credit Agreement with a commitment for a $125.0 million revolving credit facility. This agreement was amended and/or restated in August 2015, January 2016, March 2017, November 2017, and January 2021. On June 17, 2022, we entered into the Third Amended and Restated Credit Agreement (the "Credit Agreement") among Bank of America, N.A., as administrative agent ("Administrative Agent") and the lenders from time-to-time party thereto.

The Credit Agreement, which matures on June 17, 2027, provides for loans in an aggregate principal amount of $325 million. Such loans will be available through the following facilities (collectively, the "Senior Credit Facilities"):

1) Revolving Facility: $175 million, five-year, revolving credit facility ("Revolving Facility"), which includes a $12 million sublimit for the issuance of standby letters of credit and a $15 million sublimit for swingline loans (each, a "Swingline Loan").

2) Term Facility: $150 million term loan facility (the "Term Facility"). The Term Facility amortizes in quarterly installments of: (a) 0.625% in each of the first two years, (b) 1.250% in the third and fourth year, and (c) 1.875% in the fifth year of the Credit Agreement. The remaining outstanding principal balance of all term loans is due on the maturity date.

The proceeds of the Revolving Facility have been and shall continue to be used by us for working capital and other general corporate purposes of our Company and its subsidiaries, including to fund future acquisitions and invest in growth opportunities. The proceeds of the Term Facility were used by us to refinance the indebtedness outstanding under the Second Amended and Restated Credit Agreement, to pay fees and expenses incurred in connection with the loan facilities transactions, for working capital and other general corporate purposes.

We are permitted to increase the Revolving Facility and/or add one or more tranches of term loans in an aggregate amount not to exceed the sum of (i) $100 million plus (ii) an unlimited additional amount, provided that (in the case of clause (ii)), after giving effect to such increases, the pro forma Consolidated Leverage Ratio (as defined in the Credit Agreement) would not exceed 2.0:1.0, and the aggregate amount of all incremental increases under the Revolving Facility does not exceed $50,000,000.

The interest rates per annum applicable to the Senior Credit Facilities (other than in respect of Swingline Loans) will be Term SOFR as defined in the agreement plus an applicable margin or, at our option, an alternate base rate plus an applicable margin. Interest is payable at the end of the selected interest period but no less frequently than quarterly and on the date of maturity.

We will also pay to the Administrative Agent, for the account of each lender under the Revolving Facility, a commitment fee equal to the actual daily excess of each lender's commitment over its outstanding credit exposure under the Revolving Facility ("unused fee"). We may prepay and/or repay the revolving loans and the term loans, , in whole or in part, at any time without premium or penalty, subject to certain conditions.

The Credit Agreement contains customary covenants limiting, among other things, the incurrence of additional indebtedness, the creation of liens, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends, and other payments in respect of equity interests, acquisitions, investments, loans and guarantees, subject, in each case, to customary exceptions, thresholds and baskets. The Credit Agreement includes certain financial covenants which include the Consolidated Fixed Charge Coverage Ratio and the Consolidated Leverage Ratio, as defined in the Credit Agreement. The Credit Agreement also contains customary events of default. As of March 31, 2025, we were in compliance with all of the covenants contained in the Credit Agreement.

Our obligations under the Credit Agreement are guaranteed by our wholly owned material domestic subsidiaries (each, a "Guarantor"), and our obligations and any Guarantors are secured by a perfected first priority security interest in substantially all of our existing and future personal property and each Guarantor, subject to certain exceptions.

As of March 31, 2025, $135.9 million (net of unamortized debt issuance costs of $1.0 million) was outstanding on the Term Facility while $28.0 million was outstanding under the Revolving Facility resulting in $147.0 million of credit availability. The interest rate on the Senior Credit Facilities was 4.9% for the 2025 First Quarter and 4.7% for the 2024 First Quarter, with an all-in effective interest rate, including all associated costs, of 5.5% and 5.3% over the same periods, respectively.

Interest Rate Swap

In May 2022, we entered into an interest rate swap agreement, effective on June 30, 2022, with Bank of America, N.A. It has a $150 million notional value adjusted concurrently with scheduled principal payments made on the term loan and has a maturity date of June 30, 2027. Beginning in July 2022, we receive 1-month SOFR, and pay a fixed rate of interest of 2.815% on 1-month SOFR or Bank of America's prime rate on a quarterly basis. The total interest rate in any period also includes an applicable margin based on our consolidated leverage ratio. In connection with the swap, no cash was exchanged between us and the counterparty.

We designated our interest rate swap as a cash flow hedge and structured it to be highly effective. Consequently, unrealized gains and losses related to the fair value of the interest rate swap are recorded to accumulated other comprehensive income (loss), net of tax.

As of March 31, 2025, the fair value of the interest rate swap was $2.4 million, a decrease of $1.0 million, net of a $0.3 million income tax effect, as compared to December 31, 2024. The fair value of the interest rate swap is included in Other assets (current and long term) in our consolidated balance sheet while the decrease in fair value is presented as an unrealized loss in our unaudited consolidated statements of comprehensive income. The interest rate swap arrangement has generated $0.5 million in interest savings for the 2025 First Quarter.

Notes Payable and Deferred Payments Related to Acquisitions

We generally enter into various notes payable as a means of financing our acquisitions. Our present outstanding notes payable primarily relate to the acquisitions of a business or acquisitions of majority interests in such businesses. At March 31, 2025, our remaining outstanding balance on these notes aggregated $2.6 million, of which $1.6 million is payable in 2025, $0.9 million is payable in 2026 and $0.1 is payable in 2027. Notes are generally payable in equal annual installments of principal over two years plus any accrued and unpaid interest. Interest accrues at various interest rates ranging from 4.0% to 8.5% per annum.

On February 28, 2025, we acquired 65% interest in a physical practice with three clinic locations. The prior owners retained a 35% ownership interest. The purchase price for the 65% interest was approximately $3.8 million which was paid in cash. As part of this transaction, we agreed to additional consideration if future operational objectives are met. The maximum amount of additional contingent consideration due under this agreement is $1.3 million. The contingent consideration is valued at $1.3 million as of March 31, 2025.

On November 30, 2024, we acquired a 75% equity interest in an eight-clinic physical therapy practice. The owner of the practice retained 25% of the equity interests. The purchase price for the 75% equity interest was approximately $15.9 million, of which $15.7 million was paid in cash, and $0.2 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and interest is payable in one installment which is due on December 1, 2026.

On October 31, 2024, we acquired a 50% interest in MSO Metro, LLC ("Metro") pursuant to a Equity Interest Purchase Agreement (the "Purchase Agreement") dated October 7, 2024 among U.S. Physical Therapy, Ltd. (a subsidiary of the Company), Metro, the members of Metro, and Michael G. Mayrsohn, as Sellers' Representative. We also became the managing member of Metro. We paid a purchase price of approximately $76.5 million, $75.0 million of which was funded by our cash on hand and the remaining $1.5 million through the issuance of 18,358 shares of the Company's common stock based on a trailing five-day average as of the day immediately prior to closing. The shares of the Company's common stock were issued in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act. The Purchase Agreement also included an earnout where the sellers can earn up to $20.0 million of additional consideration if certain performance criteria relating to the Metro business are achieved. The value of the contingent consideration at March 31, 2025 was $7.4 million.

On August 31, 2024, we acquired a 70% equity interest in an eight-clinic practice physical therapy and the original practice owners retained a 30% equity interest. The purchase price for the 70% equity interest was approximately $2.0 million. As part of the transaction, we agreed to additional contingent consideration if future operational and financial objectives are met. The maximum amount of additional contingent consideration due under this agreement is $3.6 million. The contingent consideration was valued at $2.1 million on March 31, 2025.

On April 30, 2024, we acquired 100% of an IIP business through one of its primary IIP businesses, Briotix Health Limited Partnership, for a purchase price of approximately $24.0 million, of which $0.5 million was in the form of a note payable. The note accrues interest at 5.0% per annum and the principal and the interest are payable in May 2025. As part of the transaction, we agreed to additional contingent consideration if future operational objectives are met by the business. The maximum amount of additional contingent consideration due under this agreement is $10.0 million. The contingent consideration was valued at $2.0 million as of March 31, 2025.

On March 29, 2024, we acquired a 50% equity interest in a nine-clinic physical therapy and hand therapy practice. The original owners of the practice retained the remaining 50%. The purchase price for the 50% equity interest was approximately $16.4 million, of which $0.5 million was in the form of a note payable. The note accrues interest at 4.5% per annum and the principal and the interest are payable on March 29, 2026. As part of the transaction, we agreed to additional contingent consideration if future operational and financial objectives are met. There is no maximum payout. The contingent consideration was valued at $0.8 million on March 31, 2025.

Redeemable Non-Controlling Interest

Certain limited partnership agreements and limited liability company agreements, as amended, provide that, upon the triggering events, we have a call right and the selling entity or individual has a put right for the purchase and sale of the limited partnership interest held by the partner. Once 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 terms of the respective agreements and classified as redeemable non-controlling interest (temporary equity) in our consolidated balance sheets. The fair value of the redeemable non-controlling interests on March 31, 2025, was $260.0 million.

In the event that a limited non-controlling partner's employment ceases at any time after a specified date that is typically between three and five years from the acquisition date, we have agreed to certain contractual provisions which enable such minority partners to exercise their right to trigger our repurchase of that partner's non-controlling interest at a predetermined multiple of earnings before interest and taxes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We maintain an interest rate swap arrangement which is considered a derivative instrument. Our indebtedness as of March 31, 2025, was the outstanding balance of seller notes from our acquisitions of $2.6 million, and an outstanding balance on our term note related to the Credit Agreement of $164.9 million. The Revolving Facility within our Credit Facilities has a balance of $28.0 million as of March 31, 2025, and is subject to fluctuating interest rates. A 1% change in the interest rate would yield an additional $0.1 million of interest expense. A 1% change in the interest rate would yield $0.3 million in interest expense on the Credit Facilities because of the interest rate swap described above. See Note 9 to our consolidated financial statements included in Item 1.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company’s management completed an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded (i) that our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure and (ii) that our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are a party to various legal actions, proceedings, and claims (some of which are not insured), and regulatory and other governmental audits and investigations in the ordinary course of our business. We cannot predict the ultimate outcome of pending litigation, proceedings, and regulatory and other governmental audits and investigations. These matters could potentially subject us to sanctions, damages, recoupments, fines, and other penalties. The Department of Justice, CMS, or other federal and state enforcement and regulatory agencies may conduct additional investigations related to our businesses in the future that may, either individually or in the aggregate, have a material adverse effect on our business, financial position, results of operations, and liquidity.

Healthcare providers are subject to lawsuits under the qui tam provisions of the federal False Claims Act. Qui tam lawsuits typically remain under seal for some time while the government decides whether or not to intervene on behalf of a private qui tam plaintiff (known as a relator) and take the lead in the litigation. These lawsuits can involve significant monetary damages and penalties and award bounties to private plaintiffs who successfully bring the suits. We have been a defendant in these cases in the past and may be named as a defendant in similar cases from time to time in the future.

ITEM 5. OTHER INFORMATION.

Rule 105b-1 Trading Plans

The Company's directors and executive officers do not currently have 10b5-1plans. During the three months ended March 31, 2025, none of our directors or executive officers adopted or terminated or any contract, instruction, or written plan for the purchase or sale of our securities to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

On September 16, 2024, the Company entered into an amendment to the Credit Agreement in connection with the acquisition of a 50% interest in MSO Metro, LLC ("Metro") pursuant to the Equity Interest Purchase Agreement" dated October 7, 2024 among U.S. Physical Therapy, Ltd. (a subsidiary of the Company), Metro, the members of Metro, and Michael G. Mayrsohn, as Sellers' Representative. Pursuant to the amendment, the lenders consented to the Metro acquisition exceeding certain covenant thresholds regarding total acquisition consideration.

ITEM 6. EXHIBITS.

Exhibit Number	Description
19.1*	U.S. Physical Therapy, Inc. Insider Trading Policy
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32*	Certification Pursuant to 18 U.S.C 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	U. S. Physical Therapy, Inc. Objective Long-Term Incentive Plan for Senior Management for 2025, effective March 26, 2025. [incorporated by reference to Exhibit 99.1 on the Company's Current Report on Form 8-K filed with the SEC on March 28, 2025.]
99.2	U. S. Physical Therapy, Inc. Discretionary Long-Term Incentive Plan for Senior Management for 2025, effective March 26, 2025. [incorporated by reference to Exhibit 99.2 on the Company's Current Report on Form 8-K filed with the SEC on March 28, 2025.]
99.3	U. S. Physical Therapy, Inc. Objective Cash/RSA Bonus Plan for Senior Management for 2025, effective March 26, 2025. [incorporated by reference to Exhibit 99.3 on the Company's Current Report on Form 8-K filed with the SEC on March 28, 2025.]
99.4	U. S. Physical Therapy, Inc. Discretionary Cash/RSA Bonus Plan for Senior Management for 2025, effective March 26, 2025. [incorporated by reference to Exhibit 99.4 on the Company's Current Report on Form 8-K filed with the SEC on March 28, 2025.]
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith

** Management contract or compensatory arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

U.S. PHYSICAL THERAPY, INC.

Date: May 9, 2025

By: /s/ Carey Hendrickson

Carey Hendrickson
Chief Financial Officer
(Principal financial and accounting officer)

Exhibit 19.1

U. S. PHYSICAL THERAPY, INC

November 1, 2021

TO: **All Employees, Officers and Directors**

FROM: **Chief Financial Officer and General Counsel**

SUBJECT: **U. S. Physical Therapy, Inc. Insider Trading Policy**

Background

The board of directors of U. S. Physical Therapy, Inc. (the "Company") has adopted the Company's Insider Trading Policy for directors, officers and employees of the Company and/or its direct and indirect subsidiaries, partnerships, ventures or other business associations that are effectively controlled by the Company, either directly or indirectly (collectively, also herein referred to as the "Company"), with respect to the trading of the Company's securities, as well as the securities of publicly traded companies with whom we have a business relationship.

Federal and state securities laws prohibit the purchase or sale of a company's securities by persons who are aware of material information about that company that is not generally known or available to the public. These laws also prohibit persons who are aware of such material nonpublic information from disclosing this information to others.

It is important that you understand the breadth of activities that constitute illegal insider trading and the consequences, which can be severe. Both the U.S. Securities and Exchange Commission and U.S. Department of Justice vigorously investigate, enforce and prosecute insider trading violations.

This policy is designed to prevent insider trading or allegations of insider trading, and to protect the Company's reputation for integrity and ethical conduct. It is your obligation to understand and comply with this policy. Should you have any questions regarding this policy, please contact Carey Hendrickson, the Company's Chief Financial Officer, at telephone number (713) 297-7021.

Penalties for Noncompliance

Civil and Criminal Penalties. Potential penalties for insider trading violations include (1) imprisonment for up to 20 years, (2) criminal fines of up to $5 million, and (3) civil fines of up to three times the profit gained or loss avoided.

Controlling Person Liability. If the Company fails to take appropriate steps to prevent illegal insider trading, the Company may have ''controlling person'' liability for a trading violation, with civil penalties of up to the greater of $1 million and three times the profit gained or loss avoided, as well as a criminal penalty of up to $25 million. The civil penalties can extend personal liability to the Company's directors, officers and other supervisory personnel under certain conditions.

Company Sanctions. Failure to comply with this policy may also subject you to Company-imposed disciplinary measures, including dismissal for cause, whether or not your failure to comply with this policy results in a violation of law.

Definition of Material Nonpublic Information

Note that inside information has two important elements--materiality and public availability.

Material Information. Information is material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, hold or sell a security or if it is likely to have a significant effect on the market price of a security. Both positive and negative information can be material and can relate to virtually any aspect of a company's business or to any type of security. Information may be material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publicly available information. Common examples of material information are:

- Unpublished operating or financial results and projections of future financial results of the Company to the extent they deviate significantly from expectations of the investment community.
- A pending or proposed merger, significant acquisition or disposition of significant assets or any other pending or proposed transaction.
- A change in senior management.
- Major events regarding the Company's securities, including the declaration of a first-time or special dividend, stock split, stock redemption or repurchase program, or the offering of additional debt or equity securities.
- Significant expansion or reduction of operations.
- Initiation, suspension, termination or material change in dividend rates.
- Effect of regulatory or legislative action.
- Plans for substantial capital investment differing significantly from past expenditures.
- Substantial write-downs of assets.
- Actual or threatened major litigation, or the resolution of such litigation.
- New major contracts, services or finance sources, or the loss thereof.

The above list is only illustrative. Many other types of information may be considered "material" depending on the circumstances. The materiality of particular information is subject to reassessment on a regular basis. The public, the media and the courts may use hindsight in judging what is material.

Nonpublic Information. Nonpublic information is information that is not generally known or available to the public. One common misconception is that material information loses its "nonpublic" status as soon as a press release is issued disclosing the information. In fact, information is considered to be available to the public only when it has been released broadly to the marketplace (such as by a press release or an SEC filing) *and the investing public has had time to absorb the information fully*. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. As a general rule, information is considered nonpublic until the end of the two full trading days after the information is released. For example, if the Company makes an announcement of material nonpublic information before trading begins on a Tuesday, the first time you can buy or sell Company securities is the opening of the market on Thursday (assuming you are not aware of other material nonpublic information at that time).

Scope of Policy

Persons Covered. As a director, officer or employee of the Company, this policy applies to you. The same restrictions that apply to you apply to (i) your family members who reside with you, anyone else who lives in your household and any family members who do not live in your household but whose transactions in Company securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in Company securities), (ii) partnerships in which you are a general partner, (iii) trusts of which you are a trustee, (iv) estates of which you are an executor and (v) other equivalent legal entities that you control. You are responsible for making sure that the purchase or sale of any security covered by this policy by any such person complies with this policy.

Companies Covered. The prohibition on insider trading in this policy is not limited to trading in the Company's securities. It includes trading in the securities of other firms, such as vendors and customers of the Company and those with which members of the Company may be negotiating major transactions, such as an acquisition, investment or sale. Information that is not material to the Company may nevertheless be material to one of those other firms.

Transactions Covered. Trading includes purchases and sales of stock, derivative securities such as put and call options and convertible debentures or preferred stock, and debt securities (debentures, bonds and notes). This policy's trading restrictions generally do not apply to the exercise of a stock option. The trading restrictions do apply, however, to any sale of the underlying stock or to a cashless exercise of the option through a broker, as this entails selling a portion of the underlying stock to cover the costs of exercise. Loans, pledges, gifts, charitable donations and other contributions of Company securities are also subject to this policy.

Statement of Policy

No Trading on Inside Information. You may not trade in the securities of the Company, directly or through family members or other persons or entities, if you are aware of material nonpublic information relating to the Company. Similarly, you may not trade in the securities of any other company if you are aware of material nonpublic information about that company which you obtained in the course of your employment with the Company.

No Tipping. You may not pass material nonpublic information on to others or recommend to anyone the purchase or sale of any securities when you are aware of such information. This practice, known as "tipping," also violates the securities laws and can result in the same civil and criminal penalties that apply to insider trading, even though you did not trade and did not gain any benefit from another's trading. Tippees also inherit your duties and are liable for trading on material, nonpublic information illegally tipped to them by an insider. Similarly, just as you are liable for the insider trading of a tippee, so are tippees who pass the information along to others who trade.

Blackout and Pre-Clearance Procedures. To help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of trading on the basis of inside information, the Company's board of directors has adopted an Addendum to Insider Trading Policy that applies to directors, executive officers subject to Section 16 of the Securities Exchange Act of 1934 ("executive officers"), and certain designated employees of the Company who have access to material nonpublic information about the Company. The Company will notify you if you are subject to the addendum.

The addendum generally prohibits covered persons from trading in the Company's securities during quarterly blackout periods. The quarterly blackout periods begin two weeks prior to the end of the calendar quarter, and the blackout periods end after two full trading days have transpired following the release of the Company's earnings for that quarter. The addendum also prohibits persons from trading in the Company's securities during certain event-specific blackouts. Directors, executive officers and certain designated employees also must pre-clear all transactions in the Company's securities.

Additional Guidance

The Company considers it improper and inappropriate for those employed by or associated with the Company to engage in short-term or speculative transactions in the Company's securities or in other transactions in the Company's securities that may lead to inadvertent violations of the insider trading laws. Accordingly, your trading in Company securities is subject to the following additional guidance.

Short Sales. You may not engage in short sales of the Company's securities (sales of securities that are not then owned), including a "sale against the box" (a sale with delayed delivery).

Publicly Traded Options. You may not engage in transactions in publicly traded options, such as puts, calls and other derivative securities of the Company.

Standing Orders. Standing orders should be used only for a very brief period of time. A standing order placed with a broker to sell or purchase stock at a specified price leaves you with no control over the timing of the transaction. A standing order transaction executed by the broker when you are aware of material nonpublic information may result in unlawful insider trading.

Margin Accounts and Pledges. Securities held in a margin account or pledged as collateral for a loan may be sold without your consent by the broker if you fail to meet a margin call or by the lender in foreclosure if you default on the loan. A margin or foreclosure sale that occurs when you are aware of material nonpublic information may, under some circumstances, result in unlawful insider trading. As a result, it would be best if you did not hold Company securities in a margin account or pledge Company securities as collateral for a loan.

Post-Termination Transactions

This policy continues to apply to your transactions in Company securities even after you have terminated employment or other services to a member of the Company as follows: if you are aware of material nonpublic information when your employment or service relationship terminates, you may not trade in Company securities until that information has become public or is no longer material. In all other respects, the procedures set forth in this policy will cease to apply to your transactions in Company securities upon the expiration of any "blackout period" that is applicable to your transactions at the time of your termination of employment or services. You should contact the Company if there is any question as to whether information regarding the Company or another company with which the Company has dealings is material or has been adequately disclosed to the public.

Unauthorized Disclosure

Maintaining the confidentiality of Company information is essential for competitive, security and other business reasons, as well as to comply with securities laws. You should treat all information you learn about the Company or its business plans in connection with your employment as confidential and proprietary to the Company. Until it has been released publicly by the Company, material, nonpublic information must not be disclosed to anyone except the persons within the Company or third party agents of the Company (such as investment banking advisors, outside legal counsel and independent accountants) whose positions require them to know such information. Inadvertent disclosure of confidential or inside information may expose the Company and you to significant risk of investigation and litigation.

The timing and nature of the Company's disclosure of material information to outsiders is subject to legal rules, the breach of which could result in substantial liability to you, the Company and its management. Accordingly, it is important that responses to inquiries about the Company by the media, investment analysts or others in the financial community (including Company public shareholders) be made on the Company's behalf only through authorized individuals.

Unless you are expressly authorized to the contrary, if you receive any inquiries involving the Company from the media, investment analysts or others in the financial community (including Company public shareholders), you should decline comment and refer the inquirer to the Company's Chief Executive Officer or Chief Financial Officer.

Personal Responsibility

You should remember that the ultimate responsibility for adhering to this policy and avoiding improper trading rests with you. If you violate this policy, the Company may take disciplinary action up to and including dismissal for cause.

Company Assistance

Your compliance with this policy is important both for you and for the Company. If you have any questions about this policy or its application to any proposed transaction, you may obtain additional guidance from Carey Hendrickson, the Company's Chief Financial Officer, at telephone number (713) 297-7021. Do not try to resolve uncertainties on your own as the rules relating to insider trading are often complex, not always intuitive and carry severe consequences.

U. S. PHYSICAL THERAPY, INC.

November 1, 2021

TO: Directors, Executive Officers and Designated Employees and Consultants

FROM: Chief Financial Officer and General Counsel

RE: Addendum to Insider Trading Policy—Pre-Clearance and Blackout Procedures

To help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of trading on inside information, the board of directors of U. S. Physical Therapy, Inc. (the "Company") previously adopted the Company's Insider Trading Policy. This addendum applies to directors, executive officers subject to Section 16 of the Securities Exchange Act of 1934 ("executive officers") and certain designated employees of the Company ("covered persons") who have access to material nonpublic information about the Company and its direct and indirect subsidiaries (collectively, the "Company Group"). This addendum is in addition to and supplements the Company's Insider Trading Policy.

Directors and executive officers are also subject to additional procedures designed to address the two-day Form 4 filing requirement under Section 16.

Pre-Clearance Procedures

The Company's directors, executive officers and covered persons are subject to the following pre-clearance procedures.

Directors, executive officers and covered persons, together with their family members and other members of their household, may not engage in any transaction involving the Company's securities (including a stock plan transaction such as an option exercise or a gift, loan, pledge or hedge, contribution to a trust or any other transfer) without first obtaining pre-clearance of the transaction from the Company's Chief Financial Officer (the "compliance officer") or his/her designee. A request for pre-clearance should be submitted to the compliance officer at least one business day in advance of the proposed transaction, and shall be submitted in writing. The compliance officer is under no obligation to approve a trade submitted for pre-clearance, and may determine not to permit the trade. The compliance officer may not trade in Company securities unless the Chief Executive Officer or General Counsel has approved the trade(s) in accordance with the procedures set forth in this addendum. Clearance of a transaction is valid only for five business days. If the transaction order is not placed within that five business day period, clearance of the transaction must be re-requested. If clearance is denied, the fact of such denial must be kept confidential by the person requesting such clearance.

Blackout Procedures

All directors, executive officers and covered persons are subject to the following blackout procedures.

Quarterly Blackout Periods. The Company's announcement of its quarterly financial results has the potential to have a material effect on the market for the Company's securities. Therefore, to avoid even the appearance of trading on the basis of material nonpublic information, you may not trade in the Company's securities during the designated quarterly blackout periods. The quarterly blackout periods begin two weeks prior to the end of the calendar quarter, and the blackout periods end after two full trading days have transpired following the release of the Company's earnings for that quarter. Persons subject to these quarterly blackout periods include directors, executive officers (as defined above) and all other persons who are informed by the compliance officer that they are subject to the quarterly blackout periods.

Interim Earnings Guidance and Event-Specific Blackouts. The Company may on occasion issue earnings guidance or other potentially material information by means of a press release, SEC filing on Form 8-K or other means designed to achieve widespread dissemination of the information. You should anticipate that trading may be blacked out while the Company is in the process of assembling the information to be released and until the information has been released and fully absorbed by the market.

From time to time, an event may occur that is material to the Company and is known by only a few directors, executives, other Company employees, or certain of the Company's agents or consultants. So long as the event remains material and nonpublic, the persons who are aware of the event, as well as other persons covered by the quarterly earnings blackout procedures, may not trade in the Company's securities. The existence of an event-specific blackout may not be announced, other than to those who are aware of the event giving rise to the blackout. If, however, a person whose trades are subject to pre-clearance requests permission to trade in the Company's securities during an event-specific blackout, the compliance officer will inform the requesting person of the existence of a blackout period. Any person made aware of the existence of an event-specific blackout should not disclose the existence of the blackout to any other person. The failure of the compliance officer to designate a person as being subject to an event-specific blackout will not relieve that person of the obligation not to trade while aware of material nonpublic information.

Directors and executive officers may also be subject to event-specific blackouts pursuant to the SEC's Regulation Blackout Trading Restriction, which prohibits certain sales and other transfers by insiders during certain pension plan blackout periods.

Even if a blackout period is not in effect, at no time may you trade in Company securities if you are aware of material nonpublic information about the Company.

Exception for Approved 10b5-1 Plans

Trades by directors, executive officers or covered persons in the Company's securities that are executed pursuant to an approved 10b5-1 plan are not subject to the prohibition on trading on the basis of material nonpublic information contained in the Insider Trading Policy or to the restrictions set forth above relating to pre-clearance procedures and blackout periods.

Rule 10b5-1 provides an affirmative defense from insider trading liability under the federal securities laws for trading plans that meet certain requirements. In general, a 10b5-1 plan must be entered into before you are aware of material nonpublic information. Once the plan is adopted, you must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify (including by formula) the amount, pricing and timing of transactions in advance or delegate discretion on those matters to an independent third party.

The Company requires that all 10b5-1 plans be approved in writing in advance by the compliance officer. 10b5-1 plans generally may not be adopted during a blackout period and may only be adopted when the person adopting the plan is not aware of material nonpublic information.

Hedging Transactions

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, involve the establishment of a short position in the Company's securities and limit or eliminate your ability to profit from an increase in the value of the Company's securities. Therefore, you are prohibited from engaging in any hedging or monetization transactions involving the Company's securities.

Company Assistance

Your compliance with this addendum and the Company's Insider Trading Policy is important both for you and for the Company. If you have any questions about this addendum, the Insider Trading Policy or their application to any proposed transaction, you may obtain additional guidance from the compliance officer.

Certification

All directors, officers and other employees and consultants subject to the procedures set forth in this addendum must certify their understanding of, and intent to comply with, the Company's Insider Trading Policy and this addendum on the form attached to this addendum.

This addendum is dated November 1, 2021, and supersedes any previous policy of the Company concerning insider trading restrictions applicable to directors, executive officers and covered persons.

U. S. PHYSICAL THERAPY, INC.

ADDENDUM TO INSIDER TRADING POLICY REGARDING PRECLEARANCE AND BLACKOUT PROCEDURES

CERTIFICATION

To **U. S. Physical Therapy, Inc.**:

I, ____________________ (name), have received and read a copy of the Insider Trading Policy dated November 1, 2021, and the Addendum to Insider Trading Policy dated November 1, 2021, regarding pre-clearance and blackout procedures. I hereby agree to comply with the specific requirements of the policy and the addendum during my employment or other service relationship with **U. S. Physical Therapy, Inc**. I understand that my failure to comply with the policy and the addendum is a basis for termination for cause of my employment or other service relationship with **U. S. Physical Therapy, Inc**.

____
(Signature)

____
(Date)

EXHIBIT 31.1
CERTIFICATION

I, Christopher Reading, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Physical Therapy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christopher Reading
Christopher Reading
Chief Executive Officer
(Principal executive officer)

Date: May 9, 2025

EXHIBIT 31.2
CERTIFICATION

I, Carey Hendrickson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Physical Therapy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Carey Hendrickson
Carey Hendrickson
Chief Financial Officer
(Principal financial and accounting officer)

Date: May 9, 2025

EXHIBIT 32
CERTIFICATION OF PERIODIC REPORT

In connection with the Quarterly Report of U.S. Physical Therapy, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Reading, President and Chief Executive Officer of the Company, and Carey Hendrickson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2025

/s/ Christopher J. Reading
Christopher J. Reading
Chief Executive Officer

/s/ Carey Hendrickson
Carey Hendrickson
Chief Financial Officer

This certification is made solely pursuant to the requirement of Section 1350 of 18 U.S.C. and is not for any other purpose. A signed original of this written statement required by Section 906 has been provided to U. S. Physical Therapy, Inc. and will be retained by U. S. Physical Therapy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.